CASE NO.

6198

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,
ETC.

~~ARTICLE 11 GEOTHERMAL RESOURCES CONSERVATION ACT~~

65-11-1. Short title.—This act ~~[65-11-1 to 65-11-24]~~ may be cited as the "Geothermal Resources Conservation Act."

~~History: Laws 1975, ch. 272, § 1, eff. April 10, 1975.~~

65-11-2. PURPOSE OF ACT.--

A. It is hereby found and determined that the people of the state of New Mexico have a direct and primary interest in the development of geothermal resources, and that this state should exercise its power and jurisdiction through its oil conservation commission and division to require that wells drilled in search of, development of, or incident to the production of geothermal resources be drilled, operated, maintained and abandoned in such a manner as to safeguard life, health, property, natural resources and the public welfare, and to encourage maximum economic recovery.

B. To these ends, it is the intent of the legislature that the power and jurisdiction of the commission and the division as given by the Geothermal Resource Conservation Act shall be supplemental to the other powers and jurisdiction given the commission and the division by the statutes of this state.

65-11-3. DEFINITIONS.--As used in the Geothermal Resources Conservation Act.

A. "geothermal resources" means the natural heat of the earth, or the energy, in whatever form, below the surface of the earth present in, resulting from, created by, or which may be extracted from, this natural heat, and all minerals in solution or other products obtained from naturally heated fluids, brines, associated gases and steam, in whatever form, found below the surface of the earth, but excluding oil, hydrocarbon gas and other hydrocarbon substances;

B. "commission" means the oil conservation commission;

C. "correlative rights" means the opportunity afforded,

insofar as is practicable to do so, to the owner of each property in a geothermal reservoir to produce his just and equitable share of the geothermal resources within such reservoir, being an amount, so far as can be practicably determined, and so far as can be practicably obtained without waste, substantially in the proportion that the recoverable geothermal resources under such property bears to the total recoverable geothermal resources in the reservoir, and for such purpose to use his just and equitable share of the natural heat or energy in the reservoir;

D. "division" means the oil conservation division of the energy and minerals department;

E. "geothermal reservoir" means an underground reservoir containing geothermal resources, whether the fluids in the reservoir are native to the reservoir or flow into or are injected into the reservoir;

F. "geothermal field" means the general area which is underlaid or reasonably appears to be underlaid by at least one geothermal reservoir;

G. "low-temperature thermal reservoir" means a geothermal reservoir containing low-temperature thermal water, which is defined as naturally heated water, the temperature of which is less than boiling at the altitude of occurrence, which has additional value by virtue of the heat contained therein, and is found below the surface of the earth, or in warm springs at the surface;

H. "person" means any natural person, firm, association or corporation, or any other group or combination acting as a unit, for the exploration, production, transportation, processing or utilization of geothermal resources;

I. "well" means any well dug or drilled for the discovery or development of geothermal resources or incident to the discovery or

development of geothermal resources, or for the purpose of injecting or reinjecting geothermal resources or the residue thereof or other fluids into a geothermal reservoir, or any well dug or drilled for any other purpose and reactivated or converted to any of the aforesaid uses; and

J. "potash" means the naturally occurring bedded deposits of the salts of the element potassium.

65-11-4. Waste prohibited. — The production or handling of geothermal resources of any type or in any form, or the handling of products thereof, in such manner or under such conditions or in such amounts as to constitute waste is each hereby prohibited.

65-11-5. Waste definitions.—As used in this act, ~~[65-11-1 to 65-11-24]~~; the term "waste," in addition to its ordinary meaning, shall include:

A. "underground waste" as those words are generally understood in the geothermal business, and in any event to embrace the inefficient, excessive or improper use or dissipation of the reservoir fluids or energy, including the natural energy of the heated fluids or the natural heat of the earth, and the locating, spacing, drilling, equipping, operating or producing of any well or wells in a manner that would reduce or tend to reduce the total quantity of geothermal resources ultimately recovered from any geothermal reservoir;

B. "surface waste" as those words are generally understood in the geothermal business, and in any event to embrace the unnecessary or excessive surface loss or destruction without beneficial use, however caused, of geothermal resources of any type or in any form, or any product thereof, and including the loss or destruction of geothermal resources resulting from leakage, evaporation or seepage, especially incident to or resulting from the manner of spacing, equipping, operating or producing of any well or wells, or incident to or resulting from the inefficient transportation, use or storage of geothermal resources;

C. the production from any well or wells in this state of geothermal resources in excess of the reasonable market demand therefor, in excess of the capacity of the geothermal transportation facility connected thereto to efficiently receive and transport such geothermal resources, or in excess of the capacity of a geothermal utilization facility to efficiently receive and utilize such geothermal resources;

D. the nonratable purchase or taking of geothermal resources within a geothermal reservoir in this state. Such nonratable taking or purchasing causes or results in excessive or improper dissipation of reservoir energy and results in waste, as defined in subsection A of this section, and is in violation of section 14 of the Geothermal Resources Conservation Act [65-11-14]; and

E. drilling or producing operations for geothermal resources within any area containing commercial deposits of potash where such operations would have the effect unduly to reduce the total quantity of such commercial deposits of potash which may reasonably be recovered in commercial quantities or where such operations would interfere unduly with the orderly development of such potash deposits.

65-3-4. OIL CONSERVATION COMMISSION--MEMBERS--TERM--OFFICERS--QUORUM--POWER TO ADMINISTER OATHS.--There is hereby created an oil conservation commission, hereinafter in this act called the "commission" to be composed of the commissioner of public lands, the state geologist and the director of the oil conservation division. No salary or compensation shall be paid any member of the commission for his services as a member thereof. The term of office of each member of the commission shall be concurrent with the other office held by him. The commission shall organize by electing a chairman from its membership. Two members of the commission shall constitute a quorum for all purposes. The commission shall adopt a seal and such a seal affixed to any paper signed by the director of the oil conservation division shall be prima facie evidence of the due execution thereof. The attorney general shall be the attorney for the commission. Any member of the commission, or the director of the oil conservation division, or any employee of the commission or division, shall have power to administer oaths to any witness in any hearing, investigation or proceeding contemplated by this act or by any other law of this state relating to the conservation of oil and gas.

65-3-4.1 OIL CONSERVATION DIVISION—DIRECTOR—STATE PETROLEUM ENGINEER.—

A. The director of the oil conservation division shall be known as the state petroleum engineer.

B. The director shall be appointed by the secretary of the energy and minerals department and shall:

(1) be a resident of this state; and

(2) be registered by the state board of registration for professional engineers and land surveyors as a petroleum engineer; or

(3) by virtue of education and experience have expertise in the field of petroleum engineering.

65-11-6. COMMISSION'S AND DIVISION'S POWERS AND DUTIES.—

A. In addition to its other powers and duties, the division shall have, and is hereby given, jurisdiction over all matters relating to the conservation of geothermal resources and the prevention of waste of potash as a result of geothermal operations in this state. It shall have jurisdiction, authority and control of and over all persons, matters or things necessary or proper to enforce effectively the provisions of the Geothermal Resources Conservation Act or any other law of this state relating to the conservation of geothermal resources and the prevention of waste of potash as a result of geothermal operations. Provided, however, nothing in this section shall be construed to supersede the authority which any state department or agency has with respect to the management, protection and utilization of the state lands or resources under its jurisdiction.

B. The commission shall have concurrent jurisdiction and authority with the division to the extent necessary for the commission to perform its duties as required by the Geothermal Resources Conservation Act.

65-3-6. RULES OF PROCEDURE IN HEARINGS--MANNER OF GIVING NOTICE --RECORD OF RULES, REGULATIONS AND ORDERS.--The division shall prescribe its rules of order or procedure in hearing or other proceedings before it under this act. Any notice required to be given under this act or under any rule, regulation or order prescribed by the commission or division shall be by personal service on the person affected, or by publication once in a newspaper of general circulation published

at Santa Fe, New Mexico, and once in a newspaper of general circulation published in the county, or each of the counties if there be more than one, in which any land, oil or gas or other property which may be affected shall be situated. Such notice shall issue in the name of "the state of New Mexico" and shall be signed by the director of the division, and the seal of the commission shall be impressed thereon, and it shall specify the number and style of the case, and the time and place of hearing, shall briefly state the general nature of the order or orders, rule or rules, or regulation or regulations contemplated by the division on its own motion or sought in a proceeding brought before the commission or division, the name of the petitioner, or applicant, and, unless the order, rule or regulation is intended to apply to and affect the entire state, it shall specify or generally describe the common source or sources of supply that may be affected by such order, rule or regulation. Personal service thereof may be made by any agent of the division or by any person over the age of eighteen years, in the same manner as is provided by law for the service of summons in civil actions in the district courts of this state. Such service shall be complete at the time of such personal service or on the date of such publication, as the case may be. Proof of service shall be the affidavit of the person making personal service, or of the publisher of the newspaper in which publication is had, as the case may be. All rules, regulations and orders made by the commission or division shall be entered in full by the director thereof in a book to be kept for such purpose by the division, which shall be a public record and open to inspection at all times during reasonable office hours. A copy of any such rule, regulation or order, certified by the director of the division under the seal of the commission, shall be received in evidence in all courts of the state with the same effect as the original.

65-3-7. SUBPOENA POWER—IMMUNITY OF NATURAL PERSONS REQUIRED TO TESTIFY.—The commission, or any member thereof, or the director of the division or his authorized representative, is hereby empowered to subpoena witnesses, to require their attendance and giving of testimony before it, and to require the production of books, papers and records in any proceeding before the commission or the division. No person shall be excused from attending and testifying or from producing books, papers and records before the commission or the division, or from obedience to the subpoena of the said commission or division, omitted whether such subpoena be signed or issued by one or more of the members of the said commission, or the director of the division, in any hearing, investigation or proceeding held by or before the said commission or division or in any cause or proceeding in any court by or against the said commission or division, relative to matters within the jurisdiction of said commission or division, on the ground or for the reason that the testimony or evidence, documentary or otherwise, required of him may tend to incriminate him or subject him to a penalty or forfeiture; provided that nothing herein contained shall be construed as requiring any person to produce any books, papers or records, or to testify in response to any inquiry, not pertinent to some question lawfully before such commission or division or court for determination. No natural person shall be subjected to criminal prosecution, or to any penalty or forfeiture for or on account of any transaction, matter or thing concerning which he may be required to testify, or produce evidence, documentary or otherwise before said commission or division, or in obedience to its subpoena, or in any cause or proceeding, provided, that no person testifying shall be exempted from prosecution and punishment for perjury committed in so testifying.

65-3-8. FAILURE OR REFUSAL TO COMPLY WITH SUBPOENA--REFUSAL TO TESTIFY--BODY ATTACHMENT--CONTEMPT.—In case of failure or refusal on

the part of any person to comply with any subpoena issued by said commission or any member thereof, or the director of the division or his authorized representative, or on the refusal of any witness to testify or answer as to any matters regarding which he may be lawfully interrogated, any district court in this state, or any judge thereof, on application of said commission or division, may issue an attachment for such person and compel him to comply with such subpoena and to attend before the commission or division and produce such documents, and give his testimony upon such matters as may be lawfully required, and such court or judge shall have the power to punish for contempt as in case of disobedience of a like subpoena issued by or from such court, or a refusal to testify therein.

65-3-9. PERJURY--PUNISHMENT.--If any person of whom an oath shall be required under the provisions of this act, or by any rule, regulation or order of the commission or division, shall willfully swear falsely in regard to any matter or thing respecting which such oath is required, or shall willfully make any false report or affidavit required or authorized by the provisions of this act, or by any rule, regulation or order of the commission or division, such person shall be deemed guilty of perjury and shall be punished by imprisonment in the state penitentiary for not more than five years nor less than six months.

65-11-7. POWER OF COMMISSION AND DIVISION TO PREVENT WASTE AND PROTECT CORRELATIVE RIGHTS.--The commission and division are hereby empowered, and it is their duty, to prevent the waste prohibited by the Geothermal Resources Conservation Act and to protect correlative rights, as in that act provided. To that end, the commission and division may make and enforce rules, regulations and orders relating to geothermal resources, and to do whatever may be reasonably necessary to carry out the purposes of that act whether or not indicated or specified in any section thereof.

65-11-8. ENUMERATION OF POWERS.--Included in the power given to the division is the authority to collect data; to make investigations and inspections; to examine properties, leases, papers, books and records; to examine, check, test and gauge geothermal resources wells and geothermal resources transportation, storage and utilization facilities; to limit and allocate production of geothermal resources as provided in the Geothermal Resources Conservation Act; and to require certificates of clearance for the production or transportation of geothermal resources.

Apart from any authority, express or implied, elsewhere given to or existing in the division by virtue of the Geothermal Resources Conservation Act or the statutes of this state, the division may make rules, regulations and orders for the purposes and with respect to the subject matter stated herein, viz.:

A. to require non-commercial or abandoned wells to be plugged in such a way as to confine all fluids in the strata in which they are found, and to prevent them from escaping into other strata; the division may require a bond of not to exceed ten thousand dollars ($10,000) conditioned for the performance of such regulations;

B. to prevent geothermal resources, water or other fluids from escaping from the strata in which they are found into other strata;

C. to require reports showing locations of all geothermal resources wells, and to require the filing of logs and drilling records or reports and production reports;

D. to prevent the premature cooling of any geothermal stratum or strata by water encroachment, or otherwise, which reduces or tends to reduce the total ultimate recovery of geothermal resources from any geothermal reservoir;

E. to prevent "blow-outs" and "caving" in the sense that such terms are generally understood in the geothermal drilling business;

F. to require wells to be drilled, operated and produced in such a manner as to prevent injury to neighboring leases or properties and to afford reasonable protection to human life and health and to the environment;

G. to identify the ownership of geothermal producing leases, properties, plants, structures, and transportation and utilization facilities;

H. to require the operation of wells efficiently;

I. to fix the spacing of wells;

J. to classify and from time to time as is necessary reclassify geothermal reservoirs and low-temperature thermal reservoirs;

K. to define and from time to time as is necessary redefine the horizontal and vertical limits of geothermal reservoirs and low-temperature thermal reservoirs;

L. to permit and regulate the injection of fluids into geothermal reservoirs and low-temperature thermal reservoirs;

M. to regulate the disposition of geothermal resources or the residue thereof, and to direct the surface or subsurface disposal of such in a manner that will afford reasonable protection against contamination of all fresh waters and waters of present or probable future value for domestic, commercial, agricultural or stock purposes, and will afford reasonable protection to human life and health and to the environment; and

N. to define and from time to time as is necessary redefine the limits of any area containing commercial deposits of potash, and to regulate and where necessary prohibit geothermal drilling or producing operations where such operations would have the effect unduly to reduce the total quantity of such commercial deposits of potash which may reasonably be recovered in commercial quantities.

'65-3-11.1. ADDITIONAL POWERS OF COMMISSION OR DIVISION—HEARINGS BEFORE EXAMINER—HEARINGS DE NOVO.--In addition to the powers and authority, either express or implied, granted to the oil conservation

commission or division by virtue of the statutes of the state of New Mexico, the division is hereby authorized and empowered in prescribing its rules or order or procedure in connection with hearings or other proceedings before the division to provide for the appointment of one or more examiners to be members of the staff of the division to conduct hearings with respect to matters properly coming before the division and to make reports and recommendations to the director of the division with respect thereto. Any member of the commission or the director of the division or his authorized representative may serve as an examiner as provided herein. The division shall promulgate rules and regulations with regard to hearings to be conducted before examiners and the powers and duties of the examiners in any particular case may be limited by order of the division to particular issues or to the performance of particular acts. In the absence of any limiting order, an examiner appointed to hear any particular case shall have the power to regulate all proceedings before him and to perform all acts and take all measures necessary or proper for the efficient and orderly conduct of such hearing, including the swearing of witnesses, receiving of testimony and exhibits offered in evidence subject to such objections as may be imposed, and shall cause a complete record of the proceeding to be made and transcribed and shall certify the same to the director of the division for consideration together with the report of the examiner and his recommendations in connection therewith. The director of the division shall base the decision rendered in any matter or proceeding heard by an examiner, upon the transcript of testimony and record made by or under the supervision of the examiner in connection with such proceeding, and such decision shall have the same force and effect as if said hearing had been conducted before the director of the division. When any matter or proceeding is referred to an examiner and a decision is rendered thereon, any party adversely

affected shall have the right to have said matter heard de novo before the commission upon application filed with the division within thirty days from the time any such decision is rendered.

'65-11-9. REGULATION OF GEOTHERMAL RESOURCES PRODUCTION.--Upon determination by the division that geothermal resources production from a particular geothermal resources reservoir is causing waste or is about to result in waste, the division shall limit, allocate and distribute the total amount of geothermal resources which may be produced from that reservoir.

'65-11-10. ALLOCATION OF PRODUCTION.--

A. Whenever, to prevent waste, the total amount of geothermal resources which may be produced from a geothermal reservoir is limited, the division shall allocate and distribute the allowable production among the geothermal wells in the reservoir on a reasonable basis and recognizing correlative rights, including in the allocation schedule any well which it finds is being unreasonably discriminated against through denial of access to a geothermal resources transportation or utilization facility which is reasonably capable of handling the geothermal product of the well. In protecting correlative rights, the division may give equitable consideration to acreage, to the pressure, temperature, quantity and quality of the geothermal resources producible from the wells in the reservoir, and to such other pertinent factors as may from time to time exist, and, insofar as is practicable, shall prevent drainage between producing tracts in the reservoir which is not equalized by counter-drainage.

B. No order limiting, allocating and distributing production from any geothermal reservoir shall be issued except after notice and hearing. In entering such an order the division must find that waste is resulting or is about to result from the unratable taking of geothermal resources or from the production of geothermal resources from a reservoir in excess of the market demand therefor,

in excess of the capacity of the available geothermal transportation facilities to efficiently receive and transport such geothermal resources, or in excess of the capacity of the available geothermal utilization facility to efficiently receive and utilize such geothermal resources. When limiting, allocating and distributing production from a geothermal reservoir, the division shall do so on the basis of three-month allocation periods and shall promulgate reasonable rules regarding production tolerances and overproduction and underproduction.

C. After the effective date of any rule, regulation or order fixing the allowable production and establishing permitted tolerances for overproduction, no person shall produce more than the allowable production and permitted tolerance applicable to him, his wells, leases or properties determined as provided in the Geothermal Resources Conservation Act, and the allowable production shall be produced in accordance with the applicable rules, regulations and

"65-11-11. EQUITABLE ALLOCATION OF PRODUCTION SPACING--POOLING.--

A. The rules, regulations or orders of the division shall, so far as it is practicable to do so, afford to the owner of each property in a geothermal reservoir the opportunity to produce his just and equitable share of the geothermal resources in the reservoir, being an amount, so far as can be practically determined, and so far as such can be practicably obtained without waste, substantially in the proportion that the quantity of the recoverable geothermal resources under such property bears to the total recoverable geothermal resources in the reservoir, and for this purpose to use his just and equitable share of the reservoir energy.

B. The division may establish a spacing unit for each geothermal reservoir, such being the area that can be efficiently and economically drained and developed by one well, and in so doing the division shall consider the economic loss caused by the drilling of unnecessary wells, the protection of correlative rights, including

those of royalty owners, the prevention of waste, the avoidance of the augmentation of risks arising from the drilling of an excessive number of wells and the prevention of reduced recovery which might result from the drilling of too few wells.

C. When two or more separately owned tracts of land are embraced within a spacing unit, or where there are owners of royalty interests or undivided interests in geothermal resources which are separately owned, or any combination thereof, embraced within such spacing unit, the owner or owners thereof may validly pool their interests and develop their lands as a unit. Where, however, such owner or owners have not agreed to pool their interests, and where one such separate owner, or owners, who has the right to drill has drilled or proposes to drill a well on said unit to a geothermal reservoir, the division, to avoid the drilling of unnecessary wells or to protect correlative rights, or to prevent waste, shall pool all or any part of such lands or interest or both in the spacing unit as a unit.

All orders effecting such pooling shall be made after notice and hearing, and shall be upon such terms and conditions as are just and reasonable and will afford to the owner or owners of each tract or interest in the unit the opportunity to recover or receive without unnecessary expense his just and fair share of the geothermal resources. Each order shall describe the lands included in the unit designated thereby, identify the reservoir or reservoirs to which it applies and designate an operator for the unit. All operations for the pooled geothermal resources which are conducted on any portion of the unit shall be deemed for all purposes to have been conducted upon each tract within the unit by the owner or owners of such tract. For the purpose of determining the portions of production owned by the persons owning interests in the pooled geothermal resources, such production shall be allocated to the respective tracts within the unit in the proportion that the number of surface acres included within

each tract bears to the number of surface acres included in the entire unit. The portion of the production allocated to the owner or owners of each tract or interest included in a well spacing unit formed by a pooling order shall, when produced, be considered as if produced from the separately owned tract or interest by a well drilled thereon. Such pooling order of the division shall make definite provision as to any owner, or owners, who elects not to pay his proportionate share in advance for the pro rata reimbursement solely out of production to the parties advancing the costs of development and operation which shall be limited to the actual expenditures required for such purpose not in excess of what are reasonable, but which shall include a reasonable charge for supervision and may include a charge for the risk involved in the drilling of such well, which charge for risk shall not exceed two hundred percent of the non-consenting working interest owner's or owners' pro rata share of the cost of drilling and completing the well.

In the event of any dispute relative to such costs, the division shall determine the proper costs after due notice to interested parties and a hearing thereon. The division is specifically authorized to provide that the owner or owners drilling or paying for the drilling, or for the operation of a well for the benefit of all shall be entitled to all production from such well which would be received by the owner, or owners, for whose benefit the well was drilled or operated, after payment of royalty as provided in the lease, if any, applicable to each tract or interest, and obligations payable out of production, until the owner or owners drilling or operating the well or both have been paid the amount due under the terms of the pooling order or order settling such dispute. No part of the production or proceeds accruing to any owner or owners of a separate interest in such unit shall be applied toward the payment of any cost properly chargeable to any other interest in said unit.

If the interest of any owner or owners of any unleased mineral

interest is pooled by virtue of the Geothermal Resources Conservation Act, seven-eighths of such interest shall be considered as a working interest and one-eighth shall be considered a royalty interest, and he shall in all events be paid one-eighth of all production from the unit and creditable to his interest.

D. Whenever it appears that the owners in any geothermal reservoir have agreed upon a plan for the spacing of wells, or upon a plan or method of distribution of production from the reservoir, or upon any other plan for the development or operation of such reservoir, which plan, in the judgment of the division, has the effect of preventing waste as prohibited by the Geothermal Resources Conservation Act and is fair to the royalty owners in such reservoir, then such plan shall be adopted by the division with respect to the reservoir; however, the division, upon hearing and after notice, may subsequently modify any such plan to the extent necessary to prevent waste as prohibited by the Geothermal Resources Conservation Act."

65-11-12. Court may authorize pooling or unitization by fiduciaries.—A. When an existing geothermal resources lease upon property owned by a decedent at the time of his death, by a minor or by an incompetent, does not authorize pooling or unitization thereof with other lands in the vicinity, the district court for the county in which any portion of the lands subject to said lease is situated can authorize the executor or administrator of the estate of the decedent, or the guardian of the minor or incompetent, to execute appropriate instruments authorizing or effectuating such pooling or unitization, or both, if the court finds it to be in the interest of the owners of such property.

B. An executor, administrator or guardian desiring authorization to execute such instruments shall file a verified petition in the appropriate district court setting forth a description of the lease, the lands subject thereto and the reason that the proposed action is in the interest of the owners of the affected real estate. A copy of the instrument by which such pooling or unitization is proposed to be authorized or effectuated shall be attached to the petition.

C. No notice of the hearing upon the petition shall be required; Provided, however, that the court in its discretion may require such notice as it may direct to be given to affected parties.

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D. Upon entry of an order of the court authorizing execution of the proposed instrument in the form attached to the petition, or with such modification as the court may direct, and execution thereof by the executor, administrator or guardian, the interest in the property owned by the decendent at the time of death, or by the ward, shall be subject in all respects to the terms of said instrument and the executor, administrator or guardian, without further order of the court, shall be authorized to execute division orders, transfer orders, correction instruments, receipts and other instruments made necessary or desirable by the pooling or unitization so effected.

65-11-13. SPACING UNIT WITH DIVIDED MINERAL OWNERSHIP.—

A. Whenever the operator of any geothermal resources well shall dedicate lands comprising a standard spacing unit to a geothermal resources well, it shall be the obligation of the operator, if two or more separately owned tracts of land are embraced within the spacing unit, or where there are owners or royalty interests or undivided interests in the geothermal resources which are separately owned or any combination thereof, embraced within such spacing unit, to obtain voluntary agreements pooling said lands or interests or an order of the division pooling said lands, which agreement or order shall be effective from the first production. Any division order that increases the size of a standard spacing unit for a geothermal reservoir, or extends the boundaries of such a reservoir, shall require dedication of acreage to existing wells in the reservoir in accordance with the acreage dedication requirements for said reservoir, and all interests in the spacing units that are dedicated to the affected wells shall share in production from the effective date of the said order.

B. Any operator failing to obtain voluntary pooling agreements, or failing to apply for an order of the division pooling the lands dedicated to the spacing unit as required by this section, shall nevertheless be liable to account to and pay each owner of geothermal interests, including owners of overriding royalty interests and other payments out of production, either the amount to which each interest would be entitled if pooling had occurred or the amount to which each

interest is entitled in the absence of pooling, whichever is greater.

C. Nonstandard spacing units may be established by the division and all geothermal interests in any such nonstandard unit shall share in production from that unit from the date of the order establishing the said nonstandard unit.

"65-11-14. COMMON PURCHASERS--DISCRIMINATION IN PURCHASING PROHIBITED.--Any person now or hereafter engaged in the taking or purchasing of geothermal resources from one or more producers within a single geothermal reservoir shall be a common purchaser within that geothermal reservoir, and shall purchase geothermal resources of like quality, quantity and pressure lawfully produced from that geothermal reservoir and tendered to such common purchaser at a reasonable point. Such purchase shall be made without unreasonable discrimination in favor of one producer against another in the price paid, quantities taken, the bases of measurement or the facilities offered.

In the event such purchaser is also a producer, he is prohibited to the same extent from discriminating in favor of himself with respect to geothermal resources wells in which he has an interest, direct or indirect, as against other geothermal resources wells in the same geothermal reservoir.

For the purposes of the Geothermal Resources Conservation Act, reasonable differences in prices paid or facilities afforded, or both, shall not constitute unreasonable discrimination if such differences bear a fair relationship to difference in quality, quantity or pressure of the geothermal resources available or to the relative lengths of time during which such geothermal resources will be available to the purchaser.

Any common purchaser taking geothermal resources produced from wells within a geothermal reservoir shall take ratably under such rules, regulations and orders, concerning quantity, as may be promulgated by the division after due notice and public hearing. The division, in promulgating such rules, regulations and orders may consider the quality and the quantity of the geothermal resources available, the pressure and temperature of the product at the point of delivery, acreage attributable to the well, market requirements and other pertinent factors.

Nothing in the Geothermal Resources Conservation Act shall be construed or applied to require, directly or indirectly, any person to purchase geothermal resources of a quality or under a pressure or under any other condition by reason of which such geothermal resource cannot be economically and satisfactorily used by such purchaser by means of his geothermal utilization facilities then in service."

65-11-15. PURCHASE, SALE OR HANDLING OF EXCESS GEOTHERMAL RESOURCES OR PRODUCTS PROHIBITED.—

A. The sale or purchase or acquisition, or the transportation, utilization or processing, or handling in any other way, of geothermal resources in whole or in part produced in excess of the amount allowed by any statute of this state, or by any provision of the Geothermal Resources Conservation Act, or by any rule, regulation or order of the commission or division made hereunder, is hereby prohibited, and such geothermal resources are hereby referred to as "illegal geothermal resources".

B. The sale or purchase or acquisition, or the transporta-

tion, utilization or processing, or the handling in any other way, of any product of geothermal resources, which product is derived in whole or in part from geothermal resources produced in whole or in part in excess of the amount allowed by any statute of this state, or by any provision of the Geothermal Resources Conservation Act, or by any rule, regulation or order of the commission or division made thereunder, is hereby prohibited, and each such commodity or product is herein referred to as "illegal geothermal resources product".

'65-11-16. RULES AND REGULATIONS TO EFFECTUATE PROHIBITIONS AGAINST PURCHASE OR HANDLING OF ILLEGAL GEOTHERMAL RESOURCES OR ILLEGAL GEOTHERMAL RESOURCES PRODUCT.—

A. The division is specifically authorized and directed to make such rules, regulations and orders, and may provide for such certificates of clearance or tenders, as may be necessary to make effective the prohibitions contained in Section 65-11-15 NMSA 1953.

B. Unless and until the division provides for certificates

of clearance or tenders, or some other method, so that any person may have an opportunity to determine whether any contemplated transaction of sale or purchase or acquisition, or of transportation, refining, processing or handling in any other way, involves illegal geothermal resources, or illegal geothermal resources product, no penalty shall be imposed for the sale or purchase or acquisition, or the transportation, refining, processing or handling in any other way, of illegal geothermal resources or illegal geothermal resources product, except under circumstances stated in the succeeding provisions of this subsection. Penalties shall be imposed for the division of each transaction prohibited in Section 65-11-15 NMSA 1953 when the person committing the same knows that illegal geothermal resources, or illegal geothermal resources product, are involved in such transaction, or when such person could have known or determined such fact by the exercise of reasonable diligence or from facts within his knowledge. However, regardless of lack of actual notice or knowledge, penalties as provided in the Geothermal Resources Conservation Act shall apply to any sale or purchase or acquisition, and to the transportation, refining, processing or handling in any other way, of illegal geothermal resources, or illegal geothermal resources product where administrative provision is made for identifying the character of the commodity as to its legality. It shall likewise be a violation for which penalties shall be imposed for any person to sell or purchase or acquire, or to transport, refine, process or handle in any way, any geothermal resources or any product thereof without complying with the rule, regulation or order of the commission or division relating thereto.

65-3-17. PENALTY FOR VIOLATIONS.--Any person who violates any provision of this act or any rules, regulation or order of the commission or the division made pursuant to this act shall, upon conviction, be fined not more than one thousand dollars ($1,000) for each violation. Each day during which said violation is continued shall be considered a separate and complete offence for this purpose.

65-11-17. HEARINGS ON RULES, REGULATIONS AND ORDERS--NOTICE--EMERGENCY RULES.--

A. Except as provided for herein, before any rule, regulation or order, including revocation, change, renewal or extension thereof, shall be made under the provisions of the Geothermal Resources Conservation Act, a public hearing shall be held at such time, place and manner as may be prescribed by the division. The division shall first give reasonable notice of such hearing (in no case less than ten days, except in an emergency) and at any such hearing any person having an interest in the subject matter of the hearing shall be entitled to be heard. Any member of the commission or division, or any employee of the commission or division, shall have power to administer oaths to any witness in any hearing, investigation or proceeding contemplated by the Geothermal Resources Conservation Act.

B. In case an emergency is found to exist by the division which in its judgment requires the making of a rule, regulation or

order without first having a hearing, such emergency rule, regulation or order shall have the same validity as if a hearing with respect to the same had been held after due notice. The emergency rule, regulation or order permitted by this section shall remain in force no longer than fifteen days from its effective date, and, in any event, it shall expire when the rule, regulation or order made after due notice and hearing with respect to the subject matter of such emergency rule, regulation or order becomes effective.

65-11-18. REHEARINGS—APPEALS.—

A. Within twenty days after entry of any order or decision of the division, any person affected thereby may file with the commission an application for rehearing in respect of any matter determined by such order or decision, setting forth the respect in which such order or decision is believed to be erroneous. The commission shall grant or refuse any such application in whole or in part within ten days after the same is filed and failure to act thereon within such period shall be deemed a refusal thereof and a final disposition of such application. In the event the rehearing is granted, the commission may enter such new order or decision after rehearing as may be required under the circumstances.

B. Any party to such rehearing proceeding, dissatisfied with the disposition of the application for rehearing, may appeal therefrom to the district court of the county wherein is located any property of such party affected by the decision, by filing a petition for the review of the action of the commission within twenty days after the entry of the order following rehearing or after the refusal of rehearing as the case may be. Such petition shall state briefly the nature of the proceedings before the commission or division and shall set forth the order or decision of the commission or division complained of and the grounds of invalidity thereof upon which the applicant will rely; provided, however, that the questions reviewed on appeal shall be only questions presented to the commission by the application

for rehearing. Notice of such appeal shall be served upon the adverse party or parties and the commission in the manner provided for the service of summons in civil proceedings. The trial upon appeal shall be without a jury, and the transcript of proceedings before the commission or division, including the evidence taken in hearings by the commission or division, shall be received in evidence by the court in whole or in part upon offer by either party, subject to legal objections to evidence. The commission or division action complained of shall be prima facie valid and the burden shall be upon the party or parties seeking review to establish the invalidity of such action of the commission or division. The court shall determine the issues of fact and of law and shall enter its order either affirming or vacating the order of the commission or division. Appeals may be taken from the judgment or decision of the district court to the supreme court in the same manner as provided for appeals from any other final judgment entered by a district court in this state. The trial of such application for relief from action of the commission or division and the hearing of any appeal to the supreme court from the action of the district court shall be expedited to the fullest possible extent.

C. The pendency of proceedings to review shall not of itself stay or suspend operation of the order or decision being reviewed, but during the pendency of such proceedings, the district court in its discretion may, upon its own motion or upon proper application of any party thereto, stay or suspend, in whole or in part, operation of said order or decision pending review thereof, on such terms as the court deems just and proper and in accordance with the practice of courts exercising equity jurisdiction; provided, that the court, as a condition to any such staying or suspension of operation of any order or decision, may require that one or more parties secure, in such form and amount as the court may deem just and proper, one or more other parties against loss or damage due to the staying or suspension of the commission's or division's order or decision, in the

event that the action of the commission or division shall be affirmed.

D. The applicable rules of practice and procedure in civil cases for the courts of this state shall govern the proceedings for review, any appeal therefrom to the supreme court of this state, to the extent such rules are consistent with provisions of the Geothermal Resources Conservation Act.

65-11-19. TEMPORARY RESTRAINING ORDER OR INJUNCTION--GROUNDS--HEARING--BOND.--

A. No temporary restraining order or injunction of any kind shall be granted against the commission or the members thereof, or against the attorney general, or against any agent, employee or representative of the division restraining the commission, or any of its members, or the division or any of its agents, employees or representatives, or the attorney general, from enforcing any statute of this state relating to conservation of geothermal resources, or any of the provisions of the Geothermal Resources Conservation Act, or any rule, regulation or order made thereunder, except after due notice to the director of the division, and to all other defendants, and after a hearing at which it shall be clearly shown to the court that the act done or threatened is without sanction of law, or that the provision of the Geothermal Resources Conservation Act, or the rule, regulation or order complained of, is invalid, and that, if enforced against the complaining party, will cause an irreparable injury. With respect to an order or decree granting temporary injunctive relief, the nature and extent of the probable invalidity of the statute, or of any provision of the Geothermal Resources Conservation Act, or of any rule, regulation or order hereunder involved in such suit, must be recited in the order or decree granting the temporary relief, as well as a clear statement of the probable damage relied upon by the court as justifying temporary injunctive relief.

B. No temporary injunction of any kind, including a tem-

porary restraining order against the commission or the members thereof, or the division or its agents, employees or representatives, or the attorney general, shall become effective until the plaintiff shall execute a bond to the state with sufficient surety in an amount to be fixed by the court reasonably sufficient to indemnify all persons who may suffer damage by reason of the violation pendente lite by the complaining party of the statute or the provisions of the Geothermal Resources Conservation Act or of any rule, regulation or order complained of. Any person so suffering damage may bring suit thereon before the expiration of six months after the statute, provision, rule, regulation or order complained of shall be finally held to be valid, in whole or in part, or such suit against the commission, or the members thereof, or the division, shall be finally dismissed. Such bond shall be approved by the judge of the court in which the suit is pending, and shall be for the use and benefit of all persons who may suffer damage by reason of the violation pendente lite of the statute, provision, rule, regulation or order complained of in such suit, and who may bring suit within the time prescribed by this section; and such bond shall be so conditioned. From time to time, on motion and with notice to the parties, the court may increase or decrease the amount of the bond and may require new or additional sureties, as the facts may warrant.

65-11-20. ACTIONS FOR VIOLATIONS.--Whenever it shall appear that any person is violating, or threatening to violate, any statute of this state with respect to the conservation of geothermal resources, or any provision of the Geothermal Resources Conservation Act, or any rule, regulation or order made thereunder, the division through the attorney general, shall bring suit against such person in the county of the residence of the defendant, or in the county of the residence of any defendant if there be more than one defendant, or in the county where the violation is alleged to have occurred, for penalties, if any are applicable, and to restrain such person from

continuing such violation or from carrying out the threat of violation. In such suit the division may obtain injunction, prohibitory and mandatory, including temporary restraining orders and temporary injunctions, as the facts may warrant, including, when appropriate, an injunction restraining any person from moving or disposing of illegal geothermal resources, or illegal geothermal resources product, and any or all such commodities, or funds derived from the sale thereof, may be ordered to be impounded or placed under the control of an agent appointed by the court if, in the judgment of the court, such action is advisable.

65-11-21. ACTIONS FOR DAMAGES—INSTITUTION OF ACTIONS FOR INJUNCTIONS BY PRIVATE PARTIES.—Nothing in the Geothermal Resources Conservation Act contained or authorized, and no suit by or against the division, and no penalties imposed or claimed against any person for violating any statute of this state with respect to conservation of geothermal resources, or any provision of that act, or any rule, regulation or order issued hereunder, shall impair or abridge or delay any cause of action for damages which any person may have or assert against any person violating any statute of this state with respect to conservation of geothermal resources, or any provision of the Geothermal Resources Conservation Act, or any rule, regulation or order issued hereunder. Any person so damaged by the violation may sue for and recover such damages as he may be entitled to receive. In the event the division should fail to bring suit to enjoin any actual or threatened violation of any statute of this state with respect to the conservation of geothermal resources, or of any provision of this act, or of any rule, regulation or order made hereunder, then any person or party in interest adversely affected by such violation, and who has notified the division in writing of such violation or threat thereof and has requested the division to sue, may, to prevent any or further violation, bring suit for that purpose in the district court of any county in which the division could have brought suit. If, in

such suit, the court holds that injunctive relief should be granted, then the division shall be made a party and shall be substituted for the person who brought the suit, and the injunction shall be issued as if the division had at all times been the complaining party.

65-11-22. Violation of court order grounds for appointment of receiver.—The violation by any person of an order of the court relating to the operation of any geothermal resources well or wells, or of any geothermal transportation, storage or utilization facility, shall be sufficient ground for the appointment of a receiver with power to conduct operations in accordance with the order of the court.

65-11-23. PENALTIES FOR VIOLATIONS--ACCESSORIES.--

A. Any person who, for the purpose of evading the Geothermal Resources Conservation Act, or of evading any rule, regulation or order made thereunder, shall knowingly and willfully make or cause to be made any false entry or statement of fact in any report required to be made by that act or by any rule, regulation or order made thereunder; or who, for such purpose, shall make or cause to be made any false entry in any account, record, or memorandum kept by any person in connection with the provisions of that act or of any rule, regulation or order made thereunder; or who, for such purpose, shall omit to make, or cause to be omitted, full, true and correct entries in such accounts, records or memoranda, of all facts and transactions pertaining to the interest or activities in the geothermal industry of such person as may be required by the division under authority given in the Geothermal Resources Conservation Act or by any rule, regulation or order made thereunder; or who, for such purpose, shall remove out of the jurisdiction of the state, or who shall mutilate, alter or by any other means falsify, any book, record or other paper pertaining to the transactions regulated by that act or by any rule, regulation or order made thereunder; shall be deemed guilty of a felony and shall be subject, upon conviction in any court of competent jurisdiction, to a fine of not more than one thousand dollars ($1,000), or imprisonment for a term of not more than three years, or to both such fine and imprisonment.

B. Any person who knowingly and willfully violates any provision of the Geothermal Resources Conservation Act or any rule, regulation or order of the division made hereunder, shall, in the event a penalty for such violation is not otherwise provided for therein be subject to a penalty of not to exceed one thousand dollars ($1,000) a day for each and every day of such violation, and for each and every act of violation, such penalty to be recovered in a suit in the district court of the county where the defendant resides, or in the county of the residence of any defendant if there be more than one defendant, or in the district court of the county where the violation took place. The place of suit shall be selected by the division, and such suit, by direction of the division, shall be instituted and conducted in the name of the division by the attorney general or under his direction by the district attorney of the county where the suit is instituted. The payment of any penalty as provided for herein shall not have the effect of changing illegal geothermal resources into legal geothermal resources, or illegal geothermal resources product into legal geothermal resources product, nor shall such payment have the effect of authorizing the sale or purchase or acquisition, or the transportation, refining, processing or handling in any other way, of such illegal geothermal resources, or illegal geothermal resources product, but to the contrary, penalty shall be imposed for each prohibited transaction relating to such illegal geothermal resources or illegal geothermal resources product.

C. Any person knowingly and willfully aiding or abetting any other person in the violation of any statute of this state relating to the conservation of geothermal resources, or the violation of any provision of the Geothermal Resources Conservation Act, or any rule, regulation or order made thereunder, shall be subject to the same penalties as are prescribed herein for the violation by such other person.

65-11-24. SEIZURE AND SALE OF ILLEGAL GEOTHERMAL RESOURCES OR ILLEGAL GEOTHERMAL RESOURCES PRODUCT--PROCEDURE.--

A. Apart from, and in addition to, any other remedy or procedure which may be available to the division, or any penalty which may be sought against or imposed upon any person, with respect to violations relating to illegal geothermal resources or illegal geothermal resources product shall, except under such circumstances as are stated herein, be contraband and shall be seized and sold, and the proceeds applied as herein provided. Such sale shall not take place unless the court shall find in the proceeding provided in this section that the owner of such illegal geothermal resources or illegal geothermal resources product is liable, or in some proceeding authorized by the Geothermal Resources Conservation Act such owner has already been held to be liable, for penalty for having produced such illegal geothermal resources, or for having purchased or acquired such illegal geothermal resources or illegal geothermal resources product. Whenever the division believes that illegal geothermal resources or illegal geothermal resources product is subject to seizure and sale, as provided herein, it shall, through the attorney general, bring a civil action in rem for that purpose in the district court of the county where the commodity is found, or the action may be maintained in connection with any suit or cross-action for injunction or for penalty relating to any prohibited transaction involving such illegal geothermal resources or illegal geothermal resources product. Notice of the action in rem shall be given in conformity with the law or rule applicable to such proceeding. Any person or party in interest who may show himself to be adversely affected by any such seizure and sale shall have the right to intervene in said suit to protect his rights.

B. Whenever the pleading with respect to the forfeiture of

illegal geothermal resources or illegal geothermal resources product shows ground for seizure and sale, and such pleading is verified or is supported by affidavit or affidavits, or by testimony under oath, the court shall order such commodity to be impounded or placed under the control, actual or constructive, of the court through an agent appointed by the court.

C. The judgment effecting the forfeiture shall provide that the commodity be seized, if not already under the control of the court, and that a sale be had in similar manner and with similar notice as provided by law or rule with respect to the sale of personal property under execution; provided, however, the court may order that the commodity be sold in specified lots or portions, and at specified intervals, instead of being sold at one time. Title to the amount sold shall pass as of the date of the seizure. The judgment shall provide for payment of the proceeds of the sale into the common school fund, after first deducting the costs in connection with the proceedings and the sale. The amount sold shall be treated as legal geothermal resources or legal geothermal resources product, as the case may be, in the hands of the purchaser, but the purchaser and the commodity shall be subject to all applicable laws and rules, regulations and orders with respect to further sale or purchase or acquisition, and with respect to the transportation, refining, processing or handling in any other way, of the commodity purchased.

D. Nothing in this section shall deny or abridge any cause of action a royalty owner, or any lien holder, or any other claimant, may have, because of the forfeiture of the illegal geothermal resources or illegal geothermal resources product, against the person whose act resulted in such forfeiture.

History: Laws 1959, ch. 23, § 15.

Separability Clause.

Section 16 of ch. 25, Laws 1959 read: "If any part or application of the Land Office Building Act is held invalid, the remainder or the application to other situations or persons shall not be affected."

Emergency Clause.

Section 17 of ch. 25, Laws 1959 declared an emergency and provided that the act should take effect upon its passage and approval. Approved March 6, 1959.

ARTICLE 15

LEASE OF GEOTHERMAL RESOURCES ON STATE LANDS

Section

7-15-1. Short title.
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7-15-26. Withholding state lands from lease—Lease by competitive bids.
7-15-27. Public hearings.
7-15-28. Collateral assignment of leases.

7-15-1. Short title.—This act [7-15-1 to 7-15-28] may be cited as the "Geothermal Resources Act."

History: Laws 1967, ch. 158, § 1.

Title of Act.

An act relating to geothermal resources; and providing for the leasing of geothermal resources on state lands under certain conditions.—Laws 1967, ch. 158.

Cross-References.

Oil conservation commission to regulate geothermal resources, 65-3-11.2.

7-15-2. Definitions.—As used in the Geothermal Resources Act [7-15-1 to 7-15-28]:

A. "geothermal resources" means the natural heat of the earth, or the energy, in whatever form, below the surface of the earth present in, resulting from, or created by, or which may be extracted from, this natural heat, and all minerals in solution or other products obtained from naturally heated fluids, brines, associated gases, and steam, in whatever form, found below the surface of the earth, but excluding oil, hydrocarbon gas and other hydrocarbon substances;

B. "commissioner" means the commissioner of public lands;

C. "state lands" includes all land owned by the state, all land owned by school districts, beds of navigable rivers and lakes, submerged lands, and lands in which mineral rights have been reserved to the state;

D. "lease" means a lease for the extraction and removal of geothermal resources from state lands; and

E. "well" means any well for the discovery of geothermal resources or any well on lands producing geothermal resources or reasonably presumed to contain geothermal resources.

History: Laws 1967, ch. 158, § 2.

7-15-3. Administration of act.—Administration of the Geothermal Resources Act [7-15-1 to 7-15-28] shall be based on the principle of multiple use of state land and resources, and shall allow coexistence of other leases on the same lands for deposits of other minerals, and the existence of leases issued pursuant to the Geothermal Resources Act shall not preclude other uses of the land covered thereby. However, operations under other leases, or for other uses shall not unreasonably interfere with or endanger operations under any lease issued pursuant to the Geothermal Resources Act, nor shall operations under leases issued pursuant to the Geothermal Resources Act unreasonably interfere with or endanger operations under any lease issued pursuant to any other law. The Geothermal Resources Act shall not be construed to supersede the authority which any state department or agency has with respect to the management, protection, and utilization of the state lands and resources under its jurisdiction.

History: Laws 1967, ch. 158, § 3.

7-15-4. Geothermal resources of commercial value.—Where it is determined by the commissioner that the production or use of geothermal energy is also susceptible of economically producing other of the geothermal resources in commercially valuable quantities, and a market therefor exists, production of the other geothermal resources may be required by the commissioner.

History: Laws 1967, ch. 158, § 4.

7-15-5. Leases—Applications—Limitations.—A. Leases may be issued by the commissioner according to such terms and conditions not inconsistent with the provisions of the Geothermal Resources Act [7-15-1 to 7-15-28] which the commissioner determines to be in the best interest of the state.

B. An application for a lease on state lands shall not be made for less than six hundred forty [640] acres nor more than two thousand five hundred sixty [2,560] acres and shall embrace a reasonably compact area. A lease on state lands may only be issued for a parcel less than six hundred forty [640] acres if the parcel is isolated from or not contiguous with other parcels of land available for a lease. The commissioner may provide for compensatory agreements on those parcels

of state lands which he determines should be subjected to such an agreement rather than a lease. No person, association, or corporation, except as otherwise provided in the Geothermal Resources Act, shall take, hold, own or control at one time whether acquired directly from the commissioner or otherwise, any direct or indirect interests in state geothermal leases exceeding twenty-five thousand six hundred [25,600] acres.

C. The commissioner shall issue a lease to the first qualified applicant under regulations adopted by the commissioner.

History: Laws 1967, ch. 158, § 5.

7-15-6. Known geothermal resources fields.—A. The commissioner shall after consultation with the director of the bureau of mines and mineral resources, make a classification of geothermal areas which he has determined may be capable of producing geothermal resources in commercial quantities. These geothermal areas shall be classified as "known geothermal resources fields."

B. If any lands to be leased are within a known geothermal resources field, the lands shall be leased to the highest responsible qualified bidder under regulations prescribed by the commissioner. The regulations prescribed by the commissioner shall include notice to the public of the terms and conditions of the sale, and procedures of conducting the sale including the receipt of written bids on a competitive basis and the issuing of the lease.

History: Laws 1967, ch. 158, § 6.

7-15-7. Leases—Terms.—A. Each lease issued pursuant to the Geothermal Resources Act [7-15-1 to 7-15-28] shall provide for the following rentals and royalties with respect to geothermal resources produced, saved and sold from the lands included within the lease:

(1) a royalty of ten per cent [10%] of the gross revenue, exclusive of charges approved by the commissioner made or incurred with respect to transmission or other services or processes, received from the sale of steam, brines, from which no minerals have been extracted, and associated gases at the point of delivery to the purchaser thereof;

(2) a royalty of not less than two per cent [2%] nor more than ten per cent [10%] of the gross revenue received from the sale of mineral products or chemical compounds recovered from geothermal fluids in the first marketable form as to each such mineral product or chemical compound for the primary term of the lease;

(3) a royalty of eight per cent [8%] of the net revenue received from the operation of an energy producing plant on the leased land;

(4) a royalty of not less than two per cent [2%] nor more than ten per cent [10%] of the gross revenue received from the operation of the geothermal resources for recreational or health purposes;

(5) an annual rental, payable in advance of one dollar ($1.00) an acre or fraction thereof for each year of a lease;

(6) if, after the discovery of geothermal resources in commercial quantities, the total royalties paid during any calendar year do not equal or exceed a sum equal to two dollars ($2.00) an acre for each acre or fraction thereof then included in the lease, the person holding the lease shall, within sixty [60] days after the end of the year, pay such sum as is necessary to equal the minimum royalty of two dollars ($2.00) an acre;

(7) the royalties specified pursuant to this section shall be subject to renegotiation after twenty [20] years from the effective date of a lease and at ten-year intervals thereafter, however, the new royalty rate shall not vary more than fifty per cent [50%] from the previous royalty rate; and

(8) except for royalties on minerals, royalties and rentals may be negotiated at other rates than that provided in this section where the surface has heretofore been sold with minerals reserved; Provided, however, a public hearing shall be held thereon before any such rates are approved by the commissioner.

B. Royalty payments shall be made pursuant to paragraphs (1) and (2) of subsection A of this section for all geothermal resources used and not sold by a person holding a lease, with the gross revenue therefrom to be determined as though the geothermal resources had been sold to a third person at the then prevailing market price in the same market area and under the same marketing conditions; Provided, however, that no royalties shall be payable for steam used by a person holding a lease in the production of any geothermal resources subject to the payment of royalties pursuant to paragraphs (1) and (2) of subsection A of this section.

C. The commissioner shall have the authority in leasing lands pursuant to the Geothermal Resources Act to prescribe a development program. In prescribing the program, the commissioner shall consider all applicable economic factors, including market conditions and the cost of drilling for, producing, processing and utilizing of geothermal resources.

History: Laws 1967, ch. 158, § 7.

7-15-8. Leases—Relinquishment.—A. The holder of any lease may at any time relinquish all his rights under the lease by filing a written relinquishment of all rights under the lease with the commissioner. The relinquishment shall be effective as of the date of its filing, subject to the continued obligation of the person, in accordance with the terms of the lease and any regulations:

(1) to make payment of all accrued rentals and royalties;

(2) to place all wells on the lands to be relinquished in condition for suspension or abandonment; and

(3) to protect or restore the surface and surface resources.

B. Upon compliance with this section, the person holding the lease shall be released of all obligations thereafter accruing under the lease with respect to the lands relinquished, but no such relinquishment shall

release such person from any liability for breach of any obligation of the lease, other than an obligation to drill, accrued at the date of relinquishment.

History: Laws 1967, ch. 158, § 8.

7-15-9. Rent or royalties — Waiver — Suspension—Reduction.—The commissioner may, after a public hearing, waive, suspend or reduce the rental or minimum royalty for the lands included in a lease, or any portion thereof, and waive, suspend, alter or amend the operating requirements contained in a lease or regulation in the interest of conservation and to encourage the greatest ultimate recovery of geothermal resources if he determines that such action is necessary or beneficial to promote development or finds that the lease cannot be successfully operated under the terms of the lease or regulations.

History: Laws 1967, ch. 158, § 9.

Cross-References.

Delinquent payments, interest on, 7-1-2.1.

7-15-10. Suspension of operation and production.—The commissioner may, upon application and after a public hearing, suspend operations and production on a producing lease. On his own motion and after a public hearing, the commissioner, in the interest of conservation, may suspend operations on any lease, but in any such case he shall extend the lease term for the period of any suspension.

History: Laws 1967, ch. 158, § 10.

7-15-11. Leases—Duration.—Any lease entered into pursuant to the Geothermal Resources Act [7-15-1 to 7-15-28] shall be for a primary term of five [5] years with the right to renew for succeeding five-year terms so long as geothermal resources are being produced or utilized or are capable of being produced or utilized in commercial quantities from such lands or from lands unitized therewith.

History: Laws 1967, ch. 158, § 11.

7-15-12. Combining geothermal resources.—Any person engaged in the production of geothermal resources under a lease issued by the commissioner may commingle geothermal resources from any two [2] or more wells without regard to whether such wells are located on the lands for which such lease was issued or elsewhere; Provided, however, that the person holding the lease shall install and maintain meters or other measuring devices satisfactory to the commissioner to measure the amount of geothermal resources produced from lands for which leases were issued by the commissioner.

History: Laws 1967, ch. 158, § 12.

7-15-13. Re-injecting geothermal resources.—Any person holding a lease may, upon approval of the commissioner, drill special wells, convert producing wells or reactivate and convert abandoned wells for the sole purpose of re-injecting geothermal resources or the residue thereof.

History: Laws 1967, ch. 158, § 13.

7-15-14. Co-operative development or operation.—For the purpose of more properly conserving the natural resources of any geothermal resources lands, or any part thereof, the holders of leases may unite with each other or with others in collectively adopting and operating under a co-operative or unit plan of development or operation of such geothermal resources lands whenever determined and certified by the commissioner to be necessary or advisable in the public interest. The commissioner may, with the consent of the holders of leases involved, establish, alter, change or revoke any drilling and production requirement of such leases, permit apportionment of production, and may make such regulations with reference to such leases, with like consent on the part of the persons holding the leases, in connection with the institution and operation of any such co-operative or unit plan, as the commissioner deems necessary or proper to secure the proper protection of the interests of the state.

History: Laws 1967, ch. 158, § 14.

7-15-15. Posting of open acreage—Simultaneous applications.—When newly acquired acreage is posted to the tract books, or when other acreage is designated upon the tract books to be open acreage after having been previously leased or after having been withdrawn from leasing by the commissioner, all applications for leases filed thereon within three [3] regular working days after such posting or designation shall be considered as simultaneous applications.

History: Laws 1967, ch. 158, § 15.

7-15-16. State land sales and leases—Reservations.—In addition to any other requirements of law, in all leases, deeds or sales contracts of state lands for any purpose, there shall be inserted a clause reserving the right to execute leases for geothermal resource development and operation thereon; the right to sell or dispose of the geothermal resources of such lands; and the right to grant rights of way and easements for the purpose of this section.

History: Laws 1967, ch. 158, § 16.

7-15-17. Use of the surface.—Subject to the provisions of the Geothermal Resources Act [7-15-1 to 7-15-28], any person holding a lease for geothermal resources shall be entitled to use so much of the surface as is reasonably necessary as determined by the commissioner for the production and conservation of geothermal resources.

History: Laws 1967, ch. 158, § 17.

7-15-18. Bonds — Surface damage — Performance.—A. Before any person commences development or operations of geothermal resources under a lease, including any prospecting activity on the leased land, the person holding the lease shall execute and file with the commissioner, a bond or undertaking in an amount fixed by the commissioner which shall not be less than five thousand dollars ($5,000) in favor of the state of New Mexico for the benefit of the state's contract purchaser,

patentee or surface lessee. The purpose of the bond or undertaking shall be to secure payment for damages to the tangible improvements on the leased land as may be suffered by reason of the development and operations on the land by the person holding the lease.

B. The commissioner may, at any time, require a person holding a lease to furnish a bond in a reasonable amount to guarantee payment of royalties to become due the state if, in his judgment, such is necessary to protect the interest of the state.

C. The commissioner shall, by regulations, establish the standards and the forms for any bonds or undertakings required pursuant to this section.

History: Laws 1967, ch. 158, § 18.

7-15-19. State lands—Jurisdictions.—Where the surface of state lands sought for use or development of geothermal resources or the waters thereon are under the jurisdiction of a state department or agency other than the commissioner, the commissioner may issue leases under the Geothermal Resources Act [7-15-1 to 7-15-28] only with the consent of and subject to such reasonable terms and conditions as may be prescribed by the other department or agency to ensure the adequate utilization of the surface of the lands or the waters thereon for the purposes for which they are then being administered or for which they were acquired; Provided, however, that such other department or agency shall not prescribe any terms and provisions inconsistent with the Geothermal Resources Act nor any rental or royalty for the use of the lands.

History: Laws 1967, ch. 158, § 19.

7-15-20. General mining lease—Lease preference.—Notwithstanding any other provision of the Geothermal Resources Act [7-15-1 to 7-15-28], at any time within ninety [90] days following the effective date of the Geothermal Resources Act, any person who held prior to January 1, 1967 and who holds on the effective date of the Geothermal Resources Act, a general mining lease issued by the commissioner, upon showing to the satisfaction of the commissioner that the application or general mining lease was made or issued to develop geothermal resources, may apply for and receive a lease pursuant to the Geothermal Resources Act covering the same land having priority dating from the date of filing or issuance of the original application or general mining lease. The lease preference pursuant to this section shall be accomplished in accordance with procedures prescribed by regulations of the commissioner.

History: Laws 1967, ch. 158, § 20.

Compiler's Notes.

Laws 1967, ch. 158 did not contain an effective date.

7-15-21. Transferability.—Any lease pursuant to the Geothermal Resources Act [7-15-1 to 7-15-28] may be assigned, transferred or sublet with the approval of the commissioner.

History: Laws 1967, ch. 158, § 21.

7-15-22. Inspection of records—Reports.—The commissioner or his representative shall have the right to inspect all records, books or accounts pertaining to geothermal resources taken from leased state lands, and at the request of the commissioner, the holder of the lease shall furnish such reports, samples, logs, assays, or cores within reasonable bounds as he may deem to be necessary for the proper administration of the state lands under lease.

History: Laws 1967, ch. 158, § 22.

7-15-23. Violation of lease—Notice—Forfeiture.—The commissioner may cancel any lease issued pursuant to the Geothermal Resources Act [7-15-1 to 7-15-28] for nonpayment of rentals, nonpayment of royalties, or for violation of any of the terms, covenants or conditions of the lease. Before any cancellation shall be made, the commissioner shall mail to the lessee or assignee, by registered or certified mail, addressed to the post-office address of the lessee or assignee shown by the lease or by specific written notice of change of address given by the lessee, a thirty-day notice of intention to cancel the lease, specifying the default for which the lease is subject to cancellation. No proof of receipt of notice shall be necessary and thirty [30] days after such mailing, the commissioner may enter cancellation unless the lessee shall have remedied the default prior to this time.

History: Laws 1967, ch. 158, § 23.

7-15-24. Removing improvements upon termination of lease.—Upon termination of any lease issued pursuant to the Geothermal Resources Act [7-15-1 to 7-15-28] by reason of forfeiture, surrender, expiration of term, or for any other reason, the lessee may remove all improvements and equipment as can be removed without material injury to the premises; Provided, however, that all rents and royalties have been paid and that such removal is accomplished within two [2] years from the termination date or before such earlier date as the commissioner may set, upon thirty [30] days' written notice to the lessee. All improvements and equipment remaining upon the premises after the removal date as set in accordance with this section shall be forfeited to the state without compensation.

History: Laws 1967, ch. 158, § 24.

7-15-25. Regulations.—Pursuant to the Geothermal Resources Act [7-15-1 to 7-15-28], the commissioner shall adopt such reasonable regulations as he may determine are necessary to carry out the provisions of the Geothermal Resources Act. The regulations shall be posted in a conspicuous place in the state land office for a period of at least ten [10] consecutive days.

History: Laws 1967, ch. 158, § 25.

7-15-26. Withholding state lands from lease—Lease by competitive bids.—Nothing in the Geothermal Resources Act [7-15-1 to 7-15-28] shall be construed to require the commissioner to offer any tract or

tracts of state lands for lease. The commissioner may withhold any tract or tracts from leasing for geothermal resources purposes, if, in his opinion, the best interests of the state would be served by so doing. Nothing in the Geothermal Resources Act shall be construed to prohibit the commissioner from rejecting any application at any time prior to approval, or offering the land embraced within the application for lease by competitive bidding by sealed bids or at public auction to the bidder offering the highest bonus in addition to the annual rentals or royalties as set by the commissioner. Notice of the public sale pursuant to this section shall be given by posting in a conspicuous place in the state land office not less than ten [10] days before the date of sale, a written notice of the sale specifying the day and hour when the sale will be held, the place where the sale will be held, and a description of the state land to be offered for lease. The notice shall also state that the sale will be conducted through sealed bids or at public auction and any other information the commissioner determines is necessary. Where two [2] or more sealed bids are received making the same offer on the same land, the commissioner shall award the lease to the land in accordance with regulations prescribed by the commissioner.

History: Laws 1967, ch. 158, § 26.

7-15-27. Public hearings.—A public hearing pursuant to the Geothermal Resources Act [7-15-1 to 7-15-28] shall only be held after notice of the public hearing has been posted in a conspicuous place in the state land office for a period of at least fifteen [15] consecutive days and after a copy of the notice of public hearing has been mailed to each holder of a lease affected. The notice of the public hearing shall be mailed not less than fifteen [15] days prior to the date set for the public hearing and shall be addressed to the address of the lessee shown on the lease or the address of the lessee on record in the state land office. The notice shall specify the day, hour and place of the public hearing and shall also state the purpose for the public hearng.

History: Laws 1967, ch. 158, § 27.

7-15-28. Collateral assignment of leases.—Any lease for geothermal resources in good standing, together with improvements placed on the land thereunder, may be assigned as collateral security under the same procedures and in the same manner as provided by law for filing, recording, approval, release and foreclosure of state land purchase contracts issued by the commissioner. When any assignment pursuant to this section has been approved by the commissioner, it shall constitute constructive notice thereof to the world from the date of approval.

History: Laws 1967, ch. 158, § 28.

Separability Clause.

Section 29 of ch. 158, Laws 1967 read: "If any part or application of the Geothermal Resources Act is held invalid, the remainder or its application to other situations or persons shall not be affected."

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

CASE NO. 6198
ORDER NO. R-5709

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION ON ITS OWN MOTION TO CONSIDER THE ADOPTION OF THE RULES, REGULATIONS, ORDERS, PERMITS, CONTRACTS, BONDS, FORMS, MANUALS, MEMORANDA, AND NUMBERING SYSTEMS OF THE NEW MEXICO OIL CONSERVATION COMMISSION AS THEY RELATE TO THE CONSERVATION OF OIL, GAS, POTASH, AND GEOTHERMAL RESOURCES, AS ITS OWN RULES, REGULATIONS, ORDERS, PERMITS, CONTRACTS, BONDS, FORMS, MANUALS, MEMORANDA, AND NUMBERING SYSTEMS. FURTHER, TO CONSIDER SUCH AMENDMENTS AS MAY BE NECESSARY TO THE AFORESAID RULES, REGULATIONS, ORDERS, PERMITS, CONTRACTS, BONDS, FORMS, MANUALS, AND MEMORANDA.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on April 14, 1978, at Santa Fe, New Mexico, before Joe D. Ramey, Director of the Oil Conservation Division of the New Mexico Energy and Minerals Department, sitting as Examiner to hear this matter.

NOW, on this 14th day of April, 1978, the Division Director, having considered the testimony presented and the exhibits offered at said hearing, and being fully advised in the premises,

FINDS:

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

(2) That the Thirty-Third State Legislature of New Mexico, at its First Session, enacted Chapter 255, Laws of 1977, approved April 7, 1977, being An Act RELATING TO THE ESTABLISHMENT OF AN ENERGY AND MINERALS DEPARTMENT; ABOLISHING CERTAIN AGENCIES; AMENDING, REPEALING AND ENACTING CERTAIN SECTIONS OF NMSA 1953.

(3) That the effective date of the provisions of said act was at 5:01 p.m. March 31, 1978.

(4) That said act created the New Mexico Energy and

Minerals Department, among the divisions of which is the Oil Conservation Division, charged by the act with administering the laws and regulations relating to oil, gas, potash, and geothermal resources except those laws specifically administered by another authority.

(5) That said act amended numerous sections of the statutes relating to the conservation of oil, gas, and potash (specifically, Sections 65-3-4 through 65-3-11, N.M.S.A., 1953 Comp., Section 65-3-11.1, Sections 65-3-12 through 65-3-14, Sections 65-3-14.5 and 65-3-15, Sections 65-3-17 through 65-3-21, 65-3-23 through 65-3-25, 65-3-27, 65-3-28, 65-3-31, 65-9-2, and 65-9-4 through 65-9-7) while repealing one section, 65-3-16, and enacting two new sections, 65-3-4.1 and 65-3-22.1.

(6) That said act also amended numerous sections of the statutes relating to the conservation of geothermal resources (specifically, Sections 65-11-2 and 65-11-3, N.M.S.A., 1953 Comp., Sections 65-11-6 through 65-11-11, Sections 65-11-13 through 65-11-21, and Sections 65-11-23 and 65-11-24).

(7) That the Thirty-Third State Legislature of New Mexico, at its Second Session, enacted Chapters 58, 59, 71, and 117, Laws of 1978, each with the emergency clause, and that the first three of said chapters were approved February 24, 1978, and the fourth was approved March 6, 1978.

(8) That the aforesaid Chapter 58, Laws of 1978, repealed Section 65-3-28, N.M.S.A., 1953 Comp., as amended, and enacted a new Section 65-3-28.

(9) That the aforesaid Chapter 59, Laws of 1978, repealed Section 65-9-4, N.M.S.A., 1953 Comp., as amended, and enacted a new Section 65-9-4.

(10) That the aforesaid Chapter 71, Laws of 1978, repealed Section 65-3-11, N.M.S.A., 1953 Comp., as amended, and enacted a new Section 65-3-11.

(11) That the aforesaid Chapter 117, Laws of 1978, amended Sections 65-3-11.2, 65-3-37, 65-3-38, and 72-20-14, N.M.S.A., 1953 Comp.

(12) That the purpose of all the aforesaid changes to the statutes relating to the conservation of oil, gas, potash, and geothermal resources was to transfer the administration of these laws from the New Mexico Oil Conservation Commission to the Oil Conservation Division of the New Mexico Energy and Minerals Department.

(13) That in order for there to be an unbroken transition of the administration of oil, gas, potash, and geothermal resources conservation laws from the Oil Conservation Commission to the Oil Conservation Division of the Energy and Minerals Department the said Oil Conservation Division should adopt the rules, regulations, orders, permits, contracts, bonds, forms, manuals, and memoranda of the Oil Conservation Commission as its own rules, regulations, orders, permits, contracts, bonds, forms, manuals, and memoranda.

(14) That at 5:01 p.m. March 31, 1978, the Division Director entered Emergency Order No. E-32, adopting for the Oil Conservation Division as its rules, regulations, orders, permits, contracts, bonds, forms, manuals, and memoranda, the rules, regulations, orders, permits, contracts, bonds, forms, manuals, and memoranda previously adopted, issued, promulgated, or published by the Oil Conservation Commission.

(15) That said Emergency Order No. E-32 also amended Section N, Rules On Procedure, of the New Mexico Oil Conservation Commission Rules and Regulations (for oil and gas) and Section I, Rules On Procedure, of the New Mexico Oil Conservation Commission Rules and Regulations, Geothermal Resources, and adopted the same as its own, in order to provide the administrative procedure for hearing the instant case.

(16) That said Emergency Order No. E-32 further amended Sections B through M, inclusive, and Sections O and P of the New Mexico Oil Conservation Commission Rules and Regulations (for oil and gas) and Sections B through H, inclusive, of the New Mexico Oil Conservation Commission Rules and Regulations, Geothermal Resources, so that any reference therein to "Commission" or "Oil Conservation Commission" would read "Division" or "Oil Conservation Division" and any reference to "Secretary-Director" or "Secretary-Director of the Commission" would read "Division Director."

(17) That by said Emergency Order E-32, all effective bonds, including plugging bonds and treating plant bonds, issued by surety companies on forms promulgated by the New Mexico Oil Conservation Commission, and running to the benefit of the State of New Mexico for the use and benefit of the Oil Conservation Commission of New Mexico, were adopted by the Oil Conservation Division of the New Mexico Department of Energy and Minerals as the successor agency to the New Mexico Oil Conservation Commission charged with administering the oil, gas, potash, and geothermal conservation laws of this state.

(18) That by said Emergency Order No. E-32, the numbering system heretofore adopted by the New Mexico Oil Conservation Commission for its rules, regulations, orders, forms, permits,

and memoranda was adopted by the Oil Conservation Division to be carried forward pending further order.

(19) That at the hearing of the instant case, the testimony presented and the exhibits received establish that the provisions of Emergency Order No. E-32 should be made permanent, and:

(20) That Section A, DEFINITIONS, of the Division Rules and Regulations (for oil and gas) and Section A, DEFINITIONS, of the Division Rules and Regulations, Geothermal Resources, should be amended by the addition of the definition "DIVISION shall mean the Oil Conservation Division of the New Mexico Energy and Minerals Department," and further by the deletion from said definitions of all parenthetical statutory reference numbers.

(21) That Rule 1 of the Division Rules and Regulations (for oil and gas) should be amended to read in its entirety as follows:

"RULE 1. SCOPE OF RULES AND REGULATIONS

"(a) The following General Rules of statewide application have been adopted by the Oil Conservation Division of the New Mexico Energy and Minerals Department to conserve the natural resources of the State of New Mexico, to prevent waste, and to protect correlative rights of all owners of crude oil and natural gas. Special rules, regulations and orders have been and will be issued when required and shall prevail as against General Rules, Regulations and Orders if in conflict therewith. However, whenever these General Rules do not conflict with special rules heretofore or hereafter adopted, these General Rules shall apply.

"(b) The Division may grant exceptions to these rules after notice and hearing, when the granting of such exceptions will not result in waste but will protect correlative rights or prevent undue hardship."

(22) That Rule 1 of the Division Rules and Regulations, Geothermal Resources, should be amended to read in its entirety as follows:

"RULE 1. SCOPE OF RULES AND REGULATIONS

"(a) The following Geothermal Rules and Regulations are of statewide application and have been adopted by the Oil Conservation Division of the New Mexico Energy and Minerals Department to conserve the natural geothermal resources of the State of New Mexico, to prevent waste, and

to protect the correlative rights of all owners of geothermal resources. Special rules, regulations, and orders may be adopted from time to time when required for a particular geothermal resources area, and shall prevail over the Geothermal Rules and Regulations if in conflict therewith. However, when these Geothermal Rules and Regulations do not conflict with special rules hereafter adopted, these Geothermal Rules and Regulations will apply.

"(b) The Division may grant exceptions to these rules and regulations after notice and hearing, when the granting of such exceptions will not result in waste but will protect correlative rights or prevent waste."

(23) That Rule 1216 of the Division Rules and Regulations (for oil and gas) should be amended to read in its entirety as follows:

"RULE 1216. HEARINGS WHICH MUST BE HELD BEFORE COMMISSION

"Notwithstanding any other provisions of these rules, the hearing on any matter shall be held before the Commission (1) if it is a hearing de novo, or (2) if the Division Director in his discretion desires the Commission to hear the matter."

(24) That Rule 1301 of the Division Rules and Regulations (for oil and gas) should be amended to read as shown on Exhibit C attached hereto and made a part hereof.

(25) That wherever in the Division Rules and Regulations, Geothermal Resources, there is reference to the Geothermal "Division," the rule should be amended to read Geothermal "Section."

(26) That Section N, Rules On Procedure, of the Division Rules and Regulations (for oil and gas) and Section I, Rules On Procedure, of the Rules and Regulations, Geothermal Resources, should be amended to read in their entirety as shown by Exhibits "A" and "B", respectively, attached hereto and made a part hereof.

(27) That this order should become effective immediately, but should be only the first of two orders entered in this case.

(28) That the second order which should be entered in this case should have attached thereto a copy of the Division Rules and Regulations (for oil and gas) and the Division Rules and Regulations, Geothermal Resources, reflecting all of the changes to said rules described above, as well as to have attached thereto a copy of each of the Division's several forms for reporting oil

and gas and geothermal operations, with the name of "Oil Conservation Division of the New Mexico Energy and Minerals Department" imprinted thereon in lieu of the name "New Mexico Oil Conservation Commission."

IT IS THEREFORE ORDERED:

(1) That the effective rules, regulations, orders, permits, contracts, bonds, forms, manuals, and memoranda heretofore issued, published, promulgated, and/or approved by the New Mexico Oil Conservation Commission, as amended herein, are hereby adopted by the Oil Conservation Division of the New Mexico Energy and Minerals Department as its own rules, regulations, orders, permits, contracts, bonds, forms, manuals, and memoranda to be used by said Oil Conservation Division in the performance of its duties in administering the laws and regulations relating to oil, gas, potash, and geothermal resources except those laws specifically administered by another authority.

(2) That Section N, Rules on Procedure, of the New Mexico Oil Conservation Commission Rules and Regulations (for oil and gas), adopted by the Oil Conservation Division as described above, is hereby amended to read in its entirety as shown on Exhibit "A" attached hereto and made a part hereof.

(3) That Section I, Rules on Procedure, of the New Mexico Oil Conservation Commission Rules and Regulations, Geothermal Resources, adopted by the Oil Conservation Division as described above, is hereby amended to read in its entirety as shown on Exhibit "B" attached hereto and made a part hereof.

(4) That Sections B through M, inclusive, and Sections O and P of the New Mexico Oil Conservation Commission Rules and Regulations (for oil and gas) and Sections B through H, inclusive, of the New Mexico Oil Conservation Commission's Rules and Regulations, Geothermal Resources, all as adopted above, are hereby amended so that any reference therein to "Oil Conservation Commission" shall read "Oil Conservation Division" and any reference therein to "Commission" shall read "Division." Further, that the aforesaid Sections are hereby amended so that any reference therein to "Secretary-Director" or "Secretary-Director of the Commission" shall read "Division Director."

(5) That Section A, DEFINITIONS, of the Division Rules and Regulations (for oil and gas) and Section A, DEFINITIONS, of the Division Rules and Regulations, Geothermal Resources, are each hereby adopted by the Division as its own and are hereby amended by the addition of the following definition:

"DIVISION shall mean the Oil Conservation Division of the New Mexico Energy and Minerals Department."

Further that each of said Sections A is hereby further amended by the deletion therefrom of any statutory reference numbers.

(6) That Rule 1 of the Division Rules and Regulations (for oil and gas) is hereby amended to read in its entirety as follows:

"RULE 1. SCOPE OF RULES AND REGULATIONS

"(a) The following General Rules of statewide application have been adopted by the Oil Conservation Division of the New Mexico Energy and Minerals Department to conserve the natural resources of the State of New Mexico, to prevent waste, and to protect correlative rights of all owners of crude oil and natural gas. Special rules, regulations and orders have been and will be issued when required and shall prevail as against General Rules, Regulations and Orders if in conflict therewith. However, whenever these General Rules do not conflict with special rules heretofore or hereafter adopted, these General Rules shall apply.

"(b) The Division may grant exceptions to these rules after notice and hearing, when the granting of such exceptions will not result in waste but will protect correlative rights or prevent undue hardship."

(7) That Rule 1 of the Division Rules and Regulations, Geothermal Resources, is hereby amended to read in its entirety as follows:

"RULE 1. SCOPE OF RULES AND REGULATIONS

"(a) The following Geothermal Rules and Regulations are of statewide application and have been adopted by the Oil Conservation Division of the New Mexico Energy and Minerals Department to conserve the natural geothermal resources of the State of New Mexico, to prevent waste, and to protect the correlative rights of all owners of geothermal resources. Special rules, regulations, and orders may be adopted from time to time when required for a particular geothermal resources area, and shall prevail over the Geothermal Rules and Regulations if in conflict therewith. However, when these Geothermal Rules and Regulations do not conflict with special rules hereafter adopted, these Geothermal Rules and Regulations will apply.

"(b) The Division may grant exceptions to these rules and regulations after notice and hearing, when the granting of such exceptions will not result in waste but will protect correlative rights or prevent waste."

(8) That Rule 1216 of the Division Rules and Regulations (for oil and gas) is hereby amended to read in its entirety as follows:

"RULE 1216. HEARINGS WHICH MUST BE HELD BEFORE COMMISSION

"Notwithstanding any other provisions of these rules, the hearing on any matter shall be held before the Commission (1) if it is a hearing de novo, or (2) if the Division Director in his discretion desires the Commission to hear the matter."

(9) That Rule 1301 of the Commission Rules and Regulations (for oil and gas) is hereby amended to read in its entirety as shown on Exhibit "C" attached hereto and made a part hereof.

(10) That any reference to the Geothermal "Division," in the Rules and Regulations, Geothermal Resources, is hereby changed to Geothermal "Section."

(11) That all effective bonds, including plugging bonds and treating plant bonds, issued by surety companies on forms promulgated by the New Mexico Oil Conservation Commission, and running to the benefit of the State of New Mexico for the use and benefit of the Oil Conservation Commission of New Mexico, are hereby adopted by the Oil Conservation Division of the New Mexico Department of Energy and Minerals as the successor agency to the New Mexico Oil Conservation Commission charged with administering the oil, gas, potash, and geothermal conservation laws of this state.

(12) That the numbering system heretofore adopted by the New Mexico Oil Conservation Commission for its rules, regulations, orders, forms, permits, and memoranda is hereby adopted by the Oil Conservation Division and shall be carried forward pending further order.

(13) That the effective date of this order shall be April 15, 1978, and it shall be the first of two orders to be entered in this case. The second order to be subsequently entered shall have attached thereto a copy of the Division Rules and Regulations (for oil and gas) and the Division Rules and Regulations, Geothermal Resources, each as amended as described herein, and also a copy of each of the Division's forms and reports for reporting oil and gas and geothermal operations, said reports amended to bear the name "Oil Conservation Division, Energy and Minerals Department, State of New Mexico."

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

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

JOE D. RAMEY
Director

S E A L

N - RULES ON PROCEDURE

RULE 1201. NECESSITY FOR HEARING

Except as provided in some general rule herein, before any rule, regulation or order, including revocation, changes, renewal or extension thereof, shall be made by the Division, a public hearing before the Commission or a legally appointed Division Examiner shall be held at such time and place as may be prescribed by the Division.

RULE 1202. EMERGENCY ORDERS

Notwithstanding any other provision of these rules, in case an emergency is found to exist by the Division, which, in its judgment, requires the making of a rule, regulation, or order without a hearing having first been had or concluded, such emergency rule, regulation, or order when made by the Division shall have the same validity as if a hearing with respect to the same had been held before the Division after due notice. Such emergency rule, regulation, or order shall remain in force no longer than 15 days from its effective date, and in any event, it shall expire when the rule, regulation, or order made after due notice and hearing with respect to the subject matter of such emergency rule, regulation, or order becomes effective.

RULE 1203. METHOD OF INITIATING A HEARING

The Division upon its own motion, the Attorney General on behalf of the State, and any operator or producer, or any other person having a property interest may institute proceedings for a hearing. If the hearing is sought by the Division it shall be on motion of the Division and if by any other person it shall be by application. The application shall be in triplicate and shall state (1) the name of the applicant, (2) the name or general description of the common source or sources of supply or the area affected by the order sought, (3) briefly the general nature of the order, rule, or regulation sought, and (4) any other matter required by a particular rule or rules, or order of the Division. The application shall be signed by the person seeking the hearing or by his attorney.

When conditions are such as to require verbal application to place a matter for hearing on a given docket, the Division will accept such verbal application in order to meet publishing deadlines. However, if written application, filed in accordance with the procedures outlined above, has not been received by the Division's Santa Fe office at least ten days before the date of the hearing, the case will be dismissed.

Exhibit "A"
Order No. R-570?

RULE 1204. METHOD OF GIVING LEGAL NOTICE FOR HEARING

Notice of each hearing before the Commission and notice of each hearing before a Division Examiner shall be given by personal service on the person affected or by publication once in a newspaper of general circulation published at Santa Fe, New Mexico, and once in a newspaper of general circulation published in the county or each of the counties, if there be more than one, in which any land, oil or gas, or other property which may be affected is situated.

RULE 1205. CONTENTS OF NOTICE OF HEARING

Such notice shall be issued in the name of "The State of New Mexico" and shall be signed by the Director of the Division, and the seal of the Commission shall be impressed thereon.

The notice shall specify whether the case is set for hearing before the Commission or before a Division Examiner and shall state the number and style of the case and the time and place of hearing and shall briefly state the general nature of the order or orders, rule or rules, regulation or regulations to be promulgated or effected. The notice shall also state the name of the petitioner or applicant, if any, and unless the contemplated order, rule, or regulation is intended to apply to and affect the entire state, it shall specify or generally describe the common source or sources of supply which may be affected by such order, rule, or regulation.

RULE 1206. PERSONAL SERVICE OF NOTICE

Personal service of the notice of hearing may be made by any agent of the Division or by any person over the age of 18 years in the same manner as is provided by law for the service of summons in civil actions in the district courts of this state. Such service shall be complete at the time of such personal service or on the date of publication, as the case may be. Proof of service shall be by the affidavit of the person making personal service or of the publisher of the newspaper in which publication is had. Service of the notice shall be made at least 10 days before the hearing.

RULE 1207. PREPARATION OF NOTICES

After a motion or application is filed with the Division the notice or notices required shall be prepared by the Division and service and publication thereof shall be taken care of by the Division without cost to the applicant.

RULE 1208. FILING PLEADINGS: COPY DELIVERED TO ADVERSE PARTY OR PARTIES

When any party to a hearing files any pleading, plea, or motion of any character (other than application for hearing)

which is not by law or by these rules required to be served upon the adverse party or parties, he shall at the same time either deliver or mail to the adverse party or parties who have entered their appearance therein, or their respective attorneys of record, a copy of such pleading, plea, or motion. For the purposes of these rules, an appearance of any interested party shall be made either by letter addressed to the Division or in person at any proceeding before the Commission or before an Examiner, with notice of such appearance to the parties from whom such pleadings, pleas, or motions are desired.

RULE 1209. CONTINUANCE OF HEARING WITHOUT NEW SERVICE

Any hearing before the Commission or an Examiner held after due notice may be continued by the person presiding at such hearing to a specified time and place without the necessity of notice of the same being again served or published. In the event of any continuance, a statement thereof shall be made in the record of the hearing which is continued.

RULE 1210. CONDUCT OF HEARINGS

Hearings before the Commission or any Examiner shall be conducted without rigid formality. A transcript of testimony shall be taken and preserved as a part of the permanent record of the Division. Any person testifying in response to a subpoena issued by the Commission or any member thereof, or the authorized representative of the Division Director, and any person seeking to testify in support of an application or motion or in opposition thereto shall be required to do so under oath. However, relevant unsworn comments and observations by any interested party will be designated as such and included in the record. Comments and observations by representatives of operators' committees, the United States Geological Survey, the United States Bureau of Mines, the New Mexico Bureau of Mines, and other competent persons are welcomed. Any Examiner legally appointed by the Division Director may conduct such hearings as may be referred to such Examiner by the Director.

RULE 1211. POWER TO REQUIRE ATTENDANCE OF WITNESSES AND PRODUCTION OF EVIDENCE

The Commission or any member thereof, or the authorized representative of the Division Director has statutory power to subpoena witnesses and to require the production of books, papers, and records in any proceeding before the Commission or Division. A subpoena will be issued for attendance at a hearing upon the written request of any person interested in the subject matter of the hearing. In case of the failure of a person to comply with the subpoena issued, an attachment of the person may be issued by the district court of any district in the state, and such court has powers to punish for contempt. Any person found guilty of swearing falsely at any hearing may be punished for contempt.

RULE 1212. RULES OF EVIDENCE

Full opportunity shall be afforded all interested parties at a hearing to present evidence and to cross-examine witnesses. In general, the rules of evidence applicable in a trial before a court without a jury shall be applicable, provided that such rules may be relaxed, where, by so doing, the ends of justice will be better served. No order shall be made which is not supported by competent legal evidence.

RULE 1213. EXAMINERS' QUALIFICATIONS AND APPOINTMENT

The Division Director shall, by ex parte order, designate and appoint not more than four individuals to be examiners. Each Examiner so appointed shall be a member of the staff of the Division, but no Examiner need be a full time employee of the Division. The Director may, by ex parte order, designate and appoint a successor to any person whose status as an Examiner is terminated for any reason. Each individual designated and appointed as an Examiner must have at least six years practical experience as a geologist, petroleum engineer or licensed lawyer, or at least two years of such experience and a college degree in geology, engineering, or law; provided however, that nothing herein contained shall prevent any member of the Commission from being designated as, or serving as, an Examiner.

RULE 1214. REFERRAL OF CASES TO EXAMINERS

The Division Director may refer any matter or proceeding to any legally designated and appointed Examiner for hearing in accordance with these rules. The Examiner appointed to hear any specific case shall be designated by name.

RULE 1215. EXAMINER'S POWER AND AUTHORITY

The Division Director may, by ex parte order, limit the powers and duties of the Examiner in any particular case to such issues or to the performance of such acts as the Director deems expedient; however, subject only to such limitations as may be ordered by the Director, the Examiner to whom any matter or proceeding is referred under these rules shall have full authority to hold hearings on such matter or proceeding in accordance with and pursuant to these rules. The Examiner shall have the power to regulate all proceedings before him and to perform all acts and take all measures necessary or proper for the efficient and orderly conduct of such hearing, including the swearing of witnesses, receiving of testimony and exhibits offered in evidence, subject to such objections as may be imposed, and shall cause a complete record of the proceedings to be made and transcribed and shall certify same to the Director as hereinafter provided.

RULE 1216. HEARINGS WHICH MUST BE HELD BEFORE COMMISSION

Notwithstanding any other provisions of these rules, the hearing on any matter shall be held before the Commission (1) if it is a hearing de novo, or (2) if the Division Director in his discretion desires the Commission to hear the matter.

RULE 1217. EXAMINER'S MANNER OF CONDUCTING HEARING

An Examiner conducting a hearing under these rules shall conduct himself as a disinterested umpire.

RULE 1218. REPORT AND RECOMMENDATIONS, EXAMINER'S HEARINGS

Upon the conclusion of any hearing before an Examiner, the Examiner shall promptly consider the proceedings in such hearing, and based upon the record of such hearing the Examiner shall prepare his written report and recommendations for the disposition of the matter of proceeding by the Division. Such report and recommendations shall either be accompanied by a proposed order or shall be in the form of a proposed order, and shall be submitted to the Division Director with the certified record of the hearing.

RULE 1219. DISPOSITION OF CASES HEARD BY EXAMINERS

After receipt of the report and recommendations of the Examiner, the Division Director shall enter the Division's order disposing of the matter or proceeding.

RULE 1220. DE NOVO HEARING BEFORE COMMISSION

When any order has been entered by the Division pursuant to any hearing held by an Examiner, any party adversely affected by such order shall have the right to have such matter or proceeding heard de novo before the Commission, provided that within 30 days from the date such order is rendered such party files with the Division a written application for such hearing before the Commission. If such application is filed, the matter or proceeding shall be set for hearing before the Commission at the first available hearing date following the expiration of fifteen days from the date such application is filed with the Division. Any person affected by the order or decision rendered by the Commission after hearing before the Commission may apply for rehearing pursuant to and in accordance with the provisions of Rule 1222 and said Rule 1222 together with the law applicable to rehearing and appeals in matters and proceedings before the Commission shall thereafter apply to such matter or proceeding.

RULE 1221. NOTICE OF COMMISSION AND DIVISION ORDERS

Within ten days after any order, including any order granting or refusing rehearing, or order following rehearing, has been rendered, a copy of such order shall be mailed by the Division to each person or his attorney of record who has entered his appearance of record in the matter of proceeding pursuant to which such order is rendered.

RULE 1222. REHEARINGS

Within 20 days after entry of any order or decision of the Commission any person affected thereby may file with the Division an application for rehearing in respect of any matter determined by such order or decision, setting forth the respect in which such order or decision is believed to be erroneous. The Commission shall grant or refuse any such application in whole or in part within 10 days after the same is filed and failure to act thereon within such period shall be deemed a refusal thereof and a final disposition of such application. In the event the rehearing is granted, the Commission may enter such new order or decision after rehearing as may be required under the circumstances.

RULE 1223. CHANGES IN FORMS AND REPORTS

Any change in the forms and reports or rules relating to such forms and reports shall be made only by order of the Commission or Division issued after due notice and hearing.

I. RULES ON PROCEDURE

RULE 701. NECESSITY FOR HEARING

Except as provided in some general rule herein, before any rule, regulation or order, including revocation, changes, renewal or extension thereof, shall be made by the Division, a public hearing before the Commission or a legally appointed Division Examiner shall be held at such time and place as may be prescribed by the Division.

RULE 702. EMERGENCY ORDERS

Notwithstanding any other provision of these rules, in case an emergency is found to exist by the Division, which, in its judgment, requires the making of a rule, regulation, or order without a hearing having first been had or concluded, such emergency rule, regulation, or order when made by the Division shall have the same validity as if a hearing with respect to the same had been held before the Division after due notice. Such emergency rule, regulation, or order shall remain in force no longer than 15 days from its effective date, and in any event, it shall expire when the rule, regulation, or order made after due notice and hearing with respect to the subject matter of such emergency rule, regulation, or order becomes effective.

RULE 703. METHOD OF INITIATING A HEARING

The Division upon its own motion, the Attorney General on behalf of the State, and any operator or producer, or any other person having a property interest may institute proceedings for a hearing. If the hearing is sought by the Division it shall be on motion of the Division and if by any other person it shall be by application. The application shall be in triplicate and shall state (1) the name of the applicant, (2) the name or general description of the common source or sources of supply or the area affected by the order sought, (3) briefly the general nature of the order, rule, or regulation sought, and (4) any other matter required by a particular rule or rules, or order of the Division. The application shall be signed by the person seeking the hearing or by his attorney.

When conditions are such as to require verbal application to place a matter for hearing on a given docket, the Division will accept such verbal application in order to meet publishing deadlines. However, if written application, filed in accordance with the procedures outlined above, has not been received by the Division's Santa Fe office at least ten days before the date of the hearing, the case will be dismissed.

Exhibit "B"
Order No. R-5709

RULE 704. METHOD OF GIVING LEGAL NOTICE FOR HEARING

Notice of each hearing before the Commission and notice of each hearing before a Division Examiner shall be given by personal service on the person affected or by publication once in a newspaper of general circulation published at Santa Fe, New Mexico, and once in a newspaper of general circulation published in the county or each of the counties, if there be more than one, in which any geothermal resource or other property which may be affected is situated.

RULE 705. CONTENTS OF NOTICE OF HEARING

Such notice shall be issued in the name of "The State of New Mexico" and shall be signed by the Director of the Division, and the seal of the Commission shall be impressed thereon.

The notice shall specify whether the case is set for hearing before the Commission or before a Division Examiner and shall state the number and style of the case and the time and place of hearing and shall briefly state the general nature of the order or orders, rule or rules, regulation or regulations to be promulgated or effected. The notice shall also state the name of the petitioner or applicant, if any, and unless the contemplated order, rule, or regulation is intended to apply to and affect the entire state, it shall specify or generally describe the common source or sources of supply which may be affected by such order, rule, or regulation.

RULE 706. PERSONAL SERVICE OF NOTICE

Personal service of the notice of hearing may be made by any agent of the Division or by any person over the age of 18 years in the same manner as is provided by law for the service of summons in civil actions in the district courts of this state. Such service shall be complete at the time of such personal service or on the date of publication, as the case may be. Proof of service shall be by the affidavit of the person making personal service or of the publisher of the newspaper in which publication is had. Service of the notice shall be made at least 10 days before the hearing.

RULE 707. PREPARATION OF NOTICES

After a motion or application is filed with the Division the notice or notices required shall be prepared by the Division and service and publication thereof shall be taken care of by the Division without cost to the applicant.

RULE 708. FILING PLEADINGS: COPY DELIVERED TO ADVERSE PARTY OR PARTIES

When any party to a hearing files any pleading, plea, or motion of any character (other than application for hearing)

which is not by law or by these rules required to be served upon the adverse party or parties, he shall at the same time either deliver or mail to the adverse party or parties who have entered their appearance therein, or their respective attorneys of record, a copy of such pleading, plea, or motion. For the purposes of these rules, an appearance of any interested party shall be made either by letter addressed to the Division or in person at any proceeding before the Commission or before an Examiner, with notice of such appearance to the parties from whom such pleadings, pleas, or motions are desired.

RULE 709. CONTINUANCE OF HEARING WITHOUT NEW SERVICE

Any hearing before the Commission or an Examiner held after due notice may be continued by the person presiding at such hearing to a specified time and place without the necessity of notice of the same being again served or published. In the event of any continuance, a statement thereof shall be made in the record of the hearing which is continued.

RULE 710. CONDUCT OF HEARINGS

Hearings before the Commission or any Examiner shall be conducted without rigid formality. A transcript of testimony shall be taken and preserved as a part of the permanent record of the Division. Any person testifying in response to a subpoena issued by the Commission or any member thereof, or the authorized representative of the Division Director, and any person seeking to testify in support of an application or motion or in opposition thereto shall be required to do so under oath. However, relevant unsworn comments and observations by any interested party will be designated as such and included in the record. Comments and observations by representatives of operators' committees, the United States Geological Survey, the United States Bureau of Mines, the New Mexico Bureau of Mines, and other competent persons are welcomed. Any Examiner legally appointed by the Division Director may conduct such hearings as may be referred to such Examiner by the Director.

RULE 711. POWER TO REQUIRE ATTENDANCE OF WITNESSES AND PRODUCTION OF EVIDENCE

The Commission or any member thereof, or the authorized representative of the Division Director has statutory power to subpoena witnesses and to require the production of books, papers, and records in any proceeding before the Commission or Division. A subpoena will be issued for attendance at a hearing upon the written request of any person interested in the subject matter of the hearing. In case of the failure of a person to comply with the subpoena issued, an attachment of the person may be issued by the district court of any district in the state, and such court has powers to punish for contempt. Any person found guilty of swearing falsely at any hearing may be punished for contempt.

RULE 712. RULES OF EVIDENCE

Full opportunity shall be afforded all interested parties at a hearing to present evidence and to cross-examine witnesses. In general, the rules of evidence applicable in a trial before a court without a jury shall be applicable, provided that such rules may be relaxed, where, by so doing, the ends of justice will be better served. No order shall be made which is not supported by competent legal evidence.

RULE 713. EXAMINERS' QUALIFICATIONS AND APPOINTMENT

The Division Director shall, by ex parte order, designate and appoint not more than four individuals to be Examiners. Each Examiner so appointed shall be a member of the staff of the Division, but no Examiner need be a full time employee of the Division. The Director may, by ex parte order, designate and appoint a successor to any person whose status as an Examiner is terminated for any reason. Each individual designated and appointed as an Examiner must have at least six years practical experience as a geologist, petroleum engineer or licensed lawyer, or at least two years of such experience and a college degree in geology, engineering, or law; provided however, that nothing herein contained shall prevent any member of the Commission from being designated as, or serving as, an Examiner.

RULE 714. REFERRAL OF CASES TO EXAMINERS

The Division Director may refer any matter or proceeding to any legally designated and appointed Examiner for hearing in accordance with these rules. The Examiner appointed to hear any specific case shall be designated by name.

RULE 715. EXAMINER'S POWER AND AUTHORITY

The Division Director may, by ex parte order, limit the powers and duties of the Examiner in any particular case to such issues or to the performance of such acts as the Director deems expedient; however, subject only to such limitations as may be ordered by the Director, the Examiner to whom any matter or proceeding is referred under these rules shall have full authority to hold hearings on such matter or proceeding in accordance with and pursuant to these rules. The Examiner shall have the power to regulate all proceedings before him and to perform all acts and take all measures necessary or proper for the efficient and orderly conduct of such hearing, including the swearing of witnesses, receiving of testimony and exhibits offered in evidence, subject to such objections as may be imposed, and shall cause a complete record of the proceedings to be made and transcribed and shall certify same to the Director as hereinafter provided.

RULE 716. HEARINGS WHICH MUST BE HELD BEFORE COMMISSION

Notwithstanding any other provisions of these rules, the hearing on any matter shall be held before the Commission (1) if it is a hearing de novo, or (2) if the Division Director in his discretion desires the Commission to hear the matter.

RULE 717. EXAMINER'S MANNER OF CONDUCTING HEARING

An Examiner conducting a hearing under these rules shall conduct himself as a disinterested umpire.

RULE 718. REPORT AND RECOMMENDATIONS, EXAMINER'S HEARINGS

Upon the conclusion of any hearing before an Examiner, the Examiner shall promptly consider the proceedings in such hearing, and based upon the record of such hearing the Examiner shall prepare his written report and recommendations for the disposition of the matter of proceeding by the Division. Such report and recommendations shall either be accompanied by a proposed order or shall be in the form of a proposed order, and shall be submitted to the Division Director with the certified record of the hearing.

RULE 719. DISPOSITION OF CASES HEARD BY EXAMINERS

After receipt of the report and recommendations of the Examiner, the Division Director shall enter the Division's order disposing of the matter or proceeding.

RULE 720. DE NOVO HEARING BEFORE COMMISSION

When any order has been entered by the Division pursuant to any hearing held by an Examiner, any party adversely affected by such order shall have the right to have such matter or proceeding heard de novo before the Commission, provided that within 30 days from the date such order is rendered such party files with the Division a written application for such hearing before the Commission. If such application is filed, the matter or proceeding shall be set for hearing before the Commission at the first available hearing date following the expiration of fifteen days from the date such application is filed with the Division. Any person affected by the order or decision rendered by the Commission after hearing before the Commission may apply for rehearing pursuant to and in accordance with the provisions of Rule 722, and said Rule 722 together with the law applicable to rehearing and appeals in matters and proceedings before the Commission shall thereafter apply to such matter or proceeding.

RULE 721. NOTICE OF COMMISSION AND DIVISION ORDERS

Within ten days after any order, including any order granting or refusing rehearing, or order following rehearing, has been rendered, a copy of such order shall be mailed by the Division to each person or his attorney of record who has entered his appearance of record in the matter of proceeding pursuant to which such order is rendered.

RULE 722. REHEARINGS

Within 20 days after entry of any order or decision of the Commission any person affected thereby may file with the Division an application for rehearing in respect of any matter determined by such order or decision, setting forth the respect in which such order or decision is believed to be erroneous. The Commission shall grant or refuse any such application in whole or in part within 10 days after the same is filed and failure to act thereon within such period shall be deemed a refusal thereof and a final disposition of such application. In the event the rehearing is granted, the Commission may enter such new order or decision after rehearing as may be required under the circumstances.

RULE 723. CHANGES IN FORMS AND REPORTS

Any change in the forms and reports or rules relating to such forms and reports shall be made only by order of the Commission or Division issued after due notice and hearing.

RULE 1301. DISTRICT OFFICES

To expedite administration of the work of the Oil Conservation Division of the New Mexico Energy and Minerals Department and the enforcement of its rules and regulations, the state shall be divided into four districts as follows:

DISTRICT 1 — Lea, Roosevelt, and Curry Counties, and that portion of Chaves County lying east of the North-South line dividing Ranges 29 and 30 East, NMPM.

Office at 1000 West Broadway, Hobbs.

Mailing Address:

Oil Conservation Division
P. O. Box 1980
Hobbs, New Mexico 88240

DISTRICT 2 — Eddy, Otero, Dona Ana, Luna, Hidalgo, Grant, Sierra, Lincoln, and De Baca Counties, and that portion of Chaves County lying west of the North-South line dividing Ranges 29 and 30 East, NMPM.

Office at 10th and Dallas Streets, Artesia.

Mailing Address:

Oil Conservation Division
Drawer DD
Artesia, New Mexico 88210

DISTRICT 3 — San Juan, Rio Arriba, McKinley, and Sandoval Counties.

Office at 1000 Rio Brazos Road, Aztec.

Mailing Address:

Oil Conservation Division
1000 Rio Brazos Road
Aztec, New Mexico 87410

DISTRICT 4 — Remainder of State.

Office in State Land Office Building, Santa Fe.

Mailing Address:

Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Each district office shall be under the charge of a district supervisor, an oil and gas inspector, or a deputy oil and gas inspector. Unless otherwise specifically required, all matters pertaining to the Division shall be taken care of through the district office of the district in which the affected land is located.

Exhibit "C"
Order No. R-5709

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

CASE NO. 6198
Order No. R-5709-A

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION ON ITS OWN MOTION TO CONSIDER THE ADOPTION OF THE RULES, REGULATIONS, ORDERS, PERMITS, CONTRACTS, BONDS, FORMS, MANUALS, MEMORANDA, AND NUMBERING SYSTEMS OF THE NEW MEXICO OIL CONSERVATION COMMISSION AS THEY RELATE TO THE CONSERVATION OF OIL, GAS, POTASH, AND GEOTHERMAL RESOURCES, AS ITS OWN RULES, REGULATIONS, ORDERS, PERMITS, CONTRACTS, BONDS, FORMS, MANUALS, MEMORANDA, AND NUMBERING SYSTEMS. FURTHER, TO CONSIDER SUCH AMENDMENTS AS MAY BE NECESSARY TO THE AFORESAID RULES, REGULATIONS, ORDERS, PERMITS, CONTRACTS, BONDS, FORMS, MANUALS, AND MEMORANDA.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on April 14, 1978, at Santa Fe, New Mexico, before Joe D. Ramey, Director of the Oil Conservation Division of the New Mexico Energy and Minerals Department, sitting as Examiner to hear this matter.

NOW, on this 13th day of October, 1978, the Division Director, having considered the testimony presented and the exhibits offered at said hearing, and being fully advised in the premises,

FINDS:

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

(2) That the Thirty-Third State Legislature of New Mexico, at its First Session, enacted Chapter 255, Laws of 1977, approved April 7, 1977, being An Act RELATING TO THE ESTABLISHMENT OF AN ENERGY AND MINERALS DEPARTMENT; ABOLISHING CERTAIN AGENCIES; AMENDING, REPEALING AND ENACTING CERTAIN SECTIONS OF NMSA 1953.

(3) That the effective date of the provisions of said act was at 5:01 p.m. March 31, 1978.

(4) That said act created the New Mexico Energy and Minerals Department, among the divisions of which is the Oil Conservation Division, charged by the act with administering the laws and regulations relating to oil, gas, potash, and geothermal resources except those laws specifically administered by another authority.

(5) That said act amended numerous sections of the statutes relating to the conservation of oil, gas, and potash and the conservation of geothermal resources, as well as repealing certain sections of said statutes and enacting certain other new sections of said statutes, all as recited in Findings Nos. (5) through (11), inclusive, of Division Order No. R-5709, entered in this case on April 14, 1978.

(6) That the purpose of all of the aforesaid changes to the statutes relating to the conservation of oil, gas, potash, and geothermal resources was to transfer the administration of these laws from the New Mexico Oil Conservation Commission to the Oil Conservation Division of the New Mexico Energy and Minerals Department.

(7) That by Emergency Order No. E-32 entered at 5:01 p.m. March 31, 1978, and by Division Order No. R-5709, entered in this case on April 14, 1978, the Oil Conservation Division adopted as its rules, regulations, orders, permits, contracts, bonds, forms, manuals, memoranda, and numbering systems, the rules, regulations, orders, permits, contracts, bonds, forms, manuals, memoranda, and numbering systems previously adopted, issued, promulgated, or published by the Oil Conservation Commission, and also made such amendments to the rules and regulations as were necessary to accomplish the change-over from the Oil Conservation Commission to the Oil Conservation Division.

(8) That the aforesaid Division Order No. R-5709 also provided:

> "(13) That the effective date of this order shall be April 15, 1978, and it shall be the first of two orders to be entered in this case. The second order to be subsequently entered shall have attached thereto a copy of the Division Rules and Regulations (for oil and gas) and the Division Rules and Regulations, Geothermal Resources, each as amended as described herein, and also a copy of each of the Division's forms and reports for reporting oil and gas and geothermal operations, said reports amended to

bear the name 'Oil Conservation Division, Energy and Minerals Department, State of New Mexico.'"

(9) That the adoption of the "State of New Mexico Energy and Minerals Department Oil Conservation Division Rules and Regulations," for oil and gas, as contained in Exhibit "A" attached hereto and made a part hereof, is in the public interest, will prevent waste of oil, gas, and potash within the state and will protect correlative rights, and should be approved.

(10) That the adoption of the forms described in Section M, Rules 1101 through 1131, of Exhibit "A" of this order and as shown by Exhibits "1" through "41", inclusive, attached hereto and made a part hereof, is in the public interest and will facilitate the prevention of waste of oil, gas, and potash resources within the state and the protection of correlative rights, and should be approved.

(11) That the adoption of the "State of New Mexico Energy and Minerals Department Oil Conservation Division Rules and Regulations Geothermal Resources," as contained in Exhibit "B" attached hereto and made a part hereof, is in the public interest, will prevent waste of geothermal resources within the state and will protect correlative rights, and should be approved.

(12) That the adoption of the forms described in Section D, Rules 200 through 212, inclusive, of Exhibit "B" of this order and as shown by Exhibits "42" through "58", inclusive, attached hereto and made a part hereof, is in the public interest and will facilitate the prevention of waste of geothermal resources within the state and the protection of correlative rights, and should be approved.

IT IS THEREFORE ORDERED:

(A) That rules and regulations governing the drilling, development, and production of oil and gas within the State of New Mexico are hereby adopted and promulgated, said rules and regulations being in the form of Exhibit "A" attached hereto and made a part hereof.

(B) That the following forms, identified as exhibits attached hereto and made a part hereof, are hereby adopted and promulgated:

(1) Form O & G B-B, $50,000.00 Blanket Plugging Bond: Exhibit "1".

(2) Form O & G B-1, One-Well Plugging Bond for Chaves, Eddy, Lea, McKinley, Rio Arriba, Roosevelt, Sandoval, and San Juan Counties only: Exhibit "2".

(3) Form O & G B-1-X, One-Well Plugging Bond for All Counties Except Chaves, Eddy, Lea, McKinley, Rio Arriba, Roosevelt, Sandoval, and San Juan: Exhibit "3".

(4) Form C-101, Application for Permit to Drill, Deepen, or Plug Back: Exhibit "4".

(5) Form C-102, Well Location and Acreage Dedication Plat: Exhibit "5".

(6) Form C-103, Sundry Notices and Reports on Wells: Exhibit "6".

(7) Form C-104, Request for Allowable and Authorization to Transport Oil and Natural Gas: Exhibit "7".

(8) Form C-105, Well Completion or Recompletion Report and Log: Exhibit "8".

(9) Form C-106, Notice of Intention to Utilize Automatic Custody Transfer Equipment: Exhibit "9".

(10) Form C-107, Application for Multiple Completion: Exhibit "10".

(11) Form C-108, Application to Dispose of Salt Water by Injection into a Porous Formation: Exhibit "11".

(12) Form C-109, Application for Discovery Allowable and Creation of a New Pool: Exhibit "12".

(13) Form C-111, Gas Purchaser's Monthly Report (Sheet 1 and Sheet 2): Exhibits "13" and "13-A".

(14) Form C-112, Transporter's and Storer's Monthly Report: Exhibit "14".

(15) Form C-113, Refiner's Monthly Report: Exhibit "15".

(16) Form C-115, Operator's Monthly Report: Exhibit "16".

(17) Form C-115-EDP, Operator's Monthly Report (Electronic Data Processing: Exhibit "17".

(18) Form C-116, Gas-Oil Ratio Tests: Exhibit "18".

(19) Form C-117-A, Sediment Oil Destruction Permit: Exhibit "19".

(20) Form C-117-B, Sediment Oil Recovery Permit: Exhibit "20".

(21) Form C-118, Treating Plant Operator's Monthly Report (Sheet 1 and Sheet 1-A): Exhibits "21" and "21-A".

(22) Form C-119, Carbon Black Plant Monthly Report: Exhibit "22".

(23) Form C-120-A, Monthly Water Disposal Report: Exhibit "23".

(24) Form C-121, Crude Oil Purchaser's Nomination: Exhibit "24".

(25) Form C-121-A, Purchaser's Gas Nominations: Exhibit "25".

(26) Form C-122, Multipoint and One Point Back Pressure Test for Gas Well: Exhibit "26".

(27) Form C-122-A, Initial Well Deliverability Test Report (Blue) and Well Deliverability Test Report for 19____(White): Exhibits "27" and "27-A".

(28) Form C-122-B, Initial Potential Test Data Sheet: Exhibit "28".

(29) Form C-122-C, Deliverability Test Report: Exhibit "29".

(30) Form C-122-D, Worksheet for Calculation of Static Column Wellhead Pressure (P_w): Exhibit "30".

(31) Form C-122-E, Worksheet for Stepwise Calculation of (Subsurface) (Surface) Pressure: Exhibit "31".

(32) Form C-122-F, Worksheet for Calculation of Wellhead Pressures (P_c or P_w) from Known Bottomhole Pressure (P_f or P_s): Exhibit "32".

(33) Form C-122-G, Worksheet for Calculation of Static Column Pressure at Gas-Liquid Interface: Exhibit "33".

(34) Form C-123, Request for the Extension of an Existing Pool or the Creation of a New Pool: Exhibit "34".

(35) Form C-124, Reservoir Pressure Report: Exhibit "35".

(36) Form C-125, Gas Well Shut-in Pressure Report: Exhibit "36".

(37) Form C-126, Permit to Transport Recovered Load Oil: Exhibit "37".

(38) Form C-127, Request for Allowable Changes: Exhibit "38".

(39) Form C-129, Application for Exception to No-Flare Rule 306: Exhibit "39".

(40) Form C-130, Notice of Gas Well Disconnection: Exhibit "40".

(41) Form C-131, Monthly Gas Storage Report: Exhibit "41".

(C) That rules and regulations governing the drilling, development, and production of geothermal resources within the State of New Mexico are hereby adopted and promulgated, said rules and regulations being in the Form of Exhibit "B" attached hereto and made a part hereof.

(D) That the following forms, identified as exhibits attached hereto and made a part hereof, are hereby adopted and promulgated:

(1) Form GB-XD-1, $5000.00 One-well Geothermal Exploratory, Development, Injection, or Disposal Well Bond: Exhibit "42".

(2) Form GB-XD-5, $10,000.00 Multiple-Well Geothermal Exploratory, Development, Injection, or Disposal Well Bond: Exhibit "43".

(3) Form GB-LT-1, $2000.00 One-Well Low-temperature Well or Geothermal Observation Well Bond: Exhibit "44".

(4) Form GB-LT-10, $10,000.00 Multiple-Well Low-temperature well or Geothermal Observation Well Bond: Exhibit "45".

(5) Form G-101, Application for Permit to Drill, Deepen, or Plug Back-Geothermal Resources Well: Exhibit "46".

(6) Form G-102, Geothermal Resources Well Location and Acreage Dedication Plat: Exhibit "47".

(7) Form G-103, Sundry Notices and Reports on Geothermal Resources Wells: Exhibit "48".

(8) Form G-104, Certificate of Compliance and Authorization to Produce Geothermal Resources: Exhibit "49".

(9) Form G-105, Geothermal Resources Well Log: Exhibit "50".

(10) Form G-106, Geothermal Resources Well Summary Report: Exhibit "51".

(11) Form G-107, Geothermal Resources Well History: Exhibit "52".

(12) Form G-108, Monthly Geothermal Production Report: Exhibit "53".

(13) Form G-109, Monthly Geothermal Purchaser's Report: Exhibit "54".

(14) Form G-110, Monthly Geothermal Injection Report: Exhibit "55".

(15) Form G-111, Annual Geothermal Temperature and Pressure Tests: Exhibit "56".

(16) Form G-112, Application to Place Well on Injection--Geothermal Resources Area: Exhibit "57".

(17) Unnumbered form, Designation of Agent: Exhibit "58".

(E) That the continued use of the old forms which the above-described new forms replace will be permitted by the Division until operators' present supply of the old forms is exhausted, or until further order of the Division, whichever comes first.

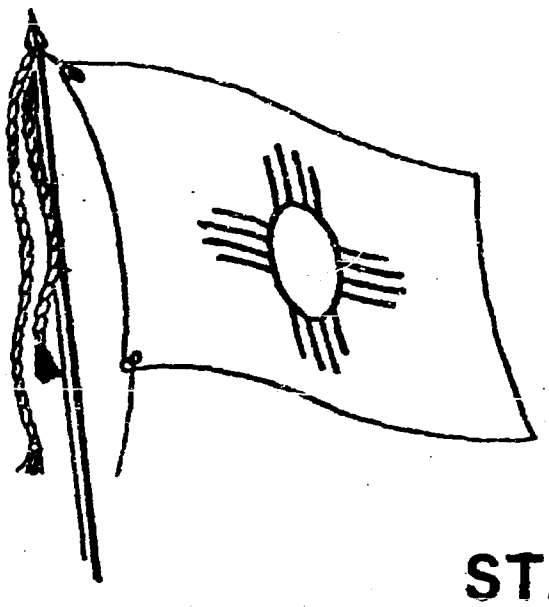
(F) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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

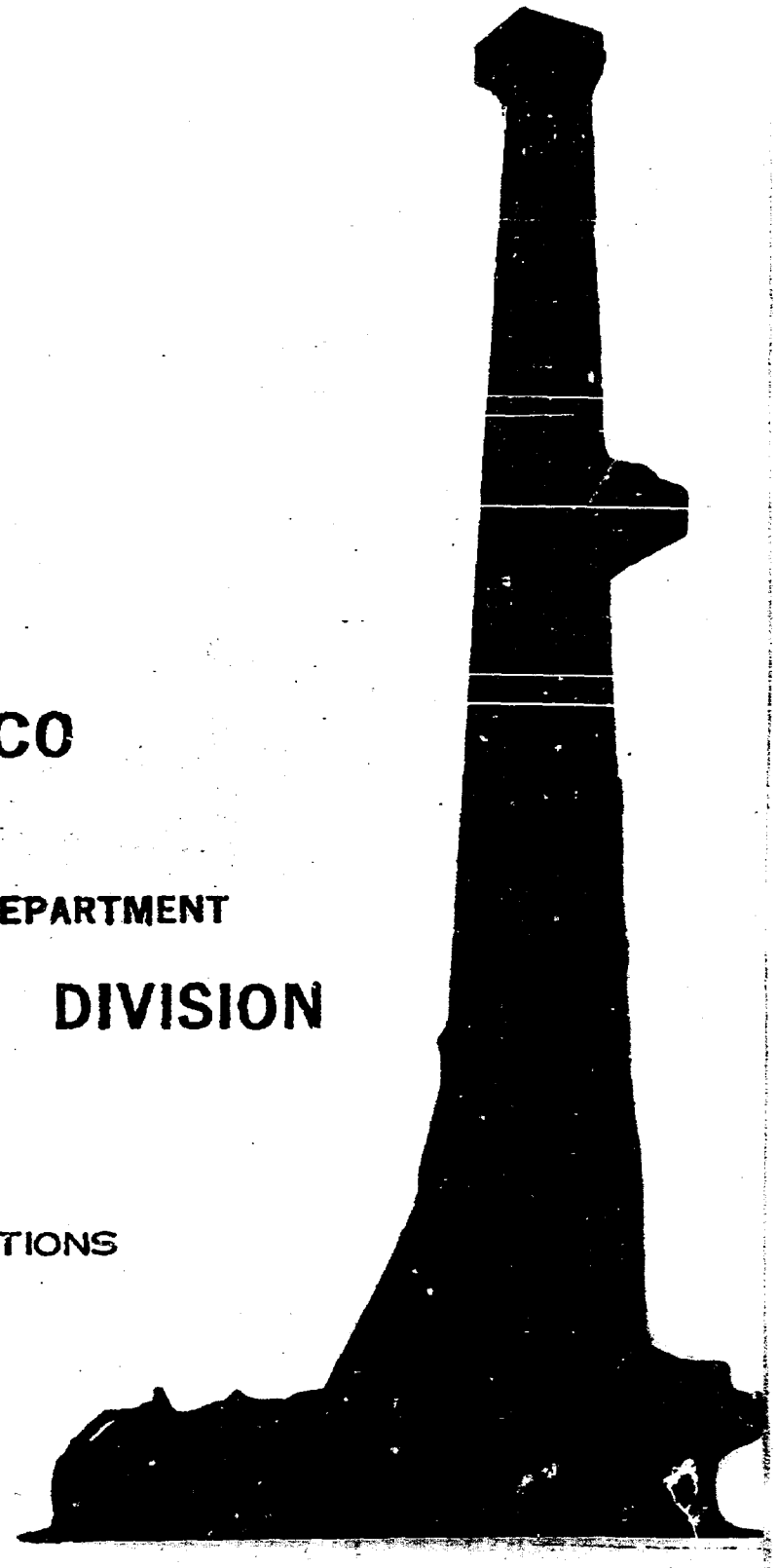
STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

JOE D. RAMEY,
Director

dr/



STATE
OF
NEW MEXICO



ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION

RULES AND REGULATIONS

Exhibit "A"
Order No. R-5709-A

STATE OF NEW MEXICO

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STATE OF NEW MEXICO

ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION

RULES AND REGULATIONS

Dated 10-1-78

This book contains the Division Rules and Regulations of statewide application revised through October 1, 1978. From time to time the book will be updated through the distribution of change sheets incorporating new or revised rules or statutes.

Special rules governing individual oil and gas pools are not included in this publication but should be consulted where applicable. Order No. R-1670, as amended, should be consulted for general and special rules governing prorated gas pools in Southeast and Northwest New Mexico. Order No. R-111-A, as amended, should be consulted for special rules governing the Oil-Potash Area of Southeast New Mexico. Order No. R-3221, as amended, should be consulted for special rules governing salt water disposal. Order No. R-5353, as amended, should be consulted for special rules governing associated pools. Order No. R-5436 should be consulted for special rules governing exemption of new wells from the provisions of the Natural Gas Pricing Act.

JOE D. RAMEY
Director

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DEFINITIONS

ADJUSTED ALLOWABLE shall mean the allowable production a well or proration unit receives after all adjustments are made.

ALLOCATED POOL is one in which the total oil or natural gas production is restricted and allocated to various wells therein in accordance with proration schedules.

ALLOWABLE PRODUCTION shall mean that number of barrels of oil or standard cubic feet of natural gas authorized by the Division to be produced from an allocated pool.

BACK ALLOWABLE shall mean the authorization for production of any shortage or underproduction resulting from pipeline prorationing.

BARREL shall mean 42 United States Gallons measured at 60 degrees Fahrenheit and atmospheric pressure at the sea level.

BARREL OF OIL shall mean 42 United States Gallons of oil, after deductions for the full amount of basic sediment, water, and other impurities present, ascertained by centrifugal or other recognized and customary test.

BOTTOM HOLE OR SUBSURFACE PRESSURE shall mean the gauge pressure in pounds per square inch under conditions existing at or near the producing horizon.

BRADENHEAD GAS WELL shall mean any well producing gas through wellhead connections from a gas reservoir which has been successfully cased off from an underlying oil or gas reservoir.

CARBON DIOXIDE GAS shall mean noncombustible gas composed chiefly of carbon dioxide occurring naturally in underground rocks.

CASINGHEAD GAS shall mean any gas or vapor or both gas and vapor indigenous to and produced from a pool classified as an oil pool by the Division. This also includes gas-cap gas produced from such an oil pool.

COMMISSION shall mean the Oil Conservation Commission.

COMMON PURCHASER FOR NATURAL GAS shall mean any person now or hereafter engaged in purchasing from one or more producers gas produced from gas wells within each common source of supply from which it purchases.

COMMON PURCHASER FOR OIL shall mean every person now engaged or hereafter engaging in the business of purchasing oil to be transported through pipelines.

COMMON SOURCE OF SUPPLY See Pool.

CONDENSATE shall mean the liquid recovered at the surface that results from condensation due to reduced pressure or temperature of petroleum hydrocarbons existing in a gaseous phase in the reservoir.

CONTIGUOUS shall mean acreage joined by more than one common point, that is, the common boundary must be at least one side of a governmental quarter-quarter section.

CONVENTIONAL COMPLETION shall mean a well completion in which the production string of casing has an outside diameter in excess of 2.875 inches.

CORRELATIVE RIGHTS shall mean the opportunity afforded, as far as it is practicable to do so, to the owner of each property in a pool to produce without waste his just and equitable share of the oil or gas, or both, in the pool, being an amount, so far as can be practically determined, and so far as can be practicably obtained without waste, substantially in the proportion that the quantity of recoverable oil or gas, or both, under such property bears to the total recoverable oil or gas, or both, in the pool, and for such purpose to use his just and equitable share of the reservoir energy.

CUBIC FOOT OF GAS OR STANDARD CUBIC FOOT OF GAS, for the purpose of these rules, shall mean that volume of gas contained in one cubic foot or space and computed at a base pressure of 10 ounces per square inch above the average barometric pressure of 14.4 pounds per square inch (15.025 psia), at a standard base temperature of 60 degrees Fahrenheit.

DEEP POOL shall mean a common source of supply which is situated 5000 feet or more below the surface.

DEPTH BRACKET ALLOWABLE shall mean the basic oil allowable assigned to a pool and based on its depth, unit size, or special pool rules, which, when multiplied by the market demand percentage factor in effect, will determine the top unit allowable for the pool.

DIVISION shall mean the Oil Conservation Division of the New Mexico Energy and Minerals Department.

FIELD means the general area which is underlaid or appears to be underlaid by at least one pool; and field also includes the underground reservoir or reservoirs containing such crude petroleum oil or natural gas, or both. The words field and pool mean the same thing when only one underground reservoir is involved; however, field unlike pool may relate to two or more pools.

GAS LIFT shall mean any method of lifting liquid to the surface by injecting gas into a well from which oil production is obtained.

GAS-OIL RATIO shall mean the ratio of the casinghead gas produced in standard cubic feet to the number of barrels of oil concurrently produced during any stated period.

GAS-OIL RATIO ADJUSTMENT shall mean the reduction in allowable of a high gas-oil ratio unit to conform with the production permitted by the limiting gas-oil ratio for that particular pool during a particular proration period.

GAS TRANSPORTATION FACILITY shall mean a pipeline in operation serving gas wells for the transportation of natural gas, or some other device or equipment in like operation whereby natural gas produced from gas wells connected therewith can be transported or used for consumption.

GAS WELL shall mean a well producing gas or natural gas from a gas pool, or a well with a gas-oil ratio in excess of 100,000 cubic feet of gas per barrel of oil producing from an oil pool.

HIGH GAS-OIL RATIO PRORATION UNIT shall mean a unit with at least one producing oil well with a gas-oil ratio in excess of the limiting gas-oil ratio for the pool in which the unit is located.

ILLEGAL GAS shall mean natural gas produced from a gas well in excess of the allowable determined by the Division.

ILLEGAL OIL shall mean crude petroleum oil produced in excess of the allowable as fixed by the Division.

ILLEGAL PRODUCT shall mean any product of illegal gas or illegal oil.

INJECTION OR INPUT WELL shall mean any well used for the injection of air, gas, water, or other fluids into any underground stratum.

LIMITING GAS-OIL RATIO shall mean the gas-oil ratio assigned by the Division to a particular oil pool to limit the volumes of casinghead gas which may be produced from the various oil producing units within that particular pool.

LOAD OIL is any oil or liquid hydrocarbon which has been used in remedial operation in any oil or gas well.

LOG OR WELL LOG shall mean a systematic detailed and correct record of formations encountered in the drilling of a well.

MARGINAL UNIT shall mean a proration unit which is incapable of producing top unit allowable for the pool in which it is located.

MARKET DEMAND PERCENTAGE FACTOR shall mean that percentage factor of 100 percent or less as determined by the Division at an oil allowable hearing, which, when multiplied by the depth bracket allowable applicable to each pool, will determine the top unit allowable for that pool.

MINIMUM ALLOWABLE shall mean the minimum amount of production from an oil or gas well which may be advisable from time to time to the end that production will repay reasonable lifting cost and thus prevent premature abandonment and resulting waste.

MULTIPLE COMPLETION (COMBINATION) shall mean a multiple completion in which two or more common sources of supply are produced through a combination of two or more conventional diameter casing strings cemented in a common well-bore, or a combination of small diameter and conventional diameter casing strings of which might or might not be a Multiple Completion (Conventional).

MULTIPLE COMPLETION (CONVENTIONAL) shall mean a completion in which two or more common sources of supply are produced through one or more strings of tubing installed within a single casing string, with the production from each common source of supply completely segregated by means of packers.

MULTIPLE COMPLETION (TUBINGLESS) shall mean a completion in which two or more common sources of supply are produced through an equal number of casing strings cemented in a common well-bore, each such string of casing having an outside diameter of 2.875 inches or less, with the production from each common source of supply completely segregated by use of cement.

NATURAL GAS OR GAS shall mean any combustible vapor composed chiefly of hydrocarbons occurring naturally in a pool classified by the Division as a gas pool.

NON-MARGINAL UNIT shall mean a proration unit which is capable of producing top unit allowable for the pool in which it is located, and to which has been assigned a top unit allowable.

OFFICIAL GAS-OIL RATIO TEST shall mean the periodic gas-oil ratio test made by order of the Division by such method and means and in such manner as prescribed by the Division.

OIL, CRUDE OIL, OR CRUDE PETROLEUM OIL shall mean any petroleum hydrocarbon produced from a well in the liquid phase and which existed in a liquid phase in the reservoir.

OIL WELL shall mean any well capable of producing oil and which i not a gas well as defined herein.

OPERATOR shall mean any person or persons who, duly authorized, is in charge of the development of a lease or the operation of a producing property.

OVERAGE OR OVERPRODUCTION shall mean the amount of oil or the amount of natural gas produced during a proration period in excess of the amount authorized on the proration schedule.

OWNER means the person who has the right to drill into and to produce from any pool, and to appropriate the production either for himself or for himself and another.

PENALIZED UNIT shall mean a proration unit to which, because of an excessive gas-oil ratio, an allowable has been assigned which is less than top unit allowable for the pool in which it is located and also less than the ability of the well(s) on the unit to produce.

PERSON means any natural person, corporation, association, partnership, receiver, trustee, guardian, executor, administrator and fiduciary of any kind.

POOL means any underground reservoir containing a common accumulation of crude petroleum oil or natural gas or both. Each zone of a general structure, which zone is completely separated from any other zone in the structure, is covered by the word "pool" as used herein. "Pool" is synonymous with "common source of supply" and with "common reservoir."

POTENTIAL shall mean the properly determined capacity of a well to produce oil, or gas, or both, under conditions prescribed by the Division.

PRESSURE MAINTENANCE shall mean the injection of gas or other fluid into a reservoir, either to maintain the existing pressure in such reservoir or to retard the natural decline in the reservoir pressure.

PRODUCER shall mean the owner of a well or wells capable of producing oil or natural gas or both in paying quantities.

PRODUCT means any commodity or thing made or manufactured from crude petroleum oil or natural gas, and all derivatives of crude petroleum oil or natural gas, including refined crude oil, crude tops, topped crude, processed crude petroleum, residue from crude petroleum, cracking stock, uncracked fuel oil, treated crude oil, fuel oil, residuum, gas oil, naphtha, distillate, gasoline, kerosene, benzine, wash oil, lubricating oil, and blends or mixtures of crude petroleum oil or natural gas or any derivative thereof.

PRORATION DAY shall consist of 24 consecutive hours which shall begin at 7 a.m. and end at 7 a.m. on the following day.

PRORATION MONTH shall mean the calendar month which shall begin at 7 a.m. on the first day of such month and end at 7 a.m. on the first day of the next succeeding month.

PRORATION PERIOD shall mean for oil the proration month and for gas the twelve-month period which shall begin at 7 a.m. January 1 of each year and end at 7 a.m. on January 1 of the succeeding year.

PRORATION SCHEDULE shall mean the order of the Division authorizing the production, purchase, and transportation of oil, casinghead gas, and natural gas from the various units of oil or of natural gas in allocated pools.

RECOMPLETE shall mean the subsequent completion of a well in a different pool from the pool in which it was originally completed.

SECONDARY RECOVERY shall mean a method of recovering quantities of oil or gas from a reservoir which quantities would not be recoverable by ordinary primary depletion methods.

SHALLOW POOL shall mean a pool which has a depth range from 0 to 5000 feet.

SHORTAGE OR UNDERPRODUCTION shall mean the amout of oil or the amount of natural gas during a proration period by which a given proration unit failed to produce an amount equal to that authorized in the proration schedule.

SHUT-IN PRESSURE shall mean the gauge pressure noted at the wellhead when the well is completely shut in, not to be confused with bottom hole pressure.

TANK BOTTOMS shall mean that accumulation of hydrocarbon material and other substances which settles naturally below crude oil in tanks and receptacles that are used in handling and storing of crude oil, and which accumulation contains in excess of two (2%) percent of basic sediment and water; provided, however, that with respect to lease production and for lease storage tanks, a tank bottom shall be limited to that volume of the tank in which it is contained that lies below the bottom of the pipeline outlet thereto.

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.

TOP UNIT ALLOWABLE FOR GAS shall mean the maximum number of cubic feet of natural gas, for the proration period, allocated to a gas producing unit in an allocated gas pool.

TOP UNIT ALLOWABLE FOR OIL shall mean the maximum number of barrels for oil daily for each calendar month allocated on a proration unit basis in a pool to non-marginal units. The top unit allowable for a pool shall be determined by multiplying the applicable depth bracket allowable by the market demand percentage factor in effect.

TREATING PLAN shall mean any plant constructed for the purpose of wholly or partially or being used wholly or partially for reclaiming, treating, processing, or in any manner making tank bottoms or any other waste oil marketable.

TUBINGLESS COMPLETION shall mean a well completion in which the production string of casing has an outside diameter of 2.875 inches or less.

UNIT OF PRORATION FOR GAS shall consist of such multiples of 40 acres as may be prescribed by special pool rules issued by the Division.

UNIT OF PRORATION FOR OIL shall consist of one 40-acre tract or such multiples of 40-acre tracts as may be prescribed by special pool rules issued by the Division.

UNORTHODOX WELL LOCATION shall mean a location which does not conform to the spacing requirements established by the rules and regulations of the Division.

WASTE, in addition to its ordinary meaning, shall include:

(a) Underground Waste as those words are generally understood in the oil and gas business, and in any event to embrace the inefficient, excessive, or improper use or dissipation of the reservoir energy, including gas energy and water drive, or any pool, and the locating, spacing, drilling, equipping, operating, or producing, of any well or wells in a manner to reduce or tend to reduce the total quantity of crude petroleum oil or natural gas ultimately recovered from any pool, and the use of inefficent underground storage of natural gas.

(b) Surface Waste as those words are generally understood in the oil and gas business, and in any event to embrace the unnecessary or excessive surface loss or destruction without beneficial use, however caused, of natural gas of any type or in any form or crude petroleum oil, or any product thereof, but including the loss or destruction, without beneficial use, resulting from evaporation, seepage, leakage, or fire, especially such loss or destruction incident to or resulting from the manner of spacing, equipping, operating or producing, well or wells, or incident to or resulting from the use of inefficient storage or from the production of crude petroleum oil or natural gas, in excess of the reasonable market demand.

(c) The production of crude petroleum oil in this state in excess of the reasonable market demand for such crude petroleum oil. Such excess production causes or results in waste which is prohibited by the Oil and Gas Act. The words "reasonable market demand" as used herein with respect to crude petroleum oil, shall be construed to mean the demand for such crude petroleum oil, for reasonable current requirements for current consumption and use within or outside of the state, together with the demand for such amounts as are reasonably necessary for building up or maintaining reasonable storage reserves of crude petroleum oil or the products thereof, or both such crude petroleum oil and products.

(d) The non-ratable purchase or taking of crude petroleum oil in this state. Such non-ratable taking and purchasing causes or results in waste, as defined in the subsections (a), (b), (c) of this section and causes waste by violating Section 65-3-13 of the Oil and Gas Act.

(e) The production in this state of natural gas from any gas well or wells, or from any gas pool, in excess of the reasonable market demand from such source for natural gas of the type produced or in excess of the capacity of gas transportation facilities for such type of natural gas. The words "reasonable market demand," as used herein with respect to natural gas, shall be construed to mean the demand for natural gas for reasonable current requirements, for current consumption and for use within or outside the state, together with the demand for such amounts as are necessary for building up or maintaining reasonable storage reserves of natural gas or products thereof, or both such natural gas and products.

B - MISCELLANEOUS RULES

RULE 1. SCOPE OF RULES AND REGULATIONS

(a) The following General Rules of statewide application have been adopted by the Oil Conservation Division of the New Mexico Energy and Minerals Department to conserve the natural resources of the State of New Mexico, to prevent waste, and to protect correlative rights of all owners of crude oil and natural gas. Special rules, regulations and orders have been and will be issued when required and shall prevail as against General Rules, Regulations and Orders if in conflict therewith. However, whenever these General Rules do not conflict with special rules heretofore or hereafter adopted, these General Rules shall apply.

(b) The Division may grant exceptions to these rules after notice and hearing, when the granting of such exceptions will not result in waste but will protect correlative rights or prevent undue hardship.

RULE 2. ENFORCEMENT OF LAWS, RULES AND REGULATIONS DEALING WITH CONSERVATION OF OIL AND GAS

The Division, its agents, representatives and employees are charged with the duty and obligation of enforcing all rules and statutes of the State of New Mexico relating to the conservation of oil and gas. However, it shall be the responsibility of all the owners or operators to obtain information pertaining to the regulation of oil and gas before operations have begun.

RULE 3. WASTE PROHIBITED

(a) The production or handling of crude petroleum oil or natural gas of any type or in any form, or the handling of products thereof, in such a manner or under such conditions or in such amount as to constitute or result in waste is hereby prohibited.

(b) All operators, contractors, drillers, carriers, gas distributors, service companies, pipe pulling and salvaging contractors, or other persons shall at all times conduct their operations in the drilling, equipping, operating, producing, plugging and abandonment of oil and gas wells in a manner that will prevent waste of oil and gas, and shall not wastefully utilize oil or gas, or allow either to leak or escape from a natural reservoir, or from wells, tanks, containers, pipe or other storage, conduit or operating equipment.

RULE 4. UNITED STATES GOVERNMENT LEASES

The Division recognizes that all persons drilling on United States Government land shall comply with the United States government regulations. Such persons shall also comply with all applicable State rules and regulations which are not in conflict therewith. Copies of "Application for Permit to Drill, Deepen or Plug Back," (USGS Form No. 9-331C), "Sundry Notices and Reports on Wells," (USGS Form No. 9-331), and "Well Completion or Recompletion Report and Log," (USGS Form No. 9-330), for wells on U.S. Government land shall be furnished by the Division.

RULE 5. CLASSIFYING AND DEFINING POOLS

The Division will determine whether a particular well or pool is a gas or oil well, or a gas or oil pool, as the case may be, and from time to time classify and reclassify wells and name pools accordingly, and will determine the limits of any pool or pools producing crude petroleum oil or natural gas and from time to time redetermine such limits.

RULE 6. FORMS UPON REQUEST

Forms for written notices, request and reports required by the Division will be furnished upon request.

RULE 7. AUTHORITY TO COOPERATE WITH OTHER AGENCIES

The Division may from time to time enter into arrangements with State and Federal governmental agencies, industry committees and individuals, with respect to special projects, services and studies relating to conservation of oil and gas.

RULE 101. PLUGGING BOND

(a) Any person, firm, corporation, or association who has drilled or acquired, is drilling, or proposes to drill or acquire any oil, gas, or service well on privately owned or state owned lands within this state shall furnish to the Division, and obtain approval thereof, a surety bond running to the State of New Mexico, in a form prescribed by the Division, and conditioned that the well be plugged and abandoned in compliance with the rules and regulations of the Division. Such bond may be a one-well plugging bond or a blanket plugging bond. All bonds shall be executed by a responsible surety company authorized to do business in the State of New Mexico.

(b) Blanket plugging bonds shall be in the amount of fifty thousand dollars ($50,000) conditioned as above provided, covering all oil, gas, or service wells drilled, acquired or operated in this state by the principal on the bond.

One-well plugging bonds shall be in the amounts stated below in accordance with the depth and location of the well:

Chaves, Eddy, Lea, McKinley, Rio Arriba, Roosevelt, Sandoval, and San Juan Counties, New Mexico:

Projected Depth of Proposed Well or Actual Depth of Existing Well	Amount of Bond
Less than 5,000 feet	$ 5,000
5,000 feet to 10,000 feet	$ 7,500
More than 10,000 feet	$10,000

All Other Counties in the State:

Projected Depth of Proposed Well or Actual Depth of Existing Well	Amount of Bond
Less than 5,000 feet	$ 7,500
5,000 feet to 10,000 feet	$10,000
More than 10,000 feet	$12,500

Revised plans for an actively drilling well may be approved by the appropriate District Office of the Division for drilling as much as 500 feet deeper than the normal maximum depth allowed on the well's bond. Any well to be drilled more than 500 feet deeper than the normal depth bracket must be covered by a new bond in the amount prescribed for the deeper depth bracket.

The bond requirement for any intentionally deviated well shall be determined by the well's measured depth, and not its true vertical depth.

(c) Any bond required by this rule is a plugging bond, not a drilling bond, and shall endure until any well drilled or acquired under such bond has been plugged and abandoned and such plugging and abandonment has been approved by the Division, or has been covered by another bond approved by the Division.

(d) Transfer of a property does not of itself release a bond. In the event of transfer of ownership of a well, the appropriate form, C-103 or C-104, properly executed, shall be filed with the District Office of the Division in accordance with Rule 1103 or Rule 1104 by the new owner of the well. The District Office may approve the transfer providing that a new one-well bond covering the well, or a request that the well be covered by the new owners's blanket bond, has been approved by the Santa Fe office of the Division.

Upon approval of the bond and the Form C-103 or C-104, the transferor is released of plugging responsibility for the well, and upon request, the original bond will be released. No blanket bond will be released, however, until all wells covered by the bond have been plugged and abandoned or transferred in accordance with the provisions of this rule.

(e) All bonds shall be filed with the Santa Fe office of the Division, and approval of such bonds, as well as releases thereof, obtained from said office.

(f) All bonds required by these rules shall be conditioned for well plugging and location cleanup only, and not to secure payment for damages to livestock, range, water, crops, tangible improvements, nor any other purpose.

RULE 102. NOTICE OF INTENTION TO DRILL

(a) Prior to the commencement of operations, notice shall be delivered to the Division of intention to drill any well for oil or gas or for injection purposes and approval obtained on Form C-101.

(b) No permit shall be approved for the drilling of any well within the corporate limits of any city, town, or village of this state unless notice of intention to drill such well has been given to the duly constituted governing body of such city, town or village or its duly authorized agent. Evidence of such notification shall accompany the application for a permit to drill (Form C-101).

RULE 103. SIGN ON WELLS

Every drilling and producible well shall be identified by a sign, posted on the derrick or not more than 20 feet from such well, and such sign shall be of durable construction and the lettering thereon shall be kept in a legible condition and shall be large enough to be legible under normal conditions at a distance of 50 feet. The wells on each lease or property shall be numbered in non-repetitive, logical and distinctive sequence. Each sign shall show the number of the well, the name of the lease (which shall be different or distinctive for each lease), the name of the leasee, owner or operator, and the location by quarter section, township and range. The location, for each sign posted after March 1, 1968, shall indicate the quarter-quarter section, township, and range.

RULE 104. WELL SPACING: ACREAGE REQUIREMENTS FOR DRILLING TRACTS

A. CLASSIFICATION OF WELLS: WILDCAT WELLS AND DEVELOPMENT WELLS

Any well which is to be drilled a distance of one mile or more from (1) the outerboundary of any defined pool which has produced oil or gas from the formation to which the well is projected, and (2) any other well which has produced oil or gas from the formation to which the proposed well is projected, shall be classified as a wildcat well.

Any well which is not a wildcat well as defined above shall be classified as a development well for the nearest pool which has produced oil or gas from the formation to which the well is projected. Any such development well shall be spaced, drilled, operated, and produced in accordance with the rules and regulations in effect in such nearest pool, provided the well is completed in the formation to which it was projected.

Any well classified as a development well for a given pool but which is completed in a producing horizon not included in the vertical limits of said pool shall be operated and produced in accordance with the rules and regulations in effect in the nearest pool within one mile which is producing from that horizon. If there is no designated pool for said producing horizon within one mile, the well shall be re-classified as a wildcat well.

B. ACREAGE AND WELL LOCATION REQUIREMENTS FOR WILDCATS

1. Lea, Chaves, Eddy and Roosevelt Counties

(a) Wildcat Gas Wells

In Lea, Chaves, Eddy and Roosevelt Counties, a wildcat well which is projected as a gas well to a formation and in an area which, in the opinion of the engineer or supervisor approving the application to drill, may reasonably be presumed to be productive of gas rather than oil shall be located on a drilling tract consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section, being a legal subdivision of the U.S. Public Land Surveys, and shall be located not closer than 660 feet to any outer boundary of such tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary.

Provided however, that any such wildcat gas well which is projected to the Wolfcamp or older formations shall be located on a drilling tract consisting of 320 surface contiguous acres, more or less, comprising any two contiguous quarter sections of a single governmental section, being a legal subdivision of the U.S. Public Land Surveys. Any such "deep" wildcat gas well to which is dedicated more than 160 acres shall be located not closer than 660 feet to the nearest side boundary of the dedicated tract nor closer than 1980 feet to the nearest end boundary nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary. (For the purpose of this rule, "side" boundary is defined as one of the outer boundaries running lengthwise to the tract's greatest overall dimensions; "end" boundary is defined as one of the outer boundaries perpendicular to a side boundary and closing the tract across it least overall dimension.)

(b) Wildcat Oil Wells

In Lea, Chaves, Eddy, and Roosevelt Counties, a wildcat well which is not a wildcat gas well as defined above shall be located on a tract consisting of approximately 40 surface contiguous acres substantially in the form of a square which is a legal subdivision of the U.S. Public Land Surveys, or on a governmental quarter-quarter section or lot, and shall be located not closer than 330 feet to any boundary of such tract.

In the event gas production is encountered in a well which was projected as an oil well and which is located accordingly but does not conform to the above gas well location rule, it shall be necessary for the operator to bring the matter to a hearing before approval for the production of gas can be given.

II. San Juan, Rio Arriba, and Sandoval Counties

(a) Wildcat Gas Wells

In San Juan, Rio Arriba, and Sandoval Counties, a wildcat well which is projected to a gas-producing horizon shall be located on a designated drilling tract consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section, being a legal subdivision of the U.S. Public Land Surveys, and shall be located not closer than 790 feet to any outer boundary of the tract nor closer than 130 feet to any quarter-quarter section or subdivision inner boundary.

In the event oil production is encountered in a well which was projected to a gas-producing horizon and which is located accordingly but does not conform to the oil well location rule below, it shall be necessary for the operator to bring the matter to a hearing before approval for the production of oil can be given.

(b) Wildcat Oil Wells

A wildcat well which is projected to an oil-producing horizon as recognized by the Division shall be located on a tract consisting of approximately 40 surface contiguous acres substantially in the form of square which is a legal subdivision of the U.S. Public Land Surveys, or on a governmental quarter-quarter section or lot, and shall be located not closer than 330 feet to any boundary of such tract.

In the event gas production is encountered in a well which was projected to an oil-producing horizon and which is located accordingly but does not conform to the above gas well location rules, it shall be necessary for the operator to bring the matter to a hearing before approval for the production of gas can be given.

III. All counties except Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba, and Sandoval

Any wildcat well in any county other than Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba, and Sandoval shall be located on a tract consisting of approximately 40 surface contiguous acres substantially in the form of a square which is a legal subdivision of the U.S. Public Land Surveys, or on a governmental quarter-quarter section or lot and shall be located not closer than 330 feet to any boundary of such tract.

C. ACREAGE AND WELL LOCATION REQUIREMENTS FOR DEVELOPMENT WELLS

I. Oil Wells, All Counties

Unless otherwise provided in special pool rules, each development well for a defined oil pool shall be located on a tract consisting of approximately 40 surface contiguous acres substantially in the form of square which is a legal subdivision of the U.S. Public Land Surveys, or on a governmental quarter-quarter section or lot, and shall be located not closer than 330 feet to any boundary of such tract nor closer than 330 feet to the nearest well drilling to or capable of producing from the same pool, provided however, only tracts committed to active secondary recovery projects shall be permitted more than four wells.

II. Gas Wells

(a) Lea, Chaves, Eddy, and Roosevelt Counties

Unless otherwise provided in special pool rules, each development well for a defined gas pool in a formation younger than the Wolfcamp formation, or in the Wolfcamp formation which was created and defined by the Division prior to November 1, 1975, or in a Pennsylvanian age or older formation which was created and defined by the Division prior to June 1, 1964, shall be located on a designated drilling tract consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section being a legal subdivision of the U.S. Public Land Surveys, and shall be located not closer than 660 feet to any outer boundary of such tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary nor closer than 1320 feet to the nearest well drilling to or capable of producing from the same pool.

Unless otherwise provided in the special pool rules, each development well for a defined gas pool in the Wolfcamp formation which was created and defined by the Division after November 1, 1975, or of Pennsylvanian age or older which was created and defined by the Division after June 1, 1964, shall be located on a designated drilling tract consisting of 320 surface contiguous acres, more or less, comprising any two contiguous quarter sections of a single governmental section, being a legal subdivision of the U.S. Public Land Surveys. Any such well having more than 160 acres dedicated to it shall be located not closer than 660 feet to the nearest side boundary of the dedicated tract nor closer than 1980 feet to the nearest end boundary nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary. (For the purpose of this rule, "side" boundary and "end" boundary are as defined in Section B I(a) of this rule.)

(b) San Juan, Rio Arriba, and Sandoval Counties

Unless otherwise provided in special pool rules, each development well for a defined gas pool shall be located on a designated drilling tract consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section, being a legal subdivision of the U.S. Public Land Surveys, and shall be located not closer than 790 feet to any outer boundary of the tract nor closer than 130 feet to any quarter-quarter section line or subdivision inner boundary.

(c) All Counties except Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba, and Sandoval

Unless otherwise provided in special pool rules, each development well for a defined gas pool shall be located on a designated drilling tract consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section, being a legal subdivision of the U.S. Public Land Surveys, and shall be located not closer than 660 feet to any outer boundary of such tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary nor closer than 1320 feet to the nearest well drilling to or capable of producing from the same pool.

D. ACREAGE ASSIGNMENT, COMPLETED WELLS

I. Well Tests and Classification

It shall be the responsibility of the operator of any wildcat gas well or development gas well to which more than 40 acres has been dedicated to conduct a potential test within 30 days following completion of the well and to file the same with the Division within 10 days following completion of the tests. (See Rule 401.)

Date of completion for a gas well shall be the date a Christmas tree is installed or 30 days following conclusion of active completion work on the well, whichever date comes first.

Upon making a determination that the well should not properly be classified as a gas well, the Division will reduce the acreage dedicated to the well.

Failure of the operator to file the aforesaid tests within the specified time will also subject the well to such acreage reduction.

II. Non-Standard Units

Any completed gas well which does not have the required amount of acreage dedicated to it for the pool or formation in which it is completed may not be produced until a standard unit for the well has been formed and dedicated or until a non-standard unit has been approved.

The Division Director may grant administrative approval to non-standard gas units without notice and hearing when an application has been filed for a non-standard unit and the unorthodox size or shape of the unit is necessitated by a variation in the legal subdivision of the U.S. Public Land Surveys, or the following facts exist and the following provisions are complied with:

(a) The non-standard unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side.

(b) The non-standard unit lies wholly within a single governmental quarter section if the well is completed in a pool or formation for which 160 acres is the standard unit size or wholly within a single governmental half section if the well is completed in a pool or formation for which 320 acres is the standard unit size.

(c) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the quarter section (for 160-acre pools or formations) or the half section (for 320-acres pools or formations) in which the non-standard unit is situated and which acreage is not included in said non-standard unit.

(d) In lieu of paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of his intent to form such non-standard unit. The Director may approve the application if no such operator has entered an objection to the formation of such non-standard unit within 30 days after the Director has received the application.

E. Form C-101, Application for Permit to Drill, Deepen, or Plug Back for any well shall designate the exact legal subdivision allotted to the well and no Form C-101 will be approved by the Division or any of its agents without such proper designation of acreage.

F. The Division Director shall have authority to grant an exception to the well location requirements of Sections B and C above without notice and hearing when the necessity for such unorthodox location is based upon topographical conditions or the recompletion of a well previously drilled to another horizon, provided said well was drilled at an orthodox location for such original horizon.

Applications for administrative approval of unorthodox locations shall be filed in triplicate and shall be accompanied by plats showing the ownership of all leases offsetting the proration or spacing unit for which the unorthodox location is sought, and also all wells completed thereon. If the proposed unorthodox location is based upon topography, the plat shall also show and describe the existent topographical conditions.

All operators of proration or spacing units offsetting the unit for which the unorthodox location is sought shall be notified of the application by certified or registered mail, and the application shall state that such notification has been given. The Division Director may approve the unorthodox location upon receipt of waivers from all offset opeators or if no offset operator has entered an objection to the unorthodox location within 20 days after the Director has received the application.

G. Whenever an exception is granted, the Division may take such action as will offset any advantage which the person securing the exception may obtain over other producers by reason of the unorthodox location.

H. If the drilling tract is within an allocated oil pool or is placed within such allocated pool at any time after completion of the well and the drilling tract consists of less than 39½ acres or more than 40½ acres, the top unit allowable for such well shall be increased or decreased in the proportion that the number of acres in the drilling tract bears to 40.

I. If the drilling tract is within an allocated gas pool or is subsequently placed within an allocated gas pool, and the drilling tract consists of less than 158 acres or more than 162 acres in 160-acre pools, or less than 316 acres or more than 324 acres in 320-acre pools, the top allowable for such well shall be decreased or increased in the proportion that the number of acres in the drilling tract bears to a standard unit for the pool.

J. In computing acreage under H and I above, minor fractions of an acre shall not be counted but ½ acres or more shall count as 1 acre.

K. The provisions of H and I above shall apply only to wells completed after January 1, 1950. Nothing herein contained shall affect in any manner any well completed prior to the effective date of this rule and no adjustments shall be made in the allowable production for any such wells by reason of these rules.

L. In order to prevent waste the Division may, after notice and hearing, fix different spacing requirements and require greater acreage for drilling tracts in any defined oil pool or in any defined gas pool notwithstanding the provisions of B and C above.

M. The Division may approve the pooling or communitization of fractional lots of 20.49 acres or less with another oil proration unit when:

1. The units involved are contiguous;

2. They are part of the same basic lease, carrying the same royalty interest; and

3. The ownership of the units involved is common.

Application to the Division for pooling shall be accompanied by three (3) copies of a certified plat showing the dimensions and acreage involved in the pooling, the ownership of all leases and royalty interests involved, and the location of any proposed wells.

Applicant shall furnish all operators who directly and diagonally offset the units involved a copy of the application to the Division and shall include with his application a written statement that all offset operators have been properly notified. Offset operators shall include only those operators who have offset properties within the State of New Mexico. The Division shall wait at least ten days before approving any such pooling, and shall approve such pooling only in the absence of objection from any offset operator. In the event that an operator objects to the pooling, the Division shall consider the matter only after proper notice and hearing.

The Division may waive the ten-day waiting period requirement if the applicant furnishes the Division with the written consent to the pooling by all offset operators involved.

The Division may consider that the requirements of subparagraphs 2 and 3 of paragraph M of this rule have been fulfilled if the applicant furnishes with each copy of each application to the Division a copy of executed pooling agreement communitizing the units involved.

Each well drilled on any communitized tract shall be located in the approximate geographical center of the combined units with a tolerance of 150 feet for topographical conditions, but in any event shall not be located closer than 330 feet to the outer boundaries of the proposed proration unit or communitized tract.

RULE 105. PIT FOR CLAY, SHALE, AND DRILL CUTTING

In order to assure a supply of proper material for mud-laden fluid to confine oil, gas, or water to their native strata during the drilling of any well, operators shall provide before drilling is commenced an adequate pit for the accumulation of drill cuttings.

RULE 106. SEALING OFF STRATA

(a) During the drilling of any oil or natural gas well, all oil, gas, and water strata above the producing horizon shall be sealed or separated in order to prevent their contents from passing into other strata.

(b) All fresh waters and waters of present or probable value for domestic, commercial, or stock purposes shall be confined to their respective strata and shall be adequately protected by methods approved by the Division. Special precautions by methods satisfactory to the Division shall be taken in drilling and abandoning wells to guard against any loss of artesian water from the strata in which it occurs, and the contamination of artesian water by objectionable water, oil, or gas.

(c) All water shall be shut off and excluded from the various oil and gas bearing strata which are penetrated. Water shut-offs shall ordinarily be made by cementing casing.

RULE 107. *CASING AND TUBING REQUIREMENTS*

(a) Any well drilled for oil or natural gas shall be equipped with such surface and intermediate casing strings and cement as may be necessary to effectively seal off and isolate all water-, oil-, and gas-bearing strata and other strata encountered in the well down to the casing point. In addition thereto, any well completed for the production of oil or natural gas shall be equipped with a string of properly cemented production casing at sufficient depth to ensure protection of all oil- and gas-bearing strata encountered in the well, including the one(s) to be produced.

Sufficient cement shall be used on surface casing to fill the annular space behind the casing to the top of the hole, provided however, that authorized field personnel of the Division may, at their discretion, allow exceptions to the foregoing requirement when known conditions in a given area render compliance inpracticable.

All cementing shall be by pump and plug method unless some other method is expressly authorized by the Division.

All cementing shall be with conventional-type hard-setting cements to which such additives (lighteners, densifiers, extenders, accelerators, retarders, etc.) have been added to suit conditions in the well.

Authorized field personnel of the Division may, when conditions warrant, allow exceptions to the above paragraph and permit the use of oil-base casing packing material in lieu of hard-setting cements on intermediate and production casing strings; provided however, that when such materials are used on the intermediate casing string, conventional-type hard-setting cements shall be placed throughout all oil- and gas-bearing zones and throughout at least the lowermost 300 feet of the intermediate casing string. When such materials are used on the production casing string, coventional-type hard-setting cements shall be placed throughout all oil- and gas-bearing zones and shall extend upward a minimum of 500 feet above the uppermost perforation or, in the case of an open-hole completion, 500 feet above the production casing shoe.

All casing strings shall be tested and proved satisfactory as provided in paragraph (c) below.

(b) After cementing, but before commencing tests required in paragraph (c) below, all casing strings shall stand cemented in accordance with Option 1 or 2 below. Regardless of which option is taken, the casing shall remain stationary and under pressure for at least eight hours after the cement has been placed. Casing shall be "underpressure" if some acceptable means of holding pressure is used or if one or more float valves are employed to hold the cement in place.

OPTION 1

Allow all casing strings to stand cemented a minimum of eighteen (18) hours prior to commencing tests. Operators using this option shall report on Form C-103 the actual time the cement was in place before initiating tests.

OPTION 2

(May be used in the counties of San Juan, Rio Arriba, McKinley, Sandoval, Lea, Eddy, Chaves, and Roosevelt only.) Allow all casing strings to stand cemented until the cement has reached a compressive strength of at least 500 pounds per square inch in the "zone of interest" before commencing tests, provided however, that no tests shall be commenced until the cement has been in place for at least eight (8) hours.

The "zone of interest" for surface and intermediate casing strings shall be the bottom 20 percent of the casing string, but shall be no more than 1000 feet nor less than 300 feet of the bottom part of the casing unless the casing is set at less than 300 feet. The "zone of interest" for production casing strings shall include the interval or intervals where immediate completion is contemplated.

To determine that a minimum compressive strength of 500 pounds per square inch has been attained, operators shall use the typical performance data for the particular cement mix used in the well, at the minimum temperature indicated for the zone of interest by Figure 107-A, Temperature Gradient Curves. Typical performance data used shall be that data furnished by the cement manufacturer or by a competent materials testing agency, as determined in accordance with the latest edition of API Code RP 10 B "Recommended Practice for Testing Oil Well Cements."

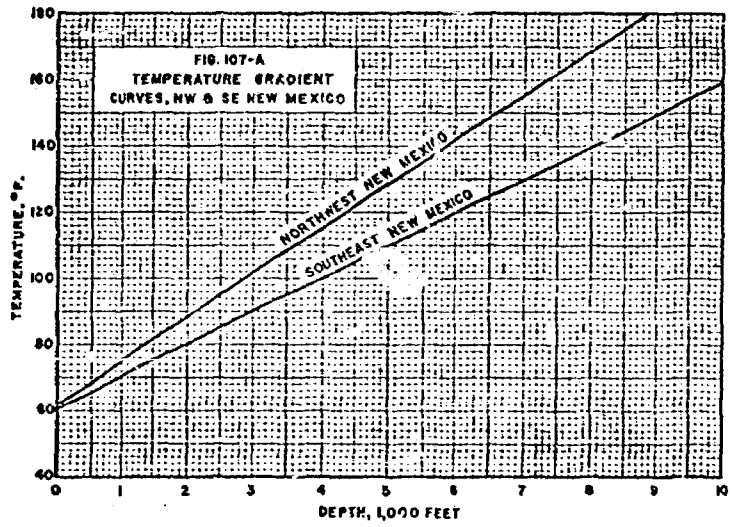


Figure 107-A

Operators using the compressive strength criterion (Option 2) shall report the following information on Form C-103:

(1) Volume of cement slurry (cu. ft.) and brand name of cement and additives, percent additives used, and sequence of placement if more than one type cement slurry is used.

(2) Approximate temperature of cement slurry when mixed.

(3) Estimated minimum formation temperature in zone of interest.

(4) Estimate of cement strength at time of casing test.

(5) Actual time cement in place prior to starting test.

(c) All casing strings except conductor pipe shall be tested after cementing and before commencing any other operations on the well. Form C-103 shall be filed for each casing string reporting the grade and weight of pipe used. In the case of combination strings utilizing pipe of varied grades or weights, the footage of each grade and weight used shall be reported. The results of the casing test, including actual pressure held on pipe and the pressure drop observed shall also be reported on the same Form C-103.

(1) Casing strings in wells drilled with rotary tools shall be pressure tested. Minimum casing test pressure shall be approximately one-third of the manufacturer's rated internal yield pressure except that the test pressure shall not be less than 600 pounds per square inch and need not be greater than 1500 pounds per square inch. In cases where combination strings are involved, the above test pressures shall apply to the lowest pressure rated casing used. Test pressures shall be applied for a period of 30 minutes. If a drop of more than 10 percent of the test pressure should occur, the casing shall be considered defective and corrective measures shall be applied.

(2) Casing strings in wells drilled with cable tools may be tested as outlined in sub-paragraph (c) (1) above, or by bailing the well dry in which case the hole must remain satisfactorily dry for a period of at least one (1) hour before commencing any further operations on the well.

(d) Requirements for tubing of wells are as follows:

(1) All flowing oil wells equipped with casing larger in size than 2 7/8-inch OD shall be tubed.

(2) All gas wells equipped with casing larger in size than 2 7/8-inch OD shall be tubed.

(3) Tubing shall be set as near the bottom as practical and tubing Perforations shall not be more than 250 feet above the top of the pay.

(4) The Division Director may, upon proper application, grant administrative exceptions to the provisions of sub-paragraphs (2) and (3) above, without notice and hearing, provided waste will not be caused thereby.

(e) The Division's District Supervisors or their representatives shall have authority to approve tubingless completions without the necessity of administrative approval or notice and hearing when the following conditions exist:

(1) The well is to be completed with a total depth of 5,000 feet or less,

(2) The well is not a wildcat (it is not more than one mile from an existing well producing from the same common source of supply to which it is projected).

(3) No known corrosive or pressure problems exist which might make the tubingless method of completion undesirable,

(4) The well will not be a dual completion,

(5) The tubing used as a substitute for casing will be either 2 3/8-inch OD or 2 7/8-inch OD.

RULE 108. DEFECTIVE CASING OR CEMENTING

In any well that appears to have a defective casing program or faultily cemented or corroded casing which will permit or may create underground waste, the operator shall proceed with diligence to use the appropriate method and means to eliminate such hazard of underground waste. If such hazard of waste cannot be eliminated, the well shall be properly plugged and abandoned.

RULE 109. BLOWOUT PREVENTION (See Rule 114 (b) also)

(a) Blowout preventers shall be installed and maintained in good working order on all drilling rigs operating in areas of known high pressures at or above the projected depth of the well and in all areas where pressures which will be encountered are unknown, and on all workover rigs working on wells in which high pressures are known to exist.

(b) Blowout preventers shall be installed and maintained in good working order on all drilling rigs and workover rigs operating within the corporate limits of any city, town, or village, or within 1320 feet of a habitation, school, or church, wherever located.

(c) All operators, when filing Form C-101, Application for Permit to Drill, Deepen, or Plug Back, or Form C-103, Sundry Notices, for any operation requiring blowout prevention equipment in accordance with Sections (a) and (b) above, shall submit a proposed blowout prevention program for the well. The program is submitted may be modified by the District Supervisor if, in his judgment, such modification is necessary.

RULE 110. PULLING OUTSIDE STRINGS OF CASING

In pulling outside strings of casing from any oil or gas well, the space outside the casing left in the hole shall be kept and left full of mud-laden fluid or cement of adequate specific gravity to seal off all fresh and salt water strata and any strata bearing oil or gas not producing.

RULE 111. DEVIATION TESTS AND DIRECTIONAL DRILLING

(a) Any well which is drilled or deepened with rotary tools shall be tested at reasonably frequent intervals to determine the deviation from the vertical. Such tests shall be made at least once each 500 feet or at the first bit change succeeding 500 feet. A tabulation of all deviation tests run, sworn to and notarized, shall be filed with Form C-104, Request for Allowable and Authorization to Transport Oil and Natural Gas. When the deviation averages more than five degrees in any 500-foot interval, the Division Director may require that a directional survey be run to establish the location of the producing interval(s).

The Division Director, at the request of an offset operator, may require any operator to make a directional survey of any well. Said directional survey and all associated costs shall be at the expense of the requesting party and shall be secured in advance by a $5,000.00 indemnity bond posted with and approved by the Division. The requesting party may designate the well survey company, and said survey shall be witnessed by the Division.

(b) No well shall be intentionally deviated without special permission from the Division. Permission to deviate toward the vertical to straighten a crooked hole, to deviate toward the vertical or in an indeterminate direction to sidetrack junk in the hole, or to drill a relief well to control a blow-out shall be obtained from the appropriate District Office of the Division on Division Form C-103 with copies of said Form C-103 being furnished to all offset operators. Permission to deviate a well in any other manner or for any other reason will be granted only after notice and hearing. Upon request from the Division Director, any well which was deviated in an indeterminate direction or toward the vertical shall be directionally surveyed. In addition, a directional survey of the entire well bore must be made on any well which was deviated in a predetermined direction, except toward the vertical. The District Office of the Division shall be notified of the approximate time all directional surveys are to be conducted. All directional surveys run on any well which was intentionally deviated in any manner for any reason must be filed with the Division upon completion of the well. The Division will not assign an allowable to a well until the operator has submitted an affidavit that all such directional surveys have been filed.

RULE 112-A. MULTIPLE COMPLETIONS

I. The multiple completion of any well may be permitted only by order of the Division after notice and hearing, except as hereinafter provided. Multiple completion of any well without prior approval by the Division shall be solely at the operator's risk and shall be no way commit the Division to subsequent approval thereof.

II. MULTIPLE COMPLETIONS (CONVENTIONAL)

The Division Director shall have the authority to grant an exception to the requirements of Rule 112-A (I) and approve the fual or triple completion of a well to produce from more than one common source of supply without notice and hearing when application for such approval has been filed on Form C-107; and

(a) The Division has previously authorized the similar multiple completion of a well in the same common sources of supply as proposed, after notice and hearing; provided however, that in Rio Arriba, San Juan, Sandoval, and McKinley Counties, a proposed multiple completion may be approved if the Division has previously authorized the similar multiple completion of a well in the same formations as proposed, after notice and hearing; and

(b) The applicant proposes to utilize one of the mechanical installations described below:

(1) The well is to be completed as a gas-gas dual or as a gas-gas-gas triple and the hydrocarbons from each of the zones can be safely and efficiently produced through parallel strings of tubing or a combination of tubing string(s) and the tubing-casing annulus.

(2) The well is to be completed as an oil-oil dual or as an Oil-oil-oil triple and the hydrocarbons from each of the zones can be safely and efficiently produced through parallel strings of tubing.

(3) The well is to be completed as a combination oil and gas multiple completion and the hydrocarbons from each oil zone can be safely and efficiently produced through parallel strings of tubing and the hydrocarbons from each gas zone can be safely and efficiently produced through parallel string(s) of tubing or through a combination of tubing and the tubing-casing annulus; and

(c) All strings of tubing used for the production of oil in the proposed multiple completion will have a nominal inside diameter of not less than 1.670 inches nor greater than 2.50 inches; and

(d) The packer(s) used to segregate the separate zones of the multiple completion will be production-type packer(s) and shall effectively prevent communication between all producing zones.

III. MULTIPLE COMPLETIONS (TUBINGLESS AND COMBINATION)

The Division Director shall have the authority to grant an exception to the requirements of Rule 112-A (I) and approve the multiple completion of a well without notice and hearing where application has been filed on Form C-107; and

(a) The Division has previously authorized the similar multiple completion of a well in the same common sources or supply as proposed, after notice and hearing; provided however, that in Rio Arriba, San Juan, Sandoval, and McKinley Counties, a proposed multiple completion may be approved if the Division has previously authorized the similar multiple completion or a well in the same formations after notice and hearing; and

(b) The applicant proposes to employ one of the following methods of completion:

(1) Multiple Completion (Tubingless) utilizing two or more small diameter casing strings (2.875 inches OD or less), one to each common source of supply, all cemented in a common well-bore.

(2) Multiple Completion (Combination) utilizing a combination of small diameter (2.875 inches OD or less) and conventional diameter (greater than 2.875 inches) casing strings, all cemented in a common well-bore. Provided however, that if any conventional diameter casing in said multiple completion is used for the production of more than one common source of supply, the rules pertaining to Multiple Completions (Conventional) in Rule 112-A (II) above shall also apply; and

(c) Sufficient cement will be used in said multiple completion to extend throughout each pay and a minimum of 100 feet above; and

(d) Centralizers and/or turbolizers will be installed on each joint of casing throughout each pay and on a minimum of three joints above; and

(e) Directional perforating equipment will be used in perforating all intervals in any casing string in said multiple completion which intervals are in a zone through which one or more other casing strings pass.

(f) The requirements of paragraphs (c) and (d) may be modified for multiple completions within given common sources of supply and within a given area if, in the opinion of the Division Director, circumstances warrant such modification.

IV. ADMINISTRATIVE PROCEDURE

Application for administrative approval of a multiple completion shall be made in QUADRUPLICATE, with two copies of the application to be mailed to the Division's Santa Fe Office, and two copies to the District Office for the area in which the well is located. Application shall be made on the Division Form C-107, Application for Multiple Completion, and shall be accompanied by the following:

(a) Diagrammatic Sketch of the Multiple Completion, showing all casing strings, including diameters and setting depths, centralizers and/or turbolizers and location thereof, quantities used and top of cement, perforated intervals, tubing strings, including diameters and setting depth, location of packers, side door chokes, and such other information as may be pertinent.

(b) Plat showing the location of all wells on applicant's lease, all offset wells on offset leases, and the names and addresses of operators of all leases offsetting applicant's lease.

(c) Waivers consenting to such multiple completion from each offset operator, or in lieu thereof evidence that said offset operators have been furnished copies of the application.

(d) Electrical log of the well or other acceptable log with tops and bottoms of producing zones and intervals of perforation indicated thereon. (If such log is not available at the time application is filed, it shall be submitted as hereinafter provided.)

The Division Director may approve the multiple completion if, after a period of 20 days following the filing of the application, no operator has filed objection to the proposed multiple completion.

V. Application for public hearing to authorize a multiple completion shall be made in TRIPLICATE to the Division's Santa Fe Office. Application shall be made on the Division Form C-107, Application for Multiple Completion, and shall set forth all material facts relative to the common sources of supply involved and the manner and method of completion proposed. Application shall be accompanied by an exhibit showing the location of all wells on applicant's lease and all offset wells on offset leases.

VI. All multiple completions, whether approved after hearing or by administrative procedure, shall be subject to the following rules:

(a) Prior to actual multiple completion of a well, operator shall make adequate pressure tests of the casing to determine that no casing leaks exist. Results of casing tests shall be reported to the Division on Form C-103.

(b) The well shall be completed and thereafter produced in such a manner that there will be no commingling of hydrocarbons from the separate strata.

(c) The operator shall commence a segregation test and/or packer-leakage test not later than

seven (7) days after actual multiple completion of the well. Segregation tests and/or packer-leakage tests shall also be made any time the packer is disturbed and at such other intervals as the Division may prescribe. The Operator shall also make all other tests and determinations deemed necessary by the Division. The Division shall be notified of the time such tests are to be commenced and tests may be witnessed by the Division at its election. Representatives of offset operators may witness such tests at their election and shall advise the producer in writing if they desire to be notified when such tests are to be conducted. Results of such tests shall be filed with the Division within fifteen (15) days after the completion of tests; provided, however, that in the event a segregation test or packer-leakage test indicates that there is communication between the separate strata, the operator shall immediately notify the Division and commence remedial action on the well.

(d) A packer setting report shall accompany the report of the initial segregation test and packer-leakage test, if applicable.

(e) The well shall be so equipped that reservoir pressures may be determined for each of the separate strata and further be so equipped that meters may be installed and the gas, oil and gas, and oil produced from each of the separate strata may be accurately measured, and the gas-oil ratio or the gas-liquid ratio thereof determined.

(f) Within 15 days after the completion of the well, the operator shall furnish the Division with a diagrammatic sketch of the mechanical installation which was actually used in completing the well together with a report of the gravity, gas-oil ratio or gas-liquid ratio, and reservoir pressure for each of the separate zones, and the log of the well if the same has not been previously submitted.

RULE 112-B. BRADENHEAD GAS WELLS

(a) The production of gas from a bradenhead gas well may be permitted only by order of the Division upon hearing, except as noted by the provisions of paragraph (c) of this rule.

(b) The application for such hearings shall be submitted in triplicate and shall include an exhibit showing the location of all wells on applicant's lease and all offset wells on offset leases, together with a diagrammatic sketch showing the casing program, formation tops, estimated top of cement on each casing string run and any other pertinent data, including drill stem tests.

(c) The Division Director shall have authority to grant an exception to the requirements of paragraph (a) above without notice and hearing where application has been filed in due form, and when the lowermost producing zone involved in the completion is an oil or gas producing zone within the defined limits of an oil or gas pool and the producing zone to be produced through the bradenhead connection is a gas producing zone within the defined limits of a gas pool.

Applicants shall furnish all operators who offset the lease upon which the subject well is located a copy of the application to the Division, and applicant shall include with his application a written stipulation that all offset operators have been properly notified. The Division Director shall wait at least 10 days before approving the production of gas from the bradenhead gas well, and shall approve such production only in the absence of objection from any offset operator. In the event an operator objects to the completion the Division Director shall consider the matter only after proper notice and hearing.

The Division may waive the 10-day waiting period requirement if the applicant furnishes the Division with the written consent to the production of gas from the bradenhead connection by all offset operators involved.

This rule shall apply only to wells hereinafter completed as bradenhead gas wells.

RULE 113. SHOOTING AND CHEMICAL TREATMENT OF WELLS

If injury results to the producing formation, casing or casing seat from shooting or treating a well, the operator shall proceed with diligence to use the appropriate method and means for rectifying such damage. If shooting or chemical treating results in irreparable injury to the well the Division may require the operator to properly plug and abandon the well.

RULE 114. SAFETY REGULATIONS

(a) All oil wells shall be cleaned into a pit or tank, not less than 40 feet from the derrick floor and 150 feet from any fire hazard. All flowing oil wells must be produced through an oil and gas separator of ample capacity and in good working order. No boiler or portable electric lighting generator shall be placed or remain nearer than 150 feet to any producing well or oil tank. Any rubbish or debris that might constitute a fire hazard shall be removed to a distance of at least 150 feet from the vicinity of wells and tanks. All waste shall be burned or disposed of in such manner as to avoid creating a fire hazard.

(b) When coming out of the hole with drill pipe, drilling fluid shall be circulated until equalized and subsequently drilling fluid level shall be maintained at a height sufficient to control subsurface pressures. During course of drilling blowout preventors shall be tested at least once each 24-hour period.

RULE 115. WELL AND LEASE EQUIPMENT

Christmas tree fittings or wellhead connections shall be installed and maintained in first class condition so that all necessary pressure tests may easily be made on flowing wells. On oil wells the Christmas tree fittings shall have a test pressure rating at least equivalent to the calculated or known pressure in the reservoir from which production is expected. On gas wells the Christmas tree fittings shall have a test pressure equivalent to at least 150 per cent of the calculated or known pressure in the reservoir from which production is expected.

Valves shall be installed and maintained in good working order to permit pressures to be obtained on both casing and tubing. Each flowing well shall be equipped to control properly the flowing of each well, and in case of an oil well, shall be produced into an oil and gas separator of a type generally used in the industry.

RULE 116. NOTIFICATION OF FIRE, BREAKS, LEAKS, SPILLS, AND BLOWOUTS

The Division shall be notified of any fire, break, leak, spill, or blowout occurring at any injection or disposal facility or at any oil or gas drilling, producing, transporting, or processing facility in the State of New Mexico by the person operating or controlling such facility.

"Facility," for the purpose of this rule, shall include any oil or gas well, any injection or disposal well, and any drilling or workover well; any pipe line through which crude oil, condensate, casinghead or natural gas, or injection or disposal fluid (gaseous or liquid) is gathered, piped, or transported (including field flow-lines and lead-lines but not including natural gas distribution systems); any receiving tank, holding tank, or storage tank, or receiving and storing receptacle into which crude oil, condensate, injection or disposal fluid, or casinghead or natural gas is produced, received, or stored; any injection or disposal pumping or compression station including related equipment; any processing or refining plant in which crude oil, condensate, or casinghead or natural gas is processed or refined; and any tank or drilling pit or slush pit associated with oil or gas well or injection or disposal well drilling operations or any tank, storage pit, or pond associated with oil or gas production or processing operations or with injection or disposal operations and containing hydrocarbons or hydrocarbon waste or residue, salt water, strong caustics or strong acids, or other deleterious chemicals or harmful contaminants.

Notification of such fire, break, leak, spill, or blowout shall be in accordance with the provisions set forth below:

1. Well Blowouts. Notification of well blowouts and/or fires shall be "immediate notification" described below. ("Well blowout" is defined as being loss of control over and subsequent eruption of any drilling or workover well, or the rupture of the casing, casinghead, or wellhead of any oil or gas well or injection or disposal well, whether active or inactive, accompanied by the sudden emission of fluids, gaseous or liquid, from the well.)

2. "Major" Breaks, Spills, or Leaks. Notification of breaks, spills, or leaks of 25 or more barrels of crude oil or condensate, or 100 barrels or more of salt water, none of which reaches a watercourse or enters a stream or lake; breaks, spills, or leaks in which one or more barrels of crude oil or condensate or 25 barrels or more of salt water does reach a watercourse or enters a stream or lake; and breaks, spills, or leaks of hydrocarbons or hydrocarbon waste or residue, salt water, strong caustics or strong acids, gases, or other deleterious chemicals or harmful contaminants of any magnitude which may with reasonable probability endanger human health or result in substantial damage to property, shall be "immediate notification" described below.

3. "Minor" Breaks, Spills, or Leaks. Notification of breaks, spills, or leaks of 5 barrels or more but less than 25 barrels of crude oil or condensate, or 25 barrels or more but less than 100 barrels of salt water, none of which reaches a watercourse or enters a stream or lake, shall be "subsequent notification" described below.

4. Gas Leaks and Gas Line Breaks. Notification of gas leaks from any source or of gas pipe line breaks in which natural or casinghead gas of any quantity has escaped or is escaping which may with reasonable probability endanger human health or result in substantial damage to property shall be "immediate notification" described below. Notification of gas pipe line breaks or leaks in which the loss is estimated to be 1000 or more MCF of natural or casinghead gas but in which there is no danger to human health nor of substantial damage to property shall be "subsequent notification" described below.

5. Tank Fires. Notification of fires in tanks or other receptacles caused by lightning or any other cause, if the loss is, or it appears that the loss will be, 25 or more barrels of crude oil or condensate, or fires which may with reasonable probability endanger human health or result in substantial damage to property, shall be "immediate notification" as described below. If the loss is, or it appears that the loss will be at least 5 barrels but less than 25 barrels, notification shall be "subsequent notification" described below.

6. Drilling Pits, Slush Pits, and Storage Pits and Ponds. Notification of breaks and spills from

any drilling pit, slush pit, or storage pit or pond in which any hydrocarbon or hydrocarbon waste or residue, strong caustic or strong acid, or other deleterious chemical or harmful contaminant endangers human health or does substantial surface damage, or reaches a watercourse or enters a stream or lake in such quantity as may with reasonable probability endanger human health or result in substantial damage to such watercourse, stream, or lake, or the contents thereof, shall be "immediate notification" as described below. Notification of breaks or spills of such magnitude as to not endanger human health, cause substantial surface damage, or result in substantial damage to any watercourse, stream, or lake, or the contents thereof, shall be "subsequent notification" described below, provided however, no notification shall be required where there is no threat of any damage resulting from the break or spill.

IMMEDIATE NOTIFICATION. "Immediate Notification" shall be as soon as possible after discovery and shall be either in person or by telephone to the district office of the Division district in which the incident occurs, or if the incident occurs after normal business hours, to the District Supervisor, the Oil and Gas Inspector, or the Deputy Oil and Gas Inspector. A complete written report ("Subsequent Notification") of the incident shall also be submitted in duplicate to the appropriate district office of the Division within ten days after discovery of the incident.

SUBSEQUENT NOTIFICATION. "Subsequent Notification" shall be a complete written report of the incident and shall be submitted in duplicate to the district office of the Division district in which the incident occurred within ten days after discovery of the incident.

CONTENT OF NOTIFICATION. All reports of fires, breaks, leaks, spills, or blowouts, whether verbal or written, shall identify the location of the incident by quarter-quarter, section, township, and range, and by distance and direction from the nearest town or prominent landmark so that the exact site of the incident can be readily located on the ground. The report shall specify the nature and quantity of the loss and also the general conditions prevailing in the area, including precipitation, temperature, and soil conditions. The report shall also detail the measures that have been taken and are being taken to remedy the situation reported.

WATERCOURSE, for the purpose of this rule, is defined as any lake-bed or gully, draw, stream bed, wash, arroyo, or natural or man-made channel through which water flows or has flowed.

RULE 117. WELL LOG, COMPLETION AND WORKOVER REPORTS

Within 20 days after the completion of a well drilled for oil or gas, or the recompletion of a well into a different common source of supply, a completion report shall be filed with the Division on Form C-105. For the purpose of this rule, any hole drilled or cored below fresh water or which penetrates oil or gas-bearing formations or which is drilled by an "owner" as defined herein shall be presumed to be a well drilled for oil or gas.

D - ABANDONMENT AND PLUGGING OF WELLS

RULE 201. NOTICE

Notice of intention to plug must be filed with the Division by the owner or his agent prior to the commencement of plugging operations on Form C-103, Sundry Notices and Reports on Wells, which notice shall state the name and location of the well and the name of the operator. In the case of a newly completed dry hole, the operator may commence plugging by securing the approval of the Division as to the method of plugging and the time plugging operations are to begin. He shall, however, file the regular notification form.

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 Division. 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 Division 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 Division 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 Division 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 Division to arrange for an inspection of the plugged well and the location by a Division 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 Division. Such permit shall be for a period not to exceed one year and shall be requested from the appropriate District Office of the Division 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 Division 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 Division 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 Division may at its option require the operator of the well to post with the Division a one-well plugging bond for the well, in an amount determined by the Division to be satisfactory to meet the particular requirements of the well.

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

No "further extension," whether issued by the Division or by the Division 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.

RULE 203. WELLS TO BE USED FOR FRESH WATER

When the well to be plugged may safely be used as a fresh water well and such utilization is desired by the landowner, the well need not be filled above sealing plug set below the fresh water formation, provided that written agreement for such use shall be secured from the landowner and filed with the Division.

RULE 204. LIABILITY

The owner of any well drilled for oil or gas, or any seismic, core or other exploratory holes, whether cased or uncased, shall be responsible for the plugging thereof.

E - OIL PRODUCTION OPERATING PRACTICES

RULE 301. GAS-OIL RATIO AND PRODUCTION TESTS

(a) Each operator shall take a gas-oil ratio test no sooner than 20 days nor later than 30 days following the completion or recompletion of each oil well, if (1) the well is a wildcat, or (2) the well is located in a pool which is not exempt from the requirements of this rule. (Wells completed within one mile of the outer boundary of a defined oil pool producing from the same formation shall be governed by the provisions of this rule which are applicable to the pool.) The results of the test shall be reported to the Division on Form C-116 within 10 days following completion of the test. The gas-oil ratio thus reported shall become effective for proration purposes on the first day of the calendar month following the date they are reported.

Each operator shall also take an annual gas-oil ratio test of each producing oil well, located within a pool not exempted from the requirements of this rule, during a period prescribed by the Division. A gas-oil ratio survey schedule shall be established by the Division setting forth the period in which gas-oil ratio test applicable shall be such test designated by the Division, made by such method and means, and in such manner as the Division in its discretion may prescribe from time to time.

(b) The results of gas-oil ratio tests taken during survey periods shall be filed with the Division on Form C-116 not later than the 10th of the month following the close of the survey period for the pool in which the well is located. The gas-oil ratios thus reported shall become effective for proration purposes on the first day of the second month following the close of the survey period. Unless Form C-116 is filed within the required time limit, no further allowable will be assigned the affected well until Form C-116 is filed.

(c) In the case of special tests taken between regular gas-oil ratio surveys, the gas-oil ratio shall become effective for proration purposes upon the date Form C-116, reporting the results of such test, its received by the proration department. A special test does not exempt any well from the regular survey.

(d) During gas-oil ratio test, no well shall be produced at a rate exceeding top unit allowable for the pool in which it is located by more than 25 per cent. No well shall be assigned an allowable greater than the amount of oil produced on official tests during a 24-hour period.

(e) The Division Director shall have the authority to exempt such pools as he may deem proper from the gas-oil ratio test requirements of this rule. Such exemption shall be by executive order directed to all operators in the pool being exempted.

(f) The Division Director shall have the authority to require annual productivity tests of all oil wells in pools exempt from gas-oil ratio tests, during a period prescribed by the Division. An oil well productivity survey schedule shall be established by the Division setting forth the period in which productivity tests are to be taken for each pool wherein such tests are required.

(g) The results of productivity tests taken during survey periods shall be filed with the Division on Form C-116 (with the word "Exempt" inserted in the column normally used for reporting gas production) not later than the 10th of the month following the close of the survey period for the pool in which the well is located. Unless Form C-116 is filed within the required time limit, no further allowable will be assigned the affected well until Form C-116 is filed.

(h) In the case of special productivity tests taken between regular test survey periods, which result in a change of allowable assigned to the well, the allowable change shall become effective upon the date the Form C-116 is received by the proration department. A special test does not exempt any well from the regular survey.

(i) During the productivity test, no well shall be produced at a rate exceeding top unit allowable for the pool in which it is located by more than 25 per cent. No well shall be assigned an allowable greater than the amount of oil produced on test during a 24-hour period.

RULE 302. SUBSURFACE PRESSURE TESTS

The operator shall make a subsurface pressure test on the discovery well of any new pool hereafter discovered, and shall report the results thereof to the Division within 30 days after the completion of such discovery well. On or before December 1 of each calendar year the Division shall designate the months in which subsurface pressure tests shall be taken in designated pools. Included in the designated list shall be listed the required shut-in pressure time and datum of tests to be taken in each pool. In the event a newly discovered pool is not included in the Division's list, the Division shall issue a supplementary Bottom Hole Pressure Schedule. Tests as designated by the Division shall only apply to flowing wells in each pool. This test shall be made by a person qualified by both training and experience to make such test, and with an approved subsurface pressure instrument which shall be calibrated against an approved dead-weight tester at intervals frequent enough to ensure its accuracy within one per cent. Unless otherwise

designated by the Division all wells shall remain completely shut in for at least 24 hours prior to the test. In the event a definite datum is not established by the Division the subsurface determination shall be obtained as close as possible to the mid-point of the productive sand of the reservoir. The report shall be on Form C-124 and shall state the name of the pool, the pool datum (if established), the name of the operator and lease, the well number, the wellhead elevation above sea level, the date of the test, the total time the well was shut in prior to the test, the subsurface temperature in degrees Fahrenheit at the test depth, the depth in feet at which the subsurface pressure test was made, the observed pressure in pounds per square inch gauge (corrected for calibration and temperature), the corrected pressure computed from applying to the observed pressure the appropriate correction for difference in test depth and reservoir datum plane and any other information as required by Form C-124.

RULE 303. SEGREGATION OF PRODUCTION FROM POOLS

A. SEGREGATION REQUIRED

Each pool shall be produced as a single common source of supply and the wells therein shall be completed, cased, maintained, and operated so as to prevent communication, within the well-bore, with any other specific pool or horizon, and the production therefrom shall at all times be actually segregated, and the commingling or confusion of such production, before marketing, with the production from any other pool or pools is strictly prohibited.

B. SURFACE COMMINGLING

The Division Director shall have the authority to grant an exception to Rule 303-A to permit the commingling in common facilities of the commonly owned production from two or more common sources of supply, without notice and hearing, provided that the liquid hydrocarbon production from each common source of supply is to be accurately measured or determined prior to such commingling in accordance with the applicable provisions of the Division "Manual for the Installation and Operation of Commingling Facilities," then current.

Applications for administrative approval to commingle the production from two or more common sources of supply shall be filed in triplicate with the Santa Fe Office of the Division. The application must contain detailed data as to the gravities of the liquid hydrocarbons, the values thereof, and the volumes of the liquid hydrocarbons from each pool, as well as the expected gravity and value of the commingled liquid hydrocarbons production; a schematic diagram of the proposed installation; a plat showing the location of all wells on the applicant's lease and the pool from which each well is producing. The application shall also state specifically whether the actual commercial value of such commingled production will be less than the sum of the values of the production from each common source of supply and, if so, how much less.

Where State or Federal lands are involved, applicant shall furnish evidence that the Commissioner of Public Lands for the State of New Mexico or the Regional Supervisor of the United States Geological Survey has consented to the proposed commingling.

C. DOWN-HOLE COMMINGLING

1. The Division Director shall have the authority to grant an exception to Rule 303-A to permit the commingling in the well-bore of dually completed oil wells when the following facts exist and the following conditions are met:

(a) Both zones to be commingled in the well-bore are classified as oil zones.

(b) The total daily production from both zones before commingling (as determined in accordance with Section 2, paragraphs (d) and (e) below) does not exceed the following:

Bottom perforation, lowermost pool	Bbls/day
Less than 4,999 feet	20
5,000 feet to 5,999 feet	30
6,000 feet to 6,999 feet	40
7,000 feet to 7,999 feet	50
8,000 feet to 8,999 feet	60
9,000 feet to 9,999 feet	70
More than 10,000 feet	80

(c) Both zones require artificial lift, or, both zones are capable of flowing. (Special consideration may be given to an exception of this latter requirement in the case in which a particular well's characteristics may justify same; however, the commingled production must be artificially lifted if either zone required artifical lift prior to commingling.)

(d) Neither zone produces more water than the combined oil limit as determined in paragraph (b) above.

(e) The fluids from each zone are compatible with the fluids from the other, and combining the fluids will not result in the formation of precipitates which might damage either reservoir.

(f) The total value of the crude will not be reduced by commingling.

(g) Ownership of the two zones to be commingled is common (including working interest, royalty, and overriding royalty).

(h) The commingling will not jeopardize the efficiency of present or future secondary recovery operations in either of the zones to be commingled.

2. To obtain approval for down-hole commingling, the operator of the well shall submit the following in duplicate to the Division Director plus one copy to the appropriate District Office of the Division.

(a) Name and address of the operator.

(b) Lease name, well number, well location.

(c) Names of the pools the well is completed in and the Division order number which authorized the dual completion.

(d) A current (within 30 days) 24-hour productivity test on Division Form C-116 showing the amount of oil, gas, and water produced from each zone.

(e) A production decline curve for both zones showing that for a period of at least one year a steady rate of decline has been established for each zone which will permit a reasonable allocation of the commingled production to each zone for statistical purposes. (This requirement may be dispensed with in the case of a newly completed or recently completed well which has little or no production history. However, a complete resume of the well's completion history including description of treating, testing, etc., of each zone, and a prognostication of future production from each zone shall be submitted.)

(f) Estimated bottom-hole pressure for each artifically lifted zone. A current (within 30 days) measured bottom-hole pressure for each zone capable of flowing.

(g) A description of the fluid characteristics of each zone showing that the fluids will not be incompatible in the well-bore.

(h) A computation showing that the value of the commingled production will not be less than the sum of the values of the individual streams.

(i) A statement that all offset operators and, in the case of a well on Federal land, the United States Geological Survey, have been notified in writing of the proposed commingling.

3. The Division Director may approve the proposed down-hole commingling in the absence of a valid objection within 20 days after the receipt of the application if, in his opinion, there is no disqualifying disparity of bottomhole pressures of other reservoir characteristics, waste will not result thereby, and correlative rights will not be violated. The 20-day waiting period may be dispensed with upon receipt of waivers of objection from all parties mentioned in Section 2, paragraph (i).

4. Upon such approval, the well shall be operated in accordance with the provisions of the administrative order which authorized the commingling, and allocation of the commingled production from the well to each of the producing zones shall be in accordance with the allocation formula set forth in the order. The production from the well shall be subject to the lower of the daily gas-oil ratio limitations applicable to the reservoirs. Wells shall be tested on a commingled basis annually, except that a well penalized for a high gas-oil ratio shall be tested semi-annually.

5. The Division Director may rescind authority to commingle production in the well-bore and require both zones to be produced separately, if, in his opinion, waste or reservoir damage is resulting thereby or the efficiency of any secondary recovery project is being impaired, or if any change of conditions renders the installation no longer eligible for down-hole commingling under the provisions of Section 1, paragraphs (2) through (h).

RULE 304. CONTROL OF MULTIPLE COMPLETED WELLS

Multiple completed wells which have been authorized by the Division shall at all times be operated, produced, and maintained in a manner to ensure the complete segregation of the various common sources of supply. The Division may require such tests as it deems necessary to determine the effectiveness of the segregation of the different common sources of supply.

RULE 305. METERED CASINGHEAD GAS

The owner of a lease shall not be required to measure the exact amount of casinghead gas produced and used by him for fuel purposes in the development and normal operation of the lease. All casinghead gas produced

and sold or transported away from a lease, except small amounts of flare gas, shall be metered and reported in standard cubic feet monthly to the Division. The amount of casinghead gas sold in small quantities for use in the field may be calculated upon a basis generally acceptable in the industry, or upon a basis approved by the Division in lieu of meter measurements.

RULE 306. CASINGHEAD GAS

(a) No casinghead gas produced from any well in this state shall be flared or vented after 60 days following completion of the well.

(b) Any operator seeking an exception to the foregoing shall file an application therefor on Division Form C-129, Application for Exception to No-Flare Rule 306. Form C-129 shall be filed in triplicate with the appropriate district office of the Division. The district supervisor may grant an exception when the same appears reasonably necessary to protect correlative rights, prevent waste, or prevent undue hardships on the applicant. The district supervisor shall either grant the exception within ten days after receipt of the application or refer it to the Division Director who will advertise the matter for public hearing if a hearing is desired by the applicant.

(c) The flaring or venting by an operator of gas from any well in violation of this rule will result in suspension of the allowable assigned to the well.

(d) No extraction plant processing gas in the State of New Mexico shall flare or vent such gas unless such flaring or venting is made necessary by mechanical difficulty of a very limited temporary nature or unless the gas flared or vented is of no commercial value.

In the event of a more prolonged mechanical difficulty or in the event of plant shut-downs or curtailment because of scheduled or non-scheduled maintenance or testing operations or other reasons, or in the event a plant is unable to accept, process, and market all of the casinghead gas produced by wells connected to its system, the plant operator shall notify the Division as soon as possible of the full details of such shut-down or curtailment, following which the Division shall take such action as is necessary to reduce the total flow of gas to such plant.

(e) Pending connection of a well to a gas-gathering facility, or when a well has been excepted from the provisions of Section (a) of this rule, all gas produced and not utilized shall be burned, and the estimated volume reported on the monthly production report, Form C-115.

(f) The provisions of Section (2) of this rule shall not be applicable to wells completed prior to January 1, 1971, in pools which had no gas-gathering facilities on that date, provided however, said provisions shall be applicable to all wells in such pool 60 days after the date of first casinghead gas connection in the pool.

RULE 307. USE OF VACUUM PUMPS

Vacuum pumps or other devices shall not be used for the purpose of creating a partial vacuum in any stratum containing oil or gas.

RULE 308. SALT OR SULPHUR WATER

Operators shall report monthly on Form C-115 the amount of percentage of salt or sulphur water produced with the oil by each well making 2 percent or more water.

RULE 309-A CENTRAL TANK BATTERIES - AUTOMATIC CUSTODY TRANSFER EQUIPMENT

Oil shall not be transported from a lease until it has been received and measured in a facility of an approved design located on the lease. Such facilities shall permit the testing of each well at reasonable intervals and may be comprised of manually gauged closed stock tanks for which proper strapping tables have been prepared, with a maximum of sixteen proration units producing into said tanks, or of automatic custody transfer (ACT) equipment. The use of such automatic custody transfer equipment shall be permitted only after compliance with the following:

1. The operator shall file with the Division Form C-106, Notice of Intention to Utilize Automatic Custody Transfer Equipment, and shall receive approval thereof prior to transferring oil through the ACT system. The carrier shall not accept delivery of oil through the ACT system until Form C-106 has been approved.

2. Form C-106 shall be submitted in quadruplicate to the appropriate District Office of the Division and shall be accompanied (in quadruplicate) by the following:

(a) Plat of the lease showing thereon all wells which will be produced into the ACT system.

(b) Schematic diagram of the ACT equipment, showing thereon all major components such as surge tanks and their capacity, extra storage tanks and their capacity, transfer pumps, monitors, reroute valves, treaters, samplers, strainers, air and gas eliminators, back pressure valves,

metering devices (indicating type and capacity, i.e., whether automatic measuring tank, positive volume metering chamber, weir-type measuring vessel, or positive displacement meter). Schematic diagram shall also show means employed to prove accuracy of measuring device.

(c) Letter from transporter agreeing to utilization of ACT system as shown on schematic diagram.

3. Form C-106 will not be approved by the Division unless the ACT system is to be installed and operated in compliance with the following:

(a) Provision must be made for accurate determination and recording of uncorrected volume and applicable temperature, or of temperature corrected volume. The overall accuracy of the system shall equal or surpass manual methods.

(b) Provision must be made for representative sampling of the oil transferred for determination of API gravity and BS&W content.

(c) Provision must be made if required by either the producer or the transporter of the oil to give adequate assurance that only merchantable oil is run by the ACT system.

(d) Provision must be made for set-stop counters to stop the flow of oil through the ACT system at or prior to the time the allowable has been run. All counters shall provide non-reset totalizers which shall be visible for inspection at all times.

(e) All necessary controls and equipment must be enclosed and sealed, or otherwise be so arranged as to provide assurance against, or evidence of, accidental or purposeful mismeasurement resulting from tampering.

(f) All components of the ACT system shall be properly sized to ensure operation within the range of their established ratings. All components of the system which require periodic calibration and/or inspection for proof of continued accuracy must be readily accessible. The frequency and methods of such calibration and/or inspection shall be set forth in Rule 309-A, 4-c.

(g) The control and recording system must include adequate fail-safe features which will provide assurance against mismeasurement in the event of power failure, or the failure of the ACT system's component parts.

(h) 1. The ACT system and allied facilities shall include such fail-safe equipment as may be necessary, including high level switches in the surge tank or overflow storage tank which, in the event of power failure or malfunction of the ACT or other equipment, will shut down all artificially lifted wells connected to the ACT system and will shut in all flowing wells at the well-head or at the header manifold, in which latter case all flowlines shall be pressure-tested to at least 1½ times the maximum well-head shut-in pressure prior to initial use of the ACT system and each two years thereafter.

2. As an alternative to the requirements of paragraph (h) 1 above, the producer shall provide and shall at all times maintain a minimum of available storage capacity above the normal high working level of the surge tank to receive and hold the amount of oil which may be produced during maximum unattended time of lease operation.

4. (a) In all ACT systems employing automatic measuring tanks, weir-type measuring vessels, positive volume metering chambers, or any other volume measuring container, the container and allied components shall be properly calibrated prior to initial use and shall be operated, maintained, and inspected as necessary to ensure against incrustation, changes in clingage factors, valve leakage or other leakage, and improper action of floats, level detectors, etc.
(b) In all ACT systems employing positive displacement meters, the meter(s) and allied components shall be properly calibrated prior to initial use and shall be operated, maintained, and inspected as necessary to ensure against mismeasurement of oil.

(c) The measuring and recording devices of all ACT systems shall be checked for accuracy at least once each month unless exception to such determination has been obtained from the Division Director. API Standard 1101, "Measurement of Petroleum Liquid Hydrocarbons by Positive Displacement Meter," shall be used where applicable. Meters may be proved against Master Meters, Portable Prover Tanks, or Prover Tanks permanently installed on the lease. If permanently installed Prover Tanks are used, the distance between the opening and closing levels and the provision for determining the opening and closing readings shall be sufficient to detect variations of 5/100 of one percent. Reports of determination shall be filed on the Division Form entitled "Meter Test Report," or on another acceptable form and shall be submitted in duplicate to the appropriate District Office of the Division.

(d) To obtain exception to the requirement of paragraph (c) above that all measuring and recording devices be checked for accuracy once each month, either the producer or transporter may file such a request with the Division Director setting forth all facts pertinent to such exception. The

application shall include a history of the average factors previously obtained, both tabulated and plotted on a graph of factors versus time, showing that the particular installation has experienced no erratic drift. The applicant shall also furnish evidence that the other interested party has agreed to such exception. The Division Director may then set the frequency for determination of the system's accuracy at the interval which he deems prudent.

5. Failure to operate an automatic custody transfer system in compliance with this rule shall subject the approval thereof to revocation by the Division.

RULE 309-B. ADMINISTRATIVE APPROVAL, LEASE COMMINGLING

The Division Director shall have authority to grant exceptions to Rule 309-A to permit the commingling of production from two or more separate leases in a common tank battery without notice and hearing, provided application has been filed in triplicate with the Division and is accompanied by plats of the leases showing thereon the wells on the leases and the formations in which they are completed, and schematic diagrams of the commingling facility, showing it to be of an acceptable design in accordance with the Division "Manual for the Installation and Operation of Commingling Facilities," then current, and provided further that:

1. All production is from the same common source of supply or an exception to Rule 303 (a) has been obtained.

2. Adequate facilities will be provided for accurately determining production from each well at reasonable intervals.

3. All parties owning an interest in the leases and the purchaser of the commingled production therefrom have consented in writing to the commingling of production from the separate leases.

4. In lieu of paragraph 3 of this rule, the applicant may furnish proof of the fact that said parties were notified by registered or certified mail of his intent to commingle production from the separate leases. The Division Director may approve the application if, after a period of 20 days following receipt of the application, no party has made objection to the application.

5. In addition to the foregoing requirements for administrative approval to commingle production from two or more separate leases, the following requirements shall also apply:

(a) To commingle production from two or more separate leases in a common tank battery without first separately measuring the production from each such lease, the ownership of the leases must be common throughout. This shall include working interest ownership, royalty ownership, and overriding royalty ownership.

(b) To commingle production from two or more separate leases in a common tank battery where there is a diversity of ownership (whether in working interest, royalty interest, or overriding royalty interest) the hydrocarbon production from each lease shall be accurately measured and determined in accordance with the applicable provisions of the Division "Manual for the Installation and Operation of Commingling Facilities," then current.

RULE 309-C. ADMINISTRATIVE APPROVAL, OFF-LEASE STORAGE

For good cause shown, the Division Director shall have authority to grant an exception to Rule 309-A to permit the production from one lease to be transported prior to measurement to another lease for storage thereon, provided an application reflecting ownership of the leases has been filed in triplicate with the Division and is accompanied by plats of the leases showing thereon the wells on the leases and the formations in which they are completed and the proposed location of the tank battery, and provided further that:

1. All production is from the same common source of supply.

2. Commingling of production from the two leases will not result.

3. There will be no intercommunication of the handling, separating, treating, or storage facilities designated to each lease.

4. All parties owning an interest in the leases have consented in writing to the off-lease storage.

5. In lieu of paragraph 4 of this rule, the applicant may furnish proof of the fact that said parties were notified by registered or certified mail of his intent to transport prior to measurement the production from one lease to another lease for storage. The Division Director may approve the application if, after a period of 20 days following receipt of the application, no party has made objection to the application.

6. Where State or Federal lands are involved, the applicant shall furnish evidence that the Commissioner of Public Lands for the State of New Mexico or the Regional Supervisor of the United States Geological Survey has consented to the proposed off-lease storage.

RULE 310. OIL TANKS AND FIRE WALLS

Oil shall not be stored or retained in earthen reservoirs, or in open receptacles. Dikes or fire walls shall not be required except such fire walls must be erected and kept around all permanent oil tanks, or battery of tanks that are within the corporate limits of any city, town, or village, or where such tanks are closer than 150 feet to any producing oil or gas well or 500 feet to any highway or inhabited dwelling or closer than 1000 feet to any school or church, or where such tanks are so located as to be deemed an objectionable hazard within the discretion of the Division. Where fire walls are required, fire walls shall form a reservoir having a capacity one-third larger than the capacity of the enclosed tank or tanks.

RULE 311. SEDIMENT OIL

(a) "Sediment Oil" is defined as tank bottoms and any other accumulations of liquid hydrocarbons on an oil and gas lease, which hydrocarbons are not merchantable through normal channels.

(b) No sediment oil shall be burned or otherwise destroyed unless and until the Division has approved an application to destroy the same on Form C-117-A (Sediment Oil Destruction Permit). Unless the authorization to burn sediment oil is utilized within ten (10) days after approval of the Form C-117-A, such authorization is automatically revoked. However, the District Supervisor may approve one ten (10) day extension in writing for a good cause shown. No sediment oil destruction permit shall be required when the sediment oil is put to beneficial use on the originating lease for purposes of oiling lease roads, fire walls, tank grades, or other similar purposes.

(c) When sediment oil is to be removed from a lease for reclamation, the person removing such sediment oil shall obtain a permit (Form C-117-B) from the appropriate District Office of the Division prior to removal of the oil from the lease. Any merchantable oil recovered from sediment oil shall be charged against the allowable for the wells on the originating lease. All such recovered oil shall be reported by the operator of the lease on Form C-115 (Operator's Monthly Report). Nothing contained in paragraph (c) of this Rule shall apply to reclaiming of pipeline break oil or the treating of tank bottoms occurring at a pipeline break oil or the treating of tank bottoms occurring at a pipeline station, crude oil storage terminal, or refinery, to the treating by a gasoline plant operator of oil and other catchings collected in traps and drips in the gas gathering lines connected to gasoline plants and in scrubbers at such plants, nor to the treating or reclamation of oil and other catchings collected in community salt water disposal systems.

RULE 312. TREATING PLANTS

No treating plant shall operate except in conformity with the following provisions:

(a) Prior to the construction of a treating plant, a written application shall be filed for a treating plant permit stating in detail the location and type and capacity of the plant contemplated. The Division, in not less than 30 days, will set such application for hearing to determine whether the proposed plant and method of processing will efficiently process, treat, and reclaim sediment oil. Before beginning actual operations, the permittee shall file with the Division a performance bond in the amount of $10,000, conditioned upon substantial compliance with applicable statutes of the State of New Mexico and all rules, regulations, and orders of the Oil Conservation Division.

(b) Such permit shall entitle the treating plant operator to an approved Form C-104, Request for Allowable and Authorization to Transport Oil and Natural Gas for the total amount of products secured from sediment oils processed by the operator. All permits shall be revocable, after notice and hearing, upon showing of good cause.

(c) All treating plant operators shall file a monthly report which shall support the Division Form C-104 for the net oil recovered and sold during the preceding month. See Rule 1118.

The operator of each lease from which sediment oil is removed for reclamation shall be promptly notified by the treating plant operator of the amount of pipeline oil recovered therefrom. In the event sediment oil from two or more separate leases is to be commingled prior to treating, the treating plant operator shall determine the amount of pipeline oil attributable to each lease by testing a representative sample of the sediment oil from said lease in accordance with the standard centrifugal test prescribed by the API Code for Measuring, Sampling, and Testing Crude Oil, Number 25, Section 5.

RULE 313. EMULSION, BASIC SEDIMENTS, AND TANK BOTTOMS

Wells producing oil shall be operated in such a manner as will reduce as much as practicable the formation of emulsion and basic sediments. These substances and tank bottoms shall not be allowed to pollute streams or cause surface damage. If tank bottoms are removed to surface pits, the pits shall be fenced and the fence shall be kept in good repair.

RULE 314. GATHERING, TRANSPORTING AND SALE OF DRIP

(a) "Drip" is defined as any liquid hydrocarbon incidentally accumulating in a gas gathering or transportation system.

(b) The waste of drip is hereby prohibited when it is economically feasible to salvage the same.

(c) The movement and sale of drip is hereby authorized, provided the provisions of this Rule are complied with.

(d) No drip shall be transported nor sold until the gas transporter has filed Division Form C-104 designating the drip transporter authorized to remove the drip from its gas gathering or transportation system.

(e) Every person transporting drip within the State of New Mexico shall file Division Form C-112 each month, showing the amount, source, and disposition of all drip handled during the reporting period, and such other reports as may hereafter be required by the Division.

(f) Prior to commencement of operations, every person transporting drip directly from a gas gathering or transportation system shall file with the Division plats drawn to scale, locating and identifying each drip trap which he is authorized to service.

(g) Every person transporting drip directly from a gas gathering or transportation system shall keep a record of daily acquisitions from each drip trap which he is authorized to service, which records shall be made available at all reasonable times for inspection by the Division or its authorized representatives.

(h) Every gas transporter in the State of New Mexico shall, on or before the first day of November of each year, file with the Division maps of its entire gas gathering and transportation systems within the State of New Mexico, locating and identifying thereon each drip trap in said systems, said maps to be accompanied by a report, on a form prescribed by the Division, showing the disposition being made of the drip from each of said drip traps.

F -- NATURAL GAS PRODUCTION OPERATING PRACTICE

RULE 401. METHOD OF DETERMINING NATURAL GAS WELL POTENTIAL

All operators shall conduct tests to determine the daily open flow potential volumes of all natural gas wells from which gas is being used or marketed. Such tests shall be reported on forms prescribed by the Division within 60 days after: (1) the date of initial connection of the well to a gas transportation facility and (2) the date of reconnection following workover.

To establish comparable open flow capacity, wells shall be tested in accordance with the Oil Conservation Division "Manual for Back-Pressure Testing of Natural Gas Well." In the event the Division approves the alternate method for testing, all wells producing from a common source of supply shall be tested in a uniform and comparable manner.

All gas wells which are not connected to a gas gathering facility shall be tested within 30 days following the installation of a Christmas tree. Tests shall be taken in accordance with the Rules of Procedure for Testing Unconnected Gas Well contained in the Oil Conservation Division "Manual for Back-Pressure Testing of Natural Gas Wells." Tests shall be reported on Form C-122 in compliance with Rule 1122 and shall be filed within 10 days following completion of the test.

RULE 402. METHOD AND TIME OF SHUT-IN PRESSURE TESTS

(a) Shut-in pressure tests shall be taken on all natural gas wells annually. Such tests shall be taken by the operator of the well during the months of July, August, or September unless otherwise specified by special pool rules or special directive. Tests shall be reported to the appropriate District Office of the Division on Form C-125 not later than October 15 of the same year.

(b) Shut-in pressures shall be taken with a dead-weight gauge after a minimum shut-in period of 24 hours. When the shut-in period exceeds 24 hours, the length of time the well was shut in shall be reported to the Division.

(c) The Division Director may prescribe special shut-in pressure test periods and procedures for pools when he deems the same necessary in order to obtain more accurate pressure data.

RULE 403. NATURAL GAS FROM GAS WELLS TO BE MEASURED

All natural gas produced shall be accounted for by metering or other method approved by the Division and reported to the Division by the common purchaser of the gas. Gas produced from a gas well and delivered to a gas transportation facility shall be reported by the owner or operator of the gas transportation facility. Gas produced from a gas well and required to be reported under this rule, which is not delivered to and reported by a gas transportation facility, shall be reported by the operator of the well.

RULE 404. NATURAL GAS UTILIZATION

(a) After the completion of a natural gas well, no gas from such well shall be (1) permitted to escape to the air, (2) used expansively in engines or pumps and then vented, or (3) used to gas-lift wells unless all gas produced is processed in a gasoline plant, used in the manufacture of carbon black, or beneficially used thereafter without waste.

(b) Carbon black plants may utilize natural gas only in those instances in which all casinghead gas and residue gas produced in the vicinity of or which may reasonably be reached from the carbon black plant, is being used beneficially.

(c) Any carbon black plant constructed after June 10, 1954, or any then existing carbon black plant which enlarges or expands its facilities for the manufacture of carbon black, may utilize natural gas in the manufacture of carbon black only after permission of the Division is obtained upon due notice and hearing.

RULE 405. STORAGE GAS

With the exception of the requirement to meter and report monthly the amount of gas injected and the amount of gas withdrawn from storage in the absence of waste these rules and regulations shall not apply to gas being injected into or removed from storage. (See Rule 1131.)

RULE 406. CARBON DIOXIDE

The statewide regulations relating to gas and natural gas, gas wells, and gas reservoirs including, but not limited to, those provisions relating to well locations, acreage dedication requirements, casing and cementing requirements, and measuring and reporting of production shall also apply to carbon dioxide gas, carbon dioxide wells, and carbon dioxide reservoirs.

RULE 407. DISCONNECTION OF GAS WELLS

All gas wells which are disconnected from intrastate gas transportation facilities shall be reported to the Division by the operator of the well or wells within 30 days of the date of disconnection. Such notice must be filed on Form C-130 in compliance with Rule 1130.

G - OIL PRORATION AND ALLOCATION

RULE 501. REGULATION OF OIL POOLS

(a) To prevent waste, the Division shall prorate and distribute the allowable production among the producers in a pool upon a reasonable basis and recognizing correlative rights.

(b) After notice and hearing, the Division in order to prevent waste and protect correlative rights, may promulgate special rules, regulations, or orders pertaining to any pool.

RULE 502. RATE OF PRODUCING WELLS

I. Daily Tolerance

(a) It is recognized that oil wells located on units capable of producing their allowables may overproduce one day and underproduce another. No unit capable of producing its allowable, except for the purpose of testing, in the process of completing or recompleting a well or for tests made for the purpose of obtaining scientific data, shall produce any day more than 125% of the daily top unit allowable for the pool in which the same is located. (Subject to the foregoing, any underproduction may be made up by production from the same unit within the same month, and in like manner any overproduction shall be adjusted or balanced by underproduction from the same unit, within the same proration period.)

(b) It is also recognized that certain wells must, as a matter of practicality, be produced at daily rates in excess of 125% of the daily top unit allowable for the pool in which such wells are located. The Division Director is hereby given authority to grant exceptions to the provisions of paragraph (a) above, without formal hearing, where application is filed in due form setting out the reasons for such requested exception; applicants for such exceptions shall, at the time of filing, also furnish each operator in the pool in which the subject well is located, a copy of such application. Included in any application for exception or attached thereto, filed under authority hereof, shall be a formal written statement by the applicant that every operator in the pool in which the subject well is located has been served with a copy of such application. The Division Director shall wait at least ten (10) days after receipt before approving any such application, and shall approve the same only in absence of objection from any operator or interested party, or in his discretion. In the event the Director for any reason fails to approve such application, the Division after notice will hear and determine the matter.

II. Monthly Tolerance

No unit shall produce during any one proration period more than the allowable production of such unit for the proration period plus a tolerance of not to exceed five (5) days allowable production. This permissive tolerance of overproduction from a unit shall be subject to all other provisions of Rule 502 and particularly to the provisions of Paragraph IV. This permissive tolerance of overproduction from a unit shall be adjusted or balanced by subsequent corresponding underproduction from the same unit. Overproduction within the permitted tolerance shall be considered as oil produced against the allowable production assigned to the unit for the proration period during which such overproduction is adjusted or balanced by underproduction.

III. Production in Excess of Monthly, Allowable, Plus Tolerance

Oil produced from any unit in excess of the assigned monthly allowable plus the permissive proration period tolerance shall be "illegal oil" as defined in the Oil and Gas Act, unless (a) such excess oil be produced as a result of mistake or error, (b) mechanical failure beyond the immediate control of the operator, or, (c) resulting from essential tests of the unit within the purview of Oil Conservation Rules. Whenever production from any unit for a proration period is in excess of the assigned allowable, plus the permitted tolerance authorized herein and the cause of such excess reasonably falls within (a), (b), or (c) of this paragraph, the producer or operator shall briefly set forth the cause of such excess production together with a proposed plan of adjustment thereof, upon all copies of the operator's monthly report (Form C-115) for the month in which such excess production occurs. Such excess production shall be considered as oil produced against the allowable assigned to the unit for the following proration period, and it may be transported from the lease tanks only as and when the unit accrues daily allowable to offset such excess production.

IV. General

The tolerance permitted on a daily or monthly basis as provided hereinabove shall not be construed to increase the allowable of a producing unit or to grant authority to any operator to market or to any transporter to transport any quantity of oil in excess of the unit's allowable.

The possession of a quantity of oil in lease storage at the end of any proration period in excess of five days allowable plus any rerun allowable oil shall be construed as violation of this Rule, unless reported in the manner and within the time provided for filing Form C-115 provided by Section III above.

V. Storage Records

All producers and all transporters of oil are required to maintain adequate records showing unrun allowable oil in storage at the end of each proration period. Such storage oil shall be the amount of oil in tanks from which oil is measured and delivered to the transporter.

RULE 503. AUTHORIZATION FOR PRODUCTION OF OIL

(a) Except as provided below, the daily top unit allowable for any oil pool shall be 100 percent of the depth bracket allowable for the pool determined pursuant to the provisions of Rule 505.

(b) Every other month the Division shall, within five days prior to the end of the month, make a determination as to the likelihood of the total producing capacity of all oil wells in the state being in excess of anticipated reasonable market demand for crude petroleum oil from this state.

If the Division determines that such capacity may be in excess of the anticipated reasonable market demand, and that a market demand factor of less than 100 percent may be necessary to prevent waste, then it shall immediately institute proper proceedings for a hearing to be held before the 20th day of the following month to determine actual reasonable market demand for the next two succeeding months.

(c) At said hearing the Division shall consider all evidence of market demand for crude petroleum oil from this state, and if it is determined that the market demand percentage factor should be less than 100 percent, an order shall be issued establishing the market demand factor for the ensuing two-month period and setting a date for the next market demand hearing.

(d) The market demand factor thus established shall be multiplied by the applicable depth bracket allowable for each well and each pool to determine its top unit allowable. Any fraction of a barrel shall be regarded as a full barrel in determining top unit allowable.

Upon initial establishment of a market demand factor, and from time to time thereafter, the Division shall issue a proration schedule authorizing the production of oil from the various proration units in the various pools in the state. Any well completed or recompleted after the issuance of said schedule and for which Form C-104 has been approved, shall, by supplement to the schedule, be authorized a daily allowable equal to the ability of the well to produce up to and including the top unit allowable in effect. The allowable for such well shall become effective at 7:00 a.m. on the date of completion, provided Form C-104 is submitted and approved within ten days following date of completion; otherwise the allowable shall be effective on the date the C-104 is approved. (As provided in Rule 1104, "date of completion" is the date when new oil is delivered into the stock tanks.)

(e) A non-marginal unit is defined as being a proration unit which is capable of producing top unit allowable for the pool in which it is located and to which has been assigned a top unit allowable. Any such non-marginal unit shall be permitted to produce said top unit allowable without waste and subject to the provisions of Rules 301, 502, and 506, and all other applicable units. Top unit allowable will be assigned only to those units which by tests have demonstrated their ability to produce top unit allowable.

A marginal unit is defined as being a proration unit which is incapable of producing top unit allowable for the pool in which it is located as evidenced by well test, production history, or other report or form filed by the operator with the Division. Any such marginal unit shall be permitted to produce any amount of oil which it is capable of producing without waste up to top unit allowable for the pool, subject to the provisions of Rules 301,502, and 506, and all other applicable rules, provided that an allowable has been assigned to the unit to authorize such production.

A penalized unit is defined as being a proration unit to which, because of an excessive gas-oil ratio, an allowable has been assigned which is less than top unit allowable for the pool and also less than the ability of the well(s) on the unit to produce. Such penalized allowable shall be determined in accordance with the procedure set forth in Rule 506. In calculating a penalized allowable, any fraction of a barrel shall be regarded as a full barrel.

(f) Any change in the allowable assigned to any unit-non-marginal, marginal, or penalized, shall be accomplished through issuance of a new proration schedule or by supplement to a previously issued proration schedule. A periodic tabulation of all supplement to the current proration schedule shall be made and distributed by the Division.

(g) The provisions of Rule 104(h) et seq. shall be adhered to in fixing top unit allowables.

(h) In the event it becomes necessary for any transporter of crude petroleum to resort to pipeline proration in New Mexico, such transporter shall, as soon as possible and not later than 24 hours after the effective date thereof, notify the Division of its decision to so prorate; upon receipt of such notice from such transporter, the Division may take such emergency action, as may be deemed proper, and/or upon its own motion, after notice, hold a hearing for the purpose of considering any action within its authority, to preserve and protect correlative rights.

