

Suggested Changes of OXY USA Inc. (Occidental Oil & Gas Corp.)

Revision of Statewide Rule 104 (Case #11351)

November 9, 1995

Note: New language is shown in **bold and underlined**, proposed deletions in ~~strikeout~~.

1. Delete 104 (F) (3) in its entirety. If an application is unopposed, why is a hearing necessary?

2. In 104 (F) (4), add a new subsection (d):

“(d) Affected parties shall be defined as those parties who own interests in leases or operate wells on adjoining or diagonal spacing units and include:

- (I) the designated operator of any adjoining or diagonal spacing unit producing from the same pool(s) as the proposed well.**
- (ii) In the absence of an operator, all lessees of record of any diagonal or adjoining lease owning interests in the same pool(s) as the proposed well.**
- (iii) In the absence of an operator or lessee, all owners of record of unleased mineral interests in the same pool(s) as the proposed well.**

well will produce from target objective

3. Reword 104 (F) (4) as follows:

“Applications for administrative approval of unorthodox locations pursuant to Section F(2), above, shall be accompanied by a plat showing the subject spacing unit, its proposed unorthodox well location, the diagonal and adjoining spacing units **and/or leases (whichever is applicable)** and including wells, **and a list of affected parties** and operator or any diagonal and adjoining leases or unleased mineral interests that are actually subject to direct encroachment by the proposed unorthodox location. If the proposed location is based upon topography...”

4. Reword 104 (F) (5) as follows:

“The applicant shall submit a statement attesting that applicant, on or before the same date the application was submitted to the Division, has sent notification by submitting a copy of the application, **including a copy of the plat described in Section (4)** by certified or registered mail-return receipt **to all affected parties** and advising them that they if they have an objection it must be filed in writing within twenty days of the date notice was sent. ~~To the following parties.....by Section F(4)(e) above.~~ The Division Director may approve.....”

5. Cleanup typos:

- In 104 (D) (3): “...shall not be dedicated to **more** than one well capable of production.....”

- In the last line of 104 (O): “In the event that **a** party entitled to notice....”

4. Standard Deep Gas Well Locations in Southern New Mexico:

Currently Rule 104 provides for standard well locations to be not closer than 1980 feet to the end or 660 feet to side of a 320-acre unit in those pools where 320-acre spacing is standard.

(7) Support (2) Oppose: changing "standard" deep gas from 1980' to 1650' end setback, OR

(10) Support (4) Oppose: redefine standard deep gas to be not closer than 660 to end or side of unit.

5. Notice to Offsetting parties:

Currently, Rule 104 provides that applicants for Administrative NSL shall notify all offsetting operators of units around the entire spacing unit containing the proposed NSL. There is no notice required if there is no offsetting unit. NMOGA seeks to have notice limited to those operators and lessee and unleased mineral owners towards which the well encroaches. The complete text of NMOGA's proposal is attached to the Division docket of October 19th or can be obtained from NMOGA.

(14) Support (2) Oppose: NMOGA's proposal to eliminate notice to those operators of units surrounding the unit and to notify only those operators towards which the subject well encroaches.

(13) Support (4) Oppose: NMOGA's proposal to notify, in the absence of an operator, the lessees and unleased mineral owners towards which the well encroaches.

(8) Support (8) Oppose: NMOGA's proposal that notice to lessees and unleased mineral owners be those within a circle the center of which is at the NSL and the radius of which is equal to the standard well location setback for that pool.

(7) Support (7) Oppose: In those cases where there is no offset spacing unit, notice to the lessees and unleased mineral owners in the diagonal and each adjoining 160-acre tract towards which the well encroaches regardless of whether the pool is spaced on 80-acres, 160-acres or 320-acres.

(10) Support (3) Oppose: Use Division Rule 1207 NSL hearing notice requirements for administrative NSL applications (Rule 1207 provides notice to offset operators or the adjoining unleased mineral owner being encroached upon)

() OTHER notice rule changes: (describe)

(1) suggests notice to operators, lessees & unleased mineral owners in the spacing units which adjoin applicants spacing unit on the two sides and the single diagonal closest to the proposed well.

(1) suggests 15 day notice rather than 20 day notice.

(1) notice to like spacing units

(1) prefers not to have to notice unleased minerals owners at all

AMOCO RECOMMENDED CHANGES - RULE 104

Amoco recommends using the language from Rule 1207 which describes the notice requirement for cases of unorthodox locations to be set for NMOCD hearing. We believe it is appropriate to have the same notice requirements for both the administrative approval process and for the hearing process.

We believe that applications for unorthodox location should NOT be automatically set for hearing due to a minimum setback rule. Cases should be set for hearing for good cause by the Director or due to objections by the affected parties receiving notice.

F. UNORTHODOX LOCATIONS

- (1) Agree with NMOGA Task Force recommendation.
- (2) Delete the opening phrase "Subject to the limitations of Section F(3) below," and agree with the remainder of the NMOGA Task Force recommendation.
- (3) Delete the paragraph establishing minimum setbacks to automatically set an application for unorthodox location for hearing.
- (4) Applications for administrative approval of unorthodox locations pursuant to Section.F(2), above, shall be accompanied by a plat showing the subject spacing unit, its proposed unorthodox well location, the diagonal and adjoining spacing units including wells and operators **or owners of undrilled leases which adjoin the subject spacing unit on one or more of the two sides or the single corner closest to the proposed well.** If the proposed unorthodox location is based upon topography or archeology, the plat shall also show and describe the existent topographical or archeological conditions. If the proposed unorthodox location is based upon geology, the application shall include appropriate geologic exhibits and a discussion of the geologic conditions which result in the necessity for the unorthodox location.
- (5) The applicant shall submit a statement attesting that applicant, on or before the same date the application was submitted to the Division, has sent notification by submitting a copy of the application by certified or registered mail-return receipt **to any operator of a spacing unit or owner of an undrilled lease which adjoins the applicant's spacing unit on one or more of the two sides or the single corner closest to the proposed well** and advising them that that if they have an objection, it must be filed in writing within twenty (20) days of the date notice was sent. The Division Director may approve the unorthodox location upon receipt of waivers from all said parties or if no said party has entered an objection to the unorthodox location within twenty (20) days after the Director has received the application.