

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. 9795
ORDER NO. R-9049

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

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on November 1, 1989, at Santa Fe, New Mexico, before Examiner Victor T. Lyon.

NOW, on this 21st day of November, 1989, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

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

(2) The applicant, Yates Petroleum Corporation, seeks approval of an unorthodox gas well location 1980 feet from the South line and 660 feet from the East line (Unit I) of Section 2, Township 10 South, Range 26 East, NMPM, to test the Undesignated Foor Ranch-PrePermian Gas Pool, Chaves County, New Mexico.

(3) The S/2 of said Section 2 is to be dedicated to the well forming a 320-acre gas spacing and proration unit for said pool.

(4) The location for the subject well, Sunnyside State Unit No. 3, was selected both to achieve maximum thickness of pay and to help drain the W/2 SW/4 of Section 1 which is also in the Sunnyside State Unit.

(5) The evidence shows that roughly 35% of the proposed unit is non-productive because of a fault, and also that a more nearly standard location could have been chosen with pay thickness equal to the proposed location.

(6) The proposed location is standard for a 160-acre proration unit and therefore, for proration purposes, this well should be assigned an acreage factor of 160/320, or 0.50.

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(7) The Foor Ranch-PrePermian Gas Pool is not prorated at this time, but in the event it is prorated in the future, the allowable should be penalized by virtue of a reduced acreage factor as described above.

(8) A well at this unorthodox location will enable the applicant to produce the gas underlying the proration unit.

(9) No offset operator objected to the proposed unorthodox location.

(10) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the affected pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The application of Yates Petroleum Corporation for an unorthodox gas well location for the Undesignated Foor Ranch-PrePermian Gas Pool is hereby approved for a well to be located at a point 1980 feet from the South line and 660 feet from the East line (Unit I) of Section 2, Township 10 South, Range 26 East, NMPM, Chaves County, New Mexico.

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

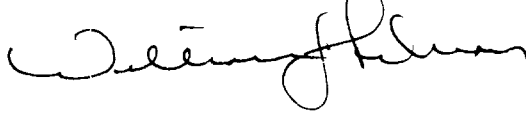
(3) Should the Foor Ranch-PrePermian Gas Pool be prorated in the future, this spacing and proration unit shall receive an acreage factor of 0.5 (160/320).

(4) 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