



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

March 4, 1999

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

Telefax No. (505) 983-6043

Administrative Order NSL-4225

Dear Mr. Carr:

Reference is made to the following: (i) your initial application dated January 26, 1999 on behalf of the operator, Yates Petroleum Corporation ("Yates"); (ii) your meeting with Mr. Michael E. Stogner, Chief Hearing Officer/Engineer, with the New Mexico Oil Conservation Division ("Division") in Santa Fe on Monday, February 11, 1999; (iii) your amended application dated February 12, 1999; and (iv) the records of the Division: all concerning Yates' request for a non-standard gas well location in both the Indian Basin-Upper Pennsylvanian Gas Pool and the Morrow formation for their proposed Zingaro "ANG" Federal Well No. 4 (API No. 30-015-30550) to be drilled 1500 feet from the North line and 1550 feet from the West line (Unit F) of Section 1, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico.

The Division Director Finds That:

(1) Yates is proposing to drill its Zingaro "ANG" Federal Well No. 4 (API No. 30-015-30550) at a location that is 1500 feet from the North line and 1550 feet from the West line (Unit F) of Section 1, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico;

(2) The Zingaro "ANG" Federal Well No. 4 is to be drilled to a total depth of 9,900 feet in order to test both the Morrow formation and Upper Pennsylvanian interval;

(3) The Indian Basin-Morrow Gas Pool currently comprises the following described area in Eddy County, New Mexico:

TOWNSHIP 21 SOUTH, RANGE 23 EAST, NMPM

Section 2:	All
Sections 9 and 10:	All
Section 11:	W/2
Section 14:	SW/4
Section 15:	All
Sections 22 through 25:	All
Section 36:	All

TOWNSHIP 21 SOUTH, RANGE 24 EAST, NMPM

Section 9:	S/2
Section 15:	S/2
Sections 16 and 17:	All
Sections 19 through 22:	All
Sections 30 through 32:	All;

(4) The Indian Basin-Morrow Gas Pool is governed by the "*Special Rules and Regulations for the Indian Basin-Morrow Gas Pool*," as promulgated by Division Orders No. R-8170-O-1/R-2441-B, issued in Case No. 11512 dated July 31, 1996, and R-8170-O-2/R-2441-C, dated August 15, 1996, which includes provisions (i) for 640-acre spacing; (ii) requiring wells to be located no closer than 660 feet to the outer boundary of a unit nor closer than 330 feet to any governmental quarter-quarter section or subdivision inner boundary; (iii) that allows for one infill well per 640-acre unit; and (iv) that confines these special pool rules to those lands that are within the pool's horizontal limits;

(5) The Morrow interval outside of the horizontal limits of the Indian Basin-Morrow Gas Pool is subject to Division Rules 104.B(1)(a) and 104.C(2)(b), both of which require 320-acre spacing and proration units with wells to be located no closer than 660 feet to the nearest side (long) boundary of the dedicated tract nor closer than 1650 feet from the nearest end (short) boundary nor closer than 330 feet from any quarter-quarter section or subdivision inner boundary, and Rule 104.D(3), which limits the number of wells per spacing unit to one;

(6) The special rules for the Indian Basin-Morrow Gas Pool further provides for a buffer zone that extends one-half mile beyond the Indian Basin-Morrow Gas Pool, which allows for a 660-foot setback to the outer-boundary of a 320-acre unit for those quarter sections immediately off-setting the Indian Basin-Morrow Gas Pool boundaries;

(7) Morrow gas production from the proposed Zingaro "ANG" Federal Well No. 4 is to be dedicated to Lots 3 and 4, the S/2 NW/4, and the SW/4 (W/2 equivalent) of Section 1, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico in order to form a standard 336.57-acre stand-up gas spacing and proration unit;

(8) The Indian Basin-Upper Pennsylvanian Gas Pool currently comprises the following described area in Eddy County, New Mexico:

TOWNSHIP 21 SOUTH, RANGE 23 EAST, NMPM

Section 3:	W/2
Section 4:	All
Sections 8 and 9:	All
Section 10:	W/2

Section 15:	W/2
Sections 16 through 30:	All
Sections 32 through 35:	All
Section 36:	W/2

TOWNSHIP 21 SOUTH, RANGE 24 EAST, NMPM

Section 19:	All
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TOWNSHIP 22 SOUTH, RANGE 23 EAST, NMPM

Section 1:	W/2
Sections 2 through 5:	All
Sections 8 through 11:	All
Section 12:	W/2
Section 13:	W/2
Sections 14 through 17:	All
Section 21:	N/2
Section 22:	All;

(9) The Indian Basin-Upper Pennsylvanian Gas Pool is a prorated gas pool currently governed by the "*General Rules for the Prorated Gas Pools of New Mexico/Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Gas Pool*," as promulgated by Division Order No. R-8170, as amended, which require standard 640-acre spacing and proration units ("GPU") with wells to be located no closer than 1650 feet from the outer boundary of the GPU nor closer than 330 feet from any governmental quarter-quarter section line or subdivision inner boundary;

(10) Division Order No. R-9922-D, issued in Case No. 12006 dated December 7, 1998, adjusted the pool boundaries of the Indian Basin-Upper Pennsylvanian Gas Pool and the Indian Basin-Upper Pennsylvanian Associated Pool (which special pool rules requires 320-acre spacing) and pre-approved a non-standard 320-acre gas spacing and proration unit for the W/2 equivalent of Section 1, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico, for the Indian Basin-Upper Pennsylvanian Gas Pool;

(11) Gas production attributed to the Indian Basin-Upper Pennsylvanian Gas Pool from the proposed Zingaro "ANG" Federal Well No. 4 is to be dedicated to the previously approved 336.57-acre non-standard gas spacing and proration that comprises Lots 3 and 4, the S/2 NW/4, and the SW/4 (W/2 equivalent) of Section 1, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico;

(12) The subject application has been duly filed under the provisions of Division Rule 104.F; and,

(13) By the authority granted me under the provisions of: (i) **RULE 2(d)** of the "*General Rules for the Prorated Gas Pools of New Mexico/Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Gas Pool*," as promulgated by Division Order No. R-8170, as amended, and Division General **RULE 104.F(2)**, the subject application for the above-described unorthodox gas well location is hereby approved.

It Is Therefore Ordered That:

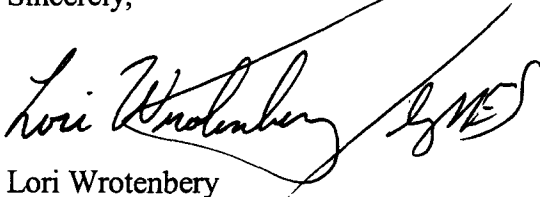
(1) Yates Petroleum Corporation is hereby authorized to drill its Zingaro "ANG" Federal Well No. 4 (**API No. 30-015-30550**) at an unorthodox gas well location in both the Upper-Pennsylvanian and Morrow intervals 1500 feet from the North line and 1550 feet from the West line (Unit F) of Section 1, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico.

(2) Morrow gas production from the proposed Zingaro "ANG" Federal Well No. 4 is to be dedicated to a standard 336.57-acre stand-up gas spacing and proration unit comprising Lots 3 and 4, the S/2 NW/4, and the SW/4 (W/2 equivalent) of Section 1.

(3) Gas production attributed to the Indian Basin-Upper Pennsylvanian Gas Pool from the proposed Zingaro "ANG" Federal Well No. 4 is to be dedicated to the previously approved 336.57-acre non-standard gas spacing and proration (see Division Order No. R-9922-D, issued in Case No. 12006 dated December 7, 1998) that comprises Lots 3 and 4, the S/2 NW/4, and the SW/4 (W/2 equivalent) of Section 1, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico.

(4) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,



Lori Wrotenbery
Director

LW/MES/kv

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