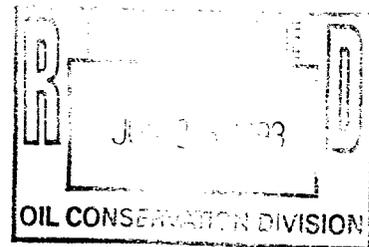


STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:



CASE: 10778

APPLICATION OF CONOCO INC.
FOR A HIGH ANGLE/HORIZONTAL DIRECTIONAL
DRILLING PILOT PROJECT INCLUDING
SPECIAL OPERATING RULES, AND
AN UNORTHODOX GAS WELL LOCATION,
SAN JUAN COUNTY, NEW MEXICO

APPLICATION

Comes now CONOCO, INC., by and through its attorneys, Kellahin and Kellahin, and applies to the New Mexico Oil Conservation Division for approval for a High Angle/Horizontal Directional Drilling Pilot Project in the Basin Fruitland Coal Gas Pool, with Special Operating Rules including the designation of a prescribed area limiting the surface

location and the horizontal displacement of the wellbore such that its surface location and producing interval be no closer than 790 feet to the outer boundary of its spacing unit being a standard 320 acre spacing unit consisting of the E/2 of Section 21, T29N, R8W, NMPM, San Juan County, New Mexico.

IN SUPPORT OF THIS APPLICATION, APPLICANT STATES:

(1) Applicant is the operator of all of Section 21, T29N, R8W, NMPM, San Juan County, New Mexico and proposes to dedicate the E/2 of said Section 21 for this pilot project's spacing unit. See Exhibit "A."

(2) Applicant's existing Hughes B-18 Well is located 1370 feet FNL and 1500 feet FEL of said Section 21 which was drilled and completed in the Basin-Fruitland Coal Gas Pool. Applicant proposes to utilize the Hughes B-18 Well as an observation well and will cease producing this well upon commencement of production of the proposed high angle well.

(3) Applicant proposes to replace its Hughes B-18 Well with its proposed Hughes #B 18H Well in the E/2 of said Section 21 and attempt to complete said replacement well as a high angle/horizontal directional well in the Basin Fruitland Coal Gas Pool by commencing at a proposed surface location 815 feet FNL and 1270 feet FEL of said section 21, drilling vertically to the kickoff point at approximately at 2588 feet TVD. At that point, the Applicant will select a target point within the drilling-producing window established for the well and then kick off the well in an estimated southeasterly direction and commence to building angle at an appropriate rate which will reach the target point such that the producing interval of the well will be within the drilling-producing window and confined to the vertical limits of the Basin Fruitland Coal Gas Pool. A copy of Applicant's preliminary projection of a horizontal and vertical plans for the subject well are attached as Exhibits "A," "B" and "C".

(4) The drilling-producing window is identified as the area within E/2 of Section 21 which shall be no closer than 790 feet to the outer spacing unit boundary. See Exhibit "A."

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

(6) The well is located within the Basin Fruitland Coal Gas Pool and therefore is subject to the special rules and regulations for said pool as promulgated by Division Order R-8768, as amended by Order R-8768-A entered July 16, 1991, which among other things require:

(a) Rule 4: provides for 320-acre spacing units; and

(b) Rule 7: provides that wells shall be located in either the NE/4 or SW/4 section and not be located nearer than 790 feet from the outer boundary of the proration unit nor closer than 130 feet to a quarter section line.

(7) While the producing interval of the well will be no closer than 790 feet to the outer boundary of the spacing unit, it will be closer than 130 feet to a quarter section line within the interior of the spacing unit and a portion of said producing lateral will be located in the SE/4 of said Section 21. Therefore an unorthodox well location is necessary.

(8) Applicant seeks approval of this application in order to determine if this type of wellbore and completion in the Basin Fruitland, Coal Gas Pool will result in the recovery of substantially greater amounts of hydrocarbons than would normally be recovered by a conventional well thereby improving ultimate recovery and preventing waste.

(9) 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.

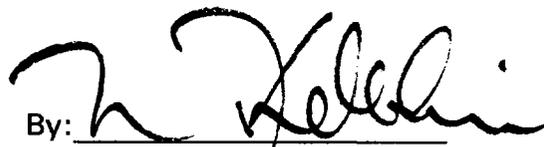
(10) As required by Division notice rules, notice is provided to those offsetting operators as listed on Exhibit "A."

