

DATE 9/13/02	DATE 10/3/02	ENGINEER MS	LOGGED IN KN	TYPE NSL	APP NO. 225932346
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -
1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
 [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
 [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
 [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
 [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
 [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

CLOSED
 10/14/02
 10/14/02

- [1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]
 [A] Location - Spacing Unit - Simultaneous Dedication
 NSL NSP SD
 Check One Only for [B] or [C]
 [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM
 [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR
 [D] Other: Specify _____
- [2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply
 [A] Working, Royalty or Overriding Royalty Interest Owners
 [B] Offset Operators, Leaseholders or Surface Owner
 [C] Application is One Which Requires Published Legal Notice
 [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
 [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
 [F] Waivers are Attached

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

WILLIAM F. CARR
Print or Type Name

William F. Carr
Signature

ANONYMITY
Title

9-13-02
Date

wcarr@hollandhart.com
e-mail Address

HOLLAND & HART^{LLP}
ATTORNEYS AT LAW

DENVER • ASPEN
BOULDER • COLORADO SPRINGS
DENVER TECH CENTER
BILLINGS • BOISE
CHEYENNE • JACKSON HOLE
SALT LAKE CITY • SANTA FE
WASHINGTON, D.C.

P. O. BOX 2208
SANTA FE, NEW MEXICO 87504-2208
110 NORTH GUADALUPE, SUITE 1
SANTA FE, NEW MEXICO 87501-6525

TELEPHONE (505) 988-4421
FACSIMILE (505) 983-6043

William F. Carr

wcarr@hollandhart.com

September 13, 2002

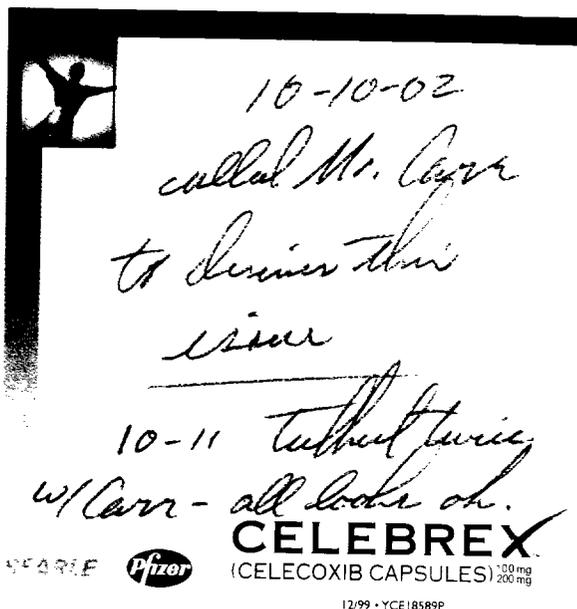
HAND-DELIVERED

Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: **Application of Yates Petroleum Corporation for administrative approval of an unorthodox gas well location for its Smith Federal Gas Com. Well No. 4 located 1980 feet from the South line and 1250 feet from the West line of Section 12, Township 22 South, Range 23 East, N.M.P.M., Eddy County, New Mexico.**

Dear Ms. Wrotenbery,

Yates Petroleum Corporation, pursuant to the provisions of the Act of January 18, 1996, of an unorthodox well located 1980 feet from the West line of Section 12, Township 22 South, Range 23 East, N.M.P.M., Eddy County, New Mexico, because it is governed by the Bureau of Land Management's Basin Upper Pennsylvanian acre spacing unit boundary of the Section 12, Township 22 South, Range 23 East, N.M.P.M., Eddy County, New Mexico.



Yates Petroleum Corporation has received administrative approval of an unorthodox gas well located on January 18, 1996, of an unorthodox well located 1980 feet from the South line and 1250 feet from the West line of Section 12, Township 22 South, Range 23 East, N.M.P.M., Eddy County, New Mexico, because it is governed by the Bureau of Land Management's Basin Upper Pennsylvanian acre spacing unit boundary of the Section 12, Township 22 South, Range 23 East, N.M.P.M., Eddy County, New Mexico.

This unorthodox well location is on the boundary of the Section 12, Township 22 South, Range 23 East, N.M.P.M., Eddy County, New Mexico. Yates originally proposed this well at a standard location 2080 feet from the South line and 1650 feet from the West line of Section 12. However, Yates moved the well to the West at the request of the Bureau of Land Management for topographical reasons. The original location is on the

HOLLAND & HART LLP
ATTORNEYS AT LAW

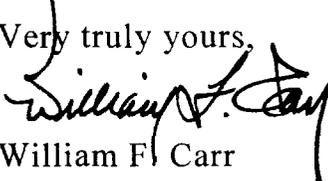
September 13, 2002
Page 2

edge of a draw and there is a steep drop-off to the south and east of the original location. Furthermore, the original well location was unacceptable to the BLM for it is in the "Guadalupe Scenic / History / Back Country Byway for Highway 137. Attached hereto as Exhibit A is a topographic map which shows the topographic conditions described above.

Attached hereto as Exhibit B is a plat which shows the subject area, the 320-acre spacing unit comprised of all of the E/2 of Section 12 and the proposed unorthodox gas well location. Marathon Oil Company operates the adjoining and diagonal spacing units to the west (E/2 of Section 11 and the NE/4 of Section 14). all other offsetting tracts are owned and operated by Yates Petroleum Corporation. A copy of this application, including a copy of the plats described above, has been sent to Marathon Oil Company, Post Office Box 522, Midland, Texas 79702-0552 by certified mail-return receipt requested in accordance with Rule 1207 (A)(5). Marathon Oil Company has been advised that if they have an objection to this application it must be filed in writing with the Division's Santa Fe office within twenty days from the date this notice was sent. They were also advised that if no objections were received by the Division within twenty days, the Division Director could approve the application.

Enclosed in hard copy and disc is a proposed administrative order of the Division.

Your attention to this application is appreciated.

Very truly yours,

William F. Carr

cc: Ms. Janet Richardson
Yates Petroleum Corporation
104 South Fourth Street
Artesia, New Mexico 88210

HOLLAND & HART LLP
ATTORNEYS AT LAW

DENVER • ASPEN
BOULDER • COLORADO SPRINGS
DENVER TECH CENTER
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SANTA FE, NEW MEXICO 87501-6525

TELEPHONE (505) 988-4421
FACSIMILE (505) 983-6043

William F. Carr

wcarr@hollandhart.com

September 13, 2002

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Marathon Oil Company
Post Office Box 552
Midland, Texas 79702-0552

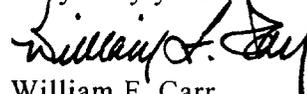
Re: Application of Yates Petroleum Corporation for an unorthodox well location for its Smith Federal Gas Com Well No. 4, to be drilled at an unorthodox location 1980 feet from the South line and 1250 feet from the West line of Section 12, Township 22 South, Range 23 East, N.M.P.M., Eddy County, New Mexico.

Ladies and Gentlemen:

Enclosed is a copy of the above-referenced application with attached plats which was filed with the New Mexico Oil Conservation Division on this date by Yates Petroleum Corporation for administrative approval of an unorthodox well location for its Smith Federal Gas Com. Well No. 4" to be drilled at a location 1980 feet from the South line and 1250 feet from the West line of Section 12, Township 22 South, Range 23 East, N.M.P.M., Eddy County, New Mexico. The well will be drilled to test the Upper Pennsylvanian formation, Indian Basin-Upper Pennsylvanian Gas Pool and a standard gas spacing unit comprised of all of Section 12 will be dedicated to the well.

As an owner of an interest which may be affected by the proposed well, you may object to this application. Objections must be filed in writing at the Division's Santa Fe office within twenty days from this date. If no objection is received within this twenty-day period, this application for unorthodox well location may be approved.

Very truly yours,



William F. Carr

Attorney for Yates Petroleum Corporation

Enclosures

cc: Janet Richardson
Yates Petroleum Corporation

October __, 2002

Yates Petroleum Corporation
c/o **Holland & Hart LLP**
P. O. Box 2208
Santa Fe, New Mexico 87504-2208

Telefax No. (505) 983-6043

Attention: William F. Carr

Administrative Order NSL-_____

Dear Mr. Carr:

Reference is made to the following: (i) your application on behalf of the operator, Yates Petroleum Corporation ("Yates") dated September 11, 2002 (*application reference No. _____*); and (ii) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe: all concerning Yates request for an unorthodox gas well location in the Upper Pennsylvanian formation for its proposed Smith Federal Gas Com. Well No. 4 to be drilled 1980 feet from the South line and 1250 feet from the West line (Unit L) of Section 12, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico.

Section 12, being a standard 640-acre gas spacing and proration unit for both the Indian Basin Upper Pennsylvanian Gas Pool (**79040**) is to be dedicated to this well.

This application has been duly filed under the provisions of Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999.

It is our understanding that Yates is seeking this location exception based on topographical considerations and a request from the Bureau of Land Management to place the well at this location to move it out of a canyon and to avoid the "Guadalupe Scenic / History / Back country Byway for Highway 137".

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox gas well location to both the Upper Pennsylvanian formation within this 640-acre unit comprising all of Section 12 is hereby approved.

Sincerely,

Lori Wrotenbery
Director

cc: New Mexico Oil Conservation Division – Artesia
U. S. Bureau of Land Management – Carlsbad

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. 10272
ORDER NO. R-9487

APPLICATION OF AMOCO PRODUCTION COMPANY
FOR DIRECTIONAL DRILLING AND AN UNORTHODOX
BOTTOMHOLE GAS WELL LOCATION, EDDY COUNTY,
NEW MEXICO

ORDER OF THE DIVISION

See Also Order
No. R-9487-A
R-9487-B

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on March 21 and May 2, 1991, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 8th day of May, 1991 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) The applicant, Amoco Production Company, seeks approval to recomplete its existing Smith Federal Gas Com Well No. 1 located 1613 feet from the North line and 2336 feet from the West line (Unit F) of Section 12, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico, by side-tracking and directionally drilling from the existing wellbore in such a manner as to bottom the newly deviated portion of the wellbore in the Indian Basin-Upper Pennsylvanian Gas Pool at an unorthodox gas well location within a target area described as a rectangle 1800 to 2000 feet from the North line and 330 to 430 feet from the West line in Unit E of said Section 12.
- (3) All of said Section 12 is to be dedicated to the well forming a standard 640-acre spacing and proration unit for said pool.

(4) The Smith Federal Gas Com Well No. 1 was spudded on July 16, 1965 and completed in the Indian Basin-Upper Pennsylvanian Gas Pool in August, 1965. Due to excessive water production said well is no longer capable of commercial production from this location and has been shut-in since November, 1990.

(5) Further geological evidence presented by the applicant indicates that by side-tracking and recompleting said well in the above-described manner the Upper Pennsylvanian producing interval will be penetrated at a more structurally advantageous position above the east to west encroaching gas/water contact line, thereby enabling the applicant to produce the remaining gas reserves underlying said Section 12.

(6) Said Section 12 is located within the horizontal boundaries of the Indian Basin-Upper Pennsylvanian Gas Pool which is a prorated gas pool governed by special rules and regulations as promulgated by Division Order No. R-8170, as amended, which require 640-acre standard gas proration units with wells to be located no closer than 1650 feet to the outer boundary of the proration unit nor closer than 330 feet to any governmental quarter-quarter section or subdivision inner boundary.

(7) The cost to the applicant would substantially be reduced by recompleting said well in the above-described manner instead of drilling a new well from the surface.

(8) At the time of the hearing, the applicant requested a voluntary 48.7% limitation on its production allowable assigned the subject 640-acre gas proration unit.

(9) No offset operator or interested party objected to the proposed unorthodox bottomhole location.

(10) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the affected pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.

(11) The applicant should be required to determine the subsurface location of the kick-off point in the wellbore prior to directional drilling and should subsequently be required to conduct an accurate wellbore survey during or upon completion of drilling operations from a kick-off point to total depth to determine its true depth and course.

(12) The applicant should be required to notify the supervisor of the Artesia District Office of the Division of the date and time said directional surveys are to be conducted so that they may be witnessed. The applicant should further be required to provide a copy of said directional surveys to the Santa Fe and Artesia offices of the Division upon completion.

IT IS THEREFORE ORDERED THAT:

(1) The application of Amoco Production Company to recomplete its existing Smith Federal Gas Com Well No. 1 located 1613 feet from the North line and 2336 feet from the West line (Unit F) of Section 12, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico, by side-tracking and directionally drilling from the existing wellbore in such a manner as to bottom the newly deviated portion of the wellbore in the Indian Basin-Upper Pennsylvanian Gas Pool at an unorthodox gas well location within a target area described as a rectangle 1800 to 2000 feet from the North line and 330 to 430 feet from the West line in Unit E of said Section 12 is hereby approved.

(2) PROVIDED HOWEVER THAT, prior to commencing directional drilling operations into said wellbore, the applicant shall establish the location of the kick-off point by means of a directional survey from the kick-off point to total depth in order that the subsurface bottomhole location, as well as the wellbore's true depth and course, may be determined.

(3) The applicant shall notify the supervisor of the Artesia District Office of the Division of the date and time said wellbore surveys are to be conducted so that they may be witnessed. The applicant shall further provide a copy of said wellbore surveys to the Santa Fe and Artesia offices of the Division upon completion.

(4) Form C-105 shall be filed in accordance with Division Rule 1105 and the operator shall indicate thereon true vertical depth in addition to measured depths.

(5) All of said Section 12 shall be dedicated to the above-described well forming a 640-acre gas spacing and proration unit for said pool.

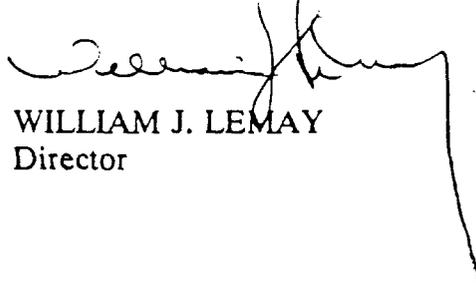
(6) For gas allowable purposes, the subject well shall be assigned an acreage factor of 0.49 in the Indian Basin-Upper Pennsylvanian Gas Pool.

(7) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Case No. 10272
Order No. R-9487
Page No. 4

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

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. 10371
ORDER NO. R-9487-A

APPLICATION OF AMOCO PRODUCTION COMPANY
TO AMEND DIVISION ORDER NO. R-9487, EDDY
COUNTY, NEW MEXICO

*See Also Order No. R-9487
R-9487-B*

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on August 22, 1991, at Santa Fe, New Mexico, before Examiner Jim H. Morrow.

NOW, on this 6th day of September, 1991 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) By Division Order No. R-9487, dated May 8, 1991, Amoco Production Company was authorized to recomplete its existing Smith Federal Gas Com Well No. 1 located 1613 feet from the North line and 2336 feet from the West line (Unit F) of Section 12, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico, by side-tracking and directionally drilling from the existing wellbore in such a manner as to bottom the newly deviated portion of the wellbore in the Indian Basin-Upper Pennsylvanian Gas Pool at an unorthodox gas well location within a target area described as a rectangle 1800 to 2000 feet from the North line and 330 to 430 feet from the West line in Unit E of said Section 12. Said order also provided that all of said Section 12 be dedicated to the well to form a standard 640-acre gas spacing and proration unit for said pool, and an acreage factor of 0.49 was assigned to the well for allowable purposes.

(3) At this time the applicant, Amoco Production Company, proposes to plug and abandon the Smith well and requests authorization to drill a vertical replacement well on the 640-acre unit at an unorthodox gas well location 2049 feet from the North line and 480 feet from the West line (Unit E) of said Section 12. The applicant further requests that this well carry the previously assigned acreage factor of 0.49 in said pool for gas allowable purposes.

(4) The proposed location for the new well is less unorthodox than the drilling window previously authorized for the directional drilling proposal.

(5) The geological parameters used in setting the foundation in the original case are still applicable at this time.

(6) The decision by Amoco Production Company not to directionally drill from the existing wellbore came when it was discovered that the intermediate casing leaked, thereby making re-drilling operations risky.

(7) No offset operator or interested party objected to the proposed amended unorthodox gas well location.

(8) This application should therefore be approved. Further, the 0.49 acreage factor should be reassigned to the subject well.

IT IS THEREFORE ORDERED THAT:

(1) The application of Amoco Production Company to amend Division Order No. R-9487, dated May 8, 1991 which authorized an unorthodox gas well location to be drilled 2049 feet from the North line and 480 feet from the West line (Unit E) of Section 12, Township 22 South, Range 23 East, NMPM, to test the Indian Basin-Upper Pennsylvanian Gas Pool, Eddy County, New Mexico, is hereby approved.

(2) All provisions in said Order No. R-9487 as they relate to the recompletion and directional drilling of the applicant's existing Smith Federal Gas Com Well No. 1 located 1613 feet from the North line and 2336 feet from the West line (Unit F) of said Section 12 are hereby rescinded.

