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November 21, 1994

HAND DELIVERED



NOV 21 1994

Mr. Michael E. Stogner
Oil Conservation Division
2040 South Pacheco
P. O. Box 6429
Santa Fe, New Mexico 87505

Re: Application of Conoco Inc. for
the Creation of Two New Pools
Including Special Pool Rules,
and for Discovery Oil Allowable,
Lea County, New Mexico

11169

Dear Mr. Stogner:

On behalf of Conoco Inc., please find enclosed our referenced application which we request be set for hearing on the next available Examiner's docket now scheduled for December 15, 1994.

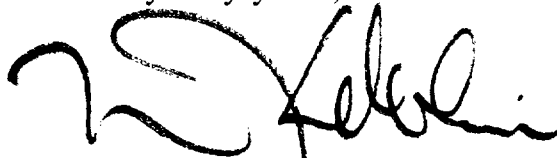
By copy of this letter and application, sent certified mail, we are notifying all interested parties of their right to appear at the hearing and participate in this case, including the right to present evidence either in support of or in opposition to the application and that failure to appear at the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

Mr. Michael E. Stogner
November 21, 1994
Page 2

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, December 9, 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 a horizontal line.

W. Thomas Kellahin

WTK/tk
Enclosure

cc: Conoco Inc. , and
By Certified Mail - Return Receipt
All Parties Listed on Exhibit "B" of Application



NOV 21 1991

PROPOSED ADVERTISEMENT

CASE 11169 Application of Conoco Inc. for pool creations and the promulgation of special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of two new pools: one for the production of oil and gas from the Tubb-Drinkard formations to be designated the North Hardy Tubb-Drinkard Pool with special rules including 40 spacing units and a special gas-oil ratio of 10,000 cubic feet of gas per barrel of oil, and another for the production of oil and gas from the Simpson-Ellenburger formations to be designated the Hardy Simpson-Ellenburger Pool and subject to Division's statewide rules including 40-acre spacing. Applicant further seeks the assignment of discovery oil allowable for its Hardy "36" State Well No. 3 Unit G Section 36, T20S, R37E, NMPM, pursuant to Division Rule 509. The initial "pool boundary" for each pool shall comprise the S/2NW/4, the N/2SW/4, the SW/4NE/4 and the NW/4SE/4 of Section 36, T20S, R37E, NMPM, Lea County, New Mexico. Said area is located approximately 4 miles northeast of Oil Center, New Mexico.

**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 NO. 1169

APPLICATION OF CONOCO INC. FOR
THE CREATION TO TWO NEW POOLS
INCLUDING SPECIAL POOL RULES,
AND FOR DISCOVERY ALLOWABLE,
LEA COUNTY, NEW MEXICO



NOV 2

A P P L I C A T I O N

Comes now the applicant, CONOCO INC. ("Conoco"), and applies to the New Mexico Oil Conservation Division for the creation of two new pools: (1) for the production of oil and gas from the Tubb-Drinkard formations to be designated the North Hardy Tubb-Drinkard Pool with special rules including 40 spacing units and a special gas-oil ratio of 10,000 cubic feet of gas per barrel of oil, and (2) for the production of oil and gas from the Simpson-Ellenburger formations to be designated the Hardy Simpson-Ellenburger Pool and subject to Division's statewide rules including 40-acre spacing. Applicant further seeks the assignment of discovery oil allowable for its Hardy "36" State Well No. 3 Unit G Section 36, T20S, R37E, NMPM, pursuant to Division Rule 509. The initial "pool boundary" for each pool shall comprise the S/2NW/4, the N/2SW/4, the SW/4NE/4 and the NW/4SE/4 of Section 36, T20S, R37E, NMPM, Lea County, New Mexico,

And in support states:

(1) Conoco is the only operator in the proposed pool and currently all categories of owners in the pool have common ownership.
See Exhibit "A".

NMOCD Application

Conoco Inc.

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(2) On August 19, 1994, Conoco completed its Hardy "36" State Well No. 3 at a standard location 2080 feet FNL and 1730 feet FEL, (Unit G) of said Section 36.

(3) The Hardy "36" State Well No. 3 constitutes a "new discovery" under Division Rule 509 and is entitled to a discovery oil allowable for production from the Tubb-Drinkard formations.

(4) On March 21, 1994, Conoco completed its Hardy "36" State No. 1 well at a standard location 1980 feet FSL and 2230 feet FWL, (Unit K) of said Section 36.

(5) The Hardy "36" State Well No. 1 constitutes a "new discovery" under Division Rule 509 for production from the Simpson-Ellenburger but is incapable of producing the maximum depth bracket oil allowable and therefore no request is being made for a discovery oil allowable for this production.

(6) For the Tubb-Drinkard formations, Conoco proposes that the Division create a new pool to be known as the North Hardy Tubb-Drinkard Pool, the vertical limits of which shall be from the top of the Tubb formation to the base of the Drinkard formation, identified as being 6308 feet and 6886 feet, respectively, on the log of the Hardy "36" State Well No. 1 located in Unit K of Section 36, T20S, R37E, NMPM, and adoption of temporary special rules and regulations including:

- (a) 40-acre spacing and proration units; and
- (b) a special limiting gas-oil ratio of 10,000 cubic feet of gas per barrel of oil.

