

Case 1641

LAW OFFICES OF
MODRALL, SEYMOUR, SPERLING, ROEHL & HARRIS

SIMMS BUILDING
P. O. BOX 466

ALBUQUERQUE, NEW MEXICO

TELEPHONE CHAPEL 3-4514

JOHN F. SIMMS (1885-1954)

J. R. MODRALL
AUGUSTUS T. SEYMOUR
JAMES E. SPERLING
JOSEPH E. ROEHL
GEORGE T. HARRIS
DANIEL A. SISK
DEAN F. KIMBALL
LELAND S. SEDBERRY
BURNS H. ERREBO
ALLEN C. DEWEY

March 26, 1959

*April 22
Examiner*

Oil Conservation Commission
125 Mabry Hall
State Capitol
Santa Fe, New Mexico

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

Gentlemen:

Enclosed in triplicate is the application of W. R. Weaver for a hearing for the adoption of special pool rules for the Angel's Peak-Gallup Oil Pool, San Juan County, New Mexico.

We understand that this matter will be set for hearing on the examiner docket on April 22 in Santa Fe.

Very truly yours,

MODRALL, SEYMOUR, SPERLING,
ROEHL & HARRIS

Burns H. Errebo

By Burns H. Errebo

BHE:imk

ENC:

*Rechecked
Mailed
5-1-59*

*Docket Mailed
4-10-59
BT*

S. R. COOPER #1
SW SE NE Section 23-24-36E
Lea County, New Mexico

The S. R. Cooper #1 is a Jalmat gas well produced by free piston installed in the spring of 1958. Prior to this installation the well was re-completed in January 1955 by plugging back to 3127 feet, with a 4½ inch liner set from 3132 to 2733 feet. The well was perforated in the Yates from 3020 to 3104 and completed as a Jalmat gas well. The well was originally completed at 3160, being plugged from total depth of 3600. The 1955 recompletion was done in an effort to shut off water.

From September, 1958, through June, 1959, this well averaged 3,268 mcf per month. (For the period July, 1959, through April, 1960, after the cutback the well averaged 3,529 mcf per month.) During the same period it produced an average of 16 barrels of water per day for the first 10 months but, during the last 10 months after the well was required to be shut in much of the time, it increased in water to an average of 25 barrels per day. In May, 1960, the well made no gas the entire month, being shut in during said period.

In June, 1960, the well produced approximately as follows:

6/ 1/60: No production.
6/ 2/60: No production.
6/ 3/60: No production.
6/ 4/60: No production.
6/ 5/60: No production.
6/ 6/60: No production.
6/ 7/60: No production.
6/ 8/60: No production.
6/ 9/60: No production.
6/10/60: No production.
6/11/60: No production.

6/12/60: No production.

6/13/60: No production.

6/14/60: No production.

6/15/60: No production.

6/16/60: Produced approx. 259 mcf gas, 16 barrels water, 1.000 orifice. Line pressure 169#. On approx. 22 hours.

6/17/60: Produced approx. 215 mcf gas, 25 barrels water, 1.000 orifice. Line pressure 169#. On 22 hours.

6/18/60: Produced approx. 201 mcf gas, 25 barrels water, 1.000 orifice. Line pressure 165#. Hours not shown.

6/19/60: Produced approx. 195 mcf gas, 16 barrels water, 1.000 orifice. Line pressure 115#. On approx. 22 hours.

6/20/60: Produced approx. 204 mcf gas, 25 barrels water, 1.000 orifice. Line pressure 112#. Hours not shown.

6/21/60: No production.

6/22/60: No production.

6/23/60: No production.

6/24/60: No production.

6/25/60: No production.

6/26/60: No production.

6/27/60: No production.

6/28/60: No production.

6/29/60: No production.

6/30/60: No production.

El Paso shows this well produced 1,076 mcf gas during this period.

Since we do not have access at this time to the integrated charts of El Paso for the period subsequent to July 1, we must rely on the field reports, as follows:

- 7/1/60: Field shows 195 mcf gas, 25 barrels water, 1,000 orifice, 116# line pressure. Hours not shown.
- 7/2/60: Field shows 207 mcf gas, 25 barrels water, 1,000 orifice, 122# line pressure. Hours not shown.
- 7/3/60: Field shows 205 mcf gas, 17 barrels water, 1,000 orifice, 122# line pressure, produced approx. 20 hrs.
- 7/4/60: Field shows 205 mcf gas, 25 barrels water, 1,000 orifice, 120# line pressure, prod. approx. 22 hrs.
- 7/5/60: Field shows 137 mcf gas, 25 barrels water, 1,000 orifice, 107# line pressure, prod. approx. 22 hrs.
- 7/6/60: Field shows 196 mcf gas, 18 barrels water, 1,000 orifice, 112# line pressure, prod. approx. 19 hrs.
- 7/7/60: Field shows 215 mcf gas, 25 barrels water, 1,000 orifice, 114# line pressure, prod. approx. 22 hrs.
- 7/8/60: Field shows 197 mcf gas, 17 barrels water, 1,000 orifice, 116# line pressure, prod. approx. 22 hrs.

