

**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. 13259  
ORDER NO. R-12149**

**APPLICATION OF YATES PETROLEUM CORPORATION FOR A NON-  
STANDARD GAS SPACING UNIT, LEA COUNTY, NEW MEXICO.**

**ORDER OF THE DIVISION**

**BY THE DIVISION:**

This case came on for hearing at 8:15 a.m. on April 29, 2004, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 26<sup>th</sup> day of May, 2004, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

**FINDS THAT:**

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) The applicant, Yates Petroleum Corporation ("Yates"), seeks approval of a 389.44-acre non-standard deep gas spacing unit for any Mississippian gas pools spaced on 320 acres, this unit to comprise all of irregular Section 2, Township 11 South, Range 34 East, NMPM, Lea County, New Mexico. Yates further seeks to dedicate this non-standard deep gas spacing unit to its proposed Rokesmith "BDI" State Com Well No. 1 (API No. 30-025-36582), to be drilled at a standard deep gas well location 1,750 feet from the South line and 700 feet from the East line (Unit I) of irregular Section 2. This well will be drilled to test for gas in Mississippian age sediments and will be the first well in the spacing unit.

(3) The Division, in Rule 104.C (2), requires any spacing unit for deep gas wells in Southeast New Mexico to have 320 surface contiguous acres, more or less, and comprise any two contiguous quarter sections within a single section. In irregular Section 2, the proposed 389.44-acre spacing unit would be 22 percent larger than a standard 320-acre deep gas spacing unit and would encompass two contiguous half sections.

(4) This application as submitted by Yates, was set to hearing by the Division, since Division Rule 104.D (2) (b) (ii) prohibits administrative approval of 320-acre deep gas spacing units which do not comprise a single half section and are not necessitated by a variation in the legal subdivision of the U.S. Public Land Surveys. In addition, Rule 104.D (2) (e), gives the Division director permission to set for hearing any application for administrative approval.

(5) Yates appeared at the hearing, but presented no additional data or facts.

(6) Division records indicate the nearest Mississippian gas production is from the Sand Springs-Mississippian Gas Pool which is governed by statewide rules. This pool encompasses the 184.24-acre, W/2 of irregular (378.92-acre) Section 1, Township 11 South, Range 35 East, NMPM, Lea County, New Mexico. The 184.24-acre W/2 spacing unit is contained within one half section and is 58 percent of the size of a standard 320-acre spacing unit.

(7) The spacing unit as proposed by Yates in this case, would be inconsistent with the precedent set by Yates itself in 2001 within the Sand Springs-Mississippian Gas Pool. However, the proposed spacing unit is located "one mile or more" from this pool and would not necessarily be included in this pool.

(8) The Division, in 1986, issued administrative orders NSL-2209 and NSL-2262, granted the applicant permission for non-standard locations for deep gas wells within this Section 2. Those orders each contain statements that all of irregular Section 2 would be dedicated to those Atoka wells.

(9) Yates proposal to include the entire 389.44-acre Section 2 within one deep gas spacing unit will protect correlative rights by ensuring all tracts, including the smaller ones, share in production from any Mississippian completion within the section.

(10) Rule 104.C (2) (b) allows one infill well on a 320-acre deep gas spacing unit. Yates proposal will prevent waste, by limiting drilling of Mississippian wells in this section to no more than two.

(11) Yates application for a non-standard spacing unit for any Mississippian age gas pools spaced on 320-acres should be approved.

**IT IS THEREFORE ORDERED THAT:**

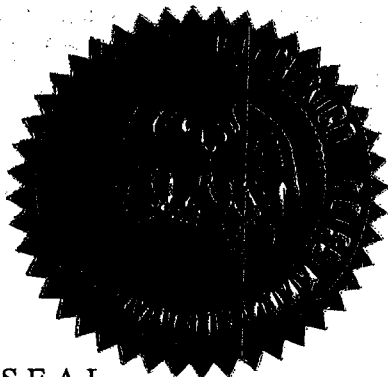
(1) Pursuant to the application of Yates Petroleum Corporation, a non-standard 389.44-acre spacing unit for any Mississippian age gas pool spaced on 320 acres is hereby formed, this unit to comprise all of irregular Section 2, Township 11 South, Range 34 East, NMPM, Lea County, New Mexico.

