

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 NO. 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.

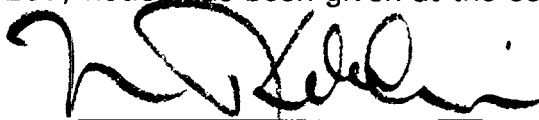
BEFORE EXAMINER STOGNER
OIL CONSERVATION DIVISION
EXHIBIT NO. <u>15</u>
CASE NO. <u>10778</u>

CERTIFICATE OF MAILING

AND


COMPLIANCE WITH ORDER R-8054

W. THOMAS KELLAHIN, attorney in fact and authorized representative of Hallwood Petroleum Inc., states that the notice provisions of Division Rule 1207 (Order R-8054) have been complied with, that Applicant has caused to be conducted a good faith diligent effort to find the correct addresses of all interested parties entitled to receive notice, that on June 29, 1993, I caused to be mailed by certified mail return-receipt requested notice of this hearing and a copy of the application for the above referenced case along with the cover letter, at least twenty days prior to the hearing set for July 29, 1993, to the parties shown in the application as evidenced by the attached copies of return receipt cards, and that pursuant to Division Rule 1207, notice has been given at the correct addresses provided by such rule.



W. Thomas Kellahin

SUBSCRIBED AND SWORN to before me this 26 day of JUNE, 1993.


Notary Public

My Commission Expires:

June 9, 1997

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

3. Article Addressed to:

Meridian Oil Inc.
Alan Alexander
3535 East 30th Street
Farmington, NM 87402

4a. Article Number
670 814 634

4b. Service Type

<input type="checkbox"/> Registered	<input type="checkbox"/> Insured
<input checked="" type="checkbox"/> Certified	<input type="checkbox"/> COD
<input type="checkbox"/> Express Mail	<input type="checkbox"/> Return Receipt for Merchandise

7. Date of Delivery
6-29-93

8. Addressee's Address (Only if requested and fee is paid)

5. Signature (Addressee)

6. Signature (Agent)
Carlin Curry

PS Form 3811, December 1991 U.S. GPO: 1992-323-402

DOMESTIC RETURN RECEIPT

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

3. Article Addressed to:

McKenzie Methane Corporation
1911 Main Suite 255
Durango, Colorado 81301

4a. Article Number
670 814 633

4b. Service Type

<input type="checkbox"/> Registered	<input type="checkbox"/> Insured
<input checked="" type="checkbox"/> Certified	<input type="checkbox"/> COD
<input type="checkbox"/> Express Mail	<input type="checkbox"/> Return Receipt for Merchandise

7. Date of Delivery
7-2-93

8. Addressee's Address (Only if requested and fee is paid)

5. Signature (Addressee)
Martha M. Stevens

6. Signature (Agent)

PS Form 3811, December 1991 U.S. GPO: 1992-323-402

DOMESTIC RETURN RECEIPT

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 NO. 10778
ORDER NO. R-9950*

APPLICATION OF CONOCO, INC. FOR A HIGH ANGLE/HORIZONTAL
DIRECTIONAL DRILLING PILOT PROJECT, SPECIAL OPERATING RULES
THEREFOR AND AN UNORTHODOX PRODUCING INTERVAL, SAN JUAN COUNTY,
NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on July 29, 1993, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 30th day of August, 1993 the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Conoco, Inc., seeks to initiate a high angle/horizontal directional drilling pilot project within an existing 320-acre standard gas spacing and proration unit in the Basin-Fruitland Coal Gas Pool comprising the E/2 of said Section 21, Township 29 North, Range 8 West, NMPM, San Juan County, New Mexico.

(3) The proposed pilot project is within the boundaries of the Basin-Fruitland Coal Gas Pool and as such is subject to the Special Rules and Regulations for said pool as promulgated by Division Order No. R-8768, as amended, which provides for 320-acre standard gas spacing and proration units, requires that wells be located in either the NE/4 or SW/4 of a governmental section and no closer than 790 feet from the outer boundary of the spacing unit nor closer than 130 feet from any quarter-quarter section line or subdivision

inner boundary, and includes a provision for administrative approval of high angle/horizontal wellbores provided that the producing interval of said wellbore be confined to an area that conforms to the above-described setback requirements other than the 10-foot setback distance from the quarter-quarter section line or subdivision inner boundary rule.

(4) The 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 in an area of the pool that exhibits under-pressured and low permeability characteristics but has substantial thickness than would normally be recovered by a conventional well thereby improving ultimate recovery and preventing waste.

(5) The S/2 of said Section 21 is currently dedicated to the applicant's Hughes "B" Well No. 18 located at a standard coal gas well location 1370 feet from the North line and 1500 feet from the East line (Unit G) of said Section 21.

(6) The applicant proposes to replace its Hughes "B" Well No. 18 with a well to be drilled vertically from a standard surface coal gas well location 85 feet from the North line and 1270 feet from the East line (Unit A) of said Section 17 to an approximate depth of 2588 feet and then kick-off in a southerly direction, build angle and continue drilling horizontally in the coal seam. Further, the applicant proposes to keep the horizontal displacement of said well's producing interval no closer than 790 feet from the outer boundary of the subject proration unit.

