

**EXHIBIT 1**

Amend RULE 0.1 DEFINITIONS by:

1. amending the following definition:

TEMPORARY ABANDONMENT shall be the status of a well which is inactive and has been approved for temporary abandonment in accordance with the provisions of these rules.

2. adding the following definitions:

INACTIVE WELL shall be a well which is not being utilized for beneficial purposes such as production, injection or monitoring and which is not being drilled completed, repaired or worked over.

*The status of*

SHUT-IN WELL shall mean ~~a production well which is capable of production but is not currently producing or an injection well which is temporarily closed down, whether by closing a valve or disconnection or other physical means, or an injection well which is not currently being used for injection. Wells with no production or injection volumes for a given reporting period shall be reported as shut-in on the appropriate report filed with the Division.~~

*for a period*

**EXHIBIT 2**

Adopt a new RULE 201. as follows:

**RULE 201. WELLS TO BE PROPERLY ABANDONED**

A. The operator of any well drilled for oil, gas or injection; for seismic, core or other exploration, or for a service well, whether cased or uncased, shall be responsible for the plugging thereof.

B. When drilling operations have been suspended on any well for sixty (60) days or when a well is not longer usable for beneficial purposes or when a well has been continuously inactive for one (1) year, such well shall be either properly plugged and abandoned or temporarily abandoned in accordance with these rules within ninety (90) days thereafter.

EXHIBIT 3

Adopt a new Rule 202 as follows:

RULE 202. PLUGGING AND PERMANENT ABANDONMENT

A. Notice of Plugging.

Notice of intention to plug must be filed with the Division on Form C-103, Sundry Notices and Reports on Wells, by the operator prior to the commencement of plugging operations, which notice must provide all of the information requested on said form, including operator and well identification and proposed procedures for plugging said well. In the case of a newly ~~completed~~ drilled dry hole, the operator may commence plugging operations with the verbal approval by the appropriate District Supervisor or his representative of the method of plugging and time operations are to begin. Written notice in accordance with this rule shall be filed within the Division ten (10) days after such verbal approval has been given.

B. Plugging.

1. 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 in which they are originally found. This may be accomplished by using mud-laden fluid, cement and plugs singly or in combination as approved by the Division on the notice of intention to plug.

2. The operator shall mark the exact location of plugged and abandoned well with a steel marker not less than four inches (4") in diameter set in cement and extending at least four feet (4') above mean ground level. The operator name, lease name and well number and location, including unit letter, section township and range, shall be welded, stamped or otherwise

*in accordance with Rule 1103*  
*Found well bound*  
*di. of form*  
*Sum 62 D*  
*to 4 hr notice*  
*to plug*  
*RAM*

permanently engraved into the metal of the marker.

3. As soon as practical after the completion of plugging operations, the operator shall:

- a. fill all pits;
- b. level the location;
- c. remove deadmen and all other junk; and
- d. take such other measures as are necessary or required by the Division to restore the location to a ~~reasonably natural condition~~ safe and clean condition.

4. Upon completion of plugging and restoration operations, the operator shall contact the appropriate district office to arrange for an inspection of the well and location.

C. Reports.

1. The operator shall file Form C-105, Well Completion or Recompletion Report and Log as provided in Rule 1105.

2. Within thirty (30) days after completing all required restoration work, the operator shall file with the Division, in triplicate, a record of the work done on form C-103 as provided in Rule 1103.

3. The Division shall not approve the record of plugging or release any bonds until all necessary reports have been filed and the location has been inspected and approved by the Division.

**EXHIBIT 4**

Adopt a new Rule 203 as follows:

**RULE 203. TEMPORARY ABANDONMENT**

**A. Wells which may be temporarily abandoned.**

The Division may permit any well which is required to be properly abandoned under these rules but which has potential for future beneficial use for enhanced recovery or injection, and any other well for which an operator requests temporary abandonment, to be temporarily abandoned for a period of up to five (5) years. Prior to the expiration of any <sup>approval</sup> ~~Temporary Abandonment Permit~~, the operator shall return the well to beneficial use under a plan approved by the Division, permanently plug and abandon said well or apply for a new ~~permit~~ <sup>approval</sup> to temporarily abandon the well.

