

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

CASE NO.

7228

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APPLICATION,  
TRANSCRIPTS,  
SMALL EXHIBITS,

ETC.



August 7, 1981

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

Mr. Chad Dickerson  
Lossee, Carson & Dickerson  
Attorneys at Law  
Post Office Drawer 239  
Artesia, New Mexico 88210

**Applicant:**

Yates Petroleum Corporation

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Yours very truly,

JOE D. RAMEY  
Director

JDR/fd

Copy of order also sent to:

Hobbs OCD	<u>          </u>	X
Artesia OCD	<u>          </u>	X
Aztec OCD	<u>          </u>	

Other \_\_\_\_\_



BRUCE KING  
GOVERNOR  
LARRY KEHOE  
SECRETARY

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

May 17 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  
Post Office Drawer 239  
Artesia, New Mexico 88210

Re: CASE NO. 7228  
ORDER NO. R-6670

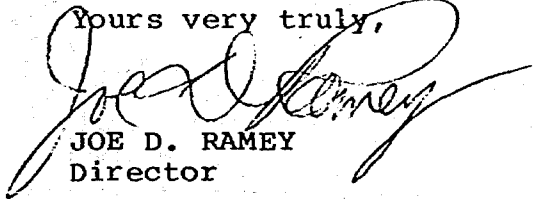
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Other \_\_\_\_\_  
\_\_\_\_\_

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 seeks 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  
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.

-2-

Case 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 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 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, Boyd-Morrow Gas Pool, Eddy County, New Mexico.

(2) That the N/2 of said Section 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.

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

  
JOE D. RAMEY  
Director

  
S E A L

rd/

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, NMPH, 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 this 7th day of August,

1981

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

  
JOE D. RAMEY  
Director

SEAL  
fd/

EXHIBIT 1  
LAND PLAT  
CASE 7228 - UNORTHODOX WOLFCAMP-PENN. LOCATION  
& SIMULTANEOUS DEDICATION  
990' FNL & 660' FEL  
Sec. 11-19S-25E  
Boyd Morrow Field  
Eddy County, New Mexico



