

**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. 12291
Order No. R-11310*

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

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on December 16, 1999, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 14th day of January, 2000, 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) The applicant, Yates Petroleum Corporation (Yates), seeks an exception to Division Rule No. 104.C.(2), to permit the re-entry and deepening of the plugged and abandoned R. L. Burns Corporation Witt Well No. 1 (API No. 30-025-24559), to be redesignated the R. T. Burns "ATL" Well No. 1, to the Mississippian formation at an unorthodox gas well location 330 feet from the South and East lines (Unit P) of Section 11, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico. The E/2 of Section 11 is to be dedicated to the well forming a standard 320-acre gas spacing and proration unit.

(3) The record in this case indicates that this application was originally filed with the Division for administrative approval on October 18, 1999. This application was subsequently set for hearing before a Division examiner as a result of an objection filed on October 18, 1999 by Chesapeake Operating, Inc., an affected offset operator.

(4) Evidence presented by Yates indicates that Chesapeake Operating, Inc. has now waived objection to the proposed unorthodox location.

(5) The applicant testified that the primary target within the proposed well is the Morrow formation. Secondary targets include the Upper-Pennsylvanian and Mississippian formations.

(6) The proposed proration unit is located one mile from the outer boundary of the North Townsend-Mississippian Gas Pool and less than one mile from the outer boundaries of the Townsend-Morrow and Townsend Permo-Upper Pennsylvanian Gas Pools.

(7) The North Townsend-Mississippian, Townsend-Morrow and Townsend Permo-Upper Pennsylvanian Gas Pools are currently governed by Division Rule 104.C.(2), which requires 320-acre gas spacing and proration units with wells to be located no closer than 660 feet to the outer boundary of the quarter section in which the well is located nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

(8) Division records indicate that the subject well was drilled in December, 1973 by R. L. Burns Corporation to a depth of 12,111 feet to test the Pennsylvanian formation. No commercial hydrocarbon production was encountered and the well was subsequently plugged and abandoned in December, 1973.

(9) The applicant presented geologic evidence indicating that:

- (a) within Section 11 and the sections immediately adjacent to Section 11, there have been a total of eighteen wells drilled to a depth sufficient to test the Morrow formation. Of these eighteen wells, only four have been completed as commercial producing wells in the Morrow;
- b) based upon its geologic analysis, wells that have been completed as commercial Morrow gas producers in this area are those that have encountered thick Morrow sections (> 489 feet) and are adjacent to areas of steep dip which has enhanced porosity and permeability; and
- c) its geologic interpretation demonstrates that the well location of the proposed R. L. Burns "ATL" Well No. 1 provides the optimum opportunity to encounter commercial Morrow gas production within the E/2 of Section 11.

(10) Based upon an estimated ultimate gas recovery of 1.5 BCF (the average recovery for Morrow wells in this area), the applicant testified that it would not be economic to either drill a new well or directionally drill the R. L. Burns "ATL" Well No. 1 to a standard location within the E/2 of Section 11 to recover the Morrow gas reserves underlying the proposed proration unit.

(11) The applicant presented as evidence waivers of objection to the proposed unorthodox gas well location from Chesapeake Operating, Inc., Global Natural Resources Corporation of Nevada, a subsidiary of Ocean Energy, Inc., and Merit Energy Company, and all which are all of the affected offset operators and/or interest owners.

(12) The applicant also presented as evidence a stipulated waiver of objection to the proposed unorthodox gas well location from David H. Arrington Oil and Gas, Inc. This waiver, which has been agreed to and executed by Yates Petroleum Corporation, contains a provision whereby the R. L. Burns "ATL" Well No. 1 shall be subject to a production penalty in any formation governed by Oil Conservation Division rules that provide for wells to be located no closer than 660 feet to the quarter-section boundary. The provision further stipulates that the production penalty shall equal the percentage the well's bottomhole location encroaches on the quarter-section boundary based upon a 660-foot minimum setback.

(13) Approval of the application, subject to the production penalty described in Finding No. (12) above, will provide the applicant the opportunity to economically recover the gas reserves in the Morrow formation underlying the E/2 of Section 11, thereby preventing waste, and will not violate correlative rights.

(14) Subsequent to completing re-entry operations on the R. L. Burns "ATL" Well No. 1, the applicant should conduct a directional survey to determine the bottomhole well location. The applicant should notify the supervisor of the Division's Hobbs District Office of the date and time the directional survey will be conducted on the well so that this operation may be witnessed. The results of the directional survey should be provided to the Santa Fe Office of the Division in order that the well's production penalty may be calculated.

