

**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. 13296
ORDER NO. R-12178**

**APPLICATION OF YATES PETROLEUM CORPORATION FOR A UNIT
AGREEMENT, CHAVES COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing on July 8, 2004, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 27th day of July, 2004, 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) The applicant, Yates Petroleum Corporation, seeks approval of its Stingray State Exploratory Unit Agreement for all oil and gas in all formations from the surface to base of the Siluro-Devonian formation underlying the following-described 1,913.22 acres, more or less, of State of New Mexico and fee lands situated in Chaves County, New Mexico:

TOWNSHIP 10 SOUTH, RANGE 26 EAST, NMPM
Section 12: E/2

TOWNSHIP 10 SOUTH, RANGE 27 EAST, NMPPM

Section 6: Lots 6 and 7 (W/2 SW/4), E/2 SW/4, and SE/4
(S/2 equivalent)
Section 7: Lots 1 through 4 (W/2 W/2), E/2 W/2, and E/2
(ALL)
Section 18: Lots 1 through 4 (W/2 W/2), E/2 W/2, and E/2
(ALL)

(3) The applicant presented two witnesses at the hearing with testimony as follows.

(a) The primary target is the Wolfcamp-Spear formation, with the secondary target being the Siluro-Devonian.

(b) The initial well will be drilled to a depth of 6,700 feet deep, which is sufficient to test the Siluro-Devonian.

(c) There are four state leases and one fee lease to be included in the unit.

(d) All of the working interests have joined. All royalty interests have joined due to the joinder of the lessees.

(e) The Commissioner of Public Lands has granted preliminary approval of the unit.

(4) No interested party appeared or otherwise objected to the proposed unit agreement.

(5) All of the proposed unit acreage appears prospective for recovery of oil and gas from the target formations under the concept proposed by the applicant. These acres should be unitized and should equally share in the benefits from future oil and gas recovery.

(5) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

IT IS THEREFORE ORDERED THAT:

(1) The Stingray State Exploratory Unit Agreement executed by Yates Petroleum Corporation is hereby approved for all oil and gas in all formations from the surface to base of the Siluro-Devonian formation underlying the following-described 1,913.22 acres, more or less, of State of New Mexico and fee lands situated in Chaves County, New Mexico:

TOWNSHIP 10 SOUTH, RANGE 26 EAST, NMPM

Section 12: E/2

TOWNSHIP 10 SOUTH, RANGE 27 EAST, NMPM

Section 6: Lots 6 and 7 (W/2 SW/4), E/2 SW/4, and SE/4
(S/2 equivalent)

Section 7: Lots 1 through 4 (W/2 W/2), E/2 W/2, and E/2
(ALL)

Section 18: Lots 1 through 4 (W/2 W/2), E/2 W/2, and E/2
(ALL)

(2) The plan contained in the Stingray State Exploratory Unit Agreement for the development and operation of the above-described unit area is hereby approved in principle; provided, however, notwithstanding any of the provisions contained in the unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation that is now, or may hereafter be, vested in the Division to supervise and control operations for the unit and production of oil and gas therefrom.

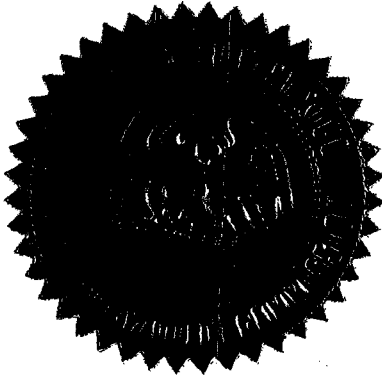
(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 days of the effective date thereof; in the event of subsequent joinder by any other party, or expansion or contraction of the unit area, the unit operator shall file with the Division, within 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico. This order shall terminate upon the termination of the unit agreement. The last unit operator shall notify the Division immediately in writing of such termination.

(6) Jurisdiction of this case 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.



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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