

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:

APPLICATION OF YATES PETROLEUM  
CORPORATION TO RESCIND DIVISION  
ORDER NO. R-10372, EDDY COUNTY,  
NEW MEXICO.

*Case No. 11332*

APPLICATION OF YATES PETROLEUM  
CORPORATION FOR DIRECTIONAL DRILLING  
AND SIMULTANEOUS DEDICATION, EDDY  
COUNTY, NEW MEXICO.

*Case No. 11357*

*ORDER NO. R-10372-A and  
DIVISION ADMINISTRATIVE ORDER DD-114*

**ORDER OF THE DIVISION**

**BY THE DIVISION:**

This cause came on for hearing at 8:15 a.m. on August 10, 1995, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 24th day of August, 1995, 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) In Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico, all of Section 25 is included within the boundary of the North Dagger Draw-Upper Pennsylvanian Pool, which is governed by "*Special Rules and Regulations*", as promulgated by Division Order No. R-4691, as amended, which require standard 160-acre oil spacing and proration units with wells to be located no closer than 660 feet from the outer boundary of the spacing and proration unit nor closer than 330 feet from any quarter-quarter section line or subdivision inner boundary, an oil allowable of 700 barrels per day per standard 160-acre unit, and a limiting gas/oil ratio of 10,000 cubic feet of gas per barrel of oil.

(3) Although the standard spacing within the North Dagger Draw-Upper Pennsylvanian Pool is 160 acres, the established practice within this pool is to drill a well on each of the four 40-acre tracts that form a standard 160-acre oil spacing and proration unit.

(4) By Division Order No. R-10372, issued in Case 11,235 and dated May 24, 1995, Yates Petroleum Corporation ("Yates") was authorized to drill its Aspden "AOH" Federal Com Well No. 2 in the North Dagger Draw-Upper Pennsylvanian Pool at an unorthodox oil well location 330 feet from the South line and 1980 feet from the West line (Unit N) of Section 29, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico, provided however, a non-standard 40-acre oil spacing and proration unit comprising the SE/4 SW/4 of said Section 29 be formed and dedicated to said Aspden "AOH" Federal Com Well No. 2. Said order further provided for the concomitant establishment of a 120-acre non-standard gas spacing and proration unit comprising the N/2 SW/4 and SW/4 SW/4 of said Section 29 to be dedicated to the Yates' Boyd "X" State Com Well Nos. 2 and 4 and the Aspden "AOH" Federal Com Well No. 1, located in Units "L", "K", and "M", respectively. The final condition set forth by said Order No. R-10372 was that the Aspden "AOH" Federal Com Well No. 2 not be assigned an oil allowable in the North Dagger Draw-Upper Pennsylvanian Pool until such time as the two above-described non-standard oil spacing and proration units were established.

(5) Subsequent to the issuance of said Order No. R-10372, Yates filed with the Division:

(A) An application for hearing before a Division Examiner to rescind said Division Order No. R-10372, dated May 24, 1995. The applicant requested this filing be styled in such a manner that, "in the absence of objection this case would be taken under advisement". The Division

granted Yates' request and assigned Case No. 11,332 to this matter; and,

(B) An application for administrative review by the Division (received by the Division on June 21, 1995), pursuant to Division General Rules 111.D and F, to directionally drill said Aspden "AOH" Federal Com Well No. 2 from its approved unorthodox surface oil well location to a proposed bottom-hole location in the SE/4 SW/4 (Unit O) of said Section 29 that is considered to be standard pursuant to said special pool rules. Further, said application requested that the existing standard 160-acre gas spacing and proration unit be simultaneously dedicated to the Aspden "AOH" Federal Com Well No. 2 and to the Boyd "X" State Com Well Nos. 2 and 4 and the Aspden "AOH" Federal Com Well No. 1.

(6) On July 6, 1995 the Division received an objection to both aforementioned matters from Conoco, Inc. ("Conoco"), the operator of the NW/4 of Section 32, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico, being the affected offset acreage.

(7) Said administrative application was then set for hearing before a Division Hearing Examiner and assigned Case No. 11,357, being the application of Yates Petroleum Corporation for approval to directionally drill its Aspden "AOH" Federal Com Well No. 2 from an unorthodox surface oil well location 330 feet from the South line and 1980 feet from the West line (Unit N) of said Section 29, to a bottomhole location within the SE/4 SW/4 of said Section 29 considered to be standard in the North Dagger Draw-Upper Pennsylvanian Pool. Said well is to be included within the existing standard 160-acre oil spacing and proration unit comprising the SW/4 of said Section 29 and its production to be simultaneously dedicated with the existing Boyd "X" State Com Well No. 4 located in Unit "K", the Boyd "X" State Com Well No. 2 in Unit "L", and the Aspden "AOH" Federal Com Well No. 1 in Unit "M".

(8) By letter dated August 7, 1995 Conoco made indications of withdrawing its protest in this matter. At the August 10, 1995 hearing both Case Nos. 11,332 and 11,357 were called whereby nobody entered an appearance.

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(D) Production from said well is to be simultaneously dedicated with the Yates Petroleum Corporation Boyd "X" State Com Well Nos. 2 and 4 and the Aspden "AOH" Federal Com Well No. 1, located in Units

Boyd "X" State Com Well Nos. 2 and 4 and the Aspden "AOH" Federal Com Well No. 1, located in Units "L", "K", and "M", respectively; and, (3) said Aspden "AOH" Federal Com Well No. 2 not be assigned an oil allowable in the North Dagger Draw-

"L", "K", and "M" of said Section 29, respectively.

(E) All four wells are to share the allowable assigned the existing 160-acre oil spacing and proration unit comprising the SW/4 of said Section 29.

(F) The operator shall comply with all requirements and conditions set forth in Division General Rule 111.E(2) and any applicable requirements in 111.D and F and Order No. R-8170, as amended.

(G) Form C-105 shall be filed in accordance with Division Rule 1105 and the operator shall indicate thereon true vertical depth in addition to measured depths.

(3) 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

SEAL

11332-57

M.S. 8-22-95

Rec. 6/21/95  
Supp 7/11/95

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:

APPLICATION OF YATES PETROLEUM  
CORPORATION TO RESCIND DIVISION  
ORDER NO. R-10372 EDDY COUNTY,  
NEW MEXICO.

Case No. 11332

APPLICATION OF YATES PETROLEUM  
CORPORATION FOR DIRECTIONAL DRILLING  
AND SIMULTANEOUS DEDICATION, EDDY  
COUNTY, NEW MEXICO.

Case No. 11357

**ORDER NO. R-10372-A and  
DIVISION ADMINISTRATIVE ORDER DD-114**

**ORDER OF THE DIVISION**

**BY THE DIVISION:**

This cause came on for hearing at 8:15 a.m. on August 10, 1995, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this \_\_\_\_\_ day of August, 1995, 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) In Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico, all of Section 25 is included within the boundary of the North Dagger Draw-Upper Pennsylvanian Pool, which is governed by "*Special Rules and Regulations*", as promulgated by Division Order No. R-4691, as amended, which require standard 160-acre oil spacing and proration units with wells to be located no closer than 660 feet from the outer boundary of the spacing and proration unit nor closer than 330 feet from any quarter-quarter section line or subdivision inner boundary, an oil allowable of 700 barrels per day per standard 160-acre unit, and a limiting gas/oil ratio of 10,000 cubic feet of gas per barrel of oil.

(3) Although the standard spacing within the North Dagger Draw-Upper Pennsylvanian Pool 160 acres, the established practice within this pool is to drill a well on each of the four 40-acre tracts that form a standard 160-acre oil spacing and proration unit.

(4) By Division Order No. R-10372, issued in Case 11,235 and dated May 24, 1995, Yates Petroleum Corporation ("Yates") was authorized to drill its Aspden "AOH" Federal Com Well No. 2 in the North Dagger Draw-Upper Pennsylvanian Pool at an unorthodox oil well location 330 feet from the South line and 1980 feet from the West line (Unit N) of Section 29, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico, provided however, a non-standard 40-acre oil spacing and proration unit comprising the SE/4 SW/4 of said Section 29 be formed and dedicated to said Aspden "AOH" Federal Com Well No. 2. Said order further provided for the concomitant establishment of a 120-acre non-standard gas spacing and proration unit comprising the N/2 SW/4 and SW/4 SW/4 of said Section 29 to be dedicated the Yates' Boyd "X" State Com Well Nos. 2 and 4 and the Aspden "AOH" Federal Com Well No. 1, located in Units "L", "K", and "M", respectively. The final condition set fourth by said Order No. R-10372 was that the Aspden "AOH" Federal Com Well No. 2 not be assigned an oil allowable in the North Dagger Draw-Upper Pennsylvanian Pool until such time as the two above-described non-standard oil spacing and proration units were established.

(5) Subsequent to the issuance of said Order No. R-10372, Yates filed with the Division:

(A) An application for hearing before a Division Examiner to rescind said Division Order No. R-10372, dated May 24, 1995. The applicant requested this filing be styled in such a manner that, "in the absence of objection this case would be taken under advisement". The Division granted Yates' request and assigned Case No. 11,332 to this matter; and,

(B) An application for administrative review by the Division (received by the Division on June 21, 1995), pursuant to Division General Rules 111.D and F, to directionally drill said Aspden "AOH" Federal Com Well No. 2 from its approved unorthodox surface oil well location to a proposed bottom-hole location in the

SE/4 SW/4 (Unit O) of said Section 29 that is considered to be standard pursuant to said special pool rules. Further, said application requested that the existing standard 160-acre gas spacing and proration unit be simultaneously dedicated to the Aspden "AOH" Federal Com Well No. 2 and to the Boyd "X" State Com Well Nos. 2 and 4 and the Aspden "AOH" Federal Com Well No. 1.

(6) On July 6, 1995 the Division received an objection to both aforementioned matters from Conoco, Inc. ("Conoco"), the operator of the NW/4 of Section 32, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico, being the affected offset acreage.

(7) Said administrative application was then set for hearing before a Division Hearing Examiner and assigned Case No. 11,357, being the application of Yates Petroleum Corporation for approval to directionally drill its Aspden "AOH" Federal Com Well No. 2 from an unorthodox surface oil well location 330 feet from the South line and 1980 feet from the West line (Unit N) of said Section 29, to a bottomhole location within the SE/4 SW/4 of said Section 29 considered to be standard in the North Dagger Draw-Upper Pennsylvanian Pool. Said well to be included within the existing standard 160-acre oil spacing and proration unit comprising the SW/4 of said Section 29 and its production to be simultaneously dedicated with the existing Boyd "X" State Com Well No. 4 located in Unit "K", the Boyd "X" State Com Well No. 2 in Unit "L", and the Aspden "AOH" Federal Com Well No. 1 in Unit "M".

(8) By letter dated August 7, 1995 Conoco made indications of withdrawing its protest in this matter. At the August 10, 1995 hearing both Case Nos. 11,332 and 11,357 were called whereby nobody entered an appearance.

**THEREFORE:**

- (A) Case No. 11,357 should be dismissed;
- (B) the application of Yates Petroleum Corporation in Case 11,332 to rescind Division Order No. R-10372 should be granted; and,
- (C) since approval of the rescission of Division Order No. R-10372 (Case No. 11,332) is contingent upon Division authorization for the directional drilling of the Aspden "AOH" Federal Com Well No. 2, any order issued by the Division in this matter should include and incorporate a "*Division Administrative Order*" for directional drilling for regulatory convenience.

(9) In said administrative application filed by Yates on June 21, 1995, the Division Director Finds at this time that:

- (A) The application has been duly filed under the provisions of Rule 111(D) and (E) of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division"), revised by Division Order No. R-10388, issued by the Oil Conservation Commission in Case 11,274 on June 13, 1995;
- (B) Within the Aspden "AOH" Federal Com Well No. 2, Yates proposes to kick-off from vertical at a depth of approximately 5,000 feet in a northerly direction and drill to a total true vertical depth of approximately 7600 feet in such a manner as to bottom said wellbore in the North Dagger Draw-Upper Pennsylvanian Pool at a bottom-hole location within the SE/4 SW/4 (Unit O) of said Section 29 that is considered to be "standard" pursuant to the applicable special pool rules;
- (C) Production from said well is to be simultaneously dedicated with the Yates Petroleum Corporation Boyd "X" State Com Well Nos. 2 and 4 and the Aspden "AOH" Federal Com Well No. 1, located in Units "L", "K", and "M" of said Section 29, respectively;
- (D) All four wells are to share the allowable assigned the existing 160-acre oil spacing and proration unit comprising the SW/4 of said Section 29; and,
- (E) It appearing the applicant has satisfied all of the appropriate requirements prescribed in said Rule 111.D and E, the subject administrative application should be approved and the well should be governed by the provisions contained within this order and all other applicable provisions of Division General Rule 111.

