

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. TYPE OF WORK

DRILL ☒DEEPEN ☐PLUG BACK ☐

b. TYPE OF WELL

OIL
WELL ☐GAS
WELL ☒

OTHER

SINGLE
ZONE ☐MULTIPLE
ZONE ☒

2. NAME OF OPERATOR

El Paso Natural Gas Company

3. ADDRESS OF OPERATOR

PO Box 289, Farmington, NM 87401

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)*

At surface

1120'N, 1815'W

At proposed prod. zone

same

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*

11 miles northwest of Blanco, NM

15. DISTANCE FROM PROPOSED*

LOCATION TO NEAREST
PROPERTY OR LEASE LINE, FT.
(Also to nearest drig. unit line, if any) 825'18. DISTANCE FROM PROPOSED LOCATION*
TO NEAREST WELL, DRILLING, COMPLETED,
OR APPLIED FOR, ON THIS LEASE, FT.

2640'

16. NO. OF ACRES IN LEASE

1851.96

19. PROPOSED DEPTH

5635'

17. NO. OF ACRES ASSIGNED
TO THIS WELL

160.00 & 320.00

20. ROTARY OR CABLE TOOLS

Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)

6363'GL

22. APPROX. DATE WORK WILL START*

23.

PROPOSED CASING AND CEMENTING PROGRAM

| SIZE OF HOLE | SIZE OF CASING | WEIGHT PER FOOT | SETTING DEPTH | QUANTITY OF CEMENT |
|--------------|----------------|-----------------|---------------|---------------------------|
| 13 3/4" | 9 5/8" | 36.0# | 200' | 224 cu.ft.circ.to surface |
| 8 3/4" | 7" | 20.0# | 3310' | 296 cu.ft.cover Ojo Alamo |
| 6 1/4" | 4 1/2" | 10.5# | 3160-5635' | 431 cu.ft.to cover Liner |

Selectively perforate and sandwater fracture the Pictured Cliffs and Mesa Verde formations.

A 3000 psi WP and 6000 psi test double gate preventer equipped with blind and pipe rams will be used for blow out prevention on this well.

This gas is dedicated.

The W/2 of Section 13 is dedicated to this well.

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24.

SIGNED

TITLE Drilling Clerk

DATE 8-13-79

(This space for Federal or State office use)

PERMIT NO.

APPROVAL DATE

APPROVED BY

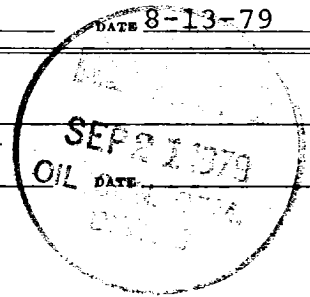
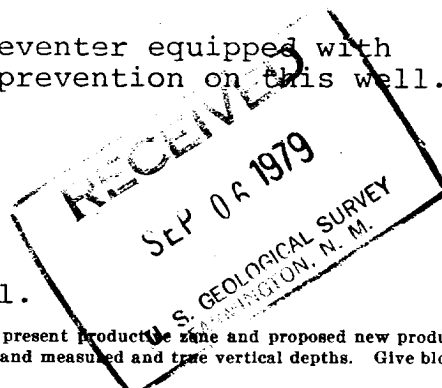
TITLE

CONDITIONS OF APPROVAL, IF ANY:

Additional 1/2 well needed pursuant
to new well order P-1000.
11/11/79. 11/11/79. 11/11/79.
11/11/79. 11/11/79. 11/11/79.

*See Instructions On Reverse Side

NMOCE



C. CONSERVATION DIVISION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

Form C-107
Revised 10-1-78

STATE OF NEW MEXICO

ENERGY AND MINERALS DEPARTMENT

All distances must be from the outer boundaries of the Section.

