

CASE 7238: HOLLY ENERGY, INC. FOR
DIRECTIONAL DRILLING AND AN UNORTHODOX
GAS WELL LOCATION, LEA COUNTY, NEW MEX.

Case No.

7238

Application

Transcripts

Small Exhibits

ETC



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-2434

June 29, 1981

Mr. Chad Dickerson
Losee, Carson & Dickerson
Attorneys at Law
Post Office Box 239
Artesia, New Mexico 88210

Re: CASE NO. 7230
ORDER NO. R-6705

Applicant:

Holly Energy, Inc.

Dear Sir:

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

Yours very truly,

JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCD	<u>x</u>
Artesia OCD	<u>x</u>
Aztec OCD	

Other

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 7238
Order No. R-6705

APPLICATION OF HOLLY ENERGY, INC.
FOR DIRECTIONAL DRILLING AND AN
UNORTHODOX GAS WELL LOCATION, LEA
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on June 3, 1981,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 25th day of June, 1981, the Division
Director, having considered the testimony, the record, and the
recommendations of the Examiner, and being fully advised in the
premises,

FINDS:

(1) That due public notice having been given as required
by law, the Division has jurisdiction of this cause and the
subject matter thereof.

(2) That the applicant, Holly Energy, Inc., seeks
authority to directionally drill its Salt Lake South Deep Well
No. 1, the surface location of which is 2189 feet from the North
line and 500 feet from the East line of Section 6, Township 21
South, Range 32 East, South Salt Lake-Morrow Gas Pool, and
drill said well in a northerly direction to bottom it within
150 feet of the center of Unit A (Lot 1) of said Section 6,
Lots 1 through 8 to be dedicated to the well.

(3) That at the hearing the applicant proposed to amend
the target bottom-hole location to within 150 feet of a standard
location in the center of Unit B (Lot 2) of said Section 6.

(4) That said amendment to the application should be
approved.

-2-

Case No. 7238
Order No. R-6703

(5) That the applicant should be required to determine the subsurface location of the bottom of the hole by means of a continuous multi-shot directional survey conducted subsequent to said directional drilling, if said well is to be completed as a producing well.

IT IS THEREFORE ORDERED:

(1) That the applicant, Holly Energy, Inc., is hereby authorized to directionally drill its Salt Lake South Deep Well No. 1, the surface location of which is 2189 feet from the North line and 500 feet from the East line of Section 6, Township 21 South, Range 32 East, South Salt Lake-Morrow Gas Pool, and drill said well in a northwesterly direction to bottom it within 150 feet of the center of Unit B (Lot 2) of said Section 6, Lots 1 through 8 to be dedicated to the well.

PROVIDED HOWEVER, that subsequent to the above-described directional drilling, should said well be a producer, a continuous multi-shot directional survey shall be made of the wellbore from total depth to the kick-off point with shot points not more than 100 feet apart; that 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 2068, Santa Fe, New Mexico, and that the operator shall notify the Division's Hobbs District Office of the date and time said survey is to be commenced.

(2) That 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) That 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

Joe D. Ramey
JOE D. RAMEY
Director

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fd/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
3 June 1981

EXAMINER HEARING

IN THE MATTER OF:

Application of Holly Energy, Inc.,
for directional drilling and an
unorthodox gas well location, Lea
County, New Mexico.

CASE
7238

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Ernest L. Padilla, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

Chad Dickerson, Esq.
LOSEE, CARSON, & DICKERSON
Artesia, New Mexico 87501

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I N D E X

JOE ELLARD

Direct Examination by Mr. Dickerson

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Cross Examination by Mr. Stamets

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E X H I B I T S

Applicant Exhibit One, Plat

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Applicant Exhibit Two, Documents

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MR. STAMETS: We'll call next Case 7238.

MR. PADILLA: Application of Holly Energy, Inc., for directional drilling and an unorthodox gas well location, Lea County, New Mexico.

MR. DICKERSON: Chad Dickerson of Artesia, appearing on behalf of the applicant, Mr. Examiner, and we have one witness.

MR. STAMETS: I'd like to have him stand and be sworn, please.

(Witness sworn.)

JOE ELLARD

being called as a witness and being duly sworn upon his oath, testified as follows to-wit:

DIRECT EXAMINATION

BY MR. DICKERSON:

Q Would you state your name, your occupation, and where you reside, please?

A. My name is Joe Ellard. I'm Chief Drilling and Production Engineer for Holly Energy, Incorporated, Dallas, Texas.

Q Mr. Ellard, you have not testified

1
2 before this Division previously, have you?

3 A. I have not.

4 Q. Would you briefly describe your educa-
5 tional and work background for the Examiner?

6 A. My education includes the Bachelor of
7 Science degree in mechanical engineering from Texas Tech Uni-
8 versity, Lubbock, Texas, in 1962, and the Master of Science
9 in mechanical engineering from the same university in 1964.

10 Since graduation my work background has
11 been from September, 1963, to '66, I worked as a mechanical
12 design and test engineer for General Dynamics Corporation in
13 Ft. Worth, Texas.

14 In July of '66 I was employed by Atlantic
15 Richfield Company and to September, 1969, I worked on numerous
16 special problems related to drilling and production.

17 From September, 1969, to November, 1971,
18 I worked for Atlantic Richfield in south Louisiana as drilling
19 engineer.

20 From November, 1971, to January, 1977,
21 I worked for Atlantic Richfield as a research drilling engineer
22 at Plano, Texas.

23 From January, 1977, to November, 1978,
24 I worked for Atlantic Richfield Company as a drilling engineer
25 at Midland, Texas.

1
2 In November, 1978, I was employed by
3 Holly Energy, Incorporated, at Dallas, Texas, and I've been
4 employed by them as Chief Drilling and Production Engineer to
5 the present time.

6 In this position I'm responsible for
7 the planning and supervision of the drilling program, and in
8 1980 this included a directional well in south Texas, and I
9 might add, while working in south Louisiana during the pre-
10 viously mentioned period, 1969 to '71, I also worked in well-
11 site supervision on several directional wells, both on shore
12 and off shore.

13 MR. DICKERSON: Mr. Examiner, I tender
14 Mr. Ellard as an expert engineer.

15 MR. STAMETS: He is considered qualified

16 Q Mr. Ellard, have you prepared or had
17 prepared under your direction what you will refer to as
18 Exhibits One and Two?

19 A Yes, sir.

20 Q Will you refer the Examiner to Exhibit
21 Number One and describe what it shows, please?

22 A Exhibit Number One is a plat which was
23 submitted with the original application, which shows the pro-
24 posed surface location in Section 6, Township 21 South, Range
25 32 East, Lea County, New Mexico.

1
2 It also shows the original requested
3 bottom hole location. In addition, it shows a boundary of a
4 potash reserve as defined by the USGS.

5 MR. STAMETS: While we're at that point,
6 Mr. Ellard, do the arrows point toward the inside of the
7 potash enclave or do the arrows point out from --

8 A. To the inside.

9 MR. STAMETS: Okay, so the enclave will
10 be to the north and west of the line of the arrows.

11 A. That's correct.

12 MR. STAMETS: And now is the enclave
13 where you can drill or is the enclave where you can't drill?

14 A. The enclave is such that we cannot
15 drill.

16 MR. STAMETS: Okay, thank you.

17 Q. Mr. Ellard, has Holly, since the filing
18 of its application in this proceeding, determined to change
19 the proposed bottom hole location from what is shown on Ex-
20 hibit Number One?

21 A. That's correct. A re-evaluation has
22 occurred and we propose to change the bottom hole location
23 to 660 from the north line of the section and 1980 from the
24 east line of Section 6.

25 Q. And so for the purposes of this hearing,

1
2 so much of the application as requested an unorthodox location
3 can now be dismissed, is that correct?

4 A That's correct.

5 Q Do you have anything further you'd like
6 to add about Exhibit Number One?

7 A No.

8 Q Refer to Exhibit Number Two, Mr. Ellard,
9 and describe what it shows, or you may, if you prefer, just
10 briefly describe the operations which Holly intends to con-
11 duct on this well.

12 A Exhibit Number Two includes a cover
13 letter, the directional drilling procedure from Eastman Whip-
14 stock, and a horizontal plat and a vertical plat, and a sheet
15 of calculations done by Eastman Whipstock to describe the
16 calculations done for the path of the deviated portion of the
17 wellbore.

18 As I stated previously, the surface
19 location is proposed to be at 660 from the north line and --
20 or excuse me, 2189 from the north line and 500 feet from the
21 east line of Section 6, and the bottom hole location is 660
22 from the north line and 1980 from the east line. And the
23 reason for this is that we need to located the surface of the
24 wellbore such that we can drill vertically well below the
25 maximum limits of the potash reserve and then deviate the

1
2 wellbore over to the proposed bottom hole location.

3 This will avoid disturbance of the potash
4 reserve.

5 Q Has your proposed location been approved
6 by the USGS supervisor of the potash area?

7 A Yes. Mr. John Burleson, District
8 Supervisor of Mining, USGS, at Carlsbad, has verbally approved
9 our surface location.

10 Q Mr. Ellard, would you like to just very
11 briefly summarize the drilling operations, the mechanizations
12 that Holly will follow in drilling this well?

13 A From the surface location a 17-1/2 inch
14 hole will be drilled vertically to 500 feet. This portion of
15 the hole will be cased with 13-3/8ths inch pipe and cemented
16 to surface.

17 We will then drill with a 12-1/4 bit
18 to approximately 5200 feet. At that point we will run 9-5/8ths
19 casing and cement it to surface.

20 Then we will run a gyro-directional
21 survey to define where the wellbore actually is. We will
22 then drill vertically, continue drilling vertically, with an
23 8-3/4 bit to approximately 7000 feet, and at that point we
24 will commence drilling directionally.

25 We'll kick the well off and build up

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2 angle until it reaches the desired course toward the bottom
3 hole location.

4 And this -- this course will be main-
5 tained to TD.

6 Q Will deviation surveys be conducted
7 periodically so that Holly will have control over the location
8 of the hole at all times?

