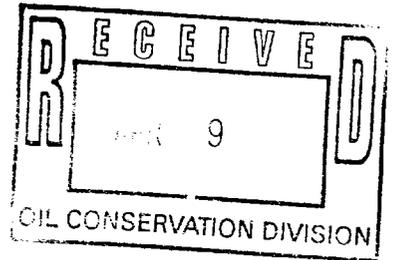


**BEFORE THE OIL CONSERVATION DIVISION
NEW MEXICO DEPARTMENT OF ENERGY,
MINERALS AND NATURAL RESOURCES**

IN THE MATTER OF THE APPLICATION
OF YATES PETROLEUM CORPORATION
FOR AMENDMENT OF THE SPECIAL
POOL RULES FOR THE NORTH DAGGER
DRAW-UPPER PENNSYLVANIAN POOL,
AND FOR CANCELLATION OF OVER-
PRODUCTION, EDDY COUNTY, NEW MEXICO.



Case No. 11525

APPLICATION

YATES PETROLEUM CORPORATION, ("Yates") through its undersigned attorneys, makes application to the Oil Conservation Division for an Order (1) amending the Special Rules and Regulations for the North Dagger Draw-Upper Pennsylvanian Pool to provide for a special depth bracket allowable, and (2) cancelling all overproduction in the pool, and in support hereof states:

1. Yates is an operator and interest owner in the upper Pennsylvanian formation, North Dagger Draw-Upper Pennsylvanian Pool.
2. This pool was established by Order No. R-4691, dated January 1, 1974 and has been operated pursuant to Special Pool Rules and Regulations which were adopted at the time this pool was created and from time to time subsequently amended (Order No. R-4691-A, dated February 3, 1976; Order No. R-4691-B dated October 12, 1976; Order No. R-4691-D dated March 21, 1991 and Order No. R-5565, dated November 1, 1977.
3. Current rules for the North Dagger Draw-Upper Pennsylvanian Associated

Pool establish a special depth bracket allowable of 700 barrels of oil per day per 160-acre spacing unit.

4. Producing this reservoir under these current restrictions results in increased water production and the waste of reservoir energy.

5. Amendment of the Special Pool Rules and Regulations for the North Dagger Draw-Upper Pennsylvanian Pool to provide for a special depth bracket allowable of 4000 barrels of oil per day per 160-acre spacing unit is necessary to protect correlative rights and prevent the waste of hydrocarbons.

6. Operators in this pool have had to produce certain wells in excess of the current allowable limits to avoid excessive volumes of water production and to maximize the recovery of hydrocarbons from this pool.

7. The production of wells in excess of the current allowable limits has not impaired the correlative rights of any interest owner in the pool.

8. The waste of substantial volumes of oil will result if operators are required to make up this overproduction.

9. Yates requests that the overproduction assigned to any well in this pool be cancelled on the effective date of amendments to the Special Pool Rules which increased the depth bracket allowable for this pool.

WHEREFORE, Yates Petroleum Corporation requests that this application be set for hearing before a duly appointed Examiner of the Oil Conservation Division on May 2, 1996,

and, after notice and hearing as required by law, the Division enter an Order amending the Special Rules and Regulations for the North Dagger Draw-Upper Pennsylvania Pool to provide for a special depth bracket allowable for the pool of 4000 barrels of oil per day for each 160-acre spacing unit and cancelling all overproduction assigned to wells in the pool.

Respectfully submitted,

**CAMPBELL, CARR, BERGE
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