

Case No. 13229

Stogner, Michael

From: Stogner, Michael
Sent: Tuesday, November 30, 2004 9:58 AM
To: Fesmire, Mark
Subject: Hanlad "AKZ" State #2

Per our earlier conversation concerning this well, Yates initially filed an administrative application for an unorthodox location on January 5, 2004 (**administrative application reference No. pLR0-400627649**) for its existing 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 (which well was the subject of Division Order No. R-9721, issued in Case No. 10489 on June 11, 1992, approving this well as an unorthodox gas well location in the Palma Mesa Siluro-Ordovician Gas Pool within a standard 320-acre deep gas spacing unit comprising the S/2 of Section 13), to be re-completed into any formation from the surface to the base of the Ordovician interval. The Hanlad "AKZ" State Well No. 2 was initially drilled by Yates in 1992 to 6750' TD and was completed in the Palma Mesa Siluro-Ordovician Gas Pool and produced until June 1996. The well remained dormant until early 2001 when Yates unsuccessfully re-completed the well up-hole into the Wolfcamp interval. In October, 2003 Yates re-completed the well back into the Palma Mesa Siluro-Ordovician Gas Pool, after which Yates filed the aforementioned application. By letter dated January 26, 2004 (*see copy attached as Yates.34*) I informed Yates the application could not be approved administratively and would require a hearing. I even prepared an advertisement in order to expedite the matter. Yates requested this case be dismissed at the April 1, 2004 hearing (see Division Order No. R-12126). On July 6, 2004 Yates again filed essentially the same application for administrative review. On July 13, 2004 I again informed Yates the application could not be approved administratively and would require a hearing (*see copy attached as Yates.34a*). I even amended the advertisement. My involvement ends here. Division records indicate that Mr. Ezeanyim heard Reopened Case No. 13229 on September 16, 2004.

For a complete record of this matter, see the file on Case No. 13229. Everything I mentioned above should be there unless something's have been purged, which by the way its been a long standing policy not to purge anything from a case file, until recently. Dave and I do not prescribe to this change.



Yates.34.doc



Yates.34a.doc

Fesmire, Mark

From: Chuck Moran [cmoran@ypcnm.com]
Sent: Monday, November 22, 2004 8:37 AM
To: MFesmire@state.nm.us
Subject: Information Requested

Dear Mr. Fesmire, P. E. :

At the Commission hearing on November 10, 2004, you requested that I provide you a list of orders Yates Petroleum Corporation is waiting on from the Oil Conservation Division that seem to have taken an extraordinary time to get an order issued. Currently, I am aware of the following hearings that remain unresolved and brief explanation of any delay caused by Yates.

- 1) Dagger Draw Water Flood Unit – secondary recovery project
 Case # 13227
 Hearing Date: March 4, 2004
 Status: Waiting on order. Yates submitted all necessary paperwork.
 Issue: This was an **unopposed** order on a project that is good for the State of New Mexico with current high oil and gas prices. Yates has submitted everything, including proposed draft order to OCD. Over 300 people/companies are involved and are asking what is going on.
- 2) Vandiver Com #1 – Change of Operator by OCD from Yates to C W Trainer
 Case # 13270
 Hearing Date: July 8, 2004
 Status: Waiting on order from OCD. Yates submitted necessary paperwork.
 Issue: OCD at the request of CW Trainer named him operator of a well without obtaining permission of the current operator Yates. Yates objected to being removed as operator. Whatever the OCD decision is, both sides need know the decision so that they can maintain respective leasehold and know who is responsible for the well.
- 3) Hanlad AKZ State #2 – Unorthodox location with retroactive date request.
 Case #13229
 Hearing Date: September 16, 2004
 Status: Waiting on Yates to submit proposed draft order.
 Issue: Case history is older than hearing date. Administrative application submitted in December 2003. OCD denied the administrative approval. Based on denial, second administrative application filed to address reasoning for denial of first application. Second administrative application denied for new reasoning and required to be set for hearing. Based on scheduling and other conflicts, hearing held on September 16, 2004. Problem is this well was on the OCD list as a plug or produce well, Yates has complied with making well capable of producing but unable to produce without OCD order.

Also, I believe that I have figured out that you and I were referring to different cases at our meeting on October 22, 2004, in Albuquerque. The order I believe you were thinking of and that you issued in early November was on Case #13222 which occurred at the March 4, 2004, hearing. This order would have been precedent setting if approved. However, the order I was speaking of is the Dagger Draw water flood unit which is listed above. The water flood unit is a very high priority project for Yates.

11/29/2004

I look forward to hearing from you on the above orders.

