**STATE OF NEW MEXICO**
**ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT**
**OIL CONSERVATION COMMISSION**

**IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION COMMISSION FOR THE PURPOSE OF CONSIDERING:**

**APPLICATION OF THE FRUITLAND COALBED METHANE STUDY COMMITTEE FOR POOL ABOLISHMENT AND EXPANSION AND TO AMEND RULES 4 AND 7 OF THE SPECIAL RULES AND REGULATIONS FOR THE BASIN-FRUITLAND COAL GAS POOL FOR PURPOSES OF AMENDING WELL DENSITY REQUIREMENTS FOR COALBED METHANE WELLS; RIO ARRIBA, SAN JUAN, MCKINLEY AND SANDOVAL COUNTIES, NEW MEXICO.**

**CASE NO. 12888**
**ORDER NO. R-8768-F**

## ORDER OF THE OIL CONSERVATION COMMISSION

**BY THE COMMISSION:**

**THIS MATTER** came before the Oil Conservation Commission (hereinafter referred to as "the Commission") for evidentiary hearing on June 3 and 4, 2003 at Santa Fe, New Mexico on application of The Fruitland Coalbed Methane Study Committee (hereinafter referred to as "the Committee"), *de novo,* and the Commission, having carefully considered the evidence, the pleadings and other materials submitted by the parties hereto, now, on this 17th day of July, 2003,

**FINDS,**

1. Notice has been given of the application and the hearing of this matter, and the Commission has jurisdiction of the parties and the subject matter herein.

2. In its original application in this case ("the Application"), filed with the Director of the Oil Conservation Division ("the Division") on June 12, 2002, the Committee applied for an order:

> (a) amending Rules 4 and 7 of the Special Pool Rules for the Basin-Fruitland Coal Gas Pool ("the pool"), as the same were adopted by Order No. R-8768, (i) to increase the authorized well density in that pool by authorizing an optional infill well within each standard, 320-acre gas spacing unit, thereby permitting up to a maximum of two (2) wells within each such unit, (ii) delineating the "High Productivity Area" within the

pool, and (iii) requiring notice to certain affected parties, and an opportunity for hearing in event of a protest, prior to commencement of an optional infill well within any gas spacing unit located within the High Productivity Area of the pool; and

(b) abolishing the Cedar Hill-Fruitland Basal Coal Pool and revising the boundaries of the Basin-Fruitland Coal Gas Pool to include the heretofore-existing horizontal and vertical limits of the Cedar Hill-Fruitland Basal Coal Pool.

3. A hearing was held on the Committee's application before a Division hearing examiner in Farmington, New Mexico on July 9 and 10, 2002. Based on the evidence presented at that hearing and the recommendation of the hearing examiner, the Division Director, on October 15, 2002, entered Order No. R-8768-C, granting the relief requested in the Application, with the exception that the Order did not authorize an optional infill well within any spacing unit located within the portion of the pool defined as the High Productivity Area.

4. BP America Inc. and San Juan Coal Company, both parties of record to the proceedings before the Division, timely filed applications for hearing of this matter *de novo* by the Commission.

5. Prior to the hearing, on May 21, 2003, San Juan Coal Company filed its Motion to Incorporate Record or to Bifurcate, seeking, *inter alia,* to sever for separate consideration by the Commission the issues between San Juan Coal Company and Dugan Production Company. By Order No. R-8768-E, entered on May 30, 2003, the Chairman of the Commission granted San Juan Coal Company's Motion to Bifurcate, severing the issues between San Juan Coal Company and Dugan Production Company and designating the severed matter as Case No. 13100, to be the subject of separate hearing and disposition by the Commission.

6. At the hearing of this Case No. 12888, Conoco/Phillips Petroleum Company ("Conoco/Phillips"), BP America Production Company ("BP"), Chevron-Texaco Corporation ("Chevron-Texaco"), Williams Production Company ("Williams"), Burlington Resources Oil and Gas Company ("Burlington"), Devon Energy Corporation ("Devon") and Dugan Production Corporation ("Dugan") (hereinafter sometimes collectively called "Operators"), each of whom is an operator within the pool, appeared through counsel and corporate representatives, and offered evidence in support of the Application. Jennifer Goldman of El Prado, New Mexico, who is Associate Director of the Oil and Gas Accountability Project and Steve Henke of Farmington, New Mexico, who is Field Office Manager of the Farmington Field Office of the United States Bureau of Land Management, each appeared and made statements pertinent to the Application that were made a part of the record of the hearing.

