

Yates Petroleum Corporation

Case 13057

Yates seeks

- 1 the possibility of administrative approval for unorthodox locations in the Pecos Slope Abo and the West Pecos Slope Abo pools, and
- 2 reduction of the notice period for a non-standard location from 30 days to 20 days in order to be consistent with other notice requirements

Present Situation = Order R-9976-C, promulgated March 19, 1996

1. Spacing unit contains 160 acres consisting of governmental quarter section
2. Non-standard spacing unit can be approved administratively if offset operators are notified by registered mail or certified mail and no one objects within **30 days**
3. An optional second well is allowed in each 160-acre spacing unit
4. Both first well and optional second well must be at least 660 feet from outer boundary of the quarter section
5. Each well must be at least 10 feet from inner quarter-quarter section boundary
6. **Unorthodox well location can be granted only after notice and hearing.**

First Change = Eliminate mandatory hearing for unorthodox location

1. Retain notice to offset operators by registered or certified mail
2. Allow administrative approval if no one objects within 20 days
3. Schedule a hearing if an offset operator objects or if NMOCD desires a hearing
4. Main reason for change = result will be a more efficient process that still protects the interests of offset operators – they would receive the same notice as required by present rules
5. History since 1996 = operator encroaches upon himself in 36 cases
6. Does not mean that the 160 acres doing the encroaching and the 160 acres being encroached upon have exactly the same ownership; but operator is the same and ownership is similar
7. Feel good about change in view of history since 1996

Second Change = Change 30-day notice to 20-day notice

1. 20-day notice is “standard” – no reason to be different here

BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Case No. 13057 Exhibit No. 1

Submitted by:

YATES PETROLEUM CORPORATION

Hearing Date: April 24, 2003