9 A Yes. Surveys will be run all during
10 the length of the progress of the well and its location will
11 be known at all times. Then at TD a multi-shot survey will
12 be run to verify those measurements.

13 Q And if you didn't state it, Mr. Ellard,
14 what's the objective in this well and its approximate depth?

15 A The objective is the Morrow formation
16 and its true vertical depth is approximately 14,100 feet.

17 Q Do you have anything else you would like
18 to add concerning Exhibit Number Two?

19 A No, I don't.

20 MR. DICKERSON: Mr. Examiner, move
21 admission of Holly Exhibits One and Two at this time.

22 MR. STAMETS: These exhibits will be
23 admitted.

24 MR. DICKERSON: And that's all the
25 questions I have of the witness.

CROSS EXAMINATION

BY MR. STAMETS:

Q Mr. Ellard, it would appear from examination of Exhibit One, that you have the same offset operator to the north in the case for the original bottom hole location and now the revised bottom hole location, is that correct?

A. Yes.

Q Okay, and the location has essentially always been standard as to that line in any event.

A. That's correct.

Q Okay. I see no problem on that in amending the application to reflect the new desired bottom hole location. I don't believe we would have to readvertise this case.

MR. STAMETS: Are there any other questions of this witness? He may be excused.

Anything further in this case?

The case will be taken under advisement.

(Hearing concluded.)

CERTIFICATE

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

i do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 7238 heard by me on 6-13 1987.

Richard P. Ham Examiner
Oil Conservation Division

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO

3 June 1981

EXAMINER HEARING

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MR. STAMETS: Are there any other questions of this witness? He may be excused.

Anything further in this case?

The case will be taken under advisement.

(Hearing concluded.)

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that
the foregoing Transcript of Hearing before the Oil Conserva-
tion Division was reported by me; that the said transcript
is a full, true, and correct record of the hearing, prepared
by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. _____
heard by me on _____ 19____.

_____, Examiner
Oil Conservation Division

SALLY W. BOYD, C.S.R.

Rt. 1 Box 113-B
Santa Fe, New Mexico 87501
Phone (505) 415-7409

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P. O. Box 5577/Midland, Texas 79701/(915) 563-0511
TWX 910-881-5066/Cable: EASTCO

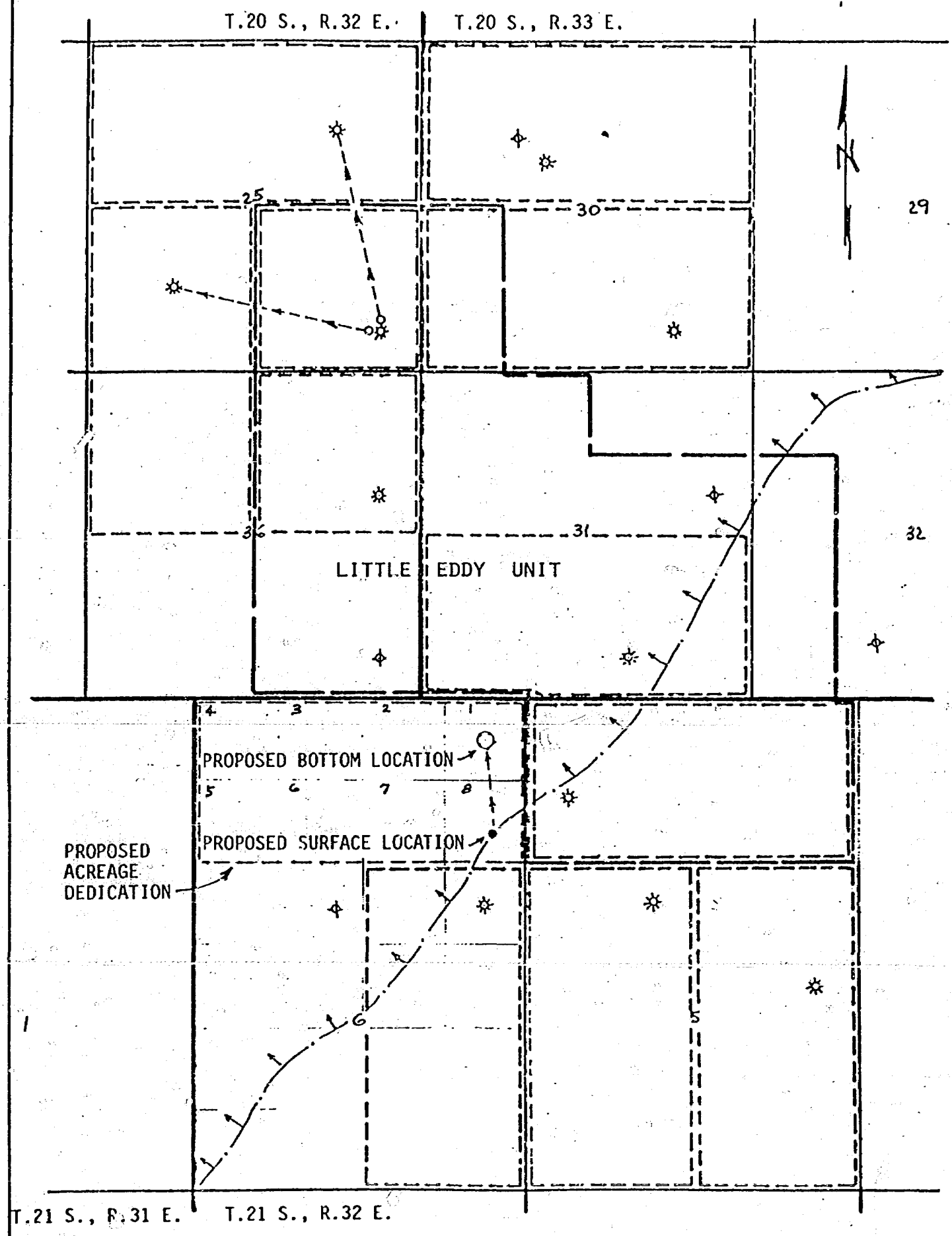
May 29, 1981

HOLLY ENERGY INC.

LEA COUNTY, NEW MEXICO

RECOMMENDED PROCEDURE

1. Drill to 5200' keeping well bore as near vertical as possible and set 9-5/8" casing. Run Gyro Directional Survey 0' to 5176' on wireline before drilling out.
2. Drill out with 8 3/4" bit, 8 3/4" bottom hole (RWP), 10' drill collar, 8 3/4" string (RWP) stabilizer, shock sub, 6 3/4" X 30' non-magnetic drill collar, 8 3/4" string (RWP) stabilizer, 45,000# drill collars, jars, 10,000# drill collars (above jars) and drill pipe. Drill to a depth of 7000' (+ -) and trip out of hole.
3. Go in hole with 8 3/4" MD 33 RSST bit, 6 1/2" mud motor. 2° Bent Sub with orienting sleeve, 6 3/4" X 30' non magnetic drill collar, drill collars and drill pipe. Orient with directional orientation tool and drill 60' (+ -) to deflect well bore with proper direction and angle. Trip out of hole.
4. Go in hole with regular 8 3/4" drill bit, 8 3/4" bottom hole (RWP), 6 3/4" X 30' non magnetic drill collar, 3 - 30' steel drill collars, 8 3/4" stabilizer, drill collars and drill pipe. Drill and build angle at the rate of 1° 30' per 100' until an average angle of 18° 9' is obtained at a depth of 8,210' MD and trip out of hole.
5. Go in hole with 8 3/4" bit, 8 3/4" bottom hole (RWP), 10' drill collar, 8 3/4" (1/8" undergauge) string (RWP) stabilizer, shock sub, 6 3/4" X 30' non magnetic drill collar, 8 3/4" (1/8" undergauge) string (RWP) stabilizer 45,000# drill collars, jars, 10,000# drill collars (above jars) and drill pipe. Drill with this assembly to a proposed depth of 14,100' TVD and or measured depth of 14,430' or until a corrective run is needed.
6. Upon reaching total depth on trip out of hole, drop magnetic multiple shot survey and survey back to kick off point. This will give a complete multiple shot survey from surface to total depth which is required by the New Mexico Oil and Gas Conservation Commission.



LEGEND:

- 1.1.1 POTASH ENCLAVE BOUNDARY
- LITTLE EDDY UNIT AREA
- - - DEDICATED ACREAGE
- * GAS WELL
- + PLUGGED WELL

Case 7238
Ex # 1

HOLLY ENERGY, INC.

APPLICATION FOR DIRECTIONAL DRILLING
AND UNORTHODOX LOCATION

WELL NO.1 SALT LAKE SOUTH DEEP COM

SURFACE LOCATION

2189'FNL & 500'FEL SEC.6, T.21 S., R.32 E.

BOTTOM LOCATION

WITHIN 150' OF CENTER OF UNIT A SEC.6, T.21 S., R.32 E.
LEA COUNTY, NEW MEXICO

SCALE: 1" = 2000'



ENERGY, INC.

2600 Diamond Shamrock Tower
717 North Harwood Street
Dallas, Texas 75201

Phone: (214) 651-0311
Telecopy: (214) 651-0105

Executive Offices

June 2, 1981

Mr. Joe D. Ramey
Director
Oil Conservation Division
New Mexico Energy and Minerals Department
P.O. Box 2088
Santa Fe, New Mexico 87501

Re: Salt Lake South Deep #1
Morrow Test - 14100' TVD,
Sec 6 T21S R32E,
Lea Co., New Mexico

Dear Sir:

Holly Energy, Inc. respectfully requests approval to directionally drill the subject well to true vertical depth of 14100'. The bottom hole location at this depth will be approximately 660' FNL & 1980' FEL of the section. The proposed surface location is 2189' FNL & 500' FEL of Sec 6.

The reason for drilling the well directionally is to avoid disturbing a known potash reserve as defined by the USGS and which does not exceed a depth of 2000'. The proposed surface location has been verbally approved by Mr. John Berleson, District Supervisor of Mining, USGS at Carlsbad.