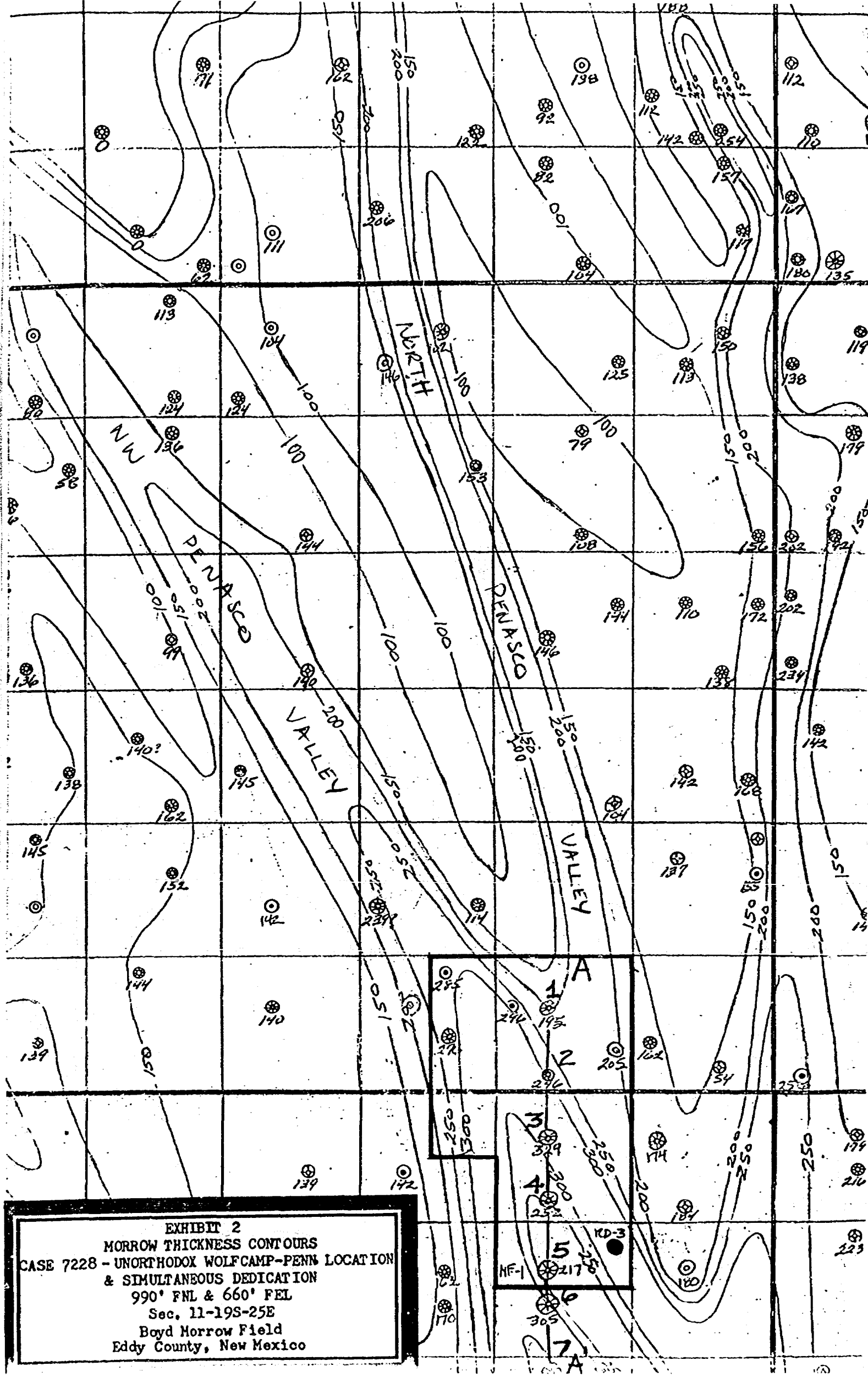
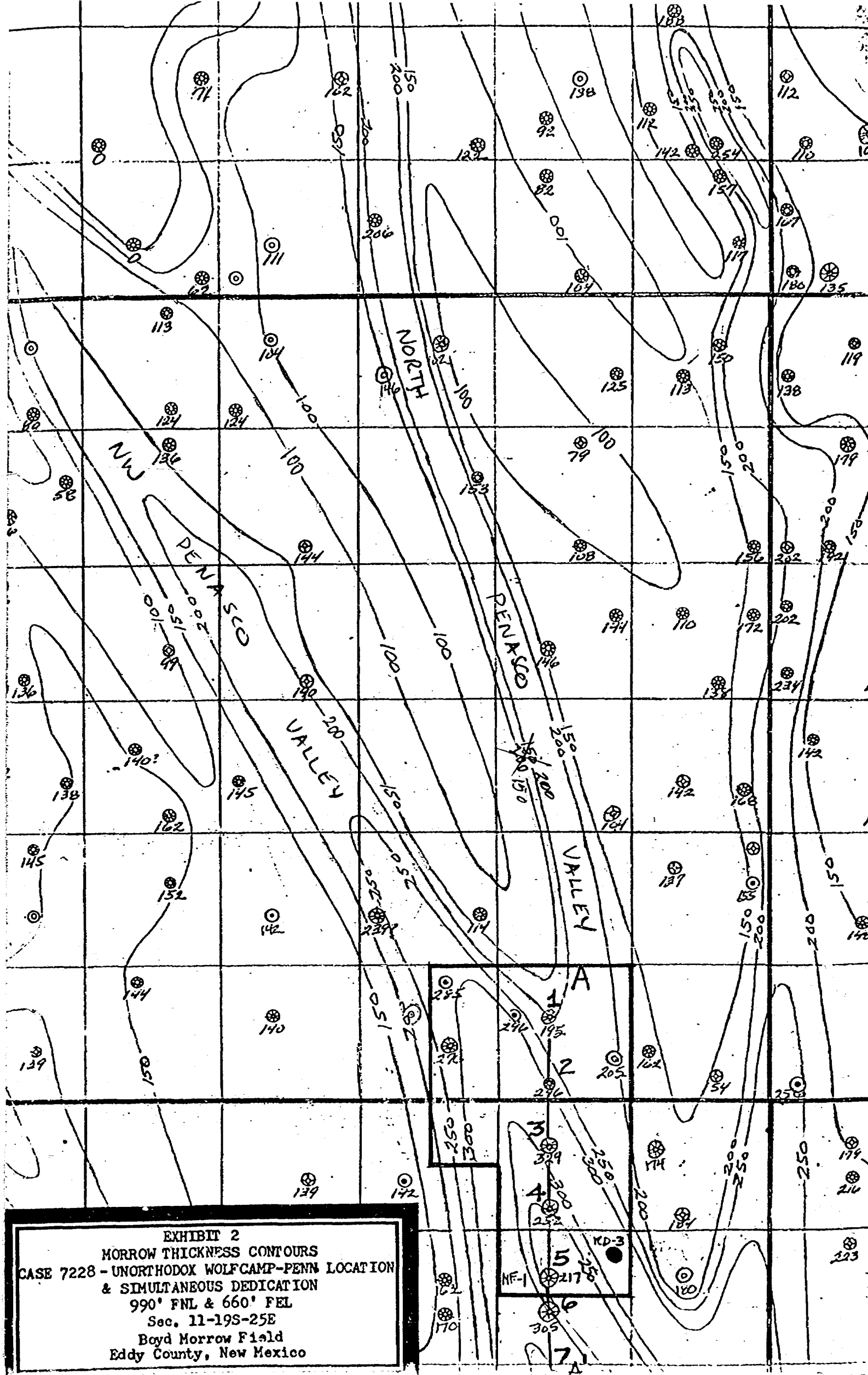


EXHIBIT 2  
MORROW THICKNESS CONTOURS  
CASE 7228 - UNORTHODOX WOLFCAMP-PENN LOCATION  
& SIMULTANEOUS DEDICATION  
990' FNL & 660' FEL  
Sec. 11-19S-25E  
Boyd Morrow Field  
Eddy County, New Mexico



