

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: 10915

APPLICATION OF CONOCO INC.
FOR A HIGH ANGLE/HORIZONTAL DIRECTIONAL
DRILLING PILOT PROJECT INCLUDING
SPECIAL OPERATING RULES, AND
AN UNORTHODOX GAS WELL LOCATION, FOR ITS
PROPOSED HUGHES B-16R, SEC 20, T29N, R8W,
SAN JUAN COUNTY, NEW MEXICO

A P P L I C A T I O N

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 20, T29N, R8W, NMPM, San Juan County, New Mexico.

IN SUPPORT OF THIS APPLICATION, APPLICANT STATES:

(1) Applicant is the operator of all of Section 20, T29N, R8W, NMPM, San Juan County, New Mexico and proposes to dedicate the E/2 of said Section 20 for this pilot project's spacing unit. See Exhibit "A".

(2) Applicant's existing Hughes B-16 Well is located 820 feet FNL and 1100 feet FEL of said Section 20 which was drilled and completed in the Basin-Fruitland Coal Gas Pool. Applicant proposes to utilize the Hughes B-16 as an observation well and will cease producing this well upon commencement of production of the proposed replacement high angle well.

(3) Applicant proposes to replace its Hughes B-16 Well with its proposed Hughes B-16R Well in the E/2 of said Section 20 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 910 feet FNL and 1100 feet FEL of said Section 20, drilling vertically to the kickoff point at approximately 2642 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 southerly direction and commence to build 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 projections of horizontal and vertical drilling plans for the subject well are attached as Exhibits "B" and "C".

(4) The drilling-producing window is identified as the area within the E/2 of Section 20 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 of the section and not be located nearer than 790 feet to the outer boundary of the proration unit, closer than 130 feet to a quarter section line, nor closer than 10 feet to an interior quarter-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 and closer than 10 feet to a quarter-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 20. 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.

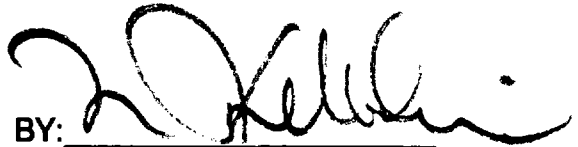
(10) As required by Division notice rules, notice is provided to those offsetting operators as shown on Exhibit "A".

(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 February 17, 1994 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.

