



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

December 22, 2003

Lori Wrotenbery

Director

Oil Conservation Division

**Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210-2118**

Attention: Chuck Moran
cmoran@ypcnm.com

Administrative Order NSL-4968

Dear Mr. Moran:

Reference is made to the following: (i) your initial application (***administrative application reference No. pLR0-331137889***) filed with the New Mexico Oil Conservation Division ("Division") in Santa Fe on November 6, 2003; (ii) your letters dated November 11 and December 5, 2003 both containing supplemental data to support this application; (iii) your e-mail correspondence with Mr. Michael E. Stogner, Engineer/Hearing Officer with the Division in Santa Fe on December 15 and 16, 2003; (iv) your telephone conversations with Mr. Stogner on December 15 and 19, 2003; and (v) the Division's records in Santa Fe.

The Division Director Finds That:

(1) Yates Petroleum Corporation ("Yates"), as operator, proposes to drill its Houston "BDH" State Com. Well No. 2 at a location that is 1550 feet from the North line and 2500 feet from the West line (Unit F) of Section 31, Township 9 South, Range 27 East, NMPM, Chaves County, New Mexico, to a depth sufficient to test down to the base of Silurian system;

(2) Pursuant to Yates's request, the primary zone of interest for this well is the Siluro-Devonian dolomite; however, it is the operator's intent to test all intervals from the surface to the base of the Silurian system;

(3) Yates therefore seeks an exception to all applicable well location set-back requirements governing any and all formations and/or pools from the surface to the base of the Silurian system for its Houston "BDH" State Com. Well No. 2 to be dedicated to the following described spacing and proration units:

- (a) Lots 1 and 2, the NE/4, and the E/2 NW/4 (N/2 equivalent) to form a standard 320.12-acre lay-down deep gas spacing unit for any and all formations and/or pools developed on 320-acre spacing within this vertical extent [see Division Rule 104.C]

(2)], which presently includes but not necessarily limited to the Undesignated Foor Ranch-Wolfcamp Gas Pool (76750) and Undesignated Foor Ranch-Pre Permian Gas Pool (76730);

(b) Lots 1 and 2 and the E/2 NW/4 (NW/4 equivalent) to form a standard 160.12-acre shallow gas spacing unit for any and all formations and/or pools developed on 160-acre spacing within this vertical extent [see Division Rule 104.C (3)], which presently includes but not necessarily limited to the Undesignated Pecos Slope-Abo Gas Pool (82730) [Rule 4 of the "*Special Rules and Regulations for the Pecos Slope-Abo Gas Pool*," as promulgated by Division Order No. R-9976-C, dated March 19, 1996]; and

(c) the SE/4 NW/4 (Unit F) to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within this vertical extent, which presently includes but not necessarily limited to the Undesignated Foor Ranch-San Andres Pool (24650) [see Division Rule 104.B (1)];

(4) From your application, it is our understanding that:

(a) the E/2 of Section 31 is a single state lease issued by the New Mexico State Land Office (State Lease No. VA-2027) in which Yates is lessee;

(b) the W/2 equivalent (Lots 1 through 4 and the E/2 W/2) of Section 31 is a single state lease issued by the New Mexico State Land Office (State Lease No. VA-2026) in which Yates is also lessee;

(c) all of Section 31 is covered by a joint operating agreement with no depth restrictions in which Yates is the operator; and

(d) notification to all parties of the joint operating agreement were provided notice pursuant to Division Rule 1207.A (2).

(5) It is further understood that Yates is seeking this location exception based on 3-D seismic survey of the area, whereby it contends that a well drilled at this location, will be at a more favorable geologic position within the deeper Siluro-Devonian interval than a well drilled at a location considered to be standard;

(6) The subject application has been duly filed under the provisions of Division Rule 104.F (2) and Rule 5 of the special pool rules for the Pecos Slope-Abo Gas Pool, currently pending approval of Division Order No. R-9976-D to be issued in Case No. 13057; and

(7) The subject application, which serves to prevent waste and protects correlative rights and being in the best interest of conservation, should be approved.

It Is Therefore Ordered That:

(1) Yates Petroleum Corporation is hereby authorized to drill its proposed Houston "BDH" State Com. Well No. 2 at a location that is 1550 feet from the North line and 2500 feet from the West line (Unit F) of Section 31, Township 9 South, Range 27 East, NMPM, Chaves County, New Mexico, to a depth sufficient to test down to the base of Silurian system.

(2) This well is to be dedicated to the following described oil and/or gas spacing and proration units in Section 31:

- (a) Lots 1 and 2, the NE/4, and the E/2 NW/4 (N/2 equivalent) to form a standard 320.12-acre lay-down deep gas spacing unit for any and all formations and/or pools developed on 320-acre spacing within this vertical extent, which presently includes but not necessarily limited to the Undesignated Foor Ranch-Wolfcamp Gas Pool (76750) and Undesignated Foor Ranch-Pre Permian Gas Pool (76730);
- (b) Lots 1 and 2 and the E/2 NW/4 (NW/4 equivalent) to form a standard 160.12-acre shallow gas spacing unit for any and all formations and/or pools developed on 160-acre spacing within this vertical extent, which presently includes but not necessarily limited to the Undesignated Pecos Slope-Abo Gas Pool (82730); and

- (c) the SE/4 NW/4 (Unit F) to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within this vertical extent, which presently includes but not necessarily limited to the Undesignated Foor Ranch-San Andres Pool (24650).

Provided However That:

(3) Final approval of this well as an unorthodox shallow gas well location within the Pecos Slope-Abo Gas Pool shall become affective at the time Division Order No. R-9976-D is issued in Case No. 13057.

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

Sincerely,



Lori Wrotenbery
Director

LW/mes

cc: New Mexico Oil Conservation Division - Artesia
New Mexico State Land Office - Santa Fe
File: Division Case No. 13057