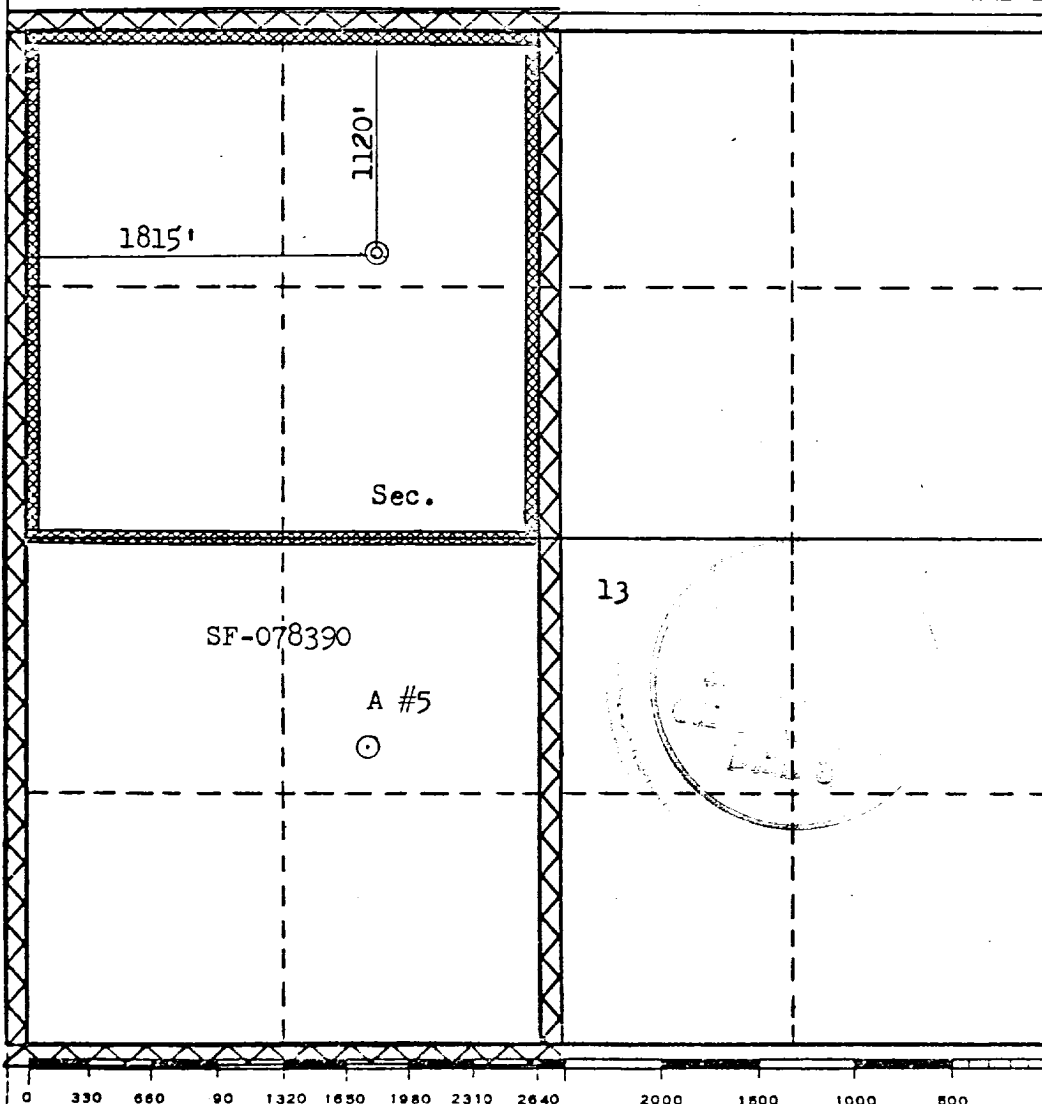
| | | | | | |
|--|---|-----------------|---|--------------------|---|
| Operator EL PASO NATURAL GAS COMPANY | | | Lease JONES "A" (SF-078390) | | Well No. 5A |
| Unit Letter C | Section 13 | Township 28N | Range 8W | County San Juan | |
| Actual Footage Location of Well: 1120 feet from the North line and 1815 feet from the West line | | | | | |
| Ground Level Elev. 6364.6363 | Producing Formation Mesa Verde-Pictured Cliffs | | Pool Blanco Pictured Cliffs Ext. Blanco Mesa Verde | | Dedicated Acreage: 160.00 & 320.00 Acres |

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☐ Yes ☐ No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission. NOTE: THIS PLAT REISSUED TO SHOW CORRECTED FOOTAGE AND ELEVATION 8/24/79



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Name
Drilling Clerk
Position
El Paso Natural Gas Co.
Company
August 31, 1979
Date

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.


Date Surveyed
June 20, 1979
Registered Professional Engineer
and/or Land Surveyor
Fred B. Kerr Jr.
Certificate No.
3950

Multi-Point Surface Use Plan

Jones A #5A

1. Existing Road - Please refer to Map No. 1 which shows the existing roads. New roads which will be required have been marked on this map. All existing and new roads will be properly maintained during the duration of this project.
2. Planned Access Roads - Please refer to Map No. 1. The grade of the access roads will be consistent with that of the local terrain. The road surface will not exceed twenty feet (20') in width. Upon completion of the project, the access road will be adequately drained to control soil erosion. Drainage facilities may include ditches, water bars, culverts or any other measure deemed necessary by trained Company personnel to insure proper drainage. Gates and/or cattleguards will be installed if necessary.
3. Location of Existing Wells - Please refer to Map No. 2.
4. Location of Tank Batteries, Production Facilities, and Production Gathering and Service Lines - Please refer to Maps No. 1 and No. 2. Map No. 2 shows the existing gas gathering lines. Map No. 1 shows the existing roads and new proposed access roads. All known production facilities are shown on these two maps.
5. Location and Type of Water Supply - Water for the proposed project will be obtained from Grambling Water Well.
6. Source of Construction Materials - No additional materials will be required to build either the access road or the proposed location.
7. Methods of Handling Waste Materials - All garbage and trash materials will be put into a burn pit shown on the attached Location Plat No. 1. When clean-up operations are begun on the proposed project, the burn pit with its refuse will be buried to a depth of at least three feet (3'). A latrine, the location of which is also shown on Plat No. 1,

7. cont'd. will be provided for human waste. If large amounts of liquids are left in the reserve pit after completion of the project, the pit will be fenced until the liquids have had adequate time to dry. The location clean-up will not take place until such time as the reserve pit can be properly covered over to prevent run-off from carrying any of these materials into the watershed. No earthen pit will be located on natural drainages; all earthen pits will be so constructed as to prevent leakage from occurring.
8. Ancillary Facilities - No camps or airstrips will be associated with this project.
9. Wellsite Layout - Please refer to the attached Plat No. 1.
10. Plans for Restoration of the Surface - After completion of the proposed project, the location will be cleaned and leveled. The location will be left in such a condition that will enable reseeding operations to be carried out. Seed mixture as designated by the responsible government agency will be used. The reseeding operation will be performed during the time period set forth by the regulatory body. The location production equipment will be painted as designated by the responsible government agency.
11. Other Information - The terrain is sagebrush flats with sagebrush growing. Cattle and deer are occasionally seen on the proposed project site.
12. Operator's Representative - W.D. Dawson, PO Box 990, Farmington, NM
13. Certification - I hereby certify that I, or persons under my direct supervision, have inspected the proposed drillsite and access route; that I am familiar with the conditions which presently exist; that the statements made in this plan are, to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed by El Paso Natural Gas Company and its contractors and sub-contractors in conformity with this plan and the terms and conditions under which it is approved.



