

**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. 10461
Order No. R-9663**

**APPLICATION OF YATES PETROLEUM
CORPORATION FOR DIRECTIONAL
DRILLING AND A NON-STANDARD OIL
PRORATION UNIT, EDDY AND LEA
COUNTIES, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on April 2, 1992, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 9th day of April, 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) Division Case Nos. 10460 and 10461 were consolidated at the time of the hearing for the purpose of testimony.
- (3) The applicant, Yates Petroleum Corporation, seeks approval to directionally drill its proposed Bonneville "AKK" Federal Well No. 2, to be located at a surface location 660 feet from the South line and 200 feet from the East line (Unit P) of Section 24, Township 21 South, Range 31 East, NMPM, Eddy County, New Mexico, in such a manner as to bottom the well in the Undesignated Lost Tank-Delaware Pool at a standard oil well location approximately 660 feet from the South line and 1049 feet from the West line in Lot 4 (SW/4 SW/4 equivalent) of Section 19, Township 21 South, Range 32 East, NMPM, Lea County, New Mexico, being a non-standard 43.46-acre oil spacing and proration unit for said pool.

(4) According to applicant's evidence and testimony, it initially proposed the drilling of the Bonneville "AKK" Federal Well No. 2 as a conventional vertical wellbore to be located in Unit M of Section 19; however, the applicant was informed by the Bureau of Land Management (BLM), that the subject well was located in an area designated as a Potash Life-of-Mine Reserves (LMR) and therefore subject to the non-drilling provisions contained within Division Order No. R-111-P.

(5) In addition, New Mexico Potash, being the owner of certain potash leases within one mile of the originally proposed location, informed the applicant that it would not approve the application to drill a vertical well as described above.

(6) According to applicant's testimony, the newly proposed surface location lies within the buffer zone (one-half mile) of a purportedly designated LMR.

(7) Part (G)(3) of Division Order No. R-111-P states that "Any application to drill in the LMR area, including buffer zones, may be approved only by mutual agreement of lessor and lessees of both potash and oil and gas interests".

(8) The applicant has filed Federal Form No. 3160-3 (Application for Permit to Drill, Deepen or Plug Back), for the proposed Bonneville "AKK" Federal Well No. 2, and has notified New Mexico Potash of its new proposal.

(9) As of the date of the hearing, New Mexico Potash has not approved the applicant's proposal nor has the BLM approved Federal Form No. 3160-3.

(10) The applicant, by virtue of a farmout agreement with Bonneville Fuels Corporation, has operating rights within the S/2 of Section 19. Said farmout agreement contains a provision whereby the applicant is required to commence the drilling of a well in Section 19 on or before the 30th day of April, 1992.

(11) At the current time, the applicant is unaware whether or not the application to drill the subject well will be approved by the BLM; however, due to the above-described drilling time constraints, the applicant is seeking Division approval to conduct directional drilling operations, which is under the jurisdiction of the Division.

(12) The proposed surface well location is located on a lease currently operated by the applicant.

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

(14) The proposed non-standard oil proration unit is necessitated by a variation in the legal subdivision of the United States Public Lands Survey.

(15) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the oil 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.

(16) 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.

(17) 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.

(18) The directional drilling operations approved herein should be conditioned upon the applicant obtaining a valid drilling permit for the subject well from the Bureau of Land Management.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Yates Petroleum Corporation, is hereby authorized to directionally drill its proposed Bonneville "AKK" Federal Well No. 2, to be located at a surface location 660 feet from the South line and 200 feet from the East line (Unit P) of Section 24, Township 21 South, Range 31 East, NMPM, Eddy County, New Mexico, in such a manner as to bottom the well in the Undesignated Lost Tank-Delaware Pool at a standard oil well location approximately 660 feet from the South line and 1049 feet from the West line in Lot 4 (SW/4 SW/4 equivalent) of Section 19, Township 21 South, Range 32 East, NMPM, Lea County, New Mexico.

PROVIDED HOWEVER, the directional drilling operations approved herein shall be conditioned upon the applicant obtaining a valid drilling permit for the subject well from the Bureau of Land Management.

(2) Lot 4 (SW/4 SW/4 equivalent) of said Section 19 shall be dedicated to the subject well forming a non-standard 43.46-acre oil spacing and proration unit for said pool.

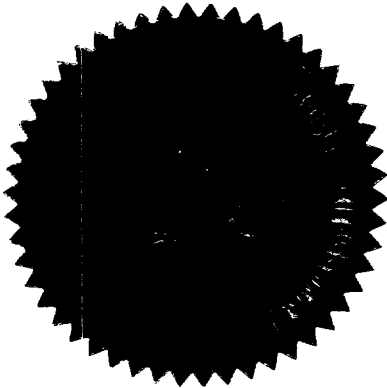
(3) The applicant shall determine the subsurface location of the kick-off point in the wellbore prior to directional drilling and shall conduct an accurate wellbore survey during or upon completion of drilling operations from the kick-off point to total depth to determine its true depth and course.

(4) The applicant shall 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 shall provide a copy of said directional surveys to the Santa Fe and Artesia offices of the Division upon completion.

(5) 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.

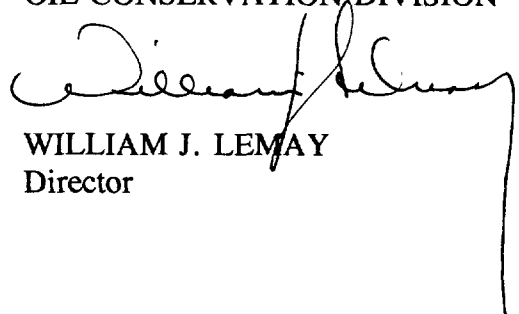
(6) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

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



S E A L

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director