

## VI. History

**ORDER NO. 850**

**CASE NO. 189**

**December 9, 1949**

BEFORE THE OIL CONSERVATION  
COMMISSION OF THE STATE OF  
NEW MEXICO

IN THE MATTER OF THE HEARINGS CALLED  
BY THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO FOR THE  
PURPOSE OF CONSIDERING:

00231

CASE NO. 189  
ORDER NO. 850

RULES AND REGULATIONS

ORDER OF THE COMMISSION

BY THE COMMISSION:

After due notice and hearings in Santa Fe, New Mexico on September 7, 1949 and November 1, 1949, the Commission finds that certain rules, regulations and orders should be adopted and others repealed.

IT IS THEREFORE ORDERED:

1. All rules, regulations and orders heretofore issued by the Commission are repealed and rescinded, effective January 1, 1950, except the following orders which are of a special nature and are not of statewide application, they being:

- a. All orders heretofore issued granting permission for specific un-orthodox locations.
- b. Orders relating to approval of unit agreements No. 570, 583, 603, 602, 628, 629, 648, 655, 656, 676, 677, 684, 706, 717, 731, 737, 755, 759, 772, 774, 786, 794, 796, 836.
- c. Orders relating to Carbon Black Plants No. 650, 651, 724, 806.
- d. Orders relating to spacing in the Fulcher Basin Pool No. 541, 647, 748, 815.
- e. Orders relating to specific five (5) spot locations No. 733, 819, 826, 821, 828, 844.
- f. Order No. 779 relating to spacing in the Blanco Pool.
- g. Orders relating to specified pressure maintenance projects as follows:
  - (1) Loco Hills Pressure Maintenance Association, 339, 484, 498, 540, 562.
  - (2) Maljamar Cooperative Repressuring Agreement, 485, 495, 736, 793.
  - (3) Grayburg Unit Association, 659, 791, 802.
  - (4) Culbertson-Irwin Pressure Maintenance Project, 388.
  - (5) Langlie Unitized Pressuring Project, 340.
- h. Orders relating to pooling of interests in specified leases, No. 739, 780.
- i. Order No. 795 relating to a specific tank battery.
- j. Orders relating to dual completions on specified wells, No. 740, 750, 801, 810, 816, 829, 838.

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- k. Order No. 831 rescinding the bonus discovery allowable.
- l. Order No. 779 relating to 80-acre spacing in the Crossroads Pool.
- m. Section 2 of Order No. 835, relating to gas-oil ratios.
- n. Order 846, establishing 80-acre spacing in Bagley-Hightower pool.
- o. Order 33, relating to the proration plan for Monument Pool, Lea County, New Mexico.
- p. Order 398, relating to proration plan for Hobbs Pool.
- q. Orders No. 66 and 67, relating to carbon dioxide.

2. This order shall not affect in any way the validity of any state-wide proration order heretofore issued.

3. An exception from the rules and regulations hereby adopted is granted until March 31, 1950, as to all presently existing oil and gas wells that have been in the past and are presently operated or the products thereof utilized in a manner differing from the requirements herein, but in compliance with former rules and regulations. If during said period the operator of any such well files with the Commission an application for a permanent exception for such well from the requirements of these rules and regulations, the temporary exception herein granted shall continue in force until the Commission has acted on such application.

4. The following rules and regulations are hereby adopted, effective January 1, 1950.

DONE at Santa Fe, New Mexico on this 9th day of December, 1949.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

THOMAS J. MABRY, CHAIRMAN

GUY SHEPARD, MEMBER

R. R. SPURRIER, SECRETARY

### **RULE 103. SIGN ON WELLS**

Every drilling and producible well shall be identified by a sign, posted on the derrick or not more than 20 feet from such well, and such signs shall be of durable construction and the lettering thereon shall be kept in a legible condition and shall be large enough to be legible under normal conditions at a distance of 50 feet. The wells on each lease or property shall be numbered in non-repetitive, logical and distinctive sequence. Each sign shall show the number of the well, the name of the lease (which shall be different or distinctive for each lease), the name of the lessee, owner or operator, and the location by quarter section, township and range.

### **RULE 104. WELL SPACING; ACREAGE REQUIREMENTS FOR DRILLING TRACTS**

(a) Each well drilled not within the limits of a defined oil pool or a defined gas pool shall be located on a tract consisting of not less than 40 surface contiguous acres substantially in the form of a square and shall be drilled not closer than 660 feet to any boundary line of said tract.

(b) Each well drilled within a defined oil pool shall be located on a tract consisting of approximately 40 surface contiguous acres substantially in the form of a square in accordance with the legal subdivision of the United States Public Land Surveys or on a governmental quarter quarter section or lot and shall not be drilled closer than 330 feet to any boundary line of such tract or closer than 660 feet to the nearest well drilling to or capable of producing from the same pool.

(c) Each well drilled within a defined gas pool shall be located on a tract consisting of approximately 160 surface contiguous acres substantially in the form of a square in accordance with the legal subdivisions of the United States Public Land Surveys and shall not be drilled closer than 660 feet to any boundary line of the tract or closer than 1320 feet to a well drilling to or capable of producing from the same pool.

(d) Wells drilled not in conflict with the three preceding paragraphs are orthodox locations.

(e) The Commission may grant an exception to the above requirements whenever the Commission shall determine after notice and hearing that the unit is partly outside a defined oil pool or a defined gas pool or for some other reason a well so located on the unit would be non-productive or topographical conditions are such as to make the drilling of such location unduly burdensome or that such exception is necessary to prevent waste or the confiscation of property. Application for an exception shall be accompanied by a plat drawn to the scale of 1-inch equals 660 feet accurately showing to scale the property on which the exception is sought and accurately showing to scale all other completed drilling and permitted wells on this property and all adjoining surrounding properties. The application shall be verified by some person acquainted with the facts and sworn to before a notary public. In addition to the published notice of the hearing elsewhere herein required, a 10-days written notice shall be given by the Commission by mailing by registered mail to all adjoining lessees. The names and addresses of such adjoining lessees shall be given in the application.

(f) The Secretary of the Commission shall have authority to grant an exception to the requirements of (a), (b) and (c) above without notice and hearing where application has been filed in due form and

1. The necessity for the unorthodox location is based on topographical conditions, and
2. a) The ownership of all oil and gas leases within a radius of 660 feet of the proposed location is common with the ownership of the oil and gas leases under the proposed location, or  
b) All owners of oil and gas leases within such radius consent in writing to the proposed location.

(g) Whenever an exception is granted, the Commission may take such action as will offset any advantage which the person securing the exception may obtain over other producers by reason of the unorthodox location.

(h) If the drilling tract is within an allocated oil pool or is placed within such allocated pool at any time after completion of the well and the drilling tract consists of less than  $39\frac{1}{2}$  acres or more than  $40\frac{1}{2}$  acres, the top unit allowable for such well shall be increased or decreased in the proportion that the number of acres in the drilling tract bears to 40.

(i) If the drilling tract is within an allocated gas pool or is placed within such allocated pool at any time after completion of the well and the drilling tract consists of less than 158 acres or more than 162 acres, the top unit allowable for such well shall be increased or decreased in the proportion that the number of acres in the drilling tract bears to 160.

(j) In computing acreage under (h) and (i) above, minor fractions of an acre shall not be counted but  $\frac{1}{2}$  acre or more shall count as 1 acre.

(k) The provisions of (h), (i) and (j) above shall apply only to wells completed after the effective date of this rule. Nothing herein contained shall affect in any manner any well completed prior to the effective date of this rule and no adjustments shall be made in the allowable production for any such wells by reason of these rules.

(l) In order to prevent waste the Commission may, after notice and hearing, fix different spacing requirements and require greater acreage for drilling tracts in any defined oil pool or in any defined gas pool notwithstanding the provisions of (b) and (c) above.

#### **RULE 105. PIT FOR CLAY, SHALE AND DRILL CUTTINGS**

In order to assure a supply of proper material for mud-laden fluid to confine oil, gas, or water to their native strata during the drilling of any well, operators shall provide before drilling is commenced an adequate pit for the accumulation of drill cuttings.

#### **RULE 106. SEALING OFF STRATA**

(a) During the drilling of any oil or natural gas well, all oil, gas, and water strata above the producing horizon shall be sealed or separated in order to prevent their contents from passing into other strata.

(b) All fresh waters and waters of present or probable value for domestic, commercial or stock purposes shall be confined to their respective strata and shall be adequately protected by methods approved by the Commission. Special precautions by methods satisfactory to the Commission shall be taken in drilling and abandoning wells to guard against any loss of artesian water from the strata in which it occurs, and the contamination of artesian water by objectionable water, oil or gas.

(c) All water shall be shut off and excluded from the various oil and gas bearing strata which are penetrated. Water shut-offs shall ordinarily be made by cementing casing or landing casing with or without the use of mud-laden fluid.

#### **RULE 107. CASING AND TUBING REQUIREMENTS**

(a) All wells drilled for oil or natural gas shall be completed with a string of casing which shall be properly cemented at a sufficient depth adequately to protect the oil or natural gas-bearing stratum to be produced. In addition thereto, such other casing shall be used in order to seal off all oil, gas, and water stratum which may be encountered in the well, except the one or ones to be produced.

(b) Sufficient cement shall be used on surface casing to fill the annular space back of the casing to the bottom of the cellar or to the surface of the ground. Surface casing shall stand cemented for at least 24 hours before drilling plug or initiating tests. All other strings of casing shall stand cemented for at least 30 hours before drilling plug or initiating tests. Cementing shall be by pump and plug method, or other method approved by the Commission.

(c) All flowing wells shall be tubed, the tubing shall be set as near the bottom as practical, but tubing perforations shall not be more than 250 feet above the top of pay, unless authorized by the Commission. The bottom of the tubing shall be restricted to an opening of less than one inch or bull plugged in order to prevent loss of pressure bombs or other devices.

#### **RULE 108. DEFECTIVE CASING OR CEMENTING**

In any well that appears to have a defective casing program, faulty cemented or corroded casing which will permit or may create underground waste, the operator shall proceed with diligence to use the appropriate method and means to eliminate such hazard of underground waste. If such hazard of waste cannot be eliminated, the well shall be properly plugged and abandoned.

#### **RULE 109. BLOW-OUT PREVENTION**

In drilling in areas where high pressures are likely to exist, all proper and usual precautions shall be taken for keeping the well under control, including the use of blow-out preventers and high pressure fittings attached to properly cemented casing strings.

#### **RULE 110. PULLING OUTSIDE STRINGS OF CASING**

In pulling outside strings of casing from any oil or gas well, the space outside the casing left in the hole shall be kept and left full of mud-laden fluid or cement of adequate specific gravity to seal off all fresh and salt water strata and any strata bearing oil or gas not producing.

**ORDER NO. R-169**

**CASE NO. 373**

**June 19, 1952**

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

CASE NO. 373  
ORDER NO. R-169

THE APPLICATION OF THE OIL  
CONSERVATION COMMISSION OF NEW  
MEXICO UPON ITS OWN MOTION FOR  
AN ORDER EXTENDING RULE 104 OF  
THE COMMISSION'S RULES AND  
REGULATIONS, THE EXTENSION RELATING  
TO THE POOLING OF FRACTIONAL LOTS OF  
20.49 ACRES OR LESS WITH ANOTHER OIL  
PRORATION UNIT.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing on May 20, 1952, at 9:00 a. m. at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on the 19th day of June, 1952, the Commission, a quorum being present, having considered the testimony adduced at the hearing and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That there is need for an extension of Rule 104 of the Commission's Rules and Regulations to allow the Commission to approve the pooling of fractional lots of 20.49 acres or less with another proration unit without notice and hearing, provided certain requirements are met.

IT IS THEREFORE ORDERED:

That Rule 104 of the Commission's Rules and Regulations be and the same hereby is extended as follows:

RULE 104. (m) The Commission may approve the pooling for communitization of fractional lots of 20.49 acres or less with another oil proration unit when:

1. The units involved are contiguous;

2. Part of the same basic lease, carrying the same royalty interest; and

3. The ownership of the units involved is common.

Application to the Commission for pooling shall be accompanied by three (3) copies of a certified plat showing the dimensions and acreage involved in the pooling, the ownership of all leases and royalty interests involved, and the location of any proposed wells.

Applicants shall furnish all operators who directly offset the units involved with a copy of the application to the Commission, and applicant shall include with his application a written stipulation that all offset operators have been properly notified. In this instance, offset operators shall include only those operators who have offset properties within the State of New Mexico. The Commission shall wait at least ten (10) days before approving any such pooling, and shall approve such pooling only in the absence of objection from any offset operator. In the event that an operator objects to the pooling, the Commission shall consider the matter only after proper notice and hearing.

The Commission may waive the ten-day waiting period requirement if the applicant furnishes the Commission with the written consent to the pooling by all offset operators involved.

The Commission may consider that the requirements of subparagraphs 2 and 3 of Paragraph (m) of this rule have been fulfilled if the applicant furnishes with each copy of each application to the Commission a copy of an executed pooling agreement communitizing the units involved.

Each well drilled on any communitized tract shall be located in the approximate geographical center of the combined units with a tolerance of 150 feet for topographical conditions, but in any event shall not be located closer than 330 feet to the outer boundaries of the proposed proration unit or communitized tract.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

EDWIN L. MECHEM, Chairman

GUY SHEPARD, Member

R. R. SPURRIER, Secretary

S E A L

**ORDER NO. R-238**

**CASE NO. 226**

**December 29, 1952**

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING CALLED  
BY THE OIL CONSERVATION COMMISSION  
OF NEW MEXICO FOR THE PURPOSE OF  
CONSIDERING:

CASE NO. 226  
ORDER NO. R-238

THE APPLICATION OF THE NEW MEXICO OIL  
CONSERVATION COMMISSION, UPON ITS OWN  
MOTION, FOR THE GENERAL REVIEW, RESTATE-  
MENT AND/OR AMENDMENT OF ANY AND ALL PARA-  
GRAPHS OF RULE 104 PROMULGATED BY ORDER 850,  
EFFECTIVE JANUARY 1, 1950, AND SET OUT WITHIN  
RULES AND REGULATIONS EFFECTIVE JANUARY 1, 1950.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing on July 6, 1950 at 10:00 o'clock a. m. at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission".

NOW, on the 29th day of December, 1952, the Commission, a quorum being present, having considered the testimony adduced at the hearing and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That there is need for a revision of Paragraphs (a), (b), (c), (d) and (e) of Rule 104 of the Commission's Rules and Regulations.

IT IS THEREFORE ORDERED:

That Paragraphs (a), (b), (c), (d) and (e) of Rule 104 of the Commission's Rules and Regulations be and the same hereby are amended and revised as follows:

RULE 104. WELL SPACING; ACREAGE REQUIREMENTS FOR DRILLING TRACTS.

- (a) Any well drilled a distance of one mile or more from the outer boundary of any defined oil or gas pool shall be classified as a wildcat well. Any well drilled less than one mile from the outer boundary of a defined oil or gas pool shall be spaced, drilled, operated and produced in accordance with the regulations in effect in said oil or gas pool.
- (b) Any well classified as a wildcat shall be located on a tract of not less than 40 surface contiguous acres substantially in the form of a square which is a quarter quarter section or lot being a legal subdivision of the U. S. Public Land Survey and shall be

within 100 feet of the center of the 40-acre subdivision, except in San Juan, Rio Arriba and McKinley Counties where a wildcat well shall be located on not less than 160 surface contiguous acres substantially in the form of a square which is a quarter Section or lot being a legal subdivision of the U. S. Public Land Survey and shall not be located closer than 660 feet to the outer boundaries nor closer than 330 feet to the inner boundaries of the governmental quarter quarter section upon which it is drilled.

- (c) Each well drilled within 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 not be drilled closer than 330 feet to any boundary line of such tract or closer than 660 feet to the nearest well drilling to or capable of producing from the same pool.
- (d) Each well drilled within a defined gas pool shall be located on a tract consisting of not less than a quarter section of approximately 160 surface contiguous acres substantially in the form of a square which shall be a legal subdivision (quarter section) of the U. S. Public Land Surveys and shall not be drilled closer than 660 feet to any outer boundary line of the tract nor closer than 330 feet to any quarter quarter section or subdivision inner boundary nor closer than 1320 feet to a well drilling to or capable of producing from the same pool.
- (e) Notice of Intention to Drill (Form C-101) for any well shall designate the exact legal subdivisions allotted to the well and no C-101 shall be approved by the Commission or any of its agents without proper designation of acreage.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

/s/ Edwin L. Mechem

/s/ Guy Shepard, Member

/s/ R. R. Spurrier, Secretary

S E A L

**ORDER NO. R-397**

**CASE NO. 598**

**December 17, 1953**

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

CASE NO. 598  
Order No. R-397

THE APPLICATION OF THE OIL  
CONSERVATION COMMISSION UPON  
ITS OWN MOTION FOR A REVISION  
OF RULE 104 (b) PERTAINING IN  
PART TO WELL SPACING IN SAN  
JUAN, RIO ARRIBA, SANDOVAL AND  
McKINLEY COUNTIES, NEW MEXICO  
AND FOR A REVISION OF ORDERS R-59,  
R-46 AND R-110 PERTAINING TO  
SPACING OF GAS WELLS TO BE DRILLED  
TO THE PICTURED CLIFFS FORMATION  
AND TO THE MESAVERDE FORMATION.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This case came on for hearing at 9 o'clock a. m. , on October 15, 1953, at Santa Fe, New Mexico, before the Oil Conservation Commission, hereinafter referred to as the "Commission".

NOW, on this 17th day of December, 1953, the Commission, a quorum being present, having considered the records and the testimony adduced and being fully advised in the premises,

FINDS:

(1) That the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That there is need for a revision of Rule 104, Paragraph (b) of the Commission's Rules and Regulations; and for a revision of Commission Orders R-46, R-59, and R-110, pertaining to the spacing of gas wells in gas pools producing from the Pictured Cliffs and Mesaverde formation.

IT IS THEREFORE ORDERED:

(1) That the application of the Oil Conservation Commission be and the same hereby is approved.

(2) That Rule 104, Paragraph (b) of the Commission's Rules and Regulations be and the same hereby is revised as follows:

"RULE 104 (b): Any well classified as a wildcat shall be located on a tract of not less than 40 surface contiguous acres substantially in the form of a square which is a quarter quarter section or lot, being a legal subdivision of the U. S. Public Land Surveys and shall be located within 100 feet of the center of the 40 acre subdivision, except in San Juan, Rio Arriba and Sandoval Counties, where a wildcat well shall be located on a designated drilling tract of not less than 160 surface contiguous acres substantially in the form of a square which is a quarter section being a legal subdivision of the U. S. Public Land Surveys, and shall be located 990 feet from the outer boundary line of the tract provided however that a tolerance of 200 feet is permissible."

(3) That those portions of Orders R-46 and R-59 pertaining to the spacing of gas wells within the defined limits of gas pools producing from the Pictured Cliffs formation be and the same hereby are amended and revised as follows:

"Any well drilled within the defined limits of a designated gas pool producing from the Pictured Cliffs formation shall be located on a designated drilling tract consisting of not less than a quarter section of approximately 160 surface contiguous acres substantially in the form of a square which is a quarter section being a legal subdivision of the U. S. Public Land Surveys, and shall be located 990 feet from the outer boundary line of the quarter section, provided however that a tolerance of 200 feet is permissible."

(4) That Paragraph (c) of Section 1 of Order R-110 pertaining to the location of wells drilled within the defined limits of the Blanco Mesaverde Gas Pool be and the same hereby is amended and revised as follows:

"Section 1. (c) Such well shall be located 990 feet from the outer boundary of either the northeast or southwest quarter of the section, subject to variation of 200 feet for topographic conditions. Further tolerance shall be allowed by the Commission only in cases of extremely rough terrain where compliance would necessarily increase drilling costs.

DONE at Santa Fe, New Mexico on the day and year hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

EDWIN L. MECHEM, Chairman

E. S. WALKER, Member

R. R. SPURRIER, Member and Secretary

S E A L

**ORDER NO. R-855**

**CASE NO. 1104**

**August 10, 1956**

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF THE STATE OF NEW  
MEXICO FOR THE PURPOSE OF  
CONSIDERING:

CASE NO. 1104  
Order No. R-855

THE APPLICATION OF THE OIL  
CONSERVATION COMMISSION UPON  
ITS OWN MOTION FOR AN ORDER  
AMENDING PARAGRAPHS (a), (b), (d),  
AND (f) OF RULE 104 OF THE STATE-  
WIDE RULES AND REGULATIONS.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This case came on for hearing at 9 o'clock a.m., on July 18, 1956, at Santa Fe, New Mexico, before the Oil Conservation Commission, hereinafter referred to as the "Commission."

NOW, on this 10th day of August, 1956, the Commission, a quorum being present having considered the records and the testimony adduced and being fully advised in the premises,

FINDS:

(1) That due notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant by the preponderance of the evidence proved the need for a revision of Rule 104, Paragraphs (a), (b), (d), and (f) of the Commission's Rules and Regulations.

IT IS THEREFORE ORDERED:

(1) That the application of the Oil Conservation Commission for an order amending paragraph (a), (b), (d), and (f) of Rule 104 of the Statewide Rules and Regulations be and the same is hereby approved.

(2) That Rule 104 of the Statewide Rules and Regulations be and the same is hereby amended so that paragraphs (a) through (f) shall read as follows:

RULE 104: WELL SPACING: ACREAGE REQUIREMENTS FOR DRILLING TRACTS

(a) Any well which is to be drilled a distance of one mile or more from another well which has produced oil or gas from the formation to which the proposed well is projected, or one mile or more from the outer boundary of any defined pool which has produced oil or gas from the formation to which the proposed well is projected, shall be classified as a wildcat well. Any well which is to be drilled less

than one mile from the outer boundary of a defined oil or gas pool which has produced oil or gas from the formation to which the proposed well is projected shall be spaced, drilled, operated, and prorated in accordance with the regulations in effect in the nearest such pool, provided that the well is completed in the formation to which it was projected. Provided further, that any well completed in a formation other than the one to which it was originally projected shall be operated and prorated in accordance with the rules and regulations in effect in the nearest pool within one mile which is producing from the formation in which said well is completed. If there is no designated pool for the aforesaid formation within one mile, the well shall be classified as a wildcat well.

(b) (1) Any well classified as a wildcat shall be located on a tract consisting of approximately 40 surface contiguous acres substantially in the form of a square which is a quarter-quarter section or lot, being a legal subdivision of the U. S. Public Land Surveys and shall be located not closer than 330 feet to any boundary line of such tract, except as noted in paragraph (2) below.

(2) In San Juan, Rio Arriba, and Sandoval Counties, a wildcat well which is projected to a known gas producing horizon shall be located on 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, and shall be located 990 feet from the outer boundaries of the tract, provided however, that a tolerance of plus or minus 200 feet is permissible. Provided further, that no well shall be drilled closer than 130 feet to any quarter-quarter section or subdivision inner boundary. Provided further, that the district supervisor of the Commission shall have authority to grant approval for the spacing of any wildcat well in accordance with paragraph (b), subsection (1) above, when such wildcat well is projected to an oil-producing horizon as recognized by the Commission. In the event gas production is encountered in a well which was projected to an oil-producing horizon and which is located according to paragraph (b), sub-section (1) above but does not conform to the above-described gas well location rule, it shall be necessary for the operator to bring the matter to a hearing before approval for the production of gas can be given. In the event oil production is encountered in a well which was projected to a gas-producing horizon and which is located according to the above-described gas well location rule but does not conform to paragraph (b), sub-section (1) above, it shall be necessary for the operator to bring the matter to a hearing before approval for the production of oil can be given.

(c) Each well drilled within 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 United States Public Land Surveys or on a governmental quarter-quarter section or lot and shall not be drilled closer than 330 feet to any boundary line of such tract or closer than 660 feet to the nearest well drilling to or capable or producing from the same pool.

(d) (1) Each well drilled within a defined gas pool shall be located on 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 and shall not be drilled closer than 660 feet to any outer boundary line of the tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary nor closer than 1320 feet to a well drilling to or capable of producing from the same pool, except as noted in paragraph (2) below.

(2) In San Juan, Rio Arriba, and Sandoval Counties, a well drilled within a defined gas pool shall be located on 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, and shall be located 990 feet from the outer boundaries of the tract, provided however,

that a tolerance of plus or minus 200 feet is permissible. Provided further, that no well shall be drilled closer than 130 feet to any quarter-quarter section or subdivision inner boundary.

(e) Notice of Intention to Drill (C-101) for any well shall designate the exact legal subdivision allotted to the well and no C-101 will be approved by the Commission or any of its agents without proper designation of acreage.

(f) The Secretary of the Commission shall have authority to grant an exception to the well location requirements of (b), (c), and (d) above without notice and hearing where application has been filed in due form and

1. The necessity for the unorthodox location is based on topographical conditions, and

2. (a) The ownership of all oil and gas leases within a radius of 660 feet of the proposed location is common with the ownership of the oil and gas leases under the proposed location, except in San Juan, Rio Arriba, and Sandoval Counties where the radius shall be 790 feet from the proposed location, or

(b) All owners of oil and gas leases within such radius consent in writing to the proposed location.

(c) In lieu of paragraph 2 (b) of this rule the applicant may furnish proof of the fact that said offset operators were notified by registered mail of his intent to drill an unorthodox location. The Secretary-Director of the Commission may approve the application if, after a period of twenty days following the mailing of said notice, no operator has made objection to the drilling of the unorthodox location.

IT IS FURTHER ORDERED:

That Rule 104, paragraphs (g) through (m), of the Statewide Rules and Regulations remain unchanged.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

JOHN F. SIMMS, Chairman

E. S. WALKER, Member

A. L. PORTER, Jr., Secretary & Member

S E A L

**ORDER NO. R-2707**

**CASE NO. 3044**

**May 25, 1964**

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

CASE No. 3044  
Order No. R-2707

IN THE MATTER OF THE HEARING CALLED  
BY THE OIL CONSERVATION COMMISSION  
ON ITS OWN MOTION TO CONSIDER THE  
AMENDMENT OF CERTAIN RULES.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on May 13, 1964, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 25th day of May, 1964, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That in Lea, Chaves, Eddy, and Roosevelt Counties, New Mexico, a gas well completed in a formation no deeper than the top of the Pennsylvanian formation will efficiently and economically drain and develop a 160-acre tract.

(3) That in Lea, Chaves, Eddy, and Roosevelt Counties, New Mexico, a gas well completed in the Pennsylvanian formation or a deeper formation will efficiently and economically drain and develop a 320-acre tract.

(4) That Rule 104 of the Commission Rules and Regulations should be amended to permit the dedication of 160 acres to a gas well in Lea, Chaves, Eddy, and Roosevelt Counties, New Mexico, projected to or completed in a formation no deeper than the top of the Pennsylvanian formation.

(5) That Rule 104 of the Commission Rules and Regulations should also be amended to permit the dedication of 320 acres to

a gas well in Lea, Chaves, Eddy, and Roosevelt Counties, New Mexico, projected to or completed in the Pennsylvanian formation or a deeper formation.

(6) That Rule 104 of the Commission Rules and Regulations should also be amended to establish a testing procedure to determine whether a well in Lea, Chaves, Eddy, and Roosevelt Counties, should properly be classified as a gas well upon completion.

(7) That amendment of Rule 104 as set out above will prevent the economic loss caused by the drilling of unnecessary wells, will avoid the augmentation of risks arising from the drilling of an excessive number of wells, will prevent reduced recovery which might result from the drilling of too few wells, and will otherwise prevent waste and protect correlative rights.

(8) That Rule 301 of the Commission Rules and Regulations should be amended to require a gas-oil ratio test to be taken within 20 to 30 days following completion or recompletion of an oil well and to be filed with the Commission within 10 days following completion of the test.

(9) That Rule 401 of the Commission Rules and Regulations should be amended to require gas wells which are not connected to a gas gathering facility to be tested within 30 days following the installation of a christmas tree and to require the test to be filed with the Commission within 10 days following completion of the test.

(10) That amendment of Rules 301 and 401 as set out above will enable the Oil Conservation Commission to more efficiently and effectively administer the laws of the State of New Mexico concerning the conservation of oil and gas, the prevention of waste, and the protection of correlative rights.

IT IS THEREFORE ORDERED:

(1) That Rule 104 of the Commission Statewide Rules and Regulations is hereby amended to read in its entirety as follows:

RULE 104. WELL SPACING: ACREAGE REQUIREMENTS FOR DRILLING TRACTS

A. CLASSIFICATION OF WELLS: WILDCAT WELLS AND DEVELOPMENT WELLS

Any well which is to be drilled a distance of one mile or more from (1) the outer boundary of any defined pool which has

produced oil or gas from the formation to which the well is projected, and (2) any other well which has produced oil or gas from the formation to which the proposed well is projected, shall be classified as a wildcat well.

Any well which is not a wildcat well as defined above shall be classified as a development well for the nearest pool which has produced oil or gas from the formation to which the well is projected. Any such development well shall be spaced, drilled, operated, and produced in accordance with the rules and regulations in effect in such nearest pool, provided the well is completed in the formation to which it was projected.

Any well classified as a development well for a given pool but which is completed in a producing horizon not included in the vertical limits of said pool shall be operated and produced in accordance with the rules and regulations in effect in the nearest pool within one mile which is producing from that horizon. If there is no designated pool for said producing horizon within one mile, the well shall be re-classified as a wildcat well.

B. ACREAGE AND WELL LOCATION REQUIREMENTS FOR WILDCATS

I. Lea, Chaves, Eddy, and Roosevelt Counties

(a) Wildcat Gas Wells

In Lea, Chaves, Eddy, and Roosevelt Counties, a wildcat well which is projected as a gas well to a formation and in an area which, in the opinion of the engineer or supervisor approving the application to drill, may reasonably be presumed to be productive of gas rather than oil shall be located on a 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, and shall be located not closer than 660 feet to any outer boundary of such tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary.

Provided however, that any such wildcat gas well which is projected to a formation of Pennsylvanian age or older 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. Any such

"deep" wildcat gas well to which is dedicated more than 160 acres shall be located not closer than 660 feet to the nearest side boundary of the dedicated tract nor closer than 1980 feet to the nearest end boundary nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary. (For the purpose of this rule, "side" boundary is defined as one of the outer boundaries running lengthwise to the tract's greatest overall dimension; "end" boundary is defined as one of the outer boundaries perpendicular to a side boundary and closing the tract across its least overall dimension.)

(b) Wildcat Oil Wells

In Lea, Chaves, Eddy, and Roosevelt Counties, a wildcat well which is not a wildcat gas well as defined above 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 feet to any boundary of such tract.

In the event gas production is encountered in a well which was projected as an oil well and which is located accordingly but does not conform to the above gas well location rule, it shall be necessary for the operator to bring the matter to a hearing before approval for the production of gas can be given.

II. San Juan, Rio Arriba, and Sandoval Counties

(a) Wildcat Gas Wells

In San Juan, Rio Arriba, and Sandoval Counties, a wildcat well which is projected to a gas-producing horizon shall be located on 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, and shall be located not closer than 790 feet to any outer boundary of the tract nor closer than 130 feet to any quarter-quarter section or subdivision inner boundary.

In the event oil production is encountered in a well which was projected to a gas-producing horizon and which is located accordingly but does not conform to the oil well location rule below, it shall be necessary for the operator to bring the matter to a hearing before approval for the production of oil can be given.

(b) Wildcat Oil Wells

A wildcat well which is projected to an oil-producing horizon as recognised by the Commission 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 feet to any boundary of such tract.

In the event gas production is encountered in a well which was projected to an oil-producing horizon and which is located accordingly but does not conform to the above gas well location rule, it shall be necessary for the operator to bring the matter to a hearing before approval for the production of gas can be given.

III. All counties except Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba, and Sandoval

Any wildcat well in any county other than Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba, and Sandoval 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 feet to any boundary of such tract.

C. ACREAGE AND WELL LOCATION REQUIREMENTS FOR DEVELOPMENT WELLS

I. Oil Wells, All Counties

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 feet to any boundary of such tract nor closer than 660 feet to the nearest well drilling to or capable of producing from the same pool.

II. Gas Wells

(a) Lea, Chaves, Eddy, and Roosevelt Counties

Unless otherwise provided in special pool rules, each development well for a defined gas pool of less than Pennsylvanian age or for a defined gas pool of Pennsylvanian age or older which was created and defined by the Commission prior to June 1, 1964, shall be located on 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, and shall be located not closer than 660 feet to any outer boundary of such tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary nor closer than 1320 feet to the nearest well drilling to or capable of producing from the same pool.

Unless otherwise provided in the special pool rules, each development well for a defined gas pool of Pennsylvanian age or older which was created and defined by the Commission after June 1, 1964, shall be located on a designated 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. Any such well having more than 160 acres dedicated to it shall be located not closer than 660 feet to the nearest side boundary of the dedicated tract nor closer than 1980 feet to the nearest end boundary nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary. (For the purpose of this rule, "side" boundary and "end" boundary are as defined in Section B I (a) of this rule.)

(b) San Juan, Rio Arriba, and Sandoval Counties

Unless otherwise provided in special pool rules, each development well for a defined gas pool shall be located on 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, and shall be located not closer than 790 feet to any outer boundary of the tract nor closer than 130 feet to any quarter-quarter section line or subdivision inner boundary.

(c) All counties except Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba, and Sandoval

Unless otherwise provided in special pool rules, each development well for a defined gas pool shall be located on 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, and shall be located not closer than 660 feet to any outer boundary of such tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary nor closer than 1320 feet to the nearest well drilling to or capable of producing from the same pool.

D. ACREAGE ASSIGNMENT, COMPLETED WELLS

I. Well Tests and Classification

It shall be the responsibility of the operator of any wildcat gas well or development gas well to which more than 40 acres has been dedicated to conduct a potential test within 30 days following completion of the well and to file the same with the Commission within 10 days following completion of the tests. (See Rule 401.)

Date of completion for a gas well shall be the date a christmas tree is installed or 30 days following conclusion of active completion work on the well, whichever date comes first.

Upon making a determination that the well should not properly be classified as a gas well, the Commission will reduce the acreage dedicated to the well.

Failure of the operator to file the aforesaid tests within the specified time will also subject the well to such acreage reduction.

II. Non-Standard Units

Any completed gas well which does not have the required amount of acreage dedicated to it for the pool or formation in which it is completed may not be produced until a standard unit for the well has been formed and dedicated or until a non-standard unit has been approved.

The Secretary-Director of the Commission may grant administrative approval to non-standard gas units without notice and hearing when an application has been filed for a non-standard unit and the unorthodox size or shape of the unit is necessitated by a variation in the legal subdivision of the U. S. Public Land Surveys, or the following facts exist and the following provisions are complied with:

- (a) The non-standard unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side.

- (b) The non-standard unit lies wholly within a single governmental quarter section if the well is completed in a pool or formation for which 160 acres is the standard unit size or wholly within a single governmental half section if the well is completed in a pool or formation for which 320 acres is the standard unit size.
- (c) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the quarter section (for 160-acre pools or formations) or the half section (for 320-acre pools or formations) in which the non-standard unit is situated and which acreage is not included in said non-standard unit.
- (d) In lieu of paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of his intent to form such non-standard unit. The Secretary-Director may approve the application if no such operator has entered an objection to the formation of such non-standard unit within 30 days after the Secretary-Director has received the application.

E. Notice of Intention to Drill (C-101) for any well shall designate the exact legal subdivision allotted to the well and no C-101 will be approved by the Commission or any of its agents without proper designation of acreage.

F. The Secretary-Director of the Commission shall have authority to grant an exception to the well location requirements of Sections B and C above without notice and hearing where application has been filed in due form and

1. The necessity for the unorthodox location is based on topographical conditions, and
2. (a) All owners of 40-acre tracts directly or diagonally offsetting the 40-acre tract upon which the unorthodox location is proposed have consented in writing to the proposed location, or

(b) In lieu of paragraph 2(a) of this rule, the applicant may furnish proof of the fact that all of said offset operators were notified by registered or certified mail of his intent to drill an unorthodox location. The Secretary-Director of the Commission may approve the application if no offset operator has entered an objection to the unorthodox location within 20 days after the Secretary-Director has received the application.

G. Whenever an exception is granted, the Commission may take such action as will offset any advantage which the person securing the exception may obtain over other producers by reason of the unorthodox location.

H. If the drilling tract is within an allocated oil pool or is placed within such allocated pool at any time after completion of the well and the drilling tract consists of less than 39 1/2 acres or more than 40 1/2 acres, the top unit allowable for such well shall be increased or decreased in the proportion that the number of acres in the drilling tract bears to 40.

I. If the drilling tract is within an allocated gas pool or is subsequently placed within an allocated gas pool, and the drilling tract consists of less than 158 acres or more than 162 acres in 160-acre pools, or less than 316 acres or more than 324 acres in 320-acre pools, the top allowable for such well shall be decreased or increased in the proportion that the number of acres in the drilling tract bears to a standard unit for the pool.

J. In computing acreage under H and I above, minor fractions of an acre shall not be counted but 1/2 acre or more shall count as 1 acre.

K. The provisions of H and I above shall apply only to wells completed after January 1, 1950. Nothing herein contained shall affect in any manner any well completed prior to the effective date of this rule and no adjustments shall be made in the allowable production for any such wells by reason of these rules.

L. In order to prevent waste the Commission may, after notice and hearing, fix different spacing requirements and require greater acreage for drilling tracts in any defined oil pool or in any defined gas pool notwithstanding the provisions of B and C above.

M. The Commission may approve the pooling or communitization of fractional lots of 20.49 acres or less with another oil proration unit when:

1. The units involved are contiguous;
2. They are part of the same basic lease, carrying the same royalty interest; and
3. The ownership of the units involved is common.

Application to the Commission for pooling shall be accompanied by three (3) copies of a certified plat showing the dimensions and acreage involved in the pooling, the ownership of all leases and royalty interests involved, and the location of any proposed wells.

Applicant shall furnish all operators who directly and diagonally offset the units involved a copy of the application to the Commission, and shall include with his application a written statement that all offset operators have been properly notified. Offset operators shall include only those operators who have offset properties within the State of New Mexico. The Commission shall wait at least ten days before approving any such pooling, and shall approve such pooling only in the absence of objection from any offset operator. In the event that an operator objects to the pooling, the Commission shall consider the matter only after proper notice and hearing.

The Commission may waive the ten-day waiting period requirement if the applicant furnishes the Commission with the written consent to the pooling by all offset operators involved.

The Commission may consider that the requirements of subparagraphs 2 and 3 of paragraph M of this rule have been fulfilled if the applicant furnishes with each copy of each application to the Commission a copy of an executed pooling agreement communitizing the units involved.

Each well drilled on any communitized tract shall be located in the approximate geographical center of the combined units with a tolerance of 150 feet for topographical conditions, but in any event shall not be located closer than 330 feet to the outer boundaries of the proposed proration unit or communitized tract.

(2) That Rule 301 (a) of the Commission Statewide Rules and Regulations is hereby amended to read in its entirety as follows:

(a) Each 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 which is not exempt from the requirements of this rule. (Wells completed within one mile of the outer boundary of a defined oil pool producing from the same formation shall be governed by the provisions of this rule which are applicable to the pool). The results of the test shall be reported to the Commission on Form C-116 within 10 days following completion of the test. The gas-oil ratio thus reported shall become effective for proration purposes on the first day of the calendar month following the date they are reported.

Each operator shall also take an annual gas-oil ratio test of each producing oil well, located within a pool not exempted from the requirements of this rule, during a period prescribed by the Commission. A gas-oil ratio survey schedule shall be established by the Commission setting forth the period in which gas-oil ratio tests are to be taken for each pool wherein a test is required. The gas-oil ratio test applicable shall be such test designated by the Commission, made by such method and means, and in such manner as the Commission in its discretion may prescribe from time to time.