**B. Request for permit and permit.**

<sup>Approval</sup> 1. Any operator seeking ~~Temporary Abandonment Permit~~ shall submit on form C-103, Sundry Notices and Reports on Wells, a notice of intent to temporarily abandon the well describing the proposed temporary abandonment procedure to be used. No work shall be commenced until approved by the Division and the operator shall give 24 hours notice to the appropriate District office of the Division before work actually begins.

2. No ~~permit for~~ temporary abandonment shall be approved unless evidence is furnished to show that the casing of such well is mechanically sound and in such condition as to prevent:

- a. damage to the producing zone
- b. migration of hydrocarbons or water;

- c. the contamination of fresh water or other natural resources; and
- d. the leakage of any substance at the surface.

3. If the well fails the mechanical integrity test required herein, the well shall be plugged and abandoned in accordance with these rules or the casing problem corrected and the casing retested within ninety (90) days.

4. Upon successful completion of the work on the temporarily abandoned well, the operator will submit the following to the appropriate district office a request for Temporary Abandonment on form C-103 together with such other information as is required by Rule 1103B.(3)

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

6. The Division shall specify the expiration date of the permit, which shall be not more than five (5) years from the date of approval.

C. Tests Required.

1. The following methods of demonstrating casing integrity may be approved for temporarily abandoning a well:

- a. A cast iron bridge plug will be set within one Hundred (100) feet of uppermost perforations or production casing shoe and the casing loaded with inert fluid and pressure tested to 500 pounds per square inch with a pressure drop of not more than 10% for thirty (30) minutes; or

- b. A retrievable bridge plug or packer will be run to within one hundred (100) feet of uppermost perforations or production casing shoe and the well tested to 500 pounds per square inch for thirty minutes with a pressure drop of not greater than 10% for thirty (30) minutes; or
- c. For a gas well in southeast New Mexico completed above the San Andres formation, if the operator can demonstrate that the fluid level is below the base of the salt and that a Bradenhead test shows no casing leaks, the division may exempt the well from the requirement for a bridge plug or packer; or
- d. a casing inspection log confirming the mechanical integrity of the production casing may be submitted.

*not older than 5 years*

2. The Division may approve other casing tests submitted on Form C-103 on an individual basis.

**EXHIBIT 5**

Adopt a new Rule 204 as follows:

**RULE 204. WELLS TO BE USED FOR FRESH WATER.**

A. When a well to be plugged may safely be used as a fresh water well and the landowner agrees to take over said well for such purpose, the well need not be ~~filled~~ above the sealing plug set below the fresh water formation. *plugged (per)*

B. The operator must comply with all other requirements contained in Rule 202 regarding plugging, including surface restoration and reporting requirements.

C. Upon completion of plugging operations, the operator must file with the Division a written agreement signed by the landowner whereby the landowner agrees to assume responsibility for such well. Upon the filing of this agreement and approval by the Division of well abandonment operations, the operator shall no longer be responsible for such well, and any bonds thereon may be released.



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

IN THE MATTER OF THE APPLICATION OF THE OIL CONSERVATION DIVISION ON ITS OWN MOTION FOR AN ORDER AMENDING RULE 0.1 BY AMENDING AND ADDING CERTAIN DEFINITIONS AND REPEALING EXISTING RULES 201, 202, 203, AND 204 AND ADOPTING NEW RULES 201, 202, 203, AND 204 OF THE GENERAL RULES AND REGULATIONS OF THE OIL CONSERVATION DIVISION. SAID CHANGES ALL PERTAIN TO THE TEMPORARY ABANDONMENT, PLUGGING, INACTIVE STATUS AND SHUT-IN STATUS OF WELLS.

CASE NO. 9944  
Order No. R-9210

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9:00 A.M. on May 24, 1990, at Santa Fe, New Mexico before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission".

NOW, on this 9th day of July, 1990, the Commission, a quorum being present, having considered the testimony presented and the Exhibits received at said hearing, 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) This matter came before the Commission on the application of the Oil Conservation Division to adopt new rules relating to the abandonment of wells.

(3) The existing rules on plugging and abandonment are unclear, and in particular the rules for temporary abandonment are confusing and do not provide any method to ensure that temporarily abandoned wells are in sound mechanical condition so as to prevent migration of fluids.

