



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

November 5, 2001

Lori Wrotenbery
Director
Oil Conservation Division

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Attention: Clifton R. May
landdept@ypc.com

Telefax No. (505) 748-4572

Administrative Order NSL-4661

Dear Mr. May:

Reference is made to the following: (i) your application for an unorthodox gas well location dated August 7, 2001 (*pKRV0-122151536*); (ii) the New Mexico Oil Conservation Division's ("Division") initial response by letter from Mr. Michael E. Stogner, Chief Hearing Officer/Engineer in Santa Fe, New Mexico dated August 13, 2001; (iii) your telephone conversation with Mr. Stogner on Monday, August 27, 2001; (iv) your letter dated August 27, 2001 with supplemental data to support the application; (v) Mr. Stogner's second letter dated August 30, 2001 for additional information; (vi) your telefax of September 4, 2001 with the additional information that serves to complete your application; and (vii) the records of the New Mexico Oil Conservation Division ("Division").

The Division Director Finds That:

(1) Yates Petroleum Corporation ("Yates"), as operator, proposes to re-enter the plugged and abandoned Phillip Oil Company State "1-36" Well No. 1 (API No. 30-005-60755), to be redesignated the General "AWL" Well No. 1, located 2206 feet from the North line and 660 feet from the East line (Unit H) of Section 36, Township 7 South, Range 28 East, NMPM, Chaves County, New Mexico;

(2) From the application and Division records:

(a) This well was originally drilled by General American Oil Company of Texas as the GAO State Well No. 1 to a total depth of 7,060 feet to test the Montoya formation at a standard oil well location in 1980;

(b) In July, 1981 this well was completed as a gas well in the Pennsylvanian formation within a standard 320-acre stand-up gas spacing and proration unit comprising the E/2 of Section 36;

(c) At that time this location was considered to be "standard" for

this 320-acre gas unit;

(d) In 1983 Phillips Petroleum Company became the operator and in 1985 plugged and abandoned the well; and

(e) It is our understanding that Yates now intends to reenter this well to a new plug-back depth of 6,758 feet in order to test the Fusselman formation for gas.

(3) Pursuant to Yates's request, the primary objectives for this well are the Fusselman and Pennsylvanian intervals with the Wolfcamp and Abo formations as secondary targets;

(4) Yates therefore seeks an exception to the applicable well location set-back requirements governing the aforementioned intervals for its General "AWL" State Well No. 1, which is to be dedicated to the following described spacing and proration units:

(a) the E/2 to form a standard 320-acre stand-up gas spacing and proration unit for the: (i) wildcat Wolfcamp formation [see Division Rule 104.C (2)]; (ii) Undesignated Elkins-Pennsylvanian Gas Pool (96522) [see Division Rule 104.C (2)]; and (iii) Undesignated South Elkins-Fusselman Gas Pool (76370) [see the "*Special Rules and Regulations for the South Elkins-Fusselman Gas Pool*", as promulgated by Division Order No. R-6565-C, issued in Case No. 7074 on March 22, 1982, and Division Rule 104.C (2)]; and

(b) the NE/4 to form a standard 160-acre gas spacing and proration unit for the wildcat Abo formation [Division Rule 104.C (3)];

(5) All of Section 36 comprises a single state lease issued by the New Mexico State Land Office (State Lease No. V-05254) in which Yates is the leasehold operator;

(6) The subject application has been duly filed under the provisions of the special pool rules applicable to the South Elkins-Fusselman Gas Pool and Division Rule 104.F (2); and

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

The Division Director Finds That:

(1) Yates Petroleum Corporation ("Yates") is hereby authorized to re-enter the plugged

and abandoned Phillip Oil Company State "1-36" Well No. 1 (**API No. 30-005-60755**), to be redesignated the General "AWL" Well No. 1, located 2206 feet from the North line and 660 feet from the East line (Unit H) of Section 36, Township 7 South, Range 28 East, NMPM, Chaves County, New Mexico, at an unorthodox gas well location that is 2206 feet from the North line and 660 feet from the East line (Unit H) of Section 36, in order to test the Fusselman, Pennsylvanian, Wolfcamp, and Abo formations for gas production.

(2) This well is to be dedicated to the following described gas spacing and proration units in Section 36:

(a) the E/2 to form a standard 320-acre stand-up gas spacing and proration unit for the: (i) wildcat Wolfcamp formation; (ii) Undesignated Elkins-Pennsylvanian Gas Pool; and (iii) Undesignated South Elkins-Fusselman Gas Pool; and

(b) the NE/4 to form a standard 160-acre gas spacing and proration unit for the wildcat Abo formation;

(3) 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
New Mexico State Land Office - Santa Fe
William F. Carr, Legal Counsel for Yates Petroleum Corporation - Santa Fe