Proposed revision to: RULES OF PROCEDURE FOR NORTHWEST NEW MEXICO

CHAPTER I TYPE OF TESTS REQUIRED FOR WELLS COMPLETED IN PRORATED GAS POOLS

Section 1. Reclassified GPUs

Operators of wells on a Gas Proration Unit (GPU) which has been reclassified as non-marginal will conduct Deliverability tests on those wells within 90 days of the order reclassifying it unless there are current tests on file with the Oil Conservation Division (Division) or the order requires a new test. A current test is a test which was conducted during the last test period for that pool or later.

Section 2. Non-marginal GPUs

Operators will conduct deliverability tests on wells on non-marginal GPUs every five years. If the Division determines that a well's test data and production data warrant more frequent testing of a well the Division may set up special testing schedules for that well.

Section 3 Scheduling of testing

By September 1 of each year the Aztec District Office of the Division will notify operators of non-marginal GPUs that their wells will be tested during the following test period.

All Deliverability Tests required by these rules must be filed with the Division's Aztec office within 90 days following the completion of each test. Provided however, that any test completed between December 31 of the test year and March 10 of the following year are due no later than January 31. No extension of time for filing tests beyond March 10 will be granted except after notice and hearing.

Failure to file any test within the above-prescribed times will subject the GPU to the loss of one day's allowable for each day the test is late.

Any well scheduled for testing during its test year may have the conditioning period, test flow period, and part of the seven-day shut-in period conducted in December of the previous year provided that if the seven-day shut-in period immediately follows the test flow period the seven-day shut-in pressure would be measured in January of the test year. The earliest date that a well could be scheduled for a Deliverability Test would be such that the Test Flow Period would end on December 25 of the previous year.

Downhole commingled wells are to be scheduled for tests on dates for pool of the lowermost prorated completion of the well.

In the event a well is shut-in by the Division for overproduction, the operator may produce the well for a period of time to secure a test after written notification to the Division. All gas

produced during this testing period will be used in determining the over/under produced status of the well.

An operator may schedule a well for a deliverability retest upon notification to the Division's Aztec office at least ten days before the test is to be commenced. Such retest will be for substantial reason and will be subject to the approval of the Division. A retest will be conducted in conformance with the Deliverability Test Procedures of these rules. The Division, at its discretion, may require the retesting of any well by notification to the operator to schedule such retest. These tests as filed on Form C-122A should be identified as "RETEST" in the remarks column.

Section 4: WITNESSING OF TESTS

Any Deliverability Test may be witnessed by any or all of the following: an agent of the Division, an offset operator, a representative of the gas transportation facility connected to the well under test, or a representative of the gas transportation facility taking gas from an offset operator.

CHAPTER II: DELIVERABILITY TEST PROCEDURE

This test will begin by producing a well in the normal operating manner into the pipeline through either the casing or tubing, but not both, for a period of fourteen consecutive days. This will be known as the conditioning period. The production valve and choke settings will not be changed during either the conditioning or flow periods except during the first then (10) days of the conditioning period when maximum production would over-range the meter chart or location production equipment. The first ten (10) days of said conditioning period will not have more than forth eight (48) hours of cumulative interruptions of flow. The eleventh to fourteenth day, inclusive, of said conditioning period will have no interruptions of flow whatsoever. Any interruption of flow that occurs as normal operation of the well such as stopcock flow, intermittent flow, or well blow down will not be counted as shut-in time in either the conditioning or flow period.

The daily flowing rate will be determined from an average of seven or eight consecutive producing days, following a minimum conditioning period of 14 consecutive days of production. This will be known as the flow period.

Instantaneous pressures will be measured by deadweight gauge or other method approved by the Division during the 7-day or 8-day flow period at the casinghead, tubinghead, or orifice meter, and will be recorded along with the instantaneous meter-chart static pressure reading.

If a well is producing through a compressor that is located between the wellhead and the meter run, the meter run pressure and the wellhead casing pressure and the wellhead tubing pressures are to be reported on Form C-122A. (Neither the suction pressure nor the discharge pressure of the compressor is considered wellhead pressure.) A note will be entered in the remarks portion on Form

C-122A stating "This well produces through a compressor."

When it is necessary to restrict the flow of gas between the wellhead and orifice meter, the ratio of the downstream pressure, psia, to the upstream pressure, psia will be determined. When this ratio is 0.57, or less, critical flow conditions will be considered to exist across the restriction.

When more than one restriction between the wellhead and orifice meter causes the pressures to reflect critical flow between the wellhead and orifice meter, the pressures across each of these restrictions will be measured to determine whether critical flow exists at any restriction. When critical flow does not exist at any restriction, the pressures taken to disprove critical flow will be reported to the Division on Form C-122A in item (n) of the form. When critical flow conditions exist, the instantaneous flowing pressures required hereinabove will be measured during the last 48 hours of the 7-day or 8-day flow period.

When critical flow exists between the wellhead and orifice meter, the measured wellhead flowing pressure of the string through which the well flowed during the test will be used as P_t when calculating the static wellhead working pressure (P_w) using the method established below.

When critical flow does not exist at any restriction, P_t will be the corrected average static pressure from the meter chart plus friction loss from the wellhead to the orifice meter.

The static wellhead working pressure (P_w) of any well under test will be the calculated 7-day or 8-day average static tubing pressure if the well is flowing through the casing; it will be the calculated 7-day or 8-day average static casing pressure if the well is flowing through the tubing. The static wellhead working pressure (P_w) will be calculated by applying the tables and procedures set out in this manual.

