

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 13403
ORDER NO. R-12304**

**APPLICATION OF YATES PETROLEUM CORPORATION FOR A UNIT
AGREEMENT, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came for hearing on February 3, 2005, and on March 3, 2005, at Santa Fe, New Mexico, before Examiners William V. Jones and Richard Ezeanyim.

NOW, on this 14th day of March, 2005, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Oil Conservation Division ("Division") has jurisdiction of this case and its subject matter.

(2) The applicant, Yates Petroleum Corporation ("Yates" or "Applicant"), seeks approval of its Fender State Exploratory Unit Agreement for all oil and gas in all formations from the surface to the base of the Mississippian formation underlying the following-described 5,442.24 acres, more or less, of State of New Mexico lands situated in Lea County, New Mexico:

TOWNSHIP 10 SOUTH, RANGE 32 EAST, NMPM

Section 3: All
Section 4: All
Section 5: All
Section 8: All
Section 9: All
Section 10: W/2, NE/4, N/2 SE/4
Section 15: W/2, W/2 SE/4
Section 16: All
Section 17: All

- (3) The Applicant presented testimony by affidavit as follows.
 - (a) All interests within the Unit area are committed to the Unit.
 - (b) One hundred percent of the royalty interest is owned by the State of New Mexico.
 - (c) The State Land Office has given preliminary approval for this Unit.
 - (d) The initial well will be the re-entry of the Sohio State Well No. 1 at a standard gas well location 1,980 feet from the South line and 1980 feet from the West line of Section 9, Township 10 South, Range 32 East, NMPM, Lea County, New Mexico, and to an approximate depth of 11,700 feet.
 - (e) There have been four deep Atoka penetrations in the proposed unit and none of these wells had any production. The extreme eastern edge of the unit has had production from the San Andres and Upper Pennsylvanian.
 - (f) The primary target for this initial well will be the Atoka Sands, but all formations will be evaluated down through the Mississippian.
 - (g) Yates is attempting to locate high-risk channel sands using existing well information and regional mapping.
- (4) No other party appeared at the hearing or otherwise opposed this application.
- (5) All of the proposed unit acreage appears prospective for recovery of oil and gas from the target formations under the concept proposed by the applicant. These acres should be unitized and should equally share in the benefits from future oil and gas recovery.
- (6) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

IT IS THEREFORE ORDERED THAT:

(1) The Fender State Exploratory Unit Agreement executed by Yates Petroleum Corporation is hereby approved for all oil and gas in all formations from the surface to the base of the Mississippian formation underlying the following-described 5,442.24 acres, more or less, of State of New Mexico lands situated in Lea County, New Mexico:

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(2) The plan contained in the Fender State Exploratory Unit Agreement for the development and operation of the above-described unit area is hereby approved in principle; provided, however, notwithstanding any of the provisions contained in the unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation that is now, or may hereafter be, vested in the Division to supervise and control operations for the unit and production of oil and gas therefrom.

(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 days of the effective date thereof; in the event of subsequent joinder by any other party, or expansion or contraction of the unit area, the unit operator shall file with the Division, within 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

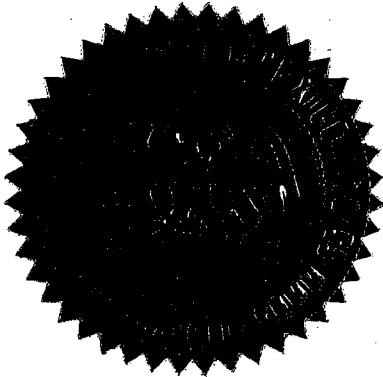
(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the New Mexico State Land Office. This order shall terminate upon the termination of

the unit agreement. The last unit operator shall notify the Division immediately in writing of such termination.

(6) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

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



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in dark ink, appearing to read "Mark E. Fesmire".

MARK E. FESMIRE, P.E.
Director