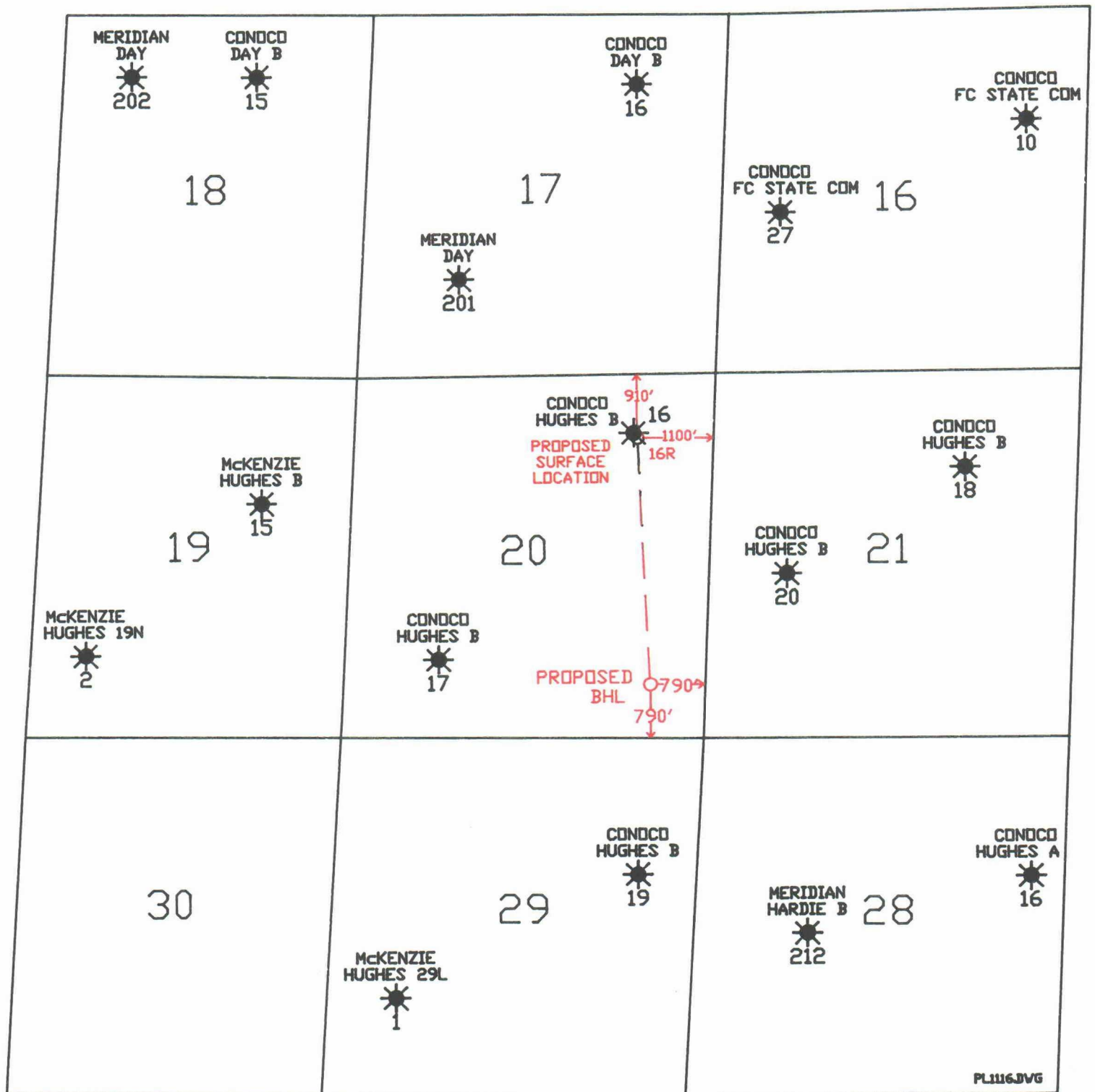
Respectfully submitted,

KELLAHIN AND KELLAHIN

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T29N R8W

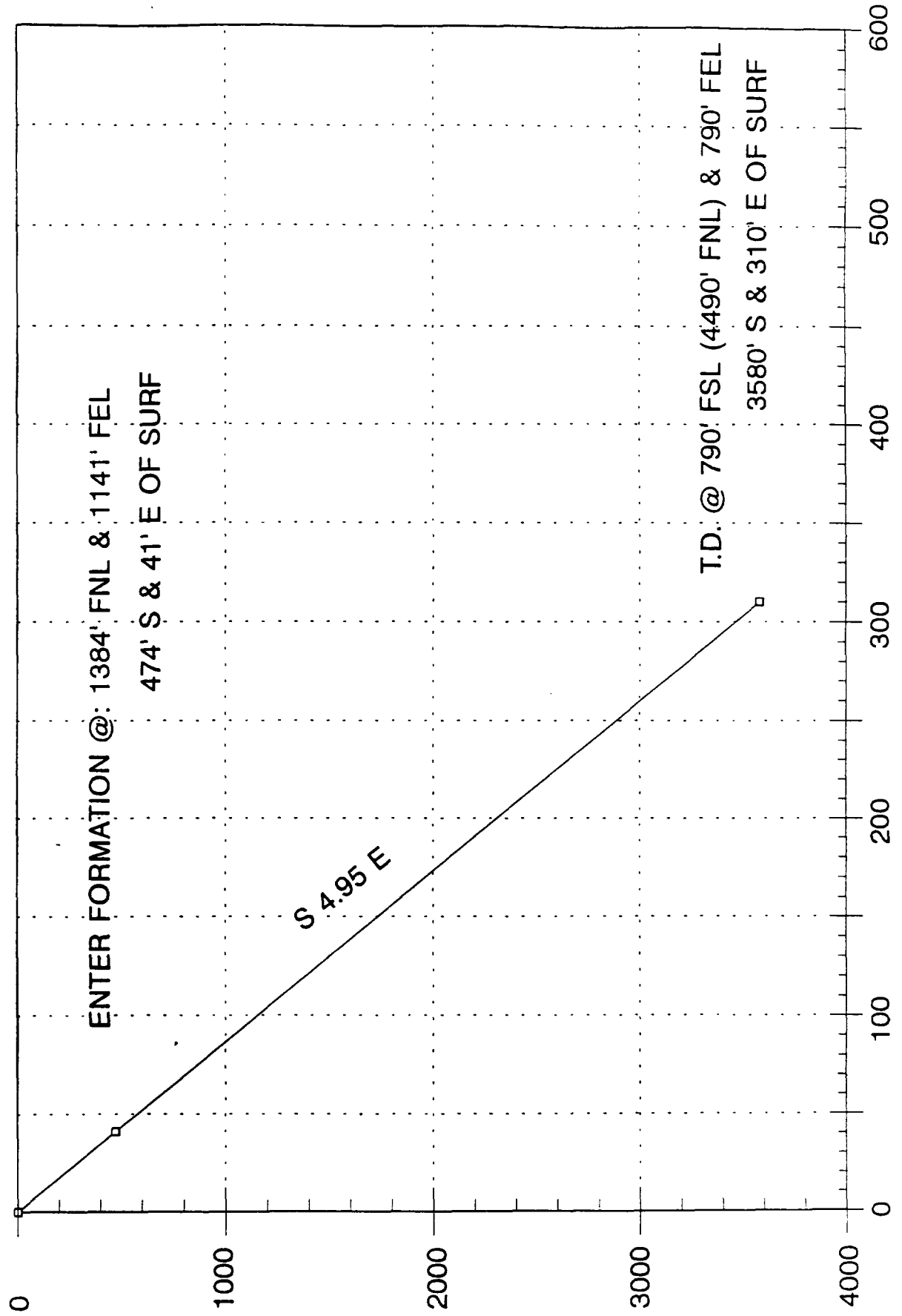


CONOCO
HUGHES B-16R
HORIZONTAL FRUITLAND WELL

EXHIBIT A

HUGHES B-16R HORIZONTAL PLAN

SURF LOC: 910' FNL & 1100' FEL, SEC 20, T29N, R8W, SAN JUAN CO., N.M.



HUGHES B-16R VERTICAL SECTION

