



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 S. PACHECO
SANTA FE, NEW MEXICO 87505
(505) 827-7131

July 1, 1997

Texaco Exploration & Production, Inc.
205 East Bender Blvd.
Hobbs, New Mexico 88240
Attention: Paula Ives

Administrative Order DD-178(H)
High Angle/Horizontal

Dear Ms. Ives:

Reference is made to your application dated June 9, 1997 for authorization to institute high angle/horizontal directionally drilling in the Dollarhide-Tubb Drinkard Pool within its Skelly West Dollarhide Drinkard (Unit) Waterflood Project Area in Lea County, New Mexico.

The Division Director Finds That:

- (1) The application of Texaco Exploration & Production, Inc. ("Texaco") as Unit operator of the West Dollarhide Drinkard Unit (approved by Division Order No. R-3764, issued in Case 4133 and dated May 23, 1969) has been duly filed under the provisions of Rule 111.D and E of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division"), revised by Division Order No. R-10388, issued by the Oil Conservation Commission in Case 11,274 on June 13, 1995;
- (2) Division Order No. R-3768, issued in Case 4134 and dated May 28, 1969, established the Skelly West Dollarhide Drinkard (Unit) Waterflood Project, comprising the following described area in Lea County, New Mexico, by the injection of water into the Dollarhide-Tubb Drinkard Pool:

TOWNSHIP 24 SOUTH. RANGE 38 EAST. NMPM

Section 19: W/2 NE/4, NW/4, N/2 SW/4, SE/4 SW/4, NW/4 SE/4, and S/2 SE/4
Section 20: SW/4 SW/4
Section 28: Lot 4 and S/2 SW/4
Section 29: SE/4 NE/4, W/2 NW/4, SE/4 NW/4, and S/2
Section 30: E/2 and E/2 W/2
Section 31: NE/4, E/2 NW/4, NE/4 SW/4, N/2 SE/4, and SE/4 SE/4
Section 32: All
Section 33: All

TOWNSHIP 25 SOUTH, RANGE 38 EAST, NMPM

Section 4: Lots 1, 2, 3, and 4 and S/2 NW/4
Section 5: Lots 1, 2, 3, and 4, S/2 N/2, and NE/4 SE/4
Section 6: Lot 1;

- (3) The Dollarhide-Tubb Drinkard Pool within the Skelly West Dollarhide Drinkard (Unit) Waterflood Project Area is subject to the statewide rules and regulations for oil wells, as promulgated by **Rules 104.C(1) and F(1)** of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division"), revised by Division Order No. R-10533, issued by the Oil Conservation Commission in Case 11,351 on January 18, 1996, which provides for 40-acre oil spacing and proration units, or drilling units, and requires that wells be located no closer than 330 feet to the outer boundary of the lease or unitized area (pressure maintenance/waterflood project area), nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary;
- (4) Texaco at this time is seeking to commence high angle/horizontal directional drilling in the Dollarhide-Tubb Drinkard Pool within its Skelly West Dollarhide Drinkard (Unit) Waterflood Project Area, as described above in order to further enhance oil recovery from this existing secondary recovery project;
- (5) The "project area", pursuant to Division General Rule 111.A(7), for said high angle/horizontal drilling should coincide with that area described above as the Skelly West Dollarhide Drinkard (Unit) Waterflood Project Area;
- (6) It is Texaco's intent to recomplete its West Dollarhide Drinkard Unit Well No. 126 (**API No. 30-025-31973**), located 2450 feet from the South line and 150 feet from the West line (Unit L) of said Section 33 (see Division Administrative Order NSL-3255, as amended) by milling a window in the 5-1/2 inch production casing string at an approximate depth of 6,380 feet, kick-off in an easterly direction, and drill a high-angle hole a lateral distance of approximately 2000 feet through the Drinkard formation;
- (7) The applicable drilling window or "producing area", pursuant to Division General Rule 111.A(8), for said wellbore should include that area within the above-described Skelly West Dollarhide Drinkard (Unit) Waterflood Project Area and coinciding high angle/horizontal directional drilling project area that is no closer than 330 feet to its outer boundary; and,
- (8) It appears the applicant has satisfied all of the appropriate requirements prescribed in said Rule 111.D and E, the subject application should be approved and the well should be governed by the provisions contained within this order and all other applicable provisions of Division General Rule 111.

