



**NEW MEXICO ENERGY, MINERALS  
& NATURAL RESOURCES DEPARTMENT**

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

March 25, 1996

**SDX Resources, Inc.**  
**Attn: John Pool**  
**P. O. Box 5061**  
**Midland, Texas 79704**

**Tenison Oil Company**  
**Attn: William B. Tenison**  
**8140 Walnut Hill Lane - Suite 601**  
**Dallas, Texas 75231**

**Administrative Application For Two Unorthodox  
Jalmat Oil Well Locations:**

**Meyers Federal Well Nos. 7 and 8, Located in Units  
"G" and "B", Respectively, of Section 22, Township 24  
South, Range 36 East, NMPM, Lea County, New  
Mexico.**

Dear Messrs. Pool and Tenison:

Reference is made to the application by SDX Resources, Inc. dated February 12, 1996 for the following two unorthodox Jalmat oil well locations on the Meyers Federal lease in Section 22, Township 24 South, Range 36 East, NMPM, Lea County, New Mexico:

- (a) Well No. 7 to be drilled 1400' FNL & 1650' FEL (Unit G), to which the 40-acre tract comprising the SW/4 NE/4 is to be dedicated; and,
- (b) Well No. 8 to be drilled 330' FNL & 1400' FEL (Unit B), to which the 40-acre tract comprising the NW/4 NE/4 is to be dedicated.

The application also made reference to a third oil well to be drilled on this lease, the Meyers Federal Well No. 6 to be drilled at a standard Jalmat oil well location 330 feet from the North and East lines (Unit A) of said Section 22 in which the NE/4 NE/4 (Unit A) is to be dedicated to form a standard 40-acre oil spacing and proration unit.

The Jalmat Gas Pool is governed by the "*General Rules for the Prorated Gas Pools of New Mexico/Special Rules and Regulations for the Jalmat Gas Pool*", as promulgated by Division Order No. R-8170, as amended, which allows for 40-acre oil spacing and proration units [see **Rule 2(a)2**] with wells to be located no closer than 330 feet to the outer boundary of any governmental quarter-quarter section [see **Rule 2(b)2**].

The proposed Meyers Federal Well No. 6 is therefore considered to be at a standard Jalmat oil well location and the proposed Meyers Federal Well Nos. 7 and 8 are unorthodox oil well locations, because they both crowd quarter-quarter section lines. The SDX application indicates that the ownership within the NE/4 of said Section 22 is common throughout and that neither the No. 7 or 8 wells are crowding any other 40-acre tracts operated and/or owned by another operator. Pursuant to Rule 2(d) of said special pool rules and to Division General Rule 104.F(3)(a) and (b) SDX Resources, Inc. has satisfied its obligations in contacting affected owners in adjoining units.

The objections raised by Tenison Oil Company by letter dated February 16, 1996 is not applicable in this instance.

The special Jalmat pool rules further provides, pursuant to **Rule 2(a)3**, that:

*"Acreage dedication to a gas well shall not be simultaneously dedicated to an oil well in the Jalmat Gas Pool, and the dual completion of a well so as to produce oil from the Yates and oil from the Seven Rivers or Queen formation is prohibited."*

Our records further indicate that the SDX Resources, Inc. Meyers Well No. 1, located 1650 feet from the North line and 330 feet from the East line (Unit H) of said Section 22 is a gas well dedicated to a non-standard 160-acre gas spacing and proration unit ("GPU") comprising the NE/4 of said Section 22. Said well location and GPU were authorized by Division Order No. R-520, dated August 12, 1954, and by Rule 2(b)(2) of the special Jalmat pool rules.

It is further noted that the SDX application made no mention of the Meyers (gas) Well No. 1, the existing 160-acre GPU, or proposed any measures to correct the simultaneous dedication of oil and gas acreage within the NE/4 of said Section 22 once these three oil wells are in place. I shall therefore hold taking any action on the two pending unorthodox oil well locations until such time as I receive a corresponding application from SDX Resources, Inc. to reduce the acreage for the Meyers Well No. 1 to keep the NE/4 of said Section 22 in compliance with the special Jalmat pool rules.

