

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

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 11551
Order No. R-10691**

**APPLICATION OF OIL CONSERVATION
DIVISION FOR AN ORDER AMENDING
RULE 1115 OF ITS GENERAL RULES AND
REGULATIONS PERTAINING TO THE
OPERATOR'S MONTHLY REPORT.**

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on August 15, 1996, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 29th day of October, 1996, the Commission, a quorum being present, having considered the record and being fully advised in the premises,

FINDS THAT:

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

(2) The New Mexico Oil Conservation Division Rule 1115 requires that Form C-115 "Operator's Monthly Report" be filed with the Division in the order, format, and style prescribed by the Division Director.

(3) The ONGARD database system is now operational and the informational integrity of the ONGARD system as it relates to the needs of both the State and the oil and gas industry requires that the Form C-115 be filed with the Division in an electronic format to avoid the delay and additional potential for errors inherent in manually entering these forms into the ONGARD system.

(4) Almost all operators within the State of New Mexico possess the computer capability to file Form C-115 electronically. Any hardship placed on such operators by requiring electronic filing is more than outweighed by the needs of both the state and industry to have this information in a format that reduces errors and provides long term cost benefits.

(5) Without penalties to enforce the electronic filing requirement, some operators will have no incentive to so file. The Division experience to date is that some operators have not been filing correct Form C-115's and have not made appropriate efforts to correct their mistakes. The Commission believes that after proper notice, if the operator fails to respond and correct the error or omission, cancellation of authority to produce for the affected well(s) is an appropriate penalty.

(6) The New Mexico Oil and Gas Association expressed concern over the format of the error notice as well as overzealous enforcement and proposed a definitive process for cancellation of authority to produce to address these concerns. They suggested the following process:

- (A) If an operator fails to file a Form C-115 or if the Division finds errors in any C-115, the Division shall, within thirty (30) days of the appropriate filing date, prepare and send to the operator an error/omission message which identifies the specific well(s) as to which the report has not been filed or is in error and a statement of the error. The operator to whom the error/omission message is addressed shall respond to the Division within thirty (30) days acknowledging receipt of the error/omission message and informing the Division of the operator's schedule to file the report or correct the error. If the Division does not receive the operator's response within thirty (30) days, the Division shall send notice to the operator that the operator has failed to comply with the provisions of this rule and may be subjected to loss of authority to produce from the affected well(s).

Willful failure of the operator to respond to the notice and to correct the error or omission may result in the Division informing the operator by certified return receipt letter that thirty (30) days from the date of such letter the Division will cancel the C-104 authority of operator to produce or inject into the well(s). Any operator which receives such notice may contact the Division and request that the matter of the cancellation of authority to produce or inject be set for hearing before a hearing officer duly appointed by the Division. If the Division sends certified return receipt correspondence informing the operator of cancellation of authority to produce and the operator does not request a hearing, the Division may cancel the authority of the operator to produce the well(s) on the date set forth in the letter.

The Commission concurs with this recommendation.

(7) There was testimony that many small operators do not have the computer capability to make their filings electronically and that this electronic filing requirement could operate as an economic hardship on them and therefore the Division recognized a need for an exemption from the requirement for reason of economic or other hardship. Accordingly, the Division recommended, with concurrence from the New Mexico Oil and Gas Association, that operators of fewer than 100 wells would not be required to file electronically. The Commission concurs.

(8) The Division recommended that the new filing requirement should be phased in over a reasonable time period and that the largest operators should be required to comply with the new requirement first with the smaller operators to follow. Beginning with January 1997 production, all operators of three hundred (300) or more wells should be required to file electronically. Beginning with July 1997 production, all operators of two hundred (200) or more wells should be required to file electronically. Beginning with January 1998 production, all operators of one hundred (100) or more wells should be required to file electronically. The Commission concurs.

(9) The Division recommended that interim Order No. R-10061 requiring production reports for each month to be postmarked or received electronically no later than the fifteenth (15th) day of the second month following the month of production, be made permanent. The Commission concurs.

