From:	Whitaker, James, EMNRD
To:	WasteRule, EMNRD, EMNRD
Subject:	Following up to share electronic documents from 7/27/2020 meeting with AS, TP and GW
Date:	Monday, July 27, 2020 6:20:35 PM
Attachments:	2020 OCD Waste Rule.pptx NaturalGasWasteDraftRules-July202020.pdf

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Hello Tiffany,

Sending per your request. The pdf has inline comments, you may need to turn on comments in Adobe on the right sidebar to see them properly.

Please let me know if you have any questions or would like to discuss further.

Thank You

James

2020 OCD Waste Rule

Consolidated IT Comments

Intent of this meeting

- Very supportive of the new waste rule
- Want to have a discussion on IT aspects of the rule in case OCD decides you want to make clarifications and revisions of the proposed rule.
- We don’t need to decide IT processes now but want to have high level discussion regarding possibilities in case you think the rule needs change.
- Provide comments from another set of eyes with a fresh perspective.
- I am summarizing IT comments for efficiency during this session but full PDF comments can be provided.

19.15.27.8 B C and D

- B = During Drilling – no exceptions bar emergency
  - Emergencies require
    - Email 2 hours
    - C-129 24 hours
    - Notify in indeterminate way as soon as practical after ceasing
    - C-141 – if they hit the
- C = During Completion Operations – no exceptions bar emergency
  - Why no reporting here? Is this an oversight?
- D = During Production Operators – exceptions for AQP, maintenance and testing.
  - Emergencies require
    - Email 2 hours
    - C-129 24 hours
    - Notify in indeterminate way as soon as practical after ceasing
    - C-141?

19.15.27.8 E.(1)

- (1) Measurement on Wells
  - Intent here seems to be to get equipment set up to measure venting and flaring vols per API
  - (a) All non-stripper wells with APD from 6/2021 onward require special equipment to measure venting and flaring at the well
  - (d) Not aware of C-116 being submitted annually by operators. Are they keeping them for potential OCD inspection? How would this support computation of flaring and venting?

19.15.27.8 E.(2) and (3)

- C-115 has per WC gas production (at integer level of reporting)
- C-115 has aggregated gas disposition too including venting and flaring
  - Current Gas Dispositions have Transported/Sold, Flaring, Venting, Gas Lift, Repressuring, Used on Property, Lost and Other at pool property level.
  - Is there a type “not suitable for transportation” or is it “vented or flared during an emergency and not suitable for transportation”. If first, what happens to this gas?
- What will C-115B have? Looks like “Lost Gas” on a volumetric and percentage basis and “Vented and Flared” volumetrically each for (a) thru (t) categories.
  - Not clearly stated at what level. Per OGRID? Per API?

- Possible Issues with integer MCF reporting?

19.15.27.8 E.(4)

- New C-129 filing requirements.
- Could be associated with wells, TB, pipeline, etc? Assumes the facility is in OCD's database … may want operator to submit positional information so we can confirm and later map it.

19.15.27.8 E.(6)

- Is 20.2.27 NMAC being rewritten? On NMAC it is reserved.
- Am I missing something?

19.15.27.9 A

- A. Statewide natural gas capture requirements
  - Only addresses vented and flared. What about “lost”?
  - Baseline loss rate not strictly defined. Assume it is (1 – 2021 percentage capture)
  - Baseline for EACH OPERATOR based on their operations from 2021
  - 98% by EOY 2026.

19.15.27.9 B. Accounting

- 19.15.27.9 B Report certifiying compliance with statewide.
  - Basically this appears to be an “accounting” calculation by the operator that uses qualifying C-129 and ALARM to remove certain gas volumes from <u>both</u> numerator and denominator.
  - (1) So emergency flares and vents don’t count?
  - (2) Subject to approval remove non-saleable gas?
  - (3) Subject to approval beneficial use?
  - ALARM credits are defined in terms of the leak they detect.

19.15.27.9 D. Natural Gas Management Plan

- (3) Minor issue: Operator will submit a revised “Natural Gas Management Plan” 30 days after a gathering system becomes available? Not a “Gas Capture Plan”?

19.15.28 Natural Gas Gathering Systems

- We don’t have Gathering systems in our Facilities
  - Not clear what their extent can be? Each one is completely separate and does not contain sub-gathering systems or overlaps?
  - What is their full life cycle? What is the equivalent of P&A?
  - GIS digitally formatted as-built map in 19.15.28.13 would include all operator submitted data needed to collect the full set of NM gas gathering systems, right?
  - Requirement for annual review and/ resubmission? Operators could certify using the system.
  - Requirement for annual operator report to division. Does this mean any time during the calendar year?
  - Questions on reporting and related validation? These are not on C-115.

19.15.28.22 C. Measurement and Reporting

- C-115B ALSO used for this
- On a per gathering system basis? Or a per operator basis?
  - Again “Lost” is mentioned without being defined
- If operator has both wells and gathering system these are on same form?
- Notifications
  - How come no email in 2 hours?
  - How come no notification when cease?

Reminder of Existing Forms and Functionality

- APD –gas capture plan
- C-115 – venting and flaring by property
- C-129 – exception to no flare rule
- C-141 – releases

New C-129

- Required 24 hours after begin flare or vent
- Won’t necessarily have the final numbers right?
- Amendments? Initial / Final?

New C-115B

- Changed to 30 days?
- Submitted with C-115 if needed?
- Can be submitted separately if only have natural gas gathering systems?

New Forms

- Notification of Venting/Flaring event (by email)
- Notification of Cessation of Venting/Flaring event
- New C-129
- C-115B
- 19.15.27.8 D.(3)(a) calls for AVO inspections to be made and documented but not supplied unless requested. Format?
- 19.15.27.8 D.(5)(e) call for flare stack inspections to be made and documented but not supplied unless requested. Format?
- 19.15.27.9 A.(2) Plan required for those <60% capture
- ALARM capture credit form
- Natural Gas Capture Plan
- Variance to 19.15.28.12 Cover
- Gas Capture System GIS submission / update to division (2 “forms”)?
- Notification of Gas Capture System in service
- Annual Inspection for new and existing gathering pipelines

TITLE 19 NATURAL RESOURCES AND WILDLIFE
CHAPTER 15 OIL AN GAS
PART 27 VENTING AND FLARING OF NATURAL GAS

19.15.27.1 ISSUING AGENCY: Oil Conservation Commission.
[19.15.27.1 NMAC – N, xx/xx/xx]

19.15.27.2 SCOPE: 19.15.27 NMAC applies to persons engaged in oil and gas development and production within New Mexico.
[19.15.27.2 NMAC – N, xx/xx/xx]

19.15.27.3 STATUTORY AUTHORITY: 19.15.27 NMAC is adopted pursuant to the Oil and Gas Act, Section 70-2-6, Section 70-2-11 and Section 70-2-12 NMSA 1978.
[19.15.27.3 NMAC – N, xx/xx/xx]

19.15.27.4 DURATION: Permanent.
[19.15.27.4 NMAC – N, xx/xx/xx]

19.15.27.5 EFFECTIVE DATE: [DATE], unless a later date is cited at the end of a section.
[19.15.27.5 NMAC – N, xx/xx/xx]

19.15.27.6 OBJECTIVE: To regulate the venting and flaring of natural gas from wells and production equipment and facilities to prevent waste and protect correlative rights, public health and the environment.
[19.15.27.6 NMAC – N, xx/xx/xx]

19.15.27.7 DEFINITIONS: Definitions shall have the meaning specified in 19.15.2 NMAC except as specified below.

A. "ALARM" means advanced leak and repair monitoring.

B. "Average daily production" has the same meaning as in Subsection A of 19.15.6.7 NMAC.

C. "AVO" means audio, visual or olfactory.

D. "Completion operations" means the period that begins with the initial perforation of the well in the completed interval and concludes on the earlier of 30 days after commencement of initial flowback or when permanent production equipment is in use at the well.

E. "Drilling operations" means the period that begins when a well is spud and concludes when casing and cementing has been completed and casing slips have been set to install tubing head in the well.

F. "Emergency" means a temporary, infrequent and unavoidable event in which the loss of natural gas is uncontrollable or necessary to avoid a risk of an immediate and substantial

adverse impact on safety, public health or the environment, but does not include an event arising from or related to:

(1) the operator's failure to install appropriate equipment of sufficient capacity to accommodate the anticipated or actual rate and pressure of production;

(2) the operator's failure to limit production when the production rate exceeds the capacity of the related equipment or natural gas gathering system as defined in 19.15.28 NMAC, or exceeds the sales contract volume of natural gas;

(3) scheduled maintenance;

(4) the operator's negligence, including a recurring equipment failure; or

(5) two or more emergencies experienced by the operator within the preceding 60 days, unless the division determines the operator could not have reasonably anticipated the current event and it was beyond the operator's control.

G. **"Flare stack"** means an appropriately designed stack equipped with a burner used for the combustion and disposal of natural gas.

H. **"Flare" or "Flaring"** means the controlled combustion of natural gas in a device designed for that purpose.

I. **"Gas-to-oil ratio (GOR)"** for purposes of 19.15.27 NMAC means the ratio of natural gas to oil in the production stream expressed in standard cubic feet of natural gas per barrel of oil.

J. **"Initial flowback"** means the period during completion operations that begins with the onset of flowback and concludes when it is technically feasible for a separator to function.

K. **"Malfunction"** means a sudden, unavoidable failure or breakdown of equipment beyond the reasonable control of the operator that substantially disrupts operations and requires correction, but does not include a failure or breakdown that is caused entirely or in part by poor maintenance, careless operation or other preventable equipment failure or breakdown.

L. **"N_2"** means nitrogen gas.

M. **"Natural gas"** means a gaseous mixture of hydrocarbon compounds, primarily composed of methane, and includes both casinghead gas and gas as defined in 19.15.2 NMAC.

N. **"Production operations"** means the period that begins on the earlier of 31 days following the commencement of initial flowback or when permanent production equipment is in use at a well and concludes when the well is plugged and abandoned.

O. **"Separation flowback"** means the period during completion operations that begins when it is technically feasible for a separator to function and concludes on the earlier of 30 days after initial flowback begins or when permanent production equipment is in use at the well or production facility.

P. **"Vent" or "Venting"** means the release of uncombusted natural gas to the atmosphere.

[19.15.27.7 NMAC – N, xx/xx/xx]

19.15.27.8 VENTING AND FLARING OF NATURAL GAS:

A. Venting and flaring of natural gas during drilling, completion or production operations constitutes waste and is prohibited except as authorized below. An operator has a

general duty to maximize the recovery of natural gas and to minimize the release of natural gas to the atmosphere.

B. Venting and flaring during drilling operations.

(1) The operator shall capture or combust natural gas escaping from the well using best available control technologies.

(2) A flare stack shall be located at a minimum of 100 feet from the nearest surface hole location and shall be enclosed and equipped with an automatic ignition system or continuous pilot.

(3) In an emergency or malfunction, the operator may vent natural gas to avoid a risk of an immediate and substantial adverse impact on safety, public health or the environment. The operator shall

(a) notify the division of the venting or flaring as soon as possible by email, but no more than two hours following discovery of the emergency or malfunction;

(b) file a form C-129 no later than 24 hours after commencing to vent or flare pursuant to Subparagraph (4) of Subsection E of 19.15.27.8 NMAC;

(c) notify the division as soon as practicable after it stops venting or flaring; and

(d) comply with the applicable requirement to report a release pursuant to 19.15.29 NMAC.

C. Venting and flaring during completion operations.

(1) During initial flowback, the operator shall route flowback fluids into a completion or storage tank and commence operation of a separator as soon as it is technically feasible for a separator to function.

(2) During separation flowback, the operator shall capture and route recovered natural gas to a gas flowline or collection system, re-inject it into the well or it use on-site as a fuel source or for another purpose that a purchased fuel or raw material would serve.

(3) The operator may route recovered natural gas to a flare if routing or using the natural gas as described in Subparagraph (2) of Paragraph C of 19.15.27.8 NMAC poses a risk to safe operation or personnel safety, provided that the flare is equipped with an automatic igniter or continuous pilot.

(4) The operator may vent natural gas only if capturing or flaring the natural gas poses a risk to safe operations or personnel safety, and venting is safer than capturing and flaring.

D. Venting and flaring during production operations.

(1) The operator shall not vent or flare natural gas except as authorized below in Subparagraph (2) of Subsection D of 19.15.27.8 NMAC.

(2) The operator may vent or flare natural gas

(a) to the extent authorized by a valid federally enforceable air quality permit issued by the environment department;

(b) during an emergency or malfunction, but only to avoid a risk of an immediate and substantial adverse impact on safety, public health or the environment;

(c) to unload or clean-up a well to atmospheric pressure,

(i) if the operator allows the well to vent only so long as necessary to achieve a stabilized rate and pressure;

(ii) for liquids unloading by manual purging, when the operator remains present on-site until the end of unloading, takes all reasonable actions to achieve a stabilized rate and pressure at the earliest practical time and takes all reasonable actions to minimize venting to the maximum extent practicable;

(iii) for a well equipped with a plunger lift system or an automated control system, when the operator optimizes the operation of the system to minimize the venting of natural gas; or

(iv) during downhole well maintenance, if and only when the operator uses a workover rig, swabbing rig, coiled tubing unit or similar specialty equipment, and minimizes the venting of natural gas to the extent consistent with safe operation and best management practices; and

(d) during the following activities to the extent authorized by applicable state or federal law regulating the emission of hydrocarbons and volatile organic compounds:

(i) gauging or sampling of a storage tank or other low-pressure production vessel;

(ii) loading out liquids from a storage tank or other low-pressure production vessel to a transport vehicle;

(iii) scheduled repair and maintenance, including blowing down and depressurizing production equipment to perform repair and maintenance;

(iv) normal operation of a gas-activated pneumatic controller or pump;

(v) normal operation of a storage tank or other low-pressure production vessel, but not including venting from a thief hatch that has not been fully and timely closed or from a seal that has not been maintained on an established schedule;

(vi) a bradenhead test;

(vii) a packer leakage test; or

(viii) a production test that does not exceed 24 hours unless the division requires or approves a longer test period.

(3) The operator shall conduct an AVO inspection on the frequency specified below to confirm that all production equipment is operating properly and there is no venting except as allowed by Paragraph (2) of Subsection D of 19.15.27.8 NMAC. The operator shall

(a) conduct the AVO inspection weekly during the first year of production;

(b) conduct the AVO inspection weekly on a well with an average daily production greater than 10 barrels of oil or 60,000 cubic feet of natural gas;

(c) conduct the AVO inspection once per calendar month, with at least 20 calendar days between inspections, on a well with an average daily production equal to or less than 10 barrels of oil or 60,000 cubic feet of natural gas; and

(d) make and keep a record of each AVO inspection for not less than five years and make such record available for inspection by the division upon request.

