

BEFORE THE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION OF
STRATA PRODUCTION COMPANY FOR
APPROVAL OF A HORIZONTAL WELL,
NONSTANDARD SPACING AND PRORATION
UNIT AND INCREASED ALLOWABLE,
ROOSEVELT COUNTY, NEW MEXICO.

CASE NO. 11295

APPLICATION

COMES NOW STRATA PRODUCTION COMPANY ("Applicant"), by and through its attorneys, Stratton & Cavin, P.A., and applies to the New Mexico Oil Conservation Division to initiate a horizontal well in the SE/4NE/4 of Section 21, Township 7 South, Range 34 East, NMPM, Roosevelt County, New Mexico, forming a nonstandard 120-acre oil spacing and proration unit in the San Andres Formation, by re-entering its Sunrise Federal No. 1 Well at a surface location 1980 feet from the North line and 660 feet from the East line of said Section 21. Applicant proposes to re-enter the Sunrise Federal No. 1 Well to a depth of approximately 4200 feet and then drill horizontally in the San Andres Formation due East to a bottom hole location 1980 feet from the North line and 1640 feet from the West line of Section 22, Township 7 South, Range 34 East, NMPM, Roosevelt County, New Mexico. Applicant proposes that the proposed well be granted an allowable of 240 barrels of oil per day since said well will cover three (3) separate 40-acre tracts. The location is approximately 9 miles Northwest of Milnesand, New Mexico. In support hereof the Applicant will show:

1. Applicant proposes to re-enter the Sunrise Federal No. 1 Well at a surface location 1980 feet from the North line and 660 feet from the South line of Section 21, Township 7 South, Range 34 East, NMPM, Roosevelt County, New Mexico, to a true vertical depth of 4200 feet in the San Andres Formation.

2. Applicant proposes to drill horizontally due East to a bottom hole location 1980 feet from the North line and 1640 feet from the West line of Section 22, Township 7 South, Range 34 East, NMPM, Roosevelt County, New Mexico.

3. No part of the horizontal well shall be closer than 660 feet to any outside boundary of the nonstandard spacing and proration unit.

4. The nonstandard spacing and proration unit for the proposed well shall be the SE/4NE/4 of Section 21, and the S/2NW/4 of Section 22.

5. The proposed horizontal section of the wellbore shall be located in the San Andres Formation.

6. Applicant owns or controls United States Oil and Gas Lease NM-84732 which covers the following lands in Roosevelt County, New Mexico:

Township 7 South, Range 34 East, NMPM
Section 21: E/2
Section 22: W/2
containing 640 acres, more or less.

7. Notice is being provided to the parties entitled to notice under the New Mexico Oil Conservation Division's rules and regulations.

8. Applicant seeks approval of this Application in order to determine whether a horizontal wellbore in a San Andres Formation at this location will result in the recovery of substantially greater amounts of hydrocarbons from the San Andres Formation than would

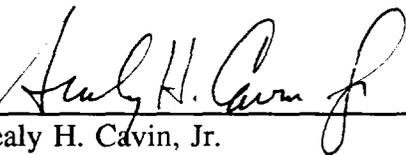
normally be recovered by a conventional well completion thereby improving the ultimate recovery and preventing waste.

9. Approval of this Application will not adversely affect the correlative rights of any offset operator.

WHEREFORE, after Notice and Hearing, the Applicant requests that this application be granted.

RESPECTFULLY SUBMITTED,

STRATTON & CAVIN, P.A.

By:  _____
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