(3) That Rule 401 of the Commission Statewide Rules and Regulations is hereby amended to read in its entirety as follows:

**RULE 401. METHOD OF DETERMINING NATURAL GAS WELL POTENTIAL**

All operators shall conduct tests to determine the daily open flow potential volumes of all natural gas wells from which gas is being used or marketed. Such tests shall be reported on forms prescribed by the Commission within 60 days after: (1) the date of initial connection of the well to a gas transportation facility and (2) the date of reconnection following workover.

To establish comparable open flow capacity, wells shall be tested in accordance with the New Mexico Oil Conservation Commission "Manual for Back-Pressure Test for Natural Gas Wells." In the event the Commission approves an alternate method for testing, all wells producing from a common source of supply shall be tested in a uniform and comparable manner.

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CASE No. 3044

Order No. R-2707

All gas wells which are not connected to a gas gathering facility shall be tested within 30 days following the installation of a christmas tree. Tests shall be taken in accordance with the "Procedure for Testing Unconnected Gas Wells" contained in Supplement I to the New Mexico Oil Conservation Commission "Manual for Back-Pressure Tests for Natural Gas Wells." Tests shall be reported on Form C-122 in compliance with Rule 1121 and shall be filed within 10 days following completion of the test.

(4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

JACK M. CAMPBELL, Chairman

E. S. WALKER, Member

S E A L

A. L. PORTER, Jr., Member & Secretary

esr/

**ORDER NO. R-2761**

**CASE NO. 3028**

**September 16, 1964**

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

CASE No. 3028  
Order No. R-2761

IN THE MATTER OF THE HEARING CALLED BY THE  
OIL CONSERVATION COMMISSION ON ITS OWN MOTION  
TO CONSIDER THE REVISION OF CERTAIN EXISTING  
FORMS, THE ADOPTION OF CERTAIN NEW FORMS, AND  
THE AMENDMENT OF CERTAIN RULES PERTAINING TO  
THE FILING OF FORMS.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on April 8, 1964, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 16th day of September, 1964, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That certain forms have been designed by the Interstate Oil Compact Commission and recommended for adoption by state oil and gas regulatory agencies.

(3) That the adoption of such forms with certain modifications by the New Mexico Oil Conservation Commission will be in the interest of increased efficiency and lower operating costs to the oil and gas industry in this State.

(4) That the adoption of said forms by the Commission will be in the interest of increased efficiency to the Oil Conservation Commission.

(5) That certain rules and regulations of the Commission should be amended to facilitate adoption of said forms.

(26) That the format of Commission Form C-127, Request for Allowable Change, as shown by Exhibit 31 attached hereto and made a part hereof, be adopted, the name of said form being changed from Oil Producers Nomination Request for Allowable Changes.

(27) That the format of the Packer Setting Report, as shown by Exhibit 32 attached hereto and made a part hereof, be adopted.

IT IS FURTHER ORDERED:

(1) That Rule 104 E be amended to read in its entirety as follows:

"E. Form C-101, Application for Permit to Drill, Deepen, or Plug Back for any well shall designate the exact legal subdivision allotted to the well and no Form C-101 will be approved by the Commission or any of its agents without such proper designation of acreage."

(2) That Rule 111(b) be amended to make reference in two places to Commission Form C-103 rather than to Commission Form C-102.

(3) That the first paragraph of Rule 112-A, Section IV, be amended to read in its entirety as follows:

"IV. ADMINISTRATIVE PROCEDURE

Application for administrative approval of a multiple completion shall be made in QUADRUPLICATE, with two copies of the application to be mailed to the Commission's Santa Fe Office, and two copies to the District Office for the area in which the well is located. Application shall be made on Commission Form C-107, Application for Multiple Completion, and shall be accompanied by the following:"

(4) That Rule 112-A, Section V, be amended to read in its entirety as follows:

"V. Application for public hearing to authorize a multiple completion shall be made in TRIPLICATE to the Commission's Santa Fe Office. Application shall be made on Commission Form C-107, Application for Multiple Completion, and shall set forth all material facts relative to the common sources of supply involved

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CASE No. 3023

Order No. R-2761

(3) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

JACK M. CAMPBELL, Chairman

E. S. WALKER, Member

A. L. PORTER, Jr., Member & Secretary

S E A L

esr/

**ORDER NO. R-3038**

**CASE NO. 3372**

**February 9, 1966**

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

CASE No. 3372  
Order No. R-3038

IN THE MATTER OF THE HEARING CALLED BY THE  
OIL CONSERVATION COMMISSION ON ITS OWN MOTION  
TO CONSIDER AMENDMENT OF RULE 104 F OF THE  
COMMISSION RULES AND REGULATIONS.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on  
January 26, 1966, at Santa Fe, New Mexico, before Examiner  
Elvis A. Utz.

NOW, on this 9th day of February, 1966, the Commission,  
a quorum being present, having considered the testimony, the  
record, and the recommendations of the Examiner, and being fully  
advised in the premises,

FINDS:

(1) That due public notice having been given as required by  
law, the Commission has jurisdiction of this cause and the subject  
matter thereof.

(2) That Rule 104 F of the Commission Rules and Regulations  
authorizes the Secretary-Director to approve unorthodox well loca-  
tions necessitated by topographical conditions.

(3) That Rule 104 F of the Commission Rules and Regulations  
should be amended to authorize the Secretary-Director to also  
approve unorthodox well locations necessitated by the recompletion  
of a well previously drilled to another horizon.

(4) That adoption of the proposed amendment to Rule 104 F  
of the Commission Rules and Regulations will enable the Commission  
to more efficiently and effectively administer the laws of the  
State of New Mexico concerning the prevention of waste and the  
protection of correlative rights.

IT IS THEREFORE ORDERED:

(1) That Rule 104 F of the Commission Rules and Regulations  
is hereby amended to read in its entirety as follows:

"F. The Secretary-Director of the Commission shall have authority to grant an exception to the well location requirements of Sections B and C above without notice and hearing when the necessity for such unorthodox location is based upon topographical conditions or the recompletion of a well previously drilled to another horizon, provided said well was drilled at an orthodox location for such original horizon.

Applications for administrative approval of unorthodox locations shall be filed in triplicate and shall be accompanied by plats showing the ownership of all leases offsetting the proration or spacing unit for which the unorthodox location is sought, and also all wells completed thereon. If the proposed unorthodox location is based upon topography, the plat shall also show and describe the existent topographical conditions.

All operators of proration or spacing units offsetting the unit for which the unorthodox location is sought shall be notified of the application by certified or registered mail, and the application shall state that such notification has been given. The Secretary-Director may approve the unorthodox location upon receipt of waivers from all offset operators or if no offset operator has entered an objection to the unorthodox location within 20 days after the Secretary-Director has received the application."

(2) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

JACK M. CAMPBELL, Chairman

GUYTON B. HAYS, Member

S E A L

A. L. PORTER, Jr., Member & Secretary

**ORDER NO. R-4383**

**CASE NO. 4807**

**September 6, 1972**

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING CALLED  
BY THE OIL CONSERVATION COMMISSION  
ON ITS OWN MOTION FOR THE AMENDMENT  
OF RULE 104 C. I OF THE COMMISSION  
RULES AND REGULATIONS TO PERMIT THE  
DRILLING OF DEVELOPMENT OIL WELLS AS  
CLOSE AS 330 FEET TO ANOTHER WELL ON  
THE SAME UNIT DRILLING TO OR CAPABLE  
OF PRODUCING FROM THE SAME POOL.

CASE NO. 4807  
Order No. R-4383

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on August 23, 1972, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 6th day of September, 1972, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That Rule 104 C I of the New Mexico Oil Conservation Commission Rules and Regulations prohibits the drilling of a development well for a defined oil pool nearer than 660 feet to the nearest well drilling to or capable of producing from the same pool.
- (3) That said Rule 104 C I should be amended to permit development wells to be drilled as close as 330 feet to another well on the same unit drilling to or capable of producing from the same oil pool, provided, however, only tracts committed to active secondary recovery projects shall be permitted more than four wells.
- (4) That amendment of Rule 104 C I as described in Finding No. 3, above, will neither cause waste or violate correlative rights.

IT IS THEREFORE ORDERED:

(1) That Rule 104 C I of the New Mexico Oil Conservation Commission is hereby amended to read in its entirety as follows:

I. Oil Wells, All Counties

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 feet to any boundary of such tract nor closer than 330 feet to the nearest well drilling to or capable of producing from the same pool, provided, however, only tracts committed to active secondary recovery projects shall be permitted more than four wells.

(2) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

BRUCE KING, Chairman

ALEX J. ARMIJO, Member

A. L. PORTER, Jr., Member & Secretary

S E A L

dr/

**ORDER NO. R-5113**

**CASE NO. 5569**

**October 28, 1975**

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

CASE NO. 5569  
Order No. R-5113

APPLICATION OF YATES PETROLEUM  
CORPORATION FOR THE AMENDMENT OF  
CERTAIN RULES.

*See Also Order No.*

*R-4683  
R-4683-A  
R-4683-B*

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on October 8, 1975, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 28th day of October, 1975, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Yates Petroleum Corporation, seeks the amendment of Rules 104 B.I(a) and 104 C.II(a) of the Commission Rules and Regulations to include the Wolfcamp formation under standard 320-acre gas spacing and well location requirements for Southeastern New Mexico.
- (3) In the alternative, the applicant seeks special rules for gas wells completed in the Wolfcamp formation in Township 17 South, Ranges 25 and 26 East, Township 18 South, Ranges 24, 25, and 26 East, and Township 19 South, Ranges 23, 24, and 25 East, Eddy County, New Mexico, providing for 320-acre spacing and well location requirements.
- (4) That in Lea, Chaves, Eddy, and Roosevelt Counties, New Mexico, a gas well completed in the Wolfcamp formation will efficiently and economically drain and develop a 320-acre tract.

(5) That the amendment of Rule 104 as set out in Finding No. (2) above will prevent the economic loss caused by the drilling of unnecessary wells; will avoid the risks arising from the drilling of an excessive number of wells, will prevent reduced recovery which might result from the drilling of too few wells and will otherwise prevent waste and protect correlative rights.

(6) That the amendment of Rule 104 as set out in Finding No. (2) above should be approved.

(7) That the South Carlsbad-Wolfcamp Gas Pool in Eddy County, New Mexico, now covered by compatible temporary special pool rules, should be included within the 320-acre spacing and well location requirements proposed by the applicant.

IT IS THEREFORE ORDERED:

(1) That Rule 104 B.I(a) and Rule 104 C.II(a) of the Commission's Statewide Rules and Regulations are hereby amended to read in their entirety as follows:

RULE 104. WELL SPACING: ACREAGE REQUIREMENTS FOR DRILLING TRACTS.

B. ACREAGE AND WELL LOCATION REQUIREMENTS FOR WILDCATS

I. Lea, Chaves, Eddy and Roosevelt Counties

(a) Wildcat Gas Wells

In Lea, Chaves, Eddy, and Roosevelt Counties, a wildcat well which is projected as a gas well to a formation and in an area which, in the opinion of the engineer or supervisor approving the application to drill, may reasonably be presumed to be productive of gas rather than oil shall be located on a 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, and shall be located not closer than 660 feet to any outer boundary of such tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary.

Provided however, that any such wildcat gas well which is projected to the Wolfcamp or 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. Any such "deep" wildcat gas well to which is dedicated more than

160 acres shall be located not closer than 660 feet to the nearest side boundary of the dedicated tract nor closer than 1980 feet to the nearest end boundary nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary. (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.)

C. ACREAGE AND WELL LOCATION REQUIREMENTS FOR DEVELOPMENT WELLS.

II. Gas Wells

(a) Lea, Chaves, Eddy, and Roosevelt Counties

"Unless otherwise provided in special pool rules, each development well for a defined gas pool in a formation younger than the Wolfcamp formation, or in the Wolfcamp formation which was created and defined by the Commission prior to November 1, 1975, or in a Pennsylvanian age or older formation which was created and defined by the Commission prior to June 1, 1964, shall be located on 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, and shall be located not closer than 660 feet to any outer boundary of such tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary nor closer than 1320 feet to the nearest well drilling to or capable of producing from the same pool.

"Unless otherwise provided in the special pool rules, each development well for a defined gas pool in the Wolfcamp formation which was created and defined by the Commission after November 1, 1975, or of Pennsylvanian age or older which was created and defined by the Commission after June 1, 1964, shall be located on a designated 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. Any such well having more than 160 acres dedicated to it shall be located not closer than 660 feet to the nearest side boundary of the dedicated tract nor closer than 1980 feet to the nearest end boundary nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary. (For the purpose of this rule, 'side' boundary and 'end' boundary are as defined in Section B I(a) of this rule.)"

Case No. 5569  
Order No. R-5113

(2) That the South Carlsbad-Wolfcamp Gas Pool, Eddy County, New Mexico, as previously defined and described by Commission order shall be drilled and spaced under the provisions of Rule 104 C.II(a) of the Commission Rules and Regulations as set out in Order (1) of this Order.

(3) That the effective date of this order shall be November 1, 1975.

(4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year herein-  
above designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION



PHIL R. LUCERO, Chairman



EMERY C. ARNOLD, Member



JOE D. RAMEY, Member & Secretary

S E A L

dr/

**ORDER NO. R-5890**

**CASE NO. 6393**

**December 29, 1978**

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:

CASE NO. 6393  
Order No. R-5890

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION  
DIVISION ON ITS OWN MOTION TO CONSIDER THE AMENDMENT OF  
RULE 104 F OF THE DIVISION RULES AND REGULATIONS TO PROVIDE  
FOR THE ADMINISTRATIVE APPROVAL OF THE UNORTHODOX LOCATION OF  
WELLS DRILLED WITHIN SECONDARY RECOVERY OR PRESSURE MAINTENANCE  
PROJECTS.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on December 7,  
1978, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 29th day of December, 1978, the Division  
Director, having considered the testimony, the record, and the  
recommendations of the Examiner, and being fully advised in the  
premises,

FINDS:

- (1) That due public notice having been given as required  
by law, the Division has jurisdiction of this cause and the  
subject matter thereof.
- (2) That there is often need to drill additional producing  
wells or injection wells at unorthodox locations within water-  
flood projects or pressure maintenance projects to permit the  
completion of a more efficient production and injection pattern  
therein to cause the recovery of a greater ultimate volume of oil  
from such projects.
- (3) That whereas many orders authorizing such projects  
contain an administrative procedure for the approval of additional  
producing or injection wells at unorthodox locations, many of the  
orders authorizing such projects do not contain such an adminis-  
trative procedure.
- (4) That to provide all operators of secondary recovery or  
pressure maintenance projects the flexibility to complete a more  
efficient production and injection pattern within such projects

without the necessity for notice and hearing, Rule 104 F of Division Rules and Regulations should be amended to read in its entirety as follows:

"F. The Division Director shall have authority to grant an exception to the well location requirements of Sections B and C above without notice and hearing when the necessity for such unorthodox location is based upon topographical conditions, the recompletion of a well previously drilled to another horizon, provided said well was drilled at an orthodox location for such original horizon, or to permit the completion of an efficient production and injection pattern within a secondary recovery or pressure maintenance project, provided that any such unorthodox location within such project is no closer than 330 feet to the outer boundary of the lease or the unitized area, nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

"Applications for administrative approval of unorthodox locations shall be filed in triplicate and shall be accompanied by plats showing the ownership of all leases offsetting the proration or spacing unit for which the unorthodox location is sought, and also all wells completed thereon. If the proposed unorthodox location is based upon topography, the plat shall also show and describe the existent topographical conditions. If the proposed unorthodox location is based upon completion of an efficient production and injection pattern, the plat shall also show the project outline identifying all producing and injection wells therein, and the applicant shall further include a statement setting forth the necessity for such location.

"All operators of proration or spacing units offsetting the unit for which the unorthodox location is sought shall be notified of the application by certified or registered mail, and the application shall state that such notification has been given. The Division Director may approve the unorthodox location upon receipt of waivers from all offset operators or if no offset operator has entered an objection to the unorthodox location within 20 days after the Director has received the application."

IT IS THEREFORE ORDERED:

(1) That Rule 104 F of the Division Rules and Regulations is hereby amended to read in its entirety as follows:

"F. The Division Director shall have authority to grant an exception to the well location requirements of Sections B and C above without notice and hearing when the necessity for such unorthodox location is based upon topographical conditions, the recompletion of a well previously drilled to another horizon, provided said well was drilled at an orthodox location for such original horizon, or to permit the completion of an efficient production and injection pattern within a secondary recovery or pressure maintenance project, provided that any such unorthodox location within such project is no closer than 330 feet to the outer boundary of the lease or the unitized area, nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

"Applications for administrative approval of unorthodox locations shall be filed in triplicate and shall be accompanied by plats showing the ownership of all leases offsetting the proration or spacing unit for which the unorthodox location is sought, and also all wells completed thereon. If the proposed unorthodox location is based upon topography, the plat shall also show and describe the existent topographical conditions. If the proposed unorthodox location is based upon completion of an efficient production and injection pattern, the plat shall also show the project outline identifying all producing and injection wells therein, and the applicant shall further include a statement setting forth the necessity for such location.

"All operators of proration or spacing units offsetting the unit for which the unorthodox location is sought shall be notified of the application by certified or registered mail, and the application shall state that such notification has been given. The Division Director may approve the unorthodox location upon receipt of waivers from all offset operators or if no offset operator has entered an objection to the unorthodox location within 20 days after the Director has received the application."

(2) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

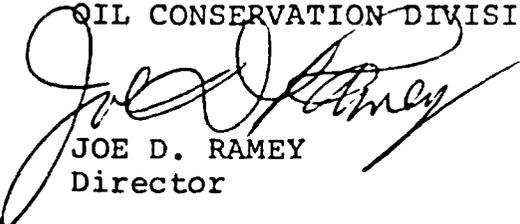
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Case No. 6393

Order No. R-5890

DONE at Santa Fe, New Mexico, on the day and year herein-  
above designated.

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION



JOE D. RAMEY  
Director

S E A L

fd/

**ORDER NO. R-6870**

**CASE NO. 7435**

**January 7, 1982**

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION COMMISSION

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO ON ITS OWN  
MOTION FOR THE PURPOSE OF CONSIDERING  
AMENDMENT OF RULE 104 OF THE OIL  
CONSERVATION DIVISION'S RULES AND  
REGULATIONS.

CASE NO. 7435  
Order No. R-6870

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9:00 a.m. on December 3 and 22, 1981, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 7th day of January, 1982, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That Rule 104 B.I.(a) and Rule 104 C.II.(a) of the Oil Conservation Division (Division) Rules and Regulations provide for 320-acre spacing units and specific location requirements for gas wells drilled to the Wolfcamp or deeper formations in Lea, Chaves, Eddy, and Roosevelt Counties, New Mexico.

(3) That geologic conditions in said formations result in the hearing by the Division of scores of applications for unorthodox locations annually.

(4) That most of such applications are justified and few are protested by offset operators.

(5) That an administrative process for approval of such unorthodox locations should be adopted.

(6) That amendment of Division Rule 104 F. as shown on Exhibit "A" to this Order will permit the administrative approval of said applications for unorthodox locations while continuing to provide notice, opportunity for protest, and opportunity for public hearing to offset operators.

(7) That in all New Mexico counties except Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba, and Sandoval, Division Rule 104 B.III. precludes the assignment of more than 40 acres to a wildcat well regardless as to whether such well is projected as an oil well or as a gas well.

(8) That there are many legitimate wildcat gas well prospects in counties other than those named in Finding (7) above.

(9) That Division Rule 104 B.III. should be amended as shown on Exhibit "B" to this Order to provide for 160-acre spacing units for wildcat gas wells in New Mexico counties other than those named in Finding No. (7) above.

(10) That the proposed amendments to Division Rule 104 F. and Rule 104 B.III. will provide for more efficient operations as well as the prevention of waste and the protection of correlative rights and should be approved.

IT IS THEREFORE ORDERED:

(1) That effective February 1, 1982, Rule 104 F of the Oil Conservation Division's Rules and Regulations is hereby amended to read in its entirety as shown on Exhibit "A" attached to this Order.

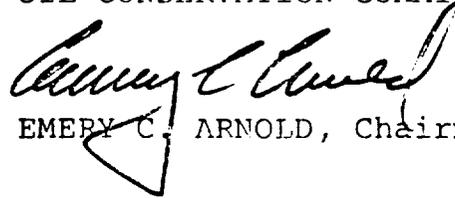
(2) That further effective February 1, 1982, Rule 104 B.III. of the Oil Conservation Division's Rules and Regulations is hereby amended to read in its entirety as shown on Exhibit "B" attached to this Order.

(3) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

-3-  
Case No. 7435  
Order No. R-6870

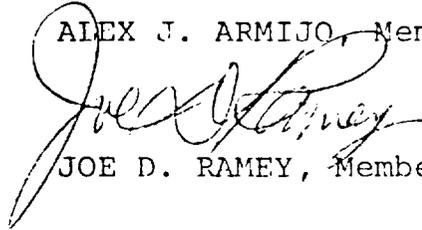
DONE at Santa Fe, New Mexico, on the day and year  
hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION



EMERY C. ARNOLD, Chairman

ALEX J. ARMIJO, Member



JOE D. RAMEY, Member & Secretary

S E A L

## "F. UNORTHODOX LOCATIONS

I. The Division Director shall have authority to grant an exception to the well location requirements of Sections B and C above without notice and hearing when the necessity for such unorthodox location is based upon topographical conditions, the recompletion of a well previously drilled to another horizon, provided said well was drilled at an orthodox location for such original horizon, or to permit the completion of an efficient production and injection pattern within a secondary recovery or pressure maintenance project, provided that any such unorthodox location within such project is no closer than 330 feet to the outer boundary of the lease or the unitized area, nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

II. The Division Director shall have authority to grant an exception to the well location requirements of Rule 104 B.I. (a) and Rule 104 C.II. (a) without notice and hearing when the necessity for such unorthodox location is based upon geologic conditions provided that any such unorthodox location shall be no closer than 660 feet to the nearest side boundary nor closer than 990 feet to the nearest end boundary of the proration unit.

III. Applications for administrative approval of unorthodox locations shall be filed in triplicate and shall be accompanied by plats, showing the ownership of all leases offsetting the proration or spacing unit for which the unorthodox location is sought, and also all wells completed thereon. If the proposed unorthodox location is based upon topography, the plat shall also show and describe the existent topographical conditions. If the proposed unorthodox location is based upon completion of an efficient production and injection pattern, the plat shall also show the project outline identifying all producing and injection wells therein, and the applicant shall further include a statement setting forth the necessity for such location. If the proposed unorthodox location is based upon geology as provided in Paragraph II above, the application shall include appropriate geologic maps, cross-sections, and/or logs, and a discussion of the geologic conditions which result in the necessity for the unorthodox location.

IV. All operators of proration or spacing units offsetting the unit for which the unorthodox location is sought shall be notified of the application by certified or registered mail, and the application shall state that such notification has been given. The Division Director may approve the unorthodox location upon receipt of waivers from all offset operators or if

no offset operator has entered an objection to the unorthodox location within 20 days after the Director has received the application.

V. The Division Director may, at his discretion, set any application for administrative approval of an unorthodox location for public hearing."

EXHIBIT "A"  
Order No. R-6870

"III. All Counties except Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba, and Sandoval

Any wildcat well which is projected as an oil well in any county other than Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba, and Sandoval 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 feet to any boundary of such tract.

Any wildcat well which is projected as a gas well to a formation and in an area which, in the opinion of the Division representative approving the application to drill, may reasonably be presumed to be productive of gas rather than oil shall be located on a 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, and shall be located not closer than 660 feet to any outer boundary of such tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary."

EXHIBIT "B"  
Order No. R-6870

**ORDER NO. R-7451**

**CASE NO. 8075**

**March 2, 1984**

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION COMMISSION

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

CASE NO. 8075  
Order No. R-7451

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION  
COMMISSION ON ITS OWN MOTION TO CONSIDER AMENDMENTS TO  
RULE 104 F I.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9:00 a.m. on February 16, 1984, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 2nd day of March, 1984, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That the Oil Conservation Division, hereinafter referred to as the "Division", proposes to amend its general Rule 104 F.I. to clarify the intent of said rule and further expand the conditions under which unorthodox well locations may be approved administratively.
- (3) That said rule has historically provided for administrative approval of the unorthodox location of a well upon "the recompletion of a well previously drilled to another horizon".
- (4) That the intention of this provision was to provide for such approval when the well had been drilled to another horizon deeper than the recompletion zone.
- (5) That the word "another" in said rule should be changed to the word "deeper" as shown on Exhibit "A" attached to this order.

(6) That this part of said rule was further conditioned that the original (deeper) well had to have been drilled at an orthodox well location.

(7) That the unopposed plugging back of many deeper wells drilled at unorthodox locations, approved for the deeper horizon only, has resulted in numerous unnecessary public hearings.

(8) That said Rule 104 F provides for adequate notice and opportunity to request a hearing to those parties who might be affected by the approval of any unorthodox location thereunder.

(9) That said Rule 104 F.I. should be amended as shown on said Exhibit "A" to provide for the opportunity for the administrative approval of the unorthodox location of a well previously drilled to a deeper horizon when such well was drilled at an orthodox or approved unorthodox location.

IT IS THEREFORE ORDERED:

(1) That Division Rule 104 F.I. is hereby amended to read in its entirety as shown on Exhibit "A" attached to this order.

(2) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

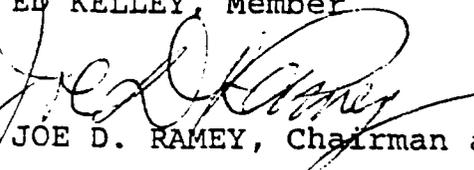
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

JIM BACA, Member



ED KELLEY, Member



JOE D. RAMEY, Chairman and Secretary

S E A L

RULE 104.

F. UNORTHODOX LOCATIONS

I. The Division Director shall have authority to grant an exception to the well location requirements of Sections B and C above without notice and hearing when the necessity for such unorthodox location is based upon topographical conditions, the recompletion of a well previously drilled to a deeper horizon, provided said well was drilled at an orthodox or approved unorthodox location for such original horizon, or to permit the completion of an efficient production and injection pattern within a secondary recovery or pressure maintenance project, provided that any such unorthodox location within such project is no closer than 330 feet to the outer boundary of the lease, or the unitized area, nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

EXHIBIT "A"  
CASE NO. 8075  
ORDER NO. R-7451

**Division  
Memorandum**

Issued By

**William J. LeMay, Director**

**July 27, 1988**

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



GARREY CARRUTHERS  
GOVERNOR

POST OFFICE BOX 2088  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87504  
(505) 827-5800

MEMORANDUM

TO: ALL OPERATORS

FROM: WILLIAM J. LEMAY, DIRECTOR *WJL*

SUBJECT: RULE 104 C 11 OF THE GENERAL RULES AND REGULATIONS

DATE: JULY 27, 1988

There has been some confusion about interpretation of the subject rule. In each paragraph of sections (a), (b) and (c) the rule states:

"Unless otherwise provided in special pool rules, each development well for a defined gas pool shall be located on a tract..."

My interpretation of this sentence is that each well is to be located on its own individual specified unit and an additional well is not authorized simply by meeting the set back requirements of the rule.

This interpretation is necessary to prevent waste from the drilling of unnecessary wells and to protect correlative rights of all parties in the pool. Since the prorated pools have special pool rules the subject rules have greater impact on unprorated gas. Unprorated does not mean unregulated. Allowables are not issued in unprorated pools and the only method available to protect correlative rights is the control of well density and locations. Added well density required because of special geological situations can be addressed by special pool rules after notice and hearing.

Applications for additional wells on existing proration units will be approved only on the understanding that upon completion of the well the operator shall elect which well will be produced and which will be abandoned. Application to produce both wells will be approved only after notice and hearing and upon compelling evidence that the applicant's correlative rights will be impaired unless both wells are produced.

dr/

**Division  
Memorandum**

Issued By

**William J. LeMay, Director**

**August 3, 1990**

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

GARREY CARRUTHERS  
GOVERNOR

POST OFFICE BOX 2088  
STATE LAND OFFICE BUILDING  
SANTA FE NEW MEXICO 87504  
505/827-5800

MEMORANDUM

TO: ALL OPERATORS

FROM: WILLIAM J. LEMAY, DIRECTOR *WJL*

SUBJECT: RULE 104 C II OF THE GENERAL RULES AND REGULATIONS

DATE: AUGUST 3, 1990

On July 27, 1988, we sent a memorandum to all operators to explain the Division's procedures for ensuring compliance with the above rule in handling applications for additional wells on existing proration units. The procedures are primarily applicable in unprorated gas pools.

The final paragraph of the July 27 memo reads as follows:

"Applications for additional wells on existing proration units will be approved only on the understanding that upon completion of the well the operator shall elect which well will be produced and which will be abandoned. Application to produce both wells will be approved only after notice and hearing and upon compelling evidence that the applicant's correlative rights will be impaired unless both wells are produced."

Additional explanation of the intent of the above paragraph is set out below:

Application to produce both wells continuously and concurrently will be approved only after notice and hearing and upon compelling evidence that the applicant's correlative rights will be impaired unless both wells are produced.

Requests to produce the wells alternately (one well shut-in while the other produces) may be submitted for administrative handling. The request should set out the length of the producing and shut-in cycles for each well (a one month minimum is suggested), the proposed method for ensuring compliance with the proposed producing and shut-in schedules, and the reasons for the request. Notice should be provided to offset operators in the usual manner, allowing a 20-day waiting period. The application should be sent to Santa Fe with a copy to the appropriate District office.

**ORDER NO. R-10533**

**CASE NO. 11351**

**January 18, 1996**

**STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION FOR THE PURPOSE OF  
CONSIDERING:**

**CASE 11351  
ORDER NO. R-10533**

**APPLICATION OF THE OIL CONSERVATION  
DIVISION FOR AN ORDER TO AMEND RULE  
104 OF ITS GENERAL RULES AND REGULATIONS  
PERTAINING TO UNORTHODOX WELL LOCATIONS  
AND NON-STANDARD UNITS.**

**ORDER OF THE COMMISSION**

**BY THE COMMISSION:**

This cause came on for hearing at 9 o'clock a.m. on August 3, September 28, and November 9, 1995 and on January 18, 1996 at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission".

NOW, on this 18th day of January, 1996, the Commission, a quorum being present, having considered the record and being fully advised in the premises,

**FINDS THAT:**

- (1) Due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) On August 3, 1995, the Commission commenced a public hearing to consider modifications to Division General Rule 104 and received suggestions from members of the oil and gas industry. At the conclusion of that hearing and at the request of the New Mexico Oil & Gas Association ("NMOGA") the Commission continued this case to the September 28, 1995 docket so that the industry representatives at the hearing could complete a revised draft of proposed changes to Rule 104.

(3) On September 28, and on November 9, 1995, the Commission held a public hearing to consider possible rule changes to Rule 104 at which time additional evidence and arguments were presented by the New Mexico Oil and Gas Association, Conoco Inc., Meridian Oil Inc., Amoco Producing Company, the Oil Conservation Division and others.

(4) Based upon the evidence and record presented at the various hearings of this matter, the Commission finds that Rule 104 should be amended as provided herein.

**(5) Expanding the Scope of Administrative Approval for Unorthodox Well Locations and Changing the definition of a Wildcat Well in the San Juan Basin:**

(a) Currently, General Rule 104 allows for the Division Director, without a hearing, to administratively approve an unorthodox gas well location ("NSL") on a spacing unit comprising 320 acres for geologic reasons provided the location is not closer than 660 feet to the nearest side boundary nor closer than 990 feet to the nearest end boundary of the spacing unit.

(b) The Division staff recommended expanding the scope of Rule 104 so that an administrative NSL could be approved for geologic reasons at any unorthodox well location.

(c) While NMOGA supported the Division's recommendation, certain members of the industry actively involved with the deep gas wells in Southeastern New Mexico requested a minimum setback of 660 feet for pools with standard 320-acre spacing units.

(d) NMOGA also requested that archaeological conditions be added as a justification for an administratively approved NSL.

(e) The Commission recognizes that the Division has the expertise to make appropriate regulatory decisions to protect correlative rights and prevent waste concerning applications for unorthodox well locations regardless of whether those applications are set for hearing or processed administratively.

(f) The Commission recognizes the industry's desire to have the Division expedite the regulatory processing of unorthodox well locations, which in the absence of any objection may be accomplished by expanding the scope of administrative approval for such applications.

(g) Division staff recommended that the definition of a wildcat well in the San Juan Basin be changed from, "a well whose spacing unit is a distance of 1 mile or more from the outer boundary of a defined pool" to "a distance of 2 miles or more", because pool extensions are commonly drilled 1 mile from established production in the San Juan Basin and the 2 mile definition more accurately defined wildcat status. The Commission concurs.

(h) The Commission concludes the adoption of those changes to Rule 104 contained in Exhibit "A" attached to this order serves to expand the scope of administrative approvals for unorthodox well locations and provide for a more appropriate definition for a wildcat well in the San Juan Basin.

**(6) The 10 Foot Interior Setback Rule:**

(a) Because of the general uniformity of the reservoirs in the San Juan Basin, the Division staff has recommended to relax the current 130 foot interior setback rule applicable to the San Juan Basin and reduce that distance to 10 feet.

(b) The industry has generally supported the Division's proposed amendment but the Commission has concerns that, except for enhanced oil or gas recovery projects, correlative rights could be violated by reducing the minimum setback distance from 130 feet to 10 feet and surface trespass would probably occur prior to communitization because of the size of the well pad with only a 10 foot well set back.

(c) The Commission concludes that the proposed 10 feet minimum setback distance is reasonable for secondary recovery, tertiary recovery or pressure maintenance projects and creates additional flexibility for operators to locate wells within these projects.

(d) The Commission finds that this provision of Rule 104 should be amended as set forth in Exhibit "A" attached.

**(7) Southeast- Deep Gas Setback Rules:**

(a) The current Rule 104 has a restricted "standard location" for deep gas wells (below the top of the Wolfcamp) which are spaced on standard 320-acre spacing units of not closer than 1980 feet to the end nor closer than 660 feet to the side boundary.

(b) To provide the operators with greater flexibility in locating wells at their optimum locations for proper development of hydrocarbons within pools spaced on 320-gas spacing units in Southeastern New Mexico, NMOGA has recommended relaxing the current 1980 foot end boundary setback for 320-acre gas spacing to 1650 feet.

(c) Various members of the industry also have suggested that the current 320-acre spacing unit setbacks of 660 feet from the side and 1980 feet from the end boundaries be "standardized" to 660 feet from both the side and the end boundaries.

(d) The Commission concludes that the current 1980 feet end boundary setback limit for 320-acre spacing units in Southeastern New Mexico is too restrictive and can be relaxed to 1650 feet while still maintaining appropriate standard well locations for the proper development of 320-acre spacing units. A 660 foot setback for both end and side boundaries would be too severe an encroachment on offsetting gas spacing units.

(e) The Commission finds that this provision of Rule 104 should be amended as set forth in Exhibit "A" attached.

**(8) Minimum Administrative Setback Requirements:**

(a) The Commission considered adopting a minimum or default footage setback distances for any unorthodox well location which could not be exceeded without a hearing.

(b) The Commission finds that setback distances are best established by Division policy which can address site specific geological situations such as "3 D seismic highs."

**(9) Non-Standard Units:**

(a) The current rule for non-standard units requires the Division Director to approve certain types of non-standard units which have become a matter of routine which can and should be delegated to the supervisor of the appropriate district office of the Division.

(b) The Commission concludes for a matter of administrative efficiency that the non-standard unit portion of current Rule 104 should be modified as set forth in Exhibit "A" attached.

**(10) Number of Wells Per Unit in Non-Prorated Pools:**

(a) The Division staff has recommended that a provision be added to current Rule 104 so that operators will be aware of Division policy permitting only one well per spacing unit in non-prorated pools.

(b) The Commission finds that the Division's recommendations should be adopted to insure that operators comply with Division policy concerning this matter.

**(11) Revising the Notice Rules:**

(a) The current rules for administrative NSL application require notice to all offset operators while the current rules for a hearing NSL application only require notice be sent to those operators, lessees or mineral owners towards whom the well encroaches.

(b) NMOGA has recommended revising Rule 104 to be compatible with the hearing notice rules and to provide for notification to offset interest owners based upon a pool's minimum setback distance. The Commission found this formula to be confusing and complicated and has adopted notification requirements based upon its own definition of affected offsets and Oxy's recommended changes. These changes provide:

- (i) notice to operators adjoining and the diagonal offset towards whom the well actually encroaches;
- (ii) in absence of an operator then to lessees of record of any diagonal offset or adjoining lessee owning interests in the same pool(s) as the proposed well; and
- (iii) in absence of a lessee then to the mineral owner(s) of record of any diagonal offset or adjoining lessee owning interests in the same pool(s) as the proposed well.

(c) Amoco Producing Company and other operators requested the adoption of Rule 1207 notice rules for administrative NSL applications.

(d) The Commission concludes that NMOGA's proposal as modified and including adopting Rule 1207(5)(a) notification requirements provides for an efficient and effective method for providing adequate notice and hereby adopts this notice concept as set forth in Exhibit "A".

**(12) The Commission further FINDS that:**

(a) the adoption of these amendments to Rule 104 as set forth in Exhibit "A" will provide to the oil and gas industry a more flexible method for the timely and efficient processing of these types of applications while still providing for the orderly and proper regulation of well locations and non-standard units thereby protecting correlative rights and preventing waste;

(b) the Commission's ultimate findings set forth in this order summarizes its reasons for its adoption of these changes to Rule 104 as set forth in Exhibit "A";

(c) the adoption of these amendments to Rule 104 will provide for workable, fair and efficient regulation of well locations and spacing units while preventing waste of valuable hydrocarbons and the protection of the correlative rights of the owners of that production; and

(d) for clarification, formatting purposes, and to correct minor errors, additional amendments throughout Rule 104 as set forth in Exhibit "A" should also be accepted and incorporated at this time.

**IT IS THEREFORE ORDERED THAT:**

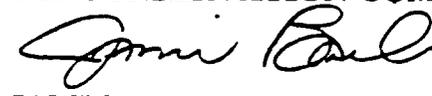
(1) Division Rule 104 is hereby amended as shown by the changes in Exhibit "A", attached hereto and made a part hereof, and said amended rules are hereby compiled, recodified, restated, and adopted as shown in Exhibit "B", attached hereto and made a part of this order.

(2) Rule 104 as amended shall be effective as of the date of this order.

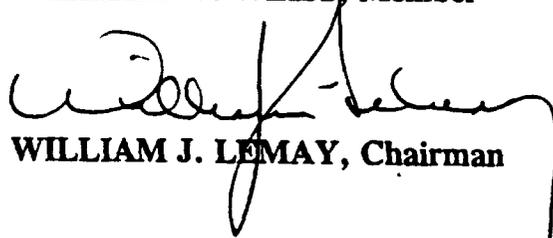
(3) Jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinafter designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

  
JAMI BAILEY, Member

  
WILLIAM W. WEISS, Member

  
WILLIAM J. LEMAY, Chairman

**Exhibit "A"**  
**Case No. 11351**  
**Order No. R-10533**

RULE 104 - WELL SPACING: ACREAGE REQUIREMENTS  
FOR DRILLING TRACTS

104.A. CLASSIFICATION OF WELLS: WILDCAT WELLS AND DEVELOPMENT WELLS

(1) San Juan, Rio Arriba, Sandoval, and McKinley Counties

(a) Any well which is to be drilled the spacing unit of which is a distance of 2 miles or more from:

(i) the outer boundary of any defined pool which has produced oil or gas from the formation to which the well is projected; and

(ii) any other well which has produced oil or gas from the formation to which the proposed well is projected; shall be classified as a wildcat well.

