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LAW OFFICES

MODRALL, SPERLING, ROEHL, HARRIS & SISK

JAMES E SPERSING
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GEORGE F KOPINI
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DOUBLAS R VADINAIS GEOFFREY D. RIEDER JOHN S. THAL

A PROPESSIONAL ASSOCIATION 500 FOURTH STREET NW SUNWEST BUILDING, SUITE 1000 POST OFFICE BOX 2158 ALBUQUERQUE, NEW MEXICO 87103 (505) \$48-1800

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JOHN F. SHIME

George T. Harais, Jr.

J R MODRALL

APPRIATE IN LAS CAUCAS JOHN A DARDEN, PA. ATTORNET AT LAW 200 West Las Cauces Avenue

P O Box 578 LA CRUCES NEW MEXICO 88004-0578

(805: 526-8035

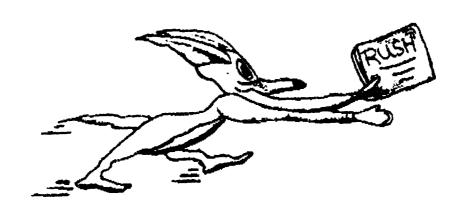
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Case 9830

TELECOPIER COVER LETTER

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Trectiv & Van Valit Earl & Debring Jr Tibotuv C Holm George McFall Bonning J Paiglev Johathan L Barria Walter M Mart III Digne M Martin Dayn Bradlet Breav William Repud Kerener BANDAL J MEDOMALD pages Time: 4:25 p.m. Page 1 of____ PLEASE DELIVER THE FOLLOWING PAGES TO: NAME Michael E. Stogner CITY Santa Fe TELECOPIER NO.: 1-827-5741 FROM: Sealy H. Cavin, Jr. Albuquerque, New Mexico We are Transmitting on a Group III Fax machine, (Machine No. (505) 242-5352 compatible with Group I, II and III telecopiers. If you have any problems receiving our telecopy, please phone: ____(505) 848-1800 Ext. 332 Maria Hill COMMENTS: The enclosed is per our discussion. The original will be hand delivered to grow.



November 7, 1989

HAND DELIVERED

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

Application of Strata Production Company For Authority to Drill a Horizontal Well Pilot Project, Yeso Hills Federal #1 Well Eddy County, New Mexico

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 November 29, 1989.

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

Application of Strata Production Company for a Horizontal Directional Drilling Well in Eddy County, New Mexico. Applicant in the above styled cause seeks authority to initiate a horizontal directional drilling pilot project in the SE% of Section 18, T26S, R25E, N.M.P.M., Eddy County, New Mexico forming a standard 160 acre

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Mr. William J. LeMay, Chmn. and Director Oil Conservation Division November 7, 1989 Page 2

gas spacing and proration unit in the Bone Spring Formation, by commencing its Yeso Hills Federal #1 Well at a surface location 1,980 feet FEL and 660 feet FSL of said Section 18. Applicant proposes to drill to a true vertical depth of approximately 4,900 feet in the Bone Spring Formation. Applicant intends to evaluate the vertical well by logging and coring to determine whether and in what direction to drill horizontally. If a decision is made to drill horizontally, the Applicant will plug back and set whipstock as necessary to initiate medium radius curvature to facilitate drilling horizontally. Horizontal drilling shall be at a direction due North, due East or at a Northeasterly direction from the vertical wellbore. No part of the horizontal hole shall be closer than 660 feet to any outside boundary of the spacing and proration unit.

Said location is approximately 20 miles Southwest of White City, New Mexico.

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:meh Enclosure

George L. Scott, Jr. Dan M. Leonard John C. Byers

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

IN THE MATTER OF THE APPLICATION OF STRATA PRODUCTION COMPANY FOR A HORIZONTAL DIRECTIONAL DRILLING PILOT PROJECT EDDY COUNTY, NEW MEXICO

CASE NO.: 9830

<u>APPLICATION</u>

COMES NOW Strata Production Company, by and through its attorneys, Modrall, Sperling, Roehl, Harris & Sisk, P.A., and applies to the New Mexico Oil Conservation Division to initiate a horizontal directional drilling pilot project in the SE% of Section 18, T26S, R25E, N.M.P.M., Eddy County, New Mexico forming a standard 160 acre gas spacing and proration unit in the Bone Spring Formation, by commencing its Yeso Hills Federal #1 Well at a surface location 1,980 feet FEL and 660 feet FSL of said Section 18. Applicant proposes to drill to a true vertical depth of approximately 4,900 feet in the Bone Spring Formation. Applicant intends to evaluate vertical well by logging and coring to determine whether and in what direction to drill horizontally. If a decision is made to drill horizontally, the Applicant will plug back and set whip stock as necessary to initiate medium radius curvature to facilitate drilling horizontally of approximately 1,200 feet. Horizontal drilling

shall be at a direction due North, due East or at a Northeasterly direction from the vertical wellbore. part of the horizontal hole shall be closer than 660 feet to any outside boundary of the spacing and proration unit. Said location is approximately 20 miles Southwest of White City, New Mexico. In support hereof Applicant will show:

- Applicant proposes to drill its Yeso Hills Federal #1 Well at a surface location 1,980 feet FEL and 660 feet FSL of Section 18, T26S, R25E, N.M.P.M., to a total true vertical depth of approximately 4,900 feet in the Bone Spring Formation.
- Applicant proposes to evaluate the vertical well by logging and coring to determine in what direction to drill horizontally.
- If a decision is made by Applicant to drill horizontally, Applicant will plug back and set whipstock as necessary to initiate medium radius curvature to facilitate the drilling of a horizontal hole.
- Applicant proposes that the horizontal drilling shall be at a direction due North, due East or at a Northeasterly direction from the vertical wellbore.
- No part of the horizontal hole shall be closer than 660 feet to any outside boundary of the spacing and proration unit.

- The spacing unit for the Yeso Hills Federal #1 6. Well is the SE% of said Section 18.
- 7. Applicant has the right to drill the Yeso Hills #1 Well by virtue of farmouts from A-H 1980 Program, Inc. and Bonneville Fuels Corporation covering various lands including the SE% of Section 18.
- Notice is being provided to the Offset Operators 8. listed on Exhibit A hereto.
- The proposed horizontal section of the wellbore 9. will be located in the Bone Spring Formation.
- Applicant seeks approval of this Application in 10. order to determine if this type of 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 thereby improving ultimate recovery and preventing waste.

WHEREFORE, after notice and hearing, the Applicant requests that this Application be granted.

Respectfully Submitted:

MODRALL, SPERLING, ROEHL, HARRIS & SISK, P.A.

By:

Sealy H. Cavin, Jr. Attorneys for Applicant 500 Fourth Street, N.W. Suite 1000 P.O. Box 2168 Albuquerque, NM 87103

SENT_BY:Xerox Telecopier 7021 :11- 6-89 ; 4:29PM ;

EXHIBIT A TO STRATA PRODUCTION COMPANY APPLICATION TO DRILL A HORIZONTAL WELL.

EXHIBIT A

OFFSET OPERATORS

- 1. AH 1980 Program, Inc.
 1201 Louisiana, Suite 700
 Houston, Texas 77002-5681
 Attention: Henry Hansen, Senior Landman
- Bonneville Fuels Corporation
 1600 Broadway, Suite 1110
 Denver, Colorado 80202
 Attention: L.D. Lillo, Senior Landman
- El Paso Natural Gas Company
 c/o Meridian Oil Inc.
 Desta Drive
 Midland, Texas 79705
 Attention: Mario R. Moreno, Jr., Senior Landman

W i e & 0

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. 9830 Order No. R-9097 18 18 190

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.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on December 13, 1989, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this _____ day of January, 1990, 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, Strata Production Company, seeks authority to initiate a horizontal directional drilling pilot project in the SE/4 of Section 18, Township 26 South, Range 25 East, NMPM, forming a standard 160-acre gas spacing and proration unit in the Bone Spring formation, by drilling its Yeso Hills Federal Well No. 1 in the following manner:

Commence drilling at an unorthodox surface location 460 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.

- (3) The applicant further seeks special rules and provisions within the pilot project area including the designation of a prescribed area limiting the horizontal displacement of the proposed wellbore such that it cannot be closer than 660 feet from the North, East, or West lines of the subject proration unit nor closer than 460 feet from the South line of said unit.
- (4) Through its evidence and testimony, the applicant demonstrated that the proposed horizontal wellbore, which is experimental in nature, should encounter a substantially greater number of natural fractures within the Bone Spring formation than would a conventional wellbore, which may ultimately result in the recovery of a greater amount of gas from the subject proration unit, thereby preventing waste.
- (5) According to the testimony presented, the proposed unorthodox surface location is necessitated by archeological restrictions.
- (6) The evidence presented indicates that in its traverse of the Bone Spring formation, the subject wellbore may encroach upon the 660-foot setback requirement only slightly in the South direction.
- (7) The applicant is the operator of the affected acreage to the South as described above, and no other offset operator and/or interest owner appeared at the hearing in opposition to the application.
- (8) Approval of the proposed pilot project should result in the recovery of an additional amount of gas from the subject proration unit which may not otherwise be recovered, thereby preventing waste, and will not violate correlative rights provided that the well is drilled as per the bottomhole location restrictions as described above.
- (9) The applicant should 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.

- (10) The applicant should further be required to submit copies of said directional surveys to the Santa Fe and Artesia district offices of the Division.
- (11) The applicant should 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.

