

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 1937
Order No. R-1670

APPLICATION OF THE OIL CONSERVATION
COMMISSION ON ITS OWN MOTION TO CON-
SIDER CONSOLIDATING THE SPECIAL RULES
GOVERNING THE SEVEN PRORATED GAS POOLS
IN NORTHWEST NEW MEXICO, AND TO CON-
SIDER CONSOLIDATING THE SPECIAL RULES
GOVERNING THE SIX PRORATED GAS POOLS
IN SOUTHEAST NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m., on
April 13, 1960, at Hobbs, New Mexico, before the Oil Conserva-
tion Commission of New Mexico, hereinafter referred to as the
"Commission."

NOW, on this 20th day of May, 1960, the Commission, a
quorum being present, having considered the testimony presented
and the exhibits received at said hearing, and being fully
advised in the premises,

FINDS:

(1) That due public notice having been given as required
by law, the Commission has jurisdiction of this cause and the
subject matter thereof.

(2) That in the past the Commission has held numerous
hearings and taken voluminous testimony from engineers, geolo-
gists, and other interested parties and entered many orders
creating, delineating, spacing, prorating, and otherwise regu-
lating the Pools now designated the Blinebry, Crosby-Devonian,
Eumont, Jalmat, Justis, Tubb, Aztec-Pictured Cliffs, Ballard-
Pictured Cliffs, Fulcher Kutz-Pictured Cliffs, South Blanco-
Pictured Cliffs, Tapacito-Pictured Cliffs, West Kutz-Pictured
Cliffs, and Blanco Mesaverde Gas Pools in the interests of
conservation, prevention of waste, and protection of correla-
tive rights.

(3) That it has been found by the Commission that one
well will efficiently and economically drain the area of the
proration units set out in the Special Pool Rules in each of
the several gas pools listed above.

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L S. Chl. M.
M S. Chl. Str
N Blinebry
O Catelaw
P Burton M
Q Burton
R PC Pools
S Dely test.
T M infill.
T-A nase pr
U Amund M
location
V Dk infill

W
X
X(A)
X(B)

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(4) That the total producing capacity of the wells in each of these pools has been found to be greater than the market demand for gas produced from each of these pools.

(5) That prorationing has been instituted in each of these pools.

(6) That it is both feasible and desirable that the Special Pool Rules for the seven prorated gas pools in Northwest New Mexico be consolidated and that the Special Pool Rules for the six prorated gas pools in Southeast New Mexico be consolidated.

(7) That the following orders should be superseded:

Aztec-Pictured
Cliffs Gas Pool

R-46
R-565
R-565-A
R-565-C
R-565-D
R-614
R-620
R-697

Ballard-Pictured
Cliffs Gas Pool

R-846
R-846-A
R-967

Fulcher Kutz-Pictured
Cliffs Gas Pool

748
R-59
R-565
R-565-A
R-565-C
R-565-D
R-614
R-620
R-697

South Blanco-
Pictured Cliffs
Gas Pool

R-565
R-565-A
R-565-B
R-565-C
R-565-D
R-614
R-620
R-967

Tapacito-Pictured
Cliffs Gas Pool

R-1193
R-1193-A

West Kutz-Pictured
Cliffs Gas Pool

R-46
R-566
R-566-A
R-566-B
R-566-C
R-566-D
R-566-E
R-967

Blanco Mesaverde
Gas Pool

Blaineby Gas Pool

Crosby Devonian Gas
Pool

R-799 - created at same time established 320 acre spec
R-110 - established 320 acre spec
R-128 - could have 330
R-128-A - Ordered submission
R-128-B - " " " " " "
R-128-C - established prorationing
R-128-D&E - both amended after of assigning allowables to new wells
R-967 - set up rules on balancing prod
classification as marginal, etc.

R-264 - prescribed casing
cementing
procedures
etc.

R-639
R-639-A
R-639-B

Eumont Gas Pool

R-264-A
R-356
R-370
R-370-A
R-370-B
R-371
R-371-A
R-967

Jalmat Gas Pool

R-264-A
R-356
R-368
R-368-A
R-368-B
R-967

Justis Gas Pool

R-264-A
R-356
R-375
R-375-A
R-586-A
R-586-C
R-586-E
R-586-F
R-967

Tubb Gas Pool

R-356
R-373
R-373-A
R-464
R-967

(8) That all provisions in the following orders relative to the regulation of gas wells in prorated gas pools should be superseded:

Blaine Gas Pool

R-264
R-610
R-610-A
R-610-B

Eumont Gas Pool

R-264
R-520
R-520-A
R-767
R-767-A

Jalmat Gas Pool

R-264
R-520
R-520-A
R-553
R-640
R-663
R-690

Justis Gas Pool

R-586

Tubb Gas Pool

R-264
R-586
R-586-B

IT IS THEREFORE ORDERED:

(1) That the following orders be and the same are hereby superseded:

Aztec-Pictured
Cliffs Gas Pool

R-46
R-565
R-565-A
R-565-C
R-565-D
R-614
R-620
R-697

Ballard-Pictured
Cliffs Gas Pool

R-846
R-846-A
R-967

Fulcher Kutz-Pictured
Cliffs Gas Pool

748
R-59
R-565
R-565-A
R-565-C
R-565-D
R-614
R-620
R-697

South Blanco-
Pictured Cliffs
Gas Pool

R-565
R-565-A
R-565-B
R-565-C
R-565-D
R-614
R-620
R-967

Tapacito-Pictured
Cliffs Gas Pool

R-1193
R-1193-A

West Kutz-Pictured
Cliffs Gas Pool

R-46
R-566
R-566-A
R-566-B
R-566-C
R-566-D
R-566-E
R-967

Blanco Mesaverde
Gas Pool

R-799
R-110
R-128
R-128-A
R-128-B
R-128-C
R-128-D&E
R-967

Blinebry Gas Pool

R-264-A
R-356
R-372
R-372-A
R-464
R-610-C
R-610-D
R-967

Crosby Devonian Gas
Pool

R-639
R-639-A
R-639-B

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Eumont Gas Pool

R-264-A
R-356
R-370
R-370-A
R-370-B
R-371
R-371-A
R-967

Jalmat Gas Pool

R-264-A
R-356
R-368
R-368-A
R-368-B
R-967

Justis Gas Pool

A-264-A
R-356
R-375
R-375-A
R-586-A
R-586-C
R-586-E
R-586-F
R-967

Tubb Gas Pool

R-356
R-373
R-373-A
R-464
R-967

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(2) That all provisions in the following orders relative to the regulation of gas wells in prorated gas pools be and the same are hereby superseded:

Blinebry Gas Pool

R-264
R-610
R-610-A
R-610-B

Eumont Gas Pool

R-264
R-520
R-520-A
R-767
R-767-A

Jalmat Gas Pool

R-264
R-520
R-520-A
R-553
R-640
R-663
R-690

Justis Gas Pool

R-586

Tubb Gas Pool

R-264
R-586
R-586-B

(3) That the Special Pool Rules for the seven prorated gas pools in Northwest New Mexico, and the Special Pool Rules for the six prorated gas pools in Southeast New Mexico, be and the same are hereby consolidated as hereinafter set forth, in the following "Rules and Regulations Governing Prorated Gas Pools in New Mexico."

RULES AND REGULATIONS
GOVERNING
PRORATED GAS POOLS IN NEW MEXICO

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I. GENERAL RULES AND REGULATIONS FOR THE PRORATED GAS POOLS OF
NORTHWESTERN NEW MEXICO

(See Special Pool Rules in each pool for orders applicable to those pools only. Special Pool Rules will be found in the same classification order as in the General section, and, unless the special rules conflict with the general rule, the general rule is also applicable.)

A. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 1: Any well drilled to the producing formation of a gas pool regulated by this order and within said pool or within one mile outside the boundary of that pool, and not nearer to nor within the boundaries of another designated pool producing from the same formation, shall be spaced, drilled, operated, and prorated in accordance with the regulations in effect in that pool.

RULE 2: Except as provided in the Special Pool Rules, after the effective date of this order each well drilled or recompleted on a standard gas proration unit within a gas pool regulated by this order shall be located at least 990 feet from the outer boundary line of the proration unit, provided however, that a tolerance of 200 feet is permissible.

RULE 3: The Secretary-Director of the Commission shall have authority to grant exception to the requirements of Rule 2 where application has been filed in due form and such exception is required because of conditions resulting from previously drilled wells in the area or the necessity for exception is based upon topographic conditions.

Applicants shall furnish all operators of leases offsetting the lease containing subject well, a copy of the application to the Commission, and applicant shall include with his application a list of names and addresses of all such operators, together with a written statement that all such operators have been properly notified by registered mail. The Secretary-Director of the Commission shall wait at least 20 days before approving any such exception, and shall approve such exception only in the absence of objection of any offset operators. In the event any operator objects to the exception, the Commission shall consider the matter only after proper notice and hearing.

NOTE: Rule 3 does not apply to Blanco Mesaverde or Tapacito-Pictured Cliffs Gas Pools - See Special Pool Rules, Rule 2.

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RULE 4: The provisions of Statewide Rule 104, Paragraph (k), shall not apply to the gas pools regulated by this order.

RULE 5(A): The acreage allocated to a gas well for proration purposes shall be known as the gas proration unit for that well. For the purpose of gas allocation in the gas pools regulated by this order, a standard proration unit shall consist of contiguous surface acreage and shall be substantially in the form of a square in pools having 160-acre standard proration units, and substantially in the form of a rectangle in pools having 320-acre standard proration units, and shall be a legal subdivision of the U. S. Public Land Surveys (quarter-section or half-section, as applicable). A proration unit shall be considered to be a standard gas proration unit when it meets the above requirements and consists of acreage within the appropriate tolerance set out below:

<u>Standard Proration Unit</u>	<u>Acreage Tolerance for Standard Unit</u>
160 acres	158-162 acres
320 acres	316-324 acres

Any gas proration unit containing acreage within the appropriate tolerance limit above shall be considered to contain the number of acres in a standard unit for the purpose of computing allowables.

