This is an amendment to 19.15.16 NMAC, amending Sections 1, 3, 7, 14, 15 and 20 effective XX/XX/XXXX.

19.15.16.1 ISSUING AGENCY: [~~Energy, Minerals and Natural Resources Department, Oil Conservation Division~~] Oil Conservation Commission.
[19.15.16.1 NMAC - Rp, 19.15.3.1 NMAC, 12/1/2008; A, XX/XX/201X]
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 NMSA 1978.
[19.15.16.3 NMAC - Rp, 19.15.3.3 NMAC, 12/1/2008; A, XX/XX/201X]

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 but is not a horizontal well.

E. "First take point" means the shallowest measured depth of the well bore, where the completed interval starts.

F. "Horizontal spacing unit" means the spacing unit dedicated to a horizontal well.

[~~**E.**~~] **G. "Horizontal well"** means a [~~directional~~] well bore with one or more laterals that extend a minimum of 100 feet [~~horizontally~~] laterally 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.

H. "Infill horizontal well" means a horizontal well the completed interval or intervals of which are located wholly within the horizontal spacing unit dedicated to a previously drilled horizontal well completed in the same pool and that the operator designates as an infill horizontal well on form C-102.

[~~**F.**~~] **I. "Kick-off point"** means the point at which a directional or horizontal well is intentionally deviated from the vertical, or, in the case of a multi-lateral well, a separate lateral is intentionally diverted from the vertical portion of the well bore.

J. "Last take point" means the deepest measured depth of the well bore, where the completed interval ends.

[~~G.~~] K. "Lateral" means [~~a~~] the portion of a directional or horizontal well past the point where the well bore has been intentionally [~~deviated~~] diverted from the vertical, or, in the case of a multi-lateral well, the point at which a particular lateral has been intentionally diverted from the vertical portion of the well bore.

L. "Multi-lateral well" means a horizontal well with multiple laterals from a common well bore in the same or different target zones or formations.

[~~**H.** "Non-standard project area" means a project area that is not a standard project area.~~]

[~~**I.**~~] **M. "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~~] drilled along the well bore or lateral.

O. **"Tract"** means a legal subdivision of the United States public survey substantially in the form of a square or rectangle.

P. **"Unitized Area"** means any area where ownership of production from the relevant pool or formation is consolidated pursuant to an agreement, whether voluntary and filed in the county land records, or approved by federal or state authority, including but not limited to a statutory unit, an approved enhanced recovery unit, a participating area in a federal exploratory unit, a federal unit which does not provide for participating areas, a state exploratory unit or a communitized unit if all interests in the communitized unit are committed to the communitization agreement.

[~~**O.**~~] **Q.** **"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, 12/1/2008; A, 2/15/2012; A, XX/XX/201X]

19.15.16.14 [~~DEVIATION TESTS; DEVIATED, DIRECTIONAL AND HORIZONTAL WELLS~~] DEVIATION TESTS AND WELLBORE SURVEYS; VERTICAL, DEVIATED AND DIRECTIONAL WELLS:

[~~**A. Deviated well bores.**~~

~~**(1) Deviation tests required.** An operator shall test a vertical or deviated well that is drilled or deepened at reasonably frequent intervals to determine the deviation from the vertical. The operator shall make the tests at least once each 500 feet or at the first bit change succeeding 500 feet. The operator shall file with the division a tabulation of deviation tests run, that is sworn to and notarized, with form C-104.~~

~~**(2) Excessive deviation.** When the deviation averages more than five degrees in a 500-foot interval, the operator shall include the calculations of the hole's maximum possible horizontal displacement. When the maximum possible horizontal displacement exceeds the distance to the appropriate unit's nearest outer boundary line the operator shall run a directional survey to establish the location of the producing interval or intervals.~~

~~**(3) Unorthodox locations.** If the results of the directional survey indicate that the producing interval is more than 50 feet from the approved surface location and closer than the minimum setback requirements to the applicable unit's outer boundaries, then the well is considered unorthodox. To obtain authority to produce the well, the operator shall file an application with the director with a copy to the appropriate division district office, and shall otherwise follow the normal process outlined in Subsection C of 19.15.15.13 NMAC to obtain approval of the unorthodox location.~~