(7) The applicant proposes to utilize the above-described existing Hughes "B" Well No. 18 as an observation well in the Basin-Fruitland Coal Gas Pool should this matter be authorized.

(8) No offset operator and/or interest owner appeared at the hearing in opposition to the proposed horizontal directional drilling pilot project.

(9) The application as proposed exhibits sound engineering practices, promotes the conservation of gas underlying the unit, and serves to prevent waste and protect correlative rights. This application would therefore be approved provided however that:

- (a) no part of the horizontal wellbore should be located closer than 790 feet from the outer boundary of the project area;

- (b) the applicant be required to conduct a directional survey on the vertical portion of the wellbore prior to commencing directional drilling operations, and on the horizontal portion of the wellbore during or subsequent to completion of directional drilling operations in order that direction, extent and terminus of said wellbore may be determined to be in compliance with the terms of this order;
- (c) the applicant further be required to submit copies of said directional surveys to the Santa Fe and Aztec offices of the Division;
- (d) the applicant notify the supervisor of the Aztec District Office of the Division of the date and time of commencement of directional drilling operations and of the conductance of any directional surveys on the proposed well in order that these operations may be witnessed; and,
- (e) subsequent to the drilling and completing of the horizontal replacement well and if such well is determined to be a commercial producer, the applicant must not utilize the existing Hughes "B" Well No. 18 as a producing well in the Basin-Fruitland Coal Gas Pool.

IT IS THEREFORE ORDERED THAT:

(1) The application of Conoco, Inc. for a high angle/horizontal directional drilling pilot project within an existing standard 320-acre gas spacing and proration unit in the Basin-Fruitland Coal Gas Pool comprising the E/2 of Section 21, Township 29 North, Range 8 West, NMPM, San Juan County, New Mexico, is hereby approved.

(2) The applicant is further authorized to drill vertically from a well to be located at a standard surface coal gas well location 815 feet from the North line and 1270 feet from the East line (Unit A) of said Section 17 to an approximate depth of 2588 feet and then kick-off in a southerly direction, build angle and continue drilling horizontally in the coal seam.

PROVIDED HOWEVER, no portion of the horizontal displacement of said well's producing interval be closer than 790 feet from the outer boundary of the subject proration unit.

(3) The applicant shall conduct a directional survey on the vertical portion of the wellbore prior to commencing directional drilling operations, and on the horizontal portion of the wellbore during or subsequent to completion of directional drilling operations in order that direction, extent and terminus of said wellbore may be determined to be in compliance with the terms of this order.

(4) The applicant shall submit copies of said directional surveys to the Santa Fe and Aztec offices of the Division.

(5) The applicant shall notify the supervisor of the Aztec District Office of the Division of the date and time of commencement of directional drilling operations and of the conductance of any directional surveys on the proposed well in order that these operations may be witnessed.

IT IS FURTHER ORDERED THAT:

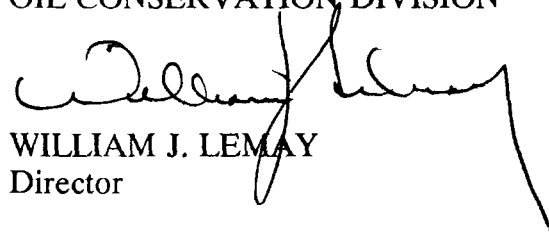
(6) Subsequent to the drilling and successful completion of the horizontal well as a commercial producing gas well in the Basin-Fruitland Coal Gas Pool, the operator of the subject spacing unit will cease production from the Hughes "B" Well No. 18 located 1370 feet from the North line and 1500 feet from the East line (Unit G) of said Section 21 and utilize said Well No. 18 as an observation well only.

(7) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

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

CASE NO. 10778
ORDER NO. R-9950-A

APPLICATION OF CONOCO, INC. FOR A HIGH ANGLE/HORIZONTAL
DIRECTIONAL DRILLING PILOT PROJECT, SPECIAL OPERATING RULES
THEREFOR AND AN UNORTHODOX PRODUCING INTERVAL, SAN JUAN
COUNTY, NEW MEXICO

NUNC PRO TUNC ORDER

BY THE DIVISION:

It appearing to the Division that Order No. R-9950 dated August 30, 1993, does not correctly state the intended order of the Division,

IT IS THEREFORE ORDERED THAT:

(1) Decretory Paragraph No. (2) on page 3 of said Order No. R-9950, be and the same, is hereby amended to read in its entirety as follows:

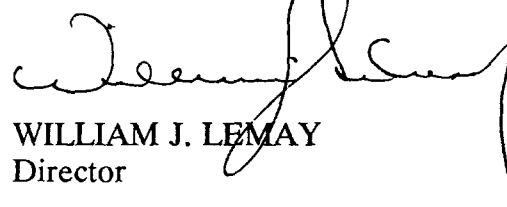
"(2) The applicant is further authorized to drill vertically from a well to be located at a standard surface coal gas well location 815 feet from the North line and 1270 feet from the East line (Unit A) of said Section 21 to an approximate depth of 2588 feet and then kick-off in a southerly direction, build angle and continue drilling horizontally in the coal seam."

(3) The corrections set forth in this order be entered nunc pro tunc as of August 30, 1993.

DONE at Santa Fe, New Mexico, on this 25th day of October, 1993.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director