(7) For the Simpson-Ellenburger formations, Conoco proposes that the Division create a new pool to be known as the Hardy Simpson-Ellenburger Pool, the vertical limits of which shall be from the top of the Simpson formation to the base of the Ellenburger formation, identified as being 9640 feet and 10456 feet, respectively, on the log of the Hardy "36" State Well No. 1 located in Unit K of Section 36, T20S, R37E, NMPM, subject to the Division's "statewide" rules and regulations including 40-acre spacing and proration units.

(8) Conoco proposes that the initial pool boundary for each pool shall comprise the S/2NW/4, the N/2SW/4, the SW/4NE/4, and the NW/4SE/4 of Section 36, T20S, R37E, Lea County New Mexico.

(9) Division's records indicate that the Hardy "36" State Well Nos. 1 and 3 are located more than a mile from any current established pool for this production.

(10) Characteristics of the Tubb and Drinkard production within the proposed pool are compatible and there are no foreseeable reservoir engineering reasons which preclude combination into a single pool for purpose of conservation regulations.

(11) Characteristics of the Simpson and Ellenburger production within the proposed pool are compatible and there are no foreseeable reservoir engineering reasons which preclude combination into a single pool for purpose of conservation regulations.

(12) Conoco's proposed plan of development for these two pools is to drill an initial Tubb-Drinkard formation well in each 40-acre tract and to dually produced that production with other formations which may also be productive including but not limited to the Simpson-Ellenburger formations.

(13) Conoco has geological and petroleum engineering data and conclusions to demonstrate that the Drinkard and Tubb formations constitute one single common source of supply ("reservoir") in this particular area and that there is no geologic, petroleum engineering or conservation reason to require that they be treated as separate pools.

(14) Based upon the present evidence available concerning the nature of the Tubb and Drinkard formations, both are typical solution gas drive oil pools which are commonly combined by the Division and authorized to be produced at special gas oil ratio rates.

(15) Conoco has petroleum engineering data which supports its request that the Division establish an initial special gas oil ratio of 10,000 cubic feet of gas per barrel of oil for the North Hardy Tubb-Drinkard Pool.

(16) Conoco has geological and petroleum engineering data and conclusions to demonstrate that the Simpson and Ellenburger formations constitute one single common source of supply ("reservoir") in this particular area and that there is no geologic, petroleum engineering or conservation reason to require that they be treated as separate pools.

(17) That the evidence indicates that 40-acre oil well spacing is the appropriate initial spacing patterns to adopt for these pools.

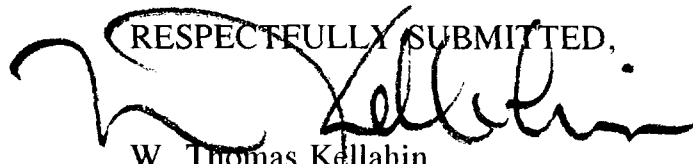
(18) That in order to avoid the arbitrary effect of having any well in either pool shut-in or curtailed as a result of allowables being calculated based upon inapplicable statewide rules the effective date of this order should made retroactive to August 19, 1994.

(19) Approval of Conoco's request will allow the interest owners the opportunity to economically recover their share of the oil and gas in the subject pool, will not reduce ultimate recovery from the subject pools, and will not violate correlative rights.

(20) In accordance with the Division's notice requirements, a copy of this application and notice of this hearing will be sent to the operator, or in the absence of an operator the owners of interest in the proposed pools and to each operator within one mile of the outer boundary of said pools as set forth on Exhibit "B".

WHEREFORE, Conoco requests that this application be set for hearing on December 15, 1994 before the Division's duly appointed examiner, and that, after notice and hearing as required by law, the Division enter its order in accordance with this application.

RESPECTFULLY SUBMITTED,

A large, stylized handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', is written over the typed name and partially over the address.