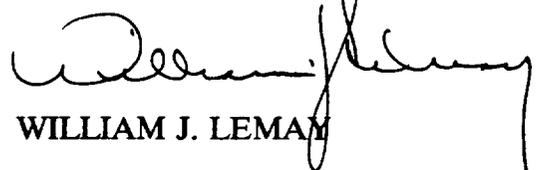
(3) The provisions set forth by Decretory Paragraph Nos. (5) and (6) of said Order No. R-9487 shall remain in full force and effect and continue to be valid until further notice.

Case No. 10371
Order No. R-9487-A
Page No. 3

(4) 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

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. 10412
Order No. R-9487-B

APPLICATION OF MW PETROLEUM
CORPORATION/APACHE CORPORATION
TO AMEND DIVISION ORDER NO.
R-9487-A, EDDY COUNTY, NEW MEXICO.

See Also Order No.
R-9487
R-9487-A

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on December 5, 1991, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 6th day of February, 1992, 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) By Order No. R-9487 issued in Case No. 10272 on May 8, 1991, the Division authorized Amoco Production Company (Amoco) to recomplete and directionally drill its Smith Federal Gas Com Well No. 1 located 1613 feet from the North line and 2336 feet from the West line (Unit F) of Section 12, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico, to an unorthodox bottomhole location within a target area described as a rectangle 1800 to 2000 feet from the North line and 330 to 430 feet from the West line (Unit E) of said Section 12 to test the Indian Basin-Upper Pennsylvanian Gas Pool.

(3) Due to the unorthodox bottomhole location of the aforesaid well, Amoco voluntarily requested and was given a production limitation of 49% of a standard gas allowable (51% production penalty).

(4) By Order No. R-9487-A issued in Case No. 10371 on September 6, 1991, the Division authorized Amoco, in lieu of directionally drilling the aforesaid Smith Federal Gas Com Well No. 1, to drill its Smith Federal Gas Com Well No. 2 at an unorthodox gas well location 2049 feet from the North line and 480 feet from the West line (Unit E) of said Section 12.

(5) At the time of the hearing in Case No. 10371, Amoco did not request an amendment to the previously assigned production limitation factor of 49%, and as such, said factor was imposed on the new well.

(6) The applicant, MW Petroleum Corporation/Apache Corporation, the successor operator to Amoco, seeks to amend the production limitation factor imposed on the Smith Federal Gas Com Well No. 2 by said Order No. R-9487-A.

(7) Musselman, Owen & King, Inc. (MOK), the offset operator to the north of the aforesaid Smith Federal Gas Com Well No. 2, appeared at the hearing in opposition to the application.

(8) According to Division records and evidence and testimony presented in this case, the original production limitation factor imposed on the Smith Federal Gas Com Well No. 1 was agreed to by Amoco Production Company and Musselman, Owen & King, Inc, prior to the original hearing in Case No. 10272.

(9) Division records further indicate that the production limitation factor was derived by averaging the following three factors:

a) The ratio of productive acres vs. total acres in Section 12 (352 acres/640 acres) or 0.55:

b) The percentage difference in acreage lying outside the 640-acre unit for a 352-acre circle with its center at the proposed location and the same size circle with its center at the nearest standard location or $150/352 - 48/352 = .426 - .136 = .29$ ($1 - .29 = .71$).

c) The percentage distance from the leaseline for the proposed unorthodox location compared to a standard location or $330 \text{ feet}/1650 \text{ feet} = .20$.

(8) According to evidence presented, Amoco attempted to re-enter and directionally drill its Smith Federal Gas Com Well No. 1, but subsequently abandoned said operations due to the poor mechanical condition of said wellbore.

(9) Subsequently, the applicant took over operations from Amoco and drilled the aforesaid Smith Federal Gas Com Well No. 2 which encountered commercial gas production from the Indian Basin-Upper Pennsylvanian Gas Pool.

(10) The applicant proposes to increase the production limitation factor for said well to 77.5% (22.5% production penalty) based upon additional geologic evidence obtained and based upon the proposal to eliminate the lease line encroachment factor (c) inasmuch as the subject well does not encroach upon acreage held by MOK.

(11) The applicant presented geologic and engineering evidence and testimony which indicates that there are approximately 500 acres underlying Section 12 which should be considered gas productive.

(12) MOK testified that a higher rate of gas withdrawal from the subject well as proposed by the applicant will have the adverse effect of accelerating water encroachment toward its Smith Federal Well No. 2 located 1650 feet from the South line and 330 feet from the West line (Unit L) of Section 1, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico, thereby effectively reducing its ultimate gas recovery prior to "watering out".

(13) MOK did not present any geologic evidence concerning the amount of productive acreage underlying Section 12 and presented no evidence to support its contention that the rate of gas withdrawal from the subject well would have an adverse effect on its Smith Federal Well No. 2.

(14) According to applicant's evidence, the subject well is capable of producing approximately 2.9-3.5 MMCF of gas per day.

(15) Due to relatively high gas allowables within the Indian Basin-Upper Pennsylvanian Gas Pool during 1990 and 1991, the applicant's proposed production limitation factor will not have the effect of limiting the subject well's production.

(16) It is fair and reasonable that the applicant should be required to abide by the method by which the original production limitation factor was derived, provided however, the factors should be adjusted based upon the additional evidence presented, and a new production limitation factor derived based upon the adjusted factors.

(17) Based upon the adjusted factors, the subject well should be assigned a production limitation factor of 61% of a standard gas allowable (39% production penalty) within the Indian Basin-Upper Pennsylvanian Gas Pool.

(18) Assignment of the production limitation factor as described above will afford the applicant the opportunity to produce its just and equitable share of the gas underlying Section 12, will prevent waste and will not violate correlative rights.

IT IS THEREFORE ORDERED THAT:

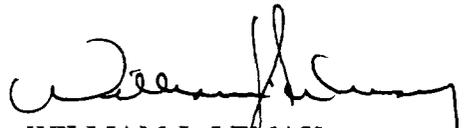
(1) The application of MW Petroleum Corporation/Apache Corporation to amend Division Order No. R-9487-A is hereby approved.

(2) The applicant's Smith Federal Gas Com Well No. 2, located at a previously approved unorthodox gas well location 2049 feet from the North line and 480 feet from the West line (Unit E) of Section 12, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico, is hereby assigned, for gas allowable purposes, an acreage factor of 0.61 in the Indian Basin-Upper Pennsylvanian Gas Pool.

(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.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

S E A L

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:

NOMENCLATURE
CASE NO. 10748
Order No. R-9922

APPLICATION OF YATES PETROLEUM
CORPORATION FOR POOL CREATION,
CLASSIFICATION OF THE NEW POOL
AS AN ASSOCIATED POOL AND FOR
SPECIAL POOL RULES, EDDY COUNTY,
NEW MEXICO.

See Also Order Nos.

R-9922-A

R-9922-B

R-9922-C

R-9922-D

R-9922-E

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on June 17, 1993, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 6th day of July, 1993, 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) The applicant, Yates Petroleum Corporation, seeks the creation of a new associated pool for the production of oil and gas from the Upper Pennsylvanian formation comprising the W/2 of Section 17, Township 22 South, Range 24 East, NMPM, Eddy County, New Mexico.

(3) The applicant further seeks the promulgation of temporary special rules and regulations including 320-acre oil and gas spacing, designated well location requirements, a limit of no more than one well per quarter section, a special depth bracket allowable of 1400 barrels of oil per day per standard proration unit and an administrative procedure for approval of unorthodox well locations and non-standard spacing and proration units.

(4) At the time of the hearing the applicant requested that the portion of its request for an administrative procedure for obtaining approval for unorthodox well locations and non-standard spacing and proration units be dismissed.

NOMENCLATURE

CASE No. 10748

Order No. R-9922

Page -2-

(5) Nearburg Producing Company (Nearburg), a leasehold operator in this area, appeared at the hearing in support of Yates' application with the exception of the request to limit the well density to one well per quarter section. In addition, Santa Fe Energy Operating Partners, L.P. and Marathon Oil Company appeared through counsel at the hearing but did not present evidence or testimony nor did they protest the application.

(6) On October 15, 1992 the applicant commenced re-entry operations on its Hickory "ALV" Federal Well No. 1 (previously the Pan American Petroleum Corporation I. T. Hollowell "A" USA No. 1) located 1650 feet from the North and West lines (Unit F) of Section 17, Township 22 South, Range 24 East, NMPM, Eddy County, New Mexico. The subject well has been completed in the Canyon formation through the perforated interval from approximately 8,139 feet to 8,259 feet.

(7) According to applicant's evidence and testimony, the Hickory "ALV" Federal Well No. 1 was tested in the Canyon formation on June 15, 1992 at a rate of 408 BOPD, 1,197 BWPD and 511 MCFGD.

(8) The subject well is located approximately 10 miles south of the South Dagger Draw-Upper Pennsylvanian Associated Pool and directly adjacent to the Indian Basin-Upper Pennsylvanian Gas Pool.

(9) The applicant's geologic evidence and testimony in this case indicates that:

a) the Hickory "ALV" Federal Well No. 1 is producing from the same Dolomite section, albeit structurally lower, being produced in the Indian Basin-Upper Pennsylvanian Gas Pool;

b) the Dolomite section in the Hickory "ALV" Federal Well No. 1 exhibits similar geologic characteristics to the Dolomite section being produced in the North and South Dagger Draw-Upper Pennsylvanian Pools;

c) the subject reservoir will likely ultimately be determined to be a separate "oil leg" of the Indian Basin-Upper Pennsylvanian Gas Pool or an extension of the South Dagger Draw-Upper Pennsylvanian Associated Pool.

(10) The engineering evidence and testimony in this case indicates that the oil being produced in the Hickory "ALV" Federal Well No. 1, having a gravity of approximately 42 degrees, is similar to that being produced in the North and South Dagger Draw-Upper Pennsylvanian Pools. The gravity of oil being produced in the Indian Basin-Upper Pennsylvanian Gas Pool ranges from 58-60 degrees.

(11) The evidence currently available regarding the subject reservoir indicates that a new associated pool for the production of oil and gas from the Upper Pennsylvanian formation should be created and designated the Indian Basin-Upper Pennsylvanian Associated Pool, with horizontal limits comprising the W/2 of Section 17, Township 22 South, Range 24 East, NMPM, Eddy County, New Mexico.

(12) The applicant contends that the similarities between the subject reservoir and the North and South Dagger Draw-Upper Pennsylvanian Pools are sufficient to justify the promulgation of special rules and regulations similar to those currently governing these pools.

(13) The North Dagger Draw-Upper Pennsylvanian Pool is currently governed by Special Rules and Regulations as promulgated by Division Order No. R-4691, as amended, and Order No. R-5565, which require 160-acre spacing with wells to be located no closer than 660 feet from the outer boundary of the proration unit nor closer than 330 feet from any quarter-quarter section line or subdivision inner boundary, an oil allowable of 700 barrels per day, and a limiting gas-oil ratio of 10,000 cubic feet of gas per barrel of oil.

(14) The South Dagger Draw-Upper Pennsylvanian Associated Pool is currently governed by Special Rules and Regulations as promulgated by Division Order No. R-5353, as amended, which require 320-acre oil or gas spacing with wells to be located no closer than 660 feet from the outer boundary of the proration unit nor closer than 330 feet from any quarter-quarter section line or subdivision inner boundary, an oil allowable of 1400 barrels per day, and a limiting gas-oil ratio of 10,000 cubic feet of gas per barrel of oil.

(15) The Special Rules and Regulations for the North and South Dagger Draw-Upper Pennsylvanian Pools do not prohibit the drilling of more than one well on a standard proration unit.

(16) In support of its request to limit the well density to one well per quarter section, the applicant testified that the Hickory "ALV" Federal Well No. 1, based upon analogies to wells in the South Dagger Draw-Upper Pennsylvanian Associated Pool, should be capable of draining an area of approximately 80-100 acres.

(17) Without a limitation on well density, the South Dagger Draw-Upper Pennsylvanian Associated Pool has been developed on 40-acre well spacing, which, according to the applicant, is too dense for this type of reservoir.

(18) Nearburg requested that the proposed pool rules contain a rule similar to Rule No. 22 of the Special Rules and Regulations for the South Dagger Draw-Upper Pennsylvanian Associated Pool which states that all or part of the 1400 BOPD allowable may be produced by a single well or by two or more wells on a standard proration unit.

(19) Nearburg has the opportunity, during the period when temporary special rules and regulations are in place for the subject reservoir, to acquire drainage data and reopen this case in order to present evidence and testimony to support its request.

(20) In the absence of compelling evidence to support denser well spacing, and in order to prevent the drilling of unnecessary wells, the Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Associated Pool should provide for 320-acre well spacing with no more than two wells per standard unit.

(21) The applicant requested an oil allowable of 1400 barrels per day per standard proration unit and a gas-oil ratio limitation of 2,000 cubic feet of gas per barrel of oil. Applicant's requested oil allowable is based upon:

a) a similar oil allowable currently in effect for both the North and South Dagger Draw-Upper Pennsylvanian Pools, and,

b) a gas well in the subject reservoir being able to effectively compete with gas wells in the Indian Basin-Upper Pennsylvanian Gas Pool, whose gas allowable has stabilized, according to the applicant, at approximately 5.5 MMCFGD.

(22) The oil allowable currently in effect for the North and South Dagger Draw-Upper Pennsylvanian Pools was established by the Division, at least in part, in order to provide an incentive to operators to drill additional wells. In addition, there is no evidence at the current time to indicate that the proposed allowable will not cause excessive waste of reservoir energy, thereby resulting in decreased ultimate oil recovery.

(23) The Indian Basin-Upper Pennsylvanian Associated Pool should be assigned an oil allowable equal to the depth bracket allowable of 470 barrels of oil per day per 160-acre tract, or 940 BOPD.

(24) Temporary Special Rules and Regulations should be promulgated for the Indian Basin-Upper Pennsylvanian Associated Pool for a period of eighteen months. These rules should provide for 320-acre oil and gas spacing and proration units, a limitation of one well per quarter section, designated well location requirements, an oil allowable of 940 barrels of oil per day per standard proration unit and a limiting gas-oil ratio of 2,000 cubic feet of gas per barrel of oil.

(25) This case should be reopened at an examiner hearing in January, 1995 at which time the operators in the subject pool should be prepared to appear and present evidence and testimony regarding the nature of the subject reservoir, the appropriate well spacing, and an appropriate oil allowable.

IT IS THEREFORE ORDERED THAT:

(1) A new associated pool for the production of oil and gas from the Upper Pennsylvanian formation is hereby created and designated the Indian Basin-Upper Pennsylvanian Associated Pool with horizontal limits comprising the W/2 of Section 17, Township 22 South, Range 24 East, NMPM, Eddy County, New Mexico.

(2) The Indian Basin-Upper Pennsylvanian Associated Pool is hereby classified as an associated oil and gas pool and shall be operated in accordance with the General Rules and Regulations for the Associated Oil and Gas Pools of Northwest and Southeast New Mexico unless these general rules are in conflict with the Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Associated Pool hereinafter promulgated in which case the provisions of the special rules and regulations shall apply.

(3) Temporary Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Associated Pool are hereby promulgated as follows:

**SPECIAL RULES AND REGULATIONS
FOR THE
INDIAN BASIN-UPPER PENNSYLVANIAN ASSOCIATED POOL**

RULE 2. (a) A standard oil proration unit shall comprise 320 acres. A standard gas proration unit shall comprise 320 acres.

RULE 2. (b) Each well shall be located no closer than 660 feet from the outer boundary of the proration unit nor closer than 330 feet from any quarter-quarter section line or subdivision inner boundary. No more than one well per quarter section shall be permitted on a proration unit.

RULE 22. The special depth bracket allowable for a 320-acre proration unit shall be 940 barrels of oil per day. All or any part of the allowable may be produced by a single well or by two wells on the unit. However, total oil allowable assigned to a 320-acre unit shall not exceed 940 barrels per day.

IT IS FURTHER ORDERED THAT:

(4) The location of all wells presently drilling to or completed in the Indian Basin-Upper Pennsylvanian Associated Pool or in the Upper Pennsylvanian formation within one mile thereof are hereby approved; the operator of any well having an unorthodox location shall notify the Artesia District Office of the Division in writing of the name and location of the well within 30 days from the date of this order.

(5) Pursuant to Paragraph A of Section 70-2-18, N.M.S.A. 1978 Comp., contained in Laws of 1969, Chapter 271, existing oil and gas wells in the Indian Basin-Upper Pennsylvanian Associated Pool shall have dedicated thereto 320 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C of said Section 70-2-18, existing wells may have non-standard spacing or proration units established by the Division and dedicated thereto.

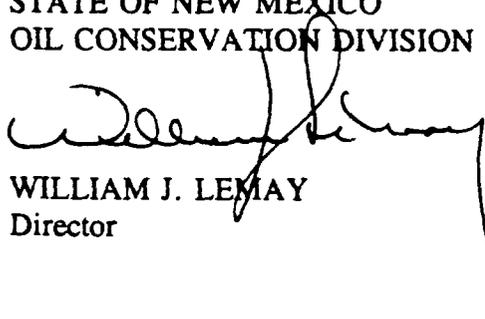
Failure to file new Forms C-102 with the Division dedicating 320 acres to a well or to obtain a non-standard unit approved by the Division within 60 days from the date of this order shall subject the well to cancellation of allowable until a non-standard spacing unit has been approved and, subject to said 60-day limitation, each well presently drilling to or completed in the Indian Basin-Upper Pennsylvanian Associated Pool or in its corresponding vertical limits, or within one mile thereof, shall receive no more than one-fourth of a standard allowable for said pool.

(6) This case shall be reopened at an examiner hearing in January, 1995, at which time the operators in the subject pool may appear and show cause why the Temporary Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Associated Pool promulgated herein should not be rescinded.

(7) 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.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

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

*See Also Order Nos. R-9922
R-9922-B
R-9922-C
R-9922-D
R-9922-E*

IN THE MATTER OF CASE NO. 10748 BEING REOPENED UPON APPLICATION OF YATES PETROLEUM CORPORATION TO AMEND THE SPACING REQUIREMENTS FOR THE INDIAN BASIN-UPPER PENNSYLVANIAN ASSOCIATED POOL, ESTABLISHED BY ORDER NO. R-9922, EDDY COUNTY, NEW MEXICO.

CASE NO. 10748
ORDER NO. R-9922-A

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on December 16, 1993, at Santa Fe, New Mexico, before Examiner Jim Morrow.

NOW, on this 22nd day of December, 1993, the Division Director, having considered the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

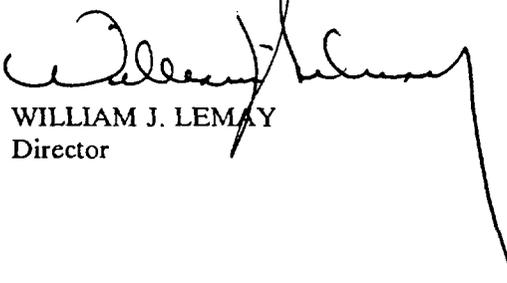
- (1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) Yates Petroleum Corporation made application to reopen Case No. 10748 to amend the spacing requirements for the Indian Basin-Upper Pennsylvanian Associated Pool established by Order No. R-9922, Eddy County, New Mexico.
- (3) By letter dated December 10, 1993, the applicant requested this case be dismissed.
- (4) The applicant's request for dismissal should be granted.

IT IS THEREFORE ORDERED THAT:

Case No. 10748 is hereby dismissed.

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

SEAL

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. 10748 (Reopened)
Order No. R-9922-B**

**IN THE MATTER OF CASE NO. 10748
BEING REOPENED PURSUANT TO THE
PROVISIONS OF DIVISION ORDER NO.
R-9922, WHICH ORDER PROMULGATED
TEMPORARY SPECIAL RULES AND
REGULATIONS FOR THE INDIAN BASIN-
UPPER PENNSYLVANIAN ASSOCIATED
POOL, EDDY COUNTY, NEW MEXICO.**

*See Also Order Nos.
R-9922
R-9922-A
R-9922-C
R-9922-D
R-9922-E*

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on February 2, 1995, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 6th day of February, 1995, 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) By Order No. R-9922 issued in Case No. 10748 on July 6, 1993, the Division, upon application of Yates Petroleum Corporation, created the Indian Basin-Upper Pennsylvanian Associated Pool in Section 17, Township 22 South, Range 24 East, NMPM, Eddy County, New Mexico, and promulgated Temporary Special Rules and Regulations for said pool including the establishment of standard 320-acre oil or gas spacing and proration units, designated well locations, and a special depth bracket allowable of 940 barrels of oil per day.

(3) Pursuant to the provisions of Order No. R-9922, this case was reopened to allow the operators in the subject pool to appear and present evidence and testimony to show cause why the Temporary Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Associated Pool should not be rescinded and the pool developed on statewide rules and regulations.

(4) Yates Petroleum Corporation, Marathon Oil Company, Nearburg Producing Company and Santa Fe Energy Operating Partners, L.P. appeared at the hearing through legal counsel.

(5) Yates Petroleum Corporation requested at the hearing that the Temporary Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Associated Pool remain in effect for an additional twelve month period.

(6) According to Yates' statement, the conductance of an environmental audit during the past eighteen months has precluded developmental drilling within the subject pool.

(7) All operators represented at the hearing were in agreement with Yates' request.

(8) Approval of Yates' request will allow the operators in the subject pool additional time to gather reservoir data pertinent to this case.

(9) No other operator and/or interest owner appeared at the hearing in opposition to Yates' request.

(10) The Temporary Special Rules and Regulations for the Indian Basin- Upper Pennsylvanian Associated Pool should remain in effect for an additional twelve month period.

(11) This case should be reopened at an Examiner hearing in January, 1996, at which time the operators in the subject pool should be prepared to appear and show cause why the Temporary Special Rules and Regulations for the Indian Basin- Upper Pennsylvanian Associated Pool should not be rescinded and the pool developed on statewide rules and regulations.

IT IS THEREFORE ORDERED THAT:

(1) The Temporary Special Rules and Regulations for the Indian Basin- Upper Pennsylvanian Associated Pool are hereby continued in full force and effect for an additional twelve month period.

Case No. 10748 (Reopened)

Order No. R-9922-B

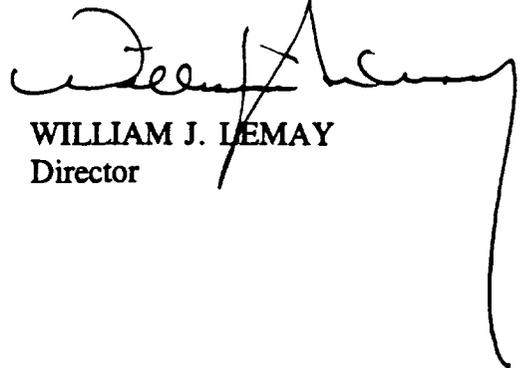
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(2) This case shall be reopened at an Examiner hearing in January, 1996, at which time the operators in the subject pool shall be prepared to appear and show cause why the Temporary Special Rules and Regulations for the Indian Basin- Upper Pennsylvanian Associated Pool should not be rescinded and the pool developed on statewide rules and regulations.

(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.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

S E A L

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:

See Also Order Nos.

R-9922

R-9922-A

R-9922-B

R-9922-D

R-9922-E

CASE NO. 10748 (Reopened)

CASE NO. 11484

Order No. R-9922-C

IN THE MATTER OF CASE NO. 10748 BEING REOPENED PURSUANT TO THE PROVISIONS OF DIVISION ORDER NO. R-9922-B, WHICH ORDER CONTINUED IN EFFECT THE TEMPORARY SPECIAL RULES AND REGULATIONS FOR THE INDIAN BASIN-UPPER PENNSYLVANIAN ASSOCIATED POOL AS PROMULGATED BY DIVISION ORDER NO. R-9922, AS AMENDED, EDDY COUNTY, NEW MEXICO.

APPLICATION OF YATES PETROLEUM CORPORATION TO AMEND THE SPECIAL RULES AND REGULATIONS FOR THE INDIAN BASIN-UPPER PENNSYLVANIAN ASSOCIATED POOL, EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on March 21, 1996, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 14th day of May, 1996, 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) Division Case Nos. 10748 (Reopened) and Case No. 11484 were consolidated at the time of the hearing for the purpose of testimony, and inasmuch as both cases concern the Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Associated Pool, one order should be entered for both cases.

CASE NO. 10748 (Reopened)

CASE NO. 11484

Order No. R-9922-C

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(3) By Order No. R-9922 issued in Case No. 10748 on July 6, 1993, the Division, upon application of Yates Petroleum Corporation (Yates), created the Indian Basin-Upper Pennsylvanian Associated Pool in Section 17, Township 22 South, Range 24 East, NMPM, Eddy County, New Mexico, and promulgated Temporary Special Rules and Regulations for said pool including the establishment of standard 320-acre oil or gas spacing and proration units, designated well locations, and a special depth bracket allowable of 940 barrels of oil per day.

(4) Pursuant to the provisions of Order No. R-9922, Case No. 10748 was reopened and heard in February, 1995, to consider permanently adopting the Temporary Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Associated Pool. At the request of Yates and for good cause shown, the subject temporary rules were continued in full force and effect for an additional twelve month period.

(5) Pursuant to the provisions of Order No. R-9922-B, this case is being reopened at the present time to allow the operators in the subject pool to appear and present evidence and testimony to show cause why the Temporary Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Associated Pool should not be rescinded and the pool developed on statewide rules and regulations.

(6) The applicant in Case No. 11484, Yates Petroleum Corporation, seeks to amend the Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Associated Pool whereby:

- a) no more than one well would be allowed to be drilled per 80 acre tract;
- b) the simultaneous dedication of acreage to both oil and gas wells would be allowed;
- c) the gas-oil ratio limitation for the pool would be increased from 2,000 cubic feet of gas per barrel of oil to 10,000 cubic feet of gas per barrel of oil; and,
- d) the oil allowable for the pool would be increased from 940 barrels of oil per day to 1,400 barrels of oil per day.

(7) Yates Petroleum Corporation appeared and presented technical evidence and testimony in support of adopting amended and permanent rules for the Indian Basin-Upper Pennsylvanian Associated Pool.

CASE NO. 10748 (Reopened)

CASE NO. 11484

Order No. R-9922-C

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(8) Marathon Oil Company and Santa Fe Energy Resources Inc., both operators in the Indian Basin-Upper Pennsylvanian Associated Pool, appeared through legal counsel at the hearing in support of adopting permanent rules for the pool and in support of Yates' proposed pool rule amendments.

(9) The Indian Basin-Upper Pennsylvanian Associated Pool currently comprises all or portions of Sections 27, 33 and 34, Township 21 South, Range 24 East, and all or portions of Sections 2, 3, 4, 5, 7, 8, 9, 10, 11, 16 and 17, Township 22 South, Range 24 East, NMPM, Eddy County, New Mexico.

(10) According to the latest Division Monthly Statistical Report, there are twenty-one wells producing from the Indian Basin-Upper Pennsylvanian Associated Pool operated by five different companies. The pool rules currently in effect for the Indian Basin-Upper Pennsylvanian Associated Pool are summarized as follows:

SIM. DEDICATION				
<u>SPACING</u>	<u>ALLOWABLE</u>	<u>POOL GOR</u>	<u>ALLOWED</u>	<u>DRILLING DENSITY</u>
320 Acres/Oil	940 BOPD	2,000:1	No	1 Well/160 acres
320 Acres/Gas	1.88 MMCFGD			

(11) The geologic evidence presented at the hearing in this matter and in numerous prior cases presented before the Division indicates that the Indian Basin-Upper Pennsylvanian Associated Pool is a small portion of an extensive Cisco-Canyon reservoir which encompasses the North Dagger Draw-Upper Pennsylvanian Pool, the South Dagger Draw-Upper Pennsylvanian Associated Pool, and the Indian Basin-Upper Pennsylvanian Gas Pool. This extensive reservoir comprises portions of Townships 19, 20, 20 1/2, 21 and 22 and Ranges 23, 24 and 25.

(12) The North Dagger Draw-Upper Pennsylvanian Pool, South Dagger Draw-Upper Pennsylvanian Associated Pool and the Indian Basin-Upper Pennsylvanian Gas Pool are all currently governed by permanent special rules and regulations summarized as follows:

CASE NO. 10748 (Reopened)

CASE NO. 11484

Order No. R-9922-C

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<u>POOL NAME</u>	<u>OIL/GAS/ ASSOCIATED</u>	<u>SPACING</u>	<u>ALLOWABLE</u>	<u>POOL GOR</u>	<u>SIM. DEDICATION ALLOWED</u>
North Dagger Draw-Upper Pennsylvanian	Oil	160 acres	700 BOPD 7.0 MMCFGD	10,000:1	No/NA
South Dagger Draw-Upper Pennsylvanian Associated	Associated	320 acres/ Oil 320 acres/ Gas	1,400 BOPD 9.8 MMCFGD	7,000:1	Yes
Indian Basin- Upper Pennsylvanian	Gas	640 acres	Prorated Gas	NA	NA

(13) In support of its request to increase the oil allowable and gas-oil ratio limitation and to include a provision whereby simultaneous dedication of acreage to both oil and gas wells is allowed, Yates presented geologic evidence which indicates that:

- a) the geologic properties (i.e. permeability, porosity, etc.) of the South Dagger Draw-Upper Pennsylvanian Associated Pool closely resemble those of the Indian Basin-Upper Pennsylvanian Associated Pool;
- b) extension of the pool boundaries for the South Dagger Draw-Upper Pennsylvanian Associated Pool and the Indian Basin-Upper Pennsylvanian Associated Pool through development drilling will likely demonstrate that the pools represent a single common source of supply; and,
- c) both the South Dagger Draw-Upper Pennsylvanian Associated Pool and the Indian Basin-Upper Pennsylvanian Associated Pool are located in an area of the Cisco-Canyon reservoir which is a transition zone between the oil producing portion of the reservoir and the gas cap, represented by the Indian Basin-Upper Pennsylvanian Gas Pool.

(14) The geologic evidence presented indicates that the Indian Basin-Upper Pennsylvanian Associated Pool is properly classified as an "associated" pool.

CASE NO. 10748 (Reopened)

CASE NO. 11484

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(15) Previous cases presented before the Division have shown that oil allowables of 1,400 barrels per day per 320-acre proration unit should not have adverse affects on the reservoir or decrease ultimate recovery, therefore, the oil allowable for the Indian Basin-Upper Pennsylvanian Associated Pool should be increased as proposed by the applicant to be consistent with the North Dagger Draw-Upper Pennsylvanian Pool and the South Dagger Draw-Upper Pennsylvanian Associated Pool.

(16) The reservoir conditions and correlative rights issues which prompted the deletion of Rule No. 5 (b) of the General Rules and Regulations for the Associated Oil and Gas Pools of Northwest and Southeast New Mexico for the South Dagger Draw-Upper Pennsylvanian Associated Pool, thereby allowing the simultaneous dedication of acreage to both oil and gas wells, also exist within the Indian Basin-Upper Pennsylvanian Associated Pool, therefore, the simultaneous dedication of acreage to both oil and gas wells in the Indian Basin-Upper Pennsylvanian Associated Pool should be allowed.

(17) In support of its request to amend the current pool rules so as to allow the drilling of a well on each 80-acre tract within a standard proration unit, the applicant presented drainage data from existing wells within the pool. The information presented indicates that the smallest drainage area calculated was approximately 60 acres, and that the average drainage area within the pool is approximately 112 acres.

(18) The evidence presented indicates that even though both the North Dagger Draw-Upper Pennsylvanian Pool and the South Dagger Draw-Upper Pennsylvanian Associated Pool do not preclude the drilling of a well on each 40-acre tract within a standard proration unit, and that each of these pools has effectively been developed on 40-acre spacing, a more appropriate drilling density for the Indian Basin-Upper Pennsylvanian Associated Pool is one well per 80-acre tract.

(19) The applicant did not present sufficient evidence to justify the need for establishing a limiting gas-oil ratio of 10,000 cubic feet of gas per barrel of oil, however, the limiting gas-oil ratio for the Indian Basin-Upper Pennsylvanian Associated Pool should be increased to 7,000:1 in order to be consistent with the limiting GOR currently in effect for the South Dagger Draw-Upper Pennsylvanian Associated Pool.

(20) No other operator and/or interest owner appeared and presented evidence in opposition to Yates' proposed pool rule amendments or to adopting permanent rules for the subject pool.

CASE NO. 10748 (Reopened)

CASE NO. 11484

Order No. R-9922-C

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(21) The establishment of permanent Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Associated Pool, including certain amendments proposed by Yates Petroleum Corporation, will allow the "equivalent" development of the Cisco-Canyon reservoir, will provide the oil and gas allowable incentive necessary for further development and delineation of the pool, will prevent the economic loss caused by the drilling of an excessive number of wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, prevent reduced recovery which might result from the drilling of too few wells, and otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The Temporary Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Associated Pool, as promulgated by Division Order No. R-9922, as amended, are hereby amended as follows and continued in full force and effect until further order of the Division.

**SPECIAL RULES AND REGULATIONS
FOR THE
INDIAN BASIN-UPPER PENNSYLVANIAN ASSOCIATED POOL**

RULE 2. (a) A standard oil proration unit shall comprise 320 acres. A standard gas proration unit shall comprise 320 acres.

RULE 2. (b) Each well shall be located no closer than 660 feet from the outer boundary of the proration unit nor closer than 330 feet from any quarter-quarter section line or subdivision inner boundary. No more than one well per 80-acre tract shall be drilled or produced on a standard proration unit.

RULE 6. The limiting gas-oil ratio shall be 7,000 cubic feet of gas per barrel of oil.

RULE 22. The special depth bracket allowable for a 320-acre proration unit shall be 1,400 barrels of oil per day. All or any part of the allowable may be produced by a single well or by two or more wells on the unit.

CASE NO. 10748 (Reopened)

CASE NO. 11484

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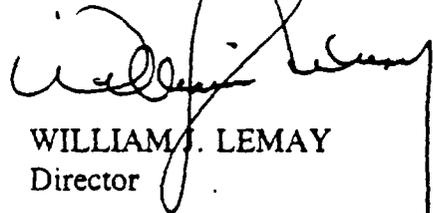
IT IS FURTHER ORDERED THAT:

(2) The application of Yates Petroleum Corporation in Case No. 11484 to delete Rule No. 5 (b) of the General Rules and Regulations for the Associated Oil and Gas Pools of Northwest and Southeast New Mexico, as promulgated by Division Order No. R-5353, as amended, as it pertains to the Indian Basin-Upper Pennsylvanian Associated Pool, thereby allowing the simultaneous dedication of acreage to both oil and gas wells, is hereby approved.

(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.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

S E A L

See Also Order Nos.

R-9922

R-9922-A

R-9922-B

R-9922-C

R-9922-E

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:

NOMENCLATURE
CASE NO. 12006
ORDER NO. R-9922-D

APPLICATION OF MARATHON OIL COMPANY, YATES PETROLEUM CORPORATION, ORYX ENERGY COMPANY, DEVON ENERGY CORPORATION (NEVADA) AND SANTA FE ENERGY RESOURCES, INC. FOR THE EXPANSION OF THE INDIAN BASIN-UPPER PENNSYLVANIAN ASSOCIATED POOL AND THE CONCOMITANT CONTRACTION OF THE INDIAN BASIN-UPPER PENNSYLVANIAN GAS POOL, APPROVAL OF FOUR NON-STANDARD 320-ACRE GAS PRORATION UNITS, AN UNORTHODOX GAS WELL LOCATION, AND APPORTIONMENT OF GAS ALLOWABLES, EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on July 9, 1998, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 7th day of December, 1998, the Division Director, having considered 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) The Indian Basin-Upper Pennsylvanian Gas Pool is a prorated gas pool currently governed by the "General Rules for the Prorated Gas Pools of New Mexico/Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Gas Pool," as promulgated by Division Order No. R-8170, as amended, which require standard 640-acre spacing and proration units ("GPU") with wells to be located no closer than 1650 feet from the outer boundary of the GPU nor closer than 330 feet from any governmental quarter-quarter section line or subdivision inner boundary. The current gas allowable for the Indian Basin-Upper Pennsylvanian Gas Pool is approximately 6.5 MMCFG per day per GPU.

(3) The Indian Basin-Upper Pennsylvanian (Prorated) Gas Pool currently comprises the following described area in Eddy County, New Mexico:

TOWNSHIP 21 SOUTH, RANGE 23 EAST, NMPM

Section 3:	W/2
Section 4:	All
Sections 8 and 9:	All
Section 10:	W/2
Section 15:	W/2
Sections 16 through 30:	All
Sections 32 through 36:	All

TOWNSHIP 21 SOUTH, RANGE 24 EAST, NMPM

Sections 19 through 21:	All
Sections 28 through 32:	All

TOWNSHIP 22 SOUTH, RANGE 23 EAST, NMPM

Sections 1 through 5:	All
Sections 8 through 17:	All
Section 21:	N/2
Section 22:	All.

(4) The Indian Basin-Upper Pennsylvanian Associated Pool is currently governed by the "*Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Associated Pool,*" as promulgated by Division Order No. R-9922, as amended, which require standard 320-acre oil and gas spacing units with wells to be located no closer than 660 feet from the outer boundary of the proration unit nor closer than 330 feet from any quarter-quarter section line or subdivision inner boundary, and with no more than one well per 80-acre tract to be drilled or produced on a standard proration unit. The special depth bracket allowable for the pool is 1,400 barrels of oil per day. The limiting gas-oil ratio for the pool is 7,000 cubic feet of gas per barrel of oil, which results in a casinghead gas allowable of 9.8 MMCFG per day.

(5) The Indian Basin-Upper Pennsylvanian Associated Pool currently comprises the following described area in Eddy County, New Mexico:

TOWNSHIP 21 SOUTH, RANGE 24 EAST, NMPM

Section 27:	S/2
Sections 33 and 34:	All.

TOWNSHIP 22 SOUTH, RANGE 24 EAST, NMPM

Sections 2 through 10: All
Section 11: N/2
Sections 16 and 17: All.

(6) The applicants, Marathon Oil Company, Yates Petroleum Corporation, Oryx Energy Company, Devon Energy Corporation (Nevada), and Santa Fe Energy Resources, Inc. seek an order expanding the Indian Basin-Upper Pennsylvanian Associated Pool in Eddy County, New Mexico to include:

TOWNSHIP 21 SOUTH, RANGE 23 EAST, NMPM

Section 36: E/2

TOWNSHIP 21 SOUTH, RANGE 24 EAST, NMPM

Sections 20 and 21: All
Sections 28 through 32: All

TOWNSHIP 22 SOUTH, RANGE 23 EAST, NMPM

Section 1: E/2
Section 12: E/2
Section 13: E/2

TOWNSHIP 22 SOUTH, RANGE 24 EAST, NMPM

Section 18: All

AND THE concomitant contraction of the Indian Basin-Upper Pennsylvanian Gas Pool by deleting therefrom:

TOWNSHIP 21 SOUTH, RANGE 23 EAST, NMPM

Section 36: E/2

TOWNSHIP 21 SOUTH, RANGE 24 EAST, NMPM

Sections 20 and 21: All
Sections 28 through 32: All

TOWNSHIP 22 SOUTH, RANGE 23 EAST, NMPM

Section 1: E/2
Section 12: E/2
Section 13: E/2.

(7) In conjunction with the proposed adjustment to the boundaries of the two subject pools, the applicants seek to establish the following four 320-acre, more or less, GPU's within the Indian Basin-Upper Pennsylvanian Gas Pool within Section 36, Township 21 South, Range 23 East, NMPM, and Sections 1, 12, and 13, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico:

(A) the W/2 of Section 36, comprising 320 acres, which is to be dedicated to the existing Lowe State Gas Com Well No. 1 (API No. 30-015-10342), located 1995 feet from the North line and 1712 feet from the West line (Unit F) of Section 36;

(B) the W/2 equivalent of Section 1, comprising 336.57 acres, on which there is currently no well;

(C) the W/2 of Section 12, comprising 320 acres, which is to be dedicated to the existing Smith Federal Gas Com Well No. 2 (API No. 30-015-26834) located 2049 feet from the North line and 480 feet from the West line (Unit E) of Section 12; and

(D) the W/2 of Section 13, comprising 320 acres, which is to be dedicated to the HOC Federal Gas Com Well No. 2 (API No. 30-015-26939) located 330 feet from the North and West lines (Unit D) of Section 13.

(8) The proposed acreage and pool rededication results in the Lowe State Gas Com Well No. 1 being only 928 feet from the outer boundary of its newly designated 320-acre gas proration unit. The resulting unorthodox gas well location for this well requires proper authorization pursuant to the appropriate rules and regulations governing the Indian Basin-Upper Pennsylvanian Gas Pool.

(9) On behalf of the applicants, Marathon Oil Company presented geologic, petroleum engineering, and oil and gas mineral ownership and land evidence, which demonstrates that this application should be granted and which is summarized as follows:

(A) In the Indian Basin area, the Upper Pennsylvanian interval contains multiple compartmentalized reservoirs, which are productive of oil, gas and water from several dolomitized horizons from the top of the Cisco formation to

the base of the Canyon formation.

(B) The Cisco/Canyon formations within the Indian Basin-Upper Pennsylvanian Gas Pool, including the extension area, and the Indian Basin-Upper Pennsylvanian Associated Pool were originally developed with flowing gas wells on 640-acre gas spacing such that, once the gas wells stopped flowing as a result of water encroachment, the wells were abandoned.

(C) The Indian Basin-Upper Pennsylvanian Gas Pool attained its maximum extension in the 1970s and, since then, water encroachment has advanced from east to west slowly watering out the flowing gas wells. Currently, flowing gas production occurs west of a structural contour line at minus 3300 feet subsea elevation.

(D) In 1992, Yates Petroleum Corporation reentered and recompleted the Hickory "ALV" Federal Well No 1 (API No. 30-015-10566), located 1650 feet from the North and West lines (Unit F) of Section 17, Township 22 South, Range 24 East, NMPM. Using the same high capacity pumps used in the nearby South Dagger Draw-Upper Pennsylvanian Associated Pool, Yates was able to achieve rates of 400 BOPD, 500 MCFGPD and 1200 BWPD in a former Indian Basin-Upper Pennsylvanian Gas Pool well which had previously been depleted. Thereafter the Division entered Order No. R-9922 and created the Indian Basin-Upper Pennsylvanian Associated Pool.

(E) The Cisco/Canyon formations within the Indian Basin-Upper Pennsylvanian Associated Pool and the extension area are in a structural feature separated from the Indian Basin-Upper Pennsylvanian Gas Pool by a structural saddle at the top of the Cisco at a subsea elevation of minus 3500 feet. New wells located within 320-acre spacing units in the Indian Basin-Upper Pennsylvanian Associated Pool and the extension area are now producing or have the potential to produce oil and gas that was not previously recovered when this area was originally developed as part of the Indian Basin-Upper Pennsylvanian Gas Pool.

(F) Current oil and gas production from the Cisco/Canyon formations in the Indian Basin-Upper Pennsylvanian Associated Pool and the extension area required extensive formation "de-watering." Hydrocarbons are mobilized by continuous movement of large volumes of water with artificial lift.

(G) Pressure data demonstrates that:

(i) the Indian Basin-Upper Pennsylvanian Associated Pool, with a pressure on average of 1600 psi, is not in pressure communication with the Indian Basin-Upper Pennsylvanian Gas Pool, which has a current pressure on average of 500 psi; and

(ii) wells in the extension area of Township 21 South, Range 24 East, NMPM, have a pressure related to the Indian Basin-Upper Pennsylvanian Associated Pool.

(H) Production data demonstrates that:

(i) there are no flowing gas wells in the extension area; and

(ii) old flowing gas wells in the extension area were abandoned when they watered out and new wells are attaining oil and gas production by using high capacity pumps.

(I) The division of Section 36, Township 21 South, Range 23 East, NMPM and Sections 1, 12, and 13, Township 22 South, Range 23 East, NMPM (the transition area) into non-standard 320-acre, more or less, gas proration and spacing units will provide an equitable "buffer" between the Indian Basin-Upper Pennsylvanian Gas Pool and the Indian Basin-Upper Pennsylvanian Associated Pool because:

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(i) wells have been located or can be located such that drainage by wells in the Indian Basin-Upper Pennsylvanian Associated Pool can be met with counter drainage from wells located or to be located on the eastern side of each of the four 320-acre, more or less, non-standard gas spacing and proration units in the Indian Basin-Upper Pennsylvanian Gas Pool provided that wells located on the eastern side of these units can be no closer than 660 feet from the eastern boundary, which is also the setback requirement for wells in the Indian Basin-Upper Pennsylvanian Associated Pool; and

(ii) wells located in the Indian Basin-Upper Pennsylvanian Gas Pool will not suffer unfair competition from wells located or to be located in these four, non-standard gas proration units because allowables will be apportioned based upon the gas proration system adopted for the Indian Basin-Upper Pennsylvanian Gas Pool.

(J) The granting of this application should not impair the correlative rights:

(i) of any working interest owner within any of the existing 640-acre GPUs because there are voluntary joint operating agreements requiring that all those owners continue to share in production and pay costs from the new 320-acre spacing units on the same proportional basis as in the original 640-acre unit;

(ii) of any overriding royalty interest owner or the federal royalty under a federal oil and gas lease within any of the existing 640-

acre GPUs because there are federal communitization agreements requiring that all those owners continue to share in production from the new 320-acre spacing units on the same proportional basis as in the original 640-acre unit;

(iii) under Section 32, Township 21 South, Range 24 East, NMPM, which consists of two 320-acre State of New Mexico leases and is operated by Marathon Oil Company, because there are no overriding royalty owners and the State Land Office desires that the communitization agreement for the existing 640-acre proration unit terminate and be replaced by two 320-acre proration units co-extensive with the two State leases; and,

(iv) under Section 36, Township 21 South, Range 23 East, NMPM, which consists of two State of New Mexico leases and is operated by ORYX Energy Company, because there are no overriding royalty owners and the State Land Office desires that the existing 640-acre communitization agreement terminate and be replaced by two 320-acre communitization agreements.

(10) The evidence and testimony presented at the hearing further indicate that:

(A) The Cisco/Canyon formations within the Indian Basin-Upper Pennsylvanian Associated Pool and the extension area are a single structural feature such that wells located in this area should be subject to the same special rules and regulations.

(B) Geologic and petroleum engineering evidence demonstrate that substantial volumes of oil and gas, which otherwise would not be produced, can be economically recovered from the extension area if that area is subject to the

current rules applicable to the Indian Basin-Upper Pennsylvanian Associated Pool, thereby preventing waste.

(C) Making the extension area part of the Indian Basin-Upper Pennsylvanian Associated Pool will afford the opportunity to increase the de-watering process in the reservoir and improve recovery efficiencies for both oil and gas.

(D) The adoption of the four 320-acre, more or less, non-standard gas proration and spacing units will establish a temporary "buffer" or transition area between the Indian Basin-Upper Pennsylvanian Gas Pool and the Indian Basin-Upper Pennsylvanian Associated Pool, which at this time will establish equity and protect correlative rights.

(11) The applicants are all of the operators of wells in the extension area and they have met and unanimously agreed upon this application.

(12) In accordance with Division notification rules, notification of this application and request for hearing has been sent to the owners within the proposed expansion area and to the offset operators to each non-standard gas proration and spacing unit and no objections have been received by either the Division or Marathon Oil Company, which sent out these notices.

(13) In order to prevent waste, to prevent the drilling of unnecessary wells, to protect correlative rights and provide for a more orderly development of the Cisco/Canyon formations, it is necessary to do the following:

(A) contract the Indian Basin-Upper Pennsylvanian Gas Pool and expand the Indian Basin-Upper Pennsylvanian Associated Pool as described in Finding Paragraph No. 6;

(B) approve the four non-standard 320-acre, more or less, GPU's within the Indian Basin-Upper Pennsylvanian Gas Pool as described in Finding Paragraph No. 7; and,

(C) approve an unorthodox gas well location for the Lowe State Gas Com Well No. 1 located 1995 feet from the North line and 1712 feet from the West line (Unit K) of said Section

36.

(14) Marathon Oil Company, Santa Fe Energy Resources, Inc. and ORYX Energy Corporation were present at the hearing and Marathon Oil Company, on behalf of the applicants, provided technical land, geologic and engineering testimony concerning the reservoir and, these pools.

(15) No other operator and/or interest owner appeared at the hearing in opposition to the application.

(16) Approval of the applicant's request will allow the interest owners the opportunity to economically recover their share of the oil and gas in the subject pools, will not reduce ultimate recovery from the subject pools, and will not violate correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The Indian Basin-Upper Pennsylvanian Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby contracted by the deletion of the following described area:

TOWNSHIP 21 SOUTH. RANGE 23 EAST. NMPM

Section 36: E/2

TOWNSHIP 21 SOUTH. RANGE 24 EAST. NMPM

Sections 20 and 21: All

Sections 28 through 32: All

TOWNSHIP 22 SOUTH. RANGE 23 EAST. NMPM

Section 1: E/2

Section 12: E/2

Section 13: E/2.

(2) Concomitantly, the Indian Basin-Upper Pennsylvanian Associated Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include therein the following described area:

TOWNSHIP 21 SOUTH. RANGE 23 EAST. NMPM

Section 36: E/2

TOWNSHIP 21 SOUTH, RANGE 24 EAST, NMPM

Sections 20 and 21: All
Sections 28 through 32: All

TOWNSHIP 22 SOUTH, RANGE 23 EAST, NMPM

Section 1: E/2
Section 12: E/2
Section 13: E/2.

TOWNSHIP 22 SOUTH, RANGE 24 EAST, NMPM

Section 18: All.

(3) The following four 320-acre, more or less, GPU's within the Indian Basin-Upper Pennsylvanian Gas Pool within Section 36, Township 21 South, Range 23 East, and Sections 1, 12, and 13, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico, are hereby approved:

(A) the W/2 of Section 36, comprising 320 acres, which is to be dedicated to the existing Lowe State Gas Com Well No. 1 (API No. 30-015-10342), located at an unorthodox gas well location for the 320-acre GPU, 1995 feet from the North line and 1712 feet from the West line (Unit F) of Section 36;

(B) the W/2 of Section 1, comprising 336.57 acres, on which there is currently no well;

(C) the W/2 of Section 12, comprising 320 acres, which is to be dedicated to the existing Smith Federal Gas Com Well No. 2 (API No. 30-015-26834) located 2049 feet from the North and 480 feet from the West lines (Unit E) of Section 12; and,

(D) the W/2 of Section 13, comprising 320 acres, which is to be dedicated to the HOC Federal Gas Com Well No. 2 (API No. 30-015-26939) located 330 feet from the North line and 330 feet from the West line (Unit D) of Section 13.

