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Santa Fe, New Mexico 87504-2265

July 12, 1988

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JUL 12 1988

OIL CONSERVATION DIVISION

Mr. William J. LeMay
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504

Case 9450
"Hand Delivered"

Re: Pennzoil Exploration & Production Company
for an Unorthodox Subsurface Location
and Approval to Intentionally Deviate Wellbore
Lea County, New Mexico

Dear Mr. LeMay:

On behalf of Pennzoil Exploration & Production Company, please set the enclosed application for hearing at the next available examiner's docket now set for August 3, 1988.

We suggest the following to be used for the advertisement for this case:

Application of Pennzoil Exploration & Production Company for an unorthodox subsurface location and directional drilling, Lea County, New Mexico. Applicant in the above styled cause seeks approved to re-enter its State "2" - 1 Well at about 8500 feet and then commence drilling directionally to penetrate the top of the Strawn Formation in the Shipp Strawn Oil Pool at a true vertical depth of approximately 11,750 feet and within a 75 foot radius of an unorthodox subsurface location 1600 feet FSL and 330 feet FWL of Section 2, T17S, R37E, with the W/2SW/4 of said section being dedicated to its State "2" - 1 well, forming a standard 80-acre oil spacing and proration unit for said pool. Said location is approximately _____ miles _____ of _____, New Mexico.

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OIL CONSERVATION DIVISION

By copy of this letter and application sent certified mail return-receipt to all offset operators, we are notifying each of them of the right to appear at the hearing either in support or in opposition to this application. Should any such party desire more information about this matter or about the producers to hearing this application, they may call the Division or the undersigned.

Very truly yours,



W. Thomas Kellahin

WTK:ca
Enc.

cc: Lonnie L. Whitfield
Pennzoil Exploration & Production Co.
P. O. Box 2967
Houston, Texas 77252-2967

"Certified-Return Receipt Requested"

All parties listed in Exhibit "A"

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY AND MINERALS
OIL CONSERVATION DIVISION

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OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION
OF PENNZOIL EXPLORATION & PRODUCTION
COMPANY FOR APPROVAL FOR DIRECTIONAL
DRILLING AND APPROVAL OF AN UNORTHODOX
SUBSURFACE LOCATION, LEA COUNTY,
NEW MEXICO.

CASE NO. 9450

A P P L I C A T I O N

Comes now PENNZOIL EXPLORATION & PRODUCTION COMPANY,
by and through its attorneys, Kellahin, Kellahin &
Aubrey, and applies to the New Mexico Oil Conservation
Division for approval for directional drilling and an
unorthodox subsurface location in the Shipp-Strawn Oil
Pool, and in support thereof would show:

1. Applicant is the operator of the State "2" - 1
well, Section 2, T17S, R37E, NMPM, Lea County, New
Mexico.

2. Applicant, with the consent of all working
interest owners drilled the State "2" - 1 well to a depth
of 11,730 feet with a W/2SW/4 proration unit and at a
surface location 660 feet from the West line and 1980
feet from the South line of said Section 2.

3. Applicant will plugg back its State "2" - 1 well
to about 8500 feet at which point applicant will commence

to directionally drill the subject well to penetrate the top of the Strawn Formation at a true vertical depth of approximately 11,330 feet to be within 75 foot radius of an unorthodox subsurface target which will be 330 feet from the West line and 1600 feet from the South line of said Section.

4. The applicant proposes that the proration and spacing unit for the subject well will remain in the W/2SW/4 of said Section 2.

5. Applicant's well will be an attempt to obtain production from the Shipp Strawn Pool but requires an exception to the pool rules which require wells to be located within 150 feet of the center of a quarter-quarter section.

6. In accordance with Division Rule 111, applicant seeks approval to directional drill the subject well based upon geologic and economic reasons.

7. Notice is being provided to all parties listed on Exhibit "A" attached hereto.

8. Applicant requests that this application be set for hearing on August 3, 1988.

WHEREFORE, applicant requests that after notice and hearing the application be approved as requested.

Respectfully submitted:

A handwritten signature in dark ink, appearing to read 'W. Thomas Kellahin', written over a horizontal line.

W. Thomas Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87504

EXHIBIT "A"

STATE "2" - 1 RE-ENTRY OFFSET OPERATORS
W/2 SW/4 Section 2-17S-37E Lea County, New Mexico

TXO Production Corporation
900 Wilco Building
Midland, TX 79701
ATTN: Carol Sledge

Chevron U.S.A. Inc.
P. O. Box 1150
Midland, TX 79702
ATTN: Mickey Cohlma

Charles B. Gillespie, Jr.
P. O. Box Eight
Midland, TX 79702

Terra Resources, Inc.
10 Desta Drive
Suite 500 - West
Midland, TX 79705
ATTN: Kevin Pfeister

Inexco Oil Company
2950 North Loop West
Suite 1200
Houston, TX 77092-8862
ATTN: Ken Steer

Standard Oil Production
9401 Southwest Freeway
Suite 1200
Houston, TX 77074
ATTN: Jim Sykes

Amerind Oil Company
500 Wilco Building
Midland, TX 79701
ATTN: Robert C. Leibrock

Bill Seltzer
507 Petroleum Building
Midland, TX 79701

Mesa Operating Limited Partnership
P. O. Box 2009
Amarillo, TX 79189-2009
ATTN: Larry Hemmingway

Bechtel Energy Partners, Ltd.
5400 Westheimer Court, Ste. 570
Houston, TX 77056
ATTN: Karen Franklin

Texaco, Inc.
P. O. Box 3109
Midland, TX 79702
ATTN: Curtis Smith