

- (a) the Northwest Shoe Bar-Strawn Pool is now governed by Division Rule 104.B(1), which requires standard 40-acre spacing and proration units with wells to be located no closer than 330 feet to any outer boundary of the spacing unit;
- (b) the North Shoe Bar-Atoka, Shoe Bar-Atoka, Townsend-Morrow and North Townsend-Mississippian Gas Pools are now governed by Division Rule 104.C(2), which requires standard 320-acre spacing with wells to be located no closer than 660 feet to the outer boundary of the quarter section on which the well is located and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary; and
- (c) Division Rule 104.C now authorizes the drilling of an infill well within deep gas pools in Southeast New Mexico that are spaced on 320 acres.

(10) Pursuant to the current provisions of Division Rule 104, the applicant's requests for an exception to Division Rule 104.D(3) and for simultaneous dedication are unnecessary, and should therefore be dismissed.

(11) According to the applicant's evidence and testimony, the primary target within the Mayfly "14" State Com Well No. 1 is the Strawn formation. Secondary targets include the Morrow and Atoka formations.

(12) The proposed well location for the Mayfly "14" State Com Well No. 1 is standard with respect to the Northwest Shoe Bar-Strawn Pool; however, pursuant to the Special Rules for the North Shoe Bar-Strawn Pool set forth in Division Order No. R-4658 and Division Rule 104.C(2) effective August 31, 1999, the well location is unorthodox with respect to the North Shoe Bar-Strawn Oil Pool and the North Shoe Bar-Atoka, Shoe Bar-Atoka, Townsend-Morrow and North Townsend-Mississippian Gas Pools.

(13) Division records and the evidence presented indicate that the Mayfly "14" State Com Well No. 1 is located 330 feet from the outer boundary of the Northwest Shoe Bar-Strawn Pool, and 4,950 feet from the outer boundary of the North Shoe Bar-Strawn Pool. Current Division nomenclature policies and procedures generally dictate that the Mayfly "14" State Com Well No. 1 will be subject to the rules for the Northwest Shoe Bar-Strawn Pool.

(14) The applicant presented geologic evidence and testimony indicating that:

- (a) the primary target within the Mayfly "14" State Com Well No. 1 is a small Strawn algal mound, the center of which is located within the NW/4 NW/4 of Section 14;
- (b) it is necessary to locate the Mayfly "14" State Com Well No. 1 at its present location in order to penetrate the Strawn algal mound in an area of maximum porosity and permeability development;
- (c) a well drilled at a standard location for both the Strawn and Pennsylvanian gas horizons will not penetrate the targeted algal mound;
- (d) the Monsanto State Com Well No. 1 is currently completed in the Atoka "Brunson" Sand and is classified as being within the Townsend-Morrow Gas Pool;
- (e) the Atoka "Brunson" and Morrow "Carlisle" sands are potentially present and productive at the Mayfly "14" State Com Well No. 1 location; and
- (f) the Monsanto State Com Well No. 1 appears to be fault separated in the Atoka and Morrow formations from the Mayfly "14" State Com Well No. 1. As a result of this fault separation, the Monsanto State Com Well No. 1 may not be efficiently and effectively draining the W/2 of Section 14.

(15) Yates Petroleum Corporation is the affected offset operator in Sections 10 and 11, Township 16 South, Range 35 East, NMPM. Ocean Energy, Inc. is also an interest owner in the affected offset acreage in Section 10.

(16) The applicant presented as evidence an executed agreement between Yates Petroleum Corporation, Ocean Energy, Inc. and David H. Arrington Oil and Gas, Inc., whereby the Mayfly "14" State Com Well No. 1, if completed in any "deep

