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. 12498
ORDER NO. R-11521

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

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on December 7, 2000, at Santa Fe, New Mexico before Examiner David R. Catanach.

NOW, on this 31st day of January, 2001, 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 approval to drill its Chosa "ATR" Federal Well No. 1 (**API No. 30-015-31215**) at an unorthodox gas well location 2250 feet from the South line and 1060 feet from the West line (Unit L) of Section 8, Township 25 South, Range 26 East, NMPM, Eddy County, New Mexico, to test the Morrow formation, Undesignated Chosa Draw-Morrow Gas Pool. The W/2 of Section 8 is to be dedicated to the well forming a standard 320-acre gas spacing and proration unit for the Chosa Draw-Morrow Gas Pool.

(3)   The proposed well and spacing unit are located within one mile of the Chosa Draw-Morrow Gas Pool. This pool is currently governed by Division Rule 104.C.(2), which requires standard 320-acre spacing and proration units with wells to be located no closer than 660 feet to the outer boundary of the quarter section on which the well is located and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

(4)   The proposed location is unorthodox only with respect to the interior boundaries of the proration unit and does not encroach towards the outer boundaries of the unit.

(5)   The applicant presented evidence that demonstrates:

(a)   the primary objective within the proposed well is the Morrow formation;

(b)   a well drilled within the SW/4 of Section 8 should encounter a thicker sand pay section within the Morrow formation than a well drilled within the NW/4 of Section 8, thereby increasing the likelihood of obtaining commercial gas production from this proration unit;

(c)   Yates initially attempted to locate the Chosa "ATR" Federal Well No. 1 at two standard gas well locations within the SW/4 of Section 8, but the Bureau of Land Management rejected both these locations due to topographic considerations, namely the presence of Black River and archaeologic sites; and

(d)   in terms of topographic and geologic considerations, the location proposed by Yates represents the best location within the W/2 of Section 8 to develop the Morrow gas reserves underlying the proration unit.

(6)   There are no affected offset operators or interest owners.

(7)   No other party appeared at the hearing in opposition to the application.

(8)   Approval of the proposed unorthodox gas well location will provide Yates the opportunity to develop the gas reserves underlying the W/2 of Section 8, will prevent waste and will not violate correlative rights.

IT IS THEREFORE ORDERED THAT:

(1)   The applicant, Yates Petroleum Corporation, is hereby authorized to drill its Chosa "ATR" Federal Well No. 1 (**API No. 30-015-31215**) at an unorthodox gas well location 2250 feet from the South line and 1060 feet from the West line (Unit L) of Section 8, Township 25 South, Range 26 East, NMPM, Eddy County, New Mexico, to test the Morrow formation, Undesignated Chosa Draw-Morrow Gas Pool.

(2)   The W/2 of Section 8 shall be dedicated to the well forming a standard 320-acre gas spacing and proration unit for the Chosa Draw-Morrow Gas Pool.
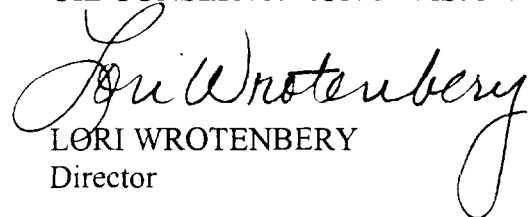
(3)   Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

LORI WROTENBERY
Director

SEAL