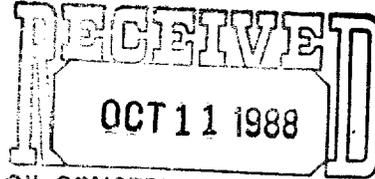


Memo

From
ERNIE BUSCH
Geologist - Field Rep.
10-6-88

To DAVID CATANACH



DAVE,

OIL CONSERVATION DIVISION
SANTA FE

FRANK FORGOT TO GIVE
THIS TO YOU.

Ernie Busch
for

RECEIVED

SEP 29 1988

BEFORE THE OIL AND GAS CONSERVATION COMMISSION OF THE STATE OF COLORADO OIL CON. DIV DIST. 3

IN THE MATTER OF THE PROMULGATION AND ESTABLISHMENT OF FIELD RULES TO GOVERN OPERATIONS IN THE IGNACIO BLANCO FIELD, LA PLATA COUNTY, COLORADO CAUSE NO. 112 ORDER NO. 112-61

REPORT OF THE COMMISSION

This cause came on for hearing before the Commission on August 15, 1988 at 8:30 a.m. in Room 101, State Education Building, 201 East Colfax Avenue, Denver, Colorado, after giving Notice of Hearing as required by law, on the Commission's own motion to consider recommendations, information and data submitted to establish such other field rules as may be deemed necessary for the efficient and economical development of the Ignacio-Blanco Coalbed Reservoir.

FINDINGS

The Commission finds as follows:

1. Due notice of the time, place and purpose of the hearing has been given in all respects as required by law.

2. The Commission has jurisdiction over the subject matter embraced in said Notice, and of the parties interested therein, and jurisdiction to promulgate the hereinafter prescribed order affecting all lands other than those owned by Indians.

3. The Commission accepted and approved the following recommendations from the staff and Coalbed Methane Committee:

A. In Order No. 112-1 Rule 2b and Order No. 112-60 Rule 4, drilling units for fractional sections in Township 32 North, Ranges 6, 7, 8, 9, 10, and 11 West of the New Mexico Principal Meridian lying immediately adjacent to the Colorado-New Mexico border were established. The units which consist of three tracts 40-acres wide and extending the entire length of the fractional section in a north-south direction should be established over the additional area extending from Township 32 North, Ranges 1, 1 1/2, 2, 3, 4 and 5 West, N.M.P.M.

B. In Township 34 North, for all Ranges affected, there is a correction to the geographic and legal description of the lands. Lands are traditionally referred to as south or north of the Southern Ute boundary line. This correction results in irregular sized sections. For those sections south of the boundary, these small sections should be included in the 320-acre drilling and spacing unit to the south, and the units should be designated as stand up units if possible. For those sections north of the boundary, these sections are approximately 320 acres in size and should be considered as individual 320-acre drilling and spacing units.

C. Several wells were approved to be drilled in the alternate quarter section from that ordered in Order No. 112-60, Rule 2 prior to the entering of Order No. 112-60 on June 17, 1988. Subsequent to that time several wells were approved to be drilled in accord with Rule 303 in the alternate quarter section because of drilling commitments. These wells should

be considered the designated well for their respective drilling and spacing unit. Six wells were approved to be drilled as the second well in the designated unit under the provisions of Order No. 112-46 and prior to the entering of Order No. 112-60. These units should be allowed to remain as two well units to obtain further production information. All of these wells are listed in Exhibit C of Cause No. 112, Order No. 112-61.

D. In the Ignacio-Blanco Field area there are many archeological sites which must be considered prior to approving an application to drill. The Director should give consideration for requests for exception locations for archeological conditions in the same manner as geographical and topographical exceptions.

E. All prior orders in Cause 112 have established rules for casing and cementing of casing. Due to the shallower depths of the Fruitland Coal, all production casing strings should have cement circulated back into the surface casing. All operators should promptly notify the Commission if they are unable to successfully circulate cement, and what steps are proposed to ascertain the probable cement top, and correct the condition, if necessary.