The drilling plan is to spud a 17½" hole and drill to 500', run 13-3/8" casing, and cement to surface. Drilling will procede with a 12¼" bit to approximately 5200'. At that point 9-5/8" casing will be run and cemented to surface. Before drilling out the casing shoe, a Gyro Directional Survey will be run. Drilling will procede with an 8-3/4" bit to approximately 7000'. Directional drilling will then commence and the remainder of the drilling will be as outlined on the attached Eastman Whipstock "Recommended Procedure".

After running the multiple shot survey at TD, the well will be logged and if judged commercial, completed as a Morrow producer.

Sincerely yours,

Joe D. Ellard

Joe D. Ellard
Chief Drilling & Production Engineer

CASE 7238
EX # 2

JDE:kf
Enclosure



P. O. Box 5577 Midland, Texas 79701 (915) 563-0511
TWX 910-881-5066 Cable: EASTCO

May 29, 1981

HOLLY ENERGY INC.

LEA COUNTY, NEW MEXICO

RECOMMENDED PROCEDURE

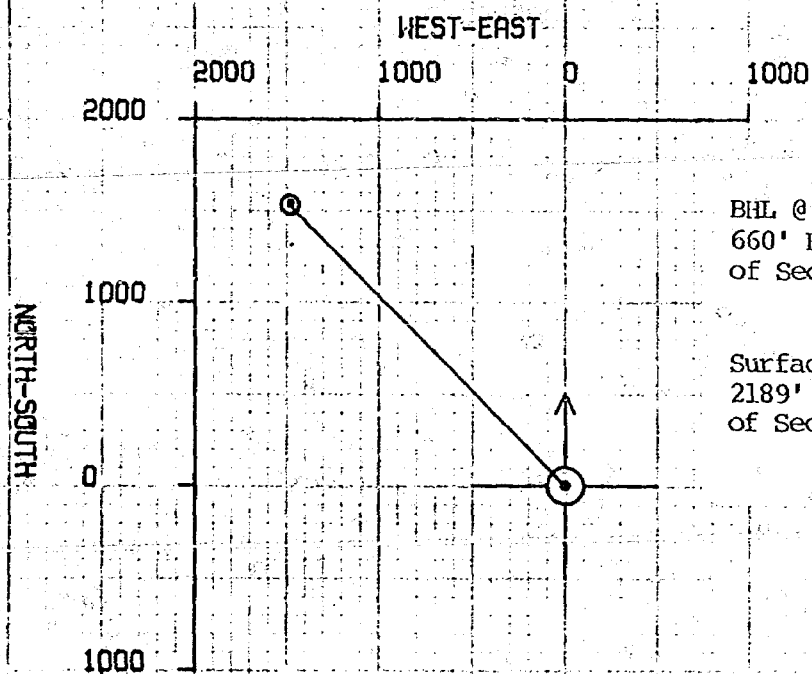
1. Drill to 5200' keeping well bore as near vertical as possible and set 9-5/8" casing. Run Gyro Directional Survey 0' to 5176' on wireline before drilling out.
2. Drill out with 8 3/4" bit, 8 3/4" bottom hole (RWP), 10' drill collar, 8 3/4" string (RWP) stabilizer, shock sub, 6 3/4" X 30' non-magnetic drill collar, 8 3/4" string (RWP) stabilizer, 45,000# drill collars, jars, 10,000# drill collars (above jars) and drill pipe. Drill to a depth of 7000' (+ -) and trip out of hole.
3. Go in hole with 8 3/4" MD 33 RSST bit, 6 1/2" mud motor. 2° Bent Sub with orienting sleeve, 6 3/4" X 30' non magnetic drill collar, drill collars and drill pipe. Orient with directional orientation tool and drill 60' (+ -) to deflect well bore with proper direction and angle. Trip out of hole.
4. Go in hole with regular 8 3/4" drill bit, 8 3/4" bottom hole (RWP), 6 3/4" X 30' non magnetic drill collar, 3 - 30' steel drill collars, 8 3/4" stabilizer, drill collars and drill pipe. Drill and build angle at the rate of 1° 30' per 100' until an average angle of 18° 9' is obtained at a depth of 8,210' MD and trip out of hole.
5. Go in hole with 8 3/4" bit, 8 3/4" bottom hole (RWP), 10' drill collar, 8 3/4" (1/8" undergauge) string (RWP) stabilizer, shock sub, 6 3/4" X 30' non magnetic drill collar, 8 3/4" (1/8" undergauge) string (RWP) stabilizer 45,000# drill collars, jars, 10,000# drill collars (above jars) and drill pipe. Drill with this assembly to a proposed depth of 14,100' TVD and or measured depth of 14,430' or until a corrective run is needed.
6. Upon reaching total depth on trip out of hole, drop magnetic multiple shot survey and survey back to kick off point. This will give a complete multiple shot survey from surface to total depth which is required by the New Mexico Oil and Gas Conservation Commission.

HORIZONTAL PROJECTION

SCALE 1 IN. = 1000 FEET

HOLLY ENERGY, INC. PROPOSAL
SALT LAKE SOUTH DEEP WELL NO. 1
LEA COUNTY, NEW MEXICO 801-223
EASTMAN WHIPSTOCK, INC.

FINAL STATION:
DEPTH 14429 MD. 14099.99 TVD
NORTH 1529.01 WEST 1479.99
CLOSURE 2127.96 N 44° 4' 0" W



BHL @ 14100' TVD
660' FNL & 1980' FEL
of Sec 6 T21S R32E

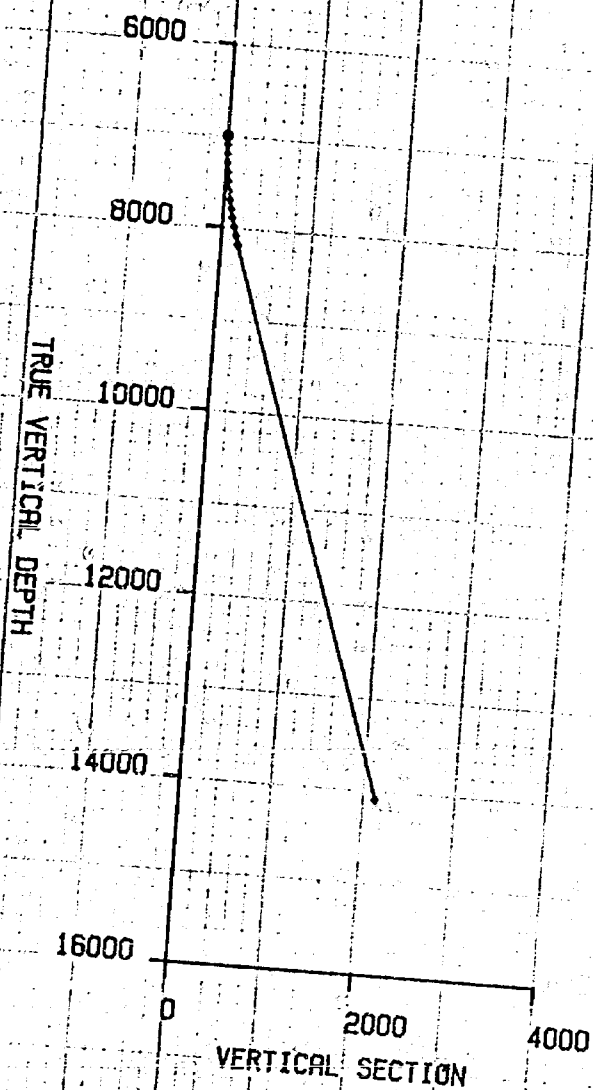
Surface Location
2189' FNL & 500' FEL
of Sec 6 T21S R32E

HOLLY ENERGY, INC.
SALT LAKE SOUTH DEEP WELL NO. 1
LEA COUNTY, NEW MEXICO

PROPOSAL
BD1-223

EASTMAN WHIPSTOCK, INC.

