

**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. 12596
ORDER NO. R-8089-A**

**APPLICATION OF YATES PETROLEUM CORPORATION FOR POOL
CONTRACTION, POOL CREATION OR, IN THE ALTERNATIVE, AMENDMENT OF
THE SPECIAL POOL RULES AND REGULATIONS FOR THE FEATHER-MORROW
POOL, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on February 22, 2001, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 21st day of June, 2001, 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) The applicant, Yates Petroleum Corporation ("Yates"), originally sought an order contracting the boundaries of the Feather-Morrow Pool by deleting the NW/4 of Section 28, Township 15 South, Range 32 East, NMPM, Lea County, New Mexico. Yates further sought the creation of a new pool for Morrow production comprising the W/2 of Section 28, Township 15 South, Range 32 East, NMPM.
- (3) In the alternative, Yates sought amendment of the "*Special Pool Rules for the Feather-Morrow Pool*" to provide for 160-acre spacing and proration units.
- (4) The Feather-Morrow Pool currently comprises the SE/4 of Section 16, the S/2 and NE/4 of Section 21, the NW/4 of Section 28 and the NE/4 of Section 29, all in Township 15 South, Range 32 East, NMPM, Lea County, New Mexico.
- (5) The Feather-Morrow Pool was created by Division Order No. R-6923 dated March 9, 1982, and is currently classified as an oil pool. The discovery well for the pool was the Santa Fe Energy Company State "UTP" Well No. 1 located in Unit J of Section 21, Township 15 South, Range 32 East, NMPM. The pool is governed by Division Rule No. 104.B.(1), which requires that wells be located on a spacing unit consisting of 40 acres and that wells be located no closer than 330 feet to the outer boundary of the spacing unit.

(6) The Feather-Morrow Pool is also currently subject to a special gas-oil ratio limitation of 10,000 cubic feet of gas per barrel of oil as established by Division Order No. R-8089 dated December 4, 1985.

(7) Pogo Producing Company, an operator within the Feather-Morrow Pool, appeared at the hearing through legal counsel.

(8) At the hearing, Yates requested that the portion of its application seeking to contract the Feather-Morrow Pool by deleting the NW/4 of Section 28, and to simultaneously create a new pool for Morrow production comprising the W/2 of Section 28, be dismissed.

(9) There are six wells that have produced from the Feather-Morrow Pool, described as follows. Of these six wells, five are currently producing from the pool, and one, the State “UTP” Well No. 2, has been recompleted to the North Anderson Ranch-Wolfcamp Pool:

<u>Operator, Well Name & Number</u>	<u>API Number</u>	<u>Well Location</u>
Pogo Producing Company Pluma “29” State No. 1	30-025-34517	Unit G, Section 29
Pogo Producing Company Pluma “29” State No. 2	30-025-35027	Unit B, Section 29
Devon SFS Operating, Inc. State “UTP” No. 1	30-025-25345	Unit J, Section 21
Devon SFS Operating, Inc. State “UTP” No. 2	30-025-28263	Unit G, Section 21
H. L. Brown, Jr. State “UTP” No. 3	30-025-28701	Unit P, Section 16
Yates Petroleum Corporation Red Tail “AWR” State Com No. 4	30-025-35180	Unit D, Section 28

(10) The applicant’s geologic evidence demonstrates that all six wells within the Feather-Morrow Pool produce or have produced from Lower-Morrow sand intervals that are correlative and continuous throughout the pool area.

(11) Yates testified that it has recently drilled its Red Tail “AWR” State Com Well No. 4, and that the well was completed in the Feather-Morrow Pool in January, 2001. (*Note:*

*There is a discrepancy between Yates’ evidence and Division records regarding the number of the Red Tail “AWR” State Com. well. Yates’ evidence shows the well number to be No. 1, while Division records show the well number to be No. 4. For purposes of this order, this well shall be referred to as **Well No. 4.***)

(12) During the production test period from February 3-19, 2001, the Red Tail “AWR” State Com Well No. 4 produced at an average rate of 65 barrels of oil and 1,474 MCF of gas per day.

(13) Yates presented the following production data for the Feather-Morrow Pool:

<u>Well Name & Number</u>	<u>Date Drilled</u>	<u>Cumulative Production</u>	
		<u>Oil (Barrels)</u>	<u>Gas (MCF)</u>
Pluma “29” State No. 1	January, 2000	12,019	134,008
Pluma “29” State No. 2	Currently Drilling	N/A	N/A
Red Tail “AWR” State Com No. 4	January, 2001	N/A	N/A
State “UTP” No. 1	December, 1981	194,849	1,639,330
State “UTP” No. 2	August, 1983	41,589	326,881
(Note: The State “UTP” Well No. 2 was recompleted to the North Anderson Ranch-Wolfcamp Pool in 1988)			
State “UTP” No. 3	September, 1984	166,764	3,055,695

(14) Yates also presented the following drainage data for certain wells within the Feather-Morrow Pool:

<u>Well Name & Number</u>	<u>Ultimate Drainage Area (Acres)</u>
State “UTP” No. 1	211
State “UTP” No. 2	69
State “UTP” No. 3	595
Pluma “29” No. 1	96

(15) There is insufficient data available at the present time to make a determination as to the drainage areas of the Pluma “29” State No. 2 and the Red Tail “AWR” State Com Well No. 4.

