



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

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STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

July 6, 1989

Karen Aubrey
P.O. Box 2265
Santa Fe, NM 87504-2265

Case 9706

RE: Bahlburg Exploration
Unorthodox Oil Well
Location M-25-T13S-
R37E, Undesignated
King Devonian Pool, Lea
County, New Mexico.

Dear Ms. Aubrey:

The subject filing for an unorthodox oil well location does not appear to meet the requirements for administrative review pursuant to General Rule 104.F. This matter will therefore be set for hearing before a Division Hearing Examiner scheduled for July 26, 1989.

If you should have any questions concerning this matter, please contact me.

Sincerely,

A handwritten signature in dark ink, appearing to read "Michael E. Stogner", written over a horizontal line.

Michael E. Stogner
Chief Hearing Officer/Engineer

MES/ag

KELLAHIN, KELLAHIN and AUBREY

Attorneys at Law

W. Thomas Kellahin
Karen Aubrey

El Patio - 117 North Guadalupe
Post Office Box 2265

Telephone 982-4285
Area Code 505

Jason Kellahin
Of Counsel

Santa Fé, New Mexico 87504-2265

FAX 505/982-2047

AUG 22 1989

August 21, 1989

CONSERVATION DIVISION

HAND-DELIVERED

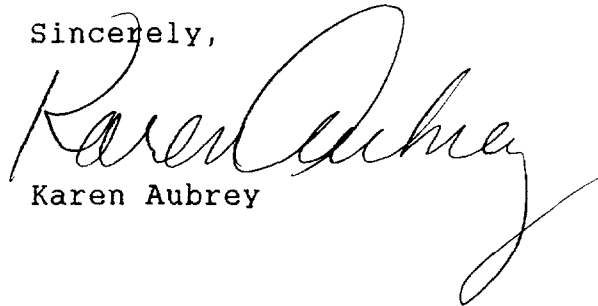
Michael Stogner
Examiner
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87501

RE: Application of Bahlburg Exploration for Unorthodox Well
Location, Case No. 9706

Dear Mr. Stogner

I enclose a proposed order on behalf of Bahlburg Exploration in connection with the above captioned case. I also enclose BTA's waiver of notice of the administrative application by registered mail. We are expecting to receive a similar waiver from Cabot.

Sincerely,


Karen Aubrey

KA/rs
Enclosures

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. 9706
ORDER NO. _____

APPLICATION OF BAHLBURG EXPLORATION
FOR AN UNORTHODOX OIL WELL LOCATION,
LEA COUNTY, NEW MEXICO.

BAHLBURG EXPLORATION'S PROPOSED
ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9:00 a.m. on August 9, 1989, at Santa Fe, New Mexico, before the Oil Conservation Division of New Mexico, hereinafter referred to as the "Division".

NOW, on this _____ 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 and the applicant having provided notice to all interested parties as required by Rule 1207, as amended, the Commission has jurisdiction of this cause and the subject matter thereof.

2. The applicant, Bahlburg Exploration, seeks approval for an unorthodox oil well location, 900 feet from the south line and 50 feet from the west line (Unit M) of Section 25, Township 13 South, Range 37 East, NMPM, undesignated King-Devonian Pool, Lea County, New Mexico, the

CASE NO. 9706

ORDER NO. _____

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SW/4 SW/4 of said Section 25, forming a standard 40-acre proration unit for said pool, to be dedicated to the above described well.

3. That the geologic evidence presented at the hearing established that the Devonian formation produces in the King Field as a result of entrapment within a complex faulted structural closure.

4. The position of the critical faults at the proposed location has been determined by seismic data and well control.

5. That in order to drill to the potentially productive upthrown Devonian reservoir, it is necessary to locate the subject well at a location approximately 50 feet from the western boundary of Section 25.

6. That the offset operator to which the proposed location is unorthodox, BTA Oil Producers, has agreed to the proposed location.

7. That no objection to the proposed location was received from any offset operator.

8. That a directional survey will be necessary to ensure that the wellbore does not deviate over the Section line between Sections 25 and 26.

9. That drilling the subject well at the proposed location will permit the production of oil which would otherwise not be produced.

10. That, since the mineral interests are identical on both sides of the section line between sections 25 and 26, drilling the subject well at the proposed unorthodox location will not impair correlative rights.

IT IS THEREFORE ORDERED THAT:

1. Applicant, Bahlburg Exploration is hereby given approval for an unorthodox oil well location, 900 feet from the South line and 50 feet from the West line, (Unit M) of Section 25, Township 13 South, Range 37 East, NMPM, Lea County, New Mexico Undesignated King-Devonian Oil Pool; the SW/4SW/4 of said Section shall be dedicated to said well forming a standard 40 acre spacing unit for said pool.

CASE NO. 9706
ORDER NO. _____
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2. Upon completion of said well, Applicant shall provide the Division with the results of a directional survey showing that the wellbore is within the above described proration unit.

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

WILLIAM J. LEMAY
DIRECTOR

S E A L

KELLAHIN, KELLAHIN and AUBREY

Attorneys at Law

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August 11, 1989

Robert Crawford
BTA Oil Producers
104 South Pecos
Midland Texas 79701

FEDERAL EXPRESS

Re: Bahlburg Exploration

Dear Bob:

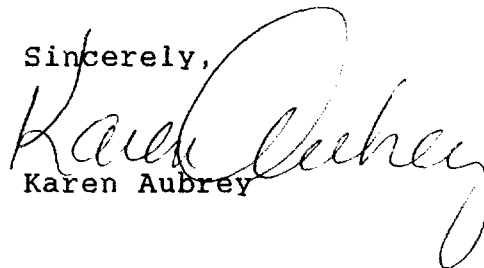
This letter will confirm our telephone conversation with your office on August 11, 1989. As we discussed, we represent Bahlburg Exploration and, on June 23, 1989, sent you a notice of administration application for an unorthodox well location on behalf of Bahlburg. Our Commission rules require that that notice be sent by Certified Mail. However, due to a mix-up in our office, it was sent by regular mail.

The Commission denied our application for administrative approval and set the matter for public hearing on August 9, 1989. Cabot should have received notice of that hearing from the New Mexico Oil Commission.

I enclose another copy of the administrative application for you and would appreciate your signature on the bottom of this letter indicating BTA's waiver of its right to have received this by Certified Mail in June. We realize that BTA waived any objection to the location exception in its farmout with Bahlburg, but need to take care of this notice problem.

Thank you for your courtesy and cooperation.

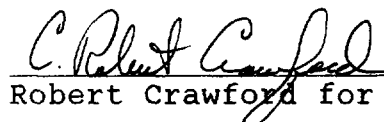
Sincerely,



Karen Aubrey

KA/dm
Encl.

BTA Oil Producers hereby waives its right to have received Bahlburg Exploration's June 23, 1989 administrative application for unorthodox location by Certified Mail.



Robert Crawford for BTA Oil Producers

KELLAHIN, KELLAHIN and AUBREY

Attorneys at Law

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Karen Aubrey

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Post Office Box 2265

Telephone 982-4285
Area Code 505

Jason Kellahin
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Santa Fé, New Mexico 87504-2265

FAX 505/982-2047

June 23, 1989

RECEIVED

JUN 23 1989

OIL CONSERVATION DIVISION

William J. LeMay,
Director
New Mexico Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87504

Case 9706

Re: Application for Administrative Approval of Unorthodox
Well Location, Bahlburg Exploration, Lea County, New
Mexico

Dear Mr. LeMay

This letter, submitted in triplicate, constitutes the application of Bahlburg Exploration for administrative approval of an unorthodox well location in the King Field, Lea County, New Mexico.

Bahlburg Exploration has the operating rights in the Devonian formation in Section 25, Township 13 South, Range 37 East under a farm-out agreement with BTA Oil Producers. Bahlburg Exploration desires to drill a well to a depth of approximately 12,500 feet, or a depth sufficient to test the Devonian formation, which ever is less. Based upon Bahlburg Exploration's geological studies, the optimum location for this well is a location approximately fifty (50) feet from the section line between sections 25 and 26. The mineral ownership is the same on either side of the boundary that is being encroached upon.

In support of this application, we enclose:

1. Geologic synopsis prepared by William C. Bahlburg, Geologist and Geophysicist.
2. Location map with the proposed spacing unit outlined in yellow, showing both the proposed location and a standard location under the Statewide Rules.
3. West to East structural cross section.
4. Devonian structure map showing the proposed location.

KELLAHIN, KELLAHIN and AUBREY

Mr. William J. LeMay
June 23, 1989
Page 2

5. Copy of the relevant portions of the farmout agreement between BTA Oil Producers and Bahlburg Exploration. The language showing BTA's consent to an unorthodox location is found on page 3, at paragraph 10.