(2) The above-described unit shall be dedicated to Yates Petroleum Corporation's Rokesmith "BDP" State Com Well No. 1 (API No. 30-025-36582), to be drilled at a standard gas well location 1,750 feet from the South line and 700 feet from the East line (Unit I) of irregular Section 2, Township 11 South, Range 34 East, NMPM, Lea County, New Mexico, and completed in the Mississippian formation.

(3) No more than one infill well may be drilled and dedicated to this unit, such infill well to be located in the W/2 of the Section.

(4) Jurisdiction is hereby 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.



SEAL

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read "Mark E. Fesmire".

MARK E. FESMIRE  
Director

**CASE 13236: Continued from April 15, 2004, Examiner Hearing.**

**Application of Preston Exploration, L.L.C. for compulsory pooling, Eddy County New Mexico.** Applicant seeks an order pooling all mineral interests in the Strawn formation, (Eagle Creek Strawn Gas Pool), Atoka and Morrow formations, (Eagle Creek East Atoka-Morrow Gas Pool) and the Pennsylvanian formation (Eagle Creek Permo-Pennsylvanian Gas Pool) underlying the N/2 of Section 29, Township 17 South, Range 26 East to form standard 320-acre gas spacing and proration units for any and all formations and/or pools developed on 320-acre spacing within that vertical extent. The units are to be dedicated to applicant's Roughneck Red 29 Com Well No. 1 to be located at a standard gas well location 1480 feet from the North line and 1980 feet from the West line of said Section 29. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The units are to be located approximately 8 miles southeast of Artesia, New Mexico.

**CASE 13257: Application of the New Mexico Oil Conservation Division for a Compliance Order.** The Applicant seeks an order requiring operator Verde Grande Inc. to bring one abandoned well into compliance with 19.15.4.201 NMAC by a date certain and, in the event of non-compliance, assessing a civil penalty against the operator, authorizing the Division to plug said well, forfeiting the operator's plugging security, and for such other relief as the Director deems appropriate. The affected well is: Aztec State #1, API # 30-025-22342, Unit Letter J, Section 18, Township 16 South, Range 37 East, Lea County, New Mexico.

**CASE 13258: Application of the New Mexico Oil Conservation Division for a Compliance Order.** The Applicant seeks an order requiring operator Inter-Continental Energy Inc. to bring one well into compliance with 19.15.4.201 NMAC and 19.15.4.202 NMAC by a date certain, assessing appropriate civil penalties against the operator, authorizing the Division to plug said well, forfeiting the operator's plugging security, and for such other relief as the Director deems appropriate. The affected well is: R. Fant #1, API #30-039-26436, Unit Letter O, Section 24, Township 31 North, Range 2 East, Rio Arriba County, New Mexico.

**CASE 13259: Application of Yates Petroleum Corporation for a Non-Standard Gas Spacing Unit, Lea County, New Mexico.** Applicant seeks to establish a non-standard 389.44-acre deep gas spacing unit within the Undesignated Sand Springs-Mississippian Gas Pool (97125) comprising all of irregular Section 2, Township 11 South, Range 34 East, which is located approximately 13.5 miles northwest of Tatum, New Mexico. This unit is to be dedicated to Yates Petroleum Corporation's proposed Rokesmith "BDI" State Com. Well No. 1 (API No. 30-025-36582) to be drilled as this unit's initial well at a standard deep gas well location 1750 feet from the South line and 700 feet from the East line (Unit I) of irregular Section 2. **IN THE ABSENCE OF OBJECTION, THIS APPLICATION WILL BE TAKEN UNDER ADVISEMENT.**

**CASE 13217: Continued from April 15, 2004, Examiner Hearing.**

**Application of Concho Resources Inc. for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 21, Township 21 South, Range 35 East, and in the following manner: The W/2 to form a standard 320-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within that vertical extent, including the Undesignated North Grama Ridge-Wolfcamp Gas Pool and Undesignated South Osudo-Morrow Gas Pool; the NW/4 to form a standard 160-acre gas spacing and proration unit for any formations and/or pools developed on 160-acre spacing within that vertical extent, including the Undesignated North San Simon-Yates Associated Pool and Undesignated South Osudo-Wolfcamp Pool; and the SW/4 NW/4 to form a standard 40-acre oil spacing and proration unit for any formations and/or pools developed on 40 acre spacing within that vertical extent, including the Undesignated North San Simon-Yates Associated Pool. The units are to be dedicated to applicant's San Simon State Com. Well No. 2, to be located at an orthodox location in the SW/4 NW/4 of Section 21. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The units are located approximately 7 miles southwest of Oil Center, New Mexico.