

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. 9591
Order No. R-8867

APPLICATION OF AMERIND OIL COMPANY
FOR COMPULSORY POCLING, DIRECTIONAL
DRILLING, AND AN UNORTHODOX 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 February 1, 1989, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 23rd day of February, 1989, 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, Amerind Oil Company, seeks an order authorizing its re-entry into the plugged and abandoned State "MTS" Well No. 1 located 1830 feet from the South line

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and 660 feet from the East line (Unit I) of Section 2, Township 17 South, Range 37 East, NMPM, wherein the applicant proposes to deviate said well so as to penetrate the Undesignated Shipp-Strawn Pool at an unorthodox bottomhole location 2310 feet from the South line and 330 feet from the East line (Unit I) of said Section 2. In the alternative, should re-entry into the aforementioned well be unsuccessful, the applicant seeks approval to drill a new well at the unorthodox location described above in order to test the Strawn formation.

(3) The applicant further seeks, for either instance, an order pooling all mineral interests from the surface to the base of the Strawn formation underlying the E/2 SE/4 of said Section 2 forming a standard 80-acre spacing and proration unit for any and all formations and/or pools developed on 80-acre spacing (which presently includes the Undesignated Shipp-Strawn Pool).

(4) At the time of the hearing, the applicant testified that all interests in the E/2 SE/4 of said Section 2 had been voluntarily communitized and therefore requested that the portion of the case requesting compulsory pooling be dismissed.

(5) The State "MTS" Well No. 1 was drilled by the applicant during November, 1937, to a total depth of approximately 11,632 feet and tested dry in the Undesignated Shipp-Strawn Pool.

(6) The applicant proposes to re-enter the currently plugged and abandoned State "MTS" Well No. 1, drill to a depth of approximately 9600 feet, kick off from the vertical at this depth, and directionally drill said well to a point within 50 feet of the unorthodox bottomhole location described in Finding No. (2) above.

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(7) The applicant, through its geologic evidence and testimony, demonstrated that the subject well has penetrated an algal mound in the Strawn formation in an area of very low permeability, and that the proposed deviation should enable it to penetrate the algal mound in an area of greater permeability, thereby increasing the likelihood of obtaining commercial production.

(8) The applicant presented as evidence waivers of objection to the proposed directional drilling and unorthodox bottomhole location from all affected offset operators.

(9) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the oil 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.

(10) 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 a multi-shot directional survey during or upon completion of drilling operations from the kick off point to total depth.

(11) The applicant should be required to notify the supervisor of the Hobbs 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 Hobbs offices of the Division upon completion.

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(12) In the event re-entry into the State "MTS" Well No. 1 is unsuccessful, the applicant should be authorized to drill a new well at an unorthodox surface location 2310 feet from the South line and 330 feet from the East line (Unit I) of said Section 2.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Amerind Oil Company, is hereby authorized to re-enter the currently plugged and abandoned State "MTS" Well No. 1 located 1830 feet from the South line and 660 feet from the East line (Unit I) of Section 2, Township 17 South, Range 37 East, NMPM, Lea County New Mexico, and directionally drill said well so as to penetrate the Strawn formation (Undesignated Shipp-Strawn Pool) within 50 feet of an unorthodox bottomhole location 2310 feet from the South line and 330 feet from the East line (Unit I) of said Section 2.

PROVIDED HOWEVER THAT, prior to commencing directional drilling operations into said wellbore, the applicant shall establish the location of the kick-off point by means of a directional survey acceptable to the Division.

PROVIDED FURTHER THAT, during or upon completion of directional drilling operations, the applicant shall conduct a multi-shot directional survey from the kick-off point to total depth in order that the subsurface bottomhole location may be determined.

(2) The applicant shall notify the supervisor of the Hobbs 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 further provide a copy of said directional surveys to the Santa Fe and Hobbs offices of the Division upon completion.

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(3) In the event that re-entry into the State "MTS" Well No. 1 is unsuccessful, the applicant is hereby authorized to drill a new well at an unorthodox surface location 2310 feet from the South line and 330 feet from the East line (Unit I) of said Section 2.

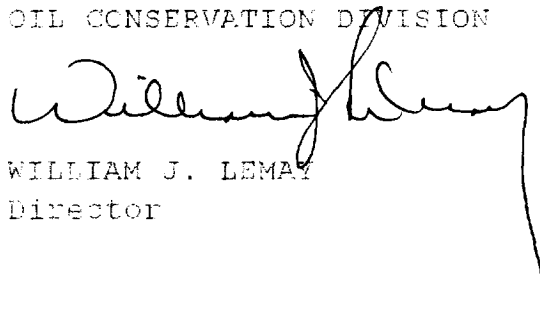
(4) The E/2 SE/4 of said Section 2 shall be dedicated to either the State "MTS" Well No. 1 or to the new well drilled by the applicant, whichever is applicable.

(5) That portion of this case requesting the compulsory pooling of all mineral interests from the surface to the base of the Strawn formation underlying the E/2 SE/4 of said Section 2 is hereby dismissed.

(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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