~~**(4) Directional survey requirements.** Upon the director's request, the operator shall directionally survey a vertical or deviated well. The operator shall notify the appropriate division district office of the approximate time the operator will conduct the directional survey. The operator shall file directional surveys run on a well with the division upon the well's completion. The division shall not assign an allowable to the well until the operator has filed the directional surveys.~~

~~**B. Directional or horizontal well bores.**~~

~~**(1) Directional drilling within a project area.** The appropriate division district office may grant a permit to directionally drill a well bore if the producing interval is entirely within the producing area or at an unorthodox location the division previously approved. Additionally, if the project area consists of a combination of drilling units and includes state, federal or tribal lands, the operator shall send a copy of form C-102 to the state land office or the BLM, as applicable.~~

~~**(2) Unorthodox locations.** If all or part of a directional well bore's completed interval is projected to be outside of the producing area, or if any portion of a directional well bore's completed interval, as drilled, is located more than 50 feet from its projected location as indicated on form C-102 filed with the application for permit to drill the well and is outside of the producing area, the well's location is considered unorthodox. To obtain approval for the well's location, the operator shall file a written application in the Santa Fe office of the division in accordance with Subsection C of 19.15.15.13 NMAC.~~

~~**(3) Allowables for project areas with multiple proration units.** The division shall assign to a project area within a prorated pool an allowable equal to the applicable unit allowable for the pool multiplied by the number of standard spacing units or approved non-standard spacing units that a horizontal well's or lateral's completed interval develops. If a project area includes a spacing unit or smaller project area dedicated to an existing well bore, unless the operators of all wells in the project area otherwise agree, the project area's allowable shall be computed by deducting the actual production from the existing well bore or well bores from the total allowable for the project area not to exceed the existing allowable for the well bore or well bores.~~

~~**(4) Directional surveys required.** An operator shall run a directional survey on each well drilled pursuant to Subsection B of 19.15.16.14 NMAC. The operator shall notify the appropriate division district office of the approximate time the operator will conduct the directional survey. The operator shall file a directional survey run on a well with the division upon the well's completion. The division shall not assign an allowable to the well until the operator files the directional survey. If the directional survey indicates that part of the producing interval is outside of the producing area, or, in the case of an approved unorthodox location, less than the approved setback requirements from the applicable unit's outer boundary, then the operator shall file an application with the director with a copy to the appropriate division district office and shall otherwise follow the normal process outlined in Subsection C of 19.15.15.13 NMAC to obtain approval of the unorthodox location.~~

~~**(5) Re-entry of vertical or deviated well bores for directional drilling projects.** These well bores are considered orthodox provided the surface location is orthodox and the producing interval's location is within the tolerance allowed for deviated well bores under Paragraph (3) of Subsection A of 19.15.16.14 NMAC.~~

~~**C. Additional matters.**~~

~~**(1)** Directional surveys that 19.15.16.14 NMAC requires shall have shot points no more than 200 feet apart and shall be run by competent surveying companies that are approved by the director. The division shall allow exceptions to the minimum shot point spacing provided the survey's accuracy is still within acceptable limits.~~

~~**(2)** The director may set an application for administrative approval whereby the operator shall submit appropriate information and give notice as the director requests. The division may approve un-protested applications administratively within 20 days after the division receives the application and supporting information. If the application is protested, or the director decides that a hearing is appropriate, the division may set the application for hearing.~~

~~**(3)** The division shall grant permission to deviate or directionally drill a well bore for any reason or in a manner not provided for in 19.15.16.14 NMAC only after notice and opportunity for hearing.~~]

A. Vertical and deviated well bores.

(1) Deviation tests required. An operator shall test a vertical or deviated well that is drilled or deepened at reasonably frequent intervals to determine the deviation from the vertical. The operator shall make the tests at least once each 500 feet or at the first bit change succeeding 500 feet. The operator shall file with the division along with its form C-104 a tabulation of deviation tests run, that is sworn to and notarized.

