

**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:

APPLICATION OF YATES PETROLEUM
CORPORATION FOR THE PROMULGATION OF
SPECIAL RULES AND REGULATIONS FOR THE
SOUTH PECOS SLOPE-ABO GAS POOL,
CHAVES COUNTY, NEW MEXICO.

CASE NO. 11421

APPLICATION OF YATES PETROLEUM
CORPORATION FOR THE PROMULGATION OF
SPECIAL RULES AND REGULATIONS FOR THE
WEST PECOS SLOPE-ABO GAS POOL,
CHAVES COUNTY, NEW MEXICO.

CASE NO. 11422

IN THE MATTER OF CASE NOS. 10793, 10981 AND 11004
BEING REOPENED PURSUANT TO THE PROVISIONS
OF DIVISION ORDER NOS. R-9976 and R-9976-A,
WHICH ORDERS ESTABLISHED A "PILOT INFILL
DRILLING PROGRAM" IN THE PECOS SLOPE-
ABO GAS POOL IN PORTIONS OF TOWNSHIPS 5,
6, and 7 SOUTH, RANGES 25 AND 26 EAST,
CHAVES COUNTY, NEW MEXICO.

CASE NOS. 10793,
10981 AND 11004

PRE-HEARING STATEMENT

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

Pre-hearing Statement

NMOCD Case Nos. 11421, 11422 and 10793, 10981 and 11004 (Reopened)

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APPEARANCES OF PARTIES

APPLICANT

Yates Petroleum Corporation
c/o Robert Bullock
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name, address, phone and
contact person

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OPPOSITION OR OTHER PARTY

Tide West Oil Company

name, address, phone and
contact person

ATTORNEY

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OPPOSITION OR OTHER PARTY

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name, address, phone and
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Pre-hearing Statement

NMOCD Case Nos. 11421, 11422 and 10793, 10981 and 11004 (Reopened)

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STATEMENT OF CASE

APPLICANT

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

CASE 11421

Yates Petroleum Corporation, applicant in the above-captioned cause, seeks the promulgation of special rules and regulations for the currently unprorated South Pecos Slope-Abo Gas Pool, including provisions to permit the optional drilling of an additional well on each 160-acre standard gas spacing and proration unit, designated well location requirements, and any other provisions deemed necessary in the implementation of "infill drilling" in said pool. Currently the South Pecos Slope-Abo Gas Pool comprises approximately 73,440 acres in portions of Townships 8, 9, 10 and 11 South, Ranges 24, 25, 26 and 27 East.

CASE 11422

Yates Petroleum Corporation, applicant in the above-captioned cause, seeks the promulgation of special rules and regulations for the currently unprorated West Pecos Slope-Abo Gas Pool, including provisions to permit the optional drilling of an additional well on each 160-acre standard gas spacing and proration unit, designated well location requirements, and any other provisions deemed necessary in the implementation of "infill drilling" in said pool. Currently the West Pecos Slope-Abo Gas Pool comprises approximately 92,480 acres in portions of Townships 5, 6, 7, 8 and 9 South, Ranges 22, 22 and 23 East.

CASES 10793, 10981 and 11004:

Yates Petroleum Corporation, the applicant in this matter, seeks the promulgation of special rules and regulations for the currently unprorated Pecos Slope-Abo Gas Pool.

Pre-hearing Statement

NMOCD Case Nos. 11421, 11422 and 10793, 10981 and 11004 (Reopened)

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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
Mecca Mauritsen, Landman	15 Min.	Approximately 4
Darrick Stallings, Engineer	40 Min.	Approximately 10

OPPOSITION

WITNESSES (Name and expertise)	EST. TIME	EXHIBITS
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Pre-hearing Statement

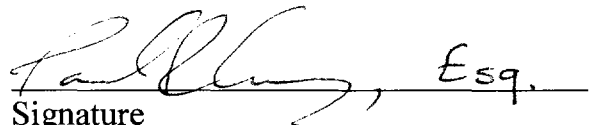
NMOCD Case Nos. 11421, 11422 and 10793, 10981 and 11004 (Reopened)

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PROCEDURAL MATTERS

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

Yates will request that Cases 11421, 11422 and Reopened Cases 10793, 10981 and 11004 be consolidated for purposes of testimony.


Signature
for William F. Carr, Esq.

Pre-hearing Statement

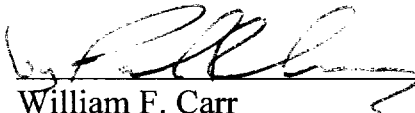
NMOCD Case Nos. 11421, 11422 and 10793, 10981 and 11004 (Reopened)

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CERTIFICATE OF SERVICE

I hereby certify that on this 27 day of October, 1995, I have caused to be mailed a copy of our Pre-Hearing Statement in the above-captioned cases to the following named counsel:

W. Thomas Kellahin, Esq.
Kellahin & Kellahin
Post Office Box 2265
Santa Fe, New Mexico 87504-2265


William F. Carr

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. 11333
ORDER NO. R-8170-O

APPLICATION OF MARATHON
OIL COMPANY FOR THE
EXPANSION OF THE
CEMETERY-MORROW GAS
POOL AND THE CONTRACTION
OF THE INDIAN BASIN-
MORROW GAS POOL, EDDY
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on July 13, 1995, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 27th day of November, 1995, the Division Director, having considered 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) By Division Order No. R-2679, dated March 31, 1964 and made effective April 1, 1964, the Cemetery-Morrow Gas Pool was created and designated as a gas pool for the production of gas from the Morrow formation underlying all of Section 17, Township 20 South, Range 25 East, NMPM, Eddy County, New Mexico.

(3) With amendments to this order the horizontal limits of said pool have been extended since that time and currently comprise the following described area in Eddy County, New Mexico:

TOWNSHIP 19 SOUTH, RANGE 24 EAST, NMPM

Section 36: S/2

TOWNSHIP 19 SOUTH, RANGE 25 EAST, NMPM

Section 20: S/2
Section 21: S/2
Section 26: S/2
Section 28: All
Section 31: S/2 (equivalent)
Section 32: S/2
Sections 33 through 35: All

TOWNSHIP 20 SOUTH, RANGE 24 EAST, NMPM

Section 1: All
Section 2: S/2
Section 11: N/2
Section 24: N/2
Section 35: N/2
Section 36: All

TOWNSHIP 20 SOUTH, RANGE 25 EAST, NMPM

Section 2: W/2 (equivalent)
Sections 3 through 5: All
Section 7: E/2
Section 8: All
Section 10: S/2
Section 11: W/2
Section 14: N/2
Section 15: E/2
Section 16: W/2
Section 17: All
Section 18: S/2 (equivalent)
Sections 19 and 20: All
Section 21: W/2
Section 28: N/2
Sections 29 through 32: All

TOWNSHIP 21 SOUTH, RANGE 24 EAST, NMPM

Irregular Sections 4 and 5: All
Irregular Section 6: Lots 1, 2, 7, 8, 9, 10, 15, 16, 17, and 18, E/2 SW/4, and SE/4
Section 8: All
Section 9: N/2.

(4) By Division Order No. R-2707, dated May 25, 1964, Rule 104 of the "New Mexico Oil Conservation Division General Rules and Regulations" was amended in order to provide for 320-acre spacing for gas wells in southeast New Mexico (Lea, Chaves, Eddy, and Roosevelt Counties) of Pennsylvanian age or older which were created and defined after June 1, 1964. Because the Cemetery-Morrow Gas Pool was of Pennsylvanian age, created and defined prior to the June 1, 1964 cut-off date, the statewide gas spacing rules of 160 acres applicable prior to June 1, 1964 were in effect. By Division Order No. R-3194, dated February 15, 1967, an exception to the 160-acre spacing rule for the Cemetery-Morrow Gas Pool was granted and said pool was thereafter subject to the "southeast/deeper" statewide rules requiring 320-acre spacing with wells to be no closer than 660 feet to the nearest side boundary of the dedicated tract nor closer than 1980 feet from the nearest end boundary nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary.

(5) By Division Order No. R-2441, dated February 28, 1963, the Indian Basin-Morrow Gas Pool was created and designated as a gas pool for the production of gas from the Morrow formation underlying all of Sections 22 and 23, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico. Said order further provided for 640-acre

spacing units with well location requirements such that each well completed or recompleted in the Indian Basin-Morrow Gas Pool shall be no closer than 1650 feet to the outer boundary of the section and no nearer than 330 feet to any quarter-quarter section or subdivision inner boundary.

(6) With amendments to this order the horizontal limits of said pool have been extended since that time and currently comprise the following described area in Eddy County, New Mexico:

TOWNSHIP 21 SOUTH, RANGE 23 EAST, NMPM

Section 2:	W/2 (equivalent)
Sections 9 and 10:	All
Section 11:	W/2
Sections 14 and 15:	All
Sections 22 through 25:	All
Section 36:	All

TOWNSHIP 21 SOUTH, RANGE 24 EAST, NMPM

Section 9:	S/2
Section 15:	S/2
Sections 16 and 17:	All
Sections 19 through 22:	All
Sections 30 through 32:	All

(7) Gas production allocation or gas prorationing based on acreage alone was instituted in the Indian Basin-Morrow Gas Pool by Division Order No. R-1670-F, issued in Case 3237 and dated May 6, 1965. Both the "*Special Rules and Regulations for the Indian Basin-Morrow Gas Pool*" that were originally adopted by said Order No. R-2441 and the subsequent prorationing under R-1670-F were later recodified and combined in Division Order No. R-8170, as amended. Because this pool is "prorated" an infill or second well on an individual 640-acre gas spacing and proration unit is acceptable, further any allowable issued to such a unit can usually be produced from both wells in any proportion (see Division Memorandums dated July 27, 1988 and August 3, 1990)..

(8) The reasons stated in said Order No. R-1670-F for instituting gas prorationing in this pool in the year 1963 were as follows:

- (a). there were a total of eight wells completed in the Indian Basin-Morrow Gas Pool, however no Morrow gas had been transported from these wells because no transportation facilities to this area were in existence;
- (b). there existed a market demand for this production and two purchasers were planning construction of gas transportation facilities to these wells; and,
- (c). the wells that were completed at the time were capable of producing in excess of the reasonable market demand for gas from the pool and were capable of producing in excess of the gas transportation facilities to be constructed.

THEREFORE, production from the Indian Basin-Morrow Gas Pool was restricted to reasonable market demand and the capacity of the gas transportation facilities to be constructed.

(9) At this time the applicant in this matter, Marathon Oil Company ("Marathon"), seeks an order extending the horizontal limits of the Cemetery-Morrow Gas Pool in Eddy County, New Mexico to include therein:

TOWNSHIP 20-1/2 SOUTH, RANGE 23 EAST, NMPM

Irregular Sections 35 and 36: All

TOWNSHIP 21 SOUTH, RANGE 23 EAST, NMPM

Sections 1 and 2: All

Sections 11 through 14: All:

AND THE concomitant contraction of the Indian Basin-Morrow Gas Pool in Eddy County, New Mexico by deleting therefrom:

TOWNSHIP 21 SOUTH, RANGE 23 EAST, NMPM

Section 2: W/2 (equivalent)

Section 11: W/2

Section 14: All.

(10) Marathon is the operator of the North Indian Basin Unit Area, approved by Division Order No. R-2456, dated March 27, 1963, comprising the following described 5,786 acres, more or less, of State and Federal lands in Eddy County, New Mexico:

TOWNSHIP 20-1/2 SOUTH, RANGE 23 EAST, NMPM

Irregular Sections 35 and 36: All

TOWNSHIP 21 SOUTH, RANGE 23 EAST, NMPM

Sections 1 and 2: All

Section 3: S/2

Section 4: S/2

Sections 9 through 12: All

Section 15: N/2

Section 16: All.

ALSO, Marathon operates the State lease covering all of Irregular Section 36, Township 20-1/2 South, Range 23 East, NMPM, and the Federal leases covering all of Section 1 and the W/2 of Section 12, Township 21 South, Range 23 East, NMPM, all in Eddy County, New Mexico. The E/2 of said Section 12 is an undeveloped Federal leasehold owned by Marathon.

(11) The South Dagger Draw-Upper Pennsylvanian Associated Pool is an associated oil and gas reservoir producing from the Cisco and Canyon formations and currently comprises the following described area in Eddy County, New Mexico:

TOWNSHIP 20 SOUTH, RANGE 24 EAST, NMPM

Section 9:	E/2
Section 10:	S/2
Section 11:	S/2
Section 12:	S/2
Sections 13 through 15:	All
Section 16:	E/2
Sections 22 through 26:	All
Section 34:	E/2
Sections 35 and 36:	All

TOWNSHIP 20-1/2 SOUTH, RANGE 23 EAST, NMPM

Irregular Sections 35 and 36:	All
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TOWNSHIP 21 SOUTH, RANGE 23 EAST, NMPM

Sections 1 and 2:	All
Sections 11 and 12:	All
Section 14:	All.

FURTHER, the "*Special Rules and Regulations for the South Dagger Draw-Upper Pennsylvanian Associated Pool*", as promulgated by Division Order No. R-5353, as amended, provides among other things, for 320-acre spacing and proration units with standard well locations not closer than 660 feet to the outer boundary of said units.

(12) Within that area described in Finding Paragraph No. (8) above, that is "**Marathon's Area of Interest**":

- (a). only the W/2 of Section 2, the W/2 of Section 11, and all of Section 14, all in Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico are included within the boundary of the Indian Basin-Morrow (prorated) Pool;
- (b). the balance of the area (all of Irregular Sections 35 and 36, Township 20-1/2 South, Range 23 East, NMPM and all of Section 1, the E/2 equivalent of Section 2, the E/2 of Section 11, and all of Sections 12 and 13, of Township 21 South, Range 23 East, NMPM, all in Eddy County, New Mexico) is "sandwiched" in between the two Morrow gas pools, therefore the "one-mile rule" [see Division General Rule 104.A(1) and the first labeled paragraph under the heading "*General Rules for the Prorated Gas Pools of New*

Mexico" on Exhibit "A" of Division Order No. R-8170, dated March 28, 1986] applies;

(c). In Section 2, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico:

- (1). the Marathon North Indian Basin Unit Well No. 15 (30-015-28305), in Unit "F", is currently producing from the Indian Basin-Morrow Gas Pool and has dedicated thereon all of the section, being a standard 640-acre, more or less, gas spacing and proration unit;
- (2). Marathon currently has six wells (the North Indian Basin Unit Well Nos. 11, 13, 14, 18, 20, and 23 in Units "O", "H", "B", "J", "K", and "D", respectively) either producing from or completed in the South Dagger Draw-Upper Pennsylvanian Associated Pool, Division records indicate the two 320-acre, more or less, standard spacing and proration units for this production will comprise the E/2 and W/2 equivalencies; and,
- (3). all categories of mineral interest owners in said Section 2 have common ownership throughout.

(d). In Section 14, Township 21 South, Range 23 East, NMPM, all in Eddy County, New Mexico: the Marathon Indian Basin "B" Gas Com Well No. 1 in Unit "K" was drilled to and completed in the Indian Basin-Morrow Gas Pool in 1963 and had dedicated thereon all of the section, being a standard 640-acre gas spacing and proration unit, cumulative production to October, 1984 when the Morrow ceased producing is 5,726,748 MCF of gas and 3,535 barrels of condensate. This information is historical and is carried by the Division and the New Mexico Oil and Gas Engineering Committee in its records as such.

(13) At the time of the hearing the applicant presented land, geological, and petroleum engineering evidence to demonstrate that:

- (a). the Morrow formation underlying this area is approximately 1,600 feet deeper than the producing Cisco/Canyon interval of the South Dagger Draw-Upper Pennsylvanian Associated Pool and is now treated as a secondary objective, which can be more economically feasible to exploit and develop in conjunction with the drilling or deepening of a well for production from the primary objective or Cisco/Canyon formation;
- (b). according to production and performance records Indian Basin-Morrow gas wells in the vicinity either can not or can no longer efficiently, adequately, or economically drain 640 acres;
- (c). there is no physical or impermeable barrier within the Morrow interval separating the two pools, this would indicate further that the Morrow formation in this area is geologically connected, signifying therefore that Morrow gas production in this general area is attributable to one common source of supply ("reservoir");
- (d). in order to afford an opportunity to drill a well to test both the Cisco/Canyon formation of the South Dagger Draw-Upper Pennsylvanian Associated Pool and the Morrow formation, it is necessary to have the Morrow formation spaced on the same 320-acre standard spacing pattern as established for the South Dagger Draw-Upper Pennsylvanian Associated Pool; and,
- (e). the granting of Marathon's request will allow the same ownership in the two formations because the spacing units will be the same.

(14) While no evidence was presented, nor did the application request, to "de-prorate" the Indian Basin-Morrow Gas Pool, there appears no reason to subject any additional acreage to the Indian Basin-Morrow Gas Pool nor restrict any such production under the applicable special rules and regulations.

(15) Marathon's request is not unreasonable and in order to prevent the drilling of unnecessary wells, to protect correlative rights and provide for a more orderly development of the Morrow reservoir as a secondary objective in conjunction with the

drilling of Cisco/Canyon wells within "Marathon's Area of Interest", it will be necessary to adjust the governing limits of the Indian Basin-Morrow and Cemetery-Morrow Gas Pools. Notwithstanding however, it is the Division's longstanding policy and practice:

- (a). not to extend pool boundaries to include non-producing acreage;
- (b). to extend pool boundaries to include only acreage dedicated to wells capable of producing from that pool and to include enough acreage to the well in order to form a standard spacing and proration unit for that particular pool;
- (c). the exception being in those instances where connecting acreage is necessary to extend pool boundaries to include a well's dedicated acreage that is not already contiguous to the pool; and,
- (d). not to "down-space" pools or portions of pools in areas where there are existing/producing spacing and proration units;
- (e). not to adjust portions of pool boundaries that will effect or change historical production and records without extenuating circumstances.

(16) Many of Marathon's objectives in its application may be obtained in a manner consistent with Division policy and practices by the following:

- (a). contracting the N/2 and SE/4 of Section 14, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico;
- (b). confining the governing limits of the "*Special Rules and Regulations for the Indian Basin-Morrow Gas Pool*" to only that area that lies within the boundaries of said pool and that any subsequent wells completed within one mile of the boundary of the Indian Basin-Morrow Gas Pool be thoroughly evaluated by the Artesia District Office of the Division to adequately determine if such well and corresponding acreage should be included within the boundaries of the Indian Basin-Morrow Gas Pool, which

may then be extended accordingly; and,

- (c). allowing those wells drilled to the Morrow formation in Irregular Sections 35 and 36, Township 20-1/2 South, Range 23 East, NMPM and all of Section 1, the E/2 of Section 11, all of Sections 12 and 13, and the N/2 and SE/4 of Section 14 of Township 21 South, Range 23 East, NMPM, all in Eddy County, New Mexico to be subject either to the applicable sub-parts of Division General Rule 104 (statewide spacing and well locations) or to the Cemetery-Morrow Gas Pool rules as appropriate.

HOWEVER, FOR consistency purposes, it will be necessary to extend the Indian Basin-Morrow Gas Pool boundary to include Lots 1 and 2, the S/2 NE/4 and SE/4 (E/2 equivalent) of Section 2, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico.

(17) Marathon was the only interested party to appear and provide technical, land, geologic, and engineering testimony concerning the reservoir, these pools and their classifications. No other operator and/or interest owner appeared at the hearing either in opposition or in support of this application. Subsequent to the hearing however the Division received, for the most part, favorable responses to a questionnaire provided them by Marathon from the following six oil and gas interest owners and/or operators: Oryx Energy Company of Dallas, Texas; Kerr-McGee Corporation of Oklahoma City, Oklahoma; Barbara Fasken of Midland, Texas; Citation Oil & Gas Corporation of Houston, Texas; Santa Fe Energy Resources of Midland, Texas; and, Yates Petroleum Corporation of Artesia, New Mexico.

(18) Extending and contracting the boundaries of the Indian Basin-Morrow Gas Pool as provided above and restricting the governing limits of the "*Special Rules and Regulations for the Indian Basin-Morrow Gas Pool*" to only that area within the pool boundary will serve to allow the interest owners in "**Marathon's Area of Interest**" the opportunity to economically recover their share of the gas in the subject pool, will serve to prevent waste, will not reduce ultimate recovery from the subject pool, could serve to enhance Morrow gas production by providing operators an incentive to drill or recomplete into the deeper Morrow interval, and will not violate correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The **Indian Basin-Morrow Gas Pool** in Eddy County, New Mexico, as heretofore defined and described is hereby extended to include therein:

TOWNSHIP 21 SOUTH, RANGE 23 EAST, NMPM

Section 2: Lots 1 and 2, S/2 NE/4, and SE/4.

FURTHER, said pool is hereby contracted by the deletion therefrom of the following described acreage:

TOWNSHIP 21 SOUTH, RANGE 23 EAST, NMPM

Section 14: N/2 and SE/4.

IT IS FURTHER ORDERED THAT:

(2) The "*Special Rules and Regulations for the Indian Basin-Morrow Gas Pool*", as promulgated by Division Order No. R-8170, as amended, shall apply only to such lands as shall from time to time lie within the horizontal limits of the **Indian Basin-Morrow Gas Pool**. Said special rules shall therefore be amended to reflect said mandate. On page 19 of **EXHIBIT "B"** of Division Order No. R-8170, dated March 28, 1986, under sub-heading "A. **DEFINITIONS**" of the "*Special Rules and Regulations for the Indian Basin-Morrow Gas Pool*", the following provision is to be included:

"CONFINEMENT of the special rules governing the Indian Basin-Morrow Gas Pool shall apply only to such lands as shall from time to time lie within the horizontal limits of said pool."

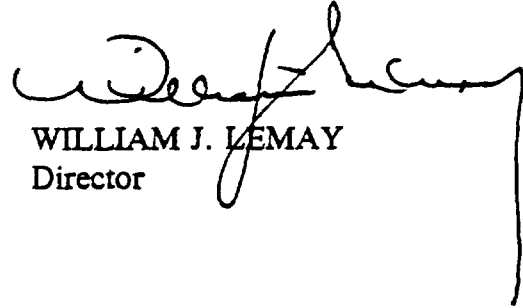
(3) All extensions to the horizontal limits of the Cemetery-Morrow Gas Pool in Eddy County, New Mexico and any additional contractions to the Indian Basin-Morrow Gas Pool proposed by Marathon Oil Company in this matter are hereby denied.

(4) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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Order No. R-8170-O
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DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read 'William J. Lemay', is written over the printed name and title.

WILLIAM J. LEMAY
Director

SEAL

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. 9872
ORDER NO. R-8170-E

APPLICATION OF OXY USA, INC. FOR
TERMINATION OF GAS PRORATIONING IN
THE BURTON FLAT-MORROW GAS POOL,
EDDY COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on February 21, 1990, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 2nd day of April, 1990, 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, Oxy USA, Inc., seeks an order terminating gas prorationing in the Burton Flat-Morrow Gas Pool encompassing portions of Townships 20 and 21 South, Ranges 26, 27 and 28 East, NMPM, Eddy County, New Mexico.
- (3) The Burton Flat-Morrow Gas Pool was created by Division Order No. R-4486, effective March 1, 1973, for the production of gas from the Morrow formation.
- (4) The horizontal limits of said pool have been extended several times by order of the Division.

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Order No. R-8170-E
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(5) Gas prorationing was instituted in the Burton Flat-Morrow Gas Pool by Division Order No. R-4706, dated January 18, 1974, issued in Division Case No. 5111, which was later changed to Order No. R-1670-P and was subsequently changed again and is presently governed by Order No. R-8170, as amended.

(6) Gas prorationing in the Burton Flat-Morrow Gas Pool was originally established for the following reasons:

- (a) there was more than one pipeline purchaser purchasing gas produced from pool wells;
- (b) there was more than one producer of gas;
- (c) the total deliverability of the producing wells in the pool exceeded the reasonable market demand for gas from said pool;
- (d) the pool contains several wells with fractional acreage factors; and
- (e) the foregoing conditions created the opportunity for a violation of correlative rights.

(7) At the time of the hearing on this case, evidence was presented that:

- (a) there are eleven pipeline transporters taking production from the subject pool;
- (b) there are 61 wells in the subject pool with some 19 different operators;
- (c) there are 43 marginal wells in the pool;
- (d) there are 7 overproduced non-marginal wells and 11 underproduced non-marginal wells in the pool; and
- (e) the entire pool is underproduced in terms of the pool allowable.

(8) The Burton Flat-Morrow Gas Pool is adjacent or within one mile of six Morrow gas pools, only one of which is prorated.

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Order No. R-8170-E
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(9) The applicant presented testimony and evidence which indicates that the market demand now exceeds the pool deliverability.

(10) Since early 1988 and continuing to the present, the allowable assigned to the Pool and to wells in the Pool does not appear to accurately reflect the market demand for gas production from the pool.

(11) The production limitations imposed by the proration system appears to have discouraged and may continue to discourage further developmental drilling, attempted workovers of existing wells or the installation of compression equipment.

(12) At this time there are no wells in the pool which are underproduced because of lack of market for the gas from a well.

(13) Geologic and engineering calculations establish that the higher capacity non-marginal wells in the pool are draining less than 320 acres and therefore the termination of prorationing for the pool should not cause the larger non-marginal wells to impair the correlative rights of marginal wells by producing at higher rates.

(14) The applicant testified that termination of prorationing should result in increased ultimate recovery of production from the pool, thereby preventing waste.

(15) It presently appears that the production of the non-marginal wells is being restricted by the proration system assignment of allowables for those wells and not by lack of market for that production.

(16) The applicant testified that the current Division practice of multiplying the production from the second month previous times a seasonal adjustment factor to determine the current month demand has not properly reflected market demand for gas in this pool because:

- (a) the better wells in the Pool reach the six times overproduced level in two months or less and are therefore curtailed before the allowable is increased to reflect the actual demand;
- (b) the curtailment of the better wells in the Pool reduces the actual production from the Pool by dampening production increases or even reducing pool allowable; and

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- (c) several non-marginal wells are allocated a portion of the Pool's non-marginal allowable, even though they are incapable of producing that allowable. Evidence showed that 61 percent of the non-marginal wells are underproduced and two of those which have produced at capacity since early 1988 reflect 84 percent of the net underproduction in the Pool. The underproduction accrued by these wells further impedes the ability of the system to increase Pool allowable to reflect actual market demand.

(17) At the hearing held by the Division on October 3, 1989, in the case to consider the setting of the allowables for the prorated gas pools of New Mexico, Oxy appeared and presented evidence in support of a request to raise the pool's allowable because market demand was in excess of the allowable being assigned to the Pool and that production was restricted to less than market demand. Based upon that evidence, the Division administratively increased the allowable assigned to the Pool by 380,000 MCF in October 1989 and by 340,000 MCF in November 1989.

(18) Subsequent to the administrative increase, pool production increased significantly, which provides further evidence that the demand for gas from the Pool is greater than the Pool's allowable.

(19) The increase in allowable has enabled operators to perform some workover and drilling activity, but the month by month establishment of allowables does not provide operators with the assurance that the allowables will remain at a level which will permit payout of major investments within a reasonable time period.

(20) Because there are only six wells in the pool with non-standard proration units, none of which has an acreage factor of less than 0.86 and all but one is marginal, it would appear that there exists no basis for continuing proration for the pool based upon the advantage non-standard spacing units might theoretically have over standard sized spacing units.

(21) There are no spacing units that currently have more than one pool well and therefore having multiple wells on a single spacing unit is not a basis for continuing prorationing for the pool.

(22) The applicant presented signed waivers of objection to the termination of prorationing in the subject pool from 17 of the 19 operators and no objections from the other two operators or from any other interested party.

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(23) By way of the signed waivers, the other operators in the pool have stated that they do not need prorationing in this pool to protect their correlative rights.

(24) Out of some 130 potentially interested parties to whom Oxy USA, Inc. sent notice of this application, none appeared at the hearing in opposition to the application.

(25) The evidence at this time indicates that termination of gas prorationing would be in the best interest of conservation and that correlative rights would not be violated; however, since there are multiple producers and more than one gas transporter in the pool and because factors that have influenced the conditions of the gas market are so dynamic and the impact of eliminating prorationing in the Pool is not certain, it is in the best interest of conservation to approve this application for a temporary test period, after which the case should be reopened to determine whether or not correlative rights have been impaired as a result of the inability to find a market, whether investment has been made to recover additional reserves and to review any other matters which tend to show that prorationing should be reinstituted or permanently terminated.

(26) During this test period the Pool should be kept on the proration schedule in order to accumulate production information which might be useful to determine whether proration should be reinstated or terminated and to have such records available should the Pool again be prorated. During the test period wells in this pool should not be subject to allowable limitations on production or to the classification as marginal or non-marginal.

(27) This case should be reopened at an examiner hearing in June 1991, at which time the operators in the subject pool should be prepared to appear and present evidence and testimony relative to the determinations of the permanent termination of gas prorationing for the Burton Flat-Morrow Gas Pool.

(28) The Special Rules and Regulations for the Burton Flat-Morrow Gas Pool, as promulgated by Division Order No. R-8170, as amended, should be suspended during the test period, and the actual operations of said pool should be governed henceforth by the General Rules and Regulations applicable for gas wells in Southeast New Mexico currently completed in the Morrow formation.

(29) If the Division should determine that gas prorationing should be reinstituted at any time during or at the end of the test period, the wells in the Pool should be returned to their status as of the date this Order is effective with respect to classification and accumulated over or underproduction.

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(30) In order to encourage operators to drill new wells, workover existing wells, install needed compression and enter into longer term sales agreements, provision should be made for a minimum allowable for all non-marginal wells in the pool should prorationing be reinstituted. Evidence presented in this case showed that the allowable of approximately 750 MCF per day for an acreage factor of 1.0 assigned for November 1989 is sufficient to encourage capital expenditure, and operators are not prevented from meeting long-term contracts because of allowable restrictions.

(31) This order should be effective April 1, 1990, which is the beginning of a Classification period.

IT IS THEREFORE ORDERED THAT:

(1) The application of Oxy USA, Inc., seeking an order terminating gas prorationing in the Burton Flat-Morrow Gas Pool, encompassing portions of Townships 20 and 21 South, Ranges 26, 27 and 28 East, NMPM, Eddy County, New Mexico, is hereby approved *for a temporary test period commencing April 1, 1990, and ending at a time determined by the Division.*

(2) The Special Rules and Regulations for said pool, as promulgated by Division Order No. R-8170, as amended, are hereby suspended during the test period.

(3) Said pool shall be governed by the General Rules and Regulations applicable for gas wells in Southeast New Mexico currently completed in the Morrow formation.

(4) The Burton Flat-Morrow Gas Pool shall be kept on the Proration Schedule for Southeast New Mexico during the test period for statistical purposes only, and the classification of wells and assignment of allowables as shown therein shall not be applied as limitations of production on the wells in the pool, and no over or underproduction shall be accrued by the wells during the test period.

(5) This case shall be reopened at an Examiner Hearing in June 1991, at which time the operators in the subject pool may appear and present evidence relative to the permanent termination of gas prorationing for the Burton Flat-Morrow Gas Pool.

(6) If the Division should determine at any time during the test period that the Pool should again be prorated, each well completed therein as of the effective date of this order shall be assigned its classification and over or underproduction status as of the effective date of this order.

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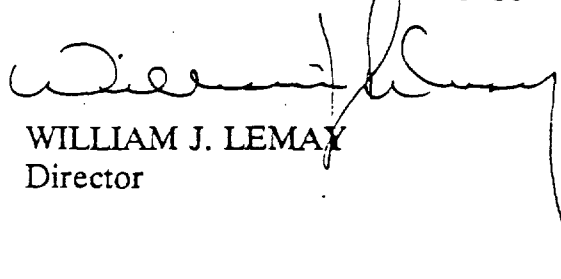
(7) If gas prorationing is reinstated in this pool, each non-marginal well therein shall be assigned a minimum allowable of 750 MCF per day.

(8) This order shall be effective April 1, 1990.

(9) Jurisdiction of this cause is 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

S E A L

**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 NOS. 10981 and 11004
Order No. R-9976-A**

**APPLICATION OF YATES PETROLEUM CORPORATION
TO AMEND DIVISION ORDER NO. R-9976 TO EXPAND
ITS PILOT GAS ENHANCED RECOVERY PROJECT
WITHIN PORTIONS OF THE PECOS SLOPE-ABO GAS
POOL, CHAVES COUNTY, NEW MEXICO.**

**APPLICATION OF YATES PETROLEUM CORPORATION
FOR THIRTEEN UNORTHODOX INFILL GAS WELL
LOCATIONS, CHAVES COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

Case No. 10981 came on for hearing at 8:15 a.m. on May 26, 1994, at Santa Fe, New Mexico, before Examiner David R. Catanach.

Case No. 11004 came on for hearing at 8:15 a.m. on June 23, 1994, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 26th day of July, 1994, the Division Director, having considered the testimony, the record, and the recommendations of the Examiners, 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) By Order No. R-9976 issued in Case No. 10793 on September 24, 1993, the Division, upon application of Yates Petroleum Corporation, approved a pilot infill drilling program within portions of the Pecos Slope-Abo Gas Pool, Chaves County, New Mexico, for the purpose of allowing the applicant the opportunity to gather data to determine if infill drilling is necessary to effectively and efficiently drain the Abo formation.

(3) The applicant was initially authorized by said Order No. R-9976 to drill an infill gas well within each of the following described 160-acre standard gas proration units, and within a non-standard 201.29-acre gas spacing and proration unit comprising all of Irregular Section 1, Township 6 South, Range 25 East, NMPM:

TOWNSHIP 6 SOUTH, RANGE 25 EAST, NMPM

Section 8: NE/4
Section 11: SE/4
Section 24: SW/4
Section 26: NE/4
Section 35: NE/4

(4) Order No. R-9976 further authorized the applicant to produce both wells within each of the proration units described above unrestricted for a temporary period of two years for the purpose of gathering geologic and engineering data.

(5) The applicant in Case No. 10981, Yates Petroleum Corporation, seeks to amend Division Order No. R-9976 to expand its pilot infill drilling program within the Pecos Slope-Abo Gas Pool by drilling an additional gas well on each of the following existing 160-acre standard gas proration units, and on a 166.0-acre non-standard gas proration unit comprising all of Irregular Section 5, Township 6 South, Range 26 East, NMPM:

TOWNSHIP 5 SOUTH, RANGE 25 EAST, NMPM

Section 16: NE/4
Section 32: SW/4

TOWNSHIP 6 SOUTH, RANGE 26 EAST, NMPM

Section 7: NE/4
Section 18: SE/4
Section 19: SE/4
Section 31: NE/4

TOWNSHIP 7 SOUTH, RANGE 25 EAST, NMPM

Section 3: SE/4
Section 10: NW/4
Section 11: SE/4
Section 13: NW/4
Section 15: NW/4
Section 22: NW/4
Section 25: NW/4
Section 27: SE/4
Section 33: SE/4

TOWNSHIP 7 SOUTH, RANGE 26 EAST, NMPM

Section 6: NE/4

Section 18: SE/4

Section 19: SW/4

Section 21: SE/4

(6) The applicant further seeks authority to produce both wells within the above-described proration units unrestricted until August, 1995, at which time Case No. 10793 is to be reopened pursuant to the provisions of Order No. R-9976, to allow the applicant to appear and present the results of the pilot infill drilling program and make recommendations, if applicable, to the rules which currently govern the Pecos-Slope Abo Gas Pool.

(7) In companion Case No. 11004, Yates Petroleum Corporation, seeks approval of thirteen unorthodox gas well locations within the existing or proposed expanded pilot infill drilling area in the Pecos Slope-Abo Gas Pool.

(8) Inasmuch as the subject matter of Case Nos. 10981 and 11004 are related, one order should be entered for both cases.

(9) The applicant presented the initial geologic and engineering results it obtained in the drilling of the six infill wells approved by Order No. R-9976. According to applicant's evidence and testimony, five of the six wells were deemed to have been geologically successful in terms of predicting and encountering sufficient sand thickness so as to establish commercial gas production.

(10) The engineering evidence and testimony presented by the applicant indicates that:

- a) all six wells encountered a reservoir pressure higher than the reservoir pressure within the existing well on the proration unit. Of the six, four wells encountered significantly higher reservoir pressures;
- b) four of the wells are currently producing at rates significantly higher than the average rate of the wells offsetting the proration unit;
- c) four of the wells should recover an average of 570 MMCF of gas reserves which would otherwise not be recovered by the existing well on the proration unit.

(11) The geologic and engineering data presented by the applicant indicates that four of the subject wells have encountered pay sands or low permeability portions of the reservoir which were not encountered and/or drained by the original well on the proration unit.

(12) The applicant contends that the results of the infill drilling conducted thus far are very encouraging but are inconclusive in determining whether infill drilling is necessary in the Pecos Slope-Abo Gas Pool.

(13) Division records indicate that the Pecos Slope-Abo Gas Pool embraces a substantially large area in portions of Townships 4 and 5 South, Ranges 24 and 25 East, and Townships 6, 7 and 8 South, Ranges 24, 25, 26 and 27 East, NMPM.

(14) The initial pilot infill drilling program was limited to areas within Township 6 South, Range 25 East, NMPM.

(15) The applicant's proposed expanded infill drilling program will encompass a much broader area of the pool than was tested in the initial pilot area.

(16) The reservoir characteristics are generally not consistent within the Pecos Slope-Abo Gas Pool and therefore additional geologic and engineering data reflecting a larger cross sectional area of the pool will be beneficial in determining the necessity of infill drilling.

(17) All of the proration units proposed to be included within the expanded pilot project area, with the exception of the SE/4 of Section 21, are completely offset by acreage owned or controlled by Yates Petroleum Corporation.

(18) The Catterson "SS" Federal Well No. 7, proposed to be drilled at an unorthodox location in the SE/4 of Section 21, will encroach on a tract owned by Merit Energy Company. The applicant presented, as evidence, a waiver of objection to the drilling of this infill well at the unorthodox location from Merit Energy Company.

(19) Notice of this application was provided to all operators in the Pecos Slope-Abo Gas Pool, and no operator and/or interest owner appeared in opposition to the application.

(20) Approval of the expansion of the pilot infill drilling program should result in the acquisition of additional and more thorough geologic and engineering data regarding the Pecos Slope-Abo Gas Pool which may ultimately aid in the determination as to the most effective method of developing the reservoir, thereby preventing waste.

(21) The applicant further seeks unorthodox location approval for the following described wells which are located within the original infill drilling pilot area:

<u>WELL NAME & NUMBER</u>	<u>WELL LOCATION</u>
Kilgore "SO" No. 3	2310' FSL & 1980' FWL (Unit K) 24-6S-25E
Sacra "SA" Com No. 11	2310' FNL & 2310' FEL (Unit G) 35-6S-25E

(22) In addition, the applicant seeks unorthodox location approval for the following eleven wells to be located within the expanded infill drilling pilot area:

<u>WELL NAME & NUMBER</u>	<u>WELL LOCATION</u>
Paulette "PV" State No. 5	2310' FNL & 1650' FEL (Unit G) 16-5S-25E
Dee "OQ" State No. 5	2310' FSL & 2310' FWL (Unit K) 32-5S-25E
Hansel "ANH" Federal Com No. 1	2110' FNL & 790' FEL (Unit H) 7-6S-26E
Savage "NI" Federal No. 5	2310' FSL & 990' FEL (Unit I) 19-6S-26E
Federal "HJ" No. 11	2080' FNL & 1650' FEL (Unit G) 31-6S-26E
Thorpe "MI" Federal No. 15	990' FNL & 2310' FWL (Unit C) 22-7S-25E
Federal "HY" No. 13	2310' FSL & 460' FEL (Unit I) 33-7S-25E
Crandall "UD" No. 2	510' FNL & 1980' FEL (Unit B) 6-7S-26E
Leeman "OC" Federal No. 5	2310' FSL & 1980' FEL (Unit J) 18-7S-26E
Nickey "RF" Federal No. 3	2310' FSL & 2310' FWL (Unit K) 19-7S-26E
Catterson "SS" Federal No. 7	2310' FSL & 790' FEL (Unit I) 21-7S-26E

(23) Applicant's testimony indicates that the above-described unorthodox gas well locations are geologically necessary in order to maximize sand thickness within the various pay intervals. In addition, the unorthodox locations are adjacent to and on trend with existing gas wells exhibiting substantial cumulative production.

(24) All of the affected offset acreage to the proposed unorthodox gas well locations is owned and controlled by Yates Petroleum Corporation with the exception of the SE/4 of Section 21 as described in Finding No. (18) above.

(25) No offset operator and/or interest owner appeared at the hearing(s) in opposition to the proposed unorthodox locations.

(26) The proposed unorthodox gas well locations should be approved.

(27) Case No. 10981 should be reopened in conjunction with Case No. 10793 at an examiner hearing in August, 1995, unless reopened at an earlier date at the request of the applicant or upon motion of the Division, at which time the applicant should be required to appear and present the geologic and engineering data it has acquired from the pilot project and make recommendations to the Division concerning amendments, if any are applicable, to the rules which currently govern the Pecos Slope-Abo Gas Pool.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Yates Petroleum Corporation, is hereby authorized to expand its pilot infill drilling program within the Pecos Slope-Abo Gas Pool by drilling an additional gas well on each of the following existing 160-acre standard gas proration units, and on a 166.0-acre non-standard gas proration unit comprising all of Irregular Section 5, Township 6 South, Range 26 East, NMPM:

TOWNSHIP 5 SOUTH, RANGE 25 EAST, NMPM

Section 16: NE/4

Section 32: SW/4

TOWNSHIP 6 SOUTH, RANGE 26 EAST, NMPM

Section 7: NE/4

Section 18: SE/4

Section 19: SE/4

Section 31: NE/4

TOWNSHIP 7 SOUTH, RANGE 25 EAST, NMPM

Section 3: SE/4

Section 10: NW/4

Section 11: SE/4

Section 13: NW/4

Section 15: NW/4

Section 22: NW/4

Section 25: NW/4

Section 27: SE/4

Section 33: SE/4

TOWNSHIP 7 SOUTH, RANGE 26 EAST, NMPM

Section 6: NE/4

Section 18: SE/4

Section 19: SW/4

Section 21: SE/4

(2) Each of the gas proration units described above shall be simultaneously dedicated to the existing well and to an infill well to be drilled by the applicant.

(3) The applicant is further authorized to produce both wells within the above-described proration units unrestricted until August, 1995.

(4) This case shall be reopened in conjunction with Case No. 10793 at an examiner hearing in August, 1995, unless reopened at an earlier date at the request of the applicant or upon motion of the Division, at which time the applicant shall appear and present the geologic and engineering data it has acquired from the pilot project and make recommendations to the Division concerning amendments, if any are applicable, to the rules which currently govern the Pecos Slope-Abo Gas Pool.

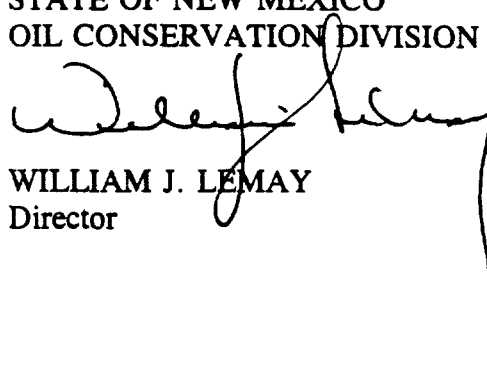
(5) The applicant is further authorized to drill the following infill gas wells at unorthodox locations:

<u>WELL NAME & NUMBER</u>	<u>WELL LOCATION</u>
Kilgore "SO" No. 3	2310' FSL & 1980' FWL (Unit K) 24-6S-25E
Sacra "SA" Com No. 11	2310' FNL & 2310' FEL (Unit G) 35-6S-25E
Paulette "PV" State No. 5	2310' FNL & 1650' FEL (Unit G) 16-5S-25E
Dee "OQ" State No. 5	2310' FSL & 2310' FWL (Unit K) 32-5S-25E
Hansel "ANH" Federal Com No. 1	2110' FNL & 790' FEL (Unit H) 7-6S-26E
Savage "NI" Federal No. 5	2310' FSL & 990' FEL (Unit I) 19-6S-26E
Federal "HJ" No. 11	2080' FNL & 1650' FEL (Unit G) 31-6S-26E
Thorpe "MI" Federal No. 15	990' FNL & 2310' FWL (Unit C) 22-7S-25E
Federal "HY" No. 13	2310' FSL & 460' FEL (Unit I) 33-7S-25E
Crandall "UD" No. 2	510' FNL & 1980' FEL (Unit B) 6-7S-26E
Leeman "OC" Federal No. 5	2310' FSL & 1980' FEL (Unit J) 18-7S-26E
Nickey "RF" Federal No. 3	2310' FSL & 2310' FWL (Unit K) 19-7S-26E
Catterson "SS" Federal No. 7	2310' FSL & 790' FEL (Unit I) 21-7S-26E

(6) Jurisdiction of this cause 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:

APPLICATION OF YATES PETROLEUM
CORPORATION FOR AN
AMENDMENT TO DIVISION
ORDER NO. R-9976-A
AUTHORIZING A CHANGE IN AN
UNORTHODOX "INFILL" GAS
WELL LOCATION, CHAVES
COUNTY, NEW MEXICO.