El Paso shows total 7/1/60 to 7/8/60 as 1,597 mcf.

STANDARD OIL COMPANY OF TEXAS

Box 635
Albuquerque, New Mexico
August 27, 1959

TRANSCRIPT OF HEARING
CASE 1641
May 7, 1959

New Mexico Oil Conservation Commission
Box 871
Santa Fe, New Mexico

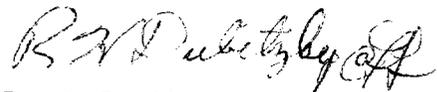
Attention: Miss Ida Rodriquez

Dear Sirs:

Please be advised that we have received your loan copy of the subject transcript from Mrs. Dearnley of Dearnley - Meier Associates. We will return the transcript to you within the next few days.

Thank you very much for your cooperation.

Yours very truly,



R. H. Dubitzky, District Geologist

CFL:cr

LAW OFFICES OF
MODRALL, SEYMOUR, SPERLING, ROEHL & HARRIS

SIMMS BUILDING

P. O. BOX 466

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BURNS H. ERREBO
ALLEN C. DEWEY

May 14, 1959

File

Mr. Daniel S. Nutter
New Mexico Oil Conservation Commission
Capitol Building
Santa Fe, New Mexico

Dear Dan:

Enclosed is Exhibit No. 6 in Case No. 1641, which has some notes on it, and it occurs to me that it may be an official exhibit and was picked up by us by mistake.

Very truly yours,

Burns

Burns H. Errebo

BHE:mbf
Enclosure

PAN AMERICAN PETROLEUM CORPORATION

MAIN OFFICE

OIL AND GAS BUILDING

FORT WORTH, TEXAS

ALEX CLARKE, JR.
DIVISION ENGINEER

1959 JUN 25 AM 8:22

1641

June 22, 1959

File: GWK-4314-986.510.1

Subject: Application for DeNovo Hearing

file

Mr. A. L. Porter
New Mexico Oil Conservation Commission
Capitol Annex Building
Santa Fe, New Mexico

Dear Sir:

Case 1641 was the application of W. R. Weaver for special rules and regulations for the Angels-Peak Gallup Pool, San Juan County, New Mexico. This case was originally set for April 22, 1959, but was continued to May 7, 1959, when it was held before Daniel Nutter, Examiner. As a result of this hearing, Order No. R-1410 was issued on May 28, 1959. Pan American, as unit operator, in subject pool appeared and participated in such hearing, and was adversely affected by the above mentioned Order No. R-1410.

The above order finds among other things, "that the evidence-- does not establish that a well in said pool can drain in excess of 80 acres". Actually all evidence presented was to the effect that wells in this pool would drain greatly in excess of 80 acres. It is extremely significant that while the three operators who participated in this hearing were not in complete agreement on each and every rule proposed, the technical witnesses for all three did agree that a well would drain greatly in excess of 80 acres. There was not a scintilla of evidence to the contrary.

Pan American is of the opinion that the subject matter of this hearing is of such extreme importance that it should be heard before the entire Commission. Therefore, under the provisions of Rule 1220 of Rules and Regulations of the New Mexico Oil Conservation Oil Commission, Pan American respectfully requests that Case 1641 be heard, denovo, before the Commission at a regular hearing.

Very truly yours,

Ben Howell

AJT:ljl

cc: Ben Howell
El Paso Natural Gas Company P. O. Box 466
P. O. Box 1492
El Paso, Texas

Burns Errebo
Albuquerque, New Mexico

Hocheby
Milled
Galy 1/4/60

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

C
O
P
Y

August 11, 1959

Mr. Oliver Seth
Box 828
Santa Fe, New Mexico

Dear Mr. Seth:

On behalf of your clients, Stanley Jones, and El Paso Natural Gas Company, we enclose two copies of Order No. R-1363-B and Order R-1410-A issued by the Oil Conservation Commission on August 11, 1959.

