

**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. 10533
Order No. R-9715**

**APPLICATION OF BTA OIL PRODUCERS
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 August 20, 1992, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 3rd day of September, 1992, 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, BTA Oil Producers (BTA), seeks authority to deviate its existing Indian 9201 JV-P Well No. 1 located at a standard surface location 1650 feet from the North and East lines (Unit G) of Section 20, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico, and recomplete said well in the Indian Basin-Upper Pennsylvanian Gas Pool at an unorthodox bottomhole location within 50 feet of a point 1300 feet from the North and East lines of Section 20.

(3) All of Section 20, forming a standard 640-acre spacing and proration unit for the Indian Basin-Upper Pennsylvanian Gas Pool, is currently dedicated to the subject well.

(4) The subject well was drilled during March, 1992, and has been completed in the Upper Pennsylvanian formation through perforations from 7,231 feet to 7,321 feet.

(5) The subject well has produced only water since its completion and is currently producing approximately 400 barrels of water per day.

(6) According to applicant's evidence and testimony, it proposes to directionally drill the subject well to the above-described bottomhole location in order to gain structure in the Upper Pennsylvanian formation which should increase the likelihood of obtaining commercial gas production.

(7) Applicant's geologic evidence and testimony indicates that by directionally drilling the subject well to the proposed bottomhole location, approximately 25 feet of structural position will be gained.

(8) Marathon Oil Company (Marathon), a working interest owner in acreage to the north and northeast of the proposed bottomhole location, appeared at the hearing.

(9) According to applicant's testimony, negotiations between BTA and Marathon prior to the hearing have resulted in an agreement between the parties that the production from the subject well should be limited due to the proposed unorthodox bottomhole location.

(10) The applicant and Marathon have agreed that the subject well should be allowed to produce 67.5 percent of the non-marginal gas allowable in the Indian Basin-Upper Pennsylvanian Gas Pool.

(11) The proposed production penalty will serve to protect correlative rights and should therefore be approved.

(12) No other offset operator and/or interest owner appeared at the hearing in opposition to the application.

(13) Approval of the proposed directional drilling, unorthodox bottomhole location and production penalty 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.

(14) 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.

(15) 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, BTA Oil Producers, is hereby authorized to deviate its existing Indian 9201 JV-P Well No. 1 located at a standard surface location 1650 feet from the North and East lines (Unit G) of Section 20, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico, and recomplete said well in the Indian Basin-Upper Pennsylvanian Gas Pool at an unorthodox bottomhole location within 50 feet of a point 1300 feet from the North and East lines of Section 20.

(2) All of Section 20, forming a standard 640-acre spacing and proration unit for the Indian Basin-Upper Pennsylvanian Gas Pool, shall be dedicated to the above-described well.

(3) The applicant shall determine the subsurface location of the kick-off point in the wellbore prior to directional drilling and shall 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.

(4) The applicant shall 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 shall provide a copy of said directional surveys to the Santa Fe and Artesia offices of the Division upon completion.

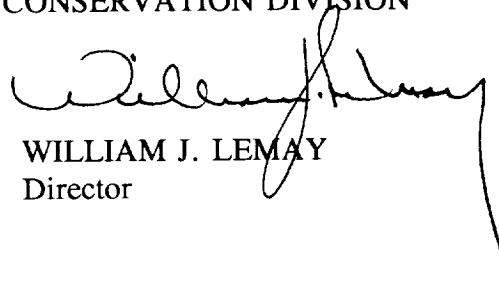
(5) For purposes of assigning a gas allowable in the Indian Basin-Upper Pennsylvanian Gas Pool, the subject well shall be assigned an acreage factor of 0.675.

(6) Jurisdiction is hereby 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

A handwritten signature in black ink, appearing to read 'William J. Lemay', is written over the printed name and title.

WILLIAM J. LEMAY
Director

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