(2) Excessive deviation. When the deviation averages more than five degrees in a 500-foot interval, the operator shall include the calculations of the hole's maximum possible horizontal displacement. When the maximum possible horizontal displacement exceeds the distance to the appropriate unit's nearest outer boundary line the operator shall run a directional survey to establish the location of the well's completed interval.

(3) Unorthodox well locations. If the results of the directional survey of a vertical or deviated well indicate that the completed interval is more than 50 feet from the approved surface location and closer than the minimum setback requirements to the applicable unit's outer boundary, then the well is considered unorthodox. To obtain authority to produce the well, the operator shall file an application with the division's Santa Fe office, and shall follow the process outlined in Subsection C of 19.15.15.13 NMAC to obtain approval of the unorthodox well location.

(4) Directional survey requirements. Upon the director's request, the operator shall directionally survey a vertical or deviated well. The operator shall file directional surveys run on a well, in division-approved format, with the division upon the well's completion. The division shall not approve a form C-104 for the well until the operator has filed the directional surveys.

B. Directional well bores.

(1) Directional drilling. The appropriate division district office may grant a permit to directionally drill a well bore if every point of the completed interval is projected to be located at a distance greater than or equal to the minimum setback distance from the applicable spacing unit's outer boundaries or at an unorthodox well location the division previously approved.

(2) Unorthodox well locations. If all or part of a directional well's completed interval is projected to be located less than the minimum distance from the outer boundary of the well's spacing unit, the well's location is considered unorthodox. To obtain approval for the well's location, the operator shall file an application in the division's Santa Fe office in accordance with Subsection C of 19.15.15.13 NMAC.

(3) Directional surveys required. An operator shall run a directional survey on each well drilled pursuant to Subsection B of 19.15.16.14 NMAC. The operator shall file a directional survey, in division-approved format, with the division upon the well's completion. The division shall not approve a form C-104 for the well until the operator files the directional survey. The well's location will be considered unorthodox if the directional survey indicates that part of well's completed interval, as drilled, is located more than 50 feet from its projected location and closer to an outer boundary of the spacing unit than applicable minimum setback distance. For previously approved unorthodox well locations, the well's as-drilled location is unorthodox if the directional survey indicates that any part of the completed interval is located more than 50 feet (or, if less, twenty-five percent of the previously authorized distance) closer to the outer boundary of the spacing unit than the approved location.

C. Directional survey specifications. Directional surveys that 19.15.16.14 NMAC requires shall have shot points no more than 200 feet apart and shall be run by competent surveying companies. The division shall allow exceptions to the minimum shot point spacing provided the survey's accuracy is still within acceptable limits.

[19.15.16.14 NMAC - Rp, 19.15.3.111 NMAC, 12/1/2008; A, 2/15/2012; A, XX/XX/201X]

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.~~]

A. Well spacing.

(1) Standard horizontal spacing units for horizontal oil wells. In lieu of an oil spacing unit described in Subsection A of 19.15.15.9 NMAC, the operator shall dedicate to each horizontal oil well a standard horizontal spacing unit that meets the following criteria.

(a) The horizontal spacing unit shall comprise one or more contiguous tracts that the horizontal oil well's completed interval penetrates, each of which consists of a governmental quarter-quarter section or equivalent.

(b) In addition to tracts the horizontal oil well penetrates, the operator may include quarter-quarter sections or equivalent tracts in the standard horizontal spacing unit that are located within 330 feet of the proposed horizontal oil well's completed interval (measured along a line perpendicular to the proposed completed interval or its tangent).

(c) If, however, the perimeter of the area that includes all the tracts that the horizonal oil well penetrates encloses an area that is substantially rectangular, then the operator may not bring in additional tracts that would result in a non-rectangular horizontal spacing unit.

(d) A standard horizontal spacing unit that is rectangular and includes three quarter-quarter sections, or equivalent tracts, in the same section shall not exclude the fourth such tract in the same section unless that tract is already dedicated to a horizontal spacing unit for an existing or permitted horizontal oil well completed or to be completed in the same pool or formation.

(e) The horizontal spacing unit shall contain at least the minimum acreage required by existing or subsequently adopted special pool orders for a spacing unit in any pool where all or part of the horizontal oil well's completed interval is located.

