

## **APPLICANTS' PROPOSED REVISED AMENDMENTS TO 19.15.9 NMAC**

### **TITLE 19 NATURAL RESOURCES AND WILDLIFE**

#### **CHAPTER 15 OIL AND GAS**

#### **PART 9 WELL OPERATOR PROVISIONS**

**19.15.9.1 ISSUING AGENCY:** Energy, Minerals and Natural Resources Department, Oil Conservation Division.

[19.15.9.1 NMAC - N, 12/1/08]

**19.15.9.2 SCOPE:** 19.15.9 NMAC applies to persons or entities operating oil or gas wells within New Mexico.

[19.15.9.2 NMAC - N, 12/1/08]

**19.15.9.3 STATUTORY AUTHORITY:** 19.15.9 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.

[19.15.9.3 NMAC - N, 12/1/08]

**19.15.9.4 DURATION:** Permanent.

[19.15.9.4 NMAC - N, 12/1/08]

**19.15.9.5 EFFECTIVE DATE:** December 1, 2008, unless a later date is cited at the end of a section. [19.15.9.5 NMAC - N, 12/1/08]

**19.15.9.6 OBJECTIVE:** To require an operator of a well or wells to register with the division prior to commencing operations and to require the reporting of a change of operator or a change of name to the division. [19.15.9.6 NMAC - N, 12/1/08]

**19.15.9.7 DEFINITIONS:**[RESERVED]

[See 19.15.2 NMAC for definitions.]

[19.15.9.7 NMAC - N, 12/1/08]

#### **19.15.9.8 OPERATOR REGISTRATION:**

**A.** Prior to commencing operations, an operator of a well or wells in New Mexico shall register with the division as an operator. Applicants shall provide the following to the financial assurance administrator in the division's Santa Fe office:

- (1) an oil and gas registration identification (OGRID) number obtained from the division, the state land office or the taxation and revenue department;
- (2) a current address of record to be used for notice and a current emergency contact name and telephone number for each district in which the operator operates wells; and
- (3) the financial assurance 19.15.8 NMAC requires.

**B.** Prior to commencing operations, an operator shall provide to the division a certification by an officer, director, or partner that the new operator is in compliance with federal and state oil and gas laws and regulations in each state in which the new operator does business; a disclosure of any officer, director, partner in the new operator or person with an interest in the new operator exceeding 25 percent, who is or was within the past five years an officer, director, partner, or person with an interest exceeding 25 percent in another entity that is not currently in compliance with Subsection A of 19.15.5.9 NMAC; and a disclosure whether the new operator is or was within the past five years an officer, director, partner, or person with an interest exceeding 25 percent in another entity that is not currently in compliance with Subsection A of 19.15.5.9 NMAC.

**B.C.** The division may deny registration as an operator if:

- (1) the applicant is not in compliance with Subsection A of 19.15.5.9 NMAC;
- (2) the applicant is out of compliance with federal and state oil and gas laws and regulations in each state in which the applicant does business;
- (23) an officer, director, partner in the applicant or person with an interest in the applicant exceeding 25 percent, is or was within the past five years an officer, director, partner or person with an interest exceeding 25 percent in another entity that is not currently in compliance with Subsection A of 19.15.5.9 NMAC;
- (~~3~~4) the applicant is or was within the past five years an officer, director, partner or person

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with an interest exceeding 25 percent in another entity that is not currently in compliance with Subsection A of 19.15.5.9 NMAC; or

~~(45) the applicant is a corporation, or limited liability company, or limited partnership and is not registered or is not in good standing with the New Mexico secretary of state public regulation commission to do business in New Mexico; or~~

~~(5) the applicant is a limited partnership and is not registered with the New Mexico secretary of state to do business in New Mexico.~~

**C.D.** An operator shall inform the division of its current address of record and emergency contact names and telephone numbers by submitting changes in writing to the division's financial assurance administrator in the division's Santa Fe office within 30 days of the change.

**D.E.** ~~The division may require an An operator~~ shall or applicant to certify compliance annually of identify its current and past officers, directors and partners and its current and past ownership interest in other operators consistent with 19.15.9.8.C(2) and (3) NMAC.

[19.15.9.8 NMAC - Rp, 19.15.3.100 NMAC, 12/1/08]

### 19.15.9.9 CHANGE OF OPERATOR:

**A.** A change of operator occurs when the entity responsible for a well or a group of wells changes. A change of operator may result from a sale, assignment by a court, a change in operating agreement or other transaction. Under a change of operator, wells are moved from the OGRID number of the operator of record with the division to the new operator's OGRID number.

**B.** The operator of record with the division and the new operator shall apply for a change of operator by jointly filing a form C-145 using the division's web-based online application. If the operator of record with the division is unavailable, the new operator shall apply to the division for approval of change of operator without a joint application. The operator shall make such application in writing and provide documentary evidence of the applicant's right to assume operations; a certification by an officer, director, or partner of the new operator that the new operator is in compliance with federal and state oil and gas laws and regulations in each state in which the new operator does business; a plugging and abandonment plan; a disclosure of any officer, director, partner in the new operator or person with an interest in the new operator exceeding 25 percent, who is or was within the past five years an officer, director, partner, or person with an interest exceeding 25 percent in another entity that is not currently in compliance with Subsection A of 19.15.5.9 NMAC; and a disclosure whether the new operator is or was within the past five years an officer, director, partner, or person with an interest exceeding 25 percent in another entity that is not currently in compliance with Subsection A of 19.15.5.9 NMAC. The new operator shall not commence operations until the division approves the application for change of operator. The plugging and abandonment plan shall be certified by an officer, director, or partner of the new operator and shall demonstrate that the new operator has and will have the financial ability to meet the plugging and abandonment requirements of 19.15.25 NMAC for the well or wells to be transferred in light of all the operator's assets and liabilities. The division may request the operator to provide additional information including corporate credit rating, corporate financial statements, long-term liabilities, reserves and economics report, records of the operator's historical costs for decommissioning activities, estimate of the operator's decommissioning obligations, and history of inactive wells and returning wells to production.

