

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. 9720
ORDER NO. R-8928-A

APPLICATION OF STEVE SELL FOR
DIRECTIONAL DRILLING, AN UNORTHODOX
GAS WELL LOCATION, A NON-STANDARD
GAS PRORATION UNIT AND TO AMEND
ORDER NO. R-8928, EDDY COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on August 9, 1989,
at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 31st day of August, 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) On May 10, 1989, the Division entered Order No. R-8928
which authorized the Applicant to directionally drill its Shafer
Federal Com Well No. 1 from a surface location 1327 feet from the
South line and 1145 feet from the West line (Unit L) of Section 35,
Township 21 South, Range 24 East, NMPM, Eddy County, New Mexico,
to a bottomhole unorthodox gas well location in the Undesignated
Indian Basin-Upper Pennsylvanian Gas Pool and Undesignated Indian
Basin-Morrow Gas Pool being no closer than 1600 feet from the South
line and 800 feet from the West line of Section 35, all of Section
35 to be dedicated to the well forming a 654.47-acre gas proration
unit for both pools.

(3) Applicant has drilled the previously approved unorthodox bottomhole location and has been unable to obtain commercial production.

(4) The surface location of the subject well is approximately 1.25 miles from the boundary of the Indian Basin-Upper Pennsylvanian Gas Pool and 2.25 miles from the boundary of the Indian Basin-Morrow Gas Pool.

(5) Applicant now seeks to amend Division Order No. R-8928 to allow the Shafer Federal Com Well No. 1 to be plugged back to the vertical portion of the wellbore, kicking off at a depth of approximately 3900 feet in an east-southeasterly direction, and directionally drilling to a new unorthodox bottomhole location to a depth sufficient to test the Morrow formation at a true vertical depth of approximately 7780 feet within 200 feet of a point 900 feet from the South line and 2500 feet from the East line (Unit O) of said Section 35.

(6) The applicant presented new geologic evidence and testimony which indicates that a well located at the proposed amended unorthodox bottomhole location will encounter the Pennsylvanian formation at a more structurally advantageous position above the gas-water contact than a well drilled at a standard location for the previously approved unorthodox bottomhole location thereon, thereby increasing the likelihood of obtaining commercial production.

(7) The applicant further requests that this well be properly classified as a wildcat well in the Pennsylvanian formation and subject to the Statewide General Rules for such a test. The subject well is to be dedicated to Lots 1 through 6 and the W/2 SW/4 of said Section 35 forming a non-standard 334.47-acre gas spacing and proration unit.

(8) If at such time as it is determined that any production from the new deviated hole is indeed part of an existing pool or pools, and should an extension to such pool be made to include this well, then the operator should comply with any special rules and regulations thereafter.

(9) The interest ownership in said Section 35 and Section 34 (the affected acreage to the west) is common.

(10) No offset operator objected to the proposed directional drilling and unorthodox bottomhole location.

(11) Approval of such application will afford the applicant the opportunity to produce its just and equitable share of the gas in the Pennsylvanian formation, 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.

(12) 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 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.

(13) 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 offices of the Division upon completion.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Steve Sell, is hereby authorized to plug back its Shafer Federal Com Well No. 1 to a depth of approximately 3900 feet, kick-off at this point in an east-southeasterly direction and continue drilling to a new unorthodox bottomhole well location, within the Pennsylvanian formation and a true vertical depth of approximately 7780 feet, within a radius of 200 feet of a point 900 feet from the South line and 2500 feet from the East line (Unit O) of said Section 35.

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.

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PROVIDED FURTHER THAT, during or upon completion of 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.

(2) 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.

(3) Lots 1 through 6 and the W/2 SW/4 of said Section 35 shall be dedicated to the subject well forming a non-standard 334.47-acre gas spacing and proration unit for a wildcat well in the Pennsylvanian formations.

(4) 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.

(5) If at such time as it is determined that any production from the new deviated hole is indeed part of an existing pool or pools, and should an extension to such pool be made to include this well, then the operator shall comply with any special rules and regulations thereafter.

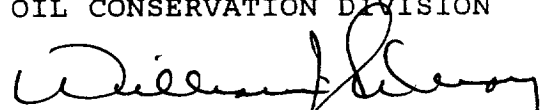
(6) Division Order No. R-8928, issued in Case No. 9643 and dated May 10, 1989, shall be placed in abeyance until further notice.

(7) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMMA
Director

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