

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. 12473
ORDER NO. R-11448

APPLICATION OF HARVEY E. YATES COMPANY FOR A NON-STANDARD
GAS SPACING AND PRORATION UNIT AND AN UNORTHODOX GAS WELL
LOCATION, EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on August 10, 2000, at Santa Fe, New Mexico, before Examiner Mark W. Ashley.

NOW, on this 31st day of August, 2000, 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, Harvey E. Yates Company ("Heyco"), seeks an exception to the well location and spacing requirements provided within the "*Special Rules and Regulations for the McMillan-Morrow Gas Pool*," set forth in Division Order No. R-2917, as amended, for: (i) the formation of a non-standard 318.22-acre gas spacing and proration unit comprising Lots 1 and 2, the E/2 NW/4 and the NE/4 (N/2 equivalent) of Section 7, Township 20 South, Range 27 East, NMPM, Eddy County, New Mexico; and (ii) the dedication of this unit to its proposed Turner Federal "7" Deep Well No. 1 to be drilled at an unorthodox gas well location 1980 feet from the North line and 660 feet from the West line (Lot 2/Unit E) of Section 7.
- (3) The "*Special Rules and Regulations for the McMillan-Morrow Gas Pool*" currently require standard 640-acre gas spacing and proration units with wells to be located no closer than 1650 feet to the outer boundary of the section and no closer than 330 feet to any quarter-quarter section line or subdivision inner boundary.

(4) The McMillan-Morrow Gas Pool currently comprises the following described area:

TOWNSHIP 20 SOUTH, RANGE 26 EAST, NMPM

Section 13: All
Section 24: All
Section 23: SE/4
Section 26: N/2

TOWNSHIP 20 SOUTH, RANGE 27 EAST, NMPM

Section 7: All
Section 18: All
Section 19: All

(5) By Order No. R-5829 issued in Case No. 6337 on October 6, 1978, the Division, upon application of Mark D. Wilson, limited the area subject to the "*Special Rules and Regulations for the McMillan-Morrow Gas Pool*" to a five-section area comprising Sections 13 and 24, Township 20 South, Range 26 East, and Sections 7, 18 and 19, Township 20 South, Range 27 East.

(6) By Order No R-11308 issued in Case No.12309 on December 16, 1999, the Division, upon application of Pogo Producing Company ("Pogo"), approved an exception to the well location and spacing requirements provided within the "*Special Rules and Regulations for the McMillan-Morrow Gas Pool*" for (i) the formation of a non-standard 318.82-acre gas spacing and proration unit comprising Lots 3 and 4, the E/2 SW/4 and the SE/4 (S/2 equivalent) of Section 7, Township 20 South, Range 27 East, NMPM, Eddy County, New Mexico, and (ii) the dedication of this unit to its Davis "7" Well No. 1 to be drilled at an unorthodox gas well location 660 feet from the South and West lines (Lot 4/Unit M) of Section 7.

(7) The applicant presented geologic evidence indicating that:

- (a) the primary target within the proposed Turner Federal "7" Deep Well No. 1 is the middle Morrow sand, which is the same sand that was encountered in Pogo's Davis "7" Well No. 1;
- (b) the proposed Turner Federal "7" Deep Well No. 1 needs to encounter approximately 30 feet of gross

- middle Morrow sand in order to produce commercial quantities of gas from the Morrow formation;
- (c) the middle Morrow sand traverses Section 7 in a northwest to southeast direction and is present within the NW/4 of Section 7;
 - (d) the area of greatest middle Morrow sand thickness occurs within the NW/4 of Section 7;
 - (e) the proposed unorthodox gas well location is necessary in order to encounter the middle Morrow sand in the area of greatest sand thickness within the NW/4 of Section 7; and
 - (f) production in the Davis "7" Well No. 1 should not be adversely affected by the Turner Federal "7" Deep Well No. 1 due to the limited extent of the middle Morrow sand in Section 7.
- (8) The applicant presented engineering evidence indicating that:
- (a) the McMillan-Morrow Gas Pool has previously been tested in Section 7 by the (i) Harvey E. Yates Company Hondo Singer "A" Well No. 1 located in Unit P; and (ii) Harvey E. Yates Company Singer Davis Well No. 1 located in Unit K;
 - (b) the Hondo Singer "A" Well No. 1 was completed in the Morrow formation in 1965 and IP'd at a rate of approximately 306 MCFGD. The well cumulatively produced 34 MMCFG from the McMillan-Morrow Gas Pool prior to being plugged and abandoned;
 - (c) the Singer Davis Well No. 1 was completed in the Morrow formation in 1976 and IP'd at a rate of approximately 2.9 MMCFGD. The well cumulatively produced 127 MMCFG from the McMillan-Morrow Gas Pool prior to being plugged and abandoned;

- (d) the drainage areas for wells within the McMillan-Morrow Gas Pool varies considerably and is generally less than 220 acres; and
- (e) there are currently only three wells producing from the McMillan-Morrow Gas Pool: the Atasca Resources Inc. State "19" Com Well No. 1, located in Unit F of Section 19, Township 20 South, Range 27 East; the Yates Drilling Company Pecos River Deep Unit Well No. 3, located in Unit H of Section 13, Township 20 South, Range 26 East; and Pogo's recently completed Davis "7" Well No. 1, located in (Lot 4/Unit M) of Section 7.

(9) Heyco testified it provided notice of its proposed non-standard gas proration unit and unorthodox gas well location to all affected parties.

(10) Pogo Producing Company, an affected party, appeared at the hearing in support of Heyco's application.

(11) No other affected party appeared at the hearing or objected to this application.

(12) Approval of the proposed non-standard gas proration unit and unorthodox gas well location will provide Heyco the opportunity to recover the remaining gas reserves in the McMillan-Morrow Gas Pool within the N/2 of Section 7, thereby preventing waste, and will not violate correlative rights.

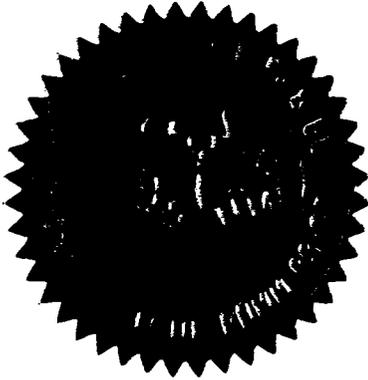
IT IS THEREFORE ORDERED THAT:

(1) The applicant, Harvey E. Yates Company, is hereby granted an exception to the well location and spacing requirements provided within the "*Special Rules and Regulations for the McMillan-Morrow Gas Pool*" for: (i) the formation of a non-standard 318.22-acre gas spacing and proration unit comprising Lots 1 and 2, the E/2 NW/4 and the NE/4 (N/2 equivalent) of Section 7, Township 20 South, Range 27 East, NMPM, Eddy County, New Mexico; and (ii) the dedication of this unit to its proposed Turner Federal "7" Deep Well No. 1 to be drilled at an unorthodox gas well location 1980 feet from the North line and 660 feet from the West line (Lot 2/Unit E) of Section 7.

(2) Jurisdiction is hereby 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

Lori Wrotenbery
LORI WROTENBERY
Director

SEAL