

**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. 10108 (Reopened)
Order No. R-5353-L-2**

**IN THE MATTER OF CASE NO. 10108 BEING
REOPENED PURSUANT TO THE PROVISIONS OF
DIVISION ORDER NO. R-5353-L, AS AMENDED,
WHICH ORDER AMENDED THE SPECIAL RULES
AND REGULATIONS FOR THE SOUTH DAGGER
DRAW-UPPER PENNSYLVANIAN ASSOCIATED POOL,
EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on December 3, 1992, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 17th day of December, 1992, 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) By Order No. R-5353-L issued in Case No. 10108 on October 26, 1990, the Division, upon application of Yates Petroleum Corporation (Yates), amended the Special Rules and Regulations for the South Dagger Draw-Upper Pennsylvanian Associated Pool in Eddy County, New Mexico. Order No. R-5353-L, in effect, left the spacing unchanged at 320 acres, amended the well location requirements to provide that each well shall be located no nearer than 660 feet to the nearest side or end boundary of the tract, nor closer than 330 feet to any quarter-quarter section line or subdivision inner boundary, increased the limiting gas-oil ratio to 10,000 cubic feet of gas per barrel of oil, and increased the special depth bracket allowable to 700 barrels of oil per day for a standard proration unit.

(3) By Order No. R-5353-L-1 issued in Case No. 10222 on March 25, 1991, the Division, upon application of Yates Petroleum Corporation, increased the special depth bracket allowable for a 320-acre proration unit within the South Dagger Draw-Upper Pennsylvanian Associated Pool to 1400 barrels of oil per day.

(4) Pursuant to the provisions of Division Order No. R-5353-L, this case was reopened to allow the operators in the subject pool to appear and present evidence and testimony and show cause why the amended Special Rules and Regulations for the South Dagger Draw-Upper Pennsylvanian Associated Pool should remain in effect.

(5) Yates Petroleum Corporation, the operator of approximately 91 percent of the wells in the subject pool, appeared and presented evidence and testimony in support of the continuation of the amended special rules and regulations.

(6) Marathon Oil Company and Conoco Inc., both operators in the subject pool, appeared through counsel at the hearing but presented no evidence or testimony.

(7) The evidence presented indicates that subsequent to the amendment of the special rules and regulations for the subject pool, approximately 43 new wells have been drilled by Yates.

(8) The subject pool has effectively been drilled on 40-acre spacing within the oil bearing portion of the reservoir.

(9) Production from the subject pool has increased from approximately 600 barrels of oil per day in October, 1990, to 6,565 barrels of oil per day at the present time.

(10) The average gas-oil ratio fieldwide during 1992 is approximately 5,300 cubic feet of gas per barrel of oil.

(11) According to testimony presented, a strong effort has been made by Yates not to develop the gas reserves contained within the gas cap in the subject reservoir, which will result in the conservation of reservoir energy.

(12) The evidence and testimony presented by the applicant indicates that the current well location requirements, gas-oil ratio limitation, and special depth bracket allowable within the South Dagger Draw-Upper Pennsylvanian Associated Pool will not cause the premature abatement of reservoir energy and will not reduce the ultimate oil recovery from the subject pool.

(13) Evidence presented in Case No. 10108 in October, 1990, established that the South Dagger Draw-Upper Pennsylvanian Associated Pool and the North Dagger Draw-Upper Pennsylvanian Pool are in geological and pressure communication and are in fact both part of the same pool.

(14) The rules currently in effect for the North Dagger Draw-Upper Pennsylvanian Pool include 160-acre spacing, a limiting gas-oil ratio of 10,000 cubic feet of gas per barrel of oil, and a special depth bracket allowable of 700 barrels of oil per day.

(15) The 160-acre spacing, the 700 barrels of oil per day allowable and the limiting gas-oil ratio of 10,000 cubic feet of gas per barrel of oil are equivalent to the South Dagger Draw-Upper Pennsylvanian spacing of 320 acres, 1400 barrels of oil per day and 10,000 cubic feet of gas per barrel of oil.

(16) Continuation of the special rules and regulations will allow the continued "equivalent" development of both the North Dagger Draw-Upper Pennsylvanian and South Dagger Draw-Upper Pennsylvanian Associated Pools, thereby protecting correlative rights.

(17) No other operator and/or interest owner appeared at the hearing to present evidence and testimony, or to oppose the position taken by Yates in this case.

(18) The amended Rules and Regulations for the South Dagger Draw-Upper Pennsylvanian Associated 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, prevent reduced recovery which might result from the drilling of too few wells, and otherwise protect correlative rights, and therefore should be made permanent.

IT IS THEREFORE ORDERED THAT:

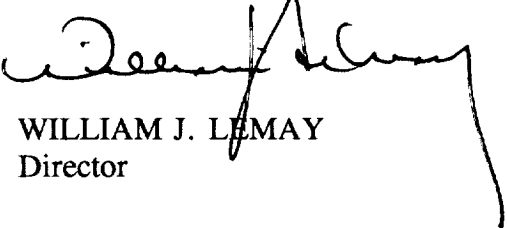
(1) The Special Rules and Regulations for the South Dagger Draw-Upper Pennsylvanian Associated Pool, Eddy County, New Mexico, as amended by Division Order Nos. R-5353-L and R-5353-L-1, are hereby continued in full force and effect until further order of the Division.

(2) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

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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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