

DATE IN 10-18-10	SUSPENSE	ENGINEER Brooks	LOGGED IN	TYPE NSL	APP NO PTG-W 1029355012
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5578

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -
1220 South St. Francis Drive, Santa Fe, NM 87505



DJ Simmons, Inc
Jicarilla # #111
30-039-22256

ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

6295

Application Acronyms:

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

- [1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]
- [A] Location - Spacing Unit - Simultaneous Dedication
 NSL NSP SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measu
 DHC CTB PI .M
- [C] Injection - Disposal - Pressure In
 WFX PMX S' Ripe 11/3 PR

[D] Other: Specify _____

- [2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply
- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] Offset Operators, Leaseholders or Surface Owner
- [C] Application is One Which Requires Published Legal Notice
- [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] Waivers are Attached

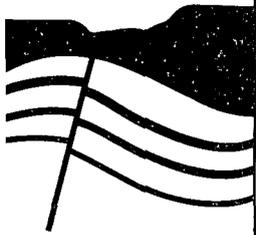
[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Walter Parks _____ Landman _____ 10-18-10
 Print or Type Name Signature Title Date

 e-mail Address



October 15, 2010

RECEIVED OCD

2010 OCT 18 P 12: 23

New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

DJ SIMMONS, INC.

1009 Ridgeway Place
Suite 200
Farmington,
New Mexico 87401

505-326-3753
505-327-4659 FAX
info@djsimmonsinc.com
www.djsimmonsinc.com

RE: Application for Administrative Approval
Non Standard Well Location
Jicarilla H 111 Well
Otero Chacra Formation
Section 5, T24N, R4W NMPM
Rio Arriba County, New Mexico

Gentlemen:

DJ Simmons, Inc. is requesting an administrative approval of this non-standard well location pursuant to Rule 104.B (1). Affected party would be Energen Resources Corporation that is lessees/owners of record and operating rights owners. The affected party described lands are as follows:

S1/2N1/2 Section 5, T24N, R4W NMPM
S1/2 Section 5, T24N, R4W NMPM

The Sundry Notices and Reports on Wells application has been applied for with BLM on Form 3106-5 to plug and abandon the Lindrith Gallup-Dakota West pool for oil and to recomplete into the Otero Chacra for gas. The existing Lindrith Gallup-Dakota West pool no longer produces oil in paying quantities and is the reason that DJ Simmons, Inc. is requesting to plug and to recomplete in the Otero Chacra pool within the same well bore.

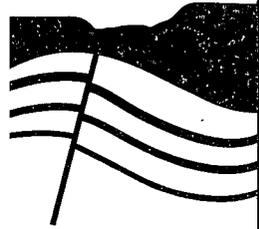
As required by Rule 104.F (3) the following items are attached:

C-102 showing the well location and proposed spacing unit;

A plat showing offset mineral owners;

A complete list of operators or lessees of record for the off-setting proration unit with their current addresses.

In accordance with Rule 104.F (3) and Rule 1207.A (2), a complete copy of the application was sent by certified mail-return receipt requested on the same date as



this application to the operators/lessees on the attached list. A copy of the cover letter is attached.

Sincerely

Walter Parks
Senior Landman

DJ SIMMONS, INC.

1009 Ridgeway Place
Suite 200
Farmington,
New Mexico 87401

505-326-3753
505-327-4659 FAX
info@djsimmonsinc.com
www.djsimmonsinc.com

Attachments:

original

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102
Supersedes C-128
Effective 1-1-65

All distances must be from the outer boundaries of the Section.