IT IS THEREFORE ORDERED THAT:

- (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 460 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 prexidetermined 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.

 $\underline{\text{PROVIDED}}$ 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.

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

WILLIAM J. LEMAY Director

SEAL

DEC 0 8 1989

New Mexico Oil Conservation Division Attention: D.R. Catanach P.O. Box 2088 Santa Fe, NM 87504-2088

RE: NMOCD Examiner Hearing
Case #9830

Gentlemen:

This letter is respectfully submitted to confirm that Barry Hunt, Natural Resource Specialist in the Carlsbad Resource Area, did request that Strata Production Company relocate their Yeso Hills Federal \$1 a distance of 200 feet south and east of the originally proposed location due to the identification of an archeological site that would be impacted by Strata's proposed wellpad and access road.

Although other alternate locations were available, the newly proposed location was the closest to the originally proposed location.

If you have any further questions, please contact Barry Hunt at (505) 887-6544 or at the letterhead address.

Sincerely.

/s/ Saundra L. Porenta

Richard L. Manus Area Manager

FOR

cc:D.M. Leonard

067:SShaw:mp:12/8/89:WANG#00081.3

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BEFORE EXAMINER
Catanach
OIL CONSERVATION DIVISION
EXHIBIT NO.
CASE NO9830

LAW OFFICES

MODRALL, SPERLING, ROEHL, HARRIS & SISK

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LELAND S. SEDBERRY, JR.

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SANTA FE OFFICE

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P O Box 9318 SANTA FE NEW MEXICO 87501-9318

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November 7, 1989

HAND DELIVERED

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SUZANNE R. SPIERS
TIMOTHY R. VAN VALEN

EARL E. DEBRINE, JR. TIMOTHY C. HOLM GEORGE MCFALL BONNIE J PAISLEY WALTER M. HART III DAWN BRADLEY BERRY

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DOUGLAS R VADMIS
CEOFFREY D RIEDER
JOHN S THAL
BENDAMIN SILVA. JR.
RANDALL J MCDONALD
JANET G PERELSON

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

BEFORE EXAMINER Catanach OIL CONSERVATION DIVISION EXHIBIT NO. CASE NO.

Application of Strata Production Company For Authority to Drill a Horizontal Well Pilot Project, Yeso Hills Federal #1 Well Eddy County, New Mexico

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 scheduled for November 29, 1989.

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

Application of Strata Production Company for a Horizontal Directional Drilling Well in Eddy Applicant in the above County, New Mexico. authority to cause seeks initiate horizontal directional drilling pilot project in the SE% of Section 18, T26S, R25E, N.M.P.M., Eddy County, New Mexico forming a standard 160 acre

Mr. William J. LeMay, Chmn. and Director Oil Conservation Division November 7, 1989 Page 2

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Said location is approximately 20 miles Southwest of White City, New Mexico.

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:meh Enclosure

cc: George L. Scott, Jr.
Dan M. Leonard
John C. Byers

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

IN THE MATTER OF THE APPLICATION OF STRATA PRODUCTION COMPANY FOR A HORIZONTAL DIRECTIONAL DRILLING PILOT PROJECT EDDY COUNTY, NEW MEXICO

COPY

CASE NO.: 9830

APPLICATION

COMES NOW Strata Production Company, by and through its attorneys, Modrall, Sperling, Roehl, Harris & Sisk, P.A., and applies to the New Mexico Oil Conservation Division to initiate a horizontal directional drilling pilot project in the SE% of Section 18, T26S, R25E, N.M.P.M., Eddy County, New Mexico forming a standard 160 acre gas spacing and proration unit in the Bone Spring Formation, by commencing its Yeso Hills Federal #1 Well at a surface location 1,980 feet FEL and 660 feet FSL of said Section 18. Applicant proposes to drill to a true vertical depth of approximately 4,900 feet in the Bone Spring Formation. Applicant intends to evaluate the vertical well by logging and coring to determine whether and in what direction to drill horizontally. If a decision is made to drill horizontally, the Applicant will plug back and set whip stock as necessary to initiate medium radius curvature to facilitate drilling horizontally of approximately 1,200 feet. Horizontal drilling shall be at a direction due North, due East or at a Northeasterly direction from the vertical wellbore. No part of the horizontal hole shall be closer than 660 feet to any outside boundary of the spacing and proration unit. Said location is approximately 20 miles Southwest of White City, New Mexico. In support hereof Applicant will show:

- 1. Applicant proposes to drill its Yeso Hills Federal #1 Well at a surface location 1,980 feet FEL and 660 feet FSL of Section 18, T26S, R25E, N.M.P.M., to a total true vertical depth of approximately 4,900 feet in the Bone Spring Formation.
- 2. Applicant proposes to evaluate the vertical well by logging and coring to determine in what direction to drill horizontally.
- 3. If a decision is made by Applicant to drill horizontally, Applicant will plug back and set whipstock as necessary to initiate medium radius curvature to facilitate the drilling of a horizontal hole.
- 4. Applicant proposes that the horizontal drilling shall be at a direction due North, due East or at a Northeasterly direction from the vertical wellbore.
- 5. No part of the horizontal hole shall be closer than 660 feet to any outside boundary of the spacing and proration unit.

- The spacing unit for the Yeso Hills Federal #1 6. Well is the SE% of said Section 18.
- Applicant has the right to drill the Yeso Hills 7. Federal #1 Well by virtue of farmouts from A-H 1980 Program, Inc. and Bonneville Fuels Corporation covering various lands including the SE% of Section 18.
- Notice is being provided to the Offset Operators listed on Exhibit A hereto.
- The proposed horizontal section of the wellbore will be located in the Bone Spring Formation.
- Applicant seeks approval of this Application in 10. order to determine if this type of 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 thereby improving ultimate recovery and preventing waste.

WHEREFORE, after notice and hearing, the Applicant requests that this Application be granted.

Respectfully Submitted:

MODRALL, SPERLING, ROEHL,

HARRIS & SISK, P.A.

By:

Sealy H. /Cavin, Jr. Attorneys for Applicant,

500 Fourth Street, N.W.

Suite 1000

P.O. Box 2168

Albuquerque, NM 87103 EXHIBIT A TO ST! A PRODUCTION COMPANY APPLICAT. 'N TO DRILL A HORIZONTAL WELL.

EXHIBIT A

OFFSET OPERATORS

- AH 1980 Program, Inc.
 1201 Louisiana, Suite 700
 Houston, Texas 77002-5681
 Attention: Henry Hansen, Senior Landman
- Bonneville Fuels Corporation
 1600 Broadway, Suite 1110
 Denver, Colorado 80202
 Attention: L.D. Lillo, Senior Landman
- El Paso Natural Gas Company
 c/o Meridian Oil Inc.
 21 Desta Drive
 Midland, Texas 79705
 Attention: Mario R. Moreno, Jr., Senior Landman

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AH-1980 Program, Inc.	P 965 802 883
1201 Louisiana, Suite 700	Type of Service:
Houston, TX 77002-5681	Registered Insured
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S Ciarana Addana	or agent and DATE DELIVERED.
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PS Form 3811, Mar. 1988 . U.S.G.P.O. 1988-212-865

COPY

DOMESTIC RETURN RECEIPT

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Bonneville Fuels Corporation	P 965 802 884
1600 Broadway, Suite 1110	Type of Service:
Denver, Colorado 80202	District District
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Attn: L.D. Lillo, Senior	
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5. Signature - Address	remarks and for pold)
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P 965 802 883

RECEIPT FOR CERTIFIED MAIL

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(See Reverse)

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P 965 802 884

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3800,	Postmark or Date	
PS Form 3800, June 1985	11/07/89	



PENALTY FOR PRIVATE USE, \$300

TO

Print Sender's name, address, and ZIP Code in the space below. Sealy H. Cavin, Jr., Esq. Sperling, Roehl

Post Office Box 2168

87103 Albuquerque, NM

Haldahall Amakaldaddalahalahal

UNITED STATES POSTAL SERVICE

RETURN TO



TY FOR 150 USE, 4208

CENTIFIED MAIL FEE AND CHARGES FOR ANY SELECTED OFTIONAL SERVICES (SOR FOOT) STICK PUSTAGE STAMPS TO ANTICLE TO COVER FIRST CLASS POSTAGE

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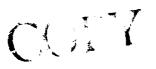
P 965 802 885

RECEIPT FOR CERTIFIED MAIL

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Serve El Paso Natural Gas Co. c/o Meridian Oil Inc Street and No Attn: Mario R. Moreno <u>21 Desta Drive</u> Midland, TX 79705 √ Postage Jerted Fae Special Delivery Fee Restricted Delivery Fee Return Receipt showing to whom and Date Delivered Postmark or Cate Return Receipt showing to whom Date, and Address of Delivery TOTAL Postage and Fees

11/07/89



ILLEGIBLE

LAW OFFICES

MODRALL, SPERLING, ROEHL, HARRIS & SISK

A PROFESSIONAL ASSOCIATION

500 FOURTH STREET NW SUNWEST BUILDING. SUITE 1000 POST OFFICE BOX 2168

ALBUQUERQUE, NEW MEXICO 87103-2168

TEL. (505) 848-1800 FAX (505) 242-5352

JOHN F SIMMS 1885-1954)

J. R. MODRALL 1902-1977)

Augustus T. Seymour (1907-1965)

GEORGE T. HARRIS, JR. 1922-(985)

LELAND S. SEDBERRY, JR.

