

**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. 12751 (Reopened)
ORDER NO. R-11721-A**

**IN THE MATTER OF CASE NO. 12751 BEING REOPENED PURSUANT TO THE
PROVISIONS OF DIVISION ORDER NO. R-11721, WHICH ORDER CREATED THE
PECOS SLOPE-PENNSYLVANIAN POOL AND PROMULGATED TEMPORARY
SPECIAL POOL RULES AND REGULATIONS THEREFOR, CHAVES COUNTY, NEW
MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on March 27, 2003, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 28th day of April, 2003, 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 Division has jurisdiction of this case and its subject matter.

(2) By Division Order No. R-11721, issued in Case No. 12751 and dated February 6, 2002, the Pecos Slope-Pennsylvanian Pool was created for the production of oil from the Pennsylvanian Cisco formation in the W/2 of Section 26, Township 6 South, Range 25 East, NMPM, Chaves County, New Mexico. This order also promulgated special rules and regulations for this pool as follows.

RULE 1. Each well completed in or recompleted in the Pecos Slope-Pennsylvanian Pool or in the Pennsylvanian formation within one mile thereof, and not nearer to or within the limits of another designated Pennsylvanian pool, shall be spaced, drilled, operated, and produced in accordance with the special rules hereinafter set forth.

RULE 2. Each well completed or recompleted in the Pecos Slope-Pennsylvanian Pool shall be located on a unit containing 320 acres, more or less, which consists of two contiguous governmental quarter sections.

RULE 3. The Director may grant an exception to the requirements of Rule 2 in accordance with the procedure set forth by Division Rule No. 104.D.(2).

RULE 4. The initial well on a 320-acre unit shall be located no closer than 660 feet to the outer boundary of the quarter section on which the well is located, and no closer than 10 feet to any governmental quarter-quarter section line or subdivision inner boundary. 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 governmental quarter-quarter section line or subdivision inner boundary.

RULE 5. The Director may grant an exception to the requirements of Rule 4 in accordance with the procedure set forth by Division Rule No. 104.F.

RULE 6. The allowable for a standard 320-acre proration unit shall be 694 barrels of oil per day. In the event there is more than one well on a 320-acre proration unit, the operator may produce the allowable assigned to the unit from the wells on the unit in any proportion. The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 320 acres.

(3) Pursuant to the provisions of these special rules and regulations, this case was reopened to allow the operators in this pool to appear and show cause why these rules should not be rescinded and the pool developed on statewide 40-acre spacing units.

(4) The Pecos Slope-Pennsylvanian Pool currently comprises the following described acreage in Chaves County, New Mexico.

TOWNSHIP 6 SOUTH, RANGE 25 EAST, NMPM

Section 26:	W/2
Section 35:	W/2
Section 27:	All

(5) There are currently four (4) wells producing in this Pecos Slope-Pennsylvanian Pool, all operated by Yates. Cumulative production through January, 2003, is approximately 254,000 barrels of oil and 377,000 Mcf of gas.

(6) The original applicant, Yates Petroleum Corporation ("Yates"), appeared and presented testimony supporting the continued development of this pool on 320-acre spacing.

(7) Yates presented engineering evidence that existing drainage areas are consistent with spacing of two (2) wells per 320-acre unit. Further evidence and testimony indicates that current rules in effect for this pool would assure continued development in a most prudent manner, would be in the best interest of conservation, and have afforded and will afford the owner of property in the pool the opportunity to produce its just and equitable share of the oil in the pool.

(8) No interested parties appeared at the hearing in opposition to the continuation of the current special pool rules.

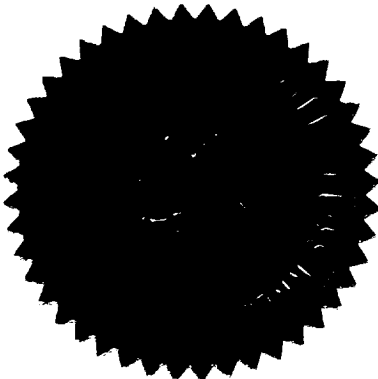
(9) In order to prevent the economic loss caused by the drilling of an excessive number of wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells and to otherwise prevent waste and protect correlative rights, the "Special Rules and Regulations for the Pecos Slope-Pennsylvanian Pool," as promulgated by Division Order No. R-11721, should be continued in full force and effect until further order of the Division.

IT IS THEREFORE ORDERED THAT:

(1) The Special Rules and Regulations governing the Pecos Slope-Pennsylvanian Pool, Chaves County, New Mexico, are hereby continued in full force and effect until further order of the Division.

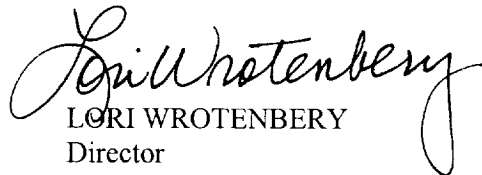
(2) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

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



S E A L

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


LORI WROTENBERY
Director