(2) All Counties Except San Juan, Rio Arriba, Sandoval, and McKinley

~~(1)~~ (a) Any well which is to be drilled the spacing unit of which is a distance of one mile or more from:

~~(a)~~ (i) the outer boundary of any defined pool which has produced oil or gas from the formation to which the well is projected; and

~~(b)~~ (ii) any other well which has produced oil or gas from the formation to which the proposed well is projected, shall be classified as a wildcat well.

~~(2)~~(3) Any well which is not a wildcat well as defined above shall be classified as a development well for the nearest pool which has produced oil or gas from the formation to which the well is projected. Any such development well shall be spaced, drilled, operated, and produced in accordance with the rules and regulations in effect in such nearest pool, provided the well is completed in the formation to which it was projected.

(3) (4)

Any well classified as a development well for a given pool but which is completed in a producing horizon not included in the vertical limits of said pool shall be operated and produced in accordance with the rules and regulations in effect in the nearest pool within the 2 mile limit in San Juan, Rio Arriba, Sandoval, and McKinley Counties or within one mile everywhere else which is producing from that horizon. If there is no designated pool for said producing horizon within the 2 mile limit in San Juan, Rio Arriba, Sandoval, and McKinley Counties or within one mile everywhere else, the well shall be re-classified as a wildcat well.

104.B. ACREAGE AND WELL LOCATION REQUIREMENTS FOR WILDCATS

(1) Lea, Chaves, Eddy and Roosevelt Counties

- (a) Wildcat Gas Wells. In Lea, Chaves, Eddy and Roosevelt Counties, a wildcat well which is projected as a gas well to a formation and in an area which, in the opinion of the engineer or supervisor approving the application to drill, may reasonably be presumed to be productive of gas rather than oil shall be located on a 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, and shall be located not closer than 660 feet to any outer boundary of such tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary. Provided, however, that any such wildcat gas well which is projected to the Wolfcamp or 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. Any such "deep" wildcat gas well to which is dedicated more than 160 acres shall be located not closer than 660 feet to the nearest side boundary of the dedicated tract nor closer than ~~1980~~ 1650 feet to the nearest end boundary, nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary. (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.)

- (b) Wildcat Oil Wells. In Lea, Chaves, Eddy, and Roosevelt Counties, a wildcat well which is not a wildcat gas well as defined above 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 feet to any boundary of such tract.
- (c) In the event gas production is encountered in a well which was projected as an oil well and which is located accordingly but does not conform to the above gas well location rule, it shall be necessary for the operator to bring the matter to a hearing before approval for the production of gas can be given.

(2) San Juan, Rio Arriba, and Sandoval, and McKinley Counties

- (a) Wildcat Gas Wells. In San Juan, Rio Arriba, ~~and~~ Sandoval, and McKinley Counties, a wildcat well which is projected to a gas-producing horizon shall be located on 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, and shall be located not closer than 790 feet to any outer boundary of the tract nor closer than 130 feet to any quarter-quarter section or subdivision inner boundary.
- (b) In the event ~~oil production is encountered in a well which was projected to a gas producing horizon~~ drilled as a gas well is completed as an oil well and ~~which~~ is located accordingly but does not conform to the oil well location rule below, it shall be necessary for the operator to ~~bring the matter to a hearing before approval~~

~~for the production of oil can be given~~ apply for administrative approval for a non-standard location before an oil allowable will be assigned. An application may be set for hearing by the Director. If the operator is uncertain as to whether a proposed wildcat well will be an oil well or a gas well, the well should be staked so that it is in a standard location for both oil and gas production.

(c) Wildcat Oil Wells. A wildcat well which is projected to an oil-producing horizon as recognized by the Division 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 feet to any boundary of such tract.

(d) In the event ~~gas production is encountered in a well which was projected to an oil producing horizon~~ drilled as an oil well is completed as a gas well and which is located accordingly but does not conform to the above gas well location rules, it shall be necessary for the operator to ~~bring the matter to a hearing before approval for the production of gas can be given~~ apply for administrative approval for a non-standard location before the well can produce. An application may be set for hearing by the Director. If the operator is uncertain as to whether a proposed wildcat well will be an oil well or a gas well, the well should be staked so that it is in a standard location for both oil and gas production.

(3) All Counties except Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba, and Sandoval, and McKinley.

(a) Any wildcat well which is projected as an oil well in any county other than Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba, and Sandoval, and McKinley Counties 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 feet to any boundary of such tract.

- (b) Any wildcat well which is projected as a gas well to a formation and in an area which, in the opinion of the Division representative approving the application to drill, may reasonably be presumed to be productive of gas rather than oil shall be located on a 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, and shall be located not closer than 660 feet to any outer boundary of such tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary.

104.C.           ACREAGE AND WELL LOCATION REQUIREMENTS FOR DEVELOPMENT WELLS

(1)   Oil Wells, All Counties.

- (a) 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 feet to any boundary of such tract nor closer than 330 feet to the nearest well drilling to or capable of producing from the same pool, provided however, only tracts committed to active secondary recovery projects shall be permitted more than four wells.

(2)   Lea, Chaves, Eddy and Roosevelt Counties.

- (a)   Gas Wells. Unless otherwise provided in special pool rules, each development well for a defined gas pool in a formation younger than the Wolfcamp formation, or in the Wolfcamp formation which was created and defined by the Division prior to November 1, 1975, or in a Pennsylvanian age or older formation which was created and defined by

the Division prior to June 1, 1964, shall be located on 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, and shall be located not closer than 660 feet to any outer boundary of such tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary nor closer than 1320 feet to the nearest well drilling to or capable of producing from the same pool.

- (b) Unless otherwise provided in the special pool rules, each development well for a defined gas pool in the Wolfcamp formation which was created and defined by the Division after November 1, 1975, or of Pennsylvanian age or older which was created and defined by the Division after June 1, 1964, shall be located on a designated 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. Any such well having more than 160 acres dedicated to it shall be located not closer than 660 feet to the nearest side boundary of the dedicated tract nor closer than ~~1980~~ 1650 feet to the nearest end boundary, nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary. (For the purpose of this rule, "side" boundary and "end" boundary are as defined in ~~Section B-I(a) of this rule~~ Rule 104.B(1) (a), above.)

(3) San Juan, Rio Arriba, and Sandoval, and McKinley Counties.

- (a) Gas Wells. Unless otherwise provided in special pool rules, each development well for a defined gas pool shall be located on 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, and shall be located not closer than 790 feet to any outer boundary of the tract nor closer than 130 feet to any quarter-quarter section line or subdivision inner boundary.

(4) All Counties except Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba, and Sandoval, and McKinley.

(a) Gas Wells. Unless otherwise provided in special pool rules, each development well for a defined gas pool shall be located on 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, and shall be located not closer than 660 feet to any outer boundary of such tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary nor closer than 1320 feet to the nearest well drilling to or capable of producing from the same pool.

104.D. ACREAGE ASSIGNMENT, ~~COMPLETED WELLS~~

- (1) Well Tests and Classification. It shall be the responsibility of the operator of any wildcat gas well or development gas well to which more than 40 acres has been dedicated to conduct a potential test within 30 days following completion of the well and to file the same with the Division within 10 days following completion of the tests. (See Rule 401.)
- (a) Date of completion for a gas well shall be the date a ~~Christmas tree~~ wellhead is installed or 30 days following conclusion of active completion work on the well, whichever date comes first.
- (b) Upon making a determination that the well should not properly be classified as a gas well, the Division will reduce the acreage dedicated to the well.
- (c) Failure of the operator to file the aforesaid tests within the specified time will also subject the well to such acreage reduction.

(2) Non-Standard Spacing Units. Any ~~completed gas~~ well which does not have the required amount of acreage dedicated to it for the pool or formation in which it is completed may not be produced until a standard spacing unit for the well has been formed and dedicated or until a non-standard spacing unit has been approved.

(a) The supervisor of the appropriate District Office of the Division shall have the authority to approve non-standard spacing units without notice when the unorthodox size and shape is necessitated by a variation in the legal subdivision of the United States Public Land Surveys and/or consists of an entire governmental section and the non-standard spacing unit is not less than 70% nor more than 130% of a standard spacing unit. Such approval shall consist of acceptance of Division Form C-102 showing the proposed non-standard spacing unit and the acreage contained therein.

~~(a)~~(b) The Division Director may grant administrative approval to non-standard ~~gas~~ spacing units without notice and hearing when an application has been filed for a non-standard spacing unit and the unorthodox size or shape of the ~~unit~~ dedicated tract is necessitated by a variation in the legal subdivision of the U.S. Public Land Surveys, or the following facts exist and the following provisions are complied with:

- (i) The non-standard spacing unit consists of a single quarter-quarter section or lot or the non-standard spacing unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side; and
- (ii) The non-standard spacing unit lies wholly within a single governmental quarter section if the well is completed in a pool or formation for which 40, 80, or 160 acres is the standard spacing unit size, or wholly within a single governmental half section if the well is completed in a pool or formation for which 320 acres is the standard spacing unit size, or wholly within a single governmental section if

the well is completed in a pool or formation for which 640 acres is the standard spacing unit size.

~~(iii) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the quarter section (for 160-acre pools or formations) or the half section (for 320-acre pools or formations) in which the non-standard unit is situated and which acreage is not included in said non-standard unit.~~

~~(iv) In lieu of paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of his intent to form such non-standard unit. The Director may approve the application if no such operator has entered an objection to the formation of such non-standard unit within 30 days after the Director has received the application.~~

(c) Applications for administrative approval of non-standard spacing units, pursuant to Section D(2) above, shall be accompanied by a plat showing the subject spacing unit and an applicable standard spacing unit for the applicable pool or formation, its proposed well dedications, all adjoining spacing units and/or leases (whichever is applicable), and a list of affected parties. Also to be included is a statement that discusses the necessity for the formation of the subject non-standard spacing unit and the reasons why a standard sized spacing unit is not feasible.

(i) Affected parties in this instance shall be defined as those parties who own interests in the applicable half quarter section (80-acre spacing), quarter section (160-acre spacing), half section (320-acre spacing), or section (640-acre spacing) in which the non-standard spacing unit is situated and which acreage is not included in said non-standard spacing unit;

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- (ii) the designated operator of any adjoining or diagonal spacing unit producing from the same pool(s) as the proposed non-standard spacing unit;
  - (iii) in the absence of an operator, all lessees of record of any diagonal or adjoining lease owning interests in the same pool(s) as the proposed non-standard spacing unit; and
  - (iv) in the absence of an operator or lessee, then to all owners of record of unleased mineral interests.
- (d) The applicant shall submit a statement attesting that applicant, on or before the same date the application was submitted to the Division, has sent notification to the affected parties by submitting a copy of the application, including a copy of the plat described in Subpart (c) above by certified or registered mail-return receipt in accordance with Rule 1207(6) (a) advising them that if they have an objection it must be filed in writing within twenty days from the date notice was sent. The Division Director may approve the non-standard spacing unit upon receipt of waivers from all said parties or if no said party has entered an objection to the non-standard spacing unit within 20 days after the Director has received the application.
- (e) The Division Director may set any application for administrative approval for a non-standard spacing unit for public hearing.
- (3) Number of Wells Per Spacing Unit in Non-Prorated Gas Pools:  
Unless otherwise permitted by special pool rules or authorized after notice and hearing, only one (1) well per spacing unit is permitted in non-prorated pools.

104.E. Form ~~C-101, Application for Permit to Drill, Deepen, or Plug Back~~ C-102, "Well Location and Acreage Dedication Plat", for any well shall designate the exact legal subdivision allotted to the well and ~~no~~ Form C-101, "Application for Permit to Drill, Deepen, or Plug Back", will not be approved by the Division ~~or any of its agents~~ without such proper designation of acreage.

## UNORTHODOX LOCATIONS

- (1) ~~The Division Director shall have authority to grant an exception to the well location requirements of Sections B and C above without notice and hearing when the necessity for such unorthodox location is based upon topographical conditions, the recompletion of a well previously drilled to a deeper horizon, provided said well was drilled at an orthodox or approved unorthodox location for such original horizon, or Well~~ locations for producing wells and/or injection wells which are unorthodox based on the well location requirements of Rule 104.C(1) (a) above and which are necessary to permit the completion of an efficient production and injection pattern within a secondary recovery, tertiary recovery, or pressure maintenance project are hereby authorized, provided that any such unorthodox location within such project is no closer than ~~330~~ feet the required minimum orthodox distance to the outer boundary of the lease or the unitized area, nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary. Such locations shall only require such prior approval as is necessary for an orthodox location.
  
- (2) The Division Director shall have authority to grant an exception to the well location requirements of ~~Rule 104 B.I. (a) and Rule 104 C.II. (a)~~ Sections 104.B and 104.C above or to the well location requirements of special pool rules without notice and hearing when the necessity for such unorthodox location is based upon geologic conditions ~~provided that any such unorthodox location shall be no closer than 660 feet to the nearest side boundary nor closer than 990 feet to the nearest end boundary of the proration unit,~~ archaeological conditions, topographical conditions, or the recompletion of a well previously drilled to a deeper horizon provided said well was drilled at an orthodox or approved unorthodox location for such original horizon.
  
- (3) Applications for administrative approval of unorthodox locations pursuant to Rule 104.F(2), above, shall be filed in ~~TRIPPLICATE and shall be accompanied by plats, showing the ownership of all leases offsetting the proration or spacing unit for which the unorthodox location is sought, and also all wells completed thereon~~ a plat showing the subject spacing

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unit, its proposed unorthodox well location, the diagonal and adjoining spacing units and/or leases (whichever is applicable) and wells, and a list of affected parties. If the proposed unorthodox location is based upon topography or archaeology, the plat shall also show and describe the existent topographical or archaeological conditions. ~~If the proposed unorthodox location is based upon completion of an efficient production and injection pattern, the plat shall also show the project outline identifying all producing and injection wells therein, and the applicant shall further include a statement setting forth the necessity for such location.~~ If the proposed unorthodox location is based upon geology ~~as provided in Paragraph (2) above,~~ the application shall include appropriate geologic maps, cross sections, and/or logs, exhibits and a discussion of the geologic conditions which result in the necessity for the unorthodox location.

- (a) Adjoining and diagonal spacing units shall be defined as those immediately adjacent existing spacing units in the same pool(s) as the proposed unorthodox well and towards which the unorthodox well location encroaches.
- (b) Affected parties shall be defined as those parties who own interests in leases or operate wells on adjoining or diagonal spacing units and include:
  - (i) the designated operator of any adjoining or diagonal spacing unit producing from the same pool(s) as the proposed well;
  - (ii) in the absence of an operator, all lessees of record of any diagonal or adjoining lease owning interests in the same pool(s) as the proposed well; and
  - (iii) in the absence of an operator or lessee, all owners of record of unleased mineral interests in the same pool(s) as the proposed well.

- (4) ~~All operators of proration or spacing units offsetting the unit for which the unorthodox location is sought shall be notified of the application by certified or registered mail, and the application shall state that such notification has been given.~~ The applicant shall submit a statement attesting that applicant, on or before the same date the application was submitted to the Division, has sent notification to the affected parties by submitting a copy of the application, including a copy of the plat described in Rule 104.F(3) above by certified or registered mail-return receipt in accordance with Rule 1207(A) (5) advising them that if they have an objection it must be filed in writing within twenty days from the date notice was sent. The Division Director may approve the unorthodox location upon receipt of waivers from all ~~offset operators~~ said parties or if no ~~offset operator~~ said party has entered an objection to the unorthodox location within 20 days after the Director has received the application.
- (5) The Division Director may, ~~at his discretion,~~ set any application for administrative approval of an unorthodox location for public hearing, and may require that a directional survey be run in the unorthodox well to establish the actual location of the producing interval(s).

104.G. Whenever an exception is granted, the Division may take such action as will offset any advantage which the person securing the exception may obtain over other producers by reason of the unorthodox location.

104.H. If the drilling tract is within an allocated oil pool or is placed within such allocated pool at any time after completion of the well and the drilling tract consists of less than 39 1/2 acres or more than 40 1/2 acres, the top unit allowable for such well shall be increased or decreased in the proportion that the number of acres in the drilling tract bears to 40.

104.I. If the drilling tract is within an allocated gas pool or is subsequently placed within an allocated gas pool, and the drilling tract consists of less than 158 acres or more than 162 acres in 160-acre pools, or less than 316 acres or more than 324 acres in 320-acre pools, the top allowable for such well shall be decreased or increased in the proportion that the number of acres in the drilling tract bears to a standard spacing unit for the pool.

104.J. In computing acreage under Rules 104.H and 104.I above, minor fractions of an acre shall not be counted but 1/2 acre or more shall count as 1 acre.

104.K. The provisions of Rules 104.H and 104.I above shall apply only to wells completed after January 1, 1950. Nothing herein contained shall affect in any manner any well completed prior to the effective date of this rule and no adjustments shall be made in the allowable production for any such wells by reason of these rules.

104.L. In order to prevent waste the Division may, after notice and hearing, fix different spacing requirements and require greater acreage for drilling tracts in any defined oil pool or in any defined gas pool notwithstanding the provisions of Rules 104.B and 104.C above.

104.M. The Division may approve the pooling or communitization of fractional lots of 20.49 acres or less with another oil ~~proportion~~ spacing unit when:

- (1) The ~~units~~ tracts involved are contiguous;
- (2) They are part of the same basic lease, carrying the same royalty interest; and
- (3) The ownership of the ~~units~~ tracts involved is common.

104.N. Application to the Division for pooling shall be accompanied by three (3) copies of a certified plat showing the dimensions and acreage involved in the pooling, the ownership of all leases and royalty interests involved, and the location of any proposed wells.

104.O. ~~Applicant shall furnish all operators who directly and diagonally offset the units involved a copy of the application to the Division and shall include with his application a written statement that all offset operators have been properly notified. Offset operators shall include only those operators who have offset properties within the State of New Mexico.~~ The Division shall wait at least ten days before approving any such pooling, and shall approve such pooling only in the absence of objection from any ~~offset operator~~ party entitled to notice. In the event that an ~~operator~~ a party entitled to notice objects to the pooling, the Division shall consider the matter only after proper notice and hearing.

104.P. The Division may waive the ten-day waiting period requirement if the applicant furnishes the Division with the written consent to the pooling by all offset operators involved.

104.Q. The Division may consider that the requirements of ~~subparagraphs 2 and 3 of paragraph M of this rule~~ Rules 104.M(2) and (3) have been fulfilled if the applicant furnishes with each copy of each application to the Division a copy of executed pooling agreement communitizing the ~~units~~ tracts involved.

104.R. ~~Each well drilled on any communitized tract shall be located in the approximate geographical center of the combined units with a tolerance of 150 feet for topographical conditions, but in any event shall not be located closer than 330 feet to the outer boundaries of the proposed proration unit or communitized tract.~~ REPEALED

**Exhibit "B"**  
**Case No. 11351**  
**Order No. R-10533**

**RULE 104. - WELL SPACING:  
ACREAGE REQUIREMENTS FOR DRILLING TRACTS**

104.A. **CLASSIFICATION OF WELLS: WILDCAT WELLS AND DEVELOPMENT WELLS**

(1) San Juan, Rio Arriba, Sandoval, and McKinley Counties

- (a) Any well which is to be drilled the spacing unit of which is a distance of 2 miles or more from:
- (i) the outer boundary of any defined pool which has produced oil or gas from the formation to which the well is projected; and
  - (ii) any other well which has produced oil or gas from the formation to which the proposed well is projected, shall be classified as a wildcat well.

(2) All Counties Except San Juan, Rio Arriba, Sandoval, and McKinley

- (a) Any well which is to be drilled the spacing unit of which is a distance of one mile or more from:
- (i) the outer boundary of any defined pool which has produced oil or gas from the formation to which the well is projected; and
  - (ii) any other well which has produced oil or gas from the formation to which the proposed well is projected, shall be classified as a wildcat well.

- (3) Any well which is not a wildcat well as defined above shall be classified as a development well for the nearest pool which has produced oil or gas from the formation to which the well is projected. Any such development well shall be spaced, drilled, operated, and produced in accordance with the rules and regulations in effect in such nearest pool, provided the well is completed in the formation to which it was projected.

