

**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:**

**NOMENCLATURE
CASE NO. 13020
ORDER NO. R-12119**

**APPLICATION OF YATES PETROLEUM CORPORATION FOR SPECIAL POOL
RULES, LEA COUNTY.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on March 13 and April 10, 2003, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 10th day of March, 2004, the Division Director, having considered the testimony, 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 to promulgate special rules for the Salt Lake-Delaware Pool (53565) providing for 80-acre spacing and proration units, special well location requirements, and an effective date retroactive to July 1, 1992.
- (3) The Salt Lake-Delaware Pool was created by Division Order No. R-9685, issued in Case No. 10491 on June 30, 1992 and made affective on July 1, 1992, as the result of the discovery of oil in Yates's Belco "AIA" Federal Well No. 1 (API No. 30-025-26826), located at a standard oil well location 1980 feet from the South and East lines (Unit J) of Section 14, Township 20 South, Range 32 East, NMPM, Lea County, New Mexico. This well was completed on October 4, 1991 as a Delaware producing oil well through perforations from 4,928 feet to 4,956 feet.

(4) The horizontal limits for this pool, as currently defined, include the following-described lands in Lea County, New Mexico:

TOWNSHIP 20 SOUTH, RANGE 32 EAST, NMPM

Section 14: SE/4.

(5) The Salt Lake-Delaware Pool is currently governed by the Division's General Statewide Rules and Regulations with development on standard 40-acre spacing and proration units each having a top unit depth bracket allowable of 80 barrels of oil per day and a gas-oil ratio of 2,000 cubic feet of gas per barrel of oil, which results in a casinghead gas allowable of 160 MCF per day.

(6) Yates' above-described Belco "AIA" Federal Well No. 1 is the only well ever completed in the Salt Lake-Delaware Pool.

(7) All of Section 14 is a single federal lease (U. S. government lease No. NM-63063) with land and mineral resources administered by the U. S. Bureau of Land Management and is also within the Oil/Potash Area as defined in Division Order No. R-111-P. Drilling locations are therefore limited within this pool; attempts to drill offsetting wells in this pool have been rejected.

(8) The engineering and geological evidence presented by the applicant indicate that:

- (a) production from the Yates Belco "AIA" Federal Well No. 1 is draining an area in excess of 40 acres;
- (b) this well can still produce at rates in excess of the authorized top unit depth bracket allowable for this pool (80 barrels of oil per day) without incurring waste;
- (c) during the first six years of this well's producing life in the Salt Lake-Delaware Pool, it accrued substantial overproduction;
- (d) production rates have been curtailed to allowable limits since 1997; and

(e) this well produces substantial volumes of water and shutting in the well was never a viable option to make up such over production.

(9) Should step-out development from this well be allowed in the future, applicant is seeking special well location provisions such that a well can be no closer than 330 feet to the outer boundary of the spacing and proration unit nor closer than 10 feet to the interior quarter-quarter section line or subdivision inner boundary within the unit.

(10) The proposed 330/10-foot setback requirement is a departure from the established set-back requirements for oil pools with 80-acre spacing, which restrict well locations to an area within a 150-foot radius of the center of either quarter-quarter section or lot in the unit.

(11) This 330/10-foot setback requirement would serve to maximize flexibility in locating wells within spacing units at locations that are geologically and/or topographically acceptable.

(12) There was no opposition by any interested party to this application.

(13) Approval of this application is in the best interest of conservation, supports sound engineering practices, will afford the applicant the continued opportunity to produce its just and equitable share of production in the reservoir, and will otherwise serve to prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Yates Petroleum Corporation, special rules and regulations for the Salt Lake-Delaware Pool (535365) in Lea County, New Mexico, previously defined and classified, are hereby promulgated as follows:

**SPECIAL RULES AND REGULATIONS
FOR THE
SALT LAKE-DELAWARE POOL**

RULE 1: Each well completed or recompleted in the Salt Lake-Delaware Pool or in the Delaware formation within one mile thereof, and not nearer to or within the limits of another Delaware pool, shall be spaced, drilled, operated and produced in accordance with these special rules.

RULE 2: Each well shall be located on a standard unit containing 80 acres, more or less, consisting of the N/2, S/2, E/2, or W/2 of a governmental quarter section.

RULE 3: The Division Director may grant an exception to the requirements of Rule 2 above without notice and hearing when an application has been duly filed under the provisions of Division Rule 104.D (2).

RULE 4: Only one well per 80-acre unit shall be permitted and the location of such well shall be no closer than 330 feet to the outer boundary of a spacing and proration unit nor closer than 10 feet to the interior quarter-quarter section line or subdivision inner boundary.

RULE 5: The Division Director may grant an exception to the requirements of Rule 4 without hearing when an application has been duly filed under the provisions of Division Rule 104.F.

IT IS FURTHER ORDERED THAT:

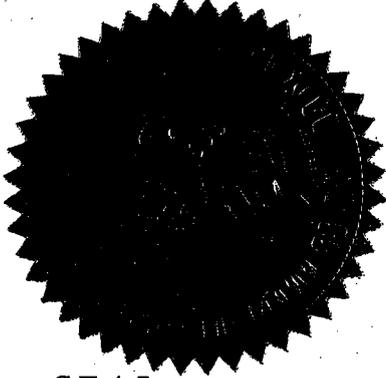
(2) Pursuant to Paragraph A of Section 70-2-18, NMSA 1978, the existing oil well in the Salt Lake-Delaware Pool shall have dedicated thereto 80 acres in accordance with the foregoing pool rules.

Failure to file a new Form C-102 with the Division dedicating 80 acres to this well within 60 days from the date of this order shall subject the well to cancellation of allowable.

(3) The effective date of this order shall be made retroactive to July 1, 1992.

(4) 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.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Lori Wrotenbery

LORI WROTENBERY
Director