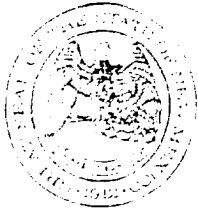


STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

2040 S. PACHECO
SANTA FE, NEW MEXICO 87505
(505) 827-7131



August 18, 1995

Amoco Production Company
P. O. Box 800
Denver, Colorado 80201

Attention: J. W. Hawkins

RECEIVED
AUG 23 1995
OIL CON. DIV.
DIST. 3

*Administrative Order DD-112(H)
High Angle/Horizontal Wellbore*

Dear Mr. Hawkins:

Reference is made to Amoco Production Company's application dated July 7, 1995 for authorization to recomplete its existing Scott "LS" Well No. 3 (API No. 30-045-11215) by side tracking off of the vertical wellbore and drill horizontally in order to further develop the Blanco-Mesaverde Pool underlying its existing 324.44-acre standard gas spacing and proration unit ("GPU") comprising Lots 5, 6, 7, and 8 and the E/2 SW/4 and the W/2 SE/4 (S/2 equivalent) of Section 29, Township 32 North, Range 10 West, NMPM, San Juan County, New Mexico.

The Division Director Finds That:

- (1) The application has been duly filed under the provisions of Rule 111(D) and (E) of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division"), revised by Division Order No. R-10388, issued by the Oil Conservation Commission in Case 11,274 on June 13, 1995;
- (2) The Scott "LS" Well No. 3, located at a standard gas well location 990 feet from the South line and 790 feet from the West line (Lot 7/Unit M) of said Section 29, was originally drilled and completed in 1952 as an initial Blanco-Mesaverde gas well, and was assigned the above-described 324.44-acre GPU;
- (3) By Order No. R-8170, as amended, the Division promulgated the "*General Rules For The Prorated Gas Pools of New Mexico/Special Rules and Regulations For The Blanco-Mesaverde Pool*", which includes provisions for 320-acre gas spacing and proration units and well location requirements whereby the initial well drilled on a GPU shall be located be no closer than 790 feet to the outer boundary of the quarter section on which the well is located and not closer than 130 feet to any quarter-quarter section line or subdivision inner boundary;

- (4) The "project area" for the proposed high angle/horizontal wellbore is to correspond with the subject GPU;
- (5) Within this GPU, or "project area", Amoco is also producing Blanco-Mesaverde gas from its Scott "LS" Well No. 3-A (API No. 30-045-22755), located at a standard infill gas well location 1800 feet from the South line and 1090 feet from the East line (Lot 5/Unit I) of said Section 29;
- (6) A high angle/horizontal wellbore should provide Amoco a better opportunity to encounter the naturally occurring fracture system in the Mesaverde formation, which should result in a higher production rate and an increased ultimate recovery of gas from this well;
- (7) The applicant/operator proposes to kick-off from vertical at a depth of approximately 5,071 feet by milling a window in the existing production casing, drill in an easterly direction with a short radius curve (64 degrees per 100 feet or 90 foot radius), and drill horizontally within the Mesaverde formation a lateral distance of approximately 700 feet;
- (8) The applicable drilling window or "producing area" for said wellbore should include that area within the SW/4 equivalent of said Section 29 that is no closer than 790 feet to the quarter section line; and,
- (9) It appearing the applicant has satisfied all of the appropriate requirements prescribed in said Rule 111.D and E, the subject application should be approved and the well should be governed by the provisions contained within this order and all other applicable provisions of Division General Rule 111.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Amoco Production Company, is hereby authorized to recomplete its existing Scott "LS" Well No. 3, located at a standard gas well location 990 feet from the South line and 790 feet from the West line (Lot 7/Unit M) of Section 29, Township 32 North, Range 10 West, NMPM, San Juan County, New Mexico by milling a window in the existing production casing at a depth of approximately 5,071 feet, kick-off from vertical in an easterly direction with a short radius curve (64 degrees per 100 feet or 90 foot radius), and continue drilling horizontally within the Mesaverde formation a lateral distance of approximately 700 feet.

PROVIDED HOWEVER THAT prior to commencing directional drilling operations in said wellbore, the applicant shall establish the location of the kick-off point by means of a directional survey acceptable to the Division.

PROVIDED FURTHER THAT during or upon completion of directional drilling operations, the applicant shall conduct an accurate wellbore survey from the kick-off point to total depth in order that the subsurface bottomhole location, as well as the wellbore's true depth and course, may be determined.

(2) The applicant shall notify the supervisor of the Aztec district office of the Division of the date and time said wellbore surveys are to be conducted so that they may be witnessed. The applicant shall further provide a copy of said wellbore surveys to the Santa Fe and Aztec offices of the Division upon completion.

(3) The "project area" for said horizontal well shall correspond with the existing 324.44-acre standard gas spacing and proration unit ("GPU") comprising Lots 5, 6, 7, and 8 and the E/2 SW/4 and the W/2 SE/4 (S/2 equivalent) of said Section 29, whereby both the subject well and Amoco's Scott "LS" Well No. 3-A (API No. 30-045-22755), located at a standard gas well location 1800 feet from the South line and 1090 feet from the East line (Lot 5/Unit I) of said Section 29, are both to be simultaneously dedicated.

(4) The drilling window or "producing area" for said wellbore shall include that area within the SW/4 equivalent of said Section 29 that is no closer than 790 feet to the quarter section line.

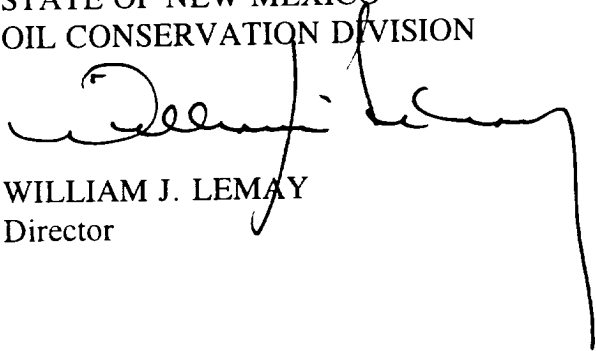
(5) The operator shall comply with all requirements and conditions set forth in Division General Rule 111.E(2) and any applicable requirements in 111.D and F and Order No. R-8170, as amended.

(6) Form C-105 shall be filed in accordance with Division Rule 1105 and the operator shall indicate thereon true vertical depth in addition to measured depths.

(7) 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

Administrative Order DD-112(H)

Amoco Production Company

August 18, 1995

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WJL/MES/kv

cc: Oil Conservation Division - Aztec ✓
U. S. Bureau of Land Management - Farmington
File: Case 11,274