VERTICAL PROJECTION
SCALE 1 IN. = 2000 FEET



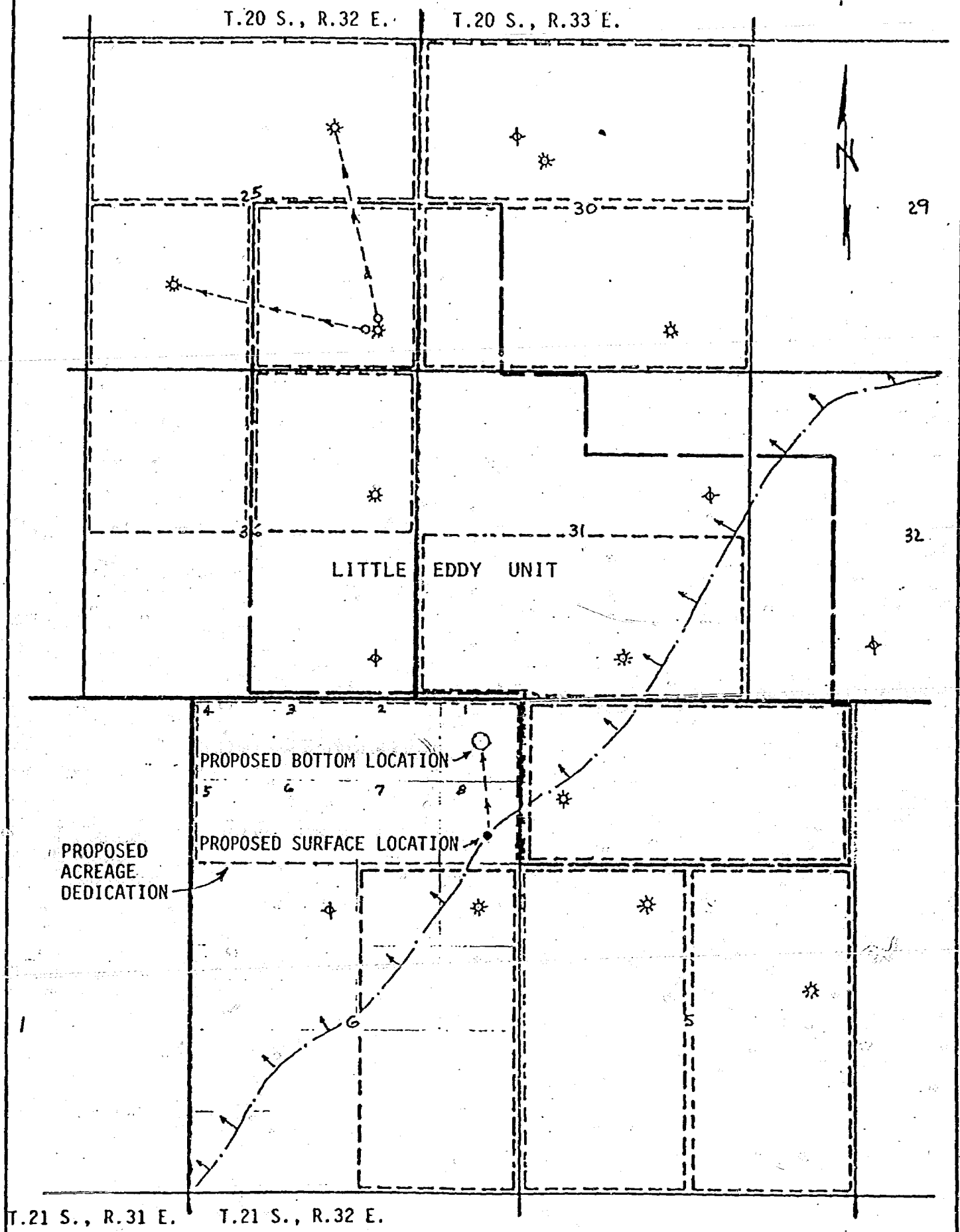
CLOSURE 2127.96 N 44 4 0 W

OLLY ENERGY, INC. PROPOSAL
 ALT LAKE SOUTH DEEP WELL NO. 1
 EA-COUNTY, NEW MEXICO BDI-223

COMPUTATION PAGE NO. 1
 TIME DATE
 13:50:29 28-MAY-81

MEASURED DEPTH FEET	DRIFT ANGLE D M	DRIFT DIRECTION D	TRUE VERTICAL DEPTH FEET	RECTANGULAR COORDINATES FEET		DOG LEG SEVERITY DG/100FT
7000.	0 0	0	7000.00	0.00	0.00	0.00
7100.	1 30	N 44 W	7099.99	0.94 N	0.91 W	1.50
7200.	3 0	N 44 W	7199.91	3.76 N	3.64 W	1.50
7300.	4 30	N 44 W	7299.69	8.46 N	8.19 W	1.50
7400.	6 0	N 44 W	7399.27	15.04 N	14.55 W	1.50
7500.	7 30	N 44 W	7498.57	23.43 N	22.73 W	1.50
7600.	9 0	N 44 W	7597.54	33.79 N	32.71 W	1.50
7700.	10 30	N 44 W	7696.09	45.96 N	44.48 W	1.50
7800.	12 0	N 44 W	7794.16	59.98 N	58.05 W	1.50
7900.	13 30	N 44 W	7891.70	75.83 N	73.40 W	1.50
8000.	15 0	N 44 W	7988.62	93.52 N	90.52 W	1.50
8100.	16 30	N 44 W	8084.86	113.02 N	109.40 W	1.50
8200.	18 0	N 44 W	8180.36	134.33 N	130.02 W	1.50
8210.	18 9	N 44 W	8190.13	136.62 N	132.24 W	1.50
14430.	18 9	N 44 W	14100.00	1529.01 N	1479.99 W	0.00

FINAL CLOSURE - DIRECTION: N 44 DEGS 4 MINS W
 DISTANCE: 2127.97- FEET



LEGEND:

- 1.1.1 POTASH ENCLAVE BOUNDARY
- LITTLE EDDY UNIT AREA
- - - DEDICATED ACREAGE
- * GAS WELL
- + PLUGGED WELL

Case 7238
Ex H1

HOLLY ENERGY, INC.

APPLICATION FOR DIRECTIONAL DRILLING
AND UNORTHODOX LOCATION

WELL NO.1 SALT LAKE SOUTH DEEP COM

SURFACE LOCATION

2189'FNL & 500'FEL SEC.6, T.21 S., R.32 E.

BOTTOM LOCATION

WITHIN 150' OF CENTER OF UNIT A SEC.6, T.21 S., R.32 E.
LEA COUNTY, NEW MEXICO

SCALE: 1" = 2000'



ENERGY, INC.

2600 Diamond Shamrock Tower
717 North Harwood Street
Dallas, Texas 75201

Executive Offices

June 2, 1981

Phone: (214) 651-0311
Telecopy: (214) 651-0105

Mr. Joe D. Ramey
Director
Oil Conservation Division
New Mexico Energy and Minerals Department
P.O. Box 2088
Santa Fe, New Mexico 87501

Re: Salt Lake South Deep #1
Morrow Test - 14100' TVD,
Sec 6 T21S R32E,
Lea Co., New Mexico

Dear Sir:

Holly Energy, Inc. respectfully requests approval to directionally drill the subject well to true vertical depth of 14100'. The bottom hole location at this depth will be approximately 660' FNL & 1980' FEL of the section. The proposed surface location is 2189' FNL & 500' FEL of Sec 6.

The reason for drilling the well directionally is to avoid disturbing a known potash reserve as defined by the USGS and which does not exceed a depth of 2000'. The proposed surface location has been verbally approved by Mr. John Berleson, District Supervisor of Mining, USGS at Carlsbad.

The drilling plan is to spud a 17½" hole and drill to 500', run 13-3/8" casing, and cement to surface. Drilling will proceed with a 12¼" bit to approximately 5200'. At that point 9-5/8" casing will be run and cemented to surface. Before drilling out the casing shoe, a Gyro Directional Survey will be run. Drilling will proceed with an 8-3/4" bit to approximately 7000'. Directional drilling will then commence and the remainder of the drilling will be as outlined on the attached Eastman Whipstock "Recommended Procedure".

After running the multiple shot survey at TD, the well will be logged and if judged commercial, completed as a Morrow producer.

Sincerely yours,

Joe D. Ellard

Joe D. Ellard
Chief Drilling & Production Engineer

JDE:kf
Enclosure

Case 7238
Ex #2



P. O. Box 5577/Midland, Texas 79701/(915) 563-0511
TWX 910-881-5066/Cable: EASTCO

May 29, 1981

HOLLY ENERGY INC.

LEA COUNTY, NEW MEXICO

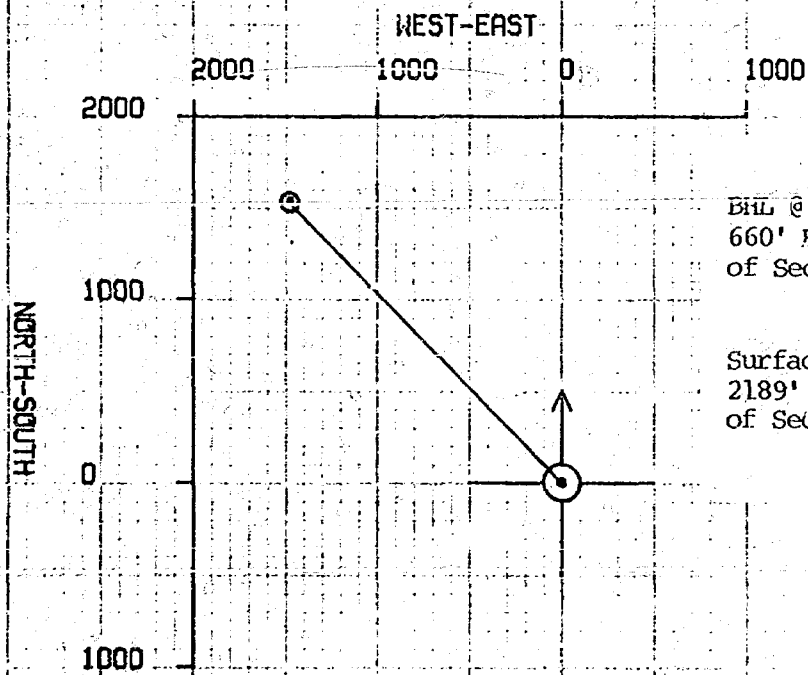
RECOMMENDED PROCEDURE

1. Drill to 5200' keeping well bore as near vertical as possible and set 9-5/8" casing. Run Gyro Directional Survey 0' to 5176' on wireline before drilling out.
2. Drill out with 8 3/4" bit, 8 3/4" bottom hole (RWP), 10' drill collar, 8 3/4" string (RWP) stabilizer, shock sub, 6 3/4" X 30' non-magnetic drill collar, 8 3/4" string (RWP) stabilizer, 45,000# drill collars, jars, 10,000# drill collars (above jars) and drill pipe. Drill to a depth of 7000' (+ -) and trip out of hole.
3. Go in hole with 8 3/4" MD 33 RSST bit, 6 1/2" mud motor. 2° Bent Sub with orienting sleeve, 6 3/4" X 30' non magnetic drill collar, drill collars and drill pipe. Orient with directional orientation tool and drill 60' (+ -) to deflect well bore with proper direction and angle. Trip out of hole.
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6. Upon reaching total depth on trip out of hole, drop magnetic multiple shot survey and survey back to kick off point. This will give a complete multiple shot survey from surface to total depth which is required by the New Mexico Oil and Gas Conservation Commission.

HORIZONTAL PROJECTION
SCALE 1 IN. = 1000 FEET

HOLLY ENERGY, INC. PROPOSAL
SALT LAKE SOUTH DEEP WELL NO. 1
LEA COUNTY, NEW MEXICO BD1-223
EASTMAN WHIPSTOCK, INC.

