Case No.

7273

Application

Transcripts

Small Exhibits

ETC

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

BRUCE KING
GOVERNOR

LARRY KEHOE
SECRETARY

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-5800

June 29, 1981

Mr. Conrad Coffield
Hinkle, Cox, Eaton, Coffield
& Hensley
Attorneys at Law
P. O. Box 3580
Midland, Texas 79702

Re: CASE NO. 7273
ORDER NO. R-6715

Applicant:

Blanks Energy Corporation

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Yours very truly,

JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCD x
Artesia OCD x
Aztec OCD

Other

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 7273
Order No. R-6715

APPLICATION OF BLANKS ENERGY
CORPORATION FOR AN UNORTHODOX
OIL WELL LOCATION AND POSSIBLE
DIRECTIONAL DRILLING, LEA COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on June 17, 1981, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 25th day of June, 1981, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Blanks Energy Corporation, seeks approval of an unorthodox well location 330 feet from the South line and 900 feet from the East line of Section 16, Township 18 South, Range 35 East, NMPM, to test the Devonian formation, South Vacuum-Devonian Pool, Lea County, New Mexico.

(3) That the S/2 SE/4 of said Section 16 is to be dedicated to the well.

(4) That said unorthodox location will enable applicant to avoid a known fault which crosses said proration unit.

(5) That no offset operator objected to the proposed unorthodox location.

(6) That applicant further proposes, if commercial production is not obtained at said unorthodox location, to come back up the hole to approximately 7500 feet and directionally drill in a westerly direction and bottom the well in the Devonian formation at a standard location in the SW/4 SE/4 of said Section 16.

(7) That if such is the case, and applicant does directionally drill said well, the applicant should be required to determine the subsurface location of the bottom of the hole by means of a continuous multi-shot directional survey conducted subsequent to said directional drilling, if said well is to be completed as a producing well.

(8) That approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the oil in the subject 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.

IT IS THEREFORE ORDERED:

(1) That the application of Blanks Energy Corporation for an unorthodox well location for the Devonian formation is hereby approved for a well to be located at a point 330 feet from the South line and 900 feet from the East line of Section 16, Township 18 South, Range 35 East, NMPM, South Vacuum-Devonian Pool, Lea County, New Mexico.

(2) That the S/2 SE/4 of said Section 16 shall be dedicated to the above-described well.

(3) That in the event commercial production is not obtained after drilling the aforesaid well at the above-described location, the applicant is hereby authorized to plug said well back to approximately 7500 feet, set a whipstock, and directionally drill in a westerly direction, bottoming said well in the Devonian formation at a standard location in the SW/4 SE/4 of said Section 16.

PROVIDED HOWEVER, that subsequent to the above-described directional drilling, should said well be a producer, a continuous multi-shot directional survey shall be made of the wellbore from total depth to the kick-off point with shot points not more than 100 feet apart; that the operator shall cause the surveying company to forward a copy of the survey report directly to the

Santa Fe office of the Division, P. O. Box 2088, Santa Fe, New Mexico, and that the operator shall notify the Division's Hobbs District Office of the date and time said survey is to be commenced.

(4) That 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) That 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

JOE D. RAMEY
Director

SEAL

fd/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
17 June 1981

EXAMINER HEARING

IN THE MATTER OF:

Application of Blanks Energy Corporation for an unorthodox oil well location and possible directional drilling, Lea County, New Mexico. CASE 7273

BEFORE: Daniel S. Nutter

Hearing Reporter on this Transcript

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Division: Ernest L. Padilla, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant: Conrad E. Coffield, Esq.
HINKLE LAW FIRM
P. O. Box 3580
Midland, Texas

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date JUNE 17, 1981 Time: 9:00 A.M.

NAME	REPRESENTING	LOCATION
H. L. Kendrick	El Paso Natural Gas	El Paso
Chad Dickerson	Losee Carson & Dickerson	Artesia
Ray Stall	Yates Petroleum Corp	Artesia
[illegible]	Huckle [illegible]	Midland, Tx
W C Burdett	Blanks Energy Corp	Midland Tx
Charles E. Osgood, Jr.	MESA PETROLEUM Co.	DENVER
W. T. Kellahin	Kellahin & Kellahin	Santa Fe
Gerald E. Harrington	Holly Energy, Inc.	Roswell
William F. Carr	Campbell, Byrd & Black	S.F.
Sue E. Umshler	USGS, OCD	Albuquerque
Bob Huber	Byram	Santa Fe
Paul C. Thompson	NORTHWEST PIPELINE	FARMINGTON
Tommy Roberts	Dugan Production	Farmington
Tom Dugan		
J. Esperly	Modrall Law firm	Alq.
J. J. Kearns	Mobil Producing Tex & N. Mexico	Houston
J. A. Carr		

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date JUNE 17, 1981 Time: 9:00 A.M.

NAME	REPRESENTING	LOCATION
Scott Hall	State Land Office	Santa Fe

I N D E X

E X H I B I T S

MR. NUTTER: Call next Case Number 7273.

MR. PADILLA: Application of Blanks Energy Corporation for an unorthodox oil well location and possible directional drilling, Lea County, New Mexico.

MR. COFFIELD: Mr. Examiner, I'm Conrad Coffield with the Hinkle law firm in Midland, Texas, and I have one witness to be sworn.

(Witness sworn.)

W. C. BURKETT

being called as a witness and being duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. COFFIELD:

Q. Mr. Burkett, for the record would you please state your name, address, occupation, and your relationship to the applicant?

A. William C. Burkett, 3208 Lockheed, Midland, Texas. I am a geologist for Blanks Energy Corporation.

MR. NUTTER: How do you spell your last name, Mr. Burkett?

A. B-U-R-K-E-T-T.

MR. NUTTER: Thank you.

Q. Have you previously testified before the Division as a geologist?

A. No, I have not.

Q. Would you please give a resume, brief resume, of your educational background and your work experience?

A. I was graduated with a Bachelor of Science degree in geology from Miami University in Oxford, Ohio, in 1967, and I furthered my study and completed work on my Master's degree and received my Master's degree in geology in 1969.

I came to work in Midland, Texas, for Texaco, Incorporated, where I was employed for eleven years.

In February of 1980 I came to work for Mr. Blanks at Blanks Energy Corporation as a geologist. I'm currently employed there.

Q. Mr. Burkett, are you familiar with the Blanks Energy application in this case?

A. Yes.

Q. And are you familiar with the property and proposed well location involved here?

A. Yes.

MR. COFFIELD: Mr. Examiner, do you have

any other questions of Mr. Burkett?

MR. NUTTER: Mr. Burkett is qualified.

Q. Mr. Burkett, would you please state briefly what it is Blanks Energy seeks by this application?

A. Blanks Energy seeks approval for the unorthodox location of a well to be drilled 330 feet from the south line and 900 feet from the east line of Section 16, Township 18 South, Range 35 East, in Lea County, New Mexico, in the South Vacuum-Devonian Pool. The south half of the southeast quarter of said section is to be dedicated to this well.

If commercial production is not obtained at said location, we propose to come back up the hole and directionally drill in a westerly direction and bottom the well in the Devonian formation at a standard location in the southwest quarter of the southeast quarter of said Section 16.

Q. Mr. Burkett, relative to the unorthodox location aspect of this particular application, is this unorthodox location sought for geological reasons?

A. Yes, that's correct.

Q. Would you please refer to what we've marked as Exhibit One and explain that exhibit to the Examiner?

A. Okay. Exhibit One is a location and land plat on a portion of Lea County, New Mexico. Acreage

currently in control by Blanks is colored in yellow. The unorthodox location and the whipstock total depth location is noted in the southeast corner of Section 16. Geographically we're about eighteen miles to the west of the City of Hobbs. The big field up to the north is the Vacuum Field, and the field which we're trying to develop up to the north is the Vacuum South-Devonian Field.

Q. Okay, would you refer now to what we've marked as Exhibit Two and explain what that represents?

A. Exhibit Two is a structure map on top of the Devonian structure. The Devonian is the main producing horizon in this area. The production from the Devonian in Vacuum South and Vacuum Middle Field is structurally controlled and by recent drilling we have determined that this is also the case in our subject area.

The Blanks acreage again is colored in yellow. The dark yellow acreage is the 80 acres that's dedicated to the subject well. The two red spots indicate the unorthodox location and the red spot south of the Sinclair Well No. 7403 is the bottom hole location for the whipstock, proposed whipstock.

Basically we have a structural entrapment of hydrocarbons here. Very critical to this entrapment is the big fault which you see trending northwest/southeast,

We have determined from subsurface control and drilling, and seismic control, the most critical lineation of this fault is critical to our unorthodox location. We have determined from seismic that in the area of our location the fault is downthrown approximately 1400 feet to the north side of that fault.

What we are proposing to do is drill to the north of the Sinclair No. 2 - 401 State Lea in this unorthodox location within the same fault block as the No. 2 401 State Lea and recover reserves at a structurally higher position than that well, which cannot be recovered, or have not been recovered by the Sinclair well, which watered out from the Devonian after producing about 38,000 barrels of oil.

MR. NUTTER: Now, you're talking about the Sinclair No. 2 - 401?

A. Right, that's correct.

MR. NUTTER: Okay. Was the Sinclair State Lea 403 up here, the No. 7, was it a dry hole on completion?

A. It was drilled to the Mississippian and it was abandoned there. It was intended to drill to the Devonian but they were running low at Mississippian level and they abandoned the well at Mississippian level.

They are currently using that well as a water injection well, which they're injecting -- they have injected approximately 7-million barrels of water to date and are currently injecting approximately 1500 barrels of water per day at a pressure of about 2100 pounds.

MR. NUTTER: Into what formation?

A. It's going into several formations from a depth of about 3300 feet to 6900 feet and it's above the Bone Spring pay.

MR. NUTTER: So it never has penetrated the Devonian, then?

A. That's correct.

MR. NUTTER: Okay.

A. The top you see by that well is based on projection, assuming the same thickness of the Mississippian, Woodford, and Devonian that we saw in the Blanks No. 1 Honeysuckle to the south.

If we are unsuccessful in obtaining hydrocarbon in commercial quantities at the unorthodox location, it is our proposal to come back up-hole and whipstock to a legal location in the southeast quarter of the southwest -- southwest quarter of the southeast quarter of said Section 16.

In this case we hope to recover reserves

that we can't recover from the Blanks No. 1 Honeysuckle, and we hope to avoid problems with the high pressure water injection well which we'll be twinning to the south.

Q. Did you have anything further to add on this exhibit?

A. No.

Q. What would a standard well location be relative to the proposed unorthodox location?

A. The standard location in that quarter quarter section is noted by an "X", which falls to the north of the main fault and would be on the downthrown side of that fault.

Q. Is Blanks Energy the leasehold owner as well as the proposed operator on this?

A. Not the leasehold owner, but we do have a farm-out arrangement from ARCO. When we drill the well, subject well, we will earn this acreage.

Q. Do you happen to have a waiver from the offset operator to the east?

A. Yes, I believe Exhibit --

Q. Is that --

A. -- Three.

Q. Is that Exhibit Three? In your expert opinion, Mr. Burkett, is the unorthodox location sought by

Blanks a more acceptable location geologically?

A. Yes.

Q. And if a well were attempted in an orthodox location in the center of the southeast of the southwest quarter of that section, do you believe it would be productive?