(4) For venting or flaring during an emergency or malfunction pursuant to Subparagraph (b) of Paragraph (2) of Subsection D of 19.15.27.8 NMAC, the operator shall

(a) notify the division of the venting or flaring by email as soon as possible, but no more than two hours following discovery of the venting or flaring;

(b) file a form C-129 no later than 24 hours after commencing to vent or flare;

(c) notify the division as soon as practicable after the cessation of venting and flaring; and

(d) comply with the applicable requirement to report a release pursuant to 19.15.29 NMAC.

(5) Performance standards for separation, storage tank and flare equipment.

(a) The operator shall design a temporary or permanent separation or storage tank to minimize the natural gas flashing and vapor accumulation.

(b) The operator shall equip a permanent storage tank associated with production operations that is installed after {effective date of rule} with an automatic gauging system to reduce the venting of natural gas.

(c) The operator shall combust all natural gas in a flare stack designed for and operated at maximum efficiency.

(i) A flare stack installed after May 31, 2021 shall be equipped with an automatic ignitor or continuous pilot.

(ii) A flare stack before June 1, 2021 shall be retrofitted with an automatic ignitor or continuous pilot no later than 18 months after {effective date of rule}.

(iii) A flare stack located at a well with an average daily production of equal to or less than 10 barrels of oil or 60,000 cubic feet of natural gas shall be retrofitted with an automatic ignitor or continuous pilot if the flare stack is replaced after {effective date of the rule}.

(d) A flare stack located at a well spud after {effective date of rule} shall be adequately anchored and located at least 100 feet from the well and storage tanks.

(e) The operator shall inspect a flare stack at least once per week to confirm that it is being properly maintained and operated in conformance with its design, and shall make and keep a record of each inspection for not less than five years and make such records available for inspection by the division upon request.

E. Measurement and reporting of vented and flared natural gas.

(1) The operator shall measure the volume of natural gas that is vented, flared or beneficially used during drilling, completion and production operations regardless of the reason or authorization for such venting and flaring.

(a) The operator shall install equipment to measure the volume of vented and flared natural gas from a well authorized by an APD issued after May 31, 2021 that has an average daily production greater than 10 barrels of oil or 60,000 cubic feet of natural gas.

(b) Measurement equipment shall be designed in accordance with the accuracy ratings and design standards in 43 C.F.R. § 3175.20.

(c) Measurement equipment shall not be designed or equipped with a manifold that allows the diversion of natural gas around the metering element except for the sole purpose of inspecting and servicing the measurement equipment.

(d) For a well that does not require measurement equipment, the operator shall estimate the volume of vented and flared natural gas based on the result of an annual GOR test for that well reported on form C-116.

(e) The operator shall install additional measurement equipment whenever the division determines that the existing measurement equipment or GOR test is not sufficient to measure the volume of vented and flared natural gas.

(2) The operator shall report the lost natural gas for each month on a volumetric and percentage basis on form C-115B.

(a) To calculate the lost natural gas on a volumetric basis, the operator shall deduct the volume of natural gas sold, used for beneficial use, vented or flared during an emergency and not suitable for transportation, from the natural gas produced.

(b) To calculate the lost natural gas on a percentage basis, the operator shall add the volume of natural gas sold, used for beneficial use, vented or flared during an emergency and not suitable for transportation, and divide by sum by the total natural gas produced.

(3) The operator shall report the volume of vented and flared natural gas for each month in each category in this subparagraph on form C-115B, and state whether the reported volume was estimated or measured. The operator shall make and keep records of the measurements and estimates, including how the estimated volumes were calculated, for not less than five years and make such records available for inspection by the division upon request. The categories are

(a) emergency;
(b) non-scheduled maintenance;
(c) equipment malfunction by operator;
(d) equipment malfunction by third party;
(e) drilling operations;
(f) completion operations;
(g) routine equipment repair and maintenance, including blowdown and depressurization;
(h) routine downhole maintenance, including operation of workover rigs, swabbing rigs, coiled tubing units and similar specialty equipment;
(i) pilot gas for combustion devices;
(j) purge gas to test or fuel combustion devices;
(k) manual liquid unloading;
(l) bradenhead tests;
(m) packer leakage tests;
(n) uncontrolled storage tanks;
(o) insufficient pipeline availability or capacity;
(p) natural gas quality that is not suitable for transportation and processing because of a high percentage of N_2 or H_2S;
(q) venting in excess of the design specifications of pneumatic controllers and pumps as a result of malfunction or improper or infrequent maintenance;
(r) commencing on January 1, 2022, venting as a result of normal operation of pneumatic controllers and pumps, except that

(i) in November 2021, the operator shall report the volume of vented natural gas that it reported to a state or federal agency, as revised to include data from pneumatic controllers and pumps in use during 2021 that were not included in the 2020 report; and

(ii) an operator who vents or flares less than 500,000 cubic feet per year of natural gas is exempted from this subparagraph;

(s) thief hatches that are not properly closed or maintained; and

(t) other not described above.

(4) The operator shall notify the division of any period of venting and flaring that exceeds eight hours in any 24 hour period and of all venting or flaring attributed to emergency or malfunction of any duration by submitting a form C-129 no later than 24 hours after the commencement of venting and flaring.

(a) The operator's form C-129 shall provide and certify the accuracy of the following information:

(i) operator's name;

(ii) name and type of facility;

(iii) equipment involved;

(iv) compositional analysis of the vented and flared natural gas if the natural gas is vented or flared because the quality that is not suitable for transportation and processing because of a high percentage of N_2 or H_2S;

(v) date and time that venting or flaring occurred;

(vi) measured or estimated volume of vented or flared natural gas;

(vii) cause and nature of venting or flaring;

(viii) steps taken to limit the duration and magnitude of venting or flaring; and

(ix) corrective actions taken to eliminate the cause and recurrence of venting or flaring.

(b) At the division's request, the operator shall provide additional information by the specified date and a certification of the accuracy of the information.

(5) The operator shall report the vented and flared natural gas on a volumetric and percentage basis to all royalty owners in the mineral estate being produced by the well on a monthly basis, and keep such reports for not less than five years and make such records available for inspection by the division upon request.

(6) Upon the environment department's request, the operator shall promptly provide a copy of any form filed pursuant to 20.2.27 NMAC.

[19.15.27.8 NMAC – N, xx/xx/xx]

19.15.27.9 STATEWIDE NATURAL GAS CAPTURE REQUIREMENTS:

A. Statewide natural gas capture requirements. Commencing January 1, 2022, the operator shall reduce the annual volume of vented and flared natural gas on a statewide basis in order to capture ninety-eight percent of the natural gas produced from its wells no later December 31, 2026. The division shall calculate and publish each operator's baseline natural gas capture rate based on the operator's 2021 monthly data reported on form C-115B. In each calendar year between January 1, 2022 and December 31, 2026, the operator shall increase the percentage of natural gas captured based on the following formula: (2021 baseline loss rate) divided by five.

(1) The following table provides examples of the formula based on a range of baseline natural gas capture rates.

Baseline Natural Gas Capture Rate	Minimum Required Annual Natural Gas Capture Percentage Increase
90-98%	0-1.6%
80-89%	>1.6-3.6%
70-79%	>3.6-5.6%
0-69%	>5.6-20%

(2) If the operator's baseline capture rate is less than sixty percent, the operator shall develop and submit to the division for approval a plan to meet the minimum required annual capture percentage increase.

(3) An operator that acquires one or more wells from another operator shall comply with its statewide natural gas capture requirements no later than December 1, 2026 unless the division approves a later date.

B. Accounting. No later than 45 days after January 1, 2022 and each year thereafter, the operator shall submit a report certifying compliance with the statewide gas capture requirements. The operator's volume of vented and flared natural gas shall be counted as produced natural gas and excluded from the volume of natural gas sold or used for beneficial use in the calculation of its statewide natural gas capture requirements, except for the following.

(1) The operator may exclude from the volume of produced natural gas the volume of vented and flared natural gas pursuant to Subparagraph (a) of Paragraph (3) of Subsection E of 19.15.27.8 NMAC for which the operator timely filed, and the division approved, a form C-129.

(2) Subject to the division's approval, the operator may exclude natural gas from the volume of produced natural gas, specifically Subparagraph (p) of Paragraph (3) of Subsection E of 19.15.27.8 NMAC, provided that the operator identified the volume of natural gas, the reasons that the operator vented or flared the natural gas rather than capturing it and any other relevant information requested by the division.

(3) Subject to the division's approval, the operator may exclude natural gas that is beneficially used from the volume of produced natural gas, specifically Subparagraph (r) of Paragraph (3) of Subsection E of 19.15.27.8 NMAC, provided that the operator identified the volume of vented natural gas, the reasons that the operator vented the natural gas rather than capturing it and any other relevant information requested by the division.

(4) The operator may obtain a credit against its reported volume of lost natural gas by using a division-approved ALARM technology to monitor, discover, report, isolate and make repairs to prevent leaks of natural gas. To obtain a credit, the operator shall

(a) use ALARM technology at least two times per calendar year;

(b) make the initial discovery using the ALARM technology; and

(c) isolate the leak of natural gas from its own well within 48 hours of discovery and make the repair within 15 days of discovery.

(5) The operator may use a credit against its reported volume of lost natural gas loss no more than once in any 13 month period following the division's approval of such credit.

(6) The credit shall be determined as follows:

(a) a credit of thirty percent of the volume of natural gas discovered and isolated within 48 hours of discovery and timely repaired if the leak occurs at the operator's well or production facilities;

(b) an additional credit of ten percent if the operator uses ALARM technology no less than four times per year; and

(c) an additional credit of ten percent if the operator uses ALARM technology and, as a result of such use, provides credible information to an unaffiliated operator and the division that the unaffiliated operator's well has a leak of natural gas within five business days of discovery.

(7) To obtain a credit, the operator shall submit an application to the division describing

(a) the ALARM technology;

(b) the date of monitoring, discovery, isolation and repair;

(c) the estimated volume of the natural gas lost and isolated after the date of discovery;

(d) a summary of the actions the operator took to isolate and repair the leak;

(e) visual documentation of the discovery and isolation;

(f) a certification that the operator did not know or have reason to know of the leak of natural gas before the discovery using ALARM technology;

(g) if applicable, the dates of each use of the ALARM technology; and

(h) if applicable, a copy of the information provided to the unaffiliated operator.

(8) Credits shall be used only if approved by the division, and only by the operator, and cannot be traded or used by another operator.

C. Violation of natural gas capture requirement. The division may pursue any action authorized by law against an operator that does not meet a statewide natural gas capture requirement, including to curtail a production allowance, withhold or deny a drilling permit, suspend or revoke an authorization to transport or assess a civil penalty.

D. Natural gas management plan.

(1) After May 31, 2021, the operator shall file a natural gas management plan with each APD. The operator may file a single natural gas management plan for multiple wells drilled from a single well pad or that will be connected to a central delivery point.

(2) The natural gas management plan shall describe the actions that the operator will take at each well to meet its statewide natural gas capture requirements, reduce waste, eliminate venting and flaring of natural gas to the greatest extent possible and maximize the efficient, safe and economic recovery of the state's oil and natural gas, and include the following information for each well:

(a) operator's name;

(b) name, API number, location and footage;

(c) drilling, completion and anticipated first production date;

(d) anticipated natural gas volume production in units of MCFD annually for the first three years of production;

(e) existing natural gas gathering system contracted or anticipated to contract to gather the natural gas, including

(i) natural gas gatherer's name;
(ii) name and location of the natural gas gathering system;
(iii) distance in feet of pipeline required to connect to the natural gas gathering system;
(iv) name and location of the natural gas processing plant contracted or anticipated to contract to process the natural gas;
(v) maximum daily capacity of the natural gas pipeline and compressors;
(vi) current throughput of the natural gas pipeline and compressors;
(vii) anticipated daily capacity of the natural gas pipeline and compressors on the date of first sale;
(viii) anticipated throughput of natural gas pipeline and compressors on the date of first sale;
(ix) reliability of the natural gathering system, including the average annual system downtime; and
(x) other issues and expansion plans affecting the gathering of natural gas in the general area;

(f) detailed map depicting each existing, planned and anticipated natural gas gathering system in the general area, including
(i) natural gas gatherer's name;
(ii) gathering pipelines;
(iii) approximate route of gathering pipeline connecting the well to the natural gas gathering system;
(iv) reliability of the natural gas gathering system, including the average annual system downtime; and
(v) name and location of the natural gas processing plant receiving or anticipated to receive natural gas from the natural gas gathering system;

(g) detailed flowback strategy, including
(i) temporary equipment to be used during flowback to reduce the venting of natural gas, including sand traps and settling tanks; and
(ii) measures to be used to flare natural gas if such natural gas cannot be routed immediately and directly to a sales line;

(h) options for the beneficial use of natural gas that cannot be connected to a natural gas gathering system; and if the operator determines, based on the available information at the time of submittal, that a natural gas gathering system will not be available or will not have capacity on the date of first production from the well to transport one hundred percent of the anticipated volume of natural gas produced, the operator shall submit a venting and flaring plan, with the natural gas management plan, containing a detailed analysis of the potential alternative uses for the natural gas until a gathering system is available that describes how the operator will avoid venting and flaring natural gas from the well including
(i) power generation on lease;
(ii) power generation for grid;
(iii) compression on lease;
(iv) liquids removal on lease;

(v) reinjection for underground storage;
(vi) reinjection for temporary storage;
(vii) reinjection for enhanced oil recovery; and
(viii) other alternative uses approved by the division.

(3) After the operator submits the natural gas management plan, if the natural gas gathering system becomes unavailable or will not have capacity to transport one hundred percent of the production from the well, no later than 30 days after becoming aware of such information, the operator shall submit for the division's approval a revised venting and flaring plan to the division containing the information specified above in Paragraph (2) of Subsection D of 19.15.27.9 NMAC.

(4) The operator shall certify the following statements:

(a) the operator communicated with one or more operators of natural gas gathering systems in the general area about transporting natural gas from the well;

(b) the operator provided each operator of a natural gas gathering system in the general area with the location; dates of drilling, completion and anticipated first production; and anticipated volume of natural gas production in units of MCFD for the first three years of production of the well; and

(c) the operator determined that there is or will be

(i) a natural gas gathering system in the general area with sufficient capacity to transport natural gas on the date of anticipated first production of the well; or

(ii) a natural gas gathering system in the general area with sufficient capacity to transport natural gas during the anticipated productive life of the well.

(5) The operator shall include a certification from each operator of a natural gas gathering system in the general area stating that

(i) the operator complied with Subparagraphs (a) and (b) of Paragraph (4) of Subsection D of 19.15.27.9 NMAC; and

(ii) the operator of the natural gas gathering system concurs in the operator's determination in Items (i) or (ii) of Subparagraph (c) of Paragraph (4) of Subsection D of 19.15.27.9 NMAC.

(6) If the operator does not make the certifications or submit an adequate venting and flaring plan, or if the division determines that the operator will not have adequate natural gas takeaway capacity at the time a well will be spud, the division may

(a) deny the APD; or

(b) conditionally approve the APD.