To obtain the shut-in pressure of a well under test, the well will be shut in some time during the current testing season for a period of seven to fourteen consecutive days, which have been preceded by a minimum of seven days of uniterrupted production. The shut-in pressure will be measured with a deadweight gauge or other method approved by the Division on the seventh to fourteenth day of shut-in of the well. The 7-day shut-in pressure will be measured on both the tubing and the casing when communication exists between the two strings. The higher of such pressures will be used as P_c in the deliverability calculation. When any such shut-in pressure is determined by the Division to be abnormally low or the well cannot be shut-in due to "HARDSHIP" classification, the shut-in pressure to be used as P_c will be determined by one of the following methods:

1. A Division-designated value.

2. An average shut-in pressure of all offset wells completed in the same zone. Offset wells include the four side and four corner wells, if available.

3. A calculated surface pressure based on a calculated bottom-hole pressure. Such calculation will be made in accordance with the examples in this manual.

All wellhead pressures as well as the flowing meter pressure tests which are to be taken during the

7-day or 8-day deliverability test period as required hereinabove will be taken with a deadweight gauge or other method approved by the Division. The pressure readings and the date and time according to the chart will be recorded and maintained in the operator's records with the test information.

Orifice meter charts will be changed and so arranged as to reflect upon a single chart the flow data for the gas from each well for the full 7-day or 8-day deliverability test period; however, no tests will be voided if satisfactory explanation is made as to the necessity for using test volumes through two chart periods. Corrections will be made for pressure base, measured flowing temperature, specific gravity, and supercompressibility; provided however, if the specific gravity of the gas from any well under test is not available, an estimated specific gravity may be assumed therefor, based upon that of gas from nearby wells, the specific gravity of which has been actually determined by measurement.

The average flowing meter pressure for the 7-day or 8-day flow period and the corrected integrated volume will be determined by the purchasing company that integrates the flow charts and furnished to the operator or testing agency.

The 7-day or 8-day flow period volume will be calculated from the integrated readings as determined from the flow period orifice meter chart. The volume so calculated will be divided by the number of testing days on the chart to determine the average daily rate of flow during said flow period. The flow period will have a minimum of seven and maximum of eight legibly recorded flowing days to be acceptable for test purposes. The volume used in this calculation will be corrected to New Mexico Oil Conservation Division standard conditions of 15.025 psia pressure base, 60^0F. temperature base and 0.60 specific gravity base.

The daily volume of flow as determined from the flow period chart readings will be calculated by applying the Basic Orifice Meter Formula or other acceptable industry standard practices.

$$Q = C' (h_w P_f).5$$

Where:

Q = Metered volume of flow Mcf/d @ 15.025 psia, 60^0F., and 0.60 specific gravity.

C' = The 24-hour basic orifice meter flow factor corrected for flowing temperature, gravity and supercompressibility.

h_w = Daily average differential meter pressure from flow period chart.

P_f = Daily average flowing meter pressure from flow period chart.

The basic orifice meter flow factors, flowing temperature factor, and specific gravity factor will be determined from the tables in this manual.

The daily flow period average corrected flowing meter pressure, psig, will be used to determine the

supercompressibility factor. Supercompressibility Tables may be obtained from the New Mexico Oil Conservation Division.

When supercompressibility correction is made for a gas containing either nitrogen or carbon dioxide in excess of 2 percent, the supercompressiblity factors of such gas will be determined by the use of Table V of the C.N.G.A. Bulletin TS-402 for pressures 100-500 psig, or Table II, TS-461 for pressures in excess of 500 psig.

The use of tables for calculating rates of flow from integrator readings which do not specifically conform to the New Mexico Oil Conservation Division "Back Pressure Test Manual," or this manual, may be approved for determining the daily flow period rates of flow upon a showing that such tables are appropriate and necessary.

The daily average integrated rate of flow for the 7-day or 8-day flow period will be corrected for meter error by multiplication by a correction factor. The correction factor will be determined by dividing the square root of the deadweight flowing meter pressure, psia, by the square root of the chart flowing meter pressure, psia.

Deliverability pressure, as used herein, is a defined pressure applied to each well and used in the process of comparing the abilities of wells in a pool to produce at static wellhead working pressures equal to a fixed presure or a percentage of the 7-day shut-in pressure of the respective individual wells. Such fixed pressure or percentage percentage will be determined and announced periodically by the Division based on the relationship of the average static wellhead working pressures (P_w) divided by the average 7-day shut-in pressure (P_c) of the pool.

The deliverability of gas at the "deliverability pressure" of any well under test will be calculated from the test data derived from the tests hereinabove required by use of the following deliverability formula:

$$D = Q\left[\frac{(P_c^2 - P_d^2)}{(P_c^2 - P_w^2)}\right]^n$$

Where:

D = Deliverability Mcf/d at the deliverability pressure, (P_d), (at Standard Conditions of 15.025 psia, 60^0F and 0.60 sp. gr.).

Q = Daily flow rate in Mcf/d, at wellhead pressure (P_w).

P_c = 7-day shut-in Wellhead pressure, psia, determined in accordance with Section 2 of Chapter II.

P_d = Deliverability pressure, psia, as defined above.

P_w = Average static wellhead working pressure, as determined from 7-day or 8-day flow period,

psia, and calculated from tables in this manual entitled "Pressure Loss Due to Friction" Tables for northwest New Mexico.

n = Average pool slope of back pressure curves as follows:

For Pictured Cliffs and shallower formations 0.85

For formations deeper than Pictured Cliffs 0.75

(Note: Special rules for any specific pool or formation may supersede the above values. Check special rules if in doubt.