EXHIBIT 1  
LAND FLAT  
CASE 7228 - UNORTHODOX WOLF CAMP-PENN. LOCATION  
& SIMULTANEOUS DEDICATION  
990' FNL & 660' FEL  
Sec. 11-19S-25E  
Boyd Morrow Field  
Eddy County, New Mexico

CASE 7228 - UNORTHODOX WOLF CAMP-PENN. LOCATION  
& SIMULTANEOUS DEDICATION  
990' FNL & 660' FEL  
Sec. 11-19S-25E  
Boyd Morrow Field  
Eddy County, New Mexico



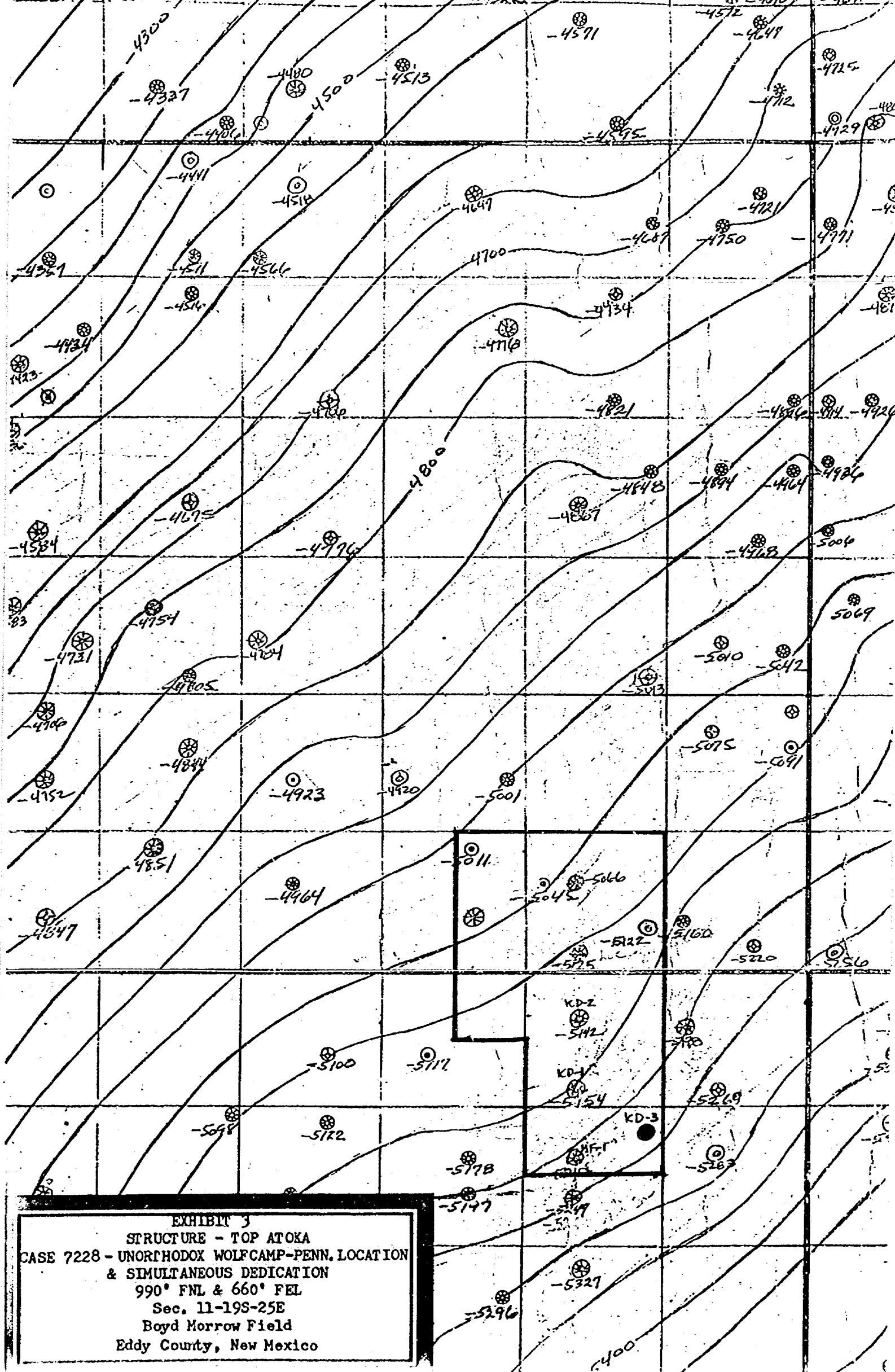
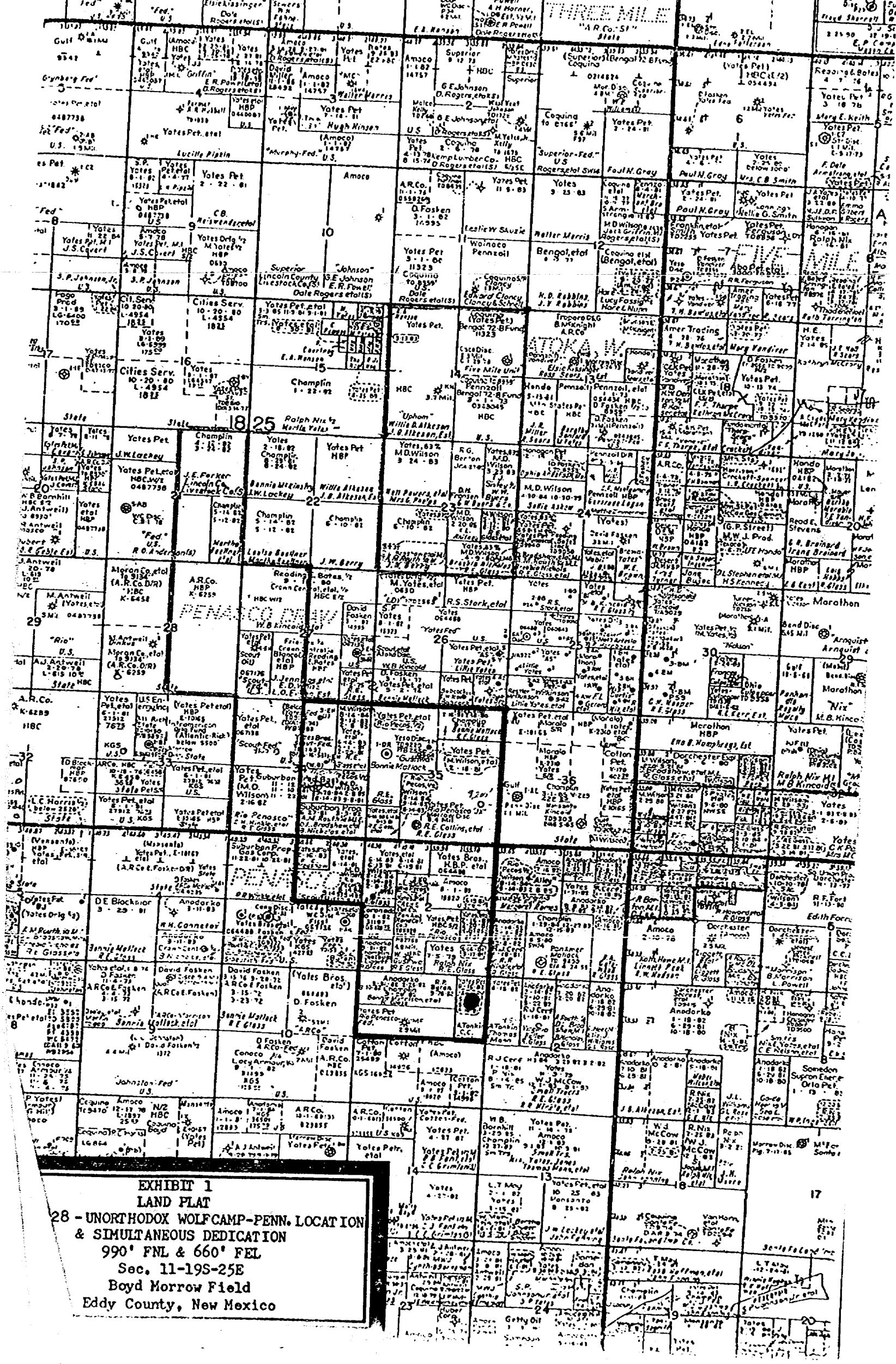




