

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. 13259
ORDER NO. R-12149

APPLICATION OF YATES PETROLEUM CORPORATION FOR A NON-
STANDARD GAS SPACING UNIT, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on *for* hearing at 8:15 a.m. on April 29, 2004, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 26th day of May, 2004, 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"), seeks approval of a 389.44-acre non-standard deep gas spacing unit for any **Mississippian** gas pools spaced on 320 acres, this unit to comprise all of irregular Section 2, Township 11 South, Range 34 East, NMPM, Lea County, New Mexico. Yates further seeks to dedicate this non-standard deep gas spacing unit to its proposed Rokesmith "**BDI**" State Com Well No. 1 (API No. 30-025-36582), to be drilled at a standard deep gas well location 1,750 feet from the South line and 700 feet from the East line (Unit I) of irregular Section 2. This well will be drilled to test for gas in Mississippian age sediments and will be the first well in the spacing unit.

(3) The Division, in Rule 104.C (2), requires any spacing unit for deep gas wells in Southeast New Mexico to have 320 surface contiguous acres, more or less, and comprise any two contiguous quarter sections within a single section. In irregular Section 2, the proposed 389.44-acre spacing unit would be 22 percent larger than a standard 320-acre deep gas spacing unit and would encompass two contiguous half sections.

(4) This application as submitted by Yates, was set to hearing by the Division, since Division Rule 104.D (2) (b) (ii) prohibits administrative approval of 320-acre deep gas spacing units which do not comprise a single half section and are not necessitated by a variation in the legal subdivision of the U.S. Public Land Surveys. In addition, Rule 104.D (2) (e), gives the Division director permission to set for hearing any application for administrative approval.

(5) Yates appeared at the hearing, but presented no additional data or facts.

(6) Division records indicate the nearest Mississippian gas production is from the Sand Springs-Mississippian Gas Pool which is governed by statewide rules. This pool encompasses the 184.24-acre, W/2 of irregular (378.92-acre) Section 1, Township 11 South, Range 35 East, NMPM, Lea County, New Mexico. The 184.24-acre W/2 spacing unit is contained within one half section and is 58 percent of the size of a standard 320-acre spacing unit.

(7) The spacing unit as proposed by Yates in this case, would be inconsistent with the precedent set by Yates itself in 2001 within the Sand Springs-Mississippian Gas Pool. However, the proposed spacing unit is located "one mile or more" from this pool and would not necessarily be included in this pool.

(8) The Division, in 1986, issued administrative orders NSL-2209 and NSL-2262, granted the applicant permission for non-standard locations for deep gas wells within this Section 2. Those orders each contain statements that all of irregular Section 2 would be dedicated to those Atoka wells.

(9) Yates proposal to include the entire 389.44-acre Section 2 within one deep gas spacing unit will protect correlative rights by ensuring all tracts, including the smaller ones, share in production from any Mississippian completion within the section.

(10) Rule 104.C (2) (b) allows one infill well on a 320-acre deep gas spacing unit. Yates proposal will prevent waste, by limiting drilling of Mississippian wells in this section to no more than two.

(11) Yates application for a non-standard spacing unit for any Mississippian age gas pools spaced on 320-acres should be approved.

IT IS THEREFORE ORDERED THAT:

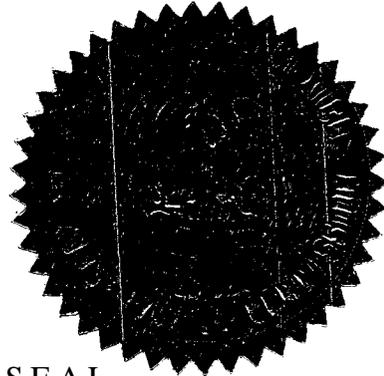
(1) Pursuant to the application of Yates Petroleum Corporation, a non-standard 389.44-acre spacing unit for any Mississippian age gas pool spaced on 320 acres is hereby formed, this unit to comprise all of irregular Section 2, Township 11 South, Range 34 East, NMPM, Lea County, New Mexico.

(2) The above-described unit shall be dedicated to Yates Petroleum Corporation's Rokesmith "BDI" State Com Well No. 1 (API No. 30-025-36582), to be drilled at a standard gas well location 1,750 feet from the South line and 700 feet from the East line (Unit I) of irregular Section 2, Township 11 South, Range 34 East, NMPM, Lea County, New Mexico, and completed in the Mississippian formation.

(3) No more than one infill well may be drilled and dedicated to this unit, such infill well to be located in the W/2 of the Section.

(4) 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

MARK E. FESMIRE
Director