

**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. 10730
Order No. R-9906**

**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 May 20, 1993, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 4th day of June, 1993, 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 to drill its proposed Conoco "AGK" Federal Well No. 15 at an unorthodox gas well location 660 feet from the South line and 1980 feet from the East line (Unit O) of Section 26, Township 20 South, Range 24 East, NMPM, Cemetery-Morrow Gas Pool, Eddy County, New Mexico.

(3) The applicant proposes to dedicate the E/2 of Section 26 to the subject well forming a standard 320-acre gas spacing and proration unit for said pool.

(4) The proposed well is located within one mile of the outer boundary of the Cemetery-Morrow Gas Pool which is currently governed by Statewide Rules and Regulations which require standard 320-acre gas spacing and proration units with wells to be located no closer than 1980 feet from the end boundary nor closer than 660 feet from the side boundary of the proration unit nor closer than 330 feet from any quarter-quarter section line or subdivision inner boundary.

(5) According to applicant's evidence, the subject well is proposed to be tested in both the Cemetery-Morrow Gas Pool and the South Dagger Draw-Upper Pennsylvanian Associated Pool.

(6) The South Dagger Draw-Upper Pennsylvanian Associated Pool is currently governed by Special Rules and Regulations as promulgated by Division Order No. R-5353, as amended, which require standard 320-acre oil or gas spacing units with wells to be located no closer than 660 feet to the nearest end or side boundary of the tract nor closer than 330 feet to any quarter-quarter section line or subdivision inner boundary.

(7) The proposed well is at a standard location for the South Dagger Draw-Upper Pennsylvanian Associated Pool.

(8) According to applicant's evidence and testimony, the proposed unorthodox location is necessitated by geologic considerations in the Morrow formation.

(9) Applicant's geologic evidence indicates that a well drilled at the proposed unorthodox location should encounter a greater amount of gross sand in the Upper Morrow interval than a well drilled at a standard Morrow location thereon, thereby increasing the likelihood of obtaining commercial gas production.

(10) The proposed Conoco "AGK" Federal Well No. 15 is offset to the south by the Conoco Inc. Preston Federal Well No. 6 located at an unorthodox location 990 feet from the North line and 460 feet from the East line (Unit A) of Section 35, Township 20 South, Range 24 East, NMPM. The Preston Federal Well No. 6 was completed in the Cemetery-Morrow Gas Pool in February, 1993, at an initial producing rate of 2.5 MMCFG per day.

(11) Applicant's engineering evidence and testimony indicate that a well at the proposed unorthodox location is necessary in order to protect the E/2 of Section 26 from drainage from the aforesaid Preston Federal Well No. 6.

(12) The affected offset operators to the south and southeast are Conoco Inc. and Marathon Oil Company, respectively.

(13) Neither Conoco Inc. nor Marathon Oil Company appeared at the hearing in opposition to the application.

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

(15) 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 pools, 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:

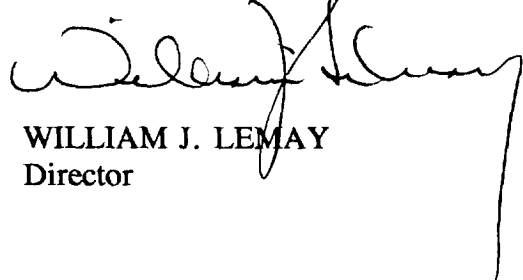
(1) The applicant, Yates Petroleum Corporation, is hereby authorized to drill its Conoco "AGK" Federal Well No. 15 at an unorthodox gas well location 660 feet from the South line and 1980 feet from the East line (Unit O) of Section 26, Township 20 South, Range 24 East, NMPM, Cemetery-Morrow Gas Pool, Eddy County, New Mexico.

(2) The E/2 of Section 26 shall be dedicated to the above-described well forming a standard 320-acre gas spacing and proration unit for said pool.

(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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