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WILLIAM REYNOLDS KLEINER

TELECOPIER COVER LETTER

Date: November 6, 1989

Page 1 of 7 pages

Time: 4:25 p.m.

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:

Maria Hill (505) 848-1800 Ext. 332

COMMENTS: The enclosed is per our discussion. The original
will be hand delivered to you.



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

Re: 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 SE¼ 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

gas spacing and proration unit in the Bone Spring Formation, by commencing its Yaso 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 North-easterly 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

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

CASE NO.: 9830

A P P L I C A T I O 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 SE¼ 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.

6. The spacing unit for the Yeso Hills Federal #1 Well is the SE¼ 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 SE¼ 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

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

0551W

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

ms 1/8/90
JS 1/8/90
WJL

APPLICATION OF STRATA PRODUCTION
COMPANY FOR AN UNORTHODOX GAS WELL
LOCATION, HORIZONTAL DIRECTIONAL
DRILLING PILOT PROJECT AND SPECIAL
OPERATING RULES THEREFOR, 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.

Eddy County, New Mexico,

(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 pre-determined 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.

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

WILLIAM J. LEMAY
Director

S E A L

DEC 08 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/ Sandra L. Poreta

Richard L. Manus
Area Manager

FOR

cc:D.M. Leonard

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

BEFORE EXAMINER <i>Catanach</i>	
OIL CONSERVATION DIVISION	
EXHIBIT NO.	<u>1</u>
CASE NO.	<u>9830</u>

LAW OFFICES

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JOHN F. SIMMS
(1985-1984)

J. R. MODRALL
(1902-1977)

AUGUSTUS T. SEYMOUR
(1907-1985)

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

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

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LISA MANN BURKE

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

COPY

BEFORE EXAMINER
Catanach
OIL CONSERVATION DIVISION

EXHIBIT NO. 1
CASE NO. 9830

Re: 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:

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

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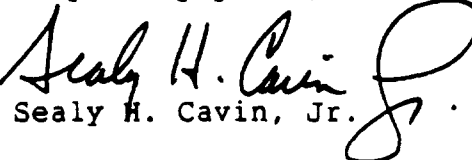
Mr. William J. LeMay, Chmn. and Director
Oil Conservation Division
November 7, 1989
Page 2

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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

A P P L I C A T I O 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 SE¼ 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.

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6. The spacing unit for the Yeso Hills Federal #1 Well is the SE¼ 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 SE¼ 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:

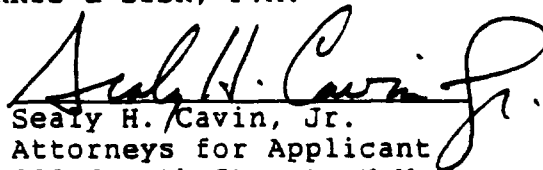

Sealy H. Cavin, Jr.
Attorneys for Applicant
500 Fourth Street, N.W.
Suite 1000
P.O. Box 2168
Albuquerque, NM 87103

EXHIBIT A

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

P 965 802 883

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL

(See Reverse)

Sent to: AH-1980 Program, Inc.	
Attn: Henry Hansen, Sr. Ldmn.	
Street and No. 1201 Louisiana, Suite 700	
P.O. State and ZIP Code Houston, TX	77002-5681
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	
Return Receipt showing to whom Date and Address of Delivery	
TOTAL Postage and Fees	\$
Postmark or Date 11/07/89	

PS Form 3800, June 1985

<p>Instructions: Complete Items 1 and 2 when additional services are desired, and complete Items 3 and 4.</p> <p>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 receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees and following services are available. Consult postmaster for fees and check boxes for additional service(s) requested.</p> <p>1. <input type="checkbox"/> Show to whom delivered, date, and addressee's address. (Extra charge)</p> <p>2. <input type="checkbox"/> Restricted Delivery (Extra charge)</p>	
3. Article Addressed to: AH-1980 Program, Inc. 1201 Louisiana, Suite 700 Houston, TX 77002-5681 Attn: Henry Hansen, Senior Landman	4. Article Number P 965 802 883 Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise Always obtain signature of addressee or agent and DATE DELIVERED.
5. Signature - Addressee X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent X <i>Keith Grupp</i>	
7. Date of Delivery 111389	

PS Form 3811, Mar. 1985 • U.S.G.P.O. 1985-212-865 DOMESTIC RETURN RECEIPT

COPY

P 965 802 884

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL

(See Reverse)

Sent to: Bonneville Fuels Corp.	
Attn: L.D. Lillo, Sr. Ldmn.	
Street and No. 1600 Broadway, Suite 1110	
P.O. State and ZIP Code Denver, CO	80202
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	
Return Receipt showing to whom Date and Address of Delivery	
TOTAL Postage and Fees	\$
Postmark or Date 11/07/89	

PS Form 3800, June 1985

<p>Instructions: Complete Items 1 and 2 when additional services are desired, and complete Items 3 and 4.</p> <p>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 receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees and following services are available. Consult postmaster for fees and check boxes for additional service(s) requested.</p> <p>1. <input type="checkbox"/> Show to whom delivered, date, and addressee's address. (Extra charge)</p> <p>2. <input type="checkbox"/> Restricted Delivery (Extra charge)</p>	
3. Article Addressed to: Bonneville Fuels Corporation 1600 Broadway, Suite 1110 Denver, Colorado 80202 Attn: L.D. Lillo, Senior Landman	4. Article Number P 965 802 884 Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise Always obtain signature of addressee or agent and DATE DELIVERED.
5. Signature - Addressee X <i>L. Lillo</i>	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent X	
7. Date of Delivery NOV 9 1985	

PS Form 3811, Mar. 1985 • U.S.G.P.O. 1985-212-865 DOMESTIC RETURN RECEIPT

UNITED STATES POSTAL SERVICE

OFFICIAL BUSINESS

SENDER INSTRUCTIONS

Print your name, address and ZIP Code in the space below.

- Complete items 1, 2, 3, and 4 on the reverse.
- Attach to front of article if space permits, otherwise affix to back of article.
- Endorse article "Return Receipt Requested" adjacent to number.



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



COPY



UNITED STATES POSTAL SERVICE

OFFICIAL BUSINESS

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Print your name, address and ZIP Code in the space below.

- Complete items 1, 2, 3, and 4 on the reverse.
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Modrall, 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 (see front)

1. If you want this receipt postmarked, check the postmarked 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 retail carrier (no extra charge).

2. If you do not want this receipt postmarked, check the postmarked stub to the right of the return address, of the article, date, detach and retain the receipt, and mail the article.

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 optional ends of space permits. Otherwise, affix to back of article. Endorse front of article: **RETURN RECEIPT REQUESTED** adjacent to the number.

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 fees for the services requested in the appropriate receipt is requested. Check the applicable blocks to determine.

6. Save this receipt and present it if you make inquiry.

U.S. G.P.O. 1967-197-222

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

1. If you want this receipt postmarked, check the postmarked 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 retail carrier (no extra charge).

2. If you do not want this receipt postmarked, check the postmarked stub to the right of the return address, of the article, date, detach and retain the receipt, and mail the article.

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 optional ends of space permits. Otherwise, affix to back of article. Endorse front of article: **RETURN RECEIPT REQUESTED** adjacent to the number.

