

1 g CASE 5771: YATES PETROLEUM CORP.
FOR COMPULSORY POOLING AND AN ~
UNORTHODOX LOCATION, EDDY COUNTY

CASE NO.

5771

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,
ETC.

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
September 29, 1976

EXAMINER HEARING

IN THE MATTER OF:

Application of Yates Petroleum Corpora-) CASE
tion for compulsory pooling and an) 5771
unorthodox location, Eddy County,)
New Mexico.)

BEFORE: Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil William F. Carr, Esq.
Conservation Commission: Legal Counsel for the Commission
State Land Office Building
Santa Fe, New Mexico

For the Applicant: Joel M. Carson, Esq.
LOSEE & CARSON, P.A.
Attorneys at Law
300 Amercian Home Building
Artesia, New Mexico

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General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

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I N D E X

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RAY BECK

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EXHIBIT INDEX

Offered Admitted

Yates' Exhibit One, Land Plat	5	7
Yates' Exhibit Two, Map	5	7
Yates' Exhibit Three, Cross Section	6	7

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1 MR. NUTTER: We will call Case Number 5771.

2 MR. CARR: Case 5771, application of Yates Petroleum
 3 Corporation for compulsory pooling and an unorthodox location,
 4 Eddy County, New Mexico.

5 MR. CARSON: Mr. Examiner, my name is Joel Carson,
 6 Losce and Carson P.A., representing the applicant and I have one
 7 witness, Mr. Ray Beck, who has not previously been sworn.

8 (THEREUPON, the witness was duly sworn.)

9 MR. CARSON: As a preliminary matter in this case,
 10 Mr. Examiner, we have talked to the interest owners in this
 11 case and I have been authorized to state that they have all
 12 decided to participate in this well and that the application
 13 for forced pooling has been withdrawn.

14 MR. NUTTER: So we will dismiss that portion of the
 15 application?

16 MR. CARSON: Yes, sir.

17 MR. NUTTER: And you will proceed then only on the
 18 basis of the application for the unorthodox location?

19 MR. CARSON: That is correct, Mr. Examiner.

20 MR. NUTTER: Okay, we will proceed under those
 21 provisions.

22
 23 RAY BECK

24 called as a witness, having been first duly sworn, was
 25 examined and testified as follows:

DIRECT EXAMINATION

BY MR. CARSON:

Q Would you state your name, please?

A. Ray Beck.

Q What is your position, Mr. Beck?

A. Geologist.

Q Who do you work for?

A. Yates Petroleum.

Q Mr. Beck, have you previously testified before this Commission?

A. I have.

Q Have your qualifications been satisfactory with the Commission?

A. Yes.

MR. CARSON: Are his qualifications satisfactory, Mr. Examiner?

MR. NUTTER: Yes, they are.

Q (Mr. Carson continuing.) Would you state the purpose of this application in Case Number 5771?

A. In Case 5771 Yates Petroleum seeks approval of an unorthodox gas well location of its proposed No. 1 Tom Brown GO Well to be drilled six, sixty from north and nineteen, eighty from the west line of Section 22, Township 17 South, Range 26 East, Eddy County, New Mexico. The west half of Section 22 would be dedicated to the well.

1 Q Mr. Beck, I hand you what has been marked as
2 Applicant's Exhibit Number One and ask if that was prepared
3 under your supervision or by you?

4 A It was.

5 Q Would you explain to the Examiner what that exhibit
6 purports to show?

7 A Exhibit Number One is a land plat showing the
8 proposed location and its relationship to the surrounding lease-
9 hold situation. It may be noted that the unorthodox movement
10 of the location is towards Yates' acreage.

11 Q Mr. Beck, I refer you to what has been marked as
12 Applicant's Exhibit Number Two and ask if that exhibit was
13 prepared by you or under your supervision?

