



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

2040 S. PACHECO
SANTA FE, NEW MEXICO 87505
(505) 827-7131

File

October 15, 1996

Yates Petroleum Corporation
c/o Campbell, Carr, Berge & Sheridan, P.A.
P. O. Box 2208
Santa Fe, New Mexico 87504-2208
Attention: William F. Carr

Administrative Order DD-155

Dear Mr. Carr:

Under the provisions of Rules 111.D and E of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division"), revised by Division Order No. R-10388, issued by the Oil Conservation Commission in Case 11,274 on June 13, 1995, Yates Petroleum Corporation made application to the New Mexico Oil Conservation Division on September 6, 1996 for authorization to directional drill its proposed Diamond "AKI" Federal Well No. 2, Eddy County, New Mexico.

The Division Director Finds That:

- (1) The operator proposes to locate said well at an unorthodox surface location 1310 feet from the South line and 10 feet from the West line (Unit M) of Section 34, Township 20 South, Range 24 East, NMPM, Eddy County, New Mexico, kickoff in a southeasterly direction and directionally drill to an estimated true vertical depth of 8,300 feet within the South Dagger Draw-Upper Pennsylvanian Associated Pool at a standard subsurface oil well location within the SW/4 SW/4 (Unit M) of said Section 34;
- (2) An existing 320-acre standard spacing and proration unit comprising the W/2 of said Section 34 is to be dedicated to said well;
- (3) By Order No. R-5353, as amended by supplemental Orders "A", "L", and "L-1" the Division promulgated "*Special Rules and Regulations For The South Dagger Draw-Upper Pennsylvanian Associated Pool*", which includes provisions for 320-acre spacing and proration units for both oil and gas and well location requirements which provides that wells be no closer than 660 feet to the outer boundary of a

320-acre spacing unit and not closer than 330 feet to any quarter-quarter section line or subdivision inner boundary thereon;

- (4) Presumably, it is necessary for the operator to directionally drill the Diamond "AKI" Federal Well No. 2 in the above-described manner in order to satisfy the United States Bureau of Land Management surface use restrictions and to obtain an acceptable subsurface location for this well;
- (5) The applicable drilling window or "producing area" for said wellbore should include that area within the SW/4 SW/4 (Unit M) of said Section 34 that is no closer than 660 feet to either the South or West lines of said Section 34 nor closer than 330 feet to any internal quarter-quarter section line; and,
- (6) It appearing the applicant has satisfied all of the appropriate requirements prescribed in said Rule 111.D and E, the subject application should be approved and the well should be governed by the provisions contained within this order and all other applicable provisions of Division General Rule 111.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Yates Petroleum Corporation, is hereby authorized to drill its Diamond "AKI" Federal Well No. 2 at an unorthodox surface location 1310 feet from the South line and 10 feet from the West line (Unit M) of Section 34, Township 20 South, Range 24 East, NMPM, Eddy County, New Mexico and directional drill in a southeasterly direction in such a manner as to bottom said well within the South Dagger Draw-Upper Pennsylvanian Associated Pool at a standard subsurface well location within the SW/4 SW/4 (Unit M) of said Section 34 that is no closer than 660 feet to either the South or West lines of said Section 34 nor closer than 330 feet to any internal quarter-quarter section line.

PROVIDED HOWEVER THAT prior to commencing directional drilling operations in said wellbore, the applicant shall establish the location of the kick-off point by means of a directional survey acceptable to the Division.

PROVIDED FURTHER THAT during or upon completion of directional drilling operations, the applicant shall conduct an accurate wellbore survey from the kick-off point to total depth in order that the subsurface bottomhole location, as well as the wellbore's true depth and course, may be determined.

(2) The applicant shall notify the supervisor of the Artesia district office of the Division of the date and time said wellbore surveys are to be conducted so that they may be witnessed. The

applicant shall further provide a copy of said wellbore surveys to the Santa Fe and Artesia offices of the Division upon completion.

(3) The existing 320-acre standard spacing and proration unit comprising the W/2 of said Section 34 shall be dedicated to said well.

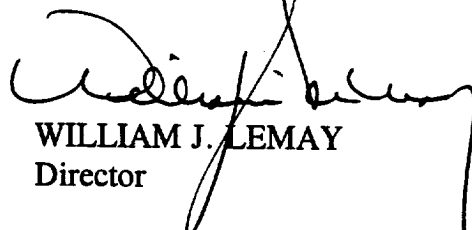
(4) The operator shall comply with all requirements and conditions set forth in Division General Rule 111.E(2) and any applicable requirements in 111.D and F.

(5) Form C-105 shall be filed in accordance with Division Rule 1105 and the operator shall indicate thereon true vertical depth in addition to measured depths.

(6) Jurisdiction of this cause 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.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

S E A L

WJL/MES/kv

cc: Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad