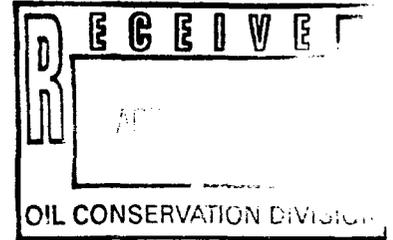


**BEFORE THE OIL CONSERVATION DIVISION
NEW MEXICO DEPARTMENT OF ENERGY,
MINERALS AND NATURAL RESOURCES**

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



Case No. 11526

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 South Dagger Draw-Upper Pennsylvanian Associated Pool to provide for a special depth bracket allowable, and (2) cancelling all overprotection in the pool, and in support hereof states:

1. Yates is an operator and interest owner in the upper Pennsylvanian formation, South Dagger Draw-Upper Pennsylvanian Associated Pool.
2. This pool was established by Order No. R-4637, dated October 1, 1973 and was classified an associated pool subject to the General Rules and Regulations for Associated Oil and Gas Pools in Northwest and Southeast New Mexico ("Associated Pool Rules") by Order No. R-5353, dated February 1, 1977.
3. The pool has been operated pursuant to the Associated Pool Rules and pursuant to Special Pool Rules and Regulations which were adopted on November 1, 1990 (Order No.

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 South Dagger Draw-Upper Pennsylvania Associated Pool to provide for a special depth bracket allowable for the pool of 8000 barrels of oil per day for each 320-acre spacing unit and cancelling all overprotection assigned to wells in the pool.

Respectfully submitted,

**CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.**

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**ATTORNEYS FOR YATES
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R-5353-L) and from time to time subsequently amended (Order No. R-5353-L-1, dated April 1, 1991 and Order No. R. 10050, dated January 26, 1994).

4. Current rules for the South Dagger Draw-Upper Pennsylvanian Associated Pool establish a special depth bracket allowable of 1400 barrels of oil per day per 320-acre spacing unit.

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

6. Amendment of the Special Pool Rules and Regulations for the South Dagger Draw-Upper Pennsylvanian Associated Pool to provide for a special depth bracket allowable of 8000 barrels of oil per day per 320-acre spacing unit is necessary to protect correlative rights and prevent the waste of hydrocarbons.

7. 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.

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

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

10. 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