(10) It is necessary to amend Rule 1115 in the manner as set forth in Exhibit "A", attached hereto so that production reporting in New Mexico is more accurate and long term cost benefits will be realized by both the State and by industry.

IT IS THEREFORE ORDERED THAT:

(1) Division Rule 1115.B is hereby amended, compiled, recodified and adopted as shown on Exhibit A, attached hereto and made part of this order.

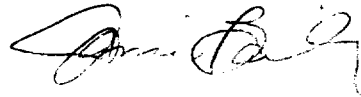
(2) Rule 1115.B as amended shall be effective as of the date of its publication in the New Mexico Register.

(3) Interim Order No. R-10061 shall be made permanent and incorporated into Rule 1115.B

(4) Jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

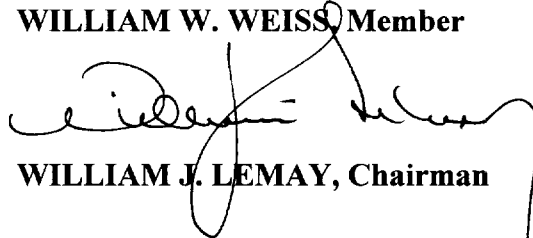
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



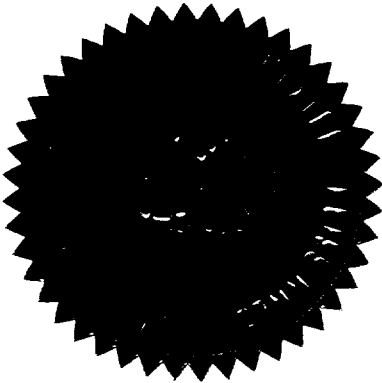
JAMI BAILEY, Member



WILLIAM W. WEISS, Member



WILLIAM J. LEMAY, Chairman



S E A L

EXHIBIT "A"
Case No. 11551
Order No. R-10691

1115 OPERATOR'S MONTHLY REPORT (Form C-115)

1115.A. Operator's Monthly Report, Form C-115 or Form C-115-EDP, shall be filed on each producing lease and each secondary or other enhanced recovery project or pressure maintenance 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. [1-1-65. . 2-1-96]

1115.B. The reports on this form shall be filed by the producer as follows:

(1) Beginning with January 1997 production, all operators of three hundred (300) or more wells are required to file electronically. Beginning with July 1997 production, all operators of two hundred (200) or more wells are required to file electronically. Beginning with January 1998 production, all operators of one hundred (100) or more wells are required to file electronically.

(2) All operators of less than 100 wells may continue to file paper reports with the original to the Oil Conservation Division at Santa Fe; one copy to the District office of the Division in which district the lease is located; and one copy to each transporter involved.

(3) Production reports for each month must be postmarked or received electronically no later than the fifteenth (15th) day of the second month following the month of production.

(4) If an operator fails to file a Form C-115 or if the Division finds errors in any C-115, the Division shall, within thirty (30) days of the appropriate filing date, prepare and send to the operator an error/omission message which identifies the specific well(s) as to which the report has not been filed or is in error and a statement of the error. The operator to whom the error/omission message is addressed shall respond to the Division within thirty (30) days acknowledging receipt of the error/omission message and informing the Division of the operator's schedule to file the report or correct the error. If the Division does not receive the operator's response within thirty (30) days, the Division shall send notice to the operator that the operator has failed to comply with the provisions of this rule and may be subjected to loss of authority to produce from the affected well(s).

(5) Willful failure of the operator to respond to the notice and to correct the error or omission may result in the Division informing the operator by certified return receipt letter that thirty (30) days from the date of such letter the Division will cancel the C-104 authority of operator to produce or inject into the well(s). Any operator which receives such notice may contact the Division and request that the matter of the cancellation of authority to produce or inject be set for hearing before a hearing officer duly appointed by the Division. If the Division sends certified return receipt correspondence informing the operator of cancellation of authority to produce and the operator does not request a hearing, the Division may cancel the authority of the operator to produce the well(s) on the date set forth in the letter.