(4) Any future well located in any of these four non-standard gas proration and spacing units no closer than 660 feet to the eastern boundary of the unit shall be considered

to be at a standard location.

(5) The apportionment of gas allowables for the four non-standard GPU's shall be accomplished by applying a 0.5 acreage factor to each of the non-standard GPU's.

(6) An unorthodox gas well location for the following well in the Indian Basin-Upper Pennsylvanian Gas Pool, which became unorthodox as a result of the change in pool boundary, is hereby approved: Lowe State Gas Com Well No. 1 located 1995 feet from the North line and 1712 feet from the West line and of Section 36, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico.

(7) The locations of all wells presently drilling to or completed in the Indian Basin-Upper Pennsylvanian Associated Pool within this expansion area are hereby approved; the operator of any well having an unorthodox location shall notify the Artesia District Office of the Division in writing of the name and location of the well within thirty days from the date of this order.

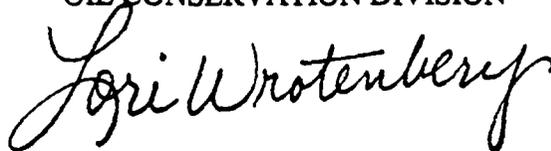
(8) Pursuant to Paragraph A of Section 70-2-18, NMSA (1978), contained in Chapter 271, Laws of 1969, existing wells in the Indian Basin-Upper Pennsylvanian Associated Pool within this expansion area shall have dedicated thereto 320 acres; or, pursuant to Paragraph C of Section 70-2-18, existing wells may have non-standard spacing or proration units established by the Division and dedicated thereto.

(9) Failure to file new Forms C-102 with the Division dedicating 320 acres to a well or to obtain a non-standard unit approved by the Division within 60 days from the date of this order shall subject the well to being shut-in.

(10) Jurisdiction of this case 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



LORI WROTENBERY
Director

SEAL

**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:**

*See Also Orders No. R-9922
9922-A
9922-B
9922-C
9922-D*

**NOMENCLATURE
CASE NO. 12782
ORDER NO. R-9922-E**

**APPLICATION OF KERR-McGEE OIL & GAS ONSHORE L.L.C. FOR THE
EXPANSION OF THE INDIAN BASIN-UPPER PENNSYLVANIAN ASSOCIATED
POOL AND THE CONCOMITANT CONTRACTION OF THE INDIAN BASIN-
UPPER PENNSYLVANIAN GAS POOL, AND FOR APPROVAL OF FOUR NON-
STANDARD GAS PRORATION UNITS IN THE INDIAN BASIN-UPPER
PENNSYLVANIAN GAS POOL, EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on December 20, 2001, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 16th day of August, 2002, 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) The Indian Basin-Upper Pennsylvanian Gas Pool currently comprises the following-described area in Eddy County, New Mexico:

TOWNSHIP 21 SOUTH, RANGE 23 EAST, NMPM

Section 3:	W/2
Section 4:	All
Sections 8 and 9:	All
Section 10:	W/2
Section 15:	W/2
Sections 16 through 30:	All
Sections 32 through 35:	All

Section 36: W/2

TOWNSHIP 21 SOUTH, RANGE 24 EAST, NMPM

Section 19: All

TOWNSHIP 22 SOUTH, RANGE 23 EAST, NMPM

Section 1: W/2

Sections 2 through 5: All

Sections 8 through 11: All

Section 12: W/2

Section 13: W/2

Sections 14 through 17: All

Section 21: N/2

Section 22: All.

(3) The Indian Basin-Upper Pennsylvanian Gas Pool is a prorated gas pool currently governed by: (i) Division Rule 605; and (ii) the "*Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Gas Pool*," as promulgated by Division Order No. R-8170, as amended, which require standard 640-acre gas spacing and proration units ("GPU") with wells to be located no closer than 1650 feet from the outer boundary of the GPU nor closer than 330 feet from any governmental quarter-quarter section line or subdivision inner boundary.

(4) However, Division Order No. R-9922-D, issued in Case No. 12006 and dated December 7, 1998, adjusted the pool boundaries of the Indian Basin-Upper Pennsylvanian Gas Pool and the Indian Basin-Upper Pennsylvanian Associated Pool and approved a non-standard 320-acre gas spacing and proration unit for the W/2 of Section 12, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico, for the Indian Basin-Upper Pennsylvanian Gas Pool [see *Ordering Paragraph No. (3) on page 11 of Order No. R-9922-D*]. Further, Division Order No. R-9922-D provided that any future well located within the W/2 of Section 12 is to be located no closer than 660 feet to the eastern boundary of this 320-acre unit.

(5) The Indian Basin-Upper Pennsylvanian Associated Pool currently comprises the following-described area in Eddy County, New Mexico:

TOWNSHIP 21 SOUTH, RANGE 23 EAST, NMPM

Section 36: E/2

TOWNSHIP 21 SOUTH, RANGE 24 EAST, NMPM

Section 16: W/2

Sections 20 and 21: All
Section 27: S/2
Sections 28 through 34: All

TOWNSHIP 22 SOUTH, RANGE 23 EAST, NMPM

Section 1: E/2
Section 12: E/2
Section 13: E/2

TOWNSHIP 22 SOUTH, RANGE 24 EAST, NMPM

Sections 2 through 10: All
Section 11: N/2
Sections 16 through 18: All.

(6) The area encompassing the Indian Basin-Upper Pennsylvanian Associated Pool and the upper-Pennsylvanian interval (Cisco and Canyon formations) within one-mile is currently governed by the "*Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Associated Pool*," as promulgated by Division Orders No. R-9922, R-9922-A, R-9922-B, R-9922-C, and R-9922-D and the "*General Rules and Regulations for the Associated Oil and Gas Pools of Northwest New Mexico and Southeast New Mexico*," as promulgated by Division Order No. R-5353, as amended, which require standard 320-acre oil and gas spacing and proration units, with wells to be located no closer than 660 feet from the outer boundary of the proration unit nor closer than 330 feet from any quarter-quarter section line or subdivision inner boundary, and allow no more than one well per 80-acre tract to be drilled or produced on a standard unit.

(7) The applicant, Kerr-McGee Oil & Gas Onshore L.L.C. ("Kerr-McGee") seeks an order expanding the Indian Basin-Upper Pennsylvanian Associated Pool to include the following lands (the "second extension area") in Eddy County, New Mexico:

TOWNSHIP 21 SOUTH, RANGE 23 EAST, NMPM

Section 25: All
Section 35: E/2
Section 36: W/2

TOWNSHIP 21 SOUTH, RANGE 24 EAST, NMPM

Section 19: All

TOWNSHIP 22 SOUTH, RANGE 23 EAST, NMPM

Section 1:	W/2
Section 2:	E/2
Section 11:	E/2
Section 12:	W/2
Section 13:	W/2
Section 14:	E/2,

The applicant also seeks the concomitant contraction of the Indian Basin-Upper Pennsylvanian Gas Pool in Eddy County, New Mexico by the deletion therefrom of:

TOWNSHIP 21 SOUTH, RANGE 23 EAST, NMPM

Section 25:	All
Section 35:	E/2
Section 36:	W/2

TOWNSHIP 21 SOUTH, RANGE 24 EAST, NMPM

Section 19:	All
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TOWNSHIP 22 SOUTH, RANGE 23 EAST, NMPM

Section 1:	W/2
Section 2:	E/2
Section 11:	E/2
Section 12:	W/2
Section 13:	W/2
Section 14:	E/2.

(8) In conjunction with the proposed adjustment to the boundaries of the two subject pools, the applicant seeks to establish the following four 320-acre, more or less, GPU's within the Indian Basin-Upper Pennsylvanian Gas Pool in Eddy County, New Mexico:

(A) the W/2 of Section 35, Township 21 South, Range 23 East, NMPM, comprising 320 acres, which is to be simultaneously dedicated to Marathon Oil Company's ("Marathon"): (i) Federal "C-35" Well No. 1 (API No. 30-015-10403), located 1650 feet from the North and West lines (Unit F) of Section 35; and (ii) Federal "C-35" Well No. 2 (API No. 30-015-27629), located 800 feet from the South and

West lines (Unit M) of Section 35 [*This well was the subject of Division Order No. R-9910, issued in Case No. 10736 on June 9, 1993, which order approved the unorthodox gas well location within a standard 640-acre gas spacing and proration unit comprising all of Section 35 and assessed a production penalty to the 640-acre unit of 38 %.*];

(B) Lots 3 and 4, the S/2 NW/4, and the SW/4 (W/2 equivalent) of Section 2, Township 22 South, Range 23 East, NMPM, comprising 337.47 acres, which is to be simultaneously dedicated to Kerr-McGee's: (i) Conoco State Well No. 4 (API No. 30-015-30621), located 1900 feet from the South line and 1750 feet from the West line (Unit K) of Section 2; and (ii) Conoco State Well No. 7 (API No. 30-015-30875), located 1706 feet from the North line and 1828 feet from the West line (Unit F) of Section 2 [*This well was the subject of Division Administrative Order NSL-4386-A (SD), which order approved the unorthodox gas well location within an existing gas spacing and proration unit comprising all of irregular Section 2.*];

(C) the W/2 of Section 11, Township 22 South, Range 23 East, NMPM, comprising 320 acres, which is to be simultaneously dedicated to Marathon's: (i) Smith Federal Well No. 1 (API No. 30-015-10567), located 1650 feet from the North and West lines (Unit F) of Section 11; and (ii) Smith Federal Well No. 2 (API No. 30-015-29789), located 1465 feet from the South line and 800 feet from the West line (Unit L) of Section 11 [*This well was the subject of Division Administrative Order NSL-3855 (SD), dated August 15, 1997, which order approved the unorthodox gas well location within a standard 640-acre gas spacing and proration unit comprising all of Section 11 and assessed a production penalty to the 640-acre unit of 27 %.*]; and

(D) the W/2 of Section 14, Township 22 South, Range 23 East, NMPM, comprising 320 acres, which is to be dedicated to Marathon's Federal "IBB" Gas Com Well No. 1 (API No. 30-015-10744), located 1650 feet from the North and West lines (Unit F) of Section 14.

(9) In addition to the above-described Marathon Federal "C-35" Well No. 2 and Smith Federal Well No. 2 and Kerr-McGee Conoco State Well No. 7 currently located at unorthodox gas well locations within the Indian Basin-Upper Pennsylvanian Gas Pool, the proposed acreage and pool rededication result in Marathon's Federal "C-35" Well No. 1, Kerr-McGee's Conoco State Well No. 4, Marathon's Smith Federal Well No. 1, and Marathon's Federal "IBB" Gas Com. Well No. 1 also become unorthodox under the pool rules currently governing the Indian Basin-Upper Pennsylvanian Gas Pool.

(10) The proposed acreage and pool rededication result in the following wells becoming unorthodox under the well location requirements of the Indian Basin-Upper Pennsylvanian Associated Pool:

(A) Marathon's Federal "C-35" Well No. 3 (**API No. 30-015-30619**), located 1500 feet from the South line and 2080 feet from the East line (Unit J) of Section 35, Township 21 South, Range 23 East, NMPM [*This well was the subject of Division Administrative Order NSL-4255 (SD), which order approved the unorthodox second infill gas well location within a standard 640-acre gas spacing and proration unit comprising all of Section 35 and confirmed the production penalty to the 640-acre unit of 38 % previously assessed by Division Order No. R-9910.*];

(B) the Yates Petroleum Corporation ("Yates") Smith Federal Gas Com. Well No. 2 (**API No. 30-015-26834**), located 2049 feet from the North line and 480 feet from the West line (Unit E) of Section 12, Township 22 South, Range 23 East, NMPM [*This well was the subject of Division Order No. R-9922-D, issued in Case No. 12006 on December 7, 1998, which order approved the unorthodox gas well location within a non-standard 320-acre gas spacing and proration unit comprising the W/2 of Section 12.*];

(C) Yates's Smith Federal Gas Com. Well No. 3 (**API No. 30-015-30687**), located 1797 feet from the North line and 2159 feet from the West line (Unit F) of Section 12 [*This well was the subject of Division Administrative Order NSL-4664 (SD), dated November 19, 2001, which order approved the unorthodox infill gas well location within a non-standard*

320-acre gas spacing and proration unit comprising the W/2 of Section 12.]; and

(D) Yates's HOC Federal Gas Com. Well No. 2 (API No. 30-015-26939), located 330 feet from the North and West lines (Unit D) of Section 13, Township 22 South, Range 23 East, NMPM [*This well was the subject of Division Order No. R-9922-D, issued in Case No. 12006 on December 7, 1998, which order approved the unorthodox gas well location within a non-standard 320-acre gas spacing and proration unit comprising the W/2 of Section 13.*].

(11) Finally, the applicant requests that within the proposed second extension area to the Indian Basin-Upper Pennsylvanian Associated Pool only one well be allowed per quarter section. HOWEVER, the applicant requests that the following existing wells that are located on the same quarter sections be allowed to produce concurrently:

(A) in the NW/4 of Section 12, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico, Yates's previously described Smith Federal Gas Com. Wells No. 2 and 3 in Units "E" and "F" respectively; and

(B) in the NW/4 of Section 13, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico, Yates's: (i) HOC Federal Well No. 1 (API No. 30-015-10721), located 1650 feet from the North and West lines (Unit F) of Section 13; and (ii) previously described HOC Federal Gas Com. Well No. 2 located in Unit "D" of Section 13.

(12) The applicant presented geologic, petroleum engineering, oil and gas mineral ownership, and land evidence that is summarized as follows:

(A) Both the Indian Basin-Upper Pennsylvanian Gas Pool ("Gas Pool") and Indian Basin-Upper Pennsylvanian Associated Pool ("Associated Pool") are defined by a fault to the west and a zero dolomite contour in the rest of the field, within which virtually all Upper Pennsylvanian production has occurred.

(B) By Division Order No. R-9922-D, issued in Case No. 12006 on December 7, 1998, approximately ten sections of land were deleted from the Gas Pool and added to the Associated Pool (the "1998 extension area").

(C) Cumulative production in the Gas Pool to the west of the proposed second extension area is approximately 50 BCF/section. Recoveries are lower to the east, in the Associated Pool, although production has increased dramatically in the Associated Pool over the last several years. Several wells in the proposed second extension area have their production curtailed by the Gas Pool's allowable.

(D) Of the 179 wells that have produced in both pools, 115 have been completed since 1990, with the majority in the Associated Pool. Well density is higher in the Associated Pool than in the Gas Pool, with as many as five wells per section.

(E) Significant water production continues to move westward across the pools. Large volumes of oil and gas production have accompanied high volumes of water production in the Associated Pool.

(F) Average production per well in the Gas Pool peaked in 1994 at over 4.5 MMCFG/day, and has since declined to approximately 1.5 MMCFG/day. However, in the Associated Pool average production per well has increased from several hundred MCFG/day to over 3 MMCFG/day during the same period. Water production has increased to over 2000 BWPD per well in the Associated Pool.

(G) Along with higher gas and water volumes, oil production has increased over time in the Associated Pool, indicating that increasing fluid withdrawals increases oil production.

(H) Wells in the proposed second extension area exhibit similar producing rates and characteristics as wells in the 1998 extension area. In addition, of the 25 flowing wells in these

Nomenclature

Case No. 12782

Order No. R-9922-E

Page 9

pools, only two are located in the Associated Pool or in the proposed second extension area. The remaining 23 flowing wells are in the Gas Pool.

(I) Oil produced from wells in the proposed second extension area has a gravity of 40° API and is greenish-yellow in color, which is similar to that produced in the Associated Pool to the east, while oil produced to the west, in the Gas Pool, has a gravity of 60° to 70° API, and is clear in color.

(J) At the time of the hearing on the 1998 extension area, pressures were approximately 1600 psi in the Associated Pool and 500 psi in the Gas Pool. Pressures in the Associated Pool are currently about 800 psi versus approximately 400 psi in the Gas Pool.

(K) The proposed extension of the Associated Pool is necessary to allow wells in the proposed second extension area to compete with wells in both the Gas Pool and the Associated Pool.

(L) The one well per quarter section limitation in the proposed second extension area provides a buffer zone to prevent unfair competition between the Associated Pool and the Gas Pool.

(M) Existing wells or future wells in the four non-standard GPU's in the Gas Pool that are located no closer than 660 feet to the eastern boundaries of the non-standard GPU's and comply with the set-back requirements provided by the special rules governing the Indian Basin-Upper Pennsylvanian Gas Pool should be considered acceptable. The following gas wells would meet these criteria: (i) Marathon's Federal "C-35" Well No. 1; (ii) Kerr-McGee's Conoco State Well No. 4; (iii) Kerr-McGee's Conoco State Well No. 7; (iv) Marathon's Smith Federal Well No. 1; and (v) Marathon's Federal "IBB" Gas Com. Well No. 1.

