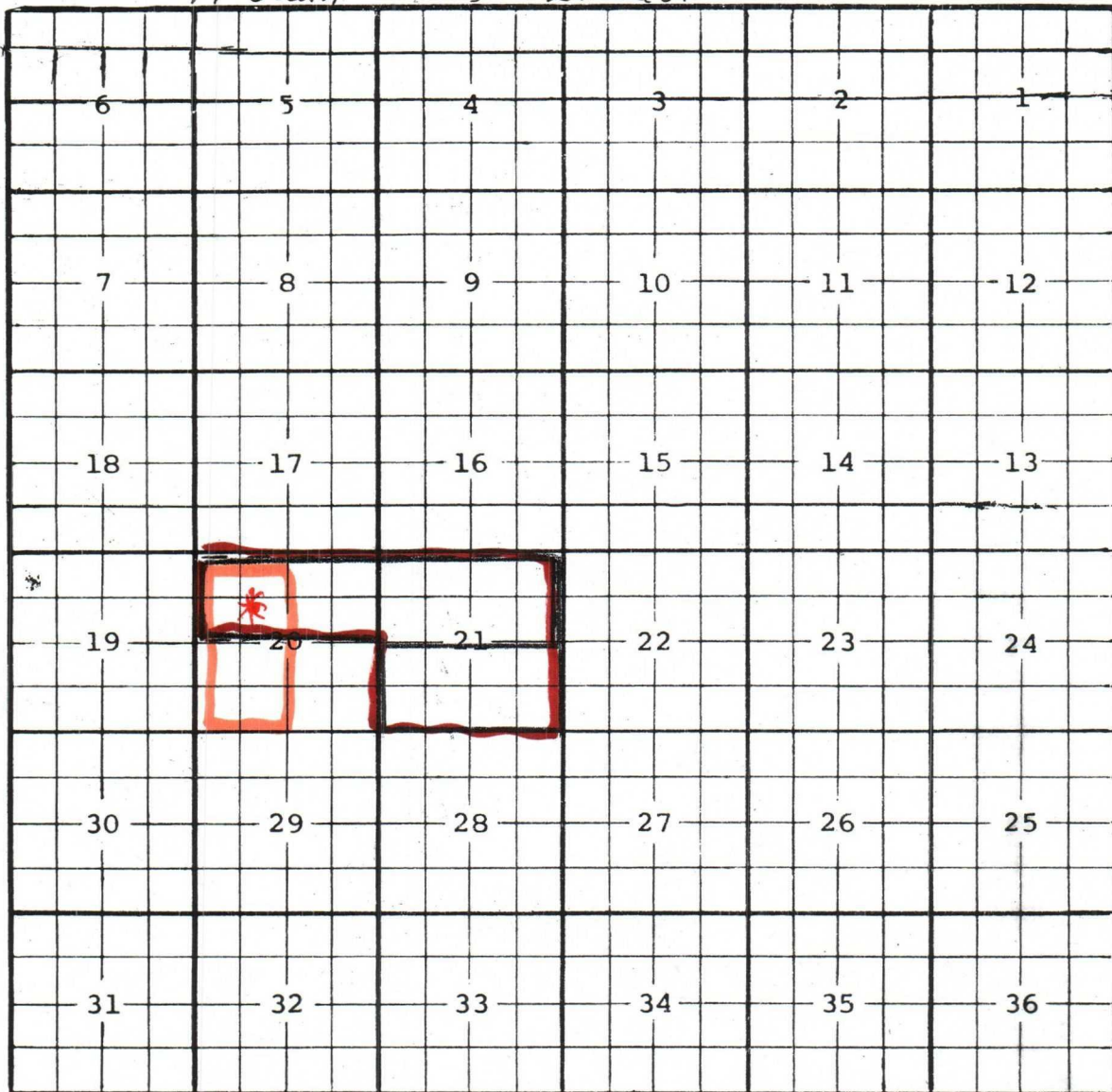


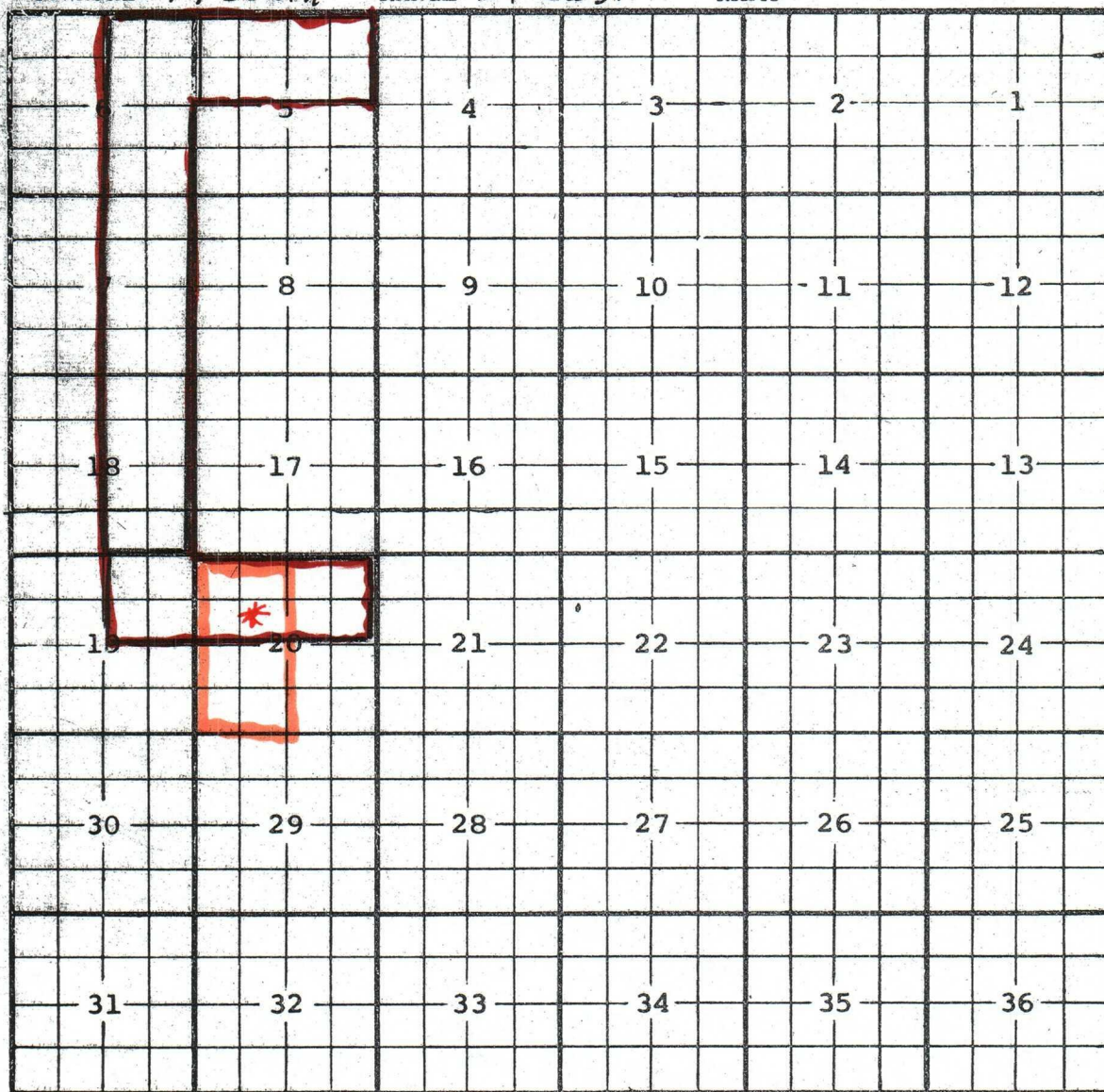
County Eddy Pool McMillan-Atoka GasTOWNSHIP 19 South Range 27 East NMPM

81210

Description: $\frac{5}{2}$ Sec. 21 (R-6838, (1-8-81))Ext: $\frac{N}{2}$ Sec. 20, $\frac{N}{2}$ Sec. 21 (R-10518, 10-20-95)