In case of pipeline proration any operator affected thereby has the right to make application to the Division for authorization to have any shortage or underproduction resulting therefrom included in subsequent proration schedules. Such applications shall be made upon a form hereby authorized to be prescribed by the Division and filed therewith within thirty days after the close of the first proration period in which such pipeline proration shortage occurred, and such authorization shall be limited in any event to wells capable of producing the daily top unit allowable for such period.

In approving any such application the Division shall determine the period of time during which such shortage shall be made up without injury to the well or pool, and shall include the same in the regularly approved proration schedules following the conclusion of pipeline proration.

RULE 504. AUTHORIZATION FOR PRODUCTION OF OIL WHILE COMPLETING, RECOMPLETING, OR TESTING AN OIL WELL

(a) In the event an operator does not have sufficient lease storage to hold oil produced from a well during the process of its drilling, completing, recompleting, or testing, the operator of said well shall be permitted to produce and sell from said well an amount of oil as may be necessary to drill, complete, recomplete or test said well: provided however, that the operator of said well shall file with the Division a written application stating the circumstances at said well and setting forth therein the estimate amount of oil to be produced during the aforementioned process of operations, and provided further that said application is approved by the Division. Oil produced during the process of drilling, completion or recompletion, or testing a well shall be charged against the allowable production of said well.

(b) No well shall be placed on the proration schedule until Form C-104 has been filed with and approved by the Division.

RULE 505. DEPTH BRACKET ALLOWABLES

(a) Subject to the market demand percentage factor determined pursuant to the provisions of Rule 503, the daily oil allowable for each oil pool in the state shall be equal to the appropriate depth bracket allowable below. The depth of the casing shoe or the top perforation in the casing, whichever is higher, in the first well completed in the pool shall determine the depth classification for the pool. Daily oil allowables for each of the several ranges of depth and spacing patterns shall be as follows:

POOL DEPTH RANGE	DEPTH BRACKET ALLOWABLE		
	40 Acres	80 Acres	160 Acres
0 to 4,999 feet	80 bbls.	160 bbls.	
5,000 to 5,999 "	107 "	187 "	347 bbls.
6,000 to 6,999 "	142 "	222 "	382 "
7,000 to 7,999 "	187 "	267 "	427 "
8,000 to 8,999 "	230 "	310 "	470 "
9,000 to 9,999 "	275 "	355 "	515 "
10,000 to 10,999 "	320 "	400 "	560 "
11,000 to 11,999 "	365 "	445 "	605 "
12,000 to 12,999 "	410 "	490 "	650 "
13,000 to 13,999 "	455 "	535 "	695 "
14,000 to 14,999 "	500 "	580 "	740 "
15,000 to 15,999 "	545 "	625 "	785 "
16,000 to 16,999 "	590 "	670 "	830 "
17,000 to 17,999 "	635 "	715 "	875 "

(b) The 40-acre depth bracket allowables shall apply to all undesignated wells not governed by special pool rules and to all pools developed on the normal 40-acre statewide spacing unit.

(c) The 80-acre and 160-acre depth bracket allowables shall apply to wells governed by applicable special pool rules promulgated by the Division as an exception to the normal 40-acre statewide spacing unit.

(d) The Division may, where the same is deemed available, assign to a given pool a special depth bracket allowable at variance to the depth bracket allowable normally assigned to a pool of similar depth and spacing. Such special allowable may be more or less than the regular depth bracket allowable and shall be assigned only after notice and hearing.

In assigning a lesser than regular depth bracket allowable, the Division may consider, among other pertinent factors, reservoir damage, casinghead gas production and disposition, water production and disposition, transportation facilities, the prevention of surface or underground waste, and the protection of correlative rights.

Assignment of a greater than regular depth bracket allowable shall be made only after sufficient reservoir information is available to ensure that said allowable can be produced without damage to the reservoir

and without causing surface or underground wast The Division shall also consider the availability of crude oil transportation and marketing facilities, casinghead gas transportation, processing, and marketing facilities, water disposal facilities, the protection of correlative rights, and other pertinent factors.

RULE 506. GAS-OIL RATIO LIMITATION

(a) In allocated pools containing a well or wells producing from a reservoir which contains both oil and gas, each proration unit shall be permitted to produce only that volume of gas equivalent to the applicable limiting gas-oil ratio multiplied by the top unit oil allowable for the pool. In the event the Division has not set a gas-oil ratio limit for a particular oil pool, the limiting gas-oil ratio shall be 2,000 cubic feet of gas for each barrel of oil produced. In allocated oil pools all producing wells, whether oil or casinghead gas, shall be placed on the oil proration schedule.

(b) Unless heretofore or hereafter specifically exempted by order of the Division issued after hearing, a gas-oil ratio limitation shall be placed on all allocated oil pools, and all proration units having a gas-oil ratio exceeding the limit for the pool shall be penalized in accordance with the following formula:

(1) Any proration unit which, on the basis of the latest official gas-oil ratio test, has a gas-oil ratio in excess of the limiting gas-oil ratio for the pool in which it is located shall be permitted to produce daily that number of barrels of oil which shall be determined by multiplying the current top unit allowable by a fraction, the numerator of which shall be the limiting gas-oil ratio for the pool and the denominator of which shall be the official gas-oil ratio test of the well.

(2) Any unit containing a well or wells producing from a reservoir which contains both oil and gas shall be permitted to produce only that volume of gas equivalent to the applicable limiting gas-oil ratio multiplied by the top unit allowable currently assigned to the pool.

(3) A marginal unit shall be permitted to produce the same volume of gas which it would be permitted to produce if it were a non-marginal unit.

(c) All proration units to which gas-oil ratio adjustments are applied shall be so indicated in the proration schedule with adjusted allowables stated.

(d) In cases of new pools, the limit shall be 2,000 cubic feet per barrel until such time as changed by order of the Division issued after a hearing. Upon petition and after notice and hearing according to law, the Division will determine or redetermine the specific gas-oil ratio limit which is applicable to a particular allocated oil pool.

RULE 507. UNITIZED AREAS

After petition and notice and hearing, the Division may grant approval for the combining of contiguous developed proration units into a unitized area.

RULE 508. RECOVERED LOAD OIL

Recovered load oil may be run from the lease on which it is recovered, provided Division approval is obtained by means of Form C-126. Form C-126 must be filed in quadruplicate with the appropriate district office of the Division. Upon approval, one copy will be returned to the operator and one copy will be sent to the designated transporter as authority to transport the oil.

This rule applies only to oil which has been obtained from a source other than the lease on which it is used.

Recovered load oil as used herein is any oil or liquid hydrocarbon which has been used in any operation in an oil or gas well, and which has been recovered as a merchantable product.

RULE 509. OIL DISCOVERY ALLOWABLE

In addition to the normally assigned allowable, an oil discovery allowable may be assigned to a well completed as a bona fide discovery well in a new common source of supply. Said oil discovery allowable shall be in the amount of 5 barrels for each foot of depth of said well from the surface of the ground to the top of the perforations in the new pool or the depth of the casing shoe, whichever is higher. In counties where there is no other current oil production, and in any county when the discovery is the deepest oil production in the county, the oil discovery allowable shall be 10 barrels per foot of depth.

Date of discovery to determine the well which should properly receive the oil discovery allowable for any new pool shall be the date the well is completed and new oil is run into stock tanks, provided however, any operator drilling through and discovering a new oil pool in the course of drilling to a lower horizon

may file an affidavit of such discovery within seven days after drill stem tests were made of said pool, accompanying said affidavit with all available pool data. If, prior to completion of said well, another operator claims discovery of a similar pool and there are reasonable grounds to believe the pools are one and the same, no discovery allowable will be assigned to either well until after the initial well for which the affidavit was filed has been completed. If at that time the operator of the initial well makes formal application for the discovery allowable in said pool, it will be determined after hearing which well shall receive the discovery allowable.

To obtain an oil discovery allowable, the owner of a discovery well shall file two copies of Division Form C-109, Application for Discovery Allowable and Creation of a New Pool, with the appropriate District Office of the Division and one with the Santa Fe office. Each copy of said form shall be accompanied by the following:

1. A map depicting all wells within a two-mile radius of the discovery well. All producing oil and gas wells and the formations from which they are producing or have produced are to be clearly shown as well as all dry holes and the depths to which they were drilled. Maps shall be on a scale one inch equals 1,000 feet and shall also indicate the names of all lessees of record in the depicted area.

2. A complete electrical log of the subject well with the tops and bottoms of producing formations in the subject well and in nearby wells identified thereon.

3. If application is based on horizontal separation, a sub-surface structural map of the producing formation(s) for which the discovery allowable is sought, showing seismic or gelogical interpretation of the subject structure and any troughs, faults, pinch-outs, etc., which separate the subject well from nearby wells producing from the same formation(s).

4. A geological cross-section prepared from electrical logs of the subject well and nearby establishing horizontal as well as vertical separation from other wells depicted on the plat which are producing or have produced from the discovery formation(s).

5. A summary of all available reservoir data including bottom hole pressure data, fluid levels, core analyses, reservoir liquid characteristics and any other pertinent data on the subject reservoir as well as other nearby reservoirs which may help establish whether the subject well is in fact a discovery.

If, in the opinion of the Division staff, good cause exists to bring the pool on for hearing as a discovery, and no objection has been received from any other operator, the pool will be placed on the first available hearing docket for inclusion by the staff in its regular pool nomenclature case. If the staff is not in agreement with the applicant's contention that a new pool has been discovered, or if, within ten days after receiving a copy of the application another operator files with the Division an objection to the creation of a new pool and the assignment of a discovery allowable, the applicant will be so notified, and he will be expected to present the evidence supporting his case. Or, if the applicant so desires, the application may be set for separate hearing on other than the nomenclature docket for presentation of evidence by the applicant.

Effective date of a well's discovery allowable will be 7:00 a.m. on the first day of the month next succeeding the month in which the Division approves the discovery.

The total discovery attributable to each zone in the well shall be produced over a two-year period commencing with the time of authorization. The well's daily allowable for each pool receiving the discovery allowable shall not exceed the daily top unit allowable for the pool plus the total pool discovery allowable divided by 730 days (731 days if a leap year is included).

A discovery well shall be permitted to produce only that volume of gas equivalent to the applicable limiting gas-oil ratio for the pool multiplied by the top unit allowable for the pool plus the daily oil discovery allowable. In addition to all other statewide rules not specifically excepted herein, the provisions of Division Rule 502 relating to daily tolerance, monthly tolerance, and underproduction and overproduction, shall apply to oil discovery allowables as well as to regular allowables for discovery wells.

Nothing herein contained shall be construed as prohibiting the Division from curtailing the discovery allowables of wells during times of depressed market demand, provided however, such discovery allowables shall be reinstated for production at the earliest possible date. Further, when it appears reservoir damage or waste might result from production of the oil discovery allowable within the normal two-year period, the Division may, after notice and hearing, extend said period.

H - GAS PRORATION AND ALLOCATION

RULE 601. ALLOCATION OF GAS PRODUCTION

When the Division determines that allocation of gas production in a designated gas Pool is necessary to prevent waste, the Division, after notice and hearing, shall consider the nominations of purchasers from that gas pool and other relevant data, and shall fix the allowable production of that pool, and shall allocate production among the gas wells in the pool delivering to a gas transportation facility upon a reasonable basis and recognizing correlative rights. The Division shall include in the proration schedule of such pool any gas well which it finds is being unreasonably discriminated against through denial of access to a gas transportation facility which is reasonably capable of handling the type of gas produced by such well.

RULE 602. PRORATION PERIOD

The proration period shall be at least six months and the pool allowable and allocations thereof shall be made at least 30 days prior to each proration period.

RULE 603. ADJUSTMENT OF ALLOWABLES

When the actual market demand from any allocated gas pool during a proration period is more than or less than the allowable set by the Division for the pool for the period, the Division shall adjust the gas proration unit allowables for the pool for the next proration period so that each gas proration unit shall have a reasonable opportunity to produce its fair share of the gas production from the pool and so that correlative rights shall be protected.

RULE 604. GAS PRORATION UNITS

Before issuing a proration schedule for an allocated gas pool, the Division after notice and hearing, shall fix the gas proration unit for that pool.

I - SECONDARY RECOVERY, PRESSURE MAINTENANCE, AND SALT WATER DISPOSAL

RULE 701. INJECTION OF FLUIDS INTO RESERVOIRS

A. Permit for Injection Required

The injection of gas, liquefied petroleum gas, air, water, or any other medium into any reservoir for the purpose of maintaining reservoir pressure or for the purpose of secondary recovery or the injection of water into any formation for the purpose of water disposal shall be permitted only by order of the Division after notice and hearing, unless otherwise provided herein.

B. Method of Making Application

Application for original authority for the injection of gas, liquefied petroleum gas, air, water, or any other medium into any formation for any reason, including salt water disposal, or for the expansion of any such injection project by the completion or conversion of additional well(s) shall include the following:

1. A plat showing the location of the proposed injection well(s) and the location of all other wells within a radius of two miles from said proposed injection well(s) and the formation from which said wells are producing or have produced. The plat shall also indicate the lessees, if any there be, within said two-mile radius.

2. The log of the proposed injection well(s) if same is available.

3. A diagrammatic sketch of the proposed injection well(s) showing all casing strings, including diameters and setting depths, quantities used and tops of cement, perforated or open hole intervals, tubing strings, including diameters and setting depths, and the type and location of packers, if any.

4. Other pertinent information including the name and depth of the zone or formation into which injection will be made, the kind of fluid to be injected, the anticipated volumes to be injected, and the source of said injection fluid.

C. Salt Water Disposal Wells

The Division Director shall have authority to grant an exception to the requirements of Rule 701-A for water disposal wells only, without notice and hearing, when the waters to be disposed of are mineralized to such a degree as to be unfit for domestic, stock, irrigation, or other general use, and when said waters are to be disposed of into a formation older than Triassic (Lea County only) which is non-productive of oil or gas within a radius of two miles from the proposed injection well, providing that any water occurring naturally within said disposal formation is mineralized to such a degree as to be unfit for domestic, stock, irrigation, and/or other general use.

To obtain such administrative approval, operator shall submit in TRIPLICATE Division Form C-108, Application to Dispose of Salt Water by Injection Into a Porous Formation, said application to be filed in accordance with Rule 701-B above. Copies of the application shall also be sent to all offset operators and to the surface owner of the land upon which the well is located.

If no objection is received within 15 days from the date of receipt of the application, and the Division Director is satisfied that all of the above requirements have been complied with, and that the well is to be cased and cemented in such a manner that there will be no danger to oil, gas, or fresh water reservoirs, an administrative order approving the disposal may be issued. In the event that the application is not granted administratively, it shall be set for public hearing, if the operator so requests.

The Division may dispense with the 15-day waiting period if waivers of objection are received from all offset operators and the surface owner.

D. Pressure Maintenance Projects

1. Pressure maintenance projects are defined as those projects in which fluids are injected into the producing horizon in an effort to build up and/or maintain the reservoir pressure in an area which has not reached the advanced or "stripper" state of depletion.

2. The project area and the allowable formula for any pressure maintenance project shall be fixed by the Division on an individual basis after notice and hearing.

E. Water Flood Projects

1. Water flood projects are defined as those projects in which water is injected into a producing horizon in sufficient quantities and under sufficient pressure to stimulate the production of oil

from other wells in the area, and shall be limited to those areas in which the wells have reached an advanced state of depletion and are regarded as what is commonly referred to as "stripper" wells.

2. The project area of a water flood project shall comprise the proration units owned or operated by a given operator upon which injection wells are located plus all proration units owned or operated by the same operator which directly or diagonally offset the injection tracts and have producing wells completed on them in the same formation; provided however, that additional proration units not directly nor diagonally offsetting an injection tract may be included in the project area if, after notice and hearing, it has been established that such additional units have wells completed thereon which have experienced a substantial response to water injection.

3. The allowable assigned to wells in a water flood project area shall be equal to the ability of of the wells to produce and shall not be subject to the depth bracket allowable for the pool nor to the market demand percentage factor.

   All production from a water flood project area from wells producing in excess of top unit allowable for the pool shall be identified as water flood production on the monthly Division Form C-115.

   Each and every well producing in excess of top unit allowable for the pool into common facilities with wells not included in the water flood project area shall be tested once each month and the results of such tests shall be included on the monthly Division Form C-120 filed for said project.

   The Division Director is empowered to grant an exception to the foregoing requirement without notice and hearing when an application therefor is filed in due form, and the facts presented justify such exception.

   Nothing herein contained shall be construed as prohibiting the assignment of special allowables to wells in buffer zones after notice and hearing. Special allowables may also be assigned in the limited instances where it is established at a hearing that it is imperative for the protection of correlative rights to do so.

4. Water flood projects shall be expended and additional wells placed on injection only upon authority from the Division after notice and hearing or by administrative approval.

   To obtain such administrative approval, operators shall submit in triplicate an application in accordance with Rule 701-B above. The application shall also state the order number which to the need for placing additional well(s) on water injection. A copy of the application shall also be sent to each operator offsetting the proposed injection well.

   The Division Director may, if in his opinion there is need for conversion of the additional well and said well is on a water flood injection pattern which will result in a thorough and efficient sweep of oil authorize such injection without notice and hearing, provided that no offset operator objects to the proposed injection well within fifteen (15) days. The Division Director may grant immediate approval to the proposal upon receipt of waivers of objection from all operators offsetting the proposed injection well.

RULE 702. *CASING AND CEMENTING OF INJECTION WELLS*

Wells used for injection of gas, air, or water into the producing formation shall be cased with safe and adequate casing or tubing so as to prevent leakage and such casing or tubing shall be so set or cemented that damage will not be caused to oil, gas or fresh water resources.

RULE 703. COMMENCEMENT, DISCONTINUANCE, AND ABANDONMENT OF INJECTION OPERATIONS

The following provisions shall apply to all injection projects, storage projects, salt water disposal wells and special purpose injection wells:

A. Notice of Commencement and Discontinuance

(1) Immediately upon the commencement of injection operations in any well, the operator shall notify the Division of the date such operations began.

(2) Within 30 days after the discontinuance of injection operations in any well, the operator shall notify the Division of the date of such discontinuance and the reasons therefor.

(3) Before any injection well is plugged, the operator shall obtain approval for the well's plugging program from the appropriate District Office of the Division in the same manner as when plugging oil and gas wells or dry holes.

B. Abandonment of Injection Operations

(1) Whenever there is a continuous six-month period of non-injection into any injection project, storage project, salt water disposal well, or special purpose injection well, such project or well shall be considered abandoned, and the authority for injection shall automatically terminate ipso facto.

(2) For good cause shown, the Division Director may grant an administrative extension or extensions of injection authority as an exception to Paragraph (1) above.

RULE 704. RECORDS AND REPORTS

The operator of an injection well or project for secondary recovery or pressure maintenance, natural gas storage, salt water disposal, or injection of any other fluids shall keep accurate records and shall report monthly to the Division gas or fluid volumes injected, stored, and/or produced as required on the appropriate form listed below:

(1) Secondary Recovery on Form C-115;

(2) Pressure Maintenance on a form prescribed by the Division;

(3) Salt Water Disposal on Form C-120-A;

(4) Natural Gas Storage on Form C-131; and

(5) Injection of other fluids on a form prescribed by the Division.

RULE 705. STORAGE WELLS

The Division Director shall have authority to grant an exception to the requirements of Rule 701-A for the underground storage of liquefied petroleum gas or liquid hydrocarbons in secure caverns within massive salt beds.

Applicant shall furnish each operator within a one-half mile radius of the proposed well with a copy of the application to the Division, and applicant shall include with his application a written stipulation that all operations within said half-mile radius of the proposed well have been properly notified. The Division Director shall wait at least ten days before approving any such application, and shall approve any such application only in the absence of objection from any notified operator. In the event that an operator objects to the application the Division shall consider the matter only after proper notice and hearing.

In addition to the filing requirements of Rule 701 B, the applicant for approval of a storage well under this rule shall file the following:

A. With the Division Director:

(1) A plugging bond in accordance with the provisions of Rule 101;

B. With the appropriate district office of the Division in TRIPLICATE:

(1) Form C-101, Application for Permit to Drill, Deepen, or Plug Back;

(2) Form C-102, Well Location and Acreage Dedication Plat; and

(3) Form C-105, Well Completion or Recompletion Report and Log.

J - OIL PURCHASING AND TRANSPORTING

RULE 801. ILLEGAL SALE PROHIBITED

The sale or purchase or acquisition, or the transporting, refining, processing, or handling in any other way, of crude petroleum oil or of any crude petroleum produced in excess of the amount allowed by any statute of this state, or by any rule, regulation, or order of the Division made thereunder, is prohibited.

RULE 802. RATABLE TAKE: COMMON PURCHASER

(a) Every person now engaged or hereafter engaging in the business of purchasing oil to be transported through pipelines shall be a common purchaser thereof, and shall without discrimination in favor of one producer as against another in the same field, purchase an oil tendered to it which has been lawfully produced in the vicinity of, or which may be reasonably reached by pipelines through which it is transporting oil, or the gathering branches thereof, or which may be delivered to the pipeline or gathering branches thereof by truck or otherwise, and shall fully perform all the duties of a common purchaser. If any common purchaser shall not have need for all such oil lawfully produced within a field, or if for any reason it shall be unable to purchase all such oil, then it shall purchase from each producer in a field ratably, taking and purchasing the same quantity of oil from each well to the extent that each well is capable of producing its ratable portions; provided, however, nothing herein contained shall be construed to require more than one pipeline connection for each producing well. In the event any such common purchaser of oil is likewise a producer or is affiliated with a producer, directly or indirectly, it is hereby expressly prohibited from discriminating in favor of its own production or in favor of the production of an affiliated producer as against that of others and the oil produced by such common pruchaser, or by the affiliate of such common purchaser shall be treated as that of any other producer, for the purposes of ratable taking.

(b) It shall be unlawful for any common purchaser, to unjustly or unreasonably discriminate as to the relative quantities of oil purchased by it in various fields of the state; the question of the justice or reasonableness to be determined by the Division, taking into consideration the production and age of wells in the respective fields and all other factors. It is the intent of this rule that all fields shall be allowed to produce and market a just and equitable share of the oil produced and marketed in the State, insofar as the same can be effected economically and without waste.

(c) In order to preclude premature abandonment, the common purchaser within its purchasing area is authorized and directed to make 100 percent purchases from units of settled production producing ten (10) barrels or less daily of crude petroleum in lieu of ratable purchases or takings. Provided, however, where such purchaser's takings are curtailed below ten (10) barrels per unit of crude petroleum daily, then such purchaser is authorized and directed to pruchase equally from all such units within its purchasing area, regardless of their producing ability insofar as they are capable of producing.

RULE 803. PRODUCTION OF LIQUID HYDROCARBONS FROM GAS WELLS

All liquid hydrocarbons produced incidental to the authorized production of gas from a well classified by the Division as a gas well shall, for all purposes, be legal production.

For purposes of this rule, all gas produced from a gas well shall be considered to be authorized production with the following exceptions:

(1) When the well is being produced without an approved Form C-104, designating the gas transporter and the oil or condensate transporter for said well.

(2) When the well has been directed to be shut in by the Division.

In the event a gas well is directed to be shut in by the Division, both the gas transporter and oil transporter named on the well's Form C-104 shall be immediately notified of such fact.

K - GAS PURCHASING AND TRANSPORTING

RULE 901. ILLEGAL SALE PROHIBITED

The sale, purchase or acquisition, or the transporting, refining, processing or handling in any other way, of natural gas in whole or in part (or of any product of natural gas so produced) produced in excess of the amount allowed by any statute of this state, or by any rule, regulation or order of the Division made thereunder, is prohibited.

RULE 902. RATABLE TAKE

(a) Any person now or hereafter engaged in purchasing from one or more producers, gas produced from gas wells shall be a common purchaser thereof within each common source of supply from which it purchases, and as such it shall purchase gas lawfully produced from gas wells with which its gas transportation facilities are connected in the pool and other gas wells with which its gas transportation facilities are connected in the pool and other gas lawfully produced within the pool and tendered to a point on its gas transportation facilities. Such purchases shall be made without unreasonable discrimination in favor of one producer against another in the price paid, the quantities purchased, the bases of measurement or the gas transportation facilities afforded for gas of like quantity, quality and pressure available from such wells. In the event any such person is likewise a producer, he is prohibited to the same extent from discriminating in favor of himself on production from gas wells in which he has an interest, direct or indirect, as against other production from gas wells in the same pool. For the purposes of this rule reasonable differences in prices paid or facilities afforded, or both, shall not constitute unreasonable discrimination if such differences bear a fair relationship to differences in quality, quantity or pressure of the gas available or to the relative lengths of time during which such gas will be available to the purchaser. The provisions of this subsection shall not apply (1) to any wells or pools used for storage and withdrawal from storage of natural gas originally produced not in violation of the rules, regulations or orders of the Division, (2) to purchases of casinghead gas from oil wells, and (3) to persons purchasing gas principally for use in the recovery or production of oil or gas.

(b) Any common purchaser taking gas produced from gas wells from a common source of supply shall take ratably under such rules, regulations and orders, concerning quantity, as may be promulgated by the Division consistent with this rule. The Division, in promulgating such rules, regulations and orders may consider the quality and the deliverability of the gas, the pressure of the gas at the point of delivery, acreage attributable to the well, market requirements in the case of unprorated pools, and other pertinent factors.

(c) Nothing in this rule shall be construed or applied to require, directly or indirectly, any person to purchase gas of a quality or under a pressure or under any other condition by reason of which such gas cannot be economically and satisfactorily used by such purchaser by means of his gas transportation facilities then in service.

L - REFINING

RULE 1001. REFINERY REPORTS

Each refiner of oil within the State of New Mexico shall furnish for each calendar month a "Refiner's Monthly Report," Form C-113, containing the information and data indicated by such form, respecting oil and products involved in such refiner's operations during each month. Such report for each month shall be prepared and filed according to instructions on the form, on or before the 15th day of the next succeeding month.

RULE 1002. GASOLINE PLANT REPORTS

Each operator of a gasoline plant, cyclying plant, or any other plant at which gasoline, butane, propane condensate, kerosene, oil, or other liquid products are extracted from natural gas within the State of New Mexico shall furnish for each calendar month a Gas Purchaser's Monthly Report, Form C-111, containing the information indicated by such form respecting natural gas and products involved in the operation of each plant during each month. (This rule shall also be applicable to plants in the State of New Mexico processing carbon dioxide gas into liquid or solid form.)

Form C-111 shall be filed in accordance with the provisions of Rule 1111.

M - REPORTS

RULE 1100. GENERAL

A. Where to File Reports

Unless otherwise specifically provided for in any rule or order of the Division, all forms and reports required by these rules shall be filed with the appropriate District Office of the Division as provided in Rules 1301 and 1302.

B. Additional Data

These rules shall not be construed to limit or restrict the authority of the Oil Conservation Division to require the furnishing of such additional reports, data, or other information relative to the production, transportation, storing, refining, processing, or handling of crude petroleum oil, natural gas, or products in the State of New Mexico as may appear it to be necessary or desirable, either generally or specifically, for the prevention of waste and the conservation of natural resources of the State of New Mexico.

C. Books and Records

All producers, transporters, storers, refiners, gasoline or extraction plant operators, and initial purchasers of natural gas within the State of New Mexico shall make and keep appropriate books and records for a period of not less than five years, covering their operations in New Mexico, from which they may be able to make and substantiate the reports required by these rules.

D. Written Notices, Requests, Permits, and Reports

The forms listed below shall be used for the purpose shown in accordance with the instructions printed thereon and the rule covering the form, or any special rule or order pertaining to its use.

Form C-101	Application for Permit to Drill, Deepen, or Plug Back
Form C-102	Well Location and Acreage Dedication Plat
Form C-103	Sundry Notices and Reports on Wells
Form C-104	Request for Allowable and Authorization to Transport Oil and Natural Gas
Form C-105	Well Completion or Recompletion Report and Log
Form C-106	Notice of Intention to Utilize Automatic Custody Transfer Equipment
Form C-107	Application for Multiple Completion
Form C-108	Application to Dispose of Salt Water by Injection into a Porous Formation
Form C-109	Application for Discovery Allowable and Creation of a New Pool
Form C-111	Gas Purchaser's Monthly Report (Sheet 1 and Sheet 2)
Form C-112	Transporter's and Storer's Monthly Report
Form C-113	Refiner's Monthly Report (Sheet 1 and Sheet 2)
Form C-115-EDP	Operator's Monthly Report (electronic data processing)
Form C-116	Gas-Oil Ratio Tests
Form C-117-A	Sediment Oil Destruction Permit
Form C-117-B	Sediment Oil Recovery Permit
Form C-118	Treating Plant Operator's Monthly Report (Sheet 1 and Sheet 1-A)
Form C-119	Carbon Black Plant Monthly Report
Form C-120-A	Monthly Water Disposal Report
Form C-121	Crude Oil Purchaser's Nomination
Form C-121-A	Purchaser's Gas Nomination
Form C-122	Multi-Point and One Point Back Pressure Test for Gas wells
Form C-122-A	Gas Well Test Data Sheet-San Juan Basin (Initial Deliverability Test, blue paper; Annual Deliverability Test, white)
Form C-122-B	Initial Potential Test Data Sheet
Form C-122-C	Deliverability Test Report
Form C-122-D	Worksheet for Calculation of Static Column Wellhead Pressure (P_w).
Form C-122-E	Worksheet for Stepwise Calculation of (Surface) (Subsurface) Pressure (P_c & P_w) (P_f & P_s)
Form C-122-F	Worksheet for Calculation of Wellhead Pressures (P_c or P_w) from Known Bottomhole Pressure (P_f or P_s)
Form C-122-G	Worksheet for Calculation of Static Column Pressure at Gas Liquid Interface
Form C-123	Request for the Extension of an Existing Pool or the Creation of a New Pool
Form C-124	Reservoir Pressure Report
Form C-125	Gas Well Shut-in Pressure Report
Form C-126	Permit to Transport Recovered Load Oil
Form C-127	Request for Allowable Change
Form C-129	Application for Exception to No-Flare Rule 306

Form C-130	Notice of Disconnection
Form C-131	Monthly Gas Storage Report

RULE 1101. APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK (Form C-101)

Before commencing drilling or deepening operations, or before plugging a well back to another zone, the operator of the well must obtain a permit to do so. To obtain such permit, the operator shall submit to the Division FIVE copies of Form C-101, Application for Permit to Drill, Deepen, or Plug Back, completely filled out. If the operator has an approved bond in accordance with Rule 101, one copy of the Drilling Permit will be returned to him on which will be noted the Division's approval, with any modification deemed advisable. If the proposal cannot be approved for any reason, the Forms C-101 will be returned with the cause for rejection stated thereon.

Form C-101 must be accompanied by THREE copies of Form C-102, Well Location and Acreage Dedication Plat. (See Rule 1102.)

If the well is to be drilled on state land, submit SIX copies of Form C-101 and FOUR copies of Form C-102, the extra copy of each form being for the State Land Office.

RULE 1102. WELL LOCATION AND ACREAGE DEDICATION PLAT (Form C-102)

Form C-102 is a dual purpose form used to show the exact location of the well and the acreage dedicated thereto. The form is also used to show the ownership and status of each lease contained within the dedicated acreage. When there is more than one working interest or royalty owner on a given lease, designation of the majority owner et al. will be sufficient.

All information required on Form C-102 shall be filled out and certified by the operator of the well except the well location on the plat. This is to be plotted from the outer boundaries of the section and certified by a registered professional engineer and/or land surveyor, registered in the State of New Mexico, or surveyor approved by the Division.

Form C-102 shall be submitted in TRIPLICATE or QUADRUPLICATE as provided in Rule 1101.

Amended Form C-102 (in TRIPLICATE or QUADRUPLICATE) shall be filed in the event there is a change in any of the information previously submitted. The well location need not be certified when filing amended Form C-102.

RULE 1103. SUNDRY NOTICES AND REPORTS ON WELLS (Form C-103)

Form C-103 is a dual purpose form to be filed with the appropriate District Office of the Division to obtain Division approval prior to commencing certain operations and also to report various completed operations.

A. Form C-103 as a Notice of Intention

Form C-103 shall be filed in TRIPLICATE by the operator and approval obtained from the Division prior to:

(1) Effecting a change of plans from those previously approved on Form C-101 or Form C-103.

(2) Altering a drilling well's casing program or pulling casing or otherwise altering an existing well's casing installation.

(3) Temporarily abandoning a well.

(4) Plugging and abandoning a well.

(5) Performing remedial work on a well which, when completed, will affect the original status of the well. (This shall include making new perforations in existing wells or squeezing old perforations in existing wells, but is not applicable to new wells in the process of being completed nor to old wells being deepened or plugged back to another zone when such re-completion has been authorized by an approved Form C-101, Application for Permit to Drill, Deepen, or Plug Back, nor to acidizing, fracturing, or cleaning out previously completed wells, nor to installing artifical lift equipment.)

In the case of well plugging operations, the Notice of Intention shall include a detailed statement of the proposed work, including plans for shooting and pulling casing, plans for mudding, including weight of mud, plans for cementing, including number of sacks of cement and depths of plugs, and the time and date of the proposed plugging operations. If not previously filed, a complete log of the well on Form C-105 (See Rule 1105) shall accompany the Notice of Intention to plug the well; the bond will not be released until this is complied with.

B. Form C-103 as a Subsequent Report

Form C-103 as a subsequent report of operations shall be filed in accordance with the section of this rule applicable to the particular operation being reported.

Form C-103 is to be used in reporting such completed operations as:

(1) Commencement of drilling operations
(2) Casing and cement test
(3) Altering a well's casing installation
(4) Temporary abandonment
(5) Plug and Abandon
(6) Plugging back or deepening
(7) Remedial work
(8) Installation of artificial lifting equipment
(9) Change in ownership of a drilling well
(10) Such other operations which affect the original status of the well but which are not specifically covered herein.

Information to be entered on Form C-103, Subsequent Report, for a particular operation is as follows:

(1) Report of Commencement of Drilling Operations

Within ten days following the commencement of drilling operations, the operator of the well shall file a report thereof on Form C-103 in TRIPLICATE. Such report shall indicate the hour and the date the well was spudded.

(2) Report of Results of Test of Casing and Cement Job; Report of Casing Alteration

A report of casing and cement test shall be filed by the operator of the well within ten days following the setting of each string of casing or liner. Said report shall be filed in TRIPLICATE on Form C-103 and shall present a detailed description of the test method employed and the results obtained by such test, and any other pertinent information required by Rule 107. The report shall also indicate the top of the cement and the means by which such top was determined. It shall also indicate any changes from the casing program previously authorized for the well.

(3) Report of Temporary Abandonment

A report of temporary abandonment of a well shall be filed by the operator of the well within ten days following completion of the work. The report shall be filed in TRIPLICATE and shall present a detailed account of the work done on the well, including location and type of plugs used, if any and status of surface and downhole equipment, and any other pertinent information relative to the overall status of the well.

(4) Report on Plugging of Well

A report of plugging operations shall be filed by the operator of the well within 30 days following completion of plugging operations on any well. Said report shall be filed in TRIPLICATE on Form C-103 and shall include the date the plugging operations were begun and the date the work was completed, a detailed account of the manner in which the work was performed including the depths and lengths of the various plugs set, the nature and quantities of materials employed in the plugging operations including the weight of the mud used, the size and depth of all casing left in the hole, and any other pertinent information. (See Rules 201-204 regarding plugging operations.)

No plugging report will be approved by the Division until the pits have been filled and the location levelled and cleared of junk. It shall be the responsibility of the operator to contact the appropriate District Office of the Division when the location has been so restored in order to arrange for an inspection of the plugged well and the location by a Division representative.

(5) Report of Remedial Work

A report of remedial work performed on a well shall be filed by the operator of the well within 30 days following completion of such work. Said report shall be filed in QUADRUPLICATE on Form C-103 and shall present a detailed account of the work done and the manner in which such work was performed; the daily production of oil, gas, and water both prior to and after the remedial operation; the size and depth of shots; the quantity of sand, crude, chemical or other materials employed in the operation, and any other pertinent information. Among the remedial work to be reported on Form C-103 are the following:

(a) Report on shooting, fluid fracturing or chemical treatment of a previously completed well
(b) Report on squeeze job
(c) Report on setting of liner or packer
(d) Report of installation of pumping equipment or gas lift facilities
(e) Report of any other remedial operations which are not specifically covered herein.

(6) Report on Deepening or Plugging Back

A report of deepening or plugging back shall be filed by the operator of the well within 30 days following completion of such operations on any well. Said report shall be filed in QUADRUPLICATE on Form C-103 and shall present a detailed account of the work done and the manner in which such work was performed. If the well is recompleted in the same pool, it shall also report the daily production of oil, gas, and water both prior to and after recompletion. If the well is recompleted in another pool, Form C-104 must also be filed in accordance with Rule 1104.

(7) Report of Change in Ownership of a Drilling Well

A report of change of ownership shall be filed by the new owner of any drilling well within ten days following actual transfer of ownership. Said report shall be filed in TRIPLICATE on Form C-103 and shall include the name and address of both the new owner and the previous owner, the effective date of the change of ownership, and any other pertinent information. No change in the ownership of a drilling well will be approved by the Division unless the new owner has an approved bond in accordance with Rule 101. (Form C-104 shall be used to report transfer of ownership of a completed well; see Rule 1104.)

(8) Other Reports on Wells

Reports on any other operations which affect the original status of the well but which are not specifically covered herein shall be submitted to the Division on Form C-103, in TRIPLICATE, by the operator of the well within ten days following the completion of such operation.

RULE 1104. REQUEST FOR ALLOWABLE AND AUTHORIZATION TO TRANSPORT OIL AND NATURAL GAS (Form C-104)

(1) Form C-104 completely filled out by the operator of the well must be filed in QUINTUPLICATE before an allowable will be assigned to any newly completed or recompleted well. (A recompleted well shall be considered one which has been deepened or plugged back to produce from a different pool than previously.) Form C-104 must be accompanied by a tabulation of all deviation tests taken on the well as provided by Rule 111.

(2) The allowable assigned to an oil well shall be effective at 7:00 o'clock a.m. on the date of completion, provided the Form C-104 is received by the Division during the month of completion. Date of completion shall be that date when new oil is delivered into the stock tanks.

Unless otherwise specified by special pool rules, the allowable assigned to a gas well shall be effective at 7:00 o'clock a.m. on the date of connection to a gas transportation facility, as evidenced by an affidavit of connection from the purchaser to the Division, or the date of receipt of Form C-104 by the Division, whichever date is later.

(3) No allowable will be assigned to any well until a standard unit for the pool in which the well is completed has been dedicated by the owner, or a non-standard unit has been approved by the Division, or a standard unit has been communitized or pooled and dedicated to the well.

(4) No allowable will be assigned to any well until all forms and reports due have been received by the Division and the well is otherwise in full compliance with these rules.

(5) Form C-104 with Sections I, II, III, and VI, completely filled out shall be filed in QUINTUPLICATE by the operator of the well in the event there is a change of ownership of any producing well, injection well, or disposal well, or a change of transporter (oil, condensate, casinghead gas, or dry gas), a change in pool designation, lease name, or well number, or any other pertinent change in condition of any such well. When filing Form C-104 for change of ownership, the new operator shall file the form in the above manner, and shall give the name and address of the previous as well as the present operator. The Form C-104 will not be approved by the Division unless the new operator has an approved bond in compliance with Rule 101.

(6) Whenever there is a temporary change in transporter and oil is to be moved from the lease by anyone other than the regular transporter authorized by an approved Form C-104, the operator shall notify the appropriate District Office of the Division in writing within three days after the oil is moved, furnishing such information as may be required by the District Office. The operator shall furnish copies of the notification to the regular transporter and to the temporary transporter. This paragraph is intended to deal primarily with authorized batch movements of oil by the operator for use as load oil, frac oil, etc.; eventual sale of this oil is governed by Rules 508 and 1126.

RULE 1105. WELL COMPLETION OR RECOMPLETION REPORT AND LOG (Form C-105)

Within 20 days following the completion or recompletion of any well, the operator shall file Form C-105 with the Division. It must be filed in QUINTUPLICATE and each copy accompanied by a summary of all special tests conducted on the well, including drill stem tests. In addition, one copy of all electrical and radio-activity logs run on the well must be filed with Form C-105. If the Form C-105 with attached log(s) and summaries is not received by the Division within the specified 20-day period, the allowable for the well will be withheld until this rule has been complied with.

In the case of a dry hole, a complete record of the well on Form C-105 with the above attachments shall accompany the notice of intention to plug the well, unless previously filed. The plugging report will not be approved nor the bond released until this rule has been complied with.

Form C-105 and accompanying attachments will not be kept confidential by the Division unless so requested in writing by the owner of the well. Upon such request, the Division will keep these data confidential for 90 days from the date of completion of the well, provided, however, that the report, log(s), and other attached data may, when pertinent, be introduced in any public hearing before the Division or its examiners or in any court of law, regardless of the request that they be kept confidential.

RULE 1106. NOTICE OF INTENTION TO UTILIZE AUTOMATIC CUSTODY TRANSFER EQUIPMENT (Form C-106)

Form C-106, when applicable, shall be filed in accordance with Rule 309-A.

RULE 1107. APPLICATION FOR MULTIPLE COMPLETION (Form C-107)

Form C-107, when applicable, shall be filed in accordance with Rule 112-A IV.

RULE 1108. APPLICATION TO DISPOSE OF SALT WATER BY INJECTION INTO A POROUS FORMATION (Form C-108)

Form C-108, when applicable, shall be filed in accordance with Rule 701, Section C.

RULE 1109. APPLICATION FOR DISCOVERY ALLOWABLE AND CREATION OF A NEW POOL (Form C-109)

Form C-109, when applicable, shall be filed in accordance with Rule 509.

RULE 1110. No Rule; there is no Form C-110 at present.

RULE 1111. GAS PURCHASER'S MONTHLY REPORT (Form C-111)

Form C-111, Gas Purchaser's Monthly Report, shall be filed monthly in accordance with the rules below. It shall be postmarked on or before the 15th day of the month to report all gas taken during the preceding month. One copy shall be filed with the appropriate District Office of the Division and two copies with the Santa Fe Office of the Division. One additional copy shall also be sent to the Hobbs Office of the Division. Information on Sheet No. 2 of Form C-111 shall be itemized by pools, by operators, and by leases, in alphabetical order.

Form C-111 shall be filed each month by the operator of any gas gathering system, gas transportation system, recycling system, fuel system, gas lift system, gas drilling operation, etc. The form shall cover all natural gas, casinghead gas, and carbon dioxide gas taken into any such system during the preceding month and shall show the source of the gas and the disposition thereof.

Form C-111 shall also be filed each month by the operator of any gasoline plant, cycling plant, or other plant at which gasoline, butane, propane, kerosene, oil, or other products are extracted from gas within the State of New Mexico. The form shall cover all natural gas, casinghead gas, and carbon dioxide gas taken by any such plant during the preceding month and shall show the source of the gas and the disposition thereof. If a plant operator owns more than one plant in a given Division District, Sheet No. 1 of Form C-111 shall be filed for each such plant. In preparing Sheet No. 2, the plant operator shall consolidate all acquisitions for all plants in the District, itemized in the order described in the first paragraph of this rule.

Where gas is taken by the producer and utilized by him for any of the above uses, the producer shall file Form C-111 itemizing such gas. The producer shall also include this gas on his Operator's Monthly Report, Form C-115. Gas used on the lease from which it was produced for consumption in lease houses, treaters, compressors, combustion engines, and other similar equipment, or gas which is flared, shall also be included on the Form C-115 but is not to be included on the Form C-111.

RULE 1112. TRANSPORTER'S AND STORER'S MONTHLY REPORT (Form C-112)

Each transporter and each storer of crude petroleum oil and liquid hydrocarbons within the State of New Mexico shall file for each calendar month a Transporter's and Storer's Monthly Report, Form C-112, containing complete information and data indicated by such form respecting stocks of crude petroleum oil and liquid hydrocarbons on hand and receipts and deliveries of crude petroleum oil and liquid hydrocarbons by pipeline and trucks within the State of New Mexico, and receipts and deliveries from leases to storers or refiners; between transporters within the State; between storers and refiners within the State. Form C-112 shall be filed in DUPLICATE and postmarked on or before the 15th day of the next succeeding month.

RULE 1113. REFINER'S MONTHLY REPORT (Form C-113)

Every refiner of crude petroleum oil within the State of New Mexico shall furnish for each calendar month a Refiner's Monthly Report, Form C-113, containing the information and data indicated by such form respecting crude petroleum oil and products involved in such refiner's operation during each month. Such report for each month shall be filed in DUPLICATE and be postmarked on or before the 15th day of the next succeeding month.

RULE 1114. No Rule; there is no Form C-114 at present.

RULE 1115. OPERATOR'S MONTHLY REPORT (Form C-115)

Operator's Monthly Report, Form C-115 or Form C-115-EDP, shall be filed on each producing lease and each secondary recovery project injection well within the State of New Mexico for each calendar month, setting forth complete information and data indicated on said forms in the order, format, and style prescribed by the Division Director. Oil production from wells which are producing into common storage shall be estimated as accurately as possible on the basis of periodic tests.

The reports on this form shall be filed by the producer as follows:

Original to the Oil Conservation Division at Santa Fe; one copy of the District Office of the Division in which district the lease is located; and one copy to each transporter involved. Each report for each month shall be postmarked not later than the 24th day of next succeeding month. Failure of an operator to file this report in accordance with the provisions of this rule may result in cancellation of Form C-104 for the affected well or wells.

RULE 1116. GAS-OIL RATIO TESTS (Form C-116)

Gas-oil ratio tests shall be made and reported on Form C-116 as prescribed in Rule 301, Gas-Oil Ratio Tests, and any applicable special pool rules. This form shall be submitted in DUPLICATE.

RULE 1117. SEDIMENT OIL DISPOSITION PERMITS (Form C-117-A and Form C-117-B)

(a) Form C-117-A, Sediment Oil Destruction Permit, shall be submitted to the appropriate District Office of the Division in TRIPLICATE and in accordance with Rule 311 (b).

(b) Form C-117-B, Sediment Oil Recovery Permit, shall be submitted to the appropriate District Office of the Division in QUADRUPLICATE and in accordance with Rule 311 (c).

RULE 1118. TREATING PLANT OPERATOR'S MONTHLY REPORT (Form C-118)

Form C-118 shall be submitted in DUPLICATE in accordance with Rule 312, and shall contain all the information required thereon. Column 1 of Sheet 1-A of Form C-118 entitled "Permit Number," has reference to the Sediment Oil Recovery Permit, Form C-117-B, for each lot of oil picked up for processing.

RULE 1119. CARBON BLACK PLANT MONTHLY REPORT (Form C-119)

Each operator of a carbon black plant within the State of New Mexico shall file for each calendar month the monthly volume of gas received by him from a gasoline extraction plant or plants, and a monthly volume or volumes of gas received by him from each lease operator delivering natural gas directly to such plant, together with the opening and closing stocks and the production and deliveries by grades of carbon black or other products produced. Such reports shall be filed in DUPLICATE on Form C-119, Carbon Black Plant Monthly Report, and be postmarked on or before the 15th day of the next succeeding month. In addition, Form C-111 shall be filed each month in accordance with Rule 1111 if the Carbon Black Plant operator makes any purchase directly from a lease or operates any gas gathering or transmission system.

RULE 1120. MONTHLY WATER DISPOSAL REPORT (Form C-120-A)

Each operator of a salt water disposal system shall report such operations on Form C-120-A. Form C-120-A shall be filed in DUPLICATE (one copy with the Santa Fe Office and one copy with the appropriate district office) and shall be postmarked not later than the 15th day of the second succeeding month.

RULE 1121. PURCHASER'S NOMINATION FORMS (Form C-121 and Form C-121-A)

Unless requested otherwise by the Division Director, one copy of Form C-121, Crude Oil Purchaser's Nomination, shall be submitted to the Santa Fe Office of the Division not later than the 20th day of each odd-numbered month. Nominations shall be filed by each person expecting to purchase oil from producing wells in New Mexico during the second and third succeeding two months. As an example, nominations submitted by the 20th day of July shall indicate the amount of oil the purchaser desires to purchase daily during September and October.

One copy of Form C-121-A, Purchaser's Gas Nomination, shall be submitted to the Santa Fe Office of the Division by the first day of the month during which the Division will consider at the gas allowable hearing the nominations for the purchase of gas from producing wells in New Mexico during the succeeding month. As an example, purchaser's nominations to take gas from a pool during the month of August would be considered by the Division at a hearing during July, and should be submitted to the Santa Fe office of the Division by July 1.

In addition to the monthly gas nominations, twelve-months nominations shall be filed in accordance with the appropriate pool rules.

RULE 1122. MULTIPOINT AND ONE POINT BACK PRESSURE TEST FOR GAS WELL (Form C-122)

GAS WELL TEST DATA SHEET - SAN JUAN BASIN (Form C-122-A)

INITIAL POTENTIAL TEST DATA SHEET (Form C-122-B)

DELIVERABILITY TEST REPORT (Form C-122-C)

WORKSHEET FOR CALCULATION OF STATIC COLUMN WELLHEAD PRESSURE (P_w) (Form C-122-D)

WORKSHEET FOR STEPWISE CALCULATION OF (SURFACE) (SUBSURFACE) PRESSURE (P_c & P_w) (P_f & P_s) (Form C-122-E)

WORKSHEET FOR CALCULATION OF WELLHEAD PRESSURES (P_c or P_w) FROM KNOWN BOTTOMHOLE PRESSURE (P_f or P_s) (Form C-122-F)

WORKSHEET FOR CALCULATION OF STATIC COLUMN PRESSURE AT GAS LIQUID INTERFACE (Form C-122-G)

The above forms shall be submitted to the appropriate district office of the Division in accordance with the provisions of the "Manual for Back-Pressure Testing of Natural Gas Wells," Rule 401 of the Division Rules and Regulations, and applicable special pool rules and proration orders. These forms shall be submitted in DUPLICATE except Form C-122-A which shall be submitted in TRIPLICATE.

RULE 1123. REQUEST FOR THE EXTENSION OF AN EXISTING POOL OR THE CREATION OF A NEW POOL (Form C-123)

The operator of a well which requires the creation or extension of a pool shall be given written instructions by the appropriate district office regarding the filing of Form C-123 in DUPLICATE.

RULE 1124. RESERVOIR PRESSURE REPORT (Form C-124)

Form C-124 shall be submitted in TRIPLICATE and shall be used to report bottom-hole pressures as required under the provisions of Rule 302 and any applicable special pool rules.

RULE 1125. GAS WELL SHUT-IN PRESSURE TESTS (Form C-125)

Form C-125 shall be submitted in TRIPLICATE and shall be used to report shut-in pressure tests on gas wells as required under the provisions of Rule 402 and any applicable special pool rules.

RULE 1126. PERMIT TO TRANSPORT RECOVERED LOAD OIL (Form C-126)

Form C-126 shall be submitted in QUADRUPLICATE to the appropriate District Office of the Division and shall be used in conformance with Rule 508 and Rule 1104 (5).

RULE 1127. REQUEST FOR ALLOWABLE CHANGE (Form C-127)

One copy of Form C-127 shall be filed by the oil producer with the appropriate District Office of the Division not later than the 10th day of the month preceding the month for which oil well allowable changes are requested.

RULE 1128. FORMS REQUIRED ON FEDERAL LAND

Federal forms shall be used in lieu of State forms when filing APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK and SUNDRY NOTICES AND REPORTS ON WELLS AND WELL COMPLETION OR RECOMPLETION REPORT AND LOG for wells on Federal lands in New Mexico. However, it shall be the duty of the operator to submit two extra copies of each of such forms to the USGS, which, upon approval, will transmit same to the Division. The following USGS forms will be used in lieu of Division forms by operators of wells on Federal land:

USGS Form No.	Title of Form (Same for both agencies)	Form No.
9-331C (May 1963)	APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK	C-101
9-331 (May 1963)	SUNDRY NOTICES AND REPORTS ON WELLS	C-103
9-330 (Rev. 5-63)	WELL COMPLETION OR RECOMPLETION REPORT AND LOG	C-105

The above forms as may be revised are the only forms that may be submitted in place of Division forms.

After a well is completed and ready for pipeline connection, Division Form C-104 shall be filed with the Division on any and all wells drilled in the State, regardless of land status. Further, all reports and forms

as required under the preceding rules of this section of the Rules and Regulations that pertain to production must be filed on the proper Oil Conservation Division form as set out in said rule - no other forms will be accepted.

Failure to comply with the provisions of this rule will result in the cancellation of Form C-104 for the affected well or wells.

RULE 1129. APPLICATION FOR EXCEPTION TO NO-FLARE RULE 306 (Form C-129)

Form C-129, when applicable, shall be filed in accordance with Rule 306.

RULE 1130. NOTICE OF DISCONNECTION (Form C-130)

(1) Form C-130, Notice of Disconnection, shall be filed in triplicate with the Division by the operator of the well as provided in Rule 407.

(2) The operator shall state, to the best of his knowledge, the reasons for disconnecting any gas well from gas transportation facilities.

(3) The Division shall furnish the New Mexico Public Service Commission with any Form C-130 indicating that a disconnected gas well may or will be reconnected to a gas transportation facility for ultimate distribution to consumers outside of the State of New Mexico.

RULE 1131. MONTHLY GAS STORAGE REPORT (Form C-131)

Each operator of an underground natural gas storage project shall report its operation monthly on Form C-131. Form C-131 shall be filed in duplicate (one copy to the Santa Fe Office of the Division and one copy to the appropriate district office) and shall be postmarked not later than the 24th day of the next succeeding month.

N - RULES ON PROCEDURE

RULE 1201. NECESSITY FOR HEARING

Except as provided in some general rule herein, before any rule, regulation or order, including revocation, changes, renewal or extension thereof, shall be made by the Division, a public hearing before the Commission or a legally appointed Division Examiner shall be held at such time and place as may be prescribed by the Division.

RULE 1202. EMERGENCY ORDERS

Notwithstanding any other provision of these rules, in case an emergency is found to exist by the Division, which, in its judgment, requires the making of a rule, regulation, or order without a hearing having first been had or concluded, such emergency rule, regulation, or order when made by the Division shall have the same validity as if a hearing with respect to the same had been held before the Division after due notice. Such emergency rule, regulation, or order shall remain in force no longer than 15 days from its effective date, and in any event, it shall expire when the rule, regulation, or order made after due notice and hearing with respect to the subject matter of such emergency rule, regulation, or order becomes effective.

RULE 1203. METHOD OF INITIATING A HEARING

The Division upon its own motion, the Attorney General on behalf of the State, and any operator or producer, or any other person having a property interest may institute proceedings for a hearing. If the hearing is sought by the Division it shall be on motion of the Division and if by any other person it shall be by application. The application shall be in triplicate and shall state (1) the name of the applicant, (2) the name or general description of the common source or sources of supply or the area affected by the order sought, (3) briefly the general nature of the order, rule, or regulation sought, and (4) any other matter required by a particular rule or rules, or order of the Division. The application shall be signed by the person seeking the hearing or by his attorney.

When conditions are such as to require verbal application to place a matter for hearing on a given docket, the Division will accept such verbal application in order to meet publishing deadlines. However, if written application, filed in accordance with the procedures outlined above, has not been received by the Division's Santa Fe office at least ten days before the date of the hearing, the case will be dismissed.

RULE 1204. METHOD OF GIVING LEGAL NOTICE FOR HEARING

Notice of each hearing before the Commission and notice of each hearing before a Division Examiner shall be given by personal service on the person affected or by publication once in a newspaper of general circulation published at Santa Fe, New Mexico, and once in a newspaper of general circulation published in the county or each of the counties, if there be more than one, in which any land, oil, or gas, or other property which may be affected is situated.

RULE 1205. CONTENTS OF NOTICE OF HEARING

Such notice shall be issued in the name of "The State of New Mexico" and shall be signed by the Director of the Division, and the seal of the Commission shall be impressed thereon.

The notice shall specify whether the case is set for hearing before the Commission or before a Division Examiner and shall state the number and style of the case and the time and place of hearing and shall briefly state the general nature of the order or orders, rule or rules, regulation or regulations to be promulgated or effected. The notice shall also state the name of the petitioner or applicant, if any, and unless the contemplated order, rule, or regulation is intended to apply to and affect the entire state, it shall specify or generally describe the common source or sources of supply which may be affected by such order, rule, or regulation.

RULE 1206. PERSONAL SERVICE OF NOTICE

Personal service of the notice of hearing may be made by any agent of the Division or by any person over the age of 18 years in the same manner as is provided by law for the service of summons in civil actions in the district courts of this state. Such service shall be complete at the time of such personal service or on the date of publication, as the case may be. Proof of service shall be by the affidavit of the person making personal service or of the publisher of the newspaper in which publication is had. Service of the notice shall be made at least 10 days before the hearing.

RULE 1207. PREPARATION OF NOTICES

After a motion or application is filed with the Division the notice or notices required shall be prepared by the Division and service and publication thereof shall be taken care of by the Division without cost to the applicant.

RULE 1208. FILING PLEADINGS: COPY DELIVERED TO ADVERSE PARTY OR PARTIES

When any party to a hearing files any pleading, plea, or motion of any character (other than application for hearing) which is not by law or by these rules required to be served upon the adverse party or parties, he shall at the same time either deliver or mail to the adverse party or parties who have entered their appearance therein, or their respective attorneys of record, a copy of such pleading, plea, or motion. For the purposes of these rules, an appearance of any interested party shall be made either by letter addressed to the Division or in person at any proceeding before the Commission or before an Examiner, with notice of such appearance to the parties from whom such pleadings, pleas, or motions are desired.

RULE 1209. CONTINUANCE OF HEARING WITHOUT NEW SERVICE

Any hearing before the Commission or an Examiner held after due notice may be continued by the person presiding at such hearing to a specified time and place without the necessity of notice of the same being again served or published. In the event of any continuance, a statement thereof shall be made in the record of the hearing which is continued.

RULE 1210. CONDUCT OF HEARINGS

Hearings before the Commission or Examiner shall be conducted without rigid formality. A transcript of testimony shall be taken and preserved as a part of the permanent record of the Division. Any person testifying in response to a subpoena issued by the Commission or any member thereof, or the authorized representative of the Division Director, and any person seeking to testify in support of an application or motion or in opposition thereto shall be required to do so under oath. However, relevant unsworn comments and observations by any interested party will be designated as such and included in the record. Comments and observations by representatives of operators' committees, the United States Geological Survey, the United States Bureau of Mines, the New Mexico Bureau of Mines, and other competent persons are welcomed. Any Examiner legally appointed by the Division Director may conduct such hearings as may be referred to such Examiner by the Director.

RULE 1211. POWER TO REQUIRE ATTENDANCE OF WITNESSES AND PRODUCTION OF EVIDENCE

The Commission or any member thereof, or the authorized representative of the Division Director has statutory power to subpoena witnesses and to require the production of books, papers, and records in any proceeding before the Commission or Division. A subpoena will be issued for attendance at a hearing upon the written request of any person interested in the subject matter of the hearing. In case of the failure of a person to comply with the subpoena issued, an attachment of the person may be issued by the district court of any district in the state, and such court has powers to punish for contempt. Any person found guilty of swearing falsely at any hearing may be punished for contempt.

RULE 1212. RULES OF EVIDENCE

Full opportunity shall be afforded all interested parties at a hearing to present evidence and to cross-examine witnesses. In general, the rules of evidence applicable in a trial before a court without a jury shall be applicable, provided that such rules may be relaxed, where, by so doing, the ends of justice will be better served. No order shall be made which is not supported by competent legal evidence.

RULE 1213. EXAMINERS' QUALIFICATIONS AND APPOINTMENT

The Division Director shall, by ex parte order, designate and appoint not more than four individuals to be examiners. Each Examiner so appointed shall be a member of the staff of the Division, but no Examiner need be a full time employee of the Division. The Director may, by ex parte order, designate and appoint a successor to any person whose status as an Examiner is terminated for any reason. Each individual designated and appointed as an Examiner must have at least six years practical experience as a geologist, petroleum engineer or licensed lawyer, or at least two years of such experience and a college degree in geology, engineering, or law; provided however, that nothing herein contained shall prevent any member of the Commission from being designated as, or serving as, an Examiner.

RULE 1214. REFERRAL OF CASES TO EXAMINERS

The Division Director may refer any matter or proceeding to any legally designated and appointed Examiner for hearing in accordance with these rules. The Examiner appointed to hear any specific case shall be designated by name.

RULE 1215. EXAMINER'S POWER AND AUTHORITY

The Division Director may, by ex parte order, limit the powers and duties of the Examiner in any particular case to such issues or to the performance of such acts as the Director deems expedient; however, subject only to such limitations as may be ordered by the Director, the Examiner to whom any matter or proceedings is referred under these rules shall have full authority to hold hearings on such matter or

proceeding in accordance with and pursuant to these rules. The Examiner shall have the power to regulate all proceedings before him and to perform all acts and take all measures necessary or proper for the efficient and orderly conduct of such hearing, including the swearing of witnesses, receiving of testimony and exhibits offered in evidence subject to such objections as may be imposed, and shall cause a complete record of the proceedings to be made and transcribed and shall certify same to the Director as hereinafter provided.

RULE 1216. HEARINGS WHICH MUST BE HELD BEFORE COMMISSION

Notwithstanding any other provisions of these rules, the hearing on any matter shall be held before the Commission (1) if it is a hearing de novo, or (2) if the Division Director in his discretion desires the Commission to hear the matter.

RULE 1217. EXAMINER'S MANNER OF CONDUCTING HEARING

An Examiner conducting a hearing under these rules shall conduct himself as a disinterested umpire.

RULE 1218. REPORT AND RECOMMENDATIONS, EXAMINER'S HEARINGS

Upon the conclusion of any hearing before an Examiner, the Examiner shall promptly consider the proceedings in such hearing, and based upon the record of such hearing the Examiner shall prepare his written report and recommendations for the disposition of the matter of proceeding by the Division. Such report and recommendations shall either be accompanied by a proposed order or shall be in the form of a proposed order, and shall be submitted to the Division Director with the certified record of the hearing.

RULE 1219. DISPOSITION OF CASES HEARD BY EXAMINERS

After receipt of the report and recommendations of the Examiner, the Division Director shall enter the Division's order disposing of the matter or proceeding.

RULE 1220. DE NOVO HEARING BEFORE COMMISSION

When any order has been entered by the Division pursuant to any hearing held by an Examiner, any party adversely affected by such order shall have the right to have such matter or proceeding heard de novo before the Commission, provided that within 30 days from the date such order is rendered such party files with the Division a written application for such hearing before the Commission. If such application is filed, the matter or proceeding shall be set for hearing before the Commission at the first available hearing date following the expiration of fifteen days from the date such application is filed with the Division. Any person affected by the order or decision rendered by the Commission after hearing before the Commission may apply for rehearing pursuant to and in accordance with the provisions of Rule 1222 and said Rule 1222 together with the law applicable to rehearing and appeals in matters and proceedings before the Commission shall thereafter apply to such matter or proceeding.

RULE 1221. NOTICE OF COMMISSION AND DIVISION ORDERS

Within ten days after any order, including any order granting or refusing rehearing, or order following rehearing, has been rendered, a copy of such order shall be mailed by the Division to each person or his attorney of record who has entered his appearance of record in the matter of proceeding pursuant to which such order is rendered.

RULE 1222. REHEARINGS

Within 20 days after entry of any order or decision of the Commission any person affected thereby may file with the Division an application for rehearing in respect of any matter determined by such order or decision, setting forth the respect in which such order or decision is believed to be erroneous. The Commission shall grant or refuse any such application in whole or in part within 10 days after the same is filed and failure to act thereon within such period shall be deemed a refusal thereof and a final disposition of such application. In the event the rehearing is granted, the Commission may enter such new order or decision after rehearing as may be required under the circumstances.

RULE 1223. CHANGES IN FORMS AND REPORTS

Any change in the forms and reports or rules relating to such forms and reports shall be made only by order of the Commission or Division issued after due notice and hearing.

RULE 1301. DISTRICT OFFICES

To expedite administration of the work of the Oil Conservation Division of the New Mexico Energy and Minerals Department and the enforcement of its rules and regulations, the state shall be divided into four districts as follows:

DISTRICT 1 Lea, Roosevelt, and Curry Counties, and that portion of Chaves County lying east of the North-South line dividing Ranges 29 and 30 East, NMPM.

Office at 1000 West Broadway, Hobbs.

Mailing Address:

Oil Conservation Division
P. O. Box 1980
Hobbs, New Mexico 88240

DISTRICT 2 Eddy, Otero, Dona Ana, Luna, Hidalgo, Grant, Sierra, Lincoln, and De Baca Counties, and that portion of Chaves County lying west of the North-South line dividing Ranges 29 and 30 East, NMPM.

Office at 10th and Dallas Streets, Artesia.

Mailing Address:

Oil Conservation Division
Drawer DD
Artesia, New Mexico 88210

DISTRICT 3 San Juan, Rio Arriba, McKinley, and Sandoval Counties.

Office at 1000 Rio Brazos Road, Aztec.

Mailing Address:

Oil Conservation Division
1000 Rio Brazos Road
Aztec, New Mexico 87410

DISTRICT 4 Remainder of State.

Office in State Land Office Building, Santa Fe.

Mailing Address:

Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Each district office shall be under the charge of a district supervisor, an oil and gas inspector, or a deputy oil and gas inspector. Unless otherwise specifically required, all matters pertaining to the Division shall be taken care of through the district office of the district in which the affected land is located.

RULE 1302. WHERE TO FILE REPORTS AND FORMS

All reports and forms required by the rules to be filed with the Division shall be filed in the number and at the time specified on the form or report or by the applicable rule in Section M, Reports, of these rules. Unless otherwise specified, all such reports and forms shall be filed at the district office of the district in which the land that is the subject matter of the report is located. All plugging bonds shall be filed directly with the Santa Fe Office of the Division. A list of all plugging bonds approved and in force shall be kept in each district office.

RULE 1303. DUTIES AND AUTHORITY OF FIELD PERSONNEL

Oil and gas inspectors, deputy oil and gas inspectors, scouts, engineers and geologists duly appointed by the Division have the authority and duty to enforce the rules and regulations of the Division. Only oil and gas inspectors and their deputies shall have discretion to allow minor deviations from requirements of the rules as to field practices where, by so doing, waste will be prevented or burdensome delay or expenses on the part of the operator will be avoided.

RULE 1304. NUMBERING OF DIVISION ORDERS

All orders of the Division made after January 1, 1950, pertaining to the allocation of production of oil and gas are prefixed with the letter "A" and are numbered consecutively, commencing with the number 1, i.e., the first allocation order issued after January 1, 1950, is No. A-1, the next A-2, etc.

All other orders of the Division made after January 1, 1950, are prefixed with the letter "R" and are numbered consecutively, commencing with the number 1, i.e., the first such order issued after January 1, 1950, is No. R-1, the next R-2, etc.

NEW MEXICO STATUTES ANNOTATED

1953 COMPILATION
CHAPTER 65

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65-3-1.1. SHORT TITLE.--Sections 65-3-1.1 through 65-3-31 and 65-3-35 and 65-3-36 NMSA 1953 may be cited as the "Oil and Gas Act".

65-3-2. WASTE PROHIBITED.

The production or handling of crude petroleum oil or natural gas of any type or in any form, or the handling of products thereof, in such manner or under such conditions or in such amounts as to constitute or result in waste is each hereby prohibited.

65-3-3. WASTE - DEFINITIONS.

As used in this act, the term "waste," in addition to its ordinary meaning, shall include:

A. "underground waste" as those words are generally understood in the oil and gas business, and in any event to embrace the inefficient, excessive, or improper, use or dissipation of the reservoir energy, including gas energy and water drive, of any pool, and the locating, spacing, drilling, equipping, operating, or producing, of any well or wells in a manner to reduce or tend to reduce the total quantity of crude petroleum oil or natural gas ultimately recovered from any pool, and the use of inefficient underground storage of natural gas.

B. "Surface Waste" as those words are generally understood in the oil and gas business, and in any event to embrace the unnecessary or excessive surface loss or destruction without beneficial use, however caused, of natural gas or any type or in any form or crude petroleum oil, or any product thereof, but including the loss or destruction, without beneficial use, resulting from evaporation, seepage, leakage, or fire, especially such loss or destruction incident to or resulting from the manner of spacing, equipping, operating, or producing, well or wells, or incident to or resulting from the use of inefficient storage or from the production of crude petroleum oil or natural gas in excess of the reasonable market demand.

C. The production of crude petroleum oil in this state in excess of the reasonable market demand for such crude petroleum oil. Such excess production causes or results in waste which is prohibited by this act. The words "reasonable market demand," as used herein with respect to crude petroleum oil, shall be construed to mean the demand for such crude petroleum oil for reasonable current requirements for current consumption and use within or outside the state, together with the demand for such amounts as are reasonably necessary for building up or maintaining reasonable storage reserves of crude petroleum oil or the products thereof, or both such crude petroleum oil and products.

D. The non-ratable purchase or taking of crude petroleum oil in this state. Such non-ratable taking and purchasing causes or results in waste, as defined in the subsections (a), (b), (c) of this section and causes waste by violating Section 12 (65-3-13) of this act.

E. The production in this state of natural gas from any gas well or wells, or from any pool, in excess of the reasonable market demand from such source for natural gas of the type produced or in excess of the capacity of gas transportation facilities for such type of natural gas. The words "reasonable market demand," as used herein with respect to natural gas, shall be construed to mean the demand for natural gas for reasonable current requirements, for current consumption and for use within or outside the state, together with the demand for such amounts as are necessary for building up or maintaining reasonable storage reserves of natural gas or products thereof, or both such natural gas and products.

F. Drilling or producing operations for oil or gas within any area containing commercial deposits of potash where such operations would have the effect unduly to reduce the total quantity of such commercial deposits of potash which may reasonably be recovered in commercial quantities or where such operations would interfere unduly with the orderly commercial development of such potash deposits.

65-3-4. OIL CONSERVATION COMMISSION--MEMBERS--TERM--OFFICERS--QUORUM--POWER TO ADMINISTER OATHS.--There is hereby created an oil conservation commission, hereinafter in this act called the "commission" to be composed of the commissioner of public lands, the state geologist and the director of the oil conservation division. No salary or compensation shall be paid any member of the commission for his services as a member thereof. The term of office of each member of the commission shall be concurrent with the other office held by him. The commission shall organize by electing a chairman from its membership. Two members of the commission shall constitute a quorum for all purposes. The commission shall adopt a seal and such a seal affixed to any paper signed by the director of the oil conservation division shall be prima facie evidence of the due execution thereof. The attorney general shall be the attorney for the commission. Any member of the commission, or the director of the oil conservation division, or any employee of the commission or division, shall have power to administer oaths to any witness in any hearing, investigation or proceeding contemplated by this act or by any other law of this state relating to the conservation of oil and gas.

65-3-4.1. OIL CONSERVATION DIVISION--DIRECTOR--STATE PETROLEUM ENGINEER.--

A. The director of the oil conservation division shall be known as the state petroleum engineer.

B. The director shall be appointed by the secretary of the energy and minerals department and shall:

(1) be a resident of this state; and

(2) be registered by the state board of registration for professional engineers and land surveyors as a petroleum engineer; or

(3) by virtue of education and experience have expertise in the field of petroleum engineering.

65-3-5. COMMISSION'S AND DIVISION'S POWERS AND DUTIES.—

A. The division shall have, and is hereby given, jurisdiction and authority over all matters relating to the conservation of oil and gas and the prevention of waste of potash as a result of oil or gas operations in this state. It shall have jurisdiction, authority and control of and over all persons, matters or things necessary or proper to enforce effectively the provisions of this act or any other law of this state relating to the conservation of oil or gas and the prevention of waste of potash as a result of oil or gas operations.

B. The commission shall have concurrent jurisdiction and authority with the division to the extent necessary for the commission to perform its duties as required by law.

65-3-6. RULES OF PROCEDURE IN HEARING--MANNER OF GIVING NOTICE--RECORD OF RULES,REGULATIONS AND ORDERS.--The division shall prescribe its rules of order or procedure in hearing or other proceedings before it under this act. Any notice required to be given under this act or under any rule, regulation or order prescribed by the commission or division shall be personal service on the person affected, or by publication once in a newspaper of general circulation published at Santa Fe, New Mexico, and once in a newspaper of general circulation published in the county, or each of the counties if there be more than one, in which any land, oil or gas or other property which may be affected shall be situated. Such notice shall issue in the name of "the State of New Mexico" and shall be signed by the director of the division, and the seal of the commission shall be impressed thereon, and it shall specify the number and style of the case, and the time and place of hearing, shall briefly state the general nature of the order or orders, rule or rules, or regulation or regulations contemplated by the division on its own motion or sought in a proceeding brought before the commission or division, the name of the petitioner, or applicant, and, unless the order, rule or regulation is intended to apply to and affect the entire state, it shall specify or generally describe the common source or sources of supply that may be affected by such order, rule or regulation. Personal service thereof may be made by any agent of the division or by any person over the age of eighteen years, in the same manner as is provided by law for the service of summons in civil actions in the district courts of this state. Such service shall be complete at the time of such personal service or on the date of such publication, as the case may be. Proof of service shall be the affidavit of the person making personal service, or of the publisher of the newspaper in which publication is had, as the case may be. All rules, regulations and orders made by the commission or division shall be entered in full by the director thereof in a book to be kept for such purpose by the division, which shall be a public record and open to inspection at all times during reasonable office hours. A copy of any such rule, regulation or order, certified by the director of the division under the seal of the commission, shall be received in evidence in all courts of the state with the same effect as the original.

65-3-7. SUBPOENA POWER—IMMUNITY OF NATURAL PERSONS REQUIRED TO TESTIFY.--The commission, or any member thereof, or the director of the division or his authorized representative, is hereby empowered to subpoena witnesses, to require their attendance and giving of testimony before it, and to require the production of books, papers and records in any proceeding before the commission or the division. No person shall be excused from attending and testifying or from producing books, papers and records before the commission or the division, or from obedience to the subpoena of the said commission or division, whether such subpoena be signed or issued by one or more of the members of the said commission, or the director of the division, in any hearing, investigation or proceeding held by or before the said commission or division or in any cause or proceeding in any court by or against the said commission or division, relative to matters within the jurisdiction of said commission or division, on the ground or for the reason that the testimony or evidence, documentary or otherwise, required of him may tend to incriminate him or subject him to a penalty or forfeiture; provided that nothing herein contained shall be construed as requiring any person to produce any books, papers or records, or to testify in response to any inquiry, not pertinent to some question lawfully before such commission or division or court of determination. No natural person shall be subjected to criminal prosecution, or to any penalty or forfeiture for or on account of any transaction, matter or thing concerning which he may be required to testify, or produce evidence, documentary or otherwise before said commission or division, or in obedience to its subpoena, or in any cause or proceeding, provided, that no person testifying shall be exempted from prosecution and punishment for prejury committed in so testifying.

65-3-8. FAILURE OR REFUSAL TO COMPLY WITH SUBPOENA—REFUSAL TO TESTIFY--BODY ATTACHMENT--CONTEMPT.--In case of failure or refusal on the part of any person to comply with any subpoena issued by said commission or any member thereof, or the director of the division or his authorized representative, or on the refusal of any witness to testify or answer as to any matters regarding which he may be lawfully interrogated, any district court in this state, or any judge thereof, on application of said commission or division, may issue an attachment for such person and compel him to comply with such subpoena and to attend before the commission or division and produce such documents, and give his testimony upon such matters as may be lawfully

required, and such court or judge shall have the power to punish for contempt as in case of disobedience of a like subpoena issued by or from such court, or a refusal to testify therein.

65-3-9. PERJURY—PUNISHMENT.--If any person of whom an oath shall be required under the provisions of this act, or by any rule, regulation or order of the commission or division, shall willfully swear falsely in regard to any matter or thing respecting which such oath is required, or shall willfully make any false report or affidavit required or authorized by the provisions of this act, or by any rule, regulation or order of the commission or division, such person shall be deemed guilty of perjury and shall be punished by imprisonment in the state penitentiary for not more than five years nor less than six months.

65-3-10. POWER OF COMMISSION AND DIVISION TO PREVENT WASTE AND PROTECT CORRELATIVE RIGHTS.---

A. The division is hereby empowered, and it is its duty, to prevent waste prohibited by this act and to protect correlative rights, as in this act provided. To that end, the division is empowered to make and enforce rules, regulations and orders, and to do whatever may be reasonably necessary to carry out the purpose of this act, whether or not indicated or specified in any section hereof.

B. The commission shall have concurrent jurisdiction and authority with the division to the extent necessary for the commission to perform its duties as required by law.

65-3-11. ENUMERATION OF POWERS.--

A. Included in the power given to the division is the authority to collect data; to make investigation and inspections; to examine properties, leases, papers, books and records; to examine, check, test and gauge oil and gas wells, and tanks, plants, refineries, and all means and modes of transportation and equipment; to hold hearings; to provide for the keeping of records and the making of reports and for the checking of the accuracy thereof; to limit and prorate production of crude petroleum oil or natural gas, or both, as in this act provided; to require either generally or in particular areas certificates of clearance or tenders in connection with the transportation of crude petroleum oil or natural gas or any products thereof, or both such oil and products, or both such natural gas and products.

B. Apart from any authority, express or implied, elsewhere given to or existing in the division by virtue of this act or the statutes of this state, the division is hereby authorized to make rules, regulations and orders for the purposes and with respect to the subject matter stated herein, viz.:

(1) 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; the division shall require a corporate surety bond in a sum not to exceed fifty thousand dollars ($50,000) conditioned for the performance of such regulations;

(2) to prevent crude petroleum oil, natural gas, or water from escaping from strata in which they are found into another stratum or other strata;

(3) to require reports showing locations of all oil or gas wells, and for the filing of logs and drilling records or reports;

(4) to prevent the drowning by water of any stratum or part thereof capable of producing oil or gas, or both oil and gas, in paying quantities, and to prevent the premature and irregular encroachment of water, or any other kind of water encroachment, which reduced or tends to reduce the total ultimate recovery of crude petroleum oil or gas, or both such oil and gas, from any pool;

(5) to prevent fires;

(6) to prevent "blow-outs" and "caving" in the sense that the conditions indicated by such terms are generally understood in the oil and gas business;

(7) to require wells to be drilled, operated and produced in such manner as to prevent injury to neighboring leases or properties;

(8) to identify the ownership of oil or gas producing leases, properties, wells, tanks, refineries, pipelines, plants, structures, and all transportation equipment and facilities;

(9) to require the operation of wells with efficient gas-oil ratios and to fix such ratios;

(10) to fix the spacing of wells;

(11) to determine whether a particular well or pool is a gas or oil well, or a gas or oil pool, as the case may be, and from time to time to classify and reclassify wells and pools accordingly;

(12) to determine the limits of any pool or pools producing crude petroleum oil or natural gas or both, and from time to time redetermine such limits;

(13) to regulate the methods and devices employed for storage in this state of oil or natural gas or of any product thereof including subsurface storage;

(14) to permit the injection of natural gas or of any other substance into any pool in this state for the purpose of repressuring, cycling, pressure maintenance, secondary or any other enhanced recovery operation;

(15) to regulate the disposition of water produced or used in connection with the drilling for or producing of oil or gas, or both, and to direct surface or subsurface disposal of such water in a manner that will afford reasonable protection against contamination of fresh water supplies designated by the state engineer;

(16) to determine the limits of any area containing commercial potash deposits and from time to time redetermine such limits;

(17) to regulate and where necessary prohibit drilling or producing operations for oil or gas within any area containing commercial deposits of potash where such operations would have the effect unduly to reduce the total quantity of such commercial deposits of potash which may reasonably be recovered in commercial quantities or where such operations would interfere unduly with the orderly commercial development of such potash deposits; or

(18) to spend the oil and gas reclamation fund and do all acts necessary and proper to plug dry and abandoned oil and gas wells in accordance with the provisions of the Oil and Gas Act and the Public Purchases Act including disposing of salvageable equipment and material removed from oil and gas wells being plugged by the state.

65-3-11.1. ADDITIONAL POWERS OF COMMISSION OR DIVISION--HEARINGS BEFORE EXAMINER--HEARINGS DE NOVO.--In addition to the powers and authority, either express or implied, granted to the oil conservation commission or division by virtue of the statutes of the state of New Mexico the division is hereby authorized and empowered in prescribing its rules or order or procedure in connection with hearings or other proceedings before the division to provide for the appointment of one or more examiners to be members of the staff of the division to conduct hearings with respect to matters properly coming before the division and to make reports and recommendations to the director of the division with respect thereto. Any member of the commission or the director of the division or his authorized representative may serve as an examiner as provided herein. The division shall promulgate rules and regulations with regard to hearings to be conducted before examiners and the powers and duties of the examiners in any particular case may be limited by order of the division to particular issues or to the performance of particular acts. In the absence of any limiting order, an examiner appointed to hear any particular case shall have the power to regulate all proceedings before him and to perform all acts and take all measures necessary or proper for the efficient and orderly conduct of such hearing, including the swearing of witnesses, receiving of testimony and exhibits offered in evidence subject to such objections as may be imposed, and shall cause a complete record of the proceeding to be made and transcribed and shall certify the same to the director of the division for consideration together with the report of the examiner and his recommendations in connection therewith. The director of the division shall base the decision rendered in any matter or proceeding heard by an examiner, upon the transcript of testimony and record made by or under the supervision of the examiner in connection with such proceeding, and such decision shall have the same force and effect as if said hearing had been conducted before the director of the division. When any matter or proceeding is referred to an examiner and a decision is rendered thereon, any party adversely affected shall have the right to have said matter heard de novo before the commission upon application filed with the division within thirty days from the time any such decision is rendered.

65-3-11.2. BONDING REQUIREMENT.—

A. Each person, firm, corporation or association who operates any oil, gas or service well within the state shall, as a condition precedent to drilling or producing the well, furnish a surety bond to the oil conservation division running to the benefit of the state of New Mexico, conditioned that the well be plugged and abandoned in compliance with the rules and regulations of the oil conservation division. The oil conservation division shall establish categories of surety bonds after notice and hearing. Such categories shall include a blanket plugging bond in an amount not to exceed fifty thousand dollars ($50,000) and one-well plugging bonds in amounts determined sufficient to reasonably pay the cost of plugging the wells covered by each bond. In establishing categories of bonds, the oil conservation division shall consider the depth of the well involved, the length of time since the well was produced, the cost of plugging similar wells and such other factors as the oil conservation division deems relevant. In addition to the blanket plugging bond, the oil conservation division may require a one-well bond on any well that has been held in a temporarily abandoned status for more than two years. All bonds shall remain in force and effect until released by the oil conservation division. The oil conservation division shall release a bond when it is satisfied the conditions thereof have been fully performed.

B. If any of the requirements of the Oil and Gas Act or the rules and regulations promulgated pursuant thereto have not been complied with, the division, after notice and hearing, may order any well plugged and abandoned by the operator or surety, or both, in accordance with division rules and regulations. If the order is not complied with, in the time period set out in the order, the surety bond shall be forfeited.

C. When any bond is forfeited pursuant to the provisions of the Oil and Gas Act or rules and regulations promulgated pursuant thereto, the director shall give notice to the attorney general who shall collect the forfeiture without delay.

D. All forfeitures shall be deposited in the state treasury in the oil and gas reclamation fund.

E. When the surety bond proves insufficient to cover the cost of plugging oil and gas wells on land other than federal land and funds must be expended from the oil and gas reclamation fund to meet the additional expenses, the oil conservation division is authorized to bring suit against the operator in the district court of the county in which the well is located for indemnification for all costs incurred by the oil conservation division in plugging the well. All funds collected pursuant to a judgment in a suit for indemnification brought under the provisions of this section shall be deposited in the oil and gas reclamation fund."

"65-3-12. ALLOCATION OF ALLOWABLE PRODUCTION AMONG FIELDS WHEN DIVISION LIMITS TOTAL AMOUNT OF PRODUCTION.--Whenever, to prevent waste, the division limits the total amount of crude petroleum oil to be produced in this state, it shall allocate or distribute the allowable productions among the fields of the state. Such allocation or distribution among the fields of the state shall be made on a reasonable basis, giving, if reasonable under all circumstances, to each pool with small wells of settled production, an allowable production which will prevent a general premature abandonment of the wells in the field."

65-3-13. ALLOCATION OF ALLOWABLE PRODUCTION IN FIELD OR POOL.--

A. Whenever, to prevent waste, the total allowable production of crude petroleum oil for any field or pool in the state is fixed by the division in an amount less than that which the field or pool could produce if no restriction were imposed, the division shall prorate or distribute the allowable production among the producers in the field or pool, upon a reasonable basis and recognizing correlative rights.

B. Crude petroleum oil produced within the allowable as fixed by the division shall herein be referred to as "legal oil" and crude petroleum oil produced in excess of such allowable shall be "illegal oil."

C. Whenever, to prevent waste, the total allowable natural gas production from gas wells producing from any pool in this state is fixed by the division in an amount less than that which the pool could produce if no restrictions were imposed, the division shall allocate the allowable production among the gas wells in the pool delivering to a gas transportation facility upon a reasonable basis and recognizing correlative rights, and shall include in the proration schedule of such pool any well which it finds is being unreasonably discriminated against through denial of access to a gas transportation facility which is reasonably capable of handling the type of gas produced by such well. In protecting correlative rights the division may give equitable consideration to acreage, pressure, open flow, porosity, permeability, deliverability and quality of the gas and to such other pertinent factors as may from time to time exist, and in so far as is practicable, shall prevent drainage between producing tracts in a pool which is not equalized by counterdrainage. In allocating production pursuant to the provisions of this subsection, the division shall fix proration periods of not less than six months. It shall determine reasonable market demand and make allocations of production during each such period, upon notice and hearing, at least thirty days prior to the beginning of each proration period. In so far as is feasible and practicable, gas wells having an allowable in a pool shall be regularly produced in proportion to their allowables in effect for the current proration period. Without approval of the division or one of its duly authorized agents, no natural gas well or pool shall be allowed to produce natural gas in excess of the allowable assigned to such source during any proration period; provided, that during an emergency affecting a gas transportation facility a gas well or pool having high deliverability period of emergency, not exceeding ten days, without penalty. The division may order subsequent changes in allowables for wells and pools to make fair and reasonable adjustment for overage resulting from the emergency. The provisions of this subsection shall not apply to any wells or pools used for storage and withdrawal from storage of natural gas originally produced not in violation of this act or the rules, regulations or orders of the division.

D. In fixing the allowable of a pool under Subsection C of this section, the division shall consider nominations of purchasers but shall not be bound thereby and shall so fix pool allowables as to prevent unreasonable discrimination between pools served by the same gas transporation facility by a purchaser purchasing in more than one pool.

E. Natural gas produced from gas wells within the allowable as determined as provided in Subsection C of this section shall herein be referred to as "legal gas", and natural gas produced in excess of such allowable shall be "illegal gas".

65-3-14. EQUITABLE ALLOCATION OF ALLOWABLE PRODUCTION--POOLING--SPACING.--

A. The rules, regulations or orders of the division shall, so far as it is practicable to do so, afford to the owner of each property in a pool the opportunity to produce his just and equitable share of the oil or gas, or both, in the pool, being an amount, so far as can be practically determined, and so far as such can be practicably obtained without waste, substantially in the proportion that the quantity of the recoverable oil or gas, or both, under such property bears to the total recoverable oil or gas, or both, in the pool, and for this purpose to use his just and equitable share of the reservoir energy.

B. The division may establish a proration unit for each pool, such being the area that can be efficiently and economically drained and developed by one well, and in so doing the division shall consider the economic loss caused by the drilling of unnecessary wells, the protection of correlative rights, including those of royalty owners, the prevention of waste, the avoidance of the augmentation of risks arising from the drilling of an excessive number of wells, and the prevention of reduced recovery which might result from the drilling of too few wells.

C. When two or more separately owned tracts of land are embraced within a spacing or proration unit, or where there are owners of royalty interest or undivided interest in oil and gas minerals which are separately owned or any combination thereof, embraced within such spacing or proration unit, the owner or owners thereof may validly pool their interests and develop their lands as a unit. Where, however, such owner or owners have not agreed to pool their interests, and where one such separate owners, or owners, who has the right to drill has drilled or proposes to drill a well on said unit to a common source of supply, the division, to avoid the drilling of unnecessary wells or to protect correlative rights, or to prevent waste, shall pool all or any part of such lands or interests or both in the spacing or proration unit as a unit.

All orders effecting such pooling shall be made after notice and hearing, and shall be upon such terms and conditions as are just and reasonable and will afford to the owner or owners of each tract or interest in the unit the opportunity to recover or receive without unnecessary expense his just and fair share of the oil or gas, or both. Each order shall describe the lands included in the unit designated thereby, identify the pool or pools to which it applies and designate an operator for the unit. All operations for the pooled oil or gas, or both, which are conducted on any portion of the unit shall be deemed for all purposes to have been conducted upon each tract within the unit by the owner or owners of such tract. For the purpose of determining the portions of production owned by the persons owning interests in the pooled oil or gas, or both, such production shall be allocated to the respective tracts within the unit in the proration that the number of surface acres included within each tract bears to the number of surface acres included in the entire unit. The portion of the production allocated to the owner or owners of each tract or interest included in a well spacing or proration unit formed by a pooling order shall, when produced, be considered as if produced from the separately owned tract or interest by a well drilled thereon. Such pooling order of the division shall make definite provision as to any owner, or owners, who elects not to pay his proportionate share in advance for the pro rata reimbursement solely out of production to the parties advancing the costs of the development and operation, which shall be limited to the actual expenditures required for such purpose not in excess of what are reasonable, but which shall include a reasonable charge for supervision and may include a charge for the risk involved in the drilling of such well, which charge for risk shall not exceed two hundred percent of the nonconsenting working interest owner's or owners' pro rata share of the cost of drilling and completing the well.

In the event of any dispute relative to such costs, the division shall determine the proper costs after due notice to interested parties and hearing thereon. The division is specifically authorized to provide that the owner or owners drilling, or paying for the drilling, or for the operation of a well for the benefit of all shall be entitled to all production from such well which would be received by the owner, or owners, for whose beneift the well was drilled or operated, after payment of royalty as provided in the lease, if any, applicable to each tract or interest, and obligations payable out of production, until the owner or owners drilling or operating the well or both have been paid the amount due under the terms of the pooling order or order settling such dispute. No part of the production or proceeds accruing to any owner or owners of a separate interest in such unit shall be applied toward the payment of any cost properly chargeable to any other interest in said unit.

If the interest of any owner or owners of any unleased mineral interest is pooled by virtue of this act, seven-eighths of such interest shall be considered as a working interest and one-eights shall be considered a royalty interest, and he shall in all events be paid one-eighth of all production from the unit and creditable to his interest.

D. Minimum allowable for some wells may be advisable from time to time, especially with respect to wells already drilled when this act takes effect, to the end that the production will repay reasonable lifting cost and thus prevent premature abandonment and resulting waste.

E. Whenever it appears that the owners in any pool have agreed upon a plan for the spacing of wells, or upon a plan or method of distribution of any allowable fixed by the division for the pool, or upon any other plan for the development or operation of such pool, which plan, in the judgment of the division, has the effect of preventing waste as prohibited by this act and is fair to the royalty onwers in such pool, then such plan shall be adopted by the division with respect to such pool; however, the division, upon hearing and after notice, may subsequently modify any such plan to extent necessary to prevent waste as prohibited by this act.

F. After the effective date of any rule, regulation or order fixing the allowable production, no person shall produce more than the allowable production applicable to him, or his wells, leases or properties determined as in this act provided, and the allowable production shall be produced in accordance with the applicable rules, regulations or orders.

65-3-14.5. SPACING OR PRORATION UNIT WITH DIVIDED MINERAL OWNERSHIP.--

A. Whenever the operator of any oil or gas well shall dedicate lands comprising a standard spacing or proration unit to an oil or gas well, it shall be the obligation of the operator, if two or more separately owned tracts of land are embraced within the spacing or proration unit, or where there are owners of royalty interests or undivided interest in oil or gas minerals which are separately owned or any combination thereof, embraced within such spacing or proration unit, to obtain voluntary agreements pooling said lands or interests or an order of the division pooling said lands, which agreement or order shall be effective from the first production. Any division order that increases the size of a standard spacing or proration unit for a pool, or extends the boundaries of such a pool, shall require dedication of acreage to existing wells in the pool in accordance with the acreage dedication requirements for said pool, and all interests in the spacing or proration units that are dedicated to the affected wells shall share in production from the effective date of said order.

B. Any operator failing to obtain voluntary pooling agreements, or failing to apply for an order of the division pooling the lands dedicated to the spacing or proration unit as required by this section, shall nevertheless be liable to account to and pay each owner of minerals or leasehold interest, including owners of overriding royalty interests and other payments out of production, either the amount to which each interest would be entitled if pooling had occurred or the amount to which each interest is entitled in the absence of pooling, whichever is greater.

C. Nonstandard spacing or proration units may be established by the division and all mineral and leasehold interests in any such nonstandard unit shall share in production from that unit from the date of the order establishing the said nonstandard unit.

65-3-15. COMMON PURCHASES--DISCRIMINATION IN PURCHASING PROHIBITED.--

A. Every person now engaged or hereafter engaging in the business of purchasing oil to be transported through pipelines, shall be a common purchaser thereof, and shall without discrimination in favor of one producer as against another in the same field, purchase all oil tendered to it which has been lawfully produced in the vicinity of, or which may be reasonably reached by pipelines through which it is transporting oil, or the gathering branches thereof, or which may be delivered to the pipeline or gathering branches thereof by truck or otherwise, and shall fully perform all the duties of a common purchaser. If any common purchaser shall not have need for all such oil lawfully produced within a field, or if for any reason it shall be unable to purchase all such oil, then it shall purchase from each producer in a field ratably, taking and purchasing the same quantity of oil from each well to the extent that each well is capable of producing its ratable portions; provided however, nothing herein contained shall be construed to require more than one pipeline connection for each producing well. In the event any such common purchaser of oil is likewise a producer or is affiliated with a producer, directly or indirectly, it is hereby expressly prohibited from discriminating in favor of its own production or in favor of the production of an affiliated producer as against that of others and the oil produced by such common purchaser or by the affiliate of such common purchaser shall be treated as that of any other producer for the purposes of ratable taking.

B. It shall be unlawful for any common purchaser to unjustly or unreasonably discriminate as to the relative quantities of oil purchased by it in the various fields of the state; the question of the justice or reasonableness to be determined by the division, taking into consideration the production and age of wells in the respective fields and all other factors. It is the intent of this act that all fields shall be allowed to produce and market a just and equitable share of the oil produced and marketed in the state, in so far as the same can be effected economically and without waste.

C. It shall be the duty of the division to enforce the provisions of this act, and it shall have the power, after notice and hearing as provided in Section 65-3-20 NMSA 1953, to make rules, and regulations and orders defining the distance that extension of the pipeline system shall be made to all wells not served; provided that no such authorization or order shall be made unless the division finds as to such extension that it is reasonably required and economically justified, or as to such extension of facilities that the expenditures involved therein, and the expense incident thereto, is justified in relation to the volume of oil available for transportation through said extension; and such other rules, regulations and orders as may be necessary to carry out the provisions of this act, and in making such rules, regulations and orders, the division shall give due consideration to the economic factors involved. The division shall have authority to relieve such common purchaser, after due notice and hearing as herein provided, from the duty of purchasing crude petroleum oil of inferior quality or grade or that is not reasonably suitable for the requirements of such common purchaser.

D. Any person now or hereinafter engaged in purchasing from one or more producers gas produced from gas wells shall be a common purchaser thereof within each common source of supply from which it purchases, and as such it shall purchase gas lawfully produced from gas wells with which its gas transportation facilities are

connected in the pool and other gas lawfully produced within the pool and tendered to a point on its gas transportation facilities. Such purchases shall be made without unreasonable discrimination in favor of one producer against another in the price paid, the quantities purchased, the basis of measurement or the gas transportation facilities afforded for gas of like quantity, quality and pressure available from such wells. In the event any such person is likewise a producer, he is prohibited to the same extent from discriminating in favor of himself on production from gas wells in which he has an interest, direct or indirect, as against other production from gas wells in the same pool. For the purpose of this act reasonable differences in prices paid or facilities afforded, or both, shall not constitute unreasonable discrimination if such differences bear a fair relationship for differences in quality, quantity or pressure of the gas available or to the relative lengths of time during which such gas will be available to the purchaser. The provisions of this subsection shall not apply:

(1) to any wells or pools used for storage and withdrawal from storage of natural gas originally produced not in violation of this act or of the rules, regulations or orders of the division;

(2) to purchases of casing-head gas from oil wells; and

(3) to persons purchasing gas principally for use in the recovery or production of oil or gas.

E. Any common purchaser taking gas produced from gas wells from a common source of supply shall take ratably under such rules, regulations and orders, concerning quantity, as may be promulgated by the division consistent with this act. The division, in promulgating such rules, regulations and orders may consider the quality and the deliverability of the gas, the pressure of the gas at the point of delivery, acreage attributable to the well, market requirements in the case of unprorated pools, and other pertinent factors.

F. Nothing in this act shall be construed or applied to require, directly or indirectly, any person to purchase gas of a quality or under a pressure or under any other condition by reason of which such gas cannot be economically and satisfactorily used by such purchaser by means of his gas transportation facilities then in service.

65-3-17. PENALTY FOR VIOLATIONS.--Any person who violates any provision of this act or in any rules, regulation or order of the commission or the division made pursuant to this act shall, upon conviction, be fined not more than one thousand dollars ($1,000) for each violation. Each day during which said violation is continued shall be considered a separate and complete offense for this purpose.

65-3-18. PURCHASE, SALE OR HANDLING OF EXCESS OIL, NATURAL GAS OR PRODUCTS PROHIBITED.--

A. The sale or purchase or acquisition, or the transportation, refining, processing, or handling in any other way, of crude petroleum oil or natural gas in whole or in part produced in excess of the amount allowed by any statute of this state, or by any provision of this act, or by any rule, regulation or order of the commission or division made thereunder, is hereby prohibited, and such oil or commodity is hereby referred to as "illegal oil" or "illegal gas", as the case may be.

B. The sale or purchase or acquisition, or the transportation, refining, processing or the handling in any other way, of any product of crude petroleum or any product of natural gas, which product is derived in whole or in part from crude petroleum oil or natural gas produced in whole or in part in excess of the amount allowed by any statute of this state, or by any provisions of this act, or by any rule, regulation or order of the commission or division made thereunder, is hereby prohibited, and each such commodity or product is herein referred to as "illegal oil product" to distinguish it from "legal oil product", or "illegal gas product" to distinguish it from "legal gas product."

65-3-19. RULES AND REGULATIONS TO EFFECTUATE PROHIBITIONS AGAINST PURCHASE OR HANDLING OF EXCESS OIL OR NATURAL GAS—PENALTIES.--

A. The division is specifically authorized and directed to make such rules, regulations and orders, and may provide for such certificates of clearance or tenders, as may be necessary to make effective the prohibitions contained in Section 65-3-18 NMSA 1953.

B. Unless and until the division provides for certificates of clearance or tenders, or some other method, so that any person may have an opportunity to determine whether any contemplated transaction of sale or purchase or acquisition, or of transportation, refining, processing, or handling in any other way, involves illegal oil or illegal oil product, or illegal gas or illegal gas product, no penalty shall be imposed for the sale or purchase or acquisition, or the transportation, refining, processing, or handling in any other way, of illegal oil or illegal oil product, or illegal gas or illegal gas product, except under circumstances stated in the succeeding provisions of this paragraph. Penalties shall be imposed for the commission of each transaction prohibited in Section 65-3-18 NMSA 1953 when the person committing the same knows that illegal oil or illegal oil product, or illegal gas or illegal gas product, is involved in such transaction, or when such person could have known or determined such fact by the exercise of reasonable dilegence or from facts within his knowledge. However, regardless of lack of actual notice or knowledge, penalties as provided in this act shall apply to any sale or purchase or acquistion, and to the transportation, refining, processing, or handling in any other way, of illegal oil or illegal oil product, or illegal gas or illegal gas product where

administrative provision is made for identifying the character of the commodity as to its legality. It shall likewise be a violation for which penalties shall be imposed for any person to sell or purchase or acquire, or to transport, refine, process, or handle in any way any crude petroleum oil or natural gas or any product thereof without complying with the rule, regulation or order of the commission or division relating thereto.

65-3-20. HEARINGS ON RULES, REGULATIONS AND ORDERS--NOTICE--EMERGENCY RULES.--Except as provided for herein, before any rule, regulation or order, including revocation, change, renewal or extension thereof, shall be made under the provisions of this act, a public hearing shall be held at such time, place and manner as may be prescribed by the division. The division shall first give reasonable notice of such hearing (in no case less than ten days, except in an emergency) and at any such hearing any person having an interest in the subject matter of the hearing shall be entitled to be heard. In case an emergency is found to exist by the division which in its judgment requires the making of a rule, regulation or order shall have the same validity as if a hearing with respect to the same had been held after due notice. The emergency rule, regulation or order permitted by this section shall remain in force no longer than fifteen days from its effective date, and, in any event, it shall expire when the rule, regulation or order made after due notice and hearing with respect to the subject matter of such emergency rule, regulation or order becomes effective.

"65-3-21. REPORTS OF GOVERNMENTAL DEPARTMENTS OR AGENCIES AS TO MARKET DEMAND TO BE DEEMED PRIMA FACIE CORRECT.--The reports, estimates, findings of fact, or similar documents or findings of the United States bureau of mines, or of any other department or agency of the United States government, or of any bureau or agency under an interstate compact to which the state of New Mexico is a party made with respect to the reasonable market demand for crude petroleum oil, may be considered by the division or by any court and taken as being prima facie correct."

65-3-22. REHEARINGS - APPEALS.

(a) Within twenty (20) days after entry of any order or decision of the Commission, any person affected thereby may file with the Commission an application for rehearing in respect of any matter determined by such order or decision, setting forth the respect in which such order or decision is believed to be erroneous. The Commission shall grant or refuse any such application in whole or in part within ten (10) days after the same is filed and failure to act thereon within such period shall be deemed a refusal thereof and a final disposition of such application. In the event the rehearing is granted, the Commission may enter such new order or decision after rehearing as may be required under the circumstances.

(b) Any party to such rehearing proceeding, dissatisfied with the disposition of the application for rehearing, may appeal therefrom to the District Court of the county wherein is located any property of such party affected by the decision, by filing a petition for the review of the action of the Commission within twenty (20) days after the entry of the order following rehearing or after the refusal or rehearing as the case may be. Such petition shall state briefly the nature of the proceedings before the Commission and shall set forth the order or decision of the Commission complained of and the grounds of invalidity thereof upon which the applicant will rely; provided, however, that the questions reviewed on appeal shall be only questions presented to the Commission by the application for rehearing. Notice of such appeal shall be served upon the adverse party or parties and the Commission in the manner provided for the service of summons in civil proceedings. The trial upon appeal shall be de novo, without a jury and the transcript of proceedings before the Commission, including the evidence taken in hearings by the Commission, shall be received in evidence by the court in whole or in part upon offer by either party, subject to legal objections to evidence, in the same manner as if such evidence was originally offered in the District Court. The Commission action complained of shall be prima facie valid and the burden shall be upon the party or parties seeking review to establish the invalidity of such action of the Commission. The Court shall determine the issues of fact and of law and shall, upon a preponderance of the evidence introduced before the Court, which may include evidence in addition to the transcript of proceedings before the Commission, and the law applicable thereto, enter its order either affirming, modifying, or vacating the order of the Commission. In the event the Court shall modify or vacate the order or decision of the Commission, it shall enter such order in lieu thereof as it may determine to be proper. Appeals may be taken from the judgment or decision of the District Court to the Supreme Court in the same manner as provided for appeals from any other final judgment entered by a District Court in this State. The trial of such application for relief from action of the Commission and the hearing of any appeal to the Supreme Court from the action of the District Court shall be expedited to the fullest possible extent.

(c) The pendency of proceedings to review shall not of itself stay or suspend operation of the order or decision being reviewed, but during the pendency of such proceedings, the District Court in its discretion may, upon its own motion or upon proper application of any party thereto, stay or suspend, in whole or in part, operation of said order or decision pending review thereof, on such terms as the court deems just and proper and in accordance with the practice of courts exercising equity jurisdiction; provided, that the court, as a condition to any such staying or suspension of operation of any order or decision, may require that one or more parties secure, in such form and amount as the court may deem just and proper, one or more other parties against loss or damage due to the staying or suspension of the Commission's order or decision, in the event that the action of the Commission shall be affirmed.

(d) The applicable rules of practice and procedure in civil cases for the courts of this state shall govern the proceedings for review, and any appeal therefrom to the Supreme Court of this state, to the extent such rules are consistent with provisions of this act.

65-3-22.1. REVIEW OF OIL CONSERVATION COMMISSION DECISION--APPEALS.--

The secretary of energy and minerals department may hold a public hearing to determine whether an order or decision issued by the oil conservation commission contravenes the department's statewide plan or the public interest. The hearing shall be held within twenty days after the entry of the commission order or decision following a rehearing or after the order refusing a rehearing as the case may be. The hearing shall be a de novo proceeding and the secretary shall enter such order or decision as may be required under the circumstances, having due regard for the conservation of the state's oil, gas and mineral resources, and the commission shall modify its own order or decision to comply therewith. If a rehearing before the commission was granted, the record of the rehearing shall be made part of the record of the hearing before the secretary. If the application for rehearing was denied, the record of the hearing before the commission or the division shall be made part of the record of the hearing before the secretary. Such orders and decisions of the secretary may be appealed by any party to the original hearing or the rehearing before the commission, or by any party to the hearing before the secretary held pursuant to this section, in accordance with the procedure of Subsections (b), (c) and (d) of Section 65-3-22 NMSA 1953 except that the appeal shall not be a de novo proceeding and shall be limited to a review of the record of the hearing held pursuant to the provisions of this section.

65-3-23. TEMPORARY RESTRAINING ORDER OR INJUNCTION--GROUNDS--HEARING--BOND.—

A. No temporary restraining order or injunction of any kind shall be granted against the commission or the members thereof, or against the attorney general, or against any agent, employee or representative of the division, restraining the commission, or any of its members, or the division or any of its agents, employees or representatives, or the attorney general, from enforcing any statute of this state relating to conservation of oil or gas, or any of the provisions of this act, or any rule, regulation or order made thereunder, except after due notice to the director of the division, and to all other defendants, and after a hearing at which it shall be clearly shown to the court that the act done or threatened is without sanction of law, or that the provision of this act, or the rule, regulation or order complained of, is invalid, and that, if enforced against the complaining party, will cause an irreparable injury. With respect to an order to decree granting temporary injunctive relief, the nature and extent of the probable invalidity of the state, or of any provision of this act, or of any rule, regulation or order thereunder involved in such suit, must be recited in the order or decree granting the temporary relief, as well as a clear statement of the probable damage relied upon by the court as justifying temporary injunctive relief.

B. No temporary injunction of any kind, including a temporary restraining order against the commission or the members thereof, or the division or its agents, employees or representatives, or the attorney general, shall become effective until the plaintiff shall execute a bond to the state with sufficient surety in an amount to be fixed by the court reasonably sufficient to indemnify all persons who may suffer damage by reason of the violation pendente lite by the complaining party of the statute or the provisions of this act or of any rule, regulation or order complained of. Any person so suffering damage may bring suit thereon before the expiration of six months after the statuce, provision, rule, regulation or order complained of shall be finally held to be valid, in whole or in part, or such suit against the commission, or the members thereof, or the division, shall be finally dismissed. Such bond shall be approved by the judge of the court in which the suit is pending, and shall be for the use and benefit of all persons who may suffer damage by reason of the violation pendente lite of the statute, provision, rule, regulation or order complained of in such suit, and who may bring suit within the time prescribed by this section; and such bond shall be so conditioned. From time to time, on motion and with notice to the parties, the court may increase or decrease the amount of the bond and may require new or additional sureties, as the facts may warrant.

65-3-24. ACTIONS FOR VIOLATIONS.--Whenever it shall appear that any person is violating, or threatening to violate, any statute of this state with respect to the conservation of oil or gas, or both, or any provision of this act, or any rule, regulation or order made thereunder, the division through the attorney general shall bring suit against such person in the county of the residence of the defendant, or in the county of the residence of any defendant if there be more than one defendant, or in the county where the violation is alleged to have occured, for penalties, if any are applicable, and to restrain such person from continuing such violation or from carrying out the threat of violation. In such suit the division may obtain injunctions, prohibitory and mandatory, including temporary restraining orders and temporary injunctions, as the facts may warrant, including, when appropriate, an injunction restraining any person from moving or disposing of illegal oil or illegal oil product, or illegal gas or illegal gas product, and any or all such commodities, or funds derived from the sale thereof, may be ordered to be impounded or placed under the control of an agent appointed by the court if, in the judgment of the court, such action is advisable.

65-3-25. ACTIONS FOR DAMAGES—INSTITUTION OF ACTIONS FOR INJUNCTIONS BY PRIVATE PARTIES.—Nothing in this act contained or authorized, and no suit by or against any person for violating any statute of this state with respect to conservation of oil and gas, or any provisions of this act, or any rule, regulation or order issued thereunder, shall impair or abridge or delay any cause of action for damages which any person may have or assert against any person violating any statute of this state with respect to conservation of oil and gas, or any provision of this act, or any rule, regulation or order issued thereunder. Any person so damaged by the violation may sue for and recover such damages as he may be entitled to receive. In the event the division should fail to bring suit to enjoin any actual or threatened violation of any statute of this state with respect to the conservation of oil and gas, or of any provision of this act, or of any rule, regulation or order made

thereunder, then any person or party in interest adversely affected by such violation, and who has notified the division in writing of such violation or threat thereof and has requested the division to sue, may, to prevent any or further violation, bring suit for that purpose in the district court of any county in which the division could have brought suit. If, in such suit, the court holds that injunctive relief should be granted, then the division shall be made a party and shall be substituted for the person who brought the suit, and the injunction shall be issued as if the division had at all times been the complaining party.

65-3-26. VIOLATION OF COURT ORDER GROUNDS FOR APPOINTMENT OF RECEIVER.--

The violation by any person of an order of the court relating to the operation of a well or wells, or of a pipeline or other transportation, equipment or facility, or of a refinery, or of a plant of any kind, shall be sufficient ground for the appointment of a receiver with power to conduct operations in accordance with the order of the court.

65-3-27. PENALTIES FOR VIOLATIONS--ACCESSORIES.--

A. Any person who, for the purpose of evading this act, or of evading any rule, regulation or order made hereunder, shall knowingly and willfully make or cause to be made any false entry or statement of fact in any report required to be made by this act or by any rule, regulation or order made hereunder; or who, for such purpose, shall make or cause to be made any false entry in any account, record or memorandum kept by any person in connection with the provisions of this act or of any rule, regulation or order made thereunder; or who, for such purpose, shall omit to make, or cause to be omitted, full, true and correct entries in such accounts, records or memoranda, of all facts and transactions pertaining to the interest of activities in the petroleum industry of such person as may be required by the commission or division under authority given to this act or by any rule, regulation or order made hereunder; or who, for such purpose, shall remove out of the jurisdiction of the state, or who shall mutilate, alter, or by any other means falsify, any book, record, or other paper pertaining to the transactions regulated by this act or by any rule, regulation or order made hereunder; shall be deemed guilty of a felony and shall be subject, upon conviction in any court of competent jurisdiction, to a fine of not more than one thousand dollars ($1,000), or imprisonment for a term of not more than three years, or to both such fine and imprisonment.

B. Any person who knowingly and willfully violates any provision of this act or any rule, regulation or order of the commission or division made hereunder, shall, in the event a penalty for such violation is not otherwise provided for herein be subject to a penalty of not to exceed one thousand dollars ($1,000) a day for each and every day of such violation, and for each and every act of violation, such penalty to be recovered in a suit in the district court of the county where the defendant resides, or in the county of the residence of any defendant if there be more than one defendant, or in the district court of the county where the violation took place. The place of suit shall be selected by the division, and such suit, by direction of the division, shall be instituted and conducted in the name of the division by the attorney general or under his direction by the district attorney of the county where the suit is instituted. The payment of any penalty as provided for herein shall not have the effect of changing illegal oil or illegal gas product into legal oil or legal gas product, nor shall such payment have the effect of authorizing the sale or purchase or acquisition, or the transportation, refining, processing, or handling in any other way, of such illegal oil or illegal gas, or illegal oil or illegal gas product, but to the contrary penalty shall be imposed for each prohibited transaction relating to such illegal oil or illegal gas or illegal oil or illegal gas product.

C. Any person knowingly and willfully aiding or abetting any other person in the violation of any statute of this state relating to the conservation of oil and gas, or the violation of any provisions of this act, or any rule, regulation or order made thereunder, shall be subject to the same penalties as are prescribed herein for the violation by such other person.

65-3-28 SEIZURE AND SALE OF ILLEGAL OIL OR GAS OR PRODUCTS--PROCEDURE.--

A. Apart from, and in addition to, any other remedy or procedure which may be available to the commission or the division, or any penalty which may be sought against or imposed upon any person, with respect to violations relating to illegal oil or illegal gas or illegal products thereof, all such oil or gas or products thereof shall, except under such circumstances as are stated herein, be contraband and shall be seized and sold, and the proceeds applied as herein provided. The sale shall not take place unless the court finds in the proceeding provided in this section that the owner of such illegal oil or illegal gas or product thereof is liable, or in some proceeding authorized by Sections 65-3-1 through 65-3-34 NMSA 1953, such owner has already been held to be liable, for penalty for having produced the illegal oil or illegal gas, or for having purchased or acquired the illegal oil or illegal gas or product thereof. Whenever the division believes that illegal oil or illegal gas or product thereof is subject to seizure and sale, as provided herein, it shall, through the attorney general, bring a civil action in rem for that purpose in the district court of the county where the commodity is found, or the action may be maintained in connection with any suit or cross-action for injunction or for penalty relating to any prohibited transaction involving the illegal oil or illegal gas or product thereof. Notice of the action in rem shall be given in conformity with the law or rule applicable to such proceeding. Any person or party in interest who may show himself to be adversely affected by any such seizure and sale shall have the right to intervene in the suit to protect his rights.

B. Whenever the pleading with respect to the forfeiture of illegal oil or illegal gas or product thereof shows ground for seizure and sale, and the pleading is verified or is supported by affidavit or affidavits, or by testimony under oath, the court shall order such commodity to be impounded or placed under the control, actual or constructive, of the court through an agent appointed by the court.

C. The judgment affecting the forfeiture shall provide that the commodity be seized, if not already under the control of the court, and that a sale be had in similar manner and with similar notice as provided by law or rule with respect to the sale of personal property under execution; provided, however, the court may order that the commodity be sold in specified lots or portions, and at specified intervals, instead of being sold at one time. Title to the amount sold shall pass as of the date of the seizure. The judgment shall provide for payment of the proceeds of the sale into the common school fund, after first deducting the costs in connection with the proceedings and the sale. The amount sold shall be treated as legal oil or legal gas or product thereof, as the case may be, in the hands of the purchaser, but the purchaser and the commodity shall be subject to all applicable laws and rules, regulations and orders with respect to further sale or purchase or acquisition, and with respect to the transportation, refining, processing, or handling in any other way, of the commodity purchased.

D. Nothing in this section shall deny or abridge any cause of action a royalty owner, or any lien holder, or any other claimant, may have, because of the forfeiture of the illegal oil or illegal gas or product thereof, against the person whose act resulted in such forfeiture.

65-3-29. DEFINITIONS OF WORDS USED IN ACT.—

Unless the context otherwise requires, the words defined in this section shall have the following meaning when found in this act, to-wit:

A. "Person" means any natural person, corporation, association, partnership receiver, trustee, guardian, executor, administrator and a fiduciary of any kind.

B. "Pool" means an underground reservoir containing a common accumulation of crude petroleum oil or natural gas or both. Each zone of a general struture, which zone is completely separate from any other zone in the structure, is covered by the word "pool" as used herein. "Pool" is synonymous with "common source of supply" and with "common reservoir."

C. "Field" means the general area which is underlaid or appears to be underlaid by at least one (1) pool; and "field" also includes the underground reservoir or reservoirs containing such crude petroleum oil or natural gas, or both. The words "field" and "pool" mean the same thing when only one (1) underground reservoir is involved; however, "field" unlike "pool" may relate to two (2) or more pools.

D. "Product" means any commodity or thing made or manufactured from crude petroleum oil or natural gas, and all derivatives of crude petroleum oil or natural gas, including refined crude oil, crude tops, topped crude, processed crude petroleum, residue from crude petroleum, cracking stock, uncracked fuel oil, treated crude oil, fuel oil, residuum, gas oil, naphtha, distillate, gasoline, kerosene, benzine, wash oil, waste oil, lubricating oil, and blends or mixtures of crude petroleum oil or natural gas or any derivative thereof.

E. "Owner" means the person who has the right to drill into and to produce from any pool, and to appropriate the production either for himself or for himself and another.

F. "Producer" means the owner of well or wells capable of producing oil or natural gas or both in paying quantities.

G. "Gas transportation facility" means a pipeline in operation serving gas wells for the transportation of natural gas, or some other device or equipment in like operation whereby natural gas produced from gas wells connected therewith can be transported or used for consumption.

H. "Correlative rights" means the opportunity afforded, so far as it is practicable to do so, to the owner of each property in a pool to produce without waste his just and equitable share of the oil or gas, or both, in the pool, being an amount, so far as can be practicably determined, and so far as can be practicably obtained without waste, substantially in the proportion that the quantity of recoverable oil or gas, or both, under such property bears to the total recoverable oil or gas, or both, in the pool, and for such purpose to use his just and equitable share of the reservoir energy.

I. "Potash" means the naturally occurring bedded deposits of the salts of the element potassium.

65-3-31. REGULATION, CONSERVATION AND PREVENTION OF WASTE OF CARBON DIOXIDE GAS.—

A. The oil conservation division is hereby vested with the authority and duty of regulation and conserving the production of and preventing waste of carbon dioxide gas within this state in the same manner, insofar as is practicable as it regulates, conserves and prevents waste of natural or hydrocarbon gas. The

provisions of this act relating to gas or natural gas shall also apply to carbon dioxide gas insofar as the same are applicable. "Carbon dioxide gas" as used herein shall mean non-combustible gas composed chiefly of carbon dioxide occurring naturally in underground rocks.

B. The commission shall have concurrent jurisdiction and authority with the division to the extent necessary for the commission to perform its duties as required by law.

65-3-35. LEGAL REPRESENTATION BEFORE THE FEDERAL POWER COMMISSION.--There may be a special assistant attorney general employed by the energy and minerals department who shall represent the interests of this state before the federal power commission. In addition this attorney shall work closely with other agencies having responsibilities relating to oil and gas matters and shall carry out such additional responsibilities as are delegated to him by the energy and minerals department. All costs incurred in employing such counsel shall be paid out of the oil conservation fund in accordance with provisions of State Budgets Act.

65-3-36. REMOVING OR ALTERING MARKS OF IDENTIFICATION--PENALTY.--

A. No person shall remove, alter, or attempt to remove or alter, any serial number, brand name, trade mark or any other mark of identification from any tool or any other item of construction or oil-field equipment by grinding, filing, welding or any other method with the intent to deprive its lawful owner of positive identification.

B. Any person who violates the provisions of this section is guilty of a misdemeanor and, upon conviction, shall be fined not more than one thousand dollars ($1,000) or imprisoned for a definite term of not more than one year or both.

65-3-37. OIL AND GAS RECLAMATION FUND CREATED--DISPOSITION OF FUND.--There is hereby created the "oil and gas reclamation fund". All funds in the oil and gas reclamation fund and the earnings therefrom are appropriated to the energy and minerals department for use by the oil conservation division in carrying out the provisions of the Oil and Gas Act.

65-3-38. OIL AND GAS RECLAMATION FUND ADMINISTERED--PLUGGING WELLS ON FEDERAL LAND--RIGHT OF IDENTIFICATION--ANNUAL REPORT--CONTRACTORS SELLING EQUIPMENT FOR SALVAGE.--

A. The oil and gas reclamation fund shall be administered by the oil conservation division. The director of the division shall cause to be prepared plans for the plugging of abandoned wells which have not been plugged or which have been improperly plugged. The director, as funds become available in the oil and gas reclamation fund, shall reclaim, and properly plug, all abandoned wells in accordance with the provisions of the Oil and Gas Act, and the rules and regulations promulgated thereunder. The division may order wells plugged on federal lands on which there are no bonds running to the benefit of the state in the same manner and in accordance with the same procedures as with wells drilled on state and fee land, including utilizing funds from the oil and gas reclamation fund to pay the cost of such plugging. When the costs of plugging a well drilled on federal mineral leases are paid from the oil and gas reclamation fund, the division is authorized to bring a suit against the operator or the owner of the minerals under the tract, or both, in the district court of the county in which the well is located for indemnification for all costs incurred by the division in plugging said well. Anyfunds collected pursuant to a judgment in a suit for indemnification brought under the Oil and Gas Act shall be deposited in the oil and gas reclamation fund.

B. The director shall make an annual report to the secretary of energy and minerals, the governor and the legislature on the use of the oil and gas reclamation fund.

C. All contracts for well plugging shall be entered into in accordance with the provisions of the Public Purchases Act. Any contractor employed by the division to plug a well is authorized to sell for salvage the equipment and material which is removed from the well in plugging it.

65-9-1. PUBLIC INTEREST AND WELFARE.--

The underground storage of natural gas which promotes conservation thereof, which permits the building of reserves for orderly withdrawal in periods of peak demand, which makes more readily available our natural gas resources to the domestic, commercial and industrial consumers of this state, and which provides, a better year-round market to the various gas fields, is hereby declared to be in the public interest and welfare of this state and the citizens hereof.

65-9-2. DEFINITIONS.--As used in this act:

A. "underground storage" shall mean storage of natural gas in a subsurface stratum or formation of the earth;

B. "natural gas" shall mean natural gas either while in its original state after withdrawal from the earth or after the same has been processed by removal therefrom of component parts not essential to its use for light and fuel;

C. "native gas" shall mean gas which has not been previously withdrawn from the earth;

D. "division" shall mean the oil conservation division of the energy and minerals department;

E. "commission" shall mean the oil conservation commission;

F. "natural gas company" shall mean any person, firm or corporation engaged in the distribution, sale or furnishing of natural gas to or for the public subject to regulation by the public service commission under the Public Utility Act, or any person, firm or corporation engaged in the business of transporting natural gas, subject to regulation by the federal power commission under the Natural Gas Act; and

G. "public body" shall mean the state of New Mexico or any department, board, commission, bureau, institution, public agency, county or political subdivision thereof including bodies corporate, bodies politic, municipal corporations, school districts, conservancy districts and quasi-municipal corporations of all kinds.

65-9-3. ACQUISITION OF LANDS FOR PURPOSES OF UNDERGROUND NATURAL GAS STORAGE - LANDS CONTROLLED BY PUBLIC BODY, EXECUTOR, ADMINISTRATOR, GUARDIAN, RECEIVER, OR TRUSTEE.

Any natural gas company desiring to make use of a formation or stratum as reservoir for the underground storage of natural gas shall attempt to acquire by option, lease, conveyance or other negotiated means, such formation or stratum prior to resorting to the exercise of the power of eminent domain as hereinafter granted. Any public body and any executor, administrator, guardian, receiver or trustee shall be authorized to grant to any such natural gas company rights for underground storage of natural gas in lands subject to its or his control in the same manner as provided by law for entering into oil and gas leases, or if any such public body, executor, administrator, guardian, receiver, or trustee shall not be specifically authorized by law to make oil and gas leases, then the manner provided by law for lease by such public body, executor, administrator, guardian, receiver, or trustee of interests in land, or if any such public body, executor, administrator, guardian, receiver, or trustee shall not be specifically authorized by law to make oil and gas leases or leases for interests in land, then in the manner provided by law for the sale by such public body, executor, administrator, guardian, receiver, or trustee of interests in land.

65-9-4. APPROPRIATION OF UNDERGROUND STORAGE FACILITIES--LIMITATIONS.--By eminent domain proceedings, any natural gas company may appropriate for underground storage of natural gas any subsurface stratum or formation in any land which the division shall have found to be suitable for the underground storage of natural gas, and in connection therewith may appropriate such other interests in the land as may be required to maintain and operate facilities for such underground storage; provided, however, that the right to appropriate underground formations and strata shall be limited as follows:

A. no formation or stratum which is producing or which is capable of producing oil in paying quantities, through any known recovery method, shall be subject to appropriation hereunder;

B. no formation or stratum that contained native gas producible in paying quantities shall be subject to appropriation hereunder, unless the recoverable volumes of native gas originally in place therein shall be substantially depleted, and unless such formation or stratum has a greater value or utility as a gas storage reservoir for the purpose of insuring an adequate supply of natural gas, or for the conservation of natural gas, then for the production of the relatively small volumes of native gas which remain therein;

C. no formation or stratum underlying lands which contain known commercial deposits of potash shall be subject to appropriation hereunder;

D. no formation or stratum shall be subject to appropriation hereunder if its use for underground storage purposes would cause injury to surface or underground water resources;

E. no rights or interest in existing underground gas reservoirs, being used for the injection, storage and withdrawal of natural gas, owned or operated by other than the condemner, shall be subject to appropriation;

F. no dwelling, barn, store, warehouse or other building shall be subject to appropriation hereunder; and

G. the right of appropriation hereby granted shall be without prejudice to the rights of the owner of said lands or of other rights or interests therein to drill through the underground stratum or formation so appropriated in such manner as shall comply with orders, rules and regulations of the division issued for the purpose of protecting underground storage strata or formations against pollution and against the escape of natural gas therefrom and shall be without prejudice to the rights of the owner of said lands or other rights or interests therein as to all other uses thereof.

65-9-5. FINDINGS OF OIL CONSERVATION DIVISION.—Any natural gas company desiring to exercise the right of eminent domain as to any land for underground storage of natural gas shall, as a conditional precedent to the filing of its petition in the district court, obtain from the division a decision finding:

A. that the underground stratum or formation sought to be acquired is suitable for the underground storage of natural gas;

B. that the underground stratum or formation sought to be acquired is incapable of producing oil in paying quantities through any known recovery method;

C. that the formation or stratum sought to be acquired is not underlying lands which contain known commercial deposits of potash;

D. that injury will not be caused to surface or underground water resources;

E. that the underground stratum or formation sought to be acquired, if it contained native gas capable of production in paying quantities, is substantially depleted of recoverable native gas, and that such formation or stratum has a greater value or utility as a gas storage reservoir than for the production of the remaining volumes of native gas therein;

F. the extent of the horizontal limits of the reservoir expected to be penetrated by displaced or injected gas; and

G. that no portion of the formation or stratum sought to be acquired has been appropriated or is being utilized for the injection, storage and withdrawl of natural gas by others.

65-9-6. COMMISSION OR DIVISION PROCEDURE.—The laws, rules and regulations relating to commission or division action in matters pertaining to conservation of oil and gas shall be applicable to commission or division proceedings under this act.

65-9-7. EXERCISE OF RIGHT OF EMINENT DOMAIN.—Any natural gas company having first obtained a decision from the division, as hereinbefore provided, may proceed to appropriate for underground storage of natural gas subsurface strata or formations and such other interests in the land as may be required to maintain and operate facilities for such underground storage in the manner provided by law for the exercise of the right of eminent domain by railroads and telegraph and telephone companies.

65-9-8. OWNERSHIP OF INJECTED GAS.—

All natural gas which has previously been reduced to possession, and which is subsequently injected into underground storage in any strata or formation shall at all times be deemed the property of the injector, his heirs, successors or assigns; and in no event shall such gas be subject to the right of the owner of the surface of said lands or of any mineral interest therein, under which said strata or formation lie, or of any person other than the injector, his heirs, successors, and assigns, to produce, take reduce to possession, waste, or otherwise interfere with or exercise any control thereover; provided, that the injector, his heirs, successors and assigns, shall have no right to gas in any stratum, formation or portion thereof, in which storage rights have not been acquired pursuant to this act (65-9-1 to 65-9-8), or otherwise purchased.

65-14-1. PURPOSE OF ACT.

The legislature finds and determines that it is desirable and necessary under the circumstances and for the purposes hereinafter set out, to authorize and provide for the unitized management, operation and further development of the oil and gas properties to which the Statutory Unitization Act (65-14-1 to 65-14-21) is applicable, to the end that greater ultimate recovery may be had therefrom, waste prevented, and correlative rights protected of all owners of mineral interests in each unitized area. It is the intention of the legislature that the Statutory Unitization Act apply to any type of operation that will substantially increase the recovery of oil above the amount that would be recovered by primary recovery alone and not to what the industry understands as exploratory units.

65-14-2. SHORT TITLE.

This act (65-14-1 to 65-14-21) may be cited as the "Statutory Unitization Act."

65-14-3. ADDITIONAL POWERS AND DUTIES OF THE OIL CONSERVATION DIVISION.—Subject to the limitations of the Statutory Unitization Act the oil conservation division of the energy and minerals department hereinafter referred to as the "division", is hereby vested with jurisdiction, power and authority and it shall be its duty to make and enforce such orders and do such things as may be necessary or proper to carry out and effectuate the purposes of the Statutory Unitization Act.

65-14-4. DEFINITIONS.—For the purposes of the Statutory Unitization Act, unless the context otherwise requires:

A. "pool" means an underground reservoir containing a common accumulation of crude petroleum oil or natural gas or both. Each zone of a general structure, which zone is completely separate from any other zone in the structure, is covered by the word pool as used herein. Pool is synonymous with "common source of supply" and with "common reservoir";

B. "oil and gas" means crude oil, natural gas, casinghead gas, condensate or any combination thereof;

C. "waste", in addition to its meaning in Section 65-3-3 NMSA 1953, shall include both economic and physical waste resulting, or that could reasonably be expected to result, from the development and operation separately of tracts that can best be developed and operated as a unit;

D. "working interest" means an interest in unitized substances by virtue of a lease, operating agreement, fee title or otherwise, excluding royalty owners, owners of overriding royalties, oil and gas payments, carried interests, mortgages and lien claimants but including a carried interest, the owner of which is primarily obligated to pay, either in cash or out of production or otherwise, a portion of the unit expense; however, oil and gas rights that are free of lease or other instrument creating a working interest shall be regarded as a working interest to the extent of seven-eighths thereof and a royalty interest to the extent of the remaining one-eighth thereof;

E. "working interest owner" or "lessee" means a person who owns a working interest;

F. "royalty interest" means a right to or interest in any portion of the unitized substances or proceeds thereof other than a working interest;

G. "royalty owner" means a person who owns a royalty interest;

H. "unit operator" means the working interest owner, designated by working interest owners under the unit operating agreement or the division to conduct unit operations, acting as operator and not as a working interest owner;

I. "basic royalty" means the royalty reserved in the lease but in no event exceeding one-eighth; and

J. "relative value" means the value of each separately owned tract for oil and gas purposes and its contributing value to the unit in relation to like values of other tracts in the unit, taking into account acreage, the quantity of oil and gas recoverable therefrom, location on structure, its probably productivity of oil and gas in the absence of unit operations, the burden of operation to which the tract will or is likely to be subjected, or so many of said factors, or such other pertinent engineering, geological, operating or pricing factors, as may be reasonably susceptible of determination.

65-14-5. REQUISITES OF APPLICATION FOR UNITIZATION.--Any working interest owner may file an application with the division requesting an order for the unit operation of a pool or any part thereof. The application shall contain:

A. a description of the proposed unit area and the vertical limits to be included therein with a map or plat thereof attached;

B. a statement that the reservoir or portion thereof involved in the application has been reasonably defined by development;

C. a statement of the type of operations contemplated for the unit area;

D. a copy of a proposed plan of unitization which the applicant considers fair, reasonable and equitable;

E. a copy of a proposed operating plan covering the manner in which the unit will be supervised and managed and costs allocated and paid; and

F. an allegation of the facts required to be found by the division under Section 65-14-6 NMSA 1953.

65-14-6. MATTERS TO BE FOUND BY THE DIVISION PRECEDENT TO ISSUANCE OF UNITIZATION ORDER.--

A. After an application for unitization has been filed with the division and after notice and hearing, all in the form and manner and in accordance with the procedural requirements of the division, and prior to reaching a decision on the petition, the division shall determine whether or not each of the following conditions exists:

(1) that the unitized management, operation and further development of the oil or gas pool or a portion thereof is reasonably necessary in order to effectively carry on pressure maintenance or secondary or tertiary recovery operations, to substantially increse the ultimate recovery of oil and gas from the pool or the unitized portion thereof;

(2) that one or more of the said unitized methods of operations as applied to such pool or portion thereof is feasible, will prevent waste and will result with reasonable probability in the increased recovery of substantially more oil and gas from the pool or unitized portion thereof than would otherwise be recovered;

(3) that the estimated additional costs, if any, of conducting such operations will not exceed the estimated value of the additional oil and gas so recovered plus a reasonable profit;

(4) that such unitization and adoption of one or more of such unitized methods of operation will benefit the working interest owners and royalty owners of the oil and gas rights within the pool or portion thereof directly affected;

(5) that the operator has made a good faith effort to secure voluntary unitization within the pool or portion thereof directly affected; and

(6) that the participation formula contained in the unitization agreement allocates the produced and saved unitized hydrocarbons to the separately owned tracts in the unit area on a fair, reasonable and equitable basis.

B. If the division determines that the participation formula contained in the unitization agreement does not allocate unitized hydrocarbons on a fair, reasonable and equitable basis, the division shall determine the relative value, from evidence introduced at the hearing, taking into account the separately owned tracts in the unit area, exclusive of physical equipment, for development of oil and gas by unit operations, and the production allocated to each tract shall be the proportion that the relative value of each tract so determined bears to the relative value of all tracts in the unit area.

C. When the division determines that the preceding condition exist it shall make findings to that effect and make an order creating the unit and providing for the unitization and unitized operation of the pool or portion thereof described in the order, all upon such terms and conditions as may be shown by the evidence to be fair, reasonable, equitable and which are necessary or proper to protect and safeguard the respective rights and obligations of the working interest owners and royalty owners.

65-14-7. DIVISION ORDERS.--The order providing for unitization and unit operation of a pool or part thereof shall be upon terms and conditions that are fair, reasonable and equitable and shall approve or prescribe a plan or unit agreement for unit operation which shall include:

A. a legal description in terms of surface area of the pool or part thereof to be operated as a unit and the vertical limits to be included therein "the unit area";

B. a statement of the nature of the operations contemplated;

C. an allocation to the separately owned tracts in the unit area of all the oil and gas that is produced from the unit area and is saved, being the production that is not used in the conduct of operations on the unit area or not unavoidably lost;

D. a provision for the credits and charges to be made in the adjustment among the owners in the unit area for their respective investments in wells, tanks, pumps, machinery, materials and equipment contributed to the unit operations;

E. a provision governing how the costs of unit operations including capital investments shall be determined and charged to the separately owned tracts and how said costs shall be paid including a provision providing when, how, and by whom the unit production allocated to an owner who does not pay the share of the costs of unit operations charged to such owner, or the interest of such owner, may be sold and the proceeds applied to the payment of such costs;

F. a provision for carrying any working interest owner on a limited, carried or net-profits basis, payable out of production, upon such terms and conditions determined by the division to be just and reasonable, and allowing an appropriate charge for interest for such service payable out of such owner's share of production, provided that any nonconsenting working interest owner being so carried shall be deemed to have relinquished to the unit operator all of its operating rights and working interest in and to the unit until his share of the costs, service charge and interest are repaid to the unit operator;

G. a provision designating the unit operator and providing for the supervision and conduct of the unit operations, including the selection, removal or substitution of an operator from among the working interest owners to conduct the unit operations;

H. a provision for a voting procedure for the decision of matters to be decided by the working interest owners in respect to which each working interest owner shall have a voting interest equal to its unit participation;

I. the time when the unit operation shall commence and the manner in which, and the circumstances under which, the operations shall terminate and for the settlement of accounts upon such termination; and

J. such additional provisions that are found to be appropriate for carrying on the unit operations and for the protection of correlative rights and the prevention of waste.

65-14-8. RATIFICATION OR APPROVAL OF PLAN BY OWNERS.--

A. No order of the division providing for unit operations shall become effective unless and until the plan for unit operations prescribed by the division has been approved in writing by those persons who, under the division's order, will be required initially to pay at least seventy-five percent of the costs of the unit operations, and also by the owners of at least seventy-five percent of the production or proceeds thereof

that will be credited to interests which are free of cost such as royalties, overriding royalties and production payments, and the division has made a finding either in the order providing for unit operations or in a supplemental order, that the plan for unit operations has been so approved. Notwithstanding any other provisions of this section, if seventy-five percent or more of the unit area is owned, as to working interest, by one working interest owner, such working interest owner must be joined by at least one other working interest owner in ratifying and approving the plan of unit operations, unless such working interest in said unit area; provided, however, if a single owner is one who, under the division's order will be required initially to pay at least twenty-five percent, but not more than fifty percent, of the costs of unit operation, such owner must be joined by at least one other owner of the same type interest in disapproving, or failure to approve, the plan of unit operations to defeat the plan.

B. If one owner is the owner of at least twenty-five percent, but not more than fifty percent, of the production or proceeds thereof that will be credited to interests which are free of costs, such owner must be credited to interests which are free of costs, such owner must be joined by at least one other owner of the same type interest in disapproving, or failure to approve, the plan of unit operations to defeat the plan.

C. If the persons owning the required percentage of interest in the unit area do not approve the plan for unit operations within a period of six months from the date on which the order providing for unit operations is made, such order shall cease to be of further force and effect and shall be revoked by the division, unless the division shall extend the time for ratification for good cause shown.

D. When the persons owning the required percentage of interest in the unit area have approved the plan for unit operations, the interests of all persons in the unit are unitized whether or not such persons have approved the plan of unitization in writing.

65-14-9. AMENDMENT OF PLAN OF UNITIZATION.—An order providing for unit operations may be amended by an order made by the division in the same manner and subject to the same conditions as an original order providing for unit operations, provided:

A. if such an amendment affects only the rights and interests of the working interest owners, the approval of the amendment by the royalty owners shall not be required; and

B. no such amendment shall change the percentage for the allocation of oil and gas as established for any separately owned tract by the original order, except with the consent of all working interest owners and royalty owners in such tract, or change the percentage for the allocation of costs as established for any separately owned tract by the original order, except with the consent of all working interest owners in such tract.

"65-14-10. PREVIOUSLY ESTABLISHED UNITS.—The division, by order, may provide for the unit operation of a pool or parts thereof that embrace a unit area established by a previous order of the division. Such order, in providing for the allocation of unit production, shall first treat the unit area previously established as a single tract, and the portion of the unit production allocated thereto shall then be allocated among the separately owned tracts included in such previously established unit area in the same proportions as those specified in the previous order."

"65-14-11. UNIT OPERATIONS OF LESS THAN AN ENTIRE POOL.—An order may provide for unit operation on less than the whole of a pool where the unit area is of such size and shape as may be reasonably suitable for that purpose, and the conduct thereof will have no adverse effect upon other portions of the pool."

"65-14-12. OPERATION--EXPRESSED OR IMPLIED COVENANTS.—All operations, including but not limited to, the commencement, drilling or operation of a well upon any portion of the unit area shall be deemed for all purposes the conduct of such operations upon each separately owned tract in the unit area by the several owners thereof. The portion of the unit production allocated to a separately owned tract in a unit area shall, when produced, be deemed, for all purposes, to have been actually produced from such tract by a well drilled thereon. Operations conducted pursuant to an order of the division providing for unit operations shall constitute a fulfillment of all the express or implied obligations for each lease or contract covering lands in the unit area to the extent that compliance with such obligations cannot be had because of the order of the division."

65-14-13. INCOME FROM UNITIZED SUBSTANCES.—The portion of the unit production allocated to any tract, and the proceeds from the sale thereof, shall be the property and income of the several persons to whom, or to whose credit, the same are allocated or payable under the order providing for unit operations.

65-14-14. LIEN FOR COSTS.—Subject to such reasonable limitation as may be set out in the plan of unitization, the unit shall have a first and prior lien upon the leasehold estate and other oil and gas rights (exclusive of a one-eighth royalty interest or exclusive of the interest provided in the unit operating plan which allocates costs, if it is different than one-eighth) in and to each separately owned tract, the interest of the owners thereof in and to the unit production and all equipment in the possession of the unit, to secure the payment of the amount of the unit expense charged to and assessed against such separately owned tract.

65-14-15. LIABILITY FOR EXPENSES.—The obligation or liability of each working interest owner in the several separately owned tracts in the unit for the payment of unit expense at all times shall be several and not joint or collective, and a working interest owner shall not be chargeable with, obligated or liable for,

directly or indirectly, more than the amount apportioned, assessed or otherwise charged to his interest in the separately owned tract pursuant to the order of unitization.

"65-14-16. DIVISION ORDERS.--

A. No division order or other contract relating to the sale or purchase of production from a separately owned tract shall be terminated by the order providing for unit operations, but shall remain in force and apply to oil and gas allocated to such tract until terminated in accordance with the provisions thereof.

B. For purposes of this section, "division order" shall mean a contract of sale to the purchaser of oil and gas."

65-14-17. PROPERTY RIGHTS.—Except to the extent that the parties affected so agree, no order providing for unit operations shall be construed to result in a transfer of all or any part of the title of any person to the oil and gas rights in any tract in the unit area. All property, whether real or personal, that may be acquired in the conduct of unit operations hereunder shall be acquired for the account of the working interest owners within the unit area, and shall be the property of such working interest owners in the proportion that the costs of unit operations are charged.

"65-14-18. EXISTING RIGHTS, RIGHTS IN UNLEASED LAND, AND ROYALTIES AND LEASE BURDENS.--Property rights, leases, contracts, and other rights or obligations shall be regarded as amended and modified only to the extent necessary to conform to the provisions and requirements of the Statutory Unitization Act and to any valid order of the division providing for the unit operation of a pool or a part thereof, but otherwise shall remain in full force and effect. A one-eighth part of the production allocated to each tract under an order providing for the unit operation of a pool or a part thereof, shall in all events be and remain free and clear of any costs or expense of developing or operating the unit and of any lien therefor as an encumbered source from which to pay the royalties or other cost-free obligations due or payable with respect to the production from such tract. If a lease or other contract pertaining to a tract or interest stipulates a royalty, overriding royalty, production payment, or other obligation in excess of one-eighth of the production or proceeds therefrom, then the working interest owner subject to such excess payment or other obligation shall bear and pay the same."

65-14-19. AGREEMENTS NOT VIOLATIVE OF LAWS GOVERNING MONOPOLIES OR RESTRAINT OF TRADE.--No agreement between or among lessees or other owners of oil and gas rights in oil and gas properties entered into pursuant hereto or with a view or for the purpose of bringing about the unitized development or operation of such properties, shall be held to violate any of the statutes of this state prohibiting monopolies or acts, arrangements, agreements, contracts, combinations or conspiracies in restraint of trade or commerce.

65-14-20. EVIDENCE OF UNIT TO BE RECORDED.—A copy of each unit agreement shall be recorded in the office of the county clerk of the county or counties in which the unit is situated.

"65-14-21. UNLAWFUL OPERATION.--From and after the date designated by the division that a unit plan shall become effective, the operation of any well producing from the pool within the area subject to said unit plan, by persons other than persons acting under the authority of the unit plan, or except in the manner and to the extent provided in such unit plan, shall be unlawful and is hereby prohibited."

72-20-4. OIL AND GAS CONSERVATION TAX LEVIED—COLLECTED BY COMMISSION—RATE—INTEREST OWNER'S LIABILITY TO STATE—INDIAN LIABILITY.--

A. There is levied and shall be collected by the oil and gas accounting commission a tax on all products which are severed and sold. The measure of the tax shall be nineteen one-hundredths of one percent of the taxable value of sold products. Every interest owner shall be liable for this tax to the extent of his interest in the value of such products, or to the extent of his intererst as may be measured by the value of such products. Provided, any Indian tribe, Indian pueblo or Indian shall be liable for this tax to the extent authorized or permitted by law.

B. In the event the unencumbered balance in the oil and gas reclamation fund equals or exceeds one million dollars ($1,000,000) for any one-month period computed after payment of the tax for that month, then the tax levied by Subsection A of this section shall be reduced by one one-hundredths of one percent and no funds collected by the tax shall be deposited in the oil and gas reclamation fund, notwithstanding the provisions of Section 72-20-14 NMSA 1953. When the unencumbered balance in the oil and gas reclamation fund is less than or equal to five hundred thousand dollars ($500,000), then the tax levied by Subsection A of this section shall be increased by one one-hundredths of one percent and the additional funds shall be deposited in accordance with the provisions of Section 72-20-14 NMSA 1953.

72-20-14. DISPOSITION OF OIL CONSERVATION FUND.—The oil conservation fund, or so much thereof as may be necessary, is hereby appropriated to the energy and minerals department to be by it expended in the performance of its duties; provided, however, that an amount equal to one-hundredths of one percent of the taxable value of sold products shall be deposited in the oil and gas reclamation fund to be used by the oil conservation division in carrying out the provisions of the Oil and Gas Act.

"75-39-2. DEFINITIONS.--As used in the Water Quality Act:

A. "water contaminant" means any substance which alters the physical, chemical or biological qualities of water;

B. "water pollution" means introducing or permitting the introduction into water, either directly or indirectly, of one or more water contaminants in such quantity and of such duration as may with reasonable probability injure human health, animal or plant life, or property, or to unreasonably interfere with the public welfare or the use of property;

C. "wastes" means sewage, industrial wastes or any other liquid, gaseous or solid substance which will pollute any waters of the state;

D. "sewer system" means pipelines, conduits, pumping stations, force mains or any other structures, devices, appurtenances or facilities used for collecting or conducting wastes to an ultimate point for treatment or disposal;

E. "treatment works" means any plat or other works used for the purpose of treating, stabilizing or holding wastes;

F. "sewerage system" means a system for disposing of wastes, either by surface or underground methods, and includes sewer systems, treatment works, disposal wells and other systems;

G. "water" means all water including water situated wholly or partly within or bordering upon the state, whether surface or subsurface, public or private, except private waters that do not combine with other surface or subsurface water;

H. "person" means the state or any agency, institution or political subdivision thereof, any public or private corporation, individual, partnership, association or other entity, and includes any officer, or governing or managing body of any political subdivision or public or private corporation;

I. "commission" means the water quality control commission;

J. "constituent agency" means, as the context may require, any or all of the following agencies of the state:

(1) the environmental improvement division of the health and environment department;

(2) the state engineer and the interstate stream commission;

(3) the New Mexico department of game and fish;

(4) the oil conservation commission;

(5) the state parks and recreation commission;

(6) the New Mexico department of agriculture;

(7) the state natural resource conservation commission; and

(8) the New Mexico bureau of mines; and

K. "new source" means any source, the construction of which is commenced after the publication of proposed regulations prescribing a standard of performance applicable to the source."

75-39-3. WATER QUALITY CONTROL COMMISSION CREATED.—

A. There is created the "water quality control commission" consisting of:

(1) the director of the environment improvement division of the health and environment department or a member of his staff designated by him;

(2) the director of the New Mexico department of game and fish or a member of his staff designated by him;

(3) the state engineer or a member of his staff designated by him;

(4) the secretary of the oil conservation commission or a member of his staff designated by him;

(5) the director of state park and recreation commission or a member of his staff designated by him;

(6) the director of the New Mexico department of agriculture or a member of his staff designated by him;

(7) the executive secretary of the state natural resource conservation commission or a member of his staff designated by him;

(8) the director of the New Mexico bureau of mines or a member of his staff designated by him; and

(9) a representative of the public to be appointed by the governor for a term of four years and who shall be compensated from the budgeted funds of the health and environment department in accordance with the provisions of the Per Diem and Mileage Act.

B. No member of the commission shall receive or shall have received, during the previous two years, a significant portion of his income directly or indirectly from permit holders or applicants for a permit and shall, upon the acceptance of his appointment and prior to the performance of any of his duties, file a statement of disclosure with the secretary of state disclosing any amount of money or other valuable consideration, and its source, the value of which is in excess of ten percent of his gross personal income in each of the preceding two years, that he received directly or indirectly from permit holders or applicants for permits required under the Water Quality Act.

C. The commission shall elect a chairman and other necessary officers and shall keep a record of its proceedings.

D. A majority of the commission constitutes a quorum for the transaction of business, but no action of the commission is valid unless concurred in by five or more members present at a meeting.

E. The commission is the state water pollution control agency for this state for all purposes of the Federal Water Pollution Control Act, the Water Quality Act of 1965 and the Clean Waters Restoration Act of 1966, and may take all action necessary and appropriate to secure to this state, its political subdivisions or interstate agencies the benefits of these acts.

F. The commission is administratively attached, as defined in the Executive Reorganization Act, to the health and environment department.

75-39-4. DUTIES AND POWERS OF COMMISSION.—The commission:

A. May accept and supervise the administration of loans and grants from the federal government and from other sources, public or private, which loans and grants shall not be expended for other than the purposes for which provided;

B. shall adopt a comprehensive water quality program and develop a continuing planning process;

C. Shall adopt water quality standards as a guide to water pollution control;

D. shall adopt, promulgate and publish regulations to prevent or abate water pollution in the state or in any specific geographic area or watershed of the state or in any part thereof, or for any class of waters. Regulations shall not specify the method to be used to prevent or abate water pollution, but may specify a standard of performance for new sources which reflects the greatest degree of effluent reduction which the commission determines to be achievable through application of the best available demonstrated control technology, processes, operating methods, or other alternatives, including, where practicable, a standard permitting no discharge or pollutants. In making its regulations, the commission shall give weight it deems appropriate to all facts and circumstances, including but not limited to:

(1) character and degree of injury to or interference with health, welfare and property;

(2) the public interest, including social and economical value of the sources of water contaminants;

(3) technical practicability and economic reasonableness of reducing or eliminating water contaminants from the sources involved and previous experience with equipment and methods available to control the water contaminants involved;

(4) successive uses, including but not limited to, domestic, commercial, industrial, pastoral, agricultural, wildlife and recreational uses;

(5) feasibility of a user or a subsequent user treating the water before a subsequent use; and

(6) property rights and accustomed uses;

E. shall assign responsibility for administering its regulations to constituent agencies so as to assure adequate coverage and prevent duplication of effort. To this end, the commission may make such classification of waters and sources of water contaminants as will facilitate the assignment of administrative responsibilities to constituent agencies. The commission shall also hear and decide disputes between constituent agencies as to jurisdiction concerning any matters within the purpose of the Water Quality Act [75-39-1 to 75-39-12]. In assigning responsibilities to constituent agencies, the commission shall give priority to the primary interests of the constituent agencies. The environmental improvement agency shall provide testing and other technical services;

E. shall assign responsibility for administering its regulations to constituent agencies so as to assure adequate coverage and prevent duplication of effort. To this end, the commission may make such classification of waters and sources of water contaminants as will facilitate the assignment of administrative responsibilities to constituent agencies. The commission shall also hear and decide disputes between constituent agencies as to jurisdiction concerning any matters within the purpose of the Water Quality Act (75-39-1 to 75-39-12). In assigning responsibilities to constituent agencies, the commission shall give priority to the primary interests of the constituent agencies. The environmental improvement agency shall provide testing and other technical services;

F. may enter into or authorize constituent agencies to enter into agreements with the federal government or other state governments for purposes consistent with the Water Quality Act, and receive and allocate to constituent agencies funds made available to the commission;

G. may grant an individual variance from any regulation of the commission, whenever it is found that compliance with the regulation will impose an unreasonable burden upon any lawful business, occupation or activity. The commission may grant a variance conditioned upon a person effecting a particular abatement of water pollution within a reasonable period of time. Any variance shall be granted for a period of time specified by the commission. The commission shall adopt regulations specifying the procedure under which variances may be sought, which regulations shall provide for the holding of a public hearing before any variance may be granted;

H. may adopt regulations to require the filing with it or a constituent agency, of proposed plans and specifications for the construction and operation of new sewer systems, treatment works or sewerage systems or extensions, modifications of or additions to new or existing sewer systems, treatment works or sewerage systems. Filing with or approval by the federal housing administration of plans for an extension to an existing, or construction of a new sewerage system intended to serve a subdivision substantially residential in nature shall be deemed compliance with all provisions of this subsection;

I. may adopt regulations requiring notice to it or a constituent agency of intent to introduce or allow the introduction of water contaminants into waters of the state; and

J. may adopt regulations establishing pretreatment standards that prohibit or control the introduction into publicly owned sewerage systems of water contaminants which are not susceptible to treatment by the treatment works or which would interfere with the operation of the treatment works.

75-39-4.1 PERMITS—APPEALS—PENALTY.—

A. By regulation the commission may require persons to obtain from a constituent agency designated by the commission a permit for the discharge of any water contaminant either directly or indirectly into water.

B. Prior to the issuance of a permit, the constituent agency may require the submission of plans, specifications and other relevant information which it deems necessary.

C. The commission, shall by regulation set the dates upon which applications for permits must be filed and designate the time periods within which the constituent agency must, after the filing of an application for a permit, either grant the permit, grant the permit subject to conditions or deny the permit.

D. The constituent agency may deny any application for a permit if:

(1) it appears that the effluent would not meet applicable state or federal effluent regulations or limitations;

(2) any provision of the Water Quality Act (75-39-1 to 75-39-12) would be violated; or

(3) it appears that the effluent would cause any state or federal stream standard to be exceeded.

E. The commission shall be regulation develop procedures which will ensure that the public, affected governmental agencies, and any other state whose water may be affected, shall receive notice of each application for issuance or modification of a permit. No ruling shall be made on any application for a permit without opportunity for a public hearing at which all interested persons shall be given a reasonable chance to submit data, views or arguments orally or in writing and to examine witnesses testifying at the hearing.

F. Permits shall be issued for fixed terms not to exceed five (5) years.

G. By regulation the commission may impose reasonable conditions upon permits requiring permittees to:

(1) install, use and maintain effluent monitoring devices;

(2) sample effluents in accordance with methods and at locations and intervals as may be prescribed by the commission;

(3) establish and maintain records of the nature and amounts of effluents and the performance of effluent control devices;

(4) provide any other information relating to the discharge of water contaminants; and

(5) notify a constituent agency of the introduction of new water contaminants from a new source and of a substantial change in volume or character of water contaminants being introduced from sources in existence at the time of the issuance of the permit.

H. The commission may provide by regulation a schedule of application fees for permits not exceeding the estimated cost of investigation and issuance of permits. Fees are to be paid at the time the application for the permit is filed. Fees collected pursuant to this section shall be deposited in the general fund.

I. The issuance of a permit does not relieve any person from the responsibility of complying with the provisions of the Water Quality Act and any applicable regulations of the commission.

J. A permit may be terminated or modified by the constituent agency which issued it previous to its date of expiration for any of the following causes:

(1) violation of any condition of the permit;

(2) obtaining the permit by misrepresentation or failure to disclose fully all relevant facts;

(3) violation of any provisions of the Water Quality Act;

(4) violation of any applicable state or federal effluent regulations; or

(5) change in any condition that requires either a temporary or permanent reduction or elimination of the permitted discharge.

K. Permits issued, denied, modified or terminated under this section shall not be deemed a major state action significantly affecting the quality of the human environment within the meaning of section 12-20-6(C) NMSA 1953.

L. If the constituent agency denies, terminates or modifies a permit, or grants a permit subject to condition, the constituent agency must notify the applicant or permittee by certified mail of the action taken and the reasons therefor. If the applicant or permittee is dissatisfied with the action taken by the constituent agency, he may file a petition for hearing before the commission. The petition must be made in writing to the director of the constituent agency within thirty (30) days after notice of the constituent agency's action has been received by the applicant or permittee. Unless a timely request for hearing is made, the decision of the constituent agency shall be final.

M. If a timely petition for hearing is made, the commission shall hold a hearing within thirty (30) days after receipt of the petition. The constituent agency shall notify the petitioner by certified mail of the date, time and place of the hearing. Provided, that if the commission upon receipt of the petition deems the basis for the petition for hearing by the commission is affected with substantial public interest, it shall ensure that the public shall receive notice of the date, time and place of the hearing and shall be given a reasonable chance to submit data, views or arguments orally or in writing and to examine witnesses testifying at the hearing. Any public member submitting data, views or arguments orally or in writing shall be subject to examination at the hearing. In the hearing, the burden of proof shall be upon the petitioner. The commission may designate a hearing officer to take evidence in the hearing. Based upon the evidence presented at the hearing, the commission shall sustain, modify or reverse the action of the constituent agency.

N. If the petitioner requests, the hearing shall be recorded at the cost of the petitioner. Unless the petitioner requests that the hearing be recorded, the decision of the commission shall be final.

O. A petitioner may appeal the decision of the commission by filing with the court of appeals a notice of appeal within thirty (30) days after the date the decision is made. The appeal must be on the record made at the hearing. The petitioner shall certify in his notice of appeal that arrangements have been made with the commission for preparation of a sufficient number of transcripts of the record of the hearing on which the appeal depends to support his appeal to the court, at the expense of the petitioner, including two (2) copies which he shall furnish to the commission.

P. A person who violates any provision of this section is guilty of a misdemeanor and shall be punished by a fine of not less than three hundred dollars ($300) nor more than ten thousand dollars ($10,000) per day, or by imprisonment for not more than one(1) year, or both.

Q. In addition to the remedy provided above, the trial court may impose a civil penalty for a violation of any provision of this section not exceeding five thousand dollars ($5,000) per day.

75-39-5. ADOPTION OF REGULATIONS—NOTICE AND HEARING.--No regulation or water quality standard or amendment or repeal thereof shall be adopted until after a public hearing within the area of the state concerned; provided that the commission may adopt water quality standards on the basis of the record of hearing held by the New Mexico department of public health prior to the effective date of the Water Quality Act

/75-39-1 to 75-39-12/ if those hearings were held in general conformance with the provisions of this section. Hearings on regulations of statewide application shall be held at Santa Fe. Notice of the hearing shall be given at least thirty (30) days prior to the hearing date and shall state the subject, the time and the place of the hearing and the manner in which interested persons may present their views. The notice shall also state where interested persons may secure copies of any proposed regulation or water quality standard. The notice shall be published in a newspaper of general circulation in the area affected. Reasonable effort shall be made to give notice to all persons who have made a written request to the commission for advance notice of its hearings. At the hearing, the commission shall allow all interested persons reasonable opportunity to submit data, views or arguments orally or in writing and to examine witnesses testifying at the hearing. The commission may designate a hearing officer to take evidence in the hearing. Any person heard or represented at the hearing shall be given written notice of the action of the commission. No regulation or water quality standard or amendment or repeal thereof adopted by the commission shall become effective until thirty (30) days after its filing with the Supreme Court law librarian.

75-39-6. VALIDITY OF REGULATION--JUDICIAL REVIEW.--

A. Any person who is or may be affected by a regulation adopted by the commission may appeal to the court of appeals for further relief. All such appeals shall be upon the record made at the hearing, and shall be taken to the court of appeals within thirty (30) days after filing of the regulation under the State Rules Act (71-6-23, 71-7-1 to 71-7-3, 71-7-5 to 71-7-10).

B. The procedure for perfecting an appeal to the court of appeals under this section consists of the timely filing of a notice of appeal with a copy attached of the regulation from which the appeal is taken. The appellant shall certify in his notice of appeal that arrangements have been made with the commission for preparation of a sufficient number of transcripts of the record of the hearing on which the appeal depends to support his appeal to the court, at the expense of the appellant, including three(3) copies which he shall furnish to the commission.

C. Upon appeal, the court of appeals shall set aside the regulation only if found to be:

(1) arbitrary, capricious or an abuse of discretion;

(2) not supported by substantial evidence in the record or reasonably related to the prevention or abatement of water pollution; or

(3) otherwise not in accordance with law.

75-39-7. DUTIES OF CONSTITUENT AGENCIES.--Each constituenc agency shall administer regulations adopted pursuant to the Water Quality Act (75-39-1 to 75-39-12), responsibility for the administration of which has been assigned to it by the commission.

75-39-8. POWERS OF CONSTITUENT AGENCIES.--Each constitutent agency may:

A. receive and expend funds appropriated, donated or allocated to the constituent agency for purposes consistent with the Water Quality Act (75-39-1 to 75-39-12);

B. develop facts and make studies and investigations and require the production of documents necessary to carry out the responsibilities assigned to the constituent agency. The result of any investigation shall be reduced to writing and a copy thereof furnished to the commission and to the owner or occupant of the premises investigated;

C. recommend regulations for adoption by the commission;

D. report to the commission and to other constituent agencies water pollution conditions that are believed to require action where the circumstances are such that the responsibility appears to be outside the responsibility assigned to the agency making the report;

E. make every reasonable effort to obtain voluntary co-operation in the prevention or abatement of water pollution; and

F. upon presentation of proper credentials, enter at reasonable times upon or through any premises in which an effluent source is located or in which are located any records required to be maintained by regulations of the commission; provided that entry into any private residence without the permission of the owner shall be only by order of the district court for the county in which the residence is located and that, in connection with any entry provided for in this subsection, the constituent agency may:

(1) have access to any copy of the records;

(2) inspect any monitoring equipment or methods required to be installed by regulations of the commission; and

(3) sample any effluents.

75-39-9. ABATEMENT OF WATER POLLUTION.—

A. If, as a result of investigation, a constituent agency has good cause to believe that any person is violating or threatens to violate any regulation of the commission for the enforcement of which the agency

is responsible, and, if the agency is unable within a reasonable time to obtain voluntary compliance, the commission may initiate proceedings in the district court of the county in which the violation occurs. The commission may seek injunctive relief against any violation or threatened violation of regulations, and such relief shall be subject to the continuing jurisdiction and supervision of the district court and the court's powers of contempt. The attorney general shall represent the commission.

B. In addition, to the remedies provided in this section, the district court may impose civil penalties not exceeding one thousand dollars ($1,000) for each violation of the Water Quality Act [75-39-1 to 75-39-12] or any regulation of the commission, and may charge the person convicted of such violation with the reasonable cost of treating or cleaning up waters polluted. Each day during any portion of which a violation occurs constitutes a separate violation.

C. Any party aggrieved by any final judgment of the district court under this section may appeal to the court of appeals as in other civil actions.

D. As an additional means of enforcing the Water Quality Act or any regulation of the commission, the commission may accept an assurance of discontinuance of any act or practice deemed in violation of the Water Quality Act or any regulation adopted pursuant thereto, from any person engaging in, or who has engaged in, such act or practice, signed and acknowledged by the chairman of the commission and the party effected. Any such assurance shall specify a time limit during which such discontinuance is to be accomplished.

75-39-10. EMERGENCY PROCEDURE.—Notwithstanding any other provision of the Water Quality Act [75-39-1 to 75-39-12], if any person is causing or contributing to water pollution of such characteristics and duration as to create an emergency which requires immediate action to protect human health, the director of the environmental improvement agency shall order the person to immediately abate the water pollution creating the emergency condition. If the effectiveness of the order is to continue beyond forty-eight (48) hours, the director of the environmental improvement agency shall file an action in the district court, not later than forty-eight (48) hours after the date of the order, to enjoin operations of any person in violation of the order.

75-39-11. LIMITATIONS UPON OPERATION OF ACT.--

A. The Water Quality Act [75-39-1 to 75-39-12] does not grant to the commission or to any other entity the power to take away or modify property rights in water, nor is it the intention of the Water Quality Act to take away or modify such rights.

B. Effluent data obtained by the commission or a constituent agency shall be available to the public. Other records, reports or information obtained by the commission or a constituent agency shall be available to the public, except upon a showing satisfactory to the commission or a constituent agency that the records, reports or information or a particular part thereof, if made public, would divulge methods or processses entitled to protection as trade secrets.

C. The Water Quality Act does not authorize the commission to adopt any regulation with respect to any condition or quality of water if the water pollution and its effects are confined entirely within the boundaries of property within which the water pollution occurs when the water does not combine with other waters.

D. The Water Quality Act does not grant to the commission any jurisdiction or authority affecting the relation between employers and employees with respect to or arising out of any condition of water quality.

E. The Water Quality Act does not supersede or limit the applicability of any law relating to industrial health, safety or sanitation.

F. In the adoption of regulations and water quality standards and in any action for enforcement of the Water Quality Act and regulations adopted thereunder, reasonable degradation of water quality resulting from beneficial use shall be allowed.

G. The Water Quality Act does not permit the adoption of regulations or other action by the commission or other constituent agencies which would interfere with the exclusive authority of the oil conservation commission over all persons and things necessary to prevent water pollution as a result of oil or gas operations through the exercise of the power granted to the oil conservation commission under section 65-3-11 NMSA 1953, and other laws conferring power on the oil conservation commission.

75-39-12. CONSTRUCTION OF ACT.—The Water Quality Act [75-39-1 to 75-39-12] provides additional and cumulative remedies to prevent, abate and control water pollution, and nothing abridges or alters rights of action or remedies in equity under the common law or statutory law, criminal or civil. No provision of the Water Quality Act or any act done by virtue thereof estops the state or any political subdivision or person as owner of water rights or otherwise, in the exercise of their rights in equity or under the common law or statutory law to supress nuisances or to abate pollution.

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Form O & G B-B
Adopted 6-17-77
Revised 10-1-78

STATE OF NEW MEXICO

$50,000.00 BLANKET PLUGGING BOND

BOND NO. _____
(For Use of Surety Company)

File with Oil Conservation Division, P.O.Box 2088, Santa Fe 87501

KNOW ALL MEN BY THESE PRESENTS:

That _____, (An individual) (a partnership) (a corporation organized in the State of _____, with its principal office in the city of _____, State of _____, and authorized to do business in the State of New Mexico), as PRINCIPAL, and _____, a corporation organized and existing under the laws of the State of _____, and authorized to do business in the State of New Mexico, as SURETY, are held firmly bound unto the State of New Mexico, for the use and benefit of the Oil Conservation Division of New Mexico pursuant to Section 65-3-11, New Mexico Statutes Annotated, 1953 Compilation, as amended, in the sum of Fifty Thousand Dollars($50,000.00) lawful money of the United States, for the payment of which, well and truly to be made, said PRINCIPAL and SURETY hereby bind themselves, their successors and assigns, jointly and severally, firmly by these presents.

The conditions of this obligation are such that:

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO_2) gas leases, or helium gas leases with the State of New Mexico; and

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO_2) gas leases, or helium gas leases on lands patented by the United States of America to private individuals, and on lands otherwise owned by private individuals; and

WHEREAS, The above principal, individually, or in association with one or more other parties, has commenced or may commence the drilling of wells to prospect for and produce oil or gas, or carbon dioxide (CO_2) gas or helium gas, or does own or may acquire, own or operate such well, or such wells started by others on land embraced in said State oil and gas leases, or carbon dioxide (CO_2) gas leases, or helium gas leases, and on land patented by the United States of America to private individuals, and on land otherwise owned by private individuals, the identification and location of said well being expressly waived by both principal and surety hereto.

NOW, THEREFORE, If the above bounden principal and surety or either of them or their successors or assigns, or any of them, shall plug all of said wells when dry or when abandoned in accordance with the rules, regulations, and orders of the Oil Conservation Division of New Mexico in such way as to confine the oil, gas, and water in the strata in which they are found, and to prevent them from escaping into other strata;

THEN, THEREFORE, This obligation shall be null and void; otherwise and in default of complete compliance with any and all of said obligations, the same shall remain in full force and effect.

PROVIDED, HOWEVER, That thirty (30) days after receipt by the Oil Conservation Division of New Mexico of written notice of cancellation from the surety, the obligation of the surety hereunder shall terminate as to property or wells acquired, drilled, or started after said thirty (30) day period but shall continue in effect, notwithstanding said notice, as to property or wells theretofore acquired, drilled or started.

Exhibit "1"
Order No. R-5709-A

PRINCIPAL

Address

By _____
Signature

Title

(Note: Principal, if corporation, affix corporate seal here.)

SURETY

Address

By _____
Attorney-in-Fact

(Note: Corporate surety affix corporate seal here.)

ACKNOWLEDGEMENT FORM FOR NATURAL PERSONS

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 19____, before me personally appeared _____, to me known to be the person (persons) described in and who executed the foregoing instrument and acknowledged that he (they) executed the same as his (their) free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

_____
Notary Public

_____
My Commission expires

ACKNOWLEDGEMENT FORM FOR CORPORATION

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 19____, before me personally appeared _____, to me personally known who, being by me duly sworn, did say that he is _____ of _____ and that the foregoing instrument was signed and sealed on behalf of said corporation by authority of its board of directors, and acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

_____
Notary Public

_____
My Commission expires

ACKNOWLEDGEMENT FORM FOR CORPORATE SURETY

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 19____, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is _____ of _____ and that the foregoing instrument was signed and sealed on behalf of said corporation by authority of its board of directors, and acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

_____
Notary Public

_____
My Commission expires
(Note: Corporate surety attach power of attorney.)

APPROVED BY:

OIL CONSERVATION DIVISION OF NEW MEXICO

By _____

Date _____

Form O & G R-1
Adopted 6-17-77
Revised 10-1-78

STATE OF NEW MEXICO

ONE-WELL PLUGGING BOND

FOR CHAVES, EDDY, LEA, McKINLEY, RIO ARRIBA, ROOSEVELT, SANDOVAL, AND SAN JUAN COUNTIES ONLY

BOND NO. _____
(For Use of Surety Company)

AMOUNT OF BOND _____

COUNTY _____

NOTE: **For wells less than 5,000 feet deep, the minimum bond is $5,000.00***
For wells 5,000 feet to 10,000 feet deep, the minimum bond is $7,500.00*
For wells more than 10,000 feet deep, the minimum bond is $10,000.00

* Under certain conditions, a well being drilled under a $5,000.00 or $7,500.00 bond may be permitted to be drilled as much as 500 feet deeper than the normal maximum depth, i.e., a well being drilled under a $5,000.00 bond, may be permitted to go to 5,499 feet, and a well being drilled under a $7,500.00 bond may be permitted to go to 10,500 feet (See Rule 101)

File with Oil Conservation Division, P.O.Box 2088, Santa Fe 87501

KNOW ALL MEN BY THESE PRESENTS:

That _____, (An individual) (a partnership) (a corporation organized in the State of _____, with its principal office in the city of _____, State of _____, and authorized to do business in the State of New Mexico), as PRINCIPAL, and _____, a corporation organized and existing under the laws of the State of _____, and authorized to do business in the State of New Mexico, as SURETY, are held firmly bound unto the State of New Mexico, for the use and benefit of the Oil Conservation Division of New Mexico pursuant to Section 65-3-11, New Mexico Statutes Annotated, 1953 Compilation, as amended, in the sum of _____ Dollars lawful money of the United States, for the payment of which, well and truly to be made, said PRINCIPAL and SURETY hereby bind themselves, their successors and assigns, jointly and severally, firmly by these presents.

The conditions of this obligation are such that:

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO_2) gas leases, or helium gas leases with the State of New Mexico; and

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO_2) gas leases, or helium gas leases on lands patented by the United States of America to private individuals, and on lands otherwise owned by private individuals; and

WHEREAS, The above principal, individually, or in association with one or more other parties, has commenced or may commence the drilling of one well not to exceed a depth of _____ feet, to prospect for and produce oil or gas, or carbon dioxide (CO_2) gas or helium gas, or does own or may acquire, own or operate such well, or such well started by others on land embraced in said State oil and gas leases, or carbon dioxide (CO_2) leases, or helium gas leases, and on land patented by the United States of America to private individuals, and on land otherwise owned by private individuals, the identification and location of said well being _____
(Here insert exact legal subdivision by 40 acre tract or lot)
_____ Section _____, Township _____ (North) (South), Range _____ (East) (West), N.M.P.M. _____ County, New Mexico.

NOW, THEREFORE, If the above bounden principal and surety or either of them or their successors or assigns, or any of them, shall plug said well when dry or when abandoned in accordance with the rules, regulations, and orders of the Oil Conservation Division of New Mexico in such way as to confine the oil, gas, and water in the strata in which they are found, and to prevent them from escaping into other strata;

THEN, THEREFORE, This obligation shall be null and void; otherwise and in default of complete compliance with any and all of said obligations, the same shall remain in full force and effect.

Exhibit "2"
Order No. R-5709-A

PRINCIPAL

Address

By
Signature

Title

(Note: Principal, if corporation, affix corporate seal here.)

SURETY

Address

By
Attorney-in-Fact

(Note: Corporate surety affix corporate seal here.)

ACKNOWLEDGEMENT FORM FOR NATURAL PERSONS

STATE OF _____)
COUNTY OF _____) ss.

On this _____day of_____, 19_____, before me personally appeared _____, to me known to be the person (persons) described in and who executed the foregoing instrument and acknowledged that he (they) executed the same as his (their) free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

Notary Public

My Commission expires

ACKNOWLEDGEMENT FORM FOR CORPORATION

STATE OF _____)
COUNTY OF _____) ss.

On this _____day of_____, 19_____, before me personally appeared _____, to me personally known who, being by me duly sworn, did say that he is _____ of _____ and that the foregoing instrument was signed and sealed on behalf of said corporation by authority of its board of directors, and acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

Notary Public

My Commission expires

ACKNOWLEDGEMENT FORM FOR CORPORATE SURETY

STATE OF _____)
COUNTY OF _____) ss.

On this_____day of_____, 19_____, before me appeared_____, to me personally known, who, being by me duly sworn, did say that he is _____of _____and that the foregoing instrument was signed and sealed on behalf of said corporation by authority of its board of directors, and acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

Notary Public

My Commission expires
(Note: Corporate surety attach power of attorney.)

APPROVED BY:

OIL CONSERVATION DIVISION OF NEW MEXICO

By _____

Date _____

Form O & G B-1-X
Adopted 6-17-77
Revised 10-1-78

STATE OF NEW MEXICO

ONE-WELL PLUGGING BOND

FOR ALL COUNTIES EXCEPT:
CHAVES, EDDY, LEA, McKINLEY, RIO ARRIBA, ROOSEVELT, SANDOVAL, AND SAN JUAN

BOND NO. _____
(For Use of Surety Company)

AMOUNT OF BOND _____

COUNTY _____

NOTE: For wells less than 5,000 feet deep, the minimum bond is $7,500.00*
For wells 5,000 to 10,000 feet deep, the minimum bond is $10,000.00*
For wells more than 10,000 feet deep, the minimum bond is $12,500.00

* Under certain conditions, a well being drilled under a $7,500.00 or $10,000.00 may be permitted to be drilled as much as 500 feet deeper than the normal maximum depth, i.e., a well being drilled under a $7,500.00 bond may be permitted to go to 5,499 feet, and a well being drilled under a $10,000.00 bond may be permitted to go to 10,500 feet. (See Rule 101)

File with Oil Conservation Division, P.O.Box 2088, Santa Fe 87501

KNOW ALL MEN BY THESE PRESENTS:

That _____, (An individual) (a partnership) (a corporation organized in the State of _____, with its principal office in the city of _____, State of _____, and authorized to do business in the State of New Mexico), as PRINCIPAL, and _____, a corporation organized and existing under the laws of the State of _____, and authorized to do business in the State of New Mexico, as SURETY, are held firmly bound unto the State of New Mexico, for the use and benefit of the Oil Conservation Division of New Mexico pursuant to Section 65-3-11, New Mexico Statutes Annotated, 1953 Compilation, as amended, in the sum of _____ Dollars lawful money of the United States, for the payment of which, well and truly to be made, said PRINCIPAL and SURETY hereby bind themselves, their successors and assigns, jointly and severally, firmly by these presents.

The conditions of this obligation are such that:

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO_2) gas leases, or helium gas leases with the State of New Mexico; and

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO_2) gas leases, or helium gas leases on lands patented by the United States of America to private individuals, and on lands otherwise owned by private individuals; and

WHEREAS, The above principal, individually, or in association with one or more other parties, has commenced or may commence the drilling of one well not to exceed a depth of _____ feet, to prospect for and produce oil or gas, or carbon dioxide (CO_2) gas or helium gas, or does own or may acquire, own or operate such well, or such well started by others on land embraced in said State oil and gas leases, or carbon dioxide (CO_2) leases, or helium gas leases, and on land patented by the United States of America to private individuals, and on land otherwise owned by private individuals, the identification and location of said well being _____
(Here state exact legal subdivision by 40-acre tract or lot)
_____ Section _____, Township _____ (North) (South), Range _____ (East)(West), N.M.P.M. _____ County, New Mexico.

NOW, THEREFORE, If the above bounden principal and surety or either of them or their successors or assigns, or any of them, shall plug said well when dry or when abandoned in accordance with the rules, regulations, and orders of the Oil Conservation Division of New Mexico in such way as to confine the oil, gas, and water in the strata in which they are found, and to prevent them from escaping into other strata;

THEN, THEREFORE, This obligation shall be null and void; otherwise and in default of complete compliance with any and all of said obligations, the same shall remain in full force and effect.

Exhibit "3"
Order No. R-5709-A

PRINCIPAL

Address

By _____
Signature

Title

(Note: Principal, if corporation, affix corporate seal here.)

SURETY

Address

By _____
Attorney-in-Fact

(Note: Corporate surety affix corporate seal here.)

ACKNOWLEDGEMENT FORM FOR NATURAL PERSONS

STATE OF _____)
COUNTY OF _____) ss.

On this _____day of_____, 19_____, before me personally appeared _____, to me known to be the person (persons) described in and who executed the foregoing instrument and acknowledged that he (they) executed the same as his (their) free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

_____
Notary Public

_____
My Commission expires

ACKNOWLEDGEMENT FORM FOR CORPORATION

STATE OF _____)
COUNTY OF _____) ss.

On this _____day of_____, 19_____, before me personally appeared _____, to me personally known who, being by me duly sworn, did say that he is _____ of _____ and that the foregoing instrument was signed and sealed on behalf of said corporation by authority of its board of directors, and acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

_____
Notary Public

_____
My Commission expires

ACKNOWLEDGEMENT FORM FOR CORPORATE SURETY

STATE OF _____)
COUNTY OF _____) ss.

On this_____day of_____, 19_____, before me appeared_____, to me personally known, who, being by me duly sworn, did say that he is _____of _____and that the foregoing instrument was signed and sealed on behalf of said corporation by authority of its board of directors, and acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

_____
Notary Public

_____
My Commission expires
(Note: Corporate surety attach power of attorney.)

APPROVED BY:

OIL CONSERVATION DIVISION OF NEW MEXICO

By _____

Date _____

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

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OIL CONSERVATION DIVISION

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-101
Revised 10-1-78

5A. Indicate Type of Lease STATE ☐ FEE ☐

5. State Oil & Gas Lease No.

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. Type of Work

b. Type of Well DRILL ☐ DEEPEN ☐ PLUG BACK ☐
OIL WELL ☐ GAS WELL ☐ OTHER SINGLE ZONE ☐ MULTIPLE ZONE ☐

7. Unit Agreement Name

8. Farm or Lease Name

2. Name of Operator

9. Well No.

3. Address of Operator

10. Field and Pool, or Wildcat

4. Location of Well UNIT LETTER _____ LOCATED _____ FEET FROM THE _____ LINE AND _____ FEET FROM THE _____ LINE OF SEC. _____ TWP. _____ RGE. _____ NMPM

12. County

19. Proposed Depth	19A. Formation	20. Rotary or C.T.

21. Elevations (Show whether DF, RT, etc.)	21A. Kind & Status Plug. Bond	21B. Drilling Contractor	22. Approx. Date Work will start

23.

PROPOSED CASING AND CEMENT PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST. TOP

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: IF PROPOSAL IS TO DEEPEN OR PLUG BACK, GIVE DATA ON PRESENT PRODUCTIVE ZONE AND PROPOSED NEW PRODUCTIVE ZONE. GIVE BLOWOUT PREVENTER PROGRAM, IF ANY.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

Signed _____ *Title* _____ *Date* _____

(This space for State Use)

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY:

Exhibit "4"
Order No. R-5709-A

OIL CONSERVATION DIVISION

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-102
Revised 10-1-78

All distances must be from the outer boundaries of the Section.

Operator	Lease	Well No.

Unit Letter	Section	Township	Range	County

Actual Footage Location of Well:
feet from the line and feet from the line

Ground Level Elev.	Producing Formation	Pool	Dedicated Acreage:
			Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.

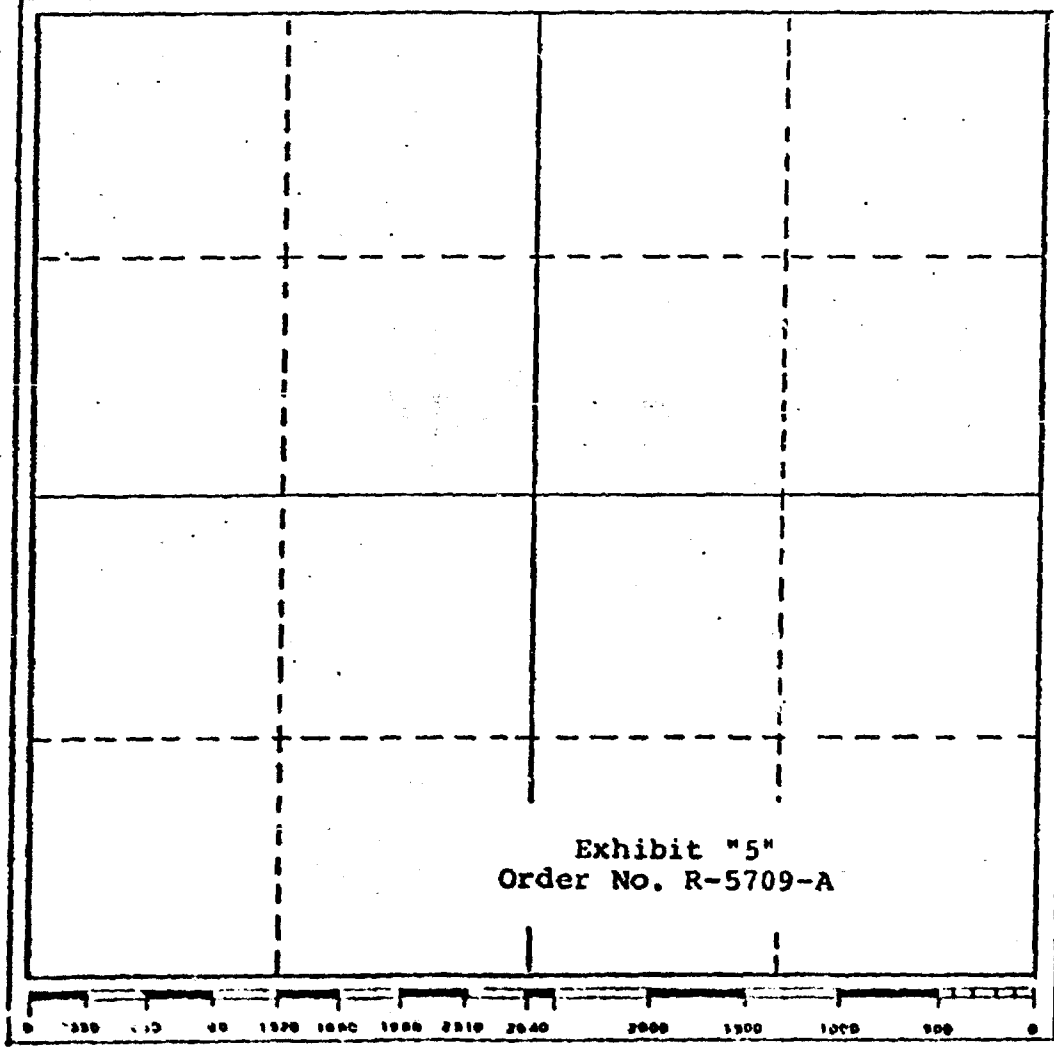
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling. etc?

☐ Yes ☐ No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Division.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Name

Position

Company

Date

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed

Registered Professional Engineer and/or Land Surveyor

Certificate No.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

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OIL CONSERVATION DIVISION

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-103
Revised 10-1-78

5a. Indicate Type of Lease
State ☐ Fee ☐

5. State Oil & Gas Lease No.

SUNDRY NOTICES AND REPORTS ON WELLS

(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT —" (FORM C-101) FOR SUCH PROPOSALS.)

1. OIL WELL ☐ GAS WELL ☐ OTHER-

7. Unit Agreement Name

2. Name of Operator

8. Farm or Lease Name

3. Address of Operator

9. Well No.

4. Location of Well
UNIT LETTER _____, _____ FEET FROM THE _____ LINE AND _____ FEET FROM THE _____ LINE, SECTION _____ TOWNSHIP _____ RANGE _____ NMPM.

10. Field and Pool, or Wildcat

15. Elevation (Show whether DF, RT, GR, etc.)

12. County

16. Check Appropriate Box To Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK ☐	PLUG AND ABANDON ☐	REMEDIAL WORK ☐	ALTERING CASING ☐
TEMPORARILY ABANDON ☐		COMMENCE DRILLING OPNS. ☐	PLUG AND ABANDONMENT ☐
PULL OR ALTER CASING ☐	CHANGE PLANS ☐	CASING TEST AND CEMENT JOB ☐	
OTHER _____ ☐		OTHER _____ ☐	

17. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work) SEE RULE 1103.

Exhibit "6"
Order No. R-5709-A

18. I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNED _____ TITLE _____ DATE _____

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY:

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

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TRANSPORTER	OIL	
	GAS	
OPERATOR		
PRORATION OFFICE		

Form C-104
Revised 10-1-78

OIL CONSERVATION DIVISION

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

REQUEST FOR ALLOWABLE
AND
AUTHORIZATION TO TRANSPORT OIL AND NATURAL GAS

I.

Operator

Address

Reason(s) for filing *(Check proper box)*

New Well ☐
Recompletion ☐
Change in Ownership ☐

Change in Transporter of:
Oil ☐ Dry Gas ☐
Casinghead Gas ☐ Condensate ☐

Other *(Please explain)*

If change of ownership give name and address of previous owner _____

II. DESCRIPTION OF WELL AND LEASE

Lease Name	Well No.	Pool Name, Including Formation	Kind of Lease State, Federal or Fee	Lease No.

Location

Unit Letter _____ : _____ Feet From The _____ Line and _____ Feet From The _____ Line of Section _____ Township _____ Range _____, NMPM, _____ County

III. DESIGNATION OF TRANSPORTER OF OIL AND NATURAL GAS

Name of Authorized Transporter of Oil ☐ or Condensate ☐	Address *(Give address to which approved copy of this form is to be sent)*					
Name of Authorized Transporter of Casinghead Gas ☐ or Dry Gas ☐	Address *(Give address to which approved copy of this form is to be sent)*					
If well produces oil or liquids, give location of tanks.	Unit	Sec.	Twp.	Rge.	Is gas actually connected?	When

If this production is commingled with that from any other lease or pool, give commingling order number: _____

IV. COMPLETION DATA

Designate Type of Completion – (X)	Oil Well	Gas Well	New Well	Workover	Deepen	Plug Back	Same Res'v.	Diff. Res'v.

Date Spudded	Date Compl. Ready to Prod.	Total Depth	P.B.T.D.
Elevations *(DF, RKB, RT, GR, etc.)*	Name of Producing Formation	Top Oil/Gas Pay	Tubing Depth
Perforations			Depth Casing Shoe

TUBING, CASING, AND CEMENTING RECORD

HOLE SIZE	CASING & TUBING SIZE	DEPTH SET	SACKS CEMENT

V. TEST DATA AND REQUEST FOR ALLOWABLE

(Test must be after recovery of total volume of load oil and must be equal to or exceed top allowable for this depth or be for full 24 hours)

OIL WELL

Date First New Oil Run To Tanks	Date of Test	Producing Method *(Flow, pump, gas lift, etc.)*	
Length of Test	Tubing Pressure	Casing Pressure	Choke Size
Actual Prod. During Test	Oil-Bbls.	Water-Bbls.	Gas-MCF

GAS WELL

Actual Prod. Test-MCF/D	Length of Test	Bbls. Condensate/MMCF	Gravity of Condensate
Testing Method (pitot, back pr.)	Tubing Pressure (Shut-in)	Casing Pressure (Shut-in)	Choke Size

VI. CERTIFICATE OF COMPLIANCE

I hereby certify that the rules and regulations of the Oil Conservation Division have been complied with and that the information given above is true and complete to the best of my knowledge and belief.

Exhibit "7"
Order No. R-5709-A

_____
(Signature)

_____
(Title)

_____
(Date)

OIL CONSERVATION DIVISION

APPROVED _____, 19 _____

BY _____

TITLE _____

This form is to be filed in compliance with RULE 1104.

If this is a request for allowable for a newly drilled or deepened well, this form must be accompanied by a tabulation of the deviation tests taken on the well in accordance with RULE 111.

All sections of this form must be filled out completely for allowable on new and recompleted wells.

Fill out only Sections I, II, III, and VI for changes of owner, well name or number, or transporter, or other such change of condition.

Separate Forms C-104 must be filed for each pool in multiply completed wells.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

Form C-105
Revised 10-1-78

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LAND OFFICE		
OPERATOR		

OIL CONSERVATION DIVISION

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

WELL COMPLETION OR RECOMPLETION REPORT AND LOG

5a. Indicate Type of Lease State ☐ Fee ☐
5. State Oil & Gas Lease No.

1a. TYPE OF WELL
OIL WELL ☐ GAS WELL ☐ DRY ☐ OTHER

b. TYPE OF COMPLETION
NEW WELL ☐ WORK OVER ☐ DEEPEN ☐ PLUG BACK ☐ DIFF. RESVR. ☐ OTHER

7. Unit Agreement Name
8. Farm or Lease Name
2. Name of Operator
9. Well No.
3. Address of Operator
10. Field and Pool, or Wildcat
4. Location of Well
UNIT LETTER _____ LOCATED _____ FEET FROM THE _____ LINE AND _____ FEET FROM
THE _____ LINE OF SEC. _____ TWP. _____ RGE. _____ NMPM
12. County

15. Date Spudded	16. Date T.D. Reached	17. Date Compl. *(Ready to Prod.)*	18. Elevations *(DF, RKB, RT, GR, etc.)*	19. Elev. Cashinghead

20. Total Depth	21. Plug Back T.D.	22. If Multiple Compl., How Many	23. Intervals Drilled By →	Rotary Tools	Cable Tools

24. Producing Interval(s), of this completion — Top, Bottom, Name

25. Was Directional Survey Made

26. Type Electric and Other Logs Run

27. Was Well Cored

28. CASING RECORD (Report all strings set in well)

CASING SIZE	WEIGHT LB./FT.	DEPTH SET	HOLE SIZE	CEMENTING RECORD	AMOUNT PULLED

29. LINER RECORD

SIZE	TOP	BOTTOM	SACKS CEMENT	SCREEN

30. TUBING RECORD

SIZE	DEPTH SET	PACKER SET

31. Perforation Record *(Interval, size and number)*

32. ACID, SHOT, FRACTURE, CEMENT SQUEEZE, ETC.

DEPTH INTERVAL	AMOUNT AND KIND MATERIAL USED

33. PRODUCTION

Date First Production	Production Method *(Flowing, gas lift, pumping — Size and type pump)*	Well Status *(Prod. or Shut-in)*

Date of Test	Hours Tested	Choke Size	Prod'n. For Test Period →	Oil — Bbl.	Gas — MCF	Water — Bbl.	Gas — Oil Ratio

Flow Tubing Press.	Casing Pressure	Calculated 24-Hour Rate →	Oil — Bbl.	Gas — MCF	Water — Bbl.	Oil Gravity — API *(Corr.)*

34. Disposition of Gas *(Sold, used for fuel, vented, etc.)*

Test Witnessed By

Exhibit "8"
Order No. R-5709-A

35. List of Attachments

36. *I hereby certify that the information shown on both sides of this form is true and complete to the best of my knowledge and belief.*

SIGNED _____ TITLE _____ DATE _____

INSTRUCTIONS

This form is to be filled with the appropriate District Office of the Division not later than 20 days after the completion of any newly-drilled or deepened well. It shall be accompanied by one copy of all electrical and radioactivity logs run on the well and a summary of all special tests conducted, including drill stem tests. All depths reported shall be measured depths. In the case of directionally drilled wells, true vertical depths shall also be reported. For multiple completions, Items 30 through 34 shall be reported for each zone. The form is to be filed in quintuplicate except on state land, where six copies are required. See Rule 1105.

INDICATE FORMATION TOPS IN CONFORMANCE WITH GEOGRAPHICAL SECTION OF STATE

Southeastern New Mexico				Northwestern New Mexico			
T. Anhy		T. Canyon		T. Ojo Alamo		T. Penn. "B"	
T. Salt		T. Strawn		T. Kirtland-Fruitland		T. Penn. "C"	
B. Salt		T. Atoka		T. Pictured Cliffs		T. Penn. "D"	
T. Yates		T. Miss		T. Cliff House		T. Leadville	
T. 7 Rivers		T. Devonian		T. Menefee		T. Madison	
T. Queen		T. Silurian		T. Point Lookout		T. Elbert	
T. Grayburg		T. Montoya		T. Mancos		T. McCracken	
T. San Andres		T. Simpson		T. Gallup		T. Ignacio Qtzte	
T. Glorieta		T. McKee		Base Greenhorn		T. Granite	
T. Paddock		T. Ellenburger		T. Dakota		T.	
T. Blinebry		T. Gr. Wash		T. Morrison		T.	
T. Tubb		T. Granite		T. Todilto		T.	
T. Drinkard		T. Delaware Sand		T. Entrada		T.	
T. Abo		T. Bone Springs		T. Wingate		T.	
T. Wolfcamp		T.		T. Chinle		T.	
T. Penn.		T.		T. Permian		T.	
T Cisco (Bough C)		T.		T. Penn. "A"		T.	

OIL OR GAS SANDS OR ZONES

No. 1, from ..... to ..... No. 4, from ..... to .....

No. 2, from ..... to ..... No. 5, from ..... to .....

No. 3, from ..... to ..... No. 6, from ..... to .....

IMPORTANT WATER SANDS

Include data on rate of water inflow and elevation to which water rose in hole.

No. 1, from ..... to ..... feet. .....

No. 2, from ..... to ..... feet. .....

No. 3, from ..... to ..... feet. .....

No. 4, from ..... to ..... feet. .....

FORMATION RECORD (Attach additional sheets if necessary)

From	To	Thickness in Feet	Formation	From	To	Thickness in Feet	Formation

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-106
Revised 10-1-78

NOTICE OF INTENTION TO UTILIZE AUTOMATIC CUSTODY TRANSFER EQUIPMENT

ACT Permit No. _____

Operator _____ Field _____

Address _____ County _____

Lease(s) to be served by this ACT Unit _____

Pool(s) to be served by this ACT Unit _____

Location of ACT System: Unit _____ Section _____ Township _____ Range _____

Order No. authorizing commingling between leases if more than one lease is to be served by this System _____ Date _____

Order No. authorizing commingling between pools if more than one pool is to be served by this system

_____ Date _____

Authorized transporter of oil from this system _____

Transporter's address _____

Maximum expected daily through-put for this system: _____ Bbls/day

If system fails to transfer oil due to malfunction or otherwise, waste by overflow will be averted by:

CHECK ONE

A. ☐ Automatic shut-down facilities as required by Section (3) h-1 of RULE 309-A

B. ☐ Alternative (3) h-2, providing adequate available capacity to receive production during maximum unattended time of lease operation.

If "A" above is checked, will flowing wells be shut-in at the header manifold or at the wellhead?

_____ Maximum well-head shut-in pressure _____

If "B" above is checked, how much storage capacity is available above the normal high working level of the surge tank _____ BBLS.

What is the normal maximum unattended time of lease operation? _____ Hours.

What device will be used for measuring oil in this ACT unit?

CHECK ONE

☐ Positive displacement meter ☐ Weir-type measuring vessel

☐ Positive volume metering chamber ☐ Other; describe _____

Remarks: _____

Exhibit "9"
Order No. R-5709-A

I hereby certify that the information given above is true and complete to the best of my knowledge and that the subject ACT system will be installed and operated in accordance with RULE 309-A.

Approved, Oil Conservation Division

By _____

By _____ Title _____

Title _____ Date _____

Approval of Form C-106 does not eliminate the necessity of an approved C-104 prior to running any oil or gas from this system.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-107
Revised 10-1-78

APPLICATION FOR MULTIPLE COMPLETION

Operator			County	Date
Address			Lease	Well No.
Location of Well	Unit	Section	Township	Range

1. Has the New Mexico Oil Conservation Division heretofore authorized the multiple completion of a well in these same pools or in the same zones within one mile of the subject well? YES_____ NO_____

2. If answer is yes, identify one such instance: Order No._____ ; Operator Lease, and Well No.: _____

3. The following facts are submitted:	Upper Zone	Intermediate Zone	Lower Zone
a. Name of Pool and Formation			
b. Top and Bottom of Pay Section (Perforations)			
c. Type of production (Oil or Gas)			
d. Method of Production (Flowing or Artificial Lift)			

4. The following are attached. (Please check YES or NO)

Yes	No	
☐	☐	a. Diagrammatic Sketch of the Multiple Completion, showing all casing strings, including diameters and setting depths, centralizers and/or turbolizers and location thereof, quantities used and top of cement, perforated intervals, tubing strings, including diameters and setting depth, location and type of packers and side door chokes, and such other information as may be pertinent.
☐	☐	b. Plat showing the location of all wells on applicant's lease, all offset wells on offset leases, and the names and addresses of operators of all leases offsetting applicant's lease.
☐	☐	c. Waivers consenting to such multiple completion from each offset operator, or in lieu thereof, evidence that said offset operators have been furnished copies of the application.*
☐	☐	d. Electrical log of the well or other acceptable log with tops and bottoms of producing zones and intervals of perforation indicated thereon. (If such log is not available at the time application is filed it shall be submitted as provided by Rule 112-A.)

5. List all offset operators to the lease on which this well is located together with their correct mailing address.

Exhibit "10"
Order No. R-5709-A

6. Were all operators listed in Item 5 above notified and furnished a copy of this application? YES_____ NO_____. If answer is yes, give date of such notification _____.

CERTIFICATE: I, the undersigned, state that I am the _____ of the _____ (company), and that I am authorized by said company to make this report; and that this report was prepared under my supervision and direction and that the facts stated therein are true, correct and complete to the best of my knowledge.

_____
Signature

Should waivers from all offset operators not accompany an application for administrative approval, the New Mexico Oil Conservation Division will hold the application for a period of twenty (20) days from date of receipt by the Division's Santa Fe office. If, after said twenty-day period, no protest nor request for hearing is received by the Santa Fe office, the application will then be processed.

NOTE: If the proposed multiple completion will result in an unorthodox well location and/or a non-standard proration unit in one or more of the producing zones, then separate application for approval of the same should be filed simultaneously with this application.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-108
Revised 10-1-78

APPLICATION TO DISPOSE OF SALT WATER BY INJECTION INTO A POROUS FORMATION

OPERATOR		ADDRESS	
LEASE NAME	WELL NO.	FIELD	COUNTY

LOCATION

UNIT LETTER _____ ; WELL IS LOCATED _____ FEET FROM THE _____ LINE AND _____ FEET FROM THE

LINE, SECTION _____ TOWNSHIP _____ RANGE _____ NMPM.

CASING AND TUBING DATA

NAME OF STRING	SIZE	SETTING DEPTH	SACKS CEMENT	TOP OF CEMENT	TOP DETERMINED BY
SURFACE CASING					
INTERMEDIATE					
LONG STRING					
TUBING			NAME, MODEL AND DEPTH OF TUBING PACKER		

NAME OF PROPOSED INJECTION FORMATION	TOP OF FORMATION	BOTTOM OF FORMATION

IS INJECTION THROUGH TUBING, CASING, OR ANNULUS?	PERFORATIONS OR OPEN HOLE?	PROPOSED INTERVAL(S) OF INJECTION

IS THIS A NEW WELL DRILLED FOR DISPOSAL?	IF ANSWER IS NO, FOR WHAT PURPOSE WAS WELL ORIGINALLY DRILLED?	HAS WELL EVER BEEN PERFORATED IN ANY ZONE OTHER THAN THE PROPOSED INJECTION ZONE?

LIST ALL SUCH PERFORATED INTERVALS AND SACKS OF CEMENT USED TO SEAL OFF OR SQUEEZE EACH

DEPTH OF BOTTOM OF DEEPEST FRESH WATER ZONE IN THIS AREA	DEPTH OF BOTTOM OF NEXT HIGHER OIL OR GAS ZONE IN THIS AREA	DEPTH OF TOP OF NEXT LOWER OIL OR GAS ZONE IN THIS AREA

ANTICIPATED DAILY INJECTION VOLUME (BBLS.)	MINIMUM	MAXIMUM	OPEN OR CLOSED TYPE SYSTEM	IS INJECTION TO BE BY GRAVITY OR PRESSURE?	APPROX. PRESSURE (PSI)

ANSWER YES OR NO WHETHER THE FOLLOWING WATERS ARE MINERALIZED TO SUCH A DEGREE AS TO BE UNFIT FOR: DOMESTIC, STOCK, IRRIGATION, OR OTHER GENERAL USE —	WATER TO BE DISPOSED OF	NATURAL WATER IN DISPOSAL ZONE	ARE WATER ANALYSES ATTACHED?

NAME AND ADDRESS OF SURFACE OWNER (OR LESSEE, IF STATE OR FEDERAL LAND)

LIST NAMES AND ADDRESSES OF ALL OPERATORS WITHIN ONE-HALF (½) MILE OF THIS INJECTION WELL

HAVE COPIES OF THIS APPLICATION BEEN SENT TO EACH OF THE FOLLOWING?	SURFACE OWNER	EACH OPERATOR WITHIN ONE-HALF MILE OF THIS WELL	
ARE THE FOLLOWING ITEMS ATTACHED TO THIS APPLICATION (SEE RULE 701-B)	PLAT OF AREA	ELECTRICAL LOG	DIAGRAMMATIC SKETCH OF WELL

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

(Signature) *(Title)* *(Date)*

NOTE: Should waivers from the surface owner and all operators within one-half mile of the proposed injection well not accompany this application, the New Mexico Oil Conservation Division will hold the application for a period of 15 days from the date of receipt by the Division's Santa Fe office. If at the end of the 15-day waiting period no protest has been received by the Santa Fe office, the application will be processed. If a protest is received, the application will be set for hearing, if the applicant so requests. SEE RULE 701.

Exhibit "11"
Order No. R-5709-A

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-109
Revised 10-1-78

APPLICATION FOR DISCOVERY ALLOWABLE AND CREATION OF A NEW POOL

NOTE: This form is to be filed and attachments made in accordance with the provisions of Rule 509. *If discovery is claimed for more than one zone, separate forms must be filed for each.*

Operator		Address	
Lease Name		Well No.	County

Well Location

Unit Letter _____ ; _____ Feet from The _____ Line and _____ Feet

From the _____ Line of Section _____, Township _____, Range _____, NMPM

Suggested Pool Names (List in order of preference)

1. _____ 2. _____ 3. _____

Name of Producing Formation	Perforations		Date of Filing Form C-104
Was "Affidavit of Discovery" Previously Filed For This Well in this Pool?	If Yes, Give Date of Filing	Date Well was Spudded	Date Compl. Ready to Prod.

Total Depth	Plugged Back Depth	Depth Casing Shoe	Tubing Depth	Elevation *(Gr., DF, RKB, RT, etc.)*

Oil Well Potential *(Test to be taken only after all load oil has been recovered)*

_____ Bbls. Oil Per Day Based On _____ Bbls In _____ Hours; _____ Bbls Water Per Day Based On _____ Bbls

In _____ Hours; Gas Production During Test: _____ MCF; Gas-Oil Ratio: _____ Method Of Producing: _____ Chk. Size _____

NEAREST PRODUCTION TO THIS DISCOVERY *(Includes past and present oil or gas producing areas and zones whether this discovery is based on horizontal or vertical separation):*

Pool Name	Name of Producing Formation	Top of Pay	Bottom of Pay	Currently Producing?
Horizontal Distance and Direction from Subject Discovery Well to the Nearest Well in this Pool		Vertical Distance from Subject Discovery Zone to Producing Interval this Pool		

NEAREST COMPARABLE PRODUCTION *(Includes past and present oil or gas production from this pay or formation only):*

Pool Name	Top of Pay	Bottom of Pay	Currently Producing?
Horizontal Distance and Direction from Subject Discovery Well to the Nearest Well in this Comparable Pool			

Is "County Deep" Discovery Allowable Requested for Subject Discovery Well?	If Yes, Give Name, Location, and Depth of Next Deepest Oil Production in this County

Is the Subject Well Multiple Completion?	Is Discovery Allowable Requested for other Zone(s)?	If Yes, Name all Such Formations

LIST ALL OPERATORS OWNING LEASES WITHIN ONE MILE OF THIS WELL *(Attach additional sheet if necessary)*

NAME	ADDRESS

Attach evidence that all of the above operators have been furnished a copy of this application. Any of said operators who intends to object to the designation of the subject well as a discovery well, eligible to receive a discovery allowable, must notify the appropriate District Office and the Santa Fe Office of the Division of such intent in writing within ten days after receiving a copy of this application.

Remarks: Exhibit "12"
Order No. R-5709-A

CERTIFICATION

I hereby certify that all rules and regulations of the New Mexico Oil Conservation Division have been complied with, with respect to the subject well, and that it is my opinion that a bona fide discovery of a hitherto unknown common source of oil supply has been made in said well. *I further certify that the discovery allowable for the subject well, if authorized, will be produced from the subject zone in this well only.* Further, that the information given herein and attached hereto is true and complete to the best of my knowledge and belief.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION
P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-111
Revised 10-1-78
Sheet 1

GAS PURCHASERS MONTHLY REPORT

Operator and Address	Plant	Month

REPORT ALL VOLUMES OF GAS IN MCF AT 15.025 PSIA AND 60°F

SECTION I – Volume of Gas Taken	VOLUME – MCF
Total Gas From Oil Wells (Detail on Sheet 2)	
Total Gas From Gas Wells (Detail on Sheet 2)	
Total Gas From Other Sources (Detail on Sheet 2)	
TOTAL TAKES	
Gasoline or Other Extraction Plant Only:	
Deduct Volume That By-Passed Plant and Was Not Processed	
TOTAL PLANT INPUT	

SECTION II – Disposition		ITEM	UNPROCESSED GAS VOLUME MCF	ITEM	PLANT RESIDUE VOLUME MCF
Lease Use	Detail Below	a.		b.	
Gas Drilling Operation	" "	b.		i.	
Gas Lift	" "	c.		j.	
Fuel System	" "	d.		k.	
Returned to Lease For Fuel	" "	e.		l.	
Returned to Earth	" "	f.		m.	
Sold or Other Disposition	" "	g.		n.	
Plant Fuel					
Vented					
Shrinkage					
Totals					
GRAND TOTAL – ALL DISPOSITION					

SECTION III – Detail of Disposition *(Show each individual disposition of items above.)* *(Attach additional sheets if necessary)*

ITEM	NAME AND ADDRESS OF PURCHASER OR USER	USED FOR	VOLUME – MCF

SECTION IV – Plant Production, Receipts, Deliveries, and Stock in Barrels of 42 U.S. Gallons.

PRODUCT	OPENING STOCK	RECEIPTS	PRODUCTION	DELIVERIES	CLOSING STOCK
Oil					
Condensate					
Gasoline					
Butane					
Propane					
Kerosene					
Other					
TOTAL					

Remarks: _____

Exhibit "13"
Order No. R-5709-A

Signature _____ Title _____ Date _____

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION
P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-111
Revised 10-1-78
Sheet 2

GAS PURCHASERS MONTHLY REPORT

ACQUISITION

(Transfer Total Take To Sheet No. 1)

Report of	Date

DETAIL OF TAKE (Total Each Pool)

PRODUCER	LEASE	WELL NO.	U.L.	S	T	R	KIND OF WELL	VOLUME

Exhibit "13-A"
Order No. R-5709-A

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-112
Revised 10-1-78

TRANSPORTER'S AND STORER'S MONTHLY REPORT

Month of	
Report of	Address

	BARRELS
Total Stock Beginning of Month	

RECEIPTS BY POOLS; BY LEASES – TOTAL EACH POOL (Attach additional sheets if necessary)

POOL	COUNTY	NAME OF PRODUCER	NAME OF LEASE	BARRELS
			TOTAL	

RECEIPTS FROM OTHER SOURCES (Attach additional sheets if necessary)

RECEIVED FROM	PLACE OF RECEIPT	BARRELS
	TOTAL	
TOTAL RECEIPTS		
STOCK – FIRST OF PERIOD, PLUS RECEIPTS		

DELIVERIES (Attach additional sheets if necessary)

TO WHOM	PLACE OF DELIVERY	BARRELS
	TOTAL	
TOTAL STOCK – END OF MONTH		
Shortage		
Overage		
TOTAL DELIVERIES AND STOCK – Plus Shortage or Minus Overage		

Exhibit "14"
Order No. R-5709-A

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

(Signature) (Title) (Date)

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-113
Revised 10-1-78
Side 1

INSTRUCTIONS: This form to be completed in accordance with the current "Instructions for the Completion of Commission Form C-113, Refiner's Monthly Report."

REFINER'S MONTHLY REPORT

Month of

Report of

Address

1. Refinery stocks, receipts, inputs, production and shipments (Report in barrels of 42 gallons, 60° API)

Item Description	Stocks beginning of month A	Receipts during month B	Still runs, re-runs & blends C	Production during month D	Deliveries during month E	Loss and fuel use for month [Specify L. or U.] F	Stocks end of month G
1. Crude oil (incl. lease condensate)							
(a) Domestic							
(b) Foreign							
2. Products of natural gas processing plants:							
(a) Propane							
(b) Isobutane							
(c) Normal butane							
(d) Other butanes							
(e) Butane-propane mixtures							
(f) Natural gasoline and isopentane							
(g) Plant condensate							
3. Other hydrocarbons and hydrogen consumed as raw materials							
4. Unfinished oils							
5. Gasoline							
(a) Motor							
(b) Aviation							
6. Special naphthas (solvents)							
7. Jet fuel							
(a) Naphtha-type							
(b) Kerosine-type							
8. Kerosine (including range oil)							
9. Distillate fuel oil							
10. Residual fuel oil							
11. Lubricating oils							
(a) Bright stock							
(b) Neutral							
(c) Other							
12. Asphalt							
13. Wax							
(a) Microcrystalline							
(b) Crystalline-fully refined							
(c) Crystalline-other							
14. Petroleum coke							
(a) Marketable							
(b) Catalyst							
15. Road oil							
16. Still gas							
(a) Petrochemical feedstock use							
(b) Other use							
17. Ethane and/or ethylene— Petrochemical feedstock use							
18. Propane and/or propylene							
(a) Petrochemical feedstock use							
(b) Other use							
19. Butane and/or butylene							
(a) Petrochemical feedstock use							
(b) Other use							
20. Butane-propane mixtures							
(a) Petrochemical feedstock use							
(b) Other use							
21. Isobutane (IC_4) petrochemical feedstock use							
22. Naphtha-less than 400° end point— petrochemical feedstock use							
23. Other oils-over 400° end point— petrochemical feedstock use							
24. Other finished products							
25. Overage (column C) or shortage (column D)							
26. Total							

Exhibit "15"
Order No. R-5709-A

DISTRIBUTION – Original to Santa Fe, one copy to appropriate district office.

II. DETAIL STATEMENT OF REFINERY RECEIPTS IN BARRELS OF 42 GALLONS *(Attach additional sheets if necessary)*

TRANSPORTER FROM WHOM RECEIVED	STATE OR C'NTRY OF ORIGIN	CRUDE OIL & CONDENSATE	LPG ALL CLASSES	NATURAL GASOLINE	UNFINISHED OILS	OTHER	
						BARRELS	KIND
TOTAL							

GRAND TOTAL ALL RECEIPTS BARRELS

I. DETAIL STATEMENT OF REFINERY DELIVERIES IN BARRELS OF 42 GALLONS
(List in same order as on Side 1 of this report).

PRODUCT	BARRELS	TRANSPORTER	HOW TRANSPORTED	DESTINATION (STATE OR COUNTRY)

I hereby certify that this report is true and complete to the best of my knowledge and belief.

(Date)

(Signature)

(Title)

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OPERATOR'S MONTHLY REPORT

OIL CONSERVATION DIVISION
P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

(Company or Operator) _____ (Address) _____ (Zip) _____ For (Month, Year) _____ Page _____ of _____

POOL NAME (Underline) *Lease Name WELL NO UNIT SEC TWP RNG	WELL STATUS	INJECTION		TOTAL LIQUIDS PRODUCED			GAS PRODUCED (MCF)	DAYS PROD.	DISPOSITION OF GAS				DISPOSITION OF OIL					
		VOLUME	PRESS.	MONTHLY OIL ALLOWABLE	ACTUAL BARRELS PRODUCED	BARRELS OF WATER PRODUCED			SOLD	TRANS PORTER	OTHER	CODE	OIL ON HAND AT BEG. OF MONTH	BARRELS TO TRANS. PORTER	TRANS PORTER	OTHER	CODE	OIL ON HAND AT END OF MONTH

*LEASE NAME - Include State Land Lease Number or Federal Lease Number

Exhibit "16"
Order No. R-5709-A

DISTRIBUTION
ORIGINAL TO OCC SANTA FE
ONE COPY TO OCC DIST. OFFICE
ONE COPY TO TRANSPORTER(S)

Form C-115
Revised 10-1-78

STATUS CODE
F.....FLOWING
P.....PUMPING
G.....GAS LIFT
S.....SHUT IN
T.....TEMP ABANDONED
I.....INJECTION
D.....DISCONTINUED

"OTHER" GAS DISPOSITION CODE
X.....USED OFF LEASE (OTHER THAN OIL OR GAS FIELD)
O.....USED FOR DRILLING (OTHER THAN OIL OR GAS FIELD)
G.....GAS LIFT
L.....LOST (MCF ESTIMATED)
E.....EXPLANATION ATTACHED
R.....REPRESSURING OR PRESSURE MAINTENANCE
V.....VENTED
U.....USED ON LEASE

"OTHER" OIL DISPOSITION CODE
C.....CIRCULATING OIL
L.....LOST
S.....SEDIMENTATION (BS&W)
E.....EXPLANATION ATTACHED

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE

(NAME)

(POSITION)

(SIGNATURE) (DATE)

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OPERATOR'S MONTHLY REPORT

OIL CONSERVATION DIVISION
P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

(Company or Operator) (Address) FOR MONTH Page of

STATE LAND LEASE NUMBER OR FEDERAL LEASE NUMBER	POOL NAME LEASE NAME WELL NO. UNIT LETTER, SEC., TWP., RNG. AND WELL STATUS	WATER INJECTION: VOLUME	WATER INJECTION: PRESSURE	TOTAL LIQUIDS PRODUCED: MONTHLY OIL ALLOWABLE	TOTAL LIQUIDS PRODUCED: ACTUAL BARRELS PRODUCED	TOTAL LIQUIDS PRODUCED: BARRELS OF WATER PRODUCED	GAS PRODUCED MCF	DAYS PROD.	DISPOSITION OF GAS: SOLD	DISPOSITION OF GAS: TRANSPORTED	DISPOSITION OF GAS: OTHER	DISPOSITION OF GAS: CODE	DISPOSITION OF OIL: OIL ON HAND BEG. OF MONTH	DISPOSITION OF OIL: BARRELS TO TRANSPORTER	DISPOSITION OF OIL: TRANSPORTER	DISPOSITION OF OIL: OTHER	DISPOSITION OF OIL: CODE	DISPOSITION OF OIL: OIL ON HAND END OF MONTH

This is a reduced specimen of Form C-115-EDP as revised October 1, 1978. It is to be used in filing monthly production and injection reports as computed and printed by electronic data processing equipment. The forms are standard size machine reports.

Exhibit "17"
Order No. R-5709-A

DISTRIBUTION
ORIGINAL TO OCC SANTA FE
ONE COPY TO OCC DIST. OFFICE
ONE COPY TO TRANSPORTER(S)

Form C-115-EDP
Revised 10-1-78

STATUS CODE
F.....FLOWING
P.....PUMPING
G.....GAS LIFT
S.....SHUT IN
T.....TEMP ABANDONED
I.....INJECTION
D.....DISCONTINUED

"OTHER" GAS DISPOSITION CODE
X.....USED OFF LEASE (Obtain Form C-111)
D.....USED FOR DRILLING
G.....GAS LIFT
L.....LOST (MCF ESTIMATED)
E.....EXPLANATION ATTACHED
R.....REPRESSURING OR PRESSURE MAINTENANCE
V.....VENTED
U.....USED ON LEASE

"OTHER" OIL DISPOSITION CODE
C.....CIRCULATING OIL
L.....LOST
S.....SEDIMENTATION (BS&W)
E.....EXPLANATION ATTACHED

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE.

(NAME)

(WITNESS)

(SIGNATURE) (DATE)

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION
P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-116
Revised 10-1-78

GAS – OIL RATIO TESTS

Operator	Pool	County
Address	TYPE OF TEST – (X)	Scheduled ☐ Completion ☐ Special ☐

LEASE NAME	WELL NO.	LOCATION U	S	T	R	DATE OF TEST	STATUS	CHOKE SIZE	TBG. PRESS.	DAILY ALLOWABLE	LENGTH OF TEST HOURS	PROD. DURING TEST WATER BBLS.	GRAV. OIL	OIL BBLS.	GAS M.C.F.	GAS – OIL RATIO CU.FT/BBL.

Exhibit "18"
Order No. R-5709-A

No well will be assigned an allowable greater than the amount of oil produced on the official test.

During gas-oil ratio test, each well shall be produced at a rate not exceeding the top unit allowable for the pool in which well is located by more than 25 percent. Operator is encouraged to take advantage of this 25 percent tolerance in order that well can be assigned increased allowables when authorized by the Division.

Gas volumes must be reported in MCF measured at a pressure base of 15.025 psia and a temperature of 60° F. Specific gravity base will be 0.60.

Report casing pressure in lieu of tubing pressure for any well producing through casing.

Mail original and one copy of this report to the district office of the New Mexico Oil Conservation Division in accordance with Rule 331 and appropriate pool rules.

I hereby certify that the above information is true and complete to the best of my knowledge and belief.

(Signature)

(Title)

(Date)

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION
P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-117A
Revised 10-1-78

SEDIMENT OIL DESTRUCTION PERMIT

Operator _____ hereby requests authority

to destroy the following described sediment oil: _____

Name of lease _____

Location of lease _____

Type of sediment oil (Pit oil, tank bottoms, etc.) _____

Estimated gross volume, barrels _____

Reason why sediment oil cannot be salvaged: _____

Operator _____

By _____

Title _____

Date _____

Approved _____ 19____

NEW MEXICO OIL CONSERVATION DIVISION

By _____

Title _____

Exhibit "19"
Order No. R-5709-A

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-117B
Revised 10-1-78

SEDIMENT OIL RECOVERY PERMIT

State of New Mexico
Oil Conservation Division

Gentlemen:

We the undersigned hereby request authority to remove the following described sediment oil from the lease for purposes of reclamation. It is understood that any merchantable oil derived from said sediment oil will be charged against the allowable for wells on the subject lease.

