

RULE 4. - The initial well on a 320-acre unit shall be located no closer than 660 feet to the outer boundary of the quarter section on which the well is located, and no closer than 10 feet to any governmental quarter-quarter section line or subdivision inner boundary. Only one infill well on a 320-acre unit shall be allowed provided that the well is located in the quarter section of the 320-acre unit not containing the initial well and is no closer than 660 feet to the outer boundary of the quarter section and no closer than 10 feet to any governmental quarter-quarter section line or subdivision inner boundary.

RULE 5. The Director may grant an exception to the requirements of Rule 4 in accordance with the procedure set forth by Division Rule No. 104.F.

RULE 6. The allowable for a standard 320-acre proration unit shall be 694 barrels of oil per day. In the event there is more than one well on a 320-acre proration unit, the operator may produce the allowable assigned to the unit from the wells on the unit in any proportion. The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 320 acres.

IT IS FURTHER ORDERED THAT:

(4) The location of all wells presently drilling to or completed in the Pecos Slope-Pennsylvanian Pool or in the Pennsylvanian formation within one mile thereof are hereby approved. The operator of any well having an unorthodox location shall notify the Division's Artesia District Office in writing of the name and location of the well within 30 days from the date of this order.

(5) Existing wells in the Pecos Slope-Pennsylvanian Pool shall have dedicated thereto 320 acres in accordance with the foregoing pool rules; or, existing wells may have non-standard spacing and proration units established by the Division and dedicated thereto.

Failure to file new Form C-102 with the Division dedicating 320 acres to a well or to obtain a non-standard unit approved by the Division within 60 days from the date of this order shall subject the well to cancellation of allowable until a non-standard unit has been approved.

(6) This case shall be reopened at an examiner hearing in February, 2003, at which time the operators in the Pecos Slope-Pennsylvanian Pool shall appear and present evidence to show cause why the temporary special pool rules established by this order should not be rescinded and the pool developed on standard 40-acre spacing.