

Sec : 34 Twp : 17S Rng : 26E Section Type : NORMAL

D 40.00 Fee owned	C 40.00 Fee owned	B 40.00 Fee owned	A 40.00 Fee owned
E 40.00 Fee owned	F 40.00 Fee owned	G 40.00 Fee owned	H 40.00 Fee owned
L 40.00 Fee owned	K 40.00 Fee owned	J 40.00 Fee owned	I 40.00 Fee owned
M 40.00 Fee owned	N 40.00 Fee owned	O 40.00 Fee owned	P 40.00 Fee owned

CMD : ONGARD 02/13/04 17:34:09
OG6C101 C101-APPLICATION FOR PERMIT TO DRILL ODOMES -TPFN

OGRID Idn : 25575 API Well No: 30 15 33036 APD Status(A/C/P) : A
Opr Name, Addr: YATES PETROLEUM CORPORATION Aprvl/Cncl Date : 11-06-2003
105 S 4TH ST
ARTESIA, NM 88210

Prop Idn: 33017 DESIREE BDS Well No: 1

U/L Sec Township Range Lot Idn North/South East/West

Surface Locn : O 34 17S 26E FTG 660 F S FTG 2236 F E
OCD U/L : O API County : 15

Work typ (N/E/D/P/A) : N Well typ (O/G/M/I/S/W/C) : G Cable/Rotary (C/R) : R
Lease typ (F/S/P/N/J/U/I) : P Ground Level Elevation : 3328

State Lease No: PATENT Multiple Comp (S/M/C) : S
Prpsd Depth : 9000 Prpsd Frmtn : WILDCAT CHESTER

E0009: Enter data to modify record

PF01 HELP PF02 PF03 EXIT PF04 GOTO PF05 PF06 CONFIRM
PF07 PF08 PF09 PRINT PF10 C102 PF11 HISTORY PF12

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Ave., Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

Form C-101

APPLICATION FOR PERMIT TO DRILL

Operator Name and Address YATES PETROLEUM CORPORATION 105 South Fourth St. Artesia, NM 88210		OGRID Number 25575
		API Number 30-015-33036
Property Code 33017	Property Name Desiree BDS	Well No. 001

Surface Location

UL or Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
O	34	17S	26E	O	660	S	1980	E	Eddy

Proposed Pools

Wildcat Chester				
Work Type New Well	Well Type GAS	Cable/Rotary	Lease Type Private	Ground Level Elevation 3328
Multiple N	Proposed Depth 9000	Formation Chester	Contractor	Spud Date 10/10/2003

Proposed Casing and Cement Program

Type	Hole Size	Casing Size	Casing Weight/ft	Setting Depth	Sacks of Cement	Estimated TOC
Surf	17.5	13.375	48	400	440	0
Int1	12.75	9.625	36	1400	650	0
Prod	8.75	5.5	17	9000	1475	900

Casing/Cement Program: Additional Comments

Yates Petroleum Corporation proposes to drill/test the Morrow and intermediate formations. Approximately 400' of surface casing will be set and cement circulated to shut off gravel and cavings. If commercial, production casing will be run and cemented, will perforate and stimulate as needed for production. MUD PROGRAM: 0-400' FW/Spud Mud; 400'-1400' Fresh Water; 1400'-4450' Cut Brine; 4450'-6850' Cut Brine/7.5% KCL, 6850'-9000' Drispac/ Salt Gel/7.5% KCL. BOPE PROGRAM: A 3000# BOPE will be installed on the 9 5/8" casing and tested daily.

Proposed Blowout Prevention Program

Type	Working Pressure	Test Pressure	Manufacturer
Double Ram	3000	3000	

I hereby certify that the information given above is true and complete to the best of my knowledge and belief.	
Electronically Signed By: Debbie Caffall	
Title: Regulatory Technician	
Date: 10/09/2003	Phone: 505-748-4364

OIL CONSERVATION DIVISION	
Electronically Approved By: Bryan Arrant	
Title: Geologist	
Approval Date: 10/13/2003	Expiration Date: 10/13/2004
Conditions of Approval: There are conditions. See Attached.	

District I
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1301 W. Grand Ave., Artesia, NM 88210
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1000 Rio Brazos Rd., Aztec, NM 87410
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1220 S. St Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

Form C-102

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-015-33036	Pool Name Wildcat Chester	Pool Code
Property Code 33017	Property Name Desiree BDS	Well No. 001
OGRID No. 25575	Operator Name YATES PETROLEUM CORPORATION	Elevation 3328

Surface And Bottom Hole Location

UL or Lot O	Section 34	Township 17S	Range 26E	Lot Idn O	Feet From 660	N/S Line S	Feet From 1980	E/W Line E	County Eddy
Dedicated Acres 320		Joint or Infill		Consolidation Code		Order No.			

OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Electronically Signed By: Debbie Caffall

Title: Regulatory Technician

Date: 10/09/2003

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

Surveyed By: Herschel Jones

Date of Survey: 10/02/2003

Certificate Number: 3640

Permit Conditions Of Approval

Operator: YATES PETROLEUM CORPORATION , 25575

Well: Desiree BDS #001

OCD Reviewer	Condition
BARRANT	Notify OCD time of spud and to witness cementing of intermediate casing string.

MARTIN YATES, III
1912 - 1980
FRANK W. YATES
1926 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

October 8, 2003

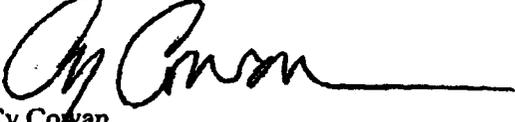
To: Bryan Arant
From: Cy Cowan

Re: Yates Petroleum Corporation
Desiree BDS #1
H2S Contingency Plan

Sources at Yates Petroleum Corporation have relayed information to me that they believe there will not be enough H2S found from the surface through the Chester Formation to meet the OCD's minimum requirements for the submission of a contingency plan per Rule 118.

Thank you,

YATES PETROLEUM CORPORATION



Cy Cowan
Regulatory Agent

Submit 3 Copies to Appropriate District
 Office
 District I
 1625 N. French Dr., Hobbs, NM 88240
 District II
 811 South First, Artesia, NM 88210
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals and Natural Resources

Form C-103
 Revised March 25, 1999

OIL CONSERVATION DIVISION
 2040 South Pacheco St.
 Santa Fe, NM 87505

WELL API NO. 30-015-33036
5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input checked="" type="checkbox"/>
6. State Oil & Gas Lease No.
7. Lease Name or Unit Agreement Name: Desiree BDS State
8. Well No. 1
9. Pool name or Wildcat Wildcat Chester
10. Elevation (Show whether DF, RKB, RT, GR, etc.) 3804'

SUNDRY NOTICES AND REPORTS ON WELLS
 (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well:
 Oil Well Gas Well Other NOV - 7 2003

2. Name of Operator
 Yates Petroleum Corporation

3. Address of Operator
 105 South Fourth Street, Artesia, New Mexico 88210

4. Well Location
 Unit Letter: O : 660' feet from the South line and 2236 feet from the East line
 Section 34 Township 17S Range 26E NMPM County Eddy

10. Elevation (Show whether DF, RKB, RT, GR, etc.)
 3804'

11. Check Appropriate Box to Indicate Nature of Notice, Report, or Other Data
 NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK PLUG AND ABANDON
 TEMPORARILY ABANDON CHANGE PLANS
 PULL OR ALTER CASING MULTIPLE COMPLETION
 OTHER:

SUBSEQUENT REPORT OF:

REMEDIAL WORK ALTERING CASING
 COMMENCE DRILLING OPNS PLUG AND ABANDONMENT
 CASING TEST AND CEMENT JOB
 OTHER: Change Location

12. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Yates Petroleum Corporation wishes to move the captioned well location.
 From: 660' FSL and 1980' FEL
 To: 660' FSL and 2236' FEL
 Note Attached Plat.

Thank you.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Cy Cowan TITLE Regulatory Agent DATE 11/06/03
 Type or print name Cy Cowan Telephone No. (505) 748-1471

(This space for State use)
 APPROVED BY [Signature] TITLE NSL DATE NOV 09 2003

Conditions of approval, if any: [Signature]

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240

DISTRICT II
611 South First, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

STATE OF NEW MEXICO
Energy, Minerals and Natural Resources Department

Revised March 17, 1999
Instruction on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

□ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name Wildcat Canyon
Property Code	Property Name DESIREE "BDS"	Well Number 1
OCRID No. 025575	Operator Name YATES PETROLEUM CORPORATION	Elevation 3329

Surface Location

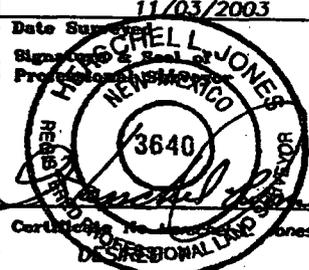
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
0	34	17S	26E		660	SOUTH	2236	EAST	EDDY

Bottom Hole Location if Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
320			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p>RECEIVED NOV - 7 2003 OCD-ARTESIA</p>	<p>OPERATOR CERTIFICATION</p> <p><i>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</i></p> <p style="text-align: right;"><i>Cy Cowan</i></p> <p>Signature _____ Cy Cowan</p> <p>Printed Name _____ Regulatory Agent</p> <p>Title _____ November 6, 2003</p> <p>Date _____</p>
	<p>SURVEYOR CERTIFICATION</p> <p><i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i></p> <p style="text-align: right;">11/03/2003</p> <p>Date Surveyed _____</p> <p>Signature & Seal of Professional Surveyor _____</p> <p style="text-align: center;">  </p> <p>Certification No. _____ Jones RLS 3640 DESIREE GENERAL SURVEYING COMPANY</p>
	<p style="font-size: 2em; font-weight: bold;">FEE</p>
	<p style="text-align: center;">N.32°47'10.0" W.104°22'05.7"</p> <p style="text-align: center;">2236'</p> <p style="text-align: center;">660'</p>

0 330' 660' 990' 1650' 1980' 2310' 2640' 2970' 3300' 0'

Submit 3 Copies To Appropriate District Office
 District I
 1625 N. French Dr., Hobbs, NM 88240
 District II
 1301 W. Grand Ave., Artesia, NM 88210
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals and Natural Resources

Form C-103
 Revised June 10, 2003

OIL CONSERVATION DIVISION
 1220 South St. Francis Dr.
 Santa Fe, NM 87505

WELL API NO. 30-015-33036
5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input checked="" type="checkbox"/>
6. State Oil & Gas Lease No.
7. Lease Name or Unit Agreement Name Desiree BDS
8. Well Number 1
9. OGRID Number 025575
10. Pool name or Wildcat Wildcat Chester
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 3804'GR

SUNDRY NOTICES AND REPORTS ON WELLS
 (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well:
 Oil Well Gas Well Other RECEIVED

2. Name of Operator
 Yates Petroleum Corporation JAN 2 2004

3. Address of Operator
 105 S. 4th Street, Artesia, NM 88210 OCD-ARTESIA

4. Well Location
 Unit Letter O : 660 feet from the South line and 2236 feet from the East line
 Section 34 Township 17S Range 26E NMPM Eddy County

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>	PLUG AND ABANDONMENT <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	MULTIPLE COMPLETION <input type="checkbox"/>	CASING TEST AND CEMENT JOB <input type="checkbox"/>	
OTHER: <input type="checkbox"/>		OTHER: Spud <input checked="" type="checkbox"/>	

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

1/17/04 - Spudded well at 10:00 AM. Set 40' of 20" conductor and cemented to surface.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE: Tina Huerta TITLE: Regulatory Compliance Supervisor DATE: January 20, 2004

Type or print name Tina Huerta E-mail address: tinah@ypcnm.com Telephone No. 505-748-1471
 (This space for State use)

APPROVED BY _____ DATE JAN 24 2004
 Conditions of approval, if any: FOR RECORDS ONLY

Submit 3 Copies To Appropriate District Office
 District I
 1625 N. French Dr., Hobbs, NM 88240
 District II
 1301 W. Grand Ave., Artesia, NM 88210
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 1000 Rio Brazos Rd., Aztec, NM 87410
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State of New Mexico
 Energy, Minerals and Natural Resources

Form C-103
 Revised June 10, 2003

OIL CONSERVATION DIVISION
 1220 South St. Francis Dr.
 Santa Fe, NM 87505

WELL API NO. 30-015-33036
5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input checked="" type="checkbox"/>
6. State Oil & Gas Lease No.
7. Lease Name or Unit Agreement Name Desiree BDS
8. Well Number 1
9. OGRID Number 025575
10. Pool name or Wildcat Wildcat Chester

SUNDRY NOTICES AND REPORTS ON WELLS
 (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well:
 Oil Well Gas Well Other

2. Name of Operator
 Yates Petroleum Corporation

3. Address of Operator
 105 S. 4th Street, Artesia, NM 88210

4. Well Location
 Unit Letter O : 660 feet from the South line and 2236 feet from the East line
 Section 34 Township 17S Range 26E NMPM Eddy County

RECEIVED
 JAN 28 2004
 OCD-ARTESIA

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
 3804'GR

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>	PLUG AND ABANDONMENT <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	MULTIPLE COMPLETION <input type="checkbox"/>	CASING TEST AND CEMENT JOB <input type="checkbox"/>	
OTHER: <input type="checkbox"/>		OTHER: Surface casing <input checked="" type="checkbox"/>	

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

1/23/04 – Resumed drilling at 4:15 PM. Set 13-3/8" 48# casing at 426'. Cemented with 100 sx Premium Plus with additives and 220 sx Premium Plus with additives. Tailed in with 200 sx Premium Plus with additives. Cement circulated to surface. WOC 20 hrs. Reduced hole to 12-1/4" and resumed drilling.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE: Tina Huerta TITLE: Regulatory Compliance Supervisor DATE: January 26, 2004

Type or print name Tina Huerta E-mail address: tinah@ypcnm.com Telephone No. 505-748-1471
 (This space for State use)

APPROVED BY _____ FOR RECORDS ONLY DATE JAN 30 2004
 Conditions of approval, if any:

Submit 3 Copies To Appropriate District Office
 District I
 1625 N. French Dr., Hobbs, NM 88240
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 1301 W. Grand Ave., Artesia, NM 88210
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State of New Mexico
 Energy, Minerals and Natural Resources

Form C-103
 Revised June 10, 2003

OIL CONSERVATION DIVISION
 1220 South St. Francis Dr.
 Santa Fe, NM 87505

WELL API NO. 30-015-33036
5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input checked="" type="checkbox"/>
6. State Oil & Gas Lease No.
7. Lease Name or Unit Agreement Name Desiree BDS
8. Well Number 1
9. OGRID Number 025575
10. Pool name or Wildcat Wildcat Chester

SUNDRY NOTICES AND REPORTS ON WELLS
 (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well: RECEIVED
 Oil Well Gas Well Other

2. Name of Operator
 Yates Petroleum Corporation

3. Address of Operator
 105 S. 4th Street, Artesia, NM 88210

4. Well Location

Unit Letter O : 660 feet from the South line and 2236 feet from the East line
 Section 34 Township 17S Range 26E NMPM Eddy County

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
 3804'GR

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS <input type="checkbox"/>	PLUG AND ABANDONMENT <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	MULTIPLE COMPLETION <input type="checkbox"/>	CASING TEST AND CEMENT JOB <input type="checkbox"/>	
OTHER: <input type="checkbox"/>		OTHER: Intermediate casing <input checked="" type="checkbox"/>	

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

1/26/04 - Set 9-5/8" 36# casing at 1433'. Cemented with 350 sx "C" 35:65:6 with additives. Tailed in with 200 sx "C" with additives. Cement did not circulate. Ran 1" cement to surface with 105 sx Class "C" with additives. WOC. Reduced hole to 8-3/4" and resumed drilling.