(4) The proposed rule changes are necessary to clearly define when a well is abandoned and is required to be plugged or properly temporarily abandoned.

(5) The proposed rules on abandonment will prevent migration of fluids, prevent waste, protect correlative rights and protect fresh waters.

IT IS THEREFORE ORDERED THAT:

(1) Rule 0.1 - Definitions is hereby amended by changing the definition of TEMPORARY ABANDONMENT and adding the definition of INACTIVE WELL and SHUT-IN WELL, all as shown on Exhibit 1 attached hereto and made part hereof.

(2) Existing Rules 201, 202, 203 and 204 of the Rules and Regulations of the Division are hereby appealed in their entirety.

(3) Rule 201 as set forth in Exhibit 2 attached hereto and made a part of this order is hereby adopted.

(4) Rule 202 as set forth in Exhibit 3 attached hereto and made a part of this order is hereby adopted.

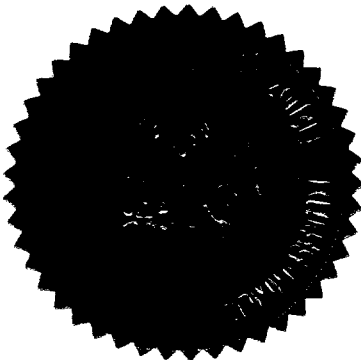
(5) Rule 203 as set forth in Exhibit 4 attached hereto and made a part of this order is hereby adopted.

(6) Rule 204 as set forth in Exhibit 5 attached hereto and made a part of this order is hereby adopted.

(7) The effective date of this order and new rules is July 12, 1990.

(8) 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 hereinabove designated.



S E A L

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

  
WILLIAM R. HUMPHRIES, Member

  
WILLIAM W. WEISS, Member

  
WILLIAM J. LEMAY, Chairman and  
Secretary

TEMPORARY ABANDONMENT shall be the status of a well which is inactive and has been approved for temporary abandonment in accordance with the provisions of these rules.

INACTIVE WELL shall be a well which is not being utilized for beneficial purposes such as production, injection or monitoring and which is not being drilled, completed, repaired or worked over.

SHUT-IN shall be the status of a production well or an injection well which is temporarily closed down, whether by closing a valve or disconnection or other physical means.

RULE 201. WELLS TO BE PROPERLY ABANDONED

A. The operator of any well drilled for oil, gas or injection; for seismic, core or other exploration, or for a service well, whether cased or uncased, shall be responsible for the plugging thereof.

B. A well shall be either properly plugged and abandoned or temporarily abandoned in accordance with these rules within ninety (90) days after:

- (1) A sixty (60) day period following suspension of drilling operations, or
- (2) A determination that a well is no longer usable for beneficial purposes, or
- (3) A period of one (1) year in which a well has been continuously inactive.

## RULE 202. PLUGGING AND PERMANENT ABANDONMENT

### A. Notice of Plugging.

Notice of intention to plug must be filed with the Division on Form C-103, Sundry Notices and Reports on Wells, by the operator prior to the commencement of plugging operations, which notice must provide all of the information required by Rule 1103 including operator and well identification and proposed procedures for plugging said well, and in addition the operator shall provide a well-bore diagram showing the proposed plugging procedure. Twenty-four hours notice shall be given prior to commencing any plugging operations. In the case of a newly drilled dry hole, the operator may obtain verbal approval from the appropriate District Supervisor or his representative of the method of plugging and time operations are to begin. Written notice in accordance with this rule shall be filed with the Division ten (10) days after such verbal approval has been given.

### B. Plugging.

1. 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 in which they are originally found. This may be accomplished by using mud-laden fluid, cement and plugs singly or in combination as approved by the Division on the notice of intention to plug.

2. The operator shall mark the exact location of plugged and abandoned wells with a steel marker not less than four inches (4") in diameter set in cement and extending at least four feet (4') above mean ground level. The operator name, lease name and well number and location, including unit letter, section township and range, shall be welded, stamped or otherwise permanently engraved into the metal of the marker.

3. As soon as practical but no later than one year after the completion of plugging operations, the operator shall:

- a. fill all pits;
- b. level the location;
- c. remove deadmen and all other junk; and
- d. take such other measures as are necessary or required by the Division to restore the location to a safe and clean condition.

