CASE 7228: YATES PETROLEUM CORPORATION FOR UNORTHODOX GAS WELL LOCATION AND SIMULTANEOUS DEDICATION, EDDY COUNTY, NEW MEXICO

CASE NO.

7228

APPlication,
Transcripts,
Small Exhibits,

ETC.



STATE OF NEW MEXICO ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION

August 7, 1981

POST OFFICE BOX 2088 STATE LAND OFFICE BUILDING SANTA FE, NEW MEXICO 87501 (506) 827-2434

Mr. Chad Dickerson	Re:	CASE NO. ORDER NO	7228 -R-6670	-A		
Losee, Carson & Dickerson Attorneys at Law Post Office Drawer 239 Artesia, New Mexico 88210	9	Applicant:				
	88210	Yates Pe	troleum	Corporatio		
Dear Sir:						
Enclosed herewith are Division order recent	two copies ly entered i	of the ab	ove-refe ject ca	erenced se.		
Yours very truly, JOE D. RAMEY Director						
JDR/fd						
•						
Copy of order also se	nt to:			_		
Copy of order also se Hobbs OCD X Artesia OCD X Aztec OCD	nt to:		·	•		



STATE OF NEW MEXICO ENERGY AND MINERALS DEPARTMENT OIL CONSERVATION DIVISION

May 1; 1981

POST OFFICE BOX 2088 STATE LAND OFFICE BUILDING SANTA FE, NEW MEXICO 87501 (505) 827-2434

Mr. Chad Dickerson Losee, Carson & Dickerson Attorneys at Law	Re: CASE NO. 7228 ORDER NO. R-6670
Post Office Drawer 239 Artesia, New Mexico 88210	Applicant:
	Yates Petroleum Corporation
Dear Sir:	
	copies of the above-referenced atered in the subject case.
Yours very truly, JOE D. RAMEY	
// Director	
JDR/fd	
Copy of order also sent to	
Hobbs OCDX Artesia OCDX Aztec OCDX	
Other	

STATE OF NEW MEXICO ENERGY AND MINERALS DEPARTMENT OIL CONSERVATION DIVISION

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

CASE NO. 7228 Order No. R-6670

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

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on April 22, 1981, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 30th day of April, 1981, 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 Rio Penasco "KD" Well No. 3 to be drilled 990 feet from the North line and 660 feet from the East line of Section 11, Township 19 South, Range 25 East, NMPM, Boyd-Morrow Gas Pool, Eddy County, New Mexico.
- (3) That the applicant further spake to simultaneously dedicate the N/2 of said Section 11 to the above-described well and to its Rio Penasco "MF" Federal Well No. 1 located in Unit of said Section 11.
- (4) That a well at said unorthodox location will better enable applicant to produce the gas underlying the proration unit.
- (5) That no offset operator objected to the proposed unorthodox location and simultaneous dedication.

H2-Qase No. 7228 Order No. R-6670

(6) That approval of the subject application will afford the applicant the opportunity to produce its just and equitable there of the gas in the subject pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the sugmentation 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 Yates Petroleum Corporation is hereby authorized to drill its Rio Penasco "KD" Well No. 3 at an unorthodox location 990 feet from the North line and 660 feet from the East Line of Section 11, Township 19 South, Range 25 East, NMPM, Boyderrow Gas Pool, Eddy County, New Mexico.
- (2) That the N/2 of said Section II shall be simultaneously dedicated to the above-described well and to applicant's Rio denasco "MF" Federal Well No. 1 located in Unit F of said Section 11.
- (3) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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

STATE OF NEW MEXICO OIL CONSERVATION DIVISION

JOE D. RAMEY / Director

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STATE OF NEW MEXICO ENERGY AND MINERALS DEPARTMENT OIL CONSERVATION DIVISION

CASE NO. 7228 Order No. R-6670-A

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

NUNC PRO TUNC ORDER

BY THE DIVISION:

It appearing to the Division that Order No. R-6670, dated April 30, 1981, does not correctly state the intended order of the Division,

IT IS THEREFORE ORDERED:

- (1) That Order No. (1) on Page 2 of Order No. R-6670 be and the same is hereby amended to read in its entirety as follows:
 - "(1) That Yates Petroleum Corporation is hereby authorized to drill its Rio Penasco "KD" Well No. 3 at an unorthodox location for the Wolfcamp and Pennsylvanian formations at a point 990 feet from the North line and 660 feet from the East line of Section 11, Township 19 South, Range 25 East, NMPM, Boyd Field, Eddy County, New Mexico."
- (2) That the corrections set forth in this order be entered nunc pro tune as of April 30, 1981.

DONE at Santa Fe, New Mexico, on this 7th day of August,

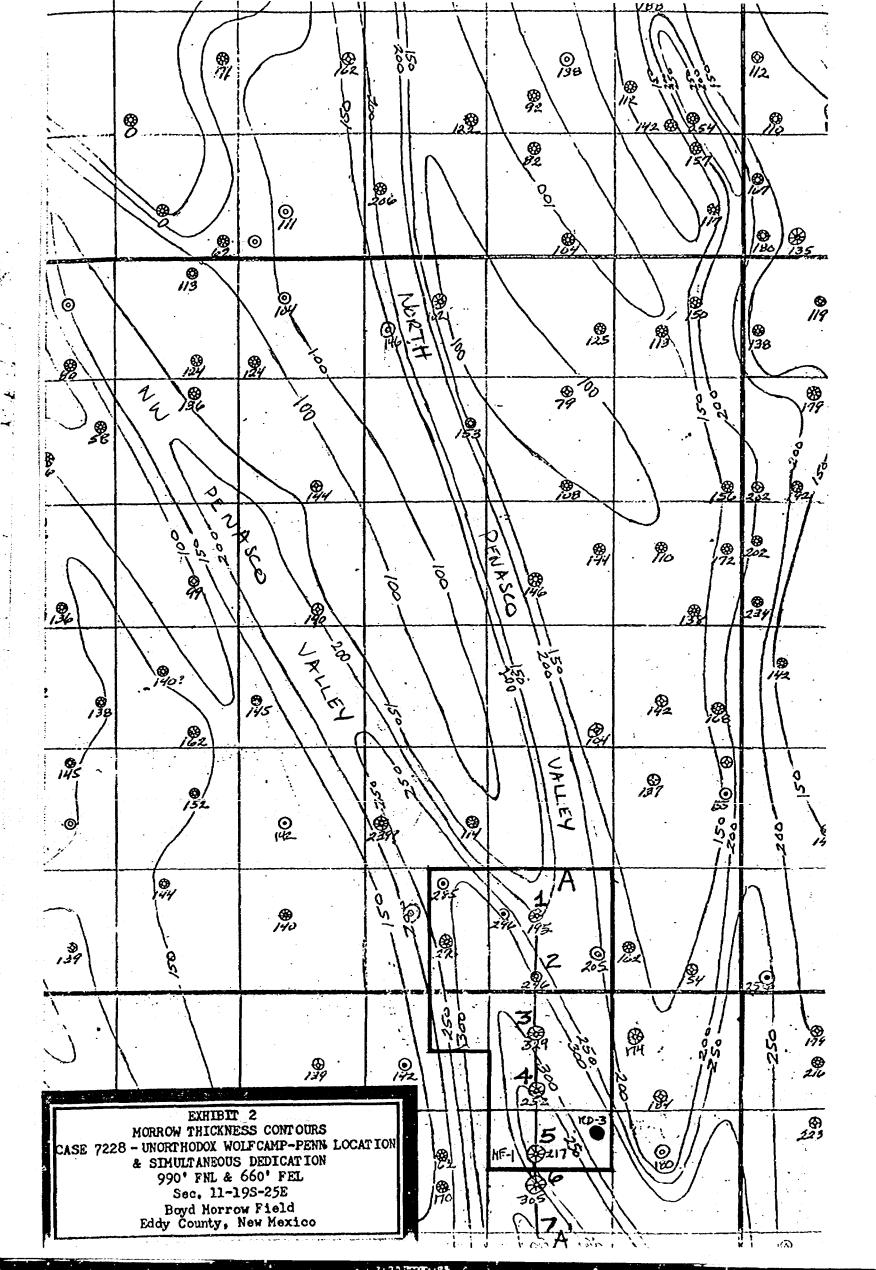
STATE OF NEW MEXICO OIL CONSERVATION DIVISION

