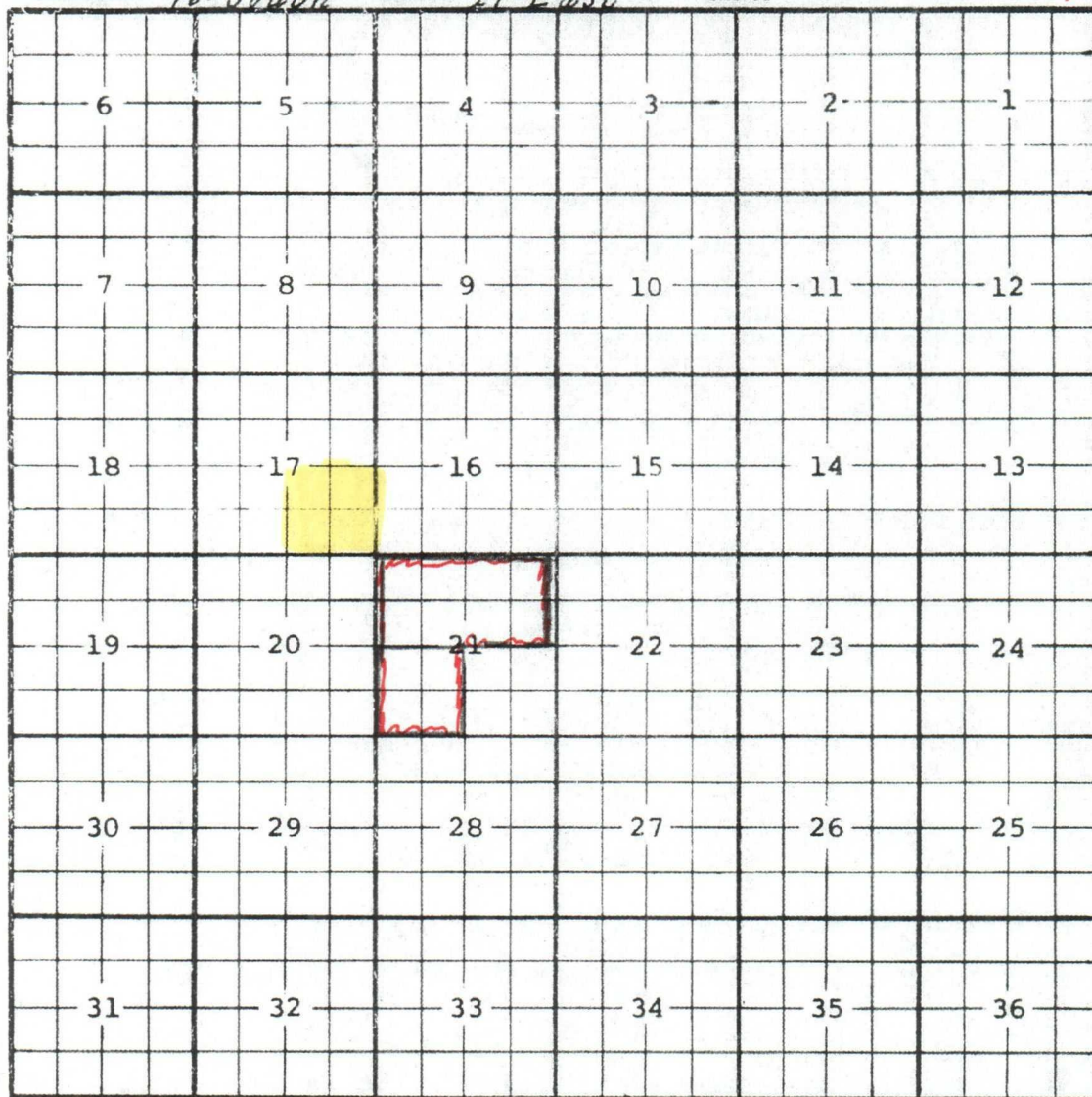


COUNTY EddyPOOL Duffield-Pennsylvanian GasTOWNSHIP 16-SouthRANGE 27-East

NMPM

76160



Description: $\frac{SW}{4}$ Sec. 21, (R-928, 12-13-56).

Ext. $\frac{N}{2}$ Sec. 21 (R-10124, 5-31-94)

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF THE STATE OF NEW
MEXICO FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 1175
Order No. R-928

THE APPLICATION OF THE OIL
CONSERVATION COMMISSION UPON
ITS OWN MOTION FOR AN ORDER
CALLING FOR THE CREATION AND
EXTENSION OF CERTAIN POOLS
IN LEA AND EDDY COUNTIES, NEW
MEXICO, AND FOR THE DELETION
OF SPECIFIC AREAS FROM CERTAIN
POOLS IN LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on November 13, 1956, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission,"

NOW, on this 13th. day of December, 1956, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That there is need for the creation of a new pool in Eddy County, New Mexico, for the production of gas from the Pennsylvanian formation, said pool to bear the designation Anderson-Pennsylvanian Gas Pool. Said Anderson-Pennsylvanian Gas Pool was discovered by Great Western Drilling Company, Grayburg-Deep Unit No. 1, located in the SE/4 of the NW/4 of Section 18, Township 17 South, Range 30 East, NMPM. It was completed October 20, 1954. The top of the perforations is at 11,039 feet.

