

ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-5800

Mr. Chad Dickerson
Dickerson, Fisk & Vandiver
Attorneys at Law
Seventh and Mahone, Suite E
Artesia, New Mexico 88210

Re: CASE NO. 9470
ORDER NO. R-8738

Applicant:

TXO Producing Corporation

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,

Florence Davidson

FLORENE DAVIDSON
OC Staff Specialist

Copy of order also sent to:

Hobbs OCD	<u>x</u>
Artesia OCD	<u>x</u>
Aztec OCD	

Other _____

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. 9470
ORDER NO. R-8738

APPLICATION OF TXO PRODUCING
CORPORATION FOR DIRECTIONAL
DRILLING AND AN UNORTHODOX
OIL WELL LOCATION, LEA COUNTY,
NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on August 31, 1988, at Santa Fe, New Mexico.

NOW, on this 7th day of September, 1988, the Division Director, having considered the testimony and the record;

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, TXO Producing Corporation, seeks approval to re-enter the Amoco Production Company Hooper Well No. 1 located 1980 feet from the South line and 610 feet from the West line (Unit L) of Section 2, Township 17 South, Range 38 East, NMPM, Lea County, New Mexico, wherein the applicant proposes to deviate from vertical so as to penetrate the Strawn and Atoka formations and to bottom said well at a true vertical depth of approximately 11,600 feet and within a 100-foot radius of an unorthodox subsurface oil well location 1131 feet from the South line and 308 feet from the West line of said Section 2.

(3) Should re-entry into the aforementioned well be found impracticable, the applicant, in the alternative, seeks approval to drill a well at an unorthodox location 1131 feet from the South line and 308 feet from the West line (Unit M) of said Section 2.

(4) The SW/4 SW/4 (Unit M) of said Section 2 is to be dedicated to either well, forming a standard 40-acre oil spacing and proration unit for both zones.

(5) The geological evidence presented at the hearing indicates that a wellbore at this location would penetrate an algal mound in the most strategic and advantageous location, thereby increasing the likelihood of obtaining commercial production.

(6) No offset operator objected to the proposed unorthodox location and/or directional drilling.

(7) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the oil in the affected formations, 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.

(8) The applicant should be required to determine the subsurface location of the kick-off point in the wellbore prior to directional drilling and subsequently a continuous multi-shot directional drilling survey should be made of the wellbore from total depth to said kick-off point or in the alternative situation, the applicant should run a directional survey to determine the subsurface location of the non-deviated well.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, TXO Producing Corporation, is hereby authorized to re-enter the Amoco Production Company Hooper Well No. 1 located 1980 feet from the South line and 610 feet from the West line (Unit L) of Section 2, Township 17 South, Range 38 East, NMPM, to test the Strawn and Atoka formations, Lea County, New Mexico, wherein the applicant may deviate from vertical to bottom said well at a true vertical depth of approximately 11,600 feet and within a 100-foot radius of an unorthodox subsurface oil well location 1131 feet from the South line and 308 feet from the West line of said Section 2.

PROVIDED HOWEVER THAT, prior to commencing directional drilling operations into 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, subsequent to the above-described directional drilling, should said well be a producer, a continuous multi-shot directional drilling survey shall be made of the wellbore from total depth to the kick-off point with shot points not more than 100 feet apart; the operator shall cause the surveying company to forward a copy of the survey report directly to the Santa Fe office of the Division, 310 Old Santa Fe Trail, Room 206, Santa Fe, New Mexico, 87503, and the operator shall notify the Division's Hobbs District office of the date and time said survey is to be commenced.

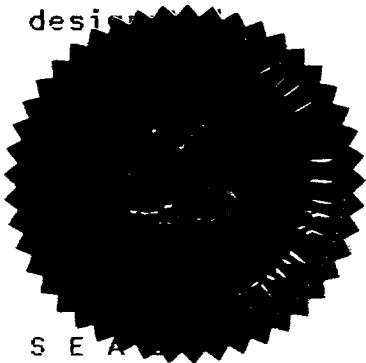
(2) Form C-105 shall be filed in accordance with Division Rule 1105 and the operator shall indicate thereon true vertical depth in addition to measured depths.

(3) Should re-entry into the aforementioned well be found impracticable, the applicant may drill a well at an unorthodox location 1131 feet from the South line and 308 feet from the West line (Unit M) of said Section 2, and upon completion of drilling shall determine the bottomhole location as described above and file a copy of the survey also as described above.

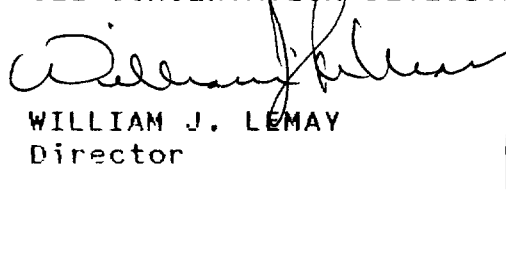
(4) In either case, the SW/4 SW/4 (Unit M) of said Section 2 is to be dedicated to the well forming a standard 40-acre oil spacing and proration unit for said zones.

(5) 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 design.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

S E A