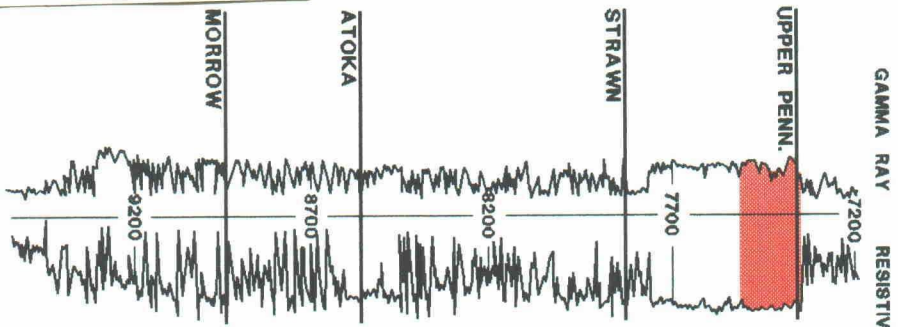


Exhibits 1 through 5
Complete Set

INDIAN BASIN OPER



TYPE LOG



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	1/2	20	21	21	20	21	21	21	20	21	21	20	21	21	20	21	21	20
R-22-E	31	32	33 R-23-E	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48
1	6	5	4	3	2	1	6	5	4	3	2	1	6	5	4	3	2	
12	7	17	9	10	11	12	7	8	9	10	11	12	7	8	9	10	11	
13	18	17	16	15	14	13	18	17	16	15	14	13	18	17	16	15	14	
15	19	20	21	22	23	24	19	20	21	22	23	24	19	20	21	22	23	
24	24	25	26	27	28	29	24	25	26	27	28	29	24	25	26	27	28	
20	30	29	28	27	26	25	30	29	28	27	26	25	30	29	28	27	26	
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BEFORE EXAMINER CATANACH