IT IS THEREFORE ORDERED THAT:

(1) Texaco Exploration & Production, Inc. ("Texaco") as Unit operator of the West Dollarhide Drinkard Unit (approved by Division Order No. R-3764, issued in Case 4133 and dated May 23, 1969), is hereby authorized to commence high angle/horizontal directional drilling within the Dollarhide-Tubb Drinkard Pool in Lea County, New Mexico, by recompleting its West Dollarhide Drinkard Unit Well No. 126 (API No. 30-025-31973), located 2450 feet from the South line and 150 feet from the West line (Unit L) of said Section 33 (see Division Administrative Order NSL-3255, as amended) by milling a window in the 5-1/2 inch production casing string at an approximate depth of 6,380 feet, kick-off in an easterly direction, and drill a high-angle hole a lateral distance of approximately 2000 feet through the Drinkard formation.

PROVIDED HOWEVER THAT prior to commencing directional drilling operations in said wellbore, the applicant shall establish the location of the kick-off point by means of a directional survey acceptable to the Division.

PROVIDED FURTHER THAT during or upon completion of said directional drilling operations, the applicant shall conduct an accurate wellbore survey from the kick-off point to total depth in order that the subsurface bottomhole location, as well as the wellbore's true depth and course, may be determined.

(2) The applicant shall notify the supervisor of the Hobbs District office of the Division of the date and time said wellbore survey is to be conducted so that they may be witnessed. The applicant shall further provide a copy of said wellbore survey to the Santa Fe and Hobbs offices of the Division upon completion.

(3) The "project area", pursuant to Division General Rule 111.A(7), for said high angle/horizontal drilling should coincide with the Skelly West Dollarhide Drinkard (Unit) Waterflood Project (approved by Division Order No. R-3768, issued in Case 4134 and dated May 28, 1969) comprising the following described area in Lea County, New Mexico:

TOWNSHIP 24 SOUTH, RANGE 38 EAST, NMPM

Section 19: W/2 NE/4, NW/4, N/2 SW/4, SE/4 SW/4, NW/4 SE/4, and S/2 SE/4
Section 20: SW/4 SW/4
Section 28: Lot 4 and S/2 SW/4
Section 29: SE/4 NE/4, W/2 NW/4, SE/4 NW/4, and S/2
Section 30: E/2 and E/2 W/2
Section 31: NE/4, E/2 NW/4, NE/4 SW/4, N/2 SE/4, and SE/4 SE/4
Section 32: All
Section 33: All

TOWNSHIP 25 SOUTH, RANGE 38 EAST, NMPM

Section 4: Lots 1, 2, 3, and 4 and S/2 NW/4
Section 5: Lots 1, 2, 3, and 4, S/2 N/2, and NE/4 SE/4

Section 6: Lot 1.

(4) The applicable drilling window or "producing area", pursuant to Division General Rule 111.A(8), for said wellbore should include that area within the above-described Skelly West Dollarhide Drinkard (Unit) Waterflood Project Area and coinciding high angle/horizontal directional drilling project area that is no closer than 330 feet to its outer boundary.

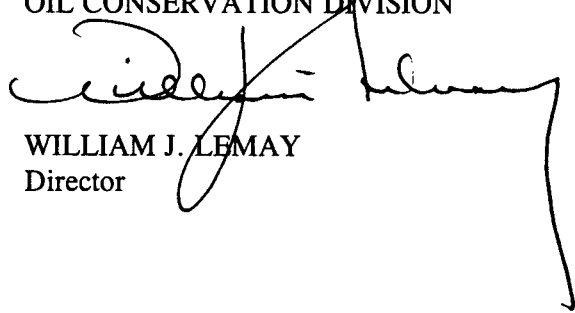
(5) The operator shall comply with all requirements and conditions set forth in Division General Rule 111.E(2) and any applicable requirements in 111.D and F, and Order No. R-3768.

(6) Form C-105 shall be filed in accordance with Division Rule 1105 and the operator shall indicate thereon true vertical depth (TVD) in addition to measured depths (MVD).

(7) 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


WILLIAM J. LEMAY
Director

S E A L

cc: Oil Conservation Division - Hobbs
New Mexico State Land Office - Santa Fe
U. S. Bureau of Land Management - Carlsbad
File: NSL-3255 /