

Entered December 20, 1978

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STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 6266 DE NOVO
Order No. R-5802-A

APPLICATION OF HARVEY E. YATES COMPANY
FOR AN UNORTHODOX GAS WELL LOCATION,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on July 6, 1978, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter, and on November 7, 1978, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 20th day of December, 1978, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Harvey E. Yates Company, seeks approval of an unorthodox gas well location for an Upper Pennsylvanian test well to be drilled at a point 660 feet from the North line and 660 feet from the East line of Section 23, Township 22 South, Range 23 East, NMPM, Indian Basin-Upper Pennsylvanian Gas Pool, Eddy County, New Mexico, or in the alternative, an unorthodox location for said well at a point 990 feet from the North line and 990 feet from the East line of said Section 23.

(3) That the special pool rules for said Indian Basin-Upper Pennsylvanian Gas Pool, as promulgated by Order No. R-2440 and made permanent by Order No. R-2440-A, provide for 640-acre (one section) spacing and proration units in said pool with wells to be located no nearer than 1650 feet to the outer boundary of the section and no nearer than 330 feet to any governmental quarter-quarter section line.

(4) That according to evidence presented at the hearing at least 448 acres of the subject Section 23 is probably non-productive of gas from the Indian Basin-Upper Pennsylvanian Gas Pool, leaving a maximum of 192 acres as contributory of gas from said pool.

(5) That according to the evidence presented at the hearing, applicant is the owner of probable gas reserves underlying a portion of Section 23, Township 22 South, Range 23 East, NMPM, and should be permitted to develop and produce said reserves in order to prevent waste.

(6) That to permit a well to be drilled and produced at either of the proposed non-standard locations without imposing a compensatory production penalty against such well would violate the correlative rights of owners of offsetting acreage.

(7) That a reasonable penalty to be imposed on a well drilled at either of the proposed unorthodox locations should take into consideration the non-productive lands included in the spacing and proration unit.

(8) That the penalized allowable factor for a well drilled at a non-standard location should be arrived at by the application of the following formula:

$$\begin{array}{rcl} \text{Allowable} & & \text{No. of productive} \\ \text{Factor} & = & \text{acres in proposed} \\ & & \text{proration unit} \\ & & \hline & = & \text{No. of acres in} \\ & & \text{standard proration} \\ & & \text{unit} \end{array}$$

(9) That the allowable factor for a well drilled at either of the proposed non-standard locations described in Finding No. (2) above should be calculated as follows:

$$\begin{array}{rcl} \text{Allowable} & = & \frac{192 \text{ (Finding 4)}}{640 \text{ (Finding 3)}} = 0.30 \\ \text{Factor} & & \end{array}$$

(10) That the assignment of an allowable factor as described in Finding No. (9) above will permit the applicant to produce its just and equitable share of the gas in the Indian Basin-Upper Pennsylvanian Gas Pool, will protect applicant's correlative rights and prevent waste, and will protect the correlative rights of offset operators in the pool.

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(11) That each of the two proposed locations, as described in Finding No. (2) above, should be approved, subject to the allowable restriction described in Finding No. (9) above.

IT IS THEREFORE ORDERED:

(1) That the applicant, Harvey E. Yates Company, is hereby authorized to drill an Upper Pennsylvanian gas test well at a point 660 feet from the North line and 660 feet from the East line or at a point 990 feet from the North line and 990 feet from the East line of Section 23, Township 22 South, Range 23 East, NMPM, Indian Basin-Upper Pennsylvanian Gas Pool, Eddy County, New Mexico, provided however, that such well upon completion in said pool shall have an allowable factor for gas proration purposes of 0.30.

(2) That all of said Section 23 shall be dedicated to a well completed in the Indian Basin-Upper Pennsylvanian Gas Pool at either of the aforesaid locations.

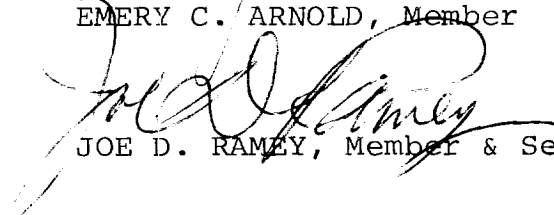
(3) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

PHIL R. LUCERO, Chairman


EMERY C. ARNOLD, Member


JOE D. RAMEY, Member & Secretary

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