

ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

O. C. C.
ARTESIA, OFFICE

CASE NO. 6231
Order No. R-5831

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

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on May 17, 1978, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 29th day of September, 1978, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Yates Petroleum Corporation, seeks approval of an unorthodox gas well location for its State "JM" Well No. 1 to be located 660 feet from the North line and 660 feet from the East line of Section 25, Township 18 South, Range 24 East, NMPM, to test the Morrow formation, Undesignated Morrow Gas Pool, Eddy County, New Mexico.
- (3) That the N/2 of said Section 25 is to be dedicated to the well.
- (4) That a well at said unorthodox location will better enable applicant to produce the gas underlying the proration unit.
- (5) That the offset operators have objected to the proposed location.
- (6) That a well at the proposed location is at a standard location relative to the North and South lines of said Section 25.

(7) That a well at the proposed location is 67 percent closer to the East line of said Section 25 than permitted by Division Rules and Regulations.

(8) That a well at the proposed location will have an area of drainage in the Morrow formation which extends 67.2 net acres outside Section 25, an amount of acreage equivalent to 21 percent of a standard proration unit in said pool.

(9) That to offset the advantage gained over the protesting offset operators, production from the well at the proposed northodox location should be limited from the Morrow formation.

(10) That such limitation should be based upon the variation of the location from a standard location and the 67.2 net-acre encroachment described in Finding No. (9) above, and may best be accomplished by assigning a well at the proposed location an allowable limitation factor of 0.71 (100 percent North/South factor plus 33 percent East/West factor plus 79 percent net-acre factor divided by 3).

(11) That in the absence of any special rules and regulations for the prorationing of production from said Undesignated Morrow Gas Pool, the aforesaid production limitation factor should be applied against said well's ability to produce into the pipeline as determined by periodic well tests.

(12) That the minimum calculated allowable for the subject well should be reasonable, and 1,000,000 cubic feet of gas per day is a reasonable figure for such minimum allowable.

(13) That 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.

IT IS THEREFORE ORDERED:

(1) That an unorthodox gas well location for the Morrow formation is hereby approved for the Yates Petroleum Corporation's State "JM" Well No. 1 to be located at a point 660 feet from the North line and 660 feet from the East line of Section 25, Township 18 South, Range 24 East, NMPM, Undesignated Morrow Gas Pool, Eddy County, New Mexico.

(2) That the N/2 of said Section 25 shall be dedicated to the above-described well.