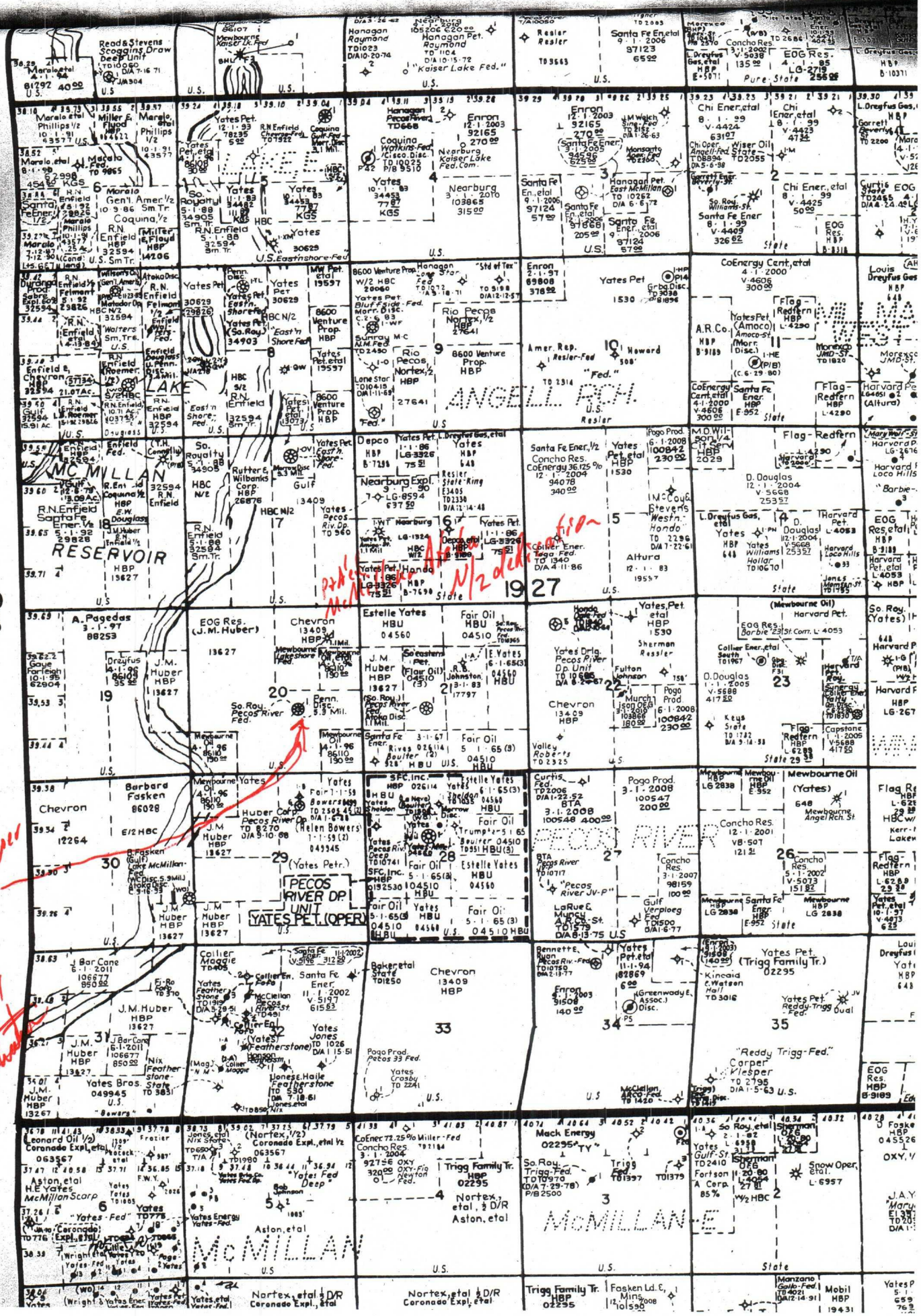
COUNTY EddyPOOL East Lake-Morrow Gas79933TOWNSHIP 19 SouthRANGE 27 East

NMPM

Description: N/2 Sec 5 (R-5534, 10-1-77)Ext: E/2 Sec. 6, E/2 Sec. 7, E/2 Sec. 18 (R-7158, 12-8-82)Ext: NE/4 Sec. 19, N/2 Sec. 20 (R-9709, 8-25-92)

Discovery
McMillan Upper
Gas Pool
Discovery well
E/2

T
19
S



COUNTY Eddy

POOL

Mc Millan - Morrow GasTOWNSHIP 20 SouthRANGE 27 East

NMPM

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31	32	33	34	35	36

Description: All Sec. 7 & 18 (R-2917, 6-8-65)Ext: All Sec. 19 (R-3681, 3-1-69)

R-2917
R-5829

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE No. 3252
Order No. R-2917
NOMENCLATURE

APPLICATION OF HARVEY E. YATES
AND YATES DRILLING COMPANY FOR
THE CREATION OF A NEW GAS POOL
AND FOR SPECIAL POOL RULES,
EDDY COUNTY, NEW MEXICO.

See Also Orders No.
R-2917-A
R-2917-B
R-2917-C

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on May 26, 1965, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 8th day of June, 1965, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That the applicants, Harvey E. Yates and Yates Drilling Company, seek the creation of a new gas pool for Morrow production in Eddy County, New Mexico, and the promulgation of special rules and regulations, including a provision for 640-acre spacing units.