SANTA FE OFFICE 119 EAST MARCY SUITE 200 POST OFFICE BOX 9318 SANTA FE NEW MEXICO 37501-93-8 TEL. (505) 983-2020 Fax (505) 988-899G

LAS CRUCES OFFICE 505 South MAIN LORETTO TOWNE CENTRE SuiTE 103 POST OFFICE BOX 578 LAS CRUCES. NEW MEXICO 88004-0578 Tal. (505) 526-6655 FAX (505) 526-6656

November 17, 1989



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JOHN A DARDEN III
DUANE E BROWN
MARTHA G. BROWN
PAUL MAESTAS
JANET R BRAZIEL
ROBERT PAMPELL

ROBERT PAMPELL
CEORGE F KOINIS
NEAL E BINCZEWSKI
TODO R BRACCINS
KEVIN T REDEL
SEALY H CAVIN JR
ELBANDR K BRATTON
NORA C KELLY
WILLIAM C SCOTT
DONALD R FENSTERMACHER
HALBEY L WASHBURN
TERRY S KRAMBER
TIM L. FIELDS
DOUGLAS C SCHWEEBECK

TIM L. FILLDS
DOUGLAS G MOBERLY
CHARLES A ARMCARDY
CATALOR OF LEAD
SUZANNE R SPIERS
TIMOTHY C HOLM
CEORCE MCFALL
BONNIE J PAISLEY
WALTER M HART III
DAWN BRADLEY BERRY
WILLIAM REEVES KELEHER
DIANE H MAZUR
LISA MANN BURKE
JEAN MARKE BANNON

JAMES E SPERLING
JOSEPH E ROEHL
DANIEL A SISK
ALLEN C DEWEY JR.
JOHN R. COONEY
KENNETH L HARRICAN
PETER I ADNING

RENNETH L. HARRICAN
PETER J. ADANG
DALE W. EK.
JAMES M. PARRER
CHARLES I. WELLBORN
DENNIS J. FALK
ARTHUR D. MELENDRES
JAMES P. HOUGHTON

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

Amended Application for Strata Production Company For Authority to Drill a Horizontal Well Pilot Project, Yeso Hills Federal #1 Well, Eddy County, New Mexico.

Dear Mr. LeMay:

On behalf of Strata Production Company, I would appreciate your having the enclosed Amended Application set for hearing on the next available Examiner's Docket Amended November 29, 1989. This scheduled for Application amends Strata's Application made correspondence to you dated November 17, 1989.

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

Amended Application of Strata Production Company for a Horizontal Directional Drilling Well in Eddy County, New Mexico. Applicant in the above initiate cause seeks authority to horizontal directional drilling pilot project in the SE% Section 18, T26S, R25E, N.M.P.M., Eddy County, New Mexico forming a standard 160 acre gas spacing and proration unit in the Bone Spring Formation, by commencing its Yeso Hills Federal #1 Well at an unorthodox surface location 1,780 feet FEL and 460 feet FSL of said Section 18. Applicant proposes to drill to a true vertical depth of approximately 4,900 feet in the Bone Spring Formation. Applicant intends to evaluate the vertical well by logging and coring to determine whether and in what direction to drill horizontally. If a decision is made to drill horizontally, the Applicant will plug back and set whipstock as necessary to initiate medium radius curvature to facilitate drilling horizontally. Horizontal drilling shall be at a direction due North, due East or at a Northeasterly direction from the vertical wellbore. The horizontal hole shall be terminated at a location no closer than 660 feet to any outside boundary of the spacing and proration unit.

Said location is approximately 20 miles Southwest of White City, New Mexico.

By copy of this letter to all parties shown on Exhibit A to the Amended Application, we are forwarding a copy of the Amended 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,

/S/RJM for SHC Sealy H. Cavin, Jr.

SHC: meh Enclosure

George L. Scott, Jr. (w/encl.) Dan M. Leonard (w/encl.) John C. Byers (w/encl.)

RECEIVED

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

NOV 17 1989

OIL CONSERVATION DIVISIUN

IN THE MATTER OF THE
APPLICATION OF STRATA PRODUCTION COMPANY
FOR A HORIZONTAL DIRECTIONAL DRILLING
PILOT PROJECT
EDDY COUNTY, NEW MEXICO



CASE NO.:

A M E N D E D A P P L I C A T I Q N

COMES NOW Strata Production Company, by and through its attorneys, Modrall, Sperling, Roehl, Harris & Sisk, P.A., and applies to the New Mexico Oil Conservation Division to initiate a horizontal directional drilling pilot project in the SE< of Section 18, T26S, R25E, N.M.P.M., Eddy County, New Mexico forming a standard 160 acre gas spacing and proration unit in the Bone Spring Formation, by commencing its Yeso Hills Federal #1 Well at a surface location 1,780 feet FEL and 460 feet FSL of said Section 18. Applicant proposes to drill to a true vertical depth of approximately 4,900 feet in the Bone Spring Formation. Applicant intends to evaluate the vertical well by logging and coring to determine whether and in what direction to drill horizontally. decision is made to drill horizontally, the Applicant will plug back and set whipstock as necessary to initiate medium radius curvature to facilitate drilling horizontally of approximately 1,200 feet. Horizontal drilling shall be at a direction due North, due East or at a Northeasterly direction from the vertical wellbore. part of the horizontal hole shall be closer than 660 feet to any outside boundary of the spacing and proration unit. Said location is approximately 20 miles Southwest of White City, New Mexico. In support hereof Applicant will show:

- 1. Applicant proposes to drill its Yeso Hills Federal #1 Well at a surface location 1,780 feet FEL and 460 feet FSL of Section 18, T26S, R25E, N.M.P.M., to a total true vertical depth of approximately 4,900 feet in the Bone Spring Formation.
- 2. Applicant proposes to evaluate the vertical well by logging and coring to determine in what direction to drill horizontally.
- 3. If a decision is made by Applicant to drill horizontally, Applicant will plug back and set whipstock as necessary to initiate medium radius curvature to facilitate the drilling of a horizontal hole.
- 4. Applicant proposes that the horizontal drilling shall be at a direction due North, due East or at a Northeasterly direction from the vertical wellbore.
- 5. No part of the horizontal hole shall be closer than 600 feet to any outside boundary of the spacing and proration unit.
- 6. The spacing unit for the Yeso Hills Federal #1 Well is the SE< of said Section 18.
- 7. Applicant has the right to drill the Yeso Hills Federal #1 Well by virtue of farmouts from A-H 1980

Program, Inc. and Bonneville Fuels Corporation covering various lands including the SE¢ 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 Amended Application in order to determine if this type of 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 thereby improving ultimate recovery and preventing waste.
- 11. Applicant seeks approval of its proposed unorthodox surface location.

WHEREFORE, after notice and hearing, the Applicant requests that this Application be granted.

Respectfully submitted,

MODRALL, SPERLING, ROEHL, HARRIS & SISK, P.A.

By

Sealy H. Cavin, Jr.

Attorneys for Applicant 500 Fourth Street, N.W.

Suite 1000 P.O. Box 2168

Albuquerque, NM 87103

0841w

EXHIBIT A TO STRATA RODUCTION COMPANY AMENDED APPLICATION TO DRILL A HORIZONTAL WELL.

EXHIBIT A

OFFSET OPERATORS

- 1. AH 1980 Program, Inc. 1201 Louisiana, Suite 700 Houston, Texas 77002-5681 Attention: Henry Hansen, Senior Landman
- Bonneville Fuels Corporation
 1600 Broadway, Suite 1110
 Denver, Colorado 80202
 Attention: L.D. Lillo, Senior Landman
- El Paso Natural Gas Company
 c/o Meridian Oil Inc.
 Desta Drive
 Midland, Texas 79705
 Attention: Mario R. Moreno, Jr., Senior Landman

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OIL DONSERVATION DIVISION

. U.S.G.P.O. 1988-212-865

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PS Form 3811, Mar. 1988

P 556 957 647

RECEIPT FOR CERTIFIED MAIL

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3800.	Postmark or Date						
25 Form 3800, June 1985							

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DOMESTIC RETURN RECEIPT

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1600 Broadway, Suite 1110 Denver, Colorado 80202 Attn: L.D. Lillo, Senior Landman	Type of Bertical Constitution COD Constitution Code Code Code Code Code			
5. Signature - Address X 6. Signature - Agent X 7. Date of Delivery NOV & 2 1314	8. Additional Address (CRLT) requested and for policy			

P 556 957 648

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED NOT FOR INTERNATIONAL MAIL

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For	11/20/89				

UNITED STATES POSTAL SERVICE

- "Return Rece sent to number.



RETURN TO

Print Sender's name, address, and ZIP Code in the space below. Sealy H. Cavin, Jr., Esq.

