

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. 10222
ORDER NO. R-5353-L-1*

**APPLICATION OF YATE'S PETROLEUM
CORPORATION TO AMEND THE SPECIAL
RULES AND REGULATIONS FOR THE SOUTH
DAGGER DRAW-UPPER PENNSYLVANIAN
ASSOCIATED POOL, EDDY COUNTY, NEW MEXICO**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on February 7, 1991, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 25th day of March, 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) At the time of the hearing, this case was consolidated with Division Case No. 10221 for purposes of testimony.
- (3) The General Rules and Regulations for the Associated Oil and Gas Pools of Northwest and Southeast New Mexico as promulgated by Division Order No. R-5353, dated January 17, 1977, also enacted temporary special rules and regulations for the South Dagger Draw-Upper Pennsylvanian Associated Pool, Eddy County, New Mexico, establishing 320-acre spacing, designated well locations, set the limiting gas-oil ratio at 8,000 cubic feet of gas for each barrel of oil produced and adopted a special depth bracket allowable for an oil well of 267 barrels of oil.

(4) Division Order No. R-5353-A, dated March 15, 1977 made permanent the above-described temporary pool rules.

(5) By Division Order No. R-5353-L, dated October 26, 1990, it was established that both the North Dagger Draw-Upper Pennsylvanian Pool and said South Dagger Draw-Upper Pennsylvanian Associated Pool were, "in geological and pressure communication and are in fact both part of the same pool." Therefore the Special Rules and Regulations for the South Dagger Draw-Upper Pennsylvanian Associated Pool were temporarily changed to parallel the special rules for the adjacent North Dagger Draw-Upper Pennsylvanian Pool (Division Order No. R-4691, as amended) to the north. Said Order No. R-5353-L left the spacing unchanged at 320 acres, but modified the designated well locations, changed the limiting gas-oil ratio to 10,000 cubic feet of gas for each barrel of oil produced, and increased the special depth bracket allowable from 267 barrels of oil per day to 700 barrels of oil per day.

(6) The South Dagger Draw-Upper Pennsylvanian Associated Pool presently comprises the S/2 of Section 11 and all of Sections 14, 15, 22, 23, 26 and 35, Township 20 South, Range 24 East, NMPM, Eddy County, New Mexico.

(7) At this time the applicant, Yates Petroleum Corporation, seeks to amend the Special Rules and Regulations for the South Dagger Draw-Upper Pennsylvanian Associated Pool changing the special depth bracket allowable for a standard 320-acre oil spacing and proration unit in said pool from 700 barrels of oil per day to 1400 barrels of oil per day.

(8) The timing of this matter is in conjunction to Division Case No. 10221 which is the application of Conoco, Inc. to amend the Special Rules and Regulations for the North Dagger Draw-Upper Pennsylvanian Pool, as promulgated by Division Order No. R-4691, as amended, changing the special depth bracket allowable for a standard 160-acre oil spacing and proration unit in said pool from 350 barrels of oil per day to 700 barrels of oil per day.

(9) In said companion Case No. 10221 it was found that additional drilling, recompletion work and equipment installations should result in the development of additional reserves and would increase oil and gas production if the proposed amendment as described above was adopted.

(10) Said amendment to the North Dagger Draw-Upper Pennsylvanian Pool was approved by Division Order No. R-4691-D, dated March 21, 1991.

(11) To continue the consistent development of both pools by similar operating rules, the proposed amendment to the Special Rules for the South Dagger Draw-Upper Pennsylvanian Associated Pool should be approved.

IT IS THEREFORE ORDERED THAT:

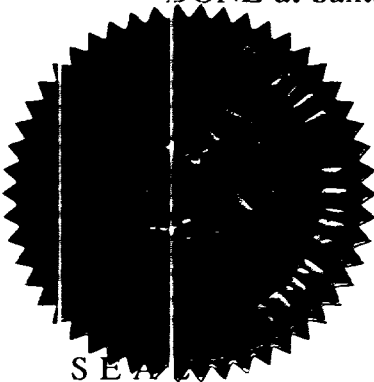
(1) Effective April 1, 1991, Rule 22 of the temporary special pool rules for the South Dagger Draw-Upper Pennsylvanian Associated Pool, as promulgated by Division Order No. R-5353-L, dated October 26, 1990, is hereby amended to read in its entirety as follows:

"Rule 22. The special depth bracket allowable for a 320-acre proration unit shall be 1400 barrels of oil per day. All or any part of the allowable may be produced by a single well or by two or more wells on the unit. However, total oil allowable assigned to a 320-acre unit shall not exceed 1400 barrels per day."

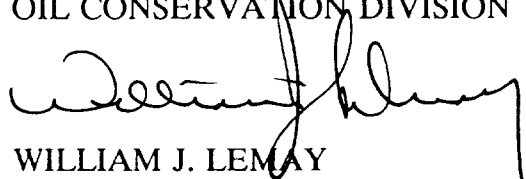
(2) All other provisions of said Order No. R-5353-L shall remain in full force and effect.

(3) 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