(3) That the Hondo Singer "C" Well No. 1, located in Unit F of Section 18, Township 20 South, Range 27 East, NMPM, Eddy County, New Mexico, has discovered a separate common source of supply which should be designated the McMillan-Morrow Gas Pool; that the vertical limits of said pool should be the Morrow zone of the Pennsylvanian formation; and that the horizontal limits of said pool should be all of Section 13, Township 20 South,

Range 26 East, and all of Sections 7 and 18, Township 20 South, Range 27 East, NMPM, Eddy County, New Mexico.

(4) That in order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, temporary special rules and regulations providing for 640-acre spacing units should be promulgated for the McMillan-Morrow Gas Pool.

(5) That the temporary special rules and regulations should provide for limited well locations in order to assure orderly development of the pool and protect correlative rights.

(6) That special rules and regulations should be established for a temporary period to expire one year from the date that a pipeline connection is first obtained for a well in the pool; that during this temporary period all operators in the subject pool should gather all available information relative to drainage and recoverable reserves.

(7) That this case should be reopened at an examiner hearing one year from the date that a pipeline connection is first obtained for a well in the McMillan-Morrow Gas Pool, at which time the operators in the subject pool should appear and show cause why the McMillan-Morrow Gas Pool should not be developed on 320-acre spacing units.

(8) That the first operator to obtain a pipeline connection for a well in the McMillan-Morrow Gas Pool should notify the Commission in writing of such fact, and that the Commission should thereupon issue a supplemental order designating an exact date for reopening this case.

IT IS THEREFORE ORDERED:

(1) That a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production, is hereby created and designated the McMillan-Morrow Gas Pool, with vertical limits comprising the Morrow zone of the Pennsylvanian formation, and horizontal limits comprising all of Section 13, Township 20 South, Range 26 East, and all of Sections 7 and 18, Township 20 South, Range 27 East, NMPM, Eddy County, New Mexico.

(2) That temporary Special Rules and Regulations for the McMillan-Morrow Gas Pool are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
McMILLAN-MORROW GAS POOL

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

RULE 2. Each well shall be located on a standard unit containing 640 acres, more or less, consisting of a governmental section.

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

- (a) The non-standard unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side.
- (b) The non-standard unit lies wholly within a governmental section and contains less acreage than a standard unit.
- (c) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the section in which the non-standard unit is situated and which acreage is not included in said non-standard unit.
- (d) In lieu of paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of his intent

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

RULE 4. Each well shall be located no nearer than 1650 feet to the outer boundary of the section and no nearer than 330 feet to any governmental quarter-quarter section line.

RULE 5. The Secretary-Director may grant an exception to the requirements of Rule 4 without notice and hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proposed location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Secretary-Director may approve the application upon receipt of written waivers from all operators offsetting the proposed location or if no objection to the unorthodox location has been entered within 20 days after the Secretary-Director has received the application.

IT IS FURTHER ORDERED:

(1) That the locations of all wells presently drilling to or completed in the McMillan-Morrow Gas Pool or in the Morrow formation within one mile thereof are hereby approved; that the operator of any well having an unorthodox location shall notify the Artesia District Office of the Commission in writing of the name and location of the well on or before July 1, 1965.

(2) That each well presently drilling to or completed in the McMillan-Morrow Gas Pool or in the Morrow formation within one mile thereof shall receive a 320-acre allowable until a Form C-102 dedicating 640 acres to the well has been filed with the Commission.

(3) That this case shall be reopened at an examiner hearing one year from the date that a pipeline connection is first obtained for a well in the McMillan-Morrow Gas Pool, at which time the operators in the subject pool may appear and show cause why the McMillan-Morrow Gas Pool should not be developed on 320-acre spacing units.

-5-

CASE No. 3252

Order No. R-2917

(4) That the first operator to obtain a pipeline connection for a well in the McMillan-Morrow Gas Pool shall notify the Commission in writing of such fact, and that the Commission will thereupon issue a supplemental order designating an exact date for reopening this case.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JACK M. CAMPBELL, Chairman

GUYTON B. HAYS, Member

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

S E A L

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BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE No. 3252

Order No. R-2917-A

See Also Order No.

R-2917

R-2917-B

R-2917-C

APPLICATION OF HARVEY E. YATES
AND YATES DRILLING COMPANY FOR
THE CREATION OF A NEW GAS POOL
AND FOR SPECIAL POOL RULES,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on July 19, 1966,
at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 27th day of July, 1966, the Commission, a
quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

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

(2) That by Order No. R-2917, dated June 8, 1965, temporary
Special Rules and Regulations were promulgated for the McMillan-
Morrow Gas Pool, Eddy County, New Mexico.

(3) That pursuant to the provisions of Order No. R-2917,
this case was reopened to allow the operators in the subject pool
to appear and show cause why the McMillan-Morrow Gas Pool should
not be developed on 320-acre spacing units.

