STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

IN THE MATTER OF PROPOSED AMENDMENTS TO 19.15.2, 19.15.5, 19.15.8, 19.15.9, AND 19.15.25 NMAC **CASE NO. 24683**

APPLICANTS' MOTION FOR REHEARING

Pursuant to NMSA 1978, § 70-2-25(A) and 19.15.3.15.A NMAC, Applicants respectfully move the Oil Conservation Commission ("Commission") for rehearing on proposed 19.15.8.9 NMAC, as set forth in the Commission's Proposed Final Rule Amendments (filed July 16, 2026). Although styled as a "Motion for Rehearing," as required by Commission rules, this motion **does not** request the Commission to reconsider or change any decisions on its proposed amendments. This motion instead requests an amendment to the Commission's proposed 19.15.8.9.F NMAC to **clarify** language to ensure that the decisions made by the Commission are set forth clearly in its proposed amendments and are not subject to misinterpretation or ambiguity.

As grounds for this motion, Applicants state:

1. The Commission's proposed Subsection F of 19.15.8.9 NMAC governs financial assurance for wells in approved temporarily abandoned ("TA") status for more than two years, inactive wells, and wells in expired TA status, and provides in full:

> **[~~D~~] F. [~~Inactive wells~~] Wells that are in approved temporarily abandoned status for more than two years, inactive wells, and wells that are in expired temporarily abandoned status.** [~~An operator shall provide financial assurance for wells that are covered by Subsection A of 19.15.8.9 NMAC that have been in temporarily abandoned status for more than two years~~] An operator shall provide financial assurance for wells that are in approved temporarily abandoned status for more than two years, in inactive status, or in expired temporarily abandoned status or for which the operator is seeking approved temporary abandonment pursuant to 19.15.25.13 NMAC in one of the following categories:
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> **(1)** a one well plugging financial assurance in the amount of [~~$25,000 plus $2 per foot of the projected depth of a proposed well or the depth of an~~

~~existing well; the depth of a well is the true vertical depth for vertical and horizontal wells and the measured depth for deviated and directional wells~~] $150,000 per well; or

(2) a blanket plugging financial assurance equal to an average of $150,00 per well covering all wells of the operator subject to [Subsection D] Subsection F of 19.15.8.9 NMAC.

Proposed Final Rule Amendments at 8.

2. During the Commission's deliberations on June 11, 2026, there was a fulsome discussion whether to exclude from the single well $150,000 bond requirement wells in approved TA status less than two years and, if so, whether wells that were subject to a $150,000 single well bond pursuant Subsection D (as a low producing well) and Subsection E (as a well operated by an operator with more than 20% of its wells in inactive, approved TA, or expired TA status) of 19.15.8.9 NMAC immediately prior to being approved for TA status should continue to be subject to a single well bond of $150,000 and not be allowed the "exemption" as a well in approved TA status less than two years. *See* 6/11/26 Tr. 41:17 to 78:12.

3. Throughout the Commission's discussion, there was agreement among all Commissioners that those two sets of wells going into TA—low producing wells and wells subject to the operator portfolio provision—**should** be required to retain the $150,000 single well bond and **should not** be allowed to be bonded under a $250,000 blanket bond for active wells (in 19.15.8.9.C NMAC) for the first two years in TA. *See, e.g., id.* 63:8-25; 76:13 to 77:22.

4. A significant part of the rationale for not exemption low producing wells and wells subject to the operator portfolio provision, expressed by Chair Chang, was concern that wells would go from a $150,000 bond, to becoming "unbonded," to being "rebounded" at $150,000 within a short period.[1]

[1] 6/11/26 Tr. 44:1-8 (Chair Chang expressing concern about low producing wells going into approved TA and losing the single well $150,000 bond, which would be a "situation where we

5. There was consensus among Commissioners that wells that should be able to benefit from the less-than-two-years-in-TA "exemption" should be active wells with healthy production that an operator wants to place in approved TA for a short period of time to determine what to do with the well.[2]

6. The Chair summed up the Commission's decision stating:

> [CHAIR]: And I think the question is now limited to, so I think we, **it sounds like we have all agreed that if a well is already low producing or already an operator portfolio risk bonded well at the single bond level, at the single-well level that, from my understanding is, all three of us, and correct me if I'm wrong, but all three of us agree that we should not be unbonding a low-producing well or unbonding an operator portfolio risk well merely because it goes into a TA status; right?**
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> We're only talking about the situation where we're going from a perfectly good active well with no other single bond applicable, single-well bond applicable situation, going straight from this non-single-well bond situation into inactivity, whether or not this little bubble right here on the corner of -- whether there should be this box right here.

