



Midland Division
Exploration Production

Conoco Inc.
10 Desta Drive, Suite 100W
Midland, TX 79705-4500
(915) 686-5400

February 26, 1996

Mr. Michael E. Stogner
Chief Hearing Officer/Engineer
Oil Conservation Division
2040 S. Pacheco
Santa Fe, New Mexico 87504

11502

**Re: ADDENDUM TO:
Application for Administrative NSL Approval for Conoco's
Proposed San Juan 28-7 Unit No. 159M, located at 1605' FSL
& 330' FEL, Sec. 22, T-28N, R-7W, Rio Arriba County, for
Topographical Relief.**

Dear Mr. Stogner:

In re-reading the above application, I can now understand the potential for confusion which you expressed in your letter of February 16, 1996, concerning this application. Finding a location to drill this well in the SE/4 of section 22 has been a difficult and drawn out process requiring more than a year of study and multiple surveys and inspections. Perhaps a more complete history of this process will clarify the situation for you.

If you will use EXHIBIT C of our application (copy attached) as a reference map for all of the following discussion I can fill in the missing history for you. I have also enclosed a revised EXHIBIT A which shows all of the potential locations considered and an offset well to the west which was important in our final choice of a location.

1. The dashed square on EXHIBIT C outlines section 22. Our efforts have been directed toward finding a drilling location in the SE/4 of this section. Notice the proliferation of archeological sites and the Special Management Area located in this quarter section. This quarter section is also on top of the Delgadita Mesa and it is very difficult to find enough usable area for a drilling pad.
2. Before Conoco took over operation of this unit from Amoco, Amoco had staked a location at 1585' FSL & 1965' FEL as referenced in paragraph #1 of the BLM letter, EXHIBIT B. and shown on the enclosed revised EXHIBIT A. That location would have been a standard location and Conoco proposed to use it in our drilling application to the BLM, not being aware that the BLM had rescinded Amoco's use of that site. When this was discovered, we began the process of locating a new viable location. Although the letter refers to requesting Amoco to simply move this location 100 feet to the east, which would still be standard, the BLM's re-examination of the area disallowed that solution as well as any other standard location.

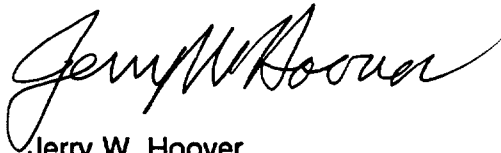
3. It was at this point that a second archeological and BLM inspection was made of the area near the original Amoco location. Initially we attempted to find another location in Unit J of section 22, which was on the western half of this quarter section. This inspection by the BLM resulted in the letter from the BLM, EXHIBIT B, dated September 8, 1995. The main reason I included this letter in our application was simply to illustrate that the BLM had verified that it was not possible to find a suitable location within the standard drilling windows, as they stated in their second paragraph. They explained why the original Amoco location could not be used and suggested a possible nonstandard location at 2000' FWL & 2100' FEL as being more suitable than the original staked location.
4. We considered their suggested location, but decided that a nonstandard location on the western side of this quarter section would put a new well too close to the existing well No. 220 which crowds the eastern boundary of its W/2 spacing unit as shown on the revised EXHIBIT A. We felt that this well spacing would not provide for prudent and efficient drainage of these two spacing units.
5. Therefore, in December, 1995, we initiated a third archeological and BLM inspection of the eastern half of the SE/4 of section 22 in an attempt to find a location which we knew would have to be nonstandard due to the restrictions of the archeological sites, the Special Management Area, and the terrain of the mesa. This new study finally identified a location (though non-standard) that was cleared by the archeologist and the BLM.
6. EXHIBIT C is a copy of the map from this last archeological survey report (LAC Report 9548) and shows the proposed square drilling pad for the BLM approved drilling location at 1605' FSL & 330' FEL as identified on EXHIBIT A. It is this location which was finally cleared by all of the involved parties. Although this location is nonstandard toward the eastern boundary of its spacing unit (E/2 Sec. 22) there is not a well close enough to the east in the W/2 spacing unit of section 23 to create the potential interference that we wanted to avoid on the western side of the subject spacing unit.

