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NATURAL RESOURCES-OIL AND GAS LAW

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JASON KELLAHIN (RETIRED 1991)

August 10, 1992

Mr. William J. LeMay
Oil Conservation Division
State Land Office Building
310 Old Santa Fe Trail, Room 219
Santa Fe, New Mexico 87501

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OIL CONSERVATION DIVISION

10547

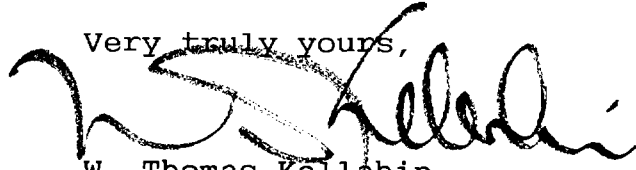
Re: Jicarilla 404 #3 (F-9) Well/Application of
Benson-Montin-Greer Drilling Corporation
for a High Angle/Horizontal Direction Drilling
Pilot Project, Special Operating Rules
Therefor, including An Unorthodox Oil Well
Location, a Special Gas Oil Ratio, and A
Special Project Allowable, Rio Arriba County,
New Mexico

Dear Mr. LeMay:

On behalf of Benson-Montin-Greer Corp., please find
enclosed our Application for a High Angle/Horizontal
Direction Drilling Pilot Project as referenced above,
which we request be set for hearing on the next available
Examiner's docket now scheduled for September 3, 1992.

By copy of this letter and application, sent
certified mail, we are notifying all interested parties
within a 1/2 mile radius of the subject well of their
right to appear at the hearing and participate in this
case, including the right to present evidence either in
support of or in opposition to the application.

Very truly yours,



W. Thomas Kellahin

WTK/jcl/1trt807b.625

Enclosure

cc: Benson-Montin-Greer Drilling Corp.
Farmington, New Mexico

By Certified Mail - Return Receipt

All Parties Listed on Exhibit "A" of Application

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:

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CASE:

10547

APPLICATION OF BENSON-MONTIN-GREER
DRILLING CORPORATION FOR A HIGH
ANGLE/HORIZONTAL DIRECTION
DRILLING PILOT PROJECT, INCLUDING
SPECIAL OPERATING RULES THEREFOR, AND
AN UNORTHODOX OIL WELL LOCATION,
RIO ARriba COUNTY, NEW MEXICO

A P P L I C A T I O N

Comes now BENSON-MONTIN-GREER DRILLING CORPORATION,
by and through its attorneys, Kellahin and Kellahin,
applies to the New Mexico Oil Conservation Division for
approval for a High Angle/Horizontal Direction Drilling
Pilot Project in the Niobrara formation of the West
Puerto Chiquito-Mancos Oil Pool, including Special
Operating Rules and an unorthodox oil well location for
its Jicarilla 404 #3 Well (F-9) to be dedicated to a
standard 640 acre spacing and proration unit consisting
of all of Section 9, T27N, R1W, NMPM, Rio Arriba County,
New Mexico, to be drilled commencing at an unorthodox
surface location 1050 feet FNL and 2300 feet FWL of said

Section 9. Applicant further seeks special rules and provisions within the pilot project area including the designation of a prescribed area limiting the horizontal displacement of the wellbore such that its producing interval is no closer than 1650 feet to the outer boundaries of the spacing unit, and in support thereof states:

(1) Applicant is the operator of Section 9, T27N, R1W, NMPM, Rio Arriba County, New Mexico.

(2) Applicant proposes to drill its Jicarilla 404 #3 Well (F-9) as a high angle/horizontal directional well by commencing at an unorthodox surface location 1050 feet FNL and 2300 feet FWL (Unit F) of said Section 9 and drilling vertically to the base of the Mesa Verde formation at which point the applicant will select a target point within the drilling-producing window established for the well and then kickoff the well and commence building angle at an appropriate rate which will reach the target point such that the producing interval of the well is within the drilling-producing window from the top of the Niobrara A zone to total depth or to

the base of the Greenhorn formation, should the Greenhorn be penetrated.

(3) The drilling-producing window is identified as the area within Section 9 which shall be no closer than 1650 feet to the outer boundary of Section 9.

(4) The target point is defined at the actual bottom hole location at the end point of the lateral of the subject well.

(5) The Niobrara interval of the West Puerto Chiquito-Mancos Oil Pool is characterized by tight, low permeability blocks interconnected by a high capacity fracture system. That interval is the potential productive zone in this section and is anticipated to contain numerous fractures with orientations in a north-south direction and good porosity and permeability associated with the fractures.

(6) The proposed well is located in the West Puerto Chiquito-Mancos Oil Pool where pool rules provide for 640-acre spacing and proration units, and wells located no nearer than 1,650 feet from the outer boundary of the proration unit nor closer than 330 feet to a quarter-quarter section line.

(8) While the well will be commenced at an unorthodox surface location, the producing interval of the well will be no closer than 1650 feet to the outer boundary of the section but may be closer than 330 feet to a quarter-quarter section line within the spacing unit and therefore an unorthodox well location is necessary.

(9) Past experience in the Niobrara formation has shown that unless a conventionally drilled (vertical) well intersects natural fractures, the chance of obtaining commercial production is severely curtailed.

(10) By drilling a high angle/horizontal wellbore, the applicant is attempting to increase the probability of encountering several of these fractures, which may ultimately result in the recovery of a greater amount of gas and oil, thereby preventing waste.

(11) In as much as the exact distance and direction of the lateral portion of the wellbore is not known at this time, the Applicant seeks approval to be allowed to drill and produce said lateral portion anywhere within the drilling-producing window.

(12) As required, notice is provided to those offsetting operators and interest owners as listed on Exhibit "A."

(13) The granting of this Application will be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Applicant requests that this matter be set for hearing on September 3, 1992 before a duly appointed Examiner of the Oil Conservation Division and, after notice and hearing as required by law, the Division enter its Order granting this application.

Respectfully submitted,

KELLAHIN & KELLAHIN

By: 

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Santa Fe, New Mexico 87504
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Attorneys for Applicant

EXHIBIT A

Bureau of Land Management
1235 La Plata Hwy.
Farmington, New Mexico 87401
Attn: John Keller

Jicarilla Apache Tribe
Post Office Box 507
Dulce, New Mexico 87528
Attn: Thurman Velarde
Oil and Gas Administrator

Apache Jicarilla Agency
BIA
Post Office Box 167
Dulce, New Mexico 87528

American Hunter Exploration, Ltd.
c/o Jim Lister
410 17th Street, Suite 1220
Denver, Colorado 80202

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