

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. 13154
ORDER NO. R-12087

APPLICATION OF YATES PETROLEUM CORPORATION FOR NON-
STANDARD SPACING AND PRORATION UNITS, CHAVES COUNTY, NEW
MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on October 9 and November 7, 2003, at Santa Fe, New Mexico, before Examiners David R. Catanach and William V. Jones, respectively.

NOW, on this 16th day of January, 2004, 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 applicant, Yates Petroleum Corporation ("Yates"), seeks approval of three non-standard spacing and proration units in Chaves County, New Mexico, described as follows:

a 365.94-acre spacing and proration unit for all formations and/or pools spaced on 320 acres, this unit to comprise Lots 1 through 4 of Section 36, Township 9.5 South, Range 24 East, and Lots 1 through 4 and the S/2 N/2 of Section 1, Township 10 South, Range 24 East, NMPM;

a 181.31-acre spacing and proration unit for all formations and/or pools spaced on 160 acres, this unit to comprise Lots 1 and 2 of Section 36, Township 9.5 South, Range 24 East, and Lots 1 and 2 and the S/2 NE/4 of Section 1, Township 10 South, Range 24 East, NMPM; and

a 50.19-acre spacing and proration unit for all formations and/or pools spaced on 40 acres, this unit to comprise Lot 1 of Section 36, Township 9.5 South, Range 24 East, and Lot 1 of Section 1, Township 10 South, Range 24 East, NMPM.

(3) Yates presented land evidence that demonstrates that:

- (a) Township 9.5 South, Range 24 East exists due to a variation in the legal subdivision of the United States Public Lands Survey. This land tract is comprised of Sections 31 through 36. Section 36 is an irregular section that is comprised of four lots encompassing a total of 46.3 acres;
- (b) Lots 1 through 4 of Section 36 encompass a single state lease (Lease No. VA-2712). Yates is the lessee of Section 36;
- (c) Section 1 is a fee lease that is leased or controlled by Yates; and
- (d) Yates provided notice of this application to all working, royalty and overriding royalty interest owners in Sections 36 and 1. No interest owner appeared at the hearing in opposition to the application.

(4) Yates proposes to drill its Erma Com Well No. 2 at a standard gas well location 660 feet from the North and East lines (Unit A) of Section 1. This well will be drilled to test the Pecos Slope-Abo Gas Pool and Wolfcamp formations.

- (5) Yates presented geologic and engineering evidence that demonstrates that:
- (a) the Erma Com Well No. 2 should encounter productive sands within the Abo formation. If productive in the Abo formation, the Erma Gas Com Well No. 2 should drain a large area within the NE/4 of Section 1, and the majority of Lots 1 and 2 in Section 36;
 - (b) Section 36, Township 9 South, Range 24 East, being the area to the north of the proposed spacing units, is currently fully developed with four wells producing from the Abo formation;
 - (c) there are potentially productive Wolfcamp sands present at the proposed well location. If productive in the Wolfcamp formation, the Erma Gas Com Well No. 2 should drain a large area within the N/2 of Section 1 and the majority of Lots 1 through 4 of Section 36; and
 - (d) there is the possibility at the proposed well location of encountering shallow oil production, possibly in the San Andres formation.

(6) The evidence presented by Yates in this case demonstrates that the inclusion of the acreage in Section 36, Township 9.5 South, Range 24 East within its proposed non-standard spacing units is an effective and efficient method by which to produce the oil and gas reserves underlying these tracts, will prevent the drilling of unnecessary wells and will protect correlative rights.

- (7) The application should be approved.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Yates Petroleum Corporation the following-described three non-standard oil and gas spacing and proration units in Chaves County, New Mexico, are hereby established:

a 365.94-acre spacing and proration unit for all formations and/or pools spaced on 320 acres, this unit to comprise Lots 1 through 4 of Section 36, Township 9.5 South, Range 24 East, Lots 1 through 4 and the S/2 N/2 of Section 1, Township 10 South, Range 24 East, NMPM;

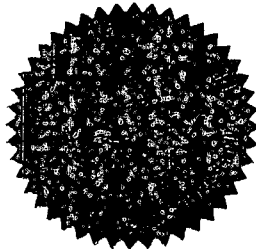
a 181.31-acre spacing and proration unit for all formations and/or pools spaced on 160 acres, this unit to comprise Lots 1 and 2 of Section 36, Township 9.5 South, Range 24 East, and Lots 1 and 2 and the S/2 NE/4 of Section 1, Township 10 South, Range 24 East, NMPM; and

a 50.19-acre spacing and proration unit for all formations and/or pools spaced on 40 acres, this unit to comprise Lot 1 of Section 36, Township 9.5 South, Range 24 East, and Lot 1 of Section 1, Township 10 South, Range 24 East, NMPM.

(2) In the event production is encountered in the Abo, Wolfcamp or shallower horizon, the above-described non-standard unit(s) shall be dedicated to the Yates Petroleum Corporation Erma Com Well No. 2 to be drilled at a standard well location 660 feet from the North and East lines (Unit A) of Section 1, Township 10 South, Range 24 East, NMPM, Chaves County, New Mexico.

(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.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Lori Wrottenbery
LORI WROTENBERY
Director