

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. 10453
ORDER NO. R-9653

APPLICATION OF YATES PETROLEUM CORPORATION
FOR A NON-STANDARD GAS PRORATION UNIT 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 March 19, 1992, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 20th day of March, 1992 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 approval to complete its Mojave "AJY" Com Well No.1 in the Undesignated Cemetery-Morrow Gas Pool at an unorthodox gas well location 990 feet from the North line and 660 feet from the East line (Unit I) of Irregular Section 35, Township 20-1/2 South, Range 23 East, NMPM, Eddy County, New Mexico.
- (3) This well is currently drilling under the authority of NMOCD Form C-101, Application for Permit to Drill, approved by the supervisor of the Division's district office in Artesia on January 7, 1992. It was Yates' original intention to complete this well in the Undesignated South Dagger Draw-Upper Pennsylvanian Associated Pool at

the subject location which is considered standard pursuant to the Rule 2(b) of the Special Rules and Regulations for the South Dagger Draw-Upper Pennsylvanian Associated Pool as promulgated by Division Order No. R-5353, as amended.

(4) The Morrow formation is a secondary interval in which the majority interest owner in the well (Conoco, Inc. - 56.68%) requested Yates to test subsequent to receiving authorization to commence said well to the Upper Pennsylvanian interval.

(5) The applicant presented geological evidence which indicates the location to be situated at a more favorable position within the Upper Pennsylvanian interval than a location 1720 feet further west, which would be a standard gas well location for the Morrow zone.

(6) Yates indicates only 1400 feet of additional overburden separates the Upper Pennsylvanian interval from the Morrow formation and that the feasibility for Yates to drill two wells to test both zones is economically unreasonable.

(7) No offset operator objected to the proposed unorthodox location.

(8) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the affected 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.

IT IS THEREFORE ORDERED THAT:

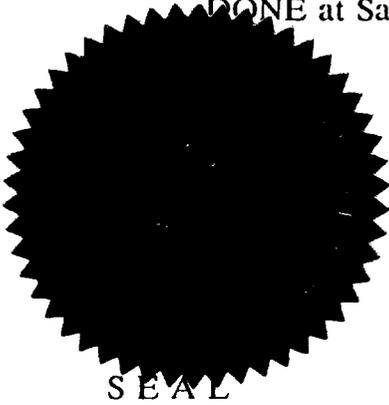
(1) The application of Yates Petroleum Corporation to deepen and complete its Mojave "AJY" Com Well No. 1 in the Undesignated Cemetery-Morrow Gas Pool at its present drilling location 990 feet from the North line and 660 feet from the East line (Unit I) of Irregular Section 35, Township 20-1/2 South, Range 23 East, NMPM, Eddy County, New Mexico, is hereby approved.

(2) All of said Irregular Section 35 shall be dedicated to the above-described well forming a non-standard 334.92-acre gas spacing and proration unit for said pool.

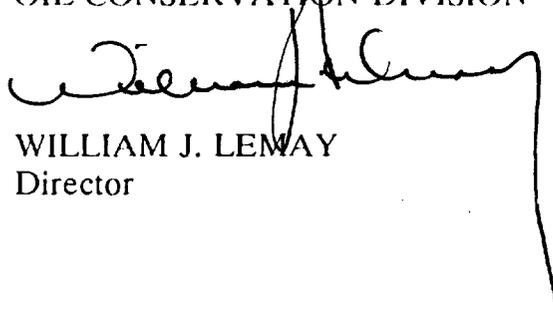
(3) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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



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WILLIAM J. LEMAY
Director