



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

February 3, 1999

**Mallon Oil Company
P. O. Box 2797
Durango, Colorado 81302**

Attention: Christy Serrano

Re: *Application for administrative approval for Mallon Oil Company to drill its Jicarilla 28-02-11 Well No. 1 (API No. 30-039-26038) at an unorthodox gas well location 950' FNL & 2050' FWL (Unit C) of Section 11, Township 28 North, Range 2 West, NMPM, Rio Arriba County, New Mexico.*

Dear Ms. Serrano:

Pursuant to Division Rule 104.F.(3) [see copy attached] the subject application is incomplete. While the geological explanation is thorough in explaining why this well is being drilled in the NE/4 NW/4 of Section 11 it is not specific why the well location has to be unorthodox. Supplemental geological maps and diagrams may be sufficient to answer this question. If not, Mallon may want to move this well to a standard location per the official spacing and setback requirements applicable for these intervals [see Division Rules 104.B.(2)(a) and 104.C.(3)(a)].

Thank you for your cooperation in this matter.

Sincerely

Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division – Aztec
U. S. Bureau of Land Management – Albuquerque

Mallon Oil Company

a Mallon Resources Subsidiary

Denver/Colorado ♦ Durango/Colorado ♦ Carlsbad/New Mexico

January 20, 1999

Mr. Mike Stogner
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

RE: Jicarilla 28-2-11 No. 1
950' FNL and 2050' FWL
(NE NW) Unit C
Sec. 11, T28N-R02W

Dear Mr. Stogner:

Mallon Oil Company is requesting an unorthodox location for the Jicarilla 28-02-11 No. 1 (950' FNL and 2050' FWL (NE NW) Unit C) Sec. 11, T28N-R02W. We would like to apply for an NSL for the following formations.

1. East Blanco; Pictured Cliffs
2. Cabresto Canyon; Ojo Alamo Ext.
3. Cabresto Canyon; Nacimiento Ext.
4. Cabresto Canyon; San Jose Ext.

The need for a Non-Standard Approval is due to geological reasons. According to a letter issued on November 24, 1998 by George F. Coryell, Senior Geologist at Mallon Resources Corporation; the subject well must be located in the NE NW of Section 11, T28N-R02W to provide the best initial evaluation of the southeastern portion of both the Pictured Cliffs Sandstone and the Ojo Alamo Sandstone prospective trends. This location is positioned for the optimum combination of mapped parameters, including interval thickness, log response, and structure. This location is high-graded by geomorphic mapping which suggest cross-faulting or fracturing similar to that which appears to enhance production in East Blanco Field, especially the Pictured Cliffs Sandstone. Fracture permeability may be equally important for the Ojo Alamo Sandstone.

Mallon Oil Company is the only offset operator to the acreage shown.
Please contact me at (970) 382-9100, if any additional information is needed.

Sincerely



Christy Serrano
Production Clerk

DISTRICT II
P.O. Drawer DD, Artesia, N.M. 88211-0719

DISTRICT III
1000 Rio Brazos Rd., Artec, N.M. 87410

DISTRICT IV
PO Box 8088, Santa Fe, NM 87504-2088

OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, NM 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number		Pool Code	Pool Name
		96822	Cabrsto Canyon; San Jose Ext.
Property Code	Property Name		Well Number
	Jicarilla 28-02-11		1
OGRD No.	Operator Name		Elevation
013925	MALLON OIL COMPANY		7437'

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	11	28-N	2-W		950'	NORTH	2050'	WEST	RIO ARRIBA

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

¹² Dedicated Acres	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
160			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

S 89-58-08 E 5277.22'

¹⁶ FD. U.S.G.L.O. BRASS CAP 1917

2050'

950'

N 00-04-01 E 5284.75'

FD. U.S.G.L.O. BRASS CAP 1917

17 OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Terrance G. Lindeman
Signature

Terrance G. Lindeman
Printed Name

Operations Superintendent
Title

October 24, 1998
Date

18 SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Ray A. Rush
Signature and Title of Professional Surveyor

Ray A. RUSH
REGISTERED PROFESSIONAL SURVEYOR
8894
Certificate Number

DISTRICT II
P.O. Drawer DD, Artesia, N.M. 88211-0719

DISTRICT III
1000 Rio Brazos Rd., Artesia, N.M. 87410

DISTRICT IV
PO Box 8088, Santa Fe, NM 87504-8088

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, NM 87504-2088

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number		2 Pool Code 96821		3 Pool Name Cabresto Canyon; Nacimiento Ext.	
4 Property Code		5 Property Name Jicarilla 28-02-11			6 Well Number 1
7 OGRID No. 013925		8 Operator Name MALLON OIL COMPANY			9 Elevation 7437'

10 Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	11	28-N	2-W		950'	NORTH	2050'	WEST	RIO ARRIBA

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

12 Dedicated Acres 160	13 Joint or Infill	14 Consolidation Code	15 Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

S 88-58-08 E 5277.22'

16 FD. U.S.G.L.O. BRASS CAP 1917 2050' 950' FD. U.S.G.L.O. BRASS CAP 1917	17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief Signature: <u>Terrance G. Lindeman</u> Printed Name: <u>Terrance G. Lindeman</u> Title: <u>Operations Superintendent</u> Date: <u>October 24, 1998</u>	
	18 SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge. Date of Survey: _____ Signature of Professional Surveyor: <u>[Signature]</u> 8894 Certificate Number	
	FD. U.S.G.L.O. BRASS CAP 1917	

N 00-04-01 E 5284.75'

DISTRICT II
P.O. Drawer DD, Artesia, N.M. 88211-0719

DISTRICT III
1000 Rio Brazos Rd., Artesia, N.M. 87410

DISTRICT IV
PO Box 8088, Santa Fe, NM 87504-8088

OIL CONSERVATION DIVISION

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Santa Fe, NM 87504-2088

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number		Pool Code	Pool Name
		96538	Cabresto Canyon; Ojo Alamo Ext.
Property Code	Property Name		Well Number
	Jicarilla 28-02-11		1
GRID No.	Operator Name		Elevation
013925	MALLON OIL COMPANY		7437'

10 Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	11	28-N	2-W		950'	NORTH	2050'	WEST	RIO ARRIBA

11 Bottom Hole Location if Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
160			

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S 89-58-08 E 5277.22'

16 FD. U.S.G.L.O. BRASS CAP 1917

2050'

950'

FD. U.S.G.L.O. BRASS CAP 1917

17 OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Terrance G. Lindeman
Signature
Terrance G. Lindeman
Printed Name
Operations Superintendent
Title
October 24, 1998
Date

18 SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

ROY A. RUSH
Date of Survey
Signature of Registered Professional Surveyor
8894
Certificate Number

N 00-04-01 E 5294.75'

DISTRICT II
 P.O. Drawer DD, Artesia, N.M. 88211-0719

DISTRICT III
 1000 Rio Brazos Rd., Ateco, N.M. 87410

DISTRICT IV
 PO Box 8088, Santa Fe, NM 87504-2088

OIL CONSERVATION DIVISION
 P.O. Box 2088
 Santa Fe, NM 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number		Pool Code	Pool Name
		72400	East Blanco; Pictured Cliffs
Property Code	Property Name		Well Number
	Jicarilla 28-02-11		1
GRID No.	Operator Name		Elevation
013925	MALLON OIL COMPANY		7437'

10 Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	11	28-N	2-W		950'	NORTH	2050'	WEST	RIO ARRIBA

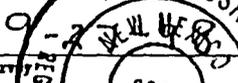
11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
160			

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S 89-58-08 E 5277.22'

16 FD. U.S.G.L.O. BRASS CAP 1817 2050' 950' N 00-04-01 E 5284.75'	17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief Signature:  Printed Name: Terrance G. Lindeman Title: Operations Superintendent Date: October 24, 1998	
	18 SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief. Date of Survey:  Signature and Title of Professional Surveyor:   Certificate Number: 8894	
FD. U.S.G.L.O. BRASS CAP 1817		



JICARILLA 29-02-34 #1

JICARILLA 29-02-35 #1

Cement Lake

T-29-N

T-28-N

JICARILLA 28-02-04 #1

JICARILLA 28-02-01 #1

JICARILLA 28-02-03 #1

36 40'0"

JICARILLA 28-02-10 #1

JICARILLA 28-02-11 #1
WELL FLAG

Juan Vigil Pond

ST. HWY. 537

JICARILLA 28-02-14 #1

Upper Burro Canyon Well

Upper Burro Canyon Pond

JICARILLA 28-02-15 #1

107 2'30"

36 37'30"
107 0'0"

Cement Lake

Mallon Oil Company

Denver/Colorado ♦ Durango/Colorado ♦ Carlsbad/New Mexico

a Mallon Resources Subsidiary

January 20, 1999

Mr. Mike Stogner
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

RE: Jicarilla 28-2-11 No. 1
950' FNL and 2050' FWL
(NE NW) Unit C
Sec. 11, T28N-R02W

Dear Mr. Stogner:

Mallon Oil Company is requesting an unorthodox location for the Jicarilla 28-02-11 No. 1 (950' FNL and 2050' FWL (NE NW) Unit C) Sec. 11, T28N-R02W. We would like to apply for an NSL for the following formations.

1. East Blanco; Pictured Cliffs
2. Cabresto Canyon; Ojo Alamo Ext.
3. Cabresto Canyon; Nacimiento Ext.
4. Cabresto Canyon; San Jose Ext.

The need for a Non-Standard Approval is due to geological reasons. According to a letter issued on November 24, 1998 by George F. Coryell, Senior Geologist at Mallon Resources Corporation; the subject well must be located in the NE NW of Section 11, T28N-R02W to provide the best initial evaluation of the southeastern portion of both the Pictured Cliffs Sandstone and the Ojo Alamo Sandstone prospective trends. This location is positioned for the optimum combination of mapped parameters, including interval thickness, log response, and structure. This location is high-graded by geomorphic mapping which suggest cross-faulting or fracturing similar to that which appears to enhance production in East Blanco Field, especially the Pictured Cliffs Sandstone. Fracture permeability may be equally important for the Ojo Alamo Sandstone.

Mallon Oil Company is the only offset operator to the acreage shown.
Please contact me at (970) 382-9100, if any additional information is needed.

Sincerely



Christy Serrano
Production Clerk

DISTRICT II
P.O. Drawer DD, Artesia, N.M. 88211-0719

DISTRICT III
1000 Rio Branos Rd., Artesia, N.M. 87410

DISTRICT IV
P.O. Box 2088, Santa Fe, NM 87504-2088

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, NM 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number		Pool Code	Pool Name
		96822	Cabrsto Canyon; San Jose Ext.
Property Code	Property Name		Well Number
	Jicarilla 28-02-11		1
DGRID No.	Operator Name		Elevation
013925	MALLON OIL COMPANY		7437'

10 Surface Location

Ul. or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	11	28-N	2-W		950'	NORTH	2050'	WEST	RIO ARRIBA