Name of lease _____

Location of lease _____

Type of sediment oil (Tank bottoms, Pit oil, etc.) _____

Estimated gross volume, Barrels _____

Sediment oil to be transported to: (Name and location of treating plant) _____

_____

_____

Remarks: _____

_____

_____

_____

_____

_____

Yours very truly,

Lease Operator _____ Oil Transporter _____

By _____ By _____

Title _____ Title _____

Date _____ Date _____

Approved _____ 19_____

NEW MEXICO OIL CONSERVATION DIVISION

By _____

Title _____

Exhibit "20"
Order No. R-5709-A

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION
P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-118
Revised 10-1-78
Sheet 1

TREATING PLANT OPERATOR'S MONTHLY REPORT

Report of _____ Month of _____

Address _____
(Street) (City) (State)

TOTAL STOCKS PIPELINE OIL BEGINNING OF MONTH (Attach additional sheets if necessary)		
PLANT NAME	LOCATION	BARRELS
	TOTAL ALL PLANTS	

TOTAL PIPELINE OIL RECOVERED (Attach additional sheets if necessary)		
PLANT NAME	LOCATION	BARRELS
	TOTAL ALL PLANTS	

DELIVERIES PIPELINE OIL (Attach additional sheets if necessary)		
FROM	TO	BARRELS
	TOTAL ALL PLANTS	

TOTAL STOCKS PIPELINE OIL END OF MONTH (Attach additional sheets if necessary)		
PLANT NAME	LOCATION	BARRELS
	TOTAL ALL PLANTS	

Exhibit "21"
Order No. R-5709-A

I hereby certify that this report is true and complete to the best of my knowledge and belief.

NAME OF TREATING PLANT OPERATOR _____

By _____ Title _____ Date _____

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-118
Revised 10-1-78
Sheet 1-A

PIPELINE QUALITY OIL RECOVERED BY TREATING PLANTS

PERMIT NUMBER	LEASE OPERATOR	LEASE NAME	GROSS VOLUME SEDIMENT OIL	NET BBLS. P.L. OIL RECOVERED

Exhibit "21-A"
Order No. R-5709-A

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-119
Revised 10-1-78

CARBON BLACK PLANT REPORT

Month

Operator

Plant Name | Process

County | Field

Date | Rated Capacity – MCF Gas Daily | Recovery/MCF

SOURCE OF GAS SUPPLY

	PRODUCER OR EXTRACTION PLANT	FIELD	KIND OF GAS	SULPHUR CONTENT GR. PER 100 CU. FT.	MTHLY. VOL. MCF.
1.					
2.					
3.					
4.					
5.					
TOTAL					
Estimated Average B.T.U.					

DISPOSITION OF GAS

1.	Camp Uses	
2.	Plant Fuel Other than Carbon Black Manufacture	
3.	Carbon Black Manufacture *(include furnace fuel in Furnace Plants)*	
4.	Other *(Detail)*	
TOTAL		

CARBON BLACK PRODUCTION IN POUNDS

	TYPE	GRADE	OPEN'G. STOCK	PRODUCTION	DELIVERIES	CLOS'G. STOCK	
1.							
2.							
3.							
4.							
TOTAL							

Note: All volumes must be corrected to a pressure of 15.025 psia and to a temperature of 60 °F

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

(Date)

Exhibit "22"
Order No. R-5709-A

(Signature)

(Title)

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-120-A
Revised 10-1-78

MONTHLY WATER DISPOSAL REPORT

Submit this report in triplicate to the approriate District Office, Oil Conservation Division

Disposal System Operator _____ Disposal System _____

County _____ Month _____ 19____

LEASE	WELL NO.	LOCATION				DISPOSED WATER BARRELS	CUMULATIVE DISPOSED WATER-BARRELS	AVERAGE INJECTION PRESSURES
		UL	S	T	R			
TOTAL								

Exhibit "23"
Order No. R-5709-A

I hereby certify that the above is true and complete to the best of my knowledge and belief.

Remarks: _____ Name _____

_____ Company _____

_____ Title _____

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION
P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-121
Revised 10-1-78

CRUDE OIL PURCHASER'S NOMINATION

Acting in accordance with the request of the New Mexico Oil Conservation Division that crude oil purchase nominations be submitted not later than the 20th day of each odd-numbered month (January, March, May, July, September, and November), the undersigned purchaser's daily nomination for the purchase of crude oil for the second and third succeeding months* is as follows:

	Month_____	Month_____
1. All purchases from producing wells in Eddy, Lea, Chaves, and Roosevelt Counties	_____BPD	_____BPD
2. All purchases from producing wells in San Juan, McKinley, Rio Arriba, and Sandoval Counties	_____BPD	_____BPD
3. Total nomination for all producing wells in the state	_____BPD	_____BPD
4. Additional purchases from other sources to satisfy demand requirements . . .	_____BPD	_____BPD
5. Total nominations	_____BPD	_____BPD

I hereby certify that the above information is true and complete to the best of my knowledge and belief.

Signed _____ Position _____

Company _____ Address _____

Date _____

*As an example, nominations submitted by the 20th day of January shall indicate anticipated daily demand during March and April.

Exhibit "24"
Order No. R-5709-A

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-121-A
Revised 10-1-78

PURCHASER'S GAS NOMINATIONS

Company	Address

In accordance with the Rules and Regulations of the Oil Conservation Division of the State of New Mexico, the above named company herewith submits its nominations for the purchase of gas from the _____ Pool for the month(s) shown below:

MONTH	YEAR	PRELIMINARY NOMINATION, MCF	SUPPLEMENTAL NOMINATION, MCF
April			
May			
June			
July			
August			
September			
October			
November			
December			
January			
February			
March			

NOTE: *All Volumes are to be MCF at 15.025 psia and 60° F.*

_____ *(Signature)*

_____ *(Title)*

_____ *(Date)*

INSTRUCTIONS:

1. *When making 12-months preliminary nominations, fill in the appropriate months in the preliminary column only.*
2. *When making a supplemental nomination, whether anticipated demand is the same as, or higher or lower than, the preliminary nomination, fill in the preliminary nomination previously made for that month as well as the supplemental nomination which you wish to make.*
3. *This form must be filed with the Santa Fe office of the Division by the first day of the month during which the nominations are to be considered at public hearing.*

Exhibit "25"
Order No. R-5709-A

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-122
Revised 10-1-78

MULTIPOINT AND ONE POINT BACK PRESSURE TEST FOR GAS WELL

Type Test ☐ Initial ☐ Annual ☐ Special						Test Date			
Company				Connection					
Pool				Formation				Unit	
Completion Date		Total Depth		Plug Back TD		Elevation		Farm or Lease Name	
Csg. Size	Wt.	d	Set At	Perforations: From	To			Well No.	
Tbg. Size	Wt.	d	Set At	Perforations: From	To			Unit Sec. Twp. Rge.	
Type Well – Single – Bradenhead – G.G. or G.O. Multiple				Packer Set At				County	
Producing Thru		Reservoir Temp. °F		Mean Annual Temp. °F		Baro. Press. – P_a		State	
L	H	Gg		% CO_2	% N_2	% H_2S	Prover	Meter Run	Taps

	FLOW DATA					TUBING DATA		CASING DATA		
NO.	Prover Line Size	X Orifice Size	Press. p.s.i.g.	Diff. h_w	Temp. °F	Press. p.s.i.g.	Temp. °F	Press. p.s.i.g.	Temp. °F	Duration of Flow
SI										
1.										
2.										
3.										
4.										
5.										

RATE OF FLOW CALCULATIONS

NO.	Coefficient (24 Hour)	$\sqrt{h_w P_m}$	Pressure P_m	Flow Temp. Factor Ft.	Gravity Factor Fg	Super Compress. Factor, Fpv	Rate of Flow Q, Mcfd
1							
2.							
3.							
4.							
5.							

NO.	P_t	Temp. °R	T_t	Z
1.				
2.				
3.				
4.				
5.				

Gas Liquid Hydrocarbon Ratio _____ Mcf/bbl.
A.P.I. Gravity of Liquid Hydrocarbons _____ Deg.
Specific Gravity Separator Gas _____ XXXXXXXXXX
Specific Gravity Flowing Fluid XXXXX _____
Critical Pressure _____ P.S.I.A. _____ P.S.I.A.
Critical Temperature _____ R _____ R

P_c _____ P_c^2 _____

NO	P_t^2	P_w	P_w^2	$P_c^2 - P_w^2$
1				
2				
3				
4				
5				

(1) $\frac{P_c^2}{P_c^2 - P_w^2} =$ _____ (2) $\left[\frac{P_c^2}{P_c^2 - P_w^2}\right]^n =$ _____

AOF = Q $\left[\frac{P_c^2}{P_c^2 - P_w^2}\right]^n =$ _____

Exhibit "26"
Order No. R-5709-A

Absolute Open Flow _____ Mcfd @ 15.025 | Angle of Slope θ _____ | Slope, n _____

Remarks: _____

Approved By Division	Conducted By:	Calculated By:	Checked By:

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION
P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-122-A
Revised 10-1-78

INITIAL WELL DELIVERABILITY TEST REPORT

POOL NAME	POOL SLOPE	FORMATION	COUNTY
	n=		

COMPANY			WELL NAME AND NUMBER		
UNIT LETTER	SECTION	TOWNSHIP	RANGE	PURCHASING PIPELINE	
CASING O.D. – INCHES	CASING I.D – INCHES	SET AT DEPTH – FEET	TUBING O.D – INCHES	TUBING I.D. – INCHES	TOP – TUBING PERF. – FEET
GAS PAY ZONE FROM TO		WELL PRODUCING THRU CASING TUBING		GAS GRAVITY	GRAVITY X LENGTH
DATE OF FLOW TEST FROM TO			DATE SHUT-IN PRESSURE MEASURED		

PRESSURE DATA – ALL PRESSURES IN PSIA

(a) Flowing Casing Pressure (DWt)	(b) Flowing Tubing Pressure (DWt)	(c) Flowing Meter Pressure (DWt)	(d) Flow Chart Static Reading	(e) Meter Error (Item c – Item d)	(f) Friction Loss (a – c) or (b – c)	(g) Average Meter Pressure (Integr.)
(h) Corrected Meter Pressure (g + e)	(i) Avg. Wellhead Press. P_t = (h + f)	(j) Shut-in Casing Pressure (DWt)	(k) Shut-in Tubing Pressure (DWt)	(l) P_c = higher value of (j) or (k)	(m) Del. Pressure P_d = _____ $\%P_c$	(n) Separator or Dehydrator Pr. (DWt) for critical flow only

FLOW RATE CORRECTION (METER ERROR)

Integrated Volume – MCF/D	Quotient of $\frac{\text{Item c}}{\text{Item d}}$	$\sqrt{\frac{\text{Item c}}{\text{Item d}}}$	Corrected Volume Q = MCF/D

WORKING PRESSURE CALCULATION

$(1-e^{-s})$	$(F_c\ Q_m)^2\ (1000)$	$R^2 = (1-e^{-s})\ (F_c\ Q_m)^2(1000)$	P_t^2	$P_w^2 = P^2 + R^2$	$P_w = \sqrt{P_w^2}$

DELIVERABILITY CALCULATION

$$D = Q\left[\frac{P_c^2 - P_d^2}{P_c^2 - P_w^2}\right]^n = _____\left[\left(_____\right)^n\left(_____\right)^n = _____ = _____\right] = _____ \text{MCF/D}$$

REMARKS:

SUMMARY

Item h _____ Psia
P_c _____ Psia
Q _____ MCF/D
P_w _____ Psia
P_d _____ Psia
D _____ MCF/D

Company _____
By _____
Title _____
Witnessed By _____
Company _____

Exhibit "27"
Order No. R-5709-A

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-122-A
Revised 10-1-78

WELL DELIVERABILITY TEST REPORT FOR 19_____

POOL NAME	POOL SLOPE	FORMATION	COUNTY
	n=		

COMPANY			WELL NAME AND NUMBER		
UNIT LETTER	SECTION	TOWNSHIP	RANGE	PURCHASING PIPELINE	
CASING O.D. – INCHES	CASING I.D. – INCHES	SET AT DEPTH – FEET	TUBING O.D. – INCHES	TUBING I.D. – INCHES	TOP – TUBING PERF. – FEET
GAS PAY ZONE FROM TO		WELL PRODUCING THRU CASING TUBING		GAS GRAVITY	GRAVITY X LENGTH
DATE OF FLOW TEST FROM TO			DATE SHUT-IN PRESSURE MEASURED		

PRESSURE DATA – ALL PRESSURES IN PSIA

(a) Flowing Casing Pressure (DWt)	(b) Flowing Tubing Pressure (DWt)	(c) Flowing Meter Pressure (DWt)	(d) Flow Chart Static Reading	(e) Meter Error (Item c – Item d)	(f) Friction Loss (a – c) or (b – c)	(g) Average Meter Pressure (Integr.)
(h) Corrected Meter Pressure (g + e)	(i) Avg. Wellhead Press. P_t = (h + f)	(j) Shut-in Casing Pressure (DWt)	(k) Shut-in Tubing Pressure (DWt)	(l) P_c = higher value of (j) or (k)	(m) Del. Pressure P_d = _____ %P_c	(n) Separator or Dehydrator Pr. (DWt) for critical flow only

FLOW RATE CORRECTION (METER ERROR)

Integrated Volume – MCF/D	Quotient of $\frac{\text{Item c}}{\text{Item d}}$	$\sqrt{\frac{\text{Item c}}{\text{Item d}}}$	Corrected Volume Q = MCF/D

WORKING PRESSURE CALCULATION

$(1-e^{-s})$	$(F_c\ Q_m)^2\ (1000)$	$R^2 = (1-e^{-s})(F_c\ Q_m)^2(1000)$	P_t^2	$P_w^2 = P_t^2 + R^2$	$P_w = \sqrt{P_w^2}$

DELIVERABILITY CALCULATION

$$D = Q\left[\frac{P_c^2 - P_d^2}{P_c^2 - P_w^2}\right]^n = _____\left[\left(_____\right)^n = _____^n = _____\right] = _____ \text{MCF/D}$$

REMARKS:

Exhibit "27-A"
Order No. R-5709-A

SUMMARY

Item h _____ Psia
P_c _____ Psia
Q _____ MCF/D
P_w _____ Psia
P_d _____ Psia
D _____ MCF/D

Company _____
By _____
Title _____
Witnessed By _____
Company _____

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION
P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-122-B
Revised 10-1-78

INITIAL POTENTIAL TEST DATA SHEET

This form must be used for reporting all pitot tube tests made in the State. It is particularly important that it be used for reporting Initial Potential Tests in the San Juan Basin as prescribed by Order No. R-333 and by the New Mexico Oil Conservation Division Manual of Tables and Procedure for Initial Potential (Pitot Tube) Tests.

Pool _____ Formation _____

County _____ Date Well Tested _____

Operator _____ Lease _____ Well No. _____

Unit Letter _____ Section _____ Township _____ Range _____

Casing O.D. _____ Wt. _____ Set At _____ Tubing O.D. _____ Wt. _____ Set At _____

Pay Zone: From _____ To _____ Gas Gravity: Meas. _____ Est. _____

Tested Through: Casing _____ Tubing _____

Test Nipple _____ I.D. Type of Gauge Used: Spring ☐ Monometer ☐

OBSERVED DATA

Shut-In Pressure: Casing _____ Tubing _____ S.I. Period _____

Time Well Opened _____ Time Well Gauged _____ Impact Pressure _____

Volume (Table I)	_____ (a)
Multiplier For Pipe or Casing (Table II)	_____ (b)
Multiplier For Flowing Temperature (Table III)	_____ (c)
Multiplier For Sp. Gravity (Table IV)	_____ (d)
Avg. Barometer Pressure at Wellhead (Table V)	_____
Multiplier For Barometric Pressure (Table VI)	_____ (e)
Initial Potential, MCF/24 Hrs.	(a) x (b) x (c) x (d) x (e) = _____

Witnessed By: _____ Tested By _____

Company: _____ Company _____

Title: _____ Title _____

Exhibit "28"
Order No. R-5709-A

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-122-C
Revised 10-1-78

DELIVERABILITY TEST REPORT

Type Test ☐ Initial ☐ Annual ☐ Special					Test Date			
Company			Connection					
Pool			Formation				Unit	
Completion		Total Depth		Plug Back TD		Elevation	Farm or Lease Name	
Csg. Size	Wt.	d	Set At	Perforations: From	To		Well No.	
Tbg. Size	Wt.	d	Set At	Perforations: From	To		Unit Sec. Twp. Rge.	
Type Well – Single – Bradenhead – G.G. or G.O. Multiple				Packer Set At			County	
Producing Thru	Reservoir Temp. °F		Mean Annual Temp. °F	Baro. Press. – P_a			State	
L	H	Gg.	% CO_2	% N_2	% H_2S	Prover	Meter Run	Taps

	FLOW DATA					TUBING DATA		CASING DATA		Duration of Flow
NO.	Prover Line Size	X Choke Orifice Size	Press. p.s.i.g.	Diff. hw	Temp. °F	Press. p.s.i.g.	Temp. °F	Press. p.s.i.g.	Temp. °F	
SI										
1.										

NO.	Coefficient (24-Hour)	$\sqrt{h_w P_m}$	Pressure P_m	Flow Temp. Factor Ft	Gravity Factor Fg	Super Compress. Factor Fpv	Rate of Flow Q, Mcfd
1.							

NO.	P_r	Temp. R.	T_r	Z

P_d = _____
P_d^2 = _____
P_c _____ P_c^2 _____

Gas Liquid Hydrocarbon Ratio _____ Mcf/bbl.
A.P.I. Gravity of Liquid Hydrocarbons _____ Deg.
Specific Gravity Separator Gas _____ XXXXXXXXXX
Specific Gravity Flowing Fluid XXXXX _____
Critical Pressure _____ p.s.i.a. _____ p.s.i.a.
Critical Temperature _____ R _____ R
P_f _____ ^{2} _____

NO.	P_t	P_t^2	$P_c^2 - P_t^2$	P_c	P_w^2	$P_c^2 - P_w^2$	P_a	P_a^2	$P_t^2 - P_a^2$

$$\left[\frac{P_c^2 - P_d^2}{P_c^2 - P_w^2}\right] = \left[\quad\right] = _____$$

$$\text{Log}\left[\frac{P_c^2 - P_d^2}{P_c^2 - P_w^2}\right] = _____$$

$$\left[\frac{P_c^2 - P_d^2}{P_c^2 - P_w^2}\right]^n = _____$$

$$n \text{ Log}\left[\frac{P_c^2 - P_d^2}{P_c^2 - P_w^2}\right] = _____$$

$$\text{Deliv.} = Q\left[\frac{P_c^2 - P_d^2}{P_c^2 - P_w^2}\right]^n$$

Deliv. _____ Mcfd
n _____
(Source of n)

Commission _____
Company _____
Others _____

Exhibit "29"
Order No. R-5709-A

Exhibit "30"
Order No. R-5709-A

WORKSHEET FOR CALCULATION OF STATIC COLUMN WELLHEAD PRESSURE (P_w)

Form C-122D
Adopted 9-1-65

COMPANY _____ LEASE _____ WELL NO. _____ DATE _____

LOCATION: Unit _____ Section _____ Township _____ Range _____

L _____ H _____ L/H _____ G _____ % CO_2 _____ % N_2 _____ % H_2S _____

d _____ F_r _____ GH _____ P_{cr} _____ (TABLE IX & X) T_{cr} _____ (TABLE IX & X)

LINE										
1 Q_m										
2 T_w (W.H. °R)										
3 T_s (B.H. °R)										
4 $\bar{T} = \left(\frac{T_w + T_s}{2}\right)$										
5 $\bar{Z}$ ($\bar{Z}_{m}$)										
6 $\bar{T}\bar{Z}$										
7 GH/$\bar{T}\bar{Z}$										
8 e^s (Table XIV)										
9 $1-e^{-s}$ (Table XIV)										
10 F_t										
11 $P_t^2 \cdot (1-X)$										
12 F_f (Table XV)										
13 $F_c = F_f \bar{T}\bar{Z}$										
14 $F_c Q_m$										
15 L/H $F_c Q_m$ ^{2}										
16 $F_w = L/H (F_c Q_m)^2 (1-e^{-s})$										
17 $P_w^2 = P_t^2 + F_w$										
18 $P_s^2 = e^s P_w^2$										
19 P_s										
20 $P = \frac{P_t + P_s}{2}$										
21 $P_r = P / P_{cr}$										
22 $T_r = T / T_{cr}$										
23 Z (Table XI)										

One copy to be filed in District Office (Work copy acceptable)

Exhibit "31"
Order No. R-5709-A

WORK SHEET FOR STEPWISE CALCULATION (SUBSURFACE) (SURFACE) PRESSURE (P_f & P_s) (P_c & P_w)

Form C-122-E
Adopted 9-1-65

COMPANY _____ LEASE _____ WELL NO. _____ DATE _____

LOCATION: Unit _____ Section _____ Township _____ Range _____

L _____ H _____ L/H _____ G _____ % CO_2 _____ % N_2 _____ % H_2S _____

d _____ F_r _____ Q_m _____ M^2cfd (L/H) $(F_rQ_m)^2$ _____ P_{cr} _____ (TABLE IX & X) T_{cr} _____ (TABLE IX & X)

LINE	ITEM	SOURCE	1	2	3	4	5	6	7	8	9	10
1	H											
2	CH											
3	37.5CH											
4	P_s or P_n											
5	P_w											
6	T											
7	T_s											
8	Z											
9	P/Z P/Z	$\bar{4}$-$\bar{8}$										
10	P/TZ	$\bar{9}$-$\bar{6}$										
11	$(P/TZ)^2/1000$	$(\bar{\ })^2/1000$										
12	$L/H(F_rQ_m)^2$											
13		$\bar{11} + \bar{12}$										
14	I_n	$\bar{10}$-$\bar{13}$										
15	$M=P_n-P_{n-1}$											
16	$N=I_n - I_{n-1}$											
17	M x N	$\bar{15}\times\bar{16}$										
18	$\sum$ (M x N)	$\sum\bar{17}$										

One copy to be filed in District Office (Work copy acceptable)

Exhibit "32"
Order No. R-5709-A

WORK SHEET FOR CALCULATION OF WELLHEAD PRESSURES (P_c or P_w)
FROM KNOWN BOTTOM HOLE PRESSURE (P_f or P_s)

Form C-122F
Adopted 9-1-65

COMPANY _____ LEASE _____ WELL NO. _____ DATE _____

LOCATION: Unit _____ Section _____ Township _____ Range _____

L _____ H _____ L/H _____ G _____ % CO_2 _____ % N_2 _____ % H_2S _____

GH _____ P_{cr} _____ (TABLE IX & X) T_{cr} _____ (TABLE IX & X)

LINE		1	2	3	4	5	6	7	8
1	T_w(W.H. °R)								
2	T_s(B.H. °R)								
3	$T=(\frac{T_w + T_s}{2})$								
4	Z (Est.)								
5	TZ								
6	GH/TZ								
7	e^s(Table XIV)								
8	P_f or P_s								
9	P_f^2 or P_s^2								
10	$P_c^2 = P_f^2/e^s$ or $P_w^2 = P_s^2/e^s$								
11	P_c or P_w								
12	$P=(\frac{P_w + P_s}{2})$ or $(\frac{P_c + P_f}{2})$								
13	$P_r = (P/P_{cr})$								
14	$T_r = (T/T_{cr})$								
15	Z (Table XI)								

One copy to be filed in District Office (Work copy acceptable)

Order No. R-5709-A Exhibit "3"

WORKSHEET FOR CALCULATION OF STATIC COLUMN PRESSURE AT GAS LIQUID INTERFACE

Form C-122G
Adopted 9-1-65

COMPANY _____ LEASE _____ WELL NO. _____ DATE _____

L _____ H _____ L/H _____ G _____ % CO_2 _____ % N_2 _____ % H_2S _____

d _____ F_r _____ GH _____ P_{cr} _____ (TABLE IX & X) T_{cr} _____ (TABLE IX & X)

LINE											
1	Q_m										
2	T_w (W.H. °R)										
3	T_s (BH °R										
4	T = [illegible]										
5	Z (Est.)										
6	TZ										
7	GH/TZ										
8	e^s (Table XIV)										
9	$1 - e^{-s}$ (Table XIV)										
10	P_c										
11	P_c^2										
12	F_r (Table XV)										
13	$F_c = F_r TC$										
14	$F_c Q_m$										
15	$L/H (F_c Q_m)^2$										
16	$F_w = L/H(F_c Q_m)^2(1-e^s)$										
17	$P_w^2 = P_t^2 + F_w$										
18	$P_t^2 = e^s P_c^2$										
19	P_t										
20	P_w [illegible]										
21	$P_t = \frac{P_w}{P_{cr}}$										
22	$T_r = \frac{T}{T_{cr}}$										
23	Z (Table XI)										

One copy to be filed in District Office (Work copy acceptable)

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION
P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-123
Revised 10-1-78

REQUEST FOR THE EXTENSION OF AN EXISTING POOL

OR

THE CREATION OF A NEW POOL

TO: The Oil Conservation Division
State of New Mexico

Date....., 19.....

The.....
Name of Operator Name of Lease

.....Located.....feet from the.....line and.....feet
Well No.

from the.....line of..... ....
Section Township Range

is outside the boundaries of any pool producing from the same formation. On the basis of the information submitted herewith on form C-105, we hereby request that the.....

pool be extended to include the following described area.....

.....

or that a new pool be created to include the following described area.....

.....

Suggested name: .....

.....
Operator

Name of Producing Formation.....

....
Representative

Exhibit "34"
Order No. R-5709-A

TYPE OF REPORT — (X)	
Initial Completion	
Special	
General Survey	

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION
P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-124
Revised 10-1-78

RESERVOIR PRESSURE REPORT

Operator	Pool	County	Date
Address	Producing Formation	Oil Gradient psi/ft.	Water Gradient psi/ft.	Gas Gravity	Datum Plane
---	---	---	---	---	---

LEASE	WELL NO.	LOCATION U	S	T	R	ELEV.	OIL (O) OR GAS (G)	DATE TESTED	SHUT IN HOURS	SHUT-IN TBG. PRESS.	BOMB TEST DATA: TEST DEPTH	B.H. TEMP. °F	OBSERVED PRESS.	SONIC INSTRUMENT TEST DATA*: PROD. TEST (BBLS./DAY) OIL	WATER	LIQUID LEVEL	LIQUID GRADIENT PSI/FT.	WT. OF LIQUID COL. PSI	WT. OF GAS COL. PSI	CSG. PRESS.	PRESS. AT DATUM

Exhibit "35"
Order No. R-5709-A

All depths plus or minus sea level; all pressures psi; Bomb shall be calibrated frequently enough against a dead weight tester to ensure an accuracy of one per cent; gas gravity shall be determined by analysis; liquid level shall be feet above datum plane. SEE RULE 302.

* Well shall be produced at least 24 hours prior to shutting in for sonic test.

I hereby certify that the above information is true and complete to the best of my knowledge and belief.

(Signature) (Title) (Date)

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-125
Revised 10-1-78

GAS WELL SHUT-IN PRESSURE REPORT

Operator	Address	Pool	County

LEASE	WELL NO.	LOCATION				DATE PRESS. RUN	TIME S.I. HRS./MIN.	S.I. PRESSURE PSIG (DWT)	S.I. PRESSURE PSIA	PREV. TEST DATE
		UNIT	SEC.	TWP.	RGE.					

Exhibit "36"
Order No. R-5709-A

I hereby certify that the above information is true and complete to the best of my knowledge and belief. SEE RULE 402

Signature _____ Title _____ Date _____

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-126
Revised 10-1-78

PERMIT TO TRANSPORT RECOVERED LOAD OIL

NOTE
REQUIRED ONLY WHEN LOAD OIL WAS OBTAINED FROM A SOURCE OTHER THAN LEASE ON WHICH USED.

RECOVERED LOAD OIL

OPERATOR		ADDRESS	
LEASE NAME	WELL NO.	POOL	COUNTY
LOCATION		TRANSPORTER	

BBLS. LOAD OIL RECOVERED

SOURCE OF LOAD OIL

PURCHASED OIL

BARRELS PURCHASED	DATE PURCHASED
PURCHASED FROM	ADDRESS

BARRELS PURCHASED	DATE PURCHASED
PURCHASED FROM	ADDRESS

OIL TRANSFERRED FROM ANOTHER LEASE OR POOL

BARRELS TRANSFERRED	POOL FROM WHICH TRANSFERRED	LEASE FROM WHICH TRANSFERRED
DATE OF LETTER OF NOTIFICATION OF TRANSFER IN COMPLIANCE WITH RULE 1104(6)		

BARRELS TRANSFERRED	POOL FROM WHICH TRANSFERRED	LEASE FROM WHICH TRANSFERRED
DATE OF LETTER OF NOTIFICATION OF TRANSFER IN COMPLIANCE WITH RULE 1104(6)		

BARRELS TRANSFERRED	POOL FROM WHICH TRANSFERRED	LEASE FROM WHICH TRANSFERRED
DATE OF LETTER OF NOTIFICATION OF TRANSFER IN COMPLIANCE WITH RULE 1104(6)		

BARRELS TRANSFERRED	POOL FROM WHICH TRANSFERRED	LEASE FROM WHICH TRANSFERRED
DATE OF LETTER OF NOTIFICATION OF TRANSFER IN COMPLIANCE WITH RULE 1104(6)		

APPROVED: NEW MEXICO OIL CONSERVATION DIVISION

(Signature)

(Title) (Date)

Exhibit "37"
Order No. R-5709-A

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

NAME _____

TITLE _____

DATE _____

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-127
Revised 10-1-78

REQUEST FOR ALLOWABLE CHANGES

One copy of Form C-127 shall be filed with the appropriate District Office of the Oil Conservation Division not later than the 15th of the month preceding the month for which allowable changes are requested. This form shall include only the wells for which allowable changes are desired.

Date _____

The following allowable changes for the month of _____ 19____

are hereby requested by _____
Operator

_____
Address

No well can be assigned an allowable greater than the amount of oil produced on the latest G.O.R. test. For wells on which top allowable is desired, enter a "T" in the Allowable Requested Column.

POOL	LEASE	WELL NO.	UNIT	S	T	R	ALLOWABLE REQUESTED	REMARKS

It is further requested that all other wells operated by this producer be assigned the allowables that they are currently receiving, with the exception that top allowable wells and wells affected by excessive gas-oil ratios be given the benefit of any increase in normal unit allowable.

Exhibit "38"
Order No. R-5709-A

Representing _____
Operator

Signed _____

Title _____

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-129
Revised 10-1-78

APPLICATION FOR EXCEPTION TO NO-FLARE RULE 306

NFO Permit No. _____
(For Division Use Only)

A. Applicant, _____,

whose address is _____,

hereby requests an exception to Rule 306 for _____days or until

_____, 19___, for the following described tank battery (or LACT):

Name of Lease _____ Name of Pool _____

Location of Battery: Unit Letter _____ Section _____ Township _____ Range _____

Number of wells producing into battery _____

B. Based upon oil production of _____barrels per day, the estimated * volume of gas to be flared is _____MCF; Value _____per day.

C. Name and location of the nearest gas gathering facility:

_____

D. Distance _____ Estimated cost of connection _____

E. This exception is requested for the following reasons:

F. I hereby certify that the rules and regulations of the Oil Conservation Division have been complied with and that the information given above is true and complete to the best of my knowledge and belief.

_____
(Signature)

_____
(Title)

_____
(Date)

Approved Until _____

NEW MEXICO OIL CONSERVATION DIVISION

By _____

Title _____

Date _____

Exhibit "39"
Order No. R-5709-A

*Gas-Oil ratio test may be required to verify estimated gas volume.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-130
Revised 10-1-78

NOTICE OF GAS WELL DISCONNECTION

I. OPERATOR

ADDRESS

II. DESCRIPTION OF WELL AND LEASE

LEASE NAME	WELL NO.	POOL NAME, INCLUDING FORMATION

LOCATION

Unit Letter _____: _____ feet from the _____ line and _____ feet from the _____ line,
Section _____, Township _____, Range _____, NMPM, _____ County, New Mexico.

III. NAME OF TRANSPORTER PRIOR TO DISCONNECTION

DATE OF DISCONNECTION

IV. REASON(S) FOR DISCONNECTION (CHECK PROPER BOX)

☐ Plug and Abandon	☐ Reconnection to Intrastate Pipeline
☐ Temporary Abandonment	☐ Reconnection to Interstate Pipeline *
☐ Other (Please Explain)	

* NOTICE — Under the terms of the Natural Gas Pricing Act, Laws 1977, Chapter 73, no producer shall abandon any portion of its facilities for production and sale of natural gas for consumption in New Mexico without first obtaining the permission and approval of the New Mexico Public Service Commission, except for wells plugged and abandoned pursuant to the rules and regulations of the Oil Conservation Division.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

Distribution
Two copies to OCD Santa Fe
One copy to OCD District Office

Name _____
Title _____ Date _____
(Signature)

Exhibit "40"
Order No. R-5709-A

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION
P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-131
Revised 10-1-78

MONTHLY GAS STORAGE REPORT

_____ (COMPANY) _____ (ADDRESS)

NAME OF STORAGE PROJECT: _____ COUNTY _____ REPORT MONTH _____

WELL NAME AND NUMBER	LOCATION				INJECTION (MCF)	WITH-DRAWAL (MCF)
	UNIT	SEC.	TWP.	RANGE		
TOTALS						

Exhibit "41"
Order No. R-5709-A

TOTAL CAPACITY (MMCF) _____

BEGINNING STORAGE (MMCF) _____

NET CHANGE (MMCF) _____

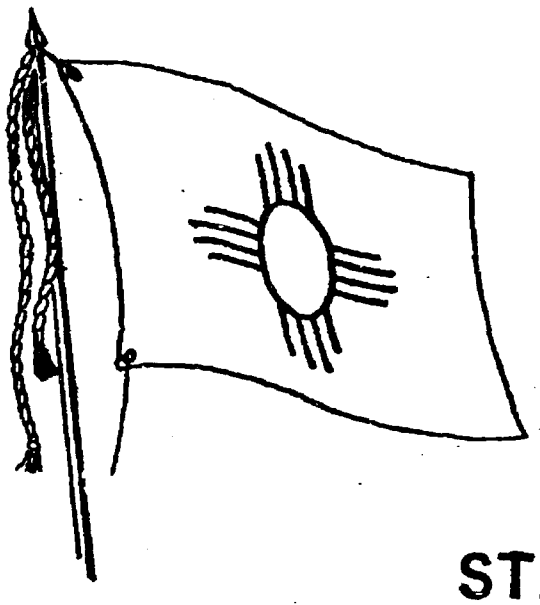
ENDING STORAGE (MMCF) _____

CALCULATED RESERVOIR PRESSURE @ END OF MONTH _____

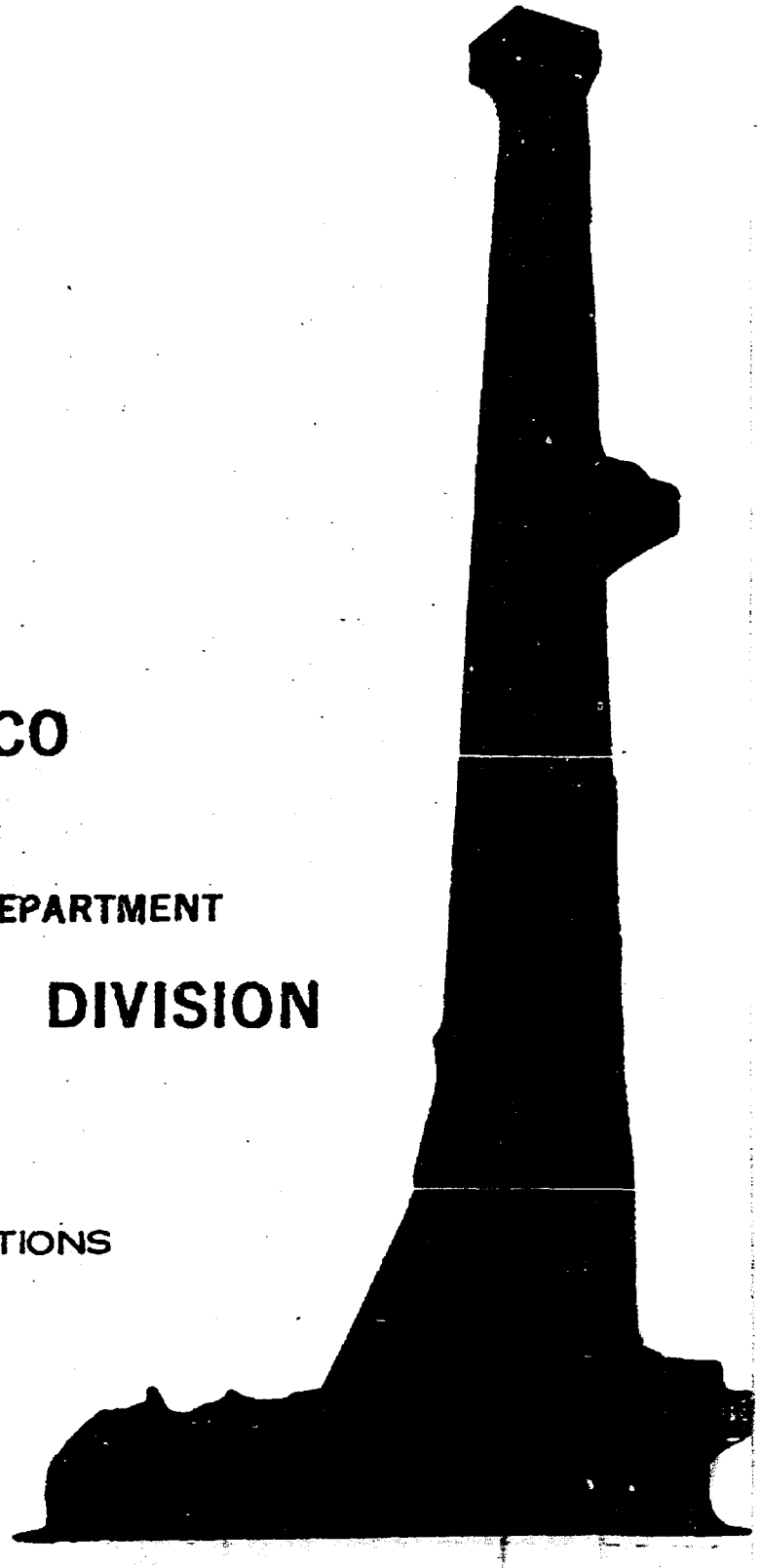
I hereby certify that this report is true and complete to the best of my knowledge and belief.

By _____

Title _____ Date _____



STATE
OF
NEW MEXICO



ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION

RULES AND REGULATIONS

GEOTHERMAL RESOURCES

Exhibit "B"
Order No. R-5709-A

STATE OF NEW MEXICO

ENERGY AND MINERALS DEPARTMENT

JERRY APODACA
GOVERNOR

NICK FRANKLIN
SECRETARY

OIL CONSERVATION COMMISSION

LAND COMMISSIONER
PHIL R. LUCERO, CHAIRMAN

STATE PETROLEUM ENGINEER
JOE D. RAMEY, MEMBER AND
DIRECTOR, OIL CONSERVATION
DIVISION

STATE GEOLOGIST
EMERY C. ARNOLD, MEMBER

OIL CONSERVATION DIVISION

MAIN OFFICE AND GEOTHERMAL SECTION OFFICE
STATE LAND OFFICE BLDG., OLD SANTA FE TRAIL, SANTA FE
MAILING ADDRESS: P. O. BOX 2088, SANTA FE, NEW MEXICO 87501

TELEPHONES:

DIRECTOR: (505) 827-3260 ENGINEERING: (505) 827-2533
ADMINISTRATION: (505) 827-2434 LEGAL: (505) 827-2741
GEOTHERMAL: (505) 827-2533

JOE D. RAMEY, DIRECTOR

TECHNICAL SUPPORT CHIEF
RICHARD L. STAMETS

CHIEF ENGINEER
DAN NUTTER

GENERAL COUNSEL
LYNN TESCHENDORF

GEOLOGIST AND GEOTHERMAL INSPECTOR
CARL G. ULVOG

DISTRICT OFFICES (OIL & GAS)

DISTRICT I - Hobbs 88240

P. O. Box 1980
Telephone: (505) 393-6161

J. T. Sexton, Supervisor and
Oil & Gas Inspector
J. W. Runyon, Geologist and Deputy
Oil & Gas Inspector
Deputy Oil & Gas Inspectors:
L. A. Clements
N. E. Clegg
M. G. Crossland

DISTRICT II - Artesia 88210

P. O. Drawer DD
Telephone: (505) 746-4861

W. A. Gressett, Supervisor and
Oil & Gas Inspector
Deputy Oil & Gas Inspectors:
M. B. Williams
B. W. Weaver
M. C. Stubblefield

DISTRICT III - Aztec 87410

1000 Rio Brazos Road
Telephone: (505) 334-6178

A. R. Kendrick, Supervisor and
Oil & Gas Inspector
Deputy Oil & Gas Inspectors:
C. C. Gholson
F. T. Chavez

DISTRICT IV - Santa Fe 87501

P. O. Box 2088
Telephone: (505) 827-2533

Carl G. Ulvog, Geologist and
Oil & Gas Inspector

STATE OF NEW MEXICO

ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION

GEOTHERMAL RESOURCES SECTION

RULES AND REGULATIONS

* * * *

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A. DEFINITIONS

COMMISSION shall mean the Oil Conservation Commission.

CONDENSATE shall mean the liquid recovered from the condensation of gases or steam produced from a geothermal reservoir.

CORRELATIVE RIGHTS shall mean the opportunity afforded, insofar as is practicable to do so, the owner of each property in a geothermal reservoir to produce his just and equitable share of the geothermal resources within such reservoir, being an amount, so far as can be practicably determined, and so far as can be practicably obtained without waste, substantially in the proportion that the quantity of recoverable geothermal resources under such property bears to the total recoverable geothermal resources in the reservoir, and for such purpose to use his just and equitable share of the natural heat or energy in the reservoir.

DESIGNATED AGENT shall mean that person designated by the owner or operator of any geothermal resources well to be his agent in all matters concerning the keeping of records within the state.

DEVELOPMENT WELL shall mean a well drilled within the established limits of a designated geothermal field or within one mile thereof, for the commercial production of geothermal resources.

DISPOSAL WELL shall mean a well drilled or converted for the purpose of disposing of fluids into a formation other than a geothermal reservoir.

DIVISION shall mean the Oil Conservation Division of the New Mexico Energy and Minerals Department.

DRILLING OPERATIONS shall mean the actual drilling, redrilling, completion, or recompletion of a well for geothermal production or injection, including the running and cementing of casing, the performance of such operations as logging and perforating, and the installation of wellhead equipment.

EXPLORATORY WELL shall mean a well drilled for the discovery or evaluation of geothermal resources one mile or more beyond the established limits of a designated geothermal field.

GEOTHERMAL SECTION shall mean that section of the Oil Conservation Division charged with the authority and duty of regulating the drilling, development, and production of geothermal resources, and with conserving and preventing waste of geothermal resources within this state pursuant to the provisions of the Geothermal Resources Conservation Act.

GEOTHERMAL FIELD shall mean an area defined by the Division which contains a well, or wells, capable of commercial geothermal production. "Geothermal Field" includes "Low-Temperature Thermal Field."

GEOTHERMAL OBSERVATION WELL shall mean a well drilled solely for temperature observation purposes, and which shall not be completed as a geothermal producing well or as an injection well.

GEOTHERMAL RESERVOIR shall mean any common source of geothermal resources, whether the fluids produced from the reservoir are native to the reservoir, or flow into or are injected into said reservoir.

GEOTHERMAL RESOURCES shall mean the natural heat of the earth, or the energy, in whatever form, below the surface of the earth present in, resulting from, created by, or which may be extracted from, this natural heat, and all minerals in solution or other products obtained from naturally heated fluids, brines, associated gases, and steam, in whatever form, found below the surface of the earth, but excluding oil, hydrocarbon gas and other hydrocarbon substances.

GEOTHERMAL RESOURCES AREA shall mean the same general surface area which is underlain, or appears to be underlain, by one or more formations containing geothermal resources.

GEOTHERMAL RESOURCES WELL (See WELL)

GEOTHERMAL WATERS shall mean the water of brine produced from a geothermal reservoir.

INJECTION shall mean the placing of fluids in an underground stratum through a wellbore, whether by pressure at the surface or by gravity flow, and whether for disposal or other purpose.

INJECTION WELL shall mean a well drilled or converted for the purpose of injecting fluids into a geothermal reservoir.

LOG or WELL LOG shall mean a systematic detailed and correct recorded description of the lithologic sequence encountered while drilling a geothermal well.

LOW-TEMPERATURE THERMAL FIELD shall mean an area defined by the Commission which contains a well, or wells, capable of production of low-temperature thermal waters.

LOW-TEMPERATURE THERMAL WATER shall mean naturally heated water the temperature of which is less than boiling at the altitude of occurrence, which has value by virtue of the heat contained therein, and is found below the surface of the earth, or in warm springs on the surface.

LOW-TEMPERATURE THERMAL WELL shall mean a well drilled to produce low-temperature thermal water for the purpose of extracting heat for agricultural, commercial, industrial, municipal, or domestic uses.

MULTIPLE COMPLETION shall mean the completion of a well in such a manner as to produce from more than one geothermal reservoir.

OPERATOR shall mean any person drilling, maintaining, operating, producing, or in control of any well, and shall include "Owner" when any well is operated or has been operated or is about to be operated by or under the direction of the owner.

OWNER shall mean the person who has the right to drill into and to produce from any geothermal resources area, and to appropriate the geothermal resources thereof for himself or for himself and another.

PERSON shall mean any individual, firm, association, or corporation or any other group or combination acting as a unit.

POTENTIAL shall mean the properly determined ability of a well to produce geothermal resources under conditions prescribed by the Division.

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

UNORTHODOX WELL LOCATION shall mean a location which does not conform to the well location requirements established by the Geothermal Rules and Regulations of the Division.

WASTE shall mean any physical waste including, but not limited to, underground waste resulting from the inefficient, excessive or improper use or dissipation of reservoir heat or energy or resulting from the location, spacing, drilling, equipping, operation or production of a geothermal resources well in such a manner as to reduce or tend to reduce the ultimate economic recovery of the geothermal resources within a reservoir, and surface waste resulting from the inefficient production, gathering, transportation , storage, or utilization of geothermal resources, and the handling of geothermal resources in such a manner that causes or tends to cause the unnecessary or excessive loss or destruction of geothermal resources obtained or released from a geothermal reservoir.

WELL shall mean any exploratory well, development well, injection well, disposal well, geothermal observation well, or low-temperature thermal well, as defined herein.

B. MISCELLANEOUS RULES

RULE 1. SCOPE OF RULES AND REGULATIONS

(a) The following Geothermal Rules and Regulations are of statewide application and have been adopted by the Oil Conservation Division of the New Mexico Energy and Minerals Department to conserve the natural geothermal resources of the State of New Mexico, to prevent waste, and to protect the correlative rights of all owners of geothermal resources. Special rules, regulations, and orders may be adopted from time to time when required for a particular geothermal resources area, and shall prevail over the Geothermal Rules and Regulations if in conflict therewith. However, when these Geothermal Rules and Regulations do not conflict with special rules hereafter adopted, these Geothermal Rules and Regulations will apply.

(b) The Division may grant exceptions to these rules and regulations after notice and hearing, when the granting of such exceptions will not result in waste but will protect correlative rights or prevent waste.

RULE 2 ENFORCEMENT OF LAWS, RULES, AND REGULATIONS DEALING WITH CONSERVATION OF GEOTHERMAL RESOURCES

The Division, its agents, representatives, and employees are charged with the duty and obligation of enforcing all statutes, rules, and regulations of the State of New Mexico relating to the conservation of geothermal resources. However, it shall be the responsibility of all geothermal resource owners or operators to obtain information pertaining to the regulation of geothermal resources before operations have begun. Minor deviations from the requirements of these rules as to field practices may be permitted by the Division or its duly authorized representatives where such can be safely done without waste, and burdensome delay or expense to the operator avoided.

RULE 3 WASTE PROHIBITED

(a) The production or handling of geothermal resources of any type or in any form, or the handling of products thereof, in such a manner or under such conditions or in such an amount as to constitute or result in waste is hereby prohibited.

(b) All owners, operators, contractors, drillers, transporters, service companies, pipe pulling and salvage contractors, and other persons shall at all times conduct their operations in the drilling, equipping, operating, producing, and plugging and abandoning of geothermal resource wells in a manner that will prevent waste of geothermal resources, and shall not wastefully utilize geothermal resources, or allow leakage of such resources from a geothermal reservoir, or from wells, tanks, containers, or pipe, or other storage, conduit, or operating equipment.

RULE 4. PROTECTION OF LIFE, HEALTH, AND THE ENVIRONMENT

All geothermal operations, exploratory, drilling,and producing, shall be conducted in a manner that will afford maximum reasonable protection to human life and health and to the environment.

RULE 5. OTHER DEPARTMENTS AND AGENCIES

Nothing in these rules shall be construed to supersede the authority which any state department or agency has with respect to the management, protection and utilization of the state lands and resources under its jurisdiction.

RULE 6. UNITED STATES GOVERNMENT LEASES

It is recognized by the Division that all persons conducting geothermal operations on United States Government land shall comply with the United States government regulations. Such persons shall also comply with all applicable State rules and regulations which are not in conflict therewith.

RULE 7. UNITIZED AREAS

After notice and hearing, the Division may grant approval for the combining of two or more contiguous leases into a unitized area for purposes of exploration for and production of geothermal resources.

RULE 8. CLASSIFYING AND DEFINING POOLS

The Division will determine whether a particular well or field is a high-temperature geothermal well or field or a low-temperature thermal well or field, as the case may be, and will, from time to time, classify and reclassify wells and name pools accordingly, and will determine the limits of any field so designated and from time to time redetermine such limits.

RULE 9. FORMS UPON REQUEST

Forms for written notices, requests, and reports required by the Division will be furnished upon request.

RULE 10. AUTHORITY TO COOPERATE WITH OTHER AGENCIES

The Division may from time to time enter into arrangements with State and Federal governmental agencies, industrial committees, and other persons, with respect to special projects, services, and studies relating to conservation of geothermal resources.

C. DRILLING AND PRODUCTION

RULE 100. DESIGNATION OF AGENT

Any person who had drilled or is drilling or proposes to drill any geothermal well shall file a "Designation of Agent" (on a form approved by the Division) with the Division. The designated agent shall be a resident of this state and shall be the repository for all well records of wells drilled by the owner or operator for whom he is agent (See Rule 200 B). All changes of address of the agent shall be immediately reported to the Division in writing. Upon termination of any agent's authority, a new Designation of Agent shall be filed with the Division within ten days.

RULE 101. PLUGGING BOND

(a) Any person who has drilled or is drilling or proposes to drill any geothermal resources well shall post with the Division, and obtain approval thereof, a bond, in a form approved by the Division, conditioned to plug such well, if non-productive or when abandoned, in such a way as to confine all fluids in their native strata. Each such bond shall be executed by a responsible surety company authorized to transact business in the State of New Mexico and shall describe, or by subsequent rider describe, the name and exact location of the well, or wells, covered by the bond. The bond shall be in the amount prescribed below:

(1) One-well geothermal exploratory, development, injection, or disposal well bond: $5,000.

(2) One-well low-temperature thermal well or geothermal observation well bond: $2,000.

(3) Multiple-well geothermal exploratory, development, injection, or disposal well bond: $10,000. (Not more than five such wells may be drilled under such bond. A $5,000 one-well bond shall be posted for each additional well drilled or an additional $10,000 bond must be posted for each additional five wells or portion thereof drilled.)

(4) Multiple-well low-temperature thermal well or geothermal observation well bond: $10,000. (Not more than ten such wells may be drilled under such bond. A $2,000 one-well bond shall be posted for each additional well drilled or an additional $10,000 bond must be posted for each additional ten wells or portion thereof drilled.)

(b) For the purposes of the Division, the bond required is a plugging bond, not a drilling bond, and shall endure until the well has been plugged and abandoned, and such plugging and abandonment approved by the Division. Transfer of the well or property does not release the bond. In case of transfer and the principal desires to be released from the bond, he shall proceed as follows:

(1) The principal on the bond shall notify the Division in writing that the well, or wells, covered by the bond are being or have been transferred to a certain transferee. The notice shall name the wells and shall give their exact location.

(2) On the same instrument the transferee shall recite that he accepts such transfer and accepts the responsibility for such well, or wells, under his bond which shall be tendered therewith.

(3) When the Division has approved the transfer, the transferor is immediately released of the plugging responsibility of the well, or wells, and if such well, or wells, constitute all of the wells covered by the bond, such bond will be released by written notice from the Division to the principal and to the surety company.

(c) The Division Director is vested with power to act for the Division in all matters relating to this rule.

RULE 102. DRILLING PERMIT

(a) Prior to the commencement of operations, the owner or operator of any proposed well to be drilled for geothermal exploration, production, or observation, or for injection or disposal purposes, shall file Division Form G-101, Application for Permit to Drill, Deepen, or Plug Back-Geothermal Resources Well, and obtain approval thereof from the Division. Form G-101 shall be accompanied by Form G-102, Geothermal Resources Well Location and Acreage Dedication Plat.

(b) No permit shall be approved for the drilling of any well within the corporate limits of any city, town, or village of this state unless notice of intention to drill such well has been given to the duly constituted governing body of such city, town, or village or its duly authorized agent. Evidence of such notification shall accompany the application for a permit to drill (Form G-101).

RULE 103. SIGN ON WELLS

(a) Each well shall be identified by a sign, posted on the drilling rig or not more than 20 feet from the well. Such sign shall be of durable construction and the lettering thereon kept in legible

condition. Lettering shall be such that under normal conditions it shall be legible at a distance of 50 feet. Each sign shall show the name of the owner or operator of the well, the name of the lease, the number of the well, and the location of the well by quarter-quarter section, township, and range. Each lease shall have a different and distinctive name, and the wells thereon shall be numbered in non-repetitive, logical sequence.

RULE 104. WELL SPACING

A. CLASSIFICATION OF WELLS

Any well, other than a geothermal observation well or a low-temperature thermal well, which is drilled a distance of one mile or more outside the boundary of any defined geothermal field and a distance of one mile or more beyond any well which is within one mile of such field, shall be classified as an exploratory well, and as such shall be spaced, drilled, operated, and produced in accordance with these Geothermal Rules and Regulations.

Any well, other than a geothermal observation well or a low-temperature thermal well, which is not an exploratory well as defined above shall be classified as a development well, unless such well is being drilled for injection or disposal purposes, in which case it will be appropriately classified.

Any well classified as a development well or injection or disposal well within a given geothermal field shall be drilled, operated, and produced in accordance with these Geothermal Rules and Regulations unless special rules in conflict therewith have been promulgated for such field, said special rules then being applicable.

B. ACREAGE AND WELL LOCATION REQUIREMENTS

(1) Exploration Wells

A well classified as an exploratory well shall be located on a designated drilling tract comprising at least 40 surface acres (being a quarter-quarter section of the U.S. Public Land Surveys, or a projection thereof if on unsurveyed land), and shall be located at least 330 feet from the outer boundary of the quarter-quarter section, at least 660 feet from the nearest such other well drilling to or capable of producing from or injection into the same formation to which it is projected, and at least 100 feet from any public road, street, or highway dedicated prior to commencement of drilling.

(2) Development Wells

A well classified as a development well shall be located on a designated drilling tract comprising at least 10 surface acres (being a quarter-quarter-quarter section of the U.S. Public Land Surveys or a projection thereof if on unsurveyed land), and shall be located at least 165 feet from the outer boundary of the quarter-quarter-quarter section, at least 330 feet from the nearest well drilling to or capable of production from or injection into the same geothermal reservoir to which it is projected, and at least 100 feet from any public road, street, or highway dedicated prior to commencement of drilling.

(3) Injection Wells

Injection wells drilled for the purpose of injecting into a geothermal reservoir shall be located at least 330 feet from the outer boundary of the lease or drilling parcel and at least 100 feet from any public road, street, or highway dedicated prior to commencement of drilling.

(4) Disposal Wells

There shall be no restriction as to the placement of geothermal disposal wells.

(5) Geothermal Observation Wells and Low-Temperature Thermal Wells

There shall be no restriction as to the placement of geothermal observation wells or low-temperature thermal wells.

C. NON-STANDARD LOCATIONS

(1) The Division Director shall have the authority to grant an exception to the well location requirements of Rules B (1), (2), and (3) above without notice and hearing when such application is based upon topographical or geologic or engineering considerations.

(2) Applications for such administrative approval shall be filed in duplicate and shall be accompanied by a plat showing the ownership of surrounding lands (within a 990-foot radius of the proposed location if application is for exception to Rule 104 B (1) Exploration Wells; within a 495-foot radius of the proposed location if application is for exception to Rule 104 B (2) Development Wells; within a 990-foot radius of the proposed location if application is for exception to Rule 104 B (3) Injection Wells) and all drilling or completed wells thereon. If the proposed non-standard location is based upon topography, the plat shall also show the existent topographical conditions. If it is based upon geologic or engineering considerations,

the application shall be accompanied by a geologic or engineering analysis, explaining the necessity for the non-standard location.

(3) A copy of the application and accompanying plats and documents shall also be sent to the other owners, if any there be, within the above prescribed radii of the proposed non-standard location and the application shall state that such required copies have been so furnished. The Division Director may approve the non-standard location upon receipt of waivers from the above other owners or if no such other owner has entered an objection to the non-standard location within 20 days after receipt of the application by the Division. If such objection is received, the matter will be set for hearing if the applicant so desires. If the Director is not convinced of the necessity or desirability of such exception, he may require supplemental information to justify the exception, or set the matter for hearing if the applicant so desires.

D. OFFSETTING ACTION

Whenever an exception to the well location requirements is granted, the Division after hearing may take such action as may be necessary to offset any advantage the person securing the exception may gain over other owners within the same geothermal reservoir.

E. SPECIAL ACREAGE AND WELL LOCATION REQUIREMENTS

In order to prevent waste and protect correlative rights, the Division may, after notice and hearing, adopt different well location requirements and greater or lesser acreage dedication requirements than those contained in Rules 104 B (1), (2), and (3) above for a particular geothermal reservoir and may adopt special well location and acreage dedication requirmements for a particular low-temperature thermal field.

RULE 105. ROTARY DRILLING AND CABLE TOOL DRILLING

Rotary drilling equipment, adequately equipped to contain underground pressures and prevent or control blowouts shall be used for the drilling of all geothermal resources wells except geothermal observation wells, low-temperature thermal wells and disposal wells, none of which will penetrate any high pressure zone or formation, in which case cable tools may be used.

RULE 106. DRILLING MUD AND MUD PITS

(a) In order to assure an adequate supply of drilling fluid to confine all natural fluids to their respective native strata and to prevent blowouts, each operator shall, prior to commencing drilling operations, provide a pit of adequate size to hold such drilling fluid and to receive drill cuttings, and such pit shall be so constructed and maintained to prevent contaminants from overflowing on the surface of the ground and/or entering any water course.

(b) The temperature of the return mud shall be monitored continuously during the drilling of the surface casing hole. Either a continuous temperature recording device shall be installed and maintained in good working condition, or the temperature shall be measured manually and recorded at least one time each hour.

RULE 107. SEALING OFF STRATA

(a) During the drilling of any well, all fresh water strata and salt water strata overlying the geothermal resources strata shall be sealed or separated to prevent the migration of fluids from one stratum to the other.

(b) All waters of present or probable future value for domestic, commercial, agricultural or stock purposes shall be confined to their respective strata and shall be adequately protected by methods approved by the Division. Special precautions by methods satisfactory to the Division shall be taken to guard against loss of artesian water from the strata in which it occurs, and to prevent the contamination of such artesian water strata by any objectionable geothermal fluids. Sealing off of strata, and migration prevention shall ordinarily be accomplished by cementing casing.

RULE 108. CASING AND CEMENTING REQUIREMENTS

A. All wells drilled for the production of geothermal resources, including low-temperature thermal wells, and all specialty wells, including injection and disposal wells, shall be cased and cemented in such a manner as to protect surface waters, if any, useable ground waters, geothermal resources, and life, health, and property. Geothermal observation wells shall be drilled, completed, and plugged in such a manner as to protect surface waters, if any, and useable ground waters.

B. All casing strings reaching the surface shall provide adequate anchorage for blowout prevention equipment, hole pressure control, and protection for all natural resources. Although specifications for casing programs shall be determined on a well-to-well basis, the following general casing requirements should be used as guidelines in submitting Form G-101, Application for Permit to Drill, Deepen, or Plug Back-Geothermal Resources Well.

(1) Conductor Pipe. A minimum of 90 feet and a maximum of 200 feet. In special cases the Division may allow conductor pipe to be run and cemented at deeper depths. Annular space is to be cemented solid to the surface. An annular blowout-preventer or equivalent approved by the Division shall be installed on conductor pipe on exploratory wells and on development wells when deemed necessary by the Division. Note: For low-temperature thermal wells the conductor pipe requirement may be reduced or waived by the Division.

The above conductor pipe requirements are not meant to be applicable to the single or double joint of large diameter pipe often run to keep mud out of the cellar.

(2) Surface Casing. Except in the case of low-temperature thermal wells, the surface casing hole shall be logged with an electrical or radioactivity log, or equivalent, before running casing. Note: This requirement may vary from area to area, depending upon the amount of subsurface data available, and may be waived under certain conditions. Requests for exceptions to the logging requirement should be noted on Form G-101 when applying for a drilling permit.

Surface casing shall provide for control of formation fluids, for protection of useable ground water, and for adequate anchorage for blowout-prevention equipment. All surface casing shall be, if possible, cemented solid to the surface.

(a) Length of Surface Casing.

(1) In areas where subsurface geological conditions are variable or unknown, surface casing in general shall be set at a depth equalling or exceeding 10 percent of the proposed total depth of the well. A minimum of 200 feet and a maximum of 1,500 feet of surface casing shall be set.

(2) In areas of known high formation pressure, surface casing shall be set at a depth determined by the Division after a careful study of geological conditions. The Division will make such a determination within 30 days. Drilling shall not commence until such determination has been made.

(3) Within the confines of designated geothermal fields, the depth at which surface casing shall be set shall be determined by the Division on the basis of known field conditions. Requirements (a)(1) and (a)(2) above may be waived for low-temperature thermal wells.

(b) Cementing Point for Surface Casing.

(1) In areas where subsurface geological conditions are variable or unknown, surface casing shall be set in accordance with (a) (1) above and through a sufficient series of low permeability, competent lithologic units (such as claystone or siltstone) to ensure a solid anchor for blowout-prevention equipment and to protect useable ground water and surface water from contamination. A second string of surface casing may be required if the first string has not been cemented through a sufficient series of low permeability, competent lithologic units and either a rapidly increasing thermal gradient or rapidly increasing formation pressures are encountered.

(2) In areas of known high formation pressure, surface casing shall be set in accordance with (a)(2) above and through a sufficient series of low permeability, competent lithologic units (such as claystone, siltstone, or basalt) to ensure a solid anchor for blowout-prevention equipment and to protect useable ground water and surface water from contamination. A second string of surface casing may be required, before drilling into the known high pressure zone is permitted, if the first string of surface casing has not been cemented through a sufficient series of low-permeability, competent lithologic units.

(3) Within the confines of designated geothermal fields, cementing point shall be determined by the Division on the basis of known field conditions. Requirements (b)(1) and (b)(2) above may be waived for low-temperature thermal wells.

(c) Return Mud Temperatures

(1) Return mud temperatures shall be entered into the log book after each joint of pipe has been drilled down. See Rule 106(b).

(d) Blowout-Prevention Equipment (BOPE). BOPE capable of shutting in the well during any operation shall be installed on the surface casing and maintained ready for use at all time (see Section H).

(3) Intermediate Casing. Intermediate casing shall be required for protection against anomalous pressure zones, caveins, washouts, abnormal temperature zones, uncontrollable lost circulation zones or other drilling hazards. Intermediate casing strings shall be, if possible, cemented solid to the surface. This requirement (to circulate cement) may be waived if the production casing will be cemented to the surface.

(4) Production Casing. Production casing may be set above or through the producing or injection zone and cemented above the objective zones. Sufficient cement shall be used to exclude overlying formation fluids from the zone, to segregate zones, and to prevent movement of fluids behind the casing into zones that contain useable ground water. Production casing shall either be cemented solid to the surface or lapped into

intermediate casing, if run. If the production casing is lapped into an intermediate string, the casing overlap shall be at least 50 feet, the lap shall be cemented solid, and it shall be pressure tested to ensure its integrity.

In order to reduce casing corrosion, production casing used to produce corrosive brine reservoirs shall be of the same nominal inside diameter from the shoe of the casing to the ground surface.

(5) Casing and Cement Tests. All casing strings shall be tested after cementing and before commencing any other operations on the well. Form G-103 shall be filed for each casing string reporting the grade and weight of pipe used. In the case of combination strings utilizing pipe of varied grades or weights, the footage of each grade and weight used shall be reported. The results of the casing test, including actual pressure held on the pipe and the pressure drop observed, shall also be reported on the Form G-103. See Rule 203C(4).

(a) Casing strings in wells drilled with rotary tools shall be pressure-tested. Minimum casing test pressure shall be approximately one-third of the manufacturer's rated internal yield pressure except that the test pressure shall not be less than 600 pounds per square inch and need not be greater than 1500 pounds per square inch. In cases where combination strings are involved, the above test pressures shall apply to the lowest pressure-rated casing used. Test pressures shall be applied for a period of 30 minutes. If a drop of more than ten percent of the test pressure should occur, the casing or cement job shall be considered defective and corrective measures shall be taken before commencing any further operations on the well.

(b) Casing strings in wells drilled with cable tools may be tested as outlined in Rule 5(a) above, or by bailing the well dry, in which case the well must remain satisfactorily dry for a period of at least one hour before commencing any further operations on the well.

(6) Defective Casing or Cementing. If the cementing of any casing appears to be defective, or if the casing in any well appears to be defective or corroded or parted, or if there appears to be any underground leakage for whatever other reason, which may cause or permit underground waste, the operator shall proceed with diligence to use the appropriate method or methods to eliminate such hazard. If such hazard of waste cannot be eliminated, the well shall be plugged and abandoned in accordance with a Division approved plugging program.

(7) Logging. All wells, except geothermal observation wells and low-temperature thermal wells, shall be logged with an electrical or radioactivity log, or equivalent, from total depth to the surface casing shoe. This requirement may be waived by the Division depending upon geological or engineering conditions.

RULE 109. DEVIATION TESTS AND DIRECTIONAL DRILLING

Any well which is deepened or drilled with rotary tools shall be tested at reasonably frequent intervals to determine the deviation from the vertical. Such tests shall be made at least each 500 feet or at the first bit change succeeding 500 feet. A tabulation of all deviation tests, sworn to and notarized, shall be filed with Form G-105, Geothermal Resources Well Log. When the deviation averages more than five degrees in any 500-foot interval, the Division Director may require that a directional survey be run to establish the location of the producing interval(s).

The Division Director, at the request of an offset operator, may require any operator to make a directional survey of any well. Said directional survey and all associated costs shall be at the expense of the requesting party and shall be secured in advance by a $5,000.00 indemnity bond posted with and approved by the Division. The requesting party may designate the well survey company, and said survey shall be witnessed by a representative of the Division.

No well shall be intentionally deviated except toward the vertical without prior permission from the Division. Permission to deviate a well other than toward the vertical shall be obtained on Division Form G-103 with copies of said Form G-103 being furnished to all other operators owning leases offsetting the drilling tract, if any there be. Upon request of the Division Director any well which was intentionally deviated shall be directionally surveyed. The Divison may at its option witness such survey and the Santa Fe Office shall be notified of the date and hour all directional surveys are to be conducted. All directional surveys run on any well which was intentionally deviated in any manner for any reason must be filed with the Division upon completion of the well. Form G-104, Certificate of Compliance and Authorization to Produce Geothermal Resources, will not be approved until the operator has submitted an affidavit that all such directional surveys have been filed.

RULE 110. SHOOTING AND CHEMICAL TREATMENT OF WELLS

If injury results to the producing formation, casing, or casing seat from shooting or treating a well, the operator thereof shall proceed with diligence to use the appropriate method and means for rectifying such damage. If shooting or chemical treating results in irreparable injury to the well, the Division may require the operator to properly plug and abandon the well.

RULE 111. RIGHT OF ENTRY

The Division or its duly authorized representatives shall have the right of entry onto any geothermal resources lease for the purpose of inspecting wells and equipment, and for the purpose of determining whether compliance with or violation of these rules is occurring.

RULE 112. NOISE ABATEMENT

Adequate noise abatement equipment shall be installed and maintained in good condition to reduce noise to a level approved by the Division or its representative on any drilling or producing geothermal resources well located within 1500 feet of a habitation, school, or church.

RULE 113. SAFETY REGULATIONS

The well site around any drilling or producing well shall be kept clear of any rubbish or debris or fuel which may constitute a fire hazard. In any area where there is any likelihood of encountering unexpected hydrocarbons, the drilling mud and cuttings shall be stored in a pit a safe distance from the drilling rig. All waste shall be burned or disposed of in such a manner as to avoid creating a fire hazard.

RULE 114. WELL HEADS AND PRODUCTION EQUIPMENT

Well heads and all fittings appurtenant thereto shall be installed and maintained in good condition so that all necessary pressure tests may be readily made on flowing wells. The well head and related parts and fittings shall have a test pressure equivalent to at least 150 percent of the calculated or known pressure in the reservoir from which production is obtained or expected.

Valves shall be installed and maintained in good order to permit pressures to be obtained on the production casing and the annulus between the casing strings.

Flow lines shall be of adequate pressure rating and capacity and shall be sufficiently equipped with expansion bends to prevent leakage or rupture.

All separators, pumps, mufflers, manifolds, flowlines, and other equipment used for the production of geothermal resources shall be of adequate pressure rating and capacity and shall be maintained in good condition in order to prevent loss of or damage to human life and health or to property or natural resources.

RULE 115. CORROSION

All well head equipment, surface production equipment, flowlines and pipelines, and subsurface casing and tubing shall be subject to periodic surveillance to prevent leakage or rupture and to safeguard human life and health and property and natural resources.

RULE 116. DISPOSAL OF PRODUCED WATERS

The disposal of highly mineralized waters produced from geothermal resources wells shall be in such a manner as to not constitute a hazard to surface waters or underground supplies of useable water.

RULE 117. NOTIFICATION OF FIRE, BREAKS, LEAKS, SPILLS, AND BLOWOUTS

The Division shall be notified of any fire, break, leak, spill, or blowout occurring at any geothermal drilling producing, transporting, treating, disposal, or utilization facility in the State of New Mexico by the person operating or controlling such facility.

"Facility", for the purpose of this rule, shall include any geothermal drilling, producing, injection, or disposal well; any pipeline through which geothermal resources or the waste products thereof are gathered or transported; any tank or other storage unit into which geothermal products, waters, or wastes are produced, received, or stored; any treating plant in which geothermal resources are treated or processed; any electrical generating plant in which geothermal resources are utilized; and any drilling pit, slush pit, or storage pit or pond associated with geothermal drilling, producing, treating, or utilization processes in which hydrocarbons or hydrocarbon waste or residue, salt water, strong caustics or acids, or other deleterious chemicals or harmful substances are present.

Notification to the Division of such fire, break, leak, spill, or blowout shall be in accordance with the provisions set forth below:

(1) Well Blowouts. Notification of well blowouts and/or fires shall be "immediate notification" described below.

(2) "Major" Breaks, Spills or Leaks. Notification of breaks, spills, or leaks of wellheads, pipelines, or tanks, or drilling pits, slush pits, or storage pits or ponds, the result of which 50 barrels or

more of liquids containing hydrocarbons or hydrocarbon wastes, salt water, strong caustics or strong acids, or other deleterious substances reach a water course or enter a stream or lake, or in which noxious gases escape or any quantity of fluids are lost which may with reasonable probability endanger human health or result in substantial damage to property, shall be "immediate notification" described below.

(3) "Minor" Breaks, Spills, or Leaks. Notification of breaks, spills, or leaks of wellheads, pipelines, or tanks, or drilling pits, slush pits, or storage pits or ponds, the result of which 25 barrels or more but less than 50 barrels of liquids containing hydrocarbons or hydrocarbon wastes, salt water, strong caustics or strong acids, or other deleterious substances are lost or in which noxious gases escape, but in which there is no danger of human health nor of substantial damage to property shall be "subsequent notice" described below.

(4) Fires. Notification of fires at geothermal installations in which there is reasonable probability of danger to human health or substantial damage to adjoining properties or substantial loss of geothermal resources shall be "immediate notice" described below. Notification of fires of lesser magnitude but of $500.00 or more of property damage or $500.00 or more geothermal resources loss shall be "subsequent notice" described below.

IMMEDIATE NOTIFICATION - "Immediate Notification" shall be as soon as possible after discovery and shall be in person or by telephone to the Santa Fe Office of the nearest district office of the Division if the incident occurs during business hours. If the incident occurs after business hours, notification shall be in accordance with the latest Division memorandum on the subject. A complete written report of the incident shall be submitted to the Santa Fe office of the Division within ten days after discovery of the incident.

SUBSEQUENT NOTIFICATION - "Subsequent Notification" shall be a complete written report of the incident and shall be submitted to the Santa Fe office of the Division within ten days after discovery of the incident.

CONTENT OF NOTIFICATION - All reports of fires, breaks, spills, leaks, or blowouts, whether verbal or written, shall identify the location of the incident by quarter-quarter, section, township, and range, and by distance and direction from the nearest town or prominent landmark so that the exact site of the incident can be readily located on the ground. The report shall specify the nature and quantity of the loss and also the general conditions prevailing in the area, including precipitation, temperature, and soil conditions. The report shall also detail the measures that have been taken and are being taken to remedy the situation reported.

WATERCOURSE, for the purpose of this rule, is defined as any lake-bed or gully, draw, stream bed, wash, arroyo, or natural or man-made channel through which water flows or has flowed.

RULE 118. MEASUREMENT OF PRODUCTION

All production from a completed geothermal resources well shall be accounted for by continuous metering or by other method approved by the Division.

RULE 119. UTILIZATION OF GEOTHERMAL RESOURCES

After the completion of a geothermal resources well, all production from said well shall be put to beneficial use. No production shall be permitted unless beneficial use is made thereof except for authorized periods of testing, in which case proper disposition of produced liquids shall be made.

D. RECORDS AND REPORTS

RULE 200. GENERAL

A. Books and Records

All producers, transporters, purchasers, or utilizers of geothermal resources within the State of New Mexico shall make and keep appropriate books and records for a period of not less than five years, covering their operations in this state, from which they may be able to substantiate the reports required by these rules.

B. Well Records

The owner or operator of any geothermal resources well shall keep, or cause to be kept, a careful and accurate well log and history of the drilling of any such well, including the lithologic characteristics and depth of formations encountered, and the depths, pressures, and temperatures of water-bearing and steam-bearing strata. These data, as well as such other tests, surveys, and logs which may be taken on the well including the temperatures, chemical compositions, and physical characteristics of fluids encountered in the well, deviation, directional, and temperature surveys, logs, including electrical logs, physical logs, and core logs, and tests, including potential tests, shall be placed in the custody of the Designated Agent (See Rule 100) of the owner or operator of the well and shall remain in such custody within the State of New Mexico until all required forms and attachments pertaining to the well have been filed with the Division. These data shall be subject to inspection, during normal business hours, by the Division or its representatives, and by the State Engineer or his representatives.

C. Where to File Reports

All forms and reports required by these rules shall be filed with the New Mexico Oil Conservation Division, Geothermal Section, Post Office Box 2088, Santa Fe, New Mexico 87501.

D. Additional Data

These rules shall not be construed to limit or restrict the authority of the Division to require the furnishing of such additional reports, data, or other information relative to the production, transportation, or utilization of geothermal resources in the State of New Mexico as may appear to be necessary or desirable, either generally or specifically, for the prevention of waste and the conservation of natural resources of the State of New Mexico.

RULE 201. APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK-GEOTHERMAL RESOURCES WELL (FORM G-101)

Before commencement of drilling or deepening operations of any geothermal resources well, or before plugging a well back to another zone, the operator of the well shall obtain a permit to do so. To obtain such a permit the operator shall submit to the Division FOUR copies of Form G-101, Application for Permit to Drill, Deepen, or Plug Back-Geothermal Resources Well, completely filled in. If the operator has an approved bond in accordance with Rule 101 and has filed satisfactory "Designation of Agent" (Rule 100), and the proposed well meets the spacing and well location requirements (Rule 104), one copy of the Drilling Permit will be returned to him on which will be noted the Division's approval, with any modification deemed advisable. If the proposal cannot be approved for any reason, the Forms G-101 will be returned with the cause for rejection stated thereon.

Each copy of Form G-101 must be accompanied by one copy of Form G-102, Geothermal Resources Well Location and Acreage Dedication Plat. (See Rule 202.)

If the well is to be drilled on state land, FIVE copies of Forms G-101 and G-102 shall be submitted, the extra copy being for the State Land Office.

RULE 202. GEOTHERMAL RESOURCES WELL LOCATION AND ACREAGE DEDICATION PLAT. (FORM G-102)

Form G-102 is a dual purpose form used to show the exact location of the well and the acreage dedicated thereto. The form is also used to show the ownership and status of each lease contained within the dedicated acreage. When there is more than one working interest or royalty owner on a given lease, designation of the majority owner et al. will be sufficient.

All information required on Form G-102 shall be filled in and certified by the operator of the well except the well location on the plat. This is to be plotted from the outer boundaries of the section and certified by a registered professional engineer and/or land surveyor, registered in the State of New Mexico, or a surveyor approved by the Division.

Form G-102 shall be submitted in QUADRUPLICATE or QUINTUPLICATE as provided in Rule 201.

Amended Form G-102 (in QUADRUPLICATE or QUINTUPLICATE) shall be filed in the event there is a change in any of the information previously submitted. The well location need not be certified when filing amended Form G-102.

RULE 203. SUNDRY NOTICES AND REPORTS ON GEOTHERMAL RESOURCES WELL (FORM G-103)

Form G-103 is a dual purpose form to be filed with the Santa Fe office of the Division to obtain approval prior to commencing certain operations and also to report various completed operations.

A. Form G-103 as a Notice of Intention

Form G-103 shall be filed in DUPLICATE by the operator and approval obtained from the Division prior to:

(1) Effecting a change of plans from those previously approved on Form G-101 or Form G-103.

(2) Altering a drilling well's casing program or pulling casing or otherwise altering an existing well's casing instaliation.

(3) Temporarily abandoning a well. (See Rule 303 B.)

(4) Plugging and abandoning a well. (See Rules 302 and 303 A.)

(5) Performing remedial work on a well which, when completed, will affect the original status of the well. (This shall include making new perforations in existing wells or squeezing old perforations in existing wells, but is not applicable to new wells in the process of being compieted not to old wells being deepened or plugged back to another zone when such recompletion has been authorized by an approved Form G-101, Application for Permit to Drill, Deepen, or Plug Back, nor to acidizing, fracturing, or cleaning out previously completed wells.)

In the case of well plugging operations, the Notice of Intention shall include a detailed statement of the proposed work, including plans for shooting and pulling casing, plans for mudding, including weight of mud, plans for cementing, including number of sacks of cement and depths of plugs, and the time and date of the proposed plugging operations. (See Rules 302 and 303 A.)

B. Form G-103 as a Subsequent Report

Form G-103 as a subsequent report of operations shall be filed in accordance with the section of this rule applicable to the particular operation being reported.

Form G-103 is to be used in reporting such completed operations as:

(1) Commencement of drilling operations

(2- Casing and cement test

(3) Altering a well's casing installation

(4) Temporary abandonment

(5) Plugging and Abandonment

(6) Plugging back or deepening

(7) Remedial work

(8) Change in ownership of a drilling well

(9) Such other operations which affect the original status of the well but which are not specifically covered herein.

C. Filing Form G-103 as a Subsequent Report

Information to be entered on Form G-103, Subsequent Report, for a particular operation is as follows:

(1) Report of Commencement of Drilling Operations

Within ten days following the commencement of drilling operations, the operator of the well shall file a report thereof on Form G-103 in DUPLICATE. Such report shall indicate the hour and the date the well was spudded.

(2) Report of Results of Test of Casing and Cement Job; Report of Casing Alteration

A report of casing and cement test shall be filed by the operator of the well within ten days following the setting of each string of casing or liner. Said report shall be filed in DUPLICATE on Form G-103 and shall present a detailed description of the test method employed and the results obtained by such test, and any other pertinent information required by Rule 108 B(5). The report shall also indicate the top of the cement and the means by which such top was determined. It shall also indicate any changes from the casing program previously authorized for the well.

(3) Report of Temporary Abandonment

A report of temporary abandonment of a well shall be filed by the operator of the well within ten days following completion of the work. The report shall be filed in DUPLICATE and shall present a detailed account of the work done on the well, including location and type of plugs used, if any, type and status of surface and downhole equipment, and other pertinent information relative to the overall status of the well.

(4) Report on Plugging of Well

A report of plugging operations shall be filed by the operator of the well within 30 days following completion of plugging operations on any well. Said report shall be filed in TRIPLICATE on Form G-103 and shall include the date the plugging operations were begun and the date the work was completed, a detailed account of the manner in which the work was performed including the depths and lengths of the various plugs set, the nature and quantities of materials employed in the plugging operations including the weight of the mud used, the size and depth of all casing left in the hole, and any other pertinent information. (See Rules 301-303 regarding plugging operations.)

No plugging report will be approved by the Division until all forms and reports on the well have been filed and the pits have been filled and the location levelled and cleared of junk. It shall be the responsibility of the operator to contact the Santa Fe office of the Division when the location has been so restored in order to arrange for an inspection of the plugged well and the location by a Division representative.

(5) Report of Remedial Work

A report of remedial work performed on a producing well or former producing well shall be filed by the operator of the well within 30 days following completion of such work. Said report shall be filed in DUPLICATE on Form G-103 and shall present a detailed account of the work done and the manner in which such work was performend; the daily production from the well both prior to and after the remedial operation; the size and depth of shots; the quantity of sand, acid, chemical or other materials employed in the operation, and any other pertinent information. Among the types of remedial work to be reported on Form G-103 are the following:

(a) Report on shooting, fluid fracturing, or chemical treatment of a previously completed well

(b) Report on squeeze job

(c) Report on setting of liner or packer

(d) Report of any other remedial operations which are not specifically covered herein

(e) Report on Deepening or Plugging Back

(6) Report of Change in Ownership of a Drilling Well

A report of change of ownership shall be filed by the new owner of any drilling well within ten days following actual transfer of ownership. Said report shall be filed in TRIPLICATE on Form G-103 and shall include the name and address of both the new owner and the previous owner, the effective date of the change of ownership, and any other pertinent information. No change in the ownership of a drilling well will be approved by the Division unless the new owner has an approved bond in accordance with Rule 101 and has filed satisfactory "Designation of Agent" (Rule 100). The former owner of the well, to obtain release of his bond, shall follow the procedures set forth in Rule 101(b). (Form C-104 shall be used to report transfer of ownership of a completed well; see Rule 204.)

(7) Other Reports on Wells

Reports on any other operations which affect the original status of the well which are not specifically covered herein shall be submitted to the Division on Form C-103, in TRIPLICATE, by the operator of the well within ten days following the completion of such operation.

RULE 204. CERTIFICATE OF COMPLIANCE AND AUTHORIZATION TO PRODUCE GEOTHERMAL RESOURCES (FORM G-104)

Prior to placing any geothermal resources well on production, injection, or disposal, the owner or operator of said well shall file (in QUINTUPLICATE) with the Division and receive approval thereof Form G-104, Certificate of Compliance and Authorization to Produce Geothermal Resources, outlining thereon the information required and certifying that all Division Rules and Regulations pertaining to the well have been complied with. Production of or injection into any well in violation of this rule shall result in the well being shut in by the Division subject to the penalties provided by law for violation of the Division's Rules, Orders, and Regulations. (In addition to Form G-104 being approved, additional approval for injection or disposal must be obtained pursuant to Rules 501-505.) Form G-104 must be accompanied by three copies of Form G-105, Geothermal Resources Well Log outlining the data required and with the attachments required by Rule 205 A, three copies of Form G-106, Geothermal Resources Well Summary Report (See Rule 206) completely filled in and three copies of Form G-107, Geothermal Resources Well History (See Rule 207) completely filled in.

Form G-104 shall also be filed in QUINTUPLICATE when there is a change in purchaser from a well or when there is a change of ownership of a producing well, injection well, or disposal well. No change of ownership will be approved by the Division unless the new owner has an approved bond in accordance with Rule 101 and has filed satisfactory "Designation of Agent" (Rule 100). The former owner of the well, to obtain release of his bond, shall follow the procedures set forth in Rule 101(b) (Form G-103 shall be used to report change of ownership of a drilling well; see Rule 203 C(6).)

After approval of Form G-104, distribution of Forms G-104, G-105, G-106, and G-107 shall be made by the Division as follows:

(1) one approved copy of Form G-104 shall be returned to the operator;

(2) one approved copy of Form G-104 shall be forwarded to the purchaser from the well (except, of course, in the case of a disposal or injection well);

(3) one approved copy of Form G-104 and one copy of each of Forms G-105, G-106, and G-107 shall be forwarded to the New Mexico Bureau of Mines;

(4) one approved copy of Form G-104 and one copy each of Forms G-105, G-106, and G-107 shall be forwarded to the United States Geological Survey; and

(5) one approved copy of Form G-104 and one copy each of Forms G-105, G-106, and G-107 shall be retained by the Division.

RULE 205. GEOTHERMAL RESOURCES WELL LOG (FORM G-105)

A. For Producing, Injection, or Disposal Wells

Form G-105, Geothermal Resources Well Log, shall be filed in TRIPLICATE with the Form G-104 when it is desired to put any geothermal resources well on production or injection or disposal. It shall be accompanied by copies of such logs, surveys, and tests which may have been conducted on the well, including electric logs, deviation and directional surveys, physical or chemical logs, water analyses, tests, including potential tests, and temperature surveys. Failure to include these data and materials with the Form G-105 will result in withholding approval of the Form G-104, Certificate of Compliance and Authorization to Produce Geothermal Resources. Distribution of Form G-105 for producing, injection, or disposal wells shall be one copy to the New Mexico Bureau of Mines, one copy to the United States Geological Survey and one copy retained by the Division.

B. For Inactive or Temporarily Abandoned Wells

Form G-105, Geothermal Resources Well Log, with the attachments described in Rule 205 A, shall be filed in TRIPLICATE for every geothermal resources well not on active producing or injection or disposal status within six months after cessation of active drilling operations on the well unless a permit for temporary abandonment shall have been approved for the well in accordance with Rule 303 B. In no event, even in the case of prolonged temporary abandonment approved by the Division, shall the filing of Form G-105 with required attachments be delayed for more than five years after cessation of active drilling operations. Distribution of Form G-105 for inactive or temporarily abandoned wells shall be one copy to the New Mexico Bureau of Mines, one copy to the United States Geological Survey, and one copy retained by the Division.

C. For Plugged and Abandoned Wells

Form G-105, Geothermal Resources Well Log, together with all the attachments required by Rule 205 A above, shall be filed in TRIPLICATE for plugged and abandoned wells within six months after abandonment. Distribution of Form G-105 for abandoned wells shall be one copy to the New Mexico Bureau of Mines, one copy to the United States Geological Survey, and one copy retained by the Division.

RULE 206. GEOTHERMAL RESOURCES WELL SUMMARY REPORT (FORM G-106)

A. For Producing, Injection, or Disposal Wells

Form G-106, Geothermal Resources Well Summary Report, completely filled in, shall be filed in TRIPLICATE with the Form G-104 when it is desired to put any geothermal resources well on production or injection or disposal. Failure to file a completed Form G-106 will result in withholding approval of the Form G-104, Certificate of Compliance and Authorization to Produce Geothermal Resources. Distribution of Form G-106 for producing, injection, or disposal wells shall be one copy to the New Mexico Bureau of Mines, one copy to the United States Geological Survey, and one copy retained by the Division.

B. For Inactive or Temporarily Abandoned Wells

Form G-106, Geothermal Resources Well Summary Report, shall be filed in TRIPLICATE for every geothermal resources well not on active producing or injection or disposal status within 90 days after cessation of active drilling operations. The owner or operator of the well shall state on the form the general results of the well's condition, i.e., whether the well is capable of production of geothermal resources and will be retained for such purpose, whether the well will be used for injection or disposal purposes, whether the well has been or will be plugged and abandoned, or what other disposition of the well is to be made. A summary of the well's casing and cementing program shall be shown on the form, and in case the well is to be retained for production, injection, or disposal purposes, the total mass flow in pounds per hour, flowing temperature in degrees Fahrenheit, and flowing pressure in pounds per square inch gauge. Distribution of Form G-106 for inactive or temporarily abandoned wells shall be one copy to the New Mexico Bureau of Mines, one copy to the United States Geological Survey, and one copy retained by the Division. If Form G-106 is filed for an inactive or temporarily abandoned well, and the well later goes on active production or injection, refiling of Form G-106 completely filled in accordance with Rule 206-A above is required.

C. For Plugging and Abandoned Wells

Form G-106, Geothermal Resources Well Summary Report, completely filled in, shall be filed in TRIPLICATE for plugged and abandoned wells within six months after abandonment. Distribution of Form G-106 for abandoned wells shall be one copy to the New Mexico Bureau of Mines, one copy to the United States Geological Survey, and one copy retained by the Division.

RULE 207. GEOTHERMAL RESOURCES WELL HISTORY (FORM G-107)

A. For Producing, Injection, or Disposal Wells

Form G-107, Geothermal Resources Well History, is a chronological history of the entire operation of drilling and completing the well, and shall be filed in TRIPLICATE with the Form G-104 when it is desired to put any geothermal resources well on production or injection or disposal. Failure to file a completed Form G-107 will result in withholding approval of Form G-104, Certificate of Compliance and Authorization to Produce Geothermal Resouces. Distribution of Form G-107 for producing, injection, or disposal wells shall be one copy to the New Mexico Bureau of Mines, one copy to the United States Geological Survey, and one copy retained by the Division.

B. For Non-Producing or Temporarily Abandoned Wells

Form G-107, Geothermal Resources Well History, shall be filed in TRIPLICATE for every geothermal resources well not on active producing or injection or disposal status within six months after cessation of active drilling operations on the well unless a permit for temporary abandonment shall have been approved for the well in accordance with Rule 303 B. In no event, even in the case of prolonged temporary abandonment approved by the Division, shall the filing of Form G-107 be delayed for more than five years after cessation of active drilling operations. Distribution of Form G-107 for inactive or temporarily abandoned wells shall be one copy to the New Mexico Bureau of Mines, one copy to the United States Geological Survey, and one copy retained by the Division.

C. For Plugged and Abandoned Wells

Form G-107, Geothermal Resources Well History, shall be filed in TRIPLICATE for plugged and abandoned wells within six months after abandonment. Distribution of Form G-107 for abandoned wells shall be one copy to the New Mexico Bureau of Mines, one copy to the United States Geological Survey, and one copy retained by the Division.

RULE 208. MONTHLY GEOTHERMAL PRODUCTION REPORT (FORM G-108)

After placing any geothermal well on production, the owner or operator thereof shall file in DUPLICATE a monthly production report, Form G-108, which report shall be due in the Santa Fe office of the Division by the 20th day of each month and shall show the production from each well and each lease during the preceding calendar month.

RULE 209. MONTHLY GEOTHERMAL PURCHASER'S REPORT (FORM G-109)

The purchaser of production from any geothermal resource well shall file in DUPLICATE a monthly purchaser's report, Form G-109, which report shall be due in the Santa Fe office of the Division by the 15th day of each month and shall show the purchases made from all leases and wells connected to the purchaser's facilities during the preceding calendar month.

RULE 210. MONTHLY GEOTHERMAL INJECTION REPORT (FORM G-110)

After placing any well on injection or disposal in a geothermal resources field or area, the owner or operator thereof shall file in DUPLICATE a monthly injection report, Form G-110, which report shall be due in the Santa Fe office of the Division by the 20th day of each month and shall show the zone or formation into which injection is being made, the volume injected, the average temperature of the injected fluid, and the average injection pressure at the wellhead.

RULE 211. ANNUAL GEOTHERMAL TEMPERATURE AND PRESSURE TESTS (FORM G-111)

Annual temperature and pressure tests shall be submitted by the owner or operator of each geothermal resource producing well in accordance with the annual testing schedule published by the Division. Flowing temperatures and flowing pressure tests at the wellhead shall be recorded after at least 72 hours of continuous flow at normal producing rates. The well shall then be shut in for 24 hours and shut-in pressure at the wellhead recorded. Results of these tests shall be submitted in DUPLICATE to the Santa Fe office of the Division.

RULE 212. APPLICATION TO PLACE WELL ON INJECTION-GEOTHERMAL RESOURCES AREA (FORM G-112)

Before placing any well on injection in a geothermal resources area, whether for charge, recharge, or disposal purposes, authority to do so shall be obtained on Form G-112 which shall be filed in accordance with Rule 503.

E. ABANDOMENT, TEMPORARY ABANDONMENT, AND PLUGGING OF WELLS

RULE 301. LIABILITY

The owner of any well drilled for geothermal exploration or production, or temperature observation, or any seismic, core, or other exploratory hole drilled for geothermal purposes shall be responsible for the plugging thereof.

RULE 302. NOTICE

Prior to commencement of plugging operations, Notice of Intention to plug shall be filed with the Division, and approval thereof obtained by the owner or operator of the well. This shall be accomplished by filing Form G-103, Sundry Notices and Reports on Geothermal Wells, which notice shall outline the casing and cementing program of the well, the casing which is to be pulled, the size of proposed cement plugs and their depth, and such other information as may be pertinent. In the case of newly drilled wells which are to be plugged, verbal authority and instructions may be given by the Division to plug the well provided written notice to plug shall be subsequently filed within 30 days and approval thereof obtained. Written approval or verbal approval of a plugging program shall be contingent upon evidence being furnished that the plugging program for the well is such as to prevent damage to any producing zone, migration of fluids from one zone to another, the waste or contamination of useable underground waters or other natural resources, and the leakage of any substance at the surface, all as substantiated by the filing of Form G-105, Geothermal Resources Well Log, and Form G-106, Geothermal Well Summary Report, with the request for approval of the plugging program. Filing of these forms may be delayed as provided in Rule 205 C and Rule 206 C if a Division representative has had access to and has inspected the data and materials described in Rule 200 B. Also see Rule 203 A, Rule 203 c(4), and Rule 303 A.

RULE 303. PLUGGING AND TEMPORARY ABANDONMENT

A. Plugging

Before any well is abandoned, it shall be plugged in a manner that will permanently confine all fluids 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 Division. In addition, an adequate cement plug at the surface shall be installed to permanently prevent intrusion of any substance into the well. 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 (quarter-quarter, section, township and range) shall be welded, stamped, or otherwise permanently engraved into the metal of the marker. Seismic, core, geothermal observation, or other exploratory wells less than 500 feet deep and low-temperature thermal wells less than 500 feet deep shall be plugged in accordance with the applicable provisions recited above but permanent markers shall not be required on such wells.

B. Temporary Abandonment

No well shall be temporarily abandoned for a period in excess of six months unless a permit for such temporary abandonment has been approved by the Division. Such permit shall be for a period not to exceed six months and shall be requested from the santa Fe office of the Division by filing Form G-103 in duplicate. No such permit shall be approved unless evidence is furnished that the condition of the well is such as to prevent damage to any producing zone, migration of fluids from one zone to another, the waste or contamination of useable underground waters or other natural resources, and the leakage of any substance at the surface, all as substantiated by the filing of Form G-105, Geothermal Resources Well Log, and Form G-106, Geothermal Resources Well Summary Report, with the request for a temporary abandonment permit. Filing of these forms may be delayed as provided in Rule 205 B and Rule 206 B if a Division representative has had access to and has inspected the data and materials described in Rule 200 B. Also see Rule 203 A and Rule 203 C(3).

The Santa Fe office of the Division 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 Division after notice and hearing that good cause exists why the well should not be plugged and abandoned, and a permit for further temporary abandonment should be issued. No such permit for further temporary abandonment shall be approved by the Division unless a one-well plugging bond for the well, in an amount satisfactory to the Division, but not to exceed $10,000.00, is on file with the Division to ensure future plugging of the well.

The requirements of the paragraph immediately above may be waived and additional extensions granted in those cases where it can be shown that a contract exists for the construction of electric power plants and such plants are being designed, on order, or under construction, or in the case where a geothermal reservoir has been discovered and there is an ongoing exploration program of the reservoir to determine its commercial feasibility.

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.

RULE 304. WELLS TO BE USED FOR FRESH WATER

When the well to be plugged may safely be used as a fresh water well and such utilization is desired by the land owner, the well need not be filled above a sealing plug set below the fresh water formation, provided that written agreement for such use by the owner of the well and by the land owner is filed with the Division. Upon acceptance of the well by the land owner, the well's bond may be released.

F. PURCHASE OF GEOTHERMAL RESOURCES

RULE 401. ILLEGAL SALE PROHIBITED

The sale or purchase or acquisition, or the transporting or utilization of geothermal resources produced in violation of the laws of this state, or of these rules, is prohibited.

RULE 402. RATABLE TAKE

Any person now or hereafter engaged in purchasing geothermal resources from one or more producers within a single geothermal reservoir shall be a common purchaser within that geothermal reservoir, and shall purchase geothermal resources of like quality, quantity, and pressure lawfully produced from that geothermal reservoir and tendered to such common purchaser at a reasonable point. Such purchase shall be made without reasonable discrimination in favor of one producer against another in the price paid, quantities taken, the bases of measurement, or the facilities offered.

In the event such purchaser is also a producer, he is prohibited to the same extent from discriminating in favor of himself with respect to geothermal resource wells in which he has an interest, direct or indirect, as against other geothermal resource wells in the same geothermal reservoir.

For the purposes of this rule, reasonable differences in prices paid or facilities afforded, or both, shall not constitute unreasonable discrimination if such differences bear a fair relationship to difference in quality, quantity, or pressure of the geothermal resource available or to the relative lengths of time during which such geothermal resources will be available to the purchaser.

Any common purchaser taking geothermal resources produced from wells within a geothermal reservoir shall take ratably under such rules, regulations, and orders, concerning quantity, as may be promulgated by the Division after due notice and public hearing. The Division, in promulgating such rules, regulations, and orders may consider the quality and the quantity of the geothermal resources available, the pressure and temperature of the product at the point of delivery, acreage attributable to the well, market requirements, and other pertinent factors.

Nothing in this rule shall be construed or applied to require, directly or indirectly, any person to purchase geothermal resources of a quality or under a pressure or under any other condition by reason of which such geothermal resource cannot be economically and satisfactorily used by such purchaser by means of his geothermal utilization facilities then in service.

RULE 403. REGULATION OF GEOTHERMAL RESOURCES PRODUCTION

Upon determination by the Division that geothermal resources production in the State of New Mexico, or in a particular geothermal resources area, is causing waste, the Division shall limit and allocate among the producing wells the total amount of geothermal resources which may be produced in the state, or in a particular geothermal area.

G. GEOTHERMAL INJECTION AND DISPOSAL WELLS

RULE 501. GEOTHERMAL INJECTION WELLS

Geothermal injection wells are those wells used for the purpose of injecting fluids into a dry geothermal formation, or into a geothermal reservoir for the purpose of augmenting the natural supply of fluids in the reservoir, pressure maintenance of the reservoir, or such other purpose as authorized by the Division. No well shall be utilized as a geothermal injection well until authority for such use has been obtained on an approved Form G-112, Application to Place Well on Injection-Geothermal Resources Area. Form G-112 shall be filed in accordance with Rule 503 below.

RULE 502. GEOTHERMAL DISPOSAL WELLS

Geothermal disposal wells are those wells used for the purpose of disposing of waters produced from a geothermal reservoir when disposal is into a zone or formation not classified as a geothermal reservoir. No well shall be utilized as a geothermal disposal well until authority for such use has been obtained on an approved Form G-112, Application to Place Well on Injection-Geothermal Resources Area. Form G-112 shall be filed in accordance with Rule 503 below.

RULE 503. METHOD OF MAKING APPLICATION

Application for authority to inject fluids into a geothermal reservoir or to dispose of geothermal waters into a zone or formation not classified as a geothermal reservoir shall be made in DUPLICATE on Division Form G-112, Application to Place Well on Injection-Geothermal Resources Area, and shall be accompanied by one copy of each of the following:

(1) A plat showing the location of the proposed injection/disposal well and the location of all other wells within a radius of one mile from said well, and indicating the perforated or open-hole interval in each of said wells. The plat shall also indicate the ownership of all geothermal leases within said one-mile radius;

(2) The log of the proposed injection well, if available;

(3) A diagrammatic sketch of the proposed injection well showing all casing strings, including diameters and setting depths, quantities used and tops of cement, perforated or open-hole interval, tubing strings, including diameters and setting depths, and the type and location of packers, if any;

Copies of the Form G-112 (without the above attachments) shall be sent to all other geothermal lease owners, if any there be, within a one-half mile radius of the proposed injection/disposal well.

If no objection is received within 20 days from the date of receipt of the application, and the Division Director is satisfied that all of the above requirements have been complied with, that the proposal is in the interest of conservation and will prevent waste and protect correlative rights, and that the well is cased, cemented, and equipped in such a manner that there will be no danger to any natural resource, including geothermal resources, useable underground water supplies, and surface resources, Form G-112 will be approved. In the event the form is not approved because of objection from an affected geothermal lease owner or for other reason, the application will be set for public hearing, if the applicant so requests.

The Division Director may dispense with the 20-day waiting period if waivers of objection are received from all geothermal lease owners within a one-half mile radius of the proposed injection/disposal well.

RULE 504. INJECTION REPORTS

Monthly injection reports shall be filed for injection/disposal wells in accordance with Rule 210 of these rules and regulations.

RULE 505. SURVEILLANCE

(a) Surveillance of waste water disposal or injection projects is necessary on a continuing basis in order to establish to the satisfaction of the Division that all water is confined to the intended zone of injection.

(b) When an operator proposes to drill an injection well, convert a producing or inactive well to an injection well, or rework an injection well and return it to injection service, he shall be required to demonstrate to the Division by means of such tests as the Division may deem necessary the integrity of the well's casing.

(c) To establish the integrity of the annular cement above the shoe of the casing, the operator shall make sufficient surveys, within 30 days after injection is started into a well, to demonstrate that all the injected fluid is confined to the intended zone of injection. Thereafter, such surveys shall be made at least every two years, or more often if ordered by the Division. All such surveys may be witnessed by a representative of the Division.

(d) After the well has been placed on injection, a Division representative shall visit the wellsite periodically. At these times, surface conditions shall be noted and if any unsatisfactory conditions exist, the operator shall be notified of needed remedial work. If this required work is not performed within 90 days, the approval issued by the Division may be rescinded. If it is determined that damage is occurring at a rapid rate, the Division may order that the repair work be done immediately.

Injection pressures shall be recorded by the Division representative and compared with the pressure reported on the appropriate forms. Any discrepancies shall be rectified immediately by the operator. A graph of daily injection rates and pressures versus time shall be maintained by the operator. Reasons for anomalies shall be promptly ascertained. If these reasons are such that it appears damage is being done, approval by the Division may be rescinded, and injection shall cease.

(e) When an injection well has been left idle for six months, the operator shall be informed by letter that approval for use of the well for injection purposes has been rescinded, and that he should proceed in accordance with the provisions of Rule 302 and Rule 303 A or Rule 303 B. In the event the operator intends to again use the well for injection purposes, he shall be required to demonstrate by means of surveys that the injected water will be confined to the intended zone of injection.

RULE 506. ABANDONMENT

Injection or disposal wells are required to be abandoned in the same manner as other wells. (See Sec. E, ABANDONMENT, TEMPORARY ABANDONMENT, AND PLUGGING OF WELLS.)

H. BLOWOUT PREVENTION

RULE 601. GENERAL

In areas where high subsurface pressures are known to exist, or where there is a history of lost circulation and/or blowouts, or in areas where subsurface pressures are not known, all proper and usual precautions shall be taken for keeping the well under control, including the use of blowout preventers and high pressure fittings attached to properly cemented casing strings.

Blowout preventers shall not be required for the drilling of low-temperature thermal wells, geothermal observation wells, and seismic, core, or other exploratory wells less than 500 feet deep.

RULE 602. BLOWOUT PREVENTION EQUIPMENT (BOPE)

The following standards are not given as final blowout prevention equipment requirements for the drilling of any geothermal resources well but are given as guidelines for the preparation of a minimum blowout prevention program for certain categories of wells.

A. Using Mud as the Drilling Fluid

(1) API Class 2M-A or 2M-RR

For wells in geothermal resources areas known to contain geothermal fluids at a temperature greater than 212°F. at depths less than 2,000 feet, and geothermal exploratory wells in areas where subsurface temperatures and pressures are unknown and the proposed depth of the well is less than 2,000 feet.

(a) An annular BOPE and a spool, fitted with a low-pressure safety pop-off and blow-down line, installed on the conductor pipe may be required for wells in the above categories to ensure against possible gas blowouts during the drilling of the surface casing hole.

(b) Annular BOPE or pipe-ram/blind-ram BOPE with minimum working-pressure ratings of 2,000 psi shall be installed on the surface casing so that the well can be shut in at any time.

(c) Hydraulic actuating system.

(d) Kelly cock.

(e) A fill-up line installed above the BOPE.

(f) A kill line installed below the BOPE, leading directly to the mud pumps and fitted with a valve through which cement could be pumped if necessary.

(g) A blow-down line fitted with two valves installed below the BOPE. The blow-down line shall be directed in such a manner so as to permit containment of produced fluids and to minimize any safety hazard to personnel.

(h) All lines and fittings shall be steel and have a minimum working-pressure rating of 1,000 psi.

(i) Return mud temperatures shall be entered into the log book after each joint of pipe is drilled down. See Rule 106(b).

(2) API Class 2M-RSRA or Equivalent

For wells in geothermal resources areas known to contain geothermal fluids at temperatures greater than 212°F. at depths more than 2,000 feet, and geothermal exploratory wells in areas where subsurface temperatures and pressures are unknown and the proposed depth of the well is more than 2,000 feet.

(a) An annular BOPE and a spool, fitted with a low-pressure safety pop-off and blow-down line, installed on the conductor pipe may be required to ensure against possible gas blowouts during the drilling of the surface casing hole.

(b) Annular BOPE and pipe-ram/blind-ram BOPE with a minimum working-pressure rating of 2,000 psi shall be installed so that the well can be shut in at any time. The double-ram preventer shall have a mechanical locking device.

(c) A hydraulic actuating system utilizing an accumulator of sufficient capacity and a high pressure auxiliary backup system. This total system shall be equipped with dual controls; one at the driller's station and one at least 50 feet away from the wellhead.

(d) Kelly cock and standpipe valve.

(e) A fill-up line installed above the BOPE.

(f) A kill line installed below the BOPE, leading directly to the mud pumps and fitted with a valve through which cement could be pumped if necessary.

(g) A blow-down line fitted with two valves installed below the BOPE. The blow-down line shall be directed in such a manner so as to permit containment of produced fluids and to minimize any safety hazard to personnel.

(h) All lines and fittings shall be steel and have a minimum working-pressure rating of at least that of the BOPE.

(i) Return mud temperatures shall be entered into the log book after each joint of pipe is drilled down. (See Rule 106(b).)

B. Using Air as the Drilling Fluid

(1) API Class 2M RSRdG (with Banjo Box)

For wells in geothermal resources areas where it is known that dry steam exists at depth and/or formation pressures are known to be less than hydrostatic.

(a) A rotating head installed at the top of the BOPE stack.

(b) A pipe-ram/blind-ram BOPE, with a minimum working-pressure rating of 2,000 psi installed below the rotating head so that the well can be shut in at any time.

(c) A banjo box steam diversion unit installed below the double-ram BOPE fitted with an approved muffler in good working condition.

(d) A blind-ram BOPE, with a minimum working-pressure rating of 2,000 psi installed below the banjo box so that the well can be shut in while removing the rotating head during bit changes.

(e) A gate valve, with a suitable minimum working-pressure rating installed below the blind ram so that the well can be shut in after the well has been completed, prior to removal of the BOPE stack.

(f) All ram-type BOPE shall have a hydraulic actuating system utilizing an accumulator of sufficient capacity and a high-pressure backup system.

(g) Dual control stations for hydraulic backup system: one at the driller's station and the other at least 50 feet away from the wellhead.

(h) Float and standpipe valves.

(i) A kill line installed below the BOPE, leading directly to the mud pumps and fitted with a valve through which cement could be pumped if necessary.

(j) All lines and fittings must be steel and have a minimum working-pressure rating of 1,000 psi. Note: If any portion of a well is drilled using mud, Class 2M BOPE shall be installed on the surface casing so that the well can be shut-in at any time.

RULE 603. AREAS WITH HISTORY OF BLOWOUTS

Notwithstanding any of the provisions of Rule 602,above, when drilling in any geothermal resources area which has a history of lost circulation and/or blowouts, the operator shall equip the well with adequate blowout prevention equipment to contain such pressures as may have previously been encountered in the other well(s).

RULE 604. TESTING OF BLOWOUT PREVENTION EQUIPMENT

Upon installation, ram-type blowouts preventers, bag-type blowout preventers, valves, and manifolds shall be tested to a minimum of 750 psi pressure. Tests may be witnessed by a Division representative on all wells prior to drilling out the shoe of the surface casing, and the Division shall be notified of the date and hour any such test is to be conducted sufficiently in advance of the test to allow a Division representative to travel to the well to witness the test.

Ram-type preventers shall be operated at least once each 24 hours and bag-type preventers closed on the drill pipe at least once each week, provided however, that an exception to this provision may be granted by the Division's Geothermal Section to prevent undue wear and tear on the preventer rubbers when drilling dry-steam wells.

I. RULES ON PROCEDURE

RULE 701. NECESSITY FOR HEARING

Except as provided in some general rule herein, before any rule, regulation or order, including revocation, changes, renewal or extension thereof, shall be made by the Division, a public hearing before the Commission or a legally appointed Division Examiner shall be held at such time and place as may be prescribed by the Division.

RULE 702. EMERGENCY ORDERS

Notwithstanding any other provision of these rules, in case an emergency is found to exist by the Division, which, in its judgment, requires the making of a rule, regulation, or order without a hearing having first been had or concluded, such emergency rule, regulation, or order when made by the Division shall have the same validity as if a hearing with respect to the same had been held before the Division after due notice. Such emergency rule, regulation, or order shall remain in force no longer than 15 days from its effective date, and in any event, it shall expire when the rule, regulation, or order made after due notice and hearing with respect to the subject matter of such emergency rule, regulation, or order becomes effective.

RULE 703. METHOD OF INITIATING A HEARING

The Division upon its own motion, the Attorney General on behalf of the State, and any operator or producer, or any other person having a property interest may institute proceedings for a hearing. If the hearing is sought by the Division it shall be on motion of the Division and if by any other person it shall be by application. The application shall be in triplicate and shall state (1) the name of the applicant, (2) the name or general description of the common source or sources of supply or the area affected by the order sought, (3) briefly the general nature of the order, rule, or regulation sought, and (4) any other matter required by a particular rule or rules, or order of the Division. The application shall be signed by the person seeking the hearing or by his attorney.

When conditions are such as to require verbal application to place a matter for hearing on a given docket, the Division will accept such verbal application in order to meet publishing deadlines. However, if written application, filed in accordance with the procedures outlined above, has not been received by the Division's Santa Fe office at least ten days before the date of the hearing, the case will be dismissed.

RULE 704. METHOD OF GIVING LEGAL NOTICE FOR HEARING

Notice of each hearing before the Commission and notice of each hearing before a Division Examiner shall be given by personal service on the person affected or by publication once in a newspaper of general circulation published at Santa Fe, New Mexico, and once in a newspaper of general circulation published in the county or each of the counties, if there be more than one, in which any geothermal resource or other property which may be affected is situated.

RULE 705. CONTENTS OF NOTICE OF HEARING

Such notice shall be issued in the name of "The State of New Mexico" and shall be signed by the Director of the Division, and the seal of the Commission shall be impressed thereon.

The notice shall specify whether the case is set for hearing before the Commission or before a Division Examiner and shall state the number and style of the case and the time and place of hearing and shall briefly state the general nature of the order or orders, rule or rules, regulation or regulations to be promulgated or effected. The notice shall also state the name of the petitioner or applicant, if any, and unless the contemplated order, rule, or regulation is intended to apply to and affect the entire state, it shall specify or generally describe the common source or sources of supply which may be affected by such order, rule, or regulation.

RULE 706. PERSONAL SERVICE OF NOTICE

Personal service of the notice of hearing may be made by any agent of the Division or by any person over the age of 18 years in the same manner as is provided by law for the service of summons in civil actions in the district courts of this state. Such service shall be complete at the time of such personal service or on the date of publication, as the case may be. Proof of service shall be by the affidavit of the person making personal service or of the publisher of the newspaper in which publication is had. Service of the notice shall be made at least 10 days before the hearing.

RULE 707. PREPARATION OF NOTICES

After a motion or application is filed with the Division the notice or notices required shall be prepared by the Division and service and publication thereof shall be taken care of by the Division without cost to the applicant.

RULE 708. FILING PLEADINGS: COPY DELIVERED TO ADVERSE PARTY OR PARTIES

When any party to a hearing files any pleading, plea, or motion of any character (other than application for hearing) which is not by law or by these rules required to be served upon the adverse party or parties, he shall at the same time either deliver or mail to the adverse party or parties who have entered their appearance therein, or their respective attorneys of record, a copy of such pleading, plea, or motion. For the purposes of these rules, an appearance of any interested party shall be made either by letter addressed to the Division or in person at any proceeding before the Commission or before an Examiner, with notice of such appearance to the parties from whom such pleadings, pleas, or motions are desired.

RULE 709. CONTINUANCE OF HEARING WITHOUT NEW SERVICE

Any hearing before the Commission or an Examiner held after due notice may be continued by the person presiding at such hearing to a specified time and place without the necessity of notice of the same being again served or published. In the event of any continuance, a statement thereof shall be made in the record of the hearing which is continued.

RULE 710. CONDUCT OF HEARINGS

Hearings before the Commission or any Examiner shall be conducted without rigid formality. A transcript of testimony shall be taken and preserved as a part of the permanent record of the Division. Any person testifying in response to a subpoena issued by the Commission or any member thereof, or the authorized representative of the Division Director, and any person seeking to testify in support of an application or motion or in opposition thereto shall be required to do so under oath. However, relevant unsworn comments and observations by any interested party will be designated as such and included in the record. Comments and observations by representatives of operators' committees, the United States Geological Survey, the United States Bureau of Mines, the New Mexico Bureau of Mines, and other competent persons are welcomed. Any Examiner legally appointed by the Division Director may conduct such hearings as may be referred to such Examiner by the Director.

RULE 711. POWER TO REQUIRE ATTENDANCE OF WITNESSES AND PRODUCTION OF EVIDENCE

The Commission or any member thereof, or the authorized representative of the Division Director has statutory power to subpoena witnesses and to require the production of books, papers, and records in any proceeding before the Commission or Division. A subpoena will be issued for attendance at a hearing upon the written request of any person interested in the subject matter of the hearing. In case of the failure of a person to comply with the subpoena issued, an attachment of the person may be issued by the district court of any district in the state, and such court has powers to punish for contempt. Any person found guilty of swearing falsely at any hearing may be punished for contempt.

RULE 712. RULES OF EVIDENCE

Full opportunity shall be afforded all interested parties at a hearing to present evidence and to cross-examine witnesses. In general, the rules of evidence applicable in a trial before a court without a jury shall be applicable, provided that such rules may be relaxed, where, by so doing, the ends of justice will be better served. No order shall be made which is not supported by competent legal evidence.

RULE 713. EXAMINERS' QUALIFICATIONS AND APPOINTMENT

The Division Director shall, by ex parte order, designate and appoint not more than four individuals to be examiners. Each Examiner so appointed shall be a member of the staff of the Division, but no Examiner need be a full time employee of the Division. The Director may, by ex parte order, designate and appoint a successor to any person whose status as an Examiner is terminated for any reason. Each individual designated and appointed as an Examiner must have at least six years practical experience as a geologist, petroleum engineer or licensed lawyer, or at least two years of such experience and a college degree in geology, engineering, or law; provided however, that nothing herein contained shall prevent any member of the Commission from being designated as, or serving as, an Examiner.

RULE 714. REFERRAL OF CASES TO EXAMINERS

The Division Director may refer any matter or proceeding to any legally designated and appointed Examiner for hearing in accordance with these rules. The Examiner appointed to hear any specific case shall be designated by name.

RULE 715. EXAMINER'S POWER AND AUTHORITY

The Division Director may, by ex parte order, limit the powers and duties of the Examiner in any particular case to such issues or to the performance of such acts as the Director deems expedient; however, subject only to such limitations as may be ordered by the Director, the Examiner to whom any matter or proceeding is referred under these rules shall have full authority to hold hearings on such matter or proceeding in accordance with and pursuant to these rules. The Examiner shall have the power to regulate all proceedings before

him and to perform all acts and take all measures necessary or proper for the efficient and orderly conduct of such hearing, including the swearing of witnesses, receiving of testimony and exhibits offered in evidence, subject to such objections as may be imposed, and shall cause a complete record of the proceedings to be made and transcribed and shall certify same to the Director as hereinafter provided.

RULE 716. HEARINGS WHICH MUST BE HELD BEFORE COMMISSION

Notwithstanding any other provisions of these rules, the hearing on any matter shall be held before the Commission (1) if it is a hearing de novo, or (2) if the Division Director in his discretion desires the Commission to hear the matter.

RULE 717. EXAMINER'S MANNER OF CONDUCTING HEARING

An Examiner conducting a hearing under these rules shall conduct himself as a disinterested umpire.

RULE 718. REPORT AND RECOMMENDATIONS, EXAMINER'S HEARINGS

Upon the conclusion of any hearing before an Examiner, the Examiner shall promptly consider the proceedings in such hearing, and based upon the record of such hearing the Examiner shall prepare his written report and recommendations for the disposition of the matter of proceeding by the Division. Such report and recommendations shall either be accompanied by a proposed order or shall be in the form of a proposed order, and shall be submitted to the Division Director with the certified record of the hearing.

RULE 719. DISPOSITION OF CASES HEARD BY EXAMINERS

After receipt of the report and recommendations of the Examiner, the Division Director shall enter the Division's order disposing of the matter or proceeding.

RULE 720. DE NOVO HEARING BEFORE COMMISSION

When any order has been entered by the Division pursuant to any hearing held by an Examiner, any party adversely affected by such order shall have the right to have such matter or proceeding heard de novo before the Commission, provided that within 30 days from the date such order is rendered such party files with the Division a written application for such hearing before the Commission. If such application is filed, the matter or proceeding shall be set for hearing before the Commission at the first available hearing date following the expiration of fifteen days from the date such application is filed with the Division. Any person affected by the order or decision rendered by the Commission after hearing before the Commission may apply for rehearing pursuant to and in accordance with the provisions of Rule 722, and said Rule 722 together with the law applicable to rehearing and appeals in matters and proceedings before the Commission shall thereafter apply to such matter or proceeding.

RULE 721. NOTICE OF COMMISSION AND DIVISION ORDERS

Within ten days after any order, including any order granting or refusing rehearing, or order following rehearing, has been rendered, a copy of such order shall be mailed by the Division to each person or his attorney of record who has entered his appearance of record in the matter of proceeding pursuant to which such order is rendered.

RULE 722. REHEARINGS

Within 20 days after entry of any order or decision of the Commission any person affected thereby may file with the Division an application for rehearing in respect of any matter determined by such order or decision, setting forth the respect in which such order or decision is believed to be erroneous. The Commission shall grant or refuse any such application in whole or in part within 10 days after the same is filed and failure to act thereon within such period shall be deemed a refusal thereof and a final disposition of such application. In the event the rehearing is granted, the Commission may enter such new order or decision after rehearing as may be required under the circumstances.

RULE 723. CHANGES IN FORMS AND REPORTS

Any change in the forms and reports or rules relating to such forms and reports shall be made only by order of the Commission or Division issued after due notice and hearing.

65-11-2. PURPOSE OF ACT.—

A. It is hereby found and determined that the people of the state of New Mexico have a direct and primary interest in the development of geothermal resources, and that this state should exercise its power and jurisdiction through its oil conservation commission and division to require that wells drilled in search of, development of, or incident to the production of geothermal resources be drilled, operated, maintained and abandoned in such a manner as to safeguard life, health, property, natural resources and the public welfare, and to encourage maximum economic recovery.

B. To these ends, it is the intent of the legislature that the power and jurisdiction of the commission and the division as given by the Geothermal Resource Conservation Act shall be supplemental to the other powers and jurisdiction given the commission and the division by the statutes of this state.

65-11-3. DEFINITIONS.--As used in the Geothermal Resources Conservation Act:

A. "geothermal resources" means the natural heat of the earth, or the energy, in whatever form, below the surface of the earth present in, resulting from, created by, or which may be extracted from, this natural heat, and all minerals in solution or other products obtained from naturally heated fluids, brines, associated gas and steam, in whatever form, found below the surface of the earth, but excluding oil, hydrocarbon gas and other hydrocarbon substances;

B. "commission" means the oil conservation commission;

C. "correlative rights" means the opportunity afforded, insofar as is practicable to do so, to the owner of each property in a geothermal reservoir to produce his just and equitable share of the geothermal resources within such reservoir, being an amount, so far as can be practicably determined, and so far as can be practicably obtained without waste, substantially in the proportion that the recoverable geothermal resources under such property bears to the total recoverable geothermal resources in the reservoir, and for such purpose to use his just and equitable share of the natural heat or energy in the reservoir;

D. "division" means the oil conservation division of the energy and minerals department;

E. "geothermal reservoir" means an underground reservoir containing geothermal resources, whether the fluids in the reservoir are native to the reservoir or flow into or are injected into the reservoir;

F. "geothermal field" means the general area which is underlaid or reasonably appears to be underlaid by at least one geothermal reservoir;

G. "low-temperature thermal reservoir" means a geothermal reservoir containing low-temperature thermal water, which is defined as naturally heated water, the temperature of which is less than boiling at the altitude of occurrence, which has additional value by virtue of the heat contained therein, and is found below the surface of the earth, or in warm springs at the surface;

H. "person" means any natural person, firm, association or corporation, or any other group or combination acting as a unit, for the exploration, production, transportation, processing or utilization of geothermal resources;

I. "well" means any well dug or drilled for the discovery or development of geothermal resources or incident to the discovery or development of geothermal resources, or for the purpose of injecting or reinjecting geothermal resources or the residue thereof or other fluids into a geothermal reservoir, or any well dug or drilled for any other purpose and reactivated or converted to any of the aforesaid uses; and

J. "potash" means the naturally occurring bedded deposits of the salts of the element potassium.

65-11-4. WASTE PROHIBITED.—The production or handling of geothermal resources of any type or in any form, or the handling of products thereof, in such manner or under such conditions or in such amounts as to constitute waste is each hereby prohibited.

65-11-5. WASTE DEFINITIONS.—As used in this act, the term "waste," in addition to its ordinary meaning, shall include:

A. "underground waste" as those words are generally understood in the geothermal business, and in any event to embrace the inefficient, excessive or improper use or dissipation of the reservoir fluids or energy, including the natural energy of the heated fluids or the natural heat of the earth, and the locating, spacing, drilling, equipping, operating or producing of any well or wells in a manner that would reduce or tend to reduce the total quantity of geothermal resources ultimately recovered from any geothermal reservoir;

B. "surface waste" as those words are generally understood in the geothermal business, and in any event to embrace the unnecessary or excessive surface loss or destruction without beneficial use, however caused, of geothermal resources of any type or in any form, or any product thereof, and including the loss or

destruction of geothermal resources resulting from leakage, evaporation or seepage, especially incident to or resulting from the manner of spacing, equipping, operating or producing of any well or wells, or incident to or resulting from the inefficient transportation, use or storage of geothermal resources;

C. the production from any well or wells in this state of geothermal resources in excess of the reasonable market demand therefor, in excess of the capacity of the geothermal transportation facility connected thereto to efficiently receive and transport such geothermal resources, or in excess of the capacity of a geothermal utilization facility to efficiently receive and utilize such geothermal resources;

D. the nonratable purchase or taking of geothermal resources within a geothermal reservoir in this state. Such nonratable taking or purchasing causes or results in excessive or improper dissipation of reservoir energy and results in waste, as defined in subsection A of this section, and is in violation of section 14 of the Geothermal Resources Conservation Act (65-11-14); and

E. drilling or producing operations for geothermal resources within any area containing commercial deposits of potash where such operations would have the effect unduly to reduce the total quantity of such commercial deposits of potash which may reasonably be recovered in commercial quantities or where such operations would interfere unduly with the orderly development of such potash deposits.

65-3-4. OIL CONSERVATION COMMISSION--MEMBERS--TERM--OFFICERS--QUORUM--POWER TO ADMINISTER OATHS.--There is hereby created an oil conservation commission, hereinafter in this act called the "commission" to be composed of the commissioner of public lands, the state geologist and the director of the oil conservation division. No salary or compensation shall be paid any member of the commission for his services as a member thereof. The term of office of each member of the commission shall be concurrent with the other office held by him. The commission shall organize by electing a chairman from its membership. Two members of the commission shall constitute a quorum for all purposes. The commission shall adopt a seal and such a seal affixed to any paper signed by the director of the oil conservation division shall be prima facie evidence of the due execution thereof. The attorney general shall be the attorney for the commission. Any member of the commission, or the director of the oil conservation division, or any employee of the commission or division, shall have power to administer oaths to any witness in any hearing, investigation or proceeding contemplated by this act or by any other law of this state relating to the conservation of oil and gas.

65-3-4.1. OIL CONSERVATION DIVISION--DIRECTOR--STATE PETROLEUM ENGINEER.--

A. The director of the oil conservation division shall be known as the state petroleum engineer.

B. The director shall be appointed by the secretary of the energy and minerals department and shall:

(1) be a resident of this state; and

(2) be registered by the state board of registration for professional engineers and land surveyors as a petroleum engineer; or

(3) by virtue of education and experience have expertise in the field of petroleum engineering.

65-11-6. COMMISSION'S AND DIVISION'S POWERS AND DUTIES.--

A. In addition to its other powers and duties, the division shall have, and is hereby given, jurisdiction over all matters relating to the conservation of geothermal resources and the prevention of waste of potash as a result of geothermal operations in this state. It shall have jurisdiction, authority and control of and over all persons, matters or things necessary or proper to enforce effectively the provisions of the Geothermal Resources Conservation Act or any other law of this state relating to the conservation of geothermal resources and the prevention of waste of potash as a result of geothermal operations. Provided, however, nothing in this section shall be construed to supersede the authority which any state department or agency has with respect to the management, protection and utilization of the state lands or resources under its jurisdiction.

B. The commission shall have concurrent jurisdiction and authority with the division to the extent necessary for the commission to perform its duties as required by the Geothermal Resources Conservation Act.

65-3-6. RULES OF PROCEDURE IN HEARING--MANNER OF GIVING NOTICE--RECORD OF RULES, REGULATIONS AND ORDERS.--The division shall prescribe its rules of order or procedure in hearing or other proceedings before it under this act. Any notice required to be given under this act or under any rule, regulation or order prescribed by the commission or division shall be by personal service on the person affected, or by publication once in a newspaper of general circulation published at Santa Fe, New Mexico, and once in a newspaper of general circulation published in the county, or each of the counties if there be more than one, in which any land, oil or gas or other property which may be affected shall be situated. Such notice shall issue in the name of "the state of New Mexico" and shall be signed by the director of the division, and the seal of the commission shall be impressed thereon, and it shall specify the number and style of the case, and the time and place of hearing, shall briefly state the general nature of the order or orders, rule or rules, or regulation or

regulations contemplated by the division on its own motion or sought in a proceeding brought before the commission or division, the name of the petitioner, or applicant, and, unless the order, rule or regulation is intended to apply to and affect the entire state, it shall specify or generally describe the common source or sources of supply that may be affected by such order, rule or regulation. Personal service thereof may be made by any agent of the division or by any person over the age of eighteen years, in the same manner as is provided by law for the service of summons in civil actions in the district courts of this state. Such service shall be complete at the time of such personal service or on the date of such publication, as the case may be. Proof of service shall be the affidavit of the person making personal service, or of the publisher of the newspaper in which publication is had, as the case may be. All rules, regulations and orders made by the commission or division shall be entered in full by the director thereof in a book to be kept for such purpose by the division, which shall be a public record and open to inspection at all times during reasonable office hours. A copy of any such rule, regulation or order, certified by the director of the division under the seal of the commission, shall be received in evidence in all courts of the state with the same effect as the original.

65-3-7. SUBPOENA POWER—IMMUNITY OF NATURAL PERSONS REQUIRED TO TESTIFY.--The commission, or any member thereof, or the director of the division or his authorized representative, is hereby empowered to subpoena witnesses, to require their attendance and giving of testimony before it, and to require the production of books, papers and records in any proceeding before the commission or the division. No person shall be excused from attending and testifying or from producing books, papers and records before the commission or division, or from obedience to the subpoena of the said commission or division, whether such subpoena be signed or issued by one or more of the members of the said commission, or the director of the division, in any hearing, investigation or proceeding held by or before the said commission or division or in any cause or proceeding in any court by or against the said commission or division, relative to matter within the jurisdcation of said commission or division, on the ground or for the reason that the testimony or evidence, documentary or otherwise, required of him may tend to incriminate him or subject him to penalty or forfeiture; provided that nothing herein contained shall be construed as requiring any person to produce any books, papers or records, or to testify in response to any inquiry, not pertinent to some question lawfully before such commission or division or court for determination. No natural person shall be subjected to criminal prosecution, or to any penalty or forfeiture for or on account of any transaction, matter or thing concerning which he may be required to testify, or produce evidence, documentary or otherwise before said commission or division, or in obedience to its subpoena, or in any cause or proceeding, provided that no person testifying shall be exempted from prosecution and punishment for perjury committed in so testifying.

65-3-8. FAILURE OR REFUSAL TO COMPLY WITH SUBPOENA—REFUSAL TO TESTIFY—BODY ATTACHMENT—CONTEMPT.--In case of failure or refusal on the part of any person to comply with any subpoena issued by said commission or any member thereof, or the director of the division or his authorized representative, or on the refusal of any witness to testify or answer as to any matters regarding which he may be lawfully interrogated, any district court in this state, or any judge thereof, on application of said commission or division, may issue an attachment for such person and compel him to comply with such subpoena and to attend before the commission or division and produce such documents, and give his testimony upon such matters as may be lawfully required, and such court or judge shall have the power to punish for contempt as in case of disobedience of a like subpoena issued by or from such court, or a refusal to testify therein.

65-3-9. PERJURY—PUNISHMENT.—If any person of whom an oath shall be required under the provisions of this act, or by any rule, regulation or order of the commission or division, shall willfully swear falsely in regard to any matter or thing respecting which such oath is required, or shall willfully make any false report or affidavit required or authorized by the provisions of this act, or by any rule, regulation or order of the commission or division, such person shall be deemed guilty of perjury and shall be punished by imprisonment in the state penitentiary for not more than five years nor less than six months.

65-11-7. POWER OF COMMISSION AND DIVISION TO PREVENT WASTE AND PROTECT CORRELATIVE RIGHTS.--The commission and division are hereby empowered, and it is their duty, to prevent the waste prohibited by the Geothermal Resources Conservation Act and to protect correlative rights, as in that act provided. To that end, the commission and division may make and enforce rules, regulations and orders relating to geothermal resources, and to do whatever may be reasonably necessary to carry out the purposes of that act whether or not indicated or specified in any section thereof.

65-11-8. ENUMERATION OF POWERS.—Included in the power given to the division is the authority to collect data; to make investigations and inspections; to examine properties, leases, papers, books and records; to examine, check, test and gauge geothermal resources wells and geothermal resources transportation, storage and utilization facilities; to limit and allocate production of geothermal resources as provided in the Geothermal Resources Conservation Act; and to require certificate of clearance for the production or transportation of geothermal resources.

Apart from any authority, express or implied, elsewhere given to or existing in the division by virtue of the Geothermal Resources Conservation Act or the statutes of this state, the division may make rules, regulations and orders for the purposes and with respect to the subject matter stated herein, viz.:

A. to require non-commercial or abandoned wells to be plugged in such a way as to confine all fluids in the strata in which they are found, and to prevent them from escaping into other strata; the division may

require a bond of not to exceed ten thousand dollars ($10,000) conditioned for the performance of such regulations;

B. to prevent geothermal resources, water or other fluids from escaping from the strata in which they are found into other strata;

C. to require reports showing locations of all geothermal resources wells, and to require the filing of logs and drilling records or reports and production reports;

D. to prevent the premature cooling of any geothermal stratum or strata by water encroachment, or otherwise, which reduces or tends to reduce the total ultimate recovery of geothermal resources from any geothermal reservoir;

E. to prevent "blow-outs" and "caving" in the sense that such terms are generally understood in the geothermal drilling business;

F. to require wells to be drilled, operated and produced in such a manner as to prevent injury to neighboring leases or properties and to afford reasonable protection to human life and health and to the environment;

G. to identify the ownership of geothermal producing leases, properties, plants, structures, and transportation and utilization facilities;

H. to require the operation of wells efficiently;

I. to fix the spacing of wells;

J. to classify and from time to time as is necessary reclassify geothermal reservoirs and low-temperature thermal reservoirs;

K. to define and from time to time as is necessary redefine the horizontal and vertical limits of geothermal reservoirs and low-temperature thermal reservoirs;

L. to permit and regulate the injection of fluids into geothermal reservoirs and low-temperature thermal reservoirs;

M. to regulate the disposition of geothermal resources or the residue thereof, and to direct the surface or subsurface disposal of such in a manner that will afford reasonable protection against contamination of all fresh waters and waters of present or probable future value for domestic, commercial, agricultural or stock purposes, and will afford reasonable protection to human life and health and to the environment; and

N. to define and from time to time as is necessary redefine the limits of any area containing commercial deposits of potash, and to regulate and where necessary prohibit geothermal drilling or producing operations where such operations would have the effect unduly to reduce the total quantity of such commercial deposits of potash which may reasonably be recovered in commercial quantities.

65-3-11.1. ADDITIONAL POWERS OF COMMISSION OR DIVISION—HEARINGS BEFORE EXAMINER--HEARING DE NOVO.—In addition to the powers and authority, either express or implied, granted to the oil conservation commission or division by virtue of the statutes of the state of New Mexico, the division is hereby authorized and empowered in prescribing its rules or order or procedure in connection with hearings or other proceedings before the division to provide for the appointment of one or more examiners to be members of the staff of the division to conduct hearings with respect to matters properly coming before the division and to make reports and recommendations to the director of the division with respect thereto. Any member of the commission or the director of the division or his authorized representative may serve as an examiner as provided herein. The division shall promulgate rules and regulations with regard to hearings to be conducted before examiners and the powers and duties of the examiners in any particular case may be limited by order of the division to particular issues or to the performance of particular acts. In the absence of any limiting order, an examiner appointed to hear any particular case shall have the power to regulate all proceedings before him and to perform all acts and take all measures necessary or proper for the efficient and orderly conduct of such hearing, including the swearing of witnesses, receiving of testimony and exhibits offered in evidence subject to such objections as may be imposed, and shall cause a complete record of the proceeding to be made and transcribed and shall certify the same to the director of the division for consideration together with the report of the examiner and his recommendations in connection therewith. The director of the division shall base the decision rendered in any matter or proceeding heard by an examiner, upon the transcript of testimony and record made by or under the supervision of the examiner in connection with such proceeding, and such decision shall have the same force and effect as if said hearing had been conducted before the director of the division. When any matter or proceeding is referred to an examiner and a decision is rendered thereon, any party adversely affected shall have the right to have said matter heard de novo before the commission upon application filed with the division within thirty days from the time any such decision is rendered.

65-11-9. REGULATION OF GEOTHERMAL RESOURCES PRODUCTION.--Upon determination by the division that geothermal resources production from a particular geothermal resources reservoir is causing waste or is about to result in waste, the division shall limit, allocate and distribute the total amount of geothermal resources which may be produced from that reservoir.

65-11-10. ALLOCATION OF PRODUCTION.--

A. Whenever, to prevent waste, the total amount of geothermal resources which may be produced from a geothermal reservoir is limited, the division shall allocate and distribute the allowable production among the geothermal wells in the reservoir on a reasonable basis and recognizing correlative rights, including in the allocation schedule any well which it finds is being unreasonably discriminated against through denial of access to a geothermal resources transportation or utilization facility which is reasonably capable of handling the geothermal product of the well. In protecting correlative rights, the division may give equitable consideration to acreage, to the pressure, temperature, quantity and quality of the geothermal resources producible from the wells in the reservoir, and to such other pertinent factors as may from time to time exist, and, insofar as is practicable, shall prevent drainage between producing tracts in the reservoir which is not equalized by counter-drainage.

B. No order limiting, allocating and distributing production from any geothermal reservoir shall be issued except after notice and hearing. In entering such an order the division must find that waste is resulting or is about to result from the unratable taking of geothermal resources or from the production of geothermal resources from a reservoir in excess of the market demand therefor, in excess of the capacity of the available geothermal transportation facilities to efficiently receive and transport such geothermal resources, or in excess of the capacity of the available geothermal utilization facility to efficiently receive and utilize such geothermal resources. When limiting, allocating and distributing production from a geothermal reservoir, the division shall do so on the basis of three-month allocation periods and shall promulgate reasonable rules regarding production tolerances and overproduction and underproduction.

C. After the effective date of any rule, regulation or order fixing the allowable production and establishing permitted tolerances for overproduction, no person shall produce more than the allowable production and permitted tolerance applicable to him, his wells, leases or properties determined as provided in the Geothermal Resources Conservation Act, and the allowable production shall be produced in accordance with the applicable rules, regulations and

65-11-11. EQUITABLE ALLOCATION OF PRODUCTION SPACING--POOLING.—

A. The rules, regulations or orders of the division shall, so far as it is practicable to do so, afford to the owner of each property in a geothermal reservoir the opportunity to produce his just and equitable share of the geothermal resources in the reservoir, being an amount, so far as can be practicably determined, and so far as such can be practicably obtained without waste, substantially in the proportion that the quantity of the recoverable geothermal resources under such property bears to the total recoverable geothermal resources in the reservoir, and for this purpose to use his just and equitable share of the reservoir energy.

B. The division may establish a spacing unit for each geothermal reservoir, such being the area that can be efficiently and economically drained and developed by one well, and in so doing the division shall consider the economic loss caused by the drilling of unnecessary wells, the protection of correlative rights, including those of royalty owners, the prevention of waste, the avoidance of the augmentation of risks arising from the drilling of an excessive number of wells and the prevention of reduced recovery which might result from the drilling of too few wells.

C. When two or more separately owned tracts of land are embraced within a spacing unit, or where there are owners of royalty interests or undivided interests in geothermal resources which are separately owned, or any combination thereof, embraced within such spacing unit, the owner or owners thereof may validly pool their interests and develop their lands as a unit. Where, however, such owner or owners have not agreed to pool their interests, and where one such separate owner, or owners, who has the right to drill has drilled or proposes to drill a well on said unit to a geothermal reservoir, the division, to avoid the drilling of unnecessary wells or to protect correlative rights, or to prevent waste, shall pool all or any part of such lands or interest or both in the spacing unit as a unit.

All orders effecting such pooling shall be made after notice and hearing, and shall be upon such terms and conditions as are just and reasonable and will afford to the owner or owners of each tract or interest in the unit the opportunity to recover or receive without unnecessary expense his just and fair share of the geothermal resources. Each order shall describe the lands included in the unit designated thereby, identify the reservoir or reservoirs to which it applies and designate an operator for the unit. All operations for the pooled geothermal resources which are conducted on any portion of the unit shall be deemed for all purposes to have been conducted upon each tract within the unit by the owner or owners of such tract. For the purpose of determining the portions of production owned by the persons owning interests in the pooled geothermal resources, such production shall be allocated to the respective tracts within the unit in the proportion that the number of surface acres included within each tract bears to the number of surface acres

included in the entire unit. The portion of the production allocated to the owner or owners of each tract or interest included in a well spacing unit formed by a pooling order shall, when produced, be considered as if produced from the separately owned tract or interest by a well drilled thereon. Such pooling order of the division shall make definite provision as to any owner, or owners, who elects not to pay his proportionate share in advance for the pro rata reimbursement solely out of production to the parties advancing the costs of development and operation which shall be limited to the actual expenditures required for such purpose not in excess of what are reasonable, but which shall include a reasonable charge for supervision and may include a charge for the risk involved in the drilling of such well, which charge for risk shall not exceed two hundred percent of the non-consenting working interest owner's or owners' pro rata share of the cost of drilling and completing the well.

In the event of any dispute relative to such costs, the division shall determine the proper costs after due notice to interested parties and a hearing thereon. The division is specifically authorized to provide that the owner or owners drilling or paying for the drilling, or for the operation of a well for the benefit of all shall be entitled to all production from such well which would be received by the owner, or owners, for whose benefit the well was drilled or operated, after payment of royalty as provided in the lease, if any, applicable to each tract or interest, and obligations payable out of production, until the owner or owners drilling or operating the well or both have been paid the amount due under the terms of the pooling order or order settling such dispute. No part of the production or proceeds accruing to any owner or owners of a separate interest in such unit shall be applied toward the payment of any cost properly chargeable to any other interest in said unit.

If the interest of any owner or owners of any unleased mineral interest is pooled by virtue of the Geothermal Resources Conservation Act, seven-eighths of such interest shall be considered as a working interest and one-eighth shall be considered a royalty interest, and he shall in all events be paid one-eighth of all production from the unit and creditable to this interest.

D. Whenever it appears that the owners in any geothermal reservoir have agreed upon a plan for the spacing of wells, or upon a plan or method of distribution of production from the reservoir, or upon any other plan for the development or operation of such reservoir, which plan, in the judgment of the division, has the effect of preventing waste as prohibited by the Geothermal Resources Conservation Act and is fair to the royalty owners in such reservoir, then such plan shall be adopted by the division with respect to the reservoir; however, the division, upon hearing and after notice, may subsequently modify any such plan to the extent necessary to prevent waste as prohibited by the Geothermal Resources Conservation Act.

65-11-12. COURT MAY AUTHORIZE POOLING OR UNITIZATION BY FIDUCIARIES.--

A. When an existing geothermal resources lease upon property owned by a decedent at the time of his death, by a minor or by an incompetent, does not authorize pooling or unitization thereof with other lands in the vicinity, the district court for the county in which any portion of the lands subject to said lease is situated can authorize the executor or administrator of the estate of the decedent, or the guardian of the minor or incompetent, to execute appropriate instruments authorizing or effectuating such pooling or unitization, or both, if the court finds it to be in the interest of the owners of such property.

B. An executor, administrator or guardian desiring authorization to execute such instruments shall file a verified petition in the appropriate district court setting forth a description of the lease, the lands subject thereto and the reason that the proposed action is in the interest of the owners of the affected real estate. A copy of the instrument by which such pooling or unitization is proposed to be authorized or effectuated shall be attached to the petition.

C. No notice of the hearing upon the petition shall be required; Provided, however, that the court in its discretion may require such notice as it may direct to be given to affected parties.

D. Upon entry of an order of the court authorizing execution of the proposed instrument in the form attached to the petition, or with such modification as the court may direct, and execution thereof by the executor, administrator or guardian, the interest in the property owned by the decedent at the time of death, or by the ward, shall be subject in all respects to the terms of said instrument and the executor, administrator or guardian, without further order of the court, shall be authorized to execute division orders, transfer orders, correction instruments, receipts and other instruments made necessary or desirable by the pooling or unitization so effected.

65-11-13. SPACING UNIT WITH DIVIDEND MINERAL OWNERSHIP.--

A. Whenever the operator of any geothermal resources well shall dedicate lands comprising a standard spacing unit to a geothermal resources well, it shall be the obligation of the operator, if two or more separately owned tracts of land are embraced within the spacing unit, or where there are owners or royalty interests or undivided interests in the geothermal resources which are separately owned or any combination thereof, embraced within such spacing unit, to obtain voluntary agreements pooling said lands or interests or an order of the division pooling said lands, which agreement or order shall be effective from the first production. Any division order that increases the size of a standard spacing unit for a geothermal reservoir,

or extends the boundaries of such a reservoir, shall require dedication of acreage to existing wells in the reservoir in accordance with acreage dedication requirements for said reservoir, and all interests in the spacing units that are dedicated to the affected wells shall share in production from the effective date of the said order.

B. Any operator failing to obtain voluntary pooling agreements, or failing to apply for an order of the division pooling the lands dedicated to the spacing unit as required by this section, shall nevertheless be liable to account to and pay each owner of geothermal interests, including owners of overriding royalty interests and other payments out of production, either the amount to which each interest would be entitled if pooling had occurred or the amount to which each interest is entitled in the absence of pooling, whichever is greater.

C. Nonstandard spacing units may be established by the division and all geothermal interests in any such nonstandard unit shall share in production from that unit from the date of the order establishing the said nonstandard unit.

65-11-14. COMMON PURCHASES—DISCRIMINATION IN PURCHASING PROHIBITED.--Any person now or hereafter engaged in the taking or purchasing of geothermal resources from one or more producers within a single geothermal reservoir shall be a common purchaser within that geothermal reservoir, and shall purchase geothermal resources of like quality, quantity and pressure lawfully produced from that geothermal reservoir and tendered to such common purchaser at a reasonable point. Such purchase shall be made without unreasonable discrimination in favor of one producer against another in the price paid, quantities taken, the bases of measurement or the facilities offered.

In the event such purchaser is also a producer, he is prohibited to the same extent from discriminating in favor of himself with respect to geothermal resources wells in which he has an interest, direct or indirect, as against other geothermal resources wells in the same geothermal reservoir.

For the purposes of the Geothermal Resources Conservation Act, reasonable differences in prices paid or facilities afforded, or both, shall not constitute unreasonable discrimination if such differences bear a fair relationship to difference in quality, quantity or pressure of the geothermal resources available or to the relative lengths of time during which such geothermal resources will be available to the purchaser.

Any common purchaser taking geothermal resources produced from wells within a geothermal reservoir shall take ratably under such rules, regulations and orders, concerning quantity, as may be promulgated by the division after due notice and public hearing. The division, in promulgating such rules, regulations and orders may consider the quality and the quantity of the geothermal resources available, the pressure and temperature of the product at the point of delivery, acreage attributable to the well, market requirements and other pertinent factors.

Nothing in the Geothermal Resources Conservation Act shall be construed or applied to require, directly or indirectly, any person to purchase geothermal resources of a quality or under a pressure or under any other condition by reason of which such geothermal resource cannot be economically and satisfactorily used by such purchaser by means of his geothermal utilization facilities then in service.

65-11-15. PURCHASE, SALE OR HANDLING OF EXCESS GEOTHERMAL RESOURCES OR PRODUCTS PROHIBITED.--

A. The sale or purchase or acquisition, or the transportation, utilization or processing, or handling in any other way, of geothermal resources in whole or in part produced in excess of the amount allowed by any statute of this state, or by any provision of the Geothermal Resources Conservation Act, or by any rule, regulation or order of the commission or division made hereunder, is hereby prohibited, and such geothermal resources are hereby referred to as "illegal geothermal resources".

B. The sale or purchase or acquisition, or the transportation, utilization or processing, or the handling in any other way, of any product of geothermal resources, which product is derived in whole or in part from geothermal resources produced in whole or in part in excess of the amount allowed by any statute of this state, or by any provision of the Geothermal Resources Conservation Act, or by any rule, regulation or order of the commission or division made thereunder, is hereby prohibited, and each such commodity or product is herein referred to as "illegal geothermal resources product".

65-11-16. RULES AND REGULATIONS TO EFFECTUATE PROHIBITIONS AGAINST PURCHASE OR HANDLING OF ILLEGAL GEOTHERMAL RESOURCES OR ILLEGAL GEOTHERMAL RESOURCES PRODUCT.--

A. The division is specifically authorized and directed to make such rules, regulations and orders, and may provide for such certificates of clearance or tenders, as may be necessary to make effective the prohibitions contained in Section 65-11-15 NMSA 1953.

B. Unless and until the division provides for certificates of clearance or tenders, or some other method, so that any person may have an opportunity to determine whether any contemplated transaction of sale or purchase or acquisition, or of transportation, refining, processing or handling in any other way, involves illegal geothermal resources, or illegal geothermal resources product, no penalty shall be imposed for the sale

or purchase or acquisition, or the transportation, refining, processing or handling in any other way, of illegal geothermal resources or illegal geothermal product, except under circumstances stated in the succeeding provisions of this subsection. Penalties shall be imposed for the division of each transaction prohibited in Section 65-11-15 NMSA 1953 when the person committing the same knows that illegal geothermal resources, or illegal geothermal resources product are involved in such transaction, or when such person could have known or determined such fact by the exercise of reasonable diligence or from facts within his knowledge. However, regardless of lack of actual notice or knowledge, penalties as provided in the Geothermal Resources Conservation Act shall apply to any sale or purchase or acquisition, and to the transportation, refining, processing or handling in any other way, of illegal geothermal resources, or illegal geothermal resources product where administrative provision is made for identifying the character of the commodity as to its legality. It shall likewise be a violation for which penalties shall be imposed for any person to sell or purchase or acquire, or to transport, refine, process or handle in any way, any geothermal resources or any product thereof without complying with the rule, regulation or order of the commission or division relating thereto.

65-3-17. PENALTY FOR VIOLATIONS.--Any person who violates any provision of this act or any rules, regulations or order of the commission or the division made pursuant to this act shall, upon conviction, be fined not more than one thousand dollars ($1,000) for each violation. Each day during which said violation is continued shall be considered a separate and complete offense for this purpose.

65-11-17. HEARINGS ON RULES, REGULATIONS AND ORDERS--NOTICE--EMERGENCY RULES.--

A. Except as provided for herein, before any rule, regulation or order, including revocation, change, renewal or extension thereof, shall be made under the provisions of the Geothermal Resources Conservation Act, a public hearing shall be held at such time, place and manner as may be prescribed by the division. The division shall first give reasonable notice of such hearing (in no case less than ten days, except in an emergency) and at any such hearing any person having an interest in the subject matter of the hearing shall be entitled to be heard. Any member of the commission or division, or any employee of the commission or division, shall have power to administer oaths to any witness in any hearing, investigation or proceeding contemplated by the Geothermal Resources Conservation Act.

B. In case an emergency is found to exist by the division which in its judgment requires the making of a rule, regulation or order without first having a hearing, such emergency rule, regulation or order shall have the same validity as if a hearing with respect to the same had been held after due notice. The emergency rule, regulation or order permitted by this section shall remain in force no longer than fifteen days from its effective date, and, in any event, it shall expire when the rule, regulation or order made after due notice and hearing with respect to the subject matter of such emergency rule, regulation or order becomes effective.

65-11-18. REHEARINGS--APPEALS.--

A. Within twenty days after entry of any order or decision of the division, any person affected thereby may file with the commission an application for rehearing in respect of any matter determined by such order or decision, setting forth the respect in which such order or decision is believed to be erroneous. The commission shall grant or refuse any such application in whole or in part within ten days after the same is filed and failure to act thereon within such period shall be deemed a refusal thereof and a final disposition of such application. In the event the rehearing is granted, the commission may enter such new order or decision after rehearing as may be required under the circumstances.

B. Any party to such rehearing proceeding, dissatisfied with the disposition of the application for rehearing, may appeal therefrom to the district court of the county wherein is located any property of such party affected by the decision, by filing a petition for the review of the action of the commission within twenty days after the entry of the order following rehearing or after the refusal of rehearing as the case may be. Such petition shall state briefly the nature of the proceedings before the commission or division and shall set forth the order or decision of the commission or division complained of and the grounds of invalidity thereof upon which the applicant will rely; provided, however, that the questions reviewed on appeal shall be only questions presented to the commission by the application for rehearing. Notice of such appeal shall be served upon the adverse party or parties and the commission in the manner provided for the service of summons in civil proceedings. The trial upon appeal shall be without a jury, and the transcript of proceedings before the commission or division, including the evidence taken in hearings by the commission or division, shall be received in evidence by the court in whole or in part upon offer by either party, subject to legal objections to evidence. The commission or division action complained of shall be prima facie valid and the burden shall be upon the party or parties seeking review to establish the invalidity of such action of the commission or division. The court shall determine the issues of fact and of law and shall enter its order either affirming or vacating the order of the commission or division. Appeals may be taken from the judgment or decision of the district court to the supreme court in the same manner as provided for appeals from any other final judgment entered by a district court in this state. The trial of such application for relief from action of the commission or division and the hearing of any appeal to the supreme court from the action of the district court shall be expedited to the fullest possible extent.

C. The pendency of proceedings to review shall not of itself stay or suspend operation of the order or decision being reviewed, but during the pendency of such proceedings, the district court in its discretion may, upon its own motion or upon proper application of any party thereto, stay or suspend, in whole or in part,

operation of said order or decision pending review thereof, on such terms as the court deems just and proper and in accordance with the practice of courts exercising equity jurisdiction; provided, that the court, as a condition to any such staying or suspension of operation of any order or decision, may require that one or more parties secure, in such form and amount as the court may deem just and proper, one or more other parties against loss or damage due to the staying or suspension of the commission's or division's order or decision, in the event that the action of the commission or division shall be affirmed.

D. The applicable rules of practice and procedure in civil cases for the courts of this state shall govern the proceedings for review, any appeal therefrom to the supreme court of this state, to the extent such rules are consistent with provisions of the Geothermal Resources Conservation Act.

65-11-19. TEMPORARY RESTRAINING ORDER OR INJUNCTION—GROUNDS—HEARINGS—BOND.—

A. No temporary restraining order or injunction of any kind shall be granted against the commission or the members thereof, or against the attorney general, or against any agent, employee or representative of the division restraining the commission, or any of its members, or the division or any of its agents, employees or representatives, or the attorney general, from enforcing any statute of this state relating to conservation of geothermal resources, or any of the provisions of the Geothermal Resources Conservation Act, or any rule, regulation or order made thereunder, except after due notice to the director of the division, and to all other defendants, and after a hearing at which it shall be clearly shown to the court that the act done or threatened is without sanction of law, or that the provision of the Geothermal Resources Conservation Act, or the rule, regulation or order complained of, is invalid, and that, if enforced against the complaining party, will cause an irreparable injury. With respect to an order or decree granting temporary injunctive relief, the nature and extent of the probably invalidity of the statute, or of any provision of the Geothermal Resources Conservation Act, or of any rule, regulation or order hereunder involved in such suit, must be recited in the order or decree granting the temporary relief, as well as a clear statement of the probable damage relied upon by the court as justifying temporary injunctive relief.

B. No temporary injunction of any kind, including a temporary restraining order against the commission or the members thereof, or the division or its agents, employees or representatives, or the attorney general, shall become effective until the plaintiff shall execute a bond to the state with sufficient surety in an amount to be fixed by the court reasonably sufficient to indemnify all persons who may suffer damage by reason of the violation pendente lite by the complaining party of the statute or the provisons of the Geothermal Resources Conservation Act or of any rule, regulation or order complained of. Any person so suffering damage may bring suit thereon before the expiration of six months after the statute, provision, rule, regulation or order complained of shall be finally held to be valid, in whole or in part, or such suit against the commission, or the members thereof, or the division, shall be finally dismissed. Such bond shall be approved by the judge of the court in which the suit is pending, and shall be for the use and benefit of all persons who may suffer damage by reason of the violation pendente lite of the statute, provision, rule, regulation or order complained of in such suit, and who may bring suit within the time prescribed by this section; and such bond shall be so conditioned. From time to time, on motion and with notice to the parties, the court may increase or decrease the amount of the bond and may require new or additional sureties, as the facts may warrant.

65-11-20. ACTIONS FOR VIOLATIONS.—Whenever it shall appear that any person is violating, or threatening to violate, any statute of this state with respect to the conservation of geothermal resources, or any provision of the Geothermal Resources Conservation Act, or any rule, regulation or order made thereunder, the division through the attorney general, shall bring suit against such person in the county of the residence of the defendant, or in the county of residence of any defendant if there be more than one defendant, or in the county where the violation is alleged to have occurred, for penalties, if any are applicable, and to restrain such person from continuing such violation or from carrying out the threat of violation. In such suit the division may obtain injunction, prohibitory and mandatory, including temporary restraining orders and temporary injunctions, as the facts may warrant, including, when appropriate, an injunction restraining any person from moving or disposing of illegal geothermal resources, or illegal geothermal resources product, and any or all such commodities or funds derived from the sale thereof, may be ordered to be impounded or placed under the control of an agent appointed by the court if, in the judgment of the court, such action is advisable.

65-11-21. ACTIONS FOR DAMAGES—INSTITUTION OF ACTIONS FOR INJUNCTIONS BY PRIVATE PARTIES.—Nothing in the Geothermal Resources Conservation Act contained or authorized, and no suit by or against the division, and no penalties imposed or claimed against any person for violating any statute of this state with respect to conservation of geothermal resources, or any provision of that act, or any rule, regulation or order issued hereunder, shall impair or abridge or delay any cause of action for damages which any person may have or assert against any person violating any statute of this state with respect to conservation of geothermal resources, or any provision of the Geothermal Resources Conservation Act, or any rule, regulation or order issued hereunder. Any person so damaged by the violation may sue for and recover such damages as he may be entitled to receive. In the event the division should fail to bring suit to enjoin any actual or threatened violation of any statute of this state with respect to the conservation of geothermal resources, or of any provision of this act, or of any rule, regulation or order made hereunder, then any person or party in interest adversely affected by such violation, and who has notified the division in writing of such violation or threat thereof and has requested the division to sue, may, to prevent any or further violation, bring suit for that purpose in the district court of any county in which the division could have brought suit. If, in such suit, the court

holds that injunctive relief should be granted, then the division shall be made a party and shall be substituted for the person who brought the suit, and the injunction shall be issued as if the division had at all times been the complaining party.

65-11-22. VIOLATION OF COURT ORDER GROUNDS FOR APPOINTMENT OF RECEIVER.--The violation by any person of an order of the court relating to the operation of any geothermal resources well or wells, or of any geothermal transportation, storage or utilization facility, shall be sufficient ground for the appointment of a receiver with power to conduct operations in accordance with the order of the court.

65-11-23. PENALTIES FOR VIOLATIONS—ACCESSORIES.--

A. Any person who, for the purpose of evading the Geothermal Resources Conservation Act, or of evading any rule, regulation or order made thereunder, shall knowingly and willfully make or cause to be made any false entry or statement of fact in any report required to be made by that act or by any rule, regulation or order made thereunder; or who, for such purpose, shall make or cause to be made any false entry in any account, record, or memorandum kept by any person in connection with the provisions of that act or of any rule, regulation or order made thereunder; or who, for such purpose, shall omit to make, or cause to be omitted, full, true and correct entries in such accounts, records or memoranda, of all facts and transactions pertaining to the interest or activities in the geothermal industry of such person as may be required by the division under authority given in the Geothermal Resources Conservation Act or by any rule, regulation or order made thereunder; or who, for such purpose, shall remove out of the jurisdiction of the state, or who shall mutilate, alter or by any other means falsify, any book, record or other paper pertaining to the transactions regulated by that act or by any rule, regulation or order made thereunder; shall be deemed guilty of a felony and shall be subject upon conviction in any court of competent jurisdiction, to a fine of not more than one thousand dollars ($1,000), or imprisonment for a term of not more than three years, or to both such fine and imprisonment.

B. Any person who knowingly and willfully violates any provision of the Geothermal Resources Conservation Act or any rule, regulation or order of the division made hereunder, shall, in the event a penalty for such violation is not otherwise provided for therein be subject to a penalty of not to exceed one thousand dollars ($1,000) a day for each and every day of such violation, and for each and every act of violation, such penalty to be recovered in a suit in the district court of the county where the defendant resides, or in the county of the residence of any defendant if there be more than one defendant, or in the district court of the county where the violation took place. The place of suit shall be selected by the division, and such suit, by direction of the division, shall be instituted and conducted in the name of the division by the attorney general or under his direction by the district attorney of the county where the suit is instituted. The payment of any penalty as provided for herein shall not have the effect of changing illegal geothermal resources into legal geothermal resources, or illegal geothermal resources product into legal geothermal resources product, nor shall such payment have the effect of authorizing the sale or purchase or acquisition, or the transportation, refining, processing or handling in any other way, of such illegal geothermal resources, or illegal geothermal resources product, but to the contrary, penalty shall be imposed for each prohibited transaction relating to such illegal geothermal resources or illegal geothermal resources product.

C. Any person knowingly and willfully aiding or abetting any other person in the violation of any statute of this state relating to the conservation of geothermal resources, or the violation of any provision of the Geothermal Resources Conservation Act, or any rule, regulation or order made thereunder, shall be subject to the same penalties as are prescribed herein for the violation by such other person.

65-11-24. SEIZURE AND SALE OF ILLEGAL GEOTHERMAL RESOURCES OR ILLEGAL GEOTHERMAL RESOURCES PRODUCT—PROCEDURE.--

A. Apart from, and in addition to, any other remedy or procedure which may be available to the division, or any penalty which may be sought against or imposed upon any person, with respect to violations relating to illegal geothermal resources or illegal geothermal resources product shall, except under such circumstances as are stated herein, be contraband and shall be seized and sold, and the proceeds applied as herein provided. Such sale shall not take place unless the court shall find in the proceeding provided in this section that the owner of such illegal geothermal resources or illegal geothermal resources product is liable, or in some proceeding authorized by the Geothermal Resources Conservation Act such owner has already been held to be liable, for penalty for having produced such illegal geothermal resources, or for having purchased or acquired such illegal geothermal resources, or illegal geothermal resources product. Whenever the division believes that illegal geothermal resources or illegal geothermal resources product is subject to seizure and sale, as provided herein, it shall, through the attorney general, bring a civil action in rem for that purpose in the district court of the county where the commodity is found, or the action may be maintained in connection with any suit or cross-action for injunction or for penalty relating to any prohibited transaction involving such illegal geothermal resources or illegal geothermal resources product. Notice of the action in rem shall be given in conformity with the law or rule applicable to such proceeding. Any person or party in interest who may show himself to be adversely affected by any such seizure and sale shall have the right to intervene in said suit to protect his rights.

B. Whenever the pleading with respect to the forfeiture of illegal geothermal resources or illegal geothermal resources product shows ground for seizure and sale, and such pleading is verified or is supported

by affidavit or affidavits, or by testimony under oath, the court shall order such commodity to be impounded or placed under the control, actual or constructive, of the court through an agent appointed by the court.

C. The judgment effecting the forfeiture shall provide that the commodity be seized, if not already under the control of the court, and that a sale be had in similar manner and with similar notice as provided by law or rule with respect to the sale of personal property under execution; provided, however, the court may order that the commodity be sold in specified lots or portions, and at specified intervals, instead of being sold at one time. Title to the amount sold shall pass as of the date of the seizure. The judgment shall provide for payment of the proceeds of the sale into the common school fund, after first deducting the costs in connection with the proceedings and the sale. The amount sold shall be treated as legal geothermal resources or legal geothermal resources product, as the case may be, in the hands of the purchaser, but the purchaser and the commodity shall be subject to all applicable laws and rules, regulations and orders with respect to further sale or purchase or acquisition, and with respect to the transportation, refining, processing or handling in any other way, of the commodity purchased.

D. Nothing in this section shall deny or abridge any cause of action a royalty owner, or any lien holder, or any other claimant, may have, because of the forfeiture of the illegal geothermal resources or illegal geothermal resources product, against the person whose act resulted in such forfeiture.

Form GB-XO-1
Adopted 10-1-74
Revised 10-1-78

STATE OF NEW MEXICO
$5,000 ONE-WELL GEOTHERMAL EXPLORATORY, DEVELOPMENT,
INJECTION, OR DISPOSAL WELL BOND

BOND NO. _____
(For Use of Surety Company)

Note: File with Oil Conservation Division, P. O. Box 2088, Santa Fe, NM 87501

KNOW ALL MEN BY THESE PRESENTS:

That _____, (An individual) (a partnership) (a corporation organized in the State of _____, with its principal office in the city of _____, State of _____, and authorized to do business in the State of New Mexico), as PRINCIPAL, and _____, a corporation organized and existing under the laws of the State of _____, and authorized to do business in the State of New Mexico, with duly appointed resident agent licensed in the State of New Mexico to execute this bond on behalf of the surety company, as SURETY, are held firmly bound unto the State of New Mexico, for the use and benefit of the Oil Conservation Division of New Mexico pursuant to Chapter 272, Laws of 1975, in the sum of Five Thousand ($5,000.00) Dollars lawful money of the United States, for the payment of which, well and truly to be made, said PRINCIPAL and SURETY hereby bind themselves, their successors and assigns, jointly and severally, firmly by these presents.

The conditions of this obligation are such that:

WHEREAS, The above principal has heretofore or may hereafter enter into geothermal resources leases with the State of New Mexico; and

WHEREAS, The above principal has heretofore or may hereafter enter into geothermal resources leases on lands patented by the United States of America to private individuals, and on lands otherwise owned by private individuals; and

WHEREAS, The above principal, individually, or in association with one or more other parties, has commenced or may commence the drilling of one well to prospect for and produce geothermal resources, or does own or may acquire, own or operate such well, or such well started by others on land embraced in said State geothermal resources leases, on lands patented by the United States of America to private individuals, and on lands otherwise owned by private individuals, the identification and location of said well being:

Lease	Well Number	Unit Letter	Section	Township	Range

NOW, THEREFORE, If the above bounden principal and surety or either of them or their successors or assigns, or any of them, shall plug said well if non-productive or when abandoned in accordance with the rules, regulations, and orders of the Oil Conservation Division of New Mexico in such way as to confine any geothermal resources or oil, gas, and water in the strata in which they are found, and to prevent them from escaping into other strata;

THEN, THEREFORE, This obligation shall be null and void; otherwise and in default of complete compliance with any and all of said obligations, the same shall remain in full force and effect.

PROVIDED, HOWEVER, That thirty (30) days after receipt by the Oil Conservation Division of New Mexico of written notice of cancellation from the surety, the obligation of the surety hereunder shall terminate as to property or wells acquired, drilled, or started after said thirty (30) day period but shall continue in effect, notwithstanding said notice, as to property or wells theretofore acquired, drilled, or started.

Exhibit "42"
Order No. R-5709-A

PRINCIPAL

Address

By
Signature

Title

(Note: Principal, if corporation, affix corporate seal here.)

SURETY

Address

By
Attorney-in-Fact

(Note: Corporate surety affix corporate seal here.)

ACKNOWLEDGEMENT FORM FOR NATURAL PERSONS

STATE OF _____)
COUNTY OF _____) ss.

On this _____day of_____, 19_____, before me personally appeared _____, to me known to be the person (persons) described in and who executed the foregoing instrument and acknowledged that he (they) executed the same as his (their) free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

_____
Notary Public

_____
My Commission expires

ACKNOWLEDGEMENT FORM FOR CORPORATION

STATE OF _____)
COUNTY OF _____) ss.

On this _____day of_____, 19_____, before me personally appeared _____, to me personally known who, being by me duly sworn, did say that he is _____ of _____ and that the foregoing instrument was signed and sealed on behalf of said corporation by authority of its board of directors, and acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

_____
Notary Public

_____
My Commission expires

ACKNOWLEDGEMENT FORM FOR CORPORATE SURETY

STATE OF _____)
COUNTY OF _____) ss.

On this_____day of_____, 19_____, before me appeared_____, to me personally known, who, being by me duly sworn, did say that he is _____of _____and that the foregoing instrument was signed and sealed on behalf of said corporation by authority of its board of directors, and acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

_____
Notary Public

_____
My Commission expires
(Note: Corporate surety attach power of attorney.)

APPROVED BY:

OIL CONSERVATION DIVISION OF NEW MEXICO

By _____

Date _____

Form 60-XD-5
Adopted 10-1-74
Revised 10-1-78

STATE OF NEW MEXICO
$10,000 MULTIPLE--WELL GEOTHERMAL EXPLORATORY, DEVELOPMENT, INJECTION, OR DISPOSAL WELL BOND

BOND NO. _____

(For Use of Surety Company)

Note: File with Oil Conservation Division, P. O. Box 2088, Santa Fe, NM 87501

KNOW ALL MEN BY THESE PRESENTS:

That _____ _____ ,(An individual) (a partnership) (a corporation organized in the State of _____ , with its principal office in the city of _____ , State of _____ , and authorized to do business in the State of New Mexico), as PRINCIPAL, and _____ _____ , a corporation organized and existing under the laws of the State of _____ , and authorized to do business in the State of New Mexico with duly appointed resident agent licensed in the State of New Mexico to execute this bond on behalf of the surety company, as SURETY, are held firmly bound unto the State of New Mexico, for the use and benefit of the Oil Conservation Division of New Mexico pursuant to Chapter 272, Laws of 1975, in the sum of Ten Thousand ($10,000.00) Dollars lawful money of the United States, for the payment of which, well and truly to be made, said PRINCIPAL and SURETY hereby bind themselves, their successors and assigns, jointly and severally, firmly by these presents.

The conditions of this obligation are such that:

WHEREAS, The above principal has heretofore or may hereafter enter into geothermal resources leases with the State of New Mexico; and

WHEREAS, The above principal has heretofore or may hereafter enter into geothermal resources leases on lands patented by the United States of America to private individuals, and on lands otherwise owned by private individuals; and

WHEREAS, The above principal, individually, or in association with one or more other parties, has commenced or may commence the drilling of wells to prospect for and produce geothermal resources, or does own or may acquire, own or operate such wells, or such wells started by others on land embraced in said State geothermal resources leases, and on lands patented by the United States of America to private individuals, and on lands otherwise owned by private individuals, the identification and location of said wells being:

Lease	Well Number	Unit Letter	Section	Township	Range

(NOTE: A maximum of FIVE wells may be drilled or acquired under this bond. If the identification and location of all of the wells is not known at the time of filing this bond with the Division, the identification and location may be furnished by supplemental rider or riders to this bond.)

NOW, THEREFORE, If the above bounden principal and surety or either of them or their successors or assigns, or any of them, shall plug all of said wells if non-productive or when abandoned in accordance with the rules, regulations, and orders of the Oil Conservation Division of New Mexico in such way as to confine any geothermal resources or oil, gas, and water in the strata in which they are found, and to prevent them from escaping into other strata;

THEN, THEREFORE, This obligation shall be null and void; otherwise and in default of complete compliance with any and all of said obligations, the same shall remain in full force and effect.

PROVIDED, HOWEVER, That thirty (30) days after receipt by the Oil Conservation Division of New Mexico of written notice of cancellation from the surety, the obligation of the surety hereunder shall terminate as to property or wells acquired, drilled, or started after said thirty (30) day period but shall continue in effect, notwithstanding said notice, as to property or wells theretofore acquired, drilled, or started.

Exhibit "43"
Order No. R-5709-A

PRINCIPAL

Address

By _____
Signature

Title

(Note: Principal, if corporation, affix corporate seal here.)

SURETY

Address

By _____
Attorney-in-Fact

(Note: Corporate surety affix corporate seal here.)

ACKNOWLEDGEMENT FORM FOR NATURAL PERSONS

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 19_____, before me personally appeared _____, to me known to be the person (persons) described in and who executed the foregoing instrument and acknowledged that he (they) executed the same as his (their) free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

_____
Notary Public

_____
My Commission expires

ACKNOWLEDGEMENT FORM FOR CORPORATION

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 19_____, before me personally appeared _____, to me personally known who, being by me duly sworn, did say that he is _____ of _____ and that the foregoing instrument was signed and sealed on behalf of said corporation by authority of its board of directors, and acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

_____
Notary Public

_____
My Commission expires

ACKNOWLEDGEMENT FORM FOR CORPORATE SURETY

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 19_____, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is _____ of _____ and that the foregoing instrument was signed and sealed on behalf of said corporation by authority of its board of directors, and acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

_____
Notary Public

_____
My Commission expires
(Note: Corporate surety attach power of attorney.)

APPROVED BY:

OIL CONSERVATION DIVISION OF NEW MEXICO

By _____

Date _____

Form 60-LT-1
Adopted 10-1-74
Revised 10-1-78

STATE OF NEW MEXICO
$2,000 ONE-WELL LOW-TEMPERATURE THERMAL WELL OR GEOTHERMAL OBSERVATION WELL BOND

BOND NO. _____
(For Use of Surety Company)

Note: File with Oil Conservation Division, P. O. Box 2088, Santa Fe, NM 87501

KNOW ALL MEN BY THESE PRESENTS:

That _____, (An individual) (a partnership) (a corporation organized in the State of _____, with its principal office in the city of _____, State of _____, and authorized to do business in the State of New Mexico), as PRINCIPAL, and _____, a corporation organized and existing under the laws of the State of _____, and authorized to do business in the State of New Mexico, with duly appointed resident agent licensed in the State of New Mexico to execute this bond on behalf of the surety company, as SURETY, are held firmly bound unto the State of New Mexico, for the use and benefit of the Oil Conservation Division of New Mexico pursuant to Chapter 272, Laws of 1975, in the sum of Two Thousand ($2,000.00) Dollars lawful money of the United States, for the payment of which, well and truly to be made, said PRINCIPAL and SURETY hereby bind themselves, their successors and assigns, jointly and severally, firmly by these presents.

The conditions of this obligation are such that:

WHEREAS, The above principal has heretofore or may hereafter enter into geothermal resources leases with the State of New Mexico; and

WHEREAS, The above principal has heretofore or may hereafter enter into geothermal resources leases on lands patented by the United States of America to private individuals and on lands otherwise owned by private individuals; and

WHEREAS The above principal, individually, or in association with one or more other parties, has commenced or may commence the drilling of one well to prospect for and produce geothermal resources, or does own or may acquire, own or operate such well, or such well started by others on land embraced in said State geothermal resources leases, on lands patented by the United States of America to private individuals, and on lands otherwise owned by private individuals, the identification and location of said well being:

Lease	Well Number	Unit Letter	Section	Township	Range

NOW, THEREFORE, If the above bounden principal and surety or either of them or their successors or assigns, or any of them, shall plug said well, if non-productive or when abandoned in accordance with the rules, regulations, and orders of the Oil Conservation Division of New Mexico in such way as to confine any geothermal resources or oil, gas, and water in the strata in which they are found, and to prevent them from escaping into other strata;

THEN, THEREFORE, This obligation shall be null and void; otherwise and in default of complete compliance with any and all of said obligations, the same shall remain in full force and effect.

PROVIDED, HOWEVER, that thirty (30) days after receipt by the Oil Conservation Division of New Mexico of written notice of cancellation from the surety, the obligation of the surety hereunder shall terminate as to property or wells acquired, drilled, or started after said thirty (30) day period but shall continue in effect, notwithstanding said notice, as to property or wells theretofore acquired, drilled, or started.

Exhibit "44"
Order No. R-5709-A

PRINCIPAL

Address

By
Signature

Title

(Note: Principal, if corporation, affix corporate seal here.)

SURETY

Address

By
Attorney-in-Fact

(Note: Corporate surety affix corporate seal here.)

ACKNOWLEDGEMENT FORM FOR NATURAL PERSONS

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 19_____, before me personally appeared _____, to me known to be the person (persons) described in and who executed the foregoing instrument and acknowledged that he (they) executed the same as his (their) free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

_____
Notary Public

_____
My Commission expires

ACKNOWLEDGEMENT FORM FOR CORPORATION

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 19_____, before me personally appeared _____, to me personally known who, being by me duly sworn, did say that he is _____ of _____ and that the foregoing instrument was signed and sealed on behalf of said corporation by authority of its board of directors, and acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

_____
Notary Public

_____
My Commission expires

ACKNOWLEDGEMENT FORM FOR CORPORATE SURETY

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 19_____, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is _____ of _____ and that the foregoing instrument was signed and sealed on behalf of said corporation by authority of its board of directors, and acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

_____
Notary Public

_____
My Commission expires
(Note: Corporate surety attach power of attorney.)

APPROVED BY:

OIL CONSERVATION DIVISION OF NEW MEXICO

By _____

Date _____

STATE OF NEW MEXICO
$10,000 MULTIPLE-WELL LOW-TEMPERATURE WELL
OR GEOTHERMAL OBSERVATION WELL BOND

Form GB-11-10
Adopted 10-1-74
Revised 10-1-78

BOND NO. _____
(For Use of Surety Company)

Note: File with Oil Conservation Division, P. O. Box 2088, Santa Fe, NM 87501

KNOW ALL MEN BY THESE PRESENTS:

That _____, (An individual) (a partnership) (a corporation organized in the State of _____, with its principal office in that city of _____, State of _____, and authorized to do business in the State of New Mexico), as PRINCIPAL, and _____, a corporation organized and existing under the laws of the State of _____, and authorized to do business in the State of New Mexico with duly appointed resident agent licensed in the State of New Mexico to execute this bond on behalf of the surety company, as SURETY, are held firmly bound unto the State of New Mexico, for the use and benefit of the Oil Conservation Division of New Mexico pursuant to Chapter 272, Laws of 1975, in the sum of Ten Thousand ($10,000.00) Dollars lawful money of the United States, for the payment of which, well and truly to be made, said PRINCIPAL and SURETY hereby bind themselves, their successors and assigns, jointly and severally, firmly by these presents.

The conditions of this obligation are such that:

WHEREAS, The above principal has heretofore or may hereafter enter into geothermal resources leases with the State of New Mexico; and

WHEREAS, The above principal has heretofore or may hereafter enter into geothermal resources leases on lands patented by the United States of America to private individuals, and on lands otherwise owned by private individuals; and

WHEREAS, The above principal, individually, or in association with one or more other parties, has commenced or may commence the drilling of wells to prospect for and produce geothermal resources, or does own or may acquire, own or operate such wells, or such wells stated by others on land embraced in said State geothermal resources leases, and on lands patented by the United States of America to private individuals, and on lands otherwise owned by private individuals, the identification and location of said wells being:

Lease	Well Number	Unit Letter	Section	Township	Range

Exhibit "45"
Order No. R-5709-A

(NOTE: A maximum of TEN wells may be drilled or acquired under this bond. If the identification and location of all the wells is not known at the time of filing this bond with the Division, the identification and location may be furnished by supplemental rider or riders to this bond.)

NOW, THEREFORE, If the above bounden principal and surety or either of them or their successors or assigns, or any of them, shall plug all of said wells if non-productive or when abandoned in accordance with the rules, regulations, and orders of the Oil Conservation Division of New Mexico in such way as to confine any geothermal resources or oil, gas, and water in the strata in which they are found, and to prevent them from escaping into other strata;

THEN, THEREFORE, This obligation shall be null and void; otherwise and in default of complete compliance with any and all of said obligations, the same shall remain in full force and effect.

PROVIDED, HOWEVER, That thirty (30) days after receipt by the Oil Conservation Division of New Mexico of written notice of cancellation from the surety, the obligation of the surety hereunder shall terminate as to property or wells acquired, drilled, or started after said thirty (30) day period but shall continue in effect, notwithstanding said notice, as to property or wells theretofore acquired, drilled, or started.

PRINCIPAL

Address

By
Signature

Title

(Note: Principal, if corporation, affix corporate seal here.)

SURETY

Address

By
Attorney-in-Fact

(Note: Corporate surety affix corporate seal here.)

ACKNOWLEDGEMENT FORM FOR NATURAL PERSONS

STATE OF _____)
COUNTY OF _____) ss.

On this _____day of_____, 19_____, before me personally appeared _____, to me known to be the person (persons) described in and who executed the foregoing instrument and acknowledged that he (they) executed the same as his (their) free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

_____
Notary Public

_____
My Commission expires

ACKNOWLEDGEMENT FORM FOR CORPORATION

STATE OF _____)
COUNTY OF _____) ss.

On this _____day of_____, 19_____, before me personally appeared _____, to me personally known who, being by me duly sworn, did say that he is _____ of _____ and that the foregoing instrument was signed and sealed on behalf of said corporation by authority of its board of directors, and acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

_____
Notary Public

_____
My Commission expires

ACKNOWLEDGEMENT FORM FOR CORPORATE SURETY

STATE OF _____)
COUNTY OF _____) ss.

On this_____day of_____, 19_____, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is _____of _____and that the foregoing instrument was signed and sealed on behalf of said corporation by authority of its board of directors, and acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

_____
Notary Public

_____
My Commission expires
(Note: Corporate surety attach power of attorney.)

APPROVED BY:

OIL CONSERVATION DIVISION OF NEW MEXICO

By _____

Date _____

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION
P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-101
Adopted 10-1-74
Revised 10-1-78

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U.S.G.S.		
Operator		
Land Office		

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK---GEOTHERMAL RESOURCES WELL

5. Indicate Type of Lease STATE ☐ FEE ☐
5.a State Lease No.

1a. Type of Work: Drill ☐ Deepen ☐ Plug Back ☐
b. Type of Well: Geothermal Producer ☐ Low-Temp Thermal ☐ Temp Observation ☐ Injection/Disposal ☐
7. Unit Agreement Name
2. Name of Operator
8. Farm or Lease Name
3. Address of Operator
9. Well No.
10. Field and Pool, or Wildcat
4. Location of Well UNIT LETTER _____ LOCATED _____ FEET FROM THE _____ LINE AND _____ FEET FROM THE _____ LINE OF SEC. _____ TWP. _____ RGE. _____ NMPM
12. County

19. Proposed Depth	19A. Formation	20. Rotary or C.T.

21. Elevations (Show whether DF, RT, etc.)	21A. Kind & Status Plug. Bond	21B. Drilling Contractor	22. Approx. Date Work will start

PROPOSED CASING AND CEMENT PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST. TOP

Exhibit "46"
Order No. R-5709-A

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, give data on present productive zone and proposed new productive zone. Give blowout preventer program, if any.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

Signed _____ Title _____ Date _____

(This space for State Use)

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY:

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION
P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-102
Adopted 10-1-74
Revised 10-1-78

GEOTHERMAL RESOURCES WELL LOCATION AND ACREAGE DEDICATION PLAT

All distances must be from the outer boundaries of the Section.

Operator	Lease	Well No.

Unit Letter	Section	Township	Range	County

Actual Footage Location of Well:
feet from the line and feet from the line

Ground Level Elev.	Producing Formation	Pool	Dedicated Acreage:
			Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.

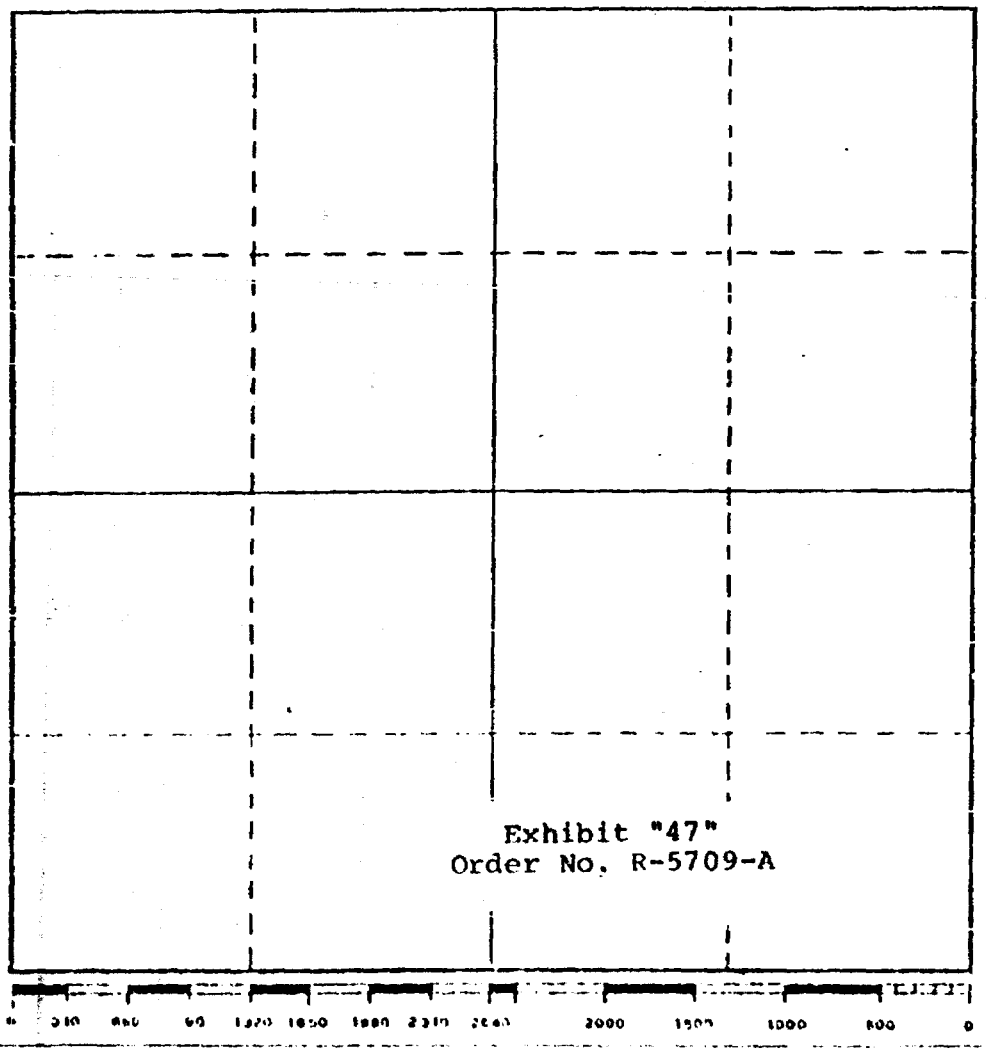
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

3. If more than one lease of different ownersip is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☐ Yes ☐ No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Division.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Name

Position

Company

Date

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed

Registered Professional Engineer and/or Land Surveyor

Certificate No.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form G-103
Adopted 10-1-74
Revised 10-1-78

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U. S. G. S		
Operator		
Land Office		

SUNDRY NOTICES AND REPORTS ON GEOTHERMAL RESOURCES WELLS

5. Indicate Type of Lease State ☐ Fee ☐

5.a State Lease No.

Do Not Use This Form for Proposals to Drill or to Deepen or Plug Back to a Different Reservoir. Use "Application For Permit –" (Form G-101) for Such Proposals.)

1. Type of well — Geothermal Producer ☐ Temp. Observation ☐ Low-Temp Thermal ☐ Injection/Disposal ☐

7. Unit Agreement Name

2. Name of Operator

8. Farm or Lease Name

3. Address of Operator

9. Well No.

4. Location of Well
Unit Letter _____ Feet From The _____ Line and _____ Feet From

10. Field and Pool, or Wildcat

The _____ Line, Section _____ Township _____ Range _____ NMPM.

15. Elevation *(Show whether DF, RT, GR, etc.)*

12. County

16. Check Appropriate Box To Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK	☐	PLUG AND ABANDON	☐
TEMPORARILY ABANDON	☐		
PULL OR ALTER CASING	☐	CHANGE PLANS	☐
OTHER	☐		

SUBSEQUENT REPORT OF:

REMEDIAL WORK	☐	ALTERING CASING	☐
COMMENCE DRILLING OPNS.	☐	PLUG & ABANDONMENT	☐
CASING TEST AND CEMENT JOB	☐		
OTHER			☐

17. Describe Proposed or completed Operations *(Clearly state all pertinent details, and give pertinenet dates, including estimated date of starting any proposed work)* SEE RULE 203.

Exhibit "48"
Order No. R-5709-A

18. I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNED _____ TITLE _____ DATE _____

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY:

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-104
Adopted 10-1-74
Revised 10-1-78

CERTIFICATE OF COMPLIANCE AND AUTHORIZATION TO PRODUCE GEOTHERMAL RESOURCES

OWNER OR OPERATOR
Name _____
Address _____

TYPE OF WELL
Geothermal Producer [ ] Low-Temperature Thermal [ ] Injection/Disposal [ ]

REASON FOR FILING
New Well [ ] Recompletion [ ]
Change in Ownership [ ] Designation of Purchaser [ ]
Other (Please Explain) [ ] _____

DESCRIPTION OF WELL
Lease Name _____ Well No. _____ Name of Reservoir _____
Kind of Lease (Fee, Fed. or State) _____ Lease Number _____

LOCATION
Unit Letter _____ ; _____ feet from the _____ line and _____ feet from the _____ line of
Section _____ Township _____ Range _____
County _____

TYPE OF PRODUCT
Dry Steam _____ Steam and Water _____ Low Temp. Thermal Water _____

DESIGNATION OF PURCHASER OF PRODUCT
Name of Purchaser _____
Address of Purchaser _____
Product Will Be Used For _____

Exhibit "49"
Order No. R-5709-A

CERTIFICATE OF COMPLIANCE

I hereby certify that all rules and regulations concerning geothermal resources wells in the State of New Mexico, as promulgated by the Oil Conservation Division of New Mexico, have been complied with, with respect to the subject well, and that the information given above is true and complete to the best of my knowledge and belief.

Signed _____ Position _____ Date _____

Approved _____ Position _____ Date _____

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form G-105
Adopted 10-1-74
Revised 10-1-78

GEOTHERMAL RESOURCES WELL LOG

Operator _____

Address _____

Reservoir _____

Lease Name _____ Well No. _____ Unit Letter _____

Location: _____ feet from the _____ line and _____

_____ feet from the _____ line Section _____

Township _____ Range _____ County _____

FORMATIONS PENETRATED BY WELL

DEPTH TO		Thickness	Drilled or Cored	Recovery	DESCRIPTION
Top of Formation	Bottom of Formation				

Attach Additional Sheets if Necessary

This form must be accompanied by copies of electric logs, directional surveys, physical or chemical logs, water analyses, tests, and temperature surveys (See Rule 205).

Exhibit "50"
Order No. R-5709-A

CERTIFICATION

I hereby certify that the information given above and the data and material attached hereto are true and complete to the best of my knowledge and belief.

Signed _____ Position _____ Date _____

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form G-106
Adopted 10-1-74
Revised 10-1-78

GEOTHERMAL RESOURCES WELL SUMMARY REPORT

Operator _____ Address _____

Lease Name _____ Well No. _____

Unit Letter _____ Sec. _____ Twp. _____ Rge _____

Reservoir _____ County _____

Commenced drilling _____

Completed drilling _____

Total depth _____ Plugged depth _____

Junk _____

_____

Commenced producing _____
(Date)

GEOLOGICAL MARKERS	DEPTH

Geologic age at total depth: _____

Date	Static test Shut-in well head		Production Test Data								
			Total Mass Flow Data					Separator Data			
	Temp. °F	Pres. Psig.	Lbs/Hr	Temp. °F	Pres. Psig.	Enthalpy	Orifice	Water cuft/Hr	Steam Lbs/Hr	Pres. Psig.	Temp. °F

CASING RECORD (Present Hole)

Size of Hole	Size of Casing	Weight of Csg/ft.	Grade of Casing	New or Used	Seamless or Lapweld	Depth of Shoe	Top of Casing	Number of Sacks Cement	Top of Cement	Cement Top Determined By

PERFORATED CASING

(Size, top, bottom, perforated intervals, size and spacing of perforation and method.)

_____

_____

Was analysis of effluent made? _____ Electrical log depths _____ ature log depths _____

Exhibit "51"
Order No. R-5709-A

CERTIFICATION

I hereby certify that the information given above and the data and material attached hereto are true and complete to the best of my knowledge and belief.

Signed _____ Position _____ Date _____

Form C-107
Adopted 10-1-74
Revised 10-1-78

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

GEOTHERMAL RESOURCES WELL HISTORY

Operator _____ Address _____

Lease Name _____ Well No. _____

Unit Letter _____ Sec. _____ Twp. _____ Rge _____

Reservoir _____ County _____

It is of the greatest importance to have a complete history of the well. Use this form to report a full account of all important operations during the drilling and testing of the well or during re-drilling, altering of casing, plugging, or abandonment with the dates thereof. Be sure to include such items as hole size, formation test details, amounts of cement used, top and bottom of plugs, perforation details, sidetracked junk, bailing tests, shooting, and initial production data and zone temperature. (Attach additional sheets if necessary.)

Date

Exhibit "52"
Order No. R-5709-A

CERTIFICATION

I hereby certify that the information given above and the data and material attached hereto are true and complete to the best of my knowledge and belief.

Signed _____ Position _____ Date _____

Form G-108
Adopted 10-1-78
Revised 10-1-78

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

MONTHLY GEOTHERMAL PRODUCTION REPORT

SUBMIT IN DUPLICATE

Month of

Operator | Address

Lease Name | Reservoir | County

NOTE: Report actual production (NOT SALES). Use Form G-109 for water injection wells.

Well No.	Unit Ltr.	Sec.	Twp.	Rge	Total mass produced (Lbs x 10^6)	Dry steam produced (Lbs x 10^6)	Flow temp. (°F)	Flow pres. (psig)	Water produced (acre-feet)	Minerals produced (type and tons)	Method of Prod (F. or P.)	No. days well prod	If well not on production, state reason
TOTALS													

Exhibit "53"
Order No. R-5709-A

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

(Signature) (Title) (Date)

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form G-109
Adopted 10-1-74
Revised 10-1-78

MONTHLY GEOTHERMAL PURCHASER'S REPORT

Month of

Purchaser's Name	Address

Place of Utilization	Purpose	Producer's Name

Lease	Field	County

WELL NO.	LOCATION UL	S	T	R	Product* Purchased	Total Mass, Lbs. x 10^6	Total Vol., Acre Feet	Total Vol., Gallons †	Temp. °F	Pres. psi
Totals										

Residual Water	Acre Feet	Gallons †	Disposition

Type and Weight of Minerals Extracted	Disposition of Minerals

Exhibit "54"
Order No. R-5709-A

*State type of product: Dry Steam, Geothermal Water, Low-Temp. Thermal Water, etc.
†Total Volume in Gallons for Low-Temp. Thermal Wells Only

I hereby certify that the above information is true and complete to the best of my knowledge and belief.

Remarks: _____ Name _____

_____ Title _____ Date _____

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

MONTHLY GEOTHERMAL INJECTION REPORT

Form G-110
Adopted 10-1-74
Revised 10-1-78

Month of

Operator	Address
Lease Name	Field	County

Well No.	Location UL	S	T	R	P.M. or D.	Acre Feet Water Inj.	Ave. Surf. Inj. Pres.	Ave. Temp. Inj. Wtr.	Cumulative Water Inj.	Name of Inj. Zone	Source of Water
TOTALS											

Exhibit "55"
Order No. R-5709-A

P.M. is injection into a producing zone for the purpose of building up or maintaining pressure.

D. is injection into a zone other than a producing zone for disposal purposes.

I hereby certify that the above is true and complete to the best of my knowledge and belief.

Remarks: _____ Name _____

_____ Company _____

_____ Title _____ Date _____

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form G-111
Adopted 10-1-74
Revised 10-1-78

ANNUAL GEOTHERMAL TEMPERATURE AND PRESSURE TESTS

Operator					Address			Field			County
LEASE	WELL NO.	LOCATION UL	S	T	R	Date & Hour Shut In	Production Last 24 Hrs.	Flowing Pres. psi	Flowing Temp. °F	Date & Hour of Tests	Time Shut-in Hrs., Mins.	SI Pres psig Dead-weight

Exhibit "56"
Order No. R-5709-A

I hereby certify that the above information is true and complete to the best of my knowledge and belief.

Signature _____ Title _____ Date _____

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-112
Adopted 10-1-74
Revised 10-1-78

APPLICATION TO PLACE WELL ON INJECTION-GEOTHERMAL RESOURCES AREA

Operator		Address	
Lease Name	Well No.	Field	County

Location

Unit Letter _____ ; Well is Located _____ Feet From The _____ Line And _____ Feet From The _____ Line, Section _____ Township _____ Range _____ NMPM.

CASING AND TUBING DATA

NAME OF STRING	SIZE	SETTING DEPTH	SACKS CEMENT	TOP OF CEMENT	TOP DETERMINED BY
Conductor Pipe					
Surface Casing					
Long String					
Tubing			Name, Model and Depth of Tubing Packer		

Name of Proposed Injection Formation	Top of Formation	Bottom of Formation

Is Injection Through Tubing, Casing, or Annulus?	Perforations or Open Hole?	Proposed Interval(s) of Injection

Is This a New Well Drilled For Injection?	If Answer is No, For What Purpose was Well Originally Drilled?	Has Well Ever Been Perforated in Any Zone Other Than the Proposed Injection Zone?

List All Such Perforated Intervals and Sacks of Cement used to Seal Off or Squeeze Each

Depth of Bottom of Deepest Fresh Water Zone in This Area	Is This Injection for Purpose of Pressure Maintenance or Water Disposal? (See Rules 501 and 502)

Anticipated Daily Injection Volume	Minimum	Maximum	Open or Closed Type System	Is Injection to be by Gravity or Pressure?	Approx. Pressure (psi)

Answer Yes or No Whether the Following Waters are Mineralized to such a Degree as to be Unfit for Domestic, Stock, Irrigation, or Other General Use—	Water to be Injected	Natural Water in Injection Zone	Are Water Analyses Attached?

Name and Address of Surface Owner (or Lessee, if State or Federal Land)

List Names and Addresses of all Operators Within One-Half (½) Mile of This Injection Well

Exhibit "57"
Order No. R-5709-A

Have Copies of this Application Been Sent to Each Operator Within One-Half Mile of this Well?	Yes ☐ No ☐		
Are The Following Items Attached to this Application (see Rule 503)	Plat of Area Yes ☐ No ☐	Electrical Log Yes ☐ No ☐	Diagrammatic Sketch of Well Yes ☐ No ☐

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

(Signature) (Title) (Date)

NOTE: Should waivers from all operators within one-half mile of the proposed injection well not accompany this application, the New Mexico Oil Conservation Division will hold the application for a period of 20 days from the date of receipt by the Division's Santa Fe office. If at the end of the 20-day waiting period no protest has been received by the Santa Fe office, the application will be processed. If a protest is received, the application will be set for hearing, if the applicant so requests. SEE RULE 503.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION
P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Adopted 10-1-74
Revised 10-1-78

DESIGNATION OF AGENT

In compliance with Rule 100, New Mexico Oil Conservation Division Rules and Regulations, Geothermal Resources, _____ (Name of Operator) _____, whose address is _____, City _____, State _____, hereby designates _____ (Name of Designee) _____ whose address is _____, City _____, New Mexico, as _____ agent, who shall be the repository for all well records for each geothermal well drilled by _____ (Name of Operator) _____ in the State of New Mexico *_____.

Further, that in accordance with Rule 200 B of said Rules and Regulations, all such well records shall remain in custody of said Designated Agent within the State of New Mexico until all required forms and attachments pertaining to each such well have been filed with the Division, and that these well records shall be available for inspection, during normal business hours, by the Division or its representatives, or the State Engineer or his representatives.

This Designation supersedes all previous designations made for the above-described purpose.

Comes now _____, after being first duly sworn, upon his (or her) oath deposes and says that he (or she) has read the foregoing and that he (or she) is familiar with same, and that with full power and authority to do so, he (or she) hereby executes this Designation of Agent.

_____
Signature

_____
Position

SUBSCRIBED AND SWORN to before me on this _____ day of _____, 19___.

My Commission Expires:

_____

_____
Notary Public

AGENT'S ACCEPTANCE:

Comes now _____, after being first duly sworn, upon his (or her) oath deposes and says that he (or she) has read the foregoing and that he (or she) is familiar with same, and that he (or she) hereby accepts Designation of Agent for _____ (Name of Operator) in accordance with and subject to the above conditions and provisions.

_____
Designated Agent

SUBSCRIBED AND SWORN to before me on this _____ day of _____, 19___.

My Commission Expires:

_____

_____
Notary Public

*Should the owner or operator filing this form choose to appoint more than one agent, each for a given area, "State of New Mexico" should be deleted, and "County(ies) of _____" inserted, with the County(ies) named. A separate form must be filed for each agent.

NOTE: An individual who is a resident of New Mexico may designate himself as agent.

Exhibit "58"
Order No. R-5709-A

that such formation or stratum has a greater value or utility as a gas storage reservoir than for the production of the remaining volumes of native gas therein;

F. the extent of the horizontal limits of the reservoir expected to be penetrated by displaced or injected gas; and

G. that no portion of the formation or stratum sought to be acquired has been appropriated or is being utilized for the injection, storage and withdrawal of natural gas by others.

65-9-6. COMMISSION OR DIVISION PROCEDURE.--The laws, rules and regulations relating to commission or division action in matters pertaining to conservation of oil and gas shall be applicable to commission or division proceedings under this act.

65-9-7. EXERCISE OF RIGHT OF EMINENT DOMAIN.--Any natural gas company having first obtained a decision from the division, as hereinbefore provided, may proceed to appropriate for underground storage of natural gas subsurface strata or formations and such other interests in the land as may be required to maintain and operate facilities for such underground storage in the manner provided by law for the exercise of the right of eminent domain by railroads and telegraph and telephone companies.

65-9-8. OWNERSHIP OF INJECTED GAS.

All natural gas which has previously been reduced to possession, and which is subsequently injected into underground storage in any strata or formation shall at all times be deemed the property of the injector, his heirs, successors or assigns; and in no event shall such gas be subject to the right of the owner of the surface of said lands or of any mineral interest therein, under which said strata or formation lie, or of any person other than the injector, his heirs, successors, and assigns, to produce, take, reduce to possession, waste, or otherwise interfere with or exercise any control thereover; Provided, that the injector, his heirs, successors and assigns, shall have no right to gas in any stratum, formation or portion thereof, in which storage rights have not been acquired pursuant to this act (65-9-1 to 65-9-8), or otherwise purchased.

72-20-4. OIL AND GAS CONSERVATION TAX LEVIED--COLLECTED BY COMMISSION--RATE--INTEREST OWNER'S LIABILITY TO STATE--INDIAN LIABILITY.--

A. There is levied and shall be collected by the oil and gas accounting commission a tax on all products which are severed and sold. The measure of the tax shall be nineteen one-hundredths of one percent of the taxable value of sold products. Every interest owner shall be liable for this tax to the extent of his interest in the value of such products, or to the extent of his interest as may be measured by the value of such products. Provided, any Indian tribe, Indian pueblo or Indian shall be liable for this tax to the extent authorized or permitted by law.

B. In the event the unencumbered balance in the oil and gas reclamation fund equals or exceeds one million dollars ($1,000,000) for any one-month period computed after payment of the tax for that month, then the tax levied by Subsection A of this section shall be reduced by one one-hundredths of one percent and no funds collected by the tax shall be deposited in the oil and gas reclamation fund, notwithstanding the provisions of Section 72-20-14 NMSA 1953. When the unencumbered balance in the oil and gas reclamation fund is less than or equal to five hundred thousand dollars ($500,000), then the tax levied by Subsection A of this section shall be increased by one one-hundredths of one percent and the additional funds shall be deposited in accordance with the provisions of Section 72-20-14 NMSA 1953.

72-20-14. DISPOSITION OF OIL CONSERVATION FUND.--The oil conservation fund, or so much thereof as may be necessary, is hereby appropriated to the energy and minerals department to be by it expended in the performance of its duties; provided, however, that an amount equal to one-hundredths of one percent of the taxable value of sold products shall be deposited in the oil and gas reclamation fund to be used by the oil conservation division in carrying out the provisions of the Oil and Gas Act.

specifically authorized by law to make oil and gas leases, then in the manner provided by law for lease by such public body, executor, administrator, guardian, receiver, or trustee of interests in land, or if any such public body, executor, administrator, guardian, receiver, or trustee shall not be specifically authorized by law to make oil and gas leases or leases for interests in land, then in the manner provided by law for the sale by such public body, executor, administrator, guardian, receiver, or trustee of interests in land.

65-9-4. APPROPRIATION OF UNDERGROUND STORAGE FACILITIES--LIMITATIONS.--By eminent domain proceedings, any natural gas company may appropriate for underground storage of natural gas any subsurface stratum or formation in any land which the division shall have found to be suitable for the underground storage of natural gas, and in connection therewith may appropriate such other interests in the land as may be required to maintain and operate facilities for such underground storage; provided, however, that the right to appropriate underground formations and strata shall be limited as follows:

A. no formation or stratum which is producing or which is capable of producing oil in paying quantities, through any known recovery method, shall be subject to appropriation hereunder;

B. no formation or stracum that contained native gas producible in paying quantities shall be subject to appropriation hereunder, unless the recoverable volumes of native gas originally in place therein shall be substantially depleted, and unless such formation or stratum has a greater value or utility as a gas storage reservoir for the purpose of insuring an adequate supply of natural gas, or for the conservation of natural gas, than for the production of the relatively small volumes of native gas which remain therein;

C. no formation or stratum underlying lands which contain known commercial deposits of potash shall be subject to appropriation hereunder;

D. no formation or stratum shall be subject to appropriation hereunder if its use for underground storage purposes would cause injury to surface or underground water resources;

E. no rights or interest in existing underground gas reservoirs, being operated for injection, storage and withdrawal of natural gas, owned or operated by others than the condemner, shall be subject to appropriation;

F. no dwelling, barn, store, warehouse or other building shall be subject to appropriation hereunder; and

G. the right of appropriation hereby granted shall be without prejudice to the rights of the owner of said lands or of other rights or interests therein to drill through the underground stratum or formation so appropriated in such manner as shall comply with orders, rules and regulations of the division issued for the purpose of protecting underground storage strata or formations against pollution and against the escape of natural gas therefrom and shall be without prejudice to the rights of the owner of said lands or other rights or interests therein as to all other uses thereof.

65-9-5. FINDINGS OF OIL CONSERVATION DIVISION.--Any natural gas company desiring to exercise the right of eminent domain as to any land for underground storage of natural gas shall, as a conditional precedent to the filing of its petition in the district court, obtain from the division a decision finding:

A. that the underground stratum or formation sought to be acquired is suitable for the underground storage of natural gas;

B. that the underground stratum or formation sought to be acquired is incapable of producing oil in paying quantities through any known recovery method;

C. that the formation or stratum sought to be acquired is not underlying lands which contain known commercial deposits of potash;

D. that injury will not be caused to surface or underground water resources;

E. that the underground stratum or formation sought to be acquired, if it contained native gas capable of production in paying quantities, is substantially depleted of recoverable native gas, and

cordance with the provisions of the Oil and Gas Act, and the rules and regulations promulgated thereunder. The division may order wells plugged on federal lands on which there are no bonds running to the benefit of the state in the same manner and in accordance with the same procedures as with wells drilled on state and fee land, including utilizing funds from the oil and gas reclamation fund to pay the cost of such plugging. When the costs of plugging a well drilled on federal mineral leases are paid from the oil and gas reclamation fund, the division is authorized to bring a suit against the operator or the owner of the minerals under the tract, or both, in the district court of the county in which the well is located for indemnification for all costs incurred by the division in plugging said well. Any funds collected pursuant to a judgment in a suit for indemnification brought under the Oil and Gas Act shall be deposited in the oil and gas reclamation fund.

B. The director shall make an annual report to the secretary of energy and minerals, the governor and the legislature on the use of the oil and gas reclamation fund.

C. All contracts for well plugging shall be entered into in accordance with the provisions of the Public Purchases Act. Any contractor employed by the division to plug a well is authorized to sell for salvage the equipment and material which is removed from the well in plugging it.

65-9-1. PUBLIC INTEREST AND WELFARE.

The underground storage of natural gas which promotes conservation thereof, which permits the building of reserves for orderly withdrawal in periods of peak demand, which makes more readily available our natural gas resources to the domestic, commercial and industrial consumers of this state, and which provides a better year-round market to the various gas fields, is hereby declared to be in the public interest and welfare of this state and the citizens hereof.

65-9-2. DEFINITIONS.--As used in this act:

A. "underground storage" shall mean storage of natural gas in a subsurface stratum or formation of the earth;

B. "natural gas" shall mean natural gas either while in its original state after withdrawal from the earth or after the same has been processed by removal therefrom of component parts not essential to its use for light and fuel;

C. "native gas" shall mean gas which has not been previously withdrawn from the earth;

D. "division" shall mean the oil conservation division of the energy and minerals department;

E. "commission" shall mean the oil conservation commission;

F. "natural gas company" shall mean any person, firm or corporation engaged in the distribution, sale or furnishing of natural gas to or for the public subject to regulation by the public service commission under the Public Utility Act, or any person, firm or corporation engaged in the business of transporting natural gas, subject to regulation by the federal power commission under the Natural Gas Act; and

G. "public body" shall mean the state of New Mexico or any department, board, commission, bureau, institution, public agency, county or political subdivision thereof including bodies corporate, bodies politic, municipal corporations, school districts, conservancy districts and quasi-municipal corporations of all kinds.

65-9-3. ACQUISITION OF LANDS FOR PURPOSES OF UNDERGROUND NATURAL GAS STORAGE - LANDS CONTROLLED BY PUBLIC BODY, EXECUTOR, ADMINISTRATOR, GUARDIAN, RECEIVER, OR TRUSTEE.

Any natural gas company desiring to make use of a formation or stratum as a reservoir for the underground storage of natural gas shall attempt to acquire by option, lease, conveyance or other negotiated means, such formation or stratum prior to resorting to the exercise of the power of eminent domain as hereinafter granted. Any public body and any executor, administrator, guardian, receiver or trustee shall be authorized to grant to any such natural gas company rights for underground storage of natural gas in lands subject to its or his control in the same manner as provided by law for entering into oil and gas leases, or if any such public body, executor, administrator, guardian, receiver, or trustee shall not be

bears to the total recoverable oil or gas, or both, in the pool, and for such purpose to use his just and equitable share of the reservoir energy.

I. "Potash" means the naturally occurring bedded deposits of the salts of the element potassium.

65-3-31. REGULATION, CONSERVATION AND PREVENTION OF WASTE OF CARBON DIOXIDE GAS.--

A. The oil conservation division is hereby vested with the authority and duty of regulation and conserving the production of and preventing waste of carbon dioxide gas within this state in the same manner, insofar as is practicable as it regulates, conserves and prevents waste of natural or hydrocarbon gas. The provisions of this act relating to gas or natural gas shall also apply to carbon dioxide gas insofar as the same are applicable. "Carbon dioxide gas" as used herein shall mean non-combustible gas composed chiefly of carbon dioxide occurring naturally in underground rocks.

B. The commission shall have concurrent jurisdiction and authority with the division to the extent necessary for the commission to perform its duties as required by law.

"65-3-35. LEGAL REPRESENTATION BEFORE THE FEDERAL POWER COMMISSION --There may be a special assistant attorney general employed by the energy and minerals department who shall represent the interests of this state before the federal power commission. In addition this attorney shall work closely with other agencies having responsibilities relating to oil and gas matters and shall carry out such additional responsibilities as are delegated to him by the energy and minerals department. All costs incurred in employing such counsel shall be paid out of the oil conservation fund in accordance with provisions of the State Budgets Act.

65-3-36 REMOVING OR ALTERING MARKS OF IDENTIFICATION--PENALTY.--

A. No person shall remove, alter, or attempt to remove or alter, any serial number, brand name, trade mark or any other mark of identification from any tool or any other item of construction or oilfield equipment by grinding, filing, welding or any other method with the intent to deprive its lawful owner of positive identification.

B. Any person who violates the provisions of this section is guilty of a misdemeanor and, upon conviction, shall be fined not more than one thousand dollars ($1,000) or imprisoned for a definite term of not more than one year or both.

65-3-37. OIL AND GAS RECLAMATION FUND CREATED--DISPOSITION OF FUND.--There is hereby created the "oil and gas reclamation fund". All funds in the oil and gas reclamation fund and the earnings therefrom are appropriated to the energy and minerals department for use by the oil conservation division in carrying out the provisions of the Oil and Gas Act.

65-3-38. OIL AND GAS RECLAMATION FUND ADMINISTERED--PLUGGING WELLS ON FEDERAL LAND--RIGHT OF INDEMNIFICATION--ANNUAL REPORT--CONTRACTORS SELLING EQUIPMENT FOR SALVAGE.--

A. The oil and gas reclamation fund shall be administered by the oil conservation division. The director of the division shall cause to be prepared plans for the plugging of abandoned wells which have not been plugged or which have been improperly plugged. The director, as funds become available in the oil and gas reclamation fund, shall reclaim, and properly plug, all abandoned wells in ac-

commodity is found, or the action may be maintained in connection with any suit or cross-action for injunction or for penalty relating to any prohibited transaction involving the illegal oil or illegal gas or product thereof. Notice of the action in rem shall be given in conformity with the law or rule applicable to such proceeding. Any person or party in interest who may show himself to be adversely affected by any such seizure and sale shall have the right to intervene in the suit to protect his rights.

B. Whenever the pleading with respect to the forfeiture of illegal oil or illegal gas or product thereof shows ground for seizure and sale, and the pleading is verified or is supported by affidavit or affidavits, or by testimony under oath, the court shall order such commodity to be impounded or placed under the control, actual or constructive, of the court through an agent appointed by the court.

C. The judgment affecting the forfeiture shall provide that the commodity be seized, if not already under the control of the court, and that a sale be had in similar manner and with similar notice as provided by law or rule with respect to the sale of personal property under execution; provided, however, the court may order that the commodity be sold in specified lots or portions, and at specified intervals, instead of being sold at one time. Title to the amount sold shall pass as of the date of the seizure. The judgment shall provide for payment of the proceeds of the sale into the common school fund, after first deducting the costs in connection with the proceedings and the sale. The amount sold shall be treated as legal oil or legal gas or product thereof, as the case may be, in the hands of the purchaser, but the purchaser and the commodity shall be subject to all applicable laws and rules, regulations and orders with respect to further sale or purchase or acquisition, and with respect to the transportation, refining, processing, or handling in any other way, of the commodity purchased.

D. Nothing in this section shall deny or abridge any cause of action a royalty owner, or any lien holder, or any other claimant, may have, because of the forfeiture of the illegal oil or illegal gas or product thereof, against the person whose act resulted in such forfeiture.

65-3-29. *DEFINITIONS OF WORDS USED IN ACT.*

Unless the context otherwise requires, the words defined in this section shall have the following meaning when found in this act, to-wit:

A. "Person" means any natural person, corporation, association, partnership, receiver, trustee, guardian, executor, administrator and a fiduciary of any kind.

B. "Pool" means an underground reservoir containing a common accumulation of crude petroleum oil or natural gas or both. Each zone of a general structure, which zone is completely separate from any other zone in the structure, is covered by the word "pool" as used herein. "Pool" is synonymous with "common source of supply" and with "common reservoir."

C. "Field" means the general area which is underlaid or appears to be underlaid by at least one (1) pool; and "field" also includes the underground reservoir or reservoirs containing such crude petroleum oil or natural gas, or both. The words "field" and "pool" mean the same thing when only one (1) underground reservoir is involved; however, "field" unlike "pool" may relate to two (2) or more pools.

D. "Product" means any commodity or thing made or manufactured from crude petroleum oil or natural gas, and all derivatives of crude petroleum oil or natural gas, including refined crude oil, crude tops, topped crude, processed crude petroleum, residue from crude petroleum, cracking stock, uncracked fuel oil, treated crude oil, fuel oil, residuum, gas oil, naphtha, distillate, gasoline, kerosene, benzine, wash oil, waste oil, lubricating oil, and blends or mixtures of crude petroleum oil or natural gas or any derivative thereof.

E. "Owner" means the person who has the right to drill into and to produce from any pool, and to appropriate the production either for himself or for himself and another.

F. "Producer" means the owner of well or wells capable of producing oil or natural gas or both in paying quantities.

G. "Gas transportation facility" means a pipeline in operation serving gas wells for the transportation of natural gas, or some other device or equipment in like operation whereby natural gas produced from gas wells connected therewith can be transported or used for consumption.

H. "Correlative rights" means the opportunity afforded, so far as it is practicable to do so, to the owner of each property in a pool to produce without waste his just and equitable share of the oil or gas, or both, in the pool, being an amount, so far as can be practicably determined, and so far as can be practicably obtained without waste, substantially in the proportion that the quantity of recoverable oil or gas, or both, under such property

paper pertaining to the transactions regulated by this act or by any rule, regulation or order made hereunder; shall be deemed guilty of a felony and shall be subject, upon conviction in any court of competent jurisdiction, to a fine of not more than one thousand dollars ($1,000), or imprisonment for a term of not more than three years, or to both such fine and imprisonment.

B. Any person who knowingly and willfully violates any provision of this act or any rule, regulation or order of the commission or division made hereunder, shall, in the event a penalty for such violation is not otherwise provided for herein be subject to a penalty of not to exceed one thousand dollars ($1,000) a day for each and every day of such violation, and for each and every act of violation, such penalty to be recovered in a suit in the district court of the county where the defendant resides, or in the county of the residence of any defendant if there be more than one defendant, or in the district court of the county where the violation took place. The place of suit shall be selected by the division, and such suit, by direction of the division, shall be instituted and conducted in the name of the division by the attorney general or under his direction by the district attorney of the county where the suit is instituted. The payment of any penalty as provided for herein shall not have the effect of changing illegal oil or illegal gas product into legal oil or legal gas product, nor shall such payment have the effect of authorizing the sale or purchase or acquisition, or the transportation, refining, processing, or handling in any other way, of such illegal oil or illegal gas, or illegal oil or illegal gas product, but to the contrary penalty shall be imposed for each prohibited transaction relating to such illegal oil or illegal gas or illegal oil or illegal gas product.

C. Any person knowingly and willfully aiding or abetting any other person in the violation of any statute of this state relating to the conservation of oil and gas, or the violation of any provision of this act, or any rule, regulation or order made thereunder, shall be subject to the same penalties as are prescribed herein for the violation by such other person.

