

**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. 12082
Order No. R-11095**

**APPLICATION OF YATES PETROLEUM
CORPORATION FOR COMPULSORY POOLING
AND 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 November 5, 1998, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 19th day of November, 1998, 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) Cases No. 12081, 12082 and 12083 were consolidated at the time of the hearing for the purpose of testimony.

(3) The applicant, Yates Petroleum Corporation, seeks an order pooling all mineral interests underlying the S/2 of Section 12, Township 20 South, Range 24 East, NMPM, Eddy County, New Mexico, in all formations and/or pools developed on 320-acre spacing including, the Atoka and Morrow formations, Undesignated Cemetery-Morrow Gas Pool. This unit is to be dedicated to Yates Petroleum Corporation's existing Ceniza "AGZ" Com Well No. 2 (**API No. 30-015-26466**) which has been re-entered to test these formations at an unorthodox gas well location 660 feet from the South line and 725 feet from the West line (Unit M) of Section 12.

(4) At the hearing, the applicant testified that it has reached a voluntary agreement with all interest owners within the proposed proration unit and therefore requested that the portion of its application seeking to compulsory pool the S/2 of Section 12 be dismissed.

(5) Division records and evidence and testimony presented by the applicant indicate that the Ceniza "AGZ" Com Well No. 2 was originally drilled by the applicant in 1990 at a standard oil well location to test the South Dagger Draw-Upper Pennsylvanian Associated Pool. In July, 1998, the South Dagger Draw-Upper Pennsylvanian Associated Pool was abandoned as a producing zone in the well after the well produced approximately 82,000 barrels of oil and 115 MMCF of gas and the well was recompleted to the Morrow formation, Undesignated Cemetery-Morrow Gas Pool at an initial producing rate of 510 MCFG per day.

(6) The applicant testified that utilizing the existing wellbore to develop the Morrow gas reserves underlying the S/2 of Section 12 will result in substantial cost savings.

(7) Yates Petroleum Corporation is the operator of the affected offset acreage in Sections 11 and 14.

(8) No other offset operator and/or interest owner appeared at the hearing in opposition to the proposed unorthodox gas well location.

(9) Approval of this subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the Atoka and/or Morrow formations and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Yates Petroleum Corporation, is hereby authorized to recomplete its Ceniza "AGZ" Com Well No. 2 (**API No. 30-015-26466**) to test the Atoka and/or Morrow formations, Undesignated Cemetery-Morrow Gas Pool at an unorthodox gas well location 660 feet from the South line and 725 feet from the West line (Unit M) of Section 12, Township 20 South, Range 24 East, NMPM, Eddy County, New Mexico. The S/2 of Section 12 shall be dedicated to the well forming a standard 320-acre gas spacing and proration unit for said pool(s).

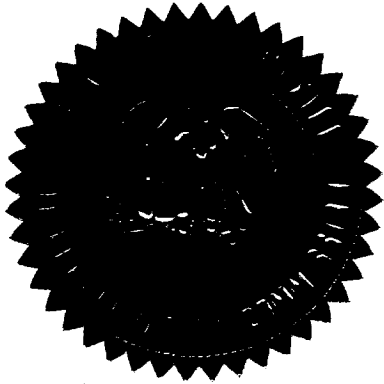
(2) The portion of the application seeking the compulsory pooling of the S/2 of Section 12 is hereby dismissed.

(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
LORI WROTENBERY
Director



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