

**ELLIOTT OIL COMPANY
P.O. BOX 1355
ROSWELL, NEW MEXICO 88202**

January 17, 2000

Mr. Mike Stogner
Oil Conservation Division
2040 South Pacheco
Santa Fe, NM 87505

Re: Non-standard Location
Monterey Federal No. 7
Wantz Abo Pool
Lea County, New Mexico

Dear Mr. Stogner:

Elliott Oil Company respectfully requests administrative approval for the subject non-standard location. The location of the proposed well is as follows:

Monterey Federal No. 7
990' FSL & 2480' FWL
Section 1, T-21S, R-37E
Federal Lease No.: LC 065525-B

Application is made, according to Rule 104.F(2), based on the geologic conditions that are outlined in the attached write-up and structure map.

The 40 acre unit is currently dedicated to the Monterey Federal No. 6 (API No. 30-025-06335), located at a standard oil well location 660 feet from the South line and 1980 feet from the West line of said Section 1. The No. 6 well is producing from the Blinebry Oil and Gas Pool.

The only affected party is the 40 acre tract to the east of the proposed location, which is also Elliott Oil Company.

Also attached are the Application to Drill, a C-102 showing the spacing unit for the proposed well, and ownership map showing the surrounding leases, and an Administrative Application Coversheet.

Your earliest consideration of this request will be appreciated. Our anticipated spud date is mid-February.

Mr. Mike Stogner
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If you have any questions or require additional data, please call me at 505-392-6950.

Sincerely,

A handwritten signature in cursive script that reads "Marc Wise".

Marc Wise
Agent for Elliott Oil Company

Attachments

Elliott Oil Company

Monterrey Fed. #7 Well

**Proposed Location: 990' FSL & 2480' FWL, Sec. 1, T21S-R37E
Lea County, New Mexico**

Geological Reasoning for Unorthodox Location

Elliott Oil Company plans to drill its Monterrey Fed. #7 well to test the Abo Formation at an unorthodox spacing location located 990' FSL & 2480' FWL, Section 1, T21S-R37E, Lea County, New Mexico. The reasoning for staking the well at this location (170' due east of the standard limits of the SE/4SW/4 spacing unit) is related to what Elliott believes are significant and compelling geological constraints which will ultimately cause this unorthodox location to have significantly better productivity and reserve recovery than any orthodox location located within this drilling unit.

Oil and gas production is well established from multiple pays in this area of Lea County, and particularly within this township and section. Prolific production has been established from the Blinebry, Tubb, Drinkard, Abo and Simpson reservoirs in section 1, T21S-R37E and Elliott Oil Company's intent is to recover additional reserves primarily from the Abo reservoir at its Monterrey Fed. #7 location. As can be seen on the attached map, 28 wells have been drilled and produced in section 1, T21S-R37E, 15 of which have produced variously from the Abo Formation. The Abo Formation in this area is composed of several hundred feet of thinly interbedded carbonate and shale beds which can produce oil and gas at relatively prolific rates (>200 BOPD with reserves > 100,000 BO) when they have been naturally fractured to a significant degree. Without fracturing, this formation is generally too impermeable to produce strictly from its primary porosity system. Fracturing in this area appears to be created primarily from tectonic stresses associated with movement along the eastern edge of the Central Basin Platform and is characterized by localized folding and/or faulting of the target formation or underlying beds. As can be seen on the accompanying structure map of the overlying Blinebry Formation (utilized for complete depth control over the area), maximum stress resulting in significant folding seems to occur in the vicinity of the Monterrey Fed. #7 location, and importantly, a significant underlying fault zone appears to trend in a NE to SW direction directly underneath the proposed location. As can be seen on the map, this fault zone also underlies good to excellent Abo oil and gas wells NE and SW of the location both in section 1 and section 12. Elliott Oil Company feels it is imperative to locate the Monterrey Fed. #7 at this location over this fault zone in order to enhance the probability of encountering economic fractured Abo production, but also to maximize the potential productivity and reserve recovery from the reservoir.

