



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

March 23, 1999

Texaco Exploration and Production, Inc.
205 East Bender Blvd.
Hobbs, New Mexico 88240
Attention: J. Denise Leake

Telefax No. (505) 397-0450

Administrative Order NSL-4240(BHL)(SD)

Dear Ms. Leake:

Reference is made to the following: (i) your application dated March 12, 1999; (ii) your telephone conversation with Mr. Michael E. Stogner, Chief Hearing Officer/Engineer, with the New Mexico Oil Conservation Division in Santa Fe ("Division") on Thursday, March 18, 1999; (iii) a copy of a signed waiver from Chevron U.S.A. Production Company ("Chevron") dated March 16, 1999; and (iv) the records of the Division: all concerning Texaco Exploration and Production, Inc.'s ("Texaco") request to horizontally drill it's A. H. Blinbry Federal (NCT-3) Well No. 6 within the Blinbry Oil and Gas Pool underlying a 120-acre project area comprising the N/2 NW/4 and the SW/4 NW/4 of Section 31, Township 22 South, Range 38 East, NMPM, Lea County, New Mexico.

The Division Director Finds That:

- (1) The subject application has been duly filed under the provisions of Division Rules 104.F and 111.C(2) and Rule 2(c) of the "*General Rules for the Prorated Gas Pools of New Mexico/Special Rules and Regulations for the Blinbry Oil and Gas Pool*", as promulgated by Division Order No. R-8170, as amended;
- (2) All of Section 31 is included within the horizontal limits of the Blinbry Oil and Gas Pool;
- (3) The special pool rules governing the Blinbry Oil and Gas Pool provide for (i) oil wells to be spaced on 40-acre tracts with (oil) wells to be located no closer than 330 feet from the outer boundary of the proration unit; and (ii) gas wells to be spaced on 160-acre tracts with (gas) wells to be located no closer than 660 feet to the outer boundary of the 160-acre tract nor closer than 330 feet to any quarter-quarter section line or subdivision inner boundary;
- (4) A "project area", pursuant to Division General Rule 111.A(9) is defined as "*an area designated on Form C-102 that is enclosed by the outer boundaries of a spacing unit, a combination of complete spacing units, or an approved waterflood, secondary, tertiary, or pressure maintenance project*"; further, in accordance with Division Rule

111.C(3), the maximum allowable assigned to such a project area with multiple proration units shall be based upon the number of standard spacing units that are developed or traversed by the producing interval of a horizontal/high angle well bore;

- (5) The well bore to be utilized is Texaco's existing "A. H. Blinebry Federal (NCT-3) Well No. 6 (API No. 30-025-33666), located at a standard surface oil well location 1650 feet from the North line and 990 feet from the West line (Unit E) of Section 31, which was drilled to a total depth of 6,320 feet in late 1996 as an infill Blinebry oil well within an existing 40-acre standard oil spacing and proration unit comprising the SW/4 NW/4 (Unit E) of Section 31.
- (6) It is our understanding that Texaco proposes to recompleate this well by initially kicking-off from vertical in a north-northeasterly direction at an approximate depth of 5,300 feet, built angle to approximately 90 degrees, continue drilling horizontally into the NW/4 SW/4 (Unit D) of Section 31. At an approximate measured depth of 6,400 feet (within Unit "D") a direction change to the east is planned. The targeted end or bottom-hole location of this drainhole is proposed to be within the NE/4 SW/4 (Unit C) of Section 31 at a point that is approximately 330 feet from the North line and 2900 feet from the West line of Section 31;
- (7) The resulting "project area" for this well would therefore combine three standard 40-acre oil spacing and proration units (Units "C", "D", and "E" of Section 31) thereby forming a 120-acre project area that comprises the N/2 NW/4 and the SW/4 NW/4 of Section 31;
- (8) The only effected 40-acre tract immediately offsetting the subject 120-acre project area is the SW/4 NW/4 (Unit F) of Section 31, in which Chevron is the operator;
- (9) The subject drainhole, as proposed by Texaco, at its closest point will come within 260 feet of Chevron's acreage (Unit "F" of Section 31);
- (10) The NW/4 NE/4, N/2 NW/4, the SW/4 NW/4 of Section 31 is a single federal lease (U.S. Government lease No. LC-032104) in which Texaco is the operator;
- (11) Texaco is currently developing oil reserves from the Blinebry Oil and Gas Pool within the subject 120-acre project area with its:
 - (a) A. H. Blinebry Federal (NCT-3) Well No. 3 (API No. 30-025-20026) located at a standard oil well location 2306 feet from the North line and 660

feet from the West line (Unit E) of Section 31;
and,

(b) A. H. Blinebry Federal (NCT-3) Well No. 4 (**API No. 30-025-27624**) located at a standard oil well location 660 feet from the North line and 1980 feet from the West line (Unit C) of Section 31;