FINAL STATION:
DEPTH 14429 MD. 14099.99 TVD
NORTH 1529.01 WEST 1479.99
CLOSURE 2127.96 N 44° 4' 0" W



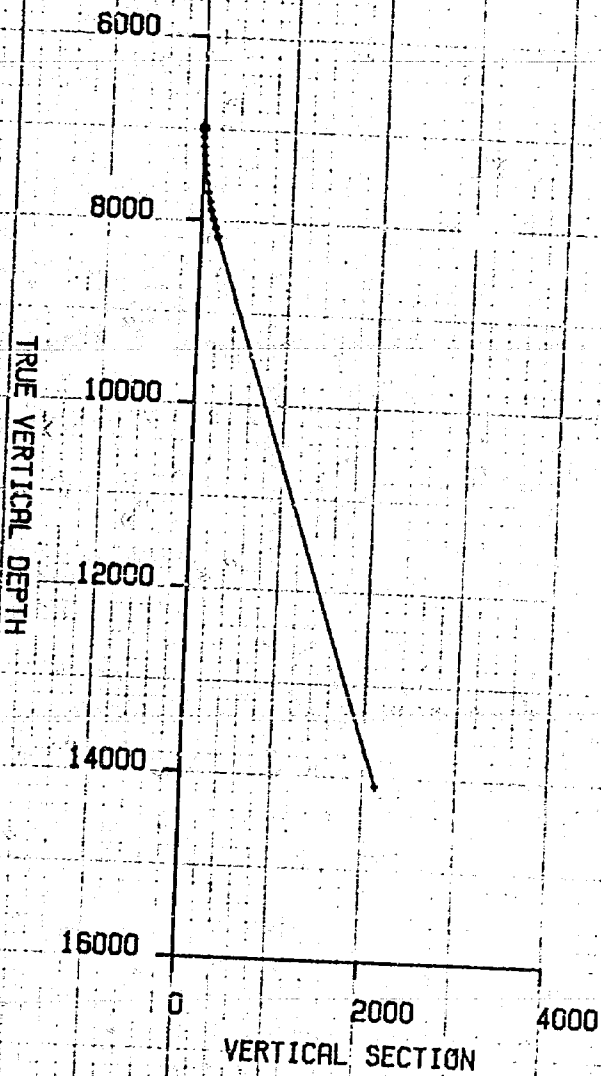
BHL @ 14100' TVD
660' FNL & 1980' FEL
of Sec 6 T21S R32E

Surface Location
2189' FNL & 500' FEL
of Sec 6 T21S R32E

HOLLY ENERGY, INC. PROPOSAL
SALT LAKE SOUTH DEEP WELL NO. 1
LEA COUNTY, NEW MEXICO BDI-223

EASTMAN WHIPSTOCK, INC.

VERTICAL PROJECTION
SCALE 1 IN. = 2000 FEET



CLOSURE 2127.96 N 44 4 0 W

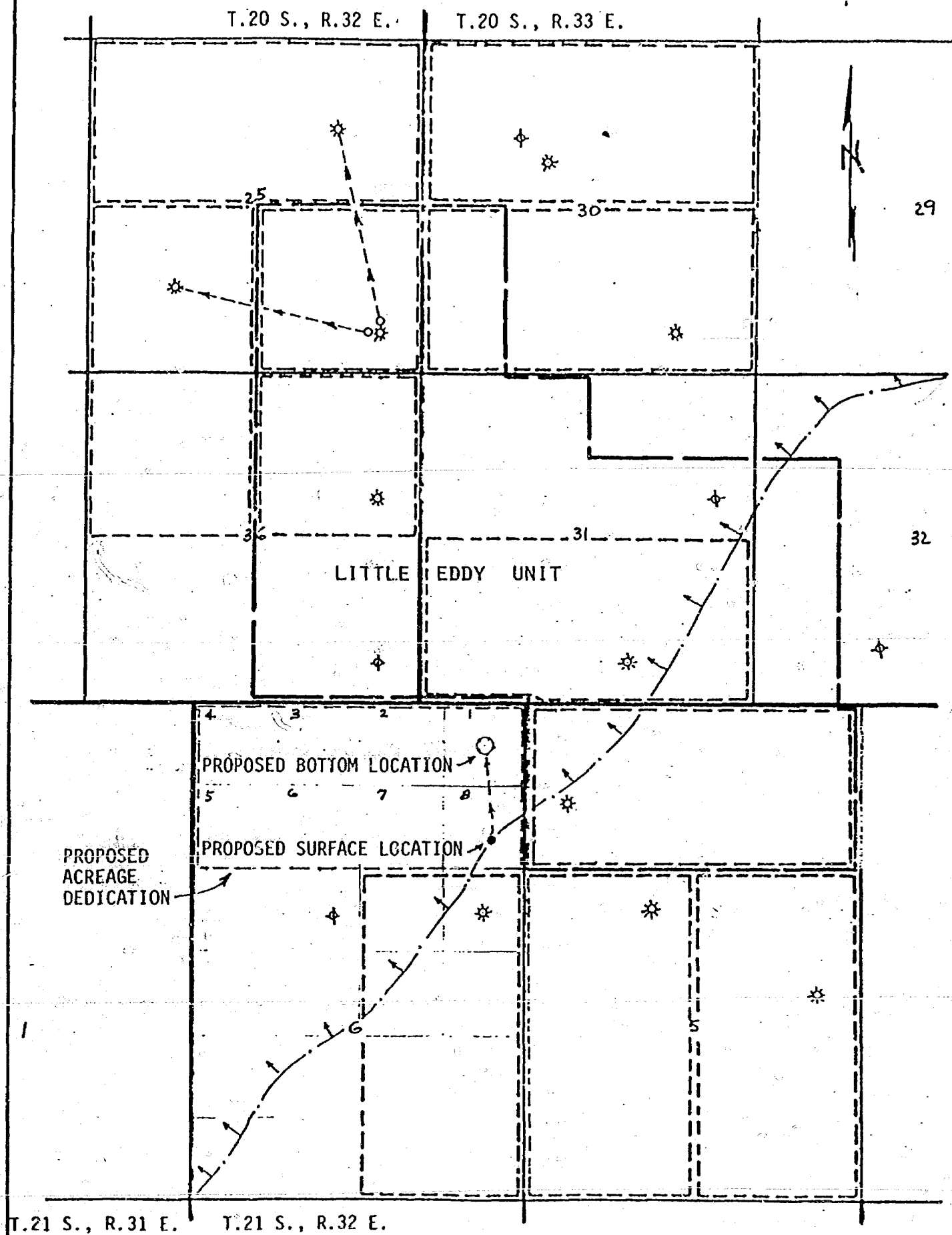
OLLY ENERGY, INC. PROPOSAL
 ALT LAKE SOUTH DEEP WELL NO. 1
 EA-COUNTY, NEW MEXICO BDI-223

COMPUTATION
 TIME DATE
 13:50:29 28-MAY-81

PAGE NO. 1

MEASURED DEPTH FEET	DRIFT ANGLE D M	DRIFT DIRECTION D	TRUE VERTICAL DEPTH FEET	RECTANGULAR COORDINATES FEET		DOG-LEG SEVERITY DG/100FT
7000.	0 0	0	7000.00	0.00	0.00	0.00
7100.	1 30	N 44 W	7099.99	0.94 N	0.91 W	1.50
7200.	3 0	N 44 W	7199.91	3.76 N	3.64 W	1.50
7300.	4 30	N 44 W	7299.69	8.46 N	8.19 W	1.50
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7600.	9 0	N 44 W	7597.54	33.79 N	32.71 W	1.50
7700.	10 30	N 44 W	7696.09	45.96 N	44.48 W	1.50
7800.	12 0	N 44 W	7794.16	59.98 N	58.05 W	1.50
7900.	13 30	N 44 W	7891.70	75.83 N	73.40 W	1.50
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8200.	18 0	N 44 W	8180.36	134.33 N	130.02 W	1.50
8210.	18 9	N 44 W	8190.13	136.62 N	132.24 W	1.50
14430.	18 9	N 44 W	14100.00	1529.01 N	1479.99 W	0.00

FINAL CLOSURE - DIRECTION: N 44 DEGS 4 MINS W
 DISTANCE: 2127.97- FEET



LEGEND:

- POTASH ENCLAVE BOUNDARY
- LITTLE EDDY UNIT AREA
- - - DEDICATED ACREAGE
- * GAS WELL
- + PLUGGED WELL

Case 7238
Ex #1

HOLLY ENERGY, INC.

APPLICATION FOR DIRECTIONAL DRILLING
AND UNORTHODOX LOCATION

WELL NO.1 'SALT LAKE SOUTH DEEP COM

SURFACE LOCATION

2189'FNL & 500'FEL SEC.6, T.21 S., R.32 E.

BOTTOM LOCATION

WITHIN 150' OF CENTER OF UNIT A SEC.6, T.21 S., R.32 E.
LEA COUNTY, NEW MEXICO

SCALE: 1" = 2000'



ENERGY, INC.

2600 Diamond Shamrock Tower
717 North Harwood Street
Dallas, Texas 75201

Phone: (214) 651-0311
Telecopy: (214) 651-0105

Executive Offices

June 2, 1981

Mr. Joe D. Ramey
Director
Oil Conservation Division
New Mexico Energy and Minerals Department
P.O. Box 2088
Santa Fe, New Mexico 87501

Re: Salt Lake South Deep #1
Morrow Test - 14100' TVD,
Sec 6 T2LS R32E,
Lea Co., New Mexico

Dear Sir:

Holly Energy, Inc. respectfully requests approval to directionally drill the subject well to true vertical depth of 14100'. The bottom hole location at this depth will be approximately 660' FNL & 1980' FEL of the section. The proposed surface location is 2189' FNL & 500' FEL of Sec 6.

The reason for drilling the well directionally is to avoid disturbing a known potash reserve as defined by the USGS and which does not exceed a depth of 2000'. The proposed surface location has been verbally approved by Mr. John Berleson, District Supervisor of Mining, USGS at Carlsbad.

