

3950 KOP

4350 1.50 DEGS./100'

5350 AVERAGE ANGLE
30.08 DEGS.

6350

7350

8350

9350

10350

10647 TVD 3632' - S59.83E 11575.45 MD

11350

11670

12200

4340.16' - S59.83E

4531.28' - S59.83E

12988.76 MD

13370.11 MD

YATES PETROLEUM CORPORATION
AHG GAZELLE FED COM NO. 2
EDDY COUNTY, NEW MEXICO

DIG

DIRECTIONAL INVESTMENT GUIDANCE, INC.

4908 W. HIGHWAY 80, MIDLAND, TEXAS 79708 815-897-1480

YATES PETROLEUM CORPORATION
Case No. 10014
07/25/90 Examiner Hearing
Exhibit No. 8

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. 10014
Order No. R-9254

APPLICATION OF YATES PETROLEUM
CORPORATION FOR DIRECTIONAL
DRILLING AND AN UNORTHODOX GAS
WELL LOCATION, EDDY COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on July 25, 1990, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 15th day of August, 1990, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Yates Petroleum Corporation, seeks authority to directionally drill its Gazelle "AHG" Federal Well No. 2 from a surface location 1000 feet from the South line and 5 feet from the East line (Unit P) of Section 16, Township 20 South, Range 29 East, NMPM, Eddy County, New Mexico, wherein the applicant proposes to deviate said well to within 150 feet of the following unorthodox bottomhole locations:

- a) in the Strawn formation - 825 feet from the North line and 2145 feet from the East line (Unit B) of Section 22, Township 20 South, Range 29 East, NMPM, wherein either the N/2 (320-acre gas unit) will be dedicated to the

wellbore if the completed interval is determined to be within the Undesignated East Burton Flat-Strawn Gas Pool or the NW/4 NE/4 (40-acre oil unit) will be dedicated if it is determined to be within the Undesignated South Parkway-Strawn Pool; and,

- b) in the Morrow formation - 1181 feet from the North line and 1533 feet from the East line (Unit B) of said Section 22, wherein the N/2 (320-acre gas unit) will be dedicated to the wellbore forming a standard 320-acre gas spacing and proration unit for the Undesignated East Burton Flat-Morrow Gas Pool.

(3) The evidence indicates that the proposed bottomhole locations will be unorthodox for the Undesignated South Parkway-Strawn Pool and the Undesignated East Burton Flat-Morrow Gas Pool, but will be standard for the Undesignated East Burton Flat-Strawn Gas Pool.

(4) According to evidence presented, the applicant is the owner of Federal Lease No. NM 81929, which encompasses, in part, all of said Section 22.

(5) Due to its close proximity to the Potash Area, the subject lease contains, for safety reasons, various restrictions on oil and gas drilling operations including a no surface occupancy or use provision.

(6) The proposed bottomhole location lies within the Potash Area (as defined by Division Order No. R-111-P) and within a designated L.M.R. (Life-of-Mine Reserve); however, the proposed surface location lies outside of the Potash Area and further than one-half mile from said designated L.M.R.

(7) The applicant proposes to directionally drill for the purpose of meeting the requirements of Part (G)(e)(b) of said Order No. R-111-P which states that "a deep well shall be drilled no closer than one-half (1/2) mile from the L.M.R.", and also for the purpose of complying with the lease restriction described in Finding No. (5) above.

(8) No offset operator or interested party appeared and objected to the proposed directional drilling and

unorthodox locations.

(9) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas and/or oil in the affected pools, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.

(10) The applicant should be required to determine the subsurface location of the kick-off point in the wellbore prior to directional drilling and should subsequently be required to conduct an accurate wellbore survey during or upon completion of drilling operations from the kick-off point to total depth to determine its true depth and course.

(11) The applicant should be required to notify the supervisor of the Artesia district office of the Division of the date and time said directional surveys are to be conducted so that they may be witnessed. The applicant should further be required to provide a copy of said directional surveys to the Santa Fe and Artesia offices of the Division upon completion.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Yates Petroleum Corporation, is hereby authorized to directionally drill its Gazelle "AHG" Federal Well No. 2 from a surface location 1000 feet from the South line and 5 feet from the East line (Unit P) of Section 16, Township 20 South, Range 29 East, NMPM, Eddy County, New Mexico, to unorthodox bottomhole locations within 150 feet of the following targeted areas:

- a) in the Strawn formation - 825 feet from the North line and 2145 feet from the East line (Unit B) of Section 22, Township 20 South, Range 29 East, NMPM, wherein either the N/2 (320-acre gas unit) shall be dedicated to the wellbore if the completed interval is determined to be within the Undesignated East Burton Flat-Strawn Gas Pool (standard well location) or the NW/4 NE/4 (40-acre oil unit) shall be dedicated if it is determined to be within the Undesignated South Parkway-Strawn Pool (unorthodox location); and,

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Order No. R-9254

- b) in the Morrow formation - 1181 feet from the North line and 1533 feet from the East line (Unit B) of said Section 22, wherein the N/2 of said Section 22 shall be dedicated to the well forming a standard 320-acre gas spacing and proration unit for the Undesignated East Burton Flat-Morrow Gas Pool (unorthodox location).

PROVIDED HOWEVER THAT, prior to the above-described directional drilling, the applicant shall establish the location of the kick-off point by conducting a continuous multi-shot directional survey of the well.

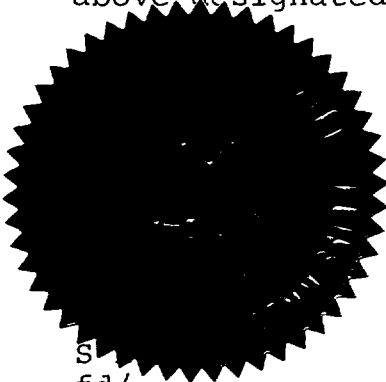
PROVIDED FURTHER THAT, during or upon completion of directional drilling operations, the applicant shall conduct an accurate wellbore survey from the kick-off point to total depth in order that the subsurface bottomhole location, as well as the wellbore's true depth and course, may be determined.

(2) The applicant shall notify the supervisor of the Artesia district office of the Division of the date and time said wellbore surveys are to be conducted so that they may be witnessed. The applicant shall further provide a copy of said wellbore surveys to the Santa Fe and Artesia offices of the Division upon completion.

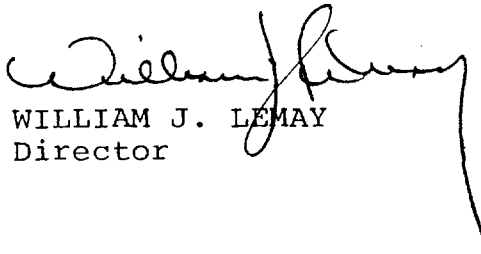
(3) Form C-105 shall be filed in accordance with Division Rule No. 1105 and the operator shall indicate thereon true vertical depth in addition to measured depths.

(4) Jurisdiction of this cause is 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.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

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