7. Operators presented the testimony of Bill Hawkins, a petroleum engineer who is employed by BP America Production Company, in charge of regulatory affairs for the San Juan Basin. Mr. Hawkins testified concerning the activities of the Fruitland

Coalbed Methane Study Committee ("the Committee") that was organized in 1999 under the auspices of the Division and developed the proposed special pool rules set out in the Application.

8. Mr. Hawkins testified that the Committee delineated the boundaries of the High Productivity Area (as subsequently described in the Application) as a single continuous area that encompassed wells that produced at greater than 2 million cubic feet of gas per day over a one-year time span.

9. Mr. Hawkins testified that the High Productivity Area was designed by the Committee not to describe an area where the Committee felt that infill drilling was not indicated, but rather to describe an area within which there might be some places where infill drilling was not indicated.

10. Mr. Hawkins described the setback requirements incorporated in the amended special pool rules sought in the Application. He testified that the recommended setback requirements would provide a 660-foot buffer or 660-foot setback from any areas where the ownership is not common, whether within, or outside of, a federal exploratory unit, and that the recommended setbacks are the same as those heretofore adopted by the Division for the Basin-Dakota and Blanco-Mesaverde Gas Pools.

11. Mr. Hawkins further testified that the special pool rules proposed by the Committee in the Application would protect correlative rights in the High Productivity Area by affording to affected persons (as defined in Division Rule 1207) owning interests in adjoining spacing units the same notice of a proposal by an operator to drill an infill well as would be required by Rule 1207 if the proposed well were at an unorthodox location, thereby affording such affected persons the opportunity for a Division hearing if they believe their correlative rights would be adversely affected by an infill well in the particular location proposed.

12. Operators presented geologic testimony through witnesses James E. Fassett, Steven M. Thibodeaux, Rusty Riese, Jay C. Close, Dale Reitz and Eddie Pippin. These witnesses testified as follows:

a. Fruitland Coal beds were deposited in similar and related environments throughout the San Juan Basin (Testimony of Messrs. Fassett, Thibodeaux and Riese ).

b. The Fruitland Coal formation is a multi-layered reservoir characterized by as many as nine separate coal "packages" that can be identified and correlated throughout the San Juan Basin. Each of these packages exhibits a high degree of both vertical and lateral discontinuity (Testimony of Messrs. Thibodeaux and Riese), which are the result of:

(1) variations in the vegetation through time as the coals were deposited that caused vertical discontinuity in the reservoir (Testimony of Messrs. Thibodeaux and Riese);

(2) faulting that created structural discontinuities at the time of sedimentation, and also post-depositional faults (Testimony of Mr. Riese); and

(3) stream channels that interrupted the deposition of coals in various locations at various times and affected the quality and composition of the coals (Testimony of Messrs. Thibodeaux and Pippin).

c. There are hundreds of individual coalbeds within the Fruitland Coal formation in the San Juan Basin (Testimony of Messrs. Fassett and Thibodeaux), each of which probably represents a miniature reservoir in itself, not connected in most cases to the other coalbeds (Testimony of Mr. Fassett).

d. The various coalbeds that constitute the Fruitland Coal formation are laterally and vertically discontinuous across the Basin-Fruitland Coal Gas Pool (Testimony of Messrs. Fassett, Thibodeaux, Riese, Reitz and Pippin).

e. These discontinuities in the formation are prevalent in all zones, can be dramatic in very short distances (Testimony of Messrs. Riese and Reitz), and frequently change the vertical and lateral communication partners of specific reservoirs (Testimony of Messrs. Thibodeaux and Pippin).

f. Detailed study of Fruitland Coal outcrops indicates that the discontinuities and differences in coal characteristics that prevent effective communication between individual coalbeds exist across smaller distances than can be identified from existing wellbore data (Testimony of Mr. Reitz).

g. Coal heterogeneity and vertical and lateral discontinuity that is a consequence of the foregoing factors create multiple permeability and flow barriers to communication between wells as they exist today (Testimony of Messrs. Thibodeaux and Riese) that necessitate increased density drilling in order to efficiently recover the gas resource present in the pool (Testimony of Mr. Thibodeaux),

h. Stratigraphic variations in the Fruitland Coal result in small reservoir performance units (Testimony of Mr. Fassett), as small as 80 acres in lateral extent in some places (Testimony of Mr. Riese), and cause reservoir attributes to change between wells located according to the existing one-well-per-320-acre pattern (Testimony of Messrs. Riese, Reitz and Pippin).