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Sincerely yours,

Joe D. Ellard

Joe D. Ellard
Chief Drilling & Production Engineer

JDE:kf
Enclosure

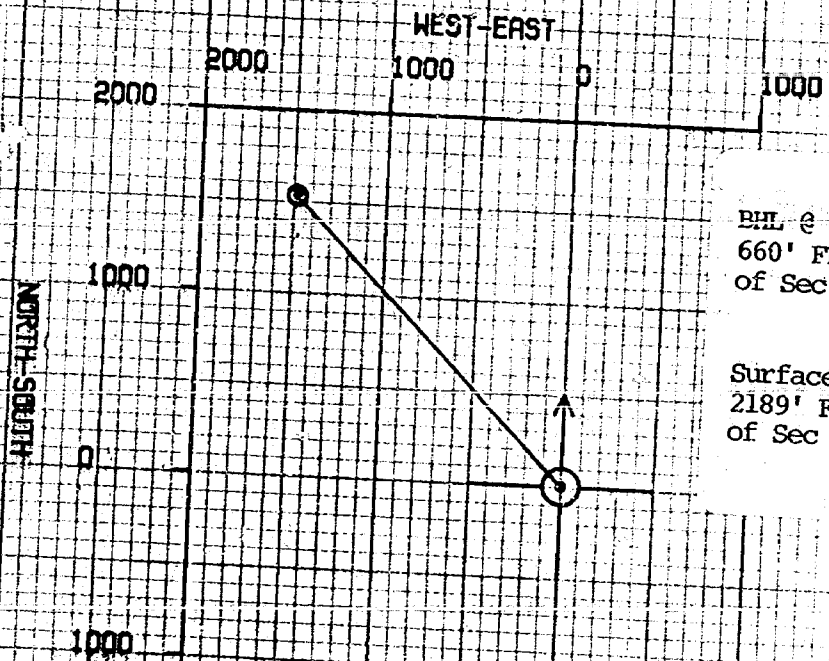
Case 7238
Ex #2

HORIZONTAL PROJECTION
SCALE 1 IN. = 1000 FEET

HOLLY ENERGY, INC.
SALT LAKE SOUTH DEEP WELL NO. 1
HARRIS COUNTY, NEW MEXICO
EASTMAN WHIPSTOCK, INC.

PROPOSAL
BDI-228

FINAL STATION:
DEPTH 14429 MD. 14099.99 TVD
NORTH 1529.01 WEST 1479.99
CLOSURE 2127.96 N 44-4-0 W



BHL @ 14100' TVD
660' FNL & 1980' FEL
of Sec 6 T21S R32E

Surface Location
2189' FNL & 500' FEL
of Sec 6 T21S R32E

HOLLY ENERGY, INC. PROPOSAL
SALT LAKE SOUTH DEEP WELL NO. 1
LEA COUNTY, NEW MEXICO BDI-223

VERTICAL PROJECTION
SCALE 1 IN. = 2000 FEET

EASTMAN WHIPSTOCK, INC.

TRUE VERTICAL DEPTH
6000
8000
10000
12000
14000
16000

0 2000 4000
VERTICAL SECTION

CLOSURE 2127.96 N 44 4 0 W

HOLLY ENERGY, INC. PROPOSAL
SALT LAKE SOUTH DEEP WELL NO. 1
LEA COUNTY, NEW MEXICO BD1-223

COMPUTATION PAGE NO. 1
TIME DATE
13:50:29 28-MAY-81

MEASURED DEPTH FEET	DRIFT ANGLE D M	DRIFT DIRECTION D	TRUE VERTICAL DEPTH FEET	R-E-C-T-A-N-G-U-L-A-R C O O R D I N A T E S FEET		DOG-LEG SEVERITY DG/100FT
7000.	0 0	0	7000.00	0.00	0.00	0.00
7100.	1 30	N 44 W	7099.99	0.94 N	0.91 W	1.50
7200.	3 0	N 44 W	7199.91	3.76 N	3.64 W	1.50
7300.	4 30	N 44 W	7299.69	8.46 N	8.19 W	1.50
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7500.	7 30	N 44 W	7498.57	23.48 N	22.73 W	1.50
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7700.	10 30	N 44 W	7696.09	45.96 N	44.48 W	1.50
7800.	12 0	N 44 W	7794.16	59.98 N	58.05 W	1.50
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8100.	16 30	N 44 W	8084.86	113.02 N	109.40 W	1.50
8200.	18 0	N 44 W	8180.36	134.33 N	130.02 W	1.50
8210.	18 9	N 44 W	8190.13	136.62 N	132.24 W	1.50
14430.	18 9	N 44 W	14100.00	1529.01 N	1479.99 W	0.00

FINAL CLOSURE - DIRECTION: N 44 DEGS 4 MINS W
DISTANCE: 2127.97 FEET

Docket No. 17-81

Dockets Nos. 19-81 and 20-81 are tentatively set for June 17 and July 2, 1981. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - JUNE 3, 1981

9 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Nutter, Alternate Examiner:

- CASE 7261: Application of Robert N. Enfield for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Pecos River Bluff Unit Area, comprising 4789 acres, more or less, of State and Federal lands in Township 13 South, Range 27 East.
- CASE 7262: Application of Union Oil Company of California for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Berry State Unit Area, comprising 2,228 acres, more or less, of State lands in Township 21 South, Ranges 33 and 34 East.
- CASE 7263: Application of Yates Petroleum Corporation for amendment of Order No. R-5527, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Division Order No. R-5527, which approved an unorthodox Morrow location, to permit the recompletion of its Blevins "I" Well No. 1 in Unit D of Section 35, Township 17 South, Range 26 East, as an unorthodox gas well location in all Wolfcamp and Pennsylvanian formations.
- CASE 7238: (Continued from May 6, 1981, Examiner Hearing)
Application of Holly Energy, Inc. for directional drilling and an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to directionally drill its Salt Lake South Deep Well No. 1, the surface location of which is 2189 feet from the North line and 500 feet from the East line of Section 6, Township 21 South, Range 32 East, South Salt Lake-Morrow Gas Pool, in a northerly direction to bottom it within 150 feet of the center of Unit A (Lot 1) of said Section 6, Lots 1 thru 8 to be dedicated to the well.
- CASE 7217: (Continued and Readvertised)
Application of Harvey E. Yates Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox Wolfcamp-Pennsylvanian location of its Travis Ohio State Com Well No. 1 to be drilled 760 feet from the South line and 660 feet from the West line of Section 13, Township 18 South, Range 28 East, the S/2 of said Section 13 to be dedicated to the well.
- CASE 7251: (Continued from May 6, 1981, Examiner Hearing)
Application of Southern Union Exploration Company of Texas for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the West Puerto Chiquito-Mancos Oil Pool underlying all of Section 36, Township 24 North, Range 1 West, to be dedicated to its Mobil Federal Well No. 1 drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7264: Application of Cities Service Company for a salt water disposal well, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Entrada formation at a depth of 5200 feet to 5350 feet in its Federal "E" Well No. 2 in Unit H of Section 28, Township 19 North, Range 5 West.
- CASE 7265: Application of Tenneco Oil Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled 2310 feet from the North line and 990 feet from the West line of Section 13, Township 21 South, Range 25 East, Catclaw Draw-Morrow Gas Pool, the N/2 of said Section 13 to be dedicated to the well.
- CASE 7266: Application of Tenneco Oil Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled 660 feet from the North line and 1650 feet from the East line of Section 14, Township 21 South, Range 25 East, Catclaw Draw-Morrow Gas Pool, the N/2 of said Section 14 to be dedicated to the well.

CASE 7237: (Continued and Readvertised)

Application of Conoco Inc. for a dual completion and downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dually complete its State "F-1" Well No. 10 located in Unit V of Section 1, Township 21 South, Range 36 East, to produce oil from the Hardy-Blaine Pool and commingled Hardy-Drinkard and undesignated Tubb production.

CASE 7267: Application of Conoco Inc. for a dual completion and unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dually complete its SENU Burger Well No. 107 to produce oil from the Skaggs-Grayburg and an undesignated Paddock Pool at an unorthodox location 2615 feet from the South and East lines of Section 19, Township 20 South, Range 38 East.

CASE 7268: Application of Conoco Inc. for pool extension and contraction, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the upward extension of the vertical limits of the Skaggs-Grayburg Pool to include the lowermost 100 feet of the Queen formation underlying all of Section 13, the E/2 of Section 24, and NE/4 of Section 25, Township 20 South, Range 37 East, and the W/2 of Section 18, all of Section 19, NW/4 of Section 20, and N/2 of Section 30, Township 20 South, Range 38 East. Applicant also proposes the contraction of the vertical limits of the Eumont Pool by deletion of the lowermost 100 feet of the Queen formation underlying the NW/4 of Section 13 and E/2 of Section 24, Township 20 South, Range 37 East, and the W/2 of Section 18 and W/2 of Section 19, Township 20 South, Range 38 East.

CASE 7248: (Continued from May 6, 1981, Examiner Hearing)

Application of Inexco Oil Company for pool creation, special pool rules, and an oil discovery allowable, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new Wolfcamp oil pool for its Federal 10 State Com. Well No. 1 located in Unit I of Section 10, Township 21 South, Range 26 East, and the promulgation of special rules therefor, including provisions for 160-acre spacing. Applicant further seeks the assignment of approximately 42,290 barrels of discovery allowable to the aforesaid well.

CASE 7269: Application of Alpha Twenty-One Production Company for an unorthodox gas well location and a non-standard proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 120-acre non-standard proration unit comprising the E/2 SW/4 and the SW/4 SE/4 of Section 21, Township 21 South, Range 37 East, Eumont Gas Pool, to be dedicated to its Lansford Well No. 4 at an unorthodox location 810 feet from the South line and 1880 feet from the East line of said Section 21.

CASE 7270: Application of Southland Royalty Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the N/2 of Section 21, Township 19 South, Range 27 East, to be dedicated to its Pecos River Federal 21-A Com Well No. 1 drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7250: (Continued from May 6, 1981, Examiner Hearing)

Application of Southland Royalty Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the N/2 of Section 22, Township 18 South, Range 29 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7271: Application of Morris R. Antweil for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in all formations from the surface down through the Drinkard formation underlying the NW/4 SE/4 of Section 5, Township 20 South, Range 38 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7086: (Continued from May 20, 1981, Examiner Hearing)

Application of Blackwood & Nichols Company, Ltd. for designation of a tight formation, San Juan and Rio Arriba Counties, New Mexico. Applicant, in the above-styled cause, seeks the designation of the Pictured Cliffs formation underlying portions of Townships 30 and 31 North, Ranges 6, 7, and 8 West, containing 33,500 acres, more or less, as a tight formation pursuant to Section 107 of the Natural Gas Policy Act and 18 CFR Section 271.701-705.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
6 May 1981

EXAMINER HEARING

IN THE MATTER OF:

Application of Holly Energy, Inc.,
for directional drilling and an
unorthodox gas well location, Lea
County, New Mexico.