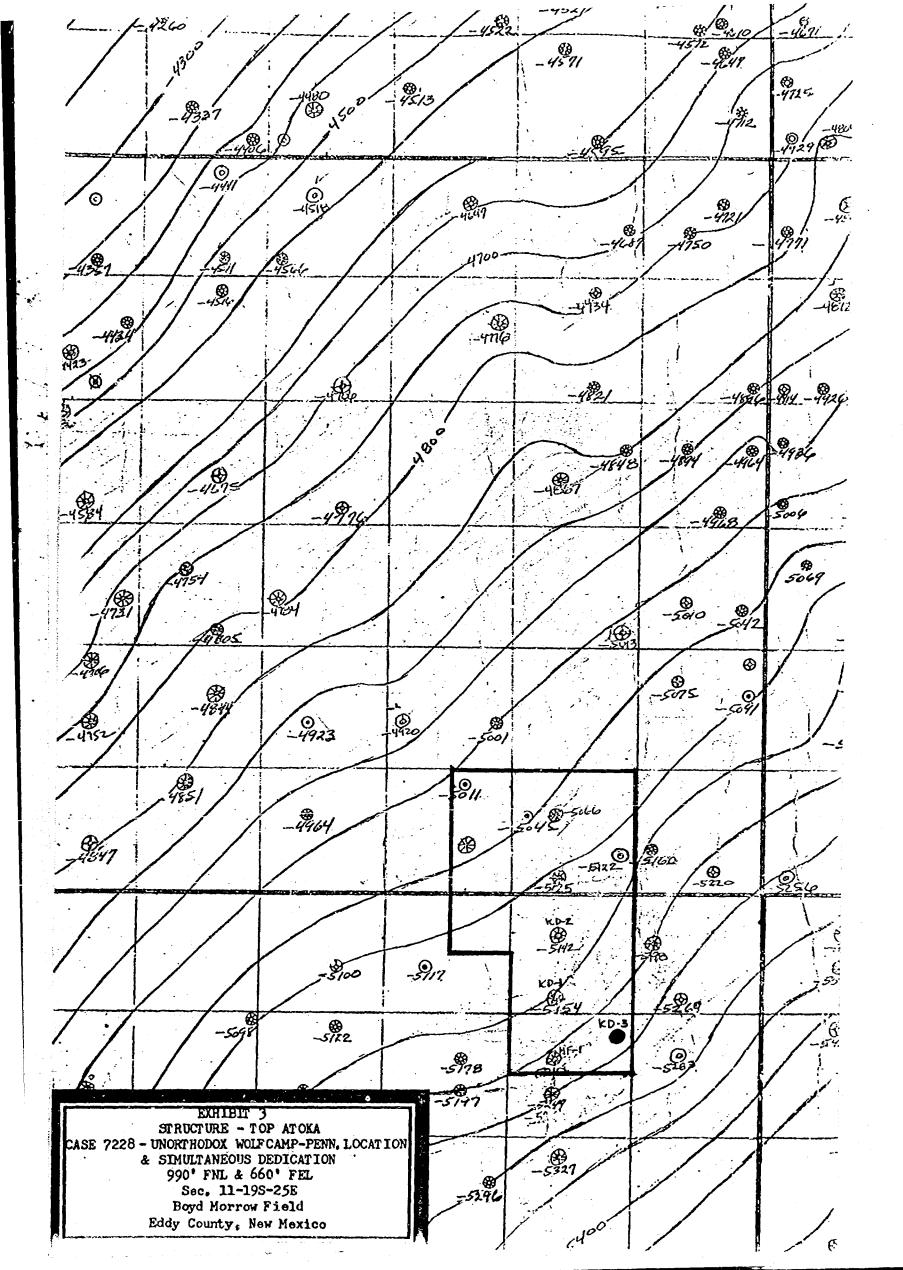
JOE D. RAMEY

Director

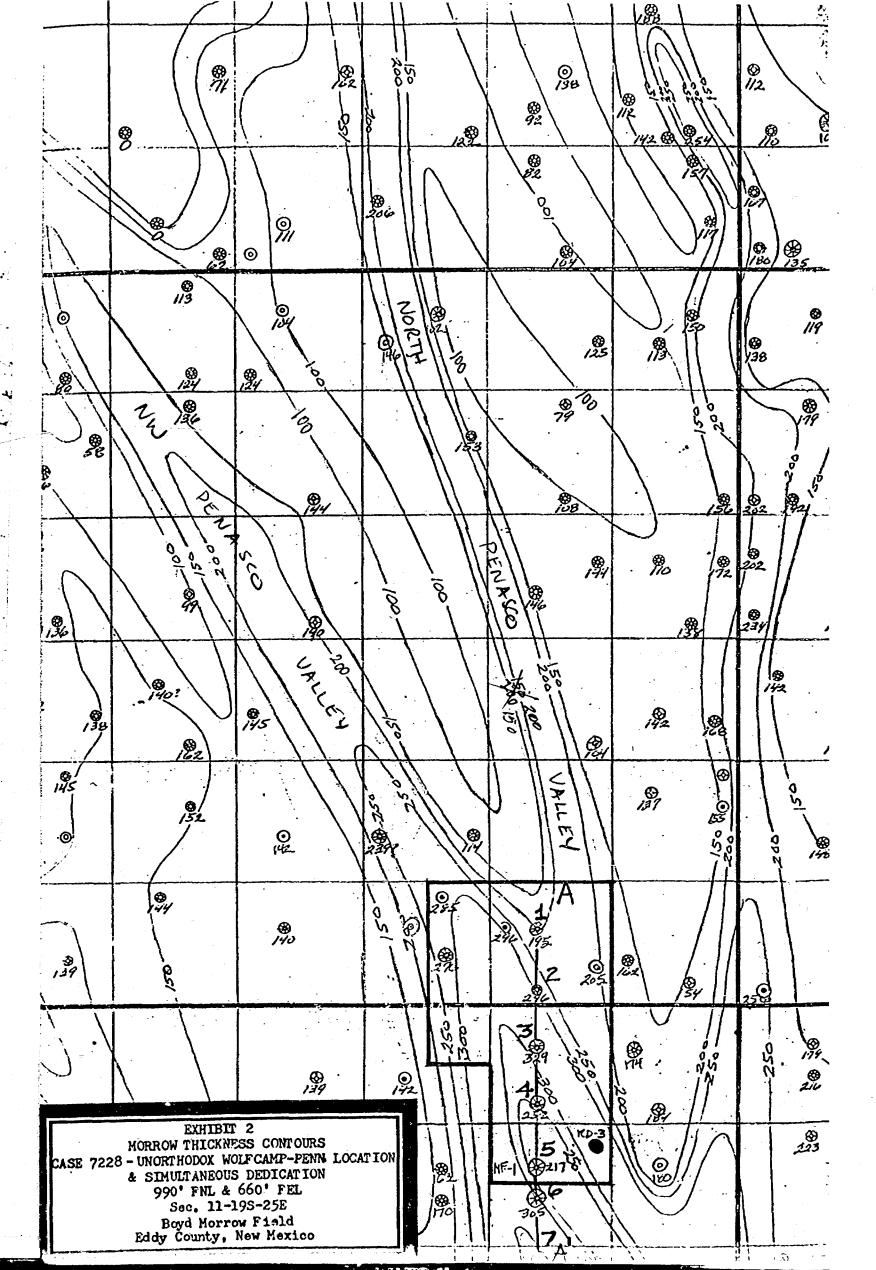
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