

CASE 1937: OCC on its own motion to
consider condolidating PRORATED GAS
POOLS IN SOUTHEAST AND NORTHWEST.

Case No.

1937

Application, Transcript,
Small Exhibits, Etc.

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 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: 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

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
EXHIBIT No. 1
CASE 1937

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 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 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 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.

(Crosby-Devonian Pool Rules provide for 660-foot offset notification, and Blinbry Pool Rules provide for 1,320-foot offset notification. All pool rules differ slightly in wording from this Rule 3, which has been copied almost verbatim in its present form from the existing Statewide Rule 104(f).) **

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 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, and within a single governmental section in 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 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 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 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: (provided, however, that the allowable assigned to any well shall not exceed the well's known producing ability.)*

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

*Material in parentheses and underlined is no longer applicable.

maximum production during any month of the preceding gas proration period.

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 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(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's Rules and Regulation, 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.

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 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.)

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.

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

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 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 Director is hereby authorized to grant such exception when the granting of such is necessary to protect correlative rights, prevent waste, or to prevent undue hardship on the applicant. The 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 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."

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

The "Blinebry Marker" shall be that point encountered in the Humble Oil and Refining Company State "S" Well No. 20, SW/4 NW/4 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 greater than 51° API, or
2. Produces liquid hydrocarbons possessing a gravity of less than 51° API but with a producing gas-liquid ratio in excess of 32,000 cubic feet of gas 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.

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

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.

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

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.

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.

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

with other distillate produced by any other well or wells producing from the Tubb or Elinebry 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.

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

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° 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.

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

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 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 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

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Section VI - Exhibit A

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Justis Gas Pool - Lea County
(Horizontal limits January 1, 1960)

T 25S-R 37E

SW/4 Sec. 1; SE/4 Sec. 2; E/2 Sec. 11; W/2 Sec. 12; All Sec. 13; E/2
Sec. 23; All Sec. 24; All Sec. 25; NE/4, Sec. 26; N/2, Sec. 36; E/2
Sec. 14.

VI. SPECIAL RULES AND REGULATIONS FOR THE JUSTIS GAS POOL (CONT'D)

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.

PROVIDED FURTHER That the horizontal limits of the Justis Gas Pool as of January 1, 1960 are as set out on Exhibit "A" attached hereto and made a part hereof.

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

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 330 feet from the South line and 1980 feet from the West line of Section 13,

T 25S-R 36E

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All Sec. 1; N/2 Sec. 2; E/2 NE/4 Sec. 11; All Sec. 12, 13, 24 & 25;
E/2 E/2 Sec. 26; E/2 & N/2 NW/4 Sec. 36.

T 25S-R 37E

All Sec. 2 thru 33, incl; W/2 & NE/4 Sec. 34.

T 26S-R 36E

E/2 Sec. 12; E/2 Sec. 13; E/2 Sec. 24.

T 26S-R 37E

All Sec. 3; thru 9, incl., W/2 Sec. 10; All Sec. 15 thru 22, incl.;
All Sec. 27, 28 & 29; N/2 & SE/4 Sec. 30; E/2 Partial Sec. 31; All
Partial Sec. 32, 33, & 34.

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Section V -- Exhibit A

Jalmat Gas Pool - Lea County
(Horizontal limits January 1, 1960)

T 21S-R 35E

E/2 Sec. 36.

T 21S-R 36E

W/2 & SE/4 Sec. 31; SW/4 Sec. 32; SE/4 Sec. 33; SW/4 Sec. 34.

T 22S-R 35E

E/2 & E/2 NW/4 Sec. 1; SW/4 Sec. 2; SE/4 Sec. 3, E/2 Sec. 10; All Sec. 11, 12, 13 & 14; E/2 Sec. 23; All Sec. 24, 25 & 36.

T 22S-R 36E

All Sec. 3 thru 10, incl. W/2 & SE/4 Sec. 11; All Sec. 14 thru 23, incl.; W/2 Sec. 24; All Sec. 25 thru 36, incl.

T 22S-R 37E

SW/4 Sec. 31.

T 23S-R 35E

All Sec. 1.

T 23S-R 36E

All Sec. 1 thru 6, incl.; All Sec. 8 thru 17 incl.; All Sec. 20 thru 27, incl.; E/2 & N/2 NW/4 Sec. 28; E/2 & SE/4 SW/4 Sec. 33; All Sec. 34, 35 & 36.

T-23S-R 37E

All Sec. 6 & 7; S/2 Sec. 8; All Sec. 17 thru 21, 28 thru 33, incl.

T 24S-R 36E

All Sec. 1, 2 & 3; E/2 & NE/4 NW/4 Sec. 4; NE/4 Sec. 9; All Sec. 10 thru 14 incl.; E/2 Sec. 15; All Sec. 22 thru 26, incl.; E/2 Sec. 27; E/2 Sec. 34; All Sec. 35 & 36.

T 24S-R 37E

S/2 Sec. 4; All Sec. 5, 6, 7, & 8; W/2 Sec. 9; All Sec. 16 thru 23, 26 thru 35, incl.

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

Secs. 15 and 16: All

Sec. 17: E/2 NW/4, E/2

Sec. 21 and 22: All

Sec. 23: SW/4 NW/4, SW/4

Secs. 26, 27, and 28: All

Sec. 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.

(It is suggested that the above two paragraphs, Rules 28 and 29, are contrary to policy and actual operations in the field and that the inclusion in this form in Order R-640 was possibly caused by a typographical error, and that it was intended to include only the area set out above in Rule 25(B) in which the vertical limits of the Jalmat Pool are narrowed in a specific small area.)**

PROVIDED FURTHER That the horizontal limits of the Jalmat Gas Pool as of January 1, 1960 are as set out on Exhibit "A" attached hereto and made a part hereof.

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

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

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 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

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

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 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

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

G. GENERAL

RULE 22: No gas, either dry gas or casinghead gas, shall be flared or vented from any well 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, 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.

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

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 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.

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

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 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

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 17, 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 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 per cent (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 per cent (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-

T 21S-R 36E

-35-

All Sec. 1 thru 30; NE/4 Sec. 31; N/2 & SE/4 Sec. 32; N/2 & SW/4 Sec. 33; N/2 & SE/4 Sec. 34; All Sec. 35 & 36.

T 21S-R 37E

All Sec. 5, 6 & 7; W/2 SW/4 & NW/4 Sec. 8; All Sec. 17 thru 21, incl.; Sec. 29. All; All Sec. 30 & 31.

T 22S-R 36E

All Sec. 1 & 2; NE/4 Sec. 11; All Sec. 12 & 13.

T 22S-R 37E

All Sec. 6 thru 10; N/2 NW/4 Sec. 15; All Sec. 16, 17 & 18; N/2 & N/2 SE/4 Sec. 19; W/2 Sec. 20.

Section IV - Exhibit A

CASE NO. _____
ORDER NO. _____

-34-

Eumont Gas Pool - Lea County
(Horizontal limits January 1, 1960)

T 18S-R 37E

SW/4 Sec. 29; All Sec. 31, 32 & 33, W/2 SW/4 Sec. 34.

T 19S-R 36E

E/2 Sec. 1, S/2 Sec. 11; All Sec. 12, 13, & 14; SE/4 Sec. 15; E/2 & E/2 SW/4 Sec. 22; All Sec. 23 thru 27 incl.; E/2 Sec. 33; All Sec. 34, 35 & 36.

T 19S-R 37E

W/2 Sec. 3; All Sec. 4 thru 9; W/2 & W/2 E/2 Sec. 10; W/2 Sec. 15; All Sec. 16 thru 21, incl.; W/2 & SE/4 Sec. 22; W/2 NW/4 & S/2 Sec. 26; All Sec. 27 thru 35 incl.; W/2 NW/4 & SW/4 Sec. 36.

T 20S-R 35E

SE/4 Sec. 24; N/2 NE/4 Sec. 25.

T 20S-R 36E

All Sec. 1, 2 & 3; E/2 E/2 Sec. 4; E/2 Sec. 9; All Sec. 10 thru 14, incl.; E/2 Sec. 15; S/2 Sec. 19; All Sec. 20; E/2 Sec. 22; All Sec. 23 thru 28, incl.; N/2 & N/2 SE/4 Sec. 29; NE/4 Sec. 30; E/2 Sec. 32; All Sec. 33 thru 36, incl.

T 20S-R 37E

All Sec. 1 thru 10, incl.; W/2 & N/2 NE/4 Sec. 11; N/2 Sec. 12; All Sec. 14 thru 22, incl.; All Sec. 23; All Sec. 24; NW/4 & S/2 Sec. 25; All Sec. 26 thru 36, incl.

T 20S-R 38E

All Sec. 31.

T 21S-R 35E

All Sec. 1 & 2; Lots 1 thru 10; incl.; All lots 11 thru 16 Sec. 3; E/2 Sec. 11; All Sec. 12, 13, 24 & 25.

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

and made a part hereof.

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

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

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.

PROVIDED FURTHER That the horizontal limits of the Eumont Gas Pool as of January 1, 1960 are as set out on Exhibit "A" attached hereto

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

G. GENERAL

RULE 22: No gas, either dry gas or casinghead gas, shall be flared or vented from any well 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, 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.

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.

CASE NO. _____
ORDER NO. _____

Section III - Exhibit A

-29-

Crosby-Devonian Gas Pool - Lea County
(Horizontal limits January 1, 1960)

T 25S-R 37E

SE/4, Sec. 20; SW/4, Sec. 21; All Sec. 28; E/2, Sec. 29; NE/4, Sec. 32;
All Sec. 33.

T 26S-R 37E

N/2, Sec. 4

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

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.

PROVIDED FURTHER That the horizontal limits of the Crosby-Devonian Gas Pool as of January 1, 1960 are as set out on Exhibit "A" attached hereto and made a part hereof.

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

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

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, 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 fifteen hundred (1,500) pounds per square inch for a period of at least thirty (30) minutes. If, at the end of 30 minutes the

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

(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 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's 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

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.

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);

NEW MEXICO OIL CONSERVATION COMMISSION

EXHIBIT A

CASE NO. _____
ORDER NO. _____

Section II - Exhibit A

Blinebry Gas Pool - Lea County
(Horizontal limits January 1, 1960)

T 21S-R 37E

Lots 6, 10, 11, 12, 13, 14, 15 & S/2 Sec. 3; Lots 2, 7, 9, 10, 16 & S/2 Sec. 4; All Sec. 9 & 10; SW/4 Sec. 11; W/2 Sec. 14; All Sec. 15, 16, & 17; SE/4 Sec. 18; E/2 Sec. 19; All Sec. 20, 21, 22, & 23; W/2 Sec. 25; All Sec. 26, 27, 28 & 29; E/2 Sec. 32; All Sec. 33, 34, 35 & 36.

T 22S-R 37E

All Sec. 1, 2, 3, 4, 9, 10, 11, 12, 13, 14 & 15; SE/4 & N/2 Sec. 16; All Sec. 22, 23, 24, & 25; NE/4 Sec. 36.

T 22S-R 38E

W/2 Sec. 7; W/2 Sec. 18; All Sec. 19, 30, 31 & 32; NW/4 Sec. 33.

T 23S-R 38E

N/2 Sec. 6

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

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-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.

PROVIDED FURTHER That the horizontal limits of the Blinebry Gas Pool as of January 1, 1960 are as set out on Exhibit "A" attached hereto and made a part hereof.

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

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

(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.

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

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.

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.

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

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

PROVIDED FURTHER That the horizontal limits of the Tubb Gas Pool as of January 1, 1960 are as set out on Exhibit "A" attached hereto and made a part hereof.

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

CASE NO. _____
ORDER NO. _____

Section VII - Exhibit A

-52-

Tubb Gas Pool - Lea County
(Horizontal limits January 1, 1960)

T 21S-R 37E

W/2 Sec. 2; All Sec. 3; E/2 & Lot 22, Sec. 4; E/2 Sec. 8; All Sec. 9 & 10; W/2 Sec. 11; All Sec. 14, 15, 16, 17; E/2 Sec. 19; All Sec. 20, 21, 22, 23; W/2 Sec. 25; All Sec. 26, 27, 28, 29; E/2 Sec. 30; E/2 Sec. 31; All Sec. 32, 33, 34, 35 & 36.

T 22S-R 37E

All Sec. 1 thru 5 incl.; E/2 Sec. 6; All Sec. 8 thru 16 incl.; E/2 Sec. 21; All Sec. 22, 23, 24, 25, NE/4 Sec. 36.

T 22S-R 38E

W/2 Sec. 6; W/2 Sec. 7; W/2 Sec. 18; All Sec. 19, 29, 30; All Sec. 32, NW/4, NE/4 & NE/4 SE/4 Sec. 31.

JALMAT GAS POOL,
LEA COUNTY, NEW MEXICO

INDEX SHEET

JALMAT GAS POOL

Created
Corrected from: Jal Pool
Jalco Gas Pool
Langmat Gas Pool
Falby-Yates Oil Pool
Part of Cooper Jal Oil Pool
Part of Hayes Oil Pool

JAL POOL (Absorbed by Cooper-Jal Oil Pool)

<u>Order No.</u>	<u>Purpose of Order</u>	<u>Date of Order</u>	<u>Remarks</u>
7 ✓	Pool Rules	-	This order was repealed and rescinded?
21 ✓	Spacing & well location rules	-	This order was repealed and rescinded?

JALCO GAS POOL

R-264 ✓	Created Pool	Feb. 17, 1953	Pool boundaries were defined
R-264-A ✓	Extended limits	Nov. 10, 1953	Pool boundaries extended
R-356 ✓	Promulgate Special Rules & Regulations for proration of gas wells in Southeast New Mexico	Aug. 29, 1953	Rules applied to "Spacing" "Gas Proration," "Proration Units," "Gas Allocation" "Balancing Pool" "Allowables" "Reporting of Production".
R-368 ✓	Created General "Stand-by" Pool Rules	Sept. 28, 1953	Approved General "Stand-by" Special Rules & Regulations as set out in Order R-356 to apply to Jalco Gas Pool
R-368-A ✓	Created Pool Rules	Nov. 10, 1953	Established Special Rules & Regulations for Jalco Gas Pool to approximate General Rules and Regulations promulgated by Order R-356.
R-368-B ✓	To set date for rehearing on Pool Rules & Regulations	Dec. 7, 1953	Order stated that Orders R-368 & R-368-A shall remain in full force & effect.
R-520 ✓	Change Pool to Jalmat Gas Pool	Aug. 12, 1954	Jalco Gas Pool was abolished and wells were included in newly formed Jalmat Gas Pool.

