

STEPS TO BECOME A WELL OPERATOR IN NEW MEXICO AND TO CREATE AN ONLINE CHANGE OF OPERATOR OR CHANGE OF NAME

Updated 7/11/2013

HOW TO BECOME A WELL OPERATOR:

If you are a partnership or corporation, please contact the Secretary of State's office at **(505) 827-3600**. Their web site is www.sos.state.nm.us

Next, register on OCD's web site, www.emnrd.state.nm.us/ocd. You do not need a User ID to do this. Please click on **OCD ONLINE** and then on the word **EPERMITTING**. Scan down the page and click on **“register your organization as a well operator”**. Put in the any word of your corporation's name and click on **FIND**. You will see a pull-down list of all of the oil and gas entities registered in New Mexico with that character string in their name. If your company's exact name is listed there, use the **Select** option on the right to pick that name. If you do not see your exact company name on that list, scroll to the bottom of the screen and enter your name exactly as it is registered with the Secretary of State's office. Then fill in the remaining information and submit the registration request using the button on the screen. If you have questions, call the Financial Assurance Coordinator at 505/476-3453 or email denise.gallegos@state.nm.us.

All paperwork submitted to the Oil Conservation Division must have the correct name as registered.

Once registered online, you will receive a letter from the OCD Attorney via the e-mail address given on the online registration. The letter will ask you to contact **Daniel Sanchez, Compliance and Enforcement Manager, at (505) 476-3493** to arrange a meeting. This can be a telephonic meeting if you are not able to meet in Santa Fe. This meeting familiarizes new operators with New Mexico's statutes and rules on oil and gas operations and introduces New Mexico's oil and gas requirements as well as services that the OCD provides to operators.

Once you have met with the Compliance and Enforcement Manager and Attorney, the Financial Assurance Coordinator will await the required bonding and issue an OGRID number (Oil and Gas Reporting ID) for your company. Upon approval, your company's information will be entered into our database. You, as well as the bank/surety, will receive confirmation of bond approval.

OBTAINING A BOND

1. View the various bond forms by going to the OCD's web site www.emnrd.state.nm.us/ocd and selecting **FORMS**, then scrolling down to the BOND FORMS. We have surety bonds, cash bonds, and letters of credit.
2. The principal's name on the bond must read exactly as registered with the New Mexico Secretary of State's office.

If the bond is for an individual, then the bond should read - Example: John Doe dba as ABC Company and the Individual Acknowledgment must read the same. The OGRID No. issued will read John Doe dba as ABC Company and all paperwork submitted to the OCD must read the same.

If you choose a surety bond, then a surety underwrites the bond. The surety must be licensed in the State of New Mexico with the New Mexico Public Regulation Commission.

Plugging bonds are required for wells on state or fee land only. For federal wells, the bonding is held by the BLM; their number is **505-954-2000**.

TYPES OF BONDS

BLANKET BONDS - \$50,000 (No limit as to how many wells)

There are three options:

- \$50,000 Blanket Plugging bond -Surety Bond – Form No. **O&G B-B**
- \$50,000 Blanket Cash Plugging Bond – Form No. **O&G CBB**. **MUST BE A NEW MEXICO BANK OR HAVE A BRANCH THAT DOES BUSINESS IN THE STATE OF NEW MEXICO** (Assignment of Cash Collateral Deposit – Form **O&G CBA**)– *must* be submitted with Blanket Cash Bond form and filled out by bank officer and signed by both operator and bank officer - notarized signatures)

Acknowledgements – **The appropriate Acknowledgement must be filled out on all bond forms, signed and notarized.** There are separate Acknowledgments for corporations, partnerships, LLC and individuals. (For Individual Acknowledgement - If dba – must read – Example: John Doe dba ABC Services)

- Irrevocable Letter of Credit – Form **OCD-LC** - Letters of credit are for not less than 5 years from the effective date; unless sooner released by written notice to the ISSUER by the DIVISION. Upon the expiration date, the Letter of Credit shall be automatically renewed for an additional term of 5 years commencing on such expiration date, and likewise for successive terms of five years each upon the occurrence of each subsequent scheduled expiration date, unless the ISSUER has, at least 30 days prior to any scheduled expiration date, mailed written notice of

non-renewal, by certified mail, return receipt requested, to the DIVISION. This Letter of Credit may be forfeited and collected by the DIVISION if not replaced by approved financial assurance at least 30 days before the expiration date hereof. – Exhibits A and B must be initialed by the party signing the letter of credit for the Financial Institution. If the letter of credit is executed by an officer other than a President, Vice President or branch manager, it must be accompanied by a certified resolution of the Board of Directors of the Financial Institution, certifying to the authority of the signing officer to execute letters of credit in at least the Face Amount.

There is a place on the letter of credit to put the API No. of the well the Letter of Credit is to cover. Blanket letters of credit do not require the API number.

If the bank wants to alter the shell document, you must fax changes to OCD Attorney at (505) 476-3462 for approval.