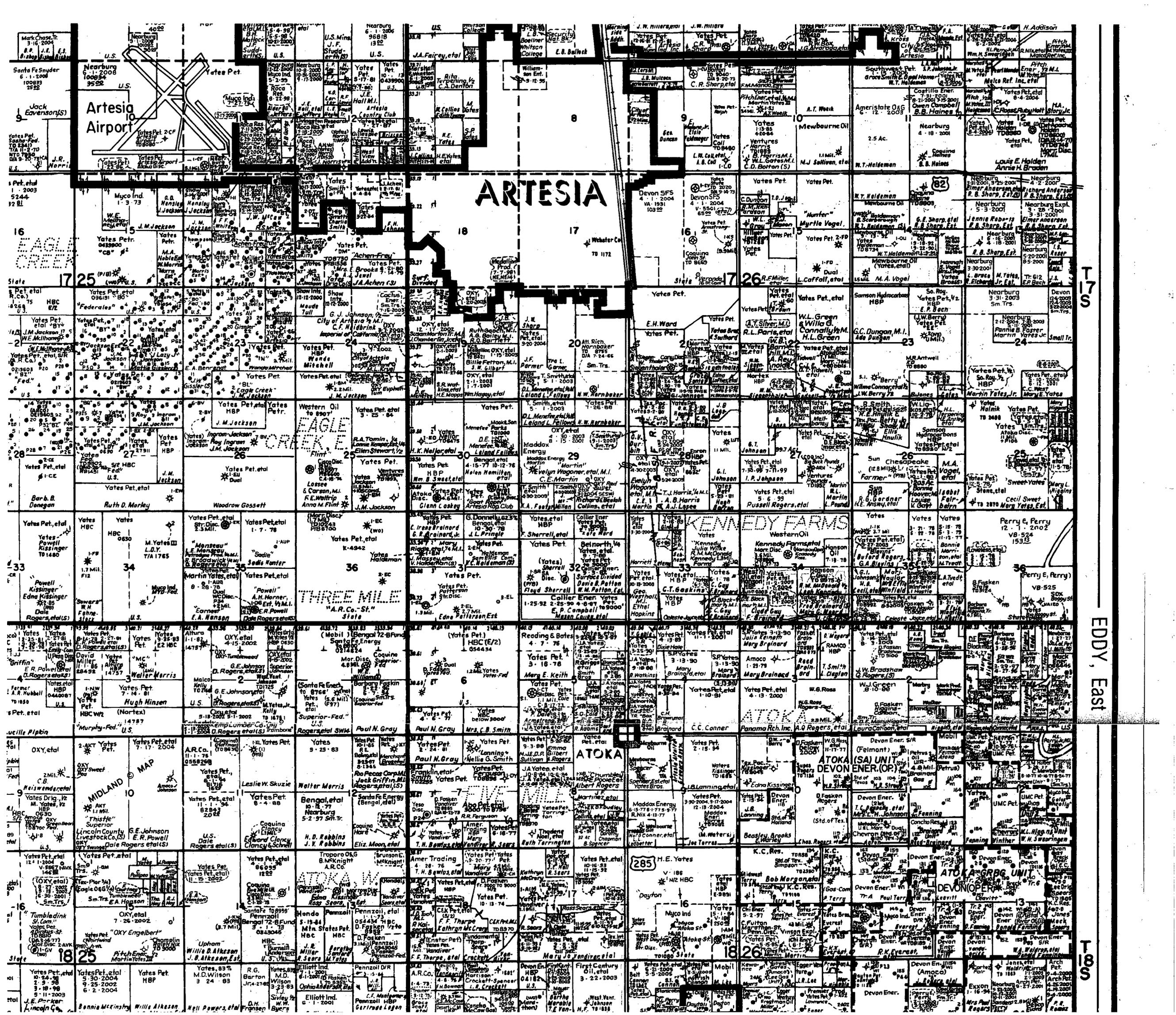
I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE: Tina Huerta TITLE: Regulatory Compliance Supervisor DATE: January 28, 2004

Type or print name Tina Huerta E-mail address: tinah@ypcnm.com Telephone No. 505-748-1471
 (This space for State use)

APPROVED BY _____ TITLE _____ DATE JAN 31 2005
 Conditions of approval, if any:

COPIES RECORDS ONLY
 Note: WOC Time



Artesia Airport

ARTESIA

EAGLE CREEK

THREE MILE STATE

KENNEDY FARMS

MIDLAND MAP

ATOKA

ATOKA

ATOKA (ISA) UNIT

DEVON ENER.(OP.)

ATOKA GRBG UNIT

DEVON OPER.

175

EDDY, EAST

175

**GENERAL RULES AND REGULATIONS FOR THE
PRORATED GAS POOLS OF NEW MEXICO**

Order No. R-8170, Rescinding Order No. R-1670, Recodifying and Amending the General and Special Rules for Prorated Gas Pools in Northwestern and Southeastern New Mexico, April 1, 1986.

Order No. R-8170 supersedes Order No. R-1670, May 20, 1960, adopting rules for prorated gas pools in Northwestern and Southeastern New Mexico, as amended by Order No. R-2086, October 13, 1961, Order No. R-2404-A, March 11, 1963, Order No. R-2761, January 1, 1965, Order No. R-3168, December 22, 1966, Order No. R-3233, May 8, 1967, Order No. R-4085, January 1, 1971, Order No. R-1670-K, May 11, 1972, Order No. R-4569, July 1, 1973, Order No. R-4583, August 1, 1973 and January 1, 1974, Order No. R-4583-A, January 1, 1974, Order No. R-1670-S, August 1, 1974, Order No. R-1670-X, January 1, 1984, Order No. R-8170-B, December 23, 1986, Order No. R-8170-C, May 7, 1987, Order No. R-8170-G, December 1, 1990, Order No. R-8170-H, April 1, 1991, Order No. R-8170-L, December 1, 1992, Order No. R-8170-M, April 1, 1993, Order No. R-8170-N, November 10, 1993, Order No. R-8170-G-1, March 11, 1994, Order No. R-8170-J-1, March 15, 1994, Order No. R-8170-L-1, March 15, 1994, and Order No. R-8170-O, Effective November 27, 1995, and Superseded by Order Nos. R-8170-O-1/R-2441-B, August 1, 1996.

See separate Order No. R-8170-A, December 4, 1986, temporarily adopting amendments to Rules 10(a), 11(a) and 11(b).

Order No. R-8170-C, May 7, 1987, rescinds temporary amendments to Rules 10(a) and 11(a) which were adopted in Order No. R-8170-A, and restores those rules as stated in Order No. R-8170.

Order No. R-8170-H, April 1, 1991, amends the General Rules and Regulations for the Prorated Gas Pools of New Mexico.

In the Matter of the Hearing Called by the Oil Conservation Commission on its Own Motion to Rescind Order No. R-1670, to Recodify and Amend the General Rules for Prorated Gas Pools, and Amend the Special Rules for Prorated Gas Pools.

CASE NO. 8749

Order No. R-8170

ORDER OF THE COMMISSION

BY THE COMMISSION: This cause came on for hearing at 9 a.m. on November 19, 1985, and January 7 and February 26, 1986, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 28th day of March, 1986, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises.

FINDS THAT:

(1) Due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) The application in the instant case seeks to rescind Order No. R-1670, as amended, to recodify and amend the General Rules and Regulations for the Prorated Gas Pools contained therein and to amend the special gas proration rules for the Atoka-Pennsylvanian, Blinbry, Buffalo Valley-Pennsylvanian, Burton Flat-Morrow, Burton Flat-Strawn, South Carlsbad-Morrow, Catclaw Draw-Morrow, Crosby-Devonian, Eumont, Indian Basin-Morrow, Indian Basin-Upper Pennsylvanian, Jalmat, Justis-Glorieta, Monument McKee-Ellenburger, and Tubb Gas Pools of Lea, Eddy and Chaves Counties, and the special gas proration rules for the Basin-Dakota, Blanco-Mesaverde, South Blanco-Pictured Cliffs, and Tapacito-Pictured Cliffs Gas Pools of San Juan, Sandoval and Rio Arriba Counties.

(3) Order No. R-1670, entered May 20, 1960, consolidated special gas proration rules for thirteen prorated pools in Northwest and Southeast New Mexico, into a set of general rules for prorated gas pools in each geographic area and established special rules for individual pools.

(4) From time to time, said Order No. R-1670 has been amended, at least 28 times, adding or deleting pools from prorationing and amending general and special rules.

(5) The multiple changes made since 1960 are difficult to follow in reading said amended order.

(6) The original order and most of the amendments were written at a time when demand for gas from prorated gas pools was increasing.

(7) Since 1982, demand for gas from such pools has declined, often precipitously.

(8) To make said general and special rules more readable, more responsive to changing market conditions, and more uniform, the Director of the Oil Conservation Division (Division) established a State/Industry Gas Proration Rules Study Committee in early 1984.

(9) Said study committee and various ancillary committees met from time to time and formed recommendations which were received at public hearing on November 19, 1985, and January 7 and February 26, 1986.

(10) Based upon the report of the Committee and other evidence received at said hearings recodified and new general rules and special rules for prorated gas pools in New Mexico should be adopted as shown on Exhibit "A" and Exhibit "B", respectively, attached to this order.

(11) Division Form C-121-A, Purchasers Gas Nomination, should be revised as shown on Exhibit "C", attached to this order, in order to reflect changes in said general rules.

(12) Order No. R-1670, as amended, should be rescinded.

(13) The effective date of this order should coincide with the beginning of the next gas proration period, April 1, 1986.

(14) Adoption of said revised and new rules and rescission of Order No. R-1670, as amended, and revision of Form C-121-A will serve to prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) General Rules for the Prorated Gas Pools of New Mexico are hereby adopted as shown on Exhibit "A" attached to and made a part of this order.

(2) The General Rules for the prorated gas pools of New Mexico contained in said Exhibit "A" shall be applicable to the following gas pools:

Northwest New Mexico

Basin-Dakota Gas Pool
Blanco-Mesaverde Gas Pool
South Blanco-Pictured Cliffs Gas Pool
Tapacito-Pictured Cliffs Gas Pool
Southeast New Mexico

Atoka-Pennsylvanian Gas Pool
Blinbry Oil and Gas Pool
Buffalo Valley-Pennsylvanian Gas Pool
Burton Flat-Morrow Gas Pool
Burton Flat-Strawn Gas Pool
South Carlsbad-Morrow Gas Pool
Catclaw Draw-Morrow Gas Pool
Crosby-Devonian Gas Pool
Eumont Gas Pool
Indian Basin-Morrow Gas Pool
Indian Basin-Upper Pennsylvanian Gas Pool
Jalmat Gas Pool
Justis Gas Pool
Monument McKee-Ellenburger Gas Pool
Tubb Oil & Gas Pool

(3) Special rules for individual prorated gas pools in New Mexico are hereby adopted as shown on Exhibit "B" attached to and made a part of this order.

(4) Order No. R-1670, as amended, is hereby rescinded.

(5) Division Form C-121-A is hereby revised as shown on Exhibit "C" attached to this order.

(6) The effective date of this order and of the general and special rules and the order rescission contained herein shall be April 1, 1986.

(7) Jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

GENERAL RULES FOR THE PRORATED GAS POOLS OF NEW MEXICO

(See Special Pool Rules in each pool for rules applicable to those pools only. Special Pool Rules will be found in the same sequence as in the General Section, and unless the special rules conflict with the general rule, the general rule is applicable.)

APPLICATION OF THESE RULES: Any well drilled to the producing formation of a gas pool regulated by this order and within said pool or within one mile outside the boundary of that designated pool producing from the same formation, shall be spaced, drilled, operated, and prorated in accordance with these rules or the special rules in effect in that pool.

(General Rules for the Prorated Gas Pools of New Mexico, as Amended by Order No. R-8170-H, April 1, 1991:)

RULE 1. Definitions

Acreege Factor: A GPU's acreege factor shall be determined to the nearest hundredth of a unit by dividing the acreege assigned to the GPU by a number equal to the number of acres in a standard GPU for such pool. However, the acreege tolerance provided in Rule 2(a)2 shall apply.

Ad Factor: Acreege times deliverability factor is calculated in pools where acreege and deliverability are proration factors. The product obtained by multiplying the acreege factor by the calculated deliverability (expressed as MCF per day) for that GPU shall be known as that AD factor for that GPU. The Ad Factor shall be computed to the nearest whole unit.

Allocation Hearing: A hearing held by the Division twice each year to determine pool allocations for the ensuing allocation period.

Allocation Period: Six month period beginning at 7:00 a.m. April 1 and October 1 of each year shall be the allocation period.

Balancing Date: The date 7:00 a.m. April 1 of each year shall be known as the balancing date, and the twelve months following this date shall be known as the gas proration period.

Broker: A third party who negotiates contracts for purchase and resale.

Classification Period: A three month period beginning at 7:00 a.m. April 1, July 1, October 1, and January 1 of each year shall be the classification period.

Gas Pool: Any pool which has been designated as a gas pool by the Division after notice and hearing.

Gas Production Unit (GPU): The acreege allocated to a well, or in the case of an infill well or wells to a group of wells, for purposes of spacing and proration shall be known as the gas proration unit (GPU). GPUs may be either of a standard or non-standard size as provided in these rules. (GPUs means plural GPU).

Gas Transporter: The term Gas Transporter as used in these rules shall mean any taker of gas. The party servicing the well meter, or the party responsible for measurement of gas sold from the well or beneficially used off-lease. This could be at the wellhead, at any other point on the lease, or at any other point authorized by the Division where connection is made for gas transportation or utilization (other than is necessary for maintaining the producing ability of the well). The Gas Transporter can be the gatherer, transporter, producer, or a delegate of one of those parties. The Gas Transporter shall be identified on Form C-104 and will be responsible for filing Form C-111 as required under the provisions of Rule 1111.

Gas Purchaser: The term Gas Purchaser as used in these rules shall mean the purchaser (where ownership of the gas is first exchanged by the producer to the purchaser for an agreed value) of the gas from a gas well or GPU.

Hardship Gas Well: A gas well wherein underground waste will occur if the well should be shut-in or curtailed below its minimum sustainable flow rate. No well shall be classified as a hardship gas well except after notice and hearing or upon appropriate administrative action of the Division.

Infill Well: An additional producing well on a GPU which serves as a companion well to an existing well on the GPU.

Marginal GPU: A proration unit which is incapable of producing or has not produced the non-marginal allowable based on pool allocation factors. Marginal GPUS do not accrue over- or under-production.

Non-Marginal GPU: A proration unit receiving an allowable based upon pool allocation factors. Non-marginal proration units accrue over- or under-production.

Overproduction: The volume of gas produced on a GPU in any month in excess of the assigned non-marginal allowable (does not include gas used in maintaining the producing ability of the well(s) of the GPU). Overproduction accumulates month to month during the proration period.

Prorated Gas Pool: A prorated gas pool is a gas pool in which, after notice and hearing, the production is allocated by the Division in accordance with these General Rules and any applicable special pool rules.

Proration Period: The twelve-month period beginning April 1 of each year shall be the gas proration period.

Shadow Allowable: The gas volume calculated for a marginal GPU that is equal to the allowable assigned to a non-marginal GPU in the same pool of the same A (acreege) or A and AD (acreege deliverability) factors as the marginal GPU.

Underproduction: The volume of assigned non-marginal allowable not produced on a GPU. Underproduction accumulates month to month during the proration period.

A. WELL ACREAGE AND LOCATION REQUIREMENTS

RULE 2. Standard Gas Proration Unit Size and Well Spacing

(a) Unless otherwise provided for in applicable special pool rules gas wells in prorated gas pools shall be drilled in accordance with the well spacing and acreege requirements contained in the Rules and Regulations of the Oil Conservation Division, provided that wells drilled in pools with 640 acre spacing, a government section shall comprise the proration unit.

(b) Any GPU drilled in accordance with paragraph (a) and which contains acreege within the tolerances below shall be considered a standard GPU for the purpose of calculating allowables:

STANDARD PRORATION UNIT	ACREEGE TOLERANCE
160 acres	158-162 acres
320 acres	316-324 acres
640 acres	632-648 acres

(c) The District Supervisor of the appropriate district office of the Division has the authority to approve a non-standard GPU without notice and hearing when the unorthodox size and shape of the GPU is necessitated by a variation in the legal subdivision of the U.S. Public Land Surveys and the non-standard GPU is not less than 75% nor more than 15% of a standard GPU by accepting a form C-102 land plat showing the proposed non-standard GPU with the number of acres contained therein, and shall assign an allowable to the non-standard GPU based upon the acreege factor for that acreege.

* (d) Non-standard proration units and unorthodox locations may be approved by the Division in accordance with applicable special pool rules or Rules and Regulations of the Division.

RULE 3(a). Gas Purchasers or Gas Transporters Shall Nominate: Each gas purchaser or each gas transporter as herein provided shall file with the Division its nomination for the amount of gas which it in good faith desires to purchase and/or expects to transport during the ensuing allocation period from each gas pool regulated by this order. The purchaser may delegate the nomination responsibility to the transporter, operator, or broker by notifying the Division's Santa Fe office. One copy of such nomination for each pool shall be submitted to the Division's Santa Fe office on Form C-121-A by the first day of the month during which the Division will consider at its allocation hearing, the nominations for the succeeding allocation period. The Division shall consider at its allocation hearing the nominations received, actual production, and such other factors as may be deemed applicable in determining the amount of gas that may be produced without waste during the ensuing allocation period.

The Division Director may, at his discretion, suspend this rule at such time as it appears that the nominations are of little or no value.

RULE 3(b)1. Schedule: The Division shall issue a gas proration schedule for each allocation period showing the monthly allowable for each GPU that may be produced during each month of the ensuing allocation period, the current classification of each GPU, and such other information as is necessary to show the allowable-production status of each GPU on the schedule. The Division may issue supplemental proration schedules during an allocation period as necessary to show changes in GPU classi-

(GENERAL RULES AND REGULATIONS FOR THE PRORATED GAS POOLS OF NEW MEXICO - Cont'd.)

fication, adjustments to allowables due to changes in market conditions or to reflect any other changes as the Division deems necessary.

RULE 3(b)a. Proration or All Gas Wells Within a Pool: The Division shall include in the proration schedule the gas wells in the gas pools regulated by this order delivering to a gas transporter, and shall include in the proration schedule 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.

C. ALLOCATION AND GRANTING OF ALLOWABLES

RULE 4. Filing of Form C-102 and Form C-104 Required: No GPU shall be assigned an allowable prior to receipt of Form C-102 (well location and acreage dedication plat) and the approval date of Form C-104 (Request for Allowable and Authorization to Transport Oil and Natural Gas).

RULE 5. How Allowables Are Calculated: The total allowable to be allocated to each gas pool regulated by this order for each allocation period shall be equal to the estimated market demand as determined by the Division, plus any adjustments the Director deems necessary to equate the total pool allowable to the estimated market demand, the Director may make such adjustments as he deems necessary to compensate for over-production, underproduction, and other circumstances which may necessitate such adjustment so as to equate pool allowable to the anticipated market demand. The estimated market demand for each pool shall be established from any information the Director requires and can consist of nominations from purchasers, transporters or other parties having knowledge of market demand for gas from such pools, actual past production figures, seasonal trends, or any other factors deemed necessary to establish estimated market demand. The Director shall not be bound to use all the information requested and can establish market demand by any method so approved. A monthly allowable shall be assigned to each GPU entitled to an allowable for the ensuing allocation period by allocating the pool allowable among all such GPUs in that pool in accordance with the procedure set forth in the following paragraphs of this order. Should market conditions indicate a change is necessary, the Director may adjust allowables up or down during the 6-month allocation period using a maximum of 10% as a guideline.