OIL CONSERVATION DIVISION

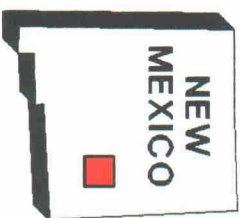
Marathon EXHIBIT NO. 1

CASE NO. 10657

MARATHON OIL COMPANY
MID-CONTINENT REGION
INDIAN BASIN
FIELD
EDDY COUNTY, NEW MEXICO

OPERATOR MAP

INDIAN BASIN
WELL D 1



GAS PRORATION AND BALANCING
WELL IBD1 (234)
INDIAN BASIN FIELD

01/05/93

FILE: PRODHEAR.WK3

MONTH	STATUS	GAS SALES	ALLOWABLE	OVER/ UNDER	CUM OVER/ UNDER	OP LIMIT	OLD OP	COMMENTS
APR-89	N	116731	106961	-9770	82301	997842	0	
MAY-89	N	118132	110647	-7485	74816	997842	0	
JUNE-89	N	104867	104159	-708	74108	997842	0	
JULY-89	N	106938	103357	-3581	70527	997842	0	
AUG-89	N	120241	94858	-25383	45144	997842	0	
SEPT-89	N	113296	142495	29199	74343	997842	0	
OCT-89	N	104094	138848	34754	109097	997842	0	
NOV-89	N	95937	130412	34475	143572	997842	0	0 AMOUNT CANCELED UPON RECLASSIFICATION
DEC-89	N	93807	118212	24405	167977	997842	0	
JAN-90	M	115231	95937	-19294	0	575622	0	0 RECLASSIFIED TO MARGINAL
FEB-90	M	79301	93807	14506	0	575622	0	
MAR-90	M	94984	115231	20247	0	575622	0	0 END OF BALANCING PERIOD
APR-90	M	87276	79301	-7975	0	575622	0	
MAY-90	M	98021	94984	-3037	0	575622	0	
JUNE-90	M	84878	87276	2398	0	575622	0	
JULY-90	M	83398	98021	14623	0	575622	0	
AUG-90	M	95724	84878	-10846	0	575622	0	
SEPT-90	M	76199	83398	7199	0	575622	0	
OCT-90	M	97954	95724	-2230	0	575622	0	
NOV-90	M	87061	76199	-10862	0	575622	0	
DEC-90	M	96351	97954	1603	0	575622	0	
JAN-91	M	73754	87061	13307	0	522366	0	
FEB-91	M	118726	96351	-22375	0	522366	0	
MAR-91	M	178555	74166	-104389	0	522366	0	0 END OF BALANCING PERIOD
APR-91	N	177138	134728	-42410	-42410	522366	0	0 RECLASSIFIED TO NONMARGINAL
MAY-91	N	199153	134728	-64425	-106835	522366	0	
JUNE-91	N	194519	134728	-59791	-166626	522366	0	
JULY-91	N	198950	134728	-64222	-230848	522366	0	
AUG-91	N	220719	134728	-85991	-316839	522366	0	
SEPT-91	N	111068	134728	23660	-293179	522366	0	
OCT-91	N	216141	184875	-31266	-324445	1954194	0	
NOV-91	N	211341	184875	-26466	-350911	1954194	0	
DEC-91	N	175453	184875	9422	-341489	1954194	0	
JAN-92	N	169893	184875	14982	-326507	1109250	0	
FEB-92	N	171272	184875	13603	-312904	1109250	0	
MAR-92	N	227828	184875	-42953	-355857	1109250	0	0 END OF BALANCING PERIOD
APR-92	N	207879	160502	-47377	-403234	1109250	355857	NMOCD OVER PRODUCTION OF 358875 MCF
MAY-92	N	219037	160502	-58535	-461769	1109250	355857	
JUNE-92	N	205026	160502	-44524	-506293	1109250	355857	
JULY-92	N	210422	160502	-49920	-556213	1109250	355857	
AUG-92	N	209440	160502	-48938	-605151	1109250	355857	
SEPT-92	N	189614	160502	-29112	-634263	1109250	355857	
OCT-92	N	202175	178372	-23803	-658066	1109250	355857	
NOV-92	N	201520	178372	-23148	-681214	1109250	355857	
DEC-92	N	205000	178372	-26628	-707842	1109250	355857	
JAN-93	N	205000	178372	-26628	-734470	1070232	355857	
FEB-93	N	205000	178372	-26628	-761098	1070232	355857	
MAR-93	N	205000	178372	-26628	-787726	1070232	355857	END OF BALANCING PERIOD

STATUS N - NONMARGINAL
M - MARGINAL

OVER/UNDER MONTHLY OVER OR UNDER PRODUCTION
(- SIGN INDICATES OVER PRODUCTION)

CUM OVER/UNDER CUMULATIVE OVER OR UNDER PRODUCTION
(- SIGN INDICATES OVER PRODUCTION)

OP LIMIT OVER PRODUCTION LIMIT
(SIX TIMES THE JANUARY ALLOWABLE)

OLD OP OVER PRODUCTION NOT MADE UP THE PREVIOUS
BALANCING PERIOD

10657

10657

*** GAS SALES FROM FORM C-115 EQUALS PRODUCTION LESS LEASE USE

UPPER PENN GAS POOL ALLOWABLES

OCTOBER, 1992 – MARCH, 1993

	REVISED FROM OCD	PROPOSED BY MOC
AVERAGE MONTHLY POOL SALES OCTOBER, 1991 – MARCH, 1992	3,027,791	3,027,791
ADJUSTMENTS	0	0
MONTHLY POOL ALLOWABLE OCTOBER, 1992 – MARCH, 1993	3,027,791	3,027,791
MONTHLY MARGINAL POOL ALLOWABLE OCTOBER, 1992 – MARCH, 1993	2,048,526	2,061,024
MONTHLY NON-MARGINAL POOL ALLOWABLE OCTOBER, 1992 – MARCH, 1993	979,265	966,767
NUMBER OF NON-MARGINAL ACREAGE FACTORS	5.49	4.92
MONTHLY ACREAGE ALLOCATE FACTOR OCTOBER, 1992 – MARCH, 1993	178.372	196.497