The value of the multiplier in the above formula (ratio factor after the application of the pool slope) by which Q is multiplied will not exceed a limiting value to be determined and announced periodically by the Division. Such determination will be made after a study of the test data of the pool obtained during the previous testing season.

Downhole commingled wells are to be tested in year for pool of lowermost prorated completion of the well and will use the pool slope (n), and deliverability pressure of lowermost prorated pool. The total flow rate from the downhole commingled well will be used to calculate a value of deliverability. For each prorated gas zone of a downhole commingled well, a Form C-122A is required to be filed and in the Summary portion of that form, all zones will indicate the same data for line h, P_c, Q, P_w, and P_d. The value shown for Deliverability (D) will be that percentage of the total deliverability of the well that is applicable to this zone. A note will be placed in the remarks column that indicates the percentage of deliverability to be allocated to this zone of the well.

Any test prescribed herein will be considered acceptable if the average flow rate for the final 7-day or 8-day deliverability test is not more than 10 percent in excess of any consecutive 7-day or 8-day average of the preceding two weeks. A deliverability test not meeting this requirement may be declared invalid, requiring the well to be re-tested.

All charts relative to deliverability tests or copies thereof will be made available to the Division upon its request.

All testing agencies, whether individuals, companies, pipeline companies, or operators, will maintain a log of all tests accomplished by them including all field test data. The operator will maintain the above data for a period of not less than two (2) years plus the current test year.

All forms heretofore mentioned are hereby adopted for use in the northwest New Mexico Area in open form subject to such modification as experience may indicate desirable or necessary.

Deliverability Tests for gas wells in all formations will be conducted and reported in accordance with these rules and procedures. Provided however, these rules will be subject to any specific modification or change contained in Special Pool Rules adopted for any pool after notice and hearing.

CHAPTER III: INFORMATIONAL TESTS

A one-point back pressure test may be taken on newly completed wells before their connection or reconnection to a gas transportation facility. This test will not be a required official test buy may be taken for informational purposes at the option of the operator. When taken, this test must be taken and reported as prescribed below:

ONE-POINT BACK PRESSURE POTENTIAL TEST PROCEDURE

This test will be accomplished after a minimum shut-in of seven days. The shut-in pressure will be measured with a deadweight gauge or other method approved by the Division.

The flow rate will be that rate in Mcf/d measured at the end of a three hour test flow period. The flow from the well will be for three hours through a positive choke, which has a 3/4-inch orifice.

A 2-inch nipple which provides a mechanical means of accurately measuring the pressure and temperature of the flowing gas will be installed immediately upstream from the positive choke.

The absolute open flow will be calculated using the conventional back pressure formula as shown in this manual or the New Mexico Oil Conservation Division "Back Pressure Test Manual."

The observed data and flow calculations will be reported in duplicate on Form C-122, "Multi-Point Back Pressure Test for Gas Wells."

Non-critical flow will be considered to exist when the choke pressure is 13 psig or less. When this condition exists the flow rate will be measured with a pitot tube and nipple as specified in this manual or in the Division's Manual of "Tables and Procedure for Pitot Tests." The pitot test nipple will be installed immediately downstream from the 3/4-inch positive choke.

Any well completed with 2-inch nominal size tubing (1.995-inch ID) or larger will be tested through the tubing.

Other tests for informational purposes may be conducted prior to obtaining a pipeline connection for a newly completed well upon receiving specific approval therefor from the Division's Aztec office. Approval of these tests will be based primarily upon the volume of gas to be vented.

Proposed Amendments to:

"General rules for Prorated Gas Pools and the Special Rules for Prorated Gas Pools" established by R-8170 as amended.

Delete Rule 5(b)1(B)
Delete Rule 5(b)2

Amend RULE 9 in its entirety to read:

RULE 9 DELIVERABILITY TESTS: In pools where acreage and deliverability are proration factors, wells on non-marginal GPUs will be tested in accordance with Division rules and the test results shall be used in calculating deliverabilities for the succeeding proration period. Wells on GPUs reclassified to non-marginal shall be tested within 90 days of the order and thereafter in accordance with the appropriate testing schedule for the pool. Wells on marginal GPUs are exempt from deliverability testing.

"SPECIAL RULES AND REGULATIONS FOR THE BASIN-DAKOTA GAS POOL"

Delete RULE 9(a)

Add the following rule:

RULE 14 A GPU in the BASIN DAKOTA GAS POOL shall be classified as marginal except after notice and hearing. Any operator in the BASIN DAKOTA GAS POOL may request a hearing to reclassify a GPU in that pool to non-marginal.

"SPECIAL RULES AND REGULATIONS FOR THE BLANCO MESAVERDE GAS POOL"

Delete RULE 9(a)

Add the following rule:

RULE 14 A GPU in the BLANCO MESAVERDE GAS POOL shall be classified as marginal except after notice and hearing. Any operator in the BLANCO MESAVERDE GAS POOL may request a hearing to reclassify a GPU in that pool to non-marginal.

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

Delete RULE 9(a)

Add the following rule:

RULE 14 A GPU in the SOUTH BLANCO PICTURED CLIFFS GAS POOL shall be classified as marginal except after notice and hearing. Any operator in the SOUTH BLANCO PICTURED CLIFFS GAS POOL may request a hearing to reclassify a GPU in that pool to non-marginal.

