

**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. 10730
Order No. R-9906**

**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 May 20, 1993, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 4th day of June, 1993, 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 to drill its proposed Conoco "AGK" Federal Well No. 15 at an unorthodox gas well location 660 feet from the South line and 1980 feet from the East line (Unit O) of Section 26, Township 20 South, Range 24 East, NMPM, Cemetery-Morrow Gas Pool, Eddy County, New Mexico.
- (3) The applicant proposes to dedicate the E/2 of Section 26 to the subject well forming a standard 320-acre gas spacing and proration unit for said pool.

(4) The proposed well is located within one mile of the outer boundary of the Cemetery-Morrow Gas Pool which is currently governed by Statewide Rules and Regulations which require standard 320-acre gas spacing and proration units with wells to be located no closer than 1980 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.

(5) According to applicant's evidence, the subject well is proposed to be tested in both the Cemetery-Morrow Gas Pool and the South Dagger Draw-Upper Pennsylvanian Associated Pool.

(6) The South Dagger Draw-Upper Pennsylvanian Associated Pool is currently governed by Special Rules and Regulations as promulgated by Division Order No. R-5353, as amended, which require standard 320-acre oil or gas spacing units with wells to be located no closer than 660 feet to the nearest end or side boundary of the tract nor closer than 330 feet to any quarter-quarter section line or subdivision inner boundary.

(7) The proposed well is at a standard location for the South Dagger Draw-Upper Pennsylvanian Associated Pool.

(8) According to applicant's evidence and testimony, the proposed unorthodox location is necessitated by geologic considerations in the Morrow formation.

(9) Applicant's geologic evidence indicates that a well drilled at the proposed unorthodox location should encounter a greater amount of gross sand in the Upper Morrow interval than a well drilled at a standard Morrow location thereon, thereby increasing the likelihood of obtaining commercial gas production.

(10) The proposed Conoco "AGK" Federal Well No. 15 is offset to the south by the Conoco Inc. Preston Federal Well No. 6 located at an unorthodox location 990 feet from the North line and 460 feet from the East line (Unit A) of Section 35, Township 20 South, Range 24 East, NMPM. The Preston Federal Well No. 6 was completed in the Cemetery-Morrow Gas Pool in February, 1993, at an initial producing rate of 2.5 MMCFG per day.

(11) Applicant's engineering evidence and testimony indicate that a well at the proposed unorthodox location is necessary in order to protect the E/2 of Section 26 from drainage from the aforesaid Preston Federal Well No. 6.

(12) The affected offset operators to the south and southeast are Conoco Inc. and Marathon Oil Company, respectively.

(13) Neither Conoco Inc. nor Marathon Oil Company appeared at the hearing in opposition to the application.

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

(15) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the oil and gas in the affected pools, 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.

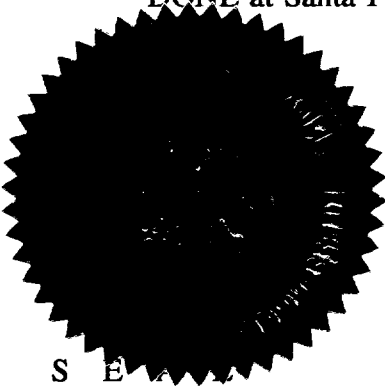
IT IS THEREFORE ORDERED THAT:

(1) The applicant, Yates Petroleum Corporation, is hereby authorized to drill its Conoco "AGK" Federal Well No. 15 at an unorthodox gas well location 660 feet from the South line and 1980 feet from the East line (Unit O) of Section 26, Township 20 South, Range 24 East, NMPM, Cemetery-Morrow Gas Pool, Eddy County, New Mexico.

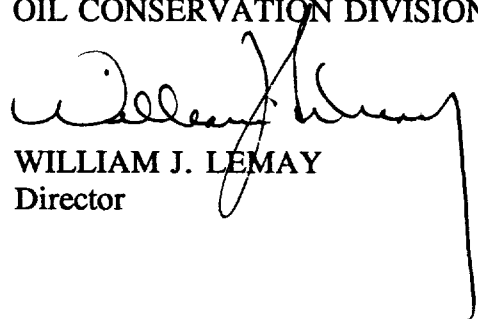
(2) The E/2 of Section 26 shall be dedicated to the above-described well forming a standard 320-acre gas spacing and proration unit for said pool.

(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.



