

TO:

Mr. Mike Stagner

DATE:

12-29-89

FROM: STEVE SELL

FAX # 915-685-0533

TOTAL PAGES INCLUDING THIS PAGE

3

IF YOU HAVE ANY PROBLEMS OR QUESTION, PLEASE CALL US AT
(915) 685-1761.

STEVE SELL
P.O. Box 5061
MIDLAND, TEXAS 79704
(915) 685-1761

December 29, 1989

New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, NM 87054

Attn: Mr. Mike Stogner

Re: Shafer Federal Comm #1
1980' FWL & 1200' FSL
Sec. 35, T21S, R24E
Eddy County, New Mexico
Order #R8928

Gentlemen:

We have attempted drilling the captioned well with a Bottom Hole Location of 2500' FEL & 900' FSL. We encountered severe angles at the bottom of our hole and were unable to reach the Cisco, therefore we are requesting your approval of the following:

Kick well out of existing hole at approximately 5035', build at 1.5 degrees per 100' until an angle of 17 degrees is obtained and maintain same angle to estimated total depth of 7911' MD, 7780' TVD. Approximate Bottom Hole Location will be 1980' FWL & 1200' FSL of Section 35, T21S, R24E. Drilling rig is over the hole.

Should you have any questions, please contact me. Thank you for your attention in this matter.

Sincerely,



Steve Sell

SS:bw

Enclosure

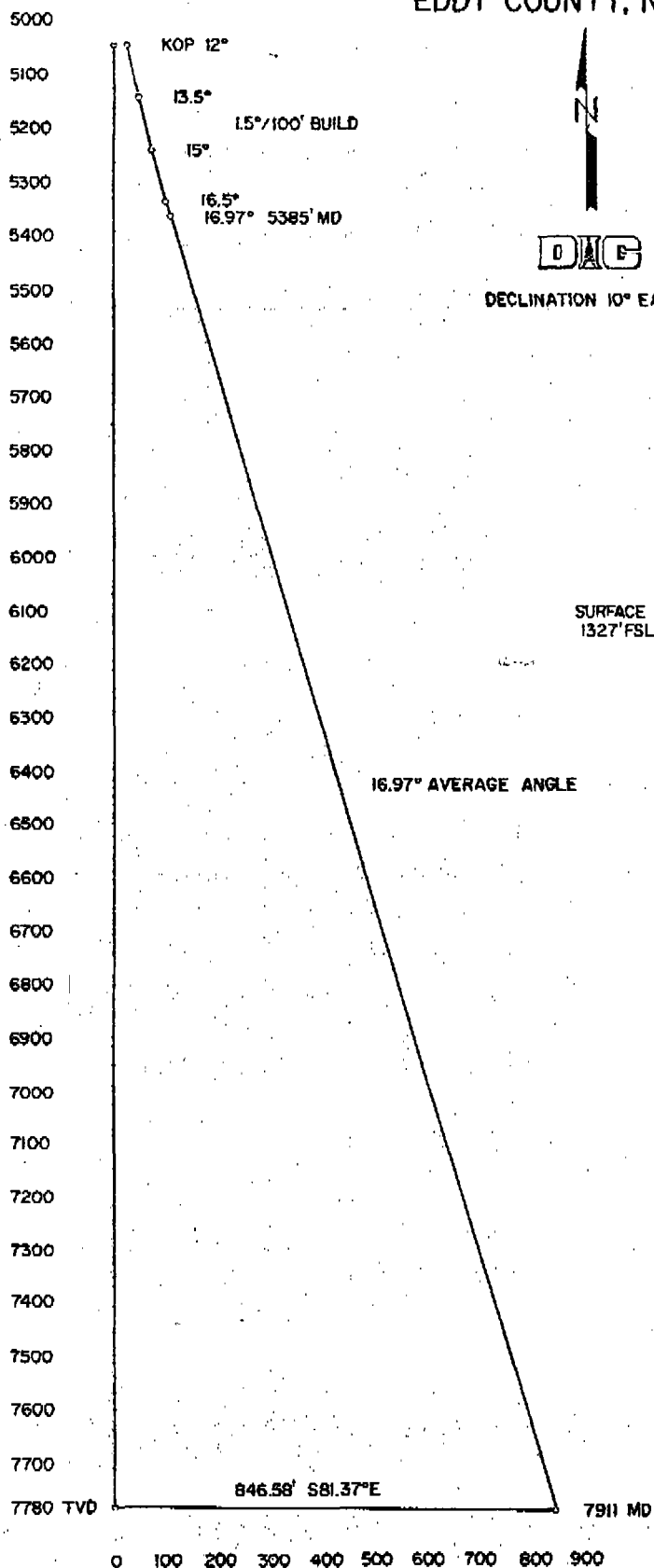
xc: Yates Petroleum Corp.
Attn: Cy Cowen

