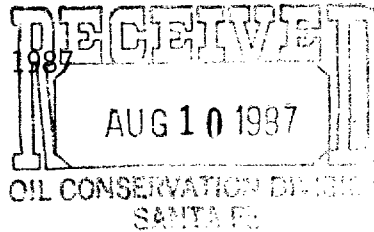


**Petroleum
Litigation
Consulting
Specialists**

August 5, 1987



Case 9205

Mr. Michael Stogner
NMOCD
P.O. Box 2088
Santa Fe, NM 87504

Re: Hearing to Request Exemption to Spacing Rules
for Drilling of a Horizontal Completion in the
Fruitland Formation

Dear Mr. Stogner:

Horizontal Recovery Specialists, Inc. would like to drill two wells to the Fruitland Formation for the purpose of completing these wells with 1500 foot horizontal holes, in the Fruitland Coal.

The proposed wells would be located in the ~~northwest~~ ^{southeast} quarter of Section 20, Township 32 North, Range 5 West and the northwest quarter of the northwest quarter of Section 28, Township 32 North, Range 5 West, Rio Arriba County, New Mexico.

They will both be drilled diagonally across these quarter sections in a southeasterly direction, as indicated on the attached maps.

It would be appreciated if you would provide us with a special hearing, in order that we may obtain whatever approval is necessary from your office to conduct this work.

Thanking you for your attention and assistance, I remain,

Very truly yours,

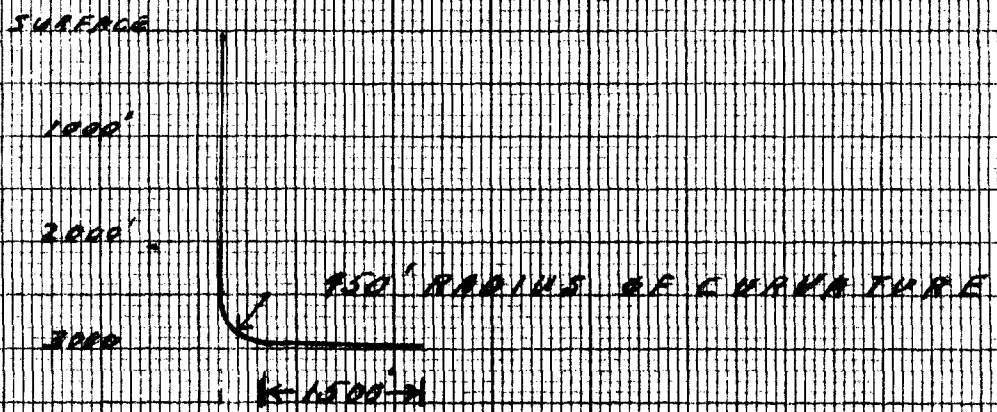
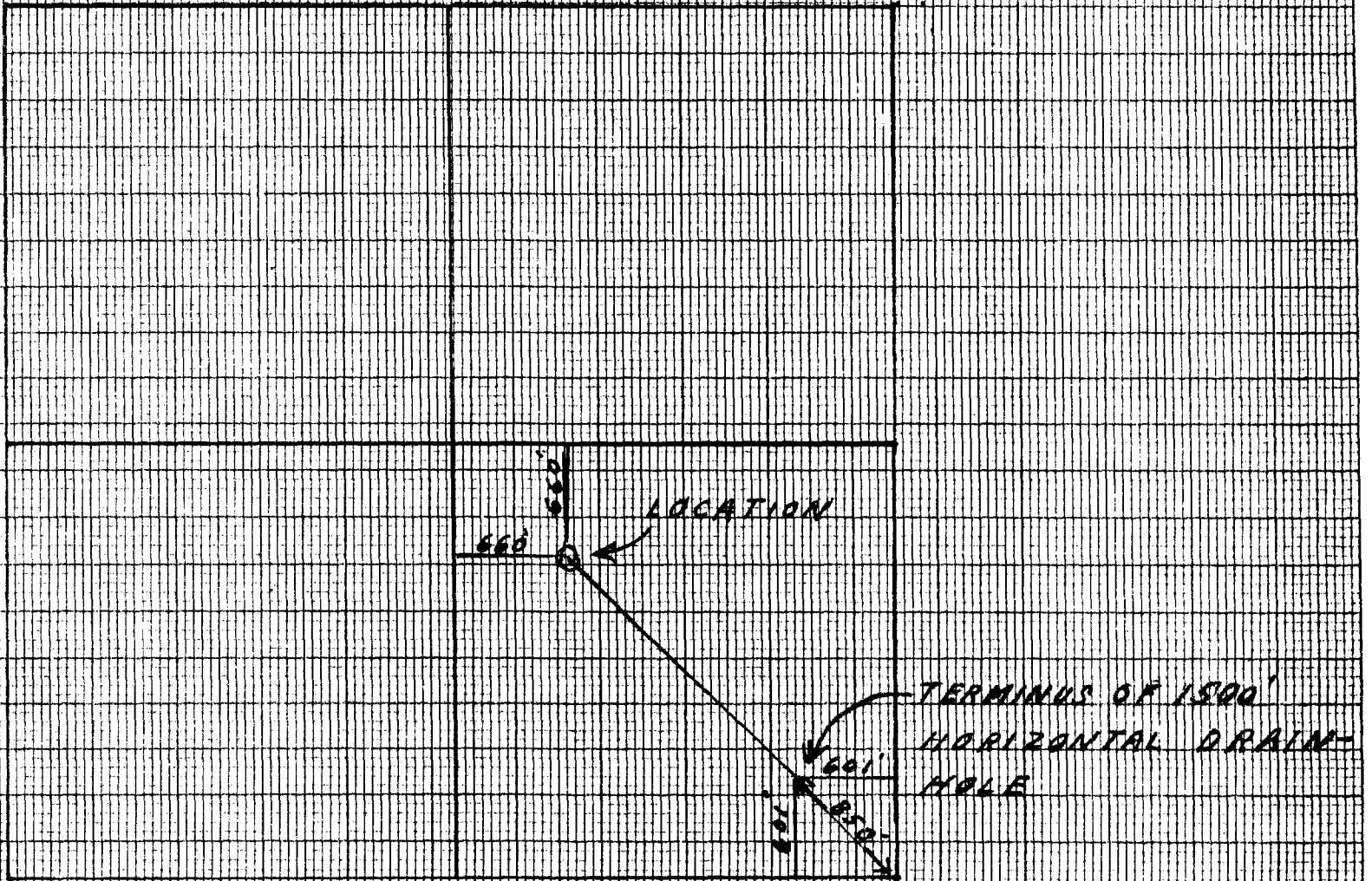
A handwritten signature in cursive script, appearing to read "Bernard J. Mahony, Sr.".

Bernard J. Mahony, Sr.

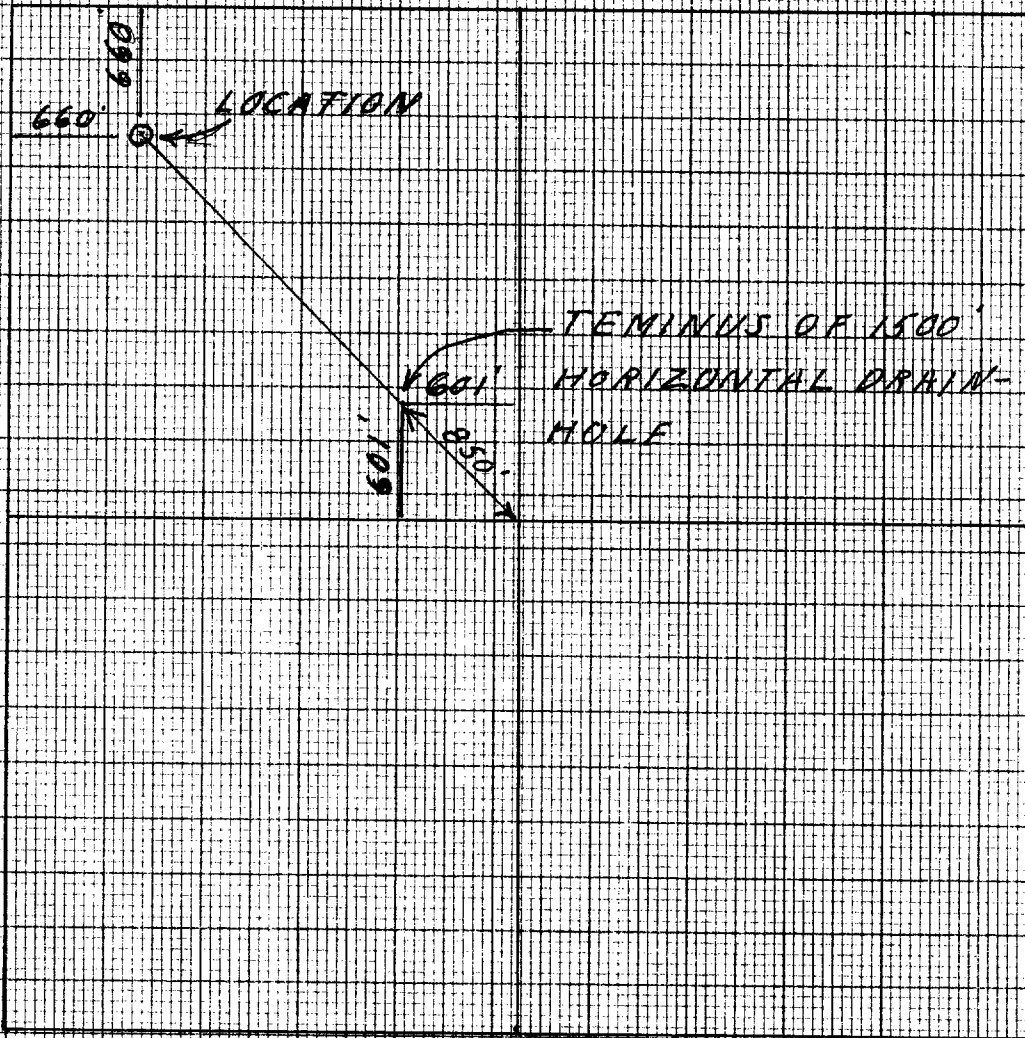
BJMsr/hh
Attachment



SEC. 20, TWP. 32 N, R. 5 W RIO ARRIBA CO. N.M.



SEC. 28, TWP. 32 N., R. 5 W., RIO ARriba CO. N. M.



SURFACE

1000

2000

3000

4000

450' RADIUS OF CURVATURE

R-1500

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION COMMISSION

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

APPLICATION OF HORIZONTAL RECOVERY
SPECIALISTS, INC. FOR APPROVAL OF
UNORTHODOX WELL LOCATIONS AND
DIRECTIONALLY DRILLED WELLBORES
IN RIO ARriba COUNTY, NEW MEXICO

201-5
CASE NO.
9205

COMES NOW Horizontal Recovery Specialists, Incorporated ("Applicant") and pursuant to Rules 104, 111, and 1207 promulgated under Section 70-2-12, NMSA 1978, applies to the Oil Conservation Division of the State of New Mexico for approval of unorthodox surface and bottomhole locations, and the directional drilling of two wells, and in support thereof states:

1) That proper legal notice has been given offset owners and operators of leases bordering Applicant's spacing units.

2) That Applicant's spacing units - the Southeast Quarter of Section 20, Township 32 North, Range 5 West and the Northwest Quarter of Section 28, Township 32 North, Range 5 West - are not currently within a designated Fruitland Pool, and are therefore subject to the requirements of a Standard Gas Well Location in the San Juan Basin, which specifies a minimum distance from the outer boundaries of a lease or section line of 790 feet.

3) That the Applicant is engaged in a horizontal recovery pilot project designed to develop gas reserves in the coalbeds of the Fruitland Formation.

4) That the Applicant is the Operator of the two wells to be drilled in the pilot project.

5) That Drillsite Number 1, the initial project well, is to be directionally drilled from a surface location of 1980 feet from the south line and 1980 feet from the east line of Section 20, Township 32 North, Range 5 West, to a projected bottomhole location of 600 feet from the south line and 600 feet from the east line of Section 20, Township 32 North, Range 5 West, both of which are unorthodox locations.