EXHIBIT 1  
LAND PLAT  
28 - UNORTHODOX WOLF CAMP-PENN. LOCATION  
& SIMULTANEOUS DEDICATION  
990' FNL & 660' FEL  
Sec. 11-19S-25E  
Boyd Morrow Field  
Eddy County, New Mexico



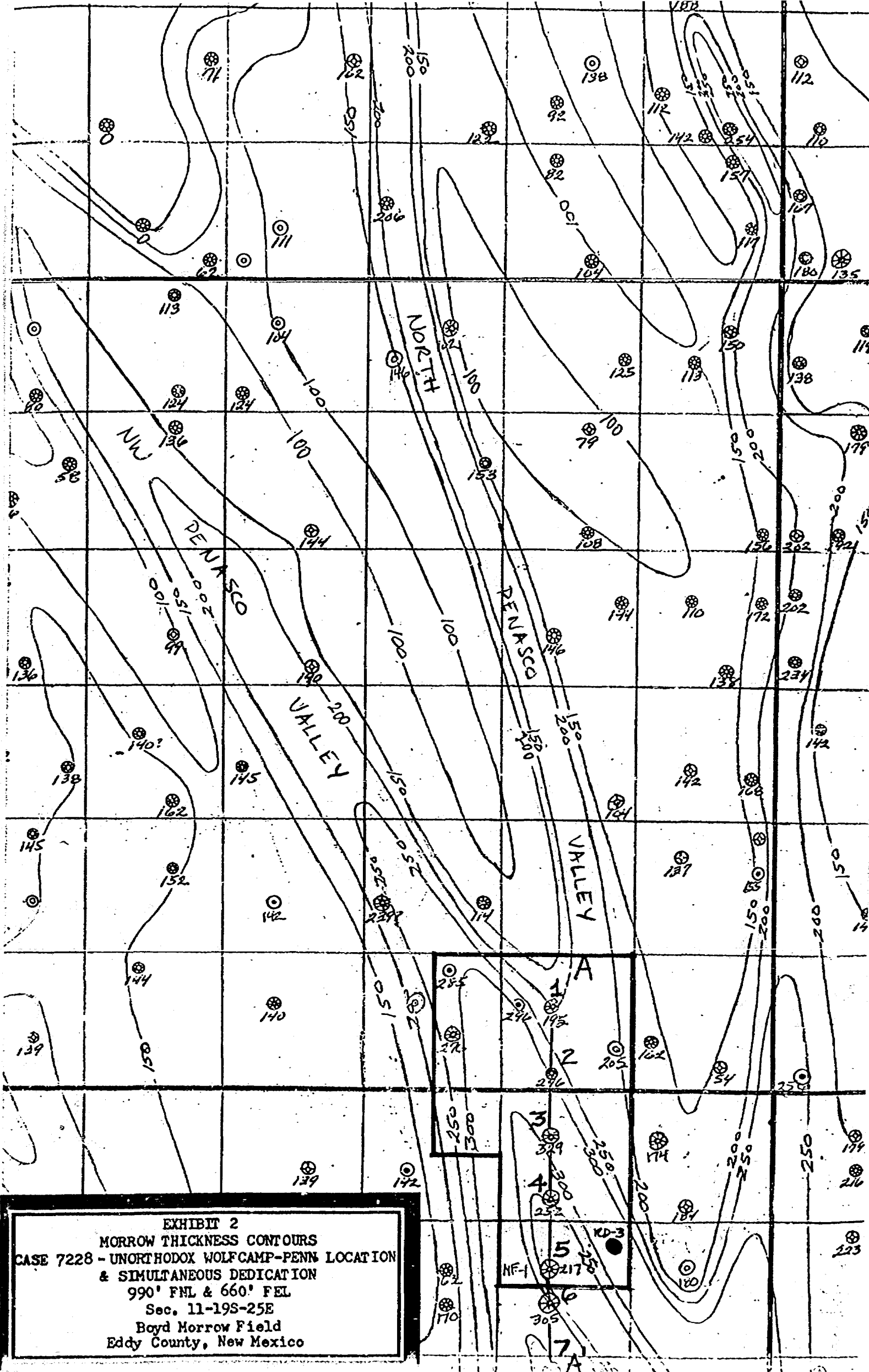
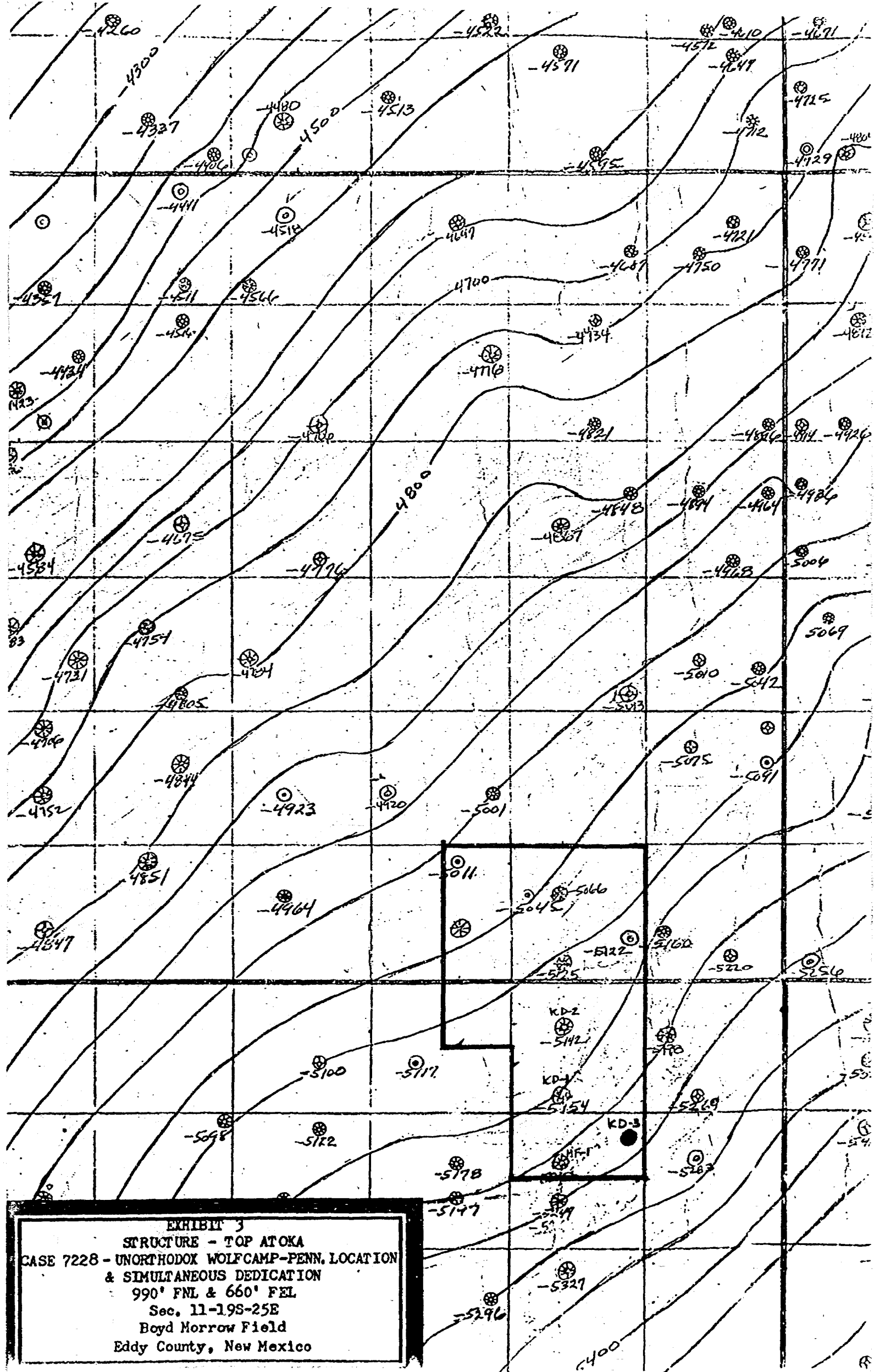


