

CASE 4436

CHEVRON OIL COMPANY EXHIBIT 2

SUGGESTED REVISION TO RULES FOR NORTHWEST NEW MEXICO

RULE 9(b). The allowable to be assigned to each marginal well shall be the lesser of (1) the maximum production of said well during any month of the preceeding gas proration period, or (2) the most recent deliverability test, taken in accordance with Rule 9(d), multiplied by 30.4 days.

RULE 16(a). After the production data is available for the last month of each gas proration period, any well which had an underproduced status at the beginning of the preceeding gas proration period and which appears incapable of producing its non-marginal allowable will be classified as a marginal well, unless the operator or other interested party presents evidence satisfactory to the Commission showing that the well should not be so classified. Whether the well is capable of producing its non-marginal allowable will be determined by comparing its calculated average monthly non-marginal allowable for the preceeding period with its monthly producing ability. Each well's monthly producing ability will be assumed to be the lesser of (1) the maximum production during any month of the preceeding gas proration period, or (2) the most recent test deliverability multiplied by 30.4 days.

RULE 18. If, at the end of a proration period, a marginal well has demonstrated its ability to produce the calculated average monthly allowable assigned a non-marginal well of like deliverability and acreage during the proceeding period, the marginal well shall be reclassified as a non-marginal well and its allowable and net status adjusted accordingly. The well's ability to produce will be assumed to be the lesser of (1) the maximum production of said well during the preceeding proration period, or (2) the most recent test deliverability multiplied by 30.4 days.

BEFORE EXAMINED NUTTER
CHEVRON OIL COMPANY
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