Submitted 1/7/93 By Marathon Oil Company

EXHIBIT SHOWS THE EFFECT OF A REDUCED ACREAGE FACTOR ON THE MONTHLY ACREAGE ALLOCATE FACTOR OF F1

OFFICE EXAMINER CATANACH
OIL CONSERVATION DIVISION

MARATHON EXHIBIT NO. 5
OCD NO. 10657

GAS PRORATION AND BALANCING
WELL IBD1 (234)
INDIAN BASIN FIELD

01/06/93

FILE: PRODHEAR.WK3

MONTH	STATUS	GAS SALES	ALLOWABLE	OVER/ UNDER	CUM OVER/ UNDER	OP LIMIT	OLD OP	COMMENTS
APR-89	N	116731	106961	-9770	82301	997842	0	
MAY-89	N	118132	110647	-7485	74816	997842	0	
JUNE-89	N	104867	104159	-708	74108	997842	0	
JULY-89	N	106938	103357	-3581	70527	997842	0	
AUG-89	N	120241	94858	-25383	45144	997842	0	
SEPT-89	N	113296	142495	29199	74343	997842	0	
OCT-89	N	104094	138848	34754	109097	997842	0	
NOV-89	N	95937	130412	34475	143572	997842	0	AMOUNT CANCELED UPON RECLASSIFICATION
DEC-89	N	93807	118212	24405	167977	997842	0	
JAN-90	M	115231	95937	-19294	0	575622	0	RECLASSIFIED TO MARGINAL
FEB-90	M	79301	93807	14506	0	575622	0	
MAR-90	M	94984	115231	20247	0	575622	0	END OF BALANCING PERIOD
APR-90	M	87276	79301	-7975	0	575622	0	
MAY-90	M	98021	94984	-3037	0	575622	0	
JUNE-90	M	84878	87276	2398	0	575622	0	
JULY-90	M	83398	98021	14623	0	575622	0	
AUG-90	M	95724	84878	-10846	0	575622	0	
SEPT-90	M	76199	83398	7199	0	575622	0	
OCT-90	M	97954	95724	-2230	0	575622	0	
NOV-90	M	87061	76199	-10862	0	575622	0	
DEC-90	M	96351	97954	1603	0	575622	0	
JAN-91	M	73754	87061	13307	0	522366	0	
FEB-91	M	118726	96351	-22375	0	522366	0	
MAR-91	M	178555	74166	-104389	0	522366	0	END OF BALANCING PERIOD
APR-91	N	177138	134728	-42410	-42410	522366	0	RECLASSIFIED TO NONMARGINAL
MAY-91	N	199153	134728	-64425	-106835	522366	0	
JUNE-91	N	194519	134728	-59791	-166626	522366	0	
JULY-91	N	198950	134728	-64222	-230848	522366	0	
AUG-91	N	220719	134728	-85991	-316839	522366	0	
SEPT-91	N	111068	134728	23660	-293179	522366	0	
OCT-91	N	218141	184875	-31266	-324445	1954194	0	
NOV-91	N	211341	184875	-26466	-350911	1954194	0	
DEC-91	N	175453	184875	9422	-341489	1954194	0	
JAN-92	N	169893	184875	14982	-326507	1109250	0	
FEB-92	N	171272	184875	13603	-312904	1109250	0	
MAR-92	N	227828	184875	-42953	-355857	1109250	0	END OF BALANCING PERIOD
APR-92	N	207879	160502	-47377	-403234	1109250	355857	NMOC OVER PRODUCTION OF 358875 MCF
MAY-92	N	219037	160502	-58535	-461769	1109250	355857	
JUNE-92	N	205026	160502	-44524	-506293	1109250	355857	
JULY-92	N	210422	160502	-49920	-556213	1109250	355857	
AUG-92	N	209440	160502	-48938	-605151	1109250	355857	
SEPT-92	N	189614	160502	-29112	-634263	1109250	355857	
OCT-92	N	202175	196497	-5678	-639941	1109250	355857	
NOV-92	N	201520	196497	-5023	-644964	1109250	355857	
DEC-92	N	205000	196497	-8503	-653467	1109250	355857	
JAN-93	N	205000	196497	-8503	-661970	1178982	355857	
FEB-93	N	205000	196497	-8503	-670473	1178982	355857	
MAR-93	N	205000	196497	-8503	-678976	1178982	355857	END OF BALANCING PERIOD

STATUS N - NONMARGINAL
M - MARGINAL

OVER/UNDER MONTHLY OVER OR UNDER PRODUCTION
(- SIGN INDICATES OVER PRODUCTION)

CUM OVER/UNDER CUMULATIVE OVER OR UNDER PRODUCTION
(- SIGN INDICATES OVER PRODUCTION)

OP LIMIT OVER PRODUCTION LIMIT
(SIX TIMES THE JANUARY ALLOWABLE)

