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June 16, 1997

HAND DELIVERED

Michael E. Stogner
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Dear Mr. Stogner:

UMC Petroleum Corporation ("UMC") hereby applies for administrative approval to directionally drill the following well in the Strawn formation (Undesignated South Big Dog-Strawn Pool):

Townsend State Well No. 1

Surface Location: 3526' FSL and 727' FEL
Terminus: 2500' FSL and 350' FEL
Project Area: Lot 16 and NE¼SE¼ of Section 2, Township
16 South, Range 35 East, NMPM
Lea County, New Mexico

The subject pool has special pool rules requiring 80 acre spacing with wells to be no closer than 330 feet to the outer boundary of the unit or to a quarter-quarter section line. The well unit is non-standard because it includes acreage in two different quarter sections. The non-standard unit was approved by Division Order No. R-10803.

Pursuant to Division Rule 111(D), UMC makes the following statements and submittals:

1. The well was drilled in January and February 1997 to test the Strawn formation. It was drilled on a thick Strawn buildup, and was perforated at 11501-11539 feet and acidized. However, the well exhibits low porosity and permeability in comparison to other Strawn producers to the north and northeast. It is currently producing approximately 10 bopd. UMC proposes to drill a lateral of approximately 1200 feet to the south-southeast, in an attempt to encounter porous and

permeable facies within the mound. Attached hereto as Exhibit A is an APD with a Form C-102 and directional plan attached.

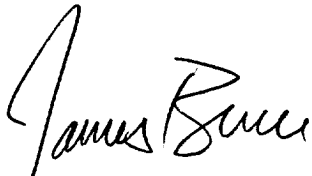
2. Attached as Exhibit B is a land plat of Section 2. The project area for the well is outlined in blue. The producing area is the same as the project area. The project area is all state land, covered by Lease E-7220. There are Strawn wells immediately offsetting the project area, in Lot 1 of Section 2 - 16S - 35E and in Lot 12 of Section 1 - 16S - 35E.

3. Exhibit B also identifies offset operators or lessees. Exhibit C lists the names and addresses of the offsets. Copies of this application were mailed on this date to the offsets, by certified mail. A copy of the notice letter is attached as Exhibit D.

Because the new proposed Rule 111 has not been adopted, and UMC hopes to commence directional drilling as soon as possible, this application is submitted pursuant to the existing rule, as required by the Hobbs District Office.

Should you need any additional data, please call. This application is submitted in duplicate.

Very truly yours,

A handwritten signature in cursive script, appearing to read "James Bruce".

James Bruce

Attorney for UMC Petroleum Corporation

cc: Hobbs District Office

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JUN 1997
Received
Hobbs
OCD