A. No.

Q. Now turning to the, let's see, the directional drilling aspects of this application, why, I think maybe you've alluded to it, but why is it that Blanks Energy seeks authority to directionally drill this well if it's nonproductive in this unorthodox location to the east ?

A. I think there's a couple of problems that justify whipstocking the well, and the two main ones are a risk factor and an economic factor.

Were we to drill straight down, a south twin to the water injection well, we would encounter this water formation from 3300 to 6600 feet. It is under high pressure and, as I've said, they have injected about 7-million barrels of water in that well to date.

When we were drilling the No. 1 Honeysuckle to the south and encountered this section, we encountered a water flowback and had trouble drilling through this section.

We feel a location as close to the Sinclair State No. 7 - 403 as we have proposed would be impossible to drill.

We have designed a drilling program whereby we, if we could get through it, we would have to set an exotic casing string, the cost of which would be approximately $1.7 million to drill that well, as compared to whipstocking from the location at a depth of 7500 feet, kicking off, it would cost approximately $1.1 million.

So it's economically better, as well as there is less risk involved in whipstocking because we'll whipstock underneath the formation that's taking the water, formations that are taking the water.

Q. Okay, Mr. Burkett, relative to the -- the actual whipstock operation, would you now turn to Exhibit Four and describe that exhibit, please?

A. Exhibit Four is a recommendation on the whipstock from the unorthodox location to the legal location, as I previously said.

Basically what they would do is go to a depth of approximately 7500 feet and kickout with a directional tool and continue to drill towards the target depth and direction. There would be surveys run prior to kicking off the well. There would be a continuous reading

We feel a location as close to the Sinclair State No. 7 - 403 as we have proposed would be impossible to drill.

We have designed a drilling program whereby we, if we could get through it, we would have to set an exotic casing string, the cost of which would be approximately $1.7 million to drill that well, as compared to whipstocking from the location at a depth of 7500 feet, kicking off, it would cost approximately $1.1 million.

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Q. Okay, Mr. Burkett, relative to the -- the actual whipstock operation, would you now turn to Exhibit Four and describe that exhibit, please?

A. Exhibit Four is a recommendation on the whipstock from the unorthodox location to the legal location, as I previously said.

Basically what they would do is go to a depth of approximately 7500 feet and kickout with a directional tool and continue to drill towards the target depth and direction. There would be surveys run prior to kicking off the well. There would be a continuous reading

survey at the kick off point for about 60 to 90 feet with the directional orientation tool, and there would be surveys every 200 feet or less during the actual drilling operations.

After we have reached the target location at total depth we would run a multiple shot survey back to the kick off point as required by the State.

Q. Mr. Burkett, you've testified to the existence of a fault feature in this area, lying immediately to the west of the unorthodox location that we seek. Is it not true that directional drilling through a faulted area is considered dangerous or certainly undesireable?

A. Yes, this is correct.

Q. What would you propose to do about that problem in this case?

A. I have reviewed the seismic record sections as well as the subsurface well control, and from my knowledge of the area, in addition, I know to be a fact that the faulting in this area comes up only as high as the Strawn formation, which is in this area is a depth of approximately 10,600 feet.

The kick off point at 7500 feet is well above this depth of 10,600 feet and from the graph on Exhibit Three -- Exhibit Four, I'm sorry, at 10,600 feet the well, the bottom hole location has migrated approximately

800 feet, which would put us well across the fault above the fault, so there would be no problem in whipstocking across that fault.

We'd be above the fault and below the water injection formations.

Q. Did you have anything further to add to your testimony, Mr. Burkett?

A. No.

Q. Were Exhibits One through Three prepared by you or under your supervision?

A. Yes.

Q. And on Exhibit Four, is that a matter which you have carefully reviewed and with which you concur in its conclusions and recommendation?

A. Yes.

MR. COFFIELD: Mr. Examiner, I move the admission of Exhibits One through Four.

MR. NUTTER: Exhibits One through Four will be admitted in evidence.

Q. And in your opinion, Mr. Burkett, would the granting of this application be in the interests of conservation, prevention of waste, and protection of correlative rights?

A. Yes.

MR. COFFIELD: I have no further questions of Mr. Burkett on direct examination, Mr. Examiner.

CROSS EXAMINATION

BY MR. NUTTER:

Q. Mr. Burkett, now you've mentioned that when you drilled the Honeysuckle, you encountered this water flow due to the injected water in the old well to the north.

A. Yes.

Q. And you stated that if you drilled at the standard location through the injection zone, you would -- it would require this exotic casing program. That would be to withstand the pressure of the water that's been injected into that area?

A. I think after we drilled through that water injection zone, then we would have to set an additional string of casing. So I'm not sure exactly how many strings of casing is involved, but I know we'd have to start out with a 20-inch casing at the surface in order to case off this water injection zone and still drill out with a 7-7/8ths.

Q. In other words, it wouldn't be to withstand the pressure. It would just be to counteract the problems with this waterflow while you're drilling through it.

A. We're uncertain as to what the pressures may or may not do to us if we would drill at the standard location.

Q. But by going in under the injection zone you don't anticipate any problems with it?

A. That's correct, and we feel that should we start at a kickoff point of 7500 feet, which has already been drilled, it would save us money.

Q. Which do you feel is the more likely, that you'd get production at the unorthodox surface location or by whipstocking over to the standard location?

A. I think that we'll get -- in my opinion, we'll establish production at the unorthodox location.

Q. You're going to control that and try to drill it pretty straight, are you?

A. Yes.

Q. Now, how far would you go before you decide whether you've got to whipstock or not? Would you drill into the Devonian or would you --

A. Yes, uh-huh, we would.

Q. You would test the Devonian before --

A. That's correct.

Q. -- making a decision?

A. That's correct.

Q. Now, looking at Eastman's program here, I don't see the kickoff point stated in the -- in the recommended procedure, but it is on their diagram back here. The kickoff point would be 7500 feet?

A. That is correct.

Q. And then you'd deviate some 1095 feet to the west northwest?

A. That's correct.

MR. NUTTER: Are there any further questions of Mr. Burkett? He may be excused.

Do you have anything further, Mr. Coffield?

MR. COFFIELD: No, Mr. Examiner, I do not.

MR. NUTTER: Does anyone have anything they wish to offer in Case Number 7273?

We'll take the case under advisement.

(Hearing concluded.)

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 7273, heard by me on 6/17 1981.

, Examiner
Oil Conservation Division

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
17 June 1981

EXAMINER HEARING

IN THE MATTER OF:

Application of Blanks Energy Corporation for an unorthodox oil well location and possible directional drilling, Lea County, New Mexico. CASE 7273

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Division: Ernest L. Padilla, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant: Conrad E. Coffield, Esq.
HINKLE LAW FIRM
P. O. Box 3580
Midland, Texas

I N D E X

E X H I B I T S

MR. NUTTER: Call next Case Number 7273.

MR. PADILLA: Application of Blanks Energy Corporation for an unorthodox oil well location and possible directional drilling, Lea County, New Mexico.

MR. COFFIELD: Mr. Examiner, I'm Conrad Coffield with the Hinkle law firm in Midland, Texas, and I have one witness to be sworn.

(Witness sworn.)

W. C. BURKETT

being called as a witness and being duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. COFFIELD:

Q Mr. Burkett, for the record would you please state your name, address, occupation, and your relationship to the applicant?

A William C. Burkett, 3208 Lockheed, Midland, Texas. I am a geologist for Blanks Energy Corporation.

MR. NUTTER: How do you spell your last name, Mr. Burkett?

A. B-U-R-K-E-T-T.

MR. NUTTER: Thank you.

Q. Have you previously testified before the Division as a geologist?

A. No, I have not.

Q. Would you please give a resume, brief resume, of your educational background and your work experience?

A. I was graduated with a Bachelor of Science degree in geology from Miami University in Oxford, Ohio, in 1967, and I furthered my study and completed work on my Master's degree and received my Master's degree in geology in 1969.

I came to work in Midland, Texas, for Texaco, Incorporated, where I was employed for eleven years.

In February of 1980 I came to work for Mr. Blanks at Blanks Energy Corporation as a geologist. I'm currently employed there.

Q. Mr. Burkett, are you familiar with the Blanks Energy application in this case?

A. Yes.

Q. And are you familiar with the property and proposed well location involved here?

A. Yes.

MR. COFFIELD: Mr. Examiner, do you have

any other questions of Mr. Burkett?

MR. NUTTER: Mr. Burkett is qualified.

Q. Mr. Burkett, would you please state briefly what it is Blanks Energy seeks by this application?

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If commercial production is not obtained at said location, we propose to come back up the hole and directionally drill in a westerly direction and bottom the well in the Devonian formation at a standard location in the southwest quarter of the southeast quarter of said Section 16.

Q. Mr. Burkett, relative to the unorthodox location aspect of this particular application, is this unorthodox location sought for geological reasons?

A. Yes, that's correct.

Q. Would you please refer to what we've marked as Exhibit One and explain that exhibit to the Examiner?

A. Okay. Exhibit One is a location and land plat on a portion of Lea County, New Mexico. Acreage

currently in control by Blanks is colored in yellow. The unorthodox location and the whipstock total depth location is noted in the southeast corner of Section 16. Geographically we're about eighteen miles to the west of the City of Hobbs. The big field up to the north is the Vacuum Field, and the field which we're trying to develop up to the north is the Vacuum South-Devonian Field.

Q. Okay, would you refer now to what we've marked as Exhibit Two and explain what that represents?

A. Exhibit Two is a structure map on top of the Devonian structure. The Devonian is the main producing horizon in this area. The production from the Devonian in Vacuum South and Vacuum Middle Field is structurally controlled and by recent drilling we have determined that this is also the case in our subject area.

The Blanks acreage again is colored in yellow. The dark yellow acreage is the 80 acres that's dedicated to the subject well. The two red spots indicate the unorthodox location and the red spot south of the Sinclair Well No. 7403 is the bottom hole location for the whipstock, proposed whipstock.

Basically we have a structural entrapment of hydrocarbons here. Very critical to this entrapment is the big fault which you see trending northwest/southeast.

We have determined from subsurface control and drilling, and seismic control, the most critical lineation of this fault is critical to our unorthodox location. We have determined from seismic that in the area of our location the fault is downthrown approximately 1400 feet to the north side of that fault.

What we are proposing to do is drill to the north of the Sinclair No. 2 - 401 State Lea in this unorthodox location within the same fault block as the No. 2 401 State Lea and recover reserves at a structurally higher position than that well, which cannot be recovered, or have not been recovered by the Sinclair well, which watered out from the Devonian after producing about 38,000 barrels of oil.

MR. NUTTER: Now, you're talking about the Sinclair No. 2 - 401?

A. Right, that's correct.

MR. NUTTER: Okay. Was the Sinclair State Lea 403 up here, the No. 7, was it a dry hole on completion?

A. It was drilled to the Mississippian and it was abandoned there. It was intended to drill to the Devonian but they were running low at Mississippian level and they abandoned the well at Mississippian level.

They are currently using that well as a water injection well, which they're injecting -- they have injected approximately 7-million barrels of water to date and are currently injecting approximately 1500 barrels of water per day at a pressure of about 2100 pounds.

MR. NUTTER: Into what formation?

A. It's going into several formations from a depth of about 3300 feet to 6900 feet and it's above the Bone Spring pay.

MR. NUTTER: So it never has penetrated the Devonian, then?

A. That's correct.

MR. NUTTER: Okay.

