

**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. 15236 Re-Opened
ORDER NO. R-13949-A**

**APPLICATION OF CHEVRON MIDCONTINENT, LP, TO AMEND ORDER NO.
R-13949 TO APPROVE A 120-ACRE NON-STANDARD SPACING UNIT AND
NON-STANDARD PROJECT AREA, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on June 11, 2015, at Santa Fe, New Mexico, before Examiner Phillip R. Goetze and on June 25, 2015, before Examiner Michael McMillan.

NOW, on this 27th day of July, 2015, the Division Director, having considered the testimony, the record and the recommendations of Examiner Goetze,

FINDS THAT:

(1) Due notice has been given, and the Division has jurisdiction of the subject matter of this case.

(2) Pursuant to previous hearings, the Division, on January 20, 2015, issued Order No. R-13949, granting the application of Chevron Midcontinent, LP (the "Applicant") for approval of a non-standard spacing and proration unit and compulsory pooling for the North Red Hills-Bone Spring Pool (Pool code 96434). The Order established a non-standard 160-acre oil spacing and proration unit and project area (the "Approved Unit") consisting of the W/2 W/2 of Section 11, Township 24 South, Range 34 East, NMPM, in Lea County, New Mexico.

(3) Order No. R-13949 designated that the Approved Unit be dedicated to the Applicant's Antelope Ridge 11 24 34 Federal Well No. 3H (the "proposed well"; API No. 30-025-42318), a horizontal well to be drilled from a surface location 330 feet from the South line and 980 feet from the West line (Unit letter M) of Section 11, to a standard terminus 330 feet from the North line and 980 feet from the West line (Unit letter D) of

Section 11. The completed interval of the proposed well in the Bone Spring formation would be orthodox.

(4) Pursuant to Ordering Paragraph (5) of Order No. R-13949, Applicant seeks to amend the referenced order to change the dedicated acreage for the Unit. Applicant requests that the original 160-acre Approved Unit be contracted to a 120-acre oil spacing and proration unit and project area (the "Proposed Unit") consisting of the SW/4 NW/4 and W/2 SW/4 of Section 11, Township 24 South, Range 34 East, NMPM.

(5) Applicant appeared at the hearing through counsel and presented geologic evidence to the effect that:

- (a) the proposed well was spud on February 10, 2015, with the target interval being the 2nd Bone Spring sand;
- (b) during the drilling of the horizontal well, the borehole orientation within the third quarter-quarter section of the Approved Unit could not be maintained and the borehole drifted down below the target interval into an unproductive limestone interval;
- (c) with the bottomhole of the borehole no longer in the target interval, Applicant suspended drilling operations and considered engineering options to complete the proposed well as designed;
- (d) Applicant stated that there was a high probability for drilling complications, including the potential to not complete a producing oil well due to the mechanical requirements to correct the orientation within the remaining portion of the Approved Unit;
- (e) after considering the risks and current status of the well, Applicant decided to complete the well interval with the bottomhole location at the suspended location;
- (f) the first take point (perforation) of the completed interval is located 787 feet from the South line and 960 feet from the West line and last take point (perforation) is located 1490 feet from the North line and 986 feet from the West line; and
- (g) Applicant provided notification of the change in completion interval to all interest owners and parties subject to the compulsory pooling with proof of notification submitted in the hearing.

(6) No other party appeared at the hearing, or otherwise opposed the granting of this application.

The Division concludes as follows:

(7) Approval of the changes for the order will prevent waste and afford to the owner of each interest in the Proposed Unit the opportunity to recover or receive without unnecessary expense its just and fair share of hydrocarbons.

(8) The 40-acre quarter-quarter governmental section being excluded from the Proposed Unit is located on the northeast limit of current production for horizontal wells within the North Red Hills-Bone Spring Pool..

(9) The completed interval of the subject well within the Proposed Unit is unorthodox. Applicant should make application to Division for administrative approval of the non-standard location.

(10) Division Order No. R-13949 should be amended to approve the 120-acre oil spacing and proration unit and project area.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the Application of Chevron Midcontinent, LP (OGRID 4323), Order No. R-13949, issued in Case No. 15236 on January 20, 2015, is hereby amended for description of the acreage dedicated to the oil spacing and proration unit and project area.

(2) Ordering Paragraphs (1) and (2) of Order No. R-13949 are amended to read in their entirety, as follows:

(1) Pursuant to the application of Chevron Midcontinent, LP ("Applicant") the **120-acre** non-standard oil spacing and proration unit **and project area** ("the Unit") within the Bone Spring formation comprised of the **SW/4 NW/4 and the W/2 SW/4** of Section 11, Township 24 South, Range 34 East, NMPM, Lea County, New Mexico is **hereby approved** and all uncommitted interests, whatever they may be, in the oil and gas located within this unit are **hereby pooled**.

(2) The Unit shall be dedicated to Applicant's Antelope Ridge 11 24 34 Federal Well No. 3H ("the proposed well"; API No. 30-025-42318), to be drilled as a horizontal well from a surface location 330 feet from the South line and 980 feet from the West line, Unit letter M of Section 11, Township 24 South, Range 34 East, NMPM, Lea County, New Mexico. The well shall be drilled in a northerly direction to a terminus **1274** feet from the North line and **991** feet from the West line. **The completion interval shall be non-**

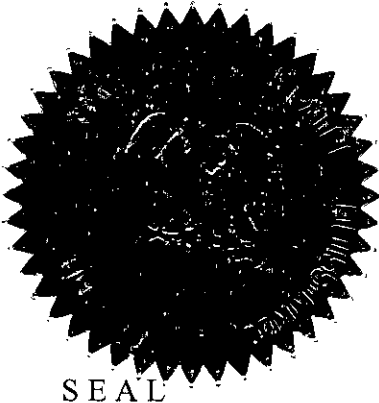
standard and shall be approved prior to commencing production from the proposed well.

(3) All other provisions of Order No. R-13949 shall remain in full force and effect.

(4) Applicant shall submit an application for administrative approval of the non-standard location no later than 60 days following approval of this amended order.

(5) Jurisdiction of this case 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

David R. Catanach

DAVID R. CATANACH
Director