[19.15.27.9 NMAC – N, xx/xx/xx]

TITLE 19 NATURAL RESOURCES AND WILDLIFE
CHAPTER 15 OIL AND GAS
PART 28 NATURAL GAS GATHERING SYSTEMS

19.15.28.1 ISSUING AGENCY: Oil Conservation Commission.
[19.15.28.1 NMAC – N, xx/xx/xx]

19.15.28.2 SCOPE: 19.15.28 NMAC applies to persons engaged in oil and gas gathering and processing within New Mexico.
[19.15.28.2 NMAC – N, xx/xx/xx]

19.15.28.3 STATUTORY AUTHORITY: 19.15.28 NMAC is adopted pursuant to the Oil and Gas Act, Section 70-2-6, Section 70-2-11 and Section 70-2-12 NMSA 1978.
[19.15.27.3 NMAC – N, xx/xx/xx]

19.15.28.4 DURATION: Permanent.
[19.15.27.4 NMAC – N, xx/xx/xx]

19.15.28.5 EFFECTIVE DATE: [DATE], unless a later date is cited at the end of a section.
[19.15.28.5 NMAC – N, xx/xx/xx]

19.15.28.6 OBJECTIVE: To regulate the natural gas gathering systems to prevent waste and protect correlative rights, public health and the environment.
[19.15.28.6 NMAC – N, xx/xx/xx]

19.15.28.7 DEFINITIONS: Definitions shall have the meaning specified in 19.15.2 NMAC except as specified below.

A. **"ALARM"** means advanced leak and repair monitoring.

B. **"AVO"** means audio, visual and olfactory.

C. **"CP"** means cathodic protection.

D. **'Emergency"** means a temporary, infrequent and unavoidable event in which the loss of gas is uncontrollable or necessary to avoid a risk of an immediate and substantial adverse impact on safety, public health or the environment, but does not include an event arising from or related to:

(1) the operator's failure to install appropriate equipment of sufficient capacity to accommodate the anticipated or actual rate and pressure of the natural gas gathering system;

(2) the operator's failure to limit gathering when the volume exceeds the capacity of the transmission or distribution system;

(3) scheduled maintenance;

(4) the operator's negligence, including a recurring equipment failure; or

(5) two or more emergencies experienced by the operator within the preceding 60 days, unless the division determines the operator could not have reasonably anticipated the current event and it was beyond the operator's control.

E. **"Flare" or "Flaring"** means the controlled combustion of natural gas in a device designed for that purpose.

F. **"Flare stack"** means an appropriately designed stack equipped with a burner used for the combustion and disposal of natural gas.

G. **"Gathering pipeline"** means a pipeline that gathers natural gas from the custody transfer point to the connection point with a natural gas processing plant or transmission or distribution system.

H. **"GIS"** means geographic information system.

I. **"GPS"** means global positioning system.

J. **"Malfunction"** means a sudden, unavoidable failure or breakdown of equipment beyond the reasonable control of the operator that substantially disrupts operations and requires correction, but does not include a failure or breakdown that is caused entirely or in part by poor maintenance, careless operation or other preventable equipment failure or breakdown.

K. **"MAOP"** means maximum allowable operating pressure.

L. **"Natural gas"** means a gaseous mixture of hydrocarbon compounds, primarily composed of methane, and includes both casinghead gas and gas as defined in 9.15.2.7 NMAC.

M. **"Natural gas gathering system"** means the gathering pipelines and associated facilities that compress, dehydrate or treat natural gas from the custody transfer point to the connection point with a natural gas processing plant or transmission or distribution system.

N. **"New gathering pipeline"** means a gathering pipeline installed after {effective date of rule}.

O. **"Vent" or "Venting"** means the release of uncombusted natural gas to the atmosphere.

[19.15.28.7 NMAC – N, xx/xx/xx]

19.15.28.8 **RECORDS:** For the life of a new gathering pipeline, the operator shall maintain a record of the route, materials, design criteria, technical standards, MAOP, installation, pressure and other integrity tests, documentation, inspections, maintenance, repairs, corrosion control and cover and marking; transfer the records to a subsequent operator; and make such records available for inspection by the division upon request.

[19.15.28.8 NMAC – N, xx/xx/xx]

19.15.28.9 **MATERIALS:** The operator shall use pipe materials and components for a new gathering pipeline that are

A. able to maintain structural integrity under the MAOP and other operating conditions, including temperature;

B. compatible with the natural gas to be transported; and

C. satisfy the current API standard.

[19.15.28.9 NMAC – N, xx/xx/xx]

19.15.28.10 **DESIGN:** The operator shall design each component of a new gathering pipeline to

A. prevent failure by minimizing internal and external corrosion and the effect of transported fluids;

B. withstand MAOP and other internal loadings without impairment;

C. withstand anticipated external pressures and loads that may be imposed after installation;

D. allow for maintenance, periodic cleaning, integrity testing and other technology-based inspection tools; and

E. have adequate controls and protective equipment to prevent operation above the MAOP.

[19.15.28.10 NMAC – N, xx/xx/xx]

19.15.28.11 CONSTRUCTION:

A. The operator shall construct a new gathering pipeline in accordance with recognized and generally accepted industry practices.

B. The operator shall not install a new gathering pipeline or other component unless it has been visually inspected at the site of installation to ensure that it is not damaged.

[19.15.28.11 NMAC – N, xx/xx/xx]

19.15.28.12 COVER:

A. The operator shall place at least 30" of cover in normal soil and 18" of cover in consolidated rock over a new gathering pipeline.

B. The operator shall provide additional appropriate cover and protective measures at rail, road and water crossings of a new gathering pipeline.

C. The operator may request a variance from a requirement of 19.15.28.12 NMAC. The variance request shall include:

(1) a statement explaining the need for a variance; and

(2) a written demonstration that the variance will provide equal or better protection of public health and the environment.

D. The division shall approve, approve with conditions, or deny the variance within 60 days of receipt. If the division denies the variance, it shall provide the operator with the reasons for denial. If 60 days have lapsed without a response from the division, then the variance is deemed denied.

[19.15.28.12 NMAC – N, xx/xx/xx]

19.15.28.13 LOCATION AND MARKING:

A. The operator shall file with the division a GIS digitally formatted as-built map

(1) for a new gathering pipeline, no later than 90 days after putting the gathering pipeline into service;

(2) for a natural gas gathering system, no later than May 31, 2020 or 90 days after putting the natural gas gathering system into service; or

(3) for an addition to an existing gathering pipeline or natural gas gathering system, no later than 90 days after putting the addition into service.

B. The operator shall file with the division an updated GIS digitally formatted as-built map of its gathering pipeline and natural gas gathering system not less than annually.

C. The operator shall install and maintain markers that identify the location of a new gathering pipeline when crossing a public right-of-way or utility easement, except that markers shall be placed in a manner to reduce the possibility of damage or interference with surface use if practicable and the surface owner grants permission.

D. For each new gathering pipeline that transports natural gas containing a hydrogen sulfide concentration equal to or greater than 100 ppm, the operator shall install and maintain markers that conform with the current ANSI standard Z535.1-2002 (Safety Color Code). The markers shall be readily readable and contain the words "poison gas" and other information sufficient to warn the public of the potential hazard. The operator shall prominently post the markers at locations, including entrance points and road crossings, sufficient to warn the public of the potential hazard.
[19.15.28.13 NMAC – N, xx/xx/xx]

19.15.28.14 INSPECTION:

A. The operator shall retain a certified third-party inspector who shall inspect a new gathering pipeline with an outside diameter of 8" or greater before placing the gathering pipeline into service.

B. The operator shall maintain a record of the inspection, including the certification of the inspector and the inspector's certification that the gathering pipeline was constructed as prescribed by the manufacturer's specifications and in accordance with 19.15.28 NMAC.
[19.15.28.14 NMAC – N, xx/xx/xx]

19.15.28.15 PRESSURE TESTS: Before the operator places into service a new gathering pipeline, the operator shall establish the MAOP, which shall not exceed eighty percent of the internal pressure rating for the gathering pipeline, using the current API recommended practice.
[19.15.28.15 NMAC – N, xx/xx/xx]

19.15.28.16 START-UP NOTIFICATION: After the operator inspects and pressure tests a new gathering pipeline, and no later than 30 days before the operator intends to place the gathering pipeline into service, the operator shall notify the division in writing.
[19.15.28.16 NMAC – N, xx/xx/xx]

19.15.28.17 CORROSION CONTROL:

A. The operator shall electronically inspect the coating of a new gathering pipeline to be used in underground service prior to construction using a coating deficiency detector, such as scratch, bubble or "holiday", to check for faults not observable by visual examination. The operator shall operate the detector in accordance with the manufacturer's specifications and at a voltage level appropriate for the electrical characteristics of the gathering pipeline.

B. During construction, the operator shall coat all joints, fittings and tie-ins with materials compatible with the coating on the gathering pipeline, which shall

(1) be designed to mitigate corrosion;

(2) have sufficient adhesion to the metal surface to prevent under-film migration of moisture;

(3) be sufficiently ductile to resist cracking;

(4) have enough strength to resist damage due to handling and soil stress;

(5) support any supplemental CP system; and

(6) if the coating is an insulating type, have low moisture absorption and provide high electrical resistance.

C. The operator shall install a CP system on a new gathering pipeline that meets or exceeds the minimum criteria set forth in the National Association of Corrosion Engineers SP0169-2013, Control of External Corrosion on Underground or Submerged Metallic Piping Systems, 2013 Edition, including

(1) sufficient current to protect the gathering pipeline and distribute the current to achieve the selected CP criteria;

(2) minimization of stray current on neighboring underground structures;

(3) a design life commensurate with the required life of the gathering pipeline;

(4) adequate allowance for anticipated changes to current requirements over the design life of the CP system;

(5) location of anodes, cable, test station and other equipment to minimize the possibility of disturbance or damage; and

(6) sufficient monitoring to test and evaluate the effectiveness of the CP system.

[19.15.28.17 NMAC – N, xx/xx/xx]

19.15.28.18 CP MONITORING AND INTEGRITY MANAGEMENT FOR NEW AND EXISTING GATHERING PIPELINES:

A. The operator shall test a new or existing gathering pipeline for adequate CP every two years.

B. The operator shall inspect the rectifier or other impressed current power source for proper operation each calendar quarter with at least 60 days between inspections.

C. The operator shall electrically check additional components for proper performance each calendar quarter with at least 60 days between inspections.

D. The operator shall promptly correct abnormal internal corrosion, including increasing pigging, using corrosion inhibitors, coating the gathering pipeline with an appropriate material such as epoxy paint or other plastic liner or implementing a combination of these actions.

[19.15.28.18 NMAC – N, xx/xx/xx]

19.15.28.19 MAINTENANCE, REPLACEMENT AND REPAIR FOR NEW AND EXISTING NATURAL GAS GATHERING SYSTEMS:

A. Maintenance.

(1) The operator shall take reasonable actions to prevent the failure and leakage and minimize corrosion of a new or existing natural gas gathering system.

(2) If the operator discovers a condition that could adversely affect the safe and proper operation of a natural gas gathering system, the operator shall correct the condition as soon as possible, provided however that the operator shall cease the operation of the natural gas gathering system or segment of gathering pipeline if the condition presents an immediate hazard to persons or property until the condition is corrected.

(3) When the operator discovers a condition that affects the integrity of a natural gas gathering system, it shall immediately investigate, report and correct the condition and report and remediate any releases in accordance with Subsection C of 19.15.28.22 NMAC.

(4) The operator shall take reasonable precautions to prevent the unintentional release of natural gas during maintenance of a natural gas gathering system.

(5) During scheduled maintenance of a natural gas gathering system, the operator shall flare the natural gas during blowdown using a portable flare stack which complies with the flare stack standards in Paragraph (5) of Subsection D of 19.15.27.8 NMAC.

(6) During unscheduled maintenance of a natural gas gathering system, the operator shall make every attempt possible to flare the natural gas during blowdown of a gathering pipeline using a portable flare stack that complies with the flare stack standards in Paragraph (5) of Subsection D of 19.15.27.8 NMAC.

B. Replacement or repair.

(1) The operator shall replace or repair a component in a new or existing natural gas gathering system in a safe manner that prevents injury to persons or damage to equipment or property.

(2) The operator shall not use any pipe, valve or fitting to replace or repair a new or existing gathering pipeline unless the component meets the construction requirements of 19.15.28.11 NMAC.

(3) The operator shall not replace or repair any pipe, valve or fitting on a new or existing gathering pipeline unless the replacement or repair is designed to the MAOP.

(4) The operator shall verify the integrity of any replaced or repaired segment of a new or existing gathering pipeline by using a smart pig or other division-approved method before returning the gathering pipeline to service.

(5) The operator shall conduct a replacement or repair in accordance with the manufacturer's specifications or an applicable technical standard.

(6) The operator shall replace or repair each segment of pipe, valve or fitting that leaks or is unsafe before returning a gathering pipeline to service.

(7) While conducting a repair, the operator shall take reasonable precautions to prevent the unintentional release of natural gas during replacement and repair of a new or existing natural gas gathering system.

(8) During scheduled replacement or repair of a new or existing natural gas gathering system, the operator shall flare the natural gas during blowdown using a portable flare stack which complies with the flare stack standards in Paragraph (5) of Subsection D of 19.15.27.8 NMAC.

(9) During unscheduled replacement or repair of a new or existing natural gas gathering system, the operator shall make every attempt possible to flare the natural gas during blowdown using a portable flare stack which complies with the flare stack standards in Paragraph (5) of Subsection D of 19.15.27.8 NMAC.

C. Reporting to affected upstream operators.

(1) No less than seven days prior to the date of scheduled maintenance, replacement or repair of a natural gas gathering system, the operator shall provide written notification to upstream operators whose natural gas is gathered by the system of the date and expected duration that the system will not gather natural gas.

(2) As soon as possible but no more than 24 hours after discovery of the need for unscheduled maintenance, replacement or repair, the operator shall provide written notification to upstream operators whose natural gas is gathered by the system of the date and expected duration that the system will not gather natural gas.

(3) The operator shall make and keep a record of each notification for not less than five years and make such records available for inspection by the division upon request.
[19.15.28.19 NMAC – N, xx/xx/xx]

19.15.28.20 INTEGRITY MANAGEMENT PROGRAM FOR NEW AND EXISTING GATHERING PIPELINES: The operator shall implement one of the following integrity management programs for new and existing gathering pipelines.

A. An annual pressure test. When performing the annual pressure test the operator shall ensure

(1) the MAOP is maintained for a minimum of 30 minutes after reaching MAOP;

(2) the gathering pipeline does not leak;

(3) the pressure loss does not exceed ten percent; and

(4) the pressure is stable for the last five minutes of the pressure test.