Harris & Sisk, PA Sperling, Roehl,

Post Office Box 2168

87103 Albuquerque, NM







PENALTY FOR PRIVATE USE, 4300

RETURN

TO



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UNITED STATES POSTAL SERVICE OFFICIAL BUSINESS

SENDER INSTRUCTIONS

Print Sender's name, address, and ZIP Code id the space below. Sealy H. Cavin, Jr., Esq. Sperling, Roehl, Harris & Sisk, PA

Post Office Box 2168

Albuquerque, NM 87103

STICK POSTAGE STAMPS TO ARTICLE TO COVER FIRST CLASS POSTAGE, CERTIFIED MAIL FEE, AND CHARGES FOR ANY SELECTED OPTIONAL SERVICES. (\$60 front)

1 If you want this receipt postmarked, stick the gummed stub to the right of the return address leaving the receipt attached and present the article at a post office service window or hand it to your rural carrier (no extra charge)

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If you want this receipt postmarked, slick the yummed slub to the right of the return address leaving is receipt atlached and present the article at a post office service window or hand it to your rural carrier

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If you do not want this receipt postmarked, stick the gummed stub to the right of the return address of

detach and retain the receipt, and mail the article

the article, date,

3. If you want a return receipt, write the certified mail number and your name and address on a return receipt card, form 3811, and attach it to the front of the article by means of the gummed ends it space per-mits. Otherwise, affix to back of article. Endorse front of article RETURN RECEIPT REQUESTED 4 If you want delivery restricted to the addressee, or to an authorized agent of the addressee, endorse RESTRICTED DELIVERY on the front of the article.

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Enter less for the services requested in the appropriate spaces on the front of this receipt. If return receipt is requested, check the applicable blocks in item. 1 of Form 3811.

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P 556 957 549

RECEIPT FOR CERTIFIED MAIL

NO NSURANCE COVERAGE PROVIDED

NOT FOR INTERNATIONAL MAIL (See Reverse)

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S.G P.O	PO State and ZIP Code Midland, TX 7970	5
j	Postage	ŝ
	Certified Fee	
	Special Delivery Fee	
	Restricted Delivery Fee	
vo.	Return Receipt showing to whom and Date Delivered	
e 198	Return Receipt showing to whom Date, and Address of Delivery	
Jun	TOTAL Postage and Fees	5
3800	Postmark or Date	
PS Form 3800, June 1985	11/20/89	
	COPY	Y

■ SEMBER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return require fee will provide you the name of the parson delivered to and the date of delivery. For additional less the fellowing services are evaluate. Consult postmaster for fees and check boxies for additional service(a) requested. 1. □ Show to whom delivered, date, and addresses's address. 2. □ Restricted Delivery (Extre charge)				
3. Article Addressed to:	4. Article Number			
El Paso Natural Gas Company	P 556 957 649			
c/o Meridian Oil In	Type of Service:			
21 Desta Drive	Registered Lineured			
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Fiidland, Texas 79705	Express Mell Law Marchanding			
Attn: Mario R. Morenog Jr.,	Always obtain signature of addresses			
Senior Landings	or agent and DATE DELVENED.			
6. Signature — Address	S. Addresses's Address (CNEY if reguested and for paid)			
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PS Form \$811, Mar. 1988 + U.S.Q.P.O. 1988-21	R-866 DOMESTIC RETURN RECEIPT			

STICK POSTAGE STAMPS TO ARTICLE TO COVER FIRST CLASS POSTAGE. Certified Mail fef. and charges for any selected optional services (see fron)

1. If you want this receipt postmarked, stick the gunnined stub to the right of the return address leaving the receipt air.
I present the article at a post office service window or hand it to your roral carrier.

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4. If you want delivery restricted to the addressee, or to an authorized agent of the addressee, endorse RESTRICTED DELIVERY on the front of the article

5. Enter leas for the services requested in the appropriate spaces on the front of this receipt. If return receipt is requested, check the applicable blocks in item 1 of Form 3811.

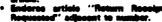
U.S.G.P.O. 1989-234-555

Save this receipt and present if if you make inquiry



UNITED STATES POSTAL SERVICE OFFICIAL BUSINESS

SENDER INSTRUCTIONS





PENALTY FOR PRIVATE USE, \$300

RETURN TO

Print Sender's name, address, and ZIP Code in the space below. Sealy H. Cavin, Jr., Esq. Modrall, Sperling, Roehl, Harris & Sisk, PA

Post Office Box 2168

Albuquerque, NM 87103

Form 3160-5 (November 1983) (November 1983) (Wormerly 9-331) DEPARTME OF THE INTERIOR (Other Instruction for respectable) BUREAU OF LAND MANAGEMENT	5. LEASE DESIGNATION AND SESIAL NO. NM 30886-A		
SUNDRY NOTICES AND REPORTS ON WELLS (Do not use this form for proposals to drill or to despen or plug back to a different reservoir. Use "APPLICATION FOR PERMIT—" for such proposals.)	6. IF INDIAN, ALLOTTEE OR TRIBE NAME 7. UNIT AGREEMENT NAME		
OIL GAS X OTHER	7. UNIT AUSBEHBRT HAMS		
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648 PETROLEUM BUILDING ROSWELL, NEW MEXICO 88201 4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.* See also space 17 below.) At surface	10. FIELD AND POOL, OR WILDCAT		
OLD LOCATION: 1980' FEL & 660' FSL NEW LOCATION: 1780' FEL & 460' FSL	WILDCAT BONESPRING 11. SEC., T., E., M., OR BLE. AND BURVEY OR ARMA		
14. PERMIT NO. 15. ELEVATIONS (Show whether DF, RT, CR, etc.)	SEC. 18, T26S, R25E		
GL 3839' Check Appropriate Box To Indicate Nature of Notice, Report, or C	EDDY NM		
	UENT REPORT OF:		
PELL OR ALTER CASING PRACTURE TREAT SHOOT OR ACIDIZB MEPAIR WELL (Other) AMEND SURFACE LOCATION TO PROPOSED OR COMPLETED OPERATIONS (Clearly state all pertinent details, and give pertinent dates proposed work. If well is directionally drilled, give subsurface locations and measured and true vertice nent to this work.) AMEND LOCATION OF WELL TO: 1780° FEL & 460° FSL SEC. 18, T26S, R25E	ALTERING CASING ABANDONMENT® s of multiple completion on Well eletion Report and Log form.) , including estimated date of starting any rai depths for all markers and zones perti-		
OIL CONSER	E EXAMINER Luach RVATION DIVISION HIBIT NO		
18. I hereby certify that the foregoing is true and correct SIGNED JULIAN FRE DOWN TITLE VICE PRESIDENT JAMES G. MCCLELLAND	DATE NOV. 21, 1989		

*See Instructions on Reverse Side

DATE ___

TITLE __

(This space for Federal or State office use)

APPROVED BY _______ CONDITIONS OF APPROVAL, IF ANY:

hmit to Appropriate strict Office ite Lease - 4 copies e Lease - 3 copies

State of New Mexico Energy, Minerals and Natural Resources Department

Form C-102 Revised 1-1-89

STRICT | J. Box 1980, Hobbs, NM 88240

STRICT II D. Drawer DD, Arlesia, NM 88210

OIL CONSERVATION DIVISION P.O. Box 2088

Santa Fe, New Mexico 87504-2088

DAN LEONARD

SIRICT III OU Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

ctatot			Lease			Well No.
Strata 1	roduction	Company		Hills Federal		1
of Letter Se	ction 18	Township 26 South	Range 25 E	ast NM	County Edd	ly
tual Footage Location 460		uth line and	1780		East	line
ound level Elev. 3834		g Formution	Pool			Dedicated Acreage:
1. Outline the	acreage dedicated	to the subject well by colored pe	ncil or hachure n	rks on the plat below.		Acres
2. If more tha	in one lease is ded	icated to the well, outline each and	d identify the own	ership thereof (both as to w	orking interest and	d royalty).
unitization	force-pooling, etc.				onsolidated by con	nmunitization,
If answer is " this form if n	eccessary.	No If answer is "yes" ty and tract descriptions which have	actually been co	insolidated. (Use reverse sid		
No allowable or until a non	will be assigned t -standard unit, elir	o the well until all interests have b ninating such interest, has been ap	een consolidated proved by the Di	(by communitization, unitization.	auon, forced-pool	ing, or otherwise)
					I hereby certon this plat actual survession, does not be survession.	TOR CERTIFICATION by certify that the information tein in true and, complete to the moledge add beifel. G. McClelland Pres/Admin Production Co. Der 29, 1989 EYOR CERTIFICATION Tify that the well location shown was plotted from field notes of tys made by me or under my and that the same is true and the best of my knowledge and
310 660 99	0 1320 1650	3839 3835	383	5 1780'	Date Surveyer November Signature & Professional P. R. P	sol of 1980 A

Form 3100-3 (November 1983) (formerly 9-331C)

preventer program, if any

PERMIT NO. _

(This space for Federal or State office use)

CONDITIONS OF APPEUVAL, IF ANY:

24.

UNITED STATES OFPARTMENT OF THE INTERIOR

SUBMIT IN TRE CATE.

