

**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. 10792
Order No. R-9946**

**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 August 12, 1993, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 19th day of August, 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 Yerba "AMY" Federal Com Well No. 1 at an unorthodox gas well location 1650 feet from the North line and 1580 feet from the West line (Unit F) of Section 14, Township 21 South, Range 24 East, NMPM, Eddy County, New Mexico, to a depth of approximately 10,350 feet to test all formations and/or pools developed on 320-acre gas spacing.

(3) The applicant proposes to dedicate the N/2 of Section 14 to the above-described well forming a standard 320-acre gas spacing and proration unit.

(4) Applicant's evidence and testimony indicates that the primary target within the subject well is the Morrow formation.

(5) The applicant originally staked the proposed well at a standard gas well location 1650 feet from the North line and 1980 feet from the West line (Unit F) of said Section 14; however, this location was denied by the Bureau of Land Management (BLM) due to topographic considerations.

(6) The applicant presented geologic evidence and testimony which indicate that a well at the proposed unorthodox location should penetrate the Morrow formation at a structurally higher position and above the gas-water contact than a well drilled at a standard gas well location thereon, thereby increasing the likelihood of obtaining commercial gas production.

(7) The affected offset acreage to the northwest and southwest is owned or controlled by Yates Petroleum Corporation.

(8) The affected offset acreage to the west is Federally owned acreage which is currently unleased.

(9) According to applicant's testimony, it has requested that the N/2 of Section 15 be put up for lease by the Bureau of Land Management. Further testimony indicates that the applicant will attempt to lease this acreage if it is put up for bid.

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

(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.

IT IS THEREFORE ORDERED THAT:

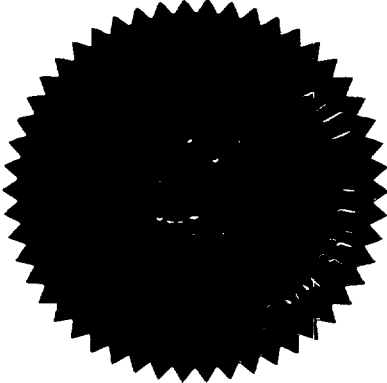
(1) The applicant, Yates Petroleum Corporation, is hereby authorized to drill its Yerba "AMY" Federal Com Well No. 1 at an unorthodox gas well location 1650 feet from the North line and 1580 feet from the West line (Unit F) of Section 14, Township 21 South, Range 24 East, NMPM, Eddy County, New Mexico, to a depth of approximately 10,350 feet to test all formations and/or pools developed on 320-acre gas spacing.

(2) The N/2 of Section 14 shall be dedicated to the above-described well forming a standard 320-acre gas spacing and proration unit.

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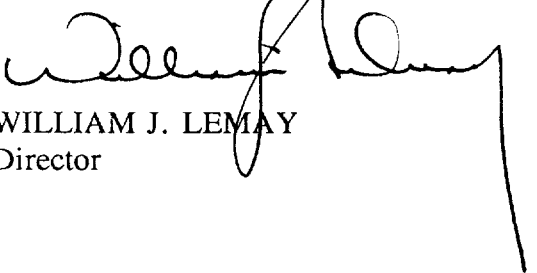
(3) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

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



S E A L

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director