14 A It was prepared by me.

15 Q Would you explain to the Examiner what that exhibit
16 purports to show?

17 A Exhibit Number Two is a combination isopach and
18 structural map showing in solid contours the varying thickness
19 of the total Morrow clastic interval and it does contour the
20 structural attitude on the top of the Morrow clastics. The
21 most pertinent relationship to be shown in this exhibit is that
22 the proposed well is located very near the axis of a Morrow
23 clastics thick and it has been demonstrated that the most
24 productive efficient channel-type reservoirs of the nearby West
25 Atoka and Atoka-Penn Fields are close to the axes of such

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1 Morrow elastic thicks.

2 Q Mr. Beck, I refer you to what has been marked as
3 Applicant's Exhibit Number Three and ask if that exhibit was
4 prepared by you or under your supervision?

5 A It was prepared by me.

6 Q Would you tell the Examiner what that Exhibit
7 purports to show?

8 A Exhibit Number Three is a cross section running from
9 the southwest to the northeast showing a transverse section,
10 the map interval of the previous exhibit, the correlations
11 and the depth dimension to the previous exhibit.

12 Q Mr. Beck, in your opinion will the approval of this
13 application afford the applicant the opportunity to produce
14 its just and equitable share of gas, prevent economic loss
15 caused by the drilling of unnecessary wells and avoid the
16 augmentation of risk arising from the drilling of an excessive
17 number of wells and otherwise prevent waste and protect
18 correlative rights?

19 A I do.

20 MR. CARSON: Mr. Examiner, I would like to move the
21 admission of these exhibits.

22 MR. NUTTER: That's Yates' Exhibits One, Two and
23 Three, isn't it?

24 MR. CARSON: Yes, sir.

25 MR. NUTTER: Yates' Exhibits One through Three will be

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1 admitted into evidence.

2 (THEREUPON, Yates' Exhibits One through
3 Three were admitted into evidence.)

4 MR. CARSON: We have no further questions of the
5 witness.

6

7

CROSS EXAMINATION

8 BY MR. NUTTER:

9 Q Mr. Beck, in your opinion is the entire west half
10 of Section 22 productive of gas?

11 A Yes, sir, I think so. Besides the channel wells,
12 sometimes there are shoreline strike sands that may be connected
13 in and thereby would possibly add something to it. However,
14 I believe the better wells will probably lie along the eastern
15 half of the west half.

16 Q And the purpose of the unorthodox location is to
17 hit this Morrow thick as you called it?

18 A Yes sir, the Morrow thicks are where we believe
19 the channel sandstones are and that's our guide.

20 Q These orange dots on Exhibit Number Two are the
21 wells that are productive from the Morrow formation?

22 A Yes, sir.

23 MR. NUTTER: Are there any further questions of
24 Mr. Beck? He may be excused.

25 (THEREUPON, the witness was excused.)

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1 MR. NUTTER: Do you have anything further, Mr. Carson?

2 MR. CARSON: No, that's all.


3 MR. NUTTER: Does anyone have anything they wish to
4 offer in Case Number 5771?

5 We will take the case under advisement.
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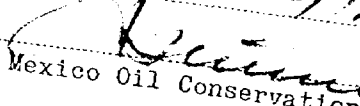
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REPORTER'S CERTIFICATE

I, SIDNEY F. MORRISH, a Certified Shorthand Reporter,
do hereby certify that the foregoing and attached Transcript
of Hearing before the New Mexico Oil Conservation Commission
was reported by me, and the same is a true and correct record
of the said proceedings to the best of my knowledge, skill and
ability.


Sidney F. Morrish, C.S.R.

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Phone (505) 982-9212

I do hereby certify that the foregoing is
a complete and correct transcript of the proceedings in
the Examiner's Hearing of Case No. 5771,
heard by me on 9/29/76, 19 76.
, Examiner
New Mexico Oil Conservation Commission

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 5771
Order No. R-5303

APPLICATION OF YATES PETROLEUM CORPORATION
FOR COMPULSORY POOLING AND AN UNORTHODOX
LOCATION, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on September 29, 1976, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 27th day of October, 1976, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Yates Petroleum Corporation, has requested dismissal of that portion of this case dealing with compulsory pooling.