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

Delete RULE 9(a)

Add the following rule:

RULE 14 A GPU in the TAPACITO PICTURED CLIFFS GAS POOL shall be classified as marginal except after notice and hearing. Any operator in the TAPACITO PICTURED CLIFFS GAS POOL may request a hearing to reclassify a GPU in that pool to non-marginal.

GENERAL RULES FOR THE PRORATED GAS POOLS OF NEW MEXICO

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

APPLICATION OF THESE RULES: Any well drilled to the producing formation of a gas pool regulated by this order and within said pool or within one mile outside the boundary of that 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 these rules or the special rules in effect in that pool.

RULE 1 DEFINITIONS

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

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

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

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

GAS PRORATION UNIT (GPU): The acreage allocated to a well, or in the case of an infill well or wells to a group of wells, for purposes of spacing and proration shall be known as the gas proration unit (GPU).

GPUs may be either of a standard or non-standard size as provided in these rules.

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ORDER R-8170
EXHIBIT "A"

GAS TRANSPORTER: The term gas transporter as used in these rules shall mean any taker of gas either at the wellhead, at any other point on the lease, or at any other point authorized by the Division where connection is made for gas transportation or utilization (other than that necessary for maintaining the producing ability of the well).

GAS PURCHASER: The term gas purchaser as used in these rules shall mean the purchaser (where ownership of the gas is first exchanged by the producer to the purchaser for an agreed value) of the gas from a gas well or GPU. In the event that two or more purchasers purchase from a particular gas well or GPU, the gas purchaser shall be the purchaser of the largest percentage of interest in the gas well or GPU.

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

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

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

NON-MARGINAL GPU: A proration unit receiving an allowable based upon pool allocation factors. Non-marginal proration units accrue over- or underproduction.

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

PRORATED GAS POOL: A prorated gas pool is a gas pool in which, after notice and hearing, the production is allocated by the Division in accordance with these general rules and any applicable special pool rules.

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

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

A. WELL ACREAGE AND LOCATION REQUIREMENTS

RULE 2(a)1 STANDARD GAS PRORATION UNIT SPACING: (See Special Pool Rules for applicable size of proration units.) Unless otherwise specified by the Special Pool Rules, 160-acre units shall comprise a single governmental quarter-section; 320-acre units shall comprise two contiguous quarter-sections being the N/2, S/2, E/2, or W/2 of a single governmental section; and a 640-acre unit shall comprise a single governmental section.

RULE 2(a)2 STANDARD GPU SIZE AND VARIANCE: A standard GPU 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 GPUs, and in the form of a rectangle in pools having 320 acre standard GPUs, and shall be a legal subdivision of the U.S Public Land Surveys (quarter-section, half-section, or section, as applicable). Any GPU containing acreage within the appropriate tolerance limit shown below shall be considered to contain the number of acres in a standard GPU for the purpose of computing allowables.

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

RULE 2(a)3 NON-STANDARD PRORATION UNIT APPROVAL PROCEDURE AT DISTRICT LEVEL: The District Supervisor of the appropriate district office of the Division shall have the authority to approve a non-standard GPU as an exception to Rule 2(a)2 without notice and hearing when the unorthodox size or shape of the GPU is necessitated by a variation in the legal subdivision of the U. S. Public Land Surveys and the non-standard GPU is not less than 75% nor more than 125% of a standard GPU.

The District Supervisor of the appropriate district office of the Division may approve the non-standard GPU by:

1) Accepting a plat showing the proposed non-standard GPU and the acreage to be dedicated to the non-standard GPU and,

2) Assigning an allowable to the non-standard GPU.

RULE 2(a)4 NON-STANDARD PRORATION UNIT APPROVAL PROCEDURE AT DIRECTOR LEVEL: The Director of the Division may grant an exception to the requirements of Rule 2(a)2 when the unorthodox size or shape of the GPU is necessitated by a variation in the legal subdivision of the U.S. Public Land Surveys and the non-standard GPU is less than 75% or more than 125% of a standard GPU, or where the following facts exist and the following provisions are complied with:

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

2) The non-standard GPU lies wholly within a governmental subdivision or subdivisions which would be a standard GPU for the well (quarter-section, half-section, or section) but contains less acreage than a standard GPU.

3) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the quarter-section, half-section, or section (for 160-acre, 320-acre, 640-acre standard dedications respectively) in which the non-standard GPU is situated and which acreage is not included in said non-standard GPU.

4) In lieu of Paragraph (3) of this rule the applicant may furnish proof of the fact that all of the aforesaid offset operators were notified by registered or certified mail of his intent to form such non-standard GPU. The Director may approve the application if no such operator has entered an objection to the formation of such non-standard GPU within 20 days after Director has received the application.

RULE 2(b) WELL LOCATION: Each well drilled or completed on a spacing and proration unit governed by these rules, including approved non-standard GPUs, shall be located as provided below:

(1) NORTHWEST NEW MEXICO

STANDARD PRORATION UNIT	LOCATION REQUIREMENTS
160 acres	Not closer than 790 feet to the outer boundary of the tract, nor closer than 130 feet to any quarter-quarter

	section or subdivision inner boundary.
320 acres	Not closer than 790 feet to the outer boundary of the quarter-section upon which the well is located and not closer than 130 feet to any quarter-quarter section line or subdivision inner boundary.