Should either of you have any further questions or comments concerning this matter, please contact me at (505) 827-8185. Thank you.

Sincerely,



Michael E. Stögner  
Chief Hearing Officer/Engineer

cc: Oil Conservation Division - Hobbs  
William J. LeMay, Director - OCD, Santa Fe  
U. S. Bureau of Land Management - Carlsbad

D. ALLOCATION AND GRANTING OF ALLOWABLES

RULE 5. Acreage is the only proration factor in the Indian Basin-Upper Pennsylvanian Gas Pool.

SPECIAL RULES AND REGULATIONS FOR THE  
JALMAT GAS POOL

The Jalmat Gas Pool, Lea County, New Mexico, was created effective September 1, 1954, from a consolidation of the Jalco and Langmat Pools, which were created February 7, 1953. Gas prorationing was instituted in the Jalco and Langmat Pools January 1, 1954, and was continued after consolidation to form the Jalmat Gas Pool. The Jalmat Gas Pool now includes acreage that was formerly included in the Jal, Cooper-Jal, Eaves, Falby-Yates, Jalco and Langmat Pools.

A. DEFINITIONS

THE VERTICAL LIMITS of the Jalmat Gas Pool shall extend from the top of the Tansill formation to a point 100 feet above the base of the Seven Rivers formation, thereby including all of the Yates formation, except,

In the area described immediately below, the vertical limits of the Jalmat Gas Pool shall extend from the top of the Tansill formation to a point 250 feet above the base of the Seven Rivers formation, thereby including all of the Yates formation:

TOWNSHIP 24 SOUTH, RANGE 36 EAST, NMPM

Section 13: SE/4 NE/4, SE/4

Section 23: E/2 E/2

Section 24: All

Section 25: N/2

Section 26: E/2 NE/4

TOWNSHIP 24 SOUTH, RANGE 37 EAST, NMPM

Section 18: SW/4 NW/4, W/2 SW/4

Section 19: W/2

Section 30: NW/4

A GAS WELL in the Jalmat Gas Pool shall be a well producing from the vertical limits of the pool with a gas-liquid ratio in excess of 100,000 cubic feet of gas per barrel of oil.

AN OIL WELL in the Jalmat Gas Pool shall be a well producing from the vertical limits of the pool and not

classified as a gas well as defined above.

THE LIMITING GAS-OIL RATIO for oil wells in the Jalmat Gas Pool shall be 10,000 cubic feet of gas per barrel of oil.

B. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 2(a) 1. A standard gas proration unit in the Jalmat Gas Pool shall be 640 acres.

2. A standard oil proration unit in the Jalmat Gas Pool shall be 40 acres.

3. Acreage dedicated to a gas well in the Jalmat Gas Pool shall not be simultaneously dedicated to an oil well in the Jalmat Gas Pool, and the dual completion of a well so as to produce oil from the Yates and oil from the Seven Rivers or Queen formation is prohibited.

RULE 2(b) 1. A gas well in the Jalmat Gas Pool to which 640 acres is dedicated shall be located no nearer than 1650 feet to the outer boundary of the section and no nearer than 330 feet to any governmental quarter-quarter section line or subdivision boundary line.

2. An oil well in the Jalmat Gas Pool shall be located no nearer than 330 feet to the outer boundary of any governmental quarter-quarter section or subdivision boundary line.

(Any well drilled to and producing from the Jalmat Gas Pool prior to September 1, 1954, at a location conforming with the spacing requirements effective at the time said well was drilled, shall be granted a tolerance not exceeding 330 feet with respect to the required distance from the boundary lines.)

