

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. 10108
Order No. R-5353-L

APPLICATION OF YATES PETROLEUM CORPORATION
TO AMEND THE SPECIAL POOL RULES FOR THE
SOUTH DAGGER DRAW-UPPER PENNSYLVANIAN
ASSOCIATED POOL, EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on October 3, 1990, at Santa Fe, New Mexico, before Examiner Jim Morrow.

NOW, on this 26th day of October, 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, Yates Petroleum Corporation, seeks an order amending the special pool rules and regulations for the South Dagger Draw-Upper Pennsylvanian Associated Pool, as promulgated by Division Order No. R-5353, as amended, to provide that each well, oil or gas, shall be located no closer than 660 feet to the outer boundary of the proration unit, nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary, to increase the limiting gas-oil ratio to 10,000 cubic feet of gas for each barrel of oil, and for a special depth bracket oil allowable for oil wells on a 320-acre proration unit of 700 barrels of oil per day. Said pool comprises either all or portions of Sections 11, 14, 22, 23, 26, and 35, Township 20 South, Range 24 East.

(3) Rules currently in effect for the South Dagger Draw-Upper Pennsylvanian Associated Field are as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
SOUTH DAGGER DRAW-UPPER PENNSYLVANIAN ASSOCIATED POOL

RULE 2. (a) A standard oil proration unit shall be 320 acres.
A standard gas proration unit shall be 320 acres.

RULE 2. (b) All oil wells and gas wells shall be located not closer than 660 feet to the nearest side boundary nor closer than 1980 feet to the nearest end boundary of the spacing unit nor closer than 330 feet to any subdivision inner boundary.

RULE 6. The limiting gas-oil ratio shall be 8,000 cubic feet of gas for each barrel of oil produced.

RULE 22. The special depth bracket allowable for an oil well on a 320-acre tract shall be 267 barrels of oil per day.

(4) Pool rules for the North Dagger Draw-Upper Pennsylvanian Pool provide for 160-acre spacing, a special depth bracket allowable of 350 barrels of oil per day, and a limiting gas-oil ratio of 10,000.

(5) At the hearing, the applicant presented evidence to show that the North Dagger Draw-Upper Pennsylvanian Pool and the South Dagger Draw- Upper Pennsylvanian Associated Pool are in geological and pressure communication and are in fact both part of the same pool.

(6) Applicant does not recommend consolidation of the two pools. The North pool has been developed with 160-acre rules and the South pool with 320-acre rules. A change in proration unit size for either pool would disturb ownership equities which have been created in compliance with existing rules. The proposed change in rules for the South pool would allow a second well to be drilled on the 320-acre proration units in the South pool and would result in rules which are "equivalent" to those in the North pool.

(7) Applicant submitted testimony that additional drilling, recompletion work, and equipment installations will result in the development of additional reserves and will increase oil and gas production if the proposed rules are adopted.

(8) Data submitted by the applicant indicates that Yates is operator of 9 producing wells in the South Dagger Draw Pool.

(9) Yates Petroleum Corporation submitted projections which estimate increased daily oil production of 600 barrels to 2,500 barrels

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(depending on the number of new wells drilled) following approval of the proposed rules.

(10) Testimony indicates that facilities and markets are available for handling the increased volume of gas production which could result from the proposed higher allowables.

(11) Production records for January through June, 1990 indicate that one well in the South Dagger Draw Pool, the Yates John AGU No. 1, is capable of producing more than the current top allowable rate of 267 barrels per day. Records show that this well produced 10,434 barrels (347.8 bbls. per day) in June, 1990.

(12) Production records indicate that no well in the South Dagger Draw pool is currently producing as much gas as is allowed by the current gas limit (2,136 MCF per day).

(13) No operator or interested party objected to the proposed rules amendments.

(14) The proposed changes in pool rules for the South Dagger Draw- Upper Pennsylvanian Associated Pool will result in rules which are equivalent to those in the North Dagger Draw-Pennsylvanian Pool and should be approved. The proposed rules will allow additional wells to be drilled and recompleted and will result in higher producing rates and the recovery of additional oil and gas.

IT IS THEREFORE ORDERED THAT:

(1) The application of Yates Petroleum Corporation to amend the Special Pool Rules for the South Dagger Draw-Upper Pennsylvanian Associated Pool, Eddy County, New Mexico, is hereby approved on a temporary basis.

(2) Temporary special pool rules for the South Dagger Draw-Upper Pennsylvanian Associated Pool are hereby promulgated as follows as an amendment to Division Order No. R-5353.

SPECIAL RULES AND REGULATIONS
FOR THE
SOUTH DAGGER DRAW-UPPER PENNSYLVANIAN ASSOCIATED POOL

RULE 2. (a) A standard oil proration unit shall be 320 acres.
A standard gas proration unit shall be 320 acres.

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RULE 2. (b) Each well shall be located no nearer than 660 feet to the nearest side boundary of the tract, nor nearer than 660 feet to the nearest end boundary of the tract, nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary.

RULE 6. The limiting gas-oil ratio shall be 10,000 cubic feet of gas for each barrel of oil produced.

RULE 22. The special depth bracket allowable for a 320-acre proration unit shall be 700 barrels of oil per day. All or any part of the allowable may be produced by a single well or by two or more wells on the unit. However, total oil allowable assigned to a 320-acre unit shall not exceed 700 barrels per day.

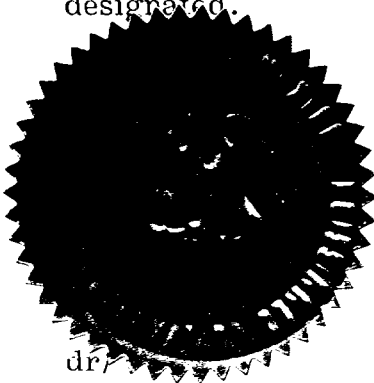
IT IS FURTHER ORDERED THAT:

(3) The Amended Special Rules and Regulations for the South Dagger Draw-Upper Pennsylvanian Associated Pool shall become effective November 1, 1990.

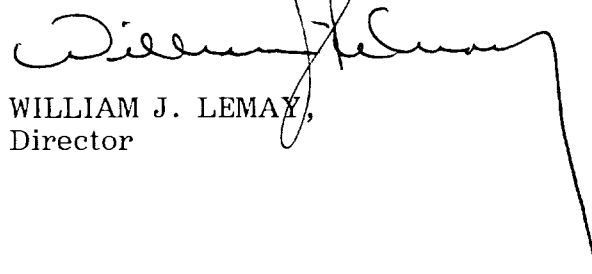
(4) This case shall be reopened at an examiner hearing in November, 1992, at which time the operators in the pool may appear and present evidence and show cause why the foregoing Special Rules and Regulations should remain in effect.

(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