

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

May 5, 1989

McClellan Oil Corp.
850 United Bank Plaza
Drawer 730
Roswell, NM 88202

Attention: Mark McClellan, Geologist

RE: Request for an Unorthodox Gas
Well Location, MM Federal Com
Well No. 10, 330' FN & EL, A-
35-T9S-R25E, Chaves County,
New Mexico.

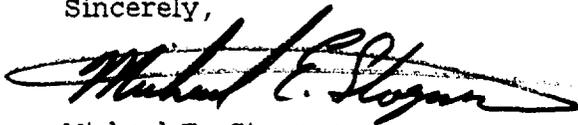
Dear Mr. McClellan:

Per your letter dated May 1, 1989, whereby you requested to drill the subject well at an unorthodox gas well location in the South Pecos Slope Abo Gas Pool for geological reasons. General Rule 104 F.II. is very specific on administrative applications based on geology, only 320-acre gas units can apply and these locations can not be any closer than 990 feet from the unit boundary. We therefore cannot accept this application for administrative review; however, this filing will be set for the next available Examiner's Hearing docket.

I also have attached, for your information, a copy of the Division's latest policy statement on unorthodox locations by way of Memorandum No. 3-89 dated March 24, 1989.

If you should have any questions concerning this matter, please contact me.

Sincerely,



Michael E. Stogner
Chief Hearing Officer/Engineer

MES/ag



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No. 3-89

MEMORANDUM

TO: ALL OIL AND GAS OPERATORS
FROM: WILLIAM J. LEMAY, DIRECTOR *WJL*
SUBJECT: UNORTHODOX WELL LOCATIONS
DATE: MARCH 24, 1989

Previously, it has been the practice of the Division to approve applications for unorthodox well locations without penalty if they were not opposed by any off-setting operator. However, due to the increased applications for unorthodox locations based predominantly on "closeology", this Division policy may no longer be appropriate. In the future, applications for unorthodox locations, whether for administrative approval or through the hearing process, will have to be supported by substantial evidence.

The Division will be reviewing future applications in an effort to develop guidelines for approving or denying such applications. Generally, if the application is based upon surface conditions, i.e., topography, archaeological considerations, etc., it will have to be clearly shown what obstructions prevent the drilling of the well at a legal location and the unorthodox location will have to be as close as practicable to the orthodox location. If unorthodox location is being requested for geological reasons, the applicant should be prepared to present evidence showing the geological factors that dictate the necessity for drilling an unorthodox location.

As always, the Division welcomes industry input into the process.

dr/