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 fees for the services requested in the appropriate receipt is requested. Check the applicable blocks to determine.

6. Save this receipt and present it if you make inquiry.

U.S. G.P.O. 1967-197-222

227 461 4861 197 722

COPY

ILLEGIBLE

See Reverse,

Sent to: El Paso Natural Gas Co.	
c/o Meridian Oil Inc.	
Street and No. Attn: Mario R. Moreno	
21 Desta Drive	
City, State and Zip Code	
Midland, TX	79705
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	
Return Receipt showing to whom Date and Address of Delivery	
TOTAL Postage and Fees	\$
Postmark or Date	
11/07/89	

PS Form 3800, June 1985

CLAY

<p>1. Complete Items 1 and 2 when shipping services are desired, and complete Item 3 when:</p> <p>Put your address in the "RETURN TO" space on the back of this card to prevent this card from being returned to you. Do not place this card in the return postage envelope and do not place it in the return postage envelope. Do not place this card in the return postage envelope. Do not place this card in the return postage envelope.</p> <p>1. <input type="checkbox"/> Show to whom delivered, date and addressee's address.</p> <p>2. <input type="checkbox"/> Registered Delivery (Post-charge)</p>	
<p>3. Article Addressed to:</p> <p>El Paso National Bank</p> <p>c/o Meridian Bank</p> <p>21. Dosta</p> <p>Midland</p> <p>Attn:</p>	<p>4. Article Number</p> <p>55 802 985</p> <p>5. Service</p> <p>6. Registered</p> <p>7. Insured</p> <p>8. Signature</p> <p>9. Date</p>
<p>10. Signature</p> <p>X</p>	<p>11. Signature</p> <p>X</p>
<p>12. Date</p> <p>X</p>	<p>13. Date</p> <p>X</p>

44-38861-2604 Mar. 1968

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.
(1922-1985)

LELAND S. SEDGWICK, JR.
(1930-1965)

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

JAMES E. SPERLING
JOSEPH E. ROEHL
DANIEL A. SISK
ALLEN C. DEWEY, JR.
JOHN R. COONEY
KENNETH L. HARRIGAN
PETER J. ADAMS
DALE W. EK
JAMES M. PARKER
CHARLES I. WELLSBORN
DENNIS J. FALK
ARTHUR D. MELENDEZ
JAMES P. HOUGHTON
JUDY A. FRY
PAUL M. FISH
GEORGE J. HOPKINS
JEFFREY W. LOUBET
R. E. THOMPSON
CURTIS W. SCHWARTZ
RUTH M. SCHIRANI
THOMAS L. JOHNSON
LYNN H. SLADE
ZACHARY L. MCCORMICK
CLIFFORD K. ATKINSON
DOUGLAS A. BAKER
SUSAN R. STOCKSTILL
BETH R. DAVENPORT
LARRY P. ALDERMAN
JOHN E. HIER, III
J. DOUGLAS FOSTER
DOUGLAS R. VADNAIS
GEOFFREY D. RIEDER
JOHN S. THAL
BENJAMIN SILVA, JR.
RANDALL J. McDONALD
JANET G. PERELSON
WALTER E. STERN, III
PATRICK J. ROGERS

JOHN A. DARDEN, III
DUANE E. BROWN
MARtha C. BROWN
PAUL MAESTAS
JANET R. BRAZILL
ROBERT PAMPILL
GEORGE F. KOINIS
NEAL E. BINCZEWSKI
TODD R. BRACGINS
KEVIN T. RIEDEL
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. SCHNEEBECK
KYLE H. MOBERLY
CHARLES A. ARMICARD
KATHRYN D. LUCERO
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
WILLIAM REEVES KELEHER
DIANE H. MAZUR
LISA MANN BURKE
JEAN MARIE BANNON
STUART R. BUTZIER
DONALD A. DECANDIA
GRETCHEN B. FRIEDLANDER
R. ALFRED WALKER

November 17, 1989

COPY

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

Re: 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 now scheduled for November 29, 1989. This Amended Application amends Strata's Application made by our 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 cause seeks authority to initiate a
horizontal directional drilling pilot project in

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

the SE¼ 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 North-easterly 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/ RIM for SHC

Sealy H. Cavin, Jr.

SHC:meh
Enclosure

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

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

RECEIVED
NOV 17 1989
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.:

A M E N D E D
A P P L I C A T I O 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 $\frac{1}{4}$ 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. 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 1,780 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 $\frac{1}{4}$ 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 $\frac{1}{4}$ 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 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.

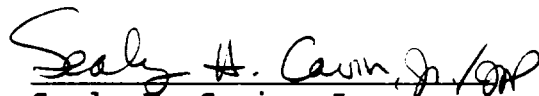
11. Applicant seeks approval of its proposed unorthodox surface location.

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 PRODUCTION
COMPANY AMENDED APPLICATION TO
DRILL A HORIZONTAL WELL.

EXHIBIT A

OFFSET OPERATORS

RECEIVED
NOV 17 1989
OIL CONSERVATION DIVISION

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

0841w

P 556 957 647

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL
(See Reverse)

Sent to Attn: Henry Hansen	
AH-1980 Program, Inc.	
Street and No 1201 Louisiana, Suite 700	
P.O. State and ZIP Code Houston, TX 77002-5681	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	
Return Receipt showing to whom Date and Address of Delivery	
TOTAL Postage and Fees	\$
Postmark or Date 11/20/89	

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

PS Form 3800, June 1985

● **SENDER:** 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 receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for rates and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge)
2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to:
AH - 1980 Program, Inc.
1201 Louisiana, Suite 700
Houston, Texas 77002-5681

Attn: Henry Hansen, Senior Landman

5. Signature - Addressee
X

6. Signature - Agent
X

7. Date of Delivery
11/24/89

4. Article Number
P 556 957 647

Type of Service:
☐ Registered ☐ Insured
☒ Certified ☐ COD
☐ Express Mail ☐ Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

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

PS Form 3811, Mar. 1985 • U.S.G.P.O. 1988-212-885 DOMESTIC RETURN RECEIPT

COPY

P 556 957 648

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL
(See Reverse)

Sent to Attn: L.D. Lillo	
Bonneville Fuels Corp.	
Street and No 1600 Broadway, Suite 1110	
P.O. State and ZIP Code Denver, CO 80202	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	
Return Receipt showing to whom Date and Address of Delivery	
TOTAL Postage and Fees	\$
Postmark or Date 11/20/89	

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

PS Form 3800, June 1985

● **SENDER:** Complete Items 1 and 2 when additional services are desired, and complete Items 3 and 4.
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1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge)
2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to:
Bonneville Fuels Corporation
1600 Broadway, Suite 1110
Denver, Colorado 80202

Attn: L.D. Lillo, Senior Landman

5. Signature - Addressee
X

6. Signature - Agent
X

7. Date of Delivery
NOV 22 1989

4. Article Number
P 556 957 648

Type of Service:
☐ Registered ☐ Insured
☒ Certified ☐ COD
☐ Express Mail ☐ Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

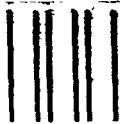
8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1985 • U.S.G.P.O. 1988-212-885 DOMESTIC RETURN RECEIPT

UNITED STATES POSTAL SERVICE
OFFICIAL BUSINESS

SENDER INSTRUCTIONS

- Print your name, address and ZIP Code in the space below.
- Complete items 1, 2, 3, and 4 on the reverse.
 - Attach to front of article if space permits, otherwise affix to back of article.
 - Endorse article "Return Receipt Requested" adjacent to number.



PENALTY FOR PRIVATE
USE, \$300

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

STICK POSTAGE STAMPS TO ARTICLE TO COVER FIRST CLASS POSTAGE.
CERTIFIED MAIL FEE, AND CHARGES FOR ANY SELECTED OPTIONAL SERVICES. (see 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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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 if space permits. Otherwise, affix to back of article. Endorse front of article **RETURN RECEIPT REQUESTED** adjacent to the number.
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 fees 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
6. Save this receipt and present it if you make inquiry

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

UNITED STATES POSTAL SERVICE
OFFICIAL BUSINESS

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USE, \$300

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Sealy H. Cavin, Jr., Esq.

Modrall, Sperling, Roehl, Harris & Sisk, PA

Post Office Box 2168

Albuquerque, NM 87103

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2. If you do not want this receipt postmarked, stick the gummed stub to the right of the return address of the article, date, detach and retain the receipt, and mail the article
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 if space permits. Otherwise, affix to back of article. Endorse front of article **RETURN RECEIPT REQUESTED** adjacent to the number.
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 fees 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
6. Save this receipt and present it if you make inquiry

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

P 556 957 649

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL

(See Reverse)

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

PS Form 3800, June 1985

Sent to Attn: Mario R. Moreno, Jr. El Paso Natural Gas Co.	
Street and No c/o Meridian Oil Inc. 21 Desta Drive	
P.O. State and ZIP Code Midland, TX 79705	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	
Return Receipt showing to whom Date and Address of Delivery	
TOTAL Postage and Fees	\$
Postmark or Date 11/20/89	

COPY

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.
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1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge)
2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to: El Paso Natural Gas Company c/o Meridian Oil Inc. 21 Desta Drive Midland, Texas 79705 Attn: Mario R. Moreno Jr., Senior Landman	4. Article Number P 556 957 649 Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise Always obtain signature of addressee or agent and DATE DELIVERED .
5. Signature - Address X	6. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Date X <i>W. W. Wells</i>	
7. Delivery	

PS Form 3811, Mar. 1988

* U.S.G.P.O. 1988-212-665

DOMESTIC RETURN RECEIPT

**STICK POSTAGE STAMPS TO ARTICLE TO COVER FIRST CLASS POSTAGE.
CERTIFIED MAIL FEE AND CHARGES FOR ANY SELECTED OPTIONAL SERVICES (see front)**

1. If you want this receipt postmarked, stick the gummed stub to the right of the return address leaving the receipt attached. If you do not want this receipt postmarked, stick the gummed stub to the right of the return address of the article, date, detach and return the receipt and mail the article.
2. 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 (if space permits). Otherwise, affix to back of article. Endorse front of article **RETURN RECEIPT REQUESTED** adjacent to the number.
3. 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.
4. Enter fees 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.
5. Save this receipt and present it if you make inquiry.

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

COPY



**UNITED STATES POSTAL SERVICE
OFFICIAL BUSINESS**

SENDER INSTRUCTIONS

- Print your name, address and ZIP Code in the space below.
- Complete Items 1, 2, 3, and 4 on the reverse.
 - Attach to front of article if space permits, otherwise affix to back of article.
 - Endorse article "Return Receipt Requested" adjacent to number.



**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

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUBMIT IN TRI
(Other instructi
verse side)

DATE
on re

Form approved.
Budget Bureau No. 1004-0135
Expires August 31, 1985

5. LEASE DESIGNATION AND SERIAL NO.

NM 30886-A

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

SUNDRY NOTICES AND REPORTS ON WELLS

(Do not use this form for proposals to drill or to deepen or plug back to a different reservoir.
Use "APPLICATION FOR PERMIT—" for such proposals.)

1. ☐ OIL WELL ☐ GAS WELL ☒ OTHER

2. NAME OF OPERATOR

STRATA PRODUCTION COMPANY

3. ADDRESS OF OPERATOR

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

OLD LOCATION: 1980' FEL & 660' FSL

NEW LOCATION: 1780' FEL & 460' FSL

14. PERMIT NO.

15. ELEVATIONS (Show whether DF, RT, GR, etc.)

GL 3839'

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME

YESO HILLS FEDERAL

9. WELL NO.

#1

10. FIELD AND POOL, OR WILDCAT

WILDCAT BONESPRING

11. SEC., T., R., M., OR BLK. AND
SURVEY OR AREA

SEC. 18, T26S, R25E

12. COUNTY OR PARISH 13. STATE

EDDY

NM

16

Check Appropriate Box To Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:

TEST WATER SHUT-OFF ☐ PULL OR ALTER CASING ☐
FRACTURE TREAT ☐ MULTIPLE COMPLETE ☐
SHOOT OR ACIDIZE ☐ ABANDON* ☐
REPAIR WELL ☐ CHANGE PLANS ☐
(Other) AMEND SURFACE LOCATION ☒

SUBSEQUENT REPORT OF:

WATER SHUT-OFF ☐ REPAIRING WELL ☐
FRACTURE TREATMENT ☐ ALTERING CASING ☐
SHOOTING OR ACIDIZING ☐ ABANDONMENT* ☐
(Other) ☐

(NOTE: Report results of multiple completion on Well
Completion or Recompletion Report and Log form.)

17 DESCRIBE PROPOSED OR COMPLETED OPERATIONS (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any
proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent
to this work.)

AMEND LOCATION OF WELL TO: 1780' FEL & 460' FSL
SEC. 18, T26S, R25E

BEFORE EXAMINER	
Catanach	
OIL CONSERVATION DIVISION	
EXHIBIT NO.	1
CASE NO.	9830

18. I hereby certify that the foregoing is true and correct

SIGNED

JAMES G. McCLELLAND

TITLE VICE PRESIDENT

DATE NOV. 21, 1989

(This space for Federal or State office use)

APPROVED BY

TITLE

DATE

CONDITIONS OF APPROVAL, IF ANY:

*See Instructions on Reverse Side

Submit to Appropriate
District Office
of Lease - 4 copies
of Lease - 3 copies

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised 1-1-89

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

DAN LEONARD

SECTION I
J. Box 1980, Hobbs, NM 88240

SECTION II
J. Drawer DD, Artesia, NM 88210

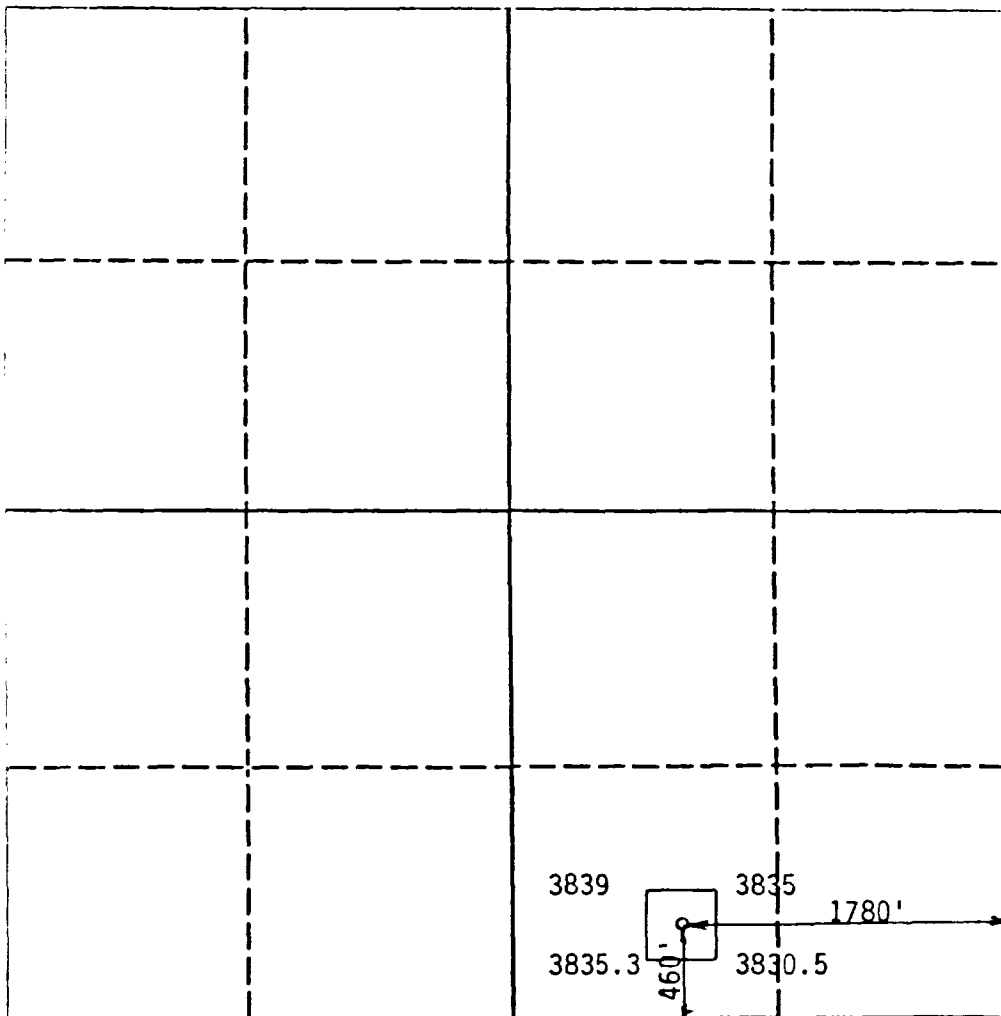
SECTION III
00 Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

Operator Strata Production Company			Lease Yeso Hills Federal		Well No. 1
Section Letter 0	Section 18	Township 26 South	Range 25 East	County Eddy	
Actual Footage Location of Well: 460 feet from the South line and 1780 feet from the East line					
Ground level Elev. 3834	Producing Formation	Pool	Dedicated Acreage: Acres		

- Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc?
☐ Yes ☐ No If answer is "yes" type of consolidation _____
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 interest, has been approved by the Division.



OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

James G. McClelland
Signature

James G. McClelland

Printed Name

Vice Pres/Admin

Position

Strata Production Co.

Company

November 29, 1989

Date

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed

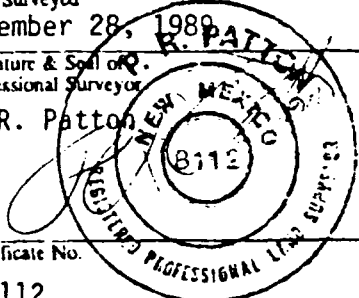
November 28, 1989

P. R. Patton
Signature & Seal of Professional Surveyor

P. R. Patton

Certificate No.

8112



UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1. TYPE OF WORK

DRILL ☒

DEEPEN ☐

PLUG BACK ☐

2. TYPE OF WELL

OIL
WELL ☐

GAS
WELL ☒

OTHER

SINGLE
ZONE ☐

MULTIPLE
ZONE ☐

3. NAME OF OPERATOR

Strata Production Company

4. ADDRESS OF OPERATOR

648 Petroleum Building Roswell, New Mexico 88201

5. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)

At surface

1980'FEL & 660' FSL

At proposed prod. zone

Same

6. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*

20 Miles SW of White City, New Mexico

7. DISTANCE FROM PROPOSED*

LOCATION TO NEAREST
PROPERTY OR LEASE LINE, FT.
(Also to nearest drig. unit line, if any)

660'

8. NO. OF ACRES IN LEASE

800 ACRES

9. NO. OF ACRES ASSIGNED
TO THIS WELL

160

10. DISTANCE FROM PROPOSED LOCATION*

TO NEAREST WELL, DRILLING, COMPLETED,
OR APPLIED FOR, ON THIS LEASE, FT.

660'

11. PROPOSED DEPTH

4900'

12. ROTARY OR CABLE TOOLS

Rotary

13. ELEVATIONS (Show whether DF, RT, GR, etc.)

CL 3839'

14. APPROX. DATE WORK WILL START*

November 10, 1989

15. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
12 1/4"	8 5/8"	24#	1200'	308sx "Lite" & 360sx "C"
				circulate
7 7/8"	5 1/2"	15.5#	4900'	300sx class "C"

A) Will drill to depth sufficient to test the Bone Spring formation.

B) Mud Program:

0-1200' native mud

1200'- total depth, cut brine with starch for water loss control.

C) Blow out preventer will be installed.

D) Logs will be run.

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24.

SIGNED

James G. McCallum

TITLE Operator

DATE 10-03-89

(This space for Federal or State office use)

PERMIT NO.

APPROVAL DATE

APPROVED BY

TITLE

DATE

CONDITIONS OF APPROVAL, IF ANY:

*See Instructions On Reverse Side

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

All distances must be from the outer boundaries of the Section.

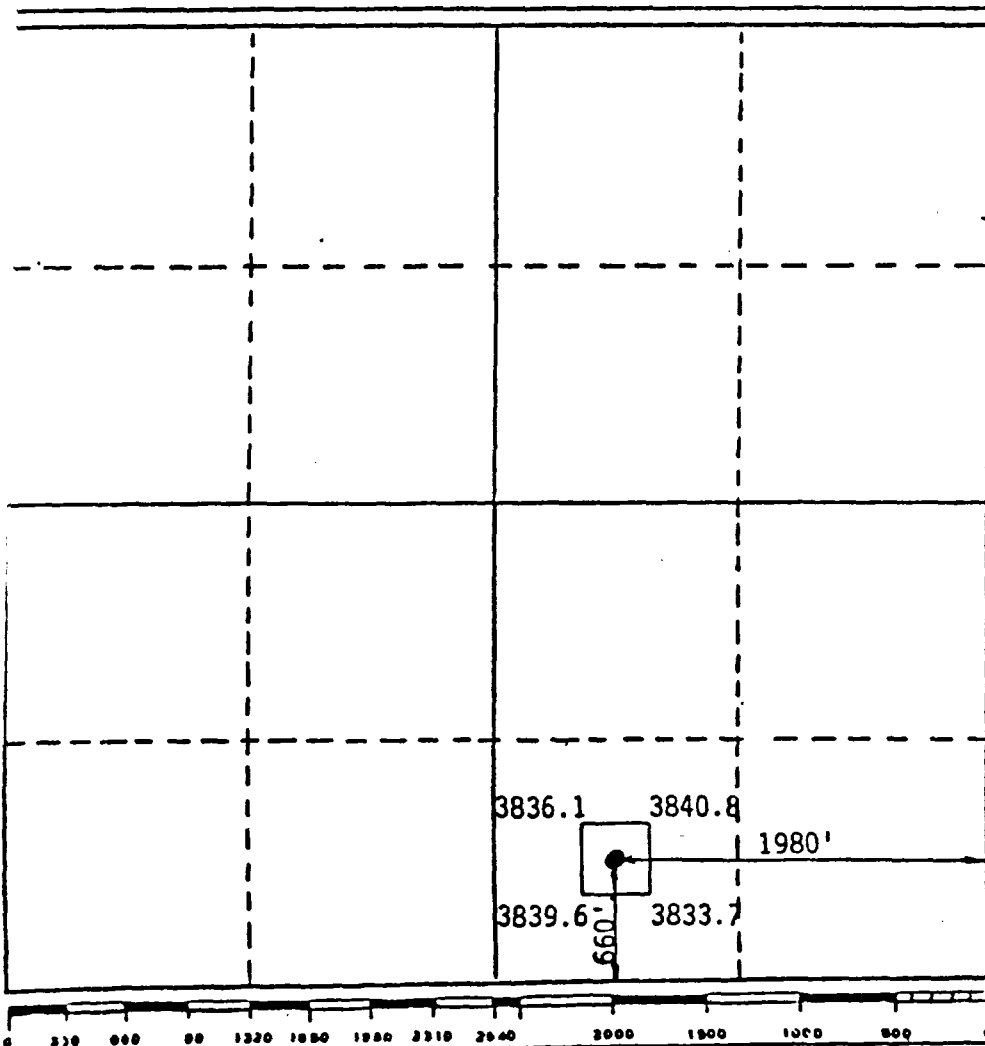
Strata Production Company			Lease Yeso Hills Federal		Well No. 1
Section 18	Township 26 South	Range 25 East	County Eddy		
Actual Footage Location of Well: 660 feet from the South line and 1980 feet from the East line					
Ground Level Elev. 3839	Producing Formation BONE SPRING	Pool UNIV. BONE SPRING	Dedicated Acreage: 160 Acres		

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure 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?

☐ Yes ☐ No If answer is "yes," type of consolidation _____

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 certify that the information contained herein is true and complete to the best of my knowledge and belief.

James G. Mc Clelland

Name

JAMES G. Mc CLELLAND

Position

OPERATOR

Company

STRATA PROD. CO.

Date

10-3-89

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed

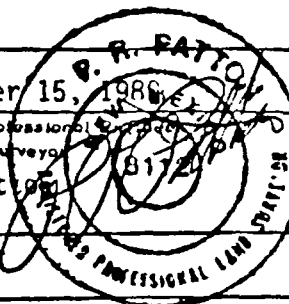
September 15, 1989

Registered Professional Engineer and/or Land Surveyor

P.R. Patton

Certificate No.

8112



SURFACE USE

AND OPERATIONS PLAN

Well Name: Yeso Hills Federal #1

Location: Section 18, T-26-S, R-25-E Eddy County, New Mexico

1. Existing Roads: Exhibits A & B are topographic & Lease maps of the roads and 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 success 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 BLM 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.
8. Ancillary Facilities: None required.

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:

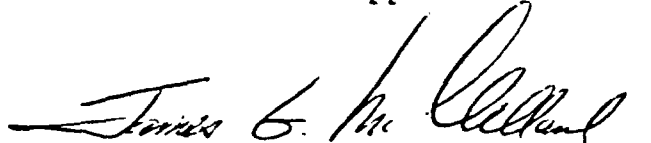
James G. McClelland or Frank S. Morgan
648 Petroleum Building
Roswell, New Mexico 88201

Business Phone: 622-1127 or 365-2971
Home Phone: 624-1858 or 365-2919

13. Certification:

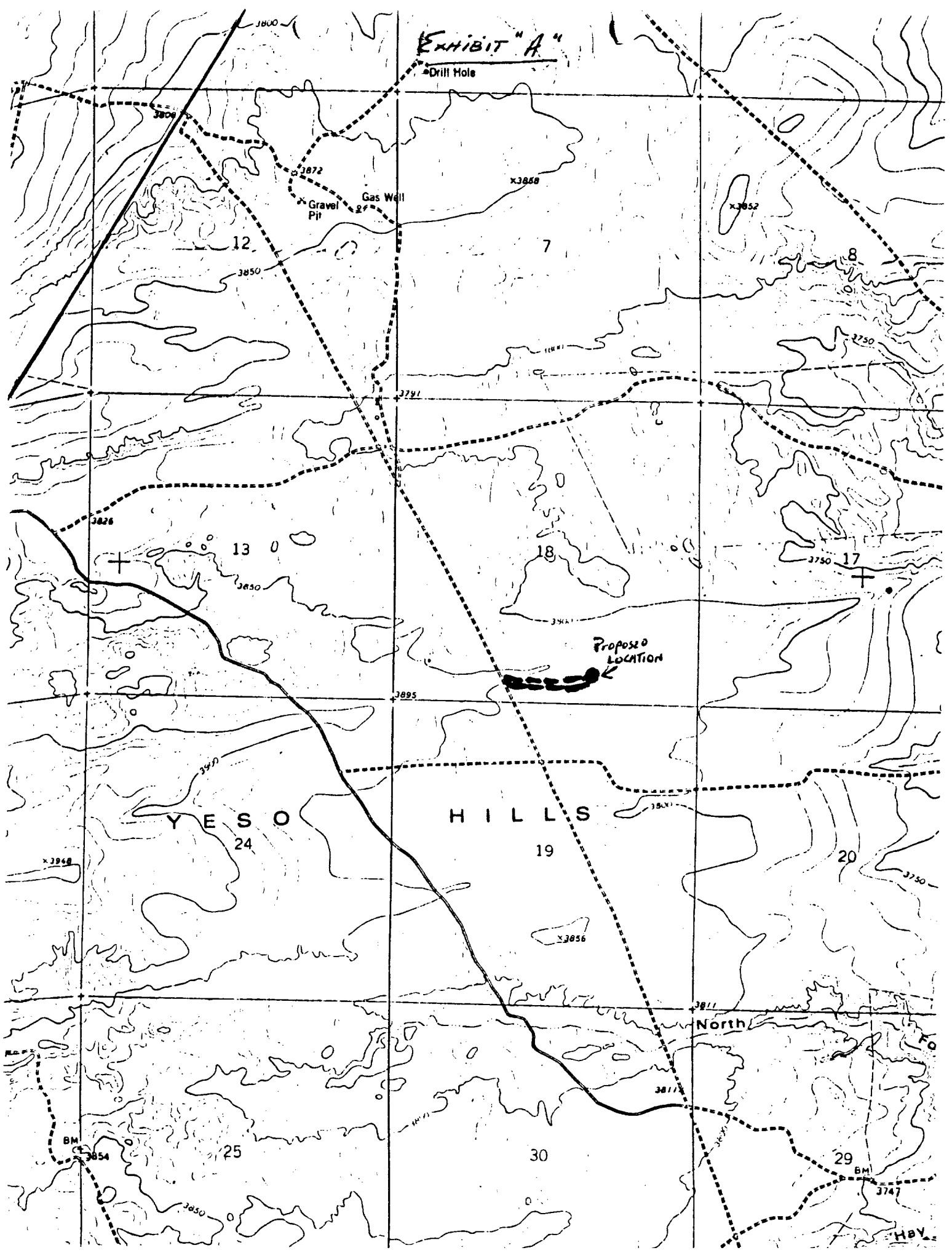
I hereby certify that I, or persons under my direct supervision, have inspected the proposed drillsite and access route: that I am familiar with the conditions which presently exist: that the statements made in this plan are, to the best of my knowledge, true and correct: and, that the work associated 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.

