

- (n) EXTEND the Tapacito-Pictured Cliffs Pool in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 27 NORTH, RANGE 3 WEST, NMPM

Section 19: SE/4

TOWNSHIP 28 NORTH, RANGE 5 WEST, NMPM

Section 15: SW/4

Section 22: S/2 and NW/4

Section 23: S/2

Section 26: N/2

Section 27: N/2

DOCKET NO. 12-95

DOCKET: COMMISSION HEARING - THURSDAY - APRIL 27, 1995

9:00 A.M. - 2040 SOUTH PACHECO

SANTA FE, NEW MEXICO

CASE 11273: In the matter of the application of the Oil Conservation Division on its own motion for an order adopting rules to implement the recently passed Production Restoration Incentive and Workover Severance Tax Exemption Act (HB 65). The New Mexico Oil Conservation Division seeks an order adopting rules setting forth the procedures to implement the provisions of this Act providing for the qualification of projects and the certification for the "Production Restoration or Workover Tax Rate". Evidence and testimony will not be taken at this time but a Committee will be appointed to produce a preliminary draft of rules for the Commission to consider at a later date.

CASE 11274: **Application of Meridian Oil Inc. to establish a statewide administrative procedure for approval of high angle/horizontal directional drilling projects in the State of New Mexico.** Applicant, in the above-styled cause, seeks the establishment of a new rule or an amended Rule 111 of the Oil Conservation Division Rules and Regulations establishing a statewide administrative procedure for approval of high angle/horizontal directional drilling projects in the State of New Mexico without the necessity of holding a hearing.

CASE 10280: **De Novo**

In the matter of the Case No. 10280 being reopened pursuant to the provisions of Division Order Nos. R-9594 and R-9594-A, which orders promulgated temporary special rules and regulations for the Milnesand-Abo Pool in Lea and Roosevelt Counties, New Mexico, including a provision for 80-acre spacing. Operators in the subject pool may appear and show cause why said special pool rules should not be rescinded and why the Milnesand-Abo Pool should not be developed on other than 40-acre spacing and proration units. Upon the application of Petroleum Production Management, Inc., this case will be heard De Novo pursuant to the provisions of Rule 1220.

DOCKET: COMMISSION HEARING - THURSDAY - AUGUST 3, 1995

9:00 A.M. - 2040 SOUTH PACHECO

SANTA FE, NEW MEXICO

The Land Commissioner's designee for this hearing will be Jami Bailey/Gary Carlson

CASE 11350 The Oil Conservation Division is calling a hearing on its own motion to consider proposed October, 1995 - March, 1996 gas allowables for the prorated gas pools in New Mexico. Allowable assignment factors are being distributed with an OCD Memorandum dated July 10, 1995. If requests for changes are not received at the August 3 hearing, these factors will be used to assign allowables for the October-March period.

CASE 10907: (Continued from May 11, 1995, Commission Hearing.)

In the matter of the hearing called by the Oil Conservation Division to amend Rules 1111, 1112 and 1115 of its General Rules and Regulations. The Oil Conservation Division seeks to amend its General Rules and Regulations to provide for the filing of Forms C-111, C-112, and C-115, respectively, on the last business day of the month following the month of production and to provide for the imposition of penalties for failure to file timely and accurate reports.

CASE 11351: In the matter of the hearing called by the Oil Conservation Division to amend Rule 104 of its General Rules and Regulations pertaining to unorthodox well locations and non-standard units. The proposed amendments to Rule 104 would provide for administrative approval of applications for certain unorthodox well locations and non-standard units currently requiring notice and hearing. A copy of the proposed amended Rule 104 is attached to this docket.

CASE 11352: In the matter of the hearing called by the Oil Conservation Division to amend Rule 116 of its General Rules and Regulations pertaining to the notification of fires, breaks, leaks, spills and blowouts. The proposed amendments to Rule 116 would include and/or exclude certain situations from its coverage. A copy of the proposed amended Rule 116 is attached to this docket.

CASE 11353: In the matter of the hearing called by the Oil Conservation Division to amend Rule 303.C. of its General Rules and Regulations pertaining to downhole commingling. The proposed amendments to Rule 303.C. would provide for administrative approval of applications for certain types of downhole commingling currently requiring notice and hearing. A copy of the proposed changes to Rule 303.C. is attached to this docket.

CASE 11233: (De Novo - Continued from July 6, 1995, Commission Hearing.)

