

**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. 13229
ORDER NO. R-12244**

**APPLICATION OF YATES PETROLEUM CORPORATION FOR AN
UNORTHODOX GAS WELL LOCATION, AN EXCEPTION TO DIVISION RULE
104.C (2) (b), AND A RETROACTIVE APPROVAL DATE FOR ANY ORDER
ISSUED IN THIS CASE, CHAVES COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a. m. on September 16, 2004, at Santa Fe, New Mexico, before Examiner Richard I. Ezeanyim.

NOW, on this 9th day of December, 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, the Division has jurisdiction of this case and the subject matter.

(2) By Order No. R-9721, issued in Case No.10489 on September 16, 1992, the Division granted the application of Yates Petroleum Corporation ("Yates" or "Applicant") for an unorthodox gas well location for its Hanlad "AKZ" State Well No. 2 (API #30-005-62911) located 330 feet from the South line and 1225 feet from the West line (Unit M) of Section 13, Township 8 South, Range 27 East, NMPM, Chaves County, New Mexico, to a depth of 6900 feet to test the Siluro-Ordovician formation. The S/2 of Section 13 was dedicated to this well to form a standard 320-acre gas spacing and proration unit.

(3) The Applicant now seeks an exception to Division Rule 104.C.(2) for an unorthodox deep gas well location in the Wolfcamp formation in the Palma Mesa-Pennsylvanian Gas Pool for the above described well. The Applicant also seeks an exception to Division Rule 104.C(2)(b) in order to re-complete the Hanlad "AKZ" State Well No. 2 as an infill Pennsylvanian gas well within the same quarter section (SW/4 of Section 13) as an existing well producing from the Palma Mesa-Pennsylvanian Gas Pool. The Applicant further seeks an effective date for any order issued in this case to be made retroactive to October 15, 2003.

(4) Division Rule 104.C.(2) provides that in the Southeast New Mexico, an initial and infill well may be drilled on a standard gas spacing and proration unit comprising 320 acres provided that: (i) the initial and infill well shall 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; (ii) the infill well shall be located within the quarter section not containing the initial well; and (iii) the Division-designated operator for the infill well is the same operator currently designated by the Division for the initial well.

(5) The Applicant testified that the Hanlad "AKZ" Well No. 1 was drilled in 1982 to the Pennsylvanian formation, Palma Mesa-Pennsylvanian Pool at a location 660 feet from the South and West lines (Unit M) of Section 13. At the time the well was drilled, this location was a non-standard gas well location, and Division Order No. R-7065 issued in Case No. 7654 on August 24, 1982, approved this location. This well was subsequently re-completed in the Wolfcamp formation and the location was approved by Administrative Order NSL-3309 dated October 13, 1993. In 2003 the well was returned to production in the Strawn clastics of the Pennsylvanian formation. At the time of the recompletion to the Strawn, the statewide rules for deep gas wells had been amended and this location was standard.

(6) The Applicant testified that the Hanlad "AKZ" Well No. 2 has ceased to produce from the Siluro-Ordovician formation and has subsequently been re-completed in the Wolfcamp and the Siluro Devonian formations.

(7) Since the Hanlad "AKZ" Well No. 1 currently produces from the Strawn formation and the Hanlad "AKZ" Well No. 2 produces from the Wolfcamp formation and the Siluro Devonian formation, the wells are in compliance with Division Rules, and the portion of this application seeking an exception to Division Rule 104.C(2)(b) should be dismissed.

(8) At the time Yates re-completed the Hanlad "AKZ" Well No. 2 it tested the well in the Wolfcamp formation. According to Division records, Yates had previously submitted an administrative application for this well and requested a retroactive approval of the order to October 15, 2003, to include the test volumes produced from the well. Because of this request, the Division could not approve the application administratively and accordingly set the matter to hearing. Therefore, Yates in this case seeks a retroactive effective date for any order issued in this case to include the test volumes produced from the well.

(9) No interested party appeared at the hearing in opposition to this application.

(10) The Applicant further testified that the unorthodox location of the Hanlad "AKZ" Well No. 2 in the Wolfcamp formation only encroaches on properties operated by Yates and related companies.

(11) Approval of the location of this well in the Wolfcamp formation will afford the Applicant the opportunity to produce its just and equitable share of hydrocarbons in this unit; will prevent the economic loss caused by the drilling of unnecessary wells; will be in the best interest of conservation; and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

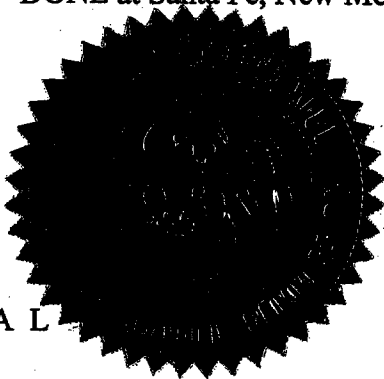
(1) The application of Yates Petroleum Corporation for an exception to Division Rule 104.C(2) for an unorthodox deep gas well location in the Wolfcamp formation for Yates Hanlad "AKZ" State Well No. 2 (API No. 30-005-62911), located 330 feet from the South line and 1225 feet from the West line (Unit M) of Section 13, Township 8 South, Range 27 East is hereby approved. This well shall be dedicated to the S/2 of Section 13, to form a standard 320-acre lay-down deep gas spacing unit in the Wolfcamp formation.

(2) Yates application for an exception to Division Rule 104.C(2)(b) in order to recomplete the Hanlad "AKZ" State Well No. 2 as an infill Pennsylvanian gas well within the same SW/4 of Section 13 as an existing well producing from the Palma Mesa-Pennsylvanian Gas Pool is hereby dismissed.

(3) This order shall be effective as of October 15, 2003.

(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.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

MARK E. FESMIRE, P.E.
Director

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