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October 16, 1992

HAND-DELIVERED

Mr. David R. Catanach
Hearing Examiner
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
State Land Office Building
Santa Fe, New Mexico 87503

*CASE FILE
10571*

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OCT 16 1992

OIL CONSERVATION DIVISION

Re: Case No. 10571:
Application of Chevron U.S.A. Inc. for a High Angle/Directional Drilling
Pilot Project, Special Operating Rules, Unorthodox Well Location and
Simultaneous Dedication, Lea County, New Mexico

Dear David:

In reviewing my notes on yesterday's hearing in the above-referenced case, I have become concerned that there may be some confusion in the record concerning the need for a higher allowable for the proposed horizontal well. Inasmuch as we do not yet have a transcript to which I can refer to be sure this confusion does not exist, I am taking the liberty of writing you concerning this matter.

Under current rules, if the horizontal drilling application is approved by the Division the new well would be permitted to produce at a restricted rate of only 37 barrels of oil per day on a 40-acre spacing unit. This results from a fact that there is an existing well on the unit producing substantial volumes of gas and the current special pool rules for the South Brunson Drinkard-Abo Oil Pool which set a 6,000 to 1 gas/oil ratio.

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Without the allowable that would result from the establishment of the 80-acre project area, a principal objective of the drilling this well would be defeated. As Chevron testified, in addition to its desire to increase production from the property, a primary objective of this well is the acquisition of data to confirm whether or not this new horizontal drilling technique can be effectively utilized in other wells in the area.

Your consideration of these comments is appreciated.

Very truly yours,



WILLIAM F. CARR

WFC:mlh

cc: Ernest L. Padilla, Esq.

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