Application of Nearburg Exploration Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Canyon formation underlying the SW/4 of Section 13, Township 19 South, Range 25 East, forming a standard 160-acre spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Undesignated North Dagger Draw Upper-Pennsylvanian Pool. Said unit is to be dedicated to its Fairchild "13" Well No. 2 to be drilled at a standard location in the SE/4 SW/4 (Unit N) of said Section 13. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Nearburg Producing Company as the operator of the well and a charge for risk involved in drilling and completing said well. Said unit is located approximately 4.5 miles west-northwest of Lakewood, New Mexico. Upon the application of Yates Petroleum Corporation, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 11234: (De Novo - Continued from July 6, 1995, Commission Hearing.)

Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Canyon formation underlying the SW/4 of Section 13, Township 19 South, Range 25 East, forming a standard 160-acre spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Undesignated North Dagger Draw Upper-Pennsylvanian Pool. Said unit is to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling and completing said well. Said unit is located approximately 4.5 miles west-northwest of Lakewood, New Mexico. Upon the application of Yates Petroleum Corporation, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 10280: (De Novo and Continued from July 6, 1995, Commission Hearing.)

In the matter of Case No. 10280 being reopened pursuant to the provisions of Division Order Nos. R-9594 and R-9594-A, which orders promulgated temporary special rules and regulations for the Milnesand-Abo Pool in Lea and Roosevelt Counties, New Mexico, including a provision for 80-acre spacing. Operators in the subject pool may appear and show cause why said spacing pool rules should not be rescinded and why the Milnesand-Abo Pool should not be developed on other than 40-acre spacing and proration units.

State of New Mexico
ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT
Santa Fe, New Mexico 87505



MEMORANDUM

TO: All Producers, Purchasers and Transporters of Gas From All Prorated Gas Pools in New Mexico

FROM: William J. LeMay, Director *WJL*
Oil Conservation Division

SUBJECT: Commission Hearing on August 3, 1995 Concerning Prorated Gas Allowables for the October, 1995 through March, 1996 Period

DATE: July 10, 1995

Market Demand and Allowable Determination Schedules for the prorated gas pools of New Mexico are attached. These schedules will be used to assist in determining the F1 and F2 factors and allowables for the wells and gas proration units in the prorated gas pools for the October, 1995 through March, 1996 period.

The produced volumes and well classifications shown may be incorrect due to incomplete production data.

Pool adjustments have been included to make proposed allowables consistent with current allowables. Three pools in the Southeast are shown to have no non-marginal wells. The following monthly allowable factors are recommended for these pools: Atoka Penn, 24,000; Blinebry, 42,550 and Justis Glorieta, 18,300 MCF.

Evidence and testimony concerning requests for additional allowable adjustments will be considered at the August 3, 1995 hearing. If requests for changes are not received, the factors shown in the attached schedules will be used in setting allowables for the upcoming allocation period.

VILLAGRA BUILDING - 408 Galisteo

Forestry and Resources Conservation Division
P.O. Box 1948 87504-1948
827-5830

Park and Recreation Division
P.O. Box 1147 87504-1147
827-7465

2040 South Pacheco

Office of the Secretary
827-5950

Administrative Services
827-5925

Energy Conservation & Management
827-5900

Mining and Minerals
827-5970

Oil Conservation
827-7131

OIL CONSERVATION DIVISION
 MARKET DEMAND AND ALLOWABLE DETERMINATION SCHEDULE
 PRORATED GAS POOLS OF NORTHWEST NEW MEXICO
 FOR OCTOBER 1995 THROUGH MARCH 1995

POOL NAME	AVG MONTHLY POOL SALES OCT94-MAR95	POOL ADJ	MONTHLY POOL ALLOWABLE OCT95-MAR96	MONTHLY MARGINAL POOL ALLOW- ABLE OCT94-MAR95	MONTHLY NON- MARGINAL POOL ALLOW- ABLE OCT94-MAR95	NUMBER OF NON- MARGINAL ACR FACTORS	NUMBER OF NON-MARGINAL ACR *DLY.	MONTHLY ACREAGE ALLOC. FACTOR	MONTHLY ACR *DLY. FACTOR
Basin Dakota	5,973,380	29,055	6,002,435	5,830,550	171,885	9.44	4,897	10,925	14.04
Blanco Mesaverde	11,670,554	477,639	12,148,193	10,621,408	1,526,785	80.27	43,806	4,755	26.14
Blanco P. C. South	843,955	38,169	882,124	761,626	120,498	108.51	3,207	278	28.18
Tapacito Pictured Cliffs	273,087	0	273,087	186,052	87,035	58.97	2,995	369	21.79

