

BEFORE THE
OIL CONSERVATION DIVISION
NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION
OF YATES PETROLEUM CORPORATION
FOR AMENDMENT OF THE SPECIAL POOL RULES
AND REGULATIONS FOR THE NORTH DAGGER DRAW-
UPPER PENNSYLVANIAN POOL, AS PROMULGATED
BY DIVISION ORDER NO. R-4691, AS AMENDED,
TO INCREASE THE ASSIGNED POOLWIDE DEPTH
BRACKET OIL ALLOWABLE AND THE
CANCELLATION OF OVERPRODUCTION,
EDDY COUNTY, NEW MEXICO.

RECEIVED
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Conservation Division

CASE NO. 11525

~~IN THE MATTER OF~~ THE APPLICATION
OF YATES PETROLEUM CORPORATION (Yates)
FOR AMENDMENT OF THE SPECIAL POOL RULES
AND REGULATIONS FOR THE SOUTH DAGGER DRAW-
UPPER PENNSYLVANIAN POOL AS PROMULGATED
BY DIVISION ORDER NO. R-5353, AS AMENDED,
TO INCREASE THE ASSIGNED POOLWIDE DEPTH
BRACKET OIL ALLOWABLE AND THE
CANCELLATION OF OVERPRODUCTION,
EDDY COUNTY, NEW MEXICO.

CASE NO. 11526
ORDER NOS. R-4691-E
and R-5353-L-2

MOTION OF YATES PETROLEUM CORPORATION
FOR STAY OF DIVISION ORDER NOS. R-4691-E AND R-5353-L-2

YATES PETROLEUM CORPORATION ("Yates"), through its attorneys, Campbell,
Carr, Berge and Sheridan, P. A., hereby move the Oil Conservation Division and Oil
Conservation Commission, (collectively referred to herein as "the Commission") for an order
staying Oil Conservation Division Orders Nos. R-4691-E and R-5353-L-2 and in support of

its motion states:

1. During 1995 and 1996 wells on certain spacing and proration units in the North Dagger Draw-Upper Pennsylvanian Pool and the South Dagger Draw-Upper Pennsylvanian Associated Pool did not experience the rapid declines in production rates early in their producing lives that was typical of other wells drilled in these pools. (Affidavit of Fant, Paragraph 3).

2. In the summer of 1995 and again in the spring of 1996, representatives of Yates met with the Supervisor of the Division's Artesia District Office concerning this matter and, at the 1996 meeting, Yates agreed to curtail production from the wells it operates on overproduced units in these pools to a maximum of 700 BOPD. Yates also agreed to file applications with the Division seeking amendment of the special rules for these pools to address the overproduction in these pools. (Affidavit of Fant , Paragraph 3).

3. On April 12, 1996, Yates restricted the production from all overproduced proration units it operates in these pools to a maximum of 700 barrels of oil per day. (Affidavit of Fant, Paragraph 4).

4. In Case 11525, Yates seeks an order amending the Special Pool Rules and Regulations for the North Dagger Draw Upper Pennsylvanian Pool to change the special depth bracket allowable for a standard 160-acre oil spacing and proration unit in said pool from 700 barrels of oil per day to 4,000 barrels of oil per day, thereby increasing the gas

allowable from 7,000 MCF of gas per day to 40,000 of gas per day. Yates also seeks the cancellation of any overproduction accumulated in the pool on the date the requested increased depth bracket allowable becomes effective.

5. In Case 11526, Yates seeks an order amending the rules for the South Dagger Draw-Upper Pennsylvanian Associated Pool to increase the special poolwide depth bracket allowable for a standard 320-acre spacing and proration unit in said pool from 1,400 barrels of oil per day to 8,000 barrels of oil per day, thereby increasing the corresponding maximum gas allowable from the current 9,800 MCF of gas per day to 56,000 MCF of gas per day for each 320-acre unit. Yates also seeks the cancellation of any overproduction accumulated in the pool on the date the requested increased depth bracket allowable becomes effective.