EXHIBIT 2  
MORROW THICKNESS CONTOURS  
CASE 7228 - UNORTHODOX WOLFCAMP-PENN LOCATION  
& SIMULTANEOUS DEDICATION  
990' FNL & 660' FEL  
Sec. 11-19S-25E  
Boyd Morrow Field  
Eddy County, New Mexico





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

A P P E A R A N C E S

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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# I N D E X

MARK D. WILSON

Direct Examination by Mr. Dickerson

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## E X H I B I T S

Applicant Exhibit One, Plat

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Applicant Exhibit Two, Map

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Applicant Exhibit Three, Contour Map

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Applicant Exhibit Four, Cross Section

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1  
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.

8  
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 Q Would you briefly describe the purpose  
25 of the application which Yates filed in this proceeding?

1  
2 A. Okay. In Case 7228 Yates Petroleum  
3 Corporation, operator of the Rio Penasco Working Interest  
4 Unit, requests approval for the unorthodox Wolfcamp-Pennsyl-  
5 vanian gas well location of its Rio Penasco "KD" 3, to be  
6 drilled 590 feet from the north line and 660 feet from the  
7 east line of Section 11, 19 South, 25 East, Boyd-Morrow Field,  
8 Eddy County, New Mexico, the north half of Section 11 to be  
9 dedicated to the well. Since there is already a Morrow gas  
10 well, the "MF" 1, located 1980' from north and west of Section  
11 11, we also request simultaneous dedication of the north half  
12 of Section 11 to both wells for all Wolfcamp and Pennsylvanian  
13 reservoirs.

14 Q Mr. Wilson, have you previously qualified  
15 before the Commission as a geologist and had your qualifica-  
16 tions made a matter of record?

17 A. I have.

18 Q Have you prepared certain exhibits on  
19 which you intend to rely today?

20 A. Correct.

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

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

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

1  
2 describe what it shows?

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

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

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

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

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

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

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

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

1  
2 perforated 9024 to 52, that's labeled on the cross section  
3 there, but after producing 365 million cubic feet of gas, the  
4 well watered out.

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

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

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

20 MR. NUTTER: So the simultaneous dedi-  
21 cation will only be necessary in the event this well can be  
22 restored to --

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

1  
2 one in the upper part of the Canyon lime, where it is a lime-  
3 stone, and we did have gas on that test; no evidence of forma-  
4 tion water. There are two or three zones in there that have  
5 gas effect on the density neutron log, and that would be a  
6 salvage type completion. I don't anticipate any really impor-  
7 tant reserves out of it, but we could make a completion up  
8 there.

9 In the next phase of this attention is  
10 now called to Well No. 3, and this is the Rio Penasco "KD" No.  
11 2. The Morrow there is 329 feet thick and it contains several  
12 pays. The log on this section is a density neutron log and  
13 you can see the gas effect there comparing the neutron curve  
14 and the density curve. All those sands, every sand in that  
15 well, as far as we know, is gas-bearing. We have perforated  
16 just the basal sand but all the rest of them calculate gas and  
17 no evidence of water. This sand, this well, the well that  
18 we're drilling, the "KD" 3, would expect to be similar to this  
19 because it's on thickness trend with this well. If you go back  
20 to Number Two illustration there, you can see that there's a  
21 northwest thick there and we're in that with this "KD" 3  
22 location and hoping to get a well that will be similar to  
23 this "KD" No. 2 Well.

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



1  
2 Penasco Main Pay Zone. That sand has occurred in a similar  
3 thickness in a series of five wells there, and these wells  
4 are drilled in a north/south line, so it indicates that this  
5 sand has a north/south trend, and is probably related to this  
6 north Penasco alluvial valley.

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

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

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

1  
2 between this north/south series and the Alley Well, that we've  
3 got a chance of finding, or at least exploring for what is  
4 stratigraphically between these two levels.