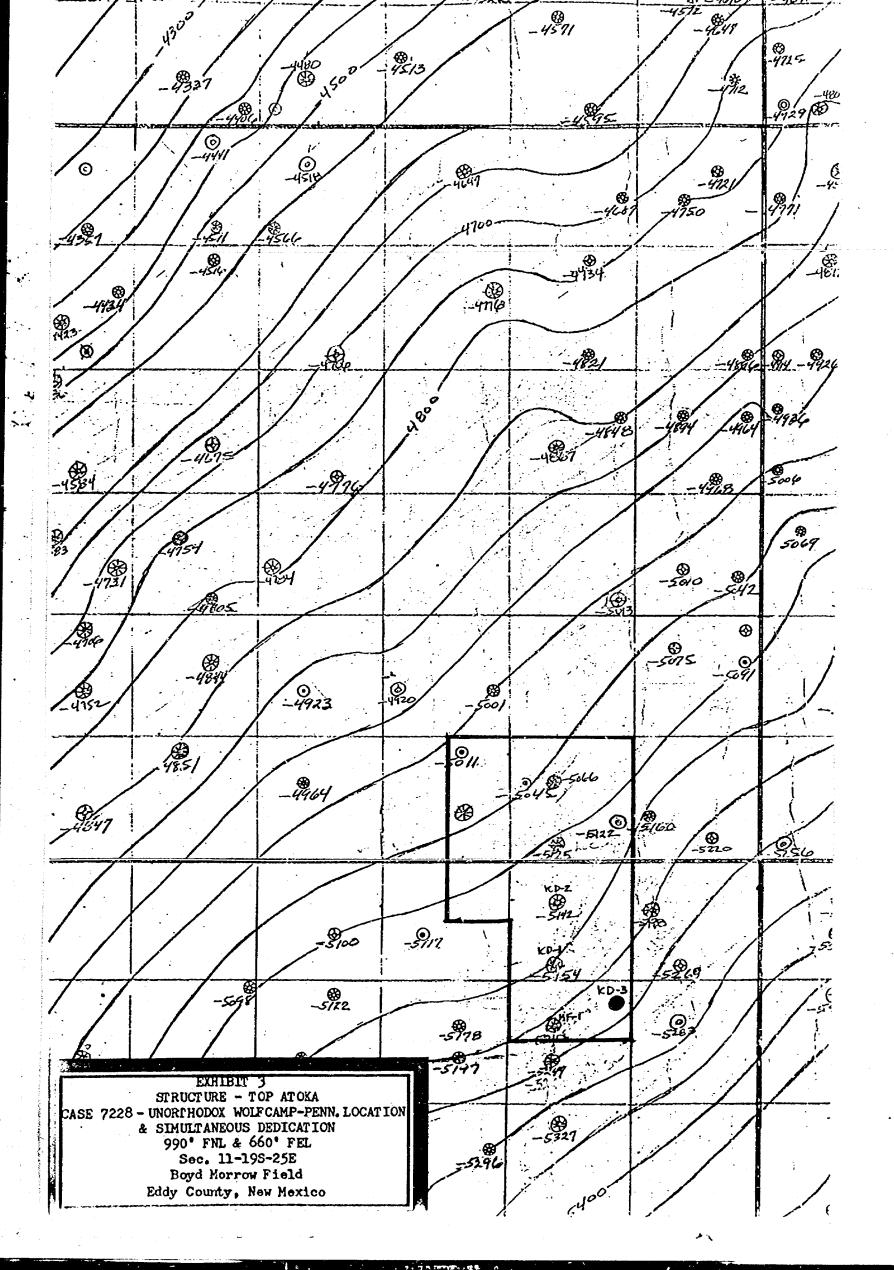
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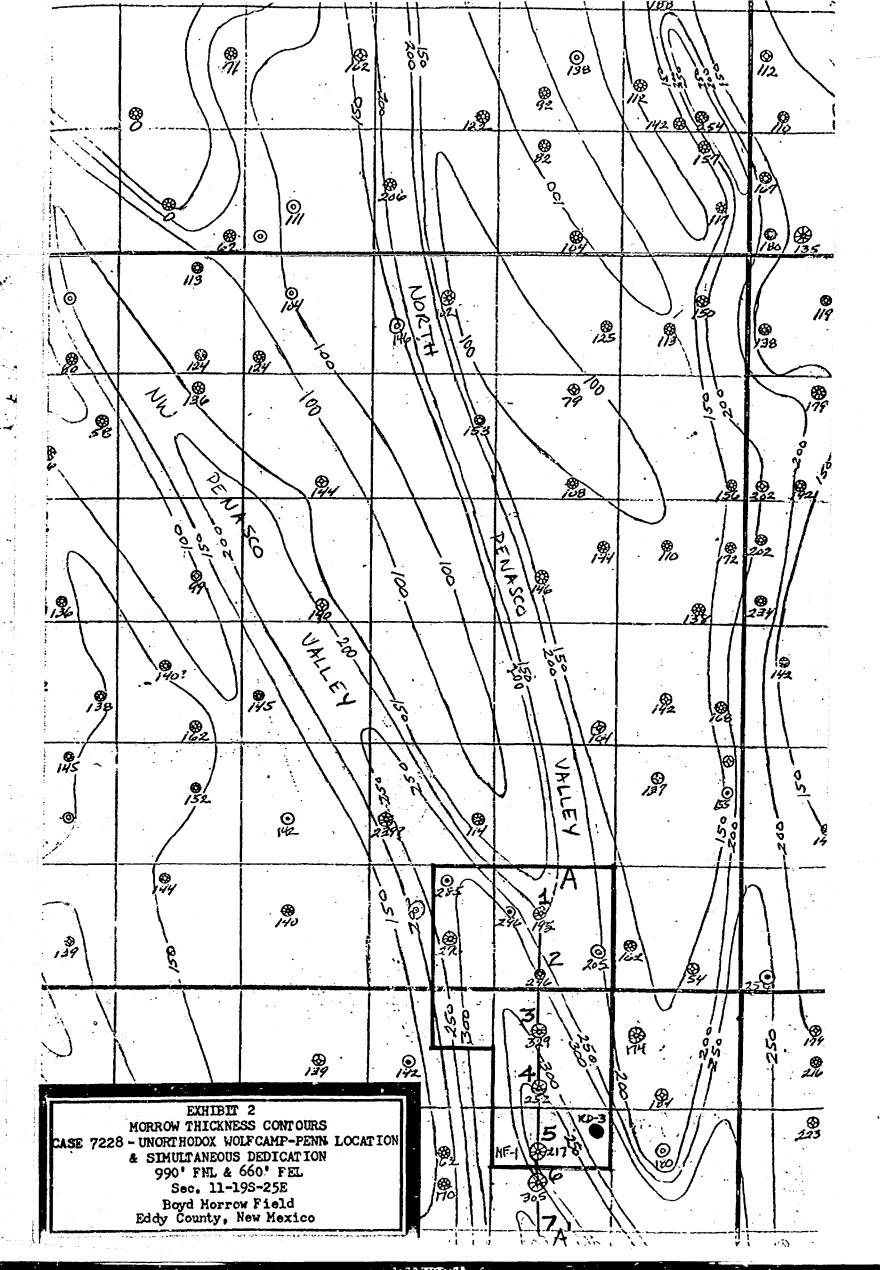