CASE No. 11283

APPLICATION OF TIDE WEST OIL
COMPANY FOR AN
UNORTHODOX "INFILL" GAS
WELL LOCATION AND
SIMULTANEOUS DEDICATION,
CHAVES
COUNTY, NEW MEXICO.

CASE No. 11355

Order No. R-9976-B

ORDER OF THE DIVISION

BY THE DIVISION:

The cause in both cases came on for hearing at 8:15 a.m. on August 10, 1995, at Santa Fe, New Mexico, before Examiner Michael E. Stogner, however due to errors in the legal advertisement for Case 11355 said case was continued and readvertised for the hearing at 8:15 a.m. on September 7, 1995, at Santa Fe, New Mexico, again before Examiner Michael E. Stogner.

NOW, on this 28th day of November, 1995 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) By Order No. R-9976, issued in Case No. 10793 and dated September 24, 1993, the Division granted Yates Petroleum Corporation ("Yates") authorization to implement a pilot "infill" drilling program within portions of the unprorated Pecos Slope-Abo Gas Pool, Chaves County, New Mexico, for the purpose of allowing the applicant the opportunity to gather data to determine if infill-drilling is necessary to effectively and efficiently drain the Abo formation.

(3) Yates was initially authorized by said Order No. R-9976 to drill an infill gas well within each of the following described five standard 160-acre gas spacing units, and within a non-standard 201.29-acre gas spacing unit comprising all of irregular Section 1, Township 6 South, Range 25 East, NMPM, Chaves County, New Mexico:

TOWNSHIP 6 SOUTH, RANGE 25 EAST, NMPM

Section 8: NE/4
Section 11: SE/4
Section 24: SW/4
Section 26: NE/4
Section 35: NE/4.

(4) Order No. R-9976 further authorized Yates to produce both wells within each of the spacing units described above unrestricted for a temporary period of two years for the purpose of gathering geological and engineering data.

(5) Division Order No. R-9976-A, issued to both Case Nos. 10981 and 11004 and dated July 26, 1994, granted Yates the authority to expand its pilot infill drilling project to include the following 19 standard 160-acre gas spacing units in the Pecos Slope-Abo Gas Pool, Chaves County, New Mexico, and on a non-standard 166.0-acre gas spacing unit comprising all of irregular Section 5, Township 6 South, Range 26 East, NMPM, Chaves County, New Mexico:

TOWNSHIP 5 SOUTH, RANGE 25 EAST, NMPM

Section 16: NE/4
Section 32: SW/4

TOWNSHIP 6 SOUTH, RANGE 26 EAST, NMPM

Section 7: NE/4
Section 18: SE/4
Section 19: SE/4
Section 31: NE/4

TOWNSHIP 7 SOUTH, RANGE 25 EAST, NMPM

Section 3: SE/4
Section 10: NW/4
Section 11: SE/4
Section 13: NW/4
Section 15: NW/4
Section 22: NW/4
Section 25: NW/4
Section 27: SE/4
Section 33: SE/4

TOWNSHIP 7 SOUTH, RANGE 26 EAST, NMPM

Section 6: NE/4
Section 18: SE/4
Section 19: SW/4
Section 21: SE/4.

(6) Order No. R-9976-A also authorized Yates to produce both wells within each of the spacing units described above unrestricted until August, 1995 for the purpose of gathering geological and engineering data.

(7) Order No. R-9976-A further provided for 13 of the proposed infill gas well locations within this expanded area to be drilled at unorthodox gas well locations, including its proposed Catterson "SS" Federal Well No. 7 (API No. 30-005-63033), 2310 feet from the South line and 790 feet from the East line (Unit I) of Section 21, Township 7 South, Range 26 East, NMPM, Chaves County, New Mexico.

(8) The Pecos Slope-Abo Gas Pool is at this time considered an "unprorated gas pool" and therefore is not governed by the "*General Rules for the Prorated Gas Pools of New Mexico*", as promulgated by Division Order No. R-8170, as amended. The Pecos Slope-Abo Gas Pool is therefore subject to the Division's Statewide Rule 104.C(2)(a), which requires standard 160-acre gas spacing and proration units with wells to be located no closer than 660 feet from the outer boundary of such tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary nor closer than 1320 feet to the

nearest well drilling to or capable of producing from the Abo formation.

(9) The applicant in Case 11283, Yates Petroleum Corporation, seeks to amend said Order No. R-9976-A authorizing a change for the unorthodox infill gas well location of its Catterson "SS" Federal Well No. 7, which has been drilled and completed in the Pecos Slope-Abo Gas Pool at a location 2310 feet from the South line and 660 feet from the East line (Unit I) of Section 21, Township 7 South, Range 26 East, NMPM, Chaves County, New Mexico. The existing standard 160-acre gas spacing and proration unit comprising the SE/4 of said Section 21 is to be simultaneously dedicated, pursuant to said Division Order No. R-9976-A, to the aforementioned Catterson "SS" Federal Well No. 7 and to the Catterson "SS" Federal Well No. 1 (API No. 30-005-61544), located at a standard gas well location 660 feet from the South and East lines (Unit P) of said Section 21.

(10) The applicant in Case 11355, Tide West Oil Company ("Tide West") seeks approval to drill its Chaves "A" Federal Well No. 2 at an unorthodox "infill" gas well location in the Pecos Slope-Abo Gas Pool 2310 feet from the North line and 660 feet from the East line (Unit H) of said Section 21.

(11) Further in Case 11355, Tide West seeks an exception to Division General Rule 104.C(2), as outlined by Division Memoranda dated July 27, 1988 and August 3, 1990, to continuously and concurrently produce gas from the Pecos Slope-Abo Gas Pool from both its proposed Chaves "A" Federal Well No. 2 and from its existing Chaves "A" Federal Well No. 1 (API No. 30-005-61506), located at a standard gas well location 660 feet from the North and East lines (Unit B) of said Section 21 and for the simultaneous dedication of said wells to the standard 160-acre gas spacing and proration unit comprising the NE/4 of said Section 21 for production from the Pecos Slope-Abo Gas Pool.

(12) Both of the subject quarter sections are federal leases and are therefore subject to the United States Bureau of Land Management ("U. S. BLM") authorization and control.

(13) The Catterson "SS" Federal Well No. 7, as originally approved by said Order No. R-9976-A (2310 feet from the South line and 790 feet from the East line of said Section 21), was to be only 330 feet from the quarter section line common to both the SE/4 and NE/4 of said Section 21 or 50% closer to the offsetting 160-acre spacing unit in the NE/4 of said Section 21 (being the subject 160-acre unit in Case 11355). Merit Energy Corporation ("Merit"), offset owner and operator of the (Tide West) Chaves "A" Federal Well No. 1 and dedicated 160-acre unit comprising the NE/4 of said Section 21 at the time Case Nos. 10981 and 11004 were heard, waives objection to this location by

letter dated June 18, 1994.

(14) *On October 17, 1994, Yates filed an Application for Permit to Drill ("APD") with the U. S. BLM which changed the location of the Catterson "SS" Federal Well No. 7 from that originally approved by said Order No. R-9976-A. On November 16, 1994 the U. S. BLM approved the new unorthodox gas well location for said well at a location 2310 feet from the South line and 660 feet from the East line of said Section 21.*

FINDING: The well location move was the result of an "on-site" review with representatives of the U. S. BLM, who advised Yates to move from the proposed "2310' FSL & 790' FEL" as to avoid localized surface drainage. A lateral move to the east of 130 feet was sufficient enough to satisfy the concerns of the U. S. BLM.

(15) On January 4, 1995 Yates spudded the Catterson "SS" Federal Well No. 7 at the new U. S. BLM approved well location and by April 3, 1995 had the well completed and ready to produce Pecos Slope-Abo gas.

(16) By letter dated March 24, 1995 Yates filed with the Division an application for administrative review of the subject unorthodox well location change, furthermore Yates provided notice of this administrative application by certified mail to Merit and to Sanders Petroleum Corporation, the offset operator to the east toward which the well had been moved, who subsequently has waived objection to the move. By letter dated March 30, 1995, Merit advised Yates that it had conveyed its interest in the NE/4 of said Section 21 to Tide West and on that date Yates advised the Division that its administrative application would need to be delayed until the new owner of the NE/4 of said Section 21, Tide West, was notified pursuant to the applicable Division rules and regulations.

(17) On March 31, 1995 Yates sent a copy of its March 24th administrative application to Tide West by certified mail. By letter dated April 12, 1995 Tide West filed its formal objection with the Division to the "2310' FSL & 660' FEL" location. This matter was then set for hearing before a Division Examiner for a final determination.

(18) The geological testimony presented at the hearing indicates the gas bearing Abo formation in this area is lenticular in nature and that many of the sand members or stringers are very small and localized. In this instance the Catterson "SS" Federal Well No. 7 intersected at least one sand member that is not present in Tide West's Chaves "A" Federal Well No. 1; logistically however, it can be presumed that this particular sand member extends into Tide West's acreage in the NE/4 of said Section 21. It is therefore Tide West's intent to protect its acreage from any drainage that may occur from the Yates Catterson "SS" Federal Well No. 7 by directly offsetting said well with one to be drilled

the same distance from Yates' acreage in the SE/4 of said Section 21.

(19) Tide West also requested at the time of the hearing that:

(a) an allowable, based on the optimum maximum rate of production for the Catterson "SS" Federal Well No. 7, of 569 MCFPD be assigned to said well and is to commence from the date the Division enters an order in Case 11283;

(b) the allowable assigned to the Catterson "SS" Federal Well No. 7 be penalized by 50%, based upon the percentage of encroachment of said well from a standard gas well location;

(c) any and all production from the Catterson "SS" Federal Well No. 7 from the date of first production until the date of that order shall constitute "over-production" which shall be made up by subtracting said over-production from the allowable assigned to this well; and,

(d) on the date of "first gas sales" from Tide West's Chaves "A" Federal Well No. 2, the 50% production penalty on Yates' Catterson "SS" Federal Well No. 7 will terminate as of that date for any and all future production from the Yates' well.

(20) Yates at the time of the hearing in Case 11283 opposed the assessment of any penalty on its production from the Catterson "SS" Federal Well No. 7 in that said well is no closer to Tide West's acreage in the NE/4 of said Section 21 than the unorthodox location for this well approved by Division Order No. R-9976-A and in Case 11355 had no objection to Tide West's application.

(21) The assessment of any type of a penalty on a well or unit in an "un-prorated" gas pool would be most difficult and impractical for the Division to monitor and track; **FURTHER**, Yates, in procuring its original approval to drill the Catterson "SS" Federal Well No. 7 at an unorthodox infill gas well location only 330 feet from the offsetting tract to the north, acted in good faith in filing its application accordingly and in notifying the appropriate offsetting interest owners and any such arrangement between Merit and Yates that led to the aforementioned "waiver of objection" of June 18, 1994 to the "2310' FSL & 790' FEL" or 330 foot offset to their common property line should

follow through from one operator to the next when sold, as was the 160-acre unit comprising the NE/4 of said Section 21 purchased from Merit by Tide West; therefore, the penalty to be imposed on the production from the Yates Catterson "SS" Federal Well No. 7 as proposed by Tide West is hereby denied.

(22) By allowing Tide West to drill an offsetting "infill gas well" in the unprorated Pecos Slope-Abo Gas Pool an equal distance from the Yates' 160-acre tract in the SE/4 of said Section 21 and to grant Tide West an exception to Division General Rule 104.C(2) so that both the existing Chaves "A" Federal Well No. 1 and the proposed Chaves "A" Federal Well No. 2 can continuously and concurrently produce Pecos Slope-Abo gas within the 160-acre unit comprising the NE/4 of said Section 21, the protection of correlative rights for both parties will serve to be adequately protected in this particular case.

IT IS THEREFORE ORDERED THAT:

(1) The application of Tide West Oil Company ("Tide West") in Case 11355 to drill its Chaves "A" Federal Well No. 2 at an unorthodox "infill" gas well location in the Pecos Slope-Abo Gas Pool 2310 feet from the North line and 660 feet from the East line (Unit H) of Section 21, Township 7 South, Range 26 East, NMPM, Chaves County, New Mexico, is hereby approved.

IT IS FURTHER ORDERED THAT:

(2) Tide West is granted an exception to Division General Rule 104.C(2), as outlined by Division Memoranda dated July 27, 1988 and August 3, 1990, to continuously and concurrently produce gas from the Pecos Slope-Abo Gas Pool from both its proposed Chaves "A" Federal Well No. 2 and from its existing Chaves "A" Federal Well No. 1 (API No. 30-005-61506), located at a standard gas well location 660 feet from the North and East lines (Unit B) of said Section 21 and for the simultaneous dedication of said wells to the standard 160-acre gas spacing and proration unit comprising the NE/4 of said Section 21 for production from the Pecos Slope-Abo Gas Pool.

FURTHERMORE:

(3) The application of Yates Petroleum Corporation in Case 11283 is also approved. Division Order No. R-9976-A, dated July 26, 1994, shall be amended by changing the referenced footage location of the "Catterson "SS" Federal Well No. 7" in

Decretory Paragraph No. (5) on page 7 to read:

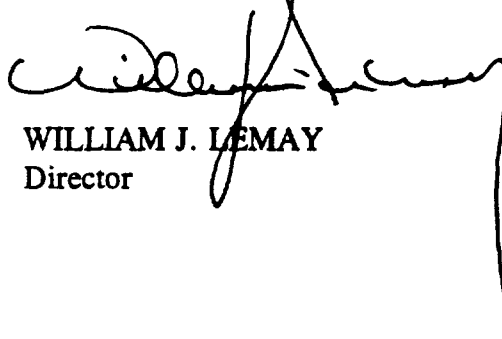
"2310' FSL & 660' FEL (Unit D) 21-7S-26E".

(4) All other provisions of said Order No. R-9976-A shall remain in full force and effect until further notice.

