

III. 104. B/c

Proposed Rules 104.B and C

104.B. ACREAGE AND WELL LOCATION REQUIREMENTS FOR OIL WELLS

- (1) Any wildcat well which is projected as an oil well to a formation and in an area that, in the opinion of the division representative approving the application to drill, may reasonably be presumed to be productive of oil rather than gas, or, unless otherwise provided in special pool rules, each development well for a defined oil pool shall be located on a tract consisting of approximately 40 surface contiguous acres substantially in the form of a square which is a legal subdivision of the U.S. Public Land Surveys, or on a governmental quarter-quarter section or lot, and shall be located not closer than ~~330~~ **(220)** feet to any boundary of such tract. Only those 40-acre units committed to active secondary recovery projects shall be permitted more than four wells.
- (2) In the event a well drilled as an oil well is completed as a gas well and is located accordingly but does not conform to the applicable gas well location rules, it shall be necessary for the operator to apply for administrative approval for a non-standard location before the well can produce. The Director may set an application for hearing.

104.C. ACREAGE AND WELL LOCATION REQUIREMENTS FOR GAS WELLS:

Any wildcat well which is projected as a gas well to a formation and in an area that, in the opinion of the division representative approving the application to drill, may reasonably be presumed to be productive of gas rather than oil, or, unless otherwise provided in special pool rules, each development well for a defined gas pool shall be spaced and located in accordance to the following.

- (1) **640-ACRE SPACING**: Shall apply to those deep gas wells in the San Juan Basin Area (Rio Arriba, San Juan, Sandoval, and McKinley Counties), that are projected to a gas producing horizon or wells within a defined gas pool in a formation older than the Dakota formation (below the base of the Cretaceous period), which pool was created and defined by the Division after June 1, 1997, and located **within** the surface outcrop of the Pictured Cliffs formations (i.e., the "San Juan Basin") shall be located on a designated drilling tract consisting of 640 contiguous surface acres, more or less, substantially in the form of a square which is a section, being a legal subdivision of the U.S. Public Land Survey, and shall be located not closer than 1200 feet to any outer boundary of the tract nor closer than 130 feet to any quarter section line nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.
- (2) **320-ACRE SPACING**: Shall apply to deep gas wells in southeast New Mexico (Lea, Chaves, Eddy, and Roosevelt Counties), defined as wells that are projected to a gas producing horizon or wells within a defined gas pool in the Wolfcamp and older formations shall be located on a

drilling tract consisting of 320 surface contiguous acres, more or less, comprising any two contiguous quarter sections of a single governmental section, being a legal subdivision of the U.S. Public Land Surveys (for the purpose of this rule, "side" boundary is defined as one of the outer boundaries running lengthwise to the tract's greatest overall dimensions; "end" boundary is defined as one of the outer boundaries perpendicular to a side boundary and closing the tract across its least overall dimension). The initial well on a 320-acre unit shall be located not closer than 660 feet to the outer boundary of the quarter section on which the well is located and not closer than 10 feet to any quarter-quarter section line or subdivision inner boundary. One and only one single infill well on a 320-acre unit is allowed provided however the infill well is located in the opposite quarter section of the 320-acre unit not containing a well and shall be located not closer than 660 feet to the outer boundary of the quarter section on which the well is located and not closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

- (3) **160-ACRE SPACING:** Shall apply to all other gas wells not covered by the above-described provisions, including: (i) shallow gas wells in southeast New Mexico (defined as wells that are projected to a gas producing horizon or wells within a defined gas pool in a formation younger than the Wolfcamp formation); (ii) shallow gas wells in the San Juan Basin Area (defined as wells that are either projected to a gas-bearing horizon in a formation younger than the Dakota formation or in a gas pool in a formation younger than the Dakota formation which was created and defined by the Division after March 1, 1997; and (iii) those deep gas wells in the San Juan Basin Area (defined as those wells that are located outside of the surface outcrop of the Pictured Cliffs formation): and are to be located in a designated drilling tract consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section, being a legal subdivision of the U.S. Public Land Surveys, with wells to be located not closer than 660 feet to any outer boundary of such tract nor closer than 10 feet to any quarter-quarter section or subdivision inner boundary.