Chuck Moran
Yates Petroleum Corporation
505-748-4349

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11/29/2004

Yates. 34

January 28, 2004

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210-2118

Attention: **Chuck Moran**
Landman

Re: *Application for administrative review by the Division submitted on January 5, 2004 (administrative application reference No. pLR0-400627649) for: (i) location exceptions for Yates Petroleum Corporation's ("Yates") existing Hanlad "AKZ" State Well No. 2 (API No. 30-005-62911) located 330' FSL & 1225' FWL (Unit M) of Section 13, Township 8 South, Range 27 East, NMPM, Chaves County, New Mexico; (ii) an exception to Division Rule 104.C (2) (b) in order to locate and complete two Pennsylvanian producing wells with the same quarter section of a standard 320-acre lay-down deep gas spacing unit comprising the S/2 of Section 13 within the Palma Mesa-Pennsylvanian Gas Pool (82550); and (iii) a retroactive approval date of October 15, 2003 for any order issued to Yates in this matter*

Dear Mr. Moran,

Your application: (i) contained provisions that could not be addressed administratively; and (ii) lacked sufficient support data and/or explanation for the Division to proceed with issuing an administrative order; therefore, your application will be set for hearing before an examiner on the next available scheduled for March 4, 2004. I have prepared the following advertisement for this case:

"Application of Yates Petroleum Corporation for an unorthodox 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. Applicant seeks an exception to the applicable well location set-back requirements governing all formations or pools from the surface to the top of the Palma Mesa Siluro-Ordovician Gas Pool (82556) for its existing 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 (which well was the subject of Division Order No. R-9721, issued in Case No. 10489 on June 11, 1992, approving this well as an unorthodox gas well location in the Palma Mesa Siluro-Ordovician Gas Pool within a standard 320-acre deep gas spacing unit comprising the S/2 of Section 13), this well to be dedicated to the following described spacing and proration units: (i) the S/2 to form a standard 320-acre lay-down deep gas spacing unit for all formations and/or pools developed on 320-acre spacing within this vertical extent [see Division Rule 104.C(2)], which presently includes but not necessarily limited to the Palma Mesa-Pennsylvanian Gas Pool (82550); (ii) the SW/4 to form a standard 160-acre shallow gas spacing unit for any and all formations and/or pools developed on 160-acre spacing within this vertical extent [see Division Rule 104.C (3)], which presently includes but not necessarily limited to the Undesignated Pecos Slope-Abo Gas Pool (82730) [Rule 4 of the "Special Rules and Regulations for the Pecos Slope-Abo Gas Pool," as promulgated by Division Order No. R-9976-C, dated March 19, 1996]; and (iii) the SW/4 SW/4 (Unit M) to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within this vertical extent, which presently includes but not necessarily limited to the Southeast Acme-San Andres Pool (800) [see

Division Rule 104.B (1)]. This well is located approximately eight miles southwest of Elkins, New Mexico. **APPLICANT FURTHER SEEKS** 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 quarter section (SW/4 of Section 13) as an existing well producing from the Palma Mesa-Pennsylvanian Gas Pool. The S/2 of Section 13, being a standard 320-acre lay-down deep gas spacing unit in the Palma Mesa-Pennsylvanian Gas Pool is currently dedicated to the applicant's Hanlad "AKZ" State Well No. 1 (**API No. 30-005-61493**), located at a standard deep gas well location 660 feet from the South and West lines (Unit M) of Section 13. **FURTHERMORE**, applicant seeks an effective date for any order issued in this case is made retroactive to October 15, 2003".

Please provide the required notice applicable in this matter in accordance with the provisions of Division Rule 1207.A.

Should you have any questions or comments concerning this matter, please contact your legal counsel, Mr. William F. Carr in Santa Fe at (505) 988-4421. Thank you.

Sincerely,

Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division - Artesia
New Mexico State Land Office - Santa Fe
Ms. Florene Davidson, NMOCD - Santa Fe
William F. Carr, Legal Counsel for Yates Petroleum Corporation - Santa Fe

Yates. 34a

July 13, 2004

Yates Petroleum Corporation
c/o Holland & Hart LLP
P. O. Box 2208
Santa Fe, New Mexico 87504-2208