RULE 5(B): The Secretary-Director of the Commission shall have authority to grant an exception to Rule 5(A) without notice and hearing where application has been filed in due form and where the following facts exist and the following provisions are complied with:

1. The proposed non-standard proration unit consists of less acreage than a standard proration unit, or where the unorthodox size or shape of the tract is due to a variation in legal subdivision of the U. S. Public Land Surveys.
2. The non-standard gas proration unit consists of contiguous quarter-quarter sections and/or lots.
3. The non-standard gas proration unit lies wholly within a single governmental section.
4. The entire non-standard gas proration unit may reasonably be presumed to be productive of gas from the designated gas pool.
5. The applicant presents written consent in the form

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of waivers from:

(a) All operators owning interests outside the non-standard gas proration unit but in the same section in which any part of the non-standard gas proration unit is situated, and

(b) All operators owning interests in acreage offsetting the non-standard gas proration unit.

6. In lieu of subparagraph 5 of this rule, the applicant may furnish proof of the fact that said offset operators were notified by registered mail of his intent to form such non-standard gas proration unit. (This notification to offset operators should consist of the same information that is furnished to the Commission). The Secretary-Director of the Commission may approve the application if, after a period of 30 days following the mailing of said notice, no operator has made objection to formation of such non-standard gas proration unit. (See additional requirement for West Kutz-Pictured Cliffs Gas Pool)

B. NOMINATIONS AND PRORATION SCHEDULE

RULE 6(A): At least 30 days prior to the beginning of each gas proration period, the Commission shall hold a hearing after due notice has been given. The Commission shall cause to be submitted by each gas purchaser its "Preliminary Nominations" of the amount of gas which each in good faith actually desires to purchase within the ensuing proration period, by months, from each of the gas pools regulated by this order. The Commission shall consider the "Preliminary Nominations" of purchasers, actual production, and such other factors as may be deemed applicable in determining the amount of gas that may be produced without waste within the ensuing proration period. "Preliminary Nominations" shall be submitted on a form prescribed by the Commission.

RULE 6(B): The term "gas purchaser" as used in these rules shall mean any "taker" of gas either at the well-head or at any point on the lease where connection is made for gas transportation or utilization. It shall be the responsibility of said "taker" to submit a nomination in accordance with Rule 6(A) and Rule 7(A) of this order.

RULE 7(A): In the event a gas purchaser's market shall have increased or decreased, he may file with the Commission prior to the 10th day of the month a "Supplemental Nomination" showing the amount of gas he actually in good faith desires to purchase during the ensuing

proration month from the gas pools regulated by this order. The Commission shall hold a public hearing between the 13th and 20th days of each month to determine the reasonable market demand for gas for the ensuing proration month, and shall issue a proration schedule setting out the amount of gas which each well may produce during the ensuing proration month, along with such other information as is necessary to show the allowable-production status of each well on the schedule. "Supplemental Nominations" shall be submitted on a form prescribed by the Commission.

RULE 7(B): The Commission shall include in the proration schedule the gas wells in the gas pools regulated by this order delivering to a gas transportation facility, or lease gathering system, and shall include in the proration schedule any well which it finds is being unreasonably discriminated against through denial of access to a gas transportation facility, which is reasonably capable of handling the type of gas produced by such well.

C. ALLOCATION AND GRANTING OF ALLOWABLES

RULE 8(A): The total allowable to be allocated to each gas pool regulated by this order each month shall be equal to the sum of the "Preliminary" or "Supplemental Nominations" (whichever is applicable) for each pool, together with any adjustment which the Commission deems advisable. A monthly allowable shall be assigned to each well entitled to an allowable in each pool by allocating the pool allowable among all such wells in accordance with the procedure set out in Rule 9(C).

RULE 8(B)1: No gas well shall be given an allowable until Form C-104 and Form C-110 have been filed, together with a plat (C-128) showing acreage attributed to said well and the locations of all wells on the lease, and

2: Unless a deliverability test taken in conformance with the provisions of Order R-333-C and D as amended by R-333-E has been submitted, except as provided in Rule 10(C) below.

RULE 8(C): Allowables to newly completed gas wells shall commence:

1. On the date of connection to a gas transportation facility, such date to be determined from an affidavit furnished to the Commission (1000 Rio Brazos Road, Aztec, New Mexico) by the purchaser, or

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2. The latest filing date of Form C-104, C-110, and C-128, or

3. A date 45 days prior to the date upon which the well's initial deliverability and shut-in pressure test is reported to the Commission on Form C-122-A in conformance with the provisions of Order R-333-C and D as amended by Order R-333-E,

whichever date is the later.

RULE 9(A): The product obtained by multiplying each well's acreage factor by the calculated deliverability (expressed as MCF per day) for that well shall be known as the AD factor for that well. The acreage factor shall be determined to the nearest hundredth of a unit by dividing the acreage within the proration unit by 160 in pools with 160 acre standard proration units and by 320 in pools with 320 acre standard gas proration units; however, the acreage tolerances provided in Rule 5(A) shall apply. The "AD Factor" shall be computed to the nearest whole unit.

RULE 9(B): The allowable to be assigned to each marginal well shall be equal to the maximum production of said well during any month of the preceding gas proration period except as provided in the Special Pool Rules.

RULE 9(C): The pool allowable remaining each month after deducting the total allowable assigned to marginal wells shall be allocated among the non-marginal wells entitled to an allowable in the following manner:

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

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

RULE 9(D): Annual deliverability tests taken each year shall be used in calculating allowables for wells in the gas pools regulated by this order for the twelve month period beginning February 1 of the following year.

RULE 10(A): If, during a proration month, the acreage

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assigned to a well is increased, the operator shall notify the Commission in writing (1000 Rio Brazos Road, Aztec, New Mexico) of such increase by filing a revised plat (Form C-128). The increased allowable assigned the gas proration unit for the well shall be effective on the first day of the month following receipt of the notification by the Commission.

RULE 10(B): A change in a well's deliverability due to retest or test after recompletion or workover shall become effective:

1. On the date of reconnection after workover, such date to be determined from Form C-104 as filed by the operators, or
2. A date 45 days prior to the date upon which a well's initial deliverability and shut-in pressure test is reported to the Commission on Form C-122-A in conformance with the provisions of Order R-333-C and D as amended by Order R-333-E, or
3. A date 45 days prior to the receipt and approval of Form C-104 by the Commission's office (1000 Rio Brazos Road, Aztec, New Mexico); (Form C-104 shall specify the exact nature of the workover or remedial work. If the nature of the work cannot be explained on Form C-104, in that event, Form C-103 shall also be filed in accordance with Rule 1106 of the Commission's Statewide Rules and Regulations);

whichever is later.

RULE 10(C): The calculated deliverability at the "deliverability pressure" shall be determined in accordance with the provisions of Order R-333-C and D, as amended by Order R-333-E.

The Secretary-Director of the Commission shall have authority to allow exceptions to the annual deliverability test requirement for marginal wells where the deliverability of a well is of such volume as to have no significance in the determination of the well's allowable. Application for such exception may be submitted in writing by the operator of the well and, if granted, may be revoked by the Secretary-Director of the Commission at any time by requesting the well to be scheduled and tested in accordance with Order R-333-C and D as amended by Order R-333-E.

RULE 11: After notice and hearing, the Commission may assign minimum allowables in order to prevent the premature abandonment of wells.

RULE 12: Except as provided in the Special Pool Rules, the full production of gas from each well, including drilling gas, shall be charged against the well'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.

D. BALANCING OF PRODUCTION

RULE 13: The dates 7:00 a.m., February 1, and 7:00 a.m., August 1, shall be known as balancing dates, and the periods of time bounded by these dates shall be known as gas proration periods.

RULE 14(A): Underproduction: Any non-marginal well 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): Production during any one month of a gas proration period in excess of the allowable assigned to a well for such month shall be applied against the underproduction carried into such period in determining the amount of allowable, if any, to be cancelled.

RULE 15(A): Overproduction: Any well 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, provided that such overproduction shall be made up during such succeeding period. Any well which has not made up the overproduction carried into a gas proration period by the end of such proration period shall be shut-in until such overproduction is made up.

RULE 15(B): Except as provided by the Special Pool Rules, if, at any time, a well is overproduced an amount equaling six times its current monthly allowable, it shall be shut-in during that month, and each succeeding month until the well is overproduced less than six times its current monthly allowable.

RULE 15(C): Allowable assigned to a well during any one

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month of a gas proration period in excess of the production for the same month shall be applied against the overproduction carried into such period in determining the amount of overproduction, if any, which has not been made up.

RULE 15(D): The Commission may allow overproduction to be made up at a lesser rate than would be the case if the well were completely shut-in upon a showing at public hearing after due notice that complete shut-in of the well would result in material damage to the well.

RULE 15(E): Any allowable accrued to a well at the end of a proration period due to the cancellation of underage and the redistribution thereof shall be applied against the overproduction carried into said proration period.

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E. CLASSIFICATION OF WELLS

RULE 16(A): After the production data is available for the last month of each gas proration period, any well which had an underproduced status at the beginning of the preceding gas proration period and which did not produce its allowable during at least one month of such preceding gas proration period may be classified as a marginal well, unless, prior to the end of said preceding gas proration period, the operator or other interested party presents satisfactory evidence to the Commission showing that the well should not be so classified. However, a well which in any month of said proration period has demonstrated its ability to produce its allowable for said proration period shall not be classified as a marginal well.

(Not applicable to Tapacito - See Special Pool Rules).

RULE 16(B): The Secretary-Director may reclassify a marginal or non-marginal well at any time the well's production data, deliverability data, or other evidence as to the well's producing ability justifies such reclassification.

RULE 17: A well which is classified as a marginal well shall not be permitted to accumulate underproduction, and any underproduction accrued to a well prior to its classification as a marginal well shall be cancelled.

RULE 18: If, at the end of a proration period, a marginal well has produced more than the total allowable for the period assigned a non-marginal unit of like deliverability and acreage, the marginal well shall be reclassified as a non-marginal well and its allowable and net status adjusted accordingly.

RULE 19: A well which has been reworked or recompleted shall be classified as a non-marginal well as of the date

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of reconnection to a pipeline until such time as production data, deliverability data, or other evidence as to the well's producing ability indicates that the well should be classified as a marginal well.

RULE 20: All wells not classified as marginal wells shall be classified as non-marginal wells.

F. REPORTING OF PRODUCTION

RULE 21(A): 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 1114 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.

RULE 21(B): Each purchaser or taker of gas in each of the designated gas pools regulated by this order shall submit a report to the Commission, so as to reach the Commission on or before the 15th day of the month next succeeding the month in which the gas was purchased or taken.

RULE 21(C): Such report shall be filed on either Form C-111 or Form C-114 (whichever is applicable) with the wells being listed in approximately the same order as they are listed on the proration schedule.

RULE 21(D): Forms C-111 and C-114 referred to herein shall shall be submitted in triplicate, the original being sent to the Commission at Box 871, Santa Fe, New Mexico, the remaining copies being sent to 1000 Rio Brazos Road, Aztec, New Mexico and Box 2045, Hobbs, New Mexico, respectively.

G. GENERAL

RULE 22: No gas, either dry gas or casinghead gas, produced from the gas pools regulated by this order shall be flared or vented except as provided in the Special Pool Rules.

RULE 23: Failure to comply with the provisions of this order or the rules contained herein shall result in the cancellation of allowable assigned to the affected well. No further allowable shall be assigned to the affected well until all rules and regulations are complied with. The Secretary-Director shall notify the operator of the well and the purchaser, in writing, of the date of allowable cancellation and the reason therefor.

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RULE 24: All transporters or users of gas shall file gas well connection notices with the Commission as soon as possible after the date of connection or reconnection in accordance with the provisions of Rule 8(C) and 10(B), respectively.

(See Special Pool Rules for each pool for orders applicable to that pool only. Special Pool Rules will be found in the same classification order as in the General section, and, unless the special rules conflict with the general rule, the general rule is also applicable.)

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II. SPECIAL RULES AND REGULATIONS FOR THE AZTEC-PICTURED CLIFFS
GAS POOL

(The Aztec-Pictured Cliffs Gas Pool was created March 15, 1950
and gas prorationing was instituted March 1, 1955)

A. WELL LOCATION AND ACREAGE REQUIREMENTS:

RULE 5(A): A standard gas proration unit in the Aztec-
Pictured Cliffs Gas Pool shall be 160 acres.

G. GENERAL

RULE 22: No gas, either dry gas or casinghead gas, pro-
duced from the Aztec-Pictured Cliffs 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.

H. MISCELLANEOUS SPECIAL POOL RULES

RULE 25: The vertical limits of the Aztec-Pictured Cliffs
Gas Pool shall be the Pictured Cliffs formation.

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

III. SPECIAL RULES AND REGULATIONS FOR THE BALLARD-PICTURED CLIFFS GAS POOL

(The Ballard-Pictured Cliffs Gas Pool was created February 9, 1955 and gas prorationing was instituted October 1, 1956. The Otero-Pictured Cliffs and Canyon Largo-Pictured Cliffs Gas Pools were consolidated into the Ballard Pictured-Cliffs Gas Pool May 1, 1959. This pool also includes acreage that was formerly included in the Fulcher Kutz-Pictured Cliffs Gas Pool.)

A. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 5(A): A standard gas proration unit in the Ballard-Pictured Cliffs Gas Pool shall be 160 acres.

C. ALLOCATION AND GRANTING OF ALLOWABLES

RULE 12: Gas used on the lease shall not be charged against the allowable.

G. GENERAL

RULE 22: No gas, either dry gas or casinghead gas, produced from the Ballard-Pictured Cliffs 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.

H. MISCELLANEOUS SPECIAL POOL RULES

RULE 25: The vertical limits of the Ballard-Pictured Cliffs Gas Pool shall be the Pictured Cliffs formation.

(Rule 25 does not actually appear as such in any of the existing pool rules.)

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

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IV. SPECIAL RULES AND REGULATIONS FOR THE FULCHER KUTZ-PICTURED CLIFFS GAS POOL

(The Fulcher Kutz-Pictured Cliffs Gas Pool was created effective December 22, 1950 from a consolidation of the Fulcher Basin - Kutz Canyon Gas Pools. Gas prorationing was instituted March 1, 1955)

A. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 5(A): A standard gas proration unit in the Fulcher Kutz-Pictured Cliffs Gas Pool shall be 160 acres.

G. GENERAL

RULE 22: No gas, either dry gas or casinghead gas, produced from the Fulcher Kutz-Pictured Cliffs 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.

H. MISCELLANEOUS SPECIAL POOL RULES

RULE 25: The vertical limits of the Fulcher Kutz-Pictured Cliffs Gas Pool shall be the Pictured Cliffs formation.

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

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V. SPECIAL RULES AND REGULATIONS FOR THE SOUTH BLANCO-PICTURED
CLIFFS GAS POOL

(The South Blanco-Pictured Cliffs Gas Pool was created May 20, 1952 and prorationing was instituted March 1, 1955.)

A. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 5(A): A standard gas proration unit in the South Blanco-Pictured Cliffs Gas Pool shall be 160 acres.

G. GENERAL

RULE 22: No gas, either dry gas or casinghead gas, produced from the South Blanco-Pictured Cliffs 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.

H. MISCELLANEOUS SPECIAL POOL RULES

RULE 25: The vertical limits of the South Blanco-Pictured Cliffs Gas Pool shall be the Pictured Cliffs formation.

(Rule 25 does not actually appear as such in any of the existing pool rules.)

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

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VI. SPECIAL RULES AND REGULATIONS FOR THE TAPACITO-PICTURED CLIFFS GAS POOL

(The Tapacito-Pictured Cliffs Gas Pool was created April 18, 1956 and prorationing was instituted August 1, 1958.)

A. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 2: Wells shall be located at least 790 feet from the outer boundaries of the drilling tract and no closer than 25 feet from any quarter-quarter section line or subdivision inner boundary. The Secretary-Director shall have authority to grant exception without notice and hearing where the application has been filed in due form and where the following facts exist and the following provisions are complied with:

- (A) The necessity for the unorthodox location is based on topographical conditions, and
- (B) 1. The ownership of all oil and gas leases within a radius of 790 feet of the proposed location is common with the ownership of the oil and gas leases under the proposed location, or
2. All owners of oil and gas leases within such radius consent in writing to the proposed location.
- (C) In lieu of Paragraph (B) 2 of this Rule the applicant may furnish proof of the fact that said offset operators were notified by registered mail of his intent to drill an unorthodox location. The Secretary-Director of the Commission may approve the application if, after a period of twenty days following the mailing of said notice, no operator has made objection to the drilling of the unorthodox location.

RULE 5(A): A standard gas proration unit in the Tapacito-Pictured Cliffs Gas Pool shall be 160 acres.

C. ALLOCATION AND GRANTING OF ALLOWABLES

RULE 9(B): The allowable to be assigned to each marginal well shall be equal to the maximum production of said well during any month of the preceding six months.

RULE 12: Gas used on the lease shall not be charged against the allowable

D. BALANCING OF PRODUCTION

RULE 15(B): If at any time a well is overproduced in an

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VI. SPECIAL RULES AND REGULATIONS FOR THE TAPACITO-PICTURED CLIFFS
GAS POOL (CONT'D)

amount equalling six times its average monthly allowable for the last six months, it shall be shut-in during that month and each succeeding month until it is overproduced less than 6 times its average monthly allowable.

E. CLASSIFICATION OF WELLS

RULE 16(A): A well shall be classified as marginal if it has failed for six consecutive months to produce its average monthly allowable for the six months immediately preceding such reclassification provided such failure was not occasioned by curtailment to compensate for overproduction, unless prior to such reclassification the operator or other interested party presents satisfactory evidence showing that the well should not be classified as marginal. However, a well shall not be classified as marginal if, during any one month of the six-month period, said well has demonstrated its ability to produce its six months average allowable.

G. GENERAL

RULE 22: No gas, either dry gas or casinghead gas, produced from the Tapacito-Pictured Cliffs Pool, except that gas used for drilling purposes or for maintaining the productivity of a well, shall be flared or vented unless specifically authorized by order of the Commission after notice and hearing.

H. MISCELLANEOUS SPECIAL POOL RULES

RULE 25: The vertical limits of the Tapacito-Pictured Cliffs Gas Pool shall be the Pictured Cliffs formation.

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

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VII. SPECIAL RULES AND REGULATIONS FOR THE WEST KUTZ-PICTURED
CLIFFS GAS POOL

(The West Kutz-Pictured Cliffs Gas Pool was created September 29, 1950 and prorationing was instituted March 1, 1955.)

A. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 5(A): A standard gas proration unit in the West Kutz-Pictured Cliffs Gas Pool shall be 160 acres.