(5) Jurisdiction of this cause is 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

S E A L

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

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION FOR THE PURPOSE OF
CONSIDERING:**

**CASE 11351
ORDER NO. R-10533**

**APPLICATION OF THE OIL CONSERVATION
DIVISION FOR AN ORDER TO AMEND RULE
104 OF ITS GENERAL RULES AND REGULATIONS
PERTAINING TO UNORTHODOX WELL LOCATIONS
AND NON-STANDARD UNITS.**

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on August 3, September 28, and November 9, 1995 and on January 18, 1996 at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission".

NOW, on this 18th day of January, 1996, the Commission, a quorum being present, having considered the record and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) On August 3, 1995, the Commission commenced a public hearing to consider modifications to Division General Rule 104 and received suggestions from members of the oil and gas industry. At the conclusion of that hearing and at the request of the New Mexico Oil & Gas Association ("NMOGA") the Commission continued this case to the September 28, 1995 docket so that the industry representatives at the hearing could complete a revised draft of proposed changes to Rule 104.

(3) On September 28, and on November 9, 1995, the Commission held a public hearing to consider possible rule changes to Rule 104 at which time additional evidence and arguments were presented by the New Mexico Oil and Gas Association, Conoco Inc., Meridian Oil Inc., Amoco Producing Company, the Oil Conservation Division and others.

(4) Based upon the evidence and record presented at the various hearings of this matter, the Commission finds that Rule 104 should be amended as provided herein.

(5) Expanding the Scope of Administrative Approval for Unorthodox Well Locations and Changing the definition of a Wildcat Well in the San Juan Basin:

(a) Currently, General Rule 104 allows for the Division Director, without a hearing, to administratively approve an unorthodox gas well location ("NSL") on a spacing unit comprising 320 acres for geologic reasons provided the location is not closer than 660 feet to the nearest side boundary nor closer than 990 feet to the nearest end boundary of the spacing unit.

(b) The Division staff recommended expanding the scope of Rule 104 so that an administrative NSL could be approved for geologic reasons at **any** unorthodox well location.

(c) While NMOGA supported the Division's recommendation, certain members of the industry actively involved with the deep gas wells in Southeastern New Mexico requested a minimum setback of 660 feet for pools with standard 320-acre spacing units.

(d) NMOGA also requested that archaeological conditions be added as a justification for an administratively approved NSL.

(e) The Commission recognizes that the Division has the expertise to make appropriate regulatory decisions to protect correlative rights and prevent waste concerning applications for unorthodox well locations regardless of whether those applications are set for hearing or processed administratively.

(f) The Commission recognizes the industry's desire to have the Division expedite the regulatory processing of unorthodox well locations, which in the absence of any objection may be accomplished by expanding the scope of administrative approval for such applications.

(g) Division staff recommended that the definition of a wildcat well in the San Juan Basin be changed from, "a well whose spacing unit is a distance of 1 mile or more from the outer boundary of a defined pool" to "a distance of 2 miles or more", because pool extensions are commonly drilled 1 mile from established production in the San Juan Basin and the 2 mile definition more accurately defined wildcat status. The Commission concurs.

(h) The Commission concludes the adoption of those changes to Rule 104 contained in Exhibit "A" attached to this order serves to expand the scope of administrative approvals for unorthodox well locations and provide for a more appropriate definition for a wildcat well in the San Juan Basin.

(6) The 10 Foot Interior Setback Rule:

(a) Because of the general uniformity of the reservoirs in the San Juan Basin, the Division staff has recommended to relax the current 130 foot interior setback rule applicable to the San Juan Basin and reduce that distance to 10 feet.

(b) The industry has generally supported the Division's proposed amendment but the Commission has concerns that, except for enhanced oil or gas recovery projects, correlative rights could be violated by reducing the minimum setback distance from 130 feet to 10 feet and surface trespass would probably occur prior to communitization because of the size of the well pad with only a 10 foot well set back.

(c) The Commission concludes that the proposed 10 feet minimum setback distance is reasonable for secondary recovery, tertiary recovery or pressure maintenance projects and creates additional flexibility for operators to locate wells within these projects.

(d) The Commission finds that this provision of Rule 104 should be amended as set forth in Exhibit "A" attached.

(7) Southeast- Deep Gas Setback Rules:

(a) The current Rule 104 has a restricted "standard location" for deep gas wells (below the top of the Wolfcamp) which are spaced on standard 320-acre spacing units of not closer than 1980 feet to the end nor closer than 660 feet to the side boundary.

(b) To provide the operators with greater flexibility in locating wells at their optimum locations for proper development of hydrocarbons within pools spaced on 320-gas spacing units in Southeastern New Mexico, NMOGA has recommended relaxing the current 1980 foot end boundary setback for 320-acre gas spacing to 1650 feet.

(c) Various members of the industry also have suggested that the current 320-acre spacing unit setbacks of 660 feet from the side and 1980 feet from the end boundaries be "standardized" to 660 feet from both the side and the end boundaries.

(d) The Commission concludes that the current 1980 feet end boundary setback limit for 320-acre spacing units in Southeastern New Mexico is too restrictive and can be relaxed to 1650 feet while still maintaining appropriate standard well locations for the proper development of 320-acre spacing units. A 660 foot setback for both end and side boundaries would be too severe an encroachment on offsetting gas spacing units.

(e) The Commission finds that this provision of Rule 104 should be amended as set forth in Exhibit "A" attached.

(8) Minimum Administrative Setback Requirements:

(a) The Commission considered adopting a minimum or default footage setback distances for any unorthodox well location which could not be exceeded without a hearing.

(b) The Commission finds that setback distances are best established by Division policy which can address site specific geological situations such as "3 D seismic highs."

(9) Non-Standard Units:

(a) The current rule for non-standard units requires the Division Director to approve certain types of non-standard units which have become a matter of routine which can and should be delegated to the supervisor of the appropriate district office of the Division.

(b) The Commission concludes for a matter of administrative efficiency that the non-standard unit portion of current Rule 104 should be modified as set forth in Exhibit "A" attached.

(10) Number of Wells Per Unit in Non-Prorated Pools:

(a) The Division staff has recommended that a provision be added to current Rule 104 so that operators will be aware of Division policy permitting only one well per spacing unit in non-prorated pools.

(b) The Commission finds that the Division's recommendations should be adopted to insure that operators comply with Division policy concerning this matter.

(11) Revising the Notice Rules:

(a) The current rules for administrative NSL application require notice to all offset operators while the current rules for a hearing NSL application only require notice be sent to those operators, lessees or mineral owners towards whom the well encroaches.

(b) NMOGA has recommended revising Rule 104 to be compatible with the hearing notice rules and to provide for notification to offset interest owners based upon a pool's minimum setback distance. The Commission found this formula to be confusing and complicated and has adopted notification requirements based upon its own definition of affected offsets and Oxy's recommended changes. These changes provide:

- (i) notice to operators adjoining and the diagonal offset towards whom the well actually encroaches;
- (ii) in absence of an operator then to lessees of record of any diagonal offset or adjoining lessee owning interests in the same pool(s) as the proposed well; and
- (iii) in absence of a lessee then to the mineral owner(s) of record of any diagonal offset or adjoining lessee owning interests in the same pool(s) as the proposed well.

(c) Amoco Producing Company and other operators requested the adoption of Rule 1207 notice rules for administrative NSL applications.

(d) The Commission concludes that NMOGA's proposal as modified and including adopting Rule 1207(5)(a) notification requirements provides for an efficient and effective method for providing adequate notice and hereby adopts this notice concept as set forth in Exhibit "A".

(12) The Commission further FINDS that:

(a) the adoption of these amendments to Rule 104 as set forth in Exhibit "A" will provide to the oil and gas industry a more flexible method for the timely and efficient processing of these types of applications while still providing for the orderly and proper regulation of well locations and non-standard units thereby protecting correlative rights and preventing waste;

(b) the Commission's ultimate findings set forth in this order summarizes its reasons for its adoption of these changes to Rule 104 as set forth in Exhibit "A";

(c) the adoption of these amendments to Rule 104 will provide for workable, fair and efficient regulation of well locations and spacing units while preventing waste of valuable hydrocarbons and the protection of the correlative rights of the owners of that production; and

(d) for clarification, formatting purposes, and to correct minor errors, additional amendments throughout Rule 104 as set forth in Exhibit "A" should also be accepted and incorporated at this time.

IT IS THEREFORE ORDERED THAT:

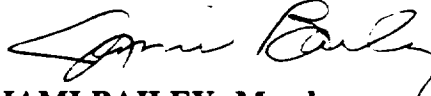
(1) Division Rule 104 is hereby amended as shown by the changes in Exhibit "A", attached hereto and made a part hereof, and said amended rules are hereby compiled, recodified, restated, and adopted as shown in Exhibit "B", attached hereto and made a part of this order.

(2) Rule 104 as amended shall be effective as of the date of this order.

(3) Jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


JAMI BAILEY, Member


WILLIAM W. WEISS, Member

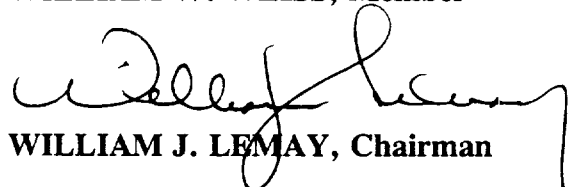

WILLIAM J. LEMAY, Chairman

Exhibit "A"
Case No. 11351
Order No. R-10533

RULE 104 - WELL SPACING: ACREAGE REQUIREMENTS
 FOR DRILLING TRACTS

104.A. CLASSIFICATION OF WELLS: WILDCAT WELLS AND DEVELOPMENT WELLS

(1) San Juan, Rio Arriba, Sandoval, and McKinley Counties

(a) Any well which is to be drilled the spacing unit of which
 is a distance of 2 miles or more from:

(i) the outer boundary of any defined pool which has
 produced oil or gas from the formation to which the
 well is projected; and

(ii) any other well which has produced oil or gas from
 the formation to which the proposed well is
 projected, shall be classified as a wildcat well.

(2) All Counties Except San Juan, Rio Arriba, Sandoval, and
 McKinley

~~(1)~~ (a) Any well which is to be drilled the spacing unit of which
 is a distance of one mile or more from:

~~(a)~~ (i) the outer boundary of any defined pool which has
 produced oil or gas from the formation to which the
 well is projected; and

~~(b)~~ (ii) any other well which has produced oil or gas from
 the formation to which the proposed well is
 projected, shall be classified as a wildcat well.

~~(2)~~(3) Any well which is not a wildcat well as defined above
 shall be classified as a development well for the nearest
 pool which has produced oil or gas from the formation to
 which the well is projected. Any such development well
 shall be spaced, drilled, operated, and produced in
 accordance with the rules and regulations in effect in
 such nearest pool, provided the well is completed in the
 formation to which it was projected.

- ~~(3)~~ (4) Any well classified as a development well for a given pool but which is completed in a producing horizon not included in the vertical limits of said pool shall be operated and produced in accordance with the rules and regulations in effect in the nearest pool within the 2 mile limit in San Juan, Rio Arriba, Sandoval, and McKinley Counties or within one mile everywhere else which is producing from that horizon. If there is no designated pool for said producing horizon within the 2 mile limit in San Juan, Rio Arriba, Sandoval, and McKinley Counties or within one mile everywhere else, the well shall be re-classified as a wildcat well.

104.B. ACREAGE AND WELL LOCATION REQUIREMENTS FOR WILDCATS

(1) Lea, Chaves, Eddy and Roosevelt Counties

- (a) Wildcat Gas Wells. In Lea, Chaves, Eddy and Roosevelt Counties, a wildcat well which is projected as a gas well to a formation and in an area which, in the opinion of the engineer or supervisor approving the application to drill, may reasonably be presumed to be productive of gas rather than oil shall be located on a drilling tract consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section, being a legal subdivision of the U.S. Public Land ~~e~~Surveys, and shall be located not closer than 660 feet to any outer boundary of such tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary. Provided, however, that any such wildcat gas well which is projected to the Wolfcamp or older formations shall be located on a drilling tract consisting of 320 surface contiguous acres, more or less, comprising any two contiguous quarter sections of a single governmental section, being a legal subdivision of the U.S. Public Land Surveys. Any such "deep" wildcat gas well to which is dedicated more than 160 acres shall be located not closer than 660 feet to the nearest side boundary of the dedicated tract nor closer than ~~1900~~ 1650 feet to the nearest end boundary, nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary. (For the purpose of this rule, "side" boundary

is defined as one of the outer boundaries running lengthwise to the tract's greatest overall dimensions; "end" boundary is defined as one of the outer boundaries perpendicular to a side boundary and closing the tract across its least overall dimension.)

- (b) Wildcat Oil Wells. In Lea, Chaves, Eddy, and Roosevelt Counties, a wildcat well which is not a wildcat gas well as defined above shall be located on a tract consisting of approximately 40 surface contiguous acres substantially in the form of a square which is a legal subdivision of the U.S. Public Land Surveys, or on a governmental quarter-quarter section or lot, and shall be located not closer than 330 feet to any boundary of such tract.
 - (c) In the event gas production is encountered in a well which was projected as an oil well and which is located accordingly but does not conform to the above gas well location rule, it shall be necessary for the operator to bring the matter to a hearing before approval for the production of gas can be given.
- (2) San Juan, Rio Arriba, ~~and~~ Sandoval, and McKinley Counties
- (a) Wildcat Gas Wells. In San Juan, Rio Arriba, ~~and~~ Sandoval, and McKinley Counties, a wildcat well which is projected to a gas-producing horizon shall be located on a designated drilling tract consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section, being a legal subdivision of the U.S. Public Land ~~Surveys~~, and shall be located not closer than 790 feet to any outer boundary of the tract nor closer than 130 feet to any quarter-quarter section or subdivision inner boundary.
 - (b) In the event ~~oil production is encountered in~~ a well ~~which was projected to a gas producing horizon~~ drilled as a gas well is completed as an oil well and ~~which~~ is located accordingly but does not conform to the oil well location rule below, it shall be necessary for the operator to ~~bring the matter to a hearing before approval~~

~~for the production of oil can be given~~ apply for administrative approval for a non-standard location before an oil allowable will be assigned. An application may be set for hearing by the Director. If the operator is uncertain as to whether a proposed wildcat well will be an oil well or a gas well, the well should be staked so that it is in a standard location for both oil and gas production.

- (c) Wildcat Oil Wells. A wildcat well which is projected to an oil-producing horizon as recognized by the Division shall be located on a tract consisting of approximately 40 surface contiguous acres substantially in the form of a square which is a legal subdivision of the U.S. Public Land Surveys, or on a governmental quarter-quarter section or lot, and shall be located not closer than 330 feet to any boundary of such tract.
- (d) In the event ~~gas production is encountered in a well which was projected to an oil producing horizon~~ drilled as an oil well is completed as a gas well and ~~which~~ is located accordingly but does not conform to the above gas well location rules, it shall be necessary for the operator to ~~bring the matter to a hearing before approval for the production of gas can be given~~ apply for administrative approval for a non-standard location before the well can produce. An application may be set for hearing by the Director. If the operator is uncertain as to whether a proposed wildcat well will be an oil well or a gas well, the well should be staked so that it is in a standard location for both oil and gas production.

