

**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. 12516
ORDER NO. R-11497**

**APPLICATION OF MANZANO OIL CORPORATION FOR DIRECTIONAL
DRILLING AND AN UNORTHODOX WELL LOCATION, LEA COUNTY,
NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on November 16, 2000, at Santa Fe, New Mexico, before Examiner Mark W. Ashley.

NOW, on this 30th day of November, 2000, 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, Manzano Oil Corporation ("Manzano"), seeks authorization to re-enter its New Mexico C - #3 Well (**API No. 30-025-34239**) at a previously approved unorthodox surface location 1550 feet from the North line and 10 feet from the West line of Section 36, Township 13 South, Range 37 East, NMPM, and directionally drill in the Devonian formation, King-Devonian Pool, to an unorthodox bottomhole location 2400 feet from the North line and 190 feet from the East line of Section 35, Township 13 South, Range 37 East, NMPM, Lea County, New Mexico.

(3) The original unorthodox surface location of Paladin Energy Corporation's State "C" Well No. 3, now the New Mexico C-#3 Well was approved by Division Order No. R-10917, issued in Case No. 11871 and dated November 20, 1997.

(4) The SE/4 NE/4 of Section 35 and the SW/4 NW/4 of Section 36 are to be dedicated to the subject well.

(5) The King-Devonian Pool is currently governed by Rule No. 104.C. of the Division Rules and Regulations which requires standard 40-acre oil spacing and proration units with wells to be located no closer than 330 feet from the outer boundary of the spacing unit nor closer than 330 feet to the nearest well drilling to or capable of producing from the same pool.

(6) In order to protect the correlative rights of the interest owners within Sections 35 and 36, the applicant has formed a working interest exploratory unit (Manzano King State Unit) comprising the SE/4 NE/4 of Section 35 and the SW/4 NW/4 of Section 36, which was approved by Division Order No. R-11493, issued in Case No. 12515 and dated November 28, 2000.

(7) Pursuant to Division Rule 111, Manzano has defined the 80-acre project area as the SE/4 NE/4 of Section 35 and the SW/4 NW/4 of Section 36.

(8) Pursuant to Division Rule 111, the defined producing area within the 80-acre project area, inside of which a vertical wellbore can be drilled at a standard location, is 330 feet from the outer boundary of the project area. The producing area is based on the setback requirements of the King-Devonian Pool.

(9) Pursuant to Division Rule 111.C.(2), the subject well is unorthodox because a portion of the wellbore is projected to be outside of the producing area.

(10) The applicant presented the following geologic evidence indicating that:

(a) utilizing refined 3-D seismic data, it has further defined an isolated Devonian structure that encompasses portions of the SE/4 NE/4 of Section 35 and portions of the SW/4 NW/4 of Section 36, both in Township 13 South, Range 37 East; and

(b) the entire structure should be encountered at a more favorable location by drilling directionally to the proposed unorthodox subsurface location.

(11) The applicant estimates that a well drilled directionally to the proposed unorthodox location should recover approximately 300,000 barrels of oil not previously recovered by existing wells or by the original unorthodox surface location of the Paladin Energy Corporation's State "C" Well No. 3, within the King-Devonian Pool, thereby preventing waste.

(12) Pursuant to Division Rule 111.C.(3), the maximum allowable assigned to the project area within a prorated pool shall be based upon the number of standard spacing units that are developed or traversed by the producing interval of the directional wellbore. Such maximum allowable shall be applicable to all production from the project area, including any vertical wellbores on standard spacing units inside the project area.

(13) No affected party appeared at the hearing or objected to the application.

(14) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the oil in the subject pool, will prevent the economic loss caused by drilling unnecessary wells, and will otherwise prevent waste and protect correlative rights.

(15) Under the provisions of Division Rule 111.C.(4), the applicant should be required to conduct a directional survey on the wellbore in order to verify that the bottomhole location of the well is located within the SE/4 NE/4 of Section 35. Further, the Division's Hobbs District Office should be notified of the approximate date and time that the directional survey is to be conducted. The applicant should provide a copy of the directional survey to the Santa Fe and Hobbs Offices of the Division upon completion.

(16) The approval granted herein for the New Mexico C - #3 Well should apply only to the Devonian formation, and the applicant should be required to obtain unorthodox location approval from the Division for other producing horizons which may subsequently be completed in the well.

IT IS THEREFORE ORDERED THAT:

(1) The application of Manzano Oil Corporation, seeking authorization to re-enter its New Mexico C - #3 Well (**API No. 30-025-34239**) at a previously approved unorthodox surface location 1550 feet from the North line and 10 feet from the West line of Section 36, Township 13 South, Range 37 East, NMPM, and directionally drill in the Devonian formation, King-Devonian Pool, to an unorthodox bottomhole location 2400 feet from the North line and 190 feet from the East line of Section 35, Township 13 South, Range 37 East, NMPM, Lea County, New Mexico is hereby approved.

(2) The SE/4 NE/4 of Section 35 and the SW/4 NW/4 of Section 36 shall be dedicated to the subject well.

(3) The applicant shall be required to conduct a directional survey on the wellbore in order to verify that the bottomhole location of the well is located within the SE/4 NE/4 of Section 35.

(4) The Division's Hobbs District Office shall be notified of the approximate date and time that the directional survey is to be conducted. The applicant shall provide a copy of the directional survey to the Santa Fe and Hobbs Offices of the Division upon completion.

(5) The approval granted herein for the New Mexico C - #3 Well shall apply only to the Devonian formation, and the applicant shall be required to obtain unorthodox location approval from the Division for other producing horizons which may subsequently be completed in the well.

(6) 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

A handwritten signature in cursive script that reads "Lori Wrotenbery".

LORI WROTENBERY
Director