

project may be expanded for good cause shown, and whereby additional wells in the project area may be converted to water injection.

(6) That Special Rules and Regulations for the operation of The Atlantic Refining Company Horseshoe-Gallup Unit Pressure Maintenance Project should be promulgated and, for operational convenience, such rules should provide certain flexibility in authorizing the production of the project allowable from any well or wells in the project in any proportion, provided that no well in the project area which directly or diagonally offsets a well outside the project area producing from the same common source of supply should be allowed to produce in excess of top unit allowable for the Horseshoe-Gallup Oil Pool until such time as the well has experienced a substantial response from water injection. When such a response has occurred, the well should be permitted to produce up to two times top unit allowable for the Horseshoe-Gallup Oil Pool. Production of such well at a higher rate should be authorized only after notice and hearing.

(7) That the applicant further seeks the reclassification of its Ute-Federal Well No. 1, located in the SW/4 SW/4 of Section 36, Township 31 North, Range 16 West, and its Navajo-Lowe-Federal Well No. 1, located in the NE/4 NE/4 of Section 2, Township 30 North, Range 16 West, all in San Juan County, New Mexico; from Verde-Gallup Oil Pool wells to Horseshoe-Gallup Oil Pool wells.

(8) That the Verde-Gallup Oil Pool should be contracted by the deletion of the NE/4 NE/4 of Section 2, Township 30 North, Range 16 West, and the SW/4 SW/4 of Section 36, Township 31 North, Range 16 West, all in San Juan County, New Mexico.

(9) That the Horseshoe-Gallup Oil Pool should be extended to include the SE/4 SE/4 of Section 35, Township 31 North, Range 16 West, San Juan County, New Mexico, in addition to the above-described acreage to be deleted from the Verde-Gallup Oil Pool.

IT IS THEREFORE ORDERED:

(1) That the Horseshoe-Gallup Unit Agreement is hereby approved.

(2) That the Plan under which the unit area shall be operated shall be embraced in the form of a unit agreement for the development and operation of the Horseshoe-Gallup Unit Area and such plan shall be known as the Horseshoe-Gallup Unit Agreement Plan.

(3) That the Horseshoe-Gallup Unit Agreement Plan is hereby approved in principle as a proper conservation measure; provided however, that notwithstanding any of the provisions contained in