

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:

**APPLICATION OF YATES PETROLEUM
CORPORATION TO RESCIN^D DIVISION
ORDER NO. R-10372, EDDY COUNTY,
NEW MEXICO.**

Case No. 11332

**APPLICATION OF YATES PETROLEUM
CORPORATION FOR DIRECTIONAL DRILLING
AND SIMULTANEOUS DEDICATION, EDDY
COUNTY, NEW MEXICO.**

Case No. 11357

***ORDER NO. R-10372-A and
DIVISION ADMINISTRATIVE ORDER DD-114***

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on August 10, 1995, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 24th day of August, 1995, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) In Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico, all of Section 25 is included within the boundary of the North Dagger Draw-Upper Pennsylvanian Pool, which is governed by "*Special Rules and Regulations*", as promulgated by Division Order No. R-4691, as amended, which require standard 160-acre oil spacing and proration units with wells to be located no closer than 660 feet from the outer boundary of the spacing and proration unit nor closer than 330 feet from any quarter-quarter section line or subdivision inner boundary, an oil allowable of 700 barrels per day per standard 160-acre unit, and a limiting gas/oil ratio of 10,000 cubic feet of gas per barrel of oil.

(3) Although the standard spacing within the North Dagger Draw-Upper Pennsylvanian Pool is 160 acres, the established practice within this pool is to drill a well on each of the four 40-acre tracts that form a standard 160-acre oil spacing and proration unit.

(4) By Division Order No. R-10372, issued in Case 11,235 and dated May 24, 1995, Yates Petroleum Corporation ("Yates") was authorized to drill its Aspden "AOH" Federal Com Well No. 2 in the North Dagger Draw-Upper Pennsylvanian Pool at an unorthodox oil well location 330 feet from the South line and 1980 feet from the West line (Unit N) of Section 29, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico, provided however, a non-standard 40-acre oil spacing and proration unit comprising the SE/4 SW/4 of said Section 29 be formed and dedicated to said Aspden "AOH" Federal Com Well No. 2. Said order further provided for the concomitant establishment of a 120-acre non-standard gas spacing and proration unit comprising the N/2 SW/4 and SW/4 SW/4 of said Section 29 to be dedicated to the Yates' Boyd "X" State Com Well Nos. 2 and 4 and the Aspden "AOH" Federal Com Well No. 1, located in Units "L", "K", and "M", respectively. The final condition set forth by said Order No. R-10372 was that the Aspden "AOH" Federal Com Well No. 2 not be assigned an oil allowable in the North Dagger Draw-Upper Pennsylvanian Pool until such time as the two above-described non-standard oil spacing and proration units were established.

(5) Subsequent to the issuance of said Order No. R-10372, Yates filed with the Division:

(A) An application for hearing before a Division Examiner to rescind said Division Order No. R-10372, dated May 24, 1995. The applicant requested this filing be styled in such a manner that, "in the absence of objection this case would be taken under advisement". The Division

granted Yates' request and assigned **Case No. 11,332** to this matter; and,

(B) An application for administrative review by the Division (received by the Division on June 21, 1995), pursuant to Division General Rules **111.D** and **F**, to directionally drill said Aspden "AOH" Federal Com Well No. 2 from its approved unorthodox surface oil well location to a proposed bottom-hole location in the SE/4 SW/4 (Unit O) of said Section 29 that is considered to be standard pursuant to said special pool rules. Further, said application requested that the existing standard 160-acre gas spacing and proration unit be simultaneously dedicated to the Aspden "AOH" Federal Com Well No. 2 and to the Boyd "X" State Com Well Nos. 2 and 4 and the Aspden "AOH" Federal Com Well No. 1.

(6) On July 6, 1995 the Division received an objection to both aforementioned matters from Conoco, Inc. ("Conoco"), the operator of the NW/4 of Section 32, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico, being the affected offset acreage.