(15) The production penalty should be applied against the well's ability to produce into the pipeline as determined from semi-annual deliverability tests.

(16) The applicant should notify the supervisor of the Division's Hobbs District Office prior to conducting any semi-annual deliverability tests on the R. L. Burns "ATL" Well No. 1, so that these tests may be witnessed.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Yates Petroleum Corporation, is hereby granted an exception to Division Rule No. 104.C(2), to permit the re-entry and deepening of the plugged and abandoned R. L. Burns Corporation Witt Well No. 1 (API No. 30-025-24559), to be redesignated the R. T. Burns "ATL" Well No. 1, to the Mississippian formation at an unorthodox gas well location 330 feet from the South and East lines (Unit P) of Section 11, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico. The E/2 of Section 11 shall be dedicated to the well forming a standard 320-acre gas spacing and proration unit.

(2) The unorthodox location approval shall apply to any formations and/or pools currently spaced on 320-acres that are subject to the setback requirements contained within Division Rule No. 104.C.(2).

(3) The R. L. Burns "ATL" Well No. 1 shall be subject to a production penalty in any formation governed by Oil Conservation Division rules that provide for wells to be located no closer than 660 feet to the quarter-section boundary. The production penalty shall equal the percentage the well's bottomhole location encroaches on the quarter-section boundary based upon a 660-foot minimum setback.

(4) Subsequent to completing re-entry operations on the R. L. Burns "ATL" Well No. 1, the applicant shall conduct a directional survey to determine the bottomhole well location. The applicant shall notify the supervisor of the Division's Hobbs District Office of the date and time the directional survey will be conducted on the well so that this operation may be witnessed. The results of the directional survey shall be provided to the Santa Fe Office of the Division in order that the well's production penalty may be calculated


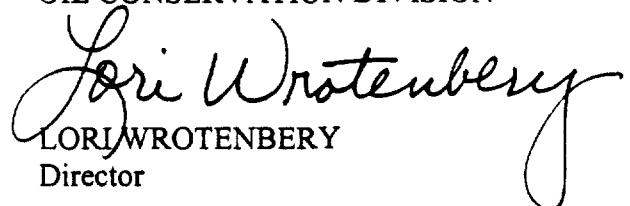
(5) The production penalty shall be applied against the well's ability to produce into the pipeline as determined from semi-annual deliverability tests.

(6) The applicant shall notify the supervisor of the Division's Hobbs District Office prior to conducting any semi-annual deliverability tests on the R. L. Burns "ATL" Well No. 1, so that these tests may be witnessed.

(7) 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



LORI WROTENBERY
Director

S E A L

NSL 10/20/99

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986

SEP 30 1999



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

September 29, 1999

Mr. Michael Stogner
New Mexico Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87508

CERTIFIED MAIL
Return Receipt Requested

RE: Application for Unorthodox Location
R.L. Burns ATL #1
Wildcat Mississippian Pool
E/2 Section 11, T16S, R35E
Lea County, New Mexico

Case 12291

Dear Mr. Stogner:

Yates Petroleum Corporation respectfully requests administrative approval for an unorthodox Mississippian gas well, the R.L. Burns ATL #1. The proposed well is located on fee minerals, 330' FSL and 330' FEL of Section 11, Township 16 South, Range 35 East.

Yates Petroleum Corporation proposes to re-enter the captioned well which was drilled by R.L. Burns Corporation in November, 1973 and plugged in January 1974. We will re-enter using a pulling unit and a reverse unit to drill out plugs to the 8 5/8" casing at 1438', dress off stub and tie back to the 8 5/8" casing from 1438' to the surface. We will then drill out plugs to the 8 5/8" shoe plug at 4663', pressure test casing, and rig down pulling unit. We will bring in a drilling rig, drill out the plugs to the original TD of 12,111' and deepen to the Mississippian formation at approximately 12,700', run logs and run 5" casing.

Yates concludes that it is cheaper to re-enter this well than to drill a new well and would be in the best interest of conservation.

Notification to the offset operators to the south, east and southeast was made by certified mail on September 29, 1999, including a copy of this application letter with all attachments.

Yates requests that this unorthodox location be administratively approved if no objections are received within the cited twenty (20) days as required by OCD regulations, or earlier if waivers are received.

