

TITLE 19 NATURAL RESOURCES AND WILDLIFE
CHAPTER 15 OIL AND GAS
PART 14 DRILLING PERMITS

19.15.14.1 ISSUING AGENCY: Energy, Minerals and Natural Resources Department, Oil Conservation Division.
[19.15.14.1 NMAC - N, 12/1/08]

19.15.14.2 SCOPE: 19.15.14 NMAC applies to persons engaged in drilling oil and gas wells within New Mexico.
[19.15.14.2 NMAC - N, 12/1/08]

19.15.14.3 STATUTORY AUTHORITY: 19.15.14 NMAC is adopted pursuant to the Oil and Gas Act, NMSA 1978, Section 70-2-6, Section 70-2-11 and Section 70-2-12.
[19.15.14.3 NMAC - N, 12/1/08]

19.15.14.4 DURATION: Permanent.
[19.15.14.4 NMAC - N, 12/1/08]

19.15.14.5 EFFECTIVE DATE: December 1, 2008, unless a later date is cited at the end of a section.
[19.15.14.5 NMAC - N, 12/1/08]

19.15.14.6 OBJECTIVE: To require an operator to obtain a permit prior to commencing drilling, deepening or re-entry operations or before plugging a well back to a different pool or completing or re-completing a well in an additional pool and to establish procedures for application for and approval or denial of the permit.
[19.15.14.6 NMAC - N, 12/1/08]

19.15.14.7 DEFINITIONS: [RESERVED]
[See 19.15.2.7 NMAC for definitions.]

19.15.14.8 PERMIT TO DRILL, DEEPEN OR PLUG BACK:

A. Permit required. An operator is required to obtain a permit approved by the division prior to commencing drilling, deepening or re-entry operations, commencing an additional lateral, plugging a well back to a different pool, or completing or re-completing a well in an additional pool.

B. Mineral owner or lessee consent required. An operator shall not file an application for permit to drill nor commence drilling operations until the operator has either:

(1) received the consent of at least one lessee or owner of an unleased mineral interest at the proposed bottom hole location; or

(2) obtained a compulsory pooling order from the division. In addition, an operator filing an application for permit to drill for a horizontal or directional well shall comply with Subsection A of 19.15.16.15 NMAC.

[19.15.14.8 NMAC - Rp, 19.15.3.102 NMAC, 12/1/08; A, 2/15/12; A, 4/16/12]

19.15.14.9 APPLICATIONS: An operator shall file a complete form C-101 and complete form C-102 with the division and meet the following requirements, if applicable:

A. an applicant for a permit to drill a well within the corporate limits of a city, town or village shall give notice to the duly constituted governing body of the city, town or village or its duly authorized agent and certify on form C-101 that it gave such notice;

B. an applicant for a permit to drill in a quarter-quarter section containing an existing well or wells operated by another operator shall concurrently file a plat or other acceptable document locating and identifying the well or wells, furnish a copy of the application to the other operator or operators in the quarter-quarter section and certify on form C-101 that it furnished the copies; and

C. an applicant for a permit to operate a well in a spacing or proration unit containing an existing well or wells operated by another operator shall also comply with Subsection B of 19.15.15.12 NMAC.

[19.15.14.9 NMAC - Rp, 19.15.3.102 NMAC and 19.15.13.1101 NMAC, 12/1/08]

**TITLE 19 NATURAL RESOURCES AND WILDLIFE
CHAPTER 15 OIL AND GAS
PART 15 WELL SPACING AND LOCATION**

19.15.15.11 ACREAGE ASSIGNMENT:

B. Non-standard spacing units. An operator shall not produce a well that does not have the required amount of acreage dedicated to it for the pool or formation in which it is completed until the division has formed and dedicated a standard spacing unit for the well or approved a non-standard spacing unit.

(1) Division district offices may approve non-standard spacing units without notice when the unorthodox size or shape is necessitated by a variation in the legal subdivision of the United States public land surveys or consists of an entire governmental section, and the non-standard spacing unit is not less than 70 percent or more than 130 percent of a standard spacing unit. The operator shall obtain division approval of form C-102 showing the proposed non-standard spacing unit and the acreage contained in the unit.

(2) The director may approve administratively an application for non-standard spacing units after notice and opportunity for hearing when the unorthodox size or shape is necessitated by a variation in the legal subdivision of the United States public land surveys or the following facts exist:

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

(b) 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.

(3) An operator shall file an application for administrative approval of non-standard spacing units pursuant to Paragraph (2) of Subsection B of 19.15.15.11 NMAC with the division's Santa Fe office that is accompanied by:

(a) 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;

(b) a list of affected persons as defined in Paragraph (2) of Subsection A of 19.15.4.12 NMAC; and

(c) a statement discussing the reasons for the formation of the non-standard spacing unit.