L. A. Aimes
Project Drilling Engineer

Operations Plan
Jones A#5A

I. Location: 1120'N, 1815'W, Section 13, T-28-N, R-8-W, San Juan County, NM
Field: Blanco PC & Blanco MV Elevation: 6363'GR

II. Geology:

| | | | | |
|--------------------|------------|----------|---------------|-------|
| A. Formation Tops: | Surface | San Jose | Lewis | 3110' |
| | Ojo Alamo | 2026' | Mesa Verde | 4576' |
| | Kirtland | 2147' | Menefee | 4705' |
| | Fruitland | 2660' | Point Lookout | 5183' |
| | Pic.Cliffs | 2975' | Total Depth | 5635' |

B. Logging Program: I-ES and GR-Density at 3310'.
GR-Ind. and GR-Density at Total Depth.

C. Coring Program: none

D. Natural Gauges: 4570', 4695', 5175' and at Total Depth.
Also gauge any noticeable increase in gas. Record all gauges in daily drilling report and on morning report.

III. Drilling:

A. Mud Program: mud from surface to 3310'. Gas from intermediate casing to Total Depth.

IV. Materials:

| | | | | |
|--------------------|------------------|--------------|--------------------|----------------------|
| A. Casing Program: | <u>Hole Size</u> | <u>Depth</u> | <u>Casing Size</u> | <u>Wt.&Grade</u> |
| | 13 3/4" | 200' | 9 5/8" | 36.0# K-55 |
| | 8 3/4" | 3310' | 7" | 20.0# K-55 |
| | 6 1/4" | 3160-5635' | 4 1/2" | 10.5# K-55 |

B. Float Equipment: 9 5/8" surface casing - B & W guide shoe
(Prod. No. FC 06-09611-0200)

7" intermediate casing - Pathfinder guide shoe (Part #1003-1-007) and Howco self-fill insert float valve (Price Ref.36A&37), 5 Pathfinder stabilizers (Part #107-10) every other joint above shoe. Run float two joints above shoe.

4 1/2" liner - 4 1/2" liner hanger with neoprene packoff. Larkin geyser shoe (Fig.222) and Larkin flapper type float collar(fig.404 M&F).

C. Tubing: 5635' of 2 3/8", 4.7#, J-55 8rd EUE tubing with a common pump seating nipple one joint above bottom. Tubing will be open ended.
3310' of 1 1/4", 2.33#, J-55, IJ tubing with a common pump seating nipple above a perforated joint plugged on bottom. Isolate producing formations with a packer.

D. Wellhead Equipment: 10" 900 x 9 5/8" casing head. 10" x 7" casing hanger, 10" 2000 x 6" 2000 dual tubing head.

Operations Plan - Jones A #5A

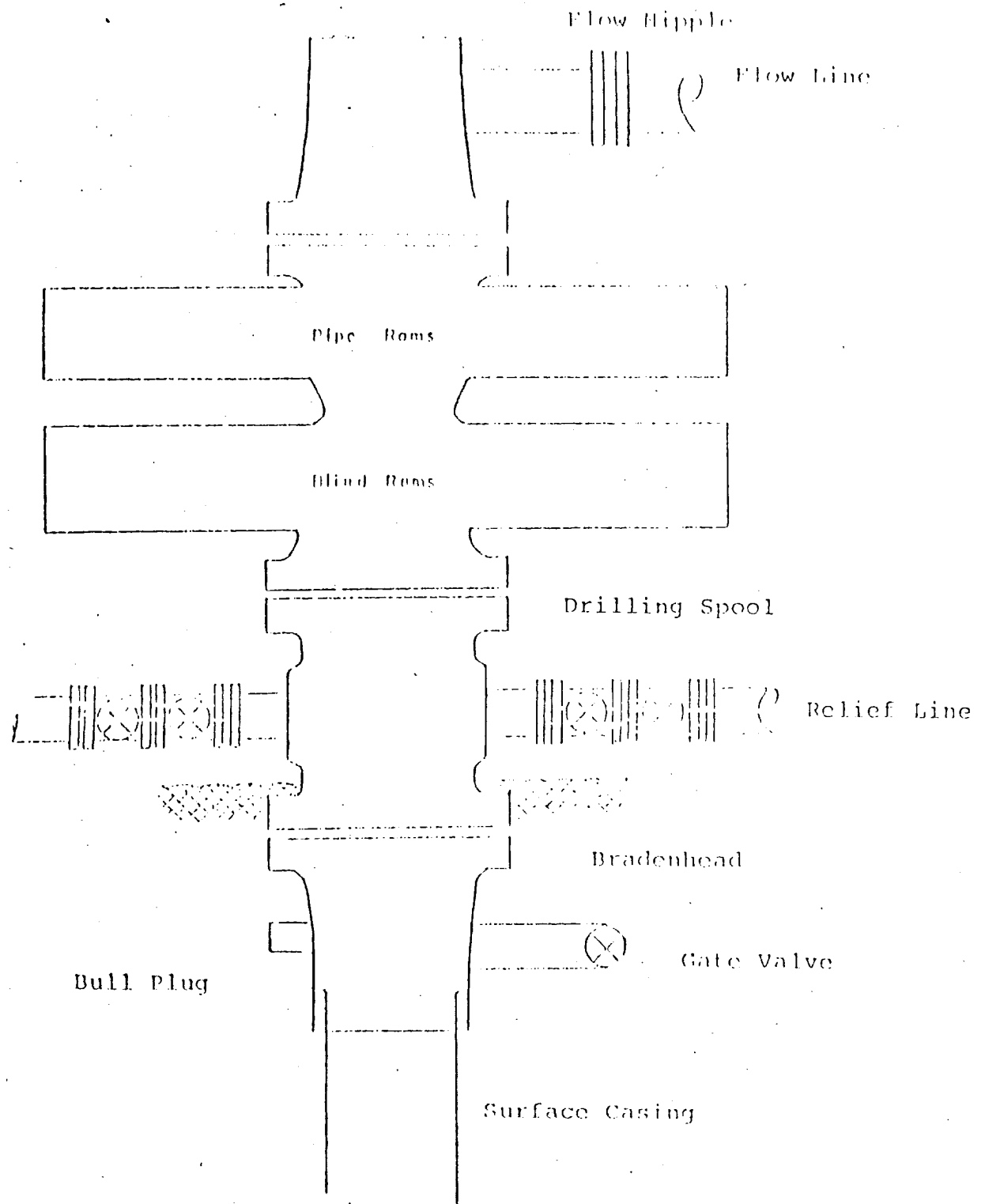
V. Cementing:

9 5/8" surface casing - use 190 sks. of Class "B" cement with 1/4# gel-flake per sack and 3% calcium chloride (224 cu.ft. of slurry, 100% excess to circulate to surface). WOC 12 hours. Test casing to 600#/30 minutes.

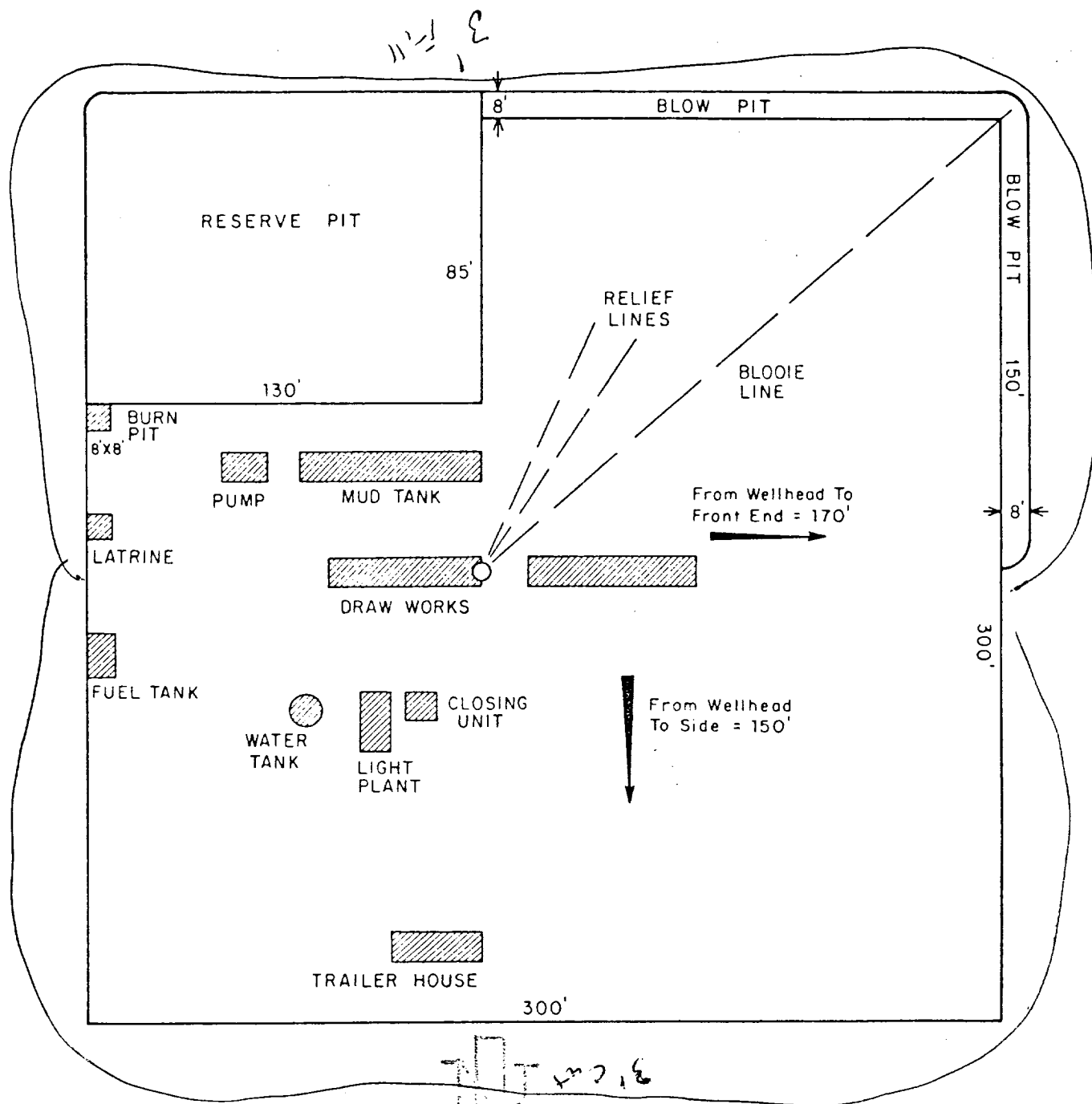
7" intermediate casing - use 110 sks. of 65/35 Class "B" Poz with 6% gel and 2% calcium chloride (8.3 gallons of water per sack) followed by 100 sks. of Class "B" with 2% calcium chloride (296 cu.ft. of slurry, 50% excess to cover Ojo Alamo). Run temperature survey at 8 hours. WOC 12 hours. Test casing to 1200#/30 minutes.

4 1/2" liner - precede cement with 20 barrels of gel water (2 sks. gel) Cement with 310 sks. of 50/50 Class "B" Poz with 2% gel, 0.6% Halad-9, 6.25# gilsonite plus 1/4# Flocele per sack (431 cu.ft. of slurry, 70% excess to circulate liner). WOC 18 hours.