PALBY-YATES OIL POOL

<u>Order No.</u>	<u>Purpose of Order</u>	<u>Date of Order</u>	<u>Remarks</u>
R-395 ✓	(2) Created Pool (3) Set GOR limit at 6000/1	Dec. 10, 1953	Yates zone production only from certain well in Cooper-Jal & Langlie Mattix Oil Pools.
R-520 ✓	Abolished Pool Name & absorbed by Jalmat	Aug. 12, 1954	All Pool wells were included as oil wells in Jalmat Gas Pool.

COOPER-JAL OIL POOL

588 ✓	Created Pool		
R-520 ✓	P.(6) Establish vertical limits of Pool to 100' above base of 7-Rivers to base of Queen. P.(10) No-flare order. P.(11) Oil wells in pool limited to 10,000/1 GOR	Aug 12, 1954	Para. (6) Vertical limits established. Para. (10) No dry or casinghead gas shall be flared unless authorized by Commission. Para. (11) Oil wells producing in excess GOR of 10,000/1 will be penalized.
R-520-A ✓	P.(10) Minor changes in number of copies of Form C-110 to be filed w/Commission	Aug. 16, 1954	Change from 2 to 4 copies of Form C-110 to Commission.
R-553 ✓	To amend "No-flare order" P.(10) R-520	Nov. 22, 1954	Amendment affords for granting adm. approval for exception to no-flare provision in para. 10, R-520.
R-640	Change vertical limits of pool as set out in R-520 and redefine from 100' above base of 7-Rivers to 250' above base of 7-Rivers to base Queen, for certain areas in pool?	May 27, 1955	The vertical limits were set in Order R-520 at 100' above base of 7-Rivers. This order amends to 250' above the base of 7-Rivers to the base of Queen.
R-663	To establish a rule to allow for an exception to Commission Rule 303 to permit commingling of oil from various oil & gas pools in Lea County.	July 7, 1955	Para. 2 states that the Cooper-Jal Oil Pool is thus affected.
R-690	Abolish the Cooper-Jal Oil Pool	Oct. 13, 1955	Wells in the Cooper-Jal Oil Pool were absorbed by the Langlie-Mattix Oil and Jalmat Gas Pools.

EAVES OIL POOL

<u>Order No.</u>	<u>Purpose of Order</u>	<u>Date of Order</u>	<u>Remarks</u>
588	Pool Boundaries		
R-520	P.(10) No-flare order	Aug. 12, 1954	Para.(10) No dry or casing-head gas shall be flared unless authorized by the Commission.
R-520-A✓	P.(10) Minor changes in number of copies of Form C-110 to be filed w/Commission	Aug. 16, 1954	Para.(10) Change from 2 to 4 copies of Form C-110 to be filed w/Commission.
R-553	To amend "No-flare" Order P.(10) R-520	Nov. 22, 1954	Amendment affords for granting adm approval for exception to "No-flare" provision in para.(10) R-520.
R-690	Abolished the Eaves Oil Pool	Oct. 13, 1955	Wells in the Eaves Oil Pool were absorbed in the Langlie-Mattix Oil & Jalmat Gas Pools

JALMAT GAS POOL

R-520	Created Pool & established rules	Aug. 12, 1954	The Jalco Gas and Langmat Gas Pools were consolidated to form the Jalmat Gas Pool
R-520-A	P.(10) minor change in No. of copies of Form C-110 to be filed w/Commission. Gas Proration, Rule 5 (b) words "quarter sections" substituted by word "section"	Aug. 16, 1954	Para.(10) change from 2 to 4 copies of Form C-110 to be filed w/Commission. Gas proration, Rule 5(b) wording change
R-553	To amend "No-flare" order P.(10) R-520	Nov 22, 1954	Amendment affords for granting adm. approval for exception to "No-flare" provision in Para.(10) R-520
R-640	P.(1) To change vertical limits as established in Order R-520 from top of Tansill to 100' from base of 7-Rivers to top of Tansill to 250' above base of 7-Rivers. P.(6) To prohibit dual completion of oil from Yates & oil from 7-Rivers or Queen. P.(7) To set GOR limit of 10,000/1 for oil wells in Jalmat Gas Pool. P.(8) To prohibit simul-	May 27, 1955	Para.(1) Alters vertical limits to exclude 150' of 7-Rivers. Para.(6) Wells in the Jalmat Gas Pool cannot be dually completed as oil-oil wells in the Yates & 7-Rivers or Queen. Para.(7) GOR limit for oil wells in Jalmat Gas Pool set at 10,000/1. Para.(8) Acreage dedicated to a gas well cannot be dedicated to an oil well.

JALMAT GAS POOL (CONT'D)

<u>Order No.</u>	<u>Purpose of Order</u>	<u>Date of Order</u>	<u>Remarks</u>
R-640	(Cont'd) taneous dedica- tion of acreage to a gas well in the Jal- mat Gas Pool and an oil well in the Jal- mat Gas Pool		
R-663	To establish a rule to allow for an exception to Commission Rule 303 to permit commingling oil from various oil and gas pools in Lea County.	July 7, 1955	Para.(2) states that the Jalmat Gas Pool is thus affected
R-690	To abolish the Eaves Oil & Cooper-Jal Oil Pools & parts of these to be included in Jalmat Gas Pool	Oct 13, 1955	Part of the oil wells in the abolished Eaves Oil & Cooper- Jal Oil Pools were included in the Jalmat Gas Pool.
R-967	To amend Rule 6, & Rule 8, R-520, Gas prorationing: Rule 8-A, Rule 9, Rule 10, R-520 Balancing of production	Apr. 23, 1957	Amendments and additions to Rule 6, 8, 8-A, 9 & 10 of Order R-520.
R-1092	(1) Case No. 1327 (De- liverability hearing) be cont'd. (2) Over- produced wells during period July 1 to Dec 31, 1957, considered to be in balance if over-pro- duction was less than (a) well's current allow- able for month. (b) well's share of allow. redistri- bution as a result of can- cellation of under pro- duction on Dec. 31, 57.	Nov. 27, 1957	Cont'd Case #1327 which was hearing on use of well de- liverability in gas allow. formula.
R-1092-A	(2) Amend all orders to Jan. 29, 1958 establish an "Acreage Factor" to all gas units. (3) Revise Rule 5, 6 & 12 of Special Rule & Regulations as set forth in Order No. R-920 & amended by Order R-967	Jan. 29, 1958	(2) An "acreage Factor" was adopted which will be used as a portion of formula in determining unit allowable. (3) Revised method of allo- cating unit gas allowable to be based on 25% on "acreage factor" and 75% based on multiplication of "acreage factor" by "calculated de- liverability" (NCF/D)
R-1092-B	To order a rehearing, limited to new evi- dence, on Case No. 1327 Order No. R-1092-A	Feb. 19, 1958	Rehearing set for March 25, 1958.
R-1092-C	To adopt the pro- visions of Order R-1092-A & that they should remain in full force and effect (Effective date July 1, 1958)	Apr. 25, 1958	Order R-1092-A will remain in effect.

DRAFT OF CONSOLIDATED POOL RULES FOR JALMAT POOL

For the purpose of consolidating pool rules for the Jalmat Gas Pool, Order No. R-520 will be used as the "base order." This order had created the Jalmat Gas Pool from wells that had been originally located in the Jalco and Langmat Gas Pools. This order also abolished the Falby-Yates Oil Pool. All rules concerning the above pools were considered in creating rules for the Jalmat Gas Pool.

A subsequent Order No. R-690 abolished the Cooper Jal and Haves Oil Pools and a part of these wells were absorbed into the Jalmat Gas Pool.

All orders changing Order R-520 as a result of these Pool designation changes are considered below.

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.

(R-520; R-264; R-264-A, etc. General)

(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.

(R-520 Special)

(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, 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.

(R-520 Delete "R-370 and R-371" "R-370-A and R-371-A" and "Eumont and Arrow" - Special)

(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.

(R-520, Delete first phrase which refers to Eumont Gas Pool - Special)

(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.

(R-520 - Include all gas pools instead of the three listed. - General)

(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.

(R-520 - Include all gas pools instead of the three listed. - General)

(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.

(R-520 - Include all gas pools instead of the three listed. - General)

(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.

(R-520 - Include all gas pools instead of the three listed. - General)

(9) That one gas well in the Jalmat, Eumont and Arrow Gas Pools can efficiently drain 640 acres.
(R-520 - Delete words "Eumont and Arrow" - Special)

(10) That for the prevention of waste, a limiting gas-oil ratio of 10,000-to-1 should be assigned to the units in the following pools, namely: 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, Rhodes Oil Pool, Jalmat Gas Pool, Arrow Gas Pool and Eumont Gas Pool.

(R-520 - Delete: Cooper-Jal Oil Pool, Hardy Oil Pool, and Arrow Gas Pool and combine with para. (7) R-640 below.)

(7) That in order to preserve the equities of operators both within and outside the above-described area, it is necessary to establish a limiting gas-oil ratio for oil wells producing from the Jalmat Gas Pool in the area hereinabove set out.

(R-640 - General and Special)

(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-Jal Oil Pool, Rhodes Oil Pool, Haves 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.

(R-520 - amended by findings (2), (3), (4), (5), and (6) - R-640)

(2) That the Commission did, on August 12, 1954, enter Commission Order R-520, which order set out the vertical limits of the Jalmat Gas Pool, the Cooper-Jal Oil Pool and the Langlie-Mattix Oil Pool.

(3) That a synclinal accumulation of oil exists in the Yates sand in the following described area:

TOWNSHIP 24 SOUTH, RANGE 36 EAST, NMPH

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

Section 23: E/2 E/2

Section 24: All

Section 25: E/2

Section 26: E/2 NE/4

TOWNSHIP 24 SOUTH, RANGE 37 EAST, NMPH

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

Section 19: W/2

Section 30: NW/4

(4) That the accumulation of oil in the Yates sand in the above-described area is believed to be in direct communication with Yates dry gas known to exist in the immediate surrounding area.

(5) That the above-described Yates oil reservoir is separate and distinct from oil and gas reservoirs encountered in the underlying Seven Rivers formation in that area set out above, and that the Seven Rivers oil reservoir as presently known is separate and distinct from that gas reservoir encountered in the Seven Rivers formation in the area hereinabove described.

(6) That in view of this special geologic situation, it is necessary to redefine the vertical limits of the Jalmat Gas Pool, the Cooper-Jal Oil Pool and the Langlie-Mattix Oil Pool insofar as such pools lie within the area hereinabove set out.

(R-640 - Delete: Cooper-Jal Oil Pool, Eaves Oil Pool, Hardy Oil Pool and combine with para. 11, R-520 - Special)

(12) That the horizontal limits of the oil pools named in Finding No. 11 should be defined as hereinafter set forth in this order.

(R-520 - Special)

(13) That the Falby-Yates Oil Pool should be abolished.
(R-520 - Rescinds Order R-395 which created pool and set GOR limit at 6000/1 - Special)

(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, Dumont and Arrow gas pools should be adopted.

(R-520 - Include all gas pools - Delete Arrow Gas Pool - General)

(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.

(R-520 - Should be clarified - General)

(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.

(R-520 - General)

(17) That it is in the interests of orderly and efficient administrative procedure, with due regard for the prevention of waste and the protection of correlative rights, to grant administrative exemptions to the "no-flare order" and the various "no-flare rules" embraced in Order R-520, without the necessity of notice and hearing.

(3) That the practice of considering said applications for exceptions only upon notice and hearing would cause an undue burden upon and inconvenience to both the applicants and this Commission.

(4) That Paragraph 10 of Order R-520 and Rule 17 of each of the various pool rules and regulations embraced in said Order R-520 should be amended as hereinafter provided.

(R-552 - (2), (3), & (4) should be combined with Finding (16) R-520 - General)

(2) That Rule 303 of the Commission's Rules and Regulations, Oil Production Operating Practices, provides that each pool shall be produced as a single common reservoir and the commingling or confusion of production from separate and distinct pools prior to marketing shall be prohibited.

(4) That at the present time there are certain basic leases wherein all wells are prorated in the same pool and the production therefrom is produced into a common tankage; and when reclassified such wells will be affected to the extent that one or more wells will remain in the pool in which they are presently classified, while other wells on the same lease will be placed in a different pool.

(5) That under the provisions of Rule 303 of the Commission's Rules and Regulations, separate facilities to receive, measure, and store the production of those wells so re-classified would have to be provided by the operator. That in certain cases the installation and maintenance of said separate facilities for the measurement and storage of oil would create an undue expense and hardship upon the operator.

(6) That approval of this application for an order establishing rules and procedures in exception to the provisions of Rule 303 to permit the commingling of oil from various oil and gas pools defined by Order R-520 would be in the interest of conservation and would prevent waste.

(R-663 - Should be added to findings - General)

(2) That the extensions of the Eumont Gas Pool, in Lea County, New Mexico, the Jalmat Gas Pool in Lea County, New Mexico, and the Langlie-Mattix Pool in Lea County, New Mexico, the advertised deletions of the Jalmat Gas Pool in Lea County, New Mexico and the abolishment of the Hayes Pool and the Cooper-Jal Pool in Lea County, New Mexico, should be approved as advertised.

(R-690 - Delete all but "underlined" - Special)

(2) That, in order to promote a more efficient gas prorating procedure in the State of New Mexico, the special pool rules for every prorated gas pool in the state should be clarified and revised in accordance with the recommendations of the special industry advisory committee appointed by the Commission to study the problem.

(R-967 - This could be used in Findings to cover the current study - General and Special)

(3) That the applicant proposes that the Commission grant an interim exception to the Special Rules and Regulations for the Jalmat Gas Pool to the effect that if any well in the Jalmat Gas Pool had an overproduced status at the beginning of any month during the current gas proration period less than:

- (a) the well's current allowable for said month, plus
- (b) the well's share of the allowable redistributed as a result of the cancellation of underproduction on December 31, 1957,

then said well shall be considered to have been in balance during said month.

- (4) That the proposed interim relief should be granted.
(R-1092 - Do not use (3) and (4) above from findings since they are not in the form of a permanent Finding. The above is shown for information purposes only)

(2) That the applicant, Texas Pacific Coal & Oil Company, seeks an order in the subject case for the immediate termination of gas prorationing in the Jalmat Gas Pool, Lea County, New Mexico, or in the alternative, an order for the immediate cancellation of all underproduction accumulated to wells in the Jalmat Gas Pool as of July 1, 1957, and further, to require the gas purchasers in said pool to nominate a sufficient amount of gas from the pool to permit the wells from which said purchasers are able to take gas to have an allowable equal to their actual production, and further for the establishment of a proration formula in the Jalmat Gas Pool whereby the allowables would be assigned 75 per cent on the basis of deliverability times acreage and 25 per cent on the basis of acreage alone; and further, for the establishment of a maximum amount of gas which may be taken from any well in the Jalmat Gas Pool during a specified period of time.

