

**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. 15427  
ORDER NO. R-14121**

**APPLICATION OF YATES PETROLEUM CORPORATION FOR APPROVAL  
OF THE WOLVERINE FEDERAL STATE EXPLORATORY UNIT, LEA  
COUNTY, NEW MEXICO.**

**ORDER OF THE DIVISION**

**BY THE DIVISION:**

This case came on for hearing on January 21, 2016 at Santa Fe, New Mexico, before Examiner Michael A. McMillan.

NOW, on this 5<sup>th</sup> day of February, 2016, 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 ("Yates") seeks approval of its Wolverine Federal State Exploratory Unit Agreement for all oil and gas from the surface to the base of the Bone Spring formation underlying the following described 2,231.04 acres, more or less, of State Trust and Federal lands located in Lea County, New Mexico:

**Township 23 South, Range 35 East, NMPM**

Section 6:	S/2
Sections 7, 17, and 18:	All

(3) As detailed in Paragraph 3, Unitized Land and Unitized Substances of the Unit Agreement, the Unitized Interval is "All oil and gas from the surface to the stratigraphic equivalent of the base of the Bone Spring formation as identified on the

Neutron-Density log at 11,548 feet in the San Simon AWO State Com. Well No. 1 (API 30-025-33000) drilled at 660 feet from the South line and 1980 feet from the East line of Section 18, Township 23 South, Range 35 East, NMPM, Lea County, New Mexico.”

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

(5) The Applicant appeared at the hearing through legal counsel and presented testimony as follows:

(a) The proposed Unit is comprised of eight state tracts and two federal tracts.

(b) Yates is the lessee of record for three of the tracts and owns a portion of the working interests in all tracts, except one, prior to approval. Leaco New Mexico Exploration and Production, LLC (Leaco) is the lessee of Record and sole working interest owner in the NE/4 of Section 7. Leaco has agreed to contribute its acreage and become a working interest partner in the Unit.

(c) Yates has obtained preliminary approval of the Unit from the New Mexico State Land Office (“NMSLO”) and Bureau of Land Management (“BLM”).

(d) Notice of the Division hearing was provided to all overriding royalty owners.

(e) The Unit Agreement will be effective upon final approval by the NMSLO and BLM.

(f) Applicant will submit yearly plans of development to the Engineering Bureau of the Oil Conservation Division.

(g) Applicant will submit well-bore communication issues.

(h) The primary objective is the Bone Spring formation, and the secondary objective is the Delaware Mountain group.

(i) The initial well within the Unit will be the Wolverine BWT 16 State Com. Well No. 1H (API No. 30-025-43003), a horizontal well to be drilled from a surface location 75 feet from the North line and 1980 feet from the West line (Unit C) of Section 18, to a terminus 330 feet from the South line and 1980 feet from the West line (Unit N) of Section 18.

(6) All of the proposed unit acreage appears prospective for recovery of oil and gas from the target formation under the concept proposed by the Applicant.

- (7) The proposed Unit will prevent waste and protect correlative rights.
- (8) The application should be approved.

**IT IS THEREFORE ORDERED THAT:**

(1) The Wolverine Federal State Exploratory Unit Agreement executed by Yates Petroleum Corporation is hereby approved for all oil and gas from the surface to the base of the Bone Spring formation underlying the following described 2,231.04 acres, more or less, of State Trust and Federal lands located in Lea County, New Mexico:

**Township 23 South, Range 35 East, NMPM**

Section 6:	S/2
Sections 7, 17, and 18:	All

(2) As detailed in Paragraph 3, Unitized Land and Unitized Substances of the Unit Agreement, the Unitized Interval is "All oil and gas from the surface to the stratigraphic equivalent of the base of the Bone Spring formation as identified on the Neutron-Density log at 11,548 feet, in the San Simon AWO State Com. Well No. 1 (API 30-025-33000) drilled at 660 feet from the South Line and 1,980 feet from the East line of Section 18, Township 23 South, Range 35 East, NMPM, Lea County, New Mexico."

(3) The plan contained in the Wolverine Federal 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.

(4) 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.

(5) Yates Petroleum Corporation shall notify the Division's Hobbs District Office and Santa Fe Office of Engineering and Geological Services Bureau of any well-bore communication issues.

(6) 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.

(7) This order shall become effective upon the final approval of the unit agreement by the Commissioner of Public Lands and the Bureau of Land Management. 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.

(8) 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.



SEAL

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

A handwritten signature in dark ink, appearing to read "David R. Catanach". The signature is written in a cursive style.

DAVID R. CATANACH  
Director