

**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. 12681
ORDER NO. R-11680**

**APPLICATION OF YATES PETROLEUM CORPORATION FOR POOL
CREATION AND THE PROMULGATION OF SPECIAL POOL RULES, LEA
COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on June 28, 2001, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 30th day of October, 2001, 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) Yates Petroleum Corporation ("Yates") is the owner and operator of the Big Bear "ATN" Well No. 2 (**API No. 30-025-35261**), which was drilled in January/February, 2001 to a total depth of 13,350 feet to test the deeper Mississippian formation at a standard gas well location 1675 feet from the South line and 660 feet from the West line (Unit L) of Section 29, Township 15 South, Range 35 East, NMPM, Lea County, New Mexico, within a standard 320-acre lay-down gas spacing unit comprising the S/2 of Section 29. Yates subsequently completed this well in the shallower Atoka interval with perforations from 11878 feet to 11882 feet.

(3) The applicant now seeks the creation of a new pool for this Atoka oil production underlying the N/2 SW/4 of Section 29 with special pool rules including provisions for 80-acre spacing and designated well location requirements whereby wells would be located no closer than 330 feet to any quarter-quarter section line or subdivision inner boundary.

(4) Currently this Atoka oil production is classified as "wildcat" production and is governed by the Division's statewide rules [Rule 104.B (1)] with development on standard 40-acre spacing and proration units, each having a top unit depth bracket allowable of 365 barrels of oil per day and a limiting gas/oil ratio of 2,000 cubic feet of gas per barrel of oil, which results in a casinghead gas allowable of 730 MCF per day (Rule 505).

(5) Yates presented testimony, which indicates that the S/2 of Section 29 is included in a single fee lease in which Yates is the leasehold operator.

(6) The preliminary engineering and geological evidence presented by the applicant indicates that the Atoka pay zone encountered in this well is capable of draining an area in excess of 40 acres.

(7) The proposed 330-foot setback requirement is a departure from the established set-back requirements for oil pools with 80-acre spacing, which restrict well locations to an area within a 150 foot radius of the center of either quarter-quarter section or lot in the unit.

(8) This 330-foot setback requirement would serve to maximize flexibility in locating wells within spacing units at locations that are geological and/or topographically acceptable.

(9) Devon Energy Production Company, L.P. entered its appearance at the hearing through legal counsel; however, no other operator and/or mineral interest owner appeared at the hearing in opposition to this application.

(10) In order to: (i) assure orderly development of the proposed pool, (ii) prevent the economic loss caused by the drilling of unnecessary wells, (iii) avoid the augmentation of risk arising from the drilling of an excessive number of wells, (iv) prevent reduced recovery that might result from the drilling of too few wells, and (v) prevent waste and protect correlative rights, temporary special rules and regulations providing for 80-acre spacing units along with the proposed well location restrictions should be promulgated for the proposed pool.

(11) The applicant did not propose a pool-name designation for the above-described pool. In keeping the Division's long-standing policy of referencing nearby geographical place names and/or utilizing existing names of pools in other formations within the immediate area of a new pool, this pool should be designated the Big Dog-Atoka Pool.

(12) Further the special pool rules for this newly designated pool should be established for a temporary two-year period in order to allow the operators in the pool time to gather sufficient reservoir information to determine whether 80-acre spacing is appropriate development for this pool.

(13) This case should therefore be reopened at an examiner hearing in November, 2003, at which time the operators in the pool should be prepared to appear and show cause why the temporary special pool rules for the Big Dog-Atoka Pool should not be rescinded.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Yates Petroleum Corporation ("Yates"), a new pool in Lea County, New Mexico, classified as an oil pool for Atoka production is hereby created and designated the Big Dog-Atoka Pool, with vertical limits comprising the entire Atoka formation and horizontal limits comprising the following described area:

TOWNSHIP 15 SOUTH, RANGE 35 EAST, NMPM
Section 29: N/2 SW/4.

(2) The temporary special rules for the Big Dog-Atoka Pool are hereby promulgated as follows:

**TEMPORARY SPECIAL RULES AND REGULATIONS
FOR THE
BIG DOG-ATOKA POOL**

RULE 1: Each well completed or recompleted in the Big Dog-Atoka Pool or in the Atoka formation within one mile thereof, and not nearer to or within the limits of another Atoka oil pool, shall be spaced, drilled, operated and produced in accordance with these special rules.

RULE 2: Each well shall be located on a standard unit containing 80 acres, more or less, consisting of the N/2, S/2, E/2 or W/2 of a governmental quarter section; provided however, that nothing contained herein shall be construed as prohibiting the drilling of a well on each of the quarter-quarter sections or lots in that unit.

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)**.

RULE 4: Each well shall be located no closer than 330 feet to any quarter-quarter section line or subdivision inner boundary.

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**.

RULE 6: A standard proration unit (79 through 81 acres) shall be subject to an 80-acre depth-bracket allowable of 445 barrels of oil per day. The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 80 acres.

IT IS FURTHER ORDERED THAT:

(3) The location of any well presently drilling to or completed in the Big Dog-Atoka Pool or in the Atoka formation within one mile thereof is hereby approved. The operator of any well having an unorthodox location shall notify the Division's Hobbs District Office in writing of the name and location of the well within 20 days from the date of this order.

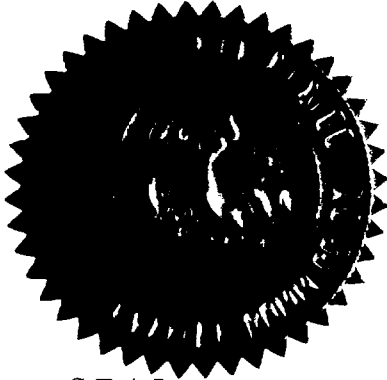
(4) Pursuant to Paragraph A of Section 70-2-18, NMSA 1978, existing oil wells in the Big Dog-Atoka Pool shall have dedicated thereto 80 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C of Section 70-2-18, existing wells may have non-standard spacing or proration units established by the Division and dedicated thereto.

Failure to file new Forms C-102 with the Division dedicating 80 acres to a well or to obtain a non-standard unit approved by the Division within 60 days from the date of this order shall subject the well to cancellation of allowable.

(5) Unless called earlier by the motion of the Division, this case shall be reopened at an examiner hearing in November, 2003, at which time the operators in the subject pool should be prepared to appear and show cause why the temporary special pool rules for the Big Dog-Atoka Pool should not be rescinded and the pool not be developed on statewide 40-acre spacing.

(6) 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.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Lori Wrotenbery
LORI WROTENBERY
Director