**All Gas Volumes Shown in MCF

**OIL CONSERVATION DIVISION
MARKET DEMAND AND ALLOWABLE DETERMINATION SCHEDULE
PRORATED GAS POOLS OF SOUTHEAST NEW MEXICO
FOR OCTOBER 1995 THROUGH MARCH 1996**

POOL NAME	AVG MONTHLY POOL SALES OCT94-MAR95	POOL ADJUSTMENTS	MONTHLY POOL ALLOWABLE OCT95-MAR96	MONTHLY MARGINAL POOL ALLOWABLE OCT94-MAR95	MONTHLY NON-MARGINAL POOL ALLOWABLE OCT94-MAR95	NUMBER OF NON-MARGINAL ACR. FACTORS	MONTHLY ACREAGE ALLOC. FACTOR OCT95-MAR96
Atoka Penn	87,467	0	87,467	87,467	0	0.00	24,000
Blinebry Oil and Gas	362,015	0	362,015	313,517	48,498	0.00	42,550
Buffalo Valley Penn	203,570	17,769	221,339	155,339	66,000	2.00	33,000
Eumont Yates 7 Rivers Qn	2,160,499	13,832	2,174,331	2,136,331	38,000	1.00	38,000
Indian Basin Morrow	39,404	0	39,404	17,100	22,304	1.08	20,652
Indian Basin Upper Penn	3,714,900	89,717	3,804,617	3,004,617	800,000	4.00	200,000
Jalmat Tansill YT 7 Rivers	512,116	(12,038)	500,078	490,928	9,150	0.50	18,300
Justis Glorieta	33,898	0	33,898	33,898	0	0.00	18,300
Tubb Oil and Gas	164,035	(2,820)	161,215	157,840	3,375	0.25	13,500

**All Gas Volumes Shown in MCF

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RULE 116 - NOTIFICATION OF FIRES, BREAKS, LEAKS, SPILLS, RELEASES AND BLOWOUTS

A. Notification

The Division shall be notified of any fire, break, leak, spill, release or blowout occurring at any injection or disposal facility or at any oil or gas drilling, producing, transporting, servicing, or processing facility in the State of New Mexico by the person operating or controlling such facility in accordance with the requirements of this rule.

~~B. "Facility," for the purpose of this rule, shall include any oil or gas well, any injection or disposal well, and any drilling or workover well; any pipe line through which crude oil, condensate, casinghead or natural gas, or injection or disposal fluid (gaseous or liquid) is gathered, piped, or transported (including field flow lines and lead lines but not including natural gas distribution systems); any receiving tank, holding tank, or storage tank, or receiving and storing receptacle into which crude oil, condensate, injection or disposal fluid, or casinghead or natural gas is produced, received, or stored; any injection or disposal pumping or compression station including related equipment; any processing or refining plant in which crude oil, condensate, or casinghead or natural gas is processed or refined; and any tank or drilling pit or slush pit associated with oil or gas well or injection or disposal well drilling operations or any tank, storage pit, or pond associated with oil or gas production or processing operations or with injection or disposal operations and containing hydrocarbons or hydrocarbon waste or residue, salt water, strong caustics or strong acids, or other deleterious chemicals or harmful contaminants.~~

~~B.C. Timing of Notification of such fire, break, leak, spill, or blowout shall be in accordance with the provisions set forth below:~~

~~1. (7) Immediate Notification IMMEDIATE NOTIFICATION. "Immediate Notification" Notification of the following incidents shall be given as soon as possible after discovery, and shall be either in person or by telephone to the appropriate district office at any time but in no event more than 24 hours thereafter, followed~~

up by "subsequent notification" pursuant to Section B.2 of the Division district in which the incident occurs, or if the incident occurs after normal business hours, to the District Supervisor, the Oil and Gas Inspector, or the Deputy Oil and Gas Inspector. A complete written report ("Subsequent Notification") of the incident shall also be submitted in DUPLICATE to the appropriate district office of the Division within ten days after discovery of the incident.

(1) (a) ~~Well Blowouts. Well Blowouts~~ Notification of well blowouts and/or fires shall be "immediate notification" described below. ("Well blowout" is defined as being loss of control over and subsequent eruption of any drilling or workover well, or the rupture of the casing, casinghead, or wellhead or any oil or gas well or injection or disposal well, whether active or inactive, accompanied by the sudden emission of fluids, gaseous or liquid, from the well.)

(2) (b) ~~"Major" Breaks, Spills, or Leaks. Major Spills, leaks or releases~~

(i) Notification of breaks, spills, leaks or releases of 25 or more barrels of crude oil, or produced water, or condensate or any combination thereof, none of which reaches a watercourse; or 500 or more MCF of gases, or 100 barrels or more of salt water, none of which reaches a watercourse or enters a stream or lake;

(ii) breaks, spills, leaks or releases in which any quantity of one or more barrels of crude oil, produced water, or condensate, or other chemicals or contaminants or 25 barrels or more of salt water does reach a watercourse or enters a stream or lake;

(iii) and breaks, spills, leaks or releases of hydrocarbons or hydrocarbon waste or residue, salt produced water, strong caustics or strong acids, gases, or other deleterious chemicals or harmful contaminants of any magnitude which

may with reasonable probability endanger human health or result in substantial damage to property or the environment, shall be "immediate notification" described below.

~~(4) "Gas Leaks and Gas Line Breaks. Notification of gas leaks from any source or of gas pipe line breaks in which natural or casinghead gas of any quantity has escaped or is escaping which may with reasonable probability endanger human health or result in substantial damage to property shall be "immediate notification" described below. Notification of gas pipe line breaks or leaks in which the loss is estimated to be 1000 or more MCF of natural or casinghead gas but in which there is no danger to human health nor of substantial damage to property shall be "subsequent notification" described below.~~

~~(5) (c) Tank Fires. Fires Notification of fires in tanks or other receptacles caused by lightning or any other cause, if the loss is, or it appears that the loss will be, in quantities set forth in Section B.1. (b) 25 or more barrels of crude oil or condensate, or fires which may with reasonable probability endanger human health or result in substantial damage to property or the environment, shall be "immediate notification" as described below. If the loss is, or it appears that the loss will be at least 5 barrels but less than 25 barrels, notification shall be "subsequent notification" described below.~~

~~(6) Drilling Pits, Slush Pits, and Storage Pits and Ponds. Notification of breaks and spills from any drilling pit, slush pit, or storage pit or pond in which any hydrocarbon or hydrocarbon waste or residue, strong caustic or strong acid, or other deleterious chemical or harmful contaminant endangers human health or does substantial surface damage, or reaches a watercourse or enters a stream or lake in such quantity as may with reasonable probability endanger human health or result in substantial damage to such watercourse, stream, or lake, or the contents thereof, shall be "immediate notification" as described below. Notification of breaks or spills of such magnitude as to not endanger human health, cause substantial surface damage, or result in substantial damage to any watercourse, stream, or lake, or the contents thereof, shall be "subsequent notification" described below, provided however, no notification shall be required where there is no threat of any damage resulting from the break or spill.~~

~~2. (8) Subsequent Notification SUBSEQUENT NOTIFICATION. "Subsequent Notification" shall be a complete written report of the following incident and shall be submitted in DUPLICATE on OGD~~

Form C-139, pursuant to OCD guidelines, to the appropriate district office of the Division district in which the incident occurred for approval within ten days after discovery of the incident.

(3) (a) ~~"Minor" Breaks, Spills, or Leaks. Minor Spills, Leaks or Releases~~ Notification of breaks, spills, or leaks of 1 barrel 5 barrels or more but less than 25 barrels of crude oil, or produced water, or condensate, or any combination thereof; or 25 barrels or more but less than 100 barrels of salt water, none of which reaches a watercourse or enters a stream or lake; or at least 50 but less than 500 MCF of gas; and in which there is no danger to human health nor of substantial damage to property or the environment shall be "subsequent notification".

(b) Fires. Fires, if the loss is, or it appears that the loss will be in quantities set forth in Section B.2. (a).