**IT IS THEREFORE ORDERED THAT:**

- (1) The application of Yates Petroleum Corporation ("Yates") in Case No. 10,332 to rescind Division Order No. R-10372 is hereby approved;



**THUS**, said Order No. R-10372, issued in Case 11235 and dated May 24, 1995, which order authorized Yates to drill its Aspden "AOH" Federal Com Well No. 2 in the North Dagger Draw-Upper Pennsylvanian Pool at an unorthodox oil well location 330 feet from the South line and 1980 feet from the West line (Unit N) of Section 29, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico, provided however: (1) a non-standard 40-acre oil spacing and proration unit comprising the SE/4 SW/4 of said Section 29 be formed and dedicated to said Aspden "AOH" Federal Com Well No. 2; (2) a 120-acre non-standard gas spacing and proration unit comprising the N/2 SW/4 and SW/4 SW/4 of said Section 29 be formed and dedicated the Yates' Boyd "X" State Com Well Nos. 2 and 4 and the Aspden "AOH" Federal Com Well No. 1, located in Units "L", "K", and "M", respectively; and, (3) said Aspden "AOH" Federal Com Well No. 2 not be assigned an oil allowable in the North Dagger Draw-Upper Pennsylvanian Pool until such time as the two above-described non-standard oil spacing and proration units were established, is hereby rescinded in its entirety as of June 13, 1995.

**IT IS FURTHER ORDERED THAT,**

(2) Case No. 11,357, being the formal application for hearing before a Division Hearing Examiner of Yates Petroleum Corporation for approval to directionally drill its Aspden "AOH" Federal Com Well No. 2 from an unorthodox surface oil well location 330 feet from the South line and 1980 feet from the West line (Unit N) of said Section 29, to a bottomhole location within the SE/4 SW/4 of said Section 29 considered to be standard in the North Dagger Draw-Upper Pennsylvanian Pool, said well to be included within the existing standard 160-acre oil spacing and proration unit comprising the SW/4 of said Section 29 and its production to be simultaneously dedicated with the existing Boyd "X" State Com Well No. 4 located in Unit "K", the Boyd "X" State Com Well No. 2 in Unit "L", and the Aspden "AOH" Federal Com Well No. 1 in Unit "M", is hereby dismissed.

**PROVIDED HOWEVER THE**, administrative application filed by Yates on June 21, 1995, being the application that said Case No. 11,357 was taken, should be approved and said administrative approval shall be incorporated thereto.

**THEREFORE,**

- (A) Yates is hereby authorized to directionally drill its Aspden "AOH" Federal Com Well No. 2 from an unorthodox surface oil well location 330 feet from the South line and 1980 feet from the West line (Unit N) of Section 29, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico, in such a manner as to bottom said wellbore in the North Dagger Draw-Upper Pennsylvanian Pool at a bottom-hole location within the SE/4 SW/4 (Unit O) of said Section 29 that is considered to be "standard" pursuant to the "*Special Rules and Regulations*", as promulgated by Division Order No. R-4691, as amended.

- (B) Said directional drilling shall be accomplished by kicking-off from vertical at a depth of approximately 5,000 feet in a northerly direction and drilling to a total true vertical depth of approximately 7600 feet.

PROVIDED HOWEVER THAT prior to commencing directional drilling operations in said wellbore, the applicant shall establish the location of the kick-off point by means of a directional survey acceptable to the Division.

PROVIDED FURTHER THAT during or upon completion of directional drilling operations, the applicant shall conduct an accurate wellbore survey from the kick-off point to total depth in order that the subsurface bottomhole location, as well as the wellbore's true depth and course, may be determined.

- (C) The applicant shall notify the supervisor of the Artesia district office of the Division of the date and time said wellbore surveys are to be conducted so that they may be witnessed. The applicant shall further provide a copy of said wellbore surveys to the Santa Fe and Artesia offices of the Division upon completion.
- (D) Production from said well is to be simultaneously dedicated with the Yates Petroleum Corporation Boyd "X" State Com Well Nos. 2 and 4 and the Aspden "AOH" Federal Com Well No. 1, located in Units "L", "K", and "M" of said Section 29, respectively.
- (E) All four wells are to share the allowable assigned the existing 160-acre oil spacing and proration unit comprising the SW/4 of said Section 29.
- (F) The operator shall comply with all requirements and conditions set forth in Division General Rule 111.E(2) and any applicable requirements in 111.D and F and Order No. R-8170, as amended.
- (G) Form C-105 shall be filed in accordance with Division Rule 1105 and the operator shall indicate

thereon true vertical depth in addition to measured depths.

(3) 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

S E A L

**KELLAHIN AND KELLAHIN**

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN\*

\*NEW MEXICO BOARD OF LEGAL SPECIALIZATION  
RECOGNIZED SPECIALIST IN THE AREA OF  
NATURAL RESOURCES-OIL AND GAS LAW

TELEPHONE (505) 982-4285  
TELEFAX (505) 982-2047

JASON KELLAHIN (RETIRED 1991)

August 7, 1995

**HAND DELIVERED**

Mr. Michael E. Stogner  
Chief Hearing Examiner  
Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505

**Re: NMOCDCase 11332**  
*Application of Yates Petroleum Corporation  
to Rescind Order R-10372 which authorized  
the unorthodox well location for the Aspden  
"AOH" Federal Com Well No. 2 in Case 11235  
Eddy County, New Mexico*

**Re: NMOCDCase 11235 (Order R-10372)**  
*Application of Yates Petroleum Corporation for  
an Unorthodox Well Location, Eddy County, New Mexico*

**Re: Administrative Application**  
*dated June 19, 1995 of Yates Petroleum  
Corporation for approval to now drill the  
Aspden "AOH" Well No. 2 as a directionally  
drilled well, Eddy County, New Mexico.*

Dear Mr. Stogner:

On July 6, 1995, I filed an objection on behalf of Conoco Inc. to Yates Petroleum Corporation's request to rescind Order R-10372 and for administrative approval to now directionally drill its Aspden "AOH" Well No. 2 which Mr. Bob Fant testifying for Yates at the hearing in Case 112235 held on April 7, 1995 said could not be economically directionally drilled.

I filed that objection, in part because Yates without notice to me or to Conoco and in violation of Division Rule 1208 and Rule 1203 engaged in several "ex parte" discussions with the Division Examiner and the Division attorney in an attempt to invalidate an order which Yates chose not to appeal to a De Novo hearing but rather simply wanted the Division to void because Yates considers it to be a "bad precedent."

**RECEIVED**  
AUG 7 1995  
Oil Conservation Division

Mr. Michael E. Stogner  
August 7, 1995  
Page 2.

That objection was also filed because Conoco believes that Order No. R-10372 was a uniquely fair and clear solution to the granting of unorthodox well locations in multiple well proration units and set an excellent precedent for future cases of this type. Mr. Catanach is to be commended for his solution and insight to this complex case.

Now, I have received a letter dated July 11, 1995 from Yates' attorney in which Yates admits a detailed "exparte" communication with the Division concerning this matter.

This is not the first occasion in which Yates, without notice to me or to Conoco, has attempted to get the Division to grant Yates special treatment in this case. Yates previously sought to have the Division allow Yates to commence the well even over Conoco's objection. At least, on that occasion the Division Examiner called and advised me of Mr. Yates' action to which I filed a written objection and copied counsel for Yates.

Now, I have found out Yates has already commenced the drilling of the Aspden well. Such action is presumptuous of the Division procedures and makes any further involvement by Conoco in this matter moot.

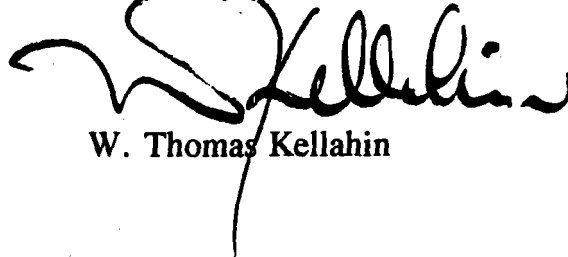
While I disagree with the assertions raised by Yates' attorney in his July 11, 1995 letter to the Division, I will not engage in a rebuttal because I have been advised by Conoco Inc. that it has been forced by other unrelated Yates' action to withdraw from this matter and therefore will leave the issues in the referenced cases to the Division to resolve with Yates without further involvement from Conoco.

Conoco is withdrawing from this matter, because Mr. Randy Patterson of Yates Petroleum Corporation, refused to allow Conoco access to certain Yates controlled acreage for a 2-D Seismic Survey which Conoco had already commenced and unless Yates' refusal was resolved, then Conoco either had to cancel the seismic shoot or pay \$23,000 per day seismic crew standby fee until Yates consented. Yates refused to consent unless Conoco withdrew from the Aspden well dispute.

Mr. Michael E. Stogner  
August 7, 1995  
Page 3.

Conoco does not engage in frivolous or unsupported protests, but the violation of OCD rules and procedures in regard to the above referenced cases and applications by Yates could not be left unchallenged. Frankly, Conoco is exasperated by the actions of Yates but was forced to concede to the demands of Yates in order to continue with its seismic work and therefore is hereby withdrawing from this matter.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', with a long, sweeping underline that extends below the printed name.

W. Thomas Kellahin

cc: *Rand Carroll, Esq. OCD*  
*David Catanach, OCD*  
*Conoco Inc.*  
*Attn: Jerry Hoover*  
*Ernest Carroll, Esq.*  
*Attorney for Yates Petroleum Corporation*

MARTIN YATES, III  
1913 - 1988  
FRANK W. YATES  
1936 - 1988



105 SOUTH FOURTH STREET  
ARTESIA, NEW MEXICO 88210  
TELEPHONE (505) 748-1471

DD-114

S. P. YATES  
CHAIRMAN OF THE BOARD  
JOHN A. YATES  
PRESIDENT  
PEYTON YATES  
EXECUTIVE VICE PRESIDENT  
RANDY G. PATTERSON  
SECRETARY  
DENNIS G. KINSEY  
TREASURER

August 8, 1995

Mr. Michael E. Stogner  
Chief Hearing Examiner  
Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505

- Re: NMOCD Case 11332  
Application of Yates Petroleum Corporation to  
Rescind Order R-10372 which authorized the  
unorthodox well location for the Aspden "AOH"  
Federal Corn Well No. 2 in Case 11235  
Eddy County, New Mexico
- Re: NMOCD Case 11235 (Order R-10372)  
Application of Yates Petroleum Corporation for  
an Unorthodox Well Location  
Eddy County, New Mexico
- Re: Administrative Application  
dated June 19, 1995 of Yates Petroleum  
Corporation for approval to now drill the Aspden  
"AOH" Well No. 2 as a directionally drilled well  
Eddy County, New Mexico

Dear Mr. Stogner:

This letter is to take exception and reply to letter dated August 7, 1995 from Mr. W. Thomas Kellahin. In Mr. Kellahin's letter, this company and our attorneys, as well as me personally, are accused of violating OCD Rules and Procedures in our attempt to resolve the captioned cases.

There is obviously some disagreement about the Order No. R-10372, its fairness, and the precedent for future cases it may set. To my recollection, the NMOCD has always held against downspacing of a proration unit on which production has already been obtained. Non standard spacing units are an acceptable solution prior to the drilling of wells, however once production has been established, there are royalty inequities that cannot be reconciled if a proration unit is downspaced. In this particular case, the State of New Mexico would be placed in the position of their royalty being diminished by a ruling requiring downspacing. Therefore, in the past, and correctly so, the Commission has always ruled against down spacing.

**Mr. Michael E. Stogner  
Oil Conservation Division  
August 8, 1995**

**Page 2**

**Notwithstanding any disagreement we may have over the order, Mr. Kellahin's letter to which this is referred is an insult and appears to be a blatant attempt to make this company look bad before the Division. Mr. Kellahin should be the LAST one to accuse anyone of *ex parte* communications. The accusation of illegal behavior, violation of rules, and the flavor of blackmail is completely inappropriate and we object to this treatment.**

**Very truly yours,**

**YATES PETROLEUM CORPORATION**



**Randy G. Patterson  
Land Manager**

**RGP/mw**

**cc: Mr. Rand Carroll, Oil Conservation Division, Santa Fe, NM  
Mr. David Catanach, Oil Conservation Division, Santa Fe, NM  
Mr. Bill Hardy, Conoco Inc., Midland, TX  
Mr. Ernest Carroll, Losee Firm, Artesia, NM  
Mr. W. Thomas Kellahin, Kellahin and Kellahin, Santa Fe, NM**



MARTIN YATES, III  
1912 - 1983  
FRANK W. YATES  
1936 - 1986



105 SOUTH FOURTH STREET  
ARTESIA, NEW MEXICO 88210  
TELEPHONE (505) 748-1471

B. P. YATES  
CHAIRMAN OF THE BOARD  
JOHN A. YATES  
PRESIDENT  
PEYTON YATES  
EXECUTIVE VICE PRESIDENT  
RANDY G. PATTERSON  
SECRETARY  
DENNIS G. KINSEY  
TREASURER

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## Fax Cover Sheet

To: Mr. Michael E. Stogner  
Company: New Mexico Oil Conservation Division  
Phone: 505-827-7131  
Fax: 505-827-8177

From: **Randy G. Patterson**  
Company: **Yates Petroleum Corporation**  
Phone: **505-748-4355**  
Fax: **505-748-4572**

Date: August 8, 1995  
Pages including this  
cover page: 3

Comments:

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CONSERVATION DIVISION  
RECEIVED

LAW OFFICES

LOSEE, CARSON, HAAS & CARROLL, P. A.

