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Energy, Minerals and Natural Resources Department

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NOTICE
OCD Clarification of Compulsory Pooling Processes Updates
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The Oil Conservation Division (“OCD”) is providing additional clarifications on the Compulsory Pooling notice it issued on April 24, 2024, due to questions it received following the notice. The information below provides additional updates to clarifying aspects of the processes and procedures. The guidance does not replace but is additive to that prior notice.

These updates will be effective as of the August 8, 2024, hearing date.

Clarification of timelines related to Compulsory Pooling Orders:

OCD has received multiple inquiries regarding paragraph twenty of the standard compulsory pooling orders and how this is to be interpreted for drilling timelines with multiple wells. The relevant paragraph reads as follows:

“The Operator shall commence drilling the Well(s) within one year after the date of this Order, and complete each Well no later than one (1) year after the commencement of drilling the Well.”

OCD’s template Order, paragraph two, declares all wells in Exhibit A as the “Well(s).” “Well(s)” is used as some cases propose a singular well and some cases propose multiple wells in Exhibit A. If multiple wells are in Exhibit A provided by the applicant, then “Wells” is the correct way to read it through the rest of the order.

Paragraph twenty, as seen above, is intended to mean that all wells the operator proposed in Exhibit A shall be spudded within one (1) year **total** from the date of the OCD Director signature. Each well is then to be completed within one (1) year calculated of its own spud date. The above paragraph does **not** grant an operator permission to drill only what the Operator may deem as the defining well within this timeline. An example can be seen below:

Wells in Exhibit A	Signature Date	Spud Deadline	Actual Spud Date	Completion Date
Well #1	1/1/2024	1/1/2025	5/20/2024	5/20/2025
Well #2	1/1/2024	1/1/2025	6/15/2024	6/15/2025
Well #3	1/1/2024	1/1/2025	6/17/2024	6/17/2025
Well #4	1/1/2024	1/1/2025	6/19/2024	6/19/2025
Well #5	1/1/2024	1/1/2025	6/21/2024	6/21/2025

OCD intends to revise the referenced Order paragraph to accommodate contemporary drilling schedules if operators provide development plan summaries in support of the compulsory pooling applications. In any contested or uncontested hearing an applicant can now present a development plan and associated timelines with each well being proposed so plans can be fully evaluated by the OCD for complete

development potential. The development plan shall not exceed five (5) years. For contested cases this allows for proper comparison of competing plans. OCD requests this same development table be included in uncontested applications to allow for proper authorization in compulsory pooling Orders and allows for timely utilization of pooled minerals. Development plans should be included as an exhibit in support of the application. Applications which do not include a development plan will be considered to propose all listed wells as initial wells to be drilled and completed according to paragraph twenty, above.

Development Table	
Well Name	Timeline of Spud (Estimated)
Well 1	Within 1 year of signature
Well 2	Within 1 year of signature
Well 3	Within 1 year of signature
Well 4	Within 1 year of signature
Well 5	Within 1 year of signature
Well 6	Within 2 years of signature
Well 7	Within 2 years of signature
Well 8	Within 2 years of signature
Well 9	Within 2 years of signature
Well 10	Within 3 years of signature
Well 11	Within 3 years of signature
Well 12	Within 3 years of signature
Well 13	Within 3 years of signature
Well 14	Within 4 years of signature
Well 15	Within 4 years of signature
Well 16	Within 4 years of signature

In connection with its allowance for submission of a multi-year development plan, the OCD recognizes that circumstances may arise where deviations from the development plan may be necessary. In recognition of that reality, it will allow operators the ability to request minor deviations to the development plan that was associated with an order through simple notice to the affected interests and the OCD. Minor deviations to development plans will not automatically trigger a subsequent hearing to amend the compulsory pooling order.

Specifically, Operators may need to reasonably deviate from the submitted development plan to:

- accommodate scheduling issues with a well(s) drilling or completion schedule, or
- remove less than 20% of the proposed wells from the development plan.

If an operator needs to deviate from the development plan for one of these reasons, they need only provide notice to the OCD and all parties that required notice of the original compulsory pooling application in accordance with 19.15.4.12.B and 19.15.4.12.C NMAC. In the event of objections to noticed deviations, the Operator must request a hearing and amendment of the Order. Modifications beyond those contemplated above will require a hearing and amendment. OCD also reserves the right to request the operator to file for a hearing amendment if conditions merit.