

PROPOSED REVISION OF RULE 104

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 however, 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 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 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~~ 990 feet from any outer boundary<sup>of</sup> of the tract, provided however, that a tolerance of <sup>95</sup> plus 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 ~~Commission~~ <sup>of</sup> the Commission shall have authority to grant approval for the spacing of any wildcat well in accordance with paragraph (b) sub-section (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 projected to an oil-producing horizon which is located according to paragraph (b), sub-section (1) above and not conforming 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 projected to a gas-producing horizon which is located according to the gas well location rule and not conforming 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.

*The District Supervisor*

*→ Above described*

Paragraph (c) - No Change.

(d) (1) Each well drilled within a defined gas pool shall be located on a tract consisting of not less than a quarter section consisting of 160 surface contiguous acres, more or less, 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 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 ~~not less than~~ 990 feet from any outer boundary of the tract, provided however, that a tolerance of plus 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.

Paragraph (e): No Change

And (d)

(f) The Secretary of the Commission shall have authority to grant an exception to the requirements of ~~rule~~, (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, except in San Juan, Rio Arriba, and Sandoval Counties where the radius shall be 990 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.

Paragraph (g) through (m) - No Change.

NOTE: Underlined portions indicate a proposed change from the present rules.