

**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. 11306
Order No. R-10402**

**APPLICATION OF MARBOB ENERGY
CORPORATION FOR DIRECTIONAL
DRILLING AND AN UNORTHODOX
BOTTOMHOLE OIL WELL LOCATION,
CHAVES COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on June 15, 1995, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 23rd day of June, 1995, 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) The applicant, Marbob Energy Corporation, seeks authority to re-enter its plugged and abandoned Leaping Lizard Federal Well No. 1 located at a previously approved unorthodox location (approved by Division Order No. R-10107) 421 feet from the North line and 2381 feet from the West line (Unit C) of Section 4, Township 14 South, Range 29 East, NMPM, Chaves County, New Mexico, wherein the applicant proposes to kick off from the vertical and directionally drill the subject well in a northeasterly direction to an unorthodox bottomhole oil well location in the Undesignated South Lone Wolf-Devonian Pool within 50 feet of a point 300 feet from the North line and 2610 feet from the West line (Unit C) of Section 4.

(3) The NE/4 NW/4 of Section 4 is to be dedicated to the subject well forming a standard 40-acre oil spacing and proration unit for said pool.

(4) The Leaping Lizard Federal Well No. 1 is located within one mile of the South Lone Wolf-Devonian Pool which is currently governed by Statewide Oil Rules and Regulations which require standard 40-acre oil spacing and proration units with wells to be located no closer than 330 feet from the outer boundary of the spacing unit.

(5) Division records indicate that the Leaping Lizard Federal Well No. 1 was drilled in October, 1994, by Hanagan Petroleum Corporation to test the South Lone Wolf-Devonian Pool. The well tested non-productive in the Devonian formation and was subsequently plugged and abandoned.

(6) Marbob Energy Corporation assumed operations on the subject well from Hanagan Petroleum Corporation on January 19, 1995.

(7) By utilizing the existing wellbore to test the Devonian formation in lieu of drilling a new well, the applicant will save considerable drilling expense.

(8) According to applicant's geologic evidence and testimony, it has utilized 3-D seismic data to identify a Devonian structure which encompasses approximately 160 acres and comprises all or portions of the NW/4 NE/4 and NE/4 NW/4 of Section 4 and the SE/4 SW/4 and SW/4 SE/4 of Section 33, Township 13 South, Range 29 East, NMPM.

(9) The evidence further indicates that the Leaping Lizard Federal Well No. 1 penetrated this Devonian structure on the downthrust side of a fault which traverses the NE/4 NW/4 of Section 4 in a northwest to southeast direction.

(10) Applicant's geologic evidence indicates that a well drilled to the proposed unorthodox bottomhole oil well location should penetrate the Devonian formation at a structurally high position and on the upthrust side of the fault located within this structure, thereby increasing the likelihood of obtaining commercial oil production.

(11) Applicant testified that the proposed directionally drilled Leaping Lizard Federal Well No. 1 should be capable of draining the entire Devonian structure.

(12) Testimony with regards to lease ownership in this area was presented by the applicant. This testimony indicates that there are three separate Federal Leases, described as follows, which encompass this potentially productive Devonian structure:

<u>FEDERAL LEASE NUMBER</u>	<u>LEASE DESCRIPTION</u>
NM-62196	Section 4: NW/4 NE/4 and NE/4 NW/4
NM-62195	Section 33: SW/4 SE/4
NM-57255	Section 33: SE/4 SW/4

(13) The working interest and royalty interest ownership among the three leases is common, however, the overriding royalty interest is not common.

(14) The Division received correspondence from certain overriding royalty interest owners within the SW/4 SE/4 of Section 33 protesting the subject application and requesting the formation of a Federal exploratory unit which would include a portion of Federal Lease No. NM-62195.