- (4) Any well classified as a development well for a given pool but which is completed in a producing horizon not included in the vertical limits of said pool shall be operated and produced in accordance with the rules and regulations in effect in the nearest pool within the 2 mile limit in San Juan, Rio Arriba, Sandoval, and McKinley Counties or within one mile everywhere else which is producing from that horizon. If there is no designated pool for said producing horizon within the 2 mile limit in San Juan, Rio Arriba, Sandoval, and McKinley Counties or within one mile everywhere else, the well shall be re-classified as a wildcat well.

104.B.           ACREAGE AND WELL LOCATION REQUIREMENTS FOR WILDCATS

(1)   Lea, Chaves, Eddy and Roosevelt Counties

- (a)   Wildcat Gas Wells. In Lea, Chaves, Eddy and Roosevelt Counties, a wildcat well which is projected as a gas well to a formation and in an area which, in the opinion of the engineer or supervisor approving the application to drill, may reasonably be presumed to be productive of gas rather than oil shall be located on a 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, and shall be located not closer than 660 feet to any outer boundary of such tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary. Provided, however, that any such wildcat gas well which is projected to the Wolfcamp or 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. Any such "deep" wildcat gas well to which is dedicated more than 160 acres shall be located not closer than 660 feet to the nearest side boundary of the dedicated tract nor closer than 1650 feet to the nearest end boundary, nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary. (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

Exhibit "B"

Case No. 11351

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closing the tract across its least overall dimension.)

- (b) Wildcat Oil Wells. In Lea, Chaves, Eddy, and Roosevelt Counties, a wildcat well which is not a wildcat gas well as defined above 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 feet to any boundary of such tract.
- (c) In the event gas production is encountered in a well which was projected as an oil well and which is located accordingly but does not conform to the above gas well location rule, it shall be necessary for the operator to bring the matter to a hearing before approval for the production of gas can be given.

(2) San Juan, Rio Arriba, Sandoval, and McKinley Counties

- (a) Wildcat Gas Wells. In San Juan, Rio Arriba, Sandoval, and McKinley Counties, a wildcat well which is projected to a gas-producing horizon shall be located on 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, and shall be located not closer than 790 feet to any outer boundary of the tract nor closer than 130 feet to any quarter-quarter section or subdivision inner boundary.
- (b) In the event a well drilled as a gas well is completed as an oil well and is located accordingly but does not conform to the oil well location rule below, it shall be necessary for the operator to apply for administrative approval for a non-standard location before an oil allowable will be assigned. An application may be set for hearing by the Director. If the operator is uncertain as to whether a proposed wildcat well will be an oil well or a gas well, the well should be staked so that it is in a standard location for both oil and gas production.

- (c) Wildcat Oil Wells. A wildcat well which is projected to an oil-producing horizon as recognized by the Division 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 feet to any boundary of such tract.
  - (d) 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 above 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. An application may be set for hearing by the Director. If the operator is uncertain as to whether a proposed wildcat well will be an oil well or a gas well, the well should be staked so that it is in a standard location for both oil and gas production.
- (3) All Counties except Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba, Sandoval, and McKinley.
- (a) Any wildcat well which is projected as an oil well in any county other than Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba, Sandoval, and McKinley Counties 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 feet to any boundary of such tract.
  - (b) Any wildcat well which is projected as a gas well to a formation and in an area which, in the opinion of the Division representative approving the application to drill, may reasonably be presumed to be productive of gas rather than oil shall be located on a 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, and shall be located not closer than 660 feet to any outer boundary of such tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary.

104.C.      **ACREAGE AND WELL LOCATION REQUIREMENTS FOR DEVELOPMENT WELLS**

(1)      **Oil Wells. All Counties.**

- (a)      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 feet to any boundary of such tract nor closer than 330 feet to the nearest well drilling to or capable of producing from the same pool, provided however, only tracts committed to active secondary recovery projects shall be permitted more than four wells.

(2)      **Lea, Chaves, Eddy and Roosevelt Counties.**

- (a)      **Gas Wells.** Unless otherwise provided in special pool rules, each development well for a defined gas pool in a formation younger than the Wolfcamp formation, or in the Wolfcamp formation which was created and defined by the Division prior to November 1, 1975, or in a Pennsylvanian age or older formation which was created and defined by the Division prior to June 1, 1964, shall be located on 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, and shall be located not closer than 660 feet to any outer boundary of such tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary nor closer than 1320 feet to the nearest well drilling to or capable of producing from the same pool.
- (b)      Unless otherwise provided in the special pool rules, each development well for a defined gas pool in the Wolfcamp formation which was created and defined by the Division after November 1, 1975, or of Pennsylvanian age or older which was created and defined by the Division after June 1, 1964, shall be located on a designated 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. Any such well having more than 160 acres dedicated to it shall be located not closer than 660 feet to the nearest side boundary of the dedicated tract nor closer than 1650 feet to the nearest end boundary, nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary. (For the purpose of this rule, "side" boundary and "end" boundary are as defined in Rule 104.B(1)(a), above.)

(3) San Juan, Rio Arriba, Sandoval, and McKinley Counties.

- (a) Gas Wells. Unless otherwise provided in special pool rules, each development well for a defined gas pool shall be located on 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, and shall be located not closer than 790 feet to any outer boundary of the tract nor closer than 130 feet to any quarter-quarter section line or subdivision inner boundary.

(4) All Counties except Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba, Sandoval, and McKinley.

- (a) Gas Wells. Unless otherwise provided in special pool rules, each development well for a defined gas pool shall be located on 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, and shall be located not closer than 660 feet to any outer boundary of such tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary nor closer than 1320 feet to the nearest well drilling to or capable of producing from the same pool.

104.D.      **ACREAGE ASSIGNMENT**

- (1)    **Well Tests and Classification.** It shall be the responsibility of the operator of any wildcat gas well or development gas well to which more than 40 acres has been dedicated to conduct a potential test within 30 days following completion of the well and to file the same with the Division within 10 days following completion of the tests. (See Rule 401.)
  - (a)    Date of completion for a gas well shall be the date a wellhead is installed or 30 days following conclusion of active completion work on the well, whichever date comes first.
  - (b)    Upon making a determination that the well should not properly be classified as a gas well, the Division will reduce the acreage dedicated to the well.
  - (c)    Failure of the operator to file the aforesaid tests within the specified time will also subject the well to such acreage reduction.
  
- (2)    **Non-Standard Spacing Units.** Any well which does not have the required amount of acreage dedicated to it for the pool or formation in which it is completed may not be produced until a standard spacing unit for the well has been formed and dedicated or until a non-standard spacing unit has been approved.
  - (a)    The supervisor of the appropriate District Office of the Division shall have the authority to approve non-standard spacing units without notice when the unorthodox size and shape is necessitated by a variation in the legal subdivision of the United States Public Land Surveys and/or consists of an entire governmental section and the non-standard spacing unit is not less than 70% nor more than 130% of a standard spacing unit. Such approval shall consist of acceptance of Division Form C-102 showing the proposed non-standard spacing unit and the acreage contained therein.

- (b) The Division Director may grant administrative approval to non-standard spacing units without notice and hearing when an application has been filed for a non-standard spacing unit and the unorthodox size or shape of the dedicated tract is necessitated by a variation in the legal subdivision of the U.S. Public Land Surveys, or the following facts exist and the following provisions are complied with:
- (i) The non-standard spacing unit consists of a single quarter-quarter section or lot or the non-standard spacing unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side; and
  - (ii) The non-standard spacing unit lies wholly within a single governmental quarter section if the well is completed in a pool or formation for which 40, 80, or 160 acres is the standard spacing unit size, wholly within a single governmental half section if the well is completed in a pool or formation for which 320 acres is the standard spacing unit size, or wholly within a single governmental section if the well is completed in a pool or formation for which 640 acres is the standard spacing unit size.
- (c) Applications for administrative approval of non-standard spacing units, pursuant to Section D(2) above, shall be accompanied by a plat showing the subject spacing unit and an applicable standard spacing unit for the applicable pool or formation, its proposed well dedications, all adjoining spacing units and/or leases (whichever is applicable), and a list of affected parties. Also to be included is a statement that discusses the necessity for the formation of the subject non-standard spacing unit and the reasons why a standard sized spacing unit is not feasible.
- (i) Affected parties in this instance shall be defined as those parties who own interests in the applicable half quarter section (80-acre spacing), quarter section (160-acre spacing), half section (320-acre spacing), or section (640-acre spacing) in which the non-standard spacing unit is situated and which acreage is not included in said non-standard spacing unit;

- (ii) the designated operator of any adjoining or diagonal spacing unit producing from the same pool(s) as the proposed non-standard spacing unit;
  - (iii) in the absence of an operator, all lessees of record of any diagonal or adjoining lease owning interests in the same pool(s) as the proposed non-standard spacing unit; and
  - (iv) in the absence of an operator or lessee, then to all owners of record of unleased mineral interests.
- (d) The applicant shall submit a statement attesting that applicant, on or before the same date the application was submitted to the Division, has sent notification to the affected parties by submitting a copy of the application, including a copy of the plat described in Subpart (c) above by certified or registered mail-return receipt in accordance with Rule 1207(6)(a) advising them that if they have an objection it must be filed in writing within twenty days from the date notice was sent. The Division Director may approve the non-standard spacing unit upon receipt of waivers from all said parties or if no said party has entered an objection to the non-standard spacing unit within 20 days after the Director has received the application.
- (e) The Division Director may set any application for administrative approval for a non-standard spacing unit for public hearing.
- (3) Number of Wells Per Spacing Unit in Non-Prorated Gas Pools: Unless otherwise permitted by special pool rules or authorized after notice and hearing, only one (1) well per spacing unit is permitted in non-prorated pools.

104.E. Form C-102, "Well Location and Acreage Dedication Plat", for any well shall designate the exact legal subdivision allotted to the well and Form C-101, "Application for Permit to Drill, Deepen, or Plug Back", will not be approved by the Division without such proper designation of acreage.

104.F. UNORTHODOX LOCATIONS

- (1) Well locations for producing wells and/or injection wells which are unorthodox based on the well location requirements of Rule 104.C(1)(a) above and which are necessary to permit the completion of an efficient production and injection pattern within a secondary recovery, tertiary recovery, or pressure maintenance project are hereby authorized, provided that any such unorthodox location within such project is no closer than the required minimum orthodox distance to the outer boundary of the lease or the unitized area, nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary. Such locations shall only require such prior approval as is necessary for an orthodox location.
- (2) The Division Director shall have authority to grant an exception to the well location requirements of Sections 104.B and 104.C above or to the well location requirements of special pool rules without notice and hearing when the necessity for such unorthodox location is based upon geologic conditions, archaeological conditions, topographical conditions, or the recompletion of a well previously drilled to a deeper horizon provided said well was drilled at an orthodox or approved unorthodox location for such original horizon.
- (3) Applications for administrative approval of unorthodox locations pursuant to Rule 104.F(2), above, shall be accompanied by a plat showing the subject spacing unit, its proposed unorthodox well location, the diagonal and adjoining spacing units and/or leases (whichever is applicable) and wells, and a list of affected parties. If the proposed unorthodox location is based upon topography or archaeology, the plat shall also show and describe the existent topographical or archaeological conditions. If the proposed unorthodox location is based upon geology, the application shall include appropriate geologic exhibits and a discussion of the geologic conditions which result in the necessity for the unorthodox location.
  - (a) Adjoining and diagonal spacing units shall be defined as those immediately adjacent existing spacing units in the same pool(s) as the proposed unorthodox well and towards which the unorthodox well location encroaches.

- (b) Affected parties shall be defined as those parties who own interests in leases or operate wells on adjoining or diagonal spacing units and include:
- (i) the designated operator of any adjoining or diagonal spacing unit producing from the same pool(s) as the proposed well;
  - (ii) in the absence of an operator, all lessees of record of any diagonal or adjoining lease owning interests in the same pool(s) as the proposed well; and
  - (iii) in the absence of an operator or lessee, all owners of record of unleased mineral interests in the same pool(s) as the proposed well.
- (4) The applicant shall submit a statement attesting that applicant, on or before the same date the application was submitted to the Division, has sent notification to the affected parties by submitting a copy of the application, including a copy of the plat described in Rule 104.F(3) above by certified or registered mail-return receipt in accordance with Rule 1207(A)(5) advising them that if they have an objection it must be filed in writing within twenty days from the date notice was sent. The Division Director may approve the unorthodox location upon receipt of waivers from all said parties or if no said party has entered an objection to the unorthodox location within 20 days after the Director has received the application.
- (5) The Division Director may set any application for administrative approval of an unorthodox location for public hearing, and may require that a directional survey be run in the unorthodox well to establish the actual location of the producing interval(s).

104.G. Whenever an exception is granted, the Division may take such action as will offset any advantage which the person securing the exception may obtain over other producers by reason of the unorthodox location.

104.H. If the drilling tract is within an allocated oil pool or is placed within such allocated pool at any time after completion of the well and the drilling tract consists of less than 39 1/2 acres or more than 40 1/2 acres, the top unit allowable for such well shall be increased or decreased in the proportion that the number of acres in the drilling tract bears to 40.

104.I. If the drilling tract is within an allocated gas pool or is subsequently placed within an allocated gas pool, and the drilling tract consists of less than 158 acres or more than 162 acres in 160-acre pools, or less than 316 acres or more than 324 acres in 320-acre pools, the top allowable for such well shall be decreased or increased in the proportion that the number of acres in the drilling tract bears to a standard spacing unit for the pool.

104.J. In computing acreage under Rules 104.H and 104.I above, minor fractions of an acre shall not be counted but 1/2 acre or more shall count as 1 acre.

104.K. The provisions of Rules 104.H and 104.I above shall apply only to wells completed after January 1, 1950. Nothing herein contained shall affect in any manner any well completed prior to the effective date of this rule and no adjustments shall be made in the allowable production for any such wells by reason of these rules.

104.L. In order to prevent waste the Division may, after notice and hearing, fix different spacing requirements and require greater acreage for drilling tracts in any defined oil pool or in any defined gas pool notwithstanding the provisions of Rules 104.B and 104.C above.

104.M. The Division may approve the pooling or communitization of fractional lots of 20.49 acres or less with another oil spacing unit when:

- (1) The tracts involved are contiguous;
- (2) They are part of the same basic lease, carrying the same royalty interest; and
- (3) The ownership of the tracts involved is common.

104.N. Application to the Division for pooling shall be accompanied by three (3) copies of a certified plat showing the dimensions and acreage involved in the pooling, the ownership of all leases and royalty interests involved, and the location of any proposed wells.

104.O. The Division shall wait at least ten days before approving any such pooling, and shall approve such pooling only in the absence of objection from any party entitled to notice. In the event that a party entitled to notice objects to the pooling, the Division shall consider the matter only after proper notice and hearing.

104.P. The Division may waive the ten-day waiting period requirement if the applicant furnishes the Division with the written consent to the pooling by all offset operators involved.

104.Q. The Division may consider that the requirements of Rules 104.M(2) and (3) have been fulfilled if the applicant furnishes with each copy of each application to the Division a copy of executed pooling agreement communitizing the tracts involved.

104.R. REPEALED

**ORDER NO. R-10534**

**CASE NO. 11451**

**January 18, 1996**

**STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING CALLED  
BY THE OIL CONSERVATION DIVISION FOR  
AN ORDER REPROMULGATING THE RULES  
AND REGULATIONS OF THE OIL CONSERVATION  
DIVISION TO COMPLY WITH THE NEW MEXICO  
ADMINISTRATIVE CODE.**

**CASE NO. 11451  
Order No. R-10534**

**ORDER OF THE COMMISSION**

**BY THE COMMISSION:**

This cause came on for hearing at 9:00 a.m. on January 18, 1996, at Santa Fe, New Mexico, before the Oil Conservation Commission of the State of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 18th day of January, 1996, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

**FINDS THAT:**

- (1) Due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) The current compilation of the Rules and Regulations of the Oil Conservation Division ("Rules") is not in compliance with the recently created New Mexico Administrative Code (NMAC).
- (3) Repromulgation of such Rules by the Commission in the NMAC structure is necessary to comply with State Records Center rules for the NMAC.
- (4) The Division witness testified that she personally reformatted every rule and that she subsequently proofread the proposed reformatting of the Rules and compared them with the existing Rules and that other than the change in format and corrections of minor typographical, grammatical and numbering errors noticed while proofreading, there are no changes in the Rules besides the following:
  - a) The following Commission orders of more than specific application, with amendments, will now become sections of the NMAC: R-111, R-3221, R-5353, R-7940 and R-8170. These orders will be listed in 19 NMAC 15, under new Part R so, for example, Order R-111 will be cited as 19 NMAC 15.R.111.

- b) Forms C-134 to C-140 will be added to 19 NMAC 15.M.1100.D. (Rule 1100.D.)
- c) OCD Rules 1 to 8 will now be Sections 11 to 18 in 19 NMAC 15.A.
- d) Parts B (where Rules 1 to 8 were formerly located), Q and P (new Parts) of 19 NMAC 15 are reserved.
- e) The definitions formerly found in Rule 0.1 will now be found in Section 7 of Part A (19 NMAC 15.A.7).
- f) The first six sections of every Part of the OCD Rules and Regulations (found in Chapter 15 "Petroleum Oil and Gases Storage and Handling" of Title 19 "Natural Resources and Wildlife" of the NMAC) will contain the following information: 1) Issuing Agency, 2) Scope, 3) Statutory Authority, 4) Duration, 5) Effective Date and 6) Objective.

(5) Adoption of the proposed reformatting with a common effective date of February 1, 1996, will comply with the NMAC, provide for better service through electronic accessibility to persons dealing with the Division and will improve the operation of the Division.

(6) Because there are no substantive changes for any Rule, the Division should publish a synopsis of this order in the New Mexico Register rather than each newly reformatted rule which would be prohibitive in cost.

**IT IS THEREFORE ORDERED THAT:**

(1) As of February 1, 1996, the reformatted Rules and Regulations of the Oil Conservation Division presented at the time of hearing as "Exhibit "A" in this Case and incorporated by reference into this order are hereby adopted as the Rules and Regulations of the Division, superseding all Rules and Regulations of the Oil Conservation Division published prior to the effective date of this order.

(2) The effective date of this order shall be February 1, 1996.

(3) A synopsis of this order and the nature of the change to the rules shall be all that is published in the New Mexico Register.

(4) Jurisdiction is hereby retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

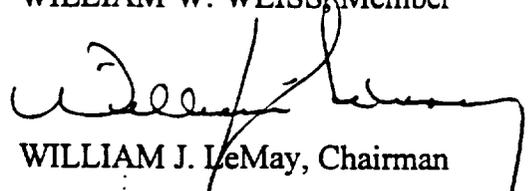
STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION



JAMI BAILEY, Member



WILLIAM W. WEISS, Member



WILLIAM J. LeMay, Chairman

S E A L

**ORDER NO. R-10815**

**CASE NO. 11745**

**June 5, 1997**

**STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION COMMISSION**

**IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION FOR THE PURPOSE OF  
CONSIDERING:**

**CASE NO. 11745  
Order No. R-10815**

**APPLICATION OF BURLINGTON RESOURCES OIL & GAS COMPANY TO  
AMEND DIVISION RULES 104.B AND 104.C TO ESTABLISH 640-ACRE  
SPACING, INCLUDING WELL LOCATION REQUIREMENTS FOR GAS  
PRODUCTION BELOW THE BASE OF THE DAKOTA FORMATION IN SAN  
JUAN, SANDOVAL AND MCKINLEY COUNTIES, NEW MEXICO**

**ORDER OF THE COMMISSION**

**BY THE COMMISSION:**

This cause came on for hearing at 9 o'clock a.m. on March 19, 1997, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission".

NOW, on this 5th day of June, 1997, the Commission, a quorum being present, having considered the record and being fully advised in the premises,

**FINDS THAT:**

(1) Due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) On March 19, 1997, the Commission commenced a public hearing based upon the application of Burlington Resources Oil and Gas Company ("Burlington") to consider modifications to Division General Rule 104 which currently provides for 160-acre gas spacing and proration units in the San Juan Basin of New Mexico.