65-3-28. SEIZURE AND SALE OF ILLEGAL OIL OR GAS OR PRODUCTS--PROCEDURE.--

A. Apart from, and in addition to, any other remedy or procedure which may be available to the commission or the division, or any penalty which may be sought against or imposed upon any person, with respect to violations relating to illegal oil or illegal gas or illegal products thereof, all such oil or gas or products thereof shall, except under such circumstances as are stated herein, be contraband and shall be seized and sold, and the proceeds applied as herein provided. The sale shall not take place unless the court finds in the proceeding provided in this section that the owner of such illegal oil or illegal gas or product thereof is liable, or in some proceeding authorized by Sections 65-3-1 through 65-3-34 NMSA 1953, such owner has already been held to be liable, for penalty for having produced the illegal oil or illegal gas, or for having purchased or acquired the illegal oil or illegal gas or product thereof. Whenever the division believes that illegal oil or illegal gas or product thereof is subject to seizure and sale, as provided herein, it shall, through the attorney general, bring a civil action in rem for that purpose in the district court of the county where the

strain such person from continuing such violation or from carrying out the threat of violation. In such suit the division may obtain injunctions, prohibitory and mandatory, including temporary restraining orders and temporary injunctions, as the facts may warrant, including, when appropriate, an injunction restraining any person from moving or disposing of illegal oil or illegal oil product, or illegal gas or illegal gas product, and any or all such commodities, or funds derived from the sale thereof, may be ordered to be impounded or placed under the control of an agent appointed by the court if, in the judgment of the court, such action is advisable.

65-3-25. ACTIONS FOR DAMAGES--INSTITUTION OF ACTIONS FOR INJUNCTIONS BY PRIVATE PARTIES.--Nothing in this act contained or authorized, and no suit by or against the commission or the division, and no penalties imposed or claimed against any person for violating any statute of this state with respect to conservation of oil and gas, or any provision of this act, or any rule, regulation or order issued thereunder, shall impair or abridge or delay any cause of action for damages which any person may have or assert against any person violating any statute of this state with respect to conservation of oil and gas, or any provision of this act, or any rule, regulation or order issued thereunder. Any person so damaged by the violation may sue for and recover such damages as he may be entitled to receive. In the event the division should fail to bring suit to enjoin any actual or threatened violation of any statute of this state with respect to the conservation of oil and gas, or of any provision of this act, or of any rule, regulation or order made thereunder, then any person or party in interest adversely affected by such violation, and who has notified the division in writing of such violation or threat thereof and has requested the division to sue, may, to prevent any or further violation, bring suit for that purpose in the district court of any county in which the division could have brought suit. If, in such suit, the court holds that injunctive relief should be granted, then the division shall be made a party and shall be substituted for the person who brought the suit, and the injunction shall be issued as if the division had at all times been the complaining party.

65-3-26. VIOLATION OF COURT ORDER GROUNDS FOR APPOINTMENT OF RECEIVER.

The violation by any person of an order of the court relating to the operation of a well or wells, or of a pipeline or other transportation, equipment or facility, or of a refinery, or of a plant of any kind, shall be sufficient ground for the appointment of a receiver with power to conduct operations in accordance with the order of the court.

65-3-27. PENALTIES FOR VIOLATIONS--ACCESSORIES.--

A. Any person who, for the purpose of evading this act, or of evading any rule, regulation or order made hereunder, shall knowingly and willfully make or cause to be made any false entry or statement of fact in any report required to be made by this act or by any rule, regulation or order made hereunder; or who, for such purpose, shall make or cause to be made any false entry in any account, record or memorandum kept by any person in connection with the provisions of this act or of any rule, regulation or order made thereunder; or who, for such purpose, shall omit to make, or cause to be omitted, full, true and correct entries in such accounts, records or memoranda, of all facts and transactions pertaining to the interest of activities in the petroleum industry of such person as may be required by the commission or division under authority given to this act or by any rule, regulation or order made hereunder; or who, for such purpose, shall remove out of the jurisdiction of the state, or who shall mutilate, alter, or by any other means falsify, any book, record, or other

record of the hearing before the secretary. Such orders and decisions of the secretary may be appealed by any party to the original hearing or the rehearing before the commission, or by any party to the hearing before the secretary held pursuant to this section, in accordance with the procedure of Subsections (b), (c) and (d) of Section 65-3-22 NMSA 1953 except that the appeal shall not be a de novo proceeding and shall be limited to a review of the record of the hearing held pursuant to the provisions of this section.

65-3-23. TEMPORARY RESTRAINING ORDER OR INJUCTION--GROUNDS--HEARING--BOND.--

A. No temporary restraining order or injunction of any kind shall be granted against the commission or the members thereof, or against the attorney general, or against any agent, employee or representative of the division, restraining the commission, or any of its members, or the division or any of its agents, employees or representatives, or the attorney general, from enforcing any statute of this state relating to conservation of oil or gas, or any of the provisions of this act, or any rule, regulation or order made thereunder, except after due notice to the director of the division, and to all other defendants, and after a hearing at which it shall be clearly shown to the court that the act done or threatened is without sanction of law, or that the provision of this act, or the rule, regulation or order complained of, is invalid, and that, if enforced against the complaining party, will cause an irreparable injury. With respect to an order to decree granting temporary injunctive relief, the nature and extent of the probable invalidity of the state, or of any provision of this act, or of any rule, regulation or order thereunder involved in such suit, must be recited in the order or decree granting the temporary relief, as well as a clear statement of the probable damage relied upon by the court as justifying temporary injunctive relief.

B. No temporary injunction of any kind, including a temporary restraining order against the commission or the members thereof, or the division or its agents, employees or representatives, or the attorney general, shall become effective until the plaintiff shall execute a bond to the state with sufficient surety in an amount to be fixed by the court reasonably sufficient to indemnify all persons who may suffer damage by reason of the violation pendente lite by the complaining party of the statute or the provisions of this act or of any rule, regulation or order complained of. Any person so suffering damage may bring suit thereon before the expiration of six months after the statute, provision, rule, regulation or order complained of shall be finally held to be valid, in whole or in part, or such suit against the commission, or the members thereof, or the division, shall be finally dismissed. Such bond shall be approved by the judge of the court in which the suit is pending, and shall be for the use and benefit of all persons who may suffer damage by reason of the violation pendente lite of the statute, provision, rule, regulation or order complained of in such suit, and who may bring suit within the time prescribed by this section; and such bond shall be so conditioned. From time to time, on motion and with notice to the parties, the court may increase or decrease the amount of the bond and may require new or additional sureties, as the facts may warrant.

65-3-24. ACTIONS FOR VIOLATIONS.--Whenever it shall appear that any person is violating, or threatening to violate, any statute of this state with respect to the conservation of oil or gas, or both, or any provision of this act, or any rule, regulation or order made thereunder, the division through the attorney general shall bring suit against such person in the county of the residence of the defendant, or in the county of the residence of any defendant if there be more than one defendant, or in the county where the violation is alleged to have occurred, for penalties, if any are applicable, and to re-

"65-3-21. REPORTS OF GOVERNMENTAL DEPARTMENTS OR AGENCIES AS TO MARKET DEMAND TO BE DEEMED PRIMA FACIE CORRECT.--The reports, estimates, findings of fact, or similar documents or findings of the United States bureau of mines, or of any other department or agency of the United States government, or of any bureau or agency under an interstate compact to which the state of New Mexico is a party made with respect to the reasonable market demand for crude petroleum oil, may be considered by the division or by any court and taken as being prima facie correct.

65-3-22. REHEARINGS - APPEALS.

(a) Within twenty (20) days after entry of any order or decision of the Commission, any person affected thereby may file with the Commission an application for rehearing in respect of any matter determined by such order or decision, setting forth the respect in which such order or decision is believed to be erroneous. The Commission shall grant or refuse any such application in whole or in part within ten (10) days after the same is filed and failure to act thereon within such period shall be deemed a refusal thereof and a final disposition of such application. In the event the rehearing is granted, the Commission may enter such new order or decision after rehearing as may be required under the circumstances.

(b) Any party to such rehearing proceeding, dissatisfied with the disposition of the application for rehearing, may appeal therefrom to the District Court of the county wherein is located any property of such party affected by the decision, by filing a petition for the review of the action of the Commission within twenty (20) days after the entry of the order following rehearing or after the refusal or rehearing as the case may be. Such petition shall state briefly the nature of the proceedings before the Commission and shall set forth the order or decision of the Commission complained of and the grounds of invalidity thereof upon which the applicant will rely; provided, however, that the questions reviewed on appeal shall be only questions presented to the Commission by the application for rehearing. Notice of such appeal shall be served upon the adverse party or parties and the Commission in the manner provided for the service of summons in civil proceedings. The trial upon appeal shall be de novo, without a jury, and the transcript of proceedings before the Commission, including the evidence taken in hearings by the Commission, shall be received in evidence by the court in whole or in part upon offer by either party, subject to legal objections to evidence, in the same manner as if such evidence was originally offered in the District Court. The Commission action complained of shall be prima facie valid and the burden shall be upon the party or parties seeking review to establish the invalidity of such action of the Commission. The Court shall determine the issues of fact and of law and shall, upon a preponderance of the evidence introduced before the Court, which may include evidence in addition to the transcript of proceedings before the Commission, and the law applicable thereto, enter its order either affirming, modifying, or vacating the order of the Commission. In the event the Court shall modify or vacate the order or decision of the Commission, it shall enter such order in lieu thereof as it may determine to be proper. Appeals may be taken from the judgment or decision of the District Court to the Supreme Court in the same manner as provided for appeals from any other final judgment entered by a District Court in this State. The trial of such application for relief from action of the Commission and the hearing of any appeal to the Supreme Court from the action of the District Court shall be expedited to the fullest possible extent.

(c) The pendency of proceedings to review shall not of itself stay or suspend operation of the order or decision being reviewed, but during the pendency of such proceedings, the District Court in its discretion may, upon its own motion or upon proper application of any party thereto, stay or suspend, in whole or in part, operation of said order or decision pending review thereof, on such terms as the court deems just and proper and in accordance with the practice of courts exercising equity jurisdiction; provided, that the court, as a condition to any such staying or suspension of operation of any order or decision, may require that one or more parties secure, in such form and amount as the court may deem just and proper, one or more other parties against loss or damage due to the staying or suspension of the Commission's order or decision, in the event that the action of the Commission shall be affirmed.

(d) The applicable rules of practice and procedure in civil cases for the courts of this state shall govern the proceedings for review, and any appeal therefrom to the Supreme Court of this state, to the extent such rules are consistent with provisions of this act.

65-3-22.1. REVIEW OF OIL CONSERVATION COMMISSION DECISION--APPEALS.--

The secretary of energy and minerals department may hold a public hearing to determine whether an order or decision issued by the oil conservation commission contravenes the department's statewide plan or the public interest. The hearing shall be held within twenty days after the entry of the commission order or decision following a rehearing or after the order refusing a rehearing as the case may be. The hearing shall be a de novo proceeding and the secretary shall enter such order or decision as may be required under the circumstances, having due regard for the conservation of the state's oil, gas and mineral resources, and the commission shall modify its own order or decision to comply therewith. If a rehearing before the commission was granted, the record of the rehearing shall be made part of the record of the hearing before the secretary. If the application for rehearing was denied, the record of the hearing before the commission or the division shall be made part of the

product of crude petroleum or any product of natural gas, which product is derived in whole or in part from crude petroleum oil or natural gas produced in whole or in part in excess of the amount allowed by any statute of this state, or by any provisions of this act, or by any rule, regulation or order of the commission or division made thereunder, is hereby prohibited, and each such commodity or product is herein referred to as "illegal oil product" to distinguish it from "legal oil product", or "illegal gas product" to distinguish it from "legal gas product".

65-3-19. RULES AND REGULATIONS TO EFFECTUATE PROHIBITIONS AGAINST PURCHASE OR HANDLING OF EXCESS OIL OR NATURAL GAS--PENALTIES.--

A. The division is specifically authorized and directed to make such rules, regulations and orders, and may provide for such certificates of clearance or tenders, as may be necessary to make effective the prohibitions contained in Section 65-3-18 NMSA 1953.

B. Unless and until the division provides for certificates of clearance or tenders, or some other method, so that any person may have an opportunity to determine whether any contemplated transaction of sale or purchase or acquisition, or of transportation, refining, processing, or handling in any other way, involves illegal oil or illegal oil product, or illegal gas or illegal gas product, no penalty shall be imposed for the sale or purchase or acquisition, or the transportation, refining, processing, or handling in any other way, of illegal oil or illegal oil product, or illegal gas or illegal gas product, except under circumstances stated in the succeeding provisions of this paragraph. Penalties shall be imposed for the commission of each transaction prohibited in Section 65-3-18 NMSA 1953 when the person committing the same knows that illegal oil or illegal oil product, or illegal gas or illegal gas product, is involved in such transaction, or when such person could have known or determined such fact by the exercise of reasonable diligence or from facts within his knowledge. However, regardless of lack of actual notice or knowledge, penalties as provided in this act shall apply to any sale or purchase or acquistion, and to the transportation, refining, processing, or handling in any other way, of illegal oil or illegal oil product, or illegal gas or illegal gas product where administrative provision is made for identifying the character of the commodity as to its legality. It shall likewise be a violation for which penalties shall be imposed for any person to sell or purchase or acquire, or to transport, refine, process, or handle in any way any crude petroleum oil or natural gas or any product thereof without complying with the rule, regulation or order of the commission or division relating thereto.

65-3-20. HEARINGS ON RULES, REGULATIONS AND ORDERS--NOTICE--EMERGENCY RULES.--Except as provided for herein, before any rule, regulation or order, including revocation, change, renewal or extension thereof, shall be made under the provisions of this act, a public hearing shall be held at such time, place and manner as may be prescribed by the division. The division shall first give reasonable notice of such hearing (in no case less than ten days, except in an emergency) and at any such hearing any person having an interest in the subject matter of the hearing shall be entitled to be heard. In case an emergency is found to exist by the division which in its judgment requires the making of a rule, regulation or order without first having a hearing, such emergency rule, regulation or order shall have the same validity as if a hearing with respect to the same had been held after due notice. The emergency rule, regulation or order permitted by this section shall remain in force no longer than fifteen days from its effective date, and, in any event, it shall expire when the rule, regulation or order made after due notice and hearing with respect to the subject matter of such emergency rule, regulation or order becomes effective.

ing as herein provided, from the duty of purchasing crude petroleum oil of inferior quality or grade or that is not reasonably suitable for the requirements of such common purchaser.

D. Any person now or hereafter engaged in purchasing from one or more producers gas produced from gas wells shall be a common purchaser thereof within each common source of supply from which it purchases, and as such it shall purchase gas lawfully produced from gas wells with which its gas transportation facilities are connected in the pool and other gas lawfully produced within the pool and tendered to a point on its gas transportation facilities. Such purchases shall be made without unreasonable discrimination in favor of one producer against another in the price paid, the quantities purchased, the bases of measurement or the gas transportation facilities afforded for gas of like quantity, quality and pressure available from such wells. In the event any such person is likewise a producer, he is prohibited to the same extent from discriminating in favor of himself on production from gas wells in which he has an interest, direct or indirect, as against other production from gas wells in the same pool. For the purposes of this act reasonable differences in prices paid or facilities afforded, or both, shall not constitute unreasonable discrimination if such differences bear a fair relationship to differences in quality, quantity or pressure of the gas available or to the relative lengths of time during which such gas will be available to the purchaser. The provisions of this subsection shall not apply:

(1) to any wells or pools used for storage and withdrawal from storage of natural gas originally produced not in violation of this act or of the rules, regulations or orders of the division;

(2) to purchases of casing-head gas from oil wells; and

(3) to persons purchasing gas principally for use in the recovery or production of oil or gas.

E. Any common purchaser taking gas produced from gas wells from a common source of supply shall take ratably under such rules, regulations and orders, concerning quantity, as may be promulgated by the division consistent with this act. The division, in promulgating such rules, regulations and orders may consider the quality and the deliverability of the gas, the pressure of the gas at the point of delivery, acreage attributable to the well, market requirements in the case of unprorated pools, and other pertinent factors.

F. Nothing in this act shall be construed or applied to require, directly or indirectly, any person to purchase gas of a quality or under a pressure or under any other condition by reason of which such gas cannot be economically and satisfactorily used by such purchaser by means of his gas transportation facilities then in service.

65-3-17. PENALTY FOR VIOLATIONS.--Any person who violates any provision of this act or any rules, regulation or order of the commission or the division made pursuant to this act shall, upon conviction, be fined not more than one thousand dollars ($1,000) for each violation. Each day during which said violation is continued shall be considered a separate and complete offense for this purpose.

65-3-18. PURCHASE, SALE OR HANDLING OF EXCESS OIL, NATURAL GAS OR PRODUCTS PROHIBITED.--

A. The sale or purchase or acquisition, or the transportation, refining, processing, or handling in any other way, of crude petroleum oil or natural gas in whole or in part produced in excess of the amount allowed by any statute of this state, or by any provision of this act, or by any rule, regulation or order of the commission or division made thereunder, is hereby prohibited, and such oil or commodity is hereby referred to as "illegal oil" or "illegal gas", as the case may be.

B. The sale or purchase or acquisition, or the transportation, refining, processing or the handling in any other way, of any

B. Any operator failing to obtain voluntary pooling agreements, or failing to apply for an order of the division pooling the lands dedicated to the spacing or proration unit as required by this section, shall nevertheless be liable to account to and pay each owner of minerals or leasehold interest, including owners of overriding royalty interests and other payments out of production, either the amount to which each interest would be entitled if pooling had occurred or the amount to which each interest is entitled in the absence of pooling, whichever is greater.

C. Nonstandard spacing or proration units may be established by the division and all mineral and leasehold interests in any such nonstandard unit shall share in production from that unit from the date of the order establishing the said nonstandard unit.

65-3-15. COMMON PURCHASERS--DISCRIMINATION IN PURCHASING PROHIBITED.--

A. Every person now engaged or hereafter engaging in the business of purchasing oil to be transported through pipelines, shall be a common purchaser thereof, and shall without discrimination in favor of one producer as against another in the same field, purchase all oil tendered to it which has been lawfully produced in the vicinity of, or which may be reasonably reached by pipelines through which it is transporting oil, or the gathering branches thereof, or which may be delivered to the pipeline or gathering branches thereof by truck or otherwise, and shall fully perform all the duties of a common purchaser. If any common purchaser shall not have need for all such oil lawfully produced within a field, or if for any reason it shall be unable to purchase all such oil, then it shall purchase from each producer in a field ratably, taking and purchasing the same quantity of oil from each well to the extent that each well is capable of producing its ratable portions; provided however, nothing herein contained shall be construed to require more than one pipeline connection for each producing well. In the event any such common purchaser of oil is likewise a producer or is affiliated with a producer, directly or indirectly, it is hereby expressly prohibited from discriminating in favor of its own production or in favor of the production of an affiliated producer as against that of others and the oil produced by such common purchaser or by the affiliate of such common purchaser shall be treated as that of any other producer for the purposes of ratable taking.

B. It shall be unlawful for any common purchaser to unjustly or unreasonably discriminate as to the relative quantities of oil purchased by it in the various fields of the state; the question of the justice or reasonableness to be determined by the division, taking into consideration the production and age of wells in the respective fields and all other factors. It is the intent of this act that all fields shall be allowed to produce and market a just and equitable share of the oil produced and marketed in the state, in so far as the same can be effected economically and without waste.

C. It shall be the duty of the division to enforce the provisions of this act, and it shall have the power, after notice and hearing as provided in Section 65-3-20 NMSA 1953, to make rules, regulations and orders defining the distance that extension of the pipeline system shall be made to all wells not served; provided that no such authorization or order shall be made unless the division finds as to such extension that it is reasonably required and economically justified, or as to such extension of facilities that the expenditures involved therein, and the expense incident thereto, is justified in relation to the volume of oil available for transportation through said extension; and such other rules, regulations and orders as may be necessary to carry out the provisions of this act, and in making such rules, regulations and orders, the division shall give due consideration to the economic factors involved. The division shall have authority to relieve such common purchaser, after due notice and hear-

eighth of all production from the unit and creditable to his interest.

D. Minimum allowable for some wells may be advisable from time to time, especially with respect to wells already drilled when this act takes effect, to the end that the production will repay reasonable lifting cost and thus prevent premature abandonment and resulting waste.

E. Whenever it appears that the owners in any pool have agreed upon a plan for the spacing of wells, or upon a plan or method of distribution of any allowable fixed by the division for the pool, or upon any other plan for the development or operation of such pool, which plan, in the judgment of the division, has the effect of preventing waste as prohibited by this act and is fair to the royalty owners in such pool, then such plan shall be adopted by the division with respect to such pool; however, the division, upon hearing and after notice, may subsequently modify any such plan to the extent necessary to prevent waste as prohibited by this act.

F. After the effective date of any rule, regulation or order fixing the allowable production, no person shall produce more than the allowable production applicable to him, his wells, leases or properties determined as in this act provided, and the allowable production shall be produced in accordance with the applicable rules, regulations or orders.

65-3-14.1. COURT MAY AUTHORIZE POOLING OR UNITIZATION BY FIDUCIARIES. Repealed 1976

When an existing oil and gas lease upon property owned by a decedent at the time of his death, by a minor, or by an incompetent, does not authorize pooling or unitization thereof with other lands in the vicinity, the district court for the county in which any portion of the lands subject to said lease is situated can authorize the executor or administrator of the estate of the decedent, or the guardian of the minor or incompetent, to execute appropriate instruments authorizing or effectuating such pooling or unitization, or both, if the court finds it to be in the interest of the owners of such property.

65-3-14.2. PETITION OF FIDUCIARY FOR AUTHORITY TO EXECUTE INSTRUMENT - CONTENTS.

An executor, administrator or guardian desiring authorization to execute such instruments shall file a verified petition in the appropriate district court setting forth a description of the lease, the lands subject thereto and the reason that the proposed action is in the interest of the owners of the affected real estate. A copy of the instrument by which such pooling or unitization is proposed to be authorized or effectuated shall be attached to the petition.

65-3-14.3. NOTICE OF HEARING.

No notice of the hearing upon the petition shall be required; provided, however, that the court in its discretion may require such notice as it may direct to be given to affected parties.

65-3-14.4. COURT ORDER - EFFECT.

Upon entry of an order of the court authorizing execution of the proposed instrument in the form attached to the petition, or with such modification as the court may direct, and execution thereof by the executor, administrator or guardian, the interest in the property owned by the decedent at the time of death, or by the ward, shall be subject in all respects to the terms of said instrument and the executor, administrator or guardian, without further order of the court, shall be authorized to execute division orders, transfer orders, correction instruments, receipts and other instruments made necessary or desirable by the pooling or unitization so effected.

65-3-14.5. SPACING OR PRORATION UNIT WITH DIVIDED MINERAL OWNERSHIP.--

A. Whenever the operator of any oil or gas well shall dedicate lands comprising a standard spacing or proration unit to an oil or gas well, it shall be the obligation of the operator, if two or more separately owned tracts of land are embraced within the spacing or proration unit, or where there are owners of royalty interests or undivided interests in oil or gas minerals which are separately owned or any combination thereof, embraced within such spacing or proration unit, to obtain voluntary agreements pooling said lands or interests or an order of the division pooling said lands, which agreement or order shall be effective from the first production. Any division order that increases the size of a standard spacing or proration unit for a pool, or extends the boundaries of such a pool, shall require dedication of acreage to existing wells in the pool in accordance with the acreage dedication requirements for said pool, and all interests in the spacing or proration units that are dedicated to the affected wells shall share in production from the effective date of the said order.

C. When two or more separately owned tracts of land are embraced within a spacing or proration unit, or where there are owners of royalty interests or undivided interests in oil and gas minerals which are separately owned or any combination thereof, embraced within such spacing or proration unit, the owner or owners thereof may validly pool their interests and develop their lands as a unit. Where, however, such owner or owners have not agreed to pool their interests, and where one such separate owner, or owners, who has the right to drill has drilled or proposes to drill a well on said unit to a common source of supply, the division, to avoid the drilling of unnecessary wells or to protect correlative rights, or to prevent waste, shall pool all or any part of such lands or interests or both in the spacing or proration unit as a unit.

All orders effecting such pooling shall be made after notice and hearing, and shall be upon such terms and conditions as are just and reasonable and will afford to the owner or owners of each tract or interest in the unit the opportunity to recover or receive without unnecessary expense his just and fair share of the oil or gas, or both. Each order shall describe the lands included in the unit designated thereby, identify the pool or pools to which it applies and designate an operator for the unit. All operations for the pooled oil or gas, or both, which are conducted on any portion of the unit shall be deemed for all purposes to have been conducted upon each tract within the unit by the owner or owners of such tract. For the purpose of determining the portions of production owned by the persons owning interests in the pooled oil or gas, or both, such production shall be allocated to the respective tracts within the unit in the proporcion that the number of surface acres included within each tract bears to the number of surface acres included in the entire unit. The portion of the production allocated to the owner or owners of each tract or interest included in a well spacing or proration unit formed by a pooling order shall, when produced, be considered as if produced from the separately owned tract or interest by a well drilled thereon. Such pooling order of the division shall make definite provision as to any owner, or owners, who elects not to pay his proportionate share in advance for the prorata reimbursement solely out of production to the parties advancing the costs of the development and operation, which shall be limited to the actual expenditures required for such purpose not in excess of what are reasonable, but which shall include a reasonable charge for supervision and may include a charge for the risk involved in the drilling of such well, which charge for risk shall not exceed two hundred percent of the nonconsenting working interest owner's or owners' prorata share of the cost of drilling and completing the well.

In the event of any dispute relative to such costs, the division shall determine the proper costs after due notice to interested parties and a hearing thereon. The division is specifically authorized to provide that the owner or owners drilling, or paying for the drilling, or for the operation of a well for the benefit of all shall be entitled to all production from such well which would be received by the owner, or owners, for whose benefit the well was drilled or operated, after payment of royalty as provided in the lease, if any, applicable to each tract or interest, and obligations payable out of production, until the owner or owners drilling or operating the well or both have been paid the amount due under the terms of the pooling order or order settling such dispute. No part of the production or proceeds accruing to any owner or owners of a separate interest in such unit shall be applied toward the payment of any cost properly chargeable to any other interest in said unit.

If the interest of any owner or owners of any unleased mineral interest is pooled by virtue of this act, seven-eighths of such interest shall be considered as a working interest and one-eighth shall be considered a royalty interest, and he shall in all events be paid one-

and recognizing correlative rights, and shall include in the proration schedule of such pool any well which it finds is being unreasonably discriminated against through denial of access to a gas transportation facility which is reasonably capable of handling the type of gas produced by such well. In protecting correlative rights the division may give equitable consideration to acreage, pressure, open flow, porosity, permeability, deliverability and quality of the gas and to such other pertinent factors as may from time to time exist, and in so far as is practicable, shall prevent drainage between producing tracts in a pool which is not equalized by counterdrainage. In allocating production pursuant to the provisions of this subsection, the division shall fix proration periods of not less than six months. It shall determine reasonable market demand and make allocations of production during each such period, upon notice and hearing, at least thirty days prior to the beginning of each proration period. In so far as is feasible and practicable, gas wells having an allowable in a pool shall be regularly produced in proportion to their allowables in effect for the current proration period. Without approval of the division or one of its duly authorized agents, no natural gas well or pool shall be allowed to produce natural gas in excess of the allowable assigned to such source during any proration period; provided, that during an emergency affecting a gas transportation facility a gas well or pool having high deliverability into such facility under prevailing conditions may produce and deliver in excess of its allowable for the period of emergency, not exceeding ten days, without penalty. The division may order subsequent changes in allowables for wells and pools to make fair and reasonable adjustment for overage resulting from the emergency. The provisions of this subsection shall not apply to any wells or pools used for storage and withdrawal from storage of natural gas originally produced not in violation of this act or the rules, regulations or orders of the division.

D. In fixing the allowable of a pool under Subsection C of this section, the division shall consider nominations of purchasers but shall not be bound thereby and shall so fix pool allowables as to prevent unreasonable discrimination between pools served by the same gas transportation facility by a purchaser purchasing in more than one pool.

E. Natural gas produced from gas wells within the allowable as determined as provided in Subsection C of this section shall herein be referred to as "legal gas", and natural gas produced in excess of such allowable shall be "illegal gas".

65-3-14. EQUITABLE ALLOCATION OF ALLOWABLE PRODUCTION--POOLING--SPACING.--

A. The rules, regulations or orders of the division shall, so far as it is practicable to do so, afford to the owner of each property in a pool the opportunity to produce his just and equitable share of the oil or gas, or both, in the pool, being an amount, so far as can be practically determined, and so far as such can be practicably obtained without waste, substantially in the proportion that the quantity of the recoverable oil or gas, or both, under such property bears to the total recoverable oil or gas, or both, in the pool, and for this purpose to use his just and equitable share of the reservoir energy.

B. The division may establish a proration unit for each pool, such being the area that can be efficiently and economically drained and developed by one well, and in so doing the division shall consider the economic loss caused by the drilling of unnecessary wells, the protection of correlative rights, including those of royalty owners, the prevention of waste, the avoidance of the augmentation of risks arising from the drilling of an excessive number of wells, and the prevention of reduced recovery which might result from the drilling of too few wells.

oil conservation division shall consider the depth f the well involved, the length of time since the well was produced, the cost of plugging similar wells and such other factors as the oil conservation division deems relevant. In addition to the blanket plugging bond, the oil conservation division may require a one-well bond on any well that has been held in a temporarily abandoned status for more than two years. All bonds shall remain in force and effect until released by the oil conservation division. The oil conservation division shall release a bond when it is satisfied the conditions thereof have been fully performed.

B. If any of the requirements of the Oil and Gas Act or the rules and regulations promulgated pursuant thereto have not been complied with, the division, after notice and hearing, may order any well plugged and abandoned by the operator or surety, or both, in accordance with division rules and regulations. If the order is not complied with, in the time period set out in the order, the surety bond shall be forfeited.

C. When any bond is forfeited pursuant to the provisions of the Oil and Gas Act or rules and regulations promulgated pursuant thereto, the director shall give notice to the attorney general who shall collect the forfeiture without delay.

D. All forfeitures shall be deposited in the state treasury in the oil and gas reclamation fund.

E. When the surety bond proves insufficient to cover the cost of plugging oil and gas wells on land other than federal land and funds must be expended from the oil and gas reclamation fund to meet the additional expenses, the oil conservation division is authorized to bring suit against the operator in the district court of the county in which the well is located for indemnification for all costs incurred by the oil conservation division in plugging the well. All funds collected pursuant to a judgment in a suit for indemnification brought under the provisions of this section shall be deposited in the oil and gas reclamation fund."

"65-3-12. ALLOCATION OF ALLOWABLE PRODUCTION AMONG FIELDS WHEN DIVISION LIMITS TOTAL AMOUNT OF PRODUCTION.--Whenever, to prevent waste, the division limits the total amount of crude petroleum oil to be produced in this state, it shall allocate or distribute the allowable productions among the fields of the state. Such allocation or distribution among the fields of the state shall be made on a reasonable basis, giving, if reasonable under all circumstances, to each pool with small wells of settled production, an allowable production which will prevent a general premature abandonment of the wells in the field.

65-3-13. ALLOCATION OF ALLOWABLE PRODUCTION IN FIELD OR POOL.--

A. Whenever, to prevent waste, the total allowable production of crude petroleum oil for any field or pool in the state is fixed by the division in an amount less than that which the field or pool could produce if no restriction were imposed, the division shall prorate or distribute the allowable production among the producers in the field or pool, upon a reasonable basis and recognizing correlative rights.

B. Crude petroleum oil produced within the allowable as fixed by the division shall herein be referred to as "legal oil" and crude petroleum oil produced in excess of such allowable shall be "illegal oil".

C. Whenever, to prevent waste, the total allowable natural gas production from gas wells producing from any pool in this state is fixed by the division in an amount less than that which the pool could produce if no restrictions were imposed, the division shall allocate the allowable production among the gas wells in the pool delivering to a gas transportation facility upon a reasonable basis

limits;

(17) to regulate and where necessary prohibit drilling or producing operations for oil or gas within any area containing commercial deposits of potash where such operations would have the effect unduly to reduce the total quantity of such commercial deposits of potash which may reasonably be recovered in commercial quantities or where such operations would interfere unduly with the orderly commercial development of such potash deposits; or

(18) to spend the oil and gas reclamation fund and do all acts necessary and proper to plug dry and abandoned oil and gas wells in accordance with the provisions of the Oil and Gas Act and the Public Purchases Act including disposing of salvageable equipment and material removed from oil and gas wells being plugged by the state.

65-3-11.1. ADDITIONAL POWERS OF COMMISSION OR DIVISION--HEARINGS BEFORE EXAMINER--HEARINGS DE NOVO.--In addition to the powers and authority, either express or implied, granted to the oil conservation commission or division by virtue of the statutes of the state of New Mexico, the division is hereby authorized and empowered in prescribing its rules or order or procedure in connection with hearings or other proceedings before the division to provide for the appointment of one or more examiners to be members of the staff of the division to conduct hearings with respect to matters properly coming before the division and to make reports and recommendations to the director of the division with respect thereto. Any member of the commission or the director of the division or his authorized representative may serve as an examiner as provided herein. The division shall promulgate rules and regulations with regard to hearings to be conducted before examiners and the powers and duties of the examiners in any particular case may be limited by order of the division to particular issues or to the performance of particular acts. In the absence of any limiting order, an examiner appointed to hear any particular case shall have the power to regulate all proceedings before him and to perform all acts and take all measures necessary or proper for the efficient and orderly conduct of such hearing, including the swearing of witnesses, receiving of testimony and exhibits offered in evidence subject to such objections as may be imposed, and shall cause a complete record of the proceeding to be made and transcribed and shall certify the same to the director of the division for consideration together with the report of the examiner and his recommendations in connection therewith. The director of the division shall base the decision rendered in any matter or proceeding heard by an examiner, upon the transcript of testimony and record made by or under the supervision of the examiner in connection with such proceeding, and such decision shall have the same force and effect as if said hearing had been conducted before the director of the division. When any matter or proceeding is referred to an examiner and a decision is rendered thereon, any party adversely affected shall have the right to have said matter heard de novo before the commission upon application filed with the division within thirty days from the time any such decision is rendered.

65-3-11.2. BONDING REQUIREMENT.--

A. Each person, firm, corporation or association who operates any oil, gas or service well within the state shall, as a condition precedent to drilling or producing the well, furnish a surety bond to the oil conservation division running to the benefit of the state of New Mexico, conditioned that the well be plugged and abandoned in compliance with the rules and regulations of the oil conservation division. The oil conservation division shall establish categories of surety bonds after notice and hearing. Such categories shall include a blanket plugging bond in an amount not to exceed fifty thousand dollars ($50,000) and one-well plugging bonds in amounts determined sufficient to reasonably pay the cost of plugging the wells covered by each bond. In establishing categories of bonds, the

hold hearings; to provide for the keeping of records and the making of reports and for the checking of the accuracy thereof; to limit and prorate production of crude petroleum oil or natural gas, or both, as in this act provided; to require either generally or in particular areas certificates of clearance or tenders in connection with the transportation of crude petroleum oil or natural gas or any products thereof, or both such oil and products, or both such natural gas and products.

B. Apart from any authority, express or implied, elsewhere given to or existing in the division by virtue of this act or the statutes of this state, the division is hereby authorized to make rules, regulations and orders for the purposes and with respect to the subject matter stated herein, viz.:

(1) 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; the division shall require a corporate surety bond in a sum not to exceed fifty thousand dollars ($50,000) conditioned for the performance of such regulations;

(2) to prevent crude petroleum oil, natural gas, or water from escaping from strata in which they are found into another stratum or other strata;

(3) to require reports showing locations of all oil or gas wells, and for the filing of logs and drilling records or reports;

(4) to prevent the drowning by water of any stratum or part thereof capable of producing oil or gas, or both oil and gas, in paying quantities, and to prevent the premature and irregular encroachment of water, or any other kind of water encroachment, which reduces or tends to reduce the total ultimate recovery of crude petroleum oil or gas, or both such oil and gas, from any pool;

(5) to prevent fires;

(6) to prevent "blow-outs" and "caving" in the sense that the conditions indicated by such terms are generally understood in the oil and gas business;

(7) to require wells to be drilled, operated and produced in such manner as to prevent injury to neighboring leases or properties;

(8) to identify the ownership of oil or gas producing leases, properties, wells, tanks, refineries, pipelines, plants, structures, and all transportation equipment and facilities;

(9) to require the operation of wells with efficient gas-oil ratios and to fix such ratios;

(10) to fix the spacing of wells;

(11) to determine whether a particular well or pool is a gas or oil well, or a gas or oil pool, as the case may be, and from time to time to classify and reclassify wells and pools accordingly;

(12) to determine the limits of any pool or pools producing crude petroleum oil or natural gas or both, and from time to time redetermine such limits;

(13) to regulate the methods and devices employed for storage in this state of oil or natural gas or of any product thereof including subsurface storage;

(14) to permit the injection of natural gas or of any other substance into any pool in this state for the purpose of repressuring, cycling, pressure maintenance, secondary or any other enhanced recovery operation;

(15) to regulate the disposition of water produced or used in connection with the drilling for or producing of oil or gas, or both, and to direct surface or subsurface disposal of such water in a manner that will afford reasonable protection against contamination of fresh water supplies designated by the state engineer;

(16) to determine the limits of any area containing commercial potash deposits and from time to time redetermine such

from obedience to the subpoena of the said commission or division, whether such subpoena be signed or issued by one or more of the members of the said commission, or the director of the division, in any hearing, investigation or proceeding held by or before the said commission or division or in any cause or proceeding in any court by or against the said commission or division, relative to matters within the jurisdiction of said commission or division, on the ground or for the reason that the testimony or evidence, documentary or otherwise, required of him may tend to incriminate him or subject him to a penalty or forfeiture; provided that nothing herein contained shall be construed as requiring any person to produce any books, papers or records, or to testify in response to any inquiry, not pertinent to some question lawfully before such commission or division or court for determination. No natural person shall be subjected to criminal prosecution, or to any penalty or forfeiture for or on account of any transaction, matter or thing concerning which he may be required to testify, or produce evidence, documentary or otherwise before said commission or division, or in obedience to its subpoena, or in any cause or proceeding, provided, that no person testifying shall be exempted from prosecution and punishment for perjury committed in so testifying.

65-3-8. FAILURE OR REFUSAL TO COMPLY WITH SUBPOENA--REFUSAL TO TESTIFY--BODY ATTACHMENT--CONTEMPT.--In case of failure or refusal on the part of any person to comply with any subpoena issued by said commission or any member thereof, or the director of the division or his authorized representative, or on the refusal of any witness to testify or answer as to any matters regarding which he may be lawfully interrogated, any district court in this state, or any judge thereof, on application of said commission or division, may issue an attachment for such person and compel him to comply with such subpoena and to attend before the commission or division and produce such documents, and give his testimony upon such matters as may be lawfully required, and such court or judge shall have the power to punish for contempt as in case of disobedience of a like subpoena issued by or from such court, or a refusal to testify therein."

"65-3-9. PERJURY--PUNISHMENT.--If any person of whom an oath shall be required under the provisions of this act, or by any rule, regulation or order of the commission or division, shall willfully swear falsely in regard to any matter or thing respecting which such oath is required, or shall willfully make any false report or affidavit required or authorized by the provisions of this act, or by any rule, regulation or order of the commission or division, such person shall be deemed guilty of perjury and shall be punished by imprisonment in the state penitentiary for not more than five years nor less than six months.

65-3-10. *POWER OF COMMISSION AND DIVISION TO PREVENT WASTE AND* PROTECT CORRELATIVE RIGHTS.--

A. The division is hereby empowered, and it is its duty, to prevent waste prohibited by this act and to protect correlative rights, as in this act provided. To that end, the division is empowered to make and enforce rules, regulations and orders, and to do whatever may be reasonably necessary to carry out the purpose of this act, whether or not indicated or specified in any section hereof.

B. The commission shall have concurrent jurisdiction and authority with the division to the extent necessary for the commission to perform its duties as required by law.

65-3-11. ENUMERATION OF POWERS.--

A. Included in the power given to the division is the authority to collect data; to make investigations and inspections; to examine properties, leases, papers, books and records; to examine, check, test and gauge oil and gas wells, and tanks, plants, refineries, and all means and modes of transportation and equipment; to

(1) be a resident of this state; and

(2) be registered by the state board of registration for professional engineers and land surveyors as a petroleum engineer; or

(3) by virtue of education and experience have expertise in the field of petroleum engineering."

65-3-5. COMMISSION'S AND DIVISION'S POWERS AND DUTIES.--

A. The division shall have, and is hereby given, jurisdiction and authority over all matters relating to the conservation of oil and gas and the prevention of waste of potash as a result of oil or gas operations in this state. It shall have jurisdiction, authority and control of and over all persons, matters or things necessary or proper to enforce effectively the provisions of this act or any other law of this state relating to the conservation of oil or gas and the prevention of waste of potash as a result of oil or gas operations.

B. The commission shall have concurrent jurisdiction and authority with the division to the extent necessary for the commission to perform its duties as required by law.

65-3-6. RULES OF PROCEDURE IN HEARINGS--MANNER OF GIVING NOTICE --RECORD OF RULES, REGULATIONS AND ORDERS.--The division shall prescribe its rules of order or procedure in hearing or other proceedings before it under this act. Any notice required to be given under this act or under any rule, regulation or order prescribed by the commission or division shall be by personal service on the person affected, or by publication once in a newspaper of general circulation published at Santa Fe, New Mexico, and once in a newspaper of general circulation published in the county, or each of the counties if there be more than one, in which any land, oil or gas or other property which may be affected shall be situated. Such notice shall issue in the name of "the state of New Mexico" and shall be signed by the director of the division, and the seal of the commission shall be impressed thereon, and it shall specify the number and style of the case, and the time and place of hearing, shall briefly state the general nature of the order or orders, rule or rules, or regulation or regulations contemplated by the division on its own motion or sought in a proceeding brought before the commission or division, the name of the petitioner, or applicant, and, unless the order, rule or regulation is intended to apply to and affect the entire state, it shall specify or generally describe the common source or sources of supply that may be affected by such order, rule or regulation. Personal service thereof may be made by any agent of the division or by any person over the age of eighteen years, in the same manner as is provided by law for the service of summons in civil actions in the district courts of this state. Such service shall be complete at the time of such personal service or on the date of such publication, as the case may be. Proof of service shall be the affidavit of the person making personal service, or of the publisher of the newspaper in which publication is had, as the case may be. All rules, regulations and orders made by the commission or division shall be entered in full by the director thereof in a book to be kept for such purpose by the division, which shall be a public record and open to inspection at all times during reasonable office hours. A copy of any such rule, regulation or order, certified by the director of the division under the seal of the commission, shall be received in evidence in all courts of the state with the same effect as the original.

65-3-7. SUBPOENA POWER--IMMUNITY OF NATURAL PERSONS REQUIRED TO TESTIFY.--The commission, or any member thereof, or the director of the division or his authorized representative, is hereby empowered to subpoena witnesses, to require their attendance and giving of testimony before it, and to require the production of books, papers and records in any proceeding before the commission or the division. No person shall be excused from attending and testifying or from producing books, papers and records before the commission or the division, or

65-3-1.1. SHORT TITLE.--Sections 65-3-1.1 through 65-3-31 and 65-3-35 and 65-3-36 NMSA 1953 may be cited as the "Oil and Gas Act".

65-3-2. WASTE PROHIBITED.

The production or handling of crude petroleum oil or natural gas of any type or in any form, or the handling of products thereof, in such manner or under such conditions or in such amounts as to constitute or result in waste is each hereby prohibited.

65-3-3. WASTE - DEFINITIONS.

As used in this act, the term "waste," in addition to its ordinary meaning, shall include:

A. "underground waste" as those words are generally understood in the oil and gas business, and in any event to embrace the inefficient, excessive, or improper, use or dissipation of the reservoir energy, including gas energy and water drive, of any pool, and the locating, spacing, drilling, equipping, operating, or producing, of any well or wells in a manner to reduce or tend to reduce the total quantity of crude petroleum oil or natural gas ultimately recovered from any pool, and the use of inefficient underground storage of natural gas.

B. "Surface Waste" as those words are generally understood in the oil and gas business, and in any event to embrace the unnecessary or excessive surface loss or destruction without beneficial use, however caused, of natural gas of any type or in any form or crude petroleum oil, or any product thereof, but including the loss or destruction, without beneficial use, resulting from evaporation, seepage, leakage or fire, especially such loss or destruction incident to or resulting from the manner of spacing, equipping, operating, or producing, well or wells, or incident to or resulting from the use of inefficient storage or from the production of crude petroleum oil or natural gas in excess of the reasonable market demand.

C. The production of crude petroleum oil in this state in excess of the reasonable market demand for such crude petroleum oil. Such excess production causes or results in waste which is prohibited by this act. The words "reasonable market demand," as used herein with respect to crude petroleum oil, shall be construed to mean the demand for such crude petroleum oil for reasonable current requirements for current consumption and use within or outside the state, together with the demand for such amounts as are reasonably necessary for building up or maintaining reasonable storage reserves of crude petroleum oil or the products thereof, or both such crude petroleum oil and products.

D. The non-ratable purchase or taking of crude petroleum oil in this state. Such non-ratable taking and purchasing causes or results in waste, as defined in the subsections (a), (b), (c) of this section and causes waste by violating Section 12 [65-3-13] of this act.

E. The production in this state of natural gas from any gas well or wells, or from any gas pool, in excess of the reasonable market demand from such source for natural gas of the type produced or in excess of the capacity of gas transportation facilities for such type of natural gas. The words "reasonable market demand," as used herein with respect to natural gas, shall be construed to mean the demand for natural gas for reasonable current requirements, for current consumption and for use within or outside the state, together with the demand for such amounts as are necessary for building up or maintaining reasonable storage reserves of natural gas or products thereof, or both such natural gas and products.

F. Drilling or producing operations for oil or gas within any area containing commercial deposits of potash where such operations would have the effect unduly to reduce the total quantity of such commercial deposits of potash which may reasonably be recovered in commercial quantities or where such operations would interfere unduly with the orderly commercial development of such potash deposits.

65-3-4. OIL CONSERVATION COMMISSION--MEMBERS--TERM--OFFICERS--QUORUM--POWER TO ADMINISTER OATHS.--There is hereby created an oil conservation commission, hereinafter in this act called the "commission" to be composed of the commissioner of public lands, the state geologist and the director of the oil conservation division. No salary or compensation shall be paid any member of the commission for his services as a member thereof. The term of office of each member of the commission shall be concurrent with the other office held by him. The commission shall organize by electing a chairman from its membership. Two members of the commission shall constitute a quorum for all purposes. The commission shall adopt a seal and such a seal affixed to any paper signed by the director of the oil conservation division shall be prima facie evidence of the due execution thereof. The attorney general shall be the attorney for the commission. Any member of the commission, or the director of the oil conservation division, or any employee of the commission or division, shall have power to administer oaths to any witness in any hearing, investigation or proceeding contemplated by this act or by any other law of this state relating to the conservation of oil and gas.

65-3-4.1 OIL CONSERVATION DIVISION--DIRECTOR--STATE PETROLEUM ENGINEER.--

A. The director of the oil conservation division shall be known as the state petroleum engineer.

B. The director shall be appointed by the secretary of the energy and minerals department and shall:

65-3-1.1. SHORT TITLE.--Sections 65-3-1.1 through 65-3-31 and 65-3-35 and 65-3-36 NMSA 1953 may be cited as the "Oil and Gas Act".

65-3-2. WASTE PROHIBITED.

The production or handling of crude petroleum oil or natural gas of any type or in any form, or the handling of products thereof, in such manner or under such conditions or in such amounts as to constitute or result in waste is each hereby prohibited.

65-3-3. WASTE - DEFINITIONS.

As used in this act, the term "waste," in addition to its ordinary meaning, shall include:

A. "underground waste" as those words are generally understood in the oil and gas business, and in any event to embrace the inefficient, excessive, or improper, use or dissipation of the reservoir energy, including gas energy and water drive, of any pool, and the locating, spacing, drilling, equipping, operating, or producing, of any well or wells in a manner to reduce or tend to reduce the total quantity of crude petroleum oil or natural gas ultimately recovered from any pool, and the use of inefficient underground storage of natural gas.

B. "Surface Waste" as those words are generally understood in the oil and gas business, and in any event to embrace the unnecessary or excessive surface loss or destruction without beneficial use, however caused, of natural gas of any type or in any form or crude petroleum oil, or any product thereof, but including the loss or destruction, without beneficial use, resulting from evaporation, seepage, leakage or fire, especially such loss or destruction incident to or resulting from the manner of spacing, equipping, operating, or producing, well or wells, or incident to or resulting from the use of inefficient storage or from the production of crude petroleum oil or natural gas in excess of the reasonable market demand.

C. The production of crude petroleum oil in this state in excess of the reasonable market demand for such crude petroleum oil. Such excess production causes or results in waste which is prohibited by this act. The words "reasonable market demand," as used herein with respect to crude petroleum oil, shall be construed to mean the demand for such crude petroleum oil for reasonable current requirements for current consumption and use within or outside the state, together with the demand for such amounts as are reasonably necessary for building up or maintaining reasonable storage reserves of crude petroleum oil or the products thereof, or both such crude petroleum oil and products.

D. The non-ratable purchase or taking of crude petroleum oil in this state. Such non-ratable taking and purchasing causes or results in waste, as defined in the subsections (a), (b), (c) of this section and causes waste by violating Section 12 [65-3-13] of this act.

E. The production in this state of natural gas from any gas well or wells, or from any gas pool, in excess of the reasonable market demand from such source for natural gas of the type produced or in excess of the capacity of gas transportation facilities for such type of natural gas. The words "reasonable market demand," as used herein with respect to natural gas, shall be construed to mean the demand for natural gas for reasonable current requirements, for current consumption and for use within or outside the state, together with the demand for such amounts as are necessary for building up or maintaining reasonable storage reserves of natural gas or products thereof, or both such natural gas and products.

F. Drilling or producing operations for oil or gas within any area containing commercial deposits of potash where such operations would have the effect unduly to reduce the total quantity of such commercial deposits of potash which may reasonably be recovered in commercial quantities or where such operations would interfere unduly with the orderly commercial development of such potash deposits.

65-3-4. OIL CONSERVATION COMMISSION--MEMBERS--TERM--OFFICERS--QUORUM--POWER TO ADMINISTER OATHS.--There is hereby created an oil conservation commission, hereinafter in this act called the "commission" to be composed of the commissioner of public lands, the state geologist and the director of the oil conservation division. No salary or compensation shall be paid any member of the commission for his services as a member thereof. The term of office of each member of the commission shall be concurrent with the other office held by him. The commission shall organize by electing a chairman from its membership. Two members of the commission shall constitute a quorum for all purposes. The commission shall adopt a seal and such a seal affixed to any paper signed by the director of the oil conservation division shall be prima facie evidence of the due execution thereof. The attorney general shall be the attorney for the commission. Any member of the commission, or the director of the oil conservation division, or any employee of the commission or division, shall have power to administer oaths to any witness in any hearing, investigation or proceeding contemplated by this act or by any other law of this state relating to the conservation of oil and gas.

65-3-4.1 OIL CONSERVATION DIVISION--DIRECTOR--STATE PETROLEUM ENGINEER.--

A. The director of the oil conservation division shall be known as the state petroleum engineer.

B. The director shall be appointed by the secretary of the energy and minerals department and shall:

(1) be a resident of this state; and

(2) be registered by the state board of registration for professional engineers and land surveyors as a petroleum engineer; or

(3) by virtue of education and experience have expertise in the field of petroleum engineering."

65-3-5. COMMISSION'S AND DIVISION'S POWERS AND DUTIES.--

A. The division shall have, and is hereby given, jurisdiction and authority over all matters relating to the conservation of oil and gas and the prevention of waste of potash as a result of oil or gas operations in this state. It shall have jurisdiction, authority and control of and over all persons, matters or things necessary or proper to enforce effectively the provisions of this act or any other law of this state relating to the conservation of oil or gas and the prevention of waste of potash as a result of oil or gas operations.

B. The commission shall have concurrent jurisdiction and authority with the division to the extent necessary for the commission to perform its duties as required by law.

65-3-6. RULES OF PROCEDURE IN HEARINGS--MANNER OF GIVING NOTICE --RECORD OF RULES, REGULATIONS AND ORDERS.--The division shall prescribe its rules of order or procedure in hearing or other proceedings before it under this act. Any notice required to be given under this act or under any rule, regulation or order prescribed by the commission or division shall be by personal service on the person affected, or by publication once in a newspaper of general circulation published at Santa Fe, New Mexico, and once in a newspaper of general circulation published in the county, or each of the counties if there be more than one, in which any land, oil or gas or other property which may be affected shall be situated. Such notice shall issue in the name of "the state of New Mexico" and shall be signed by the director of the division, and the seal of the commission shall be impressed thereon, and it shall specify the number and style of the case, and the time and place of hearing, shall briefly state the general nature of the order or orders, rule or rules, or regulation or regulations contemplated by the division on its own motion or sought in a proceeding brought before the commission or division, the name of the petitioner, or applicant, and, unless the order, rule or regulation is intended to apply to and affect the entire state, it shall specify or generally describe the common source or sources of supply that may be affected by such order, rule or regulation. Personal service thereof may be made by any agent of the division or by any person over the age of eighteen years, in the same manner as is provided by law for the service of summons in civil actions in the district courts of this state. Such service shall be complete at the time of such personal service or on the date of such publication, as the case may be. Proof of service shall be the affidavit of the person making personal service, or of the publisher of the newspaper in which publication is had, as the case may be. All rules, regulations and orders made by the commission or division shall be entered in full by the director thereof in a book to be kept for such purpose by the division, which shall be a public record and open to inspection at all times during reasonable office hours. A copy of any such rule, regulation or order, certified by the director of the division under the seal of the commission, shall be received in evidence in all courts of the state with the same effect as the original.

65-3-7. SUBPOENA POWER--IMMUNITY OF NATURAL PERSONS REQUIRED TO TESTIFY.--The commission, or any member thereof, or the director of the division or his authorized representative, is hereby empowered to subpoena witnesses, to require their attendance and giving of testimony before it, and to require the production of books, papers and records in any proceeding before the commission or the division. No person shall be excused from attending and testifying or from producing books, papers and records before the commission or the division, or

from obedience to the subpoena of the said commission or division, whether such subpoena be signed or issued by one or more of the members of the said commission, or the director of the division, in any hearing, investigation or proceeding held by or before the said commission or division or in any cause or proceeding in any court by or against the said commission or division, relative to matters within the jurisdiction of said commission or division, on the ground or for the reason that the testimony or evidence, documentary or otherwise, required of him may tend to incriminate him or subject him to a penalty or forfeiture; provided that nothing herein contained shall be construed as requiring any person to produce any books, papers or records, or to testify in response to any inquiry, not pertinent to some question lawfully before such commission or division or court for determination. No natural person shall be subjected to criminal prosecution, or to any penalty or forfeiture for or on account of any transaction, matter or thing concerning which he may be required to testify, or produce evidence, documentary or otherwise before said commission or division, or in obedience to its subpoena, or in any cause or proceeding, provided, that no person testifying shall be exempted from prosecution and punishment for perjury committed in so testifying.

65-3-8. FAILURE OR REFUSAL TO COMPLY WITH SUBPOENA--REFUSAL TO TESTIFY--BODY ATTACHMENT--CONTEMPT.--In case of failure or refusal on the part of any person to comply with any subpoena issued by said commission or any member thereof, or the director of the division or his authorized representative, or on the refusal of any witness to testify or answer as to any matters regarding which he may be lawfully interrogated, any district court in this state, or any judge thereof, on application of said commission or division, may issue an attachment for such person and compel him to comply with such subpoena and to attend before the commission or division and produce such documents, and give his testimony upon such matters as may be lawfully required, and such court or judge shall have the power to punish for contempt as in case of disobedience of a like subpoena issued by or from such court, or a refusal to testify therein."

"65-3-9. PERJURY--PUNISHMENT.--If any person of whom an oath shall be required under the provisions of this act, or by any rule, regulation or order of the commission or division, shall willfully swear falsely in regard to any matter or thing respecting which such oath is required, or shall willfully make any false report or affidavit required or authorized by the provisions of this act, or by any rule, regulation or order of the commission or division, such person shall be deemed guilty of perjury and shall be punished by imprisonment in the state penitentiary for not more than five years nor less than six months.

65-3-10. POWER OF COMMISSION AND DIVISION TO PREVENT WASTE AND PROTECT CORRELATIVE RIGHTS.--

A. The division is hereby empowered, and it is its duty, to prevent waste prohibited by this act and to protect correlative rights, as in this act provided. To that end, the division is empowered to make and enforce rules, regulations and orders, and to do whatever may be reasonably necessary to carry out the purpose of this act, whether or not indicated or specified in any section hereof.

B. The commission shall have concurrent jurisdiction and authority with the division to the extent necessary for the commission to perform its duties as required by law.

65-3-11. ENUMERATION OF POWERS.--

A. Included in the power given to the division is the authority to collect data; to make investigations and inspections; to examine properties, leases, papers, books and records; to examine, check, test and gauge oil and gas wells, and tanks, plants, refineries, and all means and modes of transportation and equipment; to

hold hearings; to provide for the keeping of records and the making of reports and for the checking of the accuracy thereof; to limit and prorate production of crude petroleum oil or natural gas, or both, as in this act provided; to require either generally or in particular areas certificates of clearance or tenders in connection with the transportation of crude petroleum oil or natural gas or any products thereof, or both such oil and products, or both such natural gas and products.

B. Apart from any authority, express or implied, elsewhere given to or existing in the division by virtue of this act or the statutes of this state, the division is hereby authorized to make rules, regulations and orders for the purposes and with respect to the subject matter stated herein, viz.:

(1) 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; the division shall require a corporate surety bond in a sum not to exceed fifty thousand dollars ($50,000) conditioned for the performance of such regulations;

(2) to prevent crude petroleum oil, natural gas, or water from escaping from strata in which they are found into another stratum or other strata;

(3) to require reports showing locations of all oil or gas wells, and for the filing of logs and drilling records or reports;

(4) to prevent the drowning by water of any stratum or part thereof capable of producing oil or gas, or both oil and gas, in paying quantities, and to prevent the premature and irregular encroachment of water, or any other kind of water encroachment, which reduces or tends to reduce the total ultimate recovery of crude petroleum oil or gas, or both such oil and gas, from any pool;

(5) to prevent fires;

(6) to prevent "blow-outs" and "caving" in the sense that the conditions indicated by such terms are generally understood in the oil and gas business;

(7) to require wells to be drilled, operated and produced in such manner as to prevent injury to neighboring leases or properties;

(8) to identify the ownership of oil or gas producing leases, properties, wells, tanks, refineries, pipelines, plants, structures, and all transportation equipment and facilities;

(9) to require the operation of wells with efficient gas-oil ratios and to fix such ratios;

(10) to fix the spacing of wells;

(11) to determine whether a particular well or pool is a gas or oil well, or a gas or oil pool, as the case may be, and from time to time to classify and reclassify wells and pools accordingly;

(12) to determine the limits of any pool or pools producing crude petroleum oil or natural gas or both, and from time to time redetermine such limits;

(13) to regulate the methods and devices employed for storage in this state of oil or natural gas or of any product thereof including subsurface storage;

(14) to permit the injection of natural gas or of any other substance into any pool in this state for the purpose of repressuring, cycling, pressure maintenance, secondary or any other enhanced recovery operation;

(15) to regulate the disposition of water produced or used in connection with the drilling for or producing of oil or gas, or both, and to direct surface or subsurface disposal of such water in a manner that will afford reasonable protection against contamination of fresh water supplies designated by the state engineer;

(16) to determine the limits of any area containing commercial potash deposits and from time to time redetermine such

limits;

(17) to regulate and where necessary prohibit drilling or producing operations for oil or gas within any area containing commercial deposits of potash where such operations would have the effect unduly to reduce the total quantity of such commercial deposits of potash which may reasonably be recovered in commercial quantities or where such operations would interfere unduly with the orderly commercial development of such potash deposits; or

(18) to spend the oil and gas reclamation fund and do all acts necessary and proper to plug dry and abandoned oil and gas wells in accordance with the provisions of the Oil and Gas Act and the Public Purchases Act including disposing of salvageable equipment and material removed from oil and gas wells being plugged by the state.

'65-3-11.1. ADDITIONAL POWERS OF COMMISSION OR DIVISION--HEARINGS BEFORE EXAMINER--HEARINGS DE NOVO.--In addition to the powers and authority, either express or implied, granted to the oil conservation commission or division by virtue of the statutes of the state of New Mexico, the division is hereby authorized and empowered in prescribing its rules or order or procedure in connection with hearings or other proceedings before the division to provide for the appointment of one or more examiners to be members of the staff of the division to conduct hearings with respect to matters properly coming before the division and to make reports and recommendations to the director of the division with respect thereto. Any member of the commission or the director of the division or his authorized representative may serve as an examiner as provided herein. The division shall promulgate rules and regulations with regard to hearings to be conducted before examiners and the powers and duties of the examiners in any particular case may be limited by order of the division to particular issues or to the performance of particular acts. In the absence of any limiting order, an examiner appointed to hear any particular case shall have the power to regulate all proceedings before him and to perform all acts and take all measures necessary or proper for the efficient and orderly conduct of such hearing, including the swearing of witnesses, receiving of testimony and exhibits offered in evidence subject to such objections as may be imposed, and shall cause a complete record of the proceeding to be made and transcribed and shall certify the same to the director of the division for consideration together with the report of the examiner and his recommendations in connection therewith. The director of the division shall base the decision rendered in any matter or proceeding heard by an examiner, upon the transcript of testimony and record made by or under the supervision of the examiner in connection with such proceeding, and such decision shall have the same force and effect as if said hearing had been conducted before the director of the division. When any matter or proceeding is referred to an examiner and a decision is rendered thereon, any party adversely affected shall have the right to have said matter heard de novo before the commission upon application filed with the division within thirty days from the time any such decision is rendered.

'65-3-11.2. BONDING REQUIREMENT.--

A. Each person, firm, corporation or association who operates any oil, gas or service well within the state shall, as a condition precedent to drilling or producing the well, furnish a surety bond to the oil conservation division running to the benefit of the state of New Mexico, conditioned that the well be plugged and abandoned in compliance with the rules and regulations of the oil conservation division. The oil conservation division shall establish categories of surety bonds after notice and hearing. Such categories shall include a blanket plugging bond in an amount not to exceed fifty thousand dollars ($50,000) and one-well plugging bonds in amounts determined sufficient to reasonably pay the cost of plugging the wells covered by each bond. In establishing categories of bonds, the

oil conservation division shall consider the depth of the well involved, the length of time since the well was produced, the cost of plugging similar wells and such other factors as the oil conservation division deems relevant. In addition to the blanket plugging bond, the oil conservation division may require a one-well bond on any well that has been held in a temporarily abandoned status for more than two years. All bonds shall remain in force and effect until released by the oil conservation division. The oil conservation division shall release a bond when it is satisfied the conditions thereof have been fully performed.

B. If any of the requirements of the Oil and Gas Act or the rules and regulations promulgated pursuant thereto have not been complied with, the division, after notice and hearing, may order any well plugged and abandoned by the operator or surety, or both, in accordance with division rules and regulations. If the order is not complied with, in the time period set out in the order, the surety bond shall be forfeited.

C. When any bond is forfeited pursuant to the provisions of the Oil and Gas Act or rules and regulations promulgated pursuant thereto, the director shall give notice to the attorney general who shall collect the forfeiture without delay.

D. All forfeitures shall be deposited in the state treasury in the oil and gas reclamation fund.

E. When the surety bond proves insufficient to cover the cost of plugging oil and gas wells on land other than federal land and funds must be expended from the oil and gas reclamation fund to meet the additional expenses, the oil conservation division is authorized to bring suit against the operator in the district court of the county in which the well is located for indemnification for all costs incurred by the oil conservation division in plugging the well. All funds collected pursuant to a judgment in a suit for indemnification brought under the provisions of this section shall be deposited in the oil and gas reclamation fund."

"65-3-12. ALLOCATION OF ALLOWABLE PRODUCTION AMONG FIELDS WHEN DIVISION LIMITS TOTAL AMOUNT OF PRODUCTION.--Whenever, to prevent waste, the division limits the total amount of crude petroleum oil to be produced in this state, it shall allocate or distribute the allowable productions among the fields of the state. Such allocation or distribution among the fields of the state shall be made on a reasonable basis, giving, if reasonable under all circumstances, to each pool with small wells of settled production, an allowable production which will prevent a general premature abandonment of the wells in the field.

65-3-13. ALLOCATION OF ALLOWABLE PRODUCTION IN FIELD OR POOL.--

A. Whenever, to prevent waste, the total allowable production of crude petroleum oil for any field or pool in the state is fixed by the division in an amount less than that which the field or pool could produce if no restriction were imposed, the division shall prorate or distribute the allowable production among the producers in the field or pool, upon a reasonable basis and recognizing correlative rights.

B. Crude petroleum oil produced within the allowable as fixed by the division shall herein be referred to as "legal oil" and crude petroleum oil produced in excess of such allowable shall be "illegal oil".

C. Whenever, to prevent waste, the total allowable natural gas production from gas wells producing from any pool in this state is fixed by the division in an amount less than that which the pool could produce if no restrictions were imposed, the division shall allocate the allowable production among the gas wells in the pool delivering to a gas transportation facility upon a reasonable basis

and recognizing correlative rights, and shall include in the proration schedule of such pool any well which it finds is being unreasonably discriminated against through denial of access to a gas transportation facility which is reasonably capable of handling the type of gas produced by such well. In protecting correlative rights the division may give equitable consideration to acreage, pressure, open flow, porosity, permeability, deliverability and quality of the gas and to such other pertinent factors as may from time to time exist, and in so far as is practicable, shall prevent drainage between producing tracts in a pool which is not equalized by counterdrainage. In allocating production pursuant to the provisions of this subsection, the division shall fix proration periods of not less than six months. It shall determine reasonable market demand and make allocations of production during each such period, upon notice and hearing, at least thirty days prior to the beginning of each proration period. In so far as is feasible and practicable, gas wells having an allowable in a pool shall be regularly produced in proportion to their allowables in effect for the current proration period. Without approval of the division or one of its duly authorized agents, no natural gas well or pool shall be allowed to produce natural gas in excess of the allowable assigned to such source during any proration period; provided, that during an emergency affecting a gas transportation facility a gas well or pool having high deliverability into such facility under prevailing conditions may produce and deliver in excess of its allowable for the period of emergency, not exceeding ten days, without penalty. The division may order subsequent changes in allowables for wells and pools to make fair and reasonable adjustment for overage resulting from the emergency. The provisions of this subsection shall not apply to any wells or pools used for storage and withdrawal from storage of natural gas originally produced not in violation of this act or the rules, regulations or orders of the division.

D. In fixing the allowable of a pool under Subsection C of this section, the division shall consider nominations of purchasers but shall not be bound thereby and shall so fix pool allowables as to prevent unreasonable discrimination between pools served by the same gas transportation facility by a purchaser purchasing in more than one pool.

E. Natural gas produced from gas wells within the allowable as determined as provided in Subsection C of this section shall herein be referred to as "legal gas", and natural gas produced in excess of such allowable shall be "illegal gas".

65-3-14. EQUITABLE ALLOCATION OF ALLOWABLE PRODUCTION--POOLING--SPACING.--

A. The rules, regulations or orders of the division shall, so far as it is practicable to do so, afford to the owner of each property in a pool the opportunity to produce his just and equitable share of the oil or gas, or both, in the pool, being an amount, so far as can be practically determined, and so far as such can be practicably obtained without waste, substantially in the proportion that the quantity of the recoverable oil or gas, or both, under such property bears to the total recoverable oil or gas, or both, in the pool, and for this purpose to use his just and equitable share of the reservoir energy.

B. The division may establish a proration unit for each pool, such being the area that can be efficiently and economically drained and developed by one well, and in so doing the division shall consider the economic loss caused by the drilling of unnecessary wells, the protection of correlative rights, including those of royalty owners, the prevention of waste, the avoidance of the augmentation of risks arising from the drilling of an excessive number of wells, and the prevention of reduced recovery which might result from the drilling of too few wells.

C. When two or more separately owned tracts of land are embraced within a spacing or proration unit, or where there are owners of royalty interests or undivided interests in oil and gas minerals which are separately owned or any combination thereof, embraced within such spacing or proration unit, the owner or owners thereof may validly pool their interests and develop their lands as a unit. Where, however, such owner or owners have not agreed to pool their interests, and where one such separate owner, or owners, who has the right to drill has drilled or proposes to drill a well on said unit to a common source of supply, the division, to avoid the drilling of unnecessary wells or to protect correlative rights, or to prevent waste, shall pool all or any part of such lands or interests or both in the spacing or proration unit as a unit.

All orders effecting such pooling shall be made after notice and hearing, and shall be upon such terms and conditions as are just and reasonable and will afford to the owner or owners of each tract or interest in the unit the opportunity to recover or receive without unnecessary expense his just and fair share of the oil or gas, or both. Each order shall describe the lands included in the unit designated thereby, identify the pool or pools to which it applies and designate an operator for the unit. All operations for the pooled oil or gas, or both, which are conducted on any portion of the unit shall be deemed for all purposes to have been conducted upon each tract within the unit by the owner or owners of such tract. For the purpose of determining the portions of production owned by the persons owning interests in the pooled oil or gas, or both, such production shall be allocated to the respective tracts within the unit in the proportion that the number of surface acres included within each tract bears to the number of surface acres included in the entire unit. The portion of the production allocated to the owner or owners of each tract or interest included in a well spacing or proration unit formed by a pooling order shall, when produced, be considered as if produced from the separately owned tract or interest by a well drilled thereon. Such pooling order or the division shall make definite provision as to any owner, or owners, who elects not to pay his proportionate share in advance for the prorata reimbursement solely out of production to the parties advancing the costs of the development and operation, which shall be limited to the actual expenditures required for such purpose not in excess of what are reasonable, but which shall include a reasonable charge for supervision and may include a charge for the risk involved in the drilling of such well, which charge for risk shall not exceed two hundred percent of the nonconsenting working interest owner's or owners' prorata share of the cost of drilling and completing the well.

In the event of any dispute relative to such costs, the division shall determine the proper costs after due notice to interested parties and a hearing thereon. The division is specifically authorized to provide that the owner or owners drilling, or paying for the drilling, or for the operation of a well for the benefit of all shall be entitled to all production from such well which would be received by the owner, or owners, for whose benefit the well was drilled or operated, after payment of royalty as provided in the lease, if any, applicable to each tract or interest, and obligations payable out of production, until the owner or owners drilling or operating the well or both have been paid the amount due under the terms of the pooling order or order settling such dispute. No part of the production or proceeds accruing to any owner or owners of a separate interest in such unit shall be applied toward the payment of any cost properly chargeable to any other interest in said unit.

If the interest of any owner or owners of any unleased mineral interest is pooled by virtue of this act, seven-eighths of such interest shall be considered as a working interest and one-eighth shall be considered a royalty interest, and he shall in all events be paid one-

eighth of all production from the unit and creditable to his interest.

D. Minimum allowable for some wells may be advisable from time to time, especially with respect to wells already drilled when this act takes effect, to the end that the production will repay reasonable lifting cost and thus prevent premature abandonment and resulting waste.

E. Whenever it appears that the owners in any pool have agreed upon a plan for the spacing of wells, or upon a plan or method of distribution of any allowable fixed by the division for the pool, or upon any other plan for the development or operation of such pool, which plan, in the judgment of the division, has the effect of preventing waste as prohibited by this act and is fair to the royalty owners in such pool, then such plan shall be adopted by the division with respect to such pool; however, the division, upon hearing and after notice, may subsequently modify any such plan to the extent necessary to prevent waste as prohibited by this act.

F. After the effective date of any rule, regulation or order fixing the allowable production, no person shall produce more than the allowable production applicable to him, his wells, leases or properties determined as in this act provided, and the allowable production shall be produced in accordance with the applicable rules, regulations or orders.

65-3-14.1. COURT MAY AUTHORIZE POOLING OR UNITIZATION BY FIDUCIARIES.

Repealed 1976

When an existing oil and gas lease upon property owned by a decedent at the time of his death, by a minor, or by an incompetent, does not authorize pooling or unitization thereof with other lands in the vicinity, the district court for the county in which any portion of the lands subject to said lease is situated can authorize the executor or administrator of the estate of the decedent, or the guardian of the minor or incompetent, to execute appropriate instruments authorizing or effectuating such pooling or unitization, or both, if the court finds it to be in the interest of the owners of such property.

65-3-14.2. PETITION OF FIDUCIARY FOR AUTHORITY TO EXECUTE INSTRUMENT - CONTENTS.

An executor, administrator or guardian desiring authorization to execute such instruments shall file a verified petition in the appropriate district court setting forth a description of the lease, the lands subject thereto and the reason that the proposed action is in the interest of the owners of the affected real estate. A copy of the instrument by which such pooling or unitization is proposed to be authorized or effectuated shall be attached to the petition.

65-3-14.3. NOTICE OF HEARING.

No notice of the hearing upon the petition shall be required; provided, however, that the court in its discretion may require such notice as it may direct to be given to affected parties.

65-3-14.4. COURT ORDER - EFFECT.

Upon entry of an order of the court authorizing execution of the proposed instrument in the form attached to the petition, or with such modification as the court may direct, and execution thereof by the executor, administrator or guardian, the interest in the property owned by the decedent at the time of death, or by the ward, shall be subject in all respects to the terms of said instrument and the executor, administrator or guardian, without further order of the court, shall be authorized to execute division orders, transfer orders, correction instruments, receipts and other instruments made necessary or desirable by the pooling or unitization so effected.

65-3-14.5. SPACING OR PRORATION UNIT WITH DIVIDED MINERAL OWNERSHIP.--

A. Whenever the operator of any oil or gas well shall dedicate lands comprising a standard spacing or proration unit to an oil or gas well, it shall be the obligation of the operator, if two or more separately owned tracts of land are embraced within the spacing or proration unit, or where there are owners of royalty interests or undivided interests in oil or gas minerals which are separately owned or any combination thereof, embraced within such spacing or proration unit, to obtain voluntary agreements pooling said lands or interests or an order of the division pooling said lands, which agreement or order shall be affective from the first production. Any division order that increases the size of a standard spacing or proration unit for a pool, or extends the boundaries of such a pool, shall require dedication of acreage to existing wells in the pool in accordance with the acreage dedication requirements for said pool, and all interests in the spacing or proration units that are dedicated to the affected wells shall share in production from the effective date of the said order.

B. Any operator failing to obtain voluntary pooling agreements, or failing to apply for an order of the division pooling the lands dedicated to the spacing or proration unit as required by this section, shall nevertheless be liable to account to and pay each owner of minerals or leasehold interest, including owners of overriding royalty interests and other payments out of production, either the amount to which each interest would be entitled if pooling had occurred or the amount to which each interest is entitled in the absence of pooling, whichever is greater.

C. Nonstandard spacing or proration units may be established by the division and all mineral and leasehold interests in any such nonstandard unit shall share in production from that unit from the date of the order establishing the said nonstandard unit.

65-3-15. COMMON PURCHASERS--DISCRIMINATION IN PURCHASING PROHIBITED.--

A. Every person now engaged or hereafter engaging in the business of purchasing oil to be transported through pipelines, shall be a common purchaser thereof, and shall without discrimination in favor of one producer as against another in the same field, purchase all oil tendered to it which has been lawfully produced in the vicinity of, or which may be reasonably reached by pipelines through which it is transporting oil, or the gathering branches thereof, or which may be delivered to the pipeline or gathering branches thereof by truck or otherwise, and shall fully perform all the duties of a common purchaser. If any common purchaser shall not have need for all such oil lawfully produced within a field, or if for any reason it shall be unable to purchase all such oil, then it shall purchase from each producer in a field ratably, taking and purchasing the same quantity of oil from each well to the extent that each well is capable of producing its ratable portions; provided however, nothing herein contained shall be construed to require more than one pipeline connection for each producing well. In the event any such common purchaser of oil is likewise a producer or is affiliated with a producer, directly or indirectly, it is hereby expressly prohibited from discriminating in favor of its own production or in favor of the production of an affiliated producer as against that of others and the oil produced by such common purchaser or by the affiliate of such common purchaser shall be treated as that of any other producer for the purposes of ratable taking.

B. It shall be unlawful for any common purchaser to unjustly or unreasonably discriminate as to the relative quantities of oil purchased by it in the various fields of the state; the question of the justice or reasonableness to be determined by the division, taking into consideration the production and age of wells in the respective fields and all other factors. It is the intent of this act that all fields shall be allowed to produce and market a just and equitable share of the oil produced and marketed in the state, in so far as the same can be effected economically and without waste.

C. It shall be the duty of the division to enforce the provisions of this act, and it shall have the power, after notice and hearing as provided in Section 65-3-20 NMSA 1953, to make rules, regulations and orders defining the distance that extension of the pipeline system shall be made to all wells not served; provided that no such authorization or order shall be made unless the division finds as to such extension that it is reasonably required and economically justified, or as to such extension of facilities that the expenditures involved therein, and the expense incident thereto, is justified in relation to the volume of oil available for transportation through said extension; and such other rules, regulations and orders as may be necessary to carry out the provisions of this act, and in making such rules, regulations and orders, the division shall give due consideration to the economic factors involved. The division shall have authority to relieve such common purchaser, after due notice and hear-

ing as herein provided, from the duty of purchasing crude petroleum oil of inferior quality or grade or that is not reasonably suitable for the requirements of such common purchaser.

D. Any person now or hereafter engaged in purchasing from one or more producers gas produced from gas wells shall be a common purchaser thereof within each common source of supply from which it purchases, and as such it shall purchase gas lawfully produced from gas wells with which its gas transportation facilities are connected in the pool and other gas lawfully produced within the pool and tendered to a point on its gas transportation facilities. Such purchases shall be made without unreasonable discrimination in favor of one producer against another in the price paid, the quantities purchased, the bases of measurement or the gas transportation facilities afforded for gas of like quantity, quality and pressure available from such wells. In the event any such person is likewise a producer, he is prohibited to the same extent from discriminating in favor of himself on production from gas wells in which he has an interest, direct or indirect, as against other production from gas wells in the same pool. For the purposes of this act reasonable differences in prices paid or facilities afforded, or both, shall not constitute unreasonable discrimination if such differences bear a fair relationship to differences in quality, quantity or pressure of the gas available or to the relative lengths of time during which such gas will be available to the purchaser. The provisions of this subsection shall not apply:

(1) to any wells or pools used for storage and withdrawal from storage of natural gas originally produced not in violation of this act or of the rules, regulations or orders of the division;

(2) to purchases of casing-head gas from oil wells; and

(3) to persons purchasing gas principally for use in the recovery or production of oil or gas.

E. Any common purchaser taking gas produced from gas wells from a common source of supply shall take ratably under such rules, regulations and orders, concerning quantity, as may be promulgated by the division consistent with this act. The division, in promulgating such rules, regulations and orders may consider the quality and the deliverability of the gas, the pressure of the gas at the point of delivery, acreage attributable to the well, market requirements in the case of unprorated pools, and other pertinent factors.

F. Nothing in this act shall be construed or applied to require, directly or indirectly, any person to purchase gas of a quality or under a pressure or under any other condition by reason of which such gas cannot be economically and satisfactorily used by such purchaser by means of his gas transportation facilities then in service.

65-3-17. PENALTY FOR VIOLATIONS.--Any person who violates any provision of this act or any rules, regulation or order of the commission or the division made pursuant to this act shall, upon conviction, be fined not more than one thousand dollars ($1,000) for each violation. Each day during which said violation is continued shall be considered a separate and complete offense for this purpose.

65-3-18. PURCHASE, SALE OR HANDLING OF EXCESS OIL, NATURAL GAS OR PRODUCTS PROHIBITED.--

A. The sale or purchase or acquisition, or the transportation, refining, processing, or handling in any other way, of crude petroleum oil or natural gas in whole or in part produced in excess of the amount allowed by any statute of this state, or by any provision of this act, or by any rule, regulation or order of the commission or division made thereunder, is hereby prohibited, and such oil or commodity is hereby referred to as "illegal oil" or "illegal gas", as the case may be.

B. The sale or purchase or acquisition, or the transportation, refining, processing or the handling in any other way, of any

product of crude petroleum or any product of , which product is derived in whole or in part from crude petroleum oil or natural gas produced in whole or in part in excess of the amount allowed by any statute of this state, or by any provisions of this act, or by any rule, regulation or order of the commission or division made thereunder, is hereby prohibited, and each such commodity or product is herein referred to as "illegal oil product" to distinguish it from "legal oil product", or "illegal gas product" to distinguish it from "legal gas product".

65-3-19. RULES AND REGULATIONS TO EFFECTUATE PROHIBITIONS AGAINST PURCHASE OR HANDLING OF EXCESS OIL OR NATURAL GAS--PENALTIES.--

A. The division is specifically authorized and directed to make such rules, regulations and orders, and may provide for such certificates of clearance or tenders, as may be necessary to make effective the prohibitions contained in Section 65-3-18 NMSA 1953.

B. Unless and until the division provides for certificates of clearance or tenders, or some other method, so that any person may have an opportunity to determine whether any contemplated transaction of sale or purchase or acquisition, or of transportation, refining, processing, or handling in any other way, involves illegal oil or illegal oil product, or illegal gas or illegal gas product, no penalty shall be imposed for the sale or purchase or acquisition, or the transportation, refining, processing, or handling in any other way, of illegal oil or illegal oil product, or illegal gas or illegal gas product, except under circumstances stated in the succeeding provisions of this paragraph. Penalties shall be imposed for the commission of each transaction prohibited in Section 65-3-18 NMSA 1953 when the person committing the same knows that illegal oil or illegal oil product, or illegal gas or illegal gas product, is involved in such transaction, or when such person could have known or determined such fact by the exercise of reasonable diligence or from facts within his knowledge. However, regardless of lack of actual notice or knowledge, penalties as provided in this act shall apply to any sale or purchase or acquistion, and to the transportation, refining, processing, or handling in any other way, of illegal oil or illegal oil product, or illegal gas or illegal gas product where administrative provision is made for identifying the character of the commodity as to its legality. It shall likewise be a violation for which penalties shall be imposed for any person to sell or purchase or acquire, or to transport, refine, process, or handle in any way any crude petroleum oil or natural gas or any product thereof without complying with the rule, regulation or order of the commission or division relating thereto.

65-3-20. HEARINGS ON RULES, REGULATIONS AND ORDERS--NOTICE--EMERGENCY RULES.--Except as provided for herein, before any rule, regulation or order, including revocation, change, renewal or extension thereof, shall be made under the provisions of this act, a public hearing shall be held at such time, place and manner as may be prescribed by the division. The division shall first give reasonable notice of such hearing (in no case less than ten days, except in an emergency) and at any such hearing any person having an interest in the subject matter of the hearing shall be entitled to be heard. In case an emergency is found to exist by the division which in its judgment requires the making of a rule, regulation or order without first having a hearing, such emergency rule, regulation or order shall have the same validity as if a hearing with respect to the same had been held after due notice. The emergency rule, regulation or order permitted by this section shall remain in force no longer than fifteen days from its effective date, and, in any event, it shall expire when the rule, regulation or order made after due notice and hearing with respect to the subject matter of such emergency rule, regulation or order becomes effective.

"65-3-21. REPORTS OF GOVERNMENTAL DEPARTMENTS OR AGENCIES AS TO MARKET DEMAND TO BE DEEMED PRIMA FACIE CORRECT.--The reports, estimates, findings of fact, or similar documents or findings of the United States bureau of mines, or of any other department or agency of the United States government, or of any bureau or agency under an interstate compact to which the state of New Mexico is a party made with respect to the reasonable market demand for crude petroleum oil, may be considered by the division or by any court and taken as being prima facie correct.

65-3-22. REHEARINGS - APPEALS.

(a) Within twenty (20) days after entry of any order or decision of the Commission, any person affected thereby may file with the Commission an application for rehearing in respect of any matter determined by such order or decision, setting forth the respect in which such order or decision is believed to be erroneous. The Commission shall grant or refuse any such application in whole or in part within ten (10) days after the same is filed and failure to act thereon within such period shall be deemed a refusal thereof and a final disposition of such application. In the event the rehearing is granted, the Commission may enter such new order or decision after rehearing as may be required under the circumstances.

(b) Any party to such rehearing proceeding, dissatisfied with the disposition of the application for rehearing, may appeal therefrom to the District Court of the county wherein is located any property of such party affected by the decision, by filing a petition for the review of the action of the Commission within twenty (20) days after the entry of the order following rehearing or after the refusal or rehearing as the case may be. Such petition shall state briefly the nature of the proceedings before the Commission and shall set forth the order or decision of the Commission complained of and the grounds of invalidity thereof upon which the applicant will rely; provided, however, that the questions reviewed on appeal shall be only questions presented to the Commission by the application for rehearing. Notice of such appeal shall be served upon the adverse party or parties and the Commission in the manner provided for the service of summons in civil proceedings. The trial upon appeal shall be de novo, without a jury, and the transcript of proceedings before the Commission, including the evidence taken in hearings by the Commission, shall be received in evidence by the court in whole or in part upon offer by either party, subject to legal objections to evidence, in the same manner as if such evidence was originally offered in the District Court. The Commission action complained of shall be prima facie valid and the burden shall be upon the party or parties seeking review to establish the invalidity of such action of the Commission. The Court shall determine the issues of fact and of law and shall, upon a preponderance of the evidence introduced before the Court, which may include evidence in addition to the transcript of proceedings before the Commission, and the law applicable thereto, enter its order either affirming, modifying, or vacating the order of the Commission. In the event the Court shall modify or vacate the order or decision of the Commission, it shall enter such order in lieu thereof as it may determine to be proper. Appeals may be taken from the judgment or decision of the District Court to the Supreme Court in the same manner as provided for appeals from any other final judgment entered by a District Court in this State. The trial of such application for relief from action of the Commission and the hearing of any appeal to the Supreme Court from the action of the District Court shall be expedited to the fullest possible extent.

(c) The pendency of proceedings to review shall not of itself stay or suspend operation of the order or decision being reviewed, but during the pendency of such proceedings, the District Court in its discretion may, upon its own motion or upon proper application of any party thereto, stay or suspend, in whole or in part, operation of said order or decision pending review thereof, on such terms as the court deems just and proper and in accordance with the practice of courts exercising equity jurisdiction; provided, that the court, as a condition to any such staying or suspension of operation of any order or decision, may require that one or more parties secure, in such form and amount as the court may deem just and proper, one or more other parties against loss or damage due to the staying or suspension of the Commission's order or decision, in the event that the action of the Commission shall be affirmed.

(d) The applicable rules of practice and procedure in civil cases for the courts of this state shall govern the proceedings for review, and any appeal therefrom to the Supreme Court of this state, to the extent such rules are consistent with provisions of this act.

65-3-22.1. REVIEW OF OIL CONSERVATION COMMISSION DECISION--APPEALS.--

The secretary of energy and minerals department may hold a public hearing to determine whether an order or decision issued by the oil conservation commission contravenes the department's statewide plan or the public interest. The hearing shall be held within twenty days after the entry of the commission order or decision following a rehearing or after the order refusing a rehearing as the case may be. The hearing shall be a de novo proceeding and the secretary shall enter such order or decision as may be required under the circumstances, having due regard for the conservation of the state's oil, gas and mineral resources, and the commission shall modify its own order or decision to comply therewith. If a rehearing before the commission was granted, the record of the rehearing shall be made part of the record of the hearing before the secretary. If the application for rehearing was denied, the record of the hearing before the commission or the division shall be made part of the

record of the hearing before the secretary. Such orders and decisions of the secretary may be appealed by any party to the original hearing or the rehearing before the commission, or by any party to the hearing before the secretary held pursuant to this section, in accordance with the procedure of Subsections (b), (c) and (d) of Section 65-3-22 NMSA 1953 except that the appeal shall not be a de novo proceeding and shall be limited to a review of the record of the hearing held pursuant to the provisions of this section.'

65-3-23. TEMPORARY RESTRAINING ORDER OR INJUCTION--GROUNDS--HEARING--BOND.--

A. No temporary restraining order or injunction of any kind shall be granted against the commission or the members thereof, or against the attorney general, or against any agent, employee or representative of the division, restraining the commission, or any of its members, or the division or any of its agents, employees or representatives, or the attorney general, from enforcing any statute of this state relating to conservation of oil or gas, or any of the provisions of this act, or any rule, regulation or order made thereunder, except after due notice to the director of the division, and to all other defendants, and after a hearing at which it shall be clearly shown to the court that the act done or threatened is without sanction of law, or that the provision of this act, or the rule, regulation or order complained of, is invalid, and that, if enforced against the complaining party, will cause an irreparable injury. With respect to an order to decree granting temporary injunctive relief, the nature and extent of the probable invalidity of the state, or of any provision of this act, or of any rule, regulation or order thereunder involved in such suit, must be recited in the order or decree granting the temporary relief, as well as a clear statement of the probable damage relied upon by the court as justifying temporary injunctive relief.

B. No temporary injunction of any kind, including a temporary restraining order against the commission or the members thereof, or the division or its agents, employees or representatives, or the attorney general, shall become effective until the plaintiff shall execute a bond to the state with sufficient surety in an amount to be fixed by the court reasonably sufficient to indemnify all persons who may suffer damage by reason of the violation pendente lite by the complaining party of the statute or the provisions of this act or of any rule, regulation or order complained of. Any person so suffering damage may bring suit thereon before the expiration of six months after the statute, provision, rule, regulation or order complained of shall be finally held to be valid, in whole or in part, or such suit against the commission, or the members thereof, or the division, shall be finally dismissed. Such bond shall be approved by the judge of the court in which the suit is pending, and shall be for the use and benefit of all persons who may suffer damage by reason of the violation pendente lite of the statute, provision, rule, regulation or order complained of in such suit, and who may bring suit within the time prescribed by this section; and such bond shall be so conditioned. From time to time, on motion and with notice to the parties, the court may increase or decrease the amount of the bond and may require new or additional sureties, as the facts may warrant.

65-3-24. ACTIONS FOR VIOLATIONS.--Whenever it shall appear that any person is violating, or threatening to violate, any statute of this state with respect to the conservation of oil or gas, or both, or any provision of this act, or any rule, regulation or order made thereunder, the division through the attorney general shall bring suit against such person in the county of the residence of the defendant, or in the county of the residence of any defendant if there be more than one defendant, or in the county where the violation is alleged to have occurred, for penalties, if any are applicable, and to re-

strain such person from continuing such violation or from carrying out the threat of violation. In such suit the division may obtain injunctions, prohibitory and mandatory, including temporary restraining orders and temporary injunctions, as the facts may warrant, including, when appropriate, an injunction restraining any person from moving or disposing of illegal oil or illegal oil product, or illegal gas or illegal gas product, and any or all such commodities, or funds derived from the sale thereof, may be ordered to be impounded or placed under the control of an agent appointed by the court if, in the judgment of the court, such action is advisable.

65-3-25. ACTIONS FOR DAMAGES—INSTITUTION OF ACTIONS FOR INJUNCTIONS BY PRIVATE PARTIES.--Nothing in this act contained or authorized, and no suit by or against the commission or the division, and no penalties imposed or claimed against any person for violating any statute of this state with respect to conservation of oil and gas, or any provision of this act, or any rule, regulation or order issued thereunder, shall impair or abridge or delay any cause of action for damages which any person may have or assert against any person violating any statute of this state with respect to conservation of oil and gas, or any provision of this act, or any rule, regulation or order issued thereunder. Any person so damaged by the violation may sue for and recover such damages as he may be entitled to receive. In the event the division should fail to bring suit to enjoin any actual or threatened violation of any statute of this state with respect to the conservation of oil and gas, or of any provision of this act, or of any rule, regulation or order made thereunder, then any person or party in interest adversely affected by such violation, and who has notified the division in writing of such violation or threat thereof and has requested the division to sue, may, to prevent any or further violation, bring suit for that purpose in the district court of any county in which the division could have brought suit. If, in such suit, the court holds that injunctive relief should be granted, then the division shall be made a party and shall be substituted for the person who brought the suit, and the injunction shall be issued as if the division had at all times been the complaining party.

65-3-26. VIOLATION OF COURT ORDER GROUNDS FOR APPOINTMENT OF RECEIVER.

The violation by any person of an order of the court relating to the operation of a well or wells, or of a pipeline or other transportation, equipment or facility, or of a refinery, or of a plant of any kind, shall be sufficient ground for the appointment of a receiver with power to conduct operations in accordance with the order of the court.

65-3-27. PENALTIES FOR VIOLATIONS--ACCESSORIES.--

A. Any person who, for the purpose of evading this act, or of evading any rule, regulation or order made hereunder, shall knowingly and willfully make or cause to be made any false entry or statement of fact in any report required to be made by this act or by any rule, regulation or order made hereunder; or who, for such purpose, shall make or cause to be made any false entry in any account, record or memorandum kept by any person in connection with the provisions of this act or of any rule, regulation or order made thereunder; or who, for such purpose, shall omit to make, or cause to be omitted, full, true and correct entries in such accounts, records or memoranda, of all facts and transactions pertaining to the interest of activities in the petroleum industry of such person as may be required by the commission or division under authority given to this act or by any rule, regulation or order made hereunder; or who, for such purpose, shall remove out of the jurisdiction of the state, or who shall mutilate, alter, or by any other means falsify, any book, record, or other

paper pertaining to the transactions regulated by this act or by any rule, regulation or order made hereunder; shall be deemed guilty of a felony and shall be subject, upon conviction in any court of competent jurisdiction, to a fine of not more than one thousand dollars ($1,000), or imprisonment for a term of not more than three years, or to both such fine and imprisonment.

B. Any person who knowingly and willfully violates any provision of this act or any rule, regulation or order of the commission or division made hereunder, shall, in the event a penalty for such violation is not otherwise provided for herein be subject to a penalty of not to exceed one thousand dollars ($1,000) a day for each and every day of such violation, and for each and every act of violation, such penalty to be recovered in a suit in the district court of the county where the defendant resides, or in the county of the residance of any defendant if there be more than one defendant, or in the district court of the county where the violation took place. The place of suit shall be selected by the division, and such suit, by direction of the division, shall be instituted and conducted in the name of the division by the attorney general or under his direction by the district attorney of the county where the suit is instituted. The payment of any penalty as provided for herein shall not have the effect of changing illegal oil or illegal gas product into legal oil or legal gas product, nor shall such payment have the effect of authorizing the sale or purchase or acquisition, or the transportation, refining, processing, or handling in any other way, of such illegal oil or illegal gas, or illegal oil or illegal gas product, but to the contrary penalty shall be imposed for each prohibited transaction relating to such illegal oil or illegal gas or illegal oil or illegal gas product.

C. Any person knowingly and willfully aiding or abetting any other person in the violation of any statute of this state relating to the conservation of oil and gas, or the violation of any provision of this act, or any rule, regulation or order made thereunder, shall be subject to the same penalties as are prescribed herein for the violation by such other person.

65-3-28. SEIZURE AND SALE OF ILLEGAL OIL OR GAS OR PRODUCTS--PROCEDURE.--

A. Apart from, and in addition to, any other remedy or procedure which may be available to the commission or the division, or any penalty which may be sought against or imposed upon any person, with respect to violations relating to illegal oil or illegal gas or illegal products thereof, all such oil or gas or products thereof shall, except under such circumstances as are stated herein, be contraband and shall be seized and sold, and the proceeds applied as herein provided. The sale shall not take place unless the court finds in the proceeding provided in this section that the owner of such illegal oil or illegal gas or product thereof is liable, or in some proceeding authorized by Sections 65-3-1 through 65-3-34 NMSA 1953, such owner has already been held to be liable, for penalty for having produced the illegal oil or illegal gas, or for having purchased or acquired the illegal oil or illegal gas or product thereof. Whenever the division believes that illegal oil or illegal gas or product thereof is subject to seizure and sale, as provided herein, it shall, through the attorney general, bring a civil action in rem for that purpose in the district court of the county where the

commodity is found, or the action may be maintained in connection with any suit or cross-action for injunction or for penalty relating to any prohibited transaction involving the illegal oil or illegal gas or product thereof. Notice of the action in rem shall be given in conformity with the law or rule applicable to such proceeding. Any person or party in interest who may show himself to be adversely affected by any such seizure and sale shall have the right to intervene in the suit to protect his rights.

B. Whenever the pleading with respect to the forfeiture of illegal oil or illegal gas or product thereof shows ground for seizure and sale, and the pleading is verified or is supported by affidavit or affidavits, or by testimony under oath, the court shall order such commodity to be impounded or placed under the control, actual or constructive, of the court through an agent appointed by the court.

C. The judgment affecting the forfeiture shall provide that the commodity be seized, if not already under the control of the court, and that a sale be had in similar manner and with similar notice as provided by law or rule with respect to the sale of personal property under execution; provided, however, the court may order that the commodity be sold in specified lots or portions, and at specified intervals, instead of being sold at one time. Title to the amount sold shall pass as of the date of the seizure. The judgment shall provide for payment of the proceeds of the sale into the common school fund, after first deducting the costs in connection with the proceedings and the sale. The amount sold shall be treated as legal oil or legal gas or product thereof, as the case may be, in the hands of the purchaser, but the purchaser and the commodity shall be subject to all applicable laws and rules, regulations and orders with respect to further sale or purchase or acquisition, and with respect to the transportation, refining, processing, or handling in any other way, of the commodity purchased.

D. Nothing in this section shall deny or abridge any cause of action a royalty owner, or any lien holder, or any other claimant, may have, because of the forfeiture of the illegal oil or illegal gas or product thereof, against the person whose act resulted in such forfeiture.

65-3-29. DEFINITIONS OF WORDS USED IN ACT.

Unless the context otherwise requires, the words defined in this section shall have the following meaning when found in this act, to-wit:

A. "Person" means any natural person, corporation, association, partnership, receiver, trustee, guardian, executor, administrator and a fiduciary of any kind.

B. "Pool" means an underground reservoir containing a common accumulation of crude petroleum oil or natural gas or both. Each zone of a general structure, which zone is completely separate from any other zone in the structure, is covered by the word "pool" as used herein. "Pool" is synonymous with "common source of supply" and with "common reservoir."

C. "Field" means the general area which is underlaid or appears to be underlaid by at least one (1) pool; and "field" also includes the underground reservoir or reservoirs containing such crude petroleum oil or natural gas, or both. The words "field" and "pool" mean the same thing when only one (1) underground reservoir is involved; however, "field" unlike "pool" may relate to two (2) or more pools.

D. "Product" means any commodity or thing made or manufactured from crude petroleum oil or natural gas, and all derivatives of crude petroleum oil or natural gas, including refined crude oil, crude tops, topped crude, processed crude petroleum, residue from crude petroleum, cracking stock, uncracked fuel oil, treated crude oil, fuel oil, residuum, gas oil, naphtha, distillate, gasoline, kerosene, benzine, wash oil, waste oil, lubricating oil, and blends or mixtures of crude petroleum oil or natural gas or any derivative thereof.

E. "Owner" means the person who has the right to drill into and to produce from any pool, and to appropriate the production either for himself or for himself and another.

F. "Producer" means the owner of well or wells capable of producing oil or natural gas or both in paying quantities.

G. "Gas transportation facility" means a pipeline in operation serving gas wells for the transportation of natural gas, or some other device or equipment in like operation whereby natural gas produced from gas wells connected therewith can be transported or used for consumption.

H. "Correlative rights" means the opportunity afforded, so far as it is practicable to do so, to the owner of each property in a pool to produce without waste his just and equitable share of the oil or gas, or both, in the pool, being an amount, so far as can be practicably determined, and so far as can be practicably obtained without waste, substantially in the proportion that the quantity of recoverable oil or gas, or both, under such property

bears to the total recoverable oil or gas, or both, in the pool, and for such purpose to use his just and equitable share of the reservoir energy.

I. "Potash" means the naturally occurring bedded deposits of the salts of the element potassium.

65-3-31. REGULATION, CONSERVATION AND PREVENTION OF WASTE OF CARBON DIOXIDE GAS.--

A. The oil conservation division is hereby vested with the authority and duty of regulation and conserving the production of and preventing waste of carbon dioxide gas within this state in the same manner, insofar as is practicable as it regulates, conserves and prevents waste of natural or hydrocarbon gas. The provisions of this act relating to gas or natural gas shall also apply to carbon dioxide gas insofar as the same are applicable. "Carbon dioxide gas" as used herein shall mean non-combustible gas composed chiefly of carbon dioxide occurring naturally in underground rocks.

B. The commission shall have concurrent jurisdiction and authority with the division to the extent necessary for the commission to perform its duties as required by law.

"65-3-35. LEGAL REPRESENTATION BEFORE THE FEDERAL POWER COMMISSION --There may be a special assistant attorney general employed by the energy and minerals department who shall represent the interests of this state before the federal power commission. In addition this attorney shall work closely with other agencies having responsibilities relating to oil and gas matters and shall carry out such additional responsibilities as are delegated to him by the energy and minerals department. All costs incurred in employing such counsel shall be paid out of the oil conservation fund in accordance with provisions of the State Budgets Act.

65-3-36 REMOVING OR ALTERING MARKS OF IDENTIFICATION--PENALTY.--

A. No person shall remove, alter, or attempt to remove or alter, any serial number, brand name, trade mark or any other mark of identification from any tool or any other item of construction or oilfield equipment by grinding, filing, welding or any other method with the intent to deprive its lawful owner of positive identification.

B. Any person who violates the provisions of this section is guilty of a misdemeanor and, upon conviction, shall be fined not more than one thousand dollars ($1,000) or imprisoned for a definite term of not more than one year or both.

65-3-37. OIL AND GAS RECLAMATION FUND CREATED--DISPOSITION OF FUND.--There is hereby created the "oil and gas reclamation fund". All funds in the oil and gas reclamation fund and the earnings therefrom are appropriated to the energy and minerals department for use by the oil conservation division in carrying out the provisions of the Oil and Gas Act.

65-3-38. OIL AND GAS RECLAMATION FUND ADMINISTERED--PLUGGING WELLS ON FEDERAL LAND--RIGHT OF INDEMNIFICATION--ANNUAL REPORT--CONTRACTORS SELLING EQUIPMENT FOR SALVAGE.--

A. The oil and gas reclamation fund shall be administered by the oil conservation division. The director of the division shall cause to be prepared plans for the plugging of abandoned wells which have not been plugged or which have been improperly plugged. The director, as funds become available in the oil and gas reclamation fund, shall reclaim, and properly plug, all abandoned wells in ac-

commodity is found, or the action may be maintained in connection with any suit or cross-action for injunction or for penalty relating to any prohibited transaction involving the illegal oil or illegal gas or product thereof. Notice of the action in rem shall be given in conformity with the law or rule applicable to such proceeding. Any person or party in interest who may show himself to be adversely affected by any such seizure and sale shall have the right to intervene in the suit to protect his rights.

B. Whenever the pleading with respect to the forfeiture of illegal oil or illegal gas or product thereof shows ground for seizure and sale, and the pleading is verified or is supported by affidavit or affidavits, or by testimony under oath, the court shall order such commodity to be impounded or placed under the control, actual or constructive, of the court through an agent appointed by the court.

C. The judgment affecting the forfeiture shall provide that the commodity be seized, if not already under the control of the court, and that a sale be had in similar manner and with similar notice as provided by law or rule with respect to the sale of personal property under execution; provided, however, the court may order that the commodity be sold in specified lots or portions, and at specified intervals, instead of being sold at one time. Title to the amount sold shall pass as of the date of the seizure. The judgment shall provide for payment of the proceeds of the sale into the common school fund, after first deducting the costs in connection with the proceedings and the sale. The amount sold shall be treated as legal oil or legal gas or product thereof, as the case may be, in the hands of the purchaser, but the purchaser and the commodity shall be subject to all applicable laws and rules, regulations and orders with respect to further sale or purchase or acquisition, and with respect to the transportation, refining, processing, or handling in any other way, of the commodity purchased.

D. Nothing in this section shall deny or abridge any cause of action a royalty owner, or any lien holder, or any other claimant, may have, because of the forfeiture of the illegal oil or illegal gas or product thereof, against the person whose act resulted in such forfeiture.

65-3-29. DEFINITIONS OF WORDS USED IN ACT.

Unless the context otherwise requires, the words defined in this section shall have the following meaning when found in this act, to-wit:

A. "Person" means any natural person, corporation, association, partnership, receiver, trustee, guardian, executor, administrator and a fiduciary of any kind.

B. "Pool" means an underground reservoir containing a common accumulation of crude petroleum oil or natural gas or both. Each zone of a general structure, which zone is completely separate from any other zone in the structure, is covered by the word "pool" as used herein. "Pool" is synonymous with "common source of supply" and with "common reservoir."

C. "Field" means the general area which is underlaid or appears to be underlaid by at least one (1) pool; and "field" also includes the underground reservoir or reservoirs containing such crude petroleum oil or natural gas, or both. The words "field" and "pool" mean the same thing when only one (1) underground reservoir is involved; however, "field" unlike "pool" may relate to two (2) or more pools.

D. "Product" means any commodity or thing made or manufactured from crude petroleum oil or natural gas, and all derivatives of crude petroleum oil or natural gas, including refined crude oil, crude tops, topped crude, processed crude petroleum, residue from crude petroleum, cracking stock, uncracked fuel oil, treated crude oil, fuel oil, residuum, gas oil, naphtha, distillate, gasoline, kerosene, benzine, wash oil, waste oil, lubricating oil, and blends or mixtures of crude petroleum oil or natural gas or any derivative thereof.

E. "Owner" means the person who has the right to drill into and to produce from any pool, and to appropriate the production either for himself or for himself and another.

F. "Producer" means the owner of well or wells capable of producing oil or natural gas or both in paying quantities.

G. "Gas transportation facility" means a pipeline in operation serving gas wells for the transportation of natural gas, or some other device or equipment in like operation whereby natural gas produced from gas wells connected therewith can be transported or used for consumption.

H. "Correlative rights" means the opportunity afforded, so far as it is practicable to do so, to the owner of each property in a pool to produce without waste his just and equitable share of the oil or gas, or both, in the pool, being an amount, so far as can be practicably determined, and so far as can be practicably obtained without waste, substantially in the proportion that the quantity of recoverable oil or gas, or both, under such property

cordance with the provisions of the Oil and Gas Act, and the rules and regulations promulgated thereunder. The division may order wells plugged on federal lands on which there are no bonds running to the benefit of the state in the same manner and in accordance with the same procedures as with wells drilled on state and fee land, including utilizing funds from the oil and gas reclamation fund to pay the cost of such plugging. When the costs of plugging a well drilled on federal mineral leases are paid from the oil and gas reclamation fund, the division is authorized to bring a suit against the operator or the owner of the minerals under the tract, or both, in the district court of the county in which the well is located for indemnification for all costs incurred by the division in plugging said well. Any funds collected pursuant to a judgment in a suit for indemnification brought under the Oil and Gas Act shall be deposited in the oil and gas reclamation fund.

B. The director shall make an annual report to the secretary of energy and minerals, the governor and the legislature on the use of the oil and gas reclamation fund.

C. All contracts for well plugging shall be entered into in accordance with the provisions of the Public Purchases Act. Any contractor employed by the division to plug a well is authorized to sell for salvage the equipment and material which is removed from the well in plugging it.

65-9-1. **PUBLIC INTEREST AND WELFARE.**

The underground storage of natural gas which promotes conservation thereof, which permits the building of reserves for orderly withdrawal in periods of peak demand, which makes more readily available our natural gas resources to the domestic, commercial and industrial consumers of this state, and which provides a better year-round market to the various gas fields, is hereby declared to be in the public interest and welfare of this state and the citizens hereof.

65-9-2. DEFINITIONS.--As used in this act:

A. "underground storage" shall mean storage of natural gas in a subsurface stratum or formation of the earth;

B. "natural gas" shall mean natural gas either while in its original state after withdrawal from the earth or after the same has been processed by removal therefrom of component parts not essential to its use for light and fuel;

C. "native gas" shall mean gas which has not been previously withdrawn from the earth;

D. "division" shall mean the oil conservation division of the energy and minerals department;

E. "commission" shall mean the oil conservation commission;

F. "natural gas company" shall mean any person, firm or corporation engaged in the distribution, sale or furnishing of natural gas to or for the public subject to regulation by the public service commission under the Public Utility Act, or any person, firm or corporation engaged in the business of transporting natural gas, subject to regulation by the federal power commission under the Natural Gas Act; and

G. "public body" shall mean the state of New Mexico or any department, board, commission, bureau, institution, public agency, county or political subdivision thereof including bodies corporate, bodies politic, municipal corporations, school districts, conservancy districts and quasi-municipal corporations of all kinds.

65-9-3. **ACQUISITION OF LANDS FOR PURPOSES OF UNDERGROUND NATURAL GAS STORAGE - LANDS CONTROLLED BY PUBLIC BODY, EXECUTOR, ADMINISTRATOR, GUARDIAN, RECEIVER, OR TRUSTEE.**

Any natural gas company desiring to make use of a formation or stratum as a reservoir for the underground storage of natural gas shall attempt to acquire by option, lease, conveyance or other negotiated means, such formation or stratum prior to resorting to the exercise of the power of eminent domain as hereinafter granted. Any public body and any executor, administrator, guardian, receiver or trustee shall be authorized to grant to any such natural gas company rights for underground storage of natural gas in lands subject to its or his control in the same manner as provided by law for entering into oil and gas leases, or if any such public body, executor, administrator, guardian, receiver, or trustee shall not be

[illegible] leases, in the manner provided by law [illegible] by such public body, executor, administrator, guardian, receiver, or trustee of interests in land, or if any such public body, executor, administrator, guardian, receiver, or trustee shall not be specifically authorized by law to make oil and gas leases or leases for interests in land, then in the manner provided by law for the sale by such public body, executor, administrator, guardian, receiver, or trustee of interests in land.

65-9-4. APPROPRIATION OF UNDERGROUND STORAGE FACILITIES--LIMITATIONS.--By eminent domain proceedings, any natural gas company may appropriate for underground storage of natural gas any subsurface stratum or formation in any land which the division shall have found to be suitable for the underground storage of natural gas, and in connection therewith may appropriate such other interests in the land as may be required to maintain and operate facilities for such underground storage; provided, however, that the right to appropriate underground formations and strata shall be limited as follows:

A. no formation or stratum which is producing or which is capable of producing oil in paying quantities, through any known recovery method, shall be subject to appropriation hereunder;

B. no formation or stratum that contained native gas producible in paying quantities shall be subject to appropriation hereunder, unless the recoverable volumes of native gas originally in place therein shall be substantially depleted, and unless such formation or stratum has a greater value or utility as a gas storage reservoir for the purpose of insuring an adequate supply of natural gas, or for the conservation of natural gas, than for the production of the relatively small volumes of native gas which remain therein;

C. no formation or stratum underlying lands which contain known commercial deposits of potash shall be subject to appropriation hereunder;

D. no formation or stratum shall be subject to appropriation hereunder if its use for underground storage purposes would cause injury to surface or underground water resources;

E. no rights or interest in existing underground gas reservoirs, being [illegible]jection, storage and withdrawal of natural gas, owned or operated by others than the condemner, shall be subject to appropriation;

F. no dwelling, barn, store, warehouse or other building shall be subject to appropriation hereunder; and

G. the right of appropriation hereby granted shall be without prejudice to the rights of the owner of said lands or of other rights or interests therein to drill through the underground stratum or formation so appropriated in such manner as shall comply with orders, rules and regulations of the division issued for the purpose of protecting underground storage strata or formations against pollution and against the escape of natural gas therefrom and shall be without prejudice to the rights of the owner of said lands or other rights or interests therein as to all other uses thereof.

65-9-5. FINDINGS OF OIL CONSERVATION DIVISION.--Any natural gas company desiring to exercise the right of eminent domain as to any land for underground storage of natural gas shall, as a conditional precedent to the filing of its petition in the district court, obtain from the division a decision finding:

A. that the underground stratum or formation sought to be acquired is suitable for the underground storage of natural gas;

B. that the underground stratum or formation sought to be acquired is incapable of producing oil in paying quantities through any known recovery method;

C. that the formation or stratum sought to be acquired is not underlying lands which contain known commercial deposits of potash;

D. that injury will not be caused to surface or underground water resources;

E. that the underground stratum or formation sought to be acquired, if it contained native gas capable of production in paying quantities, is substantially depleted of recoverable native gas, and

that such formation or stratum has a greater value or utility as a gas storage reservoir than for the production of the remaining volumes of native gas therein;

F. the extent of the horizontal limits of the reservoir expected to be penetrated by displaced or injected gas; and

G. that no portion of the formation or stratum sought to be acquired has been appropriated or is being utilized for the injection, storage and withdrawal of natural gas by others.

65-9-6. COMMISSION OR DIVISION PROCEDURE.--The laws, rules and regulations relating to commission or division action in matters pertaining to conservation of oil and gas shall be applicable to commission or division proceedings under this act.

65-9-7. EXERCISE OF RIGHT OF EMINENT DOMAIN.--Any natural gas company having first obtained a decision from the division, as hereinbefore provided, may proceed to appropriate for underground storage of natural gas subsurface strata or formations and such other interests in the land as may be required to maintain and operate facilities for such underground storage in the manner provided by law for the exercise of the right of eminent domain by railroads and telegraph and telephone companies.

65-9-8. OWNERSHIP OF INJECTED GAS.

All natural gas which has previously been reduced to possession, and which is subsequently injected into underground storage in any strata or formation shall at all times be deemed the property of the injector, his heirs, successors or assigns; and in no event shall such gas be subject to the right of the owner of the surface of said lands or of any mineral interest therein, under which said strata or formation lie, or of any person other than the injector, his heirs, successors, and assigns, to produce, take, reduce to possession, waste, or otherwise interfere with or exercise any control thereover; Provided, that the injector, his heirs, successors and assigns, shall have no right to gas in any stratum, formation or portion thereof, in which storage rights have not been acquired pursuant to this act (65-9-1 to 65-9-8), or otherwise purchased.

72-20-4. OIL AND GAS CONSERVATION TAX LEVIED--COLLECTED BY COMMISSION--RATE--INTEREST OWNER'S LIABILITY TO STATE--INDIAN LIABILITY.--

A. There is levied and shall be collected by the oil and gas accounting commission a tax on all products which are severed and sold. The measure of the tax shall be nineteen one-hundredths of one percent of the taxable value of sold products. Every interest owner shall be liable for this tax to the extent of his interest in the value of such products, or to the extent of his interest as may be measured by the value of such products. Provided, any Indian tribe, Indian pueblo or Indian shall be liable for this tax to the extent authorized or permitted by law.

B. In the event the unencumbered balance in the oil and gas reclamation fund equals or exceeds one million dollars ($1,000,000) for any one-month period computed after payment of the tax for that month, then the tax levied by Subsection A of this section shall be reduced by one one-hundredths of one percent and no funds collected by the tax shall be deposited in the oil and gas reclamation fund, notwithstanding the provisions of Section 72-20-14 NMSA 1953. When the unencumbered balance in the oil and gas reclamation fund is less than or equal to five hundred thousand dollars ($500,000), then the tax levied by Subsection A of this section shall be increased by one one-hundredths of one percent and the additional funds shall be deposited in accordance with the provisions of Section 72-20-14 NMSA 1953.

72-20-14. DISPOSITION OF OIL CONSERVATION FUND.--The oil conservation fund, or so much thereof as may be necessary, is hereby appropriated to the energy and minerals department to be by it expended in the performance of its duties; provided, however, that an amount equal to one-hundredths of one percent of the taxable value of sold products shall be deposited in the oil and gas reclamation fund to be used by the oil conservation division in carrying out the provisions of the Oil and Gas Act.

ARTICLE 11—GEOTHERMAL RESOURCES CONSERVATION ACT

65-11-1. Short title.—This act [65-11-1 to 65-11-24] may be cited as the "Geothermal Resources Conservation Act."

History: Laws 1975, ch. 272, § 1, eff. April 10, 1975.

65-11-2. PURPOSE OF ACT.--

A. It is hereby found and determined that the people of the state of New Mexico have a direct and primary interest in the development of geothermal resources, and that this state should exercise its power and jurisdiction through its oil conservation commission and division to require that wells drilled in search of, development of, or incident to the production of geothermal resources be drilled, operated, maintained and abandoned in such a manner as to safeguard life, health, property, natural resources and the public welfare, and to encourage maximum economic recovery.

B. To these ends, it is the intent of the legislature that the power and jurisdiction of the commission and the division as given by the Geothermal Resource Conservation Act shall be supplemental to the other powers and jurisdiction given the commission and the division by the statutes of this state.

65-11-3. DEFINITIONS.—As used in the Geothermal Resources Conservation Act:

A. "geothermal resources" means the natural heat of the earth, or the energy, in whatever form, below the surface of the earth present in, resulting from, created by, or which may be extracted from, this natural heat, and all minerals in solution or other products obtained from naturally heated fluids, brines, associated gases and steam, in whatever form, found below the surface of the earth, but excluding oil, hydrocarbon gas and other hydrocarbon substances;

B. "commission" means the oil conservation commission;

C. "correlative rights" means the opportunity afforded, insofar as is practicable to do so, to the owner of each property in a geothermal reservoir to produce his just and equitable share of the geothermal resources within such reservoir, being an amount, so far as can be practicably determined, and so far as can be practicably obtained without waste, substantially in the proportion that the recoverable geothermal resources under such property bears to the total recoverable geothermal resources in the reservoir, and for such purpose to use his just and equitable share of the natural heat or energy in the reservoir;

D. "division" means the oil conservation division of the energy and minerals department;

E. "geothermal reservoir" means an underground reservoir containing geothermal resources, whether the fluids in the reservoir are native to the reservoir or flow into or are injected into the reservoir;

F. "geothermal field" means the general area which is underlaid or reasonably appears to be underlaid by at least one geothermal reservoir;

G. "low-temperature thermal reservoir" means a geothermal reservoir containing low-temperature thermal water, which is defined as naturally heated water, the temperature of which is less than boiling at the altitude of occurrence, which has additional value by virtue of the heat contained therein, and is found below the surface of the earth, or in warm springs at the surface;

H. "person" means any natural person, firm, association or corporation, or any other group or combination acting as a unit, for the exploration, production, transportation, processing or utilization of geothermal resources;

I. "well" means any well dug or drilled for the discovery or development of geothermal resources or incident to the discovery or

development of geothermal resources, or for the purpose of injecting or reinjecting geothermal resources or the residue thereof or other fluids into a geothermal reservoir, or any well dug or drilled for any other purpose and reactivated or converted to any of the aforesaid uses; and

J. "potash" means the naturally occurring bedded deposits of the salts of the element potassium.

65-11-4. Waste prohibited. — The production or handling of geothermal resources of any type or in any form, or the handling of products thereof, in such manner or under such conditions or in such amounts as to constitute waste is each hereby prohibited.

65-11-5. Waste definitions.—As used in this act [65-11-1 to 65-11-24], the term "waste," in addition to its ordinary meaning, shall include:

A. "underground waste" as those words are generally understood in the geothermal business, and in any event to embrace the inefficient, excessive or improper use or dissipation of the reservoir fluids or energy, including the natural energy of the heated fluids or the natural heat of the earth, and the locating, spacing, drilling, equipping, operating or producing of any well or wells in a manner that would reduce or tend to reduce the total quantity of geothermal resources ultimately recovered from any geothermal reservoir;

B. "surface waste" as those words are generally understood in the geothermal business, and in any event to embrace the unnecessary or excessive surface loss or destruction without beneficial use, however caused, of geothermal resources of any type or in any form, or any product thereof, and including the loss or destruction of geothermal resources resulting from leakage, evaporation or seepage, especially incident to or resulting from the manner of spacing, equipping, operating or producing of any well or wells, or incident to or resulting from the inefficient transportation, use or storage of geothermal resources;

C. the production from any well or wells in this state of geothermal resources in excess of the reasonable market demand therefor, in excess of the capacity of the geothermal transportation facility connected thereto to efficiently receive and transport such geothermal resources, or in excess of the capacity of a geothermal utilization facility to efficiently receive and utilize such geothermal resources;

D. the nonratable purchase or taking of geothermal resources within a geothermal reservoir in this state. Such nonratable taking or purchasing causes or results in excessive or improper dissipation of reservoir energy and results in waste, as defined in subsection A of this section, and is in violation of section 14 of the Geothermal Resources Conservation Act [65-11-14]; and

E. drilling or producing operations for geothermal resources within any area containing commercial deposits of potash where such operations would have the effect unduly to reduce the total quantity of such commercial deposits of potash which may reasonably be recovered in commercial quantities or where such operations would interfere unduly with the orderly development of such potash deposits.

65-3-4. OIL CONSERVATION COMMISSION--MEMBERS--TERM--OFFICERS--QUORUM--POWER TO ADMINISTER OATHS.--There is hereby created an oil conservation commission, hereinafter in this act called the "commission" to be composed of the commissioner of public lands, the state geologist and the director of the oil conservation division. No salary or compensation shall be paid any member of the commission for his services as a member thereof. The term of office of each member of the commission shall be concurrent with the other office held by him. The commission shall organize by electing a chairman from its membership. Two members of the commission shall constitute a quorum for all purposes. The commission shall adopt a seal and such a seal affixed to any paper signed by the director of the oil conservation division shall be prima facie evidence of the due execution thereof. The attorney general shall be the attorney for the commission. Any member of the commission, or the director of the oil conservation division, or any employee of the commission or division, shall have power to administer oaths to any witness in any hearing, investigation or proceeding contemplated by this act or by any other law of this state relating to the conservation of oil and gas.

65-3-4.1 OIL CONSERVATION DIVISION—DIRECTOR—STATE PETROLEUM ENGINEER.—

A. The director of the oil conservation division shall be known as the state petroleum engineer.

B. The director shall be appointed by the secretary of the energy and minerals department and shall:

(1) be a resident of this state; and

(2) be registered by the state board of registration for professional engineers and land surveyors as a petroleum engineer; or

(3) by virtue of education and experience have expertise in the field of petroleum engineering.

65-11-6. COMMISSION'S AND DIVISION'S POWERS AND DUTIES.--

A. In addition to its other powers and duties, the division shall have, and is hereby given, jurisdiction over all matters relating to the conservation of geothermal resources and the prevention of waste of potash as a result of geothermal operations in this state. It shall have jurisdiction, authority and control of and over all persons, matters or things necessary or proper to enforce effectively the provisions of the Geothermal Resources Conservation Act or any other law of this state relating to the conservation of geothermal resources and the prevention of waste of potash as a result of geothermal operations. Provided, however, nothing in this section shall be construed to supersede the authority which any state department or agency has with respect to the management, protection and utilization of the state lands or resources under its jurisdiction.

B. The commission shall have concurrent jurisdiction and authority with the division to the extent necessary for the commission to perform its duties as required by the Geothermal Resources Conservation Act.

65-3-6. RULES OF PROCEDURE IN HEARINGS--MANNER OF GIVING NOTICE --RECORD OF RULES, REGULATIONS AND ORDERS.--The division shall prescribe its rules of order or procedure in hearing or other proceedings before it under this act. Any notice required to be given under this act or under any rule, regulation or order prescribed by the commission or division shall be by personal service on the person affected, or by publication once in a newspaper of general circulation published at Santa Fe, New Mexico, and once in a newspaper of general circulation published in the county, or each of the counties if there be more than one, in which any land, oil or gas or other property which may be affected shall be situated. Such notice shall issue in the name of "the state of New Mexico" and shall be signed by the director of the division, and the seal of the commission shall be impressed thereon, and it shall specify the number and style of the case, and the time and place of hearing, shall briefly state the general nature of the order or orders, rule or rules, or regulation or regulations contemplated by the division on its own motion or sought in a proceeding brought before the commission or division, the name of the petitioner, or applicant, and, unless the order, rule or regulation is intended to apply to and affect the entire state, it shall specify or generally describe the common source or sources of supply that may be affected by such order, rule or regulation. Personal service thereof may be made by any agent of the division or by any person over the age of eighteen years, in the same manner as is provided by law for the service of summons in civil actions in the district courts of this state. Such service shall be complete at the time of such personal service or on the date of such publication, as the case may be. Proof of service shall be the affidavit of the person making personal service, or of the publisher of the newspaper in which publication is had, as the case may be. All rules, regulations and orders made by the commission or division shall be entered in full by the director thereof in a book to be kept for such purpose by the division, which shall be a public record and open to inspection at all times during reasonable office hours. A copy of any such rule, regulation or order, certified by the director of the division under the seal of the commission, shall be received in evidence in all courts of the state with the same effect as the original.

65-3-7. SUBPOENA POWER—IMMUNITY OF NATURAL PERSONS REQUIRED TO TESTIFY.--The commission, or any member thereof, or the director of the division or his authorized representative, is hereby empowered to subpoena witnesses, to require their attendance and giving of testimony before it, and to require the production of books, papers and records in any proceeding before the commission or the division. No person shall be excused from attending and testifying or from producing books, papers and records before the commission or the division, or from obedience to the subpoena of the said commission or division, whether such subpoena be signed or issued by one or more of the members of the said commission, or the director of the division, in any hearing, investigation or proceeding held by or before the said commission or division or in any cause or proceeding in any court by or against the said commission or division, relative to matters within the jurisdiction of said commission or division, on the ground or for the reason that the testimony or evidence, documentary or otherwise, required of him may tend to incriminate him or subject him to a penalty or forfeiture; provided that nothing herein contained shall be construed as requiring any person to produce any books, papers or records, or to testify in response to any inquiry, not pertinent to some question lawfully before such commission or division or court for determination. No natural person shall be subjected to criminal prosecution, or to any penalty or forfeiture for or on account of any transaction, matter or thing concerning which he may be required to testify, or produce evidence, documentary or otherwise before said commission or division, or in obedience to its subpoena, or in any cause or proceeding, provided, that no person testifying shall be exempted from prosecution and punishment for perjury committed in so testifying.

65-3-8. FAILURE OR REFUSAL TO COMPLY WITH SUBPOENA—REFUSAL TO TESTIFY—BODY ATTACHMENT—CONTEMPT.—In case of failure or refusal on the part of any person to comply with any subpoena issued by said commission or any member thereof, or the director of the division or his authorized representative, or on the refusal of any witness to testify or answer as to any matters regarding which he may be lawfully interrogated, any district court in this state, or any judge thereof, on application of said commission or division, may issue an attachment for such person and compel him to comply with such subpoena and to attend before the commission or division and produce such documents, and give his testimony upon such matters as may be lawfully required, and such court or judge shall have the power to punish for contempt as in case of disobedience of a like subpoena issued by or from such court, or a refusal to testify therein.

65-3-9. PERJURY--PUNISHMENT.—If any person of whom an oath shall be required under the provisions of this act, or by any rule, regulation or order of the commission or division, shall willfully swear falsely in regard to any matter or thing respecting which such oath is required, or shall willfully make any false report or affidavit required or authorized by the provisions of this act, or by any rule, regulation or order of the commission or division, such person shall be deemed guilty of perjury and shall be punished by imprisonment in the state penitentiary for not more than five years nor less than six months.

65-11-7. POWER OF COMMISSION AND DIVISION TO PREVENT WASTE AND PROTECT CORRELATIVE RIGHTS.--The commission and division are hereby empowered, and it is their duty, to prevent the waste prohibited by the Geothermal Resources Conservation Act and to protect correlative rights, as in that act provided. To that end, the commission and division may make and enforce rules, regulations and orders relating to geothermal resources, and to do whatever may be reasonably necessary to carry out the purposes of that act whether or not indicated or specified in any section thereof.

65-11-8. ENUMERATION OF POWERS.--Included in the power given to the division is the authority to collect data; to make investigations and inspections; to examine properties, leases, papers, books and records; to examine, check, test and gauge geothermal resources wells and geothermal resources transportation, storage and utilization facilities; to limit and allocate production of geothermal resources as provided in the Geothermal Resources Conservation Act; and to require certificates of clearance for the production or transportation of geothermal resources.

Apart from any authority, express or implied, elsewhere given to or existing in the division by virtue of the Geothermal Resources Conservation Act or the statuces of this state, the division may make rules, regulations and orders for the purposes and with respect to the subject matter stated herein, viz.:

A. to require non-commercial or abandoned wells to be plugged in such a way as to confine all fluids in the strata in which they are found, and to prevent them from escaping into other strata; the division may require a bond of not to exceed ten thousand dollars ($10,000) conditioned for the performance of such regulations;

B. to prevent geothermal resources, water or other fluids from escaping from the strata in which they are found into other strata;

C. to require reports showing locations of all geothermal resources wells, and to require the filing of logs and drilling records or reports and production reports;

D. to prevent the premature cooling of any geothermal stratum or strata by water encroachment, or otherwise, which reduces or tends to reduce the total ultimate recovery of geothermal resources from any geothermal reservoir;

E. to prevent "blow-outs" and "caving" in the sense that such terms are generally understood in the geothermal drilling business;

F. to require wells to be drilled, operated and produced in such a manner as to prevent injury to neighboring leases or properties and to afford reasonable protection to human life and health and to the environment;

G. to identify the ownership of geothermal producing leases, properties, plants, structures, and transportation and utilization facilities;

H. to require the operation of wells efficiently;

I. to fix the spacing of wells;

J. to classify and from time to time as is necessary reclassify geothermal reservoirs and low-temperature thermal reservoirs;

K. to define and from time to time as is necessary redefine the horizontal and vertical limits of geothermal reservoirs and low-temperature thermal reservoirs;

L. to permit and regulate the injection of fluids into geothermal reservoirs and low-temperature thermal reservoirs;

M. to regulate the disposition of geothermal resources or the residue thereof, and to direct the surface or subsurface disposal of such in a manner that will afford reasonable protection against contamination of all fresh waters and waters of present or probable future value for domestic, commercial, agricultural or stock purposes, and will afford reasonable protection to human life and health and to the environment; and

N. to define and from time to time as is necessary redefine the limits of any area containing commercial deposits of potash, and to regulate and where necessary prohibit geothermal drilling or producing operations where such operations would have the effect unduly to reduce the total quantity of such commercial deposits of potash which may reasonably be recovered in commercial quantities.

65-3-11.1. ADDITIONAL POWERS OF COMMISSION OR DIVISION--HEARINGS BEFORE EXAMINER--HEARINGS DE NOVO.--In addition to the powers and authority, either express or implied, granted to the oil conservation

commission or division by virtue of the statutes of the state of New Mexico, the division is hereby authorized and empowered in prescribing its rules or order or procedure in connection with hearings or other proceedings before the division to provide for the appointment of one or more examiners to be members of the staff of the division to conduct hearings with respect to matters properly coming before the division and to make reports and recommendations to the director of the division with respect thereto. Any member of the commission or the director of the division or his authorized representative may serve as an examiner as provided herein. The division shall promulgate rules and regulations with regard to hearings to be conducted before examiners and the powers and duties of the examiners in any particular case may be limited by order of the division to particular issues or to the performance of particular acts. In the absence of any limiting order, an examiner appointed to hear any particular case shall have the power to regulate all proceedings before him and to perform all acts and take all measures necessary or proper for the efficient and orderly conduct of such hearing, including the swearing of witnesses, receiving of testimony and exhibits offered in evidence subject to such objections as may be imposed, and shall cause a complete record of the proceeding to be made and transcribed and shall certify the same to the director of the division for consideration together with the report of the examiner and his recommendations in connection therewith. The director of the division shall base the decision rendered in any matter or proceeding heard by an examiner, upon the transcript of testimony and record made by or under the supervision of the examiner in connection with such proceeding, and such decision shall have the same force and effect as if said hearing had been conducted before the director of the division. When any matter or proceeding is referred to an examiner and a decision is rendered thereon, any party adversely affected shall have the right to have said matter heard de novo before the commission upon application filed with the division within thirty days from the time any such decision is rendered.

65-11-9. REGULATION OF GEOTHERMAL RESOURCES PRODUCTION.--Upon determination by the division that geothermal resources production from a particular geothermal resources reservoir is causing waste or is about to result in waste, the division shall limit, allocate and distribute the total amount of geothermal resources which may be produced from that reservoir.

65-11-10. ALLOCATION OF PRODUCTION.--

A. Whenever, to prevent waste, the total amount of geothermal resources which may be produced from a geothermal reservoir is limited, the division shall allocate and distribute the allowable production among the geothermal wells in the reservoir on a reasonable basis and recognizing correlative rights, including in the allocation schedule any well which it finds is being unreasonably discriminated against through denial of access to a geothermal resources transportation or utilization facility which is reasonably capable of handling the geothermal product of the well. In protecting correlative rights, the division may give equitable consideration to acreage, to the pressure, temperature, quantity and quality of the geothermal resources producible from the wells in the reservoir, and to such other pertinent factors as may from time to time exist, and, insofar as is practicable, shall prevent drainage between producing tracts in the reservoir which is not equalized by counter-drainage.

B. No order limiting, allocating and distributing production from any geothermal reservoir shall be issued except after notice and hearing. In entering such an order the division must find that waste is resulting or is about to result from the unratable taking of geothermal resources or from the production of geothermal resources from a reservoir in excess of the market demand therefor.

in excess of the capacity of the available geothermal transportation facilities to efficiently receive and transport such geothermal resources, or in excess of the capacity of the available geothermal utilization facility to efficiently receive and utilize such geothermal resources. When limiting, allocating and distributing production from a geothermal reservoir, the division shall do so on the basis of three-month allocation periods and shall promulgate reasonable rules regarding production tolerances and overproduction and underproduction.

C. After the effective date of any rule, regulation or order fixing the allowable production and establishing permitted tolerances for overproduction, no person shall produce more than the allowable production and permitted tolerance applicable to him, his wells, leases or properties determined as provided in the Geothermal Resources Conservation Act, and the allowable production shall be produced in accordance with the applicable rules, regulations and

"65-11-11. EQUITABLE ALLOCATION OF PRODUCTION SPACING—POOLING.—

A. The rules, regulations or orders of the division shall, so far as it is practicable to do so, afford to the owner of each property in a geothermal reservoir the opportunity to produce his just and equitable share of the geothermal resources in the reservoir, being an amount, so far as can be practically determined, and so far as such can be practicably obtained without waste, substantially in the proportion that the quantity of the recoverable geothermal resources under such property bears to the total recoverable geothermal resources in the reservoir, and for this purpose to use his just and equitable share of the reservoir energy.

B. The division may establish a spacing unit for each geothermal reservoir, such being the area that can be efficiently and economically drained and developed by one well, and in so doing the division shall consider the economic loss caused by the drilling of unnecessary wells, the protection of correlative rights, including those of royalty owners, the prevention of waste, the avoidance of the augmentation of risks arising from the drilling of an excessive number of wells and the prevention of reduced recovery which might result from the drilling of too few wells.

C. When two or more separately owned tracts of land are embraced within a spacing unit, or where there are owners of royalty interests or undivided interests in geothermal resources which are separately owned, or any combination thereof, embraced within such spacing unit, the owner or owners thereof may validly pool their interests and develop their lands as a unit. Where, however, such owner or owners have not agreed to pool their interests, and where one such separate owner, or owners, who has the right to drill has drilled or proposes to drill a well on said unit to a geothermal reservoir, the division, to avoid the drilling of unnecessary wells or to protect correlative rights, or to prevent waste, shall pool all or any part of such lands or interest or both in the spacing unit as a unit.

All orders effecting such pooling shall be made after notice and hearing, and shall be upon such terms and conditions as are just and reasonable and will afford to the owner or owners of each tract or interest in the unit the opportunity to recover or receive without unnecessary expense his just and fair share of the geothermal resources. Each order shall describe the lands included in the unit designated thereby, identify the reservoir or reservoirs to which it applies and designate an operator for the unit. All operations for the pooled geothermal resources which are conducted on any portion of the unit shall be deemed for all purposes to have been conducted upon each tract within the unit by the owner or owners of such tract. For the purpose of determining the portions of production owned by the persons owning interests in the pooled geothermal resources, such production shall be allocated to the respective tracts within the unit in the proportion that the number of surface acres included within

each tract bears to the number of surface acres included in the entire unit. The portion of the production allocated to the owner or owners of each tract or interest included in a well spacing unit formed by a pooling order shall, when produced, be considered as if produced from the separately owned tract or interest by a well drilled thereon. Such pooling order of the division shall make definite provision as to any owner, or owners, who elects not to pay his proportionate share in advance for the pro rata reimbursement solely out of production to the parties advancing the costs of development and operation which shall be limited to the actual expenditures required for such purpose not in excess of what are reasonable, but which shall include a reasonable charge for supervision and may include a charge for the risk involved in the drilling of such well, which charge for risk shall not exceed two hundred percent of the non-consenting working interest owner's or owners' pro rata share of the cost of drilling and completing the well.

In the event of any dispute relative to such costs, the division shall determine the proper costs after due notice to interested parties and a hearing thereon. The division is specifically authorized to provide that the owner or owners drilling or paying for the drilling, or for the operation of a well for the benefit of all shall be entitled to all production from such well which would be received by the owner, or owners, for whose benefit the well was drilled or operated, after payment of royalty as provided in the lease, if any, applicable to each tract or interest, and obligations payable out of production, until the owner or owners drilling or operating the well or both have been paid the amount due under the terms of the pooling order or order settling such dispute. No part of the production or proceeds accruing to any owner or owners of a separate interest in such unit shall be applied toward the payment of any cost properly chargeable to any other interest in said unit.

If the interest of any owner or owners of any unleased mineral interest is pooled by virtue of the Geothermal Resources Conservation Act, seven-eighths of such interest shall be considered as a working interest and one-eighth shall be considered a royalty interest, and he shall in all events be paid one-eighth of all production from the unit and creditable to his interest.

D. Whenever it appears that the owners in any geothermal reservoir have agreed upon a plan for the spacing of wells, or upon a plan or method of distribution of production from the reservoir, or upon any other plan for the development or operation of such reservoir, which plan, in the judgment of the division, has the effect of preventing waste as prohibited by the Geothermal Resources Conservation Act and is fair to the royalty owners in such reservoir, then such plan shall be adopted by the division with respect to the reservoir; however, the division, upon hearing and after notice, may subsequently modify any such plan to the extent necessary to prevent waste as prohibited by the Geothermal Resources Conservation Act.

65-11-12. Court may authorize pooling or unitization by fiduciaries.—A. When an existing geothermal resources lease upon property owned by a decedent at the time of his death, by a minor or by an incompetent, does not authorize pooling or unitization thereof with other lands in the vicinity, the district court for the county in which any portion of the lands subject to said lease is situated can authorize the executor or administrator of the estate of the decedent, or the guardian of the minor or incompetent, to execute appropriate instruments authorizing or effectuating such pooling or unitization, or both, if the court finds it to be in the interest of the owners of such property.

B. An executor, administrator or guardian desiring authorization to execute such instruments shall file a verified petition in the appropriate district court setting forth a description of the lease, the lands subject thereto and the reason that the proposed action is in the interest of the owners of the affected real estate. A copy of the instrument by which such pooling or unitization is proposed to be authorized or effectuated shall be attached to the petition.

C. No notice of the hearing upon the petition shall be required; Provided, however, that the court in its discretion may require such notice as it may direct to be given to affected parties.

D. Upon entry of an order of the court authorizing execution of the proposed instrument in the form attached to the petition, or with such modification as the court may direct, and execution thereof by the executor, administrator or guardian, the interest in the property owned by the decendent at the time of death, or by the ward, shall be subject in all respects to the terms of said instrument and the executor, administrator or guardian, without further order of the court, shall be authorized to execute division orders, transfer orders, correction instruments, receipts and other instruments made necessary or desirable by the pooling or unitization so effected.

65-11-13. SPACING UNIT WITH DIVIDED MINERAL OWNERSHIP.—

A. Whenever the operator of any geothermal resources well shall dedicate lands comprising a standard spacing unit to a geothermal resources well, it shall be the obligation of the operator, if two or more separately owned tracts of land are embraced within the spacing unit, or where there are owners or royalty interests or undivided interests in the geothermal resources which are separately owned or any combination thereof, embraced within such spacing unit, to obtain voluntary agreements pooling said lands or interests or an order of the division pooling said lands, which agreement or order shall be effective from the first production. Any division order that increases the size of a standard spacing unit for a geothermal reservoir, or extends the boundaries of such a reservoir, shall require dedication of acreage to existing wells in the reservoir in accordance with the acreage dedication requirements for said reservoir, and all interests in the spacing units that are dedicated to the affected wells shall share in production from the effective date of the said order.

B. Any operator failing to obtain voluntary pooling agreements, or failing to apply for an order of the division pooling the lands dedicated to the spacing unit as required by this section, shall nevertheless be liable to account to and pay each owner of geothermal interests, including owners of overriding royalty interests and other payments out of production, either the amount to which each interest would be entitled if pooling had occurred or the amount to which each interest is entitled in the absence of pooling, whichever is greater.

C. Nonstandard spacing units may be established by the division and all geothermal interests in any such nonstandard unit shall share in production from that unit from the date of the order establishing the said nonstandard unit.

"65-11-14. COMMON PURCHASERS--DISCRIMINATION IN PURCHASING PROHIBITED.--Any person now or hereafter engaged in the taking or purchasing of geothermal resources from one or more producers within a single geothermal reservoir shall be a common purchaser within that geothermal reservoir, and shall purchase geothermal resources of like quality, quantity and pressure lawfully produced from that geothermal reservoir and tendered to such common purchaser at a reasonable point. Such purchase shall be made without unreasonable discrimination in favor of one producer against another in the price paid, quantities taken, the bases of measurement or the facilities offered.

In the event such purchaser is also a producer, he is prohibited to the same extent from discriminating in favor of himself with respect to geothermal resources wells in which he has an interest, direct or indirect, as against other geothermal resources wells in the same geothermal reservoir.

For the purposes of the Geothermal Resources Conservation Act, reasonable differences in prices paid or facilities afforded, or both, shall not constitute unreasonable discrimination if such differences bear a fair relationship to difference in quality, quantity or pressure of the geothermal resources available or to the relative lengths of time during which such geothermal resources will be available to the purchaser.

Any common purchaser taking geothermal resources produced from wells within a geothermal reservoir shall take ratably under such rules, regulations and orders, concerning quantity, as may be promulgated by the division after due notice and public hearing. The division, in promulgating such rules, regulations and orders may consider the quality and the quantity of the geothermal resources available, the pressure and temperature of the product at the point of delivery, acreage attributable to the well, market requirements and other pertinent factors.

Nothing in the Geothermal Resources Conservation Act shall be construed or applied to require, directly or indirectly, any person to purchase geothermal resources of a quality or under a pressure or under any other condition by reason of which such geothermal resource cannot be economically and satisfactorily used by such purchaser by means of his geothermal utilization facilities then in service.

65-11-15. PURCHASE, SALE OR HANDLING OF EXCESS GEOTHERMAL RESOURCES OR PRODUCTS PROHIBITED.—

A. The sale or purchase or acquisition, or the transportation, utilization or processing, or handling in any other way, of geothermal resources in whole or in part produced in excess of the amount allowed by any statute of this state, or by any provision of the Geothermal Resources Conservation Act, or by any rule, regulation or order of the commission or division made hereunder, is hereby prohibited, and such geothermal resources are hereby referred to as "illegal geothermal resources".

B. The sale or purchase or acquisition, or the transportation, utilization or processing, or the handling in any other way, of any product of geothermal resources, which product is derived in whole or in part from geothermal resources produced in whole or in part in excess of the amount allowed by any statute of this state, or by any provision of the Geothermal Resources Conservation Act, or by any rule, regulation or order of the commission or division made thereunder, is hereby prohibited, and each such commodity or product is herein referred to as "illegal geothermal resources product".

'65-11-16. RULES AND REGULATIONS TO EFFECTUATE PROHIBITIONS AGAINST PURCHASE OR HANDLING OF ILLEGAL GEOTHERMAL RESOURCES OR ILLEGAL GEOTHERMAL RESOURCES PRODUCT.—

A. The division is specifically authorized and directed to make such rules, regulations and orders, and may provide for such certificates of clearance or tenders, as may be necessary to make effective the prohibitions contained in Section 65-11-15 NMSA 1953.

B. Unless and until the division provides for certificates

of clearance or tenders, or some other method, so that any person may have an opportunity to determine whether any contemplated transaction of sale or purchase or acquisition, or of transportation, refining, processing or handling in any other way, involves illegal geothermal resources, or illegal geothermal resources product, no penalty shall be imposed for the sale or purchase or acquisition, or the transportation, refining, processing or handling in any other way, of illegal geothermal resources or illegal geothermal resources product, except under circumstances stated in the succeeding provisions of this subsection. Penalties shall be imposed for the division of each transaction prohibited in Section 65-11-15 NMSA 1953 when the person committing the same knows that illegal geothermal resources, or illegal geothermal resources product, are involved in such transaction, or when such person could have known or determined such fact by the exercise of reasonable diligence or from facts within his knowledge. However, regardless of lack of actual notice or knowledge, penalties as provided in the Geothermal Resources Conservation Act shall apply to any sale or purchase or acquisition, and to the transportation, refining, processing or handling in any other way, of illegal geothermal resources, or illegal geothermal resources product where administrative provision is made for identifying the character of the commodity as to its legality. It shall likewise be a violation for which penalties shall be imposed for any person to sell or purchase or acquire, or to transport, refine, process or handle in any way, any geothermal resources or any product thereof without complying with the rule, regulation or order of the commission or division relating thereto.

65-3-17. PENALTY FOR VIOLATIONS.--Any person who violates any provision of this act or any rules, regulation or order of the commission or the division made pursuant to this act shall, upon conviction, be fined not more than one thousand dollars ($1,000) for each violation. Each day during which said violation is continued shall be considered a separate and complete offense for this purpose.

65-11-17. HEARINGS ON RULES, REGULATIONS AND ORDERS--NOTICE--EMERGENCY RULES.--

A. Except as provided for herein, before any rule, regulation or order, including revocation, change, renewal or extension thereof, shall be made under the provisions of the Geothermal Resources Conservation Act, a public hearing shall be held at such time, place and manner as may be prescribed by the division. The division shall first give reasonable notice of such hearing (in no case less than ten days, except in an emergency) and at any such hearing any person having an interest in the subject matter of the hearing shall be entitled to be heard. Any member of the commission or division, or any employee of the commission or division, shall have power to administer oaths to any witness in any hearing, investigation or proceeding contemplated by the Geothermal Resources Conservation Act.

B. In case an emergency is found to exist by the division which in its judgment requires the making of a rule, regulation or

order without first having a hearing, such emergency rule, regulation or order shall have the same validity as if a hearing with respect to the same had been held after due notice. The emergency rule, regulation or order permitted by this section shall remain in force no longer than fifteen days from its effective date, and, in any event, it shall expire when the rule, regulation or order made after due notice and hearing with respect to the subject matter of such emergency rule, regulation or order becomes effective.

65-11-18. REHEARINGS--APPEALS.--

A. Within twenty days after entry of any order or decision of the division, any person affected thereby may file with the commission an application for rehearing in respect of any matter determined by such order or decision, setting forth the respect in which such order or decision is believed to be erroneous. The commission shall grant or refuse any such application in whole or in part within ten days after the same is filed and failure to act thereon within such period shall be deemed a refusal thereof and a final disposition of such application. In the event the rehearing is granted, the commission may enter such new order or decision after rehearing as may be required under the circumstances.

B. Any party to such rehearing proceeding, dissatisfied with the disposition of the application for rehearing, may appeal therefrom to the district court of the county wherein is located any property of such party affected by the decision, by filing a petition for the review of the action of the commission within twenty days after the entry of the order following rehearing or after the refusal of rehearing as the case may be. Such petition shall state briefly the nature of the proceedings before the commission or division and shall set forth the order or decision of the commission or division complained of and the grounds of invalidity thereof upon which the applicant will rely; provided, however, that the questions reviewed on appeal shall be only questions presented to the commission by the application for rehearing. Notice of such appeal shall be served upon the adverse party or parties and the commission in the manner provided for the service of summons in civil proceedings. The trial upon appeal shall be without a jury, and the transcript of proceedings before the commission or division, including the evidence taken in hearings by the commission or division, shall be received in evidence by the court in whole or in part upon offer by either party, subject to legal objections to evidence. The commission or division action complained of shall be prima facie valid and the burden shall be upon the party or parties seeking review to establish the invalidity of such action of the commission or division. The court shall determine the issues of fact and of law and shall enter its order either affirming or vacating the order of the commission or division. Appeals may be taken from the judgment or decision of the district court to the supreme court in the same manner as provided for appeals from any other final judgment entered by a district court in this state. The trial of such application for relief from action of the commission or division and the hearing of any appeal to the supreme court from the action of the district court shall be expedited to the fullest possible extent.

C. The pendency of proceedings to review shall not of itself stay or suspend operation of the order or decision being reviewed, but during the pendency of such proceedings, the district court in its discretion may, upon its own motion or upon proper application of any party thereto, stay or suspend, in whole or in part, operation of said order or decision pending review thereof, on such terms as the court deems just and proper and in accordance with the practice of courts exercising equity jurisdiction; provided, that the court, as a condition to any such staying or suspension of operation of any order or decision, may require that one or more parties secure, in such form and amount as the court may deem just and proper, one or more other parties against loss or damage due to the staying or suspension of the commission's or division's order or decision, in the

event that the action of the commission or division shall be affirmed.

D. The applicable rules of practice and procedure in civil cases for the courts of this state shall govern the proceedings for review, any appeal therefrom to the supreme court of this state, to the extent such rules are consistent with provisions of the Geothermal Resources Conservation Act.

65-11-19. TEMPORARY RESTRAINING ORDER OR INJUNCTION--GROUNDS--HEARING--BOND.--

A. No temporary restraining order or injunction of any kind shall be granted against the commission or the members thereof, or against the attorney general, or against any agent, employee or representative of the division restraining the commission, or any of its members, or the division or any of its agents, employees or representatives, or the attorney general, from enforcing any statute of this state relating to conservation of geothermal resources, or any of the provisions of the Geothermal Resources Conservation Act, or any rule, regulation or order made thereunder, except after due notice to the director of the division, and to all other defendants, and after a hearing at which it shall be clearly shown to the court that the act done or threatened is without sanction of law, or that the provision of the Geothermal Resources Conservation Act, or the rule, regulation or order complained of, is invalid, and that, if enforced against the complaining party, will cause an irreparable injury. With respect to an order or decree granting temporary injunctive relief, the nature and extent of the probable invalidity of the statute, or of any provision of the Geothermal Resources Conservation Act, or of any rule, regulation or order hereunder involved in such suit, must be recited in the order or decree granting the temporary relief, as well as a clear statement of the probable damage relied upon by the court as justifying temporary injunctive relief.

B. No temporary injunction of any kind, including a temporary restraining order against the commission or the members thereof, or the division or its agents, employees or representatives, or the attorney general, shall become effective until the plaintiff shall execute a bond to the state with sufficient surety in an amount to be fixed by the court reasonably sufficient to indemnify all persons who may suffer damage by reason of the violation pendente lite by the complaining party of the statute or the provisions of the Geothermal Resources Conservation Act or of any rule, regulation or order complained of. Any person so suffering damage may bring suit thereon before the expiration of six months after the statute, provision, rule, regulation or order complained of shall be finally held to be valid, in whole or in part, or such suit against the commission, or the members thereof, or the division, shall be finally dismissed. Such bond shall be approved by the judge of the court in which the suit is pending, and shall be for the use and benefit of all persons who may suffer damage by reason of the violation pendente lite of the statute, provision, rule, regulation or order complained of in such suit, and who may bring suit within the time prescribed by this section; and such bond shall be so conditioned. From time to time, on motion and with notice to the parties, the court may increase or decrease the amount of the bond and may require new or additional sureties, as the facts may warrant.

65-11-20. ACTIONS FOR VIOLATIONS.--Whenever it shall appear that any person is violating, or threatening to violate, any statute of this state with respect to the conservation of geothermal resources, or any provision of the Geothermal Resources Conservation Act, or any rule, regulation or order made thereunder, the division through the attorney general, shall bring suit against such person in the county of the residence of the defendant, or in the county of the residence of any defendant if there be more than one defendant, or in the county where the violation is alleged to have occurred, for penalties, if any are applicable, and to restrain such person from

continuing such violation or from carrying out the threat of violation. In such suit the division may obtain injunction, prohibitory and mandatory, including temporary restraining orders and temporary injunctions, as the facts may warrant, including, when appropriate, an injunction restraining any person from moving or disposing of illegal geothermal resources, or illegal geothermal resources product, and any or all such commodities, or funds derived from the sale thereof, may be ordered to be impounded or placed under the control of an agent appointed by the court if, in the judgment of the court, such action is advisable.

65-11-21. ACTIONS FOR DAMAGES—INSTITUTION OF ACTIONS FOR INJUNCTIONS BY PRIVATE PARTIES.—Nothing in the Geothermal Resources Conservation Act contained or authorized, and no suit by or against the division, and no penalties imposed or claimed against any person for violating any statute of this state with respect to conservation of geothermal resources, or any provision of that act, or any rule, regulation or order issued hereunder, shall impair or abridge or delay any cause of action for damages which any person may have or assert against any person violating any statute of this state with respect to conservation of geothermal resources, or any provision of the Geothermal Resources Conservation Act, or any rule, regulation or order issued hereunder. Any person so damaged by the violation may sue for and recover such damages as he may be entitled to receive. In the event the division should fail to bring suit to enjoin any actual or threatened violation of any statute of this state with respect to the conservation of geothermal resources, or of any provision of this act, or of any rule, regulation or order made hereunder, then any person or party in interest adversely affected by such violation, and who has notified the division in writing of such violation or threat thereof and has requested the division to sue, may, to prevent any or further violation, bring suit for that purpose in the district court of any county in which the division could have brought suit. If, in such suit, the court holds that injunctive relief should be granted, then the division shall be made a party and shall be substituted for the person who brought the suit, and the injunction shall be issued as if the division had at all times been the complaining party.

65-11-22. Violation of court order grounds for appointment of receiver.—The violation by any person of an order of the court relating to the operation of any geothermal resources well or wells, or of any geothermal transportation, storage or utilization facility, shall be sufficient ground for the appointment of a receiver with power to conduct operations in accordance with the order of the court.

65-11-23. PENALTIES FOR VIOLATIONS—ACCESSORIES.—

A. Any person who, for the purpose of evading the Geothermal Resources Conservation Act, or of evading any rule, regulation or order made thereunder, shall knowingly and willfully make or cause to be made any false entry or statement of fact in any report required to be made by that act or by any rule, regulation or order made thereunder; or who, for such purpose, shall make or cause to be made any false entry in any account, record, or memorandum kept by any person in connection with the provisions of that act or of any rule, regulation or order made thereunder; or who, for such purpose, shall omit to make, or cause to be omitted, full, true and correct entries in such accounts, records or memoranda, of all facts and transactions pertaining to the interest or activities in the geothermal industry of such person as may be required by the division under authority given in the Geothermal Resources Conservation Act or by any rule, regulation or order made thereunder; or who, for such purpose, shall remove out of the jurisdiction of the state, or who shall mutilate, alter or by any other means falsify, any book, record or other paper pertaining to the transactions regulated by that act or by any rule, regulation or order made thereunder; shall be deemed guilty of a felony and shall be subject, upon conviction in any court of competent jurisdiction, to a fine of not more than one thousand dollars ($1,000), or imprisonment for a term of not more than three years, or to both such fine and imprisonment.

B. Any person who knowingly and willfully violates any provision of the Geothermal Resources Conservation Act or any rule, regulation or order of the division made hereunder, shall, in the event a penalty for such violation is not otherwise provided for therein be subject to a penalty of not to exceed one thousand dollars ($1,000) a day for each and every day of such violation, and for each and every act of violation, such penalty to be recovered in a suit in the district court of the county where the defendant resides, or in the county of the residence of any defendant if there be more than one defendant, or in the district court of the county where the violation took place. The place of suit shall be selected by the division, and such suit, by direction of the division, shall be instituted and conducted in the name of the division by the attorney general or under his direction by the district attorney of the county where the suit is instituted. The payment of any penalty as provided for herein shall not have the effect of changing illegal geothermal resources into legal geothermal resources, or illegal geothermal resources product into legal geothermal resources product, nor shall such payment have the effect of authorizing the sale or purchase or acquisition, or the transportation, refining, processing or handling in any other way, of such illegal geothermal resources, or illegal geothermal resources product, but to the contrary, penalty shall be imposed for each prohibited transaction relating to such illegal geothermal resources or illegal geothermal resources product.

C. Any person knowingly and willfully aiding or abetting any other person in the violation of any statute of this state relating to the conservation of geothermal resources, or the violation of any provision of the Geothermal Resources Conservation Act, or any rule, regulation or order made thereunder, shall be subject to the same penalties as are prescribed herein for the violation by such other person.

65-11-24. SEIZURE AND SALE OF ILLEGAL GEOTHERMAL RESOURCES OR ILLEGAL GEOTHERMAL RESOURCES PRODUCT--PROCEDURE.--

A. Apart from, and in addition to, any other remedy or procedure which may be available to the division, or any penalty which may be sought against or imposed upon any person, with respect to violations relating to illegal geothermal resources or illegal geothermal resources product shall, exept under such circumstances as are stated herein, be contraband and shall be seized and sold, and the proceeds applied as herein provided. Such sale shall not take place unless the court shall find in the proceeding provided in this section that the owner of such illegal geothermal resources or illegal geothermal resources product is liable, or in some proceeding authorized by the Geothermal Resources Conservation Act such owner has already been held to be liable, for penalty for having produced such illegal geothermal resources, or for having purchased or acquired such illegal geothermal resources or illegal geothermal resources product. Whenever the division believes that illegal geothermal resources or illegal geothermal resources product is subject to seizure and sale, as provided herein, it shall, through the attorney general, bring a civil action in rem for that purpose in the district court of the county where the commodity is found, or the action may be maintained in connection with any suit or cross-action for injunction or for penalty relating to any prohibited transaction involving such illegal geothermal resources or illegal geothermal resources product. Notice of the action in rem shall be given in conformity with the law or rule applicable to such proceeding. Any person or party in interest who may show himself to be adversely affected by any such seizure and sale shall have the right to intervene in said suit to protect his rights.

B. Whenever the pleading with respect to the forfeiture of

illegal geothermal resources or illegal geothermal resources product shows ground for seizure and sale, and such pleading is verified or is supported by affidavit or affidavits, or by testimony under oath, the court shall order such commodity to be impounded or placed under the control, actual or constructive, of the court through an agent appointed by the court.

C. The judgment effecting the forfeiture shall provide that the commodity be seized, if not already under the control of the court, and that a sale be had in similar manner and with similar notice as provided by law or rule with respect to the sale of personal property under execution; provided, however, the court may order that the commodity be sold in specified lots or portions, and at specified intervals, instead of being sold at one time. Title to the amount sold shall pass as of the date of the seizure. The judgment shall provide for payment of the proceeds of the sale into the common school fund, after first deducting the costs in connection with the proceedings and the sale. The amount sold shall be treated as legal geothermal resources or legal geothermal resources product, as the case may be, in the hands of the purchaser, but the purchaser and the commodity shall be subject to all applicable laws and rules, regulations and orders with respect to further sale or purchase or acquisition, and with respect to the transportation, refining, processing or handling in any other way, of the commodity purchased.

D. Nothing in this section shall deny or abridge any cause of action a royalty owner, or any lien holder, or any other claimant, may have, because of the forfeiture of the illegal geothermal resources or illegal geothermal resources product, against the person whose act resulted in such forfeiture.

Docket No. 14-78

DOCKET: OIL CONSERVATION DIVISION HEARING
HEARING OFFICER: DIVISION DIRECTOR JOE D. RAMEY
ALTERNATE: RICHARD L. STAMETS

9 A.M. APRIL 14, 1978
OIL CONSERVATION DIVISION CONFERENCE ROOM
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

Case 6198: In the matter of the hearing called by the Oil Conservation Division on its own motion to consider the adoption of the rules, regulations, orders, permits, contracts, bonds, forms, manuals, memoranda, and numbering systems of the New Mexico Oil Conservation Commission as they relate to the conservation of oil, gas, potash, and geothermal resources, as its own rules, regulations, orders, permits, contracts, bonds, forms, manuals, memoranda, and numbering systems. Further, to consider such amendments as may be necessary to the aforesaid rules, regulations, orders, permits, contracts, bonds, forms, manuals, and memoranda.

This case is occasioned by the creation of the Oil Conservation Division of the Department of Energy and Minerals by the 1977 legislative action reorganizing state government effective March 31, 1978; the aforesaid proposed amendments would not be substantial insofar as actual regulation is concerned, but are essential to the administration of the laws and regulations relating to oil, gas, potash, and geothermal resources in this state by the Oil Conservation Division.

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY AND MINERALS
OIL CONSERVATION DIVISION

IN THE MATTER OF THE EMERGENCY APPROVAL OF PROCEDURES FOR PUBLIC HEARINGS AND ADOPTION OF RULES, REGULATIONS, ORDERS, PERMITS, CONTRACTS, BONDS, FORMS, AND MEMORANDA FOR THE CONSERVATION OF OIL AND GAS AND GEOTHERMAL RESOURCES IN THE STATE OF NEW MEXICO.

EMERGENCY ORDER NO. E-32

NOW, at 5:01 p.m. on this 31st day of March, 1978, the Director of the Oil Conservation Division of the Department of Energy and Minerals, having fully considered all available facts relating to the subject matter herein, and being fully advised in the premises,

FINDS:

(1) That the Thirty-Third State Legislature of New Mexico, at its First Session, enacted Chapter 255, Laws of 1977, approved April 7, 1977, being An Act RELATING TO THE ESTABLISHMENT OF AN ENERGY AND MINERALS DEPARTMENT; ABOLISHING CERTAIN AGENCIES; AMENDING, REPEALING AND ENACTING CERTAIN SECTIONS OF NMSA 1953.

(2) That the effective date of the provisions of said act is March 31, 1978.

(3) That said act created the New Mexico Department of Energy and Minerals, among the divisions of which is the Oil Conservation Division, charged by the act with administering the laws and regulations relating to oil, gas, potash, and geothermal resources except those laws specifically administered by another authority.

(4) That said act amended numerous sections of the statutes relating to the conservation of oil, gas, and potash (specifically, Sections 65-3-4 through 65-3-11, N.M.S.A., 1953 Comp., Section 65-3-11.1, Sections 65-3-12 through 65-3-14, Sections 65-3-14.5 and 65-3-15, Sections 65-3-17 through 65-3-21, 65-3-23 through 65-3-25, 65-3-27, 65-3-28, 65-3-31, 65-9-2, and 65-9-4 through 65-9-7) while repealing one section, 65-3-16, and enacting two new sections, 65-3-4.1 and 65-3-22.1.

(5) That said act also amended numerous sections of the statutes relating to the conservation of geothermal resources (specifically, Sections 65-11-2 and 65-11-3, N.M.S.A., 1953 Comp., Sections 65-11-6 through 65-11-11, Sections 65-11-13 through 65-11-21, and Sections 65-11-23 and 65-11-24).

(6) That the Thirty-Third State Legislature of New Mexico, at its Second Session, enacted Chapters 58, 59, 71, and 117, Laws of 1978, each with the emergency clause, and that the first

three of said chapters were approved February 24, 1978, and the fourth was approved March 6, 1978.

(7) That the aforesaid Chapter 58, Laws of 1978, repealed Section 65-3-28, N.M.S.A., 1953 Comp., as amended, and enacted a new Section 65-3-28.

(8) That the aforesaid Chapter 59, Laws of 1978, repealed Section 65-9-4, N.M.S.A., 1953 Comp., as amended, and enacted a new Section 65-9-4.

(9) That the aforesaid Chapter 71, Laws of 1978, repealed Section 65-3-11 N.M.S.A., 1953 Comp., as amended, and enacted a new Section 65-3-11.

(10) That the aforesaid Chapter 117, Laws of 1978, amended Sections 65-3-11.2, 65-3-37, 65-3-38, and 72-20-14, N.M.S.A., 1953 Comp.

(11) That the purpose of all the aforesaid changes to the statutes relating to the conservation of oil, gas, potash, and geothermal resources was to transfer the administration of these laws from the New Mexico Oil Conservation Commission to the Oil Conservation Division of the New Mexico Department of Energy and Minerals.

(12) That in order for there to be an unbroken transition of the administration of oil, gas, potash, and geothermal resources conservation laws from the Oil Conservation Commission to the Oil Conservation Division of the Department of Energy and Minerals, the said Oil Conservation Division should adopt the rules, regulations, orders, permits, contracts, bonds, forms, manuals, and memoranda of the Oil Conservation Commission as its own rules, regulations, orders, permits, contracts, bonds, forms, manuals, and memoranda.

(13) That an emergency exists which requires an order of the Oil Conservation Division without notice and hearing to adopt the aforesaid rules, regulations, orders, permits, contracts, bonds, forms, manuals, and memoranda pending a public hearing on this matter.

(14) That a hearing should be held within 15 days after entry of this order to consider making the provisions of this order permanent, at least pending further hearings and orders of the Oil Conservation Division.

(15) That in order to provide a procedure for the Division to conduct hearings, this order should amend Section N, Rules of Procedure, of the New Mexico Oil Conservation Commission Rules and Regulations (for oil and gas) and Section I, Rules of Procedure, of the New Mexico Oil Conservation Commission Rules and Regulations, Geothermal Resources.

(16) That Section N, Rules of Procedure, of the New Mexico Oil Conservation Commission Rules and Regulations (for oil and gas) should be amended to read in its entirety as shown on Exhibit "A" attached hereto and made a part hereof.

(17) That Section I, Rules of Procedure, of the New Mexico Oil Conservation Commission Rules and Regulations, Geothermal Resources, should be amended to read in its entirety as shown on Exhibit "B" attached hereto and made a part hereof.

(18) That Section N, Rules of Procedure, of the New Mexico Oil Conservation Commission Rules and Regulations (for oil and gas) and Section I, Rules of Procedure of the New Mexico Oil Conservation Commission Rules and Regulations, Geothermal Resources, each as amended as described in Findings Nos. (16) and (17) above, should be adopted by the Oil Conservation Division as its own rules of procedure.

(19) That Sections B through M, inclusive, and Sections O and P of the New Mexico Oil Conservation Commission Rules and Regulations (for oil and gas) and Sections B through H, inclusive, of the New Mexico Oil Conservation Commission Rules and Regulations, Geothermal Resources, should be amended so that any reference therein to "Commission" or "Oil Conservation Commission" would read "Division" or "Oil Conservation Division," and any reference to "Secretary-Director" or "Secretary-Director of the Commission" would read "Division Director."

(20) That the forms and reports of the New Mexico Oil Conservation Commission as heretofore adopted by said Commission for the reporting of oil and gas and geothermal activities in the State of New Mexico, should be adopted by the Oil Conservation Division as its own forms and reports pending further order of the Division.

(21) That all effective contracts heretofore entered into by the New Mexico Oil Conservation Commission should be considered to be effective contracts with the Oil Conservation Division of the New Mexico Department of Energy and Minerals and should be adopted by said Division.

(22) That all effective bonds, including plugging bonds and treating plant bonds, issued by surety companies on forms promulgated by the New Mexico Oil Conservation Commission, and running to the benefit of the State of New Mexico for the use and benefit of the Oil Conservation Commission of New Mexico, should be adopted by the Oil Conservation Division of the New Mexico Department of Energy and Minerals as the successor agency to the New Mexico Oil Conservation Commission charged with administering the oil, gas, and geothermal resources conservation laws of this State.

(23) That all effective rules, regulations, orders, manuals, memoranda, and permits heretofore issued or promulgated by the

(5) That all effective bonds, including plugging bonds and treating plant bonds, issued by surety companies on forms promulgated by the New Mexico Oil Conservation Commission, and running to the benefit of the State of New Mexico for the use and benefit of the Oil Conservation Commission of New Mexico, are hereby adopted by the Oil Conservation Division of the New Mexico Department of Energy and Minerals as the successor agency to the New Mexico Oil Conservation Commission charged with administering the oil, gas, potash, and geothermal conservation laws of this state.

(6) That the numbering system heretofore adopted by the New Mexico Oil Conservation Commission for its rules, regulations, orders, forms, permits, and memoranda is hereby adopted by the Oil Conservation Division and shall be carried forward pending further order.

(7) That this order shall become effective at 5:01 p.m. Mountain Standard Time, March 31, 1978, and shall remain in effect for not more than 15 days.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY AND MINERALS
OIL CONSERVATION DIVISION

JOE D. RAMEY, Division Director

S E A L

jr/

New Mexico Oil Conservation Commission in the performance of its duties of administering the oil, gas, potash and geothermal conservation laws of this state should be adopted by the Oil Conservation Division of the New Mexico Department of Energy and Minerals as its own rules, regulations, orders, manuals, memoranda, and permits, as amended herein, for use by the Division in performing its duties of administering said conservation laws.

(24) That to avoid confusion, the Oil Conservation Division should adopt and carry forward the numbering system heretofore adopted by the Oil Conservation Commission for its rules, regulations, orders, forms, permits, and memoranda.

IT IS THEREFORE ORDERED:

(1) That the effective rules, regulations, orders, permits, contracts, bonds, forms, manuals, and memoranda heretofore issued, published, promulgated, and/or approved by the New Mexico Oil Conservation Commission, as amended herein, are hereby adopted by the Oil Conservation Division of the New Mexico Department of Energy and Minerals as its own rules, regulations, orders, permits, contracts, bonds, forms, manuals, and memoranda to be used by said Oil Conservation Division in the performance of its duties in administering the laws and regulations relating to oil, gas, potash, and geothermal resources except those laws specifically administered by another authority.

(2) That Section N, Rules of Procedure, of the New Mexico Oil Conservation Commission Rules and Regulations (for oil and gas), adopted by the Oil Conservation Division as described above, is hereby amended to read in its entirety as shown on Exhibit "A" attached hereto and made a part hereof.

(3) That Section I, Rules of Procedure, of the New Mexico Oil Conservation Commission Rules and Regulations, Geothermal Resources, adopted by the Oil Conservation Division as described above, is hereby amended to read in its entirety as shown on Exhibit "B" attached hereto and made a part hereof.

(4) That Sections B through M, inclusive, and Sections O and P of the New Mexico Oil Conservation Commission Rules and Regulations (for oil and gas) and Sections B through H, inclusive, of the New Mexico Oil Conservation Commission's Rules and Regulations, Geothermal Resources, are hereby amended so that any reference therein to "Oil Conservation Commission" shall read "Oil Conservation Division" and any reference therein to "Commission" shall read "Division." Further, that the aforesaid sections are hereby amended so that any reference therein to "Secretary-Director" or "Secretary-Director of the Commission" shall read "Division Director."

N - RULES ON PROCEDURE

RULE 1201. NECESSITY FOR HEARING

Except as provided in some general rule herein, before any rule, regulation or order, including revocation, changes, renewal or extension thereof, shall be made by the Division, a public hearing before the Commission or a legally appointed Division Examiner shall be held at such time and place as may be prescribed by the Division.

RULE 1202. EMERGENCY ORDERS

Notwithstanding any other provision of these rules, in case an emergency is found to exist by the Division, which, in its judgment, requires the making of a rule, regulation, or order without a hearing having first been had or concluded, such emergency rule, regulation, or order when made by the Division shall have the same validity as if a hearing with respect to the same had been held before the Division after due notice. Such emergency rule, regulation, or order shall remain in force no longer than 15 days from its effective date, and in any event, it shall expire when the rule, regulation, or order made after due notice and hearing with respect to the subject matter of such emergency rule, regulation, or order becomes effective.

RULE 1203. METHOD OF INITIATING A HEARING

The Division upon its own motion, the Attorney General on behalf of the State, and any operator or producer, or any other person having a property interest may institute proceedings for a hearing. If the hearing is sought by the Division it shall be on motion of the Division and if by any other person it shall be by application. The application shall be in triplicate and shall state (1) the name of the applicant, (2) the name or general description of the common source or sources of supply or the area affected by the order sought, (3) briefly the general nature of the order, rule, or regulation sought, and (4) any other matter required by a particular rule or rules, or order of the Division. The application shall be signed by the person seeking the hearing or by his attorney.

When conditions are such as to require verbal application to place a matter for hearing on a given docket, the Division will accept such verbal application in order to meet publishing deadlines. However, if written application, filed in accordance with the procedures outlined above, has not been received by the Division's Santa Fe office at least ten days before the date of the hearing, the case will be dismissed.

which is not by law or by these rules required to be served upon the adverse party or parties, he shall at the same time either deliver or mail to the adverse party or parties who have entered their appearance therein, or their respective attorneys of record a copy of such pleading, plea, or motion. For the purpose of these rules, an appearance of any interested party shall be made either by letter addressed to the Division or in person at any proceeding before the Commission or before an Examiner, with notice of such appearance to the parties from whom such pleadings, pleas, or motions are desired.

RULE 1209. CONTINUANCE OF HEARING WITHOUT NEW SERVICE

Any hearing before the Commission or an Examiner held after due notice may be continued by the person presiding at such hearing to a specified time and place without the necessity of notice of the same being again served or published. In the event of any continuance, a statement thereof shall be made in the record of the hearing which is continued.

RULE 1210. CONDUCT OF HEARINGS

Hearings before the Commission or any Examiner shall be conducted without rigid formality. A transcript of testimony shall be taken and preserved as a part of the permanent record of the Division. Any person testifying in response to a subpoena issued by the Commission or any member thereof, or the authorized representative of the Division Director, and any person seeking to testify in support of an application or motion or in opposition thereto shall be required to do so under oath. However, relevant unsworn comments and observations by any interested party will be designated as such and included in the record. Comments and observations by representatives of operators' committees, the United States Geological Survey, the United States Bureau of Mines, the New Mexico Bureau of Mines, and other competent persons are welcomed. Any Examiner legally appointed by the Division Director may conduct such hearings as may be referred to such Examiner by the Director.

RULE 1211. POWER TO REQUIRE ATTENDANCE OF WITNESSES AND PRODUCTION OF EVIDENCE

The Commission or any member thereof, or the authorized representative of the Division Director has statutory power to subpoena witnesses and to require the production of books, papers and records in any proceeding before the Commission or Division. A subpoena will be issued for attendance at a hearing upon the written request of any person interested in the subject matter of the hearing. In case of the failure of a person to comply with the subpoena issued, an attachment of the person may be issued by the district court of any district in the state, and such court has powers to punish for contempt. Any person found guilty of swearing falsely at any hearing may be punished for contempt.

RULE 1204. METHOD OF GIVING LEGAL NOTICE FOR HEARING

Notice of each hearing before the Commission and notice of each hearing before a Division Examiner shall be given by personal service on the person affected or by publication once in a newspaper of general circulation published at Santa Fe, New Mexico, and once in a newspaper of general circulation published in the county or each of the counties, if there be more than one, in which any geothermal resource or other property which may be affected is situated.

RULE 1205. CONTENTS OF NOTICE OF HEARING

Such notice shall be issued in the name of "The State of New Mexico" and shall be signed by the Director of the Division, and the seal of the Commission shall be impressed thereon.

The notice shall specify whether the case is set for hearing before the Commission or before a Division Examiner and shall state the number and style of the case and the time and place of hearing and shall briefly state the general nature of the order or orders, rule or rules, regulation or regulations to be promulgated or effected. The notice shall also state the name of the petitioner or applicant, if any, and unless the contemplated order, rule, or regulation is intended to apply to and affect the entire state, it shall specify or generally describe the common source or sources of supply which may be affected by such order, rule, or regulation.

RULE 1206. PERSONAL SERVICE OF NOTICE

Personal service of the notice of hearing may be made by any agent of the Division or by any person over the age of 18 years in the same manner as is provided by law for the service of summons in civil actions in the district courts of this state. Such service shall be complete at the time of such personal service or on the date of publication, as the case may be. Proof of service shall be by the affidavit of the person making personal service or of the publisher of the newspaper in which publication is had. Service of the notice shall be made at least 10 days before the hearing.

RULE 1207. PREPARATION OF NOTICES

After a motion or application is filed with the Division the notice or notices required shall be prepared by the Division and service and publication thereof shall be taken care of by the Division without cost to the applicant.

RULE 1208. FILING PLEADINGS: COPY DELIVERED TO ADVERSE PARTY OR PARTIES

When any party to a hearing files any pleading, plea, or motion of any character (other than application for hearing)

RULE 1212. RULES OF EVIDENCE

Full opportunity shall be afforded all interested parties at a hearing to present evidence and to cross-examine witnesses. In general, the rules of evidence applicable in a trial before a court without a jury shall be applicable, provided that such rules may be relaxed, where, by so doing, the ends of justice will be better served. No order shall be made which is not supported by competent legal evidence.

RULE 1213. EXAMINERS' QUALIFICATIONS AND APPOINTMENT

The Division Director shall, by ex parte order, designate and appoint not more than four individuals to be examiners. Each Examiner so appointed shall be a member of the staff of the Division, but no Examiner need be a full time employee of the Division. The Director may, by ex parte order, designate and appoint a successor to any person whose status as an Examiner is terminated for any reason. Each individual designated and appointed as an Examiner must have at least six years practical experience as a geologist, petroleum engineer or licensed lawyer, or at least two years of such experience and a college degree in geology, engineering, or law; provided however, that nothing herein contained shall prevent any member of the Commission from being designated as, or serving as, an Examiner.

RULE 1214. REFERRAL OF CASES TO EXAMINERS

The Division Director may refer any matter or proceeding to any legally designated and appointed Examiner for hearing in accordance with these rules. The Examiner appointed to hear any specific case shall be designated by name.

RULE 1215. EXAMINER'S POWER AND AUTHORITY

The Division Director may, by ex parte order, limit the powers and duties of the Examiner in any particular case to such issues or to the performance of such acts as the Director deems expedient; however, subject only to such limitations as may be ordered by the Director, the Examiner to whom any matter or proceeding is referred under these rules shall have full authority to hold hearings on such matter or proceeding in accordance with and pursuant to these rules. The Examiner shall have the power to regulate all proceedings before him and to perform all acts and take all measures necessary or proper for the efficient and orderly conduct of such hearing, including the swearing of witnesses, receiving of testimony and exhibits offered in evidence, subject to such objections as may be imposed, and shall cause a complete record of the proceedings to be made and transcribed and shall certify same to the Director as hereinafter provided.

RULE 1216. HEARINGS WHICH MUST BE HELD BEFORE COMMISSION

Notwithstanding any other provisions of these rules, the hearing on any matter shall be held before the Commission (1) if it is a hearing de novo, or (2) if the Division Director in his discretion desires the Commission to hear the matter.

RULE 1217. EXAMINER'S MANNER OF CONDUCTING HEARING

An Examiner conducting a hearing under these rules shall conduct himself as a disinterested umpire.

RULE 1218. REPORT AND RECOMMENDATIONS, EXAMINER'S HEARINGS

Upon the conclusion of any hearing before an Examiner, the Examiner shall promptly consider the proceedings in such hearing, and based upon the record of such hearing the Examiner shall prepare his written report and recommendations for the disposition of the matter of proceeding by the Division. Such report and recommendations shall either be accompanied by a proposed order or shall be in the form of a proposed order, and shall be submitted to the Division Director with the certified record of the hearing.

RULE 1219. DISPOSITION OF CASES HEARD BY EXAMINERS

After receipt of the report and recommendations of the Examiner, the Division Director shall enter the Division's order disposing of the matter or proceeding.

RULE 1220. DE NOVO HEARING BEFORE COMMISSION

When any order has been entered by the Division pursuant to any hearing held by an Examiner, any party adversely affected by such order shall have the right to have such matter or proceeding heard de novo before the Commission, provided that within 30 days from the date such order is rendered such party files with the Division a written application for such hearing before the Commission. If such application is filed, the matter or proceeding shall be set for hearing before the Commission at the first available hearing date following the expiration of fifteen days from the date such application is filed with the Division. Any person affected by the order or decision rendered by the Commission after hearing before the Commission may apply for rehearing pursuant to and in accordance with the provisions of Rule 1222 and said Rule 1222 together with the law applicable to rehearing and appeals in matters and proceedings before the Commission shall thereafter apply to such matter or proceeding.

RULE 701. NECESSITY FOR HEARING

Except as provided in some general rule herein, before any rule, regulation or order, including revocation, changes, renewal or extension thereof, shall be made by the Division, a public hearing before the Commission or a legally appointed Division Examiner shall be held at such time and place as may be prescribed by the Division.

RULE 702. EMERGENCY ORDERS

Notwithstanding any other provision of these rules, in case an emergency is found to exist by the Division, which, in its judgment, requires the making of a rule, regulation, or order without a hearing having first been had or concluded, such emergency rule, regulation, or order when made by the Division shall have the same validity as if a hearing with respect to the same had been held before the Division after due notice. Such emergency rule, regulation, or order shall remain in force no longer than 15 days from its effective date, and in any event, it shall expire when the rule, regulation, or order made after due notice and hearing with respect to the subject matter of such emergency rule, regulation, or order becomes effective.

RULE 703. METHOD OF INITIATING A HEARING

The Division upon its own motion, the Attorney General on behalf of the State, and any operator or producer, or any other person having a property interest may institute proceedings for a hearing. If the hearing is sought by the Division it shall be on motion of the Division and if by any other person it shall be by application. The application shall be in triplicate and shall state (1) the name of the applicant, (2) the name or general description of the common source or sources of supply or the area affected by the order sought, (3) briefly the general nature of the order, rule, or regulation sought, and (4) any other matter required by a particular rule or rules, or order of the Division. The application shall be signed by the person seeking the hearing or by his attorney.

When conditions are such as to require verbal application to place a matter for hearing on a given docket, the Division will accept such verbal application in order to meet publishing deadlines. However, if written application, filed in accordance with the procedures outlined above, has not been received by the Division's Santa Fe office at least ten days before the date of the hearing, the case will be dismissed.

RULE 1221. NOTICE OF COMMISSION AND DIVISION ORDERS

Within ten days after any order, including any order granting or refusing rehearing, or order following rehearing, has been rendered, a copy of such order shall be mailed by the Division to each person or his attorney of record who has entered his appearance of record in the matter of proceeding pursuant to which such order is rendered.

RULE 1222. REHEARINGS

Within 20 days after entry of any order or decision of the Commission any person affected thereby may file with the Division an application for rehearing in respect of any matter determined by such order or decision, setting forth the respect in which such order or decision is believed to be erroneous. The Commission shall grant or refuse any such application in whole or in part within 10 days after the same is filed and failure to act thereon within such period shall be deemed a refusal thereof and a final disposition of such application. In the event the rehearing is granted, the Commission may enter such new order or decision after rehearing as may be required under the circumstances.

RULE 1223. CHANGES IN FORMS AND REPORTS

Any change in the forms and reports or rules relating to such forms and reports shall be made only by order of the Commission or Division issued after due notice and hearing.

RULE 704. METHOD OF GIVING LEGAL NOTICE FOR HEARING

Notice of each hearing before the Commission and notice of each hearing before a Division Examiner shall be given by perso service on the person affected or by publication once in a news paper of general circulation published at Santa Fe, New Mexico, and once in a newspaper of general circulation published in the county or each of the counties, if there be more than one, in which any geothermal resource or other property which may be affected is situated.

RULE 705. CONTENTS OF NOTICE OF HEARING

Such notice shall be issued in the name of "The State of New Mexico" and shall be signed by the Director of the Division and the seal of the Commission shall be impressed thereon.

The notice shall specify whether the case is set for heari before the Commission or before a Division Examiner and shall state the number and style of the case and the time and place o hearing and shall briefly state the general nature of the order or orders, rule or rules, regulation or regulations to be promulgated or effected. The notice shall also state the name of the petitioner or applicant, if any, and unless the contem- plated order, rule, or regulation is intended to apply to and affect the entire state, it shall specify or generally describe the common source or sources of supply which may be affected by such order, rule, or regulation.

RULE 706. PERSONAL SERVICE OF NOTICE

Personal service of the notice of hearing may be made by any agent of the Division or by any person over the age of 18 years in the same manner as is provided by law for the service of summons in civil actions in the district courts of this stat Such service shall be complete at the time of such personal ser vice or on the date of publication, as the case may be. Proof o service shall be by the affidavit of the person making personal service or of the publisher of the newspaper in which publicati is had. Service of the notice shall be made at least 10 days before the hearing.

RULE 707. PREPARATION OF NOTICES

After a motion or application is filed with the Division the notice or notices required shall be prepared by the Divisio and service and publication thereof shall be taken care of by the Division without cost to the applicant.

RULE 708. FILING PLEADINGS: COPY DELIVERED TO ADVERSE PARTY OR PARTIES

When any party to a hearing files any pleading, plea, or motion of any character (other than application for hearing)

which is not by law or by these rules required to be served upon the adverse party or parties, he shall at the same time either deliver or mail to the adverse party or parties who have entered their appearance therein, or their respective attorneys of record, a copy of such pleading, plea, or motion. For the purposes of these rules, an appearance of any interested party shall be made either by letter addressed to the Division or in person at any proceeding before the Commission or before an Examiner, with notice of such appearance to the parties from whom such pleadings, pleas, or motions are desired.

RULE 709. CONTINUANCE OF HEARING WITHOUT NEW SERVICE

Any hearing before the Commission or an Examiner held after due notice may be continued by the person presiding at such hearing to a specified time and place without the necessity of notice of the same being again served or published. In the event of any continuance, a statement thereof shall be made in the record of the hearing which is continued.

RULE 710. CONDUCT OF HEARINGS

Hearings before the Commission or any Examiner shall be conducted without rigid formality. A transcript of testimony shall be taken and preserved as a part of the permanent record of the Division. Any person testifying in response to a subpoena issued by the Commission or any member thereof, or the authorized representative of the Division Director, and any person seeking to testify in support of an application or motion or in opposition thereto shall be required to do so under oath. However, relevant unsworn comments and observations by any interested party will be designated as such and included in the record. Comments and observations by representatives of operators' committees, the United States Geological Survey, the United States Bureau of Mines, the New Mexico Bureau of Mines, and other competent persons are welcomed. Any Examiner legally appointed by the Division Director may conduct such hearings as may be referred to such examiner by the Director.

RULE 711. POWER TO REQUIRE ATTENDANCE OF WITNESSES AND PRODUCTION OF EVIDENCE

The Commission or any member thereof, or the authorized representative of the Division Director has statutory power to subpoena witnesses and to require the production of books, papers, and records in any proceeding before the Commission or Division. A subpoena will be issued for attendance at a hearing upon the written request of any person interested in the subject matter of the hearing. In case of the failure of a person to comply with the subpoena issued, an attachment of the person may be issued by the district court of any district in the state, and such court has powers to punish for contempt. Any person found guilty of swearing falsely at any hearing may be punished for contempt.

RULE 716. HEARINGS WHICH MUST BE HELD BEFORE COMMISSION

Notwithstanding any other provisions of these rules, the hearing on any matter shall be held before the Commission (1) if it is a hearing de novo, or (2) if the Division Director in his discretion desires the Commission to hear the matter.

RULE 717. EXAMINER'S MANNER OF CONDUCTING HEARING

An Examiner conducting a hearing under these rules shall conduct himself as a disinterested umpire.

RULE 718. REPORT AND RECOMMENDATIONS, EXAMINER'S HEARINGS

Upon the conclusion of any hearing before an Examiner, the Examiner shall promptly consider the proceedings in such hearing, and based upon the record of such hearing the Examiner shall prepare his written report and recommendations for the disposition of the matter of proceeding by the Division. Such report and recommendations shall either be accompanied by a proposed order or shall be in the form of a proposed order, and shall be submitted to the Division Director with the certified record of the hearing.

RULE 719. DISPOSITION OF CASES HEARD BY EXAMINERS

After receipt of the report and recommendations of the Examiner, the Division Director shall enter the Division's order disposing of the matter or proceeding.

RULE 720. DE NOVO HEARING BEFORE COMMISSION

When any order has been entered by the Division pursuant to any hearing held by an Examiner, any party adversely affected by such order shall have the right to have such matter or proceeding heard de novo before the Commission, provided that within 30 days from the date such order is rendered such party files with the Division a written application for such hearing before the Commission. If such application is filed, the matter or proceeding shall be set for hearing before the Commission at the first available hearing date following the expiration of fifteen days from the date such application is filed with the Division. Any person affected by the order or decision rendered by the Commission after hearing before the Commission may apply for rehearing pursuant to and in accordance with the provisions of Rule 722, and said Rule 722 together with the law applicable to rehearing and appeals in matters and proceedings before the Commission shall thereafter apply to such matter or proceeding.

RULE 712. RULES OF EVIDENCE

Full opportunity shall be afforded all interested parties at a hearing to present evidence and to cross-examine witnesses. In general, the rules of evidence applicable in a trial before a court without a jury shall be applicable, provided that such rules may be relaxed, where, by so doing, the ends of justice will be better served. No order shall be made which is not supported by competent legal evidence.

RULE 713. EXAMINERS' QUALIFICATIONS AND APPOINTMENT

The Division Director shall, by ex parte order, designate and appoint not more than four individuals to be examiners. Each Examiner so appointed shall be a member of the staff of the Division, but no Examiner need be a full time employee of the Division. The Director may, by ex parte order, designate and appoint a successor to any person whose status as an Examiner is terminated for any reason. Each individual designated and appointed as an Examiner must have at least six years practical experience as a geologist, petroleum engineer or licensed lawyer, or at least two years of such experience and a college degree in geology, engineering, or law; provided however, that nothing herein contained shall prevent any member of the Commission from being designated as, or serving as, an Examiner.

RULE 714. REFERRAL OF CASES TO EXAMINERS

The Division Director may refer any matter or proceeding to any legally designated and appointed Examiner for hearing in accordance with these rules. The Examiner appointed to hear any specific case shall be designated by name.

RULE 715. EXAMINER'S POWER AND AUTHORITY

The Division Director may, by ex parte order, limit the powers and duties of the Examiner in any particular case to such issues or to the performance of such acts as the Director deems expedient; however, subject only to such limitations as may be ordered by the Director, the Examiner to whom any matter or proceeding is referred under these rules shall have full authority to hold hearings on such matter or proceeding in accordance with and pursuant to these rules. The Examiner shall have the power to regulate all proceedings before him and to perform all acts and take all measures necessary or proper for the efficient and orderly conduct of such hearing, including the swearing of witnesses, receiving of testimony and exhibits offered in evidence, subject to such objections as may be imposed, and shall cause a complete record of the proceedings to be made and transcribed and shall certify same to the Director as hereinafter provided.

RULE 721. NOTICE OF COMMISSION AND DIVISION ORDERS

Within ten days after any order, including any order granting or refusing rehearing, or order following rehearing, has been rendered, a copy of such order shall be mailed by the Division to each person or his attorney of record who has entered his appearance of record in the matter of proceeding pursuant to which such order is rendered.

RULE 722. REHEARINGS

Within 20 days after entry of any order or decision of the Commission any person affected thereby may file with the Division an application for rehearing in respect of any matter determined by such order or decision, setting forth the respect in which such order or decision is believed to be erroneous. The Commission shall grant or refuse any such application in whole or in part within 10 days after the same is filed and failure to act thereon within such period shall be deemed a refusal thereof and a final disposition of such application. In the event the rehearing is granted, the Commission may enter such new order or decision after rehearing as may be required under the circumstances.

RULE 723. CHANGES IN FORMS AND REPORTS

Any change in the forms and reports or rules relating to such forms and reports shall be made only by order of the Commission or Division issued after due notice and hearing.

65-3-1.1. SHORT TITLE.--Sections 65-3-1.1 through 65-3-31 and 65-3-35 and 65-3-36 NMSA 1953 may be cited as the "Oil and Gas Act".

65-3-2. WASTE PROHIBITED.

The production or handling of crude petroleum oil or natural gas of any type or in any form, or the handling of products thereof, in such manner or under such conditions or in such amounts as to constitute or result in waste is each hereby prohibited.

65-3-3. WASTE - DEFINITIONS.

As used in this act, the term "waste," in addition to its ordinary meaning, shall include:

A. "underground waste" as those words are generally understood in the oil and gas business, and in any event to embrace the inefficient, excessive, or improper, use or dissipation of the reservoir energy, including gas energy and water drive, of any pool, and the locating, spacing, drilling, equipping, operating, or producing, of any well or wells in a manner to reduce or tend to reduce the total quantity of crude petroleum oil or natural gas ultimately recovered from any pool, and the use of inefficient underground storage of natural gas.

B. "Surface Waste" as those words are generally understood in the oil and gas business, and in any event to embrace the unnecessary or excessive surface loss or destruction without beneficial use, however caused, of natural gas of any type or in any form or crude petroleum oil, or any product thereof, but including the loss or destruction, without beneficial use, resulting from evaporation, seepage, leakage or fire, especially such loss or destruction incident to or resulting from the manner of spacing, equipping, operating, or producing, well or wells, or incident to or resulting from the use of inefficient storage or from the production of crude petroleum oil or natural gas in excess of the reasonable market demand.

C. The production of crude petroleum oil in this state in excess of the reasonable market demand for such crude petroleum oil. Such excess production causes or results in waste which is prohibited by this act. The words "reasonable market demand," as used herein with respect to crude petroleum oil, shall be construed to mean the demand for such crude petroleum oil for reasonable current requirements for current consumption and use within or outside the state, together with the demand for such amounts as are reasonably necessary for building up or maintaining reasonable storage reserves of crude petroleum oil or the products thereof, or both such crude petroleum oil and products.

D. The non-ratable purchase or taking of crude petroleum oil in this state. Such non-ratable taking and purchasing causes or results in waste, as defined in the subsections (a), (b), (c) of this section and causes waste by violating Section 12 [65-3-13] of this act.

E. The production in this state of natural gas from any gas well or wells, or from any gas pool, in excess of the reasonable market demand from such source for natural gas of the type produced or in excess of the capacity of gas transportation facilities for such type of natural gas. The words "reasonable market demand," as used herein with respect to natural gas, shall be construed to mean the demand for natural gas for reasonable current requirements, for current consumption and for use within or outside the state, together with the demand for such amounts as are necessary for building up or maintaining reasonable storage reserves of natural gas or products thereof, or both such natural gas and products.

F. Drilling or producing operations for oil or gas within any area containing commercial deposits of potash where such operations would have the effect unduly to reduce the total quantity of such commercial deposits of potash which may reasonably be recovered in commercial quantities or where such operations would interfere unduly with the orderly commercial development of such potash deposits.

(1) be a resident of this state; and

(2) be registered by the state board of registration for professional engineers and land surveyors as a petroleum engineer; or

(3) by virtue of education and experience have expertise in the field of petroleum engineering."

65-3-5. COMMISSION'S AND DIVISION'S POWERS AND DUTIES.--

and it shall specify the number and style of the case, and the time and place of hearing, shall briefly state the general nature of the order or orders, rule or rules, or regulation or regulations contemplated by the division on its own motion or sought in a proceeding brought before the commission or division, the name of the petitioner, or applicant, and, unless the order, rule or regulation is intended to apply to and affect the entire state, it shall specify or generally describe the common source or sources of supply that may be affected by such order, rule or regulation. Personal service thereof may be made by any agent of the division or by any person over the age of eighteen years, in the same manner as is provided by law for the service of summons in civil actions in the district courts of this state. Such service shall be complete at the time of such personal service or on the date of such publication, as the case may be. Proof of service shall be the affidavit of the person making personal service, or of the publisher of the newspaper in which publication is had, as the case may be. All rules, regulations and orders made by the commission or division shall be entered in full by the director thereof in a book to be kept for such purpose by the division, which shall be a public record and open to inspection at all times during reasonable office hours. A copy of any such rule, regulation or order, certified by the director of the division under the seal of the commission, shall be received in evidence in all courts of the state with the same effect as the original.

65-3-7. SUBPOENA POWER--IMMUNITY OF NATURAL PERSONS REQUIRED TO TESTIFY.--The commission, or any member thereof, or the director of the division or his authorized representative, is hereby empowered to subpoena witnesses, to require their attendance and giving of testimony before it, and to require the production of books, papers and records in any proceeding before the commission or the division. No person shall be excused from attending and testifying or from producing books, papers and records before the commission or the division, or

from obedience to the subpoena of the said commission or division, whether such subpoena be signed or issued by one or more of the members of the said commission, or the director of the division, in any hearing, investigation or proceeding held by or before the said commission or division or in any cause or proceeding in any court by or against the said commission or division, relative to matters within the jurisdiction of said commission or division, on the ground or for the reason that the testimony or evidence, documentary or otherwise, required of him may tend to incriminate him or subject him to a penalty or forfeiture; provided that nothing herein contained shall be construed as requiring any person to produce any books, papers or records, or to testify in response to any inquiry, not pertinent to some question lawfully before such commission or division or court for determination. No natural person shall be subjected to criminal prosecution, or to any penalty or forfeiture for or on account of any transaction, matter or thing concerning which he may be required to testify, or produce evidence, documentary or otherwise before said commission or division, or in obedience to its subpoena, or in any cause or proceeding, provided, that no person testifying shall be exempted from prosecution and punishment for perjury committed in so testifying.

65-3-8. FAILURE OR REFUSAL TO COMPLY WITH SUBPOENA--REFUSAL TO TESTIFY--BODY ATTACHMENT--CONTEMPT.--In case of failure or refusal on the part of any person to comply with any subpoena issued by said commission or any member thereof, or the director of the division or his authorized representative, or on the refusal of any witness to testify or answer as to any matters regarding which he may be lawfully interrogated, any district court in this state, or any judge thereof, on application of said commission or division, may issue an attachment for such person and compel him to comply with such subpoena and to attend before the commission or division and produce such documents, and give his testimony upon such matters as may be lawfully required, and such court or judge shall have the power to punish for contempt as in case of disobedience of a like subpoena issued by or from such court, or a refusal to testify therein."

"65-3-9. PERJURY--PUNISHMENT.--If any person of whom an oath shall be required under the provisions of this act, or by any rule, regulation or order of the commission or division, shall willfully swear falsely in regard to any matter or thing respecting which such oath is required, or shall willfully make any false report or affidavit required or authorized by the provisions of this act, or by any rule, regulation or order of the commission or division, such person shall be deemed guilty of perjury and shall be punished by imprisonment in the state penitentiary for not more than five years nor less than six months.

65-3-10. POWER OF COMMISSION AND DIVISION TO PREVENT WASTE AND PROTECT CORRELATIVE RIGHTS.--

A. The division is hereby empowered, and it is its duty, to prevent waste prohibited by this act and to protect correlative rights, as in this act provided. To that end, the division is empowered to make and enforce rules, regulations and orders, and to do whatever may be reasonably necessary to carry out the purpose of this act, whether or not indicated or specified in any section hereof.

B. The commission shall have concurrent jurisdiction and authority with the division to the extent necessary for the commission to perform its duties as required by law.

65-3-11. ENUMERATION OF POWERS.--

A. Included in the power given to the division is the authority to collect data; to make investigations and inspections; to examine properties, leases, papers, books and records; to examine, check, test and gauge oil and gas wells, and tanks, plants, refineries, and all means and modes of transportation and equipment; to

hold hearings; to provide for the keeping of records and the making of reports and for the checking of the accuracy thereof; to limit and prorate production of crude petroleum oil or natural gas, or both, as in this act provided; to require either generally or in particular areas certificates of clearance or tenders in connection with the transportation of crude petroleum oil or natural gas or any products thereof, or both such oil and products, or both such natural gas and products.

B. Apart from any authority, express or implied, elsewhere given to or existing in the division by virtue of this act or the statutes of this state, the division is hereby authorized to make rules, regulations and orders for the purposes and with respect to the subject matter stated herein, viz.:

(1) 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; the division shall require a corporate surety bond in a sum not to exceed fifty thousand dollars ($50,000) conditioned for the performance of such regulations;

(2) to prevent crude petroleum oil, natural gas, or water from escaping from strata in which they are found into another stratum or other strata;

(3) to require reports showing locations of all oil or gas wells, and for the filing of logs and drilling records or reports;

(4) to prevent the drowning by water of any stratum or part thereof capable of producing oil or gas, or both oil and gas, in paying quantities, and to prevent the premature and irregular encroachment of water, or any other kind of water encroachment, which reduces or tends to reduce the total ultimate recovery of crude petroleum oil or gas, or both such oil and gas, from any pool;

(5) to prevent fires;

(6) to prevent "blow-outs" and "caving" in the sense that the conditions indicated by such terms are generally understood in the oil and gas business;

(7) to require wells to be drilled, operated and produced in such manner as to prevent injury to neighboring leases or properties;

(8) to identify the ownership of oil or gas producing leases, properties, wells, tanks, refineries, pipelines, plants, structures, and all transportation equipment and facilities;

(9) to require the operation of wells with efficient gas-oil ratios and to fix such ratios;

(10) to fix the spacing of wells;

(11) to determine whether a particular well or pool is a gas or oil well, or a gas or oil pool, as the case may be, and from time to time to classify and reclassify wells and pools accordingly;

(12) to determine the limits of any pool or pools producing crude petroleum oil or natural gas or both, and from time to time redetermine such limits;

(13) to regulate the methods and devices employed for storage in this state of oil or natural gas or of any product thereof including subsurface storage;

(14) to permit the injection of natural gas or of any other substance into any pool in this state for the purpose of repressuring, cycling, pressure maintenance, secondary or any other enhanced recovery operation;

(15) to regulate the disposition of water produced or used in connection with the drilling for or producing of oil or gas, or both, and to direct surface or subsurface disposal of such water in a manner that will afford reasonable protection against contamination of fresh water supplies designated by the state engineer;

(16) to determine the limits of any area containing commercial potash deposits and from time to time redetermine such

limits;

(17) to regulate and where necessary prohibit drilling or producing operations for oil or gas within any area containing commercial deposits of potash where such operations would have the effect unduly to reduce the total quantity of such commercial deposits of potash which may reasonably be recovered in commercial quantities or where such operations would interfere unduly with the orderly commercial development of such potash deposits; or

(18) to spend the oil and gas reclamation fund and do all acts necessary and proper to plug dry and abandoned oil and gas wells in accordance with the provisions of the Oil and Gas Act and the Public Purchases Act including disposing of salvageable equipment and material removed from oil and gas wells being plugged by the state.

65-3-11.1. ADDITIONAL POWERS OF COMMISSION OR DIVISION--HEARINGS BEFORE EXAMINER--HEARINGS DE NOVO.--In addition to the powers and authority, either express or implied, granted to the oil conservation commission or division by virtue of the statutes of the state of New Mexico, the division is hereby authorized and empowered in prescribing its rules or order or procedure in connection with hearings or other proceedings before the division to provide for the appointment of one or more examiners to be members of the staff of the division to conduct hearings with respect to matters properly coming before the division and to make reports and recommendations to the director of the division with respect thereto. Any member of the commission or the director of the division or his authorized representative may serve as an examiner as provided herein. The division shall promulgate rules and regulations with regard to hearings to be conducted before examiners and the powers and duties of the examiners in any particular case may be limited by order of the division to particular issues or to the performance of particular acts. In the absence of any limiting order, an examiner appointed to hear any particular case shall have the power to regulate all proceedings before him and to perform all acts and take all measures necessary or proper for the efficient and orderly conduct of such hearing, including the swearing of witnesses, receiving of testimony and exhibits offered in evidence subject to such objections as may be imposed, and shall cause a complete record of the proceeding to be made and transcribed and shall certify the same to the director of the division for consideration together with the report of the examiner and his recommendations in connection therewith. The director of the division shall base the decision rendered in any matter or proceeding heard by an examiner, upon the transcript of testimony and record made by or under the supervision of the examiner in connection with such proceeding, and such decision shall have the same force and effect as if said hearing had been conducted before the director of the division. When any matter or proceeding is referred to an examiner and a decision is rendered thereon, any party adversely affected shall have the right to have said matter heard de novo before the commission upon application filed with the division within thirty days from the time any such decision is rendered.

65-3-11.2. BONDING REQUIREMENT.--

A. Each person, firm, corporation or association who operates any oil, gas or service well within the state shall, as a condition precedent to drilling or producing the well, furnish a surety bond to the oil conservation division running to the benefit of the state of New Mexico, conditioned that the well be plugged and abandoned in compliance with the rules and regulations of the oil conservation division. The oil conservation division shall establish categories of surety bonds after notice and hearing. Such categories shall include a blanket plugging bond in an amount not to exceed fifty thousand dollars ($50,000) and one-well plugging bonds in amounts determined sufficient to reasonably pay the cost of plugging the wells covered by each bond. In establishing categories of bonds, the

oil conservation division shall consider the depth of the well involved, the length of time since the well was produced, the cost of plugging similar wells and such other factors as the oil conservation division deems relevant. In addition to the blanket plugging bond, the oil conservation division may require a one-well bond on any well that has been held in a temporarily abandoned status for more than two years. All bonds shall remain in force and effect until released by the oil conservation division. The oil conservation division shall release a bond when it is satisfied the conditions thereof have been fully performed.

B. If any of the requirements of the Oil and Gas Act or the rules and regulations promulgated pursuant thereto have not been complied with, the division, after notice and hearing, may order any well plugged and abandoned by the operator or surety, or both, in accordance with division rules and regulations. If the order is not complied with, in the time period set out in the order, the surety bond shall be forfeited.

C. When any bond is forfeited pursuant to the provisions of the Oil and Gas Act or rules and regulations promulgated pursuant thereto, the director shall give notice to the attorney general who shall collect the forfeiture without delay.

D. All forfeitures shall be deposited in the state treasury in the oil and gas reclamation fund.

E. When the surety bond proves insufficient to cover the cost of plugging oil and gas wells on land other than federal land and funds must be expended from the oil and gas reclamation fund to meet the additional expenses, the oil conservation division is authorized to bring suit against the operator in the district court of the county in which the well is located for indemnification for all costs incurred by the oil conservation division in plugging the well. All funds collected pursuant to a judgment in a suit for indemnification brought under the provisions of this section shall be deposited in the oil and gas reclamation fund."

"65-3-12. ALLOCATION OF ALLOWABLE PRODUCTION AMONG FIELDS WHEN DIVISION LIMITS TOTAL AMOUNT OF PRODUCTION.--Whenever, to prevent waste, the division limits the total amount of crude petroleum oil to be produced in this state, it shall allocate or distribute the allowable productions among the fields of the state. Such allocation or distribution among the fields of the state shall be made on a reasonable basis, giving, if reasonable under all circumstances, to each pool with small wells of settled production, an allowable production which will prevent a general premature abandonment of the wells in the field.

65-3-13. ALLOCATION OF ALLOWABLE PRODUCTION IN FIELD OR POOL.--

A. Whenever, to prevent waste, the total allowable production of crude petroleum oil for any field or pool in the state is fixed by the division in an amount less than that which the field or pool could produce if no restriction were imposed, the division shall prorate or distribute the allowable production among the producers in the field or pool, upon a reasonable basis and recognizing correlative rights.

B. Crude petroleum oil produced within the allowable as fixed by the division shall herein be referred to as "legal oil" and crude petroleum oil produced in excess of such allowable shall be "illegal oil".

C. Whenever, to prevent waste, the total allowable natural gas production from gas wells producing from any pool in this state is fixed by the division in an amount less than that which the pool could produce if no restrictions were imposed, the division shall allocate the allowable production among the gas wells in the pool delivering to a gas transportation facility upon a reasonable basis

and recognizing correlative rights, and shall include in the proration schedule of such pool any well which it finds is being unreasonably discriminated against through denial of access to a gas transportation facility which is reasonably capable of handling the type of gas produced by such well. In protecting correlative rights the division may give equitable consideration to acreage, pressure, open flow, porosity, permeability, deliverability and quality of the gas and to such other pertinent factors as may from time to time exist, and in so far as is practicable, shall prevent drainage between producing tracts in a pool which is not equalized by counterdrainage. In allocating production pursuant to the provisions of this subsection, the division shall fix proration periods of not less than six months. It shall determine reasonable market demand and make allocations of production during each such period, upon notice and hearing, at least thirty days prior to the beginning of each proration period. In so far as is feasible and practicable, gas wells having an allowable in a pool shall be regularly produced in proportion to their allowables in effect for the current proration period. Without approval of the division or one of its duly authorized agents, no natural gas well or pool shall be allowed to produce natural gas in excess of the allowable assigned to such source during any proration period; provided, that during an emergency affecting a gas transportation facility a gas well or pool having high deliverability into such facility under prevailing conditions may produce and deliver in excess of its allowable for the period of emergency, not exceeding ten days, without penalty. The division may order subsequent changes in allowables for wells and pools to make fair and reasonable adjustment for overage resulting from the emergency. The provisions of this subsection shall not apply to any wells or pools used for storage and withdrawal from storage of natural gas originally produced not in violation of this act or the rules, regulations or orders of the division.

D. In fixing the allowable of a pool under Subsection C of this section, the division shall consider nominations of purchasers but shall not be bound thereby and shall so fix pool allowables as to prevent unreasonable discrimination between pools served by the same gas transportation facility by a purchaser purchasing in more than one pool.

E. Natural gas produced from gas wells within the allowable as determined as provided in Subsection C of this section shall herein be referred to as "legal gas", and natural gas produced in excess of such allowable shall be "illegal gas".

65-3-14. EQUITABLE ALLOCATION OF ALLOWABLE PRODUCTION--POOLING--SPACING.--

A. The rules, regulations or orders of the division shall, so far as it is practicable to do so, afford to the owner of each property in a pool the opportunity to produce his just and equitable share of the oil or gas, or both, in the pool, being an amount, so far as can be practically determined, and so far as such can be practicably obtained without waste, substantially in the proportion that the quantity of the recoverable oil or gas, or both, under such property bears to the total recoverable oil or gas, or both, in the pool, and for this purpose to use his just and equitable share of the reservoir energy.

B. The division may establish a proration unit for each pool, such being the area that can be efficiently and economically drained and developed by one well, and in so doing the division shall consider the economic loss caused by the drilling of unnecessary wells, the protection of correlative rights, including those of royalty owners, the prevention of waste, the avoidance of the augmentation of risks arising from the drilling of an excessive number of wells, and the prevention of reduced recovery which might result from the drilling of too few wells.

C. When two or more separately owned tracts of land are embraced within a spacing or proration unit, or where there are owners of royalty interests or undivided interests in oil and gas minerals which are separately owned or any combination thereof, embraced within such spacing or proration unit, the owner or owners thereof may validly pool their interests and develop their lands as a unit. Where, however, such owner or owners have not agreed to pool their interests, and where one such separate owner, or owners, who has the right to drill has drilled or proposes to drill a well on said unit to a common source of supply, the division, to avoid the drilling of unnecessary wells or to protect correlative rights, or to prevent waste, shall pool all or any part of such lands or interests or both in the spacing or proration unit as a unit.

All orders effecting such pooling shall be made after notice and hearing, and shall be upon such terms and conditions as are just and reasonable and will afford to the owner or owners of each tract or interest in the unit the opportunity to recover or receive without unnecessary expense his just and fair share of the oil or gas, or both. Each order shall describe the lands included in the unit designated thereby, identify the pool or pools to which it applies and designate an operator for the unit. All operations for the pooled oil or gas, or both, which are conducted on any portion of the unit shall be deemed for all purposes to have been conducted upon each tract within the unit by the owner or owners of such tract. For the purpose of determining the portions of production owned by the persons owning interests in the pooled oil or gas, or both, such production shall be allocated to the respective tracts within the unit in the proportion that the number of surface acres included within each tract bears to the number of surface acres included in the entire unit. The portion of the production allocated to the owner or owners of each tract or interest included in a well spacing or proration unit formed by a pooling order shall, when produced, be considered as if produced from the separately owned tract or interest by a well drilled thereon. Such pooling order of the division shall make definite provision as to any owner, or owners, who elects not to pay his proportionate share in advance for the prorata reimbursement solely out of production to the parties advancing the costs of the development and operation, which shall be limited to the actual expenditures required for such purpose not in excess of what are reasonable, but which shall include a reasonable charge for supervision and may include a charge for the risk involved in the drilling of such well, which charge for risk shall not exceed two hundred percent of the nonconsenting working interest owner's or owners' prorata share of the cost of drilling and completing the well.

In the event of any dispute relative to such costs, the division shall determine the proper costs after due notice to interested parties and a hearing thereon. The division is specifically authorized to provide that the owner or owners drilling, or paying for the drilling, or for the operation of a well for the benefit of all shall be entitled to all production from such well which would be received by the owner, or owners, for whose benefit the well was drilled or operated, after payment of royalty as provided in the lease, if any, applicable to each tract or interest, and obligations payable out of production, until the owner or owners drilling or operating the well or both have been paid the amount due under the terms of the pooling order or order settling such dispute. No part of the production or proceeds accruing to any owner or owners of a separate interest in such unit shall be applied toward the payment of any cost properly chargeable to any other interest in said unit.

If the interest of any owner or owners of any unleased mineral interest is pooled by virtue of this act, seven-eighths of such interest shall be considered as a working interest and one-eighth shall be considered a royalty interest, and he shall in all events be paid one-

eighth of all production from the unit and creditable to his interest.

D. Minimum allowable for some wells may be advisable from time to time, especially with respect to wells already drilled when this act takes effect, to the end that the production will repay reasonable lifting cost and thus prevent premature abandonment and resulting waste.

E. Whenever it appears that the owners in any pool have agreed upon a plan for the spacing of wells, or upon a plan or method of distribution of any allowable fixed by the division for the pool, or upon any other plan for the development or operation of such pool, which plan, in the judgment of the division, has the effect of preventing waste as prohibited by this act and is fair to the royalty owners in such pool, then such plan shall be adopted by the division with respect to such pool; however, the division, upon hearing and after notice, may subsequently modify any such plan to the extent necessary to prevent waste as prohibited by this act.

F. After the effective date of any rule, regulation or order fixing the allowable production, no person shall produce more than the allowable production applicable to him, his wells, leases or properties determined as in this act provided, and the allowable production shall be produced in accordance with the applicable rules, regulations or orders.

'65-3-14.1. COURT MAY AUTHORIZE POOLING OR UNITIZATION BY FIDUCIARIES. Repealed 1976

When an existing oil and gas lease upon property owned by a decedent at the time of his death, by a minor, or by an incompetent, does not authorize pooling or unitization thereof with other lands in the vicinity, the district court for the county in which any portion of the lands subject to said lease is situated can authorize the executor or administrator of the estate of the decedent, or the guardian of the minor or incompetent, to execute appropriate instruments authorizing or effectuating such pooling or unitization, or both, if the court finds it to be in the interest of the owners of such property.

65-3-14.2. PETITION OF FIDUCIARY FOR AUTHORITY TO EXECUTE INSTRUMENT - CONTENTS.

An executor, administrator or guardian desiring authorization to execute such instruments shall file a verified petition in the appropriate district court setting forth a description of the lease, the lands subject thereto and the reason that the proposed action is in the interest of the owners of the affected real estate. A copy of the instrument by which such pooling or unitization is proposed to be authorized or effectuated shall be attached to the petition.

65-3-14.3. NOTICE OF HEARING.

No notice of the hearing upon the petition shall be required; provided, however, that the court in its discretion may require such notice as it may direct to be given to affected parties.

65-3-14.4. COURT ORDER - EFFECT.

Upon entry of an order of the court authorizing execution of the proposed instrument in the form attached to the petition, or with such modification as the court may direct, and execution thereof by the executor, administrator or guardian, the interest in the property owned by the decedent at the time of death, or by the ward, shall be subject in all respects to the terms of said instrument and the executor, administrator or guardian, without further order of the court, shall be authorized to execute division orders, transfer orders, correction instruments, receipts and other instruments made necessary or desirable by the pooling or unitization so effected.

'65-3-14.5. SPACING OR PRORATION UNIT WITH DIVIDED MINERAL OWNERSHIP.—

A. Whenever the operator of any oil or gas well shall dedicate lands comprising a standard spacing or proration unit to an oil or gas well, it shall be the obligation of the operator, if two or more separately owned tracts of land are embraced within the spacing or proration unit, or where there are owners of royalty interests or undivided interests in oil or gas minerals which are separately owned or any combination thereof, embraced within such spacing or proration unit, to obtain voluntary agreements pooling said lands or interests or an order of the division pooling said lands, which agreement or order shall be effective from the first production. Any division order that increases the size of a standard spacing or proration unit for a pool, or extends the boundaries of such a pool, shall require dedication of acreage to existing wells in the pool in accordance with the acreage dedication requirements for said pool, and all interests in the spacing or proration units that are dedicated to the affected wells shall share in production from the effective date of the said order.

B. Any operator failing to obtain voluntary pooling agreements, or failing to apply for an order of the division pooling the lands dedicated to the spacing or proration unit as required by this section, shall nevertheless be liable to account to and pay each owner of minerals or leasehold interest, including owners of overriding royalty interests and other payments out of production, either the amount to which each interest would be entitled if pooling had occurred or the amount to which each interest is entitled in the absence of pooling, whichever is greater.

C. Nonstandard spacing or proration units may be established by the division and all mineral and leasehold interests in any such nonstandard unit shall share in production from that unit from the date of the order establishing the said nonstandard unit.

65-3-15. COMMON PURCHASERS--DISCRIMINATION IN PURCHASING PROHIBITED.--

A. Every person now engaged or hereafter engaging in the business of purchasing oil to be transported through pipelines, shall be a common purchaser thereof, and shall without discrimination in favor of one producer as against another in the same field, purchase all oil tendered to it which has been lawfully produced in the vicinity of, or which may be reasonably reached by pipelines through which it is transporting oil, or the gathering branches thereof, or which may be delivered to the pipeline or gathering branches thereof by truck or otherwise, and shall fully perform all the duties of a common purchaser. If any common purchaser shall not have need for all such oil lawfully produced within a field, or if for any reason it shall be unable to purchase all such oil, then it shall purchase from each producer in a field ratably, taking and purchasing the same quantity of oil from each well to the extent that each well is capable of producing its ratable portions; provided however, nothing herein contained shall be construed to require more than one pipeline connection for each producing well. In the event any such common purchaser of oil is [illegible] a producer or is affiliated with a producer, directly or indirectly, it is hereby expressly prohibited from discriminating in favor of its own production or in favor of the production of an affiliated producer as against that of others and the oil produced by such common purchaser or by the affiliate of such common purchaser shall be treated as that of any other producer for the purposes of ratable taking.

B. It shall be unlawful for any common purchaser to unjustly or unreasonably discriminate as to the relative quantities of oil purchased by it in the various fields of the state; the question of the justice or reasonableness to be determined by the division, taking into consideration the production and age of wells in the respective fields and all other factors. It is the intent of this act that all fields shall be allowed to produce and market a just and equitable share of the oil produced and marketed in the state, in so far as the same can be effected economically and without waste.

C. It shall be the duty of the division to enforce the provisions of this act, and it shall have the power, after notice and hearing as provided in Section 65-3-20 NMSA 1953, to make rules, regulations and orders defining the distance that extension of the pipeline system shall be made to all wells not served; provided that no such authorization or order shall be made unless the division finds as to such extension that it is reasonably required and economically justified, or as to such extension of facilities that the expenditures involved therein, and the expense incident thereto, is justified in relation to the volume of oil available for transportation through said extension; and such other rules, regulations and orders as may be necessary to carry out the provisions of this act, and in making such rules, regulations and orders, the division shall give due consideration to the economic factors involved. The division shall have authority to relieve such common purchaser, after due notice and hear-

ing as herein provided, from the duty of purchasing crude petroleum oil of inferior quality or grade or that is not reasonably suitable for the requirements of such common purchaser.