Typical B.O.P. Installation
for Mesa Verde Well



Series 900 Double Gate BOP, rated
at 3000 psi Working Pressure
When gas drilling operations begin a Shaffer type 50
or equivalent rotating head is installed on top of the
flow nipple and the flow line is converted into a blowie line



| | | | | | | | | | | | | | | | | | | | |
|--|--|--|--|------|--|--|--|----------------|--|--|--|----------|--|------|--|------|--|--|--|
| PRT. | | | | SEP. | | | | DATE | | | | TO | | | | W.O. | | | |
| PRINT RECORD | | | | | | | | | | | | | | | | | | | |
| ENG. REC. | | | | | | | | DATE | | | | | | | | | | | |
| DRAWN | | | | | | | | J.L.H. 8-16-78 | | | | | | | | | | | |
| CHECKED | | | | | | | | | | | | | | | | | | | |
| CHECKED | | | | | | | | | | | | | | | | | | | |
| PROJ. APP | | | | | | | | | | | | | | | | | | | |
| DESIGN | | | | | | | | | | | | | | | | | | | |
| W.O. | | | | | | | | | | | | | | | | | | | |
| <div style="text-align: center;"> El Paso Natural Gas Company </div> | | | | | | | | | | | | | | | | | | | |
| <div style="text-align: center;"> TYPICAL LOCATION PLAT FOR MESAVERDE OR DAKOTA DRILL SITE </div> | | | | | | | | | | | | | | | | | | | |
| SCALE: 1" = 50' | | | | | | | | | | | | DWG. NO. | | REV. | | | | | |



United States Department of the Interior

GEOLOGICAL SURVEY

P. O. Box 26124

Albuquerque, New Mexico 87125

NOTICE

TO ALL LESSEES AND OPERATORS ON FEDERAL AND INDIAN OIL AND GAS LEASES IN THE SOUTHERN ROCKY MOUNTAIN AREA

On December 1, 1978, the Federal Energy Regulatory Commission (FERC) promulgated its "Interim Regulations Implementing the Natural Gas Policy Act of 1978." Subpart "C" of the regulations implements Section 103 of the Natural Gas Policy Act and applies to natural gas produced from a "new, onshore production well."

Section 271.305(a)(b) of the regulations provides as follows:

"In order for natural gas from a well to which this paragraph applies to qualify for the maximum lawful price under this subpart, the jurisdictional agency must find, prior to the commencement of drilling, that the well is necessary to effectively and efficiently drain a portion of the reservoir covered by the proration unit which cannot be effectively and efficiently drained by any existing well within the proration unit. Such finding must be explicit and must involve either a redefinition of the boundaries of the previously existing proration unit or an alteration of or exception to otherwise applicable well-spacing rules."

The New Mexico Oil Conservation Commission (now the New Mexico Oil Conservation Division, (NMOCD)) on November 14, 1974, issued Order No. R-1670-T, permitting the optional drilling of an additional well on 320-acre proration units in the Blanco Mesaverde Pool, San Juan and Rio Arriba Counties, New Mexico. The Area Oil and Gas Supervisor, Southern Rocky Mountain Area, to conserve natural resources and protect the rights of Federal and Indian lands, ratified Order No. R-1670-T effective November 14, 1974, insofar as Federal and Indian lands are concerned. Accordingly, applications to this Agency for category determinations for new Blanco Mesaverde Pool wells in existing proration units under Section 103 of the Act should include copies of this ratification and NMOCD Order R-1670-T.



James W. Sutherland

JAMES W. SUTHERLAND
Oil and Gas Supervisor,
Southern Rocky Mountain Area
February 22, 1979

BLANCO-MESAVERDE GAS POOL
San Juan County, New Mexico

Order No. R-1670, Adopting Special Rules and Regulations, in Addition to the General Rules and Regulations for Northwestern New Mexico, for the Blanco-Mesaverde Gas Pool, San Juan County, New Mexico, May 20, 1960, as Amended by Order No. R-1670-A, June 10, 1960, Order No. R-2307, August 28, 1962, Order No. R-1670-T, November 14, 1974, and Order No. R-1670-U, September 20, 1978.

(Order No. R-1670 Supersedes Order No. 799, Adopting Rules for the Blanco-Mesaverde Gas Pool, San Juan County, New Mexico, February 25, 1949, as Amended by Order No. R-110, November 9, 1951; Order No. R-128, March 6, 1952; Order No. R-128-A, November 10, 1953; Order No. R-128-B, December 17, 1953; Order No. R-128-C, December 16, 1954; Order No. R-128-D, October 13, 1955; Order No. R-128-E, March 29, 1956; and Order No. R-967, April 23, 1957.)

(The Blanco-Mesaverde Gas Pool was created February 25, 1949 and prorationing was instituted March 1, 1955. The Blanco-Mesaverde Gas Pool now includes acreage that was formerly included in the LaPlata Mesaverde, Northwest LaPlata Mesaverde, South LaPlata Mesaverde, and the Largo Mesaverde Gas Pools.)

A. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 2. (As Amended by Order No. R-1670-T, November 14, 1974, and Order No. R-1670-U, September 20, 1978.) (A) The initial well drilled on a proration unit shall be located not closer than 790 feet to any outer boundary of the quarter section on which the well is located, and not closer than 130 feet to any quarter-quarter section line or subdivision inner boundary.

RULE 2 (B). The second well drilled on a proration unit shall be located in the quarter section of the unit not containing a well, and shall be located with respect to the unit boundaries as described in Rule 2 (A) above.

The plats (Form C-102) accompanying the Application for Permit to Drill (OCC Form C-101 or Federal Form 9-331-C) for the second well on a proration unit shall have outlined thereon the boundaries of the unit and shall show the location of the first well on the unit as well as the proposed new well.

RULE 2 (C). In the event a second well is drilled on any proration unit, both wells shall be produced for so long as it is economically feasible to do so.

RULE 5 (A). A standard gas proration unit in the Blanco-Mesaverde Gas Pool shall be 320 acres.

RULE 9 (A). (As Added by Order No. R-1670-T, November 14, 1974.) The product obtained by multiplying each proration unit's acreage factor by the calculated deliverability (expressed as MCF per day) for the well(s) on the unit shall be known as the AD Factor for the unit. The acreage factor shall be determined to the second decimal place by dividing the acreage within the proration unit by 320, subject to the acreage tolerances provided in Rule 5 (A). The AD Factor shall be computed to the nearest whole number.

RULE 9 (B). (As Added by Order No. R-1670-T, November 14, 1974.) The monthly allowable to be assigned to each marginal proration unit shall be equal to its latest available monthly production.

RULE 9 (C). (As Added by Order No. R-1670-T, November 14, 1974.) The pool allowable remaining each month after deducting the total allowable assigned to marginal proration units shall be allocated among the non-marginal units entitled to an allowable in the following manner:

1. Seventy-five percent (75%) of the pool allowable remaining to be allocated to non-marginal units shall be allocated among such units in the proportion that each unit's "AD Factor" bears to the total "AD Factor" for all non-marginal units in the pool.

2. Twenty-five percent (25%) of the pool allowable remaining to be allocated to non-marginal units shall be allocated among such units in the proportion that each unit's acreage factor bears to the total acreage factor for all non-marginal units in the pool.

RULE 9 (D). (As Added by Order No. R-1670-T, November 14, 1974.) The current deliverability tests, taken in accordance with the "Gas Well Testing Procedures-San Juan Basin, New Mexico," shall be used in calculating allowables for the proration units in the pool for the 12-month period beginning April 1 of the following year.

RULE 9 (E). (As Added by Order No. R-1670-T, November 14, 1974.) When calculating the allowable for a proration unit containing two wells, in accordance with Rule 9 of these rules, the deliverability of both wells shall be added in calculating the AD Factor and the unit allowable may be produced from both wells.

RULE 10. (C). (As Added by Order No. R-1670-T, November 14, 1974.) The calculated deliverability at the "Deliverability pressure" shall be determined in accordance with the provisions of the current "Gas Well Testing Rules and Procedures - San Juan Basin, New Mexico."

No well shall be eligible for reclassification to "Exempt Marginal" status unless it is located on a marginal proration unit.

C. ALLOCATION AND GRANTING OF ALLOWABLES

RULE 11. (As Added by Order No. R-2307, August 28, 1962.) A minimum allowable of 1000 MCF per month per proration unit will be assigned in order to prevent the premature abandonment of wells.

RULE 12. (As Added by Order No. R-1670-T, November 14, 1974.) The full production of gas from each well, including drilling gas, shall be charged against the proration unit's allowable regardless of the disposition of the gas; provided, however, that gas used in maintaining the producing ability of the well shall not be charged against the allowable.

RULE 14 (A). (As Added by Order No. R-1670-T, November 14, 1974.) Underproduction: Any non-marginal proration unit which has an underproduced status as of the end of a gas proration period shall be allowed to carry such underproduction forward into the next gas proration period and may produce such underproduction in addition to the allowable assigned during such succeeding period. Any allowable carried forward into a gas proration period and remaining unproduced at the end of such gas proration period shall be cancelled.

RULE 14 (B). (As Added by Order No. R-1670-T, November 14, 1974.) Production during any one month of a gas proration period in excess of the allowable assigned to a proration unit for such month shall be applied against the underproduction carried into such period in determining the amount of allowable, if any, to be cancelled.

(BLANCO-MESAVERDE GAS POOL - Cont'd.)

RULE 15 (A). (As Added by Order No. R-1670-T, November 14, 1974.) Overproduction: Any proration unit 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 during the succeeding gas proration period. Any unit which has not made up the overproduction carried into a gas proration period by the end of said period shall not be produced until such overproduction is made up.

RULE 15 (B). (As Added by Order No. R-1670-T, November 14, 1974.) If, during any month, it is discovered that a proration unit is overproduced in an amount exceeding six times its average monthly allowable for the preceding twelve months (or, in the case of a newly connected well, six times its average monthly allowable for the months available), it shall not be produced that month nor each succeeding month until it is overproduced in an amount six times or less its average monthly allowable, as determined hereinabove.

RULE 15 (C). (As Added by Order No. R-1670-T, November 14, 1974.) Allowable assigned to a proration unit 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 unit in determining the amount of overproduction which must be made up pursuant to the provisions of Rules 15 (A) or 15 (B) above.

RULE 15 (D). (As Added by Order No. R-1670-T, November 14, 1974.) The Secretary-Director of the Commission shall have authority to permit a well which is subject to shut-in, pursuant to Rules 15 (A) or 15 (B) above, to produce up to 500 MCF of gas per month upon proper showing to the Secretary-Director that complete shut-in would cause undue hardship, provided however, such permission shall be rescinded for any well produced in excess of the monthly rate authorized by the Secretary-Director.

RULE 15 (E). (As Added by Order No. R-1670-T, November 14, 1974.) The Commission may allow overproduction to be made up at a lesser rate than permitted under Rules 15 (A), 15 (B), or 15 (D) above upon a showing at public hearing that the same is necessary to avoid material damage to the well.

RULE 15 (F). (As Added by Order No. R-1670-T, November 14, 1974.) Any allowable accruing to a proration unit at the end of a gas proration period due to the cancellation of underage in the pool and the redistribution thereof shall be applied against the unit's overproduction.

RULE 15 (G). (As Added by Order No. R-1670-T, November 14, 1974.) The Secretary-Director of the Commission shall have authority to grant a pool-wide moratorium of up to three months on 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 15 (A) or 15 (B) above. No moratorium beyond the aforementioned three months shall be granted except after notice and hearing.

E. CLASSIFICATION OF UNITS

RULE 16 (A). (As Added by Order No. R-1670-T, November 14, 1974.) The proration period (as defined in Rule 13) shall be divided into four classification periods of three months each, commencing on April 1, July 1, October 1, and January 1. After the production data is available for the last month of each classification period, any unit which had an underproduced

status at the beginning of the proration period shall be classified marginal if its highest single month's production during the classification period is less than its average monthly allowable during said classification period; provided however, that the operator of any unit so classified, or other interested party, shall have 15 days after receipt of notification of marginal classification in which to submit satisfactory evidence to the Commission that the unit is not of marginal character and should not be so classified.

