

BEFORE THE
OIL CONSERVATION COMMISSION

Santa Fe, New Mexico

PROPOSED AMENDMENT

DIVISION ORDER R-111-A, POTASH-OIL AREA RULES

Case No. 8887 Exhibit No. 2

Submitted by Bass

Hearing Date _____

III A.

DIRECTIONAL DRILLING FROM OUTSIDE THE POTASH AREA

(1) The Director of the Oil Conservation Division shall have authority to grant approval, without notice and hearing, for the directional drilling of wells from orthodox and unorthodox locations outside the Potash-Oil Area to orthodox and unorthodox locations beneath the Potash-Oil Area when the following facts exist and the following provisions are complied with:

(a) The proposed surface location is at least 250 feet outside the boundary of the Potash-Oil Area.

(b) The well will be drilled in such a manner as not to penetrate the vertical projection of the Potash-Oil Area Boundary until it has completely passed through the Salado interval. *+ shall not be intentionally deviated*

(c) A sufficient number of deviation surveys shall be conducted to ensure that the well has not entered the Potash-Oil Area prior to completely passing through the Salado ("salt") interval. For the purposes of these rules, the base of the Salado (salt) interval shall be that point as found at a depth of 2460 feet on the log of the Perry R. Bass Big Eddy Unit Well No. 101, located in Section 27, Township 20 South Range 31 East, NMPM, Eddy County, New Mexico. *2280 N*
1980 W

(d) A salt protection string shall be run and cemented in accordance with the provisions of these rules.

(e) Only after sufficient time has elapsed, in accordance with these rules, for cement to set on the salt protection string, shall drilling continue.

(f) That prior to the above-described directional drilling, the operator shall establish the location of the kick-off point by conducting a continuous multi-shot directional survey of the well bore.

(g) That subsequent to the above-described directional drilling, should the well be a producer, in order to ensure that the well is bottomed within 100 feet of the bottomhole target, a continuous multi-shot directional survey shall be made of the well bore from the bottom of the pay zone to the kick-off point with shot points not more than 100 feet apart; that the operator shall notify the appropriate District Office of the Oil Conservation Division of the date and time that the survey is to be commenced, and shall cause the survey company to forward a copy of the survey report directly to the Santa Fe Office of the Oil Conservation Division, P. O. Box 2088, Santa Fe, New Mexico 87501.

(2) To obtain approval for the directional drilling of a well pursuant to this Article, the operator of the proposed well shall file an application in triplicate with the Division Director, agreeing to comply with each of the above requirements. Each copy of the application shall be accompanied by two plats: one plat shall show the ownership of the potash lease(s) within the R-111-A Area underlying the spacing and proration unit to be dedicated to the proposed well; the other plat shall show the ownership of all oil and gas leases within two miles of the proposed surface and bottomhole locations. Both plats shall indicate the footage description of said locations, and shall have outlined thereon the boundary of the Potash-Oil Area and the boundary of the proposed spacing and proration unit to be dedicated to the well. The oil and gas lease plat shall also show the location of all oil and gas wells within two miles of the proposed bottomhole location and shall indicate the formation(s) in which they are completed. A schematic diagram of the proposed well, showing all casing and tubing strings and their setting depths as well as the complete proposed casing cementing program for the well, shall also accompany each application.

*No Potash
Notification* All owners of oil and gas spacing and proration units offsetting the unit to be dedicated to the well shall be mailed a copy of the application by registered or certified mail, and the application shall contain proof of such mailing.

The Division Director may approve the application upon receipt of waivers from all the parties who are subject to notification or if no such party has entered an objection within 20 days after the Director has received the application.

(3) The Division Director may, at his discretion, set any application for directional drilling for public hearing.