





**BEFORE THE  
OIL CONSERVATION DIVISION**  
Santa Fe, New Mexico

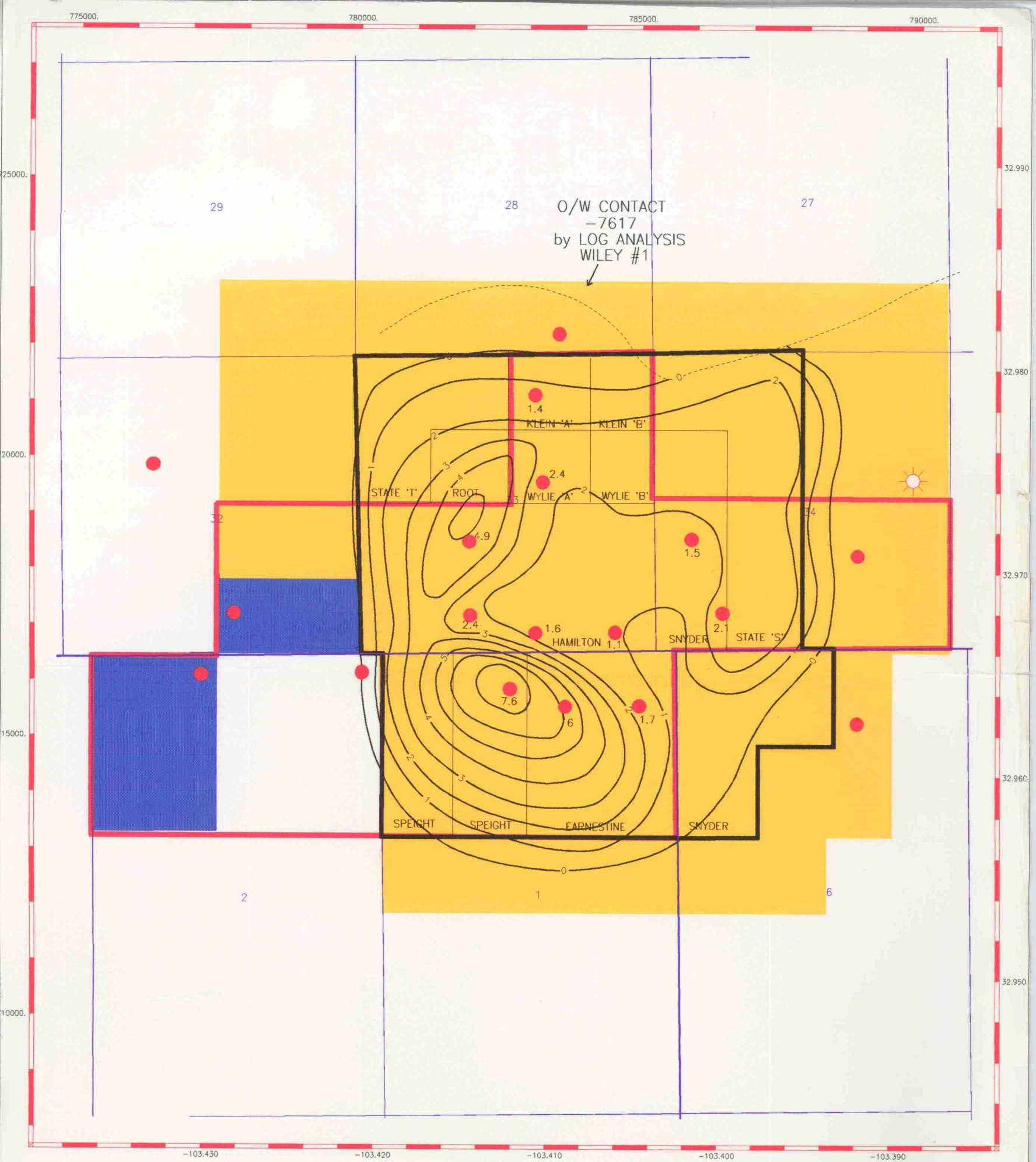
Case No. 11599 Exhibit No. 2

Submitted by: Yates Petroleum Corporation

Hearing Date: October 3, 1996

YATES PETROLEUM CORPORATION  
NMOCD CASE 11599

- I. SUGGESTED ACTION
  - A. DENY GILLESPIE-CROW APPLICATION
  - B. SET HEARING FOR UNIT EXPANSION
- II. REASONS TO DENY GILLESPIE-CROW APPLICATION
  - A. ATTEMPT BY GILLESPIE TO DISCOURAGE FUTURE DEVELOPMENT
    - 1. GILLESPIE WANTS TOTAL CONTROL OF RESERVOIR
    - 2. REMOVE INCENTIVE TO RISK DRILLING
    - 3. BURDEN OF PROOF SHOULD BE ON GILLESPIE
  - B. GILLESPIE SEEKS NMOCD APPROVAL FOR PAST BEHAVIOR
    - 1. GILLESPIE PRODUCED STATE'S #1 FAR BELOW MINIMUM
    - 2. GILLESPIE SLOW TO ADDRESS SITUATION
    - 3. YATES HAS SOUGHT MEETINGS AND COMPROMISE