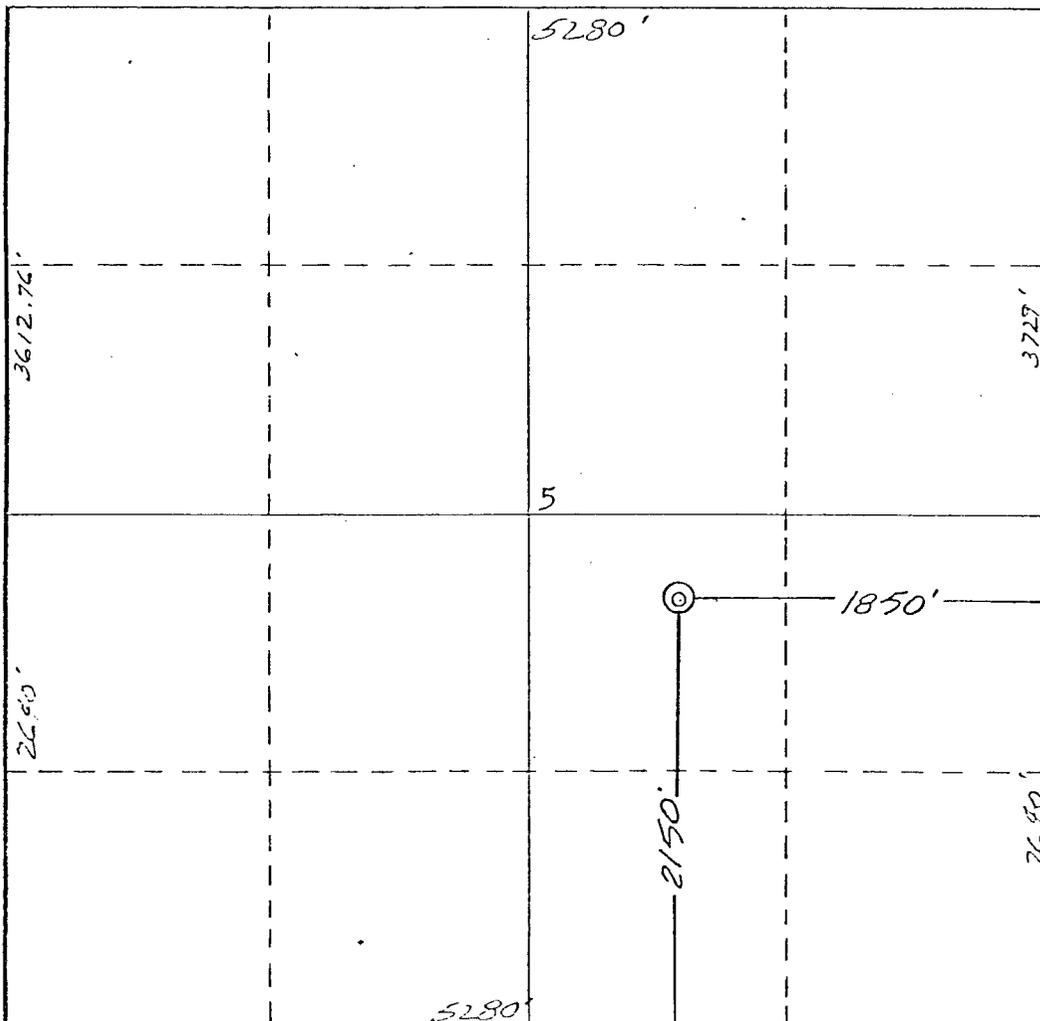
Operator ARCO OIL AND GAS COMPANY			Lease JICARILLA APACHE "H"			Well No. 111		
Unit Letter J	Section 5	Township 24 NORTH	Range 4 WEST	County RIO ARRIBA				
Actual Footage Location of Well: 2150 feet from the SOUTH line and 1850 feet from the EAST line								
Ground Level Elev. 6737	Producing Formation			Pool		Dedicated Acreage: Acres		

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

Yes No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

O E Satchler
Name

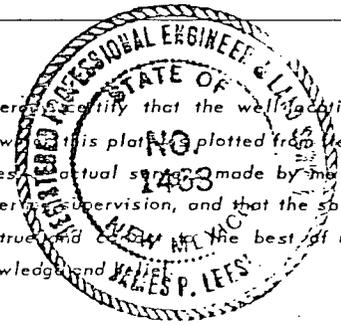
Operations Manager
Position

ARCO Oil & Gas Company
Company

11/13/79
Date

Date

I hereby certify that the well location shown on this plat was plotted from field notes and actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

