

**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. 15342
ORDER NO. R-14014**

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

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing on July 9, 2015 at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 15th day of July, 2015, 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 Tomorrow State Exploratory Unit Agreement for all oil and gas in all formations from the surface to the base of the Wolfcamp formation underlying the following-described 1920.76 acres, more or less, of State lands situated in Lea County, New Mexico:

Township 23 South, Range 35 East, NMPM

Section 35: All
Section 36: All

Township 24 South, Range 35 East, NMPM

Section 2: All

(3) The Applicant appeared at the hearing through legal counsel and presented testimony by affidavit as follows.

- a. Yates controls the majority of this acreage and enough for preliminary approval of the Unit by the State Land Office. All lands in the Unit are within the State Trust and administered by the State Land Office.
- b. Notice of the Division hearing was provided to the lessees of record and to all working interest owners but not to the overriding royalty owners. Notice was provided to Devon Energy Corporation ("Devon") and the New Mexico State Land Office by certified mail and to OXY Y-1 Company by email. OXY Y-1 Company replied by email and did not object to this application.
- c. The Unit Agreement will be effective upon approval by the Commissioner of Public Lands and the Division. [The State Land Office has indicated that it will ratify the agreement if at least 75 percent of the proposed unit lands are committed by lessees of record.]
- d. The initial well, the Tomorrow State Unit Well No. 1H (API No. 30-025-42678), is planned to be drilled in the E/2 of the W/2, Section 35 of Township 23 South, Range 35 East, NMPM as a pilot hole in Unit letter N to 11,900 feet, logged, then horizontally drilled in a northerly direction at approximately 8,510 feet (true vertical depth) within the Brushy Canyon member of the Delaware Mountain Group. The secondary objective will be the 3rd Bone Spring Sand.

(4) As shown on Exhibit B of the Unit Agreement, Yates Petroleum Corporation controls 93.75 percent of the lands within the Unit and has 57.52 percent of the working interest. Devon Energy Corporation ("Devon") controls the remainder of the lands within the Unit and has 6.25 percent of the working interest.

(5) All working interest owners and all lessees of record are being asked to sign the Unit Agreement; however, the final version of this voluntary Unit will only include lands on which the lessees of record have agreed to participate. Thereafter, the owners in all lands voluntarily committed to the unit will share in each well based on acreage contribution to the Unit.

(6) No other party appeared at the hearing or otherwise opposed this application.

(7) 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.

(8) 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 Tomorrow State Exploratory Unit Agreement executed by Yates Petroleum Corporation is hereby approved for all oil and gas in all formations from the surface to the base of the Wolfcamp formation underlying the following-described 1920.76 acres, more or less, of State Trust lands situated in Lea County, New Mexico:

Township 23 South, Range 35 East, NMPM

Section 35: All
Section 36: All

Township 24 South, Range 35 East, NMPM

Section 2: All

(2) The plan contained in the Tomorrow 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 New Mexico State Land Office. 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.

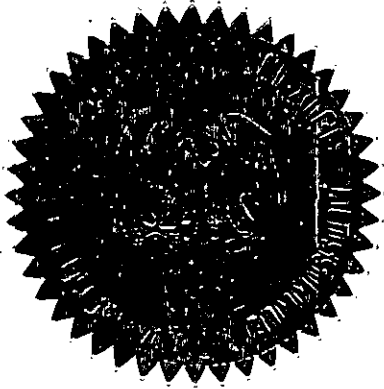
(6) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

David R. Catanach

DAVID R. CATANACH
Director



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