RULE 4(b) 2. In establishing a non-standard gas proration unit in the Jalmat Gas Pool, the location of the well with respect to the two nearest boundary lines thereof shall govern the maximum amount of acreage that may be assigned to the well for the purposes of gas proration as follows:

<u>LOCATION</u>	<u>MAXIMUM ACREAGE</u>
660-660	160 acres
660-990	320 acres
990-990	<del>600</del> 600 acres

D. ALLOCATION AND GRANTING OF ALLOWABLES

RULE 5. Acreage is the only proration factor in the Jalmat Gas Pool.

(a) A 640 acre proration unit in the Jalmat Gas Pool shall be assigned an Acreage Factor of 4.00, a 160 acre proration unit an Acreage Factor of 1.00, etc.

#### I. MISCELLANEOUS SPECIAL POOL RULES

RULE 26. Oil wells in the Jalmat Gas Pool shall receive oil and casinghead gas allowables as provided in Rules 503, 505, and 506 of the Division Rules and Regulations.

#### SPECIAL RULES AND REGULATIONS FOR THE JUSTIS GAS POOL

The Justis Gas Pool, Lea County, New Mexico was created January 1, 1950 and gas proration in this pool became effective January 1, 1954.

#### A. DEFINITIONS

THE VERTICAL LIMITS of the Justis Gas Pool shall be defined as follows: from the top of the Glorieta formation, found at a depth of 4599 feet (Elevation 3080, Subsea Datum - 1519) in the Gulf Oil Corporation McBuffington Well No. 8, located 350 feet from the South line and 1980 feet from the West line of Section 13, Township 25 South, Range 37 East, NMPM, Lea County, New Mexico, to a point 40 feet above the marker encountered at 4879 feet (Subsea Datum - 1799) in said McBuffington Well No. 8. The Hamilton Dome Westates Carlson Federal "A" Well No. 1, located in the NW/4 of Section 25, Township 25 South, Range 37 East, NMPM, Lea County, New Mexico, as the completion existed on April 22, 1959, shall be considered to be completed within the vertical limits of the Justis Gas Pool.

#### B. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 2(a). A standard GPU in the Justis Gas Pool shall be 320 acres.

RULE 2(b). Each well completed or recompleted in the Justis Gas Pool shall be located no closer than 1980 feet to the end boundary nor closer than 660 feet to the side boundary of the proration unit nor closer than 330 feet to any governmental quarter-quarter section or subdivision inner boundary.

#### D. ALLOCATION AND GRANTING OF ALLOWABLES

allowable not produced on a GPU. Underproduction accumulates month to month during the proration period.

#### **A. WELL ACREAGE AND LOCATION REQUIREMENTS**

##### **RULE 2      STANDARD GAS PRORATION UNIT SIZE AND WELL SPACING**

(a) Unless otherwise provided for in applicable special pool rules gas wells in prorated gas pools shall be drilled in accordance with the well spacing and acreage requirements contained in the Rules and Regulations of the Oil Conservation Division, provided that wells drilled in pools with 640 acre spacing, a government section shall comprise the proration unit.

(b) Any GPU drilled in accordance with paragraph (a) and which contains acreage within the tolerances below shall be considered a standard GPU for the purpose of calculating allowables:

<u>STANDARD PRORATION UNIT</u>	<u>ACREAGE TOLERANCE</u>
160 acres	158-162 acres
320 acres	316-324 acres
640 acres	632-648 acres

(c) The District Supervisor of the appropriate district office of the Division has the authority to approve a non-standard GPU without notice and hearing when the unorthodox size and shape of the GPU is necessitated by a variation in the legal subdivision of the U.S. Public Land Surveys and the non-standard GPU is not less than 75% nor more than 125% of a standard GPU by accepting a form C-102 land plat showing the proposed non-standard GPU with the number of acres contained therein, and shall assign an allowable to the non-standard GPU based upon the acreage factor for that acreage.

(d) Non-standard proration units and unorthodox locations may be approved by the Division in accordance with applicable special pool rules or Rules and Regulations of the Division.

