

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. 9964
Order No. R-9237

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

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on June 27, 1990, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 23rd day of July, 1990, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Yates Petroleum Corporation, seeks approval of an unorthodox gas well location for its existing Lusk "AHB" Federal Well No. 1 located 800 feet from the North line and 1650 feet from the East line (Unit B) of Section 35, Township 19 South, Range 32 East, NMPM, Lea County, New Mexico, for either the Undesignated Gem-Morrow Gas Pool or the Undesignated East Lusk-Morrow Gas Pool.

CASE NO. 9964
Order No. R-9237
Page -2-

(3) The applicant proposes to dedicate the N/2 of said Section 35 to the subject well forming a standard 320-acre gas spacing and proration unit for either pool.

(4) According to evidence and testimony, the applicant verbally agreed to farm out the N/2 of said Section 35 to Anadarko Petroleum Corporation (Anadarko) during January, 1990.

(5) Anadarko proposed the drilling of a 7,900 foot Bone Spring test well at a standard oil well location described in Finding No. (2) above, and in anticipation thereof, obtained the necessary archaeological clearance, drilling permit, right of way, etc. from the Bureau of Land Management.

(6) By letter dated February 12, 1990, Anadarko advised the applicant that it was unable to drill the proposed Bone Spring test well.

(7) The evidence presented indicates that the N/2 of said Section 35 was subject to a lease expiration drilling deadline of February 28, 1990.

(8) The applicant, who desired to drill a Morrow test well in the N/2 of said Section 35, contends that due to severe time constraints, it was unable to obtain the necessary archaeological clearance, drilling permit, right of way, etc. in order to drill its proposed Morrow test well at a standard gas well location prior to the above-described lease expiration.

(9) In addition, the applicant presented evidence which indicates that the Bureau of Land Management may grant a suspension of the term of a federal lease only in the interest of conservation of natural resources, which was inapplicable in this instance.

(10) The applicant drilled a Morrow test well at the originally permitted location prior to the lease expiration date and has obtained commercial gas production from said Morrow zone.

(11) Fina Oil and Chemical Company and Manzano Oil Corporation, both offset operators to the subject well, appeared at the hearing but did not present evidence or testimony in opposition to the application.

CASE NO. 9964
Order No. R-92.37
Page -3-

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

(13) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the subject pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

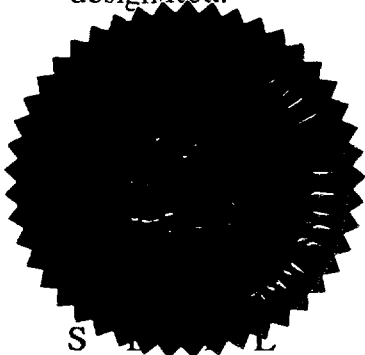
IT IS THEREFORE ORDERED THAT:

(1) The application of Yates Petroleum Corporation for an unorthodox gas well location for its existing Lusk "AHB" Federal Well No. 1 located 800 feet from the North line and 1650 feet from the East line (Unit B) of Section 35, Township 19 South, Range 32 East, NMPM, Lea County, New Mexico, for either the Undesignated Gem-Morrow Gas Pool or the Undesignated East Lusk-Morrow Gas Pool is hereby approved.

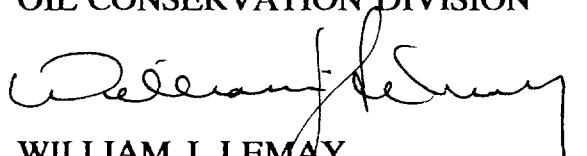
(2) The N/2 of said Section 35 shall be dedicated to the above described well forming a standard 320-acre gas spacing and proration unit for either pool.

(3) Jurisdiction of this cause 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


WILLIAM J. LEMAY
Director