CASE
7238

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Ernest L. Padilla, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

MR. STAMETS: Call next Case 7238.

MR. PADILLA: Application of Holly Energy
Inc., for directional Drilling and an unorthodox gas well
location, Lea County, New Mexico.

MR. STAMETS: Applicant in this case
has requested it be continued to the June 3rd Examiner Hearing,
and it shall be.

(Hearing concluded.)

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that
the foregoing Transcript of Hearing before the Oil Conserva-
tion Division was reported by me; that the said transcript
is a full, true, and correct record of the hearing, prepared
by me to the best of my ability.

Sally W. Boyd CSR

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. _____
heard by me on _____ 19____.

_____, Examiner
Oil Conservation Division

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
6 May 1981

EXAMINER HEARING

IN THE MATTER OF:

Application of Holly Energy, Inc.,
for directional drilling and an
unorthodox gas well location, Lea
County, New Mexico.

CASE
7238

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Ernest L. Padilla, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

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MR. STAMETS: Call next Case 7238.

MR. PADILLA: Application of Holly Energy
Inc., for directional drilling and an unorthodox gas well
location, Lea County, New Mexico.

MR. STAMETS: Applicant in this case
has requested it be continued to the June 3rd Examiner Hearing,
and it shall be.

(Hearing concluded.)

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREPY CERTIFY that
the foregoing Transcript of Hearing before the Oil Conserva-
tion Division was reported by me; that the said transcript
is a full, true, and correct record of the hearing, prepared
by me to the best of my ability.

Sally W. Boyd CSR

SALLY W. BOYD, C.S.R.

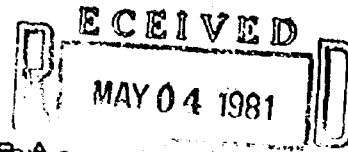
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 435-7409

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 7238
heard by me on 5-6-81.

Richard L. Ham Examiner
Oil Conservation Division

A.J. LOSEE
JOEL M. CARSON
CHAD DICKERSON
DAVID R. VANDIVER

LAW OFFICES
LOSEE, CARSON & DICKERSON, P.A.
300 AMERICAN HOME BUILDING
P. O. DRAWER 239
ARTESIA, NEW MEXICO 88210



May 1, 1981

Energy and Minerals Department
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Case No. 7238
Holly Energy, Inc.
Salt Lake South Deep Well No. 1
Sec. 6, T-21-S, R-32-E, NMPM
Lea County, New Mexico

Gentlemen:

June 3

Please continue the above referenced case which has been set for hearing on May 6, 1981.

Thank you.

Sincerely yours,

LOSEE, CARSON & DICKERSON, P.A.


Chad Dickerson

CD:pvm

Dockets Nos. 16-81 and 17-81 are tentatively set for May 20 and June 3, 1981. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - MAY 6, 1981

9 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Nutter, Alternate Examiner:

CASE 7235: Application of Public Lands Exploration Inc. for a unit agreement, Guadalupe County, New Mexico. Applicant, in the above-styled cause, seeks approval for the O'Connell Ranch Unit Area, comprising 640 acres, more or less, of State and fee lands in Township 11 North, Range 25 East, said unit being for the purpose of conducting an enhanced oil recovery project by the injection of steam.

CASE 7236: Application of Belco Petroleum Corporation for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its James Ranch Well No. 11 located in Unit E of Section 36, Township 22 South, Range 30 East, to produce gas from the Atoka and Morrow formations thru parallel strings of tubing.

CASE 7237: Application of Conoco Inc. for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its State F-1 Well No. 10 located in Unit V of Section 1, Township 21 South, Range 36 East, to produce oil from the Hardy-Drinkard Pool and an undesignated Tubb pool thru parallel strings of tubing.

CASE 7238: Application of Holly Energy, Inc. for directional drilling and an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to directionally drill its Salt Lake South Deep Well No. 1, the surface location of which is 2189 feet from the North line and 500 feet from the East line of Section 6, Township 21 South, Range 32 East, South Salt Lake-Morrow Gas Pool, in a northerly direction to bottom it within 150 feet of the center of Unit A (Lot 1) of said Section 6, Lots 1 thru 8 to be dedicated to the well.

CASE 7239: Application of Troy Strickland and E. V. Isbell for a non-standard proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 75.5-acre non-standard proration unit comprising Lot 3 and that portion of Lot 4 North of the San Juan River mid-channel, all in Section 14, Township 29 North, Range 15 West, to be dedicated to a well to be drilled at a standard location thereon.

CASE 7240: Application of El Paso Natural Gas Company for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Fruitland and Blanco-Pictured Cliffs production in the wellbore of its Sunray B Well No. 6 located in Unit C of Section 1, Township 30 North, Range 10 West.

CASE 7241: Application of Harvey E. Yates Company for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox Mississippian location of its Austin State 18 Well No. 1 to be drilled 1980 feet from the South line and 1650 feet from the East line of Section 18, Township 14 South, Range 36 East, the S/2 of said Section 18 to be dedicated to the well.

CASE 7242: Application of Harvey E. Yates Company for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox Wolfcamp-Pennsylvanian location of its McDonald Well No. 1 to be drilled 660 feet from the South line and 990 feet from the East line of Section 33, Township 13 South, Range 36 East, the S/2 of said Section 33 to be dedicated to the well.

CASE 7243: Application of Harvey E. Yates Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian and Mississippian formations underlying the S/2 of Section 33, Township 13 South, Range 36 East, for a gas completion and/or all mineral interests in the Devonian formation underlying the SE/4 SE/4 of said Section 33 for an oil completion. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7217: (Continued from April 8, 1981, Examiner Hearing)

Application of Harvey E. Yates Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox Morrow location of its Travis Ohio State Gas Well No. 1 to be drilled 660 feet from the South and West lines of Section 13, Township 18 South, Range 26 East, the S/2 of said Section 13 to be dedicated to the well.

- CASE 7244: Application of Crescent Energy Corp. for an unorthodox oil well location and non-standard oil production unit, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox Bough "C" location of a well to be drilled 2630 feet from the North line and 1980 feet from the East line of Section 32, Township 8 South, Range 37 East, Allison-Pennsylvanian Field, the SW/4 NE/4 and NW/4 SE/4 of said Section 32 to be dedicated to the well.
- CASE 7245: Application of The Superior Oil Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying the N/2 of Section 21, Township 20 South, Range 35 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well. (This case will be dismissed.)
- CASE 7246: Application of Getty Oil Company for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its Getty 32 State Com. Well No. 1 located in Unit G of Section 32, Township 21 South, Range 32 East, to produce gas from the Atoka and Morrow formations.
- CASE 7247: Application of Getty Oil Company for a gas well classification, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the reclassification of its State 29-J Well No. 1, an oil well located in Unit J of Section 29, Township 24 South, Range 33 East, as a retrograde gas condensate well with the S/2 of said Section 29 to be dedicated to the well.
- CASE 7248: Application of Inexco Oil Company for pool creation, special pool rules, and an oil discovery allowable, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new Wolfcamp oil pool for its Federal 10 State Com. Well No. 1 located in Unit L of Section 10, Township 21 South, Range 26 East, and the promulgation of special rules therefor, including provisions for 160-acre spacing. Applicant further seeks the assignment of approximately 42,290 barrels of discovery allowable to the aforesaid well.
- CASE 7249: Application of Southland Royalty Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the N/2 of Section 21, Township 18 South, Range 29 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7250: Application of Southland Royalty Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the N/2 of Section 22, Township 18 South, Range 29 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7251: Application of Southern Union Exploration Company of Texas for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the West Puerto Chiquito-Mancos Oil Pool underlying all of Section 36, Township 24 North, Range 1 West, to be dedicated to its Mobil Federal Well No. 1 drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7252: Application of Four Corners Gas Producers Association for designation of a tight formation, San Juan and Rio Arriba Counties, New Mexico. Applicant, in the above-styled cause, seeks the designation of the Dakota formation underlying portions of Townships 24 and 25 North, Ranges 7, 8, 9, and 10 West, containing 135,040 acres, more or less, as a tight formation pursuant to Section 107 of the Natural Gas Policy Act and 18 CFR Section 271.701-705.



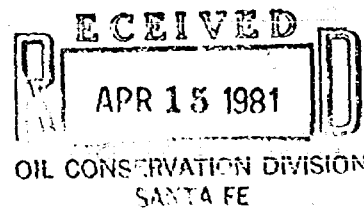
Phone: 505-746-6161

P. O. Box 726

Artesia, N. M. 88210

ENERGY, INC.

Joe D. Ramey
Oil Conservation Division
New Mexico Energy and Minerals Department
P.O. Box 2088
Santa Fe, New Mexico 87501



April 13, 1981

Case 7238

Gentlemen:

Holly Energy, Inc., pursuant to Rules 111 and 104 of the Oil Conservation Division's Rules and Regulations, hereby makes application for directional drilling and unorthodox location in Lea County, New Mexico.

Holly Energy respectfully requests approval for the directional drilling of a 14,000-foot Morrow gas well in Unit H (Lot 8) of Section 6, Township 21 South, Range 32 East, South Salt Lake Morrow Gas Pool, Lea County, New Mexico, which would be vertically drilled to a depth of approximately 9,000 feet from a surface location 2189 feet from the north line and 500 feet from the east line of said Section 6, and then directionally drilled in a northerly direction to bottom within 150 feet of the center of Unit A (Lot 1) of said Section 6. The north one half of Section 6, being Lots 1 through 8 inclusive, and comprising 333.68 acres, would be dedicated to the well.

A sketch showing wells in the area and the proposed operation is attached.

Sincerely yours,

Robert Loyd
Robert Loyd
Dist. Superintendent

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102
Supersedes C-128
Effective 1-1-65

All distances must be from the outer boundaries of the Section.

