

**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. 13057
ORDER NO. R-9976-D**

**APPLICATION OF YATES PETROLEUM CORPORATION FOR AMENDMENT
OF THE SPECIAL RULES GOVERNING BOTH THE PECOS SLOPE-ABO GAS
POOL AND THE WEST PECOS SLOPE-ABO GAS POOL, CHAVES COUNTY,
NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on April 24, 2003, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 4th day of February, 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) By Division Order No. R-6876, issued in Case 7447, dated January 22, 1982 and made effective January 1, 1982, the Division created and defined the Pecos Slope-Abo Gas Pool (82730) for the production of gas from the Abo formation. The horizontal limits for this pool currently comprise a vast area in Townships 4 and 5 South, Ranges 24 and 25 East; Townships 6, 7, 8, and 9 South, Ranges 24, 25, 26 and 27 East; Township 10 South, Ranges 24, 25, and 26 East; and Township 11 South, Range 25 East, all in Chaves County, New Mexico.

(3) Division Order No. R-6876 also created and defined the West Pecos Slope-Abo Gas Pool (82740) for the production of gas from the Abo formation. The horizontal limits for this pool currently comprise a rather large area in Township 5 South, Ranges 21 and 22 East and in Townships 6, 7, 8, and 9 South, Ranges 22 and 23 East, all in Chaves County, New Mexico.

(4) By Division Order No. R-7193, issued in Case 7785, dated January 26, 1983 and made effective February 1, 1983, the Division created and defined the South Pecos Slope-Abo Gas Pool (82735) for the production of gas from the Abo formation underlying portions of Townships 9 and 10 South, Ranges 25 and 26 East, NMPM, Chaves County, New Mexico.

(5) By Order No. R-9976, issued in Case No. 10793 and dated September 24, 1993, the Division granted Yates Petroleum Corporation ("Yates") authorization to implement a pilot "infill" drilling program within portions of the unprorated Pecos Slope-Abo Gas Pool, Chaves County, New Mexico, for the purpose of allowing Yates the opportunity to gather data to determine if infill drilling is necessary to effectively and efficiently drain the Abo gas-bearing formation.

(6) Division Order No. R-9976 further authorized Yates to drill an infill gas well within each of the five following-described standard 160-acre gas spacing units, and within a non-standard 201.29-acre gas spacing unit comprising all of irregular Section 1, Township 6 South, Range 25 East, NMPM, Chaves County, New Mexico:

TOWNSHIP 6 SOUTH, RANGE 25 EAST, NMPM

Section 8: NE/4
Section 11: SE/4
Section 24: SW/4
Section 26: NE/4
Section 35: NE/4.

(7) Division Order No. R-9976-A, issued in Cases No. 10981 and 11004 on July 26, 1994, granted Yates the authority to expand its pilot infill drilling project to include the following 19 standard 160-acre gas spacing units in the Pecos Slope-Abo Gas Pool, Chaves County, New Mexico, and on a non-standard 166.0-acre gas spacing unit comprising all of irregular Section 5, Township 6 South, Range 26 East, NMPM, Chaves County, New Mexico:

TOWNSHIP 5 SOUTH, RANGE 25 EAST, NMPM

Section 16: NE/4
Section 32: SW/4

TOWNSHIP 6 SOUTH, RANGE 26 EAST, NMPM

Section 7: NE/4
Section 18: SE/4
Section 19: SE/4
Section 31: NE/4

TOWNSHIP 7 SOUTH, RANGE 25 EAST, NMPM

Section 3: SE/4
Section 10: NW/4
Section 11: SE/4
Section 13: NW/4
Section 15: NW/4
Section 22: NW/4
Section 25: NW/4
Section 27: SE/4
Section 33: SE/4

TOWNSHIP 7 SOUTH, RANGE 26 EAST, NMPM

Section 6: NE/4
Section 18: SE/4
Section 19: SW/4
Section 21: SE/4.

(8) Further, Division Order No. R-9976-A, as amended by Order No. R-9976-B, issued in Cases No. 11283 and 11355 on November 28, 1995, provided for 13 of the proposed infill gas well locations within the expanded area to be drilled at unorthodox gas well locations.

(9) Two provisions are common to Division Orders No. R-9976 and R-9976-A:

- (a) They authorized Yates to produce both wells within each of the two spacing units within the pilot project area at unrestricted rates until August, 1995.
- (b) At such time, Yates would then be required to appear at an examiner hearing to present the geologic and engineering data it had acquired and to make recommendations to the Division concerning amendments, if applicable, to the rules governing the Pecos Slope-Abo Gas Pool.