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ir/

Enclosures

*Copy sent to Order 1363-B
to Eddy Co (Arkansas)
Hobbs office
Hobbs office
Hobbs office
Hobbs office*

L. R. # 6 2

INITIAL BOTTOM HOLE PRESSURE DATA
ANGELS PEAK GALLUP FIELD
SAN JUAN COUNTY, NEW MEXICO

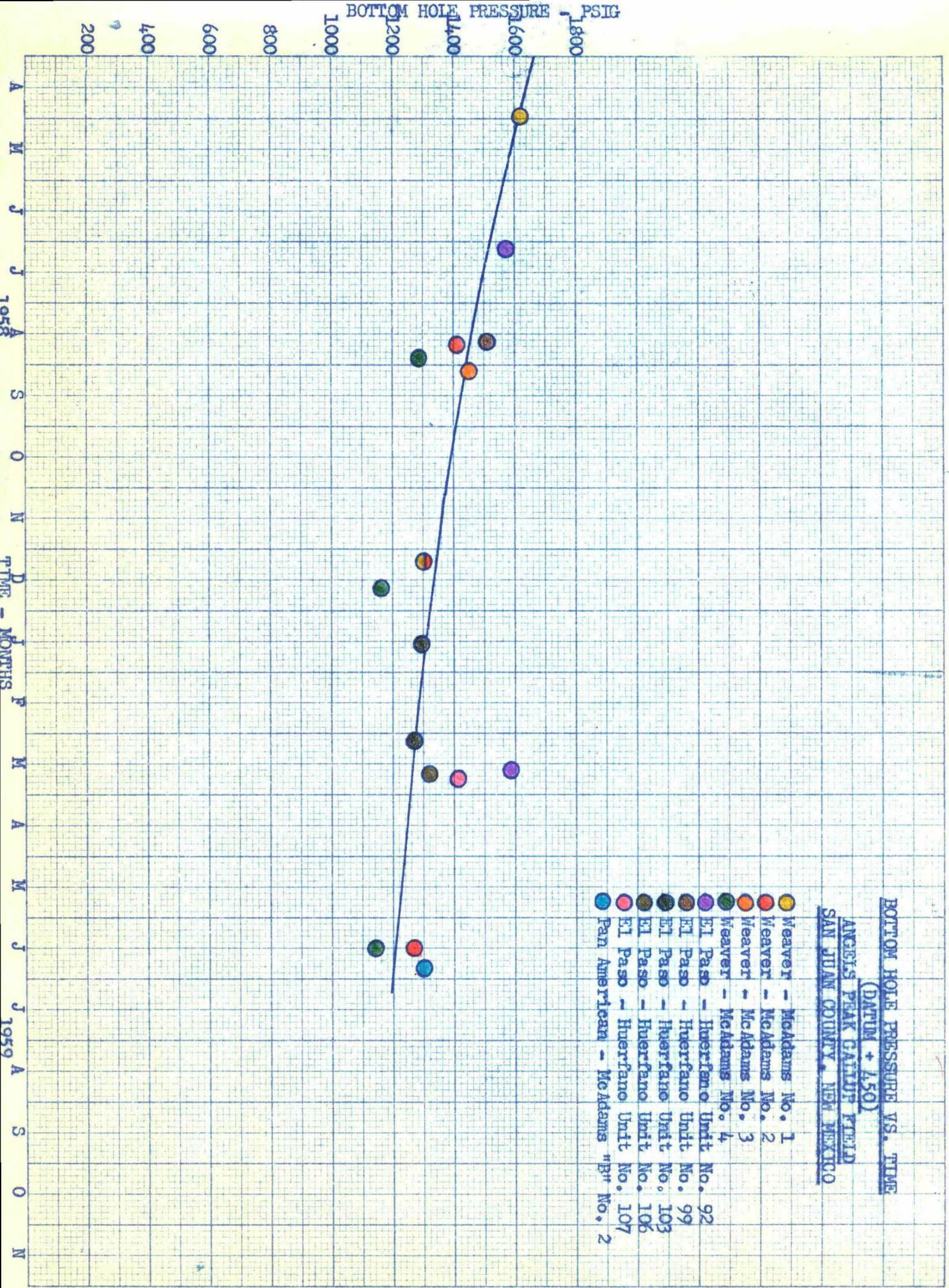
<u>Operator</u> <u>Lease & Well</u>	<u>Date of</u> <u>Press. Meas.</u>	<u>Shut-In</u> <u>Time --</u> <u>Days</u>	<u>Initial</u> <u>BHP-PSIG</u> <u>(Datum +450)</u>	<u>Distance</u> <u>To Nearest</u> <u>Producing</u> <u>Well -- Ft.</u>	<u>Pressure</u> <u>Draw Down</u> <u>PSIG</u>	<u>Minimum</u> <u>Drainage</u> <u>Area--Acres</u>	<u>Pressure</u> <u>Draw Down</u> <u>% of Orig</u> <u>Pressure</u>
W. R. Weaver McAdams No. 1	Apr. 29, 1958	7	1620	Original Reservoir Pressure			
El Paso Natural Gas Co. Huerfano Unit 99	Aug. 19, 1958	7	1512	3,100	108	693	6.7
W. R. Weaver McAdams No. 4	Aug. 27, 1958	7	1290	2,450	330	433	20.4
McAdams No. 3	Sept. 3, 1958	7	1450	2,600	170	488	11.5
El Paso Natural Gas Co. Huerfano Unit No. 103	Jan. 17, 1959	9	1295✓	1,980	325	283	20.0
	Mar. 4, 1959	42	1270*	1,980	350	283	21.6
Huerfano Unit No. 92	Jan. 22, 1959	7	1585	15,500	35	17,300	2.6
Huerfano Unit No. 106	Mar. 20, 1959	7	1320	3,550	300	909	18.5
Huerfano Unit No. 107	Mar. 25, 1959	33	1425*	2,175	195	341	12.0
Pan American McAdams "B" No. 2	June 26, 1959	3	1390*	3,100	320	693	19.8