(4) The applicant shall submit a statement attesting that the applicant, on or before the date the applicant submitted the application to the division, notified the affected persons by sending a copy of the application, including a copy of the plat described in Paragraph (3) of Subsection B of 19.15.15.11 NMAC, by certified mail, return receipt requested, advising them that if they have an objection they must file the objection in writing with the division within 20 days from the date the division receives the application. The director may approve the application without hearing upon receipt of waivers from all the notified persons or if no person has filed an objection within the 20-day period.

(5) The director may set for hearing an application for administrative approval.

C. Exceptions to number of wells per spacing unit. The director may permit exceptions to 19.15.15 NMAC or special pool orders concerning the number of wells allowed per spacing unit only after notice and opportunity for hearing. An applicant for an exception shall notify all affected persons defined in Paragraph (2) of Subsection A of 19.15.4.12 NMAC.

[19.15.15.11 NMAC - Rp, 19.15.3.104 NMAC, 12/1/08]

TITLE 19 NATURAL RESOURCES AND WILDLIFE
CHAPTER 15 OIL AND GAS
PART 16 DRILLING AND PRODUCTION

19.15.16.1 ISSUING AGENCY: Energy, Minerals and Natural Resources Department, Oil Conservation Division.

[19.15.16.1 NMAC - Rp, 19.15.3.1 NMAC, 12/1/08]

19.15.16.2 SCOPE: 19.15.16 NMAC applies to persons engaged in the drilling and production of oil and gas wells within New Mexico.

[19.15.16.2 NMAC - Rp, 19.15.3.2 NMAC, 12/1/08]

19.15.16.3 STATUTORY AUTHORITY: 19.15.16 NMAC is adopted pursuant to the Oil and Gas Act, NMSA 1978, Section 70-2-6, Section 70-2-11 and Section 70-2-12.

[19.15.16.3 NMAC - Rp, 19.15.3.3 NMAC, 12/1/08]

19.15.16.4 DURATION: Permanent.

[19.15.16.4 NMAC - Rp, 19.15.3.4 NMAC, 12/1/08]

19.15.16.5 EFFECTIVE DATE: December 1, 2008, unless a later date is cited at the end of a section.

[19.15.16.5 NMAC - Rp, 19.15.3.5 NMAC, 12/1/08]

19.15.16.6 OBJECTIVE: To regulate the drilling and production of oil and gas wells within the state.

[19.15.16.6 NMAC - Rp, 19.15.3.6 NMAC, 12/1/08]

19.15.16.7 DEFINITIONS: These definitions apply specifically to 19.15.16 NMAC. For additional definitions that may apply see 19.15.2 NMAC.

A. "Azimuth" means the deviation in the horizontal plane of a well bore expressed in terms of compass degrees.

B. "Completed interval" means that portion of a well bore or lateral that is:

- (1) cased, cemented and perforated;
- (2) an open hole; or
- (3) isolated by a packer or other non-permeable means and open to the formation.

C. "Deviated well" means a well bore that is intentionally deviated from vertical but not with an intentional azimuth.

D. "Directional well" means a well bore that is intentionally deviated from vertical with an intentional azimuth.

E. "Horizontal well" means a directional well bore with one or more laterals that extend a minimum of 100 feet horizontally in the target zone. A well with multiple laterals from a common well bore in the same or different target zones or formations shall be considered one well.

F. "Kick-off point" means the point at which a directional well is intentionally deviated from vertical.

G. "Lateral" means a portion of a directional well past the point where the well bore has been intentionally departed from the vertical.

H. "Non-standard project area" means a project area that is not a standard project area.

I. "Open hole" means that portion of a well bore or lateral that is:

- (1) not cased, or
- (2) cased, but the casing is not cemented in place, and is not otherwise isolated from the formation.

J. "Penetration point" means the beginning of the completed interval of a horizontal or other directional well or lateral.

K. "Producing area" means the portion of a project area that lies within a window formed by plotting the measured distance from the project area's outer boundaries, inside of which a well bore can be drilled and produced in conformity with the setback requirements from the outer boundary of a standard spacing unit for the applicable pool.

L. "Project area" means an area the operator designates on form C-102, well location and acreage dedication plat that comprises;

- (1) one or more complete, contiguous spacing units (in one section or in more than one section) that are developed by the horizontal well; or
- (2) an entire voluntary or statutory unit for an approved enhanced recovery or pressure maintenance project, an approved state exploratory unit, or a participating area in a federal unit.