(3) That there is need for the creation of a new pool in Eddy County, New Mexico, for the production of gas from the Pennsylvanian formation, said pool to bear the designation Duffield-Pennsylvanian Gas Pool. Said Duffield-Pennsylvanian Gas Pool was discovered by Continental Oil Company, Gertrude M. Duffield No. 1, located in the NE/4 of the SW/4 of Section 21, Township 16 South, Range 27 East, NMPM. It was completed April 17, 1952. The top of the perforations is at 8,616 feet.

(4) That there is need for the creation of a new pool in Lea County, New Mexico, for the production of oil from the Devonian formation, said pool to bear the designation Four Lakes-Devonian Pool. Said Four Lakes-Devonian Pool was discovered by Humble Oil and Refining Company, South Four Lakes Unit No. 2, located in the SW/4 NE/4 of Section 2, Township 12 South, Range 34 East, NMPM. It was completed October 8, 1956. The top of the perforations is at 12,809 feet.

(5) That there is need for the creation of a new pool in Eddy County, New Mexico, for the production of gas from the Pennsylvanian formation, said pool to bear the designation Fren-Pennsylvanian Gas Pool. Said Fren-Pennsylvanian Gas Pool was discovered by Skelly Oil Company Lynch "A" No. 6, located in the NW/4 NW/4 Section 22, Township 17 South, Range 31 East, NMPM. It was completed January 12, 1954. The top of the perforations is at 11,962 feet.

(6) That there is need for the creation of a new pool in Eddy County, New Mexico, for the production of oil from the Seven Rivers formation, said pool to bear the designation High Lonesome-Seven Rivers Pool. Said High Lonesome-Seven Rivers Pool was discovered by Moab Drilling Company, Davis-Federal No. 1, located in the SW/4 NW/4 Section 15, Township 16 South, Range 29 East, NMPM. It was completed April 3, 1956. The top of the perforations is at 1,219 feet.

(7) That there is need for the creation of a new pool in Lea County, New Mexico, for the production of oil from the Pennsylvanian formation, said pool to bear the designation Ranger Lake-Pennsylvanian Pool. Said Ranger Lake-Pennsylvanian Pool was discovered by Phillips Petroleum Company-Texas Pacific Coal and Oil Company, Ranger No. 1, located in the SE/4 SE/4 Section 23, Township 12 South, Range 34 East, NMPM. It was completed September 27, 1956. The top of the perforations is at 10,312 feet.

(8) That there is need for the creation of a new pool in Eddy County, New Mexico, for the production of oil from the Yates formation, said pool to bear the designation Saladar-Yates Pool. Said Saladar-Yates Pool was discovered by George D. Riggs, Malco Refineries No. 1, located in the NW/4 SW/4 Section 33, Township 20 South, Range 28 East, NMPM. It was completed March 30, 1956. The depth of the casing shoe is 650 feet.

(9) That there is need for the creation of a new pool in Eddy County, New Mexico, for the production of oil from the Delaware formation, said pool to bear the designation Wye-Delaware Pool. Said Wye-Delaware Pool was discovered by United States Smelting Mining and Refining Company, John A. Gentry No. 1, located in the NW/4 NW/4 Section 29, Township 22 South, Range 27 East, NMPM. It was completed August 9, 1956. The depth of the casing shoe is 5,372 feet.

(10) That there is need for certain extensions to the Aid Pool, the Atoka Pool, the Dos Hermanos Yates-Seven Rivers Pool and the High Lonesome Pool, all in Eddy County, New Mexico, and the Dean Permo-Pennsylvanian Pool, the North Gladiola-Devonian Pool, the Hobbs Pool, the Roberts Pool, the Townsend-Wolfcamp Pool, the Jalmat Gas Pool, the Blinebry Gas Pool, and the Blinebry Oil Pool, all in Lea County, New Mexico; further,

that there is need for the deletion of certain areas from the Terry-Blinebry Oil Pool in Lea County, New Mexico.

(11) That the proposed creation of a new pool in Lea County, New Mexico, for the production of oil from the Wolfcamp formation, advertised as the Four Lakes-Wolfcamp Pool should be dismissed pending further study.

