

District I
1625 N. French Dr., Hobbs, NM 88240
District II
811 South First, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Oil Conservation Division
2040 South Pacheco
Santa Fe, NM 87505

Form C-101
Revised March 17, 1999

Submit to appropriate District Office
State Lease - 6 Copies
Fee Lease - 5 Copies

☐ AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

| | | |
|---|--|---|
| ¹ Operator Name and Address Gruy Petroleum Management Co. P. O. Box 140907 Irving TX 75014-0907 | | ² OGRID Number 162683 |
| ³ Property Code 29894 | | ⁴ Property Name Pennzoil "36" State Com |
| ⁵ API Number 30-025-35971 | | ⁶ Well No. 2 |

| ⁷ Surface Location | | | | | | | | | |
|-------------------------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
| Atoka | 36 | 19S | 33E | | 1050' | North | 1210' | East | Lea |

| ⁸ Proposed Bottom Hole Location If Different From Surface | | | | | | | | | |
|--|---------|----------|-------|---------|---|------------------|---------------|----------------|--------|
| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
| ⁹ Proposed Pool 1 Quail Ridge; Morrow | | | | | ¹⁰ Proposed Pool 2 Quail Ridge; Atoka | | | | |

| | | | | |
|-----------------------------------|--|---|---------------------------------------|---|
| ¹¹ Work Type Code N | ¹² Well Type Code G | ¹³ Cable/Rotary R | ¹⁴ Lease Type Code S | ¹⁵ Ground Level Elevation 3617' |
| ¹⁶ Multiple No | ¹⁷ Proposed Depth 14000' | ¹⁸ Formation Morrow / Atoka | ¹⁹ Contractor Patterson | ²⁰ Spud Date When Approved |

| ²¹ Proposed Casing and Cement Program | | | | | |
|--|------------------|--------------------|---------------|-----------------|---------------|
| Hole Size | Casing Size | Casing weight/foot | Setting Depth | Sacks of Cement | Estimated TOC |
| 17-1/2" | H-40 13-3/8" | 48 # | 425' | 490 sx | Surface |
| 12 - 1/4" | K-55 9-5/8" | 24 # | 5300' | 1500 sx | Surface |
| 7-7/8" | N-80/S-95 5-1/2" | 17 # | 14000' | 3000 sx | Surface |
| | | | | | |
| | | | | | |

²² Describe the proposed program. If this application is to DEEPEN or PLUG BACK, give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.
The proposed well will be drilled to a depth of 14,000' and completed as a White City; Penn Morrow / Atoka producer. From the base of the surface pipe through the running of 5 1/2" production casing, the well will be equipped with a 5000 BOP system.

Permit Expires 1 Year From Approval
Date Unless Drilling Underway

²³ I hereby certify that the information given above is true and complete to the best of my knowledge and belief.

Signature: *Zeno Farris*

Printed name: Zeno Farris

Title: Manager Operations Administration

Date: 07-02-02

Phone: 972-401-3111

ORIGINAL SIGNED BY
OIL CONSERVATION DIVISION
PETROLEUM ENGINEER

Approved by:

Title:

Approval Date: AUG 15 2002

Expiration Date:

Conditions of Approval:

Attached ☐

BB mB

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240

DISTRICT II
811 South First, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised March 17, 1999

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION

2040 South Pacheco
Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|----------------------------|---|----------------------------------|
| API Number 30-025-35971 | Pool Code 83280 | Pool Name Quail Ridge, MORROW |
| Property Code 29874 | Property Name PENNZOIL "36" STATE COM | Well Number 2 |
| OGRID No. 162683 | Operator Name GRUY PETROLEUM MANGEMENT CO. | Elevation 3617' |

Surface Location

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| A | 36 | 19 S | 33 E | | 1050 | NORTH | 1210 | EAST | LEA |

Bottom Hole Location If Different From Surface

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|------------------------|----------------------|-------------------------|----------------------|---------|---------------|------------------|---------------|----------------|--------|
| | | | | | | | | | |
| Dedicated Acres 320 | Joint or Infill N | Consolidation Code C | Order No. Pending | | | | | | |