Nearburg Producing Company
Attn: Bob Shelton

SDX RESOURCES, INC
SHAHER FEDERAL WELL NO. 1
SEC. 35 T2IS R24E
EDDY COUNTY, NEW MEXICO

VERTICAL SECTION

1" = 100'

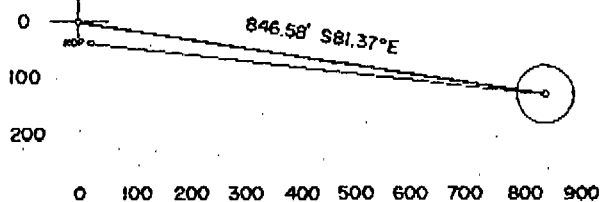


PLAN VIEW

1" = 100'

SURFACE LOCATION
1327' FSL 1143' FWL

TARGET 50' RADIUS
7780' TVD 7911' MD
127' S. 837' E. OF S.L.
1200' FSL 1980' FWL



OIL CONSERVATION DIVISION
RECEIVED

90 JAN 2 AM 9 43

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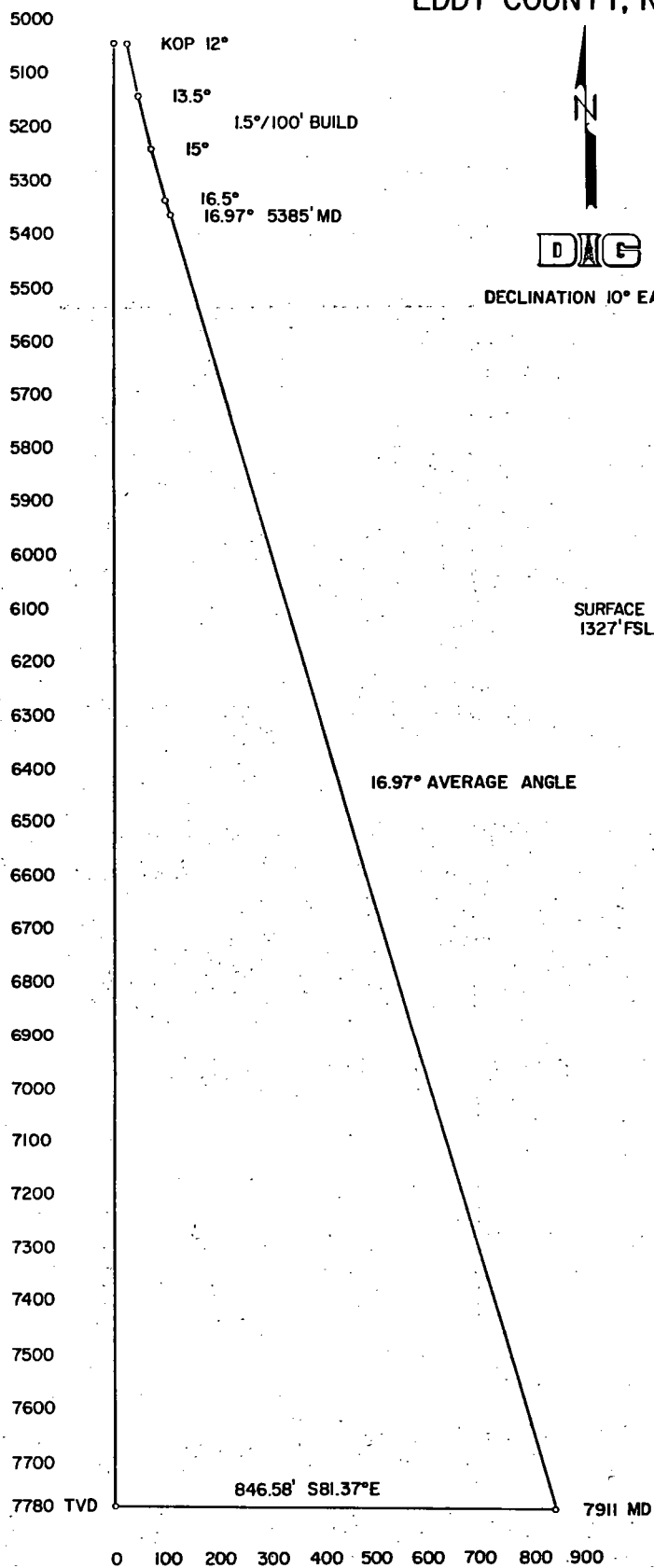
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VERTICAL SECTION