RULE 5(B): In order to qualify for exception to Rule 5(A) without notice and hearing a proposed non-standard gas proration unit in the West Kutz-Pictured Cliffs Gas Pool, in addition to the requirements of Rule 5(B) of the General Rules, may not exceed 2640 feet in length or width.

G. GENERAL

RULE 22: No gas, either dry gas or casinghead gas, produced from the West Kutz-Pictured Cliffs 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.

H. MISCELLANEOUS SPECIAL POOL RULES

RULE 25: The vertical limits of the West Kutz-Pictured Cliffs Gas Pool shall be the Pictured Cliffs formation.

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

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VIII. SPECIAL RULES AND REGULATIONS FOR THE BLANCO-MESAVERDE GAS POOL

(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: Wells shall be located 990 feet from the outer boundary of either the Northeast or Southwest quarter of the section, subject to a variation of 200 feet for topographic conditions. Further tolerance shall be allowed by the Commission only in cases of extremely rough terrain where compliance would necessarily increase drilling costs.

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

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.

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

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VIII. SPECIAL RULES AND REGULATIONS FOR THE BLANCO-MESAVERDE
GAS POOL (CONT'D)

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 1,000 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 1,000 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 bullplugged 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

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VIII. SPECIAL RULES AND REGULATIONS FOR THE BLANCO-MESAVERDE
GAS POOL (CONT'D)

installed on the gas vent or discharge line. Well-head 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 2,000 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.

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

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I. GENERAL RULES AND REGULATIONS FOR THE PRORATED GAS POOLS OF SOUTHEASTERN NEW MEXICO

(See Special Pool Rules in each pool for orders applicable to those pools only. Special Pool Rules will be found in the same classification order as in the General section, and, unless the special rules conflict with the general rule, the general rule is also applicable.)

A. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 1: Any well drilled to the producing formation of a gas pool regulated by this order and within said pool or within one mile outside the boundary of that pool, and not nearer to nor within the boundaries of another designated pool producing the same formation, shall be spaced, drilled, operated, and prorated in accordance with the regulations in effect in that pool.

RULE 2: After the effective date of this order each well drilled or recompleted on a standard gas proration unit within a gas pool regulated by this order shall be located not closer than 330 feet to a quarter-quarter section line or subdivision inner boundary line and not closer to the outer boundary line than the footages set out in the table immediately below:

<u>Standard Proration Unit</u>	<u>Footage From Unit Outer Boundary</u>
160 acres	660 feet
320 acres	660 feet
640 acres	1,980 feet

RULE 3: The Secretary-Director of the Commission shall have authority to grant exception to the requirements of Rule 2 without notice and hearing where the application has been filed in due form and where the following facts exist and the following provisions are complied with:

1. The necessity for the unorthodox location is based on topographical conditions, or is occasioned by the recompletion of a well previously drilled to another horizon.

2. (a) The ownership of all oil and gas leases within a radius of 1,980 feet of the proposed location is common with the ownership of the oil and gas leases under the proposed location, or

(b) All owners of oil and gas leases within

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such radius consent in writing to the proposed location.

(c) In lieu of Paragraph 2(b) of this rule, the applicant may furnish proof of the fact that said offset operators were notified by registered mail of his Application for Approval of an Unorthodox Location. (This information to offset operators should consist of the same information that is furnished to the Commission.) The Secretary-Director of the Commission may approve the application, if, after a period of at least 20 days following the mailing of said notice, no operator has made objection to the drilling of the unorthodox location. In the event an operator objects to the unorthodox location, the Commission shall consider the matter only after proper notice and hearing.

RULE 4: The provisions of Statewide Rule 104, Paragraph (k), shall not apply to the gas pools regulated by this order.

RULE 5(A): The acreage allocated to a gas well for proration purposes shall be known as the gas proration unit for that well. For the purpose of gas allocation in the gas pools regulated by this order, a standard proration unit shall consist of contiguous surface acreage and shall be substantially in the form of a square in pools having 160-acre or 640-acre standard proration units, and substantially in the form of a rectangle in pools having 320-acre standard proration units, and shall be a legal subdivision of the U. S. Public Land Surveys (quarter-section, section, or half-section, as applicable). A proration unit shall be considered to be a standard gas proration unit when it meets the above requirements and consists of acreage within the appropriate tolerance set out below:

<u>Standard Proration Unit</u>	<u>Acreage Tolerance For Standard Unit</u>
160 acres	158-162 acres
320 acres	316-324 acres
640 acres	632-648 acres

Any gas proration unit containing acreage within the appropriate tolerance limit above shall be considered to contain the number of acres in a standard unit for the purpose of computing allowables.

RULE 5(B): In establishing a non-standard gas proration

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unit for gas pools regulated by this order where the standard gas proration unit is 640 acres, the location of the well with respect to the two nearest boundary lines thereof shall govern the maximum amount of acreage that may be assigned to the well for the purposes of gas proration as follows:

<u>Location</u>	<u>Maximum Acreage</u>
660-660	160 acres
660-1980	320 acres

RULE 5(C): The Secretary-Director of the Commission shall have authority to grant an exception to Rule 5(A) without notice and hearing where application has been filed in due form and where the following facts exist and the following provisions are complied with:

1. The proposed non-standard proration unit consists of less acreage than a standard proration unit, or where the unorthodox size or shape of the tract is due to a variation in legal subdivision of the U. S. Public Land Surveys.
2. The non-standard gas proration unit consists of contiguous quarter-quarter sections and/or lots.
3. The non-standard gas proration unit lies wholly within a single governmental quarter section in pools with 160-acre standard proration units except the Tubb Gas Pool, and within a single governmental section in the Tubb Gas Pool and in all pools with 320-acre or 640-acre standard proration units.
4. The entire non-standard gas proration unit may reasonably be presumed to be productive of gas from the applicable gas pool.
5. The length or width of the non-standard gas proration unit does not exceed 2,640 feet in pools with 160-acre standard proration units, and does not exceed 5,280 feet in pools with 320-acre or 640-acre standard proration units.
6. The applicant presents written consent in the form of waivers from:
 - (a) All operators owning interests outside the non-standard gas proration unit but in the same quarter section in pools having 160-acre standard proration units or in the same section in pools having 320-acre or 640-acre standard proration units, in which any part of the non-standard gas proration unit is situated, and

(b) All operators owning interests within 1,500 feet of the well to which such non-standard gas proration unit is proposed to be dedicated.

7. In lieu of subparagraph 6 of this rule, the applicant may furnish proof of the fact that said offset operators were notified by registered mail of his intent to form such non-standard gas proration unit. (This notification to offset operators should consist of the same information that is furnished to the Commission.) The Secretary-Director of the Commission may approve the application if, after a period of 30 days following the mailing of said notice, no operator has made objection to formation of such non-standard gas proration unit.

B. NOMINATIONS AND PRORATION SCHEDULE

RULE 6(A): At least 30 days prior to the beginning of each gas proration period, the Commission shall hold a hearing after due notice has been given. The Commission shall cause to be submitted by each gas purchaser its "Preliminary Nominations" of the amount of gas which each in good faith actually desires to purchase within the ensuing proration period, by months, from each of the gas pools regulated by this order. The Commission shall consider the "Preliminary Nominations" of purchasers, actual production, and such other factors as may be deemed applicable in determining the amount of gas that may be produced without waste within the ensuing proration period. "Preliminary Nominations" shall be submitted on a form prescribed by the Commission.

RULE 6(B): The term "gas purchaser" as used in these rules shall mean any "taker" of gas either at the well-head or at any point on the lease where connection is made for gas transportation or utilization. It shall be the responsibility of said "taker" to submit a nomination in accordance with Rule 6(A) and Rule 7 (A) of this order.

RULE 7(A): In the event a gas purchaser's market shall have increased or decreased, he may file with the Commission prior to the 10th day of the month a "Supplemental Nomination" showing the amount of gas he actually in good faith desires to purchase during the ensuing proration month from any gas pool regulated by this order. The Commission shall hold a public hearing between the 13th and 20th days of each month to determine the reasonable market demand for gas for the ensuing proration month, and shall issue a proration schedule setting out the amount of gas which each well may produce during the ensuing proration month along with such other

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information as is necessary to show the allowable-production status of each well on the schedule. "Supplemental Nominations" shall be submitted on a form prescribed by the Commission.

RULE 7(B): The Commission shall include in the proration schedule the gas wells in the gas pools regulated by this order delivering to a gas transportation facility, or lease gathering system, and shall include in the proration schedule any well which it finds is being unreasonably discriminated against through denial of access to a gas transportation facility, which is reasonably capable of handling the type of gas produced by such well.

C. ALLOCATION AND GRANTING OF ALLOWABLES

RULE 8(A): The total allowable to be allocated to each gas pool regulated by this order each month shall be equal to the sum of the "Preliminary" or "Supplemental Nominations" (whichever is applicable) for each pool, together with any adjustment which the Commission deems advisable. A monthly allowable shall be assigned to each well entitled to an allowable by allocating the pool allowable among all such wells in that pool in accordance with the procedure set out in the Special Pool Rules.

RULE 8(B): Allowables to newly completed gas wells shall commence in accordance with the provisions of the Special Pool Rules. No gas well shall be given an allowable until Form C-104 and Form C-110 have been filed, together with a plat (Form C-128) showing acreage attributed to said well and the location of all wells on the lease.

RULE 9(A): A well's "Acreage Factor" shall be determined to the nearest hundredth of a unit by dividing the acreage assigned to the well by 160 acres. However, the acreage tolerances provided in Rule 5(A) shall apply.