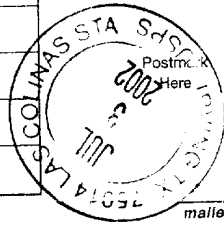
NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

| | | |
|--|---|--|
| | OPERATOR CERTIFICATION I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief. Zeno Farris Signature Zeno Farris Printed Name Manager, Operations, Admin Title 07/02/02 Date | |
| | SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my belief. June 25, 2002 Date Surveyed Signature & Seal of Professional Surveyor W.Q. No. 2572 Certificate No. Gary L. Jones 7977 JLP BASIN SURVEYS | |
| | | |
| | | |

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

7000 0520 0021 7469 7176

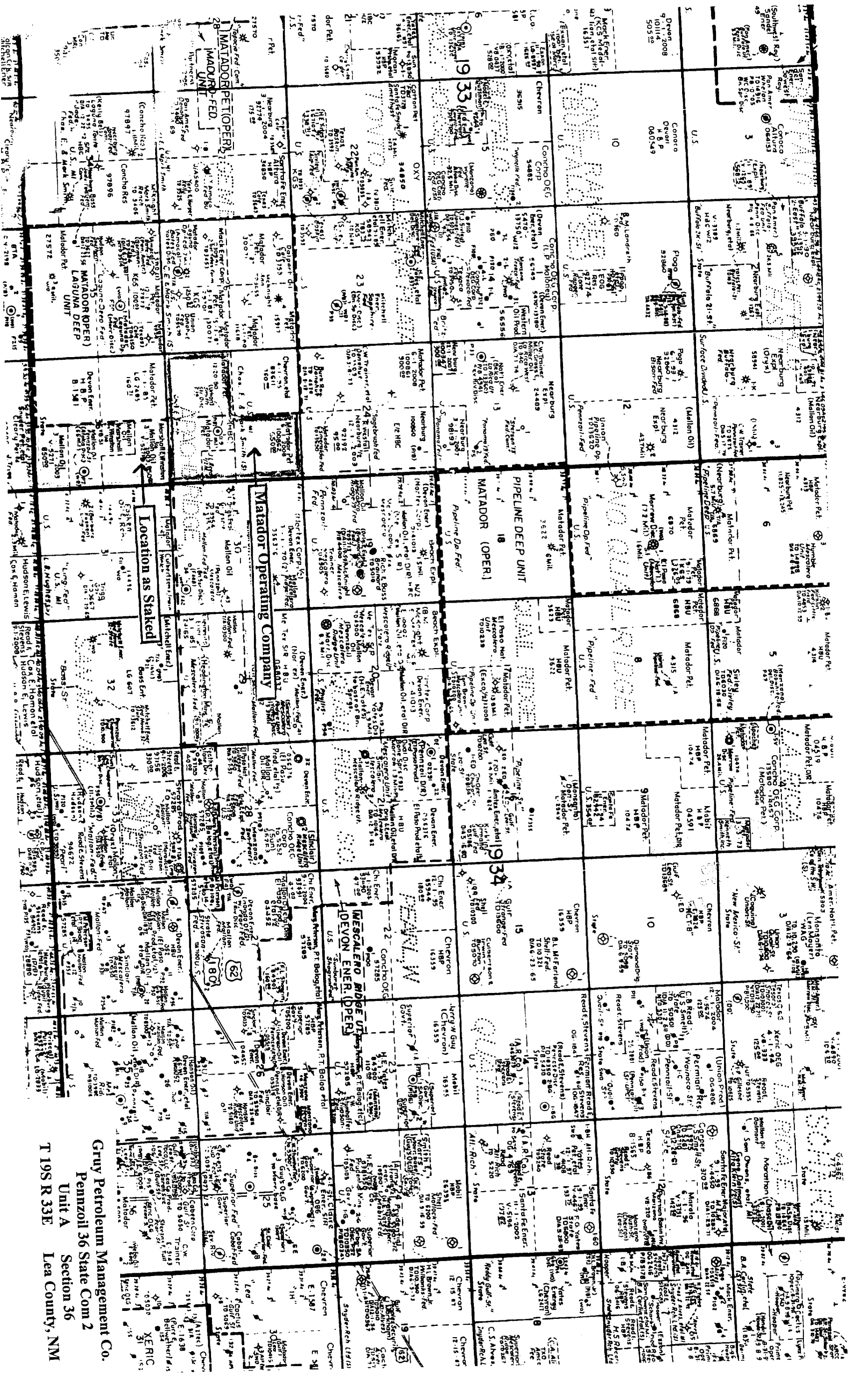
| | |
|---|----------------|
| Postage | \$ 0.83 |
| Certified Fee | 2.30 |
| Return Receipt Fee (Endorsement Required) | 1.75 |
| Restricted Delivery Fee (Endorsement Required) | — |
| Total Postage & Fees | \$ 4.88 |