B. Continuous pressure monitoring. If using continuous pressure monitoring the operator shall ensure

(1) pressure data is monitored continuously, i.e., 24 hours per day and seven days a week, and the monitoring can detect a suspected or actual failure of integrity or pressure anomaly;

(2) the gathering pipeline can be shut-in for repairs immediately upon the detection of a suspected or actual failure of integrity or pressure anomaly either through automation or a documented, manual process; and

(3) the continuous monitoring program is documented annually, including a suspected or actual integrity failure or pressure anomaly, and a detailed description of the operator's actions to correct such failure or anomaly.

C. Smart pigging conducted every three years. If using smart pigging, the operator shall

(1) use a smart pig that is capable of measuring flowline wall thickness and flowline defects that could affect integrity, including the measurement of metal loss; and

(2) if the operator does not have a geodatabase file of the flowline, use a smart pig that has GPS capabilities to the extent such capabilities do not materially compromise the ability of the smart pig to conduct the integrity test.
[19.15.28.20 NMAC – N, xx/xx/xx]

19.15.28.21 INSPECTION STANDARDS FOR NEW AND EXISTING GATHERING PIPELINES: The operator shall perform an annual instrument monitoring of the entire length of a new and existing gathering pipeline using an AVO technique, ALARM technology or other valid method to detect a failure of integrity, leak or release, such as stress vegetation or soil discoloration. The operator shall record and report to the division the date and time of the monitoring, the method and technology used and the name of the employee(s) who conducted the monitoring. If the operator uses ALARM technology to detect and isolate a leak

within 48 hours and repair within 15 days of discovery, the operator may obtain a credit against its reported volume of lost natural gas pursuant to Paragraph (3) of Subsection B of 19.15.28.23 NMAC.
[19.15.28.21 NMAC – N, xx/xx/xx]

19.15.28.22 VENTING AND FLARING OF NATURAL GAS FROM NATURAL GAS GATHERING SYSTEMS:

A. Venting and flaring of natural gas from a natural gas gathering system constitutes waste and is prohibited except as authorized below in Subsection B of 19.15.28.22 NMAC. An operator has a general duty to maximize the gathering of natural gas and to minimize the release of natural gas to the atmosphere.

B. An operator shall not vent or flare natural gas, except

(1) to the extent authorized by a valid federally enforceable air quality permit issued by the environment department;

(2) during an emergency or malfunction, but only to avoid a risk of an immediate and substantial adverse impact on safety, public health or the environment;

(3) during the following activities to the extent authorized by applicable state and federal law regulating the emission of hydrocarbons and volatile organic compounds:

(a) scheduled repair and maintenance, including blowing down and depressurizing equipment to perform repair and maintenances;

(b) normal operation of a gas-activated pneumatic controller or pump;

(c) normal operation of a dehydration unit;

(d) normal operation of a compressor or compressor engine;

(e) normal operation of a storage tank or other low-pressure production vessel, but not including venting from a thief hatch that has not been fully and timely closed or from a seal that has not been maintained on an established schedule;

(f) gauging or sampling of storage tanks or other low-pressure vessels;

(g) loading out liquids from a storage tank or other low-pressure vessels to transport vehicles;

(h) a blowdown to repair a gathering pipeline;

(i) pigging a gathering pipeline; and

(j) purging a gathering pipeline.

(4) The operator shall conduct a weekly AVO inspection to confirm that all equipment is operating properly and there is no venting except as allowed in Subsection B of 19.15.28.22 NMAC.

C. Measurement and reporting of vented and flared natural gas.

(1) The operator shall measure the volume of natural gas that is vented, flared or beneficially used by the natural gas gathering system regardless of the reason or authorization for such venting and flaring.

(2) The operator shall install equipment to measure the volume of vented and flared natural gas from a natural gas gathering system.

(3) Measuring equipment shall be designed in accordance with the accuracy ratings and design standards in 43 C.F.R. § 3175.29.

(4) Measuring equipment shall not be designed or equipped with a manifold that allows the diversion of natural gas around the metering element except for the sole purpose of inspecting and servicing the measuring equipment.

(5) For an event for which metering is not practicable the operator may estimate the volume of vented and flared natural gas.

(6) The operator shall report the lost natural gas for each month on a volumetric and percentage basis on form C-115B.

(a) To calculate the lost natural gas on a volumetric basis, the operator shall deduct the volume of natural gas delivered, used for beneficial use and vented or flared during an emergency, from the volume of natural gas gathered.

(b) To calculate the lost natural gas on a percentage basis, the operator shall add the volume of natural gas sold, used for beneficial use and vented or flared during an emergency, and divide by the total volume of natural gas gathered.

(7) The operator shall report the volume of vented and flared natural gas for each month in each category in Paragraph (7) of Subsection C of 19.15.28.22 NMAC on form C-115B. The operator shall make and keep records of the measurements and estimates, including how the estimated volumes were calculated, for not less than five years and make such records available for inspection by the division upon request. The categories are

(a) emergency;
(b) non-scheduled maintenance;
(c) equipment malfunction by operator;
(d) equipment malfunction by third party;
(e) routine equipment repair and maintenance, including blowdown;
(f) pilot gas for combustion devices;
(g) purge gas to test or fuel combustion devices;
(h) gathering pipeline blowdown;
(i) gathering pipeline purging;
(j) gathering pipeline pigging;
(k) uncontrolled storage tanks;
(l) venting in excess of the design specifications of pneumatic controllers and pumps as a result of malfunction or improper or infrequent maintenance;
(m) commencing on January 1, 2022, venting as a result of normal operation of pneumatic controllers and pumps, except that in November 2021, the operator shall report the volume of vented natural gas that it reported to a state or federal agency, as revised to include data from pneumatic controllers and pumps in use during 2021 that were not included in the 2020 report;
(n) thief hatches that are not properly closed or maintained; and
(o) other not described above.

(8) The operator shall notify the division for any period of venting or flaring that exceeds eight hours and of all venting and flaring attributed to emergency or malfunction of any duration by submitting a form C-129 no later than 24 hours after the commencement of venting and flaring.

(a) The operator's form C-129 shall provide and certify the accuracy of the following information:

(i) operator's name;

(ii) name and type of facility;
(iii) equipment involved;
(iv) analysis of vented and flared natural gas;
(v) date and time that venting or flaring occurred;
(vi) the measured or estimated volume of vented or flared natural gas;
(vii) cause and nature of venting or flaring;
(viii) steps taken to limit the duration and magnitude of venting or flaring; and
(ix) corrective actions taken to eliminate the cause and recurrence of venting or flaring.

(b) At the division's request, the operator shall provide additional information by the specified date and a certification of the accuracy of the additional information.

(8) Upon the environment department's request, the operator shall promptly provide a copy of any form filed pursuant to 20.2.28 NMAC.
[19.15.28.22 NMAC – N, xx/xx/xx]

19.15.28.23 STATEWIDE NATURAL GAS CAPTURE REQUIREMENTS:

A. Statewide natural gas capture requirements. Commencing January 1, 2022, the operator shall reduce the annual volume of vented and flared natural gas on a statewide basis in order to capture ninety-eight percent of the natural gas gathered by December 31, 2026. The division shall calculate and publish each operator's baseline gas capture rate based on the operator's 2021 monthly data reported on form C-115B. In each calendar year between January 1, 2022 and December 31, 2026, the operator shall increase the percentage of natural gas captured based on the following formula: (2021 baseline loss rate) divided by five.

(1) The following table provides examples of the formula based on a range of baseline natural gas loss capture rates.

Baseline Natural Gas Capture Rate	Minimum Required Annual Natural Gas Capture Percentage Increase
90-98%	0-1.6%
80-89%	>1.6-3.6%
70-79%	>3.6-5.6%
0-69%	>5.6-20%

(2) If the operator's baseline capture rate is less than sixty percent, the operator shall develop and submit to the division for approval a plan to meet the minimum required annual capture percentage increase.

(3) An operator that acquires a natural gas gathering system from another operator shall comply with its statewide natural gas capture requirements no later than December 1, 2026, unless the division approves a later date.

B. Accounting. The operator's volume of vented and flared natural gas shall be counted as gathered natural gas and excluded from the volume of natural gas delivered or used

for beneficial use in the calculation of its statewide natural gas capture requirements, except for the following

(1) No later than 45 days after January 1, 2022 and each year thereafter, the operator shall submit a report certifying compliance with the statewide gas capture requirements. The operator may exclude from the volume of produced natural gas the volume of vented and flared natural gas pursuant to Subparagraph (a) of Paragraph (7) of Subsection C of 19.15.28.22 NMAC for which the operator timely filed, and the division approved, a form C-129.

(2) Subject to the division's approval, the operator may exclude natural gas that is beneficially used from the volume of produced natural gas, specifically Subparagraph (m) of Paragraph (7) of Subsection C of 19.15.28.22 NMAC, provided that the operator identified the volume of vented natural gas, the reasons that the operator vented the natural gas rather than capturing it and any other relevant information requested by the division.

(3) The operator may obtain a credit against its reported volume of lost natural gas by using a division-approved ALARM technology to monitor, discover, report, isolate and make repairs to prevent leaks of natural gas. To obtain a credit, the operator shall

(a) use ALARM technology at least two times per calendar year;

(b) make the initial discovery using the ALARM technology; and

(c) isolate the leak of natural gas from its own natural gas gathering system within 48 hours of discovery and make the repair within 15 days of discovery.

(4) The operator may use a credit against its reported volume of lost natural gas no more than once in any 13-month period following the division's approval of such credit.

(5) The credits shall be determined as follows:

(a) a credit of thirty percent of the volume of natural gas discovered and isolated within 48 hours of discovery and timely repaired if the leak occurs at the operator's natural gas gathering system;

(b) an additional credit of ten percent if the operator uses ALARM technology no less than four times per year;

(c) an additional credit of ten percent credit if the operator uses ALARM technology, and as a result of such use, provides credible information to an unaffiliated operator and the division that the unaffiliated operator's natural gas gathering system has a leak of natural gas within five business days of discovery.

(6) To obtain a credit, the operator shall submit an application to the division describing

(a) the ALARM technology;

(b) the date of monitoring, discovery, isolation and repair;

(c) the estimated volume of the natural gas lost and isolated after the date of discovery;

(d) a summary of the actions the operator took to isolate and repair the leak;

(e) visual documentation of the discovery and isolation;

(f) a certification that the operator did not know or have reason to know of the leak of natural gas before the discovery using ALARM technology;

(g) if applicable, the dates of each use of the ALARM technology; and

(h) if applicable, a copy of the information provided to the unaffiliated operator.

(7) A credit shall be used only if approved by the division, and only by the operator, and cannot be traded or used by another operator.

C. Violation of natural gas capture requirement. The division may pursue any action authorized by law against an operator that does not meet a statewide natural gas capture requirement.

D. Natural gas management plan.

(1) For a natural gas gathering system placed into service after {effective date of rule}, the operator shall file a natural gas management plan no later than 90 days prior to the date that the natural gas gathering system is placed into service. For a natural gas gathering system placed into service before {effective date of rule}, the operator shall file a natural gas management plan no later than May 31, 2020. The operator shall update the natural gas management plan to reflect any changes in the natural gas gathering system on the annual anniversary date of its first filing of the natural gas management plan.

(2) The natural gas management plan shall describe the actions that the operator will take for each natural gas gathering system to meet its statewide natural gas capture requirements, reduce waste, eliminate venting and flaring of natural gas to the greatest extent possible and maximize the efficient, safe and economic recovery of the state's oil and natural gas, and include the following information for each natural gas gathering system

(a) operator's name;

(b) name and list of facilities located within the natural gas gathering system, length of gathering pipelines and a GIS digitally formatted as-built map of the gathering pipeline and associated components of the natural gas gathering system;

(c) current and anticipated volume of natural gas gathered at each custody transfer in units of MCFD within the natural gas gathering system for the next three years; and

(d) description of the transmission or distribution system to which the natural gas gathering system is connected.

[19.15.28.23 NMAC – N, xx/xx/xx]

OCD DRAFT
July 20, 2020

TITLE 19 NATURAL RESOURCES AND WILDLIFE
CHAPTER 15 OIL AND GAS
PART 7 FORMS AND REPORTS

19.15.7.1 ISSUING AGENCY: Energy, Minerals and Natural Resources Department, Oil Conservation Division.
[19.15.7.1 NMAC - Rp, 19.15.13.1 NMAC, 12/1/2008]

19.15.7.2 SCOPE: 19.15.7 NMAC applies to persons or entities engaged in oil and gas development and production within New Mexico.
[19.15.7.2 NMAC - Rp, 19.15.13.2 NMAC, 12/1/2008]

19.15.7.3 STATUTORY AUTHORITY: 19.15.7 NMAC is adopted pursuant to the Oil and Gas Act, Section 70-2-6, Section 70-2-11 and Section 70-2-12 NMSA 1978.
[19.15.7.3 NMAC - Rp, 19.15.13.3 NMAC, 12/1/2008]

19.15.7.4 DURATION: Permanent.
[19.15.7.4 NMAC - Rp, 19.15.13.4 NMAC, 12/1/2008]

19.15.7.5 EFFECTIVE DATE: December 1, 2008, unless a later date is cited at the end of a section.
[19.15.7.5 NMAC - Rp, 19.15.13.5 NMAC, 12/1/2008]

19.15.7.6 OBJECTIVE: To provide for the filing of reports to enable the division to carry out its statutory mandates under the Oil and Gas Act.
[19.15.7.6 NMAC - Rp, 19.15.13.6 NMAC, 12/1/2008]

19.15.7.7 DEFINITIONS: [RESERVED]
[See 19.15.2.7 NMAC for definitions.]

19.15.7.8 GENERAL:

A. Where to file reports. Unless otherwise specifically provided for in a division rule or order, the operator shall file forms and reports 19.15.7 NMAC requires with the appropriate division district office as provided in 19.15.2.17 NMAC and 19.15.7.10 NMAC.

B. Additional data. 19.15.7 NMAC does not limit or restrict the division's authority to require the furnishing of additional reports, data or other information relative to the production, transportation, storing, refining, processing or handling of oil, gas or products in the state as may appear to the division to be necessary or desirable, either generally or specifically, for the prevention of waste and the conservation of the state's natural resources.

C. Books and records. A producer, injector, transporter, storer, refiner, gasoline or extraction plant operator, treating plant operator and initial purchaser of gas within the state shall make and keep appropriate books and records for a period of not less than five years, covering operations in New Mexico, in order to make and substantiate the reports the division requires.