(3) All Counties except Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba, and Sandoval, and McKinley.

- (a) Any wildcat well which is projected as an oil well in any county other than Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba, ~~and~~ Sandoval, and McKinley Counties shall be located on a tract consisting of approximately 40 surface contiguous acres substantially in the form of a square which is a legal subdivision of the U.S. Public Land

Surveys, or on a governmental quarter-quarter section or lot and shall be located not closer than 330 feet to any boundary of such tract.

- (b) Any wildcat well which is projected as a gas well to a formation and in an area which, in the opinion of the Division representative approving the application to drill, may reasonably be presumed to be productive of gas rather than oil shall be located on a drilling tract consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section, being a legal subdivision of the U.S. Public Land Surveys, and shall be located not closer than 660 feet to any outer boundary of such tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary.

104.C. ACREAGE AND WELL LOCATION REQUIREMENTS FOR DEVELOPMENT WELLS

(1) Oil Wells, All Counties.

- (a) Unless otherwise provided in special pool rules, each development well for a defined oil pool shall be located on a tract consisting of approximately 40 surface contiguous acres substantially in the form of a square which is a legal subdivision of the U.S. Public Land Surveys, or on a governmental quarter-quarter section or lot, and shall be located not closer than 330 feet to any boundary of such tract nor closer than 330 feet to the nearest well drilling to or capable of producing from the same pool, provided however, only tracts committed to active secondary recovery projects shall be permitted more than four wells.

(2) Lea, Chaves, Eddy and Roosevelt Counties.

- (a) Gas Wells. Unless otherwise provided in special pool rules, each development well for a defined gas pool in a formation younger than the Wolfcamp formation, or in the Wolfcamp formation which was created and defined by the Division prior to November 1, 1975, or in a Pennsylvanian age or older formation which was created and defined by

the Division prior to June 1, 1964, shall be located on a designated drilling tract consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section being a legal subdivision of the U.S. Public Land Surveys, and shall be located not closer than 660 feet to any outer boundary of such tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary nor closer than 1320 feet to the nearest well drilling to or capable of producing from the same pool.

- (b) Unless otherwise provided in the special pool rules, each development well for a defined gas pool in the Wolfcamp formation which was created and defined by the Division after November 1, 1975, or of Pennsylvanian age or older which was created and defined by the Division after June 1, 1964, shall be located on a designated drilling tract consisting of 320 surface contiguous acres, more or less, comprising any two contiguous quarter sections of a single governmental section, being a legal subdivision of the U.S. Public Land Surveys. Any such well having more than 160 acres dedicated to it shall be located not closer than 660 feet to the nearest side boundary of the dedicated tract nor closer than ~~1980~~ 1650 feet to the nearest end boundary, nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary. (For the purpose of this rule, "side" boundary and "end" boundary are as defined in ~~Section D I(a) of this rule~~ Rule 104.B(1)(a), above.)

(3) San Juan, Rio Arriba, and Sandoval, and McKinley Counties.

- (a) Gas Wells. Unless otherwise provided in special pool rules, each development well for a defined gas pool shall be located on a designated drilling tract consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section, being a legal subdivision of the U.S. Public Land Surveys, and shall be located not closer than 790 feet to any outer boundary of the tract nor closer than 130 feet to any quarter-quarter section line or subdivision inner boundary.

(4) All Counties except Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba, and Sandoval, and McKinley.

(a) Gas Wells. Unless otherwise provided in special pool rules, each development well for a defined gas pool shall be located on a designated drilling tract consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section, being a legal subdivision of the U.S. Public Land Surveys, and shall be located not closer than 660 feet to any outer boundary of such tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary nor closer than 1320 feet to the nearest well drilling to or capable of producing from the same pool.

104.D. ACREAGE ASSIGNMENT, COMPLETED WELLS

(1) Well Tests and Classification. It shall be the responsibility of the operator of any wildcat gas well or development gas well to which more than 40 acres has been dedicated to conduct a potential test within 30 days following completion of the well and to file the same with the Division within 10 days following completion of the tests. (See Rule 401.)

- (a) Date of completion for a gas well shall be the date a ~~Christmas tree~~ wellhead is installed or 30 days following conclusion of active completion work on the well, whichever date comes first.
- (b) Upon making a determination that the well should not properly be classified as a gas well, the Division will reduce the acreage dedicated to the well.
- (c) Failure of the operator to file the aforesaid tests within the specified time will also subject the well to such acreage reduction.

(2) Non-Standard Spacing Units. Any ~~completed gas~~ well which does not have the required amount of acreage dedicated to it for the pool or formation in which it is completed may not be produced until a standard spacing unit for the well has been formed and dedicated or until a non-standard spacing unit has been approved.

(a) The supervisor of the appropriate District Office of the Division shall have the authority to approve non-standard spacing units without notice when the unorthodox size and shape is necessitated by a variation in the legal subdivision of the United States Public Land Surveys and/or consists of an entire governmental section and the non-standard spacing unit is not less than 70% nor more than 130% of a standard spacing unit. Such approval shall consist of acceptance of Division Form C-102 showing the proposed non-standard spacing unit and the acreage contained therein.

~~(a)~~(b) The Division Director may grant administrative approval to non-standard ~~gas~~ spacing units without notice and hearing when an application has been filed for a non-standard spacing unit and the unorthodox size or shape of the ~~unit~~ dedicated tract is necessitated by a variation in the legal subdivision of the U.S. Public Land Surveys, or the following facts exist and the following provisions are complied with:

(i) The non-standard spacing unit consists of a single quarter-quarter section or lot or the non-standard spacing unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side-; and

(ii) The non-standard spacing unit lies wholly within a single governmental quarter section if the well is completed in a pool or formation for which 40, 80, or 160 acres is the standard spacing unit size, ~~or~~ wholly within a single governmental half section if the well is completed in a pool or formation for which 320 acres is the standard spacing unit size, or wholly within a single governmental section if

the well is completed in a pool or formation for which 640 acres is the standard spacing unit size.

~~(iii) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the quarter section (for 160 acre pools or formations) or the half section (for 320 acre pools or formations) in which the non standard unit is situated and which acreage is not included in said non standard unit.~~

~~(iv) In lieu of paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of his intent to form such non standard unit. The Director may approve the application if no such operator has entered an objection to the formation of such non standard unit within 30 days after the Director has received the application.~~

(c) Applications for administrative approval of non-standard spacing units, pursuant to Section D(2) above, shall be accompanied by a plat showing the subject spacing unit and an applicable standard spacing unit for the applicable pool or formation, its proposed well dedications, all adjoining spacing units and/or leases (whichever is applicable), and a list of affected parties. Also to be included is a statement that discusses the necessity for the formation of the subject non-standard spacing unit and the reasons why a standard sized spacing unit is not feasible.

(i) Affected parties in this instance shall be defined as those parties who own interests in the applicable half quarter section (80-acre spacing), quarter section (160-acre spacing), half section (320-acre spacing), or section (640-acre spacing) in which the non-standard spacing unit is situated and which acreage is not included in said non-standard spacing unit;

- (ii) the designated operator of any adjoining or diagonal spacing unit producing from the same pool(s) as the proposed non-standard spacing unit;
 - (iii) in the absence of an operator, all lessees of record of any diagonal or adjoining lease owning interests in the same pool(s) as the proposed non-standard spacing unit; and
 - (iv) in the absence of an operator or lessee, then to all owners of record of unleased mineral interests.
- (d) The applicant shall submit a statement attesting that applicant, on or before the same date the application was submitted to the Division, has sent notification to the affected parties by submitting a copy of the application, including a copy of the plat described in Subpart (c) above by certified or registered mail-return receipt in accordance with Rule 1207(6)(a) advising them that if they have an objection it must be filed in writing within twenty days from the date notice was sent. The Division Director may approve the non-standard spacing unit upon receipt of waivers from all said parties or if no said party has entered an objection to the non-standard spacing unit within 20 days after the Director has received the application.
- (e) The Division Director may set any application for administrative approval for a non-standard spacing unit for public hearing.
- (3) Number of Wells Per Spacing Unit in Non-Prorated Gas Pools:
 Unless otherwise permitted by special pool rules or authorized after notice and hearing, only one (1) well per spacing unit is permitted in non-prorated pools.

104.E. ~~Form C-101, Application for Permit to Drill, Deepen, or Plug Back~~ C-102, "Well Location and Acreage Dedication Plat", for any well shall designate the exact legal subdivision allotted to the well and ~~no~~ Form C-101, "Application for Permit to Drill, Deepen, or Plug Back", will not be approved by the Division ~~or any of its agents~~ without such proper designation of acreage.

- (1) ~~The Division Director shall have authority to grant an exception to the well location requirements of Sections B and C above without notice and hearing when the necessity for such unorthodox location is based upon topographical conditions, the recompletion of a well previously drilled to a deeper horizon, provided said well was drilled at an orthodox or approved unorthodox location for such original horizon, or Well~~ locations for producing wells and/or injection wells which are unorthodox based on the well location requirements of Rule 104.C(1)(a) above and which are necessary to permit the completion of an efficient production and injection pattern within a secondary recovery, tertiary recovery, or pressure maintenance project are hereby authorized, provided that any such unorthodox location within such project is no closer than ~~330 feet~~ the required minimum orthodox distance to the outer boundary of the lease or the unitized area, nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary. Such locations shall only require such prior approval as is necessary for an orthodox location.
- (2) The Division Director shall have authority to grant an exception to the well location requirements of ~~Rule 104 B.I. (a) and Rule 104 C.II. (a)~~ Sections 104.B and 104.C above or to the well location requirements of special pool rules without notice and hearing when the necessity for such unorthodox location is based upon geologic conditions ~~provided that any such unorthodox location shall be no closer than 660 feet to the nearest side boundary nor closer than 990 feet to the nearest end boundary of the proration unit,~~ archaeological conditions, topographical conditions, or the recompletion of a well previously drilled to a deeper horizon provided said well was drilled at an orthodox or approved unorthodox location for such original horizon.
- (3) Applications for administrative approval of unorthodox locations pursuant to Rule 104.F(2), above, shall be ~~filed in TRIPLICATE and shall be accompanied by plat, showing the ownership of all leases offsetting the proration or spacing unit for which the unorthodox location is sought, and also all wells completed thereon~~ a plat showing the subject spacing

unit, its proposed unorthodox well location, the diagonal and adjoining spacing units and/or leases (whichever is applicable) and wells, and a list of affected parties. If the proposed unorthodox location is based upon topography or archaeology, the plat shall also show and describe the existent topographical or archaeological conditions. ~~If the proposed unorthodox location is based upon completion of an efficient production and injection pattern, the plat shall also show the project outline identifying all producing and injection wells therein, and the applicant shall further include a statement setting forth the necessity for such location.~~ If the proposed unorthodox location is based upon geology ~~as provided in Paragraph (2) above~~, the application shall include appropriate geologic maps, cross sections, and/or logs, exhibits and a discussion of the geologic conditions which result in the necessity for the unorthodox location.

- (a) Adjoining and diagonal spacing units shall be defined as those immediately adjacent existing spacing units in the same pool(s) as the proposed unorthodox well and towards which the unorthodox well location encroaches.
- (b) Affected parties shall be defined as those parties who own interests in leases or operate wells on adjoining or diagonal spacing units and include:
 - (i) the designated operator of any adjoining or diagonal spacing unit producing from the same pool(s) as the proposed well;
 - (ii) in the absence of an operator, all lessees of record of any diagonal or adjoining lease owning interests in the same pool(s) as the proposed well; and
 - (iii) in the absence of an operator or lessee, all owners of record of unleased mineral interests in the same pool(s) as the proposed well.

- (4) ~~All operators of proration or spacing units offsetting the unit for which the unorthodox location is sought shall be notified of the application by certified or registered mail, and the application shall state that such notification has been given~~ The applicant shall submit a statement attesting that applicant, on or before the same date the application was submitted to the Division, has sent notification to the affected parties by submitting a copy of the application, including a copy of the plat described in Rule 104.F(3) above by certified or registered mail-return receipt in accordance with Rule 1207(A) (5) advising them that if they have an objection it must be filed in writing within twenty days from the date notice was sent. The Division Director may approve the unorthodox location upon receipt of waivers from all ~~offset operators~~ said parties or if no ~~offset operator~~ said party has entered an objection to the unorthodox location within 20 days after the Director has received the application.
- (5) The Division Director may, ~~at his discretion,~~ set any application for administrative approval of an unorthodox location for public hearing, and may require that a directional survey be run in the unorthodox well to establish the actual location of the producing interval(s).

104.G. Whenever an exception is granted, the Division may take such action as will offset any advantage which the person securing the exception may obtain over other producers by reason of the unorthodox location.

104.H. If the drilling tract is within an allocated oil pool or is placed within such allocated pool at any time after completion of the well and the drilling tract consists of less than 39 1/2 acres or more than 40 1/2 acres, the top unit allowable for such well shall be increased or decreased in the proportion that the number of acres in the drilling tract bears to 40.

104.I. If the drilling tract is within an allocated gas pool or is subsequently placed within an allocated gas pool, and the drilling tract consists of less than 158 acres or more than 162 acres in 160-acre pools, or less than 316 acres or more than 324 acres in 320-acre pools, the top allowable for such well shall be decreased or increased in the proportion that the number of acres in the drilling tract bears to a standard spacing unit for the pool.

104.J. In computing acreage under Rules 104.H and 104.I above, minor fractions of an acre shall not be counted but 1/2 acre or more shall count as 1 acre.

104.K. The provisions of Rules 104.H and 104.I above shall apply only to wells completed after January 1, 1950. Nothing herein contained shall affect in any manner any well completed prior to the effective date of this rule and no adjustments shall be made in the allowable production for any such wells by reason of these rules.

104.L. In order to prevent waste the Division may, after notice and hearing, fix different spacing requirements and require greater acreage for drilling tracts in any defined oil pool or in any defined gas pool notwithstanding the provisions of Rules 104.B and 104.C above.

104.M. The Division may approve the pooling or communitization of fractional lots of 20.49 acres or less with another oil ~~proration~~ spacing unit when:

- (1) The ~~units~~ tracts involved are contiguous;
- (2) They are part of the same basic lease, carrying the same royalty interest; and
- (3) The ownership of the ~~units~~ tracts involved is common.

104.N. Application to the Division for pooling shall be accompanied by three (3) copies of a certified plat showing the dimensions and acreage involved in the pooling, the ownership of all leases and royalty interests involved, and the location of any proposed wells.

104.O. ~~Applicant shall furnish all operators who directly and diagonally offset the units involved a copy of the application to the Division and shall include with his application a written statement that all offset operators have been properly notified. Offset operators shall include only those operators who have offset properties within the State of New Mexico.~~ The Division shall wait at least ten days before approving any such pooling, and shall approve such pooling only in the absence of objection from any ~~offset operator~~ party entitled to notice. In the event that ~~an operator~~ a party entitled to notice objects to the pooling, the Division shall consider the matter only after proper notice and hearing.