(4) That the applicants have not presented sufficient evidence
concerning the reservoir characteristics of the McMillan-Morrow

-2-

CASE No. 3252

Order No. R-2917-A

Gas Pool to enable the Commission to determine that said temporary Special Rules and Regulations should be made permanent.

(5) That the temporary Special Rules and Regulations for the McMillan-Morrow Gas Pool, promulgated by Order No. R-2917, should be continued in effect until further order of the Commission in order to allow the operators in the subject pool sufficient time to gather additional information concerning the reservoir characteristics of the pool.

(6) That this case should be reopened at an examiner hearing in January, 1968, at which time the applicants and all interested parties should appear and show cause why the McMillan-Morrow Gas Pool should not be developed on 320-acre spacing units.

IT IS THEREFORE ORDERED:

(1) That the temporary Special Rules and Regulations for the McMillan-Morrow Gas Pool, promulgated by Order No. R-2917, are hereby continued in full force and effect until further order of the Commission.

(2) That this case shall be reopened at an examiner hearing in January, 1968, at which time the applicants and all interested parties may appear and show cause why the McMillan-Morrow Gas Pool should not be developed on 320-acre spacing units.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JACK M. CAMPBELL, Chairman

GUYTON B. HAYS, Member

S E A L

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

esr/

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

See Also Orders No.

R-2917

R-2917-A

R-2917-C

CASE NO. 3252
Order No. R-2917-B

APPLICATION OF HARVEY E. YATES AND YATES
DRILLING COMPANY FOR THE CREATION OF A
NEW GAS POOL AND FOR SPECIAL POOL RULES,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on January 10, 1968, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 16th day of January, 1968, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That by Order No. R-2917, dated June 8, 1965, temporary Special Rules and Regulations were promulgated for the McMillan-Morrow Gas Pool, Eddy County, New Mexico.

(3) That by Order No. R-2917-A, dated July 27, 1966, said temporary Special Rules and Regulations were continued in full force and effect for an additional period of 18 months.

(4) That pursuant to the provisions of Order No. R-2917-A, this case was reopened to allow the operators in the subject pool to appear and show cause why the McMillan-Morrow Gas Pool should not be developed on 320-acre spacing units.

-2-

Case No. 3252
Order No. R-2917-B

(5) That the evidence establishes that one well in the McMillan-Morrow Gas Pool can efficiently and economically drain and develop 640 acres.

(6) That the Special Rules and Regulations promulgated by Orders Nos. R-2917 and R-2917-A have afforded and will afford to the owner of each property in the pool the opportunity to produce his just and equitable share of the gas in the pool.

(7) That in order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, the Special Rules and Regulations promulgated by Orders Nos. R-2917 and R-2917-A should be continued in full force and effect until further order of the Commission.

IT IS THEREFORE ORDERED:

(1) That the Special Rules and Regulations governing the McMillan-Morrow Gas Pool, promulgated by Orders Nos. R-2917 and R-2917-A, are hereby continued in full force and effect until further order of the Commission.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

DAVID F. CARGO, Chairman

GUYTON B. HAYS, Member

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

S E A L

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STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 6337
Order No. R-5829

APPLICATION OF MARK D. WILSON TO
LIMIT APPLICATION OF POOL RULES,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on September 27, 1978, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 6th day of October, 1978, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) That applicant, Mark D. Wilson, seeks to limit the application of the Special Rules and Regulations for the McMillan-Morrow Gas Pool, Eddy County, New Mexico, to the horizontal limits of said pool only.
- (3) That said McMillan-Morrow Gas Pool has been developed and operated on 640-acre spacing pursuant to the provisions of Division Order No. R-2917, dated June 8, 1965.
- (4) That the productive limits of the McMillan-Morrow Gas Pool have been defined by the wells drilled within and immediately outside the presently defined pool boundaries.
- (5) That any new production which may be established in this area will in all probability be from a separate common source of supply and should not necessarily be subject to the Special Pool Rules established for the McMillan-Morrow Gas Pool.

(6) That limitation of the application of the McMillan-Morrow Gas Pool Rules to wells located within the boundaries of the McMillan-Morrow Gas Pool as they now exist will not cause waste nor impair correlative rights, and should be approved.

