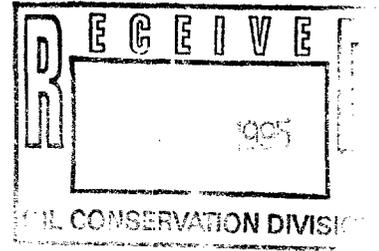


BEFORE THE
OIL CONSERVATION DIVISION



NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION
OF ANSON GAS CORPORATION FOR
COMPULSORY POOLING, A NON-STANDARD
OIL PRORATION UNIT, AN UNORTHODOX
BOTTOMHOLE WELL LOCATION, A HIGH ANGLE/
HORIZONTAL DIRECTIONAL DRILLING PILOT
PROJECT, SPECIAL OPERATING RULES THEREFOR,
AND A SPECIAL PROJECT ALLOWABLE,
LEA COUNTY, NEW MEXICO.

CASE NO. 11372

APPLICATION

AnSon Gas Corporation ("AnSon"), through its undersigned attorneys, hereby makes application for an order:

A. pooling all mineral interests from the surface to the base of the Devonian formation in a non-standard oil proration unit in the E/2 NW/4 of Section 33, Township 16 South, Range 38 East, N.M.P.M., Lea County, New Mexico; and

B. approving a horizontal directional drilling pilot project, special operating rules therefor, and a special project allowable; and in support thereof states:

COMPULSORY POOLING:

1. On August 9, 1994, the Oil Conservation Division entered Order No. R-10169 granting the application of AnSon for compulsory pooling of all mineral interests from the surface to the base of the Strawn formation in the SE/4 NW/4 of Section 33, Township 16 South, Range 38 East, N.M.P.M., Lea County, New Mexico. This spacing unit was

dedicated to the AnSon Mary "33" Well No. 1 was drilled on the pooled acreage at a standard location 2040 feet from the North line and 2310 feet from the West line of said Section 33. It was not a successful well in the Strawn formation.

2. AnSon now seeks the pooling in the Devonian formation in a non-standard oil proration unit comprised of the E/2 NW/4 of said Section 33 to be designated a directional drilling pilot project for the Mary "33" Well No. 1.

3. Since the original compulsory pooling hearing of this well, AnSon has continued to reach voluntary agreement with the interest owners in the NW/4 of Section 33 (which has common working interest and royalty ownership) and now owns or represents approximately 99% of the working interest in the E/2 NW/4 of said Section 33. AnSon has the right to drill on this acreage.

4. AnSon has sought and been unable to locate and/or obtain the voluntary agreement for pooling or farmout from certain interest owners in the E/2 NW/4 of said Section 33.

5. AnSon proposes to dedicate the new 80-acre pooled unit in the Devonian formation to the Mary "33" Well No. 1.

6. The horizontal portion of this wellbore will intersect and produce the reserves from both of the 40-acre drilling units dedicated thereto.

7. Said pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and protect correlative rights.

8. To permit applicant to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and applicant should be designated the operator of the well and the lands dedicated thereto.

HIGH ANGLE/HORIZONTAL DRILLING PILOT PROJECT:

9. AnSon has obtained either through voluntary agreement or farmout 99% of the rights to operate the Devonian formation, underlying the E/2 NW/4 of Section 33, Township 16 South, Range 38 East, N.M.P.M., Lea County, New Mexico, hereinafter referred to as the "Project Area," and seeks designation from the Division as operator of this acreage for all interest owners therein.

10. Within the Project Area, AnSon seeks approval to:

- a. re-enter and horizontally drill in a north, northeasterly direction, its Mary "33" Well No. 1 from a surface location 2040 feet from the North line and 2310 feet from the West line in said Section 33;
- b. traverse quarter-quarter section lines within the Project Area by its horizontal wellbore; and
- c. produce an allowable equal to the total of the two standard 40-acre units intersected by the wellbore.

11. AnSon also seeks approval to drill its horizontal wellbore in the Devonian formation to an unorthodox bottomhole location (1100 feet from the North line and 2550 feet from the West line of said Section 33) within 90 feet of the outer boundary of the Project

Area. AnSon is the only operator on whom this location will encroach.

12. Horizontal drilling within the Project Area should result in the recovery of significant volumes of oil and gas that will not otherwise be recovered, thereby preventing waste.

13. Approval of this application for a high angle/horizontal directional drilling pilot project and unorthodox bottomhole location will otherwise be in the best interest of conservation and the protection of correlative rights.

WHEREFORE, AnSon Gas Corporation requests: that this application be set for hearing before a duly appointed Examiner of the Oil Conservation Division on August 24, 1995 and, after notice and hearing as required by law, the Division enter its order:

A. pooling the lands, including provisions designating AnSon Gas Corporation operator of the non-standard proration unit comprised of the E/2 NW/4 of said Section 33, and authorizing AnSon to recover its costs of drilling, equipping and completing the wells, its costs of supervision while drilling and after completion, including overhead charges, and imposing a risk factor for the risk assumed by Applicant in drilling, completing and equipping the well;

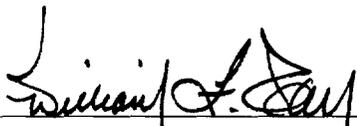
B. approving a high angle/horizontal directional drilling Project Area of the E/2 NW/4 of said section 33 for the AnSon Mary "33" Well No. 1 including provisions for the re-entry of the well, drilling at a high angle in the Strawn for a horizontal distance sufficient to produce both standard 40-acre Devonian oil proration units in the Project Area, an

unorthodox bottomhole location in the Devonian formation and special operating rules and allowable provisions therefor; and

C. Such other provisions as the Division deems appropriate.

Respectfully submitted,

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