



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

March 7, 2006

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Bass Enterprises Production Company
c/o **James Bruce**
P. O. Box 1056
Santa Fe, New Mexico 87504-1056

Administrative Order NSL-5343 (BHL)
(Non-Standard Subsurface Location/Producing Area)

Dear Mr. Bruce:

Reference is made to the following: (i) your initial application submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on February 22, 2006 on behalf of the operator, Bass Enterprises Production Company ("Bass") (*administrative application reference No. pTDS0-605439609*); (ii) the Division's response by e-mail on Thursday afternoon, February 23, 2006 from Mr. Michael E. Stogner, Engineer in Santa Fe seeking comments and clarification concerning this application; (iii) your voice-mail reply to Mr. Stogner on the same day informing him that an amended application would be filed; (iv) your amended filing dated March 3, 2006; and (v) the Division's records in Artesia and Santa Fe, New Mexico: all concerning Bass's plans to establish a project area, pursuant to Division Rule 111.A (9), within the Golden Lane-Morrow Gas Pool (77560) underlying the E/2 of Section 20, Township 21 South, Range 29 East, NMPM, Eddy County, New Mexico, that exceeds the standard setback requirements for deep gas wells [see Division Rules 104.C (2) (a) and 111.A (13)].

The Division Director Finds That:

- (1) The subject application has been duly filed under the provisions of Division Rules 104.F, 111.A (13), 111.C (2), and 1210.A (2) [formerly Division Rule 1207.A (2), see Division Order No. R-12327-A, issued by the New Mexico Oil Conservation Commission in Case No. 13482 on September 15, 2005];
- (2) By Order No. R-4279, issued in Case No. 4675 on March 17, 1972 and made effective on April 1, 1972, the Division created and defined the Golden Lane-Morrow Gas Pool for the production of gas from the Morrow formation; the horizontal limits for this pool currently comprises the following described lands in Eddy County, New Mexico:

TOWNSHIP 20 SOUTH, RANGE 29 EAST, NMPM

Section 36: S/2

TOWNSHIP 20 SOUTH, RANGE 30 EAST, NMPM

Section 31: NE/4 and S/2

TOWNSHIP 21 SOUTH, RANGE 29 EAST, NMPM

Irregular Section 4: Lots 9 through 16
Irregular Section 5: Lots 1, 2, 7, 8, 9, 10, 15, and 16 and S/2
Section 8: All
Section 15: E/2
Section 17: All
Sections 20 and 21: All;

- (3) The Golden Lane-Morrow Gas Pool is currently governed under the provisions of Division Rule 104.C (2), which provides for: (i) 320-acre spacing units comprising any two contiguous quarter sections of a single governmental section; (ii) wells to be located not closer to a quarter section line than 660 feet nor closer to any internal quarter-quarter section line than 10 feet, and (iii) allows for an optional infill well within an existing unit provided the infill well is located in the quarter section not containing the unit's initial producing gas well;
- (4) Bass originally drilled (spud date: September 17, 2005) its Big Eddy Unit Well No. 153 (API No. 30-015-34012) to a total depth of 13,060 feet as the initial well within the E/2 of Section 20 at a standard deep gas well location 660 feet from the South line and 1980 feet from the East line (Unit O) of Section 20; the bottomhole location of this well is located at an unorthodox subsurface deep gas well location 697 feet from the South line and 2107 feet from the East line (Unit O) of Section 20; this well was completed within the Morrow formation with perforations from 12,538 feet to 12,638 feet; this well is currently shut-in;
- (5) It is the Division's understanding that Bass intends to abandon the current completion with the Big Eddy Unit Well No. 153 and recomplete this well by: (i) side-tracking out of the vertical wellbore to the northeast at a kick-off depth of 12,271 feet (MD); (ii) building angle until a 90-degree, more or less, deviation off of vertical is achieved at an approximate measured depth of 14,976 feet (MD); and (iii) continuing to drill horizontally for an approximate distance of 2,272 feet to a bottomhole location, or end-point, within the Morrow formation at a targeted subsurface location approximately 2587 feet from the North line and 414 feet from the East line (Unit H) of Section 20;
- (6) All of the affected offsetting units are fully committed to Bass's Big Eddy Unit (see Division Order No. R-152, issued in Case No. 365 on May 1, 1952); and
- (7) It appearing the applicant has satisfied all of the appropriate requirements prescribed in Rules 111.C (2) and 104.F, the subject application should be approved, further, the aforementioned horizontal drainhole of Bass's proposed Big Eddy Unit Well No. 153 and above-described 320-acre stand-up deep gas spacing unit/project area should continue operating under the provisions contained within this order and all other applicable provisions of Division Rule 111.

It Is Therefore Ordered That:

- (1) By the authority granted me under the provisions of Division Rules 104.F (2) and 111.C (2), Bass Enterprises Production Company ("Bass") is hereby authorized to recomplete its existing Big Eddy Unit Well No. 153 (API No. 30-015-34012), located at a standard surface deep gas well location 660 feet from the South line and 1980 feet from the East line (Unit O) of Section 20, Township 21 South, Range 29 East, NMPM, Eddy County, New Mexico, by abandoning the existing completion interval; side-track out of the vertical wellbore to the northeast at a kick-off depth of 12,271 feet (MD); build angle until a 90 degree, more or less, deviation off of vertical is achieved at an approximate measured depth of 14,976 feet (MD); and continue to drill horizontally for an approximate distance of 2,272 feet to a bottomhole location, or end-point, within the Golden Lane-Morrow Gas Pool (77560) at a targeted subsurface location approximately 2587 feet from the North line and 414 feet from the East line (Unit H) of Section 20.
- (2) The project area [see Division Rule 111.A (9)] for this well shall consist of a single standard 320-acre stand-up deep gas spacing unit comprising the E/2 of Section 20.

(3) The applicable drilling window or producing area within the Golden Lane-Morrow Gas Pool for this wellbore shall include that area within the subject 320-acre gas spacing unit that is:

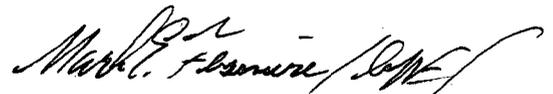
- (a) no closer than the normal set-back requirement of 660 feet to the South line of Section 20;
- (b) no closer than 533 feet to the western boundary of this unit;
- (c) no closer than 414 feet to the East line of Section 20; and
- (d) no closer than 2588 feet to the North line of Section 20.

(4) The operator shall comply with all applicable requirements and conditions set forth in Division Rule 111.

(5) Jurisdiction of this cause is 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



MARK E. FESMIORÉ, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Artesia
U. S. Bureau of Land Management – Carlsbad