(R-1092-A - Do not use in Findings, shown for information purposes only)

(3) That it is necessary to continue the proration of gas production from the Jalmat Gas Pool in order to prevent waste and protect correlative rights.

(4) That all underage which accrued to wells in the Jalmat Gas Pool prior to July 1, 1957, and which was not produced prior to January 1, 1958, will be cancelled and redistributed as of that date in accordance with the Special Rules and Regulations for the Jalmat Gas Pool as set forth in Order No. R-520 as amended by Order No. R-967, and that the applicant has failed to prove the necessity for any additional relief in this regard.

(R-1092-A - Special)

(5) That the applicant has proved that there is a general correlation between the deliverabilities of the gas wells in the Jalmat Gas Pool and the gas in place under the tracts dedicated to said wells, and that the inclusion of a deliverability factor in the proration formula for the Jalmat Gas Pool would, therefore, result in a more equitable allocation of the gas production in said pool than under the present gas proration formula.

(6) That the inclusion of a deliverability factor in the proration formula for the Jalmat Gas Pool will result in the production of a greater percentage of the pool allowable, and that it will more nearly enable the various gas purchasers in the Jalmat Gas Pool to meet the market demand for gas from said pool.

(7) That the allowable gas production in the Jalmat Gas Pool should be allocated to the non-marginal wells in said pool in accordance with a proration formula based on seventy-five percent (75%) acreage times deliverability plus twenty-five percent (25%) acreage only.

(8) That the applicant has failed to prove the necessity for establishing a limitation on the amount of gas which may be taken from wells in the Jalmat Gas Pool in addition to the limitations presently imposed by the Special Rules and Regulations for the Jalmat Gas Pool.

(9) That the application of Texas Pacific Coal and Oil Company in the subject case should be denied in all respects except that the Special Rules and Regulations for the Jalmat Gas Pool should be amended to provide for a deliverability factor in the gas proration formula.

(R-1092-A - Special)

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 after considering all the evidence presented at the original hearings and the rehearing in this case, the Commission reaffirms its finding that Texas Pacific Coal and Oil Company has proved by a preponderance of the evidence that there is a general correlation between the deliverabilities of the gas wells in the Jalmat Gas Pool and the recoverable gas in place under the tracts dedicated to said wells, and that the inclusion of a deliverability factor in the proration formula for the Jalmat Gas Pool would, therefore, result in a more equitable allocation of the gas production in said pool than under the present gas proration formula.

(3) That the provisions of Order No. R-1092-A should remain in full force and effect.

(R-1092-B - Exclude from Findings - Shown for
info information purposes.)

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. *See*

(R-520 - Delete "Jalmat Gas Pool" and use "All Gas Pools" - General)

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. *See Subsequent*

(R-520 - Special)

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. *See*

(R-520 - Special)

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

(R-520 - St. Rule 104, Para. (k), refers to allocation of oil or gas to proration units in proportion to increased or decreased units.)-
(General)

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.

(b) 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 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

(c)(X) The Secretary of the Commission shall have the 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. *Word for 160, 320, 640*

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.

*Record
from
160
320
640*

(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.

(R-520,) (R-520-A - Amends Gas Proration, Rule 5 (b) #5; words "quarter sections" stricken and word "section" ~~amended~~ substituted.)

(b) At pages 7, 14, and 19 in GAS PRORATION, RULE 5 (b), #5 of the order entered on August 16, 1954, and at pages 6, 12, and 16 of the original signed order, pertaining to the Jalmat, Eumont and Arrow Gas Pools, respectively, the words "quarter sections" are ordered stricken, and the word "section" is substituted therefore.

(R-520-A - Rule R-520 further amended by R-1092-A as follows.)

RULE 5. (a) (first paragraph) No change

(second paragraph) Revise to read as follows:

A non-standard gas proration unit shall be assigned an "Acreage Factor" for proration purposes to be determined by dividing the acreage in the non-standard gas proration unit by 160 acres. Any gas proration unit containing between 160 and 640 acres shall be considered to contain 640 acres for the purpose of computing allowables. *Gen. [unclear] [unclear]*

(third paragraph) No change

(b) No change.

(R-1092-A - Revise Rule 5, R-520 to include acreage factor) (Special)

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. *out.*

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

(R-520)

(R-967 - Supersedes R-520 and amends as below.)

(R-1092-A - Revises R-520 and R-967 as shown following, Rule 6, R-967 below.) *put.*

(3) That the Special Rules and Regulations for the Eumont and Jalmat Gas Pools as set forth in Order R-520, dated August 12, 1954, and the Special Rules and Regulations for the Tubb, Myers-Queen and Justis Gas Pools as set forth in Order R-586, dated April 11, 1955 be and the same are amended as follows:

(R-967)

RULE 6 - R-520

(a) The Commission after notice and hearing, shall consider the nominations of gas purchasers from the Eumont, Jalmat, Tubb, Byers-Queen and Justis Gas Pools and other relevant data and shall fix the allowable production for the Eumont, Jalmat, Tubb, Byers-Queen and Justis Gas Pools.

(b) For the purposes of proration, each well shall be assigned an acreage factor determined by dividing the acreage assigned to the well by 160 acres.

The allowable to be assigned to each marginal well shall be equal to the maximum production during any month of the preceding gas proration period.

(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 proportion that each well's acreage factor bears to the total of the acreage factors for all non-marginal wells in the Pools.

RULE 6. - R-1092-A

(a) The Commission, after notice and hearing, shall consider the nominations of the gas purchasers from the Jalmat Gas Pool and other relevant data in fixing the allowable production for the pool.

(b) The monthly allowable allocation to the Jalmat Gas Pool shall be divided and allocated among the wells in the pool which are entitled to an allowable in the manner hereinafter set forth.

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

(c) 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:

(1) Twenty-five per cent (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.

(2) Seventy-five per cent (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.

A well's "Acreage Factor" shall be determined by dividing the acreage assigned to the well by 160 acres. The "Acreage Factor" shall be determined to the nearest one-hundredth of a unit.

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.

(c) Annual deliverability tests shall be taken on all gas wells in the Jalmat Gas Pool in a manner and at such time as the Commission may prescribe. The results of such tests shall determine a well's "Calculated Deliverability." Deliverability tests taken during 1958 shall be used in calculating allowables for wells in the Jalmat Gas Pool until July 1, 1959. Subsequent annual deliverability tests shall be used for each twelve-month period thereafter.

(d) No well shall be assigned an allowable until an approved deliverability test has been filed with the Commission.

(e) The Secretary 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.

(f) Retests and tests taken after recompletion or workover shall be taken in the same manner as provided in subparagraph (c) 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 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);

(R-1092-A - Revises R-520 and R-967 - Special)

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 Jälmät Gas Pool. The Commission shall consider the "Preliminary Nominations" of the 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.

(R-520 - Delete words "Jälmät Gas Pool" and substitute "All Gas Pools" - General)

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 Jälmät 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 ~~current monthly production~~ ~~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 Jälmät Gas Pool delivering to a gas transportation facility, or lease gathering system, and shall include in the proration schedule of the Jälmät 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.

(R-520)

(R-967 - Amends Rule 8, R-520 as follows:)

RULE 8 - R-520

The Commission shall include in the proration schedule the wells in the Eumont, Jalmat, Tubbs, Byers-Queen and Justis which are delivering to a gas transportation facility, or leasehold gas system, and shall include in the proration schedule the wells 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 shall be equal to the sum of the "preliminary or "Supplementations" (whichever is applicable), together with any amount which the Commission deems advisable. A monthly allocation shall be assigned to each well entitled to an allowable pool by allocating the pool allowable among all such wells in accordance with the procedure set out in Rule 6 provided, however, that the allowable assigned to any well shall be based on the well's known producing ability. A well, the production of which is so limited, shall be classified as a marginal well and 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. Any well classified as a marginal well shall be removed from such classification in instances where the production of the well evidences that the classification is no longer applicable.

Effective January 1, 1958, and after the production data available for the last month of each succeeding gas proration any well which had an underproduced status at the beginning of the preceding gas proration period and which did not produce at a rate allowable during at least one month of such preceding proration period may be classified as a marginal well unless at the end of said preceding gas proration period, the operator or other interested party presents satisfactory evidence of production showing that the well should not be so classified. However, a well which in any month of any said proration period has demonstrated its ability to produce at a rate allowable for said proration period shall not be classified as a marginal well.

The director may reclassify a marginal or non-marginal any time the wells production data, deliverability data, evidence as to the wells producing ability justify such fixation.

A well which has been reworked or recompleted shall be classified as a non-marginal well as of the day of reconnection to a pipeline until such time as production data, deliverability data, or other evidence as to the wells producing ability indicates that the well is improperly classified.

If during a proration month the acreage assigned to a well is increased the operator shall notify the Director 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 Director.

The Commission may assign minimum allowables in order to prevent the premature abandonment of wells.

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 well and its allowable and net status adjusted accordingly.

All wells not classified as marginal wells shall be classified as non-marginal wells.

(R-967 should be made to apply to all Gas Pools - General)

BALANCING OF PRODUCTION

RULE 8-A - R-520

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.

(R-520 - Carried in part of Rule 9, R-520)

(R-967 - Separated from Rule 9, R-520 and shown as Rule 8-A, R-967.- General)

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 under production 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.

(R-520)

(R-967 - Amends R-520)

RULE 9 - R-520

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.

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.

(R-967 - General)

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 it a 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. G.M.

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.

(R-520)

(R-967 - amends R-520)

RULE 10 - R-520

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 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 6 times its current monthly allowable.

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.

The Commission may allow overproduction to be made up at a lesser rate than would 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.

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.

(R-967 - Amends Rule 10, R-520 - Amendment OK, provided added information. - General)

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.

(R-520 - General)

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.

(R-520)

(F-1092-A Revises R-520 as below)

RULE 12. Allowables to newly completed gas wells shall commence:

- (a) 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;
- (b) the latest filing date of Form C-104, C-110 or C-128; or
- (c) 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,

(R-1092-A - Revises R-520 - General)

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 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.

(R-520 - General)

DEFINITIONS

14-15 & 16 combined
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. *Spec.*

(R-520 - Special)

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. *Spec.*

(R-520 - Special)

Spec.
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.

(R-520 - General)

*Spec. & General.
Covers by &
justified doubt
have known
etc.*

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.

(R-520)

(R-553 - Amended Rule 17, R-520.)

Am.
RULE 17. No gas, either dry gas or casinghead gas, produced from the (Jalmat, Eumont or Arrow) gas pools shall be flared or vented except as authorized under the provisions of Paragraph (10) of this order.

(R-553 - Include all Gas Pools) - (General)

Am.
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~~ Rule 505.

(R-520 - Special)

amended Rule 303
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.

5/21/54
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.

(R-520 - General)

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.

(R-520 - Exhibit H should be changed to include all ~~gas~~ gas pools - General.)

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

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.

(R-520 - Special)

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).

(R-520 - General)

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. *Gen*

(R-520 - General)

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, hereby 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.
(R-520)

(R-640 supercedes Order R-520. Change vertical limits from point 100' above base of Seven Rivers to point 25' above base of Seven Rivers, "Shown below" for certain areas in Jalmat Gas Pool.)

IT IS THEREFORE ORDERED:

(1) That 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, and that this redefinition of the vertical limits of the Jalmat Gas Pool shall be confined to an area described as follows:

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: W/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

(2) That the vertical limits of the Cooper-Jal Oil Pool shall extend from a point 250 feet above the base of the Seven Rivers formation to the base of the Queen formation.

(3) That this redefinition of the vertical limits of the Cooper-Jal Oil Pool shall be confined to an area described as follows:

TOWNSHIP 25 SOUTH, RANGE 36 EAST, NMPM
Section 23: E/2 E/2
Section 24: NW/4, W/2 SW/4
Section 25: NW/4
Section 26: E/2 NE/4

(R-640 changed vertical limits as described above (2) & (3) are attached to show that the Cooper-Jal Oil Pool, which is now part of Jalmat Gas Pool, also includes similar vertical limits. Special Rules)

(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.

(R-520 Delete (2) (3) (4) and (5) and reserves for pools which are covered by rule.)

(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

(R-520 - Delete Cooper-Jal Oil Pool and South Eunice Oil Pool. Superseded by Order R-640 Rules 4 & 5. Change vertical limit to read from a point 100' above the base of the Seven Rivers, to read from a point 250' above Seven Rivers. Special Rules)

(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.

(R-520 - Delete)

(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.

(R-520 - Delete)

(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.

(R-520 - Delete)

(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
Pearson-Shelly Oil Pool
Cooper-Jal Oil Pool
Arrowhead Oil Pool
Langlie-Mattix Oil Pool
Rhodes Oil Pool
Leonard Oil Pool
South Leonard Oil Pool

Waves Oil Pool
Arrow Gas Pool
Mumont 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.

(R-520

(R-520-A - Amend Para. 10, R-520 as shown below
in Order R-520-A)

1. That Order No. R-520, as the same appears in the records of the Commission, and the original of said Order, be amended in the following respects and particulars:

(a) At page 4, (10), paragraph 2, line 3 of the order entered in the Commission's records on August 16, 1954, and at page 4, line 4 of the original signed order, the word "duplicate" is ordered stricken and the word "quadruplicate" is substituted therefor.

(Para 10, R-520 is further amended as below in R-553)

(1) That Paragraph (10) of Order R-520, be and the same is hereby amended to read as follows:

(10) That except when authorized by or pursuant to the following provisions of this paragraph (10), no gas, either dry gas or casinghead gas, shall be flared or vented from any well in any of the following pools at any time after ninety (90) days from January 1, 1955 or ninety (90) days from the date such well is completed, whichever is later:

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
~~Waves Oil Pool~~
~~Arrow Gas Pool~~
~~Mumont Gas Pool~~
~~Jalmat Gas Pool~~

No Gas Flare in Gas Pools.

Any operator who desires to obtain an exception to the foregoing provisions of this paragraph (10) shall submit to the Secretary of the Commission, an application for such exception with a sworn

J. P. C.

statement setting forth the facts and circumstances justifying such exception. The Secretary 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 facts and circumstances as set forth in the statement. The Secretary 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, a list of such exceptions shall be distributed in the Commission's regular mailing list.