I apologize for not adequately explaining this complex situation. I can understand that not being aware that EXHIBIT B represented an earlier inspection by the BLM might be somewhat confusing. I included it simply to demonstrate that a standard location could not be identified. I had not anticipated that the BLM's statement of a potentially cleared drilling site on the western side of this quarter section (2000' FSL & 2100' FEL) would create a confusing issue for anyone not familiar with entire history of this staking process. From an efficient drainage standpoint, that location, though usable on the surface, was not desirable.

Conoco has spent more than a year, three archeological studies, three BLM inspections, and considerable expense to find a usable drilling location that would sufficiently satisfy constraints of terrain, archeological sites, and drainage considerations. This final location at 1605' FSL & 330' FEL appears to be the only available option. The drilling of this well is necessary to maximize the recovery of Mesaverde and Dakota reserves from this spacing unit and failure to do so will create waste and a loss of correlative rights.

If this application requires any further clarification, please allow me to visit with you concerning it by calling me at (915) 686-6548.

Very truly yours,

A handwritten signature in black ink, appearing to read "Jerry W. Hoover". The signature is fluid and cursive, with the first name "Jerry" being more prominent.

Jerry W. Hoover
Sr. Conservation Coordinator

cc: Oil Conservation Division - Aztec
William J. LeMay, Director - OCD, Santa Fe
U.S. Bureau of Land Management - Farmington
W. Thomas Kellahin - Santa Fe

NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

February 16, 1996

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

Conoco, Inc.
Attn: Jerry W. Hoover
10 Desta Drive - Suite 100W
Midland, Texas 79705-4500

Case 11502

*Administrative Application For an Unorthodox Blanco-Mesaverde/Basin-Dakota Infill Gas Well Location:
San Juan "28-7" Unit Well No. 159-M to be drilled 1605'
FSL & 330' FEL (Unit I) of Section 22, Township 28
North, Range 7 West, NMPM, Rio Arriba County, New
Mexico.*

Dear Messrs. Hoover and Kellahin:

The subject application dated January 31, 1996, see copy attached, was received by the Division on February 5, 1996, the requested Conoco location and the "most suitable" U. S. BLM location do not correspond with each other, moreover the proposed Conoco location is not even addressed. This would appear to be a little confusing. Please provide some insight on this matter. Thank you for your cooperation.

Should either of you have any further questions or comments concerning this matter, please call me in Santa Fe at (505) 827-8185.

Sincerely,



Michael E. Stogner
Chief Hearing Officer/Engineer

cc: Oil Conservation Division - Aztec
William J. LeMay, Director - OCD, Santa Fe
U. S. Bureau of Land Management - Farmington



Midland Division
Exploration Production

Conoco Inc.
10 Desta Drive, Suite 100W
Midland, TX 79705-4500
(915) 686-5400

January 31, 1996

Mr. Michael Stogner
State of New Mexico
Oil Conservation Division
2040 S. Pacheco
Santa Fe, New Mexico 87504

Case 11502

**Re: Application for Administrative NSL Approval for Conoco's
Proposed San Juan 28-7 Unit No. 159M, located at 1605' FSL
& 330' FEL, Sec. 22, T-28N, R-7W, Rio Arriba County, for
Topographical Relief.**

Dear Mr. Stogner:

EXHIBIT A is the C-102 survey plat for the proposed San Juan 28-7 Unit Well No. 159M to be located at 1605' FSL and 330' FEL, Section 22, T-28N, R-7W. This southeast quarter of section 22 is undeveloped in both the Mesaverde and Dakota formations and Well No 159M will be the infill well for both formations in the E/2 spacing unit. Following the drilling of this well and the acquisition of sufficient production test data for allocation purposes this well will be downhole commingled in these two formations as already approved by OCD Order No. R-10476.