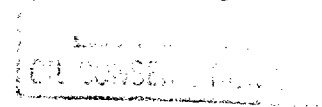
STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

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:

MAY 18



CASE NO. 10730

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

PRE-HEARING STATEMENT

This Prehearing Statement is submitted by Campbell, Carr, Berge & Sheridan, P.A.,
as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANT

ATTORNEY

Yates Petroleum Corporation _____
c/o Kathy H. Porter _____
105 South Fourth Street _____
Artesia, New Mexico 88210 _____
(505) 748-1471 _____
name, address, phone and
contact person

William F. Carr, Esq. _____
Campbell, Carr, Berge & Sheridan, P.A.
Post Office Box 2208 _____
Santa Fe, New Mexico 87504 _____
(505) 988-4421 _____

OPPOSITION OR OTHER PARTY

ATTORNEY

name, address, phone and
contact person

STATEMENT OF CASE

APPLICANT

(Please make a concise statement of what is being sought with this application and the reasons therefore.)

Yates Petroleum Corporation, applicant in the above-captioned cause, seeks authorization to drill to the Morrow formation, Cemetery-Morrow Gas Pool, its Conoco AGK Federal Well No. 15 at an unorthodox location 660 feet from the South line and 1980 feet from the East line (Unit O) of Section 26, Township 20 South, Range 24 East. The E/2 of Section 26 is to be dedicated to said well forming a standard 320-acre gas spacing and proration unit.

OPPOSITION OR OTHER PARTY

(Please make a concise statement of the basis for opposing this application or otherwise state the position of the party filing this statement.)

PROPOSED EVIDENCE

APPLICANT

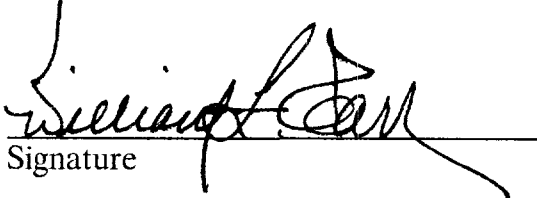
WITNESSES (Name and expertise)	EST. TIME	EXHIBITS
David Boneau, Petroleum Engineer	10 Min.	Approximately 2
D'nese Fly, Geologist	15 Min.	Approximately 5

OPPOSITION

WITNESSES (Name and expertise)	EST. TIME	EXHIBITS
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PROCEDURAL MATTERS

(Please identify any procedural matters which need to be resolved prior to hearing)


Signature

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

MAY 18

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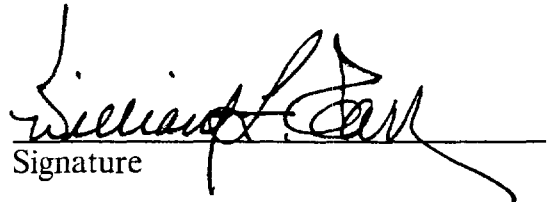
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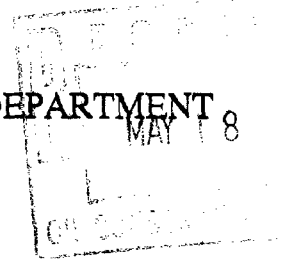
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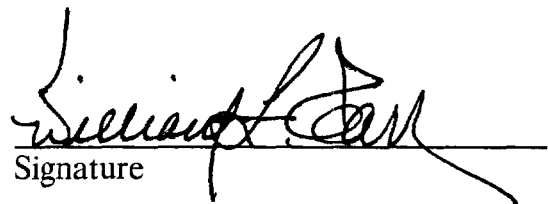
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BY THE DIVISION:

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NOW, on this June day of ~~May~~, 1993, the Division Director,
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recommendations of the Examiner, and being fully advised in the
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FINDS THAT:

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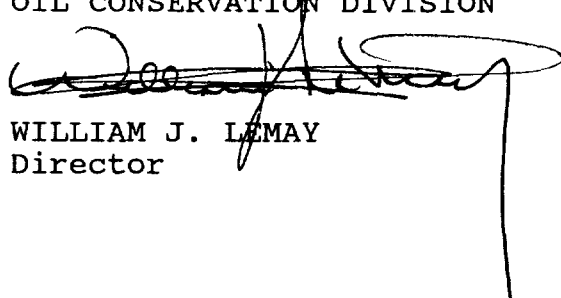
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DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

S E A L