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

10 We further feel that because of the  
11 complexity of the reservoir development, sands will remain  
12 unexploited unless wells are drilled on a spacing closer than  
13 320 acres. This is principally because we've got these two  
14 alluvial valleys coming together here and aside from this one  
15 sand that we can correlate through the cross section, or most  
16 of the cross section, nearly every well looks different. We  
17 get a different group of sands, and we feel like in order to  
18 really get at all the reservoirs in this, we're going to have  
19 to drill them closer than 320. We've already done this up  
20 in Section 35 to the north, where we've just finished the  
21 "GX" 2 Well, which did find a reservoir that was new compared  
22 to the two other wells in Section 35, and it looks as if we're  
23 going to leave gas in the ground and reservoirs are not  
24 drained unless we drill on a closer spacing.

25 Q Mr. Wilson, in your opinion would the

1  
2 granting of this application be in the interest of conserva-  
3 tion, the prevention of waste, and the protection of correla-  
4 tive rights?

5 A. I think it will.

6 MR. DICKERSON: Mr. Examiner, we move  
7 the admission of Exhibits One through Four.

8 MR. NUTTER: Exhibits One through Four  
9 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  
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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that  
the foregoing Transcript of Hearing before the Oil Conserva-  
tion 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 CSR

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 4/27 1981.

[Signature], Examiner  
Oil Conservation Division

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B  
Santa Fe, New Mexico 87501  
Phone (505) 455-7406

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:

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CASE  
7228

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

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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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MARK D. WILSON

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Direct Examination by Mr. Dickerson

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E X H I B I T S

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Applicant Exhibit One, Plat

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Applicant Exhibit Two, Map

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Applicant Exhibit Three, Contour Map

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Applicant Exhibit Four, Cross Section

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9 (Witness sworn.)

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19 A Mark Wilson, independent petroleum  
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21 Q And you're appearing on behalf of the  
22 applicant, Yates Petroleum Corporation, Mr. Wilson?

23 A Right.

24 Q Would you briefly describe the purpose  
25 of the application which Yates filed in this proceeding?

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3 A. Okay. In Case 7228 Yates Petroleum  
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8 east line of Section 11, 19 South, 25 East, Boyd-Morrow Field,  
9 Eddy County, New Mexico, the north half of Section 11 to be  
10 dedicated to the well. Since there is already a Morrow gas  
11 well, the "MF" 1, located 1980 from north and west of Section  
12 11, we also request simultaneous dedication of the north half  
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16 before the Commission as a geologist and had your qualifica-  
17 tions made a matter of record?

18 A I have.

19 Q Have you prepared certain exhibits on  
20 which you intend to rely today?

21 A Correct.

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23 please, and describe what it shows?

24 A Exhibit One is the land plat showing  
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the Rio Penasco Working Interest Unit is shown in red and the



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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.

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4 contour interval 50 feet, on the top of the Atoka series.  
5 Structure in the area consists of regional dip to the southeast.

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7 tell the Examiner what it reflects?

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

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

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

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

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

1  
2 perforated 9024 to 52, that's labeled on the cross section  
3 there, but after producing 365 million cubic feet of gas, the  
4 well watered out.

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

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

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

20 MR. NUTTER: So the simultaneous dedi-  
21 cation will only be necessary in the event this well can be  
22 restored to ---

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

1  
2 one in the upper part of the Canyon lime, where it is a lime-  
3 stone, and we did have gas on that test; no evidence of forma-  
4 tion water. There are two or three zones in there that have  
5 gas effect on the density neutron log, and that would be a  
6 salvage type completion. I don't anticipate any really impor-  
7 tant reserves out of it, but we could make a completion up  
8 there.

9 In the next phase of this attention is  
10 now called to Well No. 3, and this is the Rio Penasco "KD" No.  
11 2. The Morrow there is 329 feet thick and it contains several  
12 pays. The log on this section is a density neutron log and  
13 you can see the gas effect there comparing the neutron curve  
14 and the density curve. All those sands, every sand in that  
15 well, as far as we know, is gas-bearing. We have perforated  
16 just the basal sand but all the rest of them calculate gas and  
17 no evidence of water. This sand, this well, the well that  
18 we're drilling, the "KD" 3, would expect to be similar to this  
19 because it's on thickness trend with this well. If you go back  
20 to Number Two illustration there, you can see that there's a  
21 northwest thick there and we're in that with this "KD" 3  
22 location and hoping to get a well that will be similar to  
23 this "KD" No. 2 Well.

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

1  
2 Penasco Main Pay Zone. That sand has occurred in a similar  
3 thickness in a series of five wells there, and these wells  
4 are drilled in a north/south line, so it indicates that this  
5 sand has a north/south trend, and is probably related to this  
6 north Penasco alluvial valley.

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

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

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

1  
2 between this north/south series and the Alley Well, that we've  
3 got a chance of finding, or at least exploring for what is  
4 stratigraphically between these two levels.