Section 22 is located on the edge of the Delgadita Mesa in Rio Arriba County and also contains numerous archeological sites, which has made it difficult to find a drilling location in its southeast quarter. EXHIBIT B is a letter Conoco received from the BLM concerning its efforts to find a standard drilling location. As the letter states, Conoco first attempted to use a standard location that had previously been staked by Amoco prior to Conoco assuming operatorship of this federal unit. However, as the letter states, the BLM inspectors disallowed that location and were unable to find a standard location anywhere in the southeast quarter that would avoid undesirable environmental and cultural impacts.

EXHIBIT C is a topographic map of the area showing (a) Section 22 outlined by the dashed line, (b) numerous archeological sites, (c) a "Special Management Area Boundary, and (d) the proposed well pad highlighted in pink. After several months and extensive survey, archeological, and environmental inspections this appears to be the only area that can be cleared for drilling.

This spacing unit is interior to the San Juan 28-7 Federal Unit and is totally surrounded by unit acreage operated by Conoco that is all wholly contained within the Mesaverde and Dakota Participating Areas. Therefore, there are no offset operators to be notified of this application. The BLM, the royalty owner, has already approved this location for drilling in its on-site inspection for our federal APD.

Conoco desires to begin drilling this well as soon as weather permits late in March and requests approval of an administrative NSL order for this location. If I can be of further assistance to you in evaluating this application please contact me at (915) 686-6548.

Very truly yours,

A handwritten signature in black ink, appearing to read "Jerry W. Hoover". The signature is fluid and cursive, with the first name "Jerry" being more prominent and the last name "Hoover" following in a similar style.

Jerry W. Hoover
Sr. Conservation Coordinator

District I
PO Box 1980, Hobbs, NM 88241-1980
District II
PO Drawer DD, Artesia, NM 88211-0719
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

Form C-102
Revised February 21, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number		Pool Code	Pool Name
		72319/71599	Blanco Mesaverde/Basin Dakota
Property Code	Property Name		Well Number
016608	San Juan 28-7 Unit		159M
OGRID No.	Operator Name		Elevation
005073	Conoco Inc.		6656'

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
I	22	28 N	7 W		1605	South	330	East	R.A.

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County

¹² Dedicated Acres	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
320			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

