

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

**APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION TO
AMEND RULES OF THE COMMISSION PERMITTING OF WELLS FOR
UNDERGROUND INJECTION BY AMENDING CERTAIN SECTIONS OF RULE
19.15.26 NMAC; STATEWIDE.**

CASE NO. 16377

NMOGA's PRE-HEARING STATEMENT

This Pre-Hearing Statement is submitted on behalf of the New Mexico Oil and Gas Association ("NMOGA"), through undersigned counsel, as required by NMAC 19.15.3.11.B.

NMOGA's PROPOSED MODIFICATIONS

NMOGA's members have reviewed the changes proposed by the Division under its Amended Application filed in this matter. NMOGA supports the changes proposed by the Division and further submit the modifications noted in redline/strikeout format and highlighted in yellow on NMOGA Ex. A attached hereto (entitled "NMOGA's Proposed Modifications.") The reasons for NMOGA's modifications are:

1. The definitions of "pressure maintenance project" and "waterflood project" in **19.15.26.7.B and C** are no longer needed. "Pressure maintenance" is defined in the general definitional section of the Division's rules, as is "secondary recovery." See NMAC 19.15.2.7. "Enhanced oil recovery project" is also defined in the general definitional section of the Division's rules and includes "a pressure maintenance process" and "a water flooding process".
Id.

2. NMOGA's modifications to current sections **19.15.26.8.F and G** are intended to (a) clarify the approval process for injection wells supporting "secondary recovery" and "enhanced oil recovery" projects, and (b) remove repetitive language. The current rule does not

specifically address the approval process for injection wells supporting “secondary recovery” or “enhanced oil recovery” projects, which, by definition, include “water flood” projects. Current Subparts F and G have been merged since there is no need to separately address “water flood projects” from pressure maintenance, secondary recovery or enhance oil recovery projects. With the merging of Subparts F and G:

- a. Subparts F(2) and G(2) have been combined with slight modifications to the language to conform with the merging of these provisions and to note the project area for an injection operation can contain “spacing or” proration units.
- b. Former Subparts F(2), (3) and (4) have been removed since they are duplicative of what are now Subparts F(5), (6) and (7) [formerly Subparts G(5), (6) and (7)].

NMOGA believes these changes clarify and streamline the rule without impacting the purpose and intent of the current rule.

NMOGA’S PROPOSED EVIDENCE

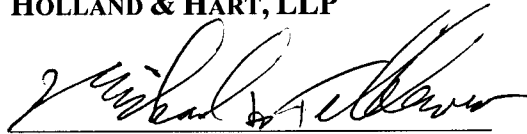
Since NMOGA’s proposed modifications are not technical in nature, but rather an attempt to clarify and streamline the current rule, NMOGA does not anticipate the need to present witnesses or evidence in support of its proposed modifications.

PROCEDURAL MATTERS

None at this time.

Respectfully submitted:

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CERTIFICATE OF SERVICE

I hereby certify that on September 26, 2018, I served a copy of the foregoing document to the following counsel of record via Electronic Mail to:

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NMOGA'S PROPOSED MODIFICATIONS
(highlighted in yellow shading)

19.15.26.1 ISSUING AGENCY: [~~Energy, Minerals and Natural Resources Department, Oil Conservation Division~~] Oil Conservation Commission.

[19.15.26.1 NMAC - Rp, 19.15.9.1 NMAC, 12/1/08; A, / /]

19.15.26.2 SCOPE: 19.15.26 NMAC applies to persons constructing, operating or closing an injection well under the Oil and Gas Act. [~~engaged for secondary or other enhanced recovery of oil or gas; pressure maintenance; salt water disposal and underground storage of oil or gas.~~]

19.15.26 NMAC does not apply to other classes of injection wells regulated under the Water Quality Act, the Geothermal Resources Development Act or the Surface Mining Act.

