

KELLEY MONTGOMERY

Oxy USA, Inc.
Direct Testimony



19.15.25.12 NMAC Overview

- **Existing 19.15.25.12 NMAC currently gives OCD authority to place wells in TA status “for up to five years” (can be set a shorter initial period) and provides discretion to extend the status for good cause shown**
 - **Existing rule currently limits the number of wells that can be in TA status to one well if the operator operates between one and five wells or one-third of all wells if the operator operates more than five wells.**
- **19.15.25.13 NMAC identifies evidence an operator must submit on the well’s casing and cementing when seeking approval of temporary abandonment status.**
- **19.15.25.14 NMAC identifies the mechanical integrity tests an operator must perform on the well before seeking approval of temporary abandonment status.**

Not aware of any deficiencies in this existing process that has caused concerns with the integrity of wells in approved TA status.



Proposed Modifications to 19.15.25.12 NMAC

WELC Proposal	Oxy Modification	Rationale
19.15.25.4213 APPROVED TEMPORARY ABANDONMENT: B. Prior to the expiration of an approved temporary abandonment, the operator shall return the well to beneficial use under a plan the division approves, permanently plug and abandon the well and restore and remediate the location, or apply for a new approval to temporarily abandon the well to the division to extend temporary abandonment status pursuant to the procedures for adjudicatory proceedings in 19.15.4 NMAC, except that in any such adjudicatory proceeding any interested person may intervene under 19.15.4.11.A NMAC. To continue in temporary abandonment, the operator must demonstrate to the division that the well will be returned to beneficial use within the requested period of temporary abandonment. The request shall include documentation demonstrating why the well should remain in temporary abandonment; documentation demonstrating why the well was not brought back to beneficial use or plugged and abandoned during the period of temporary abandonment; documentation demonstrating how the well will be put to beneficial use in the future and supporting technical and economic data; a plan that describes the ultimate disposition of the well, the time frame for that disposition; and a health and safety plan demonstrating the well's casing and cementing meet the requirements of Subsections B and C of Section 19.15.25.13 NMAC and the operator has adequate monitoring procedures in place to ensure such requirements will be met. An extended term shall not exceed two additional years, upon which time the operator shall return the well to beneficial use under a plan the division approves or permanently plug and abandon the well and restore and remediate the location.	19.15.25.4213 APPROVED TEMPORARY ABANDONMENT: B. Prior to the expiration of an approved temporary abandonment, the operator shall return the well to beneficial use under a plan the division approves, permanently plug and abandon the well and restore and remediate the location, or apply for a new approval to temporarily abandon the well to the division to extend temporary abandonment status pursuant to the procedures for adjudicatory proceedings in 19.15.4 NMAC, except that in any such adjudicatory proceeding any interested person may intervene under 19.15.4.11.A NMAC. To continue in temporary abandonment, the operator must demonstrate to the division that the well will be returned to beneficial use within the requested period of temporary abandonment. address The request shall include documentation demonstrating why the well should remain in temporary abandonment; address documentation demonstrating why the well was not brought back to beneficial use or plugged and abandoned during the period of temporary abandonment; address documentation demonstrating how the well will be put to beneficial use in the future, demonstrate and supporting technical and economic data; a plan that describes the ultimate disposition of the well, the time frame for that disposition; and a health and safety plan demonstrating the well's casing and cementing meet the requirements of Subsections B and C of Section 19.15.25.13 NMAC current; and any other information the division determines appropriate and the operator has adequate monitoring procedures in place to ensure such requirements will be met. An extended term shall not exceed two additional years, upon which time the operator shall return the well to beneficial use under a plan the division approves or permanently plug and abandon the well and restore and remediate the location.	Oxy proposes to eliminate the portion of WELC's proposed additions to subsection B limiting the Division's authority to extend temporary abandonment status to no longer than two (2) years. Oxy believes the Division should retain full discretion for the length of time an eligible well may be approved for TA status. - Enhanced recovery projects frequently benefit from an inventory of TA wells; - For example, Oxy has 49 wells that have been or will be converted to producing out of TA status; - Converting these wells can take many years due a variety of factors: - Economics, technology, regulatory hurdles, and infrastructure.

