

NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

December 13, 1995

RECEIVED

Maralo, Inc.
P. O. Box 832
Midland, Texas 79702

DEC 18 1995

OIL CON. DIV.
DIST. 2

Attention: Dorothea Logan
Regulatory Analyst

*Appr. 3-1-96
NSL-3636
for #2*

RE: Administrative Application for an Unorthodox Oil Well Location in order to test the Grayburg formation for oil. D. S. "26" Federal Well No. 2 (API No. 30-105-28719); 1683'FNL-1259'FEL (Unit H) of Section 26, Township 20 South, Range 26 East, NMPM, Eddy County, New Mexico.

Dear Ms. Logan:

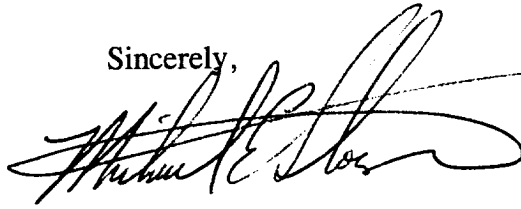
Per our telephone conversations and voice-mail messages today, Tuesday December 12, 1995, the subject application dated November 20, 1995 cannot be approved at this time due to insufficient data. Please take note, there is a significant difference between the subject application and Maralo's previous approval for its D. S. "26" Federal Well No. 1 (API No. 30-015-28257), approved by Division Administrative Order NSL-3444, dated December 16, 1994, for an unorthodox Morrow gas well location spaced on 320 acres (N/2 dedication) and located 1783 feet from the North line and 1259 feet from the East line (Unit H) of said Section 26. Said Well No. is in a pool with 320-acre development, the location is 1259 feet from the end boundary of its dedicated acreage, and this location was primarily for geologic reasons as provided for in Division General Rule 104.F(2). The No. 2 well is for an oil well to be developed on 40-acre spacing and it is only 61 feet from the outer boundary of its dedicated acreage. It is further our understanding that the APD for this well has been authorized by the U. S. Bureau of Land Management, whose primary function at this point in the process is that of a surface management agency, approval by the N.M.O.C.D. for unorthodox locations is to assure prudent oil and gas development, to promote proper drainage, provide for proper spacing between wells, to prevent waste caused by such improper development and drainage, and to protect correlative rights by providing a avenue for mineral interests to seek excepts to said rules and to provide to any other offsetting or affected mineral interests the opportunity to object to same.

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Please provide *all applicable* information and supporting data pursuant to Division Memorandums 1-90 and 3-89 (see copies attached).

Should you have any questions or comments concerning these rules, requirements and/or procedures after you have reviewed them, please contact me at (505) 827-8185.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael E. Stogner", written over a horizontal line.

Michael E. Stogner
Chief Hearing Officer/Engineer

cc: Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad
William J. LeMay, Director - OCD, Santa Fe



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

GARREY CARRUTHERS
GOVERNOR

POST OFFICE BOX 2098
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

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.

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

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GARREY CARRUTHERS
GOVERNOR

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

No. 3-89

MEMORANDUM

TO: ALL OIL AND GAS OPERATORS
FROM: WILLIAM J. LEMAY, DIRECTOR *WJL*
SUBJECT: UNORTHODOX WELL LOCATIONS
DATE: MARCH 24, 1989

Previously, it has been the practice of the Division to approve applications for unorthodox well locations without penalty if they were not opposed by any off-setting operator. However, due to the increased applications for unorthodox locations based predominantly on "closeology", this Division policy may no longer be appropriate. In the future, applications for unorthodox locations, whether for administrative approval or through the hearing process, will have to be supported by substantial evidence.

The Division will be reviewing future applications in an effort to develop guidelines for approving or denying such applications. Generally, if the application is based upon surface conditions, i.e., topography, archaeological considerations, etc., it will have to be clearly shown what obstructions prevent the drilling of the well at a legal location and the unorthodox location will have to be as close as practicable to the orthodox location. If unorthodox location is being requested for geological reasons, the applicant should be prepared to present evidence showing the geological factors that dictate the necessity for drilling an unorthodox location.

As always, the Division welcomes industry input into the process.

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