(2) Exception for pools with larger spacing. If the horizontal oil well is located entirely or partially in a pool for which existing or subsequently adopted special pool orders prescribe oil spacing units larger than 40 acres, then the horizontal spacing unit may, as an alternative to quarter-quarter sections, comprise one or more tracts of the size and configuration so prescribed, provided that the standard horizontal spacing unit shall include only such tracts that are oriented in the same direction. If a horizontal oil well's completed interval is located within two or more pools for the same formation, and the operator elects to construct a standard horizontal spacing unit utilizing tracts of the size and configuration prescribed by special pool orders, the operator shall use tracts of the maximum tract size prescribed for any of the included pools.

(3) Standard horizontal spacing units for horizontal gas wells. In lieu of a gas spacing unit described in 19.15.15.10 NMAC, the operator shall dedicate to each horizontal gas well a standard horizontal spacing unit that meets all the following criteria:

(a) The horizontal spacing unit shall comprise one or more contiguous tracts that the horizontal gas well's completed interval penetrates, each of which consists of a governmental quarter section or equivalent.

(b) In addition to tracts the well penetrates, the operator may include quarter sections or equivalent tracts in the standard horizontal spacing unit that are located within 330 feet of the proposed horizontal gas well's completed interval (measured along a line perpendicular to the proposed completed interval or its tangent).

(c) If, however, the of the perimeter of the area that includes all the tracts that the horizonal gas well penetrates encloses an area that is substantially rectangular, then the operator may not bring in additional tracts that would result in a non-rectangular horizontal spacing unit.

(d) The horizontal spacing unit shall contain at least the minimum acreage required by 19.15.15.10 NMAC or by existing or subsequently adopted special pool orders for a spacing unit in any pool where all or part of the horizontal gas well's completed interval is located.

(4) Exception for pools with larger spacing. If the horizontal gas well is located entirely or partially in an area or pool for which 19.15.15.10 NMAC or existing or subsequently adopted special pool orders prescribe gas spacing units larger than 160 acres, then the horizontal spacing unit may, as an alternative to quarter sections, comprise one or more tracts of the size and configuration so prescribed, provided that the standard horizontal spacing unit shall include only such tracts that are oriented in the same direction. If a horizontal gas well's completed interval is located within two or more pools for the same formation, and the operator elects to construct a standard horizontal spacing unit utilizing tracts of the size and configurations prescribed by 19.15.15.10 NMAC or special pool orders, the operator shall use the maximum tract size prescribed for any of the included pools or.

(5) An operator shall not file an application for permit to drill nor commence the drilling of a horizontal oil or gas well until the operator has either:

(a) received the consent of at least one lessee or owner of each tract (in the target pool or formation) in which any part of the horizontal oil or gas well's completed interval will be located; or

(b) obtained a compulsory pooling order from the division for an appropriate horizontal spacing unit.

(6) Non-standard horizontal spacing units.

(a) Administrative approval. The division may approve non-standard horizontal spacing units for horizontal oil or gas wells after notice and opportunity for hearing, if necessary to prevent waste or protect correlative rights, in accordance with the procedures provided for director approval of non-standard spacing units in Paragraphs (2) through (5) of Subsection B of 19.15.15.11 NMAC.

(b) Notice. The operator shall give notice of any application for approval of a non-standard horizontal spacing unit, by certified mail, return receipt requested, to affected persons in all tracts that:

(i) are excluded from the horizontal spacing unit, if the horizontal spacing unit would be a standard horizontal spacing unit except for the exclusion of such tracts; or

(ii) adjoin the non-standard horizontal spacing unit, in all other cases.

(c) Form of notice. The notice shall comply with Paragraph (4) of Subsection B of 19.15.15.11 NMAC.

(d) Unless otherwise authorized by the division, the operator shall not commence drilling in the proposed non-standard spacing unit until the division issues a final order granting the application.

(7) State, federal or tribal lands. If the horizontal spacing unit includes state, federal or tribal minerals, the operator shall send a copy of form C-102 to the state land office or the BLM, as applicable. No horizontal spacing unit 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 horizontal spacing unit includes state trust lands, without the written consent of the commissioner of public lands.