(7) Said administrative application was then set for hearing before a Division Hearing Examiner and assigned **Case No. 11,357**, being the application of Yates Petroleum Corporation for approval to directionally drill its Aspden "AOH" Federal Com Well No. 2 from an unorthodox surface oil well location 330 feet from the South line and 1980 feet from the West line (Unit N) of said Section 29, to a bottomhole location within the SE/4 SW/4 of said Section 29 considered to be standard in the North Dagger Draw-Upper Pennsylvanian Pool. Said well is to be included within the existing standard 160-acre oil spacing and proration unit comprising the SW/4 of said Section 29 and its production to be simultaneously dedicated with the existing Boyd "X" State Com Well No. 4 located in Unit "K", the Boyd "X" State Com Well No. 2 in Unit "L", and the Aspden "AOH" Federal Com Well No. 1 in Unit "M".

(8) By letter dated August 7, 1995 Conoco made indications of withdrawing its protest in this matter. At the August 10, 1995 hearing both **Case Nos. 11,332** and **11,357** were called whereby nobody entered an appearance.

THEREFORE:

- (A) **Case No. 11,357** should be dismissed;
 - (B) the application of Yates Petroleum Corporation in **Case 11,332** to rescind Division Order No. R-10372 should be granted; and,
 - (C) since approval of the rescission of Division Order No. R-10372 (**Case No. 11,332**) is contingent upon Division authorization for the directional drilling of the Aspden "AOH" Federal Com Well No. 2, any order issued by the Division in this matter should include and incorporate a "*Division Administrative Order*" for directional drilling for regulatory convenience.
- (9) In said administrative application filed by Yates on June 21, 1995, **the Division Director Finds at this time that:**
- (A) The application has been duly filed under the provisions of Rule 111(D) and (E) of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division"), revised by Division Order No. R-10388, issued by the Oil Conservation Commission in Case 11,274 on June 13, 1995;
 - (B) Within the Aspden "AOH" Federal Com Well No. 2, Yates proposes to kick-off from vertical at a depth of approximately 5,000 feet in a northerly direction and drill to a total true vertical depth of approximately 7600 feet in such a manner as to bottom said wellbore in the North Dagger Draw-Upper Pennsylvanian Pool at a bottom-hole location within the SE/4 SW/4 (Unit O) of said

Section 29 that is considered to be "standard" pursuant to the applicable special pool rules;

- (C) Production from said well is to be simultaneously dedicated with the Yates Petroleum Corporation Boyd "X" State Com Well Nos. 2 and 4 and the Aspden "AOH" Federal Com Well No. 1, located in Units "L", "K", and "M" of said Section 29, respectively;
- (D) All four wells are to share the allowable assigned the existing 160-acre oil spacing and proration unit comprising the SW/4 of said Section 29; and,
- (E) It appearing the applicant has satisfied all of the appropriate requirements prescribed in said Rule 111.D and E, the subject administrative application should be approved and the well should be governed by the provisions contained within this order and all other applicable provisions of Division General Rule 111.

IT IS THEREFORE ORDERED THAT:

(1) The application of Yates Petroleum Corporation ("Yates") in Case No. 10,332 to rescind Division Order No. R-10372 is hereby approved;

THUS, said Order No. R-10372, issued in Case 11235 and dated May 24, 1995, which order authorized Yates to drill its Aspden "AOH" Federal Com Well No. 2 in the North Dagger Draw-Upper Pennsylvanian Pool at an unorthodox oil well location 330 feet from the South line and 1980 feet from the West line (Unit N) of Section 29, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico, provided however: (1) a non-standard 40-acre oil spacing and proration unit comprising the SE/4 SW/4 of said Section 29 be formed and dedicated to said Aspden "AOH" Federal Com Well No. 2; (2) a 120-acre non-standard gas spacing and proration unit comprising the N/2 SW/4 and SW/4 SW/4 of said Section 29 be formed and dedicated to the Yates'

Boyd "X" State Com Well Nos. 2 and 4 and the Aspden "AOH" Federal Com Well No. 1, located in Units "L", "K", and "M", respectively; and, (3) said Aspden "AOH" Federal Com Well No. 2 not be assigned an oil allowable in the North Dagger Draw-Upper Pennsylvanian Pool until such time as the two above-described non-standard oil spacing and proration units were established, is hereby rescinded in its entirety as of June 13, 1995.

