

PROPOSED AMENDMENT RULE 104, SECTIONS A, B, C, AND D

RULE 104. WELL SPACING: ACREAGE REQUIREMENTS FOR DRILLING TRACTS

A. CLASSIFICATION OF WELLS: WILDCATS AND DEVELOPMENT WELLS

Any well which is to be drilled a distance of one mile or more from another well which has produced oil or gas from the formation to which the proposed well is projected or one mile or more from the outer boundary of any defined pool which has produced oil or gas from the formation to which the proposed well is projected, shall be classified as a wildcat well.

Any well which is to be drilled less than one mile from the outer boundary of a defined oil or gas pool which has produced oil or gas from the formation to which the proposed well is projected shall be classified as a development well and shall be spaced, drilled, operated and produced in accordance with the regulations in effect in the nearest such pool, provided the well is completed in the formation to which it was projected. Provided further, that any well completed in a formation other than the one to which it was originally projected shall be operated and produced in accordance with the rules and regulations in effect in the nearest pool within one mile which is producing from the same formation in which the well is completed.

If there is no designated pool for the aforesaid formation within one mile, the well shall be classified as a wildcat.

B. ACREAGE REQUIREMENTS FOR WILDCATS

I. Lea, Chaves, Eddy and Roosevelt Counties

(a) Wildcat Gas Wells

In Lea, Chaves, Eddy, and Roosevelt Counties, a wildcat gas well shall be defined as a wildcat in accordance with Section A above which is projected as a gas well in a formation and an area which, in the opinion of the engineer or supervisor approving the application to drill, may reasonably be presumed to be productive of gas rather than oil.

Such wildcat gas well shall be located on a drilling tract consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter-section, being a legal subdivision of the U. S. Public Land Surveys; provided, however, if such wildcat gas well is projected to a formation of Pennsylvanian age or older, it shall be located on a drilling tract consisting of 320 surface contiguous acres, more or less, comprising any two contiguous quarter sections of a single governmental section, being a legal subdivision of the U. S. Public Land Surveys.

Any such wildcat gas well shall be located at least 660 feet from the outer boundary of the 160-acre or 320-acre tract and shall be located not closer than 330 feet to any quarter-quarter section or subdivision inner boundary.

(b) Wildcat Oil Wells

In Lea, Chaves, Eddy and Roosevelt Counties, a wildcat oil well shall be defined as a wildcat in accordance with Section A above but which is not a wildcat gas well as defined above.

Such wildcat oil well shall be located on a tract consisting of approximately 40 surface contiguous acres substantially in the form of a square which is a legal subdivision of the U. S. Public Land Surveys, or on a governmental quarter-quarter section or lot and shall be located not closer than 330 feet to any boundary line of such tract.

II. San Juan, Rio Arriba, and Sandoval Counties

(a) Wildcat Gas Wells

In San Juan, Rio Arriba, and Sandoval Counties, a wildcat gas well shall be defined as a wildcat in accordance with Section A above which is projected to a gas-producing horizon and shall be located on a designated drilling tract consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section, being a legal subdivision of the U. S. Public Land Surveys, and shall be located not closer than 790 feet to any outer boundary of the tract nor closer than 130 feet to any quarter-quarter section or subdivision inner boundary.

In the event oil production is encountered in a well which was projected to a gas-producing horizon and which is located accordingly but does not conform to the oil well location rule below, it shall be necessary for the operator to bring the matter to a hearing before approval for the production of oil can be given.

(b) Wildcat Oil Wells

A wildcat oil well shall be defined as a wildcat in accordance with Section A above which is projected to an oil-producing horizon as recognized by the Commission and shall be located on a tract consisting of approximately 40 surface contiguous acres substantially in the form of a square which is a legal subdivision of the U. S. Public Land Surveys, or on a governmental quarter-quarter section or lot and shall be located not closer than 330 feet to any boundary line of such tract.

In the event gas production is encountered in a well which was projected to an oil-producing horizon and which is located accordingly but does not conform to the above-described gas well location rule, it shall be necessary for the operator to bring the matter to a hearing before approval for the production of gas can be given.

III. All counties except Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba, and Sandoval

Any well classified as a wildcat in any county other than Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba, and Sandoval shall be located on a tract consisting of approximately 40 surface contiguous acres substantially in the form of a square which is a legal subdivision of the U. S. Public Land Surveys, or on a governmental quarter-quarter section or lot and shall be located not closer than 330 feet to any boundary of such tract.