RULE 9(B): If, during a proration month, the acreage assigned to a well is increased, the operator shall notify the Commission in writing (Box 2045, Hobbs, New Mexico) of such increase by filing a revised plat (Form C-128). The increased allowable assigned the gas proration unit for the well shall be effective on the first day of the month following receipt of the notification by the Commission.

RULE 10(A): A marginal well shall be assigned an allowable equal to its maximum production during any month of the preceding gas proration period.

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RULE 10(B): The pool allowable remaining after deducting the total allowable assigned to marginal wells shall be allocated among the non-marginal wells entitled to an allowable in such pool as provided for in the Special Pool Rules.

RULE 11: After notice and hearing, the Commission may assign minimum allowables in order to prevent the premature abandonment of wells.

RULE 12: The full production of gas from each well shall be charged against the well's allowable regardless of what disposition has been made of the gas; provided, however, that gas used on the lease for consumption in lease houses, treaters, compressors, combustion engines and other similar lease equipment shall not be charged against the well's allowable.

D. BALANCING OF PRODUCTION

RULE 13: The dates 7:00 a.m., January 1, and 7:00 a.m., July 1, shall be known as balancing dates, and the periods of time bounded by these dates shall be known as gas proration periods.

RULE 14(A): Underproduction: Any non-marginal well 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): Production during any one month of a gas proration period in excess of the allowable assigned to a well for such month shall be applied against the underproduction carried into such period in determining the amount of allowable, if any, to be cancelled.

RULE 15(A): Overproduction: Any well 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, provided that such overproduction shall be made up during such succeeding period. Any well which has not made up the overproduction carried into a gas proration period by the end of such proration period shall be shut-in until such overproduction is made up. If, at any time, a well is overproduced an amount equalling six times

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its current monthly allowable, it shall be shut-in during that month, and each succeeding month until the well is overproduced less than six times its current monthly allowable.

RULE 15(B): Allowable assigned to a well during any one month of a gas proration period in excess of the production for the same month shall be applied against the overproduction carried into such period in determining the amount of overproduction, if any, which has not been made up.

RULE 15(C): The Commission may allow overproduction to be made up at a lesser rate than would be the case if the well were completely shut-in upon a showing at public hearing after due notice that complete shut-in of the well would result in material damage to the well.

RULE 15(D): Any allowable accrued to a well at the end of a proration period due to the cancellation of underage and the redistribution thereof shall be applied against the overproduction carried into said proration period.

E. CLASSIFICATION OF WELLS

RULE 16(A): After the production data is available for the last month of each gas proration period, any well which had an underproduced status at the beginning of the preceding gas proration period and which did not produce its allowable during at least one month of such preceding gas proration period may be classified as a marginal well, unless, prior to the end of said preceding gas proration period, the operator or other interested party presents satisfactory evidence to the Commission showing that the well should not be so classified. However, a well which in any month of said proration period has demonstrated its ability to produce its allowable for said proration period shall not be classified as a marginal well.

RULE 16(B): The Secretary-Director may reclassify a marginal or non-marginal well at any time the well's production data, deliverability data, or other evidence as to the well's producing ability justifies such reclassification.

RULE 17: A well which is classified as a marginal well shall not be permitted to accumulate underproduction, and any underproduction accrued to a well prior to its classification as a marginal well shall be cancelled.

RULE 18: If, at the end of a proration period, a marginal well has produced more than the total allowable assigned a non-marginal unit of corresponding size, for that period, the marginal well shall be reclassified as a non-marginal well and its allowable and net status adjusted accordingly.

RULE 19: A well which has been reworked or recompleted shall be classified as a non-marginal well as of the date of reconnection to a pipeline until such time as production data, deliverability data, or other evidence as to the well's producing ability indicates that the well should be classified as a marginal well.

RULE 20: All wells not classified as marginal wells shall be classified as non-marginal wells.

F. REPORTING OF PRODUCTION

RULE 21(A): 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 1114 of the Commission 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 was produced. The operator shall show on such report what disposition has been made of the gas produced.

RULE 21(B): Each purchaser or taker of gas in each of the designated gas pools regulated by this order shall submit a report to the Commission so as to reach the Commission on or before the 15th day of the month next succeeding the month in which the gas was purchased or taken.

RULE 21(C): Such report shall be filed on either Form C-111 or Form C-114 (whichever is applicable) with the wells being listed in approximately the same order as they are listed on the proration schedule.

RULE 21(D): Forms C-111 and C-114 referred to herein shall be submitted in duplicate, the original being sent to the Commission at Box 871, Santa Fe, New Mexico, the other copy being sent to Box 2045, Hobbs, New Mexico.

G. GENERAL

RULE 22: No gas, either dry gas or casinghead gas, produced from the gas pools regulated by this order shall be flared or vented except as provided in the Special Pool Rules.

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RULE 23: Failure to comply with the provisions of this order or the rules contained herein shall result in the cancellation of allowable assigned to the affected well. No further allowable shall be assigned to the affected well until all rules and regulations are complied with. The Proration Manager shall notify the operator of the well and the purchaser, in writing, of the date of allowable cancellation and the reason therefor.

RULE 24: All transporters or users of gas shall file gas well connection notices with the Commission as soon as possible after the date of connection, in accordance with the provisions of Rule 8(B) of the Special Pool Rules. (Rule 24 does not actually appear in pool rules, but is Commission policy and added for information and clarification.)

(See Special Pool Rules for each pool for orders applicable to that pool only. Special Pool Rules will be found in the same classification order as in the General section, and, unless the special rules conflict with the general rule, the general rule is also applicable.)

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II. SPECIAL RULES AND REGULATIONS FOR THE BLINEBRY GAS POOL

(The Blinebry Gas Pool was created February 17, 1953, and prorationing was instituted January 1, 1954.)

A. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 5(A): A standard gas proration unit in the Blinebry Gas Pool shall be 160 acres.

(Also see Rule 29 below.)

C. ALLOCATION AND GRANTING OF ALLOWABLES

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RULE 8(A): The pool allowable remaining each month after deducting the total allowable assigned to marginal wells shall be allocated among the non-marginal wells entitled to an allowable in the proportion that each well's acreage factor bears to the total of the acreage factors for all non-marginal wells in the pool.

RULE 8(B): Allowables to newly completed gas wells shall commence on the date of connection to a gas transportation facility, as determined from an affidavit furnished to the Commission (Box 2045, Hobbs, New Mexico) by the purchaser, or the date of filing of Form C-104 and C-110 and a plat (Form C-128), whichever date is the later.

(Also see Rule 29 below.)

RULE 12: The production of intermediate or low pressure gas derived from the staging of the well fluids need not be charged against the well's gas allowable, provided that the said intermediate or low pressure gas is utilized in accordance with the provisions of Rule 34 below.

G. GENERAL

RULE 22: No gas, either dry gas or casinghead gas, shall be flared, vented or otherwise wasted in the Blinebry Gas Pool at any time after ninety (90) days from the date of completion of a well in said pool.

Any operator desiring to obtain an exception to the foregoing provision of this rule shall submit to the Secretary-Director of the Commission an application for such exception accompanied by a sworn statement setting forth the facts and circumstances which justify such exception. The Secretary-Director is hereby authorized to grant such exception when the granting of such is necessary to protect correlative rights, prevent waste, or prevent undue hardship on the applicant. The

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II. SPECIAL RULES AND REGULATIONS FOR THE BLINEBRY GAS POOL
(CONT'D)

Secretary-Director shall (a) grant the exception within 15 days following receipt of the application and statement, or (b) set the application for hearing before the Commission at a regularly scheduled monthly hearing; provided, however, that no such applicant shall incur any penalty by reason of a delay in setting the application for hearing. Public notice of the hearing of the application shall be published in the manner provided by law.

Should the Secretary-Director grant an exception to the provision of Rule 22, notification of such exception shall be distributed to the Commission's regular mailing list.

H. MISCELLANEOUS SPECIAL POOL RULES

RULE 25: The vertical limits of the Blinebry Gas Pool shall extend from a point 75 feet above the "Blinebry Marker" to a point 300 feet below the "Blinebry Marker."

The "Blinebry Marker" shall be that point encountered in the Humble Oil and Refining Company State "S" Well No. 20, SW/4 NW/4 of Section 2, Township 22 South, Range 37 East, NMPM, at a depth of 5457 feet (Elevation 3380, Subsea Datum Minus 2077).

RULE 26: Any well drilled and completed in good faith prior to April 11, 1955, which well is situated within the horizontal boundaries of the Blinebry Gas Pool as herein defined, but which produces gas from a depth interval exceeding the vertical limits of the Blinebry Gas Pool as herein defined, is hereby validated and shall be classified as a gas well in the Blinebry Gas Pool, provided that said well conforms to the definition of a gas well in said pool as set out in Rule 27 (A) of these rules, and provided that the well is classified as a gas well in the Blinebry Gas Pool under the rules, regulations and orders in effect on April 10, 1955.

RULE 27 (A): A gas well in the Blinebry Gas Pool shall mean a well producing from within the vertical and horizontal limits of the Blinebry Gas Pool which:

1. Produces liquid hydrocarbons possessing a gravity of 51° API or greater, or
2. Produces liquid hydrocarbons possessing a

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(CONT'D)

gravity of less than 51° API but with a producing gas-liquid ratio of 32,000 cubic feet of gas or more per barrel of liquid hydrocarbon.

RULE 27 (B): A well producing from within the horizontal and vertical limits of the Blinebry Gas Pool and not classified as a gas well, as defined in Section (A) of this rule, shall be classified as an oil well in the Blinebry Oil Pool.

RULE 28: The Proration Manager may reclassify a well under Rule 27 if production data, gas-oil ratio tests or other evidence reflects the need for such reclassification.

For proration purposes, the effective date of such reclassification shall be the first day of the next succeeding month.

