

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. 10098
Order No. R-9319

APPLICATION OF SANTA FE ENERGY
OPERATING PARTNERS, L. P. FOR
DIRECTIONAL DRILLING, EDDY
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on September 19, 1990, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 2nd day of October, 1990, 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, Santa Fe Energy Operating Partners, L. P., seeks authorization to directionally drill its P.G. Federal "4" Well No. 1 from a surface location 900 feet from the North line and 1980 feet from the West line (Unit C) of Section 9 to a standard bottomhole gas well location in the SE/4 SW/4 (Unit N) of Section 4, both in Township 23 South, Range 31 East, NMPM, Eddy County, New Mexico, to test the Undesignated Los Medanos-Morrow Gas Pool.

CASE NO. 10098

Order No. R-9319

Page -2-

(3) The S/2 of said Section 4 is to be dedicated to the above-described well forming a standard 320-acre gas spacing and proration unit for said pool.

(4) At the time of the hearing, the applicant testified that the target bottomhole well location will be 660 feet from the South line and 1980 feet from the West line (Unit N) of said Section 4, and further requested that a 150 foot tolerance from said bottomhole location be incorporated into this order.

(5) The evidence and testimony presented indicates that the proposed directional drilling is necessary inasmuch as the proposed bottomhole location lies within the Potash Area (as defined by Division Order No. R-111-P) and within a designated L.M.R. (Life-of-Mine Reserve), and that the proposed surface location also lies within the Potash Area and is approximately 1/4 mile from a designated L.M.R.

(6) Part (G) of Order No. R-111-P requires that "a deep well shall be drilled no closer than one-half (1/2) mile from the L.M.R."

(7) Part (G) of Order No. R-111-P further provides that the Bureau of Land Management may approve applications to drill on Federal lands within a designated L.M.R. or within one-half mile of a designated L.M.R. provided that a mutual agreement between lessors and lessees of both potash and oil and gas interests has been reached.

(8) Although the subject well's surface location is closer than 1/2 mile from a designated L.M.R., the evidence presented indicates that an agreement between the lessors and lessees of both potash and oil and gas interests has been reached inasmuch as the applicant's application to drill has been approved by the Bureau of Land Management.

(9) No offset operator or interested party appeared and objected to the proposed directional drilling.

CASE NO. 10098

Order No. R-9319

Page -3-

(10) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas 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.

(11) 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.

(12) 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.

(13) Approval of a 150 foot tolerance is beyond the scope of this case inasmuch as said tolerance would authorize the subject well to be drilled at an unorthodox bottomhole location.

(14) The applicant's request for a 150 foot tolerance should be denied.

(15) If the subject well's bottomhole location is subsequently determined to be at an unorthodox gas well location, the applicant should be required to obtain Division approval for such unorthodox location.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Santa Fe Energy Operating Partners, L. P., is hereby authorized to directionally drill its P.G. Federal "4" Well No. 1 from a surface location 900 feet from the North line and 1980 feet from the West line (Unit C) of Section 9 to a standard bottomhole gas well location in the SE/4 SW/4 (Unit N) of Section 4, both in Township 23 South, Range 31 East, NMPM, Eddy County, New Mexico, to test the Undesignated Los Medanos-Morrow Gas Pool.

CASE NO. 10098
Order No. R-9319
Page -4-

PROVIDED HOWEVER THAT, prior to the above-described directional drilling, the applicant shall establish the location of the kick-off point by conducting a continuous multi-shot directional survey of the well.

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 S/2 of said Section 4 shall be dedicated to the above-described well forming a 320-acre gas spacing and proration unit for said pool.

(3) 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.

(4) Form C-105 shall be filed in accordance with Division Rule No. 1105 and the operator shall indicate thereon true vertical depth in addition to measured depths.

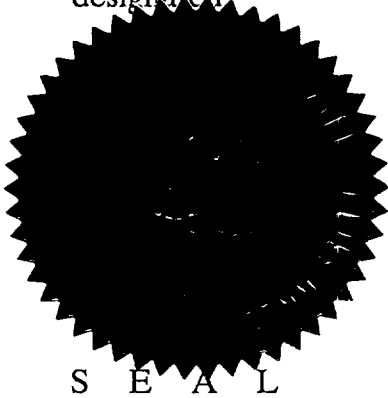
(5) The applicant's request for a 150 foot tolerance from the proposed bottomhole location of 660 feet from the South line and 1980 feet from the West line (Unit N) of said Section 4 is hereby denied.

(6) If the subject well's bottomhole location is subsequently determined to be at an unorthodox gas well location, the applicant shall be required to obtain Division approval for such unorthodox location.

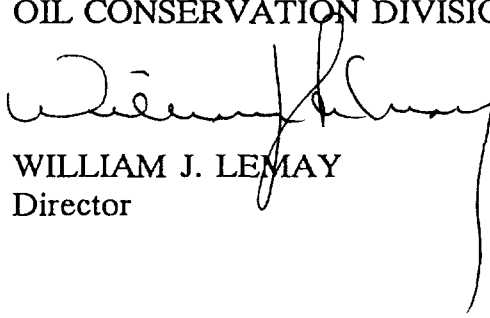
(7) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

CASE NO. 10098
Order No. R-9319
Page -5-

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



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director