* BHP measured with BHP Bomb.

EX # 5A

BOTTOM HOLE PRESSURE VS. TIME
(DARTM + 450)
ANGEL'S PEAK CATTLE FEED
SAN JUAN COUNTY, NEW MEXICO

- Weaver - McAdams No. 1
- Weaver - McAdams No. 2
- Weaver - McAdams No. 3
- Weaver - McAdams No. 4
- El Paso - Huerrano Unit No. 92
- El Paso - Huerrano Unit No. 99
- El Paso - Huerrano Unit No. 103
- El Paso - Huerrano Unit No. 106
- El Paso - Huerrano Unit No. 107
- Pan American - McAdams "E" No. 2



Case 1641
EPN 6 EX
5/7/59

3

PROPOSED FIELD RULES FOR ANGELS PEAK GALLUP OIL POOL

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

RULE 2. Each well drilled or recompleted within the Angels Peak Gallup Oil Pool on a standard proration unit after the effective date of this rule shall be drilled not closer than 660 feet to any boundary line of the tract nor closer than 330 feet to a quarter-quarter section line or subdivision inner boundary line. Any well drilled to and producing from the Angels Peak Gallup Oil Pool prior to the effective date of this Order at a location conforming to the spacing requirements effective at the time said well was drilled shall be considered to be located in conformance with this rule.

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

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

RULE 4. (a) Each well completed or recompleted in the Angels Peak Gallup Oil Pool as an oil well shall be located on a tract consisting of approximately 80 acres comprising any two contiguous quarter-quarter sections of a single governmental section, being a legal subdivision of the United States Public Lands Survey, and each well completed or recompleted in the Angels Peak Gallup Oil Pool as a gas well shall be located on a tract consisting of approximately 320 acres comprising any two contiguous quarter sections of a single governmental section, being a legal subdivision of the United States Public Lands Survey.

(b) The Secretary of the Commission shall have authority to grant an exception to Rule 4 (a) without notice and hearing where application has been filed in due form and where the following facts exist and the following provisions are complied with.

1. The non-standard proration unit consists of contiguous quarter-quarter sections or lots.
2. The non-standard proration unit lies wholly within a single governmental section.
3. The entire non-standard proration unit may reasonably be presumed to be productive of gas, and/or oil.
4. The length of width of the non-standard gas proration unit does not exceed 5280 feet, and the length of width of the non-standard oil proration unit does not exceed 2640 feet.

Proposed Field Rules for Angels Peak Gallup Oil Pool

May 4, 1959

Page 2

5. That applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the section in which any part of the non-standard gas proration unit is situated and which acreage is not included in said non-standard gas proration unit.

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

RULE 5. The provisions of Paragraph (k) of Statewide Rule 104 shall not apply to the Angels Peak Gallup Oil Pool, San Juan County, New Mexico.

RULE 6. An oil well in the Angels Peak Gallup Oil Pool shall be a well producing with a gas-oil ratio of less than 30,000 cubic feet of gas per barrel of oil.

RULE 7. A gas well in the Angels Peak Gallup Oil Pool shall be any well producing with a gas-oil ratio of 30,000 cubic feet of gas per barrel of oil or more.