W. Thomas Kellahin

KELLAHIN & KELLAHIN

P. O. Box 2265

Santa Fe, New Mexico 87501

(505) 982-4285

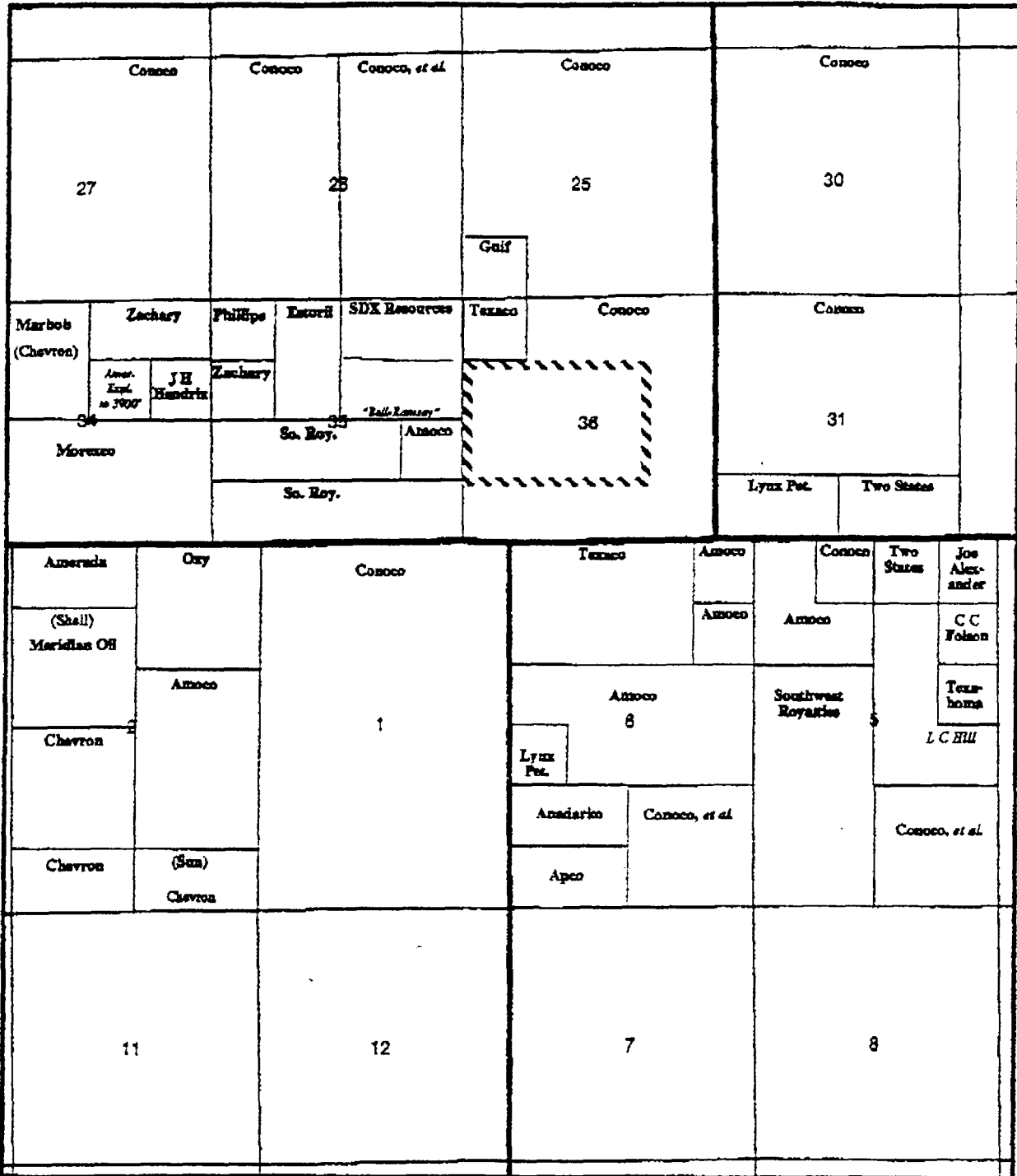
Attorneys for Applicant

506600
587080

R37E

R38E 587080

587080



T20S

T21S

541980

536600

R36E

1 Mile

R37E

587080



Proposed Outline
Northeast Hardy Tubb-Drinkard Pool &
Hardy Simpson-Ellenburger Pool

CONOCO		Exploration & Production-N.A. Midland Division	
Offset Operators to Hardy 36 State Lease			
County <u>L.B.</u>		State <u>New Mexico</u> Scale <u>same as map</u>	
By <u>David E. Nelson</u>		Date <u>Nov. 21, 1984</u>	
Remarks/Recommendation <u>Map displays all operators within a 1 mile radius of the proposed new pools.</u>			
Created By <u>David E. Nelson</u>		File Number <u></u>	

**OFFSET OPERATORS WITHIN 1 MILE
OF POOL BOUNDARIES
FOR THE PROPOSED NEW OIL POOLS:
NORTH HARDY TUBE-DRINKARD
AND
HARDY SIMPSON-ELLENBURGER**

Amoco
P.O. Box 3092
Houston, Texas 77253

SDX Resources
P.O. Box 5061
Midland, Texas 79704

OXY USA Inc.
P.O. Box 50250
Midland, Texas 79710

Estoril Producing Corp.
400 W. Illinois, Ste. 1600
Midland, Texas 79701

Lynx Petroleum
P.O. Box 1979
Hobbs, New Mexico 88241

Phillips Petroleum
4001 Penbrook
Odessa, Texas 79762

Texaco Prod. Inc.
P.O. Box 3109
Midland, Texas 77702

Zachary Oil Operating Co.
P.O. Box 1969
Eunice, New Mexico 88231

Two States Oil Co.
Energy Square, Ste, 1030
4925 Greenville Ave.
Dallas, Texas 75206-4018

Southwest Royalties Inc.
& Quality Production Corp.
207 W. McKay
Carlsbad, New Mexico 88220