

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. 10241
Order No. R-9481

APPLICATION OF YATES PETROLEUM
CORPORATION FOR AN UNORTHODOX
GAS WELL LOCATION, EDDY COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on February 21 and March 21, 1991, at Santa Fe, New Mexico, before Examiners David R. Catanach and Michael E. Stogner, respectively.

NOW, on this 1st day of April, 1991, 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) The applicant, Yates Petroleum Corporation, seeks approval of an unorthodox gas well location for its Judith "AIJ" Federal Well No. 1 located 560 feet from the South and East lines (Unit P) of Section 9, Township 20 South, Range 24 East, NMPM, Eddy County, New Mexico, to test both the Undesignated West Dagger Draw-Morrow Gas Pool and the Undesignated South Dagger Draw-Upper Pennsylvanian Associated Pool.

(3) The E/2 of said Section 9 is to be dedicated to the subject well forming a standard 320-acre gas spacing and proration unit for said pool(s).

(4) The subject well is located within one mile of the outer boundary of the South Dagger Draw-Upper Pennsylvanian Associated Pool and is therefore subject to the special rules and regulations for said pool as promulgated by Division Order No. R-5353, as amended, which require 320-acre oil and gas spacing and proration units with wells to be located no closer than 660 feet from the end or side boundary of the proration unit nor closer than 330 feet from any quarter-quarter section or subdivision inner boundary.

(5) According to evidence presented, the subject well was initially proposed as a South Dagger Draw-Upper Pennsylvanian Associated Pool well and was staked at a standard location for said pool 660 feet from the South and East lines (Unit P) of said Section 9, but was subsequently moved to the proposed location at the request of the Bureau of Land Management due to topographic considerations.

(6) Due to an expiring lease, the applicant spudded the subject well on January 30, 1991.

(7) On January 30, 1991, the applicant filed a sundry notice with the Bureau of Land Management requesting authorization to drill the subject well to a depth sufficient to test the Morrow formation.

(8) The subject well is located within one mile of the outer boundary of the West Dagger Draw-Morrow Gas Pool which is currently governed by Division General Rule No. 104 (C)(II), which requires that wells be located no closer than 660 feet from the side boundary nor closer than 1980 feet from the end boundary of the proration unit, nor closer than 330 feet from any quarter-quarter section line or subdivision inner boundary.

(9) The primary objective in the subject well is the Upper Pennsylvanian formation and the secondary objective is the Morrow formation.

(10) According to applicant's geologic evidence and testimony, a well at the proposed location should encounter greater dolomite thickness in the Upper Pennsylvanian formation than would a well drilled at a standard location for both pools (1980 feet from the South line and 660 feet from the East line), thereby increasing the likelihood of obtaining commercial production.

(11) The applicant is the operator of the affected offset acreage to the south and southeast of the proposed location.

(12) No other offset operator and/or interest owner appeared at the hearing in opposition to the application.

(13) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the oil and gas in the affected pool(s), 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 and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

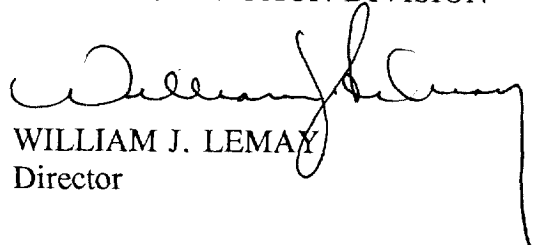
(1) The applicant, Yates Petroleum Corporation, is hereby authorized to drill its Judith "AIJ" Federal Well No. 1 at an unorthodox gas well location 560 feet from the South and East lines (Unit P) of Section 9, Township 20 South, Range 24 East, NMPM, Eddy County, New Mexico, to test both the Undesignated West Dagger Draw-Morrow Gas Pool and the Undesignated South Dagger Draw-Upper Pennsylvanian Associated Pool.

(2) The E/2 of said Section 9 shall be dedicated to the subject well forming a standard 320-acre gas spacing and proration unit for said pool(s).

(3) 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.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

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