MARY LYNN BOGLE

ERNEST L. CARROLL

JOEL M. CARSON

DEAN B. CROSS

JAMES E. HAAS

A. J. LOSEE

BARRY D. GEWEKE

300 YATES PETROLEUM BUILDING

P. O. BOX 1720

ARTESIA, NEW MEXICO 88211-1720

TELEPHONE  
(505) 746-3505

TELECOPY  
(505) 746-6316

August 7, 1995

**VIA FACSIMILE AND FIRST CLASS MAIL**

Mr. Michael Stogner, Chief Hearing Examiner  
New Mexico Oil Conservation Division  
2040 S. Pacheco  
P. O. Box 6429  
Santa Fe, New Mexico 87505-5472

Re: NMOCD Case 11332  
Application of Yates Petroleum Corporation to  
Rescind Order R-10372 which authorized the  
unorthodox well location for the Aspden "AOH"  
Federal Com Well NO. 2 in Case 11235 Eddy  
County, New Mexico

Re: NMOCD Case 11235 (Order R-10372)  
Application of Yates Petroleum Corporation  
for an Unorthodox Well Location, Eddy County,  
New Mexico

Re: Administrative Application dated June 19,  
1995, of Yates Petroleum Corporation for  
approval to now drill the Aspden "AOH" Well  
No. 2 as a directionally drilled well, Eddy  
County, New Mexico

Dear Mr. Stogner:

I have just received a faxed copy of the hand-delivered  
August 7, 1995, letter of W. Thomas Kellahin to you concerning  
the referenced cases.

The major tenor of Mr. Kellahin's letter indicates that he  
feels that there has been some improper communication between me  
on behalf of Yates Petroleum Corporation and the Division and  
that Yates Petroleum Corporation has engaged in some sort of  
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I have violated Division Rules 1208 and 1203 by engaging in  
several ex parte discussions with the Division Examiner and the

Michael Stogner  
August 7, 1995  
Page 2

Division Attorney. First of all, I would recommend the reading of Rules 1208 and 1203 to Mr. Kellahin. Rule 1203 deals with the method of initiating a hearing and Rule 1208 deals with the filing of pleadings and the delivery of copies to adverse parties. Those two rules do not deal with ex parte communications, and again, Mr. Kellahin is shooting his mouth off without any substantiation. There were no ex parte communications. There were communications between this counsel and the appropriate Division personnel concerning Division policy with respect to matters which concerned a decision that had already been made by the Examiner. Such communications were neither improper secretive, as evidenced by the fact that they were brought to the attention of all parties through my letter of July 11, 1995.

All statements made by this counsel in the July 11, 1995, communication were invited because of the assertions made by Mr. Kellahin in his July 6, 1995, communication to you, and are therefore justified. Furthermore, Mr. Kellahin's comments concerning the actions and business decisions of Yates Petroleum are nothing more than a true ex parte communication made in an attempt to prejudice any future appearances by Yates Petroleum Corporation before the Commission, and as such is not only improper but in fact the very same kind of act which Mr. Kellahin complains of. However, his comments are much worse because the comments made by this counsel and acts by its client were not done intentionally to harm Conoco before the eyes of the Division, where Mr. Kellahin's acts are obviously done for that sole purpose.

This counsel does not have any information to contradict the statement that Conoco does not engage in frivolous or unsupported protests, but we do have the knowledge of facts indicating that Conoco's counsel, Mr. Kellahin, does.

Very truly yours,

LOSEE, CARSON, HAAS & CARROLL, P.A.



Ernest L. Carroll

ELC:kth

xc: Mr. W. Thomas Kellahin  
Mr. Randy Patterson

## LAW OFFICES

LOSEE, CARSON, HAAS &amp; CARROLL, P. A.

300 YATES PETROLEUM BUILDING

P. O. BOX 1720

ARTESIA, NEW MEXICO 88211-1720

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BARRY D. GEWEKE

TELEPHONE  
(505) 746-3505

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(505) 746-6318

August 7, 1995

## VIA FACSIMILE AND FIRST CLASS MAIL

Mr. Michael Stogner, Chief Hearing Examiner  
New Mexico Oil Conservation Division  
2040 S. Pacheco  
P. O. Box 6429  
Santa Fe, New Mexico 87505-5472

Re: NMOCD Case 11332  
Application of Yates Petroleum Corporation to  
Rescind Order R-10372 which authorized the  
unorthodox well location for the Aspden "AOH"  
Federal Com Well NO. 2 in Case 11235 Eddy  
County, New Mexico

Re: NMOCD Case 11235 (Order R-10372)  
Application of Yates Petroleum Corporation  
for an Unorthodox Well Location, Eddy County,  
New Mexico

Re: Administrative Application dated June 19,  
1995, of Yates Petroleum Corporation for  
approval to now drill the Aspden "AOH" Well  
No. 2 as a directionally drilled well, Eddy  
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Michael Stogner  
August 7, 1995  
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LOSEE, CARSON, HAAS & CARROLL, P.A.



Ernest L. Carroll

ELC:kth  
Encl.

xc: Mr. W. Thomas Kellahin  
Mr. Randy Patterson

## LAW OFFICES

LOSEE, CARSON, HAAS &amp; CARROLL, P. A.

MARY LYNN BOGLE  
ERNEST L. CARROLL  
JOEL N. CARSON  
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JAMES E. HAAS  
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BARRY D. GEWERT

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(505) 746-3505  
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(505) 746-8316

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PLEASE DELIVER THE FOLLOWING PAGE(S) TO:

NAME: Mike StognerFIRM: NMOCDFAX NO. ( ) 827-8177

FIRM NO. \_\_\_\_\_

SENDER: Ernest CarrollTOTAL NUMBER OF PAGES (INCLUDING THIS SHEET): 3

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## OIL CONSERVATION DIVISION

July 12, 1995

Losee, Carson, Haas & Carroll  
 Attn: Ernest L. Carroll  
 P. O. Box 239  
 Artesia, New Mexico 88211-0239

Telefax No. (505) 982-2047

Case 11357

Kellahin and Kellahin  
 Attn: W. Thomas Kellahin  
 P. O. Box 2265  
 Santa Fe, New Mexico 87504

Telefax No. (505) 746-6316

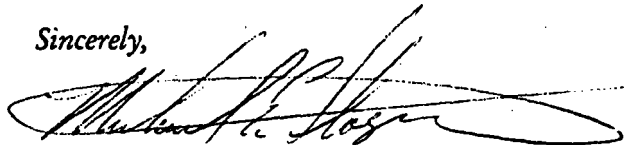
- Re: Upcoming Case No. 11,332, Application of Yates Petroleum Corporation to rescind Division Order No. R-10372 which authorized the unorthodox location of its Aspden "AOH" Federal Com Well No. 2 to be drilled 330 feet from the South line and 1980 feet from the West line (Unit N) of Section 9, Township 19 South, Range 25 East, NMPM, North Dagger Draw-Upper Pennsylvanian Pool, Eddy County, New Mexico;
- Re: Division Order No. R-10372, issued in Case No. 11,235, Application of Yates Petroleum Corporation for an unorthodox oil well location and for simultaneous dedication, Eddy County, New Mexico; and,
- Re: Administrative application of Yates Petroleum Corporation dated June 19, 1995 for approval to directionally drill said Aspden "AOH" Well No. 2, Eddy County, New Mexico.

Dear Messrs. Carroll and Kellahin:

Reference is made to your letters on behalf of Conoco, Inc. and Yates Petroleum Corporation dated July 6 and 11, 1995 concerning the aforementioned matters, the subject administrative application will now be assigned a separate case number and will be set for hearing on the next available Division examiners hearing scheduled for August 10, 1995. Since this request also involves the same well and subject matter to be considered in upcoming Case 11,332, said case shall be continued from the July 13, 1995 docket to the August 10, 1995 hearing.

Should either of you have any further questions or comments concerning this matter, please contact me at (505) 827-8185. Thank you.

Sincerely,



Michael E. Stogner  
 Chief Hearing Officer/Engineer

cc: Oil Conservation Division - Artesia  
 William J. LeMay, Director - OCD, Santa Fe  
 Rand Carroll, Counsel - OCD, Santa Fe  
 Florene Davidson - OCD, Santa Fe



\*\*\*\*\*  
\* P. 01 \*  
\* TRANSACTION REPORT \*  
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\* FOR: OIL CONSERVATION DIV. SIO 5058278177 \*  
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\* TRANSACTION REPORT \*  
\* JUL-12-95 WED 8:26 AM \*  
\* FOR: OIL CONSERVATION DIV. SIO 5058278177 \*  
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ERNEST L. CARROLL  
JOEL M. CARSON  
DEAN B. CROSS  
JAMES E. HAAS  
A. J. LOSEE  
BARRY D. GEWEKE

TELEPHONE  
(505) 746-3505  
TELECOPY  
(505) 746-6316

July 11, 1995

**VIA FACSIMILE AND FIRST CLASS MAIL**

Mr. Michael Stogner, Hearing Examiner  
New Mexico Oil Conservation Division  
2040 S. Pacheco  
P. O. Box 6429  
Santa Fe, New Mexico 87505-5472

- Re: NMOCD Case 11332  
Application of Yates Petroleum Corporation to  
Rescind Order R-10372 which authorized the  
unorthodox well location for the Aspden "AOH"  
Federal Com Well NO. 2 in Case 11235 Eddy  
County, New Mexico
- Re: NMOCD Case 11235 (Order R-10372)  
Application of Yates Petroleum Corporation  
for an Unorthodox Well Location, Eddy County,  
New Mexico
- Re: Administrative Application dated June 19,  
1995, of Yates Petroleum Corporation for  
approval to drill the Aspden "AOH" Well No. 2  
as a directionally drilled well, Eddy County,  
New Mexico

Dear Mr. Stogner:

I am in receipt of Tom Kellahin's letter of July 6, 1995, concerning the referenced issues. If Conoco appears at the hearing set for July 13, 1995, concerning Yates' request to rescind Order R-10372 we would request that you set it for hearing at the next available Examiner's hearing date, since I will be unable to be present at the hearing on July 13, 1995, due to being subpoenaed to appear in Federal Court on that date in Las Cruces.

I would also ask to be advised as to the Commission's position with respect to Conoco's posture on the administrative application of Yates to drill the Aspden well as a directional well. If the hearing is necessary, we would also ask that you set it at the next Examiner's hearing date, since that well has begun drilling.

Michael Stogner  
July 11, 1995  
Page 2

I do not know that it is necessary to address the issues raised in Mr. Kellahin's letter, but I would like to address several of his assertions. The first assertion made is that Yates is obligated to drill the Aspden well as a vertical well, and this is nothing more than absurd. Furthermore, Mr. Kellahin is right that at the time that we had the hearing Yates had determined that a directional well was not economic. As has been explained to both Mr. Catanach and Mr. Rand Carroll, the solution suggested in the Division's order is a solution which will cause nothing but great havoc in the Dagger Draw area because it undoes and is contradictory to the position the Division has taken with respect to establishing a single proration unit and allowing the operator to drill only so many wells (up to one well on each forty acres) as is necessary to adequately produce the oil underlying each proration unit. By suggesting that each well could be dealt with as a separate non-standard proration unit is allowing a situation which will give rise to many conflicts concerning the full development of leases, prevention of drainage, compliance with concepts of implied covenants, and correlative rights. Yates is presently involved in a lawsuit concerning those very issues, and it has been determined by Yates that Conoco's very advocacy of such a position was not well thought out and will be detrimental to the entire oil industry.

I would further point out with respect to Mr. Kellahin's second assertion, that being that this Division does not have authority to rescind any order entered by it, that such a position is contrary to the orders themselves, wherein the Division retains jurisdiction of the case to accomplish any proper matter. Under that set of circumstances the Division always has the authority to rescind or modify any order that it issues.

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LOSEE, CARSON, HAAS & CARROLL, P.A.



