

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. 12283
ORDER NO. R-8914-A

APPLICATION OF YATES PETROLEUM CORPORATION FOR AN
UNORTHODOX GAS WELL LOCATION, CHAVES COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on November 18, 1999 at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this *2nd* day of, December, 1999, 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) By Order No. R-8914, issued in Cases No. 9629, 9630, and 9631 and dated April 13, 1989, the Division, upon application by BHP Petroleum Company, Inc. ("BHP"): (i) authorized the pooling of all mineral interests from the top of the Wolfcamp formation to the base of the Montoya formation underlying the E/2 of Section 36, Township 10 South, Range 26 East, NMPM, Chaves County, New Mexico, in order to form a standard 320-acre gas spacing and proration unit for all formations and/or pools within this vertical extent developed on 320-acre spacing; and (ii) approved the Yates Valley State Com. Well No. 1 (API No. 30-005-62691) to be drilled at an unorthodox gas well location for this unit 1650 feet from the North line and 2310 feet from the East line (Unit G) of Section 36.
- (3) Division records in Santa Fe indicate that BHP drilled this well to a total depth of 6,711 feet in 1989. It was deemed uneconomical and was plugged and abandoned in early 1990.
- (4) The applicant in this case, Yates Petroleum Corporation ("Yates"), now seeks

to reinstate the unorthodox gas well location provision of Division Order No. R-8914 by obtaining an exception to Division Rule 104.C(2), as revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999. Yates proposes to re-enter this well and redesignate it the Yates Valley "ATM" State Well No. 1.

(5) This case was styled such that in the absence of an objection this matter would be taken under advisement.

(6) Utilizing an existing wellbore is an economical means of more thoroughly testing the deep intervals for commercial gas production.

(7) The applicant has provided sufficient notice to all offset operators pursuant to Division Rule 1207.A(2).

(8) No offset operator or interested party appeared at the hearing in opposition to this application.

(9) Approval of this application will afford the applicant the opportunity to economically and efficiently test for and recover gas reserves from any formation or pool within this vertical extent developed on 320-acre spacing, which includes the Undesignated Comanche Spring-PrePermian Gas Pool underlying the E/2 of Section 36, thereby preventing waste. Further, such approval is in the best interest of conservation, is based on sound engineering practices, will serve to prevent the economic loss caused by the drilling of unnecessary wells and 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 reenter the plugged and abandoned Yates Valley State Com. Well No. 1 (API No. 30-005-62691), to be redesignated the Yates Valley "ATM" State Well No. 1, located at an unorthodox gas well location 1650 feet from the North line and 2310 feet from the East line (Unit G) of Section 36, Township 10 South, Range 26 East, NMPM, Chaves County, New Mexico, in order to test all formations from the top of the Wolfcamp formation to the base of the Montoya formation for gas production.

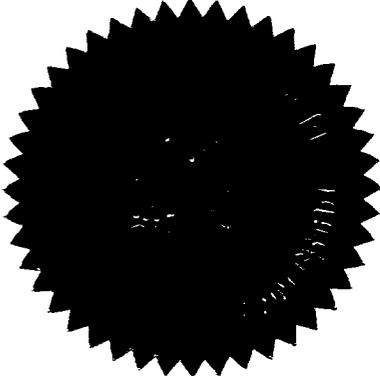
(2) The E/2 of Section 36 is to be dedicated to this well to form a standard 320-acre gas spacing and proration unit for all formations or pools within this vertical extent developed on 320-acre spacing, including the Undesignated Comanche Spring-PrePermian Gas

Pool.

(3) This order supersedes Division Order No. R-8914, issued in Cases No. 9629, 9630, and 9631 and dated April 13, 1989.

(4) Jurisdiction of this case 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.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


LORI WROTENBERY
Director