6. These applications came on for hearing before a Division Examiner on May 2, 1996 at which time Yates presented Engineering testimony which showed that:

- A. Wells in these pools produce large volumes of water. (Testimony of Fant, Tr. 25-37).
- B. Higher production rates result in higher oil cuts and the greater ultimate recovery of oil. (Yates Exhibits 4 and 5, Testimony of Fant, Tr. 28).
- C. 95% of the wells in the reservoir show higher oil cuts at higher production rates. (Yates Exhibits 6 and 8, Testimony of Fant, Tr. at 33).
- D. Higher producing rates are more efficient and result in lower gas/oil

ratios in 75% of the wells in this reservoir. (Yates Exhibits 6 and 8, Testimony of Fant, Tr. 34, 38 and 39).

- E. Most of the oil produced from the overproduced units is new oil that could not be produced by existing wells in these pools. (Testimony of Fant, Tr. 45).
- F. The requested increase in the depth bracket allowable for these pools is necessary to avoid the curtailment of production from the wells in the pool and the resulting permanent loss of oil thereby causing waste. (Testimony of Fant, Tr. 46-48).
- G. Shutting in wells or cycling production to make up overproduction results in the permanent loss of oil and that the curtailment of production from these wells also results in the permanent loss of oil thereby causing waste. (Testimony of Fant, Tr. 34-37, 48-52).

On August 14, 1996, the Division entered orders Nos, R-4691-E and R-5353-L-2 which (a) denied Yates applications for increased allowables for these pools, (b) denied the applications for cancellation of the accumulated overproduction in these pools, and (c) ordered that production from all overproduced units be curtailed to 50% of the current allowables for these pools.

- 8. During the period of time between the May 2, 1996 hearing and the issuance

of Oil Conservation Division Order Nos. R-4691-E and R-5353-L-2 on August 14, 1996, Yates continued to study the impact of the curtailment of production on the ultimate recovery of oil from these pools. (Affidavit of Fant, Paragraph 7).

9. The information obtained by Yates since the May 2, 1996 Examiner hearing confirms the data presented by Yates at that hearing. This information shows that by early July, 1996, at least 21,000 barrels of oil that would have been recoverable if the allowable limits requested by Yates had been in effect in April 12, 1996 have become unrecoverable as a result of Yates curtailing production from these wells to a maximum of 700 barrels of oil per day. (Affidavit of Fant, Paragraph 8).

10. Yates is filing an Application for Hearing *De Novo* in each of these cases. At the Commission hearing all now available information will be presented on the effect of the curtailment of production on the ultimate recovery of oil from these pools and the waste that is resulting from this curtailment.

11. Curtailing production from the overproduced wells in these pools to 50% of current allowable limits as required by Orders Nos. R-4691-E and R-5353-L-2 pending a full review of the issues in these cases by the full Oil Conservation Commission will result in the permanent loss of substantial volumes of oil thereby causing the waste of oil. (Affidavit of Fant, Paragraph 9).

12. A stay of these Orders until the Commission reviews the issues in these cases

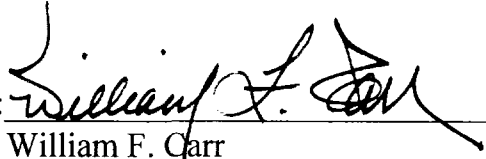
will not prejudice the rights of any operator in these pools for:

- A. Yates will continue to produce all wells in these pools within current allowable limits until the Commission can hear and decide this matter,
- B. The wells in these pools have ample remaining producing lives to enable all wells to be brought into balance with Division allowables if the Commission affirms these orders of the Division; and
- C. To now restrict the production as required by Order Nos. R-4691-E and R-5353-L-2 will result in the permanent loss of oil thereby causing waste in violation of the duties of the Commission as enumerated in the New Mexico Oil and Gas Act.

WHEREFORE, Yates Petroleum Corporation requests that Oil Conservation Division Orders R-4691-E and R-5353-L-2 be stayed in their entireties pending a *De Novo* hearing before the full Oil Conservation Commission on the applications of Yates Petroleum Corporation in Oil Conservation Division Cases 11525 and 11526.