Re Matador Operating Company
Str Suite 150, Pecan Creek
City 8340 Meadow Road
PS Dallas, TX 75231-3751
 Attn: Ms. Sharon Cook

mailier)

Instructions



Gruy Petroleum Management Co.
Pennzoil 36 State Com 2
Unit A Section 36
T 19S R 33E Lea County, NM



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

BETTY RIVERA

Cabinet Secretary

August 2, 2002

Lori Wrotenbery

Director

Oil Conservation Division

Gruy Petroleum Management, Company
P. O. Box 140907
Irving, Texas 75039

Attention: Zeno Farris

Re: Administrative application dated July 3, 2002 (*application reference No. pKRV0-218940708*) for Gruy Petroleum Management, Company's proposed Pennzoil "36" State Com. Well No. 2 to be drilled to test the Quail Ridge-Morrow Gas Pool (83280) within a standard 320-acre stand-up gas spacing unit comprising the E/2 of Section 36, Township 19 South, Range 33 East, NMPM, Lea County, New Mexico at a point 1050 feet from the North line and 1210 feet from the East line (Unit A) of Section 36.

Dear Mr. Farris:

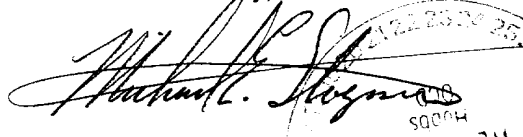
The location of your proposed gas well within the E/2 of Section 36 appears to be standard for the Quail Ridge-Morrow Gas Pool. My review of this application indicates it to be unnecessary since the special rules once governing this pool ("*Special Rules and Regulations for the Quail Ridge-Morrow Gas Pool*," as promulgated by Division Order No. R-03890, issued in Case No. 4261 on December 3, 1969, which order provided for 320-acre spacing units and for a single well within a standard spacing unit was to be located no closer than 660 feet to the nearest side boundary of the unit nor closer than 1980 feet from the nearest end boundary of the unit nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary) are no longer in effect (see copy attached). By Order No. R-5378, issued in Case No. 5858 on February 22, 1977 (see copy attached), the Division abolished these special rules and placed this pool under Division's statewide spacing and well location rules and regulations (Division Rule 104).

By Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, which order established the Division's current spacing and well location rules provides for deep gas wells in southeast New Mexico (wells to the Wolfcamp or deeper) to be developed on 320-acre spacing and for wells to be located not closer than 660 feet to any quarter section line nor closer than 10 feet to any quarter-quarter section or subdivision inner boundary, and further provides that each 320-acre unit be allowed one infill gas well so long as the infill is located in the quarter section adjacent to the original well (see copy attached).

I am therefore withdrawing this application and returning it to you at this time.

Should you have any questions concerning this matter please contact me in Santa Fe at (505) 476-3465.

Sincerely,


Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division - Hobbs
New Mexico State Land Office - Santa Fe
Kathy Valdes, NMOCD - Santa Fe

218940708

NSL

1/25/02

**Gruy Petroleum Management, Co.**

600 East Las Colinas Blvd. ♦ Suite 1100 ♦ Irving, TX 75039 ♦ (972) 401-3111 ♦ Fax (972) 443-6450

Mailing Address: P.O. Box 140907 ♦ Irving, TX 75014-0907

A subsidiary of Magnum Hunter Resources, Inc. • A NYSE Listed Company • MHR

July 3, 2002

New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe New Mexico 87505
Attn: Ms. Lori Wrotenbery

Re: Application of Gruy Petroleum Management Co. for Unorthodox Well Location
Pennzoil 36 State Com 2
E/2 Sec. A36 19S 33E
Lea County, New Mexico

Dear Ms. Wrotenbery:

Enclosed is a copy of the C-101, C-102, and acreage plat for the referenced well, being permitted as a Quail Ridge Morrow gas well with an unorthodox well location of 1050 FNL & 1210 FEL. We are encroaching on Matador operated acreage in section 25, and have asked for a waiver of objection for the non standard location.