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

10 We further feel that because of the  
11 complexity of the reservoir development, sands will remain  
12 unexploited unless wells are drilled on a spacing closer than  
13 320 acres. This is principally because we've got these two  
14 alluvial valleys coming together here and aside from this one  
15 sand that we can correlate through the cross section, or most  
16 of the cross section, nearly every well looks different. We  
17 get a different group of sands, and we feel like in order to  
18 really get at all the reservoirs in this, we're going to have  
19 to drill them closer than 320. We've already done this up  
20 in Section 35 to the north, where we've just finished the  
21 "GX" 2 Well, which did find a reservoir that was new compared  
22 to the two other wells in Section 35, and it looks as if we're  
23 going to leave gas in the ground and reservoirs are not  
24 drained unless we drill on a closer spacing.

25 Q Mr. Wilson, in your opinion would the

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granting of this application be in the interest of conservation, the prevention of waste, and the protection of correlative rights?

A. 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.

MR. DICKERSON: And that concludes our presentation.

MR. NUTTER: Are there any questions of Mr. Wilson? He may be excused.

Do you have anything further, Mr. Dickerson, in this case?

MR. DICKERSON: No, sir.

MR. NUTTER: Does anyone have anything they wish to offer in Case Number 7228?

We'll take the case under advisement.

(Hearing concluded.)

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that  
the foregoing Transcript of Hearing before the Oil Conserva-  
tion 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 CSR

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 4/22 1981.  
[Signature], Examiner  
Oil Conservation Division

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B  
Santa Fe, New Mexico 87501  
Phone (505) 455-7409

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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 MEXICO

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 GWM 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 Gulf 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, Range 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 Oil 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 above-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 non-standard 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.

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 Morrow-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.

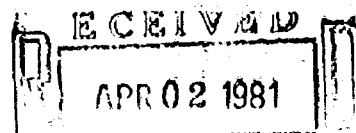
CASE 7230: Application of Caribou Four Corners, Inc. for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Mesaverde and Gallup formations underlying the S/2 SW/4 of Section 7, Township 29 North, Range 14 West, to 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 Oil 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.



A. J. LOSEE  
JOEL M. CARSON  
CHAD DICKERSON  
DAVID R. VANDIVER

LAW OFFICES  
LOSEE, CARSON & DICKERSON, P. A. SANTA FE  
300 AMERICAN HOME BUILDING  
P. O. DRAWER 239  
ARTESIA, NEW MEXICO 88210  
OIL CONSERVATION DIVISION  
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.

  
Chad Dickerson

CD:pvm  
Enclosures

cc w/attachment: Yates Petroleum Corporation

RECEIVED  
APR 02 1981

OIL CONSERVATION DIVISION  
SANTA FE

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

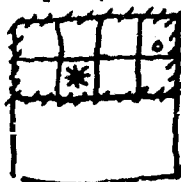
and proposes to drill its Rio Penasco "KD" No. 3 Well at a point located 990 feet from the north line and 660 feet from the east line of Section 11.

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.

B. 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.

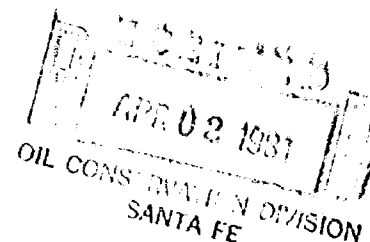
YATES PETROLEUM CORPORATION

By

  
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 CORPORATION FOR AN :  
UNORTHODOX GAS WELL LOCATION AND :  
SIMULTANEOUS DEDICATION, EDDY COUNTY, :  
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Section 11: N/2

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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.

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.

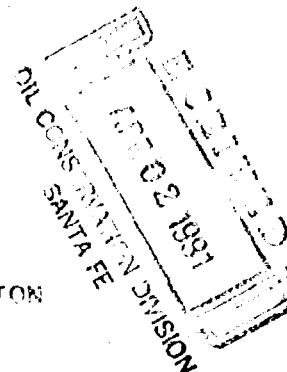
YATES PETROLEUM CORPORATION

By: Chad Dickerson  
Chad Dickerson

LOSEE, CARSON & DICKERSON, P.A.  
P. O. Drawer 235  
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 CORPORATION FOR AN :  
UNORTHODOX GAS WELL LOCATION AND :  
SIMULTANEOUS DEDICATION, EDDY COUNTY, :  
NEW MEXICO :

CASE NO. 7228

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

Section 11: N/2

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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



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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

DRAFT

dr/

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

<sup>GAS</sup>

FOR AN UNORTHODOX <sup>WELL</sup> LOCATION AND

<sup>EDDY</sup>

SIMULTANEOUS DEDICATION, ~~XXX~~ COUNTY,

NEW MEXICO.

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 this \_\_\_\_\_ 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/ <sup>to be drilled</sup> ~~located~~ 990 feet from the  
North line and 660 feet from the East line of  
Section 11, Township 19 South, Range 25 East, NMPM,  
Boyd-Matrow Gas Pool, Eddy County, New Mexico.

(3) That the applicant further seeks 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 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 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, Boyd Umaraw Gas Pool, Eddy County, New Mexico.

(2) That the N/2 of said Section 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

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, 19 81, 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 ~~shall~~ be and  
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 this \_\_\_\_\_ day of August,  
1981.