IT IS THEREFORE ORDERED:

(1) That the 640-acre spacing rules and special well location requirements applicable to the McMillan-Morrow Gas Pool shall be effective only insofar as they apply to the following-described lands in Eddy County, New Mexico:

TOWNSHIP 20 SOUTH, RANGE 26 EAST, NMPM

Section 13: All

Section 24: All

TOWNSHIP 20 SOUTH, RANGE 27 EAST, NMPM

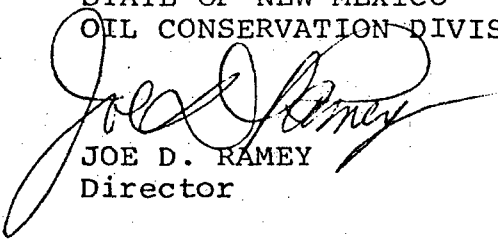
Section 7: All

Sections 18 and 19: All

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

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


JOE D. RAMEY
Director

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

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

See Also Orders No.
R-2917
R-2917-A
R-2917-B

CASE NO. 12463
Order No. R-2917-C

APPLICATION OF POGO PRODUCING COMPANY TO AMEND THE
SPECIAL POOL RULES FOR THE MCMILLAN-MORROW GAS POOL, OR IN
THE ALTERNATIVE FOR AN UNORTHODOX GAS WELL LOCATION, EDDY
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on July 27, 2000, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 28th day of August, 2000, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given and the Division has jurisdiction of this case and its subject matter.

(2) The applicant, Pogo Producing Company ("Pogo"), seeks to amend the special pool rules for the McMillan-Morrow Gas Pool, Eddy County, New Mexico, to provide:

- (a) the option to drill a well on each quarter section within a standard 640-acre gas spacing and proration unit; and
- (b) well setback requirements such that wells shall be located no closer than 660 feet to a quarter section line nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

(3) In the alternative, the applicant seeks approval to drill its Davis "18" Well No. 1 at an unorthodox gas well location for the McMillan-Morrow Gas Pool 660 feet from the North and West lines (Unit D) of Section 18, Township 20 South, Range 27 East, NMPM, Eddy County, New Mexico.

(4) Harvey E. Yates Company, an operator within Section 7, Township 20 South, Range 27 East, NMPM, appeared at the hearing through legal counsel.

(5) The "*Special Rules and Regulations for the McMillan-Morrow Gas Pool*" as established by Division Order No. R-2917, as amended, dated June 8, 1965, currently require standard 640-acre gas spacing and proration units with wells to be located no closer than 1650 feet to the outer boundary of the section nor closer than 330 feet to any governmental quarter-quarter section line or subdivision inner boundary. In addition, the pool rules do not currently provide the option of drilling more than one well on a standard gas proration unit.

(6) The McMillan-Morrow Gas Pool currently comprises the following described area in Eddy County, New Mexico:

TOWNSHIP 20 SOUTH, RANGE 26 EAST, NMPM

Section 13: All
Section 24: All
Section 23: SE/4
Section 26: N/2

TOWNSHIP 20 SOUTH, RANGE 27 EAST, NMPM

Section 7: All
Section 18: All
Section 19: All

(7) By Order No. R-5829 issued in Case No. 6337 on October 6, 1978, the Division, upon application of Mark D. Wilson, limited the area subject to the "*Special Rules and Regulations for the McMillan-Morrow Gas Pool*" to a five section area comprising Sections 13 and 24, Township 20 South, Range 26 East, and Sections 7, 18 and 19, Township 20 South, Range 27 East.

(8) There are currently three active producing wells within the McMillan-Morrow Gas Pool, described as follows:

- (a) the Yates Drilling Company Pecos River Deep Unit Well No. 3 located 1980 feet from the North line and 660 feet from the East line (Unit H) of Section 13;
 - (b) the Atasca Resources, Inc. State "19" Com Well No. 1 located 1650 feet from the North and West lines (Unit F) of Section 19; and
 - (c) the newly drilled Pogo Davis "7" Well No. 1 located 660 feet from the South and West lines (Unit M) of Section 7.
- (9) The applicant presented geologic evidence that demonstrates:
- (a) the "Singer" sand within the Middle Morrow section is the predominant producing interval within the McMillan-Morrow Gas Pool;
 - (b) the "Singer" sand traverses the McMillan-Morrow Gas Pool in a north-south direction and varies in thickness from 0-40 feet; and
 - (c) the approximate gas-water contact within the "Singer" reservoir occurs at a depth of approximately 7,100 feet. The majority of the McMillan-Morrow Gas Pool is at a structural position above the gas-water contact.
- (10) The applicant presented engineering evidence that demonstrates:
- (a) its Davis "7" Well No. 1, which was recently drilled at an unorthodox gas well location in Section 7 (approved by Division Order No. R-11308 dated January 13, 2000) has been completed in the McMillan-Morrow Gas Pool at an initial producing rate of approximately 7.0 MMCFGPD. The well encountered a relatively high reservoir pressure of approximately 3,200 psi. Initial pressure for this gas reservoir was approximately 4,235 psi;