D. Any person now or hereafter engaged in purchasing from one or more producers gas produced from gas wells shall be a common purchaser thereof within each common source of supply from which it purchases, and as such it shall purchase gas lawfully produced from gas wells with which its gas transportation facilities are connected in the pool and other gas lawfully produced within the pool and tendered to a point on its gas transportation facilities. Such purchases shall be made without unreasonable discrimination in favor of one producer against another in the price paid, the quantities purchased, the bases of measurement or the gas transportation facilities afforded for gas of like quantity, quality and pressure available from such wells. In the event any such person is likewise a producer, he is prohibited to the same extent from discriminating in favor of himself on production from gas wells in which he has an interest, direct or indirect, as against other production from gas wells in the same pool. For the purposes of this act reasonable differences in prices paid or facilities afforded, or both, shall not constitute unreasonable discrimination if such differences bear a fair relationship to differences in quality, quantity or pressure of the gas available or to the relative lengths of time during which such gas will be available to the purchaser. The provisions of this subsection shall not apply:

(1) to any wells or pools used for storage and withdrawal from storage of natural gas originally produced not in violation of this act or of the rules, regulations or orders of the division;

(2) to purchases of casing-head gas from oil wells; and

(3) to persons purchasing gas principally for use in the recovery or production of oil or gas.

E. Any common purchaser taking gas produced from gas wells from a common source of supply shall take ratably under such rules, regulations and orders, concerning quantity, as may be promulgated by the division consistent with this act. The division, in promulgating such rules, regulations and orders may consider the quality and the deliverability of the gas, the pressure of the gas at the point of delivery, acreage attributable to the well, market requirements in the case of unprorated pools, and other pertinent factors.

F. Nothing in this act shall be construed or applied to require, directly or indirectly, any person to purchase gas of a quality or under a pressure or under any other condition by reason of which such gas cannot be economically and satisfactorily used by such purchaser by means of his gas transportation facilities then in service.

...

65-3-18. PURCHASE, SALE OR HANDLING OF EXCESS OIL, NATURAL GAS OR PRODUCTS PROHIBITED.--

A. The sale or purchase or acquisition, or the transportation, refining, processing, or handling in any other way, of crude petroleum oil or natural gas in whole or in part produced in excess of the amount allowed by any statute of this state, or by any provision of this act, or by any rule, regulation or order of the commission or division made thereunder, is hereby prohibited, and such oil or commodity is hereby referred to as "illegal oil" or "illegal gas", as the case may be.

B. The sale or purchase or acquisition, or the transportation, refining, processing or the handling in any other way, of any

product of crude petroleum or any product of natural gas, which product is derived in whole or in part from crude petroleum oil or natural gas produced in whole or in part in excess of the amount allowed by any statute of this state, or by any provisions of this act, or by any rule, regulation or order of the commission or division made thereunder, is hereby prohibited, and each such commodity or product is herein referred to as "illegal oil product" to distinguish it from "legal oil product", or "illegal gas product" to distinguish it from "legal gas product".

65-3-19. RULES AND REGULATIONS TO EFFECTUATE PROHIBITIONS AGAINST PURCHASE OR HANDLING OF EXCESS OIL OR NATURAL GAS--PENALTIES.--

A. The division is specifically authorized and directed to

[redacted]

of sale or purchase or acquisition, or of transportation, refining, processing, or handling in any other way, involves illegal oil or illegal oil product, or illegal gas or illegal gas product, no penalty shall be imposed for the sale or purchase or acquisition, or the transportation, refining, processing, or handling in any other way, of illegal oil or illegal oil product, or illegal gas or illegal gas product, except under circumstances stated in the succeeding provisions of this paragraph. Penalties shall be imposed for the commission of each transaction prohibited in Section 65-3-18 NMSA 1953 when the person committing the same knows that illegal oil or illegal oil product, or illegal gas or illegal gas product, is involved in such transaction, or when such person could have known or determined such fact by the exercise of reasonable diligence or from facts within his knowledge. However, regardless of lack of actual notice or knowledge, penalties as provided in this act shall apply to any sale or purchase or acquisition, and to the transportation, refining, processing, or handling in any other way, of illegal oil or illegal oil product, or illegal gas or illegal gas product where administrative provision is made for identifying the character of the commodity as to its legality. It shall likewise be a violation for which penalties shall be imposed for any person to sell or purchase or acquire, or to transport, refine, process, or handle in any way any crude petroleum oil or natural gas or any product thereof without complying with the rule, regulation or order of the commission or division relating thereto.

65-3-20. HEARINGS ON RULES, REGULATIONS AND ORDERS--NOTICE--EMERGENCY RULES.--Except as provided for herein, before any rule, regulation or order, including revocation, change, renewal or extension thereof, shall be made under the provisions of this act, a public hearing shall be held at such time, place and manner as may be prescribed by the division. The division shall first give reasonable notice of such hearing (in no case less than ten days, except in an emergency) and at any such hearing any person having an interest in the subject matter of the hearing shall be entitled to be heard. In case an emergency is found to exist by the division which in its judgment requires the making of a rule, regulation or order without first having a hearing, such emergency rule, regulation or order shall have the same validity as if a hearing with respect to the same had been held after due notice. The emergency rule, regulation or order permitted by this section shall remain in force no longer than fifteen days from its effective date, and, in any event, it shall expire when the rule, regulation or order made after due notice and hearing with respect to the subject matter of such emergency rule, regulation or order becomes effective.

"65-3-21. REPORTS OF GOVERNMENTAL DEPARTMENTS OR AGENCIES AS TO MARKET DEMAND TO BE DEEMED PRIMA FACIE CORRECT.--The reports, estimates, findings of fact, or similar documents or findings of the United States bureau of mines, or of any other department or agency of the United States government, or of any bureau or agency under an interstate compact to which the state of New Mexico is a party made with respect to the reasonable market demand for crude petroleum oil, may be considered by the division or by any court and taken as being prima facie correct.

65-3-22. REHEARINGS - APPEALS.

(a) Within twenty (20) days after entry of any order or decision of the Commission, any person affected thereby may file with the Commission an application for rehearing in respect of any matter determined by such order or decision, setting forth the respect in which such order or decision is believed to be erroneous. The Commission shall grant or refuse any such application in whole or in part within ten (10) days after the same is filed and failure to act thereon within such period shall be deemed a refusal thereof and a final disposition of such application. In the event the rehearing is granted, the Commission may enter such new order or decision after rehearing as may be required under the circumstances.

(b) Any party to such rehearing proceeding, dissatisfied with the disposition of the application for rehearing, may appeal therefrom to the District Court of the county wherein is located any property of such party affected by the decision, by filing a petition for the review of the action of the Commission within twenty (20) days after the entry of the order following rehearing or after the refusal or rehearing as the case may be. Such petition shall state briefly the nature of the proceedings before the Commission and shall set forth the order or decision of the Commission complained of and the grounds of invalidity thereof upon which the applicant will rely; provided, however, that the questions reviewed on appeal shall be only questions presented to the Commission by the application for rehearing. Notice of such appeal shall be served upon the adverse party or parties and the Commission in the manner provided for the service of summons in civil proceedings. The trial upon appeal shall be de novo, without a jury, and the transcript of proceedings before the Commission, including the evidence taken in hearings by the Commission, shall be received in evidence by the court in whole or in part upon offer by either party, subject to legal objections to evidence, in the same manner as if such evidence was originally offered in the District Court. The Commission action complained of shall be prima facie valid and the burden shall be upon the party or parties seeking review to establish the invalidity of such action of the Commission. The Court shall determine the issues of fact and of law and shall, upon a preponderance of the evidence introduced before the Court, which may include evidence in addition to the transcript of proceedings before the Commission, and the law applicable thereto, enter its order either affirming, modifying, or vacating the order of the Commission. In the event the Court shall modify or vacate the order or decision of the Commission, it shall enter such order in lieu thereof as it may determine to be proper. Appeals may be taken from the judgment or decision of the District Court to the Supreme Court in the same manner as provided for appeals from any other final judgment entered by a District Court in this State. The trial of such application for relief from action of the Commission and the hearing of any appeal to the Supreme Court from the action of the District Court shall be expedited to the fullest possible extent.

(c) The pendency of proceedings to review shall not of itself stay or suspend operation of the order or decision being reviewed, but during the pendency of such proceedings, the District Court in its discretion may, upon its own motion or upon proper application of any party thereto, stay or suspend, in whole or in part, operation of said order or decision pending review thereof, on such terms as the court deems just and proper and in accordance with the practice of courts exercising equity jurisdiction; provided, that the court, as a condition to any such staying or suspension of operation of any order or decision, may require that one or more parties secure, in such form and amount as the court may deem just and proper, one or more other parties against loss or damage due to the staying or suspension of the Commission's order or decision, in the event that the action of the Commission shall be affirmed.

(d) The applicable rules of practice and procedure in civil cases for the courts of this state shall govern the proceedings for review, and any appeal therefrom to the Supreme Court of this state, to the extent such rules are consistent with provisions of this act.

65-3-22.1. REVIEW OF OIL CONSERVATION COMMISSION DECISION--APPEALS.--

The secretary of energy and minerals department may hold a public hearing to determine whether an order or decision issued by the oil conservation commission contravenes the department's statewide plan or the public interest. The hearing shall be held within twenty days after the entry of the commission order or decision following a rehearing or after the order refusing a rehearing as the case may be. The hearing shall be a de novo proceeding and the secretary shall enter such order or decision as may be required under the circumstances, having due regard for the conservation of the state's oil, gas and mineral resources, and the commission shall modify its own order or decision to comply therewith. If a rehearing before the commission was granted, the record of the rehearing shall be made part of the record of the hearing before the secretary. If the application for rehearing was denied, the record of the hearing before the commission or the division shall be made part of the

record of the hearing before the secretary. Such orders and decisions of the secretary may be appealed by any party to the original hearing or the rehearing before the commission, or by any party to the hearing before the secretary held pursuant to this section, in accordance with the procedure of Subsections (b), (c) and (d) of Section 65-3-22 NMSA 1953 except that the appeal shall not be a de novo proceeding and shall be limited to a review of the record of the hearing held pursuant to the provisions of this section.

65-3-23. TEMPORARY RESTRAINING ORDER OR INJUCTION--GROUNDS--HEARING--BOND.--

A. No temporary restraining order or injunction of any kind shall be granted against the commission or the members thereof, or against the attorney general, or against any agent, employee or representative of the division, restraining the commission, or any of its members, or the division or any of its agents, employees or representatives, or the attorney general, from enforcing any statute of this state relating to conservation of oil or gas, or any of the provisions of this act, or any rule, regulation or order made thereunder, except after due notice to the director of the division, and to all other defendants, and after a hearing at which it shall be clearly shown to the court that the act done or threatened is without sanction of law, or that the provision of this act, or the rule, regulation or order complained of, is invalid, and that, if enforced against the complaining party, will cause an irreparable injury. With respect to an order to decree granting temporary injunctive relief, the nature and extent of the probable invalidity of the state, or of any provision of this act, or of any rule, regulation or order thereunder involved in such suit, must be recited in the order or decree granting the temporary relief, as well as a clear statement of the probable damage relied upon by the court as justifying temporary injunctive relief.

B. No temporary injunction of any kind, including a temporary restraining order against the commission or the members thereof, or the division or its agents, employees or representatives, or the attorney general, shall become effective until the plaintiff shall execute a bond to the state with sufficient surety in an amount to be fixed by the court reasonably sufficient to indemnify all persons who may suffer damage by reason of the violation pendente lite by the complaining party of the statute or the provisions of this act or of any rule, regulation or order complained of. Any person so suffering damage may bring suit thereon before the expiration of six months after the statute, provision, rule, regulation or order complained of shall be finally held to be valid, in whole or in part, or such suit against the commission, or the members thereof, or the division, shall be finally dismissed. Such bond shall be approved by the judge of the court in which the suit is pending, and shall be for the use and benefit of all persons who may suffer damage by reason of the violation pendente lite of the statute, provision, rule, regulation or order complained of in such suit, and who may bring suit within the time prescribed by this section; and such bond shall be so conditioned. From time to time, on motion and with notice to the parties, the court may increase or decrease the amount of the bond and may require new or additional sureties, as the facts may warrant.

65-3-24. ACTIONS FOR VIOLATIONS.--Whenever it shall appear that any person is violating, or threatening to violate, any statute of this state with respect to the conservation of oil or gas, or both, or any provision of this act, or any rule, regulation or order made thereunder, the division through the attorney general shall bring suit against such person in the county of the residence of the defendant, or in the county of the residence of any defendant if there be more than one defendant, or in the county where the violation is alleged to have occurred, for penalties, if any are applicable, and to re-

strain such person from continuing such violation or from carrying out the threat of violation. In such suit the division may obtain injunctions, prohibitory and mandatory, including temporary restraining orders and temporary injunctions, as the facts may warrant, including, when appropriate, an injunction restraining any person from moving or disposing of illegal oil or illegal oil product, or illegal gas or illegal gas product, and any or all such commodities, or funds derived from the sale thereof, may be ordered to be impounded or placed under the control of an agent appointed by the court if, in the judgment of the court, such action is advisable.

65-3-25. ACTIONS FOR DAMAGES--INSTITUTION OF ACTIONS FOR INJUNCTIONS BY PRIVATE PARTIES.--Nothing in this act contained or authorized, and no suit by or against the commission or the division, and no penalties imposed or claimed against any person for violating any statute of this state with respect to conservation of oil and gas, or any provision of this act, or any rule, regulation or order issued thereunder, shall impair or abridge or delay any cause of action for damages which any person may have or assert against any person violating any statute of this state with respect to conservation of oil and gas, or any provision of this act, or any rule, regulation or order issued thereunder. Any person so damaged by the violation may sue for and recover such damages as he may be entitled to receive. In the event the division should fail to bring suit to enjoin any actual or threatened violation of any statute of this state with respect to the conservation of oil and gas, or of any provision of this act, or of any rule, regulation or order made thereunder, then any person or party in interest adversely affected by such violation, and who has notified the division in writing of such violation or threat thereof and has requested the division to sue, may, to prevent any or further violation, bring suit for that purpose in the district court of any county in which the division could have brought suit. If, in such suit, the court holds that injunctive relief should be granted, then the division shall be made a party and shall be substituted for the person who brought the suit, and the injunction shall be issued as if the division had at all times been the complaining party.

65-3-26. VIOLATION OF COURT ORDER GROUNDS FOR APPOINTMENT OF RECEIVER.

The violation by any person of an order of the court relating to the operation of a well or wells, or of a pipeline or other transportation, equipment or facility, or of a refinery, or of a plant of any kind, shall be sufficient ground for the appointment of a receiver with power to conduct operations in accordance with the order of the court.

65-3-27. PENALTIES FOR VIOLATIONS--ACCESSORIES.--

A. Any person who, for the purpose of evading this act, or of evading any rule, regulation or order made hereunder, shall knowingly and willfully make or cause to be made any false entry or statement of fact in any report required to be made by this act or by any rule, regulation or order made hereunder; or who, for such purpose, shall make or cause to be made any false entry in any account, record or memorandum kept by any person in connection with the provisions of this act or of any rule, regulation or order made thereunder; or who, for such purpose, shall omit to make, or cause to be omitted, full, true and correct entries in such accounts, records or memoranda, of all facts and transactions pertaining to the interest of activities in the petroleum industry of such person as may be required by the commission or division under authority given to this act or by any rule, regulation or order made hereunder; or who, for such purpose, shall remove out of the jurisdiction of the state, or who shall mutilate, alter, or by any other means falsify, any book, record, or other

paper pertaining to the transactions regulated by this act or by any rule, regulation or order made hereunder; shall be deemed guilty of a felony and shall be subject, upon conviction in any court of competent jurisdiction, to a fine of not more than one thousand dollars ($1,000), or imprisonment for a term of not more than three years, or to both such fine and imprisonment.

B. Any person who knowingly and willfully violates any provision of this act or any rule, regulation or order of the commission or division made hereunder, shall, in the event a penalty for such violation is not otherwise provided for herein be subject to a penalty of not to exceed one thousand dollars ($1,000) a day for each and every day of such violation, and for each and every act of violation, such penalty to be recovered in a suit in the district court of the county where the defendant resides, or in the county of the residence of any defendant if there be more than one defendant, or in the district court of the county where the violation took place. The place of suit shall be selected by the division, and such suit, by direction of the division, shall be instituted and conducted in the name of the division by the attorney general or under his direction by the district attorney of the county where the suit is instituted. The payment of any penalty as provided for herein shall not have the effect of changing illegal oil or illegal gas product into legal oil or legal gas product, nor shall such payment have the effect of authorizing the sale or purchase or acquisition, or the transportation, refining, processing, or handling in any other way, of such illegal oil or illegal gas, or illegal oil or illegal gas product, but to the contrary penalty shall be imposed for each prohibited transaction relating to such illegal oil or illegal gas or illegal oil or illegal gas product.

C. Any person knowingly and willfully aiding or abetting any other person in the violation of any statute of this state relating to the conservation of oil and gas, or the violation of any provision of this act, or any rule, regulation or order made thereunder, shall be subject to the same penalties as are prescribed herein for the violation by such other person.

65-3-28. SEIZURE AND SALE OF ILLEGAL OIL OR GAS OR PRODUCTS--PROCEDURE.--

A. Apart from, and in addition to, any other remedy or procedure which may be available to the commission or the division, or any penalty which may be sought against or imposed upon any person, with respect to violations relating to illegal oil or illegal gas or illegal products thereof, all such oil or gas or products thereof shall, except under such circumstances as are stated herein, be contraband and shall be seized and sold, and the proceeds applied as herein provided. The sale shall not take place unless the court finds in the proceeding provided in this section that the owner of such illegal oil or illegal gas or product thereof is liable, or in some proceeding authorized by Sections 65-3-1 through 65-3-34 NMSA 1953, such owner has already been held to be liable, for penalty for having produced the illegal oil or illegal gas, or for having purchased or acquired the illegal oil or illegal gas or product thereof. Whenever the division believes that illegal oil or illegal gas or product thereof is subject to seizure and sale, as provided herein, it shall, through the attorney general, bring a civil action in rem for that purpose in the district court of the county where the

commodity is found, or the action may be maintained in connection with any suit or cross-action for injunction or for penalty relating to any prohibited transaction involving the illegal oil or illegal gas or product thereof. Notice of the action in rem shall be given in conformity with the law or rule applicable to such proceeding. Any person or party in interest who may show himself to be adversely affected by any such seizure and sale shall have the right to intervene in the suit to protect his rights.

B. Whenever the pleading with respect to the forfeiture of illegal oil or illegal gas or product thereof shows ground for seizure and sale, and the pleading is verified or is supported by affidavit or affidavits, or by testimony under oath, the court shall order such commodity to be impounded or placed under the control, actual or constructive, of the court through an agent appointed by the court.

C. The judgment affecting the forfeiture shall provide that the commodity be seized, if not already under the control of the court, and that a sale be had in similar manner and with similar notice as provided by law or rule with respect to the sale of personal property under execution; provided, however, the court may order that the commodity be sold in specified lots or portions, and at specified intervals, instead of being sold at one time. Title to the amount sold shall pass as of the date of the seizure. The judgment shall provide for payment of the proceeds of the sale into the common school fund, after first deducting the costs in connection with the proceedings and the sale. The amount sold shall be treated as legal oil or legal gas or product thereof, as the case may be, in the hands of the purchaser, but the purchaser and the commodity shall be subject to all applicable laws and rules, regulations and orders with respect to further sale or purchase or acquisition, and with respect to the transportation, refining, processing, or handling in any other way, of the commodity purchased.

D. Nothing in this section shall deny or abridge any cause of action a royalty owner, or any lien holder, or any other claimant, may have, because of the forfeiture of the illegal oil or illegal gas or product thereof, against the person whose act resulted in such forfeiture.

65-3-29. DEFINITIONS OF WORDS USED IN ACT.

Unless the context otherwise requires, the words defined in this section shall have the following meaning when found in this act, to-wit:

A. "Person" means any natural person, corporation, association, partnership, receiver, trustee, guardian, executor, administrator and a fiduciary of any kind.

B. "Pool" means an underground reservoir containing a common accumulation of crude petroleum oil or natural gas or both. Each zone of a general structure, which zone is completely separate from any other zone in the structure, is covered by the word "pool" as used herein. "Pool" is synonymous with "common source of supply" and with "common reservoir."

C. "Field" means the general area which is underlaid or appears to be underlaid by at least one (1) pool; and "field" also includes the underground reservoir or reservoirs containing such crude petroleum oil or natural gas, or both. The words "field" and "pool" mean the same thing when only one (1) underground reservoir is involved; however, "field" unlike "pool" may relate to two (2) or more pools.

D. "Product" means any commodity or thing made or manufactured from crude petroleum oil or natural gas, and all derivatives of crude petroleum oil or natural gas, including refined crude oil, crude tops, topped crude, processed crude petroleum, residue from crude petroleum, cracking stock, uncracked fuel oil, treated crude oil, fuel oil, residuum, gas oil, naphtha, distillate, gasoline, kerosene, benzine, wash oil, waste oil, lubricating oil, and blends or mixtures of crude petroleum oil or natural gas or any derivative thereof.

E. "Owner" means the person who has the right to drill into and to produce from any pool, and to appropriate the production either for himself or for himself and another.

F. "Producer" means the owner of well or wells capable of producing oil or natural gas or both in paying quantities.

G. "Gas transportation facility" means a pipeline in operation serving gas wells for the transportation of natural gas, or some other device or equipment in like operation whereby natural gas produced from gas wells connected therewith can be transported or used for consumption.

H. "Correlative rights" means the opportunity afforded, so far as it is practicable to do so, to the owner of each property in a pool to produce without waste his just and equitable share of the oil or gas, or both, in the pool, being an amount, so far as can be practicably determined, and so far as can be practicably obtained without waste, substantially in the proportion that the quantity of recoverable oil or gas, or both, under such property

bears to the total recoverable oil or gas, or both, in the pool, and for such purpose to use his just and equitable share of the reservoir energy.

I. "Potash" means the naturally occurring bedded deposits of the salts of the element potassium.

65-3-31. REGULATION, CONSERVATION AND PREVENTION OF WASTE OF CARBON DIOXIDE GAS.--

A. The oil conservation division is hereby vested with the authority and duty of regulation and conserving the production of and preventing waste of carbon dioxide gas within this state in the same manner, insofar as is practicable as it regulates, conserves and prevents waste of natural or hydrocarbon gas. The provisions of this act relating to gas or natural gas shall also apply to carbon dioxide gas insofar as the same are applicable. "Carbon dioxide gas" as used herein shall mean non-combustible gas composed chiefly of carbon dioxide occurring naturally in underground rocks.

B. The commission shall have concurrent jurisdiction and authority with the division to the extent necessary for the commission to perform its duties as required by law.

"65-3-35. LEGAL REPRESENTATION BEFORE THE FEDERAL POWER COMMISSION --There may be a special assistant attorney general employed by the energy and minerals department who shall represent the interests of this state before the federal power commission. In addition this attorney shall work closely with other agencies having responsibilities relating to oil and gas matters and shall carry out such additional responsibilities as are delegated to him by the energy and minerals department. All costs incurred in employing such counsel shall be paid out of the oil conservation fund in accordance with provisions of the State Budgets Act.

65-3-36 REMOVING OR ALTERING MARKS OF IDENTIFICATION--PENALTY.--

A. No person shall remove, alter, or attempt to remove or alter, any serial number, brand name, trade mark or any other mark of identification from any tool or any other item of construction or oilfield equipment by grinding, filing, welding or any other method with the intent to deprive its lawful owner of positive identification.

B. Any person who violates the provisions of this section is guilty of a misdemeanor and, upon conviction, shall be fined not more than one thousand dollars ($1,000) or imprisoned for a definite term of not more than one year or both.

65-3-37. OIL AND GAS RECLAMATION FUND CREATED--DISPOSITION OF FUND.--There is hereby created the "oil and gas reclamation fund". All funds in the oil and gas reclamation fund and the earnings therefrom are appropriated to the energy and minerals department for use by the oil conservation division in carrying out the provisions of the Oil and Gas Act.

65-3-38. OIL AND GAS RECLAMATION FUND ADMINISTERED--PLUGGING WELLS ON FEDERAL LAND--RIGHT OF INDEMNIFICATION--ANNUAL REPORT--CONTRACTORS SELLING EQUIPMENT FOR SALVAGE.--

A. The oil and gas reclamation fund shall be administered by the oil conservation division. The director of the division shall cause to be prepared plans for the plugging of abandoned wells which have not been plugged or which have been improperly plugged. The director, as funds become available in the oil and gas reclamation fund, shall reclaim, and properly plug, all abandoned wells in ac-

cordance with the provisions of the Oil and Gas Act, and the rules and regulations promulgated thereunder. The division may order wells plugged on federal lands on which there are no bonds running to the benefit of the state in the same manner and in accordance with the same procedures as with wells drilled on state and fee land, including utilizing funds from the oil and gas reclamation fund to pay the cost of such plugging. When the costs of plugging a well drilled on federal mineral leases are paid from the oil and gas reclamation fund, the division is authorized to bring a suit against the operator or the owner of the minerals under the tract, or both, in the district court of the county in which the well is located for indemnification for all costs incurred by the division in plugging said well. Any funds collected pursuant to a judgment in a suit for indemnification brought under the Oil and Gas Act shall be deposited in the oil and gas reclamation fund.

B. The director shall make an annual report to the secretary of energy and minerals, the governor and the legislature on the use of the oil and gas reclamation fund.

C. All contracts for well plugging shall be entered into in accordance with the provisions of the Public Purchases Act. Any contractor employed by the division to plug a well is authorized to sell for salvage the equipment and material which is removed from the well in plugging it.

65-9-1. PUBLIC INTEREST AND WELFARE.

The underground storage of natural gas which promotes conservation thereof, which permits the building of reserves for orderly withdrawal in periods of peak demand, which makes more readily available our natural gas resources to the domestic, commercial and industrial consumers of this state, and which provides a better year-round market to the various gas fields, is hereby declared to be in the public interest and welfare of this state and the citizens hereof.

65-9-2. DEFINITIONS.--As used in this act:

A. "underground storage" shall mean storage of natural gas in a subsurface stratum or formation of the earth;

B. "natural gas" shall mean natural gas either while in its original state after withdrawal from the earth or after the same has been processed by removal therefrom of component parts not essential to its use for light and fuel;

C. "native gas" shall mean gas which has not been previously withdrawn from the earth;

D. "division" shall mean the oil conservation division of the energy and minerals department;

E. "commission" shall mean the oil conservation commission;

F. "natural gas company" shall mean any person, firm or corporation engaged in the distribution, sale or furnishing of natural gas to or for the public subject to regulation by the public service commission under the Public Utility Act, or any person, firm or corporation engaged in the business of transporting natural gas, subject to regulation by the federal power commission under the Natural Gas Act; and

G. "public body" shall mean the state of New Mexico or any department, board, commission, bureau, institution, public agency, county or political subdivision thereof including bodies corporate, bodies politic, municipal corporations, school districts, conservancy districts and quasi-municipal corporations of all kinds.

65-9-3. ACQUISITION OF LANDS FOR PURPOSES OF UNDERGROUND NATURAL GAS STORAGE - LANDS CONTROLLED BY PUBLIC BODY, EXECUTOR, ADMINISTRATOR, GUARDIAN, RECEIVER, OR TRUSTEE.

Any natural gas company desiring to make use of a formation or stratum as a reservoir for the underground storage of natural gas shall attempt to acquire by option, lease, conveyance or other negotiated means, such formation or stratum prior to resorting to the exercise of the power of eminent domain as hereinafter granted. Any public body and any executor, administrator, guardian, receiver or trustee shall be authorized to grant to any such natural gas company rights for underground storage of natural gas in lands subject to its or his control in the same manner as provided by law for entering into oil and gas leases, or if any such public body, executor, administrator, guardian, receiver, or trustee shall not be

specifically authorized by law to make oil and gas leases, then in the manner provided by law for lease by such public body, executor, administrator, guardian, receiver, or trustee of interests in land, or if any such public body, executor, administrator, guardian, receiver, or trustee shall not be specifically authorized by law to make oil and gas leases or leases for interests in land, then in the manner provided by law for the sale by such public body, executor, administrator, guardian, receiver, or trustee of interests in land.

65-9-4. APPROPRIATION OF UNDERGROUND STORAGE FACILITIES--LIMITATIONS.--By eminent domain proceedings, any natural gas company may appropriate for underground storage of natural gas any subsurface stratum or formation in any land which the division shall have found to be suitable for the underground storage of natural gas, and in connection therewith may appropriate such other interests in the land as may be required to maintain and operate facilities for such underground storage; provided, however, that the right to appropriate underground formations and strata shall be limited as follows:

A. no formation or stratum which is producing or which is capable of producing oil in paying quantities, through any known recovery method, shall be subject to appropriation hereunder;

B. no formation or stratum that contained native gas producible in paying quantities shall be subject to appropriation hereunder, unless the recoverable volumes of native gas originally in place therein shall be substantially depleted, and unless such formation or stratum has a greater value or utility as a gas storage reservoir for the purpose of insuring an adequate supply of natural gas, or for the conservation of natural gas, than for the production of the relatively small volumes of native gas which remain therein;

C. no formation or stratum underlying lands which contain known commercial deposits of potash shall be subject to appropriation hereunder;

D. no formation or stratum shall be subject to appropriation hereunder if its use for underground storage purposes would cause injury to surface or underground water resources;

E. no rights or interest in existing underground gas reservoirs, being used for the injection, storage and withdrawal of natural gas, owned or operated by others than the condemner, shall be subject to appropriation;

F. no dwelling, barn, store, warehouse or other building shall be subject to appropriation hereunder; and

G. the right of appropriation hereby granted shall be without prejudice to the rights of the owner of said lands or of other rights or interests therein to drill through the underground stratum or formation so appropriated in such manner as shall comply with orders, rules and regulations of the division issued for the purpose of protecting underground storage strata or formations against pollution and against the escape of natural gas therefrom and shall be without prejudice to the rights of the owner of said lands or other rights or interests therein as to all other uses thereof.

65-9-5. FINDINGS OF OIL CONSERVATION DIVISION.--Any natural gas company desiring to exercise the right of eminent domain as to any land for underground storage of natural gas shall, as a conditional precedent to the filing of its petition in the district court, obtain from the division a decision finding:

A. that the underground stratum or formation sought to be acquired is suitable for the underground storage of natural gas;

B. that the underground stratum or formation sought to be acquired is incapable of producing oil in paying quantities through any known recovery method;

C. that the formation or stratum sought to be acquired is not underlying lands which contain known commercial deposits of potash;

D. that injury will not be caused to surface or underground water resources;

E. that the underground stratum or formation sought to be acquired, if it contained native gas capable of production in paying quantities, is substantially depleted of recoverable native gas, and

that such formation or stratum has a greater value or utility as a gas storage reservoir than for the production of the remaining volumes of native gas therein;

F. the extent of the horizontal limits of the reservoir expected to be penetrated by displaced or injected gas; and

G. that no portion of the formation or stratum sought to be acquired has been appropriated or is being utilized for the injection, storage and withdrawal of natural gas by others.

65-9-6. COMMISSION OR DIVISION PROCEDURE.--The laws, rules and regulations relating to commission or division action in matters pertaining to conservation of oil and gas shall be applicable to commission or division proceedings under this act.

65-9-7. EXERCISE OF RIGHT OF EMINENT DOMAIN.--Any natural gas company having first obtained a decision from the division, as hereinbefore provided, may proceed to appropriate for underground storage of natural gas subsurface strata or formations and such other interests in the land as may be required to maintain and operate facilities for such underground storage in the manner provided by law for the exercise of the right of eminent domain by railroads and telegraph and telephone companies.

65-9-8. OWNERSHIP OF INJECTED GAS.

All natural gas which has previously been reduced to possession, and which is subsequently injected into underground storage in any strata or formation shall at all times be deemed the property of the injector, his heirs, successors or assigns; and in no event shall such gas be subject to the right of the owner of the surface of said lands or of any mineral interest therein, under which said strata or formation lie, or of any person other than the injector, his heirs, successors, and assigns, to produce, take, reduce to possession, waste, or otherwise interfere with or exercise any control thereover; Provided, that the injector, his heirs, successors and assigns, shall have no right to gas in any stratum, formation or portion thereof, in which storage rights have not been acquired pursuant to this act (65-9-1 to 65-9-8), or otherwise purchased.

72-20-4. OIL AND GAS CONSERVATION TAX LEVIED--COLLECTED BY COMMISSION--RATE--INTEREST OWNER'S LIABILITY TO STATE--INDIAN LIABILITY.--

A. There is levied and shall be collected by the oil and gas accounting commission a tax on all products which are severed and sold. The measure of the tax shall be nineteen one-hundredths of one percent of the taxable value of sold products. Every interest owner shall be liable for this tax to the extent of his interest in the value of such products, or to the extent of his interest as may be measured by the value of such products. Provided, any Indian tribe, Indian pueblo or Indian shall be liable for this tax to the extent authorized or permitted by law.

B. In the event the unencumbered balance in the oil and gas reclamation fund equals or exceeds one million dollars ($1,000,000) for any one-month period computed after payment of the tax for that month, then the tax levied by Subsection A of this section shall be reduced by one one-hundredths of one percent and no funds collected by the tax shall be deposited in the oil and gas reclamation fund, notwithstanding the provisions of Section 72-20-14 NMSA 1953. When the unencumbered balance in the oil and gas reclamation fund is less than or equal to five hundred thousand dollars ($500,000), then the tax levied by Subsection A of this section shall be increased by one one-hundredths of one percent and the additional funds shall be deposited in accordance with the provisions of Section 72-20-14 NMSA 1953.

72-20-14. DISPOSITION OF OIL CONSERVATION FUND.--The oil conservation fund, or so much thereof as may be necessary, is hereby appropriated to the energy and minerals department to be by it expended in the performance of its duties; provided, however, that an amount equal to one-hundredths of one percent of the taxable value of sold products shall be deposited in the oil and gas reclamation fund to be used by the oil conservation division in carrying out the provisions of the Oil and Gas Act.

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ENERGY AND MINERALS DEPARTMENT

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NEW MEXICO STATUTES ANNOTATED

1953 COMPILATION. ~~CHAPTER 65~~ CHAPTER 65

ARTICLE 3, REGULATION OF OIL AND GAS WELLS

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~~65-3-16 Section 65-3-15 integral part of original act.~~
65-3-17. Penalty for violations.
65-3-18. Purchase, sale or handling of excess oil, natural gas or products prohibited.
65-3-19. Rules and regulations to effectuate prohibitions against purchase or handling of excess oil or natural gas - Penalties.
65-3-20. Hearings on rules, regulations and orders - Notice - Emergency rules.
65-3-21. Reports of governmental departments or agencies as to market demand to be deemed prima facie correct.
65-3-22. Rehearings - Appeals.

65-3-22.1 Review of oil conservation commission decision - Appeals

65-3-23. Temporary restraining order or injunction - Grounds - Hearing - Bond.
65-3-24. Actions for violations.
65-3-25. Actions for damages - Institution of actions for injunctions by private parties.
65-3-26. Violation of court order grounds for appointment of receiver.
65-3-27. Penalties for violations - Accessories.
65-3-28. Seizure and sale of illegal oil or gas or products - Procedure.
65-3-29. Definitions of words used in act.
~~65-3-30. Repealed.~~
65-3-31. Regulation, conservation and prevention of waste of carbon dioxide gas.

65-3-35. Legal representation before the Federal Power Commission

65-3-36. Removing or altering marks of identification - Penalty

65-3-37. Oil and gas reclamation fund created.
65-3-38. Reclamation fund administered - Plugging wells on Federal land - Right of Indemnification - Annual report - Contractors selling equipment for salvage.

ARTICLE 9, UNDERGROUND STORAGE OF NATURAL GAS

SECTION 65-9-1. Public interest and welfare.
65-9-2. Definitions.
65-9-3. Acquisition of lands for purposes of underground natural gas storage - Lands controlled by public body, executor, administrator, guardian, receiver, or trustee.
65-9-4. Appropriation of underground storage facilities - Limitations.
65-9-5. Findings of Oil Conservation ~~Commission~~ Division
65-9-6. Commission ~~procedure~~. or division Procedure
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65-9-8. Ownership of injected gas.

~~ARTICLE 13, ENERGY RESOURCES ACT~~

~~SECTION 65-13-9. Review of oil conservation commission decision - Appeals.~~

ARTICLE 14, STATUTORY UNITIZATION ACT

SECTION 65-14-1. Purpose of act.
65-14-2. Short title.
65-14-3. Additional powers and duties of the oil conservation ~~commission~~. division
65-14-4. Definitions.
65-14-5. Requisites of application for unitization.
65-14-6. Matters to be found by the ~~commission~~ division precedent to issuance of unitization order.
65-14-7. ~~Commission orders~~. Division Orders
65-14-8. Ratification or approval of plan by owners.
65-14-9. Amendment of plan of unitization.
65-14-10. Previously established units.
65-14-11. Unit operations of less than an entire pool.
65-14-12. Operation - Expressed or implied covenants.
65-14-13. Income from unitized substances.
65-14-14. Lien for costs.
65-14-15. Liability for expenses.
65-14-16. Division orders.
65-14-17. Property rights.
65-14-18. Existing rights, rights in unleased land, and royalties and lease burdens.
65-14-19. Agreements not violative of laws governing monopolies or restraint of trade.
65-14-20. Evidence of unit to be recorded.
65-14-21. Unlawful operation.

CHAPTER 72

ARTICLE 20, OIL AND GAS CONSERVATION TAX ACT

SECTION 72-20-4 Oil and gas conservation tax levied - Collected by commission - Rate - Interest owners liability to State - Indian liability.

72-20-14 Disposition of oil conservation fund

CHAPTER 75

ARTICLE 39, WATER QUALITY ACT

SECTION 75-39-2 Definitions
75-39-3 Water quality control commission created.
75-39-4 Duties and powers of commission.
75-39-4.1 Permits - Appeals - penalty
75-39-5 Adoption of regulations - Notice and hearing
75-39-6 Validity of regulation - Judicial review
75-39-7 Duties of constituent agencies
75-39-8 Powers of constituent agencies
75-39-9 Abatement of water pollution
75-39-10 Emergency procedure
75-39-11 Limitation upon operation of act
75-39-12 Construction of act

A. that the underground stratum or formation sought to be acquired is suitable for the underground storage of natural gas;

B. that the underground stratum or formation sought to be acquired is incapable of producing oil in paying quantities through any known recovery method;

C. that the formation or stratum sought to be acquired is not underlying lands which contain known commercial deposits of potash;

D. that injury will not be caused to surface or underground water resources;

E. that the underground stratum or formation sought to be acquired, if it contained native gas capable of production in paying quantities, is substantially depleted of recoverable native gas, and that such formation or stratum has a greater value or utility as a gas storage reservoir than for the production of the remaining volumes of native gas therein;

F. the extent of the horizontal limits of the reservoir expected to be penetrated by displaced or injected gas; and

G. that no portion of the formation or stratum sought to be acquired has been appropriated or is being utilized for the injection, storage and withdrawl of natural gas by others.

65-9-6. COMMISSION OR DIVISION PROCEDURE.--The laws, rules and regulations relating to commission or division action in matters pertaining to conservation of oil and gas shall be applicable to commission or division proceedings under this act.

65-9-7. EXERCISE OF RIGHT OF EMINENT DOMAIN.--Any natural gas company having first obtained a decision from the division, as hereinbefore provided, may proceed to appropriate for underground storage of natural gas subsurface strata or formations and such other interests in the land as may be required to maintain and operate facilities for such underground storage in the manner provided by law for the exercise of the right of eminent domain by railroads and telegraph and telephone companies.

65-9-8. OWNERSHIP OF INJECTED GAS.--

All natural gas which has previously been reduced to possession, and which is subsequently injected into underground storage in any strata or formation shall at all times be deemed the property of the injector, his heirs, successors or assigns; and in no event shall such gas be subject to the right of the owner of the surface of said lands or of any mineral interest therein, under which said strata or formation lie, or of any person other than the injector, his heirs, successors, and assigns, to produce, take, reduce to possession, waste, or otherwise interfere with or exercise any control thereover; provided, that the injector, his heirs, successors and assigns, shall have no right to gas in any stratum, formation or portion thereof, in which storage rights have not been acquired pursuant to this act (65-9-1 to 65-9-8), or otherwise purchased.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

Typed

CASE NO. 6198
ORDER NO. R-5709-A

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION ON ITS OWN MOTION TO CONSIDER THE ADOPTION OF THE RULES, REGULATIONS, ORDERS, PERMITS, CONTRACTS, BONDS, FORMS, MANUALS, MEMORANDA, AND NUMBERING SYSTEMS OF THE NEW MEXICO OIL CONSERVATION COMMISSION AS THEY RELATE TO THE CONSERVATION OF OIL, GAS, POTASH, AND GEOTHERMAL RESOURCES, AS ITS OWN RULES, REGULATIONS, ORDERS, PERMITS, CONTRACTS, BONDS, FORMS, MANUALS, MEMORANDA, AND NUMBERING SYSTEMS. FURTHER, TO CONSIDER SUCH AMENDMENTS AS MAY BE NECESSARY TO THE AFORESAID RULES, REGULATIONS, ORDERS, PERMITS, CONTRACTS, BONDS, FORMS, MANUALS, AND MEMORANDA.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on April 14, 1978, at Santa Fe, New Mexico, before Joe D. Ramey, Director of the Oil Conservation Division of the New Mexico Energy and Minerals Department, sitting as Examiner to hear this matter.

NOW, on this day of October, 1978, the Division Director, having considered the testimony presented and the exhibits offered at said hearing, and being fully advised in the premises,

FINDS:

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

(2) That the Thirty-Third State Legislature of New Mexico, at its First Session, enacted Chapter 255, Laws of 1977, approved April 7, 1977, being An Act RELATING TO THE ESTABLISHMENT OF AN ENERGY AND MINERALS DEPARTMENT; ABOLISHING CERTAIN AGENCIES; AMENDING, REPEALING AND ENACTING CERTAIN SECTIONS OF NMSA 1953.

(3) That the effective date of the provisions of said act was at 5:01 p.m. March 31, 1978.

(4) That said act created the New Mexico Energy and Minerals Department, among the divisions of which is the Oil Conservation Division, charged by the act with administering the laws and regulations relating to oil, gas, potash, and geothermal resources except those laws specifically administered by another authority.

(5) That said act amended numerous sections of the statutes relating to the conservation of oil, gas, and potash and the conservation of geothermal resources, as well as repealing certain sections of said statutes and enacting certain other new sections of said statute, all as recited in Findings Nos. (5) through (11), inclusive, of Division Order No. R-5709, entered in this case on April 14, 1978.

(6) That the purpose of all of the aforesaid changes to the statutes relating to the conservation of oil, gas, potash, and geothermal resources was to transfer the administration of these laws from the New Mexico Oil Conservation Commission to the Oil Conservation Division of the New Mexico Energy and Minerals Department.

(7) That by ~~Order~~ Emergency Order No. E-32 entered at 5:01 pm March 31, 1978, and by Division Order No. R-5709, entered in this case on April 14, 1978, the Oil Conservation ~~Division adopted as its~~ rules, regulations, orders, permits, contracts, bonds, forms, manuals, and memoranda, and numbering systems, the rules, regulations, orders, permits, contracts, bonds, forms, manuals, and memoranda, and numbering systems ~~of the Act~~ previously adopted, issued, promulgated, or published by the Oil Conservation Commission, and also made such amendments to the rules and regulations as were necessary to accomplish the changeover from the Oil Conservation Commission to the Oil Conservation Division

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(8) That ~~said~~ the aforesaid Division Order No. R-5709 also provided:

"(13) That the effective date of this order shall be April 15, 1978, and it shall be the first of two orders to be entered in this case. The second order to be subsequently entered shall have attached thereto a copy of the Division Rules and Regulations (for oil and gas) and the Division Rules and Regulations, Geothermal Resources, each as amended as described herein, and also a copy of each of the Division's forms and reports for reporting oil and gas and geothermal operations, said reports amended to bear the name 'Oil Conservation Division, Energy and Minerals Department, State of New Mexico.'"

(9) That the adoption of the ~~Rules~~ "State of New Mexico Energy and ~~Minerals Department~~ Oil Conservation Division Rules and Regulations," for oil and gas, as contained in Exhibit "A" attached hereto and made a part hereof, is in the public interest, will prevent waste of oil, gas, and potash within the state and will protect correlative rights, and should be approved.

(10) That the adoption of the forms described in Section M, Rules 1101 through 1131, of Exhibit "A" of this order and as shown by Exhibits D, "1" through "31" inclusive, attached hereto and made a part hereof, is in the public interest and will facilitate the prevention of waste of oil, gas, and potash resources within the state and the protection of correlative rights, and should be approved.

(11) That the adoption of the "State of New Mexico Energy and Minerals Department Oil Conservation Division Rules and Regulations, Geothermal Resources," as contained in Exhibit "B" attached hereto and made a part hereof, is in the

public interest, will prevent waste of geothermal resources within the state and will protect correlative rights, and should be approved.

(12) That the adoption of the forms described in Section D, Rules 200 through 212, inclusive, of Exhibit "B" of this order and as shown by Exhibits "32" through "43", inclusive, attached hereto and made a part hereof, is in the public interest and will facilitate the prevention of waste of geothermal resources within the state and the protection of correlative rights, and should be approved.

IT IS THEREFORE ORDERED:

(A) That rules and regulations governing the drilling, development, and production of oil and gas within the State of New Mexico are hereby adopted and promulgated, said rules and regulations being in the form of Exhibit "A" attached hereto and made a part hereof.

(B) That the following forms, identified as exhibits attached hereto and made a part hereof, are hereby adopted and promulgated:

(1) Form OGG B-B, $50,000.00 Blanket Plugging Bond: Exhibit "1".

(2) Form OGG B-1, One-well Plugging Bond for Chaves, Eddy, Lea, McKinley, Rio Arriba, Roosevelt, Sandoval, and San Juan Counties Only: Exhibit "2".

(3) Form O&G B-1-X, One-well Plugging Bond for All Counties Except Chaves, Eddy, Lea, McKinley, Rio Arriba, Roosevelt, Sandoval, and San Juan: Exhibit "3".

(4) Form C-101, Application for Permit to Drill, Deepen, or Plug Back: Exhibit "4".

(5) Form C-102, Well Location and Acreage Dedication Plat: Exhibit "5".

(6) Form C-103, Sundry Notices and Reports on Wells: Exhibit "6".

(7) Form C-104, ~~Request~~ for Allowable and Authorization to Transport Oil and Natural Gas: Exhibit "7".

(8) Form C-105, Well Completion or Recompletion Report and Log: Exhibit "8".

(9) ~~Form~~ C-106, Notice of Intention to Utilize Automatic Custody Transfer Equipment: Exhibit "9".

(10) Form C-107, Application for Multiple Completion: Exhibit "10".

(11) Form C-108, Application to Dispose of Salt Water by Injection into a Porous Formation: Exhibit "11".

(12) ~~Form~~ Application for Discovery Allowable and Creation of a New Pool: Exhibit "12".

(13) Form C-111, Gas Purchaser's Monthly Report (Sheet 1 and Sheet 2): Exhibits "13" and "13-A".

(14) Form C-112, Transporter's and Storer's Monthly Report ~~(Sheet 1 and Sheet 2)~~: Exhibit "14".

(15) Form C-113, Refiner's Monthly Report ~~(Sheet 1 and Sheet 2)~~: Exhibit "15".

(16) Form C-115, Operator's Monthly Report: Exhibit "16".

(17) Form C-115-EDP, Operator's Monthly Report (Electronic Data Processing: Exhibit "17".

(18) Form C-116, Gas-Oil Ratio Tests: Exhibit "18".

(19) Form C-117-A, Sediment Oil Destruction Permit: Exhibit "19".

(20) Form C-117-B, Sediment Oil Recovery Permit: Exhibit "20".

(21) Form C-118, Treating Plant Operator's Monthly Report (Sheet 1 and Sheet 1-A): Exhibit "21" and "21-A".

(22) Form C-119, Carbon Black Plant Monthly Report: Exhibit "22".

(23) Form C-120-A, Monthly Water Disposal Report: Exhibit "23"

(24) Form C-121, Crude Oil Purchaser's Nomination: Exhibit "24".

(25) Form C-121-A, Purchaser's Gas Nomination: Exhibit "25".

(26) Form C-122, Multipoint and One Point Back Pressure Test for Gas Well: Exhibit "26".

(27) Form C-122-A, Initial well Deliverability Test Report (Blue) and well Deliverability Test Report for 19___ (White): Exhibits "27" and "27-A".

(28) Form C-122-B, Initial Potential Test Data Sheet: Exhibit "28".

(29) Form C-122-C, Deliverability Test Report: Exhibit "29".

(30) Form C-122-D, Worksheet for Calculation of Static Column Wellhead Pressure (P_w): Exhibit "30".

(31) Form C-122-E, Worksheet for Stepwise Calculation of (Subsurface)(Surface) Pressure: Exhibit "31".

(32) Form C-122-F, Worksheet for Calculation of Wellhead Pressure (P_c or P_w) from Known Bottomhole Pressure (P_f or P_3): Exhibit "32".

(33) Form C-122-G, Worksheet for Calculation of Static Column Pressure at Gas-Liquid Interface: Exhibit "33".

(34) Form C-123, Request for the Extension of an Existing Pool or the Creation of a New Pool: Exhibit "34".

(35) Form C-124, Reservoir Pressure Report: Exhibit "35".

(36) Form C-125, Gas Well Shut-in Pressure Report: Exhibit "36".

(37) ~~Form C-126~~, Permit to Transport Recovered Load Oil: Exhibit "37".

(38) Form C-127, Request for Allowable Changes: Exhibit "38".

(39) ~~Form C-129~~, Application for Exception to No-Flare Rule 306. Exhibit "39".

(40) Form C-130, Notice of Gas Well Disconnection: Exhibit "40".

(41) Form C-131, Monthly Gas Storage Report: Exhibit "41".

(C) That ~~rules and regulations~~ governing the drilling, development, and production of geothermal resources within the State of New Mexico are hereby adopted and promulgated, said rules and regulations being in the form of Exhibit "B" attached hereto and made a part hereof.

(D) That the following forms, identified as exhibits attached hereto and made a part hereof, are hereby adopted and promulgated:

(1) Form GB-XD-1, $5000.00 One-well Geothermal Exploratory, Development Injection or Disposal Well Bond: Exhibit "42".

(2) Form GB-XD-5, $10,000.00 Multiple-well Geothermal Exploratory, Development, Injection, or Disposal Well Bond: Exhibit "43".

(3) Form GB-LT-1, $2000.00 One-well Low-temperature Well or Geothermal Observation Well Bond: Exhibit "44".

(4) Form GB-LT-10, $10,000.00 Multiple-well Low-temperature well or Geothermal Observation ~~Well Bond~~ Well: Exhibit "45".

(5) Form G-101, Application for Permit to Drill, Deepen, or Plug Back - Geothermal Resources Well: Exhibit "46".

(6) Form G-102, Geothermal Resources Well Location and Acreage Dedication Plat: Exhibit "47".

(7) Form G-103, Sundry Notices and Reports on Geothermal Resources Wells: Exhibit "48".

(8) Form G-104, Certificate of Compliance and Authorization to Produce Geothermal Resources: Exhibit "49".

(9) Form G-105, Geothermal Resources Well Log: Exhibit "50".

(10) Form G-106, Geothermal Resources well Summary Report: Exhibit "51".

(11) Form G-107, Geothermal Resources Well History: Exhibit "52".

(12) Form G-108, Monthly Geothermal Production Report: Exhibit "53".

(13) Form G-109, Monthly Geothermal Purchaser's Report: Exhibit "54".

(14) Form G-110, Monthly Geothermal Injection Report: Exhibit "55";
(15) Form G-111, Annual Geothermal Temperature and Pressure Tests: Exhibit "56";
(16) Form G-112, Application to Place Well on Injection / Geothermal Resources Area: Exhibit "57";
(17) ~~Unnumbered~~ Form, Designation of Agent, Exhibit "58".

~~(E) Jurisdiction~~

DONE (2)

~~(E) Jurisdiction~~

Done at

(E) That the continued use of the old forms which the above-described new forms replace will be permitted by the Division until operators' present supply of the old forms is exhausted, or until further order of the Division, whichever comes first.

(F) Jurisdiction

Done at

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY AND MINERALS
OIL CONSERVATION DIVISION

IN THE MATTER OF THE EMERGENCY APPROVAL OF PROCEDURES FOR PUBLIC HEARINGS AND ADOPTION OF RULES, REGULATIONS, ORDERS, PERMITS, CONTRACTS, BONDS, FORMS, AND MEMORANDA FOR THE CONSERVATION OF OIL AND GAS AND GEOTHERMAL RESOURCES IN THE STATE OF NEW MEXICO.

EMERGENCY ORDER NO. E-32

NOW, at 5:01 p.m. on this 31st day of March, 1978, the Director of the Oil Conservation Division of the Department of Energy and Minerals, having fully considered all available facts relating to the subject matter herein, and being fully advised in the premises,

FINDS:

(1) That the Thirty-Third State Legislature of New Mexico, at its First Session, enacted Chapter 255, Laws of 1977, approved April 7, 1977, being An Act RELATING TO THE ESTABLISHMENT OF AN ENERGY AND MINERALS DEPARTMENT; ABOLISHING CERTAIN AGENCIES; AMENDING, REPEALING AND ENACTING CERTAIN SECTIONS OF NMSA 1953.

(2) That the effective date of the provisions of said act is March 31, 1978.

(3) That said act created the New Mexico Department of Energy and Minerals, among the divisions of which is the Oil Conservation Division, charged by the act with administering the laws and regulations relating to oil, gas, potash, and geothermal resources except those laws specifically administered by another authority.

(4) That said act amended numerous sections of the statutes relating to the conservation of oil, gas, and potash (specifically, Sections 65-3-4 through 65-3-11, N.M.S.A., 1953 Comp., Section 65-3-11.1, Sections 65-3-12 through 65-3-14, Sections 65-3-14.5 and 65-3-15, Sections 65-3-17 through 65-3-21, 65-3-23 through 65-3-25, 65-3-27, 65-3-28, 65-3-31, 65-9-2, and 65-9-4 through 65-9-7) while repealing one section, 65-3-16, and enacting two new sections, 65-3-4.1 and 65-3-22.1.

(5) That said act also amended numerous sections of the statutes relating to the conservation of geothermal resources (specifically, Sections 65-11-2 and 65-11-3, N.M.S.A., 1953 Comp., Sections 65-11-6 through 65-11-11, Sections 65-11-13 through 65-11-21, and Sections 65-11-23 and 65-11-24).

(6) That the Thirty-Third State Legislature of New Mexico, at its Second Session, enacted Chapters 58, 59, 71, and 117, Laws of 1978, each with the emergency clause, and that the first

three of said chapters were approved February 24, 1978, and the fourth was approved March 6, 1978.

(7) That the aforesaid Chapter 58, Laws of 1978, repealed Section 65-3-28, N.M.S.A., 1953 Comp., as amended, and enacted a new Section 65-3-28.

(8) That the aforesaid Chapter 59, Laws of 1978, repealed Section 65-9-4, N.M.S.A., 1953 Comp., as amended, and enacted a new Section 65-9-4.

(9) That the aforesaid Chapter 71, Laws of 1978, repealed Section 65-3-11 N.M.S.A., 1953 Comp., as amended, and enacted a new Section 65-3-11.

(10) That the aforesaid Chapter 117, Laws of 1978, amended Sections 65-3-11.2, 65-3-37, 65-3-38, and 72-20-14, N.M.S.A., 1953 Comp.

(11) That the purpose of all the aforesaid changes to the statutes relating to the conservation of oil, gas, potash, and geothermal resources was to transfer the administration of these laws from the New Mexico Oil Conservation Commission to the Oil Conservation Division of the New Mexico Department of Energy and Minerals.

(12) That in order for there to be an unbroken transition of the administration of oil, gas, potash, and geothermal resources conservation laws from the Oil Conservation Commission to the Oil Conservation Division of the Department of Energy and Minerals, the said Oil Conservation Division should adopt the rules, regulations, orders, permits, contracts, bonds, forms, manuals, and memoranda of the Oil Conservation Commission as its own rules, regulations, orders, permits, contracts, bonds, forms, manuals, and memoranda.

(13) That an emergency exists which requires an order of the Oil Conservation Division without notice and hearing to adopt the aforesaid rules, regulations, orders, permits, contracts, bonds, forms, manuals, and memoranda pending a public hearing on this matter.

(14) That a hearing should be held within 15 days after entry of this order to consider making the provisions of this order permanent, at least pending further hearings and orders of the Oil Conservation Division.

(15) That in order to provide a procedure for the Division to conduct hearings, this order should amend Section N, Rules of Procedure, of the New Mexico Oil Conservation Commission Rules and Regulations (for oil and gas) and Section I, Rules of Procedure, of the New Mexico Oil Conservation Commission Rules and Regulations, Geothermal Resources.

(16) That Section N, Rules of Procedure, of the New Mexico Oil Conservation Commission Rules and Regulations (for oil and gas) should be amended to read in its entirety as shown on Exhibit "A" attached hereto and made a part hereof.

(17) That Section I, Rules of Procedure, of the New Mexico Oil Conservation Commission Rules and Regulations, Geothermal Resources, should be amended to read in its entirety as shown on Exhibit "B" attached hereto and made a part hereof.

(18) That Section N, Rules of Procedure, of the New Mexico Oil Conservation Commission Rules and Regulations (for oil and gas) and Section I, Rules of Procedure of the New Mexico Oil Conservation Commission Rules and Regulations, Geothermal Resources, each as amended as described in Findings Nos. (16) and (17) above, should be adopted by the Oil Conservation Division as its own rules of procedure.

(19) That Sections B through M, inclusive, and Sections O and P of the New Mexico Oil Conservation Commission Rules and Regulations (for oil and gas) and Sections B through H, inclusive, of the New Mexico Oil Conservation Commission Rules and Regulations, Geothermal Resources, should be amended so that any reference therein to "Commission" or "Oil Conservation Commission" would read "Division" or "Oil Conservation Division," and any reference to "Secretary-Director" or "Secretary-Director of the Commission" would read "Division Director."

(20) That the forms and reports of the New Mexico Oil Conservation Commission as heretofore adopted by said Commission for the reporting of oil and gas and geothermal activities in the State of New Mexico, should be adopted by the Oil Conservation Division as its own forms and reports pending further order of the Division.

(21) That all effective contracts heretofore entered into by the New Mexico Oil Conservation Commission should be considered to be effective contracts with the Oil Conservation Division of the New Mexico Department of Energy and Minerals and should be adopted by said Division.

(22) That all effective bonds, including plugging bonds and treating plant bonds, issued by surety companies on forms promulgated by the New Mexico Oil Conservation Commission, and running to the benefit of the State of New Mexico for the use and benefit of the Oil Conservation Commission of New Mexico, should be adopted by the Oil Conservation Division of the New Mexico Department of Energy and Minerals as the successor agency to the New Mexico Oil Conservation Commission charged with administering the oil, gas, and geothermal resources conservation laws of this State.

(23) That all effective rules, regulations, orders, manuals, memoranda, and permits heretofore issued or promulgated by the

New Mexico Oil Conservation Commission in the performance of its duties of administering the oil, gas, potash and geothermal conservation laws of this state should be adopted by the Oil Conservation Division of the New Mexico Department of Energy and Minerals as its own rules, regulations, orders, manuals, memoranda, and permits, as amended herein, for use by the Division in performing its duties of administering said conservation laws.

(24) That to avoid confusion, the Oil Conservation Division should adopt and carry forward the numbering system heretofore adopted by the Oil Conservation Commission for its rules, regulations, orders, forms, permits, and memoranda.

IT IS THEREFORE ORDERED:

(1) That the effective rules, regulations, orders, permits, contracts, bonds, forms, manuals, and memoranda heretofore issued, published, promulgated, and/or approved by the New Mexico Oil Conservation Commission, as amended herein, are hereby adopted by the Oil Conservation Division of the New Mexico Department of Energy and Minerals as its own rules, regulations, orders, permits, contracts, bonds, forms, manuals, and memoranda to be used by said Oil Conservation Division in the performance of its duties in administering the laws and regulations relating to oil, gas, potash, and geothermal resources except those laws specifically administered by another authority.

(2) That Section N, Rules of Procedure, of the New Mexico Oil Conservation Commission Rules and Regulations (for oil and gas), adopted by the Oil Conservation Division as described above, is hereby amended to read in its entirety as shown on Exhibit "A" attached hereto and made a part hereof.

(3) That Section I, Rules of Procedure, of the New Mexico Oil Conservation Commission Rules and Regulations, Geothermal Resources, adopted by the Oil Conservation Division as described above, is hereby amended to read in its entirety as shown on Exhibit "B" attached hereto and made a part hereof.

(4) That Sections B through M, inclusive, and Sections O and P of the New Mexico Oil Conservation Commission Rules and Regulations (for oil and gas) and Sections B through H, inclusive, of the New Mexico Oil Conservation Commission's Rules and Regulations, Geothermal Resources, are hereby amended so that any reference therein to "Oil Conservation Commission" shall read "Oil Conservation Division" and any reference therein to "Commission" shall read "Division." Further, that the aforesaid sections are hereby amended so that any reference therein to "Secretary-Director" or "Secretary-Director of the Commission" shall read "Division Director."

(5) That all effective bonds, including plugging bonds and treating plant bonds, issued by surety companies on forms promulgated by the New Mexico Oil Conservation Commission, and running to the benefit of the State of New Mexico for the use and benefit of the Oil Conservation Commission of New Mexico, are hereby adopted by the Oil Conservation Division of the New Mexico Department of Energy and Minerals as the successor agency to the New Mexico Oil Conservation Commission charged with administering the oil, gas, potash, and geothermal conservation laws of this state.

(6) That the numbering system heretofore adopted by the New Mexico Oil Conservation Commission for its rules, regulations, orders, forms, permits, and memoranda is hereby adopted by the Oil Conservation Division and shall be carried forward pending further order.

(7) That this order shall become effective at 5:01 p.m. Mountain Standard Time, March 31, 1978, and shall remain in effect for not more than 15 days.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY AND MINERALS
OIL CONSERVATION DIVISION

JOE D. RAMEY, Division Director

S E A L

jr/

N - RULES ON PROCEDURE

RULE 1201. NECESSITY FOR HEARING

Except as provided in some general rule herein, before any rule, regulation or order, including revocation, changes, renewal or extension thereof, shall be made by the Division, a public hearing before the Commission or a legally appointed Division Examiner shall be held at such time and place as may be prescribed by the Division.

RULE 1202. EMERGENCY ORDERS

Notwithstanding any other provision of these rules, in case an emergency is found to exist by the Division, which, in its judgment, requires the making of a rule, regulation, or order without a hearing having first been had or concluded, such emergency rule, regulation, or order when made by the Division shall have the same validity as if a hearing with respect to the same had been held before the Division after due notice. Such emergency rule, regulation, or order shall remain in force no longer than 15 days from its effective date, and in any event, it shall expire when the rule, regulation, or order made after due notice and hearing with respect to the subject matter of such emergency rule, regulation, or order becomes effective.

RULE 1203. METHOD OF INITIATING A HEARING

The Division upon its own motion, the Attorney General on behalf of the State, and any operator or producer, or any other person having a property interest may institute proceedings for a hearing. If the hearing is sought by the Division it shall be on motion of the Division and if by any other person it shall be by application. The application shall be in triplicate and shall state (1) the name of the applicant, (2) the name or general description of the common source or sources of supply or the area affected by the order sought, (3) briefly the general nature of the order, rule, or regulation sought, and (4) any other matter required by a particular rule or rules, or order of the Division. The application shall be signed by the person seeking the hearing or by his attorney.

When conditions are such as to require verbal application to place a matter for hearing on a given docket, the Division will accept such verbal application in order to meet publishing deadlines. However, if written application, filed in accordance with the procedures outlined above, has not been received by the Division's Santa Fe office at least ten days before the date of the hearing, the case will be dismissed.

RULE 1204. METHOD OF GIVING LEGAL NOTICE FOR HEARING

Notice of each hearing before the Commission and notice of each hearing before a Division Examiner shall be given by personal service on the person affected or by publication once in a newspaper of general circulation published at Santa Fe, New Mexico, and once in a newspaper of general circulation published in the county or each of the counties, if there be more than one, in which any geothermal resource or other property which may be affected is situated.

RULE 1205. CONTENTS OF NOTICE OF HEARING

Such notice shall be issued in the name of "The State of New Mexico" and shall be signed by the Director of the Division, and the seal of the Commission shall be impressed thereon.

The notice shall specify whether the case is set for hearing before the Commission or before a Division Examiner and shall state the number and style of the case and the time and place of hearing and shall briefly state the general nature of the order or orders, rule or rules, regulation or regulations to be promulgated or effected. The notice shall also state the name of the petitioner or applicant, if any, and unless the contemplated order, rule, or regulation is intended to apply to and affect the entire state, it shall specify or generally describe the common source or sources of supply which may be affected by such order, rule, or regulation.

RULE 1206. PERSONAL SERVICE OF NOTICE

Personal service of the notice of hearing may be made by any agent of the Division or by any person over the age of 18 years in the same manner as is provided by law for the service of summons in civil actions in the district courts of this state. Such service shall be complete at the time of such personal service or on the date of publication, as the case may be. Proof of service shall be by the affidavit of the person making personal service or of the publisher of the newspaper in which publication is had. Service of the notice shall be made at least 10 days before the hearing.

RULE 1207. PREPARATION OF NOTICES

After a motion or application is filed with the Division the notice or notices required shall be prepared by the Division and service and publication thereof shall be taken care of by the Division without cost to the applicant.

RULE 1208. FILING PLEADINGS: COPY DELIVERED TO ADVERSE PARTY OR PARTIES

When any party to a hearing files any pleading, plea, or motion of any character (other than application for hearing)

which is not by law or by these rules required to be served upon the adverse party or parties, he shall at the same time either deliver or mail to the adverse party or parties who have entered their appearance therein, or their respective attorneys of record, a copy of such pleading, plea, or motion. For the purposes of these rules, an appearance of any interested party shall be made either by letter addressed to the Division or in person at any proceeding before the Commission or before an Examiner, with notice of such appearance to the parties from whom such pleadings, pleas, or motions are desired.

RULE 1209. CONTINUANCE OF HEARING WITHOUT NEW SERVICE

Any hearing before the Commission or an Examiner held after due notice may be continued by the person presiding at such hearing to a specified time and place without the necessity of notice of the same being again served or published. In the event of any continuance, a statement thereof shall be made in the record of the hearing which is continued.

RULE 1210. CONDUCT OF HEARINGS

Hearings before the Commission or any Examiner shall be conducted without rigid formality. A transcript of testimony shall be taken and preserved as a part of the permanent record of the Division. Any person testifying in response to a subpoena issued by the Commission or any member thereof, or the authorized representative of the Division Director, and any person seeking to testify in support of an application or motion or in opposition thereto shall be required to do so under oath. However, relevant unsworn comments and observations by any interested party will be designated as such and included in the record. Comments and observations by representatives of operators' committees, the United States Geological Survey, the United States Bureau of Mines, the New Mexico Bureau of Mines, and other competent persons are welcomed. Any Examiner legally appointed by the Division Director may conduct such hearings as may be referred to such Examiner by the Director.

RULE 1211. POWER TO REQUIRE ATTENDANCE OF WITNESSES AND PRODUCTION OF EVIDENCE

The Commission or any member thereof, or the authorized representative of the Division Director has statutory power to subpoena witnesses and to require the production of books, papers, and records in any proceeding before the Commission or Division. A subpoena will be issued for attendance at a hearing upon the written request of any person interested in the subject matter of the hearing. In case of the failure of a person to comply with the subpoena issued, an attachment of the person may be issued by the district court of any district in the state, and such court has powers to punish for contempt. Any person found guilty of swearing falsely at any hearing may be punished for contempt.

RULE 1212. RULES OF EVIDENCE

Full opportunity shall be afforded all interested parties at a hearing to present evidence and to cross-examine witnesses. In general, the rules of evidence applicable in a trial before a court without a jury shall be applicable, provided that such rules may be relaxed, where, by so doing, the ends of justice will be better served. No order shall be made which is not supported by competent legal evidence.

RULE 1213. EXAMINERS' QUALIFICATIONS AND APPOINTMENT

The Division Director shall, by ex parte order, designate and appoint not more than four individuals to be examiners. Each Examiner so appointed shall be a member of the staff of the Division, but no Examiner need be a full time employee of the Division. The Director may, by ex parte order, designate and appoint a successor to any person whose status as an Examiner is terminated for any reason. Each individual designated and appointed as an Examiner must have at least six years practical experience as a geologist, petroleum engineer or licensed lawyer, or at least two years of such experience and a college degree in geology, engineering, or law; provided however, that nothing herein contained shall prevent any member of the Commission from being designated as, or serving as, an Examiner.

RULE 1214. REFERRAL OF CASES TO EXAMINERS

The Division Director may refer any matter or proceeding to any legally designated and appointed Examiner for hearing in accordance with these rules. The Examiner appointed to hear any specific case shall be designated by name.

RULE 1215. EXAMINER'S POWER AND AUTHORITY

The Division Director may, by ex parte order, limit the powers and duties of the Examiner in any particular case to such issues or to the performance of such acts as the Director deems expedient; however, subject only to such limitations as may be ordered by the Director, the Examiner to whom any matter or proceeding is referred under these rules shall have full authority to hold hearings on such matter or proceeding in accordance with and pursuant to these rules. The Examiner shall have the power to regulate all proceedings before him and to perform all acts and take all measures necessary or proper for the efficient and orderly conduct of such hearing, including the swearing of witnesses, receiving of testimony and exhibits offered in evidence, subject to such objections as may be imposed, and shall cause a complete record of the proceedings to be made and transcribed and shall certify same to the Director as hereinafter provided.

RULE 1216. HEARINGS WHICH MUST BE HELD BEFORE COMMISSION

Notwithstanding any other provisions of these rules, the hearing on any matter shall be held before the Commission (1) if it is a hearing de novo, or (2) if the Division Director in his discretion desires the Commission to hear the matter.

RULE 1217. EXAMINER'S MANNER OF CONDUCTING HEARING

An Examiner conducting a hearing under these rules shall conduct himself as a disinterested umpire.

RULE 1218. REPORT AND RECOMMENDATIONS, EXAMINER'S HEARINGS

Upon the conclusion of any hearing before an Examiner, the Examiner shall promptly consider the proceedings in such hearing, and based upon the record of such hearing the Examiner shall prepare his written report and recommendations for the disposition of the matter of proceeding by the Division. Such report and recommendations shall either be accompanied by a proposed order or shall be in the form of a proposed order, and shall be submitted to the Division Director with the certified record of the hearing.

RULE 1219. DISPOSITION OF CASES HEARD BY EXAMINERS

After receipt of the report and recommendations of the Examiner, the Division Director shall enter the Division's order disposing of the matter or proceeding.

RULE 1220. DE NOVO HEARING BEFORE COMMISSION

When any order has been entered by the Division pursuant to any hearing held by an Examiner, any party adversely affected by such order shall have the right to have such matter or proceeding heard de novo before the Commission, provided that within 30 days from the date such order is rendered such party files with the Division a written application for such hearing before the Commission. If such application is filed, the matter or proceeding shall be set for hearing before the Commission at the first available hearing date following the expiration of fifteen days from the date such application is filed with the Division. Any person affected by the order or decision rendered by the Commission after hearing before the Commission may apply for rehearing pursuant to and in accordance with the provisions of Rule 1222 and said Rule 1222 together with the law applicable to rehearing and appeals in matters and proceedings before the Commission shall thereafter apply to such matter or proceeding.

RULE 1221. NOTICE OF COMMISSION AND DIVISION ORDERS

Within ten days after any order, including any order granting or refusing rehearing, or order following rehearing, has been rendered, a copy of such order shall be mailed by the Division to each person or his attorney of record who has entered his appearance of record in the matter of proceeding pursuant to which such order is rendered.

RULE 1222. REHEARINGS

Within 20 days after entry of any order or decision of the Commission any person affected thereby may file with the Division an application for rehearing in respect of any matter determined by such order or decision, setting forth the respect in which such order or decision is believed to be erroneous. The Commission shall grant or refuse any such application in whole or in part within 10 days after the same is filed and failure to act thereon within such period shall be deemed a refusal thereof and a final disposition of such application. In the event the rehearing is granted, the Commission may enter such new order or decision after rehearing as may be required under the circumstances.

RULE 1223. CHANGES IN FORMS AND REPORTS

Any change in the forms and reports or rules relating to such forms and reports shall be made only by order of the Commission or Division issued after due notice and hearing.

I. RULES ON PROCEDURE

RULE 701. NECESSITY FOR HEARING

Except as provided in some general rule herein, before any rule, regulation or order, including revocation, changes, renewal or extension thereof, shall be made by the Division, a public hearing before the Commission or a legally appointed Division Examiner shall be held at such time and place as may be prescribed by the Division.

RULE 702. EMERGENCY ORDERS

Notwithstanding any other provision of these rules, in case an emergency is found to exist by the Division, which, in its judgment, requires the making of a rule, regulation, or order without a hearing having first been had or concluded, such emergency rule, regulation, or order when made by the Division shall have the same validity as if a hearing with respect to the same had been held before the Division after due notice. Such emergency rule, regulation, or order shall remain in force no longer than 15 days from its effective date, and in any event, it shall expire when the rule, regulation, or order made after due notice and hearing with respect to the subject matter of such emergency rule, regulation, or order becomes effective.

RULE 703. METHOD OF INITIATING A HEARING

The Division upon its own motion, the Attorney General on behalf of the State, and any operator or producer, or any other person having a property interest may institute proceedings for a hearing. If the hearing is sought by the Division it shall be on motion of the Division and if by any other person it shall be by application. The application shall be in triplicate and shall state (1) the name of the applicant, (2) the name or general description of the common source or sources of supply or the area affected by the order sought, (3) briefly the general nature of the order, rule, or regulation sought, and (4) any other matter required by a particular rule or rules, or order of the Division. The application shall be signed by the person seeking the hearing or by his attorney.

When conditions are such as to require verbal application to place a matter for hearing on a given docket, the Division will accept such verbal application in order to meet publishing deadlines. However, if written application, filed in accordance with the procedures outlined above, has not been received by the Division's Santa Fe office at least ten days before the date of the hearing, the case will be dismissed.

Exhibit "B"
Emergency Order No. E-32

RULE 704. METHOD OF GIVING LEGAL NOTICE FOR HEARING

Notice of each hearing before the Commission and notice of each hearing before a Division Examiner shall be given by personal service on the person affected or by publication once in a newspaper of general circulation published at Santa Fe, New Mexico, and once in a newspaper of general circulation published in the county or each of the counties, if there be more than one, in which any geothermal resource or other property which may be affected is situated.

RULE 705. CONTENTS OF NOTICE OF HEARING

Such notice shall be issued in the name of "The State of New Mexico" and shall be signed by the Director of the Division, and the seal of the Commission shall be impressed thereon.

The notice shall specify whether the case is set for hearing before the Commission or before a Division Examiner and shall state the number and style of the case and the time and place of hearing and shall briefly state the general nature of the order or orders, rule or rules, regulation or regulations to be promulgated or effected. The notice shall also state the name of the petitioner or applicant, if any, and unless the contemplated order, rule, or regulation is intended to apply to and affect the entire state, it shall specify or generally describe the common source or sources of supply which may be affected by such order, rule, or regulation.

RULE 706. PERSONAL SERVICE OF NOTICE

Personal service of the notice of hearing may be made by any agent of the Division or by any person over the age of 18 years in the same manner as is provided by law for the service of summons in civil actions in the district courts of this state. Such service shall be complete at the time of such personal service or on the date of publication, as the case may be. Proof of service shall be by the affidavit of the person making personal service or of the publisher of the newspaper in which publication is had. Service of the notice shall be made at least 10 days before the hearing.

RULE 707. PREPARATION OF NOTICES

After a motion or application is filed with the Division the notice or notices required shall be prepared by the Division and service and publication thereof shall be taken care of by the Division without cost to the applicant.

RULE 708. FILING PLEADINGS: COPY DELIVERED TO ADVERSE PARTY OR PARTIES

When any party to a hearing files any pleading, plea, or motion of any character (other than application for hearing)

which is not by law or by these rules required to be served upon the adverse party or parties, he shall at the same time either deliver or mail to the adverse party or parties who have entered their appearance therein, or their respective attorneys of record, a copy of such pleading, plea, or motion. For the purposes of these rules, an appearance of any interested party shall be made either by letter addressed to the Division or in person at any proceeding before the Commission or before an Examiner, with notice of such appearance to the parties from whom such pleadings, pleas, or motions are desired.

RULE 709. CONTINUANCE OF HEARING WITHOUT NEW SERVICE

Any hearing before the Commission or an Examiner held after due notice may be continued by the person presiding at such hearing to a specified time and place without the necessity of notice of the same being again served or published. In the event of any continuance, a statement thereof shall be made in the record of the hearing which is continued.

RULE 710. CONDUCT OF HEARINGS

Hearings before the Commission or any Examiner shall be conducted without rigid formality. A transcript of testimony shall be taken and preserved as a part of the permanent record of the Division. Any person testifying in response to a subpoena issued by the Commission or any member thereof, or the authorized representative of the Division Director, and any person seeking to testify in support of an application or motion or in opposition thereto shall be required to do so under oath. However, relevant unsworn comments and observations by any interested party will be designated as such and included in the record. Comments and observations by representatives of operators' committees, the United States Geological Survey, the United States Bureau of Mines, the New Mexico Bureau of Mines, and other competent persons are welcomed. Any Examiner legally appointed by the Division Director may conduct such hearings as may be referred to such Examiner by the Director.

RULE 711. POWER TO REQUIRE ATTENDANCE OF WITNESSES AND PRODUCTION OF EVIDENCE

The Commission or any member thereof, or the authorized representative of the Division Director has statutory power to subpoena witnesses and to require the production of books, papers, and records in any proceeding before the Commission or Division. A subpoena will be issued for attendance at a hearing upon the written request of any person interested in the subject matter of the hearing. In case of the failure of a person to comply with the subpoena issued, an attachment of the person may be issued by the district court of any district in the state, and such court has powers to punish for contempt. Any person found guilty of swearing falsely at any hearing may be punished for contempt.

Exhibit "B"
Emergency Order No. E-32

RULE 712. RULES OF EVIDENCE

Full opportunity shall be afforded all interested parties at a hearing to present evidence and to cross-examine witnesses. In general, the rules of evidence applicable in a trial before a court without a jury shall be applicable, provided that such rules may be relaxed, where, by so doing, the ends of justice will be better served. No order shall be made which is not supported by competent legal evidence.

RULE 713. EXAMINERS' QUALIFICATIONS AND APPOINTMENT

The Division Director shall, by ex parte order, designate and appoint not more than four individuals to be examiners. Each Examiner so appointed shall be a member of the staff of the Division, but no Examiner need be a full time employee of the Division. The Director may, by ex parte order, designate and appoint a successor to any person whose status as an Examiner is terminated for any reason. Each individual designated and appointed as an Examiner must have at least six years practical experience as a geologist, petroleum engineer or licensed lawyer, or at least two years of such experience and a college degree in geology, engineering, or law; provided however, that nothing herein contained shall prevent any member of the Commission from being designated as, or serving as, an Examiner.

RULE 714. REFERRAL OF CASES TO EXAMINERS

The Division Director may refer any matter or proceeding to any legally designated and appointed Examiner for hearing in accordance with these rules. The Examiner appointed to hear any specific case shall be designated by name.

RULE 715. EXAMINER'S POWER AND AUTHORITY

The Division Director may, by ex parte order, limit the powers and duties of the Examiner in any particular case to such issues or to the performance of such acts as the Director deems expedient; however, subject only to such limitations as may be ordered by the Director, the Examiner to whom any matter or proceeding is referred under these rules shall have full authority to hold hearings on such matter or proceeding in accordance with and pursuant to these rules. The Examiner shall have the power to regulate all proceedings before him and to perform all acts and take all measures necessary or proper for the efficient and orderly conduct of such hearing, including the swearing of witnesses, receiving of testimony and exhibits offered in evidence, subject to such objections as may be imposed, and shall cause a complete record of the proceedings to be made and transcribed and shall certify same to the Director as hereinafter provided.

Exhibit "B"

Emergency Order No. E-32

RULE 716. HEARINGS WHICH MUST BE HELD BEFORE COMMISSION

Notwithstanding any other provisions of these rules, the hearing on any matter shall be held before the Commission (1) if it is a hearing de novo, or (2) if the Division Director in his discretion desires the Commission to hear the matter.

RULE 717. EXAMINER'S MANNER OF CONDUCTING HEARING

An Examiner conducting a hearing under these rules shall conduct himself as a disinterested umpire.

RULE 718. REPORT AND RECOMMENDATIONS, EXAMINER'S HEARINGS

Upon the conclusion of any hearing before an Examiner, the Examiner shall promptly consider the proceedings in such hearing, and based upon the record of such hearing the Examiner shall prepare his written report and recommendations for the disposition of the matter of proceeding by the Division. Such report and recommendations shall either be accompanied by a proposed order or shall be in the form of a proposed order, and shall be submitted to the Division Director with the certified record of the hearing.

RULE 719. DISPOSITION OF CASES HEARD BY EXAMINERS

After receipt of the report and recommendations of the Examiner, the Division Director shall enter the Division's order disposing of the matter or proceeding.

RULE 720. DE NOVO HEARING BEFORE COMMISSION

When any order has been entered by the Division pursuant to any hearing held by an Examiner, any party adversely affected by such order shall have the right to have such matter or proceeding heard de novo before the Commission, provided that within 30 days from the date such order is rendered such party files with the Division a written application for such hearing before the Commission. If such application is filed, the matter or proceeding shall be set for hearing before the Commission at the first available hearing date following the expiration of fifteen days from the date such application is filed with the Division. Any person affected by the order or decision rendered by the Commission after hearing before the Commission may apply for rehearing pursuant to and in accordance with the provisions of Rule 722, and said Rule 722 together with the law applicable to rehearing and appeals in matters and proceedings before the Commission shall thereafter apply to such matter or proceeding.

Exhibit "B"
Emergency Order No. E-32

RULE 721. NOTICE OF COMMISSION AND DIVISION ORDERS

Within ten days after any order, including any order granting or refusing rehearing, or order following rehearing, has been rendered, a copy of such order shall be mailed by the Division to each person or his attorney of record who has entered his appearance of record in the matter of proceeding pursuant to which such order is rendered.

RULE 722. REHEARINGS

Within 20 days after entry of any order or decision of the Commission any person affected thereby may file with the Division an application for rehearing in respect of any matter determined by such order or decision, setting forth the respect in which such order or decision is believed to be erroneous. The Commission shall grant or refuse any such application in whole or in part within 10 days after the same is filed and failure to act thereon within such period shall be deemed a refusal thereof and a final disposition of such application. In the event the rehearing is granted, the Commission may enter such new order or decision after rehearing as may be required under the circumstances.

RULE 723. CHANGES IN FORMS AND REPORTS

Any change in the forms and reports or rules relating to such forms and reports shall be made only by order of the Commission or Division issued after due notice and hearing.

Exhibit "B"
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(6) the New Mexico department of agriculture;

(7) the state natural resource conservation commission; and

(8) the New Mexico bureau of mines; and

K. "new source" means any source, the construction of which is commenced after the publication of proposed regulations prescribing a standard of performance applicable to the source."

~~Section 74. Section 75-39-3 NMSA 1953 (being Laws 1967, Chapter 190, Section 2, as amended) is amended to read:~~

"75-39-3. WATER QUALITY CONTROL COMMISSION CREATED.—

A. There is created the "water quality control commission" consisting of:

(1) the director of the environment improvement division of the health and environment department or a member of his staff designated by him;

(2) the director of the New Mexico department of game and fish or a member of his staff designated by him;

(3) the state engineer or a member of his staff designated by him;

(4) the secretary of the oil conservation commission or a member of his staff designated by him;

(5) the director of state park and recreation commission or a member of his staff designated by him;

(6) the director of the New Mexico department of agriculture or a member of his staff designated by him;

"75-39-2. DEFINITIONS.--As used in the Water Quality Act:

A. "water contaminant" means any substance which alters the physical, chemical or biological qualities of water;

B. "water pollution" means introducing or permitting the introduction into water, either directly or indirectly, of one or more water contaminants in such quantity and of such duration as may with reasonable probability injure human health, animal or plant life, or property, or to unreasonably interfere with the public welfare or the use of property;

C. "wastes" means sewage, industrial wastes or any other liquid, gaseous or solid substance which will pollute any waters of the state;

D. "sewer system" means pipelines, conduits, pumping stations, force mains or any other structures, devices, appurtenances or facilities used for collecting or conducting wastes to an ultimate point for treatment or disposal;

E. "treatment works" means any plat or other works used for the purpose of treating, stabilizing or holding wastes;

F. "sewerage system" means a system for disposing of wastes, either by surface or underground methods, and includes sewer systems, treatment works, disposal wells and other systems;

G. "water" means all water including water situated wholly or partly within or bordering upon the state, whether surface or subsurface, public or private, except private waters that do not combine with other surface or subsurface water;

H. "person" means the state or any agency, institution or political subdivision thereof, any public or private corporation, individual, partnership, association or other entity, and includes any officer, or governing or managing body of any political subdivision or public or private corporation;

I. "commission" means the water quality control commission;

J. "constituent agency" means, as the context may require, any or all of the following agencies of the state:

(1) the environmental improvement division of the health and environment department;

(2) the state engineer and the interstate stream commission;

(3) the New Mexico department of game and fish;

(4) the oil conservation commission;

(5) the state park and recreation commission;

72-20-4. OIL AND GAS CONSERVATION TAX LEVIED--COLLECTED BY COMMISSION--RATE--INTEREST OWNER'S LIABILITY TO STATE--INDIAN LIABILITY.--

A. There is levied and shall be collected by the oil and gas accounting commission a tax on all products which are severed and sold. The measure of the tax shall be nineteen one-hundredths of one percent of the taxable value of sold products. Every interest owner shall be liable for this tax to the extent of his interest in the value of such products, or to the extent of his interest as may be measured by the value of such products. Provided, any Indian tribe, Indian pueblo or Indian shall be liable for this tax to the extent authorized or permitted by law.

B. In the event the unencumbered balance in the oil and gas reclamation fund equals or exceeds one million dollars ($1,000,000) for any one-month period computed after payment of the tax for that month, then the tax levied by Subsection A of this section shall be reduced by one one-hundredths of one percent and no funds collected by the tax shall be deposited in the oil and gas reclamation fund, notwithstanding the provisions of Section 72-20-14 NMSA 1953. When the unencumbered balance in the oil and gas reclamation fund is less than or equal to five hundred thousand dollars ($500,000), then the tax levied by Subsection A of this section shall be increased by one one-hundredths of one percent and the additional funds shall be deposited in accordance with the provisions of Section 72-20-14 NMSA 1953.

72-20-14. DISPOSITION OF OIL CONSERVATION FUND.—The oil conservation fund, or so much thereof as may be necessary, is hereby appropriated to the energy and minerals department to be by it expended in the performance of its duties; provided, however, that an amount equal to one-hundredths of one percent of the taxable value of sold products shall be deposited in the oil and gas reclamation fund to be used by the oil conservation division in carrying out the provisions of the Oil and Gas Act.

65-14-17. PROPERTY RIGHTS.

Except to the extent that the parties affected so agree, no order providing for unit operations shall be construed to result in a transfer of all or any part of the title of any person to the oil and gas rights in any tract in the unit area. All property, whether real or personal, that may be acquired in the conduct of unit operations hereunder shall be acquired for the account of the working interest owners within the unit area, and shall be the property of such working interest owners in the proportion that the costs of unit operations are charged.

"65-14-18. EXISTING RIGHTS, RIGHTS IN UNLEASED LAND, AND ROYALTIES AND LEASE BURDENS.--Property rights, leases, contracts, and other rights or obligations shall be regarded as amended and modified only to the extent necessary to conform to the provisions and requirements of the Statutory Unitization Act and to any valid order of the division providing for the unit operation of a pool or a part thereof, but otherwise shall remain in full force and effect. A one-eighth part of the production allocated to each tract under an order providing for the unit operation of a pool or a part thereof, shall in all events be and remain free and clear of any cost or expense of developing or operating the unit and of any lien therefor as an encumbered source from which to pay the royalties or other cost-free obligations due or payable with respect to the production from such tract. If a lease or other contract pertaining to a tract or interest stipulates a royalty, overriding royalty, production payment, or other obligation in excess of one-eighth of the production or proceeds therefrom, then the working interest owner subject to such excess payment or other obligation shall bear and pay the same."

65-14-19. AGREEMENTS NOT VIOLATIVE OF LAWS GOVERNING MONOPOLIES OR RESTRAINT OF TRADE.

No agreement between or among lessees or other owners of oil and gas rights in oil and gas properties entered into pursuant hereto or with a view or for the purpose of bringing about the unitized development or operation of such properties, shall be held to violate any of the statutes of this state prohibiting monopolies or acts, arrangements, agreements, contracts, combinations or conspiracies in restraint of trade or commerce.

65-14-20. EVIDENCE OF UNIT TO BE RECORDED.

A copy of each unit agreement shall be recorded in the office of the county clerk of the county or counties in which the unit is situated.

"65-14-21. UNLAWFUL OPERATION.--From and after the date designated by the division that a unit plan shall become effective, the operation of any well producing from the pool within the area subject to said unit plan, by persons other than persons acting under the authority of the unit plan, or except in the manner and to the extent provided in such unit plan, shall be unlawful and is hereby prohibited."

Insert below

65-14-11. UNIT OPERATIONS OF LESS THAN AN ENTIRE POOL.

An order may provide for unit operation on less than the whole of a pool where the unit area is of such size and shape as may be reasonably suitable for that purpose, and the conduct thereof will have no adverse effect upon other portions of the pool.

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allocation of oil and gas as established for any separately owned tract by the original order, except with the consent of all working interest owners and royalty owners in such tract, or change the percentage for the allocation of costs as established for any separately owned tract by the original order, except with the consent of all working interest owners in such tract."

~~Section 116. Section 65-14-10 NMSA 1953 (being Laws 1975, Chapter 283, Section 10) is amended to read:~~

"65-14-10. PREVIOUSLY ESTABLISHED UNITS.—The division, by order, may provide for the unit operation of a pool or parts thereof that embrace a unit area established by a previous order of the division. Such order, in providing for the allocation of unit production, shall first treat the unit area previously established as a single tract, and the portion of the unit production allocated thereto shall then be allocated among the separately owned tracts included in such previously established unit area in the same proportions as those specified in the previous order."

~~Section 117. Section 65-14-12 NMSA 1953 (being Laws 1975, Chapter 283, Section 12) is amended to read:~~ Insert 65-14-11

"65-14-12. OPERATION—EXPRESSED OR IMPLIED COVENANTS.—All operations, including but not limited to, the commencement, drilling or operation of a well upon any portion of the unit area shall be deemed for all purposes the conduct of such operations upon each separately owned tract in the unit area by the several owners thereof. The portions of the unit production allocated to a separately owned tract in a unit area shall, when produced, be deemed, for all purposes, to have been actually produced from such tract by a well drilled thereon. Operations conducted pursuant to an order of the division providing for unit operations shall constitute a fulfillment of all the express or implied obligations for each lease or contract covering lands in the unit area to the extent that compliance with such obligations cannot be had because of the order of the division."

65-14-13. INCOME FROM UNITIZED SUBSTANCES.

The portion of the unit production allocated to any tract, and the proceeds from the sale thereof, shall be the property and income of the several persons to whom, or to whose credit, the same are allocated or payable under the order providing for unit operations.

65-14-14. LIEN FOR COSTS.

Subject to such reasonable limitations as may be set out in the plan of unitization, the unit shall have a first and prior lien upon the leasehold estate and other oil and gas rights (exclusive of a one-eighth royalty interest or exclusive of the interest provided in the unit operating plan which allocates costs, if it is different than one-eighth) in and to each separately owned tract, the interest of the owners thereof in and to the unit production and all equipment in the possession of the unit, to secure the payment of the amount of the unit expense charged to and assessed against such separately owned tract.

65-14-15. LIABILITY FOR EXPENSES.

The obligation or liability of each working interest owner in the several separately owned tracts in the unit for the payment of unit expense at all times shall be several and not joint or collective, and a working interest owner shall not be chargeable with, obligated or liable for, directly or indirectly, more than the amount apportioned, assessed or otherwise charged to his interest in the separately owned tract pursuant to the order of unitization.

"65-14-16. DIVISION ORDERS.—

A. No division order or other contract relating to the sale or purchase of production from a separately owned tract shall be terminated by the order providing for unit operations, but shall remain in force and apply to oil and gas allocated to such tract until terminated in accordance with the provisions thereof.

B. For purposes of this section, "division order" shall mean a contract of sale to the purchaser of oil and gas."

~~Section 118. Section 65-14~~

"65-14-8. RATIFICATION OR APPROVAL OF PLAN BY OWNERS.--

A. No order of the division providing for unit operations shall become effective unless and until the plan for unit operations prescribed by the division has been approved in writing by those persons who, under the division's order, will be required initially to pay at least seventy-five percent of the costs of the unit operations, and also by the owners of at least seventy-five percent of the production or proceeds thereof that will be credited to interests which are free of cost such as royalties, overriding royalties and production payments, and the division has made a finding either in the order providing for unit operations or in a supplemental order, that the plan for unit operations has been so approved. Notwithstanding any other provisions of this section, if seventy-five percent or more of the unit area is owned, as to working interest, by one working interest owner, such working interest owner must be joined by at least one other working interest owner in ratifying and approving the plan of unit operations, unless such working interest owner is the owner of one hundred percent of the working interest in said unit area; provided, however, if a single owner is one who, under the division's order will be required initially to pay at least twenty-five percent, but not more than fifty percent, of the costs of unit operation, such owner must be joined by at least one other owner of the same type interest in disapproving, or failure to approve, the plan of unit operations to defeat the plan.

B. If one owner is the owner of at least twenty-five per-

cent, but not more than fifty percent, of the production or proceeds thereof that will be credited to interests which are free of costs, such owner must be joined by at least one other owner of the same type interest in disapproving, or failure to approve, the plan of unit operations to defeat the plan.

C. If the persons owning the required percentage of interest in the unit area do not approve the plan for unit operations within a period of six months from the date on which the order providing for unit operations is made, such order shall cease to be of further force and effect and shall be revoked by the division, unless the division shall extend the time for ratification for good cause shown.

D. When the persons owning the required percentage of interest in the unit area have approved the plan for unit operations, the interests of all persons in the unit are unitized whether or not such persons have approved the plan of unitization in writing."

~~Section 119. Section 65-14-9 NMSA 1953 (being Laws 1975, Chapter 283, Section 9) is amended to read:~~

"65-14-9. AMENDMENT OF PLAN OF UNITIZATION.--An order providing for unit operations may be amended by an order made by the division in the same manner and subject to the same conditions as an original order providing for unit operations, provided:

A. if such an amendment affects only the rights and interests of the working interest owners, the approval of the amendment by the royalty owners shall not be required; and

B. no such amendment shall change the percentage for the

and unit operation of a pool or part thereof shall be upon terms and conditions that are fair, reasonable and equitable and shall approve or prescribe a plan or unit agreement for unit operation which shall include:

A. a legal description in terms of surface area of the pool or part thereof to be operated as a unit and the vertical limits to be included therein termed "the unit area";

B. a statement of the nature of the operations contemplated;

C. an allocation to the separately owned tracts in the unit area of all the oil and gas that is produced from the unit area and is saved, being the production that is not used in the conduct of operations on the unit area or not unavoidably lost;

D. a provision for the credits and charges to be made in the adjustment among the owners in the unit area for their respective investments in wells, tanks, pumps, machinery, materials and equipment contributed to the unit operations;

E. a provision governing how the costs of unit operations including capital investments shall be determined and charged to the separately owned tracts and how said costs shall be paid including a provision providing when, how, and by whom the unit production allocated to an owner who does not pay the share of the costs of unit operations charged to such owner, or the interest of such owner, may be sold and the proceeds applied to the payment of such costs;

F. a provision for carrying any working interest owner on a limited, carried or net-profits basis, payable out of production,

upon such terms and conditions determined by the division to be just and reasonable, and allowing an appropriate charge for interest for such service payable out of such owner's share of production, provided that any nonconsenting working interest owner being so carried shall be deemed to have relinquished to the unit operator all of its operating rights and working interest in and to the unit until his share of the costs, service charge and interest are repaid to the unit operator;

G. a provision designating the unit operator and providing for the supervision and conduct of the unit operations, including the selection, removal or substitution of an operator from among the working interest owners to conduct the unit operations;

H. a provision for a voting procedure for the decision of matters to be decided by the working interest owners in respect to which each working interest owner shall have a voting interest equal to its unit participation;

I. the time when the unit operation shall commence and the manner in which, and the circumstances under which, the operations shall terminate and for the settlement of accounts upon such termination; and

J. such additional provisions that are found to be appropriate for carrying on the unit operations and for the protection of correlative rights and the prevention of waste."

~~Section 11.~~ ~~Section 65-14-8 NMSA 1953~~ (being Laws 1975, Chapter 293, Section 8) is amended to read:

the division and after notice and hearing, all in the form and manner and in accordance with the procedural requirements of the division, and prior to reaching a decision on the petition, the division shall determine whether or not each of the following conditions exists:

(1) that the unitized management, operation and further development of the oil or gas pool or a portion thereof is reasonably necessary in order to effectively carry on pressure maintenance or secondary or tertiary recovery operations, to substantially increase the ultimate recovery of oil and gas from the pool or the unitized portion thereof;

(2) that one or more of the said unitized methods of operations as applied to such pool or portion thereof is feasible, will prevent waste and will result with reasonable probability in the increased recovery of substantially more oil and gas from the pool or unitized portion thereof than would otherwise be recovered;

(3) that the estimated additional costs, if any, of conducting such operations will not exceed the estimated value of the additional oil and gas so recovered plus a reasonable profit;

(4) that such unitization and adoption of one or more of such unitized methods of operation will benefit the working interest owners and royalty owners of the oil and gas rights within the pool or portion thereof directly affected;

(5) that the operator has made a good faith effort to secure voluntary unitization within the pool or portion thereof directly affected; and

(6) that the participation formula contained in the unitization agreement allocates the produced and saved unitized hydrocarbons to the separately owned tracts in the unit area on a fair, reasonable and equitable basis.

B. If the division determines that the participation formula contained in the unitization agreement does not allocate unitized hydrocarbons on a fair, reasonable and equitable basis, the division shall determine the relative value, from evidence introduced at the hearing, taking into account the separately owned tracts in the unit area, exclusive of physical equipment, for development of oil and gas by unit operations, and the production allocated to each tract shall be the proportion that the relative value of each tract so determined bears to the relative value of all tracts in the unit area.

C. When the division determines that the preceding conditions exist it shall make findings to that effect and make an order creating the unit and providing for the unitization and unitized operation of the pool or portion thereof described in the order, all upon such terms and conditions as may be shown by the evidence to be fair, reasonable, equitable and which are necessary or proper to protect and safeguard the respective rights and obligations of the working interest owners and royalty owners."

~~Section 112. Section 65-14-7 NMSA 1953 (being Laws 1975, Chapter 293, Section 7) is amended to read:~~

"65-14-7. DIVISION ORDERS.--The order providing for unitization

of lease or other instrument creating a working interest shall be regarded as a working interest to the extent of seven-eighths thereof and a royalty interest to the extent of the remaining one-eighth thereof;

E. "working interest owner" or "lessee" means a person who owns a working interest;

F. "royalty interest" means a right to or interest in any portion of the unitized substances or proceeds thereof other than a working interest;

G. "royalty owner" means a person who owns a royalty interest;

H. "unit operator" means the working interest owner, designated by working interest owners under the unit operating agreement or the division to conduct unit operations, acting as operator and not as a working interest owner;

I. "basic royalty" means the royalty reserved in the lease but in no event exceeding one-eighth; and

J. "relative value" means the value of each separately owned tract for oil and gas purposes and its contributing value to the unit in relation to like values of other tracts in the unit, taking into account acreage, the quantity of oil and gas recoverable therefrom, location on structure, its probable productivity of oil and gas in the absence of unit operations, the burden of operation to which the tract will or is likely to be subjected, or so many of said factors, or such other pertinent engineering, geological, operating

or pricing factors, as may be reasonably susceptible of determination."

~~Section 111. Section 65-14-5 NMSA 1953 (being Laws 1975, Chapter 293, Section 5) is amended to read:~~

"65-14-5. REQUISITES OF APPLICATION FOR UNITIZATION.--Any working interest owner may file an application with the division requesting an order for the unit operation of a pool or any part thereof. The application shall contain:

A. a description of the proposed unit area and the vertical limits to be included therein with a map or plat thereof attached;

B. a statement that the reservoir or portion thereof involved in the application has been reasonably defined by development;

C. a statement of the type of operations contemplated for the unit area;

D. a copy of a proposed plan of unitization which the applicant considers fair, reasonable and equitable;

E. a copy of a proposed operating plan covering the manner in which the unit will be supervised and managed and costs allocated and paid; and

F. an allegation of the facts required to be found by the division under Section 65-14-6 NMSA 1953."

~~Section 112. Section 65-14-6 NMSA 1953 (being Laws 1975, Chapter 293, Section 6) is amended to read:~~

"65-14-6. MATTERS TO BE FOUND BY THE DIVISION PRECEDENT TO ISSUANCE OF UNITIZATION ORDER.--

A. After an application for unitization has been filed with

65-14-1. PURPOSE OF ACT.

The legislature finds and determines that it is desirable and necessary under the circumstances and for the purposes hereinafter set out, to authorize and provide for the unitized management, operation and further development of the oil and gas properties to which the Statutory Unitization Act (65-14-1 to 65-14-21) is applicable, to the end that greater ultimate recovery may be had therefrom, waste prevented, and correlative rights protected of all owners of mineral interests in each unitized area. It is the intention of the legislature that the Statutory Unitization Act apply to any type of operation that will substantially increase the recovery of oil above the amount that would be recovered by primary recovery alone and not to what the industry understands as exploratory units.

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65-14-2. SHORT TITLE.

This act (65-14-1 to 65-14-21) may be cited as the "Statutory Unitization Act."

[illegible] Section 21) is amended to read:

"65-13-16. CONSTRUCTION OF ACT.--Nothing in the Energy and Minerals Department Act shall be construed to nullify the authority which any other existing state department or agency has with respect to transportation or transmission of energy or with respect to the management, protection and utilization of the state lands and resources under its jurisdiction, or the regulation of utilities, it being the express intent of the legislature that the protection herein afforded this state and to its citizens shall be in addition to those already provided.

The provisions of Section 3 and paragraphs (5), (6) and (7) of Subsection B of Section 6 of the Energy and Minerals Department Act shall not be construed to grant to the secretary any power or jurisdiction not specifically granted to the secretary by law to regulate or control the severance, production, beneficiation, distribution, use, pricing, sale or leasing of fuel, power or natural resources."

Section 109. Section 65-14-3 NMSA 1953 (being Laws 1975, Chapter [illegible], Section 3) is amended to read:

"65-14-3. ADDITIONAL POWERS AND DUTIES OF THE OIL CONSERVATION DIVISION.--Subject to the limitations of the Statutory Unitization Act the oil conservation division of the energy and minerals department, hereinafter referred to as the "division", is hereby vested with jurisdiction, power and authority and it shall be its duty to make and enforce such orders and do such things as may be necessary or proper to carry out and effectuate the purposes of the Statutory Unitization Act."

Section 110. Section 65-14-4 NMSA 1953 (being Laws 1975, Chapter [illegible], Section 4) is amended to read:

"65-14-4. DEFINITIONS.--For the purposes of the Statutory Unitization Act, unless the context otherwise requires:

A. "pool" means an underground reservoir containing a common accumulation of crude petroleum oil or natural gas or both. Each zone of a general structure, which zone is completely separate from any other zone in the structure, is covered by the word pool as used herein. Pool is synonymous with "common source of supply" and with "common reservoir";

B. "oil and gas" means crude oil, natural gas, casinghead gas, condensate or any combination thereof;

C. "waste", in addition to its meaning in Section 65-3-3 NMSA 1953, shall include both economic and physical waste resulting, or that could reasonably be expected to result, from the development and operation separately of tracts that can best be developed and operated as a unit;

D. "working interest" means an interest in unitized substances by virtue of a lease, operating agreement, fee title or otherwise, excluding royalty owners, owners of overriding royalties, oil and gas payments, carried interests, mortgages and lien claimants but including a carried interest, the owner of which is primarily obligated to pay, either in cash or out of production or otherwise, a portion of the unit expense; however, oil and gas rights that are free

illegal geothermal resources or illegal geothermal resources product shows ground for seizure and sale, and such pleading is verified or is supported by affidavit or affidavits, or by testimony under oath, the court shall order such commodity to be impounded or placed under the control, actual or constructive, of the court through an agent appointed by the court.

C. The judgment effecting the forfeiture shall provide that the commodity be seized, if not already under the control of the court, and that a sale be had in similar manner and with similar notice as provided by law or rule with respect to the sale of personal property under execution; provided, however, the court may order that the commodity be sold in specified lots or portions, and at specified intervals, instead of being sold at one time. Title to the amount sold shall pass as of the date of the seizure. The judgment shall provide for payment of the proceeds of the sale into the common school fund, after first deducting the costs in connection with the proceedings and the sale. The amount sold shall be treated as legal geothermal resources or legal geothermal resources product, as the case may be, in the hands of the purchaser, but the purchaser and the commodity shall be subject to all applicable laws and rules, regulations and orders with respect to further sale or purchase or acquisition, and with respect to the transportation, refining, processing or handling in any other way, of the commodity purchased.

D. Nothing in this section shall deny or abridge any cause of action a royalty owner, or any lien holder, or any other claimant, may have, because of the forfeiture of the illegal geothermal resources or illegal geothermal resources product, against the person whose act resulted in such forfeiture.

B. Any person who knowingly and willfully violates any provision of the Geothermal Resources Conservation Act or any rule, regulation or order of the division made hereunder, shall, in the event a penalty for such violation is not otherwise provided for therein be subject to a penalty of not to exceed one thousand dollars ($1,000) a day for each and every day of such violation, and for each and every act of violation, such penalty to be recovered in a suit in the district court of the county where the defendant resides, or in the county of the residence of any defendant if there be more than one defendant, or in the district court of the county where the violation took place. The place of suit shall be selected by the division, and such suit, by direction of the division, shall be instituted and conducted in the name of the division by the attorney general or under his direction by the district attorney of the county where the suit is instituted. The payment of any penalty as provided for herein shall not have the effect of changing illegal geothermal resources into legal geothermal resources, or illegal geothermal resources product into legal geothermal resources product, nor shall such payment have the effect of authorizing the sale or purchase or acquisition, or the transportation, refining, processing or handling in any other way, of such illegal geothermal resources, or illegal geothermal resources product, but to the contrary, penalty shall be imposed for each prohibited transaction relating to such illegal geothermal resources or illegal geothermal resources product.

C. Any person knowingly and willfully aiding or abetting any other person in the violation of any statute of this state relating to the conservation of geothermal resources, or the violation of any provision of the Geothermal Resources Conservation Act, or any rule, regulation or order made thereunder, shall be subject to the same penalties as are prescribed herein for the violation by such other person.

65-11-24. SEIZURE AND SALE OF ILLEGAL GEOTHERMAL RESOURCES OR ILLEGAL GEOTHERMAL RESOURCES PRODUCT--PROCEDURE.--

A. Apart from, and in addition to, any other remedy or procedure which may be available to the division, or any penalty which may be sought against or imposed upon any person, with respect to violations relating to illegal geothermal resources or illegal geothermal resources product shall, exept under such circumstances as are stated herein, be contraband and shall be seized and sold, and the proceeds applied as herein provided. Such sale shall not take place unless the court shall find in the proceeding provided in this section that the owner of such illegal geothermal resources or illegal geothermal resources product is liable, or in some proceeding authorized by the Geothermal Resources Conservation Act such owner has already been held to be liable, for penalty for having produced such illegal geothermal resources, or for having purchased or acquired such illegal geothermal resources or illegal geothermal resources product. Whenever the division believes that illegal geothermal resources or illegal geothermal resources product is subject to seizure and sale, as provided herein, it shall, through the attorney general, bring a civil action in rem for that purpose in the district court of the county where the commodity is found, or the action may be maintained in connection with any suit or cross-action for injunction or for penalty relating to any prohibited transaction involving such illegal geothermal resources or illegal geothermal resources product. Notice of the action in rem shall be given in conformity with the law or rule applicable to such proceeding. Any person or party in interest who may show himself to be adversely affected by any such seizure and sale shall have the right to intervene in said suit to protect his rights.

B. Whenever the pleading with respect to the forfeiture of

continuing such violation or from carrying out the threat of violation. In such suit the division may obtain injunction, prohibitory and mandatory, including temporary restraining orders and temporary injunctions, as the facts may warrant, including, when appropriate, an injunction restraining any person from moving or disposing of illegal geothermal resources, or illegal geothermal resources product, and any or all such commodities, or funds derived from the sale thereof, may be ordered to be impounded or placed under the control of an agent appointed by the court if, in the judgment of the court, such action is advisable.

65-11-21. ACTIONS FOR DAMAGES—INSTITUTION OF ACTIONS FOR INJUNCTIONS BY PRIVATE PARTIES.—Nothing in the Geothermal Resources Conservation Act contained or authorized, and no suit by or against the division, and no penalties imposed or claimed against any person for violating any statute of this state with respect to conservation of geothermal resources, or any provision of that act, or any rule, regulation or order issued hereunder, shall impair or abridge or delay any cause of action for damages which any person may have or assert against any person violating any statute of this state with respect to conservation of geothermal resources, or any provision of the Geothermal Resources Conservation Act, or any rule, regulation or order issued hereunder. Any person so damaged by the violation may sue for and recover such damages as he may be entitled to receive. In the event the division should fail to bring suit to enjoin any actual or threatened violation of any statute of this state with respect to the conservation of geothermal resources, or of any provision of this act, or of any rule, regulation or order made hereunder, then any person or party in interest adversely affected by such violation, and who has notified the division in writing of such violation or threat thereof and has requested the division to sue, may, to prevent any or further violation, bring suit for that purpose in the district court of any county in which the division could have brought suit. If, in such suit, the court holds that injunctive relief should be granted, then the division shall be made a party and shall be substituted for the person who brought the suit, and the injunction shall be issued as if the division had at all times been the complaining party.

65-11-22. Violation of court order grounds for appointment of receiver.—The violation by any person of an order of the court relating to the operation of any geothermal resources well or wells, or of any geothermal transportation, storage or utilization facility, shall be sufficient ground for the appointment of a receiver with power to conduct operations in accordance with the order of the court.

65-11-23. PENALTIES FOR VIOLATIONS—ACCESSORIES.—

A. Any person who, for the purpose of evading the Geothermal Resources Conservation Act, or of evading any rule, regulation or order made thereunder, shall knowingly and willfully make or cause to be made any false entry or statement of fact in any report required to be made by that act or by any rule, regulation or order made thereunder; or who, for such purpose, shall make or cause to be made any false entry in any account, record, or memorandum kept by any person in connection with the provisions of that act or of any rule, regulation or order made thereunder; or who, for such purpose, shall omit to make, or cause to be omitted, full, true and correct entries in such accounts, records or memoranda, of all facts and transactions pertaining to the interest or activities in the geothermal industry of such person as may be required by the division under authority given in the Geothermal Resources Conservation Act or by any rule, regulation or order made thereunder; or who, for such purpose, shall remove out of the jurisdiction of the state, or who shall mutilate, alter or by any other means falsify, any book, record or other paper pertaining to the transactions regulated by that act or by any rule, regulation or order made thereunder; shall be deemed guilty of a felony and shall be subject, upon conviction in any court of competent jurisdiction, to a fine of not more than one thousand dollars ($1,000), or imprisonment for a term of not more than three years, or to both such fine and imprisonment.

event that the action of the commission or division shall be affirmed.

D. The applicable rules of practice and procedure in civil cases for the courts of this state shall govern the proceedings for review, any appeal therefrom to the supreme court of this state, to the extent such rules are consistent with provisions of the Geothermal Resources Conservation Act.

65-11-19. TEMPORARY RESTRAINING ORDER OR INJUNCTION--GROUNDS--HEARING--BOND.--

A. No temporary restraining order or injunction of any kind shall be granted against the commission or the members thereof, or against the attorney general, or against any agent, employee or representative of the division restraining the commission, or any of its members, or the division or any of its agents, employees or representatives, or the attorney general, from enforcing any statute of this state relating to conservation of geothermal resources, or any of the provisions of the Geothermal Resources Conservation Act, or any rule, regulation or order made thereunder, except after due notice to the director of the division, and to all other defendants, and after a hearing at which it shall be clearly shown to the court that the act done or threatened is without sanction of law, or that the provision of the Geothermal Resources Conservation Act, or the rule, regulation or order complained of, is invalid, and that, if enforced against the complaining party, will cause an irreparable injury. With respect to an order or decree granting temporary injunctive relief, the nature and extent of the probable invalidity of the statute, or of any provision of the Geothermal Resources Conservation Act, or of any rule, regulation or order hereunder involved in such suit, must be recited in the order or decree granting the temporary relief, as well as a clear statement of the probable damage relied upon by the court as justifying temporary injunctive relief.

B. No temporary injunction of any kind, including a temporary restraining order against the commission or the members thereof, or the division or its agents, employees or representatives, or the attorney general, shall become effective until the plaintiff shall execute a bond to the state with sufficient surety in an amount to be fixed by the court reasonably sufficient to indemnify all persons who may suffer damage by reason of the violation pendente lite by the complaining party of the statute or the provisions of the Geothermal Resources Conservation Act or of any rule, regulation or order complained of. Any person so suffering damage may bring suit thereon before the expiration of six months after the statute, provision, rule, regulation or order complained of shall be finally held to be valid, in whole or in part, or such suit against the commission, or the members thereof, or the division, shall be finally dismissed. Such bond shall be approved by the judge of the court in which the suit is pending, and shall be for the use and benefit of all persons who may suffer damage by reason of the violation pendente lite of the statute, provision, rule, regulation or order complained of in such suit, and who may bring suit within the time prescribed by this section; and such bond shall be so conditioned. From time to time, on motion and with notice to the parties, the court may increase or decrease the amount of the bond and may require new or additional sureties, as the facts may warrant.

65-11-20. ACTIONS FOR VIOLATIONS.--Whenever it shall appear that any person is violating, or threatening to violate, any statute of this state with respect to the conservation of geothermal resources, or any provision of the Geothermal Resources Conservation Act, or any rule, regulation or order made thereunder, the division through the attorney general, shall bring suit against such person in the county of the residence of the defendant, or in the county of the residence of any defendant if there be more than one defendant, or in the county where the violation is alleged to have occurred, for penalties, if any are applicable, and to restrain such person from

order without first having a hearing, such emergency rule, regulation or order shall have the same validity as if a hearing with respect to the same had been held after due notice. The emergency rule, regulation or order permitted by this section shall remain in force no longer than fifteen days from its effective date, and, in any event, it shall expire when the rule, regulation or order made after due notice and hearing with respect to the subject matter of such emergency rule, regulation or order becomes effective.

65-11-18. REHEARINGS--APPEALS.--

A. Within twenty days after entry of any order or decision of the division, any person affected thereby may file with the commission an application for rehearing in respect of any matter determined by such order or decision, setting forth the respect in which such order or decision is believed to be erroneous. The commission shall grant or refuse any such application in whole or in part within ten days after the same is filed and failure to act thereon within such period shall be deemed a refusal thereof and a final disposition of such application. In the event the rehearing is granted, the commission may enter such new order or decision after rehearing as may be required under the circumstances.

B. Any party to such rehearing proceeding, dissatisfied with the disposition of the application for rehearing, may appeal therefrom to the district court of the county wherein is located any property of such party affected by the decision, by filing a petition for the review of the action of the commission within twenty days after the entry of the order following rehearing or after the refusal of rehearing as the case may be. Such petition shall state briefly the nature of the proceedings before the commission or division and shall set forth the order or decision of the commission or division complained of and the grounds of invalidity thereof upon which the applicant will rely; provided, however, that the questions reviewed on appeal shall be only questions presented to the commission by the application for rehearing. Notice of such appeal shall be served upon the adverse party or parties and the commission in the manner provided for the service of summons in civil proceedings. The trial upon appeal shall be without a jury, and the transcript of proceedings before the commission or division, including the evidence taken in hearings by the commission or division, shall be received in evidence by the court in whole or in part upon offer by either party, subject to legal objections to evidence. The commission or division action complained of shall be prima facie valid and the burden shall be upon the party or parties seeking review to establish the invalidity of such action of the commission or division. The court shall determine the issues of fact and of law and shall enter its order either affirming or vacating the order of the commission or division. Appeals may be taken from the judgment or decision of the district court to the supreme court in the same manner as provided for appeals from any other final judgment entered by a district court in this state. The trial of such application for relief from action of the commission or division and the hearing of any appeal to the supreme court from the action of the district court shall be expedited to the fullest possible extent.

C. The pendency of proceedings to review shall not of itself stay or suspend operation of the order or decision being reviewed, but during the pendency of such proceedings, the district court in its discretion may, upon its own motion or upon proper application of any party thereto, stay or suspend, in whole or in part, operation of said order or decision pending review thereof, on such terms as the court deems just and proper and in accordance with the practice of courts exercising equity jurisdiction; provided, that the court, as a condition to any such staying or suspension of operation of any order or decision, may require that one or more parties secure, in such form and amount as the court may deem just and proper, one or more other parties against loss or damage due to the staying or suspension of the commission's or division's order or decision, in the

of clearance or tenders, or some other method, so that any person may have an opportunity to determine whether any contemplated transaction of sale or purchase or acquisition, or of transportation, refining, processing or handling in any other way, involves illegal geothermal resources, or illegal geothermal resources product, no penalty shall be imposed for the sale or purchase or acquisition, or the transportation, refining, processing or handling in any other way, of illegal geothermal resources or illegal geothermal resources product, except under circumstances stated in the succeeding provisions of this subsection. Penalties shall be imposed for the division of each transaction prohibited in Section 65-11-15 NMSA 1953 when the person committing the same knows that illegal geothermal resources, or illegal geothermal resources product, are involved in such transaction, or when such person could have known or determined such fact by the exercise of reasonable diligence or from facts within his knowledge. However, regardless of lack of actual notice or knowledge, penalties as provided in the Geothermal Resources Conservation Act shall apply to any sale or purchase or acquisition, and to the transportation, refining, processing or handling in any other way, of illegal geothermal resources, or illegal geothermal resources product where administrative provision is made for identifying the character of the commodity as to its legality. It shall likewise be a violation for which penalties shall be imposed for any person to sell or purchase or acquire, or to transport, refine, process or handle in any way, any geothermal resources or any product thereof without complying with the rule, regulation or order of the commission or division relating thereto.

65-3-17. PENALTY FOR VIOLATIONS.--Any person who violates any provision of this act or any rules, regulation or order of the commission or the division made pursuant to this act shall, upon conviction, be fined not more than one thousand dollars ($1,000) for each violation. Each day during which said violation is continued shall be considered a separate and complete offense for this purpose.

65-11-17. HEARINGS ON RULES, REGULATIONS AND ORDERS--NOTICE--EMERGENCY RULES.--

A. Except as provided for herein, before any rule, regulation or order, including revocation, change, renewal or extension thereof, shall be made under the provisions of the Geothermal Resources Conservation Act, a public hearing shall be held at such time, place and manner as may be prescribed by the division. The division shall first give reasonable notice of such hearing (in no case less than ten days, except in an emergency) and at any such hearing any person having an interest in the subject matter of the hearing shall be entitled to be heard. Any member of the commission or division, or any employee of the commission or division, shall have power to administer oaths to any witness in any hearing, investigation or proceeding contemplated by the Geothermal Resources Conservation Act.

B. In case an emergency is found to exist by the division which in its judgment requires the making of a rule, regulation or

Any common purchaser taking geothermal resources produced from wells within a geothermal reservoir shall take ratably under such rules, regulations and orders, concerning quantity, as may be promulgated by the division after due notice and public hearing. The division, in promulgating such rules, regulations and orders may consider the quality and the quantity of the geothermal resources available, the pressure and temperature of the product at the point of delivery, acreage attributable to the well, market requirements and other pertinent factors.

Nothing in the Geothermal Resources Conservation Act shall be construed or applied to require, directly or indirectly, any person to purchase geothermal resources of a quality or under a pressure or under any other condition by reason of which such geothermal resource cannot be economically and satisfactorily used by such purchaser by means of his geothermal utilization facilities then in service.

65-11-15. PURCHASE, SALE OR HANDLING OF EXCESS GEOTHERMAL RESOURCES OR PRODUCTS PROHIBITED.--

A. The sale or purchase or acquisition, or the transportation, utilization or processing, or handling in any other way, of geothermal resources in whole or in part produced in excess of the amount allowed by any statute of this state, or by any provision of the Geothermal Resources Conservation Act, or by any rule, regulation or order of the commission or division made hereunder, is hereby prohibited, and such geothermal resources are hereby referred to as "illegal geothermal resources".

B. The sale or purchase or acquisition, or the transportation, utilization or processing, or the handling in any other way, of any product of geothermal resources, which product is derived in whole or in part from geothermal resources produced in whole or in part in excess of the amount allowed by any statute of this state, or by any provision of the Geothermal Resources Conservation Act, or by any rule, regulation or order of the commission or division made thereunder, is hereby prohibited, and each such commodity or product is herein referred to as "illegal geothermal resources product".

'65-11-16. RULES AND REGULATIONS TO EFFECTUATE PROHIBITIONS AGAINST PURCHASE OR HANDLING OF ILLEGAL GEOTHERMAL RESOURCES OR ILLEGAL GEOTHERMAL RESOURCES PRODUCT.--

A. The division is specifically authorized and directed to make such rules, regulations and orders, and may provide for such certificates of clearance or tenders, as may be necessary to make effective the prohibitions contained in Section 65-11-15 NMSA 1953.

B. Unless and until the division provides for certificates

D. Upon entry of an order of the court authorizing execution of the proposed instrument in the form attached to the petition, or with such modification as the court may direct, and execution thereof by the executor, administrator or guardian, the interest in the property owned by the decendent at the time of death, or by the ward, shall be subject in all respects to the terms of said instrument and the executor, administrator or guardian, without further order of the court, shall be authorized to execute division orders, transfer orders, correction instruments, receipts and other instruments made necessary or desirable by the pooling or unitization so effected.

65-11-13. SPACING UNIT WITH DIVIDED MINERAL OWNERSHIP.--

A. Whenever the operator of any geothermal resources well shall dedicate lands comprising a standard spacing unit to a geothermal resources well, it shall be the obligation of the operator, if two or more separately owned tracts of land are embraced within the spacing unit, or where there are owners or royalty interests or undivided interests in the geothermal resources which are separately owned or any combination thereof, embraced within such spacing unit, to obtain voluntary agreements pooling said lands or interests or an order of the division pooling said lands, which agreement or order shall be effective from the first production. Any division order that increases the size of a standard spacing unit for a geothermal reservoir, or extends the boundaries of such a reservoir, shall require dedication of acreage to existing wells in the reservoir in accordance with the acreage dedication requirements for said reservoir, and all interests in the spacing units that are dedicated to the affected wells shall share in production from the effective date of the said order.

B. Any operator failing to obtain voluntary pooling agreements, or failing to apply for an order of the division pooling the lands dedicated to the spacing unit as required by this section, shall nevertheless be liable to account to and pay each owner of geothermal interests, including owners of overriding royalty interests and other payments out of production, either the amount to which each interest would be entitled if pooling had occurred or the amount to which each interest is entitled in the absence of pooling, whichever is greater.

C. Nonstandard spacing units may be established by the division and all geothermal interests in any such nonstandard unit shall share in production from that unit from the date of the order establishing the said nonstandard unit.

"65-11-14. COMMON PURCHASERS--DISCRIMINATION IN PURCHASING PROHIBITED.--Any person now or hereafter engaged in the taking or purchasing of geothermal resources from one or more producers within a single geothermal reservoir shall be a common purchaser within that geothermal reservoir, and shall purchase geothermal resources of like quality, quantity and pressure lawfully produced from that geothermal reservoir and tendered to such common purchaser at a reasonable point. Such purchase shall be made without unreasonable discrimination in favor of one producer against another in the price paid, quantities taken, the bases of measurement or the facilities offered.

In the event such purchaser is also a producer, he is prohibited to the same extent from discriminating in favor of himself with respect to geothermal resources wells in which he has an interest, direct or indirect, as against other geothermal resources wells in the same geothermal reservoir.

For the purposes of the Geothermal Resources Conservation Act, reasonable differences in prices paid or facilities afforded, or both, shall not constitute unreasonable discrimination if such differences bear a fair relationship to difference in quality, quantity or pressure of the geothermal resources available or to the relative lengths of time during which such geothermal resources will be available to the purchaser.

each tract bears to the number of surface acres included in the entire unit. The portion of the production allocated to the owner or owners of each tract or interest included in a well spacing unit formed by a pooling order shall, when produced, be considered as if produced from the separately owned tract or interest by a well drilled thereon. Such pooling order of the division shall make definite provision as to any owner, or owners, who elects not to pay his proportionate share in advance for the pro rata reimbursement solely out of production to the parties advancing the costs of development and operation which shall be limited to the actual expenditures required for such purpose not in excess of what are reasonable, but which shall include a reasonable charge for supervision and may include a charge for the risk involved in the drilling of such well, which charge for risk shall not exceed two hundred percent of the non-consenting working interest owner's or owners' pro rata share of the cost of drilling and completing the well.

In the event of any dispute relative to such costs, the division shall determine the proper costs after due notice to interested parties and a hearing thereon. The division is specifically authorized to provide that the owner or owners drilling or paying for the drilling, or for the operation of a well for the benefit of all shall be entitled to all production from such well which would be received by the owner, or owners, for whose benefit the well was drilled or operated, after payment of royalty as provided in the lease, if any, applicable to each tract or interest, and obligations payable out of production, until the owner or owners drilling or operating the well or both have been paid the amount due under the terms of the pooling order or order settling such dispute. No part of the production or proceeds accruing to any owner or owners of a separate interest in such unit shall be applied toward the payment of any cost properly chargeable to any other interest in said unit.

If the interest of any owner or owners of any unleased mineral interest is pooled by virtue of the Geothermal Resources Conservation Act, seven-eighths of such interest shall be considered as a working interest and one-eighth shall be considered a royalty interest, and he shall in all events be paid one-eighth of all production from the unit and creditable to his interest.

D. Whenever it appears that the owners in any geothermal reservoir have agreed upon a plan for the spacing of wells, or upon a plan or method of distribution of production from the reservoir, or upon any other plan for the development or operation of such reservoir, which plan, in the judgment of the division, has the effect of preventing waste as prohibited by the Geothermal Resources Conservation Act and is fair to the royalty owners in such reservoir, then such plan shall be adopted by the division with respect to the reservoir; however, the division, upon hearing and after notice, may subsequently modify any such plan to the extent necessary to prevent waste as prohibited by the Geothermal Resources Conservation Act.

65-11-12. Court may authorize pooling or unitization by fiduciaries.—A. When an existing geothermal resources lease upon property owned by a decedent at the time of his death, by a minor or by an incompetent, does not authorize pooling or unitization thereof with other lands in the vicinity, the district court for the county in which any portion of the lands subject to said lease is situated can authorize the executor or administrator of the estate of the decedent, or the guardian of the minor or incompetent, to execute appropriate instruments authorizing or effectuating such pooling or unitization, or both, if the court finds it to be in the interest of the owners of such property.

B. An executor, administrator or guardian desiring authorization to execute such instruments shall file a verified petition in the appropriate district court setting forth a description of the lease, the lands subject thereto and the reason that the proposed action is in the interest of the owners of the affected real estate. A copy of the instrument by which such pooling or unitization is proposed to be authorized or effectuated shall be attached to the petition.

C. No notice of the hearing upon the petition shall be required; Provided, however, that the court in its discretion may require such notice as it may direct to be given to affected parties.

in excess of the capacity of the available geothermal transportation facilities to efficiently receive and transport such geothermal resources, or in excess of the capacity of the available geothermal utilization facility to efficiently receive and utilize such geothermal resources. When limiting, allocating and distributing production from a geothermal reservoir, the division shall do so on the basis of three-month allocation periods and shall promulgate reasonable rules regarding production tolerances and overproduction and underproduction.

C. After the effective date of any rule, regulation or order fixing the allowable production and establishing permitted tolerances for overproduction, no person shall produce more than the allowable production and permitted tolerance applicable to him, his wells, leases or properties determined as provided in the Geothermal Resources Conservation Act, and the allowable production shall be produced in accordance with the applicable rules, regulations and

"65-11-11. EQUITABLE ALLOCATION OF PRODUCTION SPACING—POOLING.—

A. The rules, regulations or orders of the division shall, so far as it is practicable to do so, afford to the owner of each property in a geothermal reservoir the opportunity to produce his just and equitable share of the geothermal resources in the reservoir, being an amount, so far as can be practically determined, and so far as such can be practicably obtained without waste, substantially in the proportion that the quantity of the recoverable geothermal resources under such property bears to the total recoverable geothermal resources in the reservoir, and for this purpose to use his just and equitable share of the reservoir energy.

B. The division may establish a spacing unit for each geothermal reservoir, such being the area that can be efficiently and economically drained and developed by one well, and in so doing the division shall consider the economic loss caused by the drilling of unnecessary wells, the protection of correlative rights, including those of royalty owners, the prevention of waste, the avoidance of the augmentation of risks arising from the drilling of an excessive number of wells and the prevention of reduced recovery which might result from the drilling of too few wells.

C. When two or more separately owned tracts of land are embraced within a spacing unit, or where there are owners of royalty interests or undivided interests in geothermal resources which are separately owned, or any combination thereof, embraced within such spacing unit, the owner or owners thereof may validly pool their interests and develop their lands as a unit. Where, however, such owner or owners have not agreed to pool their interests, and where one such separate owner, or owners, who has the right to drill has drilled or proposes to drill a well on said unit to a geothermal reservoir, the division, to avoid the drilling of unnecessary wells or to protect correlative rights, or to prevent waste, shall pool all or any part of such lands or interest or both in the spacing unit as a unit.

All orders effecting such pooling shall be made after notice and hearing, and shall be upon such terms and conditions as are just and reasonable and will afford to the owner or owners of each tract or interest in the unit the opportunity to recover or receive without unnecessary expense his just and fair share of the geothermal resources. Each order shall describe the lands included in the unit designated thereby, identify the reservoir or reservoirs to which it applies and designate an operator for the unit. All operations for the pooled geothermal resources which are conducted on any portion of the unit shall be deemed for all purposes to have been conducted upon each tract within the unit by the owner or owners of such tract. For the purpose of determining the portions of production owned by the persons owning interests in the pooled geothermal resources, such production shall be allocated to the respective tracts within the unit in the proportion that the number of surface acres included within

commission or division by virtue of the statutes of the state of New Mexico, the division is hereby authorized and empowered in prescribing its rules or order or procedure in connection with hearings or other proceedings before the division to provide for the appointment of one or more examiners to be members of the staff of the division to conduct hearings with respect to matters properly coming before the division and to make reports and recommendations to the director of the division with respect thereto. Any member of the commission or the director of the division or his authorized representative may serve as an examiner as provided herein. The division shall promulgate rules and regulations with regard to hearings to be conducted before examiners and the powers and duties of the examiners in any particular case may be limited by order of the division to particular issues or to the performance of particular acts. In the absence of any limiting order, an examiner appointed to hear any particular case shall have the power to regulate all proceedings before him and to perform all acts and take all measures necessary or proper for the efficient and orderly conduct of such hearing, including the swearing of witnesses, receiving of testimony and exhibits offered in evidence subject to such objections as may be imposed, and shall cause a complete record of the proceeding to be made and transcribed and shall certify the same to the director of the division for consideration together with the report of the examiner and his recommendations in connection therewith. The director of the division shall base the decision rendered in any matter or proceeding heard by an examiner, upon the transcript of testimony and record made by or under the supervision of the examiner in connection with such proceeding, and such decision shall have the same force and effect as if said hearing had been conducted before the director of the division. When any matter or proceeding is referred to an examiner and a decision is rendered thereon, any party adversely affected shall have the right to have said matter heard de novo before the commission upon application filed with the division within thirty days from the time any such decision is rendered.

65-11-9. REGULATION OF GEOTHERMAL RESOURCES PRODUCTION.--Upon determination by the division that geothermal resources production from a particular geothermal resources reservoir is causing waste or is about to result in waste, the division shall limit, allocate and distribute the total amount of geothermal resources which may be produced from that reservoir.

65-11-10. ALLOCATION OF PRODUCTION.—

A. Whenever, to prevent waste, the total amount of geothermal resources which may be produced from a geothermal reservoir is limited, the division shall allocate and distribute the allowable production among the geothermal wells in the reservoir on a reasonable basis and recognizing correlative rights, including in the allocation schedule any well which it finds is being unreasonably discriminated against through denial of access to a geothermal resources transportation or utilization facility which is reasonably capable of handling the geothermal product of the well. In protecting correlative rights, the division may give equitable consideration to acreage, to the pressure, temperature, quantity and quality of the geothermal resources producible from the wells in the reservoir, and to such other pertinent factors as may from time to time exist, and, insofar as is practicable, shall prevent drainage between producing tracts in the reservoir which is not equalized by counter-drainage.

B. No order limiting, allocating and distributing production from any geothermal reservoir shall be issued except after notice and hearing. In entering such an order the division must find that waste is resulting or is about to result from the unratable taking of geothermal resources or from the production of geothermal resources from a reservoir in excess of the market demand therefor,

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65-11-8. ENUMERATION OF POWERS.--Included in the power given to the division is the authority to collect data; to make investigations and inspections; to examine properties, leases, papers, books and records; to examine, check, test and gauge geothermal resources wells and geothermal resources transportation, storage and utilization facilities; to limit and allocate production of geothermal resources as provided in the Geothermal Resources Conservation Act; and to require certificates of clearance for the production or transportation of geothermal resources.

Apart from any authority, express or implied, elsewhere given to or existing in the division by virtue of the Geothermal Resources Conservation Act or the statutes of this state, the division may make rules, regulations and orders for the purposes and with respect to the subject matter stated herein, viz.:

A. to require non-commercial or abandoned wells to be plugged in such a way as to confine all fluids in the strata in which they are found, and to prevent them from escaping into other strata; the division may require a bond of not to exceed ten thousand dollars ($10,000) conditioned for the performance of such regulations;

B. to prevent geothermal resources, water or other fluids from escaping from the strata in which they are found into other strata;

C. to require reports showing locations of all geothermal resources wells, and to require the filing of logs and drilling records or reports and production reports;

D. to prevent the premature cooling of any geothermal stratum or strata by water encroachment, or otherwise, which reduces or tends to reduce the total ultimate recovery of geothermal resources from any geothermal reservoir;

E. to prevent "blow-outs" and "caving" in the sense that such terms are generally understood in the geothermal drilling business;

F. to require wells to be drilled, operated and produced in such a manner as to prevent injury to neighboring leases or properties and to afford reasonable protection to human life and health and to the environment;

G. to identify the ownership of geothermal producing leases, properties, plants, structures, and transportation and utilization facilities;

H. to require the operation of wells efficiently;

I. to fix the spacing of wells;

J. to classify and from time to time as is necessary re-classify geothermal reservoirs and low-temperature thermal reservoirs;

K. to define and from time to time as is necessary re-define the horizontal and vertical limits of geothermal reservoirs and low-temperature thermal reservoirs;

L. to permit and regulate the injection of fluids into geothermal reservoirs and low-temperature thermal reservoirs;

M. to regulate the disposition of geothermal resources or the residue thereof, and to direct the surface or subsurface disposal of such in a manner that will afford reasonable protection against contamination of all fresh waters and waters of present or probable future value for domestic, commercial, agricultural or stock purposes, and will afford reasonable protection to human life and health and to the environment; and

N. to define and from time to time as is necessary re-define the limits of any area containing commercial deposits of potash, and to regulate and where necessary prohibit geothermal drilling or producing operations where such operations would have the effect unduly to reduce the total quantity of such commercial deposits of potash which may reasonably be recovered in commercial quantities.'

'65-3-11.1. ADDITIONAL POWERS OF COMMISSION OR DIVISION—HEARINGS BEFORE EXAMINER—HEARINGS DE NOVO.—In addition to the powers and authority, either express or implied, granted to the oil conservation

65-3-7. SUBPOENA POWER--IMMUNITY OF NATURAL PERSONS REQUIRED TO TESTIFY.--The commission, or any member thereof, or the director of the division or his authorized representative, is hereby empowered to subpoena witnesses, to require their attendance and giving of testimony before it, and to require the production of books, papers and records in any proceeding before the commission or the division. No person shall be excused from attending and testifying or from producing books, papers and records before the commission or the division, or from obedience to the subpoena of the said commission or division, whether such subpoena be signed or issued by one or more of the members of the said commission, or the director of the division, in any hearing, investigation or proceeding held by or before the said commission or division or in any cause or proceeding in any court by or against the said commission or division, relative to matters within the jurisdiction of said commission or division, on the ground or for the reason that the testimony or evidence, documentary or otherwise, required of him may tend to incriminate him or subject him to a penalty or forfeiture; provided that nothing herein contained shall be construed as requiring any person to produce any books, papers or records, or to testify in response to any inquiry, not pertinent to some question lawfully before such commission or division or court for determination. No natural person shall be subjected to criminal prosecution, or to any penalty or forfeiture for or on account of any transaction, matter or thing concerning which he may be required to testify, or produce evidence, documentary or otherwise before said commission or division, or in obedience to its subpoena, or in any cause or proceeding, provided, that no person testifying shall be exempted from prosecution and punishment for perjury committed in so testifying.

65-3-8. FAILURE OR REFUSAL TO COMPLY WITH SUBPOENA--REFUSAL TO TESTIFY--BODY ATTACHMENT--CONTEMPT.--In case of failure or refusal on the part of any person to comply with any subpoena issued by said commission or any member thereof, or the director of the division or his authorized representative, or on the refusal of any witness to testify or answer as to any matters regarding which he may be lawfully interrogated, any district court in this state, or any judge thereof, on application of said commission or division, may issue an attachment for such person and compel him to comply with such subpoena and to attend before the commission or division and produce such documents, and give his testimony upon such matters as may be lawfully required, and such court or judge shall have the power to punish for contempt as in case of disobedience of a like subpoena issued by or from such court, or a refusal to testify therein.

65-3-9. PERJURY--PUNISHMENT.--If any person of whom an oath shall be required under the provisions of this act, or by any rule, regulation or order of the commission or division, shall willfully swear falsely in regard to any matter or thing respecting which such oath is required, or shall willfully make any false report or affidavit required or authorized by the provisions of this act, or by any rule, regulation or order of the commission or division, such person shall be deemed guilty of perjury and shall be punished by imprisonment in the state penitentiary for not more than five years nor less than six months.

65-11-7. POWER OF COMMISSION AND DIVISION TO PREVENT WASTE AND PROTECT CORRELATIVE RIGHTS.--The commission and division are hereby empowered, and it is their duty, to prevent the waste prohibited by the Geothermal Resources Conservation Act and to protect correlative rights, as in that act provided. To that end, the commission and division may make and enforce rules, regulations and orders relating to geothermal resources, and to do whatever may be reasonably necessary to carry out the purposes of that act whether or not indicated or specified in any section thereof.

(1) be a resident of this state; and

(2) be registered by the state board of registration for professional engineers and land surveyors as a petroleum engineer; or

(3) by virtue of education and experience have expertise in the field of petroleum engineering.

55-11-6. COMMISSION'S AND DIVISION'S POWERS AND DUTIES.--

A. In addition to its other powers and duties, the division shall have, and is hereby given, jurisdiction over all matters relating to the conservation of geothermal resources and the prevention of waste of potash as a result of geothermal operations in this state. It shall have jurisdiction, authority and control of and over all persons, matters or things necessary or proper to enforce effectively the provisions of the Geothermal Resources Conservation Act or any other law of this state relating to the conservation of geothermal resources and the prevention of waste of potash as a result of geothermal operations. Provided, however, nothing in this section shall be construed to supersede the authority which any state department or agency has with respect to the management, protection and utilization of the state lands or resources under its jurisdiction.

B. The commission shall have concurrent jurisdiction and authority with the division to the extent necessary for the commission to perform its duties as required by the Geothermal Resources Conservation Act.

65-3-6. RULES OF PROCEDURE IN HEARINGS--MANNER OF GIVING NOTICE --RECORD OF RULES, REGULATIONS AND ORDERS.--The division shall prescribe its rules of order or procedure in hearing or other proceedings before it under this act. Any notice required to be given under this act or under any rule, regulation or order prescribed by the commission or division shall be by personal service on the person affected, or by publication once in a newspaper of general circulation published at Santa Fe, New Mexico, and once in a newspaper of general circulation published in the county, or each of the counties if there be more than one, in which any land, oil or gas or other property which may be affected shall be situated. Such notice shall issue in the name of "the state of New Mexico" and shall be signed by the director of the division, and the seal of the commission shall be impressed thereon, and it shall specify the number and style of the case, and the time and place of hearing, shall briefly state the general nature of the order or orders, rule or rules, or regulation or regulations contemplated by the division on its own motion or sought in a proceeding brought before the commission or division, the name of the petitioner, or applicant, and, unless the order, rule or regulation is intended to apply to and affect the entire state, it shall specify or generally describe the common source or sources of supply that may be affected by such order, rule or regulation. Personal service thereof may be made by any agent of the division or by any person over the age of eighteen years, in the same manner as is provided by law for the service of summons in civil actions in the district courts of this state. Such service shall be complete at the time of such personal service or on the date of such publication, as the case may be. Proof of service shall be the affidavit of the person making personal service, or of the publisher of the newspaper in which publication is had, as the case may be. All rules, regulations and orders made by the commission or division shall be entered in full by the director thereof in a book to be kept for such purpose by the division, which shall be a public record and open to inspection at all times during reasonable office hours. A copy of any such rule, regulation or order, certified by the director of the division under the seal of the commission, shall be received in evidence in all courts of the state with the same effect as the original.

development of geothermal resources, or for the purpose of injecting or reinjecting geothermal resources or the residue thereof or other fluids into a geothermal reservoir, or any well dug or drilled for any other purpose and reactivated or converted to any of the aforesaid uses; and

J. "potash" means the naturally occurring bedded deposits of the salts of the element potassium.

65-11-4. Waste prohibited. — The production or handling of geothermal resources of any type or in any form, or the handling of products thereof, in such manner or under such conditions or in such amounts as to constitute waste is each hereby prohibited.

65-11-5. Waste definitions.—As used in this act [65-11-1 to 65-11-24], the term "waste," in addition to its ordinary meaning, shall include:

A. "underground waste" as those words are generally understood in the geothermal business, and in any event to embrace the inefficient, excessive or improper use or dissipation of the reservoir fluids or energy, including the natural energy of the heated fluids or the natural heat of the earth, and the locating, spacing, drilling, equipping, operating or producing of any well or wells in a manner that would reduce or tend to reduce the total quantity of geothermal resources ultimately recovered from any geothermal reservoir;

B. "surface waste" as those words are generally understood in the geothermal business, and in any event to embrace the unnecessary or excessive surface loss or destruction without beneficial use, however caused, of geothermal resources of any type or in any form, or any product thereof, and including the loss or destruction of geothermal resources resulting from leakage, evaporation or seepage, especially incident to or resulting from the manner of spacing, equipping, operating or producing of any well or wells, or incident to or resulting from the inefficient transportation, use or storage of geothermal resources;

C. the production from any well or wells in this state of geothermal resources in excess of the reasonable market demand therefor, in excess of the capacity of the geothermal transportation facility connected thereto to efficiently receive and transport such geothermal resources, or in excess of the capacity of a geothermal utilization facility to efficiently receive and utilize such geothermal resources;

D. the nonratable purchase or taking of geothermal resources within a geothermal reservoir in this state. Such nonratable taking or purchasing causes or results in excessive or improper dissipation of reservoir energy and results in waste, as defined in subsection A of this section, and is in violation of section 14 of the Geothermal Resources Conservation Act [65-11-14]; and

E. drilling or producing operations for geothermal resources within any area containing commercial deposits of potash where such operations would have the effect unduly to reduce the total quantity of such commercial deposits of potash which may reasonably be recovered in commercial quantities or where such operations would interfere unduly with the orderly development of such potash deposits.

65-3-4. OIL CONSERVATION COMMISSION--MEMBERS--TERM--OFFICERS--QUORUM--POWER TO ADMINISTER OATHS.--There is hereby created an oil conservation commission, hereinafter in this act called the "commission" to be composed of the commissioner of public lands, the state geologist and the director of the oil conservation division. No salary or compensation shall be paid any member of the commission for his services as a member thereof. The term of office of each member of the commission shall be concurrent with the other office held by him. The commission shall organize by electing a chairman from its membership. Two members of the commission shall constitute a quorum for all purposes. The commission shall adopt a seal and such a seal affixed to any paper signed by the director of the oil conservation division shall be prima facie evidence of the due execution thereof. The attorney general shall be the attorney for the commission. Any member of the commission, or the director of the oil conservation division, or any employee of the commission or division, shall have power to administer oaths to any witness in any hearing, investigation or proceeding contemplated by this act or by any other law of this state relating to the conservation of oil and gas.

65-3-4.1 OIL CONSERVATION DIVISION—DIRECTOR—STATE PETROLEUM ENGINEER.—

A. The director of the oil conservation division shall be known as the state petroleum engineer.

B. The director shall be appointed by the secretary of the energy and minerals department and shall:

ARTICLE 11—GEOTHERMAL RESOURCES CONSERVATION ACT

65-11-1. Short title.—This act [65-11-1 to 65-11-24] may be cited as the "Geothermal Resources Conservation Act."

History: Laws 1975, ch. 272, § 1, eff. April 10, 1975.

65-11-2. PURPOSE OF ACT.--

A. It is hereby found and determined that the people of the state of New Mexico have a direct and primary interest in the development of geothermal resources, and that this state should exercise its power and jurisdiction through its oil conservation commission and division to require that wells drilled in search of, development of, or incident to the production of geothermal resources be drilled, operated, maintained and abandoned in such a manner as to safeguard life, health, property, natural resources and the public welfare, and to encourage maximum economic recovery.

B. To these ends, it is the intent of the legislature that the power and jurisdiction of the commission and the division as given by the Geothermal Resource Conservation Act shall be supplemental to the other powers and jurisdiction given the commission and the division by the statutes of this state.

65-11-3. DEFINITIONS.--As used in the Geothermal Resources Conservation Act:

A. "geothermal resources" means the natural heat of the earth, or the energy, in whatever form, below the surface of the earth present in, resulting from, created by, or which may be extracted from, this natural heat, and all minerals in solution or other products obtained from naturally heated fluids, brines, associated gases and steam, in whatever form, found below the surface of the earth, but excluding oil, hydrocarbon gas and other hydrocarbon substances;

B. "commission" means the oil conservation commission;

C. "correlative rights" means the opportunity afforded, insofar as is practicable to do so, to the owner of each property in a geothermal reservoir to produce his just and equitable share of the geothermal resources within such reservoir, being an amount, so far as can be practicably determined, and so far as can be practicably obtained without waste, substantially in the proportion that the recoverable geothermal resources under such property bears to the total recoverable geothermal resources in the reservoir, and for such purpose to use his just and equitable share of the natural heat or energy in the reservoir;

D. "division" means the oil conservation division of the energy and minerals department;

E. "geothermal reservoir" means an underground reservoir containing geothermal resources, whether the fluids in the reservoir are native to the reservoir or flow into or are injected into the reservoir;

F. "geothermal field" means the general area which is underlaid or reasonably appears to be underlaid by at least one geothermal reservoir;

G. "low-temperature thermal reservoir" means a geothermal reservoir containing low-temperature thermal water, which is defined as naturally heated water, the temperature of which is less than boiling at the altitude of occurrence, which has additional value by virtue of the heat contained therein, and is found below the surface of the earth, or in warm springs at the surface;

H. "person" means any natural person, firm, association or corporation, or any other group or combination acting as a unit, for the exploration, production, transportation, processing or utilization of geothermal resources;

I. "well" means any well dug or drilled for the discovery or development of geothermal resources or incident to the discovery or

...pment or methods required to be
...sion; and

...any private or public property except
...private residences, that the constituent
...agency has reasonable cause to believe
...to be a source of water pollution" from
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...tion.—A. * * * [Same as parent

...provided in this section, the dis-
...ties not exceeding one thousand

75-39-11. Limitations upon operation of act.—A. The Water Quality Act [75-39-1 to 75-39-12] does not grant to the commission or to any other entity the power to take away or modify property rights in water, nor is it the intention of the Water Quality Act to take away or modify such rights.

B. Effluent data obtained by the commission or a constituent agency shall be available to the public. Other records, reports or information obtained by the commission or a constituent agency shall be available to the public, except upon a showing satisfactory to the commission or a constituent agency that the records, reports or information or a particular part thereof, if made public, would divulge methods or processes entitled to protection as trade secrets.

C. The Water Quality Act does not authorize the commission to adopt any regulation with respect to any condition or quality of water if the water pollution and its effects are confined entirely within the boundaries of property within which the water pollution occurs when the water does not combine with other waters.

D. The Water Quality Act does not grant to the commission any jurisdiction or authority affecting the relation between employers and employees with respect to or arising out of any condition of water quality.

E. The Water Quality Act does not supersede or limit the applicability of any law relating to industrial health, safety or sanitation.

F. In the adoption of regulations and water quality standards and in any action for enforcement of the Water Quality Act and regulations adopted thereunder, reasonable degradation of water quality resulting from beneficial use shall be allowed.

G. The Water Quality Act does not permit the adoption of regulations or other action by the commission or other constituent agencies which would interfere with the exclusive authority of the oil conservation commission over all persons and things necessary to prevent water pollution as a result of oil or gas operations through the exercise of the power granted to the oil conservation commission under section 65-3-11 NMSA 1953, and other laws conferring power on the oil conservation commission.

History: Laws 1967, ch. 190, § 11. Amendments—

75-39-12. Construction of act.—The Water Quality Act [75-39-1 to 75-39-12] provides additional and cumulative remedies to prevent, abate and control water pollution, and nothing abridges or alters rights of action or remedies in equity under the common law or statutory law, criminal or civil. No provision of the Water Quality Act or any act done by virtue thereof estops the state or any political subdivision or person as owner of water rights or otherwise, in the exercise of their rights in equity or under the common law or statutory law to suppress nuisances or to abate pollution.

History: Laws 1967, ch. 190, § 12.

Separability Clause.

Section 13 of ch. 190, Laws 1967 read: "If any part or application of the Water Quality Act is held invalid, the remainder or its application to other situations or persons shall not be affected."

Emergency Clause.

Section 14 of ch. 190, Laws 1967 declared an emergency and provided that the act should take effect upon its passage and approval. Approved March 29, 1967.

B. develop facts and make studies and investigations and require the production of documents necessary to carry out the responsibilities assigned to the constituent agency. The result of any investigation shall be reduced to writing and a copy thereof furnished to the commission and to the owner or occupant of the premises investigated;

C. recommend regulations for adoption by the commission;

D. report to the commission and to other constituent agencies water pollution conditions that are believed to require action where the circumstances are such that the responsibility appears to be outside the responsibility assigned to the agency making the report;

E. make every reasonable effort to obtain voluntary co-operation in the prevention or abatement of water pollution; and

F. upon presentation of proper credentials, enter at reasonable times upon or through any premises in which an effluent source is located or in which are located any records required to be maintained by regulations of the commission; Provided that entry into any private residence without the permission of the owner shall be only by order of the district court for the county in which the residence is located

and that, in connection with any entry provided for in this subsection, the constituent agency may:

(1) have access to any copy of the records;

(2) inspect any monitoring equipment or methods required to be installed by regulations of the commission; and

(3) sample any effluents.

75-39-9. Abatement of water pollution.—A. If, as a result of investigation, a constituent agency has good cause to believe that any person is violating or threatens to violate any regulation of the commission for the enforcement of which the agency is responsible, and, if the agency is unable within a reasonable time to obtain voluntary compliance, the commission may initiate proceedings in the district court of the county in which the violation occurs. The commission may seek injunctive relief against any violation or threatened violation of regulations, and such relief shall be subject to the continuing jurisdiction and supervision of the district court and the court's powers of contempt. The attorney general shall represent the commission.

B. In addition to the remedies provided in this section, the district court may impose civil penalties not exceeding one thousand dollars ($1,000) for each violation of the Water Quality Act [75-39-1 to 75-39-12] or any regulation of the commission, and may charge the person convicted of such violation with the reasonable cost of treating or cleaning up waters polluted. Each day during any portion of which a violation occurs constitutes a separate violation.

C. Any party aggrieved by any final judgment of the district court under this section may appeal to the court of appeals as in other civil actions.

D. As an additional means of enforcing the Water Quality Act or any regulation of the commission, the commission may accept an assurance of discontinuance of any act or practice deemed in violation of the Water Quality Act or any regulation adopted pursuant thereto, from any person engaging in, or who has engaged in, such act or practice, signed and acknowledged by the chairman of the commission and the party affected. Any such assurance shall specify a time limit during which such discontinuance is to be accomplished.

History: Laws 1967, ch. 166, § 9; 1970, ch. 64, § 5.

tions B and D and designated former subsection B as C.

Amendments.

The 1970 amendment added subsec-

Opinions of Attorney General.

1967-68, No. 67-109.

75-39-10. Emergency procedure.—Nothwithstanding any other provision of the Water Quality Act [75-39-1 to 75-39-12], if any person is causing or contributing to water pollution of such characteristics and duration as to create an emergency which requires immediate action to protect human health, the director of the environmental improvement agency shall order the person to immediately abate the water pollution creating the emergency condition. If the effectiveness of the order is to continue beyond forty-eight [48] hours, the director of the environmental improvement agency shall file an action in the district court, not later than forty-eight [48] hours after the date of the order, to enjoin operations of any person in violation of the order.

75-39-5. Adoption of regulations—Notice and hearing.—No regulation or water quality standard or amendment or repeal thereof shall be adopted until after a public hearing within the area of the state concerned; provided that the commission may adopt water quality standards on the basis of the record of hearings held by the New Mexico department of public health prior to the effective date of the Water Quality Act [75-39-1 to 75-39-12] if those hearings were held in general conformance with the provisions of this section. Hearings on regulations of statewide application shall be held at Santa Fe. Notice of the hearing shall be given at least thirty [30] days prior to the hearing date and shall state the subject, the time and the place of the hearing and the manner in which interested persons may present their views. The notice shall also state where interested persons may secure copies of any proposed regulation or water quality standard. The notice shall be published in a newspaper of general circulation in the area affected. Reasonable effort shall be made to give notice to all persons who have made a written request to the commission for advance notice of its hearings. At the hearing, the commission shall allow all interested persons reasonable opportunity to submit data, views or arguments orally or in writing and to examine witnesses testifying at the hearing. The commission may designate a hearing officer to take evidence in the hearing. Any person heard or represented at the hearing shall be given written notice of the action of the commission. No regulation or water quality standard or amendment or repeal thereof adopted by the commission shall become effective until thirty [30] days after its filing with the Supreme Court law librarian.

History: Laws 1967, ch. 190, § 5. Compiler's Notes.—The Water Quality Act became effective ...

75-39-6. Validity of regulation—Judicial review.—A. Any person who is or may be affected by a regulation adopted by the commission may appeal to the court of appeals for further relief. All such appeals shall be upon the record made at the hearing, and shall be taken to the court of appeals within thirty days after filing of the regulation under the State Rules Act [71-6-23, 71-6-24, 71-7-1 to 71-7-3, 71-7-5 to 71-7-10].

B. The procedure for perfecting an appeal to the court of appeals under this section consists of the timely filing of a notice of appeal with a copy attached of the regulation from which the appeal is taken. The appellant shall certify in his notice of appeal that arrangements have been made with the commission for preparation of a sufficient number of transcripts of the record of the hearing on which the appeal depends to support his appeal to the court, at the expense of the appellant, including three [3] copies which he shall furnish to the commission.

C. Upon appeal, the court of appeals shall set aside the regulation only if found to be:

(1) arbitrary, capricious or an abuse of discretion;

(2) not supported by substantial evidence in the record or reasonably related to the prevention or abatement of water pollution; or

(3) otherwise not in accordance with law.

History: Laws 1967, ch. 190, § 6.

75-39-7. Duties of constituent agencies.—Each constituent agency shall administer regulations adopted pursuant to the Water Quality Act [75-39-1 to 75-39-12], responsibility for the administration of which has been assigned to it by the commission.

History: Laws 1967, ch. 190, § 7.

75-39-8. Powers of constituent agencies.—Each constituent agency may:

A. receive and expend funds appropriated, donated or allocated to the constituent agency for purposes consistent with the Water Quality Act [75-39-1 to 75-39-12];

B. develop facts and make studies and investigations and require the production of documents necessary to carry out the responsibilities assigned to the constituent agency, and in connection therewith, ent...

L. If the constituent agency denies, terminates or modifies a permit, or grants a permit subject to condition, the constituent agency must notify the applicant or permittee by certified mail of the action taken and the reasons therefor. If the applicant or permittee is dissatisfied with the action taken by the constituent agency, he may file a petition for hearing before the commission. The petition must be made in writing to the director of the constituent agency within thirty [30] days after notice of the constituent agency's action has been received by the applicant or permittee. Unless a timely request for hearing is made, the decision of the constituent agency shall be final.

M. If a timely petition for hearing is made, the commission shall hold a hearing within thirty [30] days after receipt of the petition. The constituent agency shall notify the petitioner by certified mail of the date, time and place of the hearing. Provided, that if the commission upon receipt of the petition deems the basis for the petition for hearing by the commission is affected with substantial public interest, it shall ensure that the public shall receive notice of the date, time and place of the hearing and shall be given a reasonable chance to submit data, views or arguments orally or in writing and to examine witnesses testifying at the hearing. Any public member submitting data, views or arguments orally or in writing shall be subject to examination at the hearing. In the hearing, the burden of proof shall be upon the petitioner. The commission may designate a hearing officer to take evidence in the hearing. Based upon the evidence presented at the hearing, the commission shall sustain, modify or reverse the action of the constituent agency.

N. If the petitioner requests, the hearing shall be recorded at the cost of the petitioner. Unless the petitioner requests that the hearing be recorded, the decision of the commission shall be final.

O. A petitioner may appeal the decision of the commission by filing with the court of appeals a notice of appeal within thirty [30] days after the date the decision is made. The appeal must be on the record made at the hearing. The petitioner shall certify in his notice of appeal that arrangements have been made with the commission for preparation of a sufficient number of transcripts of the record of the hearing on which the appeal depends to support his appeal to the court, at the expense of the petitioner, including two [2] copies which he shall furnish to the commission.

P. A person who violates any provision of this section is guilty of a misdemeanor and shall be punished by a fine of not less than three hundred dollars ($300) nor more than ten thousand dollars ($10,000) per day, or by imprisonment for not more than one [1] year, or both.

Q. In addition to the remedy provided above, the trial court may impose a civil penalty for a violation of any provision of this section not exceeding five thousand dollars ($5,000) per day.

History: C. 1953, 75-39-4.1, enacted by LAWS 1973, ch. 326, § 4.

E. The commission shall by regulation develop procedures which will ensure that the public, affected governmental agencies, and any other state whose water may be affected, shall receive notice of each application for issuance or modification of a permit. No ruling shall be made on any application for a permit without opportunity for a public hearing at which all interested persons shall be given a reasonable chance to submit data, views or arguments orally or in writing and to examine witnesses testifying at the hearing.

F. Permits shall be issued for fixed terms not to exceed five [5] years.

G. By regulation the commission may impose reasonable conditions upon permits requiring permittees to:

(1) install, use and maintain effluent monitoring devices;

(2) sample effluents in accordance with methods and at locations and intervals as may be prescribed by the commission;

(3) establish and maintain records of the nature and amounts of effluents and the performance of effluent control devices;

(4) provide any other information relating to the discharge of water contaminants; and

(5) notify a constituent agency of the introduction of new water contaminants from a new source and of a substantial change in volume or character of water contaminants being introduced from sources in existence at the time of the issuance of the permit.

H. The commission may provide by regulation a schedule of application fees for permits not exceeding the estimated cost of investigation and issuance of permits. Fees are to be paid at the time the application for the permit is filed. Fees collected pursuant to this section shall be deposited in the general fund.

I. The issuance of a permit does not relieve any person from the responsibility of complying with the provisions of the Water Quality Act and any applicable regulations of the commission.

J. A permit may be terminated or modified by the constituent agency which issued it previous to its date of expiration for any of the following causes:

(1) violation of any condition of the permit;

(2) obtaining the permit by misrepresentation or failure to disclose fully all relevant facts;

(3) violation of any provisions of the Water Quality Act;

(4) violation of any applicable state or federal effluent regulations; or

(5) change in any condition that requires either a temporary or permanent reduction or elimination of the permitted discharge.

K. Permits issued, denied, modified or terminated under this section shall not be deemed a major state action significantly affecting the quality of the human environment within the meaning of section 12-20-6(C) NMSA 1953.

History: Laws 1967, ch. 190, § 4; 1970, ch. 64, § 3; 1971, ch. 277, § 51; 1973, ch. 326, § 3.

Amendments.

The 1970 amendment substituted "health and social services department" near the end of subdivision E for "New Mexico department of public health"; substituted "shall provide for the holding of a public hearing before any variance may be granted" at the end of subdivision G for "shall provide the petitioner a reasonable opportunity to be heard in the event his petition is not granted"; substituted "water contaminants" for "waste" in subdivision I; and made minor changes in punctuation.

The 1971 amendment substituted "environmental improvement agency" for "health and social services department" and deleted "continue to" before "provide testing" in subdivision E; and made minor changes in phraseology and punctuation.

The 1973 amendment, in subsection B, added "and develop a continuing planning process"; in subsection D added "but may specify * * * discharge of pollutants" to the second sentence; in subsection I substituted "allow" for "permit"; added subsection J; and made minor changes in phraseology, punctuation and style.

Cross-References.

Severance tax bonds for sewerage treatment facilities, 72-18-37.16, 72-18-37.17.

Utility Operators Certification Act, 67-40-1 et seq.

Opinions of Attorney General.

1967-68, No. 67-109.

Adoption of Regulations.

Regulations adopted under subsection D of this section were not adopted in accordance with law where the record of the proceeding revealed only the notice of the public hearing, testimony of various experts, some exhibits and the regulations themselves; record was deficient in that it did not indicate the reasoning of the commission and the basis upon which it adopted the regulations. City of Roswell v. New Mexico Water Quality Control Commission, 84 N. M. (App.) 561, 505 P. 2d 1237, cert. den. 84 N. M. 560, 505 P. 2d 1236.

Environmental Quality Control Act, Effect.

The water quality control commission is subject to the New Mexico Environmental Quality Control Act statement of purposes in 12-20-6; the commission's mandate under the Water Quality Act is not in conflict with the Environmental Quality Control Act. City of Roswell v. New Mexico Water Quality Control Commission, 84 N. M. (App.) 561, 505 P. 2d 1237, cert. den. 84 N. M. 560, 505 P. 2d 1236.

75-39-4.1. Permits—Appeals—Penalty.—A. By regulation the commission may require persons to obtain from a constituent agency designated by the commission a permit for the discharge of any water contaminant either directly or indirectly into water.

B. Prior to the issuance of a permit, the constituent agency may require the submission of plans, specifications and other relevant information which it deems necessary.

C. The commission shall by regulation set the dates upon which applications for permits must be filed and designate the time periods within which the constituent agency must, after the filing of an application for a permit, either grant the permit, grant the permit subject to conditions or deny the permit.

D. The constituent agency may deny any application for a permit if:

(1) it appears that the effluent would not meet applicable state or federal effluent regulations or limitations;

(2) any provision of the Water Quality Act [75-39-1 to 75-39-12] would be violated; or

(3) it appears that the effluent would cause any state or federal stream standard to be exceeded.

75-39-4. Duties and powers of commission.—The commission:

A. May accept and supervise the administration of loans and grants from the federal government and from other sources, public or private, which loans and grants shall not be expended for other than the purposes for which provided;

B. shall adopt a comprehensive water quality program and develop a continuing planning process;

C. Shall adopt water quality standards as a guide to water pollution control;

D. shall adopt, promulgate and publish regulations to prevent or abate water pollution in the state or in any specific geographic area or watershed of the state or in any part thereof, or for any class of waters. Regulations shall not specify the method to be used to prevent or abate water pollution, but may specify a standard of performance for new sources which reflects the greatest degree of effluent reduction which the commission determines to be achievable through application of the best available demonstrated control technology, processes, operating methods, or other alternatives, including, where practicable, a standard permitting no discharge of pollutants. In making its regulations, the commission shall give weight it deems appropriate to all facts and circumstances, including but not limited to:

(1) character and degree of injury to or interference with health, welfare and property;

(2) the public interest, including social and economical value of the sources of water contaminants;

(3) technical practicability and economic reasonableness of reducing or eliminating water contaminants from the sources involved and previous experience with equipment and methods available to control the water contaminants involved;

(4) successive uses, including but not limited to, domestic, commercial, industrial, pastoral, agricultural, wildlife and recreational uses;

(5) feasibility of a user or a subsequent user treating the water before a subsequent use; and

(6) property rights and accustomed uses;

E. shall assign responsibility for administering its regulations to constituent agencies so as to assure adequate coverage and prevent duplication of effort. To this end, the commission may make such classification of waters and sources of water contaminants as will facilitate the assignment of administrative responsibilities to constituent agencies. The commission shall also hear and decide disputes between constituent agencies as to jurisdiction concerning any matters within the purpose of the Water Quality Act [75-39-1 to 75-39-12]. In assigning responsibilities to constituent agencies, the commission shall give priority to the primary interests of the constituent agencies. The environmental improvement agency shall provide testing and other technical services;

F. may enter into or authorize constituent agencies to enter into agreements with the federal government or other state governments for purposes consistent with the Water Quality Act, and receive and allocate to constituent agencies funds made available to the commission;

G. may grant an individual variance from any regulation of the commission, whenever it is found that compliance with the regulation will impose an unreasonable burden upon any lawful business, occupation or activity. The commission may grant a variance conditioned upon a person effecting a particular abatement of water pollution within a reasonable period of time. Any variance shall be granted for the period of time specified by the commission. The commission shall adopt regulations specifying the procedure under which variances may be sought, which regulations shall provide for the holding of a public hearing before any variance may be granted;

H. may adopt regulations to require the filing with it or a constituent agency, of proposed plans and specifications for the construction and operation of new sewer systems, treatment works or sewerage systems or extensions, modifications of or additions to new or existing sewer systems, treatment works or sewerage systems. Filing with or approval by the federal housing administration of plans for an extension to an existing, or construction of a new sewerage system intended to serve a subdivision substantially residential in nature shall be deemed compliance with all provisions of this subsection;

I. may adopt regulations requiring notice to it or a constituent agency of intent to introduce or allow the introduction of water contaminants into waters of the state; and

J. may adopt regulations establishing pretreatment standards that prohibit or control the introduction into publicly owned sewerage systems of water contaminants which are not susceptible to treatment by the treatment works or which would interfere with the operation of the treatment works.

E. The commission is the state water pollution control agency for this state for all purposes of the Federal Water Pollution Control Act, the Water Quality Act of 1965 and the Clean Waters Restoration Act of 1966, and may take all action necessary and appropriate to secure to this state, its political subdivisions or interstate agencies the benefits of these acts.

F. The commission is administratively attached, as defined in the Executive Reorganization Act, to the health and environment department.

~~Section 75. Section 75-41-2 NMSA 1953 (being Laws 1973, Chapter 333, Section 2) is amended to read:~~

~~"75-41-2. DEFINITIONS. As used in the Water Supply Construction Act~~

~~A. "agency" means the environmental improvement division of the health and environment department;~~

~~B. "local authority" means any incorporated city, town, village or county, mutual domestic association; public water cooperative association; or sanitation district; and~~

~~C. "water supply facility" includes the source of supply of water, pumping equipment, storage facilities, main lines between the source of water supply and storage and treatment works, but does not include distribution systems for future development areas."~~

Section 76. ENVIRONMENTAL IMPROVEMENT BOARD--EXEMPTIONS FROM AUTHORITY OF SECRETARY OF HEALTH AND ENVIRONMENT.--The environmental improvement board shall receive staff support from the environmental

(7) the executive secretary of the state natural resource conservation commission or a member of his staff designated by him;

(8) the director of the New Mexico bureau of mines or a member of his staff designated by him; and

(9) a representative of the public to be appointed by the governor for a term of four years and who shall be compensated from the budgeted funds of the health and environment department in accordance with the provisions of the Per Diem and Mileage Act.

B. No member of the commission shall receive or shall have received, during the previous two years, a significant portion of his income directly or indirectly from permit holders or applicants for a permit and shall, upon the acceptance of his appointment and prior to the performance of any of his duties, file a statement of disclosure with the secretary of state disclosing any amount of money or other valuable consideration, and its source, the value of which is in excess of ten percent of his gross personal income in each of the preceding two years, that he received directly or indirectly from permit holders or applicants for permits required under the Water Quality Act.

C. The commission shall elect a chairman and other necessary officers and shall keep a record of its proceedings.

D. A majority of the commission constitutes a quorum for the transaction of business, but no action of the commission is valid unless concurred in by five or more members present at a meeting.

K - GAS PURCHASING AND TRANSPORTING

RULE 901. ILLEGAL SALE PROHIBITED

The sale, purchase or acquisition, or the transporting, refining, processing or handling in any other way, of natural gas in whole or in part (or of any product of natural gas so produced) produced in excess of the amount allowed by any statute of this state, or by any rule, regulation or order of the ~~Commission~~ Division made thereunder, is prohibited.

RULE 902. RATABLE TAKE

(a) Any person now or hereafter engaged in purchasing from one or more producers, gas produced from gas wells shall be a common purchaser thereof within each common source of supply from which it purchases, and as such it shall purchase gas lawfully produced from gas wells with which its gas transportation facilities are connected in the pool and other gas lawfully produced within the pool and tendered to a point on its gas transportation facilities. Such purchases shall be made without unreasonable discrimination in favor of one producer against another in the price paid, the quantities purchased, the bases of measurement or the gas transportation facilities afforded for gas of like quantity, quality and pressure available from such wells. In the event any such person is likewise a producer, he is prohibited to the same extent from discriminating in favor of himself on production from gas wells in which he has an interest, direct or indirect, as against other production from gas wells in the same pool. For the purposes of this rule reasonable differences in prices paid or facilities afforded, or both, shall not constitute unreasonable discrimination if such differences bear a fair relationship to differences in quality, quantity or pressure of the gas available or to the relative lengths of time during which such gas will be available to the purchaser. The provisions of this subsection shall not apply (1) to any wells or pools used for storage and withdrawal from storage of natural gas originally produced not in violation of the rules, regulations or orders of the ~~Commission~~ Division, (2) to purchases of casinghead gas from oil wells, and (3) to persons purchasing gas principally for use in the recovery or production of oil or gas.

(b) Any common purchaser taking gas produced from gas wells from a common source of supply shall take ratably under such rules, regulations and orders, concerning quantity, as may be promulgated by the ~~Commission~~ Division consistent with this rule. The ~~Commission~~ Division, in promulgating such rules, regulations and orders may consider the quality and the deliverability of the gas, the pressure of the gas at the point of delivery, acreage attributable to the well, market requirements in the case of unprorated pools, and other pertinent factors.

(c) Nothing in this rule shall be construed or applied to require, directly or indirectly, any person to purchase gas of a quality or under a pressure or under any other condition by reason of which such gas cannot be economically and satisfactorily used by such purchaser by means of his gas transportation facilities then in service.

J - OIL PURCHASING AND TRANSPORTING

RULE 801. ILLEGAL SALE PROHIBITED

The sale or purchase or acquisition, or the transporting, refining, processing, or handling in any other way, of crude petroleum oil or of any product of crude petroleum produced in excess of the amount allowed by any statute of this state, or by any rule, regulation, or order of the ~~Commission~~ Division made thereunder, is prohibited.

RULE 802. RATABLE TAKE: COMMON PURCHASER

(a) Every person now engaged or hereafter engaging in the business of purchasing oil to be transported through pipelines shall be a common purchaser thereof, and shall without discrimination in favor of one producer as against another in the same field, purchase all oil tendered to it which has been lawfully produced in the vicinity of, or which may be reasonably reached by pipelines through which it is transporting oil, or the gathering branches thereof, or which may be delivered to the pipeline or gathering branches thereof by truck or otherwise, and shall fully perform all the duties of a common purchaser. If any common purchaser shall not have need for all such oil lawfully produced within a field, or if for any reason it shall be unable to purchase all such oil, then it shall purchase from each producer in a field ratably, taking and purchasing the same quantity of oil from each well to the extent that each well is capable of producing its ratable portions; provided, however, nothing herein contained shall be construed to require more than one pipeline connection for each producing well. In the event any such common purchaser of oil is likewise a producer or is affiliated with a producer, directly or indirectly, it is hereby expressly prohibited from discriminating in favor of its own production or in favor of the production of an affiliated producer as against that of others and the oil produced by such common purchaser or by the affiliate of such common purchaser shall be treated as that of any other producer, for the purposes of ratable taking.

(b) It shall be unlawful for any common purchaser, to unjustly or unreasonably discriminate as to the relative quantities of oil purchased by it in various fields of the state; the question of the justice or reasonableness to be determined by the ~~Commission~~ Division, taking into consideration the production and age of the wells in the respective fields and all other factors. It is the intent of this rule that all fields shall be allowed to produce and market a just and equitable share of the oil produced and marketed in the State, insofar as the same can be effected economically and without waste.

(c) In order to preclude premature abandonment, the common purchaser within its purchasing area is authorized and directed to make 100 percent purchases from units of settled production producing ten (10) barrels or less daily of crude petroleum in lieu of ratable purchases or takings. Provided, however, where such purchaser's takings are curtailed below ten (10) barrels per unit of crude petroleum daily, then such purchaser is authorized and directed to purchase equally from all such units within its purchasing area, regardless of their producing ability insofar as they are capable of producing.

RULE 803. PRODUCTION OF LIQUID HYDROCARBONS FROM GAS WELLS

All liquid hydrocarbons produced incidental to the authorized production of gas from a well classified by the ~~Commission~~ Division as a gas well shall, for all purposes, be legal production.

For purposes of this rule, all gas produced from a gas well shall be considered to be authorized production with the following exceptions:

(1) When the well is being produced without an approved Form C-104, designating the gas transporter and the oil or condensate transporter for said well.

(2) When the well has been directed to be shut in by the ~~Commission~~ Division.

In the event a gas well is directed to be shut in by the ~~Commission~~ Division, both the gas transporter and the oil transporter named on the well's Form C-104 shall be immediately notified of such fact.

RULE 705. STORAGE WELLS

The ~~Secretary-Director of the Oil Conservation Commission~~ Division Director shall have authority to grant an exception to the requirements of Rule 701-A for the underground storage of liquefied petroleum gas or liquid hydrocarbons in secure caverns within massive salt beds.

Applicant shall furnish each operator within a one-half mile radius of the proposed well with a copy of the application to the ~~Commission~~ Division, and applicant shall include with his application a written stipulation that all operators within said half-mile radius of the proposed well have been properly notified. The ~~Secretary-Director of the Commission~~ Division Director shall wait at least ten days before approving any such application, and shall approve any such application only in the absence of objection from any notified operator. In the event that an operator objects to the application the ~~Commission~~ Division shall consider the matter only after proper notice and hearing.

In addition to the filing requirements of Rule 701 B, the applicant for approval of a storage well under this rule shall file the following:

A. With the ~~Secretary-Director~~ Division Director:

(1) A plugging bond in accordance with the provisions of Rule 101;

B. With the appropriate district office of the ~~Commission~~ Division in TRIPLICATE:

(1) Form C-101, Application for Permit to Drill, Deepen, or Plug Back;

(2) Form C-102, Well Location and Acreage Dedication Plat; and,

(3) Form C-105, Well Completion or Recompletion Report and Log.

~~Secretary-Director~~ may grant immediate approval to the proposal upon receipt of waivers of objection from all operators offsetting the proposed injection well. Director

RULE 702. CASING AND CEMENTING OF INJECTION WELLS

Wells used for injection of gas, air, or water into the producing formation shall be cased with safe and adequate casing or tubing so as to prevent leakage and such casing or tubing shall be so set or cemented that damage will not be caused to oil, gas, or fresh water resources.

RULE 703. COMMENCEMENT, DISCONTINUANCE, AND ABANDONMENT OF INJECTION OPERATIONS.

The following provisions shall apply to all injection projects, storage projects, salt water disposal wells and special purpose injection wells:

A. Notice of Commencement and Discontinuance

(1) Immediately upon the commencement of injection operations in any well, the operator shall notify the ~~Commission~~ of the date such operations began. Division

(2) Within 30 days after the discontinuance of injection operations in any well, the operator shall notify the ~~Commission~~ of the date of such discontinuance and the reasons therefor. Division

(3) Before any injection well is plugged, the operator shall obtain approval for the well's plugging program from the appropriate District Office of the ~~Commission~~ in the same manner as when plugging oil and gas wells or dry holes. Division

B. Abandonment of Injection Operations

(1) Whenever there is a continuous six-month period of non-injection into any injection project, storage project, salt water disposal well, or special purpose injection well, such project or well shall be considered abandoned, and the authority for injection shall automatically terminate ipso facto.

(2) For good cause shown, the ~~Secretary-Director of the Commission~~ may grant an administrative extension or extensions of injection authority as an exception to Paragraph (1) above. Division Director

RULE 704. RECORDS AND REPORTS

The operator of an injection well or project for secondary recovery or pressure maintenance, natural gas storage, salt water disposal, or injection of any other fluids shall keep accurate records and shall report monthly to the ~~Commission~~ gas or fluid volumes injected, stored, and/or produced as required on the appropriate form listed below: Division

(1) Secondary Recovery on Form C-115;

(2) Pressure Maintenance on a form prescribed by the ~~Commission~~; Division;

(3) Salt Water Disposal on Form C-120-A;

(4) Natural Gas Storage on Form C-131; and

(5) Injection of other fluids on a form prescribed by the ~~Commission~~. Division.

2. The project area and the allowable formula for any pressure maintenance project shall be fixed by the ~~Commission~~ Division on an individual basis after notice and hearing.

E. Water Flood Projects

1. Water flood projects are defined as those projects in which water is injected into a producing horizon in sufficient quantities and under sufficient pressure to stimulate the production of oil from other wells in the area, and shall be limited to those areas in which the wells have reached an advanced state of depletion and are regarded as what is commonly referred to as "stripper" wells.

2. The project area of a water flood project shall comprise the proration units owned or operated by a given operator upon which injection wells are located plus all proration units owned or operated by the same operator which directly or diagonally offset the injection tracts and have producing wells completed on them in the same formation; provided however, that additional proration units not directly nor diagonally offsetting an injection tract may be included in the project area if, after notice and hearing, it has been established that such additional units have wells completed thereon which have experienced a substantial response to water injection.

3. The allowable assigned to wells in a water flood project area shall be equal to the ability of the wells to produce and shall not be subject to the depth bracket allowable for the pool nor to the market demand percentage factor.

All production from a water flood project area from wells producing in excess of top unit allowable for the pool shall be identified as water flood production on the monthly ~~Commission~~ Division Form C-115.

Each and every well producing in excess of top unit allowable for the pool into common facilities with wells not included in the water flood project area shall be tested once each month and the results of such tests shall be included on the monthly ~~Commission~~ Division Form C-120 filed for said project.

The ~~Secretary-Director~~ Division Director is empowered to grant an exception to the foregoing requirement without notice and hearing when an application therefor is filed in due form, and the facts presented justify such exception.

Nothing herein contained shall be construed as prohibiting the assignment of special allowables to wells in buffer zones after notice and hearing. Special allowables may also be assigned in the limited instances where it is established at a hearing that it is imperative for the protection of correlative rights to do so.

4. Water flood projects shall be expanded and additional wells placed on injection only upon authority from the ~~Commission~~ Division after notice and hearing or by administrative approval.

To obtain such administrative approval, operators shall submit in triplicate an application in accordance with Rule 701-B above. The application shall also state the order number which originally authorized the water flood project, and shall set forth all the facts pertinent to the need for placing additional well(s) on water injection. A copy of the application shall also be sent to each operator offsetting the proposed injection well.

The ~~Secretary-Director~~ Division Director may, if in his opinion there is need for conversion of the additional well and said well is on a water flood injection pattern which will result in a thorough and efficient sweep of oil, authorize such injection without notice and hearing, provided that no offset operator objects to the proposed injection well within fifteen (15) days. The

RULE 701. INJECTION OF FLUIDS INTO RESERVOIRS

A. Permit for Injection Required

The injection of gas, liquefied petroleum gas, air, water, or any other medium into any reservoir for the purpose of maintaining reservoir pressure or for the purpose of secondary recovery or the injection of water into any formation for the purpose of water disposal shall be permitted only by order of the ~~Commission~~ Division after notice and hearing, unless otherwise provided herein.

B. Method of Making Application

Application for original authority for the injection of gas, liquefied petroleum gas, air, water, or any other medium into any formation for any reason, including salt water disposal, or for the expansion of any such injection project by the completion or conversion of additional well(s) shall include the following:

1. A plat showing the location of the proposed injection well(s) and the location of all other wells within a radius of two miles from said proposed injection well(s) and the formation from which said wells are producing or have produced. The plat shall also indicate the lessees, if any there be, within said two-mile radius.

2. The log of the proposed injection well(s) if same is available.

3. A diagrammatic sketch of the proposed injection well(s) showing all casing strings, including diameters and setting depths, quantities used and tops of cement, perforated or open hole intervals, tubing strings, including diameters and setting depths, and the type and location of packers, if any.

4. Other pertinent information including the name and depth of the zone or formation into which injection will be made, the kind of fluid to be injected, the anticipated volumes to be injected, and the source of said injection fluid.

C. Salt Water Disposal Wells

The ~~Secretary-Director of the Oil Conservation Commission~~ Division Director shall have authority to grant an exception to the requirements of Rule 701-A for water disposal wells only, without notice and hearing, when the waters to be disposed of are mineralized to such a degree as to be unfit for domestic, stock, irrigation, or other general use, and when said waters are to be disposed of into a formation older than Triassic (Lea County only) which is non-productive of oil or gas within a radius of two miles from the proposed injection well, providing that any water occurring naturally within said disposal formation is mineralized to such a degree as to be unfit for domestic, stock, irrigation, and/or other general use.

To obtain such administrative approval, operator shall submit in TRIPLICATE ~~Commission~~ Division Form C-108, Application to Dispose of Salt Water by Injection Into a Porous Formation, said application to be filed in accordance with Rule 701-B above. Copies of the application shall also be sent to all offset operators and to the surface owner of the land upon which the well is located.

If no objection is received within 15 days from the date of receipt of the application, and the ~~Secretary-Director~~ Division Director is satisfied that all of the above requirements have been complied with, and that the well is to be cased and cemented in such a manner that there will be no danger to oil, gas, or fresh water reservoirs, an administrative order approving the disposal may be issued. In the event that the application is not granted administratively, it shall be set for public hearing, if the operator so requests.

The ~~Commission~~ Division may dispense with the 15-day waiting period if waivers of objection are received from all offset operators and the surface owner.

D. Pressure Maintenance Projects

1. Pressure maintenance projects are defined as those projects in which fluids are injected into the producing horizon in an effort to build up and/or maintain the reservoir pressure in an area which has not reached the advanced or "stripper" state of depletion.

II - GAS PRORATION AND ALLOCATION

RULE 601. ALLOCATION OF GAS PRODUCTION

When the ~~Commission~~ Division determines that allocation of gas production in a designated gas pool is necessary to prevent waste, the ~~Commission~~ Division, after notice and hearing, shall consider the nominations of purchasers from that gas pool and other relevant data, and shall fix the allowable production of that pool, and shall allocate production among the gas wells in the pool delivering to a gas transportation facility upon a reasonable basis and recognizing correlative rights. The ~~Commission~~ Division shall include in the proration schedule of such pool any gas well which it finds is being unreasonably discriminated against through denial of access to a gas transportation facility which is reasonably capable of handling the type of gas produced by such well.

RULE 602. PRORATION PERIOD

The proration period shall be at least six months and the pool allowable and allocations thereof shall be made at least 30 days prior to each proration period.

RULE 603. ADJUSTMENT OF ALLOWABLES

When the actual market demand from any allocated gas pool during a proration period is more than or less than the allowable set by the ~~Commission~~ Division for the pool for the period, the ~~Commission~~ Division shall adjust the gas proration unit allowables for the pool for the next proration period so that each gas proration unit shall have a reasonable opportunity to produce its fair share of the gas production from the pool and so that correlative rights shall be protected.

RULE 604. GAS PRORATION UNITS

Before issuing a proration schedule for an allocated gas pool, the ~~Commission~~ Division, after notice and hearing, shall fix the gas proration unit for that pool.

The total discovery allowable attributable to each zone in the well shall be produced over a two-year period commencing with the time of authorization. The well's daily allowable for each pool receiving the discovery allowable shall not exceed the daily top unit allowable for the pool plus the total pool discovery allowable divided by 730 days (731 days if a leap year is included).

A discovery well shall be permitted to produce only that volume of gas equivalent to the applicable limiting gas-oil ratio for the pool multiplied by the top unit allowable for the pool plus the daily oil discovery allowable. In addition to all other statewide rules not specifically excepted herein, the provisions of ~~Commission~~ Rule 502 relating to Division daily tolerance, monthly tolerance, and underproduction and overproduction, shall apply to oil discovery allowables as well as to regular allowables for discovery wells.

Nothing herein contained shall be construed as prohibiting the ~~Commission~~ from cur- Division tailing the discovery allowables of wells during times of depressed market demand, provided however, such discovery allowables shall be reinstated for production at the earliest possible date. Further, when it appears reservoir damage or waste might result from production of the oil discovery allowable within the normal two-year period, the ~~Commission~~ may, after Division notice and hearing, extend said period.

Recovered load oil as used herein is any oil or liquid hydrocarbon which has been used in any operation in an oil or gas well, and which has been recovered as a merchantable product.

RULE 509. OIL DISCOVERY ALLOWABLE

In addition to the normally assigned allowable, an oil discovery allowable may be assigned to a well completed as a bona fide discovery well in a new common source of supply. Said oil discovery allowable shall be in the amount of 5 barrels for each foot of depth of said well from the surface of the ground to the top of the perforations in the new pool or the depth of the casing shoe, whichever is higher. In counties where there is no other current oil production, and in any county when the discovery is the deepest oil production in the county, the oil discovery allowable shall be 10 barrels per foot of depth.

Date of discovery to determine the well which should properly receive the oil discovery allowable for any new pool shall be the date the well is completed and new oil is run into stock tanks, provided however, any operator drilling through and discovering a new oil pool in the course of drilling to a lower horizon may file an affidavit of such discovery within seven days after drill stem tests were made of said pool, accompanying said affidavit with all available pool data. If, prior to completion of said well, another operator claims discovery of a similar pool and there are reasonable grounds to believe the pools are one and the same, no discovery allowable will be assigned to either well until after the initial well for which the affidavit was filed has been completed. If at that time the operator of the initial well makes formal application for the discovery allowable in said pool, it will be determined after hearing which well shall receive the discovery allowable.

To obtain an oil discovery allowable, the owner of a discovery well shall file two copies of ~~Commission~~ Division Form C-109, Application for Discovery Allowable and Creation of a New Pool, with the appropriate District Office of the ~~Commission~~ Division and one with the Santa Fe office. Each copy of said form shall be accompanied by the following:

1. A map depicting all wells within a two-mile radius of the discovery well. All producing oil and gas wells and the formations from which they are producing or have produced are to be clearly shown as well as all dry holes and the depths to which they were drilled. Maps shall be on a scale one inch equals 1,000 feet and shall also indicate the names of all lessees of record in the depicted area.

2. A complete electrical log of the subject well with the tops and bottoms of producing formations in the subject well and in nearby wells identified thereon.

3. If application is based on horizontal separation, a sub-surface structural map of the producing formation(s) for which the discovery allowable is sought, showing seismic or geological interpretation of the subject structure and any troughs, faults, pinch-outs, etc., which separate the subject well from nearby wells producing from the same formation(s).

4. A geological cross-section prepared from electrical logs of the subject well and nearby wells establishing horizontal as well as vertical separation from other wells depicted on the plat which are producing or have produced from the discovery formation(s).

5. A summary of all available reservoir data including bottom hole pressure data, fluid levels, core analyses, reservoir liquid characteristics and any other pertinent data on the subject reservoir as well as other nearby reservoirs which may help establish whether the subject well is in fact a discovery.

If, in the opinion of the ~~Commission~~ Division staff, good cause exists to bring the pool on for hearing as a discovery, and no objection has been received from any other operator, the pool will be placed on the first available hearing docket for inclusion by the staff in its regular pool nomenclature case. If the staff is not in agreement with the applicant's contention that a new pool has been discovered, or if, within ten days after receiving a copy of the application another operator files with the ~~Commission~~ Division an objection to the creation of a new pool and the assignment of a discovery allowable, the applicant will be so notified, and he will be expected to present the evidence supporting his case. Or, if the applicant so desires, the application may be set for separate hearing on other than the nomenclature docket for presentation of evidence by the applicant.

Effective date of a well's discovery allowable will be 7:00 a.m. on the first day of the month next succeeding the month in which the ~~Commission~~ Division approves the discovery.

(c) The 80-acre and 160-acre depth bracket allowables shall apply to wells governed by applicable special pool rules promulgated by the ~~Commission~~ Division as an exception to the normal 40-acre statewide spacing unit.

(d) The ~~Commission~~ Division may, where the same is deemed advisable, assign to a given pool a special depth bracket allowable at variance to the depth bracket allowable normally assigned to a pool of similar depth and spacing. Such special allowable may be more or less than the regular depth bracket allowable and shall be assigned only after notice and hearing.

In assigning a lesser than regular depth bracket allowable, the ~~Commission~~ Division may consider, among other pertinent factors, reservoir damage, casinghead gas production and disposition, water production and disposition, transportation facilities, the prevention of surface or underground waste, and the protection of correlative rights.

Assignment of a greater than regular depth bracket allowable shall be made only after sufficient reservoir information is available to ensure that said allowable can be produced without damage to the reservoir and without causing surface or underground waste. The ~~Commission~~ Division shall also consider the availability of crude oil transportation and marketing facilities, casinghead gas transportation, processing, and marketing facilities, water disposal facilities, the protection of correlative rights, and other pertinent factors.

RULE 506. GAS-OIL RATIO LIMITATION

(a) In allocated pools containing a well or wells producing from a reservoir which contains both oil and gas, each proration unit shall be permitted to produce only that volume of gas equivalent to the applicable limiting gas-oil ratio multiplied by the top unit oil allowable for the pool. In the event the ~~Commission~~ Division has not set a gas-oil ratio limit for a particular oil pool, the limiting gas-oil ratio shall be 2,000 cubic feet of gas for each barrel of oil produced. In allocated oil pools all producing wells, whether oil or casinghead gas, shall be placed on the oil proration schedule.

(b) Unless heretofore or hereafter specifically exempted by order of the ~~Commission~~ Division issued after hearing, a gas-oil ratio limitation shall be placed on all allocated oil pools, and all proration units having a gas-oil ratio exceeding the limit for the pool shall be penalized in accordance with the following formula:

(1) Any proration unit which, on the basis of the latest official gas-oil ratio test, has a gas-oil ratio in excess of the limiting gas-oil ratio for the pool in which it is located shall be permitted to produce daily that number of barrels of oil which shall be determined by multiplying the current top unit allowable by a fraction, the numerator of which shall be the limiting gas-oil ratio for the pool and the denominator of which shall be the official gas-oil ratio test of the well.

(2) Any unit containing a well or wells producing from a reservoir which contains both oil and gas shall be permitted to produce only that volume of gas equivalent to the applicable limiting gas-oil ratio multiplied by the top unit allowable currently assigned to the pool.

(3) A marginal unit shall be permitted to produce the same volume of gas which it would be permitted to produce if it were a non-marginal unit.

(c) All proration units to which gas-oil ratio adjustments are applied shall be so indicated in the proration schedule with adjusted allowables stated.

(d) In cases of new pools, the limit shall be 2,000 cubic feet per barrel until such time as changed by order of the ~~Commission~~ Division issued after a hearing. Upon petition and after notice and hearing according to law, the ~~Commission~~ Division will determine or redetermine the specific gas-oil ratio limit which is applicable to a particular allocated oil pool.

RULE 507. UNITIZED AREAS

After petition and notice and hearing, the ~~Commission~~ Division may grant approval for the combining of contiguous developed proration units into a unitized area.

RULE 508. RECOVERED LOAD OIL

Recovered load oil may be run from the lease on which it is recovered, provided ~~Commission~~ Division approval is obtained by means of Form C-126. Form C-126 must be filed in quadruplicate with the appropriate district office of the ~~Commission~~ Division. Upon approval, one copy will be returned to the operator and one copy will be sent to the designated transporter as authority to transport the oil.

This rule applies only to oil which has been obtained from a source other than the lease on which it is used.

the current proration schedule shall be made and distributed by the ~~Commission~~ Division.

(g) The provisions of Rule 104(h) et seq. shall be adhered to in fixing top unit allowables.

(h) In the event it becomes necessary for any transporter of crude petroleum to resort to pipeline proration in New Mexico, such transporter shall, as soon as possible and not later than 24 hours after the effective date thereof, notify the ~~Commission~~ Division of its decision to so prorate; upon receipt of such notice from such transporter, the ~~Commission~~ Division may take such emergency action, as may be deemed proper, and/or upon its own motion, after notice, hold a hearing for the purpose of considering any action within its authority, to preserve and protect correlative rights.

In case of pipeline proration any operator affected thereby has the right to make application to the ~~Commission~~ Division for authorization to have any shortage or underproduction resulting therefrom included in subsequent proration schedules. Such applications shall be made upon a form hereby authorized to be prescribed by the ~~Commission~~ Division and filed therewith within thirty days after the close of the first proration period in which such pipeline proration shortage occurred, and such authorization shall be limited in any event to wells capable of producing the daily top unit allowable for such period.

In approving any such application the ~~Commission~~ Division shall determine the period of time during which such shortage shall be made up without injury to the well or pool, and shall include the same in the regularly approved proration schedules following the conclusion of pipeline proration.

RULE 504. AUTHORIZATION FOR PRODUCTION OF OIL WHILE COMPLETING, RECOMPLETING, OR TESTING AN OIL WELL

(a) In the event an operator does not have sufficient lease storage to hold oil produced from a well during the process of its drilling, completing, recompleting, or testing, the operator of said well shall be permitted to produce and sell from said well an amount of oil as may be necessary to drill, complete, recomplete, or test said well; provided however, that the operator of said well shall file with the ~~Commission~~ Division a written application stating the circumstances at said well and setting forth therein the estimated amount of oil to be produced during the aforementioned process of operations, and provided further that said application is approved by the ~~Commission~~ Division. Oil produced during the process of drilling completion or recompletion, or testing a well shall be charged against the allowable production of said well.

(b) No well shall be placed on the proration schedule until Form C-104 has been filed with and approved by the ~~Commission~~ Division.

RULE 505. DEPTH BRACKET ALLOWABLES

(a) Subject to the market demand percentage factor determined pursuant to the provisions of Rule 503, the daily oil allowable for each oil pool in the state shall be equal to the appropriate depth bracket allowable below. The depth of the casing shoe or the top perforation in the casing, whichever is higher, in the first well completed in the pool shall determine the depth classification for the pool. Daily oil allowables for each of the several ranges of depth and spacing patterns shall be as follows:

POOL DEPTH RANGE	DEPTH BRACKET ALLOWABLE		
	40 Acres	80 Acres	160 Acres
0 to 4,999 feet	80 bbls.	160 bbls.	
5,000 to 5,999 "	107 "	187 "	347 bbls.
6,000 to 6,999 "	142 "	222 "	382 "
7,000 to 7,999 "	187 "	267 "	427 "
8,000 to 8,999 "	230 "	310 "	470 "
9,000 to 9,999 "	275 "	355 "	515 "
10,000 to 10,999 "	320 "	400 "	560 "
11,000 to 11,999 "	365 "	445 "	605 "
12,000 to 12,999 "	410 "	490 "	650 "
13,000 to 13,999 "	455 "	535 "	695 "
14,000 to 14,999 "	500 "	580 "	740 "
15,000 to 15,999 "	545 "	625 "	785 "
16,000 to 16,999 "	590 "	670 "	830 "
17,000 to 17,999 "	635 "	715 "	875 "

(b) The 40-acre depth bracket allowables shall apply to all undesignated wells not governed by special pool rules and to all pools developed on the normal 40-acre statewide spacing unit.

The possession of a quantity of oil in lease storage at the end of any proration period in excess of five days allowable plus any rerun allowable oil shall be construed as a violation of this Rule, unless reported in the manner and within the time provided for filing Form C-115 provided by Section III above.

V. Storage Records

All producers and all transporters of oil are required to maintain adequate records showing unrun allowable oil in storage at the end of each proration period. Such storage oil shall be the amount of oil in tanks from which oil is measured and delivered to the transporter.

RULE 503. AUTHORIZATION FOR PRODUCTION OF OIL

(a) Except as provided below, the daily top unit allowable for any oil pool shall be 100 percent of the depth bracket allowable for the pool determined pursuant to the provisions of Rule 505.

(b) Every other month the ~~Commission~~ Division shall, within five days prior to the end of the month, make a determination as to the likelihood of the total producing capacity of all oil wells in the state being in excess of anticipated reasonable market demand for crude petroleum oil from this state.

If the ~~Commission~~ Division determines that such capacity may be in excess of the anticipated reasonable market demand, and that a market demand factor of less than 100 percent may be necessary to prevent waste, then it shall immediately institute proper proceedings for a hearing to be held before the 20th day of the following month to determine actual reasonable market demand for the next two succeeding months.

(c) At said hearing the ~~Commission~~ Division shall consider all evidence of market demand for crude petroleum oil from this state, and if it is determined that the market demand percentage factor should be less than 100 percent, an order shall be issued establishing the market demand factor for the ensuing two-month period and setting a date for the next market demand hearing.

(d) The market demand factor thus established shall be multiplied by the applicable depth bracket allowable for each well and each pool to determine its top unit allowable. Any fraction of a barrel shall be regarded as a full barrel in determining top unit allowable.

Upon initial establishment of a market demand factor, and from time to time thereafter, the ~~Commission~~ Division shall issue a proration schedule authorizing the production of oil from the various proration units in the various pools in the state. Any well completed or recompleted after the issuance of said schedule and for which Form C-104 has been approved, shall, by supplement to the schedule, be authorized a daily allowable equal to the ability of the well to produce up to and including the top unit allowable in effect. The allowable for such well shall become effective at 7:00 a.m. on the date of completion, provided Form C-104 is submitted and approved within ten days following date of completion; otherwise the allowable shall be effective on the date the C-104 is approved. (As provided in Rule 1104, "date of completion" is the date when new oil is delivered into the stock tanks.)

(e) A non-marginal unit is defined as being a proration unit which is capable of producing top unit allowable for the pool in which it is located and to which has been assigned a top unit allowable. Any such non-marginal unit shall be permitted to produce said top unit allowable without waste and subject to the provisions of Rules 301, 502, and 506, and all other applicable rules. Top unit allowable will be assigned only to those units which by tests have demonstrated their ability to produce top unit allowable.

A marginal unit is defined as being a proration unit which is incapable of producing top unit allowable for the pool in which it is located as evidenced by well test, production history, or other report or form filed by the operator with the ~~Commission~~ Division. Any such marginal unit shall be permitted to produce any amount of oil which it is capable of producing without waste up to top unit allowable for the pool, subject to the provisions of Rules 301, 502, and 506, and all other applicable rules, provided that an allowable has been assigned to the unit to authorize such production.

A penalized unit is defined as being a proration unit to which, because of an excessive gas-oil ratio, an allowable has been assigned which is less than top unit allowable for the pool and also less than the ability of the well(s) on the unit to produce. Such penalized allowable shall be determined in accordance with the procedure set forth in Rule 506. In calculating a penalized allowable, any fraction of a barrel shall be regarded as a full barrel.

(f) Any change in the allowable assigned to any unit--non-marginal, marginal, or penalized, shall be accomplished through issuance of a new proration schedule or by supplement to a previously issued proration schedule. A periodic tabulation of all supplements to

RULE 501. REGULATION OF OIL POOLS

(a) To prevent waste, the ~~Commission~~ shall prorate and distribute the allowable production among the producers in a pool upon a reasonable basis and recognizing correlative rights. Division

(b) After notice and hearing, the ~~Commission,~~ in order to prevent waste and protect correlative rights, may promulgate special rules, regulations, or orders pertaining to any pool. Division

RULE 502. RATE OF PRODUCING WELLS

I. Daily Tolerance

(a) It is recognized that oil wells located on units capable of producing their allowables may overproduce one day and underproduce another. No unit capable of producing its allowable, except for the purpose of testing, in the process of completing or recompleting a well, or for tests made for the purpose of obtaining scientific data, shall produce any day more than 125% of the daily top unit allowable for the pool in which the same is located. (Subject to the foregoing, any underproduction may be made up by production from the same unit within the same month, and in like manner any overproduction shall be adjusted or balanced by underproduction from the same unit, within the same proration period.)

(b) It is also recognized that certain wells must, as a matter of practicality, be produced at daily rates in excess of 125% of the daily top unit allowable for the pool in which such wells are located. The ~~Secretary of the Commission~~ is hereby given authority to grant exceptions to the provisions of paragraph (a) above, without formal hearing, where application is filed in due form setting out the reasons for such requested exception; applicants for such exceptions shall, at the time of filing, also furnish each operator in the pool in which the subject well is located, a copy of such application. Included in any application for exception or attached thereto, filed under authority hereof, shall be a formal written statement by the applicant that every operator in the pool in which the subject well is located has been served with a copy of such application. The ~~Secretary of the Commission~~ shall wait at least ten (10) days after receipt before approving any such application, and shall approve the same only in absence of objection from any operator or interested party, or in his discretion. In the event the ~~Secretary~~ for any reason fails to approve such application, the ~~Commission~~ after notice will hear and determine the matter. Division Director / Division Director / Director Division

II. Monthly Tolerance

No unit shall produce during any one proration period more than the allowable production of such unit for the proration period plus a tolerance of not to exceed five (5) days allowable production. This permissive tolerance of overproduction from a unit shall be subject to all other provisions of Rule 502 and particularly to the provisions of Paragraph IV. This permissive tolerance of overproduction from a unit shall be adjusted or balanced by subsequent corresponding underproduction from the same unit. Overproduction within the permitted tolerance shall be considered as oil produced against the allowable production assigned to the unit for the proration period during which such overproduction is adjusted or balanced by underproduction.

III. Production in Excess of Monthly Allowable, Plus Tolerance

Oil produced from any unit in excess of the assigned monthly allowable plus the permissive proration period tolerance shall be "illegal oil" as defined in the Oil ~~Conservation and Co. Act Law,~~ unless (a) such excess oil be produced as a result of mistake or error, (b) mechanical failure beyond the immediate control of the operator, or, (c) resulting from essential tests of the unit within the purview of Oil Conservation ~~Commission~~ Rules. Whenever production from any unit for a proration period is in excess of the assigned allowable, plus the permitted tolerance authorized herein and the cause of such excess reasonably falls within (a), (b), or (c) of this paragraph, the producer or operator shall briefly set forth the cause of such excess production together with a proposed plan of adjustment thereof, upon all copies of the operator's monthly report (Form C-115) for the month in which such excess production occurs. Such excess production shall be considered as oil produced against the allowable assigned to the unit for the following proration period, and it may be transported from the lease tanks only as and when the unit accrues daily allowable to offset such excess production. Division

IV. General

The tolerance permitted on a daily or monthly basis as provided hereinabove shall not be construed to increase the allowable of a producing unit or to grant authority to any operator to market or to any transporter to transport any quantity of oil in excess of the unit's allowable.

production shall also apply to carbon dioxide gas, carbon dioxide wells, and carbon dioxide reservoirs.

RULE 407. DISCONNECTION OF GAS WELLS

All gas wells which are disconnected from intrastate gas transportation facilities shall be reported to the ~~Commission~~ Division by the operator of the well or wells within 30 days of the date of disconnection. Such notice must be filed on Form C-130 in compliance with Rule 1130.

~~10-1-77~~

F - NATURAL GAS PRODUCTION OPERATING PRACTICE

RULE 401. METHOD OF DETERMINING NATURAL GAS WELL POTENTIAL

All operators shall conduct tests to determine the daily open flow potential volumes of all natural gas wells from which gas is being used or marketed. Such tests shall be reported on forms prescribed by the ~~Commission~~ Division within 60 days after: (1) the date of initial connection of the well to a gas transportation facility and (2) the date of reconnection following workover.

To establish comparable open flow capacity, wells shall be tested in accordance with the ~~New Mexico~~ Oil Conservation ~~Commission~~ Division "Manual for Back-Pressure Testing of Natural Gas Wells." In the event the ~~Commission~~ Division approves an alternate method for testing, all wells producing from a common source of supply shall be tested in a uniform and comparable manner.

All gas wells which are not connected to a gas gathering facility shall be tested within 30 days following the installation of a Christmas tree. Tests shall be taken in accordance with the Rules of Procedure for Testing Unconnected Gas Wells contained in the ~~New Mexico~~ Oil Conservation ~~Commission~~ Division "Manual for Back-Pressure Testing of Natural Gas Wells." Tests shall be reported on Form C-122 in compliance with Rule 1122 and shall be filed within 10 days following completion of the test.

RULE 402. METHOD AND TIME OF SHUT-IN PRESSURE TESTS

(a) Shut-in pressure tests shall be taken on all natural gas wells annually. Such tests shall be taken by the operator of the well during the months of July, August, or September unless otherwise specified by special pool rules or special directive. Tests shall be reported to the appropriate District Office of the ~~Commission~~ Division on Form C-125 not later than October 15 of the same year.

(b) Shut-in pressures shall be taken with a dead-weight gauge after a minimum shut-in period of 24 hours. When the shut-in period exceeds 24 hours, the length of time the well was shut in shall be reported to the ~~Commission~~ Division.

(c) The ~~Secretary-Director of the Commission~~ Division Director may prescribe special shut-in pressure test periods and procedures for pools when he deems the same necessary in order to obtain more accurate pressure data.

RULE 403. NATURAL GAS FROM GAS WELLS TO BE MEASURED

All natural gas produced shall be accounted for by metering or other method approved by the ~~Commission~~ Division and reported to the ~~Commission~~ Division by the common purchaser of the gas. Gas produced from a gas well and delivered to a gas transportation facility shall be reported by the owner or operator of the gas transportation facility. Gas produced from a gas well and required to be reported under this rule, which is not delivered to and reported by a gas transportation facility, shall be reported by the operator of the well.

RULE 404. NATURAL GAS UTILIZATION

(a) After the completion of a natural gas well, no gas from such well shall be (1) permitted to escape to the air, (2) used expansively in engines or pumps and then vented, or (3) used to gas-lift wells unless all gas produced is processed in a gasoline plant, used in the manufacture of carbon black, or beneficially used thereafter without waste.

(b) Carbon black plants may utilize natural gas only in those instances in which all casinghead gas and residue gas produced in the vicinity of or which may reasonably be reached from the carbon black plant, is being used beneficially.

(c) Any carbon black plant constructed after June 10, 1954, or any then existing carbon black plant which enlarges or expands its facilities for the manufacture of carbon black, may utilize natural gas in the manufacture of carbon black only after permission of the ~~Commission~~ Division is obtained upon due notice and hearing.

RULE 405. STORAGE GAS

With the exception of the requirement to meter and report monthly the amount of gas injected and the amount of gas withdrawn from storage, in the absence of waste these rules and regulations shall not apply to gas being injected into or removed from storage. (See Rule 1131.)

RULE 406. CARBON DIOXIDE

The statewide regulations relating to gas and natural gas, gas wells, and gas reservoirs including, but not limited to, those provisions relating to well locations, acreage dedication requirements, casing and cementing requirements, and measuring and reporting of

gas gathering or transportation system.

(b) The waste of drip is hereby prohibited when it is economically feasible to salvage the same.

(c) The movement and sale of drip is hereby authorized, provided the provisions of this Rule are complied with.

(d) No drip shall be transported nor sold until the gas transporter has filed ~~Commission~~ Form C-104 designating the drip transporter authorized to remove the drip from its gas gathering or transportation system. Division

(e) Every person transporting drip within the State of New Mexico shall file ~~Commission~~ Form C-112 each month, showing the amount, source, and disposition of all drip handled during the reporting period, and such other reports as may hereafter be required by the ~~Commission.~~ Division Division

(f) Prior to commencement of operations, every person transporting drip directly from a gas gathering or transportation system shall file with the ~~Commission~~ plats drawn to scale, locating and identifying each drip trap which he is authorized to service. Division

(g) Every person transporting drip directly from a gas gathering or transportation system shall keep a record of daily acquisitions from each drip trap which he is authorized to service, which records shall be made available at all reasonable times for inspection by the ~~Commission~~ or its authorized representatives. Division

(h) Every gas transporter in the State of New Mexico shall, on or before the first day of November of each year, file with the ~~Commission~~ maps of its entire gas gathering and transportation systems within the State of New Mexico, locating and identifying thereon each drip trap in said systems, said maps to be accompanied by a report, on a form prescribed by the ~~Commission,~~ showing the disposition being made of the drip from each of said drip traps. Division Division.

oil or gas well or 500 feet to any highway or inhabited dwelling or closer than 1000 feet to any school or church, or where such tanks are so located as to be deemed an objectionable hazard within the discretion of the ~~Commission~~ Division. Where fire walls are required, fire walls shall form a reservoir having a capacity one-third larger than the capacity of the enclosed tank or tanks.

RULE 311. SEDIMENT OIL

(a) "Sediment Oil" is defined as tank bottoms and any other accumulations of liquid hydrocarbons on an oil and gas lease, which hydrocarbons are not merchantable through normal channels.

(b) No sediment oil shall be burned or otherwise destroyed unless and until the ~~Commission~~ Division has approved an application to destroy the same on Form C-117-A (Sediment Oil Destruction Permit). Unless the authorization to burn sediment oil is utilized within ten (10) days after approval of the Form C-117-A, such authorization is automatically revoked. However, the District Supervisor may approve one ten (10) day extension in writing for good cause shown. No sediment oil destruction permit shall be required when the sediment oil is put to beneficial use on the originating lease for purposes of oiling lease roads, fire walls, tank grades, or other similar purposes.

(c) When sediment oil is to be removed from a lease for reclamation, the person removing such sediment oil shall obtain a permit (Form C-117-B) from the appropriate District Office of the ~~Commission~~ Division prior to removal of the oil from the lease. Any merchantable oil recovered from sediment oil shall be charged against the allowable for the wells on the originating lease. All such recovered oil shall be reported by the operator of the lease on Form C-115 (Operator's Monthly Report). Nothing contained in paragraph (c) of this Rule shall apply to reclaiming of pipeline break oil or the treating of tank bottoms occurring at a pipeline station, crude oil storage terminal, or refinery, to the treating by a gasoline plant operator of oil and other catchings collected in traps and drips in the gas gathering lines connected to gasoline plants and in scrubbers at such plants, nor to the treating or reclamation of oil and other catchings collected in community salt water disposal systems.

RULE 312. TREATING PLANTS

No treating plant shall operate except in conformity with the following provisions:

(a) Prior to the construction of a treating plant, a written application shall be filed for a treating plant permit stating in detail the location and type and capacity of the plant contemplated. The ~~Commission~~ Division, in not less than 30 days, will set such application for hearing to determine whether the proposed plant and method of processing will efficiently process, treat, and reclaim sediment oil. Before beginning actual operations, the permittee shall file with the ~~Commission~~ Division a performance bond in the amount of $10,000, conditioned upon substantial compliance with applicable statutes of the State of New Mexico and all rules, regulations, and orders of the Oil Conservation ~~Commission of New Mexico~~ Division.

(b) Such permit shall entitle the treating plant operator to an approved Form C-104, Request for Allowable and Authorization to Transport Oil and Natural Gas for the total amount of products secured from sediment oils processed by the operator. All permits shall be revocable, after notice and hearing, upon showing of good cause.

(c) All treating plant operators shall file a monthly report which shall support the ~~Commission~~ Division Form C-104 for the net oil recovered and sold during the preceding month. See Rule 1113.

The operator of each lease from which sediment oil is removed for reclamation shall be promptly notified by the treating plant operator of the amount of pipeline oil recovered therefrom. In the event sediment oil from two or more separate leases is to be commingled prior to treating, the treating plant operator shall determine the amount of pipeline oil attributable to each lease by testing a representative sample of the sediment oil from said lease in accordance with the standard centrifugal test prescribed by the API Code for Measuring, Sampling, and Testing Crude Oil, Number 25, Section 5.

RULE 313. EMULSION, BASIC SEDIMENTS, AND TANK BOTTOMS

Wells producing oil shall be operated in such a manner as will reduce as much as practicable the formation of emulsion and basic sediments. These substances and tank bottoms shall not be allowed to pollute streams or cause surface damage. If tank bottoms are removed to surface pits, the pits shall be fenced and the fence shall be kept in good repair.

RULE 314. GATHERING, TRANSPORTING AND SALE OF DRIP

(a) "Drip" is defined as any liquid hydrocarbon incidentally accumulating in a

1. All production is from the same common source of supply or an exception to Rule 303 (a) has been obtained.

2. Adequate facilities will be provided for accurately determining production from each well at reasonable intervals.

3. All parties owning an interest in the leases and the purchaser of the commingled production therefrom have consented in writing to the commingling of production from the separate leases.

4. In lieu of paragraph 3 of this rule, the applicant may furnish proof of the fact that said parties were notified by registered or certified mail of his intent to commingle production from the separate leases. The ~~Secretary-Director~~ Division Director may approve the application if, after a period of 20 days following receipt of the application, no party has made objection to the application.

5. In addition to the foregoing requirements for administrative approval to commingle production from two or more separate leases, the following requirements shall also apply:

(a) To commingle production from two or more separate leases in a common tank battery without first separately measuring the production from each such lease, the ownership of the leases must be common throughout. This shall include working interest ownership, royalty ownership, and overriding royalty ownership.

(b) To commingle production from two or more separate leases in a common tank battery where there is a diversity of ownership (whether in working interest, royalty interest, or overriding royalty interest) the hydrocarbon production from each lease shall be accurately measured and determined in accordance with the applicable provisions of the ~~Commission~~ Division "Manual for the Installation and Operation of Commingling Facilities," then current.

RULE 309-C. ADMINISTRATIVE APPROVAL, OFF-LEASE STORAGE

For good cause shown, the ~~Secretary-Director of the Commission~~ Division Director shall have authority to grant an exception to Rule 309-A to permit the production from one lease to be transported prior to measurement to another lease for storage thereon, provided an application reflecting ownership of the leases has been filed in triplicate with the ~~Commission~~ Division and is accompanied by plats of the leases showing thereon the wells on the leases and the formations in which they are completed and the proposed location of the tank battery, and provided further that:

1. All production is from the same common source of supply.

2. Commingling of production from the two leases will not result.

3. There will be no intercommunication of the handling, separating, treating, or storage facilities designated to each lease.

4. All parties owning an interest in the leases have consented in writing to the off-lease storage.

5. In lieu of paragraph 4 of this rule, the applicant may furnish proof of the fact that said parties were notified by registered or certified mail of his intent to transport prior to measurement the production from one lease to another lease for storage. The ~~Secretary-Director~~ Division Director may approve the application if, after a period of 20 days following receipt of the application, no party has made objection to the application.

6. Where State or Federal lands are involved, the applicant shall furnish evidence that the Commissioner of Public Lands for the State of New Mexico or the Regional Supervisor of the United States Geological Survey has consented to the proposed off-lease storage.

RULE 310. OIL TANKS AND FIRE WALLS

Oil shall not be stored or retained in earthen reservoirs, or in open receptacles. Dikes or fire walls shall not be required except such fire walls must be erected and kept around all permanent oil tanks, or battery of tanks that are within the corporate limits of any city, town, or village, or where such tanks are closer than 150 feet to any producing

(g) The control and recording system must include adequate fail-safe features which will provide assurance against mismeasurement in the event of power failure, or the failure of the ACT system's component parts.

(h) 1. The ACT system and allied facilities shall include such fail-safe equipment as may be necessary, including high level switches in the surge tank or overflow storage tank which, in the event of power failure or malfunction of the ACT or other equipment, will shut down all artifically lifted wells connected to the ACT system and will shut in all flowing wells at the well-head or at the header manifold, in which latter case all flowlines shall be pressure-tested to at least 1 1/2 times the maximum well-head shut-in pressure prior to initial use of the ACT system and each two years thereafter.

2. As an alternative to the requirements of paragraph (h) 1 above, the producer shall provide and shall at all times maintain a minimum of available storage capacity above the normal high working level of the surge tank to receive and hold the amount of oil which may be produced during maximum unattended time of lease operation.

4. (a) In all ACT systems employing automatic measuring tanks, weir-type measuring vessels, positive volume metering chambers, or any other volume measuring container, the container and allied components shall be properly calibrated prior to initial use and shall be operated, maintained, and inspected as necessary to ensure against incrustation, changes in clingage factors, valve leakage or other leakage, and improper action of floats, level detectors, etc.

(b) In all ACT systems employing positive displacement meters, the meter(s) and allied components shall be properly calibrated prior to initial use and shall be operated, maintained, and inspected as necessary to ensure against mismeasurement of oil.

(c) The measuring and recording devices of all ACT systems shall be checked for accuracy at least once each month unless exception to such determination has been obtained from the ~~Secretary-Director of the Commission.~~ Division Director. API Standard 1101, "Measurement of Petroleum Liquid Hydrocarbons by Positive Displacement Meter," shall be used where applicable. Meters may be proved against Master Meters, Portable Prover Tanks, or Prover Tanks permanently installed on the lease. If permanently installed Prover Tanks are used, the distance between the opening and closing levels and the provision for determining the opening and closing readings shall be sufficient to detect variations of 5/100 of one percent. Reports of determination shall be filed on the ~~Commission~~ Division Form entitled "Meter Test Report," or on another acceptable form and shall be submitted in duplicate to the appropriate District Office of the ~~Commission~~ Division.

