

**STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION**

CASE NO. 16377

IN THE MATTER OF THE:

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

APPLICATION

The New Mexico Oil Conservation Division (OCD) hereby applies to the Oil Conservation Commission (Commission) to amend 19.15.26 NMAC as hereinafter set forth.

1. OCD proposes to amend 19.15.26 to clarify the scope of the rule, the notice provisions, and the type of fluids that may be injected into Class II wells pursuant to the federal Underground Injection Control program regulations. These changes include adding language that lists non-anthropogenic CO₂, H₂S, and other oil field waste as fluids that may be disposed of by injection in addition to produced water.

2. OCD proposes to amend of 19.15.26.7 NMAC to:

- a. delete the definition of “affected person”, since that term is now defined in Paragraph (8) of Subsection A of 19.15.2.7 NMAC;
- b. add the definition of “fluid” from the federal underground injection control program regulations; and
- c. modify the definition of “water flood project” to delete the requirement that such projects may be implemented only in areas where wells have reached an advanced state of depletion.

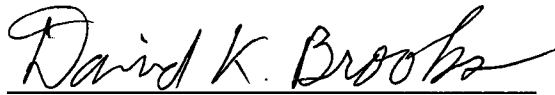
3. OCD proposes to amend 19.15.26 NMAC to change the term “salt water” to “produced water” as “produced water” is the term used in the Oil and Gas Act.

4. Adoption of these amendments will conform the rule's requirements to recent practice, expand the rule's scope to include disposal of additional fluids and enhanced recovery projects not now expressly covered, and clarify notice provisions.

5. A draft of the proposed amendments to 19.15.26 NMAC is attached hereto as Exhibits A.

6. A proposed legal notice for publication is attached hereto as Exhibit B.

Respectfully submitted,

A handwritten signature in cursive script that reads "David K. Brooks". The signature is written in dark ink and is positioned above a horizontal line.

David K. Brooks
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This is an amendment to 19.15.26 NMAC, amending Sections 1 through 3, 6 through 8 and 12 and 13, effective //.

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 engaged in using wells to inject fluids for secondary or other enhanced recovery of oil or gas; pressure maintenance; ~~[salt water]~~ disposal of non-anthropogenic carbon dioxide (CO₂), H₂S, produced water and other oil field waste; and underground storage of oil or gas.

[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 use of wells to inject fluids for secondary or other enhanced recovery; pressure maintenance; ~~[salt water]~~ disposal of non-anthropogenic CO₂, H₂S, produced water and other oil field waste; 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 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]~~ fluids including non-anthropogenic CO₂, H₂S, produced water or other oil field waste 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.

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; secondary or other enhanced recovery projects; pressure maintenance projects; ~~[or salt water]~~ disposal of

fluids including non-anthropogenic CO₂, H₂S, produced water or other oil field waste, 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. Water disposal wells.

(1) The director may grant an application for a 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 projects.

(1) The division shall set applications for establishment of pressure maintenance projects for hearing. The division shall fix the project area and the allowable formula for a 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 a water flood project shall comprise the proration units a given operator owns or operates upon which injection wells are located plus 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 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 a 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 G 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 shall authorize the expansion of water flood 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 well is necessary to develop or maintain thorough and efficient water flood injection 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 project shall have only one designated operator. The division shall set for hearing an application for exception.

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, / /]

Notice of Public Meeting and Public Hearing

The State of New Mexico through its Oil Conservation Commission (Commission) hereby gives notice of the following meeting and public hearing to be held commencing at 9:00 a.m. on _____, 2018, in Porter Hall, 1st floor, Wendell Chino Building, 1220 South St. Francis Drive, Santa Fe, New Mexico, before the Oil Conservation Commission. A preliminary agenda for the meeting will be available to the public no later than two weeks prior to the meeting. A final agenda will be available no later than 72 hours preceding the meeting.

Case No. 16377: APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION TO AMEND RULES OF THE COMMISSION FOR PERMITTING OF WELLS FOR UNDERGROUND INJECTION BY AMENDING CERTAIN SECTIONS OF RULE 19.15.26 NMAC; STATEWIDE.

