

**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. 10542
Order No. R-9739**

**APPLICATION OF YATES PETROLEUM
CORPORATION FOR AN UNORTHODOX
GAS WELL LOCATION, EDDY COUNTY,
NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on September 17, 1992, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 2nd day of October, 1992, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Yates Petroleum Corporation, seeks approval of an unorthodox gas well location for its proposed Federal "AB" Well No. 11 to be located 1980 feet from the North line and 1650 feet from the West line (Unit F) of Section 30, Township 18 South, Range 25 East, NMPM, Eddy County, New Mexico, for any and all formations and/or pools from the surface to the base of the Morrow formation being developed on 320-acre spacing, which presently includes but is not necessarily limited to the Undesignated Penasco Draw San Andres-Yeso Associated Pool, Penasco Draw-Permo Pennsylvanian Gas Pool, Undesignated Penasco Draw-Atoka Gas Pool, and Penasco Draw-Morrow Gas Pool.

(3) Applicant proposes to dedicate Lots 1 and 2, the NE/4, and the E/2 NW/4 (N/2 equivalent) of Section 30 to the subject well forming a standard 322.36-acre gas spacing and proration unit.

(4) The applicant's geologic evidence indicates that the primary objective in the subject well is the Morrow formation.

(5) Within the N/2 of Section 30, the applicant currently operates the Federal "AB" Well No. 4, which, according to Division records, last produced from the Penasco Draw-Morrow Gas Pool in September, 1981. The Federal "AB" Well No. 4 is currently shut-in, and, according to applicant's testimony, will not be produced from the Morrow formation.

(6) According to applicant's geologic evidence, a well at the proposed location should encounter a greater amount of Morrow pay sands than a well drilled at a standard location thereon, thereby increasing the likelihood of obtaining commercial production.

(7) In addition, as a result of encountering a greater amount of Morrow pay sands, a well at the proposed location should more effectively drain the gas reserves in the Morrow formation underlying the N/2 of Section 30 than would a well drilled at a standard location thereon.

(8) The E/2 of Section 25, being the acreage upon which the subject well is encroaching, is operated by Yates Petroleum Corporation.

(9) No other offset operator and/or interest owner appeared at the hearing in opposition to the application.

(10) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the affected pool(s), will 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 will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

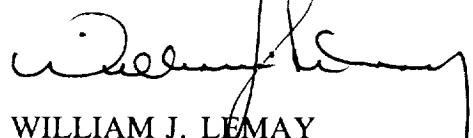
(1) The applicant, Yates Petroleum Corporation, is hereby authorized to drill its Federal "AB" Well No. 11 at an unorthodox gas well location 1980 feet from the North line and 1650 feet from the West line (Unit F) of Section 30, Township 18 South, Range 25 East, NMPM, Eddy County, New Mexico, for any and all formations and/or pools from the surface to the base of the Morrow formation being developed on 320-acre spacing, which presently includes but is not necessarily limited to the Undesignated Penasco Draw San Andres-Yeso Associated Pool, Penasco Draw-Permo Pennsylvanian Gas Pool, Undesignated Penasco Draw-Atoka Gas Pool, and Penasco Draw-Morrow Gas Pool.

(2) Lots 1 and 2, the NE/4, and the E/2 NW/4 (N/2 equivalent) of Section 30 shall be dedicated to the subject well forming a standard 322.36-acre gas spacing and proration unit.

(3) Jurisdiction is hereby 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


WILLIAM J. LEMAY
Director

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