~~(9) CONTENT OF NOTIFICATION. All reports of fires, breaks, leaks, spills, or blowouts, whether verbal or written, shall identify the location of the incident by quarter quarter, section, township, and range, and by distance and direction from the nearest town or prominent landmark so that the exact site of the incident can be readily located on the ground. The report shall specify the nature and quantity of the loss and also the general conditions prevailing in the area, including precipitation, temperature, and soil conditions. The report shall also detail the measures that have been taken and are being taken to remedy the situation reported.~~

~~(10) WATERCOURSE, for the purpose of this rule, is defined as any lake bed or gully, draw, stream bed, wash, arroyo, or natural or man-made channel through which water flows or has flowed.~~

C. Corrective Actions

The owner and/or operator must complete corrective actions in accordance with OCD Guidelines.

A. CLASSIFICATION OF WELLS: WILDCAT WELLS AND DEVELOPMENT WELLS

(1) Any well which is to be drilled a distance of one mile or more from:

(a) the outer boundary of any defined pool which has produced oil or gas from the formation to which the well is projected; and

(b) any other well which has produced oil or gas from the formation to which the proposed well is projected, shall be classified as a wildcat well.

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

(3) Any well classified as a development well for a given pool but which is completed in a producing horizon not included in the vertical limits of said pool shall be operated and produced in accordance with the rules and regulations in effect in the nearest pool within one mile which is producing from that horizon. If there is no designated pool for said producing horizon within one mile, the well shall be re-classified as a wildcat well.

B. ACREAGE AND WELL LOCATION REQUIREMENTS FOR WILDCATS

(1) Lea, Chaves, Eddy and Roosevelt Counties

(a) Wildcat Gas Wells. In Lea, Chaves, Eddy and Roosevelt Counties, a wildcat well which is projected as a gas well to a formation and in an area which, in the opinion of the engineer or supervisor approving the application to drill, may reasonably be presumed to be productive of gas rather than oil shall be located on a drilling tract consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section, being a legal subdivision of the U.S. Public Land surveys, and shall be located not closer than 660 feet to any outer boundary of such tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary. Provided, however, that any such wildcat gas well which is projected to the Wolfcamp or older

formations shall be located on a drilling tract consisting of 320 surface contiguous acres, more or less, comprising any two contiguous quarter sections of a single governmental section, being a legal subdivision of the U.S. Public Land Surveys. Any such "deep" wildcat gas well to which is dedicated more than 160 acres shall be located not closer than 660 feet to the nearest side boundary of the dedicated tract nor closer than 1980 feet to the nearest end boundary nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary. (For the purpose of this rule, "side" boundary is defined as one of the outer boundaries running lengthwise to the tract's greatest overall dimensions; "end" boundary is defined as one of the outer boundaries perpendicular to a side boundary and closing the tract across its least overall dimension.)

(b) Wildcat Oil Wells. In Lea, Chaves, Eddy, and Roosevelt Counties, a wildcat well which is not a wildcat gas well as defined above shall be located on a tract consisting of approximately 40 surface contiguous acres substantially in the form of a square which is a legal subdivision of the U.S. Public Land Surveys, or on a governmental quarter-quarter section or lot, and shall be located not closer than 330 feet to any boundary of such tract.

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

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

(a) Wildcat Gas Wells. In San Juan, Rio Arriba, and Sandoval Counties, a wildcat well which is projected to a gas-producing horizon shall be located on a designated drilling tract consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section, being a legal subdivision of the U.S. Public Land surveys, and shall be located not closer than 790 feet to any outer boundary of the tract nor closer than ~~130 feet~~ 10 feet to any quarter-quarter section or subdivision inner boundary.

- (b) In the event oil production is encountered in a well which was projected to a gas-producing horizon and which is located accordingly but does not conform to the oil well location rule below, it shall be necessary for the operator to bring the matter to a hearing before approval for the production of oil can be given.
- (c) Wildcat Oil Wells. A wildcat well which is projected to an oil-producing horizon as recognized by the Division shall be located on a tract consisting of approximately 40 surface contiguous acres substantially in the form of a square which is a legal subdivision of the U.S. Public Land Surveys, or on a governmental quarter-quarter section or lot, and shall be located not closer than 330 feet to any boundary of such tract.
- (d) In the event gas production is encountered in a well which was projected to an oil-producing horizon and which is located accordingly but does not conform to the above gas well location rules, it shall be necessary for the operator to bring the matter to a hearing before approval for the production of gas can be given.

