

Entered May 20, 1975
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BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

CASE NO. 5217
Order No. R-5019

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION COMMISSION UPON ITS OWN MOTION TO CONSIDER THE ADOPTION OF A COMMISSION DEFINITION FOR "TEMPORARY ABANDONMENT" OF WELLS, AND FURTHER TO CONSIDER THE AMENDMENT OF RULE 202 OF THE COMMISSION RULES AND REGULATIONS TO ADOPT AN ADMINISTRATIVE PROCEDURE FOR ABANDONMENT OF WELLS IN THIS STATE FOR A LIMITED PERIOD OF TIME ONLY, AND FOR THE ADOPTION OF A REQUIREMENT FOR AN INDIVIDUAL ONE-WELL PLUGGING BOND FOR THE CONTINUED TEMPORARY ABANDONMENT OF ANY WELL AFTER THE EXPIRATION OF THE ADMINISTRATIVE PERIOD OF TIME IN WHICH SUCH WELL COULD BE TEMPORARILY ABANDONED.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on April 23, 1974, and June 11, 1974, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 20th day of May, 1975, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That this case was called to consider the problem of growing numbers of inactive oil and gas wells in the state of New Mexico.

(3) That as a state gets older in the production of oil and gas, more and more wells reach their economic limit each year and are placed on an inactive status.

(4) That the State of New Mexico is arriving at approximately "middle-age" in oil and gas production.

(5) That the number of "inactive" oil wells increased from 2,356 or 12.2 percent of the total oil wells at the end of 1968 to 3,938 or 19.6 percent of the total oil wells at the end of 1973.

(6) That while not so large as the increase in the number of inactive oil wells, there was also a substantial increase in the number of inactive gas wells in the state during the same period of time.

(7) That unless firm steps are taken to ensure that wells will be properly plugged and abandoned when they are no longer useful, the number of inactive wells in this state will continue to increase.

(8) That such wells constitute a potential underground hazard and a threat to the inviolability of ground waters, and they must eventually be properly plugged and abandoned.

(9) That the Commission is charged with the responsibility "To require dry or abandoned wells to be plugged in such a way as to confine the crude petroleum oil, natural gas, or water in the strata in which they are found, and to prevent them from escaping into other strata;" Section 65-3-11(1) NMSA 1953 Comp.

(10) That in accordance with said mandate, the Commission should act to cause inactive wells to be properly plugged and abandoned on a current basis rather than to accumulate over the years.

(11) That some of the older oil and gas producing states have found it necessary to resort to the use of public funds for the plugging and abandonment of old wells which had accumulated over the years.

(12) That unless firm steps are taken to ensure that wells are properly plugged and abandoned when they are no longer useful, it is likely that public funds will eventually have to be used to plug and abandon wells in this state.

(13) That it is the Commission's view that a more propitious approach to the problem than the use of public funds to plug wells is to adopt regulations that will tend to encourage the owners of inactive wells to properly plug and abandon said wells.

(14) That such regulations should apply to all wells drilled in the State of New Mexico inasmuch as said regulations will prevent waste of crude petroleum oil, natural gas, and ground waters and are therefore in the public interest.

(15) That such regulations should provide that any inactive well should be plugged and abandoned unless it can be shown that such well has a genuine potential for further use in the reasonably foreseeable future, and that it should be permitted to remain unplugged in a temporarily abandoned state.

(16) That there is need for the adoption of a definition for "temporary abandonment" and that such definition should provide that temporary abandonment is a state or period of suspended operations upon a well during which continuous drilling, production, injection, storage, or work-over operations have not taken place; that the time period for determining whether a well is temporarily abandoned should be 60 days for drilling wells and six months for all other classes of wells.

(17) That any well which, after 60 days or six months, whichever is applicable, meets the definition of, and is, therefore, a temporarily abandoned well, should be put to beneficial use or should be properly plugged and abandoned unless a permit for temporary abandonment for such well has been obtained from the Commission.

(18) That a procedure should be adopted whereby the operator of such a temporarily abandoned well could obtain from the appropriate District Office of the Commission a permit for temporary abandonment where it can be shown that the well has a valid potential for further usefulness and should be left unplugged.