(8) Except for infill horizontal wells, and multi-lateral horizontal wells, each horizontal well shall be dedicated to a standard horizontal spacing unit or an approved non-standard horizontal spacing unit.

(9) Multi-lateral horizontal wells.

(a) Multiple laterals in the same pool or formation and oriented such that the completed interval of each lateral is located entirely within the boundaries of an existing horizontal spacing unit may be dedicated to the same horizontal spacing unit.

(b) Except as provided in Subparagraph (a) of Paragraph (9) of Subsection A of 19.15.16.15 NMAC, the operator of a multi-lateral horizontal well shall dedicate a separate horizontal spacing unit to each lateral.

(c) The division may grant exceptions to the requirements of Subparagraphs (a) and (b) of Paragraph (9) of Subsection A of 19.15.16.15 NMAC pursuant to Paragraph (6) of Subsection A of 19.15.16.15 NMAC.

(10) Unitized areas.

(a) For a horizontal well the completed interval of which is located wholly within in a unitized area or a single lease or tract with uniform ownership as to all oil and gas mineral interests in the objective formation, the horizontal spacing unit configuration requirements of Subparagraphs (c) and (d) of Paragraph (1), and Subparagraph (c) Paragraph (2), of Subsection A of 19.15.16.15 NMAC do not apply.

(b) For purposes of Paragraph (10) of Subsection A of 19.16.15 NMAC, a tract including all or part of two or more federal leases but not included in a federal unit or communitized unit shall not constitute a tract with uniform ownership.

(11) Existing and subsequent wells in horizontal spacing units.

(a) Existing wells. Existing wells in spacing units, horizontal or otherwise, that are wholly or partially included in a new horizontal spacing unit remain dedicated to their existing spacing units and are not part of the new horizontal spacing unit unless otherwise agreed by all working interest owners in the existing and new spacing units. If all owners (and BLM or state land office, if federal or state minerals are included, and the appropriate governmental authority if tribal minerals are included, in the old or new spacing unit) agree to re-dedicate the existing well to the new horizontal spacing unit, the operator shall file an amended form C-102 reflecting the re-dedication, and shall attach a certificate to the effect that all owners have agreed in writing thereto.

(b) Subsequent wells in existing spacing units. Subject to the terms of any applicable operating agreement, or to 19.15.13 NMAC or any applicable compulsory pooling order as to any compulsory pooled interests:

(i) any subsequent well, horizontal or otherwise, that will have a completed interval partially in an existing well's spacing unit, and in the same pool or formation, may be drilled only with the approval of, or, in the absence of approval, pursuant to a division order after notice to, all operators and working interest owners in the existing and new well's spacing units;

(ii) a horizontal well with a completed interval located wholly within an existing well's horizontal spacing unit, if not designated as an infill horizontal well, may be drilled only with the approval of, or, in the absence of approval, pursuant to a division order after notice to, all operators and working interest owners in the existing and new well's spacing units;

and

(c) The provisions of 19.15.13.10 NMAC and 19.15.13.11 NMAC shall apply to any proposal to drill an infill horizontal well in a horizontal spacing unit subject to a compulsory pooling order unless the order includes specific provision for such additional well.

(e) The provisions of Subsection B of 19.15.15.12 NMAC shall apply to notices required to non-consenting owners pursuant to Items (i) or (ii) of Subparagraph (b) of Paragraph (11) of Subsection A of 19.15.16.15 NMAC.

(12) Pooling of horizontal spacing units. Whenever the operator of any horizontal well shall dedicate thereto lands comprising a standard or approved non-standard horizontal spacing unit in which there are two or more separately owned parcels of land, or royalty interests or undivided interests in oil or gas minerals which are separately owned, or any combination thereof, that have not been previously pooled for oil and gas production from the horizontal spacing unit, the operator shall obtain voluntary agreements pooling said lands or interests or an order of the division pooling said lands before producing the horizontal well.

