

CLASS OF SERVICE

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WESTERN UNION

1201

SYMBOLS

DL=Day Letter
NL=Night Letter
LT=Int'l Letter Telegram
VLT=Int'l Victory Ltr.

W. P. MARSHALL, PRESIDENT

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LHBA144 RX PD=LOVINGTON NMEX 26 350PMM 1953 OCT 26 PM 6 40

R R SPURRIER

N M OIL CONSERVATION COMM SANTA FE NMEX

UNABLE TO ATTEND GAS PROPATION HEARING ON LANGMAT GAS FIELD.
 RESPECTFULLY REQUEST CASE BE HELD OPEN FOR FIVE DAYS IN
 ORDER THAT I OR ANY OTHER INTERESTED OPERATOR MAY FILE A
 STATEMENT FOR COMMISSION CONSIDERATION. PERSONAL REGARDS:
 JOHN M KELLY

35014
 715P *edh Am*

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

When we give the
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Case 583

Amthor Union
Ex. 1

SPECIAL POOL RULES

RULE 1: WELL SPACING AND ACREAGE REQUIREMENTS FOR DRILLING TRACTS

(a) Each well hereafter drilled within the defined limits of the _____ gas pool shall be located on a designated drilling tract consisting of not less than a quarter section of approximately 160 surface contiguous acres substantially in the form of a square which shall be a legal subdivision (quarter section) of the U. S. Public Land Surveys, and shall not be drilled closer than 660 feet to any outer boundary of the tract nor closer than 330 feet to any quarter quarter section or subdivision inner boundary nor closer than 1320 feet to a well drilling to or capable of producing natural gas from the same pool.

(b) The Secretary of the Commission shall have authority to grant an exception to the requirements of Section (a) of this rule without notice and hearing where application has been filed in due form, and

(1) When the necessity for the unorthodox location is based on topographical conditions, or is occasioned by the recompletion of a well previously drilled to another horizon, and

(2) When either one of the following is applicable:

(i) When the ownership of all oil and gas leases within a radius of 1320 feet of the proposed location is common with the ownership of the oil and gas leases under the proposed location.

(ii) When all owners of oil and gas leases within such radius consent in writing to the proposed location.

RULE 2: PRORATION UNITS

For the purpose of gas allocation in the _____ gas pool a standard proration unit shall consist of between 158 and 162 contiguous surface acres substantially in the form of a square which shall be a legal subdivision (quarter section) of the U. S. Public Land Surveys; provided, however, that a gas proration unit other than a legal quarter section may be formed after notice and hearing by the Commission, or after the Commission has been furnished waivers from all offsetting operators, if all acreage is contiguous and does not contain more than four legal quarter-quarter sections and/or lots. Any

allocation unit containing less than 158 acres or more than 162 acres shall be a non-standard unit. Any standard proration unit consisting of between 158 and 162 contiguous surface acres shall be considered as containing 160 acres for the purpose of gas allocation.

RULE 3: NOMINATIONS AND ALLOCATION

(a) At least 30 days prior to the beginning of each gas proration period the Commission shall hold a hearing after due notice has been given. The Commission shall cause to be submitted by each gas purchaser its nominations of the amount of gas which each in good faith actually desires to purchase and/or use within the ensuing proration period, by months, from the _____ gas pool. The Commission shall consider the nominations of purchasers, actual production, and such other factors as may be deemed applicable in determining the amount of gas that may be produced without waste within the ensuing proration period. Nominations shall be submitted on a form prescribed by the Commission.

(b) A gas purchaser may submit supplemental nominations to the Commission from time to time during a proration period setting out changes which should be made in its nomination due to fluctuation of its market demand from the pool.

(c) The Commission shall hold a public hearing between the 15th and 20th days of each month to determine the reasonable market demand for gas for the ensuing proration month, and shall issue a proration schedule setting out the amount of gas which each well may produce during the ensuing proration month. Included in the monthly proration schedule shall be a tabulation of allowable and production for the second preceding month together with an adjusted allowable computation for the second preceding month. Said adjusted allowable shall be computed by comparing the actual allowable assigned with the actual production. In the event the allowable assigned is greater than the actual production, the allowables assigned the top allowable units shall be reduced proportionately, and in the event the allowable assigned is less than the production then the allowables assigned the top allowable units shall be increased

proportionately.