(2) SOUTHEAST NEW MEXICO

STANDARD PRORATION UNIT	LOCATION REQUIREMENTS
160 acres	Not closer than 660 feet to any outer boundary of the tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary.
320 acres	Not closer than 660 feet to any side boundary (long dimension) or 1980 feet to any end boundary (short dimension) of the tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary.
640 acres	Not closer than 1650 feet to the outer boundary of the tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary.

RULE 2(c) UNORTHODOX WELL LOCATION: The Division Director shall have authority to grant an exception to the well location requirements of Rule 2(b) above without notice and hearing when the necessity for such unorthodox location is based upon topographic conditions or the recompletion of a well previously drilled to a deeper horizon, provided said well was drilled at an orthodox or approved unorthodox location for such original horizon.

Applications for administrative approval of unorthodox locations shall be filed in duplicate (original to Santa Fe

and one copy to the appropriate Division District Office) and shall be accompanied by plats showing the ownership of all leases offsetting the proration or spacing unit for which the unorthodox location is sought, and also all wells completed thereon. If the proposed unorthodox location is based on topography, the plat shall also show and describe the existent topographic conditions.

The Division Director shall have authority to grant an exception to the well location requirements for wells in Southeast New Mexico on 320 acre spacing without notice and hearing when the necessity for such unorthodox location is based upon geologic conditions provided that any such unorthodox location shall be no closer than 660 feet to the nearest side boundary nor closer than 990 feet to the nearest end boundary of the GPU.

If the proposed unorthodox location is based upon geology, the application shall include appropriate geologic maps, cross-sections, and/or logs, and discussion of the geologic conditions which result in the necessity for the unorthodox location.

All operators of proration or spacing units offsetting the unorthodox location on the two GPU boundaries and two GPU corners closest to the unorthodox well location shall be furnished a copy of the application by certified or registered mail, and the application shall state that such notification has been given. The Division Director may approve the unorthodox location upon receipt of waivers from all such offset operators or if no offset operator has entered an objection to the unorthodox location within 20 days after the Director has received the application.

The Division Director may, at his discretion, set any application for administrative approval of an unorthodox location for public hearing.

B. NOMINATIONS AND PRORATION SCHEDULE

RULE 3(a) GAS PURCHASERS OR GAS TRANSPORTERS SHALL NOMINATE: Each month each gas purchaser or each gas transporter as herein provided shall file with the Division its nomination for the amount of gas which it actually in good faith desires to purchase during the ensuing proration month from each gas pool regulated by this order. The purchaser may delegate the nomination responsibility to the transporter by notifying the Division's Santa Fe office. One copy of such nomination for each pool shall be submitted to the Division's Santa Fe office on Form C-121-A by the

first day of the month during which the Division will consider at its allowable hearing the nominations for the succeeding month. The Division shall consider at its monthly gas allowable hearing the 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 during the ensuing month.

RULE 3(b)1 SCHEDULE: The Division will issue a proration schedule setting out the amount of gas which each GPU may produce during such ensuing month, along with such other information as is necessary to show the allowable-production status of each GPU on the schedule.

RULE 3(b)2 PRORATION OF ALL GAS WELLS WITHIN A POOL: The Division shall include in the proration schedule the gas wells in the gas pools regulated by this order delivering to a gas transporter, and shall include in the proration schedule any well which it finds is being unreasonably discriminated against through denial of access to a gas transportation facility, which is reasonably capable of handling the type of gas produced by such well.

C. ALLOCATION AND GRANTING OF ALLOWABLES

RULE 4 FILING OF FORM C-102 AND FORM C-104 REQUIRED: No GPU shall be assigned an allowable prior to receipt of Form C-102 (Well Location and Acreage Dedication Plat) and the approval date of Form C-104 (Request for Allowable and Authorization to Transport Oil and Natural Gas).

RULE 5 HOW ALLOWABLES ARE CALCULATED: The total allowable to be allocated to each gas pool regulated by this order each month shall be equal to the sum of all gas purchasers' nominations for that pool, together with any adjustment which the Division deems advisable. A monthly allowable shall be assigned to each GPU entitled to an allowable by allocating the pool allowable among all such GPUs in that pool in accordance with the procedure set forth in these rules.

RULE 5(a)1 MARGINAL GPU ALLOWABLE: The monthly allowable to be assigned to each marginal GPU shall be equal to its latest available monthly production.

RULE 5(a)2 NON-MARGINAL GPU ALLOWABLE: The pool allowable remaining each month after deducting the total allowable assigned to marginal GPUs shall be allocated among the non-marginal GPUs entitled to an allowable in the following manner (See Special Pool Rules):

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

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

a) A percentage as set forth in Special Pool Rules, of the pool allowable remaining to be allocated to non-marginal GPUs shall be allocated among such GPUs in the proportion that each GPU's AD Factor bears to the total AD Factor for all non-marginal GPUs in the pool; and

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

RULE 5(b)1 NEW CONNECTS ASSIGNMENT OF ALLOWABLES: Allowables to newly completed gas wells shall commence:

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

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

1) An acreage factor allowable will be assigned the later of:

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

b) The approval date of Form C-102 and Form C-104.

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

a) The date of first delivery.

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

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

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

RULE 7 CHANGE IN ACREAGE: If, during a proration month, the acreage assigned to a GPU is changed, the operator shall during such month notify the appropriate Division district office in writing of such change by filing a revised plat (Form C-102). The revised allowable assigned the GPU shall be effective on the first day of the month following receipt of the notification.

RULE 8 MINIMUM ALLOWABLES: After notice and hearing, the Division may assign minimum allowables in order to prevent the premature abandonment of wells. (See Special Pool Rules for minimum allowable amount.)