(13) Protests. Without limitation of any other right or remedy, an owner of a tract that adjoins a proposed or existing horizontal spacing unit but is not included therein who contends that a horizontal well in the adjoining horizontal spacing unit is impairing, or will impair, the owner's correlative rights may file a protest 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 adjoining horizontal spacing unit.

B. Setbacks.

(1) Generally. The following setback distances shall apply to each horizontal well:

(a) The distance in the horizontal plane from any point in the completed interval to any outer boundary of the horizontal spacing unit, measured along a line perpendicular to the completed interval or to the tangent thereof, shall be a minimum of 330 feet for an oil well or 660 feet for a gas well.

(b) The first and last take point of a horizontal well shall be no closer than 100 feet for an oil well or 330 feet for a gas well, in the horizontal plane, to any outer boundary of the horizontal spacing unit.

(2) District office to approve. The appropriate division district office may grant a permit for a horizontal well provided every point in the well's completed interval complies with the setback requirements described above, or is located at an unorthodox well location the division has approved.

(3) Surface location. A horizontal well's surface location may be farther from the horizontal spacing unit boundaries than the applicable minimum setback or outside the boundaries of the horizontal spacing unit, provided the completed interval is located at an orthodox, or division-approved unorthodox, well location within the horizontal spacing unit.

(4) Internal setbacks. No internal setbacks are applicable within the horizontal spacing unit.

(5) Unorthodox well locations. The horizontal well's location is considered unorthodox if:

(a) any part of the horizontal well's completed interval is projected to be closer to an outer boundary of the horizontal spacing unit than allowed by Paragraph (1) of Subsection B of 19.15.16.15 NMAC, or other applicable rule or special pool order;

(b) a directional survey shows that the horizontal well's first or last take point, as drilled, is located closer to the outer boundary of the horizontal spacing unit than allowed by Subparagraph (b) of Paragraph (1) of Subsection B of 19.15.16.15 NMAC; or

(c) a directional survey shows that any part of the horizontal well's completed interval, as drilled, is more than 50 feet from its projected location and closer to the outer boundary of the horizontal spacing unit than allowed by Subparagraph (a) of Paragraph (1) of Subsection B of 19.15.16.15 NMAC or other applicable rule or special pool order.

(6) Approval of variances. If any variance of the horizontal well's as-drilled location from the horizontal well's projected location is 50 feet or less, the division's district office may approve the as-drilled location by approving the operator's amended form C-102, without necessity for notice or hearing. If the horizontal well's projected location was orthodox, the variance is more than 50 feet, and the as-drilled location is unorthodox, the operator shall obtain approval from the division's Santa Fe office of the unorthodox well location before producing the well. For previously approved unorthodox well locations, if a directional survey shows that any part of the completed interval is located more than 50 feet (or, if less, twenty-five percent of the previously authorized distance) closer to the outer boundary of the horizontal spacing unit than the approved location, the operator shall obtain approval from the division's Santa Fe office of the as-drilled location before producing the horizontal well.

(7) Unitized areas. For a horizontal well the completed interval of which is located wholly within in a unitized area or a single lease or tract with uniform ownership as to all oil and gas mineral interests in the objective formation, the setbacks prescribed in Subsection B of 19.15.16.15 NMAC apply only to the outer boundaries of the unitized area, area of uniform ownership or of any uncommitted tract or partially committed tract, instead of the outer boundaries of the horizontal spacing unit.

C. Allowables.

(1) Oil allowables and gas-oil ratios. The division shall assign to a horizontal oil well in an oil pool an oil allowable equal to the amount of oil that the horizontal oil well can produce. If any non-marginal proration unit exists in the same pool as a horizontal oil well, the division shall assign to each oil well located in the unit an allowable equal to its productive capacity unless the division determines, after notice and hearing, that a reduced allowable must be assigned to the non-marginal unit to prevent waste. Production of gas or oil from any horizontal oil well shall not be limited by a limiting gas-oil ratio as provided in Subsection A of 19.15.20.13 NMAC.

(2) Gas allowables. The division shall assign to a horizontal gas well completed in a prorated gas pool an allowable equal to the amount of gas the horizontal gas well can produce. If any non-marginal gas proration unit exists in the same pool as a horizontal gas well, the division shall assign a top proration unit allowable for gas to such unit that is equal to the amount of gas than the unit can produce.

