

O.C.D. Rule 111.D.(2)(a) Statement of Reason(s) for Directional Drilling.  
OPERATOR: Fortune Operating Company OGRID No. 164832  
PROPERTY: Home Stake #1, Property Code-21513, API 30-025-05345  
Lea County, New Mexico

The reasons for directionally drilling the subject well is as follows

- 1) The existing wellbore appears to be located at the edge of a permeability pinchout. The proposed directional wellbore should move toward the permeable area while remaining in a standard vertical proration unit.
- 2) The economic impact of a re-entry versus drilling a new well to 11,500' seriously affects the overall viability of the program. A new drill vertically cannot be justified because of the nature of the reservoir, and the availability of drilling rigs. This program can be performed by a workover unit.
- 3) The geological application of a directional well in this reservoir may provide additional opportunities in the region where commercial reserves are considered questionable based on the economics of drilling a new well from the surface.

