

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

19.15.15.1 ISSUING AGENCY: Oil Conservation Commission.
[19.15.15.1 NMAC - N, 12/1/2008; A, 6/26/2018]

19.15.15.2 SCOPE: 19.15.15 NMAC applies to persons engaged in drilling oil and gas wells within New Mexico.
[19.15.15.2 NMAC - N, 12/1/2008]

19.15.15.3 STATUTORY AUTHORITY: 19.15.15 NMAC is adopted pursuant to the Oil and Gas Act, Section 70-2-6, Section 70-2-11 and Section 70-2-12 NMSA 1978, which authorizes the division to establish well spacing.
[19.15.15.3 NMAC - N, 12/1/2008; A, 6/26/2018]

19.15.15.4 DURATION: Permanent.
[19.15.15.4 NMAC - N, 12/1/2008]

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

19.15.15.6 OBJECTIVE: To classify wells and establish well location and well acreage requirements and procedures for multiple operators within a spacing unit, obtaining approval of unorthodox well locations and for pooling or communitizing small acreage oil lots.
[19.15.15.6 NMAC - N, 12/1/2008]

19.15.15.7 DEFINITIONS: [RESERVED]
[See 19.15.2.7 NMAC for definitions.]
[19.15.15.7 NMAC - N, 12/1/2008]

19.15.15.8 CLASSIFICATION OF WELLS: WILDCAT AND DEVELOPMENT WELLS:
A. Wildcat well.

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

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

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

(2) In all counties except San Juan, Rio Arriba, Sandoval and McKinley, a wildcat well is a well to be drilled the spacing unit of which is a distance of one mile or more from:

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

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

B. Development well.

(1) A well that is not a wildcat well is 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. The operator shall space, drill, operate and produce a development well in accordance with the rule or order in effect for that pool, provided the well is completed in that pool.

(2) An operator shall operate and produce a well classified as a development well for a pool but completed in a producing formation not included in that pool's vertical limits in accordance with the rule 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.

[19.15.15.8 NMAC - Rp, 19.15.3.104 NMAC, 12/1/2008]

19.15.15.9 OIL WELL ACREAGE AND WELL LOCATION REQUIREMENTS:

A. A wildcat well that the operator projects to drill as an oil well to a formation and in an area that in the division's opinion may reasonably be presumed to produce 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 that is a legal subdivision of the United States public land surveys and is a governmental quarter-quarter section or lot, and shall be located no closer than 330 feet to a boundary of the unit. Unless otherwise provided in applicable special pool order, a 40-acre oil spacing unit may contain up to four wells. Only those 40-acre spacing units committed to active secondary recovery projects shall be permitted more than four wells.

B. If a well drilled as an oil well is completed as a gas well but does not conform to the applicable gas well location requirements, the operator shall apply for administrative approval for a non-standard location before the well can produce. The director may set the application for hearing.

[19.15.15.9 NMAC - Rp, 19.15.3.104 NMAC, 12/1/2008]

19.15.15.10 GAS WELL ACREAGE AND WELL LOCATION REQUIREMENTS: A wildcat well that the operator projects to drill as a gas well to a formation and in an area that in the division's opinion may reasonably be presumed to produce 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.

A. 640-acre spacing applies to a 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). The well shall be located on a spacing unit consisting of 640 contiguous surface acres, more or less, substantially in the form of a square that is a section and legal subdivision of the United States public land surveys and shall be located no closer than:

- (1) 1200 feet to an outer boundary of the spacing unit;
- (2) 130 feet to a quarter section line; and
- (3) 10 feet to a quarter-quarter section line or subdivision inner boundary.

B. 320-acre spacing applies to a deep gas well in Lea, Chaves, Eddy or Roosevelt county that is projected to be drilled to a gas producing formation, or is within a defined gas pool, that is in the Wolfcamp or an older formation. The 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 United States public land surveys provided that:

- (1) 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 a quarter-quarter section line or subdivision inner boundary; and
- (2) 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 a quarter-quarter section line or subdivision inner boundary.

C. 160-acre spacing applies to a gas well not covered above. The well shall be located in a spacing unit consisting of 160 surface contiguous acres, more or less, substantially in the form of a square that is a quarter section and a legal subdivision of the United States public land surveys and shall be located no closer than 660 feet to an outer boundary of the unit and no closer than 10 feet to a quarter-quarter section or subdivision inner boundary.

[19.15.15.10 NMAC - Rp, 19.15.3.104 NMAC, 12/1/2008]

19.15.15.11 ACREAGE ASSIGNMENT:

A. Well tests and classification. The operator of a wildcat or development gas well to which more than 40 acres has been dedicated shall conduct a potential test within 30 days following the well's completion and file the test with the division within 45 days following the test's completion. (See 19.15.19.8 NMAC.)

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

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

(3) The operator's failure to file the test within the specified time subjects the well to the acreage reduction.

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 seventy percent or more than one hundred-thirty 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 a non-standard spacing unit pursuant to Paragraph (2) of Subsection B of 19.15.15.11 NMAC or Paragraph (5) of Subsection B of 19.15.16.15 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 entitled to notice of the application; 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 identified on the list described in Paragraph (3) of Subsection B of 19.15.15.11 NMAC 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 in adjoining spacing units in the same pool or in adjoining tracts not included in such spacing units.

[19.15.15.11 NMAC - Rp, 19.15.3.104 NMAC, 12/1/2008; A, 6/26/2018]

19.15.15.12 SPECIAL RULES FOR MULTIPLE OPERATORS WITHIN A SPACING UNIT:

A. 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 all operators of wells producing from that proration unit agree, the allowable production from the newly completed well shall not exceed the difference between the allowable production for the proration unit and the actual production from the pool of the existing well or wells within the proration unit. The division may authorize exceptions to Subsection A of 19.15.15.12 NMAC after hearing following appropriate notice.

B. Notice requirements.

(1) An 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 the well, furnish written notification of its intent to the operator of each existing well, and, if the unit includes state, federal or tribal minerals, to the state land office or BLM, as applicable; provided that separate notification to the BLM is not required if the operator will file the application with the BLM pursuant to 19.15.7.11 NMAC.

(2) The operator shall send the notices by certified mail, return receipt requested, and shall

specify the proposed well's location and depth.

(3) The applicant shall submit with its application for permit to drill, deepen or plug back either

(a) a statement attesting that, at least 20 days before the date that the application was submitted to the division, the applicant sent notices to the designated parties, by certified mail, return receipt requested, advising them that if they have an objection they must deliver a written statement of objection to the proposing operator within 20 days of the date the operator mailed the notice, and that it has received no such objection; or

(b) written waivers from all persons required to be notified (the BLM's approval of the application being deemed equivalent to waiver by that agency); in event of objection, the division may approve the application only after hearing.

C. Transfer of wells. If an operator transfers operation of less than all its wells located within a spacing or proration unit to another operator, and the spacing unit includes state, federal or tribal minerals, the operator shall, prior to filing form C-145 to effectuate the transfer, notify in writing the state land office or BLM, as applicable, of the transfer.

D. Compulsory pooled units. No provision of 19.15.15 NMAC authorizes the operation of a producing well within a unit described in an existing compulsory pooling order by an operator other than the operator designated in the order.

E. Federal or state exploratory units. No provision of 19.15.15 NMAC authorizes a producing well's operation within a federal exploratory unit or state exploratory unit by an operator other than the unit's designated operator except as provided by BLM regulations or state land office rules applicable to the unit.

[19.15.15.12 NMAC - Rp, 19.15.3.104 NMAC, 12/1/2008; A, 6/26/2018]

19.15.15.13 UNORTHODOX LOCATIONS:

A. Well locations within a secondary recovery, tertiary recovery or pressure maintenance project for producing wells or injection wells that are unorthodox based on 19.15.15.9 NMAC's requirements and are necessary for an efficient production and injection pattern are 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 a quarter-quarter section line or subdivision inner boundary. These locations only require such prior approvals as are necessary for an orthodox location.