### LEGEND

- Unit Outline
- Existing Pool
- Proposed WLS Pool
- South Big Dog Strawn

Yates Petroleum Corporation

WEST LOVINGTON STRAWN POOL  
Lea County, New Mexico  
Hydrocarbon Pore Feet

Carolyn Yates		9/24/96
TFLOWING.GPF	Scale 1:24000.	C.I. = 1

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Case No. 11599 Exhibit No. 3

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## **CHRONOLOGY OF EVENTS**

**October 1, 1995** West Lovington Strawn Unit, (WLSU), became effective.

**October 26, 1995** The State S #1 well was completed with an initial potential of 505 BOPD + 720 MCF/D from the Strawn.

**January 8, 1996** Yates received a letter from Gillespie-Crow acknowledging that Yates and others owned part of the State S #1. Gillespie-Crow noted its intent to unitize the State S #1 upon payout. Gillespie-Crow also indicated they would reduce production on the State S #1 to 175 BOPD when it was pulled into the WLSU.

**February 27, 1996** Internal Yates letter where Yates calculated that its interest in the State S #1 was worth much more outside the WLSU than in the WLSU at the interest Gillespie-Crow offered.

**May 10, 1996** Yates received letter from Gillespie-Crow with a ballot to expand the WLSU to include the State S #1.

**June 20, 1996** Meeting of working interest owners of WLSU in Midland. Yates voted "no" on ballot in letter of May 10th.

**July 2, 1996** Letter from Yates to Gillespie-Crow which asked that the State S #1 be produced at allowable. Yates indicated that they would settle for 4.89 percent of the expanded unit for their interest in the State S #1 if it was proved that this well belonged in the WLSU.

**July 24, 1996** Phone call from Yates lawyer to Gillespie-Crow which asked that the State S #1 be produced at allowable.

**August 2, 1996** Application of Gillespie-Crow to reduce allowable in the WLSU in Case 11599.

**August 19, 1996** Motion from Yates to dismiss Case 11599.

**August 22, 1996** First hearing on Case 11599. Outcome was continuation until today (October 3, 1996).

**August 30, 1996** Amended application from Gillespie-Crow in Case 11599.

**September 3, 1996** Phone call from Yates lawyer to Gillespie-Crow which asked that the State S #1 be produced at allowable.

**September 13, 1996** Letter from Gillespie-Crow proposing expansion of the WLSU to include the State S #1 and the Chandler #1 well. This letter called for a WIO meeting September 19, 1996.

**September 19, 1996** Second meeting with WIO's in Midland. Hanley invited for the first time.

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Case No. 11599 Exhibit No. 4

Submitted by: Yates Petroleum Corporation

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Gillespie-Crow letter  
January 8, 1996

"... it is Gillespie-Crow, Inc.'s intention, as Operator of the West Lovington Strawn Unit and the subject well, to bring said well into the Unit immediately upon payout. At that time, the well will be choked back to approximately 175 barrels of oil per day which is inline with production from the other Unit wells."

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Case No. 11599 Exhibit No. 5

Submitted by: Yates Petroleum Corporation

Hearing Date: October 3, 1996

STATE S #1 PRODUCTION							
DATE	DAYS PROD.	OIL PROD. (BBLs)	OIL (BOPD)	GAS PROD. (MCF)	GAS (MCF/D)	GOR	CUM OIL (BBLs)
Oct-95	11	5,272	479	8,574	779	1.626	5,272
Nov-95	30	13,173	439	24,125	804	1.831	18,445
Dec-95	30	12,748	425	19,893	663	1.560	31,193
Jan-96	31	5,651	182	9,179	296	1.624	36,844
Feb-96	29	2,707	93	3,803	131	1.405	39,551
Mar-96	27	3,067	114	4,333	160	1.413	42,618
Apr-96	23	2,844	124	4,469	194	1.571	45,462
May-95	31	3,196	103	4,808	155	1.504	48,658
Jun-96	30	5,396	180	9,440	315	1.749	54,054
Jul-96	21	4,189	199	6,354	303	1.517	58,243

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Case No. 11599 Exhibit No. 6

Submitted by: Yates Petroleum Corporation

Hearing Date: October 3, 1996

BOPD and MCF/D are per producing day



COMPARISON OF PRODUCTION				
WLSU WELLS VS. STATE S #1				
			WLSU #18	WLSU #19
DATE	AVG. WLSU	STATE S #1	SNYDER #1	SNYDER #2
	WELL PROD.	PROD.	PROD.	PROD.
	(BOPD)	(BOPD)	(BOPD)	(BOPD)
Oct-95	118	170	122	116
Nov-95	137	439	125	135
Dec-95	121	411	114	101
Jan-96	138	182	156	168
Feb-96	159	93	195	278
Mar-96	163	99	219	302
Apr-96	183	95	252	262
May-95	196	103	228	379
Jun-96	187	180	218	362
Jul-96	168	135	218	279

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Case No. 11599 Exhibit No. 7

Submitted by: Yates Petroleum Corporation

Hearing Date: October 3, 1996

BOPD are per calendar day

1 Second, the  
2 the positive-producti  
3 unitization has preve  
4 additional oil to be  
5 critical. And I thin  
6 to why Gillespie-Crow

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Case No. 11599 Exhibit No. 8  
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7 In late 1995, after unitization, Gillespie-Crow  
8 drilled the State "S" Well Number 1. It's in the west  
9 half, southeast quarter, of Section 34. I'll get up in a  
10 while and use this map to point out where some of these  
11 wells are located.

12 This immediately adjoins the unit, and this well  
13 is definitely in pressure communication with all wells in  
14 the West Lovington-Strawn unit. I have a handout here in a  
15 minute I'll give to you. It is capable of top allowable  
16 production.

17 In early 1996, Hanley Petroleum, one of the  
18 Movants today, drilled its Chandler Number 1 well. This  
19 well is also completed in the same reservoir as the West  
20 Lovington-Strawn unit. It's only 330 feet north of the  
21 unit's boundary.

22 Based on these completions, Gillespie-Crow has  
23 started discussions with the working interest owners to add  
24 additional acreage to the unit. To date, these  
25 negotiations have not been successful, to say the least.

1 That's exactly what Gillespie-Crow is asking the Division  
2 to do in this case, to restrict production, to prevent harm  
3 to the reservoir and to prevent injury to neighboring  
4 properties.

5 There's a few final issues to address. I think  
6 these are more properly for the hearing, but since Mr. Carr  
7 brought them up...

8 How many wells will be affected by this  
9 Application? At this time, one, the State "S" Well Number  
10 1. What Gillespie-Crow seeks is a restriction on oil  
11 production from wells adjoining the unit which are  
12 completed in the same reservoir. The Hanley well is  
13 unaffected because it's producing only 125 barrels of oil  
14 per day, which is less than the unit's allowable.

15 Will the State "S" Number 1 be affected? I  
16 suppose to a certain extent it will. But Gillespie-Crow  
17 and Enserch -- I forget the exact percentage, but they own  
18 roughly half of the working interest in that well. When  
19 there was a title dispute, they thought they owned about 80  
20 percent of the working interest in that well, and that came  
21 -- that was just recently resolved in that well.

22 But let me give you some background on that well.  
23 It was not -- it has not always been -- It has not always  
24 had its production restricted. It was produced for several  
25 months at top allowable. Starting in early 1996, its



1 production was restricted due to the title issues I just  
2 mentioned. More recently, its production has been  
3 increased back up to the top allowable because of protests  
4 by Yates and other of Mr. Carr's clients.

5 As I noted, this is at the expense of the  
6 interest owners in the unit, because those wells have had  
7 their production decreased concomitantly to prevent  
8 reservoir damage.

9 I'd point out that this well paid out some time  
10 ago, and even under the Application as it was envisioned at  
11 the time, it would still produce about 200 barrels of oil  
12 per day, and that's pretty good production, especially when  
13 you don't have to pay the unit costs.

14 What acreage is affected? Let me give you some  
15 idea. Once again, we think this is something for hearing.  
16 I'd first start off by saying, you remember Mr. Kellahin  
17 here with Mr. Squires, geologist. Yes, you accepted their  
18 geology.

19 But if you'll go back and look at their map,  
20 their unit outline wasn't any different than Gillespie-  
21 Crow's. There's some differences in the thicknesses over  
22 on the east side of the unit. There's a few other things.  
23 There is an oil-water contact which Snyder Ranches agreed  
24 was at the north edge of the unit. That will mean that  
25 much of this acreage to the north and northeast will

1 MR. CARROLL: And what wells again were -- what  
2 wells do you hope to restrict the production on?

3 MR. BRUCE: I don't know which quarter section  
4 it's in. The State "S" Number 1 in the west half,  
5 southeast quarter of Section 34 is the only well at this  
6 time.

7 This well, the Hanley well in the -- Section 28  
8 to the north, would not be restricted.

9 MR. CARROLL: Would not?

10 MR. BRUCE: Would not. But they do -- But since  
11 that is a -- since they've just recently gotten the log  
12 data from that well, they do plan on seeking the  
13 unitization of that acreage also, since it is within the  
14 unit. I mean, since it is within the unit's reservoir.

15 MR. CARROLL: The State "S" is operated by  
16 Gillespie-Crow?

17 MR. BRUCE: Gillespie-Crow.

18 EXAMINER CATANACH: Gillespie-Crow operates the  
19 State "S" Well Number 1?

20 MR. BRUCE: Yes, they do.

21 EXAMINER CATANACH: But you're producing at top  
22 allowable rates?

23 MR. BRUCE: They informed me that late last month  
24 they increased it back up to its top allowable rate, as an  
25 accommodation to Yates and the others.

Date:  
Time:

# PRODUCTION HISTORY

File:  
Get:

