

AZTEC OIL & GAS COMPANY

EXHIBIT 7

SPECIAL RULES AND REGULATIONS
FOR THE
SOUTH CORBIN-STRAWN POOL

- Rule 1. Each well completed or recompleted in the South Corbin-Strawn Pool or in the Strawn formation within one mile of said Pool and not nearer to nor within the limits of another designated Strawn Pool, shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.
- Rule 2. Each well in said pool shall be located on a standard unit containing 160 acres, more or less, comprising a governmental quarter section.
- Rule 3. The Secretary-Director of the Commission may grant an exception to the requirement of Rule 2 without notice and hearing when an application has been filed for a non-standard unit consisting of less than 160 acres or the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the United States Public Land Surveys. All operators offsetting the proposed non-standard unit shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Secretary-Director may approve the application upon receipt of written waivers from all offset operators or if no offset operator has entered an objection to the formation of the non-standard unit within 30 days after the Secretary-Director has received the application.
- The allowable assigned to any such non-standard unit shall bear the same ratio to a standard allowable in the South Corbin-Strawn Pool as the acreage in such non-standard unit bears to 160 acres.
- Rule 4. Each well completed or recompleted in the South-Corbin-Strawn Pool or in the Strawn formation within one mile of said Pool shall not be drilled closer than 660 feet to any quarter section line or closer than 330 feet to any quarter-quarter section line upon which it is located.
- Rule 5. The Secretary-Director may grant an exception to the footage requirements of Rule 4 without notice and hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon, provided the well will be located no nearer than 330 feet to the outer boundary of the unit. All operators offsetting the proposed unorthodox location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Secretary-Director may approve the application upon receipt of written waivers from all offset operators or if no offset operator has entered an objection to the unorthodox location within 20 days after the Secretary-Director has received the application.
- Rule 6. The limiting gas-oil ratio in the South Corbin-Strawn Pool shall be 4000:1.
- Rule 7. A 160-acre proration unit (158 through 162 acres) in the South Corbin Strawn Pool shall be assigned a 160-acre proportional factor of 7.75 for allowable purposes.

BEFORE EXAMINER UTZ
OIL CONSERVATION COMMISSION
<i>Apple</i> EXHIBIT NO. <u>7</u>
CASE NO. <u>3573</u>