104.P. The Division may waive the ten-day waiting period requirement if the applicant furnishes the Division with the written consent to the pooling by all offset operators involved.

104.Q. The Division may consider that the requirements of ~~subparagraphs 2 and 3 of paragraph M of this rule~~ Rules 104.M(2) and (3) have been fulfilled if the applicant furnishes with each copy of each application to the Division a copy of executed pooling agreement communitizing the ~~units~~ tracts involved.

104.R. ~~Each well drilled on any communitized tract shall be located in the approximate geographical center of the combined units with a tolerance of 150 feet for topographical conditions, but in any event shall not be located closer than 330 feet to the outer boundaries of the proposed proration unit or communitized tract.~~ REPEALED

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Case No. 11351
Order No. R-10533

RULE 104. - WELL SPACING:
ACREAGE REQUIREMENTS FOR DRILLING TRACTS

104.A. CLASSIFICATION OF WELLS: WILDCAT WELLS AND DEVELOPMENT WELLS

(1) San Juan, Rio Arriba, Sandoval, and McKinley Counties

- (a) Any well which is to be drilled the spacing unit of which is a distance of 2 miles or more from:
 - (i) the outer boundary of any defined pool which has produced oil or gas from the formation to which the well is projected; and
 - (ii) any other well which has produced oil or gas from the formation to which the proposed well is projected, shall be classified as a wildcat well.

(2) All Counties Except San Juan, Rio Arriba, Sandoval, and McKinley

- (a) Any well which is to be drilled the spacing unit of which is a distance of one mile or more from:
 - (i) the outer boundary of any defined pool which has produced oil or gas from the formation to which the well is projected; and
 - (ii) any other well which has produced oil or gas from the formation to which the proposed well is projected, shall be classified as a wildcat well.
- (3) Any well which is not a wildcat well as defined above shall be classified as a development well for the nearest pool which has produced oil or gas from the formation to which the well is projected. Any such development well shall be spaced, drilled, operated, and produced in accordance with the rules and regulations in effect in such nearest pool, provided the well is completed in the formation to which it was projected.

- (4) Any well classified as a development well for a given pool but which is completed in a producing horizon not included in the vertical limits of said pool shall be operated and produced in accordance with the rules and regulations in effect in the nearest pool within the 2 mile limit in San Juan, Rio Arriba, Sandoval, and McKinley Counties or within one mile everywhere else which is producing from that horizon. If there is no designated pool for said producing horizon within the 2 mile limit in San Juan, Rio Arriba, Sandoval, and McKinley Counties or within one mile everywhere else, the well shall be re-classified as a wildcat well.

104.B. ACREAGE AND WELL LOCATION REQUIREMENTS FOR WILDCATS

(1) Lea, Chaves, Eddy and Roosevelt Counties

- (a) Wildcat Gas Wells. In Lea, Chaves, Eddy and Roosevelt Counties, a wildcat well which is projected as a gas well to a formation and in an area which, in the opinion of the engineer or supervisor approving the application to drill, may reasonably be presumed to be productive of gas rather than oil shall be located on a drilling tract consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section, being a legal subdivision of the U.S. Public Land Surveys, and shall be located not closer than 660 feet to any outer boundary of such tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary. Provided, however, that any such wildcat gas well which is projected to the Wolfcamp or older formations shall be located on a drilling tract consisting of 320 surface contiguous acres, more or less, comprising any two contiguous quarter sections of a single governmental section, being a legal subdivision of the U.S. Public Land Surveys. Any such "deep" wildcat gas well to which is dedicated more than 160 acres shall be located not closer than 660 feet to the nearest side boundary of the dedicated tract nor closer than 1650 feet to the nearest end boundary, nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary. (For the purpose of this rule, "side" boundary is defined as one of the outer boundaries running lengthwise to the tract's greatest overall dimensions; "end" boundary is defined as one of the outer boundaries perpendicular to a side boundary and

closing the tract across its least overall dimension.)

- (b) Wildcat Oil Wells. In Lea, Chaves, Eddy, and Roosevelt Counties, a wildcat well which is not a wildcat gas well as defined above shall be located on a tract consisting of approximately 40 surface contiguous acres substantially in the form of a square which is a legal subdivision of the U.S. Public Land Surveys, or on a governmental quarter-quarter section or lot, and shall be located not closer than 330 feet to any boundary of such tract.
- (c) In the event gas production is encountered in a well which was projected as an oil well and which is located accordingly but does not conform to the above gas well location rule, it shall be necessary for the operator to bring the matter to a hearing before approval for the production of gas can be given.

(2) San Juan, Rio Arriba, Sandoval, and McKinley Counties

- (a) Wildcat Gas Wells. In San Juan, Rio Arriba, Sandoval, and McKinley Counties, a wildcat well which is projected to a gas-producing horizon shall be located on a designated drilling tract consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section, being a legal subdivision of the U.S. Public Land Surveys, and shall be located not closer than 790 feet to any outer boundary of the tract nor closer than 130 feet to any quarter-quarter section or subdivision inner boundary.
- (b) In the event a well drilled as a gas well is completed as an oil well and is located accordingly but does not conform to the oil well location rule below, it shall be necessary for the operator to apply for administrative approval for a non-standard location before an oil allowable will be assigned. An application may be set for hearing by the Director. If the operator is uncertain as to whether a proposed wildcat well will be an oil well or a gas well, the well should be staked so that it is in a standard location for both oil and gas production.

- (c) Wildcat Oil Wells. A wildcat well which is projected to an oil-producing horizon as recognized by the Division shall be located on a tract consisting of approximately 40 surface contiguous acres substantially in the form of a square which is a legal subdivision of the U.S. Public Land Surveys, or on a governmental quarter-quarter section or lot, and shall be located not closer than 330 feet to any boundary of such tract.
 - (d) In the event a well drilled as an oil well is completed as a gas well and is located accordingly but does not conform to the above gas well location rules, it shall be necessary for the operator to apply for administrative approval for a non-standard location before the well can produce. An application may be set for hearing by the Director. If the operator is uncertain as to whether a proposed wildcat well will be an oil well or a gas well, the well should be staked so that it is in a standard location for both oil and gas production.
- (3) All Counties except Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba, Sandoval, and McKinley.
- (a) Any wildcat well which is projected as an oil well in any county other than Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba, Sandoval, and McKinley Counties shall be located on a tract consisting of approximately 40 surface contiguous acres substantially in the form of a square which is a legal subdivision of the U.S. Public Land Surveys, or on a governmental quarter-quarter section or lot and shall be located not closer than 330 feet to any boundary of such tract.
 - (b) Any wildcat well which is projected as a gas well to a formation and in an area which, in the opinion of the Division representative approving the application to drill, may reasonably be presumed to be productive of gas rather than oil shall be located on a drilling tract consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section, being a legal subdivision of the U.S. Public Land Surveys, and shall be located not closer than 660 feet to any outer boundary of such tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary.

104.C. ACREAGE AND WELL LOCATION REQUIREMENTS FOR
DEVELOPMENT WELLS

(1) Oil Wells, All Counties.

- (a) Unless otherwise provided in special pool rules, each development well for a defined oil pool shall be located on a tract consisting of approximately 40 surface contiguous acres substantially in the form of a square which is a legal subdivision of the U.S. Public Land Surveys, or on a governmental quarter-quarter section or lot, and shall be located not closer than 330 feet to any boundary of such tract nor closer than 330 feet to the nearest well drilling to or capable of producing from the same pool, provided however, only tracts committed to active secondary recovery projects shall be permitted more than four wells.

(2) Lea, Chaves, Eddy and Roosevelt Counties.

- (a) Gas Wells. Unless otherwise provided in special pool rules, each development well for a defined gas pool in a formation younger than the Wolfcamp formation, or in the Wolfcamp formation which was created and defined by the Division prior to November 1, 1975, or in a Pennsylvanian age or older formation which was created and defined by the Division prior to June 1, 1964, shall be located on a designated drilling tract consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section being a legal subdivision of the U.S. Public Land Surveys, and shall be located not closer than 660 feet to any outer boundary of such tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary nor closer than 1320 feet to the nearest well drilling to or capable of producing from the same pool.
- (b) Unless otherwise provided in the special pool rules, each development well for a defined gas pool in the Wolfcamp formation which was created and defined by the Division after November 1, 1975, or of Pennsylvanian age or older which was created and defined by the Division after June 1, 1964, shall be located on a designated drilling tract consisting of 320 surface contiguous acres, more or less,

comprising any two contiguous quarter sections of a single governmental section, being a legal subdivision of the U.S. Public Land Surveys. Any such well having more than 160 acres dedicated to it shall be located not closer than 660 feet to the nearest side boundary of the dedicated tract nor closer than 1650 feet to the nearest end boundary, nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary. (For the purpose of this rule, "side" boundary and "end" boundary are as defined in Rule 104.B(1)(a), above.)

(3) San Juan, Rio Arriba, Sandoval, and McKinley Counties.

- (a) Gas Wells. Unless otherwise provided in special pool rules, each development well for a defined gas pool shall be located on a designated drilling tract consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section, being a legal subdivision of the U.S. Public Land Surveys, and shall be located not closer than 790 feet to any outer boundary of the tract nor closer than 130 feet to any quarter-quarter section line or subdivision inner boundary.

(4) All Counties except Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba, Sandoval, and McKinley.

- (a) Gas Wells. Unless otherwise provided in special pool rules, each development well for a defined gas pool shall be located on a designated drilling tract consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section, being a legal subdivision of the U.S. Public Land Surveys, and shall be located not closer than 660 feet to any outer boundary of such tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary nor closer than 1320 feet to the nearest well drilling to or capable of producing from the same pool.

104.D. ACREAGE ASSIGNMENT

- (1) Well Tests and Classification. It shall be the responsibility of the operator of any wildcat gas well or development gas well to which more than 40 acres has been dedicated to conduct a potential test within 30 days following completion of the well and to file the same with the Division within 10 days following completion of the tests. (See Rule 401.)
 - (a) Date of completion for a gas well shall be the date a wellhead is installed or 30 days following conclusion of active completion work on the well, whichever date comes first.
 - (b) Upon making a determination that the well should not properly be classified as a gas well, the Division will reduce the acreage dedicated to the well.
 - (c) Failure of the operator to file the aforesaid tests within the specified time will also subject the well to such acreage reduction.
- (2) Non-Standard Spacing Units. Any well which does not have the required amount of acreage dedicated to it for the pool or formation in which it is completed may not be produced until a standard spacing unit for the well has been formed and dedicated or until a non-standard spacing unit has been approved.
 - (a) The supervisor of the appropriate District Office of the Division shall have the authority to approve non-standard spacing units without notice when the unorthodox size and shape is necessitated by a variation in the legal subdivision of the United States Public Land Surveys and/or consists of an entire governmental section and the non-standard spacing unit is not less than 70% nor more than 130% of a standard spacing unit. Such approval shall consist of acceptance of Division Form C-102 showing the proposed non-standard spacing unit and the acreage contained therein.

- (b) The Division Director may grant administrative approval to non-standard spacing units without notice and hearing when an application has been filed for a non-standard spacing unit and the unorthodox size or shape of the dedicated tract is necessitated by a variation in the legal subdivision of the U.S. Public Land Surveys, or the following facts exist and the following provisions are complied with:
 - (i) The non-standard spacing unit consists of a single quarter-quarter section or lot or the non-standard spacing unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side; and
 - (ii) The non-standard spacing unit lies wholly within a single governmental quarter section if the well is completed in a pool or formation for which 40, 80, or 160 acres is the standard spacing unit size, wholly within a single governmental half section if the well is completed in a pool or formation for which 320 acres is the standard spacing unit size, or wholly within a single governmental section if the well is completed in a pool or formation for which 640 acres is the standard spacing unit size.
- (c) Applications for administrative approval of non-standard spacing units, pursuant to Section D(2) above, shall be accompanied by a plat showing the subject spacing unit and an applicable standard spacing unit for the applicable pool or formation, its proposed well dedications, all adjoining spacing units and/or leases (whichever is applicable), and a list of affected parties. Also to be included is a statement that discusses the necessity for the formation of the subject non-standard spacing unit and the reasons why a standard sized spacing unit is not feasible.
 - (i) Affected parties in this instance shall be defined as those parties who own interests in the applicable half quarter section (80-acre spacing), quarter section (160-acre spacing), half section (320-acre spacing), or section (640-acre spacing) in which the non-standard spacing unit is situated and which acreage is not included in said non-standard spacing unit;

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- (ii) the designated operator of any adjoining or diagonal spacing unit producing from the same pool(s) as the proposed non-standard spacing unit;
 - (iii) in the absence of an operator, all lessees of record of any diagonal or adjoining lease owning interests in the same pool(s) as the proposed non-standard spacing unit; and
 - (iv) in the absence of an operator or lessee, then to all owners of record of unleased mineral interests.
- (d) The applicant shall submit a statement attesting that applicant, on or before the same date the application was submitted to the Division, has sent notification to the affected parties by submitting a copy of the application, including a copy of the plat described in Subpart (c) above by certified or registered mail-return receipt in accordance with Rule 1207(6)(a) advising them that if they have an objection it must be filed in writing within twenty days from the date notice was sent. The Division Director may approve the non-standard spacing unit upon receipt of waivers from all said parties or if no said party has entered an objection to the non-standard spacing unit within 20 days after the Director has received the application.
- (e) The Division Director may set any application for administrative approval for a non-standard spacing unit for public hearing.
- (3) Number of Wells Per Spacing Unit in Non-Prorated Gas Pools: Unless otherwise permitted by special pool rules or authorized after notice and hearing, only one (1) well per spacing unit is permitted in non-prorated pools.

104.E. Form C-102, "Well Location and Acreage Dedication Plat", for any well shall designate the exact legal subdivision allotted to the well and Form C-101, "Application for Permit to Drill, Deepen, or Plug Back", will not be approved by the Division without such proper designation of acreage.

104.F. UNORTHODOX LOCATIONS

- (1) Well locations for producing wells and/or injection wells which are unorthodox based on the well location requirements of Rule 104.C(1)(a) above and which are necessary to permit the completion of an efficient production and injection pattern within a secondary recovery, tertiary recovery, or pressure maintenance project are hereby authorized, provided that any such unorthodox location within such project is no closer than the required minimum orthodox distance to the outer boundary of the lease or the unitized area, nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary. Such locations shall only require such prior approval as is necessary for an orthodox location.
- (2) The Division Director shall have authority to grant an exception to the well location requirements of Sections 104.B and 104.C above or to the well location requirements of special pool rules without notice and hearing when the necessity for such unorthodox location is based upon geologic conditions, archaeological conditions, topographical conditions, or the recompletion of a well previously drilled to a deeper horizon provided said well was drilled at an orthodox or approved unorthodox location for such original horizon.
- (3) Applications for administrative approval of unorthodox locations pursuant to Rule 104.F(2), above, shall be accompanied by a plat showing the subject spacing unit, its proposed unorthodox well location, the diagonal and adjoining spacing units and/or leases (whichever is applicable) and wells, and a list of affected parties. If the proposed unorthodox location is based upon topography or archaeology, the plat shall also show and describe the existent topographical or archaeological conditions. If the proposed unorthodox location is based upon geology, the application shall include appropriate geologic exhibits and a discussion of the geologic conditions which result in the necessity for the unorthodox location.
 - (a) Adjoining and diagonal spacing units shall be defined as those immediately adjacent existing spacing units in the same pool(s) as the proposed unorthodox well and towards which the unorthodox well location encroaches.

