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Sandco Oil & Gas Inc.
P.O. Box 881
Mesilla Park, NM 88047



STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
ARTESIA DISTRICT OFFICE

BRUCE KING
GOVERNOR

P.O. DRAWER DD
ARTESIA, NEW MEXICO 88211
(505) 748-1283

MEMORANDUM TO: SANDCO OIL & GAS INC.
FROM: Mike Williams, OCD District II Supervisor
DATE: May 14, 1991

The OCD has revised our rule on Temporarily Abandoned wells and is now in the process of implementing the new Order No. R-9210.

Essentially what the order says is that an operator can, with regulatory approval, shut in a producing well or an injection well for up to one year; after this period of time the operator must, within 90 days, implement one of the following:

- 1) The well be placed back into beneficial use.
- 2) The well be Temporarily Abandoned in accordance with Rule 203.
- 3) The well be Plugged & Abandoned in accordance with Rule 202.

Because of the number of wells in District II which have not been produced for over one (1) year (estimated number to be 1600), the Division realizes that the work cannot be done in 90 days. For this reason, after you receive the list of wells that have not produced for over a year, check your own manpower, rig availability and economics; then, request either a meeting with the District Supervisor or submit a time frame to bring the wells into OCD compliance. This time frame will include federal wells.

If possible, the Division would like to see all wells in compliance with OCD rules within a two-year period.

The Bureau of Land Management (BLM) has agreed to implement the OCD Rule 203 requiring well integrity testing before approving a well as temporarily abandoned. Any well listed that is on a Federal Oil and Gas Lease will need prior approval of the testing procedure from the BLM. Contact the appropriate BLM office for a description of what needs to be submitted. Take the wells on the list that are State or Fee

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leases will need the testing procedures approved by the appropriate NMOCOD office.

If the scheduling of wells to be brought into compliance involves both OCD Districts I & II, submit the schedule to either or both Districts for approval.

To give a brief review of the new Temporary Abandon Rule 203 - it is designed to make sure the mechanical integrity of the casing is such that the well can be shut in without problems occurring. After testing the well in the manner outlined in Rule 203, the BLM or OCD can give approval to T.A. the well for up to five (5) years.

Attached are: Rule 202 for Plugging & Abandonment

Rule 203 for Temporary Abandonment of wells

List of wells that our records show have not produced in over a year*

MW:br

*NOTE: This list of wells may not be complete. If there are additions or deletions, please let us know.

D - ABANDONMENT AND PLUGGING OF WELLS

RULE 201. - WELLS TO BE PROPERLY ABANDONED

(as of 3-1-91)

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

(as of 3-1-91)

A. NOTICE OF PLUGGING

(1) 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 a 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.

RULE 203. - TEMPORARY ABANDONMENT

(as of 3-1-91)

A. WELLS WHICH MAY BE TEMPORARILY ABANDONED

(1) 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 1103 E.(1).

(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.

RULE 204. - WELLS TO BE USED FOR FRESH WATER

(as of 3-1-91)

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.

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ARTESIA, NM 88210

Abstract

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