M. "Standard project area" means a project area that;

- (1) is described in Paragraph (2) of Subsection L of 19.15.16.7 NMAC;
- (2) consists of a single spacing unit;
- (3) consists of two or more spacing units within a single section that collectively comprise:
 - (a) the entire section, a half-section or half-section equivalent, or a quarter section or quarter-section equivalent; or
 - (b) the north, south, east or west half of a half-section or half-section equivalent or of a quarter section or quarter-section equivalent; or
- (4) consists of a combination of two or more otherwise standard project areas, if the resulting area is substantially in the form of a rectangle; provided that a project area consisting of three 40-acre units within a single section and excluding the fourth spacing unit is not a standard project area.

N. "Terminus" means the farthest point attained along the well bore or lateral.

O. "Vertical well" means a well that does not have an intentional departure or course deviation from the vertical.

[19.15.16.7 NMAC - Rp, 19.15.3.111 NMAC, 12/1/08; A, 2/15/12]

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19.15.16.15 SPECIAL RULES FOR HORIZONTAL WELLS:

A. Directional and horizontal well consent requirement. An operator shall not file an application for permit to drill nor commence drilling of a horizontal or directional well until the operator has either:

- (1) received the consent of at least one lessee or owner of an unleased mineral interest in each tract (in the target pool or formation) in which any part of the well's completed interval will be located; or
- (2) obtained a compulsory pooling order from the division.

B. Setbacks.

(1) Horizontal wells drilled in project areas as defined in Subsection L of 19.15.16.7 NMAC shall have setbacks from the outer boundaries of the project area the same as if the well were drilled in a single spacing unit for the pool.

(2) Subject to the provisions of Paragraph (2) of Subsection B of 19.15.16.14 NMAC, every point of the completed interval must meet the minimum setback requirement from the outer boundaries of the project area, or an exception must be approved for a non-standard location.

(3) No internal setbacks are required within the project area.

(4) A horizontal well's surface location may be outside the setbacks or outside the project area provided, that the completed interval is entirely within the project area and complies with the applicable setback requirements.

C. Existing and subsequent wells in project areas.

(1) Existing wells in spacing units or project areas that are included in a newly designated project area remain dedicated to their existing spacing units or project areas and are not part of the new project area unless otherwise agreed by all working interest owners in the existing and newly designated project areas.

(2) Subject to the terms of any applicable joint operating agreement, subsequent wells with a completed interval in a horizontal well's project area may be drilled only with the approval of all working interest owners in the project area, or by order of the division after notice to all working interest owners in the project area and opportunity for hearing.

D. Pool rules. Provision of statewide rules or special pool orders in effect on February 15, 2012 that limit the number of wells that may simultaneously produce from the portion of a pool or area underlying a spacing unit, or a particular portion of spacing unit, do not apply to horizontal wells. Without limitation of any other right or remedy, an owner or operator of a tract in the same pool as a project area, that is not included in the project area, who contends that a horizontal well in the project area is impairing, or will impair, the owner's or operator's correlative rights may file an application with the division. The division, after notice and hearing, may grant such relief as it determines to be necessary and appropriate, including, but not limited to, imposing a limitation on the rate or amount of production from the project area.

E. Formation of project areas:

(1) Except as provided in Paragraphs (2) and (3) of Subsection E of 19.15.16.15 NMAC, a project area may be formed by filing a form C-102 designating the proposed project area, and simultaneously mailing or delivering a copy thereof to the New Mexico state land office if the proposed project area includes state trust lands.

(2) Before designating a non-standard project area, the operator shall give 20-days notice by certified mail, return receipt requested, to affected persons, as defined in Subparagraph (a) of Paragraph (2) of Subsection A of 19.15.4.12 NMAC, in all spacing units that:

(a) are excluded from the project area, if the project area would be a standard project area except for the exclusion of one spacing unit; or

(b) adjoin the project area, in all other cases.

(3) The notice shall state that the affected persons may protest the designation of a non-standard project area by mailing a protest to the operator within 20 days after mailing of notice as provided in Paragraph (2) of Subsection E of 19.15.16.15 NMAC. Within seven business days after receiving a protest of the proposed non-standard project area, the operator shall notify the division of the protest, and the division shall set the matter for hearing. Unless otherwise authorized by the division, the operator shall not commence drilling in the proposed non-standard project area until the protest has been determined by division order.

(4) No project area may be designated that lies partly within, and partly outside of, a state exploratory unit, or a federal exploratory unit or participating area if the project area includes state trust lands, without the written consent of the commissioner of public lands.

F. Consolidation of project area. If a horizontal well is dedicated to a project area in which there is more than one owner of any interest in the mineral estate, the operator of the horizontal well shall cause the project area to be consolidated by voluntary agreement or, if applicable, compulsory pooling before the division may approve a request for form C-104 for the horizontal well.

[19.15.16.15 NMAC - Rp, 19.15.3.112 NMAC, 12/1/08; 19.15.16.15 NMAC - N, 2/15/12]