i. Fruitland Coal discontinuities are sufficient to stop lateral flow of gas to existing wellbores (Testimony of Messrs. Thibodeaux and Riese).

j. Reservoir discontinuities in the coal occur throughout the San Juan Basin and are a significant factor in the "High Productivity Area," as well as in

the "Low Productivity Area" of the pool (Testimony of Messrs. Fassett, Thibodeaux and Pippin).

k. The discontinuity of the Fruitland Coal requires additional wells to effectively access gas reserves in the pool because some individual reservoirs are probably too small to be in communication with any existing wells bore, and some reservoirs exhibit insufficient permeability for effective communication over distances between existing well bores. Accordingly, infill drilling pool-wide is needed to maximize ultimate production, and not merely to accelerate production (Testimony of Messrs. Thibodeaux, Reitz and Pippin).

13. Operators presented petroleum engineering testimony through witnesses Bill Hawkins, Gary Kump, Jeff Balmer, Vu Dinh and Trent Boneau. These witnesses testified as follows:

a. Composite pressure information from multiple coal seams in a particular well understates the pressure conditions and the remaining gas in place in the reservoir and overestimates the recovery factor for existing wells, and layer pressure information is needed to adequately describe the actual state of reservoir depletion (Testimony of Messrs. Kump, Balmer and Boneau).

b. Layer pressure data from Burlington's pilot wells in the Low Productivity Area indicates that inadequate drainage is occurring in most or all coal layers (Testimony of Dr. Balmer).

c. Layer pressure data from individual coal seams in the High Productivity Area shows that differential depletion of different coal seams is occurring, which manifests the heterogeneity of the reservoir and shows that not all coal seams are being efficiently drained at current well density (Testimony of Messrs. Kump, Balmer and Boneau).

d. Recovery efficiency varies substantially throughout the reservoir, including the High Productivity Area (Testimony of Messrs. Kump and Balmer).

e. Recovery efficiency on a well-by-well basis in the High Productivity Area is very erratic and is indicative of the heterogeneity of the reservoir (Testimony of Mr. Kump).

f. Infill drilling will result in the recovery of stranded gas in zones that have not been intersected by any existing well, zones that are not effectively in communication with existing wells and pockets within producing zones that are effectively isolated from existing wells by permeability restriction. (Testimony of Dr. Balmer).

g. Infill drilling will allow significant increases in recovery factor in higher pressure (lower permeability) coal seams, and thus result in production of incremental reserves in most locations in the High Productivity Area, even

assuming no additional coal seams or pockets of stranded gas are encountered (Testimony of Dr. Boneau).

h. The production from infill wells in the Colorado portion of this reservoir where infill drilling is allowed has produced no detrimental interference on the parent wells' performance (Testimony of Mr. Hawkins); significantly higher pressure is encountered in the infill wells than the contemporaneously existing pressure in the parent wells, and the infill gas production is mostly incremental reserves, not rate acceleration (Testimony of Mr. Vu Dinh).

i. There is approximately 350-600 BCF of incremental reserve potential in the High Productivity Area that can be accessed with infill drilling and cannot now be recovered (Testimony of Messrs. Hawkins, Balmer, Vu Dinh and Boneau).

14. The Fruitland Coal formation is horizontally and vertically discontinuous and heterogeneous throughout the San Juan Basin, and is composed of many distinct coal seams that often function as separate and distinct gas reservoirs

15. Based on the relatively large number of coal seams that are encountered in only one or a few wells, and the discontinuities and differences in coal characteristics observable over very short distances in the Fruitland outcrop, it is reasonable to infer that there exist additional stranded reservoirs or pockets of gas within the pool that are not intersected by any well.

16. The discontinuity and heterogeneity of the various coal seams constituting the Fruitland Coal exist in all parts of the pool, and no significant difference exists between the High Productivity Area and the Low Productivity Area in this respect.

17. With respect to the Low Productivity Area, pressure data from pilot projects widely dispersed throughout that area, both geographically and in terms of relative productivity, demonstrate that infill wells in existing 320-acre units encounter close to virgin pressures, indicating that the existing wells spaced on a one-well-per-320-acre pattern are not effectively depleting those units.

18. With respect to the High Productivity Area, layered pressure data from selected test wells located at distances from existing, producing wells similar to the distances that infill wells would be located indicates that differential depletion is occurring, and that existing wells spaced on a one-well-per-320-acre pattern are failing to effective deplete a significant proportion of separate coal seams or layers encountered in these wells.

