

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. 10902
ORDER NO. R-10066

**APPLICATION OF AMOCO PRODUCTION COMPANY FOR A HIGH
ANGLE/HORIZONTAL DIRECTIONAL DRILLING PILOT PROJECT AREA AND
SPECIAL OPERATING RULES THEREFOR, SAN JUAN COUNTY, NEW MEXICO**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on February 3, 1994, at Santa Fe, New Mexico, before Examiner Jim Morrow.

NOW, on this 23rd day of February, 1994 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, Amoco Production Company (Amoco), seeks authority to institute a horizontal directional drilling project in the Blanco-Mesaverde Pool in the S/2 of Section 27, Township 32 North, Range 11 West, NMPM, San Juan County, New Mexico. The applicant proposes to re-enter its Van Hook L.S. Well No.1 at a surface location 800 feet from the South line and 1090 feet from the West line (Unit M) of said Section 27, kick off from the vertical, build a medium radius curve and continue to drill horizontally in said pool.

(3) The applicant also seeks special rules and provisions within the project area including authorization to cross quarter and quarter-quarter section lines and the designation of a prescribed area for the wellbore limiting the horizontal displacement of any drainhole to within 790 feet of the boundary of the project area.

(4) Applicant's Drilling Engineer testified that Amoco plans to plug back with

cement to 4837 feet in the open hole section of its Van Hook L.S. Well No. 1 and kick off from the vertical in an East-Northeast direction building a medium radius curve so as to encounter the Point Lookout portion of the Blanco-Mesaverde Pool producing formation at the end of the curve. The well would then be drilled horizontally for approximately 1200 feet in the Point Lookout formation. The horizontal portion of the wellbore would cross quarter and quarter-quarter section lines but would come no closer than 790 feet to the outside boundary of the project area. This is the only well planned for the project.

(5) Amoco's Petroleum Engineering witness testified that the horizontal portion of the proposed well is expected to encounter fractures which should increase the productivity of the well. The proposed well is expected to cost \$400,000, recover 2 BCF of gas and be capable of producing at an initial rate of 1.5 MMCF per day.

(6) The witness also testified that horizontal wells have been successfully completed by other operators in the Blanco-Mesaverde Pool.

(7) Applicant's attorney stated that inquiries concerning the project had been received from an area operator, however no offset operator or other interest owner appeared at the hearing in opposition to the application.

(8) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the hydrocarbons in the affected pool and will prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Amoco Production Company, is hereby authorized to institute a horizontal directional drilling project in the Blanco-Mesaverde Pool in the S/2 of Section 27, Township 32 North, Range 11 West, NMPM, San Juan County, New Mexico.

(2) The applicant is also authorized to plug back to 4837 feet in the open hole section of its Van Hook L.S. Well No. 1, kick off from the vertical in an East-Northeast direction building a medium radius curve so as to encounter the Point Lookout portion of the Blanco-Mesaverde Pool producing formation at the end of the curved portion of the well and then drill horizontally for approximately 1200 feet in the Point Lookout formation.

(3) The horizontal portion of the wellbore may traverse quarter and quarter-quarter section lines within the project area provided that the horizontal or producing portion of the wellbore shall be located no closer than 790 feet from the outer boundary

of the project area (the S/2 of said Section 27).

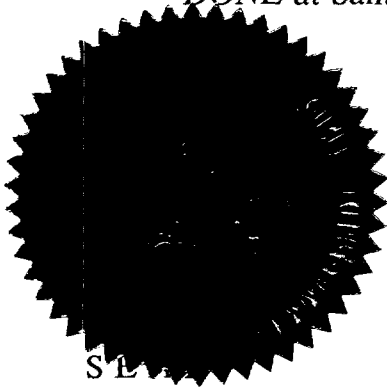
(4) The applicant shall determine the actual location of the kick-off point in said Well No. 1 prior to commencing directional drilling operations. Also, the applicant shall conduct a directional survey on the lateral portion of the wellbore during or after completion of drilling operations.

(5) The applicant shall notify the supervisor of the Aztec 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 Aztec Offices 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
WILLIAM J. LEMAY
Director