

EXHIBIT A to APPLICATION for Amendment of Rule 705

19.15.9.705 COMMENCEMENT, DISCONTINUANCE, AND ABANDONMENT OF INJECTION OPERATIONS

- A. The following provisions apply to all injection projects, storage projects, salt water disposal wells and special purpose injection wells:
- B. Notice of Commencement and Discontinuance
- (1) Immediately upon the commencement of injection operations in any well, the operator shall notify the Division of the date such operations began.
 - (2) Within 30 days after permanent cessation of gas or liquefied petroleum gas storage operations or within 30 days after discontinuance of injection operations into any other well, the operator shall notify the Division of the date of such discontinuance and the reasons therefor. ~~No injection well may be temporarily abandoned for a period exceeding one year unless the injection interval has been isolated by use of cement or a bridge plug. The Director of the Division may delay the cement or bridge plug requirements above upon a demonstration that there is a continuing need for such a well, that the well exhibits mechanical integrity, and that continued temporary abandonment will not endanger underground sources of drinking water.~~
 - (3) Before any injection well is temporarily abandoned or plugged, the operator shall obtain approval ~~for the well's plugging program~~ from the appropriate District Office of the Division in the same manner as when temporarily abandoning or plugging oil and gas wells or dry holes.
- C. Abandonment of Injection Operations
- (1) Whenever there is a continuous one year period of non-injection into any injection project, storage project, salt water disposal well, or special purpose injection well, such project or well shall be considered abandoned, and the authority for injection shall automatically terminate ipso facto.
 - (2) For good cause shown, the Division Director may grant an administrative extension or extensions of injection authority as an exception to Subsection C, Paragraph (1) above of 19.15.9.705 NMAC.

19.15.4.201 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.

19.15.4.203 TEMPORARY ABANDONMENT

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.

New Mexico Oil & Gas Association

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November 29, 2001

Ms. Lori Wrotenbery, Director
NM Oil Conservation Division
1220 South St. Francis
Santa Fe, NM 87505

Re: Proposed Revision of Rule 705

Dear Lori:

NMOGA respectfully recommends that Rule 705 be amended so the requirements to temporarily abandon a well are consistent for producing wells and injection wells. If this simplification is made, NMOGA believes that compliance will be easier to achieve which will enhance the protection of valuable fresh water and other resources. ~~It will also save operators the trouble of applying for exceptions on injection wells when pulling the packer is not needed to demonstrate mechanical integrity.~~

To better explain the current situation, consider that Rule 201 specifies requirements for temporarily abandoning any well, including injection wells (see attached Rule 201.A: "The operator of any well drilled for oil, gas or injection.... (emphasis added).") Rule 203.A also states that "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....(emphasis added)." A thorough review of Rule 203 suggests that the requirements for temporary abandonment for any well are laid out very well. Yet Rule 705.B, reveals different requirements for temporarily abandoning injection wells, which can result in some confusion. As the rule reads, in order to properly ~~1/A~~ an injection well, the operator MUST isolate the injection interval by moving in a rig, pulling the tubing, installing a plug in the wellbore, and testing the casing. Exceptions can be granted, but we suggest that mechanical integrity can be demonstrated in most cases simply by pressure testing the tubing/casing annulus, without disturbing the packer. In fact, this is what many operators do when exceptions are granted. If the wellbore fails the tubing/casing annulus pressure test, then it might be necessary to remove the tubing and packer, repair it, or put a plug in the wellbore in the manner prescribed in 203.C.1 (a).

"A healthy petroleum industry helps build a healthy New Mexico."
Serving our members since 1929.

Core No 13 068
OCD Exhibit 3
Mar 15, 2003

OIL CONSERVATION DIV.
01 NOV 30 PM 3:14

2001-2002
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Robert M. Gallagher

It would appear that the best solution is to change Rule 705.B to eliminate the separate requirements for injection wells. This would result in TA requirements for injection wells being the same as for producers, per Rule 203. This could be accomplished by amending Rule 705 accordingly:

"19.15.9.705 COMMENCEMENT, DISCONTINUANCE, AND ABANDONMENT OF INJECTION OPERATIONS

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- C. Abandonment of Injection Operations
 - (1) Whenever there is a continuous one year period of non-injection into any injection project, storage project, salt water disposal well, or special purpose injection well, such project or well shall be considered abandoned, and the authority for injection shall automatically terminate ipso facto.
 - (2) For good cause shown, the Division Director may grant an administrative extension or extensions of injection authority as an exception to Subsection C, Paragraph (1) above of 19.15.9.705 NMAC.

We welcome the opportunity to discuss this idea with you and any of your staff. If you have any questions, please contact the co-chairman of our Regulatory Practices Committee, Rick Foppiano, at 281-552-1303. Thank you for your consideration of this request.

Sincerely,

A handwritten signature in black ink, appearing to read 'Bob' followed by a stylized 'G'.

Bob Gallagher, President

Attached Reference as noted

REFERENCE

201 WELLS TO BE PROPERLY ABANDONED

201.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. [7-12-90...2-1-96]

201.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
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203 TEMPORARY ABANDONMENT

203.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. [7-12-90...2-1-96]

203.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. [7-12-90...2-1-96]

(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.

[7-12-90...2-1-96]

(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. [7-12-90...2-1-96]

(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). [7-12-90...2-1-96]

(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. [7-12-90...2-1-96]

(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. [7-12-90...2-1-96]

203.C. TESTS REQUIRED

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

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- (d) a casing inspection log confirming the mechanical integrity of the production casing may be submitted.

[7-12-90...2-1-96]

(2) Any such test which is submitted must have been conducted within the previous twelve (12) months. [7-12-90...2-1-96]

(3) The Division may approve other casing tests submitted on Form C-103 on an individual basis. [7-12-90...2-1-96]

18.14.8.705 COMMENCEMENT, DISCONTINUANCE, AND ABANDONMENT OF INJECTION OPERATIONS

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[1-1-50...2-1-96; 19.15.9.705 NMAC - Rn, 19 NMAC 15.1.705, 11-30-00; A, 11-30-00]