The Proration Manager will notify the operator of the reclassified well of such reclassification and the effective date thereof; provided, however, that operator may appeal such reclassification to the Secretary-Director of the Commission in writing.

RULE 29: In the event an oil well in the Blinebry Oil Pool is reclassified as a gas well in the Blinebry Gas Pool, the operator of such well will be afforded the opportunity to form a non-standard gas proration unit for the well; provided, however, that, until such unit is formed, such well shall be allocated a gas allowable commensurate with the acreage contained in the unit formerly dedicated to the oil well in the Blinebry Oil Pool.

In the event such reclassification should cause the occurrence of two gas wells producing from the Blinebry Gas Pool within a single proration unit, the sum total of the allowables allocated to the two wells shall be equivalent to the volume of gas allocated to a single proration unit; provided, however, that the operator of such wells shall have the option to determine the proportion of the assigned allowable to be produced by each individual well.

RULE 30: Acreage dedicated to a gas well in the Blinebry Gas Pool shall not be simultaneously dedicated to an oil well in the Blinebry Oil Pool, and the dual completion of a well so as to produce gas from the Blinebry Gas Pool and oil from the Blinebry Oil Pool is hereby prohibited.

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(CONT'D)

RULE 31: At no time will the horizontal boundaries of the Blinebry Gas Pool conflict with or overlap the horizontal boundaries of the Terry-Blinebry Oil Pool.

RULE 32: Gas-liquid ratio tests and determination of the gravity of that liquid hydrocarbon recovered from wells in the Blinebry Gas Pool shall be conducted semiannually during the months of May and October on all wells located in and producing from the Blinebry Gas Pool. Results of such tests will be reported to the Commission on Form C-116 on or before the 15th day of June and the 15th day of November of each calendar year.

RULE 33: Bottom-hole pressure tests will be conducted semiannually during the months of May and October on all gas wells located to the north of an east-west line coinciding with the north lines of Sections 21, 22, 23 and 24, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico, such wells to be producing from within the vertical and horizontal boundaries of the Blinebry Gas Pool and classified as gas wells under the rules contained in this order. Results of such tests will be reported to the Commission on Form C-124 on or before the 25th day of June and the 25th day of November of each calendar year.

All bottom-hole pressure tests, except tests on dually completed wells producing from the Blinebry Gas Pool, will be conducted in accordance with Rule 302 of the Rules of the Commission. Shut-in period will be 48 hours, datum elevation will be 2400 feet subsea, (-2400), and base temperature will be 100° Fahrenheit.

Bottom-hole pressures on dually completed wells producing gas from the Blinebry Gas Pool may be calculated from a 72-hour shut-in pressure at the wellhead, provided that an accurate determination of the fluid level in the hole is made employing sonic or other methods of equivalent accuracy. The gravity of the fluid in the hole shall be that gravity determined by averaging the gravities of those fluids produced on official test in the Blinebry Gas Pool during the regular semiannual gas-liquid ratio and gravity testing period next preceding the subject bottom-hole pressure test period. The gravity to be employed in the calculation of bottom-hole pressures during a particular testing period shall be determined by the Commission. All interested operators shall be duly notified of such determination by the Commission.

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(CONT'D)

RULE 34: The following shall apply to all producing wells in the Blinebry Gas Pool:

(A) Gas produced from each well shall be produced into a separate high-pressure separator. The high-pressure gas shall then be metered separately prior to its entering a gas transportation facility.

(B) The distillate separated from the high-pressure gas in the high-pressure separator shall then be directed into a low-pressure separator. The distillate may be commingled with other distillate produced by any other well or wells producing from the Blinebry or Tubb Gas Pools following its separation from the high-pressure gas in the high-pressure separator, provided gas-distillate test facilities are available and periodic tests are made.

Following the separation of distillate and low-pressure gas in the low-pressure separator, the low-pressure gas shall be directed into a low-pressure gas gathering system, and said low-pressure gas need not be measured separately from other low-pressure gas produced on the lease, provided that certain test facilities are available and certain periodic tests made.

(C) Each year during the months of June and July each operator of each gas well producing from the Blinebry Gas Pool shall cause to be taken an annual gas-distillate ratio test. The results of such test shall be submitted to the Commission office (P. O. Box 2045, Hobbs, New Mexico) on or before August 15 following the test. The test shall outline the amount of high-pressure gas produced during the 24-hour test period, the amount of low-pressure gas produced during the test period, the high-pressure gas-distillate ratio, and the low-pressure gas-distillate ratio.

Failure to submit the required test by August 15 shall result in suspension of any further gas allowable until the date the required information is submitted.

(D) In submitting Form C-115 (Operator's Monthly Report) on wells producing from the Blinebry zone in which distillate is commingled and/or the low-

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(CONT'D)

pressure gas is commingled with other low-pressure gas produced on the lease, the operator shall estimate if necessary the volume produced by each well in each pool by using the ratios as reflected in the most recent tests submitted.

(E) The Secretary-Director of the Commission shall have authority to grant exception to the provisions set forth in Sections (A) through (D) of this rule, inclusive, where it can be shown that compliance with these rules is not economic or is impractical. Applications for exception shall be submitted in triplicate to the Oil Conservation Commission, P. O. Box 871, Santa Fe, New Mexico, with a copy of each application being furnished offset operators.

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

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III. SPECIAL RULES AND REGULATIONS FOR THE CROSBY-DEVONIAN GAS POOL

(The Crosby-Devonian Gas Pool was created May 27, 1955, and gas prorationing was instituted April 1, 1957.)

A. WELL LOCATION AND SPACING REQUIREMENTS

RULE 5(A): A standard gas proration unit in the Crosby-Devonian Gas Pool shall be 160 acres. (Note: The General Rules regarding administrative approval of non-standard units do not apply to the Crosby-Devonian Gas Pool.)

C. ALLOCATION AND GRANTING OF ALLOWABLES

RULE 8(A): The pool allowable remaining each month after deducting the total allowable assigned to marginal wells shall be allocated among the non-marginal wells entitled to an allowable in the proportion that each well's acreage factor bears to the total of the acreage factors for all non-marginal wells in the pool.

RULE 8(B): Allowables to newly completed gas wells shall commence on the date of connection to a gas transportation facility, as determined from an affidavit furnished to the Commission (Box 2045, Hobbs, New Mexico) by the purchaser, or the date of filing of Form C-104, Form C-110 and Form C-128 or the approval of a non-standard proration unit or filing of an affidavit of communitization, whichever date is the later.

RULE 8(C): The allowable revision for a well after workover or recompletion shall become effective:

(a) On the date of reconnection after workover, such date to be determined from Form C-104 as filed by the operators, or

(b) A date 15 days prior to the approval of Form C-104 by the Commission's office, (Box 2045, Hobbs, New Mexico); (Form C-104 shall specify the exact nature of the workover or remedial work; if the nature of the work cannot be explained on Form C-104, in that event, Form C-103 shall be also filed in accordance with Rule 1106 of the Commission's Statewide Rules and Regulations.)

whichever date is later.

H. MISCELLANEOUS SPECIAL POOL RULES

RULE 25: The vertical limits of the Crosby-Devonian Gas

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(CONT'D)

Pool shall include all the formations that can reasonably be considered to be of Devonian age.

RULE 26: Gas-liquid ratio tests shall be taken in accordance with the provisions of Rule 301 of the Commission Rules and Regulations as scheduled by the Commission.

RULE 27: The casing program for the field shall include three strings of casing set in accordance with the following plan:

(A) The surface string shall be new or reconditioned pipe with a mill test of not less than two thousand (2,000) pounds per square inch and shall be set and cemented at a depth of approximately five hundred (500) feet, such depth being sufficient to protect the fresh water bearing sands of the Santa Rosa formation.

Cementing shall be by the pump-and-plug method, and sufficient cement shall be used to fill the annular space back of the pipe to the surface of the ground or the bottom of the cellar. Cement shall stand a minimum of sixteen (16) hours under pressure and a total of twenty-four (24) hours before drilling the plug or initiating pressure tests. Before drilling the plug, this string shall be tested by the application of at least one thousand (1,000) pounds per square inch and, if at the end of thirty (30) minutes the pressure shows a drop of one hundred fifty (150) pounds per square inch or more, the cementing job shall be condemned. After corrective measures have been taken, the pipe shall again be tested in the same manner.

(B) The intermediate string shall consist of new or reconditioned pipe that has been tested to two thousand (2,000) pounds per square inch and shall be set at approximately thirty-six hundred (3,600) feet. Cementing shall be by the pump-and-plug method, and sufficient cement shall be used to fill the calculated annular space back of the pipe to a point one hundred (100) feet above the top of the Salado formation. The cement shall stand a minimum of twenty-four (24) hours under pressure and a total of thirty (30) hours before drilling plug or initiating tests. Casing shall be tested by the application of at least twelve hundred (1,200) pounds per square inch pump pressure. If, at the end of thirty (30) minutes, the pump pressure shows a drop of one hundred (100) pounds per square inch or more, the cementing job shall be condemned. After corrective measures have been taken,

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(CONT'D)

the pipe shall again be tested in the same manner.

(C) The producing or oil string shall be new or reconditioned casing that has been tested to four thousand (4,000) pounds per square inch and shall be set at a depth not less than the top of the Devonian formation. Cementing shall be with a minimum of three hundred fifty (350) sacks of cement applied by the pump-and-plug method and shall stand a minimum of twenty-four (24) hours under pressure and a total of forty-eight (48) hours before drilling the plug or initiating tests. After cementing, the casing shall be tested by pump pressure of at least thirty (30) minutes. If, at the end of 30 minutes the pressure shows a drop of one hundred (100) pounds per square inch or more, the cementing job shall be condemned. After corrective measures have been taken, the pipe shall again be tested in the same manner.