D. Written notices, requests, permits and reports. A person required to file notices, requests, permits or reports shall use the forms listed below for the purpose shown in accordance with the instructions printed on the form and the rule covering the form's use or special order pertaining to its use:

(1) form C-101 - application for permit to drill, deepen or plug back;
(2) form C-102 - well location and acreage dedication plat;
(3) form C-103 - sundry notices and reports on wells;
(4) form C-104 - request for allowable and authorization to transport oil and gas;
(5) form C-105 - well completion or recompletion report and log;
(6) form C-106 - notice of intention to utilize automatic custody transfer equipment;
(7) form C-107 - application for multiple completion;
(8) form C-107-A - application for downhole commingling;
(9) form C-107-B - application for surface commingling (diverse ownership);
(10) form C-108 - application to dispose of salt water by injection into a porous formation;
(11) form C-109 - application for discovery allowable and creation of a new pool;

(12) form C-111 - gas transporter's monthly report (sheet 1 and sheet 2);
(13) form C-112 - transporter's and storer's monthly report;
(14) form C-112-A - receipts continuation sheet;
(15) form C-112-B - deliveries continuation sheet;
(16) form C-113 - refiner's monthly report (sheet 1 and sheet 2);
(17) form C-115 - operator's monthly report;
(18) form C-115B – volume of vented and flared natural gas;
(189) form C-115-EDP - operator's monthly report (electronic data processing);
(~~19~~20) form C-116 - gas-oil ratio tests;
(210) form C-117-A - tank cleaning, sediment oil removal, transportation of miscellaneous hydrocarbons and disposal permit;
(221) form C-117-B - monthly sediment oil disposal statement;
(232) form C-118 - treating plant operator's monthly report (sheet 1 and sheet 2);
(243) form C-120-A - monthly water disposal report;
(254) form C-121 - oil purchaser's nomination;
(265) form C-121-A - purchaser's gas nomination;
(276) form C-122 - multi-point and one point back pressure test for gas wells;
(287) form C-122-A - gas well test data sheet-San Juan basin (initial deliverability test, blue paper; annual deliverability test, white);
(298) form C-122-B - initial potential test data sheet;
(30~~29~~) form C-122-C - deliverability test report;
(310) form C-122-D - worksheet for calculation of static column wellhead pressure (P_w);
(321) form C-122-E - worksheet for stepwise calculation of (surface) (subsurface) pressure (P_c and P_w);
(332) form C-122-F - worksheet for calculation of wellhead pressures (P_c or P_w) from known bottom hole pressure (P_f or P_s);
(343) form C-122-G - worksheet for calculation of static column pressure at gas liquid interface;
(354) form C-123 - request for the creation of a new pool;
(365) form C-124 - reservoir pressure report;
(376) form C-125 - gas well shut-in pressure report;
(387) form C-126 - permit to transport recovered load oil;
(398) form C-127 - request for allowable change;
(40~~39~~) form C-129 – report of vented or flared natural gas~~application for exception to no-flare~~;
(410) form C-130 - notice of disconnection;
(421) form C-131-A - monthly gas storage report;
(432) form C-131-B - annual LPG storage report;
(443) form C-133 - authorization to move produced water exhibit "A";
(454) form C-134 - application for exception to division order R-8952, 19.15.18.18 NMAC or 19.15.36 NMAC;
(465) form C-135 - gas well connection, reconnection or disconnection notice;
(476) form C-136 - application for approval to use an alternate gas measurement method;
(487) form C-137 - application for waste management facility;
(498) form C-137-EZ - registration/final closure report for small landfarm;
(50~~49~~) form C-138 - request for approval to accept solid waste;
(510) form C-139 - application for qualification of production restoration project and certification of approval;
(521) form C-140 - application for qualification of well workover project and certification of approval;
(532) form C-141 - release notification and corrective action;
(543) form C-144 - pit, closed-loop system, below-grade tank or proposed alternative method permit or closure plan application;
(554) form C-145 - change of operator; and
(565) form C-146 - change of operator name.

[19.15.7.8 NMAC - Rp, 19.15.13.1100 NMAC, 12/1/2008]

19.15.7.9 FORMS UPON REQUEST: The division's forms for written notices, requests and reports it requires are available on the division's website. The division shall furnish paper copies upon request.
[19.15.7.9 NMAC - Rp, 19.15.1.16 NMAC, 12/1/2008]

19.15.7.10 WHERE TO FILE REPORTS AND FORMS: A person required to file a report or form shall file the report or form with the division in the number and at the time specified on the form or report or by the applicable section in 19.15.7 NMAC. An operator shall file plugging bonds directly with the division's Santa Fe office.
[19.15.7.10 NMAC - Rp, 19.15.15.1302 NMAC, 12/1/2008]

19.15.7.11 UNITED STATES GOVERNMENT LEASES: For wells located on land that the United States or a native american nation, tribe or pueblo owns, an operator shall file applications for permit to drill, deepen or plug back, BLM form no. 3160-3; sundry notices and reports on wells, BLM form no. 3160-5; and well completion or recompletion report and log, BLM form no. 3160-4 with the BLM in lieu of filing the corresponding division forms with the division. All such forms are, however, subject to division approval in the same manner and to the same extent as the corresponding division forms.
[19.15.7.11 NMAC - Rp, 19.15.1.14 NMAC, 12/1/2008]

19.15.7.12 APPLICATION FOR PERMIT TO DRILL, DEEPEN OR PLUG BACK (Form C-101): Form C-101 is the form an operator uses to apply for a permit to drill, deepen, re-enter or plug a well back to a different pool or complete or re-complete a well in an additional pool.
[19.15.13.12 NMAC - Rp, 19.15.13.1101 NMAC, 12/1/2008]

19.15.7.13 WELL LOCATION AND ACREAGE DEDICATION PLAT (Form C-102):

A. Form C-102 is a dual purpose form the operator uses to show the well's exact location and the acreage dedicated to the well. The form is also used to show the ownership and status of each lease contained within the dedicated acreage. When there is more than one working interest or royalty owner on a given lease, designation of the majority owner et al. is sufficient.

B. An operator shall fill out and certify the information required on form C-102 except the well location on the plat. A professional surveyor, registered in the state of New Mexico, or surveyor approved by the division, shall plot and certify the well location on the plat from the section's outer boundaries.

C. An operator shall file amended form C-102 in the event there is a change in the information the operator previously submitted. The operator does not need to provide certification of the well location when filing amended form C-102.
[19.15.13.13 NMAC - Rp, 19.15.13.1102 NMAC, 12/1/2008]

19.15.7.14 SUNDRY NOTICES AND REPORTS ON WELLS (Form C-103): Form C-103 is a dual purpose form the operator files with the appropriate division district office to obtain division approval prior to commencing certain operations and to report various completed operations.

A. Form C-103 as a notice of intention.

(1) An operator shall file form C-103 and obtain the division's approval prior to:

(a) effecting a change of plans from those the division previously approved on form C-101 or form C-103;

(b) altering a drilling well's casing program or pulling casing or otherwise altering an existing well's casing installation;

(c) making multiple completions in a well;

(d) placing a well in approved temporary abandonment;

(e) plugging and abandoning a well;

(f) performing remedial work on a well that, when completed, will affect the well's original status (this includes making new perforations in existing wells or squeezing old perforations in existing wells, but does not apply to new wells in the process of being completed nor to old wells being deepened or plugged back to another zone when the division has authorized the recompletion by an approved form C-101, application for permit to drill, re-enter, deepen plug back or add a zone, nor to acidizing, fracturing or cleaning out previously completed wells, nor to installing artificial lift equipment); or

(g) downhole commingling in well bores, within pools or areas that the division has established as pre-approved pools or areas.

(2) In the case of well plugging operations, the notice of intention shall include a detailed statement of the proposed work including plans for shooting and pulling casing; plans for mudding, including the mud's weight; plans for cementing, including number of sacks of cement and depths of plugs; restoration and remediation of the location; and the time and date of the proposed plugging operations. The operator shall file a complete log of the well on form C-105 with the notice of intention to plug the well, if the operator has not previously filed the log (see 19.15.7.16 NMAC); the division shall not release the financial assurance until the operator complies with this requirement.

B. Form C-103 as a subsequent report.

(1) The operator shall file form C-103 as a subsequent report of operations in accordance with 19.15.7.14 NMAC as applicable to the particular operation being reported.

(2) The operator shall use form C-103 in reporting such completed operations as:

(a) commencement of drilling operations;
(b) casing and cement test;
(c) altering a well's casing installation;
(d) work to secure approved temporary abandonment;
(e) plugging and abandonment;
(f) plugging back or deepening within the same pool;
(g) remedial work;
(h) installation of artificial lifting equipment; or
(i) other operations that affect the well's original status but that are not specifically covered in 19.15.7.14 NMAC.

C. Report of commencement of drilling operations. Within 10 days following the commencement of drilling operations, the operator shall file a report of commencement on form C-103. The report shall indicate the hour and the date the operator spudded the well.

D. Report of results of test of casing and cement job; report of casing alteration. The operator shall file a report of casing and cement test within 10 days following the setting of each string of casing or liner. The operator shall file the report on form C-103 and include a detailed description of the test method employed and the results obtained by the test and any other pertinent information 19.15.16.10 NMAC requires. The report shall also indicate the top of the cement and the means by which the operator determined the top. It shall also indicate any changes from the casing program previously authorized for the well.

E. Report of temporary abandonment. The operator shall file a notice of work to secure approved temporary abandonment within 30 days following the work's completion. The report shall present a detailed account of the work done on the well, including location and type of plugs used, if any, and status of surface and downhole equipment and any other pertinent information relative to the well's overall status.

F. Report on plugging of well.

(1) The operator shall file a report of plugging operations within 30 days following completion of plugging operations on a well. The operator shall file the report on form C-103, which shall include the date the operator began plugging operations and the date the operator completed the work, a detailed account of the manner in which the operator performed the work including the depths and lengths of the various plugs set, the nature and quantities of materials employed in the plugging operations including the weight of the mud used, the size and depth of all casing left in the hole and any other pertinent information. (See 19.15.25 NMAC regarding plugging operations.)

(2) The division shall not approve a plugging report until the operator demonstrates compliance with Subsection B of 19.15.25.10 NMAC. The operator shall contact the appropriate division district office when the operator has restored the location in order to arrange for a division representative's inspection of the plugged well and the location.

G. Report of remedial work. The operator shall file a report of remedial work performed on a well within 30 days following the work's completion. The operator shall file the report on form C-103 and present a detailed account of the work done and the manner in which the operator performed the work; the daily production of oil, gas and water both prior to and after the remedial operation; the size and depth of shots; the quantity and type of crude, chemical or other materials the operator employed in the operation; and any other pertinent information. Among the remedial work an operator shall report on form C-103 are the following:

(1) report on shooting, fluid fracturing or chemical treatment of a previously completed well;

(2) report of squeeze job;
(3) report on setting of liner or packer;
(4) report of installation of pumping equipment or gas lift facilities; or
(5) report of any other remedial operations that are not specifically covered herein.

H. Report on deepening or plugging back within the same pool. An operator shall file a report of deepening or plugging back within 30 days following completion of the operations on a well. The operator shall file the report on form C-103 and present a detailed account of work done and the manner in which the operator performed the work. If the operator recompletes the well in the same pool, the operator shall also report the daily production of oil, gas and water both prior to and after recompletion. If the well is recompleted in another pool, the operator shall file forms C-101, C-102, C-104 and C-105 in accordance with 19.15.7.12 NMAC, 19.15.7.13 NMAC, 19.15.7.15 NMAC and 19.15.7.16 NMAC.

I. Other reports on wells. The operator shall submit reports on other operations that affect the well's original status but that are not specifically covered in 19.15.7.14 NMAC to the division on form C-103 10 days following the operation's completion.
[19.15.7.14 NMAC - Rp, 19.15.13.1103 NMAC, 12/1/2008]

19.15.7.15 REQUEST FOR ALLOWABLE AND AUTHORIZATION TO TRANSPORT OIL AND GAS (Form C-104): An operator shall file with the division a complete form C-104 to request the division assign an allowable to a newly completed or re-completed well or a well completed in an additional pool or issue an operator authorization to transport oil or gas from the well.
[19.15.7.15 NMAC - Rp, 19.15.13.1104 NMAC, 12/1/2008]

19.15.7.16 WELL COMPLETION OR RECOMPLETION REPORT AND LOG (Form C-105):

A. Within 45 days following the completion or recompletion of a well, the operator shall file form C-105 with the appropriate division district office accompanied by a summary of special tests conducted on the well, including drill stem tests. In addition, the operator shall file a copy of electrical and radio-activity logs run on the well with form C-105. If the division does not receive form C-105 with attached logs and summaries within the specified 45-day period, the division shall withhold the allowable for the well until the operator has complied with 19.15.7.16 NMAC.

B. In the case of a dry hole, a complete record of the well on form C-105 with the attachments listed in Subsection A of 19.15.7.16 NMAC shall accompany the notice of intention to plug the well, unless previously filed. The division shall not approve the plugging report or release the bond the operator has complied with 19.15.7.16 NMAC.

C. The division shall not keep form C-105 and accompanying attachments confidential unless the well's owner requests in writing that the division keep it confidential. Upon such request, the division shall keep these data confidential for 90 days from the date of the well's completion, provided, however, that the report, logs and other attached data may, when pertinent, be introduced in a public hearing before division examiners, the commission or in a court of law, regardless of the request that they be kept confidential.
[19.15.7.16 NMAC - Rp, 19.15.13.1105 NMAC, 12/1/2008; A, 9/26/2017]

19.15.7.17 NOTICE OF INTENTION TO UTILIZE AUTOMATIC CUSTODY TRANSFER EQUIPMENT (Form C-106): An operator intending to use an ACT system shall file form C-106, when applicable, in accordance with Subsection A of 19.15.18.15 NMAC.
[19.15.7.17 NMAC - Rp, 19.15.13.1106 NMAC, 12/1/2008]

19.15.7.18 APPLICATION FOR MULTIPLE COMPLETION (Form C-107): An operator shall file form C-107, when applicable, in accordance with Subsection A of 19.15.16.15 NMAC.
[19.15.7.18 NMAC - Rp, 19.15.13.1107 NMAC, 12/1/2008]

19.15.7.19 APPLICATION FOR AUTHORIZATION TO INJECT (Form C-108): An operator shall file form C-108 in accordance with Subsection B of 19.15.26.8 NMAC.
[19.15.7.19 NMAC - Rp, 19.15.13.1108 NMAC, 12/1/2008]

19.15.7.20 APPLICATION FOR DISCOVERY ALLOWABLE AND CREATION OF A NEW POOL (Form C-109): An operator shall file form C-109, when applicable, in accordance with 19.15.20.16 NMAC.

[19.15.7.20 NMAC - Rp, 19.15.13.1109 NMAC, 12/1/2008]

19.15.7.21 GAS TRANSPORTER'S MONTHLY REPORT (Form C-111):

A. An operator shall complete and maintain for the division's inspection, form C-111 monthly in accordance with Subsections B, C and D of 19.15.7.21 NMAC. The transporter shall itemize information on sheet no. 2 of form C-111 by pool, by operator and by lease, in alphabetical order.

B. An operator of a gas gathering system, gas transportation system, recycling system, fuel system, gas lift system, gas drilling operation, etc. shall complete and maintain for division inspection form C-111 each month. The form shall cover gas, casinghead gas and carbon dioxide gas taken into a system during the preceding month and shall show the gas' source and its disposition.

C. An operator of a gasoline plant, cycling plant or other plant at which gasoline, butane, propane, kerosene, oil or other products are extracted from gas within the state shall complete and maintain for the division's inspection form C-111 each month. The form shall cover gas, casinghead gas and carbon dioxide gas the plant has taken during the preceding month and shall show the gas' source and its disposition. If an operator owns more than one plant in a given division district, the operator shall file sheet no. 1 of form C-111 for each plant. In preparing sheet no. 2, the operator shall consolidate requisitions for plants in the district, itemized in the order described in the Subsection A of 19.15.7.21 NMAC.

D. Where a producer takes gas and uses it for any of the above uses, the producer shall complete and maintain for division inspection form C-111 itemizing such gas. The producer shall also include this gas on form C-115. The producer shall also include gas used on the lease from which it was produced for consumption in lease houses, treaters, compressors, combustion engines and other similar equipment, or gas that is flared, on the form C-115 but shall not include it on form C-111.

[19.15.7.21 NMAC - Rp, 19.15.13.1111 NMAC, 12/1/2008]

19.15.7.22 TRANSPORTER'S AND STORER'S MONTHLY REPORT (Form C-112): A transporter or storer of oil and liquid hydrocarbons within the state shall complete and maintain for division inspection for each calendar month a form C-112 containing complete information and data indicated by the form respecting stocks of oil and liquid hydrocarbons on hand and receipts and deliveries of oil and liquid hydrocarbons by pipeline and trucks within the state, and receipts and deliveries from leases to storers or refiners; between transporters within the state; between storers and refiners within the state.

[19.15.7.22 NMAC - Rp, 19.15.13.1112 NMAC, 12/1/2008]

19.15.7.23 REFINER'S MONTHLY REPORT (Form C-113): A refiner of oil within the state shall file for each calendar month form C-113 containing the information and data indicated by the form respecting oil and products involved in the refiner's operation during each month. The refiner shall file the completed form C-113 for each month and postmark it on or before the 15th day of the next succeeding month.

[19.15.7.23 NMAC - Rp, 19.15.13.1113 NMAC, 12/1/2008]

19.15.7.24 OPERATOR'S MONTHLY REPORT (Form C-115):

A. An operator shall file a form C-115 for each non-plugged well completion for which the division has approved a form C-104 and for each secondary or other enhanced recovery project or pressure maintenance project injection well or other injection well within the state, setting forth complete information and data indicated on the forms in the order, format and style the director prescribes. The operator shall estimate oil production from wells producing into common storage as accurately as possible on the basis of periodic tests.

B. An operator shall file ~~the reports 19.15.7.24 NMAC requires~~ form C-115 using the division's web-based online application ~~on or before the 15th day of the second~~no later than the 30th day of the month following the month of production~~, or if such day falls on a weekend or holiday, the first workday following the 15th~~. An operator may apply to the division for exemption from the electronic filing requirement based upon a demonstration that such requirement would ~~operate as~~be an economic or other hardship.

C. If an operator fails to file a form C-115 that the division accepts, the division shall, within 30 days of the appropriate filing date, notify the operator by electronic mail or letter of its intent to cancel the operator's authorization to transport or inject if the operator does not file an acceptable and complete form C-115. The notice shall inform the operator of the right to request a hearing pursuant to 19.15.4.8 NMAC. If the operator does not either file an acceptable and complete form C-115 or request a hearing on the proposed cancellation within 60 days of the original due date of the form C-115, the division may cancel the operator's authority to transport from or

inject into all wells it operates.
[19.15.7.24 NMAC - Rp, 19.15.13.1115 NMAC, 12/1/2008; A, 11/14/2017]

19.15.7.25 VENTED AND FLARED NATURAL GAS (Form C-115B):

A. An operator shall file form C-115B in accordance with 19.15.27 NMAC and 19.15.28 NMAC.

B. An operator shall file ~~the reports 19.15.7.24 NMAC requires~~form C-115B using the division's web-based online application ~~on or before the 15th day of the second~~no later than the 30th day of the month following the month in which venting or flaring occurred~~of production, or if such day falls on a weekend or holiday, the first workday following the 15th~~. An operator may apply to the division for exemption from the electronic filing requirement based upon a demonstration that such requirement would ~~operate as~~be an economic or other hardship.
[19.15.7 NMAC – X, xx/xx/xxxx]

19.15.7.2~~5~~5 GAS-OIL RATIO TESTS (Form C-116): An operator shall make and report gas-oil ratio tests on form C-116 as prescribed in 19.15.18.8 NMAC and applicable special pool orders. The operator shall file the form C-116.
[19.15.7.25 NMAC - Rp, 19.15.13.1116 NMAC, 12/1/2008]

19.15.7.2~~7~~6 TANK CLEANING, SEDIMENT OIL REMOVAL, TRANSPORTATION OF MISCELLANEOUS HYDROCARBONS AND DISPOSAL PERMIT (Form C-117-A) AND MONTHLY SEDIMENT OIL DISPOSAL STATEMENT (Form C-117-B):

A. An operator shall file form C-117-A with the appropriate division district office in accordance with Subsections B, C and H of 19.15.18.17 NMAC.

B. An operator shall file form C-117-B with the division's Santa Fe office and the appropriate division district office in accordance with Subsection D of 19.15.18.17 NMAC.
[19.15.7.26 NMAC - Rp, 19.15.13.1117 NMAC, 12/1/2008]

19.15.7.2~~8~~7 TREATING PLANT OPERATOR'S MONTHLY REPORT (Form C-118): A treating plant operator shall file on a monthly basis form C-118 with the appropriate division district office. The form C-118 shall contain all the information the form requires. Column 1 of sheet 1-A of form C-118 entitled permit number, references form C-117-A, for each lot of oil the operator picked up for processing.
[19.15.7.27 NMAC - Rp, 19.15.13.1118 NMAC, 12/1/2008]

19.15.7.2~~9~~8 MONTHLY WATER DISPOSAL REPORT (Form C-120-A): An operator of a salt water disposal system shall report its operations on form C-120-A. The operator shall file form C-120-A in duplicate, with one copy to the division's Santa Fe office and one copy to the appropriate division district office, and shall postmark the form no later than the 15th day of the second succeeding month.
[19.15.7.28 NMAC - Rp, 19.15.13.1120 NMAC, 12/1/2008]

19.15.7.~~29~~39 PURCHASER'S NOMINATION FORMS (Form C-121 and Form C-121-A):

A. Unless the director requests otherwise, a person expecting to purchase oil from producing wells in New Mexico during the second and third succeeding two months shall file form C-121 with the division's Santa Fe office not later than the 20th day of each odd-numbered month. As an example, nominations submitted by the 20th day of July shall indicate the amount of oil the purchaser desires to purchase daily during September and October

B. The person shall file form C-121-A with the division's Santa Fe office by the first day of the month during which the division will consider at the gas allowable hearing the nominations for the purchase of gas from producing wells in New Mexico during the succeeding month. As an example, purchaser's nominations to take gas from a pool during the month of August would be considered by the division at a hearing during July, and should be submitted to the Santa Fe office of the division by July 1.

C. In addition to the monthly gas nominations, the purchaser shall file 12-month nominations in accordance with the appropriate special pool orders.
[19.15.7.29 NMAC - Rp, 19.15.13.1121 NMAC, 12/1/2008]

19.15.7.3~~1~~0 MULTIPOINT AND ONE POINT BACK PRESSURE TEST FOR GAS WELL (Form C-122):

A. Gas well test data sheet - San Juan basin (form C-122-A)
B. Initial potential test data sheet (form C-122-B)
C. Deliverability test report (form C-122-C)
D. Worksheet for calculation of static column wellhead pressure (P_w) (form C- 122-D)
E. Worksheet for stepwise calculation of (surface) (subsurface) pressure (P_c & P_w) (P_f & P_s) (form C-122-E)
F. Worksheet for calculation of wellhead pressures (P_c or P_w) from known bottom hole pressure (P_f or P_s) (form C-122-F)
G. Worksheet for calculation of status column pressure at gas liquid interface (form C-122-G). The operator shall file the forms listed in Subsections A through F of 19.15.7.30 NMAC with the appropriate division district office in accordance with the provisions of the *manual for back-pressure testing of natural gas wells or gas well testing manual for northwest New Mexico*, 19.15.19.8 NMAC and applicable special pool orders and proration orders.
[19.15.7.30 NMAC - Rp, 19.15.13.1122 NMAC, 12/1/2008]

19.15.7.32~~4~~ REQUEST FOR THE CREATION OF A NEW POOL (Form C-123): The appropriate division district office shall provide the operator of a well that requires the creation of a pool written instructions regarding the filing of form C-123.
[19.15.7.31 NMAC - Rp, 19.15.13.1123 NMAC, 12/1/2008]

19.15.7.33~~2~~ RESERVOIR PRESSURE REPORT (Form C-124):
A. An operator shall file form C-124 to report bottom hole pressures as required under the provisions of 19.15.18.9 NMAC and applicable special pool orders.
B. An operator shall state the name of the pool; the pool datum, if established; the name of the operator and lease; the well number; the wellhead elevation above sea level; the date of the test; the total time the well was shut in prior to the test, the subsurface temperature in degrees fahrenheit at the test depth; the depth in feet at which the operator made the subsurface pressure test; the observed pressure in psi gauge corrected for calibration and temperature; the corrected pressure computed from applying to the observed pressure the appropriate correction for difference in test depth and reservoir datum plane; and any other information required on form C-124.
[19.15.7.32 NMAC - Rp, 19.15.13.1124 NMAC and 19.15.5.302 NMAC, 12/1/2008]

19.15.7.34~~3~~ GAS WELL SHUT-IN PRESSURE TESTS (Form C-125): An operator shall file form C-125 to report shut-in pressure tests on gas wells as required under the provisions of special pool orders.
[19.15.7.33 NMAC - Rp, 19.15.13.1125 NMAC, 12/1/2008]

19.15.7.35~~4~~ PERMIT TO TRANSPORT RECOVERED LOAD OIL (Form C-126): An applicant to transport recovered load oil shall file form C-126 with the appropriate division district office in conformance with 19.15.20.15 NMAC.
[19.15.7.34 NMAC - Rp, 19.15.13.1126 NMAC, 12/1/2008]

19.15.7.36~~5~~ REQUEST FOR ALLOWABLE CHANGE (Form C-127): An oil producer shall file form C-127 with the appropriate division district office not later than the 10th day of the month preceding the month for which an oil producer is requesting oil well allowable changes.
[19.15.7.35 NMAC - Rp, 19.15.13.1127 NMAC, 12/1/2008]

19.15.7.37~~6~~ FORMS REQUIRED ON FEDERAL LAND:
A. An operator shall use federal forms in lieu of state forms when filing application for permit to drill, deepen or plug back and sundry notices and reports on wells and well completion or recompletion report and log for wells on federal lands in New Mexico. However, the operator shall submit two extra copies of each of the forms to the BLM, which, upon approval, will transmit the forms to the division. An operator of a well on federal land shall use the following BLM forms in lieu of division forms:

BLM Form No.	Title of Form (Same for both agencies)	Form No.
3160-3 (Nov. 1993)	Application for Permit to Drill, Deepen or Plug Back	C-101
3160-5 (Nov. 1983)	Sundry Notices and Reports on Wells	C-103

3160-4 (Nov. 1983) Well Completion or Recompletion Report and Log C-105

B. The above forms as the BLM may revise are the only forms that an operator may file in place of division forms.

C. After a well is completed and ready for pipeline connection, the operator shall file form C-104 along with a copy of form C-105 or BLM form No. 3160-4, whichever is applicable, with the division on wells drilled in the state, regardless of land status. Further, the operator shall file production reports using division forms; the division will not accept federal forms for reporting production.

D. An operator's failure to comply with 19.15.7.36 NMAC shall result in the division's cancellation of form C-104 for the affected well or wells.

[19.15.7.36 NMAC - Rp, 19.15.13.1128 NMAC, 12/1/2008]

19.15.7.387 ~~**APPLICATION FOR EXCEPTION TO NO-FLARE**~~**REPORT OF VENTED OR FLARED NATURAL GAS (Form C-129):** An operator shall file form C-129 when applicable, in accordance with ~~19.15.18.12 NMAC~~ 19.15.27 NMAC and 19.15.28 NMAC.

[19.15.7.37 NMAC - Rp, 19.15.13.1129 NMAC, 12/1/2008]

19.15.7.398 NOTICE OF DISCONNECTION (Form C-130):

A. An operator shall file form C-130 with the division as provided in 19.15.19.13 NMAC.

B. An operator shall state to the best of its knowledge the reasons for disconnecting a gas well from gas transportation facilities.

C. The division shall furnish the New Mexico public regulation commission with a form C-130 indicating that a disconnected gas well may or will be reconnected to a gas transportation facility for ultimate distribution to consumers outside of the state.

[19.15.7.38 NMAC - Rp, 19.15.13.1130 NMAC, 12/1/2008]

19.15.7.4039 MONTHLY GAS STORAGE REPORT (Form C-131-A); ANNUAL LPG STORAGE REPORT (Form C-131-B):

A. An operator of an underground gas storage project shall report its operation monthly on form C-131-A. The operator shall file form C-131-A with the division's Santa Fe office with a copy to the appropriate division district office and shall postmark it not later than the 24th day of the next succeeding month.

B. An operator of underground liquefied petroleum gas storage projects approved by the division shall report its operations annually on form C-131-B.

[19.15.7.39 NMAC - Rp, 19.15.13.1131 NMAC, 12/1/2008]

19.15.7.410 AUTHORIZATION TO MOVE PRODUCED WATER:

A. A transporter of produced water shall obtain the division's approval of form C-133 in accordance with 19.15.34 NMAC prior to transportation.

B. Approval of a single form C-133 is valid for leases the transporter serves.

[19.15.7.40 NMAC - Rp, 19.15.13.1133 NMAC, 12/1/2008]

19.15.7.421 GAS WELL CONNECTION, RECONNECTION OR DISCONNECTION NOTICE: A gas transporter accepting gas for delivery from a wellhead or central point of delivery shall notify the division within 30 days of a new connection or reconnection to or disconnection from the gathering or transportation system by filing form C-135 with the appropriate division district office.

[19.15.7.41 NMAC - Rp, 19.15.13.1135 NMAC, 12/1/2008]

19.15.7.432 APPLICATION FOR APPROVAL TO USE AN ALTERNATE GAS MEASUREMENT METHOD (Form C-136):

A. An operator shall use form C-136 to request and obtain division approval for use of an alternate procedure for measuring gas production from a well that is not capable of producing more than 15 MCFD (Paragraph (1) of Subsection B of 19.15.19.9 NMAC) or for a well that has a producing capacity of 100 MCFD or less and is on a multi-well lease (Paragraph (2) of Subsection B of 19.15.19.9 NMAC).