IT IS THEREFORE ORDERED:

(a) That a new pool in Eddy County, New Mexico, classified as a gas pool for Pennsylvanian production, be and the same is hereby created and designated as the Anderson-Pennsylvanian Gas Pool, consisting of the following described area:

TOWNSHIP 17 SOUTH, RANGE 30 EAST, NMPM

Section 18: NW/4

(b) That a new pool in Eddy County, New Mexico, classified as a gas pool for Pennsylvanian production, be and the same is hereby created and designated as the Duffield-Pennsylvanian Gas Pool, consisting of the following described area:

TOWNSHIP 16 SOUTH, RANGE 27 EAST, NMPM

Section 21: SW/4

(c) That a new pool in Lea County, New Mexico, classified as an oil pool for Devonian production, be and the same is hereby created and designated as the Four Lakes-Devonian Pool, consisting of the following described area:

TOWNSHIP 12 SOUTH, RANGE 34 EAST, NMPM

Section 1: NW/4

Section 2: NE/4

(d) That the proposed creation of a new pool in Lea County, New Mexico, classified as an oil pool for Wolfcamp production, and designated as the Four Lakes Wolfcamp Pool, consisting of the following described area:

TOWNSHIP 12 SOUTH, RANGE 34 EAST, NMPM

Section 1: NW/4

Section 2: NE/4

be and the same is hereby dismissed.

(e) That a new pool in Eddy County, New Mexico, classified as a gas pool for Pennsylvanian production, be and the same is hereby created and designated as the Fren-Pennsylvanian Gas Pool, consisting of the following described area:

TOWNSHIP 17 SOUTH, RANGE 31 EAST, NMPM

Section 15: SW/4

Section 21: E/2

Section 22: NW/4

(f) That a new pool in Eddy County, New Mexico, classified as an oil pool for Seven Rivers production, be and the same is hereby created and designated as the High Lonesome-Seven Rivers Pool, consisting of the following described area:

TOWNSHIP 16 SOUTH, RANGE 29 EAST, NMPM
Section 15: NW/4

(g) That a new pool in Lea County, New Mexico, classified as an oil pool for Pennsylvanian production, be and the same is hereby created and designated as the Ranger Lake-Pennsylvanian Pool, consisting of the following described area:

TOWNSHIP 12 SOUTH, RANGE 34 EAST, NMPM
Section 23: SE/4

(h) That a new pool in Eddy County, New Mexico, classified as an oil pool for Yates production, be and the same is hereby created and designated as the Saladar-Yates Pool, consisting of the following described area:

TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM
Section 33: SW/4

(i) That a new pool in Eddy County, New Mexico, classified as an oil pool for Delaware production, be and the same is hereby created and designated as the Wye-Delaware Pool, consisting of the following described area:

TOWNSHIP 22 SOUTH, RANGE 27 EAST, NMPM
Section 29: NW/4

(j) That the Aid Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, be and the same is hereby extended to include therein:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM
Section 19: SW/4

(k) That the Atoka Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, be and the same is hereby extended to include therein:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM
Section 10: E/2 and E/2 W/2
Section 11: S/2
Section 13: W/2 W/2
Section 21: NE/4
Section 22: NE/4

(l) That the Dean Permo-Pennsylvanian Pool in Lea County, New Mexico, as heretofore classified, defined, and described, be and the same is hereby extended to include therein:

TOWNSHIP 15 SOUTH, RANGE 36 EAST, NMPM

Section 23: S/2 SE/4

(m) That the Dos Hermanos Yates-Seven Rivers Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, be and the same is hereby extended to include therein:

TOWNSHIP 20 SOUTH, RANGE 30 EAST, NMPM

Section 32: E/2 NE/4

(n) That the North Gladiola-Devonian Pool in Lea County, New Mexico, as heretofore classified, defined, and described, be and the same is hereby extended to include therein:

TOWNSHIP 12 SOUTH, RANGE 38 EAST, NMPM

Section 5: W/2

(o) That the High-Lonesome Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, be and the same is hereby extended to include therein:

TOWNSHIP 16 SOUTH, RANGE 29 EAST, NMPM

Section 21: E/2 and SW/4

Section 28: All

(p) That the Hobbs Pool in Lea County, New Mexico, as heretofore classified, defined, and described, be and the same is hereby extended to include therein:

TOWNSHIP 18 SOUTH, RANGE 37 EAST, NMPM

Section 26: E/2 NE/4

(q) That the Roberts Pool in Lea County, New Mexico, as heretofore classified, defined, and described, be and the same is hereby extended to include therein:

TOWNSHIP 17 SOUTH, RANGE 33 EAST, NMPM

Section 8: NE/4

(r) That the Townsend-Wolfcamp Pool in Lea County, New Mexico, as heretofore classified, defined, and described, be and the same is hereby extended to include therein:

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPM

Section 1: Lots 9, 10, 15 and 16

Section 8: NE/4 SW/4

(s) That the Jalmat Gas Pool in Lea County, New Mexico, as heretofore classified, defined, and described, be and the same is hereby extended to include therein:

TOWNSHIP 22 SOUTH, RANGE 35 EAST, NMPM

Section 11: SE/4

Case No. 1175
Order No. R-928

(t) That the Terry Blinebry Pool in Lea County, New Mexico, as heretofore classified, defined, and described, be and the same is hereby contracted by deletion of the following described area:

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM
Section 3: Lots 6, 10, 11 and 12

(u) That the Blinebry Gas Pool in Lea County, New Mexico, as heretofore classified, defined, and described, be and the same is hereby extended to include therein:

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM
Section 3: Lots 6, 10, 11 & 12

(v) That the Blinebry Oil Pool in Lea County, New Mexico, as heretofore classified, defined, and described, be and the same is hereby extended to include therein:

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM
Section 3: Lots 6, 10, 11 & 12

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOHN F. SIMMS, Chairman

E. S. WALKER, Member

A. L. PORTER, Jr., Member & Secretary

S. E. A. L.

ir/

TOWNSHIP 16 SOUTH, RANGE 33 EAST, NMPM
Section 1: Lots 1, 10, 11 and 12
Section 8: NE 1/4 SW 1/4

TOWNSHIP 22 SOUTH, RANGE 33 EAST, NMPM
Section 11: NE 1/4 SW 1/4

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

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

CASE NO. 10975
Order No. R-10124

THE APPLICATION OF THE OIL CONSERVATION
DIVISION UPON ITS OWN MOTION FOR AN
ORDER CREATING, ABOLISHING, AND EXTENDING
CERTAIN POOLS IN CHAVES AND EDDY COUNTIES,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on May 26, 1994, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 31st day of May, 1994, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) There is need for the creation of a new pool in Eddy County, New Mexico, for the production of oil from the Bone Spring formation, said pool to bear the designation of Artesia-Bone Spring Pool. Said Artesia-Bone Spring Pool was discovered by the National Energy Group, Inc. State 18 Com Well No. 1 located in Unit K of Section 18, Township 19 South, Range 28 East, NMPM. It was completed in the Bone Spring formation on August 17, 1993. The top of the perforations is at 7,858 feet.

(3) There is need for the creation of a new pool in Eddy County, New Mexico, for the production of oil from the Strawn formation, said pool to bear the designation of North Cedar Lake-Strawn Pool. Said North Cedar Lake-Strawn Pool was discovered by the Anadarko Petroleum Corporation Power Federal

Case No. 10975

Order No. R-10124

-2-

Com Well No. 2 located in Unit I of Section 26, Township 17 South, Range 30 East, NMPM. It was completed in the Strawn formation on November 23, 1993. The top of the perforations is at 10,610 feet.

(4) There is need for the creation of a new pool in Eddy County, New Mexico, for the production of oil from the Delaware formation, said pool to bear the designation of Northeast Corral Canyon-Delaware Pool. Said Northeast Corral Canyon-Delaware Pool was discovered by the Fortson Oil Company Poker Lake Unit Well No. 79 located in Unit M of Section 2, Township 25 South, Range 30 East, NMPM. It was completed in the Delaware formation on October 1, 1993. The top of the perforations is at 7,720 feet.

(5) There is need for the creation of a new pool in Eddy County, New Mexico, for the production of oil from the Yeso formation, said pool to bear the designation of Empire-Yeso Pool. Said Empire-Yeso Pool was discovered by the Marbob Energy Corporation New Mexico CY State Well No. 1 located in Unit J of Section 23, Township 17 South, Range 28 East, NMPM. It was completed in the Yeso formation on February 4, 1994. The top of the perforations is at 3,722 feet.

(6) There is need for the creation of a new pool in Eddy County, New Mexico, for the production of oil from the Delaware formation, said pool to bear the designation of Northeast Hackberry-Delaware Pool. Said Northeast Hackberry-Delaware Pool was discovered by the BTA Oil Producers Lusk 9209 JV-P Well No. 1 located in Unit F of Section 12, Township 19 South, Range 31 East, NMPM. It was completed in the Delaware formation on February 13, 1994. The top of the perforations is at 6,702 feet.

(7) There is need for the creation of a new pool in Eddy County, New Mexico, for the production of gas from the Morrow formation, said pool to bear the designation of West Logan Draw-Morrow Gas Pool. Said West Logan Draw-Morrow Gas Pool was discovered by the Yates Petroleum Corporation Fasken-Exxon AOF Federal Com Well No. 1 located in Unit J of Section 31, Township 17 South, Range 27 East, NMPM. It was completed in the Morrow formation on March 2, 1994. The top of the perforations is at 9,078 feet.

(8) There is need for the creation of a new pool in Eddy County, New Mexico, for the production of oil from the Bone Spring formation, said pool to bear the designation of East Penlon-Bone Spring Pool. Said East Penlon-Bone Spring Pool was discovered by the Premier Oil and Gas, Inc. Eddy FV State

Case No. 10975
Order No. R-10124

-3-

Com Well No. 1 located in Unit H of Section 25, Township 20 South, Range 27 East, NMPM. It was completed in the Bone Spring formation on November 20, 1993. The top of the perforations is at 6,325 feet.

(9) There is need for the creation of a new pool in Eddy County, New Mexico, for the production of oil from the Upper Pennsylvanian formation, said pool to bear the designation of South Sand Dunes-Upper Pennsylvanian Pool. Said South Sand Dunes-Upper Pennsylvanian Pool was discovered by the Southland Royalty Company Empire 34 Federal Well No. 1 located in Unit G of Section 34, Township 18 South, Range 29 East, NMPM. It was completed in the Upper Pennsylvanian formation on November 30, 1993. The top of the perforations is at 9,900 feet.

