

Sherman & Howard
A LAW PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

500 MARQUETTE N.W., SUITE 500
POST OFFICE BOX 2043
ALBUQUERQUE, NEW MEXICO 87103-2043

TELEPHONE: 505 764-8100
TELECOPIER: 505 764-8202

APR 12 1990
8 55 AM

WITH OFFICES IN:
COLORADO SPRINGS
DENVER
RENO
SANTA FE
SOUTHEAST DENVER

SEALY H. CAVIN, JR.

April 11, 1990

CERTIFIED MAIL/RETURN RECEIPT REQUESTED
ARTICLE NO. P 057 097 129

Case 9924

Mr. William J. LeMay, Chmn. and Director
Oil Conservation Division
State of New Mexico
Energy and Minerals Department
State Land Office Building
Old Santa Fe Trail
Santa Fe, New Mexico 87501

Re: Application of Strata Production Company for Amendment of Order No. R-9097

Dear Mr. LeMay:

On behalf of Strata Production Company, I would appreciate your having the enclosed Application set for hearing on the next available Examiner's Docket now scheduled for May 2, 1990.

I suggest the following for an advertisement for the docket and newspaper:

**APPLICATION OF STRATE PRODUCTION COMPANY TO
AMEND DIVISION ORDER NO. R-9097, EDDY COUNTY,
NEW MEXICO.**

Applicant in the above-styled cause seeks to amend Division Order No. R-9097, which authorized a horizontal directional drilling pilot project in the SE/4 of Section 18, Township 26 South, Range 25 East, NMPM, being a standard 160-acre gas spacing and proration unit in the Bone-Spring formation by expanding the prescribed area limiting the horizontal displacement of the proposed wellbore such that any portion thereof can be no closer than 330 feet from the North line, nor

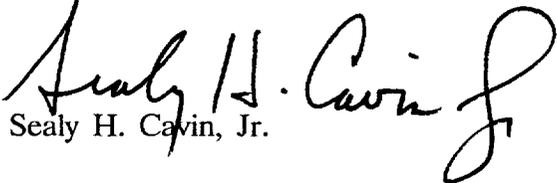
Sherman & Howard

Mr. William J. LeMay
April 11, 1990
Page 2

closer than 660 feet from the East and West lines, nor closer than 460 feet from the South line of said 160-acre tract. Said location is approximately 2.5 miles east of Mile Post No. 6 on U.S. Highway 62/180.

By copy of this letter to all parties shown on Exhibit "A" to the Application, we are forwarding a copy of the Application and notifying them by certified mail/return receipt requested that they have the right to appear at the hearing to make a statement to the Division, to present evidence and cross-examine witnesses either in support of or in opposition to the Application. Those parties are directed to contact the Division or the Applicant's attorney to determine what additional rights they may have.

Very truly yours,


Sealy H. Cavin, Jr.

SHC:tms

cc: Mr. George L. Scott, Jr.
Mr. Jim McClelland
Mr. Dan M. Leonard
Mr. John C. Byers
Mr. Bernard J. Mahony, Sr., P.E.
AH - 1980 Program, Inc. (Certified Mail/Return Receipt Requested
Article No. P 057 097 751)
Bonneville Fuels Corporation (Certified Mail/Return Receipt Requested
Article No. P 057 097 750)
El Paso Natural Gas Company (Certified Mail/Return Receipt Requested
Article No. P 057 097 749)

**STATE OF NEW MEXICO
DEPARTMENT OF ENERGY AND MINERALS
OIL CONSERVATION DIVISION**

RECEIVED

APR 12 1990

OIL CONSERVATION DIVISION

**IN THE MATTER OF THE
APPLICATION OF STRATA PRODUCTION COMPANY,
FOR AMENDMENT OF ORDER NO. R-9097
REGARDING APPLICATION OF STRATA PRODUCTION
COMPANY FOR AN UNORTHODOX GAS WELL LOCATION,
HORIZONTAL DIRECTIONAL DRILLING PILOT PROJECT
AND SPECIAL OPERATING RULES THEREFORE,
EDDY COUNTY, NEW MEXICO.**

CASE NO. 9924

APPLICATION

COMES NOW Strata Production Company, by and through its attorneys, Sherman & Howard, and applies to the New Mexico Oil Conservation Division to amend Order No. R-9097 regarding application of Strata Production Company for an unorthodox gas well location, Horizontal Directional Drilling Pilot Project and special operating rules therefore, Eddy County, New Mexico. In Order No. R-9097 the Division approved Strata Production Company's application for a horizontal well at an unorthodox location and ordered:

1. The application of Strata Production Company for a horizontal directional drilling pilot project in the SE/4 of Section 18, Township 26 South, Range 25 East, NMPM, Eddy County, New Mexico, is hereby approved.
2. The applicant is further authorized to drill its Yeso Hills Federal Well No. 1 at the following unorthodox surface location and in the following manner: Commence drilling at an unorthodox surface location 450 feet from the South line and 1780 feet from the East line (Unit O) of said Section 18, drilling to a true vertical depth of approximately 4900 feet in the Bone Spring formation whereby the formation will be evaluated to determine the proper direction for the horizontal extension (either north, east, or northeast), plug back to a depth of approximately 4375 feet, and commence a medium radius curve in the predetermined direction to encounter the Bone Spring formation at

approximately 4680 feet at which point the well will be drilled horizontally within the Bone Spring formation a distance of approximately 1200-1500 feet.

PROVIDED HOWEVER THAT, the SE/4 of said Section 18 shall be dedicated to the subject well forming a standard 160-acre gas spacing and proration unit for said Bone Spring formation, and;

PROVIDED FURTHER THAT, the horizontal portion of the subject well shall be located no closer than 660 feet from the north, east, and west lines of the subject proration unit, nor closer than 460 feet from the south line of the subject proration unit.

3. The applicant shall 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 subsequent to directional drilling operations in order that the direction, extent, and terminus of said wellbore may be determined to be in compliance with the proposed bottomhole location.
4. The applicant shall further be required to submit copies of said directional surveys to the Santa Fe and Artesia district offices of the Division.
5. The applicant shall notify the supervisor of the Artesia 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.
6. Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Applicant has in compliance with Order R-9097, drilled and evaluated the vertical wellbore and decided to drill the horizontal drain hole in a direction north/northwest.

Applicant proposes that Order No. R-9097 be amended as follows to expand to the north the prescribed area limiting the horizontal displacement of the proposed wellbore:

"The horizontal portion of the subject well shall be located no closer than (1) 330 feet from the north line of the subject proration unit, (2) 660 feet from the east and west lines of the subject proration unit, and (3) 460 feet from the south line of the subject proration unit."

In support hereof applicant will show:

1. That applicant has drilled the vertical wellbore of the subject well in section 18, Township 26 South, Range 25 East, NMPM, to a total true vertical depth of approximately 4920 feet in the Bone Spring Formation.

2. Applicant has evaluated the vertical wellbore by logging and coring to determine in what direction to drill horizontally.

3. Applicant has plugged back to a depth of 4171 feet and set a whipstock to initiate medium radius curvature to facilitate the drilling of a horizontal hole.

4. Applicant proposes that the horizontal drilling shall in a direction north/northwest.

5. No part of the horizontal hole shall be closer than 330 feet of the north line of the proration unit, 660 feet of the east and west lines of the proration unit, and 460 feet of the south line of the proration unit.

6. The spacing unit for the Yeso Hills Federal No. 1 Well is the SE/4 of said section 18.

7. Applicant has the right to drill the Yeso Hills Federal No. 1 Well by virtue of farmhouts from A-H 1980 Program, Inc. and Bonneville Fuels Corporation covering various lands including the SE/4 of section 18.

8. Notice is being provided to the offset operators listed on Exhibit "A" hereto.

9. The proposed horizontal section of the Wellbore will be located in the Bone Spring Formation.

10. Applicant seeks approval of this application in order to determine if a horizontal wellbore and completion in the Bone Spring Formation will result in the recovery of substantially greater amounts of hydrocarbons from the Bone Spring

Formation than would normally be recovered by a conventional well completion, and thereby improve ultimate recovery and prevent waste.

WHEREFORE, after notice and hearing, the Applicant request that this application be granted.

Respectfully submitted:

SHERMAN & HOWARD

By _____
Sealy H. Cavin, Jr.
Attorneys for the Applicant
500 Marquette, N.W.
Suite 500
Albuquerque, New Mexico 87102

EXHIBIT "A" TO STRATA PRODUCTION
COMPANY APPLICATION FOR AMENDMENT
OF ORDER NO. R-9097

EXHIBIT "A"

OFFSET OPERATORS

1. AH - 1980 Program, Inc.
1201 Louisiana, Suite 700
Houston, Texas 77002-5681
Attention: Henry Hansen, Senior Landman

2. Bonneville Fuels Corporation
1600 Broadway, Suite 1110
Denver, Colorado 80202
Attention: L.D. Lillo, Senior Landman

3. El Paso Natural Gas Company
c/o Meridian Oil, Inc.
21 Desta Drive
Midland, Texas 79705
Attention: Mario R. Moreno, Jr., Senior Landman