RULE 8. No acreage shall be simultaneously dedicated to an oil well and to a gas well in the Angels Peak Gallup Oil Pool.

RULE 9. No gas, either dry gas or casinghead gas, produced from the Angels Peak Gallup Oil Pool shall be flared or vented.

RULE 10. In order to prevent waste, the gas-oil ratio limitation for the Angels Peak Gallup Oil Pool shall be 2,000 cubic feet of gas per barrel of oil produced.

RULE 11. The monthly gas production from each well and from each common source of supply shall be metered separately, and the gas production and associated liquid hydrocarbon production therefrom shall be reported to the Commission in accordance with the applicable Commission Rules and Regulations.

RULE 12. Gas-oil ratio tests shall be taken in the Angels Peak Gallup Oil Pool in the months of March and April and September and October each year in addition to the initial gas-oil ratio tests required under Statewide Rule 301. In accordance with the provisions of Statewide Rule 301-B, the results of these gas-oil ratio tests shall be reported to the Commission on Form C-116 no later than the 10th of the month following the close of the survey period and shall become effective on the first day of the second month following the close of the survey period.

Proposed Field Rules for Angels Peak Gallup Oil Pool

May 4, 1959

Page 3

RULE 13. In order to obtain needed reservoir data, bottom hole pressure tests shall be taken immediately following the gas-oil ratio tests required in Rule 12 and reported to the Commission on Form C-124 in compliance with the provisions of Statewide Rule 302, provided, however, that the well shall remain shut-in a minimum of 72 hours and then calculated to a sea level datum of +500 feet.

RULE 14. (a) Any oil well completed on a tract of less than 80 acres in the Angels Peak Gallup Oil Pool shall be permitted to produce an allowable equivalent to the amount determined by ratio which has the acreage dedicated to the unit as its numerator and 80 acres as its denominator times the normal unit allowable for an 80-acre oil well producing at the depth of the Angels Peak Gallup reservoir.

(b) Any gas well completed on a tract of less than 320 acres in the Angels Peak Gallup Oil Pool shall be permitted to produce an allowable equivalent to the amount determined by ratio which has the acreage dedicated to the unit as its numerator and 320 acres as its denominator times the normal unit allowable for a 320-acre gas well producing at the depth of the Angels Peak Gallup reservoir.

(c) For purposes of determining the permitted gas production, the allowable of a top allowable oil well shall be determined by multiplying the normal unit allowable for the Northwest Area by a factor of 2.77, as provided in Statewide Rule 505. The gas limit for a normal 80-acre unit will then be determined in accordance with the limiting ratio as hereinabove set out and in accordance with Statewide Rule 506. Gas wells as classified in compliance with this Order will be permitted to produce up to four times the permitted 80-acre gas limit based on the actual number of acres dedicated to the particular gas well. For purposes of this Rule, any well that has between 316 and 324 acres dedicated to it shall be deemed to be a standard gas unit.

Send back to OAC -

**PROPOSED SPECIAL RULES AND REGULATIONS IN THE
ANGELS PEAK GALLUP GAS POOL**

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
EPNG EXHIBIT No. *3*
CASE *1641 Robinson*

A. WELL LOCATION AND ACREAGE REQUIREMENTS

Rule 1:

Pertains to pool wells and wildcat wells--General Rules applicable.

Rule 2:

Pertains to spacing--General Rules applicable because General Rules provides "except as provided in the Special Pool Rules."

Special Rule 2:

Each well drilled or recompleted within the Angels Peak Gallup Gas Pool on a standard proration unit, after the effective date of this Rule, shall be drilled not closer than 660' to any boundary line of the tract, nor closer than 330' to a quarter-quarter section line or subdivision inner boundary line. Any well drilled to and producing from the Angels Peak Gallup Gas Pool prior to the effective date of this Order, at a location conforming to the spacing requirements in effect at the time said well was drilled, shall be considered to be located in conformance with this Rule.

Rule 3:

Pertains to exceptions to the spacing provisions--General Rules applicable.

Rule 4:

Pertains to the exception of these rules to statewide Rule 104, paragraph (k)--General Rules applicable.