[19.15.26.2 NMAC - Rp, 19.15.9.2 NMAC, 12/1/08; A, / /]

19.15.26.3 STATUTORY AUTHORITY: 19.15.26 NMAC is adopted pursuant to the Oil and Gas Act, [~~NMSA 1978,~~] Section 70-2-6, Section 70-2-11 and Section [~~70-2-12~~] 70-2-12(B)(13), (14), (15), (21) and (22) NMSA 1978 [~~which authorizes the division to permit the injection of gas or other substances into a pool for repressuring, cycling, pressure maintenance, secondary or other enhanced recovering operations; and to regulate the disposition of water produced or used in connection with drilling for or producing oil or gas and to direct subsurface disposal of the water~~].

[19.15.26.3 NMAC - Rp, 19.15.9.3 NMAC, 12/1/08; A, / /]

19.15.26.6 OBJECTIVE: To regulate injection wells under the Oil and Gas Act and to maintain primary enforcement authority for the Safe Drinking Water Act (42 U.S.C. 300f et seq.) Underground Injection Control (UIC) program for UIC Class II wells [~~secondary or other enhanced recovery, pressure maintenance, salt water disposal and underground storage to prevent waste, protect correlative rights and protect public health, fresh water and the environment~~].

[19.15.26.6 NMAC - Rp, 19.15.9.6 NMAC, 12/1/08; A, / /]

19.15.26.7 DEFINITIONS:

[~~—A.—“Affected person” means the division designated operator; in the absence of an operator, a lessee whose interest is evidenced by a written conveyance document either of record or known to the applicant as of the date the applicant files the application; or in the absence of an operator or lessee, a mineral interest owner whose interest is evidenced by a written conveyance document either of record or known to the applicant as of the date the applicant filed the application for permit to inject.~~]

A. “Fluid” means any material or substance which flows or moves whether in a semisolid, liquid, sludge, gas or any other form or state.

B. “Pressure maintenance project” means a project in which an operator injects fluids into the producing horizon in an effort to build up or maintain the reservoir pressure in an area that has not reached the advanced or stripper state of depletion.

C. “Water flood project” means a project in which an operator injects water into a producing horizon in sufficient quantities and under sufficient pressure to stimulate oil production from other wells in the area [~~, and is limited to those areas in which the wells have~~]

BEFORE THE OIL CONSERVATION
COMMISSION

Santa Fe, New Mexico

Exhibit No. 1

Submitted by: NEW MEXICO OIL & GAS ASSN

Hearing Date: October 11, 2018

reached an advanced state of depletion and are regarded as what is commonly referred to as stripper wells].

[19.15.26.7 NMAC - Rp, 19.15.9.701 NMAC, 12/1/08; A, //]

19.15.26.8 INJECTION OF FLUIDS INTO RESERVOIRS:

A. Permit for injection required. ~~[An operator shall not inject gas, liquefied petroleum gas, air, water or other fluid into a reservoir or formation to maintain reservoir pressure or for secondary or other enhanced recovery or for storage or inject water into a formation for disposal except pursuant to a permit the division has granted after notice and hearing, or that the division has granted by administrative order as authorized in 19.15.26.8 NMAC. The division shall grant a permit for injection under 19.15.26.8 NMAC only to an operator who is in compliance with Subsection A of 19.15.5.9 NMAC. The division may revoke a permit for injection issued under 19.15.26.8 NMAC after notice and hearing if the operator is not in compliance with Subsection A of 19.15.5.9 NMAC.]~~

(1) A permit is required under 19.15.26 NMAC for any injection wells that inject:

(a) produced water or other fluids that are brought to the surface in connection with natural gas storage operations or conventional oil or natural gas production and may be commingled with waste waters from gas plants that are an integral part of production operations, unless those waters are classified as a hazardous waste at the time of injection;

(b) fluids for enhanced recovery of oil or natural gas; and

(c) fluids for storage of hydrocarbons that are liquid at standard temperature and pressure.

(2) The division shall grant a permit for injection under 19.15.26.8 NMAC only to an operator who is in compliance with Subsection A of 19.15.5.9 NMAC. The division may revoke a permit for injection issued under 19.15.26.8 NMAC after notice and hearing if the operator is not in compliance with Subsection A of 19.15.5.9 NMAC.