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

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IV. SPECIAL RULES AND REGULATIONS FOR THE EUMONT GAS POOL

(The Eumont Gas Pool was created February 17, 1953, and proration was instituted January 1, 1954. The Eumont Gas Pool now includes portions of the acreage once included in the Jalco and Langmat Pools (now Jalmat) and all of the acreage formerly in the Arrow and Hardy Pools.)

A. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 5(A): A standard gas proration unit in the Eumont Gas Pool shall be 640 acres.

RULE 5(B): Any well drilled to and producing from the Eumont Gas Pool, as defined herein, prior to August 12, 1954 at a location conforming with the spacing requirements effective at the time said well was drilled, shall be granted a tolerance not exceeding 330 feet with respect to the required distance from the boundary lines.

C. ALLOCATION AND GRANTING OF ALLOWABLES

RULE 8(A): The pool allowable remaining each month after deducting the total allowable assigned to marginal wells shall be allocated among the non-marginal wells entitled to an allowable in the proportion that each well's acreage factor bears to the total of the acreage factors for all non-marginal wells in the pool.

RULE 8(B): Allowables to newly completed gas wells shall commence on the date of connection to a gas transportation facility, as determined from an affidavit furnished to the Commission (Box 2045, Hobbs, New Mexico) by the purchaser, or the date of filing of Form C-104, Form C-110, and a plat (Form C-128), whichever date is the later.

G. GENERAL

RULE 22: No gas, either dry gas or casinghead gas, shall be flared or vented from any well at any time after ninety (90) days from the date such well is completed. Any operator who desires to obtain an exception to the provisions of Rule 22 of Section I of this order shall submit to the Secretary-Director of the Commission an application for such exception with a sworn statement setting forth the facts and circumstances justifying such exception. The Secretary-Director is hereby authorized to grant such an exception whenever the granting of the exception is reasonably necessary to protect correlative rights, prevent waste, or prevent undue hardship on the applicant under all the acts and circumstances as set forth in the statement. The Secretary-Director shall either (a) grant

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IV. SPECIAL RULES AND REGULATIONS FOR THE EUMONT GAS POOL (CONT'D)

the exception within 15 days after receipt of the application and statement or (b) thereafter set the application for hearing by the Commission at a regular monthly hearing; provided, however, that no such applicant shall incur any penalty by reason of a delay in setting the application for hearing. Notice of hearing of the application shall be published in the manner provided by law and the Rules of the Commission. If the exception is granted by the Secretary-Director, a list of such exceptions shall be distributed in the Commission's regular mailing list.

The flaring or venting of gas from any well in violation of any provision of this rule will result in suspension of any further allowable until further order of the Commission.

RULE 22(A): Within 15 days after any oil or gas well within the boundaries of the Eumont Gas Pool is connected to a gas transportation facility, the operator shall file Form C-110 designating the disposition of gas from the well.

RULE 22(B): No extraction plant processing any gas from the Eumont Gas Pool shall flare or vent such gas unless such flaring or venting is made necessary by mechanical difficulties or unless the gas flared or vented is of no commercial value.

H. MISCELLANEOUS SPECIAL POOL RULES

RULE 25: The vertical limits of the Eumont Gas Pool shall extend from the top of the Yates formation to the base of the Queen formation, thereby including all of the Yates, Seven Rivers and Queen formations.

RULE 26(A): A gas well shall mean a well producing with a gas-oil ratio in excess of 100,000 cubic feet of gas per barrel of oil.

RULE 26(B): A well producing from the Eumont Gas Pool and not classified as a gas well, as defined in Section (A) of this rule, shall be classified as an oil well.

RULE 26(C): Oil wells producing from the Eumont Gas Pool shall be allowed to produce a volume of gas each day not exceeding the daily normal unit oil allowable multiplied by 10,000; provided, however, that such well shall not be allowed to produce oil in excess of the normal unit allowable as ordered by the Commission under the provisions of Statewide Rule 505.

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V. SPECIAL RULES AND REGULATIONS FOR THE JALMAT GAS POOL

(The Jalmat Gas Pool was created effective September 1, 1954 from a consolidation of the Jalco and Langmat Pools, which were created February 7, 1953. Gas prorationing was instituted in Jalco and Langmat January 1, 1954 and was continued after consolidation to form the Jalmat Gas Pool. The Jalmat Gas Pool now includes acreage that was formerly included in the Jal, Cooper-Jal, Eaves, Falby-Yates, Jalco, and Langmat Pools.)

A. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 5(A): A standard gas proration unit in the Jalmat Gas Pool shall be 640 acres.

RULE 5(B): Any well drilled to and producing from the Jalmat Gas Pool, as defined herein, prior to September 1, 1954 at a location conforming with the spacing requirements effective at the time said well was drilled shall be granted a tolerance not exceeding 330 feet with respect to the required distance from the boundary lines.

C. ALLOCATION AND GRANTING OF ALLOWABLES

RULE 8(A): 1. The pool allowable remaining after deducting the total allowable assigned to marginal wells shall be allocated among the non-marginal wells in the pool as follows:

(a) Twenty-five percent (25%) of the remaining pool allowable shall be allocated among the non-marginal wells in the pool in the proportion that each well's "Acreage Factor" bears to the total "Acreage Factor" for all non-marginal wells in the pool.

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

2. A well's "AD Factor" shall be determined by multiplying the well's "Acreage Factor" by its "Calculated Deliverability" (expressed in MCF per day). The "AD Factor" shall be computed to the nearest whole unit. In those instances where there is more than one well on a proration unit, the "Calculated Deliverability" for the unit shall be determined by averaging the "Calculated Deliverabilities" of all the wells on the unit.

3. Annual deliverability tests shall be taken on all gas wells in the Jalmat Gas Pool in a manner and at

V. SPECIAL RULES AND REGULATIONS FOR THE JALMAT GAS POOL (CONT'D)

such time as the Commission may prescribe. The results of such tests shall determine a well's "Calculated Deliverability". The annual deliverability tests taken each year shall be used in calculating allowables for wells in the Jalmat Gas Pool for the succeeding twelve month period beginning July 1 of that year.

4. No well shall be assigned an allowable until a deliverability test has been filed with the Commission and approved.

5. The Secretary-Director of the Commission shall have authority to exempt marginal wells from the requirement of taking an annual deliverability test in those instances where the deliverability of the well is of such low volume as to have no significance in the determination of the well's allowable.

RULE 8(B): Allowables to newly completed gas wells shall commence:

1. On the date of connection to a gas transportation facility, such date to be determined from an affidavit furnished to the Commission (Box 2045, Hobbs, New Mexico) by the purchaser;

2. The latest filing date of Form C-104, C-110 or C-128; or

3. A date 45 days prior to the date upon which the well's deliverability and shut-in pressure test is reported to the Commission on Form C-122-C;

whichever date is later.

RULE 8(C): Retests and tests taken after recompletion or workover shall be taken in the same manner as provided in Rule 8(A) 3 above, and any change in the well's "Calculated Deliverability" resulting therefrom shall become effective:

1. On the date of reconnection after workover, such date to be determined from Form C-104 as filed by the operator; or

2. A date 45 days prior to the date upon which a well's deliverability and shut-in pressure test is reported to the Commission on Form C-122-C; or

3. A date 45 days prior to the receipt and approval of Form C-104 by the Commission Office (Box

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2045, Hobbs, New Mexico). (Form C-104 shall specify the exact nature of the workover or remedial work. If the nature of the work cannot be explained on Form C-104, in that event, Form C-103 shall also be filed in accordance with Rule 1106 of the Commission's Statewide Rules and Regulations. Form C-128 (Well Location and Acreage Dedication Plat) shall be submitted by the operator at any time there is a change in the acreage dedicated to said well.),

whichever date is later.

G. GENERAL

RULE 22: No gas, either dry gas or casinghead gas, shall be flared or vented from any well at any time after ninety (90) days from the date such well is completed. Any operator who desires to obtain an exception to the provisions of Rule 22 of Section I of this order shall submit to the Secretary-Director of the Commission an application for such exception with a sworn statement setting forth the facts and circumstances justifying such exception. The Secretary-Director is hereby authorized to grant such an exception whenever the granting of the exception is reasonably necessary to protect correlative rights, prevent waste, or prevent undue hardship on the applicant under all the acts and circumstances as set forth in the statement. The Secretary-Director shall either (a) grant the exception within 15 days after receipt of the application and statement or (b) thereafter set the application for hearing by the Commission at a regular monthly hearing; provided, however, that no such applicant shall incur any penalty by reason of a delay in setting the application for hearing. Notice of hearing of the application shall be published in the manner provided by law and the Rules of the Commission. If the exception is granted by the Secretary-Director, a list of such exceptions shall be distributed in the Commission's regular mailing list.

The flaring or venting of gas from any well in violation of any provision of this rule will result in suspension of any further allowable until further order of the Commission.

RULE 22(A): Within 15 days after any oil or gas well within the boundaries of the Jalmat Gas Pool is connected to a gas transportation facility, the operator shall file Form C-110 designating the disposition of gas from the well.

RULE 22(B): No extraction plant processing any gas from

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the Jalmat Gas Pool shall flare or vent such gas unless such flaring or venting is made necessary by mechanical difficulties or unless the gas flared or vented is of no commercial value.