(Other instruct , on reverse side)

Form approved. Budget Bureau No. 1004-0136 Expires August 31, 1985

DATE 10-03-89

DATE

DEPARTMENT OF THE INTERIOR					S. LEASE DESIGNATION AND SERIAL NO.					
BUREAU OF LAND MANAGEMENT						NM-30886-A				
APPLICA	TION F	OR PERMIT	TO DRILL, I	DEEPE	N, OR PLUG	BACK	6. IF INDIAN, ALL	OTTES OF TRIBE NAME		
In. TYPE OF WORK		~.								
b. TYPE OF WELL	DRILL	128	DEEPEN		PLUG BA	CK 📙	7. UNIT AGREEM	. EMT NYMB		
OIL	GAS WELL	OTHER		BIN BUN	GLE MULT	PLE	S. FARM OR LEAN	NA NAME		
2. NAME OF OPERA		<u> </u>					Yeso Hil	lls Federal		
Strata	Produ	ction Compar	ıy				9. WELL NO.			
3. ADDRESS OF OPE	RATOR						#1			
648 Pe	troleun	n Building			lexico 88201		10. FIELD AND POOL, OR WILDCAT			
At burile		t location clearly and	I in accordance Wi	th any St	ate requirements.*)			William Und. Bone Springs		
		60' FSL					AND BUBYEY	-26-S, R-25-E		
At proposed pr Same	od. sone						3-10	-20-3, K-25-E		
	MILES AND	DIRECTION FROM NEA	REST TOWN ON POS	T OFFICE			12. COUNTY OR P	ARISH 13. STATE		
20 Mile	es SW (of White City	, New Mex	ico			Eddy	NM		
15. DISTANCE PROI	NEARENT			16. No.	OF ACRES IN LEADE	17. NO.	OF ACRES ASSIGNED			
		FT. it live, if any)	660'	.	800 ACRES		160			
18. DINTANCE PROM PROPOSED LOCATION® TO MEARLET WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT. 660				4900 Rotary						
21. BLEVATIONS (8)	bow Whether	DF, RT, GR. etc.)				<u>, , , , , , , , , , , , , , , , , , , </u>	22. APPROS. DA	TE WOME WILL STARTS		
CL 38	391				· · · · · · · · · · · · · · · · · · ·		Novemb	<u>er 10, 1989</u>		
20.			PROPOSED CAS	ING AND	CEMENTING PROGR	AM ·				
HIEF OF HOL	.B	BIZE OF CASING	WEIGHT PER	POOT	BETTING DEPTH		QUANTITY OF CEMENT			
1211		8 5/8"	24#		12001	308sx "Lite" & 360sx "C		60sx "C"		
	_				circulate					
7 7/8	3"	5 1 "	15.5#		4900'	300sx	class "C"			
A] W	ill drill	l to denth si	' Ifficient to	test 1	the Bone Sp r i	na form	nation	,		
	ud Pro	•	incicin to	test (ine bone Spri	ing iorn	actori.			
D] M		gram: O' native mu	4							
				with	starch for w	ater los	s control.			
C] B		t preventer								
D) L	ogs wil	il be run.								
								roposed new productive l depths. Give blowout		

APPROVAL DATE

TITLE .

STATE OF NEW MEXICO

...

330

1320 1880 1880 3310

_ CONSERVATION DIVISION (P. O. BOX 2055

Farm C-102

ENERGY AND MINERALS DEPARTMENT SANTA FE, NEW MEXICO 37501 All distances must be from the outer boundaries of the Section. Well No. 10/01 Strata Production Company Yeso Hills Federal County Section IL Letter Township Range 25 East Eddy 18 26 South tuel Footage Location of Wells 1980 teet from the East 660 South feet from the line and Pool ound Level Elev. Producing Formation Dedicated Acreage: 3839 BONE. UND. 1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below, 2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty). 3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling. etc? If answer is "yes," type of consolidation . Yes ☐ No If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.). No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Division. CERTIFICATION I hereby carrily that the information contained herein is true and complete to the JAMES Position COSERATOR Company Date 10-3-89 I hereby certify that the well location n on this plat was platted from field 13836.1 3840.8 Date Surveyed September 1980' Registered Pro end/or Lend S 3839.6 3833.7 P.R. Pat

1000

800

2000

1900

Certificate N 8112

SURFACE USE

AND OPERATIONS PLAN

4. Location of Tank Batteries, Production Facilities, and Production, Gathering, and Service Lines: Stock tanks and production facilities will be on location, Gathering and service line locations are pending due to sucess in completing this well as a commercial producer. 5. Location and Type of Water Supply (rivers, creeks, lakes, ponds, wells): Plans include drilling this well with fresh water. Water will be obtained thru private and commercial sources and will be transported over existing and planned access roads. 6. Source of Construction Materials: Will be handled by dirt contractors. 7. Methods of Handling Waste Disposal: Drill cuttings to reserve pits allowing for fluids evaporation until dry. Pits will be fenced. Water will be disposed of in a Bu approved disposal system. Current laws on human waste will be complied with. Produced oil will be stored in tanks until sold. Trash will be covered with 24" of dirt. Trash and debris will be removed from well site with in 30 days of completion.	Wel	Name: Yeso Hills Federal #1
other wells in the area. 2. Planned Access Roads: Approximately 600' of new road will be required to join the pad to the access road. See Exhibit A." 3. Location of Existing Wells: See Exhibit "B". 4. Location of Tank Batteries, Production Facilities, and Production, Gathering, and Service Lines: Stock tanks and production facilities will be on location, Gathering and service line locations are pending due to sucess in completing this well as a commercial producer. 5. Location and Type of Water Supply (rivers, creeks, lakes, ponds, wells): Plans include drilling this well with fresh water. Water will be obtained thru private and commercial sources and will be transported over existing and planned access roads. 6. Source of Construction Materials: Will be handled by dirt contractors. 7. Methods of Handling Waste Disposal: Drill cuttings to reserve pits allowing for fluids evaporation until dry. Pits will be fenced. Water will be disposed of in a Buapproved disposal system. Current laws on human waste will be complied with. Produced oil will be stored in tanks until sold. Trash will be covered with 24" of dirt. Trash and debris will be removed from well site with in 30 days of completion.	عصد	ation: Section 18, T-26-S, R-25-E Eddy County, New Mexico
the pad to the access road. See Exhibit A." 3. Location of Existing Wells: See Exhibit "B". 4. Location of Tank Batteries, Production Facilities, and Production, Gathering, and Service Lines: Stock tanks and production facilities will be on location, Gathering and service line locations are pending due to sucess in completing this well as a commercial producer. 5. Location and Type of Water Supply (rivers, creeks, lakes, ponds, wells): Plans include drilling this well with fresh water. Water will be obtained thru private and commercial sources and will be transported over existing and planned access roads. 6. Source of Construction Materials: Will be handled by dirt contractors. 7. Methods of Handling Waste Disposal: Drill cuttings to reserve pits allowing for fluids evaporation until dry. Pits will be fenced. Water will be disposed of in a BL approved disposal system. Current laws on human waste will be complied with. Produced oil will be stored in tanks until sold. Trash will be covered with 24" of dirt. Trash and debris will be removed from well site with in 30 days of completion.	1.	
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9. Ancillary Facilities: None required.		fluids evaporation until dry. Pits will be fenced. Water will be disposed of in a BU approved disposal system. Current laws on human waste will be complied with. Produced oil will be stored in tanks until sold. 'Trash will be covered with 24" of
		dirt. Trash and debris will be removed from well site with in 30 days of completion

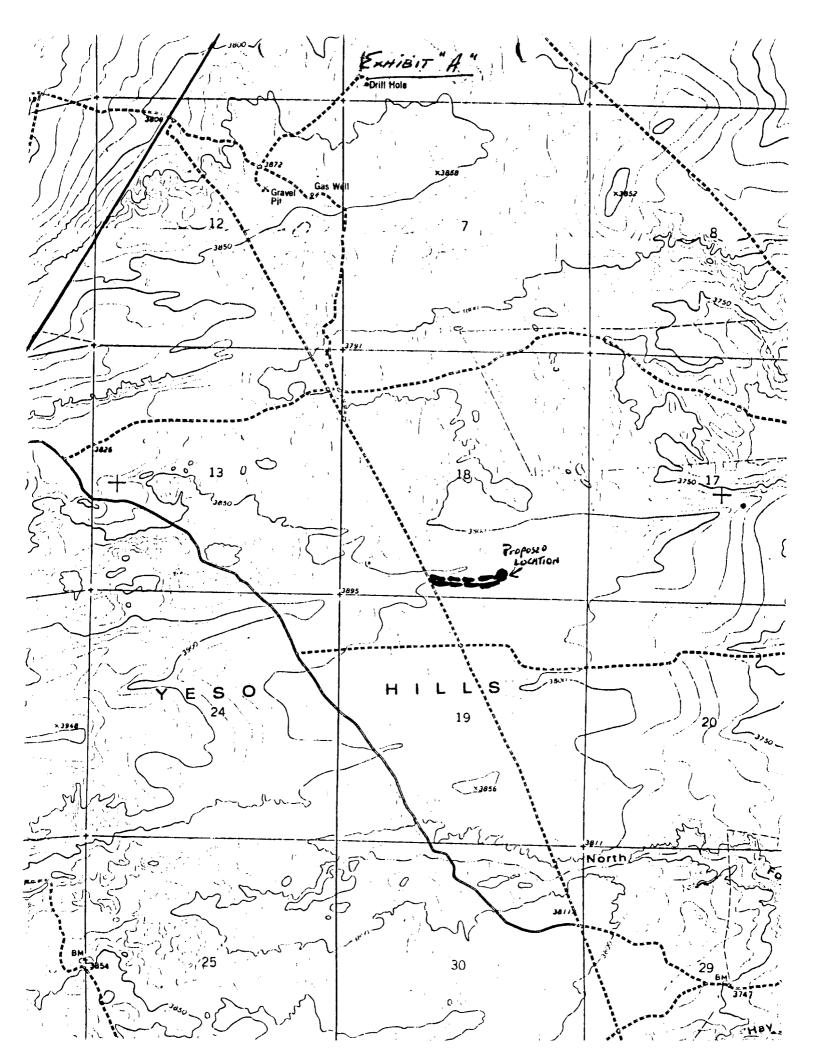
9.	Well Site Layout: Exhibit "C" shows the pad layout. Surface will be completed with caliche and the reserve pits lined with plastic.
10.	Plans for Restoration of the Surface: After completion, all unnecessary equipment will be removed. Pits will be filled and location cleaned of all trash and junk. Any pits will be fenced until they are filled. If abandoned, all rehabilitation and vegetation requirements for the BLM will be followed and all pits will be filled and leveled within 90 days after abandonment.
11.	Other Information: The topography of the location is relatively light rolling hills, the topsoil at the proposed drillsite and access road is primarily sand with very little loam. Vegative cover is grass, mesquite, yucca, sage and miscellaneous wild-flowers. Wildlife includes coyotes, rabbits, rodents, reptiles, dove and quail. No streams in area. No evidence of archaeological, historical or cultural sites.
12.	Lessee's or Operator's Representative: James G. McClelland or Frank S. Morgan 648 Petroleum Building Roswell. New Mexico 88201 Business Phone: 622-1127 or 365-2971
1.0	Home Phone: 624-1858 or 365-2919
13.	I hereby certify that I, or persons under my direct supervision, have inspected the proposed drillsite and access route: that I am familiar with the conditions which presently exist: that the statements made in this plan are, to the best of my knowledge, true and correct: and, that the work associated with the operations proposed herein will be performed by Strata Operating Company and its contractors and sub-contractors in convormity with this plan and the terms and conditions under which it is approved.