19. Layered pressure data from test wells within the High Productivity Area confirm geologic and stratigraphic evidence of the heterogeneity of the Fruitland Coal and indicate that there exist significant differences in permeability between various coal seams within the High Productivity Area.

20. Empirical evidence of the performance of infill wells drilled in the high productivity area of the San Juan Basin in Colorado and theoretical evidence based on calculations derived from layered pressure data in the High Productivity Area indicate that infill wells will result in significant incremental, and not merely accelerated, natural gas production even if the infill wells encounter no additional coal seams or stranded gas pockets.

21. Geologic evidence of the discontinuity of the coal seams and of the existence of barriers or baffles that impede the migration of gas within the coal seams indicates that additional coal seams and stranded gas deposits in all probability exist both within the Low Productivity Area and within the High Productivity Area, and will contribute additional incremental production that may be recovered through infill wells.

22. The special pool rules for the Basin Fruitland Coal Gas Pool should be amended to allow one optional infill well in each 320-acre spacing unit, such well to be located within the quarter section not occupied by an existing Fruitland Coal well.

23. The optional infill wells should be located at least 660 feet from the outer boundary of the spacing unit, or if located in a federal exploratory unit, at least 660 feet from the boundary of any area not fully participating in production from such well, and at least 10 feet from any quarter section or subdivision boundary.

24. The High Productivity Area within the pool embraces wide internal variations in productivity, with top annual, average productivities per well ranging from 2BCF/day to 6BCF/day.

25. The evidence suggests, and Operators are in agreement, that some portions of the High Productivity Area may not be suitable for infill drilling within existing 320-acre spacing units.

26. To prevent the drilling of unnecessary infill wells that are not justified in particular locations, and to protect correlative rights of owners of adjoining tracts that might be adversely affected by such unnecessary wells, the amended special pool rules should require an operator proposing to drill an infill well within the High Productivity Area to first give notice to affected persons, as defined in Division Rule 1207, in adjoining spacing units, to the same extent as would be required if the proposed infill location were an unorthodox location, and should provide for an opportunity for a hearing to consider the necessity for the proposed infill well in the event, but only in the event, that an affected person protests such proposal.

27. The amended special pool rules set forth in Exhibit A hereto (which Exhibit is incorporated herein by this reference for all purposes) contain the provisions specified above, together with necessary and suitable ancillary provisions, and should be adopted.

28. The area defined in Rule 7 of the amended special pool rules for the Basin-Fruitland Coal Gas Pool, as set forth in Exhibit A hereto, should be designated the

"High Productivity Area" within the Fruitland Coal Gas Pool, and all of the remaining area within the horizontal boundaries of the pool should be designated the "Low Productivity Area."

29. There no longer exists a need for the Cedar Hill-Fruitland Basal Coal Pool as a separate pool, and, accordingly, that pool should be abolished and consolidated into the Basin-Fruitland Coal Gas Pool.

**IT IS THEREFORE ORDERED THAT:**

1. The Cedar Hill-Fruitland Basal Coal Pool is hereby abolished, and all area lying within the heretofore-existing horizontal and vertical limits of that pool is incorporated into the Basin-Fruitland Coal Gas Pool.

2. Rules 4 and 7 of the Special Pool Rules for the Basin-Fruitland Coal Gas Pool are hereby amended to read, in their entirety, as set forth in Exhibit A hereto.

3. To the extent not amended hereby, the heretofore-existing Special Pool Rules for the Basin-Fruitland Coal Gas Pool shall remain in full force and effect.

4. Notwithstanding the foregoing provisions, the following-described area in San Juan County, New Mexico, which is the subject of an appeal pending before the Secretary of the Energy, Minerals and Natural Resources Department of the State of New Mexico in Case No. 12734, is hereby excluded from the infill development provisions of Rule 7 (a), as amended by this order:

TOWNSHIP 29 NORTH, RANGE 14 WEST, NMPM
Sections 4 through 6: All

TOWNSHIP 29 NORTH, RANGE 15 WEST, NMPM
Section 1: All

TOWNSHIP 30 NORTH, RANGE 14 WEST, NMPM
Section 16: All
Sections 19 through 21: All
Sections 28 through 33: All

TOWNSHIP 30 NORTH, RANGE 15 WEST, NMPM
Section 36: All.

