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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. 11527
Order No. R-10603

APPLICATION OF TEXACO EXPLORATION
& PRODUCTION INC. FOR AN UNORTHODOX
OIL WELL LOCATION FOR A LEASE LINE
PRODUCTION WELL AND SIMULTANEOUS
DEDICATION, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on May 16, 1996, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 23rd day of May, 1996, 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, Texaco Exploration & Production, Inc., seeks approval to drill its Vacuum Grayburg San Andres Unit Well No. 159 as a lease line producing well at an unorthodox bottomhole oil well location 572 feet from the North line and 78 feet from the East line (Unit A) of Section 1, Township 18 South, Range 34 East, NMPM, Vacuum-Grayburg San Andres Pool, Lea County, New Mexico.

(3) The NE/4 NE/4 of Section 1 is to be simultaneously dedicated to the proposed well and to the existing Vacuum Grayburg San Andres Unit Well Nos. 50, 58, 122 and 158.

(4) According to applicant's evidence and testimony, the proposed Vacuum Grayburg San Andres Unit Well No. 159 will be directionally drilled to the aforesaid unorthodox bottomhole location from a surface location 907 feet from the North line and 350 feet from the East line (Unit A) of Section 1 due to surface obstructions.

(5) Applicant testified that it will file an administrative application to directionally drill the Vacuum Grayburg San Andres Unit Well No. 159 with the Division subsequent to the hearing.

(6) Applicant's evidence and testimony further indicates that:

- a) within the area of the proposed Vacuum Grayburg San Andres Unit Well No. 159, the applicant currently operates the Vacuum Grayburg San Andres Unit and Central Vacuum Unit Waterflood Projects, both secondary recovery projects within the Vacuum-Grayburg San Andres Pool;
- b) the applicant is currently implementing a 10-acre infill drilling program in certain portions of the Central Vacuum Unit and Vacuum Grayburg San Andres Unit areas;
- c) during 1995, fourteen 10-acre infill wells were drilled within the Central Vacuum Unit which resulted in a 600 barrel per day increase in oil production within the unit area;
- d) each 10-acre infill well may potentially recover an additional 100,000 barrels of oil from the unit area which may not otherwise be recovered;
- e) the proposed Vacuum Grayburg San Andres Unit Well No. 159 is a proposed 10-acre infill well which is located close to the common boundary between the Vacuum Grayburg San Andres Unit Waterflood Project and the Central Vacuum Unit Waterflood Project; and,

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- f) the proposed unorthodox bottomhole location represents the optimum location in which to effectively and efficiently recover remaining oil and gas reserves underlying the NE/4 NE/4 of Section 1, Township 18 South, Range 34 East, and the NW/4 NW/4 of Section 6, Township 18 South, Range 35 East, NMPM.

(7) Applicant testified that drilling and operating costs, as well as production revenue from the Vacuum Grayburg San Andres Unit Well No. 159 will be shared equally between the Vacuum Grayburg San Andres Unit and the Central Vacuum Unit in accordance with the Vacuum Area Cooperative Lease Line Agreement submitted as applicant's Exhibit No. 1.

(8) The owners of 100 percent of the working interest and 100 percent of the royalty interest within the Vacuum Grayburg San Andres Unit, and the owners of approximately 98 percent of the working interest and 100 percent of the royalty interest within the Central Vacuum Unit have consented and agreed to the drilling of the proposed well.

(9) No interest owner appeared at the hearing in opposition to the application.

(10) There are no additional affected offset operators.

(11) Approval of the proposed unorthodox bottomhole oil well location for the Vacuum Grayburg San Andres Unit Well No. 159 and simultaneous dedication will benefit the interest owners in the Vacuum Grayburg San Andres Unit and the Central Vacuum Unit, will result in the recovery of additional oil and gas reserves underlying the NE/4 NE/4 of Section 1 and the NW/4 NW/4 of Section 6 which may otherwise not be recovered, thereby preventing waste, and will not violate correlative rights.

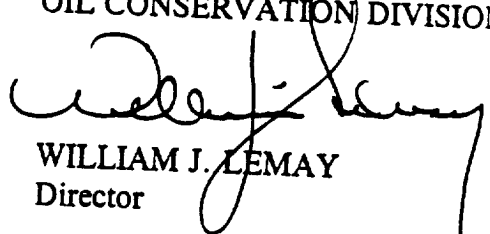
(12) Approval of the proposed unorthodox bottomhole location should be contingent upon the applicant obtaining Division approval for the proposed directional drilling operations.

IT IS THEREFORE ORDERED THAT:

- (1) The applicant, Texaco Exploration & Production, Inc., is hereby authorized to drill its Vacuum Grayburg San Andres Unit Well No. 159 as a Vacuum Grayburg San Andres Unit/Central Vacuum Unit lease line producing well at an unorthodox bottomhole oil well location 572 feet from the North line and 78 feet from the East line (Unit A) of Section 1, Township 18 South, Range 34 East, NMPM, Vacuum-Grayburg San Andres Pool, Lea County, New Mexico.
- (2) The NE/4 NE/4 of Section 1 shall be simultaneously dedicated to the aforesaid well and to the existing Vacuum Grayburg San Andres Unit Well Nos. 50, 58, 122 and 158.
- (3) Drilling and operating costs, as well as production revenue from the Vacuum Grayburg San Andres Unit Well No. 159 shall be shared equally between the Vacuum Grayburg San Andres Unit and the Central Vacuum Unit in accordance with the Vacuum Area Cooperative Lease Line Agreement submitted as applicant's Exhibit No. 1.
- (4) Approval of the proposed unorthodox bottomhole location shall be contingent upon the applicant obtaining Division approval for the proposed directional drilling operations.
- (5) 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


WILLIAM J. LEMAY
Director

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