

**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. 11295
Order No. R-10386**

**APPLICATION OF STRATA PRODUCTION
COMPANY FOR A HIGH ANGLE/HORIZONTAL
DIRECTIONAL DRILLING PILOT PROJECT,
SPECIAL OPERATING RULES THEREFOR, A
NON-STANDARD OIL PRORATION UNIT AND
A SPECIAL PROJECT OIL ALLOWABLE,
ROOSEVELT COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on June 1, 1995, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 7th day of June, 1995, 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, Strata Production Company, seeks authority to initiate a high angle/horizontal directional drilling pilot project in the Undesignated Chaveroo-San Andres Pool underlying the SE/4 NE/4 of Section 21 and the S/2 NW/4 of Section 22, Township 7 South, Range 34 East, NMPM, Roosevelt County, New Mexico, thereby creating a non-standard 120-acre oil spacing and proration unit for said pool.

(3) The applicant further seeks authority to re-enter and horizontally drill the existing Murphy Operating Corporation Sunrise Federal Well No. 1, located at a standard surface location 1980 feet from the North line and 660 feet from the East line (Unit H) of Section 21, in the following unconventional manner:

Drill out plugs from surface to total depth at 4,803 feet. Set certain plugs within the San Andres formation and plug back to a depth of approximately 4,170 feet. Kick off from the vertical at this depth and drill in an easterly direction building angle to approximately 90 degrees so as to penetrate the P2 interval within the San Andres formation at a true vertical depth of approximately 4,470 feet. Continue drilling horizontally a distance of approximately 2,000 feet so as to bottom said wellbore within the SE/4 NW/4 of Section 22.

(4) The applicant further seeks the adoption of special operating provisions and rules within the pilot project area including the designation of a prescribed area limiting the horizontal or producing portion of the wellbore such that it can be no closer than 330 feet from the outer boundary of the project area.

(5) The applicant further seeks:

- a) authority to establish a 120-acre non-standard oil spacing and proration unit comprising the SE/4 NE/4 of Section 21 and the S/2 NW/4 of Section 22, and;
- b) the assignment of a special oil allowable for the subject well equal to three times the normal allowable for a standard 40-acre proration unit.

(6) The proposed well is located approximately one mile from the outer boundary of the Chaveroo-San Andres Pool which is currently governed by Statewide Rules and Regulations which require standard 40-acre spacing and proration units with wells to be located no closer than 330 feet from the outer boundary of the spacing unit, a standard oil allowable of 80 barrels of oil per day, and a limiting gas-oil ratio of 2,000 cubic feet of gas per barrel of oil.

(7) The evidence, testimony and Division records indicate that the Sunrise Federal Well No. 1 was drilled by Reading & Bates Petroleum Company in September, 1981. The well tested non-productive in the San Andres formation and was subsequently plugged and abandoned. During 1990, Murphy Operating Corporation assumed operations on the well and filed an intent to re-enter and test the San Andres formation.

(8) No work has been performed on the well subsequent to the filing of the intent to re-enter dated September 21, 1990.

(9) The applicant proposes to utilize the subject wellbore in an attempt to penetrate a structure within the P2 interval of the San Andres formation located within the S/2 NW/4 of Section 22.

(10) The proposed horizontal wellbore, which will traverse all three of the 40-acre tracts within the project area, should be capable of draining and developing all tracts within the project area if commercial oil production is encountered.

(11) The proposed horizontal wellbore, if drilled as proposed, will not encroach on any offset acreage.

(12) All interests within the proposed project area are common.

(13) No offset operator and/or interest owner appeared at the hearing in opposition to the application.

(14) In the interest of conservation and prevention of waste, the application of Strata Production Company for a high angle/horizontal directional drilling project should be approved.

(15) The applicant should be required to determine the actual location of the kick-off point prior to commencing directional drilling operations. Also, the applicant should be required to conduct a directional survey on the lateral portion of the wellbore during or after completion of drilling operations.

(16) The applicant should notify the supervisor of the Hobbs district office of the Division of the date and time of conductance of any directional surveys in order that the same may be witnessed.

(17) The applicant should be required to submit copies of all directional surveys conducted on the subject well to both the Santa Fe and Hobbs offices of the Division.

(18) The allowable assigned to the project area in the Undesignated Chaveroo-San Andres Pool should be equal to 240 barrels of oil per day provided that the horizontal or producing portion of the wellbore traverses all three of the 40-acre units within the project area as determined by directional surveys.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Strata Production Company, is hereby authorized to initiate a high angle/horizontal directional drilling pilot project in the Undesignated Chaveroo-San Andres Pool underlying the SE/4 NE/4 of Section 21 and the S/2 NW/4 of Section 22, Township 7 South, Range 34 East, NMPM, Roosevelt County, New Mexico, thereby forming a non-standard 120-acre oil spacing and proration unit for said pool, also hereby approved.

(2) The applicant is further authorized to horizontally drill its existing Sunrise Federal Well No. 1, located at a standard surface location 1980 feet from the North line and 660 feet from the East line (Unit H) of Section 21, in the following unconventional manner:

Drill out plugs from surface to total depth at 4,803 feet. Set certain plugs within the San Andres formation and plug back to a depth of approximately 4,170 feet. Kick off from the vertical at this depth and drill in an easterly direction building angle to approximately 90 degrees so as to penetrate the P2 interval within the San Andres formation at a true vertical depth of approximately 4,470 feet. Continue drilling horizontally a distance of approximately 2,000 feet so as to bottom said wellbore within the SE/4 NW/4 of Section 22.

(3) The horizontal or producing portion of the wellbore shall be located no closer than 330 feet from the outer boundary of the project area.

(4) The applicant shall determine the actual location of the kick-off point prior to commencing directional drilling operations. Also, the applicant shall conduct a directional survey on the lateral portion of the wellbore during or after completion of drilling operations.

(5) The applicant shall notify the supervisor of the Hobbs district office of the Division of the date and time of conductance of any directional surveys in order that the same may be witnessed.

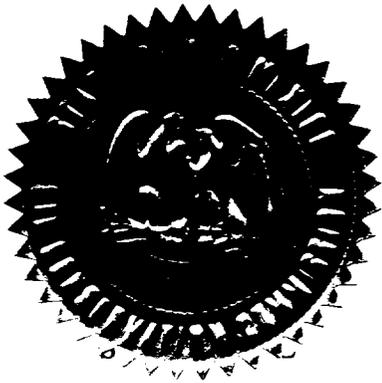
(6) The applicant shall submit copies of all directional surveys conducted on the subject well to both the Santa Fe and Hobbs offices of the Division.

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(7) The allowable assigned to the project area in the Undesignated Chaveroo-San Andres Pool should be equal to 240 barrels of oil per day provided that the horizontal or producing portion of the wellbore traverses all three 40-acre units within the project area as determined from directional surveys.

(8) Jurisdiction is hereby 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

A handwritten signature in black ink, which appears to read "William J. Lemay". The signature is written in a cursive style and is positioned above the printed name and title of the Director.

WILLIAM J. LEMAY
Director