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S. P. YATES CHAIRMAN OF THE BOARD JOHN A. YATES PRESIDENT PEYTON YATES EXECUTIVE VICE PRESIDENT RANDY G. PATTERSON SECRETARY DENNIS G. KINSEY TREASURER

**105 SOUTH FOURTH STREET** ARTESIA, NEW MEXICO 88210-2118 TELEPHONE (505) 748-1471

April 13, 2005

David Catanach State of New Mexico OIL CONSERVATION DIVISION 1220 South Saint Francis Drive Santa Fe, NM 87505

Dear Mr. Catanach,

Yates Petroleum Corporation hereby seeks administrative approval to downhole commingle the production from the Pecos Slope Abo & the Lost Lake (Wolfcamp) in our Erma Com #2 well located in Unit A of Section 1, Township 10 South, Range 24 East, Chaves County.

If you have any questions or need additional information, please call me at (505) 748-4182. Thank you.

Sincerely, W. Pringte

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Lames W. Pringle **Operations Engineer** 

JWP

Enclosures

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	· 4/	SUSPE	NSE ENGINEER LOGGED IN DIAC 342 PWVJ05/11	38879
		<u>Ng</u>	ABOVE THIS LINE FOR DIVISION USE ONLY	· · · ·
E	(mA	Con		63502
			ADMINISTRATIVE APPLICATION CHECKLIST	
	cation A [NSL- [D	Acronym Non-Sta HC-Dow [PC-Po	MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULA WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE and and Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication] mhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling] pol Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement] [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion] [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase] alified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]	TIONS
[1]	TYPE	E OF AI [A]	PPLICATION - Check Those Which Apply for [A] Location - Spacing Unit - Simultaneous Dedication NSL NSP SD	
		Check [B]	Cone Only for [B] or [C] Commingling - Storage - Measurement X DHC CTB PLC PC OLS OLM	
		[C]	Injection - Disposal - Pressure Increase - Enhanced Oil Recovery	•
		[D]	Other: Specify	• •
[2]	NOTI	FICAT	ION REQUIRED TO: - Check Those Which Apply, or Does Not Apply Working, Royalty or Overriding Royalty Interest Owners	
		[B]	Offset Operators, Leaseholders or Surface Owner	•
		[C]	Application is One Which Requires Published Legal Notice	
		[D]	Notification and/or Concurrent Approval by BLM or SLO U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office	
		[E]	For all of the above, Proof of Notification or Publication is Attached, and/or,	
		[F]	Waivers are Attached	
[3]			CURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE T TION INDICATED ABOVE.	YPE

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Signature Operations Eng 4/1/05 Title <u>Pringle@ypcnm.com</u> JAmes W. Pring/e Print or Type Name

MARTIN YATES, III 1912 - 1985 FRANK W. YATES 1936 - 1986

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S. P. YATES CHAIRMAN OF THE BOARD JOHN A. YATES PRESIDENT PEYTON YATES EXECUTIVE VICE PRESIDENT RANDY G. PATTERSON SECRETARY DENNIS G. KINSEY TREASURER

105 SOUTH FOURTH STREET ARTESIA, NEW MEXICO 88210-2118 TELEPHONE (505) 748-1471

April 13, 2005

Tim Gum State of New Mexico OIL CONSERVATION DIVISION 1301 W. Grand Street Artesia, NM 88210

Dear Mr. Gum,

Yates Petroleum Corporation hereby seeks administrative approval to downhole commingle the production from the Pecos Slope Abo & the Lost Lake (Wolfcamp) in our Erma Com #2 well located in Unit A of Section 1, Township 10 South, Range 24 East, Chaves County.

If you have any questions or need additional information, please call me at (505) 748-4182. Thank you.

