

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. 9643
Order No. R-8928

APPLICATION OF STEVE SELL FOR
DIRECTIONAL DRILLING AND AN
UNORTHODOX GAS WELL LOCATION,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on April 26, 1989, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 10th day of May, 1989, 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, Steve Sell, seeks authorization to directionally drill its Shafer Federal Com Well No. 1 from a surface location 1327 feet from the South line and 1145 feet from the West line (Unit L) of Section 35, Township 21 South, Range 24 East, NMPM, Eddy County, New Mexico, in a northwesterly direction to a depth sufficient to test the Undesignated Indian Basin-Upper Pennsylvanian Gas Pool and the Undesignated Indian Basin-Morrow Gas Pool at an unorthodox bottomhole location which shall not be closer than 1600 feet from the South line and 800 feet from the West line (Unit L) of said Section 35. All of said Section 35 is to be dedicated to the proposed well forming a standard 640-acre gas spacing and proration unit for both pools.

(3) The proposed proration unit is located one mile from the outer boundary of the Indian Basin-Upper Pennsylvanian Gas Pool and is therefore subject to the special rules and regulations for said pool as promulgated by Division Order No. R-8170, as amended, which require wells to be located no closer than 1650 feet to the outer boundary of the proration unit nor closer than 330 feet to any governmental quarter-quarter section or subdivision inner boundary.

(4) Division records indicate, however, that the subject well is not located within one mile of any designated Morrow gas pool and, as a result, should properly be classified as Wildcat Morrow at this time.

(5) Evidence presented by the applicant indicates that the proposed directional drilling is necessitated by topographical conditions in the SW/4 of said Section 35.

(6) The applicant further presented geologic evidence and testimony which indicates that a well located at the proposed unorthodox bottomhole location will encounter the Upper Pennsylvanian formation at a more structurally advantageous position above the gas-water contact than a well drilled at a standard location thereon, thereby increasing the likelihood of obtaining commercial production.

(7) The evidence further indicates that the Harvey E. Yates Company Anadarko Federal Well No. 1-Y, which was drilled in 1979 at a standard location 1960 feet from the South line and 2310 feet from the West line (Unit K) of said Section 35, was tested in the Upper Pennsylvanian formation and subsequently plugged and abandoned.

(8) The interest ownership in said Section 35 and Section 34 (the affected offset acreage to the west) is common.

(9) No offset operator objected to the proposed directional drilling and unorthodox bottomhole location.

(10) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the Indian Basin-Upper Pennsylvanian Gas Pool and Wildcat Morrow Gas 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.

(11) The applicant should be authorized to drill the subject well to a depth sufficient to test the Morrow formation, however, should commercial gas production be encountered, the applicant should be required to obtain any additional approvals necessary to produce said Morrow zone.

(12) The applicant should be required to conduct a multishot directional survey from the surface to the proposed sidetrack depth of 4900 feet prior to initiating directional drilling operations, and should further be required to conduct a multishot directional survey from the sidetrack depth to total depth upon completion of directional drilling operations.

(13) The applicant should notify the supervisor of the Artesia district office of the Division of the date and time of conducting said directional surveys in order that they may be witnessed.

(14) Upon completion of conducting said directional surveys, the applicant should submit copies of each survey to the Santa Fe office of the Division.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Steve Sell, is hereby authorized to directionally drill its Shafer Federal Com Well No. 1 from a surface location 1327 feet from the South line and 1145 feet from the West line (Unit L) of Section 35, Township 21 South, Range 24 East, NMPM, Eddy County, New Mexico, in a northwesterly direction to a depth sufficient to test the Undesignated Indian Basin-Upper Pennsylvanian Gas Pool and Wildcat Morrow Gas Pool at an unorthodox bottomhole location which shall not be closer than 1600 feet from the South line and 800 feet from the West line (Unit L) of said Section 35.

(2) All of said Section 35 shall be dedicated to the subject well forming a standard 640-acre gas spacing and proration unit for the Indian Basin-Upper Pennsylvanian Gas Pool.

(3) Should commercial production be established in the Morrow formation, the applicant shall be required to obtain

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any additional Division approvals necessary to produce said Morrow zone.

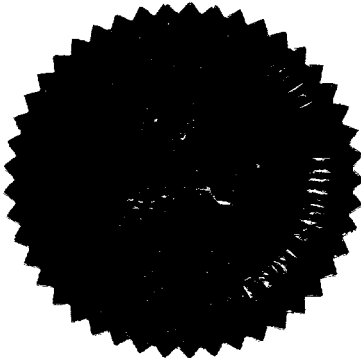
(4) The applicant shall be required to conduct a multishot directional survey from the surface to the proposed sidetrack depth of 4900 feet prior to initiating directional drilling operations, and shall further be required to conduct a multishot directional survey from the sidetrack depth to total depth upon completion of directional drilling operations.

(5) The applicant shall notify the supervisor of the Artesia district office of the Division of the date and time of conducting said directional surveys in order that they may be witnessed.

(6) Upon completion of conducting said directional surveys, the applicant shall submit copies of each survey to the Santa Fe office of the Division.

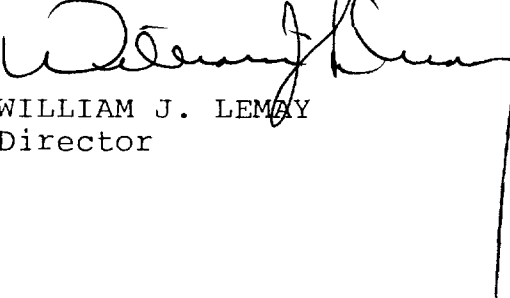
(7) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

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