Gruy Petroleum Management Co. is requesting administrative approval of its unorthodox well location for the Pennzoil 36 State Com #2. A copy of this letter and attachments has been furnished to Matador by certified mail as notice of this application.

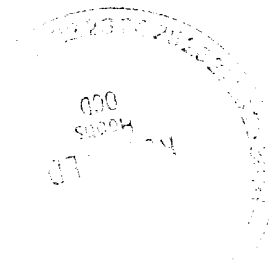
If you have any questions, or require additional information, please feel free to contact the undersigned at 972-443-6489.

Sincerely,

Zeno Farris
Manager, Operations Administration

CC: New Mexico Oil Conservation Division
1625 N. French Dr.
Hobbs, NM 88240

OIL CONSERVATION DIV.
02 JUL -5 AM 10:04





Gruy Petroleum Management, Co.

600 East Las Colinas Blvd. ♦ Suite 1100 ♦ Irving, TX 75039 ♦ (972) 401-3111 ♦ Fax (972) 443-6450

Mailing Address: P.O. Box 140907 ♦ Irving, TX 75014-0907

A subsidiary of Magnum Hunter Resources, Inc. • A NYSE Listed Company • "MHR"

July 3, 2002

Matador Operating Company
Suite 150, Pecan Creek
8340 Meadow Road
Dallas, TX 75231-3751
Attn: Ms. Sharon Cook

Re: Application of Gruy Petroleum Management Co. for Unorthodox Well Location
Pennzoil 36 State Com 2
E/2 Sec. A36 19S 33E
Lea County, New Mexico

Dear Ms. Cook:

Enclosed is a copy of the C-101, C-102, and acreage plat for the referenced well, being permitted as a Quail Ridge Morrow gas well at an unorthodox well location of 1050 FNL & 1210 FEL. We have applied to the New Mexico Oil Conservation Division for administrative approval of the unorthodox well location. We are trying to expedite the process due to rig availability in August. Therefore we are requesting Matador sign a waiver if they have no objection to the unorthodox well location for the Pennzoil 36 State Com # 2.

Please sign and return one copy of the waiver in the enclosed self addressed and stamped envelope.

If you have any questions, or require additional information, please feel free to contact the undersigned at 972-443-6489.

Sincerely,

Zeno Farris
Manager, Operations Administration

The undersigned has no objection to the application referenced above.

Matador Operating Company

By: _____ Date: _____

000
000
07



Gruy Petroleum Management, Co.

600 East Las Colinas Blvd. ♦ Suite 1100 ♦ Irving, TX 75039 ♦ (972) 401-3111 ♦ Fax (972) 443-6450

Mailing Address: P.O. Box 140907 ♦ Irving, TX 75014-0907

A subsidiary of Magnum Hunter Resources, Inc. • A NYSE Listed Company • "MHR"

July 3, 2002

Matador Operating Company
Suite 150, Pecan Creek
8340 Meadow Road
Dallas, TX 75231-3751
Attn: Ms. Sharon Cook

Re: Application of Gruy Petroleum Management Co. for Unorthodox Well Location
Pennzoil 36 State Com 2
E/2 Sec. A36 19S 33E
Lea County, New Mexico

Dear Ms. Cook:

Enclosed is a copy of the C-101, C-102, and acreage plat for the referenced well, being permitted as a Quail Ridge Morrow gas well at an unorthodox well location of 1050 FNL & 1210 FEL. We have applied to the New Mexico Oil Conservation Division for administrative approval of the unorthodox well location. We are trying to expedite the process due to rig availability in August. Therefore we are requesting Matador sign a waiver if they have no objection to the unorthodox well location for the Pennzoil 36 State Com # 2.

Please sign and return one copy of the waiver in the enclosed self addressed and stamped envelope.

If you have any questions, or require additional information, please feel free to contact the undersigned at 972-443-6489.

Sincerely,

Zeno Farris
Manager, Operations Administration

The undersigned has no objection to the application referenced above.