Operator Holly Energy Corp.			Lease Salt Lake South Deep		Well No. 1
Unit Letter H	Section 6	Township 21South	Range 32East	County Lea	
Actual Footage Location of Well: 4189 feet from the North line and 500 feet from the East line					
Ground Level Elev. 3634.7'	Producing Formation Morrow	Pool Salt Lake South Morrow	Dedicated Acreage: 333.68 Acres		

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☒ Yes ☐ No If answer is "yes," type of consolidation Communitized

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.)

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.

Holly Energy Inc. NM 405226		1368.84'
Gulf NM 15024		2189'
		499.8' 500'

REG. PROF. ENGINEER & LAND SURVEYOR
STATE OF
676
NEW MEXICO
JOHN W. WEST

CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Name

Robert Loyd

Position

Superintendent

Company

Holly Energy Inc.

Date

4-13-81

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

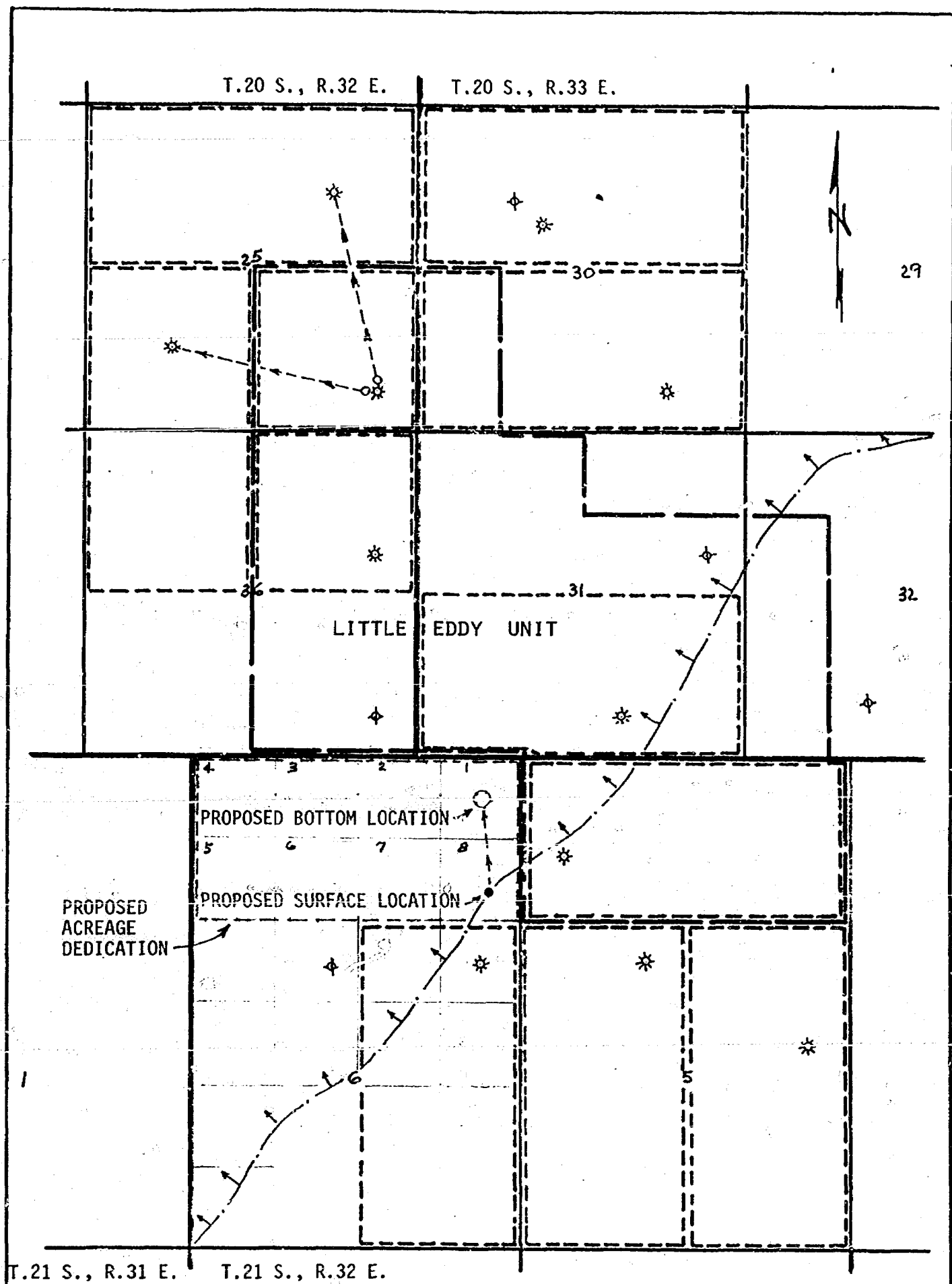
Date Surveyed

April 9, 1981

Registered Professional Engineer and/or Land Surveyor

John W. West
Certificate No. **JOHN W. WEST 676**
PATRICK A. ROMERO 6843
Ronald J. Eldon 3239

0 330 660 990 1320 1650 1980 2310 2640 2970 3300 3630 3960 4290 4620 4950 5280 5610 5940 6270 6600



LEGEND:

- POTASH ENCLAVE BOUNDARY
- LITTLE EDDY UNIT AREA
- DEDICATED ACREAGE
- GAS WELL
- PLUGGED WELL

HOLLY ENERGY, INC.

APPLICATION FOR DIRECTIONAL DRILLING
AND UNORTHODOX LOCATION

WELL NO.1 'SALT LAKE SOUTH DEEP COM

SURFACE LOCATION

2189'FNL & 500'FEL SEC.6, T.21 S., R.32 E.

BOTTOM LOCATION

WITHIN 150' OF CENTER OF UNIT A SEC.6, T.21 S., R.32 E.
LEA COUNTY, NEW MEXICO

SCALE: 1" = 2000'

Arthur Brown

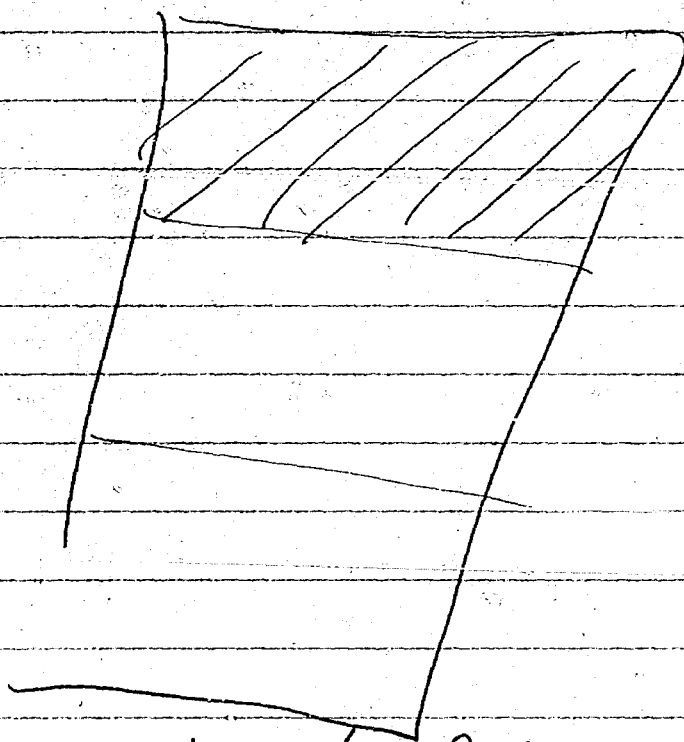
4-15-81

Appl of Holly Energy Inc. for
directional drilling & unorthodox
location Ten County
SL

Seek to drill Pennsylvanian gas
well @ surface location 2189 FNL
500 FEL G - 215 - 32 E
S. Salt Lake Field

Bottom hole 150' of center
of the NE NE of Sec 6

Dedication lots 1 thru 8
333.68-acres



vert to 9000 Kick off to
North

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 7238

Order No. R- 6705

APPLICATION OF HOLLY ENERGY, INC.
FOR DIRECTIONAL DRILLING AND AN
UNORTHODOX GAS WELL LOCATION, LEA
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

This cause came on for hearing at 9 a.m. on June 3, 1981,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this _____ day of June, 1981, the Division Director,
having considered the testimony, the record, and the recommendations
of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required
by law, the Division has jurisdiction of this cause and the
subject matter thereof.

(2) That the applicant, Holly Energy, Inc., seeks
authority to directionally drill its Salt Lake South Deep Well
No. 1, the surface location of which is 2189 feet from the North
line and 500 feet from the East line of Section 6, Township 21
South, Range 32 East, South Salt Lake-Morrow Gas Pool, and
drill said well in a northerly direction to bottom it within 150
feet of the center of Unit A (Lot 1) of said Section 6, Lots
1 through 8 to be dedicated to the well.

(5) That the applicant should be required to determine the
subsurface location of the bottom of the hole by means of a
continuous multi-shot directional survey conducted subsequent
to said directional drilling, if said well is to be completed
as a producing well.

(3) That at the hearing the applicant proposed
to amend the target bottom-hole location to within
150 feet of a standard location ~~at a point~~
in the center of Unit B (Lot 2) of said
Section 6.

(4) That the said amendment to the
application should be approved.

IT IS THEREFORE ORDERED:

(1) That the applicant, Holly Energy, Inc., is hereby authorized to directionally drill its Salt Lake South Deep Well No. 1, the surface location of which is 2189 feet from the North line and 500 feet from the East line of Section 6, Township 21 South, Range 32 East, South Salt Lake-Morrow Gas Pool, and drill said well in a ~~northerly~~ ^{northwesterly} direction to bottom it within 150 feet of the center of Unit **8** (Lot **2**) of said Section 6, Lots 1 through 8 to be dedicated to the well.

PROVIDED HOWEVER, that subsequent to the above-described directional drilling, should said well be a producer, a continuous multi-shot directional survey shall be made of the wellbore from total depth to the kick-off point with shot points not more than 100 feet apart; that 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, and that the operator shall notify the Division's Hobbs District Office of the date and time said survey is to be commenced.

(2) That 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) That 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.