OLD OP OVER PRODUCTION NOT MADE UP THE PREVIOUS
BALANCING PERIOD

BEFORE EXAMINER CATANACH

OIL CONSERVATION DIVISION

MARATHON EXHIBIT NO. 4

CASE NO. 10657

*** GAS SALES FROM FORM C-115 EQUALS PRODUCTION LESS LEASE USE

April 93

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

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

CASE NO. 10657

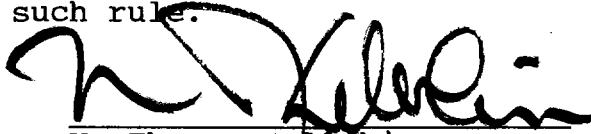
APPLICATION OF MARATHON OIL COMPANY
FOR REINSTATEMENT OF UNDERPRODUCTION
FOR A GPU IN THE INDIAN BASIN-UPPER
PENNSYLVANIAN GAS POOL, EDDY COUNTY,
NEW MEXICO

CERTIFICATE OF MAILING

AND

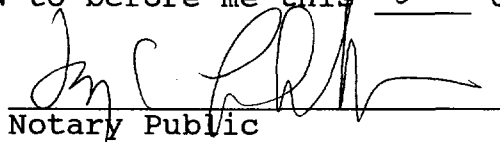
COMPLIANCE WITH ORDER R-8054

W. THOMAS KELLAHIN, attorney in fact and authorized representative of MARATHON OIL COMPANY, states that the notice provisions of Division Rule 1207 (Order R-8054) have been complied with, that Applicant has caused to be conducted a good faith diligent effort to find the correct addresses of all interested parties entitled to receive notice, that on DECEMBER 15, 1992, I caused to be mailed by certified mail return-receipt requested notice of this hearing and a copy of the application for the above referenced case along with the cover letter, at least twenty days prior to the hearing set for JANUARY 7, 1993, to the parties shown in the application as evidenced by the attached copies of return receipt cards, and that pursuant to Division Rule 1207, notice has been given at the correct addresses provided by such rule.



W. Thomas Kellahin

SUBSCRIBED AND SWORN to before me this 5TH day of
January, 1993.



Notary Public

My Commission Expires:

10/7/95

JAY L. LAUBSETER

BEFORE EXAMINER CATANACH
OIL CONSERVATION DIVISION
MARATHON EXHIBIT NO. <u>5</u>
CASE NO. <u>10657</u>

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- 1. Addressee's Address
- 2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Sendero Petroleum Inc.
P.O. Box 1736
Midland, TX 79702

4a. Article Number
P133-837 027

4b. Service Type

Registered Insured

Certified COD

Express Mail Return Receipt for Merchandise

7. Date of Delivery
DEC 22 1991

5. Signature (Addressee)

8. Addressee's Address (Only if requested and fee is paid)

6. Signature (Agent)
Deli Meyer

PS Form 3811, December 1991 U.S. GPO: 1992-323-402

DOMESTIC RETURN RECEIPT

180 #1

Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
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I also wish to receive the following services (for an extra fee):

- 1. Addressee's Address
- 2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Chevron USA Inc.
ATTN: B. Huzzey
P.O. Box 1150
Midland, TX 79702

4a. Article Number
P133-837 024

4b. Service Type

Registered Insured

Certified COD

Express Mail Return Receipt for Merchandise

7. Date of Delivery
DEC 21 1992

5. Signature (Addressee)

8. Addressee's Address (Only if requested and fee is paid)

6. Signature (Agent)
J.R. Riggins

PS Form 3811, December 1991 U.S. GPO: 1992-323-402

DOMESTIC RETURN RECEIPT

180 #1

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I also wish to receive the following services (for an extra fee):

- 1. Addressee's Address
- 2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Apache/MW Petroleum Co.
ATTN: D. Gilberson
200 Post Oak Blvd
Suite 100
Houston, TX 77056

4a. Article Number
P133-837 023

4b. Service Type

Registered Insured

Certified COD

Express Mail Return Receipt for Merchandise

7. Date of Delivery
12-21-92

5. Signature (Addressee)

8. Addressee's Address (Only if requested and fee is paid)

6. Signature (Agent)
S. Jackson

PS Form 3811, December 1991 U.S. GPO: 1992-323-402

DOMESTIC RETURN RECEIPT

180 #1

Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side?