Matador Operating Company

By: _____ Date: _____

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. 5858
Order No. R-5378

APPLICATION OF UNION OIL COMPANY
OF CALIFORNIA FOR 320-ACRE SPACING,
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on February 16, 1977, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 22nd day of February, 1977, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, 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 the applicant, Union Oil Company of California, is the owner and operator of one gas well in the North Quail Ridge-Morrow Gas Pool, Lea County, New Mexico.
- (3) That said North Quail Ridge-Morrow Gas Pool was created and designated by the Commission by Order No. R-2241 effective June 1, 1962.
- (4) That by Commission Order No. R-2707, dated May 25, 1964, Rule 104 of the Commission Rules and Regulations was amended to provide that all gas pools of Pennsylvanian age or older in Southeast New Mexico which were created and defined June 1, 1964, or later shall have 320-acre spacing and proration units, inasmuch as it was found that in Southeast New Mexico, "... a gas well completed in the Pennsylvanian formation or a deeper formation will efficiently and economically drain and develop a 320-acre tract."
- (5) That the applicant in the instant case seeks the promulgation of rules including a provision for 320-acre spacing

for the North Quail Ridge-Morrow Gas Pool, in Lea County, New Mexico, inasmuch as that pool was excluded from the provisions of Order No. R-2707, because it was created and defined as the North Quail Ridge-Morrow Gas Pool prior to the cut-off date of June 1, 1964.

(6) That no appearances were made at the hearing of the instant case and no objection was received to the inclusion of the North Quail Ridge-Morrow Gas Pool under the provisions of Rule 104 of the Commission Rules and Regulations for gas pools of Pennsylvanian age or older.

(7) That one well in the North Quail Ridge-Morrow Gas Pool in Lea County, New Mexico, will efficiently and economically drain and develop 320 acres, and the inclusion of said pool under the 320-acre provisions of Rule 104 for pools of Pennsylvanian age or older will not cause waste nor violate correlative rights, and should be approved.

IT IS THEREFORE ORDERED:

(1) That effective March 1, 1977, each well completed or recompleted in the North Quail Ridge-Morrow Gas Pool or in the Morrow formation within one mile thereof shall be subject to the provisions of Rule 104 of the Commission Rules and Regulations notwithstanding the fact said pool was created and defined prior to June 1, 1964.

IT IS FURTHER ORDERED:

(1) That the locations of all wells presently drilling to or completed in the North Quail Ridge-Morrow Gas Pool or in the Morrow formation within one mile thereof are hereby approved; that the operator of any well having an unorthodox location shall notify the Hobbs District Office of the Commission in writing of the name and location of the well by May 1, 1977.

(2) That pursuant to Paragraph A. of Section 65-3-14.5, NMSA 1953, contained in Chapter 271, Laws of 1969, existing wells in the North Quail Ridge-Morrow Gas Pool shall have dedicated thereto 320 acres in accordance with Rule 104 of the Commission Rules and Regulations; or pursuant to Paragraph C. of said Section 65-3-14.5, existing wells may have non-standard units dedicated thereto.

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


(3) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

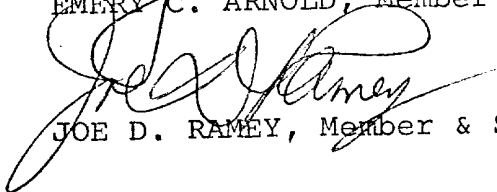
-3-
Case No. 5858
Order No. R-5378

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

PHIL R. LUCERO, Chairman


EMERY C. ARNOLD, Member


JOE D. RAMEY, Member & Secretary

S E A L

jr/

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. 4261
Order No. R-3890

APPLICATION OF PENNZOIL UNITED, INC.,
FOR SPECIAL POOL RULES AND UNORTHODOX
GAS WELL LOCATION, LEA COUNTY, NEW
MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on November 25, 1969, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 3rd day of December, 1969, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, 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 the applicant, Pennzoil United, Inc., seeks the promulgation of special rules and regulations for the Quail Ridge-Morrow Gas Pool, Lea County, New Mexico, including a provision for 320-acre spacing units.

(3) That the applicant further seeks an exception to the proposed well location requirements for said Quail Ridge-Morrow Gas Pool for its Mescalero Ridge Well No. 1 located 660 feet from the South line and 660 feet from the West line of Section 20, Township 19 South, Range 34 East, NMPM, Lea County, New Mexico.

