

**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 NO. 11762
Order No. R-10817**

**APPLICATION OF THE OIL CONSERVATION
DIVISION FOR AN ORDER AMENDING RULE
111 OF ITS GENERAL RULES AND REGULATIONS
PERTAINING TO DEVIATED AND DIRECTIONAL
WELLS.**

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on April 10, 1997 and on June 5, 1997, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission".

NOW, on this 14th day of July, 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) The New Mexico Oil Conservation Division ("Division") Rule 111 lists the requirements for wellbore deviation tests and for the drilling of deviated and directional wells.

(3) The Division initiated a "Work Group" to study the existing Rule 111, define problems with the current regulatory procedures, and to develop improvements where needed. This Work Group consisted of four industry representatives: (i) C. Wade Howard with Texaco Exploration and Production, Inc. of Midland, Texas; (ii) Donna Williams with Burlington Resources Oil & Gas Company of Midland, Texas; (iii) Richard E. Foppiano with OXY USA, Inc. of Midland, Texas; (iv) George Sharp with Merrion Oil and Gas Corporation in Farmington, New Mexico; and, one Division representative from the Santa Fe office of the Division. The Work Group initially met on September 30, 1996 and subsequently worked together on a regular basis through meetings, telephone conference calls, electronic media and written communications. On December 2, 1996 a meeting with the Division District Supervisors was held in Santa Fe for their participation, suggestions, and assistance.

(4) The Work Group determined that:

- (a) the current process for permitting horizontal and directional wells is more difficult than need be in that even though the bottomhole location is orthodox, an operator is still required to file a formal application, give notice to offset operators or interest owners, and wait a minimum of 20 days for a formal order; and
- (b) the requirements for vertical wells with an excessive deviation are unclear in that when the deviation exceeds the five degrees per 500 foot rule, operators are confused if a directional survey will be required, or what happens after the directional survey results are known.

With this understanding the Work Group set out to:

- (a) minimize the regulatory burdens for drilling orthodox directional and horizontal wells;
- (b) utilize existing rules and procedures when necessary so as to ensure the protection of correlative rights;
- (c) clarify the requirements for vertical wells with excessive deviation;
- (d) simplify the process.

(5) The Division and the Work Group now recommend, based on their knowledge and experience, that Rule 111 be amended to reflect the following listed changes which are deemed desirable by the Division and the industry:

- (a) General:
 - i) expand the definition of a "project area" to include secondary recovery projects, and allow for project areas to be designated on the OCD Form C-102 for approval by the Districts;
 - ii) specify quality control measures for all directional surveys, such as minimum shot-point spacing and OCD approval of the surveying company.

(b) Vertical Wells:

- i) specify that a directional survey will be required for a vertical well with excessive deviation if the maximum horizontal displacement calculation reveals a possibility that the wellbore is outside the unit boundaries;
- ii) stipulate that a vertical well will be considered unorthodox when a required directional survey shows a proposed producing interval more than 50 feet from the surface location and encroaching on the outer boundary of the applicable unit;
- iii) delete the formal application process for OCD approval of intentional deviations of vertical wells.

(c) Directional and Horizontal Wells:

- i) eliminate the formal application process for orthodox producing intervals on directional and horizontal wellbores, and allow the Division's District Offices to process these requests;
- ii) clarify that the producing interval of a horizontal or directional well must be inside of the producing area, or it must be permitted as an unorthodox location under Rule 104(F)(3);
- iii) require that the producing interval of a horizontal or directional wellbore actually develop or traverse each proration unit in a project area consisting of multiple proration units in order to be eligible for multiple allowable.

(6) At the time of the hearing Enron Oil & Gas Company ("Enron") appeared and, although not objecting to the Work Group's recommendations, presented an additional recommendation to expand the possible usage of existing wellbores for the drilling of horizontal drainholes or laterals.

(7) Subsequent to the April 10, 1997 Commission hearing, the Work Group resubmitted for the Commission's consideration additional changes that: (i) address Enron's concerns and (ii) require that copies of drilling applications, where a combination of drilling units includes State and/or Federal lands, be sent to the New Mexico State Land Office and/or the U. S. Bureau of Land Management.

(8) The adoption of the amendments to Rule 111 set forth in Exhibit "A" will provide the oil and gas industry a more flexible method for the timely and efficient processing of these types of requests while still providing for the orderly and proper regulation of oil and gas development to protect correlative rights and prevent waste.