(d) To obtain exception to the requirement of paragraph (c) above that all measuring and recording devices be checked for accuracy once each month, either the producer or transporter may file such a request with the ~~Secretary-Director of the Commission~~ Division Director setting forth all facts pertinent to such exception. The application shall include a history of the average factors previously obtained, both tabulated and plotted on a graph of factors versus time, showing that the particular installation has experienced no erratic drift. The applicant shall also furnish evidence that the other interested party has agreed to such exception. The ~~Secretary-Director~~ Director may then set the frequency for determination of the system's accuracy at the interval which he deems prudent.

5. Failure to operate an automatic custody transfer system in compliance with this rule shall subject the approval thereof to revocation by the ~~Commission.~~ Division

RULE 309-B. ADMINISTRATIVE APPROVAL, LEASE COMMINGLING

The ~~Secretary-Director of the Commission~~ Division Director shall have authority to grant exceptions to Rule 309-A to permit the commingling of production from two or more separate leases in a common tank battery without notice and hearing, provided application has been filed in triplicate with the ~~Commission~~ Division and is accompanied by plats of the leases showing thereon the wells on the leases and the formations in which they are completed, and schematic diagrams of the commingling facility, showing it to be of an acceptable design in accordance with the ~~Commission~~ Division "Manual for the Installation and Operation of Commingling Facilities," then current, and provided further that:

RULE 307. USE OF VACUUM PUMPS

Vacuum pumps or other devices shall not be used for the purpose of creating a partial vacuum in any stratum containing oil or gas.

RULE 308. SALT OR SULPHUR WATER

Operators shall report monthly on Form C-115 the amount or percentage of salt or sulphur water produced with the oil by each well making 25 or more water. percent

RULE 309-A. CENTRAL TANK BATTERIES - AUTOMATIC CUSTODY TRANSFER EQUIPMENT

Oil shall not be transported from a lease until it has been received and measured in a facility of an approved design located on the lease. Such facilities shall permit the testing of each well at reasonable intervals and may be comprised of manually gauged closed stock tanks for which proper strapping tables have been prepared, with a maximum of sixteen proration units producing into said tanks, or of automatic custody transfer (ACT) equipment. The use of such automatic custody transfer equipment shall be permitted only after compliance with the following:

1. The operator shall file with the ~~Commission~~ Form C-106, Notice of Intention to Utilize Automatic Custody Transfer Equipment, and shall receive approval thereof prior to transferring oil through the ACT system. The carrier shall not accept delivery of oil through the ACT system until Form C-106 has been approved. Division

2. Form C-106 shall be submitted in quadruplicate to the appropriate District Office of the ~~Commission~~ and shall be accompanied (in quadruplicate) by the following: Division

(a) Plat of the lease showing thereon all wells which will be produced into the ACT system.

(b) Schematic diagram of the ACT equipment, showing thereon all major components such as surge tanks and their capacity, extra storage tanks and their capacity, transfer pumps, monitors, reroute valves, treaters, samplers, strainers, air and gas eliminators, back pressure valves, metering device (indicating type and capacity, i.e., whether automatic measuring tank, positive volume metering chamber, weir-type measuring vessel, or positive displacement meter). Schematic diagram shall also show means employed to prove accuracy of measuring device.

(c) Letter from transporter agreeing to utilization of ACT system as shown on schematic diagram.

3. Form C-106 will not be approved by the ~~Commission~~ unless the ACT system is to be installed and operated in compliance with the following: Division

(a) Provision must be made for accurate determination and recording of uncorrected volume and applicable temperature, or of temperature corrected volume. The overall accuracy of the system shall equal or surpass manual methods.

(b) Provision must be made for representative sampling of the oil transferred for determination of API gravity and BS&W content.

(c) Provision must be made if required by either the producer or the transporter of the oil to give adequate assurance that only merchantable oil is run by the ACT system.

(d) Provision must be made for set-stop counters to stop the flow of oil through the ACT system at or prior to the time the allowable has been run. All counters shall provide non-reset totalizers which shall be visible for inspection at all times.

(e) All necessary controls and equipment must be enclosed and sealed, or otherwise be so arranged as to provide assurance against, or evidence of, accidental or purposeful mismeasurement resulting from tampering.

(f) All components of the ACT system shall be properly sized to ensure operation within the range of their established ratings. All components of the system which require periodic calibration and/or inspection for proof of continued accuracy must be readily accessible. The frequency and methods of such calibration and/or inspection shall be set forth in Rule 309-A, 4-c.

pressures or other reservoir characteristics, waste will not result thereby, and correlative rights will not be violated. The 20-day waiting period may be dispensed with upon receipt of waivers of objection from all parties mentioned in Section 2, paragraph (i).

4. Upon such approval, the well shall be operated in accordance with the provisions of the administrative order which authorized the commingling, and allocation of the commingled production from the well to each of the producing zones shall be in accordance with the allocation formula set forth in the order. The production from the well shall be subject to the lower of the daily gas-oil ratio limitations applicable to the reservoirs. Wells shall be tested on a commingled basis annually, except that a well penalized for a high gas-oil ratio shall be tested semi-annually.

5. The ~~Secretary-Director~~ Division Director may rescind authority to commingle production in the well-bore and require both zones to be produced separately, if, in his opinion, waste or reservoir damage is resulting thereby or the efficiency of any secondary recovery project is being impaired, or if any change of conditions renders the installation no longer eligible for down-hole commingling under the provisions of Section 1, paragraphs (a) through (h).

RULE 304. CONTROL OF MULTIPLE COMPLETED WELLS

Multiple completed wells which have been authorized by the ~~Commission~~ Division shall at all times be operated, produced, and maintained in a manner to ensure the complete segregation of the various common sources of supply. The ~~Commission~~ Division may require such tests as it deems necessary to determine the effectiveness of the segregation of the different common sources of supply.

RULE 305. METERED CASINGHEAD GAS

The owner of a lease shall not be required to measure the exact amount of casinghead gas produced and used by him for fuel purposes in the development and normal operation of the lease. All casinghead gas produced and sold or transported away from a lease, except small amounts of flare gas, shall be metered and reported in standard cubic feet monthly to the ~~Commission~~ Division. The amount of casinghead gas sold in small quantities for use in the field may be calculated upon a basis generally acceptable in the industry, or upon a basis approved by the ~~Commission~~ Division in lieu of meter measurements.

RULE 306. CASINGHEAD GAS

(a) No casinghead gas produced from any well in this state shall be flared or vented after 60 days following completion of the well.

(b) Any operator seeking an exception to the foregoing shall file an application therefor on ~~Commission~~ Form C-129, Application for Exception to No-Flare Rule 306. Form C-129 shall be filed in triplicate with the appropriate district office of the ~~Commission~~ Division. The district supervisor may grant an exception when the same appears reasonably necessary to protect correlative rights, prevent waste, or prevent undue hardships on the applicant. The district supervisor shall either grant the exception within ten days after receipt of the application or refer it to the ~~Secretary-Director of the Commission~~ Division Director who will advertise the matter for public hearing if a hearing is desired by the applicant.

(c) The flaring or venting by an operator of gas from any well in violation of this rule will result in suspension of the allowable assigned to the well.

(d) No extraction plant processing gas in the State of New Mexico shall flare or vent such gas unless such flaring or venting is made necessary by mechanical difficulty of a very limited temporary nature or unless the gas flared or vented is of no commercial value.

In the event of more prolonged mechanical difficulty or in the event of plant shut-downs or curtailment because of scheduled or non-scheduled maintenance or testing operations or other reasons, or in the event a plant is unable to accept, process, and market all of the casinghead gas produced by wells connected to its system, the plant operator shall notify the ~~Commission~~ Division as soon as possible of the full details of such shut-down or curtailment, following which the ~~Commission~~ Division shall take such action as is necessary to reduce the total flow of gas to such plant.

(e) Pending connection of a well to a gas-gathering facility, or when a well has been excepted from the provisions of Section (a) of this rule, all gas produced and not utilized shall be burned, and the estimated volume reported on the monthly production report, Form C-115.

(f) The provisions of Section (a) of this rule shall not be applicable to wells completed prior to January 1, 1971, in pools which had no gas-gathering facilities on that date, provided however, said provisions shall be applicable to all wells in such a pool 60 days after the date of first casinghead gas connection in the pool.

Bottom perforation, lowermost pool	Bbls/day
6,000 feet to 6,999 feet	40
7,000 feet to 7,999 feet	50
8,000 feet to 8,999 feet	60
9,000 feet to 9,999 feet	70
More than 10,000 feet	80

(c) Both zones require artificial lift, or, both zones are capable of flowing. (Special consideration may be given to an exception to this latter requirement in the case in which a particular well's characteristics may justify same; however, the commingled production must be artificially lifted if either zone required artificial lift prior to commingling.)

(d) Neither zone produces more water than the combined oil limit as determined in paragraph (b) above.

(e) The fluids from each zone are compatible with the fluids from the other, and combining the fluids will not result in the formation of precipitates which might damage either reservoir.

(f) The total value of the crude will not be reduced by commingling.

(g) Ownership of the two zones to be commingled is common (including working interest, royalty, and overriding royalty).

(h) The commingling will not jeopardize the efficiency of present or future secondary recovery operations in either of the zones to be commingled.

2. To obtain approval for down-hole commingling, the operator of the well shall submit the following in duplicate to the ~~Secretary-Director of the Commission~~ plus one copy to the appropriate District Office of the ~~Commission~~: Division Director — 2 Division

(a) Name and address of the operator

(b) Lease name, well number, well location.

(c) Names of the pools the well is completed in and the ~~Commission~~ order number which authorized the dual completion. Division

(d) A current (within 30 days) 24-hour productivity test on ~~Commission~~ Form C-116 showing the amount of oil, gas, and water produced from each zone. Division

(e) A production decline curve for both zones showing that for a period of at least one year a steady rate of decline has been established for each zone which will permit a reasonable allocation of the commingled production to each zone for statistical purposes. (This requirement may be dispensed with in the case of a newly completed or recently completed well which has little or no production history. However, a complete resume of the well's completion history including description of treating, testing, etc., of each zone, and a prognostication of future production from each zone shall be submitted.)

(f) Estimated bottom-hole pressure for each artificially lifted zone. A current (within 30 days) measured bottom-hole pressure for each zone capable of flowing.

(g) A description of the fluid characteristics of each zone showing that the fluids will not be incompatible in the well-bore.

(h) A computation showing that the value of the commingled production will not be less than the sum of the values of the individual streams.

(i) A statement that all offset operators and, in the case of a well on Federal land, the United States Geological Survey, have been notified in writing of the proposed commingling.

3. The ~~Secretary-Director of the Commission~~ may approve the proposed down-hole commingling in the absence of a valid objection within 20 days after the receipt of the application if, in his opinion, there is no disqualifying disparity of bottomhole (Division Director

calendar year the ~~Commission~~ shall designate the months in which subsurface pressure tests shall be taken in designated pools. Included in the designated list shall be listed the required shut-in pressure time and datum of tests to be taken in each pool. In the event a newly discovered pool is not included in the ~~Commission's~~ list, the ~~Commission~~ shall issue a supplementary Bottom Hole Pressure Schedule. Tests as designated by the ~~Commission~~ shall only apply to flowing wells in each pool. This test shall be made by a person qualified by both training and experience to make such test, and with an approved subsurface pressure instrument which shall be calibrated against an approved dead-weight tester at intervals frequent enough to ensure its accuracy within one per cent. Unless otherwise designated by the ~~Commission~~ all wells shall remain completely shut in for at least 24 hours prior to the test. In the event a definite datum is not established by the ~~Commission~~ the subsurface determination shall be obtained as close as possible to the mid-point of the productive sand of the reservoir. The report shall be on Form C-124 and shall state the name of the pool, the pool datum (if established), the name of the operator and lease, the well number, the wellhead elevation above sea level, the date of the test, the total time the well was shut in prior to the test, the subsurface temperature in degrees Fahrenheit at the test depth, the depth in feet at which the subsurface pressure test was made, the observed pressure in pounds per square inch gauge (corrected for calibration and temperature), the corrected pressure computed from applying to the observed pressure the appropriate correction for difference in test depth and reservoir datum plane and any other information as required by Form C-124.

RULE 303. SEGREGATION OF PRODUCTION FROM POOLS

A. SEGREGATION REQUIRED

Each pool shall be produced as a single common source of supply and the wells therein shall be completed, cased, maintained, and operated so as to prevent communication, within the well-bore, with any other specific pool or horizon, and the production therefrom shall at all times be actually segregated, and the commingling or confusion of such production, before marketing, with the production from any other pool or pools is strictly prohibited.

B. SURFACE COMMINGLING

The ~~Secretary-Director of the Commission~~ shall have the authority to grant an exception to Rule 303-A to permit the commingling in common facilities of the commonly owned production from two or more common sources of supply, without notice and hearing, provided that the liquid hydrocarbon production from each common source of supply is to be accurately measured or determined prior to such commingling in accordance with the applicable provisions of the ~~Commission~~ "Manual for the Installation and Operation of Commingling Facilities," then current.

Applications for administrative approval to commingle the production from two or more common sources of supply shall be filed in triplicate with the Santa Fe office of the ~~Commission~~. The application must contain detailed data as to the gravities of the liquid hydrocarbons, the values thereof, and the volumes of the liquid hydrocarbons from each pool, as well as the expected gravity and value of the commingled liquid hydrocarbon production; a schematic diagram of the proposed installation; a plat showing the location of all wells on the applicant's lease and the pool from which each well is producing. The application shall also state specifically whether the actual commercial value of such commingled production will be less than the sum of the values of the production from each common source of supply and, if so, how much less.

Where State or Federal lands are involved, applicant shall furnish evidence that the Commissioner of Public Lands for the State of New Mexico or the Regional Supervisor of the United States Geological Survey has consented to the proposed commingling.

C. DOWN-HOLE COMMINGLING

1. The ~~Secretary-Director of the Commission~~ shall have the authority to grant an exception to Rule 303-A to permit the commingling in the well-bore of dually completed oil wells when the following facts exist and the following conditions are met:

(a) Both zones to be commingled in the well-bore are classified as oil zones.

(b) The total daily production from both zones before commingling (as determined in accordance with Section 2, paragraphs (d) and (e) below) does not exceed the following:

Bottom perforation, lowermost pool	Bbls/day
Less than 4,999 feet	20
5,000 feet to 5,999 feet	30

RULE 301. GAS-OIL RATIO AND PRODUCTION TESTS

(a) Each operator shall take a gas-oil ratio test no sooner than 20 days nor later than 30 days following the completion or recompletion of each oil well, if (1) the well is a wildcat, or (2) the well is located in a pool which is not exempt from the requirements of this rule. (Wells completed within one mile of the outer boundary of a defined oil pool producing from the same formation shall be governed by the provisions of this rule which are applicable to the pool.) The results of the test shall be reported to the ~~Commission~~ on Form C-116 within 10 days following completion of the test. The gas-oil ratio thus reported shall become effective for proration purposes on the first day of the calendar month following the date they are reported. Division

Each operator shall also take an annual gas-oil ratio test of each producing oil well, located within a pool not exempted from the requirements of this rule, during a period prescribed by the ~~Commission.~~ A gas-oil ratio survey schedule shall be established by the ~~Commission~~ setting forth the period in which gas-oil ratio tests are to be taken for each pool wherein a test is required. The gas-oil ratio test applicable shall be such test designated by the ~~Commission,~~ made by such method and means, and in such manner as the ~~Commission~~ in its discretion may prescribe from time to time. Division Division Division Division

(b) The results of gas-oil ratio tests taken during survey periods shall be filed with the ~~Commission~~ on Form C-116 not later than the 10th of the month following the close of the survey period for the pool in which the well is located. The gas-oil ratios thus reported shall become effective for proration purposes on the first day of the second month following the close of the survey period. Unless Form C-116 is filed within the required time limit, no further allowable will be assigned the affected well until Form C-116 is filed. Division

(c) In the case of special tests taken between regular gas-oil ratio surveys, the gas-oil ratio shall become effective for proration purposes upon the date Form C-116, reporting the results of such test, is received by the proration department. A special test does not exempt any well from the regular survey.

(d) During gas-oil ratio test, no well shall be produced at a rate exceeding top unit allowable for the pool in which it is located by more than 25 per cent. No well shall be assigned an allowable greater than the amount of oil produced on official tests during a 24-hour period.

(e) The ~~Secretary-Director of the Commission~~ shall have the authority to exempt such pools as he may deem proper from the gas-oil ratio test requirements of this rule. Such exemption shall be by executive order directed to all operators in the pool being exempted. Division Director

(f) The ~~Secretary-Director~~ shall have the authority to require annual productivity tests of all oil wells in pools exempt from gas-oil ratio tests, during a period prescribed by the ~~Commission.~~ An oil well productivity survey schedule shall be established by the ~~Commission~~ setting forth the period in which productivity tests are to be taken for each pool wherein such tests are required. Division Director Division Division

(g) The results of productivity tests taken during survey periods shall be filed with the ~~Commission~~ on Form C-116 (with the word "Exempt" inserted in the column normally used for reporting gas production) not later than the 10th of the month following the close of the survey period for the pool in which the well is located. Unless Form C-116 is filed within the required time limit, no further allowable will be assigned the affected well until Form C-116 is filed. Division

(h) In the case of special productivity tests taken between regular test survey periods, which result in a change of allowable assigned to the well, the allowable change shall become effective upon the date the Form C-116 is received by the proration department. A special test does not exempt any well from the regular survey.

(i) During the productivity test, no well shall be produced at a rate exceeding top unit allowable for the pool in which it is located by more than 25 per cent. No well shall be assigned an allowable greater than the amount of oil produced on test during a 24-hour period.

RULE 302. SUBSURFACE PRESSURE TESTS

The operator shall make a subsurface pressure test on the discovery well of any new pool hereafter discovered, and shall report the results thereof to the ~~Commission~~ within 30 days after the completion of such discovery well. On or before December 1 of each Division

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

No "further extension," whether issued by the ~~Commission~~ Division or by the ~~Secretary-Director~~ 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.

RULE 203. WELLS TO BE USED FOR FRESH WATER

When the well to be plugged may safely be used as a fresh water well and such utilization is desired by the landowner, the well need not be filled above a sealing plug set below the fresh water formation, provided that written agreement for such use shall be secured from the landowner and filed with the ~~Commission~~ Division.

RULE 204. LIABILITY

The owner of any well drilled for oil or gas, or any seismic, core or other exploratory holes, whether cased or uncased, shall be responsible for the plugging thereof.

D - ABANDONMENT AND PLUGGING OF WELLS

RULE 201. NOTICE

Notice of intention to plug must be filed with the ~~Commission~~ Division by the owner or his agent prior to the commencement of plugging operations on Form C-103, Sundry Notices and Reports on Wells, which notice shall state the name and location of the well and the name of the operator. In the case of a newly completed dry hole, the operator may commence plugging by securing the approval of the ~~Commission~~ Division as to the method of plugging and the time plugging operations are to begin. He shall, however, file the regular notification form.

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.~~ Division 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~~ Division 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~~ Division 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~~ Division 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~~ Division to arrange for an inspection of the plugged well and the location by a ~~Commission~~ Division 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~~ Division. Such permit shall be for a period not to exceed one year and shall be requested from the appropriate District Office of the ~~Commission~~ Division 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~~ Division 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~~ Division 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~~ Division may at its option require the operator of the well to post with the ~~Commission~~ Division a one-well plugging bond for the well, in an amount determined by the ~~Commission~~ Division to be satisfactory to meet the particular requirements of the well.

The ~~Secretary-Director of the Commission~~ Division Director 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

IMMEDIATE NOTIFICATION. "Immediate Notification" shall be as soon as possible after discovery and shall be either in person or by telephone to the district office of the ~~Commission~~ Division district in which the incident occurs, or if the incident occurs after normal business hours, to the District Supervisor, the Oil and Gas Inspector, or the Deputy Oil and Gas Inspector. A complete written report ("Subsequent Notification") of the incident shall also be submitted in duplicate to the appropriate district office of the ~~Commission~~ Division within ten days after discovery of the incident.

SUBSEQUENT NOTIFICATION. "Subsequent Notification" shall be a complete written report of the incident and shall be submitted in duplicate to the district office of the ~~Commission~~ Division district in which the incident occurred within ten days after discovery of the incident.

CONTENT OF NOTIFICATION. All reports of fires, breaks, leaks, spills, or blowouts, whether verbal or written, shall identify the location of the incident by quarter-quarter, section, township, and range, and by distance and direction from the nearest town or prominent landmark so that the exact site of the incident can be readily located on the ground. The report shall specify the nature and quantity of the loss and also the general conditions prevailing in the area, including precipitation, temperature, and soil conditions. The report shall also detail the measures that have been taken and are being taken to remedy the situation reported.

WATERCOURSE, for the purpose of this rule, is defined as any lake-bed or gully, draw, stream bed, wash, arroyo, or natural or man-made channel through which water flows or has flowed.

RULE 117. WELL LOG, COMPLETION AND WORKOVER REPORTS

Within 20 days after the completion of a well drilled for oil or gas, or the recompletion of a well into a different common source of supply, a completion report shall be filed with the ~~Commission~~ Division on Form C-105. For the purpose of this rule, any hole drilled or cored below fresh water or which penetrates oil or gas-bearing formations or which is drilled by an "owner" as defined herein shall be presumed to be a well drilled for oil or gas.

The ~~Commission~~ shall be notified of any fire, break, leak, spill, or blowout occurring Divisio at any injection or disposal facility or at any oil or gas drilling, producing, transporting, or processing facility in the State of New Mexico by the person operating or controlling such facility.

"Facility," for the purpose of this rule, shall include any oil or gas well, any injection or disposal well, and any drilling or workover well; any pipe line through which crude oil, condensate, casinghead or natural gas, or injection or disposal fluid (gaseous or liquid) is gathered, piped, or transported (including field flow-lines and lead-lines but not including natural gas distribution systems); any receiving tank, holding tank, or storage tank, or receiving and storing receptacle into which crude oil, condensate, injection or disposal fluid, or casinghead or natural gas is produced, received, or stored; any injection or disposal pumping or compression station including related equipment; any processing or refining plant in which crude oil, condensate, or casinghead or natural gas is processed or refined; and any tank or drilling pit or slush pit associated with oil or gas well or injection or disposal well drilling operations or any tank, storage pit, or pond associated with oil or gas production or processing operations or with injection or disposal operations and containing hydrocarbons or hydrocarbon waste or residue, salt water, strong caustics or strong acids, or other deleterious chemicals or harmful contaminants.

Notification of such fire, break, leak, spill, or blowout shall be in accordance with the provisions set forth below:

1. Well Blowouts. Notification of well blowouts and/or fires shall be "immediate notification" described below. ("Well blowout" is defined as being loss of control over and subsequent eruption of any drilling or workover well, or the rupture of the casing, casinghead, or wellhead of any oil or gas well or injection or disposal well, whether active or inactive, accompanied by the sudden emission of fluids, gaseous or liquid, from the well.)

2. "Major" Breaks, Spills, or Leaks. Notification of breaks, spills, or leaks of 25 or more barrels of crude oil or condensate, or 100 barrels or more of salt water, none of which reaches a watercourse or enters a stream or lake; breaks, spills, or leaks in which one or more barrels of crude oil or condensate or 25 barrels or more of salt water does reach a watercourse or enters a stream or lake; and breaks, spills, or leaks of hydrocarbons or hydrocarbon waste or residue, salt water, strong caustics or strong acids, gases, or other deleterious chemicals or harmful contaminants of any magnitude which may with reasonable probability endanger human health or result in substantial damage to property, shall be "immediate notification" described below.

3. "Minor" Breaks, Spills, or Leaks. Notification of breaks, spills, or leaks of 5 barrels or more but less than 25 barrels of crude oil or condensate, or 25 barrels or more but less than 100 barrels of salt water, none of which reaches a watercourse or enters a stream or lake, shall be "subsequent notification" described below.

4. Gas Leaks and Gas Line Breaks. Notification of gas leaks from any source or of gas pipe line breaks in which natural or casinghead gas of any quantity has escaped or is escaping which may with reasonable probability endanger human health or result in substantial damage to property shall be "immediate notification" described below. Notification of gas pipe line breaks or leaks in which the loss is estimated to be 1000 or more MCF of natural or casinghead gas but in which there is no danger to human health nor of substantial damage to property shall be "subsequent notification" described below.

5. Tank Fires. Notification of fires in tanks or other receptacles caused by lightning or any other cause, if the loss is, or it appears that the loss will be, 25 or more barrels of crude oil or condensate, or fires which may with reasonable probability endanger human health or result in substantial damage to property, shall be "immediate notification" as described below. If the loss is, or it appears that the loss will be at least 5 barrels but less than 25 barrels, notification shall be "subsequent notification" described below.

6. Drilling Pits, Slush Pits, and Storage Pits and Ponds. Notification of breaks and spills from any drilling pit, slush pit, or storage pit or pond in which any hydrocarbon or hydrocarbon waste or residue, strong caustic or strong acid, or other deleterious chemical or harmful contaminant endangers human health or does substantial surface damage, or reaches a watercourse or enters a stream or lake in such quantity as may with reasonable probability endanger human health or result in substantial damage to such watercourse, stream, or lake, or the contents thereof, shall be "immediate notification" as described below. Notification of breaks or spills of such magnitude as to not endanger human health, cause substantial surface damage, or result in substantial damage to any watercourse, stream, or lake, or the contents thereof, shall be "subsequent notification" described below, provided however, no notification shall be required where there is no threat of any damage resulting from the break or spill.

of the separate zones, and the log of the well if the same has not been previously submitted.

RULE 112-B. BRADENHEAD GAS WELLS

(a) The production of gas from a bradenhead gas well may be permitted only by order of the ~~Commission~~ Division upon hearing, except as noted by the provisions of paragraph (c) of this rule.

(b) The application for such hearings shall be sumitted in triplicate and shall include an exhibit showing the location of all wells on applicant's lease and all offset wells on offset leases, together with a diagrammatic sketch showing the casing program, formation tops, estimated top of cement on each casing string run and any other pertinent data, including drill stem tests.

(c) The ~~Secretary of the Commission~~ Division Director shall have authority to grant an exception to the requirements of paragraph (a) above without notice and hearing where application has been filed in due form, and when the lowermost producing zone involved in the completion is an oil or gas producing zone within the defined limits of an oil or gas pool and the producing zone to be produced through the bradenhead connection is a gas producing zone within the defined limits of a gas pool.

Applicants shall furnish all operators who offset the lease upon which the subject well is located a copy of the application to the ~~Commission~~ Division, and applicant shall include with his application a written stipulation that all offset operators have been properly notified. The ~~Secretary of the Commission~~ Division Director shall wait at least 10 days before approving the production of gas from the bradenhead gas well, and shall approve such production only in the absence of objection from any offset operator. In the event an operator objects to the completion the ~~Commission~~ shall consider the matter only after proper notice and hearing.

The ~~Commission~~ Division Director may waive the 10-day waiting period requirement if the applicant furnishes the ~~Commission~~ Division with the written consent to the production of gas from the bradenhead connection by all offset operators involved.

This rule shall apply only to wells hereinafter completed as bradenhead gas wells.

RULE 113. SHOOTING AND CHEMICAL TREATMENT OF WELLS

If injury results to the producing formation, casing or casing seat from shooting or treating a well, the operator shall proceed with diligence to use the appropriate method and means for rectifying such damage. If shooting or chemical treating results in irreparable injury to the well the ~~Commission~~ Division may require the operator to properly plug and abandon the well.

RULE 114. SAFETY REGULATIONS

(a) All oil wells shall be cleaned into a pit or tank, not less than 40 feet from the derrick floor and 150 feet from any fire hazard. All flowing oil wells must be produced through an oil and gas separator of ample capacity and in good working order. No boiler or portable electric lighting generator shall be placed or remain nearer than 150 feet to any producing well or oil tank. Any rubbish or debris that might constitute a fire hazard shall be removed to a distance of at least 150 feet from the vicinity of wells and tanks. All waste shall be burned or disposed of in such manner as to avoid creating a fire hazard.

(b) When coming out of the hole with drill pipe, drilling fluid shall be circulated until equalized and subsequently drilling fluid level shall be maintained at a height sufficient to control subsurface pressures. During course of drilling blowout preventors shall be tested at least once each 24-hour period.

RULE 115. WELL AND LEASE EQUIPMENT

Christmas tree fittings or wellhead connections shall be installed and maintained in first class condition so that all necessary pressure tests may easily be made on flowing wells. On oil wells the Christmas tree fittings shall have a test pressure rating at least equivalent to the calculated or known pressure in the reservoir from which production is expected. On gas wells the Christmas tree fittings shall have a test pressure equivalent to at least 150 per cent of the calculated or known pressure in the reservoir from which production is expected.

Valves shall be installed and maintained in good working order to permit pressures to be obtained on both casing and tubing. Each flowing well shall be equipped to control properly the flowing of each well, and in case of an oil well, shall be produced into an oil and gas separator of a type generally used in the industry.

RULE 116. NOTIFICATION OF FIRE, BREAKS, LEAKS, SPILLS, AND BLOWOUTS.

Application for administrative approval of a multiple completion shall be made in QUADRUPLICATE, with two copies of the application to be mailed to the ~~Commission's~~ Santa Fe Division's Office, and two copies to the District Office for the area in which the well is located. Application shall be made on the ~~Commission~~ Form C-107, Application for Multiple Completion, Division and shall be accompanied by the following:

(a) Diagrammatic Sketch of the Multiple Completion, showing all casing strings, including diameters and setting depths, centralizers and/or turbolizers and location thereof, quantities used and top of cement, perforated intervals, tubing strings, including diameters and setting depth, location of packers, side door chokes, and such other information as may be pertinent.

(b) Plat showing the location of all wells on applicant's lease, all offset wells on offset leases, and the names and addresses of operators of all leases offsetting applicant's lease.

(c) Waivers consenting to such multiple completion from each offset operator, or in lieu thereof, evidence that said offset operators have been furnished copies of the application.

(d) Electrical log of the well or other acceptable log with tops and bottoms of producing zones and intervals of perforation indicated thereon. (If such log is not available at the time application is filed, it shall be submitted as hereinafter provided.)

The ~~Secretary-Director~~ may approve the multiple completion if, after a period of 20 days (Division Director following the filing of the application, no operator has filed objection to the proposed multiple completion.

V. Application for public hearing to authorize a multiple completion shall be made in TRI-Division's PLICATE to the ~~Commission's~~ Santa Fe Office. Application shall be made on the ~~Commission~~ Division Form C-107, Application for Multiple Completion, and shall set forth all material facts relative to the common sources of supply involved and the manner and method of completion proposed. Application shall be accompanied by an exhibit showing the location of all wells on applicant's lease and all offset wells on offset leases.

VI. All multiple completions, whether approved after hearing or by administrative procedure, shall be subject to the following rules:

(a) Prior to actual multiple completion of a well, operator shall make adequate pressure tests of the casing to determine that no casing leaks exist. Results of casing tests shall be reported to the ~~Commission~~ on Form C-103. Division

(b) The well shall be completed and thereafter produced in such a manner that there will be no commingling of hydrocarbons from the separate strata.

(c) The operator shall commence a segregation test and/or packer-leakage test not later than seven (7) days after actual multiple completion of the well. Segregation tests and/or packer-leakage tests shall also be made any time the packer is disturbed and at such other intervals as the ~~Commission~~ may Division prescribe. The operator shall also make all other tests and determinations Division. deemed necessary by the ~~Commission~~. The ~~Commission~~ shall be notified of the Division time such tests are to be commenced and tests may be witnessed by the ~~Commission~~ Division at its election. Representatives of offset operators may witness such tests at their election and shall advise the producer in writing if they desire to be notified when such tests are to be conducted. Results of such tests shall be filed with the ~~Commission~~ within fifteen (15) days after Division the completion of tests; provided, however, that in the event a segregation test or packer-leakage test indicates that there is communication between the separate strata, the operator shall immediately notify the ~~Commission~~ Division and commence remedial action on the well.

(d) A packer setting report shall accompany the report of the initial segregation test and packer-leakage test, if applicable.

(e) The well shall be so equipped that reservoir pressures may be determined for each of the separate strata and further be so equipped that meters may be installed and the gas, oil and gas, and oil produced from each of the separate strata may be accurately measured, and the gas-oil ratio or the gas-liquid ratio thereof determined.

(f) Within 15 days after the completion of the well, the operator shall furnish the ~~Commission~~ with a diagrammatic sketch of the mechanical installation Division which was actually used in completing the well together with a report of the gravity, gas-oil ratio or gas-liquid ratio, and reservoir pressure for each

(a) The ~~Commission~~ has previously authorized the similar multiple completion of Division
a well in the same common sources of supply as proposed, after notice and hearing; provided however, that in Rio Arriba, San Juan, Sandoval, and McKinley Counties, a proposed multiple completion may be approved if the ~~Commission~~ has previously authorized the similar multiple Division
completion of a well in the same formations as proposed, after notice and hearing; and

(b) The applicant proposes to utilize one of the mechanical installations described below:

(1) The well is to be completed as a gas-gas dual or as a gas-gas-gas triple and the hydrocarbons from each of the zones can be safely and efficiently produced through parallel strings of tubing or a combination of tubing string(s) and the tubing-casing annulus.

(2) The well is to be completed as an oil-oil dual or as an oil-oil-oil triple and the hydrocarbons from each of the zones can be safely and efficiently produced through parallel strings of tubing.

(3) The well is to be completed as a combination oil and gas multiple completion and the hydrocarbons from each oil zone can be safely and efficiently produced through parallel strings of tubing and the hydrocarbons from each gas zone can be safely and efficiently produced through parallel string(s) of tubing or through a combination of tubing and the tubing-casing annulus; and

(c) All strings of tubing used for the production of oil in the proposed multiple completion will have a nominal inside diameter of not less than 1.670 inches nor greater than 2.50 inches; and

(d) The packer(s) used to segregate the separate zones of the multiple completion will be production-type packer(s) and shall effectively prevent communication between all producing zones.

III. MULTIPLE COMPLETIONS (TUBINGLESS AND COMBINATION)

The ~~Secretary-Director of the Commission~~ shall have the authority to grant an exception (Division Director)
to the requirements of Rule 112-A (I) and approve the multiple completion of a well without notice and hearing where application has been filed on Form C-107; and

(a) The ~~Commission~~ has previously authorized the similar multiple completion of Division
a well in the same common sources of supply as proposed, after notice and hearing; provided however, that in Rio Arriba, San Juan, Sandoval, and McKinley Counties, a proposed multiple completion may be approved if the Commission has previously authorized the similar multiple completion of a well in the same formations after notice and hearing; and

(b) The applicant proposes to employ one of the following methods of completion:

(1) Multiple Completion (Tubingless) utilizing two or more small diameter casing strings (2.875) inches OD or less), one to each common source of supply, all cemented in a common well-bore.

(2) Multiple Completion (Combination) utilizing a combination of small diameter (2.875 inches OD or less) and conventional diameter (greater than 2.875 inches) casing strings, all cemented in a common well-bore. Provided however, that if any conventional diameter casing in said multiple completion is used for the production of more than one common source of supply, the rules pertaining to Multiple Completions (Conventional) in Rule 112-A (II) above shall also apply; and

(c) Sufficient cement will be used in said multiple completion to extend throughout each pay and a minimum of 100 feet above; and

(d) Centralizers and/or turbolizers will be installed on each joint of casing throughout each pay and on a minimum of three joints above; and

(e) Directional perforating equipment will be used in perforating all intervals in any casing string in said multiple completion which intervals are in a zone through which one or more other casing strings pass.

(f) The requirements of paragraphs (c) and (d) may be modified for multiple completions within given common sources of supply and within a given area if, in the opinion of the ~~Secretary-Director,~~ circumstances warrant such modification. (Division Director)

IV. ADMINISTRATIVE PROCEDURE

underground waste. If such hazard of waste cannot be eliminated, the well shall be properly plugged and abandoned.

RULE 109. BLOWOUT PREVENTION (See Rule 114 (b) also)

(a) Blowout preventers shall be installed and maintained in good working order on all drilling rigs operating in areas of known high pressures at or above the projected depth of the well and in all areas where pressures which will be encountered are unknown, and on all workover rigs working on wells in which high pressures are known to exist.

(b) Blowout preventers shall be installed and maintained in good working order on all drilling rigs and workover rigs operating within the corporate limits of any city, town, or village, or within 1320 feet of a habitation, school, or church, wherever located.

(c) All operators, when filing Form C-101, Application for Permit to Drill, Deepen, or Plug Back, or Form C-103, Sundry Notices, for any operation requiring blowout prevention equipment in accordance with Sections (a) and (b) above, shall submit a proposed blowout prevention program for the well. The program as submitted may be modified by the District Supervisor if, in his judgment, such modification is necessary.

RULE 110. PULLING OUTSIDE STRINGS OF CASING

In pulling outside strings of casing from any oil or gas well, the space outside the casing left in the hole shall be kept and left full of mud-laden fluid or cement of adequate specific gravity to seal off all fresh and salt water strata and any strata bearing oil or gas not producing.

RULE 111. DEVIATION TESTS AND DIRECTIONAL DRILLING

(a) Any well which is drilled or deepened with rotary tools shall be tested at reasonably frequent intervals to determine the deviation from the vertical. Such tests shall be made at least once each 500 feet or at the first bit change succeeding 500 feet. A tabulation of all deviation tests run, sworn to and notarized, shall be filed with Form C-104, Request for Allowable and Authorization to Transport Oil and Natural Gas. When the deviation averages more than five degrees in any 500-foot interval, ~~the Secretary-Director of the Commission~~ may require that a directional survey be run to establish the location of the producing interval(s). Division Director

The ~~Secretary-Director of the Commission~~, at the request of an offset operator, may require any operator to make a directional survey of any well. Said directional survey and all associated costs shall be at the expense of the requesting party and shall be secured in advance by a $5,000.00 indemnity bond posted with and approved by the ~~Commission~~. The requesting party may designate the well survey company, and said survey shall be witnessed by the ~~Commission~~. Division Director Division Division

(b) No well shall be intentionally deviated without special permission from the ~~Commission~~. Permission to deviate toward the vertical to straighten a crooked hole, to deviate toward the vertical or in an indeterminate direction to sidetrack junk in the hole, or to drill a relief well to control a blow-out shall be obtained from the appropriate District Office of the ~~Commission~~ on ~~Commission~~ Form C-103 with copies of said Form C-103 being furnished to all offset operators. Permission to deviate a well in any other manner or for any other reason will be granted only after notice and hearing. Upon request from the ~~Secretary-Director of the Commission~~, any well which was deviated in an indeterminate direction or toward the vertical shall be directionally surveyed. In addition, a directional survey of the entire well bore must be made on any well which was deviated in a predetermined direction, except toward the vertical. The District Office of the ~~Commission~~ shall be notified of the approximate time all directional surveys are to be conducted. All directional surveys run on any well which was intentionally deviated in any manner for any reason must be filed with the ~~Commission~~ upon completion of the well. The ~~Commission~~ will not assign an allowable to a well until the operator has submitted an affidavit that all such directional surveys have been filed. Division Division Division Division Division Division Division Division

RULE 112-A. MULTIPLE COMPLETIONS

I. The multiple completion of any well may be permitted only by order of the ~~Commission~~ after notice and hearing, except as hereinafter provided. Multiple completion of any well without prior approval by the ~~Commission~~ shall be solely at the operator's risk and shall in no way commit the ~~Commission~~ to subsequent approval thereof. Division Division Division

II. MULTIPLE COMPLETIONS (CONVENTIONAL)

The ~~Secretary-Director of the Commission~~ shall have the authority to grant an exception to the requirements of Rule 112-A (I) and approve the dual or triple completion of a well to produce from more than one common source of supply without notice and hearing when application for such approval has been filed on Form C-107; and Division Director

Operators using the compressive strength criterion (Option 2) shall report the following information on Form C-103:

(1) Volume of cement slurry (cu. ft.) and brand name of cement and additives, percent additives used, and sequence of placement if more than one type cement slurry is used.

(2) Approximate temperature of cement slurry when mixed.

(3) Estimated minimum formation temperature in zone of interest.

(4) Estimate of cement strength at time of casing test.

(5) Actual time cement in place prior to starting test.

(c) All casing strings except conductor pipe shall be tested after cementing and before commencing any other operations on the well. Form C-103 shall be filed for each casing string reporting the grade and weight of pipe used. In the case of combination strings utilizing pipe of varied grades or weights, the footage of each grade and weight used shall be reported. The results of the casing test, including actual pressure held on pipe and the pressure drop observed shall also be reported on the same Form C-103.

(1) Casing strings in wells drilled with rotary tools shall be pressure tested. Minimum casing test pressure shall be approximately one-third of the manufacturer's rated internal yield pressure except that the test pressure shall not be less than 600 pounds per square inch and need not be greater than 1500 pounds per square inch. In cases where combination strings are involved, the above test pressures shall apply to the lowest pressure rated casing used. Test pressures shall be applied for a period of 30 minutes. If a drop of more than 10 percent of the test pressure should occur, the casing shall be considered defective and corrective measures shall be applied.

(2) Casing strings in wells drilled with cable tools may be tested as outlined in sub-paragraph (c) (1) above, or by bailing the well dry in which case the hole must remain satisfactorily dry for a period of at least one (1) hour before commencing any further operations on the well.

(d) Requirements for tubing of wells are as follows:

(1) All flowing oil wells equipped with casing larger in size than 2 7/8-inch OD shall be tubed.

(2) All gas wells equipped with casing larger in size than 2 7/8-inch OD shall be tubed.

(3) Tubing shall be set as near the bottom as practical and tubing perforations shall not be more than 250 feet above the top of the pay.

(4) The ~~Secretary-Director of the Commission~~ Division Director may, upon proper application, grant administrative exceptions to the provisions of sub-paragraphs (2) and (3) above, without notice and hearing, provided waste will not be caused thereby.

(e) The ~~Commission's~~ Division's District Supervisors or their representatives shall have authority to approve tubingless completions without the necessity of administrative approval or notice and hearing when the following conditions exist:

(1) The well is to be completed with a total depth of 5,000 feet or less,

(2) The well is not a wildcat (it is not more than one mile from an existing well producing from the same common source of supply to which it is projected),

(3) No known corrosive or pressure problems exist which might make the tubingless method of completion undesirable,

(4) The well will not be a dual completion,

(5) The tubing used as a substitute for casing will be either 2 3/8-inch OD or 2 7/8-inch OD.

RULE 108. DEFECTIVE CASING OR CEMENTING

In any well that appears to have a defective casing program or faultily cemented or corroded casing which will permit or may create underground waste, the operator shall proceed with diligence to use the appropriate method and means to eliminate such hazard of

~~feet above the uppermost perforation or, in the case of an open-hole completion~~ feet above the production casing shoe.

All casing strings shall be tested and proved satisfactory as provided in paragraph (c) below.

(b) After cementing, but before commencing tests required in paragraph (c) below, all casing strings shall stand cemented in accordance with Option 1 or 2 below. Regardless of which option is taken, the casing shall remain stationary and under pressure for at least eight hours after the cement has been placed. Casing shall be "under pressure" if some acceptable means of holding pressure is used or if one or more float valves are employed to hold the cement in place.

OPTION 1

Allow all casing strings to stand cemented a minimum of eighteen (18) hours prior to commencing tests. Operators using this option shall report on Form C-103 the actual time the cement was in place before initiating tests.

OPTION 2

(May be used in the counties of San Juan, Rio Arriba, McKinley, Sandoval, Lea, Eddy, Chaves, and Roosevelt only.) Allow all casing strings to stand cemented until the cement has reached a compressive strength of at least 500 pounds per square inch in the "zone of interest" before commencing tests, provided however, that no tests shall be commenced until the cement has been in place for at least eight (8) hours.

The "zone of interest" for surface and intermediate casing strings shall be the bottom 20 percent of the casing string, but shall be no more than 1000 feet nor less than 300 feet of the bottom part of the casing unless the casing is set at less than 300 feet. The "zone of interest" for production casing strings shall include the interval or intervals where immediate completion is contemplated.

To determine that a minimum compressive strength of 500 pounds per square inch has been attained, operators shall use the typical performance data for the particular cement mix used in the well, at the minimum temperature indicated for the zone of interest by Figure 107-A, Temperature Gradient Curves. Typical performance data used shall be that data furnished by the cement manufacturer or by a competent materials testing agency, as determined in accordance with the latest edition of API Code RP 10 B "Recommended Practice for Testing Oil-Well Cements."

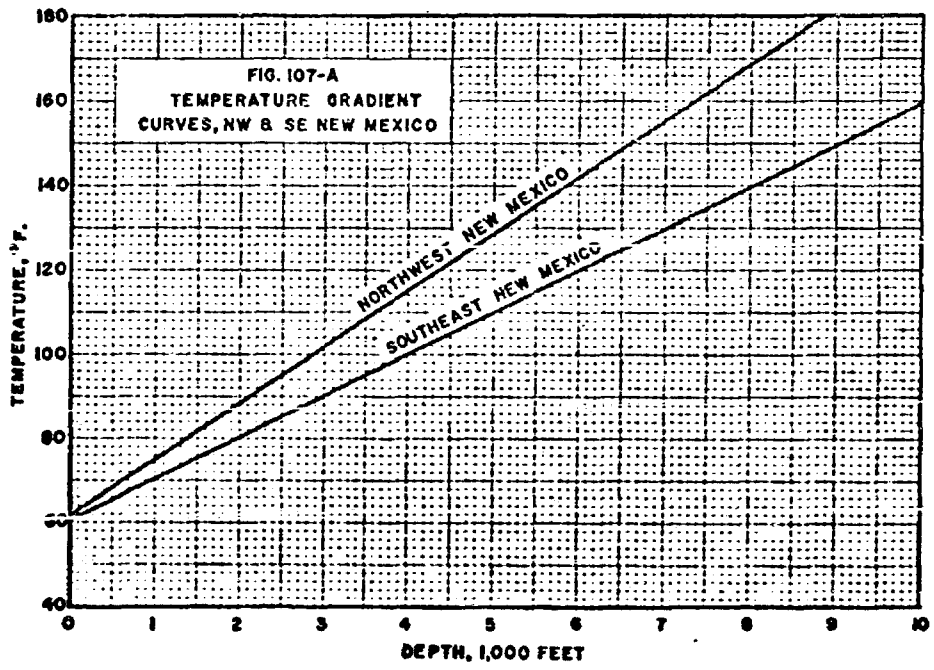


Figure 107-A

a written statement that all offset operators have been properly notified. Offset operators shall include only those operators who have offset properties within the State of New Mexico. The ~~Commission~~ Division shall wait at least ten days before approving such pooling, and shall approve such pooling only in the absence of objection by any offset operator. In the event that an operator objects to the pooling, the ~~Commission~~ Division shall consider the matter only after proper notice and hearing.

The ~~Commission~~ Division may waive the ten-day waiting period requirement if the applicant furnishes the ~~Commission~~ Division with the written consent to the pooling by all offset operators involved.

The ~~Commission~~ Division may consider that the requirements of subparagraphs 2 and 3 of paragraph M of this rule have been fulfilled if the applicant furnishes with each copy of each application to the ~~Commission~~ Division a copy of an executed pooling agreement communitizing the units involved.

Each well drilled on any communitized tract shall be located in the approximate geographical center of the combined units with a tolerance of 150 feet for topographical conditions, but in any event shall not be located closer than 330 feet to the outer boundaries of the proposed proration unit or communitized tract.

RULE 105. PIT FOR CLAY, SHALE, AND DRILL CUTTINGS

In order to assure a supply of proper material for mud-laden fluid to confine oil, gas, or water to their native strata during the drilling of any well, operators shall provide before drilling is commenced an adequate pit for the accumulation of drill cuttings.

RULE 106. SEALING OFF STRATA

(a) During the drilling of any oil or natural gas well, all oil, gas, and water strata above the producing horizon shall be sealed or separated in order to prevent their contents from passing into other strata.

(b) All fresh waters and waters of present or probable value for domestic, commercial, or stock purposes shall be confined to their respective strata and shall be adequately protected by methods approved by the ~~Commission~~ Division. Special precautions by methods satisfactory to the ~~Commission~~ Division shall be taken in drilling and abandoning wells to guard against any loss of artesian water from the strata in which it occurs, and the contamination of artesian water by objectionable water, oil, or gas.

(c) All water shall be shut off and excluded from the various oil and gas bearing strata which are penetrated. Water shut-offs shall ordinarily be made by cementing casing.

RULE 107. CASING AND TUBING REQUIREMENTS

(a) Any well drilled for oil or natural gas shall be equipped with such surface and intermediate casing strings and cement as may be necessary to effectively seal off and isolate all water-, oil-, and gas-bearing strata and other strata encountered in the well down to the casing point. In addition thereto, any well completed for the production of oil or natural gas shall be equipped with a string of properly cemented production casing at sufficient depth to ensure protection of all oil- and gas-bearing strata encountered in the well, including the one(s) to be produced.

Sufficient cement shall be used on surface casing to fill the annular space behind the casing to the top of the hole, provided however, that authorized field personnel of the ~~Commission~~ Division may, at their discretion, allow exceptions to the foregoing requirement when known conditions in a given area render compliance inpracticable.

All cementing shall be by pump and plug method unless some other method is expressly authorized by the ~~Commission~~ Division.

All cementing shall be with conventional-type hard-setting cements to which such additives (lighteners, densifiers, extenders, accelerators, retarders, etc.) have been added to suit conditions in the well.

Authorized field personnel of the ~~Commission~~ Division may, when conditions warrant, allow exceptions to the above paragraph and permit the use of oil-base casing packing material in lieu of hard-setting cements on intermediate and production casing strings; provided however, that when such materials are used on the intermediate casing string, conventional-type hard-setting cements shall be placed throughout all oil- and gas-bearing zones and throughout at least the lowermost 300 feet of the intermediate casing string. When such materials are used on the production casing string, conventional-type hard-setting cements shall be placed throughout all oil- and gas-bearing zones and shall extend upward a minimum of 500 feet above the uppermost perforation or, in the case of an open-hole completion, 500

(d) In lieu of paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of his intent to form such non-standard unit. ~~The Secretary-Director~~ may approve the application if no such operator has entered an objection to the formation of such non-standard unit within 30 days after the ~~Secretary-Director~~ has received the application. Director Director

E. Form C-101, Application for Permit to Drill, Deepen, or Plug Back for any well shall designate the exact legal subdivision allotted to the well and no Form C-101 will be approved by the ~~Commission~~ or any of its agents without such proper designation of acreage. Division

F. The ~~Secretary-Director of the Commission~~ shall have authority to grant an exception to the well location requirements of Sections B and C above without notice and hearing when the necessity for such unorthodox location is based upon topographical conditions or the recompletion of a well previously drilled to another horizon, provided said well was drilled at an orthodox location for such original horizon. (Division Director)

Applications for administrative approval of unorthodox locations shall be filed in triplicate and shall be accompanied by plats showing the ownership of all leases offsetting the proration or spacing unit for which the unorthodox location is sought, and also all wells completed thereon. If the proposed unorthodox location is based upon topography, the plat shall also show and describe the existent topographical conditions.

All operators of proration or spacing units offsetting the unit for which the unorthodox location is sought shall be notified of the application by certified or registered mail, and the application shall state that such notification has been given. The ~~Secretary~~ Director may approve the unorthodox location upon receipt of waivers from all offset operators or if no offset operator has entered an objection to the unorthodox location within 20 days after the ~~Secretary-Director~~ has received the application. Director

G. Whenever an exception is granted, the ~~Commission~~ may take such action as will offset any advantage which the person securing the exception may obtain over other producers by reason of the unorthodox location. Division

H. If the drilling tract is within an allocated oil pool or is placed within such allocated pool at any time after completion of the well and the drilling tract consists of less than 39 1/2 acres or more than 40 1/2 acres, the top unit allowable for such well shall be increased or decreased in the proportion that the number of acres in the drilling tract bears to 40.

I. If the drilling tract is within an allocated gas pool or is subsequently placed within an allocated gas pool, and the drilling tract consists of less than 158 acres or more than 162 acres in 160-acre pools, or less than 316 acres or more than 324 acres in 320-acre pools, the top allowable for such well shall be decreased or increased in the proportion that the number of acres in the drilling tract bears to a standard unit for the pool.

J. In computing acreage under H and I above, minor fractions of an acre shall not be counted but 1/2 acre or more shall count as 1 acre.

K. The provisions of H and I above shall apply only to wells completed after January 1, 1950. Nothing herein contained shall affect in any manner any well completed prior to the effective date of this rule and no adjustments shall be made in the allowable production for any such wells by reason of these rules.

L. In order to prevent waste the ~~Commission~~ may, after notice and hearing, fix different spacing requirements and require greater acreage for drilling tracts in any defined oil pool or in any defined gas pool notwithstanding the provisions of B and C above. Division

M. The ~~Commission~~ may approve the pooling or communitization of fractional lots of 20.49 acres or less with another oil proration unit when: Division

1. The units involved are contiguous;

2. They are part of the same basic lease, carrying the same royalty interest; and

3. The ownership of the units involved is common.

Application to the ~~Commission~~ for pooling shall be accompanied by three (3) copies of a certified plat showing the dimensions and acreage involved in the pooling, the ownership of all leases and royalty interests involved, and the location of any proposed wells. Division

Applicant shall furnish all operators who directly and diagonally offset the units involved a copy of the application to the ~~Commission,~~ and shall include with his application Division,

defined by the ~~Commission~~ after June 1, 1964, shall be located on a designated drilling tract consisting of 320 surface contiguous acres, more or less, comprising any two contiguous quarter sections of a single governmental section, being a legal subdivision of the U. S. Public Land Surveys. Any such well having more than 160 acres dedicated to it shall be located not closer than 660 feet to the nearest side boundary of the dedicated tract nor closer than 1980 feet to the nearest end boundary nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary. (For the purpose of this rule, "side" boundary and "end" boundary are as defined in Section B I(a) of this rule.) Division

(b) San Juan, Rio Arriba, and Sandoval Counties

Unless otherwise provided in special pool rules, each development well for a defined gas pool shall be located on a designated drilling tract consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section, being a legal subdivision of the U. S. Public Land Surveys, and shall be located not closer than 790 feet to any outer boundary of the tract nor closer than 130 feet to any quarter-quarter section line or subdivision inner boundary.

(c) All Counties except Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba, and Sandoval

Unless otherwise provided in special pool rules, each development well for a defined gas pool shall be located on a designated drilling tract consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section, being a legal subdivision of the U. S. Public Land Surveys, and shall be located not closer than 660 feet to any outer boundary of such tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary nor closer than 1320 feet to the nearest well drilling to or capable of producing from the same pool.

D. ACREAGE ASSIGNMENT, COMPLETED WELLS

I. Well Tests and Classification

It shall be the responsibility of the operator of any wildcat gas well or development gas well to which more than 40 acres has been dedicated to conduct a potential test within 30 days following completion of the well and to file the same with the ~~Commission~~ Division within 10 days following completion of the tests. (See Rule 401.)

Date of completion for a gas well shall be the date a Christmas tree is installed or 30 days following conclusion of active completion work on the well, whichever date comes first.

Upon making a determination that the well should not properly be classified as a gas well, the ~~Commission~~ Division will reduce the acreage dedicated to the well.

Failure of the operator to file the aforesaid tests within the specified time will also subject the well to such acreage reduction.

II. Non-Standard Units

Any completed gas well which does not have the required amount of acreage dedicated to it for the pool or formation in which it is completed may not be produced until a standard unit for the well has been formed and dedicated or until a non-standard unit has been approved.

The ~~Secretary-Director of the Commission~~ Division Director may grant administrative approval to non-standard gas units without notice and hearing when an application has been filed for a non-standard unit and the unorthodox size or shape of the unit is necessitated by a variation in the legal subdivision of the U. S. Public Land Surveys, or the following facts exist and the following provisions are complied with:

(a) The non-standard unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side.

(b) The non-standard unit lies wholly within a single governmental quarter section if the well is completed in a pool or formation for which 160 acres is the standard unit size or wholly within a single governmental half section if the well is completed in a pool or formation for which 320 acres is the standard unit size.

(c) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the quarter section (for 160-acre pools or formations) or the half section (for 320-acre pools or formations) in which the non-standard unit is situated and which acreage is not included in said non-standard unit.

In the event gas production is encountered in a well which was projected as an oil well and which is located accordingly but does not conform to the above gas well location rule, it shall be necessary for the operator to bring the matter to a hearing before approval for the production of gas can be given.

II. San Juan, Rio Arriba, and Sandoval Counties

(a) Wildcat Gas Wells

In San Juan, Rio Arriba, and Sandoval Counties, a wildcat well which is projected to a gas-producing horizon shall be located on a designated drilling tract consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section, being a legal subdivision of the U. S. Public Land Surveys, and shall be located not closer than 790 feet to any outer boundary of the tract nor closer than 130 feet to any quarter-quarter section or subdivision inner boundary.

In the event oil production is encountered in a well which was projected to a gas-producing horizon and which is located accordingly but does not conform to the oil well location rule below, it shall be necessary for the operator to bring the matter to a hearing before approval for the production of oil can be given.

(b) Wildcat Oil Wells

A wildcat well which is projected to an oil-producing horizon as recognized by the ~~Commission~~ Division shall be located on a tract consisting of approximately 40 surface contiguous acres substantially in the form of a square which is a legal subdivision of the U. S. Public Land Surveys, or on a governmental quarter-quarter section or lot, and shall be located not closer than 330 feet to any boundary of such tract.

In the event gas production is encountered in a well which was projected to an oil-producing horizon and which is located accordingly but does not conform to the above gas well location rules, it shall be necessary for the operator to bring the matter to a hearing before approval for the production of gas can be given.

III. All counties except Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba, and Sandoval

Any wildcat well in any county other than Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba, and Sandoval shall be located on a tract consisting of approximately 40 surface contiguous acres substantially in the form of a square which is a legal subdivision of the U. S. Public Land Surveys, or on a governmental quarter-quarter section or lot and shall be located not closer than 330 feet to any boundary of such tract.

C. ACREAGE AND WELL LOCATION REQUIREMENTS FOR DEVELOPMENT WELLS

I. Oil Wells, All Counties

Unless otherwise provided in special pool rules, each development well for a defined oil pool shall be located on a tract consisting of approximately 40 surface contiguous acres substantially in the form of a square which is a legal subdivision of the U. S. Public Land Surveys, or on a governmental quarter-quarter section or lot, and shall be located not closer than 330 feet to any boundary of such tract nor closer than 330 feet to the nearest well drilling to or capable of producing from the same pool, provided however, only tracts committed to active secondary recovery projects shall be permitted more than four wells.

II. Gas Wells

(a) Lea, Chaves, Eddy, and Roosevelt Counties

Unless otherwise provided in special pool rules, each development well for a defined gas pool in a formation younger than the Wolfcamp formation, or in the Wolfcamp formation which was created and defined by the ~~Commission~~ Division prior to November 1, 1975, or in a Pennsylvanian age or older formation which was created and defined by the ~~Commission~~ Division prior to June 1, 1964, shall be located on a designated drilling tract consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section being a legal subdivision of the U. S. Public Land Surveys, and shall be located not closer than 660 feet to any outer boundary of such tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary nor closer than 1320 feet to the nearest well drilling to or capable of producing from the same pool.

Unless otherwise provided in the special pool rules, each development well for a defined gas pool in the Wolfcamp formation which was created and defined by the ~~Commission~~ Division after November 1, 1975, or of Pennsylvanian age or older which was created and

defined by the ~~Commission~~ after June 1, 1964, shall be located on a designated drilling tract consisting of 320 surface contiguous acres, more or less, comprising any two contiguous quarter sections of a single governmental section, being a legal subdivision of the U. S. Public Land Surveys. Any such well having more than 160 acres dedicated to it shall be located not closer than 660 feet to the nearest side boundary of the dedicated tract nor closer than 1980 feet to the nearest end boundary nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary. (For the purpose of this rule, "side" boundary and "end" boundary are as defined in Section B I(a) of this rule.) Division

(b) San Juan, Rio Arriba, and Sandoval Counties

Unless otherwise provided in special pool rules, each development well for a defined gas pool shall be located on a designated drilling tract consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section, being a legal subdivision of the U. S. Public Land Surveys, and shall be located not closer than 790 feet to any outer boundary of the tract nor closer than 130 feet to any quarter-quarter section line or subdivision inner boundary.

(c) All Counties except Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba, and Sandoval

Unless otherwise provided in special pool rules, each development well for a defined gas pool shall be located on a designated drilling tract consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section, being a legal subdivision of the U. S. Public Land Surveys, and shall be located not closer than 660 feet to any outer boundary of such tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary nor closer than 1320 feet to the nearest well drilling to or capable of producing from the same pool.

D. ACREAGE ASSIGNMENT, COMPLETED WELLS

I. Well Tests and Classification

It shall be the responsibility of the operator of any wildcat gas well or development gas well to which more than 40 acres has been dedicated to conduct a potential test within 30 days following completion of the well and to file the same with the ~~Commission~~ Division within 10 days following completion of the tests. (See Rule 401.)

Date of completion for a gas well shall be the date a Christmas tree is installed or 30 days following conclusion of active completion work on the well, whichever date comes first.

Upon making a determination that the well should not properly be classified as a gas well, the ~~Commission~~ Division will reduce the acreage dedicated to the well.

Failure of the operator to file the aforesaid tests within the specified time will also subject the well to such acreage reduction.

II. Non-Standard Units

Any completed gas well which does not have the required amount of acreage dedicated to it for the pool or formation in which it is completed may not be produced until a standard unit for the well has been formed and dedicated or until a non-standard unit has been approved.

The ~~Secretary-Director of the Commission~~ Division Director may grant administrative approval to non-standard gas units without notice and hearing when an application has been filed for a non-standard unit and the unorthodox size or shape of the unit is necessitated by a variation in the legal subdivision of the U. S. Public Land Surveys, or the following facts exist and the following provisions are complied with:

(a) The non-standard unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side.

(b) The non-standard unit lies wholly within a single governmental quarter section if the well is completed in a pool or formation for which 160 acres is the standard unit size or wholly within a single governmental half section if the well is completed in a pool or formation for which 320 acres is the standard unit size.

(c) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the quarter section (for 160-acre pools or formations) or the half section (for 320-acre pools or formations) in which the non-standard unit is situated and which acreage is not included in said non-standard unit.

(b) No permit shall be approved for the drilling of any well within the corporate limits of any city, town, or village of this state unless notice of intention to drill such well has been given to the duly constituted governing body of such city, town or village or its duly authorized agent. Evidence of such notification shall accompany the application for a permit to drill (Form C-101).

RULE 103. SIGN ON WELLS

Every drilling and producible well shall be identified by a sign, posted on the derrick or not more than 20 feet from such well, and such sign shall be of durable construction and the lettering thereon shall be kept in a legible condition and shall be large enough to be legible under normal conditions at a distance of 50 feet. The wells on each lease or property shall be numbered in non-repetitive, logical and distinctive sequence. Each sign shall show the number of the well, the name of the lease (which shall be different or distinctive for each lease), the name of the leasee, owner or operator, and the location by quarter section, township and range. The location, for each sign posted after March 1, 1968, shall indicate the quarter-quarter section, township, and range.

RULE 104. WELL SPACING: ACREAGE REQUIREMENTS FOR DRILLING TRACTS

A. CLASSIFICATION OF WELLS: WILDCAT WELLS AND DEVELOPMENT WELLS

Any well which is to be drilled a distance of one mile or more from (1) the outer boundary of any defined pool which has produced oil or gas from the formation to which the well is projected, and (2) any other well which has produced oil or gas from the formation to which the proposed well is projected, shall be classified as a wildcat well.

Any well which is not a wildcat well as defined above shall be classified as a development well for the nearest pool which has produced oil or gas from the formation to which the well is projected. Any such development well shall be spaced, drilled, operated, and produced in accordance with the rules and regulations in effect in such nearest pool, provided the well is completed in the formation to which it was projected.

Any well classified as a development well for a given pool but which is completed in a producing horizon not included in the vertical limits of said pool shall be operated and produced in accordance with the rules and regulations in effect in the nearest pool within one mile which is producing from that horizon. If there is no designated pool for said producing horizon within one mile, the well shall be re-classified as a wildcat well.

B. ACREAGE AND WELL LOCATION REQUIREMENTS FOR WILDCATS

I. Lea, Chaves, Eddy and Roosevelt Counties

(a) Wildcat Gas Wells

In Lea, Chaves, Eddy, and Roosevelt Counties, a wildcat well which is projected as a gas well to a formation and in an area which, in the opinion of the engineer or supervisor approving the application to drill, may reasonably be presumed to be productive of gas rather than oil shall be located on a drilling tract consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section, being a legal subdivision of the U. S. Public Land Surveys, and shall be located not closer than 660 feet to any outer boundary of such tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary.

Provided however, that any such wildcat gas well which is projected to the Wolfcamp or older formations shall be located on a drilling tract consisting of 320 surface contiguous acres, more or less, comprising any two contiguous quarter sections of a single governmental section, being a legal subdivision of the U. S. Public Land Surveys. Any such "deep" wildcat gas well to which is dedicated more than 160 acres shall be located not closer than 660 feet to the nearest side boundary of the dedicated tract nor closer than 1980 feet to the nearest end boundary nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary. (For the purpose of this rule, "side" boundary is defined as one of the outer boundaries running lengthwise to the tract's greatest overall dimensions; "end" boundary is defined as one of the outer boundaries perpendicular to a side boundary and closing the tract across its least overall dimension.)

(b) Wildcat Oil Wells

In Lea, Chaves, Eddy, and Roosevelt Counties, a wildcat well which is not a wildcat gas well as defined above shall be located on a tract consisting of approximately 40 surface contiguous acres substantially in the form of a square which is a legal subdivision of the U. S. Public Land Surveys, or on a governmental quarter-quarter section or lot, and shall be located not closer than 330 feet to any boundary of such tract.

RULE 101. PLUGGING BOND

(a) Any person, firm, corporation, or association who has drilled or acquired, is drilling, or proposes to drill or acquire any oil, gas, or service well on privately owned or state owned lands within this state shall furnish to the ~~Commission~~ Division and obtain approval thereof, a surety bond running to the State of New Mexico, in a form prescribed by the ~~Commission~~ Division, and conditioned that the well be plugged and abandoned in compliance with the rules and regulations of the ~~Commission~~ Division. Such bond may be a one-well plugging bond or a blanket plugging bond. All bonds shall be executed by a responsible surety company authorized to do business in the State of New Mexico.

(b) Blanket plugging bonds shall be in the amount of fifty thousand dollars ($50,000) conditioned as above provided, covering all oil, gas, or service wells drilled, acquired or operated in this state by the principal on the bond.

One-well plugging bonds shall be in the amounts stated below in accordance with the depth and location of the well:

Chaves, Eddy, Lea, McKinley, Rio Arriba, Roosevelt, Sandoval, and San Juan Counties, New Mexico:

Projected Depth of Proposed Well or Actual Depth of Existing Well	Amount of Bond
Less than 5,000 feet	$ 5,000
5,000 feet to 10,000 feet	$ 7,500
More than 10,000 feet	$10,000

All Other Counties in the State:

Projected Depth of Proposed Well or Actual Depth of Existing Well	Amount of Bond
Less than 5,000 feet	$ 7,500
5,000 feet to 10,000 feet	$10,000
More than 10,000 feet	$12,500

Revised plans for an actively drilling well may be approved by the appropriate District Office of the ~~Commission~~ Division for drilling as much as 500 feet deeper than the normal maximum depth allowed on the well's bond. Any well to be drilled more than 500 feet deeper than the normal depth bracket must be covered by a new bond in the amount prescribed for the deeper depth bracket.

The bond requirement for any intentionally deviated well shall be determined by the well's measured depth, and not its true vertical depth.

(c) Any bond required by this rule is a plugging bond, not a drilling bond, and shall endure until any well drilled or acquired under such bond has been plugged and abandoned and such plugging and abandonment has been approved by the ~~Commission~~ Division, or has been covered by another bond approved by the ~~Commission~~ Division.

(d) Transfer of a property does not of itself release a bond. In the event of transfer of ownership of a well, the appropriate form, C-103 or C-104, properly executed, shall be filed with the District Office of the ~~Commission~~ Division in accordance with Rule 1103 or Rule 1104 by the new owner of the well. The District Office may approve the transfer providing that a new one-well bond covering the well, or a request that the well be covered by the new owner's blanket bond, has been approved by the Santa Fe office of the ~~Commission~~ Division.

Upon approval of the bond and the Form C-103 or C-104, the transferor is released of plugging responsibility for the well, and upon request, the original bond will be released. No blanket bond will be released, however, until all wells covered by the bond have been plugged and abandoned or transferred in accordance with the provisions of this rule.

(e) All bonds shall be filed with the Santa Fe office of the ~~Commission~~ Division, and approval of such bonds, as well as releases thereof, obtained from said office.

(f) All bonds required by these rules shall be conditioned for well plugging and location cleanup only, and not to secure payment for damages to livestock, range, water, crops, tangible improvements, nor any other purpose.

RULE 102. NOTICE OF INTENTION TO DRILL

(a) Prior to the commencement of operations, notice shall be delivered to the ~~Commission~~ Division of intention to drill any well for oil or gas or for injection purposes and approval obtained on Form C-101.

B - MISCELLANEOUS RULES

RULE 1. SCOPE OF RULES AND REGULATIONS

(a) The following General Rules of statewide application have been adopted by the Oil Conservation ~~Commission~~ to conserve the natural resources of the State of New Mexico, to prevent waste, and to protect correlative rights of all owners of crude oil and natural gas. Special rules, regulations and orders have been and will be issued when required and shall prevail as against General Rules, Regulations and Orders if in conflict therewith. However, whenever these General Rules do not conflict with special rules heretofore or hereafter adopted, these General Rules ~~will~~ apply. ~~in each case.~~

Division of the New... ico En... and ... eral ... Depart... ment

shall

(b) The ~~Commission~~ may grant exceptions to these rules after notice and hearing, when the granting of such exceptions will not result in waste but will protect correlative rights or prevent undue hardship.

Division

RULE 2. ENFORCEMENT OF LAWS, RULES AND REGULATIONS DEALING WITH CONSERVATION OF OIL AND GAS

The ~~Commission,~~ its agents, representatives and employees are charged with the duty and obligation of enforcing all rules and statutes of the State of New Mexico relating to the conservation of oil and gas. However, it shall be the responsibility of all the owners or operators to obtain information pertaining to the regulation of oil and gas before operations have begun.

Division

RULE 3. WASTE PROHIBITED

(a) The production or handling of crude petroleum oil or natural gas of any type or in any form, or the handling of products thereof, in such a manner or under such conditions or in such amount as to constitute or result in waste is hereby prohibited.

(b) All operators, contractors, drillers, carriers, gas distributors, service companies, pipe pulling and salvaging contractors, or other persons shall at all times conduct their operations in the drilling, equipping, operating, producing, plugging and abandonment of oil and gas wells in a manner that will prevent waste of oil and gas, and shall not wastefully utilize oil or gas, or allow either to leak or escape from a natural reservoir, or from wells, tanks, containers, pipe or other storage, conduit or operating equipment.

RULE 4. UNITED STATES GOVERNMENT LEASES

The ~~Commission~~ recognizes that all persons drilling on United States Government land shall comply with the United States government regulations. Such persons shall also comply with all applicable State rules and regulations which are not in conflict therewith. Copies of "Application for Permit to Drill, Deepen or Plug Back," (USGS Form No. 9-331C), "Sundry Notices and Reports on Wells," (USGS Form No. 9-331), and "Well Completion or Recompletion Report and Log," (USGS Form No. 9-330), for wells on U. S. Government land shall be furnished the ~~Commission~~ Division.

Division

RULE 5. CLASSIFYING AND DEFINING POOLS

The ~~Commission~~ will determine whether a particular well or pool is a gas or oil well, or a gas or oil pool, as the case may be, and from time to time classify and reclassify wells and name pools accordingly, and will determine the limits of any pool or pools producing crude petroleum oil or natural gas and from time to time redetermine such limits.

Division

RULE 6. FORMS UPON REQUEST

Forms for written notices, requests and reports required by the ~~Commission~~ will be furnished upon request.

Division

RULE 7. AUTHORITY TO COOPERATE WITH OTHER AGENCIES

The ~~Commission~~ may from time to time enter into arrangements with State and Federal governmental agencies, industry committees and individuals, with respect to special projects, services and studies relating to conservation of oil and gas.

Division

or wells, or incident to or resulting from the use of inefficient storage or from the production of crude petroleum oil or natural gas, in excess of the reasonable market demand.

(c) The production of crude petroleum oil in this state in excess of the reasonable market demand for such crude petroleum oil. Such excess production causes or results in waste which is prohibited by ~~Chapter 168, 1949 Session Laws.~~ the Oil and Gas Act. The words "reasonable market demand" as used herein with respect to crude petroleum oil, shall be construed to mean the demand for such crude petroleum oil for reasonable current requirements for current consumption and use within or outside of the state, together with the demand for such amounts as are reasonably necessary for building up or maintaining reasonable storage reserves of crude petroleum oil or the products thereof, or both such crude petroleum oil and products.

(d) The non-ratable purchase or taking of crude petroleum oil in this state. Such non-ratable taking and purchasing causes or results in waste, as defined in the subsections (a), (b), (c) of this section and causes waste by violating Section ~~12 (a), Chapter 168, 1949 Session Laws.~~ 65-3-13 of the Oil and Gas Act.

(e) The production in this state of natural gas from any gas well or wells, or from any gas pool, in excess of the reasonable market demand from such source for natural gas of the type produced or in excess of the capacity of gas transportation facilities for such type of natural gas. The words "reasonable market demand," as used herein with respect to natural gas, shall be construed to mean the demand for natural gas for reasonable current requirements, for current consumption and for use within or outside the state, together with the demand for such amounts as are necessary for building up or maintaining reasonable storage reserves of natural gas or products thereof, or both such natural gas and products.

single casing string, with the production from each common source of supply completely segregated by means of packers.

MULTIPLE COMPLETION (TUBINGLESS) shall mean a completion in which two or more common sources of supply are produced through an equal number of casing strings cemented in a common well-bore, each such string of casing having an outside diameter of 2.875 inches or less, with the production from each common source of supply completely segregated by use of cement.

NATURAL GAS OR GAS shall mean any combustible vapor composed chiefly of hydrocarbons occurring naturally in a pool classified by the ~~Commission~~ Division as a gas pool.

NON-MARGINAL UNIT shall mean a proration unit which is capable of producing top unit allowable for the pool in which it is located, and to which has been assigned a top unit allowable.

OFFICIAL GAS-OIL RATIO TEST shall mean the periodic gas-oil ratio test made by order of the Division ~~Commission and~~ by such method and means and in such manner as prescribed by the ~~Commission~~ Division.

OIL, CRUDE OIL, OR CRUDE PETROLEUM OIL shall mean any petroleum hydrocarbon produced from a well in the liquid phase and which existed in a liquid phase in the reservoir.

OIL WELL shall mean any well capable of producing oil and which is not a gas well as defined herein.

OPERATOR shall mean any person or persons who, duly authorized, is in charge of the development of a lease or the operation of a producing property.

OVERAGE OR OVERPRODUCTION shall mean the amount of oil or the amount of natural gas produced during a proration period in excess of the amount authorized on the proration schedule.

OWNER means the person who has the right to drill into and to produce from any pool, and to appropriate the production either for himself or for himself and another ~~(See: Sec. 26 (c), Chapter 168, 1949 Session Laws).~~

PENALIZED UNIT shall mean a proration unit to which, because of an excessive gas-oil ratio, an allowable has been assigned which is less than top unit allowable for the pool in which it is located and also less than the ability of the well(s) on the unit to produce.

PERSON means any natural person, corporation, association, partnership, receiver, trustee, guardian, executor, administrator and fiduciary of any kind ~~(See: Sec. 26 (a), Chapter 168, 1949 Session Laws).~~

POOL means any underground reservoir containing a common accumulation of crude petroleum oil or natural gas or both. Each zone of a general structure, which zone is completely separated from any other zone in the structure, is covered by the word "pool" as used herein. "Pool" is synonymous with "common source of supply" and with "common reservoir" ~~(See: Sec. 26 (b), Chapter 168, 1949 Session Laws).~~

POTENTIAL shall mean the properly determined capacity of a well to produce oil, or gas, or both, under conditions prescribed by the ~~Commission.~~ Division.

PRESSURE MAINTENANCE shall mean the injection of gas or other fluid into a reservoir, either to maintain the existing pressure in such reservoir or to retard the natural decline in the reservoir pressure.

PRODUCER shall mean the owner of a well or wells capable of producing oil or natural gas or both in paying quantities.

PRODUCT means any commodity or thing made or manufactured from crude petroleum oil or natural gas, and all derivatives of crude petroleum oil or natural gas, including refined crude oil, crude tops, topped crude, processed crude petroleum, residue from crude petroleum, cracking stock, uncracked fuel oil, treated crude oil, fuel oil, residuum, gas oil, naphtha, distillate, gasoline, kerosene, benzine, wash oil, waste oil, lubricating oil, and blends or mixtures of crude petroleum oil or natural gas or any derivative thereof ~~(See: Sec. 26 (d), Chapter 168, 1949 Session Laws).~~

PRORATION DAY shall consist of 24 consecutive hours which shall begin at 7 a.m. and end at 7 a.m. on the following day.

PRORATION MONTH shall mean the calendar month which shall begin at 7 a.m. on the first day of such month and end at 7 a.m. on the first day of the next succeeding month.

PRORATION PERIOD shall mean for oil the proration month and for gas the twelve-month period which shall begin at 7 a.m. January 1 of each year and end at 7 a.m. on January 1 of the succeeding year.

PRORATION SCHEDULE shall mean the order of the ~~Commission~~ Division authorizing the production, purchase, and transportation of oil, casinghead gas, and natural gas from the various units of oil or of natural gas in allocated pools.

RECOMPLETE shall mean the subsequent completion of a well in a different pool from the pool in which it was originally completed.

SECONDARY RECOVERY shall mean a method of recovering quantities of oil or gas from a reservoir which quantities would not be recoverable by ordinary primary depletion methods.

SHALLOW POOL shall mean a pool which has a depth range from 0 to 5000 feet.

SHORTAGE OR UNDERPRODUCTION shall mean the amount of oil or the amount of natural gas during a proration period by which a given proration unit failed to produce an amount equal to that authorized in the proration schedule.

SHUT-IN PRESSURE shall mean the gauge pressure noted at the wellhead when the well is completely shut in, not to be confused with bottom hole pressure.

TANK BOTTOMS shall mean that accumulation of hydrocarbon material and other substances which settles naturally below crude oil in tanks and receptacles that are used in handling and storing of crude oil, and which accumulation contains in excess of two (2%) percent of basic sediment and water; provided, however, that with respect to lease production and for lease storage tanks, a tank bottom shall be limited to that volume of the tank in which it is contained that lies below the bottom of the pipeline outlet thereto.

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.

TOP UNIT ALLOWABLE FOR GAS shall mean the maximum number of cubic feet of natural gas, for the proration period, allocated to a gas producing unit in an allocated gas pool.

TOP UNIT ALLOWABLE FOR OIL shall mean the maximum number of barrels of oil daily for each calendar month allocated on a proration unit basis in a pool to non-marginal units. The top unit allowable for a pool shall be determined by multiplying the applicable depth bracket allowable by the market demand percentage factor in effect.

TREATING PLANT shall mean any plant constructed for the purpose of wholly or partially or being used wholly or partially for reclaiming, treating, processing, or in any manner making tank bottoms or any other waste oil marketable.

TUBINGLESS COMPLETION shall mean a well completion in which the production string of casing has an outside diameter of 2.875 inches or less.

UNIT OF PRORATION FOR GAS shall consist of such multiples of 40 acres as may be prescribed by special pool rules issued by the ~~Commission.~~ Division.

UNIT OF PRORATION FOR OIL shall consist of one 40-acre tract or such multiples of 40-acre tracts as may be prescribed by special pool rules issued by the ~~Commission~~. Division.

UNORTHODOX WELL LOCATION shall mean a location which does not conform to the spacing requirements established by the rules and regulations of the ~~Commission.~~ Division

WASTE, in addition to its ordinary meaning, shall include:

(a) Underground Waste as those words are generally understood in the oil and gas business, and in any event to embrace the inefficient, excessive, or improper use or dissipation of the reservoir energy, including gas energy and water drive, of any pool, and the locating, spacing, drilling, equipping, operating, or producing, of any well or wells in a manner to reduce or tend to reduce the total quantity of crude petroleum oil or natural gas ultimately recovered from any pool, and the use of inefficient underground storage of natural gas.

(b) Surface Waste as those words are generally understood in the oil and gas business, and in any event to embrace the unnecessary or excessive surface loss or destruction without beneficial use, however caused, of natural gas of any type or in any form or crude petroleum oil, or any product thereof, but including the loss or destruction, without beneficial use, resulting from evaporation, seepage, leakage, or fire, especially such loss or destruction incident to or resulting from the manner of spacing, equipping, operating or producing, well

DEPTH BRACKET ALLOWABLE shall mean the basic oil allowable assigned to a pool and based on its depth, unit size, or special pool rules, which, when multiplied by the market demand percentage factor in effect, will determine the top unit allowable for the pool.

DIVISION shall mean the Oil Conservation Division of the New Mexico Energy and Minerals Department

FIELD means the general area which is underlaid or appears to be underlaid by at least one pool; and field also includes the underground reservoir or reservoirs containing such crude petroleum oil or natural gas, or both. The words field and pool mean the same thing when only one underground reservoir is involved; however, field unlike pool may relate to two or more pools ~~(See: Sec. 26, Chapter 168, 1949 Session Laws)~~.

GAS LIFT shall mean any method of lifting liquid to the surface by injecting gas into a well from which oil production is obtained.

GAS-OIL RATIO shall mean the ratio of the casinghead gas produced in standard cubic feet to the number of barrels of oil concurrently produced during any stated period.

GAS-OIL RATIO ADJUSTMENT shall mean the reduction in allowable of a high gas-oil ratio unit to conform with the production permitted by the limiting gas-oil ratio for that particular pool during a particular proration period.

GAS TRANSPORTATION FACILITY shall mean a pipeline in operation serving gas wells for the transportation of natural gas, or some other device or equipment in like operation whereby natural gas produced from gas wells connected therewith can be transported or used for consumption ~~(See: Sec. 26 (g), Chapter 168, 1949 Session Laws)~~.

GAS WELL shall mean a well producing gas or natural gas from a gas pool, or a well with a gas-oil ratio in excess of 100,000 cubic feet of gas per barrel of oil producing from an oil pool.

HIGH GAS-OIL RATIO PRORATION UNIT shall mean a unit with at least one producing oil well with a gas-oil ratio in excess of the limiting gas-oil ratio for the pool in which the unit is located.

ILLEGAL GAS shall mean natural gas produced from a gas well in excess of the allowable determined by the ~~Commission (See: Sec. 15 (a), Chapter 168, 1949 Session Laws)~~. Division

ILLEGAL OIL shall mean crude petroleum oil produced in excess of the allowable as fixed by the ~~Commission (See: Sec. 15 (a), Chapter 168, 1949 Session Laws)~~. Division

ILLEGAL PRODUCT shall mean any product of illegal gas or illegal oil ~~(See: Sec. 15 (b), Chapter 168, 1949 Session Laws)~~.

INJECTION OR INPUT WELL shall mean any well used for the injection of air, gas, water, or other fluids into any underground stratum.

LIMITING GAS-OIL RATIO shall mean the gas-oil ratio assigned by the ~~Commission~~ to a particular oil pool to limit the volumes of casinghead gas which may be produced from the various oil producing units within that particular pool. Division

LOAD OIL is any oil or liquid hydrocarbon which has been used in remedial operation in any oil or gas well.

LOG OR WELL LOG shall mean a systematic detailed and correct record of formations encountered in the drilling of a well.

MARGINAL UNIT shall mean a proration unit which is incapable of producing top unit allowable for the pool in which it is located.

MARKET DEMAND PERCENTAGE FACTOR shall mean that percentage factor of 100 percent or less as determined by the ~~Commission~~ at an oil allowable hearing, which, when multiplied by the depth bracket allowable applicable to each pool, will determine the top unit allowable for that pool. Division

MINIMUM ALLOWABLE shall mean the minimum amount of production from an oil or gas well which may be advisable from time to time to the end that production will repay reasonable lifting cost and thus prevent premature abandonment and resulting waste.

MULTIPLE COMPLETION (COMBINATION) shall mean a multiple completion in which two or more common sources of supply are produced through a combination of two or more conventional diameter casing strings cemented in a common well-bore, or a combination of small diameter and conventional diameter casing strings cemented in a common well-bore, the conventional diameter strings of which might or might not be a Multiple Completion (Conventional).

MULTIPLE COMPLETION (CONVENTIONAL) shall mean a completion in which two or more common sources of supply are produced through one or more strings of tubing installed within a

ADJUSTED ALLOWABLE shall mean the allowable production a well or proration unit receives after all adjustments are made.

ALLOCATED POOL is one in which the total oil or natural gas production is restricted and allocated to various wells therein in accordance with proration schedules.

ALLOWABLE PRODUCTION shall mean that number of barrels of oil or standard cubic feet of natural gas authorized by the ~~Commission~~ Division to be produced from an allocated pool.

BACK ALLOWABLE shall mean the authorization for production of any shortage or underproduction resulting from pipeline prorationing.

BARREL shall mean 42 United States Gallons measured at 60 degrees Fahrenheit and atmospheric pressure at the sea level.

BARREL OF OIL shall mean 42 United States Gallons of oil, after deductions for the full amount of basic sediment, water, and other impurities present, ascertained by centrifugal or other recognized and customary test.

BOTTOM HOLE OR SUBSURFACE PRESSURE shall mean the gauge pressure in pounds per square inch under conditions existing at or near the producing horizon.

BRADENHEAD GAS WELL shall mean any well producing gas through wellhead connections from a gas reservoir which has been successfully cased off from an underlying oil or gas reservoir.

CARBON DIOXIDE GAS shall mean noncombustible gas composed chiefly of carbon dioxide occurring naturally in underground rocks.

CASINGHEAD GAS shall mean any gas or vapor or both gas and vapor indigenous to and produced from a pool classified as an oil pool by the ~~Commission~~ Division. This also includes gas-cap gas produced from such an oil pool.

COMMISSION shall mean the Oil Conservation Commission.~~created by Section 3, Chapter 168, Session Laws 1949.~~

COMMON PURCHASER FOR NATURAL GAS shall mean any person now or hereafter engaged in purchasing from one or more producers gas produced from gas wells within each common source of supply from which it purchases ~~(See: Sec. 14 (d), Chapter 168, Session Laws 1949)~~.

COMMON PURCHASER FOR OIL shall mean every person now engaged or hereafter engaging in the business of purchasing oil to be transported through pipelines ~~(See Sec. 14 (a), Session Laws 1949).~~

COMMON SOURCE OF SUPPLY See Pool.

CONDENSATE shall mean the liquid recovered at the surface that results from condensation due to reduced pressure or temperature of petroleum hydrocarbons existing in a gaseous phase in the reservoir.

CONTIGUOUS shall mean acreage joined by more than one common point, that is, the common boundary must be at least one side of a governmental quarter-quarter section.

CONVENTIONAL COMPLETION shall mean a well completion in which the production string of casing has an outside diameter in excess of 2.875 inches.

CORRELATIVE RIGHTS shall mean the opportunity afforded, as far as it is practicable to do so, to the owner of each property in a pool to produce without waste his just and equitable share of the oil or gas, or both, in the pool, being an amount, so far as can be practically determined, and so far as can be practicably obtained without waste, substantially in the proportion that the quantity of recoverable oil or gas, or both, under such property bears to the total recoverable oil or gas, or both, in the pool, and for such purpose to use his just and equitable share of the reservoir energy ~~(See: Sec. 26 (h), Chapter 168, Session Laws 1949).~~

CUBIC FOOT OF GAS OR STANDARD CUBIC FOOT OF GAS, for the purpose of these rules, shall mean that volume of gas contained in one cubic foot of space and computed at a base pressure of 10 ounces per square inch above the average barometric pressure of 14.4 pounds per square inch (15.025 psia), at a standard base temperature of 60 degrees fahrenheit.

DEEP POOL shall mean a common source of supply which is situated 5000 feet or more below the surface.

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RULE 1304. NUMBERING OF DIVISION ORDERS

All orders of the Division made after January 1, 1950, pertaining to the allocation of production of oil and gas are prefixed with the letter "A" and are numbered consecutively, commencing with the number 1. i.e., the first allocation order ~~is~~ issued after January 1, 1950, is No. A-1, the next A-2, etc.

All other orders of the Division made after January 1, 1950, are prefixed with the letter "R" and are numbered consecutively, commencing with the number 1, i.e., the first such order issued after January 1, 1950, is No. R-1, the next R-2, etc.

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RULE 1304. NUMBERING OF DIVISION ORDERS

All orders of the Division made after January 1, 1950, pertaining to the allocation of production of oil and gas are prefixed with the letter "A" and are numbered consecutively, commencing with the number 1, i.e., the first allocation order is issued after January 1, 1950, is No. A-1, the next A-2, etc.

All other orders of the Division made after January 1, 1950, are prefixed with the letter "R" and are numbered consecutively, commencing with the number 1, i.e., the first such order issued after January 1, 1950, is No. R-1, the next R-2, etc.

RULE 1301. DISTRICT OFFICES

To expedite administration of the work of the ~~Commission~~ and the enforcement of its rules and regulations, the state shall be divided into four districts as follows:

Oil Conservation Division of the New Mexico Energy and Minerals Department

DISTRICT I — Lea, Roosevelt, and Curry Counties, and that portion of Chaves County lying east of the North-South line dividing Ranges 29 and 30 East, NMPM.

Office at 1000 West Broadway, Hobbs.

Mailing Address:

~~N. M. Oil Conservation Commission~~ Oil Conservation Division
P. O. Box 1980
Hobbs, New Mexico 88240

DISTRICT 2 — Eddy, Otero, Dona Ana, Luna, Hidalgo, Grant, Sierra, Lincoln, and De Baca Counties, and that portion of Chaves County lying west of the North-South line dividing Ranges 29 and 30 East, NMPM.

Office at 10th and Dallas Streets, Artesia.

Mailing Address:

~~N. M. Oil Conservation Commission~~ Oil Conservation Division
Drawer DD
Artesia, New Mexico 88210

DISTRICT 3 — San Juan, Rio Arriba, McKinley, and Sandoval Counties.

Office at 1000 Rio Brazos Road, Aztec.

Mailing Address:

~~N. M. Oil Conservation Commission~~ Oil Conservation Division
1000 Rio Brazos Road
Aztec, New Mexico 87410

DISTRICT 4 — Remainder of State.

Office in State Land Office Building, Santa Fe.

Mailing Address:

~~N. M. Oil Conservation Commission~~ Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Each district office shall be under the charge of a district supervisor, an oil and gas inspector, or a deputy oil and gas inspector, ~~or a member of the Commission.~~ Unless otherwise specifically required, all matters pertaining to the ~~Commission~~ Division shall be taken care of through the district office of the district in which the affected land is located.

RULE 1302. WHERE TO FILE REPORTS AND FORMS

All reports and forms required by the rules to be filed with the ~~Commission~~ Division shall be filed in the number and at the time specified on the form or report or by the applicable rule in Section M, Reports, of these rules. Unless otherwise specified, all such reports and forms shall be filed at the district office of the district in which the land that is the subject matter of the report is located. All plugging bonds shall be filed directly ~~with~~ with the Santa Fe Office of the ~~Commission~~ Division. A list of all plugging bonds approved and in force shall be kept in each district office.

RULE 1303. DUTIES AND AUTHORITY OF FIELD PERSONNEL

Oil and gas inspectors, deputy oil and gas inspectors, scouts, engineers and geologists duly appointed by the ~~Commission~~ Division have the authority and duty to enforce the rules and regulations of the ~~Commission~~ Division. Only oil and gas inspectors and their deputies shall have discretion to allow minor deviations from requirements of the rules as to field practices where, by so doing, waste will be prevented or burdensome delay or expenses on the part of the operator will be avoided.

RULE 1130. NOTICE OF DISCONNECTION (Form C-130)

(1) Form C-130, Notice of Disconnection, shall be filed in triplicate with the ~~Commission~~ Division by the operator of the well as provided in Rule 407.

(2) The operator shall state, to the best of his knowledge, the reasons for disconnecting any gas well from gas transportation facilities.

(3) The ~~Commission~~ Division shall furnish the New Mexico Public Service Commission with any Form C-130 indicating that a disconnected gas well may or will be reconnected to a gas transportation facility for ultimate distribution to consumers outside of the State of New Mexico.

RULE 1131. MONTHLY GAS STORAGE REPORT (Form C-131)

Each operator of an underground natural gas storage project shall report its operation monthly on Form C-131. Form C-131 shall be filed in duplicate (one copy to the Santa Fe Office of the ~~Commission~~ Division and one copy to the appropriate district office) and shall be postmarked not later than the 24th day of the next succeeding month.

The above forms shall be submitted to the appropriate district office of the ~~Commission~~ Division in accordance with the provisions of the "Manual for Back-Pressure Testing of Natural Gas Wells," Rule 401 of the ~~Commission~~ Rules and Regulations, and applicable special pool rules Division and proration orders. These forms shall be submitted in DUPLICATE except Form C-122-A which shall be submitted in TRIPLICATE.

RULE 1123. REQUEST FOR THE EXTENSION OF AN EXISTING POOL OR THE CREATION OF A NEW POOL (Form C-123)

The operator of a well which requires the creation or extension of a pool shall be given written instructions by the appropriate district office regarding the filing of Form C-123 in DUPLICATE.

RULE 1124. RESERVOIR PRESSURE REPORT (Form C-124)

Form C-124 shall be submitted in TRIPLICATE and shall be used to report bottom-hole pressures as required under the provisions of Rule 302 and any applicable special pool rules.

RULE 1125. GAS WELL SHUT-IN PRESSURE TESTS (Form C-125)

Form C-125 shall be submitted in TRIPLICATE and shall be used to report shut-in pressure tests on gas wells as required under the provisions of Rule 402 and any applicable special pool rules.

RULE 1126. PERMIT TO TRANSPORT RECOVERED LOAD OIL (Form C-126)

Form C-126 shall be submitted in QUADRUPLICATE to the appropriate District Office of the ~~Commission~~ and shall be used in conformance with Rule 508 and Rule 1104 (6). Division

RULE 1127. REQUEST FOR ALLOWABLE CHANGE (Form C-127)

One copy of Form C-127 shall be filed by the oil producer with the appropriate District Office of the ~~Commission~~ not later than the 10th day of the month preceding the month for Division which oil well allowable changes are requested.

RULE 1128. FORMS REQUIRED ON FEDERAL LAND

Federal forms shall be used in lieu of State forms when filing APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK and SUNDRY NOTICES AND REPORTS ON WELLS and WELL COMPLETION OR RECOMPLETION REPORT AND LOG for wells on Federal lands in New Mexico. However, it shall be the duty of the operator to submit two extra copies of each of such forms to the USGS, which, upon approval, will transmit same to the ~~Commission~~. The following USGS forms will Division. be used in lieu of ~~Commission~~ forms by operators of wells on Federal land: Division

USGS Form No.	Title of Form (Same for both agencies)	~~NMOCC~~ Form No. NMOCD
9-331C (May 1963)	APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK	C-101
9-331 (May 1963)	SUNDRY NOTICES AND REPORTS ON WELLS	C-103
9-330 (Rev. 5-63)	WELL COMPLETION OR RECOMPLETION REPORT AND LOG	C-105

The above forms as may be revised are the only forms that may be submitted in place of ~~Commission~~ forms. Division

After a well is completed and ready for pipeline connection, ~~Commission~~ Form C-104 Division shall be filed with the ~~Commission~~ on any and all wells drilled in the State, regardless of Division land status. Further, all reports and forms as required under the preceding rules of this section of the Rules and Regulations that pertain to production must be filed on the proper Oil Conservation ~~Commission~~ form as set out in said rule - no other forms will be accepted. Division

Failure to comply with the provisions of this rule will result in the cancellation of Form C-104 for the affected well or wells.

RULE 1129. APPLICATION FOR EXCEPTION TO NO-FLARE RULE 306 (Form C-129)

Form C-129, when applicable, shall be filed in accordance with Rule 306.

RULE 1117. SEDIMENT OIL DISPOSITION PERMITS (Form C-117-A and Form C-117-B)

(a) Form C-117-A, Sediment Oil Destruction Permit, shall be submitted to the appropriate District Office of the ~~Commission~~ Division in TRIPLICATE and in accordance with Rule 311 (b).

(b) Form C-117-B, Sediment Oil Recovery Permit, shall be submitted to the appropriate District Office of the ~~Commission~~ Division in QUADRUPLICATE and in accordance with Rule 311 (c).

RULE 1118. TREATING PLANT OPERATOR'S MONTHLY REPORT (Form C-118)

Form C-118 shall be submitted in DUPLICATE in accordance with Rule 312, and shall contain all the information required thereon. Column 1 of Sheet 1-A of Form C-118 entitled "Permit Number," has reference to the Sediment Oil Recovery Permit, Form C-117-B, for each lot of oil picked up for processing.

RULE 1119. CARBON BLACK PLANT MONTHLY REPORT (Form C-119)

Each operator of a carbon black plant within the State of New Mexico shall file for each calendar month the monthly volume of gas received by him from a gasoline extraction plant or plants, and a monthly volume or volumes of gas received by him from each lease operator delivering natural gas directly to such plant, together with the opening and closing stocks and the production and deliveries by grades of carbon black or other products produced. Such reports shall be filed in DUPLICATE on Form C-119, Carbon Black Plant Monthly Report, and be postmarked on or before the 15th day of the next succeeding month. In addition, Form C-111 shall be filed each month in accordance with Rule 1111 if the Carbon Black Plant operator makes any purchase directly from a lease or operates any gas gathering or transmission system.

RULE 1120. MONTHLY WATER DISPOSAL REPORT (Form C-120-A)

Each operator of a salt water disposal system shall report such operations on Form C-120-A. Form C-120-A shall be filed in DUPLICATE (one copy with the Santa Fe Office and one copy with the appropriate district office) and shall be postmarked not later than the 15th day of the second succeeding month.

RULE 1121. PURCHASER'S NOMINATION FORMS (Form C-121 and Form C-121-A)

Unless requested otherwise by the ~~Secretary-Director of the Commission~~ Division Director, one copy of Form C-121, Crude Oil Purchaser's Nomination, shall be submitted to the Santa Fe office of the ~~Commission~~ Division not later than the 20th day of each odd-numbered month. Nominations shall be filed by each person expecting to purchase oil from producing wells in New Mexico during the second and third succeeding two months. As an example, nominations submitted by the 20th day of July shall indicate the amount of oil the purchaser desires to purchase daily during September and October.

One copy of Form C-121-A, Purchaser's Gas Nomination, shall be submitted to the Santa Fe office of the ~~Commission~~ Division by the first day of the month during which the ~~Commission~~ Division will consider at the gas allowable hearing the nominations for the purchase of gas from producing wells in New Mexico during the succeeding month. As an example, purchaser's nominations to take gas from a pool during the month of August would be considered by the ~~Commission~~ Division at a hearing during July, and should be submitted to the Santa Fe office of the ~~Commission~~ Division by July 1.

In addition to the monthly gas nominations, twelve-months nominations shall be filed in accordance with the appropriate pool rules.

RULE 1122. MULTIPOINT AND ONE POINT BACK PRESSURE TEST FOR GAS WELL (Form C-122)

GAS WELL TEST DATA SHEET - SAN JUAN BASIN (Form C-122-A)

INITIAL POTENTIAL TEST DATA SHEET (Form C-122-B)

DELIVERABILITY TEST REPORT (Form C-122-C)

WORKSHEET FOR CALCULATION OF STATIC COLUMN WELLHEAD PRESSURE (P_w) (Form C-122-D)

WORKSHEET FOR STEPWISE CALCULATION OF (SURFACE) (SUBSURFACE) PRESSURE (P_c & P_w) (P_f & P_s) (Form C-122-E)

WORKSHEET FOR CALCULATION OF WELLHEAD PRESSURES (P_c or P_w) FROM KNOWN BOTTOMHOLE PRESSURE (P_f or P_s) (Form C-122-F)

WORKSHEET FOR CALCULATION OF STATIC COLUMN PRESSURE AT GAS LIQUID INTERFACE (Form C-122-G)

Form C-111 shall be filed each month by the operator of any gas gathering system, gas transportation system, recycling system, fuel system, gas lift system, gas drilling operation, etc. The form shall cover all natural gas, casinghead gas, and carbon dioxide gas taken into any such system during the preceding month and shall show the source of the gas and the disposition thereof.

Form C-111 shall also be filed each month by the operator of any gasoline plant, cycling plant, or other plant at which gasoline, butane, propane, kerosene, oil, or other products are extracted from gas within the State of New Mexico. The form shall cover all natural gas, casinghead gas, and carbon dioxide gas taken by any such plant during the preceding month and shall show the source of the gas and the disposition thereof. If a plant operator owns more than one plant in a given ~~GCC~~ District, Sheet No. 1 of Form C-111 shall be filed for each Division such plant. In preparing Sheet No. 2, the plant operator shall consolidate all acquisitions for all plants in the District, itemized in the order described in the first paragraph of this rule.

Where gas is taken by the producer and utilized by him for any of the above uses, the producer shall file Form C-111 itemizing such gas. The producer shall also include this gas on his Operator's Monthly Report, Form C-115. Gas used on the lease from which it was produced for consumption in lease houses, treaters, compressors, combustion engines, and other similar equipment, or gas which is flared, shall also be included on the Form C-115 but is not to be included on the Form C-111.

RULE 1112. TRANSPORTER'S AND STORER'S MONTHLY REPORT (Form C-112)

Each transporter and each storer of crude petroleum oil and liquid hydrocarbons within the State of New Mexico shall file for each calendar month a Transporter's and Storer's Monthly Report, Form C-112, containing complete information and data indicated by such form respecting stocks of crude petroleum oil and liquid hydrocarbons on hand and receipts and deliveries of crude petroleum oil and liquid hydrocarbons by pipeline and trucks within the State of New Mexico, and receipts and deliveries from leases to storers or refiners; between transporters within the State; between storers and refiners within the State. Form C-112 shall be filed in DUPLICATE and postmarked on or before the 15th day of the next succeeding month.

RULE 1113. REFINER'S MONTHLY REPORT (Form C-113)

Every refiner of crude petroleum oil within the State of New Mexico shall furnish for each calendar month a Refiner's Monthly Report, Form C-113, containing the information and data indicated by such form respecting crude petroleum oil and products involved in such refiner's operation during each month. Such report for each month shall be filed in DUPLICATE and be postmarked on or before the 15th day of the next succeeding month.

RULE 1114. No Rule; there is no Form C-114 at present.

RULE 1115. OPERATOR'S MONTHLY REPORT (Form C-115)

Operator's Monthly Report, Form C-115 or Form C-115-EDP, shall be filed on each producing lease and each secondary recovery project injection well within the State of New Mexico for each calendar month, setting forth complete information and data indicated on said forms in the order, format, and style prescribed by the ~~Secretary-Director~~. Oil production from Division Director wells which are producing into common storage shall be estimated as accurately as possible on the basis of periodic tests.

The reports on this form shall be filed by the producer as follows:

Original to the Oil Conservation ~~Commission~~ at Santa Fe; one copy to the District Division Office of the ~~Commission~~ in which district the lease is located; and one copy to Division each transporter involved. Each report for each month shall be postmarked not later than the 24th day of next succeeding month. Failure of an operator to file this report in accordance with the provisions of this rule may result in cancellation of Form C-104 for the affected well or wells.

RULE 1116. GAS-OIL RATIO TESTS (Form C-116)

Gas-oil ratio tests shall be made and reported on Form C-116 as prescribed in Rule 301, Gas-Oil Ratio Tests, and any applicable special pool rules. This form shall be submitted in DUPLICATE.

(5) Form C-104 with Sections I, II, III, and VI, completely filled out shall be filed in QUINTUPLICATE by the operator of the well in the event there is a change of ownership of any producing well, injection well, or disposal well, or a change of transporter (oil, condensate, casinghead gas, or dry gas), a change in pool designation, lease name, or well number, or any other pertinent change in condition of any such well. When filing Form C-104 for change of ownership, the new operator shall file the form in the above manner, and shall give the name and address of the previous as well as the present operator. The Form C-104 will not be approved by the ~~Commission~~ Division unless the new operator has an approved bond in compliance with Rule 101.

(6) Whenever there is a temporary change in transporter and oil is to be moved from the lease by anyone other than the regular transporter authorized by an approved Form C-104, the operator shall notify the appropriate District Office of the ~~Commission~~ Division in writing within three days after the oil is moved, furnishing such information as may be required by the District Office. The operator shall furnish copies of the notification to the regular transporter and to the temporary transporter. This paragraph is intended to deal primarily with authorized batch movements of oil by the operator for use as load oil, frac oil, etc.; eventual sale of this oil is governed by Rules 508 and 1126.

RULE 1105. WELL COMPLETION OR RECOMPLETION REPORT AND LOG (Form C-105)

Within 20 days following the completion or recompletion of any well, the operator shall file Form C-105 with the ~~Commission~~ Division. It must be filed in QUINTUPLICATE and each copy accompanied by a summary of all special tests conducted on the well, including drill stem tests. In addition, one copy of all electrical and radio-activity logs run on the well must be filed with Form C-105. If the Form C-105 with attached log(s) and summaries is not received by the ~~Commission~~ Division within the specified 20-day period, the allowable for the well will be withheld until this rule has been complied with.

In the case of a dry hole, a complete record of the well on Form C-105 with the above attachments shall accompany the notice of intention to plug the well, unless previously filed. The plugging report will not be approved nor the bond released until this rule has been complied with.

Form C-105 and accompanying attachments will not be kept confidential by the ~~Commission~~ Division unless so requested in writing by the owner of the well. Upon such request, the ~~Commission~~ Division will keep these data confidential for 90 days from the date of completion of the well, provided, however, that the report, log(s), and other attached data may, when pertinent, be introduced in any public hearing before the ~~Commission~~ Division or its examiners or in any court of law, regardless of the request that they be kept confidential.

RULE 1106. NOTICE OF INTENTION TO UTILIZE AUTOMATIC CUSTODY TRANSFER EQUIPMENT (Form C-106)

Form C-106, when applicable, shall be filed in accordance with Rule 309-A.

RULE 1107. APPLICATION FOR MULTIPLE COMPLETION (Form C-107)

Form C-107, when applicable, shall be filed in accordance with Rule 112-A IV.

RULE 1108. APPLICATION TO DISPOSE OF SALT WATER BY INJECTION INTO A POROUS FORMATION (Form C-108)

Form C-108, when applicable, shall be filed in accordance with Rule 701, Section C.

RULE 1109. APPLICATION FOR DISCOVERY ALLOWABLE AND CREATION OF A NEW POOL (Form C-109)

Form C-109, when applicable, shall be filed in accordance with Rule 509.

RULE 1110. No Rule; there is no Form C-110 at present.

RULE 1111. GAS PURCHASER'S MONTHLY REPORT (Form C-111)

Form C-111, Gas Purchaser's Monthly Report, shall be filed monthly in accordance with the rules below. It shall be postmarked on or before the 15th day of the month to report all gas taken during the preceding month. One copy shall be filed with the appropriate District Office of the ~~Commission~~ Division and two copies with the Santa Fe Office of the ~~Commission~~ Division. One additional copy shall also be sent to the Hobbs Office of the ~~Commission~~ Division. Information on Sheet No. 2 of Form C-111 shall be itemized by pools, by operators, and by leases, in alphabetical order.

(5) Report of Remedial Work

A report of remedial work performed on a well shall be filed by the operator of the well within 30 days following completion of such work. Said report shall be filed in QUADRUPLICATE on Form C-103 and shall present a detailed account of the work done and the manner in which such work was performed; the daily production of oil, gas, and water both prior to and after the remedial operation; the size and depth of shots; the quantity of sand, crude, chemical or other materials employed in the operation, and any other pertinent information. Among the remedial work to be reported on Form C-103 are the following:

(a) Report on shooting, fluid fracturing or chemical treatment of a previously completed well
(b) Report on squeeze job
(c) Report on setting of liner or packer
(d) Report of installation of pumping equipment or gas lift facilities
(e) Report of any other remedial operations which are not specifically covered herein

(6) Report on Deepening or Plugging Back

A report of deepening or plugging back shall be filed by the operator of the well within 30 days following completion of such operations on any well. Said report shall be filed in QUADRUPLICATE on Form C-103 and shall present a detailed account of the work done and the manner in which such work was performed. If the well is recompleted in the same pool, it shall also report the daily production of oil, gas, and water both prior to and after recompletion. If the well is recompleted in another pool, Form C-104 must also be filed in accordance with Rule 1104.

(7) Report of Change in Ownership of a Drilling Well

A report of change of ownership shall be filed by the new owner of any drilling well within ten days following actual transfer of ownership. Said report shall be filed in TRIPLICATE on Form C-103 and shall include the name and address of both the new owner and the previous owner, the effective date of the change of ownership, and any other pertinent information. No change in the ownership of a drilling well will be approved by the ~~Commission~~ Division unless the new owner has an approved bond in accordance with Rule 101. (Form C-104 shall be used to report transfer of ownership of a completed well; see Rule 1104.)

(8) Other Reports on Wells

Reports on any other operations which affect the original status of the well but which are not specifically covered herein shall be submitted to the ~~Commission~~ Division on Form C-103, in TRIPLICATE, by the operator of the well within ten days following the completion of such operation.

RULE 1104. REQUEST FOR ALLOWABLE AND AUTHORIZATION TO TRANSPORT OIL AND NATURAL GAS (Form C-104)

(1) Form C-104 completely filled out by the operator of the well must be filed in QUINTUPLICATE before an allowable will be assigned to any newly completed or recompleted well. (A recompleted well shall be considered one which has been deepened or plugged back to produce from a different pool than previously.) Form C-104 must be accompanied by a tabulation of all deviation tests taken on the well as provided by Rule 111.

(2) The allowable assigned to an oil well shall be effective at 7:00 o'clock a.m. on the date of completion, provided the Form C-104 is received by the ~~Commission~~ Division during the month of completion. Date of completion shall be that date when new oil is delivered into the stock tanks.

Unless otherwise specified by special pool rules, the allowable assigned to a gas well shall be effective at 7:00 o'clock a.m. on the date of connection to a gas transportation facility, as evidenced by an affidavit of connection from the purchaser to the ~~Commission~~ Division, or the date of receipt of Form C-104 by the ~~Commission,~~ Division, whichever date is later.

(3) No allowable will be assigned to any well until a standard unit for the pool in which the well is completed has been dedicated by the owner, or a non-standard unit has been approved by the ~~Commission~~, or a standard unit has been communitized or pooled and Division, dedicated to the well.

(4) No allowable will be assigned to any well until all forms and reports due have been received by the ~~Commission~~ and the well is otherwise in full compliance with these Division rules.

In the case of well plugging operations, the Notice of Intention shall include a detailed statement of the proposed work, including plans for shooting and pulling casing, plans for mudding, including weight of mud, plans for cementing, including number of sacks of cement and depths of plugs, and the time and date of the proposed plugging operations. If not previously filed, a complete log of the well on Form C-105 (See Rule 1105) shall accompany the Notice of Intention to plug the well; the bond will not be released until this is complied with.

B. Form C-103 as a Subsequent Report

Form C-103 as a subsequent report of operations shall be filed in accordance with the section of this rule applicable to the particular operation being reported.

Form C-103 is to be used in reporting such completed operations as:

(1) Commencement of drilling operations
(2) Casing and cement test
(3) Altering a well's casing installation
(4) Temporary abandonment
(5) Plug and Abandon
(6) Plugging back or deepening
(7) Remedial work
(8) Installation of artificial lifting equipment
(9) Change in ownership of a drilling well
(10) Such other operations which affect the original status of the well but which are not specifically covered herein

Information to be entered on Form C-103, Subsequent Report, for a particular operation is as follows:

(1) Report of Commencement of Drilling Operations

Within ten days following the commencement of drilling operations, the operator of the well shall file a report thereof on Form C-103 in TRIPLICATE. Such report shall indicate the hour and the date the well was spudded.

(2) Report of Results of Test of Casing and Cement Job; Report of Casing Alteration

A report of casing and cement test shall be filed by the operator of the well within ten days following the setting of each string of casing or liner. Said report shall be filed in TRIPLICATE on Form C-103 and shall present a detailed description of the test method employed and the results obtained by such test, and any other pertinent information required by Rule 107. The report shall also indicate the top of the cement and the means by which such top was determined. It shall also indicate any changes from the casing program previously authorized for the well.

(3) Report of Temporary Abandonment

A report of temporary abandonment of a well shall be filed by the operator of the well within ten days following completion of the work. The report shall be filed in TRIPLICATE and shall present a detailed account of the work done on the well, including location and type of plugs used, if any, type and status of surface and downhole equipment, and any other pertinent information relative to the overall status of the well.

(4) Report on Plugging of Well

A report of plugging operations shall be filed by the operator of the well within 30 days following completion of plugging operations on any well. Said report shall be filed in TRIPLICATE on Form C-103 and shall include the date the plugging operations were begun and the date the work was completed, a detailed account of the manner in which the work was performed including the depths and lengths of the various plugs set, the nature and quantities of materials employed in the plugging operations including the weight of the mud used, the size and depth of all casing left in the hole, and any other pertinent information. (See Rules 201-204 regarding plugging operations.)

No plugging report will be approved by the ~~Commission~~ Division until the pits have been filled and the location levelled and cleared of junk. It shall be the responsibility of the operator to contact the appropriate District Office of the ~~Commission~~ Division when the location has been so restored in order to arrange for an inspection of the plugged well and the location by a ~~Commission~~ Division representative.

Form C-124	Reservoir Pressure Report
Form C-125	Gas Well Shut-in Pressure Report
Form C-126	Permit to Transport Recovered Load Oil
Form C-127	Request for Allowable Change
Form C-129	Application for Exception to No-Flare Rule 306
Form C-130	Notice of Disconnection
Form C-131	Monthly Gas Storage Report

RULE 1101. APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK (Form C-101)

Before commencing drilling or deepening operations, or before plugging a well back to another zone, the operator of the well must obtain a permit to do so. To obtain such permit, the operator shall submit to the ~~Commission~~ Division FIVE copies of Form C-101, Application for Permit to Drill, Deepen, or Plug Back, completely filled out. If the operator has an approved bond in accordance with Rule 101, one copy of the Drilling Permit will be returned to him on which will be noted the ~~Commission's~~ Division's approval, with any modification deemed advisable. If the proposal cannot be approved for any reason, the Forms C-101 will be returned with the cause for rejection stated thereon.

Form C-101 must be accompanied by THREE copies of Form C-102, Well Location and Acreage Dedication Plat. (See Rule 1102.)

If the well is to be drilled on state land, submit SIX copies of Form C-101 and FOUR copies of Form C-102, the extra copy of each form being for the State Land Office.

RULE 1102. WELL LOCATION AND ACREAGE DEDICATION PLAT (Form C-102)

Form C-102 is a dual purpose form used to show the exact location of the well and the acreage dedicated thereto. The form is also used to show the ownership and status of each lease contained within the dedicated acreage. When there is more than one working interest or royalty owner on a given lease, designation of the majority owner et al. will be sufficient.

All information required on Form C-102 shall be filled out and certified by the operator of the well except the well location on the plat. This is to be plotted from the outer boundaries of the section and certified by a registered professional engineer and/or land surveyor, registered in the State of New Mexico, or a surveyor approved by the ~~Commission~~ Division.

Form C-102 shall be submitted in TRIPLICATE or QUADRUPLICATE as provided in Rule 1101.

Amended Form C-102 (in TRIPLICATE or QUADRUPLICATE) shall be filed in the event there is a change in any of the information previously submitted. The well location need not be certified when filing amended Form C-102.

RULE 1103. SUNDRY NOTICES AND REPORTS ON WELLS (Form C-103)

Form C-103 is a dual purpose form to be filed with the appropriate District Office of the ~~Commission~~ Division to obtain ~~Commission~~ Division approval prior to commencing certain operations and also to report various completed operations.

A. Form C-103 as a Notice of Intention

Form C-103 shall be filed in TRIPLICATE by the operator and approval obtained from the ~~Commission~~ Division prior to:

(1) Effecting a change of plans from those previously approved on Form C-101 or Form C-103.

(2) Altering a drilling well's casing program or pulling casing or otherwise altering an existing well's casing installation.

(3) Temporarily abandoning a well.

(4) Plugging and abandoning a well.

(5) Performing remedial work on a well which, when completed, will affect the original status of the well. (This shall include making new perforations in existing wells or squeezing old perforations in existing wells, but is not applicable to new wells in the process of being completed nor to old wells being deepened or plugged back to another zone when such recompletion has been authorized by an approved Form C-101, Application for Permit to Drill, Deepen, or Plug Back, nor to acidizing, fracturing, or cleaning out previously completed wells, nor to installing artificial lift equipment.)

M - REPORTS

RULE 1100. GENERAL

A. Where to File Reports

Unless otherwise specifically provided for in any rule or order of the ~~Commission~~ Division, all forms and reports required by these rules shall be filed with the appropriate District Office of the ~~Commission~~ Division as provided in Rules 1301 and 1302.

B. Additional Data

These rules shall not be construed to limit or restrict the authority of the Oil Conservation ~~Commission~~ Division to require the furnishing of such additional reports, data, or other information relative to the production, transportation, storing, refining, processing, or handling of crude petroleum oil, natural gas, or products in the State of New Mexico as may appear to it to be necessary or desirable, either generally or specifically, for the prevention of waste and the conservation of natural resources of the State of New Mexico.

C. Books and Records

All producers, transporters, storers, refiners, gasoline or extraction plant operators, and initial purchasers of natural gas within the State of New Mexico shall make and keep appropriate books and records for a period of not less than five years, covering their operations in New Mexico, from which they may be able to make and substantiate the reports required by these rules.

D. Written Notices, Requests, Permits, and Reports

The forms listed below shall be used for the purpose shown in accordance with the instructions printed thereon and the rule covering the form, or any special rule or order pertaining to its use.

Form C-101	Application for Permit to Drill, Deepen, or Plug Back
Form C-102	Well Location and Acreage Dedication Plat
Form C-103	Sundry Notices and Reports on Wells
Form C-104	Request for Allowable and Authorization to Transport Oil and Natural Gas
Form C-105	Well Completion or Recompletion Report and Log
Form C-106	Notice of Intention to Utilize Automatic Custody Transfer Equipment
Form C-107	Application for Multiple Completion
Form C-108	Application to Dispose of Salt Water by Injection into a Porous Formation
Form C-109	Application for Discovery Allowable and Creation of a New Pool
Form C-111	Gas Purchaser's Monthly Report (Sheet 1 and Sheet 2)
Form C-112	Transporter's and Storer's Monthly Report
Form C-113	Refiner's Monthly Report (Sheet 1 and Sheet 2)
Form C-115	Operator's Monthly Report
Form C-115-EDP	Operator's Monthly Report (electronic data processing)
Form C-116	Gas-Oil Ratio Tests
Form C-117-A	Sediment Oil Destruction Permit
Form C-117-B	Sediment Oil Recovery Permit
Form C-118	Treating Plant Operator's Monthly Report (Sheet 1 and Sheet 1-A)
Form C-119	Carbon Black Plant Monthly Report
~~Form C-120~~	~~Monthly Injection Report~~
Form C-120-A	Monthly Water Disposal Report
Form C-121	Crude Oil Purchaser's Nomination
~~Form C-121-A~~	~~Purchaser's Gas Nomination~~
Form C-122	Multi-Point and One Point Back Pressure Test for Gas Wells
Form C-122-A	Gas Well Test Data Sheet-San Juan Basin (Initial Deliverability Test, blue paper; Annual Deliverability Test, white)
Form C-122-B	Initial Potential Test Data Sheet
Form C-122-C	Deliverability Test Report
Form C-122-D	Worksheet for Calculation of Static Column Wellhead Pressure (P_w)
Form C-122-E	Worksheet for Stepwise Calculation of (Surface) (Subsurface) Pressure (P_c & P_w) (P_f & P_s)
Form C-122-F	Worksheet for Calculation of Wellhead Pressures (P_c or P_w) from Known Bottomhole Pressure (P_f or P_s)
Form C-122-G	Worksheet for Calculation of Static Column Pressure at Gas Liquid Interface
Form C-123	Request for the Extension of an Existing Pool or the Creation of a New Pool

RULE 1001. REFINERY REPORTS

Each refiner of oil within the State of New Mexico shall furnish for each calendar month a "Refiner's Monthly Report," Form C-113, containing the information and data indicated by such form, respecting oil and products involved in such refiner's operations during each month. Such report for each month shall be prepared and filed according to instructions on the form, on or before the 15th day of the next succeeding month.

RULE 1002. GASOLINE PLANT REPORTS

Each operator of a gasoline plant, cycling plant, or any other plant at which gasoline, butane, propane, condensate, kerosene, oil, or other liquid products are extracted from natural gas within the State of New Mexico shall furnish for each calendar month a Gas Purchaser's Monthly Report, Form C-111, containing the information indicated by such form respecting natural gas and products involved in the operation of each plant during each month. (This rule shall also be applicable to plants in the State of New Mexico processing carbon dioxide gas into liquid or solid form.)

Form C-111 shall be filed in accordance with the provisions of Rule 1111.

STATE OF NEW MEXICO

ENERGY AND MINERALS DEPARTMENT

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GOVERNOR

NICK FRANKLIN
SECRETARY

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LAND COMMISSIONER
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STATE PETROLEUM ENGINEER
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DIVISION

STATE GEOLOGIST
EMERY C. ARNOLD, MEMBER

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RULE 1130. NOTICE OF DISCONNECTION (Form C-130)

(1) Form C-130, Notice of Disconnection, shall be filed in triplicate with the ~~Commission~~ Division by the operator of the well as provided in Rule 407.

(2) The operator shall state, to the best of his knowledge, the reasons for disconnecting any gas well from gas transportation facilities.

(3) The ~~Commission~~ Division shall furnish the New Mexico Public Service Commission with any Form C-130 indicating that a disconnected gas well may or will be reconnected to a gas transportation facility for ultimate distribution to consumers outside of the State of New Mexico.

RULE 1131. MONTHLY GAS STORAGE REPORT (Form C-131)

Each operator of an underground natural gas storage project shall report its operation monthly on Form C-131. Form C-131 shall be filed in duplicate (one copy to the Santa Fe Office of the ~~Commission~~ Division and one copy to the appropriate district office) and shall be postmarked not later than the 24th day of the next succeeding month.

RULE 1201. NECESSITY FOR HEARING

Except as provided in some general rule herein, before any rule, regulation or order, including revocation, changes, renewal or extension thereof, shall be made by the Division, a public hearing before the Commission or a legally appointed Division Examiner shall be held at such time and place as may be prescribed by the Division.

RULE 1202. EMERGENCY ORDERS

Notwithstanding any other provision of these rules, in case an emergency is found to exist by the Division, which, in its judgment, requires the making of a rule, regulation, or order without a hearing having first been had or concluded, such emergency rule, regulation, or order when made by the Division shall have the same validity as if a hearing with respect to the same had been held before the Division after due notice. Such emergency rule, regulation, or order shall remain in force no longer than 15 days from its effective date, and in any event, it shall expire when the rule, regulation, or order made after due notice and hearing with respect to the subject matter of such emergency rule, regulation, or order becomes effective.

RULE 1203. METHOD OF INITIATING A HEARING

The Division upon its own motion, the Attorney General on behalf of the State, and any operator or producer, or any other person having a property interest may institute proceedings for a hearing. If the hearing is sought by the Division it shall be on motion of the Division and if by any other person it shall be by application. The application shall be in triplicate and shall state (1) the name of the applicant, (2) the name or general description of the common source or sources of supply or the area affected by the order sought, (3) briefly the general nature of the order, rule, or regulation sought, and (4) any other matter required by a particular rule or rules, or order of the Division. The application shall be signed by the person seeking the hearing or by his attorney.

When conditions are such as to require verbal application to place a matter for hearing on a given docket, the Division will accept such verbal application in order to meet publishing deadlines. However, if written application, filed in accordance with the procedures outlined above, has not been received by the Division's Santa Fe office at least ten days before the date of the hearing, the case will be dismissed.

~~Exhibit 1~~
~~Emergency Order No. E-32~~

RULE 1204. METHOD OF GIVING LEGAL NOTICE FOR HEARING

Notice of each hearing before the Commission and notice of each hearing before a Division Examiner shall be given by personal service on the person affected or by publication once in a newspaper of general circulation published at Santa Fe, New Mexico, and once in a newspaper of general circulation published in the county or each of the counties, if there be more than one, in which any land, oil or gas, or other property which may be affected is situated.

RULE 1205. CONTENTS OF NOTICE OF HEARING

Such notice shall be issued in the name of "The State of New Mexico" and shall be signed by the Director of the Division, and the seal of the Commission shall be impressed thereon.

The notice shall specify whether the case is set for hearing before the Commission or before a Division Examiner and shall state the number and style of the case and the time and place of hearing and shall briefly state the general nature of the order or orders, rule or rules, regulation or regulations to be promulgated or effected. The notice shall also state the name of the petitioner or applicant, if any, and unless the contemplated order, rule, or regulation is intended to apply to and affect the entire state, it shall specify or generally describe the common source or sources of supply which may be affected by such order, rule, or regulation.

RULE 1206. PERSONAL SERVICE OF NOTICE

Personal service of the notice of hearing may be made by any agent of the Division or by any person over the age of 18 years in the same manner as is provided by law for the service of summons in civil actions in the district courts of this state. Such service shall be complete at the time of such personal service or on the date of publication, as the case may be. Proof of service shall be by the affidavit of the person making personal service or of the publisher of the newspaper in which publication is had. Service of the notice shall be made at least 10 days before the hearing.

RULE 1207. PREPARATION OF NOTICES

After a motion or application is filed with the Division the notice or notices required shall be prepared by the Division and service and publication thereof shall be taken care of by the Division without cost to the applicant.

RULE 1208. FILING PLEADINGS: COPY DELIVERED TO ADVERSE PARTY OR PARTIES

When any party to a hearing files any pleading, plea, or motion of any character (other than application for hearing)

which is not by law or by these rules required to be served upon the adverse party or parties, he shall at the same time either deliver or mail to the adverse party or parties who have entered their appearance therein, or their respective attorneys of record, a copy of such pleading, plea, or motion. For the purposes of these rules, an appearance of any interested party shall be made either by letter addressed to the Division or in person at any proceeding before the Commission or before an Examiner, with notice of such appearance to the parties from whom such pleadings, pleas, or motions are desired.

RULE 1209. CONTINUANCE OF HEARING WITHOUT NEW SERVICE

Any hearing before the Commission or an Examiner held after due notice may be continued by the person presiding at such hearing to a specified time and place without the necessity of notice of the same being again served or published. In the event of any continuance, a statement thereof shall be made in the record of the hearing which is continued.

RULE 1210. CONDUCT OF HEARINGS

Hearings before the Commission or any Examiner shall be conducted without rigid formality. A transcript of testimony shall be taken and preserved as a part of the permanent record of the Division. Any person testifying in response to a subpoena issued by the Commission or any member thereof, or the authorized representative of the Division Director, and any person seeking to testify in support of an application or motion or in opposition thereto shall be required to do so under oath. However, relevant unsworn comments and observations by any interested party will be designated as such and included in the record. Comments and observations by representatives of operators' committees, the United States Geological Survey, the United States Bureau of Mines, the New Mexico Bureau of Mines, and other competent persons are welcomed. Any Examiner legally appointed by the Division Director may conduct such hearings as may be referred to such Examiner by the Director.

RULE 1211. POWER TO REQUIRE ATTENDANCE OF WITNESSES AND PRODUCTION OF EVIDENCE

The Commission or any member thereof, or the authorized representative of the Division Director has statutory power to subpoena witnesses and to require the production of books, papers, and records in any proceeding before the Commission or Division. A subpoena will be issued for attendance at a hearing upon the written request of any person interested in the subject matter of the hearing. In case of the failure of a person to comply with the subpoena issued, an attachment of the person may be issued by the district court of any district in the state, and such court has powers to punish for contempt. Any person found guilty of swearing falsely at any hearing may be punished for contempt.

~~Exhibit "A"~~
~~Emergency Order No. R-32~~

RULE 1212. RULES OF EVIDENCE

Full opportunity shall be afforded all interested parties at a hearing to present evidence and to cross-examine witnesses. In general, the rules of evidence applicable in a trial before a court without a jury shall be applicable, provided that such rules may be relaxed, where, by so doing, the ends of justice will be better served. No order shall be made which is not supported by competent legal evidence.

RULE 1213. EXAMINERS' QUALIFICATIONS AND APPOINTMENT

The Division Director shall, by ex parte order, designate and appoint not more than four individuals to be examiners. Each Examiner so appointed shall be a member of the staff of the Division, but no Examiner need be a full time employee of the Division. The Director may, by ex parte order, designate and appoint a successor to any person whose status as an Examiner is terminated for any reason. Each individual designated and appointed as an Examiner must have at least six years practical experience as a geologist, petroleum engineer or licensed lawyer, or at least two years of such experience and a college degree in geology, engineering, or law; provided however, that nothing herein contained shall prevent any member of the Commission from being designated as, or serving as, an Examiner.

RULE 1214. REFERRAL OF CASES TO EXAMINERS

The Division Director may refer any matter or proceeding to any legally designated and appointed Examiner for hearing in accordance with these rules. The Examiner appointed to hear any specific case shall be designated by name.

RULE 1215. EXAMINER'S POWER AND AUTHORITY

The Division Director may, by ex parte order, limit the powers and duties of the Examiner in any particular case to such issues or to the performance of such acts as the Director deems expedient; however, subject only to such limitations as may be ordered by the Director, the Examiner to whom any matter or proceeding is referred under these rules shall have full authority to hold hearings on such matter or proceeding in accordance with and pursuant to these rules. The Examiner shall have the power to regulate all proceedings before him and to perform all acts and take all measures necessary or proper for the efficient and orderly conduct of such hearing, including the swearing of witnesses, receiving of testimony and exhibits offered in evidence subject to such objections as may be imposed, and shall cause a complete record of the proceedings to be made and transcribed and shall certify same to the Director as hereinafter provided.

RULE 1216. HEARINGS WHICH MUST BE HELD BEFORE COMMISSION

Notwithstanding any other provisions of these rules, the hearing on any matter shall be held before the Commission (1) if it is a hearing de novo, or (2) if the Division Director in his discretion desires the Commission to hear the matter.

RULE 1217. EXAMINER'S MANNER OF CONDUCTING HEARING

An Examiner conducting a hearing under these rules shall conduct himself as a disinterested umpire.

RULE 1218. REPORT AND RECOMMENDATIONS, EXAMINER'S HEARINGS

Upon the conclusion of any hearing before an Examiner, the Examiner shall promptly consider the proceedings in such hearing, and based upon the record of such hearing the Examiner shall prepare his written report and recommendations for the disposition of the matter of proceeding by the Division. Such report and recommendations shall either be accompanied by a proposed order or shall be in the form of a proposed order, and shall be submitted to the Division Director with the certified record of the hearing.

RULE 1219. DISPOSITION OF CASES HEARD BY EXAMINERS

After receipt of the report and recommendations of the Examiner, the Division Director shall enter the Division's order disposing of the matter or proceeding.

RULE 1220. DE NOVO HEARING BEFORE COMMISSION

When any order has been entered by the Division pursuant to any hearing held by an Examiner, any party adversely affected by such order shall have the right to have such matter or proceeding heard de novo before the Commission, provided that within 30 days from the date such order is rendered such party files with the Division a written application for such hearing before the Commission. If such application is filed, the matter or proceeding shall be set for hearing before the Commission at the first available hearing date following the expiration of fifteen days from the date such application is filed with the Division. Any person affected by the order or decision rendered by the Commission after hearing before the Commission may apply for rehearing pursuant to and in accordance with the provisions of Rule 1222 and said Rule 1222 together with the law applicable to rehearing and appeals in matters and proceedings before the Commission shall thereafter apply to such matter or proceeding.

~~Exhibit "A"~~
~~Emergency Order No. R-32~~

RULE 1221. NOTICE OF COMMISSION AND DIVISION ORDERS

Within ten days after any order, including any order granting or refusing rehearing, or order following rehearing, has been rendered, a copy of such order shall be mailed by the Division to each person or his attorney of record who has entered his appearance of record in the matter of proceeding pursuant to which such order is rendered.

RULE 1222. REHEARINGS

Within 20 days after entry of any order or decision of the Commission any person affected thereby may file with the Division an application for rehearing in respect of any matter determined by such order or decision, setting forth the respect in which such order or decision is believed to be erroneous. The Commission shall grant or refuse any such application in whole or in part within 10 days after the same is filed and failure to act thereon within such period shall be deemed a refusal thereof and a final disposition of such application. In the event the rehearing is granted, the Commission may enter such new order or decision after rehearing as may be required under the circumstances.

RULE 1223. CHANGES IN FORMS AND REPORTS

Any change in the forms and reports or rules relating to such forms and reports shall be made only by order of the Commission or Division issued after due notice and hearing.

Oil Conservation Division of the New Mexico [illegible] Minerals Department

RULE 1301. DISTRICT OFFICES

To expedite administration of the work of the ~~Commission~~ and the enforcement of its rules and regulations, the state shall be divided into four districts as follows:

DISTRICT I — Lea, Roosevelt, and Curry Counties, and that portion of Chaves County lying east of the North-South line dividing Ranges 29 and 30 East, NMPM.

Office at 1000 West Broadway, Hobbs.

Mailing Address:

~~N. M. Oil Conservation Commission~~ Oil Conservation Division
P. O. Box 1980
Hobbs, New Mexico 88240

DISTRICT 2 — Eddy, Otero, Dona Ana, Luna, Hidalgo, Grant, Sierra, Lincoln, and De Baca Counties, and that portion of Chaves County lying west of the North-South line dividing Ranges 29 and 30 East, NMPM.

Office at 10th and Dallas Streets, Artesia.

Mailing Address:

~~N. M. Oil Conservation Commission~~ Oil Conservation Division
Drawer DD
Artesia, New Mexico 88210

DISTRICT 3 — San Juan, Rio Arriba, McKinley, and Sandoval Counties.

Office at 1000 Rio Brazos Road, Aztec.

Mailing Address:

~~N. M. Oil Conservation Commission~~ Oil Conservation Division
1000 Rio Brazos Road
Aztec, New Mexico 87410

DISTRICT 4 — Remainder of State.

Office in State Land Office Building, Santa Fe.

Mailing Address:

~~N. M. Oil Conservation Commission~~ Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Each district office shall be under the charge of a district supervisor, an oil and gas inspector, or a deputy oil and gas inspector, ~~or a member of the Commission.~~ Unless otherwise specifically required, all matters pertaining to the ~~Commission~~ Division shall be taken care of through the district office of the district in which the affected land is located.

RULE 1302. WHERE TO FILE REPORTS AND FORMS

All reports and forms required by the rules to be filed with the ~~Commission~~ Division shall be filed in the number and at the time specified on the form or report or by the applicable rule in Section M, Reports, of these rules. Unless otherwise specified, all such reports and forms shall be filed at the district office of the district in which the land that is the subject matter of the report is located. All plugging bonds shall be filed directly ~~with~~ the Santa Fe Office of the ~~Commission~~ Division. A list of all plugging bonds approved and in force shall be kept in each district office.

RULE 1303. DUTIES AND AUTHORITY OF FIELD PERSONNEL

Oil and gas inspectors, deputy oil and gas inspectors, scouts, engineers and geologists duly appointed by the ~~Commission~~ Division have the authority and duty to enforce the rules and regulations of the ~~Commission~~ Division. Only oil and gas inspectors and their deputies shall have discretion to allow minor deviations from requirements of the rules as to field practices where, by so doing, waste will be prevented or burdensome delay or expenses on the part of the operator will be avoided.

RULE 1304. NUMBERING OF DIVISION ORDERS

All orders of the Division made after January 1, 1950, pertaining to the allocation of production of oil and gas are prefixed with the letter "A" and are numbered consecutively, commencing with the number 1, i.e., the first allocation order ~~is~~ issued after January 1, 1950, is No. A-1, the next A-2, etc.

All other orders of the Division made after January 1, 1950, are prefixed with the letter "R" and are numbered consecutively, commencing with the number 1, i.e., the first such order issued after January 1, 1950, is No. R-1, the next R-2, etc.

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65-3-1.1. SHORT TITLE.--Sections 65-3-1.1 through 65-3-31 and 65-3-35 and 65-3-36 NMSA 1953 may be cited as the "Oil and Gas Act".

65-3-2. WASTE PROHIBITED.

The production or handling of crude petroleum oil or natural gas of any type or in any form, or the handling of products thereof, in such manner or under such conditions or in such amounts as to constitute or result in waste is each hereby prohibited.

65-3-3. WASTE - DEFINITIONS.

As used in this act, the term "waste," in addition to its ordinary meaning, shall include:

A. "underground waste" as those words are generally understood in the oil and gas business, and in any event to embrace the inefficient, excessive, or improper, use or dissipation of the reservoir energy, including gas energy and water drive, of any pool, and the locating, spacing, drilling, equipping, operating, or producing, of any well or wells in a manner to reduce or tend to reduce the total quantity of crude petroleum oil or natural gas ultimately recovered from any pool, and the use of inefficient underground storage of natural gas.

B. "Surface Waste" as those words are generally understood in the oil and gas business, and in any event to embrace the unnecessary or excessive surface loss or destruction without beneficial use, however caused, of natural gas of any type or in any form or crude petroleum oil, or any product thereof, but including the loss or destruction, without beneficial use, resulting from evaporation, seepage, leakage or fire, especially such loss or destruction incident to or resulting from the manner of spacing, equipping, operating, or producing, well or wells, or incident to or resulting from the use of inefficient storage or from the production of crude petroleum oil or natural gas in excess of the reasonable market demand.

C. The production of crude petroleum oil in this state in excess of the reasonable market demand for such crude petroleum oil. Such excess production causes or results in waste which is prohibited by this act. The words "reasonable market demand," as used herein with respect to crude petroleum oil, shall be construed to mean the demand for such crude petroleum oil for reasonable current requirements for current consumption and use within or outside the state, together with the demand for such amounts as are reasonably necessary for building up or maintaining reasonable storage reserves of crude petroleum oil or the products thereof, or both such crude petroleum oil and products.

D. The non-ratable purchase or taking of crude petroleum oil in this state. Such non-ratable taking and purchasing causes or results in waste, as defined in the subsections (a), (b), (c) of this section and causes waste by violating Section 12 [65-3-13] of this act.

E. The production in this state of natural gas from any gas well or wells, or from any gas pool, in excess of the reasonable market demand from such source for natural gas of the type produced or in excess of the capacity of gas transportation facilities for such type of natural gas. The words "reasonable market demand," as used herein with respect to natural gas, shall be construed to mean the demand for natural gas for reasonable current requirements,

for current consumption and for use within or outside the state, together with the demand for such amounts as are necessary for building up or maintaining reasonable storage reserves of natural gas or products thereof, or both such natural gas and products.

F. Drilling or producing operations for oil or gas within any area containing commercial deposits of potash where such operations would have the effect unduly to reduce the total quantity of such commercial deposits of potash which may reasonably be recovered in commercial quantities or where such operations would interfere unduly with the orderly commercial development of such potash deposits.

65-3-4. OIL CONSERVATION COMMISSION--MEMBERS--TERM--OFFICERS--QUORUM--POWER TO ADMINISTER OATHS.--There is hereby created an oil conservation commission, hereinafter in this act called the "commission" to be composed of the commissioner of public lands, the state geologist and the director of the oil conservation division. No salary or compensation shall be paid any member of the commission for his services as a member thereof. The term of office of each member of the commission shall be concurrent with the other office held by him. The commission shall organize by electing a chairman from its membership. Two members of the commission shall constitute a quorum for all purposes. The commission shall adopt a seal and such a seal affixed to any paper signed by the director of the oil conservation division shall be prima facie evidence of the due execution thereof. The attorney general shall be the attorney for the commission. Any member of the commission, or the director of the oil conservation division, or any employee of the commission or division, shall have power to administer oaths to any witness in any hearing, investigation or proceeding contemplated by this act or by any other law of this state relating to the conservation of oil and gas.

65-3-4.1 OIL CONSERVATION DIVISION--DIRECTOR--STATE PETROLEUM ENGINEER.--

A. The director of the oil conservation division shall be known as the state petroleum engineer.

B. The director shall be appointed by the secretary of the energy and minerals department and shall:

(1) be a resident of this state; and

(2) be registered by the state board of registration for professional engineers and land surveyors as a petroleum engineer; or

(3) by virtue of education and experience have expertise in the field of petroleum engineering."

65-3-5. COMMISSION'S AND DIVISION'S POWERS AND DUTIES.--

A. The division shall have, and is hereby given, jurisdiction and authority over all matters relating to the conservation of oil and gas and the prevention of waste of potash as a result of oil or gas operations in this state. It shall have jurisdiction, authority and control of and over all persons, matters or things necessary or proper to enforce effectively the provisions of this act or any other law of this state relating to the conservation of oil or gas and the prevention of waste of potash as a result of oil or gas operations.

B. The commission shall have concurrent jurisdiction and authority with the division to the extent necessary for the commission to perform its duties as required by law.

65-3-6. RULES OF PROCEDURE IN HEARINGS--MANNER OF GIVING NOTICE --RECORD OF RULES, REGULATIONS AND ORDERS.--The division shall prescribe its rules of order or procedure in hearing or other proceedings before it under this act. Any notice required to be given under this act or under any rule, regulation or order prescribed by the commission or division shall be by personal service on the person affected, or by publication once in a newspaper of general circulation published at Santa Fe, New Mexico, and once in a newspaper of general circulation published in the county, or each of the counties if there be more than one, in which any land, oil or gas or other property which may be affected shall be situated. Such notice shall issue in the name of "the state of New Mexico" and shall be signed by the director of the division, and the seal of the commission shall be impressed thereon,

and it shall specify the number and style of the case, and the time and place of hearing, shall briefly state the general nature of the order or orders, rule or rules, or regulation or regulations contemplated by the division on its own motion or sought in a proceeding brought before the commission or division, the name of the petitioner, or applicant, and, unless the order, rule or regulation is intended to apply to and affect the entire state, it shall specify or generally describe the common source or sources of supply that may be affected by such order, rule or regulation. Personal service thereof may be made by any agent of the division or by any person over the age of eighteen years, in the same manner as is provided by law for the service of summons in civil actions in the district courts of this state. Such service shall be complete at the time of such personal service or on the date of such publication, as the case may be. Proof of service shall be the affidavit of the person making personal service, or of the publisher of the newspaper in which publication is had, as the case may be. All rules, regulations and orders made by the commission or division shall be entered in full by the director thereof in a book to be kept for such purpose by the division, which shall be a public record and open to inspection at all times during reasonable office hours. A copy of any such rule, regulation or order, certified by the director of the division under the seal of the commission, shall be received in evidence in all courts of the state with the same effect as the original.

65-3-7. SUBPOENA POWER--IMMUNITY OF NATURAL PERSONS REQUIRED TO TESTIFY.--The commission, or any member thereof, or the director of the division or his authorized representative, is hereby empowered to subpoena witnesses, to require their attendance and giving of testimony before it, and to require the production of books, papers and records in any proceeding before the commission or the division. No person shall be excused from attending and testifying or from producing books, papers and records before the commission or the division, or

from obedience to the subpoena of the said commission or division, whether such subpoena be signed or issued by one or more of the members of the said commission, or the director of the division, in any hearing, investigation or proceeding held by or before the said commission or division or in any cause or proceeding in any court by or against the said commission or division, relative to matters within the jurisdiction of said commission or division, on the ground or for the reason that the testimony or evidence, documentary or otherwise, required of him may tend to incriminate him or subject him to a penalty or forfeiture; provided that nothing herein contained shall be construed as requiring any person to produce any books, papers or records, or to testify in response to any inquiry, not pertinent to some question lawfully before such commission or division or court for determination. No natural person shall be subjected to criminal prosecution, or to any penalty or forfeiture for or on account of any transaction, matter or thing concerning which he may be required to testify, or produce evidence, documentary or otherwise before said commission or division, or in obedience to its subpoena, or in any cause or proceeding, provided, that no person testifying shall be exempted from prosecution and punishment for perjury committed in so testifying.

65-3-8. FAILURE OR REFUSAL TO COMPLY WITH SUBPOENA--REFUSAL TO TESTIFY--BODY ATTACHMENT--CONTEMPT.--In case of failure or refusal on the part of any person to comply with any subpoena issued by said commission or any member thereof, or the director of the division or his authorized representative, or on the refusal of any witness to testify or answer as to any matters regarding which he may be lawfully interrogated, any district court in this state, or any judge thereof, on application of said commission or division, may issue an attachment for such person and compel him to comply with such subpoena and to attend before the commission or division and produce such documents,

and give his testimony upon such matters as may be lawfully required, and such court or judge shall have the power to punish for contempt as in case of disobedience of a like subpoena issued by or from such court, or a refusal to testify therein."

"65-3-9. PERJURY--PUNISHMENT.--If any person of whom an oath shall be required under the provisions of this act, or by any rule, regulation or order of the commission or division, shall willfully swear falsely in regard to any matter or thing respecting which such oath is required, or shall willfully make any false report or affidavit required or authorized by the provisions of this act, or by any rule, regulation or order of the commission or division, such person shall be deemed guilty of perjury and shall be punished by imprisonment in the state penitentiary for not more than five years nor less than six months.

65-3-10. POWER OF COMMISSION AND DIVISION TO PREVENT WASTE AND PROTECT CORRELATIVE RIGHTS.--

A. The division is hereby empowered, and it is its duty, to prevent waste prohibited by this act and to protect correlative rights, as in this act provided. To that end, the division is empowered to make and enforce rules, regulations and orders, and to do whatever may be reasonably necessary to carry out the purpose of this act, whether or not indicated or specified in any section hereof.

B. The commission shall have concurrent jurisdiction and authority with the division to the extent necessary for the commission to perform its duties as required by law.

65-3-11. ENUMERATION OF POWERS.--

A. Included in the power given to the division is the authority to collect data; to make investigations and inspections; to examine properties, leases, papers, books and records; to examine, check, test and gauge oil and gas wells, and tanks, plants, refineries, and all means and modes of transportation and equipment; to

hold hearings; to provide for the keeping of records and the making of reports and for the checking of the accuracy thereof; to limit and prorate production of crude petroleum oil or natural gas, or both, as in this act provided; to require either generally or in particular areas certificates of clearance or tenders in connection with the transportation of crude petroleum oil or natural gas or any products thereof, or both such oil and products, or both such natural gas and products.

B. Apart from any authority, express or implied, elsewhere given to or existing in the division by virtue of this act or the statutes of this state, the division is hereby authorized to make rules, regulations and orders for the purposes and with respect to the subject matter stated herein, viz.:

(1) 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; the division shall require a corporate surety bond in a sum not to exceed fifty thousand dollars ($50,000) conditioned for the performance of such regulations;

(2) to prevent crude petroleum oil, natural gas, or water from escaping from strata in which they are found into another stratum or other strata;

(3) to require reports showing locations of all oil or gas wells, and for the filing of logs and drilling records or reports;

(4) to prevent the drowning by water of any stratum or part thereof capable of producing oil or gas, or both oil and gas, in paying quantities, and to prevent the premature and irregular encroachment of water, or any other kind of water encroachment, which reduces or tends to reduce the total ultimate recovery of crude petroleum oil or gas, or both such oil and gas, from any pool;

(5) to prevent fires;

(6) to prevent "blow-outs" and "caving" in the sense

that the conditions indicated by such terms are generally understood in the oil and gas business;

(7) to require wells to be drilled, operated and produced in such manner as to prevent injury to neighboring leases or properties;

(8) to identify the ownership of oil or gas producing leases, properties, wells, tanks, refineries, pipelines, plants, structures, and all transportation equipment and facilities;

(9) to require the operation of wells with efficient gas-oil ratios and to fix such ratios;

(10) to fix the spacing of wells;

(11) to determine whether a particular well or pool is a gas or oil well, or a gas or oil pool, as the case may be, and from time to time to classify and reclassify wells and pools accordingly;

(12) to determine the limits of any pool or pools producing crude petroleum oil or natural gas or both, and from time to time redetermine such limits;

(13) to regulate the methods and devices employed for storage in this state of oil or natural gas or of any product thereof including subsurface storage;

(14) to permit the injection of natural gas or of any other substance into any pool in this state for the purpose of re-pressuring, cycling, pressure maintenance, secondary or any other enhanced recovery operation;

(15) to regulate the disposition of water produced or used in connection with the drilling for or producing of oil or gas, or both, and to direct surface or subsurface disposal of such water in a manner that will afford reasonable protection against contamination of fresh water supplies designated by the state engineer;

(16) to determine the limits of any area containing commercial potash deposits and from time to time redetermine such

limits;

(17) to regulate and where necessary prohibit drilling or producing operations for oil or gas within any area containing commercial deposits of potash where such operations would have the effect unduly to reduce the total quantity of such commercial deposits of potash which may reasonably be recovered in commercial quantities or where such operations would interfere unduly with the orderly commercial development of such potash deposits; or

(18) to spend the oil and gas reclamation fund and do all acts necessary and proper to plug dry and abandoned oil and gas wells in accordance with the provisions of the Oil and Gas Act and the Public Purchases Act including disposing of salvageable equipment and material removed from oil and gas wells being plugged by the state.

'65-3-11.1. ADDITIONAL POWERS OF COMMISSION OR DIVISION--HEARINGS BEFORE EXAMINER--HEARINGS DE NOVO.--In addition to the powers and authority, either express or implied, granted to the oil conservation commission or division by virtue of the statutes of the state of New Mexico, the division is hereby authorized and empowered in prescribing its rules or order or procedure in connection with hearings or other proceedings before the division to provide for the appointment of one or more examiners to be members of the staff of the division to conduct hearings with respect to matters properly coming before the division and to make reports and recommendations to the director of the division with respect thereto. Any member of the commission or the director of the division or his authorized representative may serve as an examiner as provided herein. The division shall promulgate rules and regulations with regard to hearings to be conducted before examiners and the powers and duties of the examiners in any particular case may be limited by order of the division to particular issues or to the performance of particular acts. In the absence of any limiting order, an examiner appointed to hear any particular case shall have the

power to regulate all proceedings before him and to perform all acts and take all measures necessary or proper for the efficient and orderly conduct of such hearing, including the swearing of witnesses, receiving of testimony and exhibits offered in evidence subject to such objections as may be imposed, and shall cause a complete record of the proceeding to be made and transcribed and shall certify the same to the director of the division for consideration together with the report of the examiner and his recommendations in connection therewith. The director of the division shall base the decision rendered in any matter or proceeding heard by an examiner, upon the transcript of testimony and record made by or under the supervision of the examiner in connection with such proceeding, and such decision shall have the same force and effect as if said hearing had been conducted before the director of the division. When any matter or proceeding is referred to an examiner and a decision is rendered thereon, any party adversely affected shall have the right to have said matter heard de novo before the commission upon application filed with the division within thirty days from the time any such decision is rendered.

65-3-11.2. BONDING REQUIREMENT.--

A. Each person, firm, corporation or association who operates any oil, gas or service well within the state shall, as a condition precedent to drilling or producing the well, furnish a surety bond to the oil conservation division running to the benefit of the state of New Mexico, conditioned that the well be plugged and abandoned in compliance with the rules and regulations of the oil conservation division. The oil conservation division shall establish categories of surety bonds after notice and hearing. Such categories shall include a blanket plugging bond in an amount not to exceed fifty thousand dollars ($50,000) and one-well plugging bonds in amounts determined sufficient to reasonably pay the cost of plugging the wells covered by each bond. In establishing categories of bonds, the

oil conservation division shall consider the depth of the well involved, the length of time since the well was produced, the cost of plugging similar wells and such other factors as the oil conservation division deems relevant. In addition to the blanket plugging bond, the oil conservation division may require a one-well bond on any well that has been held in a temporarily abandoned status for more than two years. All bonds shall remain in force and effect until released by the oil conservation division. The oil conservation division shall release a bond when it is satisfied the conditions thereof have been fully performed.

B. If any of the requirements of the Oil and Gas Act or the rules and regulations promulgated pursuant thereto have not been complied with, the division, after notice and hearing, may order any well plugged and abandoned by the operator or surety, or both, in accordance with division rules and regulations. If the order is not complied with, in the time period set out in the order, the surety bond shall be forfeited.

C. When any bond is forfeited pursuant to the provisions of the Oil and Gas Act or rules and regulations promulgated pursuant thereto, the director shall give notice to the attorney general who shall collect the forfeiture without delay.

D. All forfeitures shall be deposited in the state treasury in the oil and gas reclamation fund.

E. When the surety bond proves insufficient to cover the cost of plugging oil and gas wells on land other than federal land and funds must be expended from the oil and gas reclamation fund to meet the additional expenses, the oil conservation division is authorized to bring suit against the operator in the district court of the county in which the well is located for indemnification for all costs incurred by the oil conservation division in plugging the well. All

funds collected pursuant to a judgment in a suit for indemnification brought under the provisions of this section shall be deposited in the oil and gas reclamation fund."

"65-3-12. ALLOCATION OF ALLOWABLE PRODUCTION AMONG FIELDS WHEN DIVISION LIMITS TOTAL AMOUNT OF PRODUCTION.--Whenever, to prevent waste, the division limits the total amount of crude petroleum oil to be produced in this state, it shall allocate or distribute the allowable productions among the fields of the state. Such allocation or distribution among the fields of the state shall be made on a reasonable basis, giving, if reasonable under all circumstances, to each pool with small wells of settled production, an allowable production which will prevent a general premature abandonment of the wells in the field.

65-3-13. ALLOCATION OF ALLOWABLE PRODUCTION IN FIELD OR POOL.--

A. Whenever, to prevent waste, the total allowable production of crude petroleum oil for any field or pool in the state is fixed by the division in an amount less than that which the field or pool could produce if no restriction were imposed, the division shall prorate or distribute the allowable production among the producers in the field or pool, upon a reasonable basis and recognizing correlative rights.

B. Crude petroleum oil produced within the allowable as fixed by the division shall herein be referred to as "legal oil" and crude petroleum oil produced in excess of such allowable shall be "illegal oil".

C. Whenever, to prevent waste, the total allowable natural gas production from gas wells producing from any pool in this state is fixed by the division in an amount less than that which the pool could produce if no restrictions were imposed, the division shall allocate the allowable production among the gas wells in the pool delivering to a gas transportation facility upon a reasonable basis

and recognizing correlative rights, and shall include in the proration schedule of such pool any well which it finds is being unreasonably discriminated against through denial of access to a gas transportation facility which is reasonably capable of handling the type of gas produced by such well. In protecting correlative rights the division may give equitable consideration to acreage, pressure, open flow, porosity, permeability, deliverability and quality of the gas and to such other pertinent factors as may from time to time exist, and in so far as is practicable, shall prevent drainage between producing tracts in a pool which is not equalized by counterdrainage. In allocating production pursuant to the provisions of this subsection, the division shall fix proration periods of not less than six months. It shall determine reasonable market demand and make allocations of production during each such period, upon notice and hearing, at least thirty days prior to the beginning of each proration period. In so far as is feasible and practicable, gas wells having an allowable in a pool shall be regularly produced in proportion to their allowables in effect for the current proration period. Without approval of the division or one of its duly authorized agents, no natural gas well or pool shall be allowed to produce natural gas in excess of the allowable assigned to such source during any proration period; provided, that during an emergency affecting a gas transportation facility a gas well or pool having high deliverability into such facility under prevailing conditions may produce and deliver in excess of its allowable for the period of emergency, not exceeding ten days, without penalty. The division may order subsequent changes in allowables for wells and pools to make fair and reasonable adjustment for overage resulting from the emergency. The provisions of this subsection shall not apply to any wells or pools used for storage and withdrawal from storage of natural gas originally produced not in violation of this act or the rules, regulations or orders of the division.

D. In fixing the allowable of a pool under Subsection C of this section, the division shall consider nominations of purchasers but shall not be bound thereby and shall so fix pool allowables as to prevent unreasonable discrimination between pools served by the same gas transportation facility by a purchaser purchasing in more than one pool.

E. Natural gas produced from gas wells within the allowable as determined as provided in Subsection C of this section shall herein be referred to as "legal gas", and natural gas produced in excess of such allowable shall be "illegal gas".

65-3-14. EQUITABLE ALLOCATION OF ALLOWABLE PRODUCTION--POOLING--SPACING.--

A. The rules, regulations or orders of the division shall, so far as it is practicable to do so, afford to the owner of each property in a pool the opportunity to produce his just and equitable share of the oil or gas, or both, in the pool, being an amount, so far as can be practically determined, and so far as such can be practicably obtained without waste, substantially in the proportion that the quantity of the recoverable oil or gas, or both, under such property bears to the total recoverable oil or gas, or both, in the pool, and for this purpose to use his just and equitable share of the reservoir energy.

B. The division may establish a proration unit for each pool, such being the area that can be efficiently and economically drained and developed by one well, and in so doing the division shall consider the economic loss caused by the drilling of unnecessary wells, the protection of correlative rights, including those of royalty owners, the prevention of waste, the avoidance of the augmentation of risks arising from the drilling of an excessive number of wells, and the prevention of reduced recovery which might result from the drilling of too few wells.

B

C. When two or more separately owned tracts of land are embraced within a spacing or proration unit, or where there are owners of royalty interests or undivided interests in oil and gas minerals which are separately owned or any combination thereof, embraced within such spacing or proration unit, the owner or owners thereof may validly pool their interests and develop their lands as a unit. Where, however, such owner or owners have not agreed to pool their interests, and where one such separate owner, or owners, who has the right to drill has drilled or proposes to drill a well on said unit to a common source of supply, the division, to avoid the drilling of unnecessary wells or to protect correlative rights, or to prevent waste, shall pool all or any part of such lands or interests or both in the spacing or proration unit as a unit.

All orders effecting such pooling shall be made after notice and hearing, and shall be upon such terms and conditions as are just and reasonable and will afford to the owner or owners of each tract or interest in the unit the opportunity to recover or receive without unnecessary expense his just and fair share of the oil or gas, or both. Each order shall describe the lands included in the unit designated thereby, identify the pool or pools to which it applies and designate an operator for the unit. All operations for the pooled oil or gas, or both, which are conducted on any portion of the unit shall be deemed for all purposes to have been conducted upon each tract within the unit by the owner or owners of such tract. For the purpose of determining the portions of production owned by the persons owning interests in the pooled oil or gas, or both, such production shall be allocated to the respective tracts within the unit in the proportion that the number of surface acres included within each tract bears to the number of surface acres included in the entire unit. The portion of the production allocated to the owner or owners of each tract or interest included in a well spacing or proration unit formed by a pooling order shall, when

produced, be considered as if produced from the separately owned tract or interest by a well drilled thereon. Such pooling order of the division shall make definite provision as to any owner, or owners, who elects not to pay his proportionate share in advance for the prorata reimbursement solely out of production to the parties advancing the costs of the development and operation, which shall be limited to the actual expenditures required for such purpose not in excess of what are reasonable, but which shall include a reasonable charge for supervision and may include a charge for the risk involved in the drilling of such well, which charge for risk shall not exceed two hundred percent of the nonconsenting working interest owner's or owners' prorata share of the cost of drilling and completing the well.

In the event of any dispute relative to such costs, the division shall determine the proper costs after due notice to interested parties and a hearing thereon. The division is specifically authorized to provide that the owner or owners drilling, or paying for the drilling, or for the operation of a well for the benefit of all shall be entitled to all production from such well which would be received by the owner, or owners, for whose benefit the well was drilled or operated, after payment of royalty as provided in the lease, if any, applicable to each tract or interest, and obligations payable out of production, until the owner or owners drilling or operating the well or both have been paid the amount due under the terms of the pooling order or order settling such dispute. No part of the production or proceeds accruing to any owner or owners of a separate interest in such unit shall be applied toward the payment of any cost properly chargeable to any other interest in said unit.

If the interest of any owner or owners of any unleased mineral interest is pooled by virtue of this act, seven-eighths of such interest shall be considered as a working interest and one-eighth shall be considered a royalty interest, and he shall in all events be paid one-

eighth of all production from the unit and creditable to his interest.

D. Minimum allowable for some wells may be advisable from time to time, especially with respect to wells already drilled when this act takes effect, to the end that the production will repay reasonable lifting cost and thus prevent premature abandonment and resulting waste.

E. Whenever it appears that the owners in any pool have agreed upon a plan for the spacing of wells, or upon a plan or method of distribution of any allowable fixed by the division for the pool, or upon any other plan for the development or operation of such pool, which plan, in the judgment of the division, has the effect of preventing waste as prohibited by this act and is fair to the royalty owners in such pool, then such plan shall be adopted by the division with respect to such pool; however, the division, upon hearing and after notice, may subsequently modify any such plan to the extent necessary to prevent waste as prohibited by this act.

F. After the effective date of any rule, regulation or order fixing the allowable production, no person shall produce more than the allowable production applicable to him, his wells, leases or properties determined as in this act provided, and the allowable production shall be produced in accordance with the applicable rules, regulations or orders.

65-3-14.1. COURT MAY AUTHORIZE POOLING OR UNITIZATION BY FIDUCIARIES.

Repealed 1976

When an existing oil and gas lease upon property owned by a decedent at the time of his death, by a minor, or by an incompetent, does not authorize pooling or unitization thereof with other lands in the vicinity, the district court for the county in which any portion of the lands subject to said lease is situated can authorize the executor or administrator of the estate of the decedent, or the guardian of the minor or incompetent, to execute appropriate instruments authorizing or effectuating such pooling or unitization, or both, if the court finds it to be in the interest of the owners of such property.

65-3-14.2. PETITION OF FIDUCIARY FOR AUTHORITY TO EXECUTE INSTRUMENT - CONTENTS.

An executor, administrator or guardian desiring authorization to execute such instruments shall file a verified petition in the

appropriate district court setting forth a description of the lease, the lands subject thereto and the reason that the proposed action is in the interest of the owners of the affected real estate. A copy of the instrument by which such pooling or unitization is proposed to be authorized or effectuated shall be attached to the petition.

65-3-14.3. NOTICE OF HEARING.

No notice of the hearing upon the petition shall be required; provided, however, that the court in its discretion may require such notice as it may direct to be given to affected parties.

65-3-14.4. COURT ORDER - EFFECT.

Upon entry of an order of the court authorizing execution of the proposed instrument in the form attached to the petition, or with such modification as the court may direct, and execution thereof by the executor, administrator or guardian, the interest in the property owned by the decedent at the time of death, or by the ward, shall be subject in all respects to the terms of said instrument and the executor, administrator or guardian, without further order of the court, shall be authorized to execute division orders, transfer orders, correction instruments, receipts and other instruments made necessary or desirable by the pooling or unitization so effected.

65-3-14.5. SPACING OR PRORATION UNIT WITH DIVIDED MINERAL OWNERSHIP.—

A. Whenever the operator of any oil or gas well shall dedicate lands comprising a standard spacing or proration unit to an oil or gas well, it shall be the obligation of the operator, if two or more separately owned tracts of land are embraced within the spacing or proration unit, or where there are owners of royalty interests or undivided interests in oil or gas minerals which are separately owned or any combination thereof, embraced within such spacing or proration unit, to obtain voluntary agreements pooling said lands or interests or an order of the division pooling said lands, which agreement or order shall be effective from the first production. Any division order that increases the size of a standard spacing or proration unit for a pool, or extends the boundaries of such a pool, shall require dedication of acreage to existing wells in the pool in accordance with the acreage dedication requirements for said pool, and all interests in the spacing or proration units that are dedicated to the affected wells shall share in production from the effective date of the said order.

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B. Any operator failing to obtain voluntary pooling agreements, or failing to apply for an order of the division pooling the lands dedicated to the spacing or proration unit as required by this section, shall nevertheless be liable to account to and pay each owner of minerals or leasehold interest, including owners of overriding royalty interests and other payments out of production, either the amount to which each interest would be entitled if pooling had occurred or the amount to which each interest is entitled in the absence of pooling, whichever is greater.

C. Nonstandard spacing or proration units may be established by the division and all mineral and leasehold interests in any such nonstandard unit shall share in production from that unit from the date of the order establishing the said nonstandard unit.

65-3-15. COMMON PURCHASERS--DISCRIMINATION IN PURCHASING PROHIBITED.—

A. Every person now engaged or hereafter engaging in the business of purchasing oil to be transported through pipelines, shall be a common purchaser thereof, and shall without discrimination in favor of one producer as against another in the same field, purchase all oil tendered to it which has been lawfully produced in the vicinity of, or which may be reasonably reached by pipelines through which it is transporting oil, or the gathering branches thereof, or which may be delivered to the pipeline or gathering branches thereof by truck or otherwise, and shall fully perform all the duties of a common purchaser. If any common purchaser shall not have need for all such oil lawfully produced within a field, or if for any reason it shall be unable to purchase all such oil, then it shall purchase from each producer in a field ratably, taking and purchasing the same quantity of oil from each well to the extent that each well is capable of producing its ratable portions; provided however, nothing herein contained shall be construed to require more than one pipeline connection for each producing well. In the event any such common

purchaser of oil is likewise a producer or is affiliated with a producer, directly or indirectly, it is hereby expressly prohibited from discriminating in favor of its own production or in favor of the production of an affiliated producer as against that of others and the oil produced by such common purchaser or by the affiliate of such common purchaser shall be treated as that of any other producer for the purposes of ratable taking.

B. It shall be unlawful for any common purchaser to unjustly or unreasonably discriminate as to the relative quantities of oil purchased by it in the various fields of the state; the question of the justice or reasonableness to be determined by the division, taking into consideration the production and age of wells in the respective fields and all other factors. It is the intent of this act that all fields shall be allowed to produce and market a just and equitable share of the oil produced and marketed in the state, in so far as the same can be effected economically and without waste.

C. It shall be the duty of the division to enforce the provisions of this act, and it shall have the power, after notice and hearing as provided in Section 65-3-20 NMSA 1953, to make rules, regulations and orders defining the distance that extension of the pipeline system shall be made to all wells not served; provided that no such authorization or order shall be made unless the division finds as to such extension that it is reasonably required and economically justified, or as to such extension of facilities that the expenditures involved therein, and the expense incident thereto, is justified in relation to the volume of oil available for transportation through said extension; and such other rules, regulations and orders as may be necessary to carry out the provisions of this act. and in making such rules, regulations and orders, the division shall give due consideration to the economic factors involved. The division shall have authority to relieve such common purchaser, after due notice and hear-

ing as herein provided, from the duty of purchasing crude petroleum oil of inferior quality or grade or that is not reasonably suitable for the requirements of such common purchaser.

D. Any person now or hereafter engaged in purchasing from one or more producers gas produced from gas wells shall be a common purchaser thereof within each common source of supply from which it purchases, and as such it shall purchase gas lawfully produced from gas wells with which its gas transportation facilities are connected in the pool and other gas lawfully produced within the pool and tendered to a point on its gas transportation facilities. Such purchases shall be made without unreasonable discrimination in favor of one producer against another in the price paid, the quantities purchased, the bases of measurement or the gas transportation facilities afforded for gas of like quantity, quality and pressure available from such wells. In the event any such person is likewise a producer, he is prohibited to the same extent from discriminating in favor of himself on production from gas wells in which he has an interest, direct or indirect, as against other production from gas wells in the same pool. For the purposes of this act reasonable differences in prices paid or facilities afforded, or both, shall not constitute unreasonable discrimination if such differences bear a fair relationship to differences in quality, quantity or pressure of the gas available or to the relative lengths of time during which such gas will be available to the purchaser. The provisions of this subsection shall not apply:

(1) to any wells or pools used for storage and withdrawal from storage of natural gas originally produced not in violation of this act or of the rules, regulations or orders of the division;

(2) to purchases of casing-head gas from oil wells; and

(3) to persons purchasing gas principally for use in the recovery or production of oil or gas.

E. Any common purchaser taking gas produced from gas wells from a common source of supply shall take ratably under such rules,

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regulations and orders, concerning quantity, as may be promulgated by the division consistent with this act. The division, in promulgating such rules, regulations and orders may consider the quality and the deliverability of the gas, the pressure of the gas at the point of delivery, acreage attributable to the well, market requirements in the case of unprorated pools, and other pertinent factors.

F. Nothing in this act shall be construed or applied to require, directly or indirectly, any person to purchase gas of a quality or under a pressure or under any other condition by reason of which such gas cannot be economically and satisfactorily used by such purchaser by means of his gas transportation facilities then in service.

65-3-17. PENALTY FOR VIOLATIONS.--Any person who violates any provision of this act or any rules, regulation or order of the commission or the division made pursuant to this act shall, upon conviction, be fined not more than one thousand dollars ($1,000) for each violation. Each day during which said violation is continued shall be considered a separate and complete offense for this purpose.

65-3-18. PURCHASE, SALE OR HANDLING OF EXCESS OIL, NATURAL GAS OR PRODUCTS PROHIBITED.--

A. The sale or purchase or acquisition, or the transportation, refining, processing, or handling in any other way, of crude petroleum oil or natural gas in whole or in part produced in excess of the amount allowed by any statute of this state, or by any provision of this act, or by any rule, regulation or order of the commission or division made thereunder, is hereby prohibited, and such oil or commodity is hereby referred to as "illegal oil" or "illegal gas", as the case may be.

B. The sale or purchase or acquisition, or the transportation, refining, processing or the handling in any other way, of any

product of crude petroleum or any product of natural gas, which product is derived in whole or in part from crude petroleum oil or natural gas produced in whole or in part in excess of the amount allowed by any statute of this state, or by any provisions of this act, or by any rule, regulation or order of the commission or division made thereunder, is hereby prohibited, and each such commodity or product is herein referred to as "illegal oil product" to distinguish it from "legal oil product", or "illegal gas product" to distinguish it from "legal gas product".

65-3-19. RULES AND REGULATIONS TO EFFECTUATE PROHIBITIONS AGAINST PURCHASE OR HANDLING OF EXCESS OIL OR NATURAL GAS--PENALTIES.--

A. The division is specifically authorized and directed to make such rules, regulations and orders, and may provide for such certificates of clearance or tenders, as may be necessary to make effective the prohibitions contained in Section 65-3-18 NMSA 1953.

B. Unless and until the division provides for certificates of clearance or tenders, or some other method, so that any person may have an opportunity to determine whether any contemplated transaction of sale or purchase or acquisition, or of transportation, refining, processing, or handling in any other way, involves illegal oil or illegal oil product, or illegal gas or illegal gas product, no penalty shall be imposed for the sale or purchase or acquisition, or the transportation, refining, processing, or handling in any other way, of illegal oil or illegal oil product, or illegal gas or illegal gas product, except under circumstances stated in the succeeding provisions of this paragraph. Penalties shall be imposed for the commission of each transaction prohibited in Section 65-3-18 NMSA 1953 when the person committing the same knows that illegal oil or illegal oil product, or illegal gas or illegal gas product, is involved in such transaction, or when such person could have known or determined such fact by the exercise of reasonable diligence or from facts within his knowledge. However, regardless of lack of actual notice or know-

ledge, penalties as provided in this act shall apply to any sale or purchase or acquistion, and to the transportation, refining, processing, or handling in any other way, of illegal oil or illegal oil product, or illegal gas or illegal gas product where administrative provision is made for identifying the character of the commodity as to its legality. It shall likewise be a violation for which penalties shall be imposed for any person to sell or purchase or acquire, or to transport, refine, process, or handle in any way any crude petroleum oil or natural gas or any product thereof without complying with the rule, regulation or order of the commission or division relating thereto.

65-3-20. HEARINGS ON RULES, REGULATIONS AND ORDERS—NOTICE—EMERGENCY RULES.—Except as provided for herein, before any rule, regulation or order, including revocation, change, renewal or extension thereof, shall be made under the provisions of this act, a public hearing shall be held at such time, place and manner as may be prescribed by the division. The division shall first give reasonable notice of such hearing (in no case less than ten days, except in an emergency) and at any such hearing any person having an interest in the subject matter of the hearing shall be entitled to be heard. In case an emergency is found to exist by the division which in its judgment requires the making of a rule, regulation or order without first having a hearing, such emergency rule, regulation or order shall have the same validity as if a hearing with respect to the same had been held after due notice. The emergency rule, regulation or order permitted by this section shall remain in force no longer than fifteen days from its effective date, and, in any event, it shall expire when the rule, regulation or order made after due notice and hearing with respect to the subject matter of such emergency rule, regulation or order becomes effective.

"65-3-21. REPORTS OF GOVERNMENTAL DEPARTMENTS OR AGENCIES AS TO MARKET DEMAND TO BE DEEMED PRIMA FACIE CORRECT.—The reports, estimates, findings of fact, or similar documents or findings of the United States bureau of mines, or of any other department or agency of the United States government, or of any bureau or agency under an interstate compact to which the state of New Mexico is a party made with respect to the reasonable market demand for crude petroleum oil, may be considered by the division or by any court and taken as being prima facie correct.

65-3-22. REHEARINGS - APPEALS.

(a) Within twenty (20) days after entry of any order or decision of the Commission, any person affected thereby may file with the Commission an application for rehearing in respect of any matter determined by such order or decision, setting forth the respect in which such order or decision is believed to be erroneous. The Commission shall grant or refuse any such application in whole or in part within ten (10) days after the same is filed and failure to act thereon within such period shall be deemed a refusal thereof and a final disposition of such application. In the event the rehearing is granted, the Commission may enter such new order or decision after rehearing as may be required under the circumstances.

(b) Any party to such rehearing proceeding, dissatisfied with the disposition of the application for rehearing, may appeal therefrom to the District Court of the county wherein is located any property of such party affected by the decision, by filing a petition for the review of the action of the Commission within twenty (20) days after the entry of the order following rehearing or after the refusal or rehearing as the case may be. Such petition shall state briefly the nature of the proceedings before the Commission and shall set forth the order or decision of the Commission complained of and the grounds of invalidity thereof upon which the applicant will rely; provided, however, that the questions reviewed on appeal shall be only questions presented to the Commission by the application for rehearing. Notice of such appeal shall be served upon the adverse party or parties and the Commission in the manner provided for the service of summons in civil proceedings. The trial upon appeal shall be de novo, without a jury, and the transcript of proceedings before the Commission, including the evidence taken in hearings by the Commission, shall be received in evidence by the court in whole or in part upon offer by either party, subject to legal objections to evidence, in the same manner as if such evidence was originally offered in the District Court. The Commission action complained of shall be prima facie valid and the burden shall be upon the party or parties seeking review to establish the invalidity of such action of the Commission. The Court shall determine the issues of fact and of law and shall, upon a preponderance of the evidence introduced before the Court, which may include evidence in addition to the transcript of proceedings before the Commission, and the law applicable thereto, enter its order either affirming, modifying, or vacating the order of the Commission. In the event the Court shall modify or vacate the order or decision of the Commission, it shall enter such order in lieu

thereof as it may determine to be proper. Appeals may be taken from the judgment or decision of the District Court to the Supreme Court in the same manner as provided for appeals from any other final judgment entered by a District Court in this State. The trial of such application for relief from action of the Commission and the hearing of any appeal to the Supreme Court from the action of the District Court shall be expedited to the fullest possible extent.

(c) The pendency of proceedings to review shall not of itself stay or suspend operation of the order or decision being reviewed, but during the pendency of such proceedings, the District Court in its discretion may, upon its own motion or upon proper application of any party thereto, stay or suspend, in whole or in part, operation of said order or decision pending review thereof, on such terms as the court deems just and proper and in accordance with the practice of courts exercising equity jurisdiction; provided, that the court, as a condition to any such staying or suspension of operation of any order or decision, may require that one or more parties secure, in such form and amount as the court may deem just and proper, one or more other parties against loss or damage due to the staying or suspension of the Commission's order or decision, in the event that the action of the Commission shall be affirmed.

(d) The applicable rules of practice and procedure in civil cases for the courts of this state shall govern the proceedings for review, and any appeal therefrom to the Supreme Court of this state, to the extent such rules are consistent with provisions of this act.

65-3-22.1. REVIEW OF OIL CONSERVATION COMMISSION DECISION--APPEALS.--

The secretary of energy and minerals department may hold a public hearing to determine whether an order or decision issued by the oil conservation commission contravenes the department's statewide plan or the public interest. The hearing shall be held within twenty days after the entry of the commission order or decision following a rehearing or after the order refusing a rehearing as the case may be. The hearing shall be a de novo proceeding and the secretary shall enter such order or decision as may be required under the circumstances, having due regard for the conservation of the state's oil, gas and mineral resources, and the commission shall modify its own order or decision to comply therewith. If a rehearing before the commission was granted, the record of the rehearing shall be made part of the record of the hearing before the secretary. If the application for rehearing was denied, the record of the hearing before the commission or the division shall be made part of the

record of the hearing before the secretary. Such orders and decisions of the secretary may be appealed by any party to the original hearing or the rehearing before the commission, or by any party to the hearing before the secretary held pursuant to this section, in accordance with the procedure of Subsections (b), (c) and (d) of Section 65-3-22 NMSA 1953 except that the appeal shall not be a de novo proceeding and shall be limited to a review of the record of the hearing held pursuant to the provisions of this section.

65-3-23. TEMPORARY RESTRAINING ORDER OR INJUCTION--GROUNDS--HEARING--BOND.--

A. No temporary restraining order or injunction of any kind shall be granted against the commission or the members thereof, or against the attorney general, or against any agent, employee or representative of the division, restraining the commission, or any of its members, or the division or any of its agents, employees or representatives, or the attorney general, from enforcing any statute of this state relating to conservation of oil or gas, or any of the provisions of this act, or any rule, regulation or order made thereunder, except after due notice to the director of the division, and to all other defendants, and after a hearing at which it shall be clearly shown to the court that the act done or threatened is without sanction of law, or that the provision of this act, or the rule, regulation or order complained of, is invalid, and that, if enforced against the complaining party, will cause an irreparable injury. With respect to an order to decree granting temporary injunctive relief, the nature and extent of the probable invalidity of the state, or of any provision of this act, or of any rule, regulation or order thereunder involved in such suit, must be recited in the order or decree granting the temporary relief, as well as a clear statement of the probable damage relied upon by the court as justifying temporary injunctive relief.

B. No temporary injunction of any kind, including a temporary restraining order against the commission or the members thereof, or the division or its agents, employees or representatives, or the attorney general, shall become effective until the plaintiff shall execute a bond to the state with sufficient surety in an amount to be fixed by the court reasonably sufficient to indemnify all persons who may suffer damage by reason of the violation pendente lite by the complaining party of the statute or the provisions of this act or of any rule, regulation or order complained of. Any person so suffering damage may bring suit thereon before the expiration of six months after the statute, provision, rule, regulation or order complained of shall be finally held to be valid, in whole or in part, or such suit against the commission, or the members thereof, or the division, shall be finally dismissed. Such bond shall be approved by the judge of the court in which the suit is pending, and shall be for the use and benefit of all persons who may suffer damage by reason of the violation pendente lite of the statute, provision, rule, regulation or order complained of in such suit, and who may bring suit within the time prescribed by this section; and such bond shall be so conditioned. From time to time, on motion and with notice to the parties, the court may increase or decrease the amount of the bond and may require new or additional sureties, as the facts may warrant.

65-3-24. ACTIONS FOR VIOLATIONS.--Whenever it shall appear that any person is violating, or threatening to violate, any statute of this state with respect to the conservation of oil or gas, or both, or any provision of this act, or any rule, regulation or order made thereunder, the division through the attorney general shall bring suit against such person in the county of the residence of the defendant, or in the county of the residence of any defendant if there be more than one defendant, or in the county where the violation is alleged to have occurred, for penalties, if any are applicable, and to re-

strain such person from continuing such violation or from carrying out the threat of violation. In such suit the division may obtain injunctions, prohibitory and mandatory, including temporary restraining orders and temporary injunctions, as the facts may warrant, including, when appropriate, an injunction restraining any person from moving or disposing of illegal oil or illegal oil product, or illegal gas or illegal gas product, and any or all such commodities, or funds derived from the sale thereof, may be ordered to be impounded or placed under the control of an agent appointed by the court if, in the judgment of the court, such action is advisable.

65-3-25. ACTIONS FOR DAMAGES—INSTITUTION OF ACTIONS FOR INJUNCTIONS BY PRIVATE PARTIES.—Nothing in this act contained or authorized, and no suit by or against the commission or the division, and no penalties imposed or claimed against any person for violating any statute of this state with respect to conservation of oil and gas, or any provision of this act, or any rule, regulation or order issued thereunder, shall impair or abridge or delay any cause of action for damages which any person may have or assert against any person violating any statute of this state with respect to conservation of oil and gas, or any provision of this act, or any rule, regulation or order issued thereunder. Any person so damaged by the violation may sue for and recover such damages as he may be entitled to receive. In the event the division should fail to bring suit to enjoin any actual or threatened violation of any statute of this state with respect to the conservation of oil and gas, or of any provision of this act, or of any rule, regulation or order made thereunder, then any person or party in interest adversely affected by such violation, and who has notified the division in writing of such violation or threat thereof and has requested the division to sue, may, to prevent any or further violation, bring suit for that purpose in the district court of any county in which the division could have brought suit. If, in such

suit, the court holds that injunctive relief should be granted, then the division shall be made a party and shall be substituted for the person who brought the suit, and the injunction shall be issued as if the division had at all times been the complaining party.

65-3-26. VIOLATION OF COURT ORDER GROUNDS FOR APPOINTMENT OF RECEIVER.

The violation by any person of an order of the court relating to the operation of a well or wells, or of a pipeline or other transportation, equipment or facility, or of a refinery, or of a plant of any kind, shall be sufficient ground for the appointment of a receiver with power to conduct operations in accordance with the order of the court.

65-3-27. PENALTIES FOR VIOLATIONS--ACCESSORIES.--

A. Any person who, for the purpose of evading this act, or of evading any rule, regulation or order made hereunder, shall knowingly and willfully make or cause to be made any false entry or statement of fact in any report required to be made by this act or by any rule, regulation or order made hereunder; or who, for such purpose, shall make or cause to be made any false entry in any account, record or memorandum kept by any person in connection with the provisions of this act or of any rule, regulation or order made thereunder; or who, for such purpose, shall omit to make, or cause to be omitted, full, true and correct entries in such accounts, records or memoranda, of all facts and transactions pertaining to the interest of activities in the petroleum industry of such person as may be required by the commission or division under authority given to this act or by any rule, regulation or order made hereunder; or who, for such purpose, shall remove out of the jurisdiction of the state, or who shall mutilate, alter, or by any other means falsify, any book, record, or other

paper pertaining to the transactions regulated by this act or by any rule, regulation or order made hereunder; shall be deemed guilty of a felony and shall be subject, upon conviction in any court of competent jurisdiction, to a fine of not more than one thousand dollars ($1,000), or imprisonment for a term of not more than three years, or to both such fine and imprisonment.

B. Any person who knowingly and willfully violates any provision of this act or any rule, regulation or order of the commission or division made hereunder, shall, in the event a penalty for such violation is not otherwise provided for herein be subject to a penalty of not to exceed one thousand dollars ($1,000) a day for each and every day of such violation, and for each and every act of violation, such penalty to be recovered in a suit in the district court of the county where the defendant resides, or in the county of the residence of any defendant if there be more than one defendant, or in the district court of the county where the violation took place. The place of suit shall be selected by the division, and such suit, by direction of the division, shall be instituted and conducted in the name of the division by the attorney general or under his direction by the district attorney of the county where the suit is instituted. The payment of any penalty as provided for herein shall not have the effect of changing illegal oil or illegal gas product into legal oil

or legal gas product, nor shall such payment have the effect of authorizing the sale or purchase or acquisition, or the transportation, refining, processing, or handling in any other way, of such illegal oil or illegal gas, or illegal oil or illegal gas product, but to the contrary penalty shall be imposed for each prohibited transaction relating to such illegal oil or illegal gas or illegal oil or illegal gas product.

C. Any person knowingly and willfully aiding or abetting any other person in the violation of any statute of this state relating to the conservation of oil and gas, or the violation of any provision of this act, or any rule, regulation or order made thereunder, shall be subject to the same penalties as are prescribed herein for the violation by such other person.

65-3-28. SEIZURE AND SALE OF ILLEGAL OIL OR GAS OR PRODUCTS--PROCEDURE.--

A. Apart from, and in addition to, any other remedy or procedure which may be available to the commission or the division, or any penalty which may be sought against or imposed upon any person, with respect to violations relating to illegal oil or illegal gas or illegal products thereof, all such oil or gas or products thereof shall, except under such circumstances as are stated herein, be contraband and shall be seized and sold, and the proceeds applied as herein provided. The sale shall not take place unless the court finds in the proceeding provided in this section that the owner of such illegal oil or illegal gas or product thereof is liable, or in some proceeding authorized by Sections 65-3-1 through 65-3-34 NMSA 1953, such owner has already been held to be liable, for penalty for having produced the illegal oil or illegal gas, or for having purchased or acquired the illegal oil or illegal gas or product thereof. Whenever the division believes that illegal oil or illegal gas or product thereof is subject to seizure and sale, as provided herein, it shall, through the attorney general, bring a civil action in rem for that purpose in the district court of the county where the

commodity is found, or the action may be maintained in connection with any suit or cross-action for injunction or for penalty relating to any prohibited transaction involving the illegal oil or illegal gas or product thereof. Notice of the action in rem shall be given in conformity with the law or rule applicable to such proceeding. Any person or party in interest who may show himself to be adversely affected by any such seizure and sale shall have the right to intervene in the suit to protect his rights.

B. Whenever the pleading with respect to the forfeiture of illegal oil or illegal gas or product thereof shows ground for seizure and sale, and the pleading is verified or is supported by affidavit or affidavits, or by testimony under oath, the court shall order such commodity to be impounded or placed under the control, actual or constructive, of the court through an agent appointed by the court.

C. The judgment affecting the forfeiture shall provide that the commodity be seized, if not already under the control of the court, and that a sale be had in similar manner and with similar notice as provided by law or rule with respect to the sale of personal property under execution; provided, however, the court may order that the commodity be sold in specified lots or portions, and at specified intervals, instead of being sold at one time. Title to the amount sold shall pass as of the date of the seizure. The judgment shall provide for payment of the proceeds of the sale into the common school fund, after first deducting the costs in connection with the proceedings and the sale. The amount sold shall be treated as legal oil or legal gas or product thereof, as the case may be, in the hands of the purchaser, but the purchaser and the commodity shall be subject to all applicable laws and rules, regulations and orders with respect to further sale or purchase or acquisition, and with respect to the transportation, refining, processing, or handling in any other way, of the commodity purchased.

D. Nothing in this section shall deny or abridge any cause

of action a royalty owner, or any lien holder, or any other claimant, may have, because of the forfeiture of the illegal oil or illegal gas or product thereof, against the person whose act resulted in such forfeiture.

65-3-29. DEFINITIONS OF WORDS USED IN ACT.

Unless the context otherwise requires, the words defined in this section shall have the following meaning when found in this act, to-wit:

A. "Person" means any natural person, corporation, association, partnership, receiver, trustee, guardian, executor, administrator and a fiduciary of any kind.

B. "Pool" means an underground reservoir containing a common accumulation of crude petroleum oil or natural gas or both. Each zone of a general structure, which zone is completely separate from any other zone in the structure, is covered by the word "pool" as used herein. "Pool" is synonymous with "common source of supply" and with "common reservoir."

C. "Field" means the general area which is underlaid or appears to be underlaid by at least one (1) pool; and "field" also includes the underground reservoir or reservoirs containing such crude petroleum oil or natural gas, or both. The words "field" and "pool" mean the same thing when only one (1) underground reservoir is involved; however, "field" unlike "pool" may relate to two (2) or more pools.

D. "Product" means any commodity or thing made or manufactured from crude petroleum oil or natural gas, and all derivatives of crude petroleum oil or natural gas, including refined crude oil, crude tops, topped crude, processed crude petroleum, residue from crude petroleum, cracking stock, uncracked fuel oil, treated crude oil, fuel oil, residuum, gas oil, naphtha, distillate, gasoline, kerosene, benzine, wash oil, waste oil, lubricating oil, and blends or mixtures of crude petroleum oil or natural gas or any derivative thereof.

E. "Owner" means the person who has the right to drill into and to produce from any pool, and to appropriate the production either for himself or for himself and another.

F. "Producer" means the owner of well or wells capable of producing oil or natural gas or both in paying quantities.

G. "Gas transportation facility" means a pipeline in operation serving gas wells for the transportation of natural gas, or some other device or equipment in like operation whereby natural gas produced from gas wells connected therewith can be transported or used for consumption.

H. "Correlative rights" means the opportunity afforded, so far as it is practicable to do so, to the owner of each property in a pool to produce without waste his just and equitable share of the oil or gas, or both, in the pool, being an amount, so far as can be practicably determined, and so far as can be practicably obtained without waste, substantially in the proportion that the quantity of recoverable oil or gas, or both, under such property

bears to the total recoverable oil or gas, or both, in the pool, and for such purpose to use his just and equitable share of the reservoir energy.

I. "Potash" means the naturally occurring bedded deposits of the salts of the element potassium.

65-3-31. *REGULATION, CONSERVATION AND PREVENTION OF WASTE OF* CARBON DIOXIDE GAS.—

A. The oil conservation division is hereby vested with the authority and duty of regulation and conserving the production of and preventing waste of carbon dioxide gas within this state in the same manner, insofar as is practicable as it regulates, conserves and prevents waste of natural or hydrocarbon gas. The provisions of this act relating to gas or natural gas shall also apply to carbon dioxide gas insofar as the same are applicable. "Carbon dioxide gas" as used herein shall mean non-combustible gas composed chiefly of carbon dioxide occurring naturally in underground rocks.

B. The commission shall have concurrent jurisdiction and authority with the division to the extent necessary for the commission to perform its duties as required by law.

"65-3-35. LEGAL REPRESENTATION BEFORE THE FEDERAL POWER COMMISSION —There may be a special assistant attorney general employed by the energy and minerals department who shall represent the interests of this state before the federal power commission. In addition this attorney shall work closely with other agencies having responsibilities relating to oil and gas matters and shall carry out such additional responsibilities as are delegated to him by the energy and minerals department. All costs incurred in employing such counsel shall be paid out of the oil conservation fund in accordance with provisions of the State Budgets Act.

65-3-36. REMOVING OR ALTERING MARKS OF IDENTIFICATION--PENALTY.--

A. No person shall remove, alter, or attempt to remove or alter, any serial number, brand name, trade mark or any other mark of identification from any tool or any other item of construction or oilfield equipment by grinding, filing, welding or any other method with the intent to deprive its lawful owner of positive identification.

B. Any person who violates the provisions of this section is guilty of a misdemeanor and, upon conviction, shall be fined not more than one thousand dollars ($1,000) or imprisoned for a definite term of not more than one year or both.

65-3-37. OIL AND GAS RECLAMATION FUND CREATED--DISPOSITION OF FUND.--There is hereby created the "oil and gas reclamation fund". All funds in the oil and gas reclamation fund and the earnings therefrom are appropriated to the energy and minerals department for use by the oil conservation division in carrying out the provisions of the Oil and Gas Act.

65-3-38. OIL AND GAS RECLAMATION FUND ADMINISTERED--PLUGGING WELLS ON FEDERAL LAND--RIGHT OF INDEMNIFICATION--ANNUAL REPORT--CONTRACTORS SELLING EQUIPMENT FOR SALVAGE.--

A. The oil and gas reclamation fund shall be administered by the oil conservation division. The director of the division shall cause to be prepared plans for the plugging of abandoned wells which have not been plugged or which have been improperly plugged. The director, as funds become available in the oil and gas reclamation fund, shall reclaim, and properly plug, all abandoned wells in ac-

cordance with the provisions of the Oil and Gas Act, and the rules and regulations promulgated thereunder. The division may order wells plugged on federal lands on which there are no bonds running to the benefit of the state in the same manner and in accordance with the same procedures as with wells drilled on state and fee land, including utilizing funds from the oil and gas reclamation fund to pay the cost of such plugging. When the costs of plugging a well drilled on federal mineral leases are paid from the oil and gas reclamation fund, the division is authorized to bring a suit against the operator or the owner of the minerals under the tract, or both, in the district court of the county in which the well is located for indemnification for all costs incurred by the division in plugging said well. Any funds collected pursuant to a judgment in a suit for indemnification brought under the Oil and Gas Act shall be deposited in the oil and gas reclamation fund.

B. The director shall make an annual report to the secretary of energy and minerals, the governor and the legislature on the use of the oil and gas reclamation fund.

C. All contracts for well plugging shall be entered into in accordance with the provisions of the Public Purchases Act. Any contractor employed by the division to plug a well is authorized to sell for salvage the equipment and material which is removed from the well in plugging it.

65-9-1. PUBLIC INTEREST AND WELFARE.

The underground storage of natural gas which promotes conservation thereof, which permits the building of reserves for orderly withdrawal in periods of peak demand, which makes more readily available our natural gas resources to the domestic, commercial and industrial consumers of this state, and which provides a better year-round market to the various gas fields, is hereby declared to be in the public interest and welfare of this state and the citizens hereof.

65-9-2. DEFINITIONS.--As used in this act:

A. "underground storage" shall mean storage of natural gas in a subsurface stratum or formation of the earth;

B. "natural gas" shall mean natural gas either while in its original state after withdrawal from the earth or after the same has been processed by removal therefrom of component parts not essential to its use for light and fuel;

C. "native gas" shall mean gas which has not been previously withdrawn from the earth;

D. "division" shall mean the oil conservation division of the energy and minerals department;

E. "commission" shall mean the oil conservation commission;

F. "natural gas company" shall mean any person, firm or corporation engaged in the distribution, sale or furnishing of natural gas to or for the public subject to regulation by the public service commission under the Public Utility Act, or any person, firm or corporation engaged in the business of transporting natural gas, subject to regulation by the federal power commission under the Natural Gas Act; and

G. "public body" shall mean the state of New Mexico or any department, board, commission, bureau, institution, public agency, county or political subdivision thereof including bodies corporate, bodies politic, municipal corporations, school districts, conservancy districts and quasi-municipal corporations of all kinds.

65-9-3. ACQUISITION OF LANDS FOR PURPOSES OF UNDERGROUND NATURAL GAS STORAGE - LANDS CONTROLLED BY PUBLIC BODY, EXECUTOR, ADMINISTRATOR, GUARDIAN, RECEIVER, OR TRUSTEE.

Any natural gas company desiring to make use of a formation or stratum as a reservoir for the underground storage of natural gas shall attempt to acquire by option, lease, conveyance or other negotiated means, such formation or stratum prior to resorting to the exercise of the power of eminent domain as hereinafter granted. Any public body and any executor, administrator, guardian, receiver or trustee shall be authorized to grant to any such natural gas company rights for underground storage of natural gas in lands subject to its or his control in the same manner as provided by law for entering into oil and gas leases, or if any such public body, executor, administrator, guardian, receiver, or trustee shall not be

specifically authorized by law to make oil and gas leases, the the manner provided by law for lease by such public body, executor, administrator, guardian, receiver, or trustee of interests in land, or if any such public body, executor, administrator, guardian, receiver, or trustee shall not be specifically authorized by law to make oil and gas leases or leases for interests in land, then in the manner provided by law for the sale by such public body, executor, administrator, guardian, receiver, or trustee of interests in land.

'65-9-4. APPROPRIATION OF UNDERGROUND STORAGE FACILITIES--LIMITATIONS.--By eminent domain proceedings, any natural gas company may appropriate for underground storage of natural gas any subsurface stratum or formation in any land which the division shall have found to be suitable for the underground storage of natural gas, and in connection therewith may appropriate such other interests in the land as may be required to maintain and operate facilities for such underground storage; provided, however, that the right to appropriate underground formations and strata shall be limited as follows:

A. no formation or stratum which is producing or which is capable of producing oil in paying quantities, through any known recovery method, shall be subject to appropriation hereunder;

B. no formation or stratum that contained native gas producible in paying quantities shall be subject to appropriation hereunder, unless the recoverable volumes of native gas originally in place therein shall be substantially depleted, and unless such formation or stratum has a greater value or utility as a gas storage reservoir for the purpose of insuring an adequate supply of natural gas, or for the conservation of natural gas, than for the production of the relatively small volumes of native gas which remain therein;

C. no formation or stratum underlying lands which contain known commercial deposits of potash shall be subject to appropriation hereunder;

D. no formation or stratum shall be subject to appropriation hereunder if its use for underground storage purposes would cause injury to surface or underground water resources;

E. no rights or interest in existing underground gas

reservoirs, being used for the injection, storage and withdrawal of natural gas, owned or operated by others than the condemner, shall be subject to appropriation;

F. no dwelling, barn, store, warehouse or other building shall be subject to appropriation hereunder; and

G. the right of appropriation hereby granted shall be without prejudice to the rights of the owner of said lands or of other rights or interests therein to drill through the underground stratum or formation so appropriated in such manner as shall comply with orders, rules and regulations of the division issued for the purpose of protecting underground storage strata or formations against pollution and against the escape of natural gas therefrom and shall be without prejudice to the rights of the owner of said lands or other rights or interests therein as to all other uses thereof.

65-9-5. FINDINGS OF OIL CONSERVATION DIVISION.—Any natural gas company desiring to exercise the right of eminent domain as to any land for underground storage of natural gas shall, as a conditional precedent to the filing of its petition in the district court, obtain from the division a decision finding:

A. that the underground stratum or formation sought to be acquired is suitable for the underground storage of natural gas;

B. that the underground stratum or formation sought to be acquired is incapable of producing oil in paying quantities through any known recovery method;

C. that the formation or stratum sought to be acquired is not underlying lands which contain known commercial deposits of potash;

D. that injury will not be caused to surface or underground water resources;

E. that the underground stratum or formation sought to be acquired, if it contained native gas capable of production in paying quantities, is substantially depleted of recoverable native gas, and

that such formation or stratum has a greater value or utility as a gas storage reservoir than for the production of the remaining volumes of native gas therein;

F. the extent of the horizontal limits of the reservoir expected to be penetrated by displaced or injected gas; and

G. that no portion of the formation or stratum sought to be acquired has been appropriated or is being utilized for the injection, storage and withdrawal of natural gas by others.

65-9-6. COMMISSION OR DIVISION PROCEDURE.—The laws, rules and regulations relating to commission or division action in matters pertaining to conservation of oil and gas shall be applicable to commission or division proceedings under this act.

65-9-7. EXERCISE OF RIGHT OF EMINENT DOMAIN.—Any natural gas company having first obtained a decision from the division, as hereinbefore provided, may proceed to appropriate for underground storage of natural gas subsurface strata or formations and such other interests in the land as may be required to maintain and operate facilities for such underground storage in the manner provided by law for the exercise of the right of eminent domain by railroads and telegraph and telephone companies.

65-9-8. OWNERSHIP OF INJECTED GAS.

All natural gas which has previously been reduced to possession, and which is subsequently injected into underground storage in any strata or formation shall at all times be deemed the property of the injector, his heirs, successors or assigns; and in no event shall such gas be subject to the right of the owner of the surface of said lands or of any mineral interest therein, under which said strata or formation lie, or of any person other than the injector, his heirs, successors, and assigns, to produce, take, reduce to possession, waste, or otherwise interfere with or exercise any control thereover; Provided, that the injector, his heirs, successors and assigns, shall have no right to gas in any stratum, formation or portion thereof, in which storage rights have not been acquired pursuant to this act (65-9-1 to 65-9-8), or otherwise purchased.

72-20-4. OIL AND GAS CONSERVATION TAX LEVIED--COLLECTED BY COMMISSION--RATE--INTEREST OWNER'S LIABILITY TO STATE--INDIAN LIABILITY.--

A. There is levied and shall be collected by the oil and gas accounting commission a tax on all products which are severed and sold. The measure of the tax shall be nineteen one-hundredths of one percent of the taxable value of sold products. Every interest owner shall be liable for this tax to the extent of his interest in the value of such products, or to the extent of his interest as may be measured by the value of such products. Provided, any Indian tribe, Indian pueblo or Indian shall be liable for this tax to the extent authorized or permitted by law.

B. In the event the unencumbered balance in the oil and gas reclamation fund equals or exceeds one million dollars ($1,000,000) for any one-month period computed after payment of the tax for that month, then the tax levied by Subsection A of this section shall be reduced by one one-hundredths of one percent and no funds collected by the tax shall be deposited in the oil and gas reclamation fund, notwithstanding the provisions of Section 72-20-14 NMSA 1953. When the unencumbered balance in the oil and gas reclamation fund is less than or equal to five hundred thousand dollars ($500,000), then the tax levied by Subsection A of this section shall be increased by one one-hundredths of one percent and the additional funds shall be deposited in accordance with the provisions of Section 72-20-14 NMSA 1953.

72-20-14. DISPOSITION OF OIL CONSERVATION FUND.--The oil conservation fund, or so much thereof as may be necessary, is hereby appropriated to the energy and minerals department to be by it expended in the performance of its duties; provided, however, that an amount equal to one-hundredths of one percent of the taxable value of sold products shall be deposited in the oil and gas reclamation fund to be used by the oil conservation division in carrying out the provisions of the Oil and Gas Act.

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The above forms shall be submitted to the appropriate district office of the ~~Commission~~ Division in accordance with the provisions of the "Manual for Back-Pressure Testing of Natural Gas Wells," Rule 401 of the ~~Commission~~ Rules and Regulations, and applicable special pool rules Division and proration orders. These forms shall be submitted in DUPLICATE except Form C-122-A which shall be submitted in TRIPLICATE.

RULE 1123. REQUEST FOR THE EXTENSION OF AN EXISTING POOL OR THE CREATION OF A NEW POOL (Form C-123)

The operator of a well which requires the creation or extension of a pool shall be given written instructions by the appropriate district office regarding the filing of Form C-123 in DUPLICATE.

RULE 1124. RESERVOIR PRESSURE REPORT (Form C-124)

Form C-124 shall be submitted in TRIPLICATE and shall be used to report bottom-hole pressures as required under the provisions of Rule 302 and any applicable special pool rules.

RULE 1125. GAS WELL SHUT-IN PRESSURE TESTS (Form C-125)

Form C-125 shall be submitted in TRIPLICATE and shall be used to report shut-in pressure tests on gas wells as required under the provisions of Rule 402 and any applicable special pool rules.

RULE 1126. PERMIT TO TRANSPORT RECOVERED LOAD OIL (Form C-126)

Form C-126 shall be submitted in QUADRUPLICATE to the appropriate District Office of the ~~Commission~~ and shall be used in conformance with Rule 508 and Rule 1104 (6). Division

RULE 1127. REQUEST FOR ALLOWABLE CHANGE (Form C-127)

One copy of Form C-127 shall be filed by the oil producer with the appropriate District Office of the ~~Commission~~ not later than the 10th day of the month preceding the month for Division which oil well allowable changes are requested.

RULE 1128. FORMS REQUIRED ON FEDERAL LAND

Federal forms shall be used in lieu of State forms when filing APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK and SUNDRY NOTICES AND REPORTS ON WELLS and WELL COMPLETION OR RECOMPLETION REPORT AND LOG for wells on Federal lands in New Mexico. However, it shall be the duty of the operator to submit two extra copies of each of such forms to the USGS, which, upon approval, will transmit same to the ~~Commission~~ Division. The following USGS forms will be used in lieu of ~~Commission~~ Division forms by operators of wells on Federal land:

USGS Form No.	Title of Form (Same for both agencies)	~~NMOCC~~ NMOCD Form No.
9-331C (May 1963)	APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK	C-101
9-331 (May 1963)	SUNDRY NOTICES AND REPORTS ON WELLS	C-103
9-330 (Rev. 5-63)	WELL COMPLETION OR RECOMPLETION REPORT AND LOG	C-105

The above forms as may be revised are the only forms that may be submitted in place of ~~Commission~~ Division forms.

After a well is completed and ready for pipeline connection, ~~Commission~~ Division Form C-104 shall be filed with the ~~Commission~~ Division on any and all wells drilled in the State, regardless of land status. Further, all reports and forms as required under the preceding rules of this section of the Rules and Regulations that pertain to production must be filed on the proper Oil Conservation ~~Commission~~ Division form as set out in said rule - no other forms will be accepted.

Failure to comply with the provisions of this rule will result in the cancellation of Form C-104 for the affected well or wells.

RULE 1129. APPLICATION FOR EXCEPTION TO NO-FLARE RULE 306 (Form C-129)

Form C-129, when applicable, shall be filed in accordance with Rule 306.

RULE 1117. SEDIMENT OIL DISPOSITION PERMITS (Form C-117-A and Form C-117-B)

(a) Form C-117-A, Sediment Oil Destruction Permit, shall be submitted to the appropriate District Office of the ~~Commission~~ Division in TRIPLICATE and in accordance with Rule 311 (b).

(b) Form C-117-B, Sediment Oil Recovery Permit, shall be submitted to the appropriate District Office of the ~~Commission~~ Division in QUADRUPLICATE and in accordance with Rule 311 (c).

RULE 1118. TREATING PLANT OPERATOR'S MONTHLY REPORT (Form C-118)

Form C-118 shall be submitted in DUPLICATE in accordance with Rule 312, and shall contain all the information required thereon. Column 1 of Sheet 1-A of Form C-118 entitled "Permit Number," has reference to the Sediment Oil Recovery Permit, Form C-117-B, for each lot of oil picked up for processing.

RULE 1119. CARBON BLACK PLANT MONTHLY REPORT (Form C-119)

Each operator of a carbon black plant within the State of New Mexico shall file for each calendar month the monthly volume of gas received by him from a gasoline extraction plant or plants, and a monthly volume or volumes of gas received by him from each lease operator delivering natural gas directly to such plant, together with the opening and closing stocks and the production and deliveries by grades of carbon black or other products produced. Such reports shall be filed in DUPLICATE on Form C-119, Carbon Black Plant Monthly Report, and be postmarked on or before the 15th day of the next succeeding month. In addition, Form C-111 shall be filed each month in accordance with Rule 1111 if the Carbon Black Plant operator makes any purchase directly from a lease or operates any gas gathering or transmission system.

RULE 1120. MONTHLY WATER DISPOSAL REPORT (Form C-120-A)

Each operator of a salt water disposal system shall report such operations on Form C-120-A. Form C-120-A shall be filed in DUPLICATE (one copy with the Santa Fe Office and one copy with the appropriate district office) and shall be postmarked not later than the 15th day of the second succeeding month.

RULE 1121. PURCHASER'S NOMINATION FORMS (Form C-121 and Form C-121-A)

Unless requested otherwise by the ~~Secretary-Director of the Commission~~ Division Director, one copy of Form C-121, Crude Oil Purchaser's Nomination, shall be submitted to the Santa Fe office of the ~~Commission~~ Division not later than the 20th day of each odd-numbered month. Nominations shall be filed by each person expecting to purchase oil from producing wells in New Mexico during the second and third succeeding two months. As an example, nominations submitted by the 20th day of July shall indicate the amount of oil the purchaser desires to purchase daily during September and October.

One copy of Form C-121-A, Purchaser's Gas Nomination, shall be submitted to the Santa Fe Division office of the ~~Commission~~ Division by the first day of the month during which the ~~Commission~~ Division will consider at the gas allowable hearing the nominations for the purchase of gas from producing wells in New Mexico during the succeeding month. As an example, purchaser's nominations to take gas from a pool during the month of August would be considered by the ~~Commission~~ Division at a hearing during July, and should be submitted to the Santa Fe office of the ~~Commission~~ Division by July 1.

In addition to the monthly gas nominations, twelve-months nominations shall be filed in accordance with the appropriate pool rules.

RULE 1122. MULTIPOINT AND ONE POINT BACK PRESSURE TEST FOR GAS WELL (Form C-122)

GAS WELL TEST DATA SHEET - SAN JUAN BASIN (Form C-122-A)

INITIAL POTENTIAL TEST DATA SHEET (Form C-122-B)

DELIVERABILITY TEST REPORT (Form C-122-C)

WORKSHEET FOR CALCULATION OF STATIC COLUMN WELLHEAD PRESSURE (P_w) (Form C-122-D)

WORKSHEET FOR STEPWISE CALCULATION OF (SURFACE) (SUBSURFACE) PRESSURE (P_c & P_w) (P_f & P_s) (Form C-122-E)

WORKSHEET FOR CALCULATION OF WELLHEAD PRESSURES (P_c or P_w) FROM KNOWN BOTTOMHOLE PRESSURE (P_f or P_s) (Form C-122-F)

WORKSHEET FOR CALCULATION OF STATIC COLUMN PRESSURE AT GAS LIQUID INTERFACE (Form C-122-G)

(5) Form C-104 with Sections I, II, III, and VI, completely filled out shall be filed in QUINTUPLICATE by the operator of the well in the event there is a change of ownership of any producing well, injection well, or disposal well, or a change of transporter (oil, condensate, casinghead gas, or dry gas), a change in pool designation, lease name, or well number, or any other pertinent change in condition of any such well. When filing Form C-104 for change of ownership, the new operator shall file the form in the above manner, and shall give the name and address of the previous as well as the present operator. The Form C-104 will not be approved by the ~~Commission~~ Division unless the new operator has an approved bond in compliance with Rule 101.

(6) Whenever there is a temporary change in transporter and oil is to be moved from the lease by anyone other than the regular transporter authorized by an approved Form C-104, the operator shall notify the appropriate District Office of the ~~Commission~~ Division in writing within three days after the oil is moved, furnishing such information as may be required by the District Office. The operator shall furnish copies of the notification to the regular transporter and to the temporary transporter. This paragraph is intended to deal primarily with authorized batch movements of oil by the operator for use as load oil, frac oil, etc.; eventual sale of this oil is governed by Rules 508 and 1126.

RULE 1105. WELL COMPLETION OR RECOMPLETION REPORT AND LOG (Form C-105)

Within 20 days following the completion or recompletion of any well, the operator shall file Form C-105 with the ~~Commission~~ Division. It must be filed in QUINTUPLICATE and each copy accompanied by a summary of all special tests conducted on the well, including drill stem tests. In addition, one copy of all electrical and radio-activity logs run on the well must be filed with Form C-105. If the Form C-105 with attached log(s) and summaries is not received by the ~~Commission~~ Division within the specified 20-day period, the allowable for the well will be withheld until this rule has been complied with.

In the case of a dry hole, a complete record of the well on Form C-105 with the above attachments shall accompany the notice of intention to plug the well, unless previously filed. The plugging report will not be approved nor the bond released until this rule has been complied with.

Form C-105 and accompanying attachments will not be kept confidential by the ~~Commission~~ Division unless so requested in writing by the owner of the well. Upon such request, the ~~Commission~~ Division will keep these data confidential for 90 days from the date of completion of the well, provided, however, that the report, log(s), and other attached data may, when pertinent, be introduced in any public hearing before the ~~Commission~~ Division or its examiners or in any court of law, regardless of the request that they be kept confidential.

RULE 1106. NOTICE OF INTENTION TO UTILIZE AUTOMATIC CUSTODY TRANSFER EQUIPMENT (Form C-106)

Form C-106, when applicable, shall be filed in accordance with Rule 309-A.

RULE 1107. APPLICATION FOR MULTIPLE COMPLETION (Form C-107)

Form C-107, when applicable, shall be filed in accordance with Rule 112-A IV.

RULE 1108. APPLICATION TO DISPOSE OF SALT WATER BY INJECTION INTO A POROUS FORMATION (Form C-108)

Form C-108, when applicable, shall be filed in accordance with Rule 701, Section C.

RULE 1109. APPLICATION FOR DISCOVERY ALLOWABLE AND CREATION OF A NEW POOL (Form C-109)

Form C-109, when applicable, shall be filed in accordance with Rule 509.

RULE 1110. No Rule; there is no Form C-110 at present.

RULE 1111. GAS PURCHASER'S MONTHLY REPORT (Form C-111)

Form C-111, Gas Purchaser's Monthly Report, shall be filed monthly in accordance with the rules below. It shall be postmarked on or before the 15th day of the month to report all gas taken during the preceding month. One copy shall be filed with the appropriate District Office of the ~~Commission~~ Division and two copies with the Santa Fe Office of the ~~Commission~~ Division. One additional copy shall also be sent to the Hobbs Office of the ~~Commission~~ Division. Information on Sheet No. 2 of Form C-111 shall be itemized by pools, by operators, and by leases, in alphabetical order.

Form C-111 shall be filed each month by the operator of any gas gathering system, gas transportation system, recycling system, fuel system, gas lift system, gas drilling operation, etc. The form shall cover all natural gas, casinghead gas, and carbon dioxide gas taken into any such system during the preceding month and shall show the source of the gas and the disposition thereof.

Form C-111 shall also be filed each month by the operator of any gasoline plant, cycling plant, or other plant at which gasoline, butane, propane, kerosene, oil, or other products are extracted from gas within the State of New Mexico. The form shall cover all natural gas, casinghead gas, and carbon dioxide gas taken by any such plant during the preceding month and shall show the source of the gas and the disposition thereof. If a plant operator owns more than one plant in a given ~~OCC~~ District, Sheet No. 1 of Form C-111 shall be filed for each such plant. In preparing Sheet No. 2, the plant operator shall consolidate all acquisitions for all plants in the District, itemized in the order described in the first paragraph of this rule. Division

Where gas is taken by the producer and utilized by him for any of the above uses, the producer shall file Form C-111 itemizing such gas. The producer shall also include this gas on his Operator's Monthly Report, Form C-115. Gas used on the lease from which it was produced for consumption in lease houses, treaters, compressors, combustion engines, and other similar equipment, or gas which is flared, shall also be included on the Form C-115 but is not to be included on the Form C-111.

RULE 1112. TRANSPORTER'S AND STORER'S MONTHLY REPORT (Form C-112)

Each transporter and each storer of crude petroleum oil and liquid hydrocarbons within the State of New Mexico shall file for each calendar month a Transporter's and Storer's Monthly Report, Form C-112, containing complete information and data indicated by such form respecting stocks of crude petroleum oil and liquid hydrocarbons on hand and receipts and deliveries of crude petroleum oil and liquid hydrocarbons by pipeline and trucks within the State of New Mexico, and receipts and deliveries from leases to storers or refiners; between transporters within the State; between storers and refiners within the State. Form C-112 shall be filed in DUPLICATE and postmarked on or before the 15th day of the next succeeding month.

RULE 1113. REFINER'S MONTHLY REPORT (Form C-113)

Every refiner of crude petroleum oil within the State of New Mexico shall furnish for each calendar month a Refiner's Monthly Report, Form C-113, containing the information and data indicated by such form respecting crude petroleum oil and products involved in such refiner's operation during each month. Such report for each month shall be filed in DUPLICATE and be postmarked on or before the 15th day of the next succeeding month.

RULE 1114. No Rule; there is no Form C-114 at present.

RULE 1115. OPERATOR'S MONTHLY REPORT (Form C-115)

Operator's Monthly Report, Form C-115 or Form C-115-EDP, shall be filed on each producing lease and each secondary recovery project injection well within the State of New Mexico for each calendar month, setting forth complete information and data indicated on said forms in the order, format, and style prescribed by the ~~Secretary-Director~~. Oil production from wells which are producing into common storage shall be estimated as accurately as possible on the basis of periodic tests. Division Director

The reports on this form shall be filed by the producer as follows:

Original to the [redacted]ation ~~Commission~~ at Santa Fe; one copy to the District Office of the ~~Commission~~ in which district the lease is located; and one copy to each transporter involved. Each report for each month shall be postmarked not later than the 24th day of next succeeding month. Failure of an operator to file this report in accordance with the provisions of this rule may result in cancellation of Form C-104 for the affected well or wells. Division Division

RULE 1116. GAS-OIL RATIO TESTS (Form C-116)

Gas-oil ratio tests shall be made and reported on Form C-116 as prescribed in Rule 301, Gas-Oil Ratio Tests, and any applicable special pool rules. This form shall be submitted in DUPLICATE.

(5) Report of Remedial Work

A report of remedial work performed on a well shall be filed by the operator of the well within 30 days following completion of such work. Said report shall be filed in QUADRUPLICATE on Form C-103 and shall present a detailed account of the work done and the manner in which such work was performed; the daily production of oil, gas, and water both prior to and after the remedial operation; the size and depth of shots; the quantity of sand, crude, chemical or other materials employed in the operation, and any other pertinent information. Among the remedial work to be reported on Form C-103 are the following:

(a) Report on shooting, fluid fracturing or chemical treatment of a previously completed well
(b) Report on squeeze job
(c) Report on setting of liner or packer
(d) Report of installation of pumping equipment or gas lift facilities
(e) Report of any other remedial operations which are not specifically covered herein

(6) Report on Deepening or Plugging Back

A report of deepening or plugging back shall be filed by the operator of the well within 30 days following completion of such operations on any well. Said report shall be filed in QUADRUPLICATE on Form C-103 and shall present a detailed account of the work done and the manner in which such work was performed. If the well is recompleted in the same pool, it shall also report the daily production of oil, gas, and water both prior to and after recompletion. If the well is recompleted in another pool, Form C-104 must also be filed in accordance with Rule 1104.

(7) Report of Change in Ownership of a Drilling Well

A report of change of ownership shall be filed by the new owner of any drilling well within ten days following actual transfer of ownership. Said report shall be filed in TRIPLICATE on Form C-103 and shall include the name and address of both the new owner and the previous owner, the effective date of the change of ownership, and any other pertinent information. No change in the ownership of a drilling well will be approved by the ~~Commission~~ Division unless the new owner has an approved bond in accordance with Rule 101. (Form C-104 shall be used to report transfer of ownership of a completed well; see Rule 1104.)

(8) Other Reports on Wells

Reports on any other operations which affect the original status of the well but which are not specifically covered herein shall be submitted to the ~~Commission~~ Division on Form C-103, in TRIPLICATE, by the operator of the well within ten days following the completion of such operation.

RULE 1104. REQUEST FOR ALLOWABLE AND AUTHORIZATION TO TRANSPORT OIL AND NATURAL GAS (Form C-104)

(1) Form C-104 completely filled out by the operator of the well must be filed in QUINTUPLICATE before an allowable will be assigned to any newly completed or recompleted well. (A recompleted well shall be considered one which has been deepened or plugged back to produce from a different pool than previously.) Form C-104 must be accompanied by a tabulation of all deviation tests taken on the well as provided by Rule 111.

(2) The allowable assigned to an oil well shall be effective at 7:00 o'clock a.m. on the date of completion, provided the Form C-104 is received by the ~~Commission~~ Division during the month of completion. Date of completion shall be that date when new oil is delivered into the stock tanks.

