

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

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OIL CONSERVATION DIV.

IN THE MATTER OF THE APPLICATION
OF YATES PETROLEUM CORPORATION
TO AMEND THE SPECIAL POOL RULES
AND REGULATIONS FOR THE BURTON
FLAT-MORROW GAS POOL TO CONFORM
THESE RULES TO THE GENERAL SPACING
AND ACREAGE DEDICATION REQUIREMENTS
OF THE OIL CONSERVATION DIVISION,
EDDY COUNTY, NEW MEXICO.

CASE NO. 12310

APPLICATION

YATES PETROLEUM CORPORATION ("Yates"), through its undersigned attorneys, hereby makes application to the Oil Conservation Division for an order conforming the Special Rules and Regulations for the Burton Flat-Morrow Gas Pool to the well spacing and location requirements of the General Rules and Regulations of the Division.

In support hereof applicant states:

1. Yates is a working interest owner in the Burton Flat-Morrow Gas Pool which was created by the Oil Conservation Division by Order No. R-4486 on March 1, 1973 and has been expanded from time to time to include the following described lands in Eddy County, New Mexico:

TOWNSHIP 20 SOUTH, RANGE 27 EAST, N.M.P.M.

Section 12: S/2
Section 13: All
Section 14: E/2
Sections 23 through 26: All
Sections 35 and 36: All

TOWNSHIP 20 SOUTH, RANGE 28 EAST, N.M.P.M.

Section 8: All
Section 9: W/2
Section 11: All
Section 14: All
Sections 16 through 27: All
Sections 29 through 34: All
Section 35: W/2

TOWNSHIP 21 SOUTH, RANGE 26 EAST, N.M.P.M.

Section 1: Lots 1 through 16, S/2
Sections 11 and 13: All
Section 14: E/2

TOWNSHIP 21 SOUTH, RANGE 27 EAST, N.M.P.M.

Section 2: Lots 1 through 16, S/2
Section 3: All
Section 4: Lots 1 through 16, S/2
Sections 5 through 11: All
Section 12: W/2
Sections 14 through 22: All
Section 23: W/2
Sections 28 through 30: All
Section 31: N/2
Sections 32 through 34: All

2. The Burton Flat-Morrow Gas Pool is governed by Special Pool Rules and Regulations which were adopted On January 16, 1974 by Order No. R-4706. These rules provide, among other things, for wells to be located on 320-acre spacing and proration units to be located no nearer than 1980 feet to the end boundary nor nearer than 660 feet to the side boundary of the proration unit nor nearer than 330 feet to any governmental quarter-quarter section line. (Rule 2)

3. This order was renumbered as Order No. R-1670-P by Order No. R-4706-A on January 18, 1974 and these rules were subsequently renumbered as Order No. R-8170 in Case No. 8749 dated March 28, 1986.

4. The Oil Conservation Division adopted amendments to Division Rule 104 “Well Spacing and Location Requirements” by Order No. R-11231 (Case 12119) on August 12, 1999 to provide grant operators increased flexibility in locating wells and to decrease the number of applications for unorthodox well locations. These rules became effective on August 31, 1999 and provide for one infill well on a 320-acre gas spacing and proration units with wells to be located 660 feet from the outer boundary of the quarter section on which the well is located and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

5. The new changes to Rule 104 do not amend the Special Pool Rules and Regulations of the Burton Flat-Morrow Gas Pool. To enable it and other operators in this pool to enjoy the increased flexibility in locating wells that has been authorized for 320-acre gas pools developed pursuant to the General Rules of the Division, Yates seeks amendment of the Special Rules and Regulations for the Burton Flat-Morrow Gas Pool as forth in Division Order No. R-8170 as follows:

Wells shall be located on a spacing unit consisting of a 320 surface contiguous acres, more or less, comprising any two contiguous quarter sections of a single section that is a legal subdivision of the U.S. Public land Surveys provided that:

- a. the initial well on a 320-acre unit is located no closer than 660 feet to the outer boundary of a quarter section on which the well is located and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary;
- b. 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 quarter-quarter section line or subdivision inner boundary: and
- c. the Division-designated operator for the infill well is the same operator which is designated by the Division for the initial well.

