

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. 14404
ORDER NO. R-13215

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

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on December 17, 2009 at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 22nd day of January, 2010, the Division Director, having considered the testimony, the record, and the recommendations of the Examiners,

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 Caravan State Exploratory Unit Agreement for all oil and gas in all formations from the surface to the base of the Atoka formation underlying the following-described 1600 acres, more or less, of State lands situated in Lea County, New Mexico:

Township 24 South, Range 33 East, NMPM

Section 28: W/2
Section 32: All
Section 33: All

(3) The Applicant presented testimony by affidavit as follows.

a. Yates or affiliates owns 60 percent of the working interests within the Unit and this 60 percent is committed to the Unit. The State of New Mexico owns all royalty interests and the State Land Office has given preliminary approval for this Unit.

b. The initial well, the Caravan State Unit Well No. 1, is planned to be drilled vertically 14,750 feet to test the Atoka and Wolfcamp formations, at a standard location, 660 feet from the North line and 1980 feet from the East line of Section 32, Township 24 South, Range 33 East, NMPM Lea County, New Mexico.

c. The primary target for this initial well will be oil production from the Wolfcamp formation carbonates with secondary target as gas production from the deeper Atoka formation.

(4) No other party appeared at the hearing or otherwise opposed this application.

(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 Caravan State Exploratory Unit Agreement executed by Yates Petroleum Corporation is hereby approved for all oil and gas in all formations from the surface to the base of the Atoka formation underlying the following-described 1600 acres, more or less, of State lands situated in Lea County, New Mexico:

Township 24 South, Range 33 East, NMPM

Section 28: W/2
Section 32: All
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(2) The plan contained in the Caravan State 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.

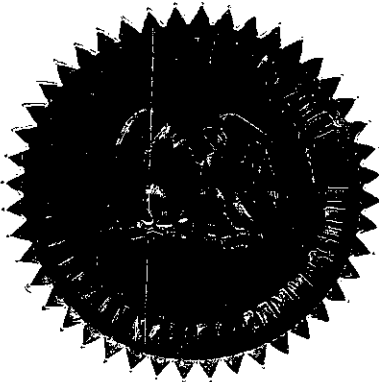
(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 days of the effective date thereof; in the event of subsequent joinder by any other party, or expansion or contraction of the unit area, the unit operator shall file with the 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 New Mexico State Land Office. 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 dark ink, appearing to read "Mark E. Fesmire".

MARK E. FESMIRE, P.E.
Director