Respectfully submitted,

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.

By: _____

William F. Carr

Post Office Box 2208

Santa Fe, New Mexico 87504-2208

ATTORNEYS FOR YATES
PETROLEUM CORPORATION

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Application for Hearing De Novo was hand-delivered this 15th day of August, 1996 to the following:

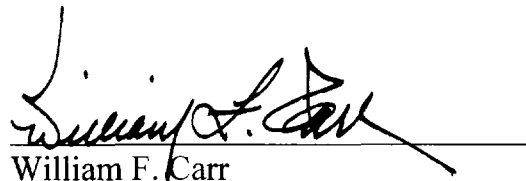
Rand Carroll, Esq.
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

W. Thomas Kellahin, Esq.
Kellahin & Kellahin
117 North Guadalupe Street
Santa Fe, New Mexico 87501

James Bruce, Esq.
Hinkle, Cox, Eaton, Coffield & Hensley
218 Montezuma
Santa Fe, New Mexico 87501

Ernest L. Padilla, Esq.
Padilla Law Firm
1512 S. St. Francis Drive
Santa Fe, New Mexico 87501

Edmund Kendrick, Esq.
Montgomery & Andrews
325 Paseo de Peralta
Santa Fe, New Mexico 87501



William F. Carr

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STATE OF NEW MEXICO)
) ss.
COUNTY OF EDDY)

AFFIDAVIT OF ROBERT S. FANT

Robert S. Fant, being duly sworn on oath, states as follows:

1. I am a Petroleum Engineer employed by Yates Petroleum Corporation ("Yates") in Artesia, New Mexico.

2. I am the Petroleum Engineer for Yates who is primarily responsible for the engineering aspects of its efforts to develop and produce oil from the North Dagger Draw-Upper Pennsylvanian Pool and the South Dagger Draw-Upper Pennsylvanian Associated Pool in Eddy County, New Mexico.

3. During 1995 and 1996 wells on certain proration units in these pools did not experience rapid declines in production rates early in their producing lives as had other wells previously drilled in these pools. Representatives of Yates met with Mr. Tim Gum, Oil Conservation Division Supervisor in Artesia, New Mexico in the summer of 1995 and again in the spring of 1996. At the spring 1996 meeting, Yates agreed to curtail production from the wells it operated on overproduced proration units to 700 Bbls of oil per day, to seek an order from the Division amending the Special Pool Rules for these pools to increase oil allowable limits, and cancel all current overproduction in the pools.

4. On April 12, 1996 Yates restricted the production from all overproduced proration units it operates in these pools to a maximum of 700 Bbls of oil per day.

5. I have studied the impact of production restrictions on wells in these pools on the ultimate recovery of oil therefrom.

6. I was the engineering witness for Yates at the Oil Conservation Division hearing on May 2, 1996 in which Yates sought amendment of the Special Pool Rules and

Regulations for each of these pools to increase the allowable limits for oil production therefrom and to cancel current overproduction in these pools.

7. During the period of time between the May 2, 1996 hearing and the issuance of Oil Conservation Division Order Nos. R-4691-E and R-5353-L-2 on August 14, 1996, I continued to study the impact of the curtailment of production on the ultimate recovery of oil from these pools.


8. The information obtained by Yates since the May 2, 1996 Examiner hearing confirms the data presented by Yates. It shows that by early July, 1996, 21,000 Bbls of oil that would have been recoverable if the allowable limits requested by Yates had been effective on April 12, 1996 have become unrecoverable as a result of Yates curtailing production from these wells to 700 Bbls of oil per day.

9. Curtailing production from the overproduced wells in these pools to 50% of current allowable limits as required by Order Nos. R-4691-E and R-5353-L-2 pending a full review of the issues in these cases by the full Oil Conservation Commission will result in the permanent loss of additional substantial volumes of oil thereby causing waste.

FURTHER AFFIANT SAYETH NAUGHT.


Robert S. Fant

SUBSCRIBED AND SWORN TO before me this 14th day of August, 1996 by
Robert S. Fant.


Notary Public

My Commission Expires:

August 19, 1999