Unless otherwise specified by special pool rules, the allowable assigned to a gas well shall be effective at 7:00 o'clock a.m. on the date of connection to a gas transportation facility, as evidenced by an affidavit of connection from the purchaser to the ~~Commission~~ Division, or the date of receipt of Form C-104 by the ~~Commission,~~ Division, whichever date is later.

(3) No allowable will be assigned to any well until a standard unit for the pool in which the well is completed has been dedicated by the owner, or a non-standard unit has been approved by the ~~Commission~~ Division, or a standard unit has been communitized or pooled and dedicated to the well.

(4) No allowable will be assigned to any well until all forms and reports due have been received by the ~~Commission~~ Division and the well is otherwise in full compliance with these rules.

In the case of well plugging operations, the Notice of Intention shall include a detailed statement of the proposed work, including plans for shooting and pulling casing, plans for mudding, including weight of mud, plans for cementing, including number of sacks of cement and depths of plugs, and the time and date of the proposed plugging operations. If not previously filed, a complete log of the well on Form C-105 (See Rule 1105) shall accompany the Notice of Intention to plug the well; the bond will not be released until this is complied with.

B. Form C-103 as a Subsequent Report

Form C-103 as a subsequent report of operations shall be filed in accordance with the section of this rule applicable to the particular operation being reported.

Form C-103 is to be used in reporting such completed operations as:

(1) Commencement of drilling operations
(2) Casing and cement test
(3) Altering a well's casing installation
(4) Temporary abandonment
(5) Plug and Abandon
(6) Plugging back or deepening
(7) Remedial work
(8) Installation of artificial lifting equipment
(9) Change in ownership of a drilling well
(10) Such other operations which affect the original status of the well but which are not specifically covered herein

Information to be entered on Form C-103, Subsequent Report, for a particular operation is as follows:

(1) Report of Commencement of Drilling Operations

Within ten days following the commencement of drilling operations, the operator of the well shall file a report thereof on Form C-103 in TRIPLICATE. Such report shall indicate the hour and the date the well was spudded.

(2) Report of Results of Test of Casing and Cement Job; Report of Casing Alteration

A report of casing and cement test shall be filed by the operator of the well within ten days following the setting of each string of casing or liner. Said report shall be filed in TRIPLICATE on Form C-103 and shall present a detailed description of the test method employed and the results obtained by such test, and any other pertinent information required by Rule 107. The report shall also indicate the top of the cement and the means by which such top was determined. It shall also indicate any changes from the casing program previously authorized for the well.

(3) Report of Temporary Abandonment

A report of temporary abandonment of a well shall be filed by the operator of the well within ten days following completion of the work. The report shall be filed in TRIPLICATE and shall present a detailed account of the work done on the well, including location and type of plugs used, if any, type and status of surface and downhole equipment, and any other pertinent information relative to the overall status of the well.

(4) Report on Plugging of Well

A report of plugging operations shall be filed by the operator of the well within 30 days following completion of plugging operations on any well. Said report shall be filed in TRIPLICATE on Form C-103 and shall include the date the plugging operations were begun and the date the work was completed, a detailed account of the manner in which the work was performed including the depths and lengths of the various plugs set, the nature and quantities of materials employed in the plugging operations including the weight of the mud used, the size and depth of all casing left in the hole, and any other pertinent information. (See Rules 201-204 regarding plugging operations.)

No plugging report will be approved by the ~~Commission~~ Division until the pits have been filled and the location levelled and cleared of junk. It shall be the responsibility of the operator to contact the appropriate District Office of the ~~Commission~~ Division when the location has been so restored in order to arrange for an inspection of the plugged well and the location by a ~~Commission~~ Division representative.

Form C-124	Reservoir Pressure Report
Form C-125	Gas Well Shut-in Pressure Report
Form C-126	Permit to Transport Recovered Load Oil
Form C-127	Request for Allowable Change
Form C-129	Application for Exception to No-Flare Rule 306
Form C-130	Notice of Disconnection
Form C-131	Monthly Gas Storage Report

RULE 1101. APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK (Form C-101)

Before commencing drilling or deepening operations, or before plugging a well back to another zone, the operator of the well must obtain a permit to do so. To obtain such permit, the operator shall submit to the ~~Commission~~ Division FIVE copies of Form C-101, Application for Permit to Drill, Deepen, or Plug Back, completely filled out. If the operator has an approved bond in accordance with Rule 101, one copy of the Drilling Permit will be returned to him on which will be noted the ~~Commission's~~ Division's approval, with any modification deemed advisable. If the proposal cannot be approved for any reason, the Forms C-101 will be returned with the cause for rejection stated thereon.

Form C-101 must be accompanied by THREE copies of Form C-102, Well Location and Acreage Dedication Plat. (See Rule 1102.)

If the well is to be drilled on state land, submit SIX copies of Form C-101 and FOUR copies of Form C-102, the extra copy of each form being for the State Land Office.

RULE 1102. WELL LOCATION AND ACREAGE DEDICATION PLAT (Form C-102)

Form C-102 is a dual purpose form used to show the exact location of the well and the acreage dedicated thereto. The form is also used to show the ownership and status of each lease contained within the dedicated acreage. When there is more than one working interest or royalty owner on a given lease, designation of the majority owner et al. will be sufficient.

All information required on Form C-102 shall be filled out and certified by the operator of the well except the well location on the plat. This is to be plotted from the outer boundaries of the section and certified by a registered professional engineer and/or land surveyor, registered in the State of New Mexico, or a surveyor approved by the ~~Commission~~ Division.

Form C-102 shall be submitted in TRIPLICATE or QUADRUPLICATE as provided in Rule 1101.

Amended Form C-102 (in TRIPLICATE or QUADRUPLICATE) shall be filed in the event there is a change in any of the information previously submitted. The well location need not be certified when filing amended Form C-102.

RULE 1103. SUNDRY NOTICES AND REPORTS ON WELLS (Form C-103)

Form C-103 is a dual purpose form to be filed with the appropriate District Office of the ~~Commission~~ Division to obtain ~~Commission~~ Division approval prior to commencing certain operations and also to report various completed operations.

A. Form C-103 as a Notice of Intention

Form C-103 shall be filed in TRIPLICATE by the operator and approval obtained from the ~~Commission~~ Division prior to:

(1) Effecting a change of plans from those previously approved on Form C-101 or Form C-103.

(2) Altering a drilling well's casing program or pulling casing or otherwise altering an existing well's casing installation.

(3) Temporarily abandoning a well.

(4) Plugging and abandoning a well.

(5) Performing remedial work on a well which, when completed, will affect the original status of the well. (This shall include making new perforations in existing wells or squeezing old perforations in existing wells, but is not applicable to new wells in the process of being completed nor to old wells being deepened or plugged back to another zone when such recompletion has been authorized by an approved Form C-101, Application for Permit to Drill, Deepen, or Plug Back, nor to acidizing, fracturing, or cleaning out previously completed wells, nor to installing artificial lift equipment.)

RULE 1100. GENERAL

A. Where to File Reports

Unless otherwise specifically provided for in any rule or order of the ~~Commission~~ Division, all forms and reports required by these rules shall be filed with the appropriate District Office of the ~~Commission~~ Division as provided in Rules 1301 and 1302.

B. Additional Data

These rules shall not be construed to limit or restrict the authority of the Oil Conservation ~~Commission~~ Division to require the furnishing of such additional reports, data, or other information relative to the production, transportation, storing, refining, processing, or handling of crude petroleum oil, natural gas, or products in the State of New Mexico as may appear to it to be necessary or desirable, either generally or specifically, for the prevention of waste and the conservation of natural resources of the State of New Mexico.

C. Books and Records

All producers, transporters, storers, refiners, gasoline or extraction plant operators, and initial purchasers of natural gas within the State of New Mexico shall make and keep appropriate books and records for a period of not less than five years, covering their operations in New Mexico, from which they may be able to make and substantiate the reports required by these rules.

D. Written Notices, Requests, Permits, and Reports

The forms listed below shall be used for the purpose shown in accordance with the instructions printed thereon and the rule covering the form, or any special rule or order pertaining to its use.

Form C-101	Application for Permit to Drill, Deepen, or Plug Back
Form C-102	Well Location and Acreage Dedication Plat
Form C-103	Sundry Notices and Reports on Wells
Form C-104	Request for Allowable and Authorization to Transport Oil and Natural Gas
Form C-105	Well Completion or Recompletion Report and Log
Form C-106	Notice of Intention to Utilize Automatic Custody Transfer Equipment
Form C-107	Application for Multiple Completion
Form C-108	Application to Dispose of Salt Water by Injection into a Porous Formation
Form C-109	Application for Discovery Allowable and Creation of a New Pool
Form C-111	Gas Purchaser's Monthly Report (Sheet 1 and Sheet 2)
Form C-112	Transporter's and Storer's Monthly Report
Form C-113	Refiner's Monthly Report (Sheet 1 and Sheet 2)
Form C-115	Operator's Monthly Report
Form C-115-EDP	Operator's Monthly Report (electronic data processing)
Form C-116	Gas-Oil Ratio Tests
Form C-117-A	Sediment Oil Destruction Permit
Form C-117-B	Sediment Oil Recovery Permit
Form C-118	Treating Plant Operator's Monthly Report (Sheet 1 and Sheet 1-A)
Form C-119	Carbon Black Plant Monthly Report
~~Form C-120~~	~~Monthly Injection Report~~
Form C-120-A	Monthly Water Disposal Report
Form C-121	Crude Oil Purchaser's Nomination
Form C-121-A	Purchaser's Gas Nomination
Form C-122	Multi-Point and One Point Back Pressure Test for Gas Wells
Form C-122-A	Gas Well Test Data Sheet-San Juan Basin (Initial Deliverability Test, blue paper; Annual Deliverability Test, white)
Form C-122-B	Initial Potential Test Data Sheet
Form C-122-C	Deliverability Test Report
Form C-122-D	Worksheet for Calculation of Static Column Wellhead Pressure (P_w).
Form C-122-E	Worksheet for Stepwise Calculation of (Surface) (Subsurface) Pressure (P_c & P_w) (P_f & P_s)
Form C-122-F	Worksheet for Calculation of Wellhead Pressures (P_c or P_w) from Known Bottomhole Pressure (P_f or P_s)
Form C-122-G	Worksheet for Calculation of Static Column Pressure at Gas Liquid Interface
Form C-123	Request for the Extension of an Existing Pool or the Creation of a New Pool

RULE 705. STORAGE WELLS

The ~~Secretary-Director of the Oil Conservation Commission~~ Division Director shall have authority to grant an exception to the requirements of Rule 701-A for the underground storage of liquefied petroleum gas or liquid hydrocarbons in secure caverns within massive salt beds.

Applicant shall furnish each operator within a one-half mile radius of the proposed well with a copy of the application to the ~~Commission~~ Division, and applicant shall include with his application a written stipulation that all operators within said half-mile radius of the proposed well have been properly notified. The ~~Secretary-Director of the Commission~~ Division Director shall wait at least ten days before approving any such application, and shall approve any such application only in the absence of objection from any notified operator. In the event that an operator objects to the application the ~~Commission~~ Division shall consider the matter only after proper notice and hearing.

In addition to the filing requirements of Rule 701 B, the applicant for approval of a storage well under this rule shall file the following:

A. With the ~~Secretary-Director~~ Division Director:

(1) A plugging bond in accordance with the provisions of Rule 101;

B. With the appropriate district office of the ~~Commission~~ Division in TRIPLICATE:

(1) Form C-101, Application for Permit to Drill, Deepen, or Plug Back;

(2) Form C-102, Well Location and Acreage Dedication Plat; and,

(3) Form C-105, Well Completion or Recompletion Report and Log.

~~Secretary-Director~~ may grant immediate approval to the proposal upon receipt of waivers of objection from all operators offsetting the proposed injection well. Director

RULE 702. CASING AND CEMENTING OF INJECTION WELLS

Wells used for injection of gas, air, or water into the producing formation shall be cased with safe and adequate casing or tubing so as to prevent leakage and such casing or tubing shall be so set or cemented that damage will not be caused to oil, gas, or fresh water resources.

RULE 703. COMMENCEMENT, DISCONTINUANCE, AND ABANDONMENT OF INJECTION OPERATIONS.

The following provisions shall apply to all injection projects, storage projects, salt water disposal wells and special purpose injection wells:

A. **Notice of Commencement and Discontinuance**

(1) **Immediately upon the commencement of injection operations in any well, the operator shall notify the ~~Commission~~** of the date such operations began. Division

(2) **Within 30 days after the discontinuance of injection operations in any well, the operator shall notify the ~~Commission~~** of the date of such discontinuance and the reasons therefor. Division

(3) **Before any injection well is plugged, the operator shall obtain approval for the well's plugging program from the appropriate District Office of the ~~Commission~~** in the same manner as when plugging oil and gas wells or dry holes. Division

B. **Abandonment of Injection Operations**

(1) **Whenever there is a continuous six-month period of non-injection into any injection project, storage project, salt water disposal well, or special purpose injection well, such project or well shall be considered abandoned, and the authority for injection shall automatically terminate ipso facto.**

(2) **For good cause shown, the ~~Secretary-Director of the Commission~~** may grant an administrative extension or extensions of injection authority as an exception to Paragraph (1) above. Division Director

RULE 704. RECORDS AND REPORTS

The operator of an injection well or project for secondary recovery or pressure maintenance, natural gas storage, salt water disposal, or injection of any other fluids shall keep accurate records and shall report monthly to the ~~Commission~~ gas or fluid volumes **injected,** stored, and/or produced as required on the appropriate form listed below: Division

(1) **Secondary Recovery on Form C-115;**

(2) **Pressure Maintenance on a form prescribed by the ~~Commission;~~** Division;

(3) **Salt Water Disposal on Form C-120-A;**

(4) **Natural Gas Storage on Form C-131; and**

(5) **Injection of other fluids on a form prescribed by the ~~Commission.~~** Division.

2. The project area and the allowable formula for any pressure maintenance project shall be fixed by the ~~Commission~~ Division on an individual basis after notice and hearing.

E. Water Flood Projects

1. Water flood projects are defined as those projects in which water is injected into a producing horizon in sufficient quantities and under sufficient pressure to stimulate the production of oil from other wells in the area, and shall be limited to those areas in which the wells have reached an advanced state of depletion and are regarded as what is commonly referred to as "stripper" wells.

2. The project area of a water flood project shall comprise the proration units owned or operated by a given operator upon which injection wells are located plus all proration units owned or operated by the same operator which directly or diagonally offset the injection tracts and have producing wells completed on them in the same formation; provided however, that additional proration units not directly nor diagonally offsetting an injection tract may be included in the project area if, after notice and hearing, it has been established that such additional units have wells completed thereon which have experienced a substantial response to water injection.

3. The allowable assigned to wells in a water flood project area shall be equal to the ability of the wells to produce and shall not be subject to the depth bracket allowable for the pool nor to the market demand percentage factor.

   All production from a water flood project area from wells producing in excess of top unit allowable for the pool shall be identified as water flood production on the monthly ~~Commission~~ Division Form C-115.

   Each and every well producing in excess of top unit allowable for the pool into common facilities with wells not included in the water flood project area shall be tested once each month and the results of such tests shall be included on the monthly ~~Commission~~ Division Form C-120 filed for said project.

   The ~~Secretary-Director~~ Division Director is empowered to grant an exception to the foregoing requirement without notice and hearing when an application therefor is filed in due form, and the facts presented justify such exception.

   Nothing herein contained shall be construed as prohibiting the assignment of special allowables to wells in buffer zones after notice and hearing. Special allowables may also be assigned in the limited instances where it is established at a hearing that it is imperative for the protection of correlative rights to do so.

4. Water flood projects shall be expanded and additional wells placed on injection only upon authority from the ~~Commission~~ Division after notice and hearing or by administrative approval.

   To obtain such administrative approval, operators shall submit in triplicate an application in accordance with Rule 701-B above. The application shall also state the order number which originally authorized the water flood project, and shall set forth all the facts pertinent to the need for placing additional well(s) on water injection. A copy of the application shall also be sent to each operator offsetting the proposed injection well.

   The ~~Secretary-Director~~ Division Director may, if in his opinion there is need for conversion of the additional well and said well is on a water flood injection pattern which will result in a thorough and efficient sweep of oil, authorize such injection without notice and hearing, provided that no offset operator objects to the proposed injection well within fifteen (15) days. The

I - SECONDARY RECOVERY, PRESSURE MAINTENANCE, AND SALT WATER DISPOSAL

RULE 701. INJECTION OF FLUIDS INTO RESERVOIRS

A. Permit for Injection Required

The injection of gas, liquefied petroleum gas, air, water, or any other medium into any reservoir for the purpose of maintaining reservoir pressure or for the purpose of secondary recovery or the injection of water into any formation for the purpose of water disposal shall be permitted only by order of the ~~Commission~~ Division after notice and hearing, unless otherwise provided herein.

B. Method of Making Application

Application for original authority for the injection of gas, liquefied petroleum gas, air, water, or any other medium into any formation for any reason, including salt water disposal, or for the expansion of any such injection project by the completion or conversion of additional well(s) shall include the following:

1. A plat showing the location of the proposed injection well(s) and the location of all other wells within a radius of two miles from said proposed injection well(s) and the formation from which said wells are producing or have produced. The plat shall also indicate the lessees, if any there be, within said two-mile radius.

2. The log of the proposed injection well(s) if same is available.

3. A diagrammatic sketch of the proposed injection well(s) showing all casing strings, including diameters and setting depths, quantities used and tops of cement, perforated or open hole intervals, tubing strings, including diameters and setting depths, and the type and location of packers, if any.

4. Other pertinent information including the name and depth of the zone or formation into which injection will be made, the kind of fluid to be injected, the anticipated volumes to be injected, and the source of said injection fluid.

C. Salt Water Disposal Wells

The ~~Secretary-Director of the Oil Conservation Commission~~ Division Director shall have authority to grant an exception to the requirements of Rule 701-A for water disposal wells only, without notice and hearing, when the waters to be disposed of are mineralized to such a degree as to be unfit for domestic, stock, irrigation, or other general use, and when said waters are to be disposed of into a formation older than Triassic (Lea County only) which is non-productive of oil or gas within a radius of two miles from the proposed injection well, providing that any water occurring naturally within said disposal formation is mineralized to such a degree as to be unfit for domestic, stock, irrigation, and/or other general use.

To obtain such administrative approval, operator shall submit in TRIPLICATE ~~Commission~~ Division Form C-108, Application to Dispose of Salt Water by Injection Into a Porous Formation, said application to be filed in accordance with Rule 701-B above. Copies of the application shall also be sent to all offset operators and to the surface owner of the land upon which the well is located.

If no objection is received within 15 days from the date of receipt of the application, and the ~~Secretary-Director~~ Division Director is satisfied that all of the above requirements have been complied with, and that the well is to be cased and cemented in such a manner that there will be no danger to oil, gas, or fresh water reservoirs, an administrative order approving the disposal may be issued. In the event that the application is not granted administratively, it shall be set for public hearing, if the operator so requests.

The ~~Commission~~ Division may dispense with the 15-day waiting period if waivers of objection are received from all offset operators and the surface owner.

D. Pressure Maintenance Projects

1. Pressure maintenance projects are defined as those projects in which fluids are injected into the producing horizon in an effort to build up and/or maintain the reservoir pressure in an area which has not reached the advanced or "stripper" state of depletion.

II - GAS PRORATION AND ALLOCATION

RULE 601. ALLOCATION OF GAS PRODUCTION

When the ~~Commission~~ Division determines that allocation of gas production in a designated gas pool is necessary to prevent waste, the ~~Commission~~ Division, after notice and hearing, shall consider the nominations of purchasers from that gas pool and other relevant data, and shall fix the allowable production of that pool, and shall allocate production among the gas wells in the pool delivering to a gas transportation facility upon a reasonable basis and recognizing correlative rights. The ~~Commission~~ Division shall include in the proration schedule of such pool any gas well which it finds is being unreasonably discriminated against through denial of access to a gas transportation facility which is reasonably capable of handling the type of gas produced by such well.

RULE 602. PRORATION PERIOD

The proration period shall be at least six months and the pool allowable and allocations thereof shall be made at least 30 days prior to each proration period.

RULE 603. ADJUSTMENT OF ALLOWABLES

When the actual market demand from any allocated gas pool during a proration period is more than or less than the allowable set by the ~~Commission~~ Division for the pool for the period, the ~~Commission~~ Division shall adjust the gas proration unit allowables for the pool for the next proration period so that each gas proration unit shall have a reasonable opportunity to produce its fair share of the gas production from the pool and so that correlative rights shall be protected.

RULE 604. GAS PRORATION UNITS

Before issuing a proration schedule for an allocated gas pool, the ~~Commission~~ Division, after notice and hearing, shall fix the gas proration unit for that pool.

The total discovery allowable attributable to each zone in the well shall be produced over a two-year period commencing with the time of authorization. The well's daily allowable for each pool receiving the discovery allowable shall not exceed the daily top unit allowable for the pool plus the total pool discovery allowable divided by 730 days (731 days if a leap year is included).

A discovery well shall be permitted to produce only that volume of gas equivalent to the applicable limiting gas-oil ratio for the pool multiplied by the top unit allowable for the pool plus the daily oil discovery allowable. In addition to all other statewide rules not specifically excepted herein, the provisions of ~~Commission~~ Rule 502 relating to Division daily tolerance, monthly tolerance, and underproduction and overproduction, shall apply to oil discovery allowables as well as to regular allowables for discovery wells.

Nothing herein contained shall be construed as prohibiting the ~~Commission~~ from cur- Division tailing the discovery allowables of wells during times of depressed market demand, provided however, such discovery allowables shall be reinstated for production at the earliest possible date. Further, when it appears reservoir damage or waste might result from production of the oil discovery allowable within the normal two-year period, the ~~Commission~~ may, after Division notice and hearing, extend said period.

Recovered load oil as used herein is any oil or liquid hydrocarbon which has been used in any operation in an oil or gas well, and which has been recovered as a merchantable product.

RULE 509. OIL DISCOVERY ALLOWABLE

In addition to the normally assigned allowable, an oil discovery allowable may be assigned to a well completed as a bona fide discovery well in a new common source of supply. Said oil discovery allowable shall be in the amount of 5 barrels for each foot of depth of said well from the surface of the ground to the top of the perforations in the new pool or the depth of the casing shoe, whichever is higher. In counties where there is no other current oil production, and in any county when the discovery is the deepest oil production in the county, the oil discovery allowable shall be 10 barrels per foot of depth.

Date of discovery to determine the well which should properly receive the oil discovery allowable for any new pool shall be the date the well is completed and new oil is run into stock tanks, provided however, any operator drilling through and discovering a new oil pool in the course of drilling to a lower horizon may file an affidavit of such discovery within seven days after drill stem tests were made of said pool, accompanying said affidavit with all available pool data. If, prior to completion of said well, another operator claims discovery of a similar pool and there are reasonable grounds to believe the pools are one and the same, no discovery allowable will be assigned to either well until after the initial well for which the affidavit was filed has been completed. If at that time the operator of the initial well makes formal application for the discovery allowable in said pool, it will be determined after hearing which well shall receive the discovery allowable.

To obtain an oil discovery allowable, the owner of a discovery well shall file two copies of ~~Commission~~ Form C-109, Application for Discovery Allowable and Creation of a New Division Pool, with the appropriate District Office of the ~~Commission~~ and one with the Santa Fe office. Division Each copy of said form shall be accompanied by the following:

1. A map depicting all wells within a two-mile radius of the discovery well. All producing oil and gas wells and the formations from which they are producing or have produced are to be clearly shown as well as all dry holes and the depths to which they were drilled. Maps shall be on a scale one inch equals 1,000 feet and shall also indicate the names of all lessees of record in the depicted area.

2. A complete electrical log of the subject well with the tops and bottoms of producing formations in the subject well and in nearby wells identified thereon.

3. If application is based on horizontal separation, a sub-surface structural map of the producing formation(s) for which the discovery allowable is sought, showing seismic or geological interpretation of the subject structure and any troughs, faults, pinch-outs, etc., which separate the subject well from nearby wells producing from the same formation(s).

4. A geological cross-section prepared from electrical logs of the subject well and nearby wells establishing horizontal as well as vertical separation from other wells depicted on the plat which are producing or have produced from the discovery formation(s).

5. A summary of all available reservoir data including bottom hole pressure data, fluid levels, core analyses, reservoir liquid characteristics and any other pertinent data on the subject reservoir as well as other nearby reservoirs which may help establish whether the subject well is in fact a discovery.

If, in the opinion of the ~~Commission~~ staff, good cause exists to bring the pool on for Division hearing as a discovery, and no objection has been received from any other operator, the pool will be placed on the first available hearing docket for inclusion by the staff in its regular pool nomenclature case. If the staff is not in agreement with the applicant's contention that a new pool has been discovered, or if, within ten days after receiving a copy of the application another operator files with the ~~Commission~~ an objection to the crea- Division tion of a new pool and the assignment of a discovery allowable, the applicant will be so notified, and he will be expected to present the evidence supporting his case. Or, if the applicant so desires, the application may be set for separate hearing on other than the nomenclature docket for presentation of evidence by the applicant.

Effective date of a well's discovery allowable will be 7:00 a.m. on the first day of the month next succeeding the month in which the ~~Commission~~ approves the discovery. Division

the current proration schedule shall be made and distributed by the ~~Commission~~. Division

(g) The provisions of Rule 104(h) et seq. shall be adhered to in fixing top unit allowables.

(h) In the event it becomes necessary for any transporter of crude petroleum to resort to pipeline proration in New Mexico, such transporter shall, as soon as possible and not later than 24 hours after the effective date thereof, notify the ~~Commission~~ of its Division decision to so prorate; upon receipt of such notice from such transporter, the ~~Commission~~ Division may take such emergency action, as may be deemed proper, and/or upon its own motion, after notice, hold a hearing for the purpose of considering any action within its authority, to preserve and protect correlative rights.

In case of pipeline proration any operator affected thereby has the right to make application to the ~~Commission~~ for authorization to have any shortage or underproduction Division resulting therefrom included in subsequent proration schedules. Such applications shall be made upon a form hereby authorized to be prescribed by the ~~Commission~~ and filed therewith Division within thirty days after the close of the first proration period in which such pipeline proration shortage occurred, and such authorization shall be limited in any event to wells capable of producing the daily top unit allowable for such period.

In approving any such application the ~~Commission~~ shall determine the period Division of time during which such shortage shall be made up without injury to the well or pool, and shall include the same in the regularly approved proration schedules following the conclusion of pipeline proration.

RULE 504. AUTHORIZATION FOR PRODUCTION OF OIL WHILE COMPLETING, RECOMPLETING, OR TESTING AN OIL WELL

(a) In the event an operator does not have sufficient lease storage to hold oil produced from a well during the process of its drilling, completing, recompleting, or testing, the operator of said well shall be permitted to produce and sell from said well an amount of oil as may be necessary to drill, complete, recomplete, or test said well; provided however, that the operator of said well shall file with the ~~Commission~~ a written application Division stating the circumstances at said well and setting forth therein the estimated amount of oil to be produced during the aforementioned process of operations, and provided further that said application is approved by the ~~Commission~~. Oil produced during the process of drilling Division. completion or recompletion, or testing a well shall be charged against the allowable production of said well.

(b) No well shall be placed on the proration schedule until Form C-104 has been filed with and approved by the ~~Commission~~. Division.

RULE 505. DEPTH BRACKET ALLOWABLES

(a) Subject to the market demand percentage factor determined pursuant to the provisions of Rule 503, the daily oil allowable for each oil pool in the state shall be equal to the appropriate depth bracket allowable below. The depth of the casing shoe or the top perforation in the casing, whichever is higher, in the first well completed in the pool shall determine the depth classification for the pool. Daily oil allowables for each of the several ranges of depth and spacing patterns shall be as follows:

POOL DEPTH RANGE	DEPTH BRACKET ALLOWABLE		
	40 Acres	80 Acres	160 Acres
0 to 4,999 feet	80 bbls.	160 bbls.	
5,000 to 5,999 "	107 "	187 "	347 bbls.
6,000 to 6,999 "	142 "	222 "	382 "
7,000 to 7,999 "	187 "	267 "	427 "
8,000 to 8,999 "	230 "	310 "	470 "
9,000 to 9,999 "	275 "	355 "	515 "
10,000 to 10,999 "	320 "	400 "	560 "
11,000 to 11,999 "	365 "	445 "	605 "
12,000 to 12,999 "	410 "	490 "	650 "
13,000 to 13,999 "	455 "	535 "	695 "
14,000 to 14,999 "	500 "	580 "	740 "
15,000 to 15,999 "	545 "	625 "	785 "
16,000 to 16,999 "	590 "	670 "	830 "
17,000 to 17,999 "	635 "	715 "	875 "

(b) The 40-acre depth bracket allowables shall apply to all undesignated wells not governed by special pool rules and to all pools developed on the normal 40-acre statewide spacing unit.

(c) The 80-acre and 160-acre depth bracket allowables shall apply to wells governed by applicable special pool rules promulgated by the ~~Commission~~ Division as an exception to the normal 40-acre statewide spacing unit.

(d) The ~~Commission~~ Division may, where the same is deemed advisable, assign to a given pool a special depth bracket allowable at variance to the depth bracket allowable normally assigned to a pool of similar depth and spacing. Such special allowable may be more or less than the regular depth bracket allowable and shall be assigned only after notice and hearing.

In assigning a lesser than regular depth bracket allowable, the ~~Commission~~ Division may consider, among other pertinent factors, reservoir damage, casinghead gas production and disposition, water production and disposition, transportation facilities, the prevention of surface or underground waste, and the protection of correlative rights.

Assignment of a greater than regular depth bracket allowable shall be made only after sufficient reservoir information is available to ensure that said allowable can be produced without damage to the reservoir and without causing surface or underground waste. The ~~Commission~~ Division shall also consider the availability of crude oil transportation and marketing facilities, casinghead gas transportation, processing, and marketing facilities, water disposal facilities, the protection of correlative rights, and other pertinent factors.

RULE 506. GAS-OIL RATIO LIMITATION

(a) In allocated pools containing a well or wells producing from a reservoir which contains both oil and gas, each proration unit shall be permitted to produce only that volume of gas equivalent to the applicable limiting gas-oil ratio multiplied by the top unit oil allowable for the pool. In the event the ~~Commission~~ Division has not set a gas-oil ratio limit for a particular oil pool, the limiting gas-oil ratio shall be 2,000 cubic feet of gas for each barrel of oil produced. In allocated oil pools all producing wells, whether oil or casinghead gas, shall be placed on the oil proration schedule.

(b) Unless heretofore or hereafter specifically exempted by order of the ~~Commission~~ Division issued after hearing, a gas-oil ratio limitation shall be placed on all allocated oil pools, and all proration units having a gas-oil ratio exceeding the limit for the pool shall be penalized in accordance with the following formula:

(1) Any proration unit which, on the basis of the latest official gas-oil ratio test, has a gas-oil ratio in excess of the limiting gas-oil ratio for the pool in which it is located shall be permitted to produce daily that number of barrels of oil which shall be determined by multiplying the current top unit allowable by a fraction, the numerator of which shall be the limiting gas-oil ratio for the pool and the denominator of which shall be the official gas-oil ratio test of the well.

(2) Any unit containing a well or wells producing from a reservoir which contains both oil and gas shall be permitted to produce only that volume of gas equivalent to the applicable limiting gas-oil ratio multiplied by the top unit allowable currently assigned to the pool.

(3) A marginal unit shall be permitted to produce the same volume of gas which it would be permitted to produce if it were a non-marginal unit.

(c) All proration units to which gas-oil ratio adjustments are applied shall be so indicated in the proration schedule with adjusted allowables stated.

(d) In cases of new pools, the limit shall be 2,000 cubic feet per barrel until such time as changed by order of the ~~Commission~~ Division issued after a hearing. Upon petition and after notice and hearing according to law, the ~~Commission~~ Division will determine or redetermine the specific gas-oil ratio limit which is applicable to a particular allocated oil pool.

RULE 507. UNITIZED AREAS

After petition and notice and hearing, the ~~Commission~~ Division may grant approval for the combining of contiguous developed proration units into a unitized area.

RULE 508. RECOVERED LOAD OIL

Recovered load oil may be run from the lease on which it is recovered, provided ~~Commission~~ Division approval is obtained by means of Form C-126. Form C-126 must be filed in quadruplicate with the appropriate district office of the ~~Commission~~ Division. Upon approval, one copy will be returned to the operator and one copy will be sent to the designated transporter as authority to transport the oil.

This rule applies only to oil which has been obtained from a source other than the lease on which it is used.

The possession of a quantity of oil in lease storage at the end of any proration period in excess of five days allowable plus any rerun allowable oil shall be construed as a violation of this Rule, unless reported in the manner and within the time provided for filing Form C-115 provided by Section III above.

V. Storage Records

All producers and all transporters of oil are required to maintain adequate records showing unrun allowable oil in storage at the end of each proration period. Such storage oil shall be the amount of oil in tanks from which oil is measured and delivered to the transporter.

RULE 503. AUTHORIZATION FOR PRODUCTION OF OIL

(a) Except as provided below, the daily top unit allowable for any oil pool shall be 100 percent of the depth bracket allowable for the pool determined pursuant to the provisions of Rule 505.

(b) Every other month the ~~Commission~~ Division shall, within five days prior to the end of the month, make a determination as to the likelihood of the total producing capacity of all oil wells in the state being in excess of anticipated reasonable market demand for crude petroleum oil from this state.

If the ~~Commission~~ Division determines that such capacity may be in excess of the anticipated reasonable market demand, and that a market demand factor of less than 100 percent may be necessary to prevent waste, then it shall immediately institute proper proceedings for a hearing to be held before the 20th day of the following month to determine actual reasonable market demand for the next two succeeding months.

(c) At said hearing the ~~Commission~~ Division shall consider all evidence of market demand for crude petroleum oil from this state, and if it is determined that the market demand percentage factor should be less than 100 percent, an order shall be issued establishing the market demand factor for the ensuing two-month period and setting a date for the next market demand hearing.

(d) The market demand factor thus established shall be multiplied by the applicable depth bracket allowable for each well and each pool to determine its top unit allowable. Any fraction of a barrel shall be regarded as a full barrel in determining top unit allowable.

Upon initial establishment of a market demand factor, and from time to time thereafter, the ~~Commission~~ Division shall issue a proration schedule authorizing the production of oil from the various proration units in the various pools in the state. Any well completed or recompleted after the issuance of said schedule and for which Form C-104 has been approved, shall, by supplement to the schedule, be authorized a daily allowable equal to the ability of the well to produce up to and including the top unit allowable in effect. The allowable for such well shall become effective at 7:00 a.m. on the date of completion, provided Form C-104 is submitted and approved within ten days following date of completion; otherwise the allowable shall be effective on the date the C-104 is approved. (As provided in Rule 1104, "date of completion" is the date when new oil is delivered into the stock tanks.)

(e) A non-marginal unit is defined as being a proration unit which is capable of producing top unit allowable for the pool in which it is located and to which has been assigned a top unit allowable. Any such non-marginal unit shall be permitted to produce said top unit allowable without waste and subject to the provisions of Rules 301, 502, and 506, and all other applicable rules. Top unit allowable will be assigned only to those units which by tests have demonstrated their ability to produce top unit allowable.

A marginal unit is defined as being a proration unit which is incapable of producing top unit allowable for the pool in which it is located as evidenced by well test, production history, or other report or form filed by the operator with the ~~Commission~~ Division. Any such marginal unit shall be permitted to produce any amount of oil which it is capable of producing without waste up to top unit allowable for the pool, subject to the provisions of Rules 301, 502, and 506, and all other applicable rules, provided that an allowable has been assigned to the unit to authorize such production.

A penalized unit is defined as being a proration unit to which, because of an excessive gas-oil ratio, an allowable has been assigned which is less than top unit allowable for the pool and also less than the ability of the well(s) on the unit to produce. Such penalized allowable shall be determined in accordance with the procedure set forth in Rule 506. In calculating a penalized allowable, any fraction of a barrel shall be regarded as a full barrel.

(f) Any change in the allowable assigned to any unit--non-marginal, marginal, or penalized, shall be accomplished through issuance of a new proration schedule or by supplement to a previously issued proration schedule. A periodic tabulation of all supplements to

G - OIL PRORATION AND ALLOCATION

RULE 501. REGULATION OF OIL POOLS

(a) To prevent waste, the ~~Commission~~ Division shall prorate and distribute the allowable production among the producers in a pool upon a reasonable basis and recognizing correlative rights.

(b) After notice and hearing, the ~~Commission,~~ Division, in order to prevent waste and protect correlative rights, may promulgate special rules, regulations, or orders pertaining to any pool.

RULE 502. RATE OF PRODUCING WELLS

I. Daily Tolerance

(a) It is recognized that oil wells located on units capable of producing their allowables may overproduce one day and underproduce another. No unit capable of producing its allowable, except for the purpose of testing, in the process of completing or recompleting a well, or for tests made for the purpose of obtaining scientific data, shall produce any day more than 125% of the daily top unit allowable for the pool in which the same is located. (Subject to the foregoing, any underproduction may be made up by production from the same unit within the same month, and in like manner any overproduction shall be adjusted or balanced by underproduction from the same unit, within the same proration period.)

(b) It is also recognized that certain wells must, as a matter of practicality, be produced at daily rates in excess of 125% of the daily top unit allowable for the pool in which such wells are located. The ~~Secretary of the Commission~~ Division Director is hereby given authority to grant exceptions to the provisions of paragraph (a) above, without formal hearing, where application is filed in due form setting out the reasons for such requested exception; applicants for such exceptions shall, at the time of filing, also furnish each operator in the pool in which the subject well is located, a copy of such application. Included in any application for exception or attached thereto, filed under authority hereof, shall be a formal written statement by the applicant that every operator in the pool in which the subject well is located has been served with a copy of such application. The ~~Secretary of the Commission~~ Division Director shall wait at least ten (10) days after receipt before approving any such application, and shall approve the same only in absence of objection from any operator or interested party, or in his discretion. In the event the ~~Secretary~~ Director for any reason fails to approve such application, the ~~Commission~~ Division after notice will hear and determine the matter.

II. Monthly Tolerance

No unit shall produce during any one proration period more than the allowable production of such unit for the proration period plus a tolerance of not to exceed five (5) days allowable production. This permissive tolerance of overproduction from a unit shall be subject to all other provisions of Rule 502 and particularly to the provisions of Paragraph IV. This permissive tolerance of overproduction from a unit shall be adjusted or balanced by subsequent corresponding underproduction from the same unit. Overproduction within the permitted tolerance shall be considered as oil produced against the allowable production assigned to the unit for the proration period during which such overproduction is adjusted or balanced by underproduction.

III. Production in Excess of Monthly Allowable, Plus Tolerance

Oil produced from any unit in excess of the assigned monthly allowable plus the permissive proration period tolerance shall be "illegal oil" as defined in the Oil ~~Conservation Law,~~ and Gas Act, unless (a) such excess oil be produced as a result of mistake or error, (b) mechanical failure beyond the immediate control of the operator, or, (c) resulting from essential tests of the unit within the purview of Oil Conservation ~~Commission~~ Rules. Whenever production from any unit for a proration period is in excess of the assigned allowable, plus the permitted tolerance authorized herein and the cause of such excess reasonably falls within (a), (b), or (c) of this paragraph, the producer or operator shall briefly set forth the cause of such excess production together with a proposed plan of adjustment thereof, upon all copies of the operator's monthly report (Form C-115) for the month in which such excess production occurs. Such excess production shall be considered as oil produced against the allowable assigned to the unit for the following proration period, and it may be transported from the lease tanks only as and when the unit accrues daily allowable to offset such excess production.

IV. General

The tolerance permitted on a daily or monthly basis as provided hereinabove shall not be construed to increase the allowable of a producing unit or to grant authority to any operator to market or to any transporter to transport any quantity of oil in excess of the unit's allowable.

production shall also apply to carbon dioxide gas, carbon dioxide wells, and carbon dioxide reservoirs.

RULE 407. DISCONNECTION OF GAS WELLS

All gas wells which are disconnected from intrastate gas transportation facilities shall be reported to the ~~Commission~~ Division by the operator of the well or wells within 30 days of the date of disconnection. Such notice must be filed on Form C-130 in compliance with Rule 1130.

~~10-1-77~~

F - NATURAL GAS PRODUCTION OPERATING PRACTICE

RULE 401. METHOD OF DETERMINING NATURAL GAS WELL POTENTIAL

All operators shall conduct tests to determine the daily open flow potential volumes of all natural gas wells from which gas is being used or marketed. Such tests shall be reported on forms prescribed by the ~~Commission~~ Division within 60 days after: (1) the date of initial connection of the well to a gas transportation facility and (2) the date of reconnection following workover.

To establish comparable open flow capacity, wells shall be tested in accordance with the ~~New Mexico~~ Oil Conservation ~~Commission~~ Division "Manual for Back-Pressure Testing of Natural Gas Wells." In the event the ~~Commission~~ Division approves an alternate method for testing, all wells producing from a common source of supply shall be tested in a uniform and comparable manner.

All gas wells which are not connected to a gas gathering facility shall be tested within 30 days following the installation of a Christmas tree. Tests shall be taken in accordance with the Rules of Procedure for Testing Unconnected Gas Wells contained in the ~~New Mexico~~ Oil Conservation ~~Commission~~ Division "Manual for Back-Pressure Testing of Natural Gas Wells." Tests shall be reported on Form C-122 in compliance with Rule 1122 and shall be filed within 10 days following completion of the test.

RULE 402. METHOD AND TIME OF SHUT-IN PRESSURE TESTS

(a) Shut-in pressure tests shall be taken on all natural gas wells annually. Such tests shall be taken by the operator of the well during the months of July, August, or September unless otherwise specified by special pool rules or special directive. Tests shall be reported to the appropriate District Office of the ~~Commission~~ Division on Form C-125 not later than October 15 of the same year.

(b) Shut-in pressures shall be taken with a dead-weight gauge after a minimum shut-in period of 24 hours. When the shut-in period exceeds 24 hours, the length of time the well was shut in shall be reported to the ~~Commission~~ Division.

(c) The ~~Secretary-Director of the Commission~~ Division Director may prescribe special shut-in pressure test periods and procedures for pools when he deems the same necessary in order to obtain more accurate pressure data.

RULE 403. NATURAL GAS FROM GAS WELLS TO BE MEASURED

All natural gas produced shall be accounted for by metering or other method approved by the ~~Commission~~ Division and reported to the ~~Commission~~ Division by the common purchaser of the gas. Gas produced from a gas well and delivered to a gas transportation facility shall be reported by the owner or operator of the gas transportation facility. Gas produced from a gas well and required to be reported under this rule, which is not delivered to and reported by a gas transportation facility, shall be reported by the operator of the well.

RULE 404. NATURAL GAS UTILIZATION

(a) After the completion of a natural gas well, no gas from such well shall be (1) permitted to escape to the air, (2) used expansively in engines or pumps and then vented, or (3) used to gas-lift wells unless all gas produced is processed in a gasoline plant, used in the manufacture of carbon black, or beneficially used thereafter without waste.

(b) Carbon black plants may utilize natural gas only in those instances in which all casinghead gas and residue gas produced in the vicinity of or which may reasonably be reached from the carbon black plant, is being used beneficially.

(c) Any carbon black plant constructed after June 10, 1954, or any then existing carbon black plant which enlarges or expands its facilities for the manufacture of carbon black, may utilize natural gas in the manufacture of carbon black only after permission of the ~~Commission~~ Division is obtained upon due notice and hearing.

RULE 405. STORAGE GAS

With the exception of the requirement to meter and report monthly the amount of gas injected and the amount of gas withdrawn from storage, in the absence of waste these rules and regulations shall not apply to gas being injected into or removed from storage. (See Rule 1131.)

RULE 406. CARBON DIOXIDE

The statewide regulations relating to gas and natural gas, gas wells, and gas reservoirs including, but not limited to, those provisions relating to well locations, acreage dedication requirements, casing and cementing requirements, and measuring and reporting of

production shall also apply to carbon dioxide gas, carbon dioxide wells, and carbon dioxide reservoirs.

RULE 407. DISCONNECTION OF GAS WELLS

All gas wells which are disconnected from intrastate gas transportation facilities shall be reported to the ~~Commission~~ Division by the operator of the well or wells within 30 days of the date of disconnection. Such notice must be filed on Form C-130 in compliance with Rule 1130.

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gas gathering or transportation system.

(b) The waste of drip is hereby prohibited when it is economically feasible to salvage the same.

(c) The movement and sale of drip is hereby authorized, provided the provisions of this Rule are complied with.

(d) No drip shall be transported nor sold until the gas transporter has filed ~~Commission~~ Form C-104 designating the drip transporter authorized to remove the drip from its gas gathering or transportation system. Division

(e) Every person transporting drip within the State of New Mexico shall file ~~Commission~~ Form C-112 each month, showing the amount, source, and disposition of all drip handled during the reporting period, and such other reports as may hereafter be required by the ~~Commission.~~ Division Division

(f) Prior to commencement of operations, every person transporting drip directly from a gas gathering or transportation system shall file with the ~~Commission~~ plats drawn to scale, locating and identifying each drip trap which he is authorized to service. Division

(g) Every person transporting drip directly from a gas gathering or transportation system shall keep a record of daily acquisitions from each drip trap which he is authorized to service, which records shall be made available at all reasonable times for inspection by the ~~Commission~~ or its authorized representatives. Division

(h) Every gas transporter in the State of New Mexico shall, on or before the first day of November of each year, file with the ~~Commission~~ maps of its entire gas gathering and transportation systems within the State of New Mexico, locating and identifying thereon each drip trap in said systems, said maps to be accompanied by a report, on a form prescribed by the ~~Commission,~~ showing the disposition being made of the drip from each of said drip traps. Division Division

1. All production is from the same common source of supply or an exception to Rule 303 (a) has been obtained.

2. Adequate facilities will be provided for accurately determining production from each well at reasonable intervals.

3. All parties owning an interest in the leases and the purchaser of the commingled production therefrom have consented in writing to the commingling of production from the separate leases.

4. In lieu of paragraph 3 of this rule, the applicant may furnish proof of the fact that said parties were notified by registered or certified mail of his intent to commingle production from the separate leases. The ~~Secretary-Director~~ Division Director may approve the application if, after a period of 20 days following receipt of the application, no party has made objection to the application.

5. In addition to the foregoing requirements for administrative approval to commingle production from two or more separate leases, the following requirements shall also apply:

(a) To commingle production from two or more separate leases in a common tank battery without first separately measuring the production from each such lease, the ownership of the leases must be common throughout. This shall include working interest ownership, royalty ownership, and overriding royalty ownership.

(b) To commingle production from two or more separate leases in a common tank battery where there is a diversity of ownership (whether in working interest, royalty interest, or overriding royalty interest) the hydrocarbon production from each lease shall be accurately measured and determined in accordance with the applicable provisions of the ~~Commission~~ Division "Manual for the Installation and Operation of Commingling Facilities," then current.

RULE 309-C. ADMINISTRATIVE APPROVAL, OFF-LEASE STORAGE

For good cause shown, the ~~Secretary-Director of the Commission~~ Division Director shall have authority to grant an exception to Rule 309-A to permit the production from one lease to be transported prior to measurement to another lease for storage thereon, provided an application reflecting ownership of the leases has been filed in triplicate with the ~~Commission~~ Division and is accompanied by plats of the leases showing thereon the wells on the leases and the formations in which they are completed and the proposed location of the tank battery, and provided further that:

1. All production is from the same common source of supply.

2. Commingling of production from the two leases will not result.

3. There will be no intercommunication of the handling, separating, treating, or storage facilities designated to each lease.

4. All parties owning an interest in the leases have consented in writing to the off-lease storage.

5. In lieu of paragraph 4 of this rule, the applicant may furnish proof of the fact that said parties were notified by registered or certified mail of his intent to transport prior to measurement the production from one lease to another lease for storage. The ~~Secretary-Director~~ Division Director may approve the application if, after a period of 20 days following receipt of the application, no party has made objection to the application.

6. Where State or Federal lands are involved, the applicant shall furnish evidence that the Commissioner of Public Lands for the State of New Mexico or the Regional Supervisor of the United States Geological Survey has consented to the proposed off-lease storage.

RULE 310. OIL TANKS AND FIRE WALLS

Oil shall not be stored or retained in earthen reservoirs, or in open receptacles. Dikes or fire walls shall not be required except such fire walls must be erected and kept around all permanent oil tanks, or battery of tanks that are within the corporate limits of any city, town, or village, or where such tanks are closer than 150 feet to any producing

oil or gas well or 500 feet to any highway or inhabited dwelling or closer than 1000 feet to any school or church, or where such tanks are so located as to be deemed an objectionable hazard within the discretion of the ~~Commission~~ Division. Where fire walls are required, fire walls shall form a reservoir having a capacity one-third larger than the capacity of the enclosed tank or tanks.

RULE 311. SEDIMENT OIL

(a) "Sediment Oil" is defined as tank bottoms and any other accumulations of liquid hydrocarbons on an oil and gas lease, which hydrocarbons are not merchantable through normal channels.

(b) No sediment oil shall be burned or otherwise destroyed unless and until the ~~Commission~~ Division has approved an application to destroy the same on Form C-117-A (Sediment Oil Destruction Permit). Unless the authorization to burn sediment oil is utilized within ten (10) days after approval of the Form C-117-A, such authorization is automatically revoked. However, the District Supervisor may approve one ten (10) day extension in writing for good cause shown. No sediment oil destruction permit shall be required when the sediment oil is put to beneficial use on the originating lease for purposes of oiling lease roads, fire walls, tank grades, or other similar purposes.

(c) When sediment oil is to be removed from a lease for reclamation, the person removing such sediment oil shall obtain a permit (Form C-117-B) from the appropriate District Office of the ~~Commission~~ Division prior to removal of the oil from the lease. Any merchantable oil recovered from sediment oil shall be charged against the allowable for the wells on the originating lease. All such recovered oil shall be reported by the operator of the lease on Form C-115 (Operator's Monthly Report). Nothing contained in paragraph (c) of this Rule shall apply to reclaiming of pipeline break oil or the treating of tank bottoms occurring at a pipeline station, crude oil storage terminal, or refinery, to the treating by a gasoline plant operator of oil and other catchings collected in traps and drips in the gas gathering lines connected to gasoline plants and in scrubbers at such plants, nor to the treating or reclamation of oil and other catchings collected in community salt water disposal systems.

RULE 312. TREATING PLANTS

No treating plant shall operate except in conformity with the following provisions:

(a) Prior to the construction of a treating plant, a written application shall be filed for a treating plant permit stating in detail the location and type and capacity of the plant contemplated. The ~~Commission,~~ Division, in not less than 30 days, will set such application for hearing to determine whether the proposed plant and method of processing will efficiently process, treat, and reclain sediment oil. Before beginning actual operations, the permittee shall file with the ~~Commission~~ Division a performance bond in the amount of $10,000, conditioned upon substantial compliance with applicable statutes of the State of New Mexico and all rules, regulations, and orders of the Oil Conservation ~~Commission of New Mexico~~ Division.

(b) Such permit shall entitle the treating plant operator to an approved Form C-104, Request for Allowable and Authorization to Transport Oil and Natural Gas for the total amount of products secured from sediment oils processed by the operator. All permits shall be revocable, after notice and hearing, upon showing of good cause.

(c) All treating plant operators shall file a monthly report which shall support the ~~Commission~~ Division Form C-104 for the net oil recovered and sold during the preceding month. See Rule 1118.

The operator of each lease from which sediment oil is removed for reclamation shall be promptly notified by the treating plant operator of the amount of pipeline oil recovered therefrom. In the event sediment oil from two or more separate leases is to be commingled prior to treating, the treating plant operator shall determine the amount of pipeline oil attributable to each lease by testing a representative sample of the sediment oil from said lease in accordance with the standard centrifugal test prescribed by the API Code for Measuring, Sampling, and Testing Crude Oil, Number 25, Section 5.

RULE 313. EMULSION, BASIC SEDIMENTS, AND TANK BOTTOMS

Wells producing oil shall be operated in such a manner as will reduce as much as practicable the formation of emulsion and basic sediments. These substances and tank bottoms shall not be allowed to pollute streams or cause surface damage. If tank bottoms are removed to surface pits, the pits shall be fenced and the fence shall be kept in good repair.

RULE 314. GATHERING, TRANSPORTING AND SALE OF DRIP

(a) "Drip" is defined as any liquid hydrocarbon incidentally accumulating in a

(g) The control and recording system must include adequate fail-safe features which will provide assurance against mismeasurement in the event of power failure, or the failure of the ACT system's component parts.

(h) 1. The ACT system and allied facilities shall include such fail-safe equipment as may be necessary, including high level switches in the surge tank or overflow storage tank which, in the event of power failure or malfunction of the ACT or other equipment, will shut down all artificially lifted wells connected to the ACT system and will shut in all flowing wells at the well-head or at the header manifold, in which latter case all flowlines shall be pressure-tested to at least 1 1/2 times the maximum well-head shut-in pressure prior to initial use of the ACT system and each two years thereafter.

2. As an alternative to the requirements of paragraph (h) 1 above, the producer shall provide and shall at all times maintain a minimum of available storage capacity above the normal high working level of the surge tank to receive and hold the amount of oil which may be produced during maximum unattended time of lease operation.

4. (a) In all ACT systems employing automatic measuring tanks, weir-type measuring vessels, positive volume metering chambers, or any other volume measuring container, the container and allied components shall be properly calibrated prior to initial use and shall be operated, maintained, and inspected as necessary to ensure against incrustation, changes in clingage factors, valve leakage or other leakage, and improper action of floats, level detectors, etc.

(b) In all ACT systems employing positive displacement meters, the meter(s) and allied components shall be properly calibrated prior to initial use and shall be operated, maintained, and inspected as necessary to ensure against mismeasurement of oil.

(c) The measuring and recording devices of all ACT systems shall be checked for accuracy at least once each month unless exception to such determination has been obtained from the ~~Secretary-Director of the Commission.~~ Division Director. API Standard 1101, "Measurement of Petroleum Liquid Hydrocarbons by Positive Displacement Meter," shall be used where applicable. Meters may be proved against Master Meters, Portable Prover Tanks, or Prover Tanks permanently installed on the lease. If permanently installed Prover Tanks are used, the distance between the opening and closing levels and the provision for determining the opening and closing readings shall be sufficient to detect variations of 5/100 of one percent. Reports of determination shall be filed on the ~~Commission~~ Division Form entitled "Meter Test Report," or on another acceptable form and shall be submitted in duplicate to the appropriate District Office of the ~~Commission~~ Division.

(d) To obtain exception to the requirement of paragraph (c) above that all measuring and recording devices be checked for accuracy once each month, either the producer or transporter may file such a request with the ~~Secretary-Director of the Commission~~ Division Director setting forth all facts pertinent to such exception. The application shall include a history of the average factors previously obtained, both tabulated and plotted on a graph of factors versus time, showing that the particular installation has experienced no erratic drift. The applicant shall also furnish evidence that the other interested party has agreed to such exception. The ~~Secretary-Director~~ Director may then set the frequency for determination of the system's accuracy at the interval which he deems prudent.

5. Failure to operate an automatic custody transfer system in compliance with this rule shall subject the approval thereof to revocation by the ~~Commission~~ Division.

RULE 309-B. ADMINISTRATIVE APPROVAL, LEASE COMMINGLING

The ~~Secretary-Director of the Commission~~ Division Director shall have authority to grant exceptions to Rule 309-A to permit the commingling of production from two or more separate leases in a common tank battery without notice and hearing, provided application has been filed in triplicate with the ~~Commission~~ Division and is accompanied by plats of the leases showing thereon the wells on the leases and the formations in which they are completed, and schematic diagrams of the commingling facility, showing it to be of an acceptable design in accordance with the ~~Commission~~ Division "Manual for the Installation and Operation of Commingling Facilities," then current, and provided further that:

RULE 307. USE OF VACUUM PUMPS

Vacuum pumps or other devices shall not be used for the purpose of creating a partial vacuum in any stratum containing oil or gas.

RULE 308. SALT OR SULPHUR WATER

Operators shall report monthly on Form C-115 the amount or percentage of salt or sulphur water produced with the oil by each well making 2% or more water. percent

RULE 309-A. CENTRAL TANK BATTERIES - AUTOMATIC CUSTODY TRANSFER EQUIPMENT

Oil shall not be transported from a lease until it has been received and measured in a facility of an approved design located on the lease. Such facilities shall permit the testing of each well at reasonable intervals and may be comprised of manually gauged closed stock tanks for which proper strapping tables have been prepared, with a maximum of sixteen proration units producing into said tanks, or of automatic custody transfer (ACT) equipment. The use of such automatic custody transfer equipment shall be permitted only after compliance with the following:

1. The operator shall file with the ~~Commission~~ Division Form C-106, Notice of Intention to Utilize Automatic Custody Transfer Equipment, and shall receive approval thereof prior to transferring oil through the ACT system. The carrier shall not accept delivery of oil through the ACT system until Form C-106 has been approved.

2. Form C-106 shall be submitted in quadruplicate to the appropriate District Office of the ~~Commission~~ Division and shall be accompanied (in quadruplicate) by the following:

(a) Plat of the lease showing thereon all wells which will be produced into the ACT system.

(b) Schematic diagram of the ACT equipment, showing thereon all major components such as surge tanks and their capacity, extra storage tanks and their capacity, transfer pumps, monitors, reroute valves, treaters, samplers, strainers, air and gas eliminators, back pressure valves, metering device (indicating type and capacity, i.e., whether automatic measuring tank, positive volume metering chamber, weir-type measuring vessel, or positive displacement meter). Schematic diagram shall also show means employed to prove accuracy of measuring device.

(c) Letter from transporter agreeing to utilization of ACT system as shown on schematic diagram.

3. Form C-106 will not be approved by the ~~Commission~~ Division unless the ACT system is to be installed and operated in compliance with the following:

(a) Provision must be made for accurate determination and recording of uncorrected volume and applicable temperature, or of temperature corrected volume. The overall accuracy of the system shall equal or surpass manual methods.

(b) Provision must be made for representative sampling of the oil transferred for determination of API gravity and BS&W content.

(c) Provision must be made if required by either the producer or the transporter of the oil to give adequate assurance that only merchantable oil is run by the ACT system.

(d) Provision must be made for set-stop counters to stop the flow of oil through the ACT system at or prior to the time the allowable has been run. All counters shall provide non-reset totalizers which shall be visible for inspection at all times.

(e) All necessary controls and equipment must be enclosed and sealed, or otherwise be so arranged as to provide assurance against, or evidence of, accidental or purposeful mismeasurement resulting from tampering.

(f) All components of the ACT system shall be properly sized to ensure operation within the range of their established ratings. All components of the system which require periodic calibration and/or inspection for proof of continued accuracy must be readily accessible. The frequency and methods of such calibration and/or inspection shall be set forth in Rule 309-A, 4-c.

pressures or other reservoir characteristics, waste will not result thereby, and correlative rights will not be violated. The 20-day waiting period may be dispensed with upon receipt of waivers of objection from all parties mentioned in Section 2, paragraph (i).

4. Upon such approval, the well shall be operated in accordance with the provisions of the administrative order which authorized the commingling, and allocation of the commingled production from the well to each of the producing zones shall be in accordance with the allocation formula set forth in the order. The production from the well shall be subject to the lower of the daily gas-oil ratio limitations applicable to the reservoirs. Wells shall be tested on a commingled basis annually, except that a well penalized for a high gas-oil ratio shall be tested semi-annually.

5. The ~~Secretary-Director~~ Division Director may rescind authority to commingle production in the well-bore and require both zones to be produced separately, if, in his opinion, waste or reservoir damage is resulting thereby or the efficiency of any secondary recovery project is being impaired, or if any change of conditions renders the installation no longer eligible for down-hole commingling under the provisions of Section 1, paragraphs (a) through (h).

RULE 304. CONTROL OF MULTIPLE COMPLETED WELLS

Multiple completed wells which have been authorized by the ~~Commission~~ Division shall at all times be operated, produced, and maintained in a manner to ensure the complete segregation of the various common sources of supply. The ~~Commission~~ Division may require such tests as it deems necessary to determine the effectiveness of the segregation of the different common sources of supply.

RULE 305. METERED CASINGHEAD GAS

The owner of a lease shall not be required to measure the exact amount of casinghead gas produced and used by him for fuel purposes in the development and normal operation of the lease. All casinghead gas produced and sold or transported away from a lease, except small amounts of flare gas, shall be metered and reported in standard cubic feet monthly to the ~~Commission~~ Division. The amount of casinghead gas sold in small quantities for use in the field may be calculated upon a basis generally acceptable in the industry, or upon a basis approved by the ~~Commission~~ Division in lieu of meter measurements.

RULE 306. CASINGHEAD GAS

(a) No casinghead gas produced from any well in this state shall be flared or vented after 60 days following completion of the well.

(b) Any operator seeking an exception to the foregoing shall file an application therefor on ~~Commission~~ Form C-129, Application for Exception to No-Flare Rule 306. Form C-129 shall be filed in triplicate with the appropriate district office of the ~~Commission~~ Division. The district supervisor may grant an exception when the same appears reasonably necessary to protect correlative rights, prevent waste, or prevent undue hardships on the applicant. The district supervisor shall either grant the exception within ten days after receipt of the application or refer it to the ~~Secretary-Director of the Commission~~ Division Director who will advertise the matter for public hearing if a hearing is desired by the applicant.

(c) The flaring or venting by an operator of gas from any well in violation of this rule will result in suspension of the allowable assigned to the well.

(d) No extraction plant processing gas in the State of New Mexico shall flare or vent such gas unless such flaring or venting is made necessary by mechanical difficulty of a very limited temporary nature or unless the gas flared or vented is of no commercial value.

In the event of more prolonged mechanical difficulty or in the event of plant shut-downs or curtailment because of scheduled or non-scheduled maintenance or testing operations or other reasons, or in the event a plant is unable to accept, process, and market all of the casinghead gas produced by wells connected to its system, the plant operator shall notify the ~~Commission~~ Division as soon as possible of the full details of such shut-down or curtailment, following which the ~~Commission~~ Division shall take such action as is necessary to reduce the total flow of gas to such plant.

(e) Pending connection of a well to a gas-gathering facility, or when a well has been excepted from the provisions of Section (a) of this rule, all gas produced and not utilized shall be burned, and the estimated volume reported on the monthly production report, Form C-115.

(f) The provisions of Section (a) of this rule shall not be applicable to wells completed prior to January 1, 1971, in pools which had no gas-gathering facilities on that date, provided however, said provisions shall be applicable to all wells in such a pool 60 days after the date of first casinghead gas connection in the pool.

Bottom perforation, lowermost pool	Bbls/day
6,000 feet to 6,999 feet	40
7,000 feet to 7,999 feet	50
8,000 feet to 8,999 feet	60
9,000 feet to 9,999 feet	70
More than 10,000 feet	80

(c) Both zones require artificial lift, or, both zones are capable of flowing. (Special consideration may be given to an exception to this latter requirement in the case in which a particular well's characteristics may justify same; however, the commingled production must be artificially lifted if either zone required artificial lift prior to commingling.)

(d) Neither zone produces more water than the combined oil limit as determined in paragraph (b) above.

(e) The fluids from each zone are compatible with the fluids from the other, and combining the fluids will not result in the formation of precipitates which might damage either reservoir.

(f) The total value of the crude will not be reduced by commingling.

(g) Ownership of the two zones to be commingled is common (including working interest, royalty, and overriding royalty).

(h) The commingling will not jeopardize the efficiency of present or future secondary recovery operations in either of the zones to be commingled.

2. To obtain approval for down-hole commingling, the operator of the well shall submit the following in duplicate to the ~~Secretary-Director of the Commission~~ Division Director plus one copy to the appropriate District Office of the ~~Commission~~ Division:

(a) Name and address of the operator

(b) Lease name, well number, well location.

(c) Names of the pools the well is completed in and the ~~Commission~~ Division order number which authorized the dual completion.

(d) A current (within 30 days) 24-hour productivity test on ~~Commission~~ Division Form C-116 showing the amount of oil, gas, and water produced from each zone.

(e) A production decline curve for both zones showing that for a period of at least one year a steady rate of decline has been established for each zone which will permit a reasonable allocation of the commingled production to each zone for statistical purposes. (This requirement may be dispensed with in the case of a newly completed or recently completed well which has little or no production history. However, a complete resume of the well's completion history including description of treating, testing, etc., of each zone, and a prognostication of future production from each zone shall be submitted.)

(f) Estimated bottom-hole pressure for each artificially lifted zone. A current (within 30 days) measured bottom-hole pressure for each zone capable of flowing.

(g) A description of the fluid characteristics of each zone showing that the fluids will not be incompatible in the well-bore.

(h) A computation showing that the value of the commingled production will not be less than the sum of the values of the individual streams.

(i) A statement that all offset operators and, in the case of a well on Federal land, the United States Geological Survey, have been notified in writing of the proposed commingling.

3. The ~~Secretary-Director of the Commission~~ Division Director may approve the proposed down-hole commingling in the absence of a valid objection within 20 days after the receipt of the application if, in his opinion, there is no disqualifying disparity of bottomhole

calendar year the ~~Commission~~ shall designate the months in which subsurface pressure tests shall be taken in designated pools. Included in the designated list shall be listed the required shut-in pressure time and datum of tests to be taken in each pool. In the event a newly discovered pool is not included in the ~~Commission's~~ list, the ~~Commission~~ shall issue a supplementary Bottom Hole Pressure Schedule. Tests as designated by the ~~Commission~~ shall only apply to flowing wells in each pool. This test shall be made by a person qualified by both training and experience to make such test, and with an approved subsurface pressure instrument which shall be calibrated against an approved dead-weight tester at intervals frequent enough to ensure its accuracy within one per cent. Unless otherwise designated by the ~~Commission~~ all wells shall remain completely shut in for at least 24 hours prior to the test. In the event a definite datum is not established by the ~~Commission~~ the subsurface determination shall be obtained as close as possible to the mid-point of the productive sand of the reservoir. The report shall be on Form C-124 and shall state the name of the pool, the pool datum (if established), the name of the operator and lease, the well number, the wellhead elevation above sea level, the date of the test, the total time the well was shut in prior to the test, the subsurface temperature in degrees Fahrenheit at the test depth, the depth in feet at which the subsurface pressure test was made, the observed pressure in pounds per square inch gauge (corrected for calibration and temperature), the corrected pressure computed from applying to the observed pressure the appropriate correction for difference in test depth and reservoir datum plane and any other information as required by Form C-124.

RULE 303. SEGREGATION OF PRODUCTION FROM POOLS

A. SEGREGATION REQUIRED

Each pool shall be produced as a single common source of supply and the wells therein shall be completed, cased, maintained, and operated so as to prevent communication, within the well-bore, with any other specific pool or horizon, and the production therefrom shall at all times be actually segregated, and the commingling or confusion of such production, before marketing, with the production from any other pool or pools is strictly prohibited.

B. SURFACE COMMINGLING

The ~~Secretary-Director of the Commission~~ shall have the authority to grant an exception to Rule 303-A to permit the commingling in common facilities of the commonly owned production from two or more common sources of supply, without notice and hearing, provided that the liquid hydrocarbon production from each common source of supply is to be accurately measured or determined prior to such commingling in accordance with the applicable provisions of the ~~Commission~~ "Manual for the Installation and Operation of Commingling Facilities," then current.

Applications for administrative approval to commingle the production from two or more common sources of supply shall be filed in triplicate with the Santa Fe office of the ~~Commission~~. The application must contain detailed data as to the gravities of the liquid hydrocarbons, the values thereof, and the volumes of the liquid hydrocarbons from each pool, as well as the expected gravity and value of the commingled liquid hydrocarbon production; a schematic diagram of the proposed installation; a plat showing the location of all wells on the applicant's lease and the pool from which each well is producing. The application shall also state specifically whether the actual commercial value of such commingled production will be less than the sum of the values of the production from each common source of supply and, if so, how much less.

Where State or Federal lands are involved, applicant shall furnish evidence that the Commissioner of Public Lands for the State of New Mexico or the Regional Supervisor of the United States Geological Survey has consented to the proposed commingling.

C. DOWN-HOLE COMMINGLING

1. The ~~Secretary-Director of the Commission~~ shall have the authority to grant an exception to Rule 303-A to permit the commingling in the well-bore of dually completed oil wells when the following facts exist and the following conditions are met:

(a) Both zones to be commingled in the well-bore are classified as oil zones.

(b) The total daily production from both zones before commingling (as determined in accordance with Section 2, paragraphs (d) and (e) below) does not exceed the following:

Bottom perforation, lowermost pool	Bbls/day
Less than 4,999 feet	20
5,000 feet to 5,999 feet	30

E - OIL PRODUCTION OPERATING PRACTICES

RULE 301. GAS-OIL RATIO AND PRODUCTION TESTS

(a) Each operator shall take a gas-oil ratio test no sooner than 20 days nor later than 30 days following the completion or recompletion of each oil well, if (1) the well is a wildcat, or (2) the well is located in a pool which is not exempt from the requirements of this rule. (Wells completed within one mile of the outer boundary of a defined oil pool producing from the same formation shall be governed by the provisions of this rule which are applicable to the pool.) The results of the test shall be reported to the ~~Commission~~ on Form C-116 within 10 days following completion of the test. The gas-oil ratio thus reported shall become effective for proration purposes on the first day of the calendar month following the date they are reported. Division

Each operator shall also take an annual gas-oil ratio test of each producing oil well, located within a pool not exempted from the requirements of this rule, during a period prescribed by the ~~Commission.~~ A gas-oil ratio survey schedule shall be established by the ~~Commission~~ setting forth the period in which gas-oil ratio tests are to be taken for each pool wherein a test is required. The gas-oil ratio test applicable shall be such test designated by the ~~Commission~~, made by such method and means, and in such manner as the ~~Commission~~ in its discretion may prescribe from time to time. Division, Division, Division, Division

(b) The results of gas-oil ratio tests taken during survey periods shall be filed with the ~~Commission~~ on Form C-116 not later than the 10th of the month following the close of the survey period for the pool in which the well is located. The gas-oil ratios thus reported shall become effective for proration purposes on the first day of the second month following the close of the survey period. Unless Form C-116 is filed within the required time limit, no further allowable will be assigned the affected well until Form C-116 is filed. Division

(c) In the case of special tests taken between regular gas-oil ratio surveys, the gas-oil ratio shall become effective for proration purposes upon the date Form C-116, reporting the results of such test, is received by the proration department. A special test does not exempt any well from the regular survey.

(d) During gas-oil ratio test, no well shall be produced at a rate exceeding top unit allowable for the pool in which it is located by more than 25 per cent. No well shall be assigned an allowable greater than the amount of oil produced on official tests during a 24-hour period.

(e) The ~~Secretary-Director of the Commission~~ shall have the authority to exempt such pools as he may deem proper from the gas-oil ratio test requirements of this rule. Such exemption shall be by executive order directed to all operators in the pool being exempted. Division Director

(f) The ~~Secretary-Director~~ shall have the authority to require annual productivity tests of all oil wells in pools exempt from gas-oil ratio tests, during a period prescribed by the ~~Commission.~~ An oil well productivity survey schedule shall be established by the ~~Commission~~ setting forth the period in which productivity tests are to be taken for each pool wherein such tests are required. Division Director, Division, Division

(g) The results of productivity tests taken during survey periods shall be filed with the ~~Commission~~ on Form C-116 (with the word "Exempt" inserted in the column normally used for reporting gas production) not later than the 10th of the month following the close of the survey period for the pool in which the well is located. Unless Form C-116 is filed within the required time limit, no further allowable will be assigned the affected well until Form C-116 is filed. Division

(h) In the case of special productivity tests taken between regular test survey periods, which result in a change of allowable assigned to the well, the allowable change shall become effective upon the date the Form C-116 is received by the proration department. A special test does not exempt any well from the regular survey.

(i) During the productivity test, no well shall be produced at a rate exceeding top unit allowable for the pool in which it is located by more than 25 per cent. No well shall be assigned an allowable greater than the amount of oil produced on test during a 24-hour period.

RULE 302. SUBSURFACE PRESSURE TESTS

The operator shall make a subsurface pressure test on the discovery well of any new pool hereafter discovered, and shall report the results thereof to the ~~Commission~~ within 30 days after the completion of such discovery well. On or before December 1 of each Division

(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 Division Director 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 Director particular requirements of the well.

Division No "further extension," whether issued by the ~~Commission~~ or by the ~~Secretary-~~ Division Director ~~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.

RULE 203. WELLS TO BE USED FOR FRESH WATER

When the well to be plugged may safely be used as a fresh water well and such utilization is desired by the landowner, the well need not be filled above a sealing plug set below the fresh water formation, provided that written agreement for such use shall be secured from the landowner and filed with the ~~Commission.~~ Division

RULE 204. LIABILITY

The owner of any well drilled for oil or gas, or any seismic, core or other exploratory holes, whether cased or uncased, shall be responsible for the plugging thereof.

D - ABANDONMENT AND PLUGGING OF WELLS

RULE 201. NOTICE

Notice of intention to plug must be filed with the ~~Commission~~ Division by the owner or his agent prior to the commencement of plugging operations on Form C-103, Sundry Notices and Reports on Wells, which notice shall state the name and location of the well and the name of the operator. In the case of a newly completed dry hole, the operator may commence plugging by securing the approval of the ~~Commission~~ Division as to the method of plugging and the time plugging operations are to begin. He shall, however, file the regular notification form.

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~~ Division. 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~~ Division 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~~ Division 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~~ Division 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~~ Division to arrange for an inspection of the plugged well and the location by a ~~Commission~~ Division 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~~ Division. Such permit shall be for a period not to exceed one year and shall be requested from the appropriate District Office of the ~~Commission~~ Division 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~~ Division 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~~ Division 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~~ Division may at its option require the operator of the well to post with the ~~Commission~~ Division a one-well plugging bond for the well, in an amount determined by the ~~Commission~~ Division to be satisfactory to meet the particular requirements of the well.

The ~~Secretary-Director of the Commission~~ Division Director 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

IMMEDIATE NOTIFICATION. "Immediate Notification" shall be as soon as possible after discovery and shall be either in person or by telephone to the district office of the ~~Commission~~ Division district in which the incident occurs, or if the incident occurs after normal business hours, to the District Supervisor, the Oil and Gas Inspector, or the Deputy Oil and Gas Inspector. A complete written report ("Subsequent Notification") of the incident shall also be submitted in duplicate to the appropriate district office of the ~~Commission~~ Division within ten days after discovery of the incident.

SUBSEQUENT NOTIFICATION. "Subsequent Notification" shall be a complete written report of the incident and shall be submitted in duplicate to the district office of the ~~Commission~~ Division district in which the incident occurred within ten days after discovery of the incident.

CONTENT OF NOTIFICATION. All reports of fires, breaks, leaks, spills, or blowouts, whether verbal or written, shall identify the location of the incident by quarter-quarter, section, township, and range, and by distance and direction from the nearest town or prominent landmark so that the exact site of the incident can be readily located on the ground. The report shall specify the nature and quantity of the loss and also the general conditions prevailing in the area, including precipitation, temperature, and soil conditions. The report shall also detail the measures that have been taken and are being taken to remedy the situation reported.

WATERCOURSE, for the purpose of this rule, is defined as any lake-bed or gully, draw, stream bed, wash, arroyo, or natural or man-made channel through which water flows or has flowed.

RULE 117. WELL LOG, COMPLETION AND WORKOVER REPORTS

Within 20 days after the completion of a well drilled for oil or gas, or the recompletion of a well into a different common source of supply, a completion report shall be filed with the ~~Commission~~ Division on Form C-105. For the purpose of this rule, any hole drilled or cored below fresh water or which penetrates oil or gas-bearing formations or which is drilled by an "owner" as defined herein shall be presumed to be a well drilled for oil or gas.

The ~~Commission~~ shall be notified of any fire, break, leak, spill, or blowout occurring Division at any injection or disposal facility or at any oil or gas drilling, producing, transporting, or processing facility in the State of New Mexico by the person operating or controlling such facility.

"Facility," for the purpose of this rule, shall include any oil or gas well, any injection or disposal well, and any drilling or workover well; any pipe line through which crude oil, condensate, casinghead or natural gas, or injection or disposal fluid (gaseous or liquid) is gathered, piped, or transported (including field flow-lines and lead-lines but not including natural gas distribution systems); any receiving tank, holding tank, or storage tank, or receiving and storing receptacle into which crude oil, condensate, injection or disposal fluid, or casinghead or natural gas is produced, received, or stored; any injection or disposal pumping or compression station including related equipment; any processing or refining plant in which crude oil, condensate, or casinghead or natural gas is processed or refined; and any tank or drilling pit or slush pit associated with oil or gas well or injection or disposal well drilling operations or any tank, storage pit, or pond associated with oil or gas production or processing operations or with injection or disposal operations and containing hydrocarbons or hydrocarbon waste or residue, salt water, strong caustics or strong acids, or other deleterious chemicals or harmful contaminants.

Notification of such fire, break, leak, spill, or blowout shall be in accordance with the provisions set forth below:

1. Well Blowouts. Notification of well blowouts and/or fires shall be "immediate notification" described below. ("Well blowout" is defined as being loss of control over and subsequent eruption of any drilling or workover well, or the rupture of the casing, casinghead, or wellhead of any oil or gas well or injection or disposal well, whether active or inactive, accompanied by the sudden emission of fluids, gaseous or liquid, from the well.)

2. "Major" Breaks, Spills, or Leaks. Notification of breaks, spills, or leaks of 25 or more barrels of crude oil or condensate, or 100 barrels or more of salt water, none of which reaches a watercourse or enters a stream or lake; breaks, spills, or leaks in which one or more barrels of crude oil or condensate or 25 barrels or more of salt water does reach a watercourse or enters a stream or lake; and breaks, spills, or leaks of hydrocarbons or hydrocarbon waste or residue, salt water, strong caustics or strong acids, gases, or other deleterious chemicals or harmful contaminants of any magnitude which may with reasonable probability endanger human health or result in substantial damage to property, shall be "immediate notification" described below.

3. "Minor" Breaks, Spills, or Leaks. Notification of breaks, spills, or leaks of 5 barrels or more but less than 25 barrels of crude oil or condensate, or 25 barrels or more but less than 100 barrels of salt water, none of which reaches a watercourse or enters a stream or lake, shall be "subsequent notification" described below.

4. Gas Leaks and Gas Line Breaks. Notification of gas leaks from any source or of gas pipe line breaks in which natural or casinghead gas of any quantity has escaped or is escaping which may with reasonable probability endanger human health or result in substantial damage to property shall be "immediate notification" described below. Notification of gas pipe line breaks or leaks in which the loss is estimated to be 1000 or more MCF of natural or casinghead gas but in which there is no danger to human health nor of substantial damage to property shall be "subsequent notification" described below.

5. Tank Fires. Notification of fires in tanks or other receptacles caused by lightning or any other cause, if the loss is, or it appears that the loss will be, 25 or more barrels of crude oil or condensate, or fires which may with reasonable probability endanger human health or result in substantial damage to property, shall be "immediate notification" as described below. If the loss is, or it appears that the loss will be at least 5 barrels but less than 25 barrels, notification shall be "subsequent notification" described below.

6. Drilling Pits, Slush Pits, and Storage Pits and Ponds. Notification of breaks and spills from any drilling pit, slush pit, or storage pit or pond in which any hydrocarbon or hydrocarbon waste or residue, strong caustic or strong acid, or other deleterious chemical or harmful contaminant endangers human health or does substantial surface damage, or reaches a watercourse or enters a stream or lake in such quantity as may with reasonable probability endanger human health or result in substantial damage to such watercourse, stream, or lake, or the contents thereof, shall be "immediate notification" as described below. Notification of breaks or spills of such magnitude as to not endanger human health, cause substantial surface damage, or result in substantial damage to any watercourse, stream, or lake, or the contents thereof, shall be "subsequent notification" described below, provided however, no notification shall be required where there is no threat of any damage resulting from the break or spill.

of the separate zones, and the log of the well if the same has not been previously submitted.

RULE 112-B. BRADENHEAD GAS WELLS

(a) The production of gas from a bradenhead gas well may be permitted only by order of the ~~Commission~~ Division upon hearing, except as noted by the provisions of paragraph (c) of this rule.

(b) The application for such hearings shall be sumitted in triplicate and shall include an exhibit showing the location of all wells on applicant's lease and all offset wells on offset leases, together with a diagrammatic sketch showing the casing program, formation tops, estimated top of cement on each casing string run and any other pertinent data, including drill stem tests.

(c) The ~~Secretary of the Commission~~ Division Director shall have authority to grant an exception to the requirements of paragraph (a) above without notice and hearing where application has been filed in due form, and when the lowermost producing zone involved in the completion is an oil or gas producing zone within the defined limits of an oil or gas pool and the producing zone to be produced through the bradenhead connection is a gas producing zone within the defined limits of a gas pool.

Applicants shall furnish all operators who offset the lease upon which the subject well is located a copy of the application to the ~~Commission~~ Division, and applicant shall include with his application a written stipulation that all offset operators have been properly notified. The ~~Secretary of the Commission~~ Division Director shall wait at least 10 days before approving the production of gas from the bradenhead gas well, and shall approve such production only in the absence of objection from any offset operator. In the event an operator objects to the completion the ~~Commission~~ shall consider the matter only after proper notice and hearing.

The ~~Commission~~ Division Director may waive the 10-day waiting period requirement if the applicant furnishes the ~~Commission~~ Division with the written consent to the production of gas from the bradenhead connection by all offset operators involved.

This rule shall apply only to wells hereinafter completed as bradenhead gas wells.

RULE 113. SHOOTING AND CHEMICAL TREATMENT OF WELLS

If injury results to the producing formation, casing or casing seat from shooting or treating a well, the operator shall proceed with diligence to use the appropriate method and means for rectifying such damage. If shooting or chemical treating results in irreparable injury to the well the ~~Commission~~ Division may require the operator to properly plug and abandon the well.

RULE 114. SAFETY REGULATIONS

(a) All oil wells shall be cleaned into a pit or tank, not less than 40 feet from the derrick floor and 150 feet from any fire hazard. All flowing oil wells must be produced through an oil and gas separator of ample capacity and in good working order. No boiler or portable electric lighting generator shall be placed or remain nearer than 150 feet to any producing well or oil tank. Any rubbish or debris that might constitute a fire hazard shall be removed to a distance of at least 150 feet from the vicinity of wells and tanks. All waste shall be burned or disposed of in such manner as to avoid creating a fire hazard.

(b) When coming out of the hole with drill pipe, drilling fluid shall be circulated until equalized and subsequently drilling fluid level shall be maintained at a height sufficient to control subsurface pressures. During course of drilling blowout preventors shall be tested at least once each 24-hour period.

RULE 115. WELL AND LEASE EQUIPMENT

Christmas tree fittings or wellhead connections shall be installed and maintained in first class condition so that all necessary pressure tests may easily be made on flowing wells. On oil wells the Christmas tree fittings shall have a test pressure rating at least equivalent to the calculated or known pressure in the reservoir from which production is expected. On gas wells the Christmas tree fittings shall have a test pressure equivalent to at least 150 per cent of the calculated or known pressure in the reservoir from which production is expected.

Valves shall be installed and maintained in good working order to permit pressures to be obtained on both casing and tubing. Each flowing well shall be equipped to control properly the flowing of each well, and in case of an oil well, shall be produced into an oil and gas separator of a type generally used in the industry.

RULE 116. NOTIFICATION OF FIRE, BREAKS, LEAKS, SPILLS, AND BLOWOUTS.

Application for administrative approval of a multiple completion shall be made in QUADRUPLICATE, with two copies of the application to be mailed to the ~~Commission's~~ Santa Fe Division's Office, and two copies to the District Office for the area in which the well is located. Application shall be made on the ~~Commission~~ Form C-107, Application for Multiple Completion, Division and shall be accompanied by the following:

(a) Diagrammatic Sketch of the Multiple Completion, showing all casing strings, including diameters and setting depths, centralizers and/or turbolizers and location thereof, quantities used and top of cement, perforated intervals, tubing strings, including diameters and setting depth, location of packers, side door chokes, and such other information as may be pertinent.

(b) Plat showing the location of all wells on applicant's lease, all offset wells on offset leases, and the names and addresses of operators of all leases offsetting applicant's lease.

(c) Waivers consenting to such multiple completion from each offset operator, or in lieu thereof, evidence that said offset operators have been furnished copies of the application.

(d) Electrical log of the well or other acceptable log with tops and bottoms of producing zones and intervals of perforation indicated thereon. (If such log is not available at the time application is filed, it shall be submitted as hereinafter provided.)

The ~~Secretary-Director~~ may approve the multiple completion if, after a period of 20 days following the filing of the application, no operator has filed objection to the proposed multiple completion. (Division Director)

V. Application for public hearing to authorize a multiple completion shall be made in TRIPLICATE to the ~~Commission's~~ Santa Fe Office. Application shall be made on the ~~Commission~~ Form C-107, Application for Multiple Completion, and shall set forth all material facts relative to the common sources of supply involved and the manner and method of completion proposed. Application shall be accompanied by an exhibit showing the location of all wells on applicant's lease and all offset wells on offset leases. Division's Division

VI. All multiple completions, whether approved after hearing or by administrative procedure, shall be subject to the following rules:

(a) Prior to actual multiple completion of a well, operator shall make adequate pressure tests of the casing to determine that no casing leaks exist. Results of casing tests shall be reported to the ~~Commission~~ on Form C-103. Division

(b) The well shall be completed and thereafter produced in such a manner that there will be no commingling of hydrocarbons from the separate strata.

(c) The operator shall commence a segregation test and/or packer-leakage test not later than seven (7) days after actual multiple completion of the well. Segregation tests and/or packer-leakage tests shall also be made any time the packer is disturbed and at such other intervals as the ~~Commission~~ may prescribe. The operator shall also make all other tests and determinations deemed necessary by the ~~Commission~~. The ~~Commission~~ shall be notified of the time such tests are to be commenced and tests may be witnessed by the ~~Commission~~ at its election. Representatives of offset operators may witness such tests at their election and shall advise the producer in writing if they desire to be notified when such tests are to be conducted. Results of such tests shall be filed with the ~~Commission~~ within fifteen (15) days after the completion of tests; provided, however, that in the event a segregation test or packer-leakage test indicates that there is communication between the separate strata, the operator shall immediately notify the ~~Commission~~ and commence remedial action on the well. Division Division. Division Division Division Division Division

(d) A packer setting report shall accompany the report of the initial segregation test and packer-leakage test, if applicable.

(e) The well shall be so equipped that reservoir pressures may be determined for each of the separate strata and further be so equipped that meters may be installed and the gas, oil and gas, and oil produced from each of the separate strata may be accurately measured, and the gas-oil ratio or the gas-liquid ratio thereof determined.

(f) Within 15 days after the completion of the well, the operator shall furnish the ~~Commission~~ with a diagrammatic sketch of the mechanical installation which was actually used in completing the well together with a report of the gravity, gas-oil ratio or gas-liquid ratio, and reservoir pressure for each Division

(a) The ~~Commission~~ has previously authorized the similar multiple completion of Division a well in the same common sources of supply as proposed, after notice and hearing; provided however, that in Rio Arriba, San Juan, Sandoval, and McKinley Counties, a proposed multiple completion may be approved if the ~~Commission~~ has previously authorized the similar multiple Division completion of a well in the same formations as proposed, after notice and hearing; and

(b) The applicant proposes to utilize one of the mechanical installations described below:

(1) The well is to be completed as a gas-gas dual or as a gas-gas-gas triple and the hydrocarbons from each of the zones can be safely and efficiently produced through parallel strings of tubing or a combination of tubing string(s) and the tubing-casing annulus.

(2) The well is to be completed as an oil-oil dual or as an oil-oil-oil triple and the hydrocarbons from each of the zones can be safely and efficiently produced through parallel strings of tubing.

(3) The well is to be completed as a combination oil and gas multiple completion and the hydrocarbons from each oil zone can be safely and efficiently produced through parallel strings of tubing and the hydrocarbons from each gas zone can be safely and efficiently produced through parallel string(s) of tubing or through a combination of tubing and the tubing-casing annulus; and

(c) All strings of tubing used for the production of oil in the proposed multiple completion will have a nominal inside diameter of not less than 1.670 inches nor greater than 2.50 inches; and

(d) The packer(s) used to segregate the separate zones of the multiple completion will be production-type packer(s) and shall effectively prevent communication between all producing zones.

III. MULTIPLE COMPLETIONS (TUBINGLESS AND COMBINATION)

The ~~Secretary-Director of the Commission~~ shall have the authority to grant an exception (Division Director to the requirements of Rule 112-A (I) and approve the multiple completion of a well without notice and hearing where application has been filed on Form C-107; and

(a) The ~~Commission~~ has previously authorized the similar multiple completion of Division a well in the same common sources of supply as proposed, after notice and hearing; provided however, that in Rio Arriba, San Juan, Sandoval, and McKinley Counties, a proposed multiple completion may be approved if the ~~Commission~~ has previously authorized the similar Division multiple completion of a well in the same formations after notice and hearing; and

(b) The applicant proposes to employ one of the following methods of completion:

(1) Multiple Completion (Tubingless) utilizing two or more small diameter casing strings (2.875) inches OD or less), one to each common source of supply, all cemented in a common well-bore.

(2) Multiple Completion (Combination) utilizing a combination of small diameter (2.875 inches OD or less) and conventional diameter (greater than 2.875 inches) casing strings, all cemented in a common well-bore. Provided however, that if any conventional diameter casing in said multiple completion is used for the production of more than one common source of supply, the rules pertaining to Multiple Completions (Conventional) in Rule 112-A (II) above shall also apply; and

(c) Sufficient cement will be used in said multiple completion to extend throughout each pay and a minimum of 100 feet above; and

(d) Centralizers and/or turbolizers will be installed on each joint of casing throughout each pay and on a minimum of three joints above; and

(e) Directional perforating equipment will be used in perforating all intervals in any casing string in said multiple completion which intervals are in a zone through which one or more other casing strings pass.

(f) The requirements of paragraphs (c) and (d) may be modified for multiple completions within given common sources of supply and within a given area if, in the opinion of the ~~Secretary-Director,~~ circumstances warrant such modification. (Division Director

IV. ADMINISTRATIVE PROCEDURE

underground waste. If such hazard of waste cannot be eliminated, the well shall be properly plugged and abandoned.

RULE 109. BLOWOUT PREVENTION (See Rule 114 (b) also)

(a) Blowout preventers shall be installed and maintained in good working order on all drilling rigs operating in areas of known high pressures at or above the projected depth of the well and in all areas where pressures which will be encountered are unknown, and on all workover rigs working on wells in which high pressures are known to exist.

(b) Blowout preventers shall be installed and maintained in good working order on all drilling rigs and workover rigs operating within the corporate limits of any city, town, or village, or within 1320 feet of a habitation, school, or church, wherever located.

(c) All operators, when filing Form C-101, Application for Permit to Drill, Deepen, or Plug Back, or Form C-103, Sundry Notices, for any operation requiring blowout prevention equipment in accordance with Sections (a) and (b) above, shall submit a proposed blowout prevention program for the well. The program as submitted may be modified by the District Supervisor if, in his judgment, such modification is necessary.

RULE 110. PULLING OUTSIDE STRINGS OF CASING

In pulling outside strings of casing from any oil or gas well, the space outside the casing left in the hole shall be kept and left full of mud-laden fluid or cement of adequate specific gravity to seal off all fresh and salt water strata and any strata bearing oil or gas not producing.

RULE 111. DEVIATION TESTS AND DIRECTIONAL DRILLING

(a) Any well which is drilled or deepened with rotary tools shall be tested at reasonably frequent intervals to determine the deviation from the vertical. Such tests shall be made at least once each 500 feet or at the first bit change succeeding 500 feet. A tabulation of all deviation tests run, sworn to and notarized, shall be filed with Form C-104, Request for Allowable and Authorization to Transport Oil and Natural Gas. When the deviation averages more than five degrees in any 500-foot interval, ~~the Secretary-Director of the Commission~~ Division Director may require that a directional survey be run to establish the location of the producing interval(s).

The ~~Secretary-Director of the Commission~~ Division Director, at the request of an offset operator, may require any operator to make a directional survey of any well. Said directional survey and all associated costs shall be at the expense of the requesting party and shall be secured in advance by a $5,000.00 indemnity bond posted with and approved by the ~~Commission~~ Division. The requesting party may designate the well survey company, and said survey shall be witnessed by the ~~Commission~~ Division.

(b) No well shall be intentionally deviated without special permission from the ~~Commission~~ Division. Permission to deviate toward the vertical to straighten a crooked hole, to deviate toward the vertical or in an indeterminate direction to sidetrack junk in the hole, or to drill a relief well to control a blow-out shall be obtained from the appropriate District Office of the ~~Commission~~ Division on ~~Commission~~ Division Form C-103 with copies of said Form C-103 being furnished to all offset operators. Permission to deviate a well in any other manner or for any other reason will be granted only after notice and hearing. Upon request from the ~~Secretary-Director of the Commission~~ Division Director, any well which was deviated in an indeterminate direction or toward the vertical shall be directionally surveyed. In addition, a directional survey of the entire well bore must be made on any well which was deviated in a predetermined direction, except toward the vertical. The District Office of the ~~Commission~~ Division shall be notified of the approximate time all directional surveys are to be conducted. All directional surveys run on any well which was intentionally deviated in any manner for any reason must be filed with the ~~Commission~~ Division upon completion of the well. The ~~Commission~~ Division will not assign an allowable to a well until the operator has submitted an affidavit that all such directional surveys have been filed.

RULE 112-A. MULTIPLE COMPLETIONS

I. The multiple completion of any well may be permitted only by order of the ~~Commission~~ Division after notice and hearing, except as hereinafter provided. Multiple completion of any well without prior approval by the ~~Commission~~ Division shall be solely at the operator's risk and shall in no way commit the ~~Commission~~ Division to subsequent approval thereof.

II. MULTIPLE COMPLETIONS (CONVENTIONAL)

The ~~Secretary-Director of the Commission~~ Division Director shall have the authority to grant an exception to the requirements of Rule 112-A (I) and approve the dual or triple completion of a well to produce from more than one common source of supply without notice and hearing when application for such approval has been filed on Form C-107; and

Operators using the compressive strength criterion (Option 2) shall report the following information on Form C-103:

(1) Volume of cement slurry (cu. ft.) and brand name of cement and additives, percent additives used, and sequence of placement if more than one type cement slurry is used.

(2) Approximate temperature of cement slurry when mixed.

(3) Estimated minimum formation temperature in zone of interest.

(4) Estimate of cement strength at time of casing test.

(5) Actual time cement in place prior to starting test.

(c) All casing strings except conductor pipe shall be tested after cementing and before commencing any other operations on the well. Form C-103 shall be filed for each casing string reporting the grade and weight of pipe used. In the case of combination strings utilizing pipe of varied grades or weights, the footage of each grade and weight used shall be reported. The results of the casing test, including actual pressure held on pipe and the pressure drop observed shall also be reported on the same Form C-103.

(1) Casing strings in wells drilled with rotary tools shall be pressure tested. Minimum casing test pressure shall be approximately one-third of the manufacturer's rated internal yield pressure except that the test pressure shall not be less than 600 pounds per square inch and need not be greater than 1500 pounds per square inch. In cases where combination strings are involved, the above test pressures shall apply to the lowest pressure rated casing used. Test pressures shall be applied for a period of 30 minutes. If a drop of more than 10 percent of the test pressure should occur, the casing shall be considered defective and corrective measures shall be applied.

(2) Casing strings in wells drilled with cable tools may be tested as outlined in sub-paragraph (c) (1) above, or by bailing the well dry in which case the hole must remain satisfactorily dry for a period of at least one (1) hour before commencing any further operations on the well.

(d) Requirements for tubing of wells are as follows:

(1) All flowing oil wells equipped with casing larger in size than 2 7/8-inch OD shall be tubed.

(2) All gas wells equipped with casing larger in size than 2 7/8-inch OD shall be tubed.

(3) Tubing shall be set as near the bottom as practical and tubing perforations shall not be more than 250 feet above the top of the pay.

(4) The ~~Secretary-Director of the Commission~~ Division Director may, upon proper application, grant administrative exceptions to the provisions of sub-paragraphs (2) and (3) above, without notice and hearing, provided waste will not be caused thereby.

(e) The ~~Commission's~~ Division's District Supervisors or their representatives shall have authority to approve tubingless completions without the necessity of administrative approval or notice and hearing when the following conditions exist:

(1) The well is to be completed with a total depth of 5,000 feet or less,

(2) The well is not a wildcat (it is not more than one mile from an existing well producing from the same common source of supply to which it is projected),

(3) No known corrosive or pressure problems exist which might make the tubingless method of completion undesirable,

(4) The well will not be a dual completion,

(5) The tubing used as a substitute for casing will be either 2 3/8-inch OD or 2 7/8-inch OD.

RULE 108. DEFECTIVE CASING OR CEMENTING

In any well that appears to have a defective casing program or faultily cemented or corroded casing which will permit or may create underground waste, the operator shall proceed with diligence to use the appropriate method and means to eliminate such hazard of

~~feet above the uppermost perforation or, in the case of an open-hole completion,~~ feet above the production casing shoe.

All casing strings shall be tested and proved satisfactory as provided in paragraph (c) below.

(b) After cementing, but before commencing tests required in paragraph (c) below, all casing strings shall stand cemented in accordance with Option 1 or 2 below. Regardless of which option is taken, the casing shall remain stationary and under pressure for at least eight hours after the cement has been placed. Casing shall be "under pressure" if some acceptable means of holding pressure is used or if one or more float valves are employed to hold the cement in place.

OPTION 1

Allow all casing strings to stand cemented a minimum of eighteen (18) hours prior to commencing tests. Operators using this option shall report on Form C-103 the actual time the cement was in place before initiating tests.

OPTION 2

(May be used in the counties of San Juan, Rio Arriba, McKinley, Sandoval, Lea, Eddy, Chaves, and Roosevelt only.) Allow all casing strings to stand cemented until the cement has reached a compressive strength of at least 500 pounds per square inch in the "zone of interest" before commencing tests, provided however, that no tests shall be commenced until the cement has been in place for at least eight (8) hours.

The "zone of interest" for surface and intermediate casing strings shall be the bottom 20 percent of the casing string, but shall be no more than 1000 feet nor less than 300 feet of the bottom part of the casing unless the casing is set at less than 300 feet. The "zone of interest" for production casing strings shall include the interval or intervals where immediate completion is contemplated.

To determine that a minimum compressive strength of 500 pounds per square inch has been attained, operators shall use the typical performance data for the particular cement mix used in the well, at the minimum temperature indicated for the zone of interest by Figure 107-A, Temperature Gradient Curves. Typical performance data used shall be that data furnished by the cement manufacturer or by a competent materials testing agency, as determined in accordance with the latest edition of API Code RP 10 B "Recommended Practice for Testing Oil-Well Cements."

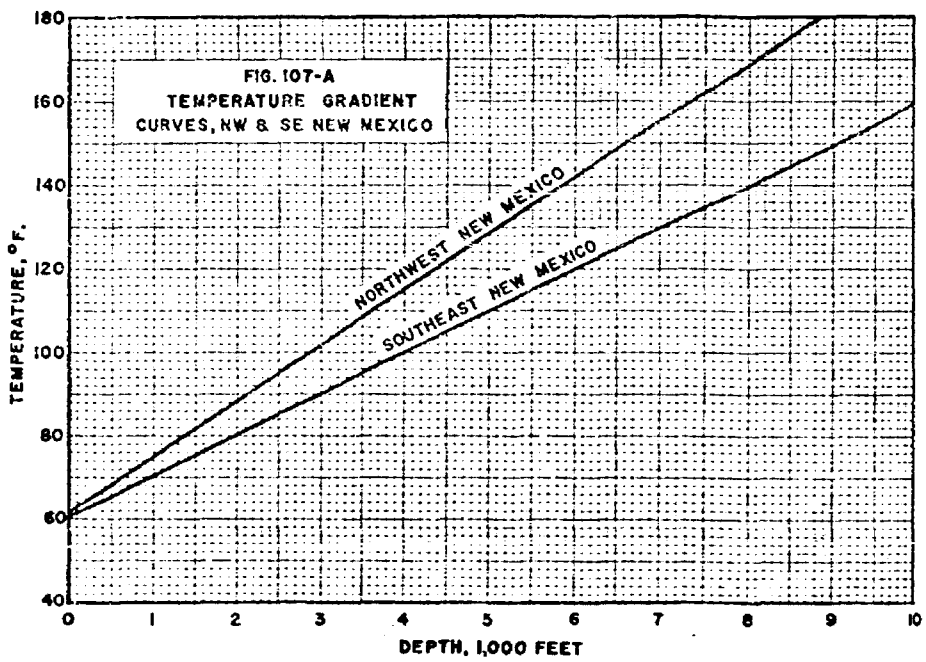


Figure 107-A

a written statement that all offset operators have been properly notified. Offset operators shall include only those operators who have offset properties within the State of New Mexico. The ~~Commission~~ Division shall wait at least ten days before approving any such pooling, and shall approve such pooling only in the absence of objection from any offset operator. In the event that an operator objects to the pooling, the ~~Commission~~ Division shall consider the matter only after proper notice and hearing.

The ~~Commission~~ Division may waive the ten-day waiting period requirement if the applicant furnishes the ~~Commission~~ Division with the written consent to the pooling by all offset operators involved.

The ~~Commission~~ Division may consider that the requirements of subparagraphs 2 and 3 of paragraph M of this rule have been fulfilled if the applicant furnishes with each copy of each application to the ~~Commission~~ Division a copy of an executed pooling agreement communitizing the units involved.

Each well drilled on any communitized tract shall be located in the approximate geographical center of the combined units with a tolerance of 150 feet for topographical conditions, but in any event shall not be located closer than 330 feet to the outer boundaries of the proposed proration unit or communitized tract.

RULE 105. PIT FOR CLAY, SHALE, AND DRILL CUTTINGS

In order to assure a supply of proper material for mud-laden fluid to confine oil, gas, or water to their native strata during the drilling of any well, operators shall provide before drilling is commenced an adequate pit for the accumulation of drill cuttings.

RULE 106. SEALING OFF STRATA

(a) During the drilling of any oil or natural gas well, all oil, gas, and water strata above the producing horizon shall be sealed or separated in order to prevent their contents from passing into other strata.

(b) All fresh waters and waters of present or probable value for domestic, commercial, or stock purposes shall be confined to their respective strata and shall be adequately protected by methods approved by the ~~Commission~~ Division. Special precautions by methods satisfactory to the ~~Commission~~ Division shall be taken in drilling and abandoning wells to guard against any loss of artesian water from the strata in which it occurs, and the contamination of artesian water by objectionable water, oil, or gas.

(c) All water shall be shut off and excluded from the various oil and gas bearing strata which are penetrated. Water shut-offs shall ordinarily be made by cementing casing.

RULE 107. CASING AND TUBING REQUIREMENTS

(a) Any well drilled for oil or natural gas shall be equipped with such surface and intermediate casing strings and cement as may be necessary to effectively seal off and isolate all water-, oil-, and gas-bearing strata and other strata encountered in the well down to the casing point. In addition thereto, any well completed for the production of oil or natural gas shall be equipped with a string of properly cemented production casing at sufficient depth to ensure protection of all oil- and gas-bearing strata encountered in the well, including the one(s) to be produced.

Sufficient cement shall be used on surface casing to fill the annular space behind the casing to the top of the hole, provided however, that authorized field personnel of the ~~Commission~~ Division may, at their discretion, allow exceptions to the foregoing requirement when known conditions in a given area render compliance impracticable.

All cementing shall be by pump and plug method unless some other method is expressly authorized by the ~~Commission~~ Division.

All cementing shall be with conventional-type hard-setting cements to which such additives (lighteners, densifiers, extenders, accelerators, retarders, etc.) have been added to suit conditions in the well.

Authorized field personnel of the ~~Commission~~ Division may, when conditions warrant, allow exceptions to the above paragraph and permit the use of oil-base casing packing material in lieu of hard-setting cements on intermediate and production casing strings; provided however, that when such materials are used on the intermediate casing string, conventional-type hard-setting cements shall be placed throughout all oil- and gas-bearing zones and throughout at least the lowermost 300 feet of the intermediate casing string. When such materials are used on the production casing string, conventional-type hard-setting cements shall be placed throughout all oil- and gas-bearing zones and shall extend upward a minimum of 500 feet above the uppermost perforation or, in the case of an open-hole completion, 500

(d) In lieu of paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of his intent to form such non-standard unit. ~~The Secretary-Director~~ Director may approve the application if no such operator has entered an objection to the formation of such non-standard unit within 30 days after the ~~Secretary-Director~~ Director has received the application.

E. Form C-101, Application for Permit to Drill, Deepen, or Plug Back for any well shall designate the exact legal subdivision allotted to the well and no Form C-101 will be approved by the ~~Commission~~ Division or any of its agents without such proper designation of acreage.

F. The ~~Secretary-Director of the Commission~~ Division Director shall have authority to grant an exception to the well location requirements of Sections B and C above without notice and hearing when the necessity for such unorthodox location is based upon topographical conditions or the recompletion of a well previously drilled to another horizon, provided said well was drilled at an orthodox location for such original horizon.

Applications for administrative approval of unorthodox locations shall be filed in triplicate and shall be accompanied by plats showing the ownership of all leases offsetting the proration or spacing unit for which the unorthodox location is sought, and also all wells completed thereon. If the proposed unorthodox location is based upon topography, the plat shall also show and describe the existent topographical conditions.

All operators of proration or spacing units offsetting the unit for which the unorthodox location is sought shall be notified of the application by certified or registered mail, and the application shall state that such notification has been given. The ~~Secretary~~ Director may approve the unorthodox location upon receipt of waivers from all offset operators or if no offset operator has entered an objection to the unorthodox location within 20 days after the ~~Secretary-Director~~ Director has received the application.

G. Whenever an exception is granted, the ~~Commission~~ Division may take such action as will offset any advantage which the person securing the exception may obtain over other producers by reason of the unorthodox location.

H. If the drilling tract is within an allocated oil pool or is placed within such allocated pool at any time after completion of the well and the drilling tract consists of less than 39 1/2 acres or more than 40 1/2 acres, the top unit allowable for such well shall be increased or decreased in the proportion that the number of acres in the drilling tract bears to 40.

I. If the drilling tract is within an allocated gas pool or is subsequently placed within an allocated gas pool, and the drilling tract consists of less than 158 acres or more than 162 acres in 160-acre pools, or less than 316 acres or more than 324 acres in 320-acre pools, the top allowable for such well shall be decreased or increased in the proportion that the number of acres in the drilling tract bears to a standard unit for the pool.

J. In computing acreage under H and I above, minor fractions of an acre shall not be counted but 1/2 acre or more shall count as 1 acre.

K. The provisions of H and I above shall apply only to wells completed after January 1, 1950. Nothing herein contained shall affect in any manner any well completed prior to the effective date of this rule and no adjustments shall be made in the allowable production for any such wells by reason of these rules.

L. In order to prevent waste the ~~Commission~~ Division may, after notice and hearing, fix different spacing requirements and require greater acreage for drilling tracts in any defined oil pool or in any defined gas pool notwithstanding the provisions of B and C above.

M. The ~~Commission~~ Division may approve the pooling or communitization of fractional lots of 20.49 acres or less with another oil proration unit when:

1. The units involved are contiguous;

2. They are part of the same basic lease, carrying the same royalty interest; and

3. The ownership of the units involved is common.

Application to the ~~Commission~~ Division for pooling shall be accompanied by three (3) copies of a certified plat showing the dimensions and acreage involved in the pooling, the ownership of all leases and royalty interests involved, and the location of any proposed wells.

Applicant shall furnish all operators who directly and diagonally offset the units involved a copy of the application to the ~~Commission~~ Division, and shall include with his application

defined by the ~~Commission~~ after June 1, 1964, shall be located on a designated drilling tract consisting of 320 surface contiguous acres, more or less, comprising any two contiguous quarter sections of a single governmental section, being a legal subdivision of the U. S. Public Land Surveys. Any such well having more than 160 acres dedicated to it shall be located not closer than 660 feet to the nearest side boundary of the dedicated tract nor closer than 1980 feet to the nearest end boundary nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary. (For the purpose of this rule, "side" boundary and "end" boundary are as defined in Section B I(a) of this rule.) Division

(b) San Juan, Rio Arriba, and Sandoval Counties

Unless otherwise provided in special pool rules, each development well for a defined gas pool shall be located on a designated drilling tract consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section, being a legal subdivision of the U. S. Public Land Surveys, and shall be located not closer than 790 feet to any outer boundary of the tract nor closer than 130 feet to any quarter-quarter section line or subdivision inner boundary.

(c) All Counties except Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba, and Sandoval

Unless otherwise provided in special pool rules, each development well for a defined gas pool shall be located on a designated drilling tract consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section, being a legal subdivision of the U. S. Public Land Surveys, and shall be located not closer than 660 feet to any outer boundary of such tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary nor closer than 1320 feet to the nearest well drilling to or capable of producing from the same pool.

D. ACREAGE ASSIGNMENT, COMPLETED WELLS

I. Well Tests and Classification

It shall be the responsibility of the operator of any wildcat gas well or development gas well to which more than 40 acres has been dedicated to conduct a potential test within 30 days following completion of the well and to file the same with the ~~Commission~~ Division within 10 days following completion of the tests. (See Rule 401.)

Date of completion for a gas well shall be the date a Christmas tree is installed or 30 days following conclusion of active completion work on the well, whichever date comes first.

Upon making a determination that the well should not properly be classified as a gas well, the ~~Commission~~ Division will reduce the acreage dedicated to the well.

Failure of the operator to file the aforesaid tests within the specified time will also subject the well to such acreage reduction.

II. Non-Standard Units

Any completed gas well which does not have the required amount of acreage dedicated to it for the pool or formation in which it is completed may not be produced until a standard unit for the well has been formed and dedicated or until a non-standard unit has been approved.

The ~~Secretary-Director of the Commission~~ Division Director may grant administrative approval to non-standard gas units without notice and hearing when an application has been filed for a non-standard unit and the unorthodox size or shape of the unit is necessitated by a variation in the legal subdivision of the U. S. Public Land Surveys, or the following facts exist and the following provisions are complied with:

(a) The non-standard unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side.

(b) The non-standard unit lies wholly within a single governmental quarter section if the well is completed in a pool or formation for which 160 acres is the standard unit size or wholly within a single governmental half section if the well is completed in a pool or formation for which 320 acres is the standard unit size.

(c) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the quarter section (for 160-acre pools or formations) or the half section (for 320-acre pools or formations) in which the non-standard unit is situated and which acreage is not included in said non-standard unit.

In the event gas production is encountered in a well which was projected as an oil well and which is located accordingly but does not conform to the above gas well location rule, it shall be necessary for the operator to bring the matter to a hearing before approval for the production of gas can be given.

II. San Juan, Rio Arriba, and Sandoval Counties

(a) Wildcat Gas Wells

In San Juan, Rio Arriba, and Sandoval Counties, a wildcat well which is projected to a gas-producing horizon shall be located on a designated drilling tract consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section, being a legal subdivision of the U. S. Public Land Surveys, and shall be located not closer than 790 feet to any outer boundary of the tract nor closer than 130 feet to any quarter-quarter section or subdivision inner boundary.

In the event oil production is encountered in a well which was projected to a gas-producing horizon and which is located accordingly but does not conform to the oil well location rule below, it shall be necessary for the operator to bring the matter to a hearing before approval for the production of oil can be given.

(b) Wildcat Oil Wells

A wildcat well which is projected to an oil-producing horizon as recognized by the ~~Commission~~ Division shall be located on a tract consisting of approximately 40 surface contiguous acres substantially in the form of a square which is a legal subdivision of the U. S. Public Land Surveys, or on a governmental quarter-quarter section or lot, and shall be located not closer than 330 feet to any boundary of such tract.

In the event gas production is encountered in a well which was projected to an oil-producing horizon and which is located accordingly but does not conform to the above gas well location rules, it shall be necessary for the operator to bring the matter to a hearing before approval for the production of gas can be given.

III. All counties except Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba, and Sandoval

Any wildcat well in any county other than Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba, and Sandoval shall be located on a tract consisting of approximately 40 surface contiguous acres substantially in the form of a square which is a legal subdivision of the U. S. Public Land Surveys, or on a governmental quarter-quarter section or lot and shall be located not closer than 330 feet to any boundary of such tract.

C. ACREAGE AND WELL LOCATION REQUIREMENTS FOR DEVELOPMENT WELLS

I. Oil Wells, All Counties

Unless otherwise provided in special pool rules, each development well for a defined oil pool shall be located on a tract consisting of approximately 40 surface contiguous acres substantially in the form of a square which is a legal subdivision of the U. S. Public Land Surveys, or on a governmental quarter-quarter section or lot, and shall be located not closer than 330 feet to any boundary of such tract nor closer than 330 feet to the nearest well drilling to or capable of producing from the same pool, provided however, only tracts committed to active secondary recovery projects shall be permitted more than four wells.

II. Gas Wells

(a) Lea, Chaves, Eddy, and Roosevelt Counties

Unless otherwise provided in special pool rules, each development well for a defined gas pool in a formation younger than the Wolfcamp formation, or in the Wolfcamp formation which was created and defined by the ~~Commission~~ prior to November 1, 1975, Division or in a Pennsylvanian age or older formation which was created and defined by the ~~Commission~~ Division prior to June 1, 1964, shall be located on a designated drilling tract consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section being a legal subdivision of the U. S. Public Land Surveys, and shall be located not closer than 660 feet to any outer boundary of such tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary nor closer than 1320 feet to the nearest well drilling to or capable of producing from the same pool.

Unless otherwise provided in the special pool rules, each development well for a defined gas pool in the Wolfcamp formation which was created and defined by the ~~Commission~~ after November 1, 1975, or of Pennsylvanian age or older which was created and Division

(b) No permit shall be approved for the drilling of any well within the corporate limits of any city, town, or village of this state unless notice of intention to drill such well has been given to the duly constituted governing body of such city, town or village or its duly authorized agent. Evidence of such notification shall accompany the application for a permit to drill (Form C-101).

RULE 103. SIGN ON WELLS

Every drilling and producible well shall be identified by a sign, posted on the derrick or not more than 20 feet from such well, and such sign shall be of durable construction and the lettering thereon shall be kept in a legible condition and shall be large enough to be legible under normal conditions at a distance of 50 feet. The wells on each lease or property shall be numbered in non-repetitive, logical and distinctive sequence. Each sign shall show the number of the well, the name of the lease (which shall be different or distinctive for each lease), the name of the leasee, owner or operator, and the location by quarter section, township and range. The location, for each sign posted after March 1, 1968, shall indicate the quarter-quarter section, township, and range.

RULE 104. WELL SPACING: ACREAGE REQUIREMENTS FOR DRILLING TRACTS

A. CLASSIFICATION OF WELLS: WILDCAT WELLS AND DEVELOPMENT WELLS

Any well which is to be drilled a distance of one mile or more from (1) the outer boundary of any defined pool which has produced oil or gas from the formation to which the well is projected, and (2) any other well which has produced oil or gas from the formation to which the proposed well is projected, shall be classified as a wildcat well.

Any well which is not a wildcat well as defined above shall be classified as a development well for the nearest pool which has produced oil or gas from the formation to which the well is projected. Any such development well shall be spaced, drilled, operated, and produced in accordance with the rules and regulations in effect in such nearest pool, provided the well is completed in the formation to which it was projected.

Any well classified as a development well for a given pool but which is completed in a producing horizon not included in the vertical limits of said pool shall be operated and produced in accordance with the rules and regulations in effect in the nearest pool within one mile which is producing from that horizon. If there is no designated pool for said producing horizon within one mile, the well shall be re-classified as a wildcat well.

B. ACREAGE AND WELL LOCATION REQUIREMENTS FOR WILDCATS

I. Lea, Chaves, Eddy and Roosevelt Counties

(a) Wildcat Gas Wells

In Lea, Chaves, Eddy, and Roosevelt Counties, a wildcat well which is projected as a gas well to a formation and in an area which, in the opinion of the engineer or supervisor approving the application to drill, may reasonably be presumed to be productive of gas rather than oil shall be located on a drilling tract consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section, being a legal subdivision of the U. S. Public Land Surveys, and shall be located not closer than 660 feet to any outer boundary of such tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary.

Provided however, that any such wildcat gas well which is projected to the Wolfcamp or older formations shall be located on a drilling tract consisting of 320 surface contiguous acres, more or less, comprising any two contiguous quarter sections of a single governmental section, being a legal subdivision of the U. S. Public Land Surveys. Any such "deep" wildcat gas well to which is dedicated more than 160 acres shall be located not closer than 660 feet to the nearest side boundary of the dedicated tract nor closer than 1980 feet to the nearest end boundary nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary. (For the purpose of this rule, "side" boundary is defined as one of the outer boundaries running lengthwise to the tract's greatest overall dimensions; "end" boundary is defined as one of the outer boundaries perpendicular to a side boundary and closing the tract across its least overall dimension.)

(b) Wildcat Oil Wells

In Lea, Chaves, Eddy, and Roosevelt Counties, a wildcat well which is not a wildcat gas well as defined above shall be located on a tract consisting of approximately 40 surface contiguous acres substantially in the form of a square which is a legal subdivision of the U. S. Public Land Surveys, or on a governmental quarter-quarter section or lot, and shall be located not closer than 330 feet to any boundary of such tract.

RULE 101. PLUGGING BOND

(a) Any person, firm, corporation, or association who has drilled or acquired, is drilling, or proposes to drill or acquire any oil, gas, or service well on privately owned or state owned lands within this state shall furnish to the ~~Commission~~ Division and obtain approval thereof, a surety bond running to the State of New Mexico, in a form prescribed by the ~~Commission~~ Division, and conditioned ~~that~~ the well be plugged and abandoned in compliance with the rules and regulations of the ~~Commission~~ Division. Such bond may be a one-well plugging bond or a blanket plugging bond. All bonds shall be executed by a responsible surety company authorized to do business in the State of New Mexico.

(b) Blanket plugging bonds shall be in the amount of fifty thousand dollars ($50,000) conditioned as above provided, covering all oil, gas, or service wells drilled, acquired or operated in this state by the principal on the bond.

One-well plugging bonds shall be in the amounts stated below in accordance with the depth and location of the well:

Chaves, Eddy, Lea, McKinley, Rio Arriba, Roosevelt, Sandoval, and San Juan Counties, New Mexico:

Projected Depth of Proposed Well or Actual Depth of Existing Well	Amount of Bond
Less than 5,000 feet	$ 5,000
5,000 feet to 10,000 feet	$ 7,500
More than 10,000 feet	$10,000

All Other Counties in the State:

Projected Depth of Proposed Well or Actual Depth of Existing Well	Amount of Bond
Less than 5,000 feet	$ 7,500
5,000 feet to 10,000 feet	$10,000
More than 10,000 feet	$12,500

Revised plans for an actively drilling well may be approved by the appropriate District Office of the ~~Commission~~ Division for drilling as much as 500 feet deeper than the normal maximum depth allowed on the well's bond. Any well to be drilled more than 500 feet deeper than the normal depth bracket must be covered by a new bond in the amount prescribed for the deeper depth bracket.

The bond requirement for any intentionally deviated well shall be determined by the well's measured depth, and not its true vertical depth.

(c) Any bond required by this rule is a plugging bond, not a drilling bond, and shall endure until any well drilled or acquired under such bond has been plugged and abandoned and such plugging and abandonment has been approved by the ~~Commission~~ Division, or has been covered by another bond approved by the ~~Commission~~ Division.

(d) Transfer of a property does not of itself release a bond. In the event of transfer of ownership of a well, the appropriate form, C-103 or C-104, properly executed, shall be filed with the District Office of the ~~Commission~~ Division in accordance with Rule 1103 or Rule 1104 by the new owner of the well. The District Office may approve the transfer providing that a new one-well bond covering the well, or a request that the well be covered by the new owner's blanket bond, has been approved by the Santa Fe office of the ~~Commission~~ Division.

Upon approval of the bond and the Form C-103 or C-104, the transferor is released of plugging responsibility for the well, and upon request, the original bond will be released. No blanket bond will be released, however, until all wells covered by the bond have been plugged and abandoned or transferred in accordance with the provisions of this rule.

(e) All bonds shall be filed with the Santa Fe office of the ~~Commission~~ Division, and approval of such bonds, as well as releases thereof, obtained from said office.

(f) All bonds required by these rules shall be conditioned for well plugging and location cleanup only, and not to secure payment for damages to livestock, range, water, crops, tangible improvements, nor any other purpose.

RULE 102. NOTICE OF INTENTION TO DRILL

(a) Prior to the commencement of operations, notice shall be delivered to the ~~Commission~~ Division of intention to drill any well for oil or gas or for injection purposes and approval obtained on Form C-101.

B - MISCELLANEOUS RULES

RULE 1. SCOPE OF RULES AND REGULATIONS

(a) The following General Rules of statewide application have been adopted by the Oil Conservation ~~Commission~~ to conserve the natural resources of the State of New Mexico, to prevent waste, and to protect correlative rights of all owners of crude oil and natural gas. Special rules, regulations and orders have been and will be issued when required and shall prevail as against General Rules, Regulations and Orders if in conflict therewith. However, whenever these General Rules do not conflict with special rules heretofore or hereafter adopted, these General Rules ~~will~~ apply ~~in each case.~~

Division of the Energy and Minerals Department

shall

(b) The ~~Commission~~ may grant exceptions to these rules after notice and hearing, when the granting of such exceptions will not result in waste but will protect correlative rights or prevent undue hardship.

Division

RULE 2. ENFORCEMENT OF LAWS, RULES AND REGULATIONS DEALING WITH CONSERVATION OF OIL AND GAS

The ~~Commission,~~ its agents, representatives and employees are charged with the duty and obligation of enforcing all rules and statutes of the State of New Mexico relating to the conservation of oil and gas. However, it shall be the responsibility of all the owners or operators to obtain information pertaining to the regulation of oil and gas before operations have begun.

Division,

RULE 3. WASTE PROHIBITED

(a) The production or handling of crude petroleum oil or natural gas of any type or in any form, or the handling of products thereof, in such a manner or under such conditions or in such amount as to constitute or result in waste is hereby prohibited.

(b) All operators, contractors, drillers, carriers, gas distributors, service companies, pipe pulling and salvaging contractors, or other persons shall at all times conduct their operations in the drilling, equipping, operating, producing, plugging and abandonment of oil and gas wells in a manner that will prevent waste of oil and gas, and shall not wastefully utilize oil or gas, or allow either to leak or escape from a natural reservoir, or from wells, tanks, containers, pipe or other storage, conduit or operating equipment.

RULE 4. UNITED STATES GOVERNMENT LEASES

The ~~Commission~~ recognizes that all persons drilling on United States Government land shall comply with the United States government regulations. Such persons shall also comply with all applicable State rules and regulations which are not in conflict therewith. Copies of "Application for Permit to Drill, Deepen or Plug Back," (USGS Form No. 9-331C), "Sundry Notices and Reports on Wells," (USGS Form No. 9-331), and "Well Completion or Recompletion Report and Log," (USGS Form No. 9-330), for wells on U. S. Government land shall be furnished the ~~Commission~~

Division

Division,

RULE 5. CLASSIFYING AND DEFINING POOLS

The ~~Commission~~ will determine whether a particular well or pool is a gas or oil well, or a gas or oil pool, as the case may be, and from time to time classify and reclassify wells and name pools accordingly, and will determine the limits of any pool or pools producing crude petroleum oil or natural gas and from time to time redetermine such limits.

Division

RULE 6. FORMS UPON REQUEST

Forms for written notices, requests and reports required by the ~~Commission~~ will be furnished upon request.

Division

RULE 7. AUTHORITY TO COOPERATE WITH OTHER AGENCIES

The ~~Commission~~ may from time to time enter into arrangements with State and Federal governmental agencies, industry committees and individuals, with respect to special projects, services and studies relating to conservation of oil and gas.

Division

or wells, or incident to or resulting from the use of inefficient storage or from the production of crude petroleum oil or natural gas, in excess of the reasonable market demand.

(c) The production of crude petroleum oil in this state in excess of the reasonable market demand for such crude petroleum oil. Such excess production causes or results in waste which is prohibited by ~~Chapter 168, 1949 Session Laws~~ the Oil and Gas Act. The words "reasonable market demand" as used herein with respect to crude petroleum oil, shall be construed to mean the demand for such crude petroleum oil for reasonable current requirements for current consumption and use within or outside of the state, together with the demand for such amounts as are reasonably necessary for building up or maintaining reasonable storage reserves of crude petroleum oil or the products thereof, or both such crude petroleum oil and products.

(d) The non-ratable purchase or taking of crude petroleum oil in this state. Such non-ratable taking and purchasing causes or results in waste, as defined in the subsections (a), (b), (c) of this section and causes waste by violating Section ~~12 (a), Chapter 168, 1949 Session Laws.~~ 65-3-13 of the Oil and Gas Act.

(e) The production in this state of natural gas from any gas well or wells, or from any gas pool, in excess of the reasonable market demand from such source for natural gas of the type produced or in excess of the capacity of gas transportation facilities for such type of natural gas. The words "reasonable market demand," as used herein with respect to natural gas, shall be construed to mean the demand for natural gas for reasonable current requirements, for current consumption and for use within or outside the state, together with the demand for such amounts as are necessary for building up or maintaining reasonable storage reserves of natural gas or products thereof, or both such natural gas and products.

PRORATION SCHEDULE shall mean the order of the ~~Commission~~ Division authorizing the production, purchase, and transportation of oil, casinghead gas, and natural gas from the various units of oil or of natural gas in allocated pools.

RECOMPLETE shall mean the subsequent completion of a well in a different pool from the pool in which it was originally completed.

SECONDARY RECOVERY shall mean a method of recovering quantities of oil or gas from a reservoir which quantities would not be recoverable by ordinary primary depletion methods.

SHALLOW POOL shall mean a pool which has a depth range from 0 to 5000 feet.

SHORTAGE OR UNDERPRODUCTION shall mean the amount of oil or the amount of natural gas during a proration period by which a given proration unit failed to produce an amount equal to that authorized in the proration schedule.

SHUT-IN PRESSURE shall mean the gauge pressure noted at the wellhead when the well is completely shut in, not to be confused with bottom hole pressure.

TANK BOTTOMS shall mean that accumulation of hydrocarbon material and other substances which settles naturally below crude oil in tanks and receptacles that are used in handling and storing of crude oil, and which accumulation contains in excess of two (2%) percent of basic sediment and water; provided, however, that with respect to lease production and for lease storage tanks, a tank bottom shall be limited to that volume of the tank in which it is contained that lies below the bottom of the pipeline outlet thereto.

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.

TOP UNIT ALLOWABLE FOR GAS shall mean the maximum number of cubic feet of natural gas, for the proration period, allocated to a gas producing unit in an allocated gas pool.

TOP UNIT ALLOWABLE FOR OIL shall mean the maximum number of barrels of oil daily for each calendar month allocated on a proration unit basis in a pool to non-marginal units. The top unit allowable for a pool shall be determined by multiplying the applicable depth bracket allowable by the market demand percentage factor in effect.

TREATING PLANT shall mean any plant constructed for the purpose of wholly or partially or being used wholly or partially for reclaiming, treating, processing, or in any manner making tank bottoms or any other waste oil marketable.

TUBINGLESS COMPLETION shall mean a well completion in which the production string of casing has an outside diameter of 2.875 inches or less.

UNIT OF PRORATION FOR GAS shall consist of such multiples of 40 acres as may be prescribed by special pool rules issued by the ~~Commission.~~ Division.

UNIT OF PRORATION FOR OIL shall consist of one 40-acre tract or such multiples of 40-acre tracts as may be prescribed by special pool rules issued by the ~~Commission.~~ Division.

UNORTHODOX WELL LOCATION shall mean a location which does not conform to the spacing requirements established by the rules and regulations of the ~~Commission.~~ Division

WASTE, in addition to its ordinary meaning, shall include:

(a) Underground Waste as those words are generally understood in the oil and gas business, and in any event to embrace the inefficient, excessive, or improper use or dissipation of the reservoir energy, including gas energy and water drive, of any pool, and the locating, spacing, drilling, equipping, operating, or producing, of any well or wells in a manner to reduce or tend to reduce the total quantity of crude petroleum oil or natural gas ultimately recovered from any pool, and the use of inefficient underground storage of natural gas.

(b) Surface Waste as those words are generally understood in the oil and gas business, and in any event to embrace the unnecessary or excessive surface loss or destruction without beneficial use, however caused, of natural gas of any type or in any form or crude petroleum oil, or any product thereof, but including the loss or destruction, without beneficial use, resulting from evaporation, seepage, leakage, or fire, especially such loss or destruction incident to or resulting from the manner of spacing, equipping, operating or producing, well

single casing string, with the production from each common source of supply completely segregated by means of packers.

MULTIPLE COMPLETION (TUBINGLESS) shall mean a completion in which two or more common sources of supply are produced through an equal number of casing strings cemented in a common well-bore, each such string of casing having an outside diameter of 2.875 inches or less, with the production from each common source of supply completely segregated by use of cement.

NATURAL GAS OR GAS shall mean any combustible vapor composed chiefly of hydrocarbons occurring naturally in a pool classified by the ~~Commission~~ Division as a gas pool.

NON-MARGINAL UNIT shall mean a proration unit which is capable of producing top unit allowable for the pool in which it is located, and to which has been assigned a top unit allowable.

OFFICIAL GAS-OIL RATIO TEST shall mean the periodic gas-oil ratio test made by order of the Division ~~Commission and~~ by such method and means and in such manner as prescribed by the ~~Commission~~ Division.

OIL, CRUDE OIL, OR CRUDE PETROLEUM OIL shall mean any petroleum hydrocarbon produced from a well in the liquid phase and which existed in a liquid phase in the reservoir.

OIL WELL shall mean any well capable of producing oil and which is not a gas well as defined herein.

OPERATOR shall mean any person or persons who, duly authorized, is in charge of the development of a lease or the operation of a producing property.

OVERAGE OR OVERPRODUCTION shall mean the amount of oil or the amount of natural gas produced during a proration period in excess of the amount authorized on the proration schedule.

OWNER means the person who has the right to drill into and to produce from any pool, and to appropriate the production either for himself or for himself and another ~~(See: Sec. 26 (e), Chapter 168, 1949 Session Laws).~~

PENALIZED UNIT shall mean a proration unit to which, because of an excessive gas-oil ratio, an allowable has been assigned which is less than top unit allowable for the pool in which it is located and also less than the ability of the well(s) on the unit to produce.

PERSON means any natural person, corporation, association, partnership, receiver, trustee, guardian, executor, administrator and fiduciary of any kind ~~(See: Sec. 26 (a), Chapter 168, 1949 Session Laws).~~

POOL means any underground reservoir containing a common accumulation of crude petroleum oil or natural gas or both. Each zone of a general structure, which zone is completely separated from any other zone in the structure, is covered by the word "pool" as used herein. "Pool" is synonymous with "common source of supply" and with "common reservoir" ~~(See: Sec. 26 (b), Chapter 168, 1949 Session Laws)~~.

POTENTIAL shall mean the properly determined capacity of a well to produce oil, or gas, or both, under conditions prescribed by the ~~Commission.~~ Division.

PRESSURE MAINTENANCE shall mean the injection of gas or other fluid into a reservoir, either to maintain the existing pressure in such reservoir or to retard the natural decline in the reservoir pressure.

PRODUCER shall mean the owner of a well or wells capable of producing oil or natural gas or both in paying quantities.

PRODUCT means any commodity or thing made or manufactured from crude petroleum oil or natural gas, and all derivatives of crude petroleum oil or natural gas, including refined crude oil, crude tops, topped crude, processed crude petroleum, residue from crude petroleum, cracking stock, uncracked fuel oil, treated crude oil, fuel oil, residuum, gas oil, naphtha, distillate, gasoline, kerosene, benzine, wash oil, waste oil, lubricating oil, and blends or mixtures of crude petroleum oil or natural gas or any derivative thereof ~~(See: Sec. 26 (d), Chapter 168, 1949 Session Laws).~~

PRORATION DAY shall consist of 24 consecutive hours which shall begin at 7 a.m. and end at 7 a.m. on the following day.

PRORATION MONTH shall mean the calendar month which shall begin at 7 a.m. on the first day of such month and end at 7 a.m. on the first day of the next succeeding month.

PRORATION PERIOD shall mean for oil the proration month and for gas the twelve-month period which shall begin at 7 a.m. January 1 of each year and end at 7 a.m. on January 1 of the succeeding year.

DEPTH BRACKET ALLOWABLE shall mean the basic oil allowable assigned to a pool and based on its depth, unit size, or special pool rules, which, when multiplied by the market demand percentage factor in effect, will determine the top unit allowable for the pool.

DIVISION shall mean the Oil Conservation Division of the New Mexico Energy and Minerals Department

FIELD means the general area which is underlaid or appears to be underlaid by at least one pool; and field also includes the underground reservoir or reservoirs containing such crude petroleum oil or natural gas, or both. The words field and pool mean the same thing when only one underground reservoir is involved; however, field unlike pool may relate to two or more pools ~~(See: Sec. 26, Chapter 168, 1949 Session Laws)~~.

GAS LIFT shall mean any method of lifting liquid to the surface by injecting gas into a well from which oil production is obtained.

GAS-OIL RATIO shall mean the ratio of the casinghead gas produced in standard cubic feet to the number of barrels of oil concurrently produced during any stated period.

GAS-OIL RATIO ADJUSTMENT shall mean the reduction in allowable of a high gas-oil ratio unit to conform with the production permitted by the limiting gas-oil ratio for that particular pool during a particular proration period.

GAS TRANSPORTATION FACILITY shall mean a pipeline in operation serving gas wells for the transportation of natural gas, or some other device or equipment in like operation whereby natural gas produced from gas wells connected therewith can be transported or used for consumption ~~(See: Sec. 26 (g), Chapter 168, 1949 Session Laws)~~.

GAS WELL shall mean a well producing gas or natural gas from a gas pool, or a well with a gas-oil ratio in excess of 100,000 cubic feet of gas per barrel of oil producing from an oil pool.

HIGH GAS-OIL RATIO PRORATION UNIT shall mean a unit with at least one producing oil well with a gas-oil ratio in excess of the limiting gas-oil ratio for the pool in which the unit is located.

ILLEGAL GAS shall mean natural gas produced from a gas well in excess of the allowable determined by the ~~Commission~~ ~~(See: Sec. 15 (a), Chapter 168, 1949 Session Laws)~~. Division

ILLEGAL OIL shall mean crude petroleum oil produced in excess of the allowable as fixed by the ~~Commission~~ ~~(See: Sec. 15 (a), Chapter 168, 1949 Session Laws)~~. Division

ILLEGAL PRODUCT shall mean any product of illegal gas or illegal oil ~~(See: Sec. 15 (b), Chapter 168, 1949 Session Laws)~~.

INJECTION OR INPUT WELL shall mean any well used for the injection of air, gas, water, or other fluids into any underground stratum.

LIMITING GAS-OIL RATIO shall mean the gas-oil ratio assigned by the ~~Commission~~ to a particular oil pool to limit the volumes of casinghead gas which may be produced from the various oil producing units within that particular pool. Division

LOAD OIL is any oil or liquid hydrocarbon which has been used in remedial operation in any oil or gas well.

LOG OR WELL LOG shall mean a systematic detailed and correct record of formations encountered in the drilling of a well.

MARGINAL UNIT shall mean a proration unit which is incapable of producing top unit allowable for the pool in which it is located.

MARKET DEMAND PERCENTAGE FACTOR shall mean that percentage factor of 100 percent or less as determined by the ~~Commission~~ at an oil allowable hearing, which, when multiplied by the depth bracket allowable applicable to each pool, will determine the top unit allowable for that pool. Divi

MINIMUM ALLOWABLE shall mean the minimum amount of production from an oil or gas well which may be advisable from time to time to the end that production will repay reasonable lifting cost and thus prevent premature abandonment and resulting waste.

MULTIPLE COMPLETION (COMBINATION) shall mean a multiple completion in which two or more common sources of supply are produced through a combination of two or more conventional diameter casing strings cemented in a common well-bore, or a combination of small diameter and conventional diameter casing strings cemented in a common well-bore, the conventional diameter strings of which might or might not be a Multiple Completion (Conventional).

MULTIPLE COMPLETION (CONVENTIONAL) shall mean a completion in which two or more common sources of supply are produced through one or more strings of tubing installed within a

ADJUSTED ALLOWABLE shall mean the allowable production a well or proration unit receives after all adjustments are made.

ALLOCATED POOL is one in which the total oil or natural gas production is restricted and allocated to various wells therein in accordance with proration schedules.

ALLOWABLE PRODUCTION shall mean that number of barrels of oil or standard cubic feet of natural gas authorized by the ~~Commission~~ Division to be produced from an allocated pool.

BACK ALLOWABLE shall mean the authorization for production of any shortage or underproduction resulting from pipeline prorationing.

BARREL shall mean 42 United States Gallons measured at 60 degrees Fahrenheit and atmospheric pressure at the sea level.

BARREL OF OIL shall mean 42 United States Gallons of oil, after deductions for the full amount of basic sediment, water, and other impurities present, ascertained by centrifugal or other recognized and customary test.

BOTTOM HOLE OR SUBSURFACE PRESSURE shall mean the gauge pressure in pounds per square inch under conditions existing at or near the producing horizon.

BRADENHEAD GAS WELL shall mean any well producing gas through wellhead connections from a gas reservoir which has been successfully cased off from an underlying oil or gas reservoir.

CARBON DIOXIDE GAS shall mean noncombustible gas composed chiefly of carbon dioxide occurring naturally in underground rocks.

CASINGHEAD GAS shall mean any gas or vapor or both gas and vapor indigenous to and produced from a pool classified as an oil pool by the ~~Commission~~ Division. This also includes gas-cap gas produced from such an oil pool.

COMMISSION shall mean the Oil Conservation Commission. ~~created by Section 3, Chapter 168, Session Laws 1949.~~

COMMON PURCHASER FOR NATURAL GAS shall mean any person now or hereafter engaged in purchasing from one or more producers gas produced from gas wells within each common source of supply from which it purchases ~~(See: Sec. 14 (d), Chapter 168, Session Laws 1949)~~.

COMMON PURCHASER FOR OIL shall mean every person now engaged or hereafter engaging in the business of purchasing oil to be transported through pipelines ~~(See Sec. 14 (a), Session Laws 1949).~~

COMMON SOURCE OF SUPPLY See Pool.

CONDENSATE shall mean the liquid recovered at the surface that results from condensation due to reduced pressure or temperature of petroleum hydrocarbons existing in a gaseous phase in the reservoir.

CONTIGUOUS shall mean acreage joined by more than one common point, that is, the common boundary must be at least one side of a governmental quarter-quarter section.

CONVENTIONAL COMPLETION shall mean a well completion in which the production string of casing has an outside diameter in excess of 2.875 inches.

CORRELATIVE RIGHTS shall mean the opportunity afforded, as far as it is practicable to do so, to the owner of each property in a pool to produce without waste his just and equitable share of the oil or gas, or both, in the pool, being an amount, so far as can be practically determined, and so far as can be practicably obtained without waste, substantially in the proportion that the quantity of recoverable oil or gas, or both, under such property bears to the total recoverable oil or gas, or both, in the pool, and for such purpose to use his just and equitable share of the reservoir energy ~~(See: Sec. 36 (h), Chapter 168, Session Laws 1949).~~

CUBIC FOOT OF GAS OR STANDARD CUBIC FOOT OF GAS, for the purpose of these rules, shall mean that volume of gas contained in one cubic foot of space and computed at a base pressure of 10 ounces per square inch above the average barometric pressure of 14.4 pounds per square inch (15.025 psia), at a standard base temperature of 60 degrees fahrenheit.

DEEP POOL shall mean a common source of supply which is situated 5000 feet or more below the surface.

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(i) A kill line installed below the BOPE, leading directly to the mud pumps and fitted with a valve through which cement could be pumped if necessary.

(j) All lines and fittings must be steel and have a minimum working-pressure rating of 1,000 psi. Note: If any portion of a well is drilled using mud, Class 2M BOPE shall be installed on the surface casing so that the well can be shut-in at any time.

RULE 603. AREAS WITH HISTORY OF BLOWOUTS

Notwithstanding any of the provisions of Rule 602 above, when drilling in any geothermal resources area which has a history of lost circulation and/or blowouts, the operator shall equip the well with adequate blowout prevention equipment to contain such pressures as may have previously been encountered in the other well(s).

RULE 604. TESTING OF BLOWOUT PREVENTION EQUIPMENT

Upon installation, ram-type blowout preventers, bag-type blowout preventers, valves, and manifolds shall be tested to a minimum of 750 psi pressure. Tests may be witnessed by a ~~Commission~~ Division representative on all wells prior to drilling out the shoe of the surface casing, and the ~~Commission~~ Division shall be notified of the date and hour any such test is to be conducted sufficiently in advance of the test to allow a ~~Commission~~ Division representative to travel to the well to witness the test.

Ram-type preventers shall be operated at least once each 24 hours and bag-type preventers closed on the drill pipe at least once each week, provided however, that an exception to this Division's provision may be granted by the ~~Commission's~~ Geothermal ~~Division~~ Section to prevent undue wear and tear on the preventer rubbers when drilling dry-steam wells.

(g) A blow-down line fitted with two valves installed below the BOPE. The blow-down line shall be directed in such a manner so as to permit containment of produced fluids and to minimize any safety hazard to personnel.

(h) All lines and fittings shall be steel and have a minimum working-pressure rating of at least that of the BOPE.

(i) Return mud temperatures shall be entered into the log book after each joint of pipe is drilled down. (See Rule 106(b).)

B. Using Air as the Drilling Fluid

(1) API Class 2M RSRdG (with Banjo Box)

For wells in geothermal resources areas where it is known that dry steam exists at depth and/or formation pressures are known to be less than hydrostatic.

(a) A rotating head installed at the top of the BOPE stack.

(b) A pipe-ram/blind-ram BOPE, with a minimum working-pressure rating of 2,000 psi installed below the rotating head so that the well can be shut in at any time.

(c) A banjo box steam diversion unit installed below the double-ram BOPE fitted with an approved muffler in good working condition.

(d) A blind-ram BOPE, with a minimum working-pressure rating of 2,000 psi installed below the banjo box so that the well can be shut in while removing the rotating head during bit changes.

(e) A gate valve, with a suitable minimum working-pressure rating installed below the blind ram so that the well can be shut in after the well has been completed, prior to removal of the BOPE stack.

(f) All ram-type BOPE shall have a hydraulic actuating system utilizing an accumulator of sufficient capacity and a high-pressure backup system.

(g) Dual control stations for hydraulic backup system: one at the driller's station and the other at least 50 feet away from the wellhead.

(h) Float and standpipe valves.

(e) A fill-up line installed above the BOPE.

(f) A kill line installed below the BOPE, leading directly to the mud pumps and fitted with a valve through which cement could be pumped if necessary.

(g) A blow-down line fitted with two valves installed below the BOPE. The blow-down line shall be directed in such a manner so as to permit containment of produced fluids and to minimize any safety hazard to personnel.

(h) All lines and fittings shall be steel and have a minimum working-pressure rating of 1,000 psi.

(i) Return mud temperatures shall be entered into the log book after each joint of pipe is drilled down. See Rule 106(b).

(2) API Class 2M-RSRA or Equivalent

For wells in geothermal resources areas known to contain geothermal fluids at temperatures greater than 212° F. at depths more than 2,000 feet, and geothermal exploratory wells in areas where subsurface temperatures and pressures are unknown and the proposed depth of the well is more than 2,000 feet.

(a) An annular BOPE and a spool, fitted with a low-pressure safety pop-off and blow-down line, installed on the conductor pipe may be required to ensure against possible gas blow-outs during the drilling of the surface casing hole.

(b) Annular BOPE and pipe-ram/blind-ram BOPE with a minimum working-pressure rating of 2,000 psi shall be installed so that the well can be shut in at any time. The double-ram preventer shall have a mechanical locking device.

(c) A hydraulic actuating system utilizing an accumulator of sufficient capacity and a high pressure auxiliary backup system. This total system shall be equipped with dual controls: one at the driller's station and one at least 50 feet away from the wellhead.

(d) Kelly cock and standpipe valve.

(e) A fill-up line installed above the BOPE.

(f) A kill line installed below the BOPE, leading directly to the mud pumps and fitted with a valve through which cement could be pumped if necessary.

H. BLOWOUT PREVENTION

RULE 601. GENERAL

In areas where high subsurface pressures are known to exist, or where there is a history of lost circulation and/or blowouts, or in areas where subsurface pressures are not known, all proper and usual precautions shall be taken for keeping the well under control, including the use of blowout preventers and high pressure fittings attached to properly cemented casing strings.

Blowout preventers shall not be required for the drilling of low-temperature thermal wells, geothermal observation wells, and seismic, core, or other exploratory wells less than 500 feet deep.

RULE 602. BLOWOUT PREVENTION EQUIPMENT (BOPE)

The following standards are not given as final blowout prevention equipment requirements for the drilling of any geothermal resources well but are given as guidelines for the preparation of a minimum blowout prevention program for certain categories of wells.

A. Using Mud as the Drilling Fluid

(1) API Class 2M-A or 2M-RR

For wells in geothermal resources areas known to contain geothermal fluids at a temperature greater than 212° F. at depths less than 2,000 feet, and geothermal exploratory wells in areas where subsurface temperatures and pressures are unknown and the proposed depth of the well is less than 2,000 feet.

(a) An annular BOPE and a spool, fitted with a low-pressure safety pop-off and blow-down line, installed on the conductor pipe may be required for wells in the above categories to ensure against possible gas blowouts during the drilling of the surface casing hole.

(b) Annular BOPE or pipe-ram/blind-ram BOPE with minimum working-pressure ratings of 2,000 psi shall be installed on the surface casing so that the well can be shut in at any time.

(c) Hydraulic actuating system.

(d) Kelly cock.

(c) To establish the integrity of the annular cement above the shoe of the casing, the operator shall make sufficient surveys, within 30 days after injection is started into a well, to demonstrate that all the injected fluid is confined to the intended zone of injection. Thereafter, such surveys shall be made at least every two years, or more often if ordered by the ~~Commission.~~ Division. All such surveys may be witnessed by a representative of the ~~Commission~~ Division.

(d) After the well has been placed on injection, a ~~Commission~~ Division representative shall visit the wellsite periodically. At these times, surface conditions shall be noted and if any unsatisfactory conditions exist, the operator shall be notified of needed remedial work. If this required work is not performed within 90 days, the approval issued by the ~~Commission~~ Division may be rescinded. If it is determined that damage is occurring at a rapid rate, the ~~Commission~~ Division may order that the repair work be done immediately.

Injection pressures shall be recorded by the ~~Commission~~ Division representative and compared with the pressure reported on the appropriate forms. Any discrepancies shall be rectified immediately by the operator. A graph of daily injection rates and pressures versus time shall be maintained by the operator. Reasons for anomalies shall be promptly ascertained. If these reasons are such that it appears damage is being done, approval by the ~~Commission~~ Division may be rescinded, and injection shall cease.

(e) When an injection well has been left idle for six months, the operator shall be informed by letter that approval for use of the well for injection purposes has been rescinded, and that he should proceed in accordance with the provisions of Rule 302 and Rule 303 A or Rule 303 B. In the event the operator intends to again use the well for injection purposes, he shall be required to demonstrate by means of surveys that the injected water will be confined to the intended zone of injection.

RULE 506. ABANDONMENT

Injection or disposal wells are required to be abandoned in the same manner as other wells. (See Sec. E, ABANDONMENT, TEMPORARY ABANDONMENT, AND PLUGGING OF WELLS.)

diameters and setting depths, quantities used and tops of cement, perforated or open-hole interval, tubing strings, including diameters and setting depths, and the type and location of packers, if any;

Copies of the Form G-112 (without the above attachments) shall be sent to all other geothermal lease owners, if any there be, within a one-half mile radius of the proposed injection/disposal well.

If no objection is received within 20 days from the date of receipt of the application, and the ~~Secretary-Director of the Commission~~ Division Director is satisfied that all of the above requirements have been complied with, that the proposal is in the interest of conservation and will prevent waste and protect correlative rights, and that the well is cased, cemented, and equipped in such a manner that there will be no danger to any natural resource, including geothermal resources, useable underground water supplies, and surface resources, Form G-112 will be approved. In the event the form is not approved because of objection from an affected geothermal lease owner or for other reason, the application will be set for public hearing, if the applicant so requests.

The ~~Secretary-Director~~ Division Director may dispense with the 20-day waiting period if waivers of objection are received from all geothermal lease owners within a one-half mile radius of the proposed injection/disposal well.

RULE 504. INJECTION REPORTS

Monthly injection reports shall be filed for injection/disposal wells in accordance with Rule 210 of these rules and regulations.

RULE 505. SURVEILLANCE

(a) Surveillance of waste water disposal or injection projects is necessary on a continuing basis in order to establish to the satisfaction of the ~~Commission~~ Division that all water is confined to the intended zone of injection.

(b) When an operator proposes to drill an injection well, convert a producing or inactive well to an injection well, or rework an injection well and return it to injection service, he shall be required to demonstrate to the ~~Commission~~ Division by means of such tests as the ~~Commission~~ Division may deem necessary the integrity of the well's casing.

G. GEOTHERMAL INJECTION AND DISPOSAL WELLS

RULE 501. GEOTHERMAL INJECTION WELLS

Geothermal injection wells are those wells used for the purpose of injecting fluids into a dry geothermal formation, or into a geothermal reservoir for the purpose of augmenting the natural supply of fluids in the reservoir, pressure maintenance of the reservoir, or such other purpose as authorized by the ~~Com-~~ Division. ~~mission.~~ No well shall be utilized as a geothermal injection well until authority for such use has been obtained on an approved Form G-112, Application to Place Well on Injection-Geothermal Resources Area. Form G-112 shall be filed in accordance with Rule 503 below.

RULE 502. GEOTHERMAL DISPOSAL WELLS

Geothermal disposal wells are those wells used for the purpose of disposing of waters produced from a geothermal reservoir when disposal is into a zone or formation not classified as a geothermal reservoir. No well shall be utilized as a geothermal disposal well until authority for such use has been obtained on an approved Form G-112, Application to Place Well on Injection-Geothermal Resources Area. Form G-112 shall be filed in accordance with Rule 503 below.

RULE 503. METHOD OF MAKING APPLICATION

Application for authority to inject fluids into a geothermal reservoir or to dispose of geothermal waters into a zone or formation not classified as a geothermal reservoir shall be made in DUPLICATE on ~~Commission~~ Form G-112, Application to Place Well on Division Injection-Geothermal Resources Area, and shall be accompanied by one copy of each of the following:

(1) A plat showing the location of the proposed injection/disposal well and the location of all other wells within a radius of one mile from said well, and indicating the perforated or open-hole interval in each of said wells. The plat shall also indicate the ownership of all geothermal leases within said one-mile radius;

(2) The log of the proposed injection well, if available;

(3) A diagrammatic sketch of the proposed injection well showing all casing strings, including

reason of which such geothermal resource cannot be economically and satisfactorily used by such purchaser by means of his geothermal utilization facilities then in service.

RULE 403. REGULATION OF GEOTHERMAL RESOURCES PRODUCTION

Upon determination by the ~~Commission~~ Division that geothermal resources production in the State of New Mexico, or in a particular geothermal resources area, is causing waste, the ~~Commission~~ Division shall limit and allocate among the producing wells the total amount of geothermal resources which may be produced in the state, or in a particular geothermal area.

F. PURCHASE OF GEOTHERMAL RESOURCES

RULE 401. ILLEGAL SALE PROHIBITED

The sale or purchase or acquisition, or the transporting or utilization of geothermal resources produced in violation of the laws of this state, or of these rules, is prohibited.

RULE 402. RATABLE TAKE

Any person now or hereafter engaged in purchasing geothermal resources from one or more producers within a single geothermal reservoir shall be a common purchaser within that geothermal reservoir, and shall purchase geothermal resources of like quality, quantity, and pressure lawfully produced from that geothermal reservoir and tendered to such common purchaser at a reasonable point. Such purchase shall be made without unreasonable discrimination in favor of one producer against another in the price paid, quantities taken, the bases of measurement, or the facilities offered.

In the event such purchaser is also a producer, he is prohibited to the same extent from discriminating in favor of himself with respect to geothermal resource wells in which he has an interest, direct or indirect, as against other geothermal resource wells in the same geothermal reservoir.

For the purposes of this rule, reasonable differences in prices paid or facilities afforded, or both, shall not constitute unreasonable discrimination if such differences bear a fair relationship to difference in quality, quantity, or pressure of the geothermal resource available or to the relative lengths of time during which such geothermal resources will be available to the purchaser.

Any common purchaser taking geothermal resources produced from wells within a geothermal reservoir shall take ratably under such rules, regulations, and orders, concerning quantity, as may be promulgated by the ~~Commission~~ after due notice and public hearing. Division The ~~Commission~~, in promulgating such rules, regulations, and orders Division, may consider the quality and the quantity of the geothermal resources available, the pressure and temperature of the product at the point of delivery, acreage attributable to the well, market requirements, and other pertinent factors.

Nothing in this rule shall be construed or applied to require, directly or indirectly, any person to purchase geothermal resources of a quality or under a pressure or under any other condition by

amount satisfactory to the ~~Commission,~~ but not to exceed $10,000.00, Division,
is on file with the ~~Commission~~ to ensure future plugging of the Division
well.

The requirements of the paragraph immediately above may be waived and additional extensions granted in those cases where it can be shown that a contract exists for the construction of electric power plants and such plants are being designed, on order, or under construction, or in the case where a geothermal reservoir has been discovered and there is an ongoing exploration program of the reservoir to determine its commercial feasibility.

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.

RULE 304. WELLS TO BE USED FOR FRESH WATER

When the well to be plugged may safely be used as a fresh water well and such utilization is desired by the land owner, the well need not be filled above a sealing plug set below the fresh water formation, provided that written agreement for such use by the owner of the well and by the land owner is filed with the ~~Commission~~ Division. Upon acceptance of the well by the land owner, the well's bond may be released.

in combination, as may be approved by the ~~Commission.~~ Division. In addition, an adequate cement plug at the surface shall be installed to permanently prevent intrusion of any substance into the well. 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 (quarter-quarter, section, township and range) shall be welded, stamped, or otherwise permanently engraved into the metal of the marker. Seismic, core, geothermal observation, or other exploratory wells less than 500 feet deep and low-temperature thermal wells less than 500 feet deep shall be plugged in accordance with the applicable provisions recited above but permanent markers shall not be required on such wells.

B. Temporary Abandonment

No well 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.~~ Division. Such permit shall be for a period not to exceed six months and shall be requested from the Santa Fe office of the ~~Commission~~ Division by filing Form G-103 in duplicate. No such permit shall be approved unless evidence is furnished that the condition of the well is such as to prevent damage to any producing zone, migration of fluids from one zone to another, the waste or contamination of useable underground waters or other natural resources, and the leakage of any substance at the surface, all as substantiated by the filing of Form G-105, Geothermal Resources Well Log, and Form G-106, Geothermal Resources Well Summary Report, with the request for a temporary abandonment permit. Filing of these forms may be delayed as provided in Rule 205 B and Rule 206 B if a ~~Commission~~ Division representative has had access to and has inspected the data and materials described in Rule 200 B. Also see Rule 203 A and Rule 203 C(3).

The Santa Fe office of the ~~Commission~~ Division 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~~ Division after notice and hearing that good cause exists why the well should not be plugged and abandoned, and a permit for further temporary abandonment should be issued. No such permit for further temporary abandonment shall be approved by the ~~Commission~~ Division unless a one-well plugging bond for the well, in an

E. ABANDONMENT, TEMPORARY ABANDONMENT, AND PLUGGING OF WELLS

RULE 301. LIABILITY

The owner of any well drilled for geothermal exploration or production, or temperature observation, or any seismic, core, or other exploratory hole drilled for geothermal purposes shall be responsible for the plugging thereof.

RULE 302. NOTICE

Prior to commencement of plugging operations, Notice of Intention to plug shall be filed with the ~~Commission,~~ Division, and approval thereof obtained by the owner or operator of the well. This shall be accomplished by filing Form G-103, Sundry Notices and Reports on Geothermal Wells, which notice shall outline the casing and cementing program of the well, the casing which is to be pulled, the size of proposed cement plugs and their depth, and such other information as may be pertinent. In the case of newly drilled wells which are to be plugged, verbal authority and instructions may be given by the ~~Commission~~ Division to plug the well provided written notice to plug shall be subsequently filed within 30 days and approval thereof obtained. Written approval or verbal approval of a plugging program shall be contingent upon evidence being furnished that the plugging program for the well is such as to prevent damage to any producing zone, migration of fluids from one zone to another, the waste or contamination of useable underground waters or other natural resources, and the leakage of any substance at the surface, all as substantiated by the filing of Form G-105, Geothermal Resources Well Log, and Form G-106, Geothermal Well Summary Report, with the request for approval of the plugging program. Filing of these forms may be delayed as provided in Rule 205 C and Rule 206 C if a ~~Commission~~ Division representative has had access to and has inspected the data and materials described in Rule 200 B. Also see Rule 203 A, Rule 203 C(4), and Rule 303 A.

RULE 303. PLUGGING AND TEMPORARY ABANDONMENT

A. Plugging

Before any well is abandoned, it shall be plugged in a manner that will permanently confine all fluids 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

the owner or operator of each geothermal resources producing well in accordance with the annual testing schedule published by the ~~Commission.~~ Division. Flowing temperatures and flowing pressure tests at the wellhead shall be recorded after at least 72 hours of continuous flow at normal producing rates. The well shall then be shut in for 24 hours and shut-in pressure at the wellhead recorded. Results of these tests shall be submitted in DUPLICATE to the Santa Fe office of the ~~Commission.~~ Division.

RULE 212. APPLICATION TO PLACE WELL ON INJECTION-GEOTHERMAL RESOURCES AREA (FORM G-112)

Before placing any well on injection in a geothermal resources area, whether for charge, recharge, or disposal purposes, authority to do so shall be obtained on Form G-112 which shall be filed in accordance with Rule 503.

case of prolonged temporary abandonment approved by the ~~Commission,~~ Division shall the filing of Form G-107 be delayed for more than five years after cessation of active drilling operations. Distribution of Form G-107 for inactive or temporarily abandoned wells shall be one copy to the New Mexico Bureau of Mines, one copy to the United States Geological Survey, and one copy retained by the ~~Commission~~ Division.

C. For Plugged and Abandoned Wells

Form G-107, Geothermal Resources Well History, shall be filed in TRIPLICATE for plugged and abandoned wells within six months after abandonment. Distribution of Form G-107 for abandoned wells shall be one copy to the New Mexico Bureau of Mines, one copy to the United States Geological Survey, and one copy retained by the ~~Commission.~~ Division.

RULE 208. MONTHLY GEOTHERMAL PRODUCTION REPORT (FORM G-108)

After placing any geothermal well on production, the owner or operator thereof shall file in DUPLICATE a monthly production report, Form G-108, which report shall be due in the Santa Fe office of the ~~Commission~~ Division by the 20th day of each month and shall show the production from each well and each lease during the preceding calendar month.

RULE 209. MONTHLY GEOTHERMAL PURCHASER'S REPORT (FORM G-109)

The purchaser of production from any geothermal resource well shall file in DUPLICATE a monthly purchaser's report, Form G-109, which report shall be due in the Santa Fe office of the ~~Commission~~ Division by the 15th day of each month and shall show the purchases made from all leases and wells connected to the purchaser's facilities during the preceding calendar month.

RULE 210. MONTHLY GEOTHERMAL INJECTION REPORT (FORM G-110)

After placing any well on injection or disposal in a geothermal resources field or area, the owner or operator thereof shall file in DUPLICATE a monthly injection report, Form G-110, which report shall be due in the Santa Fe office of the ~~Commission~~ Division by the 20th day of each month and shall show the zone or formation into which injection is being made, the volume injected, the average temperature of the injected fluid, and the average injection pressure at the wellhead.

RULE 211. ANNUAL GEOTHERMAL TEMPERATURE AND PRESSURE TESTS (FORM G-111)

Annual temperature and pressure tests shall be submitted by

production of geothermal resources and will be retained for such purpose, whether the well will be used for injection or disposal purposes, whether the well has been or will be plugged and abandoned, or what other disposition of the well is to be made. A summary of the well's casing and cementing program shall be shown on the form, and in case the well is to be retained for production, injection, or disposal purposes, the total mass flow in pounds per hour, flowing temperature in degrees Fahrenheit, and flowing pressure in pounds per square inch gauge. Distribution of Form G-106 for inactive or temporarily abandoned wells shall be one copy to the New Mexico Bureau of Mines, one copy to the United States Geological Survey, and one copy retained by the ~~Commission.~~ Division. If Form G-106 is filed for an inactive or temporarily abandoned well, and the well later goes on active production or injection, refiling of Form G-106 completely filled in in accordance with Rule 206-A above is required.

C. For Plugged and Abandoned Wells

Form G-106, Geothermal Resources Well Summary Report, completely filled in, shall be filed in TRIPLICATE for plugged and abandoned wells within six months after abandonment. Distribution of Form G-106 for abandoned wells shall be one copy to the New Mexico Bureau of Mines, one copy to the United States Geological Survey, and one copy retained by the ~~Commission.~~ Division.

RULE 207. GEOTHERMAL RESOURCES WELL HISTORY (FORM G-107)

A. For Producing, Injection, or Disposal Wells

Form G-107, Geothermal Resources Well History, is a chronological history of the entire operation of drilling and completing the well, and shall be filed in TRIPLICATE with the Form G-104 when it is desired to put any geothermal resources well on production or injection or disposal. Failure to file a completed Form G-107 will result in withholding approval of Form G-104, Certificate of Compliance and Authorization to Produce Geothermal Resources. Distribution of Form G-107 for producing, injection, or disposal wells shall be one copy to the New Mexico Bureau of Mines, one copy to the United States Geological Survey, and one copy retained by the ~~Commission.~~ Division.

B. For Non-Producing or Temporarily Abandoned Wells

Form G-107, Geothermal Resources Well History, shall be filed in TRIPLICATE for every geothermal resources well not on active producing or injection or disposal status within six months after cessation of active drilling operations on the well unless a permit for temporary abandonment shall have been approved for the well in accordance with Rule 303 B. In no event, even in the

B. For Inactive or Temporarily Abandoned Wells

Form G-105, Geothermal Resources Well Log, with the attachments described in Rule 205 A, shall be filed in TRIPLICATE for every geothermal resources well not on active producing or injection or disposal status within six months after cessation of active drilling operations on the well unless a permit for temporary abandonment shall have been approved for the well in accordance with Rule 303 B. In no event, even in the case of prolonged temporary abandonment approved by the ~~Commission,~~ Division, shall the filing of Form G-105 with required attachments be delayed for more than five years after cessation of active drilling operations. Distribution of Form G-105 for inactive or temporarily abandoned wells shall be one copy to the New Mexico Bureau of Mines, one copy to the United States Geological Survey, and one copy retained by the ~~Commission.~~ Division.

C. For Plugged and Abandoned Wells

Form G-105, Geothermal Resources Well Log, together with all the attachments required by Rule 205 A above, shall be filed in TRIPLICATE for plugged and abandoned wells within six months after abandonment. Distribution of Form G-105 for abandoned wells shall be one copy to the New Mexico Bureau of Mines, one copy to the United States Geological Survey, and one copy retained by the ~~Commission.~~ Division.

RULE 206. GEOTHERMAL RESOURCES WELL SUMMARY REPORT (FORM G-106)

A. For Producing, Injection, or Disposal Wells

Form G-106, Geothermal Resources Well Summary Report, completely filled in, shall be filed in TRIPLICATE with the Form G-104 when it is desired to put any geothermal resources well on production or injection or disposal. Failure to file a completed Form G-106 will result in withholding approval of the Form G-104, Certificate of Compliance and Authorization to Produce Geothermal Resources. Distribution of Form G-106 for producing, injection, or disposal wells shall be one copy to the New Mexico Bureau of Mines, one copy to the United States Geological Survey, and one copy retained by the ~~Commission.~~ Division.

B. For Inactive or Temporarily Abandoned Wells

Form G-106, Geothermal Resources Well Summary Report, shall be filed in TRIPLICATE for every geothermal resources well not on active producing or injection or disposal status within 90 days after cessation of active drilling operations. The owner or operator of the well shall state on the form the general results of the well's condition, i.e., whether the well is capable of

No change of ownership will be approved by the ~~Commission~~ Division unless the new owner has an approved bond in accordance with Rule 101 and has filed satisfactory "Designation of Agent" (Rule 100). The former owner of the well, to obtain release of his bond, shall follow the procedures set forth in Rule 101(b) (Form G-103 shall be used to report change of ownership of a drilling well; see Rule 203 C(6).)

After approval of Form G-104, distribution of Forms G-104, G-105, G-106, and G-107 shall be made by the ~~Commission~~ Division as follows:

(1) one approved copy of Form G-104 shall be returned to the operator;

(2) one approved copy of Form G-104 shall be forwarded to the purchaser from the well (except, of course, in the case of a disposal or injection well);

(3) one approved copy of Form G-104 and one copy each of Forms G-105, G-106, and G-107 shall be forwarded to the New Mexico Bureau of Mines;

(4) one approved copy of Form G-104 and one copy each of Forms G-105, G-106, and G-107 shall be forwarded to the United States Geological Survey; and

(5) one approved copy of Form G-104 and one copy each of Forms G-105, G-106, and G-107 shall be retained by the ~~Commission~~ Division

RULE 205. GEOTHERMAL RESOURCES WELL LOG (FORM G-105)

A. For Producing, Injection, or Disposal Wells

Form G-105, Geothermal Resources Well Log, shall be filed in TRIPLICATE with the Form G-104 when it is desired to put any geothermal resources well on production or injection or disposal. It shall be accompanied by copies of such logs, surveys, and tests which may have been conducted on the well, including electric logs, deviation and directional surveys, physical or chemical logs, water analyses, tests, including potential tests, and temperature surveys. Failure to include these data and materials with the Form G-105 will result in withholding approval of the Form G-104, Certificate of Compliance and Authorization to Produce Geothermal Resources. Distribution of Form G-105 for producing, injection, or disposal wells shall be one copy to the New Mexico Bureau of Mines, one copy to the United States Geological Survey, and one copy retained by the ~~Commission.~~ Division

(6) Report of Change in Ownership of a Drilling Well

A report of change of ownership shall be filed by the new owner of any drilling well within ten days following actual transfer of ownership. Said report shall be filed in TRIPLICATE on Form G-103 and shall include the name and address of both the new owner and the previous owner, the effective date of the change of ownership, and any other pertinent information. No change in the ownership of a drilling well will be approved by the ~~Commission~~ Division unless the new owner has an approved bond in accordance with Rule 101 and has filed satisfactory "Designation of Agent" (Rule 100). The former owner of the well, to obtain release of his bond, shall follow the procedures set forth in Rule 101(b). (Form G-104 shall be used to report transfer of ownership of a completed well; see Rule 204.)

(7) Other Reports on Wells

Reports on any other operations which affect the original status of the well which are not specifically covered herein shall be submitted to the ~~Commission~~ on Form G-103, in TRIPLICATE, by the Division operator of the well within ten days following the completion of such operation.

RULE 204. CERTIFICATE OF COMPLIANCE AND AUTHORIZATION TO PRODUCE GEOTHERMAL RESOURCES (FORM G-104)

Prior to placing any geothermal resources well on production, injection, or disposal, the owner or operator of said well shall file (in QUINTUPLICATE) with the ~~Commission~~ and receive approval Division thereof Form G-104, Certificate of Compliance and Authorization to Produce Geothermal Resources, outlining thereon the information required and certifying that all ~~Commission~~ Rules and Regulations Division pertaining to the well have been complied with. Production of or injection into any well in violation of this rule shall result in the well being shut in by the ~~Commission~~ subject to the penalties Division provided by law for violation of the ~~Commission's~~ Rules, Orders, and Division's Regulations. (In addition to Form G-104 being approved, additional approval for injection or disposal must be obtained pursuant to Rules 501-505.) Forms G-104 must be accompanied by three copies of Form G-105, Geothermal Resources Well Log outlining the data required and with the attachments required by Rule 205 A, three copies of Form G-106, Geothermal Resources Well Summary Report (See Rule 206) completely filled in and three copies of Form G-107, Geothermal Resources Well History (See Rule 207) completely filled in.

Form G-104 shall also be filed in QUINTUPLICATE when there is a change in purchaser from a well or when there is a change of ownership of a producing well, injection well, or disposal well.

location and type of plugs used, if any, type and status of surface and downhole equipment, and any other pertinent information relative to the overall status of the well.

(4) Report on Plugging of Well

A report of plugging operations shall be filed by the operator of the well within 30 days following completion of plugging operations on any well. Said report shall be filed in TRIPLICATE on Form G-103 and shall include the date the plugging operations were begun and the date the work was completed, a detailed account of the manner in which the work was performed including the depths and lengths of the various plugs set, the nature and quantities of materials employed in the plugging operations including the weight of the mud used, the size and depth of all casing left in the hole, and any other pertinent information. (See Rules 301-303 regarding plugging operations.)

No plugging report will be approved by the ~~Commission~~ Division until all forms and reports on the well have been filed and the pits have been filled and the location levelled and cleared of junk. It shall be the responsibility of the operator to contact the Santa Fe office of the ~~Commission~~ when the location has been Division so restored in order to arrange for an inspection of the plugged well and the location by a ~~Commission~~ representative. Division

(5) Report of Remedial Work

A report of remedial work performed on a producing well or former producing well shall be filed by the operator of the well within 30 days following completion of such work. Said report shall be filed in DUPLICATE on Form G-103 and shall present a detailed account of the work done and the manner in which such work was performed; the daily production from the well both prior to and after the remedial operation; the size and depth of shots; the quantity of sand, acid, chemical or other materials employed in the operation, and any other pertinent information. Among the types of remedial work to be reported on Form G-103 are the following:

(a) Report on shooting, fluid fracturing, or chemical treatment of a previously completed well

(b) Report on squeeze job

(c) Report on setting of liner or packer

(d) Report of any other remedial operations which are not specifically covered herein

(e) Report on Deepening or Plugging Back

(1) Commencement of drilling operations

(2) Casing and cement test

(3) Altering a well's casing installation

(4) Temporary abandonment

(5) Plugging and Abandonment

(6) Plugging back or deepening

(7) Remedial work

(8) Change in ownership of a drilling well

(9) Such other operations which affect the original status of the well but which are not specifically covered herein

C. Filing Form G-103 as a Subsequent Report

Information to be entered on Form G-103, Subsequent Report, for a particular operation is as follows:

(1) Report of Commencement of Drilling Operations

Within ten days following the commencement of drilling operations, the operator of the well shall file a report thereof on Form G-103 in DUPLICATE. Such report shall indicate the hour and the date the well was spudded.

(2) Report of Results of Test of Casing and Cement Job; Report of Casing Alteration

A report of casing and cement test shall be filed by the operator of the well within ten days following the setting of each string of casing or liner. Said report shall be filed in DUPLICATE on Form G-103 and shall present a detailed description of the test method employed and the results obtained by such test, and any other pertinent information required by Rule 108 B(5). The report shall also indicate the top of the cement and the means by which such top was determined. It shall also indicate any changes from the casing program previously authorized for the well.

(3) Report of Temporary Abandonment

A report of temporary abandonment of a well shall be filed by the operator of the well within ten days following completion of the work. The report shall be filed in DUPLICATE and shall present a detailed account of the work done on the well, including

RULE 203. SUNDRY NOTICES AND REPORTS ON GEOTHERMAL RESOURCES WELLS (FORM G-103)

Form G-103 is a dual purpose form to be filed with the Santa Fe office of the ~~Commission~~ Division to obtain approval prior to commencing certain operations and also to report various completed operations.

A. Form G-103 as a Notice of Intention

Form G-103 shall be filed in DUPLICATE by the operator and approval obtained from the ~~Commission~~ Division prior to:

(1) Effecting a change of plans from those previously approved on Form G-101 or Form G-103.

(2) Altering a drilling well's casing program or pulling casing or otherwise altering an existing well's casing installation.

(3) Temporarily abandoning a well. (See Rule 303 B.)

(4) Plugging and abandoning a well. (See Rules 302 and 303 A.)

(5) Performing remedial work on a well which, when completed, will affect the original status of the well. (This shall include making new perforations in existing wells or squeezing old perforations in existing wells, but is not applicable to new wells in the process of being completed nor to old wells being deepened or plugged back to another zone when such recompletion has been authorized by an approved Form G-101, Application for Permit to Drill, Deepen, or Plug Back, nor to acidizing, fracturing, or cleaning out previously completed wells.)

In the case of well plugging operations, the Notice of Intention shall include a detailed statement of the proposed work, including plans for shooting and pulling casing, plans for mudding, including weight of mud, plans for cementing, including number of sacks of cement and depths of plugs, and the time and date of the proposed plugging operations. (See Rules 302 and 303 A.)

B. Form G-103 as a Subsequent Report

Form G-103 as a subsequent report of operations shall be filed in accordance with the section of this rule applicable to the particular operation being reported.

Form G-103 is to be used in reporting such completed operations as:

RULE 201. APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK-GEOTHERMAL RESOURCES WELL (FORM G-101)

Before commencement of drilling or deepening operations of any geothermal resources well, or before plugging a well back to another zone, the operator of the well shall obtain a permit to do so. To obtain such a permit the operator shall submit to the ~~Commission~~ FOUR copies of Form G-101, Application for Permit to Drill, Deepen, or Plug Back-Geothermal Resources Well, completely filled in. If the operator has an approved bond in accordance with Rule 101 and has filed satisfactory "Designation of Agent" (Rule 100), and the proposed well meets the spacing and well location requirements (Rule 104), one copy of the Drilling Permit will be returned to him on which will be noted the ~~Commission's~~ approval, with any modification deemed advisable. If the proposal cannot be approved for any reason, the Forms G-101 will be returned with the cause for rejection stated thereon.

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Each copy of Form G-101 must be accompanied by one copy of Form G-102, Geothermal Resources Well Location and Acreage Dedication Plat. (See Rule 202.)

If the well is to be drilled on state land, FIVE copies of Forms G-101 and G-102 shall be submitted, the extra copy being for the State Land Office.

RULE 202. GEOTHERMAL RESOURCES WELL LOCATION AND ACREAGE DEDICATION PLAT. (FORM G-102)

Form G-102 is a dual purpose form used to show the exact location of the well and the acreage dedicated thereto. The form is also used to show the ownership and status of each lease contained within the dedicated acreage. When there is more than one working interest or royalty owner on a given lease, designation of the majority owner et al. will be sufficient.

All information required on Form G-102 shall be filled in and certified by the operator of the well except the well location on the plat. This is to be plotted from the outer boundaries of the section and certified by a registered professional engineer and/or land surveyor, registered in the State of New Mexico, or a surveyor approved by the ~~Commission~~ Division.

Form G-102 shall be submitted in QUADRUPLICATE or QUINTUPLICATE as provided in Rule 201.

Amended Form G-102 (in QUADRUPLICATE or QUINTUPLICATE) shall be filed in the event there is a change in any of the information previously submitted. The well location need not be certified when filing amended Form G-102.

D. RECORDS AND REPORTS

RULE 200. GENERAL

A. Books and Records

All producers, transporters, purchasers, or utilizers of geothermal resources within the State of New Mexico shall make and keep appropriate books and records for a period of not less than five years, covering their operations in this state, from which they may be able to substantiate the reports required by these rules.

B. Well Records

The owner or operator of any geothermal resources well shall keep, or cause to be kept, a careful and accurate well log and history of the drilling of any such well, including the lithologic characteristics and depths of formations encountered, and the depths, pressures, and temperatures of water-bearing and steam-bearing strata. These data, as well as such other tests, surveys, and logs which may be taken on the well including the temperatures, chemical compositions, and physical characteristics of fluids encountered in the well, deviation, directional, and temperature surveys, logs, including electrical logs, physical logs, and core logs, and tests, including potential tests, shall be placed in the custody of the Designated Agent (See Rule 100) of the owner or operator of the well and shall remain in such custody within the State of New Mexico until all required forms and attachments pertaining to the well have been filed with the ~~Commission.~~ Division These data shall be subject to inspection, during normal business hours, by the ~~Commission~~ or its representatives, and by the State Engineer Division or his representatives.

C. Where to File Reports

All forms and reports required by these rules shall be filed with the New Mexico Oil Conservation ~~Commission,~~ Geothermal ~~Division,~~ Section, Division, Post Office Box 2088, Santa Fe, New Mexico 87501.

D. Additional Data

These rules shall not be construed to limit or restrict the authority of the ~~Commission~~ Division to require the furnishing of such additional reports, data, or other information relative to the production, transportation, or utilization of geothermal resources in the State of New Mexico as may appear to be necessary or desirable, either generally or specifically, for the prevention of waste and the conservation of natural resources of the State of New Mexico.

RULE 118. MEASUREMENT OF PRODUCTION

All production from a completed geothermal resources well shall be accounted for by continuous metering or by other method approved by the ~~Commission~~ Division.

RULE 119. UTILIZATION OF GEOTHERMAL RESOURCES

After the completion of a geothermal resources well, all production from said well shall be put to beneficial use. No production shall be permitted unless beneficial use is made thereof except for authorized periods of testing, in which case proper disposition of produced liquids shall be made.

stream or lake, or in which noxious gases escape or any quantity of fluids are lost which may with reasonable probability endanger human health or result in substantial damage to property, shall be "immediate notification" described below.

(3) "Minor" Breaks, Spills, or Leaks. Notification of breaks, spills, or leaks of wellheads, pipelines, or tanks, or drilling pits, slush pits, or storage pits or ponds, the result of which 25 barrels or more but less than 50 barrels of liquids containing hydrocarbons or hydrocarbon wastes, salt water, strong caustics or strong acids, or other deleterious substances are lost or in which noxious gases escape, but in which there is no danger to human health nor of substantial damage to property shall be "subsequent notice" described below.

(4) Fires. Notification of fires at geothermal installations in which there is reasonable probability of danger to human health or substantial damage to adjoining properties or substantial loss of geothermal resources shall be "immediate notice" described below. Notification of fires of lesser magnitude but of $500.00 or more of property damage or $500.00 or more of geothermal resources loss shall be "subsequent notice" described below.

IMMEDIATE NOTIFICATION - "Immediate Notification" shall be as soon as possible after discovery and shall be in person or by telephone to the Santa Fe office or the nearest district office of the ~~Commission~~ Division if the incident occurs during business hours. If the incident occurs after business hours, notification shall be in accordance with the latest ~~Commission~~ Division memorandum on the subject. A complete written report of the incident shall be submitted to the Santa Fe office of the ~~Commission~~ Division within ten days after discovery of the incident.

SUBSEQUENT NOTIFICATION - "Subsequent Notification" shall be a complete written report of the incident and shall be submitted to the Santa Fe office of the ~~Commission~~ Division within ten days after discovery of the incident.

CONTENT OF NOTIFICATION - All reports of fires, breaks, spills, leaks, or blowouts, whether verbal or written, shall identify the location of the incident by quarter-quarter, section, township, and range, and by distance and direction from the nearest town or prominent landmark so that the exact site of the incident can be readily located on the ground. The report shall specify the nature and quantity of the loss and also the general conditions prevailing in the area, including precipitation, temperature, and soil conditions. The report shall also detail the measures that have been taken and are being taken to remedy the situation reported.

WATERCOURSE, for the purpose of this rule, is defined as any lake-bed or gully, draw, stream bed, wash, arroyo, or natural or man-made channel through which water flows or has flowed.

RULE 115. CORROSION

All well head equipment, surface production equipment, flowlines and pipelines, and subsurface casing and tubing shall be subject to periodic surveillance to prevent leakage or rupture and to safeguard human life and health and property and natural resources.

RULE 116. DISPOSAL OF PRODUCED WATERS

The disposal of highly mineralized waters produced from geothermal resources wells shall be in such a manner as to not constitute a hazard to surface waters or underground supplies of useable water.

RULE 117. NOTIFICATION OF FIRE, BREAKS, LEAKS, SPILLS, AND BLOWOUTS

The ~~Commission~~ Division shall be notified of any fire, break, leak, spill, or blowout occurring at any geothermal drilling, producing, transporting, treating, disposal, or utilization facility in the State of New Mexico by the person operating or controlling such facility.

"Facility", for the purpose of this rule, shall include any geothermal drilling, producing, injection, or disposal well; any pipeline through which geothermal resources or the waste products thereof are gathered or transported; any tank or other storage unit into which geothermal products, waters, or wastes are produced, received, or stored; any treating plant in which geothermal resources are treated or processed; any electrical generating plant in which geothermal resources are utilized; and any drilling pit, slush pit, or storage pit or pond associated with geothermal drilling, producing, treating, or utilization processes in which hydrocarbons or hydrocarbon waste or residue, salt water, strong caustics or acids, or other deleterious chemicals or harmful substances are present.

Notification to the ~~Commission~~ Division of such fire, break, leak, spill, or blowout shall be in accordance with the provisions set forth below:

(1) Well Blowouts. Notification of well blowouts and/or fires shall be "immediate notification" described below.

(2) "Major" Breaks, Spills, or Leaks. Notification of breaks, spills, or leaks of wellheads, pipelines, or tanks, or drilling pits, slush pits, or storage pits or ponds, the result of which 50 barrels or more of liquids containing hydrocarbons or hydrocarbon wastes, salt water, strong caustics or strong acids, or other deleterious substances reach a water course or enter a

RULE 111. RIGHT OF ENTRY

The ~~Commission~~ or its duly authorized representatives shall Division have the right of entry onto any geothermal resources lease for the purpose of inspecting wells and equipment, and for the purpose of determining whether compliance with or violation of these rules is occurring.

RULE 112. NOISE ABATEMENT

Adequate noise abatement equipment shall be installed and maintained in good condition to reduce noise to a level approved by the ~~Commission~~ or its representative on any drilling or pro- Division ducing geothermal resources well located within 1500 feet of a habitation, school, or church.

RULE 113. SAFETY REGULATIONS

The well site around any drilling or producing well shall be kept clear of any rubbish or debris or fuel which may constitute a fire hazard. In any area where there is any likelihood of encountering unexpected hydrocarbons, the drilling mud and cuttings shall be stored in a pit a safe distance from the drilling rig. All waste shall be burned or disposed of in such a manner as to avoid creating a fire hazard.

RULE 114. WELL HEADS AND PRODUCTION EQUIPMENT

Well heads and all fittings appurtenant thereto shall be installed and maintained in good condition so that all necessary pressure tests may be readily made on flowing wells. The well head and related parts and fittings shall have a test pressure equivalent to at least 150 percent of the calculated or known pressure in the reservoir from which production is obtained or expected.

Valves shall be installed and maintained in good order to permit pressures to be obtained on the production casing and the annulus between the casing strings.

Flow lines shall be of adequate pressure rating and capacity and shall be sufficiently equipped with expansion bends to prevent leakage or rupture.

All separators, pumps, mufflers, manifolds, flowlines, and other equipment used for the production of geothermal resources shall be of adequate pressure rating and capacity and shall be maintained in good condition in order to prevent loss of or damage to human life and health or to property or natural resources.

an electrical or radioactivity log, or equivalent, from total depth to the surface casing shoe. This requirement may be waived by the ~~Commission~~ depending upon geological or engineering conditions.

RULE 109. DEVIATION TESTS AND DIRECTIONAL DRILLING

Any well which is deepened or drilled with rotary tools shall be tested at reasonably frequent intervals to determine the deviation from the vertical. Such tests shall be made at least each 500 feet or at the first bit change succeeding 500 feet. A tabulation of all deviation tests, sworn to and notarized, shall be filed with Form G-105, Geothermal Resources Well Log. When the deviation averages more than five degrees in any 500-foot interval, the ~~Secretary-Director of the Commission~~ may require that a directional survey be run to establish the location of the producing interval(s). Division Director

The ~~Secretary-Director of the Commission,~~ at the request of an offset operator, may require any operator to make a directional survey of any well. Said directional survey and all associated costs shall be at the expense of the requesting party and shall be secured in advance by a $5,000.00 indemnity bond posted with and approved by the ~~Commission.~~ The requesting party may designate the well survey company, and said survey shall be witnessed by a representative of the ~~Commission.~~ Division Director Division Division

No well shall be intentionally deviated except toward the vertical without prior permission from the ~~Commission.~~ Permission to deviate a well other than toward the vertical shall be obtained on ~~Commission~~ Form G-103 with copies of said Form G-103 being furnished to all other operators owning leases offsetting the drilling tract, if any there be. Upon request of the ~~Secretary-Director of the Commission,~~ any well which was intentionally deviated shall be directionally surveyed. The ~~Commission~~ may at its option witness such survey and the Santa Fe Office shall be notified of the date and hour all directional surveys are to be conducted. All directional surveys run on any well which was intentionally deviated in any manner for any reason must be filed with the ~~Commission~~ upon completion of the well. Form G-104, Certificate of Compliance and Authorization to Produce Geothermal Resources, will not be approved until the operator has submitted an affidavit that all such directional surveys have been filed. Division Director Division Division Division

RULE 110. SHOOTING AND CHEMICAL TREATMENT OF WELLS

If injury results to the producing formation, casing, or casing seat from shooting or treating a well, the operator thereof shall proceed with diligence to use the appropriate method and means for rectifying such damage. If shooting or chemical treating results in irreparable injury to the well, the ~~Commission~~ may require the operator to properly plug and abandon the well. Division

casing, if run. If the production casing is lapped into an intermediate string, the casing overlap shall be at least 50 feet, the lap shall be cemented solid, and it shall be pressure tested to ensure its integrity.

In order to reduce casing corrosion, production casing used to produce corrosive brine reservoirs shall be of the same nominal inside diameter from the shoe of the casing to the ground surface.

(5) Casing and Cement Tests. All casing strings shall be tested after cementing and before commencing any other operations on the well. Form G-103 shall be filed for each casing string reporting the grade and weight of pipe used. In the case of combination strings utilizing pipe of varied grades or weights, the footage of each grade and weight used shall be reported. The results of the casing test, including actual pressure held on the pipe and the pressure drop observed, shall also be reported on the Form G-103. See Rule 203C(4).

(a) Casing strings in wells drilled with rotary tools shall be pressure-tested. Minimum casing test pressure shall be approximately one-third of the manufacturer's rated internal yield pressure except that the test pressure shall not be less than 600 pounds per square inch and need not be greater than 1500 pounds per square inch. In cases where combination strings are involved, the above test pressures shall apply to the lowest pressure-rated casing used. Test pressures shall be applied for a period of 30 minutes. If a drop of more than ten percent of the test pressure should occur, the casing or cement job shall be considered defective and corrective measures shall be taken before commencing any further operations on the well.

(b) Casing strings in wells drilled with cable tools may be tested as outlined in Rule 5(a) above, or by bailing the well dry, in which case the well must remain satisfactorily dry for a period of at least one hour before commencing any further operations on the well.

(6) Defective Casing or Cementing. If the cementing of any casing appears to be defective, or if the casing in any well appears to be defective or corroded or parted, or if there appears to be any underground leakage for whatever other reason, which may cause or permit underground waste, the operator shall proceed with diligence to use the appropriate method or methods to eliminate such hazard. If such hazard of waste cannot be eliminated, the well shall be plugged and abandoned in accordance with a ~~Commission~~ approved Division plugging program.

(7) Logging. All wells, except geothermal observation wells and low-temperature thermal wells, shall be logged with

with (a)(1) above and through a sufficient series of low permeability, competent lithologic units (such as claystone or siltstone) to ensure a solid anchor for blowout-prevention equipment and to protect useable ground water and surface water from contamination. A second string of surface casing may be required if the first string has not been cemented through a sufficient series of low permeability, competent lithologic units and either a rapidly increasing thermal gradient or rapidly increasing formation pressures are encountered.

(2) In areas of known high formation pressure, surface casing shall be set in accordance with (a)(2) above and through a sufficient series of low permeability, competent lithologic units (such as claystone, siltstone, or basalt) to ensure a solid anchor for blowout-prevention equipment and to protect useable ground water and surface water from contamination. A second string of surface casing may be required, before drilling into the known high pressure zone is permitted, if the first string of surface casing has not been cemented through a sufficient series of low-permeability, competent lithologic units.

(3) Within the confines of designated geothermal fields, cementing point shall be determined by the ~~Commission~~ Division on the basis of known field conditions. Requirements (b)(1) and (b)(2) above may be waived for low-temperature thermal wells.

(c) Return Mud Temperatures

(1) Return mud temperatures shall be entered into the log book after each joint of pipe has been drilled down. See Rule 106(b).

(d) Blowout-Prevention Equipment (BOPE). BOPE capable of shutting in the well during any operation shall be installed on the surface casing and maintained ready for use at all times (see Section H).

(3) Intermediate Casing. Intermediate casing shall be required for protection against anomalous pressure zones, cave-ins, washouts, abnormal temperature zones, uncontrollable lost circulation zones or other drilling hazards. Intermediate casing strings shall be, if possible, cemented solid to the surface. This requirement (to circulate cement) may be waived if the production casing will be cemented to the surface.

(4) Production Casing. Production casing may be set above or through the producing or injection zone and cemented above the objective zones. Sufficient cement shall be used to exclude overlying formation fluids from the zone, to segregate zones, and to prevent movement of fluids behind the casing into zones that contain useable ground water. Production casing shall either be cemented solid to the surface or lapped into intermediate

(1) Conductor Pipe. A minimum of 90 feet and a maximum of 200 feet. In special cases the ~~Commission~~ Division may allow conductor pipe to be run and cemented at deeper depths. Annular space is to be cemented solid to the surface. An annular blowout-preventer or equivalent approved by the ~~Commission~~ Division shall be installed on conductor pipe on exploratory wells and on development wells when deemed necessary by the ~~Commission~~ Division. Note: For low-temperature thermal wells the conductor pipe requirement may be reduced or waived by the ~~Commission~~ Division.

The above conductor pipe requirements are not meant to be applicable to the single or double joint of large diameter pipe often run to keep mud out of the cellar.

(2) Surface Casing. Except in the case of low-temperature thermal wells, the surface casing hole shall be logged with an electrical or radioactivity log, or equivalent, before running casing. Note: This requirement may vary from area to area, depending upon the amount of subsurface data available, and may be waived under certain conditions. Requests for exceptions to the logging requirement should be noted on Form G-101 when applying for a drilling permit.

Surface casing shall provide for control of formation fluids, for protection of useable ground water, and for adequate anchorage for blowout-prevention equipment. All surface casing shall be, if possible, cemented solid to the surface.

(a) Length of Surface Casing.

(1) In areas where subsurface geological conditions are variable or unknown, surface casing in general shall be set at a depth equalling or exceeding 10 percent of the proposed total depth of the well. A minimum of 200 feet and a maximum of 1,500 feet of surface casing shall be set.

(2) In areas of known high formation pressure, surface casing shall be set at a depth determined by the ~~Commission~~ Division after a careful study of geological conditions. The ~~Commission~~ Division will make such a determination within 30 days. Drilling shall not commence until such determination has been made.

(3) Within the confines of designated geothermal fields, the depth at which surface casing shall be set shall be determined by the ~~Commission~~ Division on the basis of known field conditions. Requirements (a)(1) and (a)(2) above may be waived for low-temperature thermal wells.

(b) Cementing Point for Surface Casing.

(1) In areas where subsurface geological conditions are variable or unknown, surface casing shall be set in accordance

overflowing on the surface of the ground and/or entering any water course.

(b) The temperature of the return mud shall be monitored continuously during the drilling of the surface casing hole. Either a continuous temperature recording device shall be installed and maintained in good working condition, or the temperature shall be measured manually and recorded at least one time each hour.

RULE 107. SEALING OFF STRATA

(a) During the drilling of any well, all fresh water strata and salt water strata overlying the geothermal resources strata shall be sealed or separated to prevent the migration of fluids from one stratum to the other.

(b) All waters of present or probable future value for domestic, commercial, agricultural or stock purposes shall be confined to their respective strata and shall be adequately protected by methods approved by the ~~Commission~~ Division. Special precautions by methods satisfactory to the ~~Commission~~ Division shall be taken to guard against loss of artesian water from the strata in which it occurs, and to prevent the contamination of such artesian water strata by any objectionable geothermal fluids. Sealing off of strata, and migration prevention shall ordinarily be accomplished by cementing casing.

RULE 108. CASING AND CEMENTING REQUIREMENTS

A. All wells drilled for the production of geothermal resources, including low-temperature thermal wells, and all specialty wells, including injection and disposal wells, shall be cased and cemented in such a manner as to protect surface waters, if any, useable ground waters, geothermal resources, and life, health, and property. Geothermal observation wells shall be drilled, completed, and plugged in such a manner as to protect surface waters, if any, and useable ground waters.

B. All casing strings reaching the surface shall provide adequate anchorage for blowout prevention equipment, hole pressure control, and protection for all natural resources. Although specifications for casing programs shall be determined on a well-to-well basis, the following general casing requirements should be used as guidelines in submitting Form G-101, Application for Permit to Drill, Deepen, or Plug Back-Geothermal Resources Well.

(3) A copy of the application and accompanying plats and documents shall also be sent to the other owners, if any there be, within the above prescribed radii of the proposed non-standard location and the application shall state that such required copies have been so furnished. The ~~Secretary-Director~~ Division Director may approve the non-standard location upon receipt of waivers from the above other owners or if no such other owner has entered an objection to the non-standard location within 20 days after receipt of the application by the ~~Commission.~~ If such objection is received, Division the matter will be set for hearing if the applicant so desires. If the ~~Secretary-Director~~ is not convinced of the necessity or desir- Director ability of such exception, he may require supplemental information to justify the exception, or set the matter for hearing if the applicant so desires.

D. OFFSETTING ACTION

Whenever an exception to the well location requirements is granted, the ~~Commission~~ after hearing may take such action as may Division be necessary to offset any advantage the person securing the exception may gain over other owners within the same geothermal reservoir.

E. SPECIAL ACREAGE AND WELL LOCATION REQUIREMENTS

In order to prevent waste and protect correlative rights, the ~~Commission~~ may, after notice and hearing, adopt different well location requirements and greater or lesser acreage dedication requirements than those contained in Rules 104 B (1), (2), and (3) above for a particular geothermal reservoir and may adopt special well location and acreage dedication requirements for a particular low-temperature thermal field. Division

RULE 105. ROTARY DRILLING AND CABLE TOOL DRILLING

Rotary drilling equipment, adequately equipped to contain underground pressures and prevent or control blowouts shall be used for the drilling of all geothermal resources wells except geothermal observation wells, low-temperature thermal wells and disposal wells, none of which will penetrate any high pressure zone or formation, in which case cable tools may be used.

RULE 106. DRILLING MUD AND MUD PITS

(a) In order to assure an adequate supply of drilling fluid to confine all natural fluids to their respective native strata and to prevent blowouts, each operator shall, prior to commencing drilling operations, provide a pit of adequate size to hold such drilling fluid and to receive drill cuttings, and such pit shall be so constructed and maintained to prevent contaminants from

acres (being a quarter-quarter-quarter section of the U. S. Public Land Surveys, or a projection thereof if on unsurveyed land), and shall be located at least 165 feet from the outer boundary of the quarter-quarter-quarter section, at least 330 feet from the nearest well drilling to or capable of production from or injection into the same geothermal reservoir to which it is projected, and at least 100 feet from any public road, street, or highway dedicated prior to commencement of drilling.

(3) Injection Wells

Injection wells drilled for the purpose of injecting into a geothermal reservoir shall be located at least 330 feet from the outer boundary of the lease or drilling parcel and at least 100 feet from any public road, street, or highway dedicated prior to commencement of drilling.

(4) Disposal Wells

There shall be no restriction as to the placement of geothermal disposal wells.

(5) Geothermal Observation Wells and Low-Temperature Thermal Wells

There shall be no restriction as to the placement of geothermal observation wells or low-temperature thermal wells.

C. NON-STANDARD LOCATIONS

(1) The ~~Secretary-Director of the Commission~~ Division Director shall have the authority to grant an exception to the well location requirements of Rules B (1), (2), and (3) above without notice and hearing when such application is based upon topographical or geologic or engineering considerations.

(2) Applications for such administrative approval shall be filed in duplicate and shall be accompanied by a plat showing the ownership of surrounding lands (within a 990-foot radius of the proposed location if application is for exception to Rule 104 B (1) Exploration Wells; within a 495-foot radius of the proposed location if application is for exception to Rule 104 B (2) Development Wells; within a 990-foot radius of the proposed location if application is for exception to Rule 104 B (3) Injection Wells) and all drilling or completed wells thereon. If the proposed non-standard location is based upon topography, the plat shall also show the existent topographical conditions. If it is based upon geologic or engineering considerations, the application shall be accompanied by a geologic or engineering analysis, explaining the necessity for the non-standard location.

shall be of durable construction and the lettering thereon kept in legible condition. Lettering shall be such that under normal conditions it shall be legible at a distance of 50 feet. Each sign shall show the name of the owner or operator of the well, the name of the lease, the number of the well, and the location of the well by quarter-quarter section, township, and range. Each lease shall have a different and distinctive name, and the wells thereon shall be numbered in non-repetitive, logical sequence.

RULE 104. WELL SPACING

A. CLASSIFICATION OF WELLS

Any well, other than a geothermal observation well or a low-temperature thermal well, which is drilled a distance of one mile or more outside the boundary of any defined geothermal field and a distance of one mile or more beyond any well which is within one mile of such field, shall be classified as an exploratory well, and as such shall be spaced, drilled, operated, and produced in accordance with these Geothermal Rules and Regulations.

Any well, other than a geothermal observation well or a low-temperature thermal well, which is not an exploratory well as defined above shall be classified as a development well, unless such well is being drilled for injection or disposal purposes, in which case it will be appropriately classified.

Any well classified as a development well or injection or disposal well within a given geothermal field shall be drilled, operated, and produced in accordance with these Geothermal Rules and Regulations unless special rules in conflict therewith have been promulgated for such field, said special rules then being applicable.

B. ACREAGE AND WELL LOCATION REQUIREMENTS

(1) Exploration Wells

A well classified as an exploratory well shall be located on a designated drilling tract comprising at least 40 surface acres (being a quarter-quarter section of the U. S. Public Land Surveys, or a projection thereof if on unsurveyed land), and shall be located at least 330 feet from the outer boundary of the quarter-quarter section, at least 660 feet from the nearest such other well drilling to or capable of producing from or injection into the same formation to which it is projected, and at least 100 feet from any public road, street, or highway dedicated prior to commencement of drilling.

(2) Development Wells

A well classified as a development well shall be located on a designated drilling tract comprising at least 10 surface

(b) For the purposes of the ~~Commission,~~ the bond required Division
is a plugging bond, not a drilling bond, and shall endure until the well has been plugged and abandoned, and such plugging and abandonment approved by the ~~Commission.~~ Transfer of the well or property Division
does not release the bond. In case of transfer and the principal desires to be released from the bond, he shall proceed as follows:

(1) The principal on the bond shall notify the ~~Commis-~~ Divisio
~~sion~~ in writing that the well, or wells, covered by the bond are being or have been transferred to a certain transferee. The notice shall name the wells and shall give their exact location.

(2) On the same instrument the transferee shall recite that he accepts such transfer and accepts the responsibility for such well, or wells, under his bond which shall be tendered therewith.

(3) When the ~~Commission~~ has approved the transfer, Division
the transferor is immediately released of the plugging responsibility of the well, or wells, and if such well, or wells, constitute all of the wells covered by the bond, such bond will be released by written notice from the ~~Commission~~ to the principal and to the surety Division
company.

(c) The ~~Secretary-Director of the Commission~~ is vested Division Directo
with power to act for the ~~Commission~~ in all matters relating to this Division
rule.

RULE 102. DRILLING PERMIT

(a) Prior to the commencement of operations, the owner or operator of any proposed well to be drilled for geothermal exploration, production, or observation, or for injection or disposal purposes, shall file ~~Commission~~ Form G-101, Application for Permit to Division
Drill, Deepen, or Plug Back-Geothermal Resources Well, and obtain approval thereof from the ~~Commission.~~ Form G-101 shall be accom- Division
panied by Form G-102, Geothermal Resources Well Location and Acreage Dedication Plat.

(b) No permit shall be approved for the drilling of any well within the corporate limits of any city, town, or village of this state unless notice of intention to drill such well has been given to the duly constituted governing body of such city, town, or village or its duly authorized agent. Evidence of such notification shall accompany the application for a permit to drill (Form G-101).

RULE 103. SIGN ON WELLS

(a) Each well shall be identified by a sign, posted on the drilling rig or not more than 20 feet from the well. Such sign

C. DRILLING AND PRODUCTION

RULE 100. DESIGNATION OF AGENT

Any person who has drilled or is drilling or proposes to drill any geothermal well shall file a "Designation of Agent" (on a form approved by the ~~Commission)~~ Division with the ~~Commission.~~ Division. The designated agent shall be a resident of this state and shall be the repository for all well records of wells drilled by the owner or operator for whom he is agent (See Rule 200 B). All changes of address of the agent shall be immediately reported to the ~~Commission~~ Division in writing. Upon termination of any agent's authority, a new Designation of Agent shall be filed with the ~~Commission~~ Division within ten days.

RULE 101. PLUGGING BOND

(a) Any person who has drilled or is drilling or proposes to drill any geothermal resources well shall post with the ~~Commis-~~ ~~sion,~~ Division, and obtain approval thereof, a bond, in a form approved by the ~~Commission,~~ Division, conditioned to plug such well, if non-productive or when abandoned, in such a way as to confine all fluids in their native strata. Each such bond shall be executed by a responsible surety company authorized to transact business in the State of New Mexico and shall describe, or by subsequent rider describe, the name and exact location of the well, or wells, covered by the bond. The bond shall be in the amount prescribed below:

(1) One-well geothermal exploratory, development, injection, or disposal well bond: $5,000.

(2) One-well low-temperature thermal well or geothermal observation well bond: $2,000.

(3) Multiple-well geothermal exploratory, development, injection, or disposal well bond: $10,000. (Not more than five such wells may be drilled under such bond. A $5,000 one-well bond shall be posted for each additional well drilled or an additional $10,000 bond must be posted for each additional five wells or portion thereof drilled.)

(4) Multiple-well low-temperature thermal well or geothermal observation well bond: $10,000. (Not more than ten such wells may be drilled under such bond. A $2,000 one-well bond shall be posted for each additional well drilled or an additional $10,000 bond must be posted for each additional ten wells or portion thereof drilled.)

RULE 9. FORMS UPON REQUEST

Forms for written notices, requests, and reports required by the ~~Commission~~ Division will be furnished upon request.

RULE 10. AUTHORITY TO COOPERATE WITH OTHER AGENCIES

The ~~Commission~~ Division may from time to time enter into arrangements with State and Federal governmental agencies, industrial committees, and other persons, with respect to special projects, services, and studies relating to conservation of geothermal resources.

of geothermal resource wells in a manner that will prevent waste of geothermal resources, and shall not wastefully utilize geothermal resources, or allow leakage of such resources from a geothermal reservoir, or from wells, tanks, containers, or pipe, or other storage, conduit, or operating equipment.

RULE 4. PROTECTION OF LIFE, HEALTH, AND THE ENVIRONMENT

All geothermal operations, exploratory, drilling, and producing, shall be conducted in a manner that will afford maximum reasonable protection to human life and health and to the environment.

RULE 5. OTHER DEPARTMENTS AND AGENCIES

Nothing in these rules shall be construed to supersede the authority which any state department or agency has with respect to the management, protection and utilization of the state lands and resources under its jurisdiction.

RULE 6. UNITED STATES GOVERNMENT LEASES

It is recognized by the ~~Commission~~ Division that all persons conducting geothermal operations on United States Government land shall comply with the United States government regulations. Such persons shall also comply with all applicable State rules and regulations which are not in conflict therewith.

RULE 7. UNITIZED AREAS

After notice and hearing, the ~~Commission~~ Division may grant approval for the combining of two or more contiguous leases into a unitized area for purposes of exploration for and production of geothermal resources.

RULE 8. CLASSIFYING AND DEFINING POOLS

The ~~Commission~~ Division will determine whether a particular well or field is a high-temperature geothermal well or field or a low-temperature thermal well or field, as the case may be, and will, from time to time, classify and reclassify wells and name pools accordingly, and will determine the limits of any field so designated and from time to time redetermine such limits.

B. MISCELLANEOUS RULES

RULE 1. SCOPE OF RULES AND REGULATIONS

(a) The following Geothermal Rules and Regulations are of statewide application and have been adopted by the Oil Conservation ~~Commission~~ to conserve the natural geothermal resources of the State of New Mexico, to prevent waste, and to protect the correlative rights of all owners of geothermal resources. Special rules, regulations, and orders may be adopted from time to time when required for a particular geothermal resources area, and shall prevail over the Geothermal Rules and Regulations if in conflict therewith. However, when these Geothermal Rules and Regulations do not conflict with special rules hereafter adopted, these Geothermal Rules and Regulations will apply.

Division of the New Mexico Energy and Mineral Department

(b) The ~~Commission~~ may grant exceptions to these rules and regulations after notice and hearing, when the granting of such exceptions will not result in waste but will protect correlative rights or prevent waste.

Division

RULE 2. ENFORCEMENT OF LAWS, RULES, AND REGULATIONS DEALING WITH CONSERVATION OF GEOTHERMAL RESOURCES

The ~~Commission,~~ its agents, representatives, and employees are charged with the duty and obligation of enforcing all statutes, rules, and regulations of the State of New Mexico relating to the conservation of geothermal resources. However, it shall be the responsibility of all geothermal resource owners or operators to obtain information pertaining to the regulation of geothermal resources before operations have begun. Minor deviations from the requirements of these rules as to field practices may be permitted by the ~~Commission~~ or its duly authorized representatives where such can be safely done without waste, and burdensome delay or expense to the operator avoided.

Division

Division

RULE 3. WASTE PROHIBITED

(a) The production or handling of geothermal resources of any type or in any form, or the handling of products thereof, in such a manner or under such conditions or in such an amount as to constitute or result in waste is hereby prohibited.

(b) All owners, operators, contractors, drillers, transporters, service companies, pipe pulling and salvage contractors, and other persons shall at all times conduct their operations in the drilling, equipping, operating, producing, and plugging and abandoning

LOW-TEMPERATURE THERMAL WELL shall mean a well drilled to produce low-temperature thermal water for the purpose of extracting heat for agricultural, commercial, industrial, municipal, or domestic uses.

MULTIPLE COMPLETION shall mean the completion of a well in such a manner as to produce from more than one geothermal reservoir.

OPERATOR shall mean any person drilling, maintaining, operating, producing, or in control of any well, and shall include "Owner" when any well is operated or has been operated or is about to be operated by or under the direction of the owner.

OWNER shall mean the person who has the right to drill into and to produce from any geothermal resource area, and to appropriate the geothermal resources thereof for himself or for himself and another.

PERSON shall mean any individual, firm, association, or corporation or any other group or combination acting as a unit.

POTENTIAL shall mean the properly determined ability of a well to produce geothermal resources under conditions prescribed by the ~~Commission.~~ Division.

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

UNORTHODOX WELL LOCATION shall mean a location which does not conform to the well location requirements established by the Geothermal Rules and Regulations of the ~~Commission.~~ Division.

WASTE shall mean any physical waste including, but not limited to, underground waste resulting from the inefficient, excessive or improper use or dissipation of reservoir heat or energy or resulting from the location, spacing, drilling, equipping, operation or production of a geothermal resources well in such a manner as to reduce or tend to reduce the ultimate economic recovery of the geothermal resources within a reservoir, and surface waste resulting from the inefficient production, gathering, transportation, storage, or utilization of geothermal resources, and the handling of geothermal resources in such a manner that causes or tends to cause the unnecessary or excessive loss or destruction of geothermal resources obtained or released from a geothermal reservoir.

WELL shall mean any exploratory well, development well, injection well, disposal well, geothermal observation well, or low-temperature thermal well, as defined herein.

GEOTHERMAL FIELD shall mean an area defined by the ~~Commission~~ Division which contains a well, or wells, capable of commercial geothermal production. "Geothermal Field" includes "Low-Temperature Thermal Field."

GEOTHERMAL OBSERVATION WELL shall mean a well drilled solely for temperature observation purposes, and which shall not be completed as a geothermal producing well or as an injection well.

GEOTHERMAL RESERVOIR shall mean any common source of geothermal resources, whether the fluids produced from the reservoir are native to the reservoir, or flow into or are injected into said reservoir.

GEOTHERMAL RESOURCES shall mean the natural heat of the earth, or the energy, in whatever form, below the surface of the earth present in, resulting from, created by, or which may be extracted from, this natural heat, and all minerals in solution or other products obtained from naturally heated fluids, brines, associated gases, and steam, in whatever form, found below the surface of the earth, but excluding oil, hydrocarbon gas and other hydrocarbon substances.

GEOTHERMAL RESOURCES AREA shall mean the same general surface area which is underlain, or appears to be underlain, by one or more formations containing geothermal resources.

GEOTHERMAL RESOURCES WELL (See WELL)

GEOTHERMAL WATERS shall mean the water or brine produced from a geothermal reservoir.

INJECTION shall mean the placing of fluids in an underground stratum through a wellbore, whether by pressure at the surface or by gravity flow, and whether for disposal or other purpose.

INJECTION WELL shall mean a well drilled or converted for the purpose of injecting fluids into a geothermal reservoir.

LOG or WELL LOG shall mean a systematic detailed and correct recorded description of the lithologic sequence encountered while drilling a geothermal well.

LOW-TEMPERATURE THERMAL FIELD shall mean an area defined by the Commission which contains a well, or wells, capable of production of low-temperature thermal waters.

LOW-TEMPERATURE THERMAL WATER shall mean naturally heated water the temperature of which is less than boiling at the altitude of occurence, which has value by virtue of the heat contained therein, and is found below the surface of the earth, or in warm springs on the surface.

A. DEFINITIONS

COMMISSION shall mean the Oil Conservation Commission. ~~created by Section 3, Chapter 168, Laws of 1949.~~

CONDENSATE shall mean the liquid recovered from the condensation of gases or steam produced from a geothermal reservoir.

CORRELATIVE RIGHTS shall mean the opportunity afforded, insofar as is practicable to do so, to the owner of each property in a geothermal reservoir to produce his just and equitable share of the geothermal resources within such reservoir, being an amount, so far as can be practicably determined, and so far as can be practicably obtained without waste, substantially in the proportion that the quantity of recoverable geothermal resources under such property bears to the total recoverable geothermal resources in the reservoir, and for such purpose to use his just and equitable share of the natural heat or energy in the reservoir.

DESIGNATED AGENT shall mean that person designated by the owner or operator of any geothermal resources well to be his agent in all matters concerning the keeping of records within the state.

DEVELOPMENT WELL shall mean a well drilled within the established limits of a designated geothermal field or within one mile thereof, for the commercial production of geothermal resources.

DISPOSAL WELL shall mean a well drilled or converted for the purpose of disposing of fluids into a formation other than a geothermal reservoir.

DIVISION shall mean the Oil Conservation Division of the New Mexico Energy and Minerals Department

DRILLING OPERATIONS shall mean the actual drilling, redrilling, completion, or recompletion of a well for geothermal production or injection, including the running and cementing of casing, the performance of such operations as logging and perforating, and the installation of wellhead equipment.

EXPLORATORY WELL shall mean a well drilled for the discovery or evaluation of geothermal resources one mile or more beyond the established limits of a designated geothermal field.

GEOTHERMAL ~~DIVISION~~ SECTION shall mean that ~~division~~ section of the Oil Conservation ~~Commission~~ charged with the authority and duty of regulating Division the drilling, development, and production of geothermal resources, and with conserving and preventing waste of geothermal resources within this state pursuant to the provisions of ~~Section 1, Chapter 75, Laws of 1973.~~ the Geothermal Resources Conservation Act.

STATE OF NEW MEXICO

ENERGY AND MINERALS DEPARTMENT

~~NEW MEXICO~~

~~OIL CONSERVATION COMMISSION~~

OIL CONSERVATION DIVISION

GEOTHERMAL RESOURCES ~~DIVISION~~ SECTION

RULES AND REGULATIONS

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RULE 1221. NOTICE OF COMMISSION AND DIVISION ORDERS

Within ten days after any order, including any order granting or refusing rehearing, or order following rehearing, has been rendered, a copy of such order shall be mailed by the Division to each person or his attorney of record who has entered his appearance of record in the matter of proceeding pursuant to which such order is rendered.

RULE 1222. REHEARINGS

Within 20 days after entry of any order or decision of the Commission any person affected thereby may file with the Division an application for rehearing in respect of any matter determined by such order or decision, setting forth the respect in which such order or decision is believed to be erroneous. The Commission shall grant or refuse any such application in whole or in part within 10 days after the same is filed and failure to act thereon within such period shall be deemed a refusal thereof and a final disposition of such application. In the event the rehearing is granted, the Commission may enter such new order or decision after rehearing as may be required under the circumstances.

RULE 1223. CHANGES IN FORMS AND REPORTS

Any change in the forms and reports or rules relating to such forms and reports shall be made only by order of the Commission or Division issued after due notice and hearing.

RULE 1216. HEARINGS WHICH MUST BE HELD BEFORE COMMISSION

Notwithstanding any other provisions of these rules, the hearing on any matter shall be held before the Commission (1) if it is a hearing de novo, or (2) if the Division Director in his discretion desires the Commission to hear the matter.

RULE 1217. EXAMINER'S MANNER OF CONDUCTING HEARING

An Examiner conducting a hearing under these rules shall conduct himself as a disinterested umpire.

RULE 1218. REPORT AND RECOMMENDATIONS, EXAMINER'S HEARINGS

Upon the conclusion of any hearing before an Examiner, the Examiner shall promptly consider the proceedings in such hearing, and based upon the record of such hearing the Examiner shall prepare his written report and recommendations for the disposition of the matter of proceeding by the Division. Such report and recommendations shall either be accompanied by a proposed order or shall be in the form of a proposed order, and shall be submitted to the Division Director with the certified record of the hearing.

RULE 1219. DISPOSITION OF CASES HEARD BY EXAMINERS

After receipt of the report and recommendations of the Examiner, the Division Director shall enter the Division's order disposing of the matter or proceeding.

RULE 1220. DE NOVO HEARING BEFORE COMMISSION

When any order has been entered by the Division pursuant to any hearing held by an Examiner, any party adversely affected by such order shall have the right to have such matter or proceeding heard de novo before the Commission, provided that within 30 days from the date such order is rendered such party files with the Division a written application for such hearing before the Commission. If such application is filed, the matter or proceeding shall be set for hearing before the Commission at the first available hearing date following the expiration of fifteen days from the date such application is filed with the Division. Any person affected by the order or decision rendered by the Commission after hearing before the Commission may apply for rehearing pursuant to and in accordance with the provisions of Rule 1222 and said Rule 1222 together with the law applicable to rehearing and appeals in matters and proceedings before the Commission shall thereafter apply to such matter or proceeding.

RULE 1212. RULES OF EVIDENCE

Full opportunity shall be afforded all interested parties at a hearing to present evidence and to cross-examine witnesses. In general, the rules of evidence applicable in a trial before a court without a jury shall be applicable, provided that such rules may be relaxed, where, by so doing, the ends of justice will be better served. No order shall be made which is not supported by competent legal evidence.

RULE 1213. EXAMINERS' QUALIFICATIONS AND APPOINTMENT

The Division Director shall, by ex parte order, designate and appoint not more than four individuals to be examiners. Each Examiner so appointed shall be a member of the staff of the Division, but no Examiner need be a full time employee of the Division. The Director may, by ex parte order, designate and appoint a successor to any person whose status as an Examiner is terminated for any reason. Each individual designated and appointed as an Examiner must have at least six years practical experience as a geologist, petroleum engineer or licensed lawyer, or at least two years of such experience and a college degree in geology, engineering, or law; provided however, that nothing herein contained shall prevent any member of the Commission from being designated as, or serving as, an Examiner.

RULE 1214. REFERRAL OF CASES TO EXAMINERS

The Division Director may refer any matter or proceeding to any legally designated and appointed Examiner for hearing in accordance with these rules. The Examiner appointed to hear any specific case shall be designated by name.

RULE 1215. EXAMINER'S POWER AND AUTHORITY

The Division Director may, by ex parte order, limit the powers and duties of the Examiner in any particular case to such issues or to the performance of such acts as the Director deems expedient; however, subject only to such limitations as may be ordered by the Director, the Examiner to whom any matter or proceeding is referred under these rules shall have full authority to hold hearings on such matter or proceeding in accordance with and pursuant to these rules. The Examiner shall have the power to regulate all proceedings before him and to perform all acts and take all measures necessary or proper for the efficient and orderly conduct of such hearing, including the swearing of witnesses, receiving of testimony and exhibits offered in evidence, subject to such objections as may be imposed, and shall cause a complete record of the proceedings to be made and transcribed and shall certify same to the Director as hereinafter provided.

which is not by law or by these rules required to be served upon the adverse party or parties, he shall at the same time either deliver or mail to the adverse party or parties who have entered their appearance therein, or their respective attorneys of record, a copy of such pleading, plea, or motion. For the purposes of these rules, an appearance of any interested party shall be made either by letter addressed to the Division or in person at any proceeding before the Commission or before an Examiner, with notice of such appearance to the parties from whom such pleadings, pleas, or motions are desired.

RULE 1209. CONTINUANCE OF HEARING WITHOUT NEW SERVICE

Any hearing before the Commission or an Examiner held after due notice may be continued by the person presiding at such hearing to a specified time and place without the necessity of notice of the same being again served or published. In the event of any continuance, a statement thereof shall be made in the record of the hearing which is continued.

RULE 1210. CONDUCT OF HEARINGS

Hearings before the Commission or any Examiner shall be conducted without rigid formality. A transcript of testimony shall be taken and preserved as a part of the permanent record of the Division. Any person testifying in response to a subpoena issued by the Commission or any member thereof, or the authorized representative of the Division Director, and any person seeking to testify in support of an application or motion or in opposition thereto shall be required to do so under oath. However, relevant unsworn comments and observations by any interested party will be designated as such and included in the record. Comments and observations by representatives of operators' committees, the United States Geological Survey, the United States Bureau of Mines, the New Mexico Bureau of Mines, and other competent persons are welcomed. Any Examiner legally appointed by the Division Director may conduct such hearings as may be referred to such Examiner by the Director.