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

RULE 9(b) DELIVERABILITY FOR RECOMPLETION/WORKOVER/

RETEST: A change in a well's deliverability due to retest after recompletion or workover shall become effective the later of:

(1) the date of redelivery of gas after workover, such date to be determined from Form C-104 (Request for Allowable and Authorization to Transport Oil and Natural Gas) as filed by the operator; or

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

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

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

RULE 9(d) WELLS EXEMPT FROM TESTING-SAN JUAN BASIN: A well automatically becomes exempt from testing if the GPU's average monthly production does not exceed or the GPU is not capable of producing 250 MCF per month for Pictured Cliffs Formation wells and 2,000 MCF per month for deeper formations. (See "Gas Well Testing Rules and Procedures".)

D. BALANCING OF PRODUCTION

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

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

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

RULE 11(b) SIX-TIMES OVERPRODUCED: If it is determined that a GPU is overproduced in an amount exceeding six times its average monthly allowable for the preceding twelve months (or, in the case of a newly connected well, a well in a newly prorated pool or a well recently reclassified as non-marginal, six times its average monthly non-marginal allowable for the months available), it shall be shut in until its overproduction is less than six times its average monthly allowable, as determined hereinabove.

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

RULE 11(d) BALANCING OVERPRODUCTION: Allowable assigned to a GPU during any one month of a gas proration period in excess of the production for the same month shall be applied against the overproduction chargeable to such GPU in determining the amount of overproduction which must be made up pursuant to the provisions of Rule 11(a) or 11(b) above.

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

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

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

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

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

G. CLASSIFICATION OF GPUs

RULE 12(a) CLASSIFICATION PERIOD: The proration period shall be divided into three classification periods of four months each, commencing April 1, August 1, and December 1.

RULE 12(b) RECLASSIFICATION BY THE DIRECTOR: The Director of the Oil Conservation Division may reclassify a marginal or non-marginal GPU at any time the GPU's production data, deliverability data, or other evidence as to the GPU's producing ability justifies such reclassification.

The Director may suspend the reclassification of GPUs which would be effective on August 1 and December 1 on his own initiative or upon proper showing by an interested party, should it appear that such suspension is necessary to permit underproduced GPUs, which would otherwise be reclassified, a proper opportunity to make up such underproduction.

RULE 13(a) RECLASSIFICATION TO MARGINAL: After the production data is available for the last month of each classification period, any GPU which had an underproduced status at the beginning of the proration period may be

classified marginal if its highest single month's production during the classification period is less than its average monthly allowable during such period; however, the operator of any GPU so classified, or other interested party, shall have 30 days after receipt of notification of marginal classification in which to submit satisfactory evidence to the Division that the GPU is not of marginal character and should not be so classified.

RULE 13(b) CANCELLATION OF UNDERPRODUCTION ON MARGINAL GPUs: A GPU which is classified as marginal shall not be permitted to accumulate underproduction, and any underproduction accrued to a GPU prior to its classification as marginal shall be cancelled.

RULE 14(a) RECLASSIFICATION TO NON-MARGINAL: If, at the end of any month, a marginal GPU has produced more than the total allowable for the month which would have been assigned if such GPU had been classified non-marginal, the marginal GPU shall be reclassified as a non-marginal GPU.

RULE 14(b) REINSTATEMENT OF STATUS: An operator of a GPU being reclassified as non-marginal which GPU was classified marginal at the end of the classification period may have eligible underage reinstated and its net status adjusted accordingly by demonstrating that the GPU could have produced a non-marginal allowable prior to its reclassification. (If the GPU had been classified as marginal for one proration period only, or a portion of one proration period only, any underproduction cancelled as the result of such classification shall be reinstated.) All uncompensated-for overproduction accruing to the GPU while marginal shall be chargeable upon reclassification to non-marginal.

F. REPORTING OF PRODUCTION

RULE 15(a) C-111 REPORT (GAS TRANSPORTER'S MONTHLY REPORT): Each gas transporter in each of the designated gas pools regulated by this order shall submit a report, as required by General Rule 1111, to the Division so as to reach the Division on or before the 15th day of the month next succeeding the month in which the gas was taken. Such report shall be filed on Form C-111 with the wells being listed in approximately the same order as they are listed on the proration schedule. Form C-111 referred to herein shall be submitted in triplicate, the original being sent to the Division's Santa Fe office; the second copy to the Hobbs district office; and the third copy, if needed for wells in

such district, to either the Artesia or Aztec district office as appropriate.

RULE 15(b) C-115 REPORT (OPERATOR'S MONTHLY REPORT): All producers shall report gas well production in accordance with Rule 1115 of the Division's general rules.

RULE 15(c) REPORTING OF PRODUCTION (DAYS CRITERIA): Upon approval by the Director of the Oil Conservation Division as to the specific program to be used, any producer or transporter of gas may be permitted to report metered production of gas on a chart-period basis; provided the following provisions shall be applicable to each gas well:

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

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

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

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

G. GENERAL

RULE 16 FLARED OR VENTED GAS: No gas produced from the gas pools regulated by this order shall be flared or vented.

RULE 17 NON-COMPLIANCE OF RULES AND REGULATIONS: Failure to comply with the provisions of these rules shall result in the cancellation of allowable assigned to the affected GPU. No further allowable shall be assigned to the affected GPU until all rules and regulations are complied with. The Director shall send written notice to the operator of the GPU and to the purchaser of the date of allowable cancellation and the reason therefor.

RULE 18 GAS WELL DELIVERY NOTICES: All transporters or users of gas shall file gas well delivery notices with the Division within 30 days after the date of first delivery

or redelivery in accordance with the provisions of Rule 4(b).

RULE 19 NOTICE OF MARGINAL WELL SHUT-IN: Transporters shall notify the Director any time it is necessary to shut in marginal wells. Such notice shall be made within 30 days following the end of such month and shall include data as may be required by the Director. This report shall not include wells shut in for required testing, connection of new wells, or wells shut in by the operator.

SPECIAL RULES FOR INDIVIDUAL PRORATED GAS POOLS

SPECIAL RULES AND REGULATIONS FOR THE
BASIN-DAKOTA GAS POOL

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

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

A. WELL ACREAGE AND LOCATION REQUIREMENTS

RULE 2(a) STANDARD GPU (GAS PRORATION UNIT) in the Basin-Dakota Gas Pool shall be 320 acres.

RULE 2(b) WELL LOCATION:

1. THE INITIAL WELL drilled on a GPU shall be located not closer than 790 feet to any outer boundary of the quarter section on which the well is located and not closer than 130 feet to any quarter-quarter section line or subdivision inner boundary.

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

No Dakota infill well shall be drilled nearer than 920 feet to an existing Dakota well on the same GPU.

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

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

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ORDER NO. R-8170
EXHIBIT "B"

C. ALLOCATION AND GRANTING OF ALLOWABLES

RULE 5(a)2 NON-MARGINAL GPU ALLOWABLE: The pool allowable remaining each month after deducting the total allowable assigned to marginal GPUs shall be allocated among the non-marginal GPUs entitled to an allowable in the following manner:

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

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

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

RULE 8 MINIMUM ALLOWABLES: A minimum allowable of 250 MCF per month per GPU will be assigned to prevent the premature abandonment of wells.

RULE 9(a) DELIVERABILITY TESTS: The calculated deliverability at the "deliverability pressure" shall be determined in accordance with the provisions of the current "Gas Well Testing Manual for San Juan Basin."

Within 90 days after a well first delivers gas to a gas transportation facility, the well shall have been tested as required in the preceding paragraph, and the results of the test filed on the appropriate form in triplicate with the Division's Aztec office and one copy filed with the gas transportation facility to which the well is connected. Failure to file said test within the above-specified 90-day period will subject the well to the loss of one day's allowable for each day the test is late.

1. If the newly first-delivered well is an infill well on a GPU, the old well on the GPU is not required to be tested concurrently with the new well provided it has a valid test on file for the current proration period. Testing of the old well shall continue to follow the regularly assigned test schedule for the pool in which the well is located. The new well is

required to be tested annually until at least three annual tests are on file; and then, the well is to be tested biennially with other wells in the pool.

2. If the old well on the GPU is "Exempt", the old well is to be tested along with the new well for the Initial and Annual Deliverability and Shut-In Pressure Test. The old well will lose its "Exempt" classification and must be tested biennially along with other wells in the pool.

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

SPECIAL RULES AND REGULATIONS FOR THE
BLANCO-MESAVERDE GAS POOL

The VERTICAL LIMITS for the Blanco-Mesaverde Gas Pool shall be as follows:

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

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

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

A. WELL ACREAGE AND LOCATION REQUIREMENTS

RULE 2(a) STANDARD GPU (GAS PRORATION UNIT) in the Blanco-Mesaverde Gas Pool shall be 320 acres.

RULE 2(b) WELL LOCATION:

1. THE INITIAL WELL drilled on a GPU shall be located not closer than 790 feet to any outer boundary of the quarter section on which the well is located and not closer than 130 feet to any quarter-quarter section line or subdivision inner boundary.

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

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

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

C. ALLOCATION AND GRANTING OF ALLOWABLES

RULE 5(a)2 NON-MARGINAL GPU ALLOWABLE: The pool allowable remaining each month after deducting the total allowable assigned to marginal GPUs shall be allocated among the non-marginal GPUs entitled to an allowable in the following manner:

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

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

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

RULE 8 MINIMUM ALLOWABLES: A minimum allowable of 250 MCF per month per GPU will be assigned to prevent the premature abandonment of wells.

RULE 9(a) DELIVERABILITY TESTS: The calculated deliverability at the "deliverability pressure" shall be determined in accordance with the provisions of the current "Gas Well Testing Manual for San Juan Basin."

Within 90 days after a well first delivers gas to a gas transportation facility, the well shall have been tested as required in the preceding paragraph, and the results of the test filed on the appropriate form in triplicate with the Division's Aztec office and one copy filed with the gas transportation facility to which the well is connected. Failure to file said test within the above-specified 90-day period will subject the well to the loss of one day's allowable for each day the test is late.

1. If the newly first-delivered well is an infill well on a GPU, the old well on the GPU is not required to be tested concurrently with the new well provided it has a valid test on file for the current proration period. Testing of the old well shall continue to follow the regularly assigned test schedule for the pool in which the well is located. The new well is required to be tested annually until at least three annual tests are on file; and then, the well is to be tested biennially with other wells in the pool.

2. If the old well on the GPU is "Exempt", the old well is to be tested along with the new well for the Initial and Annual Deliverability and Shut-In Pressure Test. The old well will lose its "Exempt" classification and must be tested biennially along with other wells in the pool.