(N) The granting of this application will not impair the correlative rights:

(i) of any interest owner in Section 19, Township 21 South, Range 24 East, NMPM, Eddy County, New Mexico, because there is no current production from the Cisco/Canyon formations in that section;

(ii) of any interest owner in Section 25 or 35, Township 21 South, Range 23 East, NMPM, or Section 11, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico, because those sections are each covered by a single federal lease, with common interest ownership throughout the section;

(iii) of any working interest owner in the existing 640-acre GPU covering Section 14, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico, because there is a voluntary joint operating agreement in place under which those owners will continue to share in production and pay costs from the new 320-acre spacing units on the same proportional basis as in the original 640-acre unit;

(iv) of any royalty, overriding royalty, or production payment interest owner in the existing 640-acre GPU covering Section 14, because there is a federal communitization agreement in place under which those owners will continue to share in production from the new 320-acre spacing units on the same proportional basis as in the original 640-acre unit; and

(v) of interest owners in Section 2, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico, which comprises two State of New Mexico leases, because there

are no overriding royalty owners and the State Land Office desires that the existing 674.28-acre communitization agreement terminate and be replaced by:

(a) a 336.81-acre communitization agreement covering Lots 1, 2, S/2 NE/4, and SE/4 of Section 2, and

(b) a 337.47-acre communitization agreement covering Lots 3, 4, S/2 NW/4, and SW/4 of Section 2

(O) The correlative rights of interest owners in the W/2 of Section 36, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico and the W/2 of Section 1, W/2 of Section 12, and W/2 of Section 13, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico, were addressed in Division Order No. R-9922-D.

(13) The evidence presented at the hearing indicates that:

(A) The Cisco/Canyon formations are continuous across the Associated Pool and the proposed second extension area, and wells within these two areas exhibit similar producing characteristics and should be subject to the same special rules and regulations.

(B) Substantial volumes of oil and gas can be economically produced from the proposed second extension area if that area is subject to the same rules currently applicable to the Associated Pool, thereby preventing waste.

(C) Making the proposed second extension area part of the Associated Pool will afford the opportunity to produce large volumes of water, which improves recovery efficiencies of both oil and gas.

(D) The approval of the above-described four 320-acre, more or less, non-standard GPU's, and the one well per 160-

acre limitation, will establish a "buffer" or transition zone between the Gas Pool and the Associated Pool, which will establish equity and protect correlative rights.

(14) All operators in both the Gas Pool and the Associated Pool have met and discussed the proposals presented in this case and are in agreement with the applicant's proposals.

(15) Notification of this application and request for hearing was sent to all operators in both the Gas Pool and the Associated Pool, and all other interest owners in the proposed second extension area, in accordance with Division procedures. No objections have been received by the Division or by the applicant, and no operator or interest owner appeared at the hearing in opposition to the application.

(16) Yates appeared at the hearing and presented a statement in support of the application.

(17) In order to prevent waste, prevent the drilling of unnecessary wells, protect correlative rights, and provide for more orderly development of the Cisco/Canyon formations underlying the proposed second extension area, it is necessary to:

(A) contract the Indian Basin-Upper Pennsylvanian Gas Pool and expand the Indian Basin-Upper Pennsylvanian Associated Pool as described in Finding Paragraph No. (7) above;

(B) approve the four non-standard 320-acre, more or less, GPU's within the Gas Pool as described in Finding Paragraph No. (8) above;

(C) confirm the following two previously approved unorthodox gas well locations in the Indian Basin-Upper Pennsylvanian Gas Pool within their respective non-standard 320-acre, more or less, GPU's:

(i) Marathon's ("Marathon") Federal "C-35" Well No. 2 (API No. 30-015-27629), located 800 feet from the South and West lines (Unit M) of Section 35, Township 21 South, Range 23 East, NMPM, Eddy County,

New Mexico; and

(ii) Marathon's Smith Federal Well No. 2 (API No. 30-015-29789), located 1465 feet from the South line and 800 feet from the West line (Unit L) of Section 11, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico;

(D) approve the following four unorthodox wells in the Indian Basin-Upper Pennsylvanian Associated Pool:

(i) Marathon's Federal "C-35" Well No. 3 (API No. 30-015-30619), located 1500 feet from the South line and 2080 feet from the East line (Unit J) of Section 35, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico;

(ii) the Yates's Smith Federal Gas Com. Well No. 2 (API No. 30-015-26834), located 2049 feet from the North line and 480 feet from the West line (Unit E) of Section 12, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico;

(iii) Yates's Smith Federal Gas Com. Well No. 3 (API No. 30-015-30687), located 1797 feet from the North line and 2159 feet from the West line (Unit F) of Section 12; and

(iv) Yates's HOC Federal Gas Com. Well No. 2 (API No. 30-015-26939), located 330 feet from the North and West lines (Unit D) of Section 13, Township 22 South, Range 23 East, NMPM, Eddy County New Mexico; and

(E) approve the two existing wells in the NW/4 of Section 12 and the two existing wells in the NW/3 of Section 13, all in Township 22 South, Range 23 East, NMPM, Eddy County,

New Mexico, as described in Finding Paragraph No. (11) above.

(18) Granting the application will allow the interest owners the opportunity to economically recover their share of oil and gas in the subject pools, will not reduce the ultimate recovery from the pools, and will not violate correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The Indian Basin-Upper Pennsylvanian Gas Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby contracted by the deletion of the following area:

TOWNSHIP 21 SOUTH, RANGE 23 EAST, NMPM

Section 25:	All
Section 35:	E/2
Section 36:	W/2

TOWNSHIP 21 SOUTH, RANGE 24 EAST, NMPM

Section 19:	All
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TOWNSHIP 22 SOUTH, RANGE 23 EAST, NMPM

Section 1:	W/2
Section 2:	E/2
Section 11:	E/2
Section 12:	W/2
Section 13:	W/2
Section 14:	E/2.

(2) Concomitantly, the Indian Basin-Upper Pennsylvanian Associated Pool in Eddy County, New Mexico, as heretofore classified, defined, and described, is hereby extended to include the following area:

TOWNSHIP 21 SOUTH, RANGE 23 EAST, NMPM

Section 25:	All
Section 35:	E/2
Section 36:	W/2

TOWNSHIP 21 SOUTH, RANGE 24 EAST, NMPM

Section 19:	All
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TOWNSHIP 22 SOUTH, RANGE 23 EAST, NMPM

Section 1:	W/2
Section 2:	E/2
Section 11:	E/2
Section 12:	W/2
Section 13:	W/2
Section 14:	E/2.

(3) The following four non-standard 320-acre, more or less, gas spacing and proration units ("GPU") within the Indian Basin-Upper Pennsylvanian Gas Pool in Eddy County, New Mexico, are hereby approved:

(A) the W/2 of Section 35, Township 21 South, Range 23 East, NMPM, comprising 320 acres, which is to be simultaneously dedicated to Marathon Oil Company's ("Marathon"): (i) Federal "C-35" Well No. 1 (API No. 30-015-10403), located 1650 feet from the North and West lines (Unit F) of Section 35; and (ii) Federal "C-35" Well No. 2 (API No. 30-015-27629), located at a previously approved unorthodox gas well location (see Division Order No. R-9910, issued in Case No. 10736 on June 9, 1993) 800 feet from the South and West lines (Unit M) of Section 35;

(B) Lots 3 and 4, the S/2 NW/4, and the SW/4 (W/2 equivalent) of Section 2, Township 22 South, Range 23 East, NMPM, comprising 337.47 acres, which is to be simultaneously dedicated to Kerr-McGee Oil & Gas Onshore L.L.C.'s: (i) Conoco State Well No. 4 (API No. 30-015-30621), located 1900 feet from the South line and 1750 feet from the West line (Unit K) of Section 2; and (ii) Conoco State Well No. 7 (API No. 30-015-30875), located 1706 feet from the North line and 1828 feet from the West line (Unit F) of Section 2;

(C) the W/2 of Section 11, Township 22 South, Range 23 East, NMPM, comprising 320 acres, which is to be simultaneously dedicated to Marathon's: (i) Smith Federal Well No. 1 (API No. 30-015-10567), located 1650 feet from the North and West lines (Unit F) of Section 11; and (ii)

Smith Federal Well No. 2 (API No. 30-015-29789), located at a previously approved unorthodox gas well location (see Division Administrative Order NSL-3855 (SD), dated August 15, 1997) 1465 feet from the South line and 800 feet from the West line (Unit L) of Section 11; and

(D) the W/2 of Section 14, Township 22 South, Range 23 East, NMPM, comprising 320 acres, which is to be dedicated to Marathon's Federal "IBB" Gas Com Well No. 1 (API No. 30-015-10744), located 1650 feet from the North and West lines (Unit F) of Section 14.

(4) Any existing well or future well located in any of these four non-standard GPU's that is no closer than 660 feet to the eastern boundary of the unit and meets the set back requirements as provided in the special pool rules shall be considered to be located at a standard location.

(5) The apportionment of gas allowables for the four non-standard GPU's shall be accomplished by applying a 0.5, more or less, acreage factor to each of the non-standard GPU's.

(6) The two previously approved unorthodox gas well locations in the Indian Basin-Upper Pennsylvanian Gas Pool for Marathon's: (i) Federal "C-35" Well No. 2; and (ii) Smith Federal Well No. 2 are hereby approved for their respective non-standard 320-acre, more or less, GPU's.

(7) The unorthodox locations for the following four wells in the Indian Basin-Upper Pennsylvanian Associated Pool, which become unorthodox as a result of the change in pool boundary, are hereby approved:

(A) Marathon's Federal "C-35" Well No. 3 (API No. 30-015-30619), located 1500 feet from the South line and 2080 feet from the East line (Unit J) of Section 35, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico;

(B) the Yates Petroleum Corporation ("Yates") Smith Federal Gas Com. Well No. 2 (API No. 30-015-26834), located 2049 feet from the North line and 480 feet from the West line (Unit E) of Section 12, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico;

(C) Yates's Smith Federal Gas Com. Well No. 3 (API No. 30-015-30687), located 1797 feet from the North line and 2159 feet from the West line (Unit F) of Section 12; and

(D) Yates's HOC Federal Gas Com. Well No. 2 (API No. 30-015-26939), located 330 feet from the North and West lines (Unit D) of Section 13, Township 22 South, Range 23 East, NMPM, Eddy County New Mexico.

(8) The locations of all duly permitted wells presently drilling to either the Indian Basin-Upper Pennsylvanian Associated Pool or the Indian Basin-Upper Pennsylvanian Gas Pool within this contraction/expansion area are hereby approved; the operator of any well having an unorthodox location shall notify the Artesia District Office of the Division in writing of the name and location of the well within thirty days from the date of this order.

(9) Only one well in the Indian Basin-Upper Pennsylvanian Associated Pool shall be allowed per quarter section in the lands described in Ordering Paragraph No. (1) above. HOWEVER, the following existing wells that are located on the same quarter sections shall be allowed to produce concurrently:

(A) in the NW/4 of Section 12, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico Yates's previously described Smith Federal Gas Com. Wells No. 2 and 3 in Units "E" and "F" respectively; and

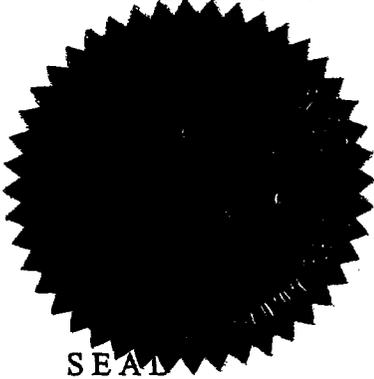
(B) in the NW/4 of Section 13, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico Yates's: (i) HOC Federal Well No. 1 (API No. 30-015-10721), located 1650 feet from the North and West lines (Unit F) of Section 13; and (ii) previously described HOC Federal Gas Com. Well No. 2 located in Unit "D" of Section 13.

(10) Pursuant to Paragraph A of Section 70-2-18, NMSA (1978), contained in Chapter 271, Laws of 1969, existing wells in the Indian Basin-Upper Pennsylvanian Associated Pool within this expansion area shall have dedicated thereto 320 acres in accordance with the resulting change of pool rules; or, pursuant to Paragraph C of Section 70-2-18, existing wells may have non-standard spacing or proration units established by the Division and dedicated thereto.

Failure to file new Forms C-102 with the Division dedicating 320 acres to a well or to obtain a non-standard unit approved by the Division within 60 days from the date of this order shall subject the well to being shut-in

(11) Jurisdiction of this case 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.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Handwritten signature of Lori Wrottenbery in cursive script.

LORI WROTENBERY
Director

CMD :
 OG5SECT
 ONGARD
 INQUIRE LAND BY SECTION

10/10/02 15:31:54
 OGOMES -TPEA
 PAGE NO: 2

Sec : 12 Twp : 22S Rng : 23E Section Type : NORMAL

L	K	J	I
40.00	40.00	40.00	40.00
Federal owned	Federal owned	Federal owned A	Federal owned
M	N	O	P
40.00	40.00	40.00	40.00
Federal owned	Federal owned	Federal owned	Federal owned

PF01 HELP PF02 PF03 EXIT PF04 GOTO PF05 PF06
 PF07 BKWD PF08 FWD PF09 PRINT PF10 SDIV PF11 PF12

CMD :
 OG5SECT
 ONGARD
 INQUIRE LAND BY SECTION

Sec : 12 Twp : 22S Rng : 23E Section Type : NORMAL

10/10/02 15:33:15
 OGOMES -TPEA
 PAGE NO: 1

D	C	B	A
40.00	40.00	40.00	40.00
Federal owned	Federal owned	Federal owned	Federal owned
E	F	G	H
40.00	40.00	40.00	40.00
Federal owned	Federal owned	Federal owned	Federal owned
A	A	A	A

M0002: This is the first page

PF01 HELP PF02 PF03 EXIT PF04 GOTO PF05 PF06
 PF07 BKWD PF08 FWD PF09 PRINT PF10 SDIV PF11 PF12

CMD : ONGARD
 OG5SECT INQUIRE LAND BY SECTION

10/10/02 15:27:49
 OCOMES -TPEA
 PAGE NO: 1

Sec : 12 Twp : 22S Rng : 23E Section Type : NORMAL

D	C	B	A
40.00	40.00	40.00	40.00
Federal owned	Federal owned	Federal owned	Federal owned
E	F	G	H
40.00	40.00	40.00	40.00
Federal owned	Federal owned	Federal owned	Federal owned
A	A	A	A

PF01 HELP PF02 PF03 EXIT PF04 GOTO PF05 PF06
 PF07 BKWD PF08 FWD PF09 PRINT PF10 SDIV PF11 PF12

CMD :
 OGSSECT

ONGARD
 INQUIRE LAND BY SECTION

10/10/02 15:28:00
 ODOMES -TPEA
 PAGE NO: 2

Sec : 12 Twp : 22S Rng : 23E Section Type : NORMAL

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40.00	40.00	40.00	40.00
Federal owned	Federal owned	Federal owned	Federal owned
M	N	O	P
40.00	40.00	40.00	40.00
Federal owned	Federal owned	Federal owned	Federal owned

PF01 HELP PF02 PF03 EXIT PF04 GOTO PF05 PF06
 PF07 BKWD PF08 FWD PF09 PRINT PF10 SDIV PF11 PF12

CMD : ONGARD 10/10/02 15:31:18
OG6IWCM INQUIRE WELL COMPLETIONS OGWEMS -TPEA

API Well No : 30 15 30088 Eff Date : 06-01-2002 WC Status : P
Pool Idn : 79040 INDIAN BASIN;UPPER PENN (PRO GAS)
OGRID Idn : 25575 YATES PETROLEUM CORPORATION
Prop Idn : 22902 MALONE ASA FEDERAL COM

Well No : 001
GL Elevation: 3986

U/L Sec Township Range North/South East/West Prop/Act (P/A)

B.H. Locn : G 12 22S 23E FTG 1800 F N FTG 1650 F E P
Lot Identifier:
Dedicated Acre:
Lease Type : F
Type of consolidation (Comm, Unit, Forced Pooling - C/U/F/O) :

PF01 HELP PF02 PF03 EXIT PF04 GOTO PF05 PF06
PF07 PF08 PF09 PF10 NEXT-WC PF11 HISTORY PF12 NXTREC

CMD : ONGARD
 OG6IPRD INQUIRE PRODUCTION BY POOL/WELL

10/10/02 15:31:32
 OGMES -TPEA
 Page No: 1

OGRID Identifier : 25575 YATES PETROLEUM CORPORATION
 Pool Identifier : 79040 INDIAN BASIN;UPPER PENN (PRO GAS)
 API Well No : 30 15 30088 Report Period - From : 01 2000 To : 09 2002

API Well No	Property Name	Prodn. Days MM/YY Prod	Production Volumes Gas Oil	Water Stat	Well
30 15 30088	MALONE ASA FEDERAL C	01 00 31	62729	33	135359 F
30 15 30088	MALONE ASA FEDERAL C	02 00 29	152693	3	83712 F
30 15 30088	MALONE ASA FEDERAL C	03 00 31	149182	26	80846 F
30 15 30088	MALONE ASA FEDERAL C	04 00 30	141991	3	67714 F
30 15 30088	MALONE ASA FEDERAL C	05 00 31	160123	12	77130 F
30 15 30088	MALONE ASA FEDERAL C	06 00 30	145665	20	91696 F
30 15 30088	MALONE ASA FEDERAL C	07 00 31	158935	21	85557 F

Reporting Period Total (Gas, Oil) :

M0025: Enter PF keys to scroll

PF01 HELP PF02 PF03 EXIT PF04 GOTO PF05 PF06 CONFIRM
 PF07 BKWD PF08 FWD PF09 PF10 NXTPOOL PF11 NXTGOD PF12

CMD : ONGARD
 OGI6IPRD INQUIRE PRODUCTION BY POOL/WELL

10/10/02 15:31:35
 ODOMES -TPFA
 Page No: 2

OGRID Identifier : 25575 YATES PETROLEUM CORPORATION
 Pool Identifier : 79040 INDIAN BASIN;UPPER PENN (PRO GAS)
 API Well No : 30 15 30088 Report Period - From : 01 2000 To : 09 2002

API Well No	Property Name	Prodn. Days MM/YY	Prod	Gas	Oil	Water	Well Stat
30 15 30088	MALONE ASA FEDERAL C	08 00	31	148642	19	81460	F
30 15 30088	MALONE ASA FEDERAL C	09 00	30	138670	3	82253	F
30 15 30088	MALONE ASA FEDERAL C	10 00	31	140544	1	79182	F
30 15 30088	MALONE ASA FEDERAL C	11 00	30	126017	26	87552	F
30 15 30088	MALONE ASA FEDERAL C	12 00	31	149133	20	83524	F
30 15 30088	MALONE ASA FEDERAL C	01 01	30	164003	11	78981	F
30 15 30088	MALONE ASA FEDERAL C	02 01	28	149971		76189	F

Reporting Period Total (Gas, Oil) :

E00049: User may continue scrolling.