Ernest L. Carroll

ELC:kth

xc: Mr. W. Thomas Kellahin  
Mr. Randy Patterson

## LAW OFFICES

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300 YATES PETROLEUM BUILDING

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A.J. LOSEE  
BARRY D. GEWEKE

TELEPHONE  
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(505) 746-6316

July 11, 1995

## VIA FACSIMILE AND FIRST CLASS MAIL

Mr. Michael Stogner, Hearing Examiner  
New Mexico Oil Conservation Division  
2040 S. Pacheco  
P. O. Box 6429  
Santa Fe, New Mexico 87505-5472

Re: NMOCDC Case 11332  
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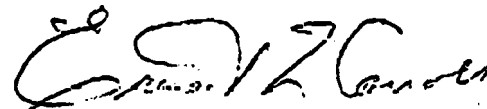
Michael Stogner  
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Ernest L. Carroll

ELC:kth

xc: Mr. W. Thomas Kellahin  
Mr. Randy Patterson

## LAW OFFICES

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300 YATES PETROLEUM BUILDING  
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**KELLAHIN AND KELLAHIN**

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN\*

\*NEW MEXICO BOARD OF LEGAL SPECIALIZATION  
RECOGNIZED SPECIALIST IN THE AREA OF  
NATURAL RESOURCES-OIL AND GAS LAW

TELEPHONE (505) 982-4285

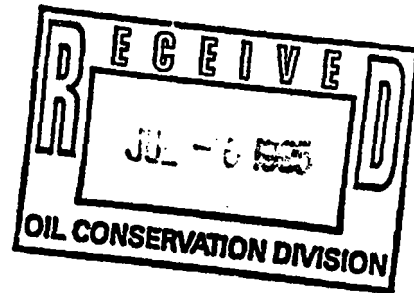
TELEFAX (505) 982-2047

JASON KELLAHIN (RETIRED 1991)

July 6, 1995

**HAND DELIVERED**

Mr. Michael E. Stogner  
Chief Hearing Examiner  
Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505



**Re: NMOC Case 11332**  
*Application of Yates Petroleum Corporation  
to Rescind Order R-10372 which authorized  
the unorthodox well location for the Aspden  
"AOH" Federal Com Well No 2 in Case 11235  
Eddy County, New Mexico*

*Case 11357*

**Re: NMOC Case 11235 (Order R-10372)**  
*Application of Yates Petroleum Corporation for  
an Unorthodox Well Location, Eddy County, New Mexico*

**Re: Administrative Application**  
*dated June 19, 1995 of Yates Petroleum  
Corporation for approval to now drill the  
Aspden "AOH" Well No 2 as a directionally  
drilled well, Eddy County, New Mexico.*

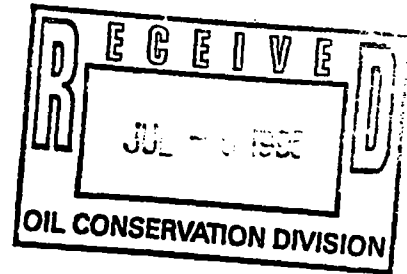
Dear Mr. Stogner:

On behalf of Conoco Inc., we hereby object to Yates Petroleum Corporation's request:

(a) in Case 11332 to rescind Order R-10372 as now docketed in Case 11332 set on the July 13, 1995 docket and to be taken under advisement in the absence of objection; and

(b) for Administrative approval to now directionally drill the referenced Aspden well.

Mr. Michael E. Stogner  
July 6, 1995  
Page 2



On April 7, 1995 Examiner Catanach heard Case 11235 which was a request by Yates Petroleum Corporation ("Yates") for an unorthodox well location for its Aspden Well No. 2 to be drilled in the North Dagger Draw-Upper Penn Oil Pool.

On May 24, 1995, the Division entered Order R-10372 in that case and approved Yates' requested unorthodox location and provided for an allowable of 175 BOPD. Yates did not timely file for a DeNovo hearing and that order is now final and unappealable.

Now, Yates seeks administrative approval to directional drill the subject well. However, on April 6, 1995, Yates' witness testified as follows:

By Kellahin:

Q: Mr. Fant, if the wellbore is going to drift naturally to the north or northwest, have you examined what the practicality is of going ahead and intentionally deviating this wellbore so that its' at a standard bottomhole location in the Cisco formation?

A: (By Fant) We looked at the practicalities of it. There are two components....."One is the consideration of the ability to drill and the additional costs associated with drilling it. 25-50-percent increase in deviation-----" "Rod-pumping in deviated wells is approximately double the cost and so we would have waste occurring. We looked at that, and it was not justifiable from the expense standpoint." (Also see selected portions of transcript of Case 11235 enclosed).

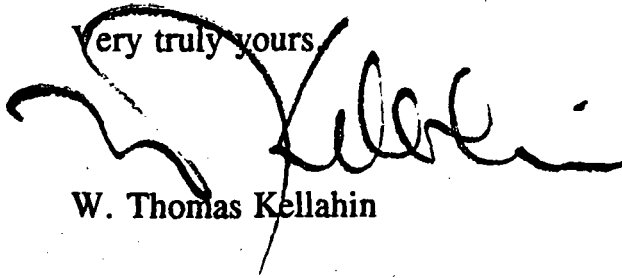
Yates's current request is contrary to and inconsistent with its prior sworn testimony in this matter. Yates now seeks to directionally drill a well which it had just testified could not be economically drilled. This action constitutes a collateral attack on a prior order entered by the Division in this matter. Yates is obligated to drill the subject well vertically and produce it within the production limitations of the order. Had Yates intended otherwise, it should have appealed Order R-10372 to the Commission.



Mr. Michael E. Stogner  
July 6, 1995  
Page 3

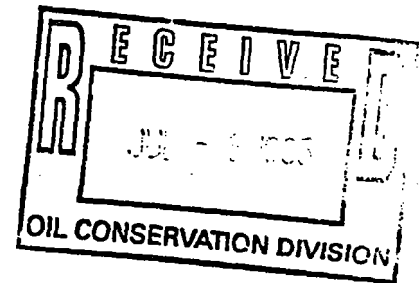
In addition, Yates has also requested the Division to vacate Order R-10372. That request is set for hearing on July 13, 1995 as NMOCD Case 11332. Yates cannot avoid the precedent established by the Division in this order by simply asking the Division to rescind it. The proper remedy which Yates should have pursued and did not was to have appealed this matter to the Commission. It chose not to do so and this order is final. Neither the Division nor Yates has the authority to rescind this order.

Very truly yours,



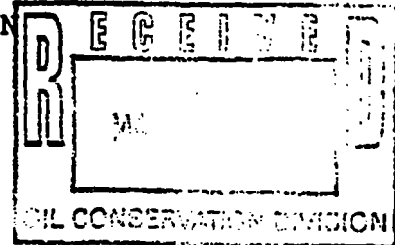
W. Thomas Kellahin

cc: Ernest Carroll, Esq.  
Attorney for Yates Petroleum Corporation  
cc: Conoco Inc.  
Attn: Jerry Hoover



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. 11,235

APPLICATION OF YATES PETROLEUM )  
CORPORATION )

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

April 7th, 1995

Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Division on Friday, April 7th, 1995, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, before Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

\* \* \*

## I N D E X

April 7th, 1995  
 Examiner Hearing  
 CASE NO. 11,235

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(Continued...)

## CONOCO WITNESSES (Continued):

ROBERT BEAMER

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\* \* \*

## E X H I B I T S

Yates	Identified	Admitted
Exhibit 1	8	10
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(Continued...)

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Conoco	Identified	Admitted
Exhibit 1	97	124
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Exhibit 12	173	176

\* \* \*

## A P P E A R A N C E S

## FOR THE DIVISION:

RAND L. CARROLL  
Attorney at Law  
Legal Counsel to the Division  
State Land Office Building  
Santa Fe, New Mexico 87504

## FOR THE APPLICANT:

LOSEE, CARSON, HAAS & CARROLL, P.A.  
300 American Home Building  
Post Office Drawer 239  
Artesia, New Mexico 88211-0239  
By: ERNEST L. CARROLL

## FOR CONOCO, INC.:

KELLAHIN & KELLAHIN  
117 N. Guadalupe  
P.O. Box 2265  
Santa Fe, New Mexico 87504-2265  
By: W. THOMAS KELLAHIN

\* \* \*

1 A. No, sir, you wouldn't gain anything north.

2 EXAMINER CATANACH: Okay, I have nothing further.

3 MR. ERNEST CARROLL: I have nothing else.

4 EXAMINER CATANACH: Witness may be excused.

5 MR. ERNEST CARROLL: Next call Brent May.

6 BRENT MAY,

7 the witness herein, after having been first duly sworn upon  
8 his oath, was examined and testified as follows:

9 DIRECT EXAMINATION

10 BY MR. ERNEST CARROLL:

11 Q. Would you please state your name and place of  
12 residence for the record?

13 A. Brent May, Artesia, New Mexico.

14 Q. Mr. May, how are you employed?

15 A. I'm employed with Yates Petroleum.

16 Q. And in what capacity?

17 A. As a petroleum geologist.

18 Q. Mr. May, are you familiar with the present  
19 Application being heard by this Examiner today?

20 A. Yes, I am.

21 Q. And Mr. May, have you testified before this  
22 Division, Commission, before and had your credentials as a  
23 petroleum geologist accepted?

24 A. Yes, I have.

25 MR. ERNEST CARROLL: Mr. Examiner, I would tender

1 Q. When we're looking at other possible locations,  
2 other than the one the BLM has approved, the 330-660  
3 location, are there other locations within the 40-acre  
4 tract that are better for you geologically?

5 A. Besides the -- I'm sorry, the 330?

6 Q. Yes, sir.

7 A. The standard location and anything north.  
8 Basically anything to the north and west, geologically,  
9 would be better than the 330 location.

10 Q. In addition, geologically you could move to the  
11 east and north and meet the same criteria that you're to  
12 attain at this proposed unorthodox location?

13 A. Depending on how far you moved each direction,  
14 but that's possible.

15 Q. So the entire case is driven by a topographical  
16 problem, as opposed to a geologic reason?

17 A. That is correct.

18 MR. KELLAHIN: No further examination, Mr.  
19 Examiner.

20 EXAMINER CATANACH: Just a couple, Mr. May.

21 EXAMINATION

22 BY EXAMINER CATANACH:

23 Q. Can you approximate for me how much structural  
24 position is being lost, moving to this proposed location  
25 from a standard one?



1           A.    From the standard, it would be -- Oh,  
2           approximately maybe 20 to 30 feet.

3           Q.    Can you do the same for me in terms of the  
4           dolomite thickness?

5           A.    It would be maybe around 30 feet, based off these  
6           maps.

7           Q.    Mr. May, is the proposed location -- is it a safe  
8           location to drill, or is it risky, in your opinion?

9           A.    Geologically?

10          Q.    Yeah.

11          A.    I feel that we're going to make a well there, but  
12          there is added risk from the standard location, just  
13          because we are losing structure, we are losing dolomite  
14          thickness, and we are moving closer to the zero line on the  
15          dolomite.

16                Another thing I might add, that the closer you  
17          get to the zero line of the dolomite, the edge of the  
18          dolomite is very hard to predict and can be very erratic.  
19          We've seen -- I've seen the Canyon dolomite in some areas.  
20          within a mile go from over 500 feet of dolomite to less  
21          than 20.

22          Q.    Is the proposed location not risky enough to  
23          propose, say, directional drilling?

24          A.    That I don't know, because I wouldn't know what  
25          the additional cost for the directional drilling would be,

1 so I couldn't answer that question.

2 EXAMINER CATANACH: Okay, I have no further  
3 questions.

4 MR. ERNEST CARROLL: I have no other questions.

5 We next call Bob Fant to the stand.

6 ROBERT S. FANT,

7 the witness herein, after having been first duly sworn upon  
8 his oath, was examined and testified as follows:

9 DIRECT EXAMINATION

10 BY MR. CARROLL:

11 Q. Would you please state your name and place of  
12 residence?

13 A. My name is Robert Fant. I live in Artesia, New  
14 Mexico.

15 Q. By whom are you employed?

16 A. Yates Petroleum.

17 Q. What capacity, sir?

18 A. I am a petroleum engineer.

19 Q. Mr. Fant, are you familiar with the present  
20 Application of Yates Petroleum that is being heard by this  
21 Examiner?

22 A. Yes, sir, I am.

23 Q. Mr. Fant, have you also testified before this  
24 Division and had your credentials as a petroleum engineer  
25 accepted?

1 certain direction.

2 What little deviation would occur in this well by  
3 natural forces, would occur upstructure, up the structure  
4 of the regional structure. And the regional structure dips  
5 to the southeast in this area, so the bit would naturally  
6 walk to the northwest, back towards our location.

7 Q. Our orthodox location?

8 A. Back towards the orthodox location, back towards  
9 our acreage, away from the offset acreage in this  
10 particular instance. That's simply a fact of drilling.

11 Q. Anything else that you'd like to share?

12 A. No, sir.

13 MR. ERNEST CARROLL: Mr. Examiner, I would move  
14 admission at this time of Exhibits 19 through 23.

15 EXAMINER CATANACH: Exhibits 19 through 23 will  
16 be admitted as evidence.

17 MR. ERNEST CARROLL: And I would pass the  
18 witness.

19 CROSS-EXAMINATION

20 BY MR. KELLAHIN:

21 Q. Mr. Fant, if the wellbore is going to drift  
22 naturally to the north or northwest, have you examined what  
23 the practicality is of going ahead and intentionally  
24 deviating this wellbore so that it's at a standard  
25 bottomhole location in the Cisco formation?

1           A.    We looked at the practicalities of it.  There are  
2   two components to that.

3                   One is the consideration of the ability to drill  
4   and the additional costs associated with drilling it.  25-  
5   to 50-percent increase in deviation -- You can't put a  
6   specific number on it, simply because it's not -- it's --  
7   there are problems that you could get into when deviating a  
8   well.  Your -- The variables go up greatly.

