

**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:**

**NOMENCLATURE
CASE NO. 13222
ORDER NO. R-12229**

**APPLICATION OF YATES PETROLEUM CORPORATION FOR POOL
CREATION AND FOR THE ADOPTION OF SPECIAL POOL RULES, EDDY
COUNTY.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on March 4, 2004, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 2nd day of November, 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 the creation of a new pool for the production of gas from the Abo formation underlying the N/2 of Section 36, Township 21 South, Range 21 East, NMPM, Eddy County, New Mexico, as the result of the discovery of natural gas in Yates' Duvel "BCD" State Well No. 1 (API No. 30-015-32983), located at a standard gas well location 710 feet from the North line and 1980 feet from the West line (Unit C) of Section 36. This well was initially drilled to a total depth of 8,700 feet in order to test the deeper Chester formation for gas; however on December 22, 2003 Yates completed this well up-hole in the shallower Abo formation and produces natural gas through perforations from 3,580 feet to 3,850 feet.

(3) The nearest Abo producing pools are located approximately 14 to 16 miles to the northeast in Sections 31 and 32, Township 19 South, Range 24 East, NMPM, and in Section 6, Township 20 South, Range 24 East, NMPM, Eddy County, New Mexico; the Siegreest Draw-Abo (Oil) Pool (96215) and the Siegreest Draw-Abo Gas Pool (85370); and in Sections 6, 7, 8, 9, 17, and 18, Township 19 South, Range 23 East, NMPM, Eddy County, New Mexico; Runyan Ranch-Abo Gas Pool (84340).

(4) Pursuant to Division Rule 104.A (1) (b), this production is currently classified as wildcat Abo gas production and is governed under Division Rule 104.C (3), which requires 160-acre gas spacing units comprising a single governmental quarter section being a legal subdivision of the U. S. Public Lands Survey and for a single well within such unit to be located no closer than 660 feet to any outer boundary of such unit, nor closer than 10 feet to any quarter-quarter section or subdivision inner boundary therein.

(5) Yates further seeks to establish special pool rules and regulations for this new Abo gas pool on a temporary basis, including provisions for:

(a) 320-acre spacing units, comprising any two contiguous quarter sections of a single section being a legal subdivision of the U. S. Public Lands Survey;

(b) wells to be located no closer than 660 feet to the outer boundary of the quarter section on which the well is located and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary;

(c) an infill well on each 320-acre unit provided that the well is located in the quarter section of the 320-acre unit not containing the initial well and no closer than 660 feet to the outer boundary of the quarter section and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary; and

(d) the Division-designated operator for the infill well to be the same operator designated by the Division for the original well on the spacing unit.

(6) This application was filed under the provisions of Division Rule 1207.A (4) (a). No interested party appeared at the hearing in opposition to the application.

(7) 320-acre spacing is a considerable deviation from the statewide rules for shallow gas development in southeast New Mexico and should not be approved without substantial technical evidence that such deviation is justified.

(8) The reason stated by Yates to develop this Abo gas pool on 320-acre spacing was to mirror the deeper gas producing intervals currently governed under Division Rule 104.C (2) and the resulting administrative convenience (acreage assignments, payouts, etc.) such overlapping development would create.

(9) Yates has not presented sufficient engineering and geological evidence concerning the reservoir characteristics of this newly discovered Abo gas production to enable the Division to determine whether 320 acres spacing is justifiable in this newly created pool, even on a temporary basis.

(10) That portion of this application for the adoption of special rules governing Abo gas production from the above-described Duvel "BCD" State Well No. 1 and the resulting pool established by this order should therefore be **denied**.

(11) The evidence presented however indicates that Yates has discovered a new source of common supply for Abo gas production with its above-describe Duvel "BCD" State Well No. 1 and a new gas Abo pool should be created and designed the Box Canyon-Abo Gas Pool. The boundary for this newly created gas pool should comprise only the NW/4 of Section 36, Township 21 South, Range 21 East, NMPM, Eddy County, New Mexico, being a standard 160-acre gas spacing unit for shallow gas production pursuant to Division Rule 104.C (3).

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Yates Petroleum Corporation ("Yates"), a new pool in Eddy County, New Mexico classified as a gas pool for Abo production is hereby created and designated as the Box Canyon-Abo Gas Pool (Pool Code 97405), consisting of the following described area:

TOWNSHIP 21 SOUTH, RANGE 21 EAST, NMPM

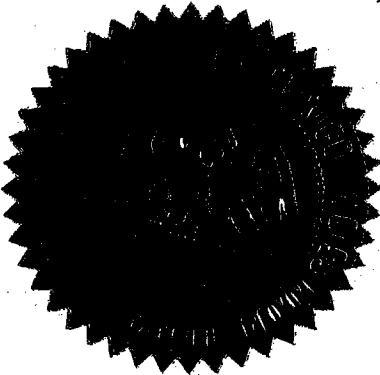
Section 36: NW/4.

(2) That portion of Yates' application to establish special pool rules and regulations for this new Abo gas pool on a temporary basis, including provisions for 320-acre spacing and restricted well location provisions, is hereby **denied**.

(3) The newly created Box Canyon-Abo Gas Pool shall be subject to Division Rule 104.C (3).

(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.



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

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

MARK E. FESMIRE, P. E.
Director