



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

GARREY CARRUTHERS
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

September 25, 1990

Yates Petroleum Corporation
105 South Fourth Street
Artesia, NM 88210

Attention: Ken Beardemphl, Landman

10130

*RE: Administrative application for an unorthodox oil well location,
Spanish Dagger "AID" Com Well No. 1, 660' FSL - 725' FWL
(Unit M) Section 12, Township 20 South, Range 24 East, NMPM,
Eddy County, New Mexico.*

Dear Mr. Beardemphl:

Reference is made to the subject application dated September 13, 1990 and received by this office on September 18, 1990. Upon review of said filing, I was unclear as to the reason for this unorthodox location, whether its for topographic reasons or for geologic advantage. Rule 2(c) of the General Rules and Regulations for Associated Pools in Northwest and Southeast New Mexico and the Special Rules and Regulations for the South Dagger Draw Upper Pennsylvanian Associated Pool, as promulgated by Division Order No. R-5353, as amended, (see copy of pages 6 and 7 attached) do not provide an administrative procedure for approving unorthodox well locations based on geological reasons in this pool. Should this be your reasoning, I have taken the liberty to set this application on the next available Examiner Hearing docket scheduled for October 17, 1990. However, should this application be for topographic reasons, please provide adequate supporting data as required by Memorandum 1-90, dated March 21, 1990, also attached.

So that the Division may proceed with your application in a timely manner, please contact me as to Yates' intent at this time.

*Yates Petroleum Corporation
Attention: Ken Beardemphl
September 25, 1990
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Thank you for your cooperation in this matter and should you have any questions or comments, please contact me.

Sincerely,



Michael E. Stogner
Chief Hearing Officer/Engineer

MES/ag

cc: Oil Conservation Division - Artesia
Robert G. Stovall: Oil Conservation Division - Santa Fe
William J. LeMay: Oil Conservation Division - Santa Fe
US Bureau of Land Management - Carlsbad

80, 160 and 320 acres

Not closer than 790 feet to any quarter section line nor closer than 330 feet to any quarter-quarter section line or subdivision inner boundary.

OIL WELLS - SOUTHEAST NEW MEXICO

Standard Proration Unit

Location Requirements

40 Acres

Not closer than 330 feet to the boundary of the tract

80 and 160 acres

Within 150 feet of the center of the quarter-quarter section wherein located

GAS WELLS - SOUTHEAST NEW MEXICO

Standard Proration Unit

Location Requirements

160 Acres

Within 150 feet of the center of the quarter-quarter section wherein located.

320 Acres

Not closer than 660 feet to the nearest side boundary nor closer than 1980 feet to the nearest end boundary of the spacing unit nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary.

RULE 2. (c) The Secretary-Director of the Commission shall have authority to grant an exception to the well location requirements of Rule 2(b) above without notice and hearing when the necessity for such unorthodox location is based upon topographical conditions or the recompletion of a well previously drilled to another horizon, provided said well was drilled at an orthodox location for such original horizon, or where the size and shape of an approved non-standard spacing and proration unit render a standard location impossible.

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.

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 Secretary-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 Secretary-Director has received the application.

RULE 3. (a) Each gas well shall be located on a standard unit containing 160 acres or 320 acres, more or less, as provided in the special rules for the pool in which it is situate.

(b) Each oil well shall be located on a standard unit containing 40 acres, 80 acres or 160 acres, more or less, as provided in the special rules for the pool in which it is situate.

RULE 4. (a) The District Supervisor of the appropriate district office of the Commission shall have the authority to approve a non-standard unit as an exception to Rule 3(a) or 3(b) without notice and hearing when the unorthodox size or shape of the unit is necessitated by a variation in the legal subdivision of the U. S. Public Land Surveys and the non-standard unit is not less than 75% nor more than 125% of a standard unit.

The District Supervisor of the appropriate district office of the Commission may approve the non-standard unit by:

(1) Accepting a plat showing the proposed non-standard unit and the acreage to be dedicated to the non-standard unit, and

(2) Assigning an allowable to the non-standard unit.

