

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. 11690
ORDER NO. R-10747*

**APPLICATION OF NEARBURG PRODUCING COMPANY, L.L.C. FOR
DIRECTIONAL DRILLING AND AN UNORTHODOX BOTTOMHOLE
LOCATION, EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on January 9, 1997, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 27th day of January, 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) The applicant, Nearburg Producing Company, L.L.C. ("Nearburg"), seeks authorization to re-enter its plugged and abandoned McKittrick Fed Com 11 "I" Well No. 1 (**API No. 30-015-22570**) and recomplete by side tracking off of the vertical portion of the wellbore and directionally drill to a pre-determined unorthodox bottomhole location in order to more thoroughly test and develop the Indian Basin-Upper Pennsylvanian Associated Pool underlying the existing standard 320-acre spacing and proration unit comprising the N/2 of Section 11, Township 22 South, Range 24 East, NMPM, Eddy County, New Mexico.

(3) Indian Basin-Upper Pennsylvanian Associated Pool production from the N/2 of said Section 11 is currently dedicated to Nearburg's Chama Federal Com Well No. 1 (**API No. 30-015-24953**), located at a previously approved unorthodox Upper Pennsylvanian/Morrow location (see Division Administrative Order NSL-1859, dated

August 22, 1984, as amended August 13, 1992) 780 feet from the North line and 1350 feet from the East line (Unit B) of said Section 11.

(4) The N/2 of said Section 11 is within the pool boundaries of the Indian Basin-Upper Pennsylvanian Associated Pool and is therefore subject to the "*General Rules and Regulations for the Associated Oil and Gas Pools of Northwest and Southeast New Mexico/Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Associated Pool*", as promulgated by Division Order Nos. R-9922 and R-5353, as amended, which includes provisions for 320-acre spacing and proration units for both oil and gas and well location requirements which provides that wells be no closer than 660 feet to the outer boundary of a 320-acre spacing unit and not closer than 330 feet to any quarter-quarter section line or subdivision inner boundary thereon.

(5) The McKittrick Fed Com 11 "I" Well No. 1, located 2310 feet from the South line and 960 feet from the East line (Unit I) of said Section 11, was originally drilled in 1978 by Flag-Redfern Oil Company as the McClellan Federal Com Well No. 1 to a total depth of 8,132 feet to test the Cisco formation, whereby it was determined to be dry and was subsequently plugged and abandoned. No production casing was set at that time. In 1988 Nearburg re-entered this well and deepened it to a depth of 10,640 feet in order to test the Morrow formation for gas production, at that time a string of 4-1/2 inch production casing was run; however, the Morrow interval also tested dry and the well remained shut-in until 1990, at which time Nearburg retrieved 7,275 feet of the production casing and caused the well to be plugged and abandoned a second time.

(6) Nearburg now proposes to re-enter the subject wellbore and recomplete by cleaning out the openhole interval below the 8-5/8 inch intermediate casing string to a sufficient depth in order to kick-off from vertical at a depth of approximately 4,535 feet, drill in a northeasterly direction, and directionally drill to an estimated true vertical depth of 8,200 feet within the Indian Basin-Upper Pennsylvanian Associated Pool at an unorthodox bottomhole location in the SE/4 NE/4 (Unit H) of said Section 11 that is no further from the North line of said Section 11 than 2050 feet and no closer to the East line of said Section 11 than 400 feet.

(7) Utilizing extensive geologic data, including 3-D seismic survey, the applicant has determined that the subject subsurface location requested would penetrate this somewhat complex reservoir at the most optimum location that minimize the risk of encountering watered-out portions of the reservoir, that are positioned higher on the structure, with the production intervals having adequate thickness and porosity. All these factors should maximize the opportunity for this applicant to recover hydrocarbons in this immediate area which might otherwise not be produced.

(8) A penetration of the Indian Basin-Upper Pennsylvanian Associated Pool within the SE/4 NE/4 (Unit H) of said Section 11 at the proposed unorthodox subsurface location should increase the likelihood of encountering hydrocarbon production in commercial quantity than a well drilled at the closest standard location in Unit "H".

(9) No interested party or off-setting mineral interest owner appeared at the hearing nor filed an objection to the subject application.

(10) Approval of the subject application will afford the applicant the opportunity to produce his just and equitable share of hydrocarbons underlying the N/2 of said Section 11, will prevent the economic loss caused by the drilling of unnecessary wells, exhibits sound engineering practices by utilizing an existing wellbore, is in the best interest of conservation and will otherwise prevent waste and protect correlative rights.

(11) The applicant should be required to determine the subsurface location of the kick-off point of the McKittrick Fed Com 11 "I" Well No. 1 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.

(12) The applicant should be required to notify the supervisor of the Artesia 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 Artesia District Offices of the Division upon completion.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Nearburg Producing Company, L.L.C. ("Nearburg") is hereby authorized to re-enter its plugged and abandoned McKittrick Fed Com 11 "I" Well No. 1 (**API No. 30-015-22570**), located 2310 feet from the South line and 960 feet from the East line (Unit I) of Section 11, Township 22 South, Range 24 East, NMPM, Eddy County, New Mexico, and recomplete by cleaning out the openhole interval below the 8-5/8 inch intermediate casing string to a sufficient depth in order to kick-off from vertical at a depth of approximately 4,535 feet, drill in a northeasterly direction, and directionally drill to an estimated true vertical depth of 8,200 feet within the Indian Basin-Upper Pennsylvanian Associated Pool at an unorthodox bottomhole location in the SE/4 NE/4 (Unit H) of said Section 11 that is no further from the North line of said Section 11 than 2050 feet and no closer to the East line of said Section 11 than 400 feet.

(2) Said well is to be simultaneously dedicated to an existing standard 320-acre spacing and proration unit within the Indian Basin-Upper Pennsylvanian Associated Pool comprising the N/2 of said Section 11, which is presently dedicated to its Chama Federal Com Well No. 1 (**API No. 30-015-24953**), located at a previously approved unorthodox Upper Pennsylvanian/Morrow location (see Division Administrative Order NSL-1859, dated August 22, 1984, as amended August 13, 1992) 780 feet from the North line and 1350 feet from the East line (Unit B) of said Section 11.

(3) Prior to commencing directional drilling operations however, the operator shall establish the location of the kick-off point by means of a directional survey acceptable to the Division.

PROVIDED HOWEVER THAT during or upon completion of said directional drilling operations, the applicant shall conduct an accurate wellbore survey from the kick-off point to total depth in order that the subsurface bottomhole location, as well as the wellbore's true depth and course, may be determined

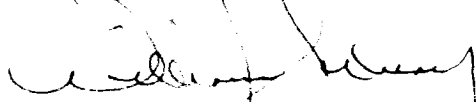
(4) The applicant shall notify the supervisor of the Artesia district office of the Division of the date and time said wellbore surveys are to be conducted so that they may be witnessed. The applicant shall further provide a copy of said wellbore surveys to the Santa Fe and Artesia offices of the Division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

(5) Form C-105 shall be filed in accordance with Division Rule No. 1105 and the operator shall indicate thereon true vertical depth in addition to measured depths for the new sidetracked hole within the McKittrick Fed Com 11 "I" Well No. 1

(6) 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

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