

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. 11438  
ORDER NO. R-10530*

**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 December 7, 1995, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 4th day of January, 1996 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 Opuntia Draw "APK" State Well No. 1 at an unorthodox gas well location 1365 feet from the South line and 660 feet from the West line (Unit L) of Section 29, Township 23 South, Range 25 East, NMPM, to test the Undesignated Dark Canyon-Pennsylvanian Gas Pool, Eddy County, New Mexico. The W/2 of said Section 29 is to be dedicated to said well forming a standard 320-acre gas spacing and proration unit for said pool.
- (3) The Dark Canyon-Pennsylvanian Gas Pool is subject to the Division's Statewide Rules and Regulations which require 320-acre spacing and proration units with wells to be located no closer than 660 feet to the nearest side (long) boundary of the dedicated tract nor closer than 1980 feet from the nearest end (short) boundary nor closer than 330 feet from any quarter-quarter section or subdivision inner boundary.

(4) The applicant further requests approval of said unorthodox location as to all prospective pools and/or formations from the surface to the base of the Morrow formation.

(5) The nearest standard gas well location in the subject unit, being 1980 feet from the South line and 660 feet from the West line (Unit L) of said Section 29, was situated within a localized surface drainage feature or arroyo known as the Opuntia Draw. The subject well site was moved further south to an unorthodox gas well location in order to keep the well within a northeast/southwest trending beach-type potentially gas bearing sand deposit in the Morrow interval of the Pennsylvanian formation and to avoid moving in a direction that would take the well further from this geologic feature and from moving any closer to the E/2 of said Section 29, which had a well that tested this Morrow feature as uneconomical. A well drilled at the proposed unorthodox gas well location as opposed to a well at a standard Pennsylvanian gas well location in Unit I should serve to increase the likelihood of obtaining commercial gas production from the Pennsylvanian formation.

(6) No off-setting operator and/or interest owner appeared at the hearing in opposition to this application.

(7) No geologic support was offered by the applicant as to other formations and/or pools either spaced on 320 or 160 acres, or possibly 40 acres, to warrant approval of this unorthodox location in any zones other than the Pennsylvanian at this time.

(8) Division General Rule 104.F provides for an administrative review process for wells recompleted up-hole at an unorthodox location and this said procedure would allow Yates Petroleum Corporation in this instance to obtain approval in any affected shallower zone with relative ease.

(9) Correlative rights would be further protected in the future through this process should another operator or leasehold interest, besides Yates, take over ownership of those properties directly off-setting this well.

(10) Yates Petroleum Corporation's request to include all possible zones from the surface to the base of the Morrow formation is somewhat premature and unwarranted at this particular time. Approval of this application should therefore be restricted to the Pennsylvanian formation only.

(11) Such restricted approval will afford the applicant the opportunity to produce its just and equitable share of the gas in the Undesignated Dark Canyon-Pennsylvanian Gas 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.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Yates Petroleum Corporation, is hereby authorized to drill its Opuntia Draw "APK" State Well No. 1 at an unorthodox gas well location in the Undesignated Dark Canyon-Pennsylvanian Gas Pool 1365 feet from the South line and 660 feet from the West line (Unit L) of Section 29, Township 23 South, Range 25 East, NMPM, Eddy County, New Mexico.

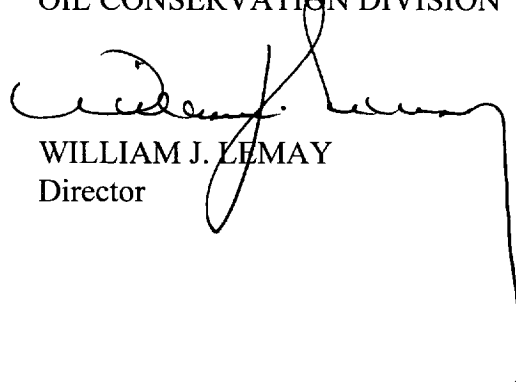
(2) Yates Petroleum Corporation is further authorized to dedicate to said pool a standard 320-acre gas spacing and proration unit comprising the W/2 of said Section 29.

(3) Yates Petroleum Corporation's requests to include all other zones from the surface to the top of the Pennsylvanian within the scope of this order is hereby denied.

(4) Jurisdiction of this cause is 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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