

**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. 12832
ORDER NO. R-11758

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

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on March 7, 2002, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 12th day of April, 2002, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) The applicant, Yates Petroleum Corporation ("Yates"), seeks approval to drill its Pay "AYY" Federal Com No. 1 at a unorthodox gas well location 660 feet from the North line and 330 feet from the West line (Unit D) of Section 11, Township 8 South, Range 26 East, NMPM, Chaves County, New Mexico, to test various formations from the surface to the base of the Granite Wash.

(3) The W/2 of Section 11 is to be dedicated to the well forming a standard 320-acre spacing and proration unit for any pool or formation spaced on 320-acres within this vertical extent, which presently includes the North Foor Ranch-Pre Permian Gas Pool, and the NW/4 of Section 11 is to be dedicated to the well forming a standard 160-acre spacing and proration unit for any pool or formation spaced on 160-acres within this vertical extent, which presently includes the Pecos Slope-Abo Gas Pool.

(4) The proposed Pay "AYY" Federal Com No. 1 is located within the North Foor Ranch-Pre Permian Gas Pool and the Pecos Slope-Abo Gas Pool. The North Foor Ranch-Pre Permian Gas Pool is currently governed by Division Rule No. 104.C.(2),

and the Pecos Slope-Abo Gas Pool is currently governed by *"The Special Rules and Regulations for the Pecos Slope-Abo Gas Pool"* as contained within Division Order No. R-9976-C.

- (5) The applicant presented evidence that demonstrates:
 - (a) the primary objective within the Pay "AYY" Federal Com No. 1 is the Siluro-Devonian interval, and the secondary objective is the Abo formation;
 - (b) there are no producing wells within the W/2 of Section 11 at the current time;
 - (c) Yates originally proposed to drill its Pay "AYY" Federal Com No. 1 at a standard gas well location 660 feet from the North and West lines (Unit D) of Section 11; however, due to topographic considerations, the Bureau of Land Management (BLM) required that the location be moved;
 - (d) a well at the proposed unorthodox gas well location will penetrate the Siluro-Devonian interval on the up thrown side of a fault that traverses the NW/4 of Section 11 in a southwest to northeast direction; and
 - (e) a well at the proposed unorthodox gas well location will penetrate the Siluro-Devonian interval in an area of greater dolomite thickness than a well drilled at a standard gas well location within the NW/4 NW/4 of Section 11.
- (6) Yates is the operator of the affected offset acreage in Sections 3 and 10, Township 8 South, Range 26 East, NMPM; however, the interest ownership between Sections 3, 10 and 11 is not common.
- (7) Yates notified three unleased mineral interest owners who own an interest in the NE/4 of Section 3 of its application in this case. None appeared at the hearing in opposition to the application.
- (8) Yates testified that the remaining interest owners in Section 3 and 10 are all Yates affiliates, and that all such owners have waived objection to the proposed unorthodox gas well location.

(9) Approval of the subject application will afford Yates the opportunity to produce the hydrocarbons in the Siluro-Devonian interval underlying the W/2 of Section 11, and will not violate correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Yates Petroleum Corporation is hereby authorized to drill its Pay "AYY" Federal Com Well No. 1 at a unorthodox gas well location 660 feet from the North line and 330 feet from the West line (Unit D) of Section 11, Township 8 South, Range 26 East, NMPM, Chaves County, New Mexico, to test various formations from the surface to the base of the Granite Wash.

(2) The W/2 of Section 11 shall be dedicated to the well forming a standard 320-acre spacing and proration unit for any pool or formation spaced on 320-acres within this vertical extent, which presently includes the North Foor Ranch-Pre Permian Gas Pool, and the NW/4 of Section 11 shall be dedicated to the well forming a standard 160-acre spacing and proration unit for any pool or formation spaced on 160-acres within this vertical extent, which presently includes the Pecos Slope-Abo Gas Pool.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

LORI WROTENBERY
Director

SEAL