

(5) Division records and evidence and testimony presented by the applicant indicate that the Ceniza "AGZ" Com Well No. 3 was originally drilled by the applicant in 1991 to test the Morrow formation. In March, 1991, the well was completed at a standard oil well location in the South Dagger Draw-Upper Pennsylvanian Associated Pool. In June, 1998, the South Dagger Draw-Upper Pennsylvanian Associated Pool was abandoned as a producing zone in the well after the well produced approximately 6,000 barrels of oil and 63 MMCF of gas and the well was recompleted to the Morrow formation, Undesignated Cemetery-Morrow Gas Pool at an initial producing rate of 1,800 MCFG per day.

(6) The applicant testified that utilizing the existing wellbore to develop the Morrow gas reserves underlying the N/2 of Section 13 will result in substantial cost savings.

(7) Yates Petroleum Corporation is the operator of the affected offset acreage in Section 14.

(8) No other offset operator and/or interest owner appeared at the hearing in opposition to the proposed unorthodox gas well location.

(9) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the Atoka and/or Morrow formations and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Yates Petroleum Corporation, is hereby authorized to recomplete its Ceniza "AGZ" Com Well No. 3 (**API No. 30-015-26467**) to test the Atoka and/or Morrow formations, Undesignated Cemetery-Morrow Gas Pool at an unorthodox gas well location 1980 feet from the North line and 660 feet from the West line (Unit E) of Section 13, Township 20 South, Range 24 East, NMPM, Eddy County, New Mexico. The N/2 of Section 13 shall be dedicated to the well forming a standard 320-acre gas spacing and proration unit for said pool(s).

(2) The portion of the application seeking the compulsory pooling of the N/2 of Section 13, is hereby dismissed.

(3) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.