

Entered March 7, 1979

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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. 6231 DE NOVO
Order No. R-5831-A

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

ORDER OF THE COMMISSION

BY THE COMMISSION:

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

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

FINDS:

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

(2) That the applicant, Yates Petroleum Corporation, seeks approval of an unorthodox gas well location for his State JM Well No. 1 to be located 660 feet from the North line and 660 feet from the East line of Section 25, Township 18 South, Range 24 East, NMPM, to test the Morrow formation, Undesignated Morrow Gas Pool, Eddy County, New Mexico.

(3) That the N/2 of said Section 25 is to be dedicated to the well.

(4) That upon receipt of the application of Yates Petroleum Corporation in this matter, the same was set for hearing on May 17, 1978, before Examiner Richard L. Stamets.

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(5) That subsequent to said hearing the Oil Conservation Division entered Order No. R-5831 approving the unorthodox location of said well for the Morrow formation and providing for special rules and regulations limiting production therefrom.

(6) That subsequent to the entry of said Order No. R-5831, Gulf Oil Corporation, an offset operator, filed timely application for hearing De Novo of Case No. 6231, and the matter was set for hearing before the Commission.

(7) That the matter came on for hearing De Novo on February 7, 1979.

(8) That a well at said unorthodox location will better enable applicant to produce the gas underlying the proration unit.

(9) That an offset operator has objected to the proposed location.

(10) That a well at the proposed location is at a standard location relative to the North and South lines of said Section 25.

(11) That a well at the proposed location is 67 percent closer to the West line of said Section 25 than permitted by Division Rules and Regulations.

(12) That a well at the proposed location will have an area of drainage in the Morrow formation which extends 67.2 net acres outside Section 25, an amount of acreage equivalent to 21 percent of a standard proration unit in said pool.

(13) That to offset the advantage gained over the protesting offset operator resulting from the drilling of a well at the proposed unorthodox location, production from the N/2 of said Section 25 should be limited from the Morrow formation.

(14) That such limitation should be based upon the variation of the location from a standard location and the 67.2 net-acre encroachment described in Finding No. (12) above, and may best be accomplished by assigning the proration unit a production limitation factor of 0.71 (100 percent North/South factor plus 33 percent East/West factor plus 79 percent net-acre factor, divided by 3).

(15) That in the absence of any special rules and regulations for the prorationing of production from said undesignated Morrow Gas Pool, the aforesaid production limitation factor should be applied against said well's or wells' ability to produce into the pipeline as determined by periodic well tests.

(16) That the Special Rules and Regulations for the Application of a "Production Limitation Factor" to a non-prorated gas well or wells set out in Division Order No. R-5831 entered September 29, 1978, provide the proper framework for application of the aforesaid production limitation factor.

(17) That said Special Rules and Regulations should be adopted and made a part of this order by reference.

(18) That considering the risks involved in drilling to the Morrow formation, each proration unit should have a reasonable, minimum calculated allowable.

(19) That at a sustained flowing rate of 500,000 cubic feet per day, a Morrow well in this area would pay-out in approximately 2.5 years.

(20) That 2.5 years is a reasonable pay-out period for a Morrow well in this area.

(21) That Rule 13 of said Special Rules and Regulations should be amended to provide for a minimum allowable of one-half million cubic feet of gas per day rather than one million cubic feet.

(22) That approval of the subject application subject to the above provisions and limitations 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 an unorthodox gas well location for the Morrow formation is hereby approved for the Yates Petroleum Corporation State JM Well No. 1 to be located at a point 660 feet from the North line and 660 feet from the East line of Section 25, Township 18 South, Range 24 East, NMPM, Undesignated Morrow Gas Pool, Eddy County, New Mexico.

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(2) That a 320-acre proration unit consisting of the N/2 of said Section 25 shall be dedicated to the above-described well.

(3) That said proration unit is hereby assigned a Production Limitation Factor of 0.71 in the Morrow formation.

(4) That in the absence of any Special Rules and Regulations prorating gas production in said undesignated Morrow Gas Pool, the Special Rules and Regulations for the Application of a "Production Limitation Factor" to a Non-Prorated Gas Well or Wells set out in Division Order No. R-5831, and hereby adopted by reference, shall apply.

(5) That Rule 13 of said Special Rules and Regulations is hereby amended to read in its entirety as follows:

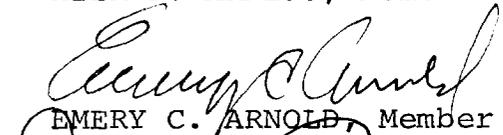
"RULE 13. In no event shall the unit receive an allowable of less than one-half million cubic feet of gas per day."

(6) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

ALEX J. ARMIJO, Member


EMERY C. ARNOLD, Member


JOE D. RAMEY, Member & Secretary

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