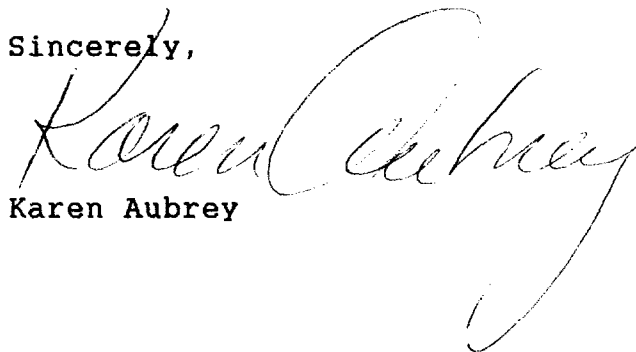
6. List of offset operators.

Under the terms of the farmout agreement, Bahlburg must commence the drilling of the initial well by September 1, 1989 or 45 days from the date of your order approving this location, whichever is earlier.

We have sent a copy of this letter, with enclosures, by certified mail to those parties shown on the list of offset leasehold owners. As set forth in No. 5 above, BTA Oil Producers has waived its objection. By letter dated June 23, 1989, a copy of which is enclosed for you, we are requesting that Cabot Petroleum Corporation waive any objection to the proposed location.

Upon receipt of Cabot Petroleum Corporation's waiver, or the expiration of twenty days from your receipt of this application, we request that you issue an Administrative Order approving this application.

Sincerely,

A handwritten signature in cursive script, appearing to read "Karen Aubrey", written in dark ink.

Karen Aubrey

KA/rs
Encl.

cc: William C. Bahlburg
Cabot Petroleum Corporation
BTA Oil Producers

PROPOSAL TO DRILL AN UNORTHODOX WELL LOCATION

in

KING FIELD
Lea County, New Mexico

G E O L O G I C S Y N O P S I S

Introduction

The King Field Development Project is located approximately seventeen miles northeast of Lovington, New Mexico (see Index Map.) The Project is predicated on the northward extension and further development of the Devonian producing horizon of King Field.

King Field was discovered in 1951. Since that time the field has produced a total of 6,600,00 BO from various zones including the Devonian, Pennsylvanian and Wolfcamp. Over 90.0% of the total production in King Field has been from the deeper Devonian interval.

Bahlburg Exploration has performed an extensive geologic and seismic evaluation of the King Field area. This evaluation has resulted in the identification of unexploited producing potential and the subsequent acquisition of 240 net acres farm-in leasehold.

GEOLOGY/GEOPHYSICS

DEVONIAN PAY ZONE

The Devonian produces in King Field as the result of entrapment within a complexly faulted structural closure (see Devonian structure map). The feature is comprised of numerous individual fault blocks and is dominated by a central horst block system that extends nearly one (1) mile north of current production. Early test and completion data indicates an original oil/water contact within the Devonian at a similar structural level in all fault blocks. The field has produced over 6,050,000 BO from a total of 13 Devonian completions resulting in an average recovery/well of 465,000 BO. As expected, the structurally highest fault block has been the most prolific producer averaging over 1,000,000 BO/well.

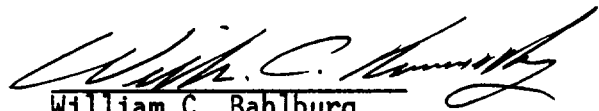
The Devonian horst block feature is well delineated in the prospect area by two (2) E-W seismic lines and a N-2 proprietary seismic line positioned along the axis of the horst trend. The horst block is approximately 800 ft. to 1,500 ft. wide and lies directly beneath the common boundary of Sections 25 and 26, T-13-S, R-37-E. The position of all critical faults has been accurately determined from seismic data and well control. In order to drill a test well into the potentially productive upthrown Devonian reservoir, it

will be necessary to position the surface location of any well as close as possible to the western boundary of Section 25. If allowed, we propose to drill approximately 50 Ft. from the western boundary of Section 25. The offset operator in Section 26, BTA Oil Producers, has given Bahlburg Exploration written approval to encroach on their lease boundary with such a location (see Farmout Agreement). In addition, the mineral ownership on either side of the section boundary is identical.