Attention: William F. Carr
Legal Counsel for Yates Petroleum Corporation

Re: Application on behalf of Yates Petroleum Corporation ("Yates") submitted on July 6, 2004 (administrative application reference No. pSEM0-418948764) for administrative review by the Division for: (i) an unorthodox deep gas well location in both the Wolfcamp formation and the Palma Mesa-Pennsylvanian Gas Pool (82550) for Yates's existing Hanlad "AKZ" State Well No. 2 (API No. 30-005-62911) located 330' FSL & 1225' FWL (Unit M) of Section 13, Township 8 South, Range 27 East, NMPM, Chaves County, New Mexico; (ii) an exception to Division Rule 104.C (2) (b) in order to locate and complete two Pennsylvanian producing wells within the same quarter section of a standard 320-acre lay-down deep gas spacing unit comprising the S/2 of Section 13 within the Palma Mesa-Pennsylvanian Gas Pool; and (iii) a retroactive approval date of October 15, 2003 for any order issued to Yates in this matter

Dear Mr. Carr,

Please refer to Yates Petroleum Corporation's administrative application (administrative application reference No. pLR0-400627649) and the record in Division Case No. 13229 (which was dismissed by Order No. R-12126). Your amended application for this well still contains provisions that can not be addressed administratively; therefore, this administrative application will also be set for hearing before an examiner on the next available scheduled for August 5, 2004. Division Case No. 12126 will be reopened and readvertised in the following manner:

"CASE 13229 (REOPENED AND READVERTISED): 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. Applicant seeks an exception to Division Rule 104.C (2) for an unorthodox deep gas well location in the Wolfcamp formation and in the Palma Mesa-Pennsylvanian Gas Pool (82550) for Yates Petroleum Corporation's existing 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 [which well was the subject of Division Order No. R-9721, issued in Case No. 10489 on June 11, 1992, approving this well as an unorthodox gas well location in the Palma Mesa Siluro-Ordovician Gas Pool (82550) within a standard 320-acre deep gas spacing unit comprising the

YATES PETROLEUM CORPORATION

JULY 13, 2004

PAGE 2

S/2 of Section 13], this well to be dedicated to the S/2 of Section 13 being a standard 320-acre lay-down deep gas spacing unit for both zones. This well is located approximately eight miles southwest of Elkins, New Mexico. APPLICANT FURTHER SEEKS 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 quarter section (SW/4 of Section 13) as an existing well producing from the Palma Mesa-Pennsylvanian Gas Pool. The S/2 of Section 13, being a standard 320-acre lay-down deep gas spacing unit in the Palma Mesa-Pennsylvanian Gas Pool is currently dedicated to the applicant's Hanlad "AKZ" State Well No. 1 (API No. 30-005-61493), located at a standard deep gas well location 660 feet from the South and West lines (Unit M) of Section 13. FURTHERMORE, applicant seeks an effective date for any order issued in this case is made retroactive to October 15, 2003".

Sincerely,

Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division - Artesia
New Mexico State Land Office - Santa Fe
Ms. Florene Davidson, NMOCD - Santa Fe



Hearing Order Summary



Locate Orders by... Case OR Order Date AND TWP/RNG Name/Type

Case No: 13229 Applicant: YATES PETROLEUM CORPORATION Examiner: Ezeanyim

Application Types on this Case: Record of Process:

Type Case
Examiner Authorized Non-Standard Location

Action	Action / Rqst by	Dt Action
Transcript Received	Court Reporter	10/1/2004
Hearing Conducted	Oil Conservation Divi	9/16/2004
Transcript Received	Court Reporter	9/2/2004
Case Reopened	Attorney for Applican	4/15/2004
Order Drafted	Examiner	4/2/2004
Hearing Conducted	Examiner	4/1/2004
Hearing Set/Docket M		3/4/2004
1st Continuance to	Attorney for Applican	3/4/2004
Original Filing Receiv	Applicant or Authoriz	1/5/2004

Primary Pool: Location: 13 8 S 27 E Multi-Twp? No Unit? ☐ Dt Mod: 4/1/2004 County: Chaves Multi-County? ☐

Comments: -- Use [Shift] + [F2] to Zoom on Comments! --
Filed originally as an administrative application.

R-12126 1

**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-12126**

**APPLICATION OF YATES PETROLEUM CORPORATION FOR AN
UNORTHODOX 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 April 1, 2004, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 7th day of April, 2004, the Division Director, having considered the record and the recommendations of the Examiner,

FINDS THAT:

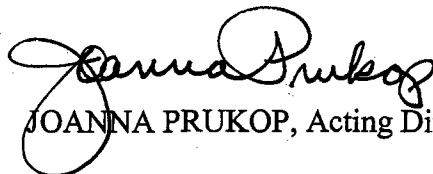
The applicant's request for dismissal should be granted.

IT IS THEREFORE ORDERED THAT:

Case No. 13229 is hereby dismissed.

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


JOANNA PRUKOP, Acting Director

SEAL