



**NEW MEXICO ENERGY, MINERALS  
& NATURAL RESOURCES DEPARTMENT**

**OIL CONSERVATION DIVISION**  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505  
(505) 827-7131

March 7, 2000

**Chevron U.S.A., Inc.**  
**P. O. Box 1150**  
**Midland, Texas 79702**

**Attention: Lloyd V. Trautman**

**Re: *Administrative application for subsurface well location exception for Chevron U.S.A., Inc.'s North Lusk "29" Federal Well No. 1 (API No. 30-025-34673) at an unorthodox bottomhole oil well location 219.55' FSL & 1964.49' FWL (Unit N) of Section 29, Township 18 South, Range 32 East, NMPM, Undesignated North Lusk-Strawn Pool, Lea County, New Mexico.***

Dear Mr. Trautman:

I have reviewed your application dated February 28, 2000, which was received on March 3, 2000, but am unable to process it at this time. Pursuant to Division Rules 111.C (3), 104.F (3) and (4), and 1207.A (2) [see copies attached], the subject application appears to be incomplete. Please either submit the required data and proof of notice or provide me with a sufficient explanation why such information was not included with this application.

Thank you for your cooperation in this matter.

Sincerely

**Michael E. Stogner**  
**Chief Hearing Officer/Engineer**

cc: New Mexico Oil Conservation Division – Hobbs  
U. S. Bureau of Land Management – Carlsbad  
Mr. Ray Vaden, Chevron U.S.A. Production Company - Midland

## *Rule 1207. A*

(e) At the request of any interested person or upon the Division's own initiative, any pooling application submitted shall be set for full hearing with oral testimony by the applicant. [Rn, 19 NMAC 15.N.1207.A.(4), 7-15-99; A, 7-15-99]

(2) **Unorthodox Well Locations:** [1-1-87...2-1-96; Rn, 19 NMAC 15.N.1207.A.(5), 7-15-99; A, 7-15-99]

(a) **Definition:** "Affected persons" are the following persons owning interests in the adjoining spacing units:

1. the Division-designated operator;
2. in the absence of an operator, any lessee whose interest is evidenced by a written document of conveyance either of record or known to the applicant as of the date the application is filed; and
3. in the absence of an operator or lessee, any mineral interest owner whose interest is evidenced by a written document of conveyance either of record or known to the applicant as of the date the application was filed.

In the event the operator of the proposed unorthodox well is also the operator of an existing adjoining spacing unit and ownership is not common between the adjoining spacing unit and the spacing unit containing the proposed unorthodox well, then "affected persons" include all working interest owners in that spacing unit. [1-1-87...2-1-96; N, 7-15-99]

(b) If the proposed location is unorthodox by being located closer to the outer boundary of the spacing unit than permitted by rule, notice shall be given to the affected persons in the adjoining spacing units towards which the unorthodox location encroaches. [Rn, 19 NMAC 15.N.1207.A.(5).(a), 7-15-99, A, 7-15-99]

(c) If the proposed location is unorthodox by being located in a different quarter-quarter section or quarter section than provided in special pool orders, notice shall be given to all affected persons. [Rn, 19 NMAC 15.N.1207.A.(5).(a), A, 7-15-99]

- (d) The applicant shall submit a statement attesting that the applicant, on or before the date the application was submitted to the Division, sent notification to the persons by submitting a copy of the application, including a copy of the plat described in (c) above, by certified mail, return receipt requested, advising them that if they have an objection it must be filed in writing within 20 days from the date the Division receives the application. The Director may approve the application upon receipt of waivers from all the notified persons or if no person has filed an objection within the 20-day period.

- (e) The Director may set for hearing any application for administrative approval.

- (3) Number of Wells Per Spacing Unit. Exceptions to the provisions of statewide rules or special pool orders concerning the number of wells allowed per spacing unit may be permitted by the Director only after notice and opportunity for hearing. Notice shall be given to those affected persons defined in Rule 1207.A.(2).

#### 104.E. FORMS

Form C-102 "Well Location and Acreage Dedication Plat" for any well shall designate the exact legal subdivision dedicated to the well. Form C-101 "Application for Permit to Drill, Deepen, or Plug Back" will not be approved without an acreage designation on Form C-102.

