

Exhibit I

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION COMMISSION**

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION TO REPEAL PARTS 1-15 OF TITLE 19, CHAPTER 15 NMAC AND REPLACE WITH PARTS 2-16, 18-26, 29, 31, 34, 35, 37 AND 39 OF TITLE 19, CHAPTER 15 NMAC; AND AMEND PARTS 17 AND 36 OF TITLE 19, CHAPTER 15 NMAC; STATEWIDE.

CASE NO. 14180

**THE OIL CONSERVATION DIVISION'S
MODIFICATIONS TO PROPOSED RULE CHANGES**

The Oil Conservation Division (OCD) requests that the Oil Conservation Commission consider the following modifications to the rule changes proposed in Case No. 14180. The modifications correct typographical and grammatical errors, and errors in cross-references. If the modification is not self-explanatory, the change is explained in the bracketed material following the red-lined version of the proposed rule.

1. Subparagraph (e) of Paragraph (11) of Subsection S of 19.15.2.7 NMAC:

A facility located at an oil an gas production facility and used for temporary storage of oil field waste generated on-site from normal operations, if the facility does not poses a threat to fresh water, public health, safety or the environment;

2. Subparagraph (d) of Paragraph (1) of Subsection W of 19.15.2.7 NMAC:

The production in this state of gas from a gas well or wells, or from a gas pool, in excess of the reasonable market demand from such source for gas of the type produced or in excess of the capacity of gas transportation facilities for such type of gas; the words "reasonable market demand", as used herein with respect to gas, shall be construed to mean the demand for natural gas ~~as~~ 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 gas or products thereof, or both the gas and products.

3. Paragraph (6) of Subsection W of 19.15.2.7 NMAC:

“Well blowout” means a loss of control over and subsequent eruption of a drilling or workover well or the rupture of the casing, casinghead or wellhead ~~or~~ of an 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.

4. Subsection A of 19.15.2.11 NMAC:

Notwithstanding other provisions of 19.15.2 NMAC through 19.15.39 NMAC, in the event the division or commission finds an emergency exists that requires an order’s issuance ~~of~~ without a hearing,....

5. Subsection A of 19.15.2.12 NMAC:

Division orders entered after January 1, 1950, pertaining to the allocation of production of oil and gas shall be prefixed with the letter “A” of “AG” in the case of gas pools and shall be numbered consecutively, commencing with the number one, i.e., the first allocation order issued after January 1, 1950, is No. A-1, the next ~~A-1~~ A-2, etc. or AG-1 and AG-2.

6. Subsection B of 19.15.2.12 NMAC:

Other division orders entered after January 1, 1950, shall be prefixed with the letter “R” and shall be numbered consecutively....

7. Subparagraph (b) of Paragraph (1) of Subsection A of 19.15.4.12 NMAC:

When the applicant has given notice as required in ~~Subparagraph (a) of Paragraph (1) of Subsection~~ Subsection A of 19.15.4.9 NMAC, of a compulsory pooling application,

[The reference to Subparagraph (A) of Paragraph (1) of Subsection A is incorrect; there is no Subparagraph (a) or Paragraph (1).]

8. 19.15.6.6 NMAC:

To establish procedures for the certification of eligibility for the enhanced oil recovery project tax incentive, the production restoration project tax incentive, the well workover project tax incentive, and the stripper well tax incentive, ~~and the new well tax incentive.~~

[The reference to the new well tax incentive is being removed because the proposed rules do not include provisions on the new well tax incentive. The new well tax incentive is no longer in effect.]

9. Subsection D of 19.15.6.7 NMAC:

~~“New well” means a oil or gas producing well for which drilling commenced after January 1, 1999 and before July 1, 2000, or a horizontal oil or gas well that was re-completed from a vertical well by drilling operations that commenced after January 1, 1999 and before July 1, 2000, that the division approves and certifies.~~

[Note: the remaining Subsections of 19.15.6.7 NMAC will need to be renumbered accordingly.]

[The definition of “new well” applied only to the provision regarding the new well tax incentive, which is no longer in effect. That provision is not included in the proposed rules.]

10. Subsection B of 19.15.6.10 NMAC:

~~19.15.6.11 NMAC~~ 19.15.6.10 NMAC applies to a gas or oil well upon which the operator has commenced a workover after June 16, 1995 that is intended to increase the well's production.

11. 19.15.7.11 NMAC:

UNITED STATES GOVERNMENT LEASES: For wells located on land ~~where~~ that the United States or a native American nation, tribe or pueblo owns, an operator shall file

12. Subsection C of 19.15.7.14 NMAC:

~~Information to be entered on form C-103 for a particular operation is as follows: report~~ Report of commencement of drilling operations. Within 10 days following the commencement of drilling operations, the operator shall file a report ~~thereof~~ of commencement on form C-103. The report shall indicate the hour and the date the operator spudded the well.

13. Subsection C of 19.15.7.36 NMAC:

After a well is completed and ready for pipeline connection, the operator shall file form C-104 along with a copy of form C-105 or BLM form No. 3160-4, whichever is applicable, with the division on wells drilled in the state, regardless of land status. Further, the operator shall file ~~forms 19.15.7 NMAC requires that pertain to production form as set out in 19.15.7 NMAC~~ the division will not

~~accept other forms.~~ production reports using division forms; the division will not accept federal forms for reporting production.

14. 19.15.7.44 NMAC:

APPLICATION FOR WELL WORKOVER ~~PROJECT~~ PROJECT (C-140):

15. Paragraph (1) of Subsection D of 19.15.11.9 NMAC:

Where submitted. The person shall submit ~~he~~ the hydrogen sulfide contingency plan to the division.

16. Subsection D of 19.15.13.8 NMAC:

Exceptions. A person responding to a compulsory pooling application who seeks a different risk charge than that provided in Subsection A of 19.15.13.8 NMAC shall so state in a timely pre-hearing statement filed with the division and served on the applicant in accordance with ~~19.15.14.13 NMAC~~ 19.15.4.13 NMAC, and shall....

17. Paragraph (1) of Subsection B of 19.15.13.11 NMAC:

If the operator proposes the well and ~~less~~ fewer than all working interest owners elect to participate, the operator may withdraw the proposal unless....

18. Paragraph (6) of Subsection D of 19.15.21.12 NMAC:

Exception to balancing overproduction. The director may allow the operator to make up overproduction ~~at~~ at a lesser rate than permitted under Paragraph (3) of Subsection D of 19.15.21.12 NMAC upon the operator's showing at public hearing that the lesser rate is necessary to avoid material damage to the well.

19. Paragraph (12) of Subsection B of 19.15.21.13 NMAC:

The operator shall change and arrange orifice meter charts to reflect upon a single chart the flow data for the gas from each well for the full seven-day or eight-day deliverability test period; however, the division shall not void a test if the operator ~~satisfactory~~ satisfactorily explains the necessity for using test volumes through two chart periods....

20. Subsection A of 19.15.23.9 NMAC:

The division may grant exceptions to the requirements of ~~Subsection A of 19.15.11.9 NMAC, administratively,~~ Subsection B of 19.15.12.9 NMAC administratively, without hearing, to permit production from one lease to be

transported prior to measurement to another lease for storage on that lease when....

21. Paragraph (2) of Subsection F of 19.15.26.8 NMAC:

The division may authorize an operator to expand a pressure maintenance ~~projects~~ project and place additional wells on injection after hearing or administratively....

22. Subsection B of 19.15.26.10 NMAC:

The operator of an injection ~~project shall~~ project shall operate and maintain at all times the injection project, including injection wells, producing wells and related surface facilities, in such a manner as will confine the injected fluids to the interval or intervals approved....

[The proposed rule contains an unnecessary hyphen between "project" and "shall."]

23. Paragraph (5) of Subsection A of 19.15.26.11 NMAC:

The operator shall advise the division of the date and time ~~an~~ any initial, five-year or special tests are to be commenced so the division may witness the tests.

24. 19.15.29.9 NMAC:

REPORTING REQUIREMENTS: The person operating or controlling either the release or the location of the release shall provide notification of releases in 19.15.29.8 NMAC as follows:

25. Subsection B of 19.15.29.10 NMAC:

The person operating or controlling either the release or the location of the release shall provide timely written notification ~~is required~~ within 15 days to the division district office...

26. Paragraph (6) of Subsection B of 19.15.35.10 NMAC:

Proof the applicant has sent notice of the proposed abandonment to all surface owners where the pipeline is ~~located;~~ the located; the director may require the applicant to send additional notification as described in 19.15.35.14 NMAC.

[The proposed rule contains an unnecessary period between "located" and the semi-colon.]

27. Paragraph (1) of Subsection B of 19.15.35.12 NMAC:

In addition to all other information required for C-103 submittal, the form shall specifically state that the applicant will place regulated NORM in the well bore. The abandonment procedure contained in the application shall identify depths at which the operator will place regulated NORM, radiation survey results conducted on the regulated NORM to be disposed, the procedure the operator will use to place the regulated NORM in the well bore and the specific form of regulated NORM the operator will place in the well bore (*e.g.* scale, pipe, dirt, ~~ete~~-etc.).

[The proposed rule did not place a period after “etc”.]

28. Paragraph 9 of Subsection C of 19.15.39.8 NMAC:

The operator shall perform a mechanical integrity tests as described in Paragraph (2) of Subsection A of 19.15.26.11 NMAC annually....

29. Subparagraph (h) of Paragraph 4 of Subsection D of 19.15.36.18 NMAC:

for [~~operaors~~]an operator who ~~choose~~ chooses to use the landfarm methods specified in Subsection H of 19.15.36.15 NMAC,

RESPECTFULLY SUBMITTED,

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