RULE 5(a)1. Marginal GPU Allowable: The monthly allowable to be assigned to each marginal GPU shall be equal to its average monthly production from its latest classification period.

RULE 5(a)2. Non-Marginal GPU Allowable: Non-marginal GPU allowables shall be determined in conformance with the applicable special pool rules.

(1) In pools where acreage is the only proration factor, the total non-marginal allowable shall be allocated to each GPU in the proportion that each GPU acreage factor bears to the total acreage factor for all non-marginal GPUs.

(2) In pools where acreage and deliverability are proration factors:

(a) A percentage as set forth in special pool rules, of the non-marginal allowable shall be allocated to each GPU in the proportion that each GPU's AD factor bears to the total AD factor for all non-marginal GPUs in the pool; and

(b) The remaining non-marginal allowable shall be allocated to non-marginal GPUs among each GPU in the proportion that each GPU's acreage factor bears to the total acreage factor for all non-marginal GPUs in the pool.

RULE 5(b)1. New Connects Assignment of Allowables: Allowables to newly completed gas wells shall commence factors:

(A) In pools where acreage is the only proration factor, on the date of first delivery of gas to a gas transporter as demonstrated by an affidavit furnished by the transporter to the appropriate Division district office or the approval date of Form C-102 and Form C-104 whichever is later; or,

(B) In pools where acreage and deliverability are proration factors:
(1) An acreage factor allowable will be assigned the latter of:

(a) The date of first delivery of gas to a gas transporter as demonstrated by an affidavit furnished by the transporter to the appropriate Division District office.

(b) The approval date of Form C-103 and Form C-104.

(2) A deliverability factor allowable will be assigned the later of:

(a) The date of first delivery.

(b) 90 days prior to the date of receipt of the deliverability test report at the appropriate Division district office.

(c) Allowables assigned to new connects completed within an allocation period shall be equal to the allowable assigned to a non-marginal GPU of similar acreage or acreage and deliverability factors as adjusted to the effective date of the allowable as herein provided.

RULE 5(b)2. New Connect Maximum Producing Period: No well located in a pool where deliverability is an allowable factor shall be permitted to produce more than 120 days after the date of first delivery without a deliverability test. Any well shut in for failure to file a deliverability test may be assigned producing authorization by the Division district office for purposes of conducting such test. Except as provided in Rule 9, all production following connection including the volume of test production shall be charged against the GPU's regular allowable when assigned. Any resulting allowable assigned shall be effective on the day that the delinquent deliverability test is received in the appropriate Division district office.

(GENERAL RULES AND REGULATIONS FOR THE PRORATED GAS POOLS OF NEW MEXICO - Cont' d.)

RULE 6. Gas Charged Against GPU's Allowable: Except as provided in the Special Pool Rules, the volume of produced gas sold or beneficially used other than lease fuel from each GPU shall be charged against the GPU's allowable; however, the gas used in maintaining the producing ability of the well shall not be charged against the allowable.

RULE 7. Change In Acreage: If the acreage assigned to a GPU is changed, the operator shall notify the appropriate Division district office in writing of such change by filing a revised Plat (Form C-102). The revised allowable, as determined by the Division, assigned to the GPU shall be effective on the first day of the month following receipt of the notification.

RULE 8. Minimum Allowables: After notice and hearing, the Division may assign minimum allowables for prorated gas pools to avoid waste, encourage efficient operations, and to prevent the premature abandonment of wells. (See Special Pool Rules for minimum allowable amount.) In determining the volume of minimum allowable for a well with a standard proration unit, the Division shall take into account economic and engineering factors such as drilling and operating costs, anticipated revenues, taxes, and any other such data that will establish that the ultimate recovery of hydrocarbons will be increased from the pool as a result of the adoption of a minimum allowable for the pool. Once adopted, the minimum allowable for wells with non-standard proration units shall be proportionally adjusted.

RULE 9(a). Deliverability Tests: In pools where both acreage and deliverability are proration factors, deliverability tests taken in accordance with Division Rules shall be used in calculating allowables for the succeeding proration period. Deliverability shall be determined in accordance with the provisions of the appropriate test manual (See Gas Well Testing Manual For Northwest New Mexico).

RULE 9(b). Deliverability Retest: A change in a well's deliverability following a retest after any activity, other than routine maintenance, shall become effective the later of:

(1) The date of redelivery after such activity, such date to be indicated on the sundry notice (if a sundry notice is required) and on the remarks portion of the Form C-122-A; or,

(2) 90 days prior to the date of receipt of the appropriate deliverability test report at the appropriate Division district office, or

(3) A change in a well's deliverability due to any other reason shall become effective on the first day of the month following the month during which the retest is approved in the appropriate Division district office.

RULE 9(c). Exceptions to Deliverability Tests: The Director of the Oil Conservation Division shall have authority to allow exceptions to the deliverability test requirement for wells on marginal GPUs where the deliverability of a well is of such volume as to have no significance in the determination of the GPU's allowable. Application for such exception may be submitted by the operator of the well and if granted may be revoked by the Director at any time by requesting the well to be scheduled and tested in accordance with the current Gas Well Testing Rules and Procedures".

RULE 9(d). (As Amended by Order No. R-8170-N, November 10, 1993.) Wells Exempt from Testing - San Juan Basin: A well automatically becomes exempt from testing if the GPU's average monthly production does not exceed or the GPU is not capable of producing an average volume equal to the larger of 1) the pool's current (April-September) Monthly Acreage Allocate Factor, F1, times the GPU Acreage Factor, A, or 2) 250 MCF per month for Pictured Cliffs formation wells and 2000 MCF per month for deeper formations. (See "Gas Well Testing Rules and Procedures".)

D. BALANCING OF PRODUCTION

RULE 10(a). Underproduction: Any non-marginal GPU which has an underproduced status as of the end of a gas proration period shall be allowed to carry such underproduction forward in the next gas proration period and may produce such underproduction in addition to the allowable assigned during such succeeding period. Any underproduction carried forward into a gas proration period and remaining unproduced at the end of such gas proration period shall be canceled.

RULE 10(b). Balancing Underproduction: Production during any one month of a gas proration period in excess of the allowable assigned to a GPU for such month shall be applied against the underproduction carried into such period in determining the amount of allowable, if any, to be canceled.

RULE 11(a). Overproduction: Any GPU which has an overproduced status as of the end of a gas proration period shall carry such overproduction forward into the next gas proration period. Said overproduction shall be made up by underproduction during the succeeding gas proration period. Any GPU which has not made up the overproduction carried into a gas proration period by the end of said period shall be shut in until such overproduction is made up.

RULE 11(b)(1). Twelve-Times Overproduced, Northwest: For the prorated gas pools of Northwest New Mexico, if it is determined that GPU is overproduced in an amount exceeding twelve times its current year January allowable (or, in the case of a newly connected well, a marginal well, or a well recently reclassified as non-marginal, twelve times the January allowable assigned to a non-marginal GPU of similar acreage and deliverability factors), it shall be shut in until its overproduction is less than twelve times its January allowable, as determined hereinabove.

RULE 11(b)(2). Six-Times Overproduced, Southeast: For the prorated gas pools of Southeast New Mexico, if it is determined that a GPU is overproduced in an amount exceeding six times its current year January allowable (or, in the case of a newly connected well, a marginal well, or a well recently reclassified as non-marginal, six times the January allowable assigned to a non-marginal GPU of a similar acreage factor), it shall be shut in until its overproduction is less than six times its January allowable, as determined hereinabove.

RULE 11(c). Exception to Shut In for Overproduction: The Director of the Oil Conservation Division shall have authority to permit a GPU which is subject to shut-in, pursuant to Rules 11(a) or 11(b) above to produce up to 250 MCF of gas per month upon proper showing to the Director that complete shut-in would cause undue hardship, provided however, such permission may be rescinded for any GPU produced in excess of the monthly rate authorized by the Director.

RULE 11(d). Balancing Overproduction: Allowable assigned to a GPU during anyone month of a gas proration period in excess of the production for the same month shall be applied against the overproduction chargeable to such GPU in determining the amount of overproduction which must be made up pursuant to the provision of Rules 11(a) or 11(b) above.

RULE 11(e). Exception to Balancing Overproduction: The Director may allow overproduction to be made up at a lesser Rate than permitted under Rules 11(a), 11(b), or 11(d) above upon a showing at public hearing that the same is necessary to avoid material damage to the well.

RULE 11(f). Hardship Gas Wells: If a GPU containing a hardship gas well is overproduced, the operator must take the necessary steps to reduce production in order to reduce the overproduction.

(GENERAL RULES AND REGULATIONS FOR THE PRORATED GAS POOL OF NEW MEXICO - Cont'd.)

Any overproduction existing at the time of designation of a well as a hardship gas well or accruing to the GPU thereafter shall be carried forward until such time as it is made up by underproduction.

No GPU containing a hardship gas well, which GPU is overproduced, shall be permitted to produce at a rate higher than the minimum producing rate authorized by the Division.

RULE 11(g). Moratorium on Shut-Ins: The Director shall have authority to grant a pool-wide moratorium of up to three months as to the shutting in of gas wells in a pool during periods of high demand emergency upon proper showing that such emergency exists, and that a significant number of the wells in the pool are subject to shut-in pursuant to the provisions of Rules 11(a), 11(b) or 11(f) above. No moratorium beyond the aforementioned three months shall be granted except after notice and hearing.

RULE 11(h). (As Added by Order No. R-8170-C, May 7, 1987, and Amended by Order No. R-8170-H, April 1, 1991.) The Director may reinstate allowable to wells which suffered cancellation of allowable under Rules 10(a) or 13(b), or loss of allowable due to reclassification of a well under Rule 13(a). If such cancellation or loss of allowable was caused by non-access or limited access to the average market demand in the pool rather than inability of the well to produce. Upon petition, together with a showing of circumstances which prevented production of the non-marginal allowable, and evidence that the well was capable of producing at allowable rates during the period for which reinstatement is requested. The allowable may be reinstated in such amounts needed to avoid curtailment or shut-in of the well for excessive overproduction. Such petition shall be approved administratively or docketed for hearing within 30 days after receipt in the Division's Santa Fe office.

E. CLASSIFICATION OF GPUs

RULE 12(a). Classification Period: The proration period shall be divided into four classification periods of three months each, commencing April 1, July 1, October 1, and January 1.

RULE 12(b). Reclassification by the Director: The Director of the Oil Conservation Division may reclassify a marginal or non-marginal GPU at any time the GPU's producing ability justifies such reclassification.

The Director may suspend the reclassification of GPUs on his own initiative or upon proper showing by an interested party, should it appear that such suspension is necessary to permit underproduced GPUs which would otherwise be reclassified, a proper opportunity to make up such underproduction.

RULE 13(a). Reclassification to Marginal: A non-marginal well may be reclassified as marginal in either of the following ways:

(1) After the production data is available for the last month of each classification period, any GPU which had an underproduced status at the beginning of the allocation period shall be reclassified to marginal if its highest single month's production during the classification period is less than its average monthly allowable during such period; however, the operator of any GPU so classified, or other interested party, shall have 30 days after receipt of notification of marginal classification in which to submit satisfactory evidence to the Division that the GPU is not of marginal character and should not be so classified; or

(2) A GPU which is underproduced more than the overproduction limit as described in 11(b)(1) or 11(b)(2), whichever is applicable, shall be reclassified as marginal.

RULE 13(b). Cancellation of Underproduction for Marginal GPU: A GPU which is classified as marginal shall not be permitted to accumulate underproduction, and any underproduction accrued to a GPU prior to its classification as marginal shall be canceled.

RULE 14(a). Reclassification to Non-Marginal: If, at the end of any classification period, a marginal GPU has produced more gas during the proration period to that time than its shadow allowable for that same period, the GPU shall be reclassified as a non-marginal GPU.

RULE 14(b). Reinstatement of Status: A GPU reclassified to nonmarginal under the provisions of Rule 14(a) shall have reinstated to it all underproduction which accrued or would have accrued as a non-marginal GPU from the current production period, underproduction from the prior proration period may be reinstated after notice and hearing. All uncompensated for overproduction accruing to the GPU while marginal shall be chargeable upon reclassification to non-marginal.

F. REPORTING OF PRODUCTION

RULE 15. Filing C-111 and C-115 Reports: Transporters and operators shall file gas transportation and production reports pursuant to Rules 1111 and 1115 of the Rules and Regulations of the Division provided that upon approval by the Director of the Oil Conservation Division as to the specific program to be used, any producer or transporter of gas may be permitted to report metered production of gas on a chart-period basis; provided the following provisions shall be applicable to each gas well:

(1) Reports for a month shall include not less than 24 nor more than 32 reported days.

(2) Reported days may include as many as the last 7 days of the previous month but no days of the succeeding month.

(3) The total of the monthly reports for a year shall include not less than 360 nor more than 368 reported days.

(4) For purposes of these rules, the term "month" shall mean "calendar month" for those reporting on a calendar month basis, and shall mean "Reporting Month" for those reporting on a chart-period basis in accordance with the exception provided in this rule.

(GENERAL RULES AND REGULATIONS FOR THE PRORATED GAS POOLS OF NEW MEXICO - Cont'd.)**SPECIAL RULES FOR INDIVIDUAL PRORATED GAS POOLS****SPECIAL RULES AND REGULATIONS FOR THE BASIN-DAKOTA GAS POOL**

The vertical limits for the Basin-Dakota Pool shall be from the base of the Greenhorn Limestone to a point 400 feet below the base of the said formation and consisting of the Graneros formation, the Dakota formation and the productive upper portion of the Morrison formation.

The Basin-Dakota Pool was created February 1, 1961, and gas proration became effective February 1, 1961.

WELL ACREAGE AND LOCATION REQUIREMENTS

The STANDARD GPU (Gas Proration Unit) in the Basin-Dakota Pool shall be 320 acres.

WELL LOCATION:

3) THE INITIAL WELL drilled on a GPU shall be located not closer than 660 feet to any outer boundary of the quarter section on which the well is located and not closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

4) THE INFILL WELL drilled on a GPU shall be located in the quarter section of the GPU not containing a Dakota well, and shall be located with respect to the GPU boundaries as described in the preceding paragraph.

The plat (Form C-102) accompanying the Application for Permit to Drill (OCD Form C-101 or federal form) for the subsequent well on a GPU shall have outlined thereon the boundaries of the GPU and shall show the location of all existing Dakota wells on the GPU plus the proposed new well.

In the event an infill well is drilled on any GPU, both wells shall be produced for so long as it is economically feasible to do so.

ALLOCATION AND GRANTING ALLOWABLES

NON-MARGINAL GPU ALLOWABLES: The pool allowable remaining each month after deducting the total allowable assigned to marginal GPU's shall be allocated among the non-marginal GPU's entitled to an allowable in the following manner:

- Forty percent (40%) of the pool allowable remaining to be allocated to non-marginal GPU's shall be allocated among such GPU's in the proportion that each GPU's AD Factor bears to the total AD Factor for all non-marginal GPU's in the pool.

- When calculating the allowable for A GPU containing an infill well, the deliverability of both wells shall be added in calculating the AD Factor and the allowable may be produced from both wells.

- Sixty percent (60%) of the pool allowable remaining to be allocated to non-marginal GPU's shall be allocated among such GPU's in the proportion that each GPU's acreage factor bears to the total acreage factor for all non-marginal GPU's in the pool.

MINIMUM ALLOWABLES: A minimum allowable of 250 MCF per month per GPU will be assigned to prevent the premature abandonment of wells.

A GPU in the BASIN DAKOTA POOL shall be classified as marginal unless reclassified by the Director pursuant to Rule 605.F. (2). Any operator in the BASIN DAKOTA POOL may request a reclassification of a GPU in that pool.

(General Pool Rules also apply unless in conflict with these Special Pool Rules.)

SPECIAL RULES AND REGULATIONS FOR THE BLANCO-MESAVERDE GAS POOL

(Superseded by Order No. R-10987-A, Effective February 1, 1999.)
The VERTICAL LIMITS for the Blanco-Mesaverde Gas Pool shall be as follows:

- North and east of a line generally running from the northwest corner of Township 31 North, Range 13 West, San Juan County New Mexico, to the southwest corner of Township 24 North Range 1 East, NMPM, Rio Arriba County, New Mexico, (as fully described on Exhibit "A" of Order R-5459, August 1, 1977, as amended, and in Rule 25 of this order), the vertical limits shall be from the Huerfanito Bentonite marker to a point 500 feet below the top of the Point Lookout Sandstone.

- South and west of the line described in (a) above, the vertical limits shall be from a point 750 feet below said Huerfanito Bentonite marker to a point 500 feet below the top of the Point Lookout Sandstone.

- The Blanco-Mesaverde Gas Pool was created February 25, 1949 and gas proration became effective March 1, 1955.

I. ACREAGE AND WELL LOCATION REQUIREMENTS

A. Standard GPU (Gas Proration Unit): A standard GPU in the Blanco-Mesaverde Pool shall be 320 acres.

B. Well density and locations:**(1) Well Locations:**

(a) Except as provided in subparagraph I.B.(1)(b) below, wells drilled on a GPU shall be located not closer than 660 feet to the South and North lines nor closer than 660 feet to the East and West lines of a GPU and not closer than 10 feet to any interior quarter or quarter-quarter section line or subdivision inner boundary.

(b) Wells located within federal exploratory units shall not be closer than 10 feet to any section, quarter section or interior quarter-quarter section line or subdivision inner boundary, except that wells located within one-half mile of the outer boundary of any such unitized area shall not be closer than permitted by subparagraph I.B.(1)(a) above.