9                   The second component is operating costs.  
10   Initially, these wells start off on submersible pump, and  
11   honestly, that's not a problem with deviation.  But as they  
12   deplete, that is moved from submersible pump to an  
13   artificial lift method of rod-pumping.

14                  Rod-pumping in deviated wells is approximately  
15   double the cost, and so we would have waste occurring.  We  
16   looked at that, and it was not justifiable from the expense  
17   standpoint.

18           Q.    As a petroleum engineer, when you look at cost  
19   components, you are comparing them by looking at  
20   hydrocarbon recovery volumes, are you not, sir?

21           A.    They must be compared against that, yes, sir.

22           Q.    And what is your assessment of the oil in place  
23   that is to be produced by the encroaching well?

24           A.    The oil in place at Dagger Draw, I am not going  
25   to make a guesstimate of that.  Nobody has been able to

1 Q. Dramatically so, do they not, sir?

2 A. Some wells do, some wells do not. But yes, it  
3 depends on the lift equipment in place in the well and  
4 whether or not the well flows. It depends on how the  
5 particular well is produced. But they do decline, yes,  
6 sir.

7 Q. Are you currently pumping all three existing  
8 wells in the spacing unit?

9 A. Yes, sir, we are -- we are using artificial lift.

10 Q. As opposed to rod and pump, are these submersible  
11 pumps?

12 A. I cannot specifically -- If I were to look in  
13 here I might be able to tell you whether or not they are on  
14 submersible pump or whether or not they are on rod pump,  
15 but I cannot off the top of my head say. I don't deal in  
16 the operations directly to deal with that.

17 Q. Do you know whether those wells are being  
18 produced at their capacity?

19 A. I would have to say yes, they are, since we are  
20 not producing the allowable.

21 MR. KELLAHIN: No further questions, Mr.  
22 Examiner. Thank you.

23 EXAMINATION

24 BY EXAMINER CATANACH:

25 Q. Mr. Fant, are you able to estimate the drift that

1 this well might encounter in this formation?

2 A. It's very -- I would put it that the natural  
3 tendency is, if you have a one-degree deviation going down  
4 on the well, that most of that at the time is spent in what  
5 we call the corkscrew effect. It's actually circling about  
6 itself.

7 I estimate it to be less than, you know, 20 to 30  
8 feet, in speaking with our drilling people, that if we ran  
9 a continuous gyro, that it would be quite -- it would not  
10 be small, but it would be -- it should be to the north and  
11 west. So...

12 Q. So it's probably insignificant for purposes of  
13 this --

14 A. Yes, sir, that is a fair statement.

15 Q. Okay. I just wanted to go over the production  
16 figures again.

17 The Aspden Number 1, did you say the current rate  
18 was 180 barrels a day?

19 A. The Aspden --

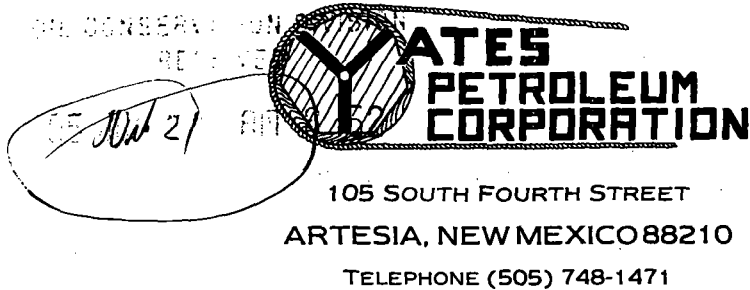
20 Q. Aspden 1.

21 A. I'm sorry, I misspoke myself earlier. I pulled,  
22 again, early in the week.

23 On the 4th of April, the Aspden Number 1 was 161  
24 barrels of oil.

25 Q. And the Boyd 2 was -- ?

MARTIN YATES, III  
1912 - 1985  
FRANK W. YATES  
1936 - 1986



S. P. YATES  
CHAIRMAN OF THE BOARD  
JOHN A. YATES  
PRESIDENT  
PEYTON YATES  
EXECUTIVE VICE PRESIDENT  
RANDY G. PATTERSON  
SECRETARY  
DENNIS G. KINSEY  
TREASURER

June 19, 1995

11357

New Mexico Oil Conservation Division  
P. O. Box 2088  
Santa Fe, New Mexico 87504-2088

Attention: Mr. David Catanach

Re: Aspden AOH Federal Com. #2  
SW/4 Sec. 29, T19S-R25E  
Eddy County, New Mexico

Dear Mr. Catanach:

Pursuant to telephone conversation today, Yates Petroleum Corporation hereby applies for administrative approval for drilling the captioned well directionally from a surface location located 330' FSL and 1980' FWL of Section 29, Township 19 South, Range 25 East to an orthodox bottom hole location of 660' FSL and 1980' FWL of the same section. This request is pursuant to the pool rules for the Dagger Draw Upper Penn North Field.

Enclosed please find a revised form C-102 which indicates the surface and bottom hole location as well as a form C-103 stating our request to drill the well directionally. Attached is a schematic of the directional vertical section and horizontal plan of the deviation proposed. Also attached are the calculations for the directional well plan. Further included are letters of the same date which are being sent certified return receipt to the off-set operators pursuant to OCD rules.

We respectfully request that approval be given for this well to be directionally drilled at your earliest convenience. Should you require anything further, please do not hesitate to contact me.

Very truly yours,

YATES PETROLEUM CORPORATION

Randy G. Patterson  
Land Manager

RGP/mw

Enclosures

MARTIN YATES III CONSERVATION DIVISION  
1912 - 1985  
FRANK W. YATES  
1936 - 1986



105 SOUTH FOURTH STREET  
ARTESIA, NEW MEXICO 88210  
TELEPHONE (505) 748-1471

S. P. YATES  
CHAIRMAN OF THE BOARD  
JOHN A. YATES  
PRESIDENT  
PEYTON YATES  
EXECUTIVE VICE PRESIDENT  
RANDY G. PATTERSON  
SECRETARY  
DENNIS G. KINSEY  
TREASURER

June 19, 1995

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

Nearburg Exploration Company  
3300 N. "A" Street  
Building 2, Suite 120  
Midland, Texas 79705

Attention: Mr. Bob Shelton

*Case 11357*

Re: Aspden "AOH" Federal Com #2  
Township 19 South, Range 25 East  
Section 29: SW/4  
Eddy County, New Mexico

Gentlemen:

This is to advise you that today Yates Petroleum Corporation filed application for administrative approval for drilling the captioned well directionally from a surface location located 330' FSL and 1980' FWL of Section 29, Township 19 South, Range 25 East to an orthodox bottom hole location of 660' FSL and 1980' FWL of the same section. This request is pursuant to the pool rules for the Dagger Draw Upper Penn North Field. A copy of the New Mexico Oil Conservation Division application is enclosed

We respectfully request that you waive any objection to the drilling of this well directionally to the orthodox location. If this is acceptable, please sign and return one copy of this letter to our office.



Nearburg Exploration Company  
June 19, 1995

Page 2

Thank you for your consideration.

Very truly yours,

YATES PETROLEUM CORPORATION

A handwritten signature in black ink, appearing to read "Randy G. Patterson", with a stylized flourish at the end.

Randy G. Patterson  
Land Manager

RGP/mw

Nearburg Exploration Company hereby waives objection to the directional drilling of the captioned well to an orthodox bottom hole location 660' FSL and 1980' FWL, Section 29, T19S-R25E.

NEARBURG EXPLORATION COMPANY

By \_\_\_\_\_

Title \_\_\_\_\_

MARTIN YATES, III  
1912 - 1985  
FRANK W. YATES  
1936 - 1986



105 SOUTH FOURTH STREET  
ARTESIA, NEW MEXICO 88210  
TELEPHONE (505) 748-1471

S. P. YATES  
CHAIRMAN OF THE BOARD  
JOHN A. YATES  
PRESIDENT  
PEYTON YATES  
EXECUTIVE VICE PRESIDENT  
RANDY G. PATTERSON  
SECRETARY  
DENNIS G. KINSEY  
TREASURER

June 19, 1995

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

Conoco, Inc.  
10 Desta Drive  
Midland, Texas 79705

Attention: Mr. David Scott

Re: Aspden "AOH" Federal Com #2  
Township 19 South, Range 25 East  
Section 29: SW/4  
Eddy County, New Mexico

Gentlemen:

This is to advise you that today Yates Petroleum Corporation filed application for administrative approval for drilling the captioned well directionally from a surface location located 330' FSL and 1980' FWL of Section 29, Township 19 South, Range 25 East to an orthodox bottom hole location of 660' FSL and 1980' FWL of the same section. This request is pursuant to the pool rules for the Dagger Draw Upper Penn North Field. A copy of the New Mexico Oil Conservation Division application is enclosed.

We respectfully request that you waive any objection to the drilling of this well directionally to the orthodox location. If this is acceptable, please sign and return one copy of this letter to our office.

Conoco, Inc.  
June 19, 1995

Page 2

Thank you for your consideration.

Very truly yours,

YATES PETROLEUM CORPORATION

A handwritten signature in black ink, appearing to read "Randy G. Patterson", written in a cursive style.

Randy G. Patterson  
Land Manager

RGP/mw

Conoco, Inc. hereby waives objection to the directional drilling of the captioned well to an orthodox bottom hole location 660' FSL and 1980' FWL, Section 29, T19S-R25E.

CONOCO, INC.

By \_\_\_\_\_

Title \_\_\_\_\_

DISTRICT I  
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II  
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III  
1000 Rio Brazos Rd., Aztec, NM 87410

**OIL CONSERVATION DIVISION**  
P.O. Box 2088  
Santa Fe, New Mexico 87504-2088

WELL API NO. 30-015-23846
5. Indicate Type of Lease FEDERAL <input type="checkbox"/> STATE <input type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No. NM-0559175

<b>SUNDRY NOTICES AND REPORTS ON WELLS</b> (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)	
1. Type of Well: OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER <input type="checkbox"/>	7. Lease Name or Unit Agreement Name  Aspden AOH Federal Com
2. Name of Operator YATES PETROLEUM CORPORATION	
3. Address of Operator 105 South 4th St., Artesia, NM 88210	
4. Well Location Unit Letter <u>N</u> : <u>330</u> Feet From The <u>South</u> Line and <u>1980</u> Feet From The <u>West</u> Line Section <u>29</u> Township <u>19S</u> Range <u>25E</u> NMPM <u>Eddy</u> County	8. Well No. 2
9. Pool name or Wildcat Dagger Draw Upper Penn, North	
10. Elevation (Show whether DF, RKB, RT, GR, etc.) 3522' GR	

11.

Check Appropriate Box to Indicate Nature of Notice, Report, or Other Data

**NOTICE OF INTENTION TO:**

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐  
TEMPORARILY ABANDON ☐ CHANGE PLANS ☒  
PULL OR ALTER CASING ☐  
OTHER: ☐

**SUBSEQUENT REPORT OF:**

REMEDIAL WORK ☐ ALTERING CASING ☐  
COMMENCE DRILLING OPNS. ☐ PLUG AND ABANDONMENT ☐  
CASING TEST AND CEMENT JOB ☐  
OTHER: ☐

12. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work) SEE RULE 1103.

Application for Permit to Drill for this well was applied for with the Bureau of Land Management on January 3, 1995, and approved by the BLM on February 6, 1995.