(11) 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 July 29, 1993 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.

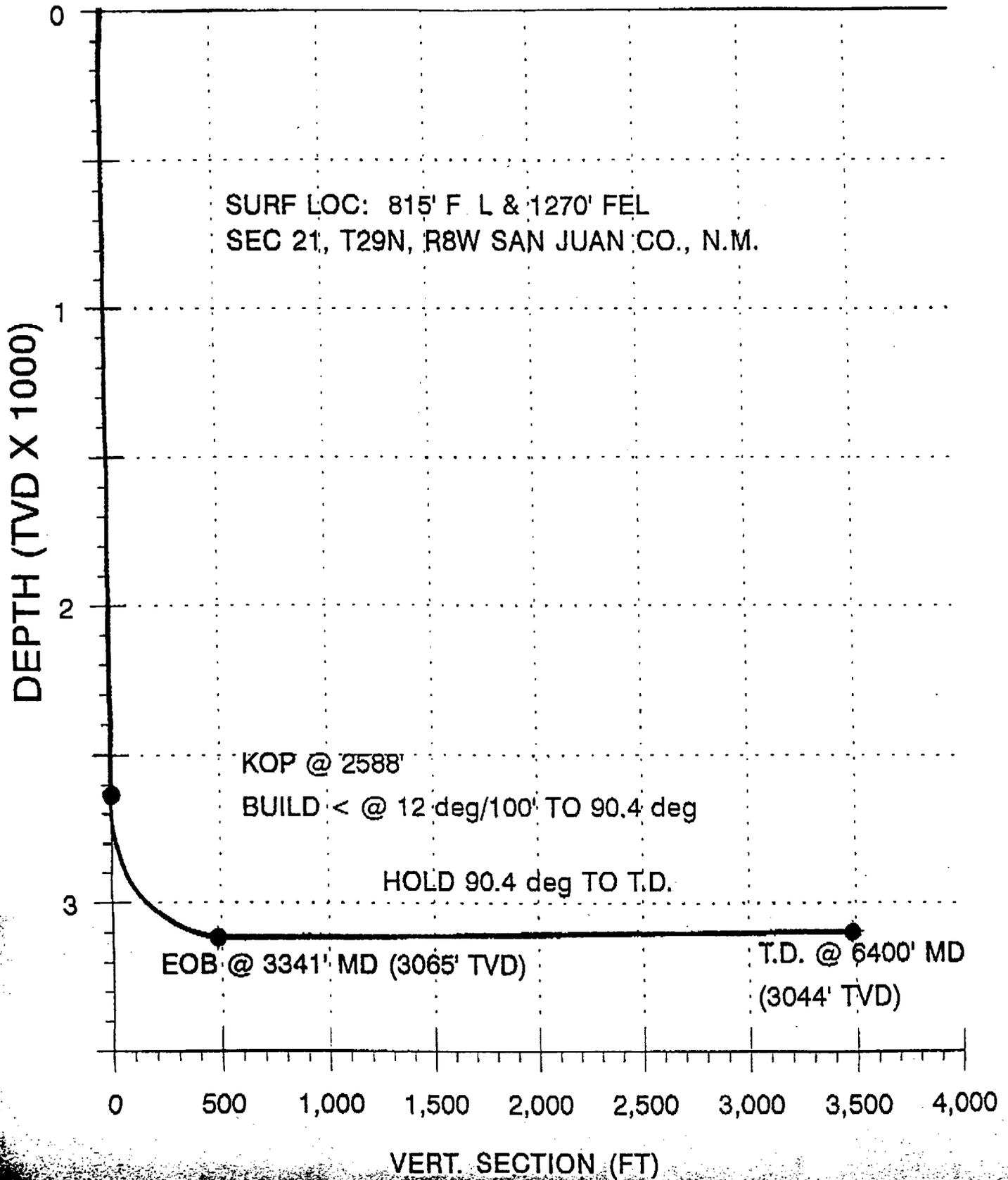
Respectfully submitted,

KELLAHIN and KELLAHIN

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Attorneys for Applicant

HUGHES B-18H VERTICAL SECTION



HUGHES B-18H HORIZONTAL PLAN

SURF LOC: 815' FNL & 1270' FEL, SEC 21, T29N, R8W, SAN JUAN CO., N.M.

