

RULE 2. Each well completed or recompleted in the Shugart-Strawn Pool shall be located on a unit containing 160 acres, more or less, which consists of a single governmental quarter section.

RULE 3. The Director may grant an exception to the requirements of Rule 2 in accordance with the procedure set forth by Division Rule No. 104.D.(2).

RULE 4. Each well shall be located no closer than 660 feet to the outer boundary of the spacing unit, nor closer than 330 feet to any quarter-quarter section line or subdivision inner boundary.

RULE 5. The Director may grant an exception to the requirements of Rule 4 in accordance with the procedure set forth by Division Rule No. 104.F.

RULE 6. The allowable for a standard 160-acre proration unit shall be 1,120 barrels of oil per day. In the event there is more than one well on a 160-acre proration unit, the operator may produce the allowable assigned to the unit from the wells on the unit in any proportion. The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 160 acres.

RULE 7. The limiting gas-oil ratio shall be 4,000 cubic feet of gas per barrel of oil.

IT IS FURTHER ORDERED THAT:

(3) The location of all wells presently drilling to, or completed in, the Shugart-Strawn Pool, or in the Strawn formation within one mile thereof, are hereby approved. The operator of any well having an unorthodox location shall notify the Division's Artesia District Office, in writing, of the name and location of the well within 30 days from the date of this order.

(4) Existing wells in the Shugart-Strawn Pool shall have dedicated thereto 160 acres in accordance with the foregoing pool rules; or, existing wells may have non-standard spacing and proration units established by the Division and dedicated thereto. Failure to file new Form C-102 with the Division dedicating 160 acres to a well, or to obtain a non-standard unit approved by the Division within 60 days from the date of this order, shall subject the well to cancellation of allowable until a non-standard unit has been approved.