There is no limit as to how many wells can be covered under a \$50,000 blanket bond. Each well on state or private land that has been in temporary abandonment for more than two years must also have a single well financial assurance.

When the well is brought back online, plugged or sold, then the additional bonding can be released for that well upon written request either by e-mail to address – denise.gallegos@state.nm.us or by fax at 505-476-3462.

ONE-WELL BONDS:

There are three options:

- **One-Well Plugging Bond** – Form **O&G B-1** – Surety Bond for Chaves, Eddy, Lea, McKinley, Rio Arriba, Roosevelt, Sandoval, and San Juan counties ONLY.
One-Well Plugging Bond - Form **O&G B-1-X** – Surety Bond for all counties EXCEPT: Chaves, Eddy, Lea, McKinley, Rio Arriba, Roosevelt, Sandoval, and San Juan.
- **Single-Well Cash Bond** – Form No. **O&G CBB** – MUST BE A NEW MEXICO BANK OR HAVE A BRANCH THAT DOES BUSINESS IN THE STATE OF NEW MEXICO

(Assignment of Cash Collateral Deposit – Form **O&G CBA**)– *must* be submitted with Single-Wells Cash Bond form and filled out by bank officer and signed by both operator and bank officer - notarized signatures).

- **Irrevocable Letter of Credit** – Form **OCD-LC** - Letters of credit are for not less than five years from the effective date; unless sooner released by written notice to the ISSUER by the DIVISION. Upon the expiration date, the Letter of Credit shall be automatically renewed for an additional term of five years commencing on such expiration date, and likewise for successive terms of five years each upon the occurrence of each subsequent scheduled expiration date, unless the ISSUER has, at least 30 days prior to any scheduled expiration date, mailed written notice of non-renewal, by certified mail, return receipt requested, to the DIVISION. This Letter of Credit may be forfeited and collected by the DIVISION if not replaced by approved financial assurance at least 30 days before the expiration date hereof. – Exhibits A and B must be initialed by party signing the letter of credit for the Financial Institution. If the letter of credit is executed by an officer other than a President, Vice President or branch manager, it must be accompanied by a certified resolution of the Board of Directors of the Financial Institution, certifying to the authority of the signing officer to execute letters of credit in at least the Face Amount.

COSTS OF ALL ONE-WELL BONDS:

For Chaves, Eddy, Lea, McKinley, Rio Arriba, Roosevelt, Sandoval, and San Juan counties ONLY:

\$5,000 plus \$1 per foot of projected depth of proposed well or measured depth of existing well.

For all counties EXCEPT Chaves, Eddy, Lea, McKinley, Rio Arriba, Roosevelt, Sandoval, and San Juan:

\$10,000 plus \$1 per foot of projected depth of proposed well or measured depth of existing well.

Send the ORIGINAL bond to the Financial Assurance Administrator. If you have questions, she can be reached at 505-476-3453 or by email at denise.gallegos@state.nm.us.

TRANSFERRING WELLS INTO YOUR ORGANIZATION (CHANGE OF OPERATOR):

The Operator Change function in OCD Online is used to change the responsible party for wells. This can be the result of the sale of the properties, a merger, assignment by a court, a sale, a change of operator pursuant to the terms in an operating agreement, or any other circumstance that results in a different person or entity assuming control of a well or wells. Wells will be moved from one OGRID code (the prior operator's) to another OGRID code. The new operator may need to obtain an OGRID code and obtain a plugging bond.

This transfer can only be done using OCD Online, the electronic permitting system. Both operators will need user ids for OCD Online.

To Obtain a User ID for OCD Online

1. Go to OCD's web site www.emnrd.state.nm.us/ocd and select OCD Online, then E-Permitting. Toward the bottom of the page you will see a link in blue that says "Sign up to be an Operator Administrator." Your company must have an OGRID and be registered as a well operator to obtain a user id. The previous sections of this document tell you how to do that.
2. First, select your organization's name from the pull-down list. At this point the application will tell you if your company already has an Operator Administrator. If you do not, then read the instructions and fill in the information on the screen.
3. When you have filled in all of the information, press [click here to print the request](#). This will print the form **so the Duly Authorized Representative AND the Operator Administrator can sign the form**. Scan and email the signed form to denise.gallegos@state.nm.us or FAX the form to 505/476-3462. When the OCD receives your email/fax, it will give you a user id. You will be notified of the user id and the password by e-mail.

OCD Online Operator Change Steps

Both buyer and seller must be a bonded operator and have an operator administrator. Please read every step. **If you are wondering why your permit is still in DRAFT status, please read this again and make sure you followed every step.** The change is not complete, effective and valid until the C-145 is stamped "Approved" by OCD.

You may view your permit by going to OCD Online and then click on EPERMITTING. Click on PERMIT STATUS. You can either find your company by clicking the arrow box or put in your OGRID Number. Scan down to PERMIT TYPE and click on Change of Operator. Then click FILTER. This brings up all the permits submitted by your company for change of operator. You will see the permit you are seeking. Click on the

VIEW button next to it. Then Click on VIEW FORMS and you can view the C-145. If it is stamped approved by the OCD, you can print for your records. This gives you the valid date of approval and change.

