

**SPECIAL OPERATING RULES AND REGULATIONS
FOR THE
QUERECHO PLAINS QUEEN ASSOCIATED SAND UNIT**

EXHIBIT 26

CASE NO. 10959 + 10960

Rule 1. Each well completed or recompleted in the Querecho Plains Queen Associated Sand Unit shall be drilled, operated, and produced in accordance with the Special Operating Rules and Regulations hereinafter set forth.

Rule 2. The Director of the Division shall have the authority to approve expansion of the waterflood project by administratively approving the drilling of a new injection well or the conversion of a producing well to an injection well. To obtain administrative approval, the unit operator shall file a Form C-108 with the Santa Fe and Hobbs offices of the Division, and give notice as required by said form. The operator shall furnish proof to the Division that notice has been given. Upon receipt of written waivers from all notified parties, or if no objection is received by the Division within 15 days following receipt of the Form C-108 by the Division, the Division may grant approval. *TOIG,*

Rule 3. Each producing well shall be located no nearer than 330 feet to the outer boundary of the Querecho Plains Queen Associated Sand Unit, and no nearer than 20 feet to a quarter-quarter section line.

Rule 4. The Director of the Division shall have the authority to administratively approve a well location closer than 330 feet to the outer boundary of the Querecho Plains Queen Associated Sand Unit. The operator shall file the application for permit to drill with the Division, and notify the operators or unleased mineral interest owners in the proration units outside the unit boundary

immediately offsetting the proposed well, by certified mail. The operator shall furnish to the Division proof that notice has been given. If written waivers are received from all notified parties, or if no objection is received within 20 days after the Director has received the application, the application may be approved.

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