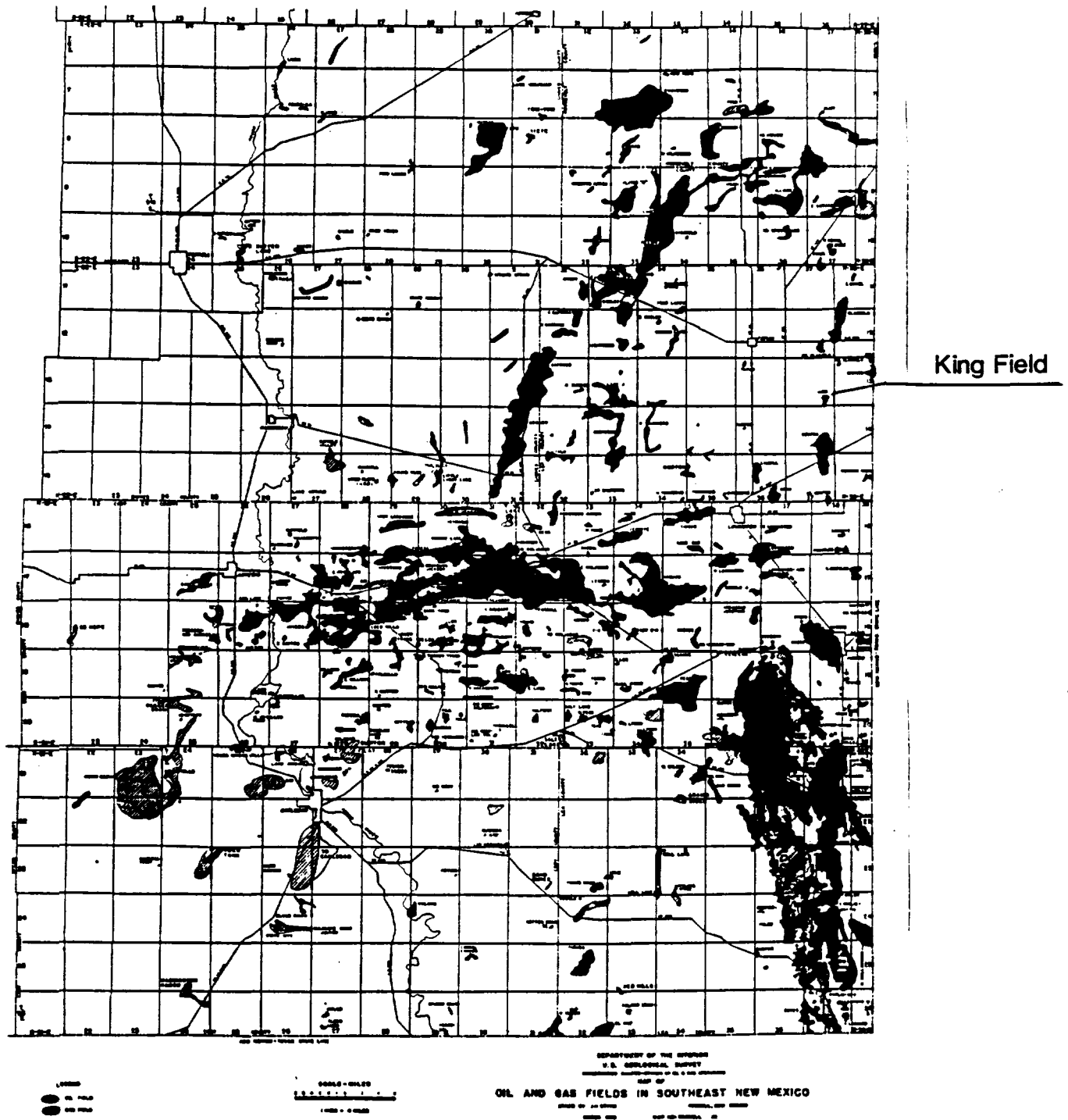
In summary, we feel the proposed drilling project would be too risky at any location other than that proposed. In our opinion, a "statewide rules" location 330 Ft. from the western boundary of Section 25 would be in a downthrown position at the Devonian level and would result in a dry hole.

Respectfully submitted,

BAHLBURG EXPLORATION


William C. Bahlburg
Geologist-Geophysicist

WCB/md



KING FIELD DEVELOPMENT PROJECT
LEA COUNTY, NEW MEXICO

INDEX MAP