A. The top you see by that well is based on projection, assuming the same thickness of the Mississippian, Woodford, and Devonian that we saw in the Blanks No. 1 Honeysuckle to the south.

If we are unsuccessful in obtaining hydrocarbon in commercial quantities at the unorthodox location, it is our proposal to come back up-hole and whipstock to a legal location in the southeast quarter of the southwest - southwest quarter of the southeast quarter of said Section 16.

In this case we hope to recover reserves

that we can't recover from the Blanks No. 1 Honeysuckle, and we hope to avoid problems with the high pressure water injection well which we'll be twinning to the south.

Q. Did you have anything further to add on this exhibit?

A. No.

Q. What would a standard well location be relative to the proposed unorthodox location?

A. The standard location in that quarter quarter section is noted by an "X", which falls to the north of the main fault and would be on the downthrown side of that fault.

Q. Is Blanks Energy the leasehold owner as well as the proposed operator on this?

A. Not the leasehold owner, but we do have a farm-out arrangement from ARCO. When we drill the well, subject well, we will earn this acreage.

Q. Do you happen to have a waiver from the offset operator to the east?

A. Yes, I believe Exhibit --

Q. Is that --

A. -- Three.

Q. Is that Exhibit Three? In your expert opinion, Mr. Burkett, is the unorthodox location sought by

Blanks a more acceptable location geologically?

A. Yes.

Q. And if a well were attempted in an orthodox location in the center of the southeast of the southwest quarter of that section, do you believe it would be productive?

A. No.

Q. Now turning to the, let's see, the directional drilling aspects of this application, why, I think maybe you've alluded to it, but why is it that Blanks Energy seeks authority to directionally drill this well if it's nonproductive in this unorthodox location to the east ?

A. I think there's a couple of problems that justify whipstocking the well, and the two main ones are a risk factor and an economic factor.

Were we to drill straight down, a south twin to the water injection well, we would encounter this water formation from 3300 to 6600 feet. It is under high pressure and, as I've said, they have injected about 7-million barrels of water in that well to date.

When we were drilling the No. 1 Honeysuckle to the south and encountered this section, we encountered a water flowback and had trouble drilling through this section.

We feel a location as close to the Sinclair State No. 7 - 403 as we have proposed would be impossible to drill.

We have designed a drilling program whereby we, if we could get through it, we would have to set an exotic casing string, the cost of which would be approximately $1.7 million to drill that well, as compared to whipstocking from the location at a depth of 7500 feet, kicking off, it would cost approximately $1.1 million.

So it's economically better, as well as there is less risk involved in whipstocking because we'll whipstock underneath the formation that's taking the water, formations that are taking the water.

Q Okay, Mr. Burkett, relative to the -- the actual whipstock operation, would you now turn to Exhibit Four and describe that exhibit, please?

A Exhibit Four is a recommendation on the whipstock from the unorthodox location to the legal location, as I previously said.

Basically what they would do is go to a depth of approximately 7500 feet and kickout with a directional tool and continue to drill towards the target depth and direction. There would be surveys run prior to kicking off the well. There would be a continuous reading

survey at the kick off point for about 60 to 90 feet with the directional orientation tool, and there would be surveys every 200 feet or less during the actual drilling operations.

After we have reached the target location at total depth we would run a multiple shot survey back to the kick off point as required by the State.

Q. Mr. Burkett, you've testified to the existence of a fault feature in this area, lying immediately to the west of the unorthodox location that we seek. Is it not true that directional drilling through a faulted area is considered dangerous or certainly undesireable?

A. Yes, this is correct.

Q. What would you propose to do about that problem in this case?

A. I have reviewed the seismic record sections as well as the subsurface well control, and from my knowledge of the area, in addition, I know to be a fact that the faulting in this area comes up only as high as the Strawn formation, which is in this area is a depth of approximately 10,600 feet.

The kick off point at 7500 feet is well above this depth of 10,600 feet and from the graph on Exhibit Three -- Exhibit Four, I'm sorry, at 10,600 feet the well, the bottom hole location has migrated approximately

800 feet, which would put us well across the fault above the fault, so there would be no problem in whipstocking across that fault.

We'd be above the fault and below the water injection formations.

Q. Did you have anything further to add to your testimony, Mr. Burkett?

A. No.

Q. Were Exhibits One through Three prepared by you or under your supervision?

A. Yes.

Q. And on Exhibit Four, is that a matter which you have carefully reviewed and with which you concur in its conclusions and recommendation?

A. Yes.

MR. COFFIELD: Mr. Examiner, I move the admission of Exhibits One through Four.

MR. NUTTER: Exhibits One through Four will be admitted in evidence.

Q. And in your opinion, Mr. Burkett, would the granting of this application be in the interests of conservation, prevention of waste, and protection of correlative rights?

A. Yes.

MR. COFFIELD: I have no further questions of Mr. Burkett on direct examination, Mr. Examiner.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Burkett, now you've mentioned that when you drilled the Honeysuckle, you encountered this water flow due to the injected water in the old well to the north.

A Yes.

Q And you stated that if you drilled at the standard location through the injection zone, you would -- it would require this exotic casing program. That would be to withstand the pressure of the water that's been injected into that area?

A I think after we drilled through that water injection zone, then we would have to set an additional string of casing. So I'm not sure exactly how many strings of casing is involved, but I know we'd have to start out with a 20-inch casing at the surface in order to case off this water injection zone and still drill out with a 7-7/8ths.

Q In other words, it wouldn't be to withstand the pressure. It would just be to counteract the problems with this waterflow while you're drilling through it.

A. We're uncertain as to what the pressures may or may not do to us if we would drill at the standard location.

Q. But by going in under the injection zone you don't anticipate any problems with it?

A. That's correct, and we feel that should we start at a kickoff point of 7500 feet, which has already been drilled, it would save us money.

Q. Which do you feel is the more likely, that you'd get production at the unorthodox surface location or by whipstocking over to the standard location?

A. I think that we'll get -- in my opinion, we'll establish production at the unorthodox location.

Q. You're going to control that and try to drill it pretty straight, are you?

A. Yes.

Q. Now, how far would you go before you decide whether you've got to whipstock or not? Would you drill into the Devonian or would you --

A. Yes, uh-huh, we would.

Q. You would test the Devonian before --

A. That's correct.

Q. -- making a decision?

A. That's correct.

Q Now, looking at Eastman's program here, I don't see the kickoff point stated in the -- in the recommended procedure, but it is on their diagram back here. The kickoff point would be 7500 feet?

A That is correct.

Q And then you'd deviate some 1095 feet to the west northwest?

A That's correct.

MR. NUTTER: Are there any further questions of Mr. Burkett? He may be excused.

Do you have anything further, Mr. Coffield?

MR. COFFIELD: No, Mr. Examiner, I do not.

MR. NUTTER: Does anyone have anything they wish to offer in Case Number 7273?

We'll take the case under advisement.

(Hearing concluded.)

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 7272 heard by me on 6/17 1981.

Examiner
Oil Conservation Division

T 18 S

R 34 E | R 35 E

BLANKS ENERGY CORPORATION

LOCATION PLAT

VACUUM, S. (DEV.) FIELD AREA

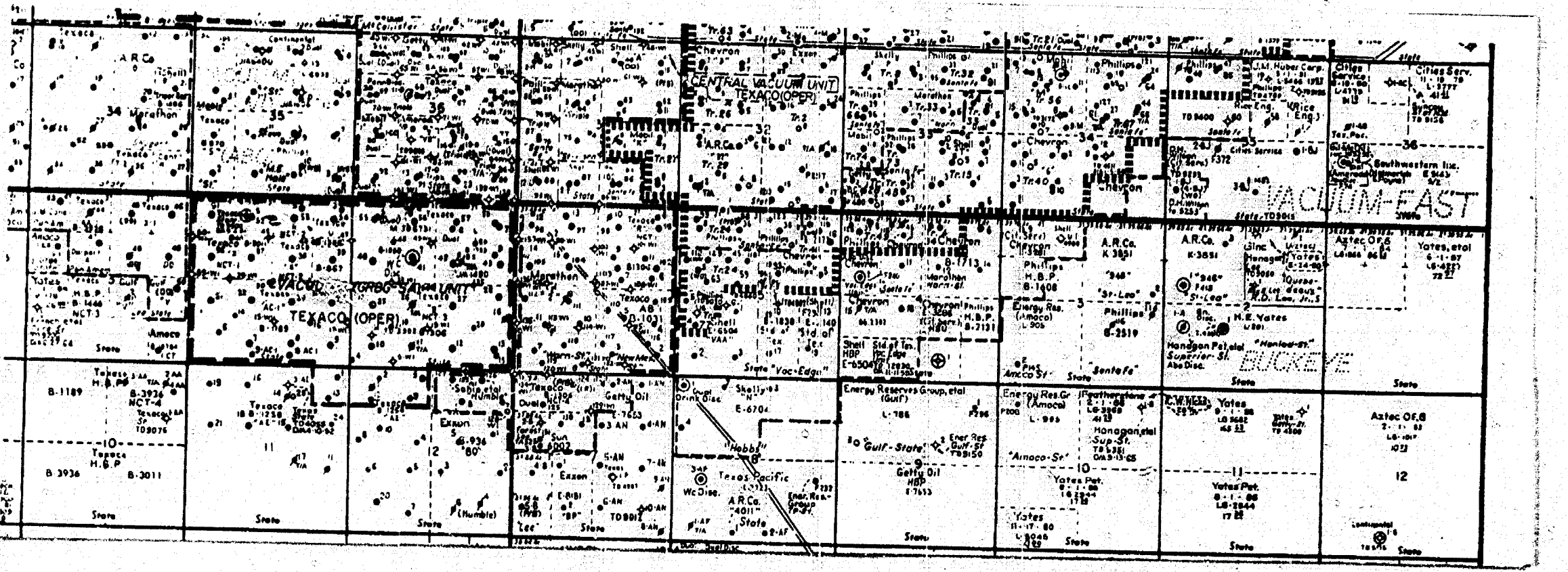
Scale 1" = 1000'