(10) By Division Order No. R-9976-C, issued on March 19, 1996 in consolidated Cases No. 10793 (Reopened), 10981 (Reopened), 11004 (Reopened), 11421, and 11422:

- (a) the South Pecos Slope-Abo Gas Pool in Chaves County was abolished and the acreage comprising this pool was included in the boundary of the Pecos Slope-Abo Gas Pool; and
- (b) mirroring special rules and regulations governing the West Pecos Slope-Abo Gas Pool and Pecos Slope-Abo Gas Pool were promulgated, which included provisions for:
 - (i) pool-wide infill development with two wells per standard 160-acre gas spacing unit;
 - (ii) well location requirements that neither well on a single spacing unit be closer than 660 feet to the outer boundary of its unit or closer than 10 feet to any quarter-quarter section or subdivision inner-boundary;
 - (iii) the granting of well location exceptions only after notice and hearing;
 - (iv) a 30-day notification period for administrative applications seeking exception to the 160-acre spacing requirements where a non-standard unit comprises a single governmental quarter section and the unorthodox size or shape is due to a variation in the legal subdivision of the United States Public Lands Survey; and
 - (v) the approval of a non-standard gas spacing unit for reasons other than a variation in the legal subdivision only after notice and hearing.

(11) Yates at this time seeks the amendment of the special pool rules governing both the West Pecos Slope-Abo and Pecos Slope-Abo Gas Pools to abolish the requirement that all applications for unorthodox well locations and some applications for non-standard gas spacing units be set for hearing. Yates also requests that the provisions governing administrative applications for unorthodox well locations and non-standard gas spacing units in these two pools be amended to conform to the applicable provisions of Rules 104.D (2) and 104.F of the Division's statewide rules and regulations.

(12) The West Pecos Slope-Abo and Pecos Slope-Abo Gas Pools were the first high volume, unprorated gas pools in the State of New Mexico to have infill development. Therefore, at the time Order No. R-9976-C was adopted, the Division was concerned about the potential for correlative rights violations and for the possibility of imprudent and unreasonable development practices that could result from wells drilled at unorthodox gas well locations or on non-standard spacing units in this unprorated pool and therefore adopted strict rules to discourage the filing of frivolous and unnecessary location and spacing exception applications.

(13) There have been many applications filed with the Division for location exceptions since the inception of Division Order No. R-9976-C. Early in the process all applicants appeared at the hearing and presented the evidence necessary to support such an application. However, in the past few years, to streamline the process, the applicant provided the Division with the necessary evidence to support a request for an unorthodox well location along with its application. The application was then placed on a Division hearing docket and was styled such that in the absence of objection the application would be taken under advisement.

(14) There is no record of an application for a non-standard gas spacing unit in either the Pecos Slope-Abo Gas Pool or West Pecos Slope-Abo Gas Pool ever being considered at a hearing since the inception of Division Order No. R-9976-C. However, since infill development of unprorated gas pools and formations is now commonplace statewide, the current rules in place are sufficient to address the operator's, mineral interest owners', and Division's concerns.

(15) Therefore, the requirement set out in Division Order No. R-9976-C that all well location and some spacing unit size exception applications be set for hearing is no longer necessary and is an unreasonable burden on the operators in the pools and the Division, and the current Division statewide rules for such well location and spacing exceptions are adequate in protecting correlative rights and preventing waste.

(16) No other operator in the pool or interested party appeared at the hearing in opposition to the application.

(17) Approval of these amendments to the special rules governing both the Pecos Slope-Abo Gas Pool and the West Pecos Slope-Abo Gas Pool are also in the best interest of conservation.

IT IS THEREFORE ORDERED THAT:

(1) The application of Yates Petroleum Corporation to amend the "*Special Rules and Regulations for the Pecos Slope-Abo Gas Pool*" and the "*Special Rules and Regulations for the West Pecos Slope-Abo Gas Pool*," both promulgated by Division Order No. R-9976-C dated March 19, 1996, is hereby approved.

(2) Rules 3 of the "*Special Rules and Regulations for the Pecos Slope-Abo Gas Pool*" and the "*Special Rules and Regulations for the West Pecos Slope-Abo Gas Pool*," are hereby amended, each respectively to read in its entirety as follows:

"RULE 3: The Division Director may grant an exception to the requirements of Rule 2 above without notice and hearing when an application has been duly filed under the provisions of Division Rule 104.D (2)."

(3) Rules 5 of the "*Special Rules and Regulations for the Pecos Slope-Abo Gas Pool*" and the "*Special Rules and Regulations for the West Pecos Slope-Abo Gas Pool*," are hereby amended, each respectively to read in its entirety as follows:

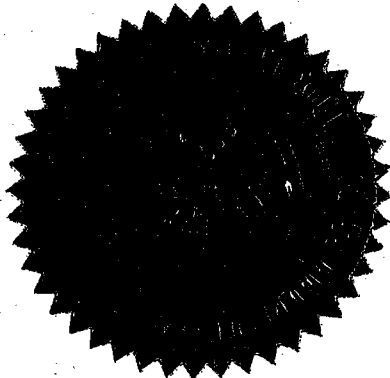
"RULE 5: The Division Director may grant an exception to the requirements of Rule 4 without hearing when an application has been duly filed under the provisions of Division Rule 104.F. However, any deviation from the allowed well density in this pool (the initial well and one infill well) shall be authorized only after notice and hearing."

(4) The above amendments to the special rules governing the Pecos Slope-Abo Gas Pool (82730) and West Pecos Slope-Abo Gas Pool (82740), both in Chaves County, New Mexico, are hereby made permanent and those portions of Division Order No. R-9976-C not affected by these changes shall continue in full force and effect until further notice.

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

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



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Lori Wrotenbery
LORI WROTENBERY
DIRECTOR