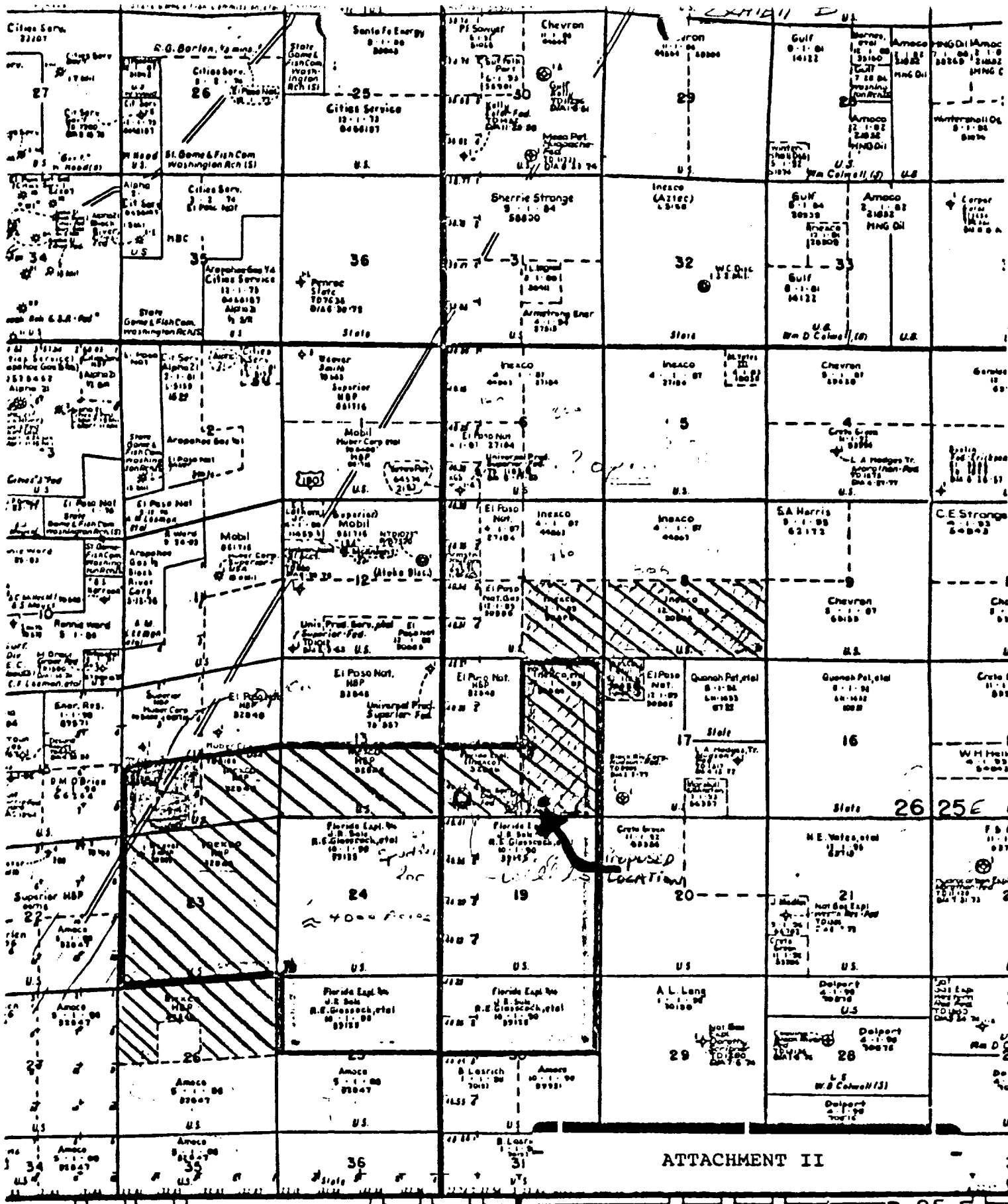
October 03, 1989
Date


Company Representative

Vice President Administration
Title

EXHIBIT "A"

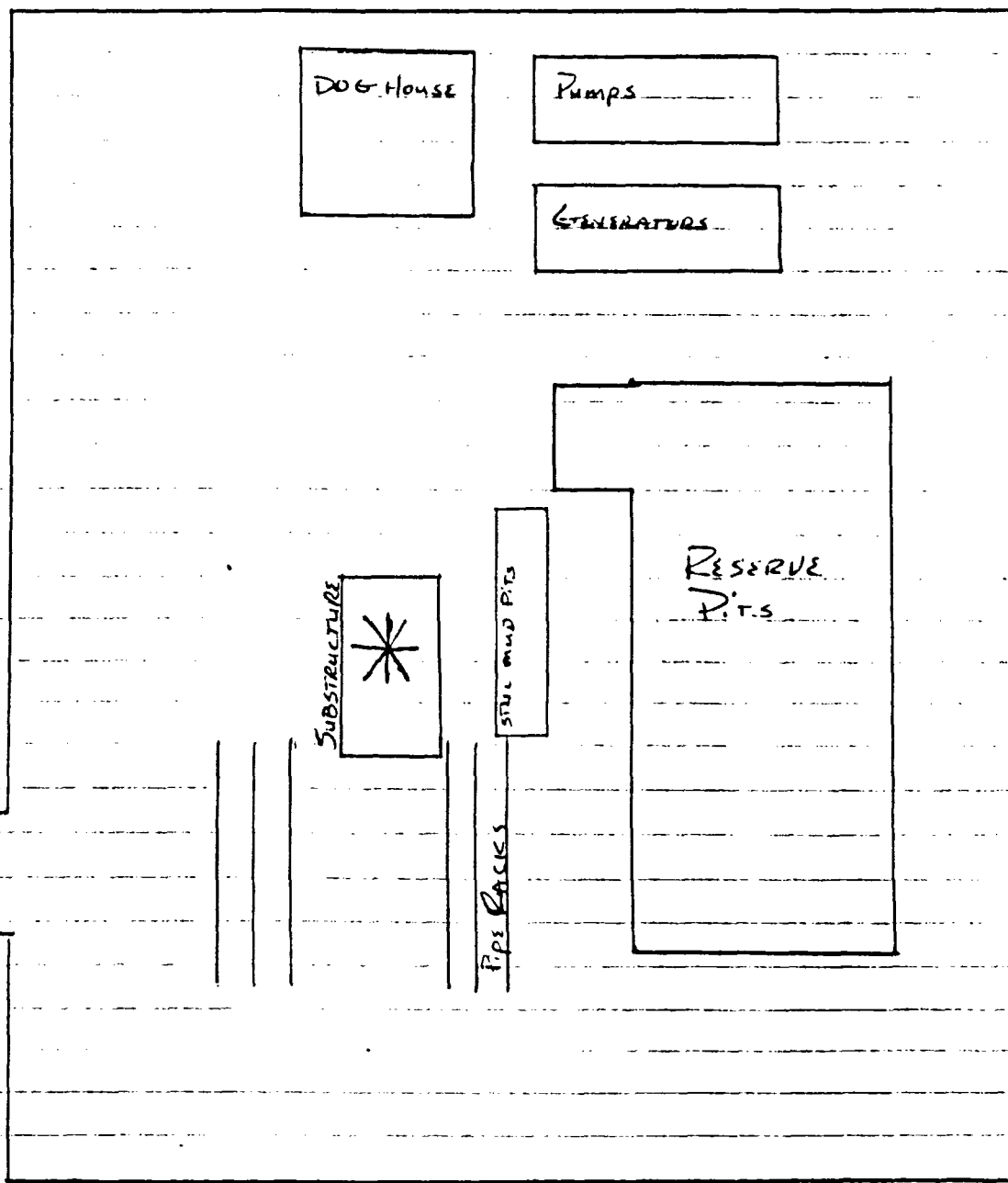


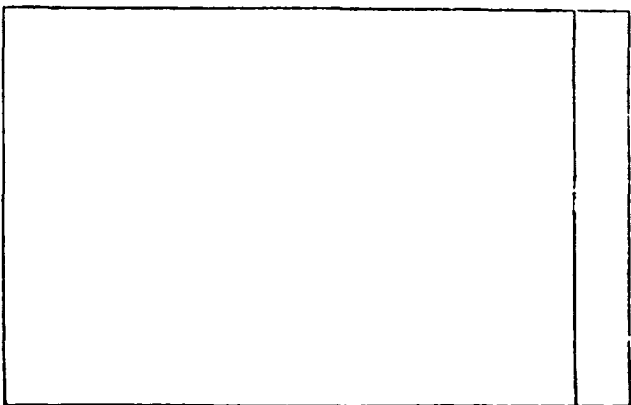


1,000
 83.33% W.I. follow
 1st wood NRI.

24, 19, 1/2 of 25, 30 1960 Ac
 First wood - 75 Acie - 1601.5 Ac 1st to W.I
 2nd wood - 50 Ac - 1601.5 Ac

EXHIBIT "C"





hydraulic operating system which is to be a closed system. (2) Accumulation with a precharge of nitrogen of not less than 750 PSI and connected so as to receive the aforementioned fluid charge. With the charging pumps shut down, the pressurized fluid volume stored in the accumulation must be sufficient to close all the pressure-actuated devices simultaneously within _____ seconds, after closure, the remaining accumulator pressure shall be at least 1000 PSI with the remaining stored fluid volume of at least _____ percent of the original. (3) When necessary, an additional source of _____, remote of and redundant, is to be available to operate the above pumps or there shall be additional pumps operated by separate power and seal in parallel with the above pumps.

[illegible]

The choke manifold, choke flow line, relief line, and choke lines are to be supported, notched and adequately anchored. The choke flow line, relief line, and vent line shall be constructed as tightly as possible and with no flexing bend. Any end side access is to be restricted to the choke manifold. If demand necessary, wellheads and manifolds shall be protected and secured by the choke manifold. All valves are to be protected in the presence of oil, gas, and drilling fluid. The choke flow line valves and relief line valves connecting to the drilling fluid and oil return preventer must be equipped with stem extension, universal joints, if needed, and hand wheels which are to extend beyond the edge of the derrick substructure. All air valves are to be equipped with hand-off.

* To include derivative securities.

LAW OFFICES

OIL CONSERVATION DIVISION MODRALL, SPERLING, ROEHL, HARRIS & SISK

RECEIVED

JAMES E. SPERLING
JOSEPH E. ROEHL
DAVID A. HARRIS
ALLAN K. COONEY
JOHN K. COONEY
KENNETH L. HARRIGAN
PETER J. ADANG
DALE W. EK
JAMES M. PARKER
CHARLES I. WELLBORN
DENNIS J. FALK
ARTHUR D. MELENDRES
JAMES P. HOUGHTON
JUDY A. FRY
PAUL M. FISH
GEORGE J. HOPKINS
JEFFREY W. LOUBET
R. E. THOMPSON
CURTIS W. SCHWARTZ
RUTH M. SCHIFANI
THOMAS L. JOHNSON
LYNN H. SLADE
ZACHARY L. MCCORMICK
CLIFFORD K. ATKINSON
DOUGLAS A. BAKER
SUSAN R. STOCKSTILL
BETH R. DAVENPORT
LARRY P. AUSERMAN
JOHN E. HEER III
J. DOUGLAS FOSTER
DOUGLAS R. VADNAIS
GEOFFREY D. RIEDER
JOHN S. THAL
BENJAMIN SILVA, JR.
RANDALL J. McDONALD
JANET G. PERELSON
WALTER E. STERN III
PATRICK J. ROGERS

JOHN A. DARDEN III
DUANE E. BROWN
MATTHEW C. BROWN
JAMES E. SISK
JANET R. BRAZIER
ROBERT PAMPALL
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TODD R. BRAGGINS
KEVIN T. RIEDEL
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HALSEY L. WASHBURN
TERRY S. KRAMER
TIM L. FIELDS
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KYLE H. MOBERLY
CHARLES A. ARMIGARDT
KATHRYN D. LUCERO
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
WILLIAM REEVES KELEHER
DIANE H. MAZUR
LISA MANN BURKE
JEAN MARIE BANNON
STUART R. BLTZIER
DONALD A. DECANDIA
GRETCHEN B. FRIEDLANDER
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
(1885-1954)

J. R. MODRALL
(1902-1977)

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

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 Unortho-
dox 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. Cavin, Jr.

SHC:meh

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

LAW OFFICES

MODRALL, SPERLING, ROEHL, HARRIS & SISK

A PROFESSIONAL ASSOCIATION

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SUNWEST BUILDING, SUITE 1000

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(1930-1985)

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SANTA FE, NEW MEXICO 87501-9318
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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

OIL CONSERVATION DIVISION

JAMES E. SPERLING
JOSEPH E. ROEHL
DANIEL A. SISK
ALLEN C. DEWEY, JR.
JUDITH R. HADLEY
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LISA MANN BURKE
JEAN MARIE BANNON
STUART R. BLTZIER
DONALD A. DECANDIA
GRETCHEN B. FRIEDLANDER
R. ALFRED WALKER

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 Unortho-
dox 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. Cavin, Jr.
Sealy H. Cavin, Jr.

SHC:meh

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

OIL CONSERVATION DIVISION
RECEIVED

UNITED STATES DEPARTMENT OF THE INTERIOR

'89 NOV 30 AM 8 59

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

3162 (067)

NOV 28 1989

Memorandum

To: District Manager (065)

From: 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, T26S, R25E; NMPM. Mr. Leonard is basing his request on Strata's need for a formal hearing as required by the NMOCD 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

LAW OFFICES

MODRALL, SPERLING, ROEHL, HARRIS & SISK

A PROFESSIONAL ASSOCIATION

119 EAST MARCY

SUITE 200

POST OFFICE BOX 9318

SANTA FE, NEW MEXICO 87501-9318

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(1930-1985)

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DIANE H. MAZUR
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ALBUQUERQUE OFFICE

500 FOURTH STREET N.W.

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FAX (505) 526-6656

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OIL CONSERVATION DIVISION

6240 9830

November 17, 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

Re: 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 now scheduled for November 29, 1989. This Amended Application amends Strata's Application made by our 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 cause seeks authority to initiate a horizontal directional drilling pilot project in the SE of

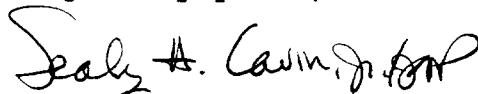
Mr. William J. LeMay, Chmn. and Director
Oil Conservation Division

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,

A handwritten signature in dark ink, appearing to read "Sealy H. Cavin, Jr.", with a stylized flourish at the end.

Sealy H. Cavin, Jr.

SHC:meh
Enclosure

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

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A PROFESSIONAL ASSOCIATION

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DIANE H. MAZUR
LISA MANN BURKE

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

RECEIVED
NOV - 7 1989
OIL CONSERVATION DIVISION
95 30
Case

Re: 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 SE¼ of Section 18, T26S, R25E, N.M.P.M., Eddy County, New Mexico forming a standard 160 acre

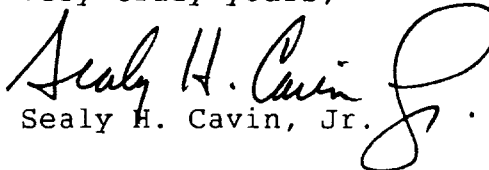
Mr. William J. LeMay, Chmn. and Director
Oil Conservation Division
November 7, 1989
Page 2

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 North-easterly 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

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

RECEIVED
NOV 7 1980
OIL CONSERVATION DIVISION
CASE NO.: 9830

A P P L I C A T I O 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 $\frac{1}{4}$ 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.

6. The spacing unit for the Yeso Hills Federal #1 Well is the SE¼ 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 SE¼ 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:

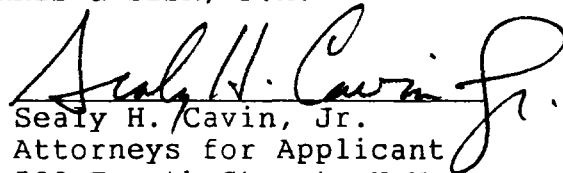
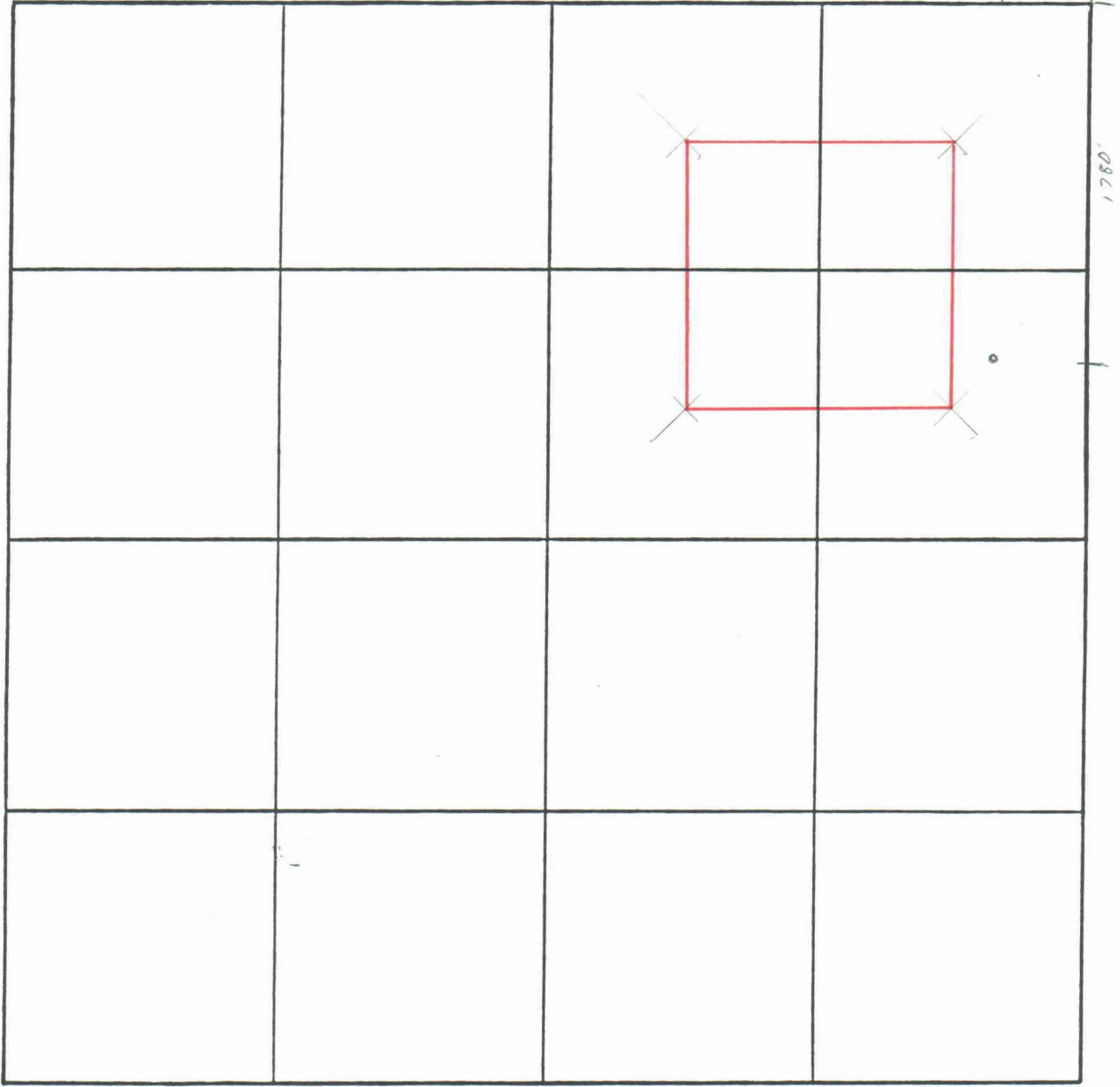

Sealy H. Cavin, Jr.
Attorneys for Applicant
500 Fourth Street, N.W.
Suite 1000
P.O. Box 2168
Albuquerque, NM 87103

EXHIBIT A

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



SECTION _____ TOWNSHIP _____ RANGE _____

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

RECEIVED
NOV 17 1989
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

A M E N D E D
A P P L I C A T I O 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 $\frac{1}{4}$ 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. 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 1,780 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 $\frac{1}{4}$ 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 $\frac{1}{4}$ 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 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.

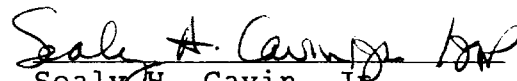
11. Applicant seeks approval of its proposed unorthodox surface location.

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 PRODUCTION
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
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

0841w