

- the S/2 of said Section 1, comprising 320 acres, is dedicated to the Superior Federal Well No. 8, located at a standard gas well location 990 feet from the South line and 2130 feet from the West line (Unit N). This well was drilled and completed in the second quarter of 1990. On July 31, 1990, this well began producing gas from the East Burton Flat-Strawn Gas Pool.

(3) At this time, Presidio Exploration, Inc. seeks an exception to Division General Rule 104.C(2) to allow for the simultaneous dedication of the existing 321.20-acre gas spacing and proration unit within the East Burton Flat-Strawn Gas Pool, comprising Lots 1 through 4 and the S/2 N/2 (N/2 equivalent) of said Section 1 to both the aforementioned Well No. 9 and to its proposed Superior Federal Well No. 10 to be drilled at an unorthodox gas well location 1300 feet from the North and West lines (Unit D) of said Section 1.

(4) The East Burton Flat-Strawn Gas Pool is at this time considered an "unprorated gas pool" and therefore is not governed by the General Rules for the Prorated Gas Pools of New Mexico, as promulgated by Division Order No. R-8170, as amended.

(5) The spacing requirements provided in Division Statewide Rule 104.C(2)(b) would therefore apply in this particular situation. Specifically that which states:

"Unless otherwise provided in special pool rules, each development well for a defined gas pool..., shall be located on a designated drilling tract..."

(6) Two separate memorandums issued by the Division Director on July 22, 1988 and August 3, 1990 set forth officially the Division's interpretation and policy for those instances, such as this case, where an applicant is requesting an additional well on an existing non-prorated gas spacing unit. The Division's conclusions were as follows:

"Application to produce both wells continuously and concurrently will be approved only after notice and hearing and upon compelling evidence that the applicant's correlative rights will be impaired unless both wells are produced.