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

- (a) Any wildcat well which is projected as an oil well in any county other than Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba, and Sandoval Counties shall be located on a tract consisting of approximately 40 surface contiguous acres substantially in the form of a square which is a legal subdivision of the U.S. Public Land Surveys, or on a governmental quarter-quarter section or lot and shall be located not closer than 330 feet to any boundary of such tract.
- (b) Any wildcat well which is projected as a gas well to a formation and in an area which, in the opinion of the Division representative approving the application to drill, may reasonably be presumed to be productive of gas rather than oil shall be located on a drilling tract consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section, being a legal subdivision of the U.S. Public Land Surveys, and shall be located not closer than 660 feet to any outer boundary of such tract nor closer than 330 feet to any quarter-

quarter section or subdivision inner boundary.

C. ACREAGE AND WELL LOCATION REQUIREMENTS FOR DEVELOPMENT WELLS

(1) Oil Wells, All Counties.

- (a) Unless otherwise provided in special pool rules, each development well for a defined oil pool shall be located on a tract consisting of approximately 40 surface contiguous acres substantially in the form of a square which is a legal subdivision of the U.S. Public Land Surveys, or on a governmental quarter-quarter section or lot, and shall be located not closer than 330 feet to any boundary of such tract nor closer than 330 feet to the nearest well drilling to or capable of producing from the same pool, provided however, only tracts committed to active secondary recovery projects shall be permitted more than four wells.

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

- (a) Gas Wells. Unless otherwise provided in special pool rules, each development well for a defined gas pool in a formation younger than the Wolfcamp formation, or in the Wolfcamp formation which was created and defined by the Division prior to November 1, 1975, or in a Pennsylvanian age or older formation which was created and defined by the Division prior to June 1, 1964, shall be located on a designated drilling tract consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section being a legal subdivision of the U.S. Public Land Surveys, and shall be located not closer than 660 feet to any outer boundary of such tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary nor closer than 1320 feet to the nearest well drilling to or capable of producing from the same pool.
- (b) Unless otherwise provided in the special pool rules, each development well for a defined gas pool in the Wolfcamp formation which was created and defined by the Division after November 1, 1975, or of Pennsylvanian age or older which was created and defined by the Division after June 1, 1964, shall be located on a designated drilling tract consisting of 320 surface contiguous acres, more or less, comprising any two contiguous quarter sections of a single governmental section, being a legal

subdivision of the U.S. Public Land Surveys. Any such well having more than 160 acres dedicated to it shall be located not closer than 660 feet to the nearest side boundary of the dedicated tract nor closer than 1980 feet to the nearest end boundary nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary. (For the purpose of this rule, "side" boundary and "end" boundary are as defined in Section B I(a) of this rule.)

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

- (a) Gas Wells. Unless otherwise provided in special pool rules, each development well for a defined gas pool shall be located on a designated drilling tract consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section, being a legal subdivision of the U.S. Public Land Surveys, and shall be located not closer than 790 feet to any outer boundary of the tract nor closer than ~~130 feet~~ 10 feet to any quarter-quarter section line or subdivision inner boundary.

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

- (a) Gas Wells. Unless otherwise provided in special pool rules, each development well for a defined gas pool shall be located on a designated drilling tract consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section, being a legal subdivision of the U.S. Public Land Surveys, and shall be located not closer than 660 feet to any outer boundary of such tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary nor closer than 1320 feet to the nearest well drilling to or capable of producing from the same pool.

D. ACREAGE ASSIGNMENT, ~~COMPLETED WELLS~~

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

- (a) Date of completion for a gas well shall be the date

a Christmas tree is installed or 30 days following conclusion of active completion work on the well, whichever date comes first.

- (b) Upon making a determination that the well should not properly be classified as a gas well, the Division will reduce the acreage dedicated to the well.
- (c) Failure of the operator to file the aforesaid tests within the specified time will also subject the well to such acreage reduction.

(2) Non-Standard Units. Any ~~completed-gas~~ well which does not have the required amount of acreage dedicated to it for the pool or formation in which it is completed or to which it is, projected may not be produced until a standard unit for the well has been formed and dedicated or until a non-standard unit has been approved.

(a) ~~The supervisor of the appropriate district office of the Division shall have the authority to approve non-standard units without notice and hearing when the unorthodox size and shape is necessitated by a variation in the legal subdivision of the United States Public Lands Survey and/or consists of an entire governmental section and the non-standard unit is not less than 70% nor more than 130% of a standard unit. Such approval shall consist of acceptance of Division Form C-102 showing the proposed non-standard unit and the acreage contained therein.~~

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

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

(ii) The non-standard unit lies wholly within a single governmental quarter section if the well is completed in a pool or formation for which 40, 80 or 160 acres is the standard unit size or wholly within a single governmental half

section if the well is completed in a pool or formation for which 320 acres is the standard unit size.