(9) The Commission's findings set forth in this order summarizes its reasons for its adoption of the changes to Rule 111 set forth in Exhibit "A".

(10) This case should be reopened at a Division Examiner's Hearing in June 1999, at which time operators, oil and gas interest owners, the Work Group, District Supervisors, or any interested party may appear and present evidence as to the applicability and workability of these rule revisions. At that time, the Division should review the need and/or address any recommendations for additional amendments to Rule 111.

IT IS THEREFORE ORDERED THAT:

(1) Division Rule 111 is hereby amended as shown by the changes in the attached Exhibit "A" and said amended rule is adopted as shown in the attached Exhibit "B".

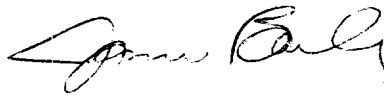
(2) Rule 111 as amended shall be effective as of the date published in the New Mexico Register.

(3) This case shall be reopened at a Division Examiner's Hearing in June 1999, at which time operators, oil and gas interest owners, the Work Group, District Supervisors, or any interested party may appear and present evidence to the applicability and workability of these rule revisions. At that time, the Division shall review the need and/or address any recommendations for additional amendments to Rule 111.

(4) 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.

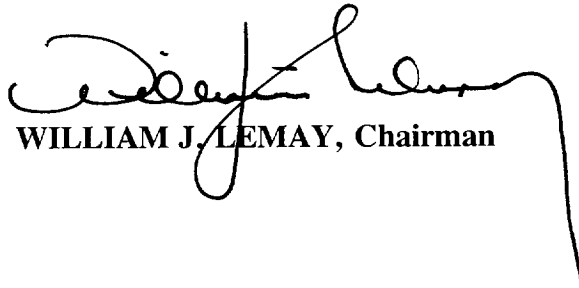
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



JAMI BAILEY, Member



WILLIAM W. WEISS, Member



WILLIAM J. LEMAY, Chairman

S E A L

Exhibit "A"
Case No. 11762
Order No. R-10817

RULE 111 - DEVIATION TESTS [~~/DEVIATED WELLS~~] AND DIRECTIONAL WELLS

111.A. Definitions: The following definitions shall apply to this Rule only:

(1) [~~(+10)~~] Azimuth - [~~means~~] the deviation in the horizontal plane of a wellbore expressed in terms of compass degrees.

(2) [~~(+1)~~] Deviated Well - [~~means~~] any wellbore which is intentionally deviated from vertical but not with an intentional azimuth. Any deviated well is subject to Rule 111.B [~~-B and -C~~].

(3) [~~(+2)~~] Directional Well - [~~means~~] a wellbore which is intentionally deviated from vertical with an intentional azimuth. Any directional well is subject to Rule 111.C [~~-D~~].

(4) [~~(+11)~~] Kick-off Point - [~~means~~] the point at which the wellbore is intentionally deviated from vertical.

(5) [~~(+14)~~] Lateral - [~~means~~] any portion of a wellbore past the point where the wellbore has been intentionally departed from the vertical.

(6) [~~(+9)~~] Penetration Point - [~~means~~] the point where the wellbore penetrates the top of the pool from which it is intended to produce.

(7) [~~(+8)~~] Producing Area - [~~means all points that lie~~] the area that lies within [~~along~~] a [~~rectangular or square~~] window formed by plotting the measured distance from the North, South, East and West boundaries of a project area, inside of which a vertical wellbore can be drilled and produced in conformity with the setback requirements from the outer boundary of a standard spacing [~~and proration~~] unit for the applicable pool(s).

(8) ~~[(13)]~~ Producing Interval - ~~[means]~~ that portion of the wellbore drilled inside the vertical limits of a pool, between its penetration point and its terminus ~~[and within the producing area]~~.

(9) ~~[(7)]~~ Project Area - an area designated on Form C-102 (Well Location And Dedication Plat) that is enclosed by the outer boundaries of a spacing unit, a combination of complete spacing units, or an approved secondary, tertiary or pressure maintenance project ~~[means one or more drilling units which are to be dedicated to the project well]~~.

(10) ~~[(6)]~~ Project Well - ~~[means]~~ any well drilled, completed, produced or injected into as either a vertical well, deviated well or ~~[as a]~~ directional well.

(11) ~~[(4) Drilling]~~ Spacing Unit - ~~[means]~~ the ~~[surface]~~ acreage ~~[assigned]~~ that is dedicated to a [vertical wellbore] well in accordance with ~~[MOCB]~~ Rule 104. Included in this definition is a "unit of proration for oil or gas" as defined by the Division and all non-standard such units previously approved by the Division.

(12) Terminus - ~~[means]~~ the farthest point attained along the wellbore.

(13) Unorthodox - any part of the producing interval which is located outside of the producing area.

(14) ~~[(3)]~~ Vertical Well - ~~[means]~~ a well that does not have an intentional departure or course deviation from the vertical.

(15) ~~[(5)]~~ Wellbore - ~~[means]~~ the interior surface of a cased or open hole through which drilling, production, or injection operations are conducted.

111.B. Deviated Wellbores:

(1) Deviation Tests Required. ~~[=]~~ Any vertical or deviated well which is drilled or deepened shall be tested at reasonably frequent intervals to determine the deviation from the vertical. Such tests shall be made at least once each 500 feet or at the first bit change succeeding 500 feet. A tabulation of all deviation tests run, sworn to and notarized, shall be filed with Form C-104, Request for Allowable and Authorization to Transport Oil and Natural Gas.

(2) Excessive Deviation. When the deviation averages more than five degrees in any 500-foot interval, the operator shall include the calculations of the maximum possible horizontal displacement of the hole. When the maximum possible horizontal displacement exceeds the distance to the nearest outer boundary line of the appropriate unit, ~~[and]~~ the operator ~~[Division]~~ shall run ~~[may require that]~~ a directional survey ~~[be run]~~ to establish the location of the producing interval(s).

(3) Unorthodox Locations. If the results of the directional survey indicate that the producing interval is more than 50 feet from the approved surface location and closer than the minimum setback requirements to the outer boundaries of the applicable unit, then the well shall be considered unorthodox. To obtain authority to produce such well, the operator shall file an application with the Division Director, copy to the appropriate Division District Office, and shall otherwise follow the normal process outlined in Rule 104 (F) (3) to obtain approval of the unorthodox location.

(4) Directional Survey Requirements. Upon request from the Division Director, any vertical or deviated well ~~[which was deviated in an indeterminate direction or toward the vertical]~~ shall be directionally surveyed. The appropriate Division District Office shall be notified of the approximate time any directional surveys are to be conducted. All directional surveys run on any well in any manner for any reason must be filed with the Division upon completion of the well. The Division shall not assign an allowable to the well until all such directional surveys have been filed.

~~[C. — Deviated Wellbores:—~~

~~————— (1) The Supervisor of the appropriate Division District may approve the written request of an operator to drill a deviated wellbore or to deviate an existing wellbore to:—~~

~~(a) straighten a crooked hole by deviating towards the vertical;~~

~~(b) side track junk in the hole by deviating in an indeterminate direction (no intentional azimuth);~~

~~(c) side track an existing wellbore by deviating in an indeterminate direction (no intentional azimuth) for the purpose of recompleting into an existing producing formation or plugging the originally completed formation and recompleting into a different formation.~~

~~(2) The Supervisor of the appropriate Division District may require any request for a deviated well to be submitted for administrative approval by the Division Director.~~

~~(3) Applications for administrative approval for a deviated well shall:~~

~~(a) be filed in duplicate and shall be accompanied by plats showing [both] the surface location of the subject well, its spacing unit and all adjoining spacing units;~~

~~(b) state the reason(s) for deviating the subject well; and~~

~~(c) shall include a statement or plat showing the names and addresses of all operators of spacing units, or working interest owners of undrilled spacing units offsetting the unit in which the project is located and attesting that applicant, on or before the same date the application was submitted to the Division, has sent notification to all those parties by submitting a copy of the application to them by certified mail return receipt requested and advising them that if they have an objection, it must be filed in writing within twenty (20) days of the date notice was sent.~~

~~(4) The bottomhole location of any deviated well shall be at an orthodox well location or an unorthodox location previously approved pursuant to Rule 104 and shall be considered acceptable if the actual subsurface location in the formation to be produced is orthodox or is no more than 50 feet from the approved subsurface location.~~

~~(5) The Division Director may approve the application for a deviated well upon receipt of waivers from all offset operators or owners of undrilled tracts or if no offset operator or owner has entered an objection to the project within 20 days after the application was received by the Director.]~~

111.C. [D] Directional Wellbore:

~~[(1) The Division Director, shall have the authority without notice and hearing to administratively approve a directional wellbore project when:~~

~~(a) the surface location of the proposed or existing project well is within the boundaries of the project area, consisting of a single or multiple drilling unit(s), substantially in the form of either a square or a rectangle, as applicable, being a legal subdivision of the U.S. Public Land Survey;~~

~~(b) the producing interval of the wellbore(s) is totally confined to a producing area. The wellbore(s) may be re-oriented to any azimuth based upon a change in conditions either geologic or mechanical, which is encountered either before or after the commencement of a project, but only insofar as the producing interval(s) remains totally confined to the producing area;~~

~~(c) the project area includes either a single drilling unit or multiple contiguous drilling units; and,~~

~~(d) the project well includes either a single lateral or multiple laterals which conform to conditions (a) and (b) above.~~

~~(2) To obtain administrative approval to drill a directional well, the applicant shall file a written application in duplicate with the Division Director, copy to the appropriate OCD District Supervisor, which shall include:~~

~~(a) a statement addressing the reason(s) for directionally drilling the subject well;~~

~~(b) a plat indicating the section, township and range in which the well is to be drilled, the project area, the proposed surface producing interval, the producing area for the project well, any existing wells in the applicable pool(s) in the proposed project area, all offsetting drilling units in the applicable pool(s) and their associated operator, and any wells in those units,~~

~~(c) a vertically oriented plan view (cross sectional view) for the subject well including the true vertical depth of the top and bottom of the subject pool, degree of angle to be built in the project wellbore(s), the true vertical and the measured depth of the estimated kickoff point, the estimated penetration point and the lateral length,~~

~~(d) a horizontal plan view for the subject well and its spacing unit showing the drilling unit and drilling producing window, including the estimated azimuth and maximum length of the lateral(s) to be drilled,~~

~~(e) a type log section on which is identified the top and bottom of the subject pool; and,~~

~~(f) a statement or plat showing the names and addresses of all operators of spacing units, or working interest owners of undrilled spacing units offsetting the unit in the applicable pool(s) in which the project is located and attesting that applicant, on or before the same date the application was submitted to the Division, has sent notification to all those parties by submitting a copy of the application to them by certified mail return receipt requested and advising them that if they have an objection, it must be filed in writing within twenty (20) days of the date notice was sent.]~~

(1) Directional Drilling Within a Project Area. A permit to directionally drill a wellbore may be granted by the appropriate Division District Office if the producing interval is entirely within the producing area or at an unorthodox location previously approved by the Division. Additionally, if the project area consists of a combination of spacing units and includes any State or Federal acreage, a copy of the OCD Form C-102 shall be sent to the State Land Office or the Bureau of Land Management.

(2) Unorthodox Wellbores. If all or part of the producing interval of any directional wellbore is projected to be outside of the producing area, the wellbore shall be considered unorthodox. To obtain approval for such wellbore, the applicant shall file a written application in duplicate with the Division Director, copy to the appropriate Division District Office, and shall otherwise follow the normal process outlined in Rule 104 (F) (3).

(3) Allowables for Project Areas With Multiple Spacing Units. The maximum allowable assigned to the project area ~~[when dealing with]~~ within a prorated pool~~[s]~~ shall be based upon the number of standard ~~[proration]~~ spacing units (or approved non-standard spacing ~~[and proration]~~ units) ~~[for that pool any portion of which is within a distance of the producing lateral of the directional wellbore not greater than the footage setback distance for locating a vertical well from the outer boundary of a spacing unit for that pool]~~ that are developed or traversed by the producing interval of the directional wellbore or wellbores. Such maximum allowable shall be applicable to all production from the project area, including any vertical wellbores on standard spacing units inside the project area.

(4) Directional Surveys Required. A directional survey shall be required on each well drilled under the provisions of this section. The appropriate Division District Office shall be notified of the approximate time all directional surveys are to be conducted. All directional surveys run on any well in any manner for any reason must be filed with the Division upon completion of the well. The Division shall not assign an allowable to the well until all such directional surveys have been filed. If the directional survey indicates that any part of the producing interval is outside of the producing area, or, in the case of an approved unorthodox location, less than the approved setback requirements from the outer boundary of the applicable unit, then the operator shall file an application with the Division Director, copy to the appropriate Division District Office, and shall otherwise follow the normal process outlined in Rule 104 (F) (3) to obtain approval of the unorthodox location.

(5) Re-entry of Vertical or Deviated Wellbores for Directional Drilling Projects. These wellbores shall be considered orthodox provided the surface location is orthodox and the location of producing interval is within the tolerance allowed for deviated wellbores under Rule 111.B.(3).

~~[E. Requirements/Conditions of Administrative Approval:~~

~~(1) The Division Director may approve the application upon receipt of waivers from all offset operators or owners of undrilled tracts or if no offset operator or owner has entered an objection to the project within 20 days after the application was received by the Director.~~

~~(2) Any order issued by the Director approving an application for a directional wellbore shall require that:~~

~~(a) the applicant shall conduct a directional survey on the wellbore after directional drilling operations in order that the direction, extent and terminus of said wellbore may be determined to be in compliance with the provision of any order with copies submitted to the Santa Fe NMOCB and to the NMOCB district office in which the well is located, and,~~

~~(b) the Supervisor of the appropriate Division District shall be notified of the approximate time all directional surveys are to be conducted. All directional surveys run on any well in any manner for any reason must be filed with the Division upon completion of the well. The Division shall not assign an allowable to a well until the operator has submitted an affidavit that all such directional surveys have been filed.]~~

111_D [F]. Additional Matters:

~~[(1) The Division Director, at the request of an offset operator, may require any operator to make a directional survey of any well. The directional survey and all associated costs shall be at the expense of the requesting party and shall be secured in advance by a \$5,000 indemnity bond posted with and approved by the Division. The requesting party may designate the well survey company and the survey may be witnessed by the Division and the operator.]~~

(1) Directional surveys required under the provisions of this rule shall have shot points no more than 200 feet apart and shall be run by competent surveying companies that are approved by the Division Director. Exceptions to the minimum shot point spacing will be allowed provided the accuracy of the survey is still within acceptable limits.

(2) The Division Director, may, at his discretion, set any application for administrative approval [~~for public hearing.~~] whereby the operator shall submit appropriate information and give notice as requested by the Division Director. Unprotested applications may be approved administratively within 20 days of receipt of the application and supporting information. If the application is protested, or the Division Director decides that a public hearing is appropriate, the application may be set for public hearing.

(3) Permission to deviate or directionally drill any wellbore for any reason or in any manner not provided for in this rule shall be granted only after notice and opportunity for hearing.

Exhibit "B"
Case No. 11762
Order No. R-10817

RULE 111 - DEVIATION TESTS AND DIRECTIONAL WELLS

111.A. Definitions: The following definitions shall apply to this Rule only:

(1) Azimuth - the deviation in the horizontal plane of a wellbore expressed in terms of compass degrees.

(2) Deviated Well - any wellbore which is intentionally deviated from vertical but not with an intentional azimuth. Any deviated well is subject to Rule 111.B.

(3) Directional Well - a wellbore which is intentionally deviated from vertical with an intentional azimuth. Any directional well is subject to Rule 111.C.

(4) Kick-off Point - the point at which the wellbore is intentionally deviated from vertical.

(5) Lateral - any portion of a wellbore past the point where the wellbore has been intentionally departed from the vertical.

(6) Penetration Point - the point where the wellbore penetrates the top of the pool from which it is intended to produce.

(7) Producing Area - the area that lies within a window formed by plotting the measured distance from the North, South, East and West boundaries of a project area, inside of which a vertical wellbore can be drilled and produced in conformity with the setback requirements from the outer boundary of a standard spacing unit for the applicable pool(s).

(8) Producing Interval - that portion of the wellbore drilled inside the vertical limits of a pool, between its penetration point and its terminus.

(9) Project Area - an area designated on Form C-102 that is enclosed by the outer boundaries of a spacing unit, a combination of complete spacing units, or an approved secondary, tertiary or pressure maintenance project.

(10) Project Well - any well drilled, completed, produced or injected into as either a vertical well, deviated well or directional well.

(11) Spacing Unit - the acreage that is dedicated to a well in accordance with Rule 104. Included in this definition is a "unit of proration for oil or gas" as defined by the Division and all non-standard such units previously approved by the Division.

(12) Terminus - the farthest point attained along the wellbore.

(13) Unorthodox - any part of the producing interval which is located outside of the producing area.

(14) Vertical Well - a well that does not have an intentional departure or course deviation from the vertical.

(15) Wellbore - the interior surface of a cased or open hole through which drilling, production, or injection operations are conducted.