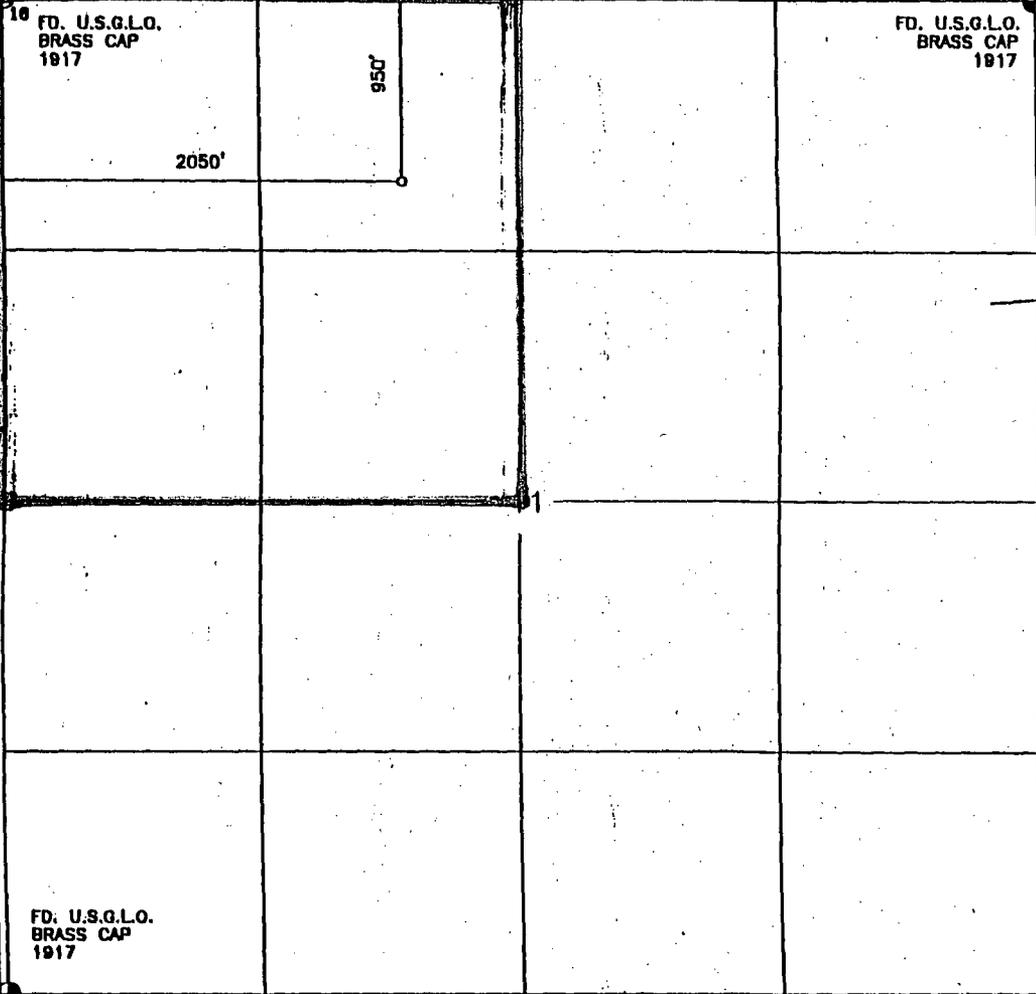
11 Bottom Hole Location if Different From Surface

Ul. or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
160			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

S 89-58-08 E 5277.22'



17 OPERATOR CERTIFICATION
 I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature: *Terrance G. Lindeman*
 Printed Name: Terrance G. Lindeman
 Title: Operations Superintendent
 Date: October 24, 1998

18 SURVEYOR CERTIFICATION
 I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge.

Date of Survey: _____
 Signature and Title of Professional Surveyor: *[Signature]*
 Registered Professional Surveyor
 Certificate Number: 8894

N 00-04-01 E 5284.75'

DISTRICT II
P.O. Drawer DD, Artesia, N.M. 88211-0719

DISTRICT III
1000 Rio Brazos Rd., Asteo, N.M. 87410

DISTRICT IV
PO Box 8088, Santa Fe, NM 87504-8088

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, NM 87504-2088

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number		Pool Code 96821	Pool Name Cabresto Canyon; Nacimiento Ext.
Property Code	Property Name Jicarilla 28-02-11		Well Number 1
GRID No. 013925	Operator Name MALLON OIL COMPANY		Elevation 7437'

Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	11	28-N	2-W		950'	NORTH	2050'	WEST	RIO ARRIBA

Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres 160	Joint or Infill	Consolidation Code	Order No.
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S 89-58-08 E 5277.22'

16 FD. U.S.G.L.O. BRASS CAP 1917 2050' 950' FD. U.S.G.L.O. BRASS CAP 1917	17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. <i>Terrance G. Lindeman</i> Signature Terrance G. Lindeman Printed Name Operations Superintendent Title October 24, 1998 Date

N 00-04-01 E 5284.75'

DISTRICT II
P.O. Drawer DD, Artesia, N.M. 88211-0710

DISTRICT III
1000 Rio Brazos Rd., Ateco, N.M. 87410

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PO Box 8088, Santa Fe, NM 87504-2088

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, NM 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number		Pool Code	Pool Name
		96538	Cabresto Canyon; Ojo Alamo Ext.
Property Code	Property Name		Well Number
	Jicarilla 28-02-11		1
OGRID No.	Operator Name		Elevation
013925	MALLON OIL COMPANY		7437'

Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
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2050'

950'

N 00-04-01 E 5284.75'

FD. U.S.G.L.O. BRASS CAP 1917

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I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Terrance G. Lindeman
Signature

Terrance G. Lindeman
Printed Name

Operations Superintendent
Title

October 24, 1998
Date

18 SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

DATE OF SURVEY

Signature of Professional Surveyor

A. RUSH
A. RUSH
REGISTERED PROFESSIONAL SURVEYOR

8894
Certificate Number

DISTRICT II
P.O. Drawer DD, Artesia, N.M. 88211-0719

Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT III
1000 Rio Brazos Rd., Artec, N.M. 87410

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, NM 87504-2088

DISTRICT IV
PO Box 2088, Santa Fe, NM 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number		Pool Code	Pool Name
		72400	East Blanco; Pictured Cliffs
Property Code	Property Name		Well Number
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OGRID No.	Operator Name		Elevation
013925	MALLON OIL COMPANY		7437'

10 Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	11	28-N	2-W		950'	NORTH	2050'	WEST	RIO ARRIBA

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

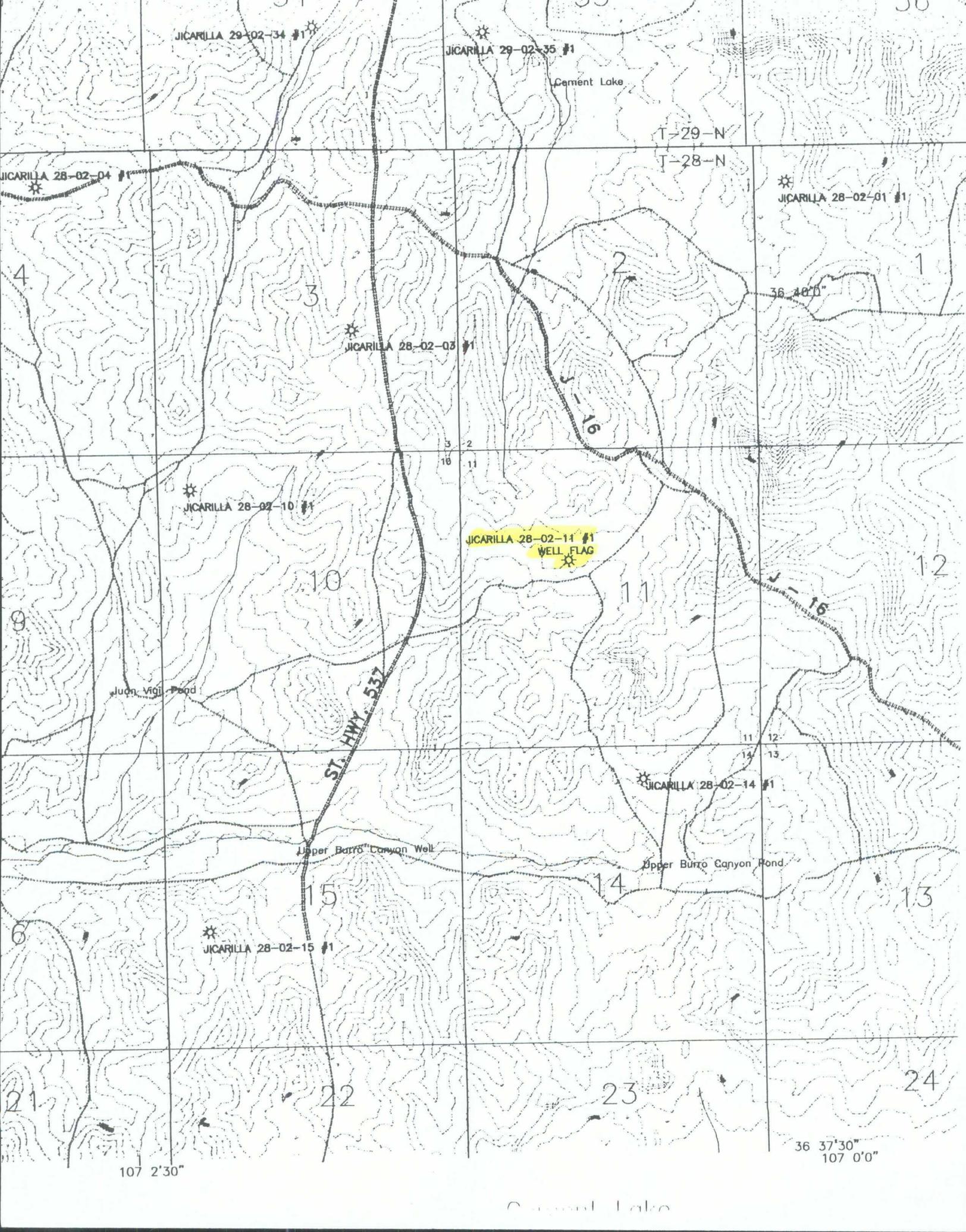
Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
160			

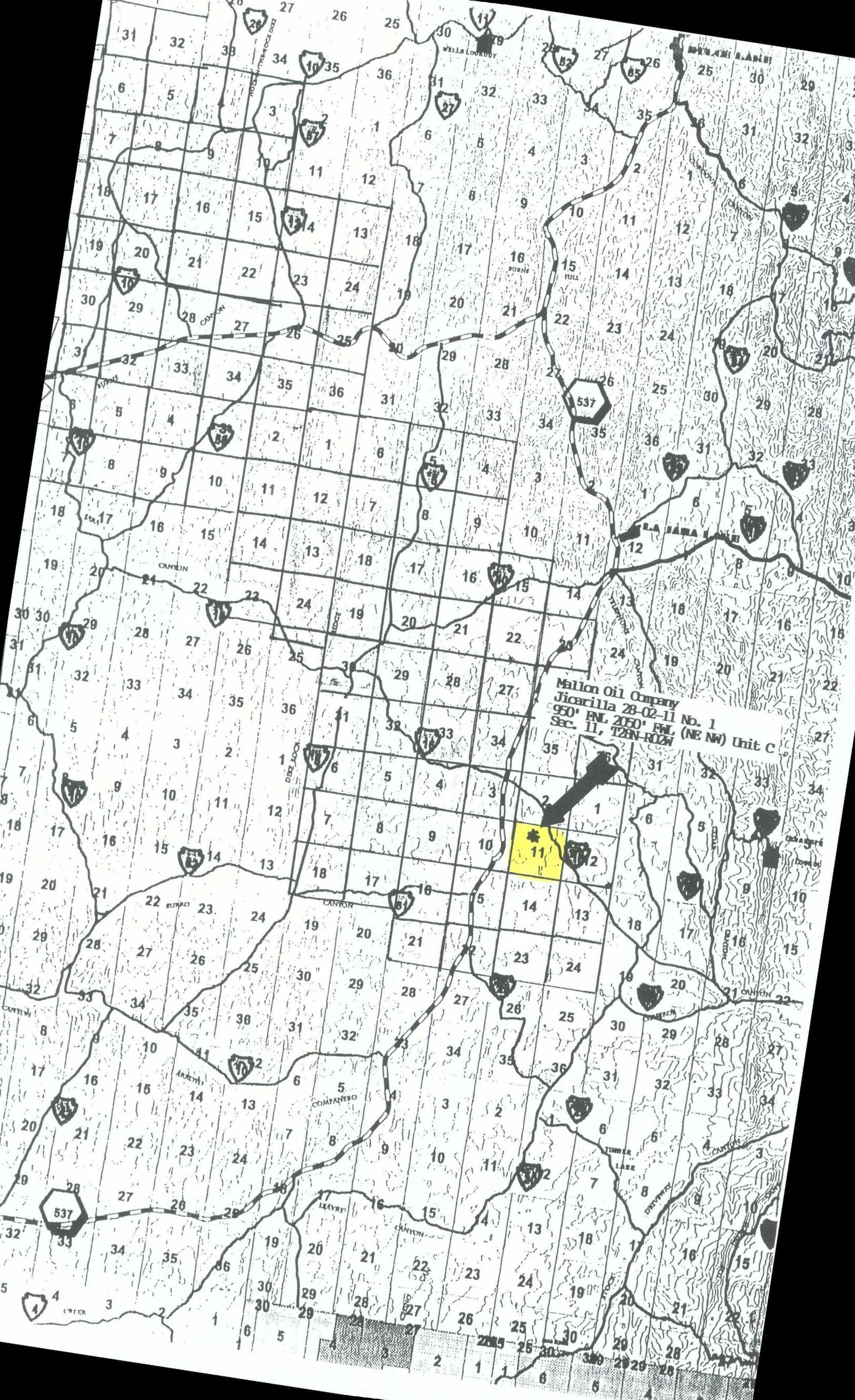
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S 89-58-08 E 5277.22'

