



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION



BRUCE KING
GOVERNOR

ANITA LOCKWOOD
CABINET SECRETARY

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

October 13, 1992

FISK & VANDIVER
Mr. David Vandiver
7th & Mahone
Suite E
Artesia, New Mexico 88210

RE: CASE NO. 10543
ORDER NO. R-9740

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,

Florene Davidson

Florene Davidson
OC Staff Specialist

FD/sl

cc: BLM Carlsbad Office

**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. 10543
Order No. R-9740**

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

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on September 17, 1992, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 13th day of October, 1992, 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 gas well location for its proposed Irish Hills "KW" State Well No. 3 to be located 660 feet from the North and East lines (Unit A) of Section 2, Township 19 South, Range 24 East, NMPM, Eddy County, New Mexico, to test all formations and/or pools from the top of the Wolfcamp formation to the base of the Morrow formation being developed on 320-acre spacing. Lots 1 through 4 and the S/2 N/2 (N/2 equivalent) of Section 2 are to be dedicated to said well forming a standard 321.08-acre gas spacing and proration unit.

(3) The applicant further seeks an exception to Division General Rule 104 (C)(2) to allow the N/2 equivalent of Section 2 to be simultaneously dedicated in the Penasco Draw-Permo Pennsylvanian Gas Pool to the proposed well and to the existing Irish Hills "KW" State Well No. 2 located at a standard gas well location 1980 feet from the North and East lines (Unit G) of Section 2.

(4) The applicant's geologic evidence indicates that the primary objective in the subject well is the Morrow formation.

(5) The Irish Hills "KW" State Well No. 2 was drilled in 1980 and completed in the Penasco Draw-Permo Pennsylvanian Gas Pool. According to evidence presented, the well has cumulatively produced 300 MMCF of gas and is currently capable of producing approximately 100 MCFG per day.

(6) The Irish Hills "KW" State Well No. 2 encountered approximately two feet of clean Morrow sand and subsequently tested non-commercial in the Morrow formation.

(7) According to applicant's geologic evidence, a well at the proposed location should encounter a substantially greater amount of Morrow pay sands than a well drilled at a standard location thereon, thereby increasing the likelihood of obtaining commercial production.

(8) In addition, as a result of encountering a greater amount of Morrow pay sands, a well at the proposed location should more effectively drain the gas reserves in the Morrow formation underlying the N/2 of Section 2.

(9) The N/2 of Section 1, being the acreage upon which the subject well is encroaching, is operated by Yates Petroleum Corporation.

(10) No other offset operator and/or interest owner appeared at the hearing in opposition to the proposed unorthodox location.

(11) 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(s), 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.

(12) Applicant's further evidence and testimony in this case indicates that the Penasco Draw-Permo Pennsylvanian Gas Pool is a secondary objective in the subject well.

(13) Pursuant to the Division Memorandum dated August 3, 1990 regarding Rule 104 (C)(II) of the General Rules and Regulations, the Division may authorize, after notice and hearing, the continuance and concurrent production of two wells on the same proration unit in a non-prorated gas pool provided that the applicant demonstrates that its correlative rights will be impaired unless both wells are produced.

(14) The applicant, through its evidence and testimony in this case, did not demonstrate that its correlative rights would be impaired unless both of the subject wells are produced.

(15) Applicant's request for simultaneous dedication should be denied.

(16) Should the Irish Hills "KW" State Well No. 3 ultimately be completed in the Penasco Draw-Permo Pennsylvanian Gas Pool, the applicant should be required to obtain authorization to produce both wells alternately pursuant to the requirements set forth in the Division Memorandum described above.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Yates Petroleum Corporation, is hereby authorized to drill its Irish Hills "KW" State Well No. 3 at an unorthodox gas well location 660 feet from the North and East lines (Unit A) of Section 2, Township 19 South, Range 24 East, NMPM, Eddy County, New Mexico, to test all formations and/or pools from the top of the Wolfcamp formation to the base of the Morrow formation being developed on 320-acre spacing.

(2) Lots 1 through 4 and the S/2 N/2 (N/2 equivalent) of Section 2 shall be dedicated to the above-described well forming a standard 321.08-acre gas spacing and proration unit.

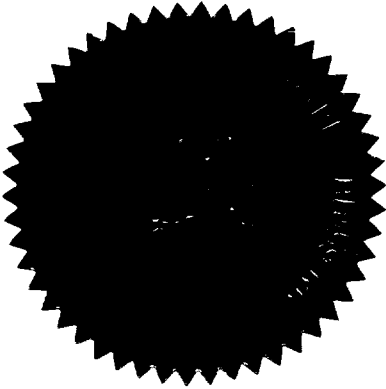
(3) The applicant's request to simultaneously dedicate the N/2 of Section 2 in the Penasco Draw-Permo Pennsylvanian Gas Pool to the above-described well and to the existing Irish Hills "KW" State Well No. 2 located at a standard gas well location 1980 feet from the North and East lines (Unit G) of Section 2, is hereby denied.

(4) Should the Irish Hills "KW" State Well No. 3 ultimately be completed in the Penasco Draw-Permo Pennsylvanian Gas Pool, the applicant shall be required to obtain authorization to produce both wells alternately pursuant to the requirements set forth in the Division Memorandum described in Finding No. (13) above.

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

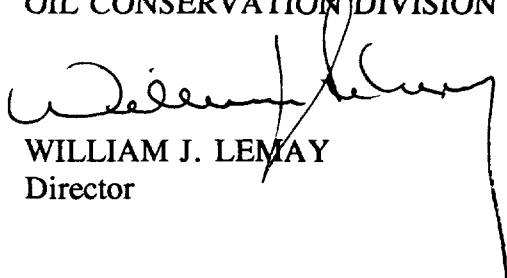
CASE NO. 10543
Order No. R-9740
Page -4-

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



S E A L

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director