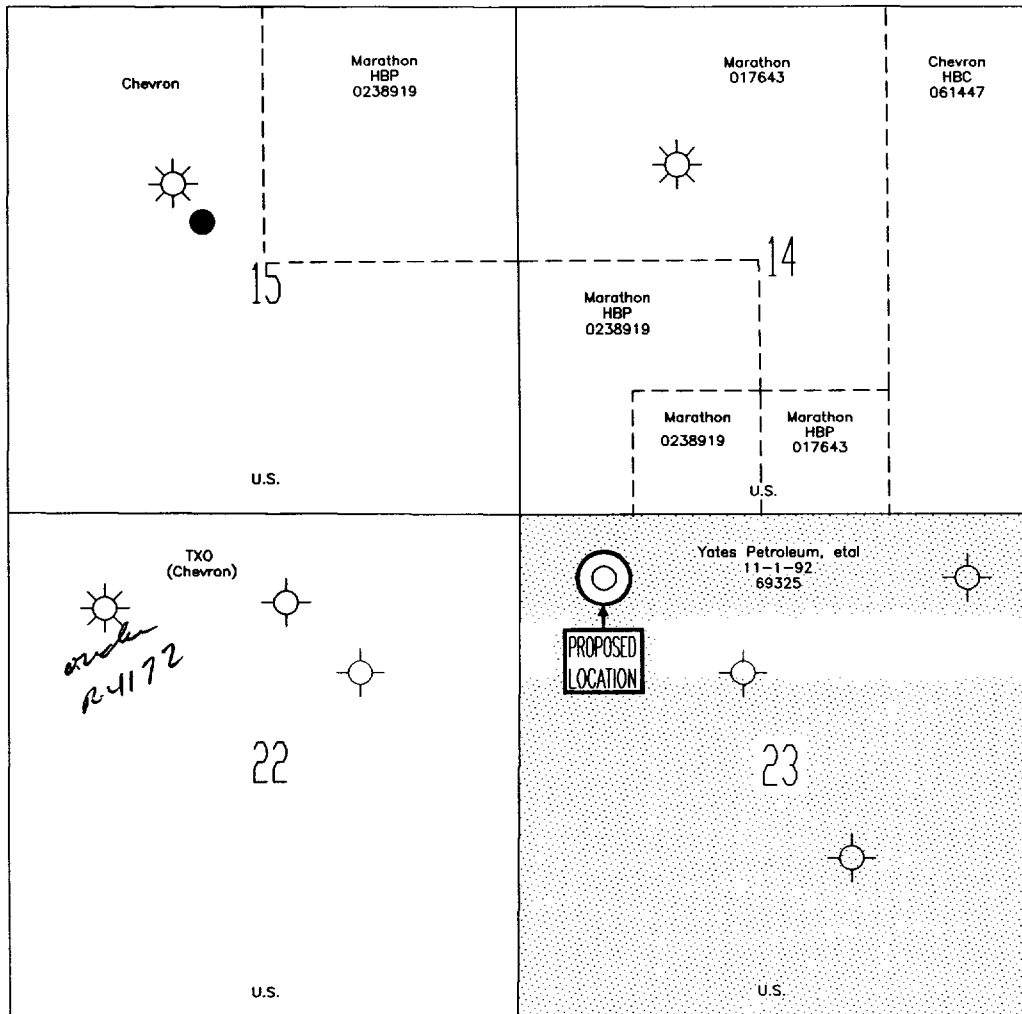


Yates Exhibits 1 through 16
Complete Set



T22S / R23E



SCALE: 1"=2000'
Map #92054G
9/8/92 If

Diane "ALQ" Federal No. 1
T22S - R23E - Sec. 23
660' FNL & 860' FWL
Eddy County, New Mexico

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

IN THE MATTER OF THE APPLICATION OF YATES PETROLEUM CORPORATION FOR AN UNORTHODOX WELL LOCATION, EDDY COUNTY, NEW MEXICO :
: **CASE NO. 10544**
:
:

AFFIDAVIT OF MAILING

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

PATTI WIER, being first duly sworn, upon oath, states that the notice provisions of Rule 1207 of the New Mexico Oil Conservation Division have been complied with, that Applicant has caused to be conducted a good-faith diligent effort to find the correct addresses of all interested persons entitled to receive notice, and that pursuant to Rule 1207, notice has been given at the correct addresses as provided by such rule.