H. MISCELLANEOUS SPECIAL POOL RULES

RULE 25(A): The vertical limits of the Jalmat Gas Pool shall extend from the top of the Tansill formation to a point 100 feet above the base of the Seven Rivers formation, thereby including all of the Yates formation, except,

RULE 25(B): In the area described immediately below, the vertical limits of the Jalmat Gas Pool shall extend from the top of the Tansill formation to a point 250 feet above the base of the Seven Rivers formation, thereby including all of the Yates formation:

TOWNSHIP 24 SOUTH, RANGE 36 EAST, NMPM

Section 13: SE/4 NE/4, SE/4

Section 23: E/2 E/2

Section 24: All

Section 25: N/2

Section 26: E/2 NE/4

TOWNSHIP 24 SOUTH, RANGE 37 EAST, NMPM

Section 18: SW/4 NW/4, W/2 SW/4

Section 19: W/2

Section 30: NW/4

RULE 26(A): A gas well shall mean a well producing with a gas-oil ratio in excess of 100,000 cubic feet of gas per barrel of oil.

RULE 26(B): A well producing from the Jalmat Gas Pool and not classified as a gas well shall be classified as an oil well.

RULE 26(C): Oil wells producing from the Jalmat Gas Pool shall be allowed to produce a volume of gas each day not exceeding the daily normal unit oil allowable multiplied by 10,000; provided, however, that such wells shall not be allowed to produce oil in excess of the normal unit allowable as ordered by the Commission under the provisions of Rule 505.

RULE 27: That portion of the Rhodes Storage Area lying within the defined limits of the Jalmat Gas Pool shall be exempted from the applicable provisions of the Jalmat Gas Pool Rules. The Rhodes Storage Area shall include the

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following described area:

TOWNSHIP 26 SOUTH, RANGE 37 EAST, NMPM

Section 4: W/2 NW/4, SE/4 SE/4, W/2 SE/4, SW/4
Section 5: All
Section 6: NE/4 NW/4, NE/4, SE/4 SE/4, N/2 SE/4
Section 7: NE/4 NE/4
Section 8: N/2, N/2 S/2, SE/4 SW/4, S/2 SE/4
Section 9: All
Section 10: W/2 NW/4, SE/4 NW/4, S/2
Sections 15 and 16: All
Section 17: E/2 NW/4, E/2
Sections 21 and 22: All
Section 23: SW/4 NW/4, SW/4
Sections 26, 27, and 28: All
Section 29: E/2 NE/4

RULE 28: The dual completion of a well so as to produce oil from the Yates and oil from the Seven Rivers or Queen formations is hereby prohibited.

RULE 29: Acreage dedicated to a gas well in the Jalmat Gas Pool shall not be simultaneously dedicated to an oil well in the Jalmat Gas Pool.

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

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VI. SPECIAL RULES AND REGULATIONS FOR THE JUSTIS GAS POOL

(The Justis Gas Pool was created January 1, 1950, and gas proration was instituted January 1, 1954. The standard proration unit was changed from 160 acres to 320 acres October 3, 1957.)

A. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 5(A): A standard gas proration unit in the Justis Gas Pool shall be 320 acres.

C. ALLOCATION AND GRANTING ALLOWABLES

RULE 8(A): The pool allowable remaining each month after deducting the total allowable assigned to marginal wells shall be allocated among the non-marginal wells entitled to an allowable in the proportion that each well's acreage factor bears to the total of the acreage factors for all non-marginal wells in the Pool.

RULE 8(B): Allowables to newly completed gas wells shall commence on the date of connection to a gas transportation facility, as determined from an affidavit furnished to the Commission (Box 2045, Hobbs, New Mexico) by the purchaser, or the date of filing of Form C-104, Form C-110 and a plat (Form C-128), or the date of application for a non-standard gas proration unit as provided in Rule 5-C, of the General Rules.

H. MISCELLANEOUS SPECIAL POOL RULES

RULE 25(A): The vertical limits of the Justis Gas Pool shall be defined as follows:

From the top of the Glorieta formation, found at a depth of 4599 feet (Elevation 3080, Subsea Datum - 1519) in the Gulf Oil Corporation McBuffington Well No. 8, located 350 feet from the South line and 1980 feet from the West line of Section 13, Township 25 South, Range 37 East, NMPM, Lea County, New Mexico, to a point 40 feet above the marker encountered at 4879 feet (Subsea Datum - 1799) in said McBuffington Well No. 8.

RULE 25(B): The Hamilton Dome Westates Carlson Federal "A" Well No. 1, located in the NW/4 of Section 25, Township 25 South, Range 37 East, NMPM, Lea County, New Mexico, as the completion existed on April 22, 1959, shall be considered to be completed within the vertical limits of the Justis Gas Pool.

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

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VII. SPECIAL RULES AND REGULATIONS FOR THE TUBB GAS POOL

(The Tubb Gas Pool was created February 17, 1953, and proration was instituted January 1, 1954.)

A. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 5(A): A standard gas proration unit in the Tubb Gas Pool shall be 160 acres.

C. ALLOCATION AND GRANTING OF ALLOWABLES

RULE 8(A): The pool allowable remaining each month after deducting the total allowable assigned to marginal wells shall be allocated among the non-marginal wells entitled to an allowable in the proportion that each well's acreage factor bears to the total of the acreage factor for all non-marginal wells in the pool.

RULE 8(B): Allowables to newly completed gas wells shall commence on the date of connection to a gas transportation facility, as determined from an affidavit furnished to the Commission (Box 2045, Hobbs, New Mexico) by the purchaser, or the date of filing of Form C-104, Form C-110 and the plat (Form C-128), or the date of application for a non-standard gas proration unit as provided in Rule 5(C) of the General Rules, whichever date is the later.

RULE 12: The production of intermediate or low pressure gas derived from the staging of the well fluids need not be charged against the well's gas allowable, provided that the said intermediate or low pressure gas is utilized in accordance with the provisions of Rule 27 below.

H. MISCELLANEOUS SPECIAL POOL RULES

RULE 25: The vertical limits of the Tubb Gas Pool shall extend from a point 100 feet above the "Tubb Marker" to a point 225 feet below the "Tubb Marker". Said "Tubb Marker" shall be that point encountered in the Humble Oil and Refining Company State "S" Well No. 20 at a depth of 5921 feet (Elevation 3380, Subsea Datum Minus 2541).

RULE 26(A): An oil well in the Tubb Gas Pool shall be defined as a well which produces hydrocarbons possessing a gravity of 45° API or less.

RULE 26(B): An oil well in the Tubb Gas Pool shall have dedicated thereto a proration unit consisting of 40 acres, more or less, being a governmental quarter-quarter section legal subdivision of the United States Public Land Surveys.

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VII. SPECIAL RULES AND REGULATIONS FOR THE TUBB GAS POOL (CONT'D)

RULE 26(C): No acreage shall be simultaneously dedicated to an oil well and to a gas well in the Tubb Gas Pool.

RULE 26(D): The limiting gas-oil ratio for oil wells in the Tubb Gas Pool shall be 2000 cubic feet of gas for each barrel of oil produced.

RULE 27: The following shall apply to all producing wells in the Tubb Gas Pool:

(A) Gas produced from each well shall be produced into a separate high-pressure separator. The high-pressure gas shall then be metered separately prior to its entering a gas transportation facility.

(B) The distillate separated from the high-pressure gas in the high-pressure separator shall then be directed into a low-pressure separator. The distillate may be commingled with other distillate produced by any other well or wells producing from the Tubb or Blinbry Gas Pools following its separation from the high-pressure gas in the high-pressure separator, provided gas-distillate test facilities are available and periodic tests are made.

Following the separation of distillate and low-pressure gas in the low-pressure separator, the low-pressure gas shall be directed into a low-pressure gas gathering system, and said low-pressure gas need not be measured separately from other low-pressure gas produced on the lease, provided that certain test facilities are available and certain periodic tests made.

(C) Each year during the months of June and July each operator of each gas well producing from the Tubb Gas Pool shall cause to be taken an annual gas-distillate ratio test. The results of such test shall be submitted to the Commission office (P. O. Box 2045, Hobbs, New Mexico) on or before August 15 following the test. The test shall outline the amount of high-pressure gas produced during the 24-hour test period, the amount of low-pressure gas produced during the test period, the high-pressure gas-distillate ratio, and the low-pressure gas-distillate ratio. Failure to submit the required test by August 15 shall result in suspension of any further gas allowable until the date the required information is submitted.

(D) In submitting Form C-115 (Operator's Monthly

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VII. SPECIAL RULES AND REGULATIONS FOR THE TUBB GAS POOL (CONT'D)

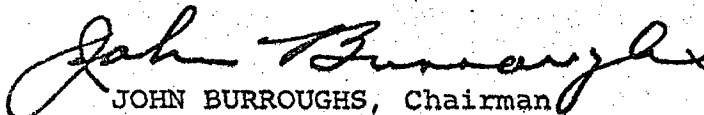
Report) on wells producing from the Tubb zone in which distillate is commingled and/or the low-pressure gas is commingled with other low-pressure gas produced on the lease, the operator shall estimate if necessary the volumes produced by each well in each pool by using the ratios as reflected in the most recent tests submitted.

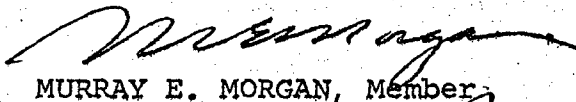
(E) The Secretary-Director of the Commission shall have authority to grant exception to the provisions set forth in Sections (A) through (D) of this rule, inclusive, where it can be shown that compliance with these rules is not economic or is impractical. Applications for exception shall be submitted in triplicate to the Oil Conservation Commission, P. O. Box 871, Santa Fe, New Mexico, with a copy of each application being furnished offset operators.

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

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


JOHN BURROUGHS, Chairman


MURRAY E. MORGAN, Member


A. L. PORTER, Jr., Member & Secretary

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