<p>16 FD. U.S.G.L.O. BRASS CAP 1917</p> <p>2050'</p> <p>950'</p>	<p>17 OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</p> <p><i>Terrance G. Lindeman</i></p> <p>Signature</p> <p>Terrance G. Lindeman</p> <p>Printed Name</p> <p>Operations Superintendent</p> <p>Title</p> <p>October 24, 1998</p> <p>Date</p>
<p>FD. U.S.G.L.O. BRASS CAP 1917</p>	

N 00-04-01 E 5284.75'





Mallon Oil Company
Jicarilla 28-02-11 No. 1
950' ENL 2050' ENL (NE NW) Unit C
Sec. 11, T28N-R02W

NW

NSL ALL Ø1

February 3, 1999

Mallon Oil Company
P. O. Box 2797
Durango, Colorado 81302

Attention: Christy Serrano

*Administrative Order NSL-******

Dear Ms. Serrano:

Reference is made to the following: (i) your application dated January 20, 1999; and (ii) the records of the New Mexico Oil Conservation Division in Santa Fe ("Division"): all concerning Mallon Oil Company's ("Mallon") request for a non-standard gas well location to be applicable to any and all formations and/or pools developed on 160-acre spacing from the surface to the base of the Pictured Cliffs formation, which presently includes but not necessarily limited to the

Undesignated Maljamar-Atoka Gas Pool and Devonian formation

Mallon is proposing to drill its Jicarilla 28-02-11 Well No. 1 (API No. 30-039-26038) 950 feet from the North line and 2050 feet from the West line (Unit C) of Section 11, Township 28 North, Range 2 West, NMPM, Rio Arriba County, New Mexico. The NW/4 of Section 11 to be dedicated to this well to order to form a standard 160-acre gas spacing and proration unit for

both the Atoka and Devonian intervals.

It is our understanding that the subject well is to be drilled to a total depth of approximately 4,500 feet in order to test down to the Pictured Cliffs formation. The geologic interpretation submitted with this application indicates that a well drilled at the proposed unorthodox gas well location will be at a more favorable geologic position within the Devonian formation than a well drilled at a location considered to be standard within the subject 320-acre gas spacing and proration unit.

The application has been duly filed under the provisions of Rule 104.F of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division").

By the authority granted me under the provisions of Division General Rule 104.F(2), the above-described unorthodox gas well location is hereby approved.

Sincerely,

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Aztec
U. S. Bureau of Land Management – Albuquerque

Dear Mr. Kellahin:

Reference is made to your application dated October 22, 1997, as supplemented by letter dated November 10, 1997, on behalf of the operator, Stevens & Tull, Inc., for a non-standard gas well location to be applicable to any and all formations and/or pools developed on 320-acre spacing from the top of the Wolfcamp formation to the base of the Morrow formation, which presently includes but not necessarily limited to the Undesignated Little Box Canyon-Morrow Gas Pool, for Stevens & Tull, Inc.'s proposed Sweet Thing State "36" Well No. 1 to be drilled 1000 feet from the South line and 300 feet from the East line (Unit P) of irregular Section 36, Township 20-1/2 South, Range 21 East, NMPM, Eddy County, New Mexico. All of said irregular Section 36 to be dedicated to said well to form a non-standard 265.80-acre gas spacing and proration unit.

It is our understanding that the subject well is to be drilled to a total depth of approximately 8,250 feet in order to test down to the Morrow formation. The geologic interpretation submitted with this application indicates that a well drilled at the proposed unorthodox gas well location will be at a more favorable geologic position within the Undesignated Little Box Canyon-Morrow Gas Pool than a well drilled at a location considered to be standard within the subject 265.80-acre gas spacing and proration unit. Further, evidence submitted by the applicant indicates that the effected offsetting acreage comprising all of irregular Section 31, Township 20-1/2 South, Range 22 East, NMPM, and the W/2 equivalent of Section 6, Township 21 South, Range 22 East, NMPM, Eddy County, New Mexico is a Federal unitized area (Sweet Thing Federal Unit) that is currently operated by Stevens & Tull, Inc.; therefore, there are no other offsetting operators to the subject 265.80-acre tract.

The application has been duly filed under the provisions of Rule 104.F of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division").

By the authority granted me under the provisions of Division General Rule 104.F(2) and 104.D(2), the above-described unorthodox gas well location and non-standard gas spacing and proration unit are hereby approved.

Sincerely,

CMD :
OG5SECT

ONGARD
INQUIRE LAND BY SECTION

02/02/99 15:37:15
OGOMES -TPVN
PAGE NO: 1

Sec : 11 Twp : 28N Rng : 02W Section Type : NORMAL

D 40.00 Indian owned	C 40.00 Indian owned A	B 40.00 Indian owned	A 40.00 Indian owned
E 40.00 Indian owned	F 40.00 Indian owned	G 40.00 Indian owned	H 40.00 Indian owned

PF01 HELP
PF07 BKWD

PF02
PF08 FWD

PF03 EXIT
PF09 PRINT

PF04 GoTo
PF10 SDIV

PF05
PF11

PF06
PF12

CMD :
OG5SECT

ONGARD
INQUIRE LAND BY SECTION

02/02/99 15:37:21
OGOMES -TPVN
PAGE NO: 2

Sec : 11 Twp : 28N Rng : 02W Section Type : NORMAL

L 40.00	K 40.00	J 40.00	I 40.00
Indian owned	Indian owned	Indian owned	Indian owned
M 40.00	N 40.00	O 40.00	P 40.00
Indian owned	Indian owned	Indian owned	Indian owned

PF01 HELP PF02 PF03 EXIT PF04 GoTo PF05 PF06
PF07 BKWD PF08 FWD PF09 PRINT PF10 SDIV PF11 PF12

CMD : ONGARD 02/02/99 15:37:48
OG6C101 C101-APPLICATION FOR PERMIT TO DRILL OGOMES -TPVN

OGRID Idn : 13925 API Well No: 30 39 26038 APD Status(A/C/P): A
Opr Name, Addr: MALLON OIL CO Aprvl/Cncl Date : 12-02-1998
999 18TH ST
STE 1700
DENVER,CO 80202
Prop Idn: 23928 JICARILLA 28 2 11 Well No: 1

	U/L	Sec	Township	Range	Lot	Idn	North/South	East/West
Surface Locn	: C	11	28N	02W			FTG 950 F N	FTG 2050 F W
OCD U/L	: C		API County	: 39				

Work typ(N/E/D/P/A) : N Well typ(O/G/M/I/S/W/C): G Cable/Rotary (C/R) : F
Lease typ(F/S/P/N/J/U/I): J Ground Level Elevation : 7437

State Lease No: Multiple Comp (Y/N) : N
Prpsd Depth : 4500 Prpsd Frmtn : WC 28N2W11C PC

E0009: Enter data to modify record

PF01 HELP PF02 PF03 EXIT PF04 GoTo PF05 PF06 CONFIRM
PF07 PF08 PF09 PRINT PF10 C102 PF11 HISTORY PF12

CMD : ONGARD 09/03/99 14:04:58
OG6IWCM INQUIRE WELL COMPLETIONS OGOMES -TPHU

API Well No : 30 39 26038 Eff Date : 02-07-1999 WC Status : T
Pool Idn : 96538 CABRESTO CANYON;OJO ALAMO (G)
OGRID Idn : 13925 MALLON OIL CO
Prop Idn : 23928 JICARILLA 28 2 11

Well No : 001
GL Elevation: 7437

	U/L	Sec	Township	Range	North/South	East/West	Prop/Act (P/A)
B.H. Locn	: C	11	28N	02W	FTG 950 F N	FTG 2050 F W	P

Lot Identifier:

Dedicated Acre: 160.00

Lease Type : J

Type of consolidation (Comm, Unit, Forced Pooling - C/U/F/O) :

M0025: Enter PF keys to scroll

PF01 HELP	PF02	PF03 EXIT	PF04 GoTo	PF05	PF06
PF07	PF08	PF09	PF10 NEXT-WC	PF11 HISTORY	PF12 NXTREC

CMD : ONGARD 09/03/99 14:05:08
OG6IWCM INQUIRE WELL COMPLETIONS OGOMES -TPHU

API Well No : 30 39 26038 Eff Date : 02-07-1999 WC Status : T
Pool Idn : 96821 WILDCAT CABRESTO CANYON;NACIMIENTO
OGRID Idn : 13925 MALLON OIL CO
Prop Idn : 23928 JICARILLA 28 2 11

Well No : 001
GL Elevation: 7437

	U/L	Sec	Township	Range	North/South	East/West	Prop/Act (P/A)
	---	---	-----	-----	-----	-----	-----
B.H. Locn	: C	11	28N	02W	FTG 950 F N	FTG 2050 F W	P

Lot Identifier:
Dedicated Acre: 160.00
Lease Type : J
Type of consolidation (Comm, Unit, Forced Pooling - C/U/F/O) :

PF01 HELP	PF02	PF03 EXIT	PF04 GoTo	PF05	PF06
PF07	PF08	PF09	PF10 NEXT-WC	PF11 HISTORY	PF12 NXTREC

CMD : ONGARD 09/03/99 14:05:15
OG6C101 C101-APPLICATION FOR PERMIT TO DRILL OGOMES -TPHU

OGRID Idn : 13925 API Well No: 30 39 26038 APD Status(A/C/P): A
Opr Name, Addr: MALLON OIL CO Aprvl/Cncl Date : 12-02-1998
999 18TH ST
STE 1700
DENVER,CO 80202

Prop Idn: 23928 JICARILLA 28 2 11 Well No: 1

	U/L	Sec	Township	Range	Lot Idn	North/South	East/West
	---	---	-----	-----	-----	-----	-----
Surface Locn	: C	11	28N	02W		FTG 950 F N	FTG 2050 F W
OCD U/L	: C		API County	: 39			

