

**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. 10543
Order No. R-9740**

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

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on September 17, 1992, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 13th day of October, 1992, 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 proposed Irish Hills "KW" State Well No. 3 to be located 660 feet from the North and East lines (Unit A) of Section 2, Township 19 South, Range 24 East, NMPM, Eddy County, New Mexico, to test all formations and/or pools from the top of the Wolfcamp formation to the base of the Morrow formation being developed on 320-acre spacing. Lots 1 through 4 and the S/2 N/2 (N/2 equivalent) of Section 2 are to be dedicated to said well forming a standard 321.08-acre gas spacing and proration unit.

(3) The applicant further seeks an exception to Division General Rule 104 (C)(2) to allow the N/2 equivalent of Section 2 to be simultaneously dedicated in the Penasco Draw-Permo Pennsylvanian Gas Pool to the proposed well and to the existing Irish Hills "KW" State Well No. 2 located at a standard gas well location 1980 feet from the North and East lines (Unit G) of Section 2.

(4) The applicant's geologic evidence indicates that the primary objective in the subject well is the Morrow formation.

(5) The Irish Hills "KW" State Well No. 2 was drilled in 1980 and completed in the Penasco Draw-Permo Pennsylvanian Gas Pool. According to evidence presented, the well has cumulatively produced 300 MMCF of gas and is currently capable of producing approximately 100 MCFG per day.

(6) The Irish Hills "KW" State Well No. 2 encountered approximately two feet of clean Morrow sand and subsequently tested non-commercial in the Morrow formation.

(7) According to applicant's geologic evidence, a well at the proposed location should encounter a substantially greater amount of Morrow pay sands than a well drilled at a standard location thereon, thereby increasing the likelihood of obtaining commercial production.

(8) In addition, as a result of encountering a greater amount of Morrow pay sands, a well at the proposed location should more effectively drain the gas reserves in the Morrow formation underlying the N/2 of Section 2.

(9) The N/2 of Section 1, being the acreage upon which the subject well is encroaching, is operated by Yates Petroleum Corporation.

(10) No other offset operator and/or interest owner appeared at the hearing in opposition to the proposed unorthodox location.

(11) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the 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.

(12) Applicant's further evidence and testimony in this case indicates that the Penasco Draw-Permo Pennsylvanian Gas Pool is a secondary objective in the subject well.

(13) Pursuant to the Division Memorandum dated August 3, 1990 regarding Rule 104 (C)(II) of the General Rules and Regulations, the Division may authorize, after notice and hearing, the continuance and concurrent production of two wells on the same proration unit in a non-prorated gas pool provided that the applicant demonstrates that its correlative rights will be impaired unless both wells are produced.

(14) The applicant, through its evidence and testimony in this case, did not demonstrate that its correlative rights would be impaired unless both of the subject wells are produced.

(15) Applicant's request for simultaneous dedication should be denied.

(16) Should the Irish Hills "KW" State Well No. 3 ultimately be completed in the Penasco Draw-Permo Pennsylvanian Gas Pool, the applicant should be required to obtain authorization to produce both wells alternately pursuant to the requirements set forth in the Division Memorandum described above.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Yates Petroleum Corporation, is hereby authorized to drill its Irish Hills "KW" State Well No. 3 at an unorthodox gas well location 660 feet from the North and East lines (Unit A) of Section 2, Township 19 South, Range 24 East, NMPM, Eddy County, New Mexico, to test all formations and/or pools from the top of the Wolfcamp formation to the base of the Morrow formation being developed on 320-acre spacing.

(2) Lots 1 through 4 and the S/2 N/2 (N/2 equivalent) of Section 2 shall be dedicated to the above-described well forming a standard 321.08-acre gas spacing and proration unit.

(3) The applicant's request to simultaneously dedicate the N/2 of Section 2 in the Penasco Draw-Permo Pennsylvanian Gas Pool to the above-described well and to the existing Irish Hills "KW" State Well No. 2 located at a standard gas well location 1980 feet from the North and East lines (Unit G) of Section 2, is hereby denied.

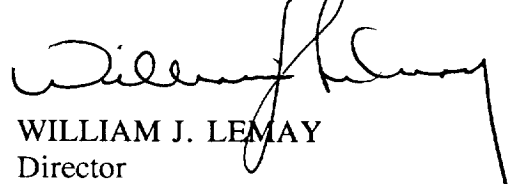
(4) Should the Irish Hills "KW" State Well No. 3 ultimately be completed in the Penasco Draw-Permo Pennsylvanian Gas Pool, the applicant shall be required to obtain authorization to produce both wells alternately pursuant to the requirements set forth in the Division Memorandum described in Finding No. (13) above.