This sundry will serve as our notice to the NMOCD that our plans have changed to drill this well as a directional hole with locations as follows:

SURFACE: 330' FSL and 1980' FWL of Section 29-T19S-R25E  
BOTTOM: 660' FSL & 1980' FWL of Section 29-T19S-R25E

Please see the attached directional plat and well plan.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Rusty Klein TITLE Production Clerk DATE June 16, 1995  
TYPE OR PRINT NAME Rusty Klein TELEPHONE NO. 505/748-1471

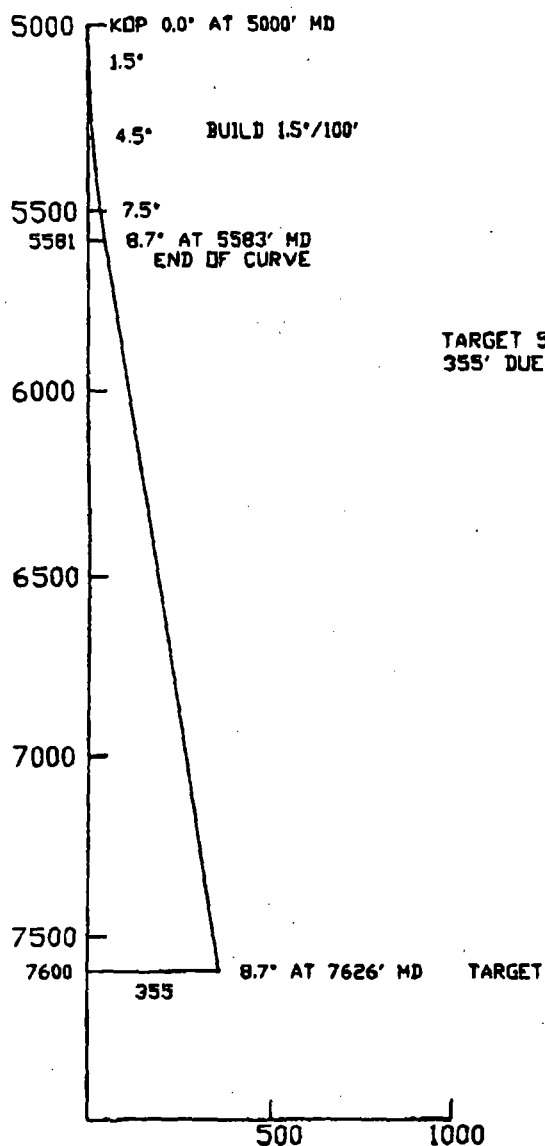
(This space for State Use)

APPROVED BY \_\_\_\_\_ TITLE \_\_\_\_\_ DATE \_\_\_\_\_  
CONDITIONS OF APPROVAL, IF ANY:

YATES PETROLEUM CORPORATION  
 ASPDEN A.O.H. FED. COM. #2  
 EDDY COUNTY, NEW MEXICO

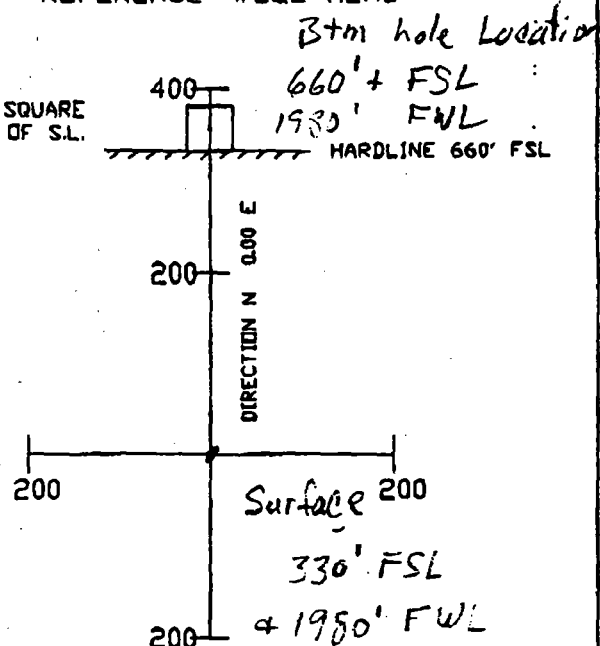


VERTICAL SECTION  
 SCALE: 500 FEET/DIVISION  
 REFERENCE: WELL HEAD



HORIZONTAL PLAN  
 SCALE: 200 FEET/DIVISION  
 REFERENCE: WELL HEAD

TARGET 50' SQUARE  
 355' DUE N OF S.L.



VERTICAL SECTION PLANE: N 0.00 E

## D.I.G., INC.

YATES PETROLEUM CORPORATION  
 ASPDEN A.O.N. FED. CON. #2  
 EDDY COUNTY, NEW MEXICO

Calculated by Minimum Curvature Method  
 Vert Sect Plane: N 0.00 E

## - DIRECTIONAL WELLPLAN -

MEASURED DEPTH (FT)	INCL ANGLE (DEG)	D R I F T DIRECTION (DEG)	COURSE LENGTH (FT)	TRUE VERTICAL DEPTH	T O T A L RECTANGULAR COORDINATES (FT)	VERTICAL SECTION (FT)	C L O S U R E DISTANCE (FT)	DIRECTION (DEG)	DOGLEG SEVERITY (DD/100')
3000.00	0.00	N 0.00 E	0.00	3000.00	0.00 N 0.00 E	0.00	0.00	N 0.00 E	0.00
3100.00	1.50	N 0.00 E	100.00	3099.99	1.31 N 0.00 E	1.31	1.31	N 0.00 E	1.50
3200.00	3.00	N 0.00 E	100.00	3199.91	5.23 N 0.00 E	5.23	5.23	N 0.00 E	1.50
3300.00	4.50	N 0.00 E	100.00	3299.69	11.77 N 0.00 E	11.77	11.77	N 0.00 E	1.50
3400.00	6.00	N 0.00 E	100.00	3399.27	20.92 N 0.00 E	20.92	20.92	N 0.00 E	1.50
3500.00	7.50	N 0.00 E	100.00	3498.57	32.68 N 0.00 E	32.68	32.68	N 0.00 E	1.50
END OF CURVE									
5582.97	8.74	N 0.00 E	82.97	5580.70	44.40 N 0.00 E	44.40	44.40	N 0.00 E	1.50
TARGET									
7626.01	8.74	N 0.00 E	2043.04	7600.00	355.00 N 0.00 E	355.00	355.00	N 0.00 E	0.00

Survey Ref: Well Head Closure Ref: Well Head Vert Sect Ref: Well Head  
 Thu Jun 15 1995 16:50:48 File: YATESA2P.DAT

Is your RETURN ADDRESS completed on the reverse side?

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

1. ☐ Addressee's Address

2. ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Conoco, Inc.  
10 Desta Drive  
Midland, TX 79705

4a. Article Number

Z 683 523 561

4b. Service Type

☐ Registered ☐ Insured

☒ Certified ☐ COD

☐ Express Mail ☐ Return Receipt for Merchandise

7. Date of Delivery

5. Signature (Addressee)

8. Addressee's Address (Only if requested and fee is paid)

Aspden AOH Fed. Com. #2

6. Signature (Agent)

Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side?

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
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I also wish to receive the following services (for an extra fee):

1. ☐ Addressee's Address

2. ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Nearburg Exploration Company  
3300 N "A" Street  
Building 2, Suite 120  
Midland, TX 79705

4a. Article Number

Z 683 523 560

4b. Service Type

☐ Registered

☐ Insured

☒ Certified

☐ COD

☐ Express Mail

☐ Return Receipt for Merchandise

7. Date of Delivery

5. Signature (Addressee)

6. Signature (Agent)

8. Addressee's Address (Only if requested and fee is paid)

Aspden AOH Fed. Com. #2

PS Form 3811, December 1991 ★U.S. GPO: 1993-352-714

**DOMESTIC RETURN RECEIPT**

Thank you for using Return Receipt Service.



<p>16</p>				<p>17 OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</p>
				<p>Signature <u>Ken Beardemphl</u></p> <p>Printed Name <u>Ken Beardemphl</u></p> <p>Title <u>Landman</u></p> <p>Date <u>6-20-95</u></p>
<p>E-1067</p>	<p>NM-0559175</p> <p>1930'</p> <p>Bottom Hole Location.</p> <p>660' 33"</p>			<p>18 SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>Date of Survey _____</p> <p>Signature and Seal of Professional Surveyer: _____</p> <p>Refer to original Plat</p> <p>Certificate Number _____</p>

District I  
PO Box 1980, Hobbs, NM 88241-1980  
District II  
PO Drawer DD, Artesia, NM 88211-0719  
District III  
1000 Rio Brazos Rd., Aztec, NM 87410  
District IV  
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico  
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION  
PO Box 2088  
Santa Fe, NM 87504-2088

Form C-102  
Revised February 10, 1994  
Instructions on back  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

☒ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number 30-015-23846		2 Pool Code		3 Pool Name Dagger Draw, Upper Perm, North		
4 Property Code		5 Property Name Aspden AOH Federal Com.			6 Well Number #2	
7 OGRID No. 025575		8 Operator Name YATES PETROLEUM CORPORATION			9 Elevation 3522	

10 Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	29	19S	25E		330'	South	1980'	West	Eddy

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	29	19S	25E		660'	South	1980'	West	Eddy

12 Dedicated Acres 160	13 Joint or Infill	14 Consolidation Code	15 Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED  
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

16				17 OPERATOR CERTIFICATION <i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</i>  Signature <u>Ken Beardemphl</u> Printed Name <u>Ken Beardemphl</u> Title <u>Landman</u> Date <u>6-20-95</u>
	<div>E-1067</div>			18 SURVEYOR CERTIFICATION <i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i>  Date of Survey Signature and Seal of Professional Surveyer:  Refer to original Plat  Certificate Number
	<div>NM-0559175 1980' Bottom Hole Location. 460' 330'</div>			

16				<p>17 OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</p> <p>Signature <u>Ken Beardemphl</u></p> <p>Printed Name <u>Ken Beardemphl</u></p> <p>Title <u>Landman</u></p> <p>Date <u>6-20-95</u></p>
<p>E-1067</p>				<p>18 SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>Date of Survey _____</p> <p>Signature and Seal of Professional Surveyor: _____</p> <p>Refer to original Plat</p> <p>Certificate Number _____</p>
	<p>NM-0559175</p> <p>1980'</p> <p>660' 33"</p> <p>Bottom Hole Location.</p>			

District I  
PO Box 1980, Hobbs, NM 88241-1980  
District II  
PO Drawer DD, Artesia, NM 88211-0719  
District III  
1000 Rio Brazos Rd., Aztec, NM 87410  
District IV  
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico  
Energy, Minerals & Natural Resources Department

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API Number 30-015-23846		Pool Code		Pool Name Dagger Draw, Upper Perm, North	
Property Code		Property Name Aspden AOH Federal Com.			Well Number #2
OGRID No. 025575		Operator Name YATES PETROLEUM CORPORATION			Elevation 3522

<sup>10</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	29	19S	25E		330'	South	1980'	West	Eddy

<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	29	19S	25E		660'	South	1980'	West	Eddy

<sup>12</sup> Dedicated Acres 160	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED  
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<div data-bbox="97 1066 1055 1553"> <p>16</p> </div>	<div data-bbox="1071 1066 1559 1553"> <p><sup>17</sup> OPERATOR CERTIFICATION</p> <p><i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</i></p> <p>Signature <u>Ken Beardemphl</u></p> <p>Printed Name <u>Ken Beardemphl</u></p> <p>Title <u>Landman</u></p> <p>Date <u>6-20-95</u></p> </div>	
	<div data-bbox="1071 1553 1559 2042"> <p><sup>18</sup> SURVEYOR CERTIFICATION</p> <p><i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i></p> <p>Date of Survey</p> <p>Signature and Seal of Professional Surveyer:</p> <p>Refer to original Plat</p> <p>Certificate Number</p> </div>	

16			<b>17 OPERATOR CERTIFICATION</b> I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief
			Signature <u>Ken Beardemphl</u> Printed Name <u>Ken Beardemphl</u> Title <u>Landman</u> Date <u>6-20-95</u>
<div style="border: 2px solid black; width: 150px; height: 100px; margin: 0 auto; display: flex; align-items: center; justify-content: center; font-size: 24px;">E-1067</div>			<b>18 SURVEYOR CERTIFICATION</b> I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.
<div style="border: 1px solid black; width: 150px; height: 100px; margin: 0 auto; position: relative;"> <div style="position: absolute; top: 10px; left: 10px; font-size: 18px;">NM-0559175</div> <div style="position: absolute; bottom: 10px; left: 10px; font-size: 18px;">1980'</div> <div style="position: absolute; right: 10px; top: 50px; font-size: 18px;">Bottom Hole Location.</div> <div style="position: absolute; right: 10px; top: 80px; font-size: 18px;">460' 33"</div> </div>			Date of Survey _____ Signature and Seal of Professional Surveyor: _____  Refer to original Plat  Certificate Number _____

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

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

**CASE NO. 11274  
Order No. R-10388**

**APPLICATION OF MERIDIAN OIL INC. TO  
ESTABLISH A STATEWIDE ADMINISTRATIVE  
PROCEDURE FOR APPROVAL OF DIRECTIONAL  
DRILLING PROJECTS IN THE STATE OF  
NEW MEXICO.**

**ORDER OF THE COMMISSION**

**BY THE COMMISSION:**

This cause came on for hearing at 9 o'clock a.m. on April 27, 1995, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 13th day of June, 1995, the Commission, a quorum being present, having considered the record and being fully advised in the premises,

**FINDS THAT:**

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

(2) There was a consensus among industry and government that there is a need for revision of Rule 111 to provide for administrative approval for directionally drilled wells under certain circumstances, in particular intentionally deviated directional wells which have been approved only after notice and hearing or in certain pools with special provision contained therein.

(3) Although Meridian Oil Inc. was the applicant and all present agreed to the concept of administrative approval for directionally drilled wells, additional testimony was provided by Amoco Production Company, Marathon Oil Company, Mobil Exploration and Production, Phillips Petroleum Company, Permian Basin Petroleum Association, New Mexico Oil and Gas Association, and New Mexico Oil Conservation Division. Differences of opinion centered around an expanded version of the proposed rule change incorporating more definitions and greater reporting requirements for applicants and a shorter version with condensed definitions and reduced reporting requirements.

(4) The more condensed rule changes provide for greater efficiencies without sacrificing clarity or important documentation.

