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OIL CONSERVATION COMMISSION OF NEW MEXICO

ORDER NO. 4

GENERAL RULES AND REGULATIONS GOVERNING THE CONSERVATION OF OIL AND GAS IN NEW MEXICO

INTRODUCTION

Pursuant to power delegated by an Act of the Twelfth Regular Session of the Legislature of the State of New Mexico, Chapter 72, Laws of 1935, especially the power delegated by Sections 9 and 10 thereof, the Oil Conservation Commission of the State of New Mexico, hereinafter designated as the "Commission", hereby and herein makes and promulgates the following general rules and regulations which are found by the Commission, after notice and hearing as required by law, held at Santa Fe, New Mexico, June 28th, 1935, to be reasonably necessary to prevent present and imminent waste of oil and gas, as defined by law, and otherwise to carry out the purposes of said Act. These rules and regulations shall become effective August 12, 1935.

RULE 1. SIGNS ON WELLS

Every well shall be identified by a sign, posted on the derrick or otherwise on a substantial post not more than twenty feet high, and such signs shall be of durable construction and lettering thereon shall be kept in a legible condition and large enough to be legible under normal conditions at a distance of fifty feet. The wells on each lease or property shall be numbered consecutively beginning with No. 1, unless some other number was adopted by the owner prior to the promulgation of these rules and regulations. Each sign shall show the name of the well, the name of the lease (which shall be different from the name of the well), the name of the lessee, owner or operator, and the quarter, section, township and range.

RULE 2. GENERAL SPACING RULES

Rules for the spacing of oil and gas wells are as follows:
"Wildcat" wells shall not be drilled closer than 330 feet from any lease or property line or less than 660 feet from any other well. "Wildcat" wells, according to the meaning used herein, shall be those which are located not less than two miles from any

Oil and Gas Conservation Law, Circular No. 1
Agency Historic Rules Coll.

commercial or potentially commercial oil or gas well, and that are outside the boundaries of proven oil or gas fields or areas that may be designated by the Commission. Plugged and abandoned wells shall not be considered in applying this rule.

The Commission may, after notice and hearing, grant exceptions to this rule, provided such exceptions will create neither waste nor hazards conducive to waste. Such exceptions may be granted when surface conditions render it impracticable without unreasonable expense to drill a well at a location in conformity with this rule, or when a separately owned tract is so small or so shaped that a location in conformity with this rule is impossible.

(b) The foregoing rule with reference to "Wildcat" wells shall also apply to all other wells, unless and until the Commission, after notice and hearing, adopts special rules for the spacing of wells in proven oil or gas fields or in areas that the Commission may designate.

RULE 3. WELL RECORD

During the drilling of every well, the owner, operator, contractor, driller, or other person responsible for the conduct of drilling operations, shall keep at the well a detailed and accurate record of the well, reduced to writing from day to day, which shall be accessible to the Commission and its agents at all reasonable times. A copy of the record shall be furnished to the Commission at its request, but shall be kept confidential, if the operator so requests in writing, for a period not to exceed ninety days after the completion of the well, provided that the report or data therein, when pertinent, may be introduced in evidence in any public hearing before the Commission or any Court, regardless of the request that the report be kept confidential.

If so ordered by the Commission, samples of drill cuttings shall be kept in the State by the owner of the well and shall be accessible to the Commission and its agents at all reasonable times.

RULE 4. DEVIATION TESTS

Whenever any well is drilled or deepened, tests to determine the deviation from the vertical shall be taken at intervals of not more than 500 feet. Directional surveys may be required by the Commission whenever in its judgment the location of the bottom of the well is in doubt.

RULE 5. PIT FOR SHALE DRILL CUTTINGS REQUIRED

During the drilling of any well, all clay and soft shale drill cuttings shall be accumulated in an adequate pit provided before drilling is commenced, in order to assure a supply of proper material for mud-laden fluid to confine oil, gas or water to their native strata.

Before the OCC
Case 13142 - De Novo
OCD Ex. 31

OCD Exhibit
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Center and Archives
DATE 16-3-03

RULE 6. STRATA TO BE SEALED OFF

Before any oil or gas well is completed as a producer, all oil, gas and water strata above the producing horizon shall be sealed or separated in order to prevent their contents from passing into other strata.

RULE 7. SHOOTING AND CHEMICAL TREATING OF WELLS

Wells shall not be shot or chemically treated until the permission of the Commission is obtained. Each well shall be shot or treated in such manner as will not cause injury to the sand, or result in water entering the oil or gas sand, and necessary precautions shall be taken to prevent injury to the casing. If shooting or chemical treating results in irreparable injury to the well or to the oil or gas sand, the well shall be properly plugged and abandoned. (See Rule 42.)

RULE 8. WATER SHUT-OFFS

All water shall be shut off and excluded by a method approved by the Commission from the various oil and gas bearing strata which are penetrated. Water shut-offs shall ordinarily be made by cementing casing or landing casing with or without the use of mud-laden fluid. Drilling shall not be resumed following the landing or cementing of each string of casing until proof is obtained satisfactory to the Commission of a proper oil and gas and water shut-off.

RULE 9. MUD-LADEN FLUID

Mud-laden fluid is a term used herein to designate any mixture of water and finely divided or colloidal material that remains in suspension for a long time. The mud employed shall have suitable physical and chemical properties to accomplish adequately the purpose for which such mud is used.

RULE 10. USE OF MUD-LADEN FLUID IN SETTING CASING

In order to seal off any oil, gas or water stratum during drilling, the owner shall, if the Commission so requires, run the casing and seat it in mud-laden fluid, which fluid shall fill the hole outside the casing to the top, where the level of said fluid shall be maintained.

RULE 11. PULLING OUTSIDE STRINGS OF CASING

In pulling any outside strings of casing from any oil or gas well, the space outside the casing left in the hole shall be kept and left full of mud-laden fluid of adequate specific gravity to seal off all fresh and salt water strata and any strata bearing oil or gas not producing.

Oil and Gas Conservation Law, Circular No. 1
Agency Historic Rules Coll.

RULE 12. ABANDONING WELLS

Before a well is abandoned, it shall be plugged in a manner which will confine permanently all oil, gas and water in the separate strata originally containing them. This operation shall be accomplished by the use of mud-laden fluid, cement and plugs, used singly or in combination as may be approved by the Commission. The exact location of abandoned wells shall be shown by a steel marker at least four inches in diameter set in concrete, and extending at least four feet above mean ground level.

RULE 13. BLOW-OUT PREVENTION

In drilling in areas where high pressures are likely to exist, all proper and necessary precautions shall be taken for keeping the well under control, including the use of blow-out preventers and high pressure fittings attached to properly anchored and cemented casing strings.

RULE 14. CASING REQUIREMENTS FOR OIL AND GAS PRODUCTION

Oil wells shall be completed with an oil string of casing which shall be properly cemented at a sufficient depth adequately to protect the oil-bearing stratum. Gas-producing wells shall be cased in a similar manner.

RULE 15. OIL TANKS AND FIRE WALLS

Oil shall not be stored or retained in earthen reservoirs, or in open receptacles. All lease, stock and oil storage tanks shall be protected by a proper fire wall, which wall shall form a reservoir having a capacity one-third larger than the capacity of the enclosed tank or tanks. Such tanks shall not be erected, enclosed or maintained closer than 150 feet to the nearest producing well.

RULE 16. EMULSION, B. S., AND WASTE OIL

Wells producing oil shall be operated in such manner as will reduce as much as practicable the formation of emulsion and B. S. These substances and waste oil shall not be allowed to pollute streams or cause surface damage.

RULE 17. USE OF VACUUM PUMPS

Vacuum pumps or other devices shall not be used for the purpose of creating a partial vacuum in any stratum containing oil or gas.

RULE 18. PROTECTION OF FRESH AND ARTESIAN WATERS

All fresh waters and waters of present or probable future value for domestic, commercial or stock purposes shall be confined to their respective strata and shall be adequately protected by methods