(d) The Commission shall include in the proration schedule the gas wells in the pool delivering to a gas transportation facility, or lease gathering system, and shall include in the proration schedule of such pool any well which it finds is being unreasonably discriminated against through denial of access to a gas transportation facility, which is reasonably capable of handling the type of gas produced by such well.

(e) The total allowable to be allocated to the pool each month shall be equal to the sum of the nominations and supplemental nominations, if any, for such month together with any adjustments which the Commission deems advisable.

RULE 4: WELL ALLOWABLE

(a) The allocation to a pool remaining after subtracting the capacities of marginal wells shall be divided and allocated among the non-marginal wells as follows:

(1) 50% shall be allocated to each well in the ratio that the acreage allocated to such well, not to exceed 162 acres, bears to the summation of the total acreage allocated to all non-marginal wells in the pool entitled to receive an allowable, and

(2) 50% shall be allocated to each well in the ratio that the deliverability bears to the summation of the deliverabilities of non-marginal wells in the pool entitled to receive an allowable.

RULE 5: BALANCING OF PRODUCTION

(a) Underproduction: The dates 7:00 A.M. January 1 and 7:00 A.M. July 1 shall be known as balancing dates and the periods of time bounded by these dates shall be known as gas proration periods. The amount of current gas allowable remaining unproduced at the end of each proration period shall be carried forward to and may be produced during the next succeeding proration period in addition to the normal gas allowable for such succeeding period; but whatever amount thereof is not made up within the first succeeding proration period shall be cancelled. If, at the end of the first succeeding proration period, a greater amount of allowable remains unproduced than was carried forward as underproduction, the amount carried forward to the second succeeding period shall be the total underproduction less the amount carried forward to the first succeeding period. If it appears that such continued underproduction has resulted from inability of the well to produce its allowable, it may be classified as a marginal well and its allowable reduced to the well's ability to produce.

(b) Overproduction: A well which has produced a greater amount of gas than was allowed during a given proration period shall have its allowable for the first succeeding proration period reduced by the amount of such overproduction and such overproduction shall be made up within the first succeeding proration period. If, at the end of the first succeeding proration period the well is still overproduced, it shall be shut in and its current monthly allowable charged against said overproduction until the well is in balance. If at any time a well is overproduced an amount equaling six times its current monthly allowable, it shall be shut in until it is in balance.

(c) The Commission may allow overproduction to be made up at a lesser rate than would be the case if the well were completely shut in upon a showing at public hearing after due notice that complete shut in of the well would result in material damage to the well.

RULE 6: GRANTING OF ALLOWABLES

(a) No gas well shall be given an allowable until Form C-104 and Form

C-110 have been filed together with a plat showing acreage attributed to said well and the locations of all wells on the lease.

(b) Allowables to newly completed gas wells shall commence on the date of connection to a gas transportation facility or the date of filing of Form C-104 and Form C-110 and the plat described above, whichever date is the later.

RULE 7: REPORTING OF PRODUCTION

The monthly gas production from each gas well shall be metered separately and the gas production therefrom shall be submitted to the Commission so as to reach the Commission on or before the twentieth day of the month next succeeding the month in which the gas was produced. The operator shall show on such report what disposition has been made of the gas produced. The full production of gas from each well shall be charged against the well's allowable regardless of what disposition has been made of the gas; provided, however, that gas used on the lease for consumption in lease houses, treaters, combustion engines and other similar lease equipment shall not be charged against the well's allowable.

RULE 8: DEFINITIONS

(a) A gas well shall mean a well producing gas or natural gas from a common source of gas supply from a gas pool determined by the Commission.

(b) The term "gas purchaser" as used in these rules shall mean any "taker" of gas either at the wellhead or at any point on the lease where connection is made for gas transportation or utilization. It shall be the responsibility of said "taker" to submit a nomination.