In support hereof, affiant states that true copies of the Application of Yates Petroleum Corporation for an Unorthodox Well Location, Eddy County, New Mexico, were mailed in accordance with Rule 1207, in securely sealed, certified mail, return receipt requested, postage prepaid envelopes, addressed to the following named parties:

Marathon Oil Company
P. O. Box 552
Midland, Texas 79702

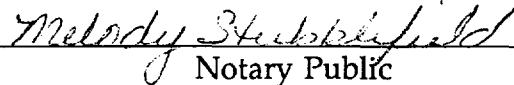
Chevron U.S.A. Inc.
P. O. Box 1150
Midland, Texas 79702

on the 31st day of July, 1992, as reflected by the copies of the letters transmitting such copies of the application and the return receipts executed on behalf of the addressees, attached hereto.



Patti Wier

SUBSCRIBED AND SWORN TO before me this 31st day of July, 1992,
by **PATTI WIER.**



Notary Public

My commission expires:

3-9-96

FISK & VANDIVER

ATTORNEYS AT LAW

SEVENTH & MAHONE / SUITE E
ARTESIA, NEW MEXICO 88210

(505) 746-9841

JOHN FISK
DAVID R. VANDIVER
HARRY T. NUTTER

July 30, 1992

FAX
(505) 746-4208

CERTIFIED MAIL

RETURN RECEIPT REQUESTED

Marathon Oil Company
P. O. Box 552
Midland, Texas 79702

Re: *Diane "ALQ" Federal No. 1 Well*
Township 22 South, Range 23 East, NMPM
Section 23: N/2
Eddy County, New Mexico

Gentlemen:

Enclosed, please find a copy of the Application of Yates Petroleum Corporation for an Unorthodox Well Location, Eddy County, New Mexico.


Hearing is scheduled before the New Mexico Oil Conservation Division in Santa Fe, New Mexico, on September 3, 1992.

The Oil Conservation Division requires that anyone planning to appear at this hearing must file a prehearing statement, and anyone wishing to receive other parties' prehearing statements or pleadings must file an entry of appearance.

Please contact the undersigned if you have any questions regarding this application.

Very truly yours,

FISK & VANDIVER


David R. Vandiver

DRV:pvw
Enclosures

cc w/enclosure: Mr. Rob Bullock
Mr. Brent May

FISK & VANDIVER

ATTORNEYS AT LAW

SEVENTH & MAHONE / SUITE E
ARTESIA, NEW MEXICO 88210

(505) 746-9841

JOHN FISK
DAVID R. VANDIVER
HARRY T. NUTTER

FAX
(505) 746-4208

July 30, 1992

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Chevron U.S.A. Inc.
P. O. Box 1150
Midland, Texas 79702

Re: *Diane "ALQ" Federal No. 1 Well*
Township 22 South, Range 23 East, NMPM
Section 23: N/2
Eddy County, New Mexico

Gentlemen:

Enclosed, please find a copy of the Application of Yates Petroleum Corporation for an Unorthodox Well Location, Eddy County, New Mexico.


Hearing is scheduled before the New Mexico Oil Conservation Division in Santa Fe, New Mexico, on September 3, 1992.

The Oil Conservation Division requires that anyone planning to appear at this hearing must file a prehearing statement, and anyone wishing to receive other parties' prehearing statements or pleadings must file an entry of appearance.

Please contact the undersigned if you have any questions regarding this application.

Very truly yours,

FISK & VANDIVER



David R. Vandiver

DRV:pvw
Enclosures

cc w/enclosure: Mr. Rob Bullock
Mr. Brent May

P 132 555 136

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL
(See Reverse)

PS Form 3800, June 1985

Sent to Marathon Oil Company	
Street and No. P. O. Box 552	
P.O., State and ZIP Code Midland, Texas 79702	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$
Postmark or Date	

P 132 555 135

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL
(See Reverse)

PS Form 3800, June 1985

Sent to Chevron U.S.A. Inc.	
Street and No. P. O. Box 1150	
P.O., State and ZIP Code Midland, Texas 79702	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$
Postmark or Date	

