

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 DE NOVO
Order No. R-5831-A

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

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on February 7, 1979, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 7th day of March, 1979, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission 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 his 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 upon receipt of the application of Yates Petroleum Corporation in this matter, the same was set for hearing on May 17, 1978, before Examiner Richard L. Stamets.

- (5) That subsequent to said hearing the Oil Conservation Division entered Order No. R-5831 approving the unorthodox location of said well for the Morrow formation and providing for special rules and regulations limiting production therefrom.
- (6) That subsequent to the entry of said Order No. R-5831, Gulf Oil Corporation, an offset operator, filed timely application for hearing De Novo of Case No. 6231, and the matter was set for hearing before the Commission.
- (7) That the matter came on for hearing De Novo on February 7, 1979.
- (8) That a well at said unorthodox location will better enable applicant to produce the gas underlying the proration unit.
- (9) That an offset operator has objected to the proposed location.
- (10) That a well at the proposed location is at a standard location relative to the North and South lines of said Section 25.
- (11) That a well at the proposed location is 67 percent closer to the West line of said Section 25 than permitted by Division Rules and Regulations.
- (12) 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.
- (13) That to offset the advantage gained over the protesting offset operator resulting from the drilling of a well at the proposed unorthodox location, production from the N/2 of said Section 25 should be limited from the Morrow formation.
- (14) 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. (12) above, and may best be accomplished by assigning the proration unit a production 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).