PF01 HELP PF02 PF03 EXIT PF04 GOTO PF05 PF06 CONFIRM
 PF07 BKWD PF08 FWD PF09 PF10 NXTPool PF11 NXTOGD PF12

CMD : ONGARD 10/10/02 15:31:36
 OGGIPRD INQUIRE PRODUCTION BY POOL/WELL OGGOMES -TPEA
 Page No: 3

OGRID Identifier : 25575 YATES PETROLEUM CORPORATION
 Pool Identifier : 79040 INDIAN BASIN;UPPER PENN (PRO GAS)
 API Well No : 30 15 30088 Report Period - From : 01 2000 To : 09 2002

API Well No	Property Name	Prodn. Days MM/YY Prod	Production Volumes Gas Oil Water	Well Stat
30 15 30088	MALONE ASA FEDERAL C	03 01 31	161802	93813 F
30 15 30088	MALONE ASA FEDERAL C	04 01 30	149505	80293 F
30 15 30088	MALONE ASA FEDERAL C	05 01 31	153907	79847 F
30 15 30088	MALONE ASA FEDERAL C	06 01 30	138598	81866 F
30 15 30088	MALONE ASA FEDERAL C	07 01 31	143593	92581 F
30 15 30088	MALONE ASA FEDERAL C	08 01 31	144422	83008 F
30 15 30088	MALONE ASA FEDERAL C	09 01 30	143936	84214 F

Reporting Period Total (Gas, Oil) :

E0049: User may continue scrolling.

PF01 HELP PF02 PF03 EXIT PF04 GOTO PF05 PF06 CONFIRM
 PF07 BKWD PF08 FWD PF09 PF10 NXPPOOL PF11 NXTGPD PF12

CMD : ONGARD 10/10/02 15:31:37
 OG6IPRD INQUIRE PRODUCTION BY POOL/WELL OGMES -TPEA
 Page No: 4

OGRID Identifier : 25575 YATES PETROLEUM CORPORATION
 Pool Identifier : 79040 INDIAN BASIN;UPPER PENN (PRO GAS)
 API Well No : 30 15 30088 Report Period - From : 01 2000 To : 09 2002

API Well No	Property Name	Prodn. Days MM/YY	Prod	Gas	Oil	Water	Well Stat
30 15 30088	MALONE ASA FEDERAL C	10 01	31	147566	95	77737	F
30 15 30088	MALONE ASA FEDERAL C	11 01	30	130500	62	68075	F
30 15 30088	MALONE ASA FEDERAL C	12 01	31	132623	33	65409	F
30 15 30088	MALONE ASA FEDERAL C	01 02	31	100380	34	58382	F
30 15 30088	MALONE ASA FEDERAL C	02 02	28	107130	13	56073	F
30 15 30088	MALONE ASA FEDERAL C	03 02	31	123945	18	59678	F
30 15 30088	MALONE ASA FEDERAL C	04 02	30	107882	9	58019	F

Reporting Period Total (Gas, Oil) :

E0049: User may continue scrolling.

PF01 HELP PF02 PF03 EXIT PF04 GOTO PF05 PF06 CONFIRM
 PF07 BKWD PF08 FWD PF09 PF10 NXTPPOOL PF11 NXTOGD PF12

CMD : ONGARD
 OGGIPRD INQUIRE PRODUCTION BY POOL/WELL

10/10/02 15:31:38
 OGMES -TPEA
 Page No: 5

OGRID Identifier : 25575 YATES PETROLEUM CORPORATION
 Pool Identifier : 79040 INDIAN BASIN;UPPER PENN (PRO GAS)
 API Well No : 30 15 30088 Report Period - From : 01 2000 To : 09 2002

API Well No	Property Name	Prodn. Days MM/YY Prod	Production Volumes Gas Oil Water	Well Stat	
30 15 30088	MALONE ASA FEDERAL C	05 02 31	109686	2	58070 F
30 15 30088	MALONE ASA FEDERAL C	06 02 30	100089	6	51088 F
30 15 30088	MALONE ASA FEDERAL C	07 02 31	99390	1	54413 F

Reporting Period Total (Gas, Oil) : 4183252 471 2393721

E0049: User may continue scrolling.

PF01 HELP PF02 PF03 EXIT PF04 GOTO PF05 PF06 CONFIRM
 PF07 BKWD PF08 FWD PF09 PF10 NXTPOOL PF11 NXTOGD PF12

CMD : ONGARD 10/10/02 15:30:58
OG6IWCM INQUIRE WELL COMPLETIONS ODOMES -TPEA

API Well No : 30 15 30088 Eff Date : 06-01-2002 WC Status :
Pool Idn : 33685 INDIAN BASIN;UPPER PENN (ASSOC)
OGRID Idn : 25575 YATES PETROLEUM CORPORATION
Prop Idn : 22902 MALONE ASA FEDERAL COM

Well No : 001
GL Elevation: 3986

U/L Sec Township Range North/South East/West Prop/Act (P/A)

B.H. Locn : G 12 22S 23E FTG 1800 F N FTG 1650 F E P

Lot Identifier:
Dedicated Acre: 320.00
Lease Type : F
Type of consolidation (Comm, Unit, Forced Pooling - C/U/F/O) :

M0025: Enter PF keys to scroll
PF01 HELP PF02 PF03 EXIT PF04 GOTO PF05 PF06
PF07 PF08 PF09 PF10 NEXT-WC PF11 HISTORY PF12 NXTREC

CMD : ONGARD
 OG6ACRE C102-DEDICATE ACREAGE
 10/10/02 15:31:02
 OGMES -TPEA
 Page No : 1

API Well No : 30 15 30088 Eff Date : 01-01-2000
 Pool Idn : 33685 INDIAN BASIN,UPPER PENN (ASSOC)
 Prop Idn : 22902 MALONE ASA FEDERAL COM
 Spacing Unit : 52604 OCD Order :
 Sect/Twp/Rng : 12 22S 23E Acreage : 320.00 Revised C102? (Y/N) :
 Well No : 001
 Simultaneous Dedication:
 Dedicated Land:

S	Base U/L	Sec	Twp	Rng	Acreage	L/W	Ownership	Lot	Idn
A	12	22S	23E	40.00	N	FD			
B	12	22S	23E	40.00	N	FD			
G	12	22S	23E	40.00	N	FD			
H	12	22S	23E	40.00	N	FD			
I	12	22S	23E	40.00	N	FD			
J	12	22S	23E	40.00	N	FD			
O	12	22S	23E	40.00	N	FD			
P	12	22S	23E	40.00	N	FD			

E0005: Enter data to modify or PF keys to scroll

PF01 HELLP PF02 PF03 EXIT PF04 GOTO PF05 PF06 CONFIRM
 PF07 BKWD PF08 FWD PF09 PF10 LAND PF11 NXTSEC PF12 RECONF

CMD : ONGARD
OG6IPRD INQUIRE PRODUCTION BY POOL/WELL

10/10/02 15:31:10
OGOMES -TPEA
Page No: 1

OGRID Identifier : 25575 YATES PETROLEUM CORPORATION
Pool Identifier : 33685 INDIAN BASIN;UPPER PENN (ASSOC)
API Well No : 30 15 30088 Report Period - From : 01 2000 To : 09 2002

API Well No	Property Name	Prodn. Days MM/YY	Prod	Gas	Oil	Water	Well Stat
-----	-----	-----	-----	-----	-----	-----	-----

Reporting Period Total (Gas, Oil) :

E6485: There was no prodn for the well/pool in given prd

PF01 HELP	PF02	PF03 EXIT	PF04 GoTo	PF05	PF06 CONFIRM
PF07 BKWD	PF08 FWD	PF09	PF10 NXTPOOL	PF11 NXTOGD	PF12

CMD : ONGARD 10/10/02 15:30:19
OG6IWCM INQUIRE WELL COMPLETIONS ODOMES -TPEA

API Well No : 30 15 30687 Eff Date : 03-13-2001 WC Status : A
Pool Idn : 33685 INDIAN BASIN;UPPER PENN (ASSOC)
OGRID Idn : 25575 YATES PETROLEUM CORPORATION
Prop Idn : 16869 SMITH FEDERAL GAS COM

Well No : 003
GL Elevation: 3940

U/L Sec Township Range North/South East/West Prop/Act (P/A)

B.H. Locn : F 12 22S 23E FTG 1797 F N FTG 2159 F W P

Lot Identifier:
Dedicated Acre: 320.00
Lease Type : F
Type of consolidation (Comm, Unit, Forced Pooling - C/U/F/O) :

E6317: No more recs. for this api well no.
PF01 HELP PF02 PF03 EXIT PF04 GOTO PF05 PF06
PF07 PF08 PF09 PF10 NEXT-WC PF11 HISTORY PF12 NXTREC

CMD : ONGARD
 OGGACRE C102-DEDICATE ACREAGE
 10/10/02 15:30:23
 OGOMES -TPEA
 Page No : 1

API Well No : 30 15 30687 Eff Date : 03-13-2001
 Pool Idn : 33685 INDIAN BASIN,UPPER PENN (ASSOC)
 Prop Idn : 16869 SMITH FEDERAL GAS COM Well No : 003
 Spacing Unit : 55319 OCD Order : Simultaneous Dedication:
 Sect/Twp/Rng : 12 22S 23E Acreage : 320.00 Revised C102? (Y/N) :
 Dedicated Land:

S	Base U/L	Sec	Twp	Rng	Acreage	L/W	Ownership	Lot	Idn
C	12	22S	23E	40.00	N	FD			
D	12	22S	23E	40.00	N	FD			
E	12	22S	23E	40.00	N	FD			
F	12	22S	23E	40.00	N	FD			
K	12	22S	23E	40.00	N	FD			
L	12	22S	23E	40.00	N	FD			
M	12	22S	23E	40.00	N	FD			
N	12	22S	23E	40.00	N	FD			

E0005: Enter data to modify or PF keys to scroll

PF01 HELP PF02 PF03 EXIT PF04 GOTO PF05 PF06 CONFIRM
 PF07 BKWD PF08 FWD PF09 PF10 LAND PF11 NXTSEC PF12 RECONF

CMD : ONGARD
 OG6IPRD INQUIRE PRODUCTION BY POOL/WELL

10/10/02 15:30:33
 OGMES -TPEA
 Page No: 1

OGRID Identifier : 25575 YATES PETROLEUM CORPORATION
 Pool Identifier : 33685 INDIAN BASIN;UPPER PENN (ASSOC)
 API Well No : 30 15 30687 Report Period - From : 01 2000 To : 09 2002

API Well No	Property Name	Prodn. Days MM/YY	Prod	Production Gas	Volumes Oil	Water Stat	Well Stat
30 15 30687	SMITH FEDERAL GAS CO	03 01	18	63152			P
30 15 30687	SMITH FEDERAL GAS CO	04 01	30	54603			P
30 15 30687	SMITH FEDERAL GAS CO	05 01	31	61914			P
30 15 30687	SMITH FEDERAL GAS CO	06 01	30	68013			P
30 15 30687	SMITH FEDERAL GAS CO	07 01	31	113967	1		P
30 15 30687	SMITH FEDERAL GAS CO	08 01	31	70335			P
30 15 30687	SMITH FEDERAL GAS CO	09 01	30	73002			P

Reporting Period Total (Gas, Oil) :

M0025: Enter PF keys to scroll

PF01 HELP PF02 PF03 EXIT PF04 GOTO PF05 PF06 CONFIRM
 PF07 BKWD PF08 FWD PF09 PF10 NXTPOOL PF11 NXTOGD PF12

CMD : ONGARD 10/10/02 15:30:36
 OG6IPRD INQUIRE PRODUCTION BY POOL/WELL OGMES -TPEA
 Page No: 2

OGRID Identifier : 25575 YATES PETROLEUM CORPORATION
 Pool Identifier : 33685 INDIAN BASIN;UPPER PENN (ASSOC)
 API Well No : 30 15 30687 Report Period - From : 01 2000 To : 09 2002

API Well No	Property Name	Prodn. Days MM/YY Prod	Production Volumes Gas Oil Water	Well Stat
30 15 30687	SMITH FEDERAL GAS CO	10 01 31	63196	P
30 15 30687	SMITH FEDERAL GAS CO	11 01 30	103935	P
30 15 30687	SMITH FEDERAL GAS CO	12 01 31	91799	P
30 15 30687	SMITH FEDERAL GAS CO	01 02 31	146567	P
30 15 30687	SMITH FEDERAL GAS CO	02 02 28	139765	P
30 15 30687	SMITH FEDERAL GAS CO	03 02 31	154813	P
30 15 30687	SMITH FEDERAL GAS CO	04 02 30	144175	P

Reporting Period Total (Gas, Oil) :

E0049: User may continue scrolling.

PF01 HELP PF02 PF03 EXIT PF04 GOTO PF05 PF06 CONFIRM
 PF07 BKWD PF08 FWD PF09 PF10 NXTPool PF11 NXTOGD PF12

CMD : ONGARD 10/10/02 15:30:37
 OG6IPRD INQUIRE PRODUCTION BY POOL/WELL OGMES -TPEA
 Page No: 3

OGRID Identifier : 25575 YATES PETROLEUM CORPORATION
 Pool Identifier : 33685 INDIAN BASIN;UPPER PENN (ASSOC)
 API Well No : 30 15 30687 Report Period - From : 01 2000 To : 09 2002

API Well No	Property Name	Prodn. Days MM/YY Prod	Production Volumes Gas Oil Water	Well Stat	
30 15 30687	SMITH FEDERAL GAS CO	05 02 31	147633	4	34934 P
30 15 30687	SMITH FEDERAL GAS CO	06 02 30	138982	4	30913 P
30 15 30687	SMITH FEDERAL GAS CO	07 02 31	140226	4	29089 P

Reporting Period Total (Gas, Oil) : 1776077 236 324105

E0049: User may continue scrolling.

