

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. 9723
ORDER NO. R-8980

APPLICATION OF BEACH EXPLORATION, INC.
FOR AN UNORTHODOX OIL 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 August 9, 1989, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 15th day of August, 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, Beach Exploration, Inc., seeks approval of an unorthodox oil well location for its Exxon "A" Federal Well No. 3 located 2410 feet from the North line and 1932 feet from the West line (Unit F) of Irregular Section 18, Township 16 South, Range 29 East, NMPM, Undesignated High Lonesome-Queen Pool, Eddy County, New Mexico.

(3) The SE/4 NW/4 of said Section 18 is to be dedicated to the above well forming a standard statewide 40-acre oil spacing and proration unit for said pool and is situated on a single federal lease.

(4) The applicant originally proposed to drill the well at a minimal standard oil well location in the extreme southeastern portion of the subject 40-acre tract 2310 feet from the North line and 1832 feet from the West line of said Section 18.

(5) This standard location was found to be situated within a significant archaeological site, which pursuant to U.S. Bureau of Land Management rules and procedures, cannot be disturbed.

(6) The alternative site, which is the subject of this case, was chosen by the applicant to avoid this archeological site and for geological considerations.

(7) At the hearing evidence was presented which shows that the productive Queen formation in this area is bounded by an updip permeability pinchout due to "salt plugs" or anhydrite, which trends in a northeasterly-southwesterly direction.

(8) This productive boundary roughly traverses said Section 18 from the southwest corner to the northeast corner and by moving the well to an alternative location to the north or west of its original proposed standard location the likelihood of drilling into this non-permeable zone was greatly increased.

(9) The subject well was spudded on May 31, 1989, drilling to a depth of 1705 feet where a long string of 4 1/2-inch casing was set and from a perforated interval in the Queen formation of 1645 feet to 1655 feet production tested at 10 to 12 barrels of oil per day. The applicant testified further that some "salt plugs" were encountered in the well, which would indicate that this well penetrated the outer fringes of this permeability pinchout.

(10) All of said Section 18 is within one Federal lease operated by the applicant, therefore, there are no offset operators.

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

IT IS THEREFORE ORDERED THAT:

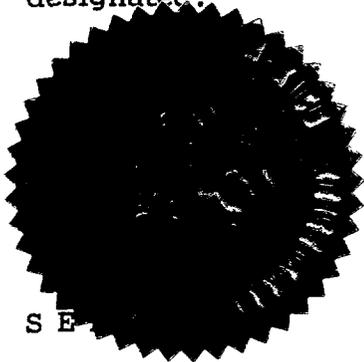
(1) The application of Beach Exploration, Inc. for an unorthodox oil well location for its Exxon "A" Federal Well No. 3 located 2410 feet from the North line and 1932 feet from the West line (Unit F) of Irregular Section 18, Township 16 South, Range 29 East, NMPM, Undesignated High Lonesome-Queen Pool, Eddy County, New Mexico.

(2) The SE/4 NW/4 of said Section 18 shall be dedicated to the above-described well forming a standard statewide 40-acre oil spacing and proration unit for said pool.

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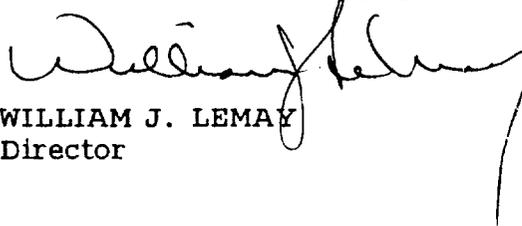
(3) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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