

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

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

**Case No. 11804
Order No. R-10860**

**APPLICATION OF YATES PETROLEUM
CORPORATION FOR SIMULTANEOUS
DEDICATION, EDDY COUNTY, NEW
MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on July 10 and August 7, 1997, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 14th day of August, 1997, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Yates Petroleum Corporation, seeks authority to simultaneously dedicate the S/2 of Section 27, Township 17 South, Range 26 East, NMPM, Eddy County, New Mexico, to its proposed Martin "ARH" Well No. 1 to be drilled at a standard gas well location 1980 feet from the South and East lines (Unit J), and to the Big Buck Pounds Com Well No. 1 located 1980 feet from the South line and 660 feet from the East line (Unit I), in the Kennedy Farms-Morrow Gas Pool.

(3) According to Division records and evidence and testimony presented by the applicant:

- a) the Big Buck Pounds Com Well No. 1 was originally drilled by Hanson Oil Corporation (Hanson) in May, 1974, and was completed in the Morrow formation at an initial producing rate of approximately 111 MCF gas per day;

- b) by Division Form C-103 (Sundry Notices and Reports on Wells) dated March 15, 1983, Hanson informed the Division that production from the Big Buck Pounds Com Well No. 1 had declined to the point that it was uneconomic to produce, and that it intended to plug and abandon the well; and,
- c) CDQ, Inc. assumed operations of the Big Buck Pounds Com Well No. 1 effective June 19, 1984.

(4) Further evidence and testimony presented by the applicant indicates that:

- a) the Big Buck Pounds Com Well No. 1 has cumulatively produced approximately 4.35 MMCFG gas since 1974. Production from the well has averaged approximately 4-5 MCF gas per day over the last ten years;
- b) CDQ, Inc. is a small company owned by farmers in the area. The Big Buck Pounds Com Well No. 1 is hooked up to the Transwestern/Agave sales line, however, the vast majority of gas production from the well is utilized to power irrigation pumps in this area for farming purposes.

(5) According to applicant's geologic and engineering evidence and testimony, the Big Buck Pounds Com Well No. 1 is currently producing from the upper portion of the Lower Morrow interval. Cumulative gas production from this interval has resulted in a drainage area for the subject well of approximately 50 acres.

(6) Applicant's geologic evidence further indicates that there is potential for gas production from the lower portion of the Lower Morrow interval and from the Upper Morrow interval within the S/2 of Section 27, and applicant proposes to drill its Martin "ARH" Well No. 1 to test these intervals.

(7) The intervals proposed to be produced by the applicant in its Martin "ARH" Well No. 1 are not currently being produced within the Big Buck Pounds Com Well No. 1.

(8) Land testimony presented by Yates shows that:

- a) it has executed a "Top Lease" agreement with all interest owners within the S/2 of Section 27 for the drilling of the proposed Martin "ARH" Well No. 1;
- b) it has executed an agreement with CDQ, Inc., which, among other things, provides that:

- i) the "Bottom Lease" which covers the Big Buck Pounds Com Well No. 1 will remain in effect; and,
- ii) CDQ, Inc. will be allowed to continue operating and producing the Big Buck Pounds Com Well No. 1.

(9) There is Morrow production in all proration units offsetting the S/2 of Section 27. With the exception of the S/2 of Section 26, which is operated by H & S Resources, and the N/2 of Section 34, which is operated by Western Oil Producers, all offsetting proration units are operated by the applicant.

(10) No offset operator and/or interest owner appeared at the hearing in opposition to the application.

(11) Approval of the proposed simultaneous dedication and authority to produce the Big Buck Pounds Com Well No. 1 and the Martin "ARH" Well No. 1 concurrently and simultaneously will allow the applicant the opportunity to produce its equitable share of the gas in the Kennedy Farms-Morrow Gas Pool underlying the S/2 of Section 27, and will not violate correlative rights.

(12) Applicant testified at the hearing that it is aware of current Division policy prohibiting having more than one operator on a single proration unit. Applicant further testified that by mutual agreement with the affected parties, it is prepared to assume operations of the Big Buck Pounds Com Well No. 1 for various Division purposes including, but not necessarily limited to, production reporting.

(13) The applicant should be required to file Division Form C-104 (Request for Allowable and Authorization to Transport) designating itself operator of the Big Buck Pounds Com Well No. 1.

(14) In the event Yates Petroleum Corporation assumes complete operatorship of the Big Buck Pounds Com Well No. 1, any proposed recompletion attempt in the Morrow formation should be considered only after notice and hearing.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Yates Petroleum Corporation, is hereby authorized to simultaneously dedicate the S/2 of Section 27, Township 17 South, Range 26 East, NMPM, Eddy County, New Mexico, to its proposed Martin "ARH" Well No. 1 to be drilled at a standard gas well location 1980 feet from the South and East lines (Unit J), and to the Big Buck Pounds Com Well No. 1 located 1980 feet from the South line and 660 feet from the East line (Unit I), in the Kennedy Farms-Morrow Gas Pool.

(2) The applicant is further authorized to produce the Martin "ARH" Well No. 1 and the Big Buck Pounds Com Well No. 1 concurrently and simultaneously.

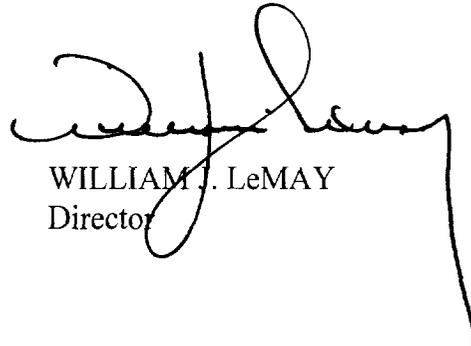
(3) The applicant shall file Division Form C-104 (Request for Allowable and Authorization to Transport) designating itself operator of the Big Buck Pounds Com Well No. 1.

(4) In the event Yates Petroleum Corporation assumes complete operatorship of the Big Buck Pounds Com Well No. 1, any proposed recompletion attempt in the Morrow formation shall be considered only after notice and hearing.

(5) 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



WILLIAM J. LeMAY
Director

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