(iii) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the quarter section (for 40, 80 or 160-acre pools or formations) or the half section (for 320-acre pools or formations) in which the non-standard unit is situated and which acreage is not included in said non-standard unit.

(iv) In lieu of paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of his intent to form such non-standard unit. The Director may approve the application if no such operator has entered an objection to the formation of such non-standard unit within 30 days after the Director has received the application.

E. Form C-101, Application for Permit to Drill, Deepen, or Plug Back for any well shall designate the exact legal subdivision allotted to the well and no Form C-101 will be approved by the Division or any of its agents without such proper designation of acreage.

F. UNORTHODOX LOCATIONS

~~(1) The Division Director shall have authority to grant an exception to the well location requirements of Sections B and C above without notice and hearing when the necessity for such unorthodox location is based upon topographical conditions, the recompletion of a well previously drilled to a deeper horizon, provided said well was drilled at an orthodox or approved unorthodox location for such original horizon, or to permit the completion of an efficient production and injection pattern within a secondary recovery or pressure maintenance project, provided that any such unorthodox location within such project is no closer than 330 feet to the outer boundary of the lease or the unitized area, nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.~~

(1) Well locations which are unorthodox based on the well location requirements of section C above or the well location requirements of special pool rules and which are necessary to permit the completion of an efficient production and injection pattern within a secondary recovery, tertiary recovery, or pressure maintenance project are hereby authorized, provided that any such location within such project is no closer than the required minimum orthodox distance to the outer boundary of the lease or the unitized area, nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary. Such locations shall only require such prior

approval as is necessary for an orthodox location.

~~(2) The Division Director shall have authority to grant an exception to the well location requirements of Rule 104 B.I. (a) and Rule 104 C.II. (a) without notice and hearing when the necessity for such unorthodox location is based upon geologic conditions provided that any such unorthodox location shall be no closer than 660 feet to the nearest side boundary nor closer than 990 feet to the nearest end boundary of the proration unit.~~

(2) The Division Director shall have authority to grant an exception to the well location requirements of Sections B and C above or to the well location requirements of special pool rules without hearing when the necessity for such unorthodox location is based upon geologic conditions, topographical conditions, or the recompletion of a well previously drilled to a deeper horizon, provided said well was drilled at an orthodox or approved unorthodox location for such original horizon.

~~(3) Applications for administrative approval of unorthodox locations shall be filed in TRIPLICATE and shall be accompanied by plats, showing the ownership of all leases offsetting the proration or spacing unit for which the unorthodox location is sought, and also all wells completed thereon. If the proposed unorthodox location is based upon topography, the plat shall also show and describe the existent topographical conditions. If the proposed unorthodox location is based upon completion of an efficient production and injection pattern, the plat shall also show the project outline identifying all producing and injection wells therein, and the applicant shall further include a statement setting forth the necessity for such location. If the proposed unorthodox location is based upon geology as provided in Paragraph (2) above, the application shall include appropriate geologic maps, cross sections, and/or logs, and a discussion of the geologic conditions which result in the necessity for the unorthodox location.~~

(3) Applications for administrative approval of unorthodox locations pursuant to Section F(2), above, shall be filed in TRIPLICATE and shall be accompanied by plats, showing the ownership of all leases offsetting the proration or spacing unit for which the unorthodox location is sought, and also all wells completed thereon. If the proposed unorthodox location is based upon topography, the plat shall also show and describe the existent topographical conditions. If the proposed unorthodox location is based upon geology, the application shall include appropriate geologic maps, cross sections, and/or logs, and a discussion of the geologic conditions which result in the necessity for the unorthodox location.

~~(4) All operators of proration or spacing units offsetting the unit for which the unorthodox location is sought shall be notified of the application by certified or registered mail, and the application shall state that such notification has been given. The Division Director may approve the unorthodox location upon receipt of waivers from all offset operators or if no offset operator has entered an objection to the unorthodox location within 20 days after the Director has received the application.~~

(4) All operators of proration or spacing units offsetting the unit for which the unorthodox location is sought shall be notified of the application by certified or registered mail, and the application shall state that such notification has been given. The Division Director may approve the unorthodox location upon receipt of waivers from all offset operators or if no offset operator has entered an objection to the unorthodox location within 20 days after the Director has received the application.