(2) Well Density:

(a) The FIRST OPTIONAL INFILL WELL drilled on a GPU shall be located in the quarter section of the GPU not containing a Mesaverde well;

(b) the SECOND OPTIONAL INFILL WELL drilled on a GPU shall be located in a quarter-quarter section of the GPU not containing a Mesaverde well and within a quarter section of the GPU not containing more than one (1) Mesaverde well;

(c) the THIRD OPTIONAL INFILL WELL drilled on a GPU shall be located in a quarter-quarter section of the GPU not containing a Mesaverde well and within a quarter section of the GPU not containing more than one (1) Mesaverde well;

(d) at the discretion of the operator, the second or third optional infill well may be drilled prior to the drilling of the first optional infill well;

(e) all exceptions for second and third infill wells on standard GPU's in the Blanco-Mesaverde Pool which have been approved by the Aztec District Office Supervisor or the Division's Santa Fe Office are hereby approved;

(f) no more than two wells shall be located within either 160-acre tract of a GPU; and

(g) any deviation from the above-described well density requirements shall be authorized only after hearing.

(3) The plats (Form C-102) accompanying the "Application for Permit to Drill" (Form C-101 or federal equivalent) for subsequent wells on a GPU shall have outlined the boundaries of the GPU and shall show the location (well name, footage location, API number) of all existing Mesaverde wells on the GPU plus the proposed new well.

II. ADMINISTRATIVE EXCEPTIONS:

The Division Director, in accordance with Division Rule 104, may administratively grant an exception to the well location requirements of I.B.(1) above upon application to the Division which includes notification by certified mail-return receipt to affected parties.

(GENERAL RULES AND REGULATIONS FOR THE PRORATED GAS POOLS OF NEW MEXICO - Cont'd.)**III. ALLOCATION AND GRANTING ALLOWABLES:**

A. Non-Marginal GPU Allowable: The pool allowable remaining each month after deducting the total allowable assigned to marginal GPU's shall be allocated among the non-marginal GPU's entitled to an allowable in the following manner:

(1) Seventy-five percent (75%) of the pool allowable remaining to be allocated to the non-marginal GPU's shall be allocated among such GPU's in the proportion that each GPU's AD Factor bears to the total AD Factor for all non-marginal GPU's in the pool.

When calculating the allowable for a GPU containing one or more infill wells, the deliverability of the wells shall be added in calculating the AD Factor and the allowable may be produced from all wells.

(2) Twenty-five percent (25%) of the pool allowable remaining to be allocated to non-marginal GPU's shall be allocated among such GPU's in the proportion that each GPU's acreage factor bears to the total acreage factor for all non-marginal GPU's in the pool.

B. Minimum Allowable: A minimum allowable of 250 MCF per month per GPU is assigned to prevent the premature abandonment of wells.

C. A GPU in the Blanco-Mesaverde Pool shall be classified as marginal unless reclassified by the Director pursuant to Division Rule 605.F.(2). Any operator in the Blanco-Mesaverde Pool may request a reclassification of a GPU in that pool.

IV. VERTICAL LIMITS OF THE BLANCO-MESAVERDE POOL:

The vertical limits for the Blanco-Mesaverde Pool are described in relation to the Chacra line and to the Huerfanito Bentonite Marker as follows: (i) Southwest of the Chacra line the top of the pool is a point 750 feet below the Huerfanito Bentonite Marker and the base of the pool is a point 500 feet below the top of the Point Lookout Sandstone; and (ii) Northeast of the Chacra line the top of the pool is a point 300 feet above the Huerfanito Bentonite Marker and the base of the pool is a point 500 feet below the top of the Point Lookout Sandstone.

The northwest southeast trending Chacra Line (originally established by Order R-5459, as amended) divides the Blanco-Mesaverde pool for purposes of defining the vertical limits of the pool. This line traverses the south side or west side of the sections listed below.

TOWNSHIP 24 NORTH, RANGE 1 EAST, NMPM
 Section 31: West
 TOWNSHIP 24 NORTH, RANGE 1 WEST, NMPM
 Section 3: West
 Section 10: West and South
 Section 14: West and South
 Section 24: West
 Section 25: West and South
 TOWNSHIP 25 NORTH, RANGE 1 WEST, NMPM
 Section 7: West
 Section 18: West and South
 Section 20: West and South
 Section 28: West
 Section 33: West and South
 TOWNSHIP 25 NORTH, RANGE 2 WEST, NMPM
 Section 1: West and South
 TOWNSHIP 26 NORTH, RANGE 2 WEST, NMPM
 Sections 7 and 8: South
 Section 16: West and South
 Section 22: West and South
 Section 26: West
 Section 35: West and South
 TOWNSHIP 26 NORTH, RANGE 3 WEST, NMPM
 Sections 2 and 3: South
 Section 4: West and South
 Section 12: West and South
 TOWNSHIP 27 NORTH, RANGE 3 WEST, NMPM
 Sections 31 and 32: South
 TOWNSHIP 27 NORTH, RANGE 4 WEST, NMPM
 Sections 31 through 36: South
 TOWNSHIP 27 NORTH, RANGE 5 WEST, NMPM
 Section 31: West and South
 Sections 32 through 36: South

TOWNSHIP 27 NORTH, RANGE 6 WEST, NMPM

Section 6: West
 Section 7: West and South
 Sections 8 and 9: South
 Section 14: South
 Section 15: West and South
 Section 24: West
 Section 25: West and South
 TOWNSHIP 28 NORTH, RANGE 6 WEST, NMPM
 Sections 7, 18, 19, 30, and 31: West
 TOWNSHIP 29 NORTH, RANGE 7 WEST, NMPM
 Section 31: West and South
 Sections 32 through 36: South
 TOWNSHIP 29 NORTH, RANGE 8 WEST, NMPM
 Section 17: South
 Section 18: West and South
 Section 21: West and South
 Section 22: South
 Section 25: South
 Section 26: West and South
 TOWNSHIP 29 NORTH, RANGE 9 WEST, NMPM
 Section 3: South
 Section 4: West and South
 Section 11: West and South
 Section 12: South
 TOWNSHIP 30 NORTH, RANGE 9 WEST, NMPM
 Section 31: West and South
 Section 32: South
 TOWNSHIP 30 NORTH, RANGE 10 WEST, NMPM
 Section 18: South
 Section 20: West and South
 Sections 21 and 22: South
 Section 25: South
 Section 26: West and South
 TOWNSHIP 30 NORTH, RANGE 11 WEST, NMPM
 Section 6: West and South
 Section 8: West and South
 Sections 9, 10, 11: South
 Section 13: West and South
 TOWNSHIP 31 NORTH, RANGE 12 WEST, NMPM
 Section 19: South
 Sections 27 and 28: South
 Section 29: West and South
 Section 35: West and South
 Section 36: South
 TOWNSHIP 31 NORTH, RANGE 13 WEST, NMPM
 Sections 7 and 8: South
 Sections 14 and 15: South
 Section 16: West and South
 Section 24: West and South
 TOWNSHIP 31 NORTH, RANGE 14 WEST, NMPM
 Section 12: South

(General Pool Rules also apply unless in conflict with these Special Pool Rules.)

SPECIAL RULES AND REGULATIONS FOR THE SOUTH BLANCO-PICTURED CLIFFS GAS POOL

THE VERTICAL LIMITS of the South Blanco-Pictured Cliffs Gas Pool shall be the Pictured Cliffs formation.

The South Blanco-Pictured Cliffs Gas Pool, Rio Arriba, San Juan, and Sandoval Counties, New Mexico, was created May 20, 1952 and gas proration became effective March 1, 1955.

(GENERAL RULES AND REGULATIONS FOR THE PRORATED GAS POOLS OF NEW MEXICO - Cont'd.)

WELL ACREAGE AND LOCATION REQUIREMENTS

Standard GPU (Gas Proration Unit) in the South Blanco-Pictured Cliffs Gas Pool shall be 160 acres.

ALLOCATION AND GRANTING OF ALLOWABLES

Non-Marginal GPU Allowable: The pool allowable remaining each month after deducting the total allowable assigned to marginal GPU's shall be allocated among the non-marginal GPU's entitled to an allowable in the following manner:

(A) Seventy-five percent (75%) of the pool allowable remaining to be allocated to the non-marginal GPU's shall be allocated among such GPU's in the proportion that each GPU's AD Factor bears to the total AD factor for all non-marginal GPU's in the pool.

(B) Twenty-five percent (25%) of the pool allowable remaining to be allocated to non-marginal GPU's shall be allocated among such GPU's in the proportion that each GPU's acreage factor bears to the total acreage factor for all non-marginal GPU's in the pool.

Minimum Allowables. (As Amended by Order No. R-8170-L, Effective December 1, 1992, and Order No. R-8170-L-1, March 15, 1994, and Order No. R-10987, May 30, 1998.) A minimum allowable of 250 MCF per month per GPU will be assigned to prevent premature abandonment of wells.

A GPU in the SOUTH BLANCO PICTURED CLIFFS GAS POOL shall be classified as marginal unless reclassified by the Director pursuant to Rule 605.F.(2). Any operator in the SOUTH BLANCO PICTURED CLIFFS GAS POOL may request a reclassification of a GPU in that pool.

(General Pool Rules also apply unless in conflict with these Special Pool Rules.)

SPECIAL RULES AND REGULATIONS FOR THE TAPACITO-PICTURED CLIFFS GAS POOL

THE VERTICAL LIMITS of the Tapacito-Pictured Cliffs Gas Pool shall be the Pictured Cliffs formation.

The Tapacito-Pictured Cliffs Gas Pool, Rio Arriba County, New Mexico, was created April 18, 1956 and gas proration in this pool became effective August 1, 1958.

WELL ACREAGE AND LOCATION REQUIREMENTS

Standard GPU (Gas Proration Unit) in the Tapacito-Pictured Cliffs Gas Pool shall be 160 acres.

ALLOCATION AND GRANTING OF ALLOWABLES

Non-Marginal GPU Allowable: The pool allowable remaining each month after deducting the total allowable assigned to marginal GPU's shall be allocated among the non-marginal GPU's entitled to an allowable in the following manner:

(A) Seventy-five percent (75%) of the pool allowable remaining to be allocated to the non-marginal GPU's shall be allocated among such GPU's in the proportion that each GPU's "AD Factor" bears to the total "AD Factor" for all non-marginal GPU's in the pool.

(B) Twenty-five percent (25%) of the pool allowable remaining to be allocated to non-marginal GPU's shall be allocated among such GPU's in the proportion that each GPU's acreage factor bears to the total acreage factor for all non-marginal GPU's in the pool.

Minimum Allowable: A minimum allowable of 250 MCF per month per GPU will be assigned to prevent premature abandonment of wells.

A GPU in the TAPACITO PICTURED CLIFFS GAS POOL shall be classified as marginal unless reclassified by the Director pursuant to Rule 605.F.(2). Any operator in the GAS POOL may request a reclassification of a GPU in that pool.

(General Pool Rules also apply unless in conflict with these Special Pool Rules.)

SPECIAL RULES AND REGULATIONS FOR THE ATOKA-PENNSYLVANIAN GAS POOL

The Atoka-Pennsylvanian Gas Pool, Eddy County, New Mexico, was created May 5, 1958, and gas proration in this pool became effective July 1, 1961.

A. DEFINITIONS

THE VERTICAL LIMITS of the Atoka-Pennsylvanian Gas Pool shall be the Pennsylvanian formation.

B. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 2(a). A standard GPU in the Atoka-Pennsylvanian Gas Pool shall be 320 acres.

RULE 2(b). Each well completed or recompleted in the Atoka-Pennsylvanian Gas Pool shall be located in the northwest quarter or the southeast quarter of the section and shall be located no nearer than 990 feet to the outer boundary of the quarter section nor nearer than 330 feet to any governmental quarter-quarter section line; provided, however, that any well which was projected to or completed in said pool prior to June 5, 1959, is excepted from the requirements of this rule.

D. ALLOCATION AND GRANTING OF ALLOWABLES

RULE 5. Acreage is the only proration factor in the Atoka-Pennsylvanian Gas Pool.

SPECIAL RULES AND REGULATION FOR THE BLINEBRY OIL AND GAS POOL

The Blinebry Oil and Gas Pool, Lea County, New Mexico was created February 17, 1953, and gas proration in this pool became effective January 1, 1954.

A. DEFINITIONS

THE VERTICAL LIMITS of the Blinebry Oil and Gas Pool shall extend from a point 75 feet above the "Blinebry Marker" to a point 100 feet above the "Tubb Marker." The Blinebry Marker shall be that point encountered at a depth of 5457 feet (elevation 3380, sub-sea datum -2077) and the Tubb Marker shall be that point encountered at a depth of 5921 feet (elevation 3380, sub-sea datum -2541) in the Exxon Corporation State "S" Well No. 20, SW/4 NW/4 of Section 2, Township 22 South, Range 37 East, NMPM, Lea County, New Mexico.

A GAS WELL in the Blinebry Oil and Gas Pool shall be a well producing from within the vertical limits of the pool which produces with a gas-liquid ratio of 50,000 cubic feet of gas or more per barrel of liquid hydrocarbons. Provided, however, that any well which on January 1, 1974, was classified as a gas well in the Blinebry Gas Pool shall continue to be classified as a gas well. For those wells classified as gas wells, but with gas-liquid ratios of less than 50,000 cubic feet of gas per barrel of oil, the operator may, upon application to the District Supervisor, receive a reclassification of said well to that of an oil well.

AN OIL WELL in the Blinebry Oil and Gas Pool shall be a well producing from the vertical limits of the pool and not classified as a gas well as defined above.

THE LIMITING GAS-OIL RATIO for oil wells in the Blinebry Oil and Gas Pool shall be 4,000 cubic feet of gas per barrel of oil.

B. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 2(a). 1. A standard gas proration unit in the Blinebry Oil and Gas Pool shall be 160 acres.

2. A standard oil proration unit in the Blinebry Oil and Gas Pool shall be 40 acres.

3. Acreage dedicated to a gas well in the Blinebry Oil and Gas Pool shall not be simultaneously dedicated to an oil well in the pool, and the dual completion of a well so as to produce separate gas and oil allowables from the Blinebry Oil and Gas Pool is prohibited.

RULE 2(b). 1. Each gas well to which is dedicated more than 40 acres shall be located no nearer than 660 feet to the outer boundary of its proration unit or of the quarter section and not nearer than 330 feet to any governmental quarter-quarter section or subdivision line.

(GENERAL RULES AND REGULATIONS FOR THE PRORATED GAS POOLS OF NEW MEXICO - Cont'd.)

2. Each oil well, or gas well to which no more than 40 acres is dedicated, shall be located no nearer than 330 feet to the outer boundary of any governmental quarter-quarter section or subdivision boundary line.

RULE 4(b) 1. The Director may grant an exception to Rule 2(a) 1 above and Rule 4(b) (1) of the General Rules if a completion, recompletion, or reclassification of a Blinbry well results in dedication of acreage to an oil well on a previously approved gas proration unit, and thereby severs acreage contained in said unit from the gas well which produces for the unit.

2. The Director may grant an exception to Rule 2(a) 1 above and Rule 4(b) (2) of the General Rules when the non-standard proration unit consists of not more than 164 acres and lies wholly within a single governmental section.

D. ALLOCATION AND GRANTING OF ALLOWABLES

RULE 5. Acreage is the only proration factor in the Blinbry Oil and Gas Pool.

G. REPORTING OF PRODUCTION

RULE 17(b). In submitting Form C-115 on wells producing from the Blinbry Oil and Gas Pool in which condensate is commingled and/or low-pressure gas is commingled with other low-pressure gas produced on the lease, the operator shall estimate the volume produced by each well in each pool by using the ratios as reflected in the most recent test submitted.

I. MISCELLANEOUS SPECIAL POOL RULES

RULE 26. Oil wells in the Blinbry Oil and Gas Pool shall receive oil and casinghead gas allowables as provided in Rules 503, 505, and 506 of the Division Rules and Regulations.

RULE 27. Gas-liquid ratio tests shall be conducted annually during the months of July, August, and September on all wells located in and producing from the Blinbry Oil and Gas Pool. Results of such tests shall be reported to the Division on Form C-116 on or before the 10th day of October of each calendar year.

RULE 28(a). The District Supervisor, on or before November 15 of each year shall review the production data, gas-oil ratio tests, and other pertinent data and reclassify a well if evidence reflects the need for such reclassification. In such event the District Supervisor will notify the operator of the reclassification at least 30 days before the effective date thereof. Any operator so notified may request that the District Supervisor reconsider the reclassification if he has evidence to support such request and the request has been filed within 10 days after receipt of the notification of reclassification. The District Supervisor shall approve or disapprove the request within 10 days after receipt thereof or in the alternative, with the consent of the applicant, set the request for hearing.

(b) In the event an oil well in the Blinbry Oil and Gas Pool is reclassified as a gas well, the operator of such well will be afforded the opportunity to form a non-standard gas proration unit for the well; provided however, that, until such unit is formed, said well shall be allocated a gas allowable commensurate with the acreage contained in the unit formerly dedicated to the oil well. In the event of two or more gas wells producing from the Blinbry Oil and Gas Pool within a single proration unit, the allowable assigned to the unit may be produced from any well on the unit in any proportion.

RULE 29(a). Condensate from any gas well in the Blinbry Oil and Gas Pool may be commingled with other condensate produced by any other gas well or wells producing from the pool or the Tubb Oil and Gas Pool following its separation from the gas in a separator, provided approval therefor has been obtained in accordance with Division Rule 303-B and/or Rule 309-B, whichever is applicable.

(b) If two-stage separation is used, the low-pressure gas shall be directed into a low-pressure gas gathering system, and said low-pressure gas need not be measured separately from the other low-pressure gas produced on the lease, provided that certain test facilities are available and periodic tests made in accordance with Rule 27 above.

SPECIAL RULES AND REGULATIONS FOR THE BUFFALO VALLEY-PENNSYLVANIAN GAS POOL

The Buffalo Valley-Pennsylvanian Gas Pool, Chaves County, New Mexico, was created November 1, 1962 and gas proration in this pool became effective May 1, 1969.

