

**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. 11871  
Order No. R-10917**

**APPLICATION OF PALADIN ENERGY  
CORPORATION FOR AN UNORTHODOX  
WELL LOCATION, LEA COUNTY, NEW  
MEXICO.**

**ORDER OF THE DIVISION**

**BY THE DIVISION:**

This cause came on for hearing at 8:15 a.m. on November 6, 1997, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 20<sup>th</sup> day of November, 1997, 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 Case Nos. 11870 and 11871 were consolidated at the time of the hearing for the purpose of testimony.

(3) The applicant, Paladin Energy Corporation, seeks authority to drill its State "C" Well No. 3 at an unorthodox oil well location 1550 feet from the North line and 10 feet from the West line (Unit E) of Section 36, Township 13 South, Range 37 East, NMPM, to test the Devonian formation, King-Devonian Pool, Lea County, New Mexico.

(4) The SW/4 NW/4 of Section 36 is to be dedicated to the subject well forming a standard 40-acre oil spacing and proration unit.

(5) The King-Devonian Pool is currently governed by Rule No. 104.C. of the Division Rules and Regulations which require 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) The applicant presented geologic evidence and testimony which indicates that:

- a) utilizing 3-D seismic data, it has identified a portion of a Devonian structure which has been effectively isolated, by faulting, from previous Devonian production in this area;
- b) this isolated Devonian structure 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,
- c) the proposed unorthodox location is necessary in order to penetrate the isolated Devonian structure at the highest structural position and in an area located approximately midway between two north-south trending faults located in Sections 35 and 36;

(7) Applicant estimates that a well drilled at the proposed unorthodox location should recover approximately 300,000 barrels of oil which was not previously recovered by existing wells within the King-Devonian Pool, thereby preventing waste.

(8) 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 (Paladin Exploratory Unit) comprising the SE/4 NE/4 of Section 35 and the SW/4 NW/4 of Section 36 (being the subject of companion Case No. 11870).

(9) No other interest owner and/or offset operator appeared at the hearing in opposition to the application.

(10) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the oil in the affected pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.

(11) Applicant testified that it will monitor the location of the wellbore during drilling operations in order to maintain a bottomhole location within the SW/4 NW/4 of Section 36.

(12) Upon completion of drilling operations, 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 SW/4 NW/4 of Section 36.

(13) The applicant should be required to notify the supervisor of the Division's Hobbs District Office of the date and time of the conductance of the aforesaid directional survey in order that it may be witnessed.

(14) The unorthodox location approval granted herein for the State "C" Well No. 3 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 applicant, Paladin Energy Corporation, is hereby authorized to drill its State "C" Well No. 3 at an unorthodox oil well location 1550 feet from the North line and 10 feet from the West line (Unit E) of Section 36, Township 13 South, Range 37 East, NMPM, to test the Devonian formation, King-Devonian Pool, Lea County, New Mexico.

(2) The SW/4 NW/4 of Section 36 shall be dedicated to the subject well forming a standard 40-acre oil spacing and proration unit for said pool.

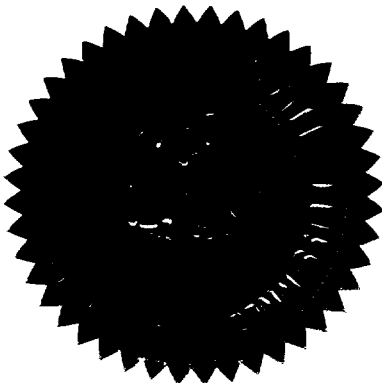
(3) Upon completion of drilling operations, the applicant shall conduct a directional survey on the wellbore in order to verify that the bottomhole location of the well is within the SW/4 NW/4 of Section 36.

(4) The applicant shall notify the supervisor of the Division's Hobbs District Office of the date and time of the conductance of the aforesaid directional survey in order that it may be witnessed.

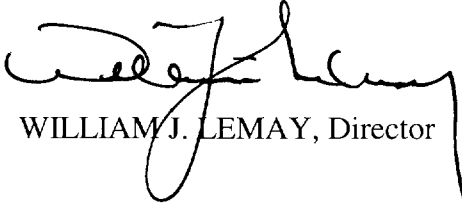
(5) The unorthodox location approval granted herein for the State "C" Well No. 3 shall apply only to the Devonian formation, and the applicant shall be required to obtain unorthodox location approval from the Division for other producing horizons which may subsequently be completed in the well.

(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

  
WILLIAM J. LEMAY, Director