

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION COMMISSION**

**APPLICATION OF GOODNIGHT
MIDSTREAM PERMIAN, LLC TO AMEND
ORDER NO. R-7765, AS AMENDED TO
EXCLUDE THE SAN ANDRES FORMATION
FROM THE UNITIZED INTERVAL OF THE
EUNICE MONUMENT SOUTH UNIT
LEA COUNTY, NEW MEXICO**

CASE NO. 24278

**APPLICATION OF GOODNIGHT
MIDSTREAM PERMIAN, LLC TO AMEND
ORDER NO. R-7767 TO EXCLUDE THE SAN
ANDRES FORMATION FROM THE EUNICE
MONUMENT OIL POOL WITHIN THE
EUNICE MONUMENT SOUTH UNIT AREA,
LEA COUNTY, NEW MEXICO**

CASE NO. 24277

**APPLICATION OF GOODNIGHT PERMIAN
MIDSTREAM, LLC FOR APPROVAL OF A
SALTWATER DISPOSAL WELL, LEA COUNTY,
NEW MEXICO AND, AS A PARTY ADVERSELY
AFFECTED BY ORDER R-22869-A, FOR A
HEARING DE NOVO BEFORE THE FULL
COMMISSION, PURSUANT TO NMSA 1978,
SECTION 70-2-13.**

CASE NO. 24123

**APPLICATION OF GOODNIGHT MIDSTREAM
PERMIAN, LLC TO AMEND ORDER
NO. R-22026/SWD-2403 TO INCREASE THE
APPROVED INJECTION RATE IN ITS ANDRE
DAWSON SWD #1, LEA COUNTY, NEW MEXICO**

CASE NO. 23775

**APPLICATIONS OF GOODNIGHT MIDSTREAM
PERMIAN, LLC FOR APPROVAL OF A
SALTWATER DISPOSAL WELL, LEA COUNTY,
NEW MEXICO**

CASE NOS. 23614-23617

**APPLICATION OF EMPIRE NEW MEXICO TO
REVOKE THE INJECTION AUTHORITY
GRANTED UNDER ORDER NO. R22026 FOR
THE ANDRE DAWSON SWD #001, LEA COUNTY,
NEW MEXICO**

CASE NOS. 24018-24027

**OIL CONSERVATION DIVISION’S RESPONSE TO GOODNIGHT MIDSTREAM
PERMIAN, LLC’S CONSOLIDATED MOTION FOR PARTIAL SUMMARY
JUDGMENT**

COMES NOW the New Mexico Oil Conservation Division (“OCD”) and hereby requests that the New Mexico Oil Conservation Commission (“OCC”) deny Goodnight Permian Midstream, LLC’s (“Goodnight”) Motion for Partial Summary Judgment. OCD contends that select number of Goodnight’s allegedly undisputed material facts are, in fact, disputed; that Goodnight’s Motion is improper for the above captioned cases and should be addressed in those cases stayed by the OCC; and that Goodnight’s sought relief will result in regulatory instability and is well past ripe for reconsideration to the point that reconsideration would cause a mix of harms. As grounds in support thereof, OCD states the following:

I. Introduction

In its Motion for Partial Summary Judgment, Goodnight argues that OCC Order Nos. R-7765 and R-7767 are fatally flawed and must be amended to remove the San Andres formation from the Orders. OCD contends that the subject orders are underpinned by a mixture of evidence that is not as clear-cut as claimed, including far older pooling orders. Further, OCD contests Paragraphs (II)(6) through (11) of Goodnight’s allegedly undisputed material facts. More importantly, OCD has concerns that amending the subject orders, entered in 1984 (41 years ago), would result in regulatory instability as well as entice operators to challenge long-standing unitization and other orders, resulting in OCD needing to fend off purely legal challenges to such orders, further distracting the OCD and OCC from their respective statutory duties. While that may sound appealing to the regulated community, diversion of OCD resources from enforcement and resource

management, OCD maintains that doing so is unnecessary based on several legal doctrines applicable to Goodnight's intentions.

II. Material Facts

a. Undisputed Material Facts.

OCD does not dispute the following facts, enumerated as paragraphs, as asserted by Goodnight in Section II of its Motion for Partial Summary Judgment: 1, 2, 3, 4, 5, 12, and 13.

b. Disputed Material Facts.

OCD disputes the following facts, enumerated as paragraphs, as asserted by Goodnight in Section II of its Motion for Partial Summary Judgment: 6, 7, 8, 9, 10 and 11. OCD provides its analysis of these facts and the relevant law below in Section IV(a) of this Response.

III. Relevant law

a. Summary Judgment standard, generally.

OCD does not dispute Goodnight's references to authority addressing the summary judgment standard in New Mexico, but wishes to add a bit more clarity for the OCC. Rule 1-056 NMRA governs summary judgment, providing the judicially accepted standard as requiring a party to "show that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law." New Mexico courts have reiterated this standard many times over. *Montgomery v. Lomos Altos, Inc.*, 2007-NMSC-002, ¶¶ 16-17, 141 N.M. 21, 27, 150 P.3d 971, 977. Rule 1-056's judicially supported standard can be bifurcated into two parts: the lack of genuine issue of material fact and entitlement to judgment as a matter of law. OCD contends that Goodnight's Motion fails to meet either requirement.

Summary judgment is deemed by New Mexico Courts to be a “drastic remedy to be used with great caution.” *Freeman v. Fairchild*, 2018-NMSC-023, ¶ 16, 416 P.3d 264, 269. While summary judgment may be granted despite New Mexico Court’s circumspection towards the matter, adjudicatory bodies must be diligent in assessing the factors as outlined above. *Id.*

b. The common-law doctrine of laches, generally.

The laches doctrine “prevents litigation of a stale claim where the claim should have been brought at an earlier time and the delay has worked to the prejudice of the party resisting the claim. *Garcia v. Garcia*, 1991-NMSC-023, ¶ 30, 111 N.M. 581, 588, 808 P.2d 31, 38. In evaluating the assertion of laches, a court may consider particular facts of a dispute to determine whether a party should be “foreclosed from bringing a claim because of a delay in asserting its rights.” *Id.* Laches is an equitable remedy to address an unreasonable delay in pursuing a claim, sometimes referred to as “sleeping on rights.” Black’s Law Dictionary 891 (8th ed. 2004).

c. Stare decisis, generally.

Stare decisis, “to stand by things decided,” is “the judicial obligation to follow precedent, and it lies at the very core of the judicial process of interpreting and announcing law.” Black’s Law Dictionary 1443 (8th ed. 2004); *Trujillo v. City of Albuquerque*, 1998-NMSC-031, ¶ 33, 125 N.M. 721, 730, 965 P.2d 305, 314. *Stare decisis* promotes a sound judicial system by providing stability in the law, fairness in assuring that like cases are treated similarly, and judicial economy. *Id.* To override the doctrine, courts must assess several factors: “1) whether the precedent is so unworkable as to be intolerable; 2) whether parties justifiably relied on the precedent so that reversing it would create an undue hardship; 3) whether the principles of law have developed to such an extent as to leave the old rule “no more than a remnant of abandoned doctrine;” and 4)

whether the facts have changed in the interval from the old rule to reconsideration so as to have “robbed the old rule” of justification.” *Trujillo v. City of Albuquerque*, 1998-NMSC-031, ¶ 34, 125 N.M. 721, 731, 965 P.2d 305, 315

IV. Argument

OCD contends that Goodnight cannot pass either prong of the requirements for Summary Judgment as found in 1-056 NMRA. OCD hereby provides argument in support of this position.

a. Goodnight cannot overcome the standard for Summary Judgment based on disputed facts.

Because of the somewhat unorthodox nature of Goodnight’s Motion attacking not the facts of the case but orders that form the basis for Empire’s Applications, OCD provides the rest of the story behind OCC Order Nos R-7765 and R-7767 that Goodnight overlooked, for reasons that will become obvious. In short, OCD asserts that Paragraphs (II)(6) through (11) are, in fact, disputed as a matter of fact and, therefore, Goodnight’s Motion should be denied.

i. Goodnight’s Motion fails to account for or otherwise explain the pooling orders behind Order Nos. R-7765 and R-7767 and their bearing on those orders, which ultimately and properly included the San Andres formation.

Goodnight’s focus is that Order Nos. R-7765 and R-7767 improperly include the San Andres formation as part of the unitization of the EMSU. *See* Goodnight’s Motion at pp.3; 9-17; 19-20. Goodnight repeated this allegation throughout the Motion. *Id.* While Goodnight references in passing the pool underlying the unitization, Goodnight does not explain the entire history of the EMSU and the underlying pool. This lack of background creates the appearance that the OCC, in 1984, simply erred in its commands found in Order Nos. R-7765 and R-7767. That is not the case, as outlined below.

In Goodnight's Exhibit 3, ¶ 3 and Exhibit 11, p.4, the history of the Grayberg- San Andres

formation is laid out for the reader. Exhibit 3 says, in relevant part:

“The southern portion of the Eunice-Monument Oil Pool was formerly designated the Eunice (Penrose, Grayburg, San Andres) Pool. The Eunice Pool was discovered March 21, 1929 upon completion of the Continental Oil Company's Lockhart B-31 Well No. 1 in Section 31, Township 21 South, Range 36 East, Lea County, New Mexico. All oil wells within the Unit Area were classified as Eunice oil wells until the New Mexico Oil Conservation Division created the Eumont Gas Pool overlying the Eunice and Monument Oil Pools by Order No. R-264, effective February 17, 1953. The Eumont Gas Pool vertical limits were then defined as extending from the top of the Yates formation to a point 200 feet below the top of the Queen formation thereby including all of the Seven Rivers formation. Order No. R-264-A, effective November 10, 1953, and Order No. R-1670, effective May 20, 1960, both amend the vertical limits of the Eumont Gas Pool to "extend from the top of the Yates formation to the top of the Grayburg formation, thereby including all of the Yates, Seven Rivers and Queen formations". This contracted the vertical limits of the Eunice and Monument oil pools to contain only the Grayburg and San Andres formations. This created a situation in which wells within the Unit Area had completion intervals overlapping the two pools.”

Exhibit 11, consistent with Exhibit 3, p.2 states:

“The field was discovered March 21, 1929, with the completion of the Continental Lockhart "B-31" well in Section 31, Township 21 South, Range 36 East, N.M.P.M., Lea County, New Mexico. Following discovery, the field was designated as the Eunice (Queen-Penrose, Grayburg and San Andres geological formations) Pool. In 1953, the Eunice Pool was separated into the Eumont Gas Pool and Eunice Monument Oil Pool.”

Exhibit 11, p.3 goes on to say:

“After the various company geologists and engineers completed their laboratory and reservoir studies, they concluded that a unit should be formed to inject water into the oil producing formations to force oil trapped in the rocks to the pumping units of the producing wells. This method of recovery is being successfully employed in many of the older oil fields in the area. For this

proposed unit, salt water from the non-productive San Andres formation, supplemented by the reinjection of produced water, was recommended for pressurized injection into the oil producing portions of the Grayburg and Lower Penrose formations.”

Turning to the orders underlying the 1984 unitization order, the OCC created the Eumont Gas Pool in Order No. R-264. *See* Exhibit A – Order No. R-264 at p.3. The Eumont Gas Pool is defined, stratigraphically, as starting at the top of the Yates formation and to 200 feet below the top of the Queen to encompass the entirety of the Seven Rivers formation. *Id.* In Order No. R-264-A, the OCC expanded the Eumont Gas Pool to include the entirety of the Queen formation. *See* Exhibit B – Order No. R-264-A at p.2. Both Order No. R-264 and R-264-A were entered in the year 1953. Seven years later, the OCC entered Order No. R-1670, which clarified the pool limits for multiple pools and expanded by supersession the limits of the Eumont Gas Pool to include several other previously defined pools but set the stratigraphic limits from the top of the Yates formation down to the bottom of the Queen formation, encompassing the Seven Rivers formation. *See* Exhibit C – Order No. R-1670 at p. 40. For purposes of clarity, *see also* Goodnight’s Exhibit 8, p.2 for a stratigraphic diagram – this document shows approximately that the Eumont Gas Pool encompasses the “white” stratigraphy but in 1960 did not quite yet include the Penrose.

Turning to oil pools, OCC Order No. R-520, p. 3 created the Eunice-Monument Oil Pool as of August 1953, contemporaneously with the OCC Order Nos. R-264 and R-264-A. *See* Exhibit D – Order No. R-520. OCC Order No. R-520 makes clear, under no uncertain terms, that the Eunice-Monument Oil Pool’s stratigraphic limits include “all of the Grayberg and San Andres formations.” *Id.*; *see also* Goodnight’s Exhibit 8, p.2 for a visual reference.

OCD avers that the above runs directly contrary to Paragraph (II)(6) of Goodnight's Undisputed Material Facts. Goodnight relied upon maps with no testimonial support, as opposed to history of underlying pooling orders provided through OCC hearing orders. Goodnight's assertions of geologic separation between the Grayberg and Penrose are illusory arguments designed to distract from the underlying pooling orders that Goodnight omitted from its analysis. What matters are not maps, but OCC Order Nos. R-264, R-264-A, R-1670 and R-520, which explain the legally justifiable presence of the San Andres in the cases from which Order Nos. R-7765 and R-7767 were issued. Therefore, Paragraph (II)(6) is disputed as a matter of fact.

Fast forward nearly thirty (30) years to 1984, Gulf sought unitize the EMSU to include the San Andres formation. *See* Goodnight's Exhibit 1 at ¶ 3; *see also* Goodnight's Exhibit 2 at ¶ 3. Gulf correctly understood that the San Andres, previously pooled under OCC Order No. R-520 in the Eunice-Monument Oil Pool, was available for unitization due to OCC Order No. R-520. Gulf provided testimony supporting OCC Order Nos. R-7765 and R-7767, reflecting Gulf's understanding (as well as that of the OCC per OCC Order Nos. R-7765 and R-7767) that (1) the San Andres was already pooled and (2) fell within the oil production zone in the area. *See* Goodnight's Exhibit 9, 46:24-47:13; 53:23-54:10; 91:18-23 (noting that the San Andres formed the "statutory basis" of the Eunice-Monument Oil Pool, which is legally correct).

Gulf further buttressed its position as shown in Goodnight's Exhibit 10, p.3, which states that "[t]his waterflood will unitize all oil production from the lower Penrose, Grayberg, and San Andres formations. . ." Gulf's assertion is essentially taken directly from OCC Order No. R-520 but includes the Penrose, also shown in Goodnight's Exhibit 8, p.2. Finally, in Gulf's Geological Data Injection Zones report for the EMSU (Goodnight's Exhibit 13), Gulf represented that "[t]he

San Andres contributes very little if any oil production to the field...” This statement, while perhaps equivocal, indicates the San Andres has produced *some* oil, which would further validate the OCC’s findings in OCC Order No. R-520.

OCD avers that the above runs directly contrary to Paragraphs (II)(7) through (II)(11) of Goodnight’s Undisputed Material Facts. Starting with Paragraph (II)(7), Goodnight references the record stemming from the hearing underlying Order Nos. R-7765 and R-7767. Goodnight cites to the record to show the oil column was limited to the Grayberg and Lower Penrose formations for purposes of unitization. However, the issue here is whether the San Andres was part of a pool that was unitized, not the unit itself which centers on formations. In this instance, Gulf’s witness explained that the lower limit of oil production was found in the “Grayberg-San Andres.” *See* Goodnight’s Exhibit 9, 46:24-47:13. Goodnight cites to its Exhibit 10 for a similar claim, yet Exhibit 10 makes clear that the waterflood unit will envelop all “oil production from the lower Penrose, Grayberg, and San Andres formations. . .” *See* Goodnight’s Exhibit 10, p.3. Further, Gulf’s witness, based on prior OCC orders, accurately testified that the San Andres forms the statutory basis of the pool to be unitized. *See* Goodnight’s Exhibit 9 at 91:18-23. Therefore, Paragraph (II)(7) is disputed as a matter of fact.

Goodnight maintains in Paragraph (II)(8), like (II)(7), that the water contact line in the unit is situated such that no oil would be found in the San Andres. In that same line of questioning, Gulf’s witness acknowledged, in conflicting testimony that confirms a dispute about Goodnight’s claimed undisputed fact, that the oil-water contact line determines the lower limit of oil production and *that includes the Grayberg and San Andres formations*, which is alternate way of identifying the Eunice-Monument Oil Pool. *See* Goodnight’s Exhibit 9, 46:24-47:13.

As to Paragraph (II)(9), OCD does not dispute the characterization of contents of Goodnight's Exhibits 11 & 12 but points the OCC to Goodnight's Exhibit 13 (on which Goodnight relied in support of its position). Goodnight's Exhibit 13 states that "[T]he San Andres contributes very little if any oil production to the field." Thus, Goodnight's relied-upon exhibit reveals a dispute about production from the San Andres as a matter of fact.

Paragraphs (II)(10) and (11) center on using the San Andres as a water source and that the San Andres is non-productive. OCD addressed the issue of production several times above, both in terms of documents showing possible recovery from the San Andres and that the Eunice-Monument Oil Pool terminates at the base of the San Andres as a matter of law and fact, thereby confirming a controversy as to Paragraph (II)(10). OCD points out, in terms of Paragraph (II)(11), that Goodnight's characterization of Gulf's witness's testimony is grandiose and is an editorialization (that the San Andres would be used to "provide the massive quantities of water for Gulf's operation"). Gulf's witness said no such thing, but did testify that the Grayberg-San Andres forms the lower limit of oil production in the area. *See* Goodnight's Exhibit 9 at 46:24-47:13. Thus, OCD argues that Paragraphs (II)(10) and (11) of Goodnight's allegedly undisputed facts are contradicted by Goodnight's own evidence.

- b. Even if Order Nos. R-7765 and R-7767 violate the Unitization Act, which OCD disputes, the orders have stood for over forty years, form the basis of operations within the EMSU, and therefore should not be modified as a matter of law.**

Ab assuetis non fit injuria. "No injury is done by things long acquiesced in." Counsel recognizes his fondness for Roman legal maxims but maintains that such wisdom of the ancients remains relevant to modern legal disputes, and such is the case here. Goodnight's request to the OCC is, on its face, a claim of at least potential injury if the subject unitization orders are not

modified but omits that operators in the EMSU have long acquiesced to OCC Order Nos. R-7765 and R-7767. Goodnight should not be permitted to grieve about orders it and other EMSU operators could have addressed long ago.

As noted in its introduction, the unitization orders Goodnight seeks to amend were entered in 1984. To give context to the amount of time that has passed since entry of the unitization orders, 1984 is the same year Michael Jackson's hair caught on fire during the shoot of a Pepsi commercial and Ronald Reagan won all but Minnesota in the U.S. Presidential election. Much has happened in the interim generally and much has happened in and around the oil and gas industry.

The law has several legal doctrines that address the passage of time, especially considering that development of such doctrines occurred at a time when human beings simply did not maintain the current average life expectancy. First is the doctrine of *laches*, an old Anglo-Saxon legal doctrine that prohibits stale claims from being brought by a party. The second is *stare decisis*, a legal doctrine that discourages the overturning of the final adjudication of prior matters. Both doctrines work against Goodnight's sought-after relief.

The crux of the cases before the OCC, in OCD's view, is simply whether a residual oil zone ("ROZ") exists within the EMSU and, if so, where and in what volume? OCD is not privy to Empire's anticipated Response to Goodnight's Motion but fully expects that Empire will focus on its evidence that a ROZ does exist in the EMSU, something Goodnight contests. OCD takes no position on the merits of the dispute between Empire and Goodnight but contends that such a dispute merits adjudication as a matter of law.

- i. Whether the San Andres is a productive zone is the heart of the above-captioned cases and should therefore proceed to hearing as a matter of law.**

The objective of Goodnight’s Motion is veiled and certainly not presented starkly for consideration. Goodnight’s approach is that it seeks to amend the unitized interval at issue, removing the San Andres formation from the unit, resulting in nullification of Empire’s basis for all of its cases before the OCC, thereby justifying dismissal of Empire’s Applications. *See* Goodnight Exhibit 19, ¶¶ 5-6; Goodnight Exhibit 20, ¶¶ 5-6; Goodnight Exhibit 21, ¶¶ 5-6; Goodnight Exhibit 22, ¶¶ 5-6. Simply stated, Goodnight does not want to proceed to hearing on the above-captioned matters, preferring instead to win by undermining two long-standing unitization orders. New Mexico Courts have long favored a trial on the merits over procedural resolution in the form of motions to dismiss, motions for summary judgment, and motions for default. *DeFillippo v. Neil*, 2002-NMCA-085, ¶ 25, 132 N.M. 529, 535, 51 P.3d 1183, 1189; *see also Gengler v. Phelps*, 1976-NMCA-114, ¶ 20, 89 N.M. 793, 797, 558 P.2d 62, 66.

1. Goodnight’s Motion attempts to improperly circumvent the OCC’s Order staying the Goodnight’s cases in which the core relief sought is amendment of Order Nos. R-7765 and 7767.

Goodnight’s cases seeking to amend Order Nos. R-7765 and 7767 (Case Nos. 24277 and 24278) were stayed by the OCC on July 2, 2024. *See* July 2, 2024 OCC Joint Order, ¶ 4. Goodnight’s applications in those cases center on amending Order Nos. R-7765 and 7767. *See* Application in Case No. 24277, ¶¶ 9-26; *see also* Application in Case No. 24278, ¶¶ 4-22. The OCC, through Chair Fuge, explained that resolving the above-captioned cases would resolve some procedural concerns for the cases ultimately stayed and otherwise laid out the basis for the stay order. *See* OCC Meeting Transcript for June 20, 2024 at 87:12-24. Additionally, the OCC denied Empire’s Motion to Dismiss Goodnight’s applications to amend the orders at issue on or about July 2, 2024. “The power to stay proceedings pending the outcome of other litigation is within the

discretion of the court. . .” *Wood v. Millers Nat. Ins. Co.*, 1981-NMSC-086, ¶ 8, 96 N.M. 525, 528, 632 P.2d 1163, 1166. A stay is defined as:

“temporary suspension of the regular order of proceedings in a cause, by direction or order of the court, usually to await the action of one of the parties in regard to some omitted step or some act which the court has required him to perform as incidental to the suit. BLACK’S LAW DICTIONARY 1267 (5th ed. 1979); see *Rossiter v. Aetna Life Ins. Co. of Hartford, Conn.*, 96 Wis. 466, 71 N.W. 898 (1897). A stay of proceedings is *not* a dismissal of a suit. *Solarana v. Industrial Electronics, Inc.*, 50 Haw. 22, 428 P.2d 411 (1967)”.

Five Keys, Inc. v. Pizza Inn, Inc., 1982-NMSC-129, ¶ 6, 99 N.M. 39, 40, 653 P.2d 870, 871.

Based on the above, Goodnight’s Motion is invalid as a matter of law. Goodnight has not shown an abuse of discretion on the part of the OCC in imposing a stay and therefore lacks a basis to claim the remedy sought in the stayed cases needs to be brought through other cases. *Id.* Further, Goodnight has not demonstrated a legal prohibition preventing the OCC from imposing a stay on a case in anticipation of resolution in other litigation. Since a stay is not a dismissal, but in fact a pause in litigation, Goodnight is arguably violating the OCC’s stay of Case Nos. 24277 and 24278 in trying to seek identical relief requested in those cases through its Motion.

ii. Goodnight’s request should be denied on the grounds that *laches* have attached to Order Nos. R-7765 and R-7767.

Goodnight’s objective with its Motion is to pursue what amounts to a stale claim barred by the doctrine of *laches*. While Gulf Oil Corporation is not a predecessor-in-interest of Goodnight’s, the lack of action by any prior operator within the EMSU lead to a delay of forty-one (41) years before a challenge or complaint about the underlying 1984 unitization order appeared. Put another way, the 1984 order remained in full force and effect for multiple decades, creating a now long-standing regulatory environment in which the EMSU was developed. Goodnight now seeks to

upend that environment to gain the significant advantage of removing the geologic and legal bases for Empire's Applications.

From OCD's perspective, granting Goodnight's Motion would work to the prejudice of OCD in several ways. First, OCD's current regulatory regime rests on a variety of many orders in place for decades and particularly those concerning pooling and unitization orders, which form the basis of development in a particular unit or area. Second, permitting Goodnight to prevail in its Motion will undermine OCD's authority by making it clear to the regulated community that any OCC or OCD order is now suspect, regardless of age and industry reliance, and should be challenged as it suits a particular operator. Such tactics by the regulated community will necessarily distract OCD from its duties as enumerated in the Oil and Gas Act, resulting in unnecessary and deleterious litigation that will consume OCD's limited resources. The long-term benefit to the regulated community of granting Goodnight's Motion will be a lack of enforcement and rulemaking by OCD, essentially permitting operators to operate as they see fit and with no limiting factor in place to prevent waste. Third, OCD would ultimately need to invest time and money into historical evaluations of aged orders to determine which are at risk of being amended or vacated, derailing OCD from its obligations under the Oil and Gas Act, which again serves the interests of the regulated community and not the public.