(3) That the applicant-seeks approval for the unorthodox location of its proposed Tom Brown "GO" Com Well No. 1 to be drilled to the Morrow formation at a point 835 feet from the North line and 1980 feet from the West line of Section 22, Township 17 South, Range 26 East, NMPM, Eddy County, New Mexico, the W/2 of said Section 22 to be dedicated to the well.

(4) That a well at said unorthodox location will better enable applicant to produce the gas underlying the proration unit.

(5) That no offset operator objected to the proposed unorthodox location.

(6) That approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the subject pool, 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.

-2-

Case No. 5771
Order No. R-5303

IT IS THEREFORE ORDERED:

(1) That an unorthodox gas well location for the Morrow formation is hereby approved for applicant's Tom Brown "GO" Com Well No. 1 to be located at a point 835 feet from the North line and 1980 feet from the West line of Section 22, Township 17 South, Range 26 East, NMPM, Eddy County, New Mexico.

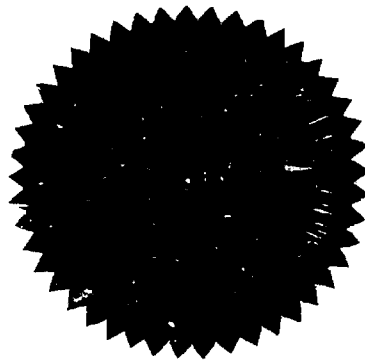
(2) That the W/2 of said Section 22 shall be dedicated to the above-described well.

(3) That that portion of the application in this case dealing with compulsory pooling is hereby dismissed.

(4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year herein-above designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