PF01 HELP PF02 PF03 EXIT PF04 GOTO PF05 PF06 CONFIRM
 PF07 BKWD PF08 FWD PF09 PF10 NXTPOOL PF11 NXTOGD PF12

CMD : ONGARD
OG6IWCW INQUIRE WELL COMPLETIONS

10/10/02 15:29:40
OGOMES -TPEA

API Well No : 30 15 26834 Eff Date : 05-28-1999 WC Status : S
Pool Idn : 79040 INDIAN BASIN;UPPER PENN (PRO GAS)
OGRID Idn : 25575 YATES PETROLEUM CORPORATION
Prop Idn : 16869 SMITH FEDERAL GAS COM

Well No : 002
GL Elevation: 3971

U/L Sec Township Range North/South East/West Prop/Act (P/A)

B.H. Locn : E 12 22S 23E FTG 2049 F N FTG 480 F W P
Lot Identifier:
Dedicated Acre:
Lease Type : F
Type of consolidation (Comm, Unit, Forced Pooling - C/U/F/O) :

E6317: No more recs. for this api well no.
PF01 HELP PF02 PF03 EXIT PF04 GOTO PF05 PF06
PF07 PF08 PF09 PF10 NEXT-WC PF11 HISTORY PF12 NXTREC

CMD : ONGARD 10/10/02 15:29:56
 OG6IPRD INQUIRE PRODUCTION BY POOL/WELL OGOMES -TPEA
 Page No: 1

OGRID Identifier : 25575 YATES PETROLEUM CORPORATION
 Pool Identifier : 79040 INDIAN BASIN;UPPER PENN (PRO GAS)
 API Well No : 30 15 26834 Report Period - From : 01 2000 To : 09 2002

API Well No	Property Name	Prodn. Days MM/YY Prod	Production Gas	Volumes Oil	Water Stat	Well Stat
30	15 26834 SMITH FEDERAL	GAS CO 01 00 28	43881	24	2788	F
30	15 26834 SMITH FEDERAL	GAS CO 02 00 27	36255	14	228	F
30	15 26834 SMITH FEDERAL	GAS CO 03 00 31	46821	22	32	F
30	15 26834 SMITH FEDERAL	GAS CO 04 00 29	36036	10	3	F
30	15 26834 SMITH FEDERAL	GAS CO 05 00 29	43938	4	41	F
30	15 26834 SMITH FEDERAL	GAS CO 06 00 30	34546			F
30	15 26834 SMITH FEDERAL	GAS CO 07 00 31	54316	24	19	F

Reporting Period Total (Gas, Oil) :

M0025: Enter PF keys to scroll
 PF01 HELP PF02 PF03 EXIT PF04 GOTO PF05 PF06 CONFIRM
 PF07 BKWD PF08 FWD PF09 PF10 NXTPOOL PF11 NXTOGD PF12

CMD : ONGARD 10/10/02 15:29:59
 OG6IPRD INQUIRE PRODUCTION BY POOL/WELL OGOMES -TPEA
 Page No: 2

OGRID Identifier : 25575 YATES PETROLEUM CORPORATION
 Pool Identifier : 79040 INDIAN BASIN;UPPER PENN (PRO GAS)
 API Well No : 30 15 26834 Report Period - From : 01 2000 TO : 09 2002

API Well No	Property Name	Prodn. Days MM/YY	Prod	Production Volumes Gas Oil Water	Well Stat
30	15 26834 SMITH FEDERAL GAS CO	08 00	31	57799	8 F
30	15 26834 SMITH FEDERAL GAS CO	09 00	30	54175	1 F
30	15 26834 SMITH FEDERAL GAS CO	10 00	30	49467	10 F
30	15 26834 SMITH FEDERAL GAS CO	11 00	30	51210	32 F
30	15 26834 SMITH FEDERAL GAS CO	12 00	31	52143	25 F
30	15 26834 SMITH FEDERAL GAS CO	01 01	31	49990	21 F
30	15 26834 SMITH FEDERAL GAS CO	02 01	28	44944	2293 F

Reporting Period Total (Gas, Oil) :

E0049: User may continue scrolling.

PF01 HELP PF02 PF03 EXIT PF04 GOTO PF05 PF06 CONFIRM
 PF07 BKWD PF08 FWD PF09 PF10 NXPPOOL PF11 NXTOGD PF12

CMD : ONGARD
 OG6IPRD INQUIRE PRODUCTION BY POOL/WELL

10/10/02 15:29:59
 OGOMES -TPEA
 Page No: 2

OGRID Identifier : 25575 YATES PETROLEUM CORPORATION
 Pool Identifier : 79040 INDIAN BASIN;UPPER PENN (PRO GAS)
 API Well No : 30 15 26834 Report Period - From : 01 2000 To : 09 2002

API Well No	Property Name	Prodn. Days MM/YY Prod	Production Gas	Volumes Oil	Water Stat	Well Stat
30 15 26834	SMITH FEDERAL GAS CO	08 00 31	57799		8	F
30 15 26834	SMITH FEDERAL GAS CO	09 00 30	54175	1		F
30 15 26834	SMITH FEDERAL GAS CO	10 00 30	49467	10	137	F
30 15 26834	SMITH FEDERAL GAS CO	11 00 30	51210	32	2595	F
30 15 26834	SMITH FEDERAL GAS CO	12 00 31	52143	25	2445	F
30 15 26834	SMITH FEDERAL GAS CO	01 01 31	49990	21	1890	F
30 15 26834	SMITH FEDERAL GAS CO	02 01 28	44944		2293	F

Reporting Period Total (Gas, Oil) :

E0049: User may continue scrolling.

PF01 HELP PF02 PF03 EXIT PF04 GOTO PF05 PF06 CONFIRM
 PF07 BKWD PF08 FWD PF09 PF10 NXTPool PF11 NXTOGD PF12

CMD : ONGARD
 OG6IPRD INQUIRE PRODUCTION BY POOL/WELL

10/10/02 15:30:01
 OGMES -TPEA
 Page No: 4

OGRID Identifier : 25575 YATES PETROLEUM CORPORATION
 Pool Identifier : 79040 INDIAN BASIN;UPPER PENN (PRO GAS)
 API Well No : 30 15 26834 Report Period - From : 01 2000 To : 09 2002

API Well No	Property Name	Prodn. Days MM/YY	Prod	Gas	Oil	Water	Well Stat
30 15 26834	SMITH FEDERAL GAS CO	10 01	31	31846	85	816	F
30 15 26834	SMITH FEDERAL GAS CO	11 01	30	28300		590	F
30 15 26834	SMITH FEDERAL GAS CO	12 01	31	25971		470	F
30 15 26834	SMITH FEDERAL GAS CO	01 02	31	20318	8	304	F
30 15 26834	SMITH FEDERAL GAS CO	02 02	28	10908	2	58	F
30 15 26834	SMITH FEDERAL GAS CO	03 02	30	8753	8	43	F
30 15 26834	SMITH FEDERAL GAS CO	04 02	30	7426		3	F

Reporting Period Total (Gas, Oil) :

E0049: User may continue scrolling.

PF01 HELP PF02 PF03 EXIT PF04 GOTO PF05 PF06 CONFIRM
 PF07 BKWD PF08 FWD PF09 PF10 NXTPool PF11 NXTOGD PF12

CMD : ONGARD 10/10/02 15:30:02
OG6IPRD INQUIRE PRODUCTION BY POOL/WELL ODOMES -TPEA
Page No: 5

OGRID Identifier : 25575 YATES PETROLEUM CORPORATION
Pool Identifier : 79040 INDIAN BASIN;UPPER PENN (PRO GAS)
API Well No : 30 15 26834 Report Period - From : 01 2000 To : 09 2002

API Well No	Property Name	Prodn. Days MM/YY Prod	Production Volumes Gas Oil Water	Well Stat
30 15 26834	SMITH FEDERAL GAS CO	05 02 31	7935	F
30 15 26834	SMITH FEDERAL GAS CO	06 02 30	8064	F
30 15 26834	SMITH FEDERAL GAS CO	07 02 31	8558	F

Reporting Period Total (Gas, Oil) : 1085884 291 25882

E0049: User may continue scrolling.

PF01 HELP PF02 PF03 EXIT PF04 GOTO PF05 PF06 CONFIRM
PF07 BKWD PF08 FWD PF09 PF10 NXTPOOL PF11 NXTOGD PF12

CMD :
OG6IWCM INQUIRE WELL COMPLETIONS

10/10/02 15:28:36
OGOMES -TPEA

API Well No : 30 15 30769 Eff Date : 01-01-2000 WC Status : A
Pool Idn : 33685 INDIAN BASIN;UPPER PENN (ASSOC)
OGRID Idn : 25575 YATES PETROLEUM CORPORATION
Prop Idn : 24910 MALONE ASA FEDERAL

Well No : 002
GL Elevation: 3963

U/L Sec Township Range North/South East/West Prop/Act (P/A)

B.H. Locn : A 12 22S 23E FTG 660 F N FTG 1310 F E P
Lot Identifier:
Dedicated Acre: 320.00
Lease Type : F
Type of consolidation (Comm, Unit, Forced Pooling - C/U/F/O) :

M0025: Enter PF keys to scroll

PF01 HELP PF02 PF03 EXIT PF04 GoTo PF05 PF06
PF07 PF08 PF09 PF10 NEXT-WC PF11 HISTORY PF12 NxtREC

CMD : ONGARD
OG6ACRE C102-DEDICATE ACREAGE

10/10/02 15:28:42
OGOMES -TPEA
Page No : 1

API Well No : 30 15 30769 Eff Date : 01-01-2000
Pool Idn : 33685 INDIAN BASIN,UPPER PENN (ASSOC)
Prop Idn : 24910 MALONE ASA FEDERAL Well No : 002
Spacing Unit : 52604 OCD Order : Simultaneous Dedication:
Sect/Twp/Rng : 12 22S 23E Acreage : 320.00 Revised C102? (Y/N) :
Dedicated Land:

S	Base U/L	Sec	Twp	Rng	Acreage	L/W	Ownership	Lot	Idn
A	12	22S	23E	40.00	N	FD			
B	12	22S	23E	40.00	N	FD			
G	12	22S	23E	40.00	N	FD			
H	12	22S	23E	40.00	N	FD			
I	12	22S	23E	40.00	N	FD			
J	12	22S	23E	40.00	N	FD			
O	12	22S	23E	40.00	N	FD			
P	12	22S	23E	40.00	N	FD			

E0005: Enter data to modify or PF keys to scroll

PF01 HELP PF02 PF03 EXIT PF04 GOTO PF05 PF06 CONFIRM
PF07 BKWD PF08 FWD PF09 PF10 LAND PF11 NXTSEC PF12 RECONF

CMD : ONGARD 10/10/02 15:28:52
 OG6IPRD INQUIRE PRODUCTION BY POOL/WELL ODOMES -TPEA
 Page No: 1

OGRID Identifier : 25575 YATES PETROLEUM CORPORATION
 Pool Identifier : 33685 INDIAN BASIN;UPPER PENN (ASSOC)
 API Well No : 30 15 30769 Report Period - From : 01 2000 To : 09 2002

API Well No	Property Name	Prodn. Days MM/YY Prod	Production Volumes Gas Oil Water	Well Stat
30 15 30769	MALONE ASA FEDERAL	01 00 12	62403	73881 F
30 15 30769	MALONE ASA FEDERAL	02 00 29	137494	19 97223 F
30 15 30769	MALONE ASA FEDERAL	03 00 31	147444	48 95014 F
30 15 30769	MALONE ASA FEDERAL	04 00 30	145570	50 92381 F
30 15 30769	MALONE ASA FEDERAL	05 00 31	138255	19 91705 F
30 15 30769	MALONE ASA FEDERAL	06 00 30	88716	21072 F
30 15 30769	MALONE ASA FEDERAL	07 00 27	109419	2 78081 F

Reporting Period Total (Gas, Oil) :

M0025: Enter PF keys to scroll
 PF01 HELP PF02 PF03 EXIT PF04 GOTO PF05 PF06 CONFIRM
 PF07 BKWD PF08 FWD PF09 PF10 NXTPool PF11 NXTOGD PF12

CMD : ONGARD 10/10/02 15:28:54
 OG6IPRD INQUIRE PRODUCTION BY POOL/WELL OGMES -TPEA
 Page No: 2

OGRID Identifier : 25575 YATES PETROLEUM CORPORATION
 Pool Identifier : 33685 INDIAN BASIN;UPPER PENN (ASSOC)
 API Well No : 30 15 30769 Report Period - From : 01 2000 To : 09 2002

API Well No	Property Name	Prodn. MM/YY	Days Prod	Gas	Oil	Water	Well Stat
30 15 30769	MALONE ASA FEDERAL	08 00	31	131317	7	97913	F
30 15 30769	MALONE ASA FEDERAL	09 00	30	93778	3	43672	F
30 15 30769	MALONE ASA FEDERAL	10 00	31	140764	9	86348	F
30 15 30769	MALONE ASA FEDERAL	11 00	30	157490	9	93408	F
30 15 30769	MALONE ASA FEDERAL	12 00	31	162119	20	92067	F
30 15 30769	MALONE ASA FEDERAL	01 01	30	157164	20	91849	F
30 15 30769	MALONE ASA FEDERAL	02 01	28	140755		83660	F

Reporting Period Total (Gas, Oil) :

E0049: User may continue scrolling.

PF01 HELP PF02 PF03 EXIT PF04 GoTo PF05 PF06 CONFIRM
 PF07 BKWD PF08 FWD PF09 PF10 NXTPool PF11 NXTOGD PF12

CMD :
 OGGIPRD INQUIRE PRODUCTION BY POOL/WELL

10/10/02 15:28:55
 ODOMES -TPEA
 Page No: 3

OGRID Identifier : 25575 YATES PETROLEUM CORPORATION
 Pool Identifier : 33685 INDIAN BASIN;UPPER PENN (ASSOC)
 API Well No : 30 15 30769 Report Period - From : 01 2000 To : 09 2002

API Well No	Property Name	Prodn. Days MM/YY	Prod	Gas	Oil	Water	Well Stat
30 15 30769	MALONE ASA FEDERAL	03 01	31	150827		106084	F
30 15 30769	MALONE ASA FEDERAL	04 01	30	144231		88422	F
30 15 30769	MALONE ASA FEDERAL	05 01	31	142518		86620	F
30 15 30769	MALONE ASA FEDERAL	06 01	30	141109		86729	F
30 15 30769	MALONE ASA FEDERAL	07 01	31	156033		99344	F
30 15 30769	MALONE ASA FEDERAL	08 01	31	153199		85463	F
30 15 30769	MALONE ASA FEDERAL	09 01	30	145021		90043	F

Reporting Period Total (Gas, Oil) :

E0049: User may continue scrolling.

PF01 HELP PF02 PF03 EXIT PF04 GOTO PF05 PF06 CONFIRM
 PF07 BKWD PF08 FWD PF09 PF10 NXTPOOL PF11 NXTOGD PF12

CMD : ONGARD
 OG6IPRD INQUIRE PRODUCTION BY POOL/WELL

10/10/02 15:28:56
 ODOMES -TPEA
 Page No: 4

OGRID Identifier : 25575 YATES PETROLEUM CORPORATION
 Pool Identifier : 33685 INDIAN BASIN;UPPER PENN (ASSOC)
 API Well No : 30 15 30769 Report Period - From : 01 2000 To : 09 2002

API Well No	Property Name	Prodn. Days MM/YY	Prod	Gas	Oil	Water	Well Stat
30 15 30769	MALONE ASA FEDERAL	10 01	31	146653	90	86062	F
30 15 30769	MALONE ASA FEDERAL	11 01	30	139592	82	86056	F
30 15 30769	MALONE ASA FEDERAL	12 01	31	138577	35	69000	F
30 15 30769	MALONE ASA FEDERAL	01 02	31	144682	23	78177	F
30 15 30769	MALONE ASA FEDERAL	02 02	28	128841	28	65044	F
30 15 30769	MALONE ASA FEDERAL	03 02	31	126222	19	52775	F
30 15 30769	MALONE ASA FEDERAL	04 02	30	127422	9	53917	F

Reporting Period Total (Gas, Oil) :

E0049: User may continue scrolling.

PF01 HELP PF02 PF03 EXIT PF04 GOTO PF05 PF06 CONFIRM
 PF07 BKWD PF08 FWD PF09 PF10 NXTPOOL PF11 NXTOGD PF12

CMD : ONGARD 10/10/02 15:28:57
 OG6IPRD INQUIRE PRODUCTION BY POOL/WELL OGOMES -TPEA
 Page No: 5

OGRID Identifier : 25575 YATES PETROLEUM CORPORATION
 Pool Identifier : 33685 INDIAN BASIN;UPPER PENN (ASSOC)
 API Well No : 30 15 30769 Report Period - From : 01 2000 To : 09 2002

API Well No	Property Name	Prodn. Days MM/YY Prod	Production Volumes Gas Oil Water	Well Stat	
30 15 30769	MALONE ASA FEDERAL	05 02 31	132322	4	56459 F
30 15 30769	MALONE ASA FEDERAL	06 02 30	119688	8	48332 F
30 15 30769	MALONE ASA FEDERAL	07 02 31	120602	15	45140 F

Reporting Period Total (Gas, Oil) : 4170227 519 2421941

E0049: User may continue scrolling.

PF01 HELP PF02 PF03 EXIT PF04 GOTO PF05 PF06 CONFIRM
 PF07 BKWD PF08 FWD PF09 PF10 NXTPOOL PF11 NXTOGD PF12

CMD : ONGARD
OG6IWCM INQUIRE WELL COMPLETIONS

10/10/02 15:29:05
OGOMES -TPEA

API Well No : 30 15 30769 Eff Date : 01-01-2000 WC Status : P
Pool Idn : 79040 INDIAN BASIN;UPPER PENN (PRO GAS)
OGRID Idn : 25575 YATES PETROLEUM CORPORATION
Prop Idn : 24910 MALONE ASA FEDERAL

Well No : 002
GL Elevation: 3963

U/L Sec Township Range North/South East/West Prop/Act (P/A)

B.H. Locn : A 12 22S 23E FTG 660 F N FTG 1310 F E P

Lot Identifier:

Dedicated Acre:

Lease Type : F

Type of consolidation (Comm, Unit, Forced Pooling - C/U/F/O) :

PF01 HELP PF02 PF03 EXIT PF04 GOTO PF05 PF06
PF07 PF08 PF09 PF10 NEXT-WC PF11 HISTORY PF12 NXTREC