



207 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1331

NM OIL CONS. COMMISSION
Drawer DD
Artesia, NM 88210

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ARTESIA OFFICE

BUREAU OF LAND MANAGEMENT
RECEIVED
JUL 10 1984
DIST. 6 N. M.
ROSWELL, NEW MEXICO

77m-18483

July 9, 1984

Bureau of Land Management
P. O. Box 1397
Roswell, New Mexico 88201

ATTN: Peter Chester
Engineer

Re: Morton SZ Federal No. 3

Dear Mr. Chester:

Yates Petroleum Corporation hereby makes application for approval of off-lease measurement of gas produced from the Morton SZ Federal well No. 3. Location of this well is 860 feet from the north line and 1980 feet from the west line of Section 10, Township 8 South, Range 25 East, N.M.P.M., Chaves County, New Mexico. The well was completed on January 15, 1983, for 2924 MCFGPD from Abo perforations 3862 to 3932 feet. The NW quarter of Section 10 is dedicated to the well involving 160 acres of Federal lease NM18483.

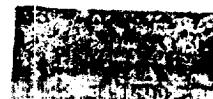
As you know, many natural gas wells in the Pecos Slope Abo field in North Chaves County have been shut-in since completion waiting on pipeline connection. Transwestern Pipeline Company, the only pipeline company serving the field, has agreed to purchase gas from some wells on the condition that the operators lay gathering lines from these wells to Transwestern metering stations. In some cases, the metering station provided by Transwestern is located off-lease. In the case of Morton SZ Federal well No. 3, it will be necessary to take the gas about 0.3 mile north of the well site for off-lease sales measurement.

Attached is a map showing the location of the Morton SZ Federal well No. 3 and the proposed point of off-lease gas measurement. This map shows basic mineral ownership including lease numbers. Also attached is a schematic diagram showing how production will be handled and where production equipment will be located. Except for off-lease gas measurement, all other facets of production handling will remain the same as for existing wells in the area. Any condensate produced will be separated, stored, measured and sold at the well site. All necessary right-of-way will be obtained before the gathering line is installed. Yates agrees that any leaks or breaks between the wellhead and point of measurement will be borne by the operator and royalty will be based on the preceding 30-day average rate.

APPROVED

(Orig. Sgd.) PETER W. CHESTER

JUL 19 1984



Peter Chester
July 9, 1984
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This application is based on economic considerations. The Morton SZ Federal No. 3 has already been shut-in for 17 months. Unless gas from the well can somehow be delivered to Transwestern pipeline facilities, it now appears that the well will remain shut-in for an indeterminate length of time. A prolonged shut-in would prevent recovery of expenses already paid for drilling and completing the well. Also, without production, royalties and production taxes will not be paid resulting in a direct loss of revenue to the public. Yates Petroleum Corporation respectfully requests your approval of this application.

If any additional information is required, please contact me at 748-1331.

Sincerely,



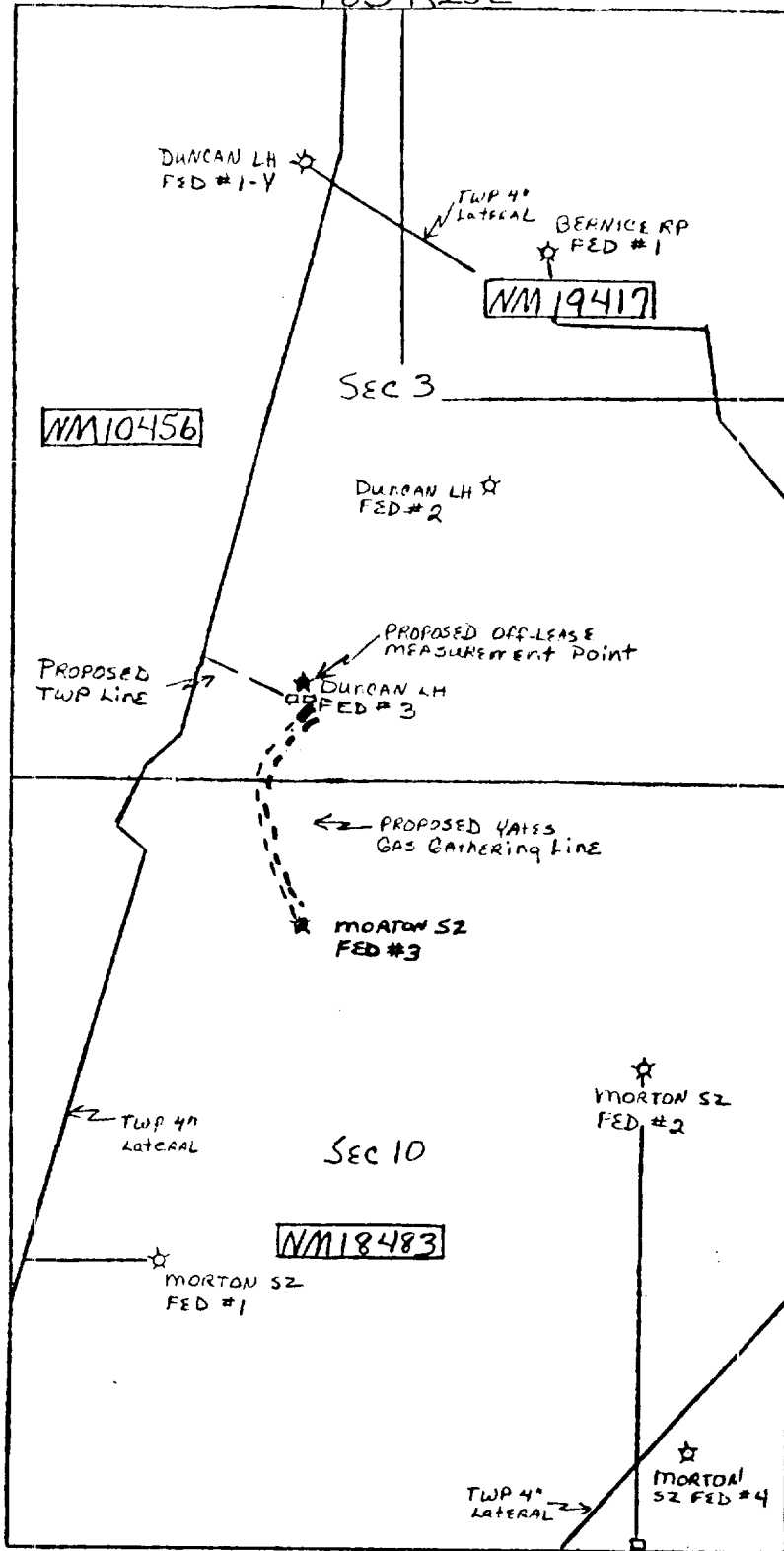
DAVID F. BONEAU
Engineering Manager

DFB/cvg

Enclosure

Morton SZ Federal No. 3

T8S-R25E



SCHEMATIC DIAGRAM OF OFF-LEASE GAS MEASUREMENT