BEFORE EXAMINER NUTTER

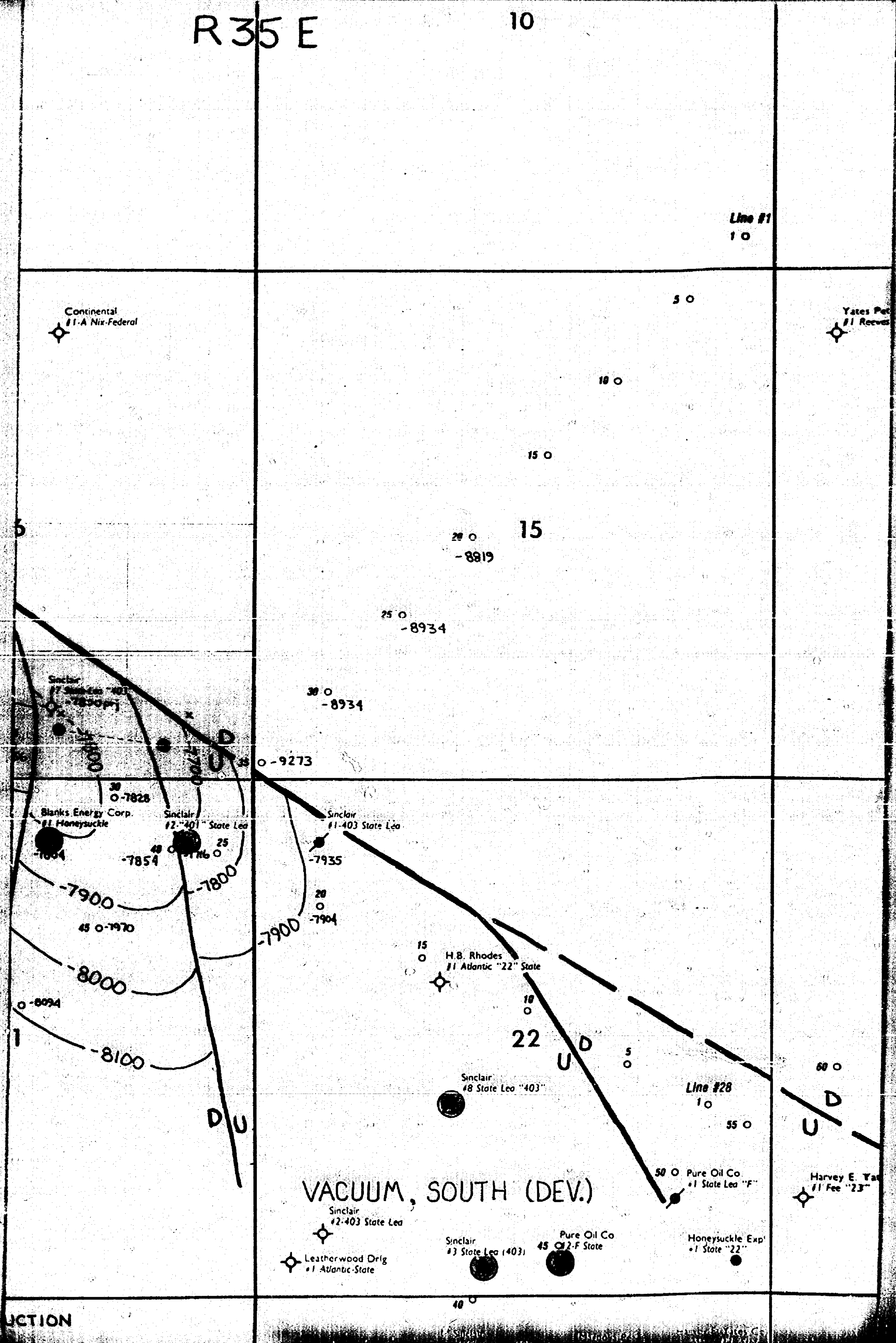
OIL CONSERVATION DIVISION

EXHIBIT NO. 1

CASE NO. 7273



TEXACO (OPER)
CENTRAL VACUUM UNIT
TEXACO (OPER)
VACUUM-EAST
State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-8934
-8934
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Sinclair
-7828
Blanks Energy Corp.
#1 Honeysuckle
Sinclair
#2-"401" State Lea
-7854
Sinclair
#1-403 State Lea
-7935
-7904
-7900
-7800
-7970
-8000
-8094
-8100
H.B. Rhodes
#1 Atlantic "22" State
22
Sinclair
#8 State Lea "403"
Line #28
Pure Oil Co
#1 State Lea "F"
Harvey E. Yat
#1 Fee "23"
VACUUM, SOUTH (DEV.)
Sinclair
#2-403 State Lea
Leatherwood Drlg
#1 Atlantic-State
Sinclair
#3 State Lea (403)
Pure Oil Co
#2-F State
Honeysuckle Exp
#1 State "22"
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Texas Pacific
#3-AF State

Energy Reserves
#2-Y TP State

Getty
#1 "AP" State

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Texas Pacific
#1-AF State

Sinclair
#1 State Leo "4011"

Texas Pacific
#2-AF State

Humble
#1-B-1 State
75

Sinclair
#4 State-Leo "403"

Bishop Uranium
#1 Hooklin-Bull State

Sinclair
#6-"403" State-Leo

70

VACUUM, MID. (DEV.)

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Sinclair
#5-"403" State-Leo

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Sinclair
#1-401 State

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BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
BLANKS EXHIBIT NO. 2
CASE NO. 7273

BLANKS ENERGY CORPORATION

BLANKS BUILDING MIDLAND, TEXAS

MAP OF A PORTION OF

LEA COUNTY NEW MEXICO

TOP DEVONIAN STRUCTURE

C.I. • 100'
SCALE • 1" = 1000'

GEOLOGIST • W.C. BURKETT
DATE • JUNE 1981
GEOPHYSICIST • MARVIN GIBSON

DEVONIAN PROD

ARCO Oil and Gas Company
Permian District
Post Office Box 1610
Midland, Texas 79702
Telephone 915 684 0100

June 15, 1981

New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Gentlemen:

ARCO Oil and Gas Company waives any objection to Blanks Energy Corporation's proposed unorthodox location, 900' from the East and 330' from the South of Section 16 of Township 18 South and 35 East; and also its proposed option to whipstock the well to a proposed bottom hole location of 1980' from the east and 510' from the South.

Sincerely,

J. L. Tweed
District Engineer

JLT:sep

cc: Blanks Energy Corporation

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Blanks EXHIBIT NO. 3
CASE NO. 7273

Eastman Whipstock
A PETROLANE COMPANY

P. O. Box 5577 / Midland, Texas 79701 / (915) 563-0511
TWX 910-881-5066 / Cable: EASTCO

May 5, 1981

BLANKS ENERGY CORPORATION
Gary Feist

ARCO STATE #1
LEA COUNTY, NEW MEXICO

RECOMMENDED PROCEDURE

1. Drill to 4800' keeping well bore as near vertical as possible and set 8 5/8" casing. Run Gyro Directional Survey 0' to 4800' on wire line before drilling out.

2. Drill out with 7 7/8" bit, 7 7/8" bottom hole (RWP) 10' drill collar, 7 7/8" string (RWP) stabilizer, shock sub, 6" X 30' non magnetic drill collar, 7 7/8" string (RWP) stabilizer, 45,000# drill collars, jars, 10,000# drill collars (above jars) and drill pipe. Drill to the kickoff point and trip out of hole.

3. Go in hole with 7 7/8" MD 33 RSST bit, 5" mud motor. 2° Bent Sub with orienting sleeve, 6" X 30' non magnetic drill collar, drill collars and drill pipe. Orient with directional orientation tool and drill 60' (+ -) to deflect well bore with proper direction and angle. Trip out of hole.

4. Go in hole with regular 7 7/8" drill bit, 7 7/8" bottom hole (RWP), 6" X 30' non magnetic drill collar, 3 - 30' steel drill collars, 7 7/8" stabilizer, drill collars and drill pipe. Drill and build angle at the rate of 1° 30' per 100' until the desired average angle is obtained, and trip out of hole.

5. Go in hole with 7 7/8" bit, 7 7/8" bottom hole (RWP), 10' drill collar, 7 7/8" (1/8" undergauge) string (RWP) stabilizer, shock sub, 6" X 30' non magnetic drill collar, 7 7/8" (1/8" undergauge) string (RWP) stabilizer 45,000# drill collars, jars, 10,000# drill collars (above jars) and drill pipe. Drill with this assembly to the proposed target depth or until a corrective run is needed.

6. Upon reaching total depth on trip out of hole, drop magnetic multiple shot survey and survey back to kick off point. This will give a complete multiple shot survey from surface to total depth which is required by the New Mexico Oil and Gas Conservation Commission.

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
BLANKS EXHIBIT NO. 4
CASE NO. 7273

BLANKS ENERGY CORPORATION PROPOSAL
ARCO STATE WELL NO. 1
LEA COUNTY, NEW MEXICO BD1-250

SURVEY CREATED BY PROPOSAL PROGRAM

RECORD OF SURVEY

RADIUS OF CURVATURE METHOD

BLANKS ENERGY CORPORATION PROPOSAL
ARCO STATE WELL NO. 1
LEA COUNTY, NEW MEXICO BD1-250

COMPUTATION TIME 14:25:15 DATE 15-JUN-81

MEASURED DEPTH FEET	DRIFT ANGLE D M	DRIFT DIRECTION D	TRUE VERTICAL DEPTH FEET	RECTANGULAR COORDINATES FEET		DOG LEG SEVERITY DG/100FT
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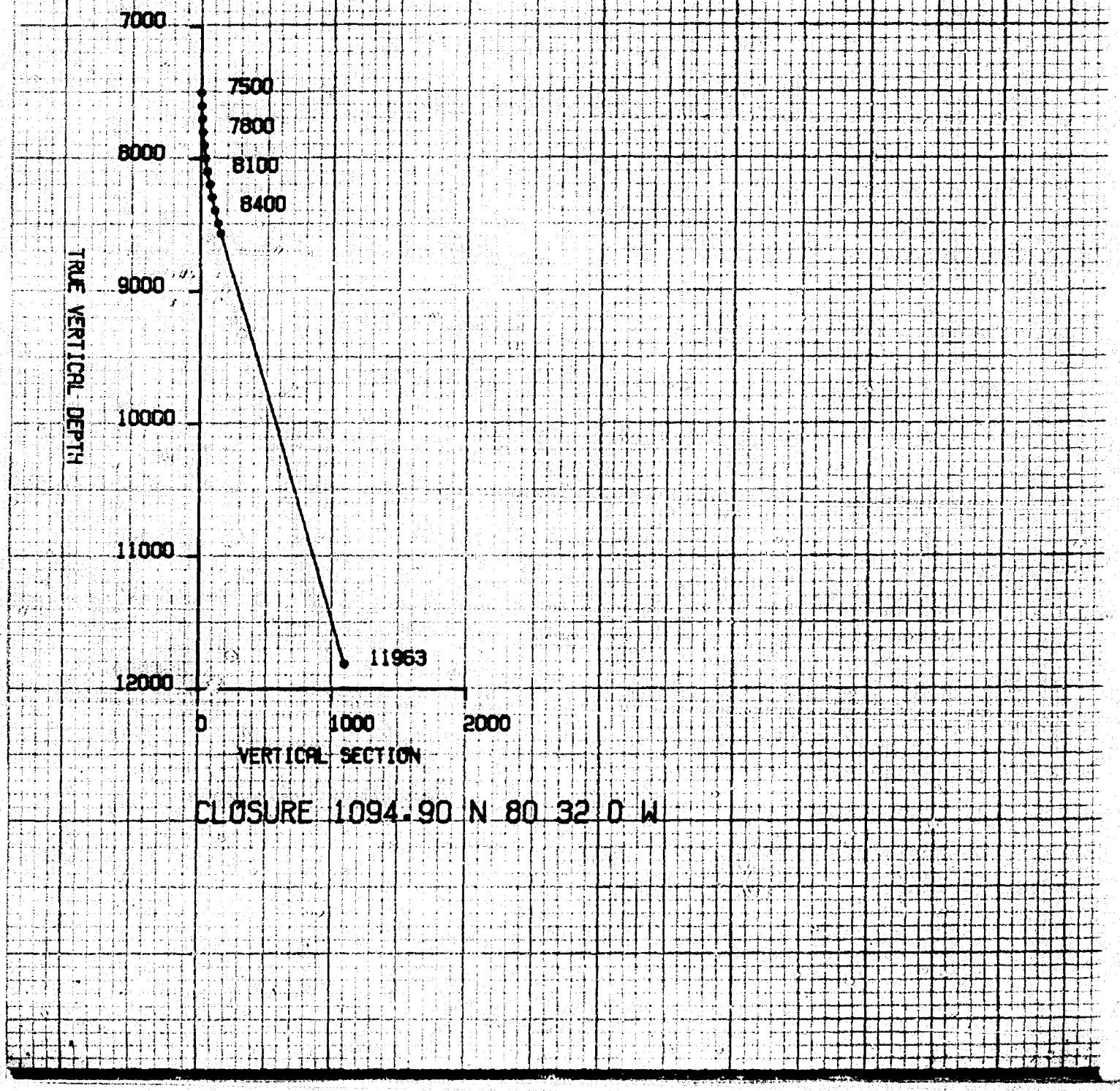
7600.	1 30	N 80 W	7599.99	0.22 N	1.29 W	1.50
7700.	3 0	N 80 W	7699.91	0.86 N	5.16 W	1.50
7800.	4 30	N 80 W	7799.69	1.94 N	11.61 W	1.50
7900.	6 0	N 80 W	7899.27	3.44 N	20.64 W	1.50
8000.	7 30	N 80 W	7998.57	5.37 N	32.23 W	1.50
8100.	9 0	N 80 W	8097.54	7.73 N	46.39 W	1.50
8200.	10 30	N 80 W	8196.09	10.52 N	63.09 W	1.50
8300.	12 0	N 80 W	8294.17	13.73 N	82.33 W	1.50
8400.	13 30	N 80 W	8391.70	17.36 N	104.10 W	1.50
8500.	15 0	N 80 W	8488.62	21.41 N	128.38 W	1.50
8579.	16 11	N 80 W	8564.85	24.91 N	149.37 W	1.50
11963.	16 11	N 80 W	11815.00	180.08 N	1079.99 W	0.00