Proposed Modifications to 19.15.25.12 NMAC

WELC Proposal	Oxy Modification	Rationale
19.15.25.4213 APPROVED TEMPORARY ABANDONMENT: <u>D. Implementation schedule for existing wells.</u> <u>(1) Inactive wells.</u> Wells that have been inactive for less than three years are eligible for temporary abandonment status. Wells that have been inactive for three or more years are not eligible for temporary abandonment status. <u>(2) Wells in approved temporary abandoned status.</u> Any operator of a well in temporary abandoned status as of [effective date of amendments] shall apply to the division to extend temporary abandonment status in accordance with Subsection B of this Section prior to the date temporary abandonment status terminates. Unless an operator of a well has renewed a temporary abandonment in accordance with this Paragraph, the operator shall return the well to beneficial use under a plan the division approves or permanently plug and abandon the well and restore and remediate the location. <u>(3) Wells in expired temporary abandoned status.</u> Any operator of a well in expired temporary abandoned status as of [effective date of amendments] shall apply to the division to extend temporary abandonment status in accordance with Subsection B of this Section. Unless an operator of a well has renewed a temporary abandonment in accordance with this Paragraph, the operator shall return the well to beneficial use under a plan the division approves or permanently plug and abandon the well and restore and remediate the location.	19.15.25.4213 APPROVED TEMPORARY ABANDONMENT: <u>D. Implementation schedule for existing wells.</u> <u>(1) Inactive wells.</u> Wells that are inactive as of [effective date of amendments] shall be returned to beneficial use, permanently plug or subject to a request to place the wells in temporary abandoned status within a year of [effective date of amendment]. Wells that have been inactive for less than three years are eligible for temporary abandonment status. Wells that have been inactive for three or more years are not eligible for temporary abandonment status. <u>(2) Wells in approved temporary abandoned status.</u> Any operator of a well in temporary abandoned status as of [effective date of amendments] shall apply to the division to extend temporary abandonment status in accordance with Subsection B of this Section prior to the date temporary abandonment status terminates. Unless an operator of a well has renewed a temporary abandonment in accordance with this Paragraph, the operator shall return the well to beneficial use under a plan the division approves or permanently plug and abandon the well and restore and remediate the location. <u>(3) Wells in expired temporary abandoned status.</u> Any operator of a well in expired temporary abandoned status as of [effective date of amendments] shall apply to the division to extend temporary abandonment status in accordance with Subsection B of this Section. Unless an operator of a well has renewed a temporary abandonment in accordance with this Paragraph, the operator shall return the well to beneficial use under a plan the division approves or permanently plug and abandon the well and restore and remediate the location.	Oxy proposes to eliminate the portion of WELC's proposed additions to subsection D limiting the eligibility of wells to be in TA status to only those that have been inactive for less than three (3) years. Oxy believes the Division should retain full discretion over which wells are eligible for TA status. - Enhanced recovery projects frequently benefit from an inventory of TA wells- many of which will have been inactive for three years or more; - Allowing wells with mechanical integrity to be granted TA status will not only assist in continued enhanced recovery, but also prevent operators from having to prematurely plug wells only to have to drill new wells for EOR projects.

WELLS IN TEMPORARY ABANDONMENT STATUS

- Wells in Temporary Abandonment status are often reworked to facilitate innovative oil and gas production mechanisms, like enhanced recovery projects.
- These projects can take many years to come to fruition, and Oxy's proposed change allowing the Division to retain discretion over wells in TA status would allow for operators to more efficiently and effectively utilize these wells.



WELLS IN TEMPORARY ABANDONMENT STATUS

- Oxy's proposed changes do not alter or interfere with operator's requirements to evidence the mechanical integrity of these wells but simply allows for the Division to tailor the time frame and conditions of approval to each particular circumstance.



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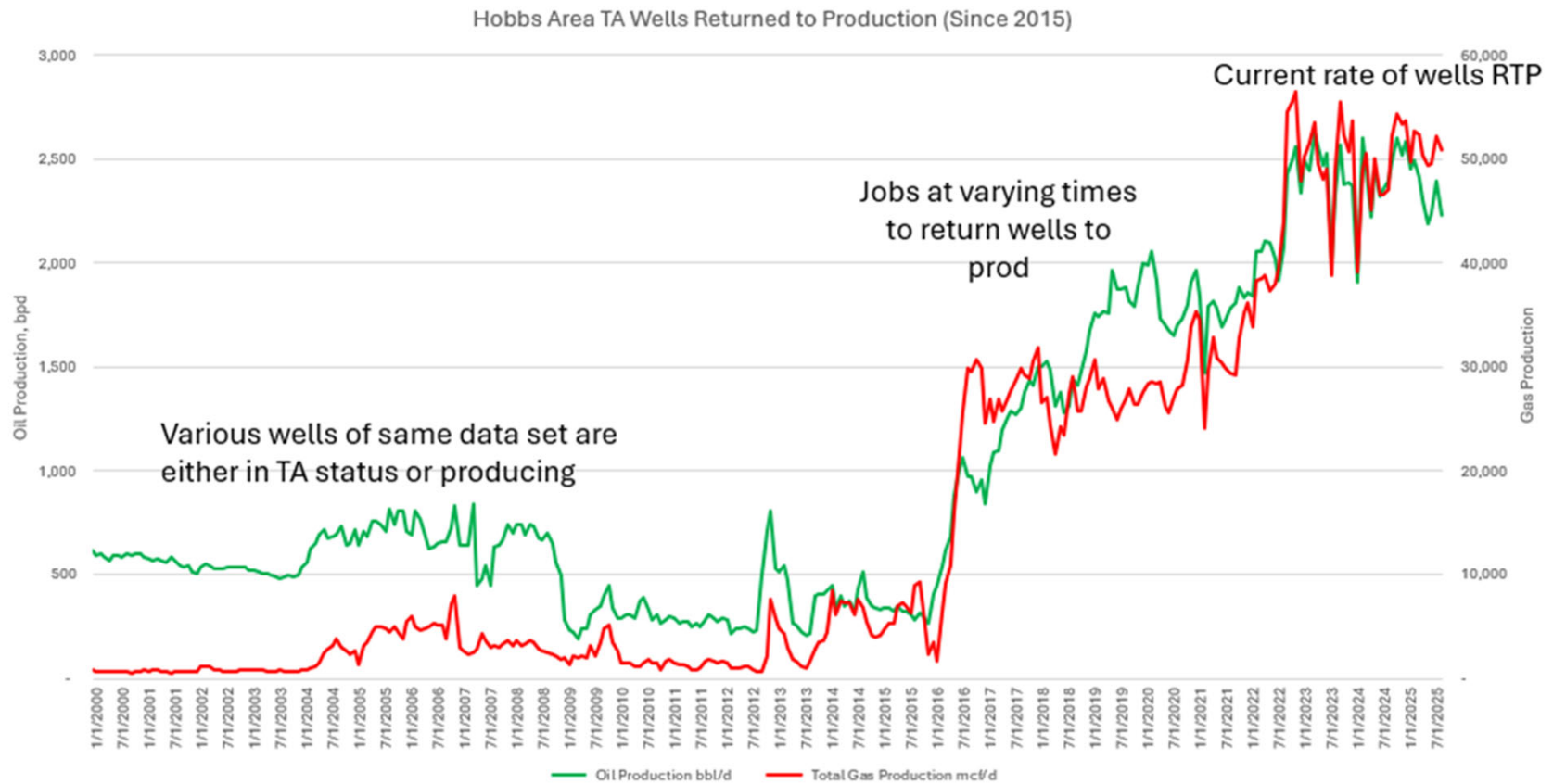
Oxy USA, Inc.
Rebuttal Testimony



WELLS IN TEMPORARY ABANDONMENT STATUS

- WELC's proposed rule would give operators a maximum of seven (7) years to either (1) return wells to beneficial use under a Division approved plan, or (2) permanently plug the well and restore and remediate the location.
- This proposal is premised on the idea that wells in TA status for longer than 7 years provide little to no benefit- but for Oxy, this has not been the case.





*Not time normalized. Rates are actual production over time



OXY WELLS RETURNED TO PRODUCTION

- As the graph depicts, in the last 10 years, and in just the Hobbs area alone, Oxy has returned 49 wells to production or injection that had been in TA status.
- Moreover, 45% of those wells had been in TA status for more than 8 years. And 21 of those 49 wells had been in TA status for more than 10 years.
- Under WELC's proposed rule, almost half of these wells would have been plugged, resulting in the arbitrary loss of these valuable assets and associated production. The capital expenditures necessary to drill new wells for these types of projects is likely to result in the waste of valuable resources.

