

Case No. 11283

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November 22, 1995

HAND-DELIVERED

Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87505

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Oil Conservation Division

Attn: Mr. Michael E. Stogner

Re: Renewed Request of Tide West Oil Company for Shut-In Order:
Case No. 11283: Application of Yates Petroleum Corporation to Amend Order
No. R-9976-A Approving an Unorthodox Well Location for its Catterson "SS"
Federal No. 7 Well, Unit I, Section 33, Township 7 South, Range 26 East,
NMPM, Chaves County, New Mexico

Dear Mr. Stogner:

This letter is the response of Yates Petroleum Corporation to Tide West Oil Company's
November 16, 1995 renewed request for shut-in order of the Catterson "SS" Federal No. 7
Well ("the Catterson Well").

As you will recall, the Catterson Well was drilled as part of Yates Petroleum Corporation's
Enhanced Gas Recovery Project in the Pecos Slope-Abo Gas Pool approved by Division
Order No. R-9976. An unorthodox location was approved for this well 2,310 feet from the
South line and 790 feet from the East line of Section 21, Township 7 South, Range 26 East,
NMPM. This location encroached on the offsetting tract to the South which was owned by
Merit Energy Company. Merit waived objection to a well at this location.

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Prior to drilling, the Bureau of Land Management required Yates move the location 130 feet to the East to a point 2,310 feet from the South line and 660 feet from the East line on this section. The well was drilled at this location which is no closer to the acreage to the South than the location previously approved by the Division.

An administrative application was filed seeking approval of the new unorthodox location and copies of this application were sent to Merit Energy which advised Yates that it had conveyed its interest in this acreage to Tide West. Yates immediately provided Tide West a copy of the administrative application for approval of the new location for the Catterson Well.

Tide West objected to this location and on May 9, 1995, requested the Division issue an Order directing Yates to cease producing the Catterson well pending a final resolution of this dispute. The Division denied that request.

A hearing on this matter was held on August 10, 1995 at which time Yates sought approval of the new location for the Catterson "SS" Federal No. 7 Well and Tide West sought permission to drill an offsetting well at an unorthodox location.

Now, more than six months after its original request for a shut-in order, Tide West again asks the Division to direct Yates to shut-in the Catterson "SS" Federal No. 7 Well. Yates opposes this request because the Catterson "SS" Federal Well No. 7 is no closer to the Tide West acreage than the location approved for the well prior to the time Tide West acquired its interest in this property. Although Yates has attempted to resolve this matter with Tide West, Tide West has repeatedly refused to talk to Yates. After waiting more than six months to renew its request for a shut-in order, Tide West now asks the Division not only to shut-in the Catterson Well but treat all production prior to the date of an effective order in this case as overproduction. It also seeks the imposition of allowable restrictions on the well to remain in place until first sales occur from the proposed offsetting Tide West well -- a well which Tide West has yet been willing to commit to actually drilling.

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As stated at the August 10, 1995 Division hearing, Yates does not oppose the application of Tide West for an unorthodox well location offsetting the Catterson "SS" Federal No. 7 Well and the simultaneous dedication of that well with existing wells on Tide West's acreage. However, Yates does oppose the request of Tide West to shut-in the Catterson Well because such an action by the Division would impair its correlative rights.

Very truly yours,

A handwritten signature in black ink, appearing to read "William F. Carr". The signature is written in a cursive style with a long horizontal flourish extending to the right.

WILLIAM F. CARR
ATTORNEY FOR YATES PETROLEUM CORPORATION
WFC:mlh

cc: W. Thomas Kellahin, Esq.
Mr. Randy Patterson