IT IS FURTHER ORDERED THAT,

(2) **Case No. 11,357**, being the formal application for hearing before a Division Hearing Examiner of Yates Petroleum Corporation for approval to directionally drill its Aspden "AOH" Federal Com Well No. 2 from an unorthodox surface oil well location 330 feet from the South line and 1980 feet from the West line (Unit N) of said Section 29, to a bottomhole location within the SE/4 SW/4 of said Section 29 considered to be standard in the North Dagger Draw-Upper Pennsylvanian Pool, said well to be included within the existing standard 160-acre oil spacing and proration unit comprising the SW/4 of said Section 29 and its production to be simultaneously dedicated with the existing Boyd "X" State Com Well No. 4 located in Unit "K", the Boyd "X" State Com Well No. 2 in Unit "L", and the Aspden "AOH" Federal Com Well No. 1 in Unit "M", is hereby dismissed.

PROVIDED HOWEVER THE administrative application filed by Yates on June 21, 1995, being the application that said **Case No. 11,357** was taken, should be approved and said administrative approval shall be incorporated thereto.

THEREFORE,

- (A) Yates is hereby authorized to directionally drill its Aspden "AOH" Federal Com Well No. 2 from an unorthodox surface oil well location 330 feet from the South line and 1980 feet from the West line (Unit N) of Section 29, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico, in such a manner as to bottom said wellbore in the North Dagger Draw-Upper Pennsylvanian Pool at a bottom-hole location within the SE/4 SW/4 (Unit O) of said Section 29 that is considered to be "standard" pursuant to the "*Special Rules*

and Regulations", as promulgated by Division Order No. R-4691, as amended.

- (B) Said directional drilling shall be accomplished by kicking-off from vertical at a depth of approximately 5,000 feet in a northerly direction and drilling to a total true vertical depth of approximately 7600 feet.

PROVIDED HOWEVER THAT prior to commencing directional drilling operations in said wellbore, the applicant shall establish the location of the kick-off point by means of a directional survey acceptable to the Division.

PROVIDED FURTHER THAT during or upon completion of directional drilling operations, the applicant shall conduct an accurate wellbore survey from the kick-off point to total depth in order that the subsurface bottomhole location, as well as the wellbore's true depth and course, may be determined.

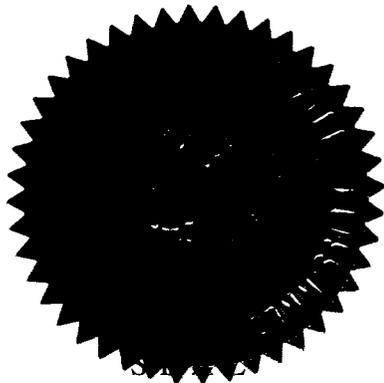
- (C) The applicant shall notify the supervisor of the Artesia district office of the Division of the date and time said wellbore surveys are to be conducted so that they may be witnessed. The applicant shall further provide a copy of said wellbore surveys to the Santa Fe and Artesia offices of the Division upon completion.
- (D) Production from said well is to be simultaneously dedicated with the Yates Petroleum Corporation Boyd "X" State Com Well Nos. 2 and 4 and the Aspden "AOH" Federal Com Well No. 1, located in Units

"L", "K", and "M" of said Section 29, respectively.

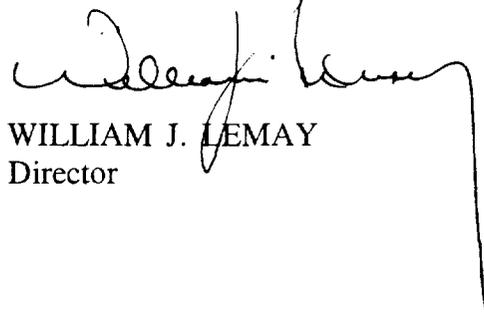
- (E) All four wells are to share the allowable assigned the existing 160-acre oil spacing and proration unit comprising the SW/4 of said Section 29.
- (F) The operator shall comply with all requirements and conditions set forth in Division General Rule 111.E(2) and any applicable requirements in 111.D and F and Order No. R-8170, as amended.
- (G) Form C-105 shall be filed in accordance with Division Rule 1105 and the operator shall indicate thereon true vertical depth in addition to measured depths.

(3) Jurisdiction of this cause is 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


WILLIAM J. LEMAY
Director