

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. 10206
Order No. R-9423

APPLICATION OF MCKAY OIL CORPORATION
FOR A HORIZONTAL DIRECTIONAL DRILLING
PROJECT AND SPECIAL OPERATING RULES
THEREFOR, CHAVES COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on January 10, 1991, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 25th day of January, 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) Division Case Nos. 10190, 10205, 10206, 10207 and 10208 were consolidated at the time of the hearing for the purpose of testimony.

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(3) The applicant, McKay Oil Corporation, seeks authority to initiate a horizontal directional drilling project in the NE/4 of Section 32, Township 4 South, Range 22 East, NMPM, Chaves County, New Mexico, being a standard 160-acre gas spacing and proration unit in the Undesignated North Pecos Slope-Abo Gas Pool. The applicant proposes to drill its West Fork Unit Well No. 6 located at a standard surface location 1650 feet from the North and East lines (Unit G) of said Section 32 in the following manner:

Drill vertically to a depth of approximately 3400 feet through the Abo formation, log well, plug back and set production casing, kick off from vertical at a depth of approximately 2986 feet and commence a short radius curve in an undetermined direction building angle to approximately 90 degrees, commence drilling horizontally at a depth of approximately 3046 feet a distance of approximately 500 feet.

(4) The applicant further seeks special rules and provisions within the project area including the designation of a prescribed area limiting the horizontal displacement of the wellbore such that the well can be no closer than 660 feet to the outer boundary of its assigned spacing and proration unit.

(5) The evidence and testimony presented indicates that the proposed horizontal wellbore, which is experimental in nature, should encounter a greater amount of natural fractures within the Abo formation than would a conventional wellbore, which should ultimately result in the recovery of a greater amount of gas from the proposed proration unit, thereby preventing waste.

(6) According to evidence presented, the subject well is located within the applicant's West Fork Unit Area which contains therein all offset acreage surrounding the NE/4 of said Section 32.

(7) According to further evidence the proposed surface location is such that there is a possibility, depending on the kick off direction, that the horizontal portion of the wellbore may encroach upon the 660 foot setback requirement described in Finding No. (4) above.

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(8) Should the horizontal portion of the wellbore encroach upon the 660 foot setback requirement and commercial gas production is established within the well, the applicant should be required to reopen this case and appear and present evidence and testimony in order to demonstrate that correlative rights will be protected.

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

(10) Approval of the proposed horizontal directional drilling project should result in the recovery of an additional amount of gas from the proposed proration unit which may not otherwise be recovered, thereby preventing waste, and will not violate correlative rights provided that the proposed horizontal drainhole is in compliance with the setback requirements described in Finding No. (4) above.

(11) The applicant should be required to conduct a directional survey on the vertical portion of the wellbore prior to commencing directional drilling operations, and on the horizontal portion of the wellbore during or subsequent to completion of directional drilling operations in order that the direction, extent and terminus of said horizontal drainhole may be determined to be in compliance with the terms of this order.

(12) The applicant should further be required to submit copies of said directional surveys to the Santa Fe and Artesia offices of the Division.

(13) The applicant should notify the supervisor of the Artesia district office of the Division of the date and time of commencement of directional drilling operations and of the conductance of any directional surveys on the proposed well in order that these operations may be witnessed.

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IT IS THEREFORE ORDERED THAT:

(1) The application of McKay Oil Corporation for a horizontal directional drilling project in the NE/4 of Section 32, Township 4 South, Range 22 East, NMPM, Undesignated North Pecos Slope-Abo Gas Pool, Chaves County, New Mexico, is hereby approved.

(2) The applicant is further authorized to drill its West Fork Unit Well No. 6 located at a standard surface location 1650 feet from the North and East lines (Unit G) of said Section 32 in the following manner:

Drill vertically to a depth of approximately 3400 feet through the Abo formation, log well, plug back and set production casing, kick off from vertical at a depth of approximately 2986 feet and commence a short radius curve in an undetermined direction building angle to approximately 90 degrees, commence drilling horizontally at a depth of approximately 3046 feet a distance of approximately 500 feet.

(3) The NE/4 of said Section 32 shall be dedicated to the above-described well forming a standard 160-acre gas spacing and proration unit for the North Pecos Slope-Abo Gas Pool.

(4) No part of the horizontal wellbore shall be located closer than 660 feet from the outer boundary of the proration unit.

(5) Should the horizontal portion of the wellbore encroach upon the 660 foot setback requirement and commercial gas production is established within the well, the applicant shall be required to reopen this case and appear and present evidence and testimony in order to demonstrate that correlative rights will be protected.

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(6) The applicant shall be required to conduct a directional survey on the vertical portion of the wellbore prior to commencing directional drilling operations, and on the horizontal portion of the wellbore during or subsequent to completion of directional drilling operations in order that the direction, extent and terminus of said horizontal drainhole may be determined to be in compliance with the terms of this order.

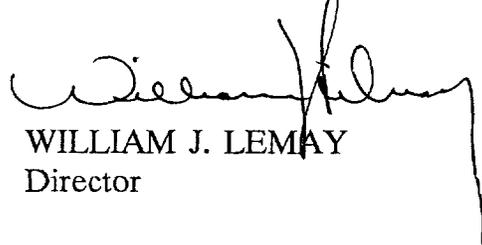
(7) The applicant shall further be required to submit copies of said directional surveys to the Santa Fe and Artesia offices of the Division.

(8) The applicant shall notify the supervisor of the Artesia district office of the Division of the date and time of commencement of directional drilling operations and of the conductance of any directional surveys on the proposed well in order that these operations may be witnessed.

(9) 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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