#### 104.F. UNORTHODOX LOCATIONS

- (1) Well locations for producing wells and/or injection wells that are unorthodox based on the requirements of B above and are necessary for an efficient production and injection pattern within a secondary recovery, tertiary recovery, or pressure maintenance project are hereby authorized, provided that the unorthodox location within the project is no closer than the required minimum distance to the outer boundary of the lease or unitized area, and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary. These locations shall only require such prior approvals as are necessary for an unorthodox location.

- (2) The Director may grant an exception to the well location requirements of B and C above or special pool orders after notice and opportunity for hearing when the exception is necessary to prevent waste or protect correlative rights.

- (3) Applications for administrative approval pursuant to F(2) above shall be submitted to the Division's Santa Fe Office accompanied by (a) a plat showing the spacing unit, the proposed unorthodox well location and the adjoining spacing units and wells; (b) a list of affected persons as defined in Rule 1207.A(2); and (c) information evidencing the need for the exception. Notice shall be given as required in Rule 1207.A(2).

- (4) The applicant shall submit a statement attesting that applicant, on or before the date that the application was submitted to the Division, sent notification to the affected persons by submitting a copy of the application, including a copy of the plat described in F(3) above, by certified mail, return receipt requested, advising them that if they have an objection it must be filed in writing within 20 days from the date the Division receives the application. The Director may approve the unorthodox location upon receipt of waivers from all the affected persons or if no affected person has filed an objection within the 20-day period.

- (5) The Director may set for hearing any application for administrative approval of an unorthodox location.

- (6) Whenever an unorthodox location is approved, the Division may order any action necessary to offset any advantage of the unorthodox location.

#### 104.G. EFFECT ON ALLOWABLES

- (1) If the drilling tract is within a prorated/allocated oil pool or is subsequently placed within such pool and the drilling tract consists of less than 59½ acres or more than 40½ acres, the top unit allowable for the well shall be increased or decreased in the proportion that the number of acres in the drilling tract bears to 40.

- (2) If the drilling tract is within a prorated/allocated gas pool or is subsequently placed within such 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, or less than 632 acres or more than 648 acres in 640-acre pools, the top allowable for the well shall be decreased or increased in the proportion that the number of acres in the drilling tract bears to a standard spacing unit for the pool.

- (3) In computing acreage under (1) and (2) above, less than ½ acre shall not be counted but ½ acre or more shall count as one acre.

- (4) The provisions of (1) and (2) above shall apply only to wells completed after January 1, 1950.

#### 104.H. DIVISION-INITIATED EXCEPTIONS

In order to prevent waste, the Division may, after hearing, set different spacing requirements and require different acreage for drilling tracts in any defined oil or gas pool.

#### 104.I. POOLING OR COMMUNITIZATION OF SMALL OIL LOTS

- (1) The Division may approve the pooling or communitization of fractional oil lots of 20.49 acres or less with a contiguous oil spacing unit when the ownership is common and the tracts are part of the same lease with the same royalty interests if the following requirements are satisfied:

approved secondary, tertiary or pressure maintenance project. [7-26-95, 2-1-96; Rn, 19 NMAC 15.C.111.A.(7), 7-31-97; A, 7-31-97]

(10) Project Well -- any well drilled, completed, produced or injected into as either a vertical well, deviated well or directional well. [7-26-95, 2-1-96; Rn, 19 NMAC 15.C.111.A.(6), 7-31-97; A, 7-31-97]

(11) Spacing Unit -- the acreage that is dedicated or a well in accordance with Rule 104. Included in this definition is a "unit of protection for oil or gas" as defined by the Division and all non-standard such units previously approved by the Division. [7-26-95, 2-1-96; Rn, 19 NMAC 15.C.111.A.(4), 7-31-97; A, 7-31-97]

(12) Termus -- the farthest point attained along the wellbore. [7-26-95, 2-1-96; A, 7-31-97]

(13) Unorthodox -- any part of the producing interval which is located outside of the producing area. [7-31-97]

