

OCD PROCEDURE FOR PLUGGING ABANDONED WELLS

1. District sends a certified letter to the operator requesting compliance within a time certain and notifying the operator that a show cause hearing (SCH) will be set if no action is taken by the operator within that time. OCD lawyer is copied on letter.
2. If operator does not take any action to comply within that time, then District sends OCD lawyer a letter requesting that a SCH be held and encloses a copy of the well file. Also included are the following (if not already included in the well file or if OCD Santa Fe does not already have):
 - a. Copy of Form C-104 showing the current operator.
 - b. Copies of correspondence to operator requesting compliance with OCD well plugging rules.
 - c. Documentation/statement that the well(s) is a threat to fresh water and/or the environment, would result in waste of oil and/or gas and/or would not protect correlative rights.
 - d. Well bond information.
 - e. Recommended plugging procedures (jointly approved by the BLM if well(s) is on Federal land).
 - f. List of recommended contractors (who will be sent the Information For Bids (IFB)).
3. OCD lawyer notices and holds SCH.
 - a. Testimony is given by Santa Fe OCD personnel (unless special circumstances warrant District personnel) after reviewing the well file and accompanying information. Special circumstances include:
 - i. Complicated case with District personnel having detailed knowledge of the case.
 - ii. Contested case with District personnel having detailed knowledge of the case.
 - b. Testimony given as to:
 - i. Well history
 - ii. Current condition
 - iii. Contact with operator re: subject well(s)

iv. Bond

v. Recommended time period in order for plugging well(s)

vii. Recommended fine

viii. Notice of hearing given to operator

4. OCD order issued stating that the operator must plug well within time limit specified in order. Order states that if the operator fails to take action within that time period, the OCD will plug the well, foreclose on the bond (if any), fine the operator (if deemed appropriate) and bring suit against the operator for any costs incurred by the OCD above the amount of the bond. Copy of order is sent to District.
5. District notifies OCD Santa Fe if operator fails to take action to comply with the order within the time specified in the order.
6. Santa Fe OCD lists well(s) for plugging.
 - a. Santa Fe OCD will try package a group of wells together for plugging in one IFB (Information For Bids) with each well bid separately.
 - b. The OCD lawyer processes the IFB through ASD and State Purchasing.
 - c. State Purchasing advertises the IFB and sends the IFB to the OCD list of contractors.
 - d. State Purchasing receives the bids and forwards them to OCD for selection of the contractor. Two District personnel and the OCD lawyer will be on the three member selection committee.
7. The winning contractor is selected and notified and the contract is prepared and processed. The contract may be a turnkey or a daywork contract or a combination of both depending upon the circumstances.
8. The District supervises the plugging operation and approves the contractor invoices for payment.
9. The operator bond is foreclosed upon and collected.
10. Form C-103 reporting the plugging information is filed by the District.
11. Santa Fe OCD requests Federal reimbursement, if applicable.
12. OCD Santa Fe invoices the operator for any additional costs associated with the well plugging (above the amount of the bond, if any).
13. Suit is brought against operator for costs of plugging (above amount of bond) upon failure to pay the invoice for such costs.