B. Method of making application.

(1) The operator shall apply for authority to ~~[inject gas, liquefied petroleum gas, air, water or other medium into a formation for any reason, including the establishment of or the expansion of water flood projects, enhanced recovery projects, pressure maintenance projects or salt water disposal,]~~ construct and operate an injection well by submitting form C-108 complete with all attachments to the division.

(2) The applicant shall furnish, by certified or registered mail, a copy of the application to each owner of the land surface on which each injection or disposal well is to be located and to each leasehold operator ~~[or]~~ and other affected [person] persons, as defined in Subsection A of 19.15.2.7 NMAC, within any tract wholly or partially contained within one-half mile of the well.

C. Administrative approval.

(1) If the application is for administrative approval rather than for a hearing, it shall be accompanied by a copy of a legal notice the applicant published in a newspaper of general circulation in the county in which the proposed injection well is located. The legal notice shall include:

- (a) the applicant's name, address, phone number and contact party;
- (b) the injection well's intended purpose, with the exact location of single wells or the section, township and range location of multiple wells;

(c) the formation name and depth with expected maximum injection rates and pressures; and

(d) a notation that interested parties shall file objections or requests for hearing with the division within 15 days.

(2) The division shall not approve an application for administrative approval until 15 days following the division's receipt of form C-108 complete with all attachments including evidence of mailing as required under Paragraph (2) of Subsection B of 19.15.26.8 NMAC and proof of publication as required by Paragraph (1) of Subsection C of 19.15.26.8 NMAC.

(3) If the division does not receive an objection within the 15-day period, and a hearing is not otherwise required, the division may approve the application administratively.

D. Hearings. If a written objection to an application for administrative approval of an injection well is filed within 15 days after receipt of a complete application, if 19.15.26.8 NMAC requires a hearing or if the director deems a hearing advisable, the division shall set the application for hearing and give notice of the hearing.

E. Produced water disposal wells.

(1) The director may grant an application for a produced water disposal well administratively, without hearing, only when the waters to be disposed of are mineralized to such a degree as to be unfit for domestic, stock, irrigation or other general use and when the waters are to be disposed of into a formation older than Triassic (Lea county only) and the division receives no objections pursuant to Subsection C of 19.15.26.8 NMAC.

(2) The division shall not permit disposal into zones containing waters having total dissolved solids concentrations of 10,000 mg/l or less except after public notice and hearing, provided that the division may, by order issued after public notice and hearing, establish exempted aquifers for such zones where the division may administratively approve the injection.

(3) Notwithstanding the provisions of Paragraph (2) of Subsection E of 19.15.26.8 NMAC, the director may authorize disposal into such zones administratively if the waters to be disposed of are of higher quality than the native water in the disposal zone.

F. Pressure maintenance, secondary recovery and enhanced oil recovery injection projects.

(1) The division shall set applications for establishment of pressure maintenance, secondary recovery or enhanced oil recovery injection projects for hearing. The division shall fix the project area and any necessary the allowable formula for an injection pressure maintenance project on an individual basis after notice and hearing.

(2) ~~The division may authorize an operator to expand a pressure maintenance project and place additional wells on injection after hearing or administratively, subject to the notice requirements of Subsection B of 19.15.26.8 NMAC.~~

~~(3) The director may grant an exception to the hearing requirements of Subsection A of 19.15.26.8 NMAC for the conversion to injection of additional wells within a project area provided that the wells are necessary to develop or maintain efficient pressure maintenance within the project and provided that the division receives no objections pursuant to Subsection C of 19.15.26.8 NMAC.~~

~~(4) An established pressure maintenance project shall have only one designated operator. The division shall set an application for exception for hearing.~~

G. Water flood projects.

~~(1) The division shall set applications for establishment of water flood~~

projects for hearing.

(2) The project area of an injection ~~water flood~~ project shall comprise the spacing or proration units a given operator owns or operates upon which injection wells are located plus spacing or proration units the same operator owns or operates that directly or diagonally offset the injection tracts and have producing wells completed on them in the same formation; provided however, that the division may include in the project area additional spacing or proration units not directly or diagonally offsetting an injection tract if, after notice and hearing, the operator establishes that the additional units have wells completed on the unit that have experienced a substantial response to water injection.

