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June 26, 1987

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David Catanach
Oil Conservation Division
State Land Office Building
Santa Fe, New Mexico 87503

HAND DELIVERED

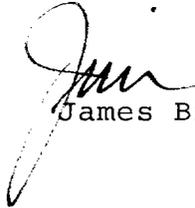
Re: Case No. 9139; Application of
Elf Aquitaine Petroleum

Dear David:

Enclosed is a letter from Elf Aquitaine to the BLM regarding this matter, approved by the BLM. Please let me know if we can do anything further on this matter.

Very truly yours,

HINKLE, COX, EATON,
COFFIELD & HENSLEY


James Bruce

JGB:jr
Enclosure

 **elf aquitaine petroleum** A Division of Elf Aquitaine, Inc.

Allied Bank Plaza 1000 Louisiana, Suite 3800 Houston, Texas 77002 (713) 739-2111

June 9, 1987

R.R. Simmons
Vice President
Land Division

Bureau of Land Management
Caller Service 4104
Farmington, New Mexico 87499

BLM CONSERVATION DIVISION

Attention: Mr. Jim Lovato

RECEIVED

Re: Horizontal Directional
Drilling Pilot Project
W/2 Section 14, T23N-R3W
West Lindrith Gallup-Dakota Oil Pool
Rio Arriba County, New Mexico

Gentlemen:

On June 3, 1987, representatives of Elf Aquitaine Petroleum (Elf) appeared at the Examiner Hearing of the New Mexico Oil Conservation Division (NMOCD) in order to testify on behalf of Elf in Case 9139. Through its application with the NMOCD, Elf is seeking authority to initiate a horizontal directional drilling pilot project in the W/2 of Section 14, T23N-R3W, Rio Arriba County, New Mexico. From a well to be located on the surface 500' FNL and 1500' FWL of Section 14, T23N-R3W, Elf proposes to extend the wellbore horizontally and to dedicate both the NW/4 and SW/4 of said Section 14 in the West Lindrith Gallup-Dakota Oil Pool to the well by either forming two (2) standard 160-acre proration units or a single unorthodox 320-acre oil proration unit in said pool.

The proposed drillsite unit for the initial horizontal well in the pilot project, the W/2 of Section 14, T23N-R3W, is currently being held by production from the Chacon Jicarilla Apache D-2 and D-6 wells which are operated and produced by Dave M. Thomas, Jr. from the base of the Pictured Cliffs Formation to the base of the Dakota Formation. Dave Thomas intends to continue producing oil from said wells and has agreed that any production he obtains therefrom will be deducted from the allowable assigned to Elf's horizontal well. At the above hearing, the NMOCD expressed some concern as to how the BLM views the presence of more than one operator in an established proration unit producing from the same intervals. If the BLM is not opposed to allowing Elf the right to operate and produce its proposed horizontal well from the same zones and units as the existing wells, please so indicate by signing and returning two (2) copies of this letter to Elf. We will then forward one (1) executed copy of this letter to the NMOCD for reference in making its final decision relative to approving Elf's horizontal drilling proposal.

Bureau of Land Management
June 9, 1987
Page Two

If you should have any questions regarding the above, please contact the undersigned at 713/739-2114. Your prompt consideration of this matter would be appreciated as we are anxious to proceed with our proposed operations as soon as possible.

Yours very truly,

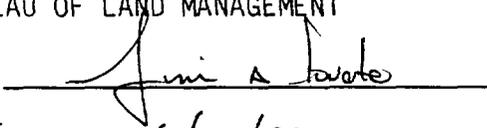


Robert W. Peterson
Land Supervisor
Central Region

RWP:1ms
3066L:90-91
H43W7.453

WE ARE NOT OPPOSED TO ELF AQUITAINE PETROLEUM ACTING AS AN ADDITIONAL OPERATOR BY OPERATING AND PRODUCING ITS PROPOSED HORIZONTAL DRILLING PILOT PROJECT IN THE SAME ZONES AND UNITS AS IDENTIFIED ABOVE IN THIS LETTER.

BUREAU OF LAND MANAGEMENT

BY: 

DATE: 6/10/87