



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

August 17, 1990

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

AUG 20 '90

C. C. D.
ARTESIA, OFFICE

Yates Petroleum Corporation
105 South Fourth Street
Artesia, NM 88210

Attention: Ken Beardemphl, Landman

RE: *Catclaw "AGM" State Com Well No. 2, 600' FS & WL (Unit M) Section 2,
Township 20 South, Range 24 East, NMPM, Eddy County, New Mexico.*

Dear Mr. Beardemphl:

Reference is made to your applications dated May 10 and May 21, 1990 for an unorthodox location on the subject well. Administrative approval cannot be granted in this matter per General Rule 104 F.I. which states in part:

"The Division Director shall have authority to grant an exception to the well location requirements of Section B and C above without notice and hearing when the necessity for such unorthodox location is based upon topographical conditions, the recompletion of a well previously drilled to a deeper horizon, provided said well was drilled at an orthodox or approved unorthodox location for such original horizon."

Since the subject well is to be deepened from a depth of 4424 feet to the Morrow formation, this provision does not apply and therefore requires a hearing before an Examiner for processing.

This matter is further complicated by the fact that the Morrow zone in the S/2 of said Section 2 which is presently dedicated to your Cacti "AGB" State Com Well No. 1 located at a standard gas well location 1980 feet from the South line and 2230 feet from the East line (Unit J) of said Section 2. Your letter of May 21, 1990 did not address this issue at all, much less relay this fact. Please refer to Division Memorandum dated August 3, 1990 (see attached) which relates to such matters.

Please advise me as to Yates Petroleum's intent in these matters and should you have any questions, please contact me.

Sincerely,

Michael E. Stogner
Chief Hearing Officer/Engineer

MES/ag

cc: Oil Conservation Division - Artesia

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MEMORANDUM

TO: ALL OPERATORS

FROM: WILLIAM J. LEMAY, DIRECTOR *WJL*

SUBJECT: RULE 104 C II OF THE GENERAL RULES AND REGULATIONS

DATE: AUGUST 3, 1990

On July 27, 1988, we sent a memorandum to all operators to explain the Division's procedures for ensuring compliance with the above rule in handling applications for additional wells on existing proration units. The procedures are primarily applicable in unprorated gas pools.

The final paragraph of the July 27 memo reads as follows:

"Applications for additional wells on existing proration units will be approved only on the understanding that upon completion of the well the operator shall elect which well will be produced and which will be abandoned. Application to produce both wells will be approved only after notice and hearing and upon compelling evidence that the applicant's correlative rights will be impaired unless both wells are produced."

Additional explanation of the intent of the above paragraph is set out below:

Application to produce both wells continuously and concurrently will be approved only after notice and hearing and upon compelling evidence that the applicant's correlative rights will be impaired unless both wells are produced.

Requests to produce the wells alternately (one well shut-in while the other produces) may be submitted for administrative handling. The request should set out the length of the producing and shut-in cycles for each well (a one month minimum is suggested), the proposed method for ensuring compliance with the proposed producing and shut-in schedules, and the reasons for the request. Notice should be provided to offset operators in the usual manner, allowing a 20-day waiting period. The application should be sent to Santa Fe with a copy to the appropriate District office.