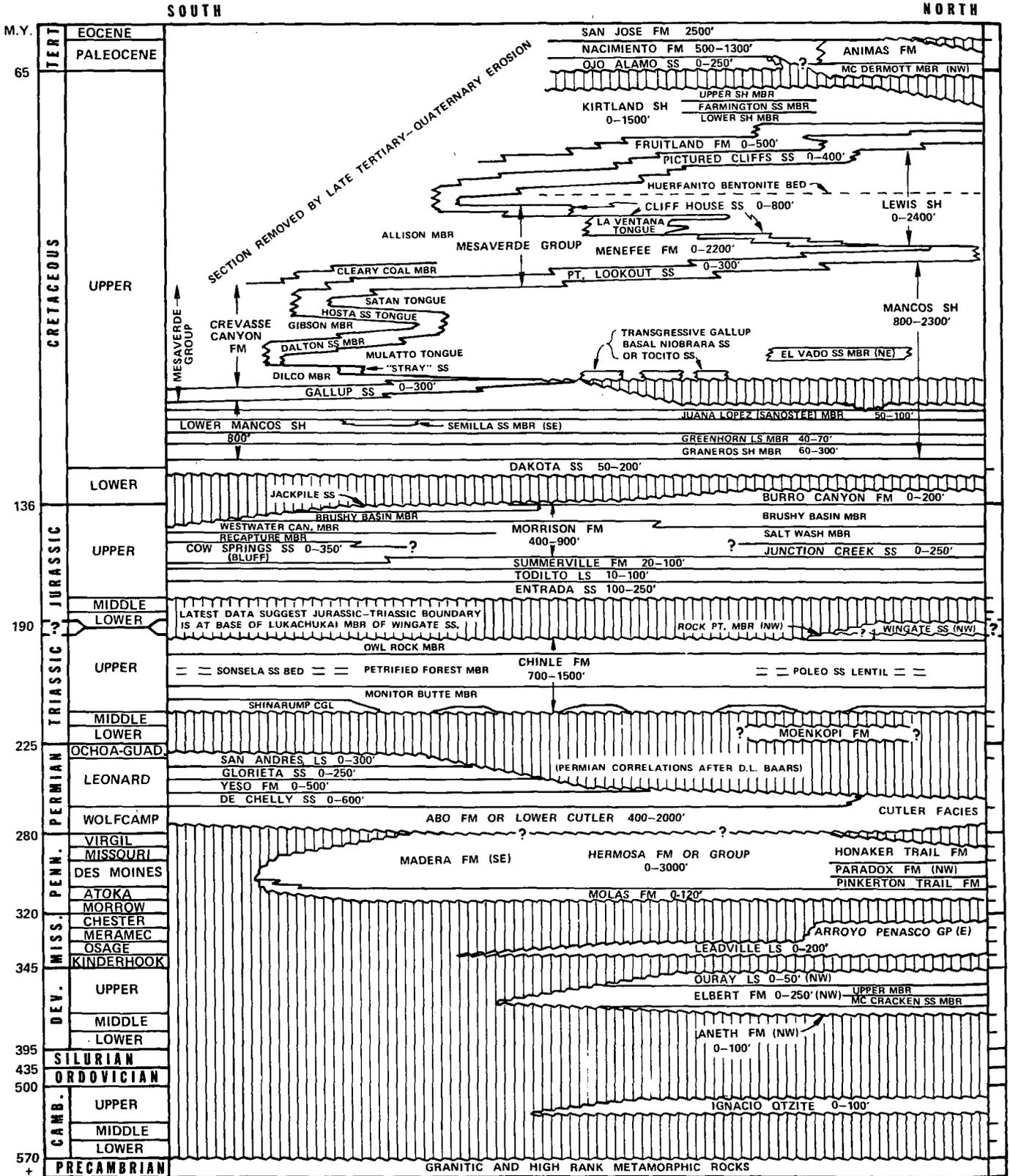
Work typ(N/E/D/P/A) : N Well typ(O/G/M/I/S/W/C): G Cable/Rotary (C/R) : F
Lease typ(F/S/P/N/J/U/I): J Ground Level Elevation : 7437

State Lease No: Multiple Comp (Y/N) : M
Prpsd Depth : 4500 Prpsd Frmtn : CABRESTO CYN OJOALAMO/NACIMIETO

E0009: Enter data to modify record

PF01 HELP	PF02	PF03 EXIT	PF04 GoTo	PF05	PF06 CONFIRM
PF07	PF08	PF09 PRINT	PF10 C102	PF11 HISTORY	PF12

SAN JUAN BASIN TIME-STRATIGRAPHIC NOMENCLATURE CHART



CONFIDENTIAL

Form 3160-3
(July 1992)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUBMIT IN TRIPLICATE
(Other instructions on
reverse side)

FORM APPROVED
OMB NO. 1004-0136
Expires February 28, 1995

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

5. LEASE DESIGNATION AND SERIAL NO. **MDA 701-98-0013**

1a. TYPE OF WORK
Drill Deepen

b. TYPE OF WELL
Oil Well Gas Well Other Single Zone Multiple Zone

6. IF INDIAN, ALLOTTEE OR TRIBE NAME
Jicarilla Apache

7. UNIT AGREEMENT NAME
N/A

2. NAME OF OPERATOR
Mallon Oil Company

8. FARM OR LEASE NAME, WELL NO.
Jicarilla Tract 3-11 #1 28-2-11 #1

3. ADDRESS AND TELEPHONE NO.
**P.O. Box 3256
Carlsbad, NM 88220 (505) 885-4596**

9. ARLWELL NO.
30-039-26038

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements)
At surface **950' FNL and 2050' FWL (NE/NW) Unit C**
At proposed prod. zone **950' FNL and 2050' FWL (NE/NW) Unit C**

10. FIELD AND POOL OR WILDCAT
WILDCAT 28N2W11CS PICTURED CLIFFS

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA
Sec. 11, T28N-R02W

12. COUNTY OR PARISH **Rio Arriba** 13. STATE **NM**

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE *
66 miles east of Bloomfield, New Mexico

15. DISTANCE FROM PROPOSED * LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT.
(Also to nearest drlg. unit line, if any)

16. NO. OF ACRES IN LEASE
39,360

17. NO. OF ACRES ASSIGNED TO THIS WELL
160

18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.

19. PROPOSED DEPTH
4500'

20. ROTARY OR CABLE TOOLS
Rotary

21. ELEVATIONS (SHOW WHETHER DF, RT, GR, Etc.) **7437' GR** 22. APPROX DATE WORK WILL START **11/15/98**

23. **PROPOSED CASING AND CEMENTING PROGRAM**

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
12-1/4"	8-5/8"	24#	500'	Circulate to surface
7-7/8"	5-1/2"	15.5#	4500'	570 sks

Mallon Oil Company proposes to drill to a depth sufficient to test the Pictured Cliffs formation. If productive, 5-1/2" casing will be cemented at TD. If non-productive, the well will be plugged and abandoned in a manner consistent with Federal regulations. Specific programs as per on-shore Oil and Gas Order No. 1 are outlined in the following attachments:

Drilling Program

- Exhibit 1: Blow Out Preventor Equipment/Plan
- Exhibit A: Location and Elevation Plat
- Exhibit B: Roads and Pipelines
- Exhibit C: One Mile Radius Map
- Exhibit D: Drilling Site Layout
- Exhibit E: Production Facilities
- Exhibit F: H2S Contingency Plan
- Exhibit G: Environmental Assessment

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24. SIGNED: Terry Lindeman TITLE: Operations Superintendent DATE: 10/24/98

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

CONDITIONS OF APPROVAL, IF ANY:

APPROVED BY: (Original Signed) HECTOR A. VILLALOBOS TITLE: Asst Field Mgr DATE: DEC 2 1998

*See Instructions On Reverse Side

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

HOLD C-124
FOR NSL

CONFIDENTIAL

DISTRICT II
P.O. Drawer DD, Artesia, N.M. 88211-0719

DISTRICT III
1000 Rio Brazos Rd., Aztec, N.M. 87410

DISTRICT IV
PO Box 2088, Santa Fe, NM 87504-2088

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, NM 87504-2088

Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-039-26038		*Pool Code 96862	*Pool Name WTLOCAT 28N2W11C; PICTURED CLIFFS
*Property Code 23928	*Property Name JICARILLA TRACT 3-11		*Well Number 1
*OGRID No. 013925	*Operator Name MALLON OIL COMPANY		*Elevation 7437'

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	11	28-N	2-W		950'	NORTH	2050'	WEST	RIO ARRIBA

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

¹² Dedicated Acres 160	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

S 89-58-08 E 5277.22'

18 FD. U.S.G.L.O. BRASS CAP 1917 2050' 950' N 00-04-01 E 5284.75'	17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief Signature: <i>Terrance G. Lindeman</i> Printed Name: Terrance G. Lindeman Title: Operations Superintendent Date: October 24, 1998	
	RECEIVED DEC - 7 1998 OIL CONSERVATION DIV.	
	18 SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my knowledge. Date of Survey: 10-27-98 Signature and Seal of Professional Surveyor: <i>[Signature]</i> Registered Professional Surveyor 8894 Certificate Number	
	FD. U.S.G.L.O. BRASS CAP 1917	

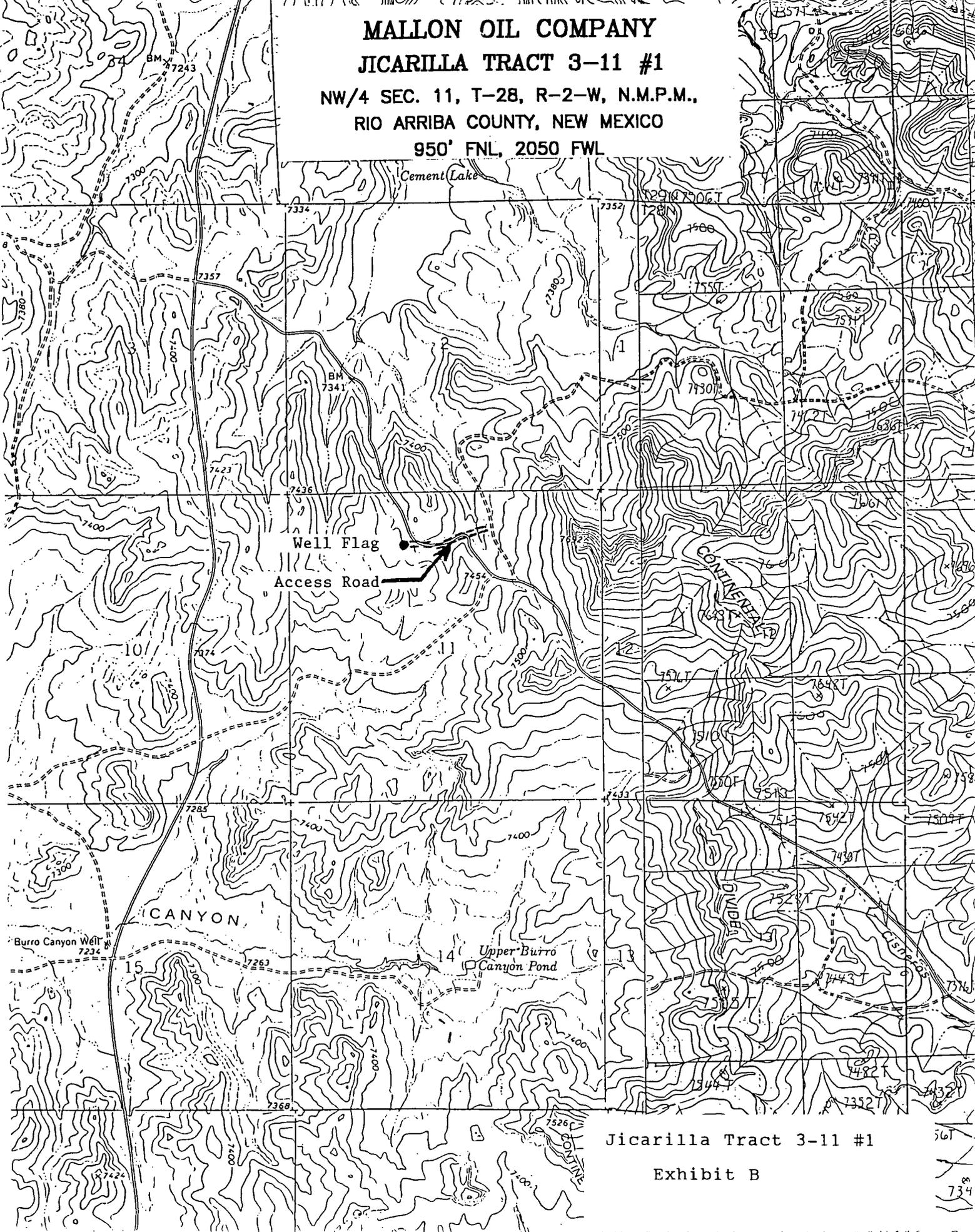
MALLON OIL COMPANY

JICARILLA TRACT 3-11 #1

NW/4 SEC. 11, T-28, R-2-W, N.M.P.M.,

RIO ARRIBA COUNTY, NEW MEXICO

950' FNL, 2050 FWL



Jicarilla Tract 3-11 #1

Exhibit B

561
734

CONFIDENTIAL

Form 3160-3
(July 1992)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUBMIT IN TRIPLICATE
(Other instructions on
reverse side)

FORM APPROVED
OMB NO. 1004-0136
Expires February 28, 1995

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

5. LEASE DESIGNATION AND SERIAL NO. **MDA 701-98-0013**

6. IF INDIAN, ALLOTTEE OR TRIBE NAME **Jicarilla Apache**

7. UNIT AGREEMENT NAME **N/A**

1a. TYPE OF WORK
Drill Deepen

b. TYPE OF WELL
Oil Well Gas Well Other Single Zone Multiple Zone

2. NAME OF OPERATOR **Mallon Oil Company**

3. ADDRESS AND TELEPHONE NO.
**P.O. Box 3256
Carlsbad, NM 88220 (505) 885-4596**

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)
At surface **950' FNL and 2050' FWL (NE/NW) Unit C**
At proposed prod. zone **950' FNL and 2050' FWL (NE/NW) Unit C**

8. FARM OR LEASE NAME, WELL NO. **Jicarilla Tract 3-11 #1**

9. ARL WELL NO. **30-039-26038**

10. FIELD AND POOL OR WILDCAT **WILDCAT-28N2W11C1 PICTURE CLIFF**

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA **Sec. 11, T28N-R02W**

12. COUNTY OR PARISH **Rio Arriba** 13. STATE **NM**

15. DISTANCE FROM PROPOSED * LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any)

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17. NO. OF ACRES ASSIGNED TO THIS WELL **160**

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19. PROPOSED DEPTH **4500'**

20. ROTARY OR CABLE TOOLS **Rotary**

21. ELEVATIONS (SHOW WHETHER DF, RT, GR, Etc.) **7437' GR**

22. APPROX. DATE WORK WILL START **11/15/98**

RECEIVED
DEC 7 1998
ALBUQUERQUE
NEW MEXICO
OIL & GAS DIV.

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
12-1/4"	8-5/8"	24#	500'	Circulate to surface
7-7/8"	5-1/2"	15.5#	4500'	570 sks

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Drilling Program

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- Exhibit A: Location and Elevation Plat
- Exhibit B: Roads and Pipelines
- Exhibit C: One Mile Radius Map
- Exhibit D: Drilling Site Layout
- Exhibit E: Production Facilities
- Exhibit F: H2S Contingency Plan
- Exhibit G: Environmental Assessment

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24. SIGNED: Lerry Lindeman TITLE: Operations Superintendent DATE: 10/24/98

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

CONDITIONS OF APPROVAL, IF ANY:

APPROVED BY: (Original Signed) HECTOR A. VILLALOBOS TITLE: Asst Field Mgr DATE: DEC 2 1998

*See Instructions On Reverse Side

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

HOLD C-124
FOR NSL

CONFIDENTIAL

Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT II
P.O. Drawer DD, Artesia, N.M. 88211-0719

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, NM 87504-2088

AMENDED REPORT

DISTRICT III
1000 Rio Brazos Rd., Aztec, N.M. 87410

DISTRICT IV
PO Box 2088, Santa Fe, NM 87504-2088

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-039-26038		*Pool Code 96862	*Pool Name WILDCAT 28N2W11C; PICTURED CLIFFS
*Property Code 23928	*Property Name JICARILLA TRACT 3-11		*Well Number 1
*GRID No. 03925	*Operator Name MALLON OIL COMPANY		*Elevation 7437'

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	11	28-N	2-W		950'	NORTH	2050'	WEST	RIO ARRIBA

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

¹² Dedicated Acres 160	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

S 89-58-08 E 5277.22'

18 FD. U.S.G.L.O. BRASS CAP 1917 2050' 950' RECEIVED DEC - 7 1998 MALLON OIL CO. SANTA FE, NM	17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. Signature: <u>Terrance G. Lindeman</u> Printed Name: <u>Terrance G. Lindeman</u> Title: <u>Operations Superintendent</u> Date: <u>October 24, 1998</u>	
	18 SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge. Date of Survey: <u>10-27-98</u> Signature and Seal of Professional Surveyor: <u>[Signature]</u> Registered Professional Surveyor Certificate Number: <u>8894</u>	
	16 FD. U.S.G.L.O. BRASS CAP 1917	
	N 00-04-01 E 5284.75'	

MALLON OIL COMPANY

JICARILLA TRACT 3-11 #1

NW/4 SEC. 11, T-28, R-2-W, N.M.P.M.,

RIO ARRIBA COUNTY, NEW MEXICO

950' FNL, 2050 FWL



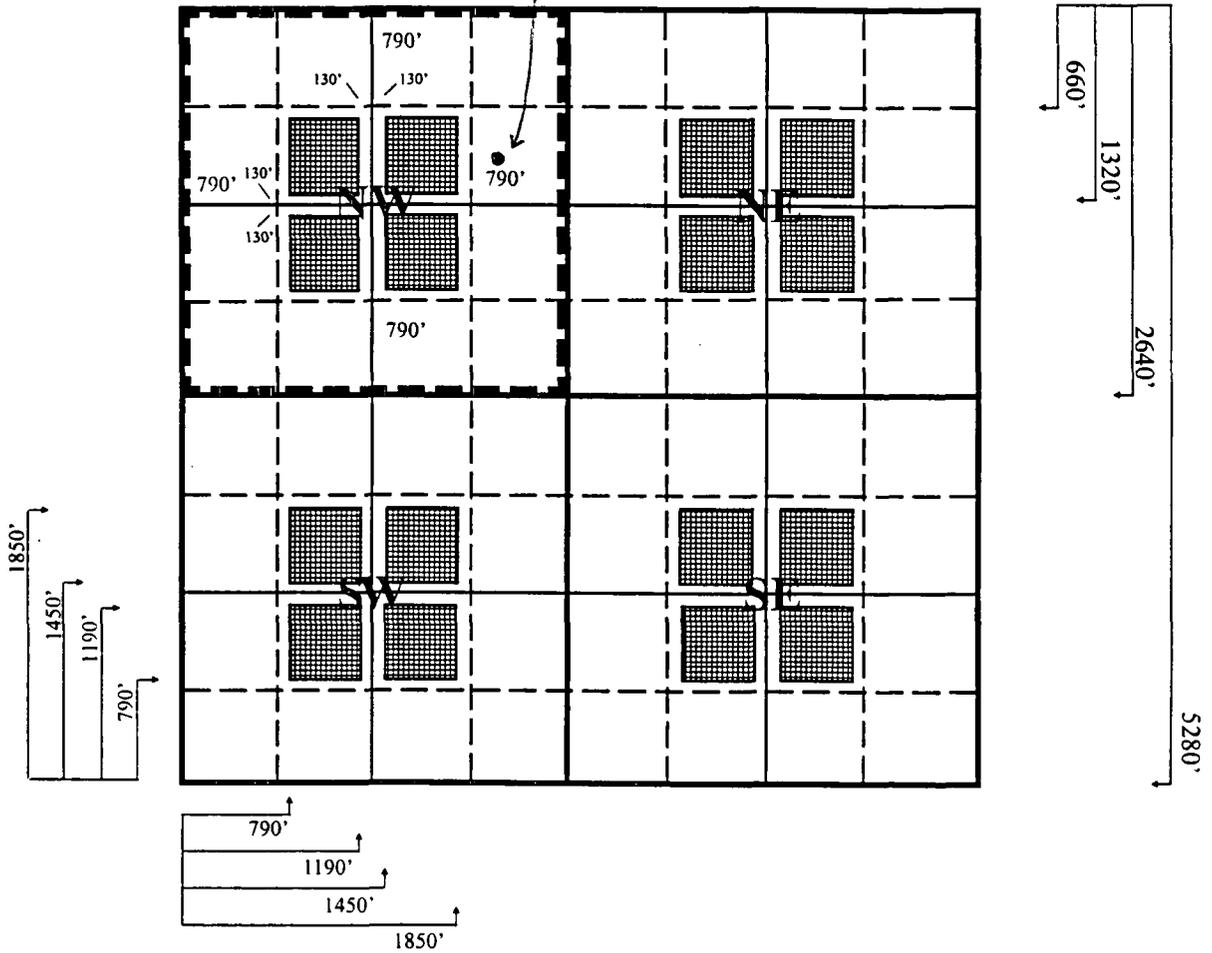
Jicarilla Tract 3-11 #1

Exhibit B

567
734

SAN JUAN BASIN AREA
 160-ACRE SPACING UNDER THE CURRENT RULES
 104.B.(2)(a), 104.B.(2)(b)(ii), 104.C.(3)(a), 104.C.(3)(b)(ii)
 One well limit.

*Proposed location for Muller's Tract. 11a 28-02-11 #1
 950' FWL - 2050' FWL*



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. 12119
Order No. R-11231

APPLICATION OF OIL CONSERVATION DIVISION TO AMEND DIVISION
RULE 104 (19 NMAC 15.C.104) PERTAINING TO WELL SPACING.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This case came on for hearing at 9 o'clock a.m. on August 12, 1999, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 12th day of August, 1999, the Commission, a quorum being present, having considered the record,

FINDS THAT:

- (1) Due public notice has been given and the Commission has jurisdiction of this case and its subject matter.
- (2) Evidence presented indicated developments in 3-D technology and the increasing need of operators to drill/exploit smaller and smaller reservoirs has resulted in the need for an expansion of allowable areas in which to drill.
- (3) The evidence indicated that Division Rule 104 is in need of amendment to relax the external and internal well setback requirements to allow operators greater latitude in locating wells so that additional oil and gas reserves can be accessed, thereby preventing waste.
- (4) Evidence also indicated that allowing an optional infill well on a 320-acre unit will substantially improve gas recovery by allowing operators to locate wells at more optimum locations, thereby preventing waste.
- (5) Using statewide 660-setbacks to any quarter section line for both 160 and 320 acre spacing provides operators a uniform setback for their well location decisions. This will also eliminate the "standup/laydown" orientation decision sometimes encountered when locating wells, which can pose a problem for operators and result in unnecessary gamesmanship. Since 660 feet is already allowed in cases where the side boundary of a 320-acre unit is the relevant boundary, changing the end boundary setback from 1650 feet to 660 feet should not, in effect, result in any increase in the impairment of correlative rights and will eliminate the 320-acre unit orientation decision.

(6) The relaxed internal setbacks will also aid in the recovery of additional oil and gas reserves, thereby preventing waste, but will still require compliance with any rule for a formation different than the primary targeted formation.

(7) The relaxed setback and infill requirements should not impair the correlative rights of offset operators since evidence indicated that the drainage areas of gas wells seldom exceed 160 acres.

(8) Notice of intent to drill an infill well to offset operators and/or interest owners in the unit is not necessary since the rule change allows such a well. There thus would be no basis for objecting to the well.

(9) Opportunity is available to adopt or amend special pool orders to limit the number of wells per unit and/or require different setbacks to prevent waste and/or protect correlative rights. The Division's notice provisions in Rule 1207.A(4) for amending special pool orders was recently amended to facilitate such changes. Therefore, if an interest owner believes that the drainage areas for wells in a particular pool justify different well densities and/or setbacks, an action can be brought to institute such provisions.

(10) Actions can be brought before the Division to amend special pool orders and/or other orders to take into account any of the changes made to Rule 104 by this order.

(11) Compulsory pooling orders do not directly address the issue of subsequent wells on a unit. This is a separate issue being addressed by the Division.

(12) Notice of administrative applications for and opportunity for objecting to (i) non-standard proration units---104.D(2)(d), (ii) unorthodox locations---104.F(4), and (iii) pooling and communitization of small oil lots---104.I(1)(b) should be given to affected parties as defined in 1207.A(2).

(13) Due to the extensive changes being made to Rule 104, Rule 104 should be reformatted and rearranged. The language in Rule 104 should also be cleaned up and clarified.

(14) It is necessary to adopt Rule 104 as amended and set forth in the attached Exhibit "A".

IT IS THEREFORE ORDERED

(1) Division Rule 104 is hereby amended and adopted as set forth in the attached Exhibit "A".

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

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

(4) Done at Santa Fe, New Mexico, on the day and year hereinabove designated.

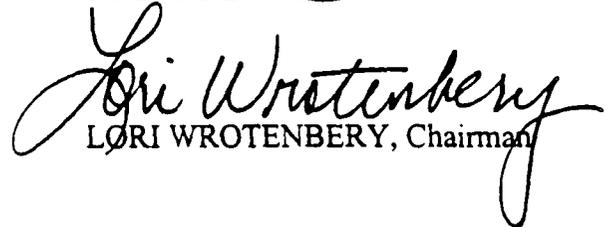
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



JAMI BAILEY, Member



ROBERT L. LEE, Member



LORI WROTENBERY, Chairman



S E A L

EXHIBIT "A"
CASE NO. 12119
ORDER NO. R-11231

104 WELL SPACING AND LOCATION

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

(1) WILDCAT WELL

- (a) In San Juan, Rio Arriba, Sandoval, and McKinley Counties a wildcat well is any well to be drilled the spacing unit of which is a distance of two miles or more from:
 - (i) the outer boundary of any defined pool that has produced oil or gas from the formation to which the well is projected to be drilled; and
 - (ii) any well that has produced oil or gas from the formation to which the proposed well is projected to be drilled.
- (b) In all counties except San Juan, Rio Arriba, Sandoval, and McKinley, a wildcat well is any well 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 that has produced oil or gas from the formation to which the well is projected to be drilled; and
 - (ii) any well that has produced oil or gas from the formation to which the proposed well is projected.

(2) DEVELOPMENT WELL

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

- (b) Any well classified as a development well for a pool but completed in a producing formation not included in the vertical limits of that pool shall be operated and produced in accordance with the rules in effect for the nearest pool that is producing from that formation within the two miles in San Juan, Rio Arriba, Sandoval, and McKinley Counties or within one mile everywhere else. If there is no designated pool for that producing formation within the two miles 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. OIL WELL ACREAGE AND WELL LOCATION REQUIREMENTS

(1) Any wildcat well that is projected to be drilled as an oil well to a formation and in an area that in the opinion of the Division may reasonably be presumed to be productive of oil rather than gas and each development well for a defined oil pool, unless otherwise provided in special pool orders, shall be located on a spacing unit consisting of approximately 40 contiguous surface acres substantially in the form of a square which is a legal subdivision of the U.S. Public Land Surveys, which is a governmental quarter-quarter section or lot, and shall be located no closer than 330 feet to any boundary of such unit. Only those 40-acre spacing units committed to active secondary recovery projects shall be permitted more than four wells.

(2) If a well drilled as an oil well is completed as a gas well but does not conform to the applicable gas well location rules, the operator must apply for administrative approval for a non-standard location before the well can produce. The Director may set any such application for hearing.

104.C. GAS WELLS ACREAGE AND WELL LOCATION REQUIREMENTS

Any wildcat well that is projected to be drilled as a gas well to a formation and in an area that in the opinion of the Division may reasonably be presumed to be productive of gas rather than oil and each development well for a defined gas pool, unless otherwise provided in special pool orders, shall be spaced and located as follows:

(1) 640-ACRE SPACING applies to any deep gas well in Rio Arriba, San Juan, Sandoval or McKinley County that is projected to be drilled to a gas producing formation older than the Dakota formation or is a development well within a gas pool created and defined by the Division after June 1, 1997 in a formation older than the Dakota formation, which formation or pool is located within the surface outcrop of the Pictured Cliffs formation (i.e., the San Juan Basin). Such well shall be located on a spacing unit consisting of 640 contiguous surface acres, more or less, substantially in the form of a square which is a section and legal subdivision of the U.S. Public Land Surveys and shall be located no closer than: 1200 feet to any outer boundary of the spacing unit, 130 feet to any quarter section line, and 10 feet to any quarter-quarter section line or subdivision inner boundary.

(2) 320-ACRE SPACING applies to any deep gas well in Lea, Chaves, Eddy or Roosevelt County, defined as a well that is projected to be drilled to a gas producing formation or is within a defined gas pool in the Wolfcamp or an older formation. Such well shall be located on a spacing unit consisting of 320 surface contiguous acres, more or less, comprising any two contiguous quarter sections of a single section that is a legal subdivision of the U.S. Public Land Surveys provided that:

- (a) the initial well on a 320-acre unit is located no closer than 660 feet to the outer boundary of the quarter section on which the well is located and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary;
- (b) only one infill well on a 320-acre unit shall be allowed provided that the well is located in the quarter section of the 320-acre unit not containing the initial well and is no closer than 660 feet to the outer boundary of the quarter section and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary; and
- (c) the Division-designated operator for the infill well is the same operator currently designated by the Division for the initial well.

(3) 160-ACRE SPACING applies to any other gas well not covered above. Such well shall be located in a spacing unit consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section and a legal subdivision of the U.S. Public Land Surveys and shall be located no closer than 660 feet to any outer boundary of such unit and no closer than 10 feet to any quarter-quarter section or subdivision inner boundary.

104.D. ACREAGE ASSIGNMENT

(1) Well Tests and Classification. It is the responsibility of the operator of any wildcat 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 test with the Division within 10 days following completion of the test. (See Rule 401)

- (a) The date of completion for a gas well is the date of the conclusion of active completion work on the well.
- (b) If the Division determines that a well should not be classified as a gas well, the Division will reduce the acreage dedicated to the well to the standard acreage for an oil well.
- (c) Failure of the operator to file the test within the specified time will also subject the well to such acreage reduction.

(2) Non-Standard Spacing Units. Any well that 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) Division District Offices have the authority to approve non-standard spacing units without notice when the unorthodox size or shape is necessitated by a variation in the legal subdivision of the U. S. Public Land Surveys and/or consists of an entire governmental section and the non-standard spacing unit is not less than 70% or more than 130% of a standard spacing unit. The operator must obtain Division approval of Division Form C-102 showing the proposed non-standard spacing unit and the acreage contained therein.
- (b) The Director may grant administrative approval to non-standard spacing units after notice and opportunity for hearing when an application has been filed and the unorthodox size or shape is necessitated by a variation in the legal subdivision of the U.S. Public Land Surveys or the following facts exist:
 - (i) the non-standard spacing unit consists of: (A) a single quarter-quarter section or lot or (B) quarter-quarter sections or lots joined by a common side; and
 - (ii) the non-standard spacing unit lies wholly within: a single 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; a single half section if the well is completed in a pool or formation for which 320 acres is the standard spacing unit size; or a single 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 D(2)(b) shall be submitted to the Division's Santa Fe Office and accompanied by: (i) a plat showing the spacing unit and an applicable standard spacing unit for that pool or formation, the proposed well dedications and all adjoining spacing units; (ii) a list of affected persons as defined in Rule 1207.A(2); and (iii) a statement discussing the reasons for the formation of the non-standard spacing unit.

(d) The applicant shall submit a statement attesting that the applicant, on or before the date the application was submitted to the Division, sent notification to the affected persons by submitting a copy of the application, including a copy of the plat described in (c) above, by certified mail, return receipt requested, advising them that if they have an objection it must be filed in writing within 20 days from the date the Division receives the application. The Director may approve the application upon receipt of waivers from all the notified persons or if no person has filed an objection within the 20-day period.

(e) The Director may set for hearing any application for administrative approval.

(3) Number of Wells Per Spacing Unit. Exceptions to the provisions of statewide rules or special pool orders concerning the number of wells allowed per spacing unit may be permitted by the Director only after notice and opportunity for hearing. Notice shall be given to those affected persons defined in Rule 1207.A.(2).

104.E. FORMS

Form C-102 "Well Location and Acreage Dedication Plat" for any well shall designate the exact legal subdivision dedicated to the well. Form C-101 "Application for Permit to Drill, Deepen, or Plug Back" will not be approved without an acreage designation on Form C-102.

104.F. UNORTHODOX LOCATIONS

(1) Well locations for producing wells and/or injection wells that are unorthodox based on the requirements of B above and are necessary for an efficient production and injection pattern within a secondary recovery, tertiary recovery, or pressure maintenance project are hereby authorized, provided that the unorthodox location within the project is no closer than the required minimum distance to the outer boundary of the lease or unitized area, and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary. These locations shall only require such prior approvals as are necessary for an unorthodox location.

(2) The Director may grant an exception to the well location requirements of B and C above or special pool orders after notice and opportunity for hearing when the exception is necessary to prevent waste or protect correlative rights.

(3) Applications for administrative approval pursuant to F(2) above shall be submitted to the Division's Santa Fe Office accompanied by (a) a plat showing the spacing unit, the proposed unorthodox well location and the adjoining spacing units and wells; (b) a list of affected persons as defined in Rule 1207.A(2); and (c) information evidencing the need for the exception. Notice shall be given as required in Rule 1207.A(2).

(4) The applicant shall submit a statement attesting that applicant, on or before the date that the application was submitted to the Division, sent notification to the affected persons by submitting a copy of the application, including a copy of the plat described in F(3) above, by certified mail, return receipt requested, advising them that if they have an objection it must be filed in writing within 20 days from the date the Division receives the application. The Director may approve the unorthodox location upon receipt of waivers from all the affected persons or if no affected person has filed an objection within the 20-day period.

(5) The Director may set for hearing any application for administrative approval of an unorthodox location.

(6) Whenever an unorthodox location is approved, the Division may order any action necessary to offset any advantage of the unorthodox location.

104.G. EFFECT ON ALLOWABLES

(1) If the drilling tract is within a prorated/allocated oil pool or is subsequently placed within such pool 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 the well shall be increased or decreased in the proportion that the number of acres in the drilling tract bears to 40.

(2) If the drilling tract is within a prorated/allocated gas pool or is subsequently placed within such 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, or less than 632 acres or more than 648 acres in 640-acre pools, the top allowable for the 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.

(3) In computing acreage under (1) and (2) above, less than $\frac{1}{2}$ acre shall not be counted but $\frac{1}{2}$ acre or more shall count as one acre.

(4) The provisions of (1) and (2) above shall apply only to wells completed after January 1, 1950.

104.H. DIVISION-INITATED EXCEPTIONS

In order to prevent waste, the Division may, after hearing, set different spacing requirements and require different acreage for drilling tracts in any defined oil or gas pool.

104.I. POOLING OR COMMUNITIZATION OF SMALL OIL LOTS

(1) The Division may approve the pooling or communitization of fractional oil lots of 20.49 acres or less with a contiguous oil spacing unit when the ownership is common and the tracts are part of the same lease with the same royalty interests if the following requirements are satisfied:

- (a) Applications for administrative approval shall be submitted to the Division's Santa Fe Office and accompanied by: (i) a plat showing the dimensions and acreage involved, the ownership of such acreage, the location of all existing and proposed wells and all adjoining spacing units; (ii) a list of affected persons as defined in Rule 1207.A(2); and (iii) a statement discussing the reasons for the pooling or communitization.
- (b) The applicant shall submit a statement attesting that the applicant, on or before the date the application was submitted to the Division, sent notification to the affected persons by submitting a copy of the application, including a copy of the plat described in (a) above, by certified mail, return receipt requested, advising them that if they have an objection it must be filed in writing within 20 days from the date the Division receives the application. The Director may approve the application upon receipt of waivers from all the notified persons or if no person has filed an objection within the 20-day period.
- (c) The Director may set for hearing any application for administrative approval.

(2) The Division may consider the common ownership and common lease requirements met if the applicant furnishes with the application a copy of an executed pooling agreement communitizing the tracts involved.

[1-1-50...2-1-96; A, 6-30-97; A, 8-31-99]

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 12177
ORDER NO. R-11205

APPLICATION OF OIL CONSERVATION DIVISION TO AMEND THE
NOTICE REQUIREMENTS THROUGHOUT THE DIVISION RULES AND TO
AMEND ITS PROCEDURAL RULES FOUND IN PART N (19 NMAC 15.N),
RULE 11 (19 NMAC 15.A.11) and RULE 12 (19 NMAC 15.A.12).