OCD expects Goodnight to assert that it only showed up in the EMSU some time between 2016 and 2022 and that may well be the case. Regardless, Goodnight should be foreclosed from benefitting from other EMSU operators "sleeping on their rights" by failing to address the purported legal flaws in the underlying 1984 unitization order in a timely fashion. Enough time

has passed such that the unitization orders are established law that form the bedrock of development in the EMSU.

iii. While the OCC is not a court, *stare decisis* stands opposed to Goodnight's sought relief.

The 1984 unitization order has been decided and should remain decided. To promote a sound administrative system, stability of that system is necessary. *Trujillo v. City of Albuquerque*, 1998-NMSC-031, ¶ 34, 125 N.M. 721, 731, 965 P.2d 305, 315. Goodnight has not shown that the 1984 unitization order is so “unworkable as to be intolerable.” *Id.* Goodnight has not and cannot show how the forty-plus year old orders place it in such a terrible legal position that it cannot function in its daily operations. Rather, Goodnight's arguments are purely legal in nature and do not address real-world consequences stemming from the 1984 unitization order.

OCD contends that it, as well as all operators within the EMSU, has relied upon the 1984 unitization order for forty-one (41) years for enforcement and development in the EMSU, no small amount of time. OCD's reliance on the subject orders is justifiable and especially considering the lack of legal challenges to the 1984 order. So far as OCD can determine, the only complaint about the 1984 order came in the form of a *nunc pro tunc* (“now for then,” in this case making corrective amendments to the original order) order roughly three months after entry of the original 1984 unitization order. Nor has Goodnight demonstrated that the law governing the EMSU has developed such that the 1984 unitization order is a “remnant” of abandoned legal doctrines, statutes, or regulations. OCD avers that, contrarily, the law governing the EMSU has remained stable as has the 1984 unitization order, with such stability favoring keeping that order in place. Finally, Goodnight cannot demonstrate that 1984 unitization order has been robbed of its regulatory value. If Goodnight could demonstrate, for example, that previously undiscovered

pools (as defined in the Unitization Act) exist that run counter-factually to the 1984 unitization order, perhaps we would be having a different discussion. Alas, that is not the case, and such facts are unlikely to reveal themselves given the injection volumes into the EMSU. Thus, pursuant to a *stare decisis* analysis, OCD suggests that 1984 unitization order should remain unaltered as a matter of law.

V. **Conclusion.**

OCD does not concede that Order Nos. R-7765 and R-7767 violate the Unitization Act on their face. Rather, OCD's position is that the orders were issued to what amounts to eons ago, based on a series of legally viable preceding orders, around which all development in the EMSU is centered, and Goodnight and *all* operators in the EMSU have had every opportunity to address these orders and have chosen, as it were, to sleep on their rights, arguably until it might prove advantageous to challenge the legality of the orders - *ab assuetis non fit injuria* is an accurate interpretation of the facts before the OCC. One cannot complain about a situation in which one could have taken timely action to remedy the situation but simply elected not to do so. Additionally, OCD has justifiably relied upon the subject orders in adhering to its legal duties under the law; changing aged orders as Goodnight requests is a recipe for regulatory dysfunction at best. At this point, the underlying unitization orders are well past old enough to run for President, they should not now be subjected to amendment for the above-argued reasons. Goodnight's Motion should be denied *in toto* for the above-argued reasons.

Respectfully submitted,

Christopher L. Moander
Assistant General Counsel
New Mexico Energy, Minerals and
Natural Resources Department
1220 South St. Francis Drive
Santa Fe, New Mexico 87505
Tel (505) 709-5687
chris.moander@emnrd.nm.gov

CERTIFICATE OF SERVICE

I certify that on February 6, 2025, this pleading was served by electronic mail on:

<p>Ernest L. Padilla Padilla Law Firm, P.A. Post Office Box 2523 Santa Fe, New Mexico 87504 (505) 988-7577 padillalawnm@outlook.com</p> <p>Dana S. Hardy Jaclyn M. McLean HINKLE SHANOR LLP P.O. Box 2068 Santa Fe, NM 87504-2068 (505) 982-4554 dhardy@hinklelawfirm.com jmclean@hinklelawfirm.com</p> <p>Sharon T. Shaheen Samantha H. Catalano Montgomery & Andrews, P.A. Post Office Box 2307 Santa Fe, NM 87504-2307 (505) 986-2678 sshaheen@montand.com scatalano@montand.com cc: wmcginnis@montand.com</p> <p><i>Attorneys for Empire New Mexico, LLC</i></p>	<p>Michael H. Feldewert Adam G. Rankin Paula M. Vance HOLLAND & HART LLP 110 N. Guadalupe Street #1 Santa Fe, NM 87501 (505) 988-4421 mfeldewert@hollandhart.com agrarkin@hollandhart.com pmvance@hollandhart.com NRJurgensen@hollandhart.com</p> <p><i>Attorneys for Goodnight Midstream Permian, LLC</i></p> <p>Miguel A. Suazo Sophia A. Graham Kaitlyn A. Luck 500 Don Gaspar Ave. Santa Fe, NM 87505 (505) 946-2090 msuazo@bwenergylaw.com sgraham@bwenergylaw.com kluck@bwenergylaw.com <i>Attorneys for Pilot Water Solutions SWD, LLC</i></p> <p>Matthew Beck Peifer Hanson Mullins & Baker, P.A. P.O. Box 25245 Albuquerque, NM 87125-5245 (505) 247-4800 mbeck@peiferlaw.com <i>Attorneys for Rice Operating Company and Permian Line Service, LLC</i></p>
---	---

OC D EXHIBIT A

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR THE
PURPOSE OF CONSIDERING:

CASE NO. 245
ORDER NO. R-264

THE APPLICATION OF THE OIL CONSERVATION
COMMISSION UPON ITS OWN MOTION FOR AN
ORDER DESIGNATING, NAMING, DEFINING AND
EXTENDING THE GAS POOLS OF LEA, EDDY
AND CHAVES COUNTIES, NEW MEXICO

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 10 o'clock a. m. on December 22, 1950, March 20, 1951, April 24, 1951, May 23, 1951, and July 24, 1951, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission".

NOW, on the 17th, day of February, 1953, the Commission, a quorum being present, having considered the testimony adduced and the exhibits received at said hearings and being fully advised in the premises,

FINDS:

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

(2) That under the authority of Rule 601 of Order No. 850, effective January 1, 1950, the Commission instituted proceedings upon its own motion to name, classify and define the limits of all known and producing gas pools in the Counties of Lea, Eddy and Chaves, New Mexico.

(3) That during the years 1950 and 1951, the Commission did cause exhaustive studies to be made of all ten known southeaster New Mexico gas reserves, and at the several hearings in this cause took voluminous testimony of production engineers, geologists and other experts to the end that the producing gas pools in the area aforesaid should be named, defined and properly classified as such in the interests of conservation, prevention of waste, and the protection of correlative rights.

(4) That the following definitions and classification of gas pools in Eddy, Lea and Chaves Counties, New Mexico will result in a more efficient administration of the conservation laws of the State of New Mexico.

(a) That a new pool should be created, classified as a gas pool, with its boundaries defined, and named the Jalco Gas Pool, with the following description:

Township 21 South, Range 35 East, NMPM
E/2 Sec. 12; E/2 Sec. 13 E/2 Sec. 24

Township 21 South, Range 36 East, NMPM
W/2 Sec. 7; W/2 Sec. 18; W/2 and SE/4
Sec. 19; SW/4 Sec. 20; All Secs. 29 thru
32, incl.

Township 22 South, Range 36 East, NMPM
All Secs. 5 thru 8 incl.; All Sec. 17;
N/2 and SE/4 Sec. 18; NE/4 Sec. 19; All Sec.
20; NW/4 Sec. 28; All section 29 and 32;
SW/4 Sec. 33.

Township 23 South, Range 36 East, NMPM
All Sec. 4; N/2 and SE/4 Sec. 5; E/2 Sec. 8;
All Sec. 9; All Sec. 16; NE/4 Sec. 17; All Sec.
21; W/2 Sec. 27; E/2 Sec. 28; E/2 Sec. 33; W/2
and SE/4 Sec. 34.

Township 24 South, Range 36 East, NMPM
All Sec. 3; E/2 Sec. 4; NE/4 Sec. 9; N/2 and
SE/4 Sec. 10; W/2 Sec. 11; All Sec. 14; E/2
Sec. 15; All Secs. 22 and 23; S/2 Sec. 25;
All Sec. 26; E/2 Sec. 27; E/2 Sec. 34; All
Secs. 35 and 36.

Township 24 South, Range 37 East, NMPM
S/2 Sec. 31.

Township 25 South, Range 36 East, NMPM
All Sec. 1; N/2 Sec. 2; All Secs. 12, 13,
24 and 25; NE/4 Sec. 36.

Township 25 South, Range 37 East, NMPM
All Secs. 6 and 7; SW/4 Sec. 8; S/2 and NW/4
Sec. 16; All Secs 17 thru 21 incl.; All Secs. 28
thru 33 incl.; W/2 Sec. 34.

Township 26 South, Range 37 East, NMPM
W/2 Sec. 3; All Secs. 4 thru 9 incl.; W/2
Sec. 10; All Secs. 18 and 19; W/2 Sec. 29;
E/2 and NW/4 Sec. 30; NE/4 Sec. 31; NW/4
Sec. 32.

(b) That a new pool should be created, classified as a gas pool, with
it boundaries defined, and named the Langmat Gas Pool, with the following
description:

Township 21 South, Range 36 East, NMPM
W/2 Sec. 28; All Secs. 33 and 34.

Township 22 South, Range 36 East, NMPM
All Secs. 3, 4, 9 and 10; SW/4 Sec. 11;
W/2 Sec. 14; All Secs. 15 and 16; All Secs.
21, 22 and 23; All Secs. 25, 26, 27; S/2
and NE/4 Sec. 28; N/2 and SE/4 Sec. 33; All
Secs. 34, 35 and 36.

Township 22 South, Range 37 East, NMPM
SW/4 Sec. 31

Township 23 South, Range 36 East, NMPM
All Secs. 1, 2 and 3; All Secs. 10 thru 15
incl.; All Secs 22 thru 26 incl.; E/2 Sec.
27; NE/4 Sec. 34; All Secs. 35 and 36.

Township 23 South, Range 37 East, NMPM
All Secs. 6, 7, 18 and 19; W/2 Sec. 29;
All Sec. 30 and 31; W/2 Sec. 32.

Township 24 South, Range 36 East, NMPM
All Secs. 1 and 2; E/2 Sec. 11; All Secs. 12,
13, 24; N/2 Sec. 25.

Township 24 South, Range 37 East, NMPM
All Secs. 5 thru 8 incl.; W/2 Sec. 9; W/2
Sec. 16; All Sec. 17 thru 21 incl.; All Secs.
28, 29 and 30; N/2 Sec. 31; All Secs 32 and
33; SW/4 Sec. 34.

Township 25 South, Range 37 East, NMPM
W/2 Sec. 3; All Secs. 4 and 5; N/2 and SE/4
Sec. 8; All Sec. 9; W/2 and SE/4 Sec. 10;
All Sec. 15; NE/4 Sec. 16; All Sec. 22; N/2
Sec. 27.

(c) That a new pool should be created, classified as a gas pool, with its boundaries defined, and named the Eumont Gas Pool, with the following description:

Township 19 South, Range 36 East, NMPM
SE/4 Sec. 13; S/2 Sec. 23; S/2 and NE/4
Sec. 24; All Secs. 25 and 26; E/2 Sec. 27;
E/2 Sec. 34; All Secs. 35 and 36.

Township 19 South, Range 37 East, NMPM
SE/4 Sec. 7; Sec. 8; All Secs. 17 thru
20 incl.; W/2 Sec. 21; W/2 Sec. 27; All Secs.
28 thru 34 incl.

Township 20 South, Range 36 East, NMPM
All Secs. 1 and 2; E/2 Sec. 3; E/2 Sec. 10;
All Secs. 11 thru 14; incl.; NE/4 Sec. 15;
N/2 and SE/4 Sec. 23; All Sec. 24 and 25;
E/2 Sec. 26; E/2 Sec. 35; All Sec. 36.

Township 20 South, Range 37 East, NMPM
All Secs. 3 thru 9 incl.; W/2 Sec. 10;
W/2 Sec. 15; All Secs. 16 thru 20 incl.;
W/2 and NE/4 Sec. 21; NW/4 Sec. 22; W/2 Sec. 29;
All Secs. 30, 31 and 32; W/2 Sec. 33.

Township 21 South, Range 35 East, NMPM
SE/4 and Lots 1, 2, 7, 8, 9, 10, 15 and 16
of Sec. 1.

Township 21 South, Range 36 East, NMPM
SW/4 Sec. 1; S/2 and Lots 11, 12, 13 and 14 of
Sec. 2; S/2 and Lots 3, 4, 5, 6, 9, 10, 11, 12,
13, 14, 15 and 16 of Sec. 3; All Secs. 4, 5 and 6;
E/2 Sec. 7; All Secs. 8 thru 11, incl.; W/2 Sec. 12;
NW/4 Sec. 13; N/2 and SW/4 Sec. 14; All Secs. 15,
16 and 17; E/2 Sec. 18; NE/4 Sec. 19; N/2 and
SE/4 Sec. 20; All Sec. 21; W/2 and NE/4 Sec. 22;
E/2 Sec. 28.

(d) That a new pool should be created, classified as a gas pool, with its boundaries defined, and named the Arrow Gas Pool, with the following description:

Township 21 South, Range 36 East, NMPM
SE/4 Sec. 24; All Sec. 25; S/2 and NE/4
Sec. 35; All Sec. 36.

Township 22 South, Range 36 East, NMPM
All Secs. 1 and 2; NE/4 Sec. 11; All Sec. 12;
N/2 and SE/4 Sec. 13.

Township 22 South, Range 37 East, NMPM
W/2 Section 7; All Sec. 18; N/2 Sec. 19.

(e) That a new pool should be created, classified as a gas pool, with its boundaries defined, and named the Tubb Gas Pool, with the following description;

Township 21 South, Range 37 East, NMPM
SW/4 and Lots 3, 4, 5, 6, 11, 12, 13 and 14
of sec. 2; All of Sec. 3; SE/4 and Lots 1, 2,
7, 8, 9, 10, 15, and 16 of Sec. 4; E/2 Sec.
8; All Secs. 9 and 10; W/2 Sec. 11; W/2 Sec. 14;
All Secs. 15, 16 and 17; E/2 Sec. 19; All Secs.
20 thru 23 incl.; W/2 Sec. 25; All Secs. 26
thru 29 incl.; E/2 Sec. 30; E/2 Sec. 31; All
Sec. 32 thru 36 incl.

Township 22 South, Range 37 East, NMPM
All Secs. 1 thru 5; incl.; E/2 Sec. 6; All
Secs. 8 thru 16 incl.; E/2 Sec. 21; All Secs.
22, 23 and 24.

Township 22 South, Range 38 East, NMPM
W/2 Sec. 6; W/2 Sec. 7; W/2 Sec. 18;
W/2 Sec. 19.

(f) That a new pool should be created, classified as a gas pool, with its boundaries defined, and named the Blinebry Gas Pool, with the following description

Township 21 South, Range 37 East, NMPM
S/2 Sec. 10; S/2. Sec. 11; All Secs. 14, 15,
22, 23, 26 27, 34, 35 and 36.

Township 22 South, Range 37 East, NMPM
All Secs. 1, 2, 3, 4, 10, 11, 12, 13, 14,
23, 24 and 25.

Township 22 South, Range 38 East, NMPM
W/2 Sec. 6; W/2 Sec. 7; W/2 Sec. 18; All
Secs. 19, 30 and 31.

(g) That a new pool should be created, classified as a gas pool, with its boundaries defined, and named the Amanda Gas Pool, with the following description:

Township 22 South, Range 37 East, NMPM
All Sec. 25.

(h) That a new pool should be created, classified as a gas pool, with its boundaries defined, and named the Monument-McKee Gas Pool, with the following description:

Township 19 South, Range 36 East, NMPM
All of Sec. 36.

Township 19 South, Range 37 East, NMPM
All of Sec. 31.

Township 20 South, Range 36 East, NMPM
All of Sec. 1.

Township 20 South, Range 37 East, NMPM
All of Sec. 6.

(i) That a new pool should be created, classified as a gas pool, with its boundaries defined, and named the Byers-Queen Gas Pool, with the following description:

Township 18 South, Range 38 East, NMPM
All of Secs. 29, 30 31, and 32.

(j) That a new pool should be created, classified as a gas pool, with its boundaries defined, and named the Maljamar-Queen Gas Pool, with the following description:

Township 17 South, Range 32 East, NMPM
SW/4 and W/2 SE/4 Sec. 15; All of Sec. 16;
NE/4 Sec. 21; NW/4 and W/2 NE/4 Sec. 22.

(k) That a new pool should be created, classified as a gas pool, with its boundaries defined, and named the Vandagriff-Keyes Gas Pool, with the following description:

Township 17 South, Range 28 East, NMPM
S/2 Sec. 3; S/2 and NW/4 Sec. 4; All of
Sec. 5; NE/4 Sec. 8; All of Sec. 9 and 10.

IT IS THEREFORE ORDERED:

That the application of the Oil Conservation Commission, be and the same hereby is approved, as follows:

I. (1) That a new pool be, and the same hereby is created, designated for gas production, denominated the Jalco Gas Pool and described as follows:

Township 21 South, Range 35 East, NMPM
E/2 Sec. 12; E/2 Sec. 13; E/2 Sec. 24.

Township 21 South, Range 36 East, NMPM
W/2 Sec. 7; W/2 Sec. 18; W/2 and SE/4
Sec. 19; SW/4 Sec. 20; All Secs. 29 thru
32 incl.

Township 22 South, Range 36 East, NMPM
All Secs. 5 thru 8 incl.; All Sec. 17; N/2
and SE/4 Sec. 18; NE/4 Sec. 19; All Sec. 20;
NW/4 Sec. 28; All Sec. 29 and 32; SW/4 Sec.
33.

Township 23 South, Range 36 East, NMPM
All Sec. 4; N/2 and SE/4 Sec. 5; E/2 Sec. 8;
All Sec. 9; All Sec. 16; NE/4 Sec. 17; All Sec.
21; W/2 Sec. 27; E/2 Sec. 28; E/2 Sec. 33;
W/2 and SE/4 Sec. 34.

Township 24 South, Range 36 East, NMPM
All Sec. 3; E/2 Sec. 4; NE/4 Sec. 9; N/2
and SE/4 Sec. 10; W/2 Sec. 11; All Sec. 14;
E/2 Sec. 15; All Secs. 22 and 23; S/2 Sec. 25;
All Sec. 26; E/2 Sec. 27; E/2 Sec. 34; All Secs.
35 and 36.

Township 24 South, Range 37 East, NMPM
S/2 Sec. 31.

Township 25 South, Range 36 East, NMPM
All Sec. 1; N/2 Sec. 2; All Secs. 12, 13, 24
and 25; NE/4 Sec. 36.

Township 25 South, Range 37 East, NMPM
All Secs. 6 and 7; SW/4 Sec. 8; S/2 and NW/4
Sec. 16; All Secs. 17 thru 21 incl.; All Secs.
28 thru 33 incl.; W/2 Sec. 34.

Township 26 South, Range 37 East, NMPM
W/2 Sec. 3; All Secs. 4 thru 9 incl.; W/2
Sec. 10; All Secs. 18 and 19; W/2 Sec. 29;
E/2 and NW/4 Sec. 30; NE/4 Sec. 31; NW/4
Sec. 32.

(2) That the producing formation in the Jalco Gas Pool shall extend from the top of the Yates formation to a point 100 feet above the base of the Seven Rivers formation.

II. (1) That a new pool be, and the same hereby is created, designated for gas production, denominated the Langmat Gas Pool and described as follows:

Township 21 South, Range 36 East, NMPM
W/2 Sec. 28; All Secs. 33 and 34

Township 22 South, Range 36 East, NMPM
All Secs. 3, 4, 9 and 10; SW/4 Sec. 11;
W/2 Sec. 14; All Secs. 15 and 16; All Secs. 21
22 and 23; All Secs. 25, 26, 27; S/2 and NE/4
Sec. 28; N/2 and SE/4 Sec. 33; All Secs. 34,
35 and 36.

Township 22 South, Range 37 East, NMPM
SW/4 Sec. 31.

Township 23 South, Range 36 East, NMPM
All Secs. 1, 2 and 3; All Secs. 10 thru
15 incl.; All Secs 22 thru 26 incl.; E/2
Sec. 27; NE/4 Sec. 34; All Secs. 35 and 36.

Township 23 South, Range 37 East, NMPM
All Secs. 6, 7, 18 and 19; W/2 Sec. 29;
All Secs. 30 and 31; W/2 Sec. 32.

Township 24 South, Range 36 East, NMPM
All Secs. 1 and 2; E/2 Sec. 11; All Secs. 12,
13, 24; N/2 Sec. 25.

Township 24 South, Range 37 East, NMPM
All Secs. 5 thru 8 incl.; W/2 Sec. 9; W/2
Sec. 16; All Sec. 17 thru 21 incl.; All Secs.
28, 29 and 30; N/2 Sec. 31; All Secs. 32
and 33; SW/4 Sec. 34.

Township 25 South, Range 37 East, NMPM
W/2 Sec. 3; All Secs. 4 and 5; N/2 and SE/4
Sec. 8; All Sec. 9; W/2 and SE/4 Sec. 10;
All Sec. 15; NE/4 Sec. 16; All Sec. 22; N/2
Sec. 27.

III (1) That a new pool be, and the same hereby is created, designated for gas production, denominated the Eumont Gas Pool and described as follows;

Township 19 South, Range 38 East, NMPM
SE/4 Sec. 13; S/2 Sec. 23; S/2 and NE/4
Sec. 24; All Secs. 25 and 26; E/2 Sec. 27;
E/2 Sec. 34; All Secs. 35 and 36.

Township 19 South, Range 37 East, NMPM
SE/4 Sec. 7; SW/4 Sec. 8; All Secs. 17 Thru
20 incl. ; W/2 Sec. 21; W/2 Sec. 27; All Secs.
28 thru 34 incl.

Township 20 South, Range 36 East, NMPM
All Secs. 1 and 2; E/2 Sec. 3; E/2 Sec. 10;
All Secs. 11 thru 14 incl.; NE/4 Sec. 15;
N/2 and SE/4 Sec. 23; All Sec. 24 and 25; E/2
Sec. 26; E/2 Sec. 35; All Sec. 36.

Township 20 South, Range 37 East, NMPM
All Secs. 3 thru 9 incl.; W/2 Sec. 10;
W/2 Sec. 15; All Secs. 16 thru 20 incl.;
W/2 and NE/4 Sec. 21; NW/4 Sec. 22; W/2 Sec. 29;
All Secs. 30, 31 and 32; W/2 Sec. 33.

Township 21 South, Range 35 East, NMPM
SE/4 and Lots 1, 2, 7, 8, 9, 10, 15 and
16 of Sec. 1.

Township 21 South, Range 36 East, NMPM
SW/4 Sec. 1; S/2 and Lots 11, 12, 13 and
14 of Sec. 2; S/2 and Lots 3, 4, 5, 6, 9, 10,
11, 12, 13, 14, 15 and 16 of Sec. 3; All Sec.
4, 5 and 6; E/2 Sec. 7; All Secs. 8 thru 11;
incl. W/2 Sec. 12; NW/4 Sec. 13; N/2 and SW/4
Sec. 14; All Secs. 15, 16 and 17; E/2 Sec. 18;
NE/4 Sec. 19; N/2 and SE/4 Sec. 20; All Sec. 21;
W/2 and NE/4 Sec. 22; E/2 Sec. 28.

(2) That the producing formation in the Eumont Gas Pool shall extend from the top of the Yates formation to a point 200 feet below the top of the Queen formation thereby including all of the Seven Rivers formation.

IV. (1) That a new pool be, and the same hereby is created, designated for gas production, denominated the Arrow Gas Pool and described as follows:

Township 21 South, Range 36 East, NMPM
SE/4 Sec. 24; All Sec. 25; S/2 and NE/4
Sec. 35; All Sec. 36.