A. DEFINITIONS

THE VERTICAL LIMITS of the Buffalo Valley-Pennsylvanian Gas Pool shall be the Pennsylvanian formation.

B. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 2(a). A standard GPU in the Buffalo Valley-Pennsylvanian Gas Pool shall be 320 acres.

RULE 2(b). Each well completed or recompleted in the Buffalo Valley-Pennsylvanian Gas Pool shall be located in the northwest quarter or the southeast quarter of the section and shall be located no nearer than 990 feet to the outer boundary of the quarter section nor nearer than 330 feet to any governmental quarter-quarter section line; provided, however, that any well drilling to or completed in said pool on or before October 31, 1962, is hereby excepted from the requirements of this rule.

D. ALLOCATION AND GRANTING OF ALLOWABLES

RULE 5. Acreage is the only proration factor in the Buffalo Valley-Pennsylvanian Gas Pool.

SPECIAL RULES AND REGULATIONS FOR THE BURTON FLAT-MORROW GAS POOL

The Burton Flat-Morrow Gas Pool, Eddy County, New Mexico was created March 1, 1973 and gas proration in this pool became effective April 1, 1974.

A. DEFINITIONS

THE VERTICAL LIMITS of the Burton Flat-Morrow Gas Pool shall be the Morrow formation.

B. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 2(a). A standard GPU in the Burton Flat-Morrow Gas Pool shall be 320 acres.

RULE 2(b). Each well completed or recompleted in the Burton Flat-Morrow Gas Pool shall be located no closer than 1980 feet to the end boundary nor closer than 660 feet to the side boundary of the proration unit nor closer than 330 feet to any governmental quarter-quarter section or subdivision inner boundary.

D. ALLOCATION AND GRANTING OF ALLOWABLES

RULE 5. Acreage is the only proration factor in the Burton Flat-Morrow Gas Pool.

SPECIAL RULES AND REGULATIONS FOR THE BURTON FLAT-STRAWN GAS POOL

The Burton Flat-Strawn Gas Pool, Eddy County, New Mexico was created September 1, 1973 and gas proration in this pool became effective April 1, 1974.

A. DEFINITIONS

THE VERTICAL LIMITS of the Burton Flat-Strawn Gas Pool shall be the Strawn formation.

B. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 2(A). A standard GPU in the Burton Flat-Strawn Gas Pool shall be 320 acres.

RULE 2(B). Each well completed or recompleted in the Burton Flat-Strawn Gas Pool shall be located no closer than 1980 feet to the end boundary nor closer than 660 feet to the side boundary of the proration unit nor closer than 330 feet to any governmental quarter-quarter section or subdivision inner boundary.

(GENERAL RULES AND REGULATIONS FOR THE PRORATED GAS POOLS OF NEW MEXICO - Cont'd.)**D. ALLOCATION AND GRANTING OF ALLOWABLES**

RULE 5. Acreage is the only proration factor in the Burton Flat-Strawn Gas Pool.

SPECIAL RULES AND REGULATIONS FOR THE SOUTH CARLSBAD-MORROW GAS POOL

The South Carlsbad-Morrow Gas Pool, Eddy County, New Mexico was created May 1, 1969 and gas proration in this pool became effective September 1, 1972, and abolished by Order No. R-11315, effective January 31, 2000.

SPECIAL RULES AND REGULATIONS FOR THE CATCLAW DRAW-MORROW GAS POOL

The Catclaw Draw-Morrow Gas Pool, Eddy County, New Mexico was created June 21, 1971 and gas proration in this pool became effective April 1, 1974.

A. DEFINITIONS

THE VERTICAL LIMITS of the Catclaw Draw-Morrow Gas Pool shall be the Morrow formation.

B. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 2(a). A standard GPU in the Catclaw Draw-Morrow Gas Pool shall be 640 acres.

RULE 2(b). Each well completed or recompleted in the Catclaw Draw-Morrow Gas Pool shall be located no closer than 1650 feet to the outer boundary of the proration unit nor closer than 330 feet to any governmental quarter-quarter section or subdivision inner boundary.

D. ALLOCATION AND GRANTING OF ALLOWABLES

RULE 5. Acreage is the only proration factor in the Catclaw Draw-Morrow Gas Pool.

SPECIAL RULES AND REGULATIONS FOR THE CROSBY-DEVONIAN GAS POOL

The Crosby-Devonian Gas Pool, Lea County, New Mexico was created May 27, 1955 and gas proration became effective April 1, 1957.

A. DEFINITIONS

THE VERTICAL LIMITS of the Crosby-Devonian Gas Pool shall include all the formations that can reasonably be considered to be of Devonian age.

B. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 2(a). A standard GPU in the Crosby-Devonian Gas Pool shall be 160 acres.

RULE 2(b). Each well completed or recompleted in the Crosby-Devonian Gas Pool shall be located no closer than 660 feet to any outer boundary of the proration unit nor closer than 330 feet to any governmental quarter-quarter section or subdivision inner boundary.

D. ALLOCATION AND GRANTING OF ALLOWABLES

RULE 5. Acreage is the only proration factor in the Crosby-Devonian Gas Pool.

SPECIAL RULES AND REGULATIONS FOR THE EUMONT GAS POOL

The Eumont Gas Pool Lea County, New Mexico, was created February 17, 1953, and gas proration in this pool became effective

January 1, 1954. The Eumont Gas Pool now includes portions of the acreage once included in the Jalco and Langmat Pools (now Jalmat) and all of the acreage formerly in the Arrow and Hardy Pools.

A. DEFINITIONS

THE VERTICAL LIMITS of the Eumont Gas Pool shall extend from the top of the Yates formation to the base of the Queen formation, thereby including all of the Yates, Seven Rivers, and Queen formations.

A GAS WELL in the Eumont Gas Pool shall be a well producing from the vertical limits of the pool with a gas-liquid ratio in excess of 100,000 cubic feet of gas per barrel of oil.

AN OIL WELL in the Eumont Gas Pool shall be a well producing from the vertical limits of the pool and not classified as a gas well as defined above.

THE LIMITING GAS-OIL RATIO for oil wells in the Eumont Gas Pool shall be 10,000 cubic feet of gas per barrel of oil.

B. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 2(a) 1. A standard gas proration unit in the Eumont Gas Pool shall be 640 acres.

2. A standard oil proration unit in the Eumont Gas Pool shall be 40 acres.

RULE 2(b) 1. A gas well in the Eumont Gas Pool to which 640 acres is dedicated shall be located no nearer than 1650 feet to the outer boundary of the section and no nearer than 330 feet to any governmental quarter-quarter section or subdivision boundary line.

2. An oil well in the Eumont Gas Pool shall be located no nearer than 330 feet to the outer boundary of any governmental quarter-quarter section or subdivision boundary line.

(Any well drilled to and producing from the Eumont Gas Pool prior to August 12, 1954, at a location conforming with the spacing requirements effective at the time said well was drilled, shall be granted a tolerance not exceeding 330 feet with respect to the required distance from the boundary lines.)

RULE 2(b) 4. In establishing a non-standard proration unit in the Eumont Gas Pool, the location of the well with respect to the two nearest boundary lines thereof shall govern the maximum amount of acreage that may be assigned to the well for the purposes of gas proration as follows:

Location	Maximum Acreage
660-660	160 acres
660-990	320 acres
990-990	600 acres

D. ALLOCATION AND GRANTING OF ALLOWABLES

RULE 5. Acreage is the only proration factor in the Eumont Gas Pool.

(a) A 640 acre proration unit in the Eumont Gas Pool shall be assigned an Acreage Factor of 4.00; a 160 acre proration unit an Acreage Factor of 1.00, etc.

RULE 8. (As Amended by Order No. R-8170-G, December 1, 1990, and Order No. R-8170-G-1, March 11, 1994.) Notwithstanding the provisions of Rule Nos. 3 and 5 of the General Rules and Regulations for Prorated Pools of New Mexico, the Division shall assign a minimum gas allowable of 600 MCF of gas per day per Acreage Factor of 1.0.

I. MISCELLANEOUS SPECIAL POOL RULES

RULE 26. Oil wells in the Eumont Gas Pool shall receive oil and casinghead gas allowables as provided in Rules 503, 505, and 506 of the Division Rules and Regulations.

SPECIAL RULES AND REGULATIONS FOR THE INDIAN BASIN-MORROW GAS POOL

The Indian Basin-Morrow Gas Pool, Eddy County, New Mexico was created March 1, 1963 and gas proration in this pool became effective July 1, 1965.

(GENERAL RULES AND REGULATIONS FOR THE PRORATED GAS POOLS OF NEW MEXICO - Cont'd.)**A. DEFINITIONS**

THE VERTICAL LIMITS of the Indian Basin-Morrow Gas Pool shall be the Morrow formation.

(As Added by Order No. R-8170-O, Effective November 27, 1995) **CONFINEMENT** of the special rules governing the Indian Basin-Morrow Gas Pool shall apply only to such lands as shall from time to time lie within the horizontal limits of said pool.

B. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 2(a). A standard GPU in the Indian Basin-Morrow Gas Pool shall be 640 acres.

RULE 2(b). Each well completed or recompleted in the Indian Basin-Morrow Gas Pool shall be located no closer than 1650 feet to the outer boundary of the proration unit nor closer than 330 feet to any governmental quarter-quarter section or subdivision inner boundary.

D. ALLOCATION AND GRANTING OF ALLOWABLES

RULE 5. Acreage is the only proration factor in the Indian Basin-Morrow Gas Pool.

SPECIAL RULES AND REGULATIONS FOR THE INDIAN BASIN-UPPER PENNSYLVANIAN GAS POOL

The Indian Basin-Upper Pennsylvanian Gas Pool, Eddy County, New Mexico was created March 1, 1963 and gas proration in this pool became effective July 1, 1965.

A. DEFINITIONS

THE VERTICAL LIMITS of the Indian Basin-Upper Pennsylvanian Gas Pool shall be the Upper Pennsylvanian formation.

B. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 2(A). A standard GPU in the Indian Basin-Upper Pennsylvanian Gas Pool shall be 640 acres.

RULE 2(B). Each well completed or recompleted in the Indian Basin-Upper Pennsylvanian Gas Pool shall be located no closer than 1650 feet to the outer boundary of the proration unit nor closer than 330 feet to any governmental quarter-quarter section or subdivision inner boundary.

D. ALLOCATION AND GRANTING OF ALLOWABLES

RULE 5. Acreage is the only proration factor in the Indian Basin-Upper Pennsylvanian Gas Pool.

SPECIAL RULES AND REGULATIONS FOR THE JALMAT GAS POOL

The Jalmat Gas Pool, Lea County, New Mexico, was created effective September 1, 1954, from a consolidation of the Jalco and Langmat Pools, which were created February 7, 1953. Gas prorationing was instituted in the Jalco and Langmat Pools January 1, 1954, and was continued after consolidation to form the Jalmat Gas Pool. The Jalmat Gas Pool now includes acreage that was formerly included in the Jal, Cooper-Jal, Eaves, Falby-Yates, Jalco and Langmat Pools.

A. DEFINITIONS

THE VERTICAL LIMITS of the Jalmat Gas Pool shall extend from the top of the Tansill formation to a point 100 feet above the base of the Seven Rivers formation, thereby including all of the Yates formation, except,

In the area described immediately below, the vertical limits of the Jalmat Gas Pool shall extend from the top of the Tansill formation to a point 250 feet above the base of the Seven Rivers formation, thereby including all of the Yates formation:

TOWNSHIP 24 SOUTH, RANGE 36 EAST, NMPM

Section 13: SE/4 NE/4, SE/4

Section 23: E/2 E/2

Section 24: All

Section 25: N/2

Section 26: E/2 NE/4

TOWNSHIP 24 SOUTH, RANGE 37 EAST, NMPM

Section 18: SW/4 NW/4, W/2 SW/4

Section 19: W/2

Section 30: NW/4

A GAS WELL in the Jalmat Gas Pool shall be a well producing from the vertical limits of the pool with a gas-liquid ratio in excess of 100,000 cubic feet of gas per barrel of oil.

AN OIL WELL in the Jalmat Gas Pool shall be a well producing from the vertical limits of the pool and not classified as a gas well as defined above.

THE LIMITING GAS-OIL RATIO for oil wells in the Jalmat Gas Pool shall be 10,000 cubic feet of gas per barrel of oil.

B. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 2(a) 1. A standard gas proration in the Jalmat Gas Pool shall be 640 acres.

2. A standard oil proration unit in the Jalmat Gas Pool shall be 40 acres.

3. Acreage dedicated to a gas well in the Jalmat Gas Pool shall not be simultaneously dedicated to an oil well in the Jalmat Gas Pool, and the dual completion of a well so as to produce oil from the Yates and oil from the Seven Rivers or Queen formation is prohibited.

RULE 2(b) 1. A gas well in the Jalmat Gas Pool to which 640 acres is dedicated shall be located no nearer than 1650 feet to the outer boundary of the section and no nearer than 330 feet to any governmental quarter-quarter section line or subdivision boundary line.

2. An oil well in the Jalmat Gas Pool shall be located no nearer than 330 feet to the outer boundary of any governmental quarter-quarter section or subdivision boundary line.

(Any well drilled to and producing from the Jalmat Gas Pool prior to September 1, 1954, at a location conforming with the spacing requirements effective at the time said well was drilled, shall be granted a tolerance not exceeding 330 feet with respect to the required distance from the boundary lines.)

RULE 4(b) 2. In establishing a non-standard gas proration unit in the Jalmat Gas Pool, the location of the well with respect to the two nearest boundary lines thereof shall govern the maximum amount of acreage that may be assigned to the well for the purposes of gas proration as follows:

Location	Maximum Acreage
660-660	160 acres
660-990	320 acres
990-990	600 acres

D. ALLOCATION AND GRANTING OF ALLOWABLES

RULE 5. Acreage is the only proration factor in the Jalmat Gas Pool.

(a) A 640 acre proration unit in the Jalmat Gas Pool shall be assigned an Acreage Factor of 4.00, a 160 acre proration unit an Acreage Factor of 1.00, etc.

RULE 8. Minimum Allowables. (As Added by Order No. R-8170-J, January 8, 1991, and Amended by Order No. R-8170-J-1, March 15, 1994.) Notwithstanding the provisions of Rule Nos. 3 and 5 of the General Rules and Regulations for the Prorated Gas Pools of New Mexico, the Division shall assign a minimum gas allowable of 600 MCF of gas per day per Acreage Factor of 1.0.

I. MISCELLANEOUS SPECIAL POOL RULES

RULE 26. Oil wells in the Jalmat Gas Pool shall receive oil and casinghead gas allowables as provided in Rules 503, 505, and 506 of the Division Rules and Regulations.

SPECIAL RULES AND REGULATIONS FOR THE JUSTIS GAS POOL

The Justis Gas Pool, Lea County, New Mexico was created January 1, 1950 and gas proration in this pool became effective January 1, 1954.

A. DEFINITIONS

THE VERTICAL LIMITS of the Justis Gas Pool shall be defined as follows: from the top of the Glorieta formation, found at a depth of 4599 feet (Elevation 3080, Subsea Datum - 1519) in the Gulf Oil Corporation McBuffington Well No. 8, located 350 feet from the South line and 1980 feet from the West line of Section 13, Township 25 South, Range 37 East, NMPM,

(GENERAL RULES AND REGULATIONS FOR THE PRORATED GAS POOLS OF NEW MEXICO - Cont'd.)

Lea County, New Mexico, to a point 40 feet above the marker encountered at 4879 feet (Subsea Datum - 1799) in said McBuffington Well No. 8. The Hamilton Dome Westates Carlson Federal "A" Well No. 1, located in the NW/4 of Section 25, Township 25 South, Range 37 East, NMPM, Lea County, New Mexico, as the completion existed on April 22, 1959, shall be considered to be completed within the vertical limits of the Justis Gas Pool.

B. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 2(a). A standard GPU in the Justis Gas Pool shall be 320 acres.

RULE 2(b). Each well completed or recompleted in the Justis Gas Pool shall be located no closer than 1980 feet to the end boundary nor closer than 660 feet to the side boundary of the proration unit nor closer than 330 feet to any governmental quarter-quarter section or subdivision inner boundary.

D. ALLOCATION AND GRANTING OF ALLOWABLES

RULE 5. Acreage is the only proration factor in the Justis Gas Pool.

RULE 8. (As Added by Order No. R-8170-M, April 1, 1993, and made permanent by Order No. R-8170-M-1, May 7, 1996.) Minimum Allowables. Notwithstanding the provisions of Rule Nos. 3 and 5 of the General Rules and Regulations for the Prorated Gas Pools of New Mexico, the Division shall assign a minimum gas allowable of 600 MCF of gas per day Acreage Factor of 1.0.

SPECIAL RULES AND REGULATIONS FOR THE MONUMENT MCKEE-ELLENBURGER GAS POOL

The Monument McKee-Ellenburger Gas Pool, Lea County, New Mexico was created February 17, 1953 and gas proration in this pool became effective March 1, 1961.

A. DEFINITIONS

THE VERTICAL LIMITS of the Monument McKee-Ellenburger Gas Pool shall be the McKee and Ellenburger formations.

B. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 2(a). A standard GPU in the Monument McKee-Ellenburger Gas Pool shall be 320 acres.

RULE 2(b). Each well completed or recompleted in the Monument McKee-Ellenburger Pool shall be located no closer than 1980 feet to the end boundary nor closer than 330 feet to any governmental quarter-quarter section or subdivision inner boundary.

D. ALLOCATION AND GRANTING OF ALLOWABLES

RULE 5. Acreage is the only proration factor in the Monument McKee-Ellenburger Gas Pool.

