

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

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

**APPLICATION OF YATES PETROLEUM
CORPORATION FOR AUTHORIZATION
TO DRILL WITHIN THE POTASH AREA,
AS DEFINED BY DIVISION ORDER NO.
R-111-P, EDDY COUNTY, NEW MEXICO.**

CASE NO. 11913

**APPLICATION OF YATES PETROLEUM
CORPORATION FOR AUTHORIZATION
TO DRILL WITHIN THE POTASH AREA,
AS DEFINED BY DIVISION ORDER NO.
R-111-P, EDDY COUNTY, NEW MEXICO.**

CASE NO. 11914

**APPLICATION OF YATES PETROLEUM
CORPORATION FOR AUTHORIZATION
TO DRILL WITHIN THE POTASH AREA,
AS DEFINED BY DIVISION ORDER NO.
R-111-P, EDDY COUNTY, NEW MEXICO.**

CASE NO. 11915

**APPLICATION OF YATES PETROLEUM
CORPORATION FOR AUTHORIZATION
TO DRILL WITHIN THE POTASH AREA,
AS DEFINED BY DIVISION ORDER NO.
R-111-P, EDDY COUNTY, NEW MEXICO.**

CASE NO. 11916

Order No. R-10950

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a. m. on January 30, 1998, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 3rd day of February 1998, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) At the time of the hearing Case Nos. 11913, 11914, 11915, and 11916 were consolidated for presentation purposes.

(3) In Case No. 11913, Yates Petroleum Corporation ("Yates") seeks approval to drill within the "Designated Potash Area" pursuant to all applicable rules and procedures governing said area, as promulgated by Division Order No. R-111-P. The proposed well, its Jacque "AJQ" State Well No. 1, is to be located at a standard oil well location 330 feet from the South and West lines (Unit M) of Section 34, Township 21 South, Range 31 East, NMPM, to test the Delaware formation at an approximate depth of 8,150 feet, Eddy County, New Mexico. The SW/4 SW/4 of said Section 34 is to be dedicated to said well to form a standard 40-acre oil spacing and proration unit for the Undesignated West Lost Tank-Delaware Pool.

(4) In Case No. 11914, Yates seeks approval to drill within the "Designated Potash Area" pursuant to all applicable rules and procedures governing said area, as promulgated by Division Order No. R-111-P. The proposed well, its Jacque "AJQ" State Well No. 2, is to be located at a standard oil well location 1650 feet from the South line and 330 feet from the West line (Unit L) of Section 34, Township 21 South, Range 31 East, NMPM, to test the Delaware formation at an approximate depth of 8,150 feet, Eddy County, New Mexico. The NW/4 SW/4 of said Section 34 is to be dedicated to said well to form a standard 40-acre oil spacing and proration unit for the Undesignated West Lost Tank-Delaware Pool.

(5) In Case No. 11915, Yates seeks approval to drill within the "Designated Potash Area" pursuant to all applicable rules and procedures governing said area, as promulgated by Division Order No. R-111-P. The proposed well, its Jacque "AJQ" State Well No. 3, is to be located at a standard oil well location 330 feet from the South line and 1650 feet from the West line (Unit N) of Section 34, Township 21 South, Range 31 East, NMPM, to test the Delaware formation at an approximate depth of 8,150 feet, Eddy County, New Mexico. The SE/4 SW/4 of said Section 34 is to be dedicated to said well to form a standard 40-acre oil spacing and proration unit for the Undesignated West Lost Tank-Delaware Pool.

(6) In Case No. 11916, Yates seeks approval to drill within the "Designated Potash Area" pursuant to all applicable rules and procedures governing said area, as

promulgated by Division Order No. R-111-P. The proposed well, its Jacque "AJQ" State Well No. 4, is to be located at a standard oil well location 990 feet from the North line and 330 feet from the West line (Unit D) of Section 34, Township 21 South, Range 31 East, NMPM, to test the Delaware formation at an approximate depth of 8,150 feet, Eddy County, New Mexico. The NW/4 NW/4 of said Section 34 is to be dedicated to said well to form a standard 40-acre oil spacing and proration unit for the Undesignated West Lost Tank-Delaware Pool.

(7) All four of the subject Delaware oil well locations are subject to Division General Rule 104.C(1)(a), which requires 40-acre oil spacing and proration units with wells to be located no closer than 330 feet from the outer boundary of a spacing unit. Further all of said Section 34 is within the "Designated Potash Area," as defined by Division Order No. R-111-P, and is therefore subject to all of the applicable rules and procedures governing said area.

(8) In October 1997, Yates filed with the Artesia District Office of the New Mexico Oil Conservation Division Forms C-101, "*Applications for Permit to Drill*" ("APD") on each of the four above-described wells. In compliance with said Order No. R-111-P, Yates also notified each potash operator holding potash leases within one mile of the proposed wells. By letters dated October 10, 1997, Mississippi Potash, Inc. objected to the drilling of the four subject wells.

(9) On December 18, 1997 Yates filed with the Division's Santa Fe Office its requests to bring this matter to a Division Hearing Examiner.

(10) At the time of the hearing, Mississippi Potash, Inc. withdrew its objection to the drilling of the four Yates wells.

(11) There no longer being an objection to the four proposed wells, the APD's filed by Yates with the Artesia District Office of the Division should be approved.

IT IS THEREFORE ORDERED THAT:

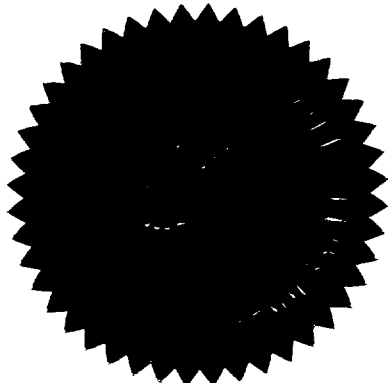
(1) The four applications by Yates Petroleum Corporation in Case Nos. 11913, 11914, 11915, and 11916 to drill its Jacque "AJQ" State Well Nos. 1, 2, 3, and 4 at standard oil well locations in Units "M", "L", "N", and "D", respectively, of Section 34, Township 21 South, Range 31 East, NMPM, Undesignated West Lost Tank-Delaware Pool, Eddy County, New Mexico, are hereby dismissed.

(2) The corresponding "*Applications for Permit to Drill*" ("APD") filed by Yates with the Division's District Office in Artesia in October, 1997 for these four wells shall be

referred back to the Artesia Office for approval.

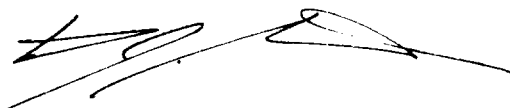
(3) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

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



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



KATHLEEN A. GARLAND
Acting Director