CASE NO. 245 --
 ORDER NO. R-264
 PAGE -7-

Township 22 South, Range 36 East, NMPM
 All Secs. 1 and 2; NE/4 Sec. 11; All
 SEC. 12; N/2 and SE/4 Sec. 13.

Township 22 South, Range 37 East, NMPM
 W/2 Sec. 7; All Sec. 18; N/2 Sec. 19.

(2) That the producing formation in the Arrow Gas Pool shall extend from the top of the Yates formation to a point 200 feet below the top of the Queen formation, thereby including all of the Seven Rivers formation.

V. (1) That a new pool be, and the same hereby is created, designated for gas production, denominated the Tubb Gas Pool and described as follows:

Township 21 South, Range 37 East, NMPM
 SW/4 and Lots 3, 4, 5, 6, 11, 12, 13
 and 14 of Sec. 2; All of Sec. 3; SE/4
 and Lots 1, 2, 7, 8, 9, 10, 15 and 16 of
 Sec. 4; E/2 Sec. 8; All Secs. 9 and 10;
 W/2 Sec. 11; W/2 Sec. 14; All Secs. 15, 16
 and 17; E/2 Sec. 19; All Secs. 20 thru 23;
 incl.; W/2 Sec. 25; All Secs. 26 thru 29
 incl.; E/2 Sec. 30; E/2 Sec. 31; All Secs.
 32 thru 36 incl.

Township 22 South, Range 37 East, NMPM
 All Secs. 1 thru 5 incl.; E/2 Sec. 6; All
 Secs. 8 thru 16 incl. ; E/2 Sec. 21; All
 Secs. 22, 23 and 24.

Township 22 South, Range 38 East, NMPM
 W/2 Sec. 6; W/2 Sec. 7; W/2 Sec. 18; W/2
 Sec. 19.

(2) That the producing formation in the Tubb Gas Pool shall extend from the top of the Tubb sand to a point 225 feet below the top of the Tubb sand,

VI. (1) That a new pool be, and the same hereby is created, designated for gas production, denominated the Blinebry Gas Pool and described as follows:

Township 21 South, Range 37 East, NMPM
 S/2 Sec. 10; S/2 Sec. 11; All Secs. 14, 15,
 22, 23, 26, 27, 34, 35 and 36.

Township 22 South, Range 37 East, NMPM
 All Secs. 1, 2, 3, 4, 10, 11, 12, 13, 14,
 23, 24 and 25.

Township 22 South, Range 38 East, NMPM
 W/2 Sec. 6; W/2 Sec. 7; W/2 Sec. 18; All
 Secs. 19, 30 and 31.

(2) That the producing formation in the Blinebry gas pool shall be all of the Blinebry formation.

VII. (1) That a new pool be, and the same hereby is created, designated for gas production, denominated the Amanda Gas Pool and described as follows:

Township 22 South, Range 37 East, NMPM
 All Sec. 25.

(2) That the producing formation in the Amanda Gas Pool shall be known as the Amanda Zone of lower Permian encountered at an approximate depth of 7050 feet.

VIII. (1) That a new pool be, and the same hereby is created, designated for gas production, denominated the Monument-McKee Gas Pool and described as follows:

Township 19 South, Range 36 East, NMPM
 All of Sec. 36.

Township 19 South, Range 37 East, NMPM
 All of Sec. 31.

CASE NO. 245-
 ORDER NO. R-264
 PAGE -8-

Township 20 South, Range 36 East, NMPM
 All of Sec. 1.

Township 20 South, Range 37 East, NMPM
 All of Sec. 6

(2) That the producing formation in the Monument-McKee Gas Pool shall be the McKee sandstone of the Simpson formation.

IX. (1) That a new pool be, and the same hereby is created, designated for gas production, denominated the Byers-Queen Gas Pool and described as follows:

Township 18 South, Range 38 East, NMPM
 All of Secs. 29, 30, 31 and 32.

(2) That the producing formation in the Byers-Queen Gas Pool shall be the Queen formation.

X. (1) That a new pool be, and the same hereby is created, designated for gas production, denominated the Majamar-Queen Gas Pool and described as follows:

Township 17 South, Range 32 East, NMPM
 SW/4 and W/2 SE/4 Sec. 15; All of Sec. 16;
 NE/4 Sec. 21; NW/4 and W/2 NE/4 Sec. 22.

(2) That the producing formation in the Majamar-Queen Gas Pool shall be the Queen formation.

XI. (1) That a new pool be, and the same hereby is created, designated for gas production, denominated the Vandagriff-Keyes Gas Pool and described as follows:

Township 17 South, Range 28 East, NMPM
 S/2 Sec. 3; S/2 and NW/4 Sec. 4; All of
 Sec. 5; NE/4 Sec. 8; All of Sec. 9 and 10.

(2) That the producing formation in the Vandagriff-Keyes Gas Pool shall be the Queen formation encountered at an approximate depth of 1400 feet.

IT IS FURTHER ORDERED:

That due to the extensive development program being carried on by the oil and gas operators in the southeastern New Mexico, and the possible enlargement of existing pools or discovery of new pools, the Commission orders that further testimony in the matter be received at the regular monthly hearing of the Commission on April 16, 1953.

STATE OF NEW MEXICO
 OIL CONSERVATION COMMISSION

EDWIN L. MECHEM, Chairman

E. S. WALKER, Member

R. R. SPURRIER, Secretary

S E A L

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CONSOLIDATION OF
CASES 245 AND 521
ORDER No. R-264-A

THE APPLICATION OF THE OIL
CONSERVATION COMMISSION UPON
ITS OWN MOTION FOR AN ORDER
DESIGNATING, NAMING, DEFINING
AND EXTENDING THE GAS POOLS OF
LEA, EDDY AND CHAVES COUNTIES,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on April 16, 1953, May 19, 1953, June 16, 1953, July 16, 1953, and August 20, 1953, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 10th day of November, 1953, the Commission, a quorum being present, having considered the testimony adduced and the exhibits received in the hearings, and being fully advised in the premises,

FINDS:

(1) That due notice having been given as required by law, the Commission has jurisdiction of this case.

(2) That by virtue of Order No. R-264 entered February 17, 1953, in Case No. 245, the Commission defined and classified certain gas pools in Lea, Eddy and Chaves Counties, New Mexico, and ordered further testimony taken at the April 16, 1953, Commission hearing in the premises,

(3) That at the April 16, 1953, Commission hearing it was ordered that Cases 245 and 521 be, and they were at that time consolidated for purposes of the record.

(4) That successive hearings were had May 19, June 16, July 16, and August 20, 1953, on the case as consolidated, resulting in Order R-356, being the special "stand-by" rules and regulations in the matter of proration of gas-well gas producible from the gas pools of Lea, Eddy, Chaves and Roosevelt Counties, New Mexico, and as classified and defined in Order R-264.

(5) That by reason of interim development, the areal boundary of the Jalco Gas Pool as fixed by Order R-264 should be extended in accordance with testimony

Consolidation of
Cases 245 and 521
Order No. R-264-A

adduced at the hearings.

(6) That the vertical productive limits of the Eumont Gas Pool as fixed by Order R-264 should be changed to include therein all the Queen formation.

(7) That the vertical productive limits of the Blinebry Gas Pool as fixed by Order R-264 should be more specifically defined.

(8) That the areal and vertical productive limits of the Justis Gas Pool heretofore defined and classified as a gas pool by Order No. 850 should be redefined areally and vertically.

IT IS THEREFORE ORDERED:

(1) That Order R-264, as hereinafter amended, and Order R-356 be and they hereby are declared to be supplementary orders.

(2) That the areal boundary of the Jalco Gas Pool, as described in Order R-264, be, and the same hereby is extended to include therein, as a part of said pool, the following described area:

Township 26 South, Range 37 East, NMPM
All of Sections 15, 16, 17, 20, 21, 22, 27
and 28;
E/2 Section 29;
E/2 Section 32;
all of Sections 33 and 34

(3) That Section III (2) of Order R-264 be, and the same hereby is amended to read as follows:

"III (2) That the producing formation of the Eumont Gas Pool shall extend from the top of the Yates formation to the top of the Grayburg formation, thereby including all of the Yates, Seven Rivers and Queen formations."

(4) That Section VI (2) of Order R-264 be, and the same hereby is amended to read as follows:

"VI (2) That the producing formation of the Blinebry Gas Pool shall be that part of the Yeso formation included from the base of the Upper Yeso sandy section, which occurs at an average depth of 450 feet below the Glorieta formation, to the top of the Tubb sand."

(5) That that part of Appendix 'A' of Order No. 850 relating to the Justis Gas Pool pursuant to Rule 5 of said order be, and the same hereby is amended to read as follows:

Consolidation of
Cases 245 and 521
Order No. R-264-A

"Appendix A - The producing formation of the
Justis Gas Pool shall be the 200 feet immediately
below the top of the Glorieta formation; that the
said pool, classified as a gas pool, is described
as follows:

Township 25 South, Range 37 East, NMPM
SW/4 Section 1; SE/4 Section 2;
E/2 Section 11; W/2 Section 12;
W/2 Section 13; E/2 Section 14;
E/2 Section 23; W/2 Section 24

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

EDWIN L. MECHEM, Chairman

E. S. WALKER, Member

R. R. SPURRIER, Member and Secretary

S E A L

*Entered June 7, 1960
O.P.P.*

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 1937
Order No. R-1670

APPLICATION OF THE OIL CONSERVATION
COMMISSION ON ITS OWN MOTION TO CON-
SIDER CONSOLIDATING THE SPECIAL RULES
GOVERNING THE SEVEN PRORATED GAS POOLS
IN NORTHWEST NEW MEXICO, AND TO CON-
SIDER CONSOLIDATING THE SPECIAL RULES
GOVERNING THE SIX PRORATED GAS POOLS
IN SOUTHEAST NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m., on April 13, 1960, at Hobbs, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 20th day of May, 1960, 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:

(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 in the past the Commission has held numerous hearings and taken voluminous testimony from engineers, geologists, and other interested parties and entered many orders creating, delineating, spacing, prorating, and otherwise regulating the Pools now designated the Blinebry, Crosby-Devonian, Eumont, Jalmat, Justis, Tubb, Aztec-Pictured Cliffs, Ballard-Pictured Cliffs, Fulcher Kutz-Pictured Cliffs, South Blanco-Pictured Cliffs, Tapacito-Pictured Cliffs, West Kutz-Pictured Cliffs, and Blanco Mesaverde Gas Pools in the interests of conservation, prevention of waste, and protection of correlative rights.

(3) That it has been found by the Commission that one well will efficiently and economically drain the area of the proration units set out in the Special Pool Rules in each of the several gas pools listed above.

(4) That the total producing capacity of the wells in each of these pools has been found to be greater than the market demand for gas produced from each of these pools.

(5) That prorationing has been instituted in each of these pools.

(6) That it is both feasible and desirable that the Special Pool Rules for the seven prorated gas pools in Northwest New Mexico be consolidated and that the Special Pool Rules for the six prorated gas pools in Southeast New Mexico be consolidated.

(7) That the following orders should be superseded:

<u>Aztec-Pictured Cliffs Gas Pool</u>	<u>Ballard-Pictured Cliffs Gas Pool</u>	<u>Fulcher Kutz-Pictured Cliffs Gas Pool</u>
R-46	R-846	748
R-565	R-846-A	R-59
R-565-A	R-967	R-565
R-565-C		R-565-A
R-565-D		R-565-C
R-614		R-565-D
R-620		R-614
R-697		R-620
		R-697
<u>South Blanco- Pictured Cliffs Gas Pool</u>	<u>Tapacito-Pictured Cliffs Gas Pool</u>	<u>West Kutz-Pictured Cliffs Gas Pool</u>
R-565	R-1193	R-46
R-565-A	R-1193-A	R-566
R-565-B		R-566-A
R-565-C		R-566-B
R-565-D		R-566-C
R-614		R-566-D
R-620		R-566-E
R-967		R-967
<u>Blanco Mesaverde Gas Pool</u>	<u>Blinebry Gas Pool</u>	<u>Crosby Devonian Gas Pool</u>
R-799	R-264-A	R-639
R-110	R-356	R-639-A
R-128	R-372	R-639-B
R-128-A	R-372-A	
R-128-B	R-464	
R-128-C	R-610-C	
R-128-D&E	R-610-D	
R-967	R-967	

-3-
CASE No. 1937
Order No. R-1670

Eumont Gas Pool

R-264-A
R-356
R-370
R-370-A
R-370-B
R-371
R-371-A
R-967

Jalmat Gas Pool

R-264-A
R-356
R-368
R-368-A
R-368-B
R-967

Justis Gas Pool

R-264-A
R-356
R-375
R-375-A
R-586-A
R-586-C
R-586-E
R-586-F
R-967

Tubb Gas Pool

R-356
R-373
R-373-A
R-464
R-967

(8) That all provisions in the following orders relative to the regulation of gas wells in prorated gas pools should be superseded:

Blinebry Gas Pool

R-264
R-610
R-610-A
R-610-B

Eumont Gas Pool

R-264
R-520
R-520-A
R-767
R-767-A

Jalmat Gas Pool

R-264
R-520
R-520-A
R-553
R-640
R-663
R-690

Justis Gas Pool

R-586

Tubb Gas Pool

R-264
R-586
R-586-B

-4-
CASE No. 1937
Order No. R-1670

IT IS THEREFORE ORDERED:

(1) That the following orders be and the same are hereby superseded:

Aztec-Pictured
Cliffs Gas Pool

R-46
R-565
R-565-A
R-565-C
R-565-D
R-614
R-620
R-697

Ballard-Pictured
Cliffs Gas Pool

R-846
R-846-A
R-967

Fulcher Kutz-Pictured
Cliffs Gas Pool

748
R-59
R-565
R-565-A
R-565-C
R-565-D
R-614
R-620
R-697

South Blanco-
Pictured Cliffs
Gas Pool

R-565
R-565-A
R-565-B
R-565-C
R-565-D
R-614
R-620
R-967

Tapacito-Pictured
Cliffs Gas Pool

R-1193
R-1193-A

West Kutz-Pictured
Cliffs Gas Pool

R-46
R-566
R-566-A
R-566-B
R-566-C
R-566-D
R-566-E
R-967

Blanco Mesaverde
Gas Pool

R-799
R-110
R-128
R-128-A
R-128-B
R-128-C
R-128-D&E
R-967

Blinebry Gas Pool

R-264-A
R-356
R-372
R-372-A
R-464
R-610-C
R-610-D
R-967

Crosby Devonian Gas
Pool

R-639
R-639-A
R-639-B

-5-
CASE No. 1937
Order No. R-1670

Eumont Gas Pool

R-264-A
R-356
R-370
R-370-A
R-370-B
R-371
R-371-A
R-967

Jalmat Gas Pool

R-264-A
R-356
R-368
R-368-A
R-368-B
R-967

Justis Gas Pool

A-264-A
R-356
R-375
R-375-A
R-586-A
R-586-C
R-586-E
R-586-F
R-967

Tubb Gas Pool

R-356
R-373
R-373-A
R-464
R-967

-6-
CASE No. 1937
Order No. R-1670

(2) That all provisions in the following orders relative to the regulation of gas wells in prorated gas pools be and the same are hereby superseded:

Blinebry Gas Pool

R-264
R-610
R-610-A
R-610-B

Eumont Gas Pool

R-264
R-520
R-520-A
R-767
R-767-A

Jalmat Gas Pool

R-264
R-520
R-520-A
R-553
R-640
R-663
R-690

Justis Gas Pool

R-586

Tubb Gas Pool

R-264
R-586
R-586-B

(3) That the Special Pool Rules for the seven prorated gas pools in Northwest New Mexico, and the Special Pool Rules for the six prorated gas pools in Southeast New Mexico, be and the same are hereby consolidated as hereinafter set forth, in the following "Rules and Regulations Governing Prorated Gas Pools in New Mexico."

CASE No. 1937
Order No. R-1670

RULES AND REGULATIONS
GOVERNING
PRORATED GAS POOLS IN NEW MEXICO

* * *

Table of Contents

	<u>Page</u>
GENERAL RULES, NORTHWEST NEW MEXICO.....	1
Special Rules, Northwest New Mexico	
Aztec-Pictured Cliffs Gas Pool.....	11
Ballard-Pictured Cliffs Gas Pool.....	12
Fulcher Kutz-Pictured Cliffs Gas Pool.....	13
South Blanco-Pictured Cliffs Gas Pool.....	14
Tapacito-Pictured Cliffs Gas Pool.....	15
West Kutz-Pictured Cliffs Gas Pool.....	17
Blanco-Mesaverde Gas Pool.....	18
 GENERAL RULES, SOUTHEAST NEW MEXICO.....	 21
Special Rules, Southeast New Mexico	
Blinebry Gas Pool.....	30
Crosby-Devonian Gas Pool.....	36
Eumont Gas Pool.....	39
Jalmat Gas Pool.....	41
Justis Gas Pool.....	46
Tubb Gas Pool.....	47

CASE No. 1937
Order No. R-1670

I. GENERAL RULES AND REGULATIONS FOR THE PRORATED GAS POOLS OF NORTHWESTERN NEW MEXICO

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

A. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 1: 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 pool, and not nearer to nor within the boundaries of another designated pool producing from the same formation, shall be spaced, drilled, operated, and prorated in accordance with the regulations in effect in that pool.

RULE 2: Except as provided in the Special Pool Rules, after the effective date of this order each well drilled or recompleted on a standard gas proration unit within a gas pool regulated by this order shall be located at least 990 feet from the outer boundary line of the proration unit, provided however, that a tolerance of 200 feet is permissible.

RULE 3: The Secretary-Director of the Commission shall have authority to grant exception to the requirements of Rule 2 where application has been filed in due form and such exception is required because of conditions resulting from previously drilled wells in the area or the necessity for exception is based upon topographic conditions.

Applicants shall furnish all operators of leases offsetting the lease containing subject well, a copy of the application to the Commission, and applicant shall include with his application a list of names and addresses of all such operators, together with a written statement that all such operators have been properly notified by registered mail. The Secretary-Director of the Commission shall wait at least 20 days before approving any such exception, and shall approve such exception only in the absence of objection of any offset operators. In the event any operator objects to the exception, the Commission shall consider the matter only after proper notice and hearing.

NOTE: Rule 3 does not apply to Blanco Mesaverde or Tapacito-Pictured Cliffs Gas Pools - See Special Pool Rules, Rule 2.

CASE No. 1937
Order No. R-1670

RULE 4: The provisions of Statewide Rule 104, Paragraph (k), shall not apply to the gas pools regulated by this order.

RULE 5(A): The acreage allocated to a gas well for proration purposes shall be known as the gas proration unit for that well. For the purpose of gas allocation in the gas pools regulated by this order, a standard proration unit shall consist of contiguous surface acreage and shall be substantially in the form of a square in pools having 160-acre standard proration units, and substantially in the form of a rectangle in pools having 320-acre standard proration units, and shall be a legal subdivision of the U. S. Public Land Surveys (quarter-section or half-section, as applicable). A proration unit shall be considered to be a standard gas proration unit when it meets the above requirements and consists of acreage within the appropriate tolerance set out below:

<u>Standard Proration Unit</u>	<u>Acreage Tolerance for Standard Unit</u>
160 acres	158-162 acres
320 acres	316-324 acres

Any gas proration unit containing acreage within the appropriate tolerance limit above shall be considered to contain the number of acres in a standard unit for the purpose of computing allowables.

RULE 5(B): The Secretary-Director of the Commission shall have authority to grant an exception to Rule 5(A) without notice and hearing where application has been filed in due form and where the following facts exist and the following provisions are complied with:

1. The proposed non-standard proration unit consists of less acreage than a standard proration unit, or where the unorthodox size or shape of the tract is due to a variation in legal subdivision of the U. S. Public Land Surveys.
2. The non-standard gas proration unit consists of contiguous quarter-quarter sections and/or lots.
3. The non-standard gas proration unit lies wholly within a single governmental section.
4. The entire non-standard gas proration unit may reasonably be presumed to be productive of gas from the designated gas pool.
5. The applicant presents written consent in the form

CASE No. 1937
Order No. R-1670

of waivers from:

(a) All operators owning interests outside the non-standard gas proration unit but in the same section in which any part of the non-standard gas proration unit is situated, and

(b) All operators owning interests in acreage offsetting the non-standard gas proration unit.

6. In lieu of subparagraph 5 of this rule, the applicant may furnish proof of the fact that said offset operators were notified by registered mail of his intent to form such non-standard gas proration unit. (This notification to offset operators should consist of the same information that is furnished to the Commission). The Secretary-Director of the Commission may approve the application if, after a period of 30 days following the mailing of said notice, no operator has made objection to formation of such non-standard gas proration unit. (See additional requirement for West Kutz-Pictured Cliffs Gas Pool)

B. NOMINATIONS AND PRORATION SCHEDULE

RULE 6(A): At least 30 days prior to the beginning of each gas proration period, the Commission shall hold a hearing after due notice has been given. The Commission shall cause to be submitted by each gas purchaser its "Preliminary Nominations" of the amount of gas which each in good faith actually desires to purchase within the ensuing proration period, by months, from each of the gas pools regulated by this order. The Commission shall consider the "Preliminary Nominations" of purchasers, actual production, and such other factors as may be deemed applicable in determining the amount of gas that may be produced without waste within the ensuing proration period. "Preliminary Nominations" shall be submitted on a form prescribed by the Commission.

RULE 6(B): The term "gas purchaser" as used in these rules shall mean any "taker" of gas either at the well-head or at any point on the lease where connection is made for gas transportation or utilization. It shall be the responsibility of said "taker" to submit a nomination in accordance with Rule 6(A) and Rule 7(A) of this order.

RULE 7(A): In the event a gas purchaser's market shall have increased or decreased, he may file with the Commission prior to the 10th day of the month a "Supplemental Nomination" showing the amount of gas he actually in good faith desires to purchase during the ensuing

CASE No. 1937
Order No. R-1670

proration month from the gas pools regulated by this order. The Commission shall hold a public hearing between the 13th and 20th days of each month to determine the reasonable market demand for gas for the ensuing proration month, and shall issue a proration schedule setting out the amount of gas which each well may produce during the ensuing proration month, along with such other information as is necessary to show the allowable-production status of each well on the schedule. "Supplemental Nominations" shall be submitted on a form prescribed by the Commission.

RULE 7 (B): The Commission shall include in the proration schedule the gas wells in the gas pools regulated by this order delivering to a gas transportation facility, or lease gathering system, 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 8(A): The total allowable to be allocated to each gas pool regulated by this order each month shall be equal to the sum of the "Preliminary" or "Supplemental Nominations" (whichever is applicable) for each pool, together with any adjustment which the Commission deems advisable. A monthly allowable shall be assigned to each well entitled to an allowable in each pool by allocating the pool allowable among all such wells in accordance with the procedure set out in Rule 9(C).

RULE 8(B)1: No gas well shall be given an allowable until Form C-104 and Form C-110 have been filed, together with a plat (C-128) showing acreage attributed to said well and the locations of all wells on the lease, and

2: Unless a deliverability test taken in conformance with the provisions of Order R-333-C and D as amended by R-333-E has been submitted, except as provided in Rule 10(C) below.

RULE 8(C): Allowables to newly completed gas wells shall commence:

1. On the date of connection to a gas transportation facility, such date to be determined from an affidavit furnished to the Commission (1000 Rio Brazos Road, Aztec, New Mexico) by the purchaser, or

CASE No. 1937
Order No. R-1670

2. The latest filing date of Form C-104, C-110, and C-128, or

3. A date 45 days prior to the date upon which the well's initial deliverability and shut-in pressure test is reported to the Commission on Form C-122-A in conformance with the provisions of Order R-333-C and D as amended by Order R-333-E,

whichever date is the later.

RULE 9(A): The product obtained by multiplying each well's acreage factor by the calculated deliverability (expressed as MCF per day) for that well shall be known as the AD factor for that well. The acreage factor shall be determined to the nearest hundredth of a unit by dividing the acreage within the proration unit by 160 in pools with 160 acre standard proration units and by 320 in pools with 320 acre standard gas proration units; however, the acreage tolerances provided in Rule 5(A) shall apply. The "AD Factor" shall be computed to the nearest whole unit.

RULE 9(B): The allowable to be assigned to each marginal well shall be equal to the maximum production of said well during any month of the preceding gas proration period except as provided in the Special Pool Rules.

RULE 9(C): The pool allowable remaining each month after deducting the total allowable assigned to marginal wells shall be allocated among the non-marginal wells entitled to an allowable in the following manner:

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

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

RULE 9(D): Annual deliverability tests taken each year shall be used in calculating allowables for wells in the gas pools regulated by this order for the twelve month period beginning February 1 of the following year.

RULE 10(A): If, during a proration month, the acreage

CASE No. 1937
Order No. R-1670

assigned to a well is increased, the operator shall notify the Commission in writing (1000 Rio Brazos Road, Aztec, New Mexico) of such increase by filing a revised plat (Form C-128). The increased allowable assigned the gas proration unit for the well shall be effective on the first day of the month following receipt of the notification by the Commission.

RULE 10(B): A change in a well's deliverability due to retest or test after recompletion or workover shall become effective:

1. On the date of reconnection after workover, such date to be determined from Form C-104 as filed by the operators, or
2. A date 45 days prior to the date upon which a well's initial deliverability and shut-in pressure test is reported to the Commission on Form C-122-A in conformance with the provisions of Order R-333-C and D as amended by Order R-333-E, or
3. A date 45 days prior to the receipt and approval of Form C-104 by the Commission's office (1000 Rio Brazos Road, Aztec, New Mexico); (Form C-104 shall specify the exact nature of the workover or remedial work. If the nature of the work cannot be explained on Form C-104, in that event, Form C-103 shall also be filed in accordance with Rule 1106 of the Commission's Statewide Rules and Regulations);

whichever is later.

RULE 10(C): The calculated deliverability at the "deliverability pressure" shall be determined in accordance with the provisions of Order R-333-C and D, as amended by Order R-333-E.

The Secretary-Director of the Commission shall have authority to allow exceptions to the annual deliverability test requirement for marginal wells where the deliverability of a well is of such volume as to have no significance in the determination of the well's allowable. Application for such exception may be submitted in writing by the operator of the well and, if granted, may be revoked by the Secretary-Director of the Commission at any time by requesting the well to be scheduled and tested in accordance with Order R-333-C and D as amended by Order R-333-E.

RULE 11: After notice and hearing, the Commission may assign minimum allowables in order to prevent the premature abandonment of wells.

RULE 12: Except as provided in the Special Pool Rules, the full production of gas from each well, including drilling gas, shall be charged against the well's allowable regardless of the disposition of the gas; provided, however, that gas used in maintaining the producing ability of the well shall not be charged against the allowable.

D. BALANCING OF PRODUCTION

RULE 13: The dates 7:00 a.m., February 1, and 7:00 a.m., August 1, shall be known as balancing dates, and the periods of time bounded by these dates shall be known as gas proration periods.

RULE 14(A): Underproduction: Any non-marginal well which has an underproduced status as of the end of a gas proration period shall be allowed to carry such underproduction forward into the next gas proration period and may produce such underproduction in addition to the allowable assigned during such succeeding period. Any allowable carried forward into a gas proration period and remaining unproduced at the end of such gas proration period shall be cancelled.

RULE 14(B): Production during any one month of a gas proration period in excess of the allowable assigned to a well for such month shall be applied against the underproduction carried into such period in determining the amount of allowable, if any, to be cancelled.

RULE 15(A): Overproduction: Any well 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, provided that such overproduction shall be made up during such succeeding period. Any well which has not made up the overproduction carried into a gas proration period by the end of such proration period shall be shut-in until such overproduction is made up.

RULE 15(B): Except as provided by the Special Pool Rules, if, at any time, a well is overproduced an amount equaling six times its current monthly allowable, it shall be shut-in during that month, and each succeeding month until the well is overproduced less than six times its current monthly allowable.

RULE 15(C): Allowable assigned to a well during any one

CASE No. 1937
Order No. R-1670

month of a gas proration period in excess of the production for the same month shall be applied against the overproduction carried into such period in determining the amount of overproduction, if any, which has not been made up.

RULE 15(D): The Commission may allow overproduction to be made up at a lesser rate than would be the case if the well were completely shut-in upon a showing at public hearing after due notice that complete shut-in of the well would result in material damage to the well.

RULE 15(E): Any allowable accrued to a well at the end of a proration period due to the cancellation of underage and the redistribution thereof shall be applied against the overproduction carried into said proration period.

E. CLASSIFICATION OF WELLS

RULE 16(A): After the production data is available for the last month of each gas proration period, any well which had an underproduced status at the beginning of the preceding gas proration period and which did not produce its allowable during at least one month of such preceding gas proration period may be classified as a marginal well, unless, prior to the end of said preceding gas proration period, the operator or other interested party presents satisfactory evidence to the Commission showing that the well should not be so classified. However, a well which in any month of said proration period has demonstrated its ability to produce its allowable for said proration period shall not be classified as a marginal well.

(Not applicable to Tapacito - See Special Pool Rules).

RULE 16(B): The Secretary-Director may reclassify a marginal or non-marginal well at any time the well's production data, deliverability data, or other evidence as to the well's producing ability justifies such reclassification.

RULE 17: A well which is classified as a marginal well shall not be permitted to accumulate underproduction, and any underproduction accrued to a well prior to its classification as a marginal well shall be cancelled.

RULE 18: If, at the end of a proration period, a marginal well has produced more than the total allowable for the period assigned a non-marginal unit of like deliverability and acreage, the marginal well shall be reclassified as a non-marginal well and its allowable and net status adjusted accordingly.

RULE 19: A well which has been reworked or recompleted shall be classified as a non-marginal well as of the date

CASE No. 1937
Order No. R-1670

of reconnection to a pipeline until such time as production data, deliverability data, or other evidence as to the well's producing ability indicates that the well should be classified as a marginal well.

RULE 20: All wells not classified as marginal wells shall be classified as non-marginal wells.

F. REPORTING OF PRODUCTION

RULE 21(A): The monthly gas production from each well shall be metered separately and the gas production therefrom shall be reported to the Commission on Form C-115 in accordance with Rule 1114 of the Commission's Rules and Regulations, so as to reach the Commission on or before the 24th day of the month next succeeding the month in which the gas reported was produced. The operator shall show on such report what disposition has been made of the gas produced.

RULE 21(B): Each purchaser or taker of gas in each of the designated gas pools regulated by this order shall submit a report to the Commission, so as to reach the Commission on or before the 15th day of the month next succeeding the month in which the gas was purchased or taken.

RULE 21(C): Such report shall be filed on either Form C-111 or Form C-114 (whichever is applicable) with the wells being listed in approximately the same order as they are listed on the proration schedule.

RULE 21(D): Forms C-111 and C-114 referred to herein shall be submitted in triplicate, the original being sent to the Commission at Box 871, Santa Fe, New Mexico, the remaining copies being sent to 1000 Rio Brazos Road, Aztec, New Mexico and Box 2045, Hobbs, New Mexico, respectively.

G. GENERAL

RULE 22: No gas, either dry gas or casinghead gas, produced from the gas pools regulated by this order shall be flared or vented except as provided in the Special Pool Rules.

RULE 23: Failure to comply with the provisions of this order or the rules contained herein shall result in the cancellation of allowable assigned to the affected well. No further allowable shall be assigned to the affected well until all rules and regulations are complied with. The Secretary-Director shall notify the operator of the well and the purchaser, in writing, of the date of allowable cancellation and the reason therefor.

CASE No. 1937
Order No. R-1670

RULE 24: All transporters or users of gas shall file gas well connection notices with the Commission as soon as possible after the date of connection or reconnection in accordance with the provisions of Rule 8(C) and 10(B), respectively.

(See Special Pool Rules for each pool for orders applicable to that pool only. Special Pool Rules will be found in the same classification order as in the General section, and, unless the special rules conflict with the general rule, the general rule is also applicable.)

CASE No. 1937
Order No. R-1670

II. SPECIAL RULES AND REGULATIONS FOR THE AZTEC-PICTURED CLIFFS GAS POOL

(The Aztec-Pictured Cliffs Gas Pool was created March 15, 1950 and gas prorationing was instituted March 1, 1955)

A. WELL LOCATION AND ACREAGE REQUIREMENTS:

RULE 5(A): A standard gas proration unit in the Aztec-Pictured Cliffs Gas Pool shall be 160 acres.

G. GENERAL

RULE 22: No gas, either dry gas or casinghead gas, produced from the Aztec-Pictured Cliffs Gas Pool, except that gas used for "drilling-in" purposes, shall be flared or vented unless specifically authorized by order of the Commission after notice and hearing.

H. MISCELLANEOUS SPECIAL POOL RULES

RULE 25: The vertical limits of the Aztec-Pictured Cliffs Gas Pool shall be the Pictured Cliffs formation.

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

III. SPECIAL RULES AND REGULATIONS FOR THE BALLARD-PICTURED CLIFFS GAS POOL

(The Ballard-Pictured Cliffs Gas Pool was created February 9, 1955 and gas prorationing was instituted October 1, 1956. The Otero-Pictured Cliffs and Canyon Largo-Pictured Cliffs Gas Pools were consolidated into the Ballard Pictured-Cliffs Gas Pool May 1, 1959. This pool also includes acreage that was formerly included in the Fulcher Kutz-Pictured Cliffs Gas Pool.)

A. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 5(A): A standard gas proration unit in the Ballard-Pictured Cliffs Gas Pool shall be 160 acres.

C. ALLOCATION AND GRANTING OF ALLOWABLES

RULE 12: Gas used on the lease shall not be charged against the allowable.

G. GENERAL

RULE 22: No gas, either dry gas or casinghead gas, produced from the Ballard-Pictured Cliffs Gas Pool, except that gas used for "drilling-in" purposes, shall be flared or vented unless specifically authorized by order of the Commission after notice and hearing.

H. MISCELLANEOUS SPECIAL POOL RULES

RULE 25: The vertical limits of the Ballard-Pictured Cliffs Gas Pool shall be the Pictured Cliffs formation.

(Rule 25 does not actually appear as such in any of the existing pool rules.)

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

CASE No. 1937
Order No. R-1670

IV. SPECIAL RULES AND REGULATIONS FOR THE FULCHER KUTZ-PICTURED CLIFFS GAS POOL

(The Fulcher Kutz-Pictured Cliffs Gas Pool was created effective December 22, 1950 from a consolidation of the Fulcher Basin - Kutz Canyon Gas Pools. Gas prorationing was instituted March 1, 1955)

A. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 5(A): A standard gas proration unit in the Fulcher Kutz-Pictured Cliffs Gas Pool shall be 160 acres.

G. GENERAL

RULE 22: No gas, either dry gas or casinghead gas, produced from the Fulcher Kutz-Pictured Cliffs Gas Pool, except that gas used for "drilling-in" purposes, shall be flared or vented unless specifically authorized by order of the Commission after notice and hearing.

H. MISCELLANEOUS SPECIAL POOL RULES

RULE 25: The vertical limits of the Fulcher Kutz-Pictured Cliffs Gas Pool shall be the Pictured Cliffs formation.

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

CASE No. 1937
Order No. R-1670

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

(The South Blanco-Pictured Cliffs Gas Pool was created May 20, 1952 and prorationing was instituted March 1, 1955.)

A. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 5 (A): A standard gas proration unit in the South Blanco-Pictured Cliffs Gas Pool shall be 160 acres.

G. GENERAL

RULE 22: No gas, either dry gas or casinghead gas, produced from the South Blanco-Pictured Cliffs Gas Pool, except that gas used for "drilling-in" purposes, shall be flared or vented unless specifically authorized by order of the Commission after notice and hearing.

H. MISCELLANEOUS SPECIAL POOL RULES

RULE 25: The vertical limits of the South Blanco-Pictured Cliffs Gas Pool shall be the Pictured Cliffs formation.

(Rule 25 does not actually appear as such in any of the existing pool rules.)

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

CASE No. 1937
Order No. R-1670

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

(The Tapacito-Pictured Cliffs Gas Pool was created April 18, 1956 and prorationing was instituted August 1, 1958.)

A. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 2: Wells shall be located at least 790 feet from the outer boundaries of the drilling tract and no closer than 25 feet from any quarter-quarter section line or subdivision inner boundary. The Secretary-Director shall have authority to grant exception without notice and hearing where the application has been filed in due form and where the following facts exist and the following provisions are complied with:

- (A) The necessity for the unorthodox location is based on topographical conditions, and
- (B) 1. The ownership of all oil and gas leases within a radius of 790 feet of the proposed location is common with the ownership of the oil and gas leases under the proposed location, or
2. All owners of oil and gas leases within such radius consent in writing to the proposed location.
- (C) In lieu of Paragraph (B) 2 of this Rule the applicant may furnish proof of the fact that said offset operators were notified by registered mail of his intent to drill an unorthodox location. The Secretary-Director of the Commission may approve the application if, after a period of twenty days following the mailing of said notice, no operator has made objection to the drilling of the unorthodox location.

RULE 5(A): A standard gas proration unit in the Tapacito-Pictured Cliffs Gas Pool shall be 160 acres.

C. ALLOCATION AND GRANTING OF ALLOWABLES

RULE 9(B): The allowable to be assigned to each marginal well shall be equal to the maximum production of said well during any month of the preceding six months.

RULE 12: Gas used on the lease shall not be charged against the allowable

D. BALANCING OF PRODUCTION

RULE 15(B): If at any time a well is overproduced in an

CASE NO. 1937
Order No. R-1670

VI. SPECIAL RULES AND REGULATIONS FOR THE TAPACITO-PICTURED CLIFFS GAS POOL (CONT'D)

amount equalling six times its average monthly allowable for the last six months, it shall be shut-in during that month and each succeeding month until it is overproduced less than 6 times its average monthly allowable.

E. CLASSIFICATION OF WELLS

RULE 16(A): A well shall be classified as marginal if it has failed for six consecutive months to produce its average monthly allowable for the six months immediately preceding such reclassification provided such failure was not occasioned by curtailment to compensate for over-production, unless prior to such reclassification the operator or other interested party presents satisfactory evidence showing that the well should not be classified as marginal. However, a well shall not be classified as marginal if, during any one month of the six-month period, said well has demonstrated its ability to produce its six months average allowable.

G. GENERAL

RULE 22: No gas, either dry gas or casinghead gas, produced from the Tapacito-Pictured Cliffs Pool, except that gas used for drilling purposes or for maintaining the productivity of a well, shall be flared or vented unless specifically authorized by order of the Commission after notice and hearing.

H. MISCELLANEOUS SPECIAL POOL RULES

RULE 25: The vertical limits of the Tapacito-Pictured Cliffs Gas Pool shall be the Pictured Cliffs formation.

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

CASE No. 1937
Order No. R-1670

VII. SPECIAL RULES AND REGULATIONS FOR THE WEST KUTZ-PICTURED CLIFFS GAS POOL

(The West Kutz-Pictured Cliffs Gas Pool was created September 29, 1950 and prorationing was instituted March 1, 1955.)

A. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 5(A): A standard gas proration unit in the West Kutz-Pictured Cliffs Gas Pool shall be 160 acres.

RULE 5(B): In order to qualify for exception to Rule 5(A) without notice and hearing a proposed non-standard gas proration unit in the West Kutz-Pictured Cliffs Gas Pool, in addition to the requirements of Rule 5(B) of the General Rules, may not exceed 2640 feet in length or width.

G. GENERAL

RULE 22: No gas, either dry gas or casinghead gas, produced from the West Kutz-Pictured Cliffs Gas Pool, except that gas used for "drilling-in" purposes, shall be flared or vented unless specifically authorized by order of the Commission after notice and hearing.

H. MISCELLANEOUS SPECIAL POOL RULES

RULE 25: The vertical limits of the West Kutz-Pictured Cliffs Gas Pool shall be the Pictured Cliffs formation.

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

CASE No. 1937
Order No. R-1670

VIII. SPECIAL RULES AND REGULATIONS FOR THE BLANCO-MESAVERDE GAS POOL

(The Blanco Mesaverde Gas Pool was created February 25, 1949 and prorationing was instituted March 1, 1955. The Blanco-Mesaverde Gas Pool now includes acreage that was formerly included in the LaPlata Mesaverde, Northwest LaPlata Mesaverde, South LaPlata Mesaverde, and the Largo Mesaverde Gas Pools.)

A. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 2: Wells shall be located 990 feet from the outer boundary of either the Northeast or Southwest quarter of the section, subject to a variation of 200 feet for topographic conditions. Further tolerance shall be allowed by the Commission only in cases of extremely rough terrain where compliance would necessarily increase drilling costs.

RULE 5 (A): A standard gas proration unit in the Blanco-Mesaverde Gas Pool shall be 320 acres.

G. GENERAL

RULE 22: No gas, either dry gas or casinghead gas, produced from the Blanco-Mesaverde Gas Pool, except that gas used for "drilling-in" purposes, shall be flared or vented unless specifically authorized by order of the Commission after notice and hearing.

H. MISCELLANEOUS SPECIAL POOL RULES

RULE 25: The general and special rules and regulations contained in this order pertaining to the Blanco-Mesaverde Gas Pool shall be limited in their application to the present 4200-5100 foot productive horizon where the productive sands are contained between the top of the Cliff House Sand and the base of the Point Lookout Sand of the Mesaverde.

RULE 26: Surface Pipe. The surface pipe shall be set to a minimum depth of 100 feet, and where shallow potable water-bearing beds are present, the surface pipe shall be set to such shallow potable water bearing beds and a sufficient amount of cement shall be used to circulate the cement behind the pipe to the bottom of the cellar. This surface casing shall stand cemented for at least 24 hours before drilling plug or initiating tests. The surface casing shall be tested after drilling plug by bailing the hole dry. The hole shall remain dry for one hour to constitute

CASE No. 1937
Order No. R-1670

VIII. SPECIAL RULES AND REGULATIONS FOR THE BLANCO-MESAVERDE
GAS POOL (CONT'D)

satisfactory proof of a water shut-off. In lieu of the foregoing test, the cement job shall be tested by building up a pressure of 1,000 psi, closing the valves, and allowing to stand thirty minutes. If the pressure does not drop more than 100 pounds during that period, the test shall be considered satisfactory. This test shall be made both before and after drilling the plug. The Commission shall be notified at least 24 hours prior to the conducting of any test.

RULE 27: Production String. The production string shall be set on top of the Cliff House Sand with a minimum of 100 sacks of cement and shall stand cemented not less than 36 hours before testing the casing. This test shall be made by building up a pressure of 1,000 psi, closing the valves, and allowing to stand thirty minutes. If the pressure does not drop more than 100 pounds during that period, the test shall be considered satisfactory.

RULE 28: All cementing shall be done by the pump-and-plug method. Bailing tests may be used on all casing and cement tests, and drill stem tests may be used on cement tests in lieu of pressure tests. In making bailing test, the well shall be bailed dry and remain approximately dry for thirty minutes. If any string of casing fails while being tested by pressure or by bailing tests herein required, it shall be recemented and retested or an additional string of casing should be run and cemented. If an additional string is used, the same test shall be made as outlined for the original string. In submitting Form C-101, "Notice of Intention to Drill," the number of sacks of cement to be used on each string of casing shall be stated.

RULE 29: Any completed well which produces any oil shall be tubed. This tubing shall be set as near the bottom of the hole as practicable, but in no case shall tubing perforations be more than 250 feet from the bottom. The bottom of the tubing shall be restricted to an opening of less than 1 inch or bullplugged in order to prevent the loss of pressure bombs or other measuring devices.

RULE 30: Any well which produces oil shall be equipped with a meter setting of adequate size to measure efficiently the gas, with this meter setting to be

CASE No. 1937
Order No. R-1670

VIII. SPECIAL RULES AND REGULATIONS FOR THE BLANCO-MESAVERDE
GAS POOL (CONT'D)

installed on the gas vent or discharge line. Well-head equipment for all wells shall be installed and maintained in first-class condition, so that static bottom hole pressures and surface pressures may be obtained at any time by a duly authorized agent of the Commission. Valves shall be installed so that pressures may be readily obtained on the casing and also on the tubing, wherever tubing is installed. All connections subject to well pressure and all wellhead fittings shall be of first-class material, rated at 2,000 psi working pressure and maintained in gas-tight condition. There shall be at least one valve on each bradenhead. Operators shall be responsible for maintaining all equipment in first-class condition and shall repair or replace equipment where gas leakage occurs.

RULE 31: Drilling boilers shall not be set closer than 200 feet to any well or tank battery. All electrical equipment shall be in first-class condition and properly installed.

RULE 32: Wells shall not be shot or chemically treated until the permission of the Commission is obtained. Each well shall be shot or treated in such a manner as will not cause injury to the sand or result in water entering the oil or gas sand, and necessary precautions shall be taken to prevent injury to the casing. If shooting or chemical treatment results in irreparable injury to the well or to the oil or gas sand, the well shall be properly plugged and abandoned.

RULE 33: Bradenhead gas shall not be used either directly or expansively in engines, pumps or torches, or otherwise wasted. It may be used for lease and development purposes and for the development of nearby leases, except as prohibited above. Wells shall not be completed as Bradenhead gas wells unless special permission is obtained from the Commission.

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

CASE No. 1937
Order No. R-1670

I. GENERAL RULES AND REGULATIONS FOR THE PRORATED GAS POOLS OF SOUTHEASTERN NEW MEXICO

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

A. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 1: 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 pool, and not nearer to nor within the boundaries of another designated pool producing the same formation, shall be spaced, drilled, operated, and prorated in accordance with the regulations in effect in that pool.

RULE 2: After the effective date of this order each well drilled or recompleted on a standard gas proration unit within a gas pool regulated by this order shall be located not closer than 330 feet to a quarter-quarter section line or subdivision inner boundary line and not closer to the outer boundary line than the footages set out in the table immediately below:

<u>Standard Proration Unit</u>	<u>Footage From Unit Outer Boundary</u>
160 acres	660 feet
320 acres	660 feet
640 acres	1,980 feet

RULE 3: The Secretary-Director of the Commission shall have authority to grant exception to the requirements of Rule 2 without notice and hearing where the application has been filed in due form and where the following facts exist and the following provisions are complied with:

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

2. (a) The ownership of all oil and gas leases within a radius of 1,980 feet of the proposed location is common with the ownership of the oil and gas leases under the proposed location, or

(b) All owners of oil and gas leases within

CASE No. 1937
Order No. R-1670

such radius consent in writing to the proposed location.

(c) In lieu of Paragraph 2(b) of this rule, the applicant may furnish proof of the fact that said offset operators were notified by registered mail of his Application for Approval of an Unorthodox Location. (This information to offset operators should consist of the same information that is furnished to the Commission.) The Secretary-Director of the Commission may approve the application, if, after a period of at least 20 days following the mailing of said notice, no operator has made objection to the drilling of the unorthodox location. In the event an operator objects to the unorthodox location, the Commission shall consider the matter only after proper notice and hearing.

RULE 4: The provisions of Statewide Rule 104, Paragraph (k), shall not apply to the gas pools regulated by this order.

RULE 5(A): The acreage allocated to a gas well for proration purposes shall be known as the gas proration unit for that well. For the purpose of gas allocation in the gas pools regulated by this order, a standard proration unit shall consist of contiguous surface acreage and shall be substantially in the form of a square in pools having 160-acre or 640-acre standard proration units, and substantially in the form of a rectangle in pools having 320-acre standard proration units, and shall be a legal subdivision of the U. S. Public Land Surveys (quarter-section, section, or half-section, as applicable). A proration unit shall be considered to be a standard gas proration unit when it meets the above requirements and consists of acreage within the appropriate tolerance set out below:

<u>Standard Proration Unit</u>	<u>Acreage Tolerance For Standard Unit</u>
160 acres	158-162 acres
320 acres	316-324 acres
640 acres	632-648 acres

Any gas proration unit containing acreage within the appropriate tolerance limit above shall be considered to contain the number of acres in a standard unit for the purpose of computing allowables.

RULE 5(B): In establishing a non-standard gas proration

CASE No. 1937
Order No. R-1670

unit for gas pools regulated by this order where the standard gas proration unit is 640 acres, 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:

<u>Location</u>	<u>Maximum Acreage</u>
660-660	160 acres
660-1980	320 acres

RULE 5(C): The Secretary-Director of the Commission shall have authority to grant an exception to Rule 5(A) without notice and hearing where application has been filed in due form and where the following facts exist and the following provisions are complied with:

1. The proposed non-standard proration unit consists of less acreage than a standard proration unit, or where the unorthodox size or shape of the tract is due to a variation in legal subdivision of the U. S. Public Land Surveys.
2. The non-standard gas proration unit consists of contiguous quarter-quarter sections and/or lots.
3. The non-standard gas proration unit lies wholly within a single governmental quarter section in pools with 160-acre standard proration units except the Tubb Gas Pool, and within a single governmental section in the Tubb Gas Pool and in all pools with 320-acre or 640-acre standard proration units.
4. The entire non-standard gas proration unit may reasonably be presumed to be productive of gas from the applicable gas pool.
5. The length or width of the non-standard gas proration unit does not exceed 2,640 feet in pools with 160-acre standard proration units, and does not exceed 5,280 feet in pools with 320-acre or 640-acre standard proration units.
6. The applicant presents written consent in the form of waivers from:
 - (a) All operators owning interests outside the non-standard gas proration unit but in the same quarter section in pools having 160-acre standard proration units or in the same section in pools having 320-acre or 640-acre standard proration units, in which any part of the non-standard gas proration unit is situated, and

(b) All operators owning interests within 1,500 feet of the well to which such non-standard gas proration unit is proposed to be dedicated.

7. In lieu of subparagraph 6 of this rule, the applicant may furnish proof of the fact that said offset operators were notified by registered mail of his intent to form such non-standard gas proration unit. (This notification to offset operators should consist of the same information that is furnished to the Commission.) The Secretary-Director of the Commission may approve the application if, after a period of 30 days following the mailing of said notice, no operator has made objection to formation of such non-standard gas proration unit.

B. NOMINATIONS AND PRORATION SCHEDULE

RULE 6(A): At least 30 days prior to the beginning of each gas proration period, the Commission shall hold a hearing after due notice has been given. The Commission shall cause to be submitted by each gas purchaser its "Preliminary Nominations" of the amount of gas which each in good faith actually desires to purchase within the ensuing proration period, by months, from each of the gas pools regulated by this order. The Commission shall consider the "Preliminary Nominations" of purchasers, actual production, and such other factors as may be deemed applicable in determining the amount of gas that may be produced without waste within the ensuing proration period. "Preliminary Nominations" shall be submitted on a form prescribed by the Commission.

RULE 6(B): The term "gas purchaser" as used in these rules shall mean any "taker" of gas either at the well-head or at any point on the lease where connection is made for gas transportation or utilization. It shall be the responsibility of said "taker" to submit a nomination in accordance with Rule 6(A) and Rule 7 (A) of this order.

RULE 7(A): In the event a gas purchaser's market shall have increased or decreased, he may file with the Commission prior to the 10th day of the month a "Supplemental Nomination" showing the amount of gas he actually in good faith desires to purchase during the ensuing proration month from any gas pool regulated by this order. The Commission shall hold a public hearing between the 13th and 20th days of each month to determine the reasonable market demand for gas for the ensuing proration month, and shall issue a proration schedule setting out the amount of gas which each well may produce during the ensuing proration month along with such other

CASE No. 1937
Order No. R-1670

information as is necessary to show the allowable-production status of each well on the schedule. "Supplemental Nominations" shall be submitted on a form prescribed by the Commission.

RULE 7(B): The Commission shall include in the proration schedule the gas wells in the gas pools regulated by this order delivering to a gas transportation facility, or lease gathering system, 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 8(A): The total allowable to be allocated to each gas pool regulated by this order each month shall be equal to the sum of the "Preliminary" or "Supplemental Nominations" (whichever is applicable) for each pool, together with any adjustment which the Commission deems advisable. A monthly allowable shall be assigned to each well entitled to an allowable by allocating the pool allowable among all such wells in that pool in accordance with the procedure set out in the Special Pool Rules.

RULE 8(B): Allowables to newly completed gas wells shall commence in accordance with the provisions of the Special Pool Rules. No gas well shall be given an allowable until Form C-104 and Form C-110 have been filed, together with a plat (Form C-128) showing acreage attributed to said well and the location of all wells on the lease.

RULE 9(A): A well's "Acreage Factor" shall be determined to the nearest hundredth of a unit by dividing the acreage assigned to the well by 160 acres. However, the acreage tolerances provided in Rule 5(A) shall apply.

RULE 9(B): If, during a proration month, the acreage assigned to a well is increased, the operator shall notify the Commission in writing (Box 2045, Hobbs, New Mexico) of such increase by filing a revised plat (Form C-128). The increased allowable assigned the gas proration unit for the well shall be effective on the first day of the month following receipt of the notification by the Commission.

RULE 10(A): A marginal well shall be assigned an allowable equal to its maximum production during any month of the preceding gas proration period.

CASE No. 1937
Order No. R-1670

RULE 10(B): The pool allowable remaining after deducting the total allowable assigned to marginal wells shall be allocated among the non-marginal wells entitled to an allowable in such pool as provided for in the Special Pool Rules.

RULE 11: After notice and hearing, the Commission may assign minimum allowables in order to prevent the premature abandonment of wells.

RULE 12: The full production of gas from each well shall be charged against the well's allowable regardless of what disposition has been made of the gas; provided, however, that gas used on the lease for consumption in lease houses, treaters, compressors, combustion engines and other similar lease equipment shall not be charged against the well's allowable.

D. BALANCING OF PRODUCTION

RULE 13: The dates 7:00 a.m., January 1, and 7:00 a.m., July 1, shall be known as balancing dates, and the periods of time bounded by these dates shall be known as gas proration periods.

RULE 14(A): Underproduction: Any non-marginal well which has an underproduced status as of the end of a gas proration period shall be allowed to carry such underproduction forward into the next gas proration period and may produce such underproduction in addition to the allowable assigned during such succeeding period. Any allowable carried forward into a gas proration period and remaining unproduced at the end of such gas proration period shall be cancelled.

RULE 14(B): Production during any one month of a gas proration period in excess of the allowable assigned to a well for such month shall be applied against the underproduction carried into such period in determining the amount of allowable, if any, to be cancelled.

RULE 15(A): Overproduction: Any well 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, provided that such overproduction shall be made up during such succeeding period. Any well which has not made up the overproduction carried into a gas proration period by the end of such proration period shall be shut-in until such overproduction is made up. If, at any time, a well is overproduced an amount equalling six times

CASE No. 1937
Order No. R-1670

its current monthly allowable, it shall be shut-in during that month, and each succeeding month until the well is overproduced less than six times its current monthly allowable.

RULE 15(B): Allowable assigned to a well during any one month of a gas proration period in excess of the production for the same month shall be applied against the overproduction carried into such period in determining the amount of overproduction, if any, which has not been made up.

RULE 15(C): The Commission may allow overproduction to be made up at a lesser rate than would be the case if the well were completely shut-in upon a showing at public hearing after due notice that complete shut-in of the well would result in material damage to the well.

RULE 15(D): Any allowable accrued to a well at the end of a proration period due to the cancellation of underage and the redistribution thereof shall be applied against the overproduction carried into said proration period.

E. CLASSIFICATION OF WELLS

RULE 16(A): After the production data is available for the last month of each gas proration period, any well which had an underproduced status at the beginning of the preceding gas proration period and which did not produce its allowable during at least one month of such preceding gas proration period may be classified as a marginal well, unless, prior to the end of said preceding gas proration period, the operator or other interested party presents satisfactory evidence to the Commission showing that the well should not be so classified. However, a well which in any month of said proration period has demonstrated its ability to produce its allowable for said proration period shall not be classified as a marginal well.

RULE 16(B): The Secretary-Director may reclassify a marginal or non-marginal well at any time the well's production data, deliverability data, or other evidence as to the well's producing ability justifies such reclassification.

RULE 17: A well which is classified as a marginal well shall not be permitted to accumulate underproduction, and any underproduction accrued to a well prior to its classification as a marginal well shall be cancelled.

RULE 18: If, at the end of a proration period, a marginal well has produced more than the total allowable assigned a non-marginal unit of corresponding size, for that period, the marginal well shall be reclassified as a non-marginal well and its allowable and net status adjusted accordingly.

RULE 19: A well which has been reworked or recompleted shall be classified as a non-marginal well as of the date of reconnection to a pipeline until such time as production data, deliverability data, or other evidence as to the well's producing ability indicates that the well should be classified as a marginal well.

RULE 20: All wells not classified as marginal wells shall be classified as non-marginal wells.

F. REPORTING OF PRODUCTION

RULE 21(A): The monthly gas production from each well shall be metered separately and the gas production therefrom shall be reported to the Commission on Form C-115 in accordance with Rule 1114 of the Commission Rules and Regulations, so as to reach the Commission on or before the 24th day of the month next succeeding the month in which the gas was produced. The operator shall show on such report what disposition has been made of the gas produced.

RULE 21(B): Each purchaser or taker of gas in each of the designated gas pools regulated by this order shall submit a report to the Commission so as to reach the Commission on or before the 15th day of the month next succeeding the month in which the gas was purchased or taken.

RULE 21(C): Such report shall be filed on either Form C-111 or Form C-114 (whichever is applicable) with the wells being listed in approximately the same order as they are listed on the proration schedule.

RULE 21(D): Forms C-111 and C-114 referred to herein shall be submitted in duplicate, the original being sent to the Commission at Box 871, Santa Fe, New Mexico, the other copy being sent to Box 2045, Hobbs, New Mexico.

G. GENERAL

RULE 22: No gas, either dry gas or casinghead gas, produced from the gas pools regulated by this order shall be flared or vented except as provided in the Special Pool Rules.

CASE No. 1937
Order No. R-1670

RULE 23: Failure to comply with the provisions of this order or the rules contained herein shall result in the cancellation of allowable assigned to the affected well. No further allowable shall be assigned to the affected well until all rules and regulations are complied with. The Proration Manager shall notify the operator of the well and the purchaser, in writing, of the date of allowable cancellation and the reason therefor.

RULE 24: All transporters or users of gas shall file gas well connection notices with the Commission as soon as possible after the date of connection, in accordance with the provisions of Rule 8(B) of the Special Pool Rules. (Rule 24 does not actually appear in pool rules, but is Commission policy and added for information and clarification.)

(See Special Pool Rules for each pool for orders applicable to that pool only. Special Pool Rules will be found in the same classification order as in the General section, and, unless the special rules conflict with the general rule, the general rule is also applicable.)

CASE No. 1937
Order No. R-1670

II. SPECIAL RULES AND REGULATIONS FOR THE BLINEBRY GAS POOL

(The Blinebry Gas Pool was created February 17, 1953, and prorationing was instituted January 1, 1954.)

A. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 5(A): A standard gas proration unit in the Blinebry Gas Pool shall be 160 acres.

(Also see Rule 29 below.)

C. ALLOCATION AND GRANTING OF ALLOWABLES

RULE 8(A): The pool allowable remaining each month after deducting the total allowable assigned to marginal wells shall be allocated among the non-marginal wells entitled to an allowable in the proportion that each well's acreage factor bears to the total of the acreage factors for all non-marginal wells in the pool.

RULE 8(B): Allowables to newly completed gas wells shall commence on the date of connection to a gas transportation facility, as determined from an affidavit furnished to the Commission (Box 2045, Hobbs, New Mexico) by the purchaser, or the date of filing of Form C-104 and C-110 and a plat (Form C-128), whichever date is the later.

(Also see Rule 29 below.)

RULE 12: The production of intermediate or low pressure gas derived from the staging of the well fluids need not be charged against the well's gas allowable, provided that the said intermediate or low pressure gas is utilized in accordance with the provisions of Rule 34 below.

G. GENERAL

RULE 22: No gas, either dry gas or casinghead gas, shall be flared, vented or otherwise wasted in the Blinebry Gas Pool at any time after ninety (90) days from the date of completion of a well in said pool.

Any operator desiring to obtain an exception to the foregoing provision of this rule shall submit to the Secretary-Director of the Commission an application for such exception accompanied by a sworn statement setting forth the facts and circumstances which justify such exception. The Secretary-Director is hereby authorized to grant such exception when the granting of such is necessary to protect correlative rights, prevent waste, or prevent undue hardship on the applicant. The

CASE No. 1937
Order No. R-1670

II. SPECIAL RULES AND REGULATIONS FOR THE BLINEBRY GAS POOL
(CONT'D)

Secretary-Director shall (a) grant the exception within 15 days following receipt of the application and statement, or (b) set the application for hearing before the Commission at a regularly scheduled monthly hearing; provided, however, that no such applicant shall incur any penalty by reason of a delay in setting the application for hearing. Public notice of the hearing of the application shall be published in the manner provided by law.

Should the Secretary-Director grant an exception to the provision of Rule 22, notification of such exception shall be distributed to the Commission's regular mailing list.

H. MISCELLANEOUS SPECIAL POOL RULES

RULE 25: The vertical limits of the Blinebry Gas Pool shall extend from a point 75 feet above the "Blinebry Marker" to a point 300 feet below the "Blinebry Marker."

The "Blinebry Marker" shall be that point encountered in the Humble Oil and Refining Company State "S" Well No. 20, SW/4 NW/4 of Section 2, Township 22 South, Range 37 East, NMPM, at a depth of 5457 feet (Elevation 3380, Subsea Datum Minus 2077).

RULE 26: Any well drilled and completed in good faith prior to April 11, 1955, which well is situated within the horizontal boundaries of the Blinebry Gas Pool as herein defined, but which produces gas from a depth interval exceeding the vertical limits of the Blinebry Gas Pool as herein defined, is hereby validated and shall be classified as a gas well in the Blinebry Gas Pool, provided that said well conforms to the definition of a gas well in said pool as set out in Rule 27 (A) of these rules, and provided that the well is classified as a gas well in the Blinebry Gas Pool under the rules, regulations and orders in effect on April 10, 1955.

RULE 27 (A): A gas well in the Blinebry Gas Pool shall mean a well producing from within the vertical and horizontal limits of the Blinebry Gas Pool which:

1. Produces liquid hydrocarbons possessing a gravity of 51° API or greater, or
2. Produces liquid hydrocarbons possessing a

CASE No. 1937
Order No. R-1670

II. SPECIAL RULES AND REGULATIONS FOR THE BLINEBRY GAS POOL
(CONT'D)

gravity of less than 51° API but with a producing gas-liquid ratio of 32,000 cubic feet of gas or more per barrel of liquid hydrocarbon.

RULE 27 (B): A well producing from within the horizontal and vertical limits of the Blinebry Gas Pool and not classified as a gas well, as defined in Section (A) of this rule, shall be classified as an oil well in the Blinebry Oil Pool.

RULE 28: The Proration Manager may reclassify a well under Rule 27 if production data, gas-oil ratio tests or other evidence reflects the need for such reclassification.

For proration purposes, the effective date of such reclassification shall be the first day of the next succeeding month.

The Proration Manager will notify the operator of the reclassified well of such reclassification and the effective date thereof; provided, however, that operator may appeal such reclassification to the Secretary-Director of the Commission in writing.

RULE 29: In the event an oil well in the Blinebry Oil Pool is reclassified as a gas well in the Blinebry Gas Pool, 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, such well shall be allocated a gas allowable commensurate with the acreage contained in the unit formerly dedicated to the oil well in the Blinebry Oil Pool.

In the event such reclassification should cause the occurrence of two gas wells producing from the Blinebry Gas Pool within a single proration unit, the sum total of the allowables allocated to the two wells shall be equivalent to the volume of gas allocated to a single proration unit; provided, however, that the operator of such wells shall have the option to determine the proportion of the assigned allowable to be produced by each individual well.

RULE 30: Acreage dedicated to a gas well in the Blinebry Gas Pool shall not be simultaneously dedicated to an oil well in the Blinebry Oil Pool, and the dual completion of a well so as to produce gas from the Blinebry Gas Pool and oil from the Blinebry Oil Pool is hereby prohibited.

CASE No. 1937
Order No. R-1670

II. SPECIAL RULES AND REGULATIONS FOR THE BLINEBRY GAS POOL
(CONT'D)

RULE 31: At no time will the horizontal boundaries of the Blinebry Gas Pool conflict with or overlap the horizontal boundaries of the Terry-Blinebry Oil Pool.

RULE 32: Gas-liquid ratio tests and determination of the gravity of that liquid hydrocarbon recovered from wells in the Blinebry Gas Pool shall be conducted semiannually during the months of May and October on all wells located in and producing from the Blinebry Gas Pool. Results of such tests will be reported to the Commission on Form C-116 on or before the 15th day of June and the 15th day of November of each calendar year.

RULE 33: Bottom-hole pressure tests will be conducted semiannually during the months of May and October on all gas wells located to the north of an east-west line coinciding with the north lines of Sections 21, 22, 23 and 24, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico, such wells to be producing from within the vertical and horizontal boundaries of the Blinebry Gas Pool and classified as gas wells under the rules contained in this order. Results of such tests will be reported to the Commission on Form C-124 on or before the 25th day of June and the 25th day of November of each calendar year.

All bottom-hole pressure tests, except tests on dually completed wells producing from the Blinebry Gas Pool, will be conducted in accordance with Rule 302 of the Rules of the Commission. Shut-in period will be 48 hours, datum elevation will be 2400 feet subsea, (-2400), and base temperature will be 100° Fahrenheit.

Bottom-hole pressures on dually completed wells producing gas from the Blinebry Gas Pool may be calculated from a 72-hour shut-in pressure at the wellhead, provided that an accurate determination of the fluid level in the hole is made employing sonic or other methods of equivalent accuracy. The gravity of the fluid in the hole shall be that gravity determined by averaging the gravities of those fluids produced on official test in the Blinebry Gas Pool during the regular semiannual gas-liquid ratio and gravity testing period next preceding the subject bottom-hole pressure test period. The gravity to be employed in the calculation of bottom-hole pressures during a particular testing period shall be determined by the Commission. All interested operators shall be duly notified of such determination by the Commission.

CASE No. 1937
Order No. R-1670

II. SPECIAL RULES AND REGULATIONS FOR THE BLINEBRY GAS POOL
(CONT'D)

RULE 34: The following shall apply to all producing wells in the Blinebry Gas Pool:

(A) Gas produced from each well shall be produced into a separate high-pressure separator. The high-pressure gas shall then be metered separately prior to its entering a gas transportation facility.

(B) The distillate separated from the high-pressure gas in the high-pressure separator shall then be directed into a low-pressure separator. The distillate may be commingled with other distillate produced by any other well or wells producing from the Blinebry or Tubb Gas Pools following its separation from the high-pressure gas in the high-pressure separator, provided gas-distillate test facilities are available and periodic tests are made.

Following the separation of distillate and low-pressure gas in the low-pressure separator, 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 other low-pressure gas produced on the lease, provided that certain test facilities are available and certain periodic tests made.

(C) Each year during the months of June and July each operator of each gas well producing from the Blinebry Gas Pool shall cause to be taken an annual gas-distillate ratio test. The results of such test shall be submitted to the Commission office (P. O. Box 2045, Hobbs, New Mexico) on or before August 15 following the test. The test shall outline the amount of high-pressure gas produced during the 24-hour test period, the amount of low-pressure gas produced during the test period, the high-pressure gas-distillate ratio, and the low-pressure gas-distillate ratio.

Failure to submit the required test by August 15 shall result in suspension of any further gas allowable until the date the required information is submitted.

(D) In submitting Form C-115 (Operator's Monthly Report) on wells producing from the Blinebry zone in which distillate is commingled and/or the low-

CASE No. 1937
Order No. R-1670

II. SPECIAL RULES AND REGULATIONS FOR THE BLINEBRY GAS POOL
(CONT'D)

pressure gas is commingled with other low-pressure gas produced on the lease, the operator shall estimate if necessary the volume produced by each well in each pool by using the ratios as reflected in the most recent tests submitted.

(E) The Secretary-Director of the Commission shall have authority to grant exception to the provisions set forth in Sections (A) through (D) of this rule, inclusive, where it can be shown that compliance with these rules is not economic or is impractical. Applications for exception shall be submitted in triplicate to the Oil Conservation Commission, P. O. Box 871, Santa Fe, New Mexico, with a copy of each application being furnished offset operators.

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

CASE No. 1937
Order No. R-1670

III. SPECIAL RULES AND REGULATIONS FOR THE CROSBY-DEVONIAN GAS POOL

(The Crosby-Devonian Gas Pool was created May 27, 1955, and gas prorationing was instituted April 1, 1957.)

A. WELL LOCATION AND SPACING REQUIREMENTS

RULE 5(A): A standard gas proration unit in the Crosby-Devonian Gas Pool shall be 160 acres. (Note: The General Rules regarding administrative approval of non-standard units do not apply to the Crosby-Devonian Gas Pool.)

C. ALLOCATION AND GRANTING OF ALLOWABLES

RULE 8(A): The pool allowable remaining each month after deducting the total allowable assigned to marginal wells shall be allocated among the non-marginal wells entitled to an allowable in the proportion that each well's acreage factor bears to the total of the acreage factors for all non-marginal wells in the pool.

RULE 8(B): Allowables to newly completed gas wells shall commence on the date of connection to a gas transportation facility, as determined from an affidavit furnished to the Commission (Box 2045, Hobbs, New Mexico) by the purchaser, or the date of filing of Form C-104, Form C-110 and Form C-128 or the approval of a non-standard proration unit or filing of an affidavit of communitization, whichever date is the later.

RULE 8(C): The allowable revision for a well after workover or recompletion shall become effective:

(a) On the date of reconnection after workover, such date to be determined from Form C-104 as filed by the operators, or

(b) A date 15 days prior to the approval of Form C-104 by the Commission's office, (Box 2045, Hobbs, New Mexico); (Form C-104 shall specify the exact nature of the workover or remedial work; if the nature of the work cannot be explained on Form C-104, in that event, Form C-103 shall be also filed in accordance with Rule 1106 of the Commission's Statewide Rules and Regulations.)

whichever date is later.

H. MISCELLANEOUS SPECIAL POOL RULES

RULE 25: The vertical limits of the Crosby-Devonian Gas

CASE No. 1937
Order No. R-1670

III. SPECIAL RULES AND REGULATIONS FOR THE CROSBY-DEVONIAN GAS POOL
(CONT'D)

Pool shall include all the formations that can reasonably be considered to be of Devonian age.

RULE 26: Gas-liquid ratio tests shall be taken in accordance with the provisions of Rule 301 of the Commission Rules and Regulations as scheduled by the Commission.

RULE 27: The casing program for the field shall include three strings of casing set in accordance with the following plan:

(A) The surface string shall be new or reconditioned pipe with a mill test of not less than two thousand (2,000) pounds per square inch and shall be set and cemented at a depth of approximately five hundred (500) feet, such depth being sufficient to protect the fresh water bearing sands of the Santa Rosa formation.

Cementing shall be by the pump-and-plug method, and sufficient cement shall be used to fill the annular space back of the pipe to the surface of the ground or the bottom of the cellar. Cement shall stand a minimum of sixteen (16) hours under pressure and a total of twenty-four (24) hours before drilling the plug or initiating pressure tests. Before drilling the plug, this string shall be tested by the application of at least one thousand (1,000) pounds per square inch and, if at the end of thirty (30) minutes the pressure shows a drop of one hundred fifty (150) pounds per square inch or more, the cementing job shall be condemned. After corrective measures have been taken, the pipe shall again be tested in the same manner.

(B) The intermediate string shall consist of new or reconditioned pipe that has been tested to two thousand (2,000) pounds per square inch and shall be set at approximately thirty-six hundred (3,600) feet. Cementing shall be by the pump-and-plug method, and sufficient cement shall be used to fill the calculated annular space back of the pipe to a point one hundred (100) feet above the top of the Salado formation. The cement shall stand a minimum of twenty-four (24) hours under pressure and a total of thirty (30) hours before drilling plug or initiating tests. Casing shall be tested by the application of at least twelve hundred (1,200) pounds per square inch pump pressure. If, at the end of thirty (30) minutes, the pump pressure shows a drop of one hundred (100) pounds per square inch or more, the cementing job shall be condemned. After corrective measures have been taken,

CASE No. 1937
Order No. R-1670

III. SPECIAL RULES AND REGULATIONS FOR THE CROSBY-DEVONIAN GAS POOL
(CONT'D)

the pipe shall again be tested in the same manner.

(C) The producing or oil string shall be new or reconditioned casing that has been tested to four thousand (4,000) pounds per square inch and shall be set at a depth not less than the top of the Devonian formation. Cementing shall be with a minimum of three hundred fifty (350) sacks of cement applied by the pump-and-plug method and shall stand a minimum of twenty-four (24) hours under pressure and a total of forty-eight (48) hours before drilling the plug or initiating tests. After cementing, the casing shall be tested by pump pressure of at least thirty (30) minutes. If, at the end of 30 minutes the pressure shows a drop of one hundred (100) pounds per square inch or more, the cementing job shall be condemned. After corrective measures have been taken, the pipe shall again be tested in the same manner.

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

CASE No. 1937
Order No. R-1670

IV. SPECIAL RULES AND REGULATIONS FOR THE EUMONT GAS POOL

(The Eumont Gas Pool was created February 17, 1953, and proration was instituted 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. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 5(A): A standard gas proration unit in the Eumont Gas Pool shall be 640 acres.

RULE 5(B): Any well drilled to and producing from the Eumont Gas Pool, as defined herein, 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.

C. ALLOCATION AND GRANTING OF ALLOWABLES

RULE 8(A): The pool allowable remaining each month after deducting the total allowable assigned to marginal wells shall be allocated among the non-marginal wells entitled to an allowable in the proportion that each well's acreage factor bears to the total of the acreage factors for all non-marginal wells in the pool.

RULE 8(B): Allowables to newly completed gas wells shall commence on the date of connection to a gas transportation facility, as determined from an affidavit furnished to the Commission (Box 2045, Hobbs, New Mexico) by the purchaser, or the date of filing of Form C-104, Form C-110, and a plat (Form C-128), whichever date is the later.

G. GENERAL

RULE 22: No gas, either dry gas or casinghead gas, shall be flared or vented from any well at any time after ninety (90) days from the date such well is completed. Any operator who desires to obtain an exception to the provisions of Rule 22 of Section I of this order shall submit to the Secretary-Director of the Commission an application for such exception with a sworn statement setting forth the facts and circumstances justifying such exception. The Secretary-Director is hereby authorized to grant such an exception whenever the granting of the exception is reasonably necessary to protect correlative rights, prevent waste, or prevent undue hardship on the applicant under all the acts and circumstances as set forth in the statement. The Secretary-Director shall either (a) grant

CASE No. 1937
Order No. R-1670

IV. SPECIAL RULES AND REGULATIONS FOR THE EUMONT GAS POOL (CONT'D)

the exception within 15 days after receipt of the application and statement or (b) thereafter set the application for hearing by the Commission at a regular monthly hearing; provided, however, that no such applicant shall incur any penalty by reason of a delay in setting the application for hearing. Notice of hearing of the application shall be published in the manner provided by law and the Rules of the Commission. If the exception is granted by the Secretary-Director, a list of such exceptions shall be distributed in the Commission's regular mailing list.

The flaring or venting of gas from any well in violation of any provision of this rule will result in suspension of any further allowable until further order of the Commission.

RULE 22(A): Within 15 days after any oil or gas well within the boundaries of the Eumont Gas Pool is connected to a gas transportation facility, the operator shall file Form C-110 designating the disposition of gas from the well.

RULE 22(B): No extraction plant processing any gas from the Eumont Gas Pool shall flare or vent such gas unless such flaring or venting is made necessary by mechanical difficulties or unless the gas flared or vented is of no commercial value.

H. MISCELLANEOUS SPECIAL POOL RULES

RULE 25: 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.

RULE 26(A): A gas well shall mean a well producing with a gas-oil ratio in excess of 100,000 cubic feet of gas per barrel of oil.

RULE 26(B): A well producing from the Eumont Gas Pool and not classified as a gas well, as defined in Section (A) of this rule, shall be classified as an oil well.

RULE 26(C): Oil wells producing from the Eumont Gas Pool shall be allowed to produce a volume of gas each day not exceeding the daily normal unit oil allowable multiplied by 10,000; provided, however, that such well shall not be allowed to produce oil in excess of the normal unit allowable as ordered by the Commission under the provisions of Statewide Rule 505.

CASE No. 1937
Order No. R-1670

V. SPECIAL RULES AND REGULATIONS FOR THE JALMAT GAS POOL

(The Jalmat Gas Pool 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 Jalco and Langmat 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. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 5(A): A standard gas proration unit in the Jalmat Gas Pool shall be 640 acres.

RULE 5(B): Any well drilled to and producing from the Jalmat Gas Pool, as defined herein, 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.

C. ALLOCATION AND GRANTING OF ALLOWABLES

RULE 8(A): 1. The pool allowable remaining after deducting the total allowable assigned to marginal wells shall be allocated among the non-marginal wells in the pool as follows:

(a) Twenty-five percent (25%) of the remaining pool allowable shall be allocated among the non-marginal wells in the pool in the proportion that each well's "Acreage Factor" bears to the total "Acreage Factor" for all non-marginal wells in the pool.

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

2. A well's "AD Factor" shall be determined by multiplying the well's "Acreage Factor" by its "Calculated Deliverability" (expressed in MCF per day). The "AD Factor" shall be computed to the nearest whole unit. In those instances where there is more than one well on a proration unit, the "Calculated Deliverability" for the unit shall be determined by averaging the "Calculated Deliverabilities" of all the wells on the unit.

3. Annual deliverability tests shall be taken on all gas wells in the Jalmat Gas Pool in a manner and at

CASE No. 1937
Order No. R-1670

V. SPECIAL RULES AND REGULATIONS FOR THE JALMAT GAS POOL (CONT'D)

such time as the Commission may prescribe. The results of such tests shall determine a well's "Calculated Deliverability". The annual deliverability tests taken each year shall be used in calculating allowables for wells in the Jalmat Gas Pool for the succeeding twelve month period beginning July 1 of that year.

4. No well shall be assigned an allowable until a deliverability test has been filed with the Commission and approved.

5. The Secretary-Director of the Commission shall have authority to exempt marginal wells from the requirement of taking an annual deliverability test in those instances where the deliverability of the well is of such low volume as to have no significance in the determination of the well's allowable.

RULE 8(B): Allowables to newly completed gas wells shall commence:

1. On the date of connection to a gas transportation facility, such date to be determined from an affidavit furnished to the Commission (Box 2045, Hobbs, New Mexico) by the purchaser;

2. The latest filing date of Form C-104, C-110 or C-128; or

3. A date 45 days prior to the date upon which the well's deliverability and shut-in pressure test is reported to the Commission on Form C-122-C;

whichever date is later.

RULE 8(C): Retests and tests taken after recompletion or workover shall be taken in the same manner as provided in Rule 8(A) 3 above, and any change in the well's "Calculated Deliverability" resulting therefrom shall become effective:

1. On the date of reconnection after workover, such date to be determined from Form C-104 as filed by the operator; or

2. A date 45 days prior to the date upon which a well's deliverability and shut-in pressure test is reported to the Commission on Form C-122-C; or

3. A date 45 days prior to the receipt and approval of Form C-104 by the Commission Office (Box

CASE No. 1937
Order No. R-1670

V. SPECIAL RULES AND REGULATIONS FOR THE JALMAT GAS POOL (CONT'D)

2045, Hobbs, New Mexico). (Form C-104 shall specify the exact nature of the workover or remedial work. If the nature of the work cannot be explained on Form C-104, in that event, Form C-103 shall also be filed in accordance with Rule 1106 of the Commission's Statewide Rules and Regulations. Form C-128 (Well Location and Acreage Dedication Plat) shall be submitted by the operator at any time there is a change in the acreage dedicated to said well.),

whichever date is later.

G. GENERAL

RULE 22: No gas, either dry gas or casinghead gas, shall be flared or vented from any well at any time after ninety (90) days from the date such well is completed. Any operator who desires to obtain an exception to the provisions of Rule 22 of Section I of this order shall submit to the Secretary-Director of the Commission an application for such exception with a sworn statement setting forth the facts and circumstances justifying such exception. The Secretary-Director is hereby authorized to grant such an exception whenever the granting of the exception is reasonably necessary to protect correlative rights, prevent waste, or prevent undue hardship on the applicant under all the acts and circumstances as set forth in the statement. The Secretary-Director shall either (a) grant the exception within 15 days after receipt of the application and statement or (b) thereafter set the application for hearing by the Commission at a regular monthly hearing; provided, however, that no such applicant shall incur any penalty by reason of a delay in setting the application for hearing. Notice of hearing of the application shall be published in the manner provided by law and the Rules of the Commission. If the exception is granted by the Secretary-Director, a list of such exceptions shall be distributed in the Commission's regular mailing list.

The flaring or venting of gas from any well in violation of any provision of this rule will result in suspension of any further allowable until further order of the Commission.

RULE 22(A): Within 15 days after any oil or gas well within the boundaries of the Jalmat Gas Pool is connected to a gas transportation facility, the operator shall file Form C-110 designating the disposition of gas from the well.

RULE 22(B): No extraction plant processing any gas from

CASE No. 1937
Order No. R-1670

V. SPECIAL RULES AND REGULATIONS FOR THE JALMAT GAS POOL (CONT'D)

the Jalmat Gas Pool shall flare or vent such gas unless such flaring or venting is made necessary by mechanical difficulties or unless the gas flared or vented is of no commercial value.

H. MISCELLANEOUS SPECIAL POOL RULES

RULE 25(A): 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,

RULE 25(B): 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

RULE 26(A): A gas well shall mean a well producing with a gas-oil ratio in excess of 100,000 cubic feet of gas per barrel of oil.

RULE 26(B): A well producing from the Jalmat Gas Pool and not classified as a gas well shall be classified as an oil well.

RULE 26(C): Oil wells producing from the Jalmat Gas Pool shall be allowed to produce a volume of gas each day not exceeding the daily normal unit oil allowable multiplied by 10,000; provided, however, that such wells shall not be allowed to produce oil in excess of the normal unit allowable as ordered by the Commission under the provisions of Rule 505.

RULE 27: That portion of the Rhodes Storage Area lying within the defined limits of the Jalmat Gas Pool shall be exempted from the applicable provisions of the Jalmat Gas Pool Rules. The Rhodes Storage Area shall include the

CASE No. 1937
Order No. R-1670

V. SPECIAL RULES AND REGULATIONS FOR THE JALMAT GAS POOL (CONT'D)

following described area:

TOWNSHIP 26 SOUTH, RANGE 37 EAST, NMPM

Section 4: W/2 NW/4, SE/4 SE/4, W/2 SE/4, SW/4
Section 5: All
Section 6: NE/4 NW/4, NE/4, SE/4 SE/4, N/2 SE/4
Section 7: NE/4 NE/4
Section 8: N/2, N/2 S/2, SE/4 SW/4, S/2 SE/4
Section 9: All
Section 10: W/2 NW/4, SE/4 NW/4, S/2
Sections 15 and 16: All
Section 17: E/2 NW/4, E/2
Sections 21 and 22: All
Section 23: SW/4 NW/4, SW/4
Sections 26, 27, and 28: All
Section 29: E/2 NE/4

RULE 28: The dual completion of a well so as to produce oil from the Yates and oil from the Seven Rivers or Queen formations is hereby prohibited.

RULE 29: 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.

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

CASE No. 1937
Order No. R-1670

VI. SPECIAL RULES AND REGULATIONS FOR THE JUSTIS GAS POOL

(The Justis Gas Pool was created January 1, 1950, and gas proration was instituted January 1, 1954. The standard proration unit was changed from 160 acres to 320 acres October 3, 1957.)

A. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 5(A): A standard gas proration unit in the Justis Gas Pool shall be 320 acres.

C. ALLOCATION AND GRANTING ALLOWABLES

RULE 8(A): The pool allowable remaining each month after deducting the total allowable assigned to marginal wells shall be allocated among the non-marginal wells entitled to an allowable in the proportion that each well's acreage factor bears to the total of the acreage factors for all non-marginal wells in the Pool.

RULE 8(B): Allowables to newly completed gas wells shall commence on the date of connection to a gas transportation facility, as determined from an affidavit furnished to the Commission (Box 2045, Hobbs, New Mexico) by the purchaser, or the date of filing of Form C-104, Form C-110 and a plat (Form C-128), or the date of application for a non-standard gas proration unit as provided in Rule 5-C, of the General Rules.

H. MISCELLANEOUS SPECIAL POOL RULES

RULE 25(A): 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, 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.

RULE 25(B): 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.

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

CASE No. 1937
Order No. R-1670

VII. SPECIAL RULES AND REGULATIONS FOR THE TUBB GAS POOL

(The Tubb Gas Pool was created February 17, 1953, and proration was instituted January 1, 1954.)

A. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 5(A): A standard gas proration unit in the Tubb Gas Pool shall be 160 acres.

C. ALLOCATION AND GRANTING OF ALLOWABLES

RULE 8(A): The pool allowable remaining each month after deducting the total allowable assigned to marginal wells shall be allocated among the non-marginal wells entitled to an allowable in the proportion that each well's acreage factor bears to the total of the acreage factor for all non-marginal wells in the pool.

RULE 8(B): Allowables to newly completed gas wells shall commence on the date of connection to a gas transportation facility, as determined from an affidavit furnished to the Commission (Box 2045, Hobbs, New Mexico) by the purchaser, or the date of filing of Form C-104, Form C-110 and the plat (Form C-128), or the date of application for a non-standard gas proration unit as provided in Rule 5(C) of the General Rules, whichever date is the later.

RULE 12: The production of intermediate or low pressure gas derived from the staging of the well fluids need not be charged against the well's gas allowable, provided that the said intermediate or low pressure gas is utilized in accordance with the provisions of Rule 27 below.

H. MISCELLANEOUS SPECIAL POOL RULES

RULE 25: The vertical limits of the Tubb Gas Pool shall extend from a point 100 feet above the "Tubb Marker" to a point 225 feet below the "Tubb Marker". Said "Tubb Marker" shall be that point encountered in the Humble Oil and Refining Company State "S" Well No. 20 at a depth of 5921 feet (Elevation 3380, Subsea Datum Minus 2541).

RULE 26(A): An oil well in the Tubb Gas Pool shall be defined as a well which produces hydrocarbons possessing a gravity of 45^o API or less.

RULE 26(B): An oil well in the Tubb Gas Pool shall have dedicated thereto a proration unit consisting of 40 acres, more or less, being a governmental quarter-quarter section legal subdivision of the United States Public Land Surveys.

CASE No. 1937
Order No. R-1670

VII. SPECIAL RULES AND REGULATIONS FOR THE TUBB GAS POOL (CONT'D)

RULE 26(C): No acreage shall be simultaneously dedicated to an oil well and to a gas well in the Tubb Gas Pool.

RULE 26(D): The limiting gas-oil ratio for oil wells in the Tubb Gas Pool shall be 2000 cubic feet of gas for each barrel of oil produced.

RULE 27: The following shall apply to all producing wells in the Tubb Gas Pool:

(A) Gas produced from each well shall be produced into a separate high-pressure separator. The high-pressure gas shall then be metered separately prior to its entering a gas transportation facility.

(B) The distillate separated from the high-pressure gas in the high-pressure separator shall then be directed into a low-pressure separator. The distillate may be commingled with other distillate produced by any other well or wells producing from the Tubb or Blinebry Gas Pools following its separation from the high-pressure gas in the high-pressure separator, provided gas-distillate test facilities are available and periodic tests are made.

Following the separation of distillate and low-pressure gas in the low-pressure separator, 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 other low-pressure gas produced on the lease, provided that certain test facilities are available and certain periodic tests made.

(C) Each year during the months of June and July each operator of each gas well producing from the Tubb Gas Pool shall cause to be taken an annual gas-distillate ratio test. The results of such test shall be submitted to the Commission office (P. O. Box 2045, Hobbs, New Mexico) on or before August 15 following the test. The test shall outline the amount of high-pressure gas produced during the 24-hour test period, the amount of low-pressure gas produced during the test period, the high-pressure gas-distillate ratio, and the low-pressure gas-distillate ratio. Failure to submit the required test by August 15 shall result in suspension of any further gas allowable until the date the required information is submitted.

(D) In submitting Form C-115 (Operator's Monthly

CASE No. 1937
Order No. R-1670

VII. SPECIAL RULES AND REGULATIONS FOR THE TUBB GAS POOL (CONT'D)

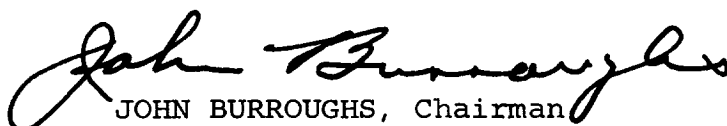
Report) on wells producing from the Tubb zone in which distillate is commingled and/or the low-pressure gas is commingled with other low-pressure gas produced on the lease, the operator shall estimate if necessary the volumes produced by each well in each pool by using the ratios as reflected in the most recent tests submitted.

(E) The Secretary-Director of the Commission shall have authority to grant exception to the provisions set forth in Sections (A) through (D) of this rule, inclusive, where it can be shown that compliance with these rules is not economic or is impractical. Applications for exception shall be submitted in triplicate to the Oil Conservation Commission, P. O. Box 871, Santa Fe, New Mexico, with a copy of each application being furnished offset operators.

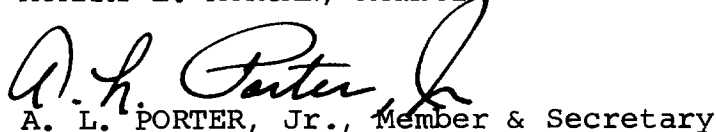
(General Pool Rules also apply unless in conflict with these Special Pool Rules)

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


JOHN BURROUGHS, Chairman


MURRAY E. MORGAN, Member


A. L. PORTER, Jr., Member & Secretary

S E A L

esr/

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 673
Order No. R-520

THE APPLICATION OF THE OIL CONSERVATION
COMMISSION UPON ITS OWN MOTION FOR AN
ORDER AMENDING, REVISING OR ABROGATING
EXISTING RULES AND REGULATIONS OF THE
OIL CONSERVATION COMMISSION, AND/OR
PROMULGATING RULES AND REGULATIONS,
RELATING TO GAS POOL DELINEATION, GAS
PRORATION, AND OTHER RELATED MATTERS,
AFFECTING OR CONCERNING THE JALCO,
LANGMAT, EUMONT, AND ARROW GAS POOLS,
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m., on March 17, 1954, April 15, 1954, May 10, 1954, and May 11, 1954, at Santa Fe, New Mexico, before the Oil Conservation Commission, hereinafter referred to as the "Commission".

NOW, on this 12th. day of August, 1954, the Commission, a quorum being present, having considered the records and testimony adduced and being fully advised in the premises,

FINDS:

(1) That due notice of the time and place of hearing and the purpose thereof having been given as required by law, the Commission has jurisdiction of this case and the subject matter thereof.

(2) That under date of February 17, 1953, the Commission issued its Order No. R-264 creating the Jalco, Langmat, Arrow, and Eumont Gas Pools. That Order R-264 defined the vertical and horizontal limits of the Langmat, Jalco, Eumont and Arrow gas pools and that by subsequent orders the Commission extended the horizontal limits of the Jalco and Eumont Gas Pools and extended the vertical limits of the Eumont Gas Pool.

(3) That under date of September 28, 1953, the Commission issued its Orders Nos. R-368, R-369, R-370 and R-371 and under date of November 10, 1953, the Commission issued its Orders Nos. R-368-A, R-369-A, R-370-A and R-371-A, providing rules, definitions and procedures to be followed in prorating gas in the Jalco,

Entered August 16, 1954 - J.R.

Order No. R-520

Langmat, Eumont and Arrow gas pools; and by subsequent orders issued after due notice and hearing, the Commission allocated production of gas in said pools commencing January 1, 1954.

(4) That the Eumont and Arrow Gas Pools are separate gas reservoirs and should be defined vertically and horizontally as set forth in this order; that the Jalco and Langmat Gas Pools are in fact one common gas reservoir, and said reservoir should be designated the "Jalco Gas Pool" and delineated as set forth in this order.

(5) That the producing capacity of the gas wells in the Jalco, Eumont and Arrow Gas Pools is greater than the market demand for gas from each of such pools.

(6) That for the prevention of waste it is necessary to allocate and prorate the gas production among the gas wells in the Jalco, Eumont and Arrow Gas Pools in accordance with provisions of this order.

(7) That the protection and proper recognition of correlative rights as such rights are defined by Section 26 (h) Chapter 168, New Mexico Session Laws of 1949, require that the gas production from the Jalco, Eumont and Arrow gas pools be prorated in accordance with the terms and provisions of this order.

(8) That the Rules and Regulations hereinafter set forth in this order are in all respects in the interests of conservation and provide for the allocation of the allowable production among the gas wells in the Jalco, Eumont and Arrow gas pools upon a reasonable basis and give appropriate recognition to correlative rights.

(9) That one gas well in the Jalco, Eumont and Arrow Gas Pools can efficiently drain 640 acres.

(10) That for the prevention of waste, a limiting gas-oil ratio of 10,000 should be assigned to the units in the following pools, namely: Cooper-Jalco Oil Pool, Langlie-Mattix Oil Pool, South Eunice Oil Pool, Penrose-Skelly Oil Pool, Leonard Oil Pool, South Leonard Oil Pool, Hardy Oil Pool, Rhodes Oil Pool, Jalco Gas Pool, Arrow Gas Pool and Eumont Gas Pool.

(11) To prevent waste, the vertical limits of the following oil pools namely: Eunice Monument Oil Pool, Arrowhead Oil Pool, South Eunice Oil Pool, Langlie-Mattix Oil Pool, Cooper-Jalco Oil Pool, Rhodes Oil Pool, Eaves Oil Pool, Hardy Oil Pool, Penrose-Skelly Oil Pool, Leonard Oil Pool, South Leonard Oil Pool, should be redefined as provided hereinafter in this order so that the vertical limits of the said oil pools will not conflict with the vertical limits of overlying gas pools.

(12) That the horizontal limits of the oil pools named in Finding No. 1, should be defined as hereinafter set forth in this order.

(13) That the Falby-Yates Oil Pool should be abolished.

(14) That in the interests of conservation, the special rules hereinafter set forth governing the production of oil from wells completed within the vertical and horizontal limits of the Jalmat, Eumont and Arrow gas pools should be adopted.

(15) That for the prevention of waste and the protection of correlative rights, the special rules contained in this order should be adopted to govern the production of oil from wells completed or recompleted in such a manner that the bore hole of the well is open in both the upper gas pools and the underlying oil pools.

(16) That for the prevention of waste a "no-flare" rule should be adopted to prohibit the flaring, venting, or wasting of casinghead gas or any other type of gas in any of the gas or oil pools referred to and affected by this order.

IT IS THEREFORE ORDERED:

(1) That the Jalmat Gas Pool be and the same hereby is created. 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. The horizontal limits of the Jalmat Gas Pool shall be the area as described in Exhibit "A" attached hereto and made a part hereof.

(2) That the vertical limits of the Eumont Gas Pool, heretofore created, 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. The horizontal limits of the Eumont Gas Pool shall be the area as described in Exhibit "B" attached hereto and made a part hereof.

(3) That the vertical limits of the Arrow Gas Pool, heretofore created, 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. The horizontal limits of the Arrow Gas Pool shall be the area as described in Exhibit "C" attached hereto and made a part hereof.

(4) That the vertical limits of the Eunice-Monument Oil Pool, heretofore created, shall include all of the Grayburg and San Andres formations. The horizontal limits of the Eunice-Monument Oil Pool shall be the area as described in Exhibit "D" attached hereto and made a part hereof.

(5) That the vertical limits of the Arrowhead Oil Pool shall include all of the Grayburg formation.

(6) That the vertical limits of the following oil pools, heretofore created, defined and described shall extend from a point 100 feet above the base of the Seven Rivers formation to the base of the Queen formation.

Cooper-Jal Oil Pool
South Eunice Oil Pool
Langlie-Mattix Oil Pool

(7) That the horizontal limits of the Cooper-Jal Oil Pool shall be the area as described in Exhibit "E" attached hereto and made a part hereof.

(8) That the horizontal limits of the Langlie-Mattix Oil Pool shall be the area as described in Exhibit "F" attached hereto and made a part hereof.

(9) That the horizontal limits of the South Eunice Oil Pool shall be the area as described in Exhibit "G" attached hereto and made a part hereof.

(10) That no gas, either dry gas or casinghead gas, shall be flared or vented in the following pools unless specifically authorized by order of the Commission after notice and hearing:

- Eunice-Monument Oil Pool
- South Eunice Oil Pool
- Hardy Oil Pool
- Penrose-Skelly Oil Pool
- Cooper-Jal Oil Pool
- Arrowhead Oil Pool
- Langlie-Mattix Oil Pool
- Rhodes Oil Pool
- Leonard Oil Pool
- South Leonard Oil Pool
- Eaves Oil Pool
- Arrow Gas Pool
- Eumont Gas Pool
- Jalmat Gas Pool

This rule shall become effective November 1, 1954. Any operator desiring to obtain exception from the provisions of this rule shall apply for hearing prior to September 15, 1954. All operators shall file Form C-110, in duplicate, designating thereon the disposition of all dry gas or casinghead gas from each well in each pool listed above. Within 15 days after completion of any oil or gas well within the boundaries of the above listed pools, the operator shall file Form C-110 designating the disposition of gas from the well.

Failure to comply with the provisions of this rule within the prescribed time limits will result in the suspension of any further allowable. Extraction plants processing any gas from any of the above designated pools shall comply with the "no-flare" provisions of this rule, provided however, that the restriction may be lifted when mechanical difficulties arise or when the gas flared is of no commercial value.

(11) That oil wells producing from the following named pools shall be allowed to produce a volume of gas each day not exceeding the daily normal unit oil allowable multiplied by 10,000; provided however, that such well shall not be allowed to produce oil in excess of the normal unit allowable as ordered by the Commission under the provisions of Rule 505: Cooper-Jal Oil Pool, Langlie-Mattix Oil Pool, South Eunice Oil Pool, Penrose-Skelly Oil Pool, Leonard Oil Pool, South Leonard Oil Pool, Hardy Oil Pool and Rhodes Oil Pool.

(12) That the Falby-Yates Oil Pool as heretofore created, defined and described shall be abolished and all oil wells presently producing from the Falby-Yates Oil Pool shall be governed by the applicable rules of the Jalmat Gas Pool.

(13) That that portion of the Rhodes Storage Area lying within the defined limits of the Jalmat Gas Pool shall be exempted from the applicable provisions of the Jalmat Gas Pool Rules. The Rhodes Storage Area shall include the following described area:

TOWNSHIP 26 South, RANGE 37 East, NMPM
Sec. 4: W/2 NW/4, SE/4 SE/4, W/2 SE/4, SW/4;
Sec. 5: All
Sec. 6: NE/4 NW/4, NE/4, SE/4 SE/4, N/2 SE/4
Sec. 7: NE/4 NE/4
Sec. 8: N/2, N/2 S/2, SE/4 SW/4, S/2 SE/4
Sec. 9: All
Sec. 10: W/2 NW/4, SE/4 NW/4, S/2
Secs. 15 & 16: All
Sec. 17: E/2 NW/4, E/2
Sec. 20: E/2
Secs. 21:
and 22: All
Sec. 23: SW/4 NW/4, SW/4
Secs. 26, 27, & 28: All
Sec. 29: E/2 NE/4

That special pool rules applicable to the Jalmat Gas Pool be, and the same hereby are promulgated as follows:

SPECIAL RULES AND REGULATIONS FOR
THE JALMAT GAS POOL

Well Spacing and Acreage Requirements for Drilling Tracts.

RULE 1. Any well drilled a distance of one mile or more outside the boundary of the Jalmat Gas Pool shall be classified as a wildcat well. Any well drilled less than one mile outside the boundary of the Jalmat Gas Pool shall be spaced, drilled, operated and prorated in accordance with the regulations in effect in the Jalmat Gas Pool.

RULE 2. Each well drilled or recompleted within the Jalmat Gas Pool on a standard proration unit after the effective date of this rule shall be drilled not closer than 1980 feet to any boundary line of the tract nor closer than 330 feet to a quarter-quarter section line or subdivision inner boundary line. Any well drilled to and producing from the Jalmat Gas Pool prior to the effective date of this order at a location conforming to the spacing requirements effective at the time said well was drilled shall be considered to be located in conformance with this rule.

RULE 3. The Secretary of the Commission shall have authority to grant exception to the requirements of Rule 2 without notice and hearing where application has been filed in due form and the necessity for the unorthodox location is based on topographical conditions or is occasioned by the recompletion of a well previously drilled to another horizon.

Applicants shall furnish all operators within a 1980-foot radius of the subject well a copy of the application to the Commission, and applicant shall include with his application a list of names and addresses of all operators within such radius, together with a stipulation that proper notice has been given said operators at the addresses given. The Secretary of the Commission shall wait at least 20 days before approving any such unorthodox location, and shall approve such unorthodox location only in the absence of objection of any offset operators. In the event an operator objects to the unorthodox location the Commission shall consider the matter only after proper notice and hearing.

RULE 4. The provisions of Statewide Rule 104, Paragraph (k), shall not apply to the Jalmat Gas Pool located in Lea County, New Mexico.

GAS PRORATION

RULE 5. (a) The acreage allocated to a gas well for proration purposes shall be known as the gas proration unit for that well. For the purpose of gas allocation in the Jalmat Gas Pool, a standard proration unit shall consist of between 632 and 648 contiguous surface acres substantially in the form of a square which shall be a legal subdivision (section) of the U. S. Public Land Surveys with a well located at least 1980 feet from the nearest property lines; provided, however, that a non-standard gas proration unit may be formed after notice and hearing by the Commission, or under the provision of Paragraph (b) of this Rule.

The allowable production from any non-standard gas proration unit as compared with the allowable production therefrom if such tract were a standard unit shall be in the ratio of the area of such non-standard proration unit expressed in acres to 640 acres. Any gas proration unit containing between 632 and 648 acres shall be considered to contain 640 acres for the purpose of computing allowables.

In establishing a non-standard gas proration unit 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; provided, however, that any well drilled to and producing from the Jalmat Gas Pool, as defined herein, prior to the effective date of this order at a location conforming

to the acreage contained in all gas proration units assigned to non-marginal wells in the Jalmat Gas Pool.

RULE 7. At least 30 days prior to the beginning of each gas proration period the Commission shall hold a hearing after due notice has been given. The Commission shall cause to be submitted by each gas purchaser its "Preliminary Nominations" of the amount of gas which each in good faith actually desires to purchase within the ensuing proration period, by months, from the Jalmat Gas Pool. The Commission shall consider the "Preliminary Nominations" of purchasers, actual production, and such other factors as may be deemed applicable in determining the amount of gas that may be produced without waste within the ensuing proration period. "Preliminary Nominations" shall be submitted on a form prescribed by the Commission.

RULE 8. In the event a gas purchaser's market shall have increased or decreased, he may file with the Commission prior to the 10th day of the month a "supplemental" nomination, showing the amount of gas he actually in good faith desires to purchase during the ensuing proration month from the Jalmat Gas Pool. The Commission shall hold a public hearing between the 15th and 20th days of each month to determine the reasonable market demand for gas for the ensuing proration month, and shall issue a proration schedule setting out the amount of gas which each well may produce during the ensuing proration month.

Included in the monthly proration schedule shall be (a) a summary of the total pool allocation for that month showing nominations, and adjustments made for underage or overage applied from a previous month, (b) a tabulation of the net allowable, and production for the second preceding month together with a cumulative overage or underage computation, (c) a tabulation of the current and net allowables for the preceding month, (d) a tabulation of current monthly allowables for the ensuing proration month, and (e) a tabulation of the acreage assigned each well together with a tabulation of the acreage factor assigned each well. For the purpose of allocation a proration unit of 640 acres shall be assigned an acreage factor of 4.00; a proration unit of 160 acres a factor of 1.00, etc.

"Supplemental Nominations" shall be submitted on a form prescribed by the Commission.

The Commission shall include in the proration schedule the gas wells in the Jalmat Gas Pool delivering to a gas transportation facility, or lease gathering system, and shall include in the proration schedule of the Jalmat Gas Pool any well which it finds is being unreasonably discriminated against through denial of access to a gas transportation facility, which is reasonably capable of handling the type of gas produced by such well. The total allowable to be allocated to the pool each month shall be equal to the sum of the preliminary or supplemental nominations (whichever is applicable), together with any adjustment which the Commission deems advisable.

If during a proration month the acreage assigned a well is increased the operator shall notify the Proration Manager in writing (Box 2045, Hobbs, New Mexico) of such increase. The increased allowable assigned the gas proration unit for the

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 distances from the boundary lines. The maximum acreage which shall be assigned with respect to the well's location shall be as follows:

<u>Location</u>	<u>Maximum Acreage</u>
660' - 660'	160 acres
660' - 1980'	320 acres

(b) The Secretary of the Commission shall have authority to grant an exception to Rule 5 (a) without Notice and Hearing where application has been filed in due form and where the following facts exist and the following provisions are complied with;

1. The non-standard gas proration unit consists of contiguous quarter-quarter sections and/or lots.

2. The non-standard gas proration unit lies wholly within a single governmental section.

3. The entire non-standard gas proration unit may reasonably be presumed to be productive of gas.

4. The length or width of the non-standard gas proration unit does not exceed 5280 feet.

5. The applicant presents written consent in the form of waivers from (a) all operators owning interests in the quarter sections in which any part of the non-standard gas proration unit is situated and which acreage is not included in said non-standard gas proration unit, and (b) all operators owning interests within 1500 feet of the well to which such gas proration unit is proposed to be allocated.

6. In lieu of paragraph 5 of this rule, the applicant may furnish proof of the fact that said offset operators were notified by registered mail of his intent to form such non-standard gas proration unit. The Secretary of the Commission may approve the application if, after a period of 30 days following the mailing of said notice, no operator has made objection to formation of such non-standard gas proration unit.

RULE 6. (a) The Commission after notice and hearing, shall consider the nominations of gas purchasers from the Jalmat Gas Pool and other relevant data and shall fix the allowable production of the Jalmat Gas Pool.

(b) The allowable assigned to any well capable of producing its normal gas allowable in the Jalmat Gas Pool shall be the same proportion of the total remaining allowable allocated to said pool after deducting allowables of marginal wells that the number of acres contained in the gas proration unit for that well bears

well shall be effective on the first day of the month following receipt of the notification by the Proration Manager.

BALANCING OF PRODUCTION

RULE 9. Underproduction: The dates 7:00 a. m. , January 1, and 7:00 a. m. , July 1, shall be known as balancing dates and the periods of time bounded by these dates shall be known as gas proration periods. The amount of current gas allowable remaining unproduced at the end of each proration period shall be carried forward to and may be produced during the next succeeding proration period in addition to the normal gas allowable for such succeeding period; but whatever amount thereof is not made up within the first succeeding proration period shall be cancelled.

If it appears that such continued underproduction has resulted from inability of the well to produce its allowable, it may be classified as a marginal well and its allowable reduced to the well's ability to produce.

If at the end of a proration period a marginal well has produced more than the total allowable assigned a non-marginal unit of corresponding size, the marginal well shall be reclassified as a non-marginal well and its allowable adjusted accordingly.

If during a proration period a marginal well is reworked or recompleted in such a manner that its productive capacity is increased to the extent that it should be reclassified as a non-marginal well, the reclassification shall be effective on the first day of the proration month following the date of recompletion.

The Proration Manager may reclassify a well at any time if production data or deliverability tests reflect the need for such a reclassification.

RULE 10. Overproduction: A well which has produced a greater amount of gas than was allowed during a given proration period shall have its allowable for the first succeeding proration period reduced by the amount of such overproduction and such overproduction shall be made up within the first succeeding proration period. If, at the end of the first succeeding proration period, the well is still overproduced, and has not been in balance since the end of the preceding proration period, then it shall be shut in and its current monthly allowable charged against said overproduction until the well is in balance. If, at any time, a well is overproduced an amount equaling six times its current monthly allowable, it shall be shut in until it is in balance.

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

GRANTING OF ALLOWABLES

RULE 11. No gas well shall be given an allowable until Form C-104 and Form C-110 have been filed together with a plat showing acreage attributed to said well and the locations of all wells on the lease.

RULE 12. Allowables to newly completed gas wells shall commence on the date of connection to a gas transportation facility, as determined from an affidavit furnished to the Commission (Box 2045, Hobbs, New Mexico) by the purchaser, or the date of filing of Form C-104 and Form C-110 and the plat described above, whichever date is the later.

REPORTING OF PRODUCTION

RULE 13. The monthly gas production from each well shall be metered separately and the gas production therefrom shall be reported to the Commission on Form C-115 so as to reach the Commission on or before the 20th day of the month next succeeding the month in which the gas was produced. The operator shall show on such report what disposition has been made of the gas produced.

Each purchaser or taker of gas in the Jalmat Gas Pool shall submit a report to the Commission so as to reach the Commission on or before the 20th day of the month next succeeding the month in which the gas was purchased or taken.

Such report shall be filed on either Form C-111 or Form C-114 (whichever is applicable) with the wells being listed in approximately the same order as they are listed on the proration schedule.

Forms C-111 and C-114 referred to herein shall be submitted in duplicate, the original being sent to the Commission at Box 871, Santa Fe, New Mexico, the other copy being sent to Box 2045, Hobbs, New Mexico.

Form C-115 shall be submitted in accordance with Rule 1114 of the Commission's Rules and Regulations.

The full production of gas from each well shall be charged against the well's allowable regardless of what disposition has been made of the gas; provided, however, that gas used on the lease for consumption in lease houses, treaters, compressors, combustion engines and other similar lease equipment shall not be charged against the well's allowable.

DEFINITIONS

RULE 14. A gas well shall mean a well producing with a gas-oil ratio in excess of 100,000 cubic feet of gas per barrel of oil.

RULE 15. A well producing from the Jalmat Gas Pool and not classified as a gas well as defined in Rule 14 shall be classified as an oil well.

RULE 16. The term "gas purchaser" as used in these rules, shall mean any "taker" of gas either at the wellhead or at any point on the lease where connection is made for gas transportation or utilization. It shall be the responsibility of said "taker" to submit a nomination.

RULE 17. No gas, either dry gas or casinghead gas, produced from the Jalmat Gas Pool shall be flared or vented unless specifically authorized by order of the Commission after notice and hearing.

RULE 18. Oil wells producing from the Jalmat Gas Pool shall be allowed to produce a volume of gas each day not exceeding the daily normal unit oil allowable multiplied by 10,000; provided, however, that such well shall not be allowed to produce oil in excess of the normal unit allowable as ordered by the Commission under the provisions of Rule 505.

PROVIDED FURTHER, After the effective date of this order no well shall be completed or recompleted in such a manner that the producing zone of the overlying gas pool and the producing zone of the underlying oil pool are both open in the same well bore unless specifically authorized by order of the Commission after notice and hearing. Dual completions may be effected in accordance with the provisions of Rule 112-A of the Commission's Rules and Regulations.

Any well presently completed in such a manner that the well bore is open to both the overlying gas pool and the underlying oil pool shall be assigned to either the gas pool or the oil pool by the Commission staff. Any operator of any well completed in such a manner shall submit to the Commission office at Hobbs, New Mexico, all pertinent well completion data on Form C-105, together with electric logs, sample logs, drill stem test records, etc. All data shall be submitted in duplicate on or before September 15, 1954. Failure of any operator to submit the required data will result in cancellation of Form C-110 and subsequent cancellation of allowables.

If the operator is not satisfied with the well's assignment he may apply for a hearing on the matter in accordance with Commission Rule 1203.

PROVIDED FURTHER, Gas-Oil Ratio Tests shall be taken in accordance with the provisions of Rule 301 of the Commission's Rules and Regulations.

Gas-Oil Ratio Tests shall be taken in all oil or gas pools in accordance with the attached schedule, (Exhibit H). This schedule supersedes the annual Gas-Oil Ratio test schedule previously issued only where applicable.

The operator of any oil or gas well who has submitted Form C-116 to the Commission during 1954 in compliance with the 1954 Annual Gas-Oil Ratio test schedule previously adopted is exempted from the requirement of taking another Gas-Oil Ratio test during 1954. If the test previously submitted is not complete the Proration Manager shall so advise the operator and the operator shall submit the required test in conformance with the Gas-Oil Ratio test schedule as outlined in Exhibit "H" attached hereto and made a part hereof.

PROVIDED FURTHER, That for gas allocation purposes and assignment of allowables the combination of the Jalco and Langmat gas pools to the Jalmat Gas Pool shall be effective September 1, 1954.

It is recognized that a great many wells will be reclassified and reassigned as a result of the provisions of this order and that the time involved in the reclassification may cause certain inequities; therefore, the Proration Manager is hereby directed to take such action as he deems advisable to prevent inequitable withdrawals.

PROVIDED FURTHER, That in filing Form C-101 "Notice of Intention to Drill or Recomplete" all operators shall strictly comply with the provisions of Rule 104, paragraph (e).

PROVIDED FURTHER, That failure to comply with the provisions of this order or the rules contained herein shall result in the cancellation of allowable assigned to the affected well. No further allowable shall be assigned to the affected well until all rules and regulations are complied with. The Proration Manager shall notify the operator of the well and the purchaser in writing of the date of allowable cancellation and the reason therefor.

PROVIDED FURTHER, That special pool rules applicable to the Eumont Gas Pool be, and the same hereby are promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE EUMONT GAS POOL

Well Spacing and Acreage Requirements for Drilling Tracts.

RULE 1. Any well drilled a distance of one mile or more outside the boundary of the Eumont Gas Pool shall be classified as a wildcat well. Any well drilled less than one mile outside the boundary of the Eumont Gas Pool shall be spaced, drilled, operated and prorated in accordance with the regulations in effect in the Eumont Gas Pool.

RULE 2. Each well drilled or recompleted within the Eumont Gas Pool on a standard proration unit after the effective date of this rule shall be drilled not closer than 1980 feet to any boundary line of the tract nor closer than 330 feet to a quarter-quarter section line or subdivision inner boundary line. Any well drilled to and producing from the Eumont Gas Pool prior to the effective date of this order at a location conforming to the spacing requirements effective at the time said well was drilled shall be considered to be located in conformance with this rule.

RULE 3. The Secretary of the Commission shall have authority to grant exception to the requirements of Rule 2 without notice and hearing where application has been filed in due form and the necessity for the unorthodox location is based on topographical conditions or is occasioned by the recompletion of a well previously drilled to another horizon.

Applicants shall furnish all operators within a 1980 foot radius of the subject well a copy of the application to the Commission, and applicant shall include with his application a list of names and addresses of all operators within such radius, together with a stipulation that proper notice has been given said operators at the addresses given. The Secretary of the Commission shall wait at least 20 days before approving any such unorthodox location, and shall approve such unorthodox location only in the

absence of objection of any offset operators. In the event an operator objects to the unorthodox location the Commission shall consider the matter only after proper notice and hearing.

RULE 4. The provision of Statewide Rule 104, Paragraph (k), shall not apply to the Eumont Gas Pool located in Lea County, New Mexico.

GAS PRORATION

RULE 5. (a) The acreage allocated to a gas well for proration purposes shall be known as the gas proration unit for that well. For the purpose of gas allocation in the Eumont Gas Pool, a standard proration unit shall consist of between 632 and 648 contiguous surface acres substantially in the form of a square which shall be a legal subdivision (section) of the U. S. Public Land Surveys with a well located at least 1980 feet from the nearest property lines; provided, however, that a non-standard gas proration unit may be formed after notice and hearing by the Commission, or under the provisions of Paragraph (b) of this Rule.

The allowable production from any non-standard gas proration unit as compared with the allowable production therefrom if such tract were a standard unit shall be in the ratio of the area of such non-standard proration unit expressed in acres to 640 acres. Any gas proration unit containing between 632 and 648 acres shall be considered to contain 640 acres for the purpose of computing allowables.

In establishing a non-standard gas proration unit 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; provided, however, that any well drilled to and producing from the Eumont Gas Pool, as defined herein, prior to the effective date of this order 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 distances from the boundary lines. The maximum acreage which shall be assigned with respect to the well's location shall be as follows:

<u>Location</u>	<u>Maximum Acreage</u>
660' - 660'	160 acres
660' - 1980'	320 acres

(b) The Secretary of the Commission shall have authority to grant an exception to Rule 5 (a) without Notice and Hearing where application has been filed in due form and where the following facts exist and the following provisions are complied with;

1. The non-standard gas proration unit consists of contiguous quarter-quarter sections and/or lots.

2. The non-standard gas proration unit lies wholly within a single governmental section.

3. The entire non-standard gas proration unit may reasonably be presumed to be productive of gas.

4. The length or width of the non-standard gas proration unit does not exceed 5280 feet.

5. The applicant presents written consent in the form of waivers from (a) all operators owning interests in the quarter sections in which any part of the non-standard gas proration unit is situated and which acreage is not included in said non-standard gas proration unit, and (b) all operators owning interests within 1500 feet of the well to which such gas proration unit is proposed to be allocated.

6. In lieu of paragraph 5 of this rule, the applicant may furnish proof of the fact that said offset operators were notified by registered mail of his intent to form such non-standard gas proration unit. The Secretary of the Commission may approve the application if, after a period of 30 days following the mailing of said notice, no operator has made objection to formation of such non-standard gas proration unit.

RULE 6. (a) The Commission after notice and hearing, shall consider the nominations of gas purchasers from the Eumont Gas Pool and other relevant data and shall fix the allowable production of the Eumont Gas Pool.

(b) The allowable assigned to any well capable of producing its normal gas allowable in the Eumont Gas Pool shall be the same proportion of the total remaining allowable allocated to said pool after deducting allowables of marginal wells that the number of acres contained in the gas proration unit for that well bears to the acreage contained in all gas proration units assigned to non-marginal wells in the Eumont Gas Pool.

RULE 7. At least 30 days prior to the beginning of each gas proration period the Commission shall hold a hearing after due notice has been given. The Commission shall cause to be submitted by each gas purchaser its "Preliminary Nominations" of the amount of gas which each in good faith actually desires to purchase within the ensuing proration period, by months from the Eumont Gas Pool. The Commission shall consider the "Preliminary Nominations" of purchasers, actual production, and such other factors as may be deemed applicable in determining the amount of gas that may be produced without waste within the ensuing proration period. "Preliminary Nominations" shall be submitted on a form prescribed by the Commission.

RULE 8. In the event a gas purchaser's market shall have increased or decreased, he may file with the Commission prior to the 10th day of the month a "supplemental" nomination, showing the amount of gas he actually in good faith desires to purchase during the ensuing proration month from the Eumont Gas Pool. The Commission shall hold a public hearing between the 15th and 20th days of each month to determine the reasonable market demand for gas for the ensuing proration month, and shall issue a proration schedule setting out the amount of gas which each well may produce during the ensuing proration month.

Included in the monthly proration schedule shall be (a) a summary of the total pool allocation for that month showing nominations, and adjustments made for underage or overage applied from a previous month (b) a tabulation of the net allowable, and production for the second preceding month together with a cumulative overage or underage computation, (c) a tabulation of the current and net allowables for the preceding month, (d) a tabulation of current monthly allowables for the ensuing proration month, and (e) a tabulation of the acreage assigned each well together with a tabulation of the acreage factor assigned each well. For the purpose of allocation a proration unit of 640 acres shall be assigned an acreage factor of 4.00; a proration unit of 160 acres a factor of 1.00, etc.

"Supplemental Nominations" shall be submitted on a form prescribed by the Commission.

The Commission shall include in the proration schedule the gas wells in the Eumont Gas Pool delivering to a gas transportation facility, or lease gathering system, and shall include in the proration schedule of the Eumont Gas Pool any well which it finds is being unreasonably discriminated against through denial of access to a gas transportation facility, which is reasonably capable of handling the type of gas produced by such well. The total allowable to be allocated to the pool each month shall be equal to the sum of the preliminary or supplemental nominations (whichever is applicable) together with any adjustment which the Commission deems advisable.

If during a proration month the acreage assigned a well is increased the operator shall notify the Proration Manager in writing (Box 2045, Hobbs, New Mexico) of such increase. The increased allowable assigned the gas proration unit for the well shall be effective on the first day of the month following receipt of the notification by the Proration Manager.

BALANCING OF PRODUCTION

RULE 9. Underproduction: The dates 7:00 a. m., January 1, and 7:00 a. m., July 1, shall be known as balancing dates and the periods of time bounded by these dates shall be known as gas proration periods. The amount of current gas allowable remaining unproduced at the end of each proration period shall be carried forward to and may be produced during the next succeeding proration period in addition to the normal gas allowable for such succeeding period; but whatever amount thereof is not made up within the first succeeding proration period shall be cancelled.

If it appears that such continued underproduction has resulted from inability of the well to produce its allowable, it may be classified as a marginal well and its allowable reduced to the well's ability to produce.

If at the end of a proration period a marginal well has produced more than the total allowable assigned a non-marginal unit of corresponding size, the marginal well shall be reclassified as a non-marginal well and its allowable adjusted accordingly.

If during a proration period a marginal well is reworked or recompleted in such a manner that its productive capacity is increased to the extent that it should be reclassified as a non-marginal well, the reclassification shall be effective on the first day of the proration month following the date of recompletion.

The Proration Manager may reclassify a well at any time if production data or deliverability tests reflect the need for such a reclassification.

RULE 10. Overproduction: A well which has produced a greater amount of gas than was allowed during a given proration period shall have its allowable for the first succeeding proration period reduced by the amount of such overproduction and such overproduction shall be made up within the first succeeding proration period. If, at the end of the first succeeding proration period, the well is still overproduced, and has not been in balance since the end of the preceding proration period, then it shall be shut in and its current monthly allowable charged against said overproduction until the well is in balance. If, at any time, a well is overproduced an amount equaling six times its current monthly allowable, it shall be shut in until it is in balance.

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

GRANTING OF ALLOWABLES.

RULE 11. No gas well shall be given an allowable until Form C-104 and Form C-110 have been filed together with a plat showing acreage attributed to said well and the locations of all wells on the lease.

RULE 12. Allowables to newly completed gas wells shall commence on the date of connection to a gas transportation facility, as determined from an affidavit furnished to the Commission (Box 2045, Hobbs, New Mexico) by the purchaser, or the date of filing of Form C-104, and Form C-110 and the plat described above, whichever date is the later.

REPORTING OF PRODUCTION

RULE 13. The monthly gas production from each gas well shall be metered separately and the gas production therefrom shall be reported to the Commission on Form C-115 so as to reach the Commission on or before the 20th day of the month next succeeding the month in which the gas was produced. The operator shall show on such report what disposition has been made of the gas produced.

Each purchaser or taker of gas in the Eumont Gas Pool shall submit a report to the Commission so as to reach the Commission on or before the 20th day of the month next succeeding the month in which the gas was purchased or taken.

Such report shall be filed on either Form C-111 or Form C-114 (whichever is applicable) with the wells being listed in approximately the same order as they are listed on the proration schedule.

Forms C-111 and C-114 referred to herein shall be submitted in duplicate, the original being sent to the Commission at Box 871, Santa Fe, New Mexico, the other copy being sent to Box 2045, Hobbs, New Mexico.

Form C-115 shall be submitted in accordance with Rule 1114 of the Commission's Rules and Regulations.

The full production of gas from each well shall be charged against the well's allowable regardless of what disposition has been made of the gas; provided, however, that gas used on the lease for consumption in lease houses, treaters, compressors, combustion engines and other similar lease equipment shall not be charged against the well's allowable.

DEFINITIONS

RULE 14. A gas well shall mean a well producing with a gas-oil ratio in excess of 100,000 cubic feet of gas per barrel of oil.

RULE 15. A well producing from the Eumont Gas Pool and not classified as a gas well as defined in Rule 14 shall be classified as an oil well.

RULE 16. The term "gas purchaser" as used in these rules, shall mean any "taker" of gas either at the wellhead or at any point on the lease where connection is made for gas transportation or utilization. It shall be the responsibility of said "taker" to submit a nomination.

RULE 17. No gas, either dry gas or casinghead gas, produced from the Eumont Gas Pool shall be flared or vented unless specifically authorized by order of the Commission after notice and hearing.

RULE 18. Oil wells producing from the Eumont Gas Pool shall be allowed to produce a volume of gas each day not exceeding the daily normal unit oil allowable multiplied by 10,000; provided, however, that such well shall not be allowed to produce oil in excess of the normal unit allowable as ordered by the Commission under the provisions of Rule 505.

PROVIDED FURTHER, That special pool rules applicable to the Arrow Gas Pool be, and the same hereby are promulgated as follows:

SPECIAL RULES AND REGULATIONS FOR THE ARROW GAS POOL

Well Spacing and Acreage Requirements for Drilling Tracts.

RULE 1. Any well drilled a distance of one mile or more outside the boundary of the Arrow Gas Pool shall be classified as a wildcat well. Any well drilled less than one mile outside the boundary of the Arrow Gas Pool shall be spaced, drilled, operated and prorated in accordance with the regulations in effect in the Arrow Gas Pool.

RULE 2. Each well drilled or recompleted within the Arrow Gas Pool on a standard proration unit after the effective date of this rule shall be drilled not closer than 1980 feet to any boundary line of the tract nor closer than 330 feet to a quarter-quarter section line or subdivision inner boundary line. Any well drilled to and producing from the Arrow Gas Pool prior to the effective date of this order at a location conforming to the spacing requirements effective at the time said well was drilled shall be considered to be located in conformance with this rule.

RULE 3. The Secretary of the Commission shall have authority to grant exception to the requirements of Rule 2 without notice and hearing where application has been filed in due form and the necessity for the unorthodox location is based on topographical conditions or is occasioned by the recompletion of a well previously drilled to another horizon.

Applicants shall furnish all operators within a 1980 foot radius of the subject well a copy of the application to the Commission, and applicant shall include with his application a list of names and addresses of all operators within such radius, together with a stipulation that proper notice has been given said operators at the addresses given. The Secretary of the Commission shall wait at least 20 days before approving any such unorthodox location, and shall approve such unorthodox location only in the absence of objection of any offset operators. In the event an operator objects to the unorthodox location the Commission shall consider the matter only after proper notice and hearing.

RULE 4. The provisions of Statewide Rule 104, Paragraph (k), shall not apply to the Arrow Gas Pool located in Lea County, New Mexico.

GAS PRORATION

RULE 5. (a) The acreage allocated to a gas well for proration purposes shall be known as the gas proration unit for that well. For the purpose of gas allocation in the Arrow Gas Pool, a standard proration unit shall consist of between 632 and 648 contiguous surface acres substantially in the form of a square which shall be a legal subdivision (section) of the U. S. Public Land Surveys with a well located at least 1980 feet from the nearest property lines; provided, however, that a non-standard proration unit may be formed after notice and hearing by the Commission, or under the provisions of Paragraph (b) of this Rule.

The allowable production from any non-standard gas proration unit as compared with the allowable production therefrom if such tract were a standard unit shall be in the ratio of the area of such non-standard proration unit expressed in acres to 640 acres. Any gas proration unit containing between 632 and 648 acres

shall be considered to contain 640 acres for the purpose of computing allowables.

In establishing a non-standard gas proration unit 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; provided, however, that any well drilled to and producing from the Arrow Gas Pool, as defined herein, prior to the effective date of this order 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 distances from the boundary lines. The maximum acreage which shall be assigned with respect to the well's location shall be as follows:

<u>Location</u>	<u>Maximum Acreage</u>
660' - 660'	160 acres
660' - 1980'	320 acres

(b) The Secretary of the Commission shall have authority to grant an exception to Rule 5 (a) without notice and hearing where application has been filed in due form and where the following facts exist and the following provisions are complied with;

1. The non-standard gas proration unit consists of contiguous quarter-quarter sections and/or lots.
2. The non-standard gas proration unit lies wholly within a single governmental section.
3. The entire non-standard gas proration unit may reasonably be presumed to be productive of gas.
4. The length or width of the non-standard gas proration unit does not exceed 5280 feet.
5. The applicant presents written consent in the form of waivers from (a) all operators owning interests in the quarter sections in which any part of the non-standard gas proration unit is situated and which acreage is not included in said non-standard gas proration unit, and (b) all operators owning interests within 1500 feet of the well to which such gas proration unit is proposed to be allocated.
6. In lieu of paragraph 5 of this rule, the applicant may furnish proof of the fact that said offset operators were notified by registered mail of his intent to form such non-standard gas proration unit. The Secretary of the Commission may approve the application if, after a period of 30 days following the mailing of said notice, no operator has made objection to formation of such non-standard gas proration unit.

RULE 6. (a) The Commission after notice and hearing, shall consider the nominations of gas purchasers from the Arrow Gas Pool and other relevant data and shall fix the allowable production of the Arrow Gas Pool.

(b) The allowable assigned to any well capable of producing its normal gas allowable in the Arrow Gas Pool shall be the same proportion of the total remaining allowable allocated to said pool after deducting allowables of marginal wells that the number of acres contained in the gas proration unit for that well bears to the acreage contained in all gas proration units assigned to non-marginal wells in the Arrow Gas Pool.

RULE 7. At least 30 days prior to the beginning of each gas proration period the Commission shall hold a hearing after due notice has been given. The Commission shall cause to be submitted by each gas purchaser its "Preliminary Nominations" of the amount of gas which each in good faith actually desires to purchase within the ensuing proration period, by months from the Arrow Gas Pool. The Commission shall consider the "Preliminary Nominations" of purchasers, actual production, and such other factors as may be deemed applicable in determining the amount of gas that may be produced without waste within the ensuing proration period. "Preliminary Nominations" shall be submitted on a form prescribed by the Commission.

RULE 8. In the event a gas purchaser's market shall have increased or decreased, he may file with the Commission prior to the 10th day of the month a "supplemental" nomination, showing the amount of gas he actually in good faith desires to purchase during the ensuing proration month from the Arrow Gas Pool. The Commission shall hold a public hearing between the 15th and 20th days of each month to determine the reasonable market demand for gas for the ensuing proration month, and shall issue a proration schedule setting out the amount of gas which each well may produce during the ensuing proration month.

Included in the monthly proration schedule shall be (a) a summary of the total pool allocation for that month showing nominations, and adjustments made for underage or overage applied from a previous month, (b) a tabulation of the net allowable, and production for the second preceding month together with a cumulative overage or underage computation, (c) a tabulation of the current and net allowables for the preceding month, (d) a tabulation of current monthly allowables for the ensuing proration month, and (e) a tabulation of the acreage assigned each well together with a tabulation of the acreage factor assigned each well. For the purpose of allocation a proration unit of 640 acres shall be assigned an acreage factor of 4.00; a proration unit of 160 acres a factor of 1.00, etc.

"Supplemental Nominations" shall be submitted on a form prescribed by the Commission.

The Commission shall include in the proration schedule the gas wells in the Arrow Gas Pool delivering to a gas transportation facility, or lease gathering system, and shall include in the proration schedule of the Arrow Gas Pool any well which it finds it 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. The total allowable to be allocated to the pool each month

shall be equal to the sum of the preliminary or supplemental nominations (whichever is applicable) together with any adjustment which the Commission deems advisable.

If during a proration month the acreage assigned a well is increased the operator shall notify the Proration Manager in writing (Box 2045, Hobbs, New Mexico) of such increase. The increased allowable assigned the gas proration unit for the well shall be effective on the first day of the month following receipt of the notification by the Proration Manager.

BALANCING OF PRODUCTION

RULE 9. Underproduction: The dates 7:00 a. m. , January 1, and 7:00 a. m. , July 1, shall be known as balancing dates and the periods of time bounded by these dates shall be known as gas proration periods. The amount of current gas allowable remaining unproduced at the end of each proration period shall be carried forward to and may be produced during the next succeeding proration period in addition to the normal gas allowable for such succeeding period; but whatever amount thereof is not made up within the first succeeding proration period shall be cancelled.

If it appears that such continued underproduction has resulted from inability of the well to produce its allowable, it may be classified as a marginal well and its allowable reduced to the well's ability to produce.

If at the end of a proration period a marginal well has produced more than the total allowable assigned a non-marginal unit of corresponding size, the marginal well shall be reclassified as a non-marginal well and its allowable adjusted accordingly.

If during a proration period a marginal well is reworked or recompleted in such a manner that its productive capacity is increased to the extent that it should be reclassified as a non-marginal well, the reclassification shall be effective on the first day of the proration month following the date of recompletion.

The Proration Manager may reclassify a well at any time if production data or deliverability tests reflect the need for such a reclassification.

RULE 10. Overproduction: A well which has produced a greater amount of gas than was allowed during a given proration period shall have its allowable for the first succeeding proration period reduced by the amount of such overproduction and such overproduction shall be made up within the first succeeding proration period. If, at the end of the first succeeding proration period, the well is still overproduced, and has not been in balance since the end of the preceding proration period, then it shall be shut in and its current monthly allowable charged against said overproduction until the well is in balance. If, at any time, a well is overproduced an amount equaling six times its current monthly allowable, it shall be shut in until it is in balance.

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

GRANTING OF ALLOWABLES.

RULE 11. No gas well shall be given an allowable until Form C-104 and Form C-110 have been filed together with a plat showing acreage attributed to said well and the locations of all wells on the lease.

RULE 12. Allowables to newly completed gas wells shall commence on the date of connection to a gas transportation facility, as determined from an affidavit furnished to the Commission (Box 2045, Hobbs, New Mexico) by the purchaser, or the date of filing of Form C-104, and Form C-110 and the plat described above, whichever date is the later.

REPORTING OF PRODUCTION

RULE 13. The monthly gas production from each gas well shall be metered separately and the gas production therefrom shall be reported to the Commission on Form C-115 so as to reach the Commission on or before the 20th day of the month next succeeding the month in which the gas was produced. The operator shall show on such report what disposition has been made of the gas produced.

Each purchaser or taker of gas in the Arrow Gas Pool shall submit a report to the Commission so as to reach the Commission on or before the 20th day of the month next succeeding the month in which the gas was purchased or taken.

Such report shall be filed on either Form C-111 or Form C-114 (whichever is applicable) with the wells being listed in approximately the same order as they are listed on the proration schedule.

Forms C-111 and C-114 referred to herein shall be submitted in duplicate, the original being sent to the Commission at Box 871, Santa Fe, New Mexico, the other copy being sent to Box 2045, Hobbs, New Mexico.

Form C-115 shall be submitted in accordance with Rule 1114 of the Commission's Rules and Regulations.

The full production of gas from each well shall be charged against the well's allowable regardless of what disposition has been made of the gas; provided, however, that gas used on the lease for consumption in lease houses, treaters, compressors, combustion engines and other similar lease equipment shall not be charged against the well's allowable.

DEFINITIONS

RULE 14. A gas well shall mean a well producing with a gas-oil ratio in excess of 100,000 cubic feet of gas per barrel of oil.

RULE 15. A well producing from the Arrow Gas Pool and not classified as a gas well as defined in Rule 14 shall be classified as an oil well.

RULE 16. The term "gas purchaser" as used in these rules, shall mean any "taker" of gas either at the wellhead or at any point on the lease where connection is made for gas transportation or utilization. It shall be the responsibility of said "taker" to submit a nomination.

RULE 17. No gas, either dry gas or casinghead gas, produced from the Arrow Gas Pool shall be flared or vented unless specifically authorized by order of the Commission after notice and hearing.

RULE 18. Oil wells producing from the Arrow Gas Pool shall be allowed to produce a volume of gas each day not exceeding the daily normal unit oil allowable multiplied by 10,000; provided, however, that such well shall not be allowed to produce oil in excess of the normal unit allowable as ordered by the Commission under the provisions of Rule 505.

EXHIBIT "A"

Horizontal limits of the Jalmat Gas Pool

Township 21 South, Range 36 East

All of Section 31

SW/4 of Section 32

All of Secs. 33 and 34

Township 22 South, Range 35 East

E/2 Section 13

Township 22 South, Range 36 East

All of Secs. 3 through 10, inclusive.

W/2 Sec. 11

W/2 Section 14

All of Secs. 15 through 18, inclusive

NE/4 Sec. 19

All of Secs. 20 through 23, inclusive

W/2 Sec. 24

All of Secs. 25 through 29, inclusive

All of Secs. 32 through 36, inclusive

Township 22 South, Range 37 East

SW/4 Sec. 31

Township 23 South, Range 36 East

All of Secs. 1 through 4, inclusive

N/2 and SE/4 Sec. 5

E/2 Sec. 8

All Secs. 9 through 16, inclusive

NE/4 Sec. 17

All Secs. 21 through 27, inclusive

E/2 Sec. 28

E/2 Sec. 33

All Secs. 34, 35 and 36

Township 23 South, Range 37 East

All Secs. 6, 7, S/2 Sec. 8

All Secs. 17 through 21, inclusive

All of Secs. 28 through 33, inclusive

Township 24 South, Range 36 East

All of Secs. 1, 2, and 3

E/2 Sec. 4

NE/4 Sec. 9

N/2, SE/4 Sec. 10

All of Secs. 11 through 14, inclusive

-25-

Order No. R-520

Exhibit "A" (Cont'd)

Township 24 South, Range 36 East (cont'd)

E/2 Sec. 15

All Secs. 22 through 26, inclusive

E/2 Sec. 27

E/2 Sec. 34

All Secs. 35 and 36

Township 24 South, Range 37 East

All of Secs. 5, 6, 7 and 8

W/2 Sec. 9

W/2 Sec. 16

All of Secs. 17 through 23, inclusive

All of Secs. 26 through 35, inclusive

Township 25 South, Range 36 East

All of Sec. 1

N/2 Sec. 2

All of Secs. 12, 13, 24 and 25

NE/4 Sec. 36

Township 25 South, Range 37 East

All Sec. 2 through 33, inclusive

W/2 Sec. 34

Township 26 South, Range 37 East

W/2 Sec. 3

All Secs. 4 through 9, inclusive

W/2 Sec. 10

All of Secs. 15 through 22, inclusive

All Secs. 27, 28 and 29

N/2, SE/4 Sec. 30

E/2 Sec. 31

All of Secs. 32, 33 and 34

EXHIBIT "B"

Horizontal limits of the Eumont Gas Pool

Township 19 South, Range 36 East
All of Secs. 12, 13, 14, 23, 24, 25,
26.
E/2 Sec. 27
E/2 Sec. 34
All of Secs. 35 and 36

Township 19 South, Range 37 East
W/2 Sec. 4
E/2 Sec. 5
All of Secs. 7, 8, 17, 18, 19, 20
W/2 Sec. 9
W/2 Sec. 21
W/2 Sec. 27
All of Secs. 28, 29, 30, 31, 32, 33 and 34

Township 20 South, Range 36 East
All of Secs. 1, 2
E/2 Sec. 3
E/2 Sec. 10
All of Secs. 11, 12, 13 and 14
NE/4 Sec. 15
N/2 and SE/4 Sec. 23
All of Secs. 24 and 25
E/2 Sec. 26
E/2 Sec. 35
All Sec. 36

Township 20 South, Range 37 East
W/2 Sec. 2
All of Secs. 3 through 10, inclusive
W/2 Sec. 11
All of Secs. 15 through 22, inclusive
S/2 Sec. 23
All of Secs. 26 through 35, inclusive
W/2 Sec. 36

Township 21 South, Range 35 East
All of Sec. 1
SE/4 Sec. 2
NE/4 Sec. 11
All of Sec. 12
All of Secs. 13 and 24

EXHIBIT "B" (cont'd)

Township 21 South, Range 36 East
All of Secs. 1 through 21, inclusive
N/2 and SW/4 Sec. 22
W/2 Sec. 27
All of Secs. 28, 29 and 30
N/2 and SE/4 Sec. 32

Township 21 South, Range 37 East
All of Secs. 7 and 18

EXHIBIT "C"Township 21 South, Range 36 East

SE/4 Sec. 24

All Sec. 25

E/2 Sec. 26

NE/4 and S/2 Sec. 35

All Sec. 36

Township 22 South, Range 36 East

All of Secs. 1 and 2

NE/4 Sec. 11

All of Sec. 12

N/2 and SE/4 Sec. 13

Township 22 South, Range 37 East

W/2 Sec. 7

All Sec. 18

N/2 Sec. 19

EXHIBIT "D"

Horizontal limits of the Eunice-Monument Oil Pool

Township 19 South, Range 36 East

E/2 Sec. 12

All of Sec. 13

All Secs. 23 through 27, inclusive

All Secs. 34, 35 and 36

Township 19 South, Range 37 East

SW/4 Sec. 3

S/2 Sec. 4

All of Secs. 7 and 8

W/2 Sec. 9

W/2 Sec. 16

All Secs. 17 through 21, inclusive

S/2 Sec. 27

All Secs. 28 through 34, inclusive

Township 20 South, Range 36 East

All Secs. 1, 2 and 3

All Secs. 10 through 14, inclusive

E/2 Sec. 15

All Secs. 23 through 26, inclusive

E/2 Sec. 27

All Secs. 35 and 36

Township 20 South, Range 37 East

All Secs. 3 through 10, inclusive

All Secs. 15 through 21, inclusive

W/2 Sec. 22

All Secs. 29 through 33, inclusive

Township 21 South, Range 35 East

All Secs. 1, 12, 13, 24

E/2 Sec. 25

Township 21 South, Range 36 East

SW/4 Sec. 1

All of Secs. 2 through 11, inclusive

W/2 Sec. 12

W/2 Sec. 13

All Sec. 14 through 22, inclusive

NW/4 Sec. 23

W/2 Sec. 27

All Secs. 28, 29 and 30

N/2 and SE/4 Sec. 32

All Sec. 33

W/2 Sec. 34

EXHIBIT "E"

Horizontal limits of the Cooper-Jal Oil Pool

Township 23 South, Range 36 East
 All of Secs. 4, 5, 8, 9, 15, 16, 17,
 20, 21, 22, 27, 28, 33 and 34

Township 24 South, Range 36 East
 W/2 Sec. 2
 All of Secs. 3 and 4
 N/2 Sec. 9
 All Sec. 10
 W/2 Sec. 11
 SW/4 Sec. 13
 All Secs. 14 and 15
 All Secs. 22, 23
 NW/4 and W/2 SW/4 Sec. 24
 W/2 Sec. 25
 All Secs. 26, 27, 34 and 35
 W/2 Sec. 36

Township 25 South, Range 36 East
 All Secs. 1, 2, 3, 11, 12, 13, 14, 23,
 24, 25, 26 and 36

Township 25 South, Range 37 East
 SW/4 Sec. 6
 W/2 Sec. 7
 W/2 Sec. 18
 W/2 and W/2 E/2 Sec. 19
 W/2 Sec. 30
 All Sec. 31
 SW/4 Sec. 32

EXHIBIT "F"

Horizontal limits of the Langlie-Mattix Oil Pool

Township 23 South, Range 36 East
All of Secs. 1, 2, 3, 10, 11, 12, 13, 14,
23, 24, 25, 26, 35 and 36

Township 23 South, Range 37 East
W/2 Sec. 6
All of Secs. 7, 18, 19
W/2 W/2 Sec. 26
All Sec. 27
S/2 Sec. 28
All Secs. 29 through 35, inclusive

Township 24 South, Range 36 East
All Sec. 1
E/2 Sec. 2
E/2 Sec. 11
All Sec. 12
N/2 and SE/4 Sec. 13
E/2 and E/2 SW/4 Sec. 24
E/2 Sec. 25
E/2 Sec. 36

Township 24 South, Range 37 East
All of Secs. 2 through 11, inclusive
All of Secs. 14 through 23, inclusive
SW/4 Sec. 25
All Secs. 26 through 35, inclusive
W/2 Sec. 36

Township 25 South, Range 37 East
All of Secs. 2 through 5, inclusive
N/2 and SE/4 Sec. 6
E/2 Sec. 7
All of Secs. 8 through 11, inclusive
W/2 Sec. 13
All Secs. 14 through 17, inclusive
E/2 Sec. 18
E/2 E/2 Sec. 19
All Secs. 20 through 23, inclusive
W/2 Sec. 24
All Sec. 25
All Secs. 26 through 29, inclusive
E/2 Sec. 30
N/2, SE/4 Sec. 32
All Secs. 33, 34 and 35
W/2 Sec. 36

EXHIBIT "F" (Cont'd)

Township 26 South, Range 37 East
NW/4 Sec. 1
NE/4 Sec. 2

EXHIBIT "G"

Horizontal limits of the South Eunice Oil Pool

Township 21 South, Range 35 East
E/2 Sec. 36

Township 21 South, Range 36 East
All Sec. 31
SW/4 Sec. 32

Township 22 South, Range 35 East
E/2 Sec. 1

Township 22 South, Range 36 East
W/2 Sec. 3
All Secs. 4 through 10, inclusive
SW/4 Sec. 11
W/2 Sec. 14
All Secs. 15 through 23, inclusive
All Secs. 25 through 29, inclusive
E/2 Sec. 30
NE/4 Sec. 31
All Secs. 32 through 36, inclusive

EXHIBIT "H"
GAS-OIL RATIO TEST SCHEDULE

NAME OF POOL	GOR LIMIT	TEST PERIOD			DEADLINE FOR FILING FORM C-116
<u>Oil Pools</u>					
Arrowhead	3500	Nov.	Dec.		Jan. 15, 1955
Cooper-Jal	10000	Sept.			October 15, 1954
Eunice	6000	Oct.	Nov.	Dec.	January 15, 1955
Monument	3000	July	Aug.	Sept.	October 15, 1954
South Eunice	10000	Sept.	Oct.		November 15, 1954
Hardy	10000	Sept.	Oct.		November 15, 1954
Langlie-Mattix	10000	Sept.			October 15, 1954
Leonard	10000	Sept.			October 15, 1954
South Leonard	10000	Sept.			October 15, 1954
Penrose-Skelly	10000	Sept.	Oct.	Nov.	December 15, 1954
Rhodes	10000	Sept.	Oct.		November 15, 1954
<u>Gas Pools</u>					
Arrow	10000	Oct.	Nov.		December 15, 1954
Eumont	10000	Oct.	Nov.	Dec.	January 15, 1955
Jalmat	10000	Sept.	Oct.	Nov.	December 15, 1954

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

EDWIN L. MECHEM, Chairman

E. S. WALKER, Member

W. B. MACEY, Member and Secretary

S E A L