(10) There is need for the creation of a new pool in Eddy County, New Mexico, for the production of oil from the Abo formation, said pool to bear the designation of Siegreist Draw-Abo Pool. Said Siegreist Draw-Abo Pool was discovered by the Yates Petroleum Corporation Sunflower AHW Federal Well No. 2 located in Unit A of Section 31, Township 19 South, Range 24 East, NMPM. It was completed in the Abo formation on October 23, 1993. The top of the perforations is at 3,940 feet.

(11) There is need for the creation of a new pool in Chaves County, New Mexico, for the production of gas from the Strawn formation, said pool to bear the designation of Springer Basin-Strawn Gas Pool. Said Springer Basin-Strawn Gas Pool was discovered by the Yates Petroleum Corporation Long Arroyo OD State Com Well No. 1 located in Unit I of Section 14, Township 14 South, Range 27 East, NMPM. It was completed in the Strawn formation on November 1, 1993. The top of the perforations is at 7,587 feet.

(12) There is need for the creation of a new pool in Eddy County, New Mexico, for the production of oil from the Bone Spring formation, said pool to bear the designation of Southeast Willow Lake-Bone Spring Pool. Said Southeast Willow Lake-Bone Spring Pool was discovered by the Maralo Inc. Pickett Draw Federal Well No. 1 located in Unit F of Section 9, Township 25 South, Range 29 East, NMPM. It was completed in the Bone Spring formation on January 15, 1994. The top of the perforations is at 8,573 feet.

(13) There is need for the abolishment of the Northwest Dagger Draw-Upper Pennsylvanian Gas Pool in Eddy County, New Mexico, in order to correct nomenclature. A portion of the abolished acreage will be placed in the Penasco Draw-Permo Pennsylvanian Gas Pool in Eddy County, New Mexico.

(14) There is need for the extension of the North Brushy Draw-Delaware Pool, the Cabin Lake-Delaware Pool, the Calabaza Draw-Atoka Gas Pool, the East Carlsbad-Bone Spring Pool, the Cedar Canyon-Bone Spring Pool, the East Cedar Lake-Morrow Gas Pool, the Cemetery-Wolfcamp Gas Pool, the Chalk Bluff-Wolfcamp Pool, the North Dagger Draw-Upper Pennsylvanian Pool, the Duffield-Pennsylvanian Gas Pool, the Empire-Abo Pool, the South Golden Lane-Delaware Pool, the Hackberry-Delaware Pool, the North Hackberry Yates-Seven Rivers Pool, the Happy Valley-Delaware Pool, the Northeast Happy Valley-Strawn Gas Pool, the East Herradura Bend-Delaware Pool, the North Illinois Camp-Morrow Gas Pool, the Indian Basin-Upper Pennsylvanian Associated Pool, the Ingle Wells-Delaware Pool, the South Leo-Bone Spring Pool, the Los Medanos-Atoka Gas Pool, the Los Medanos-Bone Spring Pool, the Los Medanos-Delaware Pool, the Los Medanos-Morrow Gas Pool, the Old Millman Ranch-Bone Spring Associated Pool, the Owen Mesa-Morrow Gas Pool, the Penasco Draw-Permo Pennsylvanian Gas Pool, the Southwest Poker Lake-Delaware Pool, the Southeast Quahada Ridge-Delaware Pool, the South Sand Dunes-Delaware Pool, the West Sand Dunes-Delaware Pool, the Scanlon-Strawn Gas Pool, and the Walters Lake-Bone Spring Pool, all in Eddy County, New Mexico.

IT IS THEREFORE ORDERED THAT:

(a) A new pool in Eddy County, New Mexico, classified as an oil pool for Bone Spring production is hereby created and designated as the Artesia-Bone Spring Pool, consisting of the following described area:

TOWNSHIP 19 SOUTH, RANGE 28 EAST, NMPM

Section 18: S/2

(b) A new pool in Eddy County, New Mexico, classified as an oil pool for Strawn production is hereby created and designated as the North Cedar Lake-Strawn Pool, consisting of the following described area:

TOWNSHIP 17 SOUTH, RANGE 30 EAST, NMPM

Section 26: E/2

(c) A new pool in Eddy County, New Mexico, classified as an oil pool for Delaware production is hereby created and designated as the Northeast Corral Canyon-Delaware Pool, consisting of the following described area:

TOWNSHIP 25 SOUTH, RANGE 30 EAST, NMPM

Section 2: SW/4

Case No. 10975
Order No. R-10124

-5-

(d) A new pool in Eddy County, New Mexico, classified as an oil pool for Yeso production is hereby created and designated as the Empire-Yeso Pool, consisting of the following described area:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM
Section 23: SE/4

(e) A new pool in Eddy County, New Mexico, classified as an oil pool for Delaware production is hereby created and designated as the Northeast Hackberry-Delaware Pool, consisting of the following described area:

TOWNSHIP 19 SOUTH, RANGE 31 EAST, NMPM
Section 12: NW/4

(f) A new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production is hereby created and designated as the West Logan Draw-Morrow Gas Pool, consisting of the following described area:

TOWNSHIP 17 SOUTH, RANGE 27 EAST, NMPM
Section 31: E/2

(g) A new pool in Eddy County, New Mexico, classified as an oil pool for Bone Spring production is hereby created and designated as the East Penlon-Bone Spring Pool, consisting of the following described area:

TOWNSHIP 20 SOUTH, RANGE 27 EAST, NMPM
Section 25: NE/4

(h) A new pool in Eddy County, New Mexico, classified as an oil pool for Upper Pennsylvanian production is hereby created and designated as the South Sand Dunes-Upper Pennsylvanian Pool, consisting of the following described area:

TOWNSHIP 18 SOUTH, RANGE 29 EAST, NMPM
Section 34: E/2

(i) A new pool in Eddy County, New Mexico, classified as an oil pool for Abo production is hereby created and designated as the Siegreist Draw-Abo Pool, consisting of the following described area:

TOWNSHIP 19 SOUTH, RANGE 24 EAST, NMPM
Section 31: N/2

Case No. 10975

Order No. R-10124

-6-

(j) A new pool in Chaves County, New Mexico, classified as a gas pool for Strawn production is hereby created and designated as the Springer Basin-Strawn Gas Pool, consisting of the following described area:

TOWNSHIP 14 SOUTH, RANGE 27 EAST, NMPM

Section 14: E/2

(k) A new pool in Eddy County, New Mexico, classified as an oil pool for Bone Spring production is hereby created and designated as the Southeast Willow Lake-Bone Spring Pool, consisting of the following described area:

TOWNSHIP 25 SOUTH, RANGE 29 EAST, NMPM

Section 9: NW/4

(l) The Northwest Dagger Draw-Upper Pennsylvanian Gas Pool in Eddy County, New Mexico, consisting of the following described area:

TOWNSHIP 19 SOUTH, RANGE 24 EAST, NMPM

Section 2: N/2

is hereby abolished.

(m) The North Brushy Draw-Delaware Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 25 SOUTH, RANGE 29 EAST, NMPM

Section 26: S/2

TOWNSHIP 26 SOUTH, RANGE 29 EAST, NMPM

Section 1: NW/4

Section 2: NE/4

(n) The Cabin Lake-Delaware Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 22 SOUTH, RANGE 30 EAST, NMPM

Section 11: SE/4

(o) The Calabaza Draw-Atoka Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

Case No. 10975
Order No. R-10124

-7-

TOWNSHIP 21 SOUTH, RANGE 26 EAST, NMPM

Section 2: S/2

Section 3: S/2

(p) The East Carlsbad-Bone Spring Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM

Section 13: SW/4

Section 23: E/2 and NW/4

Section 24: NW/4

(q) The Cedar Canyon-Bone Spring Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 24 SOUTH, RANGE 29 EAST, NMPM

Section 10: NW/4

(r) The East Cedar Lake-Morrow Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 17 SOUTH, RANGE 31 EAST, NMPM

Section 33: W/2

Section 34: S/2

TOWNSHIP 18 SOUTH, RANGE 31 EAST, NMPM

Section 4: E/2

(s) The Cemetery-Wolfcamp Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 20 SOUTH, RANGE 24 EAST, NMPM

Section 25: N/2

TOWNSHIP 20 SOUTH, RANGE 25 EAST, NMPM

Section 30: N/2

(t) The Chalk Bluff-Wolfcamp Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 18 SOUTH, RANGE 27 EAST, NMPM

Section 10: N/2

Case No. 10975
Order No. R-10124

-8-

(u) The North Dagger Draw-Upper Pennsylvanian Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 19 SOUTH, RANGE 25 EAST, NMPM

Section 9: SW/4

(v) The Duffield-Pennsylvanian Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 16 SOUTH, RANGE 27 EAST, NMPM

Section 21: N/2

(w) The Empire-Abo Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM

Section 23: SE/4

Section 26: N/2 NE/4

(x) The South Golden Lane-Delaware Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 21 SOUTH, RANGE 29 EAST, NMPM

Section 16: W/2

Section 17: NE/4

(y) The Hackberry-Delaware Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 19 SOUTH, RANGE 31 EAST, NMPM

Section 15: W/2 and NE/4

(z) The North Hackberry Yates-Seven Rivers Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 19 SOUTH, RANGE 30 EAST, NMPM

Section 23: SW/4

(aa) The Happy Valley-Delaware Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

Case No. 10975
Order No. R-10124

-9-

TOWNSHIP 22 SOUTH, RANGE 26 EAST, NMPM

Section 28: SW/4

Section 33: NE/4

(bb) The Northeast Happy Valley-Strawn Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 21 SOUTH, RANGE 26 EAST, NMPM

Section 23: S/2

(cc) The East Herradura Bend-Delaware Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 23 SOUTH, RANGE 28 EAST, NMPM

Section 1: NE/4

(dd) The North Illinois Camp-Morrow Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 18 SOUTH, RANGE 28 EAST, NMPM

Section 17: E/2

(ee) The Indian Basin-Upper Pennsylvanian Associated Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 22 SOUTH, RANGE 24 EAST, NMPM