F. Any test of a Fruitland Coalbed Methane well should consist of a minimum twenty-four (24) hour shut-in period and a three (3) hour production test. Information recorded should include 1) surface shut-in tubing or casing pressure, 2) length of shut-in period, 3) final flowing tubing or casing pressure, 4) length of flow period, 5) individual flow rate of gas, water and oil as determined by use of a separator, and 6) the method of production.

G. The necessity for venting and flaring is understood, and with the current volumes, existing Commission regulations adequately address this area.

H. There have been many technical improvements in horizontal drilling techniques; however there appear to be no plans to employ these techniques in the Ignacio-Blanco Fruitland Coal Field at this time and present Commission rules adequately address this area.

I. Almost all operators of Fruitland Coalbed wells are requesting "Confidential" status for completion reports and mechanical logs submitted to the Commission as is allowed under Rule 306. The well completion reports may contain proprietary information.

To allow the Commission to fulfill its responsibility, and protect proprietary information of the operators, additional procedures should be adopted only for Coalbed Methane wells in Ignacio Blanco Field.

An initial completion report, Form 5 and basic logs, should be submitted within thirty (30) days of reaching total depth. The Form 5 should contain all information except perforated interval, treatments, production test data, and special experimental data. This initial Form 5 should be released upon processing by the Commission. The omitted items should be submitted by updating the initial Form 5. The completed Form 5 should be submitted within one year from the setting of production casing or within six months from date of first production whichever comes first. This supplementary information will also be released upon processing.

J. An optional well within the context of Ignacio-Blanco Coalbed Methane Field means the first well in the drilling and spacing unit drilled not in the permitted location, but rather in the other quarter section.

The Director should have authority to administratively approve an option well upon notice being given to contiguous and offset operators and no protests being received by the Commission within twenty (20) days of application.

K. Current exploration and production experience in the Ignacio-Blanco field does not support the drilling of a second well on the unit throughout the field at this time. Operators desiring to drill a second well should file an application to the Commission for the granting of a second well on a drilling and spacing unit.

L. There was no recommendation or support for field wide downspacing to 160-acre units.

M. The rules embodied in this order should reflect that they are enacted for the development of the field and operation of the wells and do not effect any claim on ownership of the gas.

O R D E R

NOW, THEREFORE IT IS ORDERED, that Order No. 112-60 be amended, and that the following rules and regulations shall apply to wells heretofore and hereafter drilled and completed in the Fruitland coal seams of the Ignacio-Blanco Field, as herein defined, in addition to other applicable rules and regulations and Orders of the Commission, if any, heretofore adopted and not in conflict herewith:

Rule 1. The Fruitland coal seams shall be defined to include all coal seams within the equivalent of the stratigraphic interval from the top of Fruitland sand to the lowermost coal as shown on the Lithodensity-Compensated Neutron Log dated June 2, 1986 run on the Cugnini Gas Unit "A" No. 1, located in the NW1/4 Section 26, Township 34 North, Range 9 West, N.M.P.M., La Plata County, Colorado and which log shows the top of the Fruitland sand at a depth of 2528 feet and the base of the lowermost coal at a depth of 2962 feet.

Rule 2. Three Hundred Twenty (320) acre drilling and spacing units shall be and the same are hereby established for the production of gas from the Fruitland coal seams, common source of supply, underlying the following described lands in La Plata and Archuleta Counties, Colorado:

Township 32 North (South of Ute Line)

Range 1 West: Sections 1-24
Range 1 1/2 West: Sections 1, 12, 13, 24
Range 2 West: Sections 1-24
Range 3 West: Sections 1-24
Range 4 West: Sections 1-24
Range 5 West: Sections 1-24
Range 6 West: Sections 1-24
Range 7 West: Sections 1-24
Range 8 West: Sections 1-24
Range 9 West: Sections 1-24
Range 10 West: Sections 1-24
Range 11 West: Sections 1-24