Enclosed are Forms C-101, C-102, land plat and notification list of offset operators including letters of waiver.

Please call me at (505) 748-4351 if you need further information.

Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

Robert Bullock
Robert Bullock
Landman

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No. 12291 Exhibit No. 1
Submitted by: David Petroleum Corporation
Hearing Date: December 16, 1999

RB:bn
enclosure(s)

District I
PO Box 1980, Hobbs, NM 88241-1980
District II
811 South First, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Form C-101
Revised October 18, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 6 Copies
Fee Lease - 5 Copies

☐ AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

¹ Operator Name and Address. Yates Petroleum Corporation 105 S. 4th Street Artesia, New Mexico 88210		² OGRID Number 025575
		³ API Number 30 - 0 25-24559
⁴ Property Code	⁵ Property Name R.L. Burns ATL	⁶ Well No. 1

⁷ Surface Location

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
P	11	16S	35E		330'	South	330'	East	Lea

⁸ Proposed Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
⁹ Proposed Pool 1 Wildcat Mississippian					¹⁰ Proposed Pool 2				

¹¹ Work Type Code E	¹² Well Type Code G	¹³ Cable/Rotary R	¹⁴ Lease Type Code P	¹⁵ Ground Level Elevation 3971'
¹⁶ Multiple No	¹⁷ Proposed Depth 12,700'	¹⁸ Formation Mississippian	¹⁹ Contractor Not Determined	²⁰ Spud Date ASAP

²¹ Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
17 1/2"	13 3/8"	48#	375' In Place	325 sx	Circulated
11"	8 5/8"	28# & 32#	4762' In Place	500 sx	Circulated
7 7/8"	5 1/2"	17#	12,700'	750 sx	TOC 7000'

²² Describe the proposed program. If this application is to DEEPEN or PLUG BACK give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

SEE ATTACHED PAGE 2.

Will file for NSL with the New Mexico Energy, Minerals, and Natural Resources Department.

²³ I hereby certify that the information given above is true and complete to the best of my knowledge and belief. Signature:		OIL CONSERVATION DIVISION	
Printed name: Ken Beardemphl			
Title: Landman		Approved by:	
Date: September 23, 1999.		Approval Date:	
Phone: (505) 748-1471		Expiration Date:	
		Conditions of Approval: Attached <input type="checkbox"/>	

District I
PO Box 1980, Hobbs, NM 88241-1980
District II
PO Drawer DD, Artesia, NM 88211-0719
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

Form C-10:
Revised February 10, 1999.
Instructions on back
Submit to Appropriate District Office:
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number 30-025-24559		2 Pool Code		3 Pool Name	
4 Property Code		5 Property Name R.L. Burns ATL			6 Well Number 1
7 OGRID No. 025575		8 Operator Name YATES PETROLEUM CORPORATION			9 Elevation 3971'

10 Surface Location

UL or lot no. P	Section 11	Township 16S	Range 35E	Lot Idn	Feet from the 330'	North/South line South	Feet from the 330'	East/West line East	County Lea
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11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
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12 Dedicated Acres 320	13 Joint or Infill	14 Consolidation Code	15 Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

16		FREE	330'
17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. Signature: <i>Ken Beardemphl</i> Printed Name: Ken Beardemphl Title: Landman Date: September 23, 1999			
18 SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. Date of Survey: Signature and Seal of Professional Surveyer: <i>Refer to Original Plat</i> Certificate Number:			

DRILLING PROGRAM

R.L. Burns ATL #1

Page 2

Yates Petroleum Corporation proposes to re-enter the captioned well which was drilled by R.L. Burns Corporation in November, 1973 and plugged in January 1974. Will re-enter using a pulling unit and a reverse unit to drill out plugs to the 8 5/8" casing at 1438', dress off stub, and tie back to the 8 5/8" casing from 1438' to the surface. Will then drill out plugs to the 8 5/8" shoe plug at 4663', pressure test casing, and rig down pulling unit. Will bring in a drilling rig, drill out the plugs to the original TD of 12,111' and deepen to the Mississippian Formation at approximately 12,700', run logs and run 5" casing.

MUD PROGRAM: Will use Cut Brine, 9.3 ppg, viscosity 29-33.

BOPE PROGRAM: 5000# BOPE will be installed on the 8 5/8" casing and tested daily for operational.