4. Upon completion of plugging and clean up restoration operations as required, the operator shall contact the appropriate district office to arrange for an inspection of the well and location.

C. Reports.

1. The operator shall file Form C-105, Well Completion or Recompletion Report and Log as provided in Rule 1105.

2. Within thirty (30) days after completing all required restoration work, the operator shall file with the Division, in triplicate, a record of the work done on form C-103 as provided in Rule 1103.

3. The Division shall not approve the record of plugging or release any bonds until all necessary reports have been filed and the location has been inspected and approved by the Division.

Exhibit 3  
Case No. 9944  
Order No. R-9210

RULE 203. TEMPORARY ABANDONMENT

A. Wells which may be temporarily abandoned.

The Division may permit any well which is required to be properly abandoned under these rules but which has potential for future beneficial use for enhanced recovery or injection, and any other well for which an operator requests temporary abandonment, to be temporarily abandoned for a period of up to five (5) years. Prior to the expiration of any approved temporary abandonment the operator shall return the well to beneficial use under a plan approved by the Division, permanently plug and abandon said well or apply for a new approval to temporarily abandon the well.

B. Request for Approval and Permit.

1. Any operator seeking approval for temporary abandonment shall submit on form C-103, Sundry Notices and Reports on Wells, a notice of intent to temporarily abandon the well describing the proposed temporary abandonment procedure to be used. No work shall be commenced until approved by the Division and the operator shall give 24 hours notice to the appropriate District office of the Division before work actually begins.

2. No temporary abandonment shall be approved unless evidence is furnished to show that the casing of such well is mechanically sound and in such condition as to prevent:

- a. damage to the producing zone
- b. migration of hydrocarbons or water;
- c. the contamination of fresh water or other natural resources; and
- d. the leakage of any substance at the surface.

3. If the well fails the mechanical integrity test required herein, the well shall be plugged and abandoned in accordance with these rules or the casing problem corrected and the casing retested within ninety (90) days.

4. Upon successful completion of the work on the temporarily abandoned well, the operator will submit a request for Temporary Abandonment to the appropriate district office on form C-103 together with such other information as is required by Rule 1103B.(3)

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

6. The Division shall specify the expiration date of the permit, which shall be not more than five (5) years from the date of approval.

C. Tests Required.

1. The following methods of demonstrating casing integrity may be approved for temporarily abandoning a well:

- a. A cast iron bridge plug will be set within one hundred (100) feet of uppermost perforations or production casing shoe and the casing loaded with inert fluid and pressure tested to 500 pounds per square inch with a pressure drop of not more than 10% for thirty (30) minutes; or
- b. A retrievable bridge plug or packer will be run to within one hundred (100) feet of uppermost perforations or production casing shoe and the well tested to 500 pounds per square inch for thirty minutes with a pressure drop of not greater than 10% for thirty (30) minutes; or
- c. For a gas well in southeast New Mexico completed above the San Andres formation, if the operator can demonstrate that the fluid level is below the base of the salt and that a Bradenhead test shows no casing leaks, the division may exempt the well from the requirement for a bridge plug or packer; or
- d. a casing inspection log confirming the mechanical integrity of the production casing may be submitted.

2. Any such test which is submitted must have been conducted within the previous twelve (12) months.

3. The Division may approve other casing tests submitted on Form C-103 on an individual basis.

**Exhibit 4**  
**Case No. 9944**  
**Order No. R-9210**



RULE 204. WELLS TO BE USED FOR FRESH WATER.

A. When a well to be plugged may safely be used as a fresh water well and the landowner agrees to take over said well for such purpose, the well need not be plugged above the sealing plug set below the fresh water formation.

B. The operator must comply with all other requirements contained in Rule 202 regarding plugging, including surface restoration and reporting requirements.

C. Upon completion of plugging operations, the operator must file with the Division a written agreement signed by the landowner whereby the landowner agrees to assume responsibility for such well. Upon the filing of this agreement and approval by the Division of well abandonment operations, the operator shall no longer be responsible for such well, and any bonds thereon may be released.

Exhibit 5  
Case No. 9944  
Order No. R-9210