(3) The allowable the division assigns to wells in an injection ~~water flood~~ project area shall equal the wells' ability to produce and is not subject to the depth bracket allowable for the pool or to the market demand percentage factor.

(4) Nothing in Subsection ~~GF~~ of 19.15.26.8 NMAC shall prohibit the division's assignment of special allowables to wells in buffer zones after notice and hearing. The division may assign special allowables in the limited instances where it is established at a hearing that it is imperative for the protection of correlative rights to do so.

(5) The division may ~~shall~~ authorize the expansion of water flood injection projects and the placement of additional wells on injection after hearing or administratively, subject to the notice requirements of Subsection B of 19.15.26.8 NMAC.

(6) The director may grant an exception to the hearing requirements of Subsection A of 19.15.26.8 NMAC for conversion to injection of additional wells provided that the wells is ~~are~~ necessary to develop or maintain thorough and efficient water flood injection operations for an authorized project and provided that the division does not receive an objection pursuant to Subsection C of 19.15.26.8 NMAC.

(7) An established water flood injection project shall have only one designated operator. The division shall set for hearing an application for exception.

G.H. Storage wells.

(1) The director may grant administratively, without hearing, an application for the underground storage of liquefied petroleum gas or liquid hydrocarbons in secure caverns within massive salt beds, ~~[and]~~ provided the applicant has complied with the notice provisions of Subsection B of 19.15.26.8 NMAC and the division receives no objections pursuant to Subsection C of 19.15.26.8 NMAC.

(2) In addition to the filing requirements of Subsection B of 19.15.26.8 NMAC, the applicant for approval of a storage well under Subsection H of 19.15.26.8 NMAC shall file the following:

(a) with the director, financial assurance in accordance with the provisions of 19.5.8 NMAC; and

(b) with the appropriate division district office:

(i) form C-101;

(ii) form C-102; and

(iii) form C-105.

[19.15.26.8 NMAC - Rp, 19.15.9.701 NMAC, 12/1/08; A, / /]

19.15.26.12 COMMENCEMENT, DISCONTINUANCE AND ABANDONMENT OF INJECTION OPERATIONS:

A. The following provisions apply to injection projects, storage projects, ~~[salt]~~

produced water disposal wells and special purpose injection wells.

B. Notice of commencement and discontinuance.

(1) Immediately upon the commencement of injection operations in a well, the operator shall notify the division of the date the 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 the discontinuance and the reasons for the discontinuance.

(3) Before temporarily abandoning or plugging an injection well, the operator shall obtain approval from the appropriate division district office 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 all wells in an injection or storage project or into a [salt] produced water disposal well or special purpose injection well, the division shall consider the project or well abandoned, and the authority for injection shall automatically terminate ipso facto.

(2) For good cause shown, the director may grant an administrative extension or extensions of injection authority as an exception to Paragraph (1) of Subsection C of 19.15.26.12 NMAC, provided that any such extension may be granted only prior to the end of one year or continuous non-injection, or during the term of a previously granted extension.
[19.15.26.12 NMAC - Rp, 19.15.9.705 NMAC, 12/1/08; A, / /]

19.15.26.13 RECORDS AND REPORTS:

A. The operator of an injection well or project for secondary or other enhanced recovery, pressure maintenance, gas storage, [salt] produced water disposal or injection of other fluids shall keep accurate records and shall report monthly to the division gas or fluid volumes injected, stored or produced as required on the appropriate form listed below:

- (1) secondary or other enhanced recovery on form C-115;
- (2) pressure maintenance on form C-115 and as otherwise prescribed by the division;
- (3) [salt] produced water disposal not regulated by 19.15.36 NMAC on form C-115;
- (4) [salt] produced water disposal at surface waste management facilities regulated by 19.15.36 NMAC on form C-120-A;
- (5) gas storage on form C-131-A; and
- (6) injection of other fluids on a division-prescribed form.

B. The operator of a liquefied petroleum gas storage project shall report to the division annually on form C-131-B.

[19.15.26.13 NMAC - Rp, 19.15.9.706 NMAC, 12/1/08; A, / /]