

- (a) standard 320-acre, more or less, gas spacing and proration units comprising any two contiguous quarter sections of a single section that is a legal subdivision of the U. S. Public Land Surveys; and
- (b) the initial well on a 320-acre unit to be located no closer than 660 feet to any 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.

(4) Marbob originally sought administrative approval of this location by application dated March 6, 2000. However, following discussions with the Division the application was set for hearing to enable Marbob to present additional evidence and respond to questions concerning the proposed well location. At the April 6, 2000 hearing in this matter, Marbob presented letters from all "affected parties," as defined by Division Rule 1207A.2, waiving objection to the location sought by Marbob in this case

(5) No interested party appeared at the hearing in opposition to this application.

(6) Prior to the revisions to Division Rule 104 on August 12, 1999, deep gas wells in southeast New Mexico on 320-acre spacing were limited to one well per unit no closer than 1650 feet from the end boundaries of the unit nor closer than 660 feet from the side boundaries of the unit nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary.

(7) Division Rule 104.F (2), as revised, allows the Division Director to grant exceptions to the well location requirements contained in Division Rule 104.B. and 104.C., "after notice and opportunity for hearing when the exception is necessary to prevent waste or protect correlative rights." By Notice dated October 25, 1999, the Division Director explained the August 12, 1999 amendments, including the effect of those amendments. That notice specified that "[s]ince 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 exceptions will require substantial justification, *i.e.*, unusual circumstances."

(8) In considering Marbob's application in this case, the Division considered the following factors, which should be considered by any operator seeking any exception to the well location requirements in Division Rules 104.B. and 104.C.: