

Cornwall & McCarthy for Yates Petroleum Corporation; Alan S. Bachman for the Board; and Barbara W. Roberts for the Division. Robert A. Henricks, Chief, Branch of Fluid Minerals, Bureau of Land Management, appeared on behalf of the Bureau of Land Management.

NOW THEREFORE, the Board, having fully considered the testimony adduced and the exhibits received at the hearing and being fully advised in the premises, now makes and enters its Findings of Fact, Conclusions of Law, and Order as follows:

FINDINGS OF FACT

1. Notice of the September 22, 1988 hearing was mailed to all interested parties by certified mail, return receipt requested, on September 2, 1988, and was published in the Desert News and Salt Lake Tribune on September 5, 1988, and in the San Juan County Record on September 7, 1988.

2. Copies of the Request for Agency Action were mailed to all interested persons.

3. Yates Petroleum Corporation ("Yates") is a New Mexico corporation in good standing, having its principal place of business in Artesia, New Mexico. Yates is licensed to do business in Utah.

4. The Board has jurisdiction of the parties and subject matter of this Request for Agency Action, pursuant to

sections 40-6-5(3)(b) and 40-6-6(2) of the Utah Code Annotated.

5. By Orders in Cause Nos. 188-1 and 188-1(C), dated November 19, 1980, and June 29, 1982, respectively, the Board established 80-acre stand-up drilling units comprising the $W\frac{1}{2}$ and $E\frac{1}{2}$ of each public land survey quarter section for oil, gas, and associated hydrocarbons produced from the Desert Creek formation in the following described lands in San Juan County, Utah:

Township 38 South, Range 26 East, S.L.M.

Section 18: $S\frac{1}{2}$
Section 19: All
Section 20: $W\frac{1}{2}W\frac{1}{2}$

The location for each permitted well is the center of the $NW\frac{1}{4}$ and the center of the $SE\frac{1}{4}$ of each quarter section, with a tolerance of 200 feet from the center of each designated quarter-quarter section.

6. Those lands affected by the Orders in Cause Nos. 188-1 and 188-1(C) that are the subject of this Request for Agency Action are owned by the United States of America and are managed by the Bureau of Land Management.

7. Yates owns working interest in the $NW\frac{1}{4}$ and $SE\frac{1}{4}$ of Section 19.

8. MCO Resources, Inc. or its subsidiary, MCOR Oil & Gas Corporation ("MCOR"); Mobil Oil Corporation, and Celsius

Energy Company own working interests/operating rights in the NE $\frac{1}{4}$ of Section 19.

9. MCOR; BHP Petroleum (Americas), Inc.; Mobil Oil Corporation; Celsius Energy Company; and Yates own working interests in the SE $\frac{1}{4}$ of Section 18.

10. The unorthodox location sought for the Yates Three Amigos Federal #1 Well is in the NE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 19.

11. The permitted location for a well in the E $\frac{1}{2}$ NW $\frac{1}{4}$ of Section 19, namely the SE $\frac{1}{4}$ NW $\frac{1}{4}$, is geologically unsuitable.

12. MCOR has drilled two producing wells in the Squaw Canyon Field. The first well, the discovery well for the Squaw Canyon Field, is the Federal No. 1-19 Well situated in the SE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 19. The second well is the Federal No. 3-19 Well situated in the NW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 19. Both MCOR wells were drilled within the on-pattern quarter-quarter sections in the respective 80-acres stand-up drilling units under the Orders and Cause No. 188-1 and 188-1(C). However, both locations are unorthodox because they are outside their respective tolerance windows.

13. The MCOR Federal No. 3-19 Well is situated 950 feet from the location for the Three Amigos Federal No. 1 Well.

14. The MCOR Federal No. 1-19 Well is situated 2,070 feet from the location for the Three Amigos Federal No. 1 Well.

15. The MCOR Federal No. 3-19 Well produces from the Upper Ismay formation, a formation not spaced under the Orders

in Cause No. 188-1 and 188-1(C). There is no Desert Creek production in the Federal No. 3-19 Well.

16. The MCOR Federal No. 1-19 Well situated in the SE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 19 is the only well in the Squaw Canyon Field which produces from the Desert Creek formation, the formation spaced in the Orders for Cause No. 188-1 and 188-1(C). Production in the well now comes from the Lower Desert Creek formation and Upper Ismay formation.

17. The Three Amigos Federal No. 1 Well is intended to produce from the Upper Ismay formation, but will also penetrate the Lower Desert Creek formation. Production from the Lower Desert Creek formation is not anticipated in the Three Amigos Federal No. 1 Well.

18. Dry holes or non-commercial wells that have been plugged and abandoned have been drilled by MCOR in the NW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 19 (MCOR Federal No. 2-19 Well), in the SE $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 18 (MCOR Federal No. 1-18 Well), in the SW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 20, and in the NW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 20.

19. Dry holes or non-commercial wells that have been plugged and abandoned have been drilled by Jerry Chambers in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 18 and in the NW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 19. No wells have been drilled in the SE $\frac{1}{4}$ of Section 19.

20. The productive limit of the Lower Desert Creek reservoir in the MCOR Federal No. 1-19 Well encompasses

approximately 86 acres, located predominately in the E $\frac{1}{2}$ NE $\frac{1}{4}$ of Section 19.

21. Based upon geologic interpretations, the Three Amigos Federal No. 1 Well will not communicate with any well in the interval spaced by the Orders and Causes No. 188-1 and 188-1(C).

CONCLUSIONS OF LAW

1. Due and regular notice of the time, place, and purpose of the September 22, 1988 hearing was given to all interested parties and to all owners of directly or diagonally offsetting drilling units in the form and manner and within the time required by law in the rules and regulations of the Board.

2. The Board has jurisdiction over all matters covered by the Request for Agency Action, pursuant to sections 40-6-5(3)(b) and 40-6-6(2) of the Utah Code Annotated, and has power and authority to make and promulgate the order herein set forth.

3. The exception well location in the NE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 19 contemplated for the Three Amigos Federal No. 1 Well is in the public interest and promotes conservation, will increase ultimate recovery, will prevent waste, and will protect the correlative rights of each owner or producer of directly or diagonally offsetting drilling units.

4. The exception well location is reasonably necessary to fulfill the purposes of Chapter 6 of Title 40 of the Utah Code Annotated.

ORDER

IT IS THEREFORE ORDERED, that:

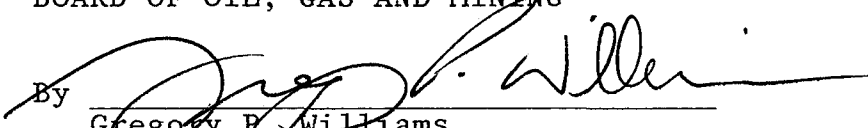
1. The exception well location for the Three Amigos Federal No. 1 Well situated in the NE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 19 is hereby authorized and allowed as an unorthodox location within the Squaw Canyon Field spaced under Orders and Cause Nos. 188-1 and 188-1(C).

2. The Board retains continuing jurisdiction over the subject matter and the parties for purposes of reviewing and monitoring the drilling program for the Three Amigos Federal No. 1 Well.

DATED this 18th day of October, 1988.

BOARD OF OIL, GAS AND MINING

By



Gregory F. Williams
Chairman

Approved as to Form:

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