FINAL CLOSURE - DIRECTION: N 80 DEGS 32 MINS W
DISTANCE: 1094.90 FEET

BLANKS ENERGY CORPORATION PROPOSAL
ARCO STATE WELL NO. 1
LEA COUNTY, NEW MEXICO BDL-250

EASTMAN WHIPSTOCK, INC.

VERTICAL PROJECTION
SCALE 1 IN. = 1000 FEET



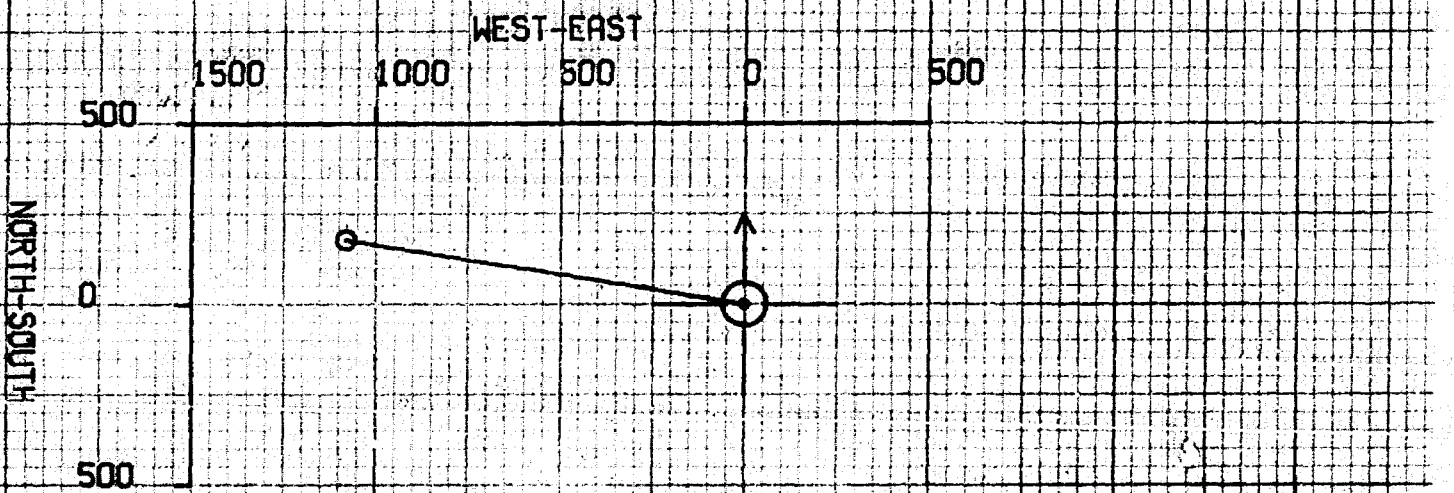
CLOSURE 1094.90 N 80 32 0 W

HORIZONTAL PROJECTION

SCALE 1 IN. = 500 FEET

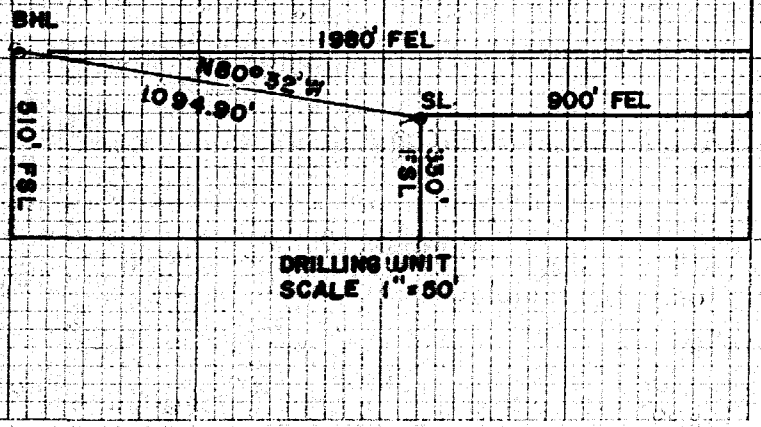
BLANKS ENERGY CORPORATION PROPOSAL
ARCO STATE WELL NO. 1
LEA COUNTY, NEW MEXICO BDI-250

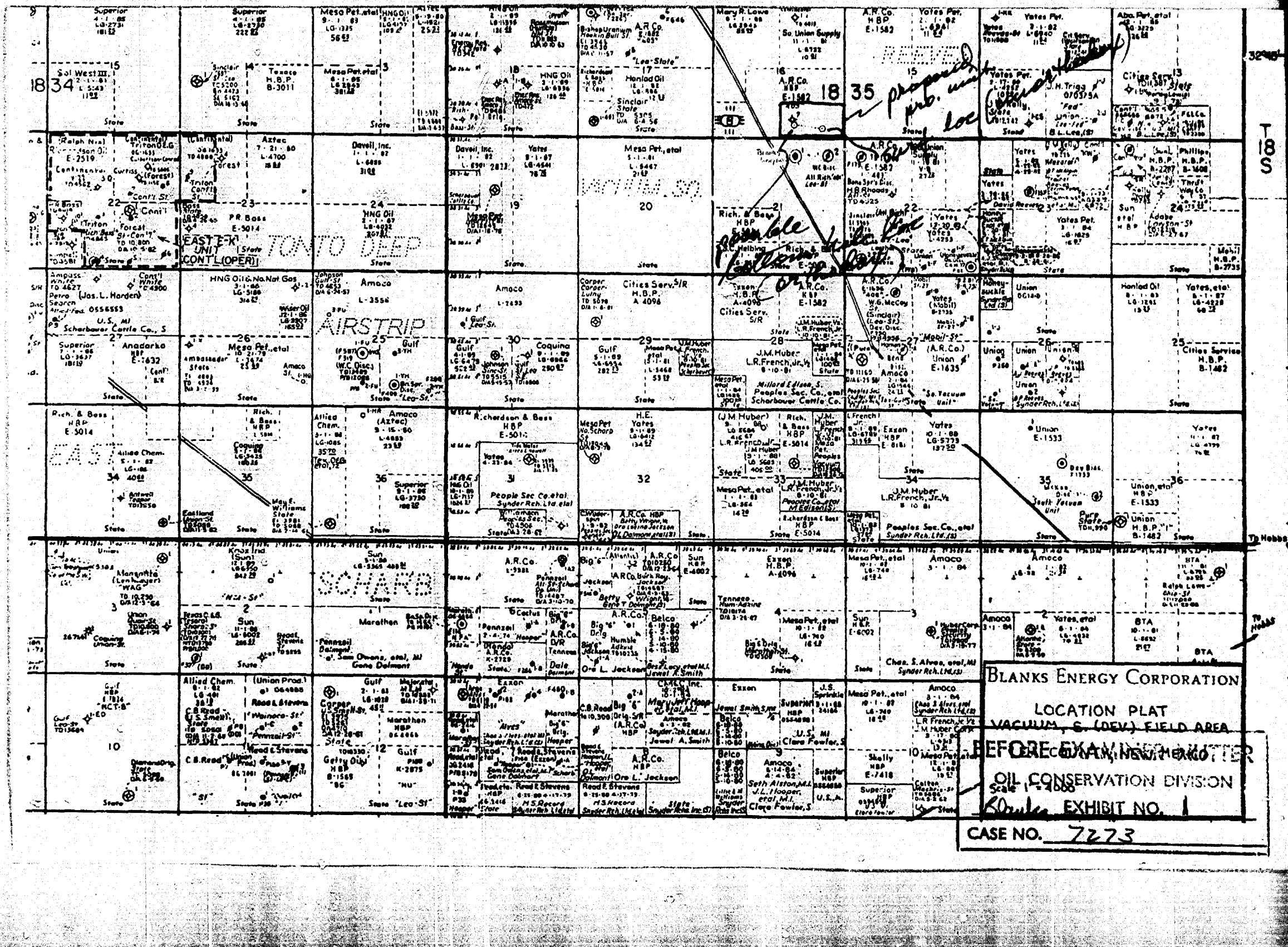
EASTMAN WHIPSTOCK, INC.