RULE 1211. POWER TO REQUIRE ATTENDANCE OF WITNESSES AND PRODUCTION OF EVIDENCE

The Commission or any member thereof, or the authorized representative of the Division Director has statutory power to subpoena witnesses and to require the production of books, papers, and records in any proceeding before the Commission or Division. A subpoena will be issued for attendance at a hearing upon the written request of any person interested in the subject matter of the hearing. In case of the failure of a person to comply with the subpoena issued, an attachment of the person may be issued by the district court of any district in the state, and such court has powers to punish for contempt. Any person found guilty of swearing falsely at any hearing may be punished for contempt.

RULE 1204. METHOD OF GIVING LEGAL NOTICE FOR HEARING

Notice of each hearing before the Commission and notice of each hearing before a Division Examiner shall be given by personal service on the person affected or by publication once in a newspaper of general circulation published at Santa Fe, New Mexico, and once in a newspaper of general circulation published in the county or each of the counties, if there be more than one, in which any land, oil or gas, or other property which may be affected is situated.

RULE 1205. CONTENTS OF NOTICE OF HEARING

Such notice shall be issued in the name of "The State of New Mexico" and shall be signed by the Director of the Division, and the seal of the Commission shall be impressed thereon.

The notice shall specify whether the case is set for hearing before the Commission or before a Division Examiner and shall state the number and style of the case and the time and place of hearing and shall briefly state the general nature of the order or orders, rule or rules, regulation or regulations to be promulgated or effected. The notice shall also state the name of the petitioner or applicant, if any, and unless the contemplated order, rule, or regulation is intended to apply to and affect the entire state, it shall specify or generally describe the common source or sources of supply which may be affected by such order, rule, or regulation.

RULE 1206. PERSONAL SERVICE OF NOTICE

Personal service of the notice of hearing may be made by any agent of the Division or by any person over the age of 18 years in the same manner as is provided by law for the service of summons in civil actions in the district courts of this state. Such service shall be complete at the time of such personal service or on the date of publication, as the case may be. Proof of service shall be by the affidavit of the person making personal service or of the publisher of the newspaper in which publication is had. Service of the notice shall be made at least 10 days before the hearing.

RULE 1207. PREPARATION OF NOTICES

After a motion or application is filed with the Division the notice or notices required shall be prepared by the Division and service and publication thereof shall be taken care of by the Division without cost to the applicant.

RULE 1208. FILING PLEADINGS: COPY DELIVERED TO ADVERSE PARTY OR PARTIES

When any party to a hearing files any pleading, plea, or motion of any character (other than application for hearing)

N - RULES ON PROCEDURE

RULE 1201. NECESSITY FOR HEARING

Except as provided in some general rule herein, before any rule, regulation or order, including revocation, changes, renewal or extension thereof, shall be made by the Division, a public hearing before the Commission or a legally appointed Division Examiner shall be held at such time and place as may be prescribed by the Division.

RULE 1202. EMERGENCY ORDERS

Notwithstanding any other provision of these rules, in case an emergency is found to exist by the Division, which, in its judgment, requires the making of a rule, regulation, or order without a hearing having first been had or concluded, such emergency rule, regulation, or order when made by the Division shall have the same validity as if a hearing with respect to the same had been held before the Division after due notice. Such emergency rule, regulation, or order shall remain in force no longer than 15 days from its effective date, and in any event, it shall expire when the rule, regulation, or order made after due notice and hearing with respect to the subject matter of such emergency rule, regulation, or order becomes effective.

RULE 1203. METHOD OF INITIATING A HEARING

The Division upon its own motion, the Attorney General on behalf of the State, and any operator or producer, or any other person having a property interest may institute proceedings for a hearing. If the hearing is sought by the Division it shall be on motion of the Division and if by any other person it shall be by application. The application shall be in triplicate and shall state (1) the name of the applicant, (2) the name or general description of the common source or sources of supply or the area affected by the order sought, (3) briefly the general nature of the order, rule, or regulation sought, and (4) any other matter required by a particular rule or rules, or order of the Division. The application shall be signed by the person seeking the hearing or by his attorney.

When conditions are such as to require verbal application to place a matter for hearing on a given docket, the Division will accept such verbal application in order to meet publishing deadlines. However, if written application, filed in accordance with the procedures outlined above, has not been received by the Division's Santa Fe office at least ten days before the date of the hearing, the case will be dismissed.

RULE 1221. NOTICE OF COMMISSION AND DIVISION ORDERS

Within ten days after any order, including any order granting or refusing rehearing, or order following rehearing, has been rendered, a copy of such order shall be mailed by the Division to each person or his attorney of record who has entered his appearance of record in the matter of proceeding pursuant to which such order is rendered.

RULE 1222. REHEARINGS

Within 20 days after entry of any order or decision of the Commission any person affected thereby may file with the Division an application for rehearing in respect of any matter determined by such order or decision, setting forth the respect in which such order or decision is believed to be erroneous. The Commission shall grant or refuse any such application in whole or in part within 10 days after the same is filed and failure to act thereon within such period shall be deemed a refusal thereof and a final disposition of such application. In the event the rehearing is granted, the Commission may enter such new order or decision after rehearing as may be required under the circumstances.

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Notwithstanding any other provisions of these rules, the hearing on any matter shall be held before the Commission (1) if it is a hearing de novo, or (2) if the Division Director in his discretion desires the Commission to hear the matter.

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RULE 1212. RULES OF EVIDENCE

Full opportunity shall be afforded all interested parties at a hearing to present evidence and to cross-examine witnesses. In general, the rules of evidence applicable in a trial before a court without a jury shall be applicable, provided that such rules may be relaxed, where, by so doing, the ends of justice will be better served. No order shall be made which is not supported by competent legal evidence.

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The Division Director shall, by ex parte order, designate and appoint not more than four individuals to be examiners. Each Examiner so appointed shall be a member of the staff of the Division, but no Examiner need be a full time employee of the Division. The Director may, by ex parte order, designate and appoint a successor to any person whose status as an Examiner is terminated for any reason. Each individual designated and appointed as an Examiner must have at least six years practical experience as a geologist, petroleum engineer or licensed lawyer, or at least two years of such experience and a college degree in geology, engineering, or law; provided however, that nothing herein contained shall prevent any member of the Commission from being designated as, or serving as, an Examiner.

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RULE 1215. EXAMINER'S POWER AND AUTHORITY

The Division Director may, by ex parte order, limit the powers and duties of the Examiner in any particular case to such issues or to the performance of such acts as the Director deems expedient; however, subject only to such limitations as may be ordered by the Director, the Examiner to whom any matter or proceeding is referred under these rules shall have full authority to hold hearings on such matter or proceeding in accordance with and pursuant to these rules. The Examiner shall have the power to regulate all proceedings before him and to perform all acts and take all measures necessary or proper for the efficient and orderly conduct of such hearing, including the swearing of witnesses, receiving of testimony and exhibits offered in evidence, subject to such objections as may be imposed, and shall cause a complete record of the proceedings to be made and transcribed and shall certify same to the Director as hereinafter provided.

Exhibit "A"

Emergency Order No. E-32

which is not by law or by these rules required to be served upon the adverse party or parties, he shall at the same time either deliver or mail to the adverse party or parties who have entered their appearance therein, or their respective attorneys of record, a copy of such pleading, plea, or motion. For the purposes of these rules, an appearance of any interested party shall be made either by letter addressed to the Division or in person at any proceeding before the Commission or before an Examiner, with notice of such appearance to the parties from whom such pleadings, pleas, or motions are desired.

RULE 1209. CONTINUANCE OF HEARING WITHOUT NEW SERVICE

Any hearing before the Commission or an Examiner held after due notice may be continued by the person presiding at such hearing to a specified time and place without the necessity of notice of the same being again served or published. In the event of any continuance, a statement thereof shall be made in the record of the hearing which is continued.

RULE 1210. CONDUCT OF HEARINGS

Hearings before the Commission or any Examiner shall be conducted without rigid formality. A transcript of testimony shall be taken and preserved as a part of the permanent record of the Division. Any person testifying in response to a subpoena issued by the Commission or any member thereof, or the authorized representative of the Division Director, and any person seeking to testify in support of an application or motion or in opposition thereto shall be required to do so under oath. However, relevant unsworn comments and observations by any interested party will be designated as such and included in the record. Comments and observations by representatives of operators' committees, the United States Geological Survey, the United States Bureau of Mines, the New Mexico Bureau of Mines, and other competent persons are welcomed. Any Examiner legally appointed by the Division Director may conduct such hearings as may be referred to such Examiner by the Director.

RULE 1211. POWER TO REQUIRE ATTENDANCE OF WITNESSES AND PRODUCTION OF EVIDENCE

The Commission or any member thereof, or the authorized representative of the Division Director has statutory power to subpoena witnesses and to require the production of books, papers, and records in any proceeding before the Commission or Division. A subpoena will be issued for attendance at a hearing upon the written request of any person interested in the subject matter of the hearing. In case of the failure of a person to comply with the subpoena issued, an attachment of the person may be issued by the district court of any district in the state, and such court has powers to punish for contempt. Any person found guilty of swearing falsely at any hearing may be punished for contempt.

RULE 1204. METHOD OF GIVING LEGAL NOTICE FOR HEARING

Notice of each hearing before the Commission and notice of each hearing before a Division Examiner shall be given by personal service on the person affected or by publication once in a newspaper of general circulation published at Santa Fe, New Mexico, and once in a newspaper of general circulation published in the county or each of the counties, if there be more than one, in which any ~~geothermal resource~~ land or gas or other property which may be affected is situated.

RULE 1205. CONTENTS OF NOTICE OF HEARING

Such notice shall be issued in the name of "The State of New Mexico" and shall be signed by the Director of the Division, and the seal of the Commission shall be impressed thereon.

The notice shall specify whether the case is set for hearing before the Commission or before a Division Examiner and shall state the number and style of the case and the time and place of hearing and shall briefly state the general nature of the order or orders, rule or rules, regulation or regulations to be promulgated or effected. The notice shall also state the name of the petitioner or applicant, if any, and unless the contemplated order, rule, or regulation is intended to apply to and affect the entire state, it shall specify or generally describe the common source or sources of supply which may be affected by such order, rule, or regulation.

RULE 1206. PERSONAL SERVICE OF NOTICE

Personal service of the notice of hearing may be made by any agent of the Division or by any person over the age of 18 years in the same manner as is provided by law for the service of summons in civil actions in the district courts of this state. Such service shall be complete at the time of such personal service or on the date of publication, as the case may be. Proof of service shall be by the affidavit of the person making personal service or of the publisher of the newspaper in which publication is had. Service of the notice shall be made at least 10 days before the hearing.

RULE 1207. PREPARATION OF NOTICES

After a motion or application is filed with the Division the notice or notices required shall be prepared by the Division and service and publication thereof shall be taken care of by the Division without cost to the applicant.

RULE 1208. FILING PLEADINGS: COPY DELIVERED TO ADVERSE PARTY OR PARTIES

When any party to a hearing files any pleading, plea, or motion of any character (other than application for hearing)

N - RULES ON PROCEDURE

RULE 1201. NECESSITY FOR HEARING

Except as provided in some general rule herein, before any rule, regulation or order, including revocation, changes, renewal or extension thereof, shall be made by the Division, a public hearing before the Commission or a legally appointed Division Examiner shall be held at such time and place as may be prescribed by the Division.

RULE 1202. EMERGENCY ORDERS

Notwithstanding any other provision of these rules, in case an emergency is found to exist by the Division, which, in its judgment, requires the making of a rule, regulation, or order without a hearing having first been had or concluded, such emergency rule, regulation, or order when made by the Division shall have the same validity as if a hearing with respect to the same had been held before the Division after due notice. Such emergency rule, regulation, or order shall remain in force no longer than 15 days from its effective date, and in any event, it shall expire when the rule, regulation, or order made after due notice and hearing with respect to the subject matter of such emergency rule, regulation, or order becomes effective.

RULE 1203. METHOD OF INITIATING A HEARING

The Division upon its own motion, the Attorney General on behalf of the State, and any operator or producer, or any other person having a property interest may institute proceedings for a hearing. If the hearing is sought by the Division it shall be on motion of the Division and if by any other person it shall be by application. The application shall be in triplicate and shall state (1) the name of the applicant, (2) the name or general description of the common source or sources of supply or the area affected by the order sought, (3) briefly the general nature of the order, rule, or regulation sought, and (4) any other matter required by a particular rule or rules, or order of the Division. The application shall be signed by the person seeking the hearing or by his attorney.

When conditions are such as to require verbal application to place a matter for hearing on a given docket, the Division will accept such verbal application in order to meet publishing deadlines. However, if written application, filed in accordance with the procedures outlined above, has not been received by the Division's Santa Fe office at least ten days before the date of the hearing, the case will be dismissed.

Exhibit "A"
Emergency Order No. E-32

Case 6198
Ex. B

RULE 1301. DISTRICT OFFICES

To expedite administration of the work of the Oil Conservation Division of the New Mexico Energy and Minerals Department and the enforcement of its rules and regulations, the state shall be divided into four districts as follows:

DISTRICT 1 — Lea, Roosevelt, and Curry Counties, and that portion of Chaves County lying east of the North-South line dividing Ranges 29 and 30 East, NMPM.

Office at 1000 West Broadway, Hobbs.

Mailing Address:

Oil Conservation Division
P. O. Box 1980
Hobbs, New Mexico 88240

DISTRICT 2 — Eddy, Otero, Dona Ana, Luna, Hidalgo, Grant, Sierra, Lincoln, and De Baca Counties, and that portion of Chaves County lying west of the North-South line dividing Ranges 29 and 30 East, NMPM.

Office at 10th and Dallas Streets, Artesia.

Mailing Address:

Oil Conservation Division
Drawer DD
Artesia, New Mexico 88210

DISTRICT 3 — San Juan, Rio Arriba, McKinley, and Sandoval Counties.

Office at 1000 Rio Brazos Road, Aztec.

Mailing Address:

Oil Conservation Division
1000 Rio Brazos Road
Aztec, New Mexico 87410

DISTRICT 4 — Remainder of State.

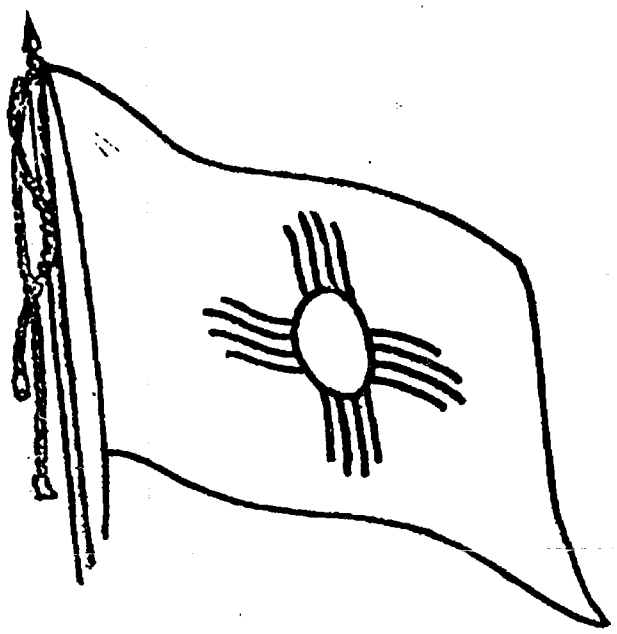
Office in State Land Office Building, Santa Fe.

Mailing Address:

Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Each district office shall be under the charge of a district supervisor, an oil and gas inspector, or a deputy oil and gas inspector. Unless otherwise specifically required, all matters pertaining to the Division shall be taken care of through the district office of the district in which the affected land is located.

Exhibit "C"
Order No. R-5709



STATE
OF
NEW MEXICO

ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION

RULES AND REGULATIONS

Geothermal Resources

E

STATE OF NEW MEXICO

~~NEW MEXICO~~

ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION ~~COMMISSION~~ DIVISION

RULES AND REGULATIONS

~~Dated 1-1-76~~

~~Revision No. 1~~

This book contains the ~~Commission~~ Rules and Regulations of statewide application revised through ~~January 1, 1976.~~ Division 1, 1978 From time to time the book will be updated through the distribution of change sheets incorporating new or revised rules or statutes.

Special rules governing individual oil and gas pools are not included in this publication but should be consulted where applicable. Order No. R-1670, as amended, should be consulted for general and special rules governing prorated gas pools in Southeast and Northwest New Mexico. Order No. R-111-A, as amended, should be consulted for special rules governing the Oil-Potash Area of Southeast New Mexico. Order No. R-3221, as amended, should be consulted for special rules governing salt water disposal. Order No. R-5353, as amended, should be consulted for special rules governing associated pools. Order No. R-5436 should be consulted for special rules governing exemption of new wells from the provisions of the Natural Gas Pricing Act.

JOE D. RAMEY

~~Secretary Director~~ Division Director

Date

STATE OF NEW MEXICO

ENERGY AND MINERALS DEPARTMENT

JERRY APODACA
GOVERNOR

NICK FRANKLIN
SECRETARY

OIL CONSERVATION COMMISSION

LAND COMMISSIONER
PHIL R. LUCERO, CHAIRMAN

STATE PETROLEUM ENGINEER
JOE D. RAMEY, MEMBER AND
DIRECTOR, OIL CONSERVATION
DIVISION

STATE GEOLOGIST
EMERY C. ARNOLD, MEMBER

OIL CONSERVATION DIVISION

MAIN OFFICE AND GEOTHERMAL SECTION OFFICE
STATE LAND OFFICE BLDG., OLD SANTA FE TRAIL, SANTA FE
MAILING ADDRESS: P. O. BOX 2088, SANTA FE, NEW MEXICO 87501

TELEPHONES:

DIRECTOR: (505) 827-3260 ENGINEERING: (505) 827-2533
ADMINISTRATION: (505) 827-2434 LEGAL: (505) 827-2741
GEOTHERMAL: (505) 827-2533

JOE D. RAMEY, DIRECTOR

TECHNICAL SUPPORT CHIEF
RICHARD L. STAMETS

CHIEF ENGINEER
DAN NUTTER

GENERAL COUNSEL
LYNN TESCHENDORF

GEOLOGIST AND GEOTHERMAL INSPECTOR
CARL G. ULVOG

DISTRICT OFFICES (OIL & GAS)

DISTRICT I - Hobbs 88240

P. O. Box 1980
Telephone: (505) 393-6161

J. T. Sexton, Supervisor and
Oil & Gas Inspector
J. W. Runyon, Geologist and Deputy
Oil & Gas Inspector
Deputy Oil & Gas Inspectors:
L. A. Clements
N. E. Clegg
M. G. Crossland

DISTRICT II - Artesia 88210

P. O. Drawer DD
Telephone: (505) 746-4861

W. A. Gressett, Supervisor and
Oil & Gas Inspector
Deputy Oil & Gas Inspectors:
M. B. Williams
B. W. Weaver
M. C. Stubblefield

DISTRICT III - Aztec 87410

1000 Rio Brazos Road
Telephone: (505) 334-6178

A. R. Kendrick, Supervisor and
Oil & Gas Inspector
Deputy Oil & Gas Inspectors:
C. C. Gholson
F. T. Chavez

DISTRICT IV - Santa Fe 87501

P. O. Box 2088
Telephone: (505) 827-2533

Carl G. Ulvog, Geologist and
Oil & Gas Inspector

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY AND MINERALS
OIL CONSERVATION DIVISION

IN THE MATTER OF THE EMERGENCY APPROVAL OF PROCEDURES FOR PUBLIC HEARINGS AND ADOPTION OF RULES, REGULATIONS, ORDERS, PERMITS, CONTRACTS, BONDS, FORMS, AND MEMORANDA FOR THE CONSERVATION OF OIL AND GAS AND GEOTHERMAL RESOURCES IN THE STATE OF NEW MEXICO.

EMERGENCY ORDER NO. E-32

NOW, at 5:01 p.m. on this 31st day of March, 1978, the Director of the Oil Conservation Division of the Department of Energy and Minerals, having fully considered all available facts relating to the subject matter herein, and being fully advised in the premises,

FINDS:

(1) That the Thirty-Third State Legislature of New Mexico, at its First Session, enacted Chapter 255, Laws of 1977, approved April 7, 1977, being An Act RELATING TO THE ESTABLISHMENT OF AN ENERGY AND MINERALS DEPARTMENT; ABOLISHING CERTAIN AGENCIES; AMENDING, REPEALING AND ENACTING CERTAIN SECTIONS OF NMSA 1953.

(2) That the effective date of the provisions of said act is March 31, 1978.

(3) That said act created the New Mexico Department of Energy and Minerals, among the divisions of which is the Oil Conservation Division, charged by the act with administering the laws and regulations relating to oil, gas, potash, and geothermal resources except those laws specifically administered by another authority.

(4) That said act amended numerous sections of the statutes relating to the conservation of oil, gas, and potash (specifically, Sections 65-3-4 through 65-3-11, N.M.S.A., 1953 Comp., Section 65-3-11.1, Sections 65-3-12 through 65-3-14, Sections 65-3-14.5 and 65-3-15, Sections 65-3-17 through 65-3-21, 65-3-23 through 65-3-25, 65-3-27, 65-3-28, 65-3-31, 65-9-2, and 65-9-4 through 65-9-7) while repealing one section, 65-3-16, and enacting two new sections, 65-3-4.1 and 65-3-22.1.

(5) That said act also amended numerous sections of the statutes relating to the conservation of geothermal resources (specifically, Sections 65-11-2 and 65-11-3, N.M.S.A., 1953 Comp., Sections 65-11-6 through 65-11-11, Sections 65-11-13 through 65-11-21, and Sections 65-11-23 and 65-11-24).

(6) That the Thirty-Third State Legislature of New Mexico, at its Second Session, enacted Chapters 58, 59, 71, and 117, Laws of 1978, each with the emergency clause, and that the first

Case 6198

Ex. A

three of said chapters were approved February 24, 1978, and the fourth was approved March 6, 1978.

(7) That the aforesaid Chapter 58, Laws of 1978, repealed Section 65-3-28, N.M.S.A., 1953 Comp., as amended, and enacted a new Section 65-3-28.

(8) That the aforesaid Chapter 59, Laws of 1978, repealed Section 65-9-4, N.M.S.A., 1953 Comp., as amended, and enacted a new Section 65-9-4.

(9) That the aforesaid Chapter 71, Laws of 1978, repealed Section 65-3-11 N.M.S.A., 1953 Comp., as amended, and enacted a new Section 65-3-11.

(10) That the aforesaid Chapter 117, Laws of 1978, amended Sections 65-3-11.2, 65-3-37, 65-3-38, and 72-20-14, N.M.S.A., 1953 Comp.

(11) That the purpose of all the aforesaid changes to the statutes relating to the conservation of oil, gas, potash, and geothermal resources was to transfer the administration of these laws from the New Mexico Oil Conservation Commission to the Oil Conservation Division of the New Mexico Department of Energy and Minerals.

(12) That in order for there to be an unbroken transition of the administration of oil, gas, potash, and geothermal resources conservation laws from the Oil Conservation Commission to the Oil Conservation Division of the Department of Energy and Minerals, the said Oil Conservation Division should adopt the rules, regulations, orders, permits, contracts, bonds, forms, manuals, and memoranda of the Oil Conservation Commission as its own rules, regulations, orders, permits, contracts, bonds, forms, manuals, and memoranda.

(13) That an emergency exists which requires an order of the Oil Conservation Division without notice and hearing to adopt the aforesaid rules, regulations, orders, permits, contracts, bonds, forms, manuals, and memoranda pending a public hearing on this matter.

(14) That a hearing should be held within 15 days after entry of this order to consider making the provisions of this order permanent, at least pending further hearings and orders of the Oil Conservation Division.

(15) That in order to provide a procedure for the Division to conduct hearings, this order should amend Section N, Rules of Procedure, of the New Mexico Oil Conservation Commission Rules and Regulations (for oil and gas) and Section I, Rules of Procedure, of the New Mexico Oil Conservation Commission Rules and Regulations, Geothermal Resources.

(16) That Section N, Rules of Procedure, of the New Mexico Oil Conservation Commission Rules and Regulations (for oil and gas) should be amended to read in its entirety as shown on Exhibit "A" attached hereto and made a part hereof.

(17) That Section I, Rules of Procedure, of the New Mexico Oil Conservation Commission Rules and Regulations, Geothermal Resources, should be amended to read in its entirety as shown on Exhibit "B" attached hereto and made a part hereof.

(18) That Section N, Rules of Procedure, of the New Mexico Oil Conservation Commission Rules and Regulations (for oil and gas) and Section I, Rules of Procedure of the New Mexico Oil Conservation Commission Rules and Regulations, Geothermal Resources, each as amended as described in Findings Nos. (16) and (17) above, should be adopted by the Oil Conservation Division as its own rules of procedure.

(19) That Sections B through M, inclusive, and Sections O and P of the New Mexico Oil Conservation Commission Rules and Regulations (for oil and gas) and Sections B through H, inclusive, of the New Mexico Oil Conservation Commission Rules and Regulations, Geothermal Resources, should be amended so that any reference therein to "Commission" or "Oil Conservation Commission" would read "Division" or "Oil Conservation Division," and any reference to "Secretary-Director" or "Secretary-Director of the Commission" would read "Division Director."

(20) That the forms and reports of the New Mexico Oil Conservation Commission as heretofore adopted by said Commission for the reporting of oil and gas and geothermal activities in the State of New Mexico, should be adopted by the Oil Conservation Division as its own forms and reports pending further order of the Division.

(21) That all effective contracts heretofore entered into by the New Mexico Oil Conservation Commission should be considered to be effective contracts with the Oil Conservation Division of the New Mexico Department of Energy and Minerals and should be adopted by said Division.

(22) That all effective bonds, including plugging bonds and treating plant bonds, issued by surety companies on forms promulgated by the New Mexico Oil Conservation Commission, and running to the benefit of the State of New Mexico for the use and benefit of the Oil Conservation Commission of New Mexico, should be adopted by the Oil Conservation Division of the New Mexico Department of Energy and Minerals as the successor agency to the New Mexico Oil Conservation Commission charged with administering the oil, gas, and geothermal resources conservation laws of this State.

(23) That all effective rules, regulations, orders, manuals, memoranda, and permits heretofore issued or promulgated by the

New Mexico Oil Conservation Commission in the performance of its duties of administering the oil, gas, potash and geothermal conservation laws of this state should be adopted by the Oil Conservation Division of the New Mexico Department of Energy and Minerals as its own rules, regulations, orders, manuals, memoranda, and permits, as amended herein, for use by the Division in performing its duties of administering said conservation laws.

(24) That to avoid confusion, the Oil Conservation Division should adopt and carry forward the numbering system heretofore adopted by the Oil Conservation Commission for its rules, regulations, orders, forms, permits, and memoranda.

IT IS THEREFORE ORDERED:

(1) That the effective rules, regulations, orders, permits, contracts, bonds, forms, manuals, and memoranda heretofore issued, published, promulgated, and/or approved by the New Mexico Oil Conservation Commission, as amended herein, are hereby adopted by the Oil Conservation Division of the New Mexico Department of Energy and Minerals as its own rules, regulations, orders, permits, contracts, bonds, forms, manuals, and memoranda to be used by said Oil Conservation Division in the performance of its duties in administering the laws and regulations relating to oil, gas, potash, and geothermal resources except those laws specifically administered by another authority.

(2) That Section N, Rules of Procedure, of the New Mexico Oil Conservation Commission Rules and Regulations (for oil and gas), adopted by the Oil Conservation Division as described above, is hereby amended to read in its entirety as shown on Exhibit "A" attached hereto and made a part hereof.

(3) That Section I, Rules of Procedure, of the New Mexico Oil Conservation Commission Rules and Regulations, Geothermal Resources, adopted by the Oil Conservation Division as described above, is hereby amended to read in its entirety as shown on Exhibit "B" attached hereto and made a part hereof.

(4) That Sections B through M, inclusive, and Sections O and P of the New Mexico Oil Conservation Commission Rules and Regulations (for oil and gas) and Sections B through H, inclusive, of the New Mexico Oil Conservation Commission's Rules and Regulations, Geothermal Resources, are hereby amended so that any reference therein to "Oil Conservation Commission" shall read "Oil Conservation Division" and any reference therein to "Commission" shall read "Division." Further, that the aforesaid sections are hereby amended so that any reference therein to "Secretary-Director" or "Secretary-Director of the Commission" shall read "Division Director."

(5) That all effective bonds, including plugging bonds and treating plant bonds, issued by surety companies on forms promulgated by the New Mexico Oil Conservation Commission, and running to the benefit of the State of New Mexico for the use and benefit of the Oil Conservation Commission of New Mexico, are hereby adopted by the Oil Conservation Division of the New Mexico Department of Energy and Minerals as the successor agency to the New Mexico Oil Conservation Commission charged with administering the oil, gas, potash, and geothermal conservation laws of this state.

(6) That the numbering system heretofore adopted by the New Mexico Oil Conservation Commission for its rules, regulations, orders, forms, permits, and memoranda is hereby adopted by the Oil Conservation Division and shall be carried forward pending further order.

(7) That this order shall become effective at 5:01 p.m. Mountain Standard Time, March 31, 1978, and shall remain in effect for not more than 15 days.

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

S E A L

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY AND MINERALS
OIL CONSERVATION DIVISION

JOE D. RAMEY, Division Director

jr/

N - RULES ON PROCEDURE

RULE 1201. NECESSITY FOR HEARING

Except as provided in some general rule herein, before any rule, regulation or order, including revocation, changes, renewal or extension thereof, shall be made by the Division, a public hearing before the Commission or a legally appointed Division Examiner shall be held at such time and place as may be prescribed by the Division.

RULE 1202. EMERGENCY ORDERS

Notwithstanding any other provision of these rules, in case an emergency is found to exist by the Division, which, in its judgment, requires the making of a rule, regulation, or order without a hearing having first been had or concluded, such emergency rule, regulation, or order when made by the Division shall have the same validity as if a hearing with respect to the same had been held before the Division after due notice. Such emergency rule, regulation, or order shall remain in force no longer than 15 days from its effective date, and in any event, it shall expire when the rule, regulation, or order made after due notice and hearing with respect to the subject matter of such emergency rule, regulation, or order becomes effective.

RULE 1203. METHOD OF INITIATING A HEARING

The Division upon its own motion, the Attorney General on behalf of the State, and any operator or producer, or any other person having a property interest may institute proceedings for a hearing. If the hearing is sought by the Division it shall be on motion of the Division and if by any other person it shall be by application. The application shall be in triplicate and shall state (1) the name of the applicant, (2) the name or general description of the common source or sources of supply or the area affected by the order sought, (3) briefly the general nature of the order, rule, or regulation sought, and (4) any other matter required by a particular rule or rules, or order of the Division. The application shall be signed by the person seeking the hearing or by his attorney.

When conditions are such as to require verbal application to place a matter for hearing on a given docket, the Division will accept such verbal application in order to meet publishing deadlines. However, if written application, filed in accordance with the procedures outlined above, has not been received by the Division's Santa Fe office at least ten days before the date of the hearing, the case will be dismissed.

Exhibit "A"
Emergency Order No. E-32

Case 6198

Ex B

RULE 1204. METHOD OF GIVING LEGAL NOTICE FOR HEARING

Notice of each hearing before the Commission and notice of each hearing before a Division Examiner shall be given by personal service on the person affected or by publication once in a newspaper of general circulation published at Santa Fe, New Mexico, and once in a newspaper of general circulation published in the county or each of the counties, if there be more than one, in which any ~~[illegible]~~ or other property which may be affected is situated.

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RULE 1205. CONTENTS OF NOTICE OF HEARING

Such notice shall be issued in the name of "The State of New Mexico" and shall be signed by the Director of the Division, and the seal of the Commission shall be impressed thereon.

The notice shall specify whether the case is set for hearing before the Commission or before a Division Examiner and shall state the number and style of the case and the time and place of hearing and shall briefly state the general nature of the order or orders, rule or rules, regulation or regulations to be promulgated or effected. The notice shall also state the name of the petitioner or applicant, if any, and unless the contemplated order, rule, or regulation is intended to apply to and affect the entire state, it shall specify or generally describe the common source or sources of supply which may be affected by such order, rule, or regulation.

RULE 1206. PERSONAL SERVICE OF NOTICE

Personal service of the notice of hearing may be made by any agent of the Division or by any person over the age of 18 years in the same manner as is provided by law for the service of summons in civil actions in the district courts of this state. Such service shall be complete at the time of such personal service or on the date of publication, as the case may be. Proof of service shall be by the affidavit of the person making personal service or of the publisher of the newspaper in which publication is had. Service of the notice shall be made at least 10 days before the hearing.

RULE 1207. PREPARATION OF NOTICES

After a motion or application is filed with the Division the notice or notices required shall be prepared by the Division and service and publication thereof shall be taken care of by the Division without cost to the applicant.

RULE 1208. FILING PLEADINGS: COPY DELIVERED TO ADVERSE PARTY OR PARTIES

When any party to a hearing files any pleading, plea, or motion of any character (other than application for hearing)

which is not by law or by these rules required to be served upon the adverse party or parties, he shall at the same time either deliver or mail to the adverse party or parties who have entered their appearance therein, or their respective attorneys of record, a copy of such pleading, plea, or motion. For the purposes of these rules, an appearance of any interested party shall be made either by letter addressed to the Division or in person at any proceeding before the Commission or before an Examiner, with notice of such appearance to the parties from whom such pleadings, pleas, or motions are desired.

RULE 1209. CONTINUANCE OF HEARING WITHOUT NEW SERVICE

Any hearing before the Commission or an Examiner held after due notice may be continued by the person presiding at such hearing to a specified time and place without the necessity of notice of the same being again served or published. In the event of any continuance, a statement thereof shall be made in the record of the hearing which is continued.

RULE 1210. CONDUCT OF HEARINGS

Hearings before the Commission or any Examiner shall be conducted without rigid formality. A transcript of testimony shall be taken and preserved as a part of the permanent record of the Division. Any person testifying in response to a subpoena issued by the Commission or any member thereof, or the authorized representative of the Division Director, and any person seeking to testify in support of an application or motion or in opposition thereto shall be required to do so under oath. However, relevant unsworn comments and observations by any interested party will be designated as such and included in the record. Comments and observations by representatives of operators' committees, the United States Geological Survey, the United States Bureau of Mines, the New Mexico Bureau of Mines, and other competent persons are welcomed. Any Examiner legally appointed by the Division Director may conduct such hearings as may be referred to such Examiner by the Director.

RULE 1211. POWER TO REQUIRE ATTENDANCE OF WITNESSES AND PRODUCTION OF EVIDENCE

The Commission or any member thereof, or the authorized representative of the Division Director has statutory power to subpoena witnesses and to require the production of books, papers, and records in any proceeding before the Commission or Division. A subpoena will be issued for attendance at a hearing upon the written request of any person interested in the subject matter of the hearing. In case of the failure of a person to comply with the subpoena issued, an attachment of the person may be issued by the district court of any district in the state, and such court has powers to punish for contempt. Any person found guilty of swearing falsely at any hearing may be punished for contempt.

RULE 1212. RULES OF EVIDENCE

Full opportunity shall be afforded all interested parties at a hearing to present evidence and to cross-examine witnesses. In general, the rules of evidence applicable in a trial before a court without a jury shall be applicable, provided that such rules may be relaxed, where, by so doing, the ends of justice will be better served. No order shall be made which is not supported by competent legal evidence.

RULE 1213. EXAMINERS' QUALIFICATIONS AND APPOINTMENT

The Division Director shall, by ex parte order, designate and appoint not more than four individuals to be examiners. Each Examiner so appointed shall be a member of the staff of the Division, but no Examiner need be a full time employee of the Division. The Director may, by ex parte order, designate and appoint a successor to any person whose status as an Examiner is terminated for any reason. Each individual designated and appointed as an Examiner must have at least six years practical experience as a geologist, petroleum engineer or licensed lawyer, or at least two years of such experience and a college degree in geology, engineering, or law; provided however, that nothing herein contained shall prevent any member of the Commission from being designated as, or serving as, an Examiner.

RULE 1214. REFERRAL OF CASES TO EXAMINERS

The Division Director may refer any matter or proceeding to any legally designated and appointed Examiner for hearing in accordance with these rules. The Examiner appointed to hear any specific case shall be designated by name.

RULE 1215. EXAMINER'S POWER AND AUTHORITY

The Division Director may, by ex parte order, limit the powers and duties of the Examiner in any particular case to such issues or to the performance of such acts as the Director deems expedient; however, subject only to such limitations as may be ordered by the Director, the Examiner to whom any matter or proceeding is referred under these rules shall have full authority to hold hearings on such matter or proceeding in accordance with and pursuant to these rules. The Examiner shall have the power to regulate all proceedings before him and to perform all acts and take all measures necessary or proper for the efficient and orderly conduct of such hearing, including the swearing of witnesses, receiving of testimony and exhibits offered in evidence, subject to such objections as may be imposed, and shall cause a complete record of the proceedings to be made and transcribed and shall certify same to the Director as hereinafter provided.

RULE 1216. HEARINGS WHICH MUST BE HELD BEFORE COMMISSION

Notwithstanding any other provisions of these rules, the hearing on any matter shall be held before the Commission (1) if it is a hearing de novo, or (2) if the Division Director in his discretion desires the Commission to hear the matter.

RULE 1217. EXAMINER'S MANNER OF CONDUCTING HEARING

An Examiner conducting a hearing under these rules shall conduct himself as a disinterested umpire.

RULE 1218. REPORT AND RECOMMENDATIONS, EXAMINER'S HEARINGS

Upon the conclusion of any hearing before an Examiner, the Examiner shall promptly consider the proceedings in such hearing, and based upon the record of such hearing the Examiner shall prepare his written report and recommendations for the disposition of the matter of proceeding by the Division. Such report and recommendations shall either be accompanied by a proposed order or shall be in the form of a proposed order, and shall be submitted to the Division Director with the certified record of the hearing.

RULE 1219. DISPOSITION OF CASES HEARD BY EXAMINERS

After receipt of the report and recommendations of the Examiner, the Division Director shall enter the Division's order disposing of the matter or proceeding.

RULE 1220. DE NOVO HEARING BEFORE COMMISSION

When any order has been entered by the Division pursuant to any hearing held by an Examiner, any party adversely affected by such order shall have the right to have such matter or proceeding heard de novo before the Commission, provided that within 30 days from the date such order is rendered such party files with the Division a written application for such hearing before the Commission. If such application is filed, the matter or proceeding shall be set for hearing before the Commission at the first available hearing date following the expiration of fifteen days from the date such application is filed with the Division. Any person affected by the order or decision rendered by the Commission after hearing before the Commission may apply for rehearing pursuant to and in accordance with the provisions of Rule 1222 and said Rule 1222 together with the law applicable to rehearing and appeals in matters and proceedings before the Commission shall thereafter apply to such matter or proceeding.

RULE 1221. NOTICE OF COMMISSION AND DIVISION ORDERS

Within ten days after any order, including any order granting or refusing rehearing, or order following rehearing, has been rendered, a copy of such order shall be mailed by the Division to each person or his attorney of record who has entered his appearance of record in the matter of proceeding pursuant to which such order is rendered.

RULE 1222. REHEARINGS

Within 20 days after entry of any order or decision of the Commission any person affected thereby may file with the Division an application for rehearing in respect of any matter determined by such order or decision, setting forth the respect in which such order or decision is believed to be erroneous. The Commission shall grant or refuse any such application in whole or in part within 10 days after the same is filed and failure to act thereon within such period shall be deemed a refusal thereof and a final disposition of such application. In the event the rehearing is granted, the Commission may enter such new order or decision after rehearing as may be required under the circumstances.

RULE 1223. CHANGES IN FORMS AND REPORTS

Any change in the forms and reports or rules relating to such forms and reports shall be made only by order of the Commission or Division issued after due notice and hearing.

I. RULES ON PROCEDURE

RULE 701. NECESSITY FOR HEARING

Except as provided in some general rule herein, before any rule, regulation or order, including revocation, changes, renewal or extension thereof, shall be made by the Division, a public hearing before the Commission or a legally appointed Division Examiner shall be held at such time and place as may be prescribed by the Division.

RULE 702. EMERGENCY ORDERS

Notwithstanding any other provision of these rules, in case an emergency is found to exist by the Division, which, in its judgment, requires the making of a rule, regulation, or order without a hearing having first been had or concluded, such emergency rule, regulation, or order when made by the Division shall have the same validity as if a hearing with respect to the same had been held before the Division after due notice. Such emergency rule, regulation, or order shall remain in force no longer than 15 days from its effective date, and in any event, it shall expire when the rule, regulation, or order made after due notice and hearing with respect to the subject matter of such emergency rule, regulation, or order becomes effective.

RULE 703. METHOD OF INITIATING A HEARING

The Division upon its own motion, the Attorney General on behalf of the State, and any operator or producer, or any other person having a property interest may institute proceedings for a hearing. If the hearing is sought by the Division it shall be on motion of the Division and if by any other person it shall be by application. The application shall be in triplicate and shall state (1) the name of the applicant, (2) the name or general description of the common source or sources of supply or the area affected by the order sought, (3) briefly the general nature of the order, rule, or regulation sought, and (4) any other matter required by a particular rule or rules, or order of the Division. The application shall be signed by the person seeking the hearing or by his attorney.

When conditions are such as to require verbal application to place a matter for hearing on a given docket, the Division will accept such verbal application in order to meet publishing deadlines. However, if written application, filed in accordance with the procedures outlined above, has not been received by the Division's Santa Fe office at least ten days before the date of the hearing, the case will be dismissed.

Exhibit C
Emergency Order No. E-32

Case 6198
Ex C

RULE 704. METHOD OF GIVING LEGAL NOTICE FOR HEARING

Notice of each hearing before the Commission and notice of each hearing before a Division Examiner shall be given by personal service on the person affected or by publication once in a newspaper of general circulation published at Santa Fe, New Mexico, and once in a newspaper of general circulation published in the county or each of the counties, if there be more than one, in which any geothermal resource or other property which may be affected is situated.

RULE 705. CONTENTS OF NOTICE OF HEARING

Such notice shall be issued in the name of "The State of New Mexico" and shall be signed by the Director of the Division, and the seal of the Commission shall be impressed thereon.

The notice shall specify whether the case is set for hearing before the Commission or before a Division Examiner and shall state the number and style of the case and the time and place of hearing and shall briefly state the general nature of the order or orders, rule or rules, regulation or regulations to be promulgated or effected. The notice shall also state the name of the petitioner or applicant, if any, and unless the contemplated order, rule, or regulation is intended to apply to and affect the entire state, it shall specify or generally describe the common source or sources of supply which may be affected by such order, rule, or regulation.

RULE 706. PERSONAL SERVICE OF NOTICE

Personal service of the notice of hearing may be made by any agent of the Division or by any person over the age of 18 years in the same manner as is provided by law for the service of summons in civil actions in the district courts of this state. Such service shall be complete at the time of such personal service or on the date of publication, as the case may be. Proof of service shall be by the affidavit of the person making personal service or of the publisher of the newspaper in which publication is had. Service of the notice shall be made at least 10 days before the hearing.

RULE 707. PREPARATION OF NOTICES

After a motion or application is filed with the Division the notice or notices required shall be prepared by the Division and service and publication thereof shall be taken care of by the Division without cost to the applicant.

RULE 708. FILING PLEADINGS: COPY DELIVERED TO ADVERSE PARTY OR PARTIES

When any party to a hearing files any pleading, plea, or motion of any character (other than application for hearing)

Exhibit "C"
Emergency Order No. E-32

which is not by law or by these rules required to be served upon the adverse party or parties, he shall at the same time either deliver or mail to the adverse party or parties who have entered their appearance therein, or their respective attorneys of record, a copy of such pleading, plea, or motion. For the purposes of these rules, an appearance of any interested party shall be made either by letter addressed to the Division or in person at any proceeding before the Commission or before an Examiner, with notice of such appearance to the parties from whom such pleadings, pleas, or motions are desired.

RULE 709. CONTINUANCE OF HEARING WITHOUT NEW SERVICE

Any hearing before the Commission or an Examiner held after due notice may be continued by the person presiding at such hearing to a specified time and place without the necessity of notice of the same being again served or published. In the event of any continuance, a statement thereof shall be made in the record of the hearing which is continued.

RULE 710. CONDUCT OF HEARINGS

Hearings before the Commission or any Examiner shall be conducted without rigid formality. A transcript of testimony shall be taken and preserved as a part of the permanent record of the Division. Any person testifying in response to a subpoena issued by the Commission or any member thereof, or the authorized representative of the Division Director, and any person seeking to testify in support of an application or motion or in opposition thereto shall be required to do so under oath. However, relevant unsworn comments and observations by any interested party will be designated as such and included in the record. Comments and observations by representatives of operators' committees, the United States Geological Survey, the United States Bureau of Mines, the New Mexico Bureau of Mines, and other competent persons are welcomed. Any Examiner legally appointed by the Division Director may conduct such hearings as may be referred to such Examiner by the Director.

RULE 711. POWER TO REQUIRE ATTENDANCE OF WITNESSES AND PRODUCTION OF EVIDENCE

The Commission or any member thereof, or the authorized representative of the Division Director has statutory power to subpoena witnesses and to require the production of books, papers, and records in any proceeding before the Commission or Division. A subpoena will be issued for attendance at a hearing upon the written request of any person interested in the subject matter of the hearing. In case of the failure of a person to comply with the subpoena issued, an attachment of the person may be issued by the district court of any district in the state, and such court has powers to punish for contempt. Any person found guilty of swearing falsely at any hearing may be punished for contempt.

Exhibit "B"
Emergency Order No. E-32

RULE 712. RULES OF EVIDENCE

Full opportunity shall be afforded all interested parties at a hearing to present evidence and to cross-examine witnesses. In general, the rules of evidence applicable in a trial before a court without a jury shall be applicable, provided that such rules may be relaxed, where, by so doing, the ends of justice will be better served. No order shall be made which is not supported by competent legal evidence.

RULE 713. EXAMINERS' QUALIFICATIONS AND APPOINTMENT

The Division Director shall, by ex parte order, designate and appoint not more than four individuals to be examiners. Each Examiner so appointed shall be a member of the staff of the Division, but no Examiner need be a full time employee of the Division. The Director may, by ex parte order, designate and appoint a successor to any person whose status as an Examiner is terminated for any reason. Each individual designated and appointed as an Examiner must have at least six years practical experience as a geologist, petroleum engineer or licensed lawyer, or at least two years of such experience and a college degree in geology, engineering, or law; provided however, that nothing herein contained shall prevent any member of the Commission from being designated as, or serving as, an Examiner.

RULE 714. REFERRAL OF CASES TO EXAMINERS

The Division Director may refer any matter or proceeding to any legally designated and appointed Examiner for hearing in accordance with these rules. The Examiner appointed to hear any specific case shall be designated by name.

RULE 715. EXAMINER'S POWER AND AUTHORITY

The Division Director may, by ex parte order, limit the powers and duties of the Examiner in any particular case to such issues or to the performance of such acts as the Director deems expedient; however, subject only to such limitations as may be ordered by the Director, the Examiner to whom any matter or proceeding is referred under these rules shall have full authority to hold hearings on such matter or proceeding in accordance with and pursuant to these rules. The Examiner shall have the power to regulate all proceedings before him and to perform all acts and take all measures necessary or proper for the efficient and orderly conduct of such hearing, including the swearing of witnesses, receiving of testimony and exhibits offered in evidence, subject to such objections as may be imposed, and shall cause a complete record of the proceedings to be made and transcribed and shall certify same to the Director as hereinafter provided.

Exhibit "B"

Emergency Order No. E-32

RULE 716. HEARINGS WHICH MUST BE HELD BEFORE COMMISSION

Notwithstanding any other provisions of these rules, the hearing on any matter shall be held before the Commission (1) if it is a hearing de novo, or (2) if the Division Director in his discretion desires the Commission to hear the matter.

RULE 717. EXAMINER'S MANNER OF CONDUCTING HEARING

An Examiner conducting a hearing under these rules shall conduct himself as a disinterested umpire.

RULE 718. REPORT AND RECOMMENDATIONS, EXAMINER'S HEARINGS

Upon the conclusion of any hearing before an Examiner, the Examiner shall promptly consider the proceedings in such hearing, and based upon the record of such hearing the Examiner shall prepare his written report and recommendations for the disposition of the matter of proceeding by the Division. Such report and recommendations shall either be accompanied by a proposed order or shall be in the form of a proposed order, and shall be submitted to the Division Director with the certified record of the hearing.

RULE 719. DISPOSITION OF CASES HEARD BY EXAMINERS

After receipt of the report and recommendations of the Examiner, the Division Director shall enter the Division's order disposing of the matter or proceeding.

RULE 720. DE NOVO HEARING BEFORE COMMISSION

When any order has been entered by the Division pursuant to any hearing held by an Examiner, any party adversely affected by such order shall have the right to have such matter or proceeding heard de novo before the Commission, provided that within 30 days from the date such order is rendered such party files with the Division a written application for such hearing before the Commission. If such application is filed, the matter or proceeding shall be set for hearing before the Commission at the first available hearing date following the expiration of fifteen days from the date such application is filed with the Division. Any person affected by the order or decision rendered by the Commission after hearing before the Commission may apply for rehearing pursuant to and in accordance with the provisions of Rule 722, and said Rule 722 together with the law applicable to rehearing and appeals in matters and proceedings before the Commission shall thereafter apply to such matter or proceeding.

Exhibit "B"
Emergency Order No. E-32

RULE 721. NOTICE OF COMMISSION AND DIVISION ORDERS

Within ten days after any order, including any order granting or refusing rehearing, or order following rehearing, has been rendered, a copy of such order shall be mailed by the Division to each person or his attorney of record who has entered his appearance of record in the matter of proceeding pursuant to which such order is rendered.

RULE 722. REHEARINGS

Within 20 days after entry of any order or decision of the Commission any person affected thereby may file with the Division an application for rehearing in respect of any matter determined by such order or decision, setting forth the respect in which such order or decision is believed to be erroneous. The Commission shall grant or refuse any such application in whole or in part within 10 days after the same is filed and failure to act thereon within such period shall be deemed a refusal thereof and a final disposition of such application. In the event the rehearing is granted, the Commission may enter such new order or decision after rehearing as may be required under the circumstances.

RULE 723. CHANGES IN FORMS AND REPORTS

Any change in the forms and reports or rules relating to such forms and reports shall be made only by order of the Commission or Division issued after due notice and hearing.

Exhibit "B"
Emergency Order No. E-32

N - RULES ON PROCEDURE

RULE 1201. NECESSITY FOR HEARING

Except as provided in some general rule herein, before any rule, regulation or order, including revocation, changes, renewal or extension thereof, shall be made by the Division, a public hearing before the Commission or a legally appointed Division Examiner shall be held at such time and place as may be prescribed by the Division.

RULE 1202. EMERGENCY ORDERS

Notwithstanding any other provision of these rules, in case an emergency is found to exist by the Division, which, in its judgment, requires the making of a rule, regulation, or order without a hearing having first been had or concluded, such emergency rule, regulation, or order when made by the Division shall have the same validity as if a hearing with respect to the same had been held before the Division after due notice. Such emergency rule, regulation, or order shall remain in force no longer than 15 days from its effective date, and in any event, it shall expire when the rule, regulation, or order made after due notice and hearing with respect to the subject matter of such emergency rule, regulation, or order becomes effective.

RULE 1203. METHOD OF INITIATING A HEARING

The Division upon its own motion, the Attorney General on behalf of the State, and any operator or producer, or any other person having a property interest may institute proceedings for a hearing. If the hearing is sought by the Division it shall be on motion of the Division and if by any other person it shall be by application. The application shall be in triplicate and shall state (1) the name of the applicant, (2) the name or general description of the common source or sources of supply or the area affected by the order sought, (3) briefly the general nature of the order, rule, or regulation sought, and (4) any other matter required by a particular rule or rules, or order of the Division. The application shall be signed by the person seeking the hearing or by his attorney.

When conditions are such as to require verbal application to place a matter for hearing on a given docket, the Division will accept such verbal application in order to meet publishing deadlines. However, if written application, filed in accordance with the procedures outlined above, has not been received by the Division's Santa Fe office at least ten days before the date of the hearing, the case will be dismissed.

Ex B
Case 6178

RULE 1204. METHOD OF GIVING LEGAL NOTICE FOR HEARING

Notice of each hearing before the Commission and notice of each hearing before a Division Examiner shall be given by personal service on the person affected or by publication once in a newspaper of general circulation published at Santa Fe, New Mexico, and once in a newspaper of general circulation published in the county or each of the counties, if there be more than one, in which any geothermal resource or other property which may be affected is situated.

RULE 1205. CONTENTS OF NOTICE OF HEARING

Such notice shall be issued in the name of "The State of New Mexico" and shall be signed by the Director of the Division, and the seal of the Commission shall be impressed thereon.

The notice shall specify whether the case is set for hearing before the Commission or before a Division Examiner and shall state the number and style of the case and the time and place of hearing and shall briefly state the general nature of the order or orders, rule or rules, regulation or regulations to be promulgated or effected. The notice shall also state the name of the petitioner or applicant, if any, and unless the contemplated order, rule, or regulation is intended to apply to and affect the entire state, it shall specify or generally describe the common source or sources of supply which may be affected by such order, rule, or regulation.

RULE 1206. PERSONAL SERVICE OF NOTICE

Personal service of the notice of hearing may be made by any agent of the Division or by any person over the age of 18 years in the same manner as is provided by law for the service of summons in civil actions in the district courts of this state. Such service shall be complete at the time of such personal service or on the date of publication, as the case may be. Proof of service shall be by the affidavit of the person making personal service or of the publisher of the newspaper in which publication is had. Service of the notice shall be made at least 10 days before the hearing.

RULE 1207. PREPARATION OF NOTICES

After a motion or application is filed with the Division the notice or notices required shall be prepared by the Division and service and publication thereof shall be taken care of by the Division without cost to the applicant.

RULE 1208. FILING PLEADINGS: COPY DELIVERED TO ADVERSE PARTY OR PARTIES

When any party to a hearing files any pleading, plea, or motion of any character (other than application for hearing)

which is not by law or by these rules required to be served upon the adverse party or parties, he shall at the same time either deliver or mail to the adverse party or parties who have entered their appearance therein, or their respective attorneys of record, a copy of such pleading, plea, or motion. For the purposes of these rules, an appearance of any interested party shall be made either by letter addressed to the Division or in person at any proceeding before the Commission or before an Examiner, with notice of such appearance to the parties from whom such pleadings, pleas, or motions are desired.

RULE 1209. CONTINUANCE OF HEARING WITHOUT NEW SERVICE

Any hearing before the Commission or an Examiner held after due notice may be continued by the person presiding at such hearing to a specified time and place without the necessity of notice of the same being again served or published. In the event of any continuance, a statement thereof shall be made in the record of the hearing which is continued.

RULE 1210. CONDUCT OF HEARINGS

Hearings before the Commission or any Examiner shall be conducted without rigid formality. A transcript of testimony shall be taken and preserved as a part of the permanent record of the Division. Any person testifying in response to a subpoena issued by the Commission or any member thereof, or the authorized representative of the Division Director, and any person seeking to testify in support of an application or motion or in opposition thereto shall be required to do so under oath. However, relevant unsworn comments and observations by any interested party will be designated as such and included in the record. Comments and observations by representatives of operators' committees, the United States Geological Survey, the United States Bureau of Mines, the New Mexico Bureau of Mines, and other competent persons are welcomed. Any Examiner legally appointed by the Division Director may conduct such hearings as may be referred to such Examiner by the Director.

RULE 1211. POWER TO REQUIRE ATTENDANCE OF WITNESSES AND PRODUCTION OF EVIDENCE

The Commission or any member thereof, or the authorized representative of the Division Director has statutory power to subpoena witnesses and to require the production of books, papers, and records in any proceeding before the Commission or Division. A subpoena will be issued for attendance at a hearing upon the written request of any person interested in the subject matter of the hearing. In case of the failure of a person to comply with the subpoena issued, an attachment of the person may be issued by the district court of any district in the state, and such court has powers to punish for contempt. Any person found guilty of swearing falsely at any hearing may be punished for contempt.

RULE 1212. RULES OF EVIDENCE

Full opportunity shall be afforded all interested parties at a hearing to present evidence and to cross-examine witnesses. In general, the rules of evidence applicable in a trial before a court without a jury shall be applicable, provided that such rules may be relaxed, where, by so doing, the ends of justice will be better served. No order shall be made which is not supported by competent legal evidence.

RULE 1213. EXAMINERS' QUALIFICATIONS AND APPOINTMENT

The Division Director shall, by ex parte order, designate and appoint not more than four individuals to be examiners. Each Examiner so appointed shall be a member of the staff of the Division, but no Examiner need be a full time employee of the Division. The Director may, by ex parte order, designate and appoint a successor to any person whose status as an Examiner is terminated for any reason. Each individual designated and appointed as an Examiner must have at least six years practical experience as a geologist, petroleum engineer or licensed lawyer, or at least two years of such experience and a college degree in geology, engineering, or law; provided however, that nothing herein contained shall prevent any member of the Commission from being designated as, or serving as, an Examiner.

RULE 1214. REFERRAL OF CASES TO EXAMINERS

The Division Director may refer any matter or proceeding to any legally designated and appointed Examiner for hearing in accordance with these rules. The Examiner appointed to hear any specific case shall be designated by name.

RULE 1215. EXAMINER'S POWER AND AUTHORITY

The Division Director may, by ex parte order, limit the powers and duties of the Examiner in any particular case to such issues or to the performance of such acts as the Director deems expedient; however, subject only to such limitations as may be ordered by the Director, the Examiner to whom any matter or proceeding is referred under these rules shall have full authority to hold hearings on such matter or proceeding in accordance with and pursuant to these rules. The Examiner shall have the power to regulate all proceedings before him and to perform all acts and take all measures necessary or proper for the efficient and orderly conduct of such hearing, including the swearing of witnesses, receiving of testimony and exhibits offered in evidence, subject to such objections as may be imposed, and shall cause a complete record of the proceedings to be made and transcribed and shall certify same to the Director as hereinafter provided.

RULE 1216. HEARINGS WHICH MUST BE HELD BEFORE COMMISSION

Notwithstanding any other provisions of these rules, the hearing on any matter shall be held before the Commission (1) if it is a hearing de novo, or (2) if the Division Director in his discretion desires the Commission to hear the matter.

RULE 1217. EXAMINER'S MANNER OF CONDUCTING HEARING

An Examiner conducting a hearing under these rules shall conduct himself as a disinterested umpire.

RULE 1218. REPORT AND RECOMMENDATIONS, EXAMINER'S HEARINGS

Upon the conclusion of any hearing before an Examiner, the Examiner shall promptly consider the proceedings in such hearing, and based upon the record of such hearing the Examiner shall prepare his written report and recommendations for the disposition of the matter of proceeding by the Division. Such report and recommendations shall either be accompanied by a proposed order or shall be in the form of a proposed order, and shall be submitted to the Division Director with the certified record of the hearing.

RULE 1219. DISPOSITION OF CASES HEARD BY EXAMINERS

After receipt of the report and recommendations of the Examiner, the Division Director shall enter the Division's order disposing of the matter or proceeding.

RULE 1220. DE NOVO HEARING BEFORE COMMISSION

When any order has been entered by the Division pursuant to any hearing held by an Examiner, any party adversely affected by such order shall have the right to have such matter or proceeding heard de novo before the Commission, provided that within 30 days from the date such order is rendered such party files with the Division a written application for such hearing before the Commission. If such application is filed, the matter or proceeding shall be set for hearing before the Commission at the first available hearing date following the expiration of fifteen days from the date such application is filed with the Division. Any person affected by the order or decision rendered by the Commission after hearing before the Commission may apply for rehearing pursuant to and in accordance with the provisions of Rule 1222 and said Rule 1222 together with the law applicable to rehearing and appeals in matters and proceedings before the Commission shall thereafter apply to such matter or proceeding.

RULE 1221. NOTICE OF COMMISSION AND DIVISION ORDERS

Within ten days after any order, including any order granting or refusing rehearing, or order following rehearing, has been rendered, a copy of such order shall be mailed by the Division to each person or his attorney of record who has entered his appearance of record in the matter of proceeding pursuant to which such order is rendered.

RULE 1222. REHEARINGS

Within 20 days after entry of any order or decision of the Commission any person affected thereby may file with the Division an application for rehearing in respect of any matter determined by such order or decision, setting forth the respect in which such order or decision is believed to be erroneous. The Commission shall grant or refuse any such application in whole or in part within 10 days after the same is filed and failure to act thereon within such period shall be deemed a refusal thereof and a final disposition of such application. In the event the rehearing is granted, the Commission may enter such new order or decision after rehearing as may be required under the circumstances.

RULE 1223. CHANGES IN FORMS AND REPORTS

Any change in the forms and reports or rules relating to such forms and reports shall be made only by order of the Commission or Division issued after due notice and hearing.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

JERRY APODACA
GOVERNOR

NICK FRANKLIN
SECRETARY

April 13, 1978

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-2434

MEMORANDUM

TO: DAN NUTTER

FROM: LYNN TESCHENDORF

RE: INCORPORATION BY REFERENCE

DATE: APRIL 13, 1978

Incorporation by reference is prohibited by Art. IV, Sec. 18 of the New Mexico Constitution, which reads in part:

> "No law shall be revised or amended, or the provisions thereof extended by reference to its title only; but each section thereof as revised, amended or extended shall be set out in full."

This is also known as "blind legislation." The issue is defined in the first major case in this area, State v. Armstrong, 31 N.M. 220, 243 P. 333 (1924): "Does the act in question extend the provisions of a law by reference to its title only, and without setting them out in full?"

Examples of void statutes that were cited by the Court include:

1. All acts...declared unlawful by the 18th Amendment..or by the National Prohibition Act are hereby prohibited.

2. The law now in force governing in cases where counties are authorized to call in their floating indebtedness shall apply and govern in proceedings had by counties, cities, or incorporated towns.

3. The estate of courtesy is hereby abolished, and hereafter, upon the death of a married woman, her surviving husband shall have in her estate the same interest that the wife has in the estate of the husband upon his death under the laws of this State.

The rule is that when a new right is conferred or cause of

H

action given, the provisions of the Constitution requires the whole law to be re-enacted. A procedural statute, such as one allowing streetcar companies to condemn land in the same manner as provided by law for railroads, is constitutional, and does not conflict with the general rule. State, supra; Ballew v. Denson, 63 N.M. 370, 320 P.2d 382 (1958).

The most recent decisions on this subject have concerned the death penalty. The pertinent statute provides that "when a defendant has been convicted of a capital felony the judge shall sentence that person to death." Section 40A-29-2, N.M.S.A. 1953 Comp. The court has found that, even though "capital felony" is not defined in this particular act, the legislature is presumed to know the laws in existence. State v. Trivitt, 89 N.M. 162, 548 P.2d 442 (1976); State ex rel. Serna v. Hodges, 89 N.M. 351, 552 P.2d 787 (1976); State v. DeSantos, 89 N.M. 458, 553 P.2d 1265 (1976). And it is "a relatively simple matter to determine that the offense of first degree murder is the only offense to which Section 40A-29-2 applies."

I do not find the death penalty cases particularly helpful since they establish no principle of law to go by. We are particularly concerned with Section 65-11-2 of the Geothermal Resources Conservation Act which states in part: "It is the intent of the legislature that the power and jurisdiction of the commission...shall be supplemental to the other powers and jurisdiction given the commission by the statutes of this State."

It seems that we are extending the scope of our subpoena power, etc., and perhaps are incorporating by reference. However, no new rights are conferred nor causes of action given, which satisfies the Armstrong test.

Additionally, the legislature is presumed to know the laws in existence, which remain non-revised, non-amended, and perhaps non-extended.

I think overall that the Geothermal Act is constitutional, but since I can find arguments to the contrary, re-enacting the pertinent statutes would be the best course to follow.

dr/

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY AND MINERALS
OIL CONSERVATION DIVISION

IN THE MATTER OF THE EMERGENCY APPROVAL OF PROCEDURES FOR PUBLIC HEARINGS AND ADOPTION OF RULES, REGULATIONS, ORDERS, PERMITS, CONTRACTS, BONDS, FORMS, AND MEMORANDA FOR THE CONSERVATION OF OIL AND GAS AND GEOTHERMAL RESOURCES IN THE STATE OF NEW MEXICO.

EMERGENCY ORDER NO. E-32

NOW, at 5:01 p.m. on this 31st day of March, 1978, the Director of the Oil Conservation Division of the Department of Energy and Minerals, having fully considered all available facts relating to the subject matter herein, and being fully advised in the premises,

FINDS:

(1) That the Thirty-Third State Legislature of New Mexico, at its First Session, enacted Chapter 255, Laws of 1977, approved April 7, 1977, being An Act RELATING TO THE ESTABLISHMENT OF AN ENERGY AND MINERALS DEPARTMENT; ABOLISHING CERTAIN AGENCIES; AMENDING, REPEALING AND ENACTING CERTAIN SECTIONS OF NMSA 1953.

(2) That the effective date of the provisions of said act is March 31, 1978.

(3) That said act created the New Mexico Department of Energy and Minerals, among the divisions of which is the Oil Conservation Division, charged by the act with administering the laws and regulations relating to oil, gas, potash, and geothermal resources except those laws specifically administered by another authority.

(4) That said act amended numerous sections of the statutes relating to the conservation of oil, gas, and potash (specifically, Sections 65-3-4 through 65-3-11, N.M.S.A., 1953 Comp. Section 65-3-11.1, Sections 65-3-12 through 65-3-14, Sections 65-3-14.5 and 65-3-15, Sections 65-3-17 through 65-3-21, 65-3-23 through 65-3-25, 65-3-27, 65-3-28, 65-3-31, 65-9-2, and 65-9-4 through 65-9-7) while repealing one section, 65-3-16, and enacting two new sections, 65-3-4.1 and 65-3-22.1.

(5) That said act also amended numerous sections of the statutes relating to the conservation of geothermal resources (specifically, Sections 65-11-2 and 65-11-3, N.M.S.A., 1953 Comp., Sections 65-11-6 through 65-11-11, Sections 65-11-13 through 65-11-21, and Sections 65-11-23 and 65-11-24).

(6) That the Thirty-Third State Legislature of New Mexico, at its Second Session, enacted Chapters 58, 59, 71, and 117, Laws of 1978, each with the emergency clause, and that the first

Before Directa Ramey
Case 6198
Ex. A

three of said chapters were approved February 24, 1978, and the fourth was approved March 6, 1978.

(7) That the aforesaid Chapter 58, Laws of 1978, repealed Section 65-3-28, N.M.S.A., 1953 Comp., as amended, and enacted a new Section 65-3-28.

(8) That the aforesaid Chapter 59, Laws of 1978, repealed Section 65-9-4, N.M.S.A., 1953 Comp., as amended, and enacted a new Section 65-9-4.

(9) That the aforesaid Chapter 71, Laws of 1978, repealed Section 65-3-11 N.M.S.A., 1953 Comp., as amended, and enacted a new Section 65-3-11.

(10) That the aforesaid Chapter 117, Laws of 1978, amended Sections 65-3-11.2, 65-3-37, 65-3-38, and 72-20-14, N.M.S.A., 1953 Comp.

(11) That the purpose of all the aforesaid changes to the statutes relating to the conservation of oil, gas, potash, and geothermal resources was to transfer the administration of these laws from the New Mexico Oil Conservation Commission to the Oil Conservation Division of the New Mexico Department of Energy and Minerals.

(12) That in order for there to be an unbroken transition of the administration of oil, gas, potash, and geothermal resources conservation laws from the Oil Conservation Commission to the Oil Conservation Division of the Department of Energy and Minerals, the said Oil Conservation Division should adopt the rules, regulations, orders, permits, contracts, bonds, forms, manuals, and memoranda of the Oil Conservation Commission as its own rules, regulations, orders, permits, contracts, bonds, forms, manuals, and memoranda.

(13) That an emergency exists which requires an order of the Oil Conservation Division without notice and hearing to adopt the aforesaid rules, regulations, orders, permits, contracts, bonds, forms, manuals, and memoranda pending a public hearing on this matter.

(14) That a hearing should be held within 15 days after entry of this order to consider making the provisions of this order permanent, at least pending further hearings and orders of the Oil Conservation Division.

(15) That in order to provide a procedure for the Division to conduct hearings, this order should amend Section N, Rules of Procedure, of the New Mexico Oil Conservation Commission Rules and Regulations (for oil and gas) and Section I, Rules of Procedure, of the New Mexico Oil Conservation Commission Rules and Regulations, Geothermal Resources.

(16) That Section N, Rules of Procedure, of the New Mexico Oil Conservation Commission Rules and Regulations (for oil and gas) should be amended to read in its entirety as shown on Exhibit "A" attached hereto and made a part hereof.

(17) That Section I, Rules of Procedure, of the New Mexico Oil Conservation Commission Rules and Regulations, Geothermal Resources, should be amended to read in its entirety as shown on Exhibit "B" attached hereto and made a part hereof.

(18) That Section N, Rules of Procedure, of the New Mexico Oil Conservation Commission Rules and Regulations (for oil and gas) and Section I, Rules of Procedure of the New Mexico Oil Conservation Commission Rules and Regulations, Geothermal Resources, each as amended as described in Findings Nos. (16) and (17) above, should be adopted by the Oil Conservation Division as its own rules of procedure.

(19) That Sections B through M, inclusive, and Sections O and P of the New Mexico Oil Conservation Commission Rules and Regulations (for oil and gas) and Sections B through H, inclusive, of the New Mexico Oil Conservation Commission Rules and Regulations, Geothermal Resources, should be amended so that any reference therein to "Commission" or "Oil Conservation Commission" would read "Division" or "Oil Conservation Division," and any reference to "Secretary-Director" or "Secretary-Director of the Commission" would read "Division Director."

(20) That the forms and reports of the New Mexico Oil Conservation Commission as heretofore adopted by said Commission for the reporting of oil and gas and geothermal activities in the State of New Mexico, should be adopted by the Oil Conservation Division as its own forms and reports pending further order of the Division.

(21) That all effective contracts heretofore entered into by the New Mexico Oil Conservation Commission should be considered to be effective contracts with the Oil Conservation Division of the New Mexico Department of Energy and Minerals and should be adopted by said Division.

(22) That all effective bonds, including plugging bonds and treating plant bonds, issued by surety companies on forms promulgated by the New Mexico Oil Conservation Commission, and running to the benefit of the State of New Mexico for the use and benefit of the Oil Conservation Commission of New Mexico, should be adopted by the Oil Conservation Division of the New Mexico Department of Energy and Minerals as the successor agency to the New Mexico Oil Conservation Commission charged with administering the oil, gas, and geothermal resources conservation laws of this State.

(23) That all effective rules, regulations, orders, manuals, memoranda, and permits heretofore issued or promulgated by the

New Mexico Oil Conservation Commission in the performance of its duties of administering the oil, gas, potash and geothermal conservation laws of this state should be adopted by the Oil Conservation Division of the New Mexico Department of Energy and Minerals as its own rules, regulations, orders, manuals, memoranda, and permits, as amended herein, for use by the Division in performing its duties of administering said conservation laws.

(24) That to avoid confusion, the Oil Conservation Division should adopt and carry forward the numbering system heretofore adopted by the Oil Conservation Commission for its rules, regulations, orders, forms, permits, and memoranda.

IT IS THEREFORE ORDERED:

(1) That the effective rules, regulations, orders, permits, contracts, bonds, forms, manuals, and memoranda heretofore issued, published, promulgated, and/or approved by the New Mexico Oil Conservation Commission, as amended herein, are hereby adopted by the Oil Conservation Division of the New Mexico Department of Energy and Minerals as its own rules, regulations, orders, permits, contracts, bonds, forms, manuals, and memoranda to be used by said Oil Conservation Division in the performance of its duties in administering the laws and regulations relating to oil, gas, potash, and geothermal resources except those laws specifically administered by another authority.

(2) That Section N, Rules of Procedure, of the New Mexico Oil Conservation Commission Rules and Regulations (for oil and gas), adopted by the Oil Conservation Division as described above, is hereby amended to read in its entirety as shown on Exhibit "A" attached hereto and made a part hereof.

(3) That Section I, Rules of Procedure, of the New Mexico Oil Conservation Commission Rules and Regulations, Geothermal Resources, adopted by the Oil Conservation Division as described above, is hereby amended to read in its entirety as shown on Exhibit "B" attached hereto and made a part hereof.

(4) That Sections B through M, inclusive, and Sections O and P of the New Mexico Oil Conservation Commission Rules and Regulations (for oil and gas) and Sections B through H, inclusive, of the New Mexico Oil Conservation Commission's Rules and Regulations, Geothermal Resources, are hereby amended so that any reference therein to "Oil Conservation Commission" shall read "Oil Conservation Division" and any reference therein to "Commission" shall read "Division." Further, that the aforesaid sections are hereby amended so that any reference therein to "Secretary-Director" or "Secretary-Director of the Commission" shall read "Division Director."

(5) That all effective bonds, including plugging bonds and treating plant bonds, issued by surety companies on forms promulgated by the New Mexico Oil Conservation Commission, and running to the benefit of the State of New Mexico for the use and benefit of the Oil Conservation Commission of New Mexico, are hereby adopted by the Oil Conservation Division of the New Mexico Department of Energy and Minerals as the successor agency to the New Mexico Oil Conservation Commission charged with administering the oil, gas, potash, and geothermal conservation laws of this state.

(6) That the numbering system heretofore adopted by the New Mexico Oil Conservation Commission for its rules, regulations, orders, forms, permits, and memoranda is hereby adopted by the Oil Conservation Division and shall be carried forward pending further order.

(7) That this order shall become effective at 5:01 p.m. Mountain Standard Time, March 31, 1978, and shall remain in effect for not more than 15 days.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

S E A L

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY AND MINERALS
OIL CONSERVATION DIVISION

JOE D. RAMEY, Division Director

jr/

L. P. Thompson
Division Manager

E. L. Oshlo
Assistant Division Manager

Production Department
Hobbs Division
North American Production

Continental Oil Company
P.O. Box 460
1001 North Turner
Hobbs, New Mexico 88240
(505) 393-4141

1 3 1978

April 10, 1978

New Mexico Oil Conservation Division
Department of Energy & Minerals
Box 2088
Santa Fe, New Mexico 87501

Attention Division Director

Gentlemen:

Case 6198 on Emergency Order No. E-32

We have reviewed the revisions of Section "N" of the rules and regulations. We have no objection to these changes but would like to point out one apparent error. Rule 1204 mentions "geothermal resources" whereas the existing rules refer to "land, oil or gas". We believe that this is probably a carry-over from Exhibit "B" of the subject order.

Yours very truly,

E. L. Oshlo

VTL/jj

cc:
J. W. Kellahin, Santa Fe

Ex. A - emergency order
Ex B - Sec. IV rules & regs N.B. amend
Ex C - Sec. I geothermal regs
Ex D - oil rules & regs
Ex E - geothermal rules & regs
Ex F - Gen'l statutes
Ex G - Geothermal Act

Single spacing - unchanged
double spacing - revised

Issue 2 orders?
#1 gen'l order - permanent after E-32
#2 complete set of rules & regs
" " " forms

1. State name, occupation & by whom employed

2. Are you familiar w/ Case 6198 coming up now before the Division
3. Have you testified before the Division before & are your credentials a matter of record
— As as qualified

4. What is the purpose of this case?

5. What legislative action has occasioned the calling of this case?
generally

6. What amendments, do you propose? ~~Ex~~
~~Ex C & D Revised Statutes~~
9. Ex A — ~~NB~~ an error

~~10. Ex B~~

11 9. Any amendments & definitions?
Any other amendments
~~Ex~~.

Geothermal Res. Cons. Act 65-11-1 to 65-11-24
12. Included in Ex. G are statutes from 65-3! Why did you include them.
Anything further? (Ex H)
Offer Ex A — H

I. RULES ON PROCEDURE

RULE 701. NECESSITY FOR HEARING

Except as provided in some general rule herein, before any rule, regulation or order, including revocation, changes, renewal or extension thereof, shall be made by the Division, a public hearing before the Commission or a legally appointed Division Examiner shall be held at such time and place as may be prescribed by the Division.

RULE 702. EMERGENCY ORDERS

Notwithstanding any other provision of these rules, in case an emergency is found to exist by the Division, which, in its judgment, requires the making of a rule, regulation, or order without a hearing having first been had or concluded, such emergency rule, regulation, or order when made by the Division shall have the same validity as if a hearing with respect to the same had been held before the Division after due notice. Such emergency rule, regulation, or order shall remain in force no longer than 15 days from its effective date, and in any event, it shall expire when the rule, regulation, or order made after due notice and hearing with respect to the subject matter of such emergency rule, regulation, or order becomes effective.

RULE 703. METHOD OF INITIATING A HEARING

The Division upon its own motion, the Attorney General on behalf of the State, and any operator or producer, or any other person having a property interest may institute proceedings for a hearing. If the hearing is sought by the Division it shall be on motion of the Division and if by any other person it shall be by application. The application shall be in triplicate and shall state (1) the name of the applicant, (2) the name or general description of the common source or sources of supply or the area affected by the order sought, (3) briefly the general nature of the order, rule, or regulation sought, and (4) any other matter required by a particular rule or rules, or order of the Division. The application shall be signed by the person seeking the hearing or by his attorney.

When conditions are such as to require verbal application to place a matter for hearing on a given docket, the Division will accept such verbal application in order to meet publishing deadlines. However, if written application, filed in accordance with the procedures outlined above, has not been received by the Division's Santa Fe office at least ten days before the date of the hearing, the case will be dismissed.

Exhibit "B"
Emergency Order No. E-32

Case 6198
Ex. C

RULE 704. METHOD OF GIVING LEGAL NOTICE FOR HEARING

Notice of each hearing before the Commission and notice of each hearing before a Division Examiner shall be given by personal service on the person affected or by publication once in a newspaper of general circulation published at Santa Fe, New Mexico, and once in a newspaper of general circulation published in the county or each of the counties, if there be more than one, in which any geothermal resource or other property which may be affected is situated.

RULE 705. CONTENTS OF NOTICE OF HEARING

Such notice shall be issued in the name of "The State of New Mexico" and shall be signed by the Director of the Division, and the seal of the Commission shall be impressed thereon.

The notice shall specify whether the case is set for hearing before the Commission or before a Division Examiner and shall state the number and style of the case and the time and place of hearing and shall briefly state the general nature of the order or orders, rule or rules, regulation or regulations to be promulgated or effected. The notice shall also state the name of the petitioner or applicant, if any, and unless the contemplated order, rule, or regulation is intended to apply to and affect the entire state, it shall specify or generally describe the common source or sources of supply which may be affected by such order, rule, or regulation.

RULE 706. PERSONAL SERVICE OF NOTICE

Personal service of the notice of hearing may be made by any agent of the Division or by any person over the age of 18 years in the same manner as is provided by law for the service of summons in civil actions in the district courts of this state. Such service shall be complete at the time of such personal service or on the date of publication, as the case may be. Proof of service shall be by the affidavit of the person making personal service or of the publisher of the newspaper in which publication is had. Service of the notice shall be made at least 10 days before the hearing.

RULE 707. PREPARATION OF NOTICES

After a motion or application is filed with the Division the notice or notices required shall be prepared by the Division and service and publication thereof shall be taken care of by the Division without cost to the applicant.

RULE 708. FILING PLEADINGS: COPY DELIVERED TO ADVERSE PARTY OR PARTIES

When any party to a hearing files any pleading, plea, or motion of any character (other than application for hearing)

Exhibit "B"
Emergency Order No. E-32

which is not by law or by these rules required to be served upon the adverse party or parties, he shall at the same time either deliver or mail to the adverse party or parties who have entered their appearance therein, or their respective attorneys of record, a copy of such pleading, plea, or motion. For the purposes of these rules, an appearance of any interested party shall be made either by letter addressed to the Division or in person at any proceeding before the Commission or before an Examiner, with notice of such appearance to the parties from whom such pleadings, pleas, or motions are desired.

RULE 709. CONTINUANCE OF HEARING WITHOUT NEW SERVICE

Any hearing before the Commission or an Examiner held after due notice may be continued by the person presiding at such hearing to a specified time and place without the necessity of notice of the same being again served or published. In the event of any continuance, a statement thereof shall be made in the record of the hearing which is continued.

RULE 710. CONDUCT OF HEARINGS

Hearings before the Commission or any Examiner shall be conducted without rigid formality. A transcript of testimony shall be taken and preserved as a part of the permanent record of the Division. Any person testifying in response to a subpoena issued by the Commission or any member thereof, or the authorized representative of the Division Director, and any person seeking to testify in support of an application or motion or in opposition thereto shall be required to do so under oath. However, relevant unsworn comments and observations by any interested party will be designated as such and included in the record. Comments and observations by representatives of operators' committees, the United States Geological Survey, the United States Bureau of Mines, the New Mexico Bureau of Mines, and other competent persons are welcomed. Any Examiner legally appointed by the Division Director may conduct such hearings as may be referred to such Examiner by the Director.

RULE 711. POWER TO REQUIRE ATTENDANCE OF WITNESSES AND PRODUCTION OF EVIDENCE

The Commission or any member thereof, or the authorized representative of the Division Director has statutory power to subpoena witnesses and to require the production of books, papers, and records in any proceeding before the Commission or Division. A subpoena will be issued for attendance at a hearing upon the written request of any person interested in the subject matter of the hearing. In case of the failure of a person to comply with the subpoena issued, an attachment of the person may be issued by the district court of any district in the state, and such court has powers to punish for contempt. Any person found guilty of swearing falsely at any hearing may be punished for contempt.

Exhibit "B"
Emergency Order No. E-32

RULE 712. RULES OF EVIDENCE

Full opportunity shall be afforded all interested parties at a hearing to present evidence and to cross-examine witnesses. In general, the rules of evidence applicable in a trial before a court without a jury shall be applicable, provided that such rules may be relaxed, where, by so doing, the ends of justice will be better served. No order shall be made which is not supported by competent legal evidence.

RULE 713. EXAMINERS' QUALIFICATIONS AND APPOINTMENT

The Division Director shall, by ex parte order, designate and appoint not more than four individuals to be examiners. Each Examiner so appointed shall be a member of the staff of the Division, but no Examiner need be a full time employee of the Division. The Director may, by ex parte order, designate and appoint a successor to any person whose status as an Examiner is terminated for any reason. Each individual designated and appointed as an Examiner must have at least six years practical experience as a geologist, petroleum engineer or licensed lawyer, or at least two years of such experience and a college degree in geology, engineering, or law; provided however, that nothing herein contained shall prevent any member of the Commission from being designated as, or serving as, an Examiner.

RULE 714. REFERRAL OF CASES TO EXAMINERS

The Division Director may refer any matter or proceeding to any legally designated and appointed Examiner for hearing in accordance with these rules. The Examiner appointed to hear any specific case shall be designated by name.

RULE 715. EXAMINER'S POWER AND AUTHORITY

The Division Director may, by ex parte order, limit the powers and duties of the Examiner in any particular case to such issues or to the performance of such acts as the Director deems expedient; however, subject only to such limitations as may be ordered by the Director, the Examiner to whom any matter or proceeding is referred under these rules shall have full authority to hold hearings on such matter or proceeding in accordance with and pursuant to these rules. The Examiner shall have the power to regulate all proceedings before him and to perform all acts and take all measures necessary or proper for the efficient and orderly conduct of such hearing, including the swearing of witnesses, receiving of testimony and exhibits offered in evidence, subject to such objections as may be imposed, and shall cause a complete record of the proceedings to be made and transcribed and shall certify same to the Director as hereinafter provided.

Exhibit "B"

Emergency Order No. E-32

RULE 716. HEARINGS WHICH MUST BE HELD BEFORE COMMISSION

Notwithstanding any other provisions of these rules, the hearing on any matter shall be held before the Commission (1) if it is a hearing de novo, or (2) if the Division Director in his discretion desires the Commission to hear the matter.

RULE 717. EXAMINER'S MANNER OF CONDUCTING HEARING

An Examiner conducting a hearing under these rules shall conduct himself as a disinterested umpire.

RULE 718. REPORT AND RECOMMENDATIONS, EXAMINER'S HEARINGS

Upon the conclusion of any hearing before an Examiner, the Examiner shall promptly consider the proceedings in such hearing, and based upon the record of such hearing the Examiner shall prepare his written report and recommendations for the disposition of the matter of proceeding by the Division. Such report and recommendations shall either be accompanied by a proposed order or shall be in the form of a proposed order, and shall be submitted to the Division Director with the certified record of the hearing.

RULE 719. DISPOSITION OF CASES HEARD BY EXAMINERS

After receipt of the report and recommendations of the Examiner, the Division Director shall enter the Division's order disposing of the matter or proceeding.

RULE 720. DE NOVO HEARING BEFORE COMMISSION

When any order has been entered by the Division pursuant to any hearing held by an Examiner, any party adversely affected by such order shall have the right to have such matter or proceeding heard de novo before the Commission, provided that within 30 days from the date such order is rendered such party files with the Division a written application for such hearing before the Commission. If such application is filed, the matter or proceeding shall be set for hearing before the Commission at the first available hearing date following the expiration of fifteen days from the date such application is filed with the Division. Any person affected by the order or decision rendered by the Commission after hearing before the Commission may apply for rehearing pursuant to and in accordance with the provisions of Rule 722, and said Rule 722 together with the law applicable to rehearing and appeals in matters and proceedings before the Commission shall thereafter apply to such matter or proceeding.

Exhibit "B"
Emergency Order No. E-32

RULE 721. NOTICE OF COMMISSION AND DIVISION ORDERS

Within ten days after any order, including any order granting or refusing rehearing, or order following rehearing, has been rendered, a copy of such order shall be mailed by the Division to each person or his attorney of record who has entered his appearance of record in the matter of proceeding pursuant to which such order is rendered.

RULE 722. REHEARINGS

Within 20 days after entry of any order or decision of the Commission any person affected thereby may file with the Division an application for rehearing in respect of any matter determined by such order or decision, setting forth the respect in which such order or decision is believed to be erroneous. The Commission shall grant or refuse any such application in whole or in part within 10 days after the same is filed and failure to act thereon within such period shall be deemed a refusal thereof and a final disposition of such application. In the event the rehearing is granted, the Commission may enter such new order or decision after rehearing as may be required under the circumstances.

RULE 723. CHANGES IN FORMS AND REPORTS

Any change in the forms and reports or rules relating to such forms and reports shall be made only by order of the Commission or Division issued after due notice and hearing.

Exhibit "B"
Emergency Order No. E-32

I. RULES ON PROCEDURE

RULE 701. NECESSITY FOR HEARING

Except as provided in some general rule herein, before any rule, regulation or order, including revocation, changes, renewal or extension thereof, shall be made by the Division, a public hearing before the Commission or a legally appointed Division Examiner shall be held at such time and place as may be prescribed by the Division.

RULE 702. EMERGENCY ORDERS

Notwithstanding any other provision of these rules, in case an emergency is found to exist by the Division, which, in its judgment, requires the making of a rule, regulation, or order without a hearing having first been had or concluded, such emergency rule, regulation, or order when made by the Division shall have the same validity as if a hearing with respect to the same had been held before the Division after due notice. Such emergency rule, regulation, or order shall remain in force no longer than 15 days from its effective date, and in any event, it shall expire when the rule, regulation, or order made after due notice and hearing with respect to the subject matter of such emergency rule, regulation, or order becomes effective.

RULE 703. METHOD OF INITIATING A HEARING

The Division upon its own motion, the Attorney General on behalf of the State, and any operator or producer, or any other person having a property interest may institute proceedings for a hearing. If the hearing is sought by the Division it shall be on motion of the Division and if by any other person it shall be by application. The application shall be in triplicate and shall state (1) the name of the applicant, (2) the name or general description of the common source or sources of supply or the area affected by the order sought, (3) briefly the general nature of the order, rule, or regulation sought, and (4) any other matter required by a particular rule or rules, or order of the Division. The application shall be signed by the person seeking the hearing or by his attorney.

When conditions are such as to require verbal application to place a matter for hearing on a given docket, the Division will accept such verbal application in order to meet publishing deadlines. However, if written application, filed in accordance with the procedures outlined above, has not been received by the Division's Santa Fe office at least ten days before the date of the hearing, the case will be dismissed.

Exhibit "B"
Emergency Order No. E-32

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Notice of each hearing before the Commission and notice of each hearing before a Division Examiner shall be given by personal service on the person affected or by publication once in a newspaper of general circulation published at Santa Fe, New Mexico, and once in a newspaper of general circulation published in the county or each of the counties, if there be more than one, in which any geothermal resource or other property which may be affected is situated.

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Such notice shall be issued in the name of "The State of New Mexico" and shall be signed by the Director of the Division, and the seal of the Commission shall be impressed thereon.

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Exhibit "B"
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The Division Director may, by ex parte order, limit the powers and duties of the Examiner in any particular case to such issues or to the performance of such acts as the Director deems expedient; however, subject only to such limitations as may be ordered by the Director, the Examiner to whom any matter or proceeding is referred under these rules shall have full authority to hold hearings on such matter or proceeding in accordance with and pursuant to these rules. The Examiner shall have the power to regulate all proceedings before him and to perform all acts and take all measures necessary or proper for the efficient and orderly conduct of such hearing, including the swearing of witnesses, receiving of testimony and exhibits offered in evidence, subject to such objections as may be imposed, and shall cause a complete record of the proceedings to be made and transcribed and shall certify same to the Director as hereinafter provided.

Exhibit "B"

Emergency Order No. E-32

RULE 716. HEARINGS WHICH MUST BE HELD BEFORE COMMISSION

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RULE 718. REPORT AND RECOMMENDATIONS, EXAMINER'S HEARINGS

Upon the conclusion of any hearing before an Examiner, the Examiner shall promptly consider the proceedings in such hearing, and based upon the record of such hearing the Examiner shall prepare his written report and recommendations for the disposition of the matter of proceeding by the Division. Such report and recommendations shall either be accompanied by a proposed order or shall be in the form of a proposed order, and shall be submitted to the Division Director with the certified record of the hearing.

RULE 719. DISPOSITION OF CASES HEARD BY EXAMINERS

After receipt of the report and recommendations of the Examiner, the Division Director shall enter the Division's order disposing of the matter or proceeding.

RULE 720. DE NOVO HEARING BEFORE COMMISSION

When any order has been entered by the Division pursuant to any hearing held by an Examiner, any party adversely affected by such order shall have the right to have such matter or proceeding heard de novo before the Commission, provided that within 30 days from the date such order is rendered such party files with the Division a written application for such hearing before the Commission. If such application is filed, the matter or proceeding shall be set for hearing before the Commission at the first available hearing date following the expiration of fifteen days from the date such application is filed with the Division. Any person affected by the order or decision rendered by the Commission after hearing before the Commission may apply for rehearing pursuant to and in accordance with the provisions of Rule 722, and said Rule 722 together with the law applicable to rehearing and appeals in matters and proceedings before the Commission shall thereafter apply to such matter or proceeding.

Exhibit "B"
Emergency Order No. E-[illegible]

RULE 721. NOTICE OF COMMISSION AND DIVISION ORDERS

Within ten days after any order, including any order granting or refusing rehearing, or order following rehearing, has been rendered, a copy of such order shall be mailed by the Division to each person or his attorney of record who has entered his appearance of record in the matter of proceeding pursuant to which such order is rendered.

RULE 722. REHEARINGS

Within 20 days after entry of any order or decision of the Commission any person affected thereby may file with the Division an application for rehearing in respect of any matter determined by such order or decision, setting forth the respect in which such order or decision is believed to be erroneous. The Commission shall grant or refuse any such application in whole or in part within 10 days after the same is filed and failure to act thereon within such period shall be deemed a refusal thereof and a final disposition of such application. In the event the rehearing is granted, the Commission may enter such new order or decision after rehearing as may be required under the circumstances.

RULE 723. CHANGES IN FORMS AND REPORTS

Any change in the forms and reports or rules relating to such forms and reports shall be made only by order of the Commission or Division issued after due notice and hearing.

Exhibit "B"
Emergency Order No. E-32

N - RULES ON PROCEDURE

RULE 1201. NECESSITY FOR HEARING

Except as provided in some general rule herein, before any rule, regulation or order, including revocation, changes, renewal or extension thereof, shall be made by the Division, a public hearing before the Commission or a legally appointed Division Examiner shall be held at such time and place as may be prescribed by the Division.

RULE 1202. EMERGENCY ORDERS

Notwithstanding any other provision of these rules, in case an emergency is found to exist by the Division, which, in its judgment, requires the making of a rule, regulation, or order without a hearing having first been had or concluded, such emergency rule, regulation, or order when made by the Division shall have the same validity as if a hearing with respect to the same had been held before the Division after due notice. Such emergency rule, regulation, or order shall remain in force no longer than 15 days from its effective date, and in any event, it shall expire when the rule, regulation, or order made after due notice and hearing with respect to the subject matter of such emergency rule, regulation, or order becomes effective.

RULE 1203. METHOD OF INITIATING A HEARING

The Division upon its own motion, the Attorney General on behalf of the State, and any operator or producer, or any other person having a property interest may institute proceedings for a hearing. If the hearing is sought by the Division it shall be on motion of the Division and if by any other person it shall be by application. The application shall be in triplicate and shall state (1) the name of the applicant, (2) the name or general description of the common source or sources of supply or the area affected by the order sought, (3) briefly the general nature of the order, rule, or regulation sought, and (4) any other matter required by a particular rule or rules, or order of the Division. The application shall be signed by the person seeking the hearing or by his attorney.

When conditions are such as to require verbal application to place a matter for hearing on a given docket, the Division will accept such verbal application in order to meet publishing deadlines. However, if written application, filed in accordance with the procedures outlined above, has not been received by the Division's Santa Fe office at least ten days before the date of the hearing, the case will be dismissed.

Exhibit "A"
Emergency Order No. E-32

Ex B
Ca 6198

RULE 1204. METHOD OF GIVING LEGAL NOTICE FOR HEARING

Notice of each hearing before the Commission and notice of each hearing before a Division Examiner shall be given by personal service on the person affected or by publication once in a newspaper of general circulation published at Santa Fe, New Mexico, and once in a newspaper of general circulation published in the county or ~~each of the counties~~, if there be more than one, in which any geothermal resource or other property which may be affected ~~is situated~~.

RULE 1205. CONTENTS OF NOTICE OF HEARING

Such notice shall be issued in the name of "The State of New Mexico" and shall be signed by the Director of the Division, and the seal of the Commission shall be impressed thereon.

The notice shall specify whether the case is set for hearing before the Commission or before a Division Examiner and shall state the number and style of the case and the time and place of hearing and shall briefly state the general nature of the order or orders, rule or rules, regulation or regulations to be promulgated or effected. The notice shall also state the name of the petitioner or applicant, if any, and unless the contemplated order, rule, or regulation is intended to apply to and affect the entire state, it shall specify or generally describe the common source or sources of supply which may be affected by such order, rule, or regulation.

RULE 1206. PERSONAL SERVICE OF NOTICE

Personal service of the notice of hearing may be made by any agent of the Division or by any person over the age of 18 years in the same manner as is provided by law for the service of summons in civil actions in the district courts of this state. Such service shall be complete at the time of such personal service or on the date of publication, as the case may be. Proof of service shall be by the affidavit of the person making personal service or of the publisher of the newspaper in which publication is had. Service of the notice shall be made at least 10 days before the hearing.

RULE 1207. PREPARATION OF NOTICES

After a motion or application is filed with the Division the notice or notices required shall be prepared by the Division and service and publication thereof shall be taken care of by the Division without cost to the applicant.

RULE 1208. FILING PLEADINGS: COPY DELIVERED TO ADVERSE PARTY OR PARTIES

When any party to a hearing files any pleading, plea, or motion of any character (other than application for hearing)

which is not by law or by these rules required to be served upon the adverse party or parties, he shall at the same time either deliver or mail to the adverse party or parties who have entered their appearance therein, or their respective attorneys of record, a copy of such pleading, plea, or motion. For the purposes of these rules, an appearance of any interested party shall be made either by letter addressed to the Division or in person at any proceeding before the Commission or before an Examiner, with notice of such appearance to the parties from whom such pleadings, pleas, or motions are desired.

RULE 1209. CONTINUANCE OF HEARING WITHOUT NEW SERVICE

Any hearing before the Commission or an Examiner held after due notice may be continued by the person presiding at such hearing to a specified time and place without the necessity of notice of the same being again served or published. In the event of any continuance, a statement thereof shall be made in the record of the hearing which is continued.

RULE 1210. CONDUCT OF HEARINGS

Hearings before the Commission or any Examiner shall be conducted without rigid formality. A transcript of testimony shall be taken and preserved as a part of the permanent record of the Division. Any person testifying in response to a subpoena issued by the Commission or any member thereof, or the authorized representative of the Division Director, and any person seeking to testify in support of an application or motion or in opposition thereto shall be required to do so under oath. However, relevant unsworn comments and observations by any interested party will be designated as such and included in the record. Comments and observations by representatives of operators' committees, the United States Geological Survey, the United States Bureau of Mines, the New Mexico Bureau of Mines, and other competent persons are welcomed. Any Examiner legally appointed by the Division Director may conduct such hearings as may be referred to such Examiner by the Director.

RULE 1211. POWER TO REQUIRE ATTENDANCE OF WITNESSES AND PRODUCTION OF EVIDENCE

The Commission or any member thereof, or the authorized representative of the Division Director has statutory power to subpoena witnesses and to require the production of books, papers, and records in any proceeding before the Commission or Division. A subpoena will be issued for attendance at a hearing upon the written request of any person interested in the subject matter of the hearing. In case of the failure of a person to comply with the subpoena issued, an attachment of the person may be issued by the district court of any district in the state, and such court has powers to punish for contempt. Any person found guilty of swearing falsely at any hearing may be punished for contempt.

RULE 1212. RULES OF EVIDENCE

Full opportunity shall be afforded all interested parties at a hearing to present evidence and to cross-examine witnesses. In general, the rules of evidence applicable in a trial before a court without a jury shall be applicable, provided that such rules may be relaxed, where, by so doing, the ends of justice will be better served. No order shall be made which is not supported by competent legal evidence.

RULE 1213. EXAMINERS' QUALIFICATIONS AND APPOINTMENT

The Division Director shall, by ex parte order, designate and appoint not more than four individuals to be examiners. Each Examiner so appointed shall be a member of the staff of the Division, but no Examiner need be a full time employee of the Division. The Director may, by ex parte order, designate and appoint a successor to any person whose status as an Examiner is terminated for any reason. Each individual designated and appointed as an Examiner must have at least six years practical experience as a geologist, petroleum engineer or licensed lawyer, or at least two years of such experience and a college degree in geology, engineering, or law; provided however, that nothing herein contained shall prevent any member of the Commission from being designated as, or serving as, an Examiner.

RULE 1214. REFERRAL OF CASES TO EXAMINERS

The Division Director may refer any matter or proceeding to any legally designated and appointed Examiner for hearing in accordance with these rules. The Examiner appointed to hear any specific case shall be designated by name.

RULE 1215. EXAMINER'S POWER AND AUTHORITY

The Division Director may, by ex parte order, limit the powers and duties of the Examiner in any particular case to such issues or to the performance of such acts as the Director deems expedient; however, subject only to such limitations as may be ordered by the Director, the Examiner to whom any matter or proceeding is referred under these rules shall have full authority to hold hearings on such matter or proceeding in accordance with and pursuant to these rules. The Examiner shall have the power to regulate all proceedings before him and to perform all acts and take all measures necessary or proper for the efficient and orderly conduct of such hearing, including the swearing of witnesses, receiving of testimony and exhibits offered in evidence, subject to such objections as may be imposed, and shall cause a complete record of the proceedings to be made and transcribed and shall certify same to the Director as hereinafter provided.

RULE 1216. HEARINGS WHICH MUST BE HELD BEFORE COMMISSION

Notwithstanding any other provisions of these rules, the hearing on any matter shall be held before the Commission (1) if it is a hearing de novo, or (2) if the Division Director in his discretion desires the Commission to hear the matter.

RULE 1217. EXAMINER'S MANNER OF CONDUCTING HEARING

An Examiner conducting a hearing under these rules shall conduct himself as a disinterested umpire.

RULE 1218. REPORT AND RECOMMENDATIONS, EXAMINER'S HEARINGS

Upon the conclusion of any hearing before an Examiner, the Examiner shall promptly consider the proceedings in such hearing, and based upon the record of such hearing the Examiner shall prepare his written report and recommendations for the disposition of the matter of proceeding by the Division. Such report and recommendations shall either be accompanied by a proposed order or shall be in the form of a proposed order, and shall be submitted to the Division Director with the certified record of the hearing.

RULE 1219. DISPOSITION OF CASES HEARD BY EXAMINERS

After receipt of the report and recommendations of the Examiner, the Division Director shall enter the Division's order disposing of the matter or proceeding.

RULE 1220. DE NOVO HEARING BEFORE COMMISSION

When any order has been entered by the Division pursuant to any hearing held by an Examiner, any party adversely affected by such order shall have the right to have such matter or proceeding heard de novo before the Commission, provided that within 30 days from the date such order is rendered such party files with the Division a written application for such hearing before the Commission. If such application is filed, the matter or proceeding shall be set for hearing before the Commission at the first available hearing date following the expiration of fifteen days from the date such application is filed with the Division. Any person affected by the order or decision rendered by the Commission after hearing before the Commission may apply for rehearing pursuant to and in accordance with the provisions of Rule 1222 and said Rule 1222 together with the law applicable to rehearing and appeals in matters and proceedings before the Commission shall thereafter apply to such matter or proceeding.

RULE 1221. NOTICE OF COMMISSION AND DIVISION ORDERS

Within ten days after any order, including any order granting or refusing rehearing, or order following rehearing, has been rendered, a copy of such order shall be mailed by the Division to each person or his attorney of record who has entered his appearance of record in the matter of proceeding pursuant to which such order is rendered.

RULE 1222. REHEARINGS

Within 20 days after entry of any order or decision of the Commission any person affected thereby may file with the Division an application for rehearing in respect of any matter determined by such order or decision, setting forth the respect in which such order or decision is believed to be erroneous. The Commission shall grant or refuse any such application in whole or in part within 10 days after the same is filed and failure to act thereon within such period shall be deemed a refusal thereof and a final disposition of such application. In the event the rehearing is granted, the Commission may enter such new order or decision after rehearing as may be required under the circumstances.

RULE 1223. CHANGES IN FORMS AND REPORTS

Any change in the forms and reports or rules relating to such forms and reports shall be made only by order of the Commission or Division issued after due notice and hearing.

65-3-1.1. SHORT TITLE.--Sections 65-3-1.1 through 65-3-31 and 65-3-35 and 65-3-36 NMSA 1953 may be cited as the "Oil and Gas Act".

65-3-2. WASTE PROHIBITED.

The production or handling of crude petroleum oil or natural gas of any type or in any form, or the handling of products thereof, in such manner or under such conditions or in such amounts as to constitute or result in waste is each hereby prohibited.

65-3-3. WASTE - DEFINITIONS.

As used in this act, the term "waste," in addition to its ordinary meaning, shall include:

A. "underground waste" as those words are generally understood in the oil and gas business, and in any event to embrace the inefficient, excessive, or improper, use or dissipation of the reservoir energy, including gas energy and water drive, of any pool, and the locating, spacing, drilling, equipping, operating, or producing, of any well or wells in a manner to reduce or tend to reduce the total quantity of crude petroleum oil or natural gas ultimately recovered from any pool, and the use of inefficient underground storage of natural gas.

B. "Surface Waste" as those words are generally understood in the oil and gas business, and in any event to embrace the unnecessary or excessive surface loss or destruction without beneficial use, however caused, of natural gas of any type or in any form or crude petroleum oil, or any product thereof, but including the loss or destruction, without beneficial use, resulting from evaporation, seepage, leakage or fire, especially such loss or destruction incident to or resulting from the manner of spacing, equipping, operating, or producing, well or wells, or incident to or resulting from the use of inefficient storage or from the production of crude petroleum oil or natural gas in excess of the reasonable market demand.

C. The production of crude petroleum oil in this state in excess of the reasonable market demand for such crude petroleum oil. Such excess production causes or results in waste which is prohibited by this act. The words "reasonable market demand," as used herein with respect to crude petroleum oil, shall be construed to mean the demand for such crude petroleum oil for reasonable current requirements for current consumption and use within or outside the state, together with the demand for such amounts as are reasonably necessary for building up or maintaining reasonable storage reserves of crude petroleum oil or the products thereof, or both such crude petroleum oil and products.

D. The non-ratable purchase or taking of crude petroleum oil in this state. Such non-ratable taking and purchasing causes or results in waste, as defined in the subsections (a), (b), (c) of this section and causes waste by violating Section 12 [65-3-13] of this act.

E. The production in this state of natural gas from any gas well or wells, or from any gas pool, in excess of the reasonable market demand from such source for natural gas of the type produced or in excess of the capacity of gas transportation facilities for such type of natural gas. The words "reasonable market demand," as used herein with respect to natural gas, shall be construed to mean the demand for natural gas for reasonable current requirements, for current consumption and for use within or outside the state, together with the demand for such amounts as are necessary for building up or maintaining reasonable storage reserves of natural gas or products thereof, or both such natural gas and products.

F. Drilling or producing operations for oil or gas within any area containing commercial deposits of potash where such operations would have the effect unduly to reduce the total quantity of such commercial deposits of potash which may reasonably be recovered in commercial quantities or where such operations would interfere unduly with the orderly commercial development of such potash deposits.

65-3-4. OIL CONSERVATION COMMISSION--MEMBERS--TERM--OFFICERS--QUORUM--POWER TO ADMINISTER OATHS.--There is hereby created an oil conservation commission, hereinafter in this act called the "commission" to be composed of the commissioner of public lands, the state geologist and the director of the oil conservation division. No salary or compensation shall be paid any member of the commission for his services as a member thereof. The term of office of each member of the commission shall be concurrent with the other office held by him. The commission shall organize by electing a chairman from its membership. Two members of the commission shall constitute a quorum for all purposes. The commission shall adopt a seal and such a seal affixed to any paper signed by the director of the oil conservation division shall be prima facie evidence of the due execution thereof. The attorney general shall be the attorney for the commission. Any member of the commission, or the director of the oil conservation division, or any employee of the commission or division, shall have power to administer oaths to any witness in any hearing, investigation or proceeding contemplated by this act or by any other law of this state relating to the conservation of oil and gas.

65-3-4.1 OIL CONSERVATION DIVISION--DIRECTOR--STATE PETROLEUM ENGINEER.--

A. The director of the oil conservation division shall be known as the state petroleum engineer.

B. The director shall be appointed by the secretary of the energy and minerals department and shall:

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Ex. F

a resident of this state; and

(2) be registered by the state board of registration for professional engineers and land surveyors as a petroleum engineer; or

(3) by virtue of education and experience have expertise in the field of petroleum engineering."

65-3-5. COMMISSION'S AND DIVISION'S POWERS AND DUTIES.--

A. The division shall have, and is hereby given, jurisdiction and authority over all matters relating to the conservation of oil and gas and the prevention of waste of potash as a result of oil or gas operations in this state. It shall have jurisdiction, authority and control of and over all persons, matters or things necessary or proper to enforce effectively the provisions of this act or any other law of this state relating to the conservation of oil or gas and the prevention of waste of potash as a result of oil or gas operations.

B. The commission shall have concurrent jurisdiction and authority with the division to the extent necessary for the commission to perform its duties as required by law.

65-3-6. RULES OF PROCEDURE IN HEARINGS--MANNER OF GIVING NOTICE --RECORD OF RULES, REGULATIONS AND ORDERS.--The division shall prescribe its rules of order or procedure in hearing or other proceedings before it under this act. Any notice required to be given under this act or under any rule, regulation or order prescribed by the commission or division shall be by personal service on the person affected, or by publication once in a newspaper of general circulation published at Santa Fe, New Mexico, and once in a newspaper of general circulation published in the county, or each of the counties if there be more than one, in which any land, oil or gas or other property which may be affected shall be situated. Such notice shall issue in the name of "the state of New Mexico" and shall be signed by the director of the division, and the seal of the commission shall be impressed thereon, and it shall specify the number and style of the case, and the time and place of hearing, shall briefly state the general nature of the order or orders, rule or rules, or regulation or regulations contemplated by the division on its own motion or sought in a proceeding brought before the commission or division, the name of the petitioner, or applicant, and, unless the order, rule or regulation is intended to apply to and affect the entire state, it shall specify or generally describe the common source or sources of supply that may be affected by such order, rule or regulation. Personal service thereof may be made by any agent of the division or by any person over the age of eighteen years, in the same manner as is provided by law for the service of summons in civil actions in the district courts of this state. Such service shall be complete at the time of such personal service or on the date of such publication, as the case may be. Proof of service shall be the affidavit of the person making personal service, or of the publisher of the newspaper in which publication is had, as the case may be. All rules, regulations and orders made by the commission or division shall be entered in full by the director thereof in a book to be kept for such purpose by the division, which shall be a public record and open to inspection at all times during reasonable office hours. A copy of any such rule, regulation or order, certified by the director of the division under the seal of the commission, shall be received in evidence in all courts of the state with the same effect as the original.

65-3-7. SUBPOENA POWER--IMMUNITY OF NATURAL PERSONS REQUIRED TO TESTIFY.--The commission, or any member thereof, or the director of the division or his authorized representative, is hereby empowered to subpoena witnesses, to require their attendance and giving of testimony before it, and to require the production of books, papers and records in any proceeding before the commission or the division. No person shall be excused from attending and testifying or from producing books, papers and records before the commission or the division, or

from obedience to the subpoena of the said commission or division, whether such subpoena be signed or issued by one or more of the members of the said commission, or the director of the division, in any hearing, investigation or proceeding held by or before the said commission or division or in any cause or proceeding in any court by or against the said commission or division, relative to matters within the jurisdiction of said commission or division, on the ground or for the reason that the testimony or evidence, documentary or otherwise, required of him may tend to incriminate him or subject him to a penalty or forfeiture; provided that nothing herein contained shall be construed as requiring any person to produce any books, papers or records, or to testify in response to any inquiry, not pertinent to some question lawfully before such commission or division or court for determination. No natural person shall be subjected to criminal prosecution, or to any penalty or forfeiture for or on account of any transaction, matter or thing concerning which he may be required to testify, or produce evidence, documentary or otherwise before said commission or division, or in obedience to its subpoena, or in any cause or proceeding, provided, that no person testifying shall be exempted from prosecution and punishment for perjury committed in so testifying.

65-3-8. FAILURE OR REFUSAL TO COMPLY WITH SUBPOENA--REFUSAL TO TESTIFY--BODY ATTACHMENT--CONTEMPT.--In case of failure or refusal on the part of any person to comply with any subpoena issued by said commission or any member thereof, or the director of the division or his authorized representative, or on the refusal of any witness to testify or answer as to any matters regarding which he may be lawfully interrogated, any district court in this state, or any judge thereof, on application of said commission or division, may issue an attachment for such person and compel him to comply with such subpoena and to attend before the commission or division and produce such documents, and give his testimony upon such matters as may be lawfully required, and such court or judge shall have the power to punish for contempt as in case of disobedience of a like subpoena issued by or from such court, or a refusal to testify therein."

"65-3-9. PERJURY--PUNISHMENT.--If any person of whom an oath shall be required under the provisions of this act, or by any rule, regulation or order of the commission or division, shall willfully swear falsely in regard to any matter or thing respecting which such oath is required, or shall willfully make any false report or affidavit required or authorized by the provisions of this act, or by any rule, regulation or order of the commission or division, such person shall be deemed guilty of perjury and shall be punished by imprisonment in the state penitentiary for not more than five years nor less than six months.

65-3-10. POWER OF COMMISSION AND DIVISION TO PREVENT WASTE AND PROTECT CORRELATIVE RIGHTS.--

A. The division is hereby empowered, and it is its duty, to prevent waste prohibited by this act and to protect correlative rights, as in this act provided. To that end, the division is empowered to make and enforce rules, regulations and orders, and to do whatever may be reasonably necessary to carry out the purpose of this act, whether or not indicated or specified in any section hereof.

B. The commission shall have concurrent jurisdiction and authority with the division to the extent necessary for the commission to perform its duties as required by law.

65-3-11. ENUMERATION OF POWERS.--

A. Included in the power given to the division is the authority to collect data; to make investigations and inspections; to examine properties, leases, papers, books and records; to examine, check, test and gauge oil and gas wells, and tanks, plants, refineries, and all means and modes of transportation and equipment; to

hold hearings; to provide for the keeping of records and the making of reports and for the checking of the accuracy thereof; to limit and prorate production of crude petroleum oil or natural gas, or both, as in this act provided; to require either generally or in particular areas certificates of clearance or tenders in connection with the transportation of crude petroleum oil or natural gas or any products thereof, or both such oil and products, or both such natural gas and products.

B. Apart from any authority, express or implied, elsewhere given to or existing in the division by virtue of this act or the statutes of this state, the division is hereby authorized to make rules, regulations and orders for the purposes and with respect to the subject matter stated herein, viz.:

(1) 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; the division shall require a corporate surety bond in a sum not to exceed fifty thousand dollars ($50,000) conditioned for the performance of such regulations;

(2) to prevent crude petroleum oil, natural gas, or water from escaping from strata in which they are found into another stratum or other strata;

(3) to require reports showing locations of all oil or gas wells, and for the filing of logs and drilling records or reports;

(4) to prevent the drowning by water of any stratum or part thereof capable of producing oil or gas, or both oil and gas, in paying quantities, and to prevent the premature and irregular encroachment of water, or any other kind of water encroachment, which reduces or tends to reduce the total ultimate recovery of crude petroleum oil or gas, or both such oil and gas, from any pool;

(5) to prevent fires;

(6) to prevent "blow-outs" and "caving" in the sense that the conditions indicated by such terms are generally understood in the oil and gas business;

(7) to require wells to be drilled, operated and produced in such manner as to prevent injury to neighboring leases or properties;

(8) to identify the ownership of oil or gas producing leases, properties, wells, tanks, refineries, pipelines, plants, structures, and all transportation equipment and facilities;

(9) to require the operation of wells with efficient gas-oil ratios and to fix such ratios;

(10) to fix the spacing of wells;

(11) to determine whether a particular well or pool is a gas or oil well, or a gas or oil pool, as the case may be, and from time to time to classify and reclassify wells and pools accordingly;

(12) to determine the limits of any pool or pools producing crude petroleum oil or natural gas or both, and from time to time redetermine such limits;

(13) to regulate the methods and devices employed for storage in this state of oil or natural gas or of any product thereof including subsurface storage;

(14) to permit the injection of natural gas or of any other substance into any pool in this state for the purpose of repressuring, cycling, pressure maintenance, secondary or any other enhanced recovery operation;

(15) to regulate the disposition of water produced or used in connection with the drilling for or producing of oil or gas, or both, and to direct surface or subsurface disposal of such water in a manner that will afford reasonable protection against contamination of fresh water supplies designated by the state engineer;

(16) to determine the limits of any area containing commercial potash deposits and from time to time redetermine such

limits;

(17) to regulate and where necessary prohibit drilling or producing operations for oil or gas within any area containing commercial deposits of potash where such operations would have the effect unduly to reduce the total quantity of such commercial deposits of potash which may reasonably be recovered in commercial quantities or where such operations would interfere unduly with the orderly commercial development of such potash deposits; or

(18) to spend the oil and gas reclamation fund and do all acts necessary and proper to plug dry and abandoned oil and gas wells in accordance with the provisions of the Oil and Gas Act and the Public Purchases Act including disposing of salvageable equipment and material removed from oil and gas wells being plugged by the state.

65-3-11.1. ADDITIONAL POWERS OF COMMISSION OR DIVISION--HEARINGS BEFORE EXAMINER--HEARINGS DE NOVO.--In addition to the powers and authority, either express or implied, granted to the oil conservation commission or division by virtue of the statutes of the state of New Mexico, the division is hereby authorized and empowered in prescribing its rules or order or procedure in connection with hearings or other proceedings before the division to provide for the appointment of one or more examiners to be members of the staff of the division to conduct hearings with respect to matters properly coming before the division and to make reports and recommendations to the director of the division with respect thereto. Any member of the commission or the director of the division or his authorized representative may serve as an examiner as provided herein. The division shall promulgate rules and regulations with regard to hearings to be conducted before examiners and the powers and duties of the examiners in any particular case may be limited by order of the division to particular issues or to the performance of particular acts. In the absence of any limiting order, an examiner appointed to hear any particular case shall have the power to regulate all proceedings before him and to perform all acts and take all measures necessary or proper for the efficient and orderly conduct of such hearing, including the swearing of witnesses, receiving of testimony and exhibits offered in evidence subject to such objections as may be imposed, and shall cause a complete record of the proceeding to be made and transcribed and shall certify the same to the director of the division for consideration together with the report of the examiner and his recommendations in connection therewith. The director of the division shall base the decision rendered in any matter or proceeding heard by an examiner, upon the transcript of testimony and record made by or under the supervision of the examiner in connection with such proceeding, and such decision shall have the same force and effect as if said hearing had been conducted before the director of the division. When any matter or proceeding is referred to an examiner and a decision is rendered thereon, any party adversely affected shall have the right to have said matter heard de novo before the commission upon application filed with the division within thirty days from the time any such decision is rendered.

65-3-11.2. BONDING REQUIREMENT.--

A. Each person, firm, corporation or association who operates any oil, gas or service well within the state shall, as a condition precedent to drilling or producing the well, furnish a surety bond to the oil conservation division running to the benefit of the state of New Mexico, conditioned that the well be plugged and abandoned in compliance with the rules and regulations of the oil conservation division. The oil conservation division shall establish categories of surety bonds after notice and hearing. Such categories shall include a blanket plugging bond in an amount not to exceed fifty thousand dollars ($50,000) and one-well plugging bonds in amounts determined sufficient to reasonably pay the cost of plugging the wells covered by each bond. In establishing categories of bonds, the

oil conservation division shall consider the depth of the well involved, the length of time since the well was produced, the cost of plugging similar wells and such other factors as the oil conservation division deems relevant. In addition to the blanket plugging bond, the oil conservation division may require a one-well bond on any well that has been held in a temporarily abandoned status for more than two years. All bonds shall remain in force and effect until released by the oil conservation division. The oil conservation division shall release a bond when it is satisfied the conditions thereof have been fully performed.

B. If any of the requirements of the Oil and Gas Act or the rules and regulations promulgated pursuant thereto have not been complied with, the division, after notice and hearing, may order any well plugged and abandoned by the operator or surety, or both, in accordance with division rules and regulations. If the order is not complied with, in the time period set out in the order, the surety bond shall be forfeited.

C. When any bond is forfeited pursuant to the provisions of the Oil and Gas Act or rules and regulations promulgated pursuant thereto, the director shall give notice to the attorney general who shall collect the forfeiture without delay.

D. All forfeitures shall be deposited in the state treasury in the oil and gas reclamation fund.

E. When the surety bond proves insufficient to cover the cost of plugging oil and gas wells on land other than federal land and funds must be expended from the oil and gas reclamation fund to meet the additional expenses, the oil conservation division is authorized to bring suit against the operator in the district court of the county in which the well is located for indemnification for all costs incurred by the oil conservation division in plugging the well. All funds collected pursuant to a judgment in a suit for indemnification brought under the provisions of this section shall be deposited in the oil and gas reclamation fund."

"65-3-12. ALLOCATION OF ALLOWABLE PRODUCTION AMONG FIELDS WHEN DIVISION LIMITS TOTAL AMOUNT OF PRODUCTION.--Whenever, to prevent waste, the division limits the total amount of crude petroleum oil to be produced in this state, it shall allocate or distribute the allowable productions among the fields of the state. Such allocation or distribution among the fields of the state shall be made on a reasonable basis, giving, if reasonable under all circumstances, to each pool with small wells of settled production, an allowable production which will prevent a general premature abandonment of the wells in the field.

65-3-13. ALLOCATION OF ALLOWABLE PRODUCTION IN FIELD OR POOL.--

A. Whenever, to prevent waste, the total allowable production of crude petroleum oil for any field or pool in the state is fixed by the division in an amount less than that which the field or pool could produce if no restriction were imposed, the division shall prorate or distribute the allowable production among the producers in the field or pool, upon a reasonable basis and recognizing correlative rights.

B. Crude petroleum oil produced within the allowable as fixed by the division shall herein be referred to as "legal oil" and crude petroleum oil produced in excess of such allowable shall be "illegal oil".

C. Whenever, to prevent waste, the total allowable natural gas production from gas wells producing from any pool in this state is fixed by the division in an amount less than that which the pool could produce if no restrictions were imposed, the division shall allocate the allowable production among the gas wells in the pool delivering to a gas transportation facility upon a reasonable basis

and recognizing correlative rights, and shall include in the proration schedule of such pool any well which it finds is being unreasonably discriminated against through denial of access to a gas transportation facility which is reasonably capable of handling the type of gas produced by such well. In protecting correlative rights the division may give equitable consideration to acreage, pressure, open flow, porosity, permeability, deliverability and quality of the gas and to such other pertinent factors as may from time to time exist, and in so far as is practicable, shall prevent drainage between producing tracts in a pool which is not equalized by counterdrainage. In allocating production pursuant to the provisions of this subsection, the division shall fix proration periods of not less than six months. It shall determine reasonable market demand and make allocations of production during each such period, upon notice and hearing, at least thirty days prior to the beginning of each proration period. In so far as is feasible and practicable, gas wells having an allowable in a pool shall be regularly produced in proportion to their allowables in effect for the current proration period. Without approval of the division or one of its duly authorized agents, no natural gas well or pool shall be allowed to produce natural gas in excess of the allowable assigned to such source during any proration period; provided, that during an emergency affecting a gas transportation facility a gas well or pool having high deliverability into such facility under prevailing conditions may produce and deliver in excess of its allowable for the period of emergency, not exceeding ten days, without penalty. The division may order subsequent changes in allowables for wells and pools to make fair and reasonable adjustment for overage resulting from the emergency. The provisions of this subsection shall not apply to any wells or pools used for storage and withdrawal from storage of natural gas originally produced not in violation of this act or the rules, regulations or orders of the division.

D. In fixing the allowable of a pool under Subsection C of this section, the division shall consider nominations of purchasers but shall not be bound thereby and shall so fix pool allowables as to prevent unreasonable discrimination between pools served by the same gas transportation facility by a purchaser purchasing in more than one pool.

E. Natural gas produced from gas wells within the allowable as determined as provided in Subsection C of this section shall herein be referred to as "legal gas", and natural gas produced in excess of such allowable shall be "illegal gas".

65-3-14. EQUITABLE ALLOCATION OF ALLOWABLE PRODUCTION--POOLING--SPACING.--

A. The rules, regulations or orders of the division shall, so far as it is practicable to do so, afford to the owner of each property in a pool the opportunity to produce his just and equitable share of the oil or gas, or both, in the pool, being an amount, so far as can be practically determined, and so far as such can be practicably obtained without waste, substantially in the proportion that the quantity of the recoverable oil or gas, or both, under such property bears to the total recoverable oil or gas, or both, in the pool, and for this purpose to use his just and equitable share of the reservoir energy.

B. The division may establish a proration unit for each pool, such being the area that can be efficiently and economically drained and developed by one well, and in so doing the division shall consider the economic loss caused by the drilling of unnecessary wells, the protection of correlative rights, including those of royalty owners, the prevention of waste, the avoidance of the augmentation of risks arising from the drilling of an excessive number of wells, and the prevention of reduced recovery which might result from the drilling of too few wells.

C. When two or more separately owned tracts of land are embraced within a spacing or proration unit, or where there are owners of royalty interests or undivided interests in oil and gas minerals which are separately owned or any combination thereof, embraced within such spacing or proration unit, the owner or owners thereof may validly pool their interests and develop their lands as a unit. Where, however, such owner or owners have not agreed to pool their interests, and where one such separate owner, or owners, who has the right to drill has drilled or proposes to drill a well on said unit to a common source of supply, the division, to avoid the drilling of unnecessary wells or to protect correlative rights, or to prevent waste, shall pool all or any part of such lands or interests or both in the spacing or proration unit as a unit.

All orders effecting such pooling shall be made after notice and hearing, and shall be upon such terms and conditions as are just and reasonable and will afford to the owner or owners of each tract or interest in the unit the opportunity to recover or receive without unnecessary expense his just and fair share of the oil or gas, or both. Each order shall describe the lands included in the unit designated thereby, identify the pool or pools to which it applies and designate an operator for the unit. All operations for the pooled oil or gas, or both, which are conducted on any portion of the unit shall be deemed for all purposes to have been conducted upon each tract within the unit by the owner or owners of such tract. For the purpose of determining the portions of production owned by the persons owning interests in the pooled oil or gas, or both, such production shall be allocated to the respective tracts within the unit in the proportion that the number of surface acres included within each tract bears to the number of surface acres included in the entire unit. The portion of the production allocated to the owner or owners of each tract or interest included in a well spacing or proration unit formed by a pooling order shall, when produced, be considered as produced from the separately owned tract or interest by a well drilled thereon. Such pooling order of the division shall make definite provision as to any owner, or owners, who elects not to pay his proportionate share in advance for the prorata reimbursement solely out of production to the parties advancing the costs of the development and operation, which shall be limited to the actual expenditures required for such purpose not in excess of what are reasonable, but which shall include a reasonable charge for supervision and may include a charge for the risk involved in the drilling of such well, which charge for risk shall not exceed two hundred percent of the nonconsenting working interest owner's or owners' prorata share of the cost of drilling and completing the well.

In the event of any dispute relative to such costs, the division shall determine the proper costs after due notice to interested parties and a hearing thereon. The division is specifically authorized to provide that the owner or owners drilling, or paying for the drilling, or for the operation of a well for the benefit of all shall be entitled to all production from such well which would be received by the owner, or owners, for whose benefit the well was drilled or operated, after payment of royalty as provided in the lease, if any, applicable to each tract or interest, and obligations payable out of production, until the owner or owners drilling or operating the well or both have been paid the amount due under the terms of the pooling order or order settling such dispute. No part of the production or proceeds accruing to any owner or owners of a separate interest in such unit shall be applied toward the payment of any cost properly chargeable to any other interest in said unit.

If the interest of any owner or owners of any unleased mineral interest is pooled by virtue of this act, seven-eighths of such interest shall be considered as a working interest and one-eighth shall be considered a royalty interest, and he shall in all events be paid one-

eighth of all production from the unit and creditable to his interest.

D. Minimum allowable for some wells may be advisable from time to time, especially with respect to wells already drilled when this act takes effect, to the end that the production will repay reasonable lifting cost and thus prevent premature abandonment and resulting waste.

E. Whenever it appears that the owners in any pool have agreed upon a plan for the spacing of wells, or upon a plan or method of distribution of any allowable fixed by the division for the pool, or upon any other plan for the development or operation of such pool, which plan, in the judgment of the division, has the effect of preventing waste as prohibited by this act and is fair to the royalty owners in such pool, then such plan shall be adopted by the division with respect to such pool; however, the division, upon hearing and after notice, may subsequently modify any such plan to the extent necessary to prevent waste as prohibited by this act.

F. After the effective date of any rule, regulation or order fixing the allowable production, no person shall produce more than the allowable production applicable to him, his wells, leases or properties determined as in this act provided, and the allowable production shall be produced in accordance with the applicable rules, regulations or orders.

65-3-14.1. COURT MAY AUTHORIZE POOLING OR UNITIZATION BY FIDUCIARIES.

Repealed 1976

When an existing oil and gas lease upon property owned by a decedent at the time of his death, by a minor, or by an incompetent, does not authorize pooling or unitization thereof with other lands in the vicinity, the district court for the county in which any portion of the lands subject to said lease is situated can authorize the executor or administrator of the estate of the decedent, or the guardian of the minor or incompetent, to execute appropriate instruments authorizing or effectuating such pooling or unitization, or both, if the court finds it to be in the interest of the owners of such property.

65-3-14.2. PETITION OF FIDUCIARY FOR AUTHORITY TO EXECUTE INSTRUMENT - CONTENTS.

An executor, administrator or guardian desiring authorization to execute such instruments shall file a verified petition in the appropriate district court setting forth a description of the lease, the lands subject thereto and the reason that the proposed action is in the interest of the owners of the affected real estate. A copy of the instrument by which such pooling or unitization is proposed to be authorized or effectuated shall be attached to the petition.

65-3-14.3. NOTICE OF HEARING.

No notice of the hearing upon the petition shall be required; provided, however, that the court in its discretion may require such notice as it may direct to be given to affected parties.

65-3-14.4. COURT ORDER - EFFECT.

Upon entry of an order of the court authorizing execution of the proposed instrument in the form attached to the petition, or with such modification as the court may direct, and execution thereof by the executor, administrator or guardian, the interest in the property owned by the decedent at the time of death, or by the ward, shall be subject in all respects to the terms of said instrument and the executor, administrator or guardian, without further order of the court, shall be authorized to execute division orders, transfer orders, correction instruments, receipts and other instruments made necessary or desirable by the pooling or unitization so effected.

65-3-14.5. SPACING OR PRORATION UNIT WITH DIVIDED MINERAL OWNERSHIP.--

A. Whenever the operator of any oil or gas well shall dedicate lands comprising a standard spacing or proration unit to an oil or gas well, it shall be the obligation of the operator, if two or more separately owned tracts of land are embraced within the spacing or proration unit, or where there are owners of royalty interests or undivided interests in oil or gas minerals which are separately owned or any combination thereof, embraced within such spacing or proration unit, to obtain voluntary agreements pooling said lands or interests or an order of the division pooling said lands, which agreement or order shall be effective from the first production. Any division order that increases the size of a standard spacing or proration unit for a pool, or extends the boundaries of such a pool, shall require dedication of acreage to existing wells in the pool in accordance with the acreage dedication requirements for said pool, and all interests in the spacing or proration units that are dedicated to the affected wells shall share in production from the effective date of the said order.

B. Any operator failing to obtain voluntary pooling agreements, or failing to apply for an order of the division pooling the lands dedicated to the spacing or proration unit as required by this section, shall nevertheless be liable to account to and pay each owner of minerals or leasehold interest, including owners of overriding royalty interests and other payments out of production, either the amount to which each interest would be entitled if pooling had occurred or the amount to which such interest is entitled in the absence of pooling, whichever is greater.

C. Nonstandard spacing or proration units may be established by the division and all mineral and leasehold interests in any such nonstandard unit shall share in production from that unit from the date of the order establishing the said nonstandard unit.

65-3-15. COMMON PURCHASERS--DISCRIMINATION IN PURCHASING PROHIBITED.--

A. Every person now engaged or hereafter engaging in the business of purchasing oil to be transported through pipelines, shall be a common purchaser thereof, and shall without discrimination in favor of one producer as against another in the same field, purchase all oil tendered to it which has been lawfully produced in the vicinity of, or which may be reasonably reached by pipelines through which it is transporting oil, or the gathering branches thereof, or which may be delivered to the pipeline or gathering branches thereof by truck or otherwise, and shall fully perform all the duties of a common purchaser. If any common purchaser shall not have need for all such oil lawfully produced within a field, or if for any reason it shall be unable to purchase all such oil, then it shall purchase from each producer in a field ratably, taking and purchasing the same quantity of oil from each well to the extent that each well is capable of producing its ratable portions; provided however, nothing herein contained shall be construed to require more than one pipeline connection for each producing well. In the event any such common purchaser of [illegible] producer or is affiliated with a producer, directly or indirectly, it is hereby expressly prohibited from discriminating in favor of its own production or in favor of the production of an affiliated producer as against that of others and the oil produced by such common purchaser or by the affiliate of such common purchaser shall be treated as that of any other producer for the purposes of ratable taking.

B. It shall be unlawful for any common purchaser to unjustly or unreasonably discriminate as to the relative quantities of oil purchased by it in the various fields of the state; the question of the justice or reasonableness to be determined by the division, taking into consideration the production and age of wells in the respective fields and all other factors. It is the intent of this act that all fields shall be allowed to produce and market a just and equitable share of the oil produced and marketed in the state, in so far as the same can be effected economically and without waste.

C. It shall be the duty of the division to enforce the provisions of this act, and it shall have the power, after notice and hearing as provided in Section 65-3-20 NMSA 1953, to make rules, regulations and orders defining the distance that extension of the pipeline system shall be made to all wells not served; provided that no such authorization or order shall be made unless the division finds as to such extension that it is reasonably required and economically justified, or as to such extension of facilities that the expenditures involved therein, and the expense incident thereto, is justified in relation to the volume of oil available for transportation through said extension; and such other rules, regulations and orders as may be necessary to carry out the provisions of this act, and in making such rules, regulations and orders, the division shall give due consideration to the economic factors involved. The division shall have authority to relieve such common purchaser, after due notice and hear-

ing as herein provided, from the duty of purchasing crude petroleum oil of inferior quality or grade or that is not reasonably suitable for the requirements of such common purchaser.

D. Any person now or hereafter engaged in purchasing from one or more producers gas produced from gas wells shall be a common purchaser thereof within each common source of supply from which it purchases, and as such it shall purchase gas lawfully produced from gas wells with which its gas transportation facilities are connected in the pool and other gas lawfully produced within the pool and tendered to a point on its gas transportation facilities. Such purchases shall be made without unreasonable discrimination in favor of one producer against another in the price paid, the quantities purchased, the bases of measurement or the gas transportation facilities afforded for gas of like quantity, quality and pressure available from such wells. In the event any such person is likewise a producer, he is prohibited to the same extent from discriminating in favor of himself on production from gas wells in which he has an interest, direct or indirect, as against other production from gas wells in the same pool. For the purposes of this act reasonable differences in prices paid or facilities afforded, or both, shall not constitute unreasonable discrimination if such differences bear a fair relationship to differences in quality, quantity or pressure of the gas available or to the relative lengths of time during which such gas will be available to the purchaser. The provisions of this subsection shall not apply:

(1) to any wells or pools used for storage and withdrawal from storage of natural gas originally produced not in violation of this act or of the rules, regulations or orders of the division;

(2) to purchases of casing-head gas from oil wells; and

(3) to persons purchasing gas principally for use in the recovery or production of oil or gas.

E. Any common purchaser taking gas produced from gas wells from a common source of supply shall take ratably under such rules, regulations and orders, concerning quantity, as may be promulgated by the division consistent with this act. The division, in promulgating such rules, regulations and orders may consider the quality and the deliverability of the gas, the pressure of the gas at the point of delivery, acreage attributable to the well, market requirements in the case of unprorated pools, and other pertinent factors.

F. Nothing in this act shall be construed or applied to require, directly or indirectly, any person to purchase gas of a quality or under a pressure or under any other condition by reason of which such gas cannot be economically and satisfactorily used by such purchaser by means of his gas transportation facilities then in service.

65-3-17. PENALTY FOR VIOLATIONS.--Any person who violates any provision of this act or any rules, regulation or order of the commission or the division made pursuant to this act shall, upon conviction, be fined not more than one thousand dollars ($1,000) for each violation. Each day during which said violation is continued shall be considered a separate and complete offense for this purpose.

65-3-18. PURCHASE, SALE OR HANDLING OF EXCESS OIL, NATURAL GAS OR PRODUCTS PROHIBITED.--

A. The sale or purchase or acquisition, or the transportation, refining, processing, or handling in any other way, of crude petroleum oil or natural gas in whole or in part produced in excess of the amount allowed by any statute of this state, or by any provision of this act, or by any rule, regulation or order of the commission or division made thereunder, is hereby prohibited, and such oil or commodity is hereby referred to as "illegal oil" or "illegal gas", as the case may be.

B. The sale or purchase or acquisition, or the transportation, refining, processing or the handling in any other way, of any

product of crude petroleum or any product of natural gas, which product is derived in whole or in part from crude petroleum oil or natural gas produced in whole or in part in excess of the amount allowed by any statute of this state, or by any provisions of this act, or by any rule, regulation or order of the commission or division made thereunder, is hereby prohibited, and each such commodity or product is herein referred to as "illegal oil product" to distinguish it from "legal oil product", or "illegal gas product" to distinguish it from "legal gas product".

65-3-19. RULES AND REGULATIONS TO EFFECTUATE PROHIBITIONS AGAINST PURCHASE OR HANDLING OF EXCESS OIL OR NATURAL GAS--PENALTIES.--

A. The division is specifically authorized and directed to make such rules, regulations and orders, and may provide for such certificates of clearance or tenders, as may be necessary to make effective the prohibitions contained in Section 65-3-18 NMSA 1953.

B. Unless and until the division provides for certificates of clearance or tenders, or some other method, so that any person may have an opportunity to determine whether any contemplated transaction of sale or purchase or acquisition, or of transportation, refining, processing, or handling in any other way, involves illegal oil or illegal oil product, or illegal gas or illegal gas product, no penalty shall be imposed for the sale or purchase or acquisition, or the transportation, refining, processing, or handling in any other way, of illegal oil or illegal oil product, or illegal gas or illegal gas product, except under circumstances stated in the succeeding provisions of this paragraph. Penalties shall be imposed for the commission of each transaction prohibited in Section 65-3-18 NMSA 1953 when the person committing the same knows that illegal oil or illegal oil product, or illegal gas or illegal gas product, is involved in such transaction, or when such person could have known or determined such fact by the exercise of reasonable diligence or from facts within his knowledge. However, regardless of lack of actual notice or knowledge, penalties as provided in this act shall apply to any sale or purchase or acquistion, and to the transportation, refining, processing, or handling in any other way, of illegal oil or illegal oil product, or illegal gas or illegal gas product where administrative provision is made for identifying the character of the commodity as to its legality. It shall likewise be a violation for which penalties shall be imposed for any person to sell or purchase or acquire, or to transport, refine, process, or handle in any way any crude petroleum oil or natural gas or any product thereof without complying with the rule, regulation or order of the commission or division relating thereto.

65-3-20. HEARINGS ON RULES, REGULATIONS AND ORDERS—NOTICE—EMERGENCY RULES.--Except as provided for herein, before any rule, regulation or order, including revocation, change, renewal or extension thereof, shall be made under the provisions of this act, a public hearing shall be held at such time, place and manner as may be prescribed by the division. The division shall first give reasonable notice of such hearing (in no case less than ten days, except in an emergency) and at any such hearing any person having an interest in the subject matter of the hearing shall be entitled to be heard. In case an emergency is found to exist by the division which in its judgment requires the making of a rule, regulation or order without first having a hearing, such emergency rule, regulation or order shall have the same validity as if a hearing with respect to the same had been held after due notice. The emergency rule, regulation or order permitted by this section shall remain in force no longer than fifteen days from its effective date, and, in any event, it shall expire when the rule, regulation or order made after due notice and hearing with respect to the subject matter of such emergency rule, regulation or order becomes effective.

"65-3-21. REPORTS OF GOVERNMENTAL DEPARTMENTS OR AGENCIES AS TO MARKET DEMAND TO BE DEEMED PRIMA FACIE CORRECT.--The reports, estimates, findings of fact, or similar documents or findings of the United States bureau of mines, or of any other department or agency of the United States government, or of any bureau or agency under an interstate compact to which the state of New Mexico is a party made with respect to the reasonable market demand for crude petroleum oil, may be considered by the division or by any court and taken as being prima facie correct.

65-3-22. REHEARINGS - APPEALS.

(a) Within twenty (20) days after entry of any order or decision of the Commission, any person affected thereby may file with the Commission an application for rehearing in respect of any matter determined by such order or decision, setting forth the respect in which such order or decision is believed to be erroneous. The Commission shall grant or refuse any such application in whole or in part within ten (10) days after the same is filed and failure to act thereon within such period shall be deemed a refusal thereof and a final disposition of such application. In the event the rehearing is granted, the Commission may enter such new order or decision after rehearing as may be required under the circumstances.

(b) Any party to such rehearing proceeding, dissatisfied with the disposition of the application for rehearing, may appeal therefrom to the District Court of the county wherein is located any property of such party affected by the decision, by filing a petition for the review of the action of the Commission within twenty (20) days after the entry of the order following rehearing or after the refusal or rehearing as the case may be. Such petition shall state briefly the nature of the proceedings before the Commission and shall set forth the order or decision of the Commission complained of and the grounds of invalidity thereof upon which the applicant will rely; provided, however, that the questions reviewed on appeal shall be only questions presented to the Commission by the application for rehearing. Notice of such appeal shall be served upon the adverse party or parties and the Commission in the manner provided for the service of summons in civil proceedings. The trial upon appeal shall be de novo, without a jury, and the transcript of proceedings before the Commission, including the evidence taken in hearings by the Commission, shall be received in evidence by the court in whole or in part upon offer by either party, subject to legal objections to evidence, in the same manner as if such evidence was originally offered in the District Court. The Commission action complained of shall be prima facie valid and the burden shall be upon the party or parties seeking review to establish the invalidity of such action of the Commission. The Court shall determine the issues of fact and of law and shall, upon a preponderance of the evidence introduced before the Court, which may include evidence in addition to the transcript of proceedings before the Commission, and the law applicable thereto, enter its order either affirming, modifying, or vacating the order of the Commission. In the event the Court shall modify or vacate the order or decision of the Commission, it shall enter such order in lieu thereof as it may determine to be proper. Appeals may be taken from the judgment or decision of the District Court to the Supreme Court in the same manner as provided for appeals from any other final judgment entered by a District Court in this State. The trial of such application for relief from action of the Commission and the hearing of any appeal to the Supreme Court from the action of the District Court shall be expedited to the fullest possible extent.

(c) The pendency of proceedings to review shall not of itself stay or suspend operation of the order or decision being reviewed, but during the pendency of such proceedings, the District Court in its discretion may, upon its own motion or upon proper application of any party thereto, stay or suspend, in whole or in part, operation of said order or decision pending review thereof, on such terms as the court deems just and proper and in accordance with the practice of courts exercising equity jurisdiction; provided, that the court, as a condition to any such staying or suspension of operation of any order or decision, may require that one or more parties secure, in such form and amount as the court may deem just and proper, one or more other parties against loss or damage due to the staying or suspension of the Commission's order or decision, in the event that the action of the Commission shall be affirmed.

(d) The applicable rules of practice and procedure in civil cases for the courts of this state shall govern the proceedings for review, and any appeal therefrom to the Supreme Court of this state, to the extent such rules are consistent with provisions of this act.

65-3-22.1. REVIEW OF OIL CONSERVATION COMMISSION DECISION--APPEALS.--

The secretary of energy and minerals department may hold a public hearing to determine whether an order or decision issued by the oil conservation commission contravenes the department's statewide plan or the public interest. The hearing shall be held within twenty days after the entry of the commission order or decision following a rehearing or after the order refusing a rehearing as the case may be. The hearing shall be a de novo proceeding and the secretary shall enter such order or decision as may be required under the circumstances, having due regard for the conservation of the state's oil, gas and mineral resources, and the commission shall modify its own order or decision to comply therewith. If a rehearing before the commission was granted, the record of the rehearing shall be made part of the record of the hearing before the secretary. If the application for rehearing was denied, the record of the hearing before the commission or the division shall be made part of the

record of the hearing before the secretary. Such orders [illegible]sions of the secretary may be appealed by any party to the original hearing or the rehearing before the commission, or by any party to the hearing before the secretary held pursuant to this section, in accordance with the procedure of Subsections (b), (c) and (d) of Section 65-3-22 NMSA 1953 except that the appeal shall not be a de novo proceeding and shall be limited to a review of the record of the hearing held pursuant to the provisions of this section.'

65-3-23. TEMPORARY RESTRAINING ORDER OR INJUCTION--GROUNDS--HEARING--BOND.--

A. No temporary restraining order or injunction of any kind shall be granted against the commission or the members thereof, or against the attorney general, or against any agent, employee or representative of the division, restraining the commission, or any of its members, or the division or any of its agents, employees or representatives, or the attorney general, from enforcing any statute of this state relating to conservation of oil or gas, or any of the provisions of this act, or any rule, regulation or order made thereunder, except after due notice to the director of the division, and to all other defendants, and after a hearing at which it shall be clearly shown to the court that the act done or threatened is without sanction of law, or that the provision of this act, or the rule, regulation or order complained of, is invalid, and that, if enforced against the complaining party, will cause an irreparable injury. With respect to an order to decree granting temporary injunctive relief, the nature and extent of the probable invalidity of the state, or of any provision of this act, or of any rule, regulation or order thereunder involved in such suit, must be recited in the order or decree granting the temporary relief, as well as a clear statement of the probable damage relied upon by the court as justifying temporary injunctive relief.

B. No temporary injunction of any kind, including a temporary restraining order against the commission or the members thereof, or the division or its agents, employees or representatives, or the attorney general, shall become effective until the plaintiff shall execute a bond to the state with sufficient surety in an amount to be fixed by the court reasonably sufficient to indemnify all persons who may suffer damage by reason of the violation pendente lite by the complaining party of the statute or the provisions of this act or of any rule, regulation or order complained of. Any person so suffering damage may bring suit thereon before the expiration of six months after the statute, provision, rule, regulation or order complained of shall be finally held to be valid, in whole or in part, or such suit against the commission, or the members thereof, or the division, shall be finally dismissed. Such bond shall be approved by the judge of the court in which the suit is pending, and shall be for the use and benefit of all persons who may suffer damage by reason of the violation pendente lite of the statute, provision, rule, regulation or order complained of in such suit, and who may bring suit within the time prescribed by this section; and such bond shall be so conditioned. From time to time, on motion and with notice to the parties, the court may increase or decrease the amount of the bond and may require new or additional sureties, as the facts may warrant.

65-3-24. ACTIONS FOR VIOLATIONS.--Whenever it shall appear that any person is violating, or threatening to violate, any statute of this state with respect to the conservation of oil or gas, or both, or any provision of this act, or any rule, regulation or order made thereunder, the division through the attorney general shall bring suit against such person in the county of the residence of the defendant, or in the county of the residence of any defendant if there be more than one defendant, or in the county where the violation is alleged to have occurred, for penalties, if any are applicable, and to re-

strain such person from continuing such violation or from carrying out the threat of violation. In such suit the division may obtain injunctions, prohibitory and mandatory, including temporary restraining orders and temporary injunctions, as the facts may warrant, including, when appropriate, an injunction restraining any person from moving or disposing of illegal oil or illegal oil product, or illegal gas or illegal gas product, and any or all such commodities, or funds derived from the sale thereof, may be ordered to be impounded or placed under the control of an agent appointed by the court if, in the judgment of the court, such action is advisable.

65-3-25. ACTIONS FOR DAMAGES--INSTITUTION OF ACTIONS FOR INJUNCTIONS BY PRIVATE PARTIES.--Nothing in this act contained or authorized, and no suit by or against the commission or the division, and no penalties imposed or claimed against any person for violating any statute of this state with respect to conservation of oil and gas, or any provision of this act, or any rule, regulation or order issued thereunder, shall impair or abridge or delay any cause of action for damages which any person may have or assert against any person violating any statute of this state with respect to conservation of oil and gas, or any provision of this act, or any rule, regulation or order issued thereunder. Any person so damaged by the violation may sue for and recover such damages as he may be entitled to receive. In the event the division should fail to bring suit to enjoin any actual or threatened violation of any statute of this state with respect to the conservation of oil and gas, or of any provision of this act, or of any rule, regulation or order made thereunder, then any person or party in interest adversely affected by such violation, and who has notified the division in writing of such violation or threat thereof and has requested the division to sue, may, to prevent any or further violation, bring suit for that purpose in the district court of any county in which the division could have brought suit. If, in such suit, the court holds that injunctive relief should be granted, then the division shall be made a party and shall be substituted for the person who brought the suit, and the injunction shall be issued as if the division had at all times been the complaining party.

65-3-26. VIOLATION OF COURT ORDER GROUNDS FOR APPOINTMENT OF RECEIVER.

The violation by any person of an order of the court relating to the operation of a well or wells, or of a pipeline or other transportation, equipment or facility, or of a refinery, or of a plant of any kind, shall be sufficient ground for the appointment of a receiver with power to conduct operations in accordance with the order of the court.

65-3-27. PENALTIES FOR VIOLATIONS--ACCESSORIES.--

A. Any person who, for the purpose of evading this act, or of evading any rule, regulation or order made hereunder, shall knowingly and willfully make or cause to be made any false entry or statement of fact in any report required to be made by this act or by any rule, regulation or order made hereunder; or who, for such purpose, shall make or cause to be made any false entry in any account, record or memorandum kept by any person in connection with the provisions of this act or of any rule, regulation or order made thereunder; or who, for such purpose, shall omit to make, or cause to be omitted, full, true and correct entries in such accounts, records or memoranda, of all facts and transactions pertaining to the interest of activities in the petroleum industry of such person as may be required by the commission or division under authority given to this act or by any rule, regulation or order made hereunder; or who, for such purpose, shall remove out of the jurisdiction of the state, or who shall mutilate, alter, or by any other means falsify, any book, record, or other

paper pertaining to the transactions regulated by this act or by any rule, regulation or order made hereunder; shall be deemed guilty of a felony and shall be subject, upon conviction in any court of competent jurisdiction, to a fine of not more than one thousand dollars ($1,000), or imprisonment for a term of not more than three years, or to both such fine and imprisonment.

B. Any person who knowingly and willfully violates any provision of this act or any rule, regulation or order of the commission or division made hereunder, shall, in the event a penalty for such violation is not otherwise provided for herein be subject to a penalty of not to exceed one thousand dollars ($1,000) a day for each and every day of such violation, and for each and every act of violation, such penalty to be recovered in a suit in the district court of the county where the defendant resides, or in the county of the residence of any defendant if there be more than one defendant, or in the district court of the county where the violation took place. The place of suit shall be selected by the division, and such suit, by direction of the division, shall be instituted and conducted in the name of the division by the attorney general or under his direction by the district attorney of the county where the suit is instituted. The payment of any penalty as provided for herein shall not have the effect of changing illegal oil or illegal gas product into legal oil or legal gas product, nor shall such payment have the effect of authorizing the sale or purchase or acquisition, or the transportation, refining, processing, or handling in any other way, of such illegal oil or illegal gas, or illegal oil or illegal gas product, but to the contrary penalty shall be imposed for each prohibited transaction relating to such illegal oil or illegal gas or illegal oil or illegal gas product.

C. Any person knowingly and willfully aiding or abetting any other person in the violation of any statute of this state relating to the conservation of oil and gas, or the violation of any provision of this act, or any rule, regulation or order made thereunder, shall be subject to the same penalties as are prescribed herein for the violation by such other person.

65-3-28. SEIZURE AND SALE OF ILLEGAL OIL OR GAS OR PRODUCTS--PROCEDURE.--

A. Apart from, and in addition to, any other remedy or procedure which may be available to the commission or the division, or any penalty which may be sought against or imposed upon any person, with respect to violations relating to illegal oil or illegal gas or illegal products thereof, all such oil or gas or products thereof shall, except under such circumstances as are stated herein, be contraband and shall be seized and sold, and the proceeds applied as herein provided. The sale shall not take place unless the court finds in the proceeding provided in this section that the owner of such illegal oil or illegal gas or product thereof is liable, or in some proceeding authorized by Sections 65-3-1 through 65-3-34 NMSA 1953, such owner has already been held to be liable, for penalty for having produced the illegal oil or illegal gas, or for having purchased or acquired the illegal oil or illegal gas or product thereof. Whenever the division believes that illegal oil or illegal gas or product thereof is subject to seizure and sale, as provided herein, it shall, through the attorney general, bring a civil action in rem for that purpose in the district court of the county where the

commodity is found, or the action may be maintained in connection with any suit or cross-action for injunction or for penalty relating to any prohibited transaction involving the illegal oil or illegal gas or product thereof. Notice of the action in rem shall be given in conformity with the law or rule applicable to such proceeding. Any person or party in interest who may show himself to be adversely affected by any such seizure and sale shall have the right to intervene in the suit to protect his rights.

B. Whenever the pleading with respect to the forfeiture of illegal oil or illegal gas or product thereof shows ground for seizure and sale, and the pleading is verified or is supported by affidavit or affidavits, or by testimony under oath, the court shall order such commodity to be impounded or placed under the control, actual or constructive, of the court through an agent appointed by the court.

C. The judgment effecting the forfeiture shall provide that the commodity be seized, if not already under the control of the court, and that a sale be had in similar manner and with similar notice as provided by law or rule with respect to the sale of personal property under execution; provided, however, the court may order that the commodity be sold in specified lots or portions, and at specified intervals, instead of being sold at one time. Title to the amount sold shall pass as of the date of the seizure. The judgment shall provide for payment of the proceeds of the sale into the common school fund, after first deducting the costs in connection with the proceedings and the sale. The amount sold shall be treated as legal oil or legal gas or product thereof, as the case may be, in the hands of the purchaser, but the purchaser and the commodity shall be subject to all applicable laws and rules, regulations and orders with respect to further sale or purchase or acquisition, and with respect to the transportation, refining, processing, or handling in any other way, of the commodity purchased.

D. Nothing in this section shall deny or abridge any cause of action a royalty owner, or any lien holder, or any other claimant, may have, because of the forfeiture of the illegal oil or illegal gas or product thereof, against the person whose act resulted in such forfeiture.

65-3-29. DEFINITIONS OF WORDS USED IN ACT.

Unless the context otherwise requires, the words defined in this section shall have the following meaning when found in this act, to-wit:

A. "Person" means any natural person, corporation, association, partnership, receiver, trustee, guardian, executor, administrator and a fiduciary of any kind.

B. "Pool" means an underground reservoir containing a common accumulation of crude petroleum oil or natural gas or both. Each zone of a general structure, which zone is completely separate from any other zone in the structure, is covered by the word "pool" as used herein. "Pool" is synonymous with "common source of supply" and with "common reservoir."

C. "Field" means the general area which is underlaid or appears to be underlaid by at least one (1) pool; and "field" also includes the underground reservoir or reservoirs containing such crude petroleum oil or natural gas, or both. The words "field" and "pool" mean the same thing when only one (1) underground reservoir is involved; however, "field" unlike "pool" may relate to two (2) or more pools.

D. "Product" means any commodity or thing made or manufactured from crude petroleum oil or natural gas, and all derivatives of crude petroleum oil or natural gas, including refined crude oil, crude tops, topped crude, processed crude petroleum, residue from crude petroleum, cracking stock, uncracked fuel oil, treated crude oil, fuel oil, residuum, gas oil, naphtha, distillate, gasoline, kerosene, benzine, wash oil, waste oil, lubricating oil, and blends or mixtures of crude petroleum oil or natural gas or any derivative thereof.

E. "Owner" means the person who has the right to drill into and to produce from any pool, and to appropriate the production either for himself or for himself and another.

F. "Producer" means the owner of well or wells capable of producing oil or natural gas or both in paying quantities.

G. "Gas transportation facility" means a pipeline in operation serving gas wells for the transportation of natural gas, or some other device or equipment in like operation whereby natural gas produced from gas wells connected therewith can be transported or used for consumption.

H. "Correlative rights" means the opportunity afforded, so far as it is practicable to do so, to the owner of each property in a pool to produce without waste his just and equitable share of the oil or gas, or both, in the pool, being an amount, so far as can be practicably determined, and so far as can be practicably obtained without waste, substantially in the proportion that the quantity of recoverable oil or gas, or both, under such property

be entitled to the total recoverable oil or gas, or both, in the pool, and for such purpose to use his just and equitable share of the reservoir energy.

I. "Potash" means the naturally occurring bedded deposits of the salts of the element potassium.

65-3-31. REGULATION, CONSERVATION AND PREVENTION OF WASTE OF CARBON DIOXIDE GAS.--

A. The oil conservation division is hereby vested with the authority and duty of regulation and conserving the production of and preventing waste of carbon dioxide gas within this state in the same manner, insofar as is practicable as it regulates, conserves and prevents waste of natural or hydrocarbon gas. The provisions of this act relating to gas or natural gas shall also apply to carbon dioxide gas insofar as the same are applicable. "Carbon dioxide gas" as used herein shall mean non-combustible gas composed chiefly of carbon dioxide occurring naturally in underground rocks.

B. The commission shall have concurrent jurisdiction and authority with the division to the extent necessary for the commission to perform its duties as required by law.

"65-3-35. LEGAL REPRESENTATION BEFORE THE FEDERAL POWER COMMISSION --There may be a special assistant attorney general employed by the energy and minerals department who shall represent the interests of this state before the federal power commission. In addition this attorney shall work closely with other agencies having responsibilities relating to oil and gas matters and shall carry out such additional responsibilities as are delegated to him by the energy and minerals department. All costs incurred in employing such counsel shall be paid out of the oil conservation fund in accordance with provisions of the State Budgets Act.

65-3-36 REMOVING OR ALTERING MARKS OF IDENTIFICATION--PENALTY.--

A. No person shall remove, alter, or attempt to remove or alter, any serial number, brand name, trade mark or any other mark of identification from any tool or any other item of construction or oilfield equipment by grinding, filing, welding or any other method with the intent to deprive its lawful owner of positive identification.

B. Any person who violates the provisions of this section is guilty of a misdemeanor and, upon conviction, shall be fined not more than one thousand dollars ($1,000) or imprisoned for a definite term of not more than one year or both.

65-3-37. OIL AND GAS RECLAMATION FUND CREATED--DISPOSITION OF FUND.--There is hereby created the "oil and gas reclamation fund". All funds in the oil and gas reclamation fund and the earnings therefrom are appropriated to the energy and minerals department for use by the oil conservation division in carrying out the provisions of the Oil and Gas Act.

65-3-38. OIL AND GAS RECLAMATION FUND ADMINISTERED--PLUGGING WELLS ON FEDERAL LAND--RIGHT OF INDEMNIFICATION--ANNUAL REPORT--CONTRACTORS SELLING EQUIPMENT FOR SALVAGE.--

A. The oil and gas reclamation fund shall be administered by the oil conservation division. The director of the division shall cause to be prepared plans for the plugging of abandoned wells which have not been plugged or which have been improperly plugged. The director, as funds become available in the oil and gas reclamation fund, shall reclaim, and properly plug, all abandoned wells in ac-

cordance with the provisions of the Oil and Gas Act, and the rules and regulations promulgated thereunder. The division may order wells plugged on federal lands on which there are no bonds running to the benefit of the state in the same manner and in accordance with the same procedures as with wells drilled on state and fee land, including utilizing funds from the oil and gas reclamation fund to pay the cost of such plugging. When the costs of plugging a well drilled on federal mineral leases are paid from the oil and gas reclamation fund, the division is authorized to bring a suit against the operator or the owner of the minerals under the tract, or both, in the district court of the county in which the well is located for indemnification for all costs incurred by the division in plugging said well. Any funds collected pursuant to a judgment in a suit for indemnification brought under the Oil and Gas Act shall be deposited in the oil and gas reclamation fund.

B. The director shall make an annual report to the secretary of energy and minerals, the governor and the legislature on the use of the oil and gas reclamation fund.

C. All contracts for well plugging shall be entered into in accordance with the provisions of the Public Purchases Act. Any contractor employed by the division to plug a well is authorized to sell for salvage the equipment and material which is removed from the well in plugging it.

65-9-1. PUBLIC INTEREST AND WELFARE.

The underground storage of natural gas which promotes conservation thereof, which permits the building of reserves for orderly withdrawal in periods of peak demand, which makes more readily available our natural gas resources to the domestic, commercial and industrial consumers of this state, and which provides a better year-round market to the various gas fields, is hereby declared to be in the public interest and welfare of this state and the citizens hereof.

65-9-2. DEFINITIONS.--As used in this act:

A. "underground storage" shall mean storage of natural gas in a subsurface stratum or formation of the earth;

B. "natural gas" shall mean natural gas either while in its original state after withdrawal from the earth or after the same has been processed by removal therefrom of component parts not essential to its use for light and fuel;

C. "native gas" shall mean gas which has not been previously withdrawn from the earth;

D. "division" shall mean the oil conservation division of the energy and minerals department;

E. "commission" shall mean the oil conservation commission;

F. "natural gas company" shall mean any person, firm or corporation engaged in the distribution, sale or furnishing of natural gas to or for the public subject to regulation by the public service commission under the Public Utility Act, or any person, firm or corporation engaged in the business of transporting natural gas, subject to regulation by the federal power commission under the Natural Gas Act; and

G. "public body" shall mean the state of New Mexico or any department, board, commission, bureau, institution, public agency, county or political subdivision thereof including bodies corporate, bodies politic, municipal corporations, school districts, conservancy districts and quasi-municipal corporations of all kinds.

65-9-3. ACQUISITION OF LANDS FOR PURPOSES OF UNDERGROUND NATURAL GAS STORAGE - LANDS CONTROLLED BY PUBLIC BODY, EXECUTOR, ADMINISTRATOR, GUARDIAN, RECEIVER, OR TRUSTEE.

Any natural gas company desiring to make use of a formation or stratum as a reservoir for the underground storage of natural gas shall attempt to acquire by option, lease, conveyance or other negotiated means, such formation or stratum prior to resorting to the exercise of the power of eminent domain as hereinafter granted. Any public body and any executor, administrator, guardian, receiver or trustee shall be authorized to grant to any such natural gas company rights for underground storage of natural gas in lands subject to its or his control in the same manner as provided by law for entering into oil and gas leases, or if any such public body, executor, administrator, guardian, receiver, or trustee shall not be

specifically authorized by law [illegible] gas l[illegible] the manner provided by law for lease[illegible] public body, [illegible]tor, administrator, guardian, receiver, or trustee of interests in land, or if any such public body, executor, administrator, guardian, receiver, or trustee shall not be specifically authorized by law to make oil and gas leases or leases for interests in land, then in the manner provided by law for the sale by such public body, executor, administrator, guardian, receiver, or trustee of interests in land.

65-9-4. APPROPRIATION OF UNDERGROUND STORAGE FACILITIES--LIMITATIONS.--By eminent domain proceedings, any natural gas company may appropriate for underground storage of natural gas any subsurface stratum or formation in any land which the division shall have found to be suitable for the underground storage of natural gas, and in connection therewith may appropriate such other interests in the land as may be required to maintain and operate facilities for such underground storage; provided, however, that the right to appropriate underground formations and strata shall be limited as follows:

A. no formation or stratum which is producing or which is capable of producing oil in paying quantities, through any known recovery method, shall be subject to appropriation hereunder;

B. no formation or stratum that contained native gas producible in paying quantities shall be subject to appropriation hereunder, unless the recoverable volumes of native gas originally in place therein shall be substantially depleted, and unless such formation or stratum has a greater value or utility as a gas storage reservoir for the purpose of insuring an adequate supply of natural gas, or for the conservation of natural gas, than for the production of the relatively small volumes of native gas which remain therein;

C. no formation or stratum underlying lands which contain known commercial deposits of potash shall be subject to appropriation hereunder;

D. no formation or stratum shall be subject to appropriation hereunder if its use for underground storage purposes would cause injury to surface or underground water resources;

E. no rights or interest in existing underground gas reservoirs, being u[illegible]jection, storage and withdrawal of natural gas, owned or operated by others than the condemner, shall be subject to appropriation;

F. no dwelling, barn, store, warehouse or other building shall be subject to appropriation hereunder; and

G. the right of appropriation hereby granted shall be without prejudice to the rights of the owner of said lands or of other rights or interests therein to drill through the underground stratum or formation so appropriated in such manner as shall comply with orders, rules and regulations of the division issued for the purpose of protecting underground storage strata or formations against pollution and against the escape of natural gas therefrom and shall be without prejudice to the rights of the owner of said lands or other rights or interests therein as to all other uses thereof.

65-9-5. FINDINGS OF OIL CONSERVATION DIVISION.--Any natural gas company desiring to exercise the right of eminent domain as to any land for underground storage of natural gas shall, as a conditional precedent to the filing of its petition in the district court, obtain from the division a decision finding:

A. that the underground stratum or formation sought to be acquired is suitable for the underground storage of natural gas;

B. that the underground stratum or formation sought to be acquired is incapable of producing oil in paying quantities through any known recovery method;

C. that the formation or stratum sought to be acquired is not underlying lands which contain known commercial deposits of potash;

D. that injury will not be caused to surface or underground water resources;

E. that the underground stratum or formation sought to be acquired, if it contained native gas capable of production in paying quantities, is substantially depleted of recoverable native gas, and

that such formation or stratum has a greater value or utility as a gas storage reservoir then for the production of the remaining volumes of native gas therein;

F. the extent of the horizontal limits of the reservoir expected to be penetrated by displaced or injected gas; and

G. that no portion of the formation or stratum sought to be acquired has been appropriated or is being utilized for the injection, storage and withdrawal of natural gas by others.

65-9-6. COMMISSION OR DIVISION PROCEDURE.--The laws, rules and regulations relating to commission or division action in matters pertaining to conservation of oil and gas shall be applicable to commission or division proceedings under this act.

65-9-7. EXERCISE OF RIGHT OF EMINENT DOMAIN.--Any natural gas company having first obtained a decision from the division, as hereinbefore provided, may proceed to appropriate for underground storage of natural gas subsurface strata or formations and such other interests in the land as may be required to maintain and operate facilities for such underground storage in the manner provided by law for the exercise of the right of eminent domain by railroads and telegraph and telephone companies.

65-9-8. OWNERSHIP OF INJECTED GAS.

All natural gas which has previously been reduced to possession, and which is subsequently injected into underground storage in any strata or formation shall at all times be deemed the property of the injector, his heirs, successors or assigns; and in no event shall such gas be subject to the right of the owner of the surface of said lands or of any mineral interest therein, under which said strata or formation lie, or of any person other than the injector, his heirs, successors, and assigns, to produce, take, reduce to possession, waste, or otherwise interfere with or exercise any control thereover; Provided, that the injector, his heirs, successors and assigns, shall have no right to gas in any stratum, formation or portion thereof, in which storage rights have not been acquired pursuant to this act (65-9-1 to 65-9-8), or otherwise purchased.

72-20-4. OIL AND GAS CONSERVATION TAX LEVIED--COLLECTED BY COMMISSION--RATE--INTEREST OWNER'S LIABILITY TO STATE--INDIAN LIABILITY.--

A. There is levied and shall be collected by the oil and gas accounting commission a tax on all products which are severed and sold. The measure of the tax shall be nineteen one-hundredths of one percent of the taxable value of sold products. Every interest owner shall be liable for this tax to the extent of his interest in the value of such products, or to the extent of his interest as may be measured by the value of such products. Provided, any Indian tribe, Indian pueblo or Indian shall be liable for this tax to the extent authorized or permitted by law.

B. In the event the unencumbered balance in the oil and gas reclamation fund equals or exceeds one million dollars ($1,000,000) for any one-month period computed after payment of the tax for that month, then the tax levied by Subsection A of this section shall be reduced by one one-hundredths of one percent and no funds collected by the tax shall be deposited in the oil and gas reclamation fund, notwithstanding the provisions of Section 72-20-14 NMSA 1953. When the unencumbered balance in the oil and gas reclamation fund is less than or equal to five hundred thousand dollars ($500,000), then the tax levied by Subsection A of this section shall be increased by one one-hundredths of one percent and the additional funds shall be deposited in accordance with the provisions of Section 72-20-14 NMSA 1953.

72-20-14. DISPOSITION OF OIL CONSERVATION FUND.--The oil conservation fund, or so much thereof as may be necessary, is hereby appropriated to the energy and minerals department to be by it expended in the performance of its duties; provided, however, that an amount equal to one-hundredths of one percent of the taxable value of sold products shall be deposited in the oil and gas reclamation fund to be used by the oil conservation division in carrying out the provisions of the Oil and Gas Act.

I. RULES ON PROCEDURE

RULE 701. NECESSITY FOR HEARING

Except as provided in some general rule herein, before any rule, regulation or order, including revocation, changes, renewal or extension thereof, shall be made by the Division, a public hearing before the Commission or a legally appointed Division Examiner shall be held at such time and place as may be prescribed by the Division.

RULE 702. EMERGENCY ORDERS

Notwithstanding any other provision of these rules, in case an emergency is found to exist by the Division, which, in its judgment, requires the making of a rule, regulation, or order without a hearing having first been had or concluded, such emergency rule, regulation, or order when made by the Division shall have the same validity as if a hearing with respect to the same had been held before the Division after due notice. Such emergency rule, regulation, or order shall remain in force no longer than 15 days from its effective date, and in any event, it shall expire when the rule, regulation, or order made after due notice and hearing with respect to the subject matter of such emergency rule, regulation, or order becomes effective.

RULE 703. METHOD OF INITIATING A HEARING

The Division upon its own motion, the Attorney General on behalf of the State, and any operator or producer, or any other person having a property interest may institute proceedings for a hearing. If the hearing is sought by the Division it shall be on motion of the Division and if by any other person it shall be by application. The application shall be in triplicate and shall state (1) the name of the applicant, (2) the name or general description of the common source or sources of supply or the area affected by the order sought, (3) briefly the general nature of the order, rule, or regulation sought, and (4) any other matter required by a particular rule or rules, or order of the Division. The application shall be signed by the person seeking the hearing or by his attorney.

When conditions are such as to require verbal application to place a matter for hearing on a given docket, the Division will accept such verbal application in order to meet publishing deadlines. However, if written application, filed in accordance with the procedures outlined above, has not been received by the Division's Santa Fe office at least ten days before the date of the hearing, the case will be dismissed.

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RULE 704. METHOD OF GIVING LEGAL NOTICE FOR HEARING

Notice of each hearing before the Commission and notice of each hearing before a Division Examiner shall be given by personal service on the person affected or by publication once in a newspaper of general circulation published at Santa Fe, New Mexico, and once in a newspaper of general circulation published in the county or each of the counties, if there be more than one, in which any geothermal resource or other property which may be affected is situated.

RULE 705. CONTENTS OF NOTICE OF HEARING

Such notice shall be issued in the name of "The State of New Mexico" and shall be signed by the Director of the Division, and the seal of the Commission shall be impressed thereon.

The notice shall specify whether the case is set for hearing before the Commission or before a Division Examiner and shall state the number and style of the case and the time and place of hearing and shall briefly state the general nature of the order or orders, rule or rules, regulation or regulations to be promulgated or effected. The notice shall also state the name of the petitioner or applicant, if any, and unless the contemplated order, rule, or regulation is intended to apply to and affect the entire state, it shall specify or generally describe the common source or sources of supply which may be affected by such order, rule, or regulation.

RULE 706. PERSONAL SERVICE OF NOTICE

Personal service of the notice of hearing may be made by any agent of the Division or by any person over the age of 18 years in the same manner as is provided by law for the service of summons in civil actions in the district courts of this state. Such service shall be complete at the time of such personal service or on the date of publication, as the case may be. Proof of service shall be by the affidavit of the person making personal service or of the publisher of the newspaper in which publication is had. Service of the notice shall be made at least 10 days before the hearing.

RULE 707. PREPARATION OF NOTICES

After a motion or application is filed with the Division the notice or notices required shall be prepared by the Division and service and publication thereof shall be taken care of by the Division without cost to the applicant.

RULE 708. FILING PLEADINGS: COPY DELIVERED TO ADVERSE PARTY OR PARTIES

When any party to a hearing files any pleading, plea, or motion of any character (other than application for hearing)

which is not by law or by these rules required to be served upon the adverse party or parties, he shall at the same time either deliver or mail to the adverse party or parties who have entered their appearance therein, or their respective attorneys of record, a copy of such pleading, plea, or motion. For the purposes of these rules, an appearance of any interested party shall be made either by letter addressed to the Division or in person at any proceeding before the Commission or before an Examiner, with notice of such appearance to the parties from whom such pleadings, pleas, or motions are desired.

RULE 709. CONTINUANCE OF HEARING WITHOUT NEW SERVICE

Any hearing before the Commission or an Examiner held after due notice may be continued by the person presiding at such hearing to a specified time and place without the necessity of notice of the same being again served or published. In the event of any continuance, a statement thereof shall be made in the record of the hearing which is continued.

RULE 710. CONDUCT OF HEARINGS

Hearings before the Commission or any Examiner shall be conducted without rigid formality. A transcript of testimony shall be taken and preserved as a part of the permanent record of the Division. Any person testifying in response to a subpoena issued by the Commission or any member thereof, or the authorized representative of the Division Director, and any person seeking to testify in support of an application or motion or in opposition thereto shall be required to do so under oath. However, relevant unsworn comments and observations by any interested party will be designated as such and included in the record. Comments and observations by representatives of operators' committees, the United States Geological Survey, the United States Bureau of Mines, the New Mexico Bureau of Mines, and other competent persons are welcomed. Any Examiner legally appointed by the Division Director may conduct such hearings as may be referred to such Examiner by the Director.

RULE 711. POWER TO REQUIRE ATTENDANCE OF WITNESSES AND PRODUCTION OF EVIDENCE

The Commission or any member thereof, or the authorized representative of the Division Director has statutory power to subpoena witnesses and to require the production of books, papers, and records in any proceeding before the Commission or Division. A subpoena will be issued for attendance at a hearing upon the written request of any person interested in the subject matter of the hearing. In case of the failure of a person to comply with the subpoena issued, an attachment of the person may be issued by the district court of any district in the state, and such court has powers to punish for contempt. Any person found guilty of swearing falsely at any hearing may be punished for contempt.

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RULE 712. RULES OF EVIDENCE

Full opportunity shall be afforded all interested parties at a hearing to present evidence and to cross-examine witnesses. In general, the rules of evidence applicable in a trial before a court without a jury shall be applicable, provided that such rules may be relaxed, where, by so doing, the ends of justice will be better served. No order shall be made which is not supported by competent legal evidence.

RULE 713. EXAMINERS' QUALIFICATIONS AND APPOINTMENT

The Division Director shall, by ex parte order, designate and appoint not more than four individuals to be examiners. Each Examiner so appointed shall be a member of the staff of the Division, but no Examiner need be a full time employee of the Division. The Director may, by ex parte order, designate and appoint a successor to any person whose status as an Examiner is terminated for any reason. Each individual designated and appointed as an Examiner must have at least six years practical experience as a geologist, petroleum engineer or licensed lawyer, or at least two years of such experience and a college degree in geology, engineering, or law; provided however, that nothing herein contained shall prevent any member of the Commission from being designated as, or serving as, an Examiner.

RULE 714. REFERRAL OF CASES TO EXAMINERS

The Division Director may refer any matter or proceeding to any legally designated and appointed Examiner for hearing in accordance with these rules. The Examiner appointed to hear any specific case shall be designated by name.

RULE 715. EXAMINER'S POWER AND AUTHORITY

The Division Director may, by ex parte order, limit the powers and duties of the Examiner in any particular case to such issues or to the performance of such acts as the Director deems expedient; however, subject only to such limitations as may be ordered by the Director, the Examiner to whom any matter or proceeding is referred under these rules shall have full authority to hold hearings on such matter or proceeding in accordance with and pursuant to these rules. The Examiner shall have the power to regulate all proceedings before him and to perform all acts and take all measures necessary or proper for the efficient and orderly conduct of such hearing, including the swearing of witnesses, receiving of testimony and exhibits offered in evidence, subject to such objections as may be imposed, and shall cause a complete record of the proceedings to be made and transcribed and shall certify same to the Director as hereinafter provided.

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RULE 716. HEARINGS WHICH MUST BE HELD BEFORE COMMISSION

Notwithstanding any other provisions of these rules, the hearing on any matter shall be held before the Commission (1) if it is a hearing de novo, or (2) if the Division Director in his discretion desires the Commission to hear the matter.

RULE 717. EXAMINER'S MANNER OF CONDUCTING HEARING

An Examiner conducting a hearing under these rules shall conduct himself as a disinterested umpire.

RULE 718. REPORT AND RECOMMENDATIONS, EXAMINER'S HEARINGS

Upon the conclusion of any hearing before an Examiner, the Examiner shall promptly consider the proceedings in such hearing, and based upon the record of such hearing the Examiner shall prepare his written report and recommendations for the disposition of the matter of proceeding by the Division. Such report and recommendations shall either be accompanied by a proposed order or shall be in the form of a proposed order, and shall be submitted to the Division Director with the certified record of the hearing.

RULE 719. DISPOSITION OF CASES HEARD BY EXAMINERS

After receipt of the report and recommendations of the Examiner, the Division Director shall enter the Division's order disposing of the matter or proceeding.

RULE 720. DE NOVO HEARING BEFORE COMMISSION

When any order has been entered by the Division pursuant to any hearing held by an Examiner, any party adversely affected by such order shall have the right to have such matter or proceeding heard de novo before the Commission, provided that within 30 days from the date such order is rendered such party files with the Division a written application for such hearing before the Commission. If such application is filed, the matter or proceeding shall be set for hearing before the Commission at the first available hearing date following the expiration of fifteen days from the date such application is filed with the Division. Any person affected by the order or decision rendered by the Commission after hearing before the Commission may apply for rehearing pursuant to and in accordance with the provisions of Rule 722, and said Rule 722 together with the law applicable to rehearing and appeals in matters and proceedings before the Commission shall thereafter apply to such matter or proceeding.

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Emergency Order No. E-32

RULE 721. NOTICE OF COMMISSION AND DIVISION ORDERS

Within ten days after any order, including any order granting or refusing rehearing, or order following rehearing, has been rendered, a copy of such order shall be mailed by the Division to each person or his attorney of record who has entered his appearance of record in the matter of proceeding pursuant to which such order is rendered.

RULE 722. REHEARINGS

Within 20 days after entry of any order or decision of the Commission any person affected thereby may file with the Division an application for rehearing in respect of any matter determined by such order or decision, setting forth the respect in which such order or decision is believed to be erroneous. The Commission shall grant or refuse any such application in whole or in part within 10 days after the same is filed and failure to act thereon within such period shall be deemed a refusal thereof and a final disposition of such application. In the event the rehearing is granted, the Commission may enter such new order or decision after rehearing as may be required under the circumstances.

RULE 723. CHANGES IN FORMS AND REPORTS

Any change in the forms and reports or rules relating to such forms and reports shall be made only by order of the Commission or Division issued after due notice and hearing.

Exhibit "B"
Emergency Order No. E-32

I. RULES ON PROCEDURE

RULE 701. NECESSITY FOR HEARING

Except as provided in some general rule herein, before any rule, regulation or order, including revocation, changes, renewal or extension thereof, shall be made by the Division, a public hearing before the Commission or a legally appointed Division Examiner shall be held at such time and place as may be prescribed by the Division.

RULE 702. EMERGENCY ORDERS

Notwithstanding any other provision of these rules, in case an emergency is found to exist by the Division, which, in its judgment, requires the making of a rule, regulation, or order without a hearing having first been had or concluded, such emergency rule, regulation, or order when made by the Division shall have the same validity as if a hearing with respect to the same had been held before the Division after due notice. Such emergency rule, regulation, or order shall remain in force no longer than 15 days from its effective date, and in any event, it shall expire when the rule, regulation, or order made after due notice and hearing with respect to the subject matter of such emergency rule, regulation, or order becomes effective.

RULE 703. METHOD OF INITIATING A HEARING

The Division upon its own motion, the Attorney General on behalf of the State, and any operator or producer, or any other person having a property interest may institute proceedings for a hearing. If the hearing is sought by the Division it shall be on motion of the Division and if by any other person it shall be by application. The application shall be in triplicate and shall state (1) the name of the applicant, (2) the name or general description of the common source or sources of supply or the area affected by the order sought, (3) briefly the general nature of the order, rule, or regulation sought, and (4) any other matter required by a particular rule or rules, or order of the Division. The application shall be signed by the person seeking the hearing or by his attorney.

When conditions are such as to require verbal application to place a matter for hearing on a given docket, the Division will accept such verbal application in order to meet publishing deadlines. However, if written application, filed in accordance with the procedures outlined above, has not been received by the Division's Santa Fe office at least ten days before the date of the hearing, the case will be dismissed.

Exhibit "B"
Emergency Order No. E-32

Ex C
Cs 6198

RULE 704. METHOD OF GIVING LEGAL NOTICE FOR HEARING

Notice of each hearing before the Commission and notice of each hearing before a Division Examiner shall be given by personal service on the person affected or by publication once in a newspaper of general circulation published at Santa Fe, New Mexico, and once in a newspaper of general circulation published in the county or each of the counties, if there be more than one, in which any geothermal resource or other property which may be affected is situated.

RULE 705. CONTENTS OF NOTICE OF HEARING

Such notice shall be issued in the name of "The State of New Mexico" and shall be signed by the Director of the Division, and the seal of the Commission shall be impressed thereon.

The notice shall specify whether the case is set for hearing before the Commission or before a Division Examiner and shall state the number and style of the case and the time and place of hearing and shall briefly state the general nature of the order or orders, rule or rules, regulation or regulations to be promulgated or effected. The notice shall also state the name of the petitioner or applicant, if any, and unless the contemplated order, rule, or regulation is intended to apply to and affect the entire state, it shall specify or generally describe the common source or sources of supply which may be affected by such order, rule, or regulation.

RULE 706. PERSONAL SERVICE OF NOTICE

Personal service of the notice of hearing may be made by any agent of the Division or by any person over the age of 18 years in the same manner as is provided by law for the service of summons in civil actions in the district courts of this state. Such service shall be complete at the time of such personal service or on the date of publication, as the case may be. Proof of service shall be by the affidavit of the person making personal service or of the publisher of the newspaper in which publication is had. Service of the notice shall be made at least 10 days before the hearing.

RULE 707. PREPARATION OF NOTICES

After a motion or application is filed with the Division the notice or notices required shall be prepared by the Division and service and publication thereof shall be taken care of by the Division without cost to the applicant.

RULE 708. FILING PLEADINGS: COPY DELIVERED TO ADVERSE PARTY OR PARTIES

When any party to a hearing files any pleading, plea, or motion of any character (other than application for hearing)

which is not by law or by these rules required to be served upon the adverse party or parties, he shall at the same time either deliver or mail to the adverse party or parties who have entered their appearance therein, or their respective attorneys of record, a copy of such pleading, plea, or motion. For the purposes of these rules, an appearance of any interested party shall be made either by letter addressed to the Division or in person at any proceeding before the Commission or before an Examiner, with notice of such appearance to the parties from whom such pleadings, pleas, or motions are desired.

RULE 709. CONTINUANCE OF HEARING WITHOUT NEW SERVICE

Any hearing before the Commission or an Examiner held after due notice may be continued by the person presiding at such hearing to a specified time and place without the necessity of notice of the same being again served or published. In the event of any continuance, a statement thereof shall be made in the record of the hearing which is continued.

RULE 710. CONDUCT OF HEARINGS

Hearings before the Commission or any Examiner shall be conducted without rigid formality. A transcript of testimony shall be taken and preserved as a part of the permanent record of the Division. Any person testifying in response to a subpoena issued by the Commission or any member thereof, or the authorized representative of the Division Director, and any person seeking to testify in support of an application or motion or in opposition thereto shall be required to do so under oath. However, relevant unsworn comments and observations by any interested party will be designated as such and included in the record. Comments and observations by representatives of operators' committees, the United States Geological Survey, the United States Bureau of Mines, the New Mexico Bureau of Mines, and other competent persons are welcomed. Any Examiner legally appointed by the Division Director may conduct such hearings as may be referred to such Examiner by the Director.

RULE 711. POWER TO REQUIRE ATTENDANCE OF WITNESSES AND PRODUCTION OF EVIDENCE

The Commission or any member thereof, or the authorized representative of the Division Director has statutory power to subpoena witnesses and to require the production of books, papers, and records in any proceeding before the Commission or Division. A subpoena will be issued for attendance at a hearing upon the written request of any person interested in the subject matter of the hearing. In case of the failure of a person to comply with the subpoena issued, an attachment of the person may be issued by the district court of any district in the state, and such court has powers to punish for contempt. Any person found guilty of swearing falsely at any hearing may be punished for contempt.

Exhibit "B"
Emergency Order No. E-32

RULE 712. RULES OF EVIDENCE

Full opportunity shall be afforded all interested parties at a hearing to present evidence and to cross-examine witnesses. In general, the rules of evidence applicable in a trial before a court without a jury shall be applicable, provided that such rules may be relaxed, where, by so doing, the ends of justice will be better served. No order shall be made which is not supported by competent legal evidence.

RULE 713. EXAMINERS' QUALIFICATIONS AND APPOINTMENT

The Division Director shall, by ex parte order, designate and appoint not more than four individuals to be examiners. Each Examiner so appointed shall be a member of the staff of the Division, but no Examiner need be a full time employee of the Division. The Director may, by ex parte order, designate and appoint a successor to any person whose status as an Examiner is terminated for any reason. Each individual designated and appointed as an Examiner must have at least six years practical experience as a geologist, petroleum engineer or licensed lawyer, or at least two years of such experience and a college degree in geology, engineering, or law; provided however, that nothing herein contained shall prevent any member of the Commission from being designated as, or serving as, an Examiner.

RULE 714. REFERRAL OF CASES TO EXAMINERS

The Division Director may refer any matter or proceeding to any legally designated and appointed Examiner for hearing in accordance with these rules. The Examiner appointed to hear any specific case shall be designated by name.

RULE 715. EXAMINER'S POWER AND AUTHORITY

The Division Director may, by ex parte order, limit the powers and duties of the Examiner in any particular case to such issues or to the performance of such acts as the Director deems expedient; however, subject only to such limitations as may be ordered by the Director, the Examiner to whom any matter or proceeding is referred under these rules shall have full authority to hold hearings on such matter or proceeding in accordance with and pursuant to these rules. The Examiner shall have the power to regulate all proceedings before him and to perform all acts and take all measures necessary or proper for the efficient and orderly conduct of such hearing, including the swearing of witnesses, receiving of testimony and exhibits offered in evidence, subject to such objections as may be imposed, and shall cause a complete record of the proceedings to be made and transcribed and shall certify same to the Director as hereinafter provided.

Exhibit "B"

Emergency Order No. E-32

RULE 716. HEARINGS WHICH MUST BE HELD BEFORE COMMISSION

Notwithstanding any other provisions of these rules, the hearing on any matter shall be held before the Commission (1) if it is a hearing de novo, or (2) if the Division Director in his discretion desires the Commission to hear the matter.

RULE 717. EXAMINER'S MANNER OF CONDUCTING HEARING

An Examiner conducting a hearing under these rules shall conduct himself as a disinterested umpire.

RULE 718. REPORT AND RECOMMENDATIONS, EXAMINER'S HEARINGS

Upon the conclusion of any hearing before an Examiner, the Examiner shall promptly consider the proceedings in such hearing, and based upon the record of such hearing the Examiner shall prepare his written report and recommendations for the disposition of the matter of proceeding by the Division. Such report and recommendations shall either be accompanied by a proposed order or shall be in the form of a proposed order, and shall be submitted to the Division Director with the certified record of the hearing.

RULE 719. DISPOSITION OF CASES HEARD BY EXAMINERS

After receipt of the report and recommendations of the Examiner, the Division Director shall enter the Division's order disposing of the matter or proceeding.

RULE 720. DE NOVO HEARING BEFORE COMMISSION

When any order has been entered by the Division pursuant to any hearing held by an Examiner, any party adversely affected by such order shall have the right to have such matter or proceeding heard de novo before the Commission, provided that within 30 days from the date such order is rendered such party files with the Division a written application for such hearing before the Commission. If such application is filed, the matter or proceeding shall be set for hearing before the Commission at the first available hearing date following the expiration of fifteen days from the date such application is filed with the Division. Any person affected by the order or decision rendered by the Commission after hearing before the Commission may apply for rehearing pursuant to and in accordance with the provisions of Rule 722, and said Rule 722 together with the law applicable to rehearing and appeals in matters and proceedings before the Commission shall thereafter apply to such matter or proceeding.

Exhibit "B"
Emergency Order No. E-32

RULE 721. NOTICE OF COMMISSION AND DIVISION ORDERS

Within ten days after any order, including any order granting or refusing rehearing, or order following rehearing, has been rendered, a copy of such order shall be mailed by the Division to each person or his attorney of record who has entered his appearance of record in the matter of proceeding pursuant to which such order is rendered.

RULE 722. REHEARINGS

Within 20 days after entry of any order or decision of the Commission any person affected thereby may file with the Division an application for rehearing in respect of any matter determined by such order or decision, setting forth the respect in which such order or decision is believed to be erroneous. The Commission shall grant or refuse any such application in whole or in part within 10 days after the same is filed and failure to act thereon within such period shall be deemed a refusal thereof and a final disposition of such application. In the event the rehearing is granted, the Commission may enter such new order or decision after rehearing as may be required under the circumstances.

RULE 723. CHANGES IN FORMS AND REPORTS

Any change in the forms and reports or rules relating to such forms and reports shall be made only by order of the Commission or Division issued after due notice and hearing.

Exhibit "B"
Emergency Order No. E-32

Docket No. 14-78

DOCKET: OIL CONSERVATION DIVISION HEARING
HEARING OFFICER: DIVISION DIRECTOR JOE D. RAMEY
ALTERNATE: RICHARD L. STAMETS

9 A.M. APRIL 14, 1978
OIL CONSERVATION DIVISION CONFERENCE ROOM
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

Case 6198: In the matter of the hearing called by the Oil Conservation Division on its own motion to consider the adoption of the rules, regulations, orders, permits, contracts, bonds, forms, manuals, memoranda, and numbering systems of the New Mexico Oil Conservation Commission as they relate to the conservation of oil, gas, potash, and geothermal resources, as its own rules, regulations, orders, permits, contracts, bonds, forms, manuals, memoranda, and numbering systems. Further, to consider such amendments as may be necessary to the aforesaid rules, regulations, orders, permits, contracts, bonds, forms, manuals, and memoranda.

This case is occasioned by the creation of the Oil Conservation Division of the Department of Energy and Minerals by the 1977 legislative action reorganizing state government effective March 31, 1978; the aforesaid proposed amendments would not be substantial insofar as actual regulation is concerned, but are essential to the administration of the laws and regulations relating to oil, gas, potash, and geothermal resources in this state by the Oil Conservation Division.

RULE 1221. NOTICE OF COMMISSION AND DIVISION ORDERS

Within ten days after any order, including any order granting or refusing rehearing, or order following rehearing, has been rendered, a copy of such order shall be mailed by the Division to each person or his attorney of record who has entered his appearance of record in the matter of proceeding pursuant to which such order is rendered.

RULE 1222. REHEARINGS

Within 20 days after entry of any order or decision of the Commission any person affected thereby may file with the Division an application for rehearing in respect of any matter determined by such order or decision, setting forth the respect in which such order or decision is believed to be erroneous. The Commission shall grant or refuse any such application in whole or in part within 10 days after the same is filed and failure to act thereon within such period shall be deemed a refusal thereof and a final disposition of such application. In the event the rehearing is granted, the Commission may enter such new order or decision after rehearing as may be required under the circumstances.

RULE 1223. CHANGES IN FORMS AND REPORTS

Any change in the forms and reports or rules relating to such forms and reports shall be made only by order of the Commission or Division issued after due notice and hearing.

RULE 1216. HEARINGS WHICH MUST BE HELD BEFORE COMMISSION

Notwithstanding any other provisions of these rules, the hearing on any matter shall be held before the Commission (1) if it is a hearing de novo, or (2) if the Division Director in his discretion desires the Commission to hear the matter.

RULE 1217. EXAMINER'S MANNER OF CONDUCTING HEARING

An Examiner conducting a hearing under these rules shall conduct himself as a disinterested umpire.

RULE 1218. REPORT AND RECOMMENDATIONS, EXAMINER'S HEARINGS

Upon the conclusion of any hearing before an Examiner, the Examiner shall promptly consider the proceedings in such hearing, and based upon the record of such hearing the Examiner shall prepare his written report and recommendations for the disposition of the matter of proceeding by the Division. Such report and recommendations shall either be accompanied by a proposed order or shall be in the form of a proposed order, and shall be submitted to the Division Director with the certified record of the hearing.

RULE 1219. DISPOSITION OF CASES HEARD BY EXAMINERS

After receipt of the report and recommendations of the Examiner, the Division Director shall enter the Division's order disposing of the matter or proceeding.

RULE 1220. DE NOVO HEARING BEFORE COMMISSION

When any order has been entered by the Division pursuant to any hearing held by an Examiner, any party adversely affected by such order shall have the right to have such matter or proceeding heard de novo before the Commission, provided that within 30 days from the date such order is rendered such party files with the Division a written application for such hearing before the Commission. If such application is filed, the matter or proceeding shall be set for hearing before the Commission at the first available hearing date following the expiration of fifteen days from the date such application is filed with the Division. Any person affected by the order or decision rendered by the Commission after hearing before the Commission may apply for rehearing pursuant to and in accordance with the provisions of Rule 1222 and said Rule 1222 together with the law applicable to rehearing and appeals in matters and proceedings before the Commission shall thereafter apply to such matter or proceeding.

RULE 1212. RULES OF EVIDENCE

Full opportunity shall be afforded all interested parties at a hearing to present evidence and to cross-examine witnesses. In general, the rules of evidence applicable in a trial before a court without a jury shall be applicable, provided that such rules may be relaxed, where, by so doing, the ends of justice will be better served. No order shall be made which is not supported by competent legal evidence.

RULE 1213. EXAMINERS' QUALIFICATIONS AND APPOINTMENT

The Division Director shall, by ex parte order, designate and appoint not more than four individuals to be examiners. Each Examiner so appointed shall be a member of the staff of the Division, but no Examiner need be a full time employee of the Division. The Director may, by ex parte order, designate and appoint a successor to any person whose status as an Examiner is terminated for any reason. Each individual designated and appointed as an Examiner must have at least six years practical experience as a geologist, petroleum engineer or licensed lawyer, or at least two years of such experience and a college degree in geology, engineering, or law; provided however, that nothing herein contained shall prevent any member of the Commission from being designated as, or serving as, an Examiner.

RULE 1214. REFERRAL OF CASES TO EXAMINERS

The Division Director may refer any matter or proceeding to any legally designated and appointed Examiner for hearing in accordance with these rules. The Examiner appointed to hear any specific case shall be designated by name.

RULE 1215. EXAMINER'S POWER AND AUTHORITY

The Division Director may, by ex parte order, limit the powers and duties of the Examiner in any particular case to such issues or to the performance of such acts as the Director deems expedient; however, subject only to such limitations as may be ordered by the Director, the Examiner to whom any matter or proceeding is referred under these rules shall have full authority to hold hearings on such matter or proceeding in accordance with and pursuant to these rules. The Examiner shall have the power to regulate all proceedings before him and to perform all acts and take all measures necessary or proper for the efficient and orderly conduct of such hearing, including the swearing of witnesses, receiving of testimony and exhibits offered in evidence, subject to such objections as may be imposed, and shall cause a complete record of the proceedings to be made and transcribed and shall certify same to the Director as hereinafter provided.

which is not by law or by these rules required to be served upon the adverse party or parties, he shall at the same time either deliver or mail to the adverse party or parties who have entered their appearance therein, or their respective attorneys of record, a copy of such pleading, plea, or motion. For the purposes of these rules, an appearance of any interested party shall be made either by letter addressed to the Division or in person at any proceeding before the Commission or before an Examiner, with notice of such appearance to the parties from whom such pleadings, pleas, or motions are desired.

RULE 1209. CONTINUANCE OF HEARING WITHOUT NEW SERVICE

Any hearing before the Commission or an Examiner held after due notice may be continued by the person presiding at such hearing to a specified time and place without the necessity of notice of the same being again served or published. In the event of any continuance, a statement thereof shall be made in the record of the hearing which is continued.

RULE 1210. CONDUCT OF HEARINGS

Hearings before the Commission or any Examiner shall be conducted without rigid formality. A transcript of testimony shall be taken and preserved as a part of the permanent record of the Division. Any person testifying in response to a subpoena issued by the Commission or any member thereof, or the authorized representative of the Division Director, and any person seeking to testify in support of an application or motion or in opposition thereto shall be required to do so under oath. However, relevant unsworn comments and observations by any interested party will be designated as such and included in the record. Comments and observations by representatives of operators' committees, the United States Geological Survey, the United States Bureau of Mines, the New Mexico Bureau of Mines, and other competent persons are welcomed. Any Examiner legally appointed by the Division Director may conduct such hearings as may be referred to such Examiner by the Director.

RULE 1211. POWER TO REQUIRE ATTENDANCE OF WITNESSES AND PRODUCTION OF EVIDENCE

The Commission or any member thereof, or the authorized representative of the Division Director has statutory power to subpoena witnesses and to require the production of books, papers, and records in any proceeding before the Commission or Division. A subpoena will be issued for attendance at a hearing upon the written request of any person interested in the subject matter of the hearing. In case of the failure of a person to comply with the subpoena issued, an attachment of the person may be issued by the district court of any district in the state, and such court has powers to punish for contempt. Any person found guilty of swearing falsely at any hearing may be punished for contempt.

RULE 1204. METHOD OF GIVING LEGAL NOTICE FOR HEARING

Notice of each hearing before the Commission and notice of each hearing before a Division Examiner shall be given by personal service on the person affected or by publication once in a newspaper of general circulation published at Santa Fe, New Mexico, and once in a newspaper of general circulation published in the county or each of the counties, if there be more than one, in which any ~~geothermal resource~~ or other property which may be affected is situated.

RULE 1205. CONTENTS OF NOTICE OF HEARING

Such notice shall be issued in the name of "The State of New Mexico" and shall be signed by the Director of the Division, and the seal of the Commission shall be impressed thereon.

The notice shall specify whether the case is set for hearing before the Commission or before a Division Examiner and shall state the number and style of the case and the time and place of hearing and shall briefly state the general nature of the order or orders, rule or rules, regulation or regulations to be promulgated or effected. The notice shall also state the name of the petitioner or applicant, if any, and unless the contemplated order, rule, or regulation is intended to apply to and affect the entire state, it shall specify or generally describe the common source or sources of supply which may be affected by such order, rule, or regulation.

RULE 1206. PERSONAL SERVICE OF NOTICE

Personal service of the notice of hearing may be made by any agent of the Division or by any person over the age of 18 years in the same manner as is provided by law for the service of summons in civil actions in the district courts of this state. Such service shall be complete at the time of such personal service or on the date of publication, as the case may be. Proof of service shall be by the affidavit of the person making personal service or of the publisher of the newspaper in which publication is had. Service of the notice shall be made at least 10 days before the hearing.

RULE 1207. PREPARATION OF NOTICES

After a motion or application is filed with the Division the notice or notices required shall be prepared by the Division and service and publication thereof shall be taken care of by the Division without cost to the applicant.

RULE 1208. FILING PLEADINGS: COPY DELIVERED TO ADVERSE PARTY OR PARTIES

When any party to a hearing files any pleading, plea, or motion of any character (other than application for hearing)

N - RULES ON PROCEDURE

RULE 1201. NECESSITY FOR HEARING

Except as provided in some general rule herein, before any rule, regulation or order, including revocation, changes, renewal or extension thereof, shall be made by the Division, a public hearing before the Commission or a legally appointed Division Examiner shall be held at such time and place as may be prescribed by the Division.

RULE 1202. EMERGENCY ORDERS

Notwithstanding any other provision of these rules, in case an emergency is found to exist by the Division, which, in its judgment, requires the making of a rule, regulation, or order without a hearing having first been had or concluded, such emergency rule, regulation, or order when made by the Division shall have the same validity as if a hearing with respect to the same had been held before the Division after due notice. Such emergency rule, regulation, or order shall remain in force no longer than 15 days from its effective date, and in any event, it shall expire when the rule, regulation, or order made after due notice and hearing with respect to the subject matter of such emergency rule, regulation, or order becomes effective.

RULE 1203. METHOD OF INITIATING A HEARING

The Division upon its own motion, the Attorney General on behalf of the State, and any operator or producer, or any other person having a property interest may institute proceedings for a hearing. If the hearing is sought by the Division it shall be on motion of the Division and if by any other person it shall be by application. The application shall be in triplicate and shall state (1) the name of the applicant, (2) the name or general description of the common source or sources of supply or the area affected by the order sought, (3) briefly the general nature of the order, rule, or regulation sought, and (4) any other matter required by a particular rule or rules, or order of the Division. The application shall be signed by the person seeking the hearing or by his attorney.

When conditions are such as to require verbal application to place a matter for hearing on a given docket, the Division will accept such verbal application in order to meet publishing deadlines. However, if written application, filed in accordance with the procedures outlined above, has not been received by the Division's Santa Fe office at least ten days before the date of the hearing, the case will be dismissed.

Exhibit "A"
Emergency Order No. E-32

B

BEFORE THE
NEW MEXICO OIL CONSERVATION DIVISION
APRIL 14, 1978

IN THE MATTER OF: The hearing called by the Oil Conservation Division on its own motion to consider the adoption of the rules, regulations, orders and other documents.	Case 6198

BEFORE: Joe D. Ramey, Division Director

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil Conservation Divison:

Lynn Teschendorf, Esq.
Legal Counsel for the Division
State Land Office Building
Santa Fe, New Mexico

LANPHERE REPORTING SERVICE
P.O. BOX 449
58 SOUTH FEDERAL PLACE
SANTA FE, NEW MEXICO 87501

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LANPHERE REPORTING SERVICE
P.O. BOX 449
58 SOUTH FEDERAL PLACE
SANTA FE, NEW MEXICO 87501

MR. RAMEY: The hearing will come to order. Call Case 6198 in the matter of the hearing called by the Oil Conservation Division on its own motion to consider the adoption of the rules, regulations, orders and other documents.

Ask for appearances?

MS. TESCHENDORF: Lynn Teschendorf, appearing on behalf of the Division. I have one witness.

DAN NUTTER

the witness herein, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MS. TESCHENDORF:

Q Would you please state your name, occupation and by whom you are employed?

A My name is Dan Nutter, I'm Chief Engineer for the Oil Conservation Division of the New Mexico Energy and Minerals Department.

Q Are you familiar with the subject matter of Case 6198?

A Yes, I am.

Q Have you testified before the Commission which is now the Division and are your credentials a matter

of record?

A Yes, they are.

MS. TESCHENDORF: Is the witness qualified?

MR. RAMEY: Considered qualified.

Q (By Ms. Teschendorf) What is the purpose of this case?

A The purpose of the case is to effect certain changes in the rules, regulations, orders, permits, contracts, bonds, forms, memoranda and so forth previously issued by the Commission to designate that these rules, regulations, orders, permits, contracts, bonds, forms, memoranda and so forth would be Division documents rather than Commission documents.

Q What legislative action has occasioned the calling of this case?

A The 33rd State Legislature of New Mexico at its first session enacted Chapter 255, Laws of 1977. This act was approved by the Governor on April 7, 1977 and it was entitled, An Act Relating to the Establishment of an Energy and Mineral Department, abolishing certain agencies, amending, repealing and enacting certain section of NMSA 1953.

Q What amendments generally do you propose

to the Commission's rules, regulations, orders, et cetera?

A This act I just mentioned became effective at 5:01 p.m. on March 31, 1978. As a result of the Act becoming effective at that time the Division, through its Division Director issued emergency order No. E 32, which was effect at 5:01 p.m. Mountain Standard Time, March 31, 1978 and which emergency order remains in effect for a period of not more than 15 days, expiring at 5:01 p.m., tomorrow on the 15th of April.

Q That's Exhibit A, is it not?

A And the emergency order is being offered as Exhibit A.

Now, what Exhibit A did, this emergency order, it temporarily ordered that the effective rules, regulations, orders, permits, contracts, bonds, forms, manuals and memoranda issued prior to the date of the emergency order and published, promulgated or approved by the New Mexico Oil Conservation Commission were adopted at that time by the Oil Conservation Division of the New Mexico Department of Energy and Minerals as its own rules, regulations, orders, permits, contracts, bonds, forms, manuals and memoranda to be used by the Oil Conservation Division in the performance of its duties and administrating

the laws and regulations relating to oil, gas, potash and geothermal resources in the State of New Mexico.

Now, by so doing, these previously mentioned things are under temporary order documents of the Oil Conservation Division. As I said we now have this hearing in which to permanently promuglate these documents as Division documents.

Since the emergency order was good for only 15 days we had to have a hearing within that time, Section M of the New Mexico Oil Conservation Commission Rules and Regulations for oil and gas and Section I of the New Mexico Oil Conservation Commission Rules and Regulations for geothermal resources were amended to adopt the procedure whereby the Division could have a hearing during the period in which this emergency order was in effect.

Q Would you refer to Exhibit B then and explain what that is?

A Exhibit B is the rules of procedure.

Q So Exhibit B is Section N rules on procedure for oil and gas?

A That is correct. And it was attached to the emergency order and with that order, was identified as

Exhibit A of Emergency Order E 32. It is Exhibit B in this hearing.

Q Was there an error made in the preparation of this exhibit?

A Yes, there was. On the second page of that exhibit Rule 1204 has an error in it and on the next to the last line the word "geothermal resources" should be scratched and inserted in those words place should be the word "land, oil or gas, or other property". This was a typographical error in copying the rules and regulations and this particular rule refers to publication of legal notice for hearing and it must be given in a newspaper of general circulation, published in Santa Fe, New Mexico, and once in a newspaper of general ciruclation, published in the County or each of the Counties if there be more than one in which an land, oil or gas or other property which may be affected is situation. I guess other properties are there so we have to insert land, oil or gas.

Q Do you have anything more on Exhibit B?

A I call attention to one rule. It's Rule 1216 which is entitled Hearings Which Must Be Held Before The Commission.

Now, in accordance with the statutes as they

have been amended, the normal procedure for hearings is Division hearings which would be held before Division examiners. This rule provides for hearings before the Commission and reads as follows: "Notwithstanding any other provisions of these rules the hearing on any matter shall be held before the Commission,(1) If it is a hearing de nova or, (2) if the Division Director in his discretion desires the Commission to hear the matter.

There was a third provision in the statutes or in the rule prior to this amendment which also mentioned that the hearing would be held before the Commission if it involved setting the oil allowable for the State of New Mexico.

However, we very seldom set oil allowables anymore so that has been removed from these rules as proposed here today. So that would be a Division hearing probably, the establishment of an allowable unless the Division Director in his discretion desires the Commission to hear it.

Q Would you now refer to Exhibit C and explain that?

A Exhibit C is Rules on Procedure being rules 701 through 723 of the geothermal resources Rules and

Regulations previously issued by the Commission and adopted by the Division in the Emergency Order. There are no changes in these rules.

I will call attention to Rule 716 which mentions that hearings which must be held before the Commission are (1), if it's a hearing de nova or (2) if the Division Director in his discretion desires the Commission to hear the matter. That previously was entered as Exhibit B attached to the Emergency Order No. E 32.

And these two sections on procedure established the procedure whereby we are having this hearing this morning under the Emergency Order.

Q Would you now refer to Exhibit D and explain that?

A Exhibit D is a copy of the Rules and Regulations for oil and gas as promulgated by the Commission in 1971 and with all of the changes which have been made in the Rules and Regulations since 1971 incorporated in this Exhibit. So it is an up to date copy of the Rules and Regulations.

Throughout this book there are numerous changes reflecting Commission to Division. Start off with the letter that's in the front of the book. It used to

say New Mexico Oil Conservation Division Rules and Regulations, it now says State of New Mexico Energy and Minerals Department, Oil and Conservation Division and it is signed by Joe D. Ramey, Secretary-Director which has been changed to Joe D. Ramey, Division Director.

There's a new organizational page in the exhibit reflecting this is the Oil Conservation Division of the Energy and Minerals Department. And it also lists the members of the Commission who are at the present Land Commissioner, Phil R. Lucero; State Petroleum Engineer, Joe Ramey and State Geologist, Emery C. Arnold. It also mentions that Nick Franklin is Secretary of the Energy and Minerals Department and Jerry Apodaca is Governor of the State of New Mexico.

It also mentions that we have some supervisors and district personnel who could be contacted in the event of problems in the field.

MR. RAMEY: Mr. Nutter, there may be a change in Mr. Arnold's title. He may be now classified as Division Director of the Mining and Minerals.

MR. NUTTER: I think, Mr. Ramey, that the Division Director of that, that you just said, is the Chief of the Bureau of Geology shall be known as the State

Geologist, so he is still the State Geologist although he is the head of that Bureau.

MR. RAMEY: I think we're talking about different subjects. We might have to check later to determine what his proper is, whether he is still State Geologist. If he is the State Geologist he may not be on the Commission any longer.

MR. NUTTER: We will check that out and may have to make a change in that organizational page then.

There have been a few changes in the definition section. We have added definition for the word "division" which shall mean the Oil Conservation Division of the New Mexico Energy and Minerals Department.

I've also, in going through these definitions scratched out some of the references to statutes for these definitions because the statute is, for instance, Commission shall mean the Oil Conservation Commission created by Chapter 3--Section 3, Chapter 168, Section Laws of 1949 and I've scratched out all those references to statutes, because some of those have changed over the years and it's rather confusing to find just where the latest definition is in the statute.

So I think it's self-evident, this is the

definition if someone seeks the origin of that definition they can find it.

Then commencing with Section B of Miscelleanous rules and going on through the remainder of the rules and regulations, Commission has been changed to Division as I mentioned in numerous places. References to the Secretary-Director of the Commission have been changed to Division Director.

Section N of these rules and regulations being the Rule of Procedure have been left out of this exhibit because they are covered by this other exhibit that we just discussed. There aren't any other changes. I think there was one grammatical change.

There aren't any other changes until we get to Rule 1301, The District Offices wherein it states, "Each district office shall be under the charge of a district supervisior and oil and gas inspector or a deputy oil and gas inspector or a member of the Commission", and the member of the Commission has been stricken there, so the district offices are under the charge of the district supervisors or oil and gas inspectors. We don't have any members in the Commission in the field operating in the district offices, and I don't contemplate that we would

have.

The District Office here in Santa Fe is under the direction of the oil and gas inspector. That just about covers the amendments that have been made to the Rules and Regulations for oil and gas as reflected by Exhibit D.

Q Would you refer to Exhibit E please?

A Exhibit E is a copy of the Rules and Regulations for geothermal resources for the State of New Mexico Energy and Minerals Department, Oil Conservation Division. It again has a title page and the same possible error with regard to Mr. Arnold as State Geologist is shown on that title page.

It also, our rules and regulations for geothermal used to say, "geothermal was handled by the geothermal division of the Oil Conservation commission." These have now been changed to show that it's the Geothermal Section of the Oil Conservation Division of the Energy and Minerals Department and under the origanization here Mr. Ulvog, who has been doing most of our geothermal work is shown to be a geologist and geothermal officer.

We have an addition to the definition being that Division shall mean the Oil Conservation Division of

the New Mexico Energy and Minerals Department. The rest of the rule changes are just as they were in Exhibit No. D. Changing the name of the Commission to the Division in many, many places and changing the name of the Secretary-Director of the Commission to the Division Director.

Section I has been left out of this particular set of rule books, that's Exhibit E, because Section I is the Rules of Procedure for geothermal which has been previously identified as Exhibit C in this hearing.

Q Would you now refer to Exhibit F and describe that?

A Yes. Exhibit F is an exhibit in which I have compiled the statutes relating to the Oil Conservation Commission, the Oil Conservation Division as they relate to oil and gas activities in the State of New Mexico.

Now this is a composite statute here which incorporates three different sets of laws and to one exhibit. This is the first time it's been compiled like this up to date.

This includes those sections of the oil and gas Act which were in effect prior to the amendment of 1977 and which were not changed by the general

reorganizational statute. It also includes those sections of the Oil and Gas Act which were amended by the first session of the 33rd Legislature in 1977 and it also includes those section of the statutes which were amended by the second session of the 1977, of the 33rd Legislature in it's 1978 session. So this is an up to date composite set of statutes as they currently exist.

You will note on Exhibit F that some of the statutes, well, the first half of the first page there is in single space type. This happens to be Sections 6532 and 6533 of the statutes. These are the sections that were not amended by either the first or the second session of the 33rd Legislature. And you go through there and you find a few statutes where there was no mention of Oil Conservation Commission and it was not necessary to amend those. And those are all in here in single space type.

The double spaced type throughout the Exhibit is the statutes as they exist either after amendment by the first session in '77 or amendment by the second session in 1978. So there we have the oil and gas statutes.

Q I notice on page 9 you have some of these

crossed out, 65314.1 through 65314.4.

A This is correct. I had gone by the 1975 statutes and the '75 insert in the statutes, but there was a change in 1976 which hasn't been incorporated in the insert in the books and 65314.1, 14.2, 14.3, 14.4 were repealed out in 1976. So those have been scratched out of this exhibit.

Q Would you now refer to Exhibit G and explain that?

A Exhibit G on it's first page is entitled Article 11 Geothermal Resources Act and has a number of statutes in here which are up to date as far as I can tell, incorporating all of the Geothermal Act of 1975.

In addition the Geothermal Act of 1975 is Section 65-11, 1 through 65-1124. You will notice as you go through Exhibit G you will find a few sections there which are not 11's, they're not 65-11's. The right hand column on page 2 of the Exhibit is 65-3-4 which is not part of the original Geothermal Resources Act.

The reason for this is that when the Geothermal Resources Act was drafted and submitted to the Legislature in 1975, any part of it, the model for the Act was the Oil and Gas Conservation Act and anyplace in

the Oil and Gas Conservation Act where there was a mention of oil and gas was redone and was changed to geothermal. If there was not mention of oil and gas in there, it was not included in the Geothermal Act.

But the Geothermal Act in 65-11-2 says, "It's hereby found and determined that the people of the State of New Mexico have a direct and primary interest in the development of geothermal resources and that this State should exercise its power and jurisdiction through its Oil Conservation Commission and Division as it's been subsequently amended, to require that wells drilled in search of, development of or incident to the production of geothermal resources be drilled, operated, maintained and abandoned in such a manner to safeguard life, health, property, natural resources and the public welfare and to encourage maximum economic recovery. To these ends it is the intent of the Legislature that the power and jurisdiction of the Commission and the Division, as subsequently amended, as given by the Geothermal Resources Conservation Act shall be supplemental to the other powers and jurisdictions given the Commission and the Division, as subsequently amended, by the statutes of this State".

Since this was an Act that was giving the

Oil Conservation Commission jurisdiction over geothermal and it was supplemental to the other powers and jurisdiction given the Commission by its original Oil and Gas Act, it was not felt that it was necessary to repeat those statutes that weren't in conflict. They were considered in conflict if they mentioned oil and gas, so they were repeated and included in the Geothermal Act under Section 65-11.

But the supplemental powers including like the definition of the Commission, the rules of procedure in hearings, manner of giving notice for hearings, the subpoena power of the Commission, failure to refuse or comply with subpoena and perjury and punishment--

Q Penalty for violations.

A --penalty for violations in there some-place, such sections as that which were general broad powers of the Commission were felt to be the powers that were supplemental to the powers of the Commission given in the Geothermal Act and this was explained to the Legislature, this was the reason this was not--that these statutes just weren't parroted and repeated because there was no mention of oil and gas. So the statute in the Oil and Gas Act was considered applicable to the Geothermal

Act and so this compliation of the geothermal statutes has sections of two acts in it now. Sections of 65-11-2 and Section of 65-3 of the statutes incorporated into one act. This should be a complete geothermal statute then. That's Exhibit G.

Q Do you have any further in regards to that?

A I do have a memorandum which is directed to me from Lynn Teschendorf regarding incorporation by reference of these acts in the geothermal statute. And this explains the logic which can be used to arrive at the method that we used in 1975 for drawing up the geothermal statutes and submitting them to the Legislature.

It goes into a number of case in which some of this is considered unconstitutional but other authorities it's constitutional and proper if it doesn't broaden powers beyond what they were and this did not broaden the powers. The Commission already had these powers such as subpoena, method of giving notice of hearing and such as that. So there was no broadening of the powers and it is considered that this method was constitutional.

However, some people have raised the

the question maybe it should be changed in some future session of the Legislature and the memorandum points out that under the advice of the memorandum, it says I think overall that the Geothermal Act is constitutional. But since I can find arguments to the contrary reenacting the pertinent statutes would be the best course to follow.

So I think to make it nice and clean and not to have a Section 65-11 followed by a Section 65-3, then back to a 65-11 it might be better to go to the legislature at the next session and get these things cleaned up.

Q Do you have anything further in this case?

A No, the only thing I have would be that the Commission or the Division entered an order making permanent the provisions of Emergency Order E-32 and that this order would only be the first part, that this order would be issued in two parts, and that the first order would be entered immediately, prior to the expiration of Emergency Order E-32 and that the second portion of the order be entered at the earliest possible date but that that order would incorporate a complete set of rules and regulations amended in accordance with Exhibit D for oil and Gas. And a complete set of rules and regulations

amended in accordance with Exhibit E for geothermal resources and that also attached to the second order entered in this case today would be a complete set of the forms which the Commission has used and which the Division is now using and that these forms be amended to reflect that they are the forms of the Oil Conservation Division of the Energy and Minerals Department of New Mexico.

It can't all be done today. We can't get a rule book typed and printed and circulated today. So this order will have to be in two parts. First order adopted it and state these forms that are labeled "COmmission" and that these rules and regulations that are labeled "Commission" are the rules and regulation of the Division on a permanent basis. But the second part of the order would actually promulgate them and publish them.

Q Were Exhibits A through H prepared by you?

A Yes, they were.

MS. TESCHENDORF: At this time I will offer Exhibits A through H and I have nothing further.

MR. RAMEY: They will be admitted.

(WHEREUPON, Oil Conservation Division's Exhibits No. A through H admitted into the evidence.)

MR. RAMEY: Any questions of the witness? Mr. Stamets?

MR. STAMETS: Mr. Nutter, are any of the additional changes to the Rules and Regulations that you propose today necessary to be implemented before this new rule book could be printed?

MR. NUTTER: Are any of the changes necessary to be implemented?

MR. STAMETS: Yes, you have proposed or the Emergency Order No. 32 included certain changes to the rules and regulations, but you have mentioned two or three others here today. Are those just cleanup changes or do those need to be included in the order that the Commission would enter?

MR. NUTTER: They need to be included. For instance, the one that I mentioned for Rule 1216 of Rules of Procedure should be mentioned in the order that comes out today that a matter can be heard--must be heard before the Commission if it's a hearing de nova or if the Division Director, in his discretion, desires the Commission

to hear the matter. We must have this in effect because I think we're going to have a case coming up before too long and before we could get out a rule book, that the Division Director, in all probability will want the Commission to hear in its discretion. So that should be incorporated in that.

MR. STAMETS: Was that not part of the Emergency Order 32?

MR. NUTTER: Yeah. I didn't contemplate putting this Exhibit A and Exhibit B with the order that's coming out of this hearing today. It could be done and it would make the order longer but it could certainly be done. The others are not substantive changes at all.

MR. STAMETS: That's the only question I had.

MR. RAMEY: Any other questions of the witness? You may be excused.

Anyone have anything further to add in this case? Mr. Nutter, I will take your recommendation. I feel that the Division should adopt this as proposed and I will direct you to prepare an order to be signed today for my signature today.

MR. NUTTER: We will have something drawn up.

MR. RAMEY: With that the hearing is closed.

(WHEREUPON, the hearing was concluded at 9:40 a.m.)

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REPORTER'S CERTIFICATE

I, BETTY J. LANPHERE, CSR-RPR with offices in Santa Fe, New Mexico, do hereby certify that the foregoing transcript is a complete and accurate record of said proceedings as the same were recorded by me stenographically and reduced to typewritten transcript by me or under my supervision.

DATED at Santa Fe, New Mexico, this eighteenth day of April, 1978.

Betty J. Lanphere, Court Reporter

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