

**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. 14473 (Re-opened)
ORDER NO. R-13270-A**

**APPLICATION OF YATES PETROLEUM
CORPORATION TO RE-OPEN THE CASE
TO AMEND ORDER NO. R-13270
APPROVING THE HERRADURA
EXPLORATORY UNIT AGREEMENT, EDDY
COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on October 28, 2010, at Santa Fe, New Mexico, before Examiner David K. Brooks.

NOW, on this 18th day of November, 2010, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due notice has been given, and the Division has jurisdiction of the subject matter of this case.

(2) In Order No. R-13270, issued in this case on June 15, 2010, the Division approved the Application of Yates Petroleum Corporation (Yates) for Division approval of its proposed Herradura Exploratory Unit. However, Order No. R-13270 approved the unitization of the Unit Area only from the surface to the base of the Bone Spring formation.

(3) By this application, Yates seeks expansion of the approved vertical limits of the Herradura Exploratory Unit to read "from the surface to the Base of the Pre-Cambrian formation."

(4) Yates appeared at the hearing through counsel and presented testimony by affidavit to the effect that its original application had sought approval of the Unit as to all depths, and that it did not intend, by presenting evidence specific to the Bone Spring formation, to limit its request for Division approval to that formation. No party appeared to oppose Yates' application

(5) The Herradura Exploratory Unit is a voluntary unit, and approval of this Unit does not involve exercise of the Division's powers under the Statutory Unitization Act [NMSA 1978, Sections 70-7-1, *et seq.*

(6) Order No. R-13270 recites, in Finding Paragraph 3(c), that 100% of the royalty interests within the Unit Area has been committed to the Unit.

(7) Thus, although Yates presented no geologic evidence that formations below the base of the Bone Spring are appropriate for unitized development, it appears that no correlative rights will be impaired by extension of the unit to those depths.

IT IS THEREFORE ORDERED THAT:

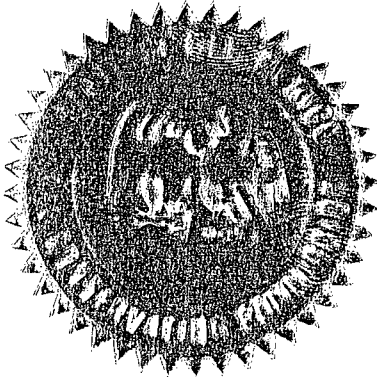
(1) The application of Yates Petroleum Corporation to expand the Herradura Exploratory Unit, as approved by the Division, to all depths, is approved.

(2) Order No. R-13270 is amended so that Ordering Paragraph (1) shall read, "from the surface to the base of the Pre-Cambrian formation."

(3) As amended hereby, Order No. R-13270 shall remain in full force and effect.

(4) 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 black ink, appearing to read "Mark E. Fesmire".

MARK E. FESMIRE, P.E.
Acting Director