

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. 12923
ORDER NO. R-11839

APPLICATION OF YATES PETROLEUM CORPORATION FOR APPROVAL OF
A UNIT AGREEMENT AND AN UNORTHODOX GAS WELL LOCATION, LEA
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing on September 19, 2002 at Santa Fe, New Mexico,
before Examiner Michael E. Stogner.

NOW, on this 27th day of September, 2002, the Division Director, having considered
the record and the recommendations of the Examiner,

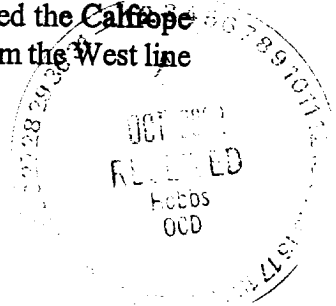
FINDS THAT:

- (1) Due public notice has been given, and the Division has jurisdiction of this
case and its subject matter.
- (2) The applicant, Yates Petroleum Corporation ("Yates"), seeks approval of its
Calfrope State Exploratory Unit Agreement for all oil and gas in all formations underlying
the following-described 1,560.00 acres, more or less, of state lands in Lea County, New
Mexico:

TOWNSHIP 15 SOUTH, RANGE 34 EAST, NMPM

Section 28: NW/4 NW/4, S/2 NW/4, and SW/4
Section 29: All
Section 32: All.

- (3) The applicant further seeks approval of an unorthodox gas well location for
the initial well within the Unit Area for the plugged and abandoned Chevron U.S.A. Inc.
Chevron "28" State Well No. 1 (API No. 30-025-30728), to be redesignated the Calfrope
State Unit Well No. 1, located 2068 feet from the South line and 610 feet from the West line



(Unit L) of Section 28, Township 15 South, Range 34 East, NMPM, Chaves County, New Mexico.

- (4) The testimony presented and Division records demonstrate that:
 - (a) this well was originally drilled by Chevron U.S.A. Inc. in 1989 to a total depth of 11,650 feet to test the Strawn formation at a standard oil well location within a standard 40-acre oil spacing and proration unit comprising the NW/4 SW/4 of Section 28;
 - (b) in January, 1990 the well tested dry and was plugged and abandoned; and
 - (c) Yates now intends to reenter this well and deepen it to a depth of 14,000 feet in order to test the Mississippian formation for gas.
- (5) Pursuant to Yates's request, the primary objective for this well is the Undesignated North Eidson-Morrow Gas Pool (76360), with the wildcat Wolfcamp, Cisco/Canyon, and Mississippian formations as secondary targets.
- (6) The W/2 of Section 28, being a standard 320-acre stand-up gas spacing unit for all four intervals [see Division Rule 104.C (2)], is to be dedicated to this well.
- (7) No interested party appeared or otherwise objected to the proposed unit agreement. Furthermore, no offset operator and/or interest owner appeared at the hearing in opposition to the proposed unorthodox gas well location.
- (8) The operator should submit to the Division Director for approval all subsequent: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area.
- (9) The approval of the proposed unit agreement will prevent waste and protect correlative rights within the lands assigned to the unit area.
- (10) Approval of the proposed unorthodox gas well location for the unit's initial well provides an economical means to test the Morrow and deeper Mississippian formation for commercial gas production, 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.

IT IS THEREFORE ORDERED THAT:

(1) The Calfrope State Exploratory Unit Agreement executed by Yates Petroleum Corporation ("Yates") is hereby approved for all oil and gas in all formations underlying the following-described 1,560.00 acres, more or less, of state lands in Lea County, New Mexico:

TOWNSHIP 15 SOUTH, RANGE 34 EAST, NMPM

Section 28: NW/4 NW/4, S/2 NW/4, and SW/4
Section 29: All
Section 32: All.

(2) The plan contained in the unit agreement for the development and operation of the unit area is hereby approved in principle; provided, however, notwithstanding any of the provisions contained in the unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation that is now, or may hereafter be, vested in the Division to supervise and control operation of the unit and production of oil and gas therefrom.

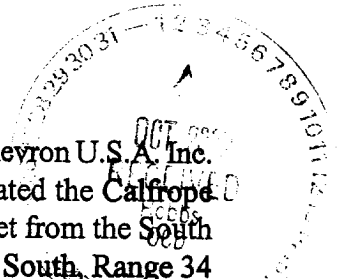
(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 days of the effective date thereof; in the event of subsequent joinder by any other party, or expansion or contraction of the unit area, the unit operator shall file with the Division, within 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico. This order shall terminate upon the termination of the unit agreement. The last unit operator shall notify the Division immediately in writing of such termination.

IT IS FURTHER ORDERED THAT:

(6) Yates is authorized to reenter the plugged and abandoned Chevron U.S.A. Inc. Chevron "28" State Well No. 1 (API No. 30-025-30728), to be redesignated the Calfrope State Unit Well No. 1, located at an unorthodox gas well location 2068 feet from the South line and 610 feet from the West line (Unit L) of Section 28, Township 15 South, Range 34 East, NMPM, Chaves County, New Mexico, and deepen it to a depth of 14,000 feet in order



to test the Mississippian formation for gas.

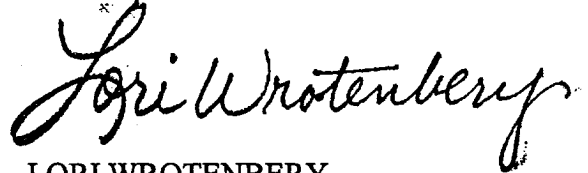
(7) The W/2 of Section 28, being a standard 320-acre stand-up gas spacing unit for the Undesignated North Eidson-Morrow Gas Pool (76360), the Wolfcamp, Cisco/Canyon, and Mississippian formations, is to be dedicated to this well.

(8) 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



LORI WROTENBERY
Director