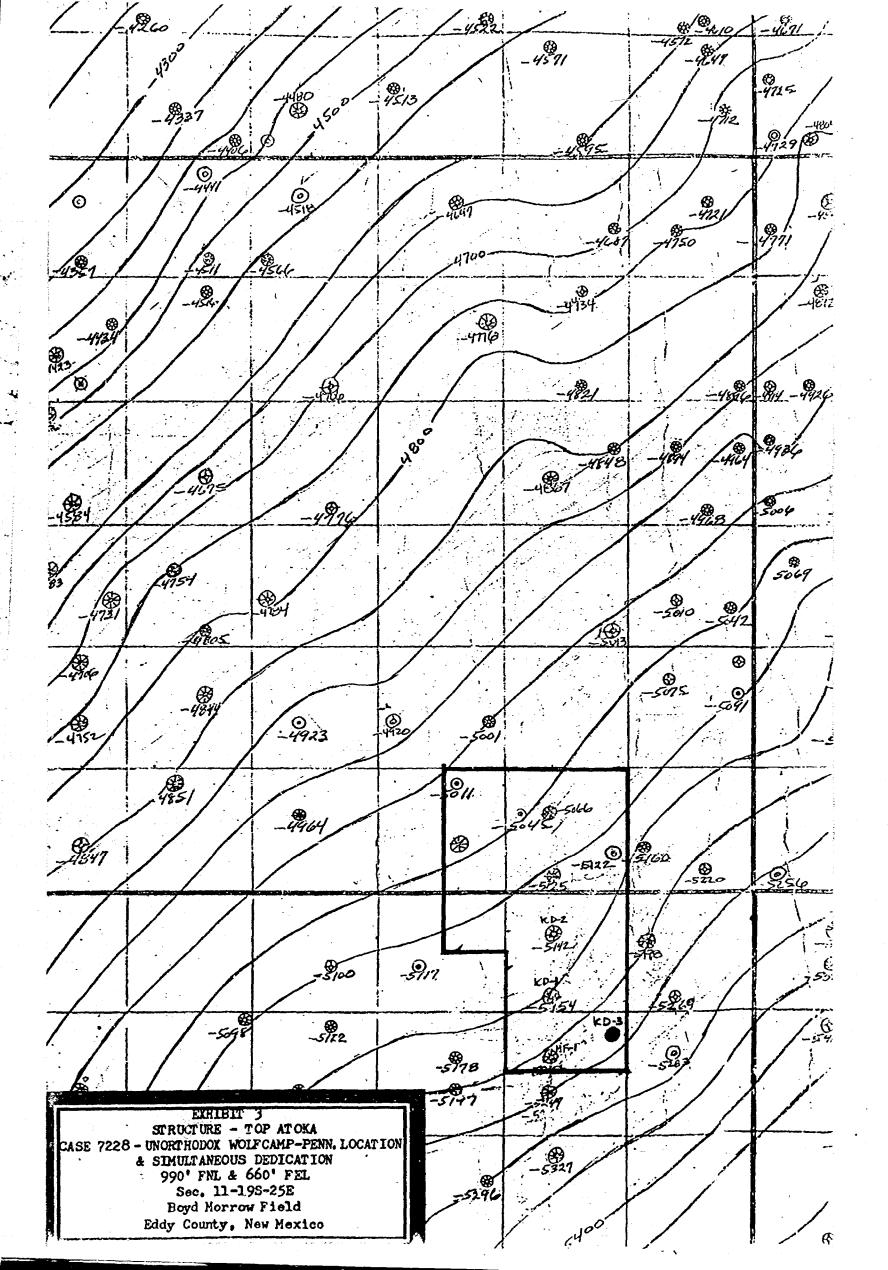
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STATE OF NEW MEXICO ENERGY AND MINERALS DEPARTMENT 2 OIL CONSERVATION DIVISION STATE LAND OFFICE BLDG. SANTA FE, NEW MEXICO 22 April 1981 EXAMINER HEARING 5 8 IN THE MATTER OF: Application of Yates Petroleum Corpor-) ation for an unorthodox gas well loca-) CASE tion and simultaneous dedication, 7228 Eddy County, New Mexico. BEFORE: Daniel S. Nutter 11 12 TRANSCRIPT OF HEARING 13 APPEARANCES 15 For the Oil Conservation Ernest L. Padilla, Esq. 17 Division: Legal Counsel to the Division State Land Office Bldg. 18 Santa Fe, New Mexico 87501 19 20 Chad Dickerson, Esq. For the Applicant: LOSEE, CARSON, & DICKERSON 21 Artesia, New Mexico 22

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3 MR. NUTTER: The hearing will come to order, please. We'll call next Case Number 7228, MR. DICKERSON: Mr. Examiner, I'm Chad Dickerson of Artesia, on behalf of the applicant. We have one witness. (Witness sworn.) 10 11 MARK D. WILSON 12 being called as a witness and being duly sworn upon his oath, 13 testified as follows, to-wit: 14 15 DIRECT EXAMINATION 16 BY MR. DICKERSON: 17 Will you state your name, your occupa-18 tion, where you reside, please? 19 Mark Wilson, independent petroleum 20 geologist, Artesia, New Mexico. 21 And you're appearing on behalf of the 22 applicant, Yates Petroleum Corporation, Mr. Wilson? 23 Right, 24 Would you briefly describe the purpose of the application which Yates filed in this proceeding?

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 Corporation, operator of the Rio Penasco Working Interest
Unit, requests approval for the unorthodox Wolfcamp-Pennsylvanian gas well location of its Rio Penasco "KD" 3, to be
drilled 590 feet from the north line and 660 feet from the
east line of Section 11, 19 South, 25 East, Boyd-Morrow Field,
Eddy County, New Mexico, the north half of Section 11 to be
dedicated to the well. Since there is already a Morrow gas
well, the "MF" 1, located 1980 from north and west of Section
11, we also request simultaneous dedication of the north half
of Section 11 to both wells for all Wolfcamp and Pennsylvanian
reservoirs.

Mr. Wilson, have you previously qualified before the Commission as a geologist and had your qualifications made a matter of record?

A. I have.

Make you prepared certain exhibits on which you intend to rely today?

A. Correct.

Would you refer to Exhibit Number One,
 please, and describe what it shows?

A. Exhibit One is the land plat showing the proposed "KD" 3 location with a red dot. The outline of the Rio Penasco Working Interest Unit is shown in red and the

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half of Section 11, 19 South, 25 East, which is to be simultaneously dedicated, is colored yellow.

Would you turn now to Exhibit Number Two and describe what it shows?

Exhibit Number Two is a thickness map of the total Morrow series, the Pennsylvanian system. The "KD" 3 location, shown with a red dot is in a northwest trending Morrow alluvial valley and is on thickness trend with the "KD"2 well in the north half of Section 2, 19, 25.

The "KD" 2 has seven gas-bearing Morrow channel sandstones, sandstone reservoirs, including a 58-foot channel sandstone at the base of the Morrow series.

The "KD" 3 location is located about 1-1/2 miles south of the junction of the North Penasco alluvial valley, shown on Exhibit Two, and the Northwest Penasco alluvial valley, and it further lies in the gap between the north/south series of wells in the Rio Penasco Unit, and the Amoco Alley Well in the west part of Section 1 of 19, 25.

We anticipate Upper Morrow sandstones related to the North Penasco alluvial valley and a stratigraphic position intermediate between the wells to the west and the Amoco Alley Well to the east,

If you're through with Exhibit Number Two, Mr. Wilson, would you refer to Exhibit Number Three and

describe what it shows?

A. Enclosure Three shows structure contours, contour interval 50 feet, on the top of the Atoka series.

Structure in the area consists of regional dip to the southeast.

Q Will you turn to Exhibit Number Four and tell the Examiner what it reflects?

A. Enclosure Four is the cross section A-A'.

It's a north/south Atoka Morrow stratigraphic cross section

through wells in the Rio Penasco Unit and southward,

The location of this cross section line is shown on Enclosure Two.

The left end is the north end of the cross section. Datum is the top of the Morrow series. The base of the Morrow is an irregular erosion surface on the Chester Shale or the Chester Limestone.

The Morrow facies consists of an alluvial valley sequence, consisting principally of meander belt sandstones and overbank shales. The most extensive pay zone, labeled Rio Penasco Main Pay, is a north/south trending meander belt sandstone related to the North Penasco alluvial valley, shown on Enclosure Two.

In Well No. 5, the Rio Penasco "MF" No. 1, and that is 1980 from the north and west lines of Section 11, that's the initial well in the spacing unit, the main pay was

perforated 9024 to 52, that's labeled on the cross section there, but after producing 365 million cubic feet of gas, the well watered out.