(16) The engineering data currently available demonstrates that the wells in the Feather-Morrow Pool are capable of draining hydrocarbons in this reservoir from areas in excess of 40 acres.

(17) Subsequent to the hearing, Yates submitted a letter in which it states that it has examined the status of the leases and acreage in the Feather-Morrow Pool, and that it has determined that changing the spacing in the pool from 40-acres to 160-acres would not change the ownership of any well, thereby assuring that correlative rights will be protected if this application is approved.

(18) Concho Resources, Inc., an interest owner in the Red Tail “AWR” State Com Well No. 4, appeared at the hearing and read a statement in support of Yates’ application.

(19) No interest owner or operator appeared at the hearing in opposition to the application.

(20) Amendment of the "*Special Pool Rules for the Feather-Morrow Pool*" to provide for 160-acre spacing and proration units will allow the operators in the pool the opportunity to economically recover the hydrocarbons from this reservoir underlying each respective proration unit, thereby preventing waste, and will not violate correlative rights.

(21) The special pool rules should provide for designated well location requirements such that wells should be located no closer than 660 feet to the outer boundary of the unit nor closer than 330 feet to any quarter-quarter section line or subdivision inner boundary.

(22) Pursuant to Division Rule No. 505, the Feather-Morrow Pool should be assigned a depth bracket allowable of 650 barrels of oil per day and 6.5 MMCF of gas per day.

(23) The amendments to the "*Special Pool Rules for the Feather-Morrow Pool*" established by this order should remain in effect for a temporary period of eighteen months in order to allow the operators in the pool the opportunity to obtain additional engineering data to support the permanent adoption of these rules.

(24) This case should be reopened at an examiner hearing in January, 2003, at which time the operators in the Feather-Morrow Pool should appear to show cause why the temporary pool rules established by this order should not be rescinded.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Yates Petroleum Corporation, the "*Special Pool Rules for the Feather-Morrow Pool*," as established by Division Order No. R-8089, are hereby amended to read in their entirety as follows:

TEMPORARY SPECIAL POOL RULES
FOR THE
FEATHER-MORROW POOL

RULE 1. Each well completed in or recompleted in the Feather-Morrow Pool, or in the Morrow formation within one mile thereof and not nearer to or within the limits of another designated Morrow pool, shall be spaced, drilled, operated, and produced in accordance with the special rules hereinafter set forth.

RULE 2. Each well completed or recompleted in the Feather-Morrow Pool shall be located on a unit containing 160 acres, more or less, which consists of a single governmental quarter section.

RULE 3. The Director may grant an exception to the requirements of Rule 2 in accordance with the procedure set forth by Division Rule No. 104.D.(2).

RULE 4. Each well shall be located no closer than 660 feet to the outer boundary of the spacing unit, nor closer than 330 feet to any quarter-quarter section line or subdivision inner boundary.

RULE 5. The Director may grant an exception to the requirements of Rule 4 in accordance with the procedure set forth by Division Rule No. 104.F.

RULE 6. The allowable for a standard 160-acre proration unit shall be 650 barrels of oil per day. 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 proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 160 acres.

RULE 7. The limiting gas-oil ratio shall be 10,000 cubic feet of gas per barrel of oil.

IT IS FURTHER ORDERED THAT:

(2) The location of all wells presently drilling to, or completed in, the Feather-Morrow Pool, or in the Morrow formation within one mile thereof, are hereby approved. The operator of any well having an unorthodox location shall notify the Division's Hobbs District Office, in writing, of the name and location of the well within 30 days from the date of this order.

(3) Existing wells in the Feather-Morrow Pool shall have dedicated thereto 160 acres in accordance with the foregoing pool rules; or, existing wells may have non-standard spacing and proration units established by the Division and dedicated thereto.

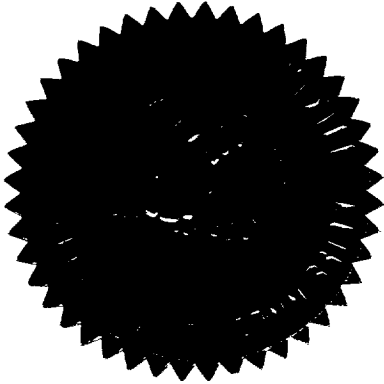
Failure to file new Form C-102 with the Division dedicating 160 acres to a well, or to obtain a non-standard unit approved by the Division within 60 days from the date of this order, shall subject the well to cancellation of allowable until a non-standard unit has been approved.

(4) This case shall be reopened at an examiner hearing in January, 2003, at which time the operators in the Feather-Morrow Pool shall appear and present evidence to show cause why the temporary special pool rules established by this order should not be rescinded.

(5) The portion of Yates' application seeking to contract the Feather-Morrow Pool by deleting the NW/4 of Section 28, and to simultaneously create a new pool for Morrow production comprising the W/2 of Section 28, is hereby dismissed.

(6) 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.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in cursive script, reading "Lori Wrotenbery". The signature is fluid and elegant, with a large initial "L" and a long, sweeping tail on the "y".

LORI WROTENBERY
Director