All operators who have not heretofore done so shall file Form C-110 in quadruplicate with the Commission, designating thereon the disposition of all dry gas or casinghead gas from each well in each pool listed above. Within 15 days after any oil or gas well within the boundaries of any of the above listed pools is connected to a gas transportation facility, the operator shall file Form C-110 designating the disposition of gas from the well.

The flaring or venting of gas from any well in violation of any provision of this paragraph (10) will result in suspension of any further allowable until further order of the Commission

No extraction plant processing any gas from any of the above designated pools 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.

(R-553 - Amendment affords the granting of adm. approval for exception to "no-flare" provision for para. 10, R-520 Special Rules. Delete abolished Pools.)

(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.

(R-520 - Delete "Cooper-Jal Oil Pool", Hardy Oil Pool" General Rules

(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.

(R-520 - Special Rules)

(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
 Secs. 21 & 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:
 (R-520 - Special Rules)

(6) That 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.

(7) That oil wells producing from the Jalmat Gas Pool and situated within the area described in paragraph (1) above, shall be limited to a producing gas-oil ratio of 10,000 cubic feet of gas per barrel of oil.

(8) That 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.

(R-640 - Adds to and amends R-520 Special Rules)

(1) That the application of the Commission upon its own motion for an order establishing rules and procedures in exception to the provisions of Rule 303 to permit the commingling of oil from various gas and oil pools in Lea County, New Mexico, said commingling being occasioned by the re-classification of wells located within the oil and gas pools defined by Order R-520, be and the same is hereby approved.

(2) That the oil and gas pools thus affected are the Jalmat, Dumont, and Arrow Gas Pools, and the Arrowhead, Eunice-Monument, South Eunice, Cooper-Jal, and Langlie-Mattix Oil Pools, as they are now defined both vertically and horizontally, and including such future changes as may be made in the horizontal limits of said pools.

(3) That the following procedure be followed when an operator desires to produce re-classified wells into common tankage with a well or wells on the same basic lease in another pool:

(a) When notified by the Commission that the pool designation for any well has been changed, the operator shall file Commission Form C-110 in quadruplicate showing the change in pool designation.

(b) If the operator desires to produce re-classified wells into common tankage with a well or wells on the same basic lease in another pool, he shall insert the following statement on the Form C-110:

Handwritten signature and date
 11/11/43

"Permission is hereby requested to produce this well, completed in the _____ Pool, into common storage with wells on the same lease currently prorate in the _____ Pool."

Approval of the Form C-110 by the Proration Manager shall constitute authority for the operator to commingle the oil and for the transporter to run it.

(4) That for all new wells that are completed or recompleted in one of the aforementioned pools as delineated in Order No. R-520, the provisions of paragraphs (1), (2), and (3) shall apply to permit the commingling of oil from said well or wells with that oil produced from other wells located on the same basic lease. Authority for the operator to commingle such production shall be the approval of the Form C-110 by the Proration Manager as outlined by the provisions of paragraph (3) above.

(R-663 Adds to R-520 General Rules)

(b) That the following area be and the same is hereby deleted from the boundaries of the Jalmat Gas Pool, Lea County, New Mexico:

TOWNSHIP 21 SOUTH, RANGE 36 EAST, NMPM
Section 33: N/2 and SW/4

(c) That the Jalmat Gas Pool in Lea County, New Mexico, as heretofore classified, defined and described, be and the same is hereby extended to include therein:

TOWNSHIP 23 SOUTH, RANGE 36 EAST, NMPM
Section 17: E/2 SE/4
Section 20: E/2 NE/4
Section 28: N/2 NW/4
Section 33: SE/4 SW/4

TOWNSHIP 24 SOUTH, RANGE 36 EAST, NMPM
Section 4: NE/4 NW/4

TOWNSHIP 25 SOUTH, RANGE 36 EAST, NMPM
Section 11: E/2 NE/4
Section 26: E/2 E/2
Section 36: N/2 NW/4 and SE/4

TOWNSHIP 26 SOUTH, RANGE 36 EAST, NMPM
Section 12: SE/4
Section 13: E/2
Section 24: E/2

(R-690 Haves Oil Pool and Cooper-Jal Oil Pools abolished. Special Rules)

(e) That the Haves Pool in Lea County, New Mexico, and the Cooper-Jal Pool in Lea County, New Mexico, as heretofore classified, defined and described, be and the same is hereby abolished.

(R-690 Part of wells in both pools were included in Jalmat Gas Pool. Special Rules)

IT IS THEREFORE ORDERED:

(1) That Case No. 1227 be continued until 9 o'clock a.m. on December 9, 1957.

(2) That if any well in the Jalmat Gas Pool had an over-produced status, at the beginning of any month during the current gas proration period (July 1 - December 31, 1957), which was less than:

- (a) the well's current allowable for said month, plus
- (b) the well's share of the allowable redistributed as a result of the cancellation of underproduction on December 31, 1957,

then said well shall be considered to have been in balance during said month.

(R-1092 - Exclude from Rules - shown only for information purposes)

IT IS THEREFORE ORDERED:

(1) That the application of Texas Pacific Coal and Oil Company in Case No. 1327 be and the same is hereby denied in all respects except that portion of the application concerning the inclusion of a deliverability factor in the gas proration formula for the Jalmat Gas Pool.

(2) That all orders heretofore issued by the Commission creating non-standard gas proration units in the Jalmat Gas Pool, which orders provide in substance that the unit well be granted an allowable in the proportion that the acreage dedicated to the well bears to a standard gas proration unit in the Jalmat Gas Pool, be and the same are hereby amended, effective July 1, 1958, to read as follows: That the unit be assigned an "Acreage Factor" for allowable purposes to be determined by dividing the acreage dedicated to the well by 160 acres.

(3) That Rule 5, and Rule 6, and Rule 12 of the Special Rules and Regulations for the Jalmat Gas Pool as set forth in Order No. R-520 and as amended by Order No. R-967, be and the same are hereby revised, effective July 1, 1958, to read as follows:

(R-1092-A - Exclude (1) Use (2) and (3) in Special Findings. Delete words "to read as follows": in (3)

HEREBY ORDERS:

That the above-styled cause be reopened and a rehearing be held at 9 o'clock a.m. on March 25, 1958, at Mabry Hall, State Capitol, Santa Fe, New Mexico.

IT IS FURTHER ORDERED:

That the testimony on rehearing shall be limited to new evidence on the issues raised in the petitions for rehearing.

IT IS FURTHER ORDERED:

That Order No. R-1092-A shall remain in full force and effect pending the issuance of any further order in this case.

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

(R-1092-B - Should not be included in any Rules, shown for information only)

El Paso Natural Gas Company

El Paso, Texas

January 12, 1960

**To All Members of Commission-Appointed
Committee to Consolidate Gas Pool Rules:**

A meeting has been set by the Chairman for January 19, 1960. This meeting will be held in El Paso in the 15th floor conference room of the El Paso Natural Gas Building at 8:30 a.m. At this time, it is the intention to attempt to complete the job assigned to the Committee of consolidating the gas pool orders for the State of New Mexico into two basic orders, one for the northwest and one for the southeast. Consequently, the meeting may take two to three days.

Reservations have been made for all members of the Committee, plus two representatives from Continental, at the Cortez Hotel in El Paso beginning the night of January 18th for an indefinite stay.

I am attaching with this letter copies of the pool rules for the Pictured Cliffs gas pools in the San Juan Basin area.

Yours very truly,



D. M. RADKEY, Secretary

**DSR:jsh
Attachments**

**cc: Mr. J. A. Queen
Mr. D. R. Currens
Mr. Elvis A. Uts ✓
Mr. Marlan Flint**

Dear Elvis and Harlan,

For some reason, when I started assembling orders I discovered that I did not have enough copies of all the orders involved, and I even had to strip our departmental files in an effort to get enough for Dan Currens and John Queen. I have noted in the upper right-hand corner of the Index Sheet the orders which should be attached but are missing for each pool. Will you please pull copies of these orders and attach them to the Index Sheet so that you may have a complete file for our meeting on January 19.

COPY

DHR

Case No.
Order No.

Effy
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Dane

RULES AND REGULATIONS GOVERNING
PRORATED GAS POOLS IN NEW MEXICO

* * *

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in the following "Rules and Regulations
governing Prorated Gas Pools in
New Mexico."

Sketch out 6 pages

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

*Mr. [unclear]
[unclear]
[unclear]*

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 Conserva-
tion Commission of New Mexico, hereinafter referred to as the
"Commission."

NOW, on this _____ 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, geolo-
gists, and other interested parties and entered many Orders
creating, delineating, spacing, prorating, and otherwise regu-
lating the Pools now designated the Blinbry, Crosby-Devonian,
Bumont, Jalnet, Justis, Tubb, Artec-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 correla-
tive 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 covered by these consolidated orders.

↑ listed above.

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CASE No. 1937

Order No. R-1670

(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:

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 Pool

R-846
R-846-A
R-967

Fulcher Katz-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 Katz-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
Pool

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

Blinbry 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

no R
748 before

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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
~~R-1092~~
~~R-1092-A~~
~~R-1092-B~~
~~R-1092-C~~

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

It Is Therefore Ordered:

We can supersede these orders later. But it is these orders that are being challenged in the Supreme Court.

(1) That the following orders be and the same are hereby superseded:
(Same orders as in finding no. 7)

(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:
(Same orders as in finding no. 8)

(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 superseded.

*Single space all the way, then except
double space between Rules and paragraphs.*

Case No. 1937

Order No. R-1670

*See
3/10
OK*

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 an 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.

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

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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 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)

~~11~~

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 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 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 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.

-1-

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). ~~However, the~~

~~allowable shall be allocated to any well which is not entitled to the well's share of the pool allowable.~~

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

~~Material in parentheses and underlined is no longer applicable.~~

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. ~~XXXXXXXXXXXXXXXXXXXX~~

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:

~~9~~

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 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:

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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 R-333-C and D as amended by 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

~~all~~

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

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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 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 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.

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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.

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.

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(See Special Pool Rules ^{for} ~~in~~ each pool for orders applicable to ~~those that~~ pool~~s~~ 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.)

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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.

~~PROVIDED FURTHER That the horizontal limits of the Aztec-Pictured Cliffs Gas Pool as of January 1, 1960 are as set out on Exhibit "A" attached hereto and made a part hereof.~~

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

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NEW MEXICO OIL CONSERVATION COMMISSION
EXHIBIT A

CASE NO. 1937
ORDER NO. E-1670

Section II - Exhibit A

Aztec-Pictured Cliffs Gas Pool - San Juan County
(Horizontal limits January 1, 1960)

T 28N-R 8W

SW/4 Sec. 15, S/2 Sec. 16; S/2 Sec. 17, S/2 Sec. 18; All Sec. 19 & 20;
W/2 Sec. 21.

T 28N-R 9W

All Sec. 7, thru 24; All Sec. 27 thru 30; E/2 Sec. 31; All Sec. 32.

T 28N-R 10W

E/2 E/2 Sec. 9; All Sec. 10, 11, 12, 13, 14; E/2 Sec. 15, N/2 Sec. 24.

T 29N-R 8W

W/2 Sec. 30 & 31.

T 29N-R 9W

All Sec. 25, 30, 31, 32, W/2 Sec. 33; All Sec. 35 & 36.

T 29N-R 10W

All Sec. 1 thru 10; SW/4 Sec. 13; All Sec. 14 thru 18; E/2 Sec. 19;
All Sec. 20 thru 29, NE/4 Sec. 30; N/2 Sec. 32; NW/4 & E/2 Sec. 33;
All Sec. 34, 35 & 36.

T 29N-R 11W

All Sec. 1, 2, 3, 4; N/2 & SE/4 Sec. 5; N/2 Sec. 11; All Sec. 12;
E/2 Sec. 13.

T 30N-R 10W

S/2 Sec. 7; All Sec. 17, 18, 19, 20; SW/4 Sec. 21, W/2 Sec. 22;
All Sec. 23 thru 35, W/2 & SE/4 Sec. 36.

T 30N-R 11W

All Sec. 2, 3, 4, 5; SE/4 Sec. 6; All Sec. 7, 8, 9, 10, 11, W/2 &
SE/4 Sec. 12; All Sec. 13 thru 30; All Sec. 32 thru 36.

T 30N-R 12W

S/2 & NW/4 Sec. 1; SE/4 Sec. 2; E/2 Sec. 12; E/2 Sec. 13; E/2 Sec. 24;
All Sec. 25.

T 31N-R 11W

E/2 Sec. 32; All Sec. 33 & 34; W/2 Sec. 35.

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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.)

(See rule, etc.)
~~PROVIDED FURTHER That the horizontal limits of the Ballard-Pictured Cliffs Gas Pool as of January 1, 1959 are as set~~

26N-R 8W

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W/2 Sec. 4, All Sec. 5, 6, & 7; W/2 Sec. 8; SW/4 Sec. 14; S/2 Sec. 15; All Sec. 16 thru 23 incl.; W/2 Sec. 24; All Sec. 25 thru 36.

T 26 N-R 9W

All Sec. 1, 2, 3, 4; NE/4 Sec. 5; All Sec. 9 thru 16; N/2 Sec. 21; N/2 & SE/4 Sec. 22; All Sec. 23, 24, 25 & 26; NE/4 Sec. 27.

T 27 N-R 8W

S/2, Sec. 31; S/2 Sec. 32.

T 27N-R 9W

SW/4 Sec. 26; All Sec. 27; SE/4 Sec. 28; E/2 & NW/4, Sec. 32; All Sec. 33, 34, 35; W/2 & SE/4 Sec. 36.

(over)

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.

~~PROVIDED FURTHER That the horizontal limits of the Fulcher Kutz-Pictured Cliffs Gas Pool as of January 1, 1960 are as set out on Exhibit "A" attached hereto and made a part hereof.~~

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

CASE NO. 1937
ORDER NO. R-1670

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Section IV - Exhibit A

Fulcher Kutz P. C. Gas Pool - San Juan County
(Horizontal limits January 1, 1960)

T 27N-R 9W

W/2 Sec. 6; All Sec. 7 & 16 thru 21, incl.; W/2 Sec. 22; W/2 & NE/4
Sec. 28; All Sec. 29 & 30.

T 27N-R 10W

All Sec. 1 thru 28; N/2 Sec. 35.

T 27N-R 11W

E/2 Sec. 1; E/2 Sec. 12.

T 28N-R 10W

All Sec. 7 & 8; S/2 Sec. 16; All Sec. 17 thru 23; S/2 Sec. 24; All
Sec. 25 thru 36.

T 28N-R 11W

E/2 Sec. 8; All Sec. 9 thru 15; E/2 Sec. 16; NE/4 Sec. 23; All Sec. 24;
E/2 Sec. 25; E/2 Sec. 36.

T 29N-R 10W

E/2 Sec. 31.

T 29N-R 11W

SW/4 Sec. 7; SW/4 Sec. 17; W/2 & SE/4 Sec. 18; All Sec. 19 & 20; SW/4
Sec. 21 & 27; All Sec. 28; 29, 30; SE/4 Sec. 31; All Sec. 32, 33, 34;
SW/4 Sec. 35.

T 29N-R 12W

All Sec. 1, 2, & 3; N/2 Sec. 4; N/2 Sec. 5; All Sec. 6; Sec. 7 N/2 & SE/4;
E/2 & NW/4 Sec. 10; All Sec. 11 thru 14; NE/4 Sec. 24.

T 29N-R 13W

NE/4 Sec. 1.

T 30N-R 12W

All Sec. 19; SW/4 Sec. 20; W/2 Sec. 27; All Sec. 28 thru 34; SW/4
Sec. 35.

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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.)

~~PROVIDED FURTHER That the horizontal limits of the South~~

~~Blanco-Pictured Cliffs Gas Pool as of January 1, 1960~~

~~are as set out on Exhibit "A" attached hereto and made a part hereof.~~

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

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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

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

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
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 over-
produced 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

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

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.

~~PROVIDED FURTHER THAT THE HORIZONTAL LIMITS OF THE Tapacito-Pictured Cliffs Gas Pool as of January 1, 1960 are as set out on Exhibit "A" attached hereto and made a part hereof~~

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

CASE NO. 1937
ORDER NO. R-670

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Section VI - Exhibit A

Tapacito-P.C. Gas Pool - Rio Arriba County
(Horizontal limits January 1, 1960)

T 25N-R 3W

SW/4 Sec. 1; S/2 Sec. 2; All Sec. 3 & 4; N/2 Sec. 5; SE/4 & N/2 Sec. 9;
All Sec. 10 & 11, 14, 15; NE/4 Sec. 16; N/2 & SW/4 Sec. 23.

T 26N-R 3W

S/2 Sec. 7; All Sec. 8, 17, 18, 19, 20; SW/4 Sec. 21; Sec. 27 SW/4;
All Sec. 28, 29, 30, 32 & 33; W/2 Sec. 34.

T 26N-R 4W

S/2 Sec. 3; S/2 Sec. 4; All Sec. 5 & 6; N/2 Sec. 7; All Sec. 8, 9, &
10; S/2 Sec. 11; All Sec. 13, 14, 15, & 16; E/2 Sec. 17; E/2 Sec. 22;
All Sec. 23 & 24; E/2 Sec. 25.

T 26N-R 5W

E/2 & NW/4 Sec. 1.

T 27-N-R 4W

S/2 Sec. 19; E/2 & SW/4 Sec. 20; All Sec. 29, 30, 31 & 32; W/2 Sec. 33.

T 27N-R 5W

SW/4 Sec. 13; W/2 Sec. 15; All Sec. 16; E/2 Sec. 17; E/2 Sec. 20;
All Sec. 21 thru 26; NE/4 Sec. 29; E/2 Sec. 35; All Sec. 36.

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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.

~~PROVIDED FURTHER THAT THE HORIZONTAL LIMITS OF THE WEST~~

~~KUTZ-PICTURED CLIFFS GAS POOL AS OF JANUARY 1, 1960 ARE~~

~~AS SET OUT IN EXHIBIT "A" ATTACHED HERETO AND PAGE 4~~

~~PART HEREOF.~~

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

CASE NO. 1937
ORDER NO. R-1670

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Section VII - Exhibit A

West Kutz-P. C. Gas Pool - San Juan County
(Horizontal limits January 1, 1960)

T 26N-R 10W

All Sec. 4, 5, 6, 7, & 9; NW/4 Sec. 10.

T 26N-R 11W

N/2 Sec. 1; N/2 Sec. 2; E/2 & SW/4 Sec. 3.

T 27N-R 10W

S/2 Sec. 29; All Sec. 30 thru 33.

T 27N-R 11W

W/2 & SE/4 Sec. 4; All Sec. 5 thru 10; W/2 Sec. 14; All Sec. 15 thru 18; All Sec. 20; All Sec. 21 thru 23; W/2 Sec. 24; All Sec. 25, 26, 27 & 28; E/2 Sec. 29; E/2 Sec. 34; All Sec. 35 & 36.

T 27N-R 12W

All Sec. 1 thru 4; N/2 & SE/4 Sec. 5; N/2 Sec. 6; NE/4 Sec. 8; NE/4 Sec. 9; All Sec. 10 thru 13; E/2 Sec. 14.

T 28N-R 11W

SE/4 & W/2 Sec. 27; All Sec. 28; NE/4 & S/2 Sec. 29; S/2 Sec. 30; All Sec. 31 & 32; N/2 & SW/4 Sec. 33; NW/4 Sec. 34.

T 28N-R 12W

All Sec. 7, 8, & 9; All Sec. 14 thru 36.

T 28N-R 13W

E/2 Sec. 10; All Sec. 11 thru 14; E/2 Sec. 15; N/2 Sec. 22; N/2 Sec. 23; N/2 Sec. 24; E/2 Sec. 36.

T 29N-R 12W

All Sec. 19; SW/4 Sec. 20; All Sec. 28 thru 32.

T 29N-R 13W

SE/4 Sec. 20; SW/4 Sec. 21; All Sec. 25 thru 28, and 33 thru 36.

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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

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

(CONT'D)

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 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.



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

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.

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

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 installed on the gas vent or discharge line. Wellhead 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

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

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 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.

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

(Rules 26 through 33 are special rules which were set out for the Blanco-Mesaverde Gas Pool in Order R-110 dated November 9, 1951. These rules in many instances are generally covered by Statewide Rules 107, 113, 114 and 115. It is possible that these rules could be completely reworked and amended to conform with the Statewide Rules above or reworded to be more applicable to present generally accepted producing practices in the San Juan Basin area. However, for purposes of this order, these rules were set out as they appear in Order R-110 with only minor wording changes for purposes of clarification.) **

PROVIDED FURTHER That the horizontal limits of the Blanco-Mesaverde Gas Pool as of January 1, 1960 are as set out on Exhibit "A" attached hereto and made a part hereof.

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

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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 *and within said pool or* regulated by this order, 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: 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 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 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 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.

~~(Crosby-Devonian Pool Rules provide for 660-foot offset notification, and Blinberry Pool Rules provide for 1,320-foot offset notification. All pool rules differ slightly in wording from this Rule 3, which has been copied almost verbatim in its present form from the existing Statewide Rule 104(c).)~~

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 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:

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<u>Location</u>	<u>Maximum Acreage</u>
660-660	160 acres
660-1960	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 *the Tubb Gas Pool and in all* section in 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.

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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 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 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 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.

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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, ~~provided, however, that the allowable assigned to any~~

~~well shall not exceed the well's known production.~~

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

~~*Material in parentheses and underlined is no longer applicable.*~~

maximum production during any month of the preceding gas proration period.

✓ 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 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.

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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's Rules and Regulation, 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.

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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 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} ~~in~~ each pool for orders applicable to ~~those~~ ^{that} 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.)

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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.

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

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 Director is hereby authorized to grant such exception when the granting of such is necessary to protect correlative rights, prevent waste, or to prevent undue hardship on the applicant. The 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 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."

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

The "Blinebry Marker" shall be that point encountered in the Humble Oil and Refining Company State "S" Well No. 20, SW/4 NW/4 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 ~~than 51° API~~
2. Produces liquid hydrocarbons possessing a gravity of less than 51° API but with a producing gas-liquid ratio ~~in excess of~~ ^{or more} 32,000 cubic feet of gas 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.

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

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.

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.

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

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.

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

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.

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.

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

(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.

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

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-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.

~~PROVIDED FURTHER, That the horizontal limits of the~~

~~Blinebry Gas Pool as of January 1, 1960 are as set out on~~

~~Exhibit A attached hereto and made a part hereof.~~

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

NEW MEXICO OIL CONSERVATION COMMISSION

EXHIBIT A

CASE NO. _____
ORDER NO. _____

Section II - Exhibit A

Blinebry Gas Pool - Lea County
(Horizontal limits January 1, 1960)

T 21S-R 37E

Lots 6, 10, 11, 12, 13, 14, 15 & S/2 Sec. 3; Lots 2, 7, 9, 10, 16 & S/2 Sec. 4; All Sec. 9 & 10; SW/4 Sec. 11; W/2 Sec. 14; All Sec. 15, 16, & 17; SE/4 Sec. 18; E/2 Sec. 19; All Sec. 20, 21, 22, & 23; W/2 Sec. 25; All Sec. 26, 27, 28 & 29; E/2 Sec. 32; All Sec. 33, 34, 35 & 36.

T 22S-R 37E

All Sec. 1, 2, 3, 4, 9, 10, 11, 12, 13, 14 & 15; SE/4 & N/2 Sec. 16; All Sec. 22, 23, 24, & 25; NE/4 Sec. 36.

T 22S-R 38E

W/2 Sec. 7; W/2 Sec. 18; All Sec. 19, 30, 31 & 32; NW/4 Sec. 33.

T 23S-R 38E

N/2 Sec. 6

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.

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);

(Note: The General Rules regarding administrative approval of non-standard units do not apply to the Crosby-Devonian Gas Pool)

Repealed by Order of the Commission dated 10/1/57. The Commission has determined that the 160 acre unit is not a standard unit and therefore the provisions of Rule 5(A) are not applicable.

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

(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 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's 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

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

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, 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 fifteen hundred (1,500) pounds per square inch for a period of at least thirty (30) minutes. If, at the end of 30 minutes the

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

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.

~~PROVIDED FURTHER That the horizontal limits of the Crosby-Devonian Gas Pool as of January 1, 1960 are as set out on Exhibit "A" attached hereto and made a part hereof.~~

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

CASE NO. _____

ORDER NO. _____

Section III - Exhibit A

-29-

Crosby-Devonian Gas Pool - Lea County
(Horizontal limits January 1, 1960)

T 25S-R 37E

SE/4, Sec. 20; SW/4, Sec. 21; All Sec. 28; E/2, Sec. 29; NE/4, Sec. 32;
All Sec. 33.

T 26S-R 37E

N/2, Sec. 4

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.

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

G. GENERAL

RULE 22: No gas, either dry gas or casinghead gas, shall be flared or vented from any well 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, 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.

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

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.

~~PROVIDED FURTHER That the horizontal limits of the Eumont Gas Pool as of January 1, 1960 are as set out on Exhibit "A" attached hereto~~

T 21S-R 36E

~~All Sec. 1 thru 30; NE/4 Sec. 31; N/2 & SE/4 Sec. 32; N/2 & SW/4 Sec. 33; N/2 & SE/4 Sec. 34; All Sec. 35 & 36.~~

T 21S-R 37E

~~All Sec. 5, 6 & 7; W/2 SW/4 & NW/4 Sec. 8; All Sec. 17 thru 21, incl.; Sec. 29, All; All Sec. 30 & 31.~~

T 22S-R 36E

~~All Sec. 1 & 2; NE/4 Sec. 11; All Sec. 12 & 13.~~

T 22S-R 37E

~~All Sec. 6 thru 10; N/2 NW/4 Sec. 15; All Sec. 16, 17 & 18; N/2 & N/2 SE/4 Sec. 19; W/2 Sec. 20.~~

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 17, 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, Faiby-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 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 per cent (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 per cent (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-

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

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 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

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

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 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.

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

G. GENERAL

RULE 22: No gas, either dry gas or casinghead gas, shall be flared or vented from any well 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, 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.

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

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 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

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

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 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

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

Secs. 15 and 16: All

Sec. 17: E/2 NW/4, E/2

Sec. 21 and 22: All

Sec. 23: SW/4 NW/4, SW/4

Secs. 26, 27, and 28: All

Sec. 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.

~~(It is suggested that the above two paragraphs, Rules 28 and 29, are contrary to policy and actual operations in the field and that the inclusion in this form in Order R-640 was possibly caused by a typographical error, and that it was intended to include only the area set out above in Rule 25(B) in which the vertical limits of the Jalmat Pool are narrowed in a specific small area.)~~

~~PROVIDED FURTHER That the horizontal limits of the Jalmat Gas Pool as of January 1, 1960 are as set out on Exhibit "A" attached hereto and made a part hereof.~~

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

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 330 feet from the South line and 1980 feet from the West line of Section 13,

VI. SPECIAL RULES AND REGULATIONS FOR THE JUSTIS GAS POOL (CONT'D)

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.

~~PROVIDED FURTHER That the horizontal limits of the Justis Gas Pool as of January 1, 1960 are as set out on Exhibit "A" attached hereto and made a part hereof.~~

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

CASE NO. _____
ORDER NO. _____

Section VI - Exhibit A

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Justis Gas Pool - Lea County
(Horizontal limits January 1, 1960)

T 25S-R 37E

SW/4 Sec. 1; SE/4 Sec. 2; E/2 Sec. 11; W/2 Sec. 12; All Sec. 13; E/2
Sec. 23; All Sec. 24; All Sec. 25; NE/4, Sec. 26; N/2, Sec. 36; E/2
Sec. 14.

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 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 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

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

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° 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.

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

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

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.

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

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

~~PROVIDED FURTHER That the horizontal limits of the Tubb Gas Pool as of January 1, 1960 are as set out on Exhibit "A"~~
attached hereto and made a part hereof.

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

end

CASE NO. _____

ORDER NO. _____

Section VII - Exhibit A

-52-

Tubb Gas Pool - Lea County
(Horizontal limits January 1, 1960)

T 21S-R 37E

W/2 Sec. 2; All Sec. 3; E/2 & Lot 22, Sec. 4; E/2 Sec. 8; All Sec. 9 & 10; W/2 Sec. 11; All Sec. 14, 15, 16, 17; E/2 Sec. 19; All Sec. 20, 21, 22, 23; W/2 Sec. 25; All Sec. 26, 27, 28, 29; E/2 Sec. 30; E/2 Sec. 31; All Sec. 32, 33, 34, 35 & 36.

T 22S-R 37E

All Sec. 1 thru 5 incl.; E/2 Sec. 6; All Sec. 8 thru 16 incl.; E/2 Sec. 21; All Sec. 22, 23, 24, 25, NE/4 Sec. 36.

T 22S-R 38E

W/2 Sec. 6; W/2 Sec. 7; W/2 Sec. 18; All Sec. 19, 29, 30; All Sec. 32; NW/4, NE/4 & NE/4 SE/4 Sec. 31.

BEFORE THE
OIL CONSERVATION COMMISSION
HOBBS, NEW MEXICO
APRIL 13, 1960

IN THE MATTER OF:

CASE 1937 In the matter of the hearing called by the Oil
Conservation Commission on its own motion to con-
sider consolidating the rules governing the six
prorated gas pools in Southeast New Mexico into
one order, and to consider consolidating the
rules governing the seven prorated gas pools in
Northwest New Mexico into one order.

BEFORE:

John Burroughs
~~Daniel S. Nutter~~
A. L. Porter

TRANSCRIPT OF PROCEEDINGS

MR. PORTER: We are going to take up next Case 1937.

MR. PAYNE: Case 1937. In the matter of the hearing
called by the Oil Conservation Commission on its own motion to con-
sider consolidating the pool rules for the prorated gas pools in
Northwest and Southeast New Mexico.

MR. PORTER: I would like to say at the outset that the
Commission would like to express its appreciation to Continental,
Pan American and El Paso for working with Mr. Utz and Mr. Flint of
the Commission staff in preparing this proposed consolidation. The
individual members of the Committee were Mr. D. R. Currens, Mr. J.
A. Queens, Mr. Vic Dyons, Mr. L. S. Chichowitz, Mr. Dave Rainey,

and, of course, Elvis Utz and Harlan Flint, and Harlan is now with the office of Attorney General and is no longer with the Commission. We asked the Pan American Oil Company to allow Mr. Currens, who served as chairman of that Committee, to testify concerning the proposed consolidation. They have agreed, and Mr. Currens has agreed, so we will ask Mr. Currens to come forward and be sworn. He will explain to some extent the work that has been done by this Committee, and it has been considerable work, if you will look at the number of orders involved. He will also be available for questions concerning the proposed consolidation.

(Witness sworn)

DANIEL R. CURRENS,

called as a witness, having been first sworn, testified as follows:

DIRECT EXAMINATION

BY MR. PAYNE:

Q Will you please state your name and your position?

A Daniel R. Currens, petroleum engineer, Pan American Petroleum Corporation.

Q Mr. Currens, would you give a brief background summary of the situation in regard to the gas pool rules prior to the time that your Committee was appointed?

A Many orders have been issued over a period of years in these various prorated gas pools in New Mexico; there being thirteen prorated gas pools. Actually, orders were issued in pools that no longer even exist in the original name that they had. Several of

these pools were consolidated for new formations as time went by. And as a result, there were just a large number of orders that have been issued containing rules or pertaining to these rules. This made it sometimes necessary for an operator or an individual to check several sources to find the rules that were in effect in a particular pool.

Q Now, when was the Committee of which you were the chairman, appointed, and what was its delegated duty?

A The Committee was appointed in November, 1959 at the November regular hearing, and it was given the assignment to investigate the feasibility of consolidating the existing orders into some more workable or convenient form for use. This was purely a consolidation to see if it could be done, to investigate the feasibility of this.

Q Now, after making this study, what did the Committee determine in this regard?

A After completing its investigation of these existing orders, and going through them to determine the rules in effect, the Committee found and believes that it would be feasible to consolidate these orders into two consolidated orders. I say two consolidated orders, one being orders for the pools in the Southeastern New Mexico's six prorated gas pools there; the other being a consolidation of orders for the seven prorated gas pools in Northwestern New Mexico.

Q Now, after making your study, did the Committee then re-

port to the Oil Conservation Commission?

A Yes, sir. As I say, it was necessary. Our charge was to investigate the feasibility of this. Now, actually, not to decide whether or not it was desirable. We had to go through and prepare a consolidation of these orders. As I said before, two consolidations were prepared, being one for Southeast, which includes the Blinbry, Crosby-Devonian, Eumont, Justis and Tubb Gas Pools; and one for Northwest, which includes the Aztec-Pictured Cliffs, the Ballard-Pictured Cliffs, Fulcher Kutz-Pictured Cliffs, South Blanco-Pictured Cliffs, Tapacito-Pictured Cliffs, West Kutz-Pictured Cliffs and Blanco Mesaverde Pool. These consolidations were prepared to determine whether we could or not, and they were sent to the Commission along with a report of the Committee on the consolidation. I understand the Commission had them reprinted and distributed to their mailing list.

Q Now, as you say, it was necessary to actually go through this consolidation to find out if it was feasible. So, how did you do it?

A Well, first, it was necessary to determine what orders were in effect. And, therefore, it was necessary go gather all the orders relating to Rules and Regulations for these pools. These orders were then examined to determine what Rules were currently in effect and in each of the individual pools. In doing this and determining what other orders were in effect, it became apparent that probably the two consolidation route would be best, which I

discussed briefly before, and that the orders lent themselves better to grouping by the geographical areas for a variety of reasons. Among these, one of consequence, in that there are operators that operate only in one portion of the State, either in Southeast or Northwest, and actually have no need for the Rules in effect in the pools in the other areas.

Q Now, Mr. Currens, can you tell the Commission the number of orders that were studied and then the number of pages involved, or describe the amount of work that was required in some similar way?

A There were approximately seventy-five orders that were examined that contained Rules applicable to these pools. Now, this was a stack, oh, two or three inches high of orders. Now, this was naturally the orders that were examined by the Committee. There were others that were necessary that we check to be sure that they didn't have any effect or contain any Rules and Regulations for these particular pools.

Q All right, sir. Now, having accumulated all these past orders, what was your next step?

A Well, sir, first, we determined the Rules in effect in each of the individual pools. And then we were able to go through the individual Pool Rules, looking for those Rules that were common to all the pools; had common applicability or general information or intent to them, and actually we could just take those common Rules and pull them out and just put them in one pile,

one stack. And that left us with, for each of the individual pools, a far lesser number of Rules than we had begun with; these being the Rules that were peculiar to the individual pools, were not common to all the pools, and you could just put them in another stack. And to actually make the consolidation, we just set the first stack on top of the second stack and tied it off altogether.

Q Did the Rules in stack No. 1 all have the same wording, and all you had to do was just arrange them in some kind of an order?

A No, sir. That is not correct. It did not have identical wording. I think I can best use an example to show how some of these Rules differed a little bit, but not any significant difference in that the Committee did not feel that there was any difference in substance of the Rules. For instance, in the Crosby-Devonian Gas Pool, there is a Rule as to what wells in the area shall be considered to be in the Crosby-Devonian Pool; are regulated by the Rules for Crosby and Devonian. And part of this Rule says that any gas well drilled to the Devonian formation within one mile of the horizontal limits of the Crosby-Devonian Gas Pool shall be spacedrilled, and so on. The Rule says within one mile of the outer boundary. Now, in other pools, the wording was one mile outside the boundary. Well, I think you can see that if you stick strictly to the wording of the Crosby-Devonian, if a well were more than a mile from the outer boundary and was still inside the pool, the wording would be such that you might think it weren't in the Crosby-

Devonian Gas Pool. We did not feel that it was anything other than a clarification to bring those in line and put them within one mile outside the outer boundary.

Q Now, Mr. Currens, would you explain the arrangement of these two proposed consolidated gas pool Rules?

A I think, perhaps, the best way to do that is to actually look at one of the consolidations that was made, taking, say, Southeastern New Mexico to consolidation for that area. The consolidation for Southeastern New Mexico is set out in seven major sections, or portions. The first one is entitled "General Rules And Regulations For The Prorated Gas Pools Of Southeastern New Mexico," and it contains the information that is of a general nature and general applicability to all the particular pools in this area. The other Sections, starting with Section II, are the "Special Rules And Regulations For The Blinbry Gas Pool." Section III, "Special Rules And Regulations For The Crosby-Devonian Gas Pool." There are six more Sections to this Southeastern consolidation that contain the Special or Uncommon Pool Rules for the individual pools. In other words, the first Section, the general Section, this was that first stack that we pulled out that had become Rules to all the pools. And the other six portions of this are the residue that we had, the peculiar Rules for each of the individual pools.

Q Now, I notice under your Section I, which are the general Rules applying to all the prorated gas pools of Southeastern New Mexico, that you also have some breakdowns under that No. 1. Would

you go through those and explain them?

A All right, sir. Again taking the consolidation for Southeastern New Mexico, starting on the first page, which is headed "General Rules And Regulations For The Prorated Gas Pools Of Southeastern New Mexico," we see a heading A. "Well Location And Acreage Requirements." Now, under this heading there are some five numbered Rules that have to do with that Section subject "Well Location And Acreage Requirements." On Page 6 of this consolidation, we have a heading B. "Nominations And Proration Schedule." This contains two numbered Rules that had to do with that information. On Page 8, we have a heading "Allocation And Granting of Allowables." That has a capital "C" heading. And the Rules pertaining to that information or containing that information are set out in that Section. On page 10, a heading D. "Balancing Of Production," and the Rules concerning balancing are set out in that Section. And on Page 12, E "Classification Of Wells," and Rules pertaining to the well classification are set out. On Page 14, F. "Reporting Of Production," and the information having to do with production reports is set out in that portion. On Page 15, there is a heading G. "General," and this contains several general Rules that didn't fall in the other classifications.

Q There are general rules which don't fall in the general classification, but which do apply to all the gas pools?

A Yes, sir.

Q Now, taking the remaining portion, Sections II through VII,

what do they contain?

A Well, Sections II through VII, as I previously stated, are the Sections containing the Rules for each of the individual pools in this case, Southeastern New Mexico, that we are discussing. There are six of these pools which previously I named; therefore, there is a Section for each pool. Now, most of the information, in looking at the Southeast, if you would turn to Page 17, which is in the Section for the Blinebry Gas Pool, towards the bottom of that page, we see a Section or a heading marked H. "Miscellaneous Special Pool Rules." Now, the bulk of the information in these individual pool Sections is contained under that heading H. "Miscellaneous Special Pool Rules." This contains the vertical limits of gas well definition, items of that nature.

Q Now, these same headings that you used in the General Rules also appear here?

A Yes, sir.

Q Now, what is their significance?

A Well, we find some of the headings that were in the first part of this consolidation, the big General Section that was Roman Numeral I, the information contained in the Special Pool Rules Section. For instance, on Page 16, the Blinebry Gas Pool in the Southeast. That information relates to information in the large Section I, or General Rules Section of this consolidation. These headings A through G, as they might appear in here, show the applicability of the General Rules to the individual pools, and they

also show the variations that might exist.

Q Now, if I want to find something, some Rule, in regard to a particular pool, such as the Blinebry, how do I go about finding it in this consolidated Gas Pool Rule pamphlet here?

A Well, sir, for some particular pool, we would need to check the portion or the Section that had to do with that individual pool; go through that, and find the Special Pool Rules for that pool. Then check the General Section to see what the General Rules are; and then they would tie back in together so that looking at those two Sections, you would have the Rules for that individual pool. For example, going back to the Blinebry again, if you were interested in knowing the Rules applying to the Blinebry Gas Pool, you would go through the Southeast consolidation, Section II, which, again, is on Page 16. Find those Special Rules and find the applicability of the General Rules to the Blinebry Gas Pool. Go through the General portion or Roman I, General Rules And Regulations for all the Southeast Pools, and by tying the two together, with the applicability from the Special Pool Rule Section, you would have the Rules governing the Blinebry Gas Pool.

Q And the Sections do tie together?

A Yes, sir.

Q Now, would you explain a little bit further, by example, what the various Sections contain?

A Well, Section I, which is the General Rules And Regulations, in this case, Southeast Prorated Gas Pools, plus any one

of the other Sections in the Southeast consolidation, would give you the Rules in effect for that particular pool. In other words, I plus Section I, General, plus this No. II heading, "Special Rules And Regulations for the Blinebry, put the two together, you have all the Rules. You have the applicability of all these Rules to the Blinebry. Or put the General portion, which comes first, with Section III, which is the Special Rules And Regulations for the Crosby-Devonian Gas Pool, you would then have all the Rules applicable to Crosby-Devonian, and so on. For example, let's flip again to line 3 on Page 16, in the Southeast consolidation. As we mentioned previously, the first information that appears is that information that is related to the General Section which precedes the Special Pool Rule Section. And the first Rule that we see, under Blinebry on Page 16, is under heading A "Well Location And Acreage Requirements," and it's labeled "Rule 5 (A)" and says: "A standard gas proration unit in the Blinebry Gas Pool shall be 160 acres." Now, flipping to Rule 5 (A) in the General Section, which again is on Page 3, we see that 5 (A) has to do with the shape of a Standard Proration Unit and the applicable Acreage Tolerance to a Standard Prorationing Unit, but gives it for all three size units that we have in Southeast. That's a hundred sixty acres, three twenty and six forty. By seeing the Rules in the Special Section of Blinebry that says a standard gas proration unit shall be a hundred sixty acres, we know the information, the General Section, having to do with a hundred sixty acres, applies to Blinebry, and

makes the General portion.

Q Now, Mr. Currens, why did you include the horizontal limits of the various pools?

A The horizontal limits were included because in the older Orders that we were going through, in some cases an Order contained Rules for an individual gas pool. If we were to be able to get rid of those old Orders by going in this consolidation, those horizontal limits or some small aerial part of that pool might be lost in the Commission's records. Therefore, horizontal records up to January 1st, 1960 were included.

Q Now, we have been discussing for purposes of illustration the proposed consolidated Orders for Southeast. Is the one for Northwest similar in the respect that you testified to?

A Yes, sir. It is a similar arrangement of Rules in the various Sections.

Q It was set up in the same way and the headings tie together?

A Yes, sir, that's correct.

Q Now, Mr. Currens, has the Committee any recommendations, any recommended changes since the proposed consolidation has been printed?

A There has been one that I pointed out that inadvertently the Committee copied the wrong Rule. On Page 18 of the Southeast consolidation, for the Blinebry Gas Pool, Rule 27 (A) should read beginning Rule 28 (A), Page 18, Blinebry Gas Pool should read this

way: 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 degrees API, or greater, or 2. Produces liquid hydrocarbons possessing a gravity of less than 51 degrees API, but with a producing gas-liquid ratio of 32,000 cubic feet of gas or more per barrel of liquid hydrocarbon.

Q Now, does the Committee have any recommendations for the Commission, Mr. Currens?

A The Committee would recommend that the Commission adopt this consolidation, consolidated set of Rules for the two areas in New Mexico.

Q Do you feel, Mr. Currens, the Commission should wait any longer to allow operators to look these over even more carefully and perhaps to catch any possible error that might have crept in?

A It might be possible that someone would come up with such. However, I understand that there has been about a month's delay since the time it was distributed until now.