Recently this well was re-entered and the sandstones below this main pay sandstone were perforated but they were found to be water-bearing except for minor shows of gas.

Then we came in above that main pay reservoir and perforated the two thin sands in the upper part of the Morrow. Initially we made gas out of those, a small amount. Then we hit it with 1500 gallons of acid and after the acid treatment we started producing substantial amount of water, and it looks as if we probably communicated with the main pay sand, which had watered out immediately below these perforations.

There's an AFE out now to go in and squeeze this and try to shut off the water that we think is coming out of this main pay sandstone.

MR. NUTTER: So the simultaneous dedication will only be necessary in the event this well can be restored to '--

A. This is correct. Now, in addition to the Morrow, where we're drilling the well we drill stem tested the Canyon. We had two drill stem tests in the Canyon,

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 one in the upper part of the Canyon lime, where it is a limestone, and we did have gas on that test; no evidence of formation water. There are two or three zones in there that have
gas effect on the density neutron log, and that would be a
salvage type completion. I don't anticipate any really important reserves out of it, but we could make a completion up
there.

In the next phase of this attention is now called to Well No. 3, and this is the Rio Penasco "KD" No.

2. The Morrow there is 329 feet thick and it contains several pays. The log on this section is a density neutron log and you can see the gas effect there comparing the neutron curve and the density curve. All those sands, every sand in that well, as far as we know, is gas-bearing. We have perforated just the basal sand but all the rest of them calculate gas and no evidence of water. This sand, this well, the well that we're drilling, the "KD" 3, would expect to be similar to this because it's on thickness trend with this well. If you go back to Number Two illustration there, you can see that there's a northwest thick there and we're in that with this "KD" 3 location and hoping to get a well that will be similar to this "KD" No. 2 Well.

In the upper part of the Morrow, going back to the cross section, this sand here is labeled Main

Penasco Main Pay Zone. That sand has occurred in a similar thickness in a series of five wells there, and these wells are drilled in a north/south line, so it indicates that this sand has a north/south trend, and is probably related to this north Penasco alluvial valley.

If you look immediately underneath it, there's another sand that occurs in three wells, three, four, and five on the cross section, again indicating a north/south trend. So that it looks as if the upper sands are related to the North Penasco valley because they head right into it and then below that, these lower sands would be related to this northwest Penasco alluvial valley.

So our location here in the "KD" 3 is directed at getting these lower sands that we have in the "KD" No. 2 Well and then by positioning ourselves between this north/south series of wells, and say the Amoco Alley Well over in Section 1, we're trying to explore what's going to happen between those two wells, and the Alley No. 1, the Morrow producing sands are about 35 feet thick and it's right at the very top of the Morrow, whereas the main Penasco producing sand here, you see is some distance down from the top of the Morrow, but still in the upper part of the Morrow.

We think that since those sands are related to this North Penasco valley, if we get in a position

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between this north/south series and the Alley Well, that we've got a chance of finding, or at least exploring for what is stratigraphically between these two levels.

In summary, the "KD" 3 location will explore for new Upper Morrow channel sandstone reservoirs related to the North Penasco alluvial valley, and several channel sandstone reservoirs in the -- in the Lower Morrow, related to the Northwest Penasco alluvial valley.

We further feel that because of the complexity of the reservoir development, sands will remain unexploited unless wells are drilled on a spacing closer than 320 acres. This is principally because we've got these two alluvial valleys coming together here and aside from this one sand that we can correlate through the cross section, or most of the cross section, nearly every well looks different. We get a different group of sands, and we feel like in order to really get at all the reservoirs in this, we're going to have to drill them closer than 320. We've already done this up in Section 35 to the north, where we've just finished the "GX" 2 Well, which did find a reservoir that was new compared to the two other wells in Section 35, and it looks as if we're going to leave gas in the ground and reservoirs are not drained unless we drill on a closer spacing.

Mr. Wilson, in your opinion would the

1 11 2 granting of this application be in the interest of conserva-3 tion, the prevention of waste, and the protection of correlative rights? I think it will, MR. DICKERSON: Mr. Examiner, we move 7 the admission of Exhibits One through Four. MR. NUTTER: Exhibits One through Four will be admitted in evidence. 10 MR. DICKERSON: And that concludes our 11 presentation. 12 MR. NUTTER: Are there any questions of 13 Mr. Wilson? He may be excused, 14 Do you have anything further, Mr. 15 Dickerson, in this case? 16 MR. DICKERSON: No, sir. 17 MR. NUTTER: Does anyone have anything 18 they wish to offer in Case Number 7228? 19 We'll take the case under advisement, 20 21 (Hearing concluded.) 22 23 24

Page ______12

CERTIFICATE

I, SALLY W. BOYD, C.S.R., DO HEREPY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sawy W. Royd Cor

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 7228, heard by me on 427 1981.

CH Conservation Division

SALLY W. BOYD, C. R., I Box 193-B Santa Fe, New Mexico 875 2

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STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
22 April 1981
EXAMINER HEARING

IN THE MATTER OF:

Application of Yates Petroleum Corpor-) ation for an unorthodox gas well loca-) tion and simultaneous dedication,) Eddy County, New Mexico.

CASE **7228**

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

APPEARANCES

For the Oil Conservation Division:

Ernest L. Padilla, Esq. Legal Counsel to the Division State Land Office Bldg. Santa Fe, New Mexico 87501

For the Applicant:

Chad Dickerson, Esq. LOSEE, CARSON, & DICKERSON Artesia, New Mexico

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6	Direct Examination by Mr.	Dickerson	3	* *
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12 13	EXHIBITS	i versione Parametri		
13	Applicant Exhibit One, Plat			
15	Applicant Exhibit Two, Map		5	
16	Applicant Exhibit Three, Contour Map		5	
17	Applicant Exhibit Four, Cross Section		6	
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2	MR. NUTTER: The hearing will come to
3	order, please.
4	We'll call next Case Number 7228.
5	MR. DICKERSON: Mr. Examiner, I'm Chad
6	Dickerson of Artesia, on behalf of the applicant.
7	We have one witness.
9	(Witness sworn.)
10	
11	MARK D. WILSON
12	being called as a witness and being duly sworn upon his oath,
13	testified as follows, to-wit:
14	
15	DIRECT EXAMINATION
16	BY MR. DICKERSON:
17	Q Will you state your name, your occupa-
18	tion, where you reside, please?
19	A Mark Wilson, independent petroleum
20	geologist, Artesia, New Mexico.
21	Q And you're appearing on behalf of the
22	applicant, Yates Petroleum Corporation, Mr. Wilson?
23	A. Right.
24	Would you briefly describe the purpose
25	of the application which Yates filed in this proceeding?

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Corporation, operator of the Rio Penasco Working Interest
Unit, requests approval for the unorthodox Wolfcamp-Pennsylvanian gas well location of its Rio Penasco "KD" 3, to be
drilled 590 feet from the north line and 660 feet from the
east line of Section 11, 19 South, 25 East, Boyd-Morrow Field,
Eddy County, New Mexico, the north half of Section 11 to be
dedicated to the well. Since there is already a Morrow gas
well, the "MF" 1, located 1980 from north and west of Section
11, we also request simultaneous dedication of the north half
of Section 11 to both wells for all Wolfcamp and Pennsylvanian
reservoirs.

Mr. Wilson, have you previously qualified before the Commission as a geologist and had your qualifications made a matter of record?

A. I have.

A Have you prepared certain exhibits on which you intend to rely today?

A Correct.

Q Would you refer to Exhibit Number One, please, and describe what it shows?

A. Exhibit One is the land plat showing the proposed "KD" 3 location with a red dot. The outline of the Rio Penasco Working Interest Unit is shown in red and the

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half of Section 11, 19 South, 25 East, which is to be simultaneously dedicated, is colored yellow.

Q Would you turn now to Exhibit Number Two and describe what it shows?