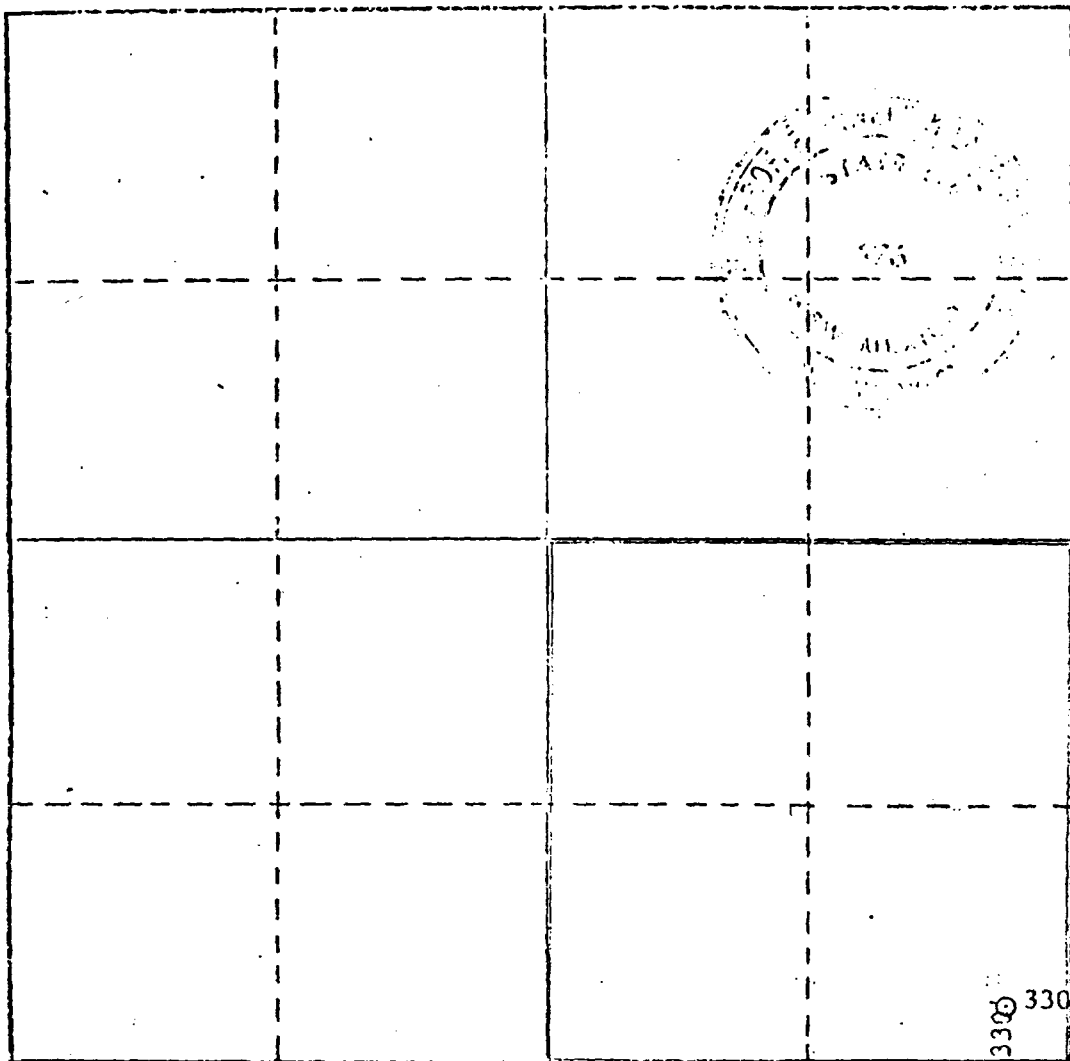
Operator R.L. BURNS CORPORATION			Location WITT		Well No. 1
Unit Letter O	Section 11	Township 16 S	Range 35 E	County LEA	
Actual Well Location of Well:					
330 feet from the SOUTH		Line and	330 feet from the EAST		Line
Ground Level Elev. 3971.6'	Producing Formation Strawn	Pool Unders. North Shoe Bar Penn	Dedicated Acreage: 160 Acres		

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☒ Yes ☐ No If answer is "yes," type of consolidation Communitization

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.)