Section 11: N/2

(ff) The Ingle Wells-Delaware Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 23 SOUTH, RANGE 31 EAST, NMPM

Section 27: SW/4

Section 34: SE/4

(gg) The South Leo-Bone Spring Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 18 SOUTH, RANGE 30 EAST, NMPM

Section 34: SW/4

Case No. 10975

Order No. R-10124

-10-

TOWNSHIP 19 SOUTH, RANGE 30 EAST, NMPM

Section 3: W/2

(hh) The Los Medanos-Atoka Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 22 SOUTH, RANGE 30 EAST, NMPM

Section 25: All

(ii) The Los Medanos-Bone Spring Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 23 SOUTH, RANGE 31 EAST, NMPM

Section 6: SE/4 and NW/4

(jj) The Los Medanos-Delaware Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 23 SOUTH, RANGE 31 EAST, NMPM

Section 9: SE/4

(kk) The Los Medanos-Morrow Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 22 SOUTH, RANGE 30 EAST, NMPM

Section 24: S/2

Section 25: All

(ll) The Old Millman Ranch-Bone Spring Associated Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 19 SOUTH, RANGE 28 EAST, NMPM

Section 34: S/2

TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM

Section 3: SE/4

Section 10: NW/4

(mm) The Owen Mesa-Morrow Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

Case No. 10975
Order No. R-10124

-11-

TOWNSHIP 24 SOUTH, RANGE 29 EAST, NMPM

Section 35: N/2

(nn) The Penasco Draw-Permo Pennsylvanian Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 19 SOUTH, RANGE 24 EAST, NMPM

Section 2: NW/4

(oo) The Southwest Poker Lake-Delaware Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 24 SOUTH, RANGE 30 EAST, NMPM

Section 24: SE/4

TOWNSHIP 24 SOUTH, RANGE 31 EAST, NMPM

Section 19: SW/4

Section 30: NW/4

(pp) The Southeast Quahada Ridge-Delaware Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 22 SOUTH, RANGE 30 EAST, NMPM

Section 36: SW/4

(qq) The South Sand Dunes-Delaware Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 24 SOUTH, RANGE 31 EAST, NMPM

Section 5: SW/4

(rr) The West Sand Dunes-Delaware Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 23 SOUTH, RANGE 31 EAST, NMPM

Section 31: SE/4

TOWNSHIP 24 SOUTH, RANGE 31 EAST, NMPM

Section 4: SW/4

Section 9: NW/4

(ss) The Scanlon-Strawn Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is

Case No. 10975
Order No. R-10124
-12-

hereby extended to include therein:

TOWNSHIP 20 SOUTH, RANGE 29 EAST, NMPM
Section 33: E/2 and SW/4

(tt) The Walters Lake-Bone Spring Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein:

TOWNSHIP 18 SOUTH, RANGE 30 EAST, NMPM
Section 2: NW/4

IT IS FURTHER ORDERED THAT:

(1) Pursuant to Section 70-2-18, NMSA 1978, contained in Chapter 271, Laws of 1969, any well which, by virtue of any of the above pool extensions, is subject to pool rules providing for spacing or proration units larger than the one which is presently dedicated thereto, shall have 60 days from the effective date of this order in which to file new Forms C-102 dedicating a standard unit for the pool to said well or to obtain a non-standard unit approved by the Division. Pending such compliance, the well shall receive a maximum allowable in the same proportion to a standard allowable for the pool that the acreage dedicated to the well bears to a standard unit for the pool. Failure to file Form C-102 dedicating a standard unit to the well or to obtain a non-standard unit approved by the Division within said 60-day period shall subject the well to cancellation of allowable.

(2) The effective date of this order and all creations, abolishments, and extensions included herein shall be June 1, 1994.

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

S E A L



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

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

NOTICE

TO: All Oil and Gas Operators, Mineral Interest Owners,
and Interested Parties

FROM: Lori Wrotenbery, Director *LW*

SUBJECT: Implementation of Amended Division Rule 104

DATE: October 25, 1999

Amendments to Division Rule 104 "Well Spacing and Location," adopted by the New Mexico Oil Conservation Commission in Order R-11231 (Case 12119) on August 12, 1999, became effective August 31, 1999. Attached to this notice are copies of Order No. R-11232, with the amended Rule 104 attached, and the recently amended Rule 1207 concerning notice requirements.

Summary of Changes

The amendments made five main changes in Rule 104:

- (1) the rule has been shortened and reorganized;
- (2) well location setbacks for all gas development on 160-acre spacing throughout the State are now standardized at 660 feet from the outer boundary of the quarter section line;
- (3) well location setbacks for deep gas development on 320-acre spacing in Southeast New Mexico have been relaxed from 1650 feet from an end boundary to 660 feet;
- (4) one optional infill well is now allowed within 320-acre deep gas units in Southeast New Mexico; and
- (5) interior 330-foot setbacks from quarter-quarter section lines for both 160-acre and 320-acre gas units governed by Rule 104 have been reduced to 10 feet.