A. Exhibit Number Two is a thickness map of the total Morrow series, the Pennsylvanian system. The "KD" 3 location, shown with a red dot is in a northwest trending Morrow alluvial valley and is on thickness trend with the "KD" 2 well in the north half of Section 2, 19, 25.

The "KD" 2 has seven gas-bearing Morrow channel sandstones, sandstone reservoirs, including a 58-foot channel sandstone at the base of the Morrow series.

The "KD" 3 location is located about 1-1/2 miles south of the junction of the North Penasco alluvial valley, shown on Exhibit Two, and the Northwest Penasco alluvial valley, and it further lies in the gap between the north/south series of wells in the Rio Penasco Unit, and the Amoco Alley Well in the west part of Section 1 of 19, 25.

we anticipate Upper Morrow sandstones related to the North Penasco alluvial valley and a stratigraphic position intermediate between the wells to the west and the Amoco Alley Well to the east.

Q. If you're through with Exhibit Number Two, Mr. Wilson, would you refer to Exhibit Number Three and

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describe what it shows?

Enclosure Three shows structure contours, contour interval 50 feet, on the top of the Atoka series. Structure in the area consists of regional dip to the southeast.

Will you turn to Exhibit Number Four and tell the Examiner what it reflects?

Enclosure Four is the cross section A-A'. It's a north/south Atoka Morrow stratigraphic cross section through wells in the Rio Penasco Unit and southward.

The location of this cross section line is shown on Enclosure Two.

The left end is the north end of the cross section. Datum is the top of the Morrow series. The base of the Morrow is an irregular erosion surface on the Chester Shale or the Chester Limestone.

The Morrow facies consists of an alluvial valley sequence, consisting principally of meander belt sandstones and overbank shales. The most extensive pay zone, labeled Rio Penasco Main Pay, is a north/south trending meander belt sandstone related to the North Penasco alluvial valley, shown on Englosure Two.

In Well No. 5, the Rio Penasco "MF" No. 1 and that is 1980 from the north and west lines of Section 11, that's the initial well in the spacing unit, the main pay was

perforated 9024 to 52, that's labeled on the cross section there, but after producing 365 million cubic feet of gas, the well watered out.

Recently this well was re-entered and the sandstones below this main pay sandstone were perforated but they were found to be water-bearing except for minor shows of gas.

reservoir and perforated the two thin sands in the upper part of the Morrow. Initially we made gas out of those, a small amount. Then we hit it with 1500 gallons of acid and after the acid treatment we started producing substantial amount of water, and it looks as if we probably communicated with the main pay sand, which had watered out immediately below these perforations.

There's an AFE out now to go in and squeeze this and try to shut off the water that we think is coming out of this main pay sandstone.

MR. NUTTER: So the simultaneous dedication will only be necessary in the event this well can be restored to '---

This is correct. Now, in addition to the Morrow, where we're drilling the well we drill stem tested the Canyon. We had two drill stem tests in the Canyon,

one in the upper part of the Canyon lime, where it is a limestone, and we did have gas on that test; no evidence of formation water. There are two or three zones in there that have
gas effect on the density neutron log, and that would be a
salvage type completion. I don't anticipate any really important reserves out of it, but we could make a completion up
there.

In the next phase of this attention is now called to Well No. 3, and this is the Rio Penasco "KD" No.

2. The Morrow there is 329 feet thick and it contains several pays. The log on this section is a density neutron log and you can see the gas effect there comparing the neutron curve and the density curve. All those sands, every sand in that well, as far as we know, is gas-bearing. We have perforated just the basal sand but all the rest of them calculate gas and no evidence of water. This sand, this well, the well that we're drilling, the "KD" 3, would expect to be similar to this because it's on thickness trend with this well. If you go back to Number Two illustration there, you can see that there's a northwest thick there and we're in that with this "KD" 3 location and hoping to get a well that will be similar to this "KD" No. 2 Well.

In the upper part of the Morrow, going back to the cross section, this sand here is labeled Main

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Penasco Main Pay Zone. That sand has occurred in a similar thickness in a series of five wells there, and these wells are drilled in a north/south line, so it indicates that this sand has a north/south trend, and is probably related to this north Penasco alluvial valley.

there's another sand that occurs in three wells, three, four, and five on the cross section, again indicating a north/south trend. So that it looks as if the upper sands are related to the North Penasco valley because they head right into it and then below that, these lower sands would be related to this northwest Penasco alluvial valley.

directed at getting these lower sands that we have in the "KD" No. 2 Well and then by positioning ourselves between this north/south series of wells, and say the Amoco Alley Well over in Section 1, we're trying to explore what's going to happen between those two wells, and the Alley No. 1. the Morrow producing sands are about 35 feet thick and it's right at the very top of the Morrow, whereas the main Penasco producing sand here, you see is some distance down from the top of the Morrow, but still in the upper part of the Morrow.

We think that since those sands are related to this North Penasco valley, if we get in a position

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between this north/south series and the Alley Well, that we've got a chance of finding, or at least exploring for what is stratigraphically between these two levels.

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In summary, the "KD" 3 location will explore for new Upper Morrow channel sandstone reservoirs related to the North Penasco alluvial valley, and several channel sandstone reservoirs in the -- in the Lower Morrow, related to the Northwest Penasco alluvial valley.

We further feel that because of the complexity of the reservoir development, sands will remain unexploited unless wells are drilled on a spacing closer than 326 acres. This is principally because we've got these two alluvial valleys coming together here and aside from this one sand that we can correlate through the cross section, or most of the cross section, nearly every well looks different. We get a different group of sands, and we feel like in order to really get at all the reservoirs in this, we're going to have to drill them closer than 320. We've already done this up in Section 35 to the north, where we've just finished the "GX" 2 Well, which did find a reservoir that was new compared to the two other wells in Section 35, and it looks as if we're going to leave gas in the ground and reservoirs are not drained unless we drill on a closer spacing.

Mr. Wilson, in your opinion would the

11 granting of this application be in the interest of conservation, the prevention of waste, and the protection of correlative rights? I think it will. MR. DICKERSON: Mr. Examiner, we move the admission of Exhibits One through Four. MR. NUTTER: Exhibits One through Four will be admitted in evidence. 10 MR. DICKERSON: And that concludes our 11 presentation. 12 MR. NUTTER: Are there any questions of 13 Mr. Wilson? He may be excused. 14 Do you have anything further, Mr. 15 Dickerson, in this case? 16 MR. DICKERSON: No, sir. 17 MR. NUTTER: Does anyone have anything 18 they wish to offer in Case Number 7228? 19 We'll take the case under advisement. 20 21 (Hearing concluded.) 22 23 24

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CERTIFICATE

I, SALLY W. BOYD, C.S.R., DO HEREPY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd Cor

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 2228 heard by me on_

. Examiner Oil Conservation Division

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Docket No. 14-81

Dockets Nos. 15-81 and 16-81 are tentatively set for May 6 and 20, 1981. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - APRIL 22, 1981

9 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM, STATE LAND OFFICE BUILDING, SANTA FE, NEW HEXICO

- The following cases will be heard before Daniel S. Nutter, Examiner, or Richard L. Stamets, Alternate Examiner:
- CASE 7220: Application of McClellan Oil Corporation for a unit agreement, Chaves County, New Mexico.

 Applicant, in the above-styled cause, seeks approval for the Connor Unit Area, comprising 5,120 acres, more or less, of State and Federal lands in Township 13 South, Range 29 East.
- CASE 7221: Application of Maddox Energy Corporation for a unit agreement, Eddy County, New Mexico.

 Applicant, in the above-styled cause, seeks approval for the Flower Draw Unit Area, comprising 3,760 acres, more or less, of State lands in Townships 25 and 26 South, Range 28 East.
- CASE 7222: Application of GMW Oil Company for a unit agreement, Lea County, New Mexico.

 Applicant, in the above-styled cause, seeks approval for the Starman Unit Area, comprising 2,803 acres, more or less, of State, Federal, and fee lands in Township 26 South, Range 35 East.
- CASE 7211: (Continued from April 8, 1981, Examiner Hearing)

 Application of Culf Oil Corporation for a unit agreement, Lea County, New Mexico.