111.B. Deviated Wellbores:

(1) Deviation Tests Required. Any vertical or deviated well which is drilled or deepened shall be tested at reasonably frequent intervals to determine the deviation from the vertical. Such tests shall be made at least once each 500 feet or at the first bit change succeeding 500 feet. A tabulation of all deviation tests run, sworn to and notarized, shall be filed with Form C-104, Request for Allowable and Authorization to Transport Oil and Natural Gas.

(2) Excessive Deviation. When the deviation averages more than five degrees in any 500-foot interval, the operator shall include the calculations of the maximum possible horizontal displacement of the hole. When the maximum possible horizontal displacement exceeds the distance to the nearest outer boundary line of the appropriate unit, the operator shall run a directional survey to establish the location of the producing interval(s).

(3) Unorthodox Locations. If the results of the directional survey indicate that the producing interval is more than 50 feet from the approved surface location and closer than the minimum setback requirements to the outer boundaries of the applicable unit, then the well shall be considered unorthodox. To obtain authority to produce such well, the operator shall file an application with the Division Director, copy to the appropriate Division District Office, and shall otherwise follow the normal process outlined in Rule 104 (F) (3) to obtain approval of the unorthodox location.

(4) Directional Survey Requirements. Upon request from the Division Director, any vertical or deviated well shall be directionally surveyed. The appropriate Division District Office shall be notified of the approximate time any directional surveys are to be conducted. All directional surveys run on any well in any manner for any reason must be filed with the Division upon completion of the well. The Division shall not assign an allowable to the well until all such directional surveys have been filed.

111.C. Directional Wellbores:

(1) Directional Drilling Within a Project Area. A permit to directionally drill a wellbore may be granted by the appropriate Division District Office if the producing interval is entirely within the producing area or at an unorthodox location previously approved by the Division. Additionally, if the project area consists of a combination of spacing units and includes any State or Federal acreage, a copy of the OCD Form C-102 shall be sent to the State Land Office or the Bureau of Land Management.

(2) Unorthodox Wellbores. If all or part of the producing interval of any directional wellbore is projected to be outside of the producing area, the wellbore shall be considered unorthodox. To obtain approval for such wellbore, the applicant shall file a written application in duplicate with the Division Director, copy to the appropriate Division District Office, and shall otherwise follow the normal process outlined in Rule 104 (F) (3).

(3) Allowables for Project Areas With Multiple Spacing Units. The maximum allowable assigned to the project area within a prorated pool shall be based upon the number of standard spacing units (or approved non-standard spacing units) that are developed or traversed by the producing interval of the directional wellbore or wellbores. Such maximum allowable shall be applicable to all production from the project area, including any vertical wellbores on standard spacing units inside the project area.

(4) Directional Surveys Required. A directional survey shall be required on each well drilled under the provisions of this section. The appropriate Division District Office shall be notified of the approximate time all directional surveys are to be conducted. All directional surveys run on any well in any manner for any reason must be filed with the Division upon completion of the well. The Division shall not assign an allowable to the well until all such directional surveys have been filed. If the directional survey indicates that any part of the producing interval is outside of the producing area, or, in the case of an approved unorthodox location, less than the approved setback requirements from the outer boundary of the applicable unit, then the operator shall file an application with the Division Director, copy to the appropriate Division District Office, and shall otherwise follow the normal process outlined in Rule 104 (F) (3) to obtain approval of the unorthodox location.

(5) Re-entry of Vertical or Deviated Wellbores for Directional Drilling Projects. These wellbores shall be considered orthodox provided the surface location is orthodox and the location of producing interval is within the tolerance allowed for deviated wellbores under Rule 111.B.(3).

111.D. Additional Matters:

(1) Directional surveys required under the provisions of this rule shall have shot points no more than 200 feet apart and shall be run by competent surveying companies that are approved by the Division Director. Exceptions to the minimum shot point spacing will be allowed provided the accuracy of the survey is still within acceptable limits.

(2) The Division Director, may, at his discretion, set any application for administrative approval whereby the operator shall submit appropriate information and give notice as requested by the Division Director. Unprotested applications may be approved administratively within 20 days of receipt of the application and supporting information. If the application is protested, or the Division Director decides that a public hearing is appropriate, the application may be set for public hearing.

(3) Permission to deviate or directionally drill any wellbore for any reason or in any manner not provided for in this rule shall be granted only after notice and opportunity for hearing.