RULE 16 (B). (As Added by Order No. R-1670-T, November 14, 1974.) The Secretary-Director may reclassify a marginal or non-marginal proration unit at any time the unit's production data, deliverability data, or other evidence as to the unit's producing ability justifies such reclassification.

RULE 17. (As Added by Order No. R-1670-T, November 14, 1974.) A proration unit which is classified as marginal shall not be permitted to accumulate underproduction, and any underproduction accrued to the unit prior to its classification as marginal shall be cancelled.

RULE 18. (As Added by Order No. R-1670-T, November 14, 1974.) If, at the end of a proration period, a marginal proration unit has produced more than the total allowable for the period, assigned to a non-marginal unit of like deliverability and acreage, the marginal unit shall be reclassified non-marginal and its allowable and net status adjusted accordingly. (If the unit has been classified as marginal for one proration period only, or a portion of one proration period only, any underproduction cancelled as the result of such classification shall be reinstated upon reclassification back to non-marginal status. All uncompensated-for overproduction accruing to the unit while marginal shall be chargeable upon reclassification to non-marginal.)

RULE 19. (As Added by Order No. R-1670-T, November 14, 1974.) A proration unit containing a well which has been reworked or recompleted shall be classified non-marginal as of the date of reconnection of the well to a pipeline until such time as production data, deliverability data, or other evidence as to the unit's producing ability indicates that the unit should be classified marginal.

RULE 20. (As Added by Order No. R-1670-T, November 14, 1974.) All proration units not classified marginal shall be classified non-marginal.

RULE 21 (A). (As Added by Order No. R-1670-T, November 14, 1974.) The monthly gas production from each well shall be metered separately and the gas production therefrom shall be reported to the Commission on Form C-115 in accordance with Rule 1115 of the Commission's Rules and Regulations, so as to reach the Commission on or before the 24th day of the month next succeeding the month in which the gas reported was produced. The operator shall show on such report what disposition has been made of the gas produced. The sum of the production from both wells on the proration unit shall also be reported for multiple-well units.

G. GENERAL

RULE 22. No gas, either dry gas or casinghead gas, produced from the Blanco-Mesaverde Gas Pool, except that gas used for "drilling-in" purposes, shall be flared or vented unless specifically authorized by order of the Commission after notice and hearing.

RULE 23. (As Added by Order No. R-1670-T, November 14, 1974.) Failure to comply with the provisions of this order or the rules contained herein shall result in the cancellation

(BLANCO-MESAVERDE GAS POOL - Cont'd.)

of allowable assigned to the affected proration unit. No further allowable shall be assigned to the affected unit until all rules and regulations are complied with. The Secretary-Director shall notify the operator of the unit and the purchaser, in writing, of the date of allowable cancellation and the reason therefor.

H. MISCELLANEOUS SPECIAL POOL RULES

RULE 25. The general and special rules and regulations contained in this order pertaining to the Blanco-Mesaverde Gas Pool shall be limited in their application to the present 4200-5100 foot productive horizon where the productive sands are contained between the top of the Cliff House Sand and the base of the Point Lookout Sand of the Mesaverde.

RULE 26. Surface Pipe. The surface pipe shall be set to a minimum depth of 100 feet, and where shallow potable water-bearing beds are present, the surface pipe shall be set to such shallow potable water-bearing beds and a sufficient amount of cement shall be used to circulate the cement behind the pipe to the bottom of the cellar. This surface casing shall stand cemented for at least 24 hours before drilling plug or initiating tests. The surface casing shall be tested after drilling plug by bailing the hole dry. The hole shall remain dry for one hour to constitute satisfactory proof of a water shut-off. In lieu of the foregoing test, the cement job shall be tested by building up a pressure of 1000 psi, closing the valves, and allowing to stand thirty minutes. If the pressure does not drop more than 100 pounds during that period, the test shall be considered satisfactory. This test shall be made both before and after drilling the plug. The Commission shall be notified at least 24 hours prior to the conducting of any test.

RULE 27. Production String. The production string shall be set on top of the Cliff House Sand with a minimum of 100 sacks of cement and shall stand cemented not less than 36 hours before testing the casing. This test shall be made by building up a pressure of 1000 psi, closing the valves, and allowing to stand thirty minutes. If the pressure does not drop more than 100 pounds during that period, the test shall be considered satisfactory.

RULE 28. All cementing shall be done by the pump-and-plug method. Bailing tests may be used on all casing and cement tests, and drill stem tests may be used on cement tests in lieu of pressure tests. In making bailing test, the well shall be bailed dry and remain approximately dry for thirty minutes. If any string of casing fails while being tested by pressure or by bailing tests herein required, it shall be recemented and retested or an additional string of casing should be run and cemented. If an additional string is used, the same test shall be made as outlined for the original string. In submitting Form C-101, "Notice of Intention to Drill," the number of sacks of cement to be used on each string of casing shall be stated.

RULE 29. Any completed well which produces any oil shall be tubed. This tubing shall be set as near the bottom of the hole as practicable, but in no case shall tubing perforations be more than 250 feet from the bottom. The bottom of the tubing shall be restricted to an opening of less than 1 inch or bull-

plugged in order to prevent the loss of pressure bombs or other measuring devices.

RULE 30. Any well which produces oil shall be equipped with a meter setting of adequate size to measure efficiently the gas, with this meter setting to be installed on the gas vent or discharge line. Wellhead equipment for all wells shall be installed and maintained in first-class condition, so that static bottom hole pressures and surface pressures may be obtained at any time by a duly authorized agent of the Commission. Valves shall be installed so that pressures may be readily obtained on the casing and also on the tubing, wherever tubing is installed. All connections subject to well pressure and all wellhead fittings shall be of first-class material, rated at 2000 psi working pressure and maintained in gas-tight condition. There shall be at least one valve on each bradenhead. Operators shall be responsible for maintaining all equipment in first-class condition and shall repair or replace equipment where gas leakage occurs.

