

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. 9450
ORDER NO. R-8725

APPLICATION OF PENNZOIL EXPLORATION
AND PRODUCTION COMPANY FOR DIRECTIONAL
DRILLING AND AN UNORTHODOX OIL 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 August 3, 1988, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 30th day of August, 1988, 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) The applicant, Pennzoil Exploration and Production Company, is the owner and operator of the State "2" Well No. 1 located 1980 feet from the South line and 660 feet from the West line (Unit L) of Section 2, Township 17 South, Range 37 East, NMPM, Lea County, New Mexico.

(3) Said well was spudded on November 18, 1987 and drilled to a total depth of 11,730 feet and tested dry in the Undesignated Shipp-Strawn Pool.

(4) The applicant now seeks authority to plug back said well to approximately 8500 feet and deviate from vertical so as to penetrate the top of the Strawn formation at a true vertical depth of approximately 11,330 feet and within 75 feet of an unorthodox subsurface oil well location 1600 feet from the South line and 330 feet from the West line (Unit L) of said Section 2.

(5) The W/2 SW/4 of said Section 2 is to be dedicated to the well forming a standard 80-acre oil spacing and proration unit for said pool.

(6) The applicant, through its geological evidence and testimony, has demonstrated that the proposed deviation of the subject well would enable it to penetrate the algal mound in the Strawn formation which extends into said unit, thereby increasing the likelihood of obtaining commercial production.

(7) No offset operator objected to the proposed unorthodox oil well location and/or directional drilling.

(8) 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.

(9) The applicant should be required to determine the subsurface location of the kick-off point in the wellbore prior to directional drilling and subsequently a continuous multi-shot directional drilling survey should be made of the wellbore from total depth to said kick-off point.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Pennzoil Exploration and Production Company, is hereby authorized to plug back to a depth of approximately 8500 feet its State "2" Well No. 1 located 1980 feet from the South line and 660 feet from the West line (Unit L) of Section 2, Township 17 South, Range 37 East, NMPM, Lea County, New Mexico and deviate said well to penetrate the top of the Undesignated Shipp-Strawn Pool at a true vertical depth of approximately 11,330 feet and within 75 feet of an unorthodox subsurface oil well location 1600 feet from the South line and 330 feet from the West line of said Section 2.

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PROVIDED HOWEVER THAT, prior to commencing directional drilling operations into said wellbore, the applicant shall establish the location of the kick-off point by means of a directional survey acceptable to the Division.

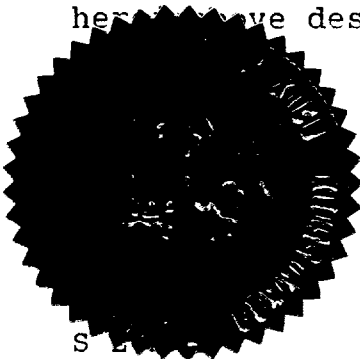
PROVIDED FURTHER THAT, subsequent to the above-described directional drilling, should said well be a producer, a continuous multi-shot directional drilling survey shall be made of the wellbore from total depth to the kick-off point with shot points not more than 100 feet apart; the operator shall cause the surveying company to forward a copy of the survey report directly to the Santa Fe office of the Division, P.O. Box 2088, Santa Fe, New Mexico, 87504-2088, and the operator shall notify the Division's Hobbs District Office of the date and time said survey is to be commenced.

(2) Form C-105 shall be filed in accordance with Division Rule 1105 and the operator shall indicate thereon true vertical depth in addition to measured depths.

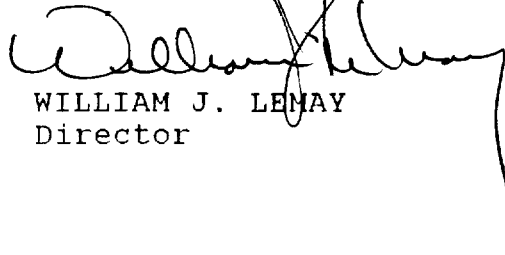
(3) The W/2 SW/4 of said Section 2 shall be dedicated to the above-described well forming a standard 80-acre oil spacing and proration unit for said pool.

(4) 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 hereabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director