

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. 10285
Order No. R-9535

APPLICATION OF AMERICAN HUNTER
EXPLORATION, LTD. FOR A HORIZONTAL
WELL AND A NON-STANDARD OIL PRORATION
UNIT, RIO ARriba COUNTY, NEW MEXICO.

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ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on May 30, 1991, at Santa Fe, New Mexico, before Examiner Jim Morrow.

NOW, on this 27th day of June, 1991, 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) Division Cases Nos. 10285, 10286, 10300 and 10302 were consolidated at the time of the hearing for purposes of testimony.

(3) American Hunter proposes to drill its Jicarilla 8-I Well No. 1 from a standard oil well location 2,000 feet from the South line and 500 feet from the East line (Unit I) of Section 8, Township 27 North, Range 1 East, NMPM, Rio Arriba County, New Mexico. The well would be drilled vertically to a depth of approximately 2,300 feet to evaluate the pay zone. It would then be plugged back to approximately 1,550 feet, deviated from the vertical in a westerly direction with angle being increased to reach an angle of 80 degrees from the vertical at the top of the Niobrara formation (about 2,020 feet TVD). Drilling would continue in the Niobrara at an angle of approximately 80 degrees for a lateral distance of approximately 2,500 feet. American Hunter submitted the following additional information through exhibits and the testimony of witnesses to support its request for approval to drill the horizontal well.

- (a) Both the vertical and horizontal (80 degree) portions of the wellbore would be kept inside a target window described as a rectangle 1250 to 2750 feet from the South line and 500 to 3,400 feet from the East line of Section 8.
- (b) A cross-section and a structure map show that the Niobrara A and B zones of the Mancos Formation are productive in the area. These formations dip to the West at approximately 11 degrees (from horizontal) in Section 8. The horizontal portion of the well would follow this dip so as to penetrate both the A and B zones.
- (c) The Niobrara Formation in this area contains numerous fractures with orientation in a north-south direction and good porosity and permeability associated with the fractures. Drilling in a westerly direction, perpendicular to the fracture system, is expected to result in the penetration of numerous fractures providing for good drainage.
- (d) The well is expected to cost approximately \$500,000, 1-1/2 to 2 times the cost of a vertical well and recover up to 300,000 barrels of oil.
- (e) 9 5/8-inch casing would be set and cemented through the Point Lookout formation into the Mancos formation. All fresh water strata will be protected by this casing. A 5 1/2-inch liner, slotted through the pay zones, would be set to total depth following the completion of drilling and hung from the 9 5/8-inch casing.
- (f) The weight of the drilling fluid would be controlled to keep the fluid column bottomhole pressure equal to or slightly below the formation pressure, however the well would be kept under control at all times and not allowed to produce formation fluids while drilling.

(4) The proposed well is located in the East Puerto Chiquito-Mancos Oil Pool where pool rules provide for 160-acre spacing and proration units, wells located within 165 feet of the center of a governmental quarter-quarter section, and a top allowable of 320 barrels. The applicant requests approval to form a 640-acre non-standard spacing and proration unit, consisting of all of Section 8, to be dedicated to the Jicarilla 8-I Well No. 1 with a special top allowable of 800 barrels per day for these reasons:

- (a) The horizontal well is expected to provide for additional drainage and recovery as discussed in Finding No. (3) above.
- (b) Pool rules in the nearby West Puerto Chiquito-Mancos Oil Pool, where reservoir characteristics are similar, provide for 640-acre oil spacing and proration units and a top allowable of 800 barrels per day.

(5) Benson-Montin-Greer Drilling Corporation entered an appearance at the hearing and questioned American Hunter's witness, but did not object to the application. No other operator or interest owner objected.

(6) The proposed well will recover additional oil reserves and will not harm correlative rights. The application should be approved as requested.

IT IS THEREFORE ORDERED THAT:

(1) The application of American Hunter Exploration, Ltd. for approval to drill a horizontal well, form a non-standard spacing and proration unit, and receive a special top oil allowable is hereby approved as follows.

(2) The applicant is authorized to drill its Jicarilla 8-I Well No. 1 from a standard oil well location 2,000 feet from the South line and 500 feet from the East line (Unit 1) of Section 8, Township 27 North, Range 1 East, NMPM, Rio Arriba County, New Mexico, in conformance with the drilling program submitted as evidence and to complete such well as a horizontal (80 degree ±) producer in the Nicbrara formation.

(3) From the surface location to total depth, the Jicarilla 8-I Well No. 1 shall be kept inside a target window described as a rectangle 1,250 to 2,750 feet from the South line and 500 to 3,400 feet from the East line of said Section 8.

(4) The applicant is authorized to form a 640-acre non-standard spacing and proration unit for the East Puerto Chiquito-Mancos Oil Pool, consisting of said Section 8, to be dedicated to the Jicarilla 8-I Well No. 1.

(5) A top allowable of 800 barrels per day shall be assigned to the well and proration unit described in Ordering Paragraph (4).

(6) The applicant shall contact the supervisor of the Aztec district office of the Division to obtain prior approval for the casing and cementing program for the well.

(7) The applicant shall conduct directional drilling surveys during drilling operations and shall notify the supervisor of the Aztec district office of the Division of the progress of the deviated well so that operations may be witnessed.

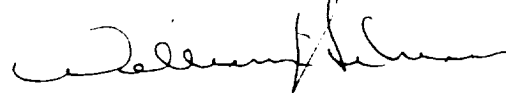
Case 10285
Order No. R-9535
Page 4

(8) Upon completion of the horizontal drilling operations, the applicant shall file a copy of a directional drilling survey of the entire wellbore with both the Santa Fe and the Aztec offices of the Division.

(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

A handwritten signature in dark ink, appearing to read 'William J. Lemay', is written over the printed name. The signature is fluid and cursive.

WILLIAM J. LEMAY,
Director

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