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

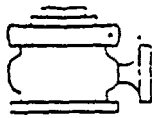
Name John W. West
 Position Agent
 Company R. L. Burns Corporation
 Date November 27, 1973

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed OCTOBER 10, 1973
 Registered Professional Engineer and/or Land Surveyor

John W. West
 Certificate No. 676

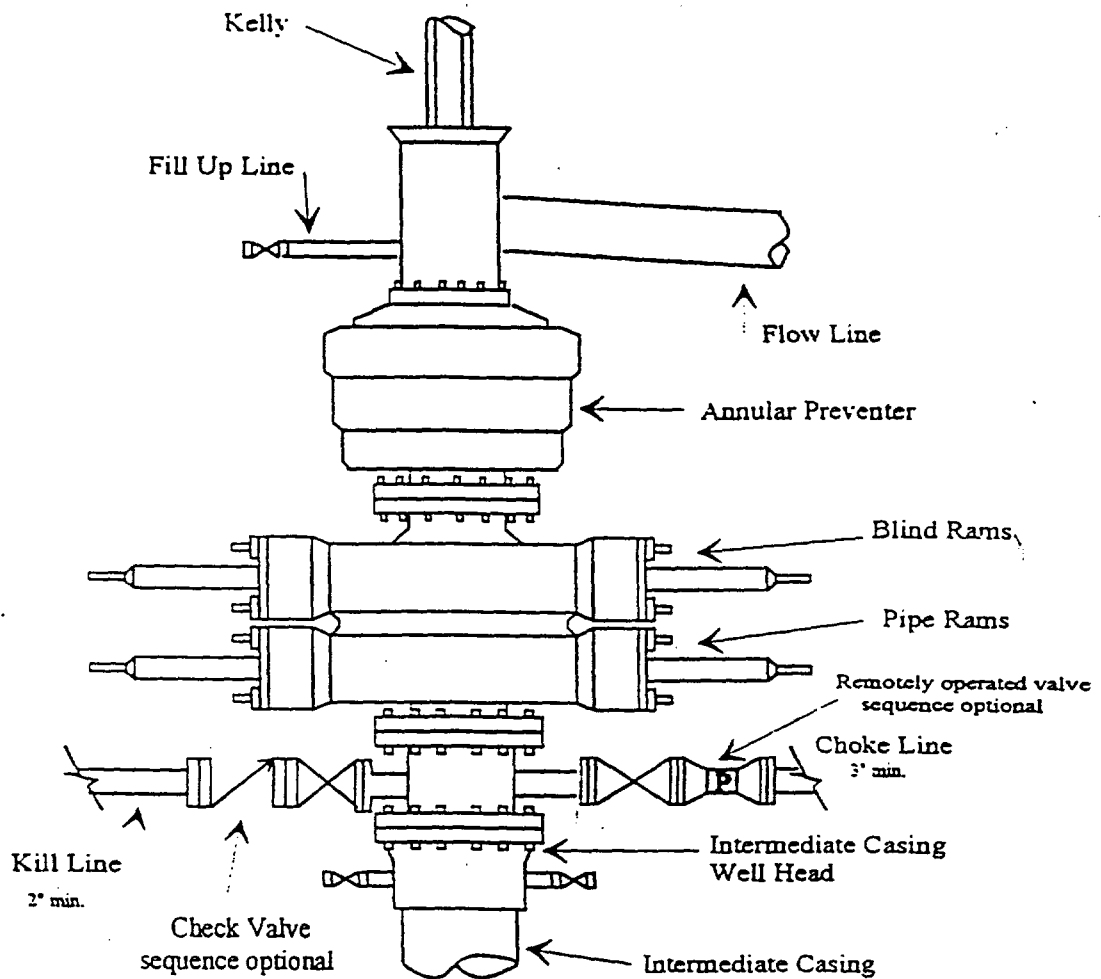
0 330 660 990 1320 1650 1980 2310 2640 2970 3300 3630 3960 4290 4620 4950 5280 5610 5940 6270 6600



