



OCD - Artesia

# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**BILL RICHARDSON**

Governor

**Joanna Prukop**  
Cabinet Secretary

December 22, 2003

**Lori Wrotenbery**

Director

Oil Conservation Division

**Yates Petroleum Corporation**  
105 South Fourth Street  
Artesia, New Mexico 88210-2118

**RECEIVED**

DEC 29 2003

**OCD-ARTESIA**

**Attention: Chuck Moran**  
[cmoran@ypcnm.com](mailto:cmoran@ypcnm.com)

*Administrative Order NSL-4968*

Dear Mr. Moran:

30-005-63630

Reference is made to the following: (i) your initial application (*administrative application reference No. pLR0-331137889*) filed with the New Mexico Oil Conservation Division ("Division") in Santa Fe on November 6, 2003; (ii) your letters dated November 11 and December 5, 2003 both containing supplemental data to support this application; (iii) your e-mail correspondence with Mr. Michael E. Stogner, Engineer/Hearing Officer with the Division in Santa Fe on December 15 and 16, 2003; (iv) your telephone conversations with Mr. Stogner on December 15 and 19, 2003; and (v) the Division's records in Santa Fe.

**The Division Director Finds That:**

(1) Yates Petroleum Corporation ("Yates"), as operator, proposes to drill its Houston "BDH" State Com. Well No. 2 at a location that is 1550 feet from the North line and 2500 feet from the West line (Unit F) of Section 31, Township 9 South, Range 27 East, NMPM, Chaves County, New Mexico, to a depth sufficient to test down to the base of Silurian system;

(2) Pursuant to Yates's request, the primary zone of interest for this well is the Siluro-Devonian dolomite; however, it is the operator's intent to test all intervals from the surface to the base of the Silurian system;

(3) Yates therefore seeks an exception to all applicable well location set-back requirements governing any and all formations and/or pools from the surface to the base of the Silurian system for its Houston "BDH" State Com. Well No. 2 to be dedicated to the following described spacing and proration units:

- (a) Lots 1 and 2, the NE/4, and the E/2 NW/4 (N/2 equivalent) to form a standard 320.12-acre lay-down deep gas spacing unit for any and all formations and/or pools developed on 320-acre spacing within this vertical extent [see Division Rule 104.C]

(2)], which presently includes but not necessarily limited to the Undesignated Foor Ranch-Wolfcamp Gas Pool (76750) and Undesignated Foor Ranch-Pre Permian Gas Pool (76730);

- (b) Lots 1 and 2 and the E/2 NW/4 (NW/4 equivalent) to form a standard 160.12-acre shallow gas spacing unit for any and all formations and/or pools developed on 160-acre spacing within this vertical extent [see Division Rule 104.C (3)], which presently includes but not necessarily limited to the Undesignated Pecos Slope-Abo Gas Pool (82730) [Rule 4 of the "*Special Rules and Regulations for the Pecos Slope-Abo Gas Pool*," as promulgated by Division Order No. R-9976-C, dated March 19, 1996]; and
  - (c) the SE/4 NW/4 (Unit F) to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within this vertical extent, which presently includes but not necessarily limited to the Undesignated Foor Ranch-San Andres Pool (24650) [see Division Rule 104.B (1)];
- (4) From your application, it is our understanding that:
- (a) the E/2 of Section 31 is a single state lease issued by the New Mexico State Land Office (State Lease No. VA-2027) in which Yates is lessee;
  - (b) the W/2 equivalent (Lots 1 through 4 and the E/2 W/2) of Section 31 is a single state lease issued by the New Mexico State Land Office (State Lease No. VA-2026) in which Yates is also lessee;
  - (c) all of Section 31 is covered by a joint operating agreement with no depth restrictions in which Yates is the operator; and
  - (d) notification to all parties of the joint operating agreement were provided notice pursuant to Division Rule 1207.A (2).
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(5) It is further understood that Yates is seeking this location exception based on 3-D seismic survey of the area, whereby it contends that a well drilled at this location, will be at a more favorable geologic position within the deeper Siluro-Devonian interval than a well drilled at a location considered to be standard;

(6) The subject application has been duly filed under the provisions of Division Rule 104.F (2) and Rule 5 of the special pool rules for the Pecos Slope-Abo Gas Pool, currently pending approval of Division Order No. R-9976-D to be issued in Case No. 13057; and

(7) The subject application, which serves to prevent waste and protects correlative rights and being in the best interest of conservation, should be approved.

**It Is Therefore Ordered That:**

(1) Yates Petroleum Corporation is hereby authorized to drill its proposed Houston "BDH" State Com. Well No. 2 at a location that is 1550 feet from the North line and 2500 feet from the West line (Unit F) of Section 31, Township 9 South, Range 27 East, NMPM, Chaves County, New Mexico, to a depth sufficient to test down to the base of Silurian system.

(2) This well is to be dedicated to the following described oil and/or gas spacing and proration units in Section 31:

- (a) Lots 1 and 2, the NE/4, and the E/2 NW/4 (N/2 equivalent) to form a standard 320.12-acre lay-down deep gas spacing unit for any and all formations and/or pools developed on 320-acre spacing within this vertical extent, which presently includes but not necessarily limited to the Undesignated Foor Ranch-Wolfcamp Gas Pool (76750) and Undesignated Foor Ranch-Pre Permian Gas Pool (76730);
- (b) Lots 1 and 2 and the E/2 NW/4 (NW/4 equivalent) to form a standard 160.12-acre shallow gas spacing unit for any and all formations and/or pools developed on 160-acre spacing within this vertical extent, which presently includes but not necessarily limited to the Undesignated Pecos Slope-Abo Gas Pool (82730); and

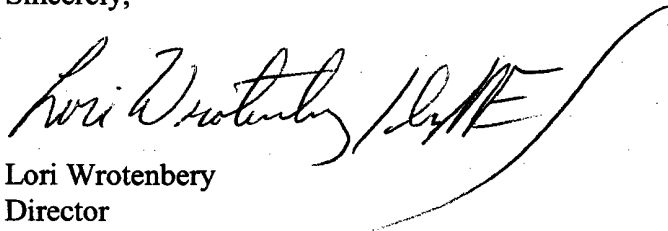
- (c) the SE/4 NW/4 (Unit F) to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within this vertical extent, which presently includes but not necessarily limited to the Undesignated Foor Ranch-San Andres Pool (24650).

**Provided However That:**

(3) Final approval of this well as an unorthodox shallow gas well location within the Pecos Slope-Abo Gas Pool shall become affective at the time Division Order No. R-9976-D is issued in Case No. 13057.

(4) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,



Lori Wrotenbery  
Director

LW/mes

cc: New Mexico Oil Conservation Division - Artesia  
New Mexico State Land Office - Santa Fe  
File: Division Case No. 13057