Effect of Changes

Since the primary objectives of the rule changes were to grant operators increased flexibility in locating wells and decrease the number of applications for unorthodox locations, all future location

October 25, 1999

Page 2

exceptions will require substantial justification, *i.e.*, unusual circumstances. Please also note the recent changes made to the notice requirements for unorthodox locations found in Division Rule 1207.A(2).

Furthermore, the well location requirement for oil wells on 40-acre spacing **has not** changed and remains 330 feet from the quarter-quarter section. Operators need to be wary if a well's main objective is a deeper gas-producing interval but there is the possibility of oil production and the location is closer to an interior quarter-quarter section line than 330 feet. In order to complete the well in a shallower oil-producing horizon, the operator will be required to obtain an exception for the unorthodox oil well location. Location exceptions in this situation will not be granted unless unusual circumstances justify the location, and the closer a well is to a neighboring property, the harder it will be to obtain an exception. For example, if the well is only 10 feet off a neighboring property, it is highly unlikely an exception will be granted.

Regarding the new provision authorizing one infill well in a 320-acre deep gas unit in Southeast New Mexico, application can be made to adopt or amend special pool rules to limit the number of wells per spacing unit in any pool where infill wells are not justified. The notice requirements for special pool rules were also recently amended to accommodate this type of action. See Division Rule 1207.A(4).

Unless otherwise provided by special pool rules or amended Rule 104 (*e.g.*, the infill provision for deep gas pools in Southeast New Mexico), only **one** well per spacing unit is permitted in non-prorated pools. The Division Director, however, may grant administrative exceptions in appropriate circumstances.

Effect on Existing Orders

Any existing special pool rule or other order specific to well locations (*e.g.*, a production penalty on an unorthodox well location now standard under amended Rule 104) shall remain in full force and effect until the order is amended. Operators should review these orders to determine whether to file applications to conform the orders to amended Rule 104.

In the near future, a hearing will be held before a Division Hearing Examiner addressing the few deep gas pools in Southeast New Mexico still spaced on 160 acres. At the hearing, the Division will consider whether to issue an order listing these pools and setting forth setback requirements mirroring, if applicable, the setbacks for shallow gas wells in Southeast New Mexico.

Division Memoranda dated July 27, 1988 and August 3, 1990 concerning the interpretation of old Rule 104 are hereby withdrawn.

Attachments

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: [1-1-86...2-1-96; A, 7-15-99]

(1) Compulsory Pooling and Statutory Unitization: [1-1-86...2-1-96; A, 7-15-99]

(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), 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. [1-1-87...2-1-96; 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.(8); A, 7-15-99]

(a) through (d). The material on unorthodox locations was moved to 19 NMAC N.1207.A.(2). [1-1-86...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]

**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. Therefor, 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.

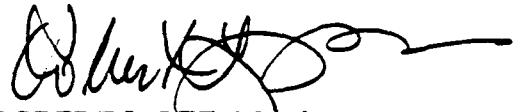
(3) Jurisdiction of this case is retained for the entry of such further orders as the Commission may deem necessary.

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

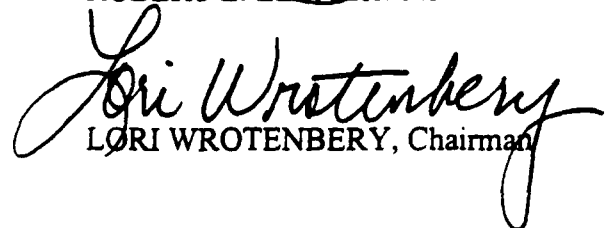
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION




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]

DEFINATIONS

CORRELATIVE RIGHTS shall mean the opportunity afforded, as far as it is practicable to do so, to the owner of each property in a pool to produce without waste his just and equitable share of the oil or gas, or both, in the pool, being an amount, so far as can be practically determined, and so far as can be practicably obtained without waste, substantially in the proportion that the quantity of recoverable oil or gas, or both, under such property bears to the total recoverable oil or gas, or both, in the pool, and for such purpose to use his just and equitable share of the reservoir energy.

WASTE, in addition to its ordinary meaning, shall include:

- (a) Underground Waste as those words are generally understood in the oil and gas business, and in any event to embrace the inefficient, excessive, or improper use or dissipation of the reservoir energy, including gas energy and water drive, of any pool, and the locating, spacing, drilling, equipping, operating, or producing, of any well or wells in a manner to reduce or tend to reduce the total quantity of crude petroleum oil or natural gas ultimately recovered from any pool, and the use of inefficient underground storage of natural gas.
- (b) Surface Waste as those words are generally understood in the oil and gas business, and in any event to embrace the unnecessary or excessive surface loss or destruction without beneficial use, however caused, of natural gas of any type or in any form, or crude petroleum oil, or any product thereof, but including the loss or destruction, without beneficial use, resulting from evaporation, seepage, leakage, or fire, especially such loss or destruction incident to or resulting from the manner of spacing, equipping, operating or producing a well or wells, or incident to or resulting from the use of inefficient storage or from the production of crude petroleum oil or natural gas, in excess of the reasonable market demand.

TO SUMMARIZE:

Owners may not use their land in such a manner as to injure the properties of others.