(19) That such a permit for temporary abandonment should be approved only upon a showing of satisfactory evidence that the condition of the well is such as to prevent damage to the producing zone, migration of hydrocarbons or water from one zone to another, the contamination of fresh water or other natural resources, or the leakage of any substance at the surface, or will not in any other way cause waste or damage.

(20) That such a permit for temporary abandonment should be issued for some limited duration of time only, and one year is a reasonable duration of time for this purpose.

(21) That provision should be made whereby the District Office of the Commission could grant one extension to an expiring permit for temporary abandonment, provided conditions in the well are shown to still be as described in Finding No. (19) above, and provided that the extension should be issued for some limited duration of time only, and one year is a reasonable duration of time for this purpose.

(22) That in the case of a drilling well, this could thus make a total of two years and two months of inactive status [60 days, Finding No. (16); one year, Finding No. (20); and one year, Finding No. (21)]. That in the case of any other class of well, this could thus make a total of two and one-half years of inactive status [six months, Finding No. (16); one year, Finding No. (20); and one year, Finding No. (21)].

(23) That two years and two months, for drilling wells, and

two and one-half years, for other classes of wells, to remain on an inactive status without necessity of coming before the Commission at a hearing appears to the Commission to be a reasonable maximum of time.

(24) That upon expiration of the permit for temporary abandonment and one extension thereto, any inactive well should be put to beneficial use or should be plugged and abandoned, unless it can be shown to the Commission after notice and hearing that good cause exists why the well should not be plugged and abandoned and that further extension of the temporary abandonment is warranted.

(25) That provision should be made whereby the Commission could require a one-well plugging bond for any well receiving such "further extension" of temporary abandonment, such bond being in an amount satisfactory to the Commission to meet the particular requirements of the well.

(26) That provision should be made whereby the Secretary-Director of the Commission could grant administrative relief to the aforesaid requirements for notice and hearing to obtain "further extension" under certain limited circumstances; that said circumstances should include only the following cases:

- (a) a remote and unconnected commercial gas well or a presently non-commercial gas well which may reasonably be expected to be commercial within the foreseeable future;
- (b) a well in an oil pool in which secondary recovery operations have, by actual performance, been shown to be commercially feasible, and which well may, with reasonable certainty, be expected to be included in a bona fide secondary recovery project within the foreseeable future.

(27) That provision should be made whereby the Secretary-Director could require a one-well plugging bond for any well receiving such "further extension" of temporary abandonment, such bond being in an amount satisfactory to the Secretary-Director to meet the particular requirements of the well.

(28) That no such "further extension," whether issued by the Commission after notice and hearing, or by the Secretary-Director without notice and hearing, should have a duration of more than two years, but should be eligible for renewal if circumstances so warrant.

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(29) That the adoption of a definition of "Temporary Abandonment" consonant to Finding No. (16) above, and the amendment of Rule 202 of the Commission Rules and Regulations to embody the provisions of Findings (17) through (28) above, is in the public interest and will prevent waste without impairing correlative rights, and should be approved, effective July 1, 1975.

IT IS THEREFORE ORDERED:

(1) That SECTION A, "DEFINITIONS," of the New Mexico Oil Conservation Commission Rules and Regulations is hereby amended by the addition of the following definition:

"TEMPORARY ABANDONMENT shall mean a state or period of suspended operations during which continuous drilling, production, injection, storage, or work-over operations have not taken place. Such period shall be 60 days for drilling wells and six months for all other classes of wells."

(2) That Rule 202 of the Commission Rules and Regulations is hereby amended to read in its entirety as follows:

"RULE 202. PLUGGING AND ABANDONMENT.

A. PLUGGING

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 originally containing them. This operation shall be accomplished by the use of mud-laden fluid, cement and plugs, used singly or in combination as may be approved by the Commission. The exact location of abandoned wells shall be shown by a steel marker at least four inches in diameter set in concrete, and extending at least four feet above mean ground level. The name and number of the well and its location (unit letter, section, township, and range) shall be welded, stamped, or otherwise permanently engraved into the metal of the marker. Seismic, core or other exploratory holes drilled to or below sands containing fresh water shall be plugged and abandoned in accordance with the applicable provisions recited above. Permanent markers are not required on seismic holes.