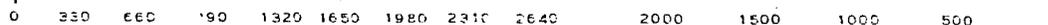


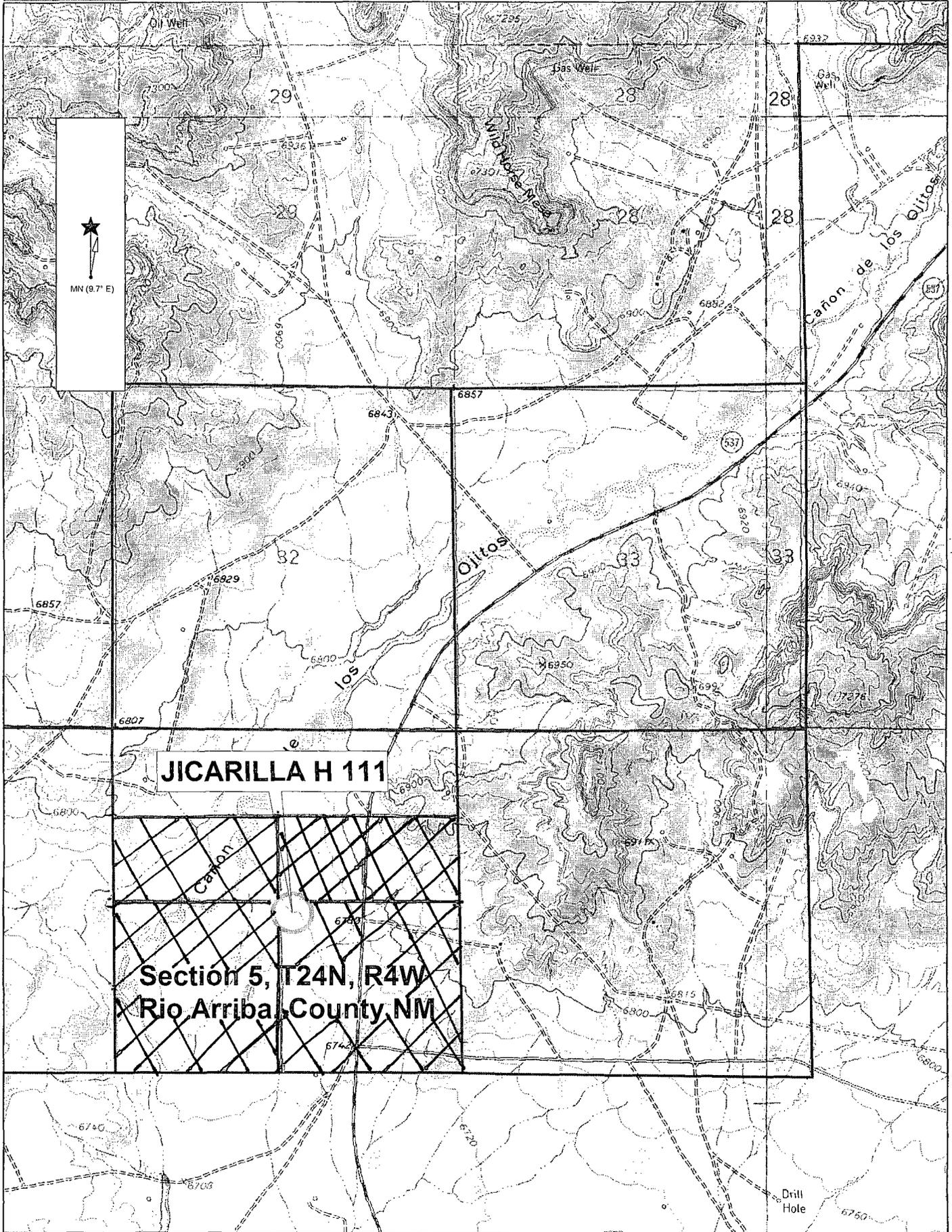
Date Surveyed
26 May 1979

Registered Professional Engineer
and/or Land Surveyor

James P. Leese
James P. Leese

Certificate No. 1463





Data use subject to license.

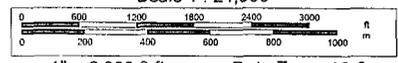
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www.delorme.com

Engeren Resources Corporation Lease (in blue hatching)

DJ Simmons, Inc. Lease (in red hatching)

Scale 1 : 24,000



1" = 2,000.0 ft Data Zoom 12-6

Offsetting Operators or lessees for the Jicarilla H 111 Non-Standard Location Well, Otero Chacra Formation are as follows:

Energen Resources Corporation
2010 Afton Place
Farmington, NM 87401

CERTIFIED MAIL – RECEIPT
NO. 7009 2820 0001 6005 2192

October 15, 2010

DJ SIMMONS, INC.

1009 Ridgeway Place
Suite 200
Farmington,
New Mexico 87401

505-326-3753
505-327-4659 FAX
info@djsimmonsinc.com
www.djsimmonsinc.com

Mr. David Poage, District Landman
Energen Resources Corporation
2010 Afton Place
Farmington, NM 87401

RE: Application for Administrative Approval;
Non Standard Well Location
Jicarilla H 111 Well, Contract 111
Otero Chacra Formation
NW1/4SE1/4, Sec. 5, T24N, R4W NMPM
Rio Arriba County, New Mexico

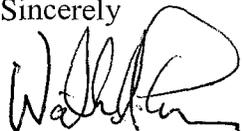
Dear Mr. Poage:

DJ Simmons, Inc. has made an application to the New Mexico Oil Conservation Division (NMOCD) for Administrative approval of the above referenced Non Standard Well Location. In accordance with the NMOCD Rule 104.B (1) Oil Well Acreage and Location Requirements, 104.F Non Standard Locations, and Rule 1207.A (2) Notification Requirements for Specific Adjudications, Non Standard Locations, DJ Simmons, Inc. is advising you of this application as an "Affected Person" of an adjoining spacing unit.

A copy of the application is attached for your review. If you have no objection to the application then please sign the attached wavier letter and return it to the NMOCD in the enclosed self addressed stamped envelope. If you do not sign the wavier or enter an objection within twenty days the Division Director may approve this application.

If you have any questions or need further information please call me at (505) 326-3753, Ext. 127.