1. Both operators must have OGRIDs and be registered as users of OCD Online (see above).
2. Either operator may log on first and enter the “from operator” and “to operator” and other information.
3. Next go to the **Select Properties** tab and click on the properties of interest. If all wells are transferring, use Select All at the bottom. Wells and properties may be added or deleted at any time before submission.
4. Go to the **Select Wells** tab. If all wells in the selected properties are transferring, click Select All at the bottom. If not, click on each well. If you intend to transfer all wells in a property, please do it in one transaction. Additional bonding may appear on the right. This means that the well is on state or fee land and has been inactive for 24 months. This bonding must be obtained before the operator change will be approved.
5. Look at the **View Forms** tab and the List of Wells Affected by Change to ensure that you are transferring the wells you intend to.
6. Go to the **Warnings** tab to see if there are any warnings other than not yet having certified.
7. At this point, **print the C-145** by going to **View Forms** and selecting View Operator Change Form. Both the “from” operator and the “to” operator must sign this. The form must be signed by employees of each company, not agents. After it is signed, all three pages must be scanned in and attached to this permit, or faxed to the appropriate district office. That office’s fax number appears on the C-145. If you fax the form, check the box on the Submit Form page that says you will mail or fax it.

Do not attach the list of wells transferring. The C-145 must have the same permit number in the top right corner as the permit number being submitted in OCD Online.

8. The user must press the Certify button for your OGRID to certify that the list of wells is what you intend to transfer or receive.
9. Next, the other operator must sign on. Go to the **Submit Form** tab and Certify that the list of wells is correct. If either operator changes the wells to be transferred, both operators will have to certify again.

10. If both companies have a property with the same name, the receiving company will see a screen which allows them to keep the same property name, change to another existing property or name a new property.
11. When both operators have Certified, **the Submit button will appear**. Either operator may press it.
12. After submission, you can see your permit under Permit Status. If you need to change the list of wells, you may unsubmit the permit.
13. The permit will be rejected if you have not yet supplied additional bonding or if you are not in compliance with other aspects of rule 5.9. When your bonding is in place, you may go back to your original permit by selecting **Submit Forms, Other, Operator Change, and Edit** for the Rejected permit.
14. The new operator should pull a new well list to get the new property numbers.

Operator Information Tab

This screen shows the “from” and “to” operator, the effective date of the change, and contact information. Required information has an asterisk.

Select Properties Tab

Click on the properties with wells that are transferring. If all wells are transferring, use the Select All button at the bottom.

Select Wells Tab

Click on the wells that are transferring. You may see additional bonding appear for inactive wells on state and fee land; bonds must be obtained for these amounts. If all wells in the selected properties are transferring, use the Select All button at the bottom.

Warnings Tab

Warnings show if some information is missing or appears to be incorrect. You may see a warning about either not attaching the signed C-145 or not indicating that you will mail or fax it.

Submit Form Tab

On this page you can attach all three pages of your scanned .tif file of the C-145 signed by both operators or indicate that you will mail or fax it to the office printed on the form. Do not attach the list of wells transferring.

You will also Certify that the list of wells is what you agree are transferring. Both the “to” and the “from” operators must certify. When both have Certified, a Submit button will appear at the bottom of the screen. Press that to submit.

If either operator changes the list of selected wells, both operators have to certify again.

View Forms Tab

Under this option you can view and print the C-145, the list of wells transferring, and the wells in those properties that are and are not transferring.

STEPS TO CREATE A NAME CHANGE

1. If a name change is sought, corporate documentation must be faxed to OCD Attorney at (505) 476-3462 for confirmation that it is indeed a name change. If the attorney confirms it to be a name change, then the OGRID will remain the same. If the attorney confirms it to be a change of operator then steps for Change of Operator must be followed and a new OGRID will be issued.
2. The new name must be registered with the Secretary of State.
3. This documentation will be sent to New Mexico State Land Office and Taxation and Revenue for their approval.
4. When confirmed that it is indeed a name change, then riders to the existing bonds must be submitted changing the name of principal to read the new name or new bonds with the new name must be submitted - (Surety/Letters of Credit). In the case of a cash bonds, new forms must be submitted reflecting the new name as there are no riders.
5. Operator Administrator for the company must sign in with her/his user id to create the change online. Sign In and click on OTHER. Click on New Change of Name. Fill in the information requested.
 - A. Current Operator Name
 - B. New Operator Name
 - C. New Short Name (First Word of Company)
 - D. Click appropriate box registered with SOS
 - E. Effective date of change
 - F. Print the C-146 and have it signed and faxed to (505) 476-3462
 - G. Check off the box that you are faxing the form
 - H. Click on SUBMIT button
6. OCD's Financial Assurance Coordinator will enter the date received of the C-146 and the bonding. The riders or new bonds will be approved and you will receive an approval letter. The Financial Assurance Coordinator will approve the online Change of Name and will change the name on the OGRID to reflect the new name. The status of the permit can be viewed under OCD Online Permit Status.