FINAL STATION:
DEPTH 11963 MD. 11815.00 TVD
NORTH 180.08 WEST 1079.99
CLOSURE 1094.90 N 80 32 0 W

BLANKS ENERGY CORPORATION
ARCO STATE WELL NO. 1
LEA COUNTY, TEXAS





BLANKS ENERGY CORPORATION

LOCATION PLAT

VACUUM, S. (DEV) FIELD AREA

LEA COUNTY, NEW MEXICO

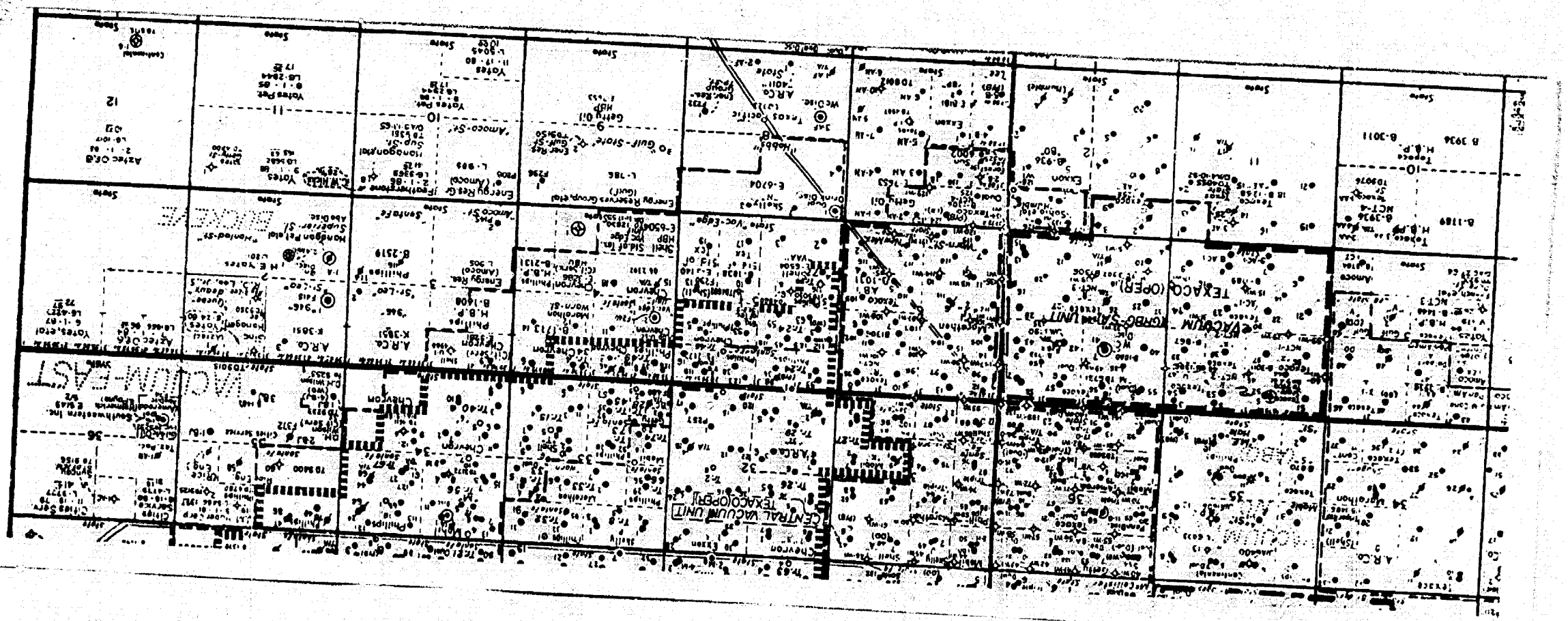
Scale 1" = 4000'

BEFORE EXAMINER NUTTER

OIL CONSERVATION DIVISION

Blanks EXHIBIT NO. 1

CASE NO. 7273


CENTRAL VACUUM UNIT
TEXACO (OPER.)
VACUUM-EAST

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Texas Pacific
#3-AF State

Energy Reserves
#2-Y TP State

Getty
#1 "AP" State

Texas Pacific
#1-AF State

Sinclair
#1 State Lea "401"

Texas Pacific
#2-AF State

Humble
#1-BY State
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Sinclair
#4 State-Lea "403"

Bishop Uranium
#1 Hooklin-Buff State

Sinclair
#6-"403" State-Lea

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VACUUM, MID. (DEV.)

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#5-"403" State Lea
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BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
BLANKS EXHIBIT NO. 2
CASE NO. 7273

BLANKS ENERGY CORPORATION

BLANKS BUILDING MIDLAND, TEXAS

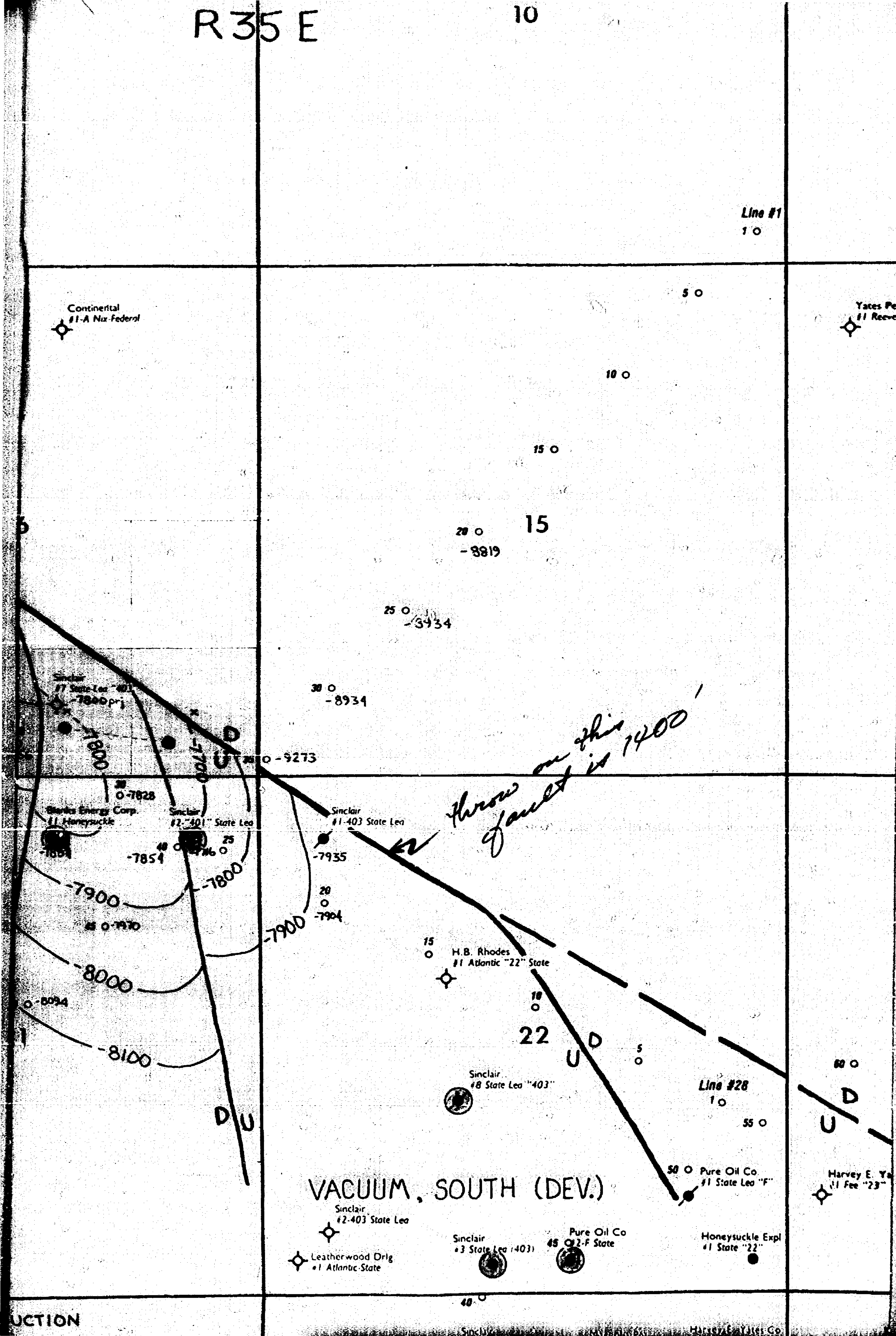
MAP OF A PORTION OF

LEA COUNTY NEW MEXICO

TOP DEVONIAN STRUCTURE

C.I. • 100'
SCALE • 1" = 1000'

GEOLOGIST • W.C. BURKETT
DATE • JUNE 1981
GEOPHYSICIST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10
Line #1
Continental
#1-A Nix Federal
Yates Pet
#1 Reeves
15
-8819
-3934
-8934
-9273
Sinclair
#7 State Lea "401"
-7800 prj
throw on this fault is 1400'
Rhodes Energy Corp.
#1 Honeysuckle
Sinclair
#2-"401" State Lea
-7828
-7854
Sinclair
#1-403 State Lea
-7935
-7900
-7800
-7700
-8000
-8094
-8100
H.B. Rhodes
#1 Atlantic "22" State
22
Sinclair
#8 State Lea "403"
Line #28
Pure Oil Co.
#1 State Lea "F"
Harvey E. Yates
#1 Fee "23"
VACUUM, SOUTH (DEV.)
Sinclair
#2-403 State Lea
Leatherwood Drlg
#1 Atlantic State
Sinclair
#3 State Lea (403)
Pure Oil Co
#2-F State
Honeysuckle Expl
#1 State "22"
UCTION

ARCO Oil and Gas Company
Permian District
Post Office Box 1610
Midland, Texas 79702
Telephone 915 684 0100

June 15, 1981

New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Gentlemen:

ARCO Oil and Gas Company waives any objection to Blanks Energy Corporation's proposed unorthodox location, 900' from the East and 330' from the South of Section 16 of Township 18 South and 35 East; and also its proposed option to whipstock the well to a proposed bottom hole location of 1980' from the east and 510' from the South.

Sincerely,

J. L. Tweed
District Engineer

JLT:sep

cc: Blanks Energy Corporation

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Blanks EXHIBIT NO. 3
CASE NO. 7273

Eastman Whipstock
A PETROLANE COMPANY
P. O. Box 5577 / Midland, Texas 79701 / (915) 563-0511
TWX 910-881-5066 / Cable: EASTCO

May 5, 1981

BLANKS ENERGY CORPORATION
Gary Feist

ARCO STATE #1
LEA COUNTY, NEW MEXICO

RECOMMENDED PROCEDURE

1. Drill to 4800' keeping well bore as near vertical as possible and set 8 5/8" casing. Run Gyro Directional Survey 0' to 4800' on wire line before drilling out.

2. Drill out with 7 7/8" bit, 7 7/8" bottom hole (RWP) 10' drill collar, 7 7/8" string (RWP) stabilizer, shock sub, 6" X 30' non magnetic drill collar, 7 7/8" string (RWP) stabilizer, 45,000# drill collars, jars, 10,000# drill collars (above jars) and drill pipe. Drill to the kickoff point and trip out of hole.

3. Go in hole with 7 7/8" MD 33 RSST bit, 5" mud motor. 2° Bent Sub with orienting sleeve, 6" X 30' non magnetic drill collar, drill collars and drill pipe. Orient with directional orientation tool and drill 60' (+ -) to deflect well bore with proper direction and angle. Trip out of hole.

4. Go in hole with regular 7 7/8" drill bit, 7 7/8" bottom hole (RWP), 6" X 30' non magnetic drill collar, 3 - 30' steel drill collars, 7 7/8" stabilizer, drill collars and drill pipe. Drill and build angle at the rate of 1° 30' per 100' until the desired average angle is obtained, and trip out of hole.

5. Go in hole with 7 7/8" bit, 7 7/8" bottom hole (RWP), 10' drill collar, 7 7/8" (1/8" undergauge) string (RWP) stabilizer, shock sub, 6" X 30' non magnetic drill collar, 7 7/8" (1/8" undergauge) string (RWP) stabilizer 45,000# drill collars, jars, 10,000# drill collars (above jars) and drill pipe. Drill with this assembly to the proposed target depth or until a corrective run is needed.

6. Upon reaching total depth on trip out of hole, drop magnetic multiple shot survey and survey back to kick off point. This will give a complete multiple shot survey from surface to total depth which is required by the New Mexico Oil and Gas Conservation Commission.

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
Blanks EXHIBIT NO. 4
CASE NO. 7273

BLANKS ENERGY CORPORATION PROPOSAL
ARCO STATE WELL NO. 1
LEA COUNTY, NEW MEXICO BD1-250

SURVEY CREATED BY PROPOSAL PROGRAM

RECORD OF SURVEY

RADIUS OF CURVATURE METHOD

BLANKS ENERGY CORPORATION PROPOSAL
ARCO STATE WELL NO. 1
LEA COUNTY, NEW MEXICO BD1-250

COMPUTATION TIME 14:25:15 DATE 15-JUN-81 PAGE NO.