RULE 31. Drilling boilers shall not be set closer than 200 feet to any well or tank battery. All electrical equipment shall be in first-class condition and properly installed.

RULE 32. Wells shall not be shot or chemically treated until the permission of the Commission is obtained. Each well shall be shot or treated in such a manner as will not cause injury to the sand or result in water entering the oil or gas sand, and necessary precautions shall be taken to prevent injury to the casing. If shooting or chemical treatment results in irreparable injury to the well or to the oil or gas sand, the well shall be properly plugged and abandoned.

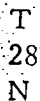
RULE 33. Bradenhead gas shall not be used either directly or expansively in engines, pumps or torches, or otherwise wasted. It may be used for lease and development purposes and for the development of nearby leases, except as prohibited above. Wells shall not be completed as Bradenhead gas wells unless special permission is obtained from the Commission.

RULE 34. (Added by Order No. R-1670-A, June 10, 1960.) The Oil Conservation Commission's District Supervisors or their representatives shall have authority to approve "slim-hole" completions without the necessity for administrative approval or notice and hearing when the following conditions exist:

1. The well is to be completed with a total depth which shall not exceed the base of the Mesaverde formation,
2. The well is not a wildcat (it is not more than one mile from an existing well producing from the same common source of supply to which it is projected),
3. No known corrosive or pressure problems exist which might make the "slim-hole" method of completion undesirable,
4. The well will not be a dual completion,
5. The tubing used as a substitute for casing will be either 2-3/8 inch OD or 2-7/8 inch OD.

(General Pool Rules also apply unless in conflict with these Special Pool Rules.)

NW 13-28-8



| | |
|--------------------------|--------|
| EXISTING ROADS | _____ |
| EXISTING PIPELINES | —+—+—+ |
| EXISTING ROAD & PIPELINE | —+—+—+ |
| PROPOSED ROADS | _____ |
| PROPOSED PIPELINES | —+—+—+ |
| PROPOSED ROAD & PIPELINE | —+—+—+ |

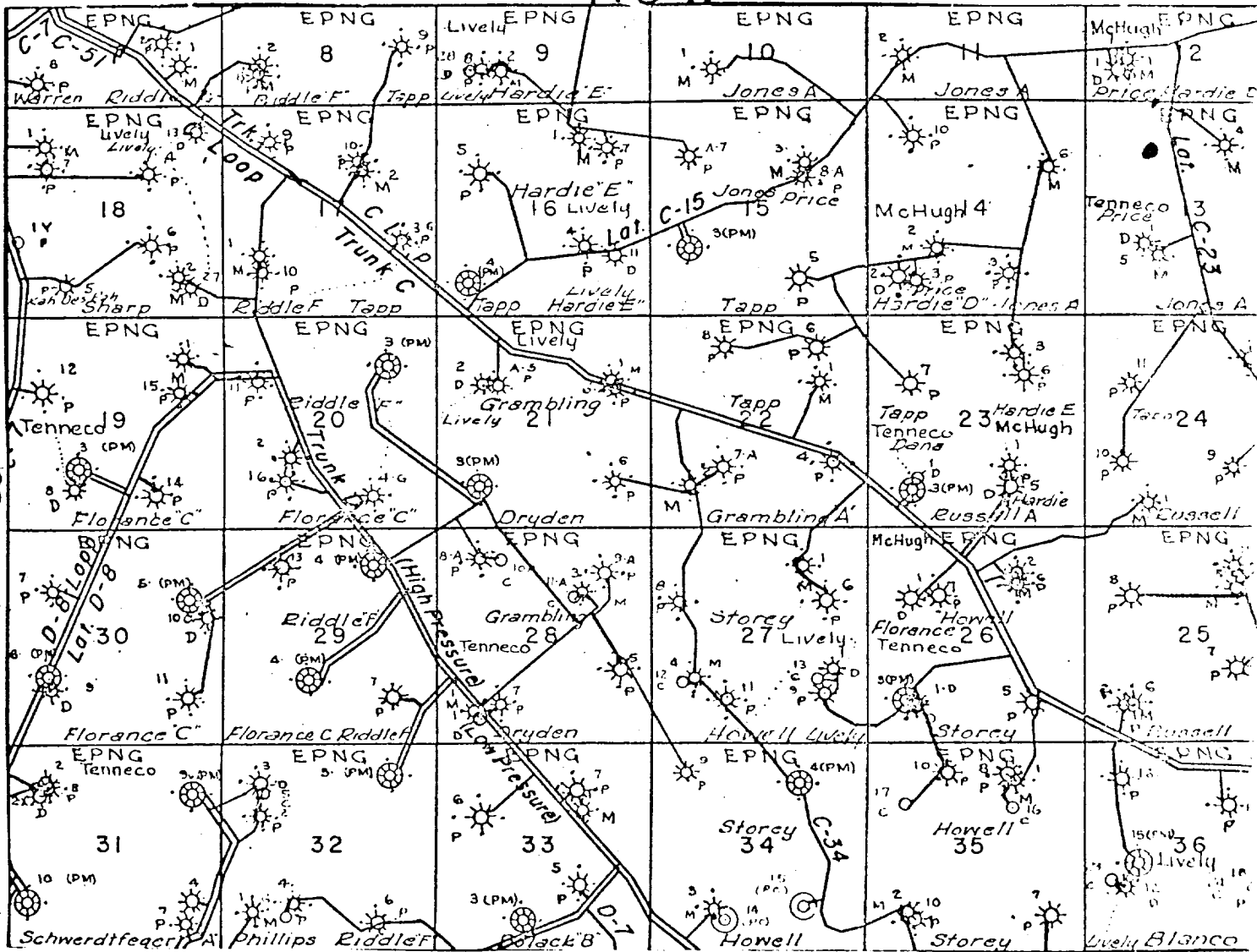
EL PASO NATURAL GAS COMPANY

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MAP #2

Proposed Location