(14) Vertical Well -- a well that does not have an intentional departure or course deviation from the vertical. [7-26-95, 2-1-96; Rn, 19 NMAC 15.C.111.A.(3), 7-31-97; A, 7-31-97]

(15) Wellbore -- the interior surface of a cased or open hole through which drilling, production, or injection operations are conducted. [7-26-95, 2-1-96; Rn, 19 NMAC 15.C.111.A.(5), 7-31-97; A, 7-31-97]

#### 111.B. Deviated Wellbores: [7-26-95, 2-1-96; A, 7-31-97]

(1) Deviation Tests Required. Any vertical or deviated well which is drilled or deepened shall be tested at reasonably frequent intervals to determine the deviation from the vertical. Such tests shall be made at least once each 500 feet or at the first bit change succeeding 500 feet. A tabulation of all deviation tests run, shown to and notated, shall be filed with Form C-104. Request for Allowable and Authorization to Transport Oil and Natural Gas. [7-26-95, 2-1-96; A, 7-31-97]

(2) Excessive Deviation. When the deviation averages more than five degrees in any 500-foot interval, the operator shall include the calculations of the maximum possible horizontal displacement of the hole. When the maximum possible horizontal displacement exceeds the distance to the nearest outer boundary line of the appropriate unit, the operator shall run a directional survey to establish the location of the producing interval(s). [7-26-95, 2-1-96; A, 7-31-97]

(3) Unorthodox Locations. If the results of the directional survey indicate that the producing interval is more than 50 feet from the approved surface location and closer than the minimum setback requirements to the outer boundaries of the applicable well, then the well shall be considered unorthodox. To obtain authority to produce such well, the operator shall file an application with the Division Director, copy to the appropriate Division District Office, and shall otherwise follow the normal process outlined in Rule 104(F)(3) to obtain approval of the unorthodox location. [7-26-95, 2-1-96; A, 7-31-97]

(4) Directional Survey Requirements. Upon request from the Division Director, any vertical or deviated well shall be directionally surveyed. The appropriate Division District Office shall be notified of the approximate time any directional surveys are to be conducted. All directional surveys run on any well in any manner for any reason must be filed with the Division upon completion of the well. The Division shall not assign an allowable to the well until all such directional surveys have been filed. [7-26-95, 2-1-96; A, 7-31-97]

#### 111.C. Directional Wellbores: [7-26-95, 2-1-96; R 7-31-97; Rn, 19 NMAC 15.C.111.D, 7-31-97]

(1) Directional Drilling Within a Project Area. A permit to directionally drill a wellbore may be granted by the appropriate Division District Office if the producing interval is entirely within the producing area or at an unorthodox location previously approved by the Division. Additionally, if the project area consists of a

combination of drilling units and includes any State or Federal acreage, a copy of the OGI Form C-102 shall be sent to the State Land Office or the Bureau of Land Management. [7-26-95, 2-1-96; Rn, 19 NMAC 15.C.111.D.(1), 7-31-97; A, 7-31-97]

(2) Unorthodox Wellbores. If all or part of the producing interval of any directional wellbore is projected to be outside of the producing area, the wellbore shall be considered unorthodox. To obtain approval for such wellbore, the applicant shall file a written application in duplicate with the Division Director, copy to the appropriate Division District Office, and shall otherwise follow the normal process outlined in Rule 104(F)(3). [7-26-95, 2-1-96; Rn, 19 NMAC 15.C.111.D.(2), 7-31-97; A, 7-31-97]

(3) Allowables for Project Areas With Multiple Protection Units. The maximum allowable assigned to the project area within a protected pool shall be based upon the number of standard spacing units (or approved non-standard spacing units) that are developed or traversed by the producing interval of the directional wellbore or wellbores. Such maximum allowable shall be applicable to all production from the project area, including any vertical wellbores on standard spacing units inside the project area. [7-26-95, 2-1-96; Rn, 19 NMAC 15.C.111.D.(3), 7-31-97; A, 7-31-97]