Q Now, would you have the Southeast consolidation marked as Exhibit 1, and the Northwest as Exhibit 2?

A Yes, sir.

(Whereupon, Applicant's Exhibits 1 and 2 were marked for identification.)

MR. PAYNE: We move the introduction of Exhibits 1 and 2 in Case 1937.

MR. PORTER: Without objection, the Exhibits will be admitted into the record.

(Whereupon, Applicant's Exhibits
1 and 2 were received in evidence.)

MR. PAYNE: That concludes the direct testimony of this witness.

MR. PORTER: Anyone have any questions to ask Mr. Currens?

CROSS-EXAMINATION

BY MR. UTZ:

Q Mr. Currens, would you have a recommendation as to what should be done with the Orders that are completely superceded by this General Rule?

A Well, sir, I see no reason to retain the ones that are actually in their entirety covered by this consolidation. I don't know why they should not be done away with.

Q Invalidated?

A Yes.

Q And as to the Rules or old Orders in the Southeast New Mexico, that do contain Rules in regard to oil wells and gas pools, that part of these Orders should be retained. Would that be your recommendation?

A Yes, sir. There are Orders that do contain information relating to other than these related gas pools, and they should not be done away with.

Q But those parts of these Orders that do pertain to gas

pools, it would be your recommendation to delete them?

A Yes, sir.

MR. UTZ: That's all I have.

MR. PORTER: Anyone else have a question of Mr. Currens?

The Commission circulated these proposed consolidations back on March 15th, so I think our entire mailing list has had an opportunity to look over them for at least three weeks. If there are no further questions, the witness may be excused.

(Witness excused)

MR. PORTER: Does anyone else have any comment to make concerning these consolidations or statement?

MR. KASTLER: Bill Kastler with Gulf. I would just like to raise a point of order. Is it in order to make suggestions into the substance of these now consolidated Rules or these proposed consolidated Rules, or is this hearing merely for the purpose of whether or not to consolidate these Rules as written?

MR. PORTER: Mr. Kastler, our purpose for this particular hearing was strictly a consolidation. I think there were a few minor points, as Dan explained, for clarification that were exceptions to that.

MR. KASTLER: Thank you. In that event, Gulf has no objection to the consolidation.

MR. PORTER: The Commission staff is considering at this time, Mr. Kastler, recommending a case to be called for the purpose of making or considering certain revisions of existing Rules. Does

anyone else have any statement to make?

MR. DANIEL: Lee Daniel, petroleum engineer for the Ohio Oil Company at Hobbs, New Mexico. And I would like to make the following statement for the Ohio Oil Company concerning the proposed consolidation of gas and proration. "The Ohio Oil Company recommends that more time be given the operators to study the proposed consolidation of the gas proration orders, and we would suggest that consideration be given to the incorporation of some of the general sections of individual pool rules into the statewide rules." And I have a copy of this statement for the Reporter.

MR. PORTER: Would you hand a copy of that statement to the Reporter, please?

Does anyone else have a statement to make concerning the consolidation of Rules? Mr. Bushnell.

MR. BUSHNELL: Amerada does not oppose the consolidation of these Orders. In fact, it supports the recommendation of the Committee, if there is any administrative advantages to it, or under the assumption that there might be administrative advantages to it. For the benefit of the Committee, I happen to notice one thing, that in the Southeastern--excuse me--in the Northwestern Rules, on Page 2, approximately the first to third of the way down, it reads: "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." It seems to me that the wording is of similar import

with the Southwestern Rules shown at Page 2 of these Rules and would be a preferable wording, and has the same word meaning. The wording is a little bit different. Since it is the same, I thought they ought to be aware of it.

MR. PORTER: Mr. Buell.

MR. BUELL: Guy Buell for Pan American Petroleum Corporation. Pan American recommends that the Commission adopt the consolidated Orders as proposed.

MR. PORTER: Anyone else have a statement to make concerning the proposed consolidation? The Commission is going to take this case under advisement. It will probably be some time before we actually compile or finalize the Order. Now, in the meantime, we would like for you to continue to examine the proposed consolidation, and if you discover any errors, please notify the Commission. We will hold the record open, say, for another--until the first of May, through the rest of April for that purpose. So, if anybody should run into an error, notify the Commission, and Mr. Currens as chairman of the Committee will be notified of such errors.

* * *

STATE OF NEW MEXICO)
COUNTY OF BERNALILLO) ss

I, THOMAS T. TOMKO, Court Reporter, in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Proceedings before the New Mexico Oil Conservation Commission was reported by me in machine shorthand and reduced to typewritten transcript by me, and that the same is a true and correct record to the best of my knowledge, skill and ability.

WITNESS my Hand and Seal this, the 22nd day of April, A.D. 1960, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Thomas T. Tomko
Notary Public

My Commission Expires:

January 7, 1964

From the desk of:
CHRIS NELSON

copy of transcript from
OCD

Case 19-37 R-16-70
dated April 13, 1960

for Babe Kendrick

NEW MEXICO OIL CONSERVATION COMMISSION
P. O. BOX 871
SANTA FE, NEW MEXICO

TO: ALL OPERATORS

Attached are the proposed consolidated gas proration orders which will be considered at the April 13th regular Commission hearing to be held in Hobbs.

You are urged to examine the proposed orders and be prepared to ask any questions or offer any suggestions that you deem advisable, at the hearing.

Very truly yours,

A. L. Porter, Jr.
A. L. PORTER, Jr.
Secretary-Director

ALP/ir

March 15, 1960

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
EXHIBIT No. 2
CASE 1937

PAN AMERICAN PETROLEUM CORPORATION

OIL AND GAS BUILDING

FORT WORTH, TEXAS

ALEX CLARKE, JR.
DIVISION ENGINEER

March 7, 1960

File: GWK-114-986.510

Subject: Gas Order Consolidation
Committee, New Mexico Gas
Pools

New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Attention: Mr. A. L. Porter, Jr.

Gentlemen:

At the November 1959 Regular Hearing, an Industry Committee was appointed to investigate the feasibility of consolidating the existing orders pertaining to the Pool Rules of the prorated New Mexico gas pools. This Committee consisted of Continental Oil Company, El Paso Natural Gas Company, the Oil Conservation Commission, and Pan American Petroleum Corporation. By your letter of November 18, 1959 you advised that Messrs. J. A. Queen and D. H. Rainey would represent Continental and El Paso, respectively, and that Messrs. E. A. Utz and Harlan Flint would serve for the Commission Staff. Pan American was appointed as Chairman of this Committee and was represented by Mr. D. R. Currens.

The Committee has completed its investigation and based on its study believes that it would be feasible to consolidate these orders into two separate orders; one for Southeast New Mexico and one for Northwest New Mexico. In order to fully determine the feasibility of consolidating the individual orders it was necessary to actually prepare a consolidated order for each of these areas. These consolidated orders are attached.

In each of the attached Orders certain portions are shown in parentheses and marked with an **. These portions are explanatory and point out deviations from the previous orders as they were written. Portions other than those indicated as described above were also changed, but these were generally done for clarification, and are not changes in meaning, only changes in wording. This was often required by the fact that the wording of certain portions of most Orders varies between Orders even though the intent and meaning of those portions are the same in each Order.

March 7, 1960

The Orders covered in this study are shown separately, by pools, in attachment to this letter. It is believed that if the consolidated rules were adopted, these Orders could be cancelled except as noted on the attachment. The Orders that are noted are those which also pertain to pools or rules for other than the prorated gas pools. For example, Order R-610 pertains to the Blinebry Oil Pool and the Terry Blinebry Oil Pool as well as the Blinebry Gas Pool.

The findings contained in the orders studied by this Committee can be summarized as follows:

1. 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.
2. 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 covered by these consolidated orders.
3. 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.
4. That prorationing was instituted in each of these Pools.
5. That the Orders set out in the attachment to this letter were issued for the purpose of regulating these pools in accordance with Findings 1, 2, 3, and 4.

Also attached is a copy of a letter from Continental Oil Company, a member of the Committee, which is self-explanatory.


File: GWK-114-986.510

-3-

March 7, 1960

On behalf of the members of this Committee, I express appreciation for the opportunity afforded to us to investigate this matter and prepare our report for the Commission.

Very truly yours,



DRC:lj
Attachment

cc: El Paso Natural Gas Company
P. O. Box 1492
El Paso, Texas
Attn: Mr. D. H. Rainey

Continental Oil Company
825 Petroleum Building
Roswell, New Mexico
Attention: Mr. J. A. Queen

ORDERS STUDIED BY COMMITTEE

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

Crosby Devonian Gas Pool

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

Eumont Gas Pool

*R-264
R-264-A
R-356
R-370
R-370-A
R-370-B
R-371
R-371-A
*R-520
*R-520-A
*R-767
*R-767-A
R-967

Jalmat Gas Pool

*R-264
R-264-A
R-356
R-368
R-368-A
R-368-B
*R-520
*R-520-A
*R-553
*R-640
*R-663
*R-690
R-967

Jalmat Gas Pool (Cont'd)

R-1092
R-1092-A
R-1092-B
R-1092-C

Justis Gas Pool

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

Tubb Gas Pool

*R-264
R-356
R-373
R-373-A
R-464
*R-586
*R-586-B
R-967

* Provisions of these Orders deal with pools other than the prorated gas pools investigated by the Committee.

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 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 an 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

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 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 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 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 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) (provided, however, that the allowable assigned to any well shall not exceed the well's known producing ability.)*

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

* Material in parentheses and underlined is no longer applicable.

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 R-333-C and D as amended by 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. (See Tapacito 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 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 R-333-C and D as amended by 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 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 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.

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 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.)

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.

PROVIDED FURTHER That the horizontal limits of the Aztec-
Pictured Cliffs Gas Pool as of January 1, 1960 are as set
out on Exhibit "A" attached hereto and made a part hereof.

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

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NEW MEXICO OIL CONSERVATION COMMISSION
EXHIBIT A

CASE NO. _____
ORDER NO. _____

Section II - Exhibit A

Aztec-Pictured Cliffs Gas Pool - San Juan County
(Horizontal limits January 1, 1960)

T 28N-R 8W

SW/4 Sec. 15, S/2 Sec. 16; S/2 Sec. 17, S/2 Sec. 18; All Sec. 19 & 20;
W/2 Sec. 21.

T 28N-R 9W

All Sec. 7, thru 24; All Sec. 27 thru 30; E/2 Sec. 31; All Sec. 32.

T 28N-R 10W

E/2 E/2 Sec. 9; All Sec. 10, 11, 12, 13, 14; E/2 Sec. 15, N/2 Sec. 24.

T 29N-R 8W

W/2 Sec. 30 & 31.

T 29N-R 9W

All Sec. 25, 30, 31, 32, W/2 Sec. 33; All Sec. 35 & 36.

T 29N-R 10W

All Sec. 1 thru 10; SW/4 Sec. 13; All Sec. 14 thru 18; E/2 Sec. 19;
All Sec. 20 thru 29, NE/4 Sec. 30; N/2 Sec. 32; NW/4 & E/2 Sec. 33;
All Sec. 34, 35 & 36.

T 29N-R 11W

All Sec. 1, 2, 3, 4; N/2 & SE/4 Sec. 5; N/2 Sec. 11; All Sec. 12;
E/2 Sec. 13.

T 30N-R 10W

S/2 Sec. 7; All Sec. 17, 18, 19, 20; SW/4 Sec. 21, W/2 Sec. 28;
All Sec. 29 thru 35, W/2 & SE/4 Sec. 36.

T 30N-R 11W

All Sec. 2, 3, 4, 5; SE/4 Sec. 6; All Sec. 7, 8, 9, 10, 11, W/2 &
SE/4 Sec. 12; All Sec. 13 thru 30; All Sec. 32 thru 36.

T 30N-R 12W

S/2 & NW/4 Sec. 1; SE/4 Sec. 2; E/2 Sec. 12; E/2 Sec. 13; E/2 Sec. 24;
All Sec. 25.

T 31N-R 11W

E/2 Sec. 32; All Sec. 33 & 34; W/2 Sec. 35.

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.)

PROVIDED FURTHER That the horizontal limits of the Ballard-Pictured Cliffs Gas Pool as of January 1, 1960 are as set

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

out on Exhibit "A" attached hereto and made a part hereof.

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

Section III - Exhibit A

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Ballard P.C. Pool - San Juan & Rio Arriba
(Horizontal limits January 1, 1960)

T 23N-R 3W

All Sec. 17, 18, 20; W/2 Sec. 28; N/2 Sec. 29; N/2 Sec. 33; N/2 & SE/4 Sec. 34, SW/4 Sec. 35.

T 23N-R 4W

S/2 Sec. 2; S/2 & NW/4 Sec. 3; All Sec. 4 thru 18; N/2 Sec. 19.

T 23N-R 5W

All Sec. 1, 2, 3, 4, 5; E/2 Sec. 6; NE/4 Sec. 7; N/2 Sec. 8; All Sec. 9 thru 13; N/2 Sec. 16.

T 23N-R 6W

N/2 Sec. 1.

T 24N-R 4W

S/2 Sec. 19; S/2 Sec. 31; S/2 Sec. 32; S/2 Sec. 33.

T 24N-R 5W

S/2 Sec. 6; All Sec. 7; SE/4 Sec. 8; SW/4 Sec. 13; S/2 Sec. 14; W/2 Sec. 16; All Sec. 17 thru 36.

T 24N-R 6W

W/2 & SE/4 Sec. 1; All Sec. 2, 3, 4; SE/4 Sec. 8; All Sec. 9, 10, 11, 12, & 13 thru 16; NE/4 Sec. 17; N/2 Sec. 21; All Sec. 22; E/2 Sec. 23; W/2 & SE/4 Sec. 24; All Sec. 25; N/2 & SE/4 Sec. 26; NE/4 Sec. 27, E/2 Sec. 35; All Sec. 36.

T 24N-R 7W

N/2 Sec. 1; N/2 Sec. 2; All Sec. 3; N/2 Sec. 4; N/2 Sec. 10.

T 25N-R 6W

SW/4 Sec. 18; All Sec. 19; W/2 Sec. 20; W/2 Sec. 28; All Sec. 29 & 30; N/2 Sec. 31; All Sec. 32; NW/4 & S/2 Sec. 33; S/2 Sec. 34.

T 25N-R 7W

W/2 Sec. 2; All Sec. 3 thru 11; S/2 Sec. 12; All Sec. 13 thru 30; N/2 Sec. 31; All Sec. 33, 34, 35 & 36.

T 25N-R 8W

All Sec. 1 thru 4; N/2 Sec. 5; N/2 Sec. 9; N/2 & SE/4 Sec. 10; All Sec. 11 thru 14; All Sec. 24; N/2 Sec. 25.

T 26N-R 7W

All Sec. 29 thru 32; S/2 Sec. 33; SW/4 Sec. 34.

26N-R 8W

-23-

W/2 Sec. 4, All Sec. 5, 6, & 7; W/2 Sec. 8; SW/4 Sec. 14; S/2 Sec. 15; All Sec. 16 thru 23 incl.; W/2 Sec. 24; All Sec. 25 thru 36.

T 26 N-R 9W

All Sec. 1, 2, 3, 4; NE/4 Sec. 5; All Sec. 9 thru 16; N/2 Sec. 21; N/2 & SE/4 Sec. 22; All Sec. 23, 24, 25 & 26; NE/4 Sec. 27.

T 27 N-R 8W

S/2, Sec. 31; S/2 Sec. 32.

T 27N-R 9W

SW/4 Sec. 26; All Sec. 27; SE/4 Sec. 28; E/2 & NW/4, Sec. 32; All Sec. 33, 34, 35; W/2 & SE/4 Sec. 36.

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.

PROVIDED FURTHER That the horizontal limits of the Fulcher Kutz-Pictured Cliffs Gas Pool as of January 1, 1960 are as set out on Exhibit "A" attached hereto and made a part hereof.

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

CASE NO. _____
ORDER NO. _____

Section IV - Exhibit A

Fulcher Kutz-P. C. Gas Pool - San Juan County
(Horizontal limits January 1, 1960)

T 27N-R 9W

W/2 Sec. 6; All Sec. 7 & 16 thru 21, incl.; W/2 Sec. 22; W/2 & NE/4
Sec. 28; All Sec. 29 & 30.

T 27N-R 10W

All Sec. 1 thru 28; N/2 Sec. 35.

T 27N-R 11W

E/2 Sec. 1; E/2 Sec. 12.

T 28N-R 10W

All Sec. 7 & 8; S/2 Sec. 16; All Sec. 17 thru 23; S/2 Sec. 24; All
Sec. 25 thru 36.

T 28N-R 11W

E/2 Sec. 8; All Sec. 9 thru 15; E/2 Sec. 16; NE/4 Sec. 23; All Sec. 24;
E/2 Sec. 25; E/2 Sec. 36.

T 29N-R 10W

E/2 Sec. 31.

T 29N-R 11W

SW/4 Sec. 7; SW/4 Sec. 17; W/2 & SE/4 Sec. 18; All Sec. 19 & 20; SW/4
Sec. 21 & 27; All Sec. 28, 29, 30; SE/4 Sec. 31; All Sec. 32, 33, 34;
SW/4 Sec. 35.

T 29N-R 12W

All Sec. 1, 2, & 3; N/2 Sec. 4; N/2 Sec. 5; All Sec. 6; Sec. 7 N/2 & SE/4;
E/2 & NW/4 Sec. 10; All Sec. 11 thru 14; NE/4 Sec. 24,

T 29N-R 13W

NE/4 Sec. 1.

T 30N-R 12W

All Sec. 19; SW/4 Sec. 20; W/2 Sec. 27; All Sec. 28 thru 34; SW/4
Sec. 35.

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.

E. 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.) **

PROVIDED FURTHER That the horizontal limits of the South
Blanco-Pictured Cliffs Gas Pool as of January 1, 1960
are as set out on Exhibit "A" attached hereto and made a
part hereof.

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

Section V -- Exhibit A

South Blanco-P. C. Gas Pool - Rio Arriba & San Juan Counties
(Horizontal limits January 1, 1960)

T 24N-R 2W

S/2 Sec. 5 & 6, All Sec. 7, 8, & 9; SE/4 Sec. 14; All Sec. 19 & 20;
S/2 Sec. 21; S/2 Sec. 22; All Sec. 23 & 24; All Sec. 25; NW/4 Sec.
27; N/2 Sec. 28.

T 24N-R 3W

W/2 Sec. 3; All Sec. 4 thru 17; N/2 Sec. 18; E/2 & NW/4 Sec. 20; All
Sec. 21, 22, 23 & 24.

T 24N-R 4W

All Sec 1 thru 8; N/2 Sec. 9, All Sec. 10, 11 & 12; N/2 Sec. 13.

T 24N-R 5W

W/2 Sec. 3.

T 25N-R 3W

W/2 Sec. 18; NW/4 & S/2 Sec. 19; S/2 Sec. 20; All Sec. 21; All Sec. 22;
SW/4 & N/2 Sec. 26; All Sec. 27; All Sec. 28 thru 33.

T 25N-R 4W

All Sec. 5 thru 11; S/2 Sec. 13; All Sec. 14 thru 29; N/2 Sec. 30;
All Sec. 32 thru 36.

T 25N-R 5W

All Sec. 1 thru 18; N/2 Sec. 19; All Sec. 20 thru 24; N/2 Sec. 25;
All Sec. 26, 27, 28, 29, 33 & 34.

T 25N-R 6W

All Sec. 1 thru 5; E/2 Sec. 6; E/2 Sec. 7; NW/4 Sec. 9; All Sec. 10,
11, 12, 13 & 14; N/2 & SW/4 Sec. 15; S/2 & NW/4 Sec. 16; SE/4 Sec. 22;
All Sec. 23 & 24; NE/4 Sec. 26.

T 26N-R 4W

W/2 Sec. 19; All Sec. 29 thru 32; SW/4 Sec. 33.

T 26N-R 5W

All Sec. 4 thru 9; All Sec. 13, 14 thru 36.

T 26N-R 6W

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All Sec. 1 thru 36.

T 26N-R 7W

All Sec. 1 thru 16; N/2 Sec. 17; N/2 Sec. 21; All Sec. 22, 23 & 24;
NE/4 Sec. 25.

T 26N-R 8W

All Sec. 1 & 2.

T 27N-R 5W

W/2 Sec. 6; W/2 Sec. 7; W/2 Sec. 19; W/2 Sec. 30; All Sec. 31 & 32;
SW/4 Sec. 33.

T 27N-R 6W

All Sec. 1 & 2; All Sec. 11 thru 16; S/2 Sec. 17; S/2 Sec. 18; All
Sec. 19 thru 36.

T 27N-R 7W

All Sec. 3, 4 thru 11; All Sec. 13 thru 36.

T 27N-R 8W

All Sec. 1 thru 30; N/2 Sec. 31; N/2 Sec. 32; All Sec. 33 thru 36.

T 27N-R 9W

All Sec. 1 thru 5; All Sec. 8 thru 15; E/2 Sec. 22; All Sec. 23, 24
& 25; NE/4 Sec. 26; NE/4 Sec. 36.

T 28N-R 7W

SW/4 Sec. 15; SE/4 Sec. 21; N/2 & SW/4 Sec. 22; All Sec. 27 & 28;
SW/4 Sec. 30; All Sec. 31, 32, 33 & 34; SW/4 Sec. 35.

T 28N-R 8W

S/2 Sec. 23; S/2 Sec. 25; All Sec. 26 & 29 thru 36.

T 28N-R 9W

All Sec. 25, 26, 33, 34, 35 & 36.

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

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

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 preceeding 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
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 over-
produced 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

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

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.

PROVIDED FURTHER That the horizontal limits of the Tapacito-Pictured Cliffs Gas Pool as of January 1, 1960 are as set out on Exhibit "A" attached hereto and made a part hereof.

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

CASE NO. _____
ORDER NO. _____

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Section VI - Exhibit A

Tapacito-P.C. Gas Pool - Rio Arriba County
(Horizontal limits January 1, 1960)

T 25N-R 3W

SW/4 Sec. 1; S/2 Sec. 2; All Sec. 3 & 4; N/2 Sec. 5; SE/4 & N/2 Sec. 9;
All Sec. 10 & 11, 14, 15; NE/4 Sec. 16; N/2 & SW/4 Sec. 23.

T 26N-R 3W

S/2 Sec. 7; All Sec. 8, 17, 18, 19, 20; SW/4 Sec. 21; Sec. 27 SW/4;
All Sec. 28, 29, 30, 32 & 33; W/2 Sec. 34.

T 26N-R 4W

S/2 Sec. 3; S/2 Sec. 4; All Sec. 5 & 6; N/2 Sec. 7; All Sec. 8, 9, &
10; S/2 Sec. 11; All Sec. 13, 14, 15, & 16; E/2 Sec. 17; E/2 Sec. 22;
All Sec. 23 & 24; E/2 Sec. 25.

T 26N-R 5W

E/2 & NW/4 Sec. 1.

T 27-N-R 4W

S/2 Sec. 19; E/2 & SW/4 Sec. 20; All Sec. 29, 30, 31 & 32; W/2 Sec. 33.

T 27N-R 5W

SW/4 Sec. 13; W/2 Sec. 15; All Sec. 16; E/2 Sec. 17; E/2 Sec. 20;
All Sec. 21 thru 26; NE/4 Sec. 29; E/2 Sec. 35; All Sec. 36.

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.

PROVIDED FURTHER That the horizontal limits of the West Kutz-Pictured Cliffs Gas Pool as of January 1, 1960 are as set out in Exhibit "A" attached hereto and made a part hereof.

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

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

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

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 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.

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

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.

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

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 installed on the gas vent or discharge line. Wellhead 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

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

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 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.

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

(Rules 26 through 33 are special rules which were set out for the Blanco-Mesaverde Gas Pool in Order R-110 dated November 9, 1951. These rules in many instances are generally covered by Statewide Rules 107, 113, 114 and 115. It is possible that these rules could be completely reworked and amended to conform with the Statewide Rules above or reworded to be more applicable to present generally accepted producing practices in the San Juan Basin area. However, for purposes of this order, these rules were set out as they appear in Order R-110 with only minor wording changes for purposes of clarification.) **

PROVIDED FURTHER That the horizontal limits of the Blanco-Mesaverde Gas Pool as of January 1, 1960 are as set out on Exhibit "A" attached hereto and made a part hereof.

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

CASE NO. _____
ORDER NO. _____

Section VIII - Exhibit A

Blanco-Mesaverde Gas Pool - San Juan & Rio Arriba Counties
(Horizontal limits January 1, 1960)

T 26N-R 2W

All Sec. 7; W/2 Sec. 8; W/2 Sec. 17; All Sec. 18, 19; W/2 Sec. 20.

T 26N-R 3W

All Sec. 1 thru 36.

T 26N-R 4W

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All Sec. 1 thru 17, & 20 thru 29, and 33 & 34.

T 26N-R 5W

All Sec. 1 thru 7, W/2 Sec. 8; All Sec. 11 & 12.

T 26N-R 7W

All Sec. 1 thru 8; W/2 Sec. 9, All Sec. 11, 12; N/2 Sec. 13.

T 26N-R 8W

All Sec. 1 & 12.

T 27N-R 3W

All Sec. 7 thru 36.

T 27N-R 4W

All Sec. 1 thru 36.

T 27N-R 5W

All Sec. 1 thru 36.

T 27N-R 6W

All Sec. 1 thru 30 & 34 thru 36.

T 27N-R 7W

All Sec. 1 thru 36.

T 27N-R 8W

All Sec. 1 thru 17, 18, 19 & 20 thru 29; E/2 Sec. 30; E/2 Sec. 31;
All Sec. 32, 33, & 36.

T 27N-R 9W

E/2 Sec. 1; All Sec. 3; E/2 Sec. 4; NE/4 Sec. 9; N/2 Sec. 10; E/2
Sec. 12; E/2 Sec. 13.

T 28N-R 3W

All Sec. 4 thru 9, 15 thru 23; W/2 Sec. 24; W/2 Sec. 25; All Sec. 26
thru 35; W/2 Sec. 36.

T 28N-R 4W

All Sec. 7 thru 36.

T 28N-R 5W

All Sec. 7 thru 36.

T 28N-R 6W

All Sec. 7 thru 36.

T 28N-R 7W

All Sec. 7 thru 36.

T 28N-R 8W

All Sec. 7 thru 36.

T 28N-R 9W

All Sec. 8 thru 17 & 20 thru 29; E/2 Sec. 30 & 31; All Sec. 32 thru 36.

T 29N-R 3W

All Sec. 19, 20 & 21; All Sec. 28 thru 33.

T 29N-R 4W

All Sec. 6, 7, 8, & 17 thru 36.

T 29N-R 5W

All Sec. 1 thru 36.

T 29N-R 6W

All Sec. 1 thru 36.

T 29N-R 7W

All Sec. 1 thru 36.

T 29N-R 8W

All Sec. 1 thru 36.

T 29N-R 9W

All Sec. 1 thru 36.

T 29N-R 10W

All Sec. 1, 2, 5, 6, 11, 12, 13, 14, 24, 25 & 36.

T 30N-R 4W

All Sec. 31.

T 30N-R 5W

All Sec. 6 thru 36.

T 30N-R 6W

All Sec. 1 thru 36.

T 30N-R 7W

All Sec. 1 thru 36.

T 30N-R 8W

All Sec. 1 thru 36.

T 30N-R 9W

All Sec. 1 thru 36.

T 30N-R 10W

All Sec. 1 thru 36.

T 30N-R 11W

All Sec. 1 thru 6, 10 thru 14, 23 thru 26; All Sec. 35 & 36.

T 30N-R 12W

All Sec. 4.

T 31N-R 5W

All Sec. 18, 19, 20, 29, 30, 31 & 32.

T 31N-R 6W

All Sec. 4 thru 10; W/2 Sec. 11; All Sec. 13 thru 36.

T 31N-R 7W

All Sec. 1 thru 36.

T 31N-R 8W

All Sec. 1 thru 36.

T 31N-R 9W

All Sec. 1 thru 36.

T 31N-R 10W

All Sec. 1 thru 36.

T 31N-R 11W

All Sec. 1 thru 36.

T 31N-R 12W

All Sec. 1 thru 30; 32 thru 36.

T 31N-R 13W

All Sec. 1, 2, 13, 24, 25.

T 32N-R 6W

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All Sec. 7, 8, 16 thru 21, 29 thru 32.

T 32N-R 7W

All Sec. 7 thru 36.

T 32N-R 8W

All Sec. 7 thru 36.

T 32N-R 9W

All Sec. 7 thru 36.

T 32N-R 10W

All Sec. 7 thru 36.

T 32N-R 11W

All Sec. 7 thru 36.

T 32N-R 12W

All Sec. 7 thru 36.

T 32N-R 13W

All Sec. 24 & 25; E/2 Sec. 26, All Sec. 35 & 36.