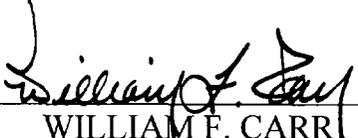
6. Notice of this application has been provided to all Division-designated operators in the pool and to all Division-designated operators of wells within the same formation as the pool and within one mile of the outer boundary of the pool which have not been assigned to another pool in accordance with the provisions of Division Rules 1207 A. (4).

7. Approval of this application will be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Yates Petroleum Corporation requests that this application be set for hearing before an Examiner of the Oil Conservation Division on December 16, 1999, and, after notice and hearing as required by law, the Division enter its order amending the Special Rules and Regulations for the Burton Flat-Morrow Gas Pool to conform to the provisions of Division Rule 104 as amended by Order No. R-11231, and effective on August 31, 1999.

Respectfully submitted,

CAMPBELL, CARR, BERGE,
AND SHERIDAN, P.A.

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ATTORNEYS FOR YATES PETROLEUM
CORPORATION

EXHIBIT A

Bass Enterprises Production Co.
201 Main St., Suite 3100
Ft. Worth, TX 76102-3187

Bennett RC Company
P.O. Box 264
Midland, TX 79702-0264

Bonneville Fuels Corp.
1660 Lincoln St., Suite 2200
Denver, CO 80264-2201

Fasken Oil & Ranch, Ltd.
303 W. Wall, Suite 1800
Midland, TX 79701-5116

Harvard Petroleum Corp.
P.O. Box 936
Roswell, NM 88202-0936

KCS Medallion Resources
7130 S. Lewis Ave., Suite 700
Tulsa, OK 74136-5489

Marathon Oil Co.
P.O. Box 552
Midland, TX 79702

Merit Energy Corporation
12222 Merit Drive, Suite 1500
Dallas, TX 75251-3206

Mewbourne Oil Co.
500 W. Texas, Suite 1020
Midland, TX 79701

Ocean Energy, Inc.
1001 Fannin, Suite 1600
Houston, TX 77002

OXY, USA, Inc.
P.O. Box 50250
Midland, TX 79710

Petroleum Reserve Corp.
531 Plymouth Road, Suite 525
Plymouth Meeting, PA 19462-1642

Roca Production, Inc.
P.O. Box 1981
Midland, TX 79702

Saga Petroleum, LLC
415 Wall, Suite 835
Midland, TX 79701-4417

Strata Production, Inc.
P.O. Box 1030
Roswell, NM 88202-1030

Case 12310: Application of Yates Petroleum Corporation for an order conforming the Special Pool Rules and Regulations for the Burton Flat-Morrow Gas Pool, Eddy County, New Mexico. Applicant seeks an order amending the Special Rules and Regulations for the Burton Flat-Morrow Gas Pool, adopted as codified in Division Order No. R-8170, to conform to the provisions of General Rule 104 to provide that (1) the initial well on a 320-acre unit is located no closer than 660 feet to the outer boundary of a quarter section on which the well is located and no closer than 10 feet to any quarter-quarter section line of subdivision inner boundary, (2) 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 quarter-quarter section line or subdivision inner boundary; and the Division-designated operator for the infill well is the same operator which is designated by the Division for the initial well. The Burton Flat-Morrow Gas Pool is located in portions of Townships 20 and 21 South and Ranges 26, 27, and 28 East, NMPM, Eddy County, New Mexico. The pool is located approximately __ miles _____ of _____, New Mexico.

IN THE ABSENCE OF OBJECTION, THIS APPLICATION WILL BE TAKEN UNDER ADVISEMENT.