SPECIAL RULES AND REGULATIONS FOR THE TUBB OIL AND GAS POOL

The Tubb Oil and Gas Pool, Lea County, New Mexico, was created February 17, 1953, and gas proration in this pool became effective January 1, 1954.

A. DEFINITIONS

THE VERTICAL LIMITS of the Tubb Oil and Gas Pool shall extend from a point 100 feet above the "Tubb Marker" to the top of the Drinkard formation. The Tubb Marker shall be that point encountered at a depth of 5921 feet (elevation 3380, sub-sea datum - 2541) and the top of the Drinkard shall be that point encountered at a depth of 6245 feet (elevation 3380, sub-sea datum - 2865) in the Exxon Corporation State "S" Well No. 20, SW/4 NW/4 of Section 2, Township 22 South, Range 37 East, NMPM, Lea County, New Mexico.

A GAS WELL in the Tubb Oil and Gas Pool shall be a well producing from within the vertical limits of the pool which produces with a gas-liquid ratio of 50,000 cubic feet of gas or more per barrel of liquid hydrocarbons.

AN OIL WELL in the Tubb Oil and Gas Pool shall be a well producing from the vertical limits of the pool and not classified as a gas well as defined above.

THE LIMITING GAS-OIL RATIO for oil wells in the Tubb Oil and Gas Pool shall be 2,000 cubic feet of gas per barrel of oil.

RULE 2(b) 1. Each gas well to which is dedicated more than 40 acres shall be located no nearer than 660 feet to the outer boundary of its proration unit or of the quarter section and not nearer than 330 feet to any governmental quarter-quarter section or subdivision line.

2. Each oil well, or gas well to which no more than 40 acres is dedicated, shall be located no nearer than 330 feet to the outer boundary of any governmental quarter-quarter section of subdivision line.

RULE 3(b) 1. The Director may grant an exception to Rule 2(b) 1 above and Rule 4(b) (1) of the General Rules if a completion, recompletion, or reclassification of a Tubb well results in dedication of acreage to an oil well on a previously approved gas proration unit, and thereby severs acreage contained in said unit from the gas well which produces for the unit.

B. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 2(a) 1. A standard gas proration unit in the Tubb Oil and Gas Pool shall be 160 acres.

2. A standard oil proration unit in the Tubb Oil and Gas Pool shall be 40 acres.

3. Acreage dedicated to a gas well in the Tubb Oil and Gas Pool shall not be simultaneously dedicated to an oil well in the pool, and the dual completion of a well so as to produce separate gas and oil allowables from the Tubb Oil and Gas Pool is prohibited.

2. The Director may grant an exception to Rule 2(a) 1 above and Rule 4(b) (2) of the General Rules when the non-standard proration unit consists of not more than 164 acres and lies wholly within a single governmental section.

D. ALLOCATION AND GRANTING OF ALLOWABLES

RULE 8. Acreage is the only proration factor in the Tubb Oil and Gas Pool.

G. REPORTING OF PRODUCTION

RULE 17(b). In submitting Form C-115 on wells producing from the Tubb Oil and Gas Pool in which condensate is commingled and/or the low-pressure gas is commingled with low-pressure gas produced on the lease, the operator shall estimate the volume produced by each well in each pool by using the ratios as reflected in the most recent test submitted.

I. MISCELLANEOUS SPECIAL POOL RULES

RULE 26. Oil wells in the Tubb Oil and Gas Pool shall receive oil and casinghead gas allowables as provided in Rules 503, 505, and 506 of the Division Rules and Regulations.

RULE 27. Gas-liquid ratio tests shall be conducted annually during the months of August, September, and October on all wells located in and producing from the Tubb Oil and Gas Pool. Results of such tests shall be reported to the Division on Form C-116 on or before the 10th day of November of each calendar year.

RULE 28(a). The District Supervisor, on or before December 10 of each year shall review production data, gas-oil ratio tests and other pertinent data and reclassify a well if evidence reflects the need for such reclassification. Any operator may request that the District Supervisor reconsider the reclassification if he has evidence to support such request.

(GENERAL RULES AND REGULATIONS FOR THE PRORATED GAS POOLS OF NEW MEXICO - Cont'd.)

(b) In the event an oil well in the Tubb Oil and Gas Pool is reclassified as a gas well, the operator of such well will be afforded the opportunity to form a non-standard gas proration unit for the well; provided however, that until such unit is formed, said well shall be allocated a gas allowable commensurate with the acreage contained in the unit formerly dedicated to the oil well. In the event of two or more gas wells producing from the Tubb Oil and Gas Pool within a single proration unit, the allowable assigned to the unit may be produced from any well on the unit in any proportion.

RULE 29(a). Condensate from any gas well in the Tubb Oil and Gas Pool may be commingled with other condensate produced by any other gas well or wells producing from the pool or the Blinbery Oil and Gas Pool following its separation from the gas in a separator, provided approval therefor has been obtained in accordance with Division Rule 303-B and/or Rule 309-B, whichever is applicable.

(b) If two-stage separation is used, the low-pressure gas shall be directed into a low-pressure gas gathering system, and said low-pressure gas need not be measured separately from the other low-pressure gas produced on the lease, provided that certain test facilities are available and periodic tests made in accordance with Rule 27 above.

NORTH DAGGER DRAW-UPPER PENNSYLVANIAN POOL
Eddy County, New Mexico

Order No. R-4691, Adopting Temporary Operating Rules for the North Dagger Draw-Upper Pennsylvanian Pool, Eddy County, New Mexico, January 1, 1974.

See separate Order No. R-4691-A, February 3, 1976, as amended, amending rules to provide for 160-acre proration units and a special depth bracket allowable and extending the temporary rules adopted in Order No. R-4691.

Order No. R-4691-C, March 15, 1977, makes permanent the rules adopted in Order No. R-4691, as amended by Orders Nos. R-4691-A and R-4691-B.

See separate Order No. R-4691-D, April 1, 1991, amending rules to provide for a special depth bracket allowable.

Application of Roger C. Hanks for Pool Creation and Special Pool Rules, Eddy County, New Mexico.

CASE NO. 5117
Order No. R-4691

ORDER OF THE COMMISSION

BY THE COMMISSION: This cause came on for hearing at 9 a.m. on November 28, 1973, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 11th day of December, 1973, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant Roger C. Hanks, seeks the establishment of a pool for production from the Upper Pennsylvanian (Cisco-Canyon) formation by the abolishment of the Parrish Ranch-Upper Pennsylvanian Pool and the Dagger Draw-Upper Pennsylvanian Pool and the creation of a new pool, designated the North Dagger Draw-Upper Pennsylvanian Pool, to take in all acreage formerly therein as well as requisite intervening acreage.

(3) That the applicant further seeks the promulgation of temporary special pool rules for the proposed new pool including a provision for 320-acre spacing, limited well locations, and the assignment of a special depth bracket allowable of 427 barrels of oil per day.

(4) That the reservoir characteristics of the proposed pool indicate that it cannot be efficiently and economically drained and developed on less than 320-acre spacing.

(5) That temporary special rules and regulations providing for 320-acre spacing for wells should be promulgated for the proposed pool in order to prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, prevent reduced recovery which might result from the drilling of too few wells, and otherwise prevent waste and protect correlative rights.

(6) That the depth bracket allowable for oil wells in the proposed pool should be 427 barrels of oil per day.

(7) That the application for pool abolishment, pool creation, and temporary special pool rules should be granted.

IT IS THEREFORE ORDERED:

(1) That effective January 1, 1974, the Dagger Draw-Upper Pennsylvanian Pool heretofore defined as:

TOWNSHIP 19 SOUTH, RANGE 24 EAST, NMPM
Section 36: E/2 and SW/4

TOWNSHIP 19 SOUTH, RANGE 25 EAST, NMPM
Section 30: W/2 W/2
Section 31: NW/4

TOWNSHIP 20 SOUTH, RANGE 24 EAST, NMPM
Section 1: NW/4

and the Parrish Ranch-Upper Pennsylvanian Pool heretofore defined as:

TOWNSHIP 19 SOUTH, RANGE 24 EAST, NMPM
Section 13: E/2 SE/4
Section 24: NE/4

TOWNSHIP 19 SOUTH, RANGE 25 EAST, NMPM
Section 18: N/2 S/2 and SE/4 NE/4

are hereby abolished.

(2) That effective January 1, 1974, a new pool is hereby created and designated the North Dagger Draw-Upper Pennsylvanian Pool with vertical limits consisting of the Upper Pennsylvanian (Cisco-Canyon) formation as found from a depth of 7575 feet to 7918 feet on the log of the Monsanto Hondo Well No. 1, located in Unit C of Section 31, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico, and horizontal limits defined as:

(NORTH DAGGER DRAW-UPPER PENNSYLVANIAN POOL - Cont'd.)**TOWNSHIP 19 SOUTH, RANGE 24 EAST, NMPM**

Section 24: E/2

Section 25: E/2

Section 36: All

TOWNSHIP 19 SOUTH, RANGE 25 EAST, NMPM

Section 18: All

Section 19: W/2

Section 30: W/2

Section 31: W/2

TOWNSHIP 20 SOUTH, RANGE 24 EAST, NMPM

Section 1: N/2

(3) That effective January 1, 1974, temporary Special Rules and Regulations for the North Dagger Draw-Upper Pennsylvanian Pool, Eddy County, New Mexico, are hereby promulgated as follows:

**SPECIAL RULES AND REGULATIONS
FOR THE**

NORTH DAGGER DRAW-UPPER PENNSYLVANIAN POOL

RULE 1. Each well completed or recompleted in the North Dagger Draw-Upper Pennsylvanian Pool or in the Upper Pennsylvanian formation within one mile thereof, and not nearer to or within the limits of another designated Upper Pennsylvanian Pool, shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. Each well shall be located on a standard unit containing 320 acres, more or less, comprising any two contiguous quarter section of a single governmental section, being a legal subdivision of the United States Public Land Surveys provided that for the purposes of these rules, a unit consisting of between 316 and 324 contiguous surface acres shall be considered a standard unit.

RULE 3. The Secretary-Director of the Commission may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed for a non-standard unit and the unorthodox size or shape of the unit is necessitated by a variation in the legal subdivision of the United States Public Land Surveys, or the following facts exist and the following provisions are complied with:

(a) The non-standard unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side.

(b) The non-standard unit lies wholly within a standard proration unit for the well under the applicable provisions of Rule 2 above and contains less acreage than a standard unit.

(c) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interest in the standard proration unit for the well in which the non-standard unit is situated and which acreage is not included in said non-standard unit.

(d) In lieu of paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of his intent to form such

non-standard unit. The Secretary-Director may approve the application if no such operator has entered an objection to the formation of such non-standard unit with 30 days after the Secretary-Director has received the application.

RULE 4. Each well shall be located no nearer than 660 feet to the nearest side boundary of the tract nor nearer than 1980 feet to the nearest end boundary of the tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary.

RULE 5. The Secretary-Director may grant an exception to the 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. All operators offsetting the proration 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 operators offsetting the proration unit or if no objection to the unorthodox location has been entered within 20 days after the Secretary-Director has received the application.

RULE 6. That the special depth bracket allowable for a well on a 320-acre tract shall be 427 barrels of oil per day.

IT IS FURTHER ORDERED:

(1) That the locations of all wells presently drilling to or completed in the North Dagger Draw-Upper Pennsylvanian Pool or in the Upper Pennsylvanian formation within one mile thereof are hereby approved; that the operator of any well having an unorthodox location shall notify the appropriate district office of the Commission in writing of the name and location of the well on or before March 1, 1974.

(2) That, pursuant to Paragraph A. of Section 65-3-14.5, NMSA 1953, contained in Chapter 271, Laws of 1969, existing oil wells in the North Dagger Draw-Upper Pennsylvanian Pool shall have dedicated thereto 320 acres and existing gas wells in said pool shall have dedicated thereto 320 acres, in accordance with the foregoing pool rules or, pursuant to Paragraph C. of said Section 65-3-14.5, existing wells may have non-standard spacing or proration units established by the Commission and dedicated thereto.

Failure to file new Forms C-102 with the Commission dedicating 320 acres to a well or to obtain a non-standard unit approved by the Commission within 60 days from the date of this order shall subject the well to cancellation of allowable.

Until said Form C-102 has been filed or until a non-standard unit has been approved, and subject to said 60-day limitation, each well presently drilling to or completed in the North Dagger Draw-Upper Pennsylvanian Pool or in the Upper Pennsylvanian formation within one mile thereof shall receive no more than a 40-acre allowable for this pool.

(3) That this cause shall be reopened in January, 1976 to permit operators in the subject pool to appear and show cause why the special rules promulgated herein should remain in effect.

(4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

County Eddy

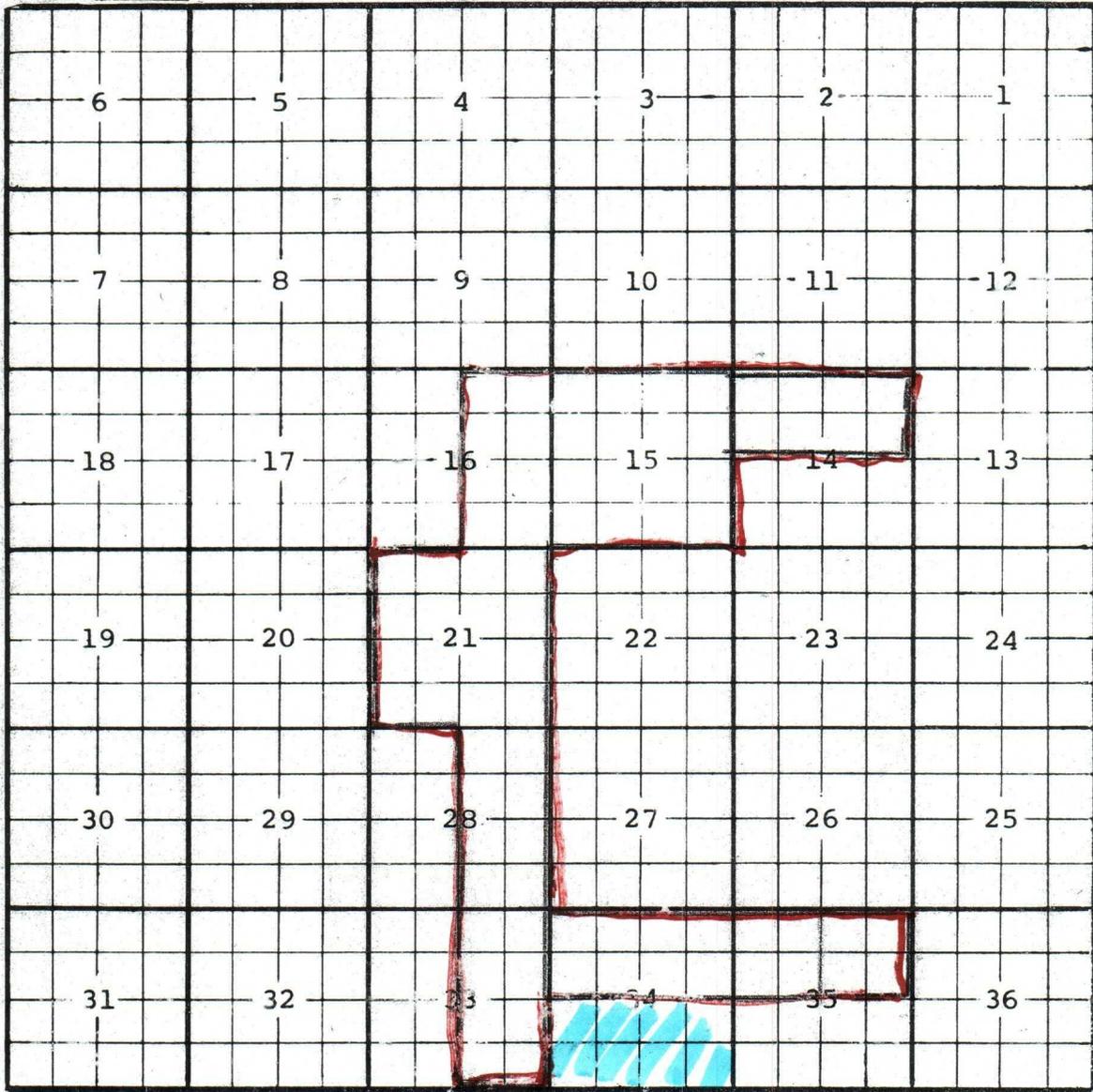
Pool KENNEDY FARMS - UPPER PENNSYLVANIAN GAS

TOWNSHIP 17 South

Range 26 East

NMPM

79525



Description: All Sec. 15, $\frac{1}{2}$ Sec. 16, All Sec. 21, $\frac{1}{2}$ Sec. 28, $\frac{1}{2}$ Sec. 33
(R-6274, 3-1-80)

Ext: $\frac{1}{2}$ Sec. 34, $\frac{1}{2}$ Sec. 35 (R-6838, 11-8-81) Ext: $\frac{1}{2}$ Sec. 14 (R-71300, 1-4-00)

