

**BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION
OF THE ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT**

**IN THE MATTER OF THE APPLICATION OF
CHUZA OIL COMPANY FOR APPROVAL OF
A NON-STANDARD PROJECT AREA PURSUANT
TO NMAC 19.15.16.1 et seq.
IN THE NORTHEAST HOGBACK UNIT,
SAN JUAN COUNTY, NEW MEXICO.**

2012 APR 25 P 12:44

Case No. 14853

APPLICATION FOR PROJECT AREA

Chuza Oil Company, by and through its undersigned attorney, applies for an order approving a non-standard project area pursuant to NMAC 19.15.16.1 et seq., and in support thereof, states:

1. Applicant is the sole working interest owner and operator of the Northeast Hogback Unit in San Juan County, New Mexico (the Unit), covering the following described lands and federal oil and gas leases:

Township 30 North, Range 16 West, N.M.P.M.

Section 10:	N/2SE/4	(USA NM 04444)
Section 10:	Lots, 3, 4, E/2SW/4, NE4	(USA NM 077281)
Section 10:	S/2SE/4	(USA NM 077284)
Section 11:	NW4, N/2SW/4, SW/4SW/4	(USA NM 077282)
Section 11:	SE/4SW/4	(USA NM 077283)
Section 13:	S/2SW/4	(USA NM 05859)
Section 13:	NW/4SE/4	(USA SF 081298-A)
Section 13:	W/2NW/4, N/2SW/4, SW/4SE/4	(USA SF 081299-A)
Section 14:	W/2NE/4	(USA NM 04444)
Section 14:	E/2NE/4	(USA SF 081299-A)
Section 14:	NW/4	(USA NM 04407)
Section 14:	N/2SW/4, SE/4	(USA NM 04407-A)
Section 15:	E/2NE/4	(USA NM 06686)
Section 15:	Lots 1, 2, 3, 4, E/2W/2, W/2E/2, NE/4SE/4	(USA NM 04443)
Section 22:	NW/4	(USA NM 04443)
Section 23:	NE/4NE/4	(USA NM 04443-B)
Section 24:	NW/4NE/4	(USA NM 04443-B)
Section 24:	N/2NW/4	(USA NM 04407-A)

containing 2431.2 acres, more or less.

2. The Unit is a federal exploratory unit and is comprised entirely of federal oil and gas leases.
3. All of the lands committed to the Unit are within a single participating area.
4. Applicant currently operates twenty-three (23) producing oil and gas wells completed in the Horse Shoe Gallup Oil Pool.
5. Applicant intends to drill at least ten (10) horizontal wells having either standard or unorthodox surface locations depending on topographical, archeological, geological, and cultural factors that may prove difficult with respect to compliance with Division well location rules. Due to such factors, Applicant may choose to re-enter existing wells and totally recomplete the cement and casing of the vertical component of such wells to conform to the proposed horizontal well program.
6. With respect to bottom hole horizontal extent of the wells, Applicant, depending on existing and geological conditions and data gathered from drilling pilot hole(s), may:
 - a. dually complete, with more than one horizontal laterals, the upper and lower sands of the Gallup formation;
 - b. vary the length, from well to well, of the horizontal laterals of the wells, such as employing opposing horizontal laterals from a centralized vertical component of a well.
7. Accordingly, Applicant seeks an order from the Division that pre-authorizes its proposed horizontal wells to be completed at standard or unorthodox surface and bottom hole locations in the Unit within the Gallup formation, provided that any such well locations be no closer than the required minimum distance (660 feet) from the outer boundary of the Unit.
8. Exhibit A attached hereto is a list of affected persons as defined by Division Rules. Applicant has given notice to the affected persons in accordance with Division Rules.

9. Approval of this application will result in the production of hydrocarbons which otherwise would not be produced and will be in the best interests of conservation of oil and gas resources and the protection of correlative rights.

WHEREFORE, Applicant requests that this application be set for hearing before the Division, and after notice and hearing, that the application be granted.

Respectfully submitted,

PADILLA LAW FIRM, P.A.

A handwritten signature in black ink, appearing to read "Ernest L. Padilla", is written over a rectangular area with a light gray, textured background.

ERNEST L. PADILLA,
Attorney for Chuza Oil Company
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505-988-7577

NMOCD Case No. 14853

Application of Chuza Oil Company for approval of a non-standard project area pursuant to NMAC 19.15.16.1 et seq. in the Northeast Hogback Unit, San Juan County, New Mexico. Applicant seeks an order for a non-standard project area for the entire Northeast Hogback Unit and the following described lands and federal oil and gas leases all within a single participating area:

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