Sincerely,

ame W. Pringle

James W. Pringle Operations Engineer

JWP

Enclosures

MARTIN YATES, III 1912 - 1985 FRANK W. YATES 1936 - 1986

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S. P. YATES CHAIRMAN OF THE BOARD JOHN A. YATES PRESIDENT PEYTON YATES EXECUTIVE VICE PRESIDENT RANDY G. PATTERSON SECRETARY DENNIS G. KINSEY TREASURER

105 SOUTH FOURTH STREET ARTESIA, NEW MEXICO 88210-2118 TELEPHONE (505) 748-1471

April 13, 2005

Pete Martinez State of New Mexico Commissioner of Public Lands P. O. Box 1148 Santa Fe, NM 87504-1148

Dear Mr. Martinez,

Pursuant to the State Land Office Rule Nos. 1.053, 1.054 and 1.055, you will find enclosed the \$30.00 filing fee and a copy of the commingling application for the Yates Petroleum Corporation's Erma Com No. 2 well located in Unit A of Section 1, Township 10 South, Range 24 East, Chaves County.

If you have any questions or need additional information, please call me at (505) 748-4182.

Sincerely,

ames W. Pringle

James W. Pringle Operations Engineer

JWP

District 1 1625 N. French Drive, Hobbs, NM 88240

**District II** 

State of New Mexico Energy, Minerals and Natural Resources Department

Form C-107A Revised May 15, 2000

811 South First Street, Artesia, NM 88210	OIL	<b>CONSERVA</b>	<b>FION DIVISION</b>	ſ	APPLICATION TYPE			
District III		1220 South Sain	nt Francis Drive		X Single Well			
1000 Rio Brazos Road, Aztec, NM 87410		Santa Fe, New	Mexico 87505		Establish Pre-Approved Pools			
District IV				$\sim$	EXISTING WELLBORE			
2040 South Pacheco, Santa Fe, NM 87505	APPLICATI	ION FOR DOW	NHOLE COMMIN	GLING O	X_YesNo			
Yates Petroleum Corporation	n	105 South F	ourth Street		Artesia, New Mexico 88210			
Operator	2	Addı	10S-94E		Chause			
Erma Com Lease	Well No.	A Unit Letter-S	ection-Township-Range	<u></u>	<u>Chaves</u> County			
OGRID No. <u>025575</u> Pr	operty Code	API No. <u>30-0</u>	05-63502	Lease Type	:Federal <u>X</u> State <u>X</u> Fee			
[								

DATA ELEMENT		<b>FR ZONE</b>	INTERM	IEDIATE ZONE	LOWER ZONE MUD CAT		
Pool Name	Pecos Slope (	(Abo) Gos			Lost Lake	(Wolfcamp) (7.04	
Pool Code	58	(Abo) 600- -730				6086	
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	3,434' – 3,79	2'			4,236' - 4	,530'	
Method of Production (Flowing or Artificial Lift)	Flowing				Flowing		
Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150%							
of the depth of the top perforation in the upper zone)							
Oil Gravity or Gas BTU (Degree API or Gas BTU)							
Producing, Shut-In or New Zone	New				New		
Date and Oil/Gas/Water Rates of Last Production. (Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.)		ncfd opd wpd	Rates:			0 mcfd 0 bopd 5 bwpd	
Fixed Allocation Percentage (Note: If allocation is based upon something other	Oil	Gas	Oil	Gas	Oil	Gas	
(Note: if allocation is based upon something other than current or past production, supporting data or explanation will be required.)	%	59%	%	%	%	41%	
					-		

ADDITIONAL DATA Are all working, royalty and overriding royalty interests identical in all commingled zones? If not, have all working, royalty and overriding royalty interest owners been notified by certified mail?	Yes X No No Yes No
Are all produced fluids from all commingled zones compatible with each other?	Yes X No
Will commingling decrease the value of production?	Yes NoX
If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application?	Yes <u>X</u> No
NMOCD Reference Case No. applicable to this well:	
Attachments:	

C-102 for each zone to be commingled showing its spacing unit and acreage dedication. Production curve for each zone for at least one year. (If not available, attach explanation.) For zones with no production history, estimated production rates and supporting data. Data to support allocation method or formula. Notification list of working, royalty and overriding royalty interests for uncommon interest cases. Any additional statements, data or documents required to support commingling.

