

(15) 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 or wells' ability to produce into the pipeline as determined by periodic well tests.

(16) That the Special Rules and Regulations for the Application of a "Production Limitation Factor" to a non-prorated gas well or wells set out in Division Order No. R-5831 entered September 29, 1978, provide the proper framework for application of the aforesaid production limitation factor.

(17) That said Special Rules and Regulations should be adopted and made a part of this order by reference.

(18) That considering the risks involved in drilling to the Morrow formation, each proration unit should have a reasonable, minimum calculated allowable.

(19) That at a sustained flowing rate of 500,000 cubic feet per day, a Morrow well in this area would pay-out in approximately 2.5 years.

(20) That 2.5 years is a reasonable pay-out period for a Morrow well in this area.

(21) That Rule 13 of said Special Rules and Regulations should be amended to provide for a minimum allowable of one-half million cubic feet of gas per day rather than one million cubic feet.

(22) 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 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 a 320-acre proration unit consisting of the N/2 of said Section 25 shall be dedicated to the above-described well.

(3) That said proration unit is hereby assigned a Production Limitation Factor of 0.71 in the Morrow formation.

(4) That in the absence of any Special Rules and Regulations prorating gas production in said undesignated Morrow Gas Pool, the Special Rules and Regulations for the Application of a "Production Limitation Factor" to a Non-Prorated Gas Well or Wells set out in Division Order No. R-5831, and hereby adopted by reference, shall apply.

(5) That Rule 13 of said Special Rules and Regulations is hereby amended to read in its entirety as follows:

"RULE 13. In no event shall the unit receive an allowable of less than one-half million cubic feet of gas per day."

(6) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

ALEX J. ARMISTO, Member
EMERY C. ARNOLD, Member
JOE D. RAMEY, Member & Secretary

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