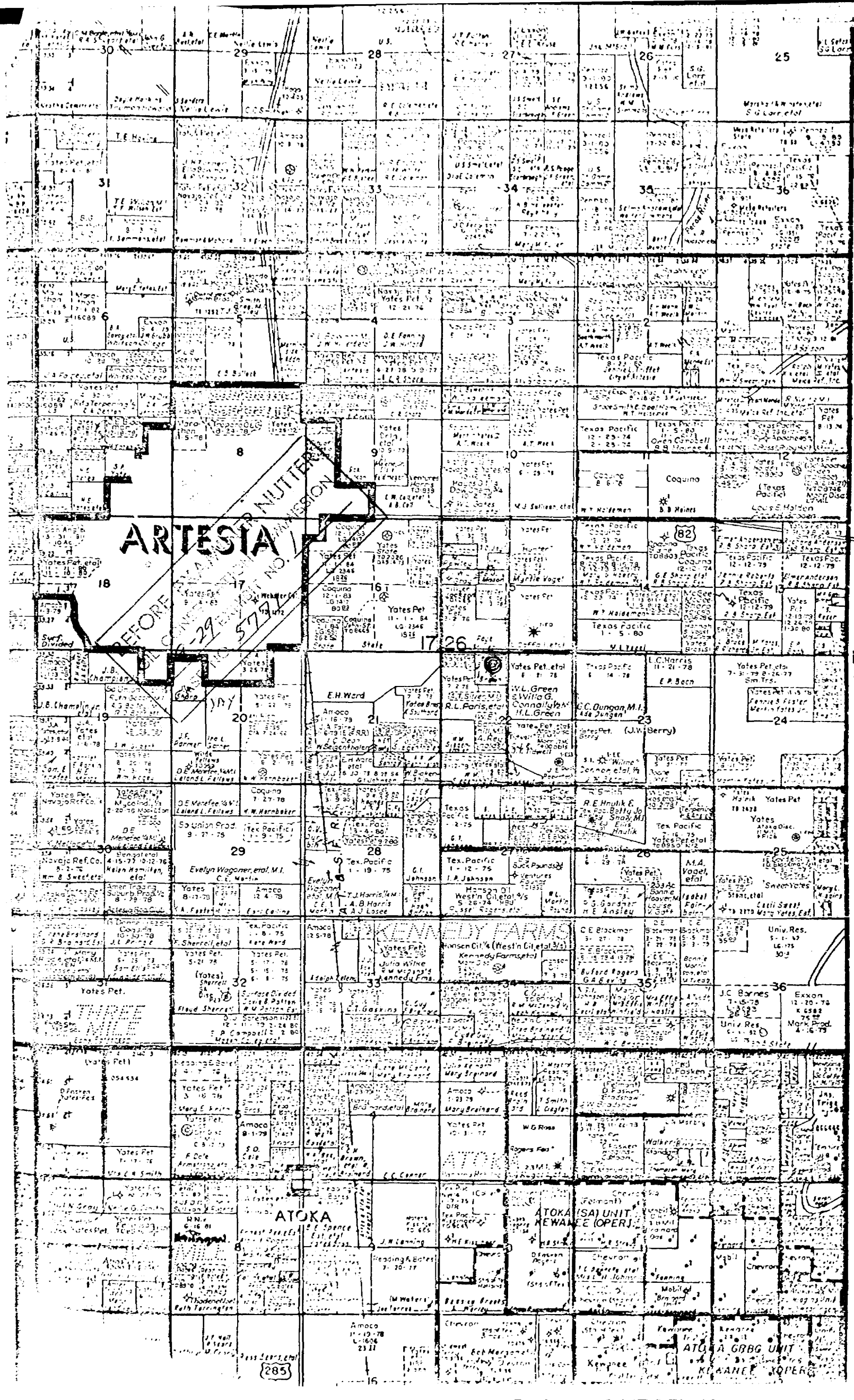
PHIL R. LUCERO, Chairman

Emery C. Arnold
EMERY C. ARNOLD, Member

Joe D. Ramsey
JOE D. RAMSEY, Member & Secretary

S E A L

jr/



Dockets Nos. 27-76 and 28-76 are tentatively set for hearing on October 13 and 27, 1976. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - SEPTEMBER 29, 1976

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Daniel S. Nutter, Examiner, or Richard L. Stamets, Alternate Examiner:

- CASE 5768: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Service Drilling Company, The Travelers Indemnity Company, and all other interested parties to appear and show cause why the Gonzales-Pittman Well No. 1, located in Unit M of Section 24, Township 21 North, Range 21 East, Mora County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.
- CASE 5769: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Juanita Frank, The Aetna Casualty and Surety Company, and all other interested parties to appear and show cause why the Greathouse Frank Well No. 2, located in Unit C of Section 10, Township 23 North, Range 1 West, Rio Arriba County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.
- CASE 5770: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit George H. Krause, The Hartford Accident and Indemnity Company, and all other interested parties to appear and show cause why the Krause Beck Well No. 1, located in Unit J of Section 10, Township 29 North, Range 12 West, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.
- CASE 5771: Application of Yates Petroleum Corporation for compulsory pooling and an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the W/2 of Section 22, Township 17 South, Range 26 East, Eddy County, New Mexico, to be dedicated to its Tom Brown 60 Ccm Well No. 1 to be drilled at an unorthodox location 660 feet from the North line and 1930 feet from the West line of said Section 22. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 5772: Application of Yates Petroleum Corporation for an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Federal BZ Well No. 16 to be drilled at a point 1930 feet from the North line and 660 feet from the East line of Section 28, Township 17 South, Range 25 East, Eddy County, New Mexico, to test the Morrow formation, the N/2 of said Section 28 to be dedicated to the well.
- CASE 5773: Application of Yates Petroleum Corporation for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the North Millman Unit Area comprising 2,017 acres, more or less, of State lands in Township 19 South, Range 28 East, Eddy County, New Mexico.
- CASE 5774: Application of Belco Petroleum Corporation for compulsory pooling and an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the N/2 of Section 31, Township 21 South, Range 27 East, Eddy County, New Mexico, to be dedicated to its Mollie Well No. 1 to be drilled at an unorthodox location 1100 feet from the North line and 1500 feet from the East line of said Section 31. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 5775: Application of Cities Service Oil Company for compulsory pooling and an unorthodox well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the W/2 of Section 30, Township 21 South, Range 27 East, Eddy County, New Mexico, to be dedicated to its Tracy "E" Well No. 1 to be drilled at an unorthodox location 1880 feet from the North line and 660 feet from the West line of said Section 30. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF :
 YATES PETROLEUM CORPORATION FOR AN :
 UNORTHODOX GAS WELL LOCATION AND :
 COMPULSORY POOLING, EDDY COUNTY, :
 NEW MEXICO :