**C.** The director of the director's designee may deny a change of operator if:  
**(1)** the new operator is not in compliance with Subsection A of 19.15.5.9 NMAC; ~~or~~  
~~**(2)** the new operator is acquiring wells, facilities or sites subject to a compliance order requiring remediation or abatement of contamination, or compliance with 19.15.25.8 NMAC, and the new operator has not entered into an agreed compliance order setting a schedule for compliance with the existing order.~~

**(2)** the new operator is out of compliance with federal and state oil and gas laws and regulations in each state in which the new operator does business;

**(3)** any officer, director, partner in the new operator or person with an interest in the new operator exceeding 25 percent, who is or was within the past five years an officer, director, partner, or person with an interest exceeding 25 percent in another entity that is not currently in compliance with Subsection A of 19.15.5.9 NMAC;

**(4)** the new operator is or was within the past five years an officer, director, partner, or person with an interest exceeding 25 percent in another entity that is not currently in compliance with Subsection A of 19.15.5.9 NMAC;

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(5) the applicant is a corporation, limited liability company, or limited partnership and is not registered or is not in good standing with the New Mexico secretary of state to do business in New Mexico; or

(6) the certification or disclosure requirements set forth in Subsection B of this Section disclose a substantial risk that the new operator would be unable to satisfy the plugging and abandonment requirements of 19.15.25 NMAC for the well or wells the new operator intends to take over.

**D.** In determining whether to grant or deny a change of operator when the new operator is not in compliance with Subsection A of 19.15.5.9 NMAC, the director or the director's designee shall consider such factors as whether the non-compliance with Subsection A of 19.15.5.9 NMAC is caused by the operator not meeting the financial assurance requirements of 19.15.8 NMAC, being subject to a division or commission order finding the operator to be in violation of an order requiring corrective action, having a penalty assessment that has been unpaid for more than 70 days since the issuance of the order assessing the penalty or having ~~more than the allowed number of~~ wells out of compliance with 19.15.25.8 NMAC. If the non-compliance is caused by the operator having ~~more than the allowed number of~~ wells not in compliance with 19.15.25.8 NMAC, the director or director's designee shall consider the number of wells not in compliance, the length of time the wells have been out of compliance and the operator's efforts to bring the wells into compliance.

**E.** No well, facility or site that is out of compliance with Subsection A of 19.15.5.9 NMAC, 19.15.29 NMAC, or 19.15.30 NMAC shall be transferred unless, prior to transfer, the current operator brings the associated well, facility or site into compliance or the new operator submits a schedule of compliance approved by the division.

[19.15.9.9 NMAC - Rp, 19.15.3.100 NMAC, 12/1/08]

### **19.15.9.10 CHANGE OF NAME:**

**A.** A change of operator name occurs when the name of the entity responsible for a well or wells changes but the entity does not change. For a change of name, the OGRID number remains the same, but division records are changed to reflect the new operator name.

**B.** An operator shall apply for a change of name by filing a form C-146 using the division's web-based online application and supplying documentary proof that the change is a name change and not a change of operator. If the operator is a corporation, limited liability company or limited partnership, the name must be registered with the public regulation commission or the New Mexico secretary of state, as applicable. The division shall not approve a change of name until the state land office and the taxation and revenue department have cleared the change of name on the OGRID.

[19.15.9.10 NMAC - Rp, 19.15.3.100 NMAC, 12/1/08]

### **19.15.9.11 EXAMPLES OF CHANGE OF OPERATOR AND CHANGE OF NAME:**

**A.** Mr. Smith, a sole proprietor, operates five wells under the name "Smith oil company". Mr. Smith changes the name of his company to "Smith production company". The name of the entity operating the wells has changed, but the entity has not changed. Mr. Smith should apply for a change of name.

**B.** Mr. Smith incorporates his business, changing from the sole proprietorship, "Smith production company", to a corporation: "Smith production company, inc.". The entity responsible for the wells has changed, and Mr. Smith and "Smith production company, inc." should apply for a change of operator.

**C.** Smith production company, inc., a New Mexico operator, merges with XYZ, inc., which does not operate in New Mexico. At the surviving entity's election, this transaction may be treated as a change of name from Smith production company, to XYZ, inc., maintaining the existing OGRID, or as a change of operator, with a new OGRID.

**D.** Two New Mexico operators, Smith production company, inc. and Jones production company, inc., merge. The surviving corporation is Jones production company, inc. A different entity now operates the wells Smith production company, formerly operated, and the wells must be placed under that entity's OGRID. Jones production company, inc. and Smith production company, inc. should apply for a change of operator as to the wells Smith production company, inc. operated.

[19.15.9.11 NMAC - Rp, 19.15.3.100 NMAC, 12/1/08]

### **HISTORY of 19.15.9 NMAC:**

**History of Repealed Material:** 19.15.3 NMAC, Drilling (filed 10/29/2001) repealed 12/1/08.

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### **NMAC History:**

That applicable portion of 19.15.3 NMAC, Drilling (Section 100) (filed 11/30/2005) was replaced by 19.15.9 NMAC, Well Operator Provisions, effective 12/1/08.