● **SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to: Chevron U.S.A. Inc. P. O. Box 1150 Midland, Texas 79702	4. Article Number P 132 555 135 Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise Always obtain signature of addressee or agent and DATE DELIVERED.
5. Signature — Address X 6. Signature — Agent X <i>[Signature]</i> 7. Date of Delivery AUG - 3 1992	8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

● **SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to: Marathon Oil Company P. O. Box 552 Midland, Texas 79702	4. Article Number P 132 555 136 Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise Always obtain signature of addressee or agent and DATE DELIVERED.
5. Signature — Address X 6. Signature — Agent X <i>[Signature]</i> 7. Date of Delivery AUG - 3 1992	8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT


**IN THE MATTER OF THE APPLICATION :
OF YATES PETROLEUM COR- :
PORATION FOR AN UNORTHODOX : CASE NO. 10544
WELL LOCATION, EDDY COUNTY, :
NEW MEXICO :**

STATE OF NEW MEXICO)
) ss.
COUNTY OF EDDY)

In support hereof, affiant states that true copies of the Amended Application of Yates Petroleum Corporation for an Unorthodox Well Location, Eddy County, New Mexico, were mailed in accordance with Rule 1207, in securely sealed, certified mail, return receipt requested, postage prepaid envelopes, addressed to the following named parties:

Chevron U.S.A. Inc.
P. O. Box 1150
Midland, Texas 79702

on the 21st day of August, 1992, as reflected by the copies of the letters transmitting such copies of the amended application and the return receipts executed on behalf of the addressees, attached hereto.



Patti Wier

SUBSCRIBED AND SWORN TO before me this 21st day of August, 1992, by **PATTI WIER**.



Notary Public

My commission expires:

3-9-96

FISK & VANDIVER

ATTORNEYS AT LAW

SEVENTH & MAHONE / SUITE E
ARTESIA, NEW MEXICO 88210

(505) 746-9841

JOHN FISK
DAVID R. VANDIVER
HARRY T. NUTTER

August 21, 1992

FAX
(505) 746-4208

CERTIFIED MAIL

RETURN RECEIPT REQUESTED

Marathon Oil Company
P. O. Box 552
Midland, Texas 79702

Re: NMOCD Case No. 10544
Diane "ALQ" Federal No. 1 Well
Township 22 South, Range 23 East, NMPM
Section 23: All
Eddy County, New Mexico

Gentlemen:

Enclosed, please find a copy of the Amended Application of Yates Petroleum Corporation for an Unorthodox Well Location, Eddy County, New Mexico.

Hearing on this matter before the New Mexico Oil Conservation Division in Santa Fe, New Mexico, has been continued until September 17, 1992.

The Oil Conservation Division requires that anyone planning to appear at this hearing must file a prehearing statement, and anyone wishing to receive other parties' prehearing statements or pleadings must file an entry of appearance.

Please contact the undersigned if you have any questions regarding this application.

Very truly yours,

FISK & VANDIVER



David R. Vandiver

DRV:pvw
Enclosures

cc w/enclosure: Mr. Rob Bullock
Mr. Brent May

FISK & VANDIVER

ATTORNEYS AT LAW

SEVENTH & MAHONE / SUITE E
ARTESIA, NEW MEXICO 88210

(505) 746-9841

JOHN FISK
DAVID R. VANDIVER
HARRY T. NUTTER

FAX
(505) 746-4208

August 21, 1992

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Chevron U.S.A. Inc.
P. O. Box 1150
Midland, Texas 79702

Re: *NMOCD Case No. 10544*
Diane "ALQ" Federal No. 1 Well
Township 22 South, Range 23 East, NMPM
Section 23: All
Eddy County, New Mexico

Gentlemen:

Enclosed, please find a copy of the Amended Application of Yates Petroleum Corporation for an Unorthodox Well Location, Eddy County, New Mexico.


Hearing on this matter before the New Mexico Oil Conservation Division in Santa Fe, New Mexico, has been continued until September 17, 1992.

The Oil Conservation Division requires that anyone planning to appear at this hearing must file a prehearing statement, and anyone wishing to receive other parties' prehearing statements or pleadings must file an entry of appearance.

Please contact the undersigned if you have any questions regarding this application.

Very truly yours,

FISK & VANDIVER



David R. Vandiver

DRV:pvw
Enclosures

cc w/enclosure: Mr. Rob Bullock
Mr. Brent May

P 132 555 327

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL

(See Reverse)

Sent to Marathon Oil Company	
Street and No. P. O. Box 552	
P.O., State and ZIP Code Midland, Texas 79702	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$
Postmark or Date	

PS Form 3800, June 1985

P 132 555 329

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL

(See Reverse)

Sent to Chevron U.S.A. Inc.	
Street and No. P. O. Box 1150	
P.O., State and ZIP Code Midland, Texas 79702	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$
Postmark or Date	

PS Form 3800, June 1985

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3 and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- ☐ Addressee's Address
- ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Marathon Oil Company
P. O. Box 552
Midland, Texas 79702

4a. Article Number
P 132 555 327

4b. Service Type

<input type="checkbox"/> Registered	<input type="checkbox"/> Insured
<input checked="" type="checkbox"/> Certified	<input type="checkbox"/> COD
<input type="checkbox"/> Express Mail	<input type="checkbox"/> Return Receipt for Merchandise

7. Date of Delivery
AUG 24 1992

5. Signature (Addressee)

6. Signature (Agent)
Albert Brown

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991 ☆ U.S.G.P.O. : 1992-307-530 **DOMESTIC RETURN RECEIPT**

Thank you for using Return Receipt Service

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3 and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- ☐ Addressee's Address
- ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Chevron U.S.A. Inc.
P. O. Box 1150
Midland, Texas 79702

4a. Article Number
P 132 555 329

4b. Service Type

<input type="checkbox"/> Registered	<input type="checkbox"/> Insured
<input checked="" type="checkbox"/> Certified	<input type="checkbox"/> COD
<input type="checkbox"/> Express Mail	<input type="checkbox"/> Return Receipt for Merchandise

7. Date of Delivery
AUG 24 1992

5. Signature (Addressee)
Don Warr

6. Signature (Agent)

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991 ☆ U.S.G.P.O. : 1992-307-530 **DOMESTIC RETURN RECEIPT**

Thank you for using Return Receipt Service

**BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO**

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:**

CASE NO. 4562

Order No. R-4172

**APPLICATION OF TEXAS OIL AND
GAS CORPORATION, FOR AN UN-
ORTHODOX GAS WELL LOCATION,
EDDY COUNTY, NEW MEXICO.**

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on June 30, 1971, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 19th day of July, 1971, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Texas Oil and Gas Corporation, seeks an exception to the Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Gas Pool to drill a well at an unorthodox location 990 feet from the North line and 990 feet from the West line of Section 22, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico.
- (3) That a standard location for the subject well would require the well to be located no nearer than 1650 feet to the outer boundary of the section and no nearer than 330 feet to any governmental quarter-quarter section line.

YATES PETROLEUM CORPORATION

Case No. 10544

09/17/92 Examiner Hearing

Exhibit No. 4

(4) That the evidence indicates that approximately 290 acres in the Southern and Eastern parts of said Section 22 is not productive of gas from the Upper Pennsylvanian formation.

(5) That the evidence indicates that approximately 350 acres in the northern and western parts of said Section 22 is probably productive of gas from the Upper Pennsylvanian formation.

(6) That there is evidence that a well at the proposed unorthodox location in said Section 22 would penetrate a thicker pay section and encounter it structurally higher than a well at an orthodox location.

(7) That the evidence indicates that a well at the proposed unorthodox location in said Section 22 should recover more gas than a well at an orthodox location.

(8) That to offset the advantage to be gained over some offset operators by the drilling of a well at the proposed non-standard location, the allowable for said well should be reduced.

(9) That approval of the proposed unorthodox location will afford the applicant the opportunity to produce his just and equitable share of the gas in the Indian Basin-Upper Pennsylvanian Gas Pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and otherwise prevent waste, provided the subject well receives no more than 55 percent of a standard allowable for the pool.

IT IS THEREFORE ORDERED:

(1) That the applicant, Texas Oil and Gas Corporation, is hereby authorized to drill a gas well at an unorthodox gas well location in the Indian Basin-Upper Pennsylvanian Gas Pool 990 feet from the North line and 990 feet from the East line of Section 22, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico;

PROVIDED HOWEVER, that as acreage factor for proration purposes of 0.55 shall be assigned to said well.