**RULE 3(a) GAS PURCHASERS OR GAS TRANSPORTERS SHALL NOMINATE:** Each gas purchaser or each gas transporter as herein provided shall file with the Division its nomination for the amount of gas which it in good faith desires to purchase and/or expects to transport

**Exhibit "B"**  
**Case No. 11351**  
**Order No. R-10533**

**RULE 104. WELL SPACING:  
 ACREAGE REQUIREMENTS FOR DRILLING TRACTS**

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

**(1) San Juan, Rio Arriba, Sandoval, and McKinley Counties**

- (a) Any well which is to be drilled the spacing unit of which is a distance of 2 miles or more from:
    - (i) the outer boundary of any defined pool which has produced oil or gas from the formation to which the well is projected; and
    - (ii) any other well which has produced oil or gas from the formation to which the proposed well is projected, shall be classified as a wildcat well.
- (2) All Counties Except San Juan, Rio Arriba, Sandoval, and McKinley**
- (a) Any well which is 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 which has produced oil or gas from the formation to which the well is projected; and
    - (ii) any other well which has produced oil or gas from the formation to which the proposed well is projected, shall be classified as a wildcat well.
- (3) Any well which is not a wildcat well as defined above shall be classified as a development well for the nearest pool which has produced oil or gas from the formation to which the well is projected. Any such development well shall be spaced, drilled, operated, and produced in accordance with the rules and regulations in effect in such nearest pool, provided the well is completed in the formation to which it was projected.**

**104. B.**

**ACREAGE AND WELL LOCATION REQUIREMENTS FOR WILDCATS**

**(1) Lea, Chaves, Eddy and Roosevelt Counties**

- (4) Any well classified as a development well for a given pool but which is completed in a producing horizon not included in the vertical limits of said pool shall be operated and produced in accordance with the rules and regulations in effect in the nearest pool within the 2 mile limit in San Juan, Rio Arriba, Sandoval, and McKinley Counties or within one mile everywhere else which is producing from that horizon. If there is no designated pool for said producing horizon within the 2 mile limit 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.

- (a) Wildcat Gas Wells. In Lea, Chaves, Eddy and Roosevelt Counties, a wildcat well which is projected as a gas well to a formation and in an area which, in the opinion of the engineer or supervisor 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. Provided, however, that any such wildcat gas well which is projected to the Wolfcamp or older formations shall be located on a drilling tract consisting of 320 surface contiguous acres, more or less, comprising any two contiguous quarter sections of a single governmental section, being a legal subdivision of the U. S. Public Land Surveys. Any such "deep" wildcat gas well to which is dedicated more than 160 acres shall be located not closer than 660 feet to the nearest side boundary of the dedicated tract nor closer than 1650 feet to the nearest end boundary, nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary. (For the purpose of this rule, "side" boundary is defined as one of the outer boundaries running lengthwise to the tract's greatest overall dimensions; "end" boundary is defined as one of the outer boundaries perpendicular to a side boundary and

closing the tract across its least overall dimension )

- (b) **Wildcat Oil Wells.** In Lea, Chaves, Eddy, and Roosevelt Counties, a wildcat well which is not a wildcat gas well as defined above 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.

- (c) In the event gas production is encountered in a well which was projected as an oil well and which is located accordingly but does not conform to the above gas well location rule, it shall be necessary for the operator to bring the matter to a hearing before approval for the production of gas can be given.

(2) **San Juan, Rio Arriba, Sandoval, and McKinley Counties**

- (a) **Wildcat Gas Wells.** In San Juan, Rio Arriba, Sandoval, and McKinley Counties, a wildcat well which is projected to a gas-producing horizon shall be located on a designated drilling tract consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section, being a legal subdivision of the U.S. Public Land Surveys, and shall be located not closer than 790 feet to any outer boundary of the tract nor closer than 130 feet to any quarter-quarter section or subdivision inner boundary.

- (b) In the event a well drilled as a gas well is completed as an oil well and is located accordingly but does not conform to the oil well location rule below, it shall be necessary for the operator to apply for administrative approval for a non-standard location before an oil allowable will be assigned. An application may be set for hearing by the Director. If the operator is uncertain as to whether a proposed wildcat well will be an oil well or a gas well, the well should be staked so that it is in a standard location for both oil and gas production.

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- (c) **Wildcat Oil Wells.** A wildcat well which is projected to an oil-producing horizon as recognized by the Division 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.

- (d) In the event a well drilled as an oil well is completed as a gas well and is located accordingly but does not conform to the above gas well location rules, it shall be necessary for the operator to apply for administrative approval for a non-standard location before the well can produce. An application may be set for hearing by the Director. If the operator is uncertain as to whether a proposed wildcat well will be an oil well or a gas well, the well should be staked so that it is in a standard location for both oil and gas production.

(3) **All Counties except Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba, Sandoval, and McKinley.**

- (a) Any wildcat well which is projected as an oil well in any county other than Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba, Sandoval, and McKinley Counties 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.

- (b) 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.

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104 C. ACREAGE AND WELL LOCATION REQUIREMENTS FOR DEVELOPMENT WELLS

(1) Oil Wells, All Counties.

- (a) Unless otherwise provided in special pool rules, each development well for a defined oil pool 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 nor closer than 330 feet to the nearest well drilling to or capable of producing from the same pool, provided, however, only tracts committed to active secondary recovery projects shall be permitted more than four wells.

(2) Lea, Chaves, Eddy and Roosevelt Counties.

- (a) Gas Wells. Unless otherwise provided in special pool rules, each development well for a defined gas pool in a formation younger than the Wolfcamp formation, or in the Wolfcamp formation which was created and defined by the Division prior to November 1, 1975, or in a Pennsylvanian age or older formation which was created and defined by the Division prior to June 1, 1964, shall be located on a designated drilling tract consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section being a legal subdivision of the U.S. Public Land Surveys, and shall be located not 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 nor closer than 1320 feet to the nearest well drilling to or capable of producing from the same pool.

- (b) Unless otherwise provided in the special pool rules, each development well for a defined gas pool in the Wolfcamp formation which was created and defined by the Division after November 1, 1975, or of Pennsylvanian age or older which was created and defined by the Division after June 1, 1964, shall be located on a designated drilling tract consisting of 320 surface contiguous acres, more or less,

comprising any two contiguous quarter sections of a single governmental section, being a legal subdivision of the U.S. Public Land Surveys. Any such well having more than 160 acres dedicated to it shall be located not closer than 660 feet to the nearest side boundary of the dedicated tract nor closer than 1650 feet to the nearest end boundary, nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary. (For the purpose of this rule, "side" boundary and "end" boundary are as defined in Rule 104 B(1)(a), above.)

(3) San Juan, Rio Arriba, Sandoval, and McKinley Counties.

- (a) Gas Wells. Unless otherwise provided in special pool rules, each development well for a defined gas pool shall be located on a designated drilling tract consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section, being a legal subdivision of the U.S. Public Land Surveys, and shall be located not closer than 790 feet to any outer boundary of the tract nor closer than 130 feet to any quarter-quarter section line or subdivision inner boundary.

(4) All Counties except Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba, Sandoval, and McKinley.

- (a) Gas Wells. Unless otherwise provided in special pool rules, each development well for a defined gas pool shall be located on a designated drilling tract consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section, being a legal subdivision of the U.S. Public Land Surveys, and shall be located not 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 nor closer than 1320 feet to the nearest well drilling to or capable of producing from the same pool.

104 D. ACREAGE ASSIGNMENT

(1) **Well Tests and Classification.** It shall be the responsibility of the operator of any wildcat gas well or development gas well in 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 same with the Division within 10 days following completion of the tests. (See Rule 401.)

(a) Date of completion for a gas well shall be the date a wellhead is installed or 30 days following conclusion of active completion work on the well, whichever date comes first.

(b) Upon making a determination that the well should not properly be classified as a gas well, the Division will reduce the acreage dedicated to the well.

(c) Failure of the operator to file the aforesaid tests within the specified time will also subject the well to such acreage reduction.

(2) **Non-Standard Spacing Units.** Any well which 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) The supervisor of the appropriate District Office of the Division shall have the authority to approve non-standard spacing units without notice when the unorthodox size and shape is necessitated by a variation in the legal subdivision of the United States Public Land Surveys and/or consists of an entire governmental section and the non-standard spacing unit is not less than 70% nor more than 130% of a standard spacing unit. Such approval shall consist of acceptance of Division Form C-102 showing the proposed non-standard spacing unit and the acreage contained therein.

(b) The Division Director may grant administrative approval to non-standard spacing units without notice and hearing when an application has been filed for a non-standard spacing unit and the unorthodox size or shape of the dedicated tract is necessitated by a variation in the legal subdivision of the U.S. Public Land Surveys, or the following facts exist and the following provisions are complied with:

(i) The non-standard spacing unit consists of a single quarter-quarter section or lot or the non-standard spacing unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side; and

(ii) The non-standard spacing unit lies wholly within a single governmental 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, wholly within a single governmental half section if the well is completed in a pool or formation for which 320 acres is the standard spacing unit size, or wholly within a single governmental 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 Section D(2) above, shall be accompanied by a plat showing the subject spacing unit and an applicable standard spacing unit for the applicable pool or formation, its proposed well dedications, all adjoining spacing units and/or leases (whichever is applicable), and a list of affected parties. Also to be included is a statement that discusses the necessity for the formation of the subject non-standard spacing unit and the reasons why a standard sized spacing unit is not feasible.

(i) Affected parties in this instance shall be defined as those parties who own interests in the applicable half quarter section (80-acre spacing), quarter section (160-acre spacing), half section (320-acre spacing), or section (640-acre spacing) in which the non-standard spacing unit is situated and which acreage is not included in said non-standard spacing unit;

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- (ii) the designated operator of any adjoining or diagonal spacing unit producing from the same pool(s) as the proposed non-standard spacing unit;
  - (iii) in the absence of an operator, all lessors of record of any diagonal or adjoining lease owning interests in the same pool(s) as the proposed non-standard spacing unit; and
  - (iv) in the absence of an operator or lessee, then to all owners of record of unleased mineral interests.
  - (d) The applicant shall submit a statement attesting that applicant, on or before the same date the application was submitted to the Division, has sent notification to the affected parties by submitting a copy of the application, including a copy of the plat described in Subpart (c) above by certified or registered mail-return receipt in accordance with Rule 1207(6)(a) advising them that if they have an objection it must be filed in writing within twenty days from the date notice was sent. The Division Director may approve the non-standard spacing unit upon receipt of waivers from all said parties or if no said party has entered an objection to the non-standard spacing unit within 20 days after the Director has received the application.
  - (e) The Division Director may set any application for administrative approval for a non-standard spacing unit for public hearing.
  - (3) **Number of Wells Per Spacing Unit in Non-Prorated Gas Pools:** Unless otherwise permitted by special pool rules or authorized after notice and hearing, only one (1) well per spacing unit is permitted in non-prorated pools.
- (2) The Division Director shall have authority to grant an exception to the well location requirements of Sections 104, B and 104, C above or to the well location requirements of special pool rules without notice and hearing when the necessity for such unorthodox location is based upon geologic conditions, archaeological conditions, topographical conditions, or the recompletion of a well previously drilled to a deeper horizon provided said well was drilled at an orthodox or approved unorthodox location for such original horizon.
  - (3) Applications for administrative approval of unorthodox locations pursuant to Rule 104, F(2), above, shall be accompanied by a plat showing the subject spacing unit, its proposed unorthodox well location, the diagonal and adjoining spacing units and/or leases (whichever is applicable) and wells, and a list of affected parties. If the proposed unorthodox location is based upon topography or archaeology, the plat shall also show and describe the existent topographical or archaeological conditions. If the proposed unorthodox location is based upon geology, the application shall include appropriate geologic exhibits and a discussion of the geologic conditions which result in the necessity for the unorthodox location.