# PRE-APPROVED POOLS

If application is to establish Pre-Approved Pools, the following additional information will be required:

List of other orders approving downhole commingling within the proposed Pre-Approved Pools

List of all operators within the proposed Pre-Approved Pools

Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application.

Bottomhole pressure data.			
I hereby certify that the information above is true and complete to	the best of my knowledge and	l belief.	
SIGNATURE ames W. / ringle Inte_	Operations Engineer	DATE:	3/31/05
TYPE OR PRINT NAME James W. Pringle	TELEPHONE NO.	(505) 748-4182	
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365.94				·····	K-	12087							
			Composite										
<sup>12</sup> Dedicated Acres	<sup>13</sup> Joint o	r Infill	14 Consolid	lation Code	15 (	J		L	<b>i</b>	<b>I</b>		·	
UL or lot no.	Section	Townsh	ip Rar	nge L	vt Idn	Feet from	the	North/South line	Feet from the	East/W	est line	County	
		·····		<sup>11</sup> Botte	om H	Iole Locat	ion I	f Different From	n Surface				
A	1	105				660		North	660	Ec	ist	Chaves	
UL or lot no.	Section	Townsh	· · ·		t Idn	Feet from	the	North/South line	Feet from the	East/W	est line	County	
				·····		<sup>10</sup> Sur	face	Location		·····			
02557	5			Yates Petroleum Corporation 3549'							3549'		
<sup>7</sup> OGRID N	lo.			<sup>3</sup> Operator Name								<sup>9</sup> Elevation	
				ERMA COM.							2		
<sup>4</sup> Property C				<sup>5</sup> Property Name							<sup>4</sup> Well Number		
30-0	05-635	502							Lost Lake (	Wolfcamı	<b>)</b>		
1 A	PI Number	•					AUN	EAGE DEDIC		OOI Name			
1220 S. St. Francis	Dr., Santa F	e, NM 8/3			<u>атт</u>		ACR	EAGE DEDIC	ΔΤΙΩΝΙ ΦΙ			IENDED REPORT	
District IV										Г		ENDED REPORT	
1000 Rio Brazos Ro	I., Aztec, NN	A 87410				Santa I	Fe, NN	v <b>1</b> 87505			Fe	e Lease - 3 Copies	
District III						1220 Sout	th St.	Francis Dr.			State	e Lease - 4 Copies	
<u>District II</u> 811 South First, Artesia, NM 88210					OI	L CONSER	VAT	ION DIVISION		Submit to A	Appropri	ate District Office	
1625 N. French Dr., Hobbs, NM 88240				Energy, Minerals & Natural Resources Department					rtment	Revised August 15, 2000			

State of New Mexico

District I

Form C-102

# NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

Sec. 36, T9.5S-R24E		VA-2712		<sup>17</sup> <b>OPERATOR CERTIFICATION</b> I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.
Sec. 1, T10S-R24E			ළී  660'	Signature Robert Asher Printed Name
<b>6</b>		FEE		Regulatory Agent Title 4/4/2005 Date
				<sup>18</sup> SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat
	n ∰ — en			was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. REFER TO ORIGINAL PLAT
				Date of Survey Signature and Seal of Professional Surveyor:
				Certificate Number

The Lost Lake (Wolfcamp) is a new zone and production curves are not available.