C. ACREAGE REQUIREMENTS FOR DEVELOPMENT WELLS

I. Oil Wells, All Counties

Unless otherwise provided in special pool rules, each well drilled within a defined oil pool shall be located on a tract consisting of approximately 40 surface contiguous acres substantially in the form of a square which is a legal subdivision of the United States Public Land Surveys, or on a governmental quarter-quarter section or lot and shall not be drilled closer than 330 feet to any boundary line of such tract or closer than 660 feet to the nearest well drilling to or capable of producing from the same pool.

II. Gas Wells

(a) Lea, Chaves, Eddy and Roosevelt Counties

Unless otherwise provided in special pool rules, each well drilled within a defined gas pool of less than Pennsylvanian age shall be located on a designated drilling tract consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section being a legal subdivision of the United States Public Land Surveys and shall not be drilled closer than 660 feet to any outer boundary line of such tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary nor closer than 1320 feet to the nearest well drilling to or capable of producing from the same pool.

Unless otherwise provided in special pool rules, each well drilled within a defined gas pool of Pennsylvanian age or older shall be located on a designated drilling tract consisting of 320 surface contiguous acres, more or less, comprising any two contiguous quarter sections of a single governmental section, being a legal subdivision of the U. S. Public

Land Surveys and shall not be drilled closer than 660 feet to any outer boundary line of the tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary nor closer than 1320 feet to the nearest well drilling to or capable of producing from the same pool.

(b) San Juan, Rio Arriba, and Sandoval Counties

Unless otherwise provided in special pool rules, each well drilled within a defined gas pool shall be located on a designated drilling tract consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section being a legal subdivision of the United States Public Land Surveys, and shall be located not closer than 790 feet to any outer boundary of the tract nor closer than 130 feet to any quarter-quarter section line or subdivision inner boundary.

D. ACREAGE ASSIGNMENT, COMPLETED WELLS

I. Well Tests and Classification

It shall be the responsibility of the operator of any wildcat gas well or development gas well to which more than 40 acres has been dedicated to determine the gas-liquid ratio and the liquid gravity for the well and to conduct a potential test within 30 days following completion of the well and to file the same with the Commission within 10 days following completion of the tests. (See Rules 301 and 401.)

Date of completion for a gas well shall be the date a well head is installed or 30 days following conclusion of active completion work on the well, whichever date comes first.

Upon making a determination that the well should not properly be classified as a gas well, the Commission will reduce the acreage dedicated to the well.

Failure of the operator to file the aforesaid tests within the specified time will also subject the well to such acreage reduction.

II. Non-Standard Units

Any completed gas well which 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 unit for the well has been formed and dedicated or until a non-standard unit has been approved.

The Secretary-Director of the Commission may grant administrative approval to non-standard gas units without notice and hearing when an application has been filed for a non-standard unit and the unorthodox size or shape of the unit is necessitated by a variation in the legal subdivision of the U. S. Public Land Surveys, or the following facts exist and the following provisions are complied with:

- (a) The non-standard unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side.
- (b) The non-standard unit lies wholly within a single governmental quarter section if the well is completed in a pool or formation for which 160 acres is the standard unit size or wholly within a single governmental half section if the well is completed in a pool or formation for which 320 acres is the standard unit size.
- (c) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the quarter section (for 160-acre pools or formations) or the half-section (for 320-acre pools or formations) in which the non-standard unit is situated and which acreage is not included in said non-standard unit.
- (d) In lieu of paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of his intent to form such non-standard unit. The Secretary-Director may approve the application if no such operator has entered an objection to the formation of such non-standard unit within 30 days after the Secretary-Director has received the application.

PROPOSED AMENDMENT RULE 301

RULE 301. GAS-OIL RATIO TEST

Amend the first paragraph of Section (a) to read as follows:

Each operator shall take a gas-oil ratio test no sooner than 20 days nor later than 30 days following the completion or recompletion of each well, if (1) the well is a wildcat, or (2) the well is located in a pool which is not exempt from the requirements of this rule. (Wells completed within one mile of the outer boundary of a defined oil pool producing from the same formation shall be governed by the provisions of this rule which are applicable to the pool). The results of the test shall be reported to the Commission on Form C-116 within 10 days following completion of the test. The gas-oil ratio thus reported shall become effective for proration purposes on the first day of the calendar month following the date they are reported.

PROPOSED AMENDMENT RULE 401

RULE 401. METHOD OF DETERMINING NATURAL GAS WELL POTENTIAL

Add the following paragraph to the existing rule:

All gas wells which are not connected to a gas gathering facility shall be tested within 30 days following the installation of a well head. Tests shall be taken in accordance with the "Procedure for Testing Unconnected Gas Wells" contained in Supplement I to the New Mexico Oil Conservation Commission "Manual for Back Pressure Tests for Natural Gas Wells." Tests shall be reported on Form C-122 in compliance with Rule 1121 and shall be filed within 10 days following completion of the test.