(4) Directional Surveys Required. A directional survey shall be required on each well drilled under the provisions of this section. The appropriate Division District Office shall be notified of the approximate time all directional surveys are to be conducted. All directional surveys run on any well in any manner for any reason must be filed with the Division upon completion of the well. The Division shall not assign an allowable to the well until all such directional surveys have been filed. If the directional survey indicates that any part of the producing interval is outside of the producing area, or, in the case of an approved unorthodox location, less than the approved setback requirements from the outer boundary of the applicable unit, then the operator shall file an application with the Division Director, copy to the appropriate Division District Office, and shall otherwise follow the normal process outlined in Rule 104(F)(3) to obtain approval of the unorthodox location. [7-26-95, 2-1-96; Rn, 19 NMAC 15.C.111.E, 7-31-97; A, 7-31-97]

(5) Re-entry of Vertical or Deviated Wellbores for Directional Drilling Projects. These wellbores shall be considered orthodoxy provided the surface location is orthodoxy and the location of producing interval is within the tolerance allowed for deviated wellbores under Rule 111.B.(3). [7-31-97]

#### 111.D. Additional Matters:

(1) Directional surveys required under the provisions of this rule shall have shot points no more than 200 feet apart and shall be run by competent surveying companies that are approved by the Division Director. Exceptions to the minimum shot point spacing will be allowed provided the accuracy of the survey is still within acceptable limits. [7-26-95, 2-1-96; Rn, 19 NMAC 15.C.111.F.(1), 7-31-97; A, 7-31-97]

(2) The Division Director may, at his discretion, set any application for administrative approval whereby the operator shall submit appropriate information and give notice as requested by the Division Director. Unprocessed applications may be approved administratively within 20 days of receipt of the application and supporting information. If the application is protested, or the Division Director decides that a public hearing is appropriate, the application may be set for public hearing. [7-26-95, 2-1-96; Rn, 19 NMAC 15.C.111.F.(1) & 19 NMAC 15.C.111.F.(2), 7-31-97; A, 7-31-97]

(3) Permission to deviate or directionally drill any wellbore for any reason or in any manner not provided for in this rule shall be granted only after notice and opportunity for hearing. [7-26-95, 2-1-96; Rn, 19 NMAC 15.C.111.F.(3), 7-31-97; A, 7-31-97]

#### 111.E. Reserved. [7-26-95, 2-1-96; 7-31-97]

(1) Reserved. [7-26-95, 2-1-96; 7-31-97]

(2) Reserved. [7-26-95, 2-1-96; 7-31-97]

#### 111.F. Reserved. [8-28-92...2-1-96; 7-31-97]

approved secondary, secondary, tertiary or pressure maintenance project. [7-26-95, 2-1-96; Rn, 19 NMAC 15.C.111.A.(7), 7-31-97; A, 7-31-97]

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(12) Terminals -- the farthest point attained along the wellbore. [7-26-95, 2-1-96; A, 7-31-97]

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(15) Wellbore -- the interior surface of a cased or open hole through which drilling, production, or injection operations are conducted. [7-26-95, 2-1-96; Rn, 19 NMAC 15.C.111.A.(5), 7-31-97; A, 7-31-97]

#### 111.B. Deviated Wellbores: [7-26-95, 2-1-96; A, 7-31-97]

(1) Deviation Tests Required. Any vertical or deviated well which is drilled or deepened shall be tested at reasonably frequent intervals to determine the deviation from the vertical. Such tests shall be made at least once each 500 feet or at the first bit change succeeding 500 feet. A tabulation of all deviation tests run, sworn to and notarized, shall be filed with form C-104, Request for Allowable and Authorization to Transport Oil and Natural Gas. [7-26-95, 2-1-96; A, 7-31-97]

(2) Excessive Deviation. When the deviation averages more than five degrees in any 500-foot interval, the operator shall include the calculations of the maximum possible horizontal displacement of the hole. When the maximum possible horizontal displacement exceeds the distance to the nearest outer boundary line of the appropriate unit, the operator shall run a directional survey to establish the location of the producing interval(s). [7-26-95, 2-1-96; A, 7-31-97]

(3) Unorthodox Locations. If the results of the directional survey indicate that the producing interval is more than 50 feet from the approved surface location and closer than the minimum setback requirements to the outer boundaries of the applicable unit, then the well shall be considered unorthodox. To obtain authority to produce such well, the operator shall file an application with the Division Director, copy to the appropriate Division District Office, and shall otherwise follow the normal process outlined in Rule 104(f)(3) to obtain approval of the unorthodox location. [7-26-95, 2-1-96; A, 7-31-97]

(4) Directional Survey Requirements. Upon request from the Division Director, any vertical or deviated well shall be directionally surveyed. The appropriate Division District Office shall be notified of the approximate time any directional surveys are to be conducted. All directional surveys run on any well in any manner for any reason must be filed with the Division upon completion of the well. The Division shall not assign an allowable to the well until all such directional surveys have been filed. [7-26-95, 2-1-96; A, 7-31-97]

#### 111.C. Directional Wellbores: [7-26-95, 2-1-96; R 7-31-97; Rn, 19 NMAC 15.C.111.D, 7-31-97]

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combination of drilling units and includes any State or Federal acreage, a copy of the OGD Form C-102 shall be sent to the State Land Office or the Bureau of Land Management. [7-26-95, 2-1-96; Rn, 19 NMAC 15.C.111.D.(1), 7-31-97; A, 7-31-97]

(2) Unorthodox Wellbores. If all or part of the producing interval of any directional wellbore is projected to be outside of the producing area, the wellbore shall be considered unorthodox. To obtain approval for such wellbore, the applicant shall file a written application in duplicate with the Division Director, copy to the appropriate Division District Office, and shall otherwise follow the normal process outlined in Rule 104(f)(7). [7-26-95, 2-1-96; Rn, 19 NMAC 15.C.111.D.(2), 7-31-97; A, 7-31-97]

(3) Allowables for Project Areas With Multiple Production Units. The maximum allowable assigned to the project area within a protected pool shall be based upon the number of standard spacing units (or approved non-standard spacing units) that are developed or traversed by the producing interval of the directional wellbore or wellbores. Such maximum allowable shall be applicable to all production from the project area, including any vertical wellbores on standard spacing units inside the project area. [7-26-95, 2-1-96; Rn, 19 NMAC 15.C.111.D.(3), 7-31-97; A, 7-31-97]

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(5) Re-entry of Vertical or Deviated Wellbores for Directional Drilling Projects. These wellbores shall be considered orthodox provided the surface location is orthodox and the location of producing interval is within the tolerance allowed for deviated wellbores under Rule 111.B.(3). [7-31-97]

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(2) The Division Director, may, at his discretion, set any application for administrative approval whereby the operator shall submit appropriate information and give notice as requested by the Division Director. Unprotested applications may be approved administratively within 20 days of receipt of the application and supporting information. If the application is protested, or the Division Director decides that a public hearing is appropriate, the application may be set for public hearing. [7-26-95, 2-1-96; Rn, 19 NMAC 15.C.111.E.(1) & 19 NMAC 15.C.111.F.(2), 7-31-97; A, 7-31-97]

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(d) The applicant shall submit a statement attesting that the applicant, on or before the date the application was submitted to the Division, sent notification to the affected persons by submitting a copy of the application, including a copy of the plat described in (c) above, by certified mail, return receipt requested, advising them that if they have an objection it must be filed in writing within 20 days from the date the Division receives the application. The Director may approve the application upon receipt of waivers from all the notified persons or if no person has filed an objection within the 20-day period.

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*Rule 1207. A*

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In the event the operator of the proposed unorthodox well is also the operator of an existing adjoining spacing unit and ownership is not common between the adjoining spacing unit and the spacing unit containing the proposed unorthodox well, then "affected persons" include all working interest owners in that spacing unit. [1-1-87...2-1-96; N, 7-15-99]

(b) If the proposed location is unorthodox by being located closer to the outer boundary of the spacing unit than permitted by rule, notice shall be given to the affected persons in the adjoining spacing units towards which the unorthodox location encroaches. [Rn, 19 NMAC 15.N.1207.A.(5).(a), 7-15-99, A, 7-15-99]

(c) If the proposed location is unorthodox by being located in a different quarter-quarter section or quarter section than provided in special pool orders, notice shall be given to all affected persons. [Rn, 19 NMAC 15.N.1207.A.(5).(a), A, 7-15-99]