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June 14, 1994

JUN

Mr. Michael E. Stogner
Chief Hearing Examiner
Oil Conservation Division
State Land Office Building
310 Old Santa Fe Trail, 2nd Floor
Santa Fe, New Mexico 87501

HAND DELIVERED

11014

Re: James E Well No. 9
Section 11, T22S, R30E
Application of Phillips Petroleum Company
for a High Angle/Horizontal Direction
Drilling Pilot Project, Special
Operating Rules Therefor, including
A Non-Standard Oil Spacing & Proration Unit,
An Unorthodox Oil Well Location, and A Special
Project Allowable and Testing Period,
Eddy County, New Mexico

Dear Mr. Stogner:

On behalf of Phillips Petroleum Company, please find enclosed our Application for a High Angle/Horizontal Direction Drilling Pilot Project as referenced above, which we request be set for hearing on the next available Examiner's docket now scheduled for July 7, 1994.

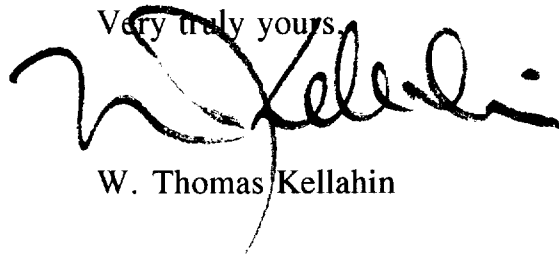
Mr. Michael E. Stogner
June 14, 1994
Page Two

By copy of this letter and application, sent certified mail, we are notifying all interested parties adjoining the subject non-standard spacing and proration unit of their right to appear at the hearing and participate in this case, including the right to present evidence either in support of or in opposition to the application and that failure to appear at the hearing may preclude them from any involvement in this case at a later date.

Pursuant to the Division's Memorandum 2-90, all parties are hereby informed that if they appear in this case, then they are requested to file a Pre-Hearing Statement with the Division not later than 4:00 PM on Friday, July 1, 1994, with a copy delivered to the undersigned.

Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over the typed name below it.

W. Thomas Kellahin

cc: Elizabeth, A. Harris, Esq.
Phillips-Odessa

cc: to parties listed in application by
certified mail-return receipt

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

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE: 11014

APPLICATION OF PHILLIPS PETROLEUM COMPANY
FOR A HIGH ANGLE/HORIZONTAL/DIRECTIONAL
DRILLING PILOT PROJECT, SPECIAL OPERATING
RULES THEREFOR, INCLUDING A NON-STANDARD OIL
SPACING & PRORATION UNIT, AN UNORTHODOX OIL
WELL LOCATION, AND A SPECIAL PROJECT ALLOWABLE
AND TESTING PERIOD, EDDY COUNTY, NEW MEXICO

A P P L I C A T I O N

Comes now PHILLIPS PETROLEUM COMPANY, by and through its attorneys, Kellahin and Kellahin, and applies to the New Mexico Oil Conservation Division for a high angle/horizontal/directional drilling pilot project and special operating rules therefor including a non-standard oil spacing and proration unit, an unorthodox oil well location, a special project allowable and testing period, Eddy County, New Mexico. Applicant seeks to initiate a horizontal drilling project in the Cherry Canyon member of the Cabin Lake-Delaware Oil Pool, underlying the SE/4SW/4 and the S/2SE/4 of Section 11, T22S, R30E, NMPM. Applicant proposes to drill its James E Well No. 9 Well by commencing at an unorthodox oil well surface location 10 feet FEL and 1060 feet FSL (Unit P) of Section 11, then kicking-off from vertical in a west-southwesterly direction

commencing to build angle at a rate of 12 degrees per 100 feet to approximately 87 degrees and then horizontally to traverse the proposed producing area and terminate in Unit N of Section 11. Applicant further seeks the adoption of special operating provisions and rules within the project area including the designation of a target window such that the horizontal or producing portion of the wellbore shall be no closer than 330 feet to any boundary of a non-standard spacing and proration unit consisting of the SE/4SW/4 and S/2SE/4 (Units N, O and P) of said Section 11, and for a special project allowable and testing period;

and in support thereof states:

(1) Applicant, Phillips Petroleum Company ("Phillips"), is the proposed operator for the James E Well No. 9 to be located in Unit P of Section 11, T22S, R30E, NMPM, Eddy County, New Mexico. See Exhibit "A"

(2) Phillips proposes to drill a high angle/horizontal directional well commencing at an unorthodox surface location in Unit P of Section 11 estimated to be 10 feet FEL and 1060 feet FSL of said Section 11 and drilled vertically to a true vertical depth of approximately 5124 feet, and then will kick off in a west-southwesterly direction, building angle to 87 degrees and drilling horizontally in the Cherry Canyon member of the Cabin Lake-Delaware Oil Pool a distance of approximately 2166 feet as shown on Exhibit "B" and Exhibit "C" attached.

(3) Applicant will dedicate the SE/4SW/4 and the S/2SE/4 of Section 11 as a non-standard spacing and proration unit for production from the Cabin Lake-Delaware Oil Pool.

(4) The kickoff point for the well is estimated to be approximately 5124 feet, at which point applicant will commence to build an angle of 12 degrees per 100 feet to approximately 87 degrees and penetrate the Cherry Canyon member of the Cabin Lake-Delaware Oil Pool at an estimated total vertical depth of 5768 feet, and thence drilling horizontally a lateral

distance of approximately 2166 feet but not closer than 330 feet to the outer boundaries of the 120-acre oil spacing and proration unit. See Exhibits "B" and "C."

(5) Applicant proposes that this project be subject to Special Rules and Regulations as follows:

- (a) Pool Name: Cabin Lake-Delaware Oil Pool;
- (b) Spacing/Proration Unit: 120 acres being a non-standard unit consisting of the SE/4SW/4 and S/2SE/4 of Section 11 described above;
- (c) A producing window within the project area not closer than 330 feet from the outer boundaries of the non-standard proration and spacing unit;
- (d) Special Daily Project Allowable based the current depth bracket oil allowable of 187 BOPD times the number of 40-acre tracts contacted by the producing lateral of the wellbore as determined from directional surveys;
- (e) An exception to Division General Rule 502 to establish a test period being the first 12 months from the date of first production during the first six months of which the project well may be produced at rates up to 3 times the daily project allowable of 561 BOPD or 1683 BOPD and for the last six months of which the project well may be produced at rates up to one and one-half times the daily project allowable of 561 BOPD or 842 BOPD;
- (f) That any over production which has accrued at the end of the test period shall be made up during the second year of production, such that no over-production shall exist after the 24th month following first production.

(6) The Cherry Canyon member of the Cabin Lake-Delaware Oil Pool is the potential productive zone at this location in the Pool. That interval is located between 4,500 feet and 5,900 and is a solution gas drive reservoir.

(7) The proposed well is within the Potash Area as described in Division/Commission Order R-111-P and will be drilled, cased and cemented in accordance with the requirements of that order.

(8) By drilling a single high angle/horizontal wellbore, the applicant is decreasing flow velocity in the reservoir while increasing the amount of the reservoir which is normally exposed in the wellbore of a vertical well which is calculated to result in the recovery of an amount of gas and oil equivalent to the production of three vertical wells, thereby preventing waste caused by the drilling of unnecessary vertical wells.

(9) The purpose of the special allowable and testing period is to provide an opportunity for Phillips to conduct rate-time tests on the project well in order to obtain relevant reservoir data including reliable permeability information which cannot be obtained with any other method.

(10) In as much as the exact distance and direction of the lateral portion of the wellbore is not known at this time, the Applicant seeks approval to be allowed to drill and produce said lateral portion anywhere within an area designated a target window as follows: commencing at a producing distance not closer than 330 feet from any of the side boundaries of the proposed spacing unit so that within the drilling window no portion of the wellbore open for production shall be closer than 330 feet to the outer boundary of the spacing unit.

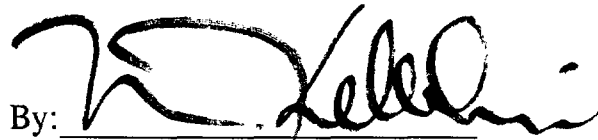
(11) As required, notice is provided to those offsetting operators as listed on Exhibit "D"

(12) The granting of this Application will be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Applicant requests that this matter be set for hearing on July 7, 1994 before a duly appointed Examiner of the Oil Conservation Division and, after notice and hearing as required by law, the Division enter its Order granting this application.

Respectfully submitted,

KELLAHIN and KELLAHIN

By: 

W. Thomas Kellahin
Post Office Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285

Elizabeth A. Harris, Esq.
Phillips Petroleum Company
4001 Penbrook
Odessa, Texas 79762

Attorneys for Applicant



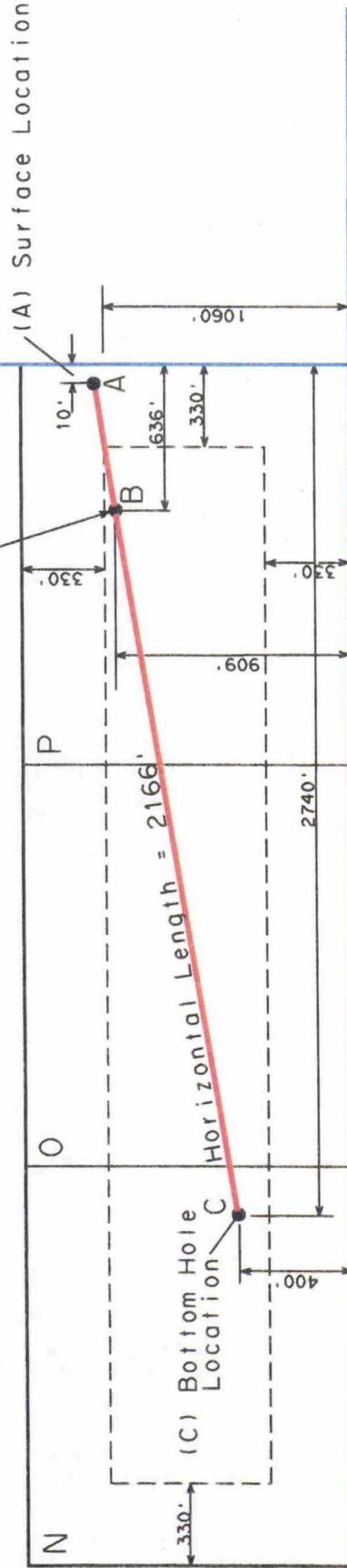
JAMES E #9: HORIZONTAL WELL APPLICATION
Cabin Lake - Delaware Pool Eddy County, NM
T-22-S R-30-E

EXHIBIT "B"

Section 11

Section 12

(B) Start of pay zone



Surface Location: 10' FEL/ 1060' FSL
S-11 T-22-S R-30-E

Bottomhole Location: 2740' FEL/ 400' FSL
S-11 T-22-S R-30-E

Start of Pay Zone: 636' FEL/ 909' FSL
S-11 T-22-S R-30-E

Section 14

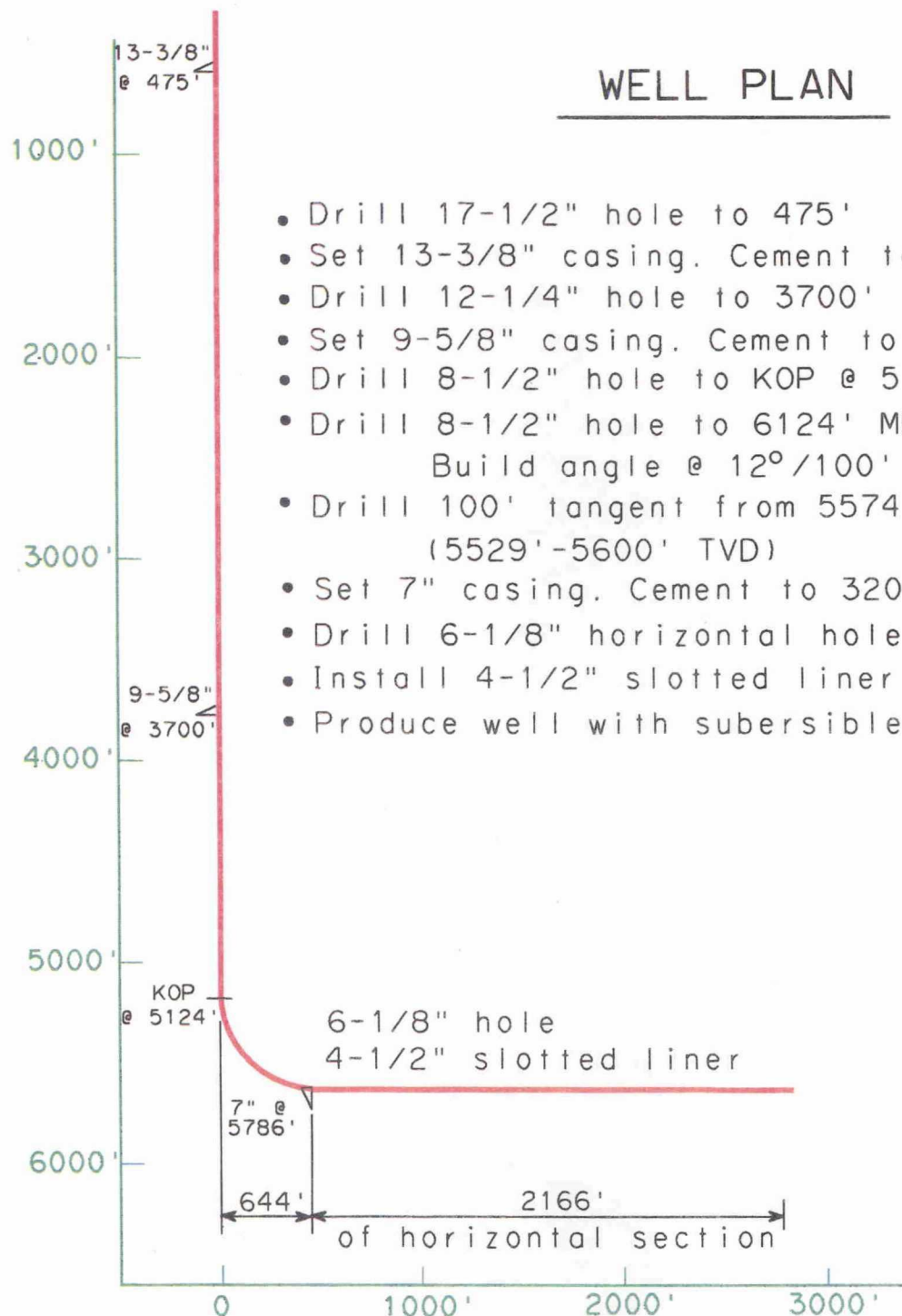
Section 13



EXHIBIT "C"

JAMES E #9 HORIZONTAL WELL
CABIN LAKE-DELAWARE POOL
EDDY COUNTY, NEW MEXICO

WELL PLAN



- Drill 17-1/2" hole to 475'
- Set 13-3/8" casing. Cement to surface
- Drill 12-1/4" hole to 3700'
- Set 9-5/8" casing. Cement to surface
- Drill 8-1/2" hole to KOP @ 5124'
- Drill 8-1/2" hole to 6124' MD/ 5768' TVD
Build angle @ 12°/100' to 87°
- Drill 100' tangent from 5574'-5674' MD
(5529'-5600' TVD)
- Set 7" casing. Cement to 3200'
- Drill 6-1/8" horizontal hole 2166' long
- Install 4-1/2" slotted liner
- Produce well with submersible pump

EXHIBIT "D"
OFFSETTING OIL & GAS OPERATORS

Bass Enterprises Production Company
201 Main Street, Suite 3100
Foirt Worth Texas 76102
Attn: Mr. Wayne Bailey

1 1 1991

PROPOSED ADVERTISEMENT

11014

CASE _____ Application of Phillips Petroleum Company for a high angle/horizontal directional drilling pilot project and special operating rules therefor including a non-standard oil spacing and proration unit, an unorthodox oil well location and a special project allowable and testing period, Eddy County, New Mexico. Applicant seeks to initiate a horizontal drilling project in the Cherry Canyon member of the Cabin Lake-Delaware Oil Pool, underlying the SE/4SW/4 and the S/2SE/4 of Section 11, T22S, R30E, NMPM. Applicant proposes to drill its James E Well No. 9 Well by commencing at an unorthodox oil well surface location 10 feet FEL and 1060 feet FSL (Unit P) of Section 11, then kicking-off from vertical in a west-southwesterly direction commencing to build angle at a rate of 12 degrees per 100 feet to approximately 87 degrees and then horizontally to traverse the proposed producing area. Applicant further seeks the adoption of special operating provisions and rules within the project area including the designation of a target window such that the horizontal or producing portion of the wellbore shall be no closer than 330 feet to any boundary of a non-standard spacing and proration unit consisting of the SE/4SW/4 and S/2SE/4 (Units N, O and P) of said Section 11, and for a special project allowable and testing period. Said project is located approximately 4 miles east from International Minerals & Chemical Inc.'s potash mine, New Mexico.