(4) That in order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of

risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, special rules and regulations providing for 320-acre spacing units should be promulgated for the Quail Ridge-Morrow Gas Pool.

(5) That the special rules and regulations should provide for limited well locations in order to assure orderly development of the pool and protect correlative rights.

(6) That approval of the non-standard location in the subject pool for the aforesaid Mescalero Ridge Well No. 1 will prevent the drilling of unnecessary wells, will afford the applicant the opportunity to produce its just and equitable share of the gas in the subject pool, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

That Special Rules and Regulations for the Quail Ridge-Morrow Gas Pool, Lea County, New Mexico, are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
QUAIL RIDGE-MORROW GAS POOL

RULE 1. Each well completed or recompleted in the Quail Ridge-Morrow Gas Pool or in the Morrow formation within one mile thereof, and not nearer to or within the limits of another designated Morrow gas pool, shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. Each well shall be located on a standard unit consisting of approximately 320 acres which shall comprise any two contiguous quarter sections of a single governmental section, being a legal subdivision (half section) of the United States Public Land Surveys. For purposes of these rules, a unit consisting of between 316 and 324 contiguous surface acres shall be considered a standard unit.

RULE 3. The Secretary-Director of the Commission may grant an exception to the requirements of Rule 2 without notice and

hearing when an application has been filed for a non-standard unit and the unorthodox size or shape of the unit is necessitated by a variation in the legal subdivision of the United States Public Land Surveys, or the following facts exist and the following provisions are complied with:

- (a) The non-standard unit consists of quarter quarter sections or lots that are contiguous by a common bordering side.
- (b) The non-standard unit lies wholly within a single governmental section and contains less acreage than a standard unit.
- (c) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the section in which the non-standard unit is situated and which acreage is not included in said non-standard unit.
- (d) In lieu of paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of his intent to form such non-standard unit. The Secretary-Director may approve the application if no such operator has entered an objection to the formation of such non-standard unit within 30 days after the Secretary-Director has received the application.

RULE 4. Each well shall be located not closer than 660 feet to the nearest side boundary of the dedicated tract nor closer than 1980 feet to the nearest end boundary nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary.

RULE 5. The Secretary-Director may grant an exception to the requirements of Rule 4 without notice and hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proposed location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Secretary-Director may

approve the application upon receipt of written waivers from all operators offsetting the proposed location or if no objection to the unorthodox location has been entered within 20 days after the Secretary-Director has received the application.

IT IS FURTHER ORDERED:

- (1) That the Pennzoil United, Inc., Mescalero Ridge Well No. 1, located 660 feet from the South line and 660 feet from the West line of Section 20, Township 19 South, Range 34 East, NMPM, Quail Ridge-Morrow Gas Pool, Lea County, New Mexico, is hereby granted an exception to the well location requirements contained herein.
- (2) That the operator of the aforesaid Mescalero Ridge Well No. 1 shall file a new Form C-102 outlining thereon the acreage dedicated to said well within 15 days after receipt of this order.
- (3) That the locations of all wells presently drilling to or completed in the Quail Ridge-Morrow Gas Pool or in the Morrow formation within one mile thereof are hereby approved; that the operator of any well having an unorthodox location shall notify the Hobbs District Office of the Commission in writing of the name and location of the well on or before December 15, 1969.
- (4) That, pursuant to Paragraph A. of Section 65-3-14.5, NMSA 1953, contained in Chapter 271, Laws of 1969, existing wells in the Quail Ridge-Morrow Gas Pool shall have dedicated thereto 320 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C. of said Section 65-3-14.5, existing wells may have non-standard spacing or proration units established by the Commission and dedicated thereto.

Failure to file new Forms C-102 with the Commission dedicating 320 acres to a well or to obtain a non-standard unit approved by the Commission within 60 days from the date of this order shall subject the well to cancellation of allowable. Until said Form C-102 has been filed or until a non-standard unit has been approved, and subject to said 60-day limitation, each well presently drilling to or completed in the Quail Ridge-Morrow Gas Pool or in the Morrow formation within one mile thereof shall receive no more than one-half of a standard allowable for the pool.

-5-

CASE No. 4261

Order No. R-3890

(5) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

DAVID F. CARGO, Chairman

ALEX J. ARMIJO, Member

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

S E A L

esr/