

drainage within the assigned unit or the permissible drainage area outside the unit.

(15) That the production limitation factor should be based upon the variation of the location from a standard location and the 66.7-acre encroachment described in Finding No. (14) above, and should be calculated by averaging the north/south location factor (100 percent), the east/west location factor (.33 percent) and the acreage encroachment factor (79 percent), which yields a production limitation factor of 0.71.

(16) That in the absence of any special rules and regulations for the prorationing of production from the subject well, the aforesaid production limitation factor should be applied against the well's ability to produce into the pipe line as determined by periodic tests.

(17) That in order to avoid premature abandonment and subsequent loss of recoverable reserves, provision should be made for a reasonable minimum allowable for the subject well, and 500,000 cubic feet of gas per day is a reasonable figure for a minimum allowable.

(18) That approval to drill the proposed well at the unorthodox location described in Finding No. (2) above, subject to the Production Limitation Factor described in Finding No. (15) above, or in the alternative, to drill at the unorthodox location described in Finding No. (9) above, will not impair but will protect correlative rights, will not cause waste, and should be given.

IT IS THEREFORE ORDERED:

(1) That the applicant, Santa Fe Exploration Co., is hereby authorized to drill a well to test the Permo-Penn, Strawn, Atoka and Morrow formations at a point 660 feet from the North line and 660 feet from the West line of Section 14, Township 20 South, Range 25 East, NMPM, Eddy County, New Mexico, subject to a Production Limitation Factor of 0.71 applicable as described below, or, in the alternative, to drill said well at an unorthodox location 1780 feet from the North line and 1780 feet from the West line of said Section 14 without penalty, in either case to be dedicated to the N/2 of said Section 14.

(2) That in the absence of any Special Rules and Regulations prorating production from the subject well, the following Special Rules and Regulations for a non-prorated gas well shall apply, if the well is drilled at the location first described in Paragraph (1) above:

SPECIAL RULES AND REGULATIONS
FOR THE
APPLICATION OF A "PRODUCTION LIMITATION FACTOR"
TO A NON-PRORATED GAS WELL

APPLICATION OF RULES

RULE 1. These rules shall apply to the Santa Fe Exploration Co. Morrow formation gas well located 660 feet from the North line and 660 feet from the West line of Section 14, Township 20 South, Range 25 East, NMPM, Eddy County, New Mexico, which well's Production Limitation Factor of 0.71 shall be applied to the well's deliverability (as determined by the hereinafter set forth procedure) to determine its maximum allowable rate of production.

ALLOWABLE PERIOD

RULE 2. The allowable period for the subject well shall be six months.

RULE 3. The year shall be divided into two allowable periods commencing at 7:00 o'clock a.m. on January 1 and July 1.

DETERMINATION OF DELIVERY CAPACITY

RULE 4. Immediately upon connection of the well the operator shall determine the open flow capacity of the well in accordance with the Division "Manual for Back-Pressure Testing of Natural Gas Wells" then current, and the well's initial deliverability shall be calculated against average pipeline pressure in the manner described in the last paragraph on Page I-6 of said test manual.

RULE 5. The well's "subsequent deliverability" shall be determined twice a year, and shall be equal to its highest single day's production during the months of April and May or October and November, whichever is applicable. Said subsequent deliverability, certified by the pipeline, shall be submitted to the appropriate District Office of the Division not later than June 15 and December 15 of each year.

RULE 6. The Division Director may authorize special deliverability tests to be conducted upon a showing that the well has been worked over or that the subsequent deliverability determined under Rule 5 above is erroneous. Any such special test shall be conducted in accordance with Rule 4 above.

RULE 7. The operator shall notify the appropriate district office of the Division and all offset operators of the date and