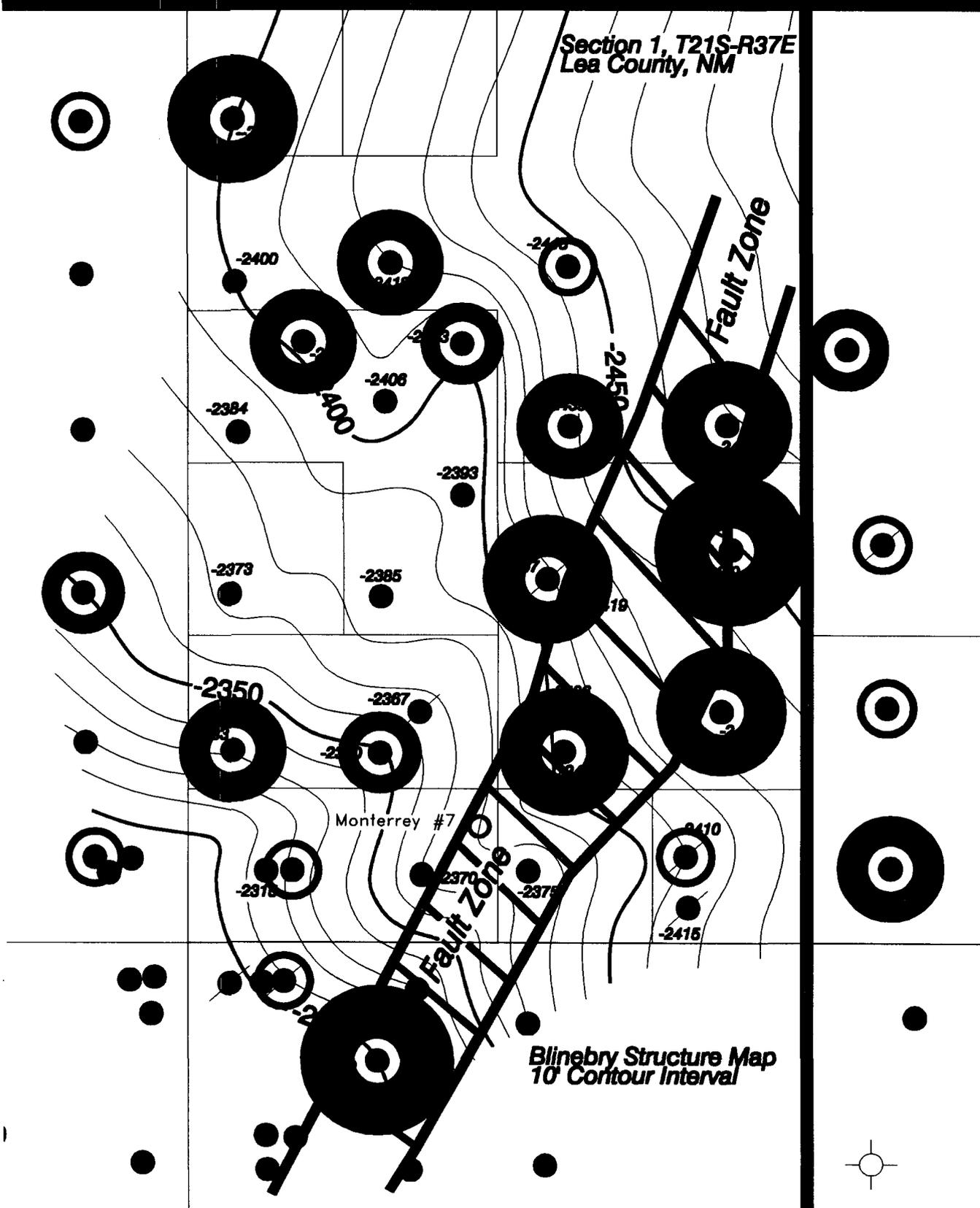
In closing, the Elliott Oil Company Monterrey Fed. #7 well has been set up to test the Abo Formation at an unorthodox surface location of 990' FSL & 2480' FWL, section 1, T21S-R37E in order to maximize productivity from the Abo reservoir due to what Elliott feels are compelling geological arguments and constraints. This location is 170' due east of the standard SE/4SW/4 spacing unit, encroaching only on the SW/4SE/4 spacing unit which is also fully owned and controlled by Elliott Oil Company. A completed well at this location will maximize reserve recovery from the Abo reservoir and will hence minimize waste of the oil and gas resource found in this reservoir.