5. Notwithstanding the provisions of ordering paragraphs 1 through 3, the following-described area in San Juan County, New Mexico, which is the subject of severed Case No. 13100 pending on the docket of the Commission, is hereby excluded from the infill development provisions of Rule 7 (a), as amended by this order:

TOWNSHIP 30 NORTH, RANGE 14 WEST, NMPM

| | |
|---|---|
| Sections 17 and 18 | All |

TOWNSHIP 30 NORTH, RANGE 15 WEST. NMPM

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|---|---|
| Section 13 | S/2 |
| Section 14 | S/2 |
| Sections 23 through 26 | All |
| Section 35 | All |

6. Notwithstanding the provisions of ordering paragraphs 1 through 3, this order, and the amendments to the special pool rules adopted hereby, shall not apply to Indian Lands located within the Basin-Fruitland Coal Gas Pool; provided, however, that this order, together with the record made at the hearing of this matter, shall be certified to the United States Bureau of Land Management ("BLM") in accordance with the Memorandum of Understanding existing between the Division and the BLM, and this order shall automatically take effect for all purposes as to Indian Land within the pool upon the adoption by the BLM of an order or directive authorizing as to such lands optional, infill wells to the same density herein provided. If any such BLM order or directive authorizes infill drilling to the density herein provided only as to a portion of the Indian Lands within the pool, this order shall thereupon take effect as to that portion of Indian Lands to which such BLM order or directive applies.

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

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

**STATE OF NEW MEXICO**
**OIL CONSERVATION COMMISSION**

**LORI WROTENBERY, CHAIR**

**JAMI BAILEY, MEMBER**

**ROBERT LEE, MEMBER**

**SEAL**

RULE 4: *Each standard gas spacing unit will consist of 320 acres, more or less, comprising any two contiguous quarter sections of a single governmental section, being a legal subdivision of the United States Public Lands Survey.*

**RULE 7** (a): WELL LOCATION

*(1) A well drilled or* ***recompleted*** *on a standard or non-standard spacing unit in the Basin-Fruitland Coal (Gas) Pool shall be located no closer than 660 feet to the outer boundary of the spacing unit and no closer than 10 feet to any interior* ***quarter-quarter*** *section line or sub-division inner boundary.*

*(2) A well drilled or* ***recompleted*** *within a federal* ***exploratory*** *unit is not subject to the 660-foot setback requirement to the outer boundary of the spacing unit, provided however:*

*(i) the well shall not be closer than 10 feet to any section, quarter section, or interior quarter-quarter section line or subdivision inner boundary;*

*(ii) the well shall not be closer than 660 feet to the outer boundary of the federal exploratory unit;*

*(in) if the well is located within the federal exploratory unit area but adjacent to an existing or prospective spacing unit containing a non-committed tract or partially committed tract, it shall not be closer than 660 feet to the outer boundary of its spacing unit;*

*(iv) if the well is located within a non-committed or partially committed spacing unit, it shall not be closer than 660 feet to the outer boundary of its spacing unit;*

*(v) if the well is located within a participating area but adjacent to an existing or prospective spacing unit that is not within the same participating area, it shall not be closer than 660 feet to the outer boundary of the participating area; and*

*(v) if the well is located within an exploratory unit area but in an existing or prospective spacing unit that is a non-participating spacing unit, it shall*

*not be closer than 660 feet to the outer boundary of its spacing* ***unit.***

*(3) The operator* ***filing*** *an Application for Permit to Drill* ***("APD")*** *for any welt within a federal exploratory unit area that is closer to the outer boundary of its assigned spacing unit than 660 feet shall provide proof in* ***the*** *form of a participating* ***area*** *plat that such well meets the requirements of Rule 7 (a).*

***RULE 7 (b) :*** *ADMINISTRATIVE EXCEPTIONS*

*The Division Director, in accordance with Division Rule 104, may administratively grant an exception to the well location requirements of Rule 7 (a) upon application to the Division which includes notification by certified matt-return receipt requested to affected parties [see Division Rule 1207.A* ***(2)].***

***RULE 7*** *(c): ESTABLISHMENT OF THE* ***"HIGH*** *PRODUCTIVITY* ***AREA"*** *AND "LOW PRODUCTIVITY AREA* ***"***

*(1)* ***High Productivity Area :*** *There is established within the consolidated boundaries of the Basin Fruitland Coal (Gas) Pool a "High Productivity Area" consisting of the following-described acreage in San Juan* ***and*** *Rio* ***Arriba*** *Counties, New Mexico:*

