



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

TONY ANAYA
GOVERNOR

September 19, 1935

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-5800

Mr. A. J. Losee
Losee & Carson
Attorneys at Law
Post Office Box 239
Artesia, New Mexico

Re: CASE NO. 8614
ORDER NO. R-8025

Applicant:

Yates Petroleum Corporation

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,

R. L. STAMETS
Director

RLS/fd

Copy of order also sent to:

Hobbs OCD x
Artesia OCD x
Aztec OCD

Other William F. Carr

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 8614
Order No. R-8025

APPLICATION OF YATES PETROLEUM
CORPORATION FOR AN EXCEPTION TO
DIVISION ORDER NO. R-5353, AS
AMENDED, ROOSEVELT COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:00 a.m. on June 19, 1985, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 18th day of September, 1985, 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 an exception to the Special Rules and Regulations for the Bluit-San Andres Associated Pool as promulgated by Division Order No. R-5353, as amended, to authorize an unorthodox gas well location for its Bluestem "ZL" Federal Well No. 1 located 1650 feet from the North line and 2310 feet from the East line of Section 20, Township 8 South, Range 38 East, NMPM, Roosevelt County, New Mexico.
- (3) The applicant further seeks approval of a 160-acre non-standard gas spacing and proration unit comprising the S/2 NE/4 and N/2 SE/4 of said Section 20 to be dedicated to said well.
- (4) The Special Pool Rules for the Bluit-San Andres Associated Pool, promulgated by Division Order No. R-5353, as amended, require that gas wells drilled to or completed in said pool be located not closer than 990 feet to the quarter section line nor closer than 330 feet to any quarter-quarter section

line and dedicated to a 320-acre spacing and proration unit [Rule 2.(b)], and that oil wells be located within 150 feet of the center of a quarter-quarter section line and dedicated to an 80-acre spacing and proration unit. A well is classified as a gas well if it has a gas-liquid ratio of 30,000 or more cubic feet of gas per barrel of liquid hydrocarbons, if said ratio is less than 30,000 cubic feet of gas per barrel of liquid hydrocarbons, it is then classified as an oil well [Rule 2.(a)].

(5) The operator of the immediate offsetting Bluitt-San Andres oil well and 80-acre standard spacing and proration unit consisting of the N/2 NE/4 of said Section 20, Union Oil Company of California, appeared at the hearing and objected to the approval of an unorthodox gas well location for the aforementioned Bluestem "ZL" Federal Well No. 1 unless a penalty should be imposed on the allowable assigned to the unorthodox gas spacing and proration unit.

(6) The subject well was spudded on May 21, 1984. At that time the applicant was unaware of the Bluitt-San Andres Associated Pool Rules and Division Order No. R-5353, as amended.

(7) On August 29, 1984, a production test performed on the subject well indicated it to be a gas well with a gas-oil ratio of 110,000 cubic feet of gas per barrel of liquid hydrocarbons.

(8) The entire non-standard gas spacing and proration unit may reasonably be presumed productive of gas from the Bluitt-San Andres Associated Pool and the unorthodox location of the subject well should be approved to prevent the economic waste which would occur if the applicant were required to drill another well to the San Andres formation in the proposed 160-acre non-standard gas unit, but an allowable penalty should be imposed on the subject well to protect the correlative rights of other operators in the pool.

(9) Rule 2.(b) of said Division Order No. R-5353, as amended, Special Pool Rules for the Bluitt-San Andres Associated Pool, refers to the outer boundaries of a standard gas spacing and proration unit when referring to the "quarter section line", and therefore, the most northwesterly well-site in the subject 160-acre spacing and proration unit which would constitute a legal gas well location would be 2310 feet from the North line and 1650 feet from the East line of said Section 20.

Case No. 8614
Order No. R-8025

(10) The subject well, being 1650 feet from the North line and 2310 feet from the East line of said Section 20, is 660 feet or 67 percent closer than permitted to the northern and western boundaries of the subject unit.

(11) Assuming 320-acre radial drainage, the subject well has an area of drainage of approximately 88 acres outside its permitted drainage area more than would a well located at the most northwesterly standard location as described above.

(12) Having 88 acres more drainage outside its permitted area of drainage, the subject well has 232 acres (72.5 percent) of its drainage within the area permitted.

(13) The applicant is dedicating only half (50 percent) of the acreage required for a standard gas spacing and proration unit in said pool.

(14) The penalty imposed for the San Andres production upon the subject well, as long as it is classified as a gas well, should be based upon the footage variation of the unorthodox location from a standard gas well location as described in Finding Paragraph No. (10) above, the drainage encroachment described in Finding Paragraph No. (12) above, and on the acreage dedication factor as described in Finding Paragraph No. (13) above.

(15) The allowable factor for the subject well should be calculated as being equal to: $[(.67 \text{ North footage factor} + .67 \text{ West footage factor} + .725 \text{ acreage encroachment factor, divided by } 3) \text{ times } 100] \text{ times } .5$, or 34.45 percent (rounded off to 34 percent).

(16) An allowable factor of 34 percent (.34) for the subject well (a penalty of 66 percent), which should be assigned as an acreage factor, will prevent waste and protect the correlative rights of the applicant as well as other operators in the pool, and should be approved.

(17) Approval of the subject application subject to the above provisions and limitations will afford the applicant the opportunity to produce its just and equitable share of the gas in the subject pool, 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.

(18) Should the subject well in the future be reclassified as an oil well, pursuant to Division Order No. R-5353, as

Case No. 8614
Order No. R-8025

amended, Special Rules and Regulations for the Bluit-San Andres Associated Pool, then this case should be reopened and the operator of the subject well should then appear and show cause why a penalty should not be imposed on said well's production.

IT IS THEREFORE ORDERED THAT:

- (1) The application of Yates Petroleum Company for an exception to the Special Rules and Regulations for the Bluit-San Andres Associated Pool, as promulgated by Division Order No. R-5353, as amended, authorizing an unorthodox gas well location and a 160-acre non-standard gas spacing and proration unit, is hereby approved for its Bluestem "ZL" Federal Well No. 1 located 1650 feet from the North line and 2310 feet from the East line of Section 20, Township 8 South, Range 38 East, NMPM, Roosevelt County, New Mexico.
- (2) A 160-acre non-standard gas spacing and proration unit comprising the S/2 NE/4 and N/2 SE/4 of said Section 20 is hereby established and shall be dedicated to said well.
- (3) Said gas well is hereby assigned an acreage factor of 0.34 in the San Andres formation for purposes of assigning its gas allowable.
- (4) Should the subject well be reclassified as an oil well pursuant to Division Order No. R-5353, as amended, Special Rules and Regulations for the Bluit-San Andres Associated Pool, then at such time this case shall be reopened and the operator of the subject well shall appear and show cause why a penalty should not be imposed on said well's production.
- (5) 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

R. L. Stamets
R. L. STAMETS,
Director