Township 33 North (South of Ute Line)

Range 2 West: All Sections
Range 3 West: All Sections
Range 4 West: All Sections
Range 5 West: All Sections
Range 6 West: All Sections
Range 7 West: All Sections
Range 8 West: All Sections
Range 9 West: All Sections
Range 10 West: All Sections
Range 11 West: Sections 1, 2, 9-36

Township 34 North (South of Ute Line)

Range 4 West: Sections 1U - 18U, 19-36
Range 5 West: Sections 1U - 18U, 19-36
Range 6 West: Sections 3U - 10U, 15U - 18U, All Unsurveyed
Lands 19-22, 27-34
Range 7 West: Sections 1U - 18U, 19-36
Range 8 West: Sections 1U - 18U, 19-36
Range 9 West: Sections 1U - 12U, 13-36
Range 10 West: Sections 1U, 11U, 12U, 13-36
Range 11 West: Sections 13, 24, 25, 35, 36

Township 34 North (North of Ute Line)

Range 5 West: Sections 1-18
Range 6 West: Sections 1-18
Range 7 West: Sections 1-18
Range 8 West: Sections 1-18
Range 9 West: Sections 1-5, 8-12

Township 34 1/2 North (North of Ute Line)

Range 9 West: Sections 33-36

Township 35 North (North of Ute Line)

Range 5 West: Unsurveyed Sections 19, 29-32
Range 6 West: Sections 13-36
Range 7 West: Sections 13, 14, 23, 24, 25, 26, 35, 36 and
All Unsurveyed lands
Range 8 West: Sections 1, 2, 9-36
Range 9 West: Sections 24-27, 34-36

The units shall consist of the N1/2 and S1/2 or the E1/2 and W1/2 of a full section with the permitted well located, when north of the north line of Township 32 North, in the NW1/4 and SE1/4 of the section, and when south of the north line of Township 32 North, in the NE1/4 and SW1/4 of the section, and no closer than 990 feet to any outer boundary of the unit, nor closer than 130 feet to any interior quarter section line.

Rule 3. The Director may, without additional notice and hearing, grant exceptions to the above-described well locations, because of topography or surface hazards or archeological considerations and grant approval for an option well upon notice being given to contiguous and offset operators or mineral interest owners and no protests being received by the Commission within twenty days of notice being given. For other reasons, exceptions may be granted by the Director, providing the owners of the contiguous and cornering units toward which the proposed location would be moved, file a waiver or consent in writing, agreeing to said exceptions.

Rule 4. Drilling units in the case of fractional sections as established in Order No. 112-1 Rule 2b and subsequent Orders in Township 32 North, Ranges 6, 7, 8, 9, 10 and 11 West of the New Mexico Principal Meridian lying immediately adjacent to the Colorado - New Mexico state boundary are also hereby established for Ranges 1, 1 1/2, 2, 3, 4 and 5 West and consist of three tracts 40 acres wide and extending the entire length of the fractional section in a north-south direction maintaining the same sequence as in Range 6 and shall be the units for production of methane gas from the Fruitland coal seams.

Rule 5. Drilling and spacing units to the north of the Southern Ute line in Township 34 North shall consist of the individual fractional sections with an approximate size of 320-acres. The fractional sections south of the the Southern Ute line in Township 34 North for all ranges so affected shall be included with the 320-acre drilling and spacing units in the full section to the south, and the units shall be stand-up units if at all possible.

Rule 6. All well locations approved prior to June 17, 1988 in the alternate quarter section from that ordered in Rule 2 herein above shall be considered to be the designated well for the respective drilling and spacing unit. Those units having two wells for production of methane from the Fruitland coalbed seams approved prior to June 17, 1988 shall remain as two well units. Those wells approved to be drilled in the alternate quarter section in accord with Rule 303 shall be considered to be the designated well for the drilling and spacing unit.