6) That the well is to be drilled vertically to an approximate depth of 2580 feet, at which point the well is to be deviated and directionally drilled along an arc defined by a radius of curvature equal to 470 feet to a horizontal direction in the basal coal seam of the Fruitland Formation. The horizontal borehole is to continue at an approximate azimuth of 135 degrees a maximum distance of 2400 feet.

7) That Drillsite Number 2, the second project well, is to be directionally drilled from a surface location of 660 feet from the north line and 660 feet from the west line of Section 28, Township 32 North, Range 5 West to a projected bottomhole location of 2040 feet from the north line and 2040 feet from the west line of Section 28, Township 32 North, Range 5 West, both of which are unorthodox locations.

8) That the well is to be drilled vertically to an approximate depth of 3430 feet, at which point the well is to be deviated and directionally drilled along an arc defined by a radius of curvature equal to 470 feet to a horizontal direction in the basal coal seam of the Fruitland Formation. The horizontal borehole is to continue at an approximate azimuth of 135 degrees a maximum distance of 2400 feet.

9) That the Applicant's unorthodox locations and the horizontal completion intervals in the basal coal seam of the Fruitland Formation do not adversely affect the correlative rights of offset owners.

WHEREFORE Applicant requests approval be granted for the unorthodox locations and directional drilling operations specified above.

Respectfully submitted,


Richard K. Ellis, Esq.

Attorney for Horizontal
Recovery Specialists,
Incorporated

Dated August 13, 1987

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OIL CONSERVATION COMMISSION

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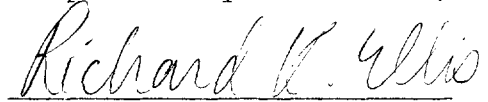
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