COUNTY Eddy

POOL Kennedy Farms - Atoka Gas

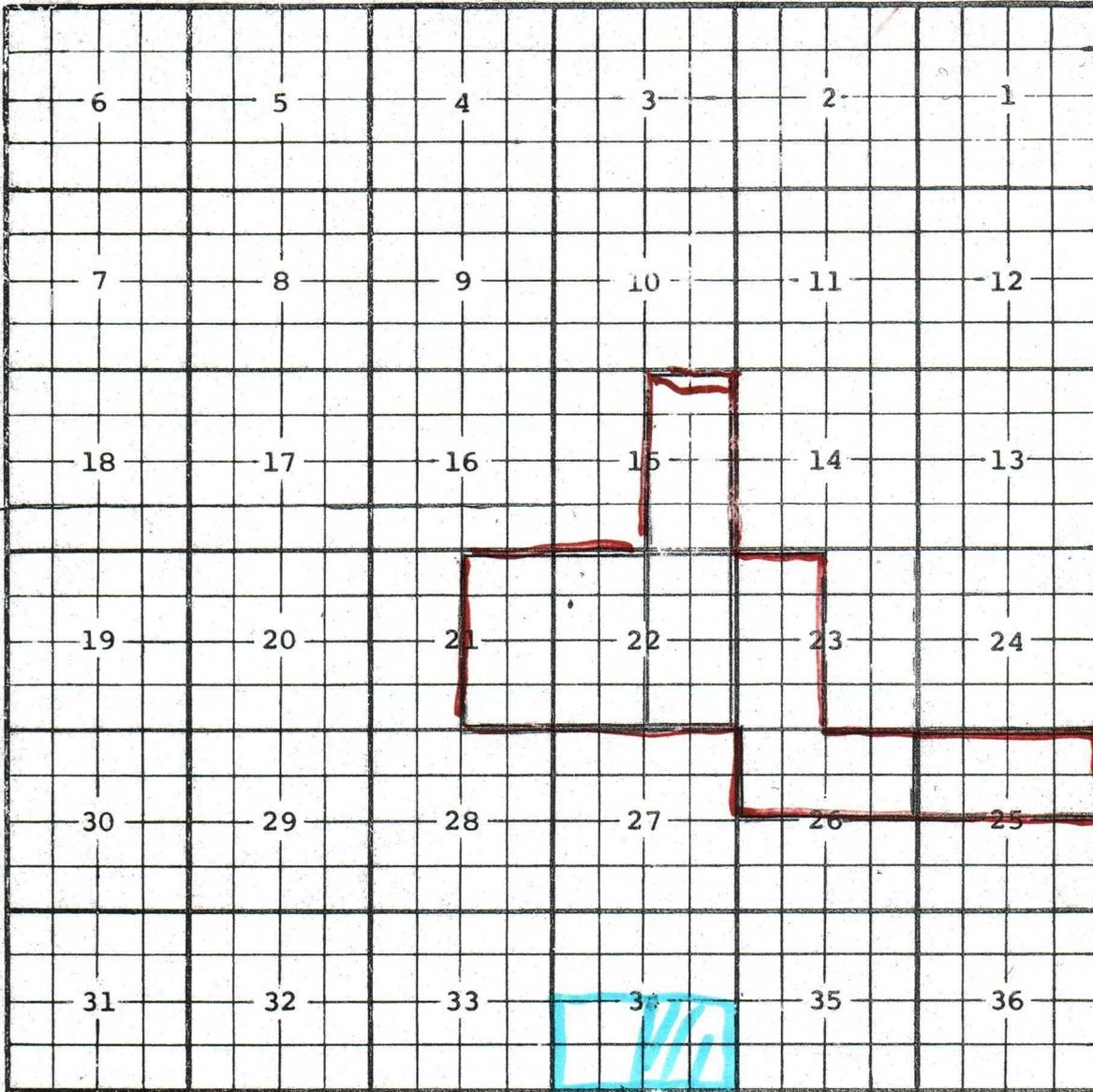
© 11

TOWNSHIP 17 South

RANGE 26 East

NMPM

79480



Description: $E/2$ Sec 22 (R-5056, 8-1-75)

Ext: $N/2$ Sec 26, $W/2$ Sec 23 (R-5102, 10-1-75)

Ext: $N/2$ Sec 25 (R-5226, 7-1-76) Ext: $E/2$ Sec 15, $E/2$ Sec 21, -
- $W/2$ Sec 22 (R-5754, 7-1-78)

COUNTY Eddy

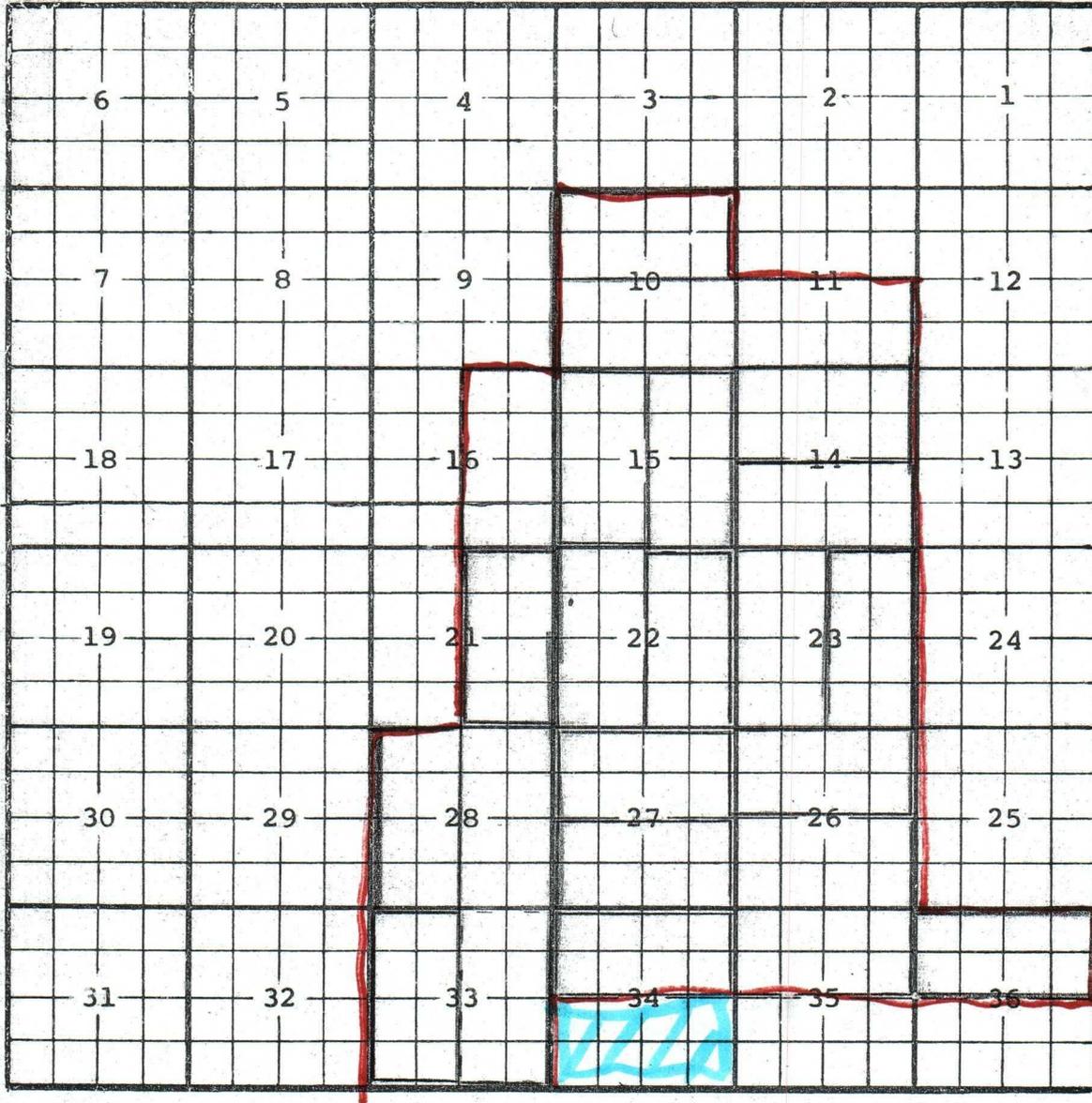
POOL Kennedy Farms - Morrow Gas

TOWNSHIP 17 South

RANGE 26 East

NMPM

(79520)



Description: $\frac{1}{2}$ Sec 34 (R-4809, 6-18-74)
 Ext: $\frac{5}{2}$ Sec 27 (R-4937, 2-1-75) Ext: $\frac{1}{2}$ Sec 27 (R-4969, 4-1-75)
 Ext: $\frac{E}{2}$ Sec 22, $\frac{W}{2}$ Sec 23 (R-5015, 6-1-75)
 Ext: $\frac{1}{2}$ Sec 26 (R-5102 (10-1-75) Ext: $\frac{E}{2}$ Sec 15 (R-5204, 5-1-76)
 Ext: $\frac{W}{2}$ Sec 15, $\frac{W}{2}$ Sec 22 (R-5456, 7-1-77)
 Ext: $\frac{5}{2}$ Sec 26, $\frac{1}{2}$ Sec 35 (R-5667, 4-1-78) Ext: $\frac{E}{2}$ Sec 21 (R-5754, 7-1-78)
 Ext: $\frac{E}{2}$ Secs 28 & 33 (R-5838, 11-1-78)
 Ext: $\frac{S}{2}$ Sec 10, $\frac{S}{2}$ Sec 11, $\frac{E}{2}$ Sec 16 (R-6033, 7-1-79)
 EXT: $\frac{N}{2}$ sec 10 (R-6994, 5-28-82) Ext: $\frac{E}{2}$ Sec 23 (R-7279, 5-17-83)
 Ext: $\frac{W}{2}$ Sec. 33 (R-8229, 5-19-86) EXT: $\frac{S}{2}$ SEC 14 (R-9418, 2-1-91)
 Ext: $\frac{N}{2}$ Sec. 14 (R-9578, 9-10-91) Ext: $\frac{W}{2}$ Sec. 28 (R-11921, 3-19-03)
 Ext: $\frac{N}{2}$ Sec. 36 (R-13083, 1-14-04)

40-acre
(oil)

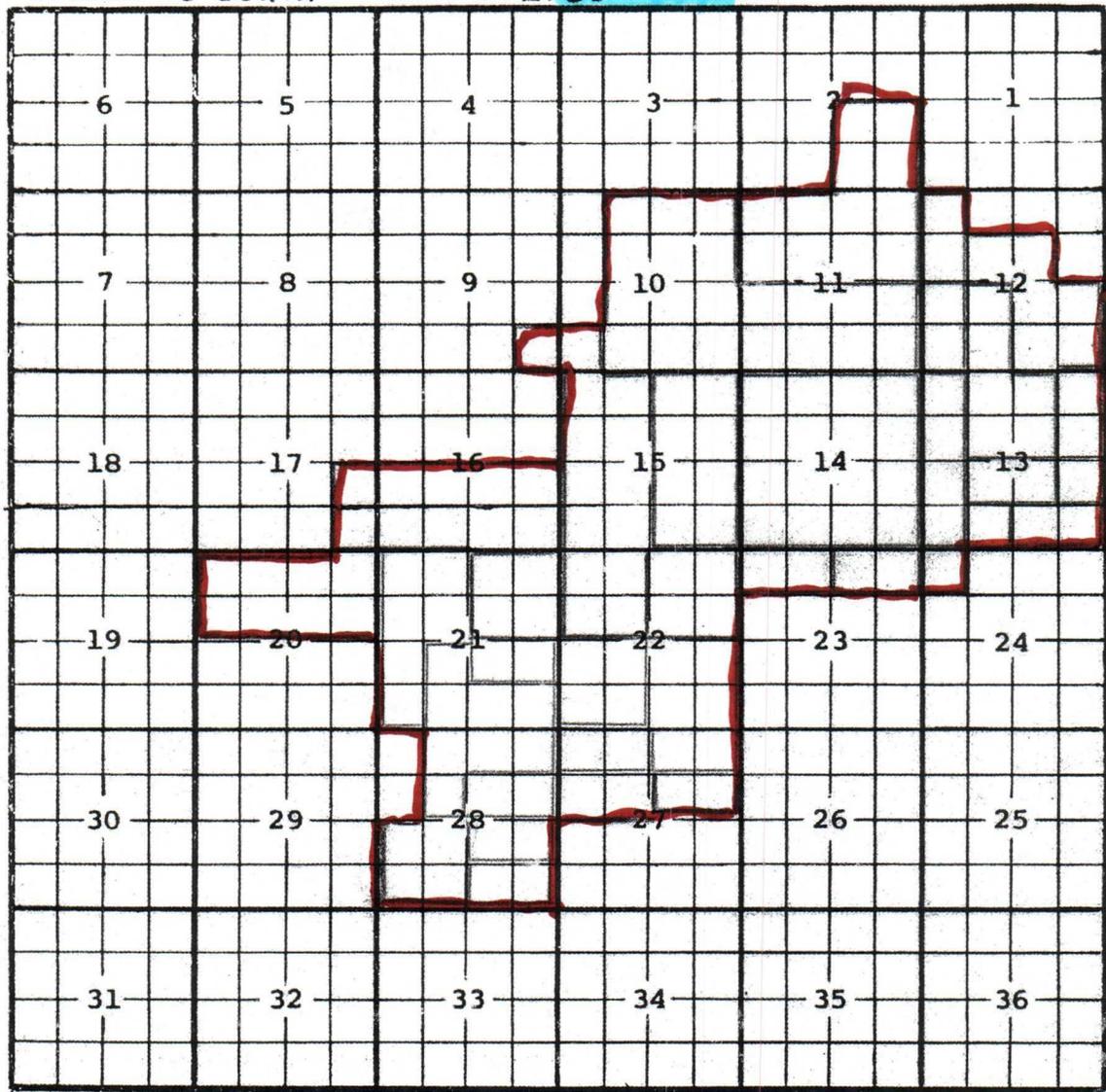
COUNTY Eddy

POOL Atoka - San Andres

TOWNSHIP 18 South

RANGE 26 East

NMPM



Description: $E/2$ Sec. 15 Redefined (850, 1-1-50)

Ext: $\frac{SE}{4} \frac{SE}{4}$ Sec. 9; $\frac{SW}{4} \frac{SW}{4}$ Sec. 10; All Sec. 14; $\frac{W}{2}$ Sec. 15; $\frac{NW}{4}$ Sec. 22 (R-852, 8-10-56)

- $\frac{E}{2} \& \frac{E}{2} \frac{W}{2}$ Sec. 10; $\frac{S}{2}$ Sec. 11; $\frac{W}{2} \frac{W}{2}$ Sec. 13; $\frac{NE}{4}$ Sec. 21; $\frac{NE}{4}$ Sec. 22 (R-928, 12-13-56)

- $\frac{SE}{4}$ Sec. 2; $\frac{N}{2}$ Sec. 11; $\frac{W}{2} \frac{SW}{4}$ Sec. 12 (R-948, 1-30-57) - $\frac{E}{2} \frac{SW}{4}$ Sec. 12;

$\frac{E}{2} \frac{NW}{4} \& \frac{W}{2} \frac{NE}{4}$ Sec. 13; $\frac{S}{2}$ Sec. 16; $\frac{E}{2} \frac{SE}{4}$ Sec. 17 (R-982, 4-23-57)

- $\frac{W}{2} \frac{NW}{4}$ Sec. 12 (R-1008, 5-29-52) - $\frac{N}{2} \frac{NE}{4}$ Sec. 23 (R-1042, 8-29-57)

- $\frac{SE}{4} \frac{NW}{4}$, $\frac{SW}{4} \frac{NE}{4} \& \frac{SE}{4}$ Sec. 12 (R-1143, 3-25-58) - $\frac{N}{2} \frac{NW}{4}$ Sec. 23 (R-1210, 6-26-58)

- $\frac{NE}{4} \frac{SW}{4} \& \frac{NW}{4} \frac{SE}{4}$ Sec. 13 (R-1260, 11-1-58) - $\frac{E}{2} \frac{NE}{4}$ Sec. 13 (R-1372, 5-1-59)

- $\frac{SE}{4} \frac{SW}{4}$ Sec. 13 (R-2692, 5-1-64) - $\frac{NE}{4} \frac{SE}{4}$ Sec. 13; $\frac{NW}{4} \frac{NW}{4}$ Sec. 24 (R-4146, 6-1-71)

- $\frac{S}{2} \frac{SE}{4}$ Sec. 13 (R-4167, 8-1-81) Ext: $\frac{N}{2} \frac{SE}{4}$ Sec. 21 (R-5131, 1-1-76)

Ext: $\frac{S}{2} \frac{SE}{4} \& \frac{E}{2} \frac{SW}{4}$ Sec. 21; $\frac{N}{2} \frac{NE}{4}$ Sec. 28; $\frac{E}{2} \frac{NW}{4}$ Sec. 28 (R-5171, 4-1-76)

Ext: $\frac{NW}{4} \frac{W}{4} \frac{SW}{4}$ Sec. 21; $\frac{SW}{4}$ Sec. 22 (R-5226, 7-1-76)

Ext: $\frac{SE}{4}$ Sec. 22; $\frac{N}{2} \frac{NW}{4}$ Sec. 27; $\frac{S}{2} \frac{NE}{4}$ Sec. 28 (R-5334, 12-1-76)

Ext: $\frac{N}{2} \frac{NE}{4}$ Sec. 27; $\frac{N}{2} \frac{SE}{4}$ Sec. 28 (R-5456, 7-1-77) ~~Ext:~~ $\frac{S}{2} \frac{SW}{4}$ Sec. 28 (R-6211, 12-31-29)

Ext: $\frac{S}{2} \frac{NW}{4}$ Sec. 27 (R-10489, 16-13-95)

Ext: $5/2$ $NE/4$ Sec. 27 (R-8455, 6-15-87)

Ext: $SW/4$ Sec. 28 (R-10529, 12-28-95) Ext: $N/2$ Sec. 23 (R-11384, 5-25-00)