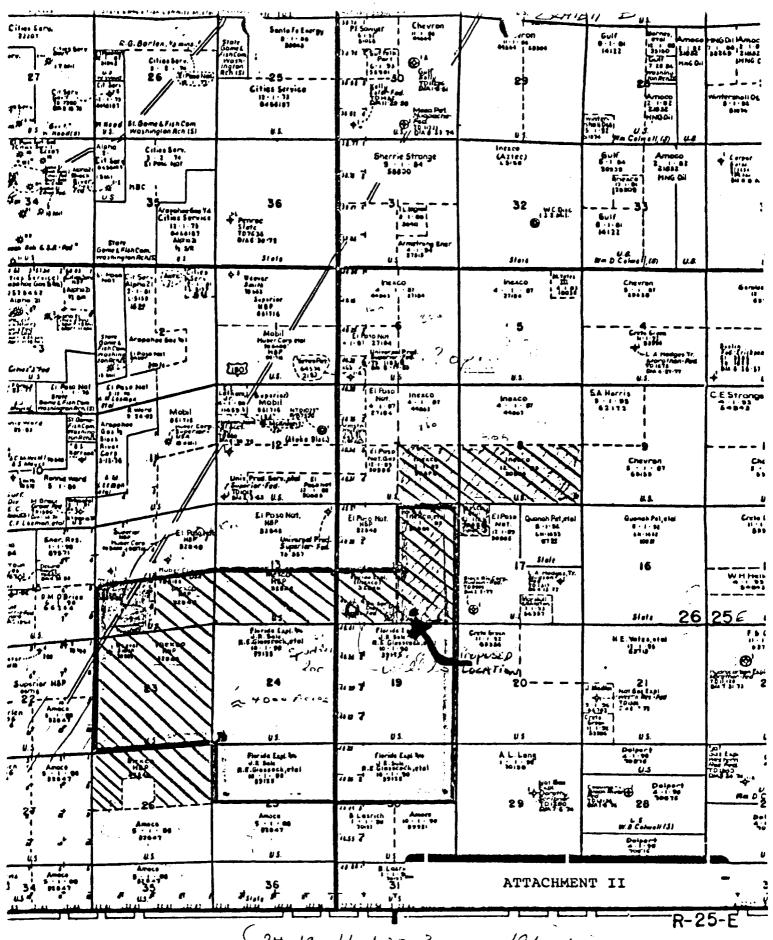
Vice President Administration Title

Company Representative

October 03, 1989

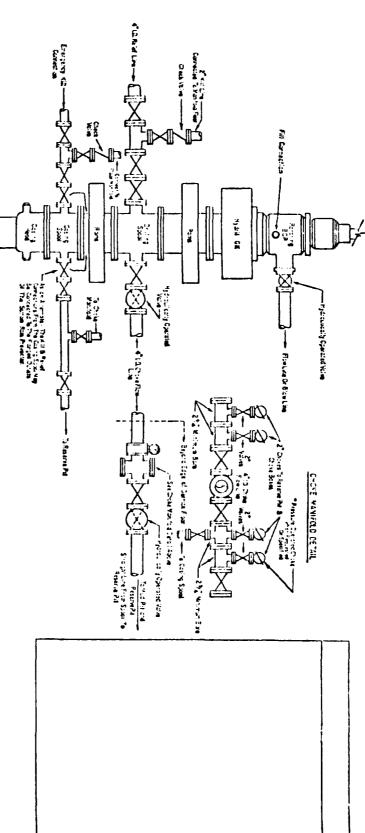
Date





1,000 83.33% W.I Illar) First well - \$75 Acre - 1601.5 Ac 1exto W.I

ExuiBit "C" DOG HOUSE



5000 # PSI WORKING PRESSURE
BLOWOUT PREVENTER HOOK-UP

Ĺ

The blowout preventer extentily shall consist of one single type blind non-preventer and one single type pipe nonpreventer, both hydraulically operated, a Pythi "GK" preventor, a notating Standt preventer; volves, chokes, and connections, as illustrated. If a toperad drill string is used, a non-prevent must be provided for each size and college and the preventer are to be available as measure, for concern size, the flarged authors of the non-preventer may be used for connecting to the 4-forbit. Duchke flow line and 4-forbit. Duchke flow line and 4-forbit. Duchke flow line and 4-forbit.

1.2. relief line, except when air or got drillings. All preventer connections the to be spendice. Florged.

Minimum operating equipment for the preventers and hydroutically operated volves shall be as follows: (1)Multiple purps, driven by a continuous source of power, cookie of fluid charging the ratal accumulator volume from the nitrogen precharge pressure to its rated pressure within ______minutes. Also, the pyras are to be connected to the

the charging pumps shut down, the presentate stated in the accumulation must be sufficient to close oil the presented devices simulationally with _______country, or coditional source of the semaining occumulation persons of the original. (3) When the maining occumulation fluid volume of least______persons of the original. (3) When the modificial source of power, remain and equivalent, is to be available to operate the dove pumps or there shall be considered pumps operated by separate power and equal in particular accounts it is hydraulic operating system which is to be a closed system. (2) Accumulators with a presharge of nitragen of not less than 200 PSI and connected so as to receive the ultimentioned fluid charge. With

assingly as possible and will as share bards for excess is to be maintained to the choice manifold. If decord recovery, walk-ups and stain-ups half be crossed and a court the choice manifold. All valves are to be reflected for operation in the presence of sill, gas, and calling fluids. The above above and celled flue walves and relief flue valves convected to convected to an interpretation of the presence of sill, gas, and calling fluids. The above above and relief flue valves convected to an interpretation of the equipped prevented with stem extensions, universal joints if needed, and hand who is which are to extend to provide and the derick substructure. All other valves are to be equipped The clasing monifold and remote closing manifold shall have a separate control for each procure-operated device. Control are to be labeled, with control hould include to solve a separate resource and regulator must be monifold for operating the hydril procures as an preventer.

Guil Legion No. 33 hydraulic oil, an equivate or batter, is to be used as the fluid to operate members. the choke notifoid, choke fine, and choke lines are to be appoined by moral and adequately anchored. The choke fine, and of fine, and other lines are to be contracted.

LAW OFFICES

OIL OF YOUR DIMORRALL, SPERLING, ROEHL, HARRIS & SISK

JAMES E. SPERLING
JOHN A. DARDEN III
DAY
DAY
JOHN A. COONEY

JOHN A. COONEY

JOHN A. COONEY

JUST R. PRAZIET

JOHN A. COONEY

JUST R. PRAZIET

JOHN A. COONEY

Kenneth L. Harrigan Peter J. Adang Dale W. Ek PETER J. ADANG
DALE W. EK
JAMES M. PARKER
CHARLES I. WELLBORN
DENNIS J. FALK
ARTHUR D. MELENDRES
JAMES P. HOUCHTON
JUDY A. FRY
PAUL M. FISH
GEORGE J. HOPKINS
JEFFRLY W. LOUBET
R. E. THOMPSON
CURTIS W. SCHWARTZ
RUTH M. SCHIKANI
THOMAS L. JOHNSON
LYNN H. SLADE
ZACHARY L. MCCORMICK
CLIFFORD K. ATKINSON
DUG AS A. BAKER
SUSAN R. STOCKSTILL
BETH R. DAVENPORT
LARRY P. AUSHERMAN
JOHN E. HEER III
J. DOUCLAS FOSTER
DOUC AS R. VADNAIS
GEOFREY D. RIEDER
JOHN S. THAL
BENJAMIN SILVA. JR
RANDALL J. MCDONALD
JANET G. PERELSON
WALTER E. STERN III
PATRICK J. ROCERS WALTER E. STERN III PATRICK J. ROGERS