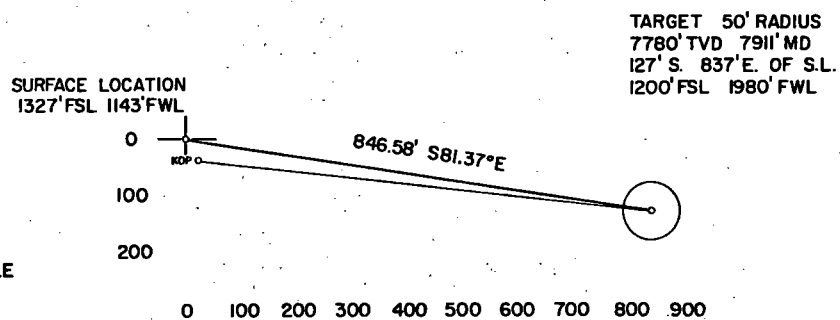
1" = 100'



DECLINATION 10° EAST

PLAN VIEW

1" = 100'



MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION LAT

Form C-102
 Supersedes C-128
 Effective 1-1-65

All distances must be from the outer boundaries of the Section.

STEVE SELL				Lease Shafer Federal Com		Well No. 1	
Letter M	Section 35	Township 21 South	Range 24 East	County Eddy County, N.M.			

Actual Footage Location of Well:

1143 feet from the West line and 1327 feet from the South line	Ground Level Elev. 3842.	Producing Formation Cisco/Morrow	Pool UND. Indian Basin MORROW	Dedicated Acreage: 654.47 Acres
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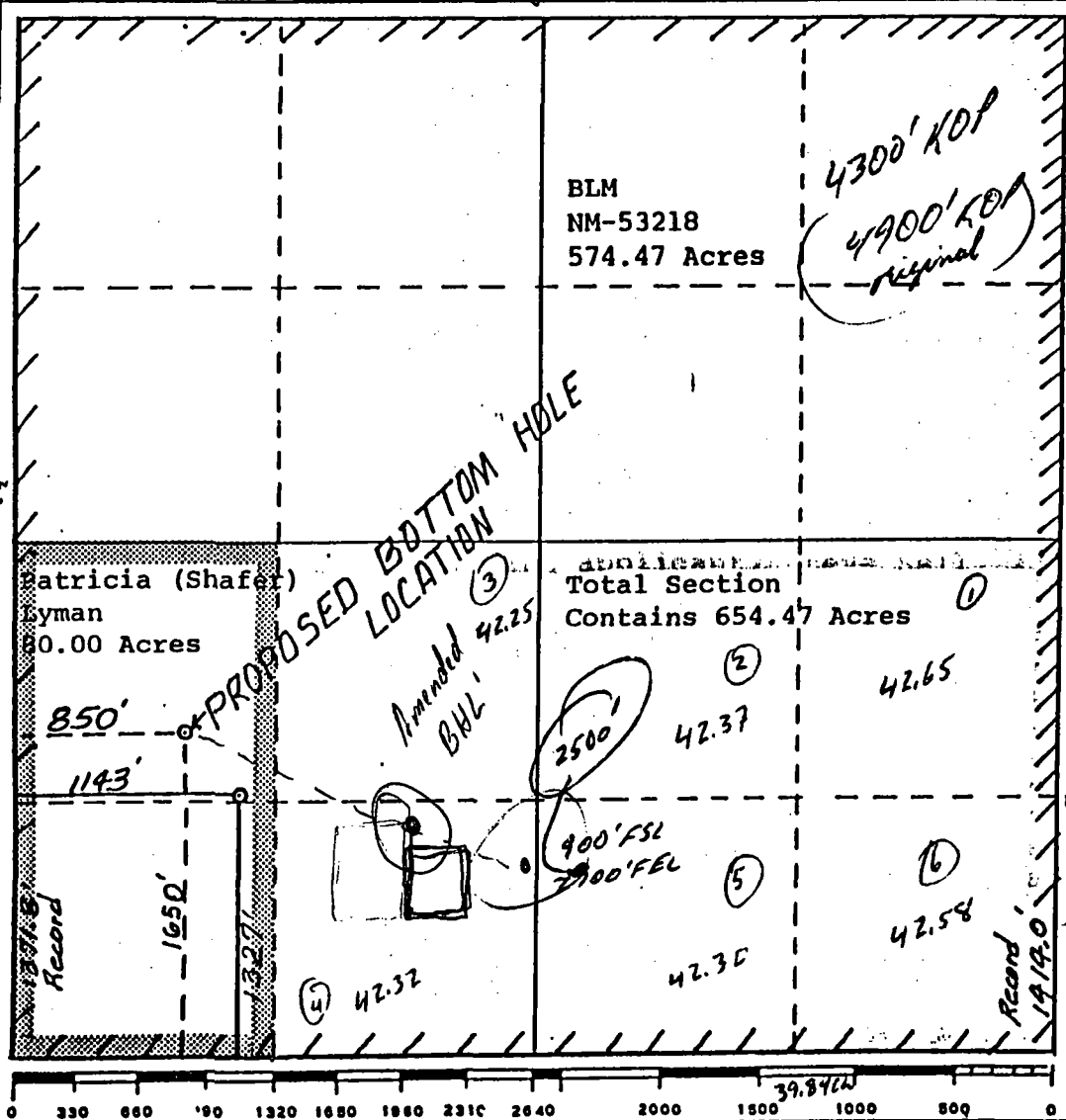
1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty). Patricia H. (Shafer) Lyman (Fee Land) $80/654.47 \times .1875 = .0229193$ Net Royalty BLM NM-53218 $574.47/654.47 \times .125 = .1097205$ Net Royalty Steve Sell 100% WI
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☒ Yes ☐ No If answer is "yes," type of consolidation Communitization

