



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

BETTY RIVERA

Cabinet Secretary

June 27, 2002

Lori Wrotenbery

Director

Oil Conservation Division

Texaco Exploration & Production, Inc.

c/o ChevronTexaco

15 Smith Road

Midland, Texas 79705

Attention: Denise Leake

RE: NMOCD Correspondence Reference No. SD-02-01: Justis Tubb-Drinkard and Justis-Blinebry Pool development within two 80-acre horizontal/high angle directional drilling project areas, both comprising the S/2 SW/4 of Section 35, Township 24 South, Range 37 East, NMPM, Lea County, New Mexico.

Dear Ms. Leake:

Reference is made to the following: (i) your original request (*application reference No. pKRV0-13154762*) that was submitted to the New Mexico Oil Conservation Division ("Division") on November 5, 2001; (ii) the Division's letter dated March 4, 2002 from Mr. Michael E. Stogner, Engineer/Chief Hearing Officer in Santa Fe **withdrawing and returning** this request; (iii) your re-submittal of this request to the Division on June 17, 2002 (*application reference No. pKRV0-217128911*); (iv) your telephone conversation with Mr. Stogner on Thursday morning June 27, 2002; (v) the supplemental data telefaxed on Thursday, June 27, 2002 to support your request; and (vi) the Division's records in Santa Fe: all concerning Texaco Exploration and Production, Inc.'s ("Texaco") resent development within both the Justis Tubb-Drinkard (35280) and Justis-Blinebry (34200) Pools underlying two 80-acre horizontal/high angle directional drilling project areas, both comprising the S/2 SW/4 of Section 35, Township 24 South, Range 37 East, NMPM, Lea County, New Mexico. These two project areas were formed by combining the two standard 40-acre oil spacing and proration units comprising the SW/4 SW/4 (Unit M) of Section 35 and the SE/4 SW/4 (Unit N) of Section 35 pursuant to Division Rules 111.A (9) and 111.C (1).

The rules currently governing spacing, well locations, and allowables for this recovery technique in both pools include, but not necessarily limited to:

- (a) Division Rule 104.B (1), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999; and
- (b) Division Rules 111.C (3), 505, and 506.

It is our understanding that in January, 2002 Texaco recompleted its G. L. Erwin "A" Federal Well No. 7 (API No. 30-025-33138), located on the surface 330 feet from the South line and 500 feet from the West line (Unit M) of Section 35, by drilling two horizontal lateral drainholes, one in each pool, that served to connect two 40-acre units to form two 80-acre project areas that comprise the S/2 SW/4 of Section 35. From the information provided, Texaco kicked off the vertical portion of the G. L. Erwin "A" Federal Well No. 7 at a depth of 5,200 feet in a east-northeastern direction, built angle to 90 degrees, and drilled

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Texaco Exploration & Production, Inc.

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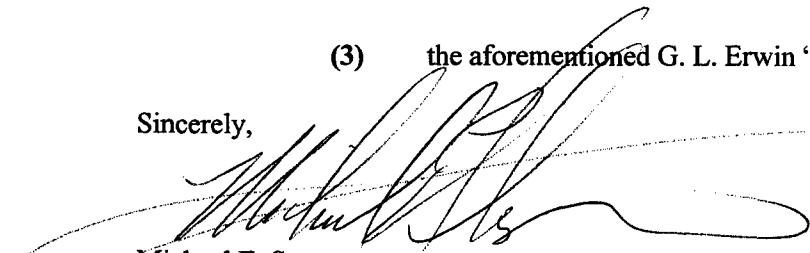
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horizontally and lateral distance of approximately 1,779 feet within the shallower Justis-Blinebry Pool ending at a point 694 feet from the South line and 2286 feet from the West line (Unit N) of Section 35. From the same vertical wellbore, Texaco kicked-off at a depth of 6,100 feet in the same direction, built angle to 90 degrees, and drilled a second horizontal drainhole a distance of approximately 1,721 feet within the deeper Justis Tubb-Drinkard Pool ending at a point 706 feet from the South line and 2283-feet from the West line (Unit N) of Section 35. Both horizontal/high angle drainholes within the G. L. Erwin "A" Federal Well No. 7 were drilled in a manner that meet the standard off-set requirements for the rules governing both pools; therefore, the two producing areas [see Division Rule 111.A (7)] are considered to be standard within both pools.

Under Division's rules pertaining to these two project areas, Texaco is permitted to produce separately the allowable assigned each 80-acre project area from the following described three wells, all of which are dually completed in both the Justis-Blinebry and Justis Tubb-Drinkard Pools, in any proportion [see Division Rule 111.C (3)]:

- (1) G. L. Erwin "A" Federal Well No. 3 (API No. 30-025-20558), located at a standard oil well location within the 40-acre unit comprising the SW/4 SW/4 (Unit M) of Section 35, 990 feet from the South and West lines of Section 35;
- (2) G. L. Erwin "A" Federal Well No. 6 (API No. 30-025-32948), located at a standard oil well location within the 40-acre unit comprising the SE/4 SW/4 (Unit N) of Section 35, 990 feet from the South line and 1825 feet from the West line of Section 35; and
- (3) the aforementioned G. L. Erwin "A" Federal Well No. 7.

Sincerely,



Michael E. Stogner
Chief Hearing Officer/Engineer

MES/mes

cc: New Mexico Oil Conservation Division - Hobbs
U. S. Bureau of Land Management - Carlsbad