

quarter section that does not contain the initial well on the spacing unit;

- (c) well location requirements such that wells shall be located no closer than 660 feet to the outer boundary of the quarter section on which the well is located nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary; and
- (d) a special depth bracket allowable of 694 barrels of oil per day.

(4) Yates recently drilled its George "QJ" Federal Well No. 10 (API No. 30-005-63368) at a location 660 feet from the South line and 1500 feet from the West line (Unit N) of Section 26, Township 6 South, Range 25 East, NMPM, to a total depth of 5,329 feet. This well has been completed in the Cisco formation through perforations from 4,996 feet to 5,012 feet.

(5) The predominant producing pool in this area of Chaves County is the Pecos Slope-Abo Gas Pool. Yates testified however, that it is currently implementing an exploration drilling program in this area that targets formations deeper than the Abo formation, namely the Wolfcamp and Pennsylvanian intervals.

(6) Yates testified that the George "QJ" Federal No. 10 has discovered a new oil pool in the Cisco formation and presented geologic and engineering evidence to support its position.

(7) Yates presented geologic evidence that demonstrates:

- (a) the geology below the Abo formation in this area is not well defined. It appears that the Wolfcamp, Strawn and Cisco intervals are the only ones present in the George "QJ" Federal No. 10 below the Abo formation;
- (b) Yates has only tested the Cisco interval from 4,996 feet to 5,012 feet within the George "QJ" Federal No. 10; however, there is potential for additional production in this well from the Abo and Wolfcamp intervals. In addition, there is a Cisco interval