ORDER OF THE COMMISSION

BY THE COMMISSION:

This case came on for hearing at 9 o'clock a.m. on June 17, 1999, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 17th day of June, 1999, the Commission, a quorum being present, having considered the record,

FINDS THAT:

- (1) Due public notice has been given and the Commission has jurisdiction of this case and its subject matter.
- (2) New Mexico Oil Conservation Division (the "Division") Rules 11 and 12 concern the scope and enforcement of Division statutes and rules and Rules 1201 through 1223 set forth the procedural rules for proceedings before the Division.
- (3) Testimony indicated that Division Rules 11, 12 and 1201 through 1223 (with the exception of Rule 1217, which is repealed) should be amended to correct problems or ambiguities.
- (4) It is necessary to adopt the amended rules set forth in the attached Exhibit "A" and repeal Rule 1217.

IT IS THEREFORE ORDERED

(1) The amended rules set forth in the attached Exhibit "A" are hereby adopted. Rule 1217 is hereby repealed.

(2) These rules shall be effective as of the date of their publication in the New Mexico Register.

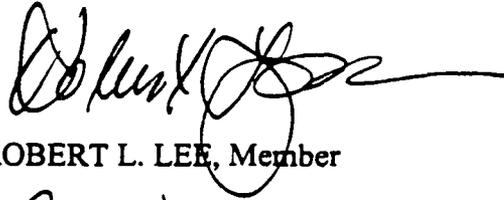
(3) Jurisdiction of this case is retained for the entry of such further orders as the Commission may deem necessary.

(4) Done at Santa Fe, New Mexico, on the day and year hereinabove designated.

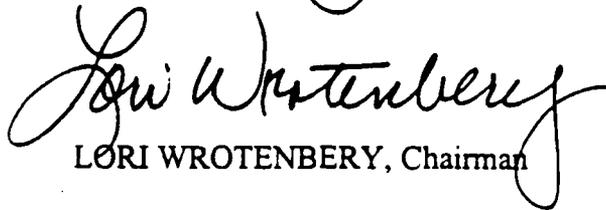
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



JAMI BAILEY, Member



ROBERT L. LEE, Member



LORI WROTENBERY, Chairman

S E A L

EXHIBIT "A"
CASE NO. 12177
ORDER NO. R-11205

11 SCOPE OF RULES [1-1-50...2-1-96; A, 7-15-99]

11.A. The following rules of statewide application have been adopted by the Commission to conserve the natural resources of the State of New Mexico, to prevent waste, to protect correlative rights, to protect public health and the environment and to otherwise implement the Oil and Gas Act, NMSA 1978, §§ 70-2-1 through 70-2-38. [1-1-50...2-1-96; A, 7-15-99]

11.B. Orders, including special pool orders (formerly referred to as "Special Pool Rules and Regulations"), of the Division or the Commission may be issued when required and shall prevail against rules if in conflict with them. [1-1-50...2-1-96; A, 7-15-99]

12 ENFORCEMENT OF STATUTES AND RULES

The Division is charged with the duty and obligation of enforcing all rules and statutes of the State of New Mexico relating to the conservation of oil and gas including the protection of public health and the environment. However, it shall be the responsibility of all the owners or operators to obtain information pertaining to the regulation of oil and gas before operations begin. [1-1-50...2-1-96; A, 7-15-99]

1201 RULEMAKING PROCEEDINGS [1-1-50...2-1-96; A, 7-15-99]

1201.A. Before any rule, including revocation or amendment thereof, shall be made by the Division or Commission, a public hearing before the Commission or a duly appointed Division Examiner shall be held at such time and place as may be prescribed by the Commission in accordance with NMSA 1978, §10-15-1. [Rn, 19 NMAC 15.N.1201, A, 7-15-99]

1201.B. When the Commission, the Division, an operator or any interested person applies to adopt, amend or rescind any rule, such application shall constitute a request for rulemaking for which the following notice requirements apply:

(1) the Division shall publish notice of the proposed rule in a newspaper of general circulation in the counties in New Mexico affected by the proposed rule with the publication date not less than 20 days prior to the date set for the public hearing; and

(2) the Division shall publish notice of the proposed rule on the Commission docket and shall send the docket to all who have requested such notice not less than 20 days prior to the public hearing.

[7-15-99]

1202 EMERGENCY ORDERS AND RULES

Notwithstanding any other provision of these rules, in the event an emergency is found to exist by the Division or Commission, which requires adoption of a rule or the issuance of an order without a hearing, such emergency rule or order shall have the same validity as if a hearing had been held before the Division or Commission after due notice. Such emergency rule or order shall remain in force no longer than 15 days from its effective date. [1-1-50... 2-1-96; A, 7-15-99]

1203 INITIATING A HEARING [1-1-50...2-1-96; A, 7-15-99]

1203.A. The Division, the Attorney General, any operator or producer, or any other person may apply for a hearing. The application shall be signed by the person seeking the hearing or by an attorney representing that person. Two copies of the application must be filed and shall state:

- (1) the name of the applicant;
- (2) the name or general description of the common source or sources of supply or the area affected by the order sought;
- (3) briefly, the general nature of the order or rule sought;
- (4) a list of the names and addresses of persons to whom notice has been sent;
- (5) a proposed notice advertisement for publication; and
- (6) any other matter required by these rules or order of the Division.

[1-1-50...2-1-96; A, 7-15-99]

1203.B. Applications for hearing before the Division or Commission must be in writing and received by the Division at least 23 days in advance of the hearing on that application. [4-30-74...2-1-96; A, 7-15-99]

1204 PUBLICATION OF NOTICE OF HEARING

The Division shall give notice of each hearing before the Commission or a Division Examiner by publication once in accordance with the requirements of NMSA 1978, Chapter 14, Article 11 in a newspaper of general circulation in the counties that are affected by the application. [1-1-50...2-1-96; A, 7-15-99]

1205 CONTENTS OF NOTICE OF HEARING

1205.A. Published notices shall be issued in the name of "The State of New Mexico" and signed by the Director of the Division, and the seal of the Commission shall be impressed thereon. [1-1-50...2-1-96; A, 7-15-99]

1205.B. The notice shall specify: whether the case is set for hearing before the Commission or a Division Examiner; the number and style of the case; the time and place of hearing; and the general nature of the application. The notice shall also state the name of the applicant, and unless the contemplated order or rule is intended to apply to and affect the entire state, it shall specify or generally describe the common source or sources of supply that may be affected if the application is granted. [1-1-50...2-1-96; A, 7-15-99]

1206 RESERVED [Formerly "PREPARATION OF NOTICES".

1207 NOTICE REQUIREMENTS FOR SPECIFIC ADJUDICATIONS [1-1-86...2-1-96; A, 7-15-99]

1207.A. Applicants for the following adjudicatory hearings before the Division or Commission shall give notice in addition to that required by Rule 1204 as set forth below:

(1) Compulsory Pooling and Statutory Unitization:

(a) Notice shall be given to any owner of an interest in the mineral estate whose interest is evidenced by a written document of conveyance either of record or known to the applicant at the time of filing the application and whose interest has not been voluntarily committed to the area proposed to be pooled or unitized (other than a royalty interest subject to a pooling or unitization clause). [Rn, 19 NMAC 15.N.1207.A.(1); A, 7-15-99; A, 7-15-99]

(b) When an applicant is unable to locate all the owners of interests to be pooled and the application is unopposed by those located, the applicant may file under the following alternate procedure if notice is given as required in (a) above. The application shall include the following:

(i) a statement that no opposition for hearing is expected and why;

ii) a map outlining the spacing unit(s) to be pooled showing the nature and percentage of the ownership interests and location of the proposed well;

(iii) the names and last known addresses of the interest owners to be pooled and the nature and percent of their interests and an attestation that a diligent search has been conducted of all public records in the county where the well is located and of phone directories, including computer searches;

(iv) the names of the formations and pools to be pooled (Note: The Division cannot pool a spacing unit larger in size than provided in these rules or applicable special pool orders);

(v) a statement as to whether the pooled unit is for gas and/or oil production (see note under iv. above);

(vi) written evidence of attempts made to gain voluntary agreement including but not limited to copies of relevant correspondence;

(vii) geological map(s) of the formation(s) to be tested and a geological and engineering assessment of the risk involved in the drilling of the well and a proposed risk penalty to be assessed against any working interest owner who does not pay its share of estimated well costs;

(viii) proposed overhead charges (combined fixed rates) to be applied during drilling and production operations along with the basis for such charges;

(ix) the location and proposed depth of the well to be drilled on the pooled units; and

(x) a copy of the Authorization for Expenditure (AFE) to be submitted to the interest owners in the well.

[Rn, 19 NMAC 15.N.1207.A.(2), 7-15-99, A, 7-15-

99]

(c) All submittals required shall be accompanied by sworn and notarized statements by those persons who prepared the submittals attesting that the information is correct and complete to the best of their knowledge and belief. [Rn, 19 NMAC 15.N.1207.A.(3), 7-15-99, A, 7-15-99]

(d) All unopposed pooling applications will be set for hearing. If the Division finds the application complete, the information submitted with the application will constitute the record in the case and an order will be issued based on the record. [Rn, 19 NMAC 15.N.1207.A.(4), 7-15-99, A, 7-15-99]

(e) At the request of any interested person or upon the Division's own initiative, any pooling application submitted shall be set for full hearing with oral testimony by the applicant. [Rn, 19 NMAC 15.N.1207.A.(4), 7-15-99; A, 7-15-99]

(2) Unorthodox Well Locations: [1-1-87...2-1-96; Rn, 19 NMAC 15.N.1207.A.(5), 7-15-99; A, 7-15-99]

(a) Definition: "Affected persons" are the following persons owning interests in the adjoining spacing units:

1. the Division-designated operator;
2. in the absence of an operator, any lessee whose interest is evidenced by a written document of conveyance either of record or known to the applicant as of the date the application is filed; and
3. in the absence of an operator or lessee, any mineral interest owner whose interest is evidenced by a written document of conveyance either of record or known to the applicant as of the date the application was filed.

In the event the operator of the proposed unorthodox well is also the operator of an existing adjoining spacing unit and ownership is not common between the adjoining spacing unit and the spacing unit containing the proposed unorthodox well, then "affected persons" include all working interest owners in that spacing unit. [1-1-87...2-1-96; N, 7-15-99]

(b) If the proposed location is unorthodox by being located closer to the outer boundary of the spacing unit than permitted by rule, notice shall be given to the affected persons in the adjoining spacing units towards which the unorthodox location encroaches. [Rn, 19 NMAC 15.N.1207.A.(5).(a), 7-15-99, A, 7-15-99]

(c) If the proposed location is unorthodox by being located in a different quarter-quarter section or quarter section than provided in special pool orders, notice shall be given to all affected persons. [Rn, 19 NMAC 15.N.1207.A.(5).(a), A, 7-15-99]

(3) Non-standard Proration Unit:

Notice shall be given to all owners of interests in the mineral estate to be excluded from the proration unit in the quarter-quarter section (for 40-acre pools or formations), the one-half quarter section (for 80-acre pools or formations), the quarter section (for 160-acre pools or formations), the half section (for 320-acre pools or formations), or section (for 640-acre pools or formations) in which the non-standard unit is located and to such other persons as required by the Division. [Rn, 19 NMAC 15.N.1207.A.(6), 7-15-99, A, 7-15-99]

(4) Special Pool Orders Regulating or Affecting a Specific Pool:

(a) Except for non-standard proration unit applications, if the application involves changing the amount of acreage to be dedicated to a well, notice shall be given to:

(i) all Division-designated operators in the pool; and

(ii) all owners of interests in the mineral estate in existing spacing units with producing wells.