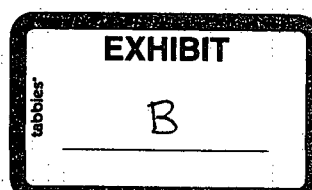
The New Mexico Oil Conservation Division (OCD) proposes to amend 19.15.26 NMAC to clarify the scope of the rule, the notice provisions, and the type of fluids that may be injected into Class II wells pursuant to the federal Underground Injection Control program regulations.

Purpose of Proposed Rule. The amendments are proposed to clarify the scope of the rule and the type of fluids that may be injected into Class II wells pursuant to the federal Underground Injection Control program regulations.

Legal Authority. These amendments are authorized by the Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38, specifically Sections 70-2-12(B)(13) (which authorizes rules to regulate subsurface storage of oil or natural gas or products of either), (14) (which authorizes rules to permit injection of natural gas or other substances for repressuring, cycling, pressure maintenance, or secondary or other enhanced recovery operations), (15) (which authorizes rules to regulate the disposition of water produced or used in connection with drilling for oil or gas and to direct subsurface disposal of water), (21) (which authorizes rules to regulate the disposition of nondomestic wastes resulting from exploration, development, production, or storage of crude oil or natural gas), and (22) (which authorizes rules to regulate the disposition of nondomestic wastes resulting from the oil field service industry, transportation of crude oil or natural gas, the treatment of natural gas, or the refinement of crude oil). The rulemaking proceeding will be governed by the Commission's rule on rulemaking, 19.15.3 NMAC.

The full text of the proposed rule amendments is available from Commission Clerk, Florene Davidson at (505) 476-3458 or can be viewed on the Rules page of the Oil Conservation Division's website at <http://www.emnrd.state.nm.us/ocd>, or at Oil Conservation Division offices in Santa Fe, Hobbs, Artesia, or Aztec.

Public Hearing and Comment. The Commission will hold a public hearing on the proposed rules at the Commission meeting which will commence at 9:00 A.M. on _____, 2018, in Porter Hall, 1st Floor, Wendell Chino Building, 1220 South St. Francis Drive, Santa Fe, New Mexico. The hearing may be continued to following days if not completed.



Written or electronic comments on the proposed rule may be hand delivered or mailed to the Commission Clerk, Florene Davidson, 3rd floor, 1220 South St. Francis Drive, Santa Fe, NM 87505, or e-mailed to florene.davidson@state.nm.us. All written or electronic comments must be received by the Commission Clerk no later than 9:00 A.M. on _____, 2018, unless the Commission or the Commission Chair extends this deadline.

Persons intending to submit proposed modifications to the proposed rule amendments, to present technical testimony at the hearing, or to cross-examine witnesses must file six copies of a Pre-hearing Statement conforming to the requirements of Subsection B of 19.15.3.11 NMAC, no later than 5:00 P.M. on _____, 2018. Pre-hearing Statements must be hand-delivered, mailed, or e-mailed to the Commission Clerk at the above address.

Any person who has not submitted a pre-hearing statement may present non-technical testimony or make an unsworn statement at the hearing. A person may also offer exhibits with the testimony so long as the exhibits are relevant to the proposed rule changes and do not unduly repeat the testimony. Any person who wishes to present non-technical testimony should indicate his or her intent on a sign-in sheet at the hearing. A person who testifies at the hearing is subject to cross-examination by the commissioners, commission counsel, or a party on the subject matter of the person's direct testimony.

If you are an individual with a disability who needs a reader, amplifier, qualified sign language interpreter, or any other form of auxiliary aid or service to attend or participate in the hearing, please contact Ms. Davidson at (505) 476-3458 or through the New Mexico Relay Network at 1-800-659-1779 by _____, 2018. Public documents can be provided in various accessible forms. Please contact Ms. Davidson if a summary or other type of accessible form is needed. A party who plans to use projection equipment at a hearing must contact Ms. Davidson seven business days prior to the hearing requesting the use of the projection equipment. Wireless internet is available; however, the person requesting to use the wireless connection must provide a laptop computer.

There is no technical information that served as a basis for the proposed amendments.