Rule 7. All production casing strings shall be cemented from the casing shoe or total depth, whichever is shallower, to the surface by circulation methods. Operators shall promptly notify the Commission if they are unable to successfully circulate cement, what steps are proposed to determine the cement top, and correct the problem, if necessary.

Rule 8. Any production test of a Fruitland Coalbed Methane well shall consist of a minimum twenty-four (24) hour shut-in period and a three (3) hour flow test. Information recorded shall include all shut-in and flow pressures, time periods and individual flow rates of gas, water and oil as determined by use of a separator, and the method of production.

Rule 9. An initial completion report, Form 5, and basic logs shall be submitted within thirty (30) days of reaching total depth and the setting of production casing. The Form 5 shall contain all information including geologic data except perforated interval, treatments, production test data, and any special experimental data. This initial Form 5 shall be released upon processing by the Commission and shall not be granted "Confidential" status in accord with Rule 306. A complete Form 5 containing the data omitted on the initial report shall be submitted within one year from the setting of production casing or within six months from date of first production, whichever comes first. The complete Form 5 shall be released upon processing by the Commission.

IT IS FURTHER ORDERED, that the Rules and Regulations of the Commission shall govern all other matters pertaining to the production of methane gas from the Fruitland coal seams until the Commission may issue further orders upon public hearing.

IT IS FURTHER ORDERED, that the provisions contained in the above order shall become effective forthwith.

IT IS FURTHER Ordered, that the Commission expressly reserves its rights, after giving notice and hearing, to alter, amend or repeal any and/or all of the above orders.

Entered this 7th day of September.

1988, as of August 15, 1988.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

BY Dennis R. Bicknell
Dennis R. Bicknell, Secretary

BEFORE THE OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

IN THE MATTER OF THE PROMULGATION) CAUSE NO. 112
AND ESTABLISHMENT OF FIELD RULES TO)
GOVERN OPERATIONS IN THE IGNACIO-)
BLANCO FIELD, ARCHULETA AND LA PLATA)
COUNTIES, COLORADO)

NOTICE OF HEARING

TO ALL INTERESTED PERSONS AND TO WHOM IT MAY CONCERN:

On June 17, 1988 the Commission issued Order No. 112-60 which determined that the Fruitland coal seams underlying certain lands in Archuleta and La Plata Counties, Colorado listed herein, which produce methane gas, are a separate source of supply, that drilling and spacing units of 320-acres should consist of the N1/2 and S1/2 or the E1/2 and W1/2 of a full section with the permitted well located, when north of the north line of Township 32 North, in the NW1/4 and SE1/4 of the section, and when south of the north line of Township 32 North, in the NE1/4 and SW1/4 of the section, and located no closer than 990 feet to any outer boundary of the unit, that the Director can allow exceptions within designated quarter section to the permitted location, and that certain units were established for fractional sections along the New Mexico - Colorado border.

Township 32 North (South of Ute Line)

Range 1 West: Sections 1-24
Range 1 1/2 West: Sections 1, 12, 13, 24
Range 2 West: Sections 1-24
Range 3 West: Sections 1-24
Range 4 West: Sections 1-24
Range 5 West: Sections 1-24
Range 6 West: Sections 1-24
Range 7 West: Sections 1-24
Range 8 West: Sections 1-24
Range 9 West: Sections 1-24
Range 10 West: Sections 1-24
Range 11 West: Sections 1-24

Township 33 North (South of Ute Line)

Range 2 West: All Sections
Range 3 West: All Sections
Range 4 West: All Sections
Range 5 West: All Sections
Range 6 West: All Sections
Range 7 West: All Sections
Range 8 West: All Sections
Range 9 West: All Sections
Range 10 West: All Sections
Range 11 West: Sections 1, 2, 9-36

Township 34 North (South of Ute Line)

Range 4 West: Sections 1U - 18U, 19-36
Range 5 West: Sections 1U - 18U, 19-36
Range 6 West: Sections 3U - 10U, 15U - 18U, All Unsurveyed
Lands 19-22, 27-34
Range 7 West: Sections 1U - 18U, 19-36
Range 8 West: Sections 1U - 18U, 19-36
Range 9 West: Sections 1U - 12U, 13-36
Range 10 West: Sections 1U, 11U, 12U, 13-36
Range 11 West: Sections 13, 24, 25, 35, 36

Township 34 North (North of Ute Line)

Range 5 West: Sections 1-18
Range 6 West: Sections 1-18
Range 7 West: Sections 1-18
Range 8 West: Sections 1-18
Range 9 West: Sections 1-5, 8-12

Township 34 1/2 North (North of Ute Line)

Range 9 West: Sections 33-36

Township 35 North (North of Ute Line)

Range 5 West: Unsurveyed Sections 19, 29-32
Range 6 West: Sections 13-36
Range 7 West: Sections 13, 14, 23, 24, 25, 26, 35, 36 and
All Unserved lands,
Range 8 West: Sections 1, 2, 9-36
Range 9 West: Sections 24-27, 34-36

The Commission further ordered that at the August 1988 hearing of the Commission, operators and other interested persons shall present additional information and data to allow the Commission to establish such other field rules as may be deemed necessary to allow for the efficient and economical development of the Ignacio-Blanco Coalbed Field. Subsequent to the Colorado Commission hearing, a meeting was held by the Southern Ute Tribal Council and the Chairman of the Colorado Commission discussed Order No. 112-60 with the Council. Information pertaining to areas such as horizontal drilling, archeological site waivers, optional and/or infill drilling, existing wells, testing, venting or flaring of gas, confidentiality of submitted reports, specific production practices and such other matters unique to the production of methane gas and to protect the health, safety and welfare of the public should be presented.

NOTICE IS HEREBY GIVEN, that the Oil and Gas Conservation Commission, on its own motion, pursuant to the above, scheduled the above-entitled matter for hearing on:

DATE: Monday August 15, 1988
Tuesday August 16, 1988
TIME: 8:30 A.M.
PLACE: Room 101, Education Building
201 East Colfax
Denver, Colorado 80203

Pursuant to said hearing in the above-entitled matter at the time and place aforesaid, or at any adjourned meeting, the Commission will enter such orders as it deems appropriate to prevent the waste of oil and gas, either or both, in the operations of said field, and to carry out the purposes of the statute.

IN THE NAME OF THE STATE OF COLORADO

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

BY 
Dennis R. Bicknell, Secretary

Dated at Denver, Colorado
July 25, 1988

BEFORE THE OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

IN THE MATTER OF THE PROMULGATION AND) CAUSE NO. 112
ESTABLISHMENT OF FIELD RULES TO GOVERN)
OPERATIONS IN THE IGNACIO-BLANCO FIELD)
LA PLATA AND ARCHULETA COUNTIES,) ORDER NO. 112-60
COLORADO)

REPORT OF THE COMMISSION

This cause came on for hearing before the Commission on June 17, 1988 at 9:00 a.m. in Hearing Room 'A', Legislative Services Building, 200 East 14th Street, Denver, Colorado, after giving Notice of Hearing as required by law, on the Commission's own motion to consider measures to establish separate drilling and spacing units for the production of methane gas from the Fruitland coal seams and establish such rules as needed for the production of methane gas in an economic and efficient manner, and to protect the health, safety and welfare of the general public in certain lands in Archuleta and La Plata Counties, Colorado.

FINDINGS

The Commission finds as follows:

1. Due notice of the time, place and purpose of the hearing has been given in all respects as required by law.

2. The Commission has jurisdiction over the subject matter embraced in said Notice, and of the parties interested therein, and jurisdiction to promulgate the hereinafter prescribed order affecting all lands other than those owned by Indians.