(3) Burlington seeks to allow for 640-acre proration and spacing units, including modification of well location requirements, for deep gas wells in the San Juan Basin by amending Rule 104.B(2)(a) and Rule 104.C(3)(a) and adopting a new Rule 104.B(2)(b) and Rule 104.C(3)(b).

(4) Burlington proposes that:

- (a) the vertical limits of the affected area would be defined as all gas formations below the base of the Cretaceous period (below the Dakota formation); and
- (b) the horizontal limits of the affected area would be defined as within the surface outcrop of the Pictured Cliffs formation.

(5) Burlington presented geologic, land and petroleum engineering evidence which demonstrated that the current 160-acre gas spacing unit size for deep gas has discouraged efforts to develop the deep gas in the San Juan Basin because:

- (a) deep gas wells drain more than 160-acres;
- (b) a 160-acre unit does not provide sufficient gas-in-place to economically justify the drilling and completing of deep gas wells which currently cost in excess of two million dollars to drill and complete;
- (c) operators do not want to assume the risk of either (a) drilling a deep gas well on 160-acre spacing only to have the owners in the adjoining 160-acre drill another deep gas well which is not necessary in order to drain the area or (b) pooling the adjoining tracts into a 640-acre unit after the well is drilled only to have the adjoining owners avoid assuming any of the risk of drilling the deep gas well;
- (d) due to the diversity of ownership, it is extremely difficult to consolidate 640-acres into a voluntary spacing unit for the drilling of wildcat and development deep gas wells;
- (e) royalty interests cannot voluntarily or involuntarily pool their interests for spacing units larger than 160 acres and therefore cannot share in production from wells capable of draining 640 acres; and
- (f) compulsory pooling is available only for spacing units consistent with the well spacing adopted by the Division which is currently limited to 160 acres.

(6) All parties appearing before the Commission support modifying current Rule 104 to provide for 640-acre "deep gas" spacing.

(7) Amoco Producing Company appeared in support of 640-acre deep gas spacing but requested that this modification include provision for obtaining 640-acre spacing, after notice and hearing, on a temporary basis prior to drilling the well and for an area not to exceed nine sections and then requiring another hearing after the well was completed in order to determine actual drainage areas and adopt "final" spacing units.

(8) Burlington opposed Amoco's request on the grounds that such a complicated procedure would lead to the drilling of unnecessary wells and would discourage deep gas drilling because the participating working interest owners would have to assume the risk of uncertain "final spacing".

(9) The Commission finds that Rule 104 should be modified on a permanent basis to provide for 640-acre gas spacing units, including modified well location requirements for the deep gas formations of the San Juan Basin for the following reasons:

- (a) On December 1, 1950, the Commission revised its Rules and Regulations including amending Rule 104 to designate 160-acre gas well spacing for San Juan, Rio Arriba and Sandoval Counties, New Mexico, with well locations 990 feet to the outer boundary.
- (b) Burlington has developed Barker Creek-Barker Dome and Alkali Gulch areas on 640-acre spacing and has projected similar geologic and reservoir engineering data for the deeper formations underlying the subject area of San Juan Basin.
- (c) The "deep gas" reservoirs from the base of the Dakota formation to the base of the Pennsylvanian formation in the San Juan Basin have not been effectively explored because operators have generally confined exploration to the shallow, less risky Cretaceous gas reservoirs.
- (d) The current rules have discouraged "deep gas" well exploration because an operator is required to risk the drilling of a deep gas well on 160-acre spacing with the "hope" that larger spacing units can be obtained after production is encountered.

- (e) The Pennsylvanian-aged strata in the San Juan Basin lie much deeper than in the Baker Dome, Alkali Gulch and Ute Dome pools. As a result, anticipated pressure in reservoirs below the base of the Dakota formation are projected to be high enough to enable one well per 640 acres to efficiently drain the reservoir with adequate porosity and permeability.
- (f) Drilling wells according to the current 160-acre gas spacing rules would result in economic and physical waste. The impact on the surface, including topographic, geologic and archeological concerns will also be reduced under 640-acre gas spacing rules which include well locations not closer than 1200 to the outer boundary, 130 feet to a quarter line or closer than 10 feet to any quarter-quarter line.
- (g) Wells drilled to formations below the base of the Dakota formation are "high-risk" and "high-cost" ventures. Establishment of 640-acre gas spacing will encourage deep exploration by allowing the formation of 640 acre compulsory pooling units.
- (h) By making this modification permanent, it will create the opportunity for operators to drill these high risk wells and obtain reservoir data from which to determine if "infill" drilling may be appropriate at some future time.
- (i) The requested modification of Rule 104 should be made on a permanent basis which still affords any operator the opportunity to petition the Division to grant exceptions to General Rule 104 for the creation of individual pools with their own unique special rules and regulations when and where appropriate.
- (j) The amendments of Rule 104 as set forth in Exhibit "A", will prevent the economic loss caused by the drilling of unnecessary wells, will avoid the risks associated with the drilling of an excessive number of wells, will increase the opportunity to drill for "deep gas" by the consolidation of tracts into larger spacing units and will otherwise prevent waste and protect correlative rights.
- (k) The vertical limits subjected to 640 acre gas spacing should be the interval below the base of the Cretaceous period (below the Dakota formation); and the horizontal limits of the affected area should be the area within the surface outcrop of the Pictured Cliffs formation as shown on Exhibit "B".

(10) There exists a substantial opportunity for operators in the San Juan Basin to commence a significant exploration efforts to explore the deeper gas potential in the San Juan Basin and adoption of 640-acre deep gas spacing will encourage this exploration effort.

(11) The Commission further **FINDS** that:

- (a) the adoption of these amendments to Rule 104 will provide a more flexible method for the timely and efficient drilling of deep gas wells while providing for the orderly and proper regulations of well locations and spacing units thereby protecting correlative rights and preventing waste;
- (b) the adoption of these amendments to Rule 104 will prevent waste of valuable hydrocarbons, the drilling of unnecessary wells and the protection of the correlative rights of the owners of that production.

**IT IS THEREFORE ORDERED THAT:**

(1) Division Rule 104 is hereby amended to conform to the rule changes hereby adopted by the Commission and as set forth on Exhibit "A" attached hereto and made part of this order.

(2) Rule 104 as amended shall be effective on the date of its publications in the New Mexico Register.

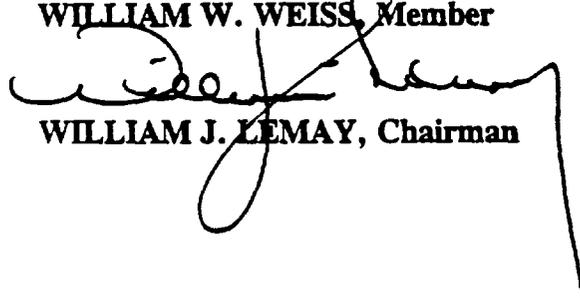
(3) Jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinafter designated.

**STATE OF NEW MEXICO**  
**OIL CONSERVATION COMMISSION**

  
**JAMI BAILEY, Member**

  
**WILLIAM W. WEISS, Member**

  
**WILLIAM J. LEMAY, Chairman**

S E A L

**CASE NO. 11745**  
**ORDER NO. R-10815**  
**EXHIBIT "A"**

**For wildcat wells - Rule 104.B(2)**

(a) **Shallow Wildcat Gas Wells.** In San Juan, Rio Arriba, Sandoval and McKinley Counties, a wildcat well which is projected to a gas-producing horizon in a formation younger than the Dakota formation, or in the Dakota formation, which was created and defined by the Division after March 1, 1997, shall be located on a designated drilling tract consisting of 160 contiguous surface 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 Survey, and shall be located not closer than 790 feet to any outer boundary of the tract nor closer than 130 feet to any quarter-quarter section line or subdivision inner boundary.

(b) **Deep Wildcat Gas Wells.**

In San Juan, Rio Arriba, Sandoval and McKinley Counties, a wildcat well which is projected to a gas-producing formation in a formation older than the Dakota formation (below the base of the Cretaceous period) and

(i) 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; or

(ii) located outside the surface outcrop of the Pictured Cliffs formations (i.e., the "San Juan Basin") shall be located on a designated drilling tract consisting of 160 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 790 feet to any outer boundary of the tract nor closer than 130 feet to any quarter section line, quarter-quarter section line or subdivision inner boundary.

(c) Current Rules 104.B(2)(b), (c) and (d) shall be renumbered as Rule 104.B(2) (c), (d) and (e) respectively.

**For Development Wells - Rule 104.C(3)**

- (a) **Shallow Gas Wells.** Unless otherwise provided in special pool rules, each development well for a defined gas pool in a formation younger than the Dakota formation, or in the Dakota formation, which was created and defined by the Division after March 1, 1997, shall be located on a designated drilling tract consisting of 160 contiguous surface 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 Survey, and shall be located not closer than 790 feet to any outer boundary of the tract nor closer than 130 feet to any quarter-quarter section line or subdivision inner boundary.
- (b) **Deep Gas Wells.** Unless otherwise provided in special pool rules, each development well for a defined gas pool in a formation older than the Dakota formation (below the base of the Cretaceous period) and
- (i) is located within the surface outcrop of the Pictured Cliffs formations (i.e., the "San Juan Basin") which pool was created and defined by the Division after June 1, 1997, 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; or
- (ii) is located outside the surface outcrop of the Pictured Cliffs formations (i.e., the "San Juan Basin") which pool was created and defined by the Division after June 1, 1997, shall be located on a designated drilling tract consisting of 160 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 790 feet to any outer boundary of the tract nor closer than 130 feet to any quarter section line, quarter-quarter section line or subdivision inner boundary.

**CASE NO. 11745 -- ORDER NO. R-10815**  
**EXHIBIT "B"**  
**640-Acre Deep Gas Acreage Boundary**  
**(Pictured Cliffs Pool Outline)**

TOWNSHIP	RANGE	SECTION
21 North	2 West	1 - 24, 26 - 33
21 North	3 West - 5 West	All
21 North	6 West	All
21 North	7 West	1 - 18, 23 - 25
22 North	1 West	4 - 9, 17 - 20, 30, 31
22 North	2 West - 7 West	All
22 North	8 West	1 - 30, 34 - 36
22 North	9 West	1 - 18, 23 - 25
23 North	1 West	5 - 8, 17 - 20, 29 - 32
23 North	2 West - 9 West	All
23 North	10 West	1 - 17, 21 - 26
23 North	11 West	1 - 6, 9 - 13
24 North	1 West	2 - 10, 14 - 20, 24 - 32
24 North	2 West - 14 West	All
25 North	1 West	1 - 11, 14 - 23, 24 - 35
25 North	2 West - 14 West	All
26 North	1 West - 14 West	All
27 North	1 West	7 - 10, 15 - 22, 27 - 34
27 North	2 West - 14 West	All
28 North	1 West	4 - 9, 16 - 21, 28 - 34
28 North	2 West - 14 West	All
29 North	1 West	4 - 9, 16 - 21, 28 - 34
29 North	2 West - 13 West	All
29 North	14 West	1 - 4, 8 - 17, 19 - 36
30 North	1 West	5 - 8, 17 - 20, 24 - 32
30 North	2 West - 13 West	All
30 North	14 West	1 - 4, 9 - 16, 21 - 27, 33 - 36
31 North	2 West - 12 West	All
31 North	13 West	1, 12 - 14, 21 - 36
31 North	14 West	25, 26, 34 - 36
32 North	2 West	12 - 22, 28 - 34
32 North	3 West - 11 West	All
32 North	12 West	10 - 15, 21 - 29, 31 - 36

**Current Rules  
With  
References**

**(DRILLING - Cont'd.)**

102.B. No permit shall be approved for the drilling of any well within the corporate limits of any city, town, or village of this state unless notice of intention to drill such well has been given to the duly constituted governing body of such city, town or village or its duly authorized agent. Evidence of such notification shall accompany the application for a permit to drill (Form C-101). [5-22-73...2-1-96]

102.C. When filing a permit to drill in any quarter-quarter section containing an existing well or wells, the applicant shall concurrently file a plat or other acceptable document locating and identifying such well(s) and a statement that the operator(s) of such well(s) have been furnished a copy of the permit. [5-22-73...2-1-96]

**103 (Formerly Rule 103.) SIGN ON WELLS** (As Amended by Order No. R-3371, January 31, 1968; Order No. R-6702, July 1, 1981, Order No. R-10534, February 1, 1996, and Order No. R-10816, June 5, 1997.)

All wells subject to these regulations shall be identified by a sign not more than 50 feet from such well, and such sign shall be of durable construction and the lettering thereon shall be kept in legible condition and shall be large enough to be legible under normal conditions at a distance of 50 feet. Each sign shall show the number of the well, the name of the property, the name of the operator, and the location by unit letter, section, township and range. Each sign posted after June 30, 1997, shall show the API number of the well with the state code, the county code, and the next five digits of the API number. An operator will have 60 days from the effective date of an operator name change to change the operator name on the well sign unless an extension of time, for good cause shown along with a schedule for making the changes, is granted. If an API number has not been assigned to a well before it is spud, then the number is not required on the sign used at the drilling site even if it is a permanent sign. The API number must however be added after it is assigned. [1-1-50...2-1-96...6-5-97]

**104 (Formerly Rule 104.) WELL SPACING: ACREAGE REQUIREMENTS FOR DRILLING TRACTS** (As Amended by Order No. R-169, June 19, 1952; Order No. R-238, December 29, 1952; Order No. R-397, December 17, 1953; Order No. R-855, August 10, 1956; Order No. R-2707, May 25, 1964; Order No. R-2761, January 1, 1965; Order No. R-3038, February 9, 1966; Order No. R-4383, September 6, 1972; Order No. R-5113, November 1, 1975; Order No. R-6870, February 1, 1982; Order No. R-7451, March 2, 1984; Order No. R-10533, January 18, 1996; and Order No. R-10534, February 1, 1996.)

**104.A. CLASSIFICATION OF WELLS: WILDCAT WELLS AND DEVELOPMENT WELLS** (As Amended by Order No. R-10533, January 18, 1996; and Order No. R-10534, February 1, 1996.)

**(1) San Juan, Rio Arriba, Sandoval, and McKinley Counties**

(a) Any well which is to be drilled the spacing unit of which is a distance of 2 miles or more from:

(i) the outer boundary of any defined pool which has produced oil or gas from the formation to which the well is projected; and

(ii) any other well which has produced oil or gas from the formation to which the proposed well is projected, shall be classified as a wildcat well. [12-29-52...2-1-96]

**(2) All Counties Except San Juan, Rio Arriba, Sandoval, and McKinley**

(a) Any well which is to be drilled the spacing unit of which is a distance of one mile or more from:

(i) the outer boundary of any defined pool which has produced oil or gas from the formation to which the well is projected; and

(ii) any other well which has produced oil or gas from the formation to which the proposed well is projected, shall be classified as a wildcat well. [12-29-52...2-1-96]

(3) Any well which is not a wildcat well as defined above shall be classified as a development well for the nearest pool which has produced oil or gas from the formation to which the well is projected. Any such development well shall be spaced, drilled, operated, and produced in accordance with the rules and regulations in effect in such nearest pool, provided the well is completed in the formation to which it was projected. [5-25-64...2-1-96]

(4) Any well classified as a development well for a given pool but which is completed in a producing horizon not included in the vertical limits of said pool shall be operated and produced in accordance with the rules and regulations in effect in the nearest pool within the 2 mile limit in San Juan, Rio Arriba, Sandoval, and McKinley Counties or within one mile everywhere else which is producing from that horizon. If there is no designated pool for said producing horizon within the 2 mile limit in San Juan, Rio Arriba, Sandoval, and McKinley Counties or within one mile everywhere else, the well shall be re-classified as a wildcat well. [5-25-64...2-1-96]

**104.B.**

**ACREAGE AND WELL LOCATION REQUIREMENTS FOR WILDCATS** (As Amended by Order No. R-5113, November 1, 1975; Order No. R-10533, January 18, 1996; Order No. R-10534, February 1, 1996, and Order No. R-10815, June 5, 1997.)

**(1) Lea, Chaves, Eddy and Roosevelt Counties**

(a) Wildcat Gas Wells. In Lea, Chaves, Eddy and Roosevelt Counties, a wildcat well which is projected as a gas well to a formation and in an area which, in the opinion of the engineer or supervisor approving the application to drill, may reasonably be presumed to be productive of gas rather than oil shall be located on a 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, and shall be located not closer than 660 feet to any outer boundary of such tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary. Provided, however, that any such wildcat gas well which is projected to the Wolfcamp or 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. Any such "deep" wildcat gas well to which is dedicated more than 160 acres shall be located not closer than 660 feet to the nearest side boundary of the dedicated tract nor closer than 1650 feet to the nearest end boundary, nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary. (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.) [5-25-64...2-1-96]

(b) Wildcat Oil Wells. In Lea, Chaves, Eddy, and Roosevelt Counties, a wildcat well which is not a wildcat gas well as defined above 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 feet to any boundary of such tract. [5-25-64...2-1-96]

## (DRILLING - Cont'd.)

(c) In the event gas production is encountered in a well which was projected as an oil well and which is located accordingly but does not conform to the above gas well location rule, it shall be necessary for the operator to bring the matter to a hearing before approval for the production of gas can be given. [5-25-64...2-1-96]

(2) San Juan, Rio Arriba, Sandoval, and McKinley Counties

(a) Shallow Wildcat Gas Wells. In San Juan, Rio Arriba, Sandoval and McKinley Counties, a wildcat well which is projected to a gas-producing horizon in a formation younger than the Dakota formation, or in the Dakota formation, which was created and defined by the Division after March 1, 1997, shall be located on a designated drilling tract consisting of 160 contiguous surface 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 Survey, and shall be located not closer than 790 feet to any outer boundary of the tract nor closer than 130 feet to any quarter-quarter section line or subdivision inner boundary. [5-25-64...2-1-96...6-5-97]

(b) Deep Wildcat Gas Wells.

In San Juan, Rio Arriba, Sandoval and McKinley Counties, a wildcat well which is projected to a gas-producing formation in a formation older than the Dakota formation (below the base of the Cretaceous period) and

(i) 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; or

(ii) located outside the surface outcrop of the Pictured Cliffs formations (i.e., the "San Juan Basin") shall be located on a designated drilling tract consisting of 160 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 790 feet to any outer boundary of the tract nor closer than 130 feet to any quarter section line, quarter-quarter section line or subdivision inner boundary. [6-5-97]

(c) In the event a well drilled as a gas well is completed as an oil well and is located accordingly but does not conform to the oil well location rule below, it shall be necessary for the operator to apply for administrative approval for a non-standard location before an oil allowable will be assigned. An application may be set for hearing by the Director. If the operator is uncertain as to whether a proposed wildcat well will be an oil well or a gas well, the well should be staked so that it is in a standard location for both oil and gas production. [5-25-64...2-1-96...6-5-97]

(d) Wildcat Oil Wells. A wildcat well which is projected to an oil-producing horizon as recognized by the Division 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 feet to any boundary of such tract. [5-25-64...2-1-96...6-5-97]

(e) 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 above 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. An application may be set for hearing by the Director. If the operator is

uncertain as to whether a proposed wildcat well will be an oil well or a gas well, the well should be staked so that it is in a standard location for both oil and gas production. [5-25-64...2-1-96...6-5-97]

(3) All Counties except Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba, Sandoval, and McKinley (As Amended by Order No. R-6870, February 1, 1982; Order No. R-10533, January 18, 1996; and Order No. R-10534, February 1, 1996.)

(a) Any wildcat well which is projected as an oil well in any county other than Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba, Sandoval, and McKinley Counties 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 feet to any boundary of such tract. [1-1-50...2-1-96]

(b) Any wildcat well which is projected as a gas well to a formation and in an area which, in the opinion of the Division representative approving the application to drill, may reasonably be presumed to be productive of gas rather than oil shall be located on a 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, and shall be located not closer than 660 feet to any outer boundary of such tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary. [1-1-50...2-1-96]

## 104.C.

**ACREAGE AND WELL LOCATION REQUIREMENTS FOR DEVELOPMENT WELLS** (As Amended by Order No. R-4383, September 6, 1972; Order No. R-5113, November 1, 1975; Order No. R-10533, January 18, 1996; Order No. R-10534, February 1, 1996, and Order No. R-10815, June 5, 1997.)

