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SANTA FE, NEW MEXICO 87504-2265

JASON KELLAHIN (RETIRED 1991)

August 7, 1992

Mr. William J. LeMay
Oil Conservation Division
State Land Office Building
310 Old Santa Fe Trail, 2nd Floor
Santa Fe, New Mexico 87501

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AUG 10 1992

OIL CONSERVATION DIVISION

10548

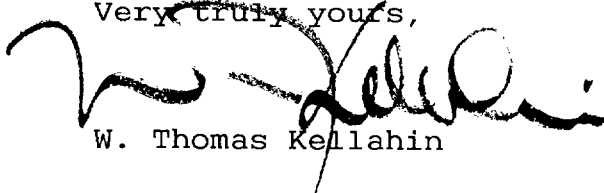
Re: Jicarilla 404 #2 (K-10) Well Application
of Benson-Montin-Greer Drilling Corp. for
a High Angle/Horizontal Direction Drilling
Pilot Project, Special Operating Rules
Therefor, including An Unorthodox Oil Well
Location, a Special Gas Oil Ratio, and A
Special Project Allowable, Rio Arriba County,
New 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
lrrt807.625
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: OIL CONSERVATION DIVISION

10548

APPLICATION OF BENSON-MONTIN-GREER
DRILLING CORP. 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 CORP., 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 #2 Well (K-10) to be dedicated to a standard 640 acre spacing and proration unit consisting of all of Section 10, T27N, R1W, NMPM, Rio Arriba County, New Mexico, to be drilled commencing at a standard surface location 2060 feet FSL and 2130 feet FWL of said Section 10. Applicant

further seeks special rules and provision 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 10, T27N, R1W, NMPM, Rio Arriba County, New Mexico.

(2) Applicant proposes to drill its Jicarilla 404 #2 Well (K-10) as a high angle/horizontal directional well by commencing at a standard surface location 2060 feet FSL and 2130 feet FWLK (Unit K) of said Section 10 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 10 which shall be no closer than 1650 feet to the outer boundary of Section 10.

(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, 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.

(7) The producing interval of the well may be closer than 330 feet to a quarter-quarter section line within

the spacing unit and therefore an unorthodox well location is necessary.

(8) 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.

(9) 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.

(10) 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.

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

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

Application of Meridian Oil Inc.
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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

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', is written over a horizontal line.

By:
W. Thomas Kellahin
Post Office Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285

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
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Denver, Colorado 80202

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