



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 S. PACHECO
SANTA FE, NEW MEXICO 87505
(505) 827-7131

February 22, 1996

Yates Petroleum Corporation
c/o Campbell, Carr, Berge & Sheridan, P. A.
P. O. Box 2208
Santa Fe, New Mexico 87504-2208

Attention: William F. Carr

Administrative Order DD-132(NSBHL)

Dear Mr. Carr:

Reference is made to your applications on behalf of the operator, Yates Petroleum Corporation ("Yates"), dated February 8, 16, and 20, 1996 for approval of its Zinnia Federal Unit Well No. 1 (API No. 30-015-27939) which was directionally drilled to a pre-determined bottom-hole location at a total measured depth of 12,550 feet in the winter of 1994/95. The surface location of the subject well, which is considered to be unorthodox, is 1980 feet from the North line and 910 feet from the West line (Unit E) of Section 27, Township 20 South, Range 29 East, NMPM, Eddy County, New Mexico.

The Division Director Finds That:

- (1) This matter was originally docketed as Case No. 11,339 for hearing before a Division examiner on July 13, 1995, Yates however has caused this matter to be continued on a regular bases;
- (2) The Zinnia Federal Unit Well No. 1 is within both the Federal Oil/Potash enclave area and within the Division's Oil/Potash "R-111-P" area, and was therefore subject to all applicable restrictions and rules therein, said "potash rules" necessitated, in part, the need for the directional drilling of this well;
- (3) The application has been duly filed under the provisions of **Rules 104.F (2) and (3) and Rules 111.D and E** of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division"), Rule 111 revised by Division Order No. R-10388, issued by the Oil Conservation Commission in Case 11,274 on June 13, 1995 and Rule 104 revised by Division Order No. R-10533, issued by

the Oil Conservation Commission in Case 11,351 on January 18, 1996;

- (4) The primary zone of interest for the Zinnia Federal Unit Well No. 1 was the Undesignated East Burton Flat-Strawn Gas Pool, which is subject to the statewide rules and regulations for gas wells to all horizons of Wolfcamp age or older, as promulgated by **Rule 104.C(2)(b)**, which provides for 320-acre gas spacing and proration units, or drilling units, and requires that wells be located no closer than 660 feet to the nearest side boundary of the designated tract nor closer than 1650 feet to the nearest end boundary, nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary thereon; however, the deeper Undesignated East Burton Flat-Morrow Gas Pool, which is also subject to the above-described spacing and well location requirements, would be tested as a secondary zone of interest; further, the 320 acres comprising the N/2 of said Section 27 was proposed by the operator to be the dedicated acreage for both zones;
- (5) The Morrow interval within the Zinnia Federal Unit Well No. 1:
 - (a) was tested and subsequently plugged off in mid-1995; and,
 - (b) pursuant to the directional survey, at a depth of 11,942 feet, is found to be 2093 feet from the North line and 2542 feet from the West line (Unit F) of said Section 27;
- (6) By Division Administrative Order DHC-1143, dated August 14, 1995 and issued for an application filed by Yates Petroleum Corporation which was dated July 10, 1995, gas production from both the Undesignated East Burton Flat-Strawn Gas Pool and, either the Undesignated East Burton Flat-Wolfcamp Gas Pool or Undesignated Scalon-Wolfcamp Gas Pool, is allowed to be commingled within the wellbore of the Zinnia Federal Unit Well No. 1; further, both the aforementioned Wolfcamp pools are also subject to said **Rule 104.C(2)(b)**;
- (7) As indicated by the directional survey the wellbore intersects:
 - (a) with the Wolfcamp formation at a measured depth of 9,870 feet, at a point located 2055 feet from the North line and 2277 feet from the West line of said Section 27; and,
 - (b) with the Strawn formation at a measured depth of 10,935 feet, at a point located 2065 feet from the North line and 2480 feet from the West line of said Section 27;

- (8) Both subsurface locations for the Strawn and Wolfcamp intervals are considered to be unorthodox and both intervals are dedicated to the N/2 of said Section 27;
- (9) It was Yates' original intent to drill this well at the more geologically acceptable (1980'FNL & 2405'FEL) location in the Strawn interval, however to honor an agreement with Eddy Potash the current surface location was accepted and the wellbore was drilled directionally to the geologically favored sub-surface location as described above; and,
- (10) Other than being extremely overdue, the applicant has satisfied all of the appropriate requirements prescribed in said Rule 111.D and E, the subject application should be approved and the well should be governed by the provisions contained within this order and all other applicable provisions of Division General Rule 111.

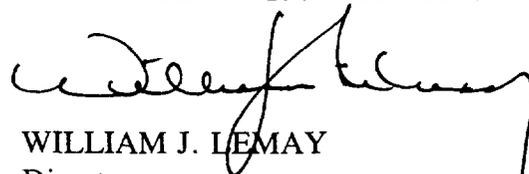
IT IS THEREFORE ORDERED THAT:

- (1) The operator, Yates Petroleum Corporation, is hereby authorized to continue operating its Zinnia Federal Unit Well No. 1 (API No. 30-015-27939), located at an unorthodox surface gas well location 1980 feet from the North line and 910 feet from the West line (Unit E) of Section 27, Township 20 South, Range 29 East, NMPM, Eddy County, New Mexico and drilled in the manner described in the Finding Nos. (1), (5), and (7) of this order.
- (2) Gas production from both the Undesignated East Burton Flat-Strawn Gas Pool and, either the Undesignated East Burton Flat-Wolfcamp Gas Pool or Undesignated Scalon-Wolfcamp Gas Pool may continue without interruption.
- (3) The 320 acres comprising the N/2 of said Section 27 is the dedicated acreage in both aforementioned intervals for this well.
- (4) The operator shall comply with all requirements and conditions set forth in Division General Rule 111.E(2) and any applicable requirements in 111.D and F and 104.
- (5) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

S E A L

WJL/MES/kv

cc: Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad
File: Case 11,339 ✓