SENDER: • Complete items 1 and/or 2 for additional services. • Complete items 3, and 4a & b. • Print your name and address on the reverse of this form so that we can return this card to you. • Attach this form to the front of the mailpiece, or on the back if space does not permit. • Write "Return Receipt Requested" on the mailpiece below the article number. • The Return Receipt will show to whom the article was delivered and the date delivered.		I also wish to receive the following services (for an extra fee): 1. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.	
3. Article Addressed to: Mussleman Owen and King Operating Inc. ATTN: H. Mussleman 507 N. Marienfeld, #100 Midland, TX 79701		4a. Article Number P133837 025	
		4b. Service Type <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise	
		7. Date of Delivery DEC 22 1992	
5. Signature (Addressee)		8. Addressee's Address (Only if requested and fee is paid)	
6. Signature (Agent) <i>Tom Seemer</i>			

Thank you for using Return Receipt Service.

PS Form 3811, December 1991 *U.S. GPO: 1992-323-402 DOMESTIC RETURN RECEIPT

1 B D # 1

Is your RETURN ADDRESS completed on the reverse side?

SENDER: • Complete items 1 and/or 2 for additional services. • Complete items 3, and 4a & b. • Print your name and address on the reverse of this form so that we can return this card to you. • Attach this form to the front of the mailpiece, or on the back if space does not permit. • Write "Return Receipt Requested" on the mailpiece below the article number. • The Return Receipt will show to whom the article was delivered and the date delivered.		I also wish to receive the following services (for an extra fee): 1. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.	
3. Article Addressed to: Oryx Energy Company ATTN: T. Adams P.O. Box 2880 Dallas, TX 75221-2880		4a. Article Number P133837 026	
		4b. Service Type <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise	
		7. Date of Delivery DEC 21 1992	
5. Signature (Addressee)		8. Addressee's Address (Only if requested and fee is paid)	
6. Signature (Agent) <i>Nagven</i>			

Thank you for using Return Receipt Service.

PS Form 3811, December 1991 *U.S. GPO: 1992-323-402 DOMESTIC RETURN RECEIPT

1 B D # 1

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- 1. Addressee's Address
- 2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Texaco Exploration and
Production Inc.
ATTN: D. Dunham
P.O. Box 3109
Midland, TX 79702

4a. Article Number

P 133 837 028

4b. Service Type

- Registered Insured
- Certified COD
- Express Mail Return Receipt for Merchandise

7. Date of Delivery

DEC 21 1992

5. Signature (Addressee)

6. Signature (Agent)

John Leon

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991

★U.S. GPO: 1992-323-402
(130*)

DOMESTIC RETURN RECEIPT

Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
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- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- 1. Addressee's Address
- 2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

AMAX Petroleum Corp.
1300 Westbelt
P.O. Box 42806
Houston, TX 77042

4a. Article Number

P 133 837 022

4b. Service Type

- Registered Insured
- Certified COD
- Express Mail Return Receipt for Merchandise

7. Date of Delivery

12-21-92

5. Signature (Addressee)

6. Signature (Agent)

Reggie B.

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991

★U.S. GPO: 1992-323-402
(130*)

DOMESTIC RETURN RECEIPT

Thank you for using Return Receipt Service.

Exhibit B
Rules for Gas Proration

Order R-8170-H

~~delivery or redelivery in accordance with the provisions of Rule 4, 5(b)1 and General Rule 1135. The Form C-135 shall also be filed with the Division within 30 days of disconnection.~~

~~RULE 18 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.~~

EXHIBIT "B"
Case No. 10009 - Order No. R-8170-H

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.

ALLOCATION HEARING: A hearing held by the Division twice each year to determine pool allocations for the ensuing allocation period.

ALLOCATION PERIOD: Six month period beginning at 7:00 a.m. April 1 and October 1 of each year shall be the allocation period.

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.

BROKER: A third party who negotiates contracts for purchase and resale.

CLASSIFICATION PERIOD: A three month period beginning at 7:00 a.m. April 1, July 1, October 1, and January 1 of each year shall be the classification 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. (GPUs means plural GPU).

GAS TRANSPORTER: The term Gas Transporter as used in these rules shall mean any taker of gas, The party servicing the well meter, or the party responsible for measurement of gas sold from the well or beneficially used off-lease. This could be 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 is

necessary for maintaining the producing ability of the well). The Gas Transporter can be the gatherer, transporter, producer, or a delegate of one of those parties. The Gas Transporter shall be identified on Form C-104 and will be responsible for filing Form C-111 as required under the provisions of Rule 1111.

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.