-3-

CASE NO. 4562
Order No. R-4172

(2) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

BRUCE KING, Chairman

ALEX J. ARMIJO, Member

A. L. PORTER, Jr., Member & Secretary

S E A L

dr/

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. 10316
Order No. R-9526

APPLICATION OF SENDERO PETROLEUM
INC. FOR AN UNORTHODOX GAS WELL
LOCATION, EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on May 30, 1991, at Santa Fe, New Mexico, before Examiner Jim Morrow.

NOW, on this 11th day of June, 1991, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Sendero Petroleum Inc., (Sendero), seeks approval of an unorthodox gas well location in the Undesignated Indian Basin-Upper Pennsylvanian Gas Pool for its Lookout Point Federal Well No. 1 to be drilled 660 feet from the North and West lines (Unit D) of Section 24, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico. All of Section 24 would be dedicated to the well to form a standard 640-acre gas spacing and proration unit for said pool.

(3) Pool rules for the Indian Basin-Upper Pennsylvanian Gas Pool provide for 640-acre spacing and proration units and for well locations no closer than 1650 feet to the outer boundaries of the proration unit and no closer than 330 feet to any governmental quarter-quarter section.

(4) Applicant's witness submitted evidence and exhibits to show that the proposed unorthodox location is justified for geologic reasons as well as the presence of surface obstructions at an orthodox location.

A structure map, an isopach map, and a cross-section were submitted to show that the proposed location is in a better structural location than an orthodox location. Applicant's witness also testified that a highway and "Lookout Point" prevent the drilling of a well at an orthodox location.

(5) A representative of Chevron U.S.A., Inc. and Marathon Oil company appeared at the hearing and requested that a production or allowable penalty of 30% be applied against the allowable of the proposed well. This could be accomplished by assigning an acreage factor of 0.70 to the well. Sendero's witness testified that Sendero would agree to the assignment of an acreage factor of 0.70. No other offset operator or interested party objected to the proposed unorthodox location.

(6) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the hydrocarbons in the affected pool and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) An unorthodox gas well location in the Undesignated Indian Basin-Upper Pennsylvanian Gas Pool is hereby approved for the Sendero Petroleum Inc. Lookout Point Federal Well No. 1 to be drilled 660 feet from the North and West lines (Unit D) of Section 24, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico.

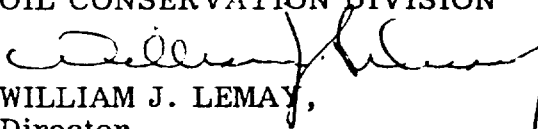
(2) All of said Section 24 shall be dedicated to the well to form a standard 640-acre gas spacing and proration unit for said Pool.

(3) For gas allowable purposes, the well shall be assigned an acreage factor of 0.70 in the Indian Basin-Upper Pennsylvanian Gas Pool.

(4) Jurisdiction of this cause 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


WILLIAM J. LEMAY,
Director

dr/

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. 10412
Order No. R-9487-B

APPLICATION OF MW PETROLEUM
CORPORATION/APACHE CORPORATION
TO AMEND DIVISION ORDER NO.
R-9487-A, EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on December 5, 1991, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 6th day of February, 1992, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) By Order No. R-9487 issued in Case No. 10272 on May 8, 1991, the Division authorized Amoco Production Company (Amoco) to recomplete and directionally drill its Smith Federal Gas Com Well No. 1 located 1613 feet from the North line and 2336 feet from the West line (Unit F) of Section 12, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico, to an unorthodox bottomhole location within a target area described as a rectangle 1800 to 2000 feet from the North line and 330 to 430 feet from the West line (Unit E) of said Section 12 to test the Indian Basin-Upper Pennsylvanian Gas Pool.

(3) Due to the unorthodox bottomhole location of the aforesaid well, Amoco voluntarily requested and was given a production limitation of 49% of a standard gas allowable (51% production penalty).

(4) By Order No. R-9487-A issued in Case No. 10371 on September 6, 1991, the Division authorized Amoco, in lieu of directionally drilling the aforesaid Smith Federal Gas Com Well No. 1, to drill its Smith Federal Gas Com Well No. 2 at an unorthodox gas well location 2049 feet from the North line and 480 feet from the West line (Unit E) of said Section 12.

(5) At the time of the hearing in Case No. 10371, Amoco did not request an amendment to the previously assigned production limitation factor of 49%, and as such, said factor was imposed on the new well.

(6) The applicant, MW Petroleum Corporation/Apache Corporation, the successor operator to Amoco, seeks to amend the production limitation factor imposed on the Smith Federal Gas Com Well No. 2 by said Order No. R-9487-A.

(7) Musselman, Owen & King, Inc. (MOK), the offset operator to the north of the aforesaid Smith Federal Gas Com Well No. 2, appeared at the hearing in opposition to the application.

(8) According to Division records and evidence and testimony presented in this case, the original production limitation factor imposed on the Smith Federal Gas Com Well No. 1 was agreed to by Amoco Production Company and Musselman, Owen & King, Inc, prior to the original hearing in Case No. 10272.

(9) Division records further indicate that the production limitation factor was derived by averaging the following three factors:

a) The ratio of productive acres vs. total acres in Section 12 (352 acres/640 acres) or 0.55:

b) The percentage difference in acreage lying outside the 640-acre unit for a 352-acre circle with its center at the proposed location and the same size circle with its center at the nearest standard location or $150/352 - 48/352 = .426 - .136 = .29$ (1 - .29 = .71).

c) The percentage distance from the lease line for the proposed unorthodox location compared to a standard location or $330 \text{ feet}/1650 \text{ feet} = .20$.

(8) According to evidence presented, Amoco attempted to re-enter and directionally drill its Smith Federal Gas Com Well No. 1, but subsequently abandoned said operations due to the poor mechanical condition of said wellbore.

(9) Subsequently, the applicant took over operations from Amoco and drilled the aforesaid Smith Federal Gas Com Well No. 2 which encountered commercial gas production from the Indian Basin-Upper Pennsylvanian Gas Pool.

(10) The applicant proposes to increase the production limitation factor for said well to 77.5% (22.5% production penalty) based upon additional geologic evidence obtained and based upon the proposal to eliminate the lease line encroachment factor (c) inasmuch as the subject well does not encroach upon acreage held by MOK.

(11) The applicant presented geologic and engineering evidence and testimony which indicates that there are approximately 500 acres underlying Section 12 which should be considered gas productive.

(12) MOK testified that a higher rate of gas withdrawal from the subject well as proposed by the applicant will have the adverse effect of accelerating water encroachment toward its Smith Federal Well No. 2 located 1650 feet from the South line and 330 feet from the West line (Unit L) of Section 1, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico, thereby effectively reducing its ultimate gas recovery prior to "watering out".

(13) MOK did not present any geologic evidence concerning the amount of productive acreage underlying Section 12 and presented no evidence to support its contention that the rate of gas withdrawal from the subject well would have an adverse effect on its Smith Federal Well No. 2.

(14) According to applicant's evidence, the subject well is capable of producing approximately 2.9-3.5 MMCF of gas per day.

(15) Due to relatively high gas allowables within the Indian Basin-Upper Pennsylvanian Gas Pool during 1990 and 1991, the applicant's proposed production limitation factor will not have the effect of limiting the subject well's production.

(16) It is fair and reasonable that the applicant should be required to abide by the method by which the original production limitation factor was derived, provided however, the factors should be adjusted based upon the additional evidence presented, and a new production limitation factor derived based upon the adjusted factors.

(17) Based upon the adjusted factors, the subject well should be assigned a production limitation factor of 61% of a standard gas allowable (39% production penalty) within the Indian Basin-Upper Pennsylvanian Gas Pool.

(18) Assignment of the production limitation factor as described above will afford the applicant the opportunity to produce its just and equitable share of the gas underlying Section 12, will prevent waste and will not violate correlative rights.

IT IS THEREFORE ORDERED THAT:


(1) The application of MW Petroleum Corporation/Apache Corporation to amend Division Order No. R-9487-A is hereby approved.

(2) The applicant's Smith Federal Gas Com Well No. 2, located at a previously approved unorthodox gas well location 2049 feet from the North line and 480 feet from the West line (Unit E) of Section 12, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico, is hereby assigned, for gas allowable purposes, an acreage factor of 0.61 in the Indian Basin-Upper Pennsylvanian Gas Pool.

(3) Jurisdiction is hereby 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


WILLIAM J. LEMAY
Director

S E A L