

**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. 12037 (Reopened)
Order No. R-11163**

**APPLICATION OF YATES PETROLEUM CORPORATION FOR POOL
CONTRACTION, POOL EXTENSION AND SPECIAL POOL RULES, OR IN THE
ALTERNATIVE, SIMULTANEOUS DEDICATION, LEA COUNTY, NEW
MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on April 1, 1999, at Santa Fe, New Mexico, before Examiner Mark W. Ashley.

NOW, on this 15th day of April, 1999, the Division Director, having considered 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) By Order No. R-10972 issued in Case No. 11961, dated April 13, 1998 and made effective May 1, 1998, the Division created and defined the North Shoe Bar-Atoka Gas Pool for the production of gas from the Atoka formation. The horizontal limits for this pool, as currently designated, include the following described lands in Lea County, New Mexico:

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPM

Section 10: N/2

Section 11: N/2.

(3) Currently the North Shoe Bar-Atoka Gas Pool is governed by the Division's statewide rules, which provide for 320-acre spacing and proration units with wells to be located no closer than 1650 feet from the nearest end boundary, nor closer than 660 feet from

the nearest side boundary, nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary.

(4) The applicant, Yates Petroleum Corporation (“Yates”), is the owner and operator of:

- (a) the Brunson “AQK” Well No. 1 (API No. 30-025-33931) located 2260 feet from the North line and 1795 feet from the East line (Unit G) of Section 10;
- (b) the Big Flat “ASN” State Com Well No. 1 (API No. 30-025-34354) located 1650 feet from the South line and 1980 feet from the East line (Unit J) of Section 10;
- (c) the Shell Lusk “ANB” Com Well No. 1 (API No. 30-025-02782) located 1680 feet from the North line and 1969 feet from the West line (Unit F) of Section 11; and
- (d) the Runnels “ASP” Well No. 2 (API No. 30-025-34443) located 1650 feet from the South line and 2270 feet from the East line (Unit J) of Section 11, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico.

All four wells are completed in and produce gas from the Brunson sand member of the Atoka formation.

(5) The Brunson “AQK” Well No. 1 and the Big Flat “ASN” State Com Well No. 1 are dedicated to the E/2 of Section 10. The Shell Lusk “ANB” Com Well No. 1 is dedicated to the W/2 of Section 11. The Runnels “ASP” Well No. 2 is dedicated to the E/2 of Section 11.

(6) Yates seeks an order extending the horizontal limits of the North Shoe Bar-Atoka Gas Pool in Lea County, New Mexico to include:

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPM

Section 10: SE/4

Section 11: SW/4.

Yates also seeks an order contracting the North Shoe Bar-Atoka Gas Pool in Lea County, New Mexico by deleting:

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPM

Section 10: NW/4

Section 11: NE/4.

(7) Due to the current Atoka completion of the Runnels "ASP" Well No. 2 in Section 11, the contraction of Section 11 of the North Shoe Bar-Atoka Gas Pool to delete the NE/4 should be denied, and the North Shoe Bar-Atoka Gas Pool should be extended to include the SE/4 of Section 11.

(8) Further, Yates seeks special pool rules for the North Shoe Bar-Atoka Gas Pool authorizing a second well on each 320-acre spacing or proration unit or, in the alternative, an order authorizing the simultaneous dedication of its Brunson "AQK" Well No. 1 and its Big Flat "ASN" State Com Well No. 1 to a standard 320-acre spacing and proration unit in the North Shoe Bar-Atoka Gas Pool comprised of the E/2 of Section 10.

(9) At the time of the hearing Yates requested that the portion of its application requesting special pool rules for the North Shoe Bar-Atoka Gas Pool be dismissed.

(10) Rule No. 104.D.(3) currently states that "Unless otherwise permitted by special pool rules or authorized after notice and hearing, only one well per spacing unit is permitted in non-prorated pools."

(11) In compliance with Division Rule 104.D.(3), the Big Flat "ASN" State Com Well No. 1 and the Brunson "AQK" Well No. 1 have not been continuously and concurrently produced.

(12) Yates presented evidence and testimony indicating that:

(a) The Big Flat "ASN" State Com Well No. 1 was drilled to test the porous zones in the Atoka formation that blew out in the Ocean Energy Carlisle State Com Well No. 1 (API No. 30-025-34279) located 1650 feet from the South line and 1980 feet from the West line (Unit K) of Section 10.

(b) At the time of the blowout it was believed that the source was the Brunson sand member of the Atoka formation.

(c) Upon further review, it was determined that the source of the blowout in the Carlisle State Com Well No. 1 was the Carlisle sand member of the Atoka formation, and not the Brunson sand. The Brunson sand is not present in the Carlisle State Com Well No. 1 and the Carlisle sand is not present in

the Big Flat "ASN" State Com Well No. 1. The two wells are separated by a northwest to southeast trending fault.

(d) A north to south trending impermeable barrier in the Atoka formation separates the E/2 production of Section 10 from Section 11 production.

(e) Due to the absence of the Brunson sand in the Carlisle State Com Well No. 1 and the impermeable barrier between Sections 10 and 11, correlative rights of no other owner in this reservoir will be adversely affected by simultaneously dedicating the Brunson "AQK" Well No. 1 and the Big Flat "ASN" State Com Well No. 1.

(13) Ocean Energy, Inc., Amerind Oil Company Ltd., Chesapeake Operating, Inc. and Ameristate Oil & Gas, Inc. appeared at the hearing.

(14) Ocean Energy, Inc. presented evidence and testimony in support of Yates' request.

(15) The remaining parties that appeared at the hearing presented no evidence or testimony in support of or in opposition to the application.

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

(17) The simultaneous dedication of the E/2 of Section 10 to the Brunson "AQK" Well No. 1 and the Big Flat "ASN" State Com Well No. 1 will afford Yates the opportunity to efficiently and effectively produce the Brunson sand member of the Atoka formation under its spacing unit thereby protecting its correlative rights. The correlative rights of no other owner in this reservoir will be adversely affected.

(18) Approval of the proposed pool boundary changes and simultaneous dedication will result in the efficient and effective recovery of hydrocarbons from the North Shoe Bar-Atoka Gas Pool thereby preventing waste and will otherwise be in the best interest of conservation.

IT IS THEREFORE ORDERED THAT:

(1) The North Shoe Bar-Atoka Gas Pool in Lea County, New Mexico, as heretofore classified, defined, and described, is hereby contracted by the deletion of the following described area:

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPM
Section 10: NW/4.

- (2) The North Shoe Bar-Atoka Gas Pool is hereby extended to include:

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPM
Section 10: SE/4
Section 11: S/2.

- (3) The contraction of the North Shoe Bar-Atoka Gas Pool to delete the NE/4 of Section 11 is hereby denied.
- (4) The Yates request for special pool rules for the North Shoe Bar-Atoka Gas Pool is hereby dismissed.

IT IS FURTHER ORDERED THAT:

- (5) Yates is hereby authorized to simultaneously dedicate the E/2 of Section 10 in the North Shoe Bar-Atoka Gas Pool to the Brunson "AQK" Well No. 1 (API No. 30-025-33931) located 2260 feet from the North line and 1795 feet from the East line (Unit G) and the Big Flat "ASN" State Com Well No. 1 (API No. 30-025-34354) located 1650 feet from the South line and 1980 feet from the East line (Unit J) of Section 10, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico. Yates is further authorized to continuously and concurrently produce the Brunson "AQK" Well No. 1 and the Big Flat "ASN" State Com Well No. 1 in the North Shoe Bar-Atoka Gas Pool.
- (6) Jurisdiction of this case is 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

Lori Wrottenbery
LORI WROTENBERY
Director