

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. 13298
ORDER NO. R-12180

APPLICATION OF YATES PETROLEUM CORPORATION FOR A UNIT
AGREEMENT, EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing on July 8, 2004, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 2nd day of August, 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, seeks approval of its Boddington Federal Exploratory Unit Agreement for all oil and gas in all formations from the surface to the top of the **Mississippian** formation underlying the following-described 3,200 acres, more or less, of federal and fee lands situated in Eddy County, New Mexico:

TOWNSHIP 20 SOUTH, RANGE 23 EAST. NMPM

Section 5:	All
Section 8:	All
Section 9:	All
Section 17:	All
Section 20:	All

(3) The applicant presented two witnesses at the hearing with testimony as follows.

(a) Initially, the unit area was to include Section 29 and part of Section 16 of Township 20 South, Range 23 East, and was not to include Section 9. In addition, the initial well was to be in the SW/4 of Section 20. After negotiations with David H. Arlington Oil and Gas and in late May or early June of 2004, the applicant revised the proposed unit, at which time Section 9 was added, Section 29 and Section 16 were dropped, and the well location changed to Unit K of Section 17.

(b) The initial well will be drilled to a depth of 8,900 feet in order to test the Lower Morrow formation.

(c) The primary target is the Lower Morrow formation, with secondary targets being the Atoka, **Strawn**, and Cisco formations.

(d) Sections 5, 8, 17, and 20 all have potential oil and gas recovery from the Lower Morrow formation. Section 9 was mapped as not having potential in the Lower Morrow but does have potential for oil and gas recovery in the Strawn and Cisco Canyon.

(e) There are six federal tracts and one fee tract to be included in the unit.

(f) The applicant has received a commitment from 92.5 percent of the working interests. **Arrington** Oil and Gas is expected to join the proposed unit but Dominion Oklahoma Texas Exploration and Production Company, Inc. is not expected to join.

(g) The proposed Unit Agreement, proposed Operating Agreement, and preliminary letter of support from the United States Bureau of Land Management were presented at the hearing.

(4) David H. Arrington Oil & Gas, Inc., was represented at the hearing by counsel, presented no witnesses and did not oppose the unit.

(5) All of the proposed unit acreage appears prospective for recovery of oil and gas from the target formations under the concept proposed by the applicant. These acres should be **unitized** and should equally share in the benefits from future oil and gas recovery.

(6) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

IT IS THEREFORE ORDERED THAT :

(1) The **Boddington** Federal Exploratory Unit Agreement executed by Yates Petroleum Corporation is hereby approved for all oil and gas in all formations from the surface to the top of the **Mississippian** formation underlying the following-described 3,200 acres, more or less, of federal and fee lands situated in Eddy County, New Mexico:

TOWNSHIP 20 SOUTH, RANGE 23 EAST. NMPM

Section 5:	All
Section 8:	All
Section 9:	All
Section 17:	All
Section 20:	All

(2) The plan contained in the Boddington Federal Exploratory Unit Agreement for the development and operation of the above-described unit area is hereby approved in principle; provided, however, notwithstanding any of the provisions contained in the unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation that is now, or may hereafter be, vested in the Division to supervise and control operations for the unit and production of oil and gas therefrom.

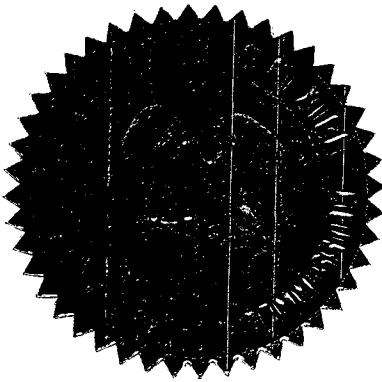
(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 days of the effective date thereof; in the event of subsequent joinder by any other party, or expansion or contraction of the unit area, the unit operator shall file with the Division, within 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the United States Bureau of Land Management. This order shall terminate upon the termination of the unit agreement. The last unit operator shall notify the Division immediately in writing of such termination.

(6) 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.



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read "Mark E. Fesmire". The signature is fluid and cursive, with a long horizontal stroke at the end.

MARK E. FESMIRE, P.E.
Director