H. MISCELLANEOUS SPECIAL POOL RULES

RULE 25 VERTICAL LIMIT BOUNDARY: Exhibit 'A" of Order R-5459 which defines a dividing line across the Blanco-Mesaverde Pool reads as follows:

EXHIBIT "A"

This Exhibit defines the Northwest-Southeast trending line established by Order R-5459, as amended, that divides the Blanco-Mesaverde Pool for defining the vertical limits of the pool. Said line traverses the South side or West side of the sections listed below:

TOWNSHIP 24 NORTH, RANGE 1 EAST, NMPM
Section 31: West

TOWNSHIP 24 NORTH, RANGE 1 WEST, NMPM
Section 3: West
Section 10: West and South
Section 14: West and South
Section 24: West
Section 25: West and South

TOWNSHIP 25 NORTH, RANGE 1 WEST, NMPM
Section 7: West
Section 18: West and South
Section 20: West and South
Section 28: West
Section 33: West and South

TOWNSHIP 25 NORTH, RANGE 2 WEST, NMPM
Section 1: West and South

TOWNSHIP 26 NORTH, RANGE 2 WEST, NMPM
Sections 7 and 8: South
Section 16: West and South
Section 22: West and South
Section 26: West
Section 35: West and South

TOWNSHIP 26 NORTH, RANGE 3 WEST, NMPM
Sections 2 and 3: South
Section 4: West and South
Section 12: West and South

TOWNSHIP 27 NORTH, RANGE 3 WEST, NMPM
Sections 31 and 32: South

TOWNSHIP 27 NORTH, RANGE 4 WEST, NMPM
Sections 31 through 36: South

TOWNSHIP 27 NORTH, RANGE 5 WEST, NMPM
Section 31: West and South
Sections 32 through 36: South

TOWNSHIP 27 NORTH, RANGE 6 WEST, NMPM
Section 6: West
Section 7: West and South
Sections 8 and 9: South
Section 14: South
Section 15: West and South
Section 24: West
Section 25: West and South

TOWNSHIP 28 NORTH, RANGE 6 WEST, NMPM
Sections 7, 18, 19, 30, and 31: West

TOWNSHIP 29 NORTH, RANGE 7 WEST, NMPM
Section 31: West and South
Sections 32 through 36: South

TOWNSHIP 29 NORTH, RANGE 8 WEST, NMPM
Section 17: South

Section 18: West and South
Section 21: West and South
Section 22: South
Section 25: South
Section 26: West and South

TOWNSHIP 29 NORTH, RANGE 9 WEST, NMPM
Section 3: South
Section 4: West and South
Section 11: West and South
Section 12: South

TOWNSHIP 30 NORTH, RANGE 9 WEST, NMPM
Section 31: West and South
Section 32: South

TOWNSHIP 30 NORTH, RANGE 10 WEST, NMPM
Section 18: South
Section 20: West and South
Sections 21 and 22: South
Section 25: South
Section 26: West and South

TOWNSHIP 30 NORTH, RANGE 11 WEST, NMPM
Section 6: West and South
Section 8: West and South
Sections 9, 10, 11: South
Section 13: West and South

TOWNSHIP 31 NORTH, RANGE 12 WEST, NMPM
Section 19: South
Sections 27 and 28: South
Section 29: West and South
Section 35: West and South
Section 36: South

TOWNSHIP 31 NORTH, RANGE 13 WEST, NMPM
Sections 7 and 8: South
Sections 14 and 15: South
Section 16: West and South
Section 24: West and South

TOWNSHIP 31 NORTH, RANGE 14 WEST, NMPM
Section 12: South

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

SPECIAL RULES AND REGULATIONS FOR THE

SOUTH BLANCO-PICTURED CLIFFS GAS POOL

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

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

B. WELL ACREAGE AND LOCATION REQUIREMENTS

RULE 2(A) STANDARD GPU (GAS PRORATION UNIT) in the South Blanco-Pictured Cliffs Gas Pool shall be 160 acres.

D. ALLOCATION AND GRANTING OF ALLOWABLES

RULE 5(a)2 NON-MARGINAL GPU ALLOWABLE: The pool allowable remaining each month after deducting the total allowable assigned to marginal GPUs shall be allocated among the non-marginal GPUs entitled to an allowable in the following manner:

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

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

RULE 8 MININUM ALLOWABLES: A minimum allowable of 250 MCF per month per GPU will be assigned in order to prevent premature abandonment of wells.

RULE 9(a) DELIVERABILITY TESTS: The calculated deliverability at the "deliverability pressure" shall be determined in accordance with the provisions of the current "Gas Well Testing Manual for San Juan Basin."

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

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

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

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

B. WELL ACREAGE AND LOCATION REQUIREMENTS

RULE 2(A) STANDARD GPU (GAS PRORATION UNIT) in the Tapacito-Pictured Cliffs Gas Pool shall be 160 acres.

D. ALLOCATION AND GRANTING OF ALLOWABLES

RULE 5(a)2 NON-MARGINAL GPU ALLOWABLE: The pool allowable remaining each month after deducting the total allowable assigned to marginal GPUs shall be allocated among the non-marginal GPUs entitled to an allowable in the following manner:

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

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

RULE 8 MINIMUM ALLOWABLES: A minimum allowable of 250 MCF per month per GPU will be assigned in order to prevent premature abandonment of wells.

RULE 9(a) DELIVERABILITY TESTS: The calculated deliverability at the "deliverability pressure" shall be determined in accordance with the provisions of the current "Gas Well Testing Manual for San Juan Basin."

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

SPECIAL RULES AND REGULATIONS FOR THE
ATOKA-PENNSYLVANIAN GAS POOL