



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

September 8, 2005

Mark Fesmire
Director
Oil Conservation Division

Yates Drilling Company
105 South Fourth Street
Artesia, New Mexico 88210

Attention: **Cy Cowan**
ydc1@qwest.net

30-015-34320

Administrative Order NSL-5274

Dear Mr. Cowan:

Reference is made to the following: (i) your application (*administrative application reference No. pSEM0-523744344*) submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico by telefax on August 24, 2005; and (ii) the Division's records in Santa Fe: all concerning Yates Drilling Company's ("Yates") request to drill its proposed Parakeet "29" Federal No. 1 Well 1475 feet from the South line and 710 feet from the East line (Unit I) of Section 29, Township 19 South, Range 27 East, NMPM, Eddy County, New Mexico, to an approximate depth of 1,800 feet at an unorthodox oil well location to be applicable to any and all formations and/or pools from the surface to the base of the San Andres formation:

- (1) developed on 40-acre spacing; and
- (2) governed under the provisions of Division Rule 104.B (1), which presently includes but is not necessarily limited to the Undesignated McMillman-Seven Rivers Queen Pool (45030).

The NE/4 SE/4 (Unit I) of Section 29 is to be dedicated to the above-described Parakeet "29" Federal Well No. 1 in order to form a standard 40-acre oil spacing and proration unit pursuant to Division Rule 104.B (1).

This application has been duly filed under the provisions of Division Rule 104.F and 1207.A (2).

It is the Division's understanding that the W/2 NE/4, SE/4 NE/4, SE/4 SW/4, and SE/4 of Section 29 is a single Federal lease (*United States Government lease No. LC-045545-B*) with common mineral interests in which Yates is the leasehold operator.

Yates Drilling Company

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Division Administrative Order NSL-5274

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox oil well location of Yates' proposed Parakeet "29" Federal Well No. 1 is hereby approved only for those oil bearing intervals developed on standard 40-acre oil spacing and proration units to a depth not to exceed 1,800 or to the base of the San Andres formation, whichever is greater. For any interval below the San Andres spaced on 40-acre units, the operator must seek an exception to Division Rule 104.B (1) through the Division's hearing process.

Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

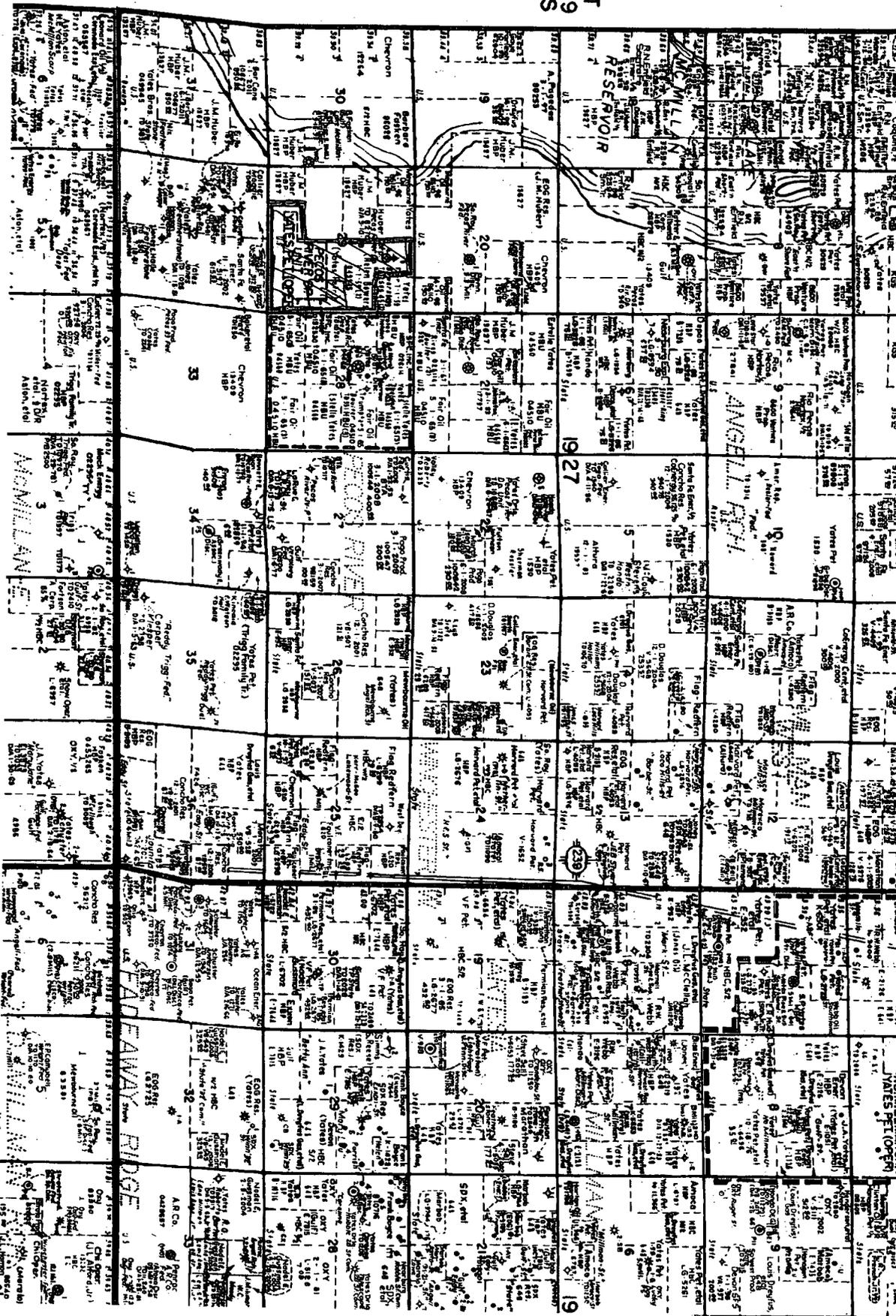
Sincerely,



Mark E. Fesmire, P. E.
Director

MEF/mes

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



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. 13396
Order No. R-12257

THE APPLICATION OF THE OIL CONSERVATION
DIVISION FOR AN ORDER CREATING AND
EXTENDING CERTAIN POOLS IN CHAVES AND
EDDY COUNTIES, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on December 16, 2004, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 3rd day of January, 2005, 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) There is need for the creation of a new pool in Eddy County, New Mexico for the production of gas from the Atoka formation, bearing the designation of Cottonwood Levee-Atoka Gas Pool (**Pool Code 97402**). The Cottonwood Levee-Atoka Gas Pool was discovered by the Yates Petroleum Corporation Clarence "BCU" Well No. 1 (**API No. 30-015-33148**) located in Unit D of Section 14, Township 16 South, Range 26 East, NMPM, which was completed in the Atoka formation on September 8, 2004. The top of the perforations is at 7,534 feet.

(3) There is need for the creation of a new pool in Eddy County, New Mexico for the production of gas from the Morrow formation, bearing the designation of Northeast Fren-Morrow Gas Pool (**Pool Code 96996**). The Northeast Fren-Morrow Gas Pool was discovered by the Texaco Exploration and Production, Inc. Texmack "36" State Well No. 1 (**API No. 30-015-30743**) located in Unit C of Section 36, Township 16 South,

Range 31 East, NMPM, which was completed in the Morrow formation on January 4, 2000. The top of the perforations is at 12,311 feet.

(4) There is need for the creation of a new pool in Eddy County, New Mexico for the production of gas from the Atoka formation, bearing the designation of Hess Hills-Atoka Gas Pool (**Pool Code 97398**). The Hess Hills-Atoka Gas Pool was discovered by the Yates Petroleum Corporation Chimay "BAO" State Well No. 1 (**API No. 30-015-32508**) located in Unit E of Section 2, Township 24 South, Range 23 East, NMPM, which was completed in the Atoka formation on September 22, 2004. The top of the perforations is at 9,750 feet.

(5) There is need for the creation of a new pool in Eddy County, New Mexico for the production of gas from the Cisco-Canyon formation of the Pennsylvanian System, bearing the designation of East Hess Hills-Upper Pennsylvanian Gas Pool (**Pool Code 97383**). The East Hess Hills-Upper Pennsylvanian Gas Pool was discovered by the Yates Energy Corporation Lonesome Dove Federal Well No. 1 (**API No. 30-015-26072**) located in Unit N of Section 26, Township 23 South, Range 23 East, NMPM, which was completed in the Cisco-Canyon formation on July 11, 2004. The top of the perforations is at 8,346 feet.