Sincerely



Walter Parks
Senior Landman

Enclosures

October 15, 2010

New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

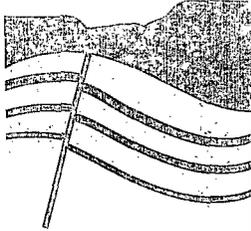
RE: Wavier
Non Standard Well Location
Jicarilla H 111 Well
Otero Chacra Formation
NW1/4SE1/4, Sec. 5, T24N, R4W NMPM
Rio Arriba, New Mexico

To Whom It May Concern:

The Energen Resources Corporation, Farmington, NM is in receipt of the Jicarilla H 111 Non Standard Well Location application and has reviewed the application provided by DJ Simmons, Inc. as operator of the Jicarilla H 111 Well. Energen Resources Corporation, Farmington, NM an offset Operator/Lessee of the surrounding lands has no objection to the drilling of said well.

Signature _____

Date _____



October 15, 2010

New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

DJ SIMMONS, INC.

1009 Ridgeway Place
Suite 200
Farmington,
New Mexico 87401

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RE: Application for Administrative Approval
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Section 5, T24N, R4W NMPM
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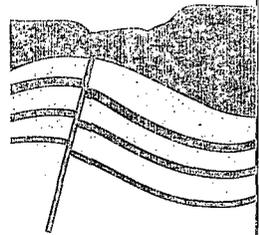
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this application to the operators/lessees on the attached list. A copy of the cover letter is attached.

Sincerely

A handwritten signature in black ink, appearing to read "Walter Parks".

Walter Parks
Senior Landman

DJ SIMMONS, INC.

1009 Ridgeway Place
Suite 200
Farmington,
New Mexico 87401

505-326-3753
505-327-4659 FAX
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NEW MEXICO OIL CONSERVATION COMMISSION
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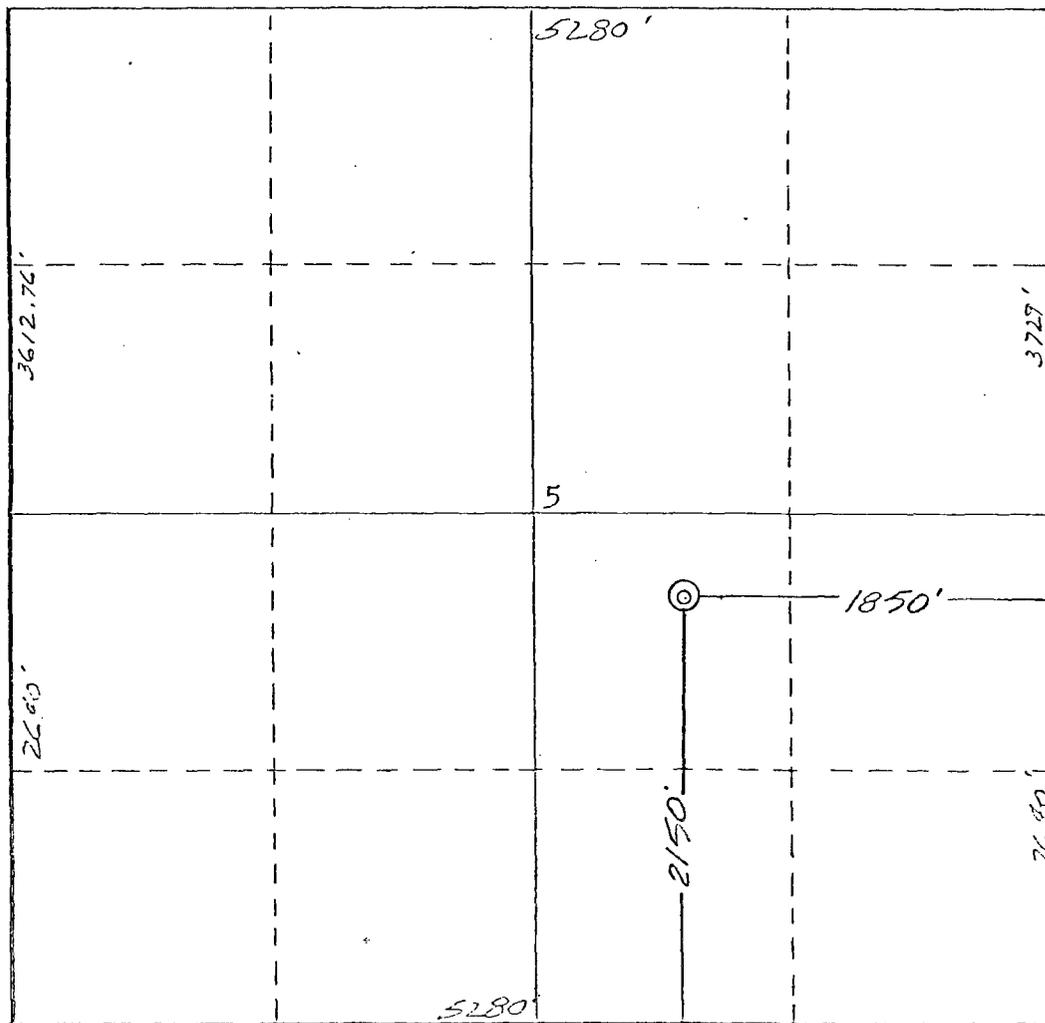
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CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

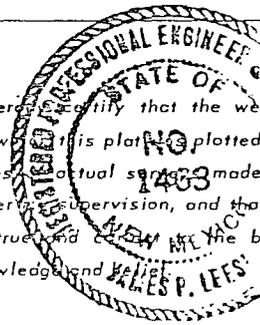
OE Satchel
Name

Operations Manager
Position

ARCO Oil & Gas Company
Company

11/13/79
Date

I hereby certify that the well location shown on this plat is plotted from field notes of actual survey made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.



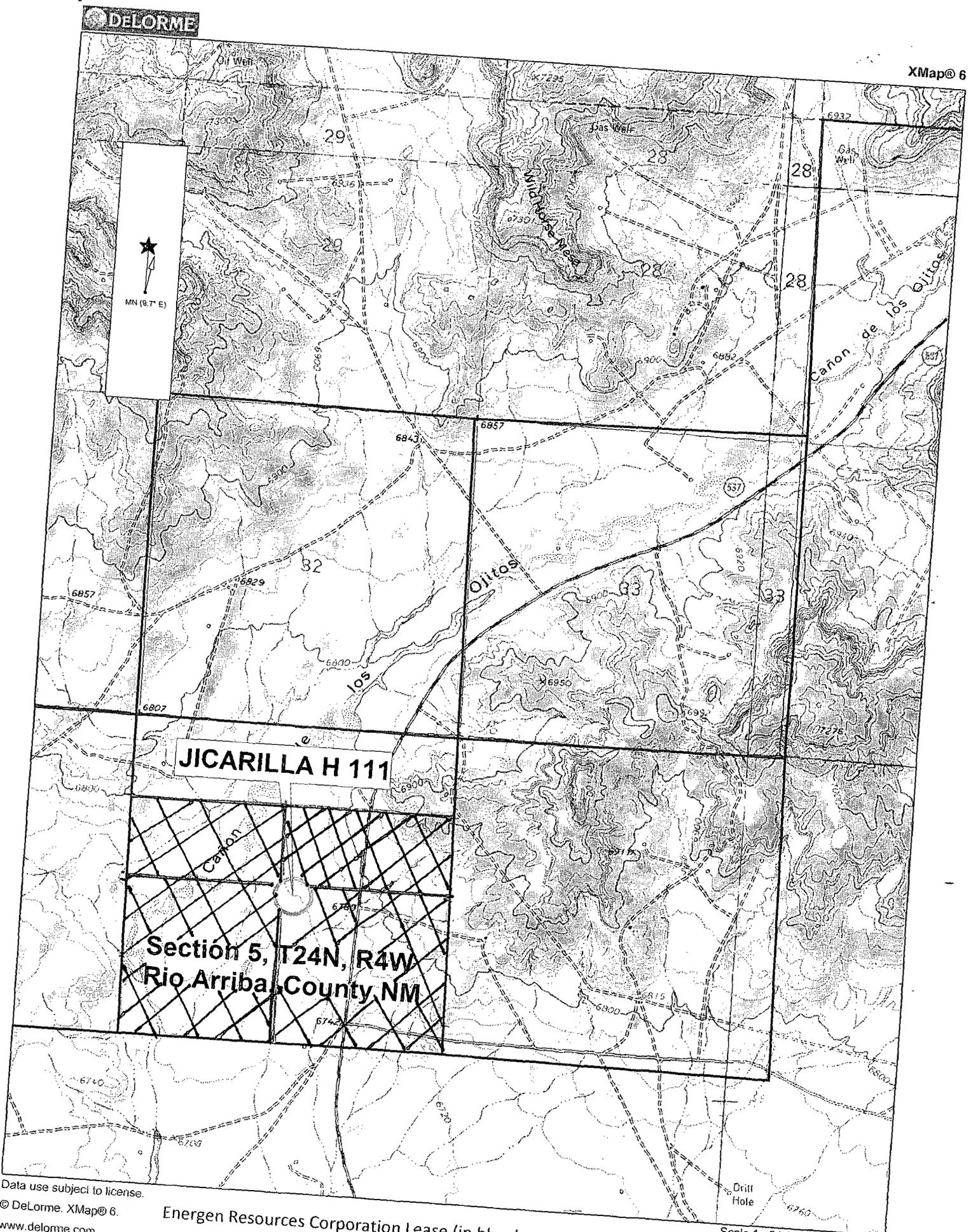
Date Surveyed
26 May 1979

Registered Professional Engineer
and/or Land Surveyor

James P. Leese
James P. Leese

Certificate No.
1463





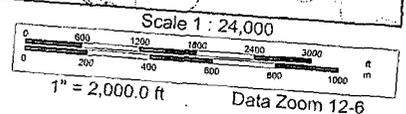
JICARILLA H 111

**Section 5, T24N, R4W
Rio Arriba County, NM**

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www.delorme.com

Energen Resources Corporation Lease (in blue hatching)

DJ Simmons, Inc. Lease (in red hatching)



Drill Hole

C. The division director or his designee may deny a permit to drill, deepen or plug back if the applicant is not in compliance with Subsection A of 19.15.1.40 NMAC. In determining whether to grant or deny the permit, the division director or his designee shall consider such factors as whether the non-compliance with Subsection A of 19.15.1.40 NMAC is caused by the operator not meeting the financial assurance requirements of 19.15.3.101 NMAC, being subject to a division or commission order finding the operator to be in violation of an order requiring corrective action, having a penalty assessment that has been unpaid for more than 70 days since the issuance of the order assessing the penalty or having more than the allowed number of wells out of compliance with 19.15.4.201 NMAC. If the non-compliance is caused by the operator having more than the allowed number of wells not in compliance with 19.15.4.201 NMAC, the division director or his designee shall consider the number of wells not in compliance, the length of time the wells have been out of compliance and the operator's efforts to bring the wells into compliance.

D. The division may impose conditions on an approved permit to drill, deepen or plug back.

E. The operator shall keep a copy of the approved form C-101 at the well site during drilling operations.

[1-1-50, 5-22-73...2-1-96; 19.15.3.102 NMAC - Rn, 19 NMAC 15.C.102, 11-15-01; A, 12/15/05]

19.15.3.103 SIGN ON WELLS:

A. All wells and related facilities regulated by the division shall be identified by a sign, which sign shall remain in place until the well is plugged and abandoned and the related facilities are closed.

B. For drilling wells, the sign shall be posted on the derrick or not more than 20 feet from the well.

C. The sign shall be of durable construction and the lettering shall be legible and large enough to be read under normal conditions at a distance of 50 feet.

D. The wells on each lease or property shall be numbered in non-repetitive, logical and distinctive sequence.

E. An operator will have 90 days from the effective date of an operator name change to change the operator name on the well sign unless an extension of time, for good cause shown along with a schedule for making the changes, is granted.

F. Each sign shall show the:

(1) number of well;

(2) name of property;

(3) name of operator;

(4) location by footage, quarter-quarter section, township and range (or Unit Letter can be substituted for the quarter-quarter section); and

(5) API number.

[1-1-50, 2-1-96, 6-30-97, 3-31-00; 19.15.3.103 NMAC - Rn, 19 NMAC 15.C.103, 11-15-01; A, 01-31-03]

19.15.3.104 WELL SPACING AND LOCATION:

A. Classification Of Wells: Wildcat And Development Wells

(1) Wildcat Well

(a) In San Juan, Rio Arriba, Sandoval, and McKinley counties a wildcat well is any well to be drilled the spacing unit of which is a distance of two miles or more from:

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

(ii) any well that has produced oil or gas from the formation to which the proposed well is projected to be drilled.

(b) In all counties except San Juan, Rio Arriba, Sandoval, and McKinley, a wildcat

well is any well to be drilled the spacing unit of which is a distance of one mile or more from:

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

(ii) any well that has produced oil or gas from the formation to which the proposed well is projected.

(2) Development Well

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

(b) Any well classified as a development well for a pool but completed in a producing formation not included in the vertical limits of that pool shall be operated and produced in accordance with the rules in effect for the nearest pool that is producing from that formation within the two miles in San Juan, Rio Arriba, Sandoval, and McKinley counties or within one mile everywhere else. If there is no designated pool for that producing formation within the two miles in San Juan, Rio Arriba, Sandoval, and McKinley counties or within one mile everywhere else, the well shall be re-classified as a wildcat well.

B. Oil Well Acreage And Well Location Requirements

(1) Any wildcat well that is projected to be drilled as an oil well to a formation and in an area that in the opinion of the division may reasonably be presumed to be productive of oil rather than gas and each development well for a defined oil pool, unless otherwise provided in special pool orders, shall be located on a spacing unit consisting of approximately 40 contiguous surface acres substantially in the form of a square which is a legal subdivision of the U.S. public land surveys, which is a governmental quarter-quarter section or lot, and shall be located no closer than 330 feet to any boundary of such unit. Only those 40-acre spacing units committed to active secondary recovery projects shall be permitted more than four wells.

(2) If a well drilled as an oil well is completed as a gas well but does not conform to the applicable gas well location rules, the operator must apply for administrative approval for a non-standard location before the well can produce. The director may set any such application for hearing.