B. An operator shall fill out the applicable information required on form C-136 with the required supplemental information attached, and file it with the appropriate division district office.

[19.15.7.42 NMAC - Rp, 19.15.13.1136 NMAC, 12/1/2008]

19.15.7.443 APPLICATION FOR PRODUCTION RESTORATION PROJECT (C-139):

A. An operator shall use the division's web-based online application to apply for the production restoration tax incentive.

B. An operator shall enter a user identification number and password that it has obtained from the division and select the well for which the operator is requesting the production restoration tax incentive. The operator shall then enter the date it began the production restoration, the date the well returned to production and the process the operator used to return the well to production. The operator shall certify that the information is complete and correct.

[19.15.7.43 NMAC - Rp, Paragraph (5) of Subsection D of 19.15.1.31 NMAC, 12/1/2008]

19.15.7.454 APPLICATION FOR WELL WORKOVER PROJECT (C-140):

A. An operator shall use the division's web-based online application to apply for the well workover tax incentive.

B. An operator shall enter a user identification number and password that it has obtained from the division and select the well for which the operator is requesting the well workover tax incentive. The operator shall enter the date that it commenced the well workover and the date it completed the well workover. The operator shall attach a description of the workover procedure it performed to increase production and a production curve or data tabulation showing at least 12 months of production prior to the well workover and at least three months of production following the well workover to reflect a positive production increase.

[19.15.7.44 NMAC - Rp, Paragraph (6) of Subsection D of 19.15.1.32 NMAC, 12/1/2008]

HISTORY of 19.15.7 NMAC:

History of Repealed Material: 19.15.1 NMAC, General Provisions (filed 04/27/2001); 19.15.13 NMAC, Reports (filed 06/17/2004) and 19.15.15 NMAC, Pits, Closed-Loop Systems, Below-Grade Tanks and Sumps (filed 5/30/2008) repealed 12/1/08.

NMAC History:

Those applicable portions of 19.15.1 NMAC, General Provisions (Sections 14, 16, those applicable portions of 31 and 32 (filed 04/27/2001); 19.15.13 NMAC, Reports (Sections 1-6; 1100, 1101-1109, 1111-1113; 1115-1118, 1120-1131; 1133; and 1135) (filed 06/17/2004); and 19.15.15 NMAC, Pits, Closed-Loop Systems, Below-Grade Tanks and Sumps (Section 1302) (filed 5/30/2008) were all replaced by 19.15.7 NMAC, Forms and Reports, effective 12/1/08.

OCD DRAFT
July 20, 2020

TITLE 19 NATURAL RESOURCES AND WILDLIFE
CHAPTER 15 OIL AND GAS
PART 18 PRODUCTION OPERATING PRACTICES

19.15.18.1 ISSUING AGENCY: Energy, Minerals and Natural Resources Department, Oil Conservation Division.
[19.15.18.1 NMAC - N, 12/1/2008]

19.15.18.2 SCOPE: 19.15.18 NMAC applies to persons engaged in oil and gas development and production within New Mexico.
[19.15.18.2 NMAC - N, 12/1/2008]

19.15.18.3 STATUTORY AUTHORITY: 19.15.18 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, NMSA 1978.
[19.15.18.3 NMAC - N, 12/1/2008]

19.15.18.4 DURATION: Permanent.
[19.15.18.4 NMAC - N, 12/1/2008]

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

19.15.18.6 OBJECTIVE: To regulate the production of oil and gas wells within the state in order to prevent waste, protect correlative rights and protect public health and the environment.
[19.15.18.6 NMAC - N, 12/1/2008]

19.15.18.7 DEFINITIONS: "Drip" means a liquid hydrocarbon incidentally accumulating in a gas gathering or transportation system.
[19.15.2.7 NMAC - Rp, Subsection A of 19.15.5.314 NMAC, 12/1/2008]

19.15.18.8 GAS-OIL RATIO AND PRODUCTION TESTS:

A. An operator shall take a gas-oil ratio test no sooner than 20 days nor later than 30 days following the completion or recompletion of each oil well, if:

(1) the well is a wildcat, or

(2) the well is located in a pool that is not exempt from 19.15.18.8 NMAC's requirements.

B. Provisions of 19.15.18.8 NMAC that are applicable to the pool shall govern wells completed within one mile of the outer boundary of a defined oil pool producing from the same formation. The operator shall report the test results to the division on form C-116 within 10 days following the test's completion. The gas-oil ratio the operator reports shall become effective for proration purposes on the first day of the calendar month following the date they are reported.

C. Each operator shall take an annual gas-oil ratio test of each producing oil well, located within a pool not exempted from the requirements of 19.15.18.8 NMAC, during a period the division prescribes. The division shall establish a gas-oil ratio survey schedule setting forth the period in which operators are to take gas-oil ratio tests for each pool where the division requires a test. The gas-oil ratio test shall be a test the division designates, made by the method and in the manner the division in its discretion may prescribe from time to time.

D. An operator shall file the results of gas-oil ratio tests taken during survey periods with the division on form C-116 not later than the 10th of the month following the close of the survey period for the pool in which the well is located. The gas-oil ratios thus reported shall become effective for proration purposes on the first day of the second month following the survey period's close. Unless the operator files form C-116 within the required time limit, the division shall not assign a further allowable to the affected well until the operator file form C-116.

E. In the case of special tests taken between regular gas-oil ratio surveys, the gas-oil ratio becomes effective for proration purposes upon the date the division receives form C-116 reporting the test results. A special test does not exempt a well from the regular survey.

F. During a gas-oil ratio test, an operator shall not produce a well at a rate exceeding the top proration unit allowable for the pool in which it is located by more than twenty-five~~25~~ percent.

G. The director may exempt such pools as the director deems proper from the gas-oil ratio test requirements of 19.15.18.8 NMAC. The exemption shall be by division order directed to the operators in the pool being exempted.

H. The director may require annual productivity tests of oil wells in pools exempt from gas-oil ratio tests, during a period the division prescribes. The division shall establish an oil well productivity survey schedule setting forth the period in which productivity tests are to be taken for each pool where the division requires the tests.

I. An operator shall file the results of productivity tests taken during survey periods with the division on form C-116 (with the word "exempt" inserted in the column normally used for reporting gas production) not later than the 10th of the month following the close of the survey period for the pool in which the well is located. Unless the operator files form C-116 within the required time limit, the division shall not assign further allowables to the affected well until the operator files form C-116.

J. In the case of special productivity tests taken between regular test survey periods, which result in a change of allowable assigned to the well, the allowable change shall become effective upon the date the division receives form C-116. A special test does not exempt a well from the regular survey.

K. During the productivity test, an operator shall not produce a well at a rate exceeding the top proration unit allowable for the pool in which it is located by more than ~~25~~twenty-five percent.
[19.15.18.8 NMAC - Rp, 19.15.5.301 NMAC, 12/1/2008]

19.15.18.9 BOTTOM HOLE PRESSURE TESTS: The operator shall make a bottom hole pressure test on the discovery well of a new pool and shall report the results of the test to the division within 30 days after the discovery well's completion. On or before December 1 of each calendar year the division shall designate the months in which operators shall take bottom hole pressure tests in designated pools. The division shall include in the designated list the required shut-in pressure time and datum of tests to be taken in each pool. In the event a newly discovered pool is not included in the division's list, the division shall issue a supplementary bottom hole pressure schedule. Tests the division designates shall only apply to flowing wells in each pool. A person qualified by both training and experience to make such test shall make the test with an approved bottom hole pressure instrument that is calibrated against an approved dead-weight tester at intervals frequent enough to ensure its accuracy within one percent. Unless the division otherwise designates, all wells shall remain completely shut in for at least 24 hours prior to the test. In the event the division does not establish a definite datum the operator shall obtain the bottom hole determination as close as possible to the mid-point of the reservoir's productive sand. The operator shall report the test results to the division on form C-124, which shall contain the information required by Subsection B of 19.15.7.32 NMAC.
[19.15.18.9 NMAC - Rp, 19.15.5.302 NMAC, 12/1/2008]

19.15.18.10 CONTROL OF MULTIPLE COMPLETED WELLS: The operator shall at all times operate, produce and maintain multiple completed wells that the division has authorized in a manner to ensure the complete segregation of the various common sources of supply. The division may require the operator take tests the division deems necessary to determine the effectiveness of segregation of the different common sources of supply.
[19.15.18.10 NMAC - Rp, 19.15.5.304 NMAC, 12/1/2008]

19.15.18.11 [RESERVED] ~~**METERED CASINGHEAD GAS:** The owner of a lease is not required to measure the exact amount of casinghead gas the owner produces and uses for fuel purposes in the lease's development and normal operation. The owner of the lease shall meter and report casinghead gas produced and sold or transported away from a lease, except small amounts of flare gas, in cubic feet monthly to the division. The owner of the lease may calculate the amount of casinghead gas sold in small quantities for use in the field upon a basis generally acceptable in the industry, or upon a basis approved by the division in lieu of meter measurements.
[19.15.18.11 NMAC - Rp, 19.15.5.305 NMAC, 12/1/2008]~~

19.15.18.12 [RESERVED] ~~**CASINGHEAD GAS:**~~

~~**A.** An operator shall not flare or vent casinghead gas produced from a well after 60 days following the well's completion.~~

~~**B.** An operator seeking an exception to Subsection A of 19.15.18.12 NMAC shall file an application for an exception on form C-129 with the appropriate division district office. The district supervisor may grant an exception when the flaring or venting casinghead gas appears reasonably necessary to protect correlative rights, prevent waste or prevent undue hardships on the applicant. The district supervisor shall either grant the exception~~

~~within 10 days after the application's receipt or refer it to the director who shall advertise the matter for public hearing if the applicant desires a hearing.~~

~~C. The division shall suspend the allowable assigned to the well if the operator flares or vents gas from a well in violation of 19.15.18.12 NMAC.~~

~~D. No extraction plant processing gas in the state shall flare or vent casinghead gas unless flaring or venting is made necessary by mechanical difficulty of a very limited temporary nature or unless the gas flared or vented is of no commercial value.~~

~~E. In the event of a more prolonged mechanical difficulty or in the event of plant shut-downs or curtailment because of scheduled or non-scheduled maintenance or testing operations or other reasons, or in the event a plant is unable to accept, process and market all of the casinghead gas produced by wells connected to its system, the plant operator shall notify the division as soon as possible of the full details of the shut-down or curtailment, following which the division shall take such action as is necessary to reduce the total flow of gas to the plant.~~

~~F. Pending connection of a well to a gas-gathering facility, or when a well has been excepted from the provisions of Subsection A of 19.15.18.12 NMAC, the operator shall burn all gas produced and not used, and report the estimated volume on form C-115.~~

~~G. The provisions of Subsection A of 19.15.18.12 NMAC do not apply to wells completed prior to January 1, 1971, in pools that had no gas-gathering facilities on that date, provided however the provisions shall apply to all wells in such a pool 60 days after the date of first casinghead gas connection in the pool.~~
~~[19.15.18.12 NMAC - Rp, 19.15.5.306 NMAC, 12/1/2008]~~

19.15.18.12 OPERATION AT BELOW ATMOSPHERIC PRESSURE:

A. An operator may use vacuum pumps, gathering system compressors or other devices to operate a well or gathering system at below atmospheric pressure only if that operator has:

(1) executed a written agreement with the operator of the downstream gathering system or pipeline to which the well or gathering system so operated is immediately connected allowing operation of the well or gathering system at below atmospheric pressure; and

(2) filed a sundry notice in the appropriate division district office for each well operated at below atmospheric pressure or served by a gathering system operated at below atmospheric pressure, within 90 days before beginning operation at below atmospheric pressure, notifying the division that the well or gathering system serving the well is being operated at below atmospheric pressure.

B. A gathering system operator may use vacuum pumps, gathering system compressors or other devices to operate a gathering system at below atmospheric pressure, or may accept gas originating from a well operated at below atmospheric pressure or that has been carried by an upstream gathering system operated at below atmospheric pressure, only if that operator has executed a written agreement with the operator of the downstream gathering system or pipeline to which the gathering system is immediately connected allowing delivery of gas from a well or gathering system that has been operated at below atmospheric pressure into the downstream gathering system or pipeline.
[19.15.18.13 NMAC - Rp, 19.15.5.307 NMAC, 12/1/2008]

19.15.18.13 SALT OR SULPHUR WATER: An operator shall report monthly on form C-115 the amount of water produced with the oil and gas from each well.
[19.15.18.14 NMAC - Rp, 19.15.5.308 NMAC, 12/1/2008]

19.15.18.14 AUTOMATIC CUSTODY TRANSFER EQUIPMENT:

A. Oil shall be received and measured in facilities of an approved design. The facilities shall permit the testing of each well at reasonable intervals and may be comprised of manually gauged, closed stock tanks for which the operator of the ACT system has prepared proper strapping tables, or of ACT equipment. The division shall permit ACT equipment's use only after the operator complies with the following. The operator shall file with the division form C-106 and receive approval for use of the ACT equipment prior to transferring oil through the ACT system. The carrier shall not accept delivery of oil through the ACT system until the division has approved form C-106.

B. The operator of the ACT system shall submit form C-106 to the appropriate division district office, which is accompanied by the following:

(1) plat of the lease showing all wells that the any well operator will produce into the ACT

system;

(2) schematic diagram of the ACT equipment, showing on the diagram all major components such as surge tanks and their capacity, extra storage tanks and their capacity, transfer pumps, monitors, reroute valves, treaters, samplers, strainers, air and gas eliminators, back pressure valves and metering devices (indicating type and capacity, *i.e.* whether automatic measuring tank, positive volume metering chamber, weir-type measuring vessel or positive displacement meter); the schematic diagram shall also show means employed to prove the measuring device's accuracy; and

(3) letter from transporter agreeing to utilization of ACT system as shown on schematic diagram.

C. The division shall not approve form C-106 unless the operator of the ACT system will install and operate the ACT system in compliance with the following requirements.

(1) Provision is made for accurate determination and recording of uncorrected volume and applicable temperature, or of temperature corrected volume. The system's overall accuracy shall equal or surpass manual methods.

(2) Provision is made for representative sampling of the oil transferred for determination of API gravity and BS&W content.

(3) Provision is made if required by either the oil's producer or the transporter to give adequate assurance that the ACT system runs only merchantable oil.

(4) Provision is made for set-stop counters to stop the flow of oil through the ACT system at or prior to the time the allowable has been run. Counters shall provide non-reset totalizers that are visible for inspection at all times.

(5) Necessary controls and equipment are enclosed and sealed, or otherwise arranged to provide assurance against, or evidence of, accidental or purposeful mismeasurement resulting from tampering.

(6) The ACT system's components are properly sized to ensure operation within the range of their established ratings. All system components that require periodic calibration or inspection for proof of continued accuracy are readily accessible; the frequency and methods of the calibration or inspection shall be as set forth in Paragraph (12) of Subsection C of 19.15.18.15 NMAC.

