

**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. 10787
Order No. R-9944**

**APPLICATION OF MERRION OIL
& GAS CORPORATION FOR AN
UNORTHODOX OIL WELL LOCATION,
MCKINLEY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on August 12, 1993, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 20th day of August, 1993, 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, Merrion Oil & Gas Corporation, seeks approval to drill its High Hopes Well No. 1 at an unorthodox oil well location 1220 feet from the North line and 1300 feet from the East line (Unit A) of Section 28, Township 20 North, Range 5 West, NMPM, Ojo Encino-Entrada Oil Pool, McKinley County, New Mexico.

(3) The NE/4 NE/4 of Section 28 is to be dedicated to the subject well forming a standard 40-acre oil spacing and proration unit for said pool.

(4) The proposed well is located within one mile of the Ojo Encino-Entrada Oil Pool. This pool is currently governed by Statewide General Rules and Regulations which require 40-acre standard spacing and proration units with wells to be located no closer than 330 feet from the outer boundary of the spacing unit.

(5) The proposed unorthodox location is necessitated by geologic considerations.

(6) According to applicant's geologic evidence and testimony, a well at the proposed unorthodox location should encounter the Entrada formation at a structurally higher position than a well drilled at a standard oil well location thereon, thereby increasing the likelihood of obtaining commercial oil production.

(7) According to further evidence, the gain in structural position from a standard location is approximately 50 feet. The subject reservoir is a strong water drive reservoir and it is imperative to drill up-structure in order to encounter a sufficient oil column above the oil-water contact.

(8) Within Section 28, the applicant has previously drilled two non-productive wells in the Ojo Encino-Entrada Oil Pool, these being the Oak Spring Well No. 1 located in Unit I, and the Federal "28" Well No. 1 located in Unit B.

(9) All of Section 28 is a single Federal lease (NM-90836) which is currently operated by the applicant.

(10) The applicant is the operator of all affected offset acreage.

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

(12) 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.

(13) Further testimony by the applicant indicates that wells drilled to the Entrada formation in this area tend to drift to the north and west. It is very likely that the producing portion or bottomhole location of the subject wellbore will not be located in the NE/4 NE/4 of Section 28.

(14) Due to the well's close proximity to the outer boundary of the proposed proration unit, the applicant should be required to conduct an accurate wellbore survey from the surface to total depth during or upon completion of drilling operations in order to determine its actual position and course.

(15) Subsequent to conducting said wellbore survey, should it be determined that the well's producing interval is located in a proration unit other than the NE/4 NE/4 of Section 28, the operator should be required to meet any subsequent applicable Division requirements prior to producing the well.

(16) The applicant should submit copies of the directional survey to both the Santa Fe and Aztec offices of the Division.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Merrion Oil & Gas Corporation, is hereby authorized to drill its High Hopes Well No. 1 at an unorthodox oil well location 1220 feet from the North line and 1300 feet from the East line (Unit A) of Section 28, Township 20 North, Range 5 West, NMPM, Ojo Encino-Entrada Oil Pool, McKinley County, New Mexico.

(2) The NE/4 NE/4 of Section 28 shall be dedicated to the subject well forming a standard 40-acre oil spacing and proration unit for said pool.

(3) During or subsequent to completion of drilling operations, the applicant shall conduct an accurate wellbore survey from the surface to total depth to determine its actual position and course.

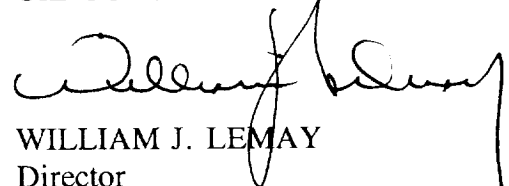
(4) Subsequent to conducting said wellbore survey, should it be determined that the well's producing interval is located in a proration unit other than the NE/4 NE/4 of Section 28, the operator shall be required to meet any subsequent applicable Division requirements prior to producing the well.

(5) The applicant shall submit copies of the directional survey to both the Santa Fe and Aztec offices of the Division.

(6) Jurisdiction is hereby 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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