C. Gas Wells Acreage And Well Location Requirements. Any wildcat well that is projected to be drilled as a gas well to a formation and in an area that in the opinion of the division may reasonably be presumed to be productive of gas rather than oil and each development well for a defined gas pool, unless otherwise provided in special pool orders, shall be spaced and located as follows:

(1) 640-acre spacing applies to any deep gas well in Rio Arriba, San Juan, Sandoval or McKinley county that is projected to be drilled to a gas producing formation older than the Dakota formation or is a development well within a gas pool created and defined by the division after June 1, 1997 in a formation older than the Dakota formation, which formation or pool is located within the surface outcrop of the Pictured Cliffs formation (i.e., the San Juan Basin). Such well shall be located on a spacing unit consisting of 640 contiguous surface acres, more or less, substantially in the form of a square which is a section and legal subdivision of the U.S. public land surveys and shall be located no closer than: 1200 feet to any outer boundary of the spacing unit, 130 feet to any quarter section line, and 10 feet to any quarter-quarter section line or subdivision inner boundary.

(2) 320-acre spacing applies to any deep gas well in Lea, Chaves, Eddy or Roosevelt county, defined as a well that is projected to be drilled to a gas producing formation or is within a defined gas pool in the Wolfcamp or an older formation. Such well shall be located on a spacing unit consisting of 320 surface contiguous acres, more or less, comprising any two contiguous quarter sections of a single section that is a legal subdivision of the U.S. public land surveys provided that:

(a) the initial well on a 320-acre unit is located no closer than 660 feet to the 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; and

(b) only one infill well on a 320-acre unit shall be allowed provided that the well is located in the quarter section of the 320-acre unit not containing the initial well and is no closer than 660 feet to the outer boundary of the quarter section and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

(3) 160-acre spacing applies to any other gas well not covered above. Such well shall be located in a spacing unit consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section and a legal subdivision of the U.S. public land surveys and shall be located no closer than 660 feet to any outer boundary of such unit and no closer than 10 feet to any quarter-quarter section or subdivision inner boundary.

D. Acreage Assignment

(1) Well Tests and Classification. It is the responsibility of the operator of any wildcat 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 test with the division within 10 days following completion of the test. (See Rule 401)

(a) The date of completion for a gas well is the date of the conclusion of active completion work on the well.

(b) If the division determines that a well should not be classified as a gas well, the division will reduce the acreage dedicated to the well to the standard acreage for an oil well.

(c) Failure of the operator to file the test within the specified time will also subject the well to such acreage reduction.

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

(a) Division district offices have the authority to approve non-standard spacing units without notice when the unorthodox size or shape is necessitated by a variation in the legal subdivision of the U. S. public land surveys and/or consists of an entire governmental section and the non-standard spacing unit is not less than 70% or more than 130% of a standard spacing unit. The operator must obtain division approval of division Form C-102 showing the proposed non-standard spacing unit and the acreage contained therein.

(b) The director may grant administrative approval to non-standard spacing units after notice and opportunity for hearing when an application has been filed and the unorthodox size or shape is necessitated by a variation in the legal subdivision of the U.S. public land surveys or the following facts exist:

(i) the non-standard spacing unit consists of: (A) a single quarter-quarter section or lot or (B) quarter-quarter sections or lots joined by a common side; and

(ii) the non-standard spacing unit lies wholly within: a single quarter section if the well is completed in a pool or formation for which 40, 80, or 160 acres is the standard spacing unit size; a single half section if the well is completed in a pool or formation for which 320 acres is the standard spacing unit size; or a single section if the well is completed in a pool or formation for which 640 acres is the standard spacing unit size.

(c) Applications for administrative approval of non-standard spacing units pursuant to Subsection D, Paragraph (2), Subparagraph (b) of 19.15.3.104 NMAC shall be submitted to the division's Santa Fe office and accompanied by: (i) a plat showing the spacing unit and an applicable standard spacing unit for that pool or formation, the proposed well dedications and all adjoining spacing units; (ii) a list of affected persons as defined in Rule 1207.A(2); and (iii) a statement discussing the reasons for the formation of the non-standard spacing unit.

(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 Subparagraph (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).

E. Special rules for multiple operators within a spacing unit

(1) Allowable production. If an operator completes a well in an oil pool or prorated gas pool, located within a proration unit containing an existing well or wells producing from that pool and operated by a different operator, unless otherwise agreed by all operators of wells producing from that proration unit, the allowable production from such newly completed well shall not exceed the difference between the allowable production for such proration unit and the actual production from such pool of the existing well or wells within such proration unit. The division may authorize exceptions to this provision after hearing following appropriate notice.