CASE NO. _____

APPLICATION

COMES NOW YATES PETROLEUM CORPORATION, by its attorneys,
 and in support hereof, respectfully states:

1. That, except as hereinafter noted, applicant is the owner or operator of the entire working interest from the surface through the Pennsylvanian formation underlying the W/2 of Section 22, Township 17 South, Range 26 East, N.M.P.M., to be dedicated to a well located 660 feet from the North line and 1,980 feet from the West line of said Section 22, Eddy County, New Mexico.

2. That applicant proposes to drill its Tom Brown "GO" No. 1 Com. Well 660 feet from the North line and 1,980 feet from the West line of said Section 22, and to dedicate the W/2 of said Section 22 to the well.

3. That applicant seeks an exception to the well location requirements of Rule 104 C-II(a) of the Oil Conservation Commission to permit the drilling of the well at the above mentioned unorthodox location to a depth sufficient to adequately test the Morrow formation of the Pennsylvanian system.

4. That a standard 320-acre proration unit comprising the W/2 of said Section 22 should be dedicated to the Tom Brown "GO" No. 1 Com. Well.

*Chgd. to 835 FNL
1986 FNL*

5. That the approval of this application will afford applicant the opportunity to produce its just and equitable share of gas, will prevent 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.

6. That Yates Petroleum Corporation, Southern Union Production Company, and Texas Pacific Oil Company are the owners of the oil and gas leasehold estate comprising the W/2 of said Section 22 and a portion of said owners have not agreed to pool their interest with applicants.

7. To avoid the drilling of unnecessary wells, to protect correlative rights, and to afford the owner of each interest in the W/2 of said Section 22 the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, all mineral interests, whatever they may be, from the surface through the Pennsylvanian formation underlying the W/2 of said Section 22 should be pooled.

8. That any non-consenting working interest owner that does not pay his share of the estimated well cost should have withheld from production his share of the reasonable well cost, plus an additional 200% thereof as the reasonable charge for the risk involved in the drilling of the well.

9. That applicant should be authorized to withhold from production the proportionate share of a reasonable supervision charge attributable to each non-consenting working interest.

WHEREFORE, applicant prays:

A. That this application be set for hearing before an examiner and that notice of said hearing be given as required by law.

B. That upon hearing the Commission enter its order granting applicant permission to drill its Tom Brown "GO" No. 1 Com. Well at the above mentioned unorthodox location, and to dedicate the W/2 of said Section 22, which is reasonably presumed to be productive of gas from the Morrow formation.

C. That upon hearing the Commission enter its order pooling all mineral interests, whatever they may be, from the surface through the Pennsylvanian formation underlying the W/2 of said Section 22, Township 17 South, Range 26 East, N.M.P.M., to form a 320-acre gas spacing unit to be dedicated to applicant's well at its non-standard location described above.

D. And for such other relief as may be just in the premises.

YATES PETROLEUM CORPORATION

By: 

LOSEE & CARSON, P.A.
P. O. Drawer 239
Artesia, New Mexico 88210

Attorneys for Applicant

DRAFT

dr/

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

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ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on September 29,
19 76, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this _____ day of _____, 19 76, the Commission,
a quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

(1) That due public notice having been given as required by
law, the Commission has jurisdiction of this cause and the subject
matter thereof.

(2) That the applicant, Yates Petroleum Corporation, has requested
dismissal of that portion of this case dealing with compulsory pooling.

(3) That the applicant seeks approval for the unorthodox location of its
proposed Tom Brown "GO" Com Well No. 1 to be drilled to the Morrow formation at a
point 835 feet from the North line and 1980 feet from the West line of Section 22,
Township 17 South, Range 26 East, NMPM, Eddy County, New Mexico, the W/2 of said
Section 22 to be dedicated to the well.

(4) That a well at said unorthodox location will better
enable applicant to produce the gas underlying the production unit.

(5) That no offset operator objected to the proposed
unorthodox location.