(3) Effective dates. Paragraphs (1) and (2) of Subsection C of 19.15.16.15 NMAC shall apply to all pools and areas of the state commencing on the first day of the first month after (date of adoption), but shall cease to apply to any particular pool on the date of any order, hereafter issued following notice and hearing, whereby the division or commission determines that reduced allowables for such pool are necessary to prevent waste.

D. Other matters.

(1) Directional survey requirements. The operator of each horizontal well shall run a directional survey and file the directional survey, in a division-approved format, upon the well's completion.

Directional surveys shall have shot points no more than 200 feet apart and shall be run by competent surveying companies. The division shall allow exceptions to the minimum shot point spacing provided the survey's accuracy is still within acceptable limits.

(2) Downhole commingling.

(a) Pools or laterals in the same formation. Provisions of 19.15.12.11 NMAC requiring approval for downhole commingling do not apply to commingling of oil or gas within a single lateral of a horizontal well bore that is produced from adjacent pools within the same formation, or from multiple laterals of a single well bore that are completed in the same pool or formation and dedicated to the same horizontal spacing unit.

(b) Other multi-lateral wells. Except as provided in Subparagraph (a) of Paragraph (2) of Subsection D of 19.15.16.15 NMAC, horizontal wells with multiple laterals shall only be produced pursuant to division-approved downhole commingling authority obtained pursuant to 19.15.12.11 NMAC, unless pool segregation is maintained until the fluids reach the wellhead.

(3) Conflicts with existing rules or special pool orders. Provisions of statewide rules or special pool rules in effect on February 1, 2017, save and except the special provisions for the Purple Sage; Wolfcamp (Gas) Pool in ordering Paragraphs (1) through (7) of division order R-14262, that conflict with any of any provisions in 19.15.16.15 NMAC do not apply to horizontal wells. Special pool orders or amendments thereto adopted after (date of adoption) shall prevail over rules as provided in 19.15.2.9 NMAC.

(4) Transitional provisions. Any horizontal well drilled, commenced or permitted prior to (date of adoption) shall retain as its horizontal spacing unit the standard or non-standard spacing unit or project area originally dedicated thereto. If that area is not a standard horizontal spacing unit as provided in Subsection A of 19.15.16.15 NMAC, that area is hereby approved as a non-standard horizontal spacing unit for the horizontal well so drilled, commenced or permitted.

[19.15.16.15 NMAC - Rp, 19.15.3.112 NMAC, 12/1/2008; 19.15.16.15 NMAC - N, 2/15/2012; A, XX/XX/201X]

19.15.16.20 ALLOWABLES AND AUTHORIZATION TO TRANSPORT OIL AND GAS:

A. The division may assign an allowable to a newly completed or re-completed well or a well completed in an additional pool or issue an operator authorization to transport oil or gas from the well if the operator:

(1) has filed a complete form C-104;

(2) has provided a sworn and notarized tabulation of all deviation tests the operator has run on the well, and directional surveys with calculated bottom hole location, in accordance with the requirements of 19.16.15.14 NMAC or 19.15.16.15 NMAC;

(3) has dedicated a standard spacing unit or horizontal spacing unit for the pool in which the well is completed, a standard spacing unit or horizontal spacing unit has been communitized or pooled and dedicated to the well or the division has approved a non-standard spacing unit or horizontal spacing unit; and

(4) [~~is in compliance~~] complies with [~~subsection~~] Subsection A of 19.15.5.9 NMAC.

B. The allowable the division assigns to an oil well is effective at 7:00 a.m. on the completion date, provided the division receives form C-104 during the month of completion. The date of completion shall be that date when new oil is delivered into the stock tanks. Unless otherwise specified by special pool orders, the allowable the division assigns to a gas well is effective at 7:00 a.m. on the date of connection to a gas transportation facility, as evidenced by an affidavit of connection from the transporter to the division, or the date of receipt of form C-104 by the division, whichever date is later.

[19.15.16.20 NMAC – Rn, 19.15.16.19 NMAC, 2/15/2012; A, XX/XX/201X]