

Stogner, Michael

From: Paul R. Owen[SMTP:POwen@westofpecos.com]
Sent: Friday, February 11, 2000 3:45 PM
To: Stogner, Michael
Subject: Yates UWL --Wings "AUT"



Yates wings AUT
proposed admin order.207

Mike--

This morning I discussed with Yates the issues that you and I spoke about yesterday, pertaining Yates' to administrative application for approval of an unorthodox location for the Wings "AUT" well. I sent you a letter on this issue this morning.

First, Yates and its sister companies represent 100% of the working interest for the N/2 of Section 20, the spacing unit offsetting the well to the Southwest of the well location. No further notice on this case should be necessary.

Second, I drafted some suggested language for inclusion in the administrative order, which should address your concern about Yates losing the wellbore on the re-entry project, and skidding the rig over slightly and drilling a new well at the unorthodox location. I sent you a new draft of the proposed order on a disk, and have attached it to this e-mail. The new language is:

Provided, however, that this Order authorizing the proposed unorthodox location is limited to the location resulting from Yates' proposed re-entry of the Union State 17 Well. If the re-entry of said well is unsuccessful, this Order shall not be deemed to authorize the drilling of any replacement or other well at any unorthodox location within the subject spacing unit.

If you have any questions, please call.

Paul R. Owen
Attorney at law

Campbell, Carr, Berge & Sheridan, P.A.
Post Office Box 2208
110 North Guadalupe, Suite 1
Santa Fe, New Mexico 87505
(505) 988-4421
(505) 983-6043 (fax)

(Date)

Yates Petroleum Corporation
c/o Campbell, Carr, Berge & Sheridan, P.A.
110 North Guadalupe
Post Office Box 2208
Santa Fe, New Mexico 87504-2208

Re: *Application of Yates Petroleum for Administrative Approval of an Unorthodox Well Location for its Wings "AUT" State #1 Well, 560 feet from the South line and 660 feet from the West line of Section 17, Township 15 South, Range 32 East, Lea County, New Mexico*

Dear Mr. Owen:

Reference is made to your application dated February 7, 2000 to drill Yates' proposed Wings "AUT" State #1 Well at a non-standard location 560 feet from the South line and 660 feet from the West line of Section 17, Township 15 South, Range 32 East, Lea Eddy County, New Mexico, to test the Morrow formation, _____ Morrow Pool.

The application has been duly filed under the provisions of Rule 104.F of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division"), revised by Division Order No. R-10533, issued by the Oil Conservation Commission in Case 11,351 on January 18, 1996.

The information submitted with this application indicates that the non-standard location is necessary so that Yates may drill the proposed well as a re-entry of the Union State #17 Well, which well was originally drilled as a dry hole to 10,100 feet, and was plugged and abandoned on December 31, 1970. The information submitted with this application indicates that the additional costs associated with drilling a well at a non-standard location will render the well non-economic, resulting in the waste of the hydrocarbons underlying the subject spacing unit.

The S/2 of said Section 17 shall be dedicated to the well to form a standard 320-acre gas spacing and proration unit for the subject pool.

By the authority granted me under the provisions of Division General Rule 104.F(2), the above-described unorthodox gas well location is hereby approved.

Provided, however, that this Order authorizing the proposed unorthodox location is limited to the location resulting from Yates' proposed re-entry of the Union State 17 Well. If the re-entry of said well is unsuccessful, this Order shall not be deemed to authorize the drilling of any replacement or other well at any unorthodox location within the subject spacing unit.

Sincerely,

Lori Wrotenbery
Director

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
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February 11, 2000

OIL CONSERVATION DIV
FEB 11 PM 4:18

HAND DELIVERED

Michael Stogner, Hearing Examiner
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Case 12352

Re: Application of Yates Petroleum Corporation for Administrative Approval of an Unorthodox Well Location for its Wings "AUT" State #1 Well, 560 feet from the South line and 660 feet from the East line of Section 17, Township 15 South, Range 32 East, Lea County, New Mexico

Dear Mr. Stogner:

We discussed this matter yesterday. On Monday, February 7, I filed an administrative application seeking approval of the above-referenced unorthodox well location. In addition, on Tuesday, February 8, I filed a formal application for hearing in which I sought the same relief.