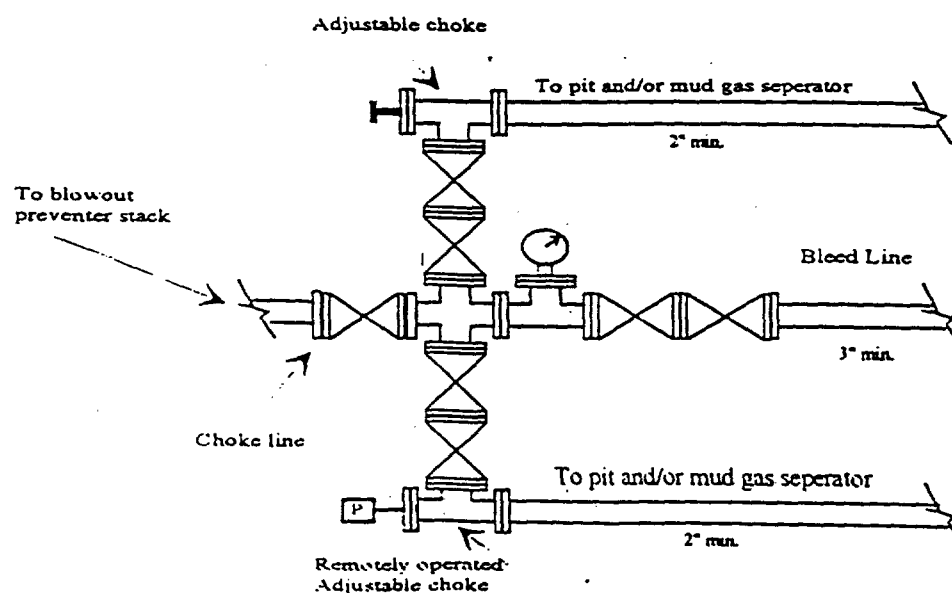
Yates Petroleum Corporation

BOP-4

Typical 5,000 psi Pressure System Schematic Annular with Double Ram Preventer Stack



Typical 5,000 psi choke manifold assembly with at least these minimum features



[illegible]

*Notification List
Offset Operators*

*Merit Energy Company
2510 W. Ohio Avenue
Midland, Texas 79701*

*David H. Arrington Oil and Gas, Inc.
PO Box 2071
Midland, Texas 79702*

*Chesapeake Operating, Inc.
PO Box 18496
Oklahoma City, Oklahoma 73154-0496*

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

September 29, 1999

Merit Energy Company
2510 W. Ohio Avenue
Midland, Texas 79701

RE: Offset Operator Notification
Unorthodox Location
R.L. Burn ATL #1
Township 16 South, Range 35 East
Section 11: 330' FSL & 330' FEL
Lea County, New Mexico

Gentlemen:

Yates Petroleum Corporation plans to re-enter the existing wellbore at the unorthodox location described above. This location does not comply with the well spacing requirements set forth in NMOCD Rule 104.B(1)(a) (Revised 1/96).

If you have no objections to this unorthodox location, please signify your approval by signing one copy of this letter in the space provided below and returning same to the undersigned. Any objection must be filed in writing with the NMOCD within twenty (20) days from the date of this notice.

Very truly yours,

YATES PETROLEUM CORPORATION

Robert Bullock
Landman

RB:bn
enclosure(s)

The undersigned hereby waives any objection to the unorthodox location proposed by Yates Petroleum Corporation

MERIT ENERGY COMPANY

By: _____

Title: _____

Date: _____

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
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SECRETARY
DENNIS G. KINSEY
TREASURER

September 29, 1999

David H. Arrington Oil and Gas, Inc.
PO Box 2071
Midland, Texas 79702

RE: Offset Operator Notification
Unorthodox Location
R.L. Burn ATL #1
Township 16 South, Range 35 East
Section 11: 330' FSL & 330' FEL
Lea County, New Mexico

Gentlemen:

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Very truly yours,

YATES PETROLEUM CORPORATION

Robert Bullock
Landman

RB:bn
enclosure(s)

The undersigned hereby waives any objection to the unorthodox location proposed by Yates Petroleum Corporation

DAVID H. ARRINGTON OIL AND GAS, INC.

By: _____

Title: _____

Date: _____

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

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EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

September 29, 1999

Chesapeake Operating, Inc.
PO Box 18496
Oklahoma City, Oklahoma 73154-0496

RE: Offset Operator Notification
Unorthodox Location
R.L. Burn ATL #1
Township 16 South, Range 35 East
Section 11: 330' FSL & 330' FEL
Lea County, New Mexico

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Very truly yours,

YATES PETROLEUM CORPORATION

Robert Bullock
Landman

RB:bn
enclosure(s)

The undersigned hereby waives any objection to the unorthodox location proposed by Yates Petroleum Corporation

CHESAPEAKE OPERATING, INC.

By: _____

Title: _____

Date: _____