 Applicant, in the above-styled cause, seeks approval for the North Rock Lake State Unit Area, comprising 2,880 acres, more or less, of State land in Township 22 South, Runge 35 East.
- CASE 7223: Application of Sun Oil Company for a dual completion and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of a well to be drilled in Unit M of Section 1, Township 22 South, Range 37 East, to produce oil from the Wantz-Granite Wash Pool and gas from the Tubb formation and to simultaneously dedicate the SW/4 of said Section 1 to said well and to its Lynch Christmas Com Well No. 4 in Unit L.
- CASE 7224: Application of S & I Gil Company for compulsory pooling, San Juan County, New Mexico.

 Applicant, in the above-styled cause, seeks an order pooling all mineral interests in all formations underlying the SW/4 SW/4 of Section 2, Township 29 North, Range 15 West, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7225: Application of Knox Industries, Inc. for an unorthodox gas well location, Lea County, New Mexico.

 Applicant, in the above-styled cause, seeks approval for the unorthodox Morrow location of its Maddox Well No. 1 to be drilled 1980 feet from the South line and 660 feet from the West line of Section 12, Township 23 South, Range 34 East, Northeast Antelope Ridge Field, the S/2 of said Section 12 to be dedicated to the well.
- CASE 7226: Application of Enserch Exploration, Inc. for salt water disposal, Roosevelt County, New Mexico.

 Applicant, in the shove-styled cause, seeks authority to dispose of produced salt water into the Montoya formation in the interval from 7902 feet to 7930 feet in its Rader Well No. 2 in Unit E of Section 32, Township 5 South, Range 33 East.
- CASE 7227: Application of Alpha Twenty-One Production Company for an unorthodox gas well location and a nonstandard proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval
 of a 120-acre non-standard proration unit comprising the E/2 SW/4 and SW/4 SE/4 of Section 21, Township 21 South, Range 37 East, Hare-San Andres Gas Pool, to be dedicated to its Lansford Well No. 1 at
 an unorthodox location 660 feet from the South line and 1650 feet from the West line of said Section
 21.
- CASE 7228: Application of Yates Petroleum Corporation for an unorthodox gas well location and simultaneous dedication, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox Wolfcamp-Pennsylvanian location of its Rio Penasco "KD" Well No. 3 to be drilled 990 feet from the North line and 660 feet from the East line of Section 11, Township 19 South, Range 25 East, the N/2 of said Section 11 to be dedicated to said well and to applicant's Rio Penasco "MF" Federal Well No. 1 located in Unit F.

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- CASE 7229: Application of Yates Petroleum Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox Norrow-Pennsylvanian location of its Sharp "QS" Com. Well No. 1 to be drilled 660 feet from the South and East lines of Section 4, Township 17 South, Range 26 East, the S/2 of said Section 4 to be dedicated to the well.
- CASE 7184: (Continued from March 11, 1981, Examiner Hearing)

Application of Harvey E. Yates Company for compulsory pooling, Eddy County, New Mexico.

Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying the E/2 of Section 13, Township 17 South, Range 28 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

- CASE 7230: Application of Caribou Four Corners, Inc. for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Mesaverde and Gallup formations underlying the S/2 SW/4 of Section 7, Township 29 North, Range 14 West, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7231: Application of Caribou Four Corners, Inc. for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Mesaverde and Gallup formations underlying the S/2 SE/4 of Section 11, Township 29 North, Range 15 West, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7232: Application of Caribou Four Corners, Inc. for compulsory pooling, San Juan County, New Mexico.

 Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Mesaverde and Gallup formations underlying the E/2 SW/4 of Section 12, Township 29 North, Range 15 West, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7233: Application of Bass Enterprises Production Co. for directional drilling, Lea County, New Mexico.

 Applicant, in the above-styled cause, seeks authority to directionally drill its Montieth Well No. 3, the surface location of which is 2130 feet from the South line and 1980 feet from the East line of Section 13, Township 16 South, Range 36 East, Northeast Lovington-Pennsylvanian Pool, and drill said well in an easterly direction to bottom it not closer than 510 feet to the outer boundary of the dedicated unit, being the N/2 SE/4 of said Section 13.
- CASE 7234: Application of Getty 0:1 Company for a dual completion, Rio Arriba County, New Mexico.

 Applicant, in the above-styled cause, seeks approval for the dual completion of its Farming E Well

 No. 1-E located in Unit I of Section 2, Township 24 North, Range 6 West, to produce oil from the

 Gallup formation thru the casing-tubing annulus and gas from the Dakota formation thru tubing.

APR 0 2 1981

LAW OFFICES

OIL CONSTRUCTION DIVISION

LOSEE, CARSON & DICKERSON, P. A.

SANTA FE

A.J. LOSES JOEL M. CARSON CHAD DICKERSON DAVID R. VANDIVER 300 AMERICAN HOME BUILDING P. O. DRAWER 239 ARTESIA, NEW MEXICO 88210

AREA CODE 505 746-3508

March 27, 1981

Mr. Joe D. Ramey, Director Energy and Minerals Department Oil Conservation Division P. O. Box 2088 Santa Fe, New Mexico 87501

Case 7228

Re: Yates Petroleum Corporation Rio Penasco "KD" No. 3 Well

Dear Mr. Ramey:

Enclosed for filing, please find three copies of the Application of Yates Petroleum Corporation for an Unorthodox Gas Well Location and Simultaneous Dedication, in Eddy County, New Mexico.

We ask that this case be set for hearing before an examiner and that you furnish us with a docket of said hearing.

Thank you.

Sincerely yours,

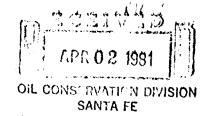
LOSEE, CARSON & DICKERSON, P.A.

Juneron

Chad Dickerson

CD:pvm Enclosures

cc w/attachment: Yates Petroleum Corporation



BEFORE THE OIL CONSERVATION DIVISION

OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF YATES PETROLEUM CORPORATION FOR AN UNORTHODOX GAS WELL LOCATION AND SIMULTANEOUS DEDICATION, EDDY COUNTY, NEW MEXICO

CASE NO. 7228

APPLICATION

COMES NOW Yates Petroleum Corporation, by its attorneys, and in support hereof, respectfully states:

1. Applicant is the operator of all formations from the Wolfcamp through the Pennsylvanian formations, underlying:

Township 19 South, Range 25 East, N.M.P.M.

Section 11: N/2

and proposes to drill its Rio Penasco "KD" No. 3 Well at a point located 990 feet from the north line and 660 feet from the east line of Section 11.

- 2. The applicant seeks an exception to the well location requirements of Rule 104-C.2(a) of the Oil Conservation

 Division to permit the drilling of the well at the above mentioned unorthodox location to a depth sufficient to adequately test the Wolfcamp through the Pennsylvanian formations.
- 3. Applicant is the operator of the Rio Penasco "MF" Federal No. 1 Well, located in the SE/4 NW/4 Section 11. The well produces from the Morrow formation, and the N/2 of said section is dedicated to the well.
- 4. Applicant proposes to simultaneously dedicate a standard 320-acre gas proration unit comprising the N/2 of said Section 11 to such well or to such lesser portion thereof as is reasonably shown to be productive of gas.
- 5. The approval of this application will afford applicant the opportunity to produce its just and equitable share of gas, will prevent 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.

WHEREFORE, applicant prays:

- A. That this application be set for hearing before an examiner and that notice of said hearing be given as required by law.
- R. That upon hearing the Division enter its order granting applicant permission to drill its Rio Penasco "KD" No. 3 Well 990 feet from the north line and 660 feet from the east line of said Section 11, and to simultaneously dedicate the N/2 of Section 11, which is reasonably presumed to be productive of gas, to said well.
- C. And for such other and further relief as may be just in the premises.