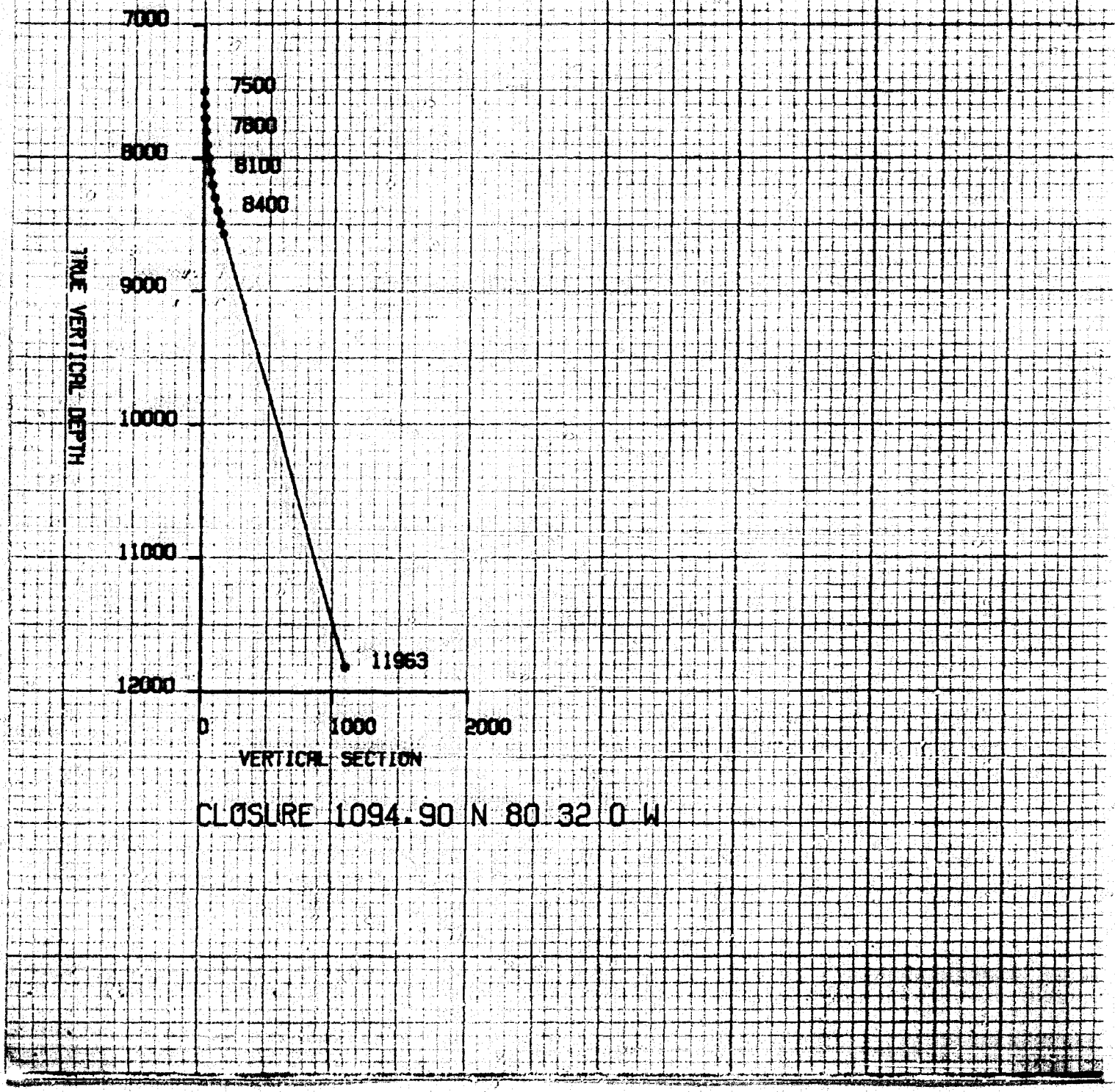
MEASURED DEPTH FEET	DRIFT ANGLE D M	DRIFT DIRECTION D	TRUE VERTICAL DEPTH FEET	RECTANGULAR COORDINATES FEET		DOG LEG SEVERITY DG/100FT
7500.	0 0	0	7500.00	0.00	0.00	0.00
7600.	1 30	N 80 W	7599.99	0.22 N	1.29 W	1.50
7700.	3 0	N 80 W	7699.91	0.86 N	5.16 W	1.50
7800.	4 30	N 80 W	7799.69	1.94 N	11.61 W	1.50
7900.	6 0	N 80 W	7899.27	3.44 N	20.64 W	1.50
8000.	7 30	N 80 W	7998.57	5.37 N	32.23 W	1.50
8100.	9 0	N 80 W	8097.54	7.73 N	46.39 W	1.50
8200.	10 30	N 80 W	8196.09	10.52 N	63.09 W	1.50
8300.	12 0	N 80 W	8294.17	13.73 N	82.33 W	1.50
8400.	13 30	N 80 W	8391.70	17.36 N	104.10 W	1.50
8500.	15 0	N 80 W	8488.62	21.41 N	128.38 W	1.50
8579.	16 11	N 80 W	8564.85	24.91 N	149.37 W	1.50
11963.	16 11	N 80 W	11815.00	180.08 N	1079.99 W	0.00

FINAL CLOSURE - DIRECTION: N 80 DEGS 32 MINS W
DISTANCE: 1094.90 FEET

BLANKS ENERGY CORPORATION PROPOSAL
ARCO STATE WELL NO. 1
LEA COUNTY, NEW MEXICO BDI-250

EASTMAN WHIPSTOCK, INC.

VERTICAL PROJECTION
SCALE 1 IN. = 1000 FEET



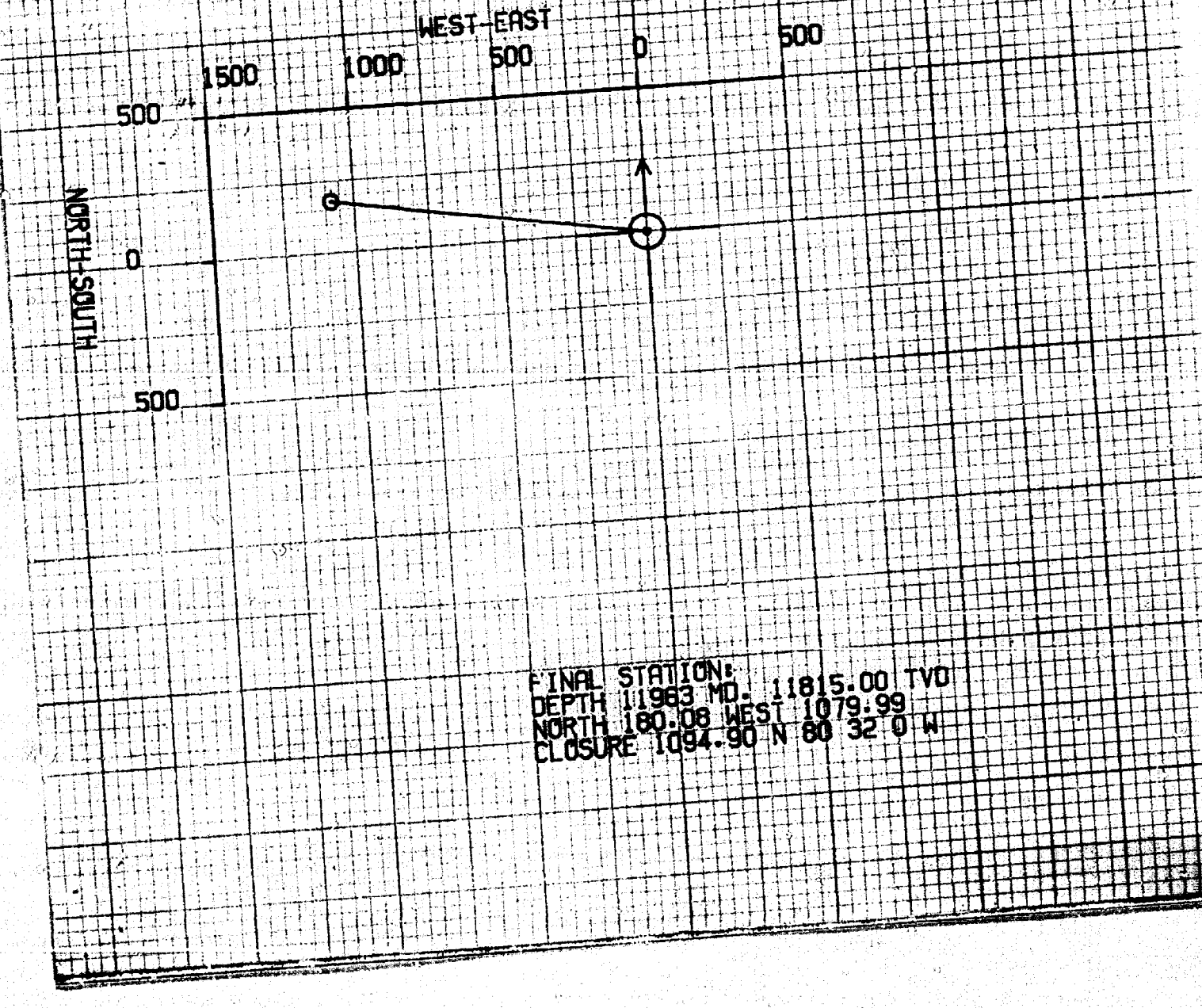
CLOSURE 1094.90 N 80 32 0 W

HORIZONTAL PROJECTION

SCALE 1 IN. = 500 FEET

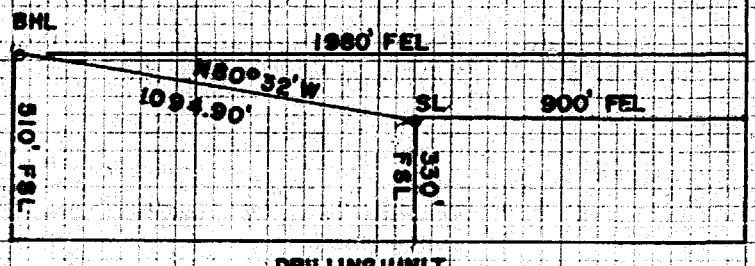
BLANKS ENERGY CORPORATION PROPOSAL
ARCO STATE WELL NO. 1
LEA COUNTY, NEW MEXICO BDI-250

EASTMAN WHIPSTOCK, INC.



FINAL STATION:
DEPTH 11963 MD. 11815.00 TVD
NORTH 180.08 WEST 1079.99
CLOSURE 1094.90 N 80 32 0 W

BLANKS ENERGY CORPORATION
ARCO STATE WELL NO. 1
LEA COUNTY, TEXAS



DRILLING UNIT
SCALE 1" = 50'

Dockets Nos. 20-81 and 21-81 are tentatively set for July 2 and 15, 1981. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - JUNE 17, 1981

9 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Daniel S. Nutter, Examiner, or Richard L. Stamets, Alternate Examiner:

ALLOWABLE: (1) Consideration of the allowable production of gas for July, 1981, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.

(2) Consideration of the allowable production of gas for July, 1981, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 7273: Application of Blanks Energy Corporation for an unorthodox oil well location and possible directional drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled 330 feet from the South line and 900 feet from the East line of Section 16, Township 18 South, Range 35 East, South Vacuum-Devonian Pool, the S/2 SE/4 of said Section 16 to be dedicated to the well. If commercial production is not obtained at said location, applicant proposes to come back up the hole and directionally drill in a westerly direction and bottom the well in the Devonian formation at a standard location in the SW/4 SE/4 of said Section 16.