(6) There is need for the creation of a new pool in Eddy County, New Mexico for the production of oil from the Wolfcamp formation, bearing the designation of Lake McMillan-Wolfcamp Pool (**Pool Code 97400**). The Lake McMillan-Wolfcamp Pool was discovered by the Yates Drilling Company Parrot Federal Well No. 2 (**API No. 30-015-33345**) located in Unit I of Section 29, Township 19 South, Range 27 East, NMPM, which was completed in the Wolfcamp formation on October 5, 2004. The top of the perforations is at 8,074 feet.

(7) There is need for the creation of a new pool in Eddy County, New Mexico for the production of gas from the Upper Pennsylvanian formation, bearing the designation of Red Tank Draw-Upper Pennsylvanian Gas Pool (**Pool Code 97403**). The Red Tank Draw-Upper Pennsylvanian Gas Pool was discovered by the Mack Energy Corporation Popeye State Well No. 1 (**API No. 30-015-33499**) located in Unit A of Section 8, Township 19 South, Range 23 East, NMPM, which was completed in the Upper Pennsylvanian formation on September 15, 2004. The top of the perforations is at 6,536 feet.

(8) There is need for the creation of a new pool in Eddy County, New Mexico for the production of gas from the Upper Pennsylvanian formation, bearing the designation of Rio Penasco-Upper Pennsylvanian Gas Pool (**Pool Code 97404**). The Rio Penasco-Upper Pennsylvanian Gas Pool was discovered by the Mack Energy Corporation Southern Cross "19" Com. Well No. 1 (**API No. 30-015-33479**) located in Unit P of Section 19, Township 18 South, Range 24 East, NMPM, which was completed in the Upper Pennsylvanian formation on September 17, 2004. The top of the perforations is at 7,265 feet.

(9) There is need for the creation of a new pool in Eddy County, New Mexico for the production of gas from the Wolfcamp formation, bearing the designation of East Rocky Arroyo-Wolfcamp Gas Pool (**Pool Code 97397**). The East Rocky Arroyo-Wolfcamp Gas Pool was discovered by the Cimarex Energy Company La Federal 1-A Well No. 1 (**API No. 30-015-22654**) located in Unit I of Section 11, Township 22 South, Range 22 East, NMPM, which was completed in the Wolfcamp formation on September 8, 2004. The top of the perforations is at 6,731 feet.

(10) There is need for the creation of a new pool in Eddy County, New Mexico for the production of gas from the Morrow formation, bearing the designation of West Salt Draw-Morrow Gas Pool (**Pool Code 96819**). The West Salt Draw-Morrow Gas Pool was discovered by the OGX Resources, LLC State GQ Com. Well No. 1 (**API No. 30-015-22894**) located in Unit J of Section 7, Township 25 South, Range 28 East, NMPM, which was completed in the Morrow formation on September 4, 2004. The top of the perforations is at 15,544 feet.

(11) There is need for the creation of a new pool in Eddy County, New Mexico for the production of gas from the Wolfcamp formation, bearing the designation of North Seven Rivers-Wolfcamp Gas Pool (**Pool Code 97394**). The North Seven Rivers-Wolfcamp Gas Pool was discovered by the Mar Oil and Gas Corporation DD "24" Federal Well No. 26 (**API No. 30-015-26154**) located in Unit I of Section 24, Township 19 South, Range 24 East, NMPM, which was completed in the Wolfcamp formation on July 2, 2004. The top of the perforations is at 6,220 feet.

(12) There is need for the creation of a new pool in Chaves County, New Mexico for the production of gas from the Pennsylvanian formation, bearing the designation of Willow Spring-Pennsylvanian Gas Pool (**Pool Code 97385**). The Willow Spring-Pennsylvanian Gas Pool was discovered by the Reliance Energy, Inc. Willow Spring "33" Well No. 3 (**API No. 30-005-63348**) located in Unit D of Section 33, Township 4 South, Range 25 East, NMPM, which was completed in the Pennsylvanian formation on August 2, 2004. The top of the perforations is at 4,858 feet.

(13) There is need for extensions to the North Anderson-Wolfcamp Pool, the West Bear Grass Draw-Atoka Gas Pool, the North Cemetery-Atoka Gas Pool, the Cemetery-Morrow Gas Pool, the Dagger Draw-Strawn Gas Pool, the Frontier Hills-Strawn Gas Pool, the North Hackberry-Morrow Gas Pool, the South Happy Valley-Atoka Gas Pool, the Kennedy Farms-Morrow Gas Pool, the Nash Draw-Delaware Pool, the Penasco Draw-Permo Pennsylvanian Gas Pool, the Quahada Ridge-Atoka Gas Pool, the Red Lake Shores-Grayburg Pool, the Tamano-Bone Spring Pool, and the North Willow Lake-Delaware Pool, all in Eddy County, New Mexico; and the North Foor Ranch-Pre-Permian Gas Pool, the Foor Ranch-Wolfcamp Gas Pool, and the Northwest Foor Ranch-Wolfcamp Gas Pool, all in Chaves County, New Mexico.