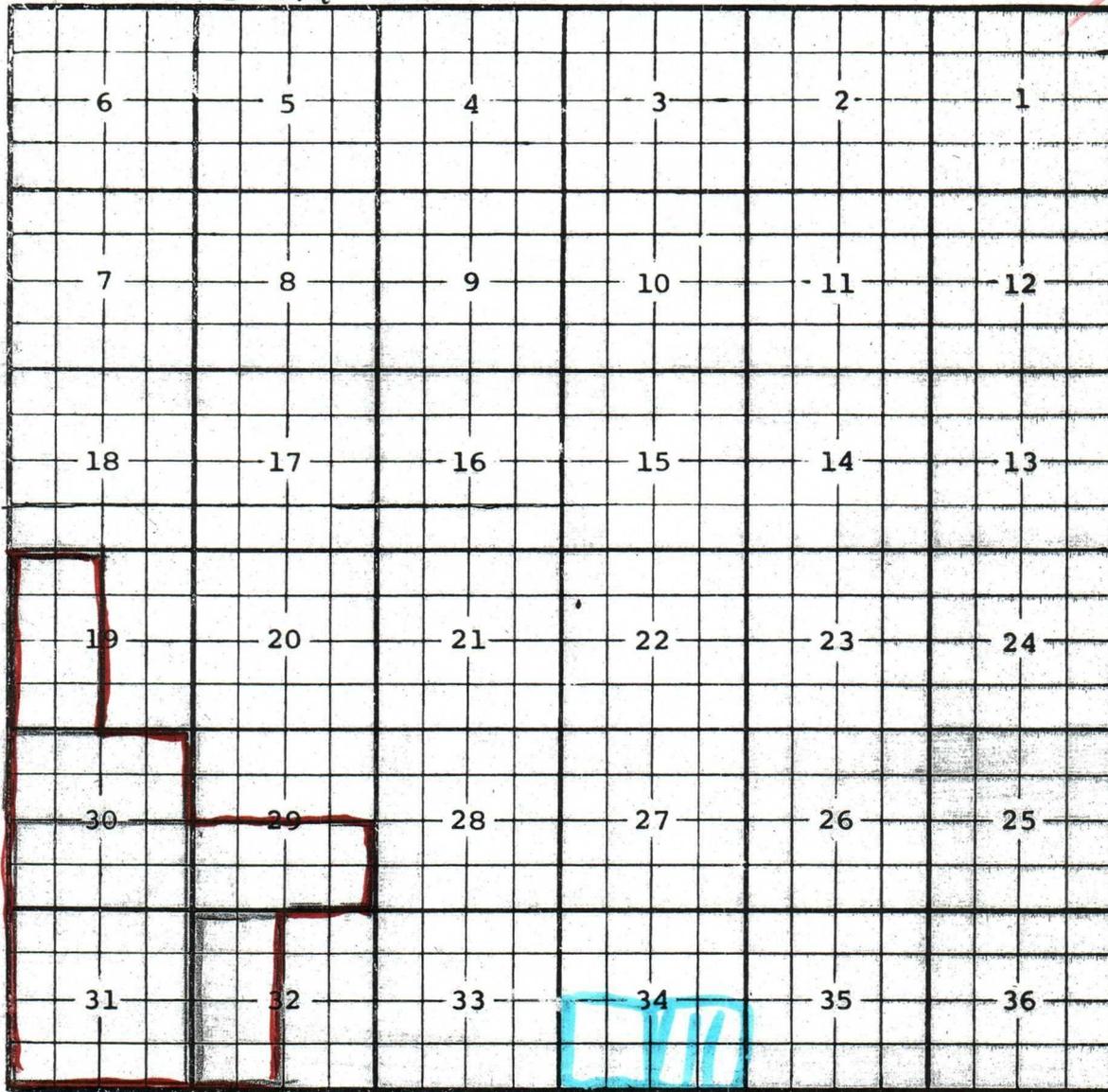
COUNTY *Eddy*

POOL *East Eagle Creek Atoka-Morrow Gas*

TOWNSHIP *17 South*

RANGE *26 East*

NMPM



Description: $\frac{1}{2}$ Sec 30, All Sec 31 (R-5460, 7-1-77)

Ext: $\frac{1}{2}$ Sec 32 $\frac{W}{2}$ (R-7030, 7-21-82) Ext: $\frac{N}{2}$ Sec 30 (R-6724, 7-16-81)

Ext: $\frac{W}{2}$ Sec 19 (R-11691, 11-29-01) Ext: $\frac{1}{2}$ Sec 29 (R-11705, 12-13-01)

*Kennel Farmer Morrow Gas
Pool lies between
the Unit and Pool
Boundary*

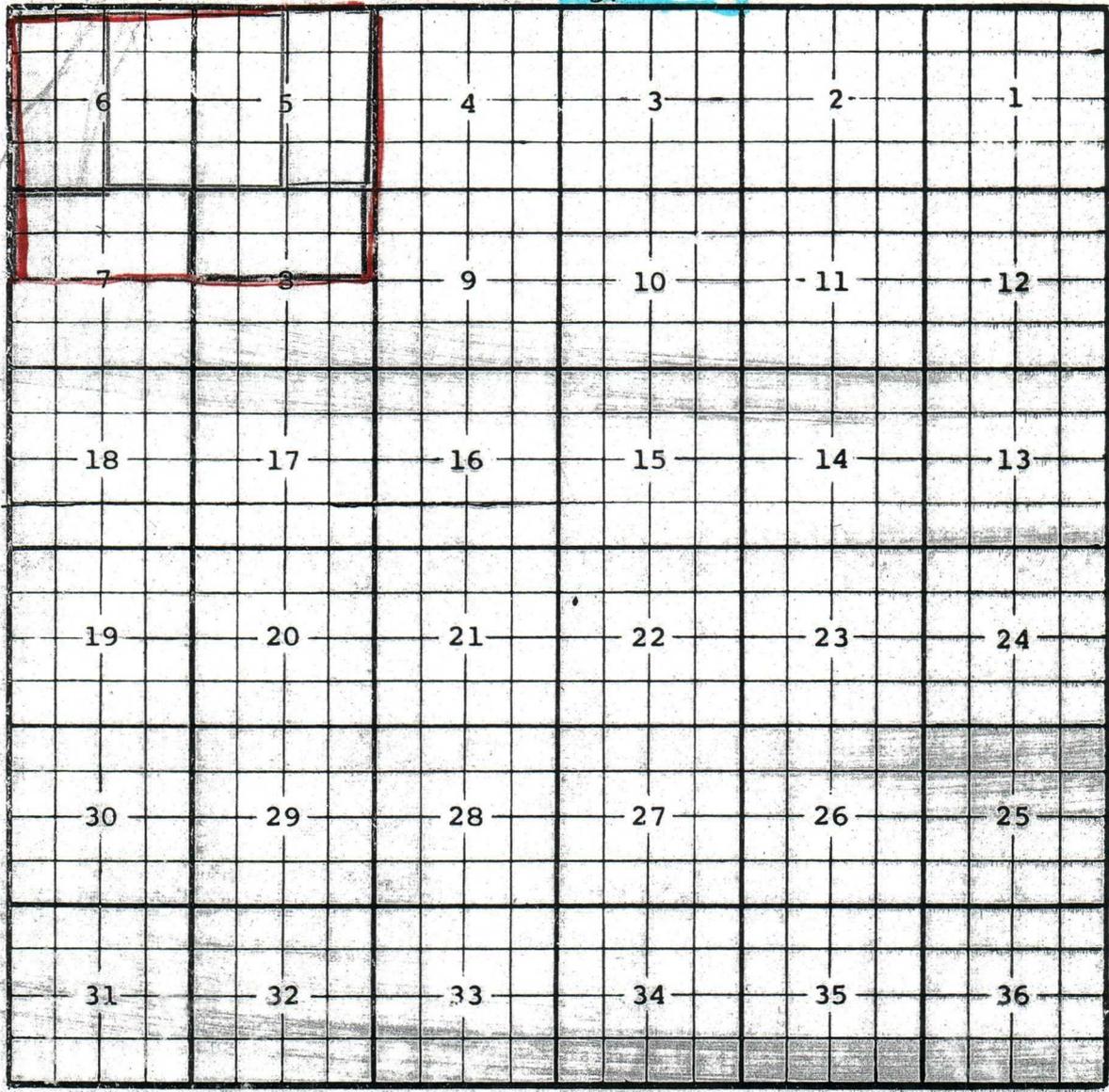
COUNTY Eddy

POOL East Eagle Creek Atoka-Morrow Gas

TOWNSHIP 18 South

RANGE 26 East

NMPM



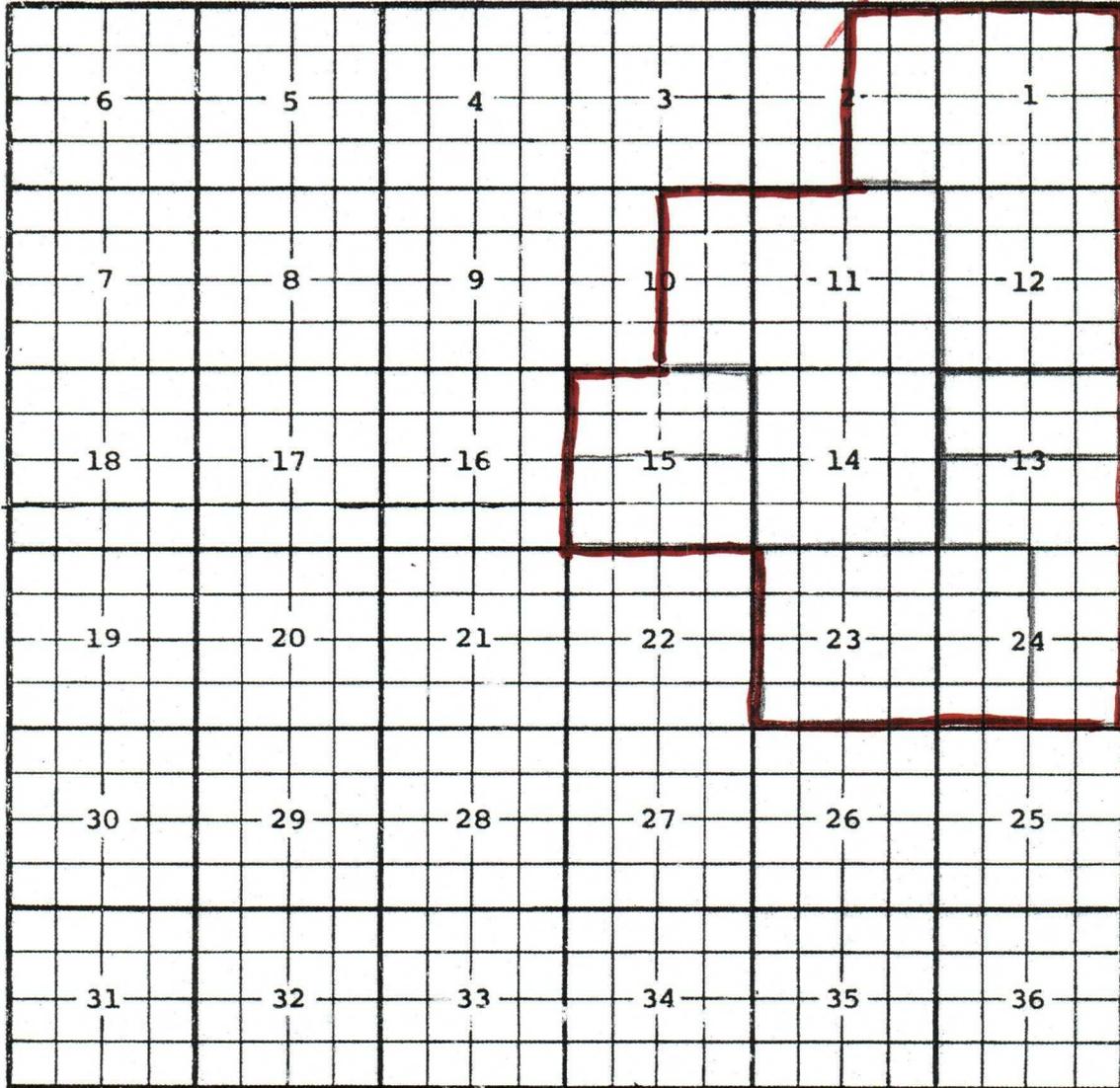
Description: $\frac{W}{2}$ Sec 5, $\frac{E}{2}$ Sec 6 (R-5460, 7-1-77)

Ext: $\frac{N}{2}$ Sec 7 (R-5987, 4-1-79) Ext: $\frac{E}{2}$ Sec. 5 (R-7875, 4-16-85)

Ext: $\frac{N}{2}$ Sec. 8 (R-10822, 6-16-97) Ext: $\frac{W}{2}$ Sec. 6 (R-11534, 2-8-01)

COUNTY *Eddy*POOL *West Atoka - Morrow Gas*TOWNSHIP *18 South*RANGE *75 East*

NMFM



Description: $\frac{N}{2}$ Sec. 13 (R-3979, 7-1-70)

Ext: $\frac{S}{2}$ Sec. 13; $\frac{E}{2}$ Sec. 24 (R-4162-A, 7-7-81)

Ext: All Sec 1, $\frac{E}{2}$ Sec 2, All Sec 12 (R-4782, 6-1-74)

Ext: $\frac{E}{2}$ Sec. 10, All Sec. 11, All Sec. 14 (R-6169, 11-1-79) Ext: All sec 23,
 $\frac{W}{2}$ sec 24 (R-6912, 3-5-82)

Ext: Sec: 15, $\frac{N}{2}$ (R-7222, 2-25-83) Ext: $\frac{S}{2}$ Sec. 15 (R-7307, 6-14-83)

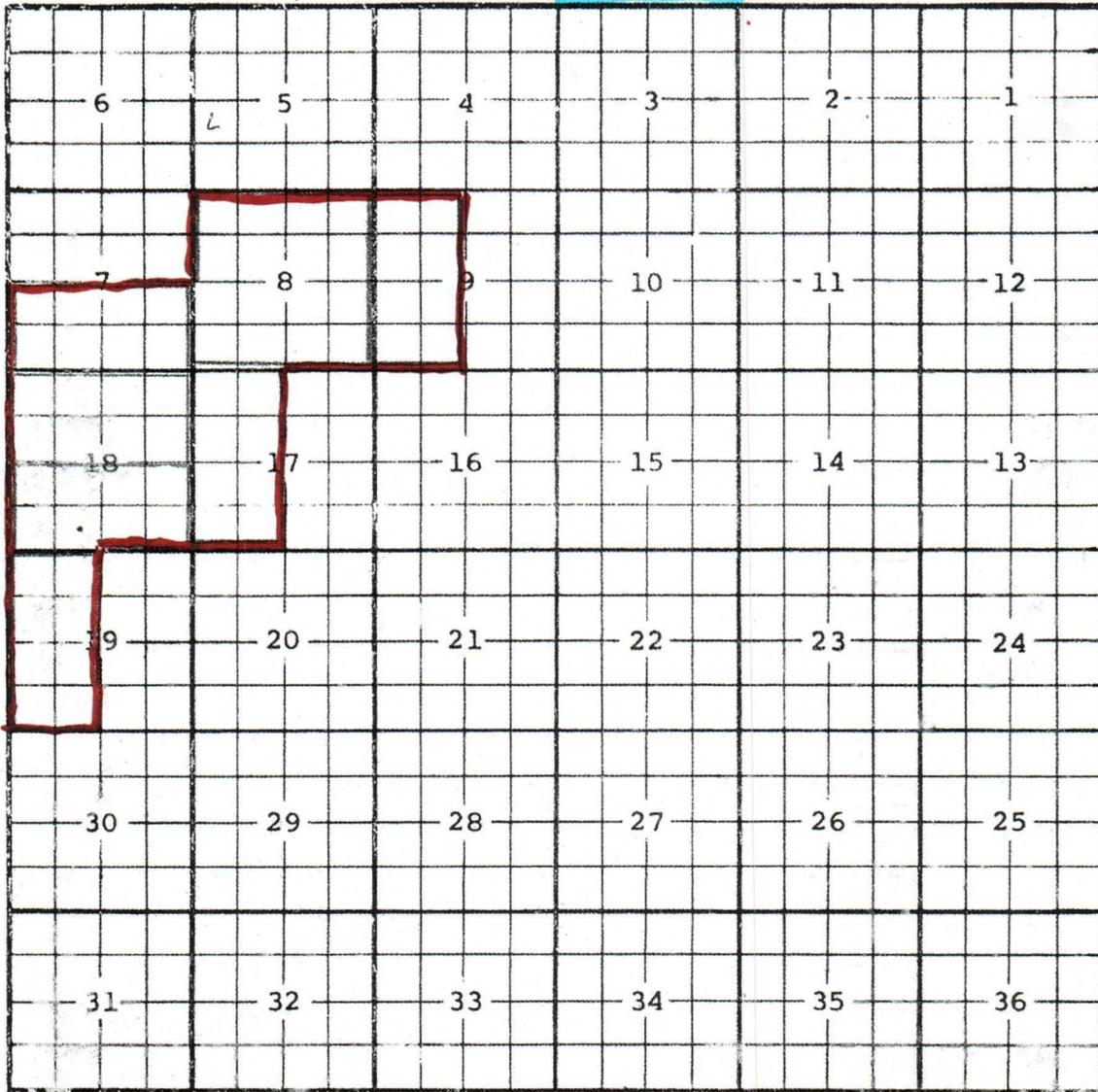
COUNTY *Eddy*

POOL *West Atoka-Morrow Gas*

TOWNSHIP *18 South*

RANGE *26 East*

NMPM



Ext: $\frac{W}{2}$ Sec. 19 (R-4162-A, 7-7-71) - $\frac{S}{2}$ Sec. 18 (R-4540, 6-1-73)

Ext: $\frac{N}{2}$ Sec 18 (R-4734, 3-1-74) Ext: $\frac{S}{2}$ sec 7 (R-4937, 2-1-75)

Ext: All Sec. 8 (R-7437, 2-6-84) EXT: W/2 SEC 9 (R-9133, 3-13-90)

Ext: $\frac{W}{2}$ Sec. 17 (R-9837, 1-27-93)