YATES PETROLEUM CORPORATION

Chad Dickerson

LOSEE, CARSON & DICKERSON, P.A. P. O. Drawer 239
Artesia, New Mexico 88210

Attorneys for Applicant



THEFORE THE CIL CONSERVATION DIVISION

OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF YATES PETROLEUM COPPORATION FOR AN UNORTHODOX GAS WELL LOCATION AND SIMULTANEOUS DEDICATION, EDDY COUNTY, NEW MEXICO

CASE NO. 7228

APPLICATION

COMES NOW Yates Petroleum Corporation, by its attorneys, and in support hereof, respectfully states:

1. Applicant is the operator of all formations from the Wolfcamp through the Pennsylvanian formations, underlying:

Township 19 South, Range 25 East, N.M.P.M.

Section 11: N/2

and proposes to drill its Rio Penasco "KD" No. 3 Well at a point located 990 feet from the north line and 660 feet from the east line of Section 11.

- 2. The applicant seeks an exception to the well location requirements of Rule 104-C.2(a) of the Oil Conservation Division to permit the drilling of the well at the above mentioned unorthodox location to a depth sufficient to adequately test the Wolfcamp through the Pennsylvanian formations.
- 3. Applicant is the operator of the Rio Penasco "MF" Federal No. 1 Well, located in the SE/4 NW/4 Section 11. The well produces from the Morrow formation, and the N/2 of said section is dedicated to the well.
- 4. Applicant proposes to simultaneously dedicate a standard 320-acre cas proration unit comprising the N/2 of said Section 11 to such well or to such lesser portion thereof as is reasonably shown to be productive of gas.
- 5. The approval of this application will afford applicant the opportunity to produce its just and equitable share of gas, will prevent economic loss caused by the drilling of

unnecessary wells, avoid the sugmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

WHEREFORE, applicant prays:

- A. That this application be set for hearing before an examiner and that notice of said hearing be given as required by law.
- B. That upon hearing the Division enter its order granting applicant permission to drill its Rio Penasco "RD" No. 3 Well 990 feet from the north line and 660 feet from the east line of said Section 11, and to simultaneously dedicate the N/2 of Section 11, which is reasonably presumed to be productive of gas, to said well.
- C. And for such other and further relief as may be just in the premises.

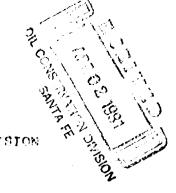
YATES PETROLEUM CORPORATION

By: Chad Dickerson

Chad Dickerson

LOSEE, CARSON & DICKERSON, P.A. P. O. Drawer 239 Artesia, New Mexico 88210

Attorneys for Applicant



BEFORE THE OIL CONSERVATION DIVISION

OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF YATES PETROLEUM COPPORATION FOR AN UNORTHODOX GAS WELL LOCATION AND SIMULTANEOUS DEDICATION, EDDY COUNTY, NEW MEXICO

CASE NO. 7228

APPLICATION

COMES NOW Yates Petroleum Corporation, by its attorneys, and in support hereof, respectfully states:

1. Applicant is the operator of all formations from the Wolfcamp through the Pennsylvanian formations, underlying:

Township 19 South, Range 25 East, N.M.P.M.

Section 11: N/2

and proposes to drill its Rio Penasco "KD" No. 3 Well at a point located 990 feet from the north line and 660 feet from the east line of Section 11.

- 2. The applicant seeks an exception to the well location requirements of Pule 104-C.2(a) of the Oil Conservation

 Division to permit the drilling of the well at the above mentioned unorthodox location to a depth sufficient to adequately test the Wolfcamp through the Pennsylvanian formations.
- 3. Applicant is the operator of the Rio Penasco "MF" Federal No. 1 Well, located in the SE/4 NW/4 Section 11. The well produces from the Morrow formation, and the N/2 of said section is dedicated to the well.
- 4. Applicant proposes to simultaneously dedicate a standard 320-acre gas proration unit comprising the N/2 of said Section 11 to such well or to such lesser portion thereof as is reasonably shown to be productive of gas.
- 5. The approval of this application will afford applicant the opportunity to produce its just and equitable share of gas, will prevent economic loss caused by the drilling of

unnecessary wells, avoid the auduentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

WHEREFORE, applicant prays:

- A. That this application be set for hearing before an examiner and that notice of said hearing be given as required by law.
- B. That upon hearing the Division enter its order granting applicant permission to drill its Rio Penasco "RD" No. 3 Well 990 feet from the north line and 660 feet from the east line of said Section 11, and to simultaneously dedicate the N/2 of Section 11, which is reasonably presumed to be productive of gas, to said well.
- C. And for such other and further relief as may be just in the premises.

YATES PETROLEUM CORPORATION

Chad Dickerson

LOSEE, CARSON & DICKERSON, P.A. P. O. Drawer 239

Artesia, New Mexico 88210

Attorneys for Applicant

STATE OF NEW MEXICO ENERGY AND MINERALS DEPARTMENT OIL CONSERVATION DIVISION

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

CASE NO. 7228
ORDER No. R- 6670
APPLICATION OF YATES PETROLEUM, CORPORATION
FOR AN UNORTHODOX/WELL LOCATION AND
SIMULTANEOUS DEDICATION, ***AX COUNTY,
NEW MEXICO. JOR
ORDER OF THE DIVISION
BY THE DIVISION:
This cause came on for hearing at 9 a.m. on April 22 19 81 , at Santa Fe, New Mexico, before Examiner Daniel S. Nutter
NOW, on thisday of April, 1981, 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 to be drilled Rio Penasco "KD" Well No. 3/ x 1000 teet from the
North line and 660 feet from the East line of
Section 11 , Township 19 South , Range 25 East , NMP
Boyd. Matrow gas Pool, Eddy County, New Mexico.

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(3) That the applicant further seeks to simultaneously dedicate the $\frac{N/2}{}$ of said Section $\frac{11}{}$ to the abovedescribed well and to its Rio Penasco "MF" Federal Well No. 1 located in Unit F of said Section 11 (4) That a well at said unorthodox location will better enable applicant to produce the gas underlying the proration unit. (5) That no offset operator objected to the proposed unorthodox location and simultaneous dedication. (6) That approval of the subject application 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 Yates Petroleum Corporation authorized to drill its Rio Penasco "KD" Well No. 3 unorthodox location 990 feet from the North line and feet from the East line of Section 11Township 19 South , Range 25 East , NMPM, Baydon Marraw Mas Pool, Eddy County, New Mexico. (2) What the $\frac{N/2}{}$ of said Section $\frac{11}{}$ shall be simultaneously dedicated to the above-described well and to applicant's Rio Penasco "MF" Federal Well No. 1 located in Unit F of said Section 11 (3) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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

designated.

DRAFT

1981.

STATE OF NEW MEXICO ENERGY AND MINERALS DEPARTMENT OIL CONSERVATION DIVISION

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CASE NO. 7228
Order No. R-6670-A
APPLICATION OF YATES PETROLEUM CORPORATION
FOR AN UNORTHODOX GAS WELL LOCATION AND
SIMULTANEOUS DEDICATION. EDDY COUNTY, NEW MEXICO.
NUNC PRO TUNC ORDER
BY THE DIVISION:
It appearing to the Division that Order No. R- 6670
dated April 30 , 19 81 , does not correctly state the
intended order of the Division,
IT IS THEREFORE ORDERED:
be and (1) That Order No. (1) on Page 2 of Order No. R-6670 skall the same is hereby be/amended to read in its entirety as follows:
"(1) That Yates Petroleum Corporation is hereby
authorized to drill its Rio Penasco "KD" Well No. 3 at
an unorthodox location for the Wolfcamp and Pennsylvanian
formations at a point 990 feet from the North line and 660
feet from the East line of Section 11, Township 19 South,
Range 25 East, NMPM, Boyd Field, Eddy County, New Mexico."
(2) That the corrections set forth in this order be entered
nunc pro tunc as of April 30, 1981.
DONE at Santa Fe, New Mexico, on thisday of August,