Special Rule 5 (A):

The acreage allocated to an oil or gas well for proration purposes shall be known as the oil or gas proration unit for that well. Each well completed or recompleted in the Angels Peak Gallup Gas Pool on a standard proration unit as a gas well shall be located on a proration unit on approximately 320 acres comprising any two contiguous quarter sections of a single governmental section being a legal subdivision of the U. S. Public Land Surveys, and each well completed or recompleted in the Angels Peak Gallup Gas Pool on a standard proration unit as an oil well shall be located on a proration unit of approximately 80 acres comprising any two contiguous quarter-quarter sections of a single governmental section being a legal

ILLEGIBLE

Eumont Gas Pool

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

Jalmat Gas Pool

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

Justis Gas Pool

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

Tubb Gas Pool

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

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

Blinebry Gas Pool

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

Eumont Gas Pool

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

Jalmat Gas Pool

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

Justis Gas Pool

R-586

Tubb Gas Pool

R-264
R-586
R-586-B

IT IS THEREFORE ORDERED:

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

Aztec-Pictured
Cliffs Gas Pool

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

Ballard-Pictured
Cliffs Gas Pool

R-846
R-846-A
R-967

Fulcher Kutz-Pictured
Cliffs Gas Pool

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

South Blanco-
Pictured Cliffs
Gas Pool

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

Tapacito-Pictured
Cliffs Gas Pool

R-1193
R-1193-A

West Kutz-Pictured
Cliffs Gas Pool

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

Blanco Mesaverde
Gas Pool

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

Blinebry Gas Pool

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

Crosby Devonian Gas
Pool

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

Proposed Special Rules and Regulations in the
Angels Peak Gallup Gas Pool

Page 2.

subdivision of the U. S. Public Land Surveys. Any gas proration unit containing between 316 and 324 acres shall be considered to contain the number of acres in a standard unit for the purposes of computing allowables.

Rule 5 (B):

Provides for administrative approval for non-standard proration units--
General Rules applicable.

B. NOMINATIONS AND PRORATION SCHEDULE

Rule 6 (A):

Provides for preliminary nominations -- General Rules applicable.

Rule 6 (B):

Defines the term "gas production unit" -- General Rules applicable.

Rule 7 (A):

Provides for supplemental nominations -- General Rules applicable.

Rule 7 (B):

Provides that wells shall be listed in a proration schedule -- General
Rules applicable.

C. ALLOCATION AND GRANTING OF ALLOWABLES

Rule 8 (A):

Provides that total allowable of the pool shall be equal to the preliminary
or agreement -- nominations with any adjustments which the Commission
deems reasonable -- General Rules applicable.

Rule 8 (B):

Provides no gas shall be grown an allowable until certain forms have
been filed -- General Rules applicable.

That provides that a certain test must be taken -- General Rules
applicable.

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Proposed Special Rules and Regulations for the
Angels Pool Gas Field
Page 3.

Special Rule 4.104

All oil wells shall be given an allowable until Form C-104 and Form C-123 have been filed together with a plat (Form C-128) showing acreage attributable to said well and the location of all other oil and gas wells.

Rule 6.104

Producers with acreages on newly completed gas well shall conform to the following provisions.

Special Rule 6.104

A producer whose well's classification has changed from oil to gas shall file details of a gas-oil ratio test, with a copy of the test, with the date of the new gas-oil ratio as shown on the test, and shall file that:

- 1. A copy of the test shall be filed in conformance with the provisions of Section 4.104-C and 4.104-D, as amended, and shall be filed with the Commission on the effective date of reclassification. A gas allowable shall be granted for the acreage on the well prior to the date the test is filed and shall be in accordance with the provisions of Section 4.104-C and 4.104-D.

2. A copy of the test, showing the acreage attributed to the well, shall be filed with the location of all wells on the test, and Form C-123 and Form C-128 has been

ILLEGIBLE

Proposed Special Rules and Regulations in the
Angels Peak Gallup Gas Pool

Page 5.

Rule 10 (C):

Provides that deliverability be determined in accordance with the provisions of Order R-333-C and D, as amended by R-333-E, and provides for exceptions to annual deliverability test requirements -- General Rules applicable.

Special Rule 10 (C):

Gas wells in the Angels Peak Gallup Gas Pool shall have deliverability tests taken in accordance with the procedure outlined in Section 10 (procedure pertaining to the Mesa Verde Formation) of Order R-333-C and D, as amended by Order R-333-E.

Rule 11:

Provides that the Commission may assign minimum allowables in order to prevent premature abandonment -- General Rules applicable.

Rule 12:

Provides that all operations shall be charged against the well's allowable -- General Rules applicable.

D. BALANCING OF WATER/CUTS

Rule 13:

Provides for balancing of water and production provided -- General Rules applicable.

Rule 14 (A):

Provides that a well which is shut in for one production period may be considered shut in for the next production period before annual deliverability tests are required -- General Rules applicable.

Rule 15 (A):

Provides for water control during production -- General Rules applicable.

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Proposed Special Rules and Regulations in the
Angels Peak Gallup Gas Pool
Page 6

Rule 15 (A):

Provides that overproduction accrued in one proration period may be carried forward into the next proration period -- General Rules applicable.

Rule 15 (B):

Provides that any time a well is six times overproduced its current allowable it shall be shut-in until it is underproduced less than six times its current allowable -- General Rules applicable.

Rule 15 (C):

Provides for method of making up overproduction-- General Rules applicable.

Rule 15 (D):

Provides that overproduction may be made up at a lesser rate than complete shut-in -- General Rules applicable.

Rule 15 (E):

Provides that allowable assigned to a well through cancellation and redistribution shall be applied against overproduction -- General Rules applicable.

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Proposed Special Rules and Regulations in the
Angels Peak Gallup Gas Pool

Page 7.

E. CLASSIFICATION OF WELLS

Rule 16 (A):

Provides for classification of marginal well--General Rules applicable.

Rule 16 (B):

Provides that Secretary-Director may reclassify wells--General Rules applicable.

Rule 17:

Provides that a marginal well is not permitted to accumulate underproduction--General Rules applicable.

Rule 18:

Provides for method of reclassification of a marginal well to a non-marginal well--General Rules applicable.

Rule 19:

Provides that a reworked or recompleted well shall be classified as non-marginal upon reconnection--General Rules applicable.

Rule 20:

Provides that all wells not classified as marginal wells shall be classified as non-marginal wells--General Rules applicable.

F. REPORTING OF PRODUCTION

Rules 21 (A) (B) (C) and (D):

Provides that gas production shall be metered separately and reported to the Commission in accordance with appropriate Statewide Rules--General Rules applicable.

G. GENERAL

Rule 22:

No flare provision--General Rules applicable.

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Rule 23:

Provides that failure to comply with Order will result in cancellation of allowable -- General Rules applicable.

Rule 24:

Provides that all transporters shall file connection notices -- General Rules applicable.

H. MISCELLANEOUS SPECIAL POOL RULES

Special Rule 25:

The vertical limits of the Angels Peak Gallup Gas Pool shall be the Gallup Formation.

Special Rule 26:

A gas well in the Angels Peak Gallup Gas Pool shall be any well producing with a gas-oil ratio of 30,000 cu. ft. of gas per bbl. of oil, or more.

Special Rule 27:

An oil well in the Angels Peak Gallup Gas Pool shall be a well producing with a gas-oil ratio of less than 30,000 cu. ft. of gas per bbl. of oil.

Special Rule 28:

Gas-oil ratio tests shall be taken on all wells in the Angels Peak Gallup Gas Pool and on all wells producing from the Gallup Formation within one mile of the boundaries of the Angels Peak Gallup Gas Pool during the first fifteen days of the months of January, April, July, and October of each year. Tests shall be 24-hour tests, being the final 24 hours of a 72-hour period during which the well shall be produced at a constant rate of production to be determined by the operator, but in no event shall the rate be less than that necessary to produce the gas limit if the well is capable of producing the gas limit. Results of such tests shall be filed on Commission Form C-116 within ten days after the close of each test period and shall become effective on the first of the month following the test period. At least 72 hours prior to commencement of any such gas-oil ratio tests, each operator shall file with the Aztec office of the Commission a Test Schedule for its wells, specifying the time

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each of its wells is to be tested. Copies of the Test Schedule shall also be furnished to all offset operators. The Secretary-Director may extend the 15-day testing period if future development indicates that 15 days does not allow sufficient time for operators to adequately test all of their wells.

Special Rule 29:

No acreage shall be simulataneously dedicated to an oil well and to a gas well in the Angels Peak Gallup Gas Pool.

Special Rule 30:

In order to prevent waste, the gas-oil ratio limitation for the Angels Peak Gallup Gas Pool shall be 4,000 cu. ft. of gas per bbl. of oil produced.

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PROPOSED FIELD RULES FOR ANGELS PEAK GALLUP OIL POOL

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

RULE 2. Each well drilled or recompleted within the Angels Peak Gallup Oil Pool on a standard proration unit after the effective date of this rule shall be drilled not closer than 660 feet to any boundary line of the tract nor closer than 330 feet to a quarter-quarter section line or subdivision inner boundary line. Any well drilled to and producing from the Angels Peak Gallup Oil Pool prior to the effective date of this Order at a location conforming to the spacing requirements effective at the time said well was drilled shall be considered to be located in conformance with this rule.