(1) Oil Wells, All Counties. (As Amended by Order No. R-4383, September 6, 1972; and Order No. R-10534, February 1, 1996.

(a) 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 feet to any boundary of such tract nor closer than 330 feet to the nearest well drilling to or capable of producing from the same pool, provided however, only tracts committed to active secondary recovery projects shall be permitted more than four wells. [5-25-64...2-1-96]

(2) Lea, Chaves, Eddy and Roosevelt Counties.

(a) Gas Wells. Unless otherwise provided in special pool rules, each development well for a defined gas pool in a formation younger than the Wolfcamp formation, or in the Wolfcamp formation which was created and defined by the Division prior to November 1, 1975, or in a Pennsylvanian age or older formation which was created and defined by the Division prior to June 1, 1964, shall be located on 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, and shall be located not closer than 660 feet to any outer boundary of such tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary nor closer than 1320 feet to the nearest well drilling to or capable of producing from the same pool. [5-25-64...2-1-96]

**(DRILLING - Cont'd.)**

(b) Unless otherwise provided in the special pool rules, each development well for a defined gas pool in the Wolfcamp formation which was created and defined by the Division after November 1, 1975, or of Pennsylvanian age or older which was created and defined by the Division after June 1, 1964, shall be located on a designated 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. Any such well having more than 160 acres dedicated to it shall be located not closer than 660 feet to the nearest side boundary of the dedicated tract nor closer than 1650 feet to the nearest end boundary, nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary. (For the purpose of this rule, "side" boundary and "end" boundary are as defined in Rule 104.B(1)(a), above.) [5-25-64...2-1-96]

**(3) San Juan, Rio Arriba, Sandoval, and McKinley Counties.**

(a) Shallow Gas Wells. Unless otherwise provided in special pool rules, each development well for a defined gas pool in a formation younger than the Dakota formation, or in the Dakota formation, which was created and defined by the Division after March 1, 1997, shall be located on a designated drilling tract consisting of 160 contiguous surface 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 Survey, and shall be located not closer than 790 feet to any outer boundary of the tract nor closer than 130 feet to any quarter-quarter section line or subdivision inner boundary. [5-25-64...2-1-96...6-5-97]

(b) Deep Gas Wells. Unless otherwise provided in special pool rules, each development well for a defined gas pool in a formation older than the Dakota formation (below the base of the Cretaceous period) and

(i) is located **within** the surface outcrop of the Pictured Cliffs formations (i.e., the "San Juan Basin") which pool was created and defined by the Division after June 1, 1997, 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; or

(ii) is located **outside** the surface outcrop of the Pictured Cliffs formations (i.e., the "San Juan Basin") which pool was created and defined by the Division after June 1, 1997, shall be located on a designated drilling tract consisting of 160 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 790 feet to any outer boundary of the tract nor closer than 130 feet to any quarter section line, quarter-quarter section line or subdivision inner boundary. [6-5-97]

**(4) All Counties except Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba, Sandoval, and McKinley.**

(a) Gas Wells. Unless otherwise provided in special pool rules, each development well for a defined gas pool shall be located on 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, and shall be located not closer than 660 feet to any outer boundary of such tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary nor closer than 1320 feet to the nearest well drilling to or capable of producing from the same pool. [5-25-64...2-1-96]

**104.D.**

**ACREAGE ASSIGNMENT** (As Amended by Order No. R-10533, January 18, 1996; and Order No. R-10534, February 1, 1996.)

(1) Well Tests and Classification. It shall be the responsibility of the operator of any wildcat gas well or development gas well to which more than 40 acres has been dedicated to conduct a potential test within 30 days following completion of the well and to file the same with the Division within 10 days following completion of the tests. (See Rule 401.) [5-25-64...2-1-96]

(a) Date of completion for a gas well shall be the date a wellhead is installed or 30 days following conclusion of active completion work on the well, whichever date comes first. [5-25-64...2-1-96]

(b) Upon making a determination that the well should not properly be classified as a gas well, the Division will reduce the acreage dedicated to the well. [5-25-64...2-1-96]

(c) Failure of the operator to file the aforesaid tests within the specified time will also subject the well to such acreage reduction. [5-25-64...2-1-96]

(2) Non-Standard Spacing Units. Any well which does not have the required amount of acreage dedicated to it for the pool or formation in which it is completed may not be produced until a standard spacing unit for the well has been formed and dedicated or until a non-standard spacing unit has been approved. [5-25-64...2-1-96]

(a) The supervisor of the appropriate District Office of the Division shall have the authority to approve non-standard spacing units without notice when the unorthodox size and shape is necessitated by a variation in the legal subdivision of the United States Public Land Surveys and/or consists of an entire governmental section and the non-standard spacing unit is not less than 70% nor more than 130% of a standard spacing unit. Such approval shall consist of acceptance of Division Form C-102 showing the proposed non-standard spacing unit and the acreage contained therein. [5-25-64...2-1-96]

(b) The Division Director may grant administrative approval to non-standard spacing units without notice and hearing when an application has been filed for a non-standard spacing unit and the unorthodox size or shape of the dedicated tract is necessitated by a variation in the legal subdivision of the U.S. Public Land Surveys, or the following facts exist and the following provisions are complied with:

(i) The non-standard spacing unit consists of a single quarter-quarter section or lot or the non-standard spacing unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side; and

(ii) The non-standard spacing unit lies wholly within a single governmental quarter section if the well is completed in a pool or formation for which 40, 80, or 160 acres is the standard spacing unit size, wholly within a single governmental half section if the well is completed in a pool or formation for which 320 acres is the standard spacing unit size, or wholly within a single governmental section if the well is completed in a pool or formation for which 640 acres is the standard spacing unit size. [5-25-64...2-1-96]

(c) Applications for administrative approval of non-standard spacing units, pursuant to Section D(2) above, shall be accompanied by a plat showing the subject spacing unit and an applicable standard spacing unit for the applicable pool or formation, its proposed well dedications, all adjoining spacing units and/or leases (whichever is applicable), and a list of affected parties. Also to be included is a statement that discusses the necessity for the formation of the subject non-standard spacing unit and the reasons why a standard sized spacing unit is not feasible. [5-25-64...2-1-96]

(i) Affected parties in this instance shall be defined as those parties who own interests in the applicable half quarter section (80-acre spacing), quarter section (160-acre spacing), half section (320-acre spacing), or section (640-acre spacing) in which the non-standard spacing unit is situated and which acreage is not included in said non-standard spacing unit;

(ii) the designated operator of any adjoining or diagonal spacing unit producing from the same pool(s) as the proposed non-standard spacing unit;

(iii) in the absence of an operator, all lessees of record of any diagonal or adjoining lease owning interests in the same pool(s) as the proposed non-standard spacing unit; and

(iv) in the absence of an operator or lessee, then to all owners of record of unleased mineral interests. [5-25-96...2-1-96]

**(DRILLING - Cont'd.)**

(d) The applicant shall submit a statement attesting that applicant, on or before the same date the application was submitted to the Division, has sent notification to the affected parties by submitting a copy of the application, including a copy of the plat described in Subpart (c) above by certified or registered mail-return receipt in accordance with Rule 1207(6)(a) advising them that if they have an objection it must be filed in writing within twenty days from the date notice was sent. The Division Director may approve the non-standard spacing unit upon receipt of waivers from all said parties or if no said party has entered an objection to the non-standard spacing unit within 20 days after the Director has received the application. [5-25-64...2-1-96]

(e) The Division Director may set any application for administrative approval for a non-standard spacing unit for public hearing. [5-25-64...2-1-96]

(3) **Number of Wells Per Spacing Unit in Non-Prorated Gas Pools:** Unless otherwise permitted by special pool rules or authorized after notice and hearing, only one (1) well per spacing unit is permitted in non-prorated pools. [5-25-64...2-1-96]

104.E. (As Amended by Order No. R-2761, January 1, 1965; Order No. R-10533, January 18, 1996; and Order No. R-10534, February 1, 1996.) Form C-102, "Well Location and Acreage Dedication Plat", for any well shall designate the exact legal subdivision allotted to the well and Form C-101, "Application for Permit to Drill, Deepen, or Plug Back", will not be approved by the Division without such proper designation of acreage. [12-29-52...2-1-96]

**104.F.**

**UNORTHODOX LOCATIONS** (As Amended by Order No. R-3038, February 9, 1966, Order No. R-5890, December 29, 1978, Order No. R-6870, February 1, 1982, Order No. R-7451, March 2, 1984, Order No. R-10533, January 18, 1996, and Order No. R-10534, February 1, 1996.)

(1) Well locations for producing wells and/or injection wells which are unorthodox based on the well location requirements of Rule 104.C(1)(a) above and which are necessary to permit the completion of an efficient production and injection pattern within a secondary recovery, tertiary recovery, or pressure maintenance project are hereby authorized, provided that any such unorthodox location within such project is no closer than the required minimum orthodox distance to the outer boundary of the lease or the unitized area, nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary. Such locations shall only require such prior approval as is necessary for an orthodox location. [1-1-50...2-1-96]

(2) The Division Director shall have authority to grant an exception to the well location requirements of Sections 104.B and 104.C above or to the well location requirements of special pool rules without notice and hearing when the necessity for such unorthodox location is based upon geologic conditions, archaeological conditions, topographical conditions, or the recompletion of a well previously drilled to a deeper horizon provided said well was drilled at an orthodox or approved unorthodox location for such original horizon. [1-1-82...2-1-96]

(3) Applications for administrative approval of unorthodox locations pursuant to Rule 104.F(2), above, shall be accompanied by a plat showing the subject spacing unit, its proposed unorthodox well location, the diagonal and adjoining spacing units and/or leases (whichever is applicable) and wells, and a list of affected parties. If the proposed unorthodox location is based upon topography or archaeology, the plat shall also show and describe the existent topographical or archaeological conditions. If the proposed unorthodox location is based upon geology, the application shall include appropriate geologic exhibits and a discussion of the geologic conditions which result in the necessity for the unorthodox location. [2-9-66...2-1-96]

(a) Adjoining and diagonal spacing units shall be defined as those immediately adjacent existing spacing units in the same pool(s) as the proposed unorthodox well and towards which the unorthodox well location encroaches. [2-9-66...2-1-96]

(b) Affected parties shall be defined as those parties who own interests in leases or operate wells on adjoining or diagonal spacing units and include:

(i) the designated operator of any adjoining or diagonal spacing unit producing from the same pool(s) as the proposed well;

(ii) in the absence of an operator, all lessees of record of any diagonal or adjoining lease owning interests in the same pool(s) as the proposed well; and

(iii) in the absence of an operator or lessee, all owners of record of unleased mineral interests in the same pool(s) as the proposed well. [2-9-66...2-1-96]

(4) The applicant shall submit a statement attesting that applicant, on or before the same date the application was submitted to the Division, has sent notification to the affected parties by submitting a copy of the application, including a copy of the plat described in Rule 104.F(3) above by certified or registered mail-return receipt in accordance with Rule 1207(A)(5) advising them that if they have an objection it must be filed in writing within twenty days from the date notice was sent. The Division Director may approve the unorthodox location upon receipt of waivers from all said parties or if no said party has entered an objection to the unorthodox location within 20 days after the Director has received the application. [2-9-66...2-1-96]

(5) The Division Director may set any application for administrative approval of an unorthodox location for public hearing, and may require that a directional survey be run in the unorthodox well to establish the actual location of the producing interval(s). [1-1-82...2-1-96]

104.G. Whenever an exception is granted, the Division may take such action as will offset any advantage which the person securing the exception may obtain over other producers by reason of the unorthodox location. [1-1-50...2-1-96]

104.H. If the drilling tract is within an allocated oil pool or is placed within such allocated pool at any time after completion of the well and the drilling tract consists of less than 39 1/2 acres or more than 40 1/2 acres, the top unit allowable for such well shall be increased or decreased in the proportion that the number of acres in the drilling tract bears to 40. [1-1-50...2-1-96]

104.I. If the drilling tract is within an allocated gas pool or is subsequently placed within an allocated gas pool, and the drilling tract consists of less than 158 acres or more than 162 acres in 160-acre pools, or less than 316 acres or more than 324 acres in 320-acre pools, the top allowable for such well shall be decreased or increased in the proportion that the number of acres in the drilling tract bears to a standard spacing unit for the pool. [1-1-50...2-1-96]

104.J. In computing acreage under Rules 104.H and 104.I above, minor fractions of an acre shall not be counted but 1/2 acre or more shall count as 1 acre. [1-1-50...2-1-96]

104.K. The provisions of Rules 104.H and 104.I above shall apply only to wells completed after January 1, 1950. Nothing herein contained shall affect in any manner any well completed prior to the effective date of this rule and no adjustments shall be made in the allowable production for any such wells by reason of these rules. [1-1-50...2-1-96]

104.L. In order to prevent waste the Division may, after notice and hearing, fix different spacing requirements and require greater acreage for drilling tracts in any defined oil pool or in any defined gas pool notwithstanding the provisions of Rules 104.B and 104.C above. [1-1-50...2-1-96]

104.M. The Division may approve the pooling or communitization of fractional lots of 20.49 acres or less with another oil spacing unit when:

(1) The tracts involved are contiguous;

**(DRILLING - Cont'd.)**

(2) They are part of the same basic lease, carrying the same royalty interest; and

(3) The ownership of the tracts involved is common. [6-19-52...2-1-96]

104.N. Application to the Division for pooling shall be accompanied by three (3) copies of a certified plat showing the dimensions and acreage involved in the pooling, the ownership of all leases and royalty interests involved, and the location of any proposed wells. [6-19-52...2-1-96]

104.O. The Division shall wait at least ten days before approving any such pooling, and shall approve such pooling only in the absence of objection from any party entitled to notice. In the event that a party entitled to notice objects to the pooling, the Division shall consider the matter only after proper notice and hearing. [6-19-52...2-1-96]

104.P. The Division may waive the ten-day waiting period requirement if the applicant furnishes the Division with the written consent to the pooling by all offset operators involved. [6-19-52...2-1-96]

104.Q. The Division may consider that the requirements of Rules 104.M(2) and (3) have been fulfilled if the applicant furnishes with each copy of each application to the Division a copy of executed pooling agreement communitizing the tracts involved. [6-19-52...2-1-96]

**104.R. REPEALED [2-1-96]**

**105 (Formerly Rule 105.) PIT FOR CLAY, SHALE, DRILL FLUID AND DRILL CUTTINGS** (As Amended by Order No. R-6871, February 1, 1982; Order No. R-8952, June 20, 1989; and Order No. R-10534, February 1, 1996.)

105.A. In order to assure a supply of proper material for mud-laden fluid to confine oil, gas, or water to their native strata during the drilling of any well, operators shall provide before drilling is commenced an adequate pit for the accumulation of drill cuttings. Drilling fluids and drill cuttings must be disposed of at the well site in a manner to prevent contamination to surface or subsurface waters. Removal of drilling fluids or drill cuttings for offsite disposal will be permitted only by approval of the appropriate Division district supervisor. [1-1-50...2-1-96]

105.B. To protect migratory birds, pits used for drilling, completion, blowdown, workover or an emergency immediately after cessation of the activity must have oil removed from their surface or be screened, netted or covered. [9-1-89...2-1-96]

**106 (Formerly Rule 106.) SEALING OFF STRATA** (As Amended by Order No. R-6702, July 1, 1981, Order No. R-9011, October 16, 1989, and Order No. R-10534, February 1, 1996.)

106.A. (As Amended by Order No. R-6702, July 1, 1981 and Order No. R-10534, February 1, 1996) During the drilling of any oil well, injection well or any other service well, all oil, gas, and water strata above the producing and/or injection horizon shall be sealed or separated in order to prevent their contents from passing into other strata. [3-1-91]

106.B. All fresh waters and waters of present or probable value for domestic, commercial, or stock purposes shall be confined to their respective strata and shall be adequately protected by methods approved by the Division. Special precautions by methods satisfactory to the Division shall be taken in drilling and abandoning wells to guard against any loss of artesian water from the strata in which it occurs, and the contamination of artesian water by objectionable water, oil, or gas. [1-1-50...2-1-96]

106.C. All water shall be shut off and excluded from the various oil- and gas-bearing strata which are penetrated. Water shut-offs shall ordinarily be made by cementing casing. [1-1-50...2-1-96]

**107 (Formerly Rule 107.) CASING AND TUBING REQUIREMENTS** (As Amended by Order No. R-1173, June 1, 1958; Order No. R-1429, June 26, 1959; Order No. R-1957, May 1, 1961; Order No. R-2856, December 29, 1964; Revised by O.C.C. June 1, 1968; Amended by Order No. R-6702, July 1, 1981; and Order No. R-10534, February 1, 1996.)

107.A. (As Amended by Order No. R-2856, December 29, 1964; Order No. R-6702, June 1, 1981, and Order No. R-10534, February 1, 1996) Any well drilled for oil or natural gas shall be equipped with such surface and intermediate casing strings and cement as may be necessary to effectively seal off and isolate all water-, oil-, and gas-bearing strata and other strata encountered in the well down to the casing point. In addition thereto, any well completed for the production of oil or natural gas shall be equipped with a string of properly cemented production casing at sufficient depth to ensure protection of oil- and gas-bearing strata encountered in the well, including the one(s) to be produced. [1-1-50...2-1-96]

107.B. Sufficient cement shall be used on surface casing to fill the annular space behind the casing to the top of the hole, provided however, that authorized field personnel of the Division may, at their discretion, allow exceptions to the foregoing requirement when known conditions in a given area render compliance impracticable. [1-1-50...2-1-96]

107.C. All cementing shall be by pump and plug method unless some other method is expressly authorized by the Division. [5-5-58...2-1-96]

107.D. All cementing shall be with conventional-type hard-setting cements to which such additives (lighteners, densifiers, extenders, accelerators, retarders, etc.) have been added to suit conditions in the well. [2-29-64...2-1-96]

107.E. Authorized field personnel of the Division may, when conditions warrant, allow exceptions to the above paragraph and permit the use of oil-base casing packing material in lieu of hard-setting cements on intermediate and production casing strings; provided however, that when such materials are used on the intermediate casing string, conventional-type hard-setting cements shall be placed throughout all oil- and gas-bearing zones and throughout at least the lowermost 300 feet of the intermediate casing string. When such materials are used on the production casing string, conventional-type hard-setting cements shall be placed throughout all oil- and gas-bearing zones and shall extend upward a minimum of 500 feet above the uppermost perforation or, in the case of an open-hole completion, 500 feet above the production casing shoe. [12-29-64...2-1-96]

107.F. All casing strings shall be tested and proved satisfactory as provided in paragraph I. below. [5-5-58...2-1-96]

107.G. (Formerly Rule 107 (c)) After cementing, but before commencing tests required in paragraph I. below, all casing strings shall stand cemented in accordance with Option 1 or 2 below. Regardless of which option is taken, the casing shall remain stationary and under pressure for at least eight hours after the cement has been placed. Casing shall be "under pressure" if some acceptable means of holding pressure is used or if one or more float valves are employed to hold the cement in place. [5-5-58...2-1-96]

(1) **OPTION 1** Allow all casing strings to stand cemented a minimum of eighteen (18) hours prior to commencing tests. Operators using this option shall report on Form C-103 the actual time the cement was in place before initiating tests. [5-5-58...2-1-96]

(2) **OPTION 2** (May be used in the counties of San Juan, Rio Arriba, McKinley, Sandoval, Lea, Eddy, Chaves, and Roosevelt only.) Allow all casing strings to stand cemented until the cement has reached a compressive strength of at least 500 pounds per square inch in the "zone of interest" before commencing tests, provided however, that no tests shall be commenced until the cement has been in place for at least eight (8) hours. [5-5-58...2-1-96]