

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. 12373
Order No. R-11368

APPLICATION OF YATES PETROLEUM CORPORATION FOR AN
UNORTHODOX 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 April 20, 2000, at Santa Fe, New Mexico, before Examiner Mark W. Ashley.

NOW, on this 3rd day of May, 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 approval to re-enter the plugged and abandoned Read & Stevens State "F" Well No. 1 (API No. 30-025-23286) to be redesignated the Caprock "AVD" State Well No. 1, which is located at an unorthodox gas well location 660 feet from the North line and 510 feet from the East line (Unit A) of Section 13, Township 11 South, Range 32 East, NMPM, Lea County, New Mexico, to test the Atoka-Morrow formation and the Mississippian formation in the Undesignated East Caprock-Mississippian Gas Pool. The E/2 of Section 13 is to be dedicated to the subject well in order to form a standard 320-acre gas spacing and proration unit for both the Atoka formation and the Morrow formation in the Undesignated East Caprock-Mississippian Gas Pool.

(3) Yates originally sought administrative approval of this location; however, following discussions with the Division, the application was set for hearing to require Yates to present additional evidence concerning the proposed well location.

(4) The proposed well is located within one mile of the East Caprock-Mississippian Gas Pool, which is currently governed by Division Rule 104.C. (2) requiring 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 on which the well is located and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary. One infill well on a 320-acre unit is allowed provided the well is located in the quarter section of the 320-acre unit not containing the initial well and is no closer than 660 feet to the

outer boundary of the quarter section and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary. The Division-designated operator for the infill well must be the same operator currently designated by the Division for the initial well.

(5) The primary target for the subject well is the Atoka-Morrow formation.

(6) Yates testified that the best location for encountering commercial quantities of hydrocarbons from the Atoka-Morrow formation would be on a thick structural low. Based on the evidence submitted by Yates, the proposed bottom hole location of the subject well should encounter a thick structural low within the Atoka-Morrow formation.

(7) Yates further testified that economic savings would be realized by re-entering the subject well and drilling to the proposed bottom hole location.

(8) Division records indicate that the proposed bottom hole location of the subject well will encroach upon Sections 7 and 8, Township 11 South, Range 33 East, NMPM, Lea County, New Mexico. All affected parties towards which the proposed location encroaches have been notified.

(9) No affected party appeared at the hearing or objected to this application.

(10) Approval of this application will afford the applicant the opportunity to produce its just and equitable share of oil and gas within the subject formations, will result in the recovery of hydrocarbons that would otherwise be left in the ground and wasted, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

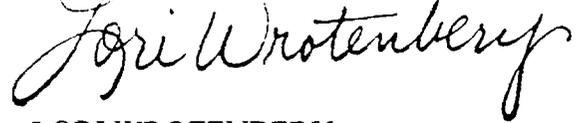
(1) The applicant, Yates Petroleum Corporation, is hereby authorized to re-enter the plugged and abandoned Read & Stevens State "F" Well No. 1 (API No. 30-025-23286), redesignated the Caprock "AVD" State Well No. 1, which is located at an unorthodox gas well location 660 feet from the North line and 510 feet from the East line (Unit A) of Section 13, Township 11 South, Range 32 East, NMPM, Lea County, New Mexico, to test the Atoka-Morrow formation and the Mississippian formation in the Undesignated East Caprock-Mississippian Gas Pool. The E/2 of Section 13 is to be dedicated to the subject well in order to form a standard 320-acre gas spacing and proration unit for both the Atoka formation and the Morrow formation in the Undesignated East Caprock-Mississippian Gas Pool.

(2) 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.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



LORI WROTENBERY
Director

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