

*Entered August 26*  
*JGR*

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. 8305  
Order No. R-7660  
NOMENCLATURE

YATES PETROLEUM CORPORATION  
FOR POOL CREATION AND SPECIAL  
POOL RULES, ROOSEVELT COUNTY,  
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8 a.m. on August 22, 1984, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 31st day of August, 1984, 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, Yates Petroleum Corporation, is the owner and operator of the Smith "ZJ" Well No. 1, located 660 feet from the South and West lines of Section 11, Township 7 South, Range 33 East, NMPM, Roosevelt County, New Mexico.

(3) That the applicant seeks the creation of a new pool for the production of oil from the Wolfcamp and Cisco formations and the promulgation of temporary special pool rules governing said pool, including provisions for 160-acre spacing and proration units and well location requirements.

(4) That the evidence presently available indicates that the aforesaid Smith "ZJ" Well No. 1 has discovered a separate common source of supply and that a new oil pool should therefore be created and designated the North Chaveroo Permo-Pennsylvanian Pool; that the vertical limits of said pool should include all formations from the top of the Wolfcamp formation to the base of the Cisco formation; and that the horizontal limits of said pool should be

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comprised of the following-described lands in Roosevelt County, New Mexico:

TOWNSHIP 7 SOUTH, RANGE 33 EAST, NMPM  
Section 11: SW/4

(5) That the evidence presently available indicates that the Wolfcamp and Cisco formations encountered in the above-described Smith "ZJ" Well No. 1 is of high permeability, and that the drainage radius of the well will be in excess of 40 acres.

(6) That in order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, temporary special rules and regulations providing for 160-acre spacing units should be promulgated for the proposed North Chaveroo Permo-Pennsylvanian Pool.

(7) That the temporary special rules and regulations should provide for limited well locations in order to assure orderly development of the pool and protect correlative rights.

(8) That the temporary special rules and regulations should be established for a two-year period in order to allow the operators in the subject pool to gather reservoir information to establish the area that can be efficiently and economically drained and developed by one well.

(9) That this case should be reopened at an examiner hearing in September, 1986, at which time the operators in the subject pool should be prepared to appear and show cause why the North Chaveroo Permo-Pennsylvanian Pool should not be developed on 40-acre spacing units.

IT IS THEREFORE ORDERED:

(1) That a new pool in Roosevelt County, New Mexico, classified as an oil pool for Wolfcamp and Cisco production, is hereby created and designated the North Chaveroo Permo-Pennsylvanian Pool, with vertical limits comprising the Wolfcamp and Cisco formations, and the horizontal limits comprising the following-described area:

TOWNSHIP 7 SOUTH, RANGE 33 EAST, NMPM  
Section 11: SW/4

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(2) That temporary Special Rules and Regulations for the North Chaveroo Permo-Pennsylvanian Pool, Roosevelt County, New Mexico, are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS  
FOR THE  
NORTH CHAVEROO PERMO-PENNSYLVANIAN POOL

RULE 1. Each well completed or recompleted in the North Chaveroo Permo-Pennsylvanian Pool or in the Wolfcamp and/or Cisco formations within one mile thereof, and not nearer to or within the limits of another designated Fusselman oil pool, shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. Each well shall be located on a standard unit containing 160 acres, more or less, substantially in the form of a square, which is a quarter section being a legal subdivision of the United States Public Lands Survey.

RULE 3. The Division Director may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed for a non-standard unit consisting of less than 160 acres or the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the United States Public Lands Survey. All operators offsetting the proposed non-standard unit shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Director may approve the application upon receipt of written waivers from all offset operators or if no offset operator has entered an objection to the formation of the non-standard unit within 30 days after the Director has received the application.

RULE 4. Each well shall be located no nearer than 330 feet to the outer boundary of the proration unit or to any governmental quarter-quarter section line nor nearer than 660 feet to the nearest well drilling to or capable of producing from the same pool.

RULE 5. The Division Director may grant an exception to the requirements of Rule 4 without notice and hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proposed location shall be notified of the application by registered or certified

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mail, and the application shall state that such notice has been furnished. The Director may approve the application upon receipt of written waivers from all operators offsetting the proposed location or if no objection to the unorthodox location has been entered within 20 days after the Director has received the application.

RULE 6. Top unit allowable for a standard proration unit (158 through 162 acres) shall be based on a depth bracket allowable of 427 barrels per day, and in the event there is more than one well on a 160-acre proration unit, the operator may produce the allowable assigned to the unit from the wells on the unit in any proportion.

The allowable assigned to a non-standard unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 160 acres.

IT IS FURTHER ORDERED:

(3) That the locations of all wells presently drilling to or completed in the North Chaveroo Permo-Pennsylvanian Pool or in the Wolfcamp and/or Cisco formations within one mile thereof are hereby approved; that the operator of any well having an unorthodox location shall notify the Hobbs District Office of the Division in writing of the name and location of the well on or before October 15, 1984.

(4) That, pursuant to Paragraph A. of Section 70-2-18 NMSA 1978, existing wells in the North Chaveroo Permo-Pennsylvanian Pool shall have dedicated thereto 160 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C. of said Section 70-2-18, existing wells may have non-standard spacing or proration units established by the Division and dedicated thereto.

Failure to file new Forms C-102 with the Division dedicating 160 acres to a well or to obtain a non-standard unit approved by the Division within 60 days from the date of this order shall subject the well to cancellation of allowable.

(5) That this case shall be reopened at an examiner hearing in September, 1986, at which time the operators in the subject pool may appear and show cause why the North Chaveroo Permo-Pennsylvanian Pool should not be developed on 40-acre spacing units.

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

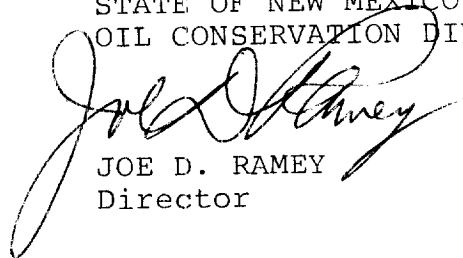
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DONE at Santa Fe, New Mexico, on the day and year  
hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

A handwritten signature in cursive script, appearing to read "Joe D. Ramey", is written over the printed name and title.

JOE D. RAMEY  
Director

S E A L  
fd/