B. The director may grant an exception to the well location requirements of 19.15.15.9 NMAC, 19.15.15.10 NMAC and 19.15.16.15 NMAC or special pool orders after notice and opportunity for hearing when the exception is necessary to prevent waste or protect correlative rights.

C. The operator shall submit applications for administrative approval pursuant to Subsection B of 19.15.15.13 NMAC to the division's Santa Fe office accompanied by a plat showing the spacing unit, the proposed unorthodox well location and the adjoining spacing units and wells; a list of affected persons entitled to notice pursuant to Paragraph (2) of Subsection A of 19.15.4.12 NMAC; and information evidencing the need for the exception. The division shall give notice as required in 19.15.4.9 NMAC and the operator shall give notice as required by Paragraph (2) of Subsection A of 19.15.4.12 NMAC.

D. The applicant shall submit a statement attesting that the applicant, on or before the date that the applicant submitted the application to the division, sent notification to the affected persons by furnishing a copy of the application, including a copy of the plat described in Subsection C of 19.15.15.13 NMAC, by certified mail, return receipt requested, advising them that if they have an objection they shall file it in writing with the division 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.

E. The director may set for hearing an application for administrative approval of an unorthodox location.

F. Whenever the division approves an unorthodox location, it may order any action necessary to offset an advantage of the unorthodox location.

[19.15.15.13 NMAC - Rp, 19.15.3.104 NMAC, 12/1/2008; A, 6/26/2018]

19.15.15.14 EFFECT OF NON-STANDARD UNITS ON ALLOWABLES:

A. If the drilling tract is within a prorated/allocated oil pool or is subsequently placed within the pool and the drilling tract consists of less than 39½ acres or more than 40½ acres, the top proration 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.

B. If the drilling tract is within a prorated/allocated gas pool or is subsequently placed within the pool and the drilling tract consists of less than 158 acres or more than 162 acres in 160-acre pools, 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.

C. In computing acreage under Subsections A and B of 19.15.15.14 NMAC, less than one quarter acre shall not be counted but one-half acre or more shall count as one acre.

D. The provisions of Subsections A and B of 19.15.15.14 NMAC apply only to wells completed after January 1, 1950.

[19.15.15.14 NMAC - Rp, 19.15.3.104 NMAC, 12/1/2008]

19.15.15.15 DIVISION-INITIATED EXCEPTIONS: To prevent waste, the division may, after hearing, set different spacing requirements and require different acreage for drilling tracts in a defined oil or gas pool.

[19.15.15.15 NMAC - Rp, 19.15.3.104 NMAC, 12/1/2008; A, 6/26/2018]

19.15.15.16 POOLING OR COMMUNITIZATION OF SMALL OIL LOTS:

A. 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:

(1) the operator applies to the division's Santa Fe office for administrative approval with an application accompanied by:

(a) a plat showing the dimensions and acreage involved, the acreage's ownership, the location of existing and proposed wells and adjoining spacing units;

(b) a list of affected persons in the oil lots and the contiguous spacing unit to be pooled or communitized; and

(c) a statement discussing the reasons for the pooling or communitization; and

(2) the applicant submits a statement attesting that the applicant, on or before the date the applicant submitted the application to the division, sent notification to the affected persons by submitting a copy of the application, including a copy of the plat described in Paragraph (1) of Subsection A of 19.15.15.16 NMAC, by certified mail, return receipt requested, advising them that if they have an objection they must file it in writing with the division within 20 days from the date the division receives the application.

B. 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.

C. The director may set for hearing an application for administrative approval.

D. The division may consider the common ownership and common lease requirements met if the applicant furnishes with the application a copy of an executed pooling agreement communitizing the tracts involved.

[19.15.15.16 NMAC - Rp, 19.15.3.104 NMAC, 12/1/2008; A, 6/26/2018]

HISTORY of 19.15.15 NMAC:

History of Repealed Material: 19.15.3 NMAC, Drilling (filed 10/29/2001) repealed 12/1/2008.

NMAC History:

Those applicable portions of 19.15.3 NMAC, Drilling (Section 104) (filed 10/29/2001) were replaced by 19.15.15 NMAC, Well Spacing and Location, effective 12/1/2008.