(7) The control and recording system includes adequate fail-safe features that provide assurance against mismeasurement in the event of power failure, or the failure of the ACT system's component parts.

(8) The ACT system and allied facilities include fail-safe equipment as may be necessary, including high level switches in the surge tank or overflow storage tank that, in the event of power failure or malfunction of the ACT or other equipment, will shut down artificially lifted wells connected to the ACT system and will shut in flowing wells at the well-head or at the header manifold, in which latter case the operator of the ACT system shall pressure test all flowlines to at least 1½ times the maximum well-head shut-in pressure prior to the ACT system's initial use and every two years thereafter.

(9) As an alternative to the requirements of Paragraph (8) of Subsection C of 19.15.18.15 NMAC the producer shall provide and at all times maintain a minimum of available storage capacity above the normal high working level of the surge tank to receive and hold the amount of oil that may be produced during maximum unattended time of lease operation.

(10) In all ACT systems employing automatic measuring tanks, weir-type measuring vessels, positive volume metering chambers or any other volume measuring container, the container and allied components shall be properly calibrated prior to initial use and shall be operated, maintained and inspected as necessary to ensure against incrustation, changes in clingage factors, valve leakage or other leakage and improper action of floats, level detectors, etc.

(11) In ACT systems employing positive displacement meters, the meter and allied components shall be properly calibrated prior to initial use and shall be operated, maintained and inspected as necessary to ensure against oil mismeasurement.

(12) The operator of the ACT system shall check the measuring and recording devices of ACT systems for accuracy at least once each month unless it has obtained an exception to such determination from the division. Where applicable, the operator of the ACT system shall use API standard 1101, Measurement of Petroleum Hydrocarbons by Positive Displacement Meter. Meters may be proved against master meters, portable prover tanks or prover tanks permanently installed on the lease. If the operator of the ACT system uses permanently installed prover tanks, the distance between the opening and closing levels and the provision for determining the opening and closing readings shall be sufficient to detect variations of 5/100 of one percent. The operator of the

ACT system shall file reports of determination on the division form entitled "meter test report" or on another acceptable form in duplicate with the appropriate division district office.

(13) To obtain an exception to the requirement in Paragraph (12) of Subsection C of 19.15.18.15 NMAC that all measuring and recording devices be checked for accuracy once each month, either the producer or transporter may file a request with the director setting forth facts pertinent to the exception. The application shall include a history of the average factors previously obtained, both tabulated and plotted on a graph of factors versus time, showing that the particular installation has experienced no erratic drift. The applicant shall also furnish evidence that the other interested party has agreed to the exception. The director may then set the frequency for determination of the system's accuracy at the interval which the director deems prudent.

D. The division may revoke its approval of an ACT system's form C-106 if the system's operator fails to operate it in compliance with 19.15.18.15 NMAC.

[19.15.18.15 NMAC - Rp, 19.15.5.309 NMAC, 12/1/2008]

19.15.18.15 TANKS, OIL TANKS, FIRE WALLS AND TANK IDENTIFICATION:

A. No person shall store or retain oil in earthen reservoirs or in open receptacles. Dikes or fire walls are not required except an operator shall erect and maintain fire walls around permanent oil tanks or tank batteries that are within the corporate limits of a city, town or village, or where such tanks are closer than 150 feet to a producing oil or gas well or 500 feet to a highway or inhabited dwelling or closer than 1000 feet to a school or church, or where the tanks are so located that the division deems them an objectional hazard. Where fire walls are required, fire walls shall form a reservoir having a capacity one-third larger than the capacity of the enclosed tank or tanks.

B. The operator shall identify oil tanks, tank batteries, ACT systems, tanks used for salt water collection or disposal and tanks used for sediment oil treatment or storage by a sign posted on or not more than 50 feet from the tank, tank battery or system. The sign shall be of durable construction and the operator shall keep the lettering on the sign in a legible condition; the lettering shall be large enough to be legible under normal conditions at a distance of 50 feet and the sign shall identify the operator's name, the name of the lease being served by the tank or system, if any, and the location of the tank or system by unit letter, section, township and range.

[19.15.18.16 NMAC - Rp, 19.15.5.310 NMAC, 12/1/2008]

19.15.18.16 SEDIMENT OIL, TANK CLEANING AND TRANSPORTATION OF MISCELLANEOUS HYDROCARBONS:

A. No person shall clean a tank of sediment oil or remove sediment oil from a lease without the appropriate division district office's prior approval. The lease operator or the company contracted or otherwise authorized to perform the tank cleaning may receive authorization for tank cleaning by obtaining division approval on form C-117-A. No operator, contractor or other party shall clean a tank of sediment oil or remove sediment oil from a lease without an approved copy of form C-117-A at the site.

B. No person shall destroy sediment oil without the appropriate division district office's approval of an application to destroy the sediment oil on form C-117-A. Unless a person receiving an authorization to destroy sediment oil utilizes the authorization to destroy sediment oil within 10 days after division approval of the form C-117-A the authorization is automatically revoked. However, the district supervisor may approve one 10 day extension for good cause shown.

C. A person, other than a treating plant operator, who cleans a tank of sediment oil and removes sediment oil from a lease shall file form C-117-B with the division setting out all information the form requires.

D. A person taking possession of or disposing of sediment oil shall test a representative sample of sediment oil in a manner designed to accurately estimate the percentage of good oil expected to be recovered from the sediment oil. The person shall perform the test prior to transport and prior to commingling with sediment oil from other leases or sources and record the results on form C-117-A. The division recommends the standard centrifugal tests prescribed by API publication Sediment and Water, Sect: 4: Determination of Sediment and Water in Crude Oil by the Centrifuge Method (Field Procedure), MPMS 10.4. The person may use other test procedures if the procedures reliably predict the percentage of good oil to be recovered from sediment oil.

E. A person taking possession of or disposing of sediment oil shall report sediment oil removed from storage on form C-115 together with the form C-117-A permit number.

F. Except in an emergency, no person shall deliver miscellaneous hydrocarbons to a treating plant or other facility until that person has obtained division approval on form C-117-A.

G. Whenever an emergency exists that requires delivery of miscellaneous hydrocarbons to a treating

plant or other facilities prior to approval of form C-117-A, the transporter of the hydrocarbons shall notify the supervisor of the appropriate division district office of the emergency's nature and extent on the first working day following the emergency and shall file form C-117-A within two working days following the emergency. For prolonged emergencies, the district supervisor may authorize the extended movement of miscellaneous hydrocarbons to a treating plant or other facilities during the emergency period and shall approve a form C-117-A filed subsequent to the emergency's conclusion covering the entire volume of miscellaneous hydrocarbons transported.
[19.15.18.17 NMAC - Rp, 19.15.5.311 NMAC, 12/1/2008]

19.15.18.17 EMULSION, BASIC SEDIMENTS AND TANK BOTTOMS: The operator shall operate wells producing oil in a manner that reduces as much as practicable the formation of emulsion and basic sediments. No person shall allow these substances and tank bottoms to pollute fresh waters or cause surface damage.
[19.15.18.18 NMAC - Rp, 19.15.5.313 NMAC, 12/1/2008]

19.15.18.18 GATHERING, TRANSPORTING AND SALE OF DRIP:

A. The waste of drip is prohibited when it is economically feasible to salvage the drip.

B. A person may move and sell drip, provided it complies with 19.15.18.19 NMAC.

C. A person shall not transport or sell drip until the gas transporter files form C-104 designating the drip transporter authorized to remove the drip from its gas gathering or transportation system.

D. Each month, a person transporting drip within the state shall complete and maintain for division inspection form C-112, showing the amount, source and disposition of drip handled during the reporting period, and such other reports as the division may require.

E. Prior to commencement of operations, every person transporting drip directly from a gas gathering or transportation system shall file with the division plats drawn to scale, locating and identifying each drip trap that the person is authorized to service.

F. A person transporting drip directly from a gas gathering or transportation system shall keep a record of daily acquisitions from each drip trap that the person is authorized to service and make the records available at all reasonable times for inspection by the division or its authorized representatives.

G. A gas transporter shall, on or before the first day of November of each year, file with the division maps of its entire gas gathering and transportation systems, locating and identifying on the map each drip trap in the systems, the maps to be accompanied by a report, on a division-prescribed form, showing the disposition being made of the drip from each of the drip traps.
[19.15.18.19 NMAC - Rp, 19.15.5.314 NMAC, 12/1/2008]

HISTORY of 19.15.18 NMAC:

History of Repealed Material: 19.15.5 NMAC, Oil Production Operating Practices (filed 04/27/2000) repealed 12/1/2008.

NMAC History:
Those applicable portions of 19.15.5 NMAC, Oil Production Operating Practices Sections 301, 302, 304 - 311, 313 & 314) (filed 04/27/2000) were replaced by 19.15.18 NMAC, Production Operating Practices, effective 12/1/2008.

OCD DRAFT
July 20, 2020

TITLE 19 NATURAL RESOURCES AND WILDLIFE
CHAPTER 15 OIL AND GAS
PART 19 NATURAL GAS PRODUCTION OPERATING PRACTICE

19.15.19.1 ISSUING AGENCY: Energy, Minerals and Natural Resources Department, Oil Conservation Division.
[19.15.19.1 NMAC - Rp, 19.15.6.1 NMAC, 12/1/2008]

19.15.19.2 SCOPE: 19.15.19 NMAC applies to persons engaged in gas development and production within New Mexico.
[19.15.19.2 NMAC - Rp, 19.15.6.2 NMAC, 12/1/2008]

19.15.19.3 STATUTORY AUTHORITY: 19.15.19 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, NMSA 1978.
[19.15.19.3 NMAC - Rp, 19.15.6.3 NMAC, 12/1/2008]

19.15.19.4 DURATION: Permanent.
[19.15.19.4 NMAC - Rp, 19.15.6.4 NMAC, 12/1/2008]

19.15.19.5 EFFECTIVE DATE: December 1, 2008, unless a later date is cited at the end of a section.
[19.15.19.5 NMAC - Rp, 19.15.6.5 NMAC, 12/1/2008]

19.15.19.6 OBJECTIVE: To regulate the gas production within the state in order to prevent waste, protect correlative rights and protect public health and the environment.
[19.15.19.6 NMAC - Rp, 19.15.6.6 NMAC, 12/1/2008]

19.15.19.7 DEFINITIONS: [RESERVED]
[See 19.15.2.7 NMAC for definitions.]

19.15.19.8 METHOD OF DETERMINING GAS WELL POTENTIAL:

A. An operator shall conduct tests to determine the daily open flow potential volumes of gas wells from which gas is being used or marketed. The operator shall report the tests on division-prescribed forms within 60 days after

(1) the date of the well's initial connection to a gas transportation facility; and
(2) the date of reconnection following workover.

B. To establish comparable open flow capacity, the operator shall test wells in accordance with the division's Manual for back-pressure testing of natural gas wells. If the division approves the alternate method for testing, the operator shall test all wells producing from a common source of supply in a uniform and comparable manner.

C. The operator of a gas well that is not connected to a gas gathering facility shall test the well within 30 days following a christmas tree's installation. The operator shall take the tests in accordance with the procedure for testing unconnected gas well contained in the division's *manual for back-pressure testing of natural gas wells*. The operator shall report the tests on form C-122 in compliance with 19.15.7.31 NMAC and file it within 10 days following the test's completion.
[19.15.19.8 NMAC - Rp, 19.15.6.401 NMAC, 12/1/2008]

19.15.19.9 GAS FROM GAS WELLS TO BE MEASURED:

A. The transporter of gas produced shall account for the gas by metering or other division-approved method and report it to the division. The owner or operator of the gas transportation facility shall report gas produced from a gas well and delivered to a gas transportation facility. The well operator shall report gas produced from a gas well and required to be reported by 19.15.19.9 NMAC that is not delivered to and reported by a gas transportation facility.

B. An operator may apply to the district supervisor, using form C-136, for approval of one of the following procedures for measuring gas.

(1) In the event a well is not capable of producing more than 15 MCFD, a measurement

method agreed upon by the operator and transporter whereby the parties establish by annual test the producing rate of the well under normal operating conditions and apply that rate to the period of time the well is in a producing status. If the well is capable of producing greater than five MCFD, the transporter shall attach a device to the line that determines the actual time period that the well is flowing.

(2) An operator may produce a well that has a producing capacity of 100 MCFD or less and that is on a multi-well lease without the well being separately metered when the gas is measured using a lease meter at a CPD. The lease's ownership shall be common throughout including working interest, royalty and overriding royalty ownership.

(3) If normal operating conditions change, either party may request a new well test, the cost of which the party requesting the new well test shall bear unless the parties otherwise agree.

C. The operator and transporter shall report the well volumes on forms C-115 and C-111 based upon the approved method of measurement and, in the case of a CPD, upon the method of allocation of production to individual wells the district supervisor approves.
[19.15.19.9 NMAC - Rp, 19.15.6.403 NMAC, 12/1/2008]

~~**19.15.19.10 GAS UTILIZATION:** After the completion of a gas well, the operator shall not permit gas from the well to escape to the air, use the gas expansively in engines or pumps and then vent or use the gas to gas-lift wells unless all gas produced is processed in a gasoline plant or beneficially used thereafter without waste.~~
~~[19.15.19.10 NMAC - Rp, 19.15.6.404 NMAC, 12/1/2008]~~**[RESERVED]**

19.15.19.11 STORAGE GAS: With the exception of the requirement to meter and report monthly the amount of gas injected and the amount of gas withdrawn from storage, in the absence of waste 19.15.19 NMAC shall not apply to gas being injected into or removed from storage. (See 19.15.7.40 NMAC)
[19.15.19.11 NMAC - Rp, 19.15.6.405 NMAC, 12/1/2008]

19.15.19.12 CARBON DIOXIDE: The rules relating to gas, gas wells and gas reservoirs including those provisions relating to well locations, acreage dedication requirements, casing and cementing requirements and measuring and reporting of production also apply to carbon dioxide gas, carbon dioxide wells and carbon dioxide reservoirs.
[19.15.19.12 NMAC - Rp, 19.15.6.406 NMAC, 12/1/2008]

19.15.19.13 DISCONNECTION OF GAS WELLS: The operator shall report gas wells that are disconnected from intrastate gas transportation facilities to the division within 30 days of the date of disconnection. The operator shall file the notice on form C-130 in compliance with 19.15.7.39 NMAC.
[19.15.19.13 NMAC - Rp, 19.15.6.407 NMAC, 12/1/2008]

HISTORY of 19.15.19 NMAC:

History of Repealed Material: 19.15.6 NMAC, Natural Gas Production Operating Practice (filed 11/29/2001) repealed 12/1/2008.

NMAC History:
Those applicable portions of 19.15.6 NMAC, Natural Gas Production Operating Practice (Sections 401, and 403 - 407) (filed 11/29/2001) were replaced by 19.15.19 NMAC, Natural Gas Production Operating Practice, effective 12/1/2008.