

**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. 13968
ORDER NO. R-12823**

**APPLICATION OF YATES PETROLEUM
CORPORATION FOR NON-STANDARD
SPACING AND PRORATION UNITS,
CHAVES COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on August 23, 2007, at Santa Fe, New Mexico, before Examiner David K. Brooks.

NOW, on this 24th day of October, 2007, 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 this application, Yates Petroleum Corporation ("Yates" or "Applicant") seeks approval of a non-standard gas spacing unit and a non-standard oil spacing and proration unit, consisting, respectively, of the following lands in Chaves County, New Mexico:

FIRST UNIT:

TOWNSHIP 9 1/2 SOUTH, RANGE 24 EAST, NMPM
Section 36: Lots 3 and 4

TOWNSHIP 10 SOUTH, RANGE 24 EAST, NMPM

Section 1: Lots 3 and 4 and S/2 NW/4 (NW/4 equivalent)

to form a 184.63-acre gas spacing unit for all pools or formations spaced on 160 acres, including but not limited to the Pecos Slope-Abo Gas Pool (82730) and the Lost Lake-Wolfcamp Gas Pool (97281)

SECOND UNIT:

TOWNSHIP 9 1/2 SOUTH, RANGE 24 EAST, NMPM

Section 36: Lot 3

TOWNSHIP 10 SOUTH, RANGE 24 EAST, NMPM

Section 1: Lot 3

to form a 52.06-acre oil spacing and proration unit for all pools or formations spaced on 40 acres.

(3) The proposed units will be dedicated to Applicant's Erma Com Well No. 3 (API No. 30-005-63771), located 660 feet from the North line and 1980 feet from the West line of Section 1.

(4) At the hearing, Applicant presented land and engineering testimony as follows:

(a) Township 9 1/2 South is an irregular township sandwiched in between Township 9 South and Township 10 South. Section 36 of Township 9 1/2 South, Range 24 East is a small sliver of land (elongated east-west) consisting of approximately 45 acres, bounded on the north by Section 36, Township 9 South, Range 34 East, and on the south by Section 1, Township 10 South, Range 34 East.

(b) The Division, by Order No. R-12087, issued in Case No. 13154 on January 16, 2004, approved creation of two non-standard units joining Lots 1 and 2 of Section 36, Township 9 1/2 South, Range 24 East with the NE/4 equivalent of Section 1, Township 10 South, Range 24 East, to form a non-standard 181.31-acre gas spacing unit for all pools and formations spaced on 160 acres, and joining Lot 1 of Section 36 with Lot 1 (NE/4 NE/4 equivalent) of Section 1 to form a non-standard 50.19-acre oil spacing and proration unit for all pools spaced on 40 acres.

(c) The principal objective formations in this area are the Abo and the Wolfcamp. The productive strata in these formations have been correlated in existing wells to the north and south of Section 36-9 1/2S-24E, and appear to trend north to south across that section.

(d) Drainage calculations based on wells completed in these formations in the immediate vicinity indicate that the proposed Erma Well No. 3 will drain an area of at least 160 acres, which will include a substantial part of Lots 3 and 4 of Section 36-9 1/2S-24E. A well located on that section would not drain a significantly larger portion of the reserves underlying that tract.

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

(6) Division records establish that there are existing wells completed in the Abo and Wolfcamp formations in Section 36, Township 9 South, Range 24 East, lying immediately to the north of Section 36-9 1/2S-36E, and that the SE/4 and SW/4, respectively, of Section 36-9S-24E, are dedicated to those wells. Accordingly, if Lots 3 and 4 of Section 36-91/2S-24E are not included in units with Section 1 to the South, these tracts will be stranded, such that they cannot be included in any unit that could be formed under the rules governing these formations.

(7) Granting Applicant's request for two non-standard units comprising tracts in Section 36-9 1/2S-24E with adjacent portions of Section 1 will prevent waste and protect the correlative rights of the owners of those tracts.

IT IS THEREFORE ORDERED THAT:

(1) The Division hereby establishes two non-standard spacing units in Chaves County, New Mexico, as follows:

FIRST UNIT:

TOWNSHIP 9 1/2 SOUTH, RANGE 24 EAST, NMPM
Section 36: Lots 3 and 4

TOWNSHIP 10 SOUTH, RANGE 24 EAST, NMPM
Section 1: Lots 3 and 4 and S/2 NW/4 (NW/4 equivalent)

to form a 184.63-acre gas spacing unit for all pools or formations spaced on 160 acres, including but not limited to the Pecos Slope-Abo Gas Pool (82730) and the Lost Lake-Wolfcamp Gas Pool (97281)

SECOND UNIT:

TOWNSHIP 9 1/2 SOUTH, RANGE 24 EAST, NMPM
Section 36: Lot 3

TOWNSHIP 10 SOUTH, RANGE 24 EAST, NMPM

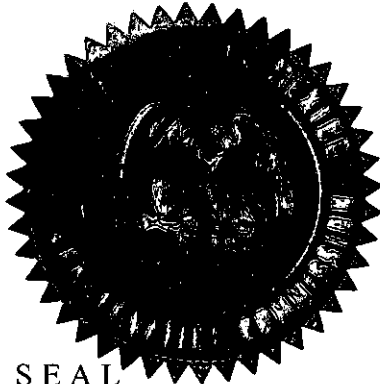
Section 1: Lot 3

to form a 52.06-acre oil spacing and proration unit for all pools or formations spaced on 40 acres.

(2) The units will be dedicated to Applicant's Erma Com Well No. 3 (API No. 30-005-63771), located 660 feet from the North line and 1980 feet from the West line of Section 1.

(3) 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.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read "Mark E. Fesmire".

MARK E. FESMIRE, P.E.
Director