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'1625 N. French Dr., Hobbs, NM 88240			Er	Energy, Minerals & Natural Resources Department					Revised August 15, 2000			
<u>District II</u> 811 South First, Ar <u>District III</u>		OIL CONSERVATION DIVISION 1220 South St. Francis Dr.					Submit to Appropriate District Office State Lease - 4 Copies					
1000 Rio Brazos Re	I., Aztec, NN	/1 87410			Santa	Fe, NN	A 87505			Fe	e Lease - 3 Copies	
<u>District IV</u> 1220 S. St. Francis	Dr., Santa F	-							Ē	] AN	IENDED REPORT	
1,	PI Number		<u>VELL LO</u>		and the second	<u>ACR</u>	EAGE DEDIC	ATION PL <sup>3</sup> Pool				
-	)05-635			1 001	Coue			Pecos Sia		)		
<sup>4</sup> Property C				<sup>5</sup> Property Name						' Well Number		
				ERMA COM.						2		
<sup>7</sup> OGRID N	ło.			<sup>3</sup> Operator Name							'Elevation	
02557	5			Yates Petroleum Corporation 3549						3549'		
					<sup>10</sup> Sur	face 1	Location					
UL or lot no.	Section	Township	Range	Lot I			North/South line	Feet from the	East/W	est line	County	
A	1	105	24E		660	)	North	660	Ec	ıst	Chaves	
			<sup>11</sup> B	otton	n Hole Loca	tion I	f Different From	n Surface				
UL or lot no.	Section	Township	Range	Lot le	dn Feet fron	n the	North/South line	Feet from the	East/W	est line	County	
<sup>12</sup> Dedicated Acres 181.31	<sup>13</sup> Joint o	r Infill <sup>14</sup> C	l Consolidation	Code	1 <sup>15</sup> Order No. <b>R-12087</b>		L	I				

State of New Mexico

District I

Form C-102

# NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<sup>16</sup> Sec. 36, T9.5S-R24E	VA-2712	<sup>17</sup> <b>OPERATOR CERTIFICATION</b> I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.
Sec. 1, T10S-R24E	<u>8</u> 660'	Signature Robert Asher Printed Name Regulatory Agent Tritle
	FEE	<b>4/4/2005</b> Date
		<sup>18</sup> SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. REFER TO ORIGINAL PLAT
		Date of Survey Signature and Seal of Professional Surveyor:
		Certificate Number

The Pecos Slope Abo is a new zone and production curves are not available.

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#### STATE OF NEW MEXICU ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT OIL CONSERVATION DIVISION

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IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING:

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CASE NO. 13154 ORDER NO. B-12987

APPLICATION OF YATES PETROLEUM CORPORATION FOR NON-STANDARD SPACING AND PRORATION UNITS, CHAVES COUNTY, NEW MEXICO.

### ORDER OF THE DIVISION

## BY THE DIVISION;

This case came on for hearing at 8:15 a.m. on October 9 and November 7, 2003, at Santa Fe, New Mexico, before Examiners David R. Catanach and William V. Jones, respectively.

NOW, on this 16<sup>th</sup> day of January, 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 three non-standard spacing and proration units in Chaves County, New Mexico, described as follows:

a 365.94-scre spacing and proration unit for all formations and/or pools spaced on 320 acres, this unit to comprise Lots 1 through 4 of Section 36, Township 9.5 South, Range 24 East, and Lots 1 through 4 and the S/2 N/2 of Section 1, Township 10 South, Range 24 East, NMPM;

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Case 190. 13134 Order No. **R-12087** Page -2-

> a 181.31-acre spacing and protation unit for all formations and/or prook spaced on 160 acres, this unit to comprise Lots 1 and 2 of Section 36, Township 9.5 South, Range 24 East, and Lots 1 and 2 and the S/2 NE/4 of Section 1, Township 10 South, Range 24 East, NMPM; and

> a 50.19-acre spacing and proration unit for all formations and/or pools spaced on 40 acres, this unit to comprise Lot 1 of Section 36, Township 9.5 South, Range 24 East, and Lot 1 of Section 1, Township 10 South, Range 24 East, NMPM.

- (3) Yates presented land evidence that demonstrates that:
  - (a) Township 9.5 South, Range 24 East exists due to a variation in the legal subdivision of the United States Public Lands Survey. This land tract is comprised of Sections 31 through 36. Section 36 is an irregular section that is comprised of four lots encompassing a total of 46.3 acres;
  - (b) Lots 1 through 4 of Section 36 encompass a single state lease (Lease No. VA-2712). Yates is the lessee of Section 36;
  - (c) Section 1 is a fee lease that is leased or controlled by Yates; and
  - (d) Yates provided notice of this application to all working, royalty and overriding royalty interest owners in Sections 36 and 1. No interest owner appeared at the hearing in opposition to the application.

(4) Yates proposes to drill its Erma Coan Well No. 2 at a standard gas well location 660 feet from the North and East lines (Unit A) of Section 1. This well will be drilled to test the Pecos Slope-Abo Gas Pool and Wolfcamp formations.

Order No. R-12087 Page -3-Yates presented geologic and engineering evidence that demonstrates that: (5) the Enna Com Well No. 2 should encounter (a) productive sands within the Abo formation. If productive in the Abo formation, the Erma Gas Com Well No. 2 should drain a large area within the NE/4 of Section 1, and the majority of Lots 1 and 2 in Section 36; Section 36, Township 9 South, Range 24 East, (b) being the area to the north of the proposed spacing units, is currently fully developed with four wells producing from the Abo formation; there are potentially productive Wolfcamp sands present at the proposed well location. If productive (c) in the Wolfcamp formation, the Erma Gas Com Well No. 2 should drain a large area within the N/2 of Section 1 and the majority of Lots 1 through 4 of Section 36; and there is the possibility at the proposed well location (ć) of encountering shallow oil production, possibly in the San Andres formation. The evidence presented by Yates in this case demonstrates that the (6)

inclusion of the acreage in Section 36, Township 9.5 South, Range 24 East within its proposed non-standard spacing units is an effective and efficient method by which to produce the oil and gas reserves underlying these tracts, will prevent the drilling of unnecessary wells and will protect correlative rights.

The application should be approved. (7)

Lase No. 13134

## IT IS THEREFORE ORDERED THAT;

Pursuant to the application of Yates Petroleum Corporation the following-(I)described three non-standard oil and gas spacing and proration units in Chaves County, New Mexico, are hereby established:

Case 110. 13134 Order No. **R-1208**7 Page -4-

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a 365.94-acre spacing and proration unit for all formations and/or pools spaced on 320 acres, this unit to comprise Lots 1 through 4 of Section 36, Township 9.5 South, Range 24 East, Lots 1 through 4 and the S/2 N/2 of Section 1, Township 10 South, Range 24 East, NMPM;

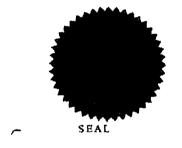
a 181.31-acre spacing and proration unit for all formations and/or pools spaced on 160 acres, this unit to comprise Lots 1 and 2 of Section 36, Township 9.5 South, Range 24 East, and Lots 1 and 2 and the S/2 NE/4 of Section 1, Township 10 South, Range 24 East, NMPM; and

a 50.19-acre spacing and proration unit for all formations and/or pools spaced on 40 acres, this unit to comprise Lot 1 of Section 36, Township 9.5 South, Range 24 East, and Lot 1 of Section 1, Township 10 South, Range 24 East, NMPM.

(2) In the event production is encountered in the Abo, Wolfcamp or shallower horizon, the above-described non-standard unit(s) shall be dedicated to the Yates Petroleum Corporation Erna Com Well No. 2 to be drilled at a standard well location 660 feet from the North and East lines (Unit A) of Section 1, Township 10 South, Range 24 East, NMPM, Chaves County, New Mexico.

(3) 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.



STATE OF NEW MEXICO OIL CONSERVATION DIVISION

Unstenberry. LORIWROTENBERY Director