

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

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OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF
THE OIL CONSERVATION DIVISION FOR AN
ORDER AMENDING RULE 0.1 AND REPEALING THE RULES 201,
202, 203 AND 204 AND ADOPTING NEW RULES 201,
202, 203 AND 204.

Case 9949

The Oil Conservation Division of the New Mexico Department of Energy, Minerals and Natural Resources applies to the New Mexico Oil Conservation Commission for an order amending Rule 0.1 by amending and adding certain definitions and repealing existing Rules 201, 202, 203 and 204 and adopting new rules 201, 202, 203 and 204 of the General Rules and Regulations of the Oil Conservation Division. The specific changes requested are as follows:

(1) Amend Rule 0.1 - Definitions - by amending the definition of TEMPORARY ABANDONMENT and adding the definition of INACTIVE WELL and SHUT-IN WELL, all as shown as Exhibit 1 attached hereto and made part hereof;

(2) Repeal in their entirety existing Rules 201, 202, 203 and 204 of the Rules and Regulations of the Division;

(3) Adopt new Rule 201 as set forth in Exhibit 2 attached hereto and incorporated herein;

(4) Adopt a new Rule 202 as set forth in Exhibit 3 attached hereto and incorporated herein;

(5) Adopt a new Rule 203 as set forth in Exhibit 4 attached hereto and incorporated herein; and

(6) Adopt a new Rule 204 as shown in Exhibit 5 attached hereto and incorporated herein.

The Division further requests that Oil Conservation Commission set this matter to hearing in order that oral and written comments and evidence may be taken on the action requested herein.

Respectfully submitted,

NEW MEXICO OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read "Robert G. Stovall". The signature is written in a cursive style with a large, sweeping initial "R".

Robert G. Stovall
General Counsel
P. O. Box 2088
Santa Fe, New Mexico 87504
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EXHIBIT 1

Amend RULE 0.1 DEFINITIONS by:

1. amending the following definition:

TEMPORARY ABANDONMENT shall be the status of a well which is inactive and has been approved for temporary abandonment in accordance with the provisions of these rules.

2. adding the following definitions:

INACTIVE WELL shall be a well which is not being utilized for beneficial purposes such as production, injection or monitoring and which is not being drilled completed, repaired or worked over.

SHUT-IN WELL shall mean a production well which is capable of production but is not currently producing, or an injection well which is not currently being used for injection. Wells with no production or injection volumes for a given reporting period shall be reported as shut-in on the appropriate report filed with the Division.

EXHIBIT 2

Adopt a new RULE 201. as follows:

RULE 201. WELLS TO BE PROPERLY ABANDONED

A. The operator of any well drilled for oil, gas or injection; for seismic, core or other exploration, or for a service well, whether cased or uncased, shall be responsible for the plugging thereof.

B. When drilling operations have been suspended on any well for sixty (60) days or when a well is not longer usable for beneficial purposes or when a well has been continuously inactive for one (1) year, such well shall be either properly plugged and abandoned or temporarily abandoned in accordance with these rules within ninety (90) days thereafter.

EXHIBIT 3

Adopt a new Rule 202 as follows:

RULE 202. PLUGGING AND PERMANENT ABANDONMENT

A. Notice of Plugging.

Notice of intention to plug must be filed with the Division on Form C-103, Sundry Notices and Reports on Wells, by the operator prior to the commencement of plugging operations, which notice must provide all of the information requested on said form, including operator and well identification and proposed procedures for plugging said well. In the case of a newly completed dry hole, the operator may commence plugging operations with the verbal approval by the appropriate District Supervisor or his representative of the method of plugging and time operations are to begin. Written notice in accordance with this rule shall be filed within the Division ten (10) days after such verbal approval has been given.

B. Plugging.

1. Before any well is abandoned, it shall be plugged in a manner which will permanently confine all oil, gas and water in the separate strata in which they are originally found. This may be accomplished by using mud-laden fluid, cement and plugs singly or in combination as approved by the Division on the notice of intention to plug.

2. The operator shall mark the exact location of plugged and abandoned well with a steel marker not less than four inches (4") in diameter set in cement and extending at least four feet (4') above mean ground level. The lease name and well number and location, including unit letter, section township and range, shall be welded, stamped or otherwise permanently engraved

into the metal of the marker.

