

Entered January 7, 1982  
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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.

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(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.

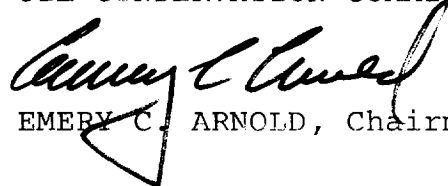
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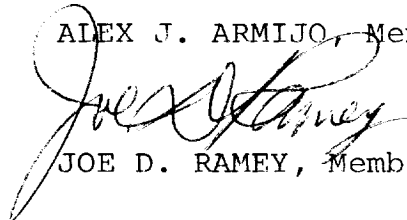
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DONE at Santa Fe, New Mexico, on the day and year  
hereinabove designated.

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.J. (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

EXHIBIT "A"  
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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"  
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"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"  
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