- (b) Section 7 has previously been tested and developed in the McMillan-Morrow Gas Pool by the: (i) Harvey E. Yates Company Hondo Singer "A" Well No. 1 located in Unit P; and (ii) Harvey E. Yates Company Singer Davis Well No. 1 located in Unit K. These wells cumulatively produced approximately 161 MMCFG from the Morrow formation;
- (c) the drainage areas for the three existing producing wells are as follows:

<u>Well Name</u>	<u>Drainage Area</u>
Pecos River Deep Unit No. 3	72 acres
State "19" Com No. 1	234 acres
Davis "7" No. 1	90 acres; and

- (d) the overall average drainage area for all wells that have produced from the McMillan-Morrow Gas Pool is approximately 144 acres.

(11) A portion of the McMillan-Morrow Gas Pool comprising the SE/4 of Section 23 and the N/2 of Section 26, Township 20 South, Range 26 East, NMPM, is governed by Division Rule 104.C. which requires standard 320-acre gas spacing and proration units with wells to be located no closer than 660 feet to the outer boundary of the quarter section and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary. In addition, Rule 104.C. also provides the option to drill a second well on a standard 320-acre proration unit within the quarter section not containing the initial well.

(12) The geologic and engineering evidence presented demonstrates that approval of infill drilling within the McMillan-Morrow Gas Pool will provide the operators in the pool the opportunity to recover additional gas reserves, which may otherwise not be recovered by the existing wells, thereby preventing waste.

(13) The applicant's proposal to allow up to four wells per section is supported by its geologic and engineering evidence, and is consistent with current Division rules governing Morrow gas development in Southeast New Mexico.

(14) The proposed well setback requirements will allow for greater flexibility in locating infill gas wells.

(15) The applicant notified all operators and interest owners within the area affected by this application, as described in Finding No. (7). No operator or interest owner appeared at the hearing in opposition to the application.

(16) Approval of the application is in the best interest of conservation, prevention of waste and protection of correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The application of Pogo Producing Company to amend the "*Special Rules and Regulations for the McMillan-Morrow Gas Pool*," located in all or portions of Sections 13, 23, 24 and 26, Township 20 South, Range 26 East, and Sections 7, 18 and 19, Township 20 South, Range 27 East, NMPM, Eddy County, New Mexico, is hereby approved.

(2) The "*Special Rules and Regulations for the McMillan-Morrow Gas Pool*," are hereby amended to read in their entirety as follows:

**SPECIAL RULES AND REGULATIONS
FOR THE
McMILLAN-MORROW GAS POOL**

RULE 1. Each well completed or recompleted in the McMillan-Morrow Gas Pool within Sections 13 and 24, Township 20 South, Range 26 East, and Sections 7, 18 and 19, Township 20 South, Range 27 East, NMPM, shall be spaced, drilled, operated and produced in accordance with the special rules and regulations set forth herein.

RULE 2. Each well shall be located on a standard unit containing 640 acres, more or less, consisting of a governmental section, provided, however, up to four wells may be drilled on a standard 640-acre proration unit. Each infill well shall be drilled in a quarter section that does not contain a well.

RULE 3. The Director may grant an exception to Rule (2) for non-standard spacing units after notice and opportunity for hearing when an application has been filed and the unorthodox size or shape is necessitated by a variation in the legal subdivision of the U.S. Public Land Survey or the following facts exist:

- i) the non-standard spacing unit consists of quarter-quarter sections or lots joined by a common side; and
- ii) the non-standard unit lies wholly within a single governmental section.

Applications for administrative approval of non-standard spacing units shall be filed in accordance with the procedure set forth in Division Rule 104.D.(2).

RULE 4. Each initial and infill well shall be located no closer than 660 feet to the outer boundary of the quarter section on which the well is located and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

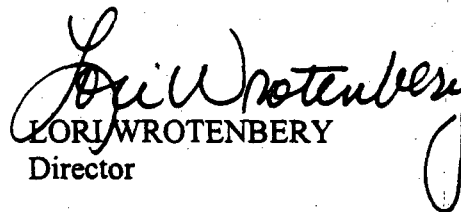
RULE 5. The Director may grant an exception to the requirements of Rule (4) after notice and opportunity for hearing when the exception is necessary to prevent waste and protect correlative rights.

Applications for administrative approval of unorthodox well locations shall be filed in accordance with the procedure set forth in Division Rule 104.F.