MAESAS
JART R DIAZIET
ROBERT PAMPELL
ROBERT PAMPELL
ROBERT PAMPELL
ROBERT PAMPELL
ROBERT PAMPELL
ROBERT PAMPELL
SEALY H. CAVIN. JR.
ELEANOR K. BRATTON
NORA C. KELLY
WILLIAM C. SCOTT
DONALD R. FENSTERMACHER
HALSEY L. WASHBURN
TERRY S. KRAMER
TIM L. FIELDS
DOUGLAS G. SCHAPEBECK
KYLE H. MOBERLY
CHARLES A. ARMGAROT
KATHRYN D. LUCERO
SUZANNE R. SPIERS
TIMOTHY R. VAN VALEN
EARL E. DEBRINE, JR.
TIMOTHY C. HOLM
TERRY C. HOLM
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EARL E. DEBRINE, JR.
TIMOTHY C. HOLM EARL E. DEBRINE. JR.
TIMOTHY C. HOLM
CEORGE MCFALL
BONNIE J. PAISLEY
WALTER M. HART III
DAWN BRADLEY BERRY
WILLIAM REEVES KELEHER
DIANE H. MAZUR
LISA MANN BURKE
JEAN MARIE BANNON
STUART R. BLTZIER
DONALD A. DECANDIA
CRETCHEN B FRIEDLANDER
R. ALFRED WALKER

R. ALFRED WALKER

A Professional Association

500 FOURTH STREET NW SUNWEST BUILDING, SUITE 1000 POST OFFICE BOX 2168

ALBUQUERQUE, NEW MEXICO 87103-2168 Tel. (505) 848-1800

Fax (505) 242-5352

JOHN F. SIMMS

J. R. MODRALL

AUGUSTUS T. SEYMOUR (1907-1965)

GEORGE T. HARRIS, JR. (1922-1985)

LELAND S SEDRERRY JR

SANTA FE OFFICE 119 EAST MARCY SUITE 200 Post Office Box 9318 SANTA FE. NEW MEXICO 87501-9318 TEL. (505) 983-2020 FAX (505) 988-8996

LAS CRUCES OFFICE 505 SOUTH MAIN LORETTO TOWNE CENTRE SUITE 103 POST OFFICE BOX 578 LAS CRUCES, NEW MEXICO 88004-0578 Tel. (505) 526-6655 Fax (505) 526-6656

November 21, 1989

Michael E. Stogner, Petroleum Engineer Oil Conservation Division State of New Mexico Energy and Minerals Department Post Office Box 2088 Santa Fe, New Mexico 87504-2088

David R. Catanach, Petroleum Engineer Oil Conservation Division State of New Mexico Energy and Minerals Department Post Office Box 2088 Santa Fe, New Mexico 87504-2088

> Case 9830, Application of Strata Production Company for an Unorthodox Location and a Horizontal Well

Gentlemen:

This will confirm my telephone conversation the rescheduling of Case 9830, Mr. Stogner regarding Amended Application of Strata Production for an Unorthodox Location and Horizontal Well, for Wednesday, Desember 13, 1989. Thank you for your assistance in this matter.

Very truly yours,

SHC:meh

Dan M. Leonard cc: John C. Byers George L. Scott, Jr. James G. McClelland

LAW OFFICES

OIL CORSERVATION DIVISION PRALL, SPERLING, ROEHL, HARRIS & SISK

JAMES E SPERLING CELVIDEN A. DARDEN III
JOSEPH F. ROEHL
DUNNE E. BROWN
DANIEL A SISK
ALLEN C. DEWEY, JR
ALLEN C. DEWEY C. DEWET T. BRAZEL
REBERT PAMPELL
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PETER J ADANG
DALE W E.

JAMES M. PARKER
CHARLE-1 WELLBORN
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DUANE E. BROWN
MARTHA G. BROWN
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M. M. M. STAT
GEORGE F. KOINIS
NEAL E. BINCZEWSKI
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JOHN E. SIMMS

J. R. MODRALL

Augustus T. Seymour (1907-1965)

GEORGE T. HARRIS, JR. (1922-1985)

LELAND S. SEDBERRY, JR. (1930-1985)

SANTA FE OFFICE 119 EAST MARCY **SUITE 200** POST OFFICE BOX 9318 SANTA FE. NEW MEXICO 87501-9318 TEL. (505) 983-2020 FAX (505) 988-8996

LAS CRUCES OFFICE 505 SOUTH MAIN LORETTO TOWNE CENTRE **SUITE 103** POST OFFICE BOX 578 LAS CRUCES, NEW MEXICO 88004-0578 TEL. (505) 526-6655 FAX (505) 526-6656

1222

November 21, 1989

Michael E. Stogner, Petroleum Engineer Oil Conservation Division State of New Mexico Energy and Minerals Department Post Office Box 2088 Santa Fe, New Mexico 87504-2088

David R. Catanach, Petroleum Engineer Oil Conservation Division State of New Mexico Energy and Minerals Department Post Office Box 2088 Santa Fe, New Mexico 87504-2088

> Re:/ Case 9830, Application of Strata Production Company for an Unorthodox Location and a Horizontal Well

Gentlemen:

This will confirm my telephone conversation with Mr. Stogner regarding the rescheduling of Case 9830, Amended Application of Strata Production for an Unorthodox Location and Horizontal Well, for Wednesday, December 13, 1989. Thank you for your assistance in this matter.

Very truly yours,

Sealy H. Lavin, Jr.

SHC:meh

Dan M. Leonard cc: John C. Byers George L. Scott, Jr. James G. McClelland

CIL CONSERVATION DIVISION
RECEIVED

UNITED STATES DEPARTMENT OF THE INTERIOR

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BUREAU OF LAND MANAGEMENT
Carlsbad Resource Area Headquarters
P. O. BOX 1778
Carlsbad, New Mexico 88220

3162 (067)

NOV 2 8 1989

Memorandum

To:

District Hanager (065)

?rom:

Area Manager (067)

Subject: Request for Suspension of Lease Term for NM-30886(A)

We hereby recommend that lease number NM-30886(A), which encompasses the SE1/4 of Sec. 7, the S1/2 of Sec. 8, the NW1/4NW1/4 of Sec. 17, and the E1/2 of Sec. 18, all in T26S, R25E; NMPM, have its primary lease term suspended. The effective date of the suspension should be November 1, 1989, and the suspension should run for ninety (90) days from this date or until spudding occurs, whichever occurs first. This lease is to expire at midnight on November 30, 1989.

We received a letter from Dan M. Leonard, President of Leonard Resources Investment Corporation on November 17, 1989 requesting said suspension of lease term. Strata Production Company is planning to drill a wildcat gas well in the Bone Spring formation utilizing horizontal drilling techniques in the SW1/4SE1/4 of Sec. 18, T265, R25E; NMPM. Mr. Leonard is basing his request on Strata's need for a formal hearing as required by the HMOCD before the Division will approve the use of horizontal drilling techniques. The earliest available NMOCD docket is November 29, 1989.

Please note that on January 31, 1990, or when the well is spudded, whichever occurs first, the lease suspension shall expire, and the lease will revert back to its primary term with thirty (30) days remaining in the primary term.

Please contact us if additional information is required.

Orig. Signed by Richard L. Manus

067:SShaw:at:WANG#0027L.1

MODRALL, SPERLING, ROEHL, HARRIS & SISK

A PROFESSIONAL ASSOCIATION

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ALBUQUERQUE OFFICE 500 FOURTH STREET N.W. NOV

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NOV

CONSERVATION PLAS CRUCES OFFICE

505 SOUTH MAIN

LORETTO TOWN

OIL CONSERVATION SUNWEST BUILDING, SUITE 1000 ALBUQUERQUE, NEW MEXICO 87103-2168

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November 17, 1989

ate 9830

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James E. Sperling Joseph E. Roehl Daniel A. Sisk Allen C. Dewey, Jr. John R. Cooney Kenneth L. Harrigan

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KENNETH L. HARRIGAN
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J. DOUGLAS FOSTER DOUGLAS R. VADNAIS GEOFFREY D. RIEDER JOHN S. THAL

BENJAM N SILVA, JR. RANDALL J. McDonald Janet G. Perelson

> 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 87501 Santa Fe, New Mexico

Amended Application for Strata Production Company For Authority to Drill a Horizontal Well Pilot Project, Yeso Hills Federal #1 Well, Eddy County, New Mexico.

Dear Mr. LeMay:

On behalf of Strata Production Company, I would appreciate your having the enclosed Amended Application set for hearing on the next available Examiner's Docket scheduled for November 29, 1989. This Amended Application amends Strata's Application made correspondence to you dated November 17, 1989.

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

Amended Application of Strata Production Company for a Horizontal Directional Drilling Well in Eddy County, New Mexico. Applicant in the above styled seeks authority to initiate а horizontal directional drilling pilot project in the SEc of

Mr. William J. LeMay, Chmn. and Director Oil Conservation Division

Section 18, T26S, R25E, N.M.P.M., Eddy County, Mexico forming a standard 160 acre gas spacing and proration unit in the Bone Spring Formation, commencing its Yeso Hills Federal #1 Well at an unorthodox surface location 1,780 feet FEL and 460 feet FSL of said Section 18. Applicant proposes to drill to a true vertical depth of approximately 4,900 feet in the Bone Spring Formation. Applicant intends to evaluate the vertical well by logging and coring to determine whether and in what direction to drill horizontally. If a decision is made to horizontally, the Applicant will plug back and set whipstock as necessary to initiate medium radius curvature to facilitate drilling horizontally. Horizontal drilling shall be at a direction due North, due East or at a Northeasterly direction from the vertical wellbore. The horizontal hole shall be terminated at a location no closer than 660 feet to any outside boundary of the spacing and proration unit.

