

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

**IN THE MATTER OF PROPOSED
AMENDMENTS TO THE COMMISSION'S
RULES ON FINANCIAL ASSURANCE
AND PLUGGING AND ABANDONMENT
OF WELLS, 19.15.2, 19.15.8, AND 19.15.25 NMAC**

**Case No. 16078
(Order No. R-14834-A)**

**PRE-HEARING STATEMENT OF THE INDEPENDENT
PETROLEUM ASSOCIATION OF NEW MEXICO**

The Independent Petroleum Association of New Mexico ("IPANM") submits this Pre-Hearing Statement pursuant to the rules of the Oil Conservation Commission ("the Commission").

APPEARANCES

PARTIES

Applicant Oil Conservation Division

Independent Petroleum Association
Of New Mexico

ATTORNEYS

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STATEMENT OF THE CASE

This case involves a petition by the Oil Conservation Division (“the Division”) to amend 19.15.2, 19.15.8, and 19.15.25 NMAC. On August 20, 2018, the Commission issued Order No. R-14834 adopting certain changes to those rules. One of those changes provides that “if the number of federal wells held by an operator causes the operator to move into a higher tier under 19.15.8.9 (C)(2) NMAC, then the state blanket bond can be reduced by the amount of the federal statewide blanket bond.” Order No. R-14834 at 5, ¶ 21.

Interested party Larry Marker filed an Application for Rehearing addressing several issues, including the Commission’s inclusion of federal wells in the calculation of the total number of wells to be considered for purposes of determining the appropriate tier for a blanket bond. In its Order No. R-14834-A, the Commission granted rehearing limited to the applicability of 19.15.8 NMAC to wells that are covered by federal financial assurance, and ordered the Division to propose amendments to 19.5.8.9 that address that issue. On October 5, 2018, the Division filed an Amended Application that includes proposed rule amendments that would exclude federal wells from consideration of the appropriate tier for a blanket bond.

IPANM fully supports the amendments proposed by the Division. In the new rule adopted by the Commission, there is a conflict between the definition in 19.5.8.9(A) of wells subject to the financial assurance requirements, which does not include federal wells, and the inclusion of federal wells in the calculation of the appropriate tier for blanket bonding financial assurance in 19.5.8.9 (C)(2). The Division’s proposed rule eliminates that conflict by expressly excluding wells covered by federally-required financial assurance in 19.15.8.9(A).

More importantly, the Division’s proposed rule eliminates the presumably unintended result of an operator with one or more federal wells potentially being pushed into a higher tier while only getting credit for a \$25,000 federal blanket bond. That result would be inequitable for

two reasons. First, the BLM has required some IPANM members to post plugging bonds that exceed the \$25,000 blanket bond amount. Second, an IPANM member with a total of 51 wells that includes one federal well would be in the \$125,000 blanket bond tier while only getting a \$25,000 credit for a federal blanket bond, an anomalous result that would in effect create a new \$100,000 tier and would increase the operator's blanket bond amount based on a well that is not included in 19.15.8.9(A).

PROPOSED EVIDENCE

IPANM will not call any witnesses or introduce any documentary evidence.

PROCEDURAL MATTERS

IPANM is not aware of any procedural matters to be resolved prior to the hearing.

Respectfully submitted,

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CERTIFICATE OF SERVICE

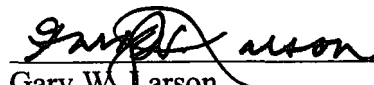
I hereby certify that on this 1st day of November, 2018 I served a true and correct copy of the foregoing *Pre-Hearing Statement of the Independent Petroleum Association of New Mexico* via email to:

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