(14) The effective date of this order and all creations and extensions included herein should be January 1, 2005.

IT IS THEREFORE ORDERED THAT:

(a) A new pool in Eddy County, New Mexico classified as a gas pool for Atoka production is hereby created and designated as the Cottonwood Levee-Atoka Gas Pool (**Pool Code 97402**), consisting of the following described area:

TOWNSHIP 16 SOUTH, RANGE 26 EAST, NMPM
Section 14: W/2

(b) A new pool in Eddy County, New Mexico classified as a gas pool for Morrow production is hereby created and designated as the Northeast Fren-Morrow Gas Pool (**Pool Code 96996**), consisting of the following described area:

TOWNSHIP 16 SOUTH, RANGE 31 EAST, NMPM
Section 36: N/2

(c) A new pool in Eddy County, New Mexico classified as a gas pool for Atoka production is hereby created and designated as the Hess Hills-Atoka Gas Pool (**Pool Code 97398**), consisting of the following described area:

TOWNSHIP 24 SOUTH, RANGE 23 EAST, NMPM
Section 2: N/2

(d) A new pool in Eddy County, New Mexico classified as a gas pool for Cisco-Canyon production is hereby created and designated as the East Hess Hills-Upper Pennsylvanian Gas Pool (**Pool Code 97383**), consisting of the following described area:

TOWNSHIP 23 SOUTH, RANGE 23 EAST, NMPM
Section 26: S/2

(e) A new pool in Eddy County, New Mexico classified as an oil pool for Wolfcamp production is hereby created and designated as the Lake McMillan-Wolfcamp Pool (**Pool Code 97400**), consisting of the following described area:

TOWNSHIP 19 SOUTH, RANGE 27 EAST, NMPM
Section 29: SE/4

(f) A new pool in Eddy County, New Mexico classified as a gas pool for Upper Pennsylvanian production is hereby created and designated as the Red Tank Draw-Upper Pennsylvanian Gas Pool (**Pool Code 97403**), consisting of the following described area:

TOWNSHIP 19 SOUTH, RANGE 23 EAST, NMPM
Section 8: E/2

(g) A new pool in Eddy County, New Mexico classified as a gas pool for Upper Pennsylvanian production is hereby created and designated as the Rio Penasco-Upper Pennsylvanian Gas Pool (**Pool Code 97404**), consisting of the following described area:

TOWNSHIP 18 SOUTH, RANGE 24 EAST, NMPM
Section 19: S/2

(h) A new pool in Eddy County, New Mexico classified as a gas pool for Wolfcamp production is hereby created and designated as the East Rocky Arroyo-Wolfcamp Gas Pool (**Pool Code 97397**), consisting of the following described area:

TOWNSHIP 22 SOUTH, RANGE 22 EAST, NMPM
Section 11: E/2

(i) A new pool in Eddy County, New Mexico classified as a gas pool for Morrow production is hereby created and designated as the West Salt Draw-Morrow Gas Pool (**Pool Code 96819**), consisting of the following described area:

TOWNSHIP 25 SOUTH, RANGE 28 EAST, NMPM
Section 7: E/2

(j) A new pool in Eddy County, New Mexico classified as a gas pool for Wolfcamp production is hereby created and designated as the North Seven Rivers-Wolfcamp Gas Pool (**Pool Code 97394**), consisting of the following described area:

TOWNSHIP 19 SOUTH, RANGE 24 EAST, NMPM
Section 24: E/2

(k) A new pool in Chaves County, New Mexico classified as a gas pool for Pennsylvanian production is hereby created and designated as the Willow Spring-Pennsylvanian Gas Pool (**Pool Code 97385**), consisting of the following described area:

TOWNSHIP 4 SOUTH, RANGE 25 EAST, NMPM
Section 33: W/2

(l) The North Anderson-Wolfcamp Pool (**Pool Code 97183**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM
Section 2: E/2

(m) The West Bear Grass Draw-Atoka Gas Pool (**Pool Code 71688**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 18 SOUTH, RANGE 28 EAST, NMPM

