

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. 11621
ORDER NO. R-10707*

**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 November 7, 1996, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 14th day of November, 1996, the Division Director, having considered 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 ("Yates"), seeks approval of an unorthodox gas well location within the Atoka formation for its Papalotes Unit Well No. 1 (**API No. 30-025-33275**), located 1960 feet from the South line and 330 feet from the East line (Unit I) of Section 34, Township 14 South, Range 34 East, NMPM, Lea County, New Mexico.

(3) The initial application for permit to drill ("APD"), filed by Yates with the Division on January 23, 1996, indicated this well to be a Strawn oil test in which the 40 acres comprising the NE/4 SE/4 was to be dedicated to the well to form a standard 40-acre oil spacing and proration unit. Pursuant to Division Rule 104.B(1)(b) this location was considered to be at a standard oil well location.

(4) The well was subsequently "spudded" on January 31, 1996.

(5) In early April, 1996, while still drilling this well, Yates proposed to continue drilling this well to a total depth of 13,665 feet in order to test down to and including the Morrow interval for gas production. In June, 1996 this well was subsequently completed as a gas well within the Atoka formation.

(6) Said well location is not within one mile of any designated Atoka pool and is therefore classified as a "wildcat gas well" and is subject to Rule 104.B(1)(a) of the Division's Statewide Rules and Regulations, which currently provides 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.

(7) The E/2 of said Section 34 is to be dedicated to said well to form a standard 320-acre gas spacing and proration unit for the Atoka formation.

(8) Division General Rule 104.F(2) states: "*The Division Director shall have authority to grant an exception to the well location requirements of Sections 104.B and 104.C above or to the well location requirements of special pool rules without notice and hearing when the necessity for such unorthodox location is based upon geologic conditions, archaeological conditions, topographical conditions, or the recompletion of a well previously drilled to a deeper horizon provided said well was drilled at an orthodox or approved unorthodox location for such original horizon*".

FINDING, since no provision is contained therein for administrative review of this particular situation where a well is being deepened, this matter was styled such that in the absence of objection this case would be taken under advisement.

(9) No offset operator, mineral interest owner, or other affected party appeared at the hearing in opposition to the subject application.

(10) The proposed 320-acre unit is included within the Papalotes Unit Area, which comprises all of Sections 26, 34, and 35, Township 14 South, Range 34 East, NMPM, Lea County, New Mexico and all of Section 2, Township 15 South, Range 34 East, NMPM, Lea County, New Mexico, approved by Division Order No. R-10540, issued in Case 11445 and dated January 25, 1996.

(11) Approval of this application will afford the applicant the opportunity to test for and, if successful, produce its just and equitable share of the gas in the Atoka formation, 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:

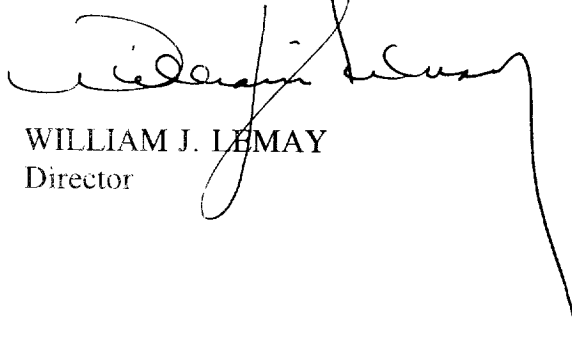
(1) The application of Yates Petroleum Corporation for approval of its Papalotes Unit Well No. 1 (**API No. 30-025-33275**), located at an unorthodox gas well location for the Atoka formation only, 1960 feet from the South line and 330 feet from the East line (Unit I) of Section 34, Township 14 South, Range 34 East, NMPM, Lea County, New Mexico, is hereby approved.

(2) The E/2 of said Section 34 is to be dedicated to said well to form a standard 320-acre gas spacing and proration unit for the Atoka formation.

(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



WILLIAM J. LEMAY
Director

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