104 E. Form C-102, "Well Location and Acreage Dedication Plat", for any well shall designate the exact legal subdivision allotted to the well and Form C-101, "Application for Permit to Drill, Deepen, or Plug Back", will not be approved by the Division without such proper designation of acreage.

- (a) Adjoining and diagonal spacing units shall be defined as those immediately adjacent existing spacing units in the same pool(s) as the proposed unorthodox well and towards which the unorthodox well location encroaches.

(b) Affected parties shall be defined as those parties who own interest in leases or operate wells on adjoining or diagonal spacing units and include:

- (i) the designated operator of any adjoining or diagonal spacing unit producing from the same pool(s) as the proposed well;
- (ii) in the absence of an operator, all lessees of record of any diagonal or adjoining lease owning interests in the same pool(s) as the proposed well; and
- (iii) in the absence of an operator or lessee, all owners of record of unleased mineral interests in the same pool(s) as the proposed well.

(4) The applicant shall submit a statement attesting that applicant, on or before the same date the application was submitted to the Division, has sent notification to the affected parties by submitting a copy of the application, including a copy of the plat described in Rule 104 F(3) above by certified or registered mail-return receipt in accordance with Rule 1207(A)(5) advising them that if they have an objection it must be filed in writing within twenty days from the date notice was sent. The Division Director may approve the unorthodox location upon receipt of waivers from all said parties or if no said party has entered an objection to the unorthodox location within 20 days after the Director has received the application.

(5) The Division Director may set any application for administrative approval of an unorthodox location for public hearing, and may require that a directional survey be run in the unorthodox well to establish the actual location of the producing interval(s).

104.G. Whenever an exception is granted, the Division may take such action as will offset any advantage which the person securing the exception may obtain over other producers by reason of the unorthodox location.

104.H. If the drilling tract is within an allocated oil pool or is placed within such allocated pool at any time after completion of the well and the drilling tract consists of less than 39 1/2 acres or more than 40 1/2 acres, the top unit allowable for such well shall be increased or decreased in the proportion that the number of acres in the drilling tract bears to 40.

104.I. If the drilling tract is within an allocated gas pool or is subsequently placed within an allocated gas 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, the top allowable for such 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.

104.J. In computing acreage under Rules 104.H and 104.I above, minor fractions of an acre shall not be counted but 1/2 acre or more shall count as 1 acre.

104.K. The provisions of Rules 104.H and 104.I above shall apply only to wells completed after January 1, 1950. Nothing herein contained shall affect in any manner any well completed prior to the effective date of this rule and no adjustments shall be made in the allowable production for any such wells by reason of these rules.

104.L. In order to prevent waste the Division may, after notice and hearing, fix different spacing requirements and require greater acreage for drilling tracts in any defined oil pool or in any defined gas pool notwithstanding the provisions of Rules 104.B and 104.C above.

104.M. The Division may approve the pooling or communitization of fractional lots of 20.49 acres or less with another oil spacing unit when:

- (1) The tracts involved are contiguous;
- (2) They are part of the same basic lease, carrying the same royalty interest; and
- (3) The ownership of the tracts involved is common.

104. N. Application to the Division for pooling shall be accompanied by three (3) copies of a certified plat showing the dimensions and acreage involved in the pooling, the ownership of all leases and royalty interests involved, and the location of any proposed wells.

104. O. The Division shall wait at least ten days before approving any such pooling, and shall approve such pooling only in the absence of objection from any party entitled to notice. In the event that a party entitled to notice objects to the pooling, the Division shall consider the matter only after proper notice and hearing.

104. P. The Division may waive the ten-day waiting period requirement if the applicant furnishes the Division with the written consent to the pooling by all offset operators involved.

104. Q. The Division may consider that the requirements of Rules 104. M(2) and (3) have been fulfilled if the applicant furnishes with each copy of each application to the Division a copy of executed pooling agreement communitizing the tracts involved.

104. R. REPEALED