3. In Cause 112 the Commission has determined that the Fruitland-Pictured Cliffs formations were sources of supply for the production of gas and associated hydrocarbons. Order No. 112-6, among other things, established 320-acre drilling and spacing units with one well per unit. There are seams of coal within the Fruitland formation comprised of various nonhomogeneous, overlapping, interconnecting lenticular coals of low permeability which are potentially productive of natural gas which is predominantly methane.

4. Evidence presented at the hearing indicates that the gas produced from the Fruitland coal seams has different chemical characteristics from gas produced from within the Fruitland sandstone or the Pictured Cliffs sandstone and should be considered a separate source of supply.

5. The Fruitland coal seams should be defined to include all coal seams within the equivalent of the stratigraphic interval from the top of the Fruitland Sand to the lowermost coal as shown on the Lithodensity-Compensated Neutron Log dated June 2, 1986 run on the Cugnini Gas Unit "A" No. 1, located in the NW1/4 Section 26, Township 34 North, Range 9 West, N.M.P.M., La Plata County, Colorado which log shows the top of the Fruitland Sand at a depth of 2528 feet and the base of the lowermost coal at a depth of 2962 feet.

6. Drilling and spacing units of 320-acres should be established for the production of methane gas from the Fruitland coal seams. The units should consist of the N1/2 and S1/2 or the E1/2 and W1/2 of a full section with the permitted well located, when north of the north line of Township 32 North, in the NW1/4 and SE1/4 of the section, and when south of the north line of Township 32 North, in the NE1/4 and SW1/4 of the section, and located no closer than 990 feet to any outer boundary of the unit, nor closer than 130 feet to any interior quarter section line.

7. The Director should be allowed to grant exceptions to the permitted well locations as described in Finding 6 herein, without notice of hearing, to avoid topographical or surface hazards. If for any other reason, exceptions may be granted provided the owners of the contiguous and cornering units toward which the proposed location would be moved, file a waiver or consent, in writing, agreeing to said exception.

8. Order No. 112-1, Rule 2b and subsequent Orders established drilling units in the cases of fractional sections in Township 32 North, Ranges 6, 7, 8, 9, 10 and 11 West of the New Mexico Principal Meridian lying immediately adjacent to the Colorado - New Mexico state boundary and such unit as described in the above Order should be established for the production of methane gas from the Fruitland coal seams.

9. Matters pertaining to any infill drilling, specific production practices, non-standard size units, horizontal drilling and such other matters unique to the production of methane from the Fruitland coal seams should be taken under advisement by the Commission, and further testimony be presented at the August 1988 hearing of the Commission, upon proper notice being given. The Rules and Regulations of the Commission should govern these matters until any subsequent orders might be issued.

O R D E R

NOW, THEREFORE IT IS ORDERED, that the following rules and regulations shall apply to wells heretofore and hereafter drilled and completed in the Fruitland coal seams of the Ignacio-Blanco Field, as herein defined, in addition to other applicable rules and regulations and Orders of the Commission, if any, heretofore adopted and not in conflict herewith:

Rule 1. The Fruitland coal seams shall be defined to include all coal seams within the equivalent of the stratigraphic interval from the top of Fruitland sand to the lowermost coal as shown on the Lithodensity-Compensated Neutron Log dated June 2, 1986 run on the Cugnini Gas Unit "A" No. 1, located in the NW1/4 Section 26, Township 34 North, Range 9 West, N.M.P.M., La Plata County, Colorado and which log shows the top of the Fruitland sand at a depth of 2528 feet and the base of the lowermost coal at a depth of 2962 feet.