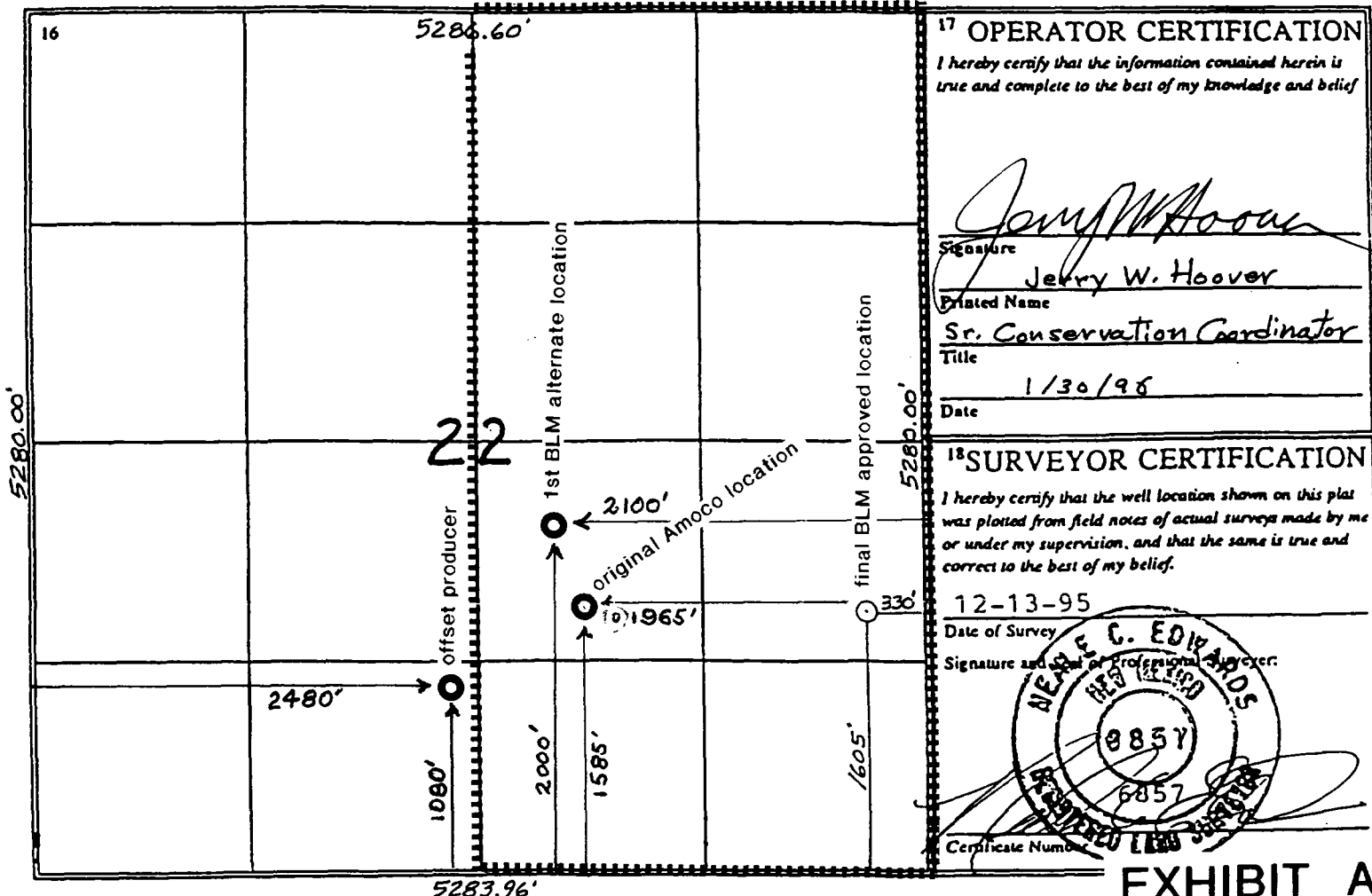


EXHIBIT A



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Farmington District Office
1235 La Plata Highway
Farmington, New Mexico 87401

IN REPLY REFER TO:

SEP - 8 1995

Conoco Incorporated
Attn: Mr. Ellis Grey
10 Desta Drive, Suite 100W
Midland, TX 79705

Dear Mr. Grey:

This is in reference to your Notice of Staking for the farmout of the San Juan 28-7 Unit well #159M, 1585' FSL, & 1965 FEL, Sec.22, T-28-N, R-7-W, Lease No. SF-079289-A. Amoco Production Co. had previously submitted Notice of Staking for the same well in the NWSE1/4 and was requested to move the center stake approximately 100 foot to the east because of cultural sites in the area. Amoco Notice of Staking was rescinded 28 April, 1994.

After working to find a suitable location within the windows established by the New Mexico Oil Conservation Commission, we suggest you submit for a non-standard location. A suitable location was not found because of topographical constraints and environmental surface damage with the construction of the well pad and 1000 foot of access road, with additional disturbance of the pipeline. The well pad was located on a sandstone outcrop, on a mesa top near the canyon rim with cultural sites all along the rim. The sandstone outcrop would require major disturbance to construct and would never heal. A location approximately 2000' FSL, & 2100' FEL would be most suitable. This area does not affect any cultural sites, is on a sage brush, sandy, flat area. The access road and pipeline would be approximately 500 foot with less surface damage.

In the past we have discussed that non-standard locations would probably be proposed more frequently as the more desirable locations are developed. It is our desire to find the best possible locations for new wells and access roads being proposed with minimal environmental and cultural impacts. Therefore we will be glad to support your non-standard proposal for the San Juan 28-7 Unit #159M to the NMOCC.

If there is any further way in which we can be of assistance, please contact me or Neel McBride of the Fluids Surface Management Staff at (505) 599-8900.

Sincerely

Illyse K. Gold
Chief, Branch of Lands,
Cultural, Recreation, and
Environmental Compliance

EXHIBIT B