Abo Production

- - 50 - 75 KBO
- - 75 - 100 KBO
- - 25 - 50 KBO
- - 100 - 150 KBO
- < 25 KBO
- > 150 KBO



Monterrey #7 Proposed Loc: 990' FSL & 2480' FWL



DISTRICT I
P.O. Box 1989, Hobbs, NM 88241-1989

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised February 10, 1994
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT II
P.O. Drawer 100, Artesia, NM 88211-0719

OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

DISTRICT III
1000 Rio Brazos Ed., Artec, NM 87410

DISTRICT IV
P.O. BOX 2088, SANTA FE, N.M. 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
Property Code	Property Name MONTEREY	Well Number 7
OGRID No.	Operator Name ELLIOTT OIL COMPANY	Elevation 3516

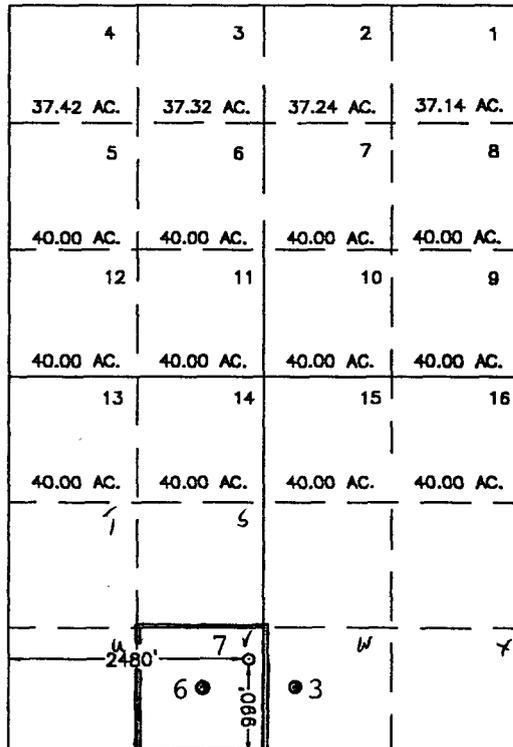
Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	1	21 S	37 E		990	SOUTH	2480	WEST	LEA

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres	Joint or Infill	Consolidation Code	Order No.						

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



L/12 - LC 065525
M/11 - LC-065525
M/13 - LC-065525
M/14 - LC-065525
m
U - L.C. 065525 B/B
V - LC-065525
W - LC-065525

OPERATOR CERTIFICATION

I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.

Marc Wise
Signature
Marc Wise
Printed Name
Agent
Title
1/19/00
Date

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

JANUARY 10, 2000

Date Surveyed _____ LMP
Signature & Seal of Professional Surveyor
NEW MEXICO
GARY EIDSON
00-11-0013
Certification No. RONALD J. EIDSON 3239
GARY EIDSON 12641
WACON McDONALD 12185



Location: SE/4, SW/4
 Sec. 1, T-21S, R-37E
 Lea County, NM

MONTEREY FEDERAL #7
 EXISTING WELLS

EXHIBIT NO. 3
 1/5/00
 Scale: None

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK
 DRILL DEEPEN

b. TYPE OF WELL
 OIL WELL GAS WELL OTHER SINGLE ZONE MULTIPLE ZONE

2. NAME OF OPERATOR
 Elliott Oil Company

3. ADDRESS AND TELEPHONE NO.
 P.O. Box 1355, Roswell, NM 88202 505-622-5840

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.*)
 At surface
 990' FSL & 2480' FWL
 At proposed prod. zone
 Same

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*
 6 miles northeast of Eunice, NM

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any) 330'

16. NO. OF ACRES IN LEASE 80

17. NO. OF ACRES ASSIGNED TO THIS WELL 40

18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT. 590'

19. PROPOSED DEPTH 7900'

20. ROTARY OR CABLE TOOLS Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)
 3516' GR

22. APPROX. DATE WORK WILL START*
 2/15/00

5. LEASE DESIGNATION AND SERIAL NO.
 LC 065525-B

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME, WELL NO.
 Monterey Fed. #7

9. API WELL NO.

10. FIELD AND POOL, OR WILDCAT
 Abo (Wantz)

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA
 Section 1, T-21S, R-37H

12. COUNTY OR PARISH
 Lea

13. STATE
 NM

PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
12 1/4"	8 5/8" K-55	24#	1600'	750 sxs
7 7/8"	5 1/2" K-55	15.5 & 17#	7900'	2000 sxs (2 stage)

The Operator proposes to drill to a depth sufficient to test the Abo formation for oil. If productive, 5 1/2" casing will be set and cemented. If non-productive, the well will be plugged and abandoned in a manner consistent with federal regulations. Specific programs as per Onshore Order #1 are outlined in the following attachments:

- Drilling Program
- Location Plat and Elevation
- H2S Plan Rig Layout
- Blowout Preventer Stack
- Choke Manifold
- H2S Drilling Operations

Application for a non-standard location will be filed with the State of New Mexico

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24. SIGNED Marc Wise Marc Wise TITLE Agent for Elliott Oil DATE 1/19/00

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
 CONDITIONS OF APPROVAL, IF ANY:

APPROVED BY _____ TITLE _____ DATE _____

*See Instructions On Reverse Side