(15) Applicant testified that in order to protect the correlative rights of all interest owners whose acreage overlies the subject Devonian structure, it will, if oil production is encountered in the subject well, apply to the Division for the creation of a new Devonian pool and for the promulgation of special rules and regulations including 160-acre spacing. In addition, applicant testified that it will apply for the formation of a non-standard oil proration unit comprising that area described in Finding No. (8) above.

(16) Applicant's proposed plan to protect the correlative rights of all interest owners is fair and reasonable and should be cited as a condition of approval in this case.

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

(18) Approval of the subject application, subject to certain conditions, will afford the applicant the opportunity to produce its just and equitable share of the oil in the Devonian formation, 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.

(19) The applicant should be required to conduct a directional survey on the well prior to initiating directional drilling operations and subsequent to the completion of such operations in order that the bottomhole location of the well may be verified to be in compliance with the terms of this order.

(20) The applicant should notify the supervisor of the Division's Artesia district office of the date and time of the conductance of any directional survey on the subject well in order that the same may be witnessed. In addition, subsequent to the conductance of such directional surveys, copies of these surveys should be furnished to the Santa Fe and Artesia offices of the Division.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Marbob Energy Corporation, is hereby authorized to re-enter its plugged and abandoned Leaping Lizard Federal Well No. 1 located at a previously approved unorthodox location (approved by Division Order No. R-10107) 421 feet from the North line and 2381 feet from the West line (Unit C) of Section 4, Township 14 South, Range 29 East, NMPM, Chaves County, New Mexico, kick off from the vertical and directionally drill the subject well in a northeasterly direction to an unorthodox bottomhole oil well location in the Undesignated South Lone Wolf-Devonian Pool within 50 feet of a point 300 feet from the North line and 2610 feet from the West line (Unit C) of Section 4.

PROVIDED HOWEVER THAT, in the event the subject well is completed as a producing well in the Devonian formation, the applicant shall be required to file an application with the Division, within 60 days following completion of the well, for pool creation, for the promulgation of special rules and regulations including 160-acre spacing, and for the formation of a non-standard spacing and proration unit comprising the NW/4 NE/4 and NE/4 NW/4 of Section 4, Township 14 South, Range 29 East, NMPM, and the SE/4 SW/4 and SW/4 SE/4 of Section 33, Township 13 South, Range 29 East, NMPM.

(2) Pending the outcome of drilling operations and subsequent applications filed with the Division, as described above, the NE/4 NW/4 of Section 4 shall be dedicated to the subject well forming a standard 40-acre oil spacing and proration unit for the Devonian formation.

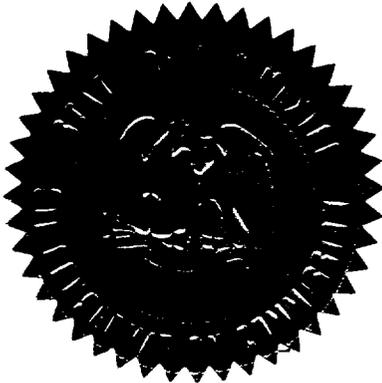
(3) The applicant shall conduct a directional survey on the well prior to initiating directional drilling operations and subsequent to completion of such operations in order that the bottomhole location of the well may be verified to be in compliance with the terms of this order.

(4) The applicant shall notify the supervisor of the Division's Artesia district office of the date and time of the conductance of any directional survey on the subject well in order that the same may be witnessed. In addition, subsequent to the conductance of such directional surveys, copies of these surveys shall be furnished to the Santa Fe and Artesia offices of the Division.

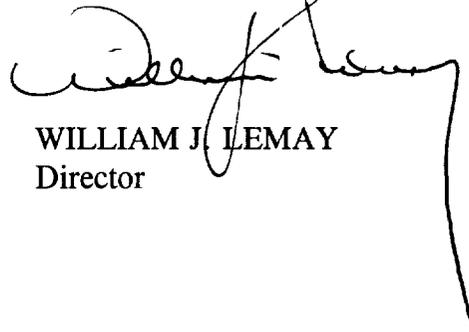
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(5) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director