

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. 11874
Order No. R-10919

**APPLICATION OF YATES PETROLEUM
CORPORATION FOR AN UNORTHODOX
GAS WELL LOCATION, EDDY COUNTY,
NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on November 6, 1997, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 20th day of November, 1997, 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) The applicant, Yates Petroleum Corporation, seeks approval of an unorthodox Morrow gas well location for its State "K" Well No. 4 located 1980 feet from the South line and 660 feet from the West line (Unit L) of Section 28, Township 19 South, Range 25 East, NMPM, Cemetary-Morrow Gas Pool, Eddy County, New Mexico. The S/2 of Section 28 is to be dedicated to the well forming a standard 320-acre gas spacing and proration unit for said pool.

(3) The subject well is located within the Cemetary-Morrow Gas Pool which is currently governed by Rule No. 104.C. of the Division Rules and Regulations which requires standard 320-acre spacing and proration units with wells to be located no closer than 1650 feet from the end boundary nor closer than 660 feet from the side boundary of the proration unit nor closer than 330 feet from any quarter-quarter section line or subdivision inner boundary.

(4) According to applicant's evidence and testimony and Division records, the State "K" Well No. 4 was originally permitted as an 8,200 foot North Dagger Draw-Upper Pennsylvanian Pool test. The well, which is located at a standard oil well location for the North Dagger Draw-Upper Pennsylvanian Pool, was drilled during August/September, 1997, and subsequently tested non-productive in the Cisco-Canyon interval. By Form C-103 dated September 15, 1997, the applicant requested authority from the Division's Artesia District Office to continue drilling the well to a depth of approximately 9,500 feet to test the Morrow formation. This Form C-103 was approved by the Division on September 30, 1997.

(5) The applicant has drilled the State "K" Well No. 4 to a total depth of 9,574 feet and has encountered commercial gas production within the Morrow formation.

(6) Testimony by the applicant further indicates that it currently operates the State "K" Well No. 1 located 660 feet from the South line and 1980 feet from the West line (Unit N) of Section 28. This well previously produced from the Cemetary-Morrow Gas Pool, however, the applicant proposes to plug back this well and test the Cisco-Canyon interval. The S/2 of Section 28 is currently dedicated to this well in the Cemetary-Morrow Gas Pool.

(7) There are currently no Morrow producing wells offsetting Section 28.

(8) No offset operator and/or interest owner appeared at the hearing in opposition to the application.

(9) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the affected pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.

(10) The applicant should be authorized to produce only the State "K" Well No. 4 from the Cemetary-Morrow Gas Pool within the S/2 of Section 28, and should not be authorized at this time to additionally produce the State "K" Well No. 1 from the Cemetary-Morrow Gas Pool.

IT IS THEREFORE ORDERED THAT:

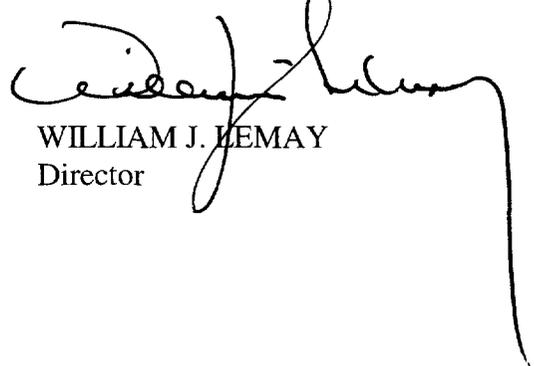
(1) The application of Yates Petroleum Corporation for an unorthodox Morrow gas well location for its State "K" Well No. 4 located 1980 feet from the South line and 660 feet from the West line (Unit L) of Section 28, Township 19 South, Range 25 East, NMPM, Cemetary-Morrow Gas Pool, Eddy County, New Mexico, is hereby approved. The S/2 of Section 28 shall be dedicated to the well forming a standard 320-acre gas spacing and proration unit for said pool.

(2) The applicant shall be authorized to produce only the State "K" Well No. 4 from the Cemetary-Morrow Gas Pool within the S/2 of Section 28, and shall not be authorized at this time to additionally produce the State "K" Well No. 1, located 660 feet from the South line and 1980 feet from the West line (Unit N) of Section 28, from the Cemetary-Morrow Gas Pool.

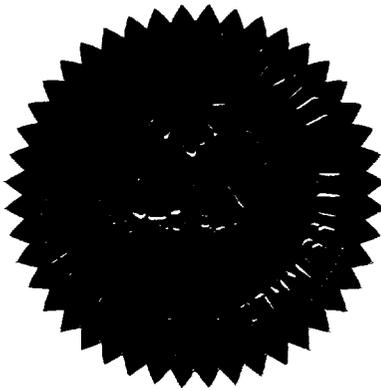
(3) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director



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