Said location is approximately 20 miles Southwest of White City, New Mexico.

By copy of this letter to all parties shown on Exhibit A to the Amended Application, we are forwarding a copy of the Amended 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:meh Enclosure

cc: George L. Scott, Jr. (w/encl.)
Dan M. Leonard (w/encl.)
John C. Byers (w/encl.)

LAW OFFICES

MODRALL, SPERLING, ROEHL, HARRIS & SISK

A PROFESSIONAL ASSOCIATION

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November 7, 1989

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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

OIL CONSERVATION DIVISION

Application of Strata Production Company For Authority to Drill a Horizontal Well Pilot Project, Yeso Hills Federal #1 Well Eddy County, New Mexico

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 scheduled for November 29, 1989.

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

Application of Strata Production Company for Directional Drilling Well in Eddy Horizontal New County, Mexico. Applicant the styled seeks authority to cause initiate horizontal directional drilling pilot project in the SE% of Section 18, T26S, R25E, N.M.P.M., Eddy County, New Mexico forming a standard 160

Mr. William J. LeMay, Chmn. and Director Oil Conservation Division November 7, 1989 Page 2

gas spacing and proration unit in the Bone Spring Formation, by commencing its Yeso Hills Federal #1 Well at a surface location 1,980 feet FEL and 660 feet FSL of said Section 18. Applicant proposes to drill to a true vertical depth of approximately 4,900 feet in the Bone Spring Applicant intends to evaluate the Formation. vertical well by logging and coring to determine whether and in what direction to drill horizontally. If a decision is made to drill horizontally, the Applicant will plug back and set whipstock as necessary to initiate medium radius curvature to facilitate drilling horizontally. Horizontal drilling shall be at a direction due North, due East or at a Northeasterly direction from the vertical wellbore. No part of the horizontal hole shall be closer than 660 feet to any outside boundary of the spacing and proration unit.

Said location is approximately 20 miles Southwest of White City, New Mexico.

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:meh Enclosure

cc: George L. Scott, Jr.
Dan M. Leonard

John C. Byers

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

RECEIVED

IN THE MATTER OF THE APPLICATION OF STRATA PRODUCTION COMPANY FOR A HORIZONTAL DIRECTIONAL DRILLING PILOT PROJECT EDDY COUNTY, NEW MEXICO

CASE NO.: 983

APPLICATION

COMES NOW Strata Production Company, by and through its attorneys, Modrall, Sperling, Roehl, Harris & Sisk, P.A., and applies to the New Mexico Oil Conservation Division to initiate a horizontal directional drilling pilot project in the SE% of Section 18, T26S, R25E, N.M.P.M., Eddy County, New Mexico forming a standard 160 acre gas spacing and proration unit in the Bone Spring Formation, by commencing its Yeso Hills Federal #1 Well at a surface location 1,980 feet FEL and 660 feet FSL of said Applicant proposes to drill to a Section 18. vertical depth of approximately 4,900 feet in the Bone Spring Formation. Applicant intends to evaluate the vertical well by logging and coring to determine whether in what direction to drill horizontally. decision is made to drill horizontally, the Applicant will plug back and set whip stock as necessary to initiate medium radius curvature to facilitate drilling zontally of approximately 1,200 feet. Horizontal drilling shall be at a direction due North, due East or at a Northeasterly direction from the vertical wellbore. No part of the horizontal hole shall be closer than 660 feet to any outside boundary of the spacing and proration unit. Said location is approximately 20 miles Southwest of White City, New Mexico. In support hereof Applicant will show:

- 1. Applicant proposes to drill its Yeso Hills Federal #1 Well at a surface location 1,980 feet FEL and 660 feet FSL of Section 18, T26S, R25E, N.M.P.M., to a total true vertical depth of approximately 4,900 feet in the Bone Spring Formation.
- Applicant proposes to evaluate the vertical well by logging and coring to determine in what direction to drill horizontally.
- 3. If a decision is made by Applicant to drill horizontally, Applicant will plug back and set whipstock as necessary to initiate medium radius curvature to facilitate the drilling of a horizontal hole.
- 4. Applicant proposes that the horizontal drilling shall be at a direction due North, due East or at a Northeasterly direction from the vertical wellbore.
- 5. No part of the horizontal hole shall be closer than 660 feet to any outside boundary of the spacing and proration unit.

- 6. The spacing unit for the Yeso Hills Federal #1 Well is the SE% of said Section 18.
- 7. Applicant has the right to drill the Yeso Hills Federal #1 Well by virtue of farmouts from A-H 1980 Program, Inc. and Bonneville Fuels Corporation covering various lands including the SE% 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 this type of 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 thereby improving ultimate recovery and preventing waste.

WHEREFORE, after notice and hearing, the Applicant requests that this Application be granted.

Respectfully Submitted:

MODRALL, SPERLING, ROEHL,

HARRIS & SISK, P.A.

By:

Sealy H. Cavin, Jr.

Attorneys for Applicant

500 Fourth Street, N.W.

Suite 1000 P.O. Box 2168

Albuquerque, NM 87103

EXHIBIT A TO STRATA PRODUCTION COMPANY APPLICATION TO DRILL A HORIZONTAL WELL.

EXHIBIT A

OFFSET OPERATORS

- Bonneville Fuels Corporation
 1600 Broadway, Suite 1110
 Denver, Colorado 80202
 Attention: L.D. Lillo, Senior Landman
- El Paso Natural Gas Company
 c/o Meridian Oil Inc.
 21 Desta Drive
 Midland, Texas 79705
 Attention: Mario R. Moreno, Jr., Senior Landman

0661W

TOWNSHIP

RANGE

SECTION

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



IN THE MATTER OF THE APPLICATION OF STRATA PRODUCTION COMPANY FOR A HORIZONTAL DIRECTIONAL DRILLING PILOT PROJECT EDDY COUNTY, NEW MEXICO

CASE NO.: 9830

COMES NOW Strata Production Company, by and through its attorneys, Modrall, Sperling, Roehl, Harris & Sisk, P.A., and applies to the New Mexico Oil Conservation Division to initiate a horizontal directional drilling pilot project in the SE< of Section 18, T26S, R25E, N.M.P.M., Eddy County, New Mexico forming a standard 160 acre gas spacing and proration unit in the Bone Spring Formation, by commencing its Yeso Hills Federal #1 Well at a surface location 1,780 feet FEL and 460 feet FSL of said Section 18. Applicant proposes to drill to a true vertical depth of approximately 4,900 feet in the Bone Spring Formation. Applicant intends to evaluate the vertical well by logging and coring to determine whether and in what direction to drill horizontally. If a decision is made to drill horizontally, the Applicant will plug back and set whipstock as necessary to initiate medium radius curvature to facilitate drilling horizontally of approximately 1,200 feet. Horizontal drilling shall be at a direction due North, due East or at a Northeasterly direction from the vertical wellbore. part of the horizontal hole shall be closer than 660 feet

to any outside boundary of the spacing and proration unit. Said location is approximately 20 miles Southwest of White City, New Mexico. In support hereof Applicant will show:

- 1. Applicant proposes to drill its Yeso Hills Federal #1 Well at a surface location 1,780 feet FEL and 460 feet FSL of Section 18, T26S, R25E, N.M.P.M., to a total true vertical depth of approximately 4,900 feet in the Bone Spring Formation.
- 2. Applicant proposes to evaluate the vertical well by logging and coring to determine in what direction to drill horizontally.
- 3. If a decision is made by Applicant to drill horizontally, Applicant will plug back and set whipstock as necessary to initiate medium radius curvature to facilitate the drilling of a horizontal hole.
- 4. Applicant proposes that the horizontal drilling shall be at a direction due North, due East or at a Northeasterly direction from the vertical wellbore.
- 5. No part of the horizontal hole shall be closer than 600 feet to any outside boundary of the spacing and proration unit.
- 6. The spacing unit for the Yeso Hills Federal #1 Well is the SE of said Section 18.
- 7. Applicant has the right to drill the Yeso Hills Federal #1 Well by virtue of farmouts from A-H 1980

Program, Inc. and Bonneville Fuels Corporation covering various lands including the SE 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 Amended Application in order to determine if this type of 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 thereby improving ultimate recovery and preventing waste.
- 11. Applicant seeks approval of its proposed unorthodox surface location.

WHEREFORE, after notice and hearing, the Applicant requests that this Application be granted.

Respectfully submitted,

MODRALL, SPERLING, ROEHL, HARRIS & SISK, P.A.

Bv:

Sealy H. Cavin, J

Attorneys for Applicant 500 Fourth Street, N.W.

Suite 1000

P.O. Box 2168

Albuquerque, NM 87103

0841w

EXHIBIT A TO STRATA PRODUCTION COMPANY AMENDED APPLICATION TO DRILL A HORIZONTAL WELL.

EXHIBIT A

OFFSET OPERATORS

- Bonneville Fuels Corporation
 1600 Broadway, Suite 1110
 Denver, Colorado 80202
 Attention: L.D. Lillo, Senior Landman
- El Paso Natural Gas Company
 c/o Meridian Oil Inc.
 21 Desta Drive
 Midland, Texas 79705
 Attention: Mario R. Moreno, Jr., Senior Landman

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