Within thirty days following the completion of plugging operations on any well, a record of the work done shall be filed with the Commission in TRIPLICATE, on Form C-103. Such report shall be filed by the owner of the well and shall include the

date the plugging operations were begun along with the date the work was completed; a detailed account of the manner in which the work was performed; the depths and lengths of the various plugs set; the nature and quantities of materials employed in plugging operations; the amount, size and depth of all casing left in the hole and the weight of mud employed in plugging the well and any other pertinent information. No plugging report submitted on Form C-103 shall be approved by the Commission unless such report specifically states that pits have been filled and the location levelled and cleared of junk. The filing of Form C-105, Well Completion or Recompletion Report and Log is also necessary to obtain Commission approval of a plugging report.

It shall be the responsibility of the owner of the plugged well to contact the appropriate District Office of the Commission to arrange for an inspection of the plugged well and the location by a Commission representative.

B. TEMPORARY ABANDONMENT

No well in this state shall be temporarily abandoned for a period in excess of six months unless a permit for such temporary abandonment has been approved by the Commission. Such permit shall be for a period not to exceed one year and shall be requested from the appropriate District Office of the Commission by filing Form C-103 in triplicate. No such permit shall be approved unless evidence is furnished that the condition of the well is such as to prevent damage to the producing zone, migration of hydrocarbons or water, the contamination of fresh water or other natural resources, or the leakage of any substance at the surface.

The District Supervisor of the appropriate District Office of the Commission shall have authority to grant one extension to the permit for temporary abandonment. Such extension shall not exceed one year and shall be requested in the same manner as the original permit for temporary abandonment. No extension shall be approved unless good cause therefor is shown, and evidence is furnished that the continued condition of the well is as described above.

Upon expiration of the permit for temporary abandonment and any extension thereto, the well shall be put to beneficial use or shall be permanently plugged and abandoned, unless it can be shown to the Commission after notice and hearing that good cause exists why the well should not be plugged and abandoned, and a further extension to the temporary abandonment permit should be issued. Prior to issuing such "further extension," the Commission may at

its option require the operator of the well to post with the Commission a one-well plugging bond for the well, in an amount determined by the Commission to be satisfactory to meet the particular requirements of the well.

The Secretary-Director of the Commission shall have the authority to waive the above requirement for notice and hearing and grant further extension to a permit for temporary abandonment in the case of

- (1) a remote and unconnected commercial gas well or a presently non-commercial gas well which may reasonably be expected to be commercial within the foreseeable future; or
- (2) a well in an oil pool in which secondary recovery operations have, by actual performance, been shown to be commercially feasible, and which well may, with reasonable certainty, be expected to be included in a bona fide secondary recovery project within the foreseeable future.

Prior to issuing such further extension, the Secretary-Director may at his option require the operator of the well to post with the Commission a one-well plugging bond for the well, in an amount determined by the Secretary-Director to be satisfactory to meet the particular requirements of the well.

No "further extension," whether issued by the Commission or by the Secretary-Director, shall be of more than two years duration, but may be renewed if circumstances warrant.

C. DRILLING WELLS

When drilling operations on a well have been suspended for 60 days, the well shall be plugged and abandoned unless a permit for temporary abandonment has been obtained for the well in accordance with Section B above."

(3) That the effective date of this order shall be July 1, 1975.

(4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

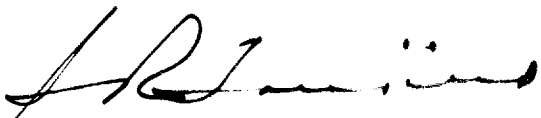
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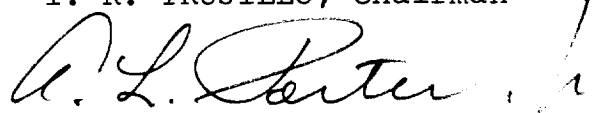
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DONE at Santa Fe, New Mexico, on the day and year herein-
above designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



I. R. TRUJILLO, Chairman



A. L. PORTER, Jr., Member & Secretary

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