(2) Notice requirements. Any operator who intends to operate a well in a spacing or proration unit containing an existing well or wells operated by another operator shall, prior to filing the application for permit to drill, deepen or plug back for such well, furnish written notification of its intent to the operator of each such existing well, and, if the unit includes state or federal minerals, to the state land office or United States bureau of land management, as applicable; provided that separate notification to the bureau of land management shall not be required if the application will be filed with that agency pursuant to 19.15.1.14 NMAC. Such notices shall be sent by certified mail, return receipt requested, and shall specify the location and depth of the proposed well. The applicant shall submit with its application for permit to drill, deepen or plug back either (a) a statement attesting that, at least twenty days before the date that the application was submitted to the division, it sent notices to the designated parties, by certified mail, return receipt requested, advising them that if they have an objection a written statement thereof must be delivered to the proposing operator within twenty days of the date such notice was mailed, and that it has received no such objection, or (b) written waivers from all persons required to be notified (approval of the application by the United States bureau of land management being deemed equivalent to waiver by that agency). In event of objection, the application may be approved only after hearing.

(3) Transfer of wells. If an operator transfers operation of less than all of its well located within a spacing or proration unit to another operator, and such spacing unit includes any state or federal minerals, the operator shall, prior to filing form C-104A to effectuate such transfer, provide written notification to the state land office or United States bureau of land management, as applicable, of such transfer.

(4) Compulsory pooled units. No provision of 19.15.3.104 NMAC shall authorize the operation of any producing well within a unit described in an existing compulsory pooling order by any operator other than the operator designated in such order.

(5) Federal or state exploratory units. No provision of 19.15.3.104 NMAC shall authorize the operation of any producing well within any federal exploratory unit or state exploratory unit by an operator other than the designated operator of such unit except as provided in the rules of the United States bureau of land management or state land office applicable to such unit.

F. Unorthodox Locations

(1) Well locations for producing wells and/or injection wells that are unorthodox based on the requirements of Subsection E 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 Subsections 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 Subsection F, Paragraph (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 Subsection F, Paragraph (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.

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 39½ 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 Paragraphs (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 Paragraphs (1) and (2) above shall apply only to wells completed after January 1, 1950.

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.

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:

(a) applications for administrative approval shall be submitted to the division's Santa Fe office and accompanied by: (i) a plat showing the dimensions and acreage involved, the ownership of such acreage, the location of all existing and proposed wells and all adjoining spacing units; (ii) a list of affected persons as defined in Rule 1207.A(2); and (iii) a statement discussing the reasons for the pooling or communitization;

(b) 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

proceeding upon a showing that the applicant does not have standing. The person applying for the hearing or an attorney representing that person shall sign the application requesting an adjudicatory hearing. The application shall include:

- (1) the applicant's name;
- (2) the applicant's address, or the address of the applicant's attorney, including an e-mail address and fax number if available;
- (3) the name or general description of the common source or sources of supply or the area the order sought affects;
- (4) briefly, the general nature of the order sought;
- (5) a proposed legal notice for publication; and
- (6) any other matter these rules or a division order require.

B. Applicants for adjudicatory hearings shall file written applications with the division clerk at least 30 days before the application's scheduled hearing date.
[19.15.14.1206 NMAC - Rp, 19.15.14.1203 NMAC, 09/30/05]

19.15.14.1207 ADJUDICATORY HEARING NOTICE:

A. The division shall publish notice of any adjudicatory hearing in the name of the "State of New Mexico", signed by the division director and bearing the commission's seal, stating:

- (1) the adjudicatory hearing's time and place;
- (2) whether the case is set for hearing before the commission or a division examiner;
- (3) the applicant's name and address, or address of the applicant's attorney, including an e-mail address and fax number if available;
- (4) a case name and number;
- (5) a brief description of the hearing's purpose;
- (6) a reasonable identification of the adjudication's subject matter that alerts persons who may be affected if the division grants the application;
- (7) if the application seeks to adopt, revoke or amend special pool rules; establish or alter a non-standard unit; permit an unorthodox location or establish or affect any well's or proration unit's allowable, the notice shall specify each pool or common source of supply that the division or commission's granting the application may affect; and
- (8) if the application seeks compulsory pooling or statutory unitization, the notice shall contain a legal description of the spacing unit or geographical area the applicant seeks to pool or unitize.

B. The division shall publish notice of each adjudicatory hearing before the commission or a division examiner at least 20 days before the hearing by:

- (1) posting notice on the division's website;
- (2) delivering notice by ordinary first class United States mail or electronic mail to each person who has requested in writing to be notified of such hearings; and
- (3) if before the commission, publishing notice in a newspaper of general circulation in the counties the application affects, or if the application's effect will be statewide, in a newspaper of general circulation in the state.

[19.15.14.1207 NMAC - Rp, 19.15.14.1204 & 1205 NMAC, 09/30/05]

19.15.14.1208 PARTIES TO ADJUDICATORY PROCEEDINGS:

A. The parties to an adjudicatory proceeding shall include:

- (1) the applicant;
- (2) any person to whom statute, rule or order requires notice (not including those persons to whom 19.15.14.1207 NMAC requires distribution of hearing notices, who are not otherwise entitled to notice of the particular application), who has entered an appearance in the case; and
- (3) any person who properly intervenes in the case.

B. A person entitled to notice may enter an appearance at any time by filing a written notice