(b) The Secretary-Director of the Commission may grant an exception to the requirements of Rule 3(a) or Rule 3(b), when the unorthodox size or shape of the unit is necessitated



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No. 1-90

MEMORANDUM

TO: All Operators

FROM: William J. LeMay, Director *WJL*

SUBJECT: Administrative Applications for Unorthodox Locations

DATE: March 21, 1990

Division Memorandum No. 3-89, dated March 24, 1989, advised the industry that the OCD would no longer automatically approve unopposed unorthodox location applications. Unorthodox locations can be approved administratively in accordance with the Rules and Regulations or applicable special pool rules if surface conditions truly prevent the use of a legal location and if directional drilling to a legal location is not feasible.

Topographic conditions which will be considered to justify an unorthodox location include such traditional factors as terrain features (steep slopes, arroyos, etc.) which make drilling impractical. In addition, approval may be given to avoid archeological sites which may not be disturbed without substantial mitigation, incompatible surface uses such as buildings, recreation areas, etc. Applications should fully document the reason an unorthodox location is required.

The attached guidelines state the minimum information which should be submitted with applications for administrative approval of unorthodox locations. Failure to provide the necessary information will probably result in processing delays.

If the surface of the proration unit or proposed drill site is controlled by a Federal Surface Management Agency, a copy of the application must be sent to the appropriate agency office.

If there are legal locations within the proration unit which are drillable, but the operator chooses not to drill those locations for geological reasons the application cannot be approved administratively and a hearing will be required.

NEW MEXICO OIL CONSERVATION DIVISION

SUBMITTAL GUIDELINES FOR ADMINISTRATIVE APPROVAL
OF NON-STANDARD LOCATION APPLICATIONS

- I. If the well is located on Federal or Indian Lands, the Federal Surface Management Agency must be notified and an on-site inspection conducted prior to filing the application. If an Application for Permit to drill or a Notice of Staking has been prepared, a copy must be submitted.
- II. Completed C-102 showing the well location, proration unit, leases within the unit and other required information.
- III. Land plat showing offset operators and working interest owners and any offsetting wells producing from the same pool or formation.
 - A. This information may be shown on the topo map if it does not impair the readability of the map.
 - B. The operator should certify that the information is current and correct.
- IV. Original or clear copy of topographic map, preferably 7.5 minute quad, showing contours and other mapped features impacting the location, with the following information marked thereon (In order to be able to adequately show all of the necessary surface conditions it may be necessary to enlarge the relevant portion of the topo map to provide room for detail):
 - A. The proposed well location and proration unit;
 - B. An outline of the orthodox drilling windows as provided in the applicable rules for the subject application;
 - C. The location of any wells to any formation within the area of the proration unit and a statement as to whether an existing pad can be used to drill the proposed well;
- V. An enlargement of the topo map showing the subject area with the applicable additional information:
 - A. Terrain features not shown on the map which make an orthodox location unusable;
 - B. Proposed access roads and pipelines if they affect the location selection;
 - C. The location of any surface uses which prevent use of a legal location;

- D. The location of any archeological sites identified in the archeological survey;
 - E. The location and nature of any other surface conditions which prevent the use of an orthodox location.
- VI. If archeological sites are a reason for the unorthodox location request, a copy of the archeological survey, or a summary, identifying sites which cannot be disturbed or which must have any disturbance mitigated. In addition, the location of such areas should be marked on the enlarged topo so they can be clearly identified.
- VII. A narrative report of any on-site inspection of the potential locations. If such on-site has resulted in elimination of legal locations due to surface conditions, such information should also be noted on the enlarged topo.
- VIII. A statement of why directional drilling to reach a legal bottom-hole location is not feasible.
- IX. An affidavit that notice has been sent to all parties entitled thereto, under the Divisions Rules and Regulations with return receipt cards showing date of receipt of notice.