

**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. 14610
ORDER NO. R-13367**

**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 March 3, 2011, at Santa Fe, New Mexico, before Examiner David K. Brooks.

NOW, on this 8th day of March, 2011, 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 of the subject matter.

(2) The applicant, Yates Petroleum Corporation, ("Applicant") seeks approval of its Gambler State Exploratory Unit Agreement ("the Unit Agreement") for all oil and gas in all formations from the surface to the base of the Mississippian formation underlying the following-described 1,920 acres, more or less, of State of New Mexico lands situated in Lea County, New Mexico ("the Unit Area"):

Township 11 South, Range 32 East, NMPM

Section 28: W/2
Section 29: All
Section 32: All
Section 33: W/2

(3) Applicant appeared at the hearing through counsel and presented testimony by affidavit demonstrating that:

- (a) The Unit Agreement has been approved by a sufficient percentage of the interest owners within the proposed Unit Area to provide Applicant with effective control of unit operations.
 - (b) One hundred percent (100%) of the royalty interests within the Unit area are owned by the State of New Mexico;
 - (c) The Commissioner of Public Lands has given preliminary approval for the proposed Unit;
 - (d) The initial well, the Gambler State Unit Well No. 1, will be drilled at a standard location 750 feet from the South line and 1500 feet from the East line of Section 32, Township 11 South, Range 32 East, NMPM. The well will be drilled to test the Morrow formation, the primary target of this well, and enter the top of the Mississippian formation at a true vertical depth of approximately 11,350 feet.
 - (e) Applicant plans to drill additional wells to develop the Unit if the initial well is successful.
- (4) No other party appeared at the hearing or otherwise opposed this application.
- (5) All of the proposed Unit acreage appears to be prospective for recovery of gas from the target formations under the concept proposed by Applicant. These lands should be unitized and should share equally in the costs and benefits of future oil and gas production from the Unit Area.
- (6) Approval of the Unit Agreement will prevent waste and protect correlative rights within the lands comprising the Unit Area.

IT IS THEREFORE ORDERED THAT:

(1) The Gambler State Exploratory Unit Agreement admitted in evidence as Exhibit B to Exhibit 1 in this case is hereby approved for all oil and gas in all formations from the surface to the base of the Mississippian formation underlying the following-described 1,920 acres, more or less, of State of New Mexico lands situated in Lea County, New Mexico:

Township 11 South, Range 32 East, NMPM

Section 28: W/2
Section 29: All
Section 32: All
Section 33: W/2

(2) The plan contained in the Gambler State Exploratory Unit Agreement for the development and operation of the Unit Area is hereby approved in principle; provided, however, notwithstanding any provision 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 or control operations of the Unit Area and production of oil or gas therefrom.

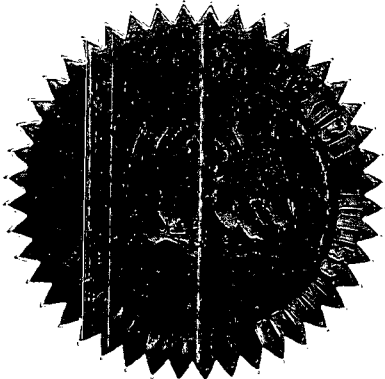
(3) Yates Petroleum Corporation (the Unit operator) shall file with the Division an executed original or executed counterpart of the Unit Agreement within 30 days of the effective date thereof; in the event of subsequent joinder by any other party, or expansion or contraction of the Unit Area, the Unit operator shall file with the Division, within 30 days thereafter, copies of the Unit Agreement reflecting the subscription of those parties or 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 approval of the Unit Agreement by the New Mexico State Land Office. This order shall terminate upon 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 "Daniel Sanchez", with a long horizontal line extending from the end of the signature.

DANIEL SANCHEZ
Acting Director