

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. 9454
ORDER NO. R-8726

APPLICATION OF TXO PRODUCTION
CORPORATION FOR AN UNORTHODOX
BOTTOMHOLE 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 17, 1988, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 31st 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, TXO Production Corporation, seeks approval for an unorthodox bottomhole oil well location 1013 feet from the South line and 688 feet from the East line (Unit P) of Section 3, Township 17 South, Range 37 East, NMPM, Lea County, New Mexico, for its Penron-Byers Well No. 1 located at a standard surface location 810 feet from the South line and 660 feet from the East line (Unit P) of said Section 3.

(3) The applicant further proposes to dedicate a standard 80-acre proration unit consisting of the S/2 SE/4 of said Section 3 to the above described well should the well be completed in the Shipp-Strawn Pool or the Humble City-Atoka Pool, both of which are governed by Special Pool Rules which require 80-acre spacing with wells to be located within 150 feet of the center of the quarter-quarter section,

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and the SE/4 SE/4 of said Section 3 forming a standard 40-acre oil spacing and proration unit should the well be completed in any formation and/or pool developed on 40-acre spacing.

(4) The subject well was spudded May 7, 1988, was drilled to a total depth of approximately 11,748 feet, and was subsequently completed in the Shipp-Strawn Pool on July 9, 1988 with a potential of approximately 447 barrels of oil per day.

(5) The evidence and testimony presented by the applicant indicates that the Penron-Byers Well No. 1 was not intentionally deviated from the vertical.

(6) The record in this case further indicates that the applicant, during drilling operations, requested and received authorization by the Division to utilize a down-hole motor to deviate the well back towards vertical at a depth of approximately 9920 feet.

(7) Utilization of the down-hole motor as described above resulted in a successful attempt by the applicant to prevent further deviation below depth of 9920 feet, as indicated by the directional survey presented by the applicant as evidence in this case.

(8) The applicant has notified Pennzoil Company, the affected offset operator in the N/2 SE/4 of said Section 3, and has received no objection to its proposed unorthodox bottomhole location.

(9) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the production in the subject pool(s), 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.

IT IS THEREFORE ORDERED THAT:

(1) An unorthodox bottomhole well location 1013 feet from the South line and 688 feet from the East line (Unit P) of Section 3, Township 17 South, Range 37 East, NMPM, Shipp-Strawn Pool, Lea County, New Mexico, is hereby approved for TXO Production Corporation's Penron-Byers Well No. 1 located at a standard surface location 810 feet from the South line and 660 feet from the East line (Unit P) of said Section 3.

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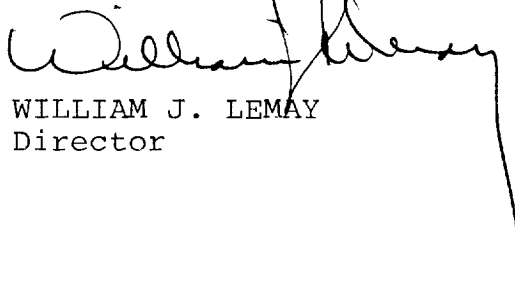
(2) The S/2 SE/4 of said Section 3 shall be dedicated to the above-described well.

(3) Should the applicant recomplete the subject well in a shallower formation, approval of the unorthodox bottom-hole location is hereby extended to include the Atoka formation, Undesignated Humble City-Atoka Pool, and any formations and/or pools developed on 40-acre spacing and proration units to which the SE/4 SE/4 of said Section 3 would be dedicated in such an event.

(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

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