Rule 2. Three Hundred Twenty (320) acre drilling and spacing units shall be and the same are hereby established for the production of gas from the Fruitland coal seams, common source of supply, underlying the following described lands in La Plata and Archuleta Counties, Colorado:

Township 32 North (South of Ute Line)

Range 1 West: Sections 1-24
Range 1 1/2 West: Sections 1, 12, 13, 24
Range 2 West: Sections 1-24
Range 3 West: Sections 1-24
Range 4 West: Sections 1-24
Range 5 West: Sections 1-24
Range 6 West: Sections 1-24
Range 7 West: Sections 1-24
Range 8 West: Sections 1-24
Range 9 West: Sections 1-24
Range 10 West: Sections 1-24
Range 11 West: Sections 1-24

Township 33 North (South of Ute Line)

Range 2 West: All Sections
Range 3 West: All Sections
Range 4 West: All Sections
Range 5 West: All Sections
Range 6 West: All Sections
Range 7 West: All Sections
Range 8 West: All Sections
Range 9 West: All Sections
Range 10 West: All Sections
Range 11 West: Sections 1, 2, 9-36

Township 34 North (South of Ute Line)

Range 4 West: Sections 1U - 18U, 19-36
Range 5 West: Sections 1U - 18U, 19-36
Range 6 West: Sections 3U - 10U, 15U - 18U, All Unsurveyed
Lands 19-22, 27-34
Range 7 West: Sections 1U - 18U, 19-36
Range 8 West: Sections 1U - 18U, 19-36
Range 9 West: Sections 1U - 12U, 13-36
Range 10 West: Sections 1U, 11U, 12U, 13-36
Range 11 West: Sections 13, 24, 25, 35, 36

Township 34 North (North of Ute Line)

Range 5 West: Sections 1-18
Range 6 West: Sections 1-18
Range 7 West: Sections 1-18
Range 8 West: Sections 1-18
Range 9 West: Sections 1-5, 8-12

Township 34 1/2 North (North of Ute Line)

Range 9 West: Sections 33-36

Township 35 North (North of Ute Line)

Range 5 West: Unsurveyed Sections 19, 29-32
Range 6 West: Sections 13-36
Range 7 West: Sections 13, 14, 23, 24, 25, 26, 35, 36 and
All Unsurveyed lands
Range 8 West: Sections 1, 2, 9-36
Range 9 West: Sections 24-27, 34-36

The units shall consist of the N1/2 and S1/2 or the E1/2 and W1/2 of a full section with the permitted well located, when north of the north line of Township 32 North, in the NW1/4 and SE1/4 of the section, and when south of the north line of Township 32 North, in the NE1/4 and SW1/4 of the section, and no closer than 990 feet to any outer boundary of the unit, nor closer than 130 feet to any interior quarter section line.

Rule 3. The Director may, without additional notice and hearing, grant exceptions to the above-described well locations, because of topography or surface hazards. For other reasons, exceptions may be granted by the Director, providing the owners of the contiguous and cornering units toward which the proposed location would be moved, file a waiver or consent in writing, agreeing to said exceptions.

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Rule 4. Drilling units in the case of fractional sections as established in Order No. 112-1 Rule 2b and subsequent Orders in Township 32 North, Ranges 6, 7, 8, 9, 10 and 11 West of the New Mexico Principal Meridian lying immediately adjacent to the Colorado - New Mexico state boundary shall be the units for the production of methane gas from the Fruitland coal seams.

IT IS FURTHER ORDERED, that the Rules and Regulations of the Commission should govern all other matters pertaining to the production of methane gas from the Fruitland coal seams until the Commission may issue further orders upon public hearing.

IT IS FURTHER ORDERED, that at the regular August 1988 hearing of the Commission, upon proper notice being given, operators and interested persons shall present information and data concerning matters pertaining to infill drilling, specific production practices, horizontal drilling, and such other matters unique to the production of methane from the Fruitland coal seams underlying the area as described in Rule 2 herein above.

IT IS FURTHER ORDERED, that the above order shall become effective forthwith.

ENTERED this eleventh day of July,
1988 as of June 17, 1988.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

BY Dennis R. Bicknell
Dennis R. Bicknell, Secretary