As the application in this case demonstrate, and as reflected in my February 7 letter to Lori Wrottenbery, the unorthodox location is sought in this case because Yates seeks to utilize an existing plugged and abandoned well. The proposed well is a re-entry of the Union State 17 Well, a well that was drilled as a dry hole to 10,100 feet, and was plugged and abandoned on December 31, 1970. Yates proposes to re-enter the well and drill it to a depth of 12,700 feet, within the Morrow formation.

In our meeting yesterday, you expressed concern about two matters. First, you indicated that although Yates had submitted a waiver of objection from Pogo Producing, a working interest owner in the N/2 of Section 20, Township 15 South, Range 32 East, Eddy County, New Mexico, the proposed location also encroached on the N/2 of Section 19. You asked that I confirm that Yates and its sister companies represented the entire working interest in the N/2 of Section 19, and waived objection to the proposed well. I have confirmed that Yates and its sister companies represent the entire working interest in the N/2 of Section 19, and waive objection to the proposed well.

Michael Stogner
February 11, 2000
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Second, you asked me to provide assurance that Yates sought the unorthodox location solely for the purpose of realizing the economic savings that would result from re-entering the old well, as opposed to drilling a new well at a standard location. Yates has confirmed that its motive in seeking approval of the unorthodox location is to realize those economic savings, and that if the re-entry is unsuccessful, Yates will drill any replacement well at a standard location in the spacing unit, rather than skid the drilling rig over and drilling such a well at a similar unorthodox location.

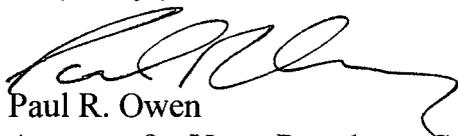
To address your second concern, Yates agrees that it will be appropriate for you to insert the following language in an administrative order granting Yates' administrative application:

Provided, however, that this Order authorizing the proposed unorthodox location is limited to the location resulting from Yates' proposed re-entry of the Union State 17 Well. If the re-entry of said well is unsuccessful, this Order shall not be deemed to authorize the drilling of any replacement or other well at any unorthodox location within the subject spacing unit.

I have amended the proposed Order which I provided with the February 7 administrative application, by the inclusion of the above language. The proposed Order, as amended, is enclosed herewith in hard copy and on a disk.

I appreciate the time you spent examining this project with me yesterday. If you have any questions about this matter, please let me know.

Very truly yours,



Paul R. Owen
Attorney for Yates Petroleum Corporation

Enclosures

cc: Douglas W. Hurlbut
Yates Petroleum Corporation (via facsimile)

(Date)

Yates Petroleum Corporation
c/o Campbell, Carr, Berge & Sheridan, P.A.
110 North Guadalupe
Post Office Box 2208
Santa Fe, New Mexico 87504-2208

Re: *Application of Yates Petroleum for Administrative Approval of an Unorthodox Well Location for its Wings "AUT" State #1 Well, 560 feet from the South line and 660 feet from the West line of Section 17, Township 15 South, Range 32 East, Lea County, New Mexico*

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The S/2 of said Section 17 shall be dedicated to the well to form a standard 320-acre gas spacing and proration unit for the subject pool.

By the authority granted me under the provisions of Division General Rule 104.F(2), the above-described unorthodox gas well location is hereby approved.

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Sincerely,

Lori Wrotenbery
Director

(Date)

Yates Petroleum Corporation
c/o Campbell, Carr, Berge & Sheridan, P.A.
110 North Guadalupe
Post Office Box 2208
Santa Fe, New Mexico 87504-2208

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Sincerely,

Lori Wrotenbery
Director

Petroleum Information
Corporation
659 FREDERICK

15S 32E 17 13 SW SW
NEW MEXICO NM

WELL STATE 17 1
OPER UNION OIL OF CALIF
CITY LEA

API 30-025-2939
ISSUE A12/85
CARD 1-