Id. 63:8-25 (emphasis added).[3]

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could end up bonding a well, only to unbond the well, to then rebond that same well."); *id.* 44:14-23 (Dr. Ampomah agreeing with concern); *id.* 46:3-6 (Chair Chang stating that, "I just don't want to end up in a situation where we could end up bonding something for six months, unbonding it and then having to rebond it in another few months; right?"); *id.* 56:22-24 (same).

[2] 6/11/26 Tr. 50:25 to 52:1 (Dr. Ampomah agreeing with Chair Chang that a high producing active well subject to a single well $150,000 bond under the operator portfolio financial assurance provision in proposed 19.15.8.9.E NMAC should still be required to single well bond at $150,000 if the high producing active well goes into approved TA); *id.* 50:25-52:1 (Chair Chang and Dr. Ampomah discussing why a highly productive "Wonderful Well" operated by an operator with more than 20% of its wells in inactive status should continue to be bonded at $150,000 if it goes into TA); *id.* 49:22 to 50:14 (Dr. Ampomah distinguishing between situation where an operator wants to put an active well in approved TA for a workover and where a low producing well is already bonded at $150,000 and finding that, "So that [low producing] well do[es] not necessarily fall under the situation that I'm describing. So that [active well] is the one that I really want us to really work through.").

[3] Wrapping up the discussion, the Chair concluded similarly:

> [CHAIR]: . . . We are not going to have wells subject to a single-well bond due to low production. **We're not going to let it have an exemption from a single-well bond under for that as a two year period.**
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> **We're not going to allow that because we're not going to have something unbond only to come back and rebond.** To the extent that we had

7. As Commissioners discussed how to draft language to accomplish these objectives, it was suggested that, if Subsection F of 19.15.8.9 NMAC did not apply to low producing wells or wells subject to the operator portfolio provision, Subsections "D and E would still independently apply to anything that F didn't apply to . . . ." *Id.* 55:6-12. In other words, the Commission did not need to craft language excepting low producing wells and operator portfolio wells from the less-than-two-years-in-TA "exemption" because those two provisions would continue to apply to those wells going into TA. *See id.* 54:17-56:16.

8. However, upon reflection, it is not accurate that Subsection D of 19.15.8.9 NMAC (governing low producing wells) would apply to wells going into TA. Those wells would no longer be subject to the $150,000 single well bond for "low producing wells" because they

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this whole discussion as to the two year exemption for approved temporarily abandonment status, **that our intention is only to have it apply to the situation** illustrated by the longest blue arrow in the far right where we're talking about a well for a -- I don't want to use the word perfectly good well, **but an active, good producing well owned and operated by an operator without an unacceptable level of portfolio risk going straight into an approved temporarily abandonment status.**

And if it's not going to go into a -- if it's not being approved, for whatever reason, if it does not go through that approval process, it would still end up landing in a bonded as inactive or abandoned. So we're only talking about a situation where we will give an operator that two year grace -- that two year, and to avoid the word grace period.

But that will avoid requiring a bond for two years only if an operator stays out of the low production category by obtaining an approved TA within the first 180 days, and somehow brings it back to active status within that first two years or else they will fall into the inactivity category and be bonded at the single-well level; correct?

And also I just want to confirm with the commissioners that the intent is to not allow this two years to be renewable. That it is a one time, two year period only; right?

DR. AMPOMAH: That is correct.

MR. BLOOM: Mr. Chair, that's correct, I believe. That's how it reads.

6/11/26 Tr. 76:13 to 77:22 (emphasis added).

would not be producing at all. Subsection D, applying to low producing wells, simply does not apply to inactive wells.

9. And, while it could be interpreted that Subsection E of 19.15.8.9 NMAC (governing operator portfolio financial assurance) may still apply to wells going into TA, the current proposed language is ambiguous. It could be argued that the more specific Subsection F, excluding wells in TA for under two years, supersedes Subsection E, and those wells subject to a $150,000 single well bond under Subsection E would no longer required to bond at $150,000 for the first two years of TA.