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 or has not produced the non-marginal allowable based on pool allocation factors. Marginal GPUs 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 under-production.

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.

SHADOW ALLOWABLE: The gas volume calculated for a marginal GPU that is equal to the allowable assigned to a non-marginal GPU in the same pool of the same A (acreage) or A and AD (acreage deliverability) factors as the marginal GPU.

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 STANDARD GAS PRORATION UNIT SIZE AND WELL SPACING

(a) Unless otherwise provided for in applicable special pool rules gas wells in prorated gas pools shall be drilled in accordance with the well spacing and acreage requirements contained in the Rules and Regulations of the Oil Conservation Division, provided that wells drilled in pools with 640 acre spacing, a government section shall comprise the proration unit.

(b) Any GPU drilled in accordance with paragraph (a) and which contains acreage within the tolerances below shall be considered a standard GPU for the purpose of calculating allowables:

<u>STANDARD PRORATION UNIT</u>	<u>ACREAGE TOLERANCE</u>
160 acres	158-162 acres
320 acres	316-324 acres
640 acres	632-648 acres

(c) The District Supervisor of the appropriate district office of the Division has the authority to approve a non-standard GPU without notice and hearing when the unorthodox size and 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 by accepting a form C-102 land plat showing the proposed non-standard GPU with the number of acres contained therein, and shall assign an allowable to the non-standard GPU based upon the acreage factor for that acreage.

(d) Non-standard proration units and unorthodox locations may be approved by the Division in accordance with applicable special pool rules or Rules and Regulations of the Division.

RULE 3(a) GAS PURCHASERS OR GAS TRANSPORTERS SHALL NOMINATE: Each gas purchaser or each gas transporter as herein provided shall file with the Division its nomination for the amount of gas which it in good faith desires to purchase and/or expects to transport

during the ensuing allocation period from each gas pool regulated by this order. The purchaser may delegate the nomination responsibility to the transporter, operator, or broker 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 allocation hearing, the nominations for the succeeding allocation period. The Division shall consider at its allocation hearing the nominations received, 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 allocation period.

The Division Director may, at his discretion, suspend this rule at such time as it appears that the nominations are of little or no value.

RULE 3(b)1 SCHEDULE: The Division shall issue a gas proration schedule for each allocation period showing the monthly allowable for each GPU that may be produced during each month of the ensuing allocation period, the current classification of each GPU, and such other information as is necessary to show the allowable-production status of each GPU on the schedule. The Division may issue supplemental proration schedules during an allocation period as necessary to show changes in GPU classification, adjustments to allowables due to changes in market conditions or to reflect any other changes as the Division deems necessary.

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 for each allocation period shall be equal to the estimated market demand as determined by the Division, plus any adjustments the Director deems

necessary to equate the total pool allowable to the estimated market demand, the Director may make such adjustments as he deems necessary to compensate for overproduction, underproduction, and other circumstances which may necessitate such adjustment so as to equate pool allowable to the anticipated market demand. The estimated market demand for each pool shall be established from any information the Director requires and can consist of nominations from purchasers, transporters or other parties having knowledge of market demand for gas from such pools, actual past production figures, seasonal trends, or any other factors deemed necessary to establish estimated market demand. The Director shall not be bound to use all the information requested and can establish market demand by any method so approved. A monthly allowable shall be assigned to each GPU entitled to an allowable for the ensuing allocation period by allocating the pool allowable among all such GPUs in that pool in accordance with the procedure set forth in the following paragraphs of this order. Should market conditions indicate a change is necessary, the Director may adjust allowables up or down during the 6-month allocation period using a maximum of 10% as a guideline.

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

RULE 5(a)2 NON-MARGINAL GPU ALLOWABLE: Non-marginal GPU allowables shall be determined in conformance with the applicable special pool rules.

(1) In pools where acreage is the only proration factor, the total non-marginal 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 non-marginal allowable shall be allocated to each GPU 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 remaining non-marginal allowable shall be allocated to non-marginal GPUs 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-103 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.
 - c. Allowables assigned to new connects completed within an allocation period shall be equal to the allowable assigned to a non-marginal GPU of similar acreage or acreage and deliverability factors as adjusted to the effective date of the allowable as herein provided.