*Township 29 North,* ***Range*** *6 West, NMPM*
*Sections 2 through 8: All*
*Sections 11 and 12: All*
*Sections 17 and 18: All*

*Township 29 North, Ranee 7 West, NMPM*
*Section 1: All*
*Sections 12 and 13: All*

*Township 30 North,* ***Range*** *5* ***West,*** *NMPM*
*Sections 19 through 21: All*
*Sections 29 through 31: All*

*Township 30 North, Ranee 6 West, NMPM*
*Sections 5 through 35: All*

*Township 30 North,* ***Range*** *7* ***West,*** *NMPM*
*Sections 1 through 18: All*
*Sections 22 through 26:* ***All***
*Section 36:* ***All***

*Township 30 North, Ranee 8 West, NMPM*

Sections 1 through 4: All
Sections 10 through 13: All

Township 30 North, Range 9 West, NMPM
Section 2: All

Township 31 North, Range 6 West, NMPM
Section 6: All
Section 31: All

Township 31 North, Ranse 7 West, NMPM
Section 1: All
Sections 12 through 14: All
Sections 19 through 36: All

Township 31 North, Range 8 West, NMPM
Sections 4 through 10: All
Sections 13 through 36: All

Township 31 North, Ranse 9 West, NMPM
Sections 1 through 7: All
Sections 11 through 14: All
Sections 22 through 27: All
Sections 34 through 36: All

Township 32 North, Ranse 6 West, NMPM
Section 19: All
Sections 29 through 31: All

Township 32 North, Ranse 7 West, NMPM
Sections 23 through 26: All
Section 36: All

Township 32 North, Range 8 West, NMPM
Section 19: AH
Sections 30 through 32: All

Township 32 North, Range 9 West, NMPM
Sections 24 through 26: All
Sections 30 through 32: All
Sections 35 and 36: AH

Township 32 North, Range 10 West, NMPM
Sections 7 through 12: All
Sections 14 through 25: All
Sections 28 through 30: All

Township 32 North, Ranse 11 West, NMPM
Sections 11 through 13: All
Section 24: All.

(2) Low Productivity Area: There is established within the consolidated boundaries of the

*Basin-Fruitland Coal (Gas) Pool a "Low Productivity Area" consisting of that acreage within the horizontal limits of the Basin-Fruitland Coal (Gas) Pool that is not included within the High Productivity Area described above.*

***RULE 7 (d) :*** *WELL DENSITY*

*(1) Well density within the Low Productivity Area": No more than two (2) wells per standard 320-acre gas spacing unit may be located in the "Low Productivity Area" of the pool as follows:*

*(i) the OPTIONAL INFILL WELL drilled on an existing spacing unit shall be located in the quarter section not containing the INITIAL Fruitland coal gas well;*

*(ii) the plat (Form C-102) accompanying the "Application for Permit to Drill ("APD")" (Form C-101 or federal equivalent) for the optional infill well within an existing spacing unit shall have outlined the boundaries of the unit and shall show the location (well name, footage location, API number) of the initial Fruitland coal gas well plus the proposed infill well.*

*(2) Well density within the Hieh Productivity Area: The well density requirements applicable in the High Productivity Area of the pool shall be the same as those applicable in the Low Productivity Area, provided, however, that prior to commencement of any OPTIONAL INFILL WELL in the High Productivity Area, the following notice requirements shall be met:*

*(i) The operator shall send a copy of its Application for Permit to Drill ("APD"), including NMOCD form C-102 or Bureau of Land Management form 3160-3, as applicable, by certified mail, return receipt requested, to each affected person as defined in OCD Rule 1207(a)(2) [19.15.14.1207(1)(2) NMAC] in each spacing unit that adjoins the quarter section in which the proposed optional infill well will be located, together with a notice advising such affected persons that*

*they have twenty (20) days from receipt thereof in which to file with the District Office of the Division written objection to the proposed APD. A copy* ***of*** *the notice letter, together with proof of mailing, shall be filed in the District Office* ***of*** *the* ***Division.***

*(ii) The District Supervisor may approve the APD that has been filed at any time after the expiration of the* ***twenty-day*** *notice period if no objection has been* ***received.***

*(iii) In the event that an objection is timely received, or otherwise in the discretion of the Director of the Division, the application shall be set for a hearing in accordance with NMSA 1978, Section* ***70-2-13,*** *as amended, at which the protesting party or the Division shall have an opportunity to demonstrate that the proposed infill well would cause waste or impair correlative rights.*