

Entered September 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  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:

CASE NO. 6266  
Order No. R-5802

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

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on July 6, 1978, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 20th day of September, 1978, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Division 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.

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(4) That the applicant, by its Exhibit No. 2 in this case, has shown that at least 308.4 acres of the subject Section 23 is probably non-productive of gas from the Indian Basin-Upper Pennsylvanian Gas Pool, leaving a maximum of 331.6 acres as contributory of gas from said pool.

(5) That a well drilled at the closest permissible distance from the outer boundaries of a standard gas spacing and proration unit, i.e., 1650 feet from each of the nearest outer boundaries, assuming radial drainage of 640 acres, has a drainage pattern that extends 200.2 acres beyond the boundaries of its unit.

(6) That a well drilled at the location sought by the applicant in this case, i.e., 660 feet from each of the nearest outer boundaries of the unit, assuming radial drainage of 640 acres, has a drainage pattern that extends 357.1 acres beyond the boundaries of its unit, leaving but 282.9 acres of drainage pattern within the unit.

(7) That a well drilled at the alternative location sought by the applicant in this case, i.e., 990 feet from each of the nearest outer boundaries of the unit, assuming radial drainage of 640 acres, has a drainage pattern that extends 325.3 acres beyond the boundaries of its unit, leaving but 314.7 acres of drainage pattern within the unit.

(8) 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.

(9) 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.

(10) That a reasonable penalty to be imposed on a well drilled at either of the proposed unorthodox locations should take into consideration both the non-productive lands included in the spacing and proration unit and the extent to which the well's radius of drainage impinges upon neighboring properties beyond the radius of drainage for a standard location.

(11) 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:

$$\begin{array}{lcl} \text{Allowable} & & \text{No. of acres outside} \\ \text{Factor} & = & \text{unit that are drained} \\ & & \text{by standard location} \\ & & \text{No. of acres outside} \quad \times \quad \text{No. of productive} \\ & & \text{unit that would be} \quad \text{No. of acres in} \\ & & \text{drained by proposed} \quad \text{standard proration} \\ & & \text{location} \quad \text{unit} \end{array}$$

(12) That the allowable factor for a well drilled at the proposed 660/660 non-standard location described in Finding No. (2) above should be calculated as follows:

$$\text{Allowable Factor} = \frac{200.2 \text{ (Finding 5)}}{357.1 \text{ (Finding 6)}} \times \frac{331.6 \text{ (Finding 4)}}{640 \text{ (Finding 3)}} = 0.29$$

(13) That the allowable factor for a well drilled at the proposed alternative 990/990 non-standard location described in Finding No. (2) above should be calculated as follows:

$$\text{Allowable Factor} = \frac{200.2 \text{ (Finding 5)}}{325.3 \text{ (Finding 7)}} \times \frac{331.6 \text{ (Finding 4)}}{640 \text{ (Finding 3)}} = 0.32$$

(14) That the assignment of an allowable factor as described in Findings Nos. (12) and (13) above to the locations proposed by applicant 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.

(15) That each of the two proposed locations, as described in Finding No. (2) above, should be approved, subject to the allowable restrictions described in Findings Nos. (12) and (13) 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 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 0.29.

In the alternative, applicant is hereby authorized to drill said well at a point 990 feet from the North line and 990 feet from the East line of said Section 23, provided however,

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that the well at this location upon completion in said pool shall have an allowable factor for gas proration purposes of 0.32.

(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 Division may deem necessary.

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

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION



JOE D. RAMEY  
Director

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