(5) Jurisdiction is hereby 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



WILLIAM J. LEMAY
Director

S E A L

ENG216T--ENG216-01

EXHIBIT "B" COMMISSION ORDER NO. R--9734

MARKET DEMAND AND ALLOWABLE DETERMINATION SCHEDULE

PRORATED GAS POOLS - NORTHW EST NEW MEXICO

FOR OCT92 THRU MAR93

	BASIN	BLANCO	BLANCO	TAPACITO
	DAKOTA	MESA VERDE	P.C. SOUTH	
(1) AVERAGE MONTHLY	7,145,484	12,265,486	1,061,345	228,640
POOL SALES				
OCT91-MAR92				
ALL VOLUME ARE IN MCF.				

(2) TOTAL				
NOMINATIONS				
AVG MONTH VOL.				
(3) ADJUSTMENTS.	2,000,000	3,000,000	150,000	100,000
(4) MONTHLY POOL	9,145,484	15,265,486	1,211,345	328,640
ALLOWABLE				
OCT92-MAR93				
(LINE 1 + LINE 3.)				
(5) MONTHLY MARGINAL	5,050,757	6,686,273	682,476	135,217
POOL ALLOWABLE				
OCT91-MAR92				
(6) MONTHLY	4,094,727	8,579,218	528,869	193,423
NON-MARGINAL				
POOL ALLOWABLES				
OCT92-MAR93				
LINE 4 - LINE 5				
(7) NUMBER OF	229.86	468.11	303.30	83.10
NON-MARGINAL				
ACREAGE FACTORS				
(8) NUMBER OF	119,193	289,803	14,340	5,710
NON-MARGINAL				
ACREAGE TIMES				
DELIVERABILITY				
FACTORS				
(9) MONTHLY ACREAGE	10,688	4,582	436	582
ALLOCATE FACTOR				
OCT92-MAR93				
(10) MONTHLY ACREAGE	13.74	22.20	27.66	25.41
TIMES				
DELIVERABILITY				
ALLOCATE FACTOR				
OCT92-MAR93				

ENG216T--ENG216-01
EXHIBIT "A" COMMISSION ORDER NO. R--9734
MARKET DEMAND AND ALLOWABLE DETERMINATION SCHEDULE
PRORATED GAS POOLS - SOUTHEAST NEW MEXICO
FOR OCT92 THRU MAR93

	ATOKA PENN	BLINEBRY	BUFFALO VALLEY PENN	CARLSBAD MORROW	CATCLAW DRAW MORROW	EUMONT MORROW	INDIAN BASIN SO	INDIAN BASIN UPPER PENN	JALMAT	JUSTIS GL	TUBB
(1) AVERAGE MONTHLY POOL SALES OCT91-MAR92 ALL VOLUME ARE IN MCF.	100,603	454,535	276,371	230,677	355,760	2,596,563	81,249	3,027,791	1,143,588	55,754	252,532
(2) TOTAL NOMINATIONS AVG MONTH VOL.											
(3) ADJUSTMENTS.		36,681								81,000	
(4) MONTHLY POOL ALLOWABLE OCT92-MAR93 (LINE 1 + LINE 3.)	100,603	491,216	276,371	230,677	355,760	2,596,563	81,249	3,027,791	1,143,588	136,754	252,532
(5) MONTHLY MARGINAL POOL ALLOWABLE OCT91-MAR92	81,189	233,872	276,371	196,007	230,505	2,225,600	81,249	2,048,526	1,062,804	27,523	184,565
(6) MONTHLY NON-MARGINAL POOL ALLOWABLES OCT92-MAR93 LINE 4 - LINE 5	19,414	257,344		34,670	125,255	370,963		979,265	80,784	109,231	67,967
(7) NUMBER OF NON-MARGINAL ACREAGE FACTORS	1.00	6.75		1.00	1.00	15.00		5.49	3.25	6.00	7.00
(8) MONTHLY ACREAGE ALLOCATE FACTOR OCT92-MAR93 (LN 6 / LN 7)	19,414	38,125	*30,000	34,670	125,255	24,730	*36,000	178,372	24,856	18,205	9,710

F1 FACTORS FOR OTHER POOLS
BURTON FLAT STRAWN F1 = 10,000
MONUMENT MCKEE ELLEN F1 = 25,000
POOLS.
*AS OF 3-31-92, THESE POOLS DO NOT HAVE ANY WELLS IN A NON-MARGINAL STATUS. THESE F1 FACTORS ARE ASSIGNED TO MONITOR THE WELLS IN THE