(5) Meridian Oil Inc. recommended rule provisions which would address correlative rights within affected proration units. Marathon Oil Company and Amoco Production Company supported a simplified rule which allows for operator decisions concerning the need for additional wells.

(6) Operational decisions and equity issues should be addressed under provisions of the operating agreement that deal with "operations by less than all parties" and not by regulations.

(7) The rule changes incorporated in Exhibit "A", attached hereto and made a part hereof, will not affect wells deviated intentionally for mechanical and/or operational reasons and will make the process for application and approval of directionally drilled wells more efficient and less costly without causing waste or impairing correlative rights.

**IT IS THEREFORE ORDERED THAT:**

(1) Division Rule 111 be amended to read as shown on Exhibit "A" attached to and made part of this Order.

(2) Revised Rule 111 shall be effective on the date of this Order.

(3) 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 hereinafter designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

*Bill Weiss*

WILLIAM R. WEISS, Member

*Gary Carlson*

GARY CARLSON, Member

*William J. Lemay*

WILLIAM J. LEMAY, Chairman

S E A L

**EXHIBIT "A"**  
**CASE NO. 11274**  
**ORDER NO. R-10388**

**RULE 111-Deviation Tests/Deviated Wells and Directional Wells:**

**A. Definitions:** The following definitions shall apply to this Rule:

(1) Deviated Well - means any wellbore which is intentionally deviated from vertical but not with an intentional azimuth. Any deviated well is subject to Rule 111-B and C.

(2) Directional Well - means a wellbore which is intentionally deviated from vertical with an intentional azimuth. Any directional well is subject to Rule 111-D.

(3) Vertical Well - means a well that does not have an intentional departure or course deviation from the vertical.

(4) Drilling Unit - means the surface acreage assigned to a vertical wellbore in accordance with NMOC Rule 104. Included in this definition is a "unit of proration for oil or gas" as defined by the Division and all non-standard such units previously approved by the Division.

(5) Wellbore - means the interior surface of a cased or open hole through which drilling, production, or injection operations are conducted.

(6) Project Well - means any well drilled, completed, produced or injected into as either a deviated well or as a directional well.

(7) Project Area - means one or more drilling units which are to be dedicated to the project well.

(8) Producing Area - means all points that lie along a rectangular or square window formed by plotting the measured distance from the North, South, East and West boundaries of a project area inside of which a vertical wellbore can be drilled and produced in conformity with the setback requirements from the outer boundary of a standard spacing and proration unit for the applicable pool(s).

(9) Penetration Point - means the point where the wellbore penetrates the top of the pool from which it is intended to produce.

(10) Azimuth - means the deviation in the horizontal plane of a wellbore expressed in terms of compass degrees.

(11) Kick-off Point - means the point at which the wellbore is intentionally deviated from vertical.



(12) Terminus - means the farthest point attained along the wellbore.

(13) Producing Interval - means that portion of the wellbore drilled inside the vertical limits of a pool, between its penetration point and its terminus and within the producing area.

(14) Lateral - means any portion of a wellbore past the point where the wellbore has been intentionally departed from the vertical.

**B. Deviation Tests:**

Any well which is drilled or deepened shall be tested at reasonably frequent intervals to determine the deviation from the vertical. Such tests shall be made at least once each 500 feet or at the first bit change succeeding 500 feet. A tabulation of all deviation tests run, sworn to and notarized, shall be filed with Form C-104, Request for Allowable and Authorization to Transport Oil and Natural Gas. When the deviation averages more than five degrees in any 500-foot interval, the operator shall include the calculations of the maximum possible horizontal displacement of the hole and the Division Director may require that a directional survey be run to establish the location of the producing interval(s). Upon request from the Division Director, any well which was deviated in an indeterminate direction or toward the vertical shall be directionally surveyed.

**C. Deviated Wellbores:**

(1) The Supervisor of the appropriate Division District may approve the written request of an operator to drill a deviated wellbore or to deviate an existing wellbore to:

- (a) straighten a crooked hole by deviating towards the vertical;
- (b) side track junk in the hole by deviating in an indeterminate direction (no intentional azimuth);
- (c) side track an existing wellbore by deviating in an indeterminate direction (no intentional azimuth) for the purpose of recompleting into an existing producing formation or plugging the originally completed formation and recompleting into a different formation.

(2) The Supervisor of the appropriate Division District may require any request for a deviated well to be submitted for administrative approval by the Division Director.

(3) Applications for administrative approval for a deviated well shall:

- (a) be filed in duplicate and shall be accompanied by plats showing both the surface location of the subject well, its spacing unit and all adjoining spacing units;
- (b) state the reason(s) for deviating the subject well; and
- (c) shall include a statement or plat showing the names and addresses of all operators of spacing units, or working interest owners of undrilled spacing units offsetting the unit in which the project is located and attesting that applicant, on or before the same date the application was submitted to the Division, has sent notification to all those parties by submitting a copy of the application to them by certified mail return receipt requested and advising them that if they have an objection, it must be filed in writing within twenty (20) days of the date notice was sent.

(4) The bottomhole location of any deviated well shall be at an orthodox well location or an unorthodox location previously approved pursuant to Rule 104 and shall be considered acceptable if the actual subsurface location in the formation to be produced is orthodox or is no more than 50 feet from the approved subsurface location.

(5) The Division Director may approve the application for a deviated well upon receipt of waivers from all offset operators or owners of undrilled tracts or if no offset operator or owner has entered an objection to the project within 20 days after the application was received by the Director.

**D. Directional Wellbore:**

(1) The Division Director, shall have the authority without notice and hearing to administratively approve a directional wellbore project when:

- (a) the surface location of the proposed or existing project well is within the boundaries of the project area, consisting of a single or multiple drilling unit(s), substantially in the form of either a square or a rectangle, as applicable, being a legal subdivision of the U.S. Public Land Survey;
- (b) the producing interval of the wellbore(s) is totally confined to a producing area. The wellbore(s) may be re-oriented to any azimuth based upon a change in conditions either geologic or mechanical, which is encountered either before or after the commencement of a project, but only insofar as the producing interval(s) remains totally confined to the producing area;
- (c) the project area includes either a single drilling unit or multiple contiguous drilling units; and,

- (d) the project well includes either a single lateral or multiple laterals which conform to conditions (a) and (b) above.

(2) To obtain administrative approval to drill a directional well, the applicant shall file a written application in duplicate with the Division Director, copy to the appropriate OCD District Supervisor, which shall include:

- (a) a statement addressing the reason(s) for directionally drilling the subject well;
- (b) a plat indicating the section, township and range in which the well is to be drilled, the project area, the proposed surface location, the producing area for the project well, any existing wells in the applicable pool(s) in the proposed project area, all offsetting drilling units in the applicable pool(s) and their associated operator, and any wells in those units;
- (c) a vertically oriented plan view (cross-sectional view) for the subject well including the true vertical depth of the top and bottom of the subject pool, degree of angle to be built in the project wellbore(s), the true vertical and the measured depth of the estimated kickoff point, the estimated penetration point and the lateral length;
- (d) a horizontal plan view for the subject well and its spacing unit showing the drilling unit and drilling-producing window, including the estimated azimuth and maximum length of the lateral(s) to be drilled;
- (e) a type log section on which is identified the top and bottom of the subject pool; and,
- (f) a statement or plat showing the names and addresses of all operators of spacing units, or working interest owners of undrilled spacing units offsetting the unit in the applicable pool(s) in which the project is located and attesting that applicant, on or before the same date the application was submitted to the Division, has sent notification to all those parties by submitting a copy of the application to them by certified mail return receipt requested and advising them that if they have an objection, it must be filed in writing within twenty (20) days of the date notice was sent.

(3) The maximum allowable assigned to the project area when dealing with prorated pools shall be based upon of the number of standard proration units (or approved non-standard proration and spacing units) for that pool any portion of which is within a distance of the producing lateral of the directional wellbore not greater than the footage setback distance for locating a vertical well from the outer boundary of a spacing unit for that pool.

**E. Requirements/Conditions of Administrative Approval:**

(1) The Division Director may approve the application upon receipt of waivers from all offset operators or owners of undrilled tracts or if no offset operator or owner has entered an objection to the project within 20 days after the application was received by the Director.

(2) Any order issued by the Director approving an application for a directional wellbore shall require that:

- (a) the applicant shall conduct a directional survey on the wellbore after directional drilling operations in order that the direction, extent and terminus of said wellbore may be determined to be in compliance with the provision of any order with copies submitted to the Santa Fe NMOCD and to the NMOCD-district office in which the well is located; and,
- (b) the Supervisor of the appropriate Division District shall be notified of the approximate time all directional surveys are to be conducted. All directional surveys run on any well in any manner for any reason must be filed with the Division upon completion of the well. The Division shall not assign an allowable to a well until the operator has submitted an affidavit that all such directional surveys have been filed.

**F. Additional Matters:**

(1) The Division Director, at the request of an offset operator, may require any operator to make a directional survey of any well. The directional survey and all associated costs shall be at the expense of the requesting party and shall be secured in advance by a \$5,000 indemnity bond posted with and approved by the Division. The requesting party may designate the well survey company and the survey may be witnessed by the Division and the operator.

(2) The Division Director, may, at his discretion, set any application for administrative approval for public hearing.

(3) Permission to deviate or directionally drill any wellbore for any reason or in any manner not provided for in this rule shall be granted only after notice and hearing.

**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. 11235  
Order No. R-10372**

**APPLICATION OF YATES PETROLEUM  
CORPORATION FOR AN UNORTHODOX  
OIL WELL LOCATION AND 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 April 6, 1995, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 24th day of May, 1995, 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 (Yates), seeks approval to drill its Aspden "AOH" Federal Com Well No. 2 at an unorthodox oil well location 330 feet from the South line and 1980 feet from the West line (Unit N) of Section 29, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico, to test the North Dagger Draw-Upper Pennsylvanian Pool.

(3) This well is to be simultaneously dedicated to an existing standard 160-acre spacing and proration unit comprising the SW/4 of Section 29, which is currently dedicated to the applicant's Boyd "X" State Com Well No. 4 located in Unit K, the Boyd "X" State Com Well No. 2 located in Unit L, and the Aspden "AOH" Federal Com Well No. 1 located in Unit M.

(4) The proposed well is located within the North Dagger Draw-Upper Pennsylvanian Pool which is currently governed by Special Rules and Regulations as promulgated by Division Order No. R-4691, as amended, which require standard 160-acre spacing and proration units with wells to be located no closer than 660 feet from the outer boundary of the spacing unit nor closer than 330 feet from any quarter-quarter section line or subdivision inner boundary, an oil allowable of 700 barrels per day, and a limiting gas-oil ratio of 10,000 cubic feet of gas per barrel of oil.

(5) Although the standard spacing within the North Dagger Draw-Upper Pennsylvanian Pool is 160 acres, the established practice within this pool is to drill a well on each 40-acre tract within a standard proration unit.

(6) Conoco Inc. (Conoco), the operator of the NW/4 of Section 32, being the affected offset acreage, appeared at the hearing in opposition to the application.

(7) Within the NW/4 of Section 32 Conoco currently operates the Joyce Federal Well No. 1, located in Unit D, which was recently completed in the North Dagger Draw-Upper Pennsylvanian Pool. In addition, Conoco plans to drill, in 1995, two additional wells in the North Dagger Draw-Upper Pennsylvanian Pool within this quarter section.

(8) In addition to Conoco, the Division received correspondence from UMC Petroleum Corporation, being the lessee of the N/2 NW/4 of Section 32 (Federal Lease No. NM-0553777), stating its objection to Yates' application in this case.

(9) Due to the existence of the Boyd "X" State Com Well Nos. 2 and 4, and the Aspden "AOH" Federal Com Well No. 1, the applicant seeks authority to drill its proposed well in the only quarter-quarter section within the SW/4 of Section 29 that does not contain a North Dagger Draw-Upper Pennsylvanian Pool producing well.

(10) According to evidence and testimony presented by Yates, it originally proposed the drilling of the Aspden "AOH" Federal Com Well No. 2 at a standard location 660 feet from the South line and 1980 feet from the West line of Section 29. This well location fell within the Seven Rivers Draw which traverses the SE/4 SW/4 of Section 29 generally in a northeast to southwest direction. This well location was denied by the United States Bureau of Land Management (USBLM).

(11) Mr. Ken Beardemphl, a landman for Yates Petroleum Corporation, testified that he and Mr Barry Hunt, a representative of the USBLM, actually walked the surface of the proposed well sites within the SE/4 SW/4 of Section 29. Mr. Beardemphl testified that:

(16) The testimony and evidence presented by Yates, including actual photographs of various well locations within the SE/4 SW/4 of Section 29, does demonstrate that the proposed well cannot be drilled north of a location 330 feet from the South line and 1980 feet from the West line of Section 29.

(17) Geologic evidence presented by the applicant indicates that the proposed unorthodox location is geologically inferior to a standard location inasmuch as 20-30 feet of structure and 30 feet of dolomite pay is lost.