~~(5) The Division Director may, at his discretion, set any application for administrative approval of an unorthodox location for public hearing.~~

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

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

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

I. If the drilling tract is within an allocated gas pool or is subsequently placed within an allocated gas pool, and the drilling tract consists of less than 158 acres or more than 162 acres in 160-acre pools, or less than 316 acres or more than 324 acres in 320-acre pools, the top allowable for such well shall be decreased or increased in the proportion that the number of acres in the drilling tract bears to a standard unit for the pool.

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

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

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

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

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

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

O. Applicant shall furnish all operators who directly and diagonally offset the units involved a copy of the application to the Division and shall include with his application a written statement that all offset operators have been properly notified. Offset operators shall include only those operators who have offset properties within the State of New Mexico. The Division shall wait at least ten days before approving any such pooling, and shall approve such pooling only in the absence of objection from any offset operator. In the event that an operator objects to the pooling, the Division shall consider the matter only after proper notice and hearing.

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

Q. The Division may consider that the requirements of subparagraphs 2 and 3 of paragraph M of this rule have been fulfilled if the applicant furnishes with each copy of each application to the Division a copy of executed pooling agreement communitizing the units involved.

R. Each well drilled on any communitized tract shall be located in the approximate geographical center of the combined units with a tolerance of 150 feet for topographical conditions, but in any event shall not be located closer than 330 feet to the outer boundaries of the proposed proration unit or communitized tract.

PROPOSED RULE CHANGES TO RULE NO. 303(C) -DOWNHOLE COMMINGLING

C. (1) The Director of the Division shall have the authority to grant an exception to Rule 303(A) to permit the commingling in the wellbore of multiple producing zones when the following facts exist and the following conditions are met:

Changes: multiple producing zones is substituted for oil-oil, gas-gas, or gas-oil zones in a well. This change will illustrate that the Division will approve more than two zones for downhole commingling.

C. (1)(a)(iii) No zone produces more water than the combined oil limit as determined in paragraph (i) above.

Changes: Substitute No for Neither.

C. (1)(a)(vi) Ownership of the zones to be commingled is common (including working interest, royalty and overriding royalty).

Changes: Delete this requirement. Due to the fact that so many downhole commingling applications were set to hearing due to diverse ownership, this is the requirement that operators wanted to see relaxed.

C. (1)(a)(vii) The commingling will not jeopardize the efficiency of present or future secondary operations in any of the zones to be commingled.

Changes: Substitute any for either.

C. (1)(b)(v) Ownership of the zones to be commingled is common (including working interest, royalty and overriding royalty).

Changes: Delete, same as above.

D. (5) A production decline curve for all zones showing that...etc.

Changes: Substitute all for both.

D. (10) A statement that all offset operators and, in the case of a well on state or federal lands, the Commissioner of Public Lands for the State of New Mexico or the United States Bureau of Land Management, have been notified in writing of the proposed commingling.

Changes: Adding a requirement that the State Land Office be notified of proposed downhole comminglings. The State Land Office does have a requirement that DHC's on state lands be approved by them. Many times operators do not apply to the SLO because they are unaware of such requirements.

D. (11) In a case where there is diversity of ownership between the zones to be commingled (including working, royalty or overriding royalty interest), the applicant shall submit a statement that all such interest owners have been notified in writing of the proposed commingling.

Changes: This is a new requirement to assure that the correlative rights of interest owners are protected and that they have a chance to object to the commingling.

E. The Division Director may approve the proposed downhole commingling in the absence of a valid objection from any offset operator and/or interest owner within 20 days after the receipt of the application if, in his opinion, there is no disqualifying disparity of bottomhole pressures or other reservoir characteristics, waste will not result thereby, and correlative rights will not be violated. The 20-day waiting period may be dispensed with upon receipt of waivers of objection from all parties mentioned in Section D, paragraphs 10 and 11.

Changes: Adding language. Self Explanatory.

G. The Division Director may rescind authority to commingle production in the wellbore and require the zones to be produced separately, if, in his opinion, waste or reservoir damage is resulting thereby or the efficiency of any secondary project is being impaired, or if any changes of conditions renders the installation no longer eligible for downhole commingling under the provisions of Section (1) (a) or (1) (b).

Changes: Substituting the for both.