3. As soon as practical after the completion of plugging operations, the operator shall:

- a. fill all pits;
- b. level the location;
- c. remove deadmen and all other junk; and
- d. take such other measures as are necessary or required by the Division to restore the location to a reasonably natural condition.

4. Upon completion of plugging and restoration operations, the operator shall contact the appropriate district office to arrange for an inspection of the well and location.

C. Reports.

1. The operator shall file Form C-105, Well Completion or Recompletion Report and Log as provided in Rule 1105.

2. Within thirty (30) days after completing all required restoration work, the operator shall file with the Division, in triplicate, a record of the work done on form C-103 as provided in Rule 1103.

3. The Division shall not approve the record of plugging or release any bonds until all necessary reports have been filed and the location has been inspected and approved by the Division.

EXHIBIT 4

Adopt a new Rule 203 as follows:

RULE 203. TEMPORARY ABANDONMENT

A. Wells which may be temporarily abandoned.

The Division may permit any well which is required to be properly abandoned under these rules but which has potential for future beneficial use for enhanced recovery or injection, and any other well for which an operator requests temporary abandonment, to be temporarily abandoned for a period of up to five (5) years. Prior to the expiration of any Temporary Abandonment Permit, the operator shall return the well to beneficial use under a plan approved by the Division, permanently plug and abandon said well or apply for a new permit to temporarily abandon the well.

B. Request for permit and permit.

Any operator seeking Temporary Abandonment permit shall submit on form C-103, Sundry Notices and Reports on Wells, a notice of intent to temporarily abandon the well describing the proposed temporary abandonment procedure to be used. No work shall be commenced until approved by the Division and the operator shall give 24 hours notice to the appropriate District office of the Division before work actually begins.

1. No permit for temporary abandonment shall be approved unless evidence is furnished to show that the casing of such well is mechanically sound and in such condition as to prevent:

- a. damage to the producing zone
- b. migration of hydrocarbons or water;

- c. the contamination of fresh water or other natural resources; and
- d. the leakage of any substance at the surface.

2. If the well fails the mechanical integrity test required herein, the well shall be plugged and abandoned in accordance with these rules or the casing problem corrected and the casing retested within ninety (90) days.

3. Upon successful completion of the work on the temporarily abandoned well, the operator will submit the following to the appropriate district office a request for Temporary Abandonment on form C-103 together with such other information as is required by Rule 1103B.(3)

4. The Division may require the operator to post with the Division a one-well plugging bond for the well in an amount to be determined by the Division to be satisfactory to meet the particular requirements of the well.

5. The Division shall specify the expiration date of the permit, which shall be not more than five (5) years from the date of approval.

C. Tests Required.

1. The following methods of demonstrating casing integrity may be approved for temporarily abandoning a well:

- a. A cast iron bridge plug will be set within one Hundred (100) feet of uppermost perforations or production casing shoe and the casing loaded with inert fluid and pressure tested to 500 pounds per square inch with a pressure drop of not more than 10% for thirty (30) minutes; or

- b. A retrievable bridge plug or packer will be run to within one hundred (100) feet of uppermost perforations or production casing shoe and the well tested to 500 pounds per square inch for thirty minutes with a pressure drop of not greater than 10% for thirty (30) minutes; or
- c. For a gas well in southeast New Mexico completed above the San Andres formation, if the operator can demonstrate that the fluid level is below the base of the salt and that a Bradenhead test shows no casing leaks, the division may exempt the well from the requirement for a bridge plug or packer; or
- d. a casing inspection log confirming the mechanical integrity of the production casing may be submitted.

2. The Division may approve other casing tests submitted on Form C-103 on an individual basis.

EXHIBIT 5

Adopt a new Rule 204 as follows:

RULE 204. WELLS TO BE USED FOR FRESH WATER.

A. When a well to be plugged may safely be used as a fresh water well and the landowner agrees to take over said well for such purpose, the well need not be filled above the sealing plug set below the fresh water formation.

B. The operator must comply with all other requirements contained in Rule 202 regarding plugging, including surface restoration and reporting requirements.

C. Upon completion of plugging operations, the operator must file with the Division a written agreement signed by the landowner whereby the landowner agrees to assume responsibility for such well. Upon the filing of this agreement and approval by the Division of well abandonment operations, the operator shall no longer be responsible for such well, and any bonds thereon may be released.