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January 31, 2000

VIA ELECTRONIC MAIL
AND HAND DELIVERY

David Catanach, Hearing Examiner
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87503

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OIL CONSERVATION DIV

Re: New Mexico Oil Conservation Division Case 12337: In the Matter of the Application of Yates Petroleum Corporation for an Unorthodox Well Location, Chavez County, New Mexico.

Dear Mr. Catanach:

This morning you and I met in your office and discussed the above-referenced case, which is set for hearing on Thursday, February 3, 2000.

In that meeting, you indicated that you were inclined to grant Yates' application. You will recall that in my January 27 letter, and in Douglas W. Hurlbut's affidavit submitted with that letter, I indicated that Yates needed the application to be approved immediately following the hearing, because the Roswell Gun Club's Rifle and Pistol Range will be closed during February, 2000, but will reopen March 1. Yates will not be able to drill the well if approval of the application is delayed past the first few days in February.

To assist you in expediting the Order, I have drafted and attached a draft Order granting Yates' application. If the Order is acceptable to you, we will appreciate your approving it and forwarding it to Ms. Wrotenbery for signature.

Thank you for your assistance in this case.

Very truly yours,


Paul R. Owen

**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. 12237
ORDER NO. R-_____**

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

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on February 3, 2000, at Santa Fe, New Mexico, before Examiner David Catanach.

NOW, on this ____th day of January, 2000, 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 authority to drill its Harvest "ABR" State Well No. 2 at an unorthodox gas well location 660 feet from the North line and 2139 feet from the West line of Section 36, Township 9 South, Range 24 East, NMPM, Chaves County, New Mexico, to test the Abo formation, Pecos Slope-Abo Gas Pool. The NW/4 of Section 36 is to be dedicated to the well forming a standard 160-acre gas spacing and proration unit for that pool.

(5) The Pecos Slope-Abo Gas Pool is currently spaced on 160-acre gas spacing and proration units pursuant to Division Order No. R-9976-C, which provides for gas wells to be located on standard units containing 160-acres (Rule 2) with wells to be located no closer than 660 feet from the outer boundary of the proration unit nor closer than 10 feet from any quarter-quarter section line or subdivision inner boundary (Rule 4).

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

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(7) The applicant presented the affidavit of Douglas W. Hurlbut, which indicated that:

(a) the primary target within the Harvest "ABR" State Well No. 2 is the Abo formation;

(b) Yates originally proposed to drill the Harvest "ABR" State Well No. 2 at a standard location 660 feet from the North line and 1980 feet from the West line of Section 36. However, that location places the well in the line of fire at the Roswell Gun Club's Pistol and Rifle Range.

(c) Moving the well to the east 159 feet, to the proposed unorthodox location which is the subject of this case, will take the well location out of the line of fire at the Roswell Gun Club's Pistol and Rifle Range.

(d) A well at this unorthodox well location should be able to efficiently produce the reserves in this reservoir under the NW/4 of said Section 36

(e) The proposed well is unorthodox solely by virtue of its encroachment on an interior quarter-quarter section line. Yates owns the affected offset acreage. Therefore, the correlative rights of no interest owner will be adversely impacted by a well at this proposed unorthodox location. Accordingly, there are no affected persons as defined in Rule 1207.A to whom notice of Yates' Application in this case should be provided..

(f) There are no other acceptable orthodox well locations in the NW/4 of Section 36, and the well cannot be economically drilled to a standard subsurface location. The added expense and risk associated with directionally drilling the well to a standard subsurface location will render the project not economically feasible for Yates, and the hydrocarbons under the subject spacing area, which might otherwise be produced, will be wasted.

(g) The Roswell Gun Club's Rifle and Pistol Range will be closed during February, 2000, but will reopen March 1. Yates' application should be approved in time to drill the well during the month of February, 2000.

(9) Approval of the proposed unorthodox gas well location will afford the applicant the opportunity to produce its just and equitable share of the gas in the Pecos Slope-Abo Gas Pool 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 Harvest "ABR" State Well No. 2 at an unorthodox gas well location 660 feet from the North line and 2139 feet from the East line of Section 36, Township 9 South, Range 24 East, NMPM, Chavez County, New Mexico, to test the Abo formation, Pecos Slope-Abo Gas Pool.

(2) The NW/4 of Section 36 shall be dedicated to the well forming a standard 160-acre gas spacing and proration unit for that pool.

(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
LORI WROTENBERY
Director
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