(18) Yates proposed that no production penalty be assessed against the Aspden "AOH" Federal Com Well No. 2, however, in the event the Division determined that a production penalty was justified, Yates proposed that a production penalty of thirteen (13) percent be assessed against the well's initial potential.

(19) Yates' proposed penalty was determined by calculating the drainage area encroachment towards Conoco's acreage based upon 160-acre drainage.

(20) Conoco requested that the proposed unorthodox location be denied based upon the following:

- a) Conoco's correlative rights will be adversely affected by the encroachment towards its acreage and by the fact that the proposed well will be located structurally higher in the reservoir and in a thicker pay section than Conoco's wells;
- b) there is no precedent in the North Dagger Draw-Upper Pennsylvanian Pool for allowing a well to encroach closer than 660 feet to an adjoining spacing unit with different ownership;
- c) if the Division approves the subject application, the Aspden "AOH" Federal Com Well No. 2 will be located 990 feet from its proposed Joyce Federal Well No. 2 which will be located at a standard location in Unit C of Section 32;
- d) Conoco contends that its engineering data shows that well interference can commonly be observed between wells drilled at standard locations on 40-acre density within this pool since they typically drain more than 40 acres. Conoco presented engineering evidence which does show that the decline rates of certain wells in the pool dramatically increased within a very short period of time when offset production was established and initiated;

- a) within the SE/4 SW/4 of Section 29 there exists an additional drainage channel which lies just to the north of the Seven Rivers Draw. This drainage channel extends northward to a point approximately 1390 feet from the South line of Section 29;
- b) the presence of the Seven Rivers Draw and the additional drainage channel effectively precludes the drilling of the proposed well within this quarter-quarter section north of a location 330 feet from the South line; and,
- c) moving the proposed well location in an east or west direction would only slightly reduce the encroachment towards the NW/4 of Section 32.

(12) Conoco contends that there are well locations within the SE/4 SW/4 of Section 29 available to Yates to drill its proposed well that do not encroach towards Conoco's acreage.

(13) Conoco presented as evidence an aerial photograph of the SW/4 of Section 29 which shows the location of the Seven Rivers Draw.

(14) Conoco contends that:

- a) the well can be moved north and east of its current proposed location by following the trend of the Seven Rivers Draw, thereby reducing the encroachment towards the NW/4 of Section 32; and,
- b) the USBLM will approve a well location 1160 feet from the South line and 1980 feet from the West line of Section 29. This is based upon a written statement contained within the USBLM "Well-site Evaluation Field Form" which was filed by Mr. Barry Hunt when evaluating the originally proposed location of 660 feet from the South line and 1980 feet from the East line on December 19, 1994. The evaluation contained Mr. Hunt's recommendation to "move 330 feet south or at least 500 feet north (unorthodox)".

(15) Conoco's witness in this matter has not undertaken an on-site examination of the SE/4 SW/4 of Section 29.



e) a production penalty imposed against the subject well will not be effective in protecting Conoco's correlative rights for the following reasons:

- 1) the pool rules for the North Dagger Draw-Upper Pennsylvanian Pool allow the drilling of at least four wells on a standard 160-acre proration unit. The allowable assigned to the unit (700 BOPD) may be produced from any well within the unit in any proportion. Even if the penalty were imposed on the entire proration unit's allowable, the applicant would retain the ability to produce the entire allowable from the subject well, and, depending on its ability to produce, the well could conceivably produce at its maximum potential, thereby not affording Conoco any protection;
- 2) the initial potential of a well in the North Dagger Draw-Upper Pennsylvanian Pool is customarily two to three times greater than the well's actual producing rate after the first few months of initial production. A penalty based upon the proposed well's initial potential may not effectively limit the well's production after a relatively short period of time.

(21) The evidence and testimony in this case indicates that topographical conditions within the SE/4 SW/4 of Section 29 preclude the drilling of the Aspden "AOH" Federal Com Well No. 2 at a standard oil well location.

(22) Denial of the proposed unorthodox oil well location would effectively preclude Yates from developing the oil and gas reserves underlying the SE/4 SW/4 of Section 29, thereby violating its correlative rights.

(23) In order to provide Yates the opportunity to produce its just and equitable share of the oil and gas in the North Dagger Draw-Upper Pennsylvanian Pool underlying the SE/4 SW/4 of Section 29, the application for an unorthodox oil well location should be approved.

(24) In order to provide some measure of protection to Conoco for the encroachment towards its acreage, some type of allowable restriction should be instituted against the subject well.

(25) In terms of limiting production from the subject well, a penalty imposed on the proration unit's allowable or a penalty imposed on the subject well's initial potential are not effective.

(26) At the request of the Division Examiner, both Conoco and Yates submitted proposed draft orders in this case. In its proposed order, Conoco suggested that it would agree to the following proposal:

- a) a non-standard 40-acre spacing and proration unit should be established within the North Dagger Draw-Upper Pennsylvanian Pool comprising the SE/4 SW/4 of Section 29. This non-standard unit should be dedicated to the proposed well and should be assigned an allowable of 175 BOPD (700 BOPD X 0.25);
- b) a non-standard 120-acre spacing and proration unit should be established within the North Dagger Draw-Upper Pennsylvanian Pool comprising the N/2 SW/4 and SW/4 SW/4 of Section 29. This non-standard unit should be dedicated to the Boyd "X" State Com Well Nos. 2 and 4 and the Aspden "AOH" Federal Com Well No. 1 and should be assigned an allowable of 525 BOPD (700 BOPD/ X 0.75).

(27) Applicant testified that it expects the Aspden "AOH" Federal Com Well No. 2 to produce at an initial rate of approximately 500-800 barrels of oil per day.

(28) The Aspden "AOH" Federal Com Well No. 1, and the Boyd "X" State Com Well Nos. 2 and 4 are currently producing at rates of approximately 161, 201 and 112 barrels of oil per day, respectively.

(29) The total unused allowable within the subject proration unit at the current time is 226 barrels of oil per day.

(30) Production data indicates that the Boyd "X" State Com Well No. 4 initially produced at a rate of approximately 650 BOPD, however, within a period of 3-1/2 months the well had declined to a rate less than 200 BOPD. Similarly, the Aspden "AOH" Federal Com Well No. 1 initially produced at a rate of approximately 500 BOPD, however, within a period of 3 1/2 months, the well had declined to a rate less than 200 BOPD.

(31) If the Aspden "AOH" Federal Com Well No. 2 behaves similarly to the aforesaid Boyd "X" State Com Well No. 4 and Aspden "AOH" Federal Com Well No. 1, an oil allowable of 175 BOPD is fair and reasonable.

(32) Although Conoco's proposal is beyond the call of this case, it represents a reasonable and effective solution to the complex situation.

(33) The applicant should be authorized to drill its Aspden "AOH" Federal Com Well No. 2 at the proposed unorthodox location, provided however, such authorization should be contingent upon Yates applying for and obtaining Division approval to establish two non-standard proration units as described in Finding No. (26) above. Such authorization is further contingent upon the assignment of allowable as proposed by Conoco.

**IT IS THEREFORE ORDERED THAT:**

(1) The applicant, Yates Petroleum Corporation, is hereby authorized to drill its Aspden "AOH" Federal Com Well No. 2 at an unorthodox oil well location 330 feet from the South line and 1980 feet from the West line (Unit N) of Section 29, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico, to test the North Dagger Draw-Upper Pennsylvanian Pool.

**PROVIDED HOWEVER THAT,** such authorization shall be contingent upon Yates Petroleum Corporation applying for and obtaining Division approval to establish two non-standard proration units within the North Dagger Draw-Upper Pennsylvanian Pool described as follows:

- a) a non-standard 40-acre spacing and proration unit comprising the SE/4 SW/4 of Section 29. This non-standard unit shall be dedicated to the proposed Aspden "AOH" Federal Com Well No. 2 and should be assigned an allowable of 175 BOPD;
- b) a non-standard 120-acre spacing and proration unit comprising the N/2 SW/4 and SW/4 SW/4 of Section 29. This non-standard unit should be dedicated to the Yates Petroleum Corporation Boyd "X" State Com Well Nos. 2 and 4 and the Aspden "AOH" Federal Com Well No. 1 and should be assigned an allowable of 525 barrels of oil per day.

(2) The Aspden "AOH" Federal Com Well No. 2 shall not be assigned an oil allowable in the North Dagger Draw-Upper Pennsylvanian Pool until such time as the two non-standard oil proration units are established by the Division.

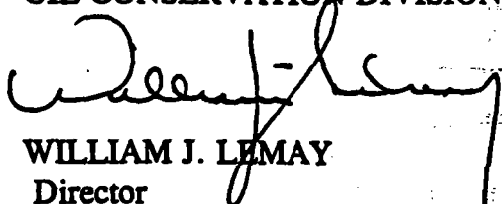
(3) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

CASE NO. 11235  
Order No. R-10372  
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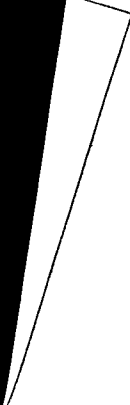
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DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXIC  
OIL CONSERVATION DIVISION

  
WILLIAM J. LEMAY  
Director

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**CASE 11322:** (Continued from July 27, 1995, Examiner Hearing.)

Application of Merrion Oil & Gas Corporation to amend Division Order No. R-9079, to extend the horizontal limits of the existing high angle/horizontal directional drilling pilot project area, and to adopt additional special operating rules therefor, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks to amend Division Order No. R-9079 by extending the project area approved therein to include the N/2 NW/4, SE/4 NW/4, NE/4 SW/4, and S/2 SW/4 of Section 15 and the SE/4 NE/4 and NE/4 SE/4 of Section 16, of Township 19 North, Range 5 West. Further, the applicant seeks the promulgation of special operating rules and procedures for wells within said Cooperative Area including provisions for administrative authorization for horizontal wells, the formation of oversized and irregular shaped spacing and proration units to accommodate such wellbores, the assignment of a special oil allowable or formula for the project area and the designation of a target window such that horizontal or producing portions of such a wellbore shall be no closer than 330 feet to the outer boundary of the project area. Said area is located approximately 22 miles northwest of San Luis, New Mexico.

**CASE 11356:** Application of Pogo Production Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Tomahawk Unit Agreement for an area comprising 1,650.13 acres, more or less, of Federal and State lands in Townships 21 and 22 South, Ranges 32 and 33 East. Said unit area is centered approximately 27 miles west of Eunice, New Mexico.

**CASE 11332:** (Continued from July 13, 1995, Examiner Hearing.)

Application of Yates Petroleum Corporation to Rescind Division Order No. R-10372, Eddy County, New Mexico. Applicant, in the above styled cause, seeks to rescind Division Order No. R-10372 dated May 24, 1995, which order authorized Yates Petroleum Corporation to drill its Aspden "AOH" Federal Com Well No. 2 at an unorthodox oil well location 330 feet from the South line and 1980 feet from the West line (Unit N) of Section 29, Township 19 South, Range 25 East, NMPM, North Dagger Draw-Upper Pennsylvanian Pool, subject to certain requirements relating to the formation of non-standard proration units. This well is located approximately 8 miles west of Lakewood, New Mexico. IN THE ABSENCE OF OBJECTION THIS CASE WILL BE TAKEN UNDER ADVISEMENT.

**CASE 11345:** (Continued from July 27, 1995, Examiner Hearing.)

Application of Yates Petroleum Corporation for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Robina Draw Unit Agreement for an area comprising 1920.00 acres, more or less, of Federal and State lands in Sections 15, 16, 21 and 22 of Township 23 South, Range 24 East, which is located approximately 10.5 miles northwest of White City, New Mexico.

**CASE 11346:** (Continued from July 27, 1995, Examiner Hearing.)

Application of Yates Petroleum Corporation for downhole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval to downhole commingle North Dagger Draw-Upper Pennsylvanian Pool oil production with gas from the Dagger Draw-Wolfcamp Gas Pool within the wellbore of its Huisache "AHI" State Com Well No. 1, located 1980 feet from the North line and 660 feet from the East line (Unit H) of Section 2, Township 20 South, Range 24 East, which is located approximately 7.5 miles west of Seven Rivers, New Mexico.

**CASE 11357:** Application of Yates Petroleum Corporation for directional drilling and simultaneous dedication, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval to directionally drill its Aspden "AOH" Federal Com Well No. 2 from an unorthodox surface oil well location 330 feet from the South line and 1980 feet from the West line (Unit N) of Section 29, Township 19 South, Range 25 East, to a bottomhole location within the SE/4 SW/4 of said Section 29 considered to be standard in the North Dagger Draw-Upper Pennsylvanian Pool. Said well is to be included within the existing standard 160-acre oil spacing and proration unit comprising the SW/4 of said Section 29 and its production is to be simultaneously dedicated with the existing Boyd "X" State Com Well No. 4 located in Unit "K", the Boyd "X" State Com Well No. 2 in Unit "L", and the Aspden "AOH" Federal Com Well No. 1 in Unit "M". Said unit is located approximately 8 miles west of Lakewood, New Mexico.