Section 2: All

(n) The North Cemetery-Atoka Gas Pool (**Pool Code 74635**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 19 SOUTH, RANGE 25 EAST, NMPM

Section 27: NE/4

(o) The Cemetery-Morrow Gas Pool (**Pool Code 74640**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 21 SOUTH, RANGE 24 EAST, NMPM

Section 3: Lots 9 through 16

(p) The Dagger Draw-Strawn Gas Pool (**Pool Code 75920**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 20 SOUTH, RANGE 25 EAST, NMPM

Section 5: NE/4

(q) The North Foor Ranch-Pre-Permian Gas Pool (**Pool Code 97094**) in Chaves County, New Mexico is hereby extended to include:

TOWNSHIP 8 SOUTH, RANGE 26 EAST, NMPM

Section 14: SE/4

(r) The Foor Ranch-Wolfcamp Gas Pool (**Pool Code 76750**) in Chaves County, New Mexico is hereby extended to include:

TOWNSHIP 10 SOUTH, RANGE 26 EAST, NMPM

Section 2: S/2

(s) The Northwest Foor Ranch-Wolfcamp Gas Pool (**Pool Code 97066**) in Chaves County, New Mexico is hereby extended to include:

TOWNSHIP 8 SOUTH, RANGE 26 EAST, NMPM

Section 26: N/2 and SW/4

Section 35: W/2

(t) The Frontier Hills-Strawn Gas Pool (**Pool Code 77190**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 23 SOUTH, RANGE 26 EAST, NMPM

Section 27: SE/4

Section 34: N/2

(u) The North Hackberry-Morrow Gas Pool (**Pool Code 96785**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 18 SOUTH, RANGE 30 EAST, NMPM
Section 26: NE/4

(v) The South Happy Valley-Atoka Gas Pool (**Pool Code 96338**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 22 SOUTH, RANGE 26 EAST, NMPM
Section 15: N/2 and SW/4
Section 22: NW/4

(w) The Kennedy Farms-Morrow Gas Pool (**Pool Code 79520**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM
Section 3: N/2

(x) The Nash Draw-Delaware Pool (**Pool Code 47545**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 23 SOUTH, RANGE 30 EAST, NMPM
Section 19: SE/4

(y) The Penasco Draw-Permo Pennsylvanian Gas Pool (**Pool Code 82775**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 18 SOUTH, RANGE 24 EAST, NMPM
Section 14: W/2
Section 15: N/2

(z) The Quahada Ridge-Atoka Gas Pool (**Pool Code 83200**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 21 SOUTH, RANGE 29 EAST, NMPM
Section 21: SE/4

(aa) The Red Lake Shores-Grayburg Pool (**Pool Code 97335**) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM
Section 28: NW/4

(bb) The Tamano-Bone Spring Pool (Pool Code 58040) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 18 SOUTH, RANGE 31 EAST, NMPM

Section 10: SW/4

(cc) The North Willow Lake-Delaware Pool (Pool Code 64455) in Eddy County, New Mexico is hereby extended to include:

TOWNSHIP 24 SOUTH, RANGE 28 EAST, NMPM

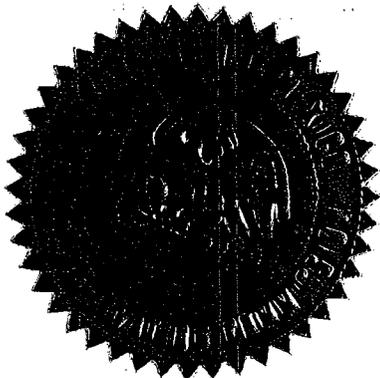
Section 20: NE/4

IT IS FURTHER ORDERED THAT:

(1) Pursuant to Section 70-2-18, NMSA, 1978, an operator of any well that, by virtue of any of the above pool extensions, is subject to pool rules providing for spacing or proration units larger than the one presently dedicated thereto, shall have 60 days from the effective date of this order to file Form C-102 dedicating a standard unit for the pool to that well or to obtain a non-standard unit approved by the Division. Pending such compliance, the well shall receive a maximum allowable in the same proportion to a standard allowable for the pool that the acreage dedicated to the well bears to a standard unit for the pool. Failure to file Form C-102 dedicating a standard unit to the well or to obtain a non-standard unit approved by the Division within that 60-day period shall subject the well to cancellation of allowable.

(2) The effective date of this order and all creations and extensions included herein shall be January 1, 2005.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read "Mark E. Fesmire".

MARK E. FESMIRE, P.E.
Director