(3) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

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

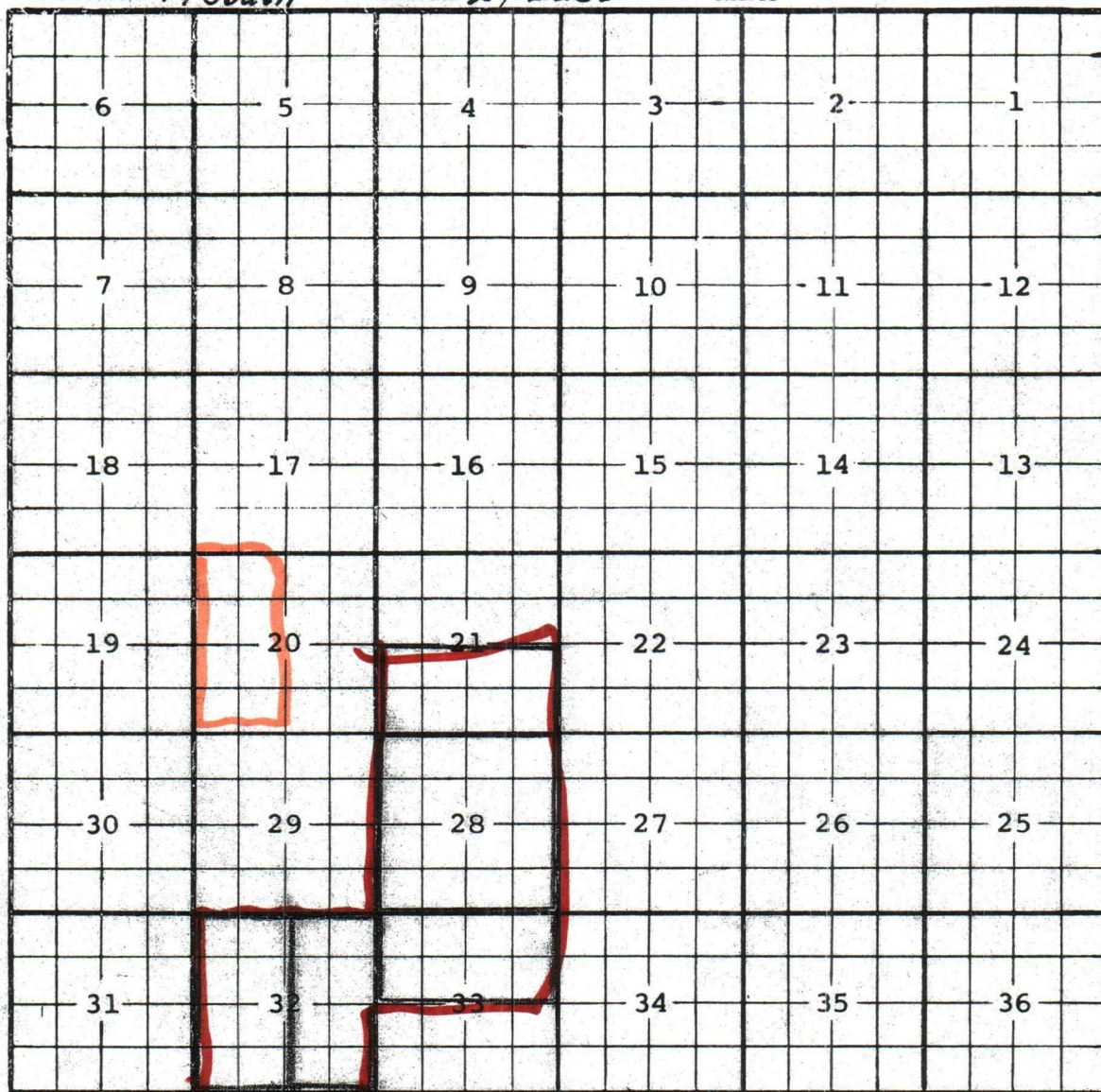
STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


LORI WROTENBERY
Director

SEAL

COUNTY EddyPOOL North McMillan - Morrow GasTOWNSHIP 19 SouthRANGE 27 East

NMFM



Description: All Sec. 28 (R-3067, 6-1-66)

Ext: $\frac{1}{2}$ Sec. 21 (R-6698, 6-2-81) Ext: $\frac{1}{2}$ Sec. 33 (R-11921, 3-19-03)

Ext: $\frac{1}{2}$ Sec. 32 (R-12030, 9-24-03) Ext: $\frac{1}{2}$ Sec. 32 (R-12025, 12-18-03)

County Eddy Pool Southwest McMillan-Atoka Gas

TOWNSHIP 19 South Range 27 East NMPM

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Description: $\frac{E}{2}$ Sec. 30 (R-10642, 12-28-93)