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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:

RECEIVED

MAR 07 1994

OIL CON. DIV.
DIST. 3
CASE NO. 10915
ORDER NO. R-10069

APPLICATION OF CONOCO, INC. FOR A HIGH ANGLE/HORIZONTAL
DIRECTIONAL DRILLING PILOT PROJECT, SPECIAL OPERATING RULES
THEREFOR AND AN UNORTHODOX PRODUCING INTERVAL, SAN JUAN
COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on February 17, 1994, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 28th day of February, 1994 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) At the time of the hearing this case was consolidated with Division Case Nos. 10916 and 10917 for purposes of testimony.
- (3) The applicant, Conoco, Inc., seeks to initiate a high angle/horizontal directional drilling pilot project within an existing 320-acre standard gas spacing and proration unit in the Basin-Fruitland Coal Gas Pool comprising the E/2 of Section 20, Township 29 North, Range 8 West, NMPM, San Juan County, New Mexico.
- (4) The proposed pilot project is within the boundaries of the Basin-Fruitland Coal Gas Pool and as such is subject to the Special Rules and Regulations for said pool as promulgated by Division Order No. R-8768, as amended, which provides for 320-acre standard gas spacing and proration units, requires that wells be located in either the NE/4 or SW/4 of a governmental section and no closer than 790 feet from the outer

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boundary of the spacing unit nor closer than 130 feet from any quarter-quarter section line or subdivision inner boundary, and includes a provision for administrative approval of high angle/horizontal wellbores provided that the producing interval of said wellbore be confined to an area that conforms to the above-described setback requirements other than the 10-foot setback distance from the quarter-quarter section line or subdivision inner boundary rule.

(5) The applicant seeks approval of this application in order to determine if this type of wellbore and completion in the Basin-Fruitland Coal Gas Pool will result in the recovery of substantially greater amounts of hydrocarbons in an area of the pool that exhibits under-pressured and low permeability characteristics but has substantial thickness than would normally be recovered by a conventional well thereby improving ultimate recovery and preventing waste.

(6) The E/2 of said Section 20 is currently dedicated to the applicant's Hughes "B" Well No. 16 (API No. 30-045-28261) located at a standard coal gas well location 820 feet from the North line and 1100 feet from the East line (Unit A) of said Section 20.

(7) The applicant proposes to replace its Hughes "B" Well No. 16 with a well to be drilled vertically from a standard surface coal gas well location 910 feet from the North line and 1100 feet from the East line (Unit A) of said Section 20 to an approximate depth of 2642 feet and then kick-off in a southerly direction, build angle and continue drilling horizontally in the coal seam. Further, the applicant proposes to keep the horizontal displacement of said well's producing interval no closer than 790 feet from the outer boundary of the subject proration unit.

(8) The applicant proposes to utilize the above-described existing Hughes "B" Well No. 16 as an observation well in the Basin-Fruitland Coal Gas Pool should this matter be authorized.

(9) No offset operator and/or interest owner appeared at the hearing in opposition to the proposed horizontal directional drilling pilot project.

(10) The application as proposed exhibits sound engineering practices, promotes the conservation of gas underlying the unit, and serves to prevent waste and protect correlative rights. This application should therefore be approved provided however that:

- (a) no part of the horizontal wellbore should be located closer than 790 feet from the outer boundary of the project area;

- (b) the applicant be required to conduct a directional survey on the vertical portion of the wellbore prior to commencing directional drilling operations, and on the horizontal portion of the wellbore during or subsequent to completion of directional drilling operations in order that direction, extent and terminus of said wellbore may be determined to be in compliance with the terms of this order;
- (c) the applicant further be required to submit copies of said directional surveys to the Santa Fe and Aztec offices of the Division;
- (d) the applicant notify the supervisor of the Aztec District Office of the Division of the date and time of commencement of directional drilling operations and of the conductance of any directional surveys on the proposed well in order that these operations may be witnessed; and,
- (e) subsequent to the drilling and completing of the horizontal replacement well and if such well is determined to be a commercial producer, the applicant must not utilize the existing Hughes "B" Well No. 16 as a producing well in the Basin-Fruitland Coal Gas Pool.

IT IS THEREFORE ORDERED THAT:

(1) The application of Conoco, Inc. for a high angle/horizontal directional drilling pilot project within an existing standard 320-acre gas spacing and proration unit in the Basin-Fruitland Coal Gas Pool comprising the E/2 of Section 20, Township 29 North, Range 8 West, NMPM, San Juan County, New Mexico, is hereby approved.

(2) The applicant is further authorized to drill vertically from a well to be located at a standard surface coal gas well location 910 feet from the North line and 1100 feet from the East line (Unit A) of said Section 20 to an approximate depth of 2642 feet and then kick-off in a southerly direction, build angle and continue drilling horizontally in the coal seam.

PROVIDED HOWEVER, no portion of the horizontal displacement of said well's producing interval be closer than 790 feet from the outer boundary of the subject proration unit.

(3) The applicant shall conduct a directional survey on the vertical portion of the wellbore prior to commencing directional drilling operations, and on the horizontal portion of the wellbore during or subsequent to completion of directional drilling operations in order that direction, extent and terminus of said wellbore may be determined to be in compliance with the terms of this order.

(4) The applicant shall submit copies of said directional surveys to the Santa Fe and Aztec offices of the Division.

(5) The applicant shall notify the supervisor of the Aztec District Office of the Division of the date and time of commencement of directional drilling operations and of the conductance of any directional surveys on the proposed well in order that these operations may be witnessed.

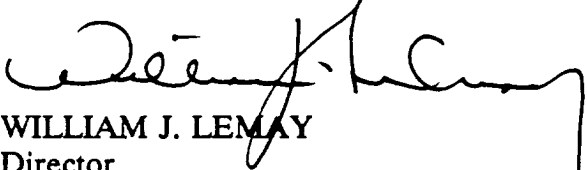
IT IS FURTHER ORDERED THAT:

(6) Subsequent to the drilling and successful completion of the horizontal well as a commercial producing gas well in the Basin-Fruitland Coal Gas Pool, the operator of the subject spacing unit will cease production from the Hughes "B" Well No. 16 (API No. 30-045-28261) located 820 feet from the North line and 1100 feet from the East line (Unit A) of said Section 20 and utilize said Well No. 16 as an observation well only.

(7) 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

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