CASE 7274: Application of Bass Enterprises Production Company for directional drilling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to directionally drill its James Ranch Unit Well No. 13 from an unorthodox surface location 660 feet from the South line and 1340 feet from the East line of Section 36, Township 22 South, Range 30 East, in such a manner as to bottom said well in the Morrow formation at a standard location at least 660 feet from the South line and 1980 feet from the West line of Section 31, Township 22 South, Range 31 East, the S/2 of said Section 31 to be dedicated to the well.

CASE 7275: Application of S. P. Yates for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp-Pennsylvanian formations underlying the N/2 of Section 21, Township 19 South, Range 27 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7263: (Continued from June 3, 1981, Examiner Hearing)

Application of Yates Petroleum Corporation for amendment of Order No. R-5527, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Division Order No. R-5527, which approved an unorthodox Morrow location, to permit the recompletion of its Blevins "IK" Well No. 1 in Unit D of Section 35, Township 17 South, Range 26 East, as an unorthodox gas well location in all Wolfcamp and Pennsylvanian formations.

CASE 7276: Application of Mobil Producing Texas & New Mexico Inc. for the extension of the vertical limits of the Langlie Mattix Pool, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the contraction of the vertical limits of the Jalmat Pool and the upward extension of the vertical limits of the Langlie Mattix Pool to the following depths underlying the following 40-acre tracts in Township 25 South, Range 37 East: NE/4 SE/4 of Section 4: 3327 feet; NE/4 SW/4 of Section 3: 3215 feet; and NE/4 NW/4 of Section 15: 3206 feet.

CASE 7277: Application of Holly Energy, Inc. for an unorthodox oil well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Beeson Well No. 2 to be drilled 1100 feet from the North line and 2300 feet from the West line of Section 29, Township 17 South, Range 30 East, Grayburg-Jackson Pool, the NE/4 NW/4 of said Section 29 to be dedicated to the well.

CASE 7278: Application of Pollution Control, Inc. for an oil treating plant permit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority for the construction and operation of an oil treating plant for the purpose of treating and reclaiming sediment oil at a site in the E/2 NW/4 of Section 18, Township 20 South, Range 33 East.

CASE 7279: Application of BCO, Inc. for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Basin-Dakota and Lybrook-Gallup production in the wellbores of the following wells located in Township 23 North, Range 7 West: Dunn Well No. 3 located in Unit I of Section 3 and State H Wells Nos. 3 and 4, located in Units M and D, respectively, of Section 2.

CASE 7280: Application of Northwest Pipeline Corporation for a dual completion and downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks authority to dually complete its Ross Unit Well No. 77 located in Unit L of Section 33, Township 31 North, Range 5 West, to produce gas from the Mesaverde formation and commingled Gallup and Dakota production through separate strings of tubing.

CASE 7281: Application of Dugan Production Corporation for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of undesignated Gallup and Basin-Dakota production in the wellbore of its Windfall Well No. 10 located in Unit F of Section 31, Township 26 North, Range 11 West.

CASE 7282: Application of Jerome P. McHugh for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Wildhorse-Gallup and Basin-Dakota production in the wellbore of his Apache Well No. 3-E located in Unit H of Section 19, Township 26 North, Range 3 West.

CASE 7254: (Continued from May 20, 1981, Examiner Hearing)

Application of Mesa Petroleum Company for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Mesaverde formation underlying the W/2 of Section 15, Township 30 North, Range 11 West, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7270: (Continued from June 3, 1981, Examiner Hearing)

Application of Southland Royalty Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the N/2 of Section 21, Township 19 South, Range 27 East, to be dedicated to its Pecos River Federal 21-A Com Well No. 1 drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7250: (Continued from June 3, 1981, Examiner Hearing)

Application of Southland Royalty Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the N/2 of Section 22, Township 18 South, Range 29 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

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Case 7273

June 2, 1981

Mr. Dan Nutter
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87501

Re: Blanks Energy Corporation
Application for June 17, 1981

Dear Dan:

I am transmitting herewith, executed in triplicate, copies of an Application for Blanks Energy Corporation for an unorthodox location and alternative directional drilling of its Arco State #1 Well.

It is our understanding that this matter has already been placed on the docket for June 17, 1981.

If any additional materials or information is required, please advise.

Very truly yours,

HINKLE, COX, EATON,
COFFIELD & HENSLEY

Conrad E. Coffield

CEC:rh
Enclosures

xc: Mr. John Elphick

BEFORE THE OIL CONSERVATION DIVISION OF
THE DEPARTMENT OF ENERGY AND MINERALS
STATE OF NEW MEXICO

APPLICATION OF BLANKS ENERGY)
CORPORATION FOR AN UNORTHODOX)
WELL LOCATION, LEA COUNTY,)
NEW MEXICO)

Case 7273

APPLICATION

Blanks Energy Corporation hereby makes application for approval of an unorthodox oil well location and states:

1. Applicant seeks approval of an unorthodox oil well location for its Arco State #1 Well to be drilled at a point 900 feet from the East line and 330 feet from the South line of Section 16, Township 18 South, Range 35 East, N.M.P.M., Lea County, New Mexico, to test the Devonian formation.

2. The S½SE¼ of Section 16 is to be dedicated to the well.

3. In the alternative, if the well proves to be nonproductive, Applicant further seeks approval for the directional drilling of the Arco State #1 Well in the Vacuum South Devonian Field, the surface location of which would be 900 feet from the East line and 330 feet from the South line of Section 16, Township 18 South, Range 35 East, N.M.P.M., Lea County, New Mexico, and then directionally drilled in a westerly direction to bottom said well in SW¼SE¼ of said Section.

4. Approval of the unorthodox location and the alternative directional drilling will be in the interest of conservation, prevention of waste and protection of correlative rights.

5. Applicant respectfully requests that this application be set on the June 17, 1981 Docket.

Dated this 2th day of June, 1981.

Respectfully submitted,

HINKLE, COX, EATON,
COFFIELD & HENSLEY

By: _____
Conrad E. Coffield
Attorney for Blanks Energy
Corporation

BEFORE THE OIL CONSERVATION DIVISION OF
THE DEPARTMENT OF ENERGY AND MINERALS
STATE OF NEW MEXICO

APPLICATION OF BLANKS ENERGY CORPORATION FOR AN UNORTHODOX WELL LOCATION, LEA COUNTY, NEW MEXICO)

Case 7223

APPLICATION

Blanks Energy Corporation hereby makes application for approval of an unorthodox oil well location and states:

1. Applicant seeks approval of an unorthodox oil well location for its Arco State #1 Well to be drilled at a point 900 feet from the East line and 330 feet from the South line of Section 16, Township 18 South, Range 35 East, N.M.P.M., Lea County, New Mexico, to test the Devonian formation.

2. The S½SE¼ of Section 16 is to be dedicated to the well.

3. In the alternative, if the well proves to be nonproductive, Applicant further seeks approval for the directional drilling of the Arco State #1 Well in the Vacuum South Devonian Field, the surface location of which would be 900 feet from the East line and 330 feet from the South line of Section 16, Township 18 South, Range 35 East, N.M.P.M., Lea County, New Mexico, and then directionally drilled in a westerly direction to bottom said well in SW¼SE¼ of said Section.

4. Approval of the unorthodox location and the alternative directional drilling will be in the interest of conservation, prevention of waste and protection of correlative rights.

5. Applicant respectfully requests that this application be set on the June 17, 1981 Docket.

Dated this 2th day of June, 1981.

Respectfully submitted,

HINKLE, COX, EATON,
COFFIELD & HENSLEY

By: _____
Conrad E. Coffield
Attorney for Blanks Energy Corporation

Blanke Energy Corporation
Conrad Coffield 10:00 am 6/27/81

Application of Blanke Energy Corporation for an unorthodox oil well location and proposed directional drilling, Lea County, New Mexico

Applicant, in the above styled cause, seeks approval for the unorthodox location of a well to be drilled 330 feet from the South line and 900 feet from the East line of Section 16, Township 18 South, Range 35 East, South Vacuum-Devonian Pool, Lea County, New Mexico, the S/2 SE/4 of said Section 16 to be dedicated to the well. A Commercial production is not obtained at said location, applicant proposes to back up the hole and directionally drill in a westerly direction and bottom the well in the Devonian formation at a standard location in the SW/4 SE/4 of said Section 16.

DRAFT

dr/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING:

CASE NO. 7273

ORDER NO. R-6715

APPLICATION OF BLANKS ENERGY CORPORATION

FOR AN UNORTHODOX OIL GAS WELL LOCATION, AND POSSIBLE DIRECTIONAL DRILLING, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on June 17, 19 81, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter

NOW, on this _____ day of June, 19 81, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Blanks Energy Corporation, seeks approval of an unorthodox gas well location 330 feet from the South line and 900 feet from the East line of Section 16, Township 18 South, Range 35 East, NMPM, to test the Devonian formation, South Vacuum-Devonian Pool, Lea County, New Mexico.

(3) That the S/2 SE/4 of said Section 16 is to be dedicated to the well.

(4) ~~That a well at said unorthodox~~ That said unorthodox location will ~~better~~ avoid a known fault which crosses said proration unit. enable applicant to ~~produce the gas underlying the proration unit.~~

(5) That no offset operator objected to the proposed unorthodox location.

(6) That applicant further proposes, ~~Further~~, if commercial production is not obtained at said unorthodox location, ~~applicant proposes~~ to come back up the hole to approximately 7500 feet and directionally drill in a westerly direction and bottom the well in the Devonian formation at a standard location in the SW/4 SE/4 of said Section 16.

if such is the case, and applicant does directionally drill said well,

(4) That the applicant should be required to determine the subsurface location of the bottom of the hole by means of a continuous multi-shot directional survey conducted subsequent to said directional drilling, if said well is to be completed as a producing well.

(5) That approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the ~~gas~~ oil in the subject 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.

IT IS THEREFORE ORDERED:

(1) That the application of Blanks Energy Corporation for an unorthodox ~~gas~~ well location for the Devonian formation is hereby approved for a well to be located at a point 330 feet from the South line and 900 feet from the East line of Section 16, Township 18 South, Range 35 East, NMPM, South Vacuum-Devonian Pool, Lea County, New Mexico.

(2) That the S/2 SE/4 of said Section 16 shall be dedicated to the above-described well.

~~(3) That 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.~~

(3) That in the event commercial production is not obtained after drilling the aforesaid well at the above-described location, the applicant is hereby authorized to ~~same~~ plug said well back to approximately 7500 feet, set a whipstock, and directionally drill in a westerly direction, bottoming said well in the Devonian formation at a standard location in the SW/4 SE/4 of said Section 16.

PROVIDED HOWEVER, that subsequent to the above-described directional drilling, should said well be a producer, a continuous multi-shot directional survey shall be made of the wellbore from total depth to the kick-off point with shot points not more than 100 feet apart; that the operator shall cause the surveying company to forward a copy of the survey report directly to the Santa Fe office of the Division, P. O. Box 2088, Santa Fe, New Mexico, and that the operator shall notify the Division's Hobbs District Office of the date and time said survey is to be commenced

(4) That 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) That 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

JOE D. RAMEY
Director

S E A L
fd/