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 the acreage assigned to a GPU is changed, the operator shall notify the appropriate Division district office in writing of such change by filing a revised Plat (Form C-102). The revised allowable, as determined by the Division, assigned to 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 for prorated gas pools to avoid waste, encourage efficient operations, and to prevent the premature abandonment of wells. (See Special Pool Rules for minimum allowable amount.) In determining the volume of minimum allowable for a well with a standard proration unit, the Division shall take into account economic and engineering factors such as drilling and operating costs, anticipated revenues, taxes, and any other such data that will establish that the ultimate recovery of hydrocarbons will be increased from the pool as a result of the adoption of a minimum allowable for the pool. Once adopted, the minimum allowable for wells with non-standard proration units shall be proportionally adjusted.

RULE 9(a) DELIVERABILITY TESTS: In pools where both 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 Gas Well Testing Manual For Northwest New Mexico).

RULE 9(b) DELIVERABILITY RETEST: A change in a well's deliverability following a retest after any activity, other than routine maintenance, shall become effective the later of:

- 1) The date of redelivery after such activity, such date to be indicated on the sundry notice (if a sundry notice is required) and on the remarks portion of the Form C-122-A; or,

- 2) 90 days prior to the date of receipt of the appropriate deliverability test report at the appropriate Division district office, or
- 3) A change in a well's deliverability due to any other reason shall become effective on the first day of the month following the month during which the retest is approved 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 in 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)(1) TWELVE-TIMES OVERPRODUCED, NORTHWEST: For the prorated gas pools of Northwest New Mexico, if it is determined that GPU is overproduced in an amount exceeding twelve times its current year January allowable (or, in the case of a newly connected well, a marginal well, or a well recently reclassified as non-marginal, twelve times the January allowable assigned to a non-marginal GPU of similar acreage and deliverability factors), it shall be shut in until its overproduction is less than twelve times its January allowable, as determined hereinabove.

RULE 11(b)(2) SIX-TIMES OVERPRODUCED, SOUTHEAST: For the prorated gas pools of southeast New Mexico, if it is determined that a GPU is overproduced in an amount exceeding six times its current year January allowable (or, in the case of a newly connected well, a marginal well, or a well recently reclassified as non-marginal, six times the January allowable assigned to a non-marginal GPU of a similar acreage factor), it shall be shut in until its overproduction is less than six times its January 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 provision of Rules 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.

RULE 11(h) The Director may reinstate allowable to wells which suffered cancellation of allowable under Rules 10(a) or 13(b), or loss of allowable due to reclassification of a well under Rule 13(a). If such cancellation or loss of allowable was caused by non-access or limited access to the average market demand in the pool rather than inability of the well to produce. Upon petition, together with a showing of circumstances which prevented production of the non-marginal allowable, and evidence that the well was capable of producing at allowable rates during the period for which reinstatement is requested. The allowable may be reinstated in such amounts needed to avoid curtailment or shut-in of the well for excessive overproduction. Such petition shall be approved administratively or docketed for hearing within 30 days after receipt in the Division's Santa Fe office.

E. CLASSIFICATION OF GPUs

RULE 12(a) CLASSIFICATION PERIOD: The proration period shall be divided into four classification periods of three months each, commencing April 1, July 1, October 1, and January 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 producing ability justifies such reclassification.

The Director may suspend the reclassification of GPUs 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: A non-marginal well may be reclassified as marginal in either of the following ways:

- 1) 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 allocation period shall be reclassified to 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; or
- 2) A GPU which is underproduced more than the overproduction limit as described in 11(b)(1) or 11(b)(2), whichever is applicable, shall be reclassified as marginal.

RULE 13(b) CANCELLATION OF UNDERPRODUCTION FOR MARGINAL GPU: 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 classification period, a marginal GPU has produced more gas during the proration period to that time than its shadow allowable for that same period, the GPU shall be reclassified as a non-marginal GPU.

RULE 14(b) REINSTATEMENT OF STATUS: a GPU reclassified to non-marginal under the provisions of Rule 14(a) shall have reinstated to it all underproduction which accrued or would have accrued as a non-marginal GPU from the current production period, underproduction from the prior proration period may be reinstated after notice and hearing. All uncompensated-for overproduction accruing to the GPU while marginal shall be chargeable upon reclassification to non-marginal.

F. REPORTING OF PRODUCTION

RULE 15 FILING C-111 AND C-115 REPORTS: Transporters and

operators shall file gas transportation and production reports pursuant to Rules 1111 and 1115 of the Rules and Regulations of the Division provided that 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.