

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

CASE NO. 10331
Order No. R-9330-A

APPLICATION OF VETERAN EXPLORATION
INC. TO AMEND DIVISION ORDER NO. R-9330.
SANDOVAL COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on July 11, 1991, at Santa Fe, New Mexico, before Examiner Jim Morrow.

NOW, on this 1st day of August, 1991, 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, Veteran Exploration Inc., (Veteran), is a working interest owner in, and the unit operator of, the San Isidro (Shallow) Unit (the Unit), which covers the lands described on Exhibit A attached to OCD Order No. R-9330.

(3) The Unit comprises 18,897.16 acres, more or less. All unit lands are federal minerals. One hundred percent of the working interest owners are committed to the Unit, and the Bureau of Land Management has approved the unit.

(4) The Unit was formed for the purpose of conducting a horizontal drilling program within the Unit.

(5) Order No. R-9330 approved special operating rules for drilling horizontal wells in the Unit. The rules include provisions for the administrative approval of horizontal wellbores which do not cross section lines (see Rule 8) and for spacing and proration units containing either 320 acres or 640 acres consisting of either an entire or one-half of a governmental section (see Rule 2).

(6) Veteran seeks amendments to the Rules to expand the administrative approval process to include applications which would dedicate acreage from more than one section to a horizontal well and to allow horizontal wells to cross section lines.

(7) The applicant submitted the following information through exhibits and the testimony of witnesses:

- (a) Geological conditions exist within the unit which make it advantageous to drill horizontal wells across section lines. A unit map was submitted showing a "maximum flexure" line in the Mancos formation which is typical of other similar structures within the unit.
- (b) Vertical wells near the flexure line have produced more total oil at higher rates than wells farther removed from line.
- (c) In some cases the flexure line is very near to section lines. Horizontal wells drilled across the flexure line and section lines should encounter conditions favorable for good producing rates and high ultimate oil recovery.
- (d) Approving the applicant's request would not harm correlative rights since the unit is comprised of 100% federal minerals and all working interest owners are committed to the Unit.

(8) No operator or interest owner objected to the applicant's request.

(9) Veteran's request will result in the recovery of additional oil by allowing horizontal well drilling to be planned based on geology without regard to section lines. It will not harm correlative rights and should therefore be approved.

IT IS THEREFORE ORDERED THAT:

(1) The application of Veteran Exploration Inc. to amend Division Order No. R-9330 is hereby approved.

(2) Special Operating Rule 2 for the San Isidro (Shallow) Unit is hereby amended as follows:

"Rule 2. Spacing and proration units may contain 320 acres, 480 acres, or 640 acres as set out below:

- (a) - No change
- (b) - No change
- (c) - No change
- (d) The Director shall have the authority to administratively approve the formation of 320-acre, 480-acre, or 640-acre units consisting of contiguous quarter sections from more than one governmental section when a horizontal well crossing section lines is being applied for. Applications for such approval shall set out the reasons for the request and shall include geological evidence to