

**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. 13629 (Reopened)
ORDER NO. R-12514-B**

**IN THE MATTER OF CASE NO. 13629 BEING REOPENED PURSUANT TO
THE PROVISIONS OF DIVISION ORDER NO. R-12514, WHICH ORDER
PROMULGATED TEMPORARY SPECIAL POOL RULES FOR THE SAND
SPRINGS-PERMO UPPER PENNSYLVANIAN POOL, LEA COUNTY, NEW
MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on March 15, 2007, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 30th day of May, 2007, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) By Order No. R-12514, dated March 6, 2006, the Division, upon application of Yates Petroleum Corporation, created a new pool in Lea County, New Mexico, classified as an oil pool for Bough "B" (Permo-Upper Penn) production, designated the Sand Springs-Permo Upper Pennsylvanian Pool, with vertical limits comprising the Permo Upper Pennsylvanian formation(s) and horizontal limits comprising the following-described area:

TOWNSHIP 10 SOUTH, RANGE 34 EAST, NMPM

Section 26: SE/4

(3) Also by Order No. R-12514, dated March 6, 2006, the Division established:

**TEMPORARY SPECIAL RULES AND REGULATIONS
FOR THE
SAND SPRINGS-PERMO UPPER PENNSYLVANIAN POOL**

RULE 1: Each well completed or recompleted in the Sand Springs-Permo Upper Pennsylvanian Pool or in the Pennsylvanian formation within one mile thereof, and not nearer to or within the limits of another Pennsylvanian pool, shall be spaced, drilled, operated and produced in accordance with these special rules.

RULE 2: Each well shall be located on a standard unit containing 160 acres, more or less, consisting of the NE/4, NW/4, SE/4, or SW/4 of a governmental quarter section.

RULE 3: The Division Director may grant an exception to the requirements of Rule 2 above without notice and hearing when an application has been duly filed under the provisions of Division Rule 104.D (2).

RULE 4: Each well shall be located no closer than 330 feet to the outer boundary of a spacing and proration unit and no closer than 10 feet to any interior quarter-quarter section line or subdivision inner boundary.

RULE 5: The Division Director may grant an exception to the requirements of Rule 4 without hearing when an application has been duly filed under the provisions of Division Rule 104.F.

RULE 6: The allowable for a standard 160-acre oil proration unit shall be based on a depth bracket allowable of 515 barrels of oil per day with a limiting gas oil ratio of 2000 cubic feet of gas per barrel of oil. The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 160 acres.

(4) Pursuant to the provisions of Order No. R-12514, as amended, this case was reopened to allow the operators in the Sand Springs-Permo Upper Pennsylvanian Pool to appear and present evidence to support the continuation of special pool rules within the pool.

(5) The Sand Springs-Permo Upper Pennsylvanian Pool has not been expanded and currently comprises only the SE/4 of Section 26, Township 10 South, Range 34 East, NMPM, Lea County, New Mexico.

(6) Legal counsel for Yates Petroleum Corporation ("Yates") stated that Yates' position is that the special pool rules for the Sand Springs-Permo Upper Pennsylvanian Pool are not needed and statewide rules should apply.

(7) No other operator and/or interest owner appeared at the hearing to present evidence in this case.

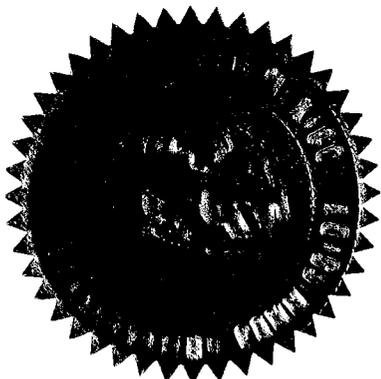
(8) In the absence of technical evidence to support continuation of special pool rules for the Sand Springs-Permo Upper Pennsylvanian Pool, these special pool rules should be rescinded.

IT IS THEREFORE ORDERED THAT:

(1) The "*Temporary Special Pool Rules for the Sand Springs-Permo Upper Pennsylvanian Pool*," as established by Division Order No. R-12514, as amended, are hereby rescinded and the pool shall be governed by statewide Division rules including Rules No. 104.B, 505, and 506.

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

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



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read "Mark E. Fesmire".

MARK E. FESMIRE, P.E.
Director