10. Therefore, to ensure that the Commission's decision that low producing wells and wells subject to the operator portfolio provision going into TA retain their $150,000 single well bonding during the first two years of TA, Applicants suggest the following amendment—highlighted in red underline—to proposed Subsection F of 19.15.9.8 NMAC:

> **[~~D~~] F.** [~~**Inactive wells**~~] **Wells that are in approved temporarily abandoned status for more than two years, inactive wells, and wells that are in expired temporarily abandoned status.** [~~An operator shall provide financial assurance for wells that are covered by Subsection A of 19.15.8.9 NMAC that have been in temporarily abandoned status for more than two years~~] An operator shall provide financial assurance for wells that are in approved temporarily abandoned status for more than two years, in inactive status, or in expired temporarily abandoned status or for which the operator is seeking approved temporary abandonment pursuant to 19.15.25.13 NMAC. Notwithstanding the foregoing, a well that is subject to a one well plugging financial assurance pursuant to Subsection D or Subsection E of this Section immediately prior to being placed in approved temporarily abandoned status shall continue to be subject to the one well plugging financial assurance of $150,000 during the first two years in approved temporarily abandoned status. An operator shall provide financial assurance for wells subject to this Subsection in one of the following categories:
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> **(1)** a one well plugging financial assurance in the amount of [~~$25,000 plus $2 per foot of the projected depth of a proposed well or the depth of an existing well; the depth of a well is the true vertical depth for vertical and horizontal wells and the measured depth for deviated and directional wells~~] $150,000 per well; or
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> **(2)** a blanket plugging financial assurance equal to an average of $150,000 per well covering all wells of the operator subject to [Subsection D]

Subsection F of 19.15.8.9 NMAC.

The provisions above highlighted in blue were underlined in the Commission's Proposed Final Rule Amendments as **new** provisions; however, that language is currently in the Commission's **existing** rules (at 19.15.8.9.D NMAC) and therefore should not be underlined as new language.

The zero highlighted in green in "$150,000" was mistakenly left out of the Commission's Proposed Final Rule Amendments.

11. Applicants suggest one other minor amendment to the Commission's Proposed Final Rule Amendments, at proposed 19.15.8.9.D(1) NMAC, for clarification purposes only.

> **D. Low producing wells.** Notwithstanding the provisions in Paragraph (2) of Subsection C in this Section~~;~~:
> **(1)** As of [effective date of amendments] a transferee operator shall provide a one well plugging financial assurance of $150,000 for each low producing well prior to transfer, unless the well being transferred is already covered by a one well financial assurance under Paragraph (2) of Subsection D, Subsection E or Subsection F of 19.15.8.9 NMAC.

This proposed amendment clarifies that Paragraph (2) modifies Subsection D and not Subsections E and F.

12. Additionally, there were two words mistakenly left out in the Commission's Proposed Final Rule Amendments that Applicants bring to the attention of the Commission, highlighted in green in below:

> **19.15.9.8.B.** Prior to commencing operations, an operator shall provide to the division a certification by a representative designated by the operator that within the past 10 years the new operator has not been subject to any final administrative forfeiture demand from any state or federal agency, has not forfeited financial assurance to any state or federal agency, and has not been out of compliance with an adjudicated order or settlement agreement with a state or federal agency for any state or federal violation related to oil and gas laws or regulations in any domestic jurisdiction in which the new operator does business; a disclosure of any officer, director, partner in the new operator or person with an interest in the new operator exceeding twenty-five percent, who is or was within the past five years

an officer, director, partner, or person with an interest exceeding twenty-five percent in another entity that is not currently in compliance with Subsection A of 19.15.5.9 NMAC; and a disclosure whether the new operator is or was within the past five years an officer, director, partner, or person with an interest exceeding twenty-five percent in another entity that is not currently in compliance with Subsection A of 19.15.5.9 NMAC.

19.15.25.9.D. Within 30 calendar days after notice from the division that a well or wells are presumed to not being used for beneficial purposes, a well operator may submit an application for administrative review to the division. Upon request by the operator, the division may use its discretion to grant an extension of the 30 day rebuttal period for good cause.

For the foregoing reasons, Applicants respectfully request the Commission to amend its Final Proposed Rule Amendments as requested above to clarify the rules to reflect its decision and to ensure there is no ambiguity or uncertainty that wells subject to a $150,000 single well bond pursuant Subsection D (as a low producing well) or Subsection F (as a well operated by an operator with more than 20% of its wells in inactive, approved TA, or expired TA status) of 19.15.8.9 NMAC immediately prior to being approved for TA status will continue to be subject to a single well bond of $150,000 during the first two years in TA status.

Respectfully submitted,

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Certificate of Service

I certify that on July 24, 2026, I served by a copy of this pleading to the following via email:

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