

March 20, 2007

## **New Financial Assurance Requirements**

Effective January 1, 2008, a state or fee well inactive for more than two years and not plugged and released must be covered by a single well financial assurance, **even if the well is covered by a blanket financial assurance**. See Rule 101.B [19.15.3.101.B NMAC]. To view the full text of the rule, go to the Division's website, [www.emnrd.state.nm.us/ocd](http://www.emnrd.state.nm.us/ocd), click on "Rules," then click on "To Access our Rules" (selecting either the PDF format or the "word" format), scroll down the index and click on Rule 101, "Financial Assurance for Well Plugging."

Note that the single well financial assurance requirement **applies to wells on approved temporary abandonment status, wells covered by an inactive well agreed compliance order, and wells with a plugged wellbore if the site has not been released in accordance with Rule 202 [19.15.4.202 NMAC]**. The Division may waive the single well financial assurance requirement for a well that is shut in because it lacks a pipeline connection. The single well financial assurance requirement does not apply to federal wells.

The amount required for a single well financial assurance also increased, effective December 15, 2005. For wells in Chaves, Eddy, Lea, McKinley, Rio Arriba, Roosevelt, Sandoval and San Juan counties, the amount is \$5,000 plus \$1 per foot of projected depth of a proposed well or measured depth of an existing well. For all other counties the amount is \$10,000 plus \$1 per foot of depth. See Rule 101.C(2) [19.15.3.101.C(2) NMAC]. Operators who have single well financial assurances in place should check to make sure the amounts meet current requirements.

By September 2007 the Division intends to post a financial assurance report on its website under "E-Permitting" that will show which wells are subject to the new requirements, when those wells will be inactive for two years (and therefore subject to the single well financial assurance requirement), the amount of the single well financial assurance, whether the financial assurance has been posted, and whether the operator is in violation of Rule 101.B. The information in the report will be updated daily.

The attached file is a preview of the information that will be available in the online financial assurance report. Unlike the online report that will be posted in September, which will be updated daily, the attached file covers only your wells and is a "snapshot" of information available on a specific date: March 15, 2007. The attached file is provided to help you become familiar with the format that will be used in the online report, and to help you review the status of your wells before the online report becomes available in September.

*C W Trainer  
Case 14103*

*OCD Exhibit No. 17*

- The “Last Prod/Inj” column shows the month for which the well last reported production or injection. The online report will recalculate the date each time new production or injection is reported for the well.
- The “Inactive Additional Bond Due” column contains a date if the well is subject to the new financial assurance requirements. The date listed is two years from the last reported production or injection, i.e., the date a single well financial assurance will be required for the well if it is not plugged and released and no further production or injection is reported. The online report will re-calculate the date each time new production or injection is reported for the well.
- The “Depth” column shows the measured depth of the well, which is used for calculating the amount of the single well financial assurance. If the Division does not know the measured depth, the true vertical depth is shown. If neither depth is available, the depth is listed as “unknown.” (You will need to provide the measured depth. See “Enter Depth,” below.)
- The “Bond Amount” column calculates the dollar amount of the financial assurance for the well, based on the depth of the well and the county in which it is located.
- The “Bond Required 1-1-08” column shows a “Y” if the well will require a single well financial assurance when the new requirements take effect on January 1, 2008 (if the well is not plugged and released or returned to production or injection by that date).
- The “Bond in Place” column shows a “Y” if the well is covered by a single well financial assurance meeting current requirements.
- The “Enter Depth” column shows an underscore if the depth for the well is unknown. **Please write the measured depth next to the well on the hard copy of the list and send it to Dorothy Phillips, FAX 505 476-3462, so we can update our records.**

For further information, please contact Financial Assurance Administrator Dorothy Phillips, (505) 476-3461, [dorothy.phillips@state.nm.us](mailto:dorothy.phillips@state.nm.us).

**This notice is being sent to each operator’s address of record as shown in Division records. If you wish Division notices to your company to be sent to a different address, please change your address of record by going to the Division’s website, [www.emnrd.state.nm.us/ocd](http://www.emnrd.state.nm.us/ocd), “OCD Online”, “E- Permitting.” From this screen you can obtain a user id or sign on if you have a user id, then go to Administration, then Modify/Update Address and Contact Information.**

**Rule 101.C [19.15.3.101.C NMAC] requires Operators to keep the Division informed of their current address of record and emergency contact information.**