

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:

APPLICATION OF YATES PETROLEUM
CORPORATION FOR AMENDMENT OF
THE SPECIAL POOL RULES AND REGU-
LATIONS FOR THE NORTH DAGGER DRAW-
UPPER PENNSYLVANIAN POOL AS PROMUL-
GATED BY DIVISION ORDER NO. R-4691, AS
AMENDED, TO INCREASE THE ASSIGNED POOL
WIDE DEPTH BRACKET OIL ALLOWABLE AND
THE CANCELLATION OF OVERPRODUCTION,
EDDY COUNTY, NEW MEXICO.

CASE NO. 11525
Order No. R-4691-F

APPLICATION OF YATES PETROLEUM
CORPORATION FOR AMENDMENT OF THE
SPECIAL POOL RULES AND REGULATIONS
FOR THE SOUTH DAGGER DRAW-UPPER
PENNSYLVANIAN ASSOCIATED POOL, AS
PROMULGATED BY DIVISION ORDER NO.
R-5353, AS AMENDED, TO INCREASE THE
ASSIGNED POOL WIDE DEPTH BRACKET OIL
ALLOWABLE AND THE CANCELLATION OF
OVERPRODUCTION, EDDY COUNTY, NEW
MEXICO.

CASE NO. 11526
Order No. R-5353-L-3

ORDER OF THE DIVISION
STAYING ORDERS NOS. R-4691-E AND R-5353-L-2

BY THE DIVISION:

This matter having come before the Division upon the request of Yates Petroleum Corporation (Yates) for a Stay of Division Orders Nos. R-4691-E and R-5353-L-2 and the Division Director having considered the request and being fully advised in the premises,

NOW, on this 16th day of August, 1996, the Division Director:

FINDS THAT:

(1) On August 14, 1996, the Division entered Orders Nos. R-4691-E and R-5353-L-2 which (a) denied Yates applications for increased allowables for these pools, (b) denied the applications for cancellation of the accumulated overproduction in these pools, and (c) ordered that production from all overproduced units be curtailed to 50% of the current allowables for these pools.

(2) On August 15, 1996 Yates filed with the Division a request for a De Novo Hearing in these cases which is now set for hearing by the Commission on September 18, 1996.

(3) On August 15, 1996 Yates filed with the Division a Motion for Stay of Division Orders Nos. R-4691-E and R-5353-L-2 stating among other things that curtailment of production will have an adverse effect upon the ultimate recovery of oil from these Upper Pennsylvanian Pools, thus causing waste.

(4) On August 15, 1996 Conoco, Inc., (Conoco) filed with the Division a Response to the Motion of Yates for a Stay of Division Orders Nos. R-4691-E and R-5353-L-2 stating among other things that failure to curtail production from the Yates wells will further damage the correlative rights of Conoco and only exacerbate the damage that Yates has already caused.

(5) In support of their positions, Yates and Conoco produced engineering arguments and conclusions which were the essence of issues and testimony which should be presented before the Commission at the September 18, 1996 De Novo Hearing. Evaluating these issues for the purpose of granting or denying the Motion for Stay would amount to prejudging the case.

(6) Granting the Stay for the period of August 15, 1996 to the date the Commission rules on the issues involved in the De Novo Hearing will prevent waste and protect the correlative rights of all parties if Yates produces all wells within current allowable limits and the Commission hears the cases on the scheduled September 18, 1996 date because those overproduced wells in the Upper Pennsylvanian reservoir in the South Dagger Draw and North Dagger Draw Pools have ample remaining producing history to be brought into balance with Division allowables if the Commission affirms the subject orders.

IT IS THEREFORE ORDERED THAT:

(1) Division Orders Nos. R-4691-E and R-5353-L-2 entered on August 14, 1996, are hereby stayed in their entirety until the Commission rules on the evidence presented at

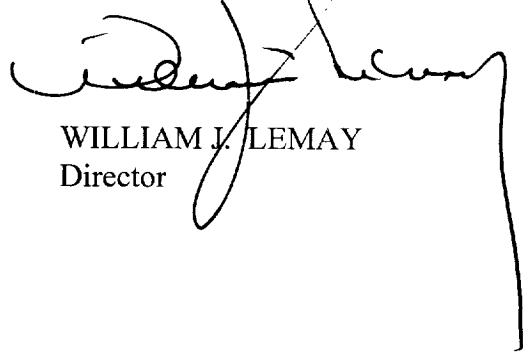
Cases Nos. 11525 and 11526
Orders Nos. R-4691-F and R-5353-L-3
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the September 18, 1996 De Novo Hearing.

(2) Jurisdiction of this cause 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.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

S E A L