

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. 10936
ORDER NO. R-10102*

**APPLICATION OF STRATA PRODUCTION COMPANY FOR AN UNORTHODOX
OIL WELL LOCATION, EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on March 17 and April 14, 1994 at Santa Fe, New Mexico, before Examiners Jim Morrow and David R. Catanach, respectively.

NOW, on this 20th day of April, 1994 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, Strata Production Company (Strata), seeks approval for an unorthodox oil well location to be drilled to test the Nash Draw-Brushy Canyon Pool and the Bone Spring wildcat pool 1230 feet from the North line and 1350 feet from the West line (Unit C) of Section 18, Township 23 South, Range 30 East, NMPM, Eddy County, New Mexico. The NE/4 NW/4 of said Section 18 is to be dedicated to the well forming a standard 40-acre oil spacing and proration unit.

(3) The unorthodox location is required because of potash deposits, geologic and topographical conditions and a gas pipeline in the area.

(4) The proposed location is 1230 feet south of IMC Potash Company's (IMC) "Life-of-Mine Reserves" (LMR). Division Order R-111-P addresses potash area drilling and requires that shallow wells (Delaware wells above 5000 feet) be located no closer to the LMR than one-fourth mile; the order requires that deep wells be drilled no closer than one-half mile from the LMR.

(5) At the March 17, 1994 hearing, the applicant's witness stated that IMC had agreed to allow the proposed well to be drilled to the Delaware-Brushy Canyon formation at the proposed location. The Brushy Canyon should be reached at a depth of approximately 6800 to 7000 feet. The Bone Spring test could require up to an additional 2000 feet. Prior to the April 14, 1994 hearing, the applicant submitted documentation to show that IMC had agreed to the proposed location as a Bone Spring test.

(6) A completion in the Nash Draw-Brushy Canyon Pool is the primary objective for the well.

(7) Testimony was presented by the applicant to show that drilling solely for Bone Spring production is not economically viable in this area. Unless drilled and evaluated in connection with the development of the Delaware Mountain Group, the Bone Spring reserves may never be recovered.

(8) Drilling to both the Nash Draw-Brushy Canyon Pool and the Bone Spring wildcat pool is subject to the spacing requirements of the General Statewide Rules and Regulations which specify that wells be located no closer than 330 feet from the quarter-quarter section lines. The proposed location is 90 feet from the South line and 30 feet from the West line of the NE/4 NW/4 of said Section 18. Testimony and exhibits were submitted by the applicant to show that in addition to the requirement that the well be as far removed as possible from IMC's LMR, steep terrain and a gas pipeline also limit the available locations in Unit C. Testimony and exhibits indicate that geologically, the proposed location is the best of the accessible locations available in Unit C.

(9) No offset operator or interest owner 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 hydrocarbons in the affected pool and will prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

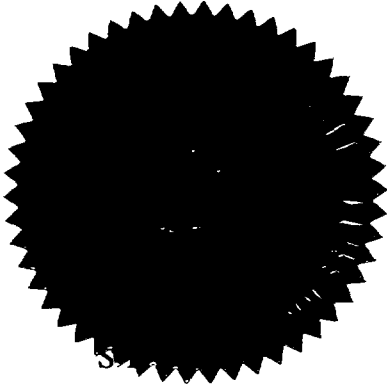
(1) The applicant, Strata Production Company, is hereby authorized to drill its Nash Draw Unit Well No. 20 at an unorthodox oil well location 1230 feet from the North line and 1350 feet from the West line (Unit C) of Section 18, Township 23 South, Range 30 East, NMPM, in the Nash Draw-Brushy Canyon Pool, Eddy County, New Mexico.

(2) The applicant is also authorized to drill the Nash Draw Unit Well No. 20 to the Bone Spring wildcat pool to evaluate that formation.

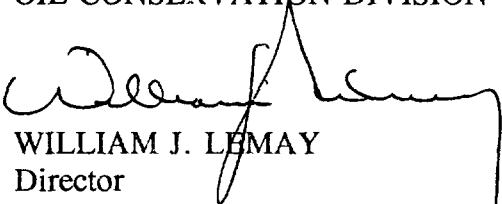
(3) The NE/4 NW/4 of said Section 18 shall be dedicated to the well to form a standard 40-acre oil spacing and proration unit for said pool.

(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 hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director