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

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

RULE 4. (a) Each well completed or recompleted in the Angels Peak Gallup Oil Pool as an oil well shall be located on a tract consisting of approximately 80 acres comprising any two contiguous quarter-quarter sections of a single governmental section, being a legal subdivision of the United States Public Lands Survey, and each well completed or recompleted in the Angels Peak Gallup Oil Pool as a gas well shall be located on a tract consisting of approximately 320 acres comprising any two contiguous quarter sections of a single governmental section, being a legal subdivision of the United States Public Lands Survey.

(b) The Secretary of the Commission shall have authority to grant an exception to Rule 4 (a) without notice and hearing where application has been filed in due form and where the following facts exist and the following provisions are complied with.

1. The non-standard proration unit consists of contiguous quarter-quarter sections or lots.
2. The non-standard proration unit lies wholly within a single governmental section.
3. The entire non-standard proration unit may reasonably be presumed to be productive of gas, and/or oil.
4. The length of width of the non-standard gas proration unit does not exceed 5280 feet, and the length of width of the non-standard oil proration unit does not exceed 2640 feet.

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5. That applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the section in which any part of the non-standard gas proration unit is situated and which acreage is not included in said non-standard gas proration unit.

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

RULE 5. The provisions of Paragraph (k) of Statewide Rule 104 shall not apply to the Angels Peak Gallup Oil Pool, San Juan County, New Mexico.

RULE 6. An oil well in the Angels Peak Gallup Oil Pool shall be a well producing with a gas-oil ratio of less than 30,000 cubic feet of gas per barrel of oil.

RULE 7. A gas well in the Angels Peak Gallup Oil Pool shall be any well producing with a gas-oil ratio of 30,000 cubic feet of gas per barrel of oil or more.

RULE 8. No acreage shall be simultaneously dedicated to an oil well and to a gas well in the Angels Peak Gallup Oil Pool.

RULE 9. No gas, either dry gas or casinghead gas, produced from the Angels Peak Gallup Oil Pool shall be flared or vented.

RULE 10. In order to prevent waste, the gas-oil ratio limitation for the Angels Peak Gallup Oil Pool shall be 2,000 cubic feet of gas per barrel of oil produced.

RULE 11. The monthly gas production from each well and from each common source of supply shall be metered separately, and the gas production and associated liquid hydrocarbon production therefrom shall be reported to the Commission in accordance with the applicable Commission Rules and Regulations.

RULE 12. Gas-oil ratio tests shall be taken in the Angels Peak Gallup Oil Pool in the months of March and April and September and October each year in addition to the initial gas-oil ratio tests required under Statewide Rule 301. In accordance with the provisions of Statewide Rule 301-B, the results of these gas-oil ratio tests shall be reported to the Commission on Form C-116 no later than the 10th of the month following the close of the survey period and shall become effective on the first day of the second month following the close of the survey period.

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RULE 13. In order to obtain needed reservoir data, bottom hole pressure tests shall be taken immediately following the gas-oil ratio tests required in Rule 12 and reported to the Commission on Form C-124 in compliance with the provisions of Statewide Rule 302, provided, however, that the well shall remain shut-in a minimum of 72 hours and then calculated to a sea level datum of +500 feet.

RULE 14. (a) Any oil well completed on a tract of less than 80 acres in the Angels Peak Gallup Oil Pool shall be permitted to produce an allowable equivalent to the amount determined by ratio which has the acreage dedicated to the unit as its numerator and 80 acres as its denominator times the normal unit allowable for an 80-acre oil well producing at the depth of the Angels Peak Gallup reservoir.

(b) Any gas well completed on a tract of less than 320 acres in the Angels Peak Gallup Oil Pool shall be permitted to produce an allowable equivalent to the amount determined by ratio which has the acreage dedicated to the unit as its numerator and 320 acres as its denominator times the normal unit allowable for a 320-acre gas well producing at the depth of the Angels Peak Gallup reservoir.

(c) For purposes of determining the permitted gas production, the allowable of a top allowable oil well shall be determined by multiplying the normal unit allowable for the Northwest Area by a factor of 2.77, as provided in Statewide Rule 505. The gas limit for a normal 80-acre unit will then be determined in accordance with the limiting ratio as hereinabove set out and in accordance with Statewide Rule 506. Gas wells as classified in compliance with this Order will be permitted to produce up to four times the permitted 80-acre gas limit based on the actual number of acres dedicated to the particular gas well. For purposes of this Rule, any well that has between 316 and 324 acres dedicated to it shall be deemed to be a standard gas unit.