(b) If the application involves other matters, notice shall be given to:

(i) all Division-designated operators in the pool; and

(ii) all Division-designated operators of wells within the same formation as the pool and within one (1) mile of the outer boundary of the pool which have not been assigned to another pool. [1-1-87...2-1-96; Rn, 19 NMAC 15.N.1207.A.(7), 7-15-99, A, 7-15-99]

(5) Special Orders Regarding any Division-Designated Potash Area:

Notice shall be given to all potash lessees, oil and gas operators, oil and gas lessees and unleased mineral interest owners within the designated potash area. [1-1-86...2-1-96; Rn, 19 NMAC 15.N.1207.A.(a) through (d). The material on unorthodox locations was moved to 19 NMAC N.1207.A.(2).] [1-186...2-1-96; A, 7-15-99]

(6) Downhole Commingling:

Notice shall be given to all owners of interests in the mineral estate in the spacing unit if ownership is not common for all commingled zones within the spacing unit. [1-1-86...2-1-96; Rn, 19 NMAC 15.N.1207.A.(9), 7-15-99, A, 7-15-99]

(7) Surface disposal of Produced Water or Other Fluids:

Notice shall be given to any surface owner within one-half mile of the site. [1-1-86...2-1-96; Rn, 19 NMAC 15.N.1207.A.(10), 7-15-99, A, 7-15-99]

(8) Adjudications not listed above:

Notice shall be given as required by the Division. [1-1-86...2-1-96; Rn, 19 NMAC 15.N.1207.A.(11), 7-15-99, A, 7-15-99]

(9) This paragraph has been moved and renumbered to 19 NMAC 15.N.1207.A.(6). [1-1-86...2-1-96; A, 7-15-99]

(10) This paragraph has been moved and renumbered to 19 NMAC 15.N.1207.A.(7). [1-1-86...2-1-96; A, 7-15-99]

(11) This paragraph has been moved and renumbered to 19 NMAC 15.N.1207.A.(8). [1-1-86...2-1-96; A, 7-15-99]

1207.B. Type and Content of Notice. Any notice required by this rule shall be sent by certified mail, return receipt requested, to the last known address of the person to whom notice is to be given at least 20 days prior to the date of hearing of the application and shall include: a copy of the application; the date, time and place of the hearing; and the means by which protests may be made. [1-1-86...2-1-96; A, 7-15-99]

1207.C. At the hearing, the applicant shall make a record, either by testimony or affidavit signed by the applicant or its authorized representative, that: (a) the notice provisions of this rule have been complied with; (b) the applicant has conducted a good-faith diligent effort to find the correct address of all persons entitled to notice; and (c) pursuant to this rule, notice has been given at that correct address as required by this rule. In addition, the record shall contain the name and address of each person to whom notice was sent and, where proof of receipt is available, a copy of the proof. [1-1-86...2-1-96; A, 7-15-99]

1207.D. Evidence of failure to provide notice as required in this rule may, upon proper showing, be considered cause for reopening the case. [1-1-86...2-1-96; A, 7-15-99]

1207.E. In the case of an administrative application where the required notice was sent and a timely filed protest was made, the Division shall notify the applicant and the protesting party in writing that the case has been set for hearing and the date of the hearing. No further notice is required. [7-15-99]

1208 PLEADINGS: COPIES [9-15-55...2-1-96; A, 7-15-99]

1208.A. For pleadings and correspondence filed in cases pending before a Division Examiner, two copies must be filed with the Division. For pleadings and correspondence filed in cases pending before the Commission, five copies must be filed with the Division. The Division will disseminate copies to the members of the Commission. The party filing the pleading or correspondence shall at the same time either hand deliver or transmit by facsimile or electronic mail to any party who has entered an appearance therein or the attorneys of record, a copy of the pleading or correspondence. An appearance of any interested party shall be made either by letter addressed to the Division or in person at any proceeding before the Commission or before a Division Examiner, with notice of such appearance to the parties of record. [9-15-55...2-1-96; A, 7-15-99]

1208.B. Parties to an adjudicatory proceeding must file a prehearing statement three days in advance of a scheduled hearing before the Division or the Commission. The statement must include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing. [7-15-99]

1209 CONTINUANCE OF HEARING WITHOUT NEW SERVICE

Any hearing before the Commission or a Division Examiner held after due notice may be continued by the person presiding at such hearing to a specified time and place without the necessity of notice of the same being again served or published. In the event of any continuance, a statement thereof shall be made in the record of the hearing that is continued. [1-1-50...2-1-96; A, 7-15-99]

1210 CONDUCT OF HEARINGS

1210.A. Hearings before the Commission or a Division Examiner shall be conducted without rigid formality. A transcript of testimony shall be taken and preserved as a part of the permanent records of the Division. Any person testifying shall do so under oath. However, relevant unsworn comments and observations by any interested party will be designated as such and included in the record. [1-1-50...2-1-96; Rn, 19 NMAC 15.N.1210, 7-15-99, A, 7-15-99]

1210.B. The Division Director may order the parties to file prepared written testimony in advance of the hearing for cases pending before the Commission. The witness must be present at the hearing and shall adopt, under oath, the prepared written testimony, subject to cross-examination and motions to strike unless the presence of the witness at hearing is waived upon notice to and without objection of the parties. Pages of the prepared written testimony shall be numbered and contain line numbers on the left-hand side. [7-15-99]

1211 POWER TO REQUIRE ATTENDANCE OF WITNESSES AND PRODUCTION OF EVIDENCE [1-1-50...2-1-96; A, 7-15-99]

1211. A. The Commission or any member thereof and the Division Director or the Division Director's authorized representative have statutory power to subpoena witnesses and to require the production of books, papers, and records in any proceeding before the Commission or Division. A subpoena will be issued for attendance at a hearing upon the written request of any party. In case of the failure of a person to comply with the subpoena issued, an attachment of the person may be issued by the district court of any district in the state. Any person found guilty of testifying falsely at any hearing may be punished for contempt. [1-1-50...2-1-96; A, 7-15-99]

1211.B. A prehearing conference may be held prior to the hearing on the merits in cases pending before the Division or the Commission either upon request of a party or upon notice by the Division Director or a Division Examiner. The prehearing conference will be to narrow issues, eliminate or resolve other preliminary matters and to encourage settlement. The Division Director or the Division Examiner may issue a prehearing order following the prehearing conference [7-15-99]

1212 RULES OF EVIDENCE AND EXHIBITS [1-1-50...2-1-96; A, 7-15-99]

1212.A. Full opportunity shall be afforded all interested parties at a hearing before the Commission or a Division Examiner to present evidence and to cross-examine witnesses. In general, the rules of evidence applicable in a trial before a court without a jury shall be applicable, provided that such rules may be relaxed, where, by so doing, the ends of justice will be better served. No order shall be made that is not supported by competent legal evidence. [1-1-50...2-1-96; A, 7-15-99]

1212.B. Parties introducing exhibits at hearings before the Commission or a Division Examiner must provide a complete set of exhibits for the court reporter, each Commissioner or Division Examiner and other parties of record. [7-15-99]

1213 DIVISION EXAMINERS' QUALIFICATIONS AND APPOINTMENT

The Division Director shall appoint Division Examiners. Each Division Examiner so appointed shall be a member of the staff of the Division. Each individual appointed as a Division Examiner must have at least six years of experience as a geologist, petroleum engineer or licensed lawyer, or at least two years of such experience and a college degree in geology, engineering, or law; provided however, that nothing herein shall prevent any member of the Commission from serving as a Division Examiner. [9-15-55...2-1-96; A, 7-15-99]

1214 REFERRAL OF CASES TO DIVISION EXAMINERS

The Division Director may refer any matter or proceeding to a Division Examiner for hearing in accordance with these rules. The Division Examiner appointed to hear any specific case shall be designated by name. [9-15-55...2-1-96; A, 7-15-99]

1215 DIVISION EXAMINER'S POWER AND AUTHORITY

The Division Director may limit the powers and duties of the Division Examiner in any particular case to such issues or to the performance of such acts as the Director deems expedient; however, subject only to such limitations as may be ordered by the Director, the Division Examiner to whom any matter is referred under these rules shall have full authority to hold hearings on such matter in accordance with these rules. The Division Examiner shall have the power to perform all acts and take all measures necessary or proper for the efficient and orderly conduct of such hearing, including administering oaths to witnesses and receiving testimony and exhibits offered in evidence subject to such objections as may be imposed. The Division Examiner shall cause a complete record of the proceedings to be made and transcribed and shall certify same to the Director as hereinafter provided. [9-15-55...2-1-96; A, 7-15-99]

1216 HEARINGS THAT MUST BE HELD BEFORE COMMISSION

Notwithstanding any other provisions of these rules, the hearing on any matter shall be held before the Commission if:

- (1) it is a hearing pursuant to NMSA 1978, §70-2-13; or
- (2) the Division Director desires the Commission to hear the matter. [9-15-55...2-1-96; A, 7-15-99]

1217 Repealed. [9-15-55...2-1-96; R 7-15-99]

1218 REPORT AND RECOMMENDATIONS FROM DIVISION EXAMINER'S HEARING

Upon the conclusion of any hearing before a Division Examiner, the Division Examiner shall promptly consider the proceedings in such hearing, and based upon the record of such hearing the Division Examiner shall prepare a written report with recommendations for the disposition of the matter or proceeding by the Division. Such report shall either be accompanied by a proposed order or shall be in the form of a proposed order and shall be submitted to the Division Director with the certified record of the hearing. [9-15-55...2-1-96; A, 7-15-99]

1219 DISPOSITION OF CASES HEARD BY DIVISION EXAMINERS

After receipt of the report of the Division Examiner, the Division Director shall enter the Division's order disposing of the matter. [9-15-55...2-1-96; A, 7-15-99]

1220 HEARING BEFORE COMMISSION AND STAYS OF DIVISION ORDERS [9-15-55...2-1-96; A, 7-15-99]

1220.A. When an order has been entered by the Division pursuant to a hearing held by a Division Examiner, a party of record adversely affected by the order has the right to have the matter heard *de novo* before the Commission, provided that within 30 days from the date the order is issued the party files with the Division a written application for such hearing. If an application is filed, the matter or proceeding shall be set for hearing before the Commission. [Rn, 19 NMAC 15.N.1220, 7-15-99, A, 7-15-99]

1220.B. Any party requesting a stay of a Division order must file the request with the Division and provide copies of the request to the parties of record or their attorneys in the case at the time the request is filed. The request must have attached a proposed stay order. The Director may grant stays under other circumstances if such a stay is necessary to prevent waste, protect correlative rights, protect public health and the environment or prevent gross negative consequences to any affected party. [7-15-99]

1220.C. Any party of record adversely affected by the order issued by the Commission after hearing may apply for rehearing pursuant to Rule 1222. [Rn, 19 NMAC 15.N.1220, 7-15-99, A, 7-15-99]

1221 COPIES OF COMMISSION AND DIVISION ORDERS

Within 10 days after an order, including any order granting or refusing rehearing or order following rehearing, has been issued, a copy of such order shall be mailed by the Division to each party or its attorney of record. [9-15-55...2-1-96; A, 7-15-99]

1222 REHEARINGS

Within 20 days after entry of any order of the Commission any party of record adversely affected thereby may file with the Division an application for rehearing on any matter determined by such order, setting forth the respect in which the order is believed to be erroneous. The Commission shall grant or refuse any such application in whole or in part within 10 days after it is filed and failure to act within such period shall be deemed a refusal and a final disposition of such application. In the event the rehearing is granted, the Commission may enter a new order after rehearing as may be required under the circumstances. [1-1-50...2-1-96; A, 7-15-99]

1223 EX PARTE COMMUNICATIONS

A. In an adjudicatory proceeding, except for filed pleadings, at no time after the filing of an application for hearing shall any party, interested participant or their representatives communicate regarding the issues involved in the application with any Commissioner or the Division Examiner appointed to hear the case when all other parties of record to the proceedings have not had the opportunity to be present. [7-15-99]

B. The prohibition in A, above, does not apply to those applications that are believed by the applicant to be unopposed. However, in the event that an objection is filed in a case previously believed to be unopposed, the prohibition in A, above, is immediately applicable. [7-15-99]