



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



BRUCE KING
GOVERNOR

ANITA LOCKWOOD
CABINET SECRETARY

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5600

August 10, 1993

CAMBELL, CARR, BERGE
& SHERIDAN
Attorneys at Law
P. O. Box 2208
Santa Fe, New Mexico 87504

RE: CASE NO. 10765
ORDER NO. R-9936

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,

Sally E. Leichte
Sally E. Leichte

Administrative Secretary

cc: BLM Farmington Office
OCD Aztec Office

**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. 10765
Order No. R-9936**

**APPLICATION OF BLACKWOOD & NICHOLS
CO., A LIMITED PARTNERSHIP, FOR
DIRECTIONAL DRILLING AND AN
UNORTHODOX BOTTOMHOLE FRUITLAND
COAL GAS WELL LOCATION, RIO ARRIBA
COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on July 15, 1993, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 11th day of August, 1993, 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, Blackwood & Nichols Co., a Limited Partnership, seeks authority to directionally drill its proposed Northeast Blanco Unit Well No. 479R from a surface location 1166 feet from the North line and 2315 feet from the West line (Unit C) of Section 20, Township 30 North, Range 7 West, NMPM, Rio Arriba County, New Mexico, in such a manner so as to bottom the well in the Basin-Fruitland Coal Gas Pool at an unorthodox bottomhole location within 50 feet of a point 100 feet from the North line and 590 feet from the West line (Unit D) of said Section 20.

(3) The applicant proposes to dedicate the W/2 of Section 20 to the above-described well forming a standard 320-acre gas spacing and proration unit for said pool.

(4) The proposed well is located within the Basin-Fruitland Coal Gas Pool and is therefore subject to the Special Rules and Regulations for said pool as promulgated by Division Order No. R-8768 which require standard 320-acre gas spacing and proration units with wells to be located in either the NE/4 or SW/4 of a single governmental section no closer than 790 feet from the outer boundary of the proration unit nor closer than 130 feet from any quarter section line nor closer than 10 feet from any quarter-quarter section line or subdivision inner boundary.

(5) The proposed well is unorthodox with respect to both the quarter section location and the setback requirements.

(6) The subject well is proposed to be a replacement well for the Northeast Blanco Unit Well No. 479 which is located 2510 feet from the South line and 1640 feet from the West line (Unit K) of Section 20.

(7) Division records indicate that the Northeast Blanco Unit Well No. 479 was drilled by the applicant in August 1989 and was subsequently completed in the Basin-Fruitland Coal Gas Pool at an initial producing rate of approximately 27 MCF gas per day.

(8) The Northeast Blanco Unit Well No. 479 is currently temporarily abandoned and will be recompleted to the Pictured Cliffs formation if the application in this case is approved.

(9) The E/2 of Section 20 is currently being developed in the Basin-Fruitland Coal Gas Pool by the Northeast Blanco Unit Well No. 413R located in Unit A.

(10) The proposed directional drilling is necessitated by the presence of Navajo Reservoir within a portion of the NW/4 of Section 20.

(11) Applicant's geologic evidence and testimony indicate that a well at the proposed unorthodox bottomhole location should encounter a greater amount of net coal and should penetrate the Basin-Fruitland Coal Gas Pool in an area of significantly higher average gas content than would a well drilled at a standard location within the SW/4 of Section 20, thereby increasing the likelihood of obtaining commercial gas production.

(12) The evidence presented indicates that the NEBU Well No. 479 will not effectively drain and develop the gas reserves in the Basin-Fruitland Coal Gas Pool underlying the W/2 of Section 20.

(13) The proposed well at the unorthodox bottomhole location is necessary in order to recover gas reserves in the Basin-Fruitland Coal Gas Pool that otherwise will not be recovered.

(14) The evidence indicates that the sections offsetting Section 20 have been developed by off-pattern location due to the fact that Navajo Reservoir occupies a large portion of this area.

(15) The subject well is located within the Northeast Blanco Unit, a federal exploratory unit currently operated by the applicant.

(16) All of the affected offset acreage is located within the Northeast Blanco Unit, therefore approval of the application will not violate correlative rights.

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

(18) Approval of the proposed directional drilling and unorthodox bottomhole location will afford the applicant the opportunity to produce its just and equitable share of the gas 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.

(19) The applicant should be required to determine the subsurface location of the kick-off point in the wellbore prior to directional drilling and should subsequently be required to conduct an accurate wellbore survey during or upon completion of drilling operations from the kick-off point to total depth to determine its true depth and course.

(20) The applicant should be required to notify the supervisor of the Aztec district office of the Division of the date and time said directional surveys are to be conducted so that they may be witnessed. The applicant should further be required to provide a copy of said directional surveys to the Santa Fe and Aztec offices of the Division upon completion.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Blackwood & Nichols Co., a Limited Partnership, is hereby authorized to directionally drill its Northeast Blanco Unit Well No. 479R from a surface location 1166 feet from the North line and 2315 feet from the West line (Unit C) of Section 20, Township 30 North, Range 7 West, NMPM, Rio Arriba County, New Mexico, in such a manner so as to bottom the well in the Basin-Fruitland Coal Gas Pool at an unorthodox bottomhole location within 50 feet of a point 100 feet from the North line and 590 feet from the West line (Unit D) of said Section 20.

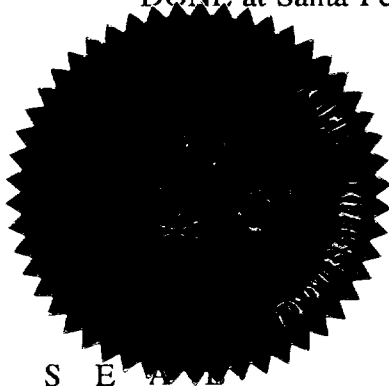
(2) The W/2 of Section 20 shall be dedicated to the above-described well forming a standard 320-acre gas spacing and proration unit for said pool.

(3) The applicant shall determine the subsurface location of the kick-off point in the wellbore prior to directional drilling and shall conduct an accurate wellbore survey during or upon completion of drilling operations from the kick-off point to total depth to determine its true depth and course.

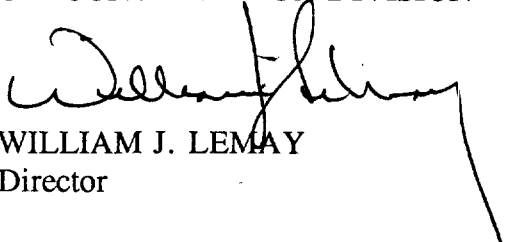
(4) The applicant shall notify the supervisor of the Aztec district office of the Division of the date and time said directional surveys are to be conducted so that they may be witnessed. The applicant shall provide a copy of said directional surveys to the Santa Fe and Aztec offices of the Division upon completion.

(5) 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