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.)

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.

8000 ft.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Kurt Boley
 Name: **Kurt Boley**

Position: **Geologist**

Company: **Steve Sell**

Date: **3-23-89**

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same are true and correct to the best of my knowledge and belief.

AN R. REDD
NEW MEXICO
REGISTERED PROFESSIONAL ENGINEER
LAND SURVEYOR

Date Surveyed: **March 22, 1989**

Registered Professional Engineer and/or Land Surveyor

Jan R. Redd
 Certificate No.
NM PE&LS NO. 5412

$34.4414 \times 66 \frac{1}{8} = 2289.4451$

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

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Case No. 9643

Order No. R-8928

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

-4-

Case No. 9643
Order No. R-8928

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.

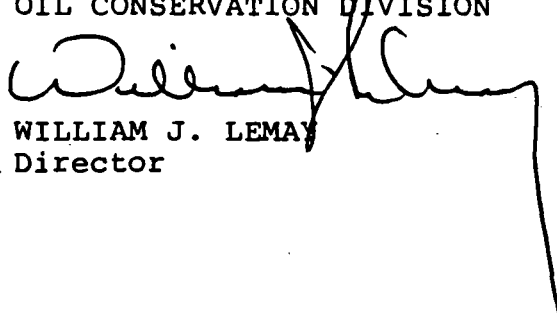
(5) The applicant shall notify the supervisor of the Artesia district office of the Division of the date and time of conducting said directional surveys in order that they may be witnessed.

(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.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

S E A L

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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. 9720
ORDER NO. R-8928-A

APPLICATION OF STEVE SELL FOR
DIRECTIONAL DRILLING, AN UNORTHODOX
GAS WELL LOCATION, A NON-STANDARD
GAS PRORATION UNIT AND TO AMEND
ORDER NO. R-8928, 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 31st 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) On May 10, 1989, the Division entered Order No. R-8928 which authorized the Applicant 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, to a bottomhole unorthodox gas well location in the Undesignated Indian Basin-Upper Pennsylvanian Gas Pool and Undesignated Indian Basin-Morrow Gas Pool being no closer than 1600 feet from the South line and 800 feet from the West line of Section 35, all of Section 35 to be dedicated to the well forming a 654.47-acre gas proration unit for both pools.

(3) Applicant has drilled the previously approved unorthodox bottomhole location and has been unable to obtain commercial production.

(4) The surface location of the subject well is approximately 1.25 miles from the boundary of the Indian Basin-Upper Pennsylvanian Gas Pool and 2.25 miles from the boundary of the Indian Basin-Morrow Gas Pool.

(5) Applicant now seeks to amend Division Order No. R-8928 to allow the Shafer Federal Com Well No. 1 to be plugged back to the vertical portion of the wellbore, kicking off at a depth of approximately 3900 feet in an east-southeasterly direction, and directionally drilling to a new unorthodox bottomhole location to a depth sufficient to test the Morrow formation at a true vertical depth of approximately 7780 feet within 200 feet of a point 900 feet from the South line and 2500 feet from the East line (Unit O) of said Section 35.

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

(7) The applicant further requests that this well be properly classified as a wildcat well in the Pennsylvanian formation and subject to the Statewide General Rules for such a test. The subject well is to be dedicated to Lots 1 through 6 and the W/2 SW/4 of said Section 35 forming a non-standard 334.47-acre gas spacing and proration unit.

(8) If at such time as it is determined that any production from the new deviated hole is indeed part of an existing pool or pools, and should an extension to such pool be made to include this well, then the operator should comply with any special rules and regulations thereafter.

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

Case No. 9720
Order No. R-8928-A
Page 3

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

(11) Approval of such application will afford the applicant the opportunity to produce its just and equitable share of the gas in the Pennsylvanian 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.

(12) The applicant should be required to determine the subsurface location of the kick-off point in the wellbore prior to directional drilling and should subsequently be required to conduct an accurate wellbore survey during or upon completion of drilling operations from the kick-off point to total depth to determine its true depth and course.

(13) The applicant should be required to notify the supervisor of the Artesia district office of the Division of the date and time said directional surveys are to be conducted so that they may be witnessed. The applicant should further be required to provide a copy of said directional surveys to the Santa Fe and Artesia offices of the Division upon completion.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Steve Sell, is hereby authorized to plug back its Shafer Federal Com Well No. 1 to a depth of approximately 3900 feet, kick-off at this point in an east-southeasterly direction and continue drilling to a new unorthodox bottomhole well location, within the Pennsylvanian formation and a true vertical depth of approximately 7780 feet, within a radius of 200 feet of a point 900 feet from the South line and 2500 feet from the East line (Unit O) of said Section 35.

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.

Case No. 9720
Order No. R-8928-A
Page 4

PROVIDED FURTHER THAT, during or upon completion of directional drilling operations, the applicant shall conduct an accurate wellbore survey from the kick-off point to total depth in order that the subsurface bottomhole location, as well as the wellbore's true depth and course, may be determined.

(2) The applicant shall notify the supervisor of the Artesia district office of the Division of the date and time said wellbore surveys are to be conducted so that they may be witnessed. The applicant shall further provide a copy of said wellbore surveys to the Santa Fe and Artesia offices of the Division upon completion.

(3) Lots 1 through 6 and the W/2 SW/4 of said Section 35 shall be dedicated to the subject well forming a non-standard 334.47-acre gas spacing and proration unit for a wildcat well in the Pennsylvanian formations.

(4) 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.

(5) If at such time as it is determined that any production from the new deviated hole is indeed part of an existing pool or pools, and should an extension to such pool be made to include this well, then the operator shall comply with any special rules and regulations thereafter.

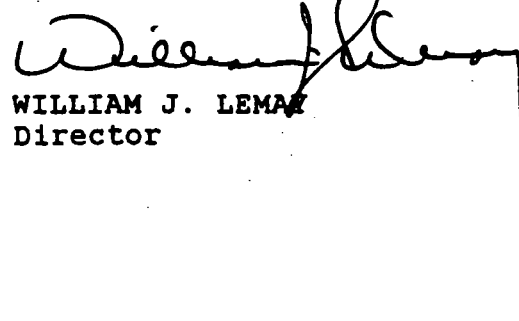
(6) Division Order No. R-8928, issued in Case No. 9643 and dated May 10, 1989, shall be placed in abeyance until further notice.

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

Case No. 9720
Order No. R-8928-A
Page 5

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in dark ink, appearing to read "William J. Lema", is written over the printed name. A long vertical line extends from the bottom of the signature down towards the bottom of the page.

WILLIAM J. LEMAR
Director

S E A L