

State of New Mexico  
Energy, Minerals and Natural Resources Department

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**NOTICE**  
**OCD Hearing Updates and Clarification of Processes**  
**April 24, 2024**

The Oil Conservation Division (“OCD”) is in the process of updating and clarifying aspects of the OCD Hearing processes and procedures. OCD has determined that the current processes do not allow OCD staff sufficient time to review exhibits prior to hearings. OCD also has determined that an inconsistent understanding of timelines regarding the compulsory pooling orders exists among the parties. The below updates and clarifications aim to provide OCD staff with time to properly review exhibits prior to hearing as well as bringing all parties to a uniform understanding of timelines regarding hearings and compulsory pooling. This notice consists of the following items which will be discussed in more detail via this notice:

- Modification of the Compulsory Pooling checklist
- Requested exhibit structure format
- Clarification of timelines related to Compulsory Pooling Orders
- Process update of exhibit submission timelines

These updates will be **effective as of June 1, 2024**.

**Modification of the Compulsory Pooling checklist:**

The compulsory pooling checklist has been slightly modified to where applicants are only required to provide the “pool name, pool code, and the wellbore setbacks” if a non-standard proration (“NSP”) is being requested with the compulsory pooling. If an NSP is being requested applicants are to provide this information as well as ensure notice is proper for both case types being requested. If an NSP is not being requested, this information is no longer required.

Applicants still reserve the right to file an application for a hearing for compulsory pooling with an NSP attached or they may file an application for hearing for compulsory pooling and separately file an administrative application for the NSP portion.

OCD staff will review the pool name, code, and setbacks at the time an Application to Drill is received and processed. Upon this review OCD may determine an NSP is needed and if not previously sought will add a COA, one needs to be obtained administratively.

The attached compulsory pooling checklist will be effective as mentioned above.

**Requested exhibit structure format:**

Currently OCD receives exhibits structured differently per case and sometimes in multiple submissions for the same exhibit packet. Therefore, OCD is releasing a preferred exhibit structure for compulsory pooling cases as well as compulsory pooling with NSP cases. This structure is guidance only and aims to provide OCD staff, parties of cases, and the public with a uniform review of cases and standardize where critical information is located within the exhibit packet.

**Clarification of timelines related to Compulsory Pooling Orders:**

OCD has received multiple inquiries regarding paragraph twenty of the standard compulsory pooling orders and how this is to be interpreted for drilling timelines with multiple wells. The relevant paragraph reads as follows:

*“The Operator shall commence drilling the Well(s) within one year after the date of this Order, and complete each Well no later than one (1) year after the commencement of drilling the Well.”*

OCD’s template Order, paragraph two, declares all wells in Exhibit A as the “Well(s).” “Well(s)” is used as some cases propose a singular well and some cases propose multiple wells in exhibit A. If multiple wells are in Exhibit A provided by the applicant, then “Wells” is the correct way to read it through the rest of the order.

Paragraph twenty, as seen above, is intended to mean that all wells the operator proposed in Exhibit A shall be spudded within one (1) year **total** from the date of the OCD Director signature. Each well is then to be completed within one (1) year calculated of its own spud date. The above paragraph does **not** grant an operator permission to drill only what the Operator may deem as the defining well within this timeline. An example can be seen below:

Wells in Exhibit A	Signature Date	Spud Deadline	Actual Spud Date	Completion Date
Well #1	1/1/2024	1/1/2025	5/20/2024	5/20/2025
Well #2	1/1/2024	1/1/2025	6/15/2024	6/15/2025
Well #3	1/1/2024	1/1/2025	6/17/2024	6/17/2025
Well #4	1/1/2024	1/1/2025	6/19/2024	6/19/2025
Well #5	1/1/2024	1/1/2025	6/21/2024	6/21/2025

During contested hearings an applicant can now present the entire development plan and associated timelines with each well so both plans can be fully evaluated by the OCD for complete development potential. The development plan shall not exceed five (5) years.

Contested Case Example	
Well Name	Timeline of Spud (Estimated)
Well 1	Within 1 year of signature
Well 2	Within 1 year of signature
Well 3	Within 1 year of signature
Well 4	Within 1 year of signature
Well 5	Within 1 year of signature
Well 6	Within 2 years of signature
Well 7	Within 2 years of signature
Well 8	Within 2 years of signature
Well 9	Within 2 years of signature
Well 10	Within 3 years of signature
Well 11	Within 3 years of signature
Well 12	Within 3 years of signature
Well 13	Within 3 years of signature
Well 14	Within 4 years of signature
Well 15	Within 4 years of signature
Well 16	Within 4 years of signature


**Process Update of Exhibit Submission Deadlines:**

On July 22, 2020, OCD published notice that required all Parties to file exhibits on or before Tuesday at 5:00 p.m. before a hearing. Subsequently, OCD has seen a large increase of cases (OCD issued 263 orders in 2019 vs 665 orders issued in 2023). Accordingly, OCD concludes that the increase in cases in conjuncture with the exhibit submission deadline does not provide sufficient time for technical staff to meaningfully review each case and pose questions to Parties' witnesses at hearings.

OCD is hereby imposing the following deadlines for Parties to submit exhibits before a hearing:

1. At least four business days in advance of a hearing before the Division, and
2. No later than 5:00 p.m. MST on the Thursday preceding the Division's regularly scheduled hearing docket.

In effect, the new deadline for submission of Parties' exhibits at a hearing conforms to the existing requirement of submission of a Party's pre-hearing statement.

  
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