- (b) Affected parties shall be defined as those parties who own interests in leases or operate wells on adjoining or diagonal spacing units and include:
 - (i) the designated operator of any adjoining or diagonal spacing unit producing from the same pool(s) as the proposed well;
 - (ii) in the absence of an operator, all lessees of record of any diagonal or adjoining lease owning interests in the same pool(s) as the proposed well; and
 - (iii) in the absence of an operator or lessee, all owners of record of unleased mineral interests in the same pool(s) as the proposed well.
- (4) The applicant shall submit a statement attesting that applicant, on or before the same date the application was submitted to the Division, has sent notification to the affected parties by submitting a copy of the application, including a copy of the plat described in Rule 104.F(3) above by certified or registered mail-return receipt in accordance with Rule 1207(A)(5) advising them that if they have an objection it must be filed in writing within twenty days from the date notice was sent. The Division Director may approve the unorthodox location upon receipt of waivers from all said parties or if no said party has entered an objection to the unorthodox location within 20 days after the Director has received the application.
- (5) The Division Director may set any application for administrative approval of an unorthodox location for public hearing, and may require that a directional survey be run in the unorthodox well to establish the actual location of the producing interval(s).

104.G. Whenever an exception is granted, the Division may take such action as will offset any advantage which the person securing the exception may obtain over other producers by reason of the unorthodox location.

104.H. If the drilling tract is within an allocated oil pool or is placed within such allocated pool at any time after completion of the well and the drilling tract consists of less than 39 1/2 acres or more than 40 1/2 acres, the top unit allowable for such well shall be increased or decreased in the proportion that the number of acres in the drilling tract bears to 40.

104.I. If the drilling tract is within an allocated gas pool or is subsequently placed within an allocated gas pool, and the drilling tract consists of less than 158 acres or more than 162 acres in 160-acre pools, or less than 316 acres or more than 324 acres in 320-acre pools, the top allowable for such well shall be decreased or increased in the proportion that the number of acres in the drilling tract bears to a standard spacing unit for the pool.

104.J. In computing acreage under Rules 104.H and 104.I above, minor fractions of an acre shall not be counted but 1/2 acre or more shall count as 1 acre.

104.K. The provisions of Rules 104.H and 104.I above shall apply only to wells completed after January 1, 1950. Nothing herein contained shall affect in any manner any well completed prior to the effective date of this rule and no adjustments shall be made in the allowable production for any such wells by reason of these rules.

104.L. In order to prevent waste the Division may, after notice and hearing, fix different spacing requirements and require greater acreage for drilling tracts in any defined oil pool or in any defined gas pool notwithstanding the provisions of Rules 104.B and 104.C above.

104.M. The Division may approve the pooling or communitization of fractional lots of 20.49 acres or less with another oil spacing unit when:

- (1) The tracts involved are contiguous;
- (2) They are part of the same basic lease, carrying the same royalty interest; and
- (3) The ownership of the tracts involved is common.

104.N. Application to the Division for pooling shall be accompanied by three (3) copies of a certified plat showing the dimensions and acreage involved in the pooling, the ownership of all leases and royalty interests involved, and the location of any proposed wells.

104.O. The Division shall wait at least ten days before approving any such pooling, and shall approve such pooling only in the absence of objection from any party entitled to notice. In the event that a party entitled to notice objects to the pooling, the Division shall consider the matter only after proper notice and hearing.

104.P. The Division may waive the ten-day waiting period requirement if the applicant furnishes the Division with the written consent to the pooling by all offset operators involved.

104.Q. The Division may consider that the requirements of Rules 104.M(2) and (3) have been fulfilled if the applicant furnishes with each copy of each application to the Division a copy of executed pooling agreement communitizing the tracts involved.

104.R. REPEALED

**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. 10793
Order No. R-9976**

**APPLICATION OF YATES PETROLEUM
CORPORATION FOR A PILOT GAS
ENHANCED RECOVERY PROJECT, CHAVES
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 24th day of September, 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 authority to implement a pilot infill drilling program within portions of the Pecos Slope-Abo Gas Pool, Chaves County, New Mexico, by drilling an additional gas well within the following described standard 160-acre gas spacing and proration units in order to gather data to determine if additional infill drilling is necessary to effectively and efficiently drain the Abo formation:

TOWNSHIP 6 SOUTH, RANGE 25 EAST, NMPM

Section 8: NE/4
Section 11: SE/4
Section 15: SW/4
Section 24: SW/4
Section 26: NE/4
Section 35: NE/4

(3) In addition, the applicant seeks to include all of Irregular Section 1, Township 6 South, Range 25 East, NMPM, within the proposed pilot infill drilling area. Section 1 is a non-standard gas spacing and proration unit comprising some 201.29 acres.

(4) Within the subject gas proration units, the applicant proposes to produce both wells unrestricted for a temporary period of two years in order to gather geologic and engineering data.

(5) At the time of the hearing the applicant requested that the SW/4 of Section 15, Township 6 South, Range 25 East, NMPM, not be included within the proposed pilot infill drilling area.

(6) The Pecos Slope-Abo Gas Pool is currently governed by Division General Rules and Regulations which require 160-acre standard gas proration units and designated well locations. In addition, Division Rules and/or Policy currently generally prohibit the drilling of additional gas wells within standard proration units in non-prorated gas pools.

(7) According to evidence and testimony, Yates Petroleum Corporation drilled a number of infill wells in the Pecos Slope-Abo Gas Pool during 1992. Several of the wells encountered bottomhole pressures in the Abo formation in the range of 85-90 percent of original bottomhole reservoir pressure.

(8) Geologic evidence presented by the applicant indicates that the Abo formation in this area is comprised of three producing zones, each containing numerous distinct sand intervals. The sand intervals are generally vertically segregated and some are laterally discontinuous.

(9) Because of the nature of the sand intervals in this area, the applicant contends that some of the existing wells in the pool cannot efficiently and effectively drain the gas reserves in the Abo formation underlying their proration units.

(10) Engineering evidence presented by the applicant indicates that the drainage area for wells within the Pecos Slope-Abo Gas Pool varies considerably, and the average drainage area for wells within the specific area analyzed by the applicant is approximately 120 acres.

(11) The preliminary geologic and engineering evidence presented by the applicant indicates that there may be some areas within the Pecos Slope-Abo Gas Pool where infill drilling would be appropriate or necessary in order to efficiently and effectively recover gas reserves which would otherwise not be recovered.

(12) In selecting the proration units and well locations for the pilot project area, the applicant utilized the following criteria:

- a) the location must have good sand thickness as per Yates' geologic interpretation;
- b) the location must be on trend with good cumulative production; and,
- c) the location must be outside the calculated drainage areas of the existing wells.

(13) All of the proration units proposed to be included in the pilot project area, with the exception of the NE/4 of Section 8 and the SW/4 of Section 24, are completely offset by acreage owned or controlled by Yates Petroleum Corporation.

(14) The NE/4 of Section 8 is offset to the northeast by the Quail Federal Well No. 8, and the SW/4 of Section 24 is offset to the northwest by the Quail Federal Well No. 2, both Pecos Slope-Abo Gas Pool producing wells currently operated by Great Western Drilling Company.

(15) Notice of this application was provided to all operators in the Pecos Slope-Abo Gas Pool, including Great Western Drilling Company, and no operator and/or interest owner appeared in opposition to the application.

(16) Approval of the application will afford the applicant the opportunity to gather geologic and engineering data to:

- a) confirm its geologic interpretation of the reservoir;
- b) determine the extent of drainage within each respective proration unit by analyzing reservoir pressure and production data.

(17) Approval of the application should further enable the applicant to determine if the criteria it is using to select infill well locations is effective.

(18) Approval of the subject application and the implementation of the proposed pilot infill drilling project should result in the acquisition of information about the Pecos Slope-Abo Gas Pool which may aid in the ultimate determination as to the most effective method of developing the reservoir, thereby preventing waste.

(19) This case should be reopened at an examiner hearing in August, 1995, unless reopened at an earlier date at the request of the applicant or upon motion of the Division, at which time the applicant should be required to appear and present the geologic and engineering data it has acquired from the pilot project and make recommendations to the Division concerning amendments, if any are applicable, to the rules which currently govern the Pecos Slope-Abo Gas Pool.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Yates Petroleum Corporation, is hereby authorized to implement a pilot infill drilling program within portions of the Pecos Slope-Abo Gas Pool, Chaves County, New Mexico, by drilling an additional gas well within each of the following described standard 160-acre gas spacing and proration units:

TOWNSHIP 6 SOUTH, RANGE 25 EAST, NMPM

Section 8: NE/4

Section 11: SE/4

Section 24: SW/4

Section 26: NE/4

Section 35: NE/4

(2) In addition, the applicant is authorized to include within the pilot project area and drill an additional well within Irregular Section 1, Township 6 South, Range 25 East, NMPM, being a non-standard gas spacing and proration unit comprising some 201.29 acres.

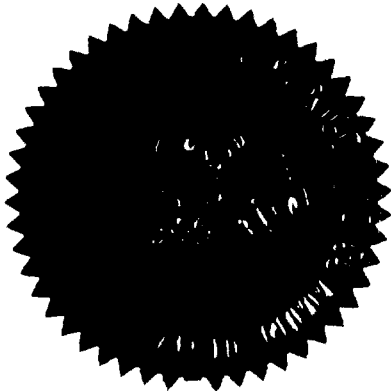
(3) The applicant is further authorized to produce both wells within each of the proration units described above unrestricted for a temporary period of two years for the purpose of gathering geologic and engineering data.

(4) This case shall be reopened at an examiner hearing in August, 1995, unless reopened at an earlier date at the request of the applicant or upon the motion of the Division, at which time the applicant shall appear and present the geologic and engineering data it has acquired from the pilot project and make recommendations to the Division concerning amendments, if any are applicable, to the rules which currently govern the Pecos Slope-Abo Gas Pool.

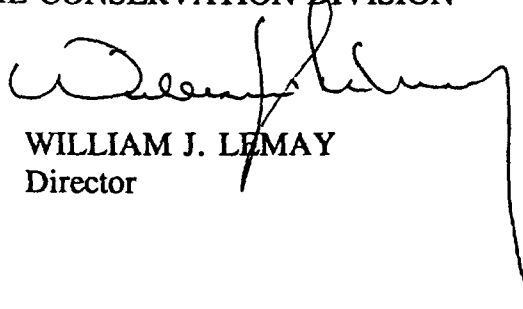
CASE NO. 10793
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(5) Jurisdiction of this cause is hereby retained for the entry of such further orders as the Division may deem necessary.

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



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

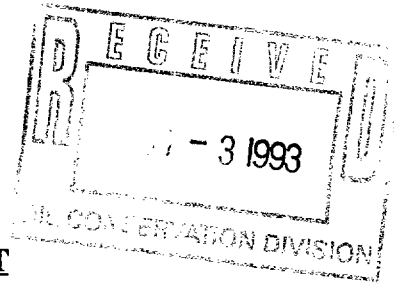
S E A L

**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. 10793

APPLICATION OF YATES PETROLEUM
CORPORATION FOR A PILOT GAS
ENHANCED RECOVERY PROJECT,
CHAVES 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

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

ATTORNEY

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

name, address, phone and
contact person

ATTORNEY

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 authority to implement a pilot project within portions of the Pecos Slope Abo-Gas Pool which it may drill an additional well on certain 160-acre spacing units to determine if additional development is necessary to effectively and efficiently drain the Abo formation. The pilot project area shall be limited to the following tracts:

TOWNSHIP 6 SOUTH, RANGE 25 EAST, N.M.P.M.

Section 1: NW/4
Section 8: NE/4
Section 11: E/2
Section 15: SW/4
Section 24: SW/4
Section 26: NE/4
Section 35: NE/4

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

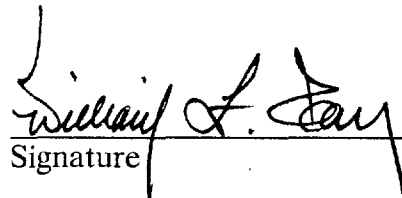
WITNESSES (Name and expertise)	EST. TIME	EXHIBITS
Randy Patterson, Land	10 Min.	Approximately 3
D'nese Fly, Geology	30 Min.	Approximately 10
Darrick Stallings, Petroleum Engineer	15 Min.	Approximately 2

OPPOSITION

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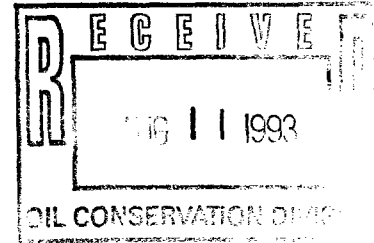
PROCEDURAL MATTERS

(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

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:



CASE NO. 10793

APPLICATION OF YATES PETROLEUM CORPORATION
FOR A PILOT ENHANCED RECOVERY PROJECT,
CHAVES COUNTY, NEW MEXICO

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by GREAT
WESTERN DRILLING COMPANY as required by the Oil Conservation
Division.

APPEARANCE OF PARTIES

APPLICANT

Yates Petroleum Corporation

ATTORNEY

William F. Carr
P. O. Box 2208
Santa Fe, New Mexico 87504

OPPOSITION PARTY

Great Western Drilling Company
Box 1659
Midland, Texas 79701
Attn: Mr. Michael Heathington
(915) 682-5241

ATTORNEY

W. Thomas Kellahin
KELLAHIN AND KELLAHIN
P.O. Box 2265
Santa Fe, NM 87504
(505) 982-4285

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STATEMENT OF CASE

OPPOSITION OR OTHER PARTY

Great Western Drilling Company is opposed to the simultaneous dedication of the same 160-acre gas spacing unit in a non-prorated gas pool.

Great Western Drilling Company is opposed to the location of any of the "infill" wells at unorthodox well locations closer than 660 feet to the outer boundary of its spacing unit.

PROPOSED EVIDENCE

OPPOSITION

WITNESSES

EST. TIME

EXHIBITS

None at this time

PROCEDURAL MATTERS

None applicable at this time.

KELLAHIN AND KELLAHIN

By: 

W. Thomas Kellahin

P.O. Box 2265

Santa Fe, New Mexico 87504

(505) 982-4285