

**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. 13045 (Reopened)
ORDER R-12065**

**APPLICATION OF YATES PETROLEUM CORPORATION FOR AN
UNORTHODOX INFILL OIL 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 August 7, 2003, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 8th day of December, 2003, 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) Yates Petroleum Corporation, ("Applicant"), seeks an exception to the well location requirements of the "*Pecos Slope-Pennsylvanian Pool*" for its proposed George "QJ" Federal Well No. 11 (API No. 30-005-63444) to be drilled at an unorthodox infill oil well location within the 320-acre standard spacing and proration unit consisting of the W/2 of Section 26, Township 6 South, Range 25 East, NMPM, Chaves County, New Mexico. The proposed location is 2080 feet from the North line and 1350 feet from the West line (Unit F) of Section 26, Township 6 South, Range 25 East, NMPM, Chaves County, New Mexico.

(3) The aforementioned spacing and proration unit is currently dedicated to the George "QJ" Federal Well No. 10 (API No. 30-005-63368), located at a standard oil well location 660 feet from the South line and 1500 feet from the West line (Unit N) of Section 26.

(4) The special pool rules for the Pecos Slope-Pennsylvanian Pool, as promulgated by Division Order No. R-11721-A, issued in Case No. 12751 on April 28, 2003, require standard 320-acre proration units, and allow only one infill well, which must be located in the quarter section opposite the initial well. This infill well must be located no closer than 660 feet to the outer boundary of the quarter section and no closer than 10 feet to a quarter-quarter section line or subdivision inner boundary.

(5) The proposed well is unorthodox because it is spotted 100 feet closer than the Pecos Slope-Pennsylvanian Pool rules allow to the interior line of this W/2 spacing unit.

(6) Since the proposed unorthodox well location does not encroach on any exterior proration unit boundaries, there are no adversely affected parties.

(7) No other party registered an appearance or opposed this application.

(8) The Applicant originally filed an administrative application on March 10, 2003 (*administrative application reference No. pKRV0-307027225*) seeking approval of an unorthodox location in the Pecos Slope-Abo Pool, the Pecos Slope-Pennsylvanian Pool, and any other deep 320-acre gas formation, for the George "QJ" Federal Well No. 11. The application was set for hearing (Case No. 13045) due to Pecos Slope-Abo Pool spacing rules, which prohibit administrative approval of unorthodox locations. The Applicant continued the case, and then requested it be dismissed, and it was dismissed. The Applicant subsequently amended the previously submitted administrative application to apply only for a nonstandard oil well location in the Pecos Slope-Pennsylvanian Pool. Due to a lack of adequate accompanying support data for the application, the Division set the application for hearing via re-opened Case No. 13045.

(9) The Applicant presented seven exhibits and the following testimony in support of its case.

(a) The proposed unorthodox location of the George "QJ" Federal Well No. 11 was picked based on a proprietary interpretation of a 3-D seismic survey. The geophysicist who picked this location is no longer working for the Applicant and was unavailable for testimony.

(b) Without this seismic survey and using conventional mapping techniques based on well control and regional trends, the applicant would have proposed a location slightly further south and in an orthodox location.

(c) The Applicant presented "Gross Isopach" and "Net Porosity" maps of the George Cisco carbonate interval based on well control and electric logs.

(d) The Applicant presented "West to East" and "North to South" cross-sections of this George Cisco interval and a verbal discussion of each well's history and prognosis.

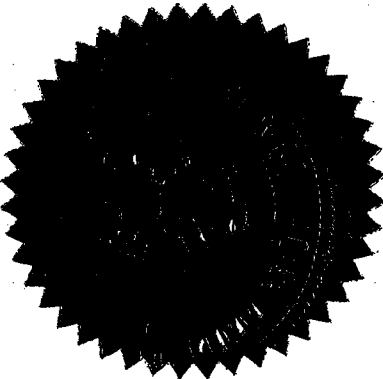
(10) Approval of the proposed unorthodox infill oil location will afford the Applicant the opportunity to produce its just and equitable share of oil and gas from the subject pool, will prevent economic loss caused by the drilling of unnecessary wells, and will prevent waste of hydrocarbons and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) Yates Petroleum Corporation is hereby granted an exception to the well location requirements of the "*Special Rules for the Pecos Slope-Pennsylvanian Pool*," as promulgated by Division Order No. R-11721-A, issued in Case No. 12751 on April 28, 2003, for its proposed George "QJ" Federal Well No. 11 (API No. 30-005-63444) to be drilled at an unorthodox infill oil well location within an existing standard 320-acre stand-up oil spacing and proration unit comprising the W/2 of Section 26, Township 6 South, Range 25 East, NMPM, Chaves County, New Mexico, 2080 feet from the North line and 1350 feet from the West line (Unit F) of Section 26.

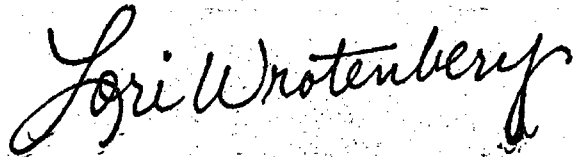
(2) Jurisdiction is hereby retained for the entry of such further orders, as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



LORI WROTENBERY
Director