

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. 10272
ORDER NO. R-9487*

**APPLICATION OF AMOCO PRODUCTION COMPANY
FOR DIRECTIONAL DRILLING AND AN UNORTHODOX
BOTTOMHOLE GAS WELL LOCATION, EDDY COUNTY,
NEW MEXICO**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on March 21 and May 2, 1991, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 8th day of May, 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, Amoco Production Company, seeks approval to recomplete its existing Smith Federal Gas Com Well No. 1 located 1613 feet from the North line and 2336 feet from the West line (Unit F) of Section 12, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico, by side-tracking and directionally drilling from the existing wellbore in such a manner as to bottom the newly deviated portion of the wellbore in the Indian Basin-Upper Pennsylvanian Gas Pool at an unorthodox gas well location within a target area described as a rectangle 1800 to 2000 feet from the North line and 330 to 430 feet from the West line in Unit E of said Section 12.

(3) All of said Section 12 is to be dedicated to the well forming a standard 640-acre spacing and proration unit for said pool.

(4) The Smith Federal Gas Com Well No. 1 was spudded on July 16, 1965 and completed in the Indian Basin-Upper Pennsylvanian Gas Pool in August, 1965. Due to excessive water production said well is no longer capable of commercial production from this location and has been shut-in since November, 1990.

(5) Further geological evidence presented by the applicant indicates that by side-tracking and recompleting said well in the above-described manner the Upper Pennsylvanian producing interval will be penetrated at a more structurally advantageous position above the east to west encroaching gas/water contact line, thereby enabling the applicant to produce the remaining gas reserves underlying said Section 12.

(6) Said Section 12 is located within the horizontal boundaries of the Indian Basin-Upper Pennsylvanian Gas Pool which is a prorated gas pool governed by special rules and regulations as promulgated by Division Order No. R-8170, as amended, which require 640-acre standard gas proration units with wells to be located no closer than 1650 feet to the outer boundary of the proration unit nor closer than 330 feet to any governmental quarter-quarter section or subdivision inner boundary.

(7) The cost to the applicant would substantially be reduced by recompleting said well in the above-described manner instead of drilling a new well from the surface.

(8) At the time of the hearing, the applicant requested a voluntary 48.7% limitation on its production allowable assigned the subject 640-acre gas proration unit.

(9) No offset operator or interested party objected to the proposed unorthodox bottomhole location.

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

(11) 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 a 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 offices of the Division upon completion.

IT IS THEREFORE ORDERED THAT:

(1) The application of Amoco Production Company to recomplete its existing Smith Federal Gas Com Well No. 1 located 1613 feet from the North line and 2336 feet from the West line (Unit F) of Section 12, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico, by side-tracking and directionally drilling from the existing wellbore in such a manner as to bottom the newly deviated portion of the wellbore in the Indian Basin-Upper Pennsylvanian Gas Pool at an unorthodox gas well location within a target area described as a rectangle 1800 to 2000 feet from the North line and 330 to 430 feet from the West line in Unit E of said Section 12 is hereby approved.

(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 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.

(3) 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.

(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) All of said Section 12 shall be dedicated to the above-described well forming a 640-acre gas spacing and proration unit for said pool.

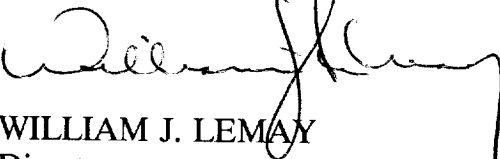
(6) For gas allowable purposes, the subject well shall be assigned an acreage factor of 0.49 in the Indian Basin-Upper Pennsylvanian Gas Pool.

(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. LEMAY
Director

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