

**RECOMMENDED RULES AND REGULATIONS
FOR THE EAST MILLMAN QUEEN-GRAYBURG OIL POOL
PRESSURE MAINTENANCE PROJECT**

RULE NO. 1

The project area of Western Development Company of Delaware East Millman Queen-Grayburg Pressure Maintenance Project, herein-after referred to as the Project, Eddy County, New Mexico shall comprise that area described as follows:

TOWNSHIP 19 SOUTH, RANGE 28 EAST, N. M. P. M

Section 14: SW/4 of the NE/4, NW/4, SW/4, W/2
of the SE/4

Section 15: E/2 of the NE/4, SE/4 of the SW/4, SE/4

Section 22: NE/4

Section 23: N/2 of the NW/4, SW/4 of the NW/4

RULE NO. 2

The allowable for the Project shall be the sum of the allowables the several wells within the project area, including those wells which are shut in, curtailed, or used as injection wells. Allowables for all wells shall be determined in a manner hereinafter prescribed.

RULE NO. 3

Allowables for injection wells may be transferred to producing wells within the project area, as may the allowables for producing wells which, in the interest of more efficient operation of the Project, are shut-in or curtailed because of high gas-oil ratio or are shut-in for any of the following reasons: pressure regulation, control of pattern or sweep efficiencies, or to observe changes in pressures or changes in characteristics of reservoir liquids or progress of sweep.

RULE NO. 4

The allowable assigned to any well which is shut-in or which is curtailed in accordance with the provisions of Rule 3, which allowable is to be transferred to any well or wells in the project area for production, shall in no event be greater than its ability to produce during the test prescribed by Rule 6, below, or greater than the current top unit allowable for the pool during the month of transfer, whichever is less.

RULE NO. 5

The allowable assigned to any injection well on a 40-acre proration unit shall be top unit allowable for the East Millman Queen-Grayburg Oil Pool.

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
EXHIBIT NO. 2652
CASE NO.

RULE NO. 6

The allowable assigned to any well which is shut-in or curtailed in accordance with Rule 3, shall be determined by a 24-hour test at a stabilized rate of production, which shall be the final 24-hour period of a 72-hour test throughout which the well should be produced in the same manner and at a constant rate. The daily tolerance limitation set forth in Commission Rule 502 I (a) and the limiting gas-oil ratio (2,000 to 1) for the East Millman Queen-Grayburg Oil Pool shall be waived during such tests. The project operator shall notify all operators offsetting the well, as well as the Commission, of the exact time such tests are to be conducted. Tests may be witnessed by representatives of the offsetting operators and the Commission, if they so desire.

RULE NO. 7

The allowable assigned to each producing well in the Project shall be equal to the well's ability to produce or to top unit allowable for the East Millman Queen-Grayburg Oil Pool, whichever is less, provided that any producing well in the project area which directly or diagonally offsets a well outside the project area producing from the same common source of supply shall not produce in excess of two times top unit allowable for the pool. Each producing well shall be subject to the limiting gas-oil ratio (2,000 to 1) for the East Millman Queen-Grayburg Oil Pool, except that any well or wells within the project area producing with a gas-oil ratio in excess of 2,000 cu.ft. of gas per barrel of oil may be produced on a "net" gas-oil ratio basis, which net gas-oil ratio shall be determined by applying credit for daily average gas injected, if any, into the East Millman Queen-Grayburg Oil Pool within the project area to such high gas-oil ratio well. The daily adjusted oil allowable for any well receiving gas injection credit shall be determined in accordance with the following formula:

$$A_{adj} = \frac{TUA \times F \times 2,000}{P - I}$$
$$\frac{\frac{I}{P} \times I}{P}$$

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RULE NO. 8

Credit for daily average net water injected into the East Millman Queen-Grayburg Oil Pool through any injection well located within the project area may be converted to its gas equivalent and applied to any well producing with a gas-oil ratio in excess of two thousand cubic feet of gas per barrel of oil. Total credit for net water injected in the project area shall be the gas

equivalent volume of the daily average net water injected during a one-month period. The daily average gas equivalent of net water injected shall be computed in accordance with the following formula:

$$E_g = (V_{w \text{ inj}} - V_{w \text{ prod}}) \times 5.61 \times \frac{P_a}{15.025} \times \frac{520^\circ}{T_r} \times \frac{1}{Z}$$

RULE NO. 9

Each month the project operator shall, within three days after the normal unit allowable for Southeast New Mexico has been established, submit to the Commission a Pressure Maintenance Project Operator's Report, on a form prescribed by the Commission, outlining thereon the data required, and requesting allowables for each of the several wells in the Project as well as the total Project allowable. The aforesaid Pressure Maintenance Project Operator's Report shall be filed in lieu of Form C-120 for the Project.

RULE NO. 10

The Commission shall, upon review of the report and after any adjustments deemed necessary, calculate the allowable for each well in the Project for the next succeeding month in accordance with these rules. The sum of the allowables so calculated shall be assigned to the Project and may be produced from the wells in the Project in any proportion except that no well in the Project which directly or diagonally offsets a well outside the Project producing from the same common source of supply shall produce in excess of two times top unit allowable for the Pool.

RULE NO. 11

The conversion of producing wells to injection, the drilling of additional wells for injection, and expansion of the project area shall be accomplished only after approval of the same by the Secretary-Director of the Commission. To obtain such approval, the Project operator shall file proper application with the Commission, which application, if it seeks authorization to convert additional wells to injection or to drill additional injection wells shall include the following:

(1) A plat showing the location of proposed injection well, all wells within the project area, and offset operators, locating wells which offset the project area.

(2) A schematic drawing of the proposed injection well which fully describes the casing, tubing, perforated interval, and depth showing that the injection of gas or water will be confined to the Queen-Grayburg formation.

(3) A letter stating that all offset operators to the proposed injection well have been furnished a complete copy of the application and the date of notification.

The Secretary-Director may approve the proposed injection well, if within 20 days after receiving the application, no objection to the proposal is received. The Secretary-Director may grant immediate approval, provided waivers of objection are received from all offset operators.

Expansion of the project area may be approved by the Secretary-Director of the Commission administratively when good cause is shown therefor.