

September 26, 2002

**Strata Production Company
P. O. Drawer 1030
Roswell, New Mexico 88202-1030**

Telefax No. (505) 623-3533

Attention: Kelly M. Britt

***Administrative Order NSL-4782
(Non-Standard Subsurface Location/Producing Area)***

Dear Mr. Britt:

Reference is made to the following: (i) your initial application submitted to the New Mexico Oil Conservation Division ("Division") on August 28, 2002 (*application reference No. pKRV0-224630050*); (ii) Mr. Michael E. Stogner's, Engineer/Chief Hearing Officer with the Division, in Santa Fe telephone conversation with Mr. Bruce Stubbs on Tuesday morning, September 3, 2002; and (iii) the Division's records in Santa Fe: all concerning Strata Production Company's ("Strata") request to horizontally drill its Nash Unit Well No. 33 within the Nash Draw-Delaware Pool (*47545*) in Section 11, Township 23 South, Range 29 East, NMPM, Eddy County, New Mexico.

The Division Director Finds That:

- (1) The subject application has been duly filed under the provisions of Division Rules 104.F and 111.C (2);
- (2) The Nash Draw-Delaware Pool currently comprises the following described area in Eddy County, New Mexico:

TOWNSHIP 23 SOUTH, RANGE 29 EAST, NMPM

Section 11:	SE/4
Section 12:	S/2
Section 13:	All
Section 14:	E/2
Section 24:	NE/4

TOWNSHIP 23 SOUTH, RANGE 30 EAST, NMPM

Section 18:	NW/4
Section 19:	NE/4 and W/2
Section 20:	NW/4
Sections 30 and 31:	All
Section 32	W/2

TOWNSHIP 24 SOUTH, RANGE 30 EAST, NMPM

Section 5:	NW/4
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Section 6:

E/2;

- (2) The Nash Draw-Delaware Pool is subject to the statewide rules and regulations, as promulgated by Rule 104.B (1), which provides for 40-acre oil spacing and proration units, or drilling units, and requires that wells be located no closer than 330 feet to the outer boundary of a single 40-acre oil spacing and proration unit;
- (3) Strata's proposed 160-acre "project area", pursuant to Division Rules 111.A (9) and C (3), is to comprise the SE/4 NW/4 (Unit F), NE/4 SW/4 (Unit K), and W/2 SE/4 (Units J and O) of Section 11, will be created by combining four standard 40-acre oil spacing and proration units within Section 11;
- (4) It is our understanding that Strata proposes to drill its Nash Unit Well No. 33 at a surface location 10 feet from the South line and 175 feet from the West line (Unit M) of Section 12, Township 23 South, Range 29 East, NMPM, Eddy County, New Mexico, kick-off from vertical in a northwesterly direction at an approximate depth of 3,100 feet and built angle to approximately 10 degrees. At an approximate depth of 5,200 feet (TVD) the wellbore is expected to encounter the top of the Brushy Canyon formation at an unorthodox subsurface oil well location 1250 feet from the South line and 1330 feet from the East line (Unit O) of Section 11, Township 23 South, Range 29 East, NMPM, Eddy County, New Mexico. At an approximate depth of 5778 feet a second kick-off will be made from the wellbore, angle will be increased to 90 degrees and a horizontal drainhole will be drilled a lateral distance of 2202 feet to a targeted end point 2650 feet from the South line and 2250 feet from the West line (Unit F) of Section 11;
- (5) All of Section 11, the W/2 of Section 12, the W/2 of Section 13, and the NE/4 and E/2 SE/4 of Section 14, all in Township 23 South, Range 29 East, NMPM, Eddy County, New Mexico is within the Strata operated Nash Unit; and
- (6) It appearing the applicant has satisfied all of the appropriate requirements prescribed in Rules 111.C (2) and 104.F, the subject application should be approved and the subject horizontal drainhole and 160-acre project area should be governed by the provisions contained within this order and all other applicable provisions of Division Rule 111.

It Is Therefore Ordered That:

(1) Strata Production Company is hereby authorized to operate a horizontal/high angle directional drilling project area within the 160 acres that comprises the SE/4 NW/4 (Unit F), NE/4 SW/4 (Unit K), and W/2 SE/4 (Units J and O) of Section 11, Township 23 South, Range 29 East, NMPM, Nash Draw-Delaware Pool (**47545**), Eddy County, New Mexico, in which its proposed Nash Unit Well No. 33, to be drilled at a surface location 10 feet from the South lane and 175 feet from the West line (Unit M) of Section 12, Township 23 South, Range 29 East, NMPM, Eddy County, New Mexico, is to be dedicated.

(2) The applicable drilling window or “producing area” within the Nash Draw-Delaware Pool for this horizontal/high angle directional drilling project is to be confined to that area within the subject 160-acre project area that is no closer than 10 feet to the half quarter section line that divides the SE/4 of Section 11 into the eastern and western one-halves nor closer than 330 feet to any other outer boundary line.

(3) The operator shall comply with all applicable requirements and conditions set forth in Division Rule 111.

(4) 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

LORI WROTENBERY
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division – Artesia
U. S. Bureau of Land Management – Farmington