

**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. 13629
ORDER NO. R-12514**

**APPLICATION OF YATES PETROLEUM CORPORATION FOR POOL
CREATION AND THE PROMULGATION OF SPECIAL POOL RULES, LEA
COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on January 19, 2006, at Santa Fe, New Mexico, before Examiner Richard I. Ezeanyim.

NOW, on this 6th day of March, 2006, 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" or "Applicant"), seeks the creation of a new pool for the production of oil from the Permo Pennsylvanian formation underlying the SE/4 of Section 26, Township 10 South, Range 34 East, NMPM, Lea County, New Mexico, to be designated the **Sand Springs-Upper Permo Pennsylvanian Pool (97487)**, with special pool rules including provisions for 160-acre oil spacing and proration units.

(3) The testimony presented by the applicant and Division records indicate that the Judson "AUU" State Well No. 2 (API No. 30-025-36886), located 660 feet from the South line and 1980 feet from the East line (Unit O) of Section 26, Township 10 South, Range 34 East, NMPM, Lea County, New Mexico, was originally drilled to a total depth of 12,000 feet to test the Morrow formation. The well was recompleted and now produces from perforations from 9987 feet to 10,002 feet in the Upper Permo Pennsylvanian formation. The well is currently producing 107 barrels of oil per day, 162 thousand cubic

feet of gas per day, and 450 barrels of water per day. Pursuant to Division Rule 7. O(4), the well should be classified as an oil well.

(4) With approval of this application and adoption of the proposed temporary special pool rules, Yates intends to dedicate its Judson "AUU" State Well No. 2 to the 160-acre spacing and proration unit.

(5) Yates provided land and engineering testimony that demonstrates that:

- (a) all of the nine sections comprising Sections 22 through 27, and 34 through 36 of Township 10 South, Range 34 East, NMPM, Lea County, New Mexico, are State of New Mexico leases;
- (b) Yates Petroleum Corporation is the only lease holder and working interest owner in these sections, therefore, notice of this application was only provided to the State Land Office;
- (c) the Vada-Penn Pool which is approximately five (5) miles North of the Upper Permo Pennsylvanian Pool is spaced on 160 acres;
- (d) the calculated drainage area of the Judson "AUU" State Well No. 2 is 151 acres; and
- (e) the Upper Permo Pennsylvanian Pool is separate and distinct from other Permo Pennsylvanian Pools in the area.

(6) The Applicant provided notice in accordance with Division Rule 1207.A (4). No affected party appeared at the hearing in opposition to this application.

(7) The evidence presented demonstrates that the Judson "AUU" State Well No. 2 has discovered a new common source of supply in the Permo Pennsylvanian formation.

(8) A new pool for the production of oil from the Permo Pennsylvanian formation should be created and designated the **Sand Springs-Upper Permo Pennsylvanian Pool (97487)**, with vertical limits comprising the Permo Pennsylvanian formation and horizontal limits comprising the SE/4 of Section 26, Township 10 South, Range 34 East, NMPM, Lea County, New Mexico.

(9) This pool creation should be made effective retroactive to October 1, 2005.

(10) In order to prevent waste and protect correlative rights, temporary special pool rules should be established for the Sand Springs-Upper Permo Pennsylvanian Pool providing 160-acre well spacing and proration units, with wells to be located no closer than

330 feet to any outer boundary of the spacing and proration unit, and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

(11) Pursuant to Division Rules No. 505.A. and 506.A., the proposed pool should be assigned a depth bracket allowable of 515 barrels of oil per day at a limiting gas-oil ratio of 2,000 cubic feet of gas per barrel of oil.

(12) This case should be reopened at an examiner hearing in February 2007, to allow the operators in the pool the opportunity to appear and show cause why the temporary special pool rules for this pool should not be rescinded.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Yates Petroleum Corporation, a new pool in Lea County, New Mexico, classified as an oil pool for the Pennsylvanian formation is hereby created and designated the **Sand Springs-Upper Permo Pennsylvanian Pool (97487)**, with vertical limits comprising the Permo Pennsylvanian formation and horizontal limits comprising the following-described acreage:

TOWNSHIP 10 SOUTH, RANGE 34 EAST, NMPM
Section 26: SE/4

(2) The temporary special rules for the Sand Springs-Upper Permo Pennsylvanian Pool are hereby promulgated as follows:

**TEMPORARY SPECIAL RULES AND REGULATIONS
FOR THE
SAND SPRINGS-UPPER PERMO PENNSYLVANIAN POOL**

RULE 1: Each well completed or recompleted in the Sand Springs-Upper Permo Pennsylvanian Pool or in the Pennsylvanian formation within one mile thereof, and not nearer to or within the limits of another Pennsylvanian pool, shall be spaced, drilled, operated and produced in accordance with these special rules.

RULE 2: Each well shall be located on a standard unit containing 160 acres, more or less, consisting of the NE/4, NW/4, SE/4, or SW/4 of a governmental section.

RULE 3: The Division Director may grant an exception to the requirements of Rule 2 above without notice and hearing when an application has been duly filed under the provisions of Division Rule 104.D (2).

RULE 4: Each well shall be located no closer than 330 feet to the outer boundary of a spacing and proration unit nor closer than 10 feet to any interior quarter-quarter section line or subdivision inner boundary.

RULE 5: The Division Director may grant an exception to the requirements of Rule 4 without hearing when an application has been duly filed under the provisions of Division Rule 104.F.

RULE 6: The allowable for a standard 160-acre oil proration unit shall be based on a depth bracket allowable of 515 barrels of oil per day with a limiting gas oil ratio of 2000 cubic feet of gas per barrel of oil. The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 160 acres.

IT IS FURTHER ORDERED THAT:

(3) The location of any well presently drilling to or completed in the Sand Springs- Upper Permo Pennsylvanian Pool or in the Permo Pennsylvanian formation within one mile thereof is hereby approved. The operator of any well having an unorthodox location shall notify the Division's Hobbs District Office in writing of the name and location of the well within 20 days from the date of this order.

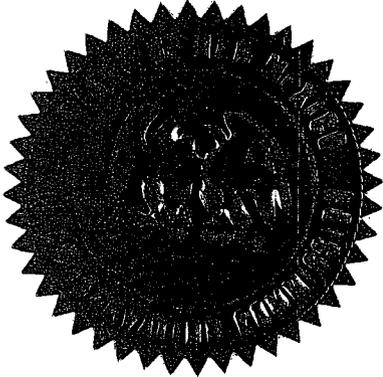
(4) Existing oil wells in the Sand Springs-Upper Permo Pennsylvanian Pool shall have dedicated thereto 160 acres in accordance with the foregoing pool rules; or, existing oil wells may have non-standard spacing or proration units established by the Division and dedicated thereto. Failure to file new Forms C-102 with the Division dedicating 160 acres to a well or to obtain a non-standard unit approved by the Division within 60 days from the date of this order shall subject the well to cancellation of allowable.

(5) Unless called earlier by the motion of the Division, this case shall be reopened at an examiner hearing in February 2007, at which time the operator(s) in the subject pool should be prepared to appear and show cause why the temporary special pool rules for the Sand Springs-Upper Permo Pennsylvanian Pool should not be rescinded and the pool not be developed on statewide 40-acre spacing.

(6) The effective date of this order shall be made retroactive to October 1, 2005.

(7) 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
for MARK E. FESMIRE, P.E.
Director