- (12) It appears that the applicant has satisfied all of the appropriate requirements prescribed in Rules 111.C(2) and 104.F, and the applicable provisions of the rules governing the Blinebry Oil and Gas Pool; therefore the subject application should be approved and a producing area should be established for this well based on Texaco's proposed directional drilling/horizontal drainhole plan;
- (13) By drilling a horizontal drainhole within the 120-acre project area where the Blinebry oil zone has been producing since 1963, Texaco is expecting to recover additional reserves that might not otherwise be produced by the existing vertical well-bores, thereby preventing waste;
- (14) Chevron has submitted a signed waiver of objection to Texaco's unorthodox subsurface location for the subject drainhole; and
- (15) The subject 120-acre project area is to be governed by the provisions contained within this order and all other applicable provisions of Division General Rule 111.

It Is Therefore Ordered That:

(1) By the authority granted me under the provisions of Division Rules 104.F(2), 111.A(3), 111.C(3) and the applicable provisions of the special rules governing the Blinebry Oil and Gas Pool, Texaco Exploration and Production, Inc. ("Texaco") is hereby authorized to operate a horizontal/high angle directional drilling project area within the 120 acres comprising the N/2 NW/4 and the SW/4 NW/4 of Section 31, Township 22 South, Range 38 East, NMPM, Lea County, New Mexico.

It Is Further Ordered That:

(2) Texaco is authorized to recomplete its existing A. H. Blinebry Federal (NCT-3) Well No. 6 (**API No. 30-025-33666**), located at a standard surface oil well location 1650 feet from the North line and 990 feet from the West line (Unit E) of Section 31, by kicking-off from vertical in a north-northeasterly direction at an approximate depth of 5,300 feet, building angle to

approximately 90 degrees, and continue drilling horizontally within the oil producing zone of the Blinebry Oil and Gas Pool. At an approximate measured depth of 6,400 feet the direction of the well bore will be diverted easterly, whereby the targeted end or bottom-hole location of this drainhole is proposed to be approximately 330 feet from the North line and 2900 feet from the West line (Unit C) of Section 31.

(3) The applicable drilling window or producing area within the Blinebry Oil and Gas Pool for this wellbore shall include that area within the subject 120-acre project area that is:

(a) no closer than 330 feet to the northern, eastern, southern, and western boundaries of the NW/4 of Section 31; and

(b) no closer than 260 feet to the SE/4 NW/4 (Unit F) of Section 31.

(4) Oil production from the Blinebry Oil and Gas Pool within this 120-acre project area shall be simultaneously dedicated to Texaco's:

(a) A. H. Blinebry Federal (NCT-3) Well No. 3 (API No. 30-025-20026) located at a standard oil well location 2306 feet from the North line and 660 feet from the West line (Unit E) of Section 31;

(b) A. H. Blinebry Federal (NCT-3) Well No. 4 (API No. 30-025-27624) located at a standard oil well location 660 feet from the North line and 1980 feet from the West line (Unit C) of Section 31; and

(c) its aforementioned A. H. Blinebry Federal (NCT-3) Well No. 6.

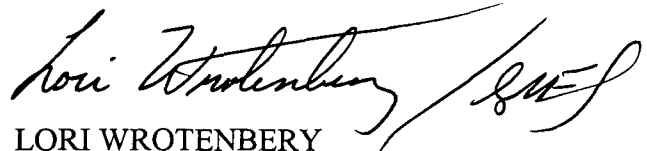
(5) The operator shall comply with all applicable requirements and conditions set forth in Division Rule 111.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in cursive script, appearing to read "Lori Wrotenbery", followed by a large, stylized flourish or mark.

LORI WROTENBERY
Director

cc: New Mexico Oil Conservation Division - Hobbs
U. S. Bureau of Land Management - Carlsbad