



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 S. PACHECO
SANTA FE, NEW MEXICO 87505
(505) 827-7131

August 8, 1997

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Attn: Ken Beardemphl

Administrative Order NSL-3849(SD)

Dear Mr. Beardemphl:

Reference is made to your application dated July 23, 1997 for an unorthodox well location in an existing standard 320-acre oil spacing and proration unit in the South Dagger Draw-Upper Pennsylvanian Associated Pool comprising the S/2 of Section 35, Township 20 South, Range 24 East, NMPM, Eddy County, New Mexico.

The Division Director Finds That:

- (1) The application has been duly filed under the provisions of Rule 104.F of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division"), revised by Division Order No. R-10533, issued by the Oil Conservation Commission in Case 11351 on January 18, 1996.
- (2) All of said Section 35 is within the boundaries of the South Dagger Draw-Upper Pennsylvanian Associated Pool;
- (3) By Order No. R-5353, as amended by supplemental Orders "A", "L", and "L-1" the Division promulgated "*General Rules and Regulations for the Associated Oil and Gas Pools of Northwest New Mexico and Southeast New Mexico/Special Rules and Regulations for the South Dagger Draw-Upper Pennsylvanian Associated Pool*", which includes provisions for 320-acre spacing and proration units for both oil and gas and well location requirements which provides that wells be no closer than 660 feet to the outer boundary of a 320-acre spacing unit and not closer than 330 feet to any quarter-quarter section line or subdivision inner boundary thereon;
- (4) Further, under Division Order Nos. R-4691-E/R-5353-L-2 and R-4691-F/R-5353-L-3, certain proration units within the South Dagger Draw-Upper Pennsylvanian Associated Pool are subject to additional production limitations and restrictions;

- (5) Within the subject 320-acre oil spacing and proration unit the following wells, all within the Preston Federal lease (Federal No. NM-045276), which was recently acquired by Yates Petroleum Corporation from Conoco, Inc., are currently completed within the South Dagger Draw-Upper Pennsylvanian Associated Pool:
- (a) Well No. 1 (API No. 30-015-20349), located at a standard oil well location 1900 feet from the South line and 850 feet from the West line (Unit L) of said Section 35;
 - (b) Well No. 7 (API No. 30-015-27908), located at a standard oil well location 660 feet from the South line and 1930 feet from the East line (Unit O) of said Section 35;
 - (c) Well No. 10 (API No. 30-015-27715), located at a standard oil well location 660 feet from the South and East lines (Unit P) of said Section 35; and,
 - (d) Well No. 14 (API No. 30-015-29089), located at a standard oil well location 660 feet from the South line and 1980 feet from the West line (Unit N) of said Section 35;
- (6) At this time Yates Petroleum Corporation proposes to drill its Preston Federal Well No. 20 at an unorthodox location within the subject 320-acre oil spacing and proration unit that is 660 feet from the South line and 510 feet from the West line (Unit M) of said Section 35 in order to avoid an existing pipeline right-of-way;
- (7) South Dagger Draw-Upper Pennsylvanian Associated Pool oil and gas production from the S/2 of said Section 35 is to be simultaneously dedicate to all five wells;
- (8) There are no affected offsetting operators to this well other than Yates Petroleum Corporation; and,
- (9) Approval of this application will afford the applicant the opportunity to produce its just and equitable share of hydrocarbons within the South Dagger Draw-Upper Pennsylvanian Associated Pool, is in the best interests of conservation, and will serve to prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) By the authority granted me under the provisions of RULE 2(c) of the "*General Rules and Regulations for the Associated Oil and Gas Pools of Northwest New Mexico and Southeast New Mexico/Special Rules and Regulations for the South Dagger Draw-Upper Pennsylvanian Associated Pool*", as promulgated by Division Order No. R-5353, as amended, and Division General Rule 104.F(2), Yates Petroleum Corporation is hereby authorized to drill its Preston Federal Well No. 20 at an unorthodox location 660 feet from the South line and 510 feet from the West line (Unit M) of Section 35, Township 20 South, Range 24 East, NMPM, Eddy County, New Mexico.

(2) The existing standard 320-acre oil spacing and proration unit for the South Dagger Draw-Upper Pennsylvanian Associated Pool comprising the S/2 of said Section 35 is to be dedicated to said well.

IT IS FURTHER ORDERED THAT:

(3) South Dagger Draw-Upper Pennsylvanian Associated Pool production from the subject Preston Federal Well No. 20 is to be simultaneously dedicated with the following four wells all located in said Section 35:

(a) Preston Federal Well No. 1 (API No. 30-015-20349), located at a standard oil well location 1900 feet from the South line and 850 feet from the West line (Unit L) of said Section 35

(b) Preston Federal Well No. 7 (API No. 30-015-27908), located at a standard oil well location 660 feet from the South line and 1930 feet from the East line (Unit O) of said Section 35;

(c) Preston Federal Well No. 10 (API No. 30-015-27715), located at a standard oil well location 660 feet from the South and East lines (Unit P) of said Section 35; and,

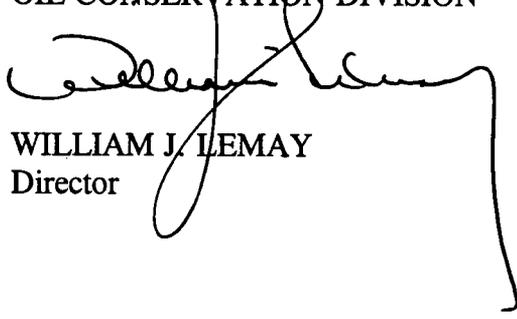
(d) Preston Federal Well No. 14 (API No. 30-015-29089), located at a standard oil well location 660 feet from the South line and 1980 feet from the West line (Unit N) of said Section 35.

(4) The operator shall comply with all requirements and conditions set forth in Division Order Nos. R-5353, as amended by supplemental Orders "A", "L", "L-1", "L-2", "L-3", R-4691-E, and R-4691-F.

(5) 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

WJL/MES/kv

cc: Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad