## CAMPBELL, CARR, BERGE

## & SHERIDAN, P.A.

LAWYERS

MICHAEL B CAMPBELL WILLIAM F. CARR BRADFORD C. BERGE MARK F. SHERIDAN WILLIAM P. SLATTERY

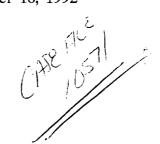
PATRICIA A. MATTHEWS MICHAEL H. FELDEWERT

JACK M. CAMPBELL OF COUNSEL

HAND-DELIVERED

JEFFERSON PLACE SUITE I - 110 NORTH GUADALUPE POST OFFICE BOX 2208 SANTA FE, NEW MEXICO 87504-2208 TELEPHONE (505) 988-4421 TELECOPIER (505) 983-6043

October 16, 1992



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OIL CONSERVATION DIVISION

Contractory of

Mr. David R. Catanach Hearing Examiner Oil Conservation Division New Mexico Department of Energy, Minerals and Natural Resources State Land Office Building Santa Fe, New Mexico 87503

> Re: Case No. 10571: Application of Chevron U.S.A. Inc. for a High Angle/Directional Drilling Pilot Project, Special Operating Rules, Unorthodox Well Location and Simultaneous Dedication, Lea County, New Mexico

Dear David:

In reviewing my notes on yesterday's hearing in the above-referenced case, I have become concerned that there may be some confusion in the record concerning the need for a higher allowable for the proposed horizontal well. Inasmuch as we do not yet have a transcript to which I can refer to be sure this confusion does not exist, I am taking the liberty of writing you concerning this matter.

Under current rules, if the horizontal drilling application is approved by the Division the new well would be permitted to produce at a restricted rate of only 37 barrels of oil per day on a 40-acre spacing unit. This results from a fact that there is an existing well on the unit producing substantial volumes of gas and the current special pool rules for the South Brunson Drinkard-Abo Oil Pool which set a 6,000 to 1 gas/oil ratio.

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Without the allowable that would result from the establishment of the 80-acre project area, a principal objective of the drilling this well would be defeated. As Chevron testified, in addition to its desire to increase production from the property, a primary objective of this well is the acquisition of data to confirm whether or not this new horizontal drilling technique can be effectively utilized in other wells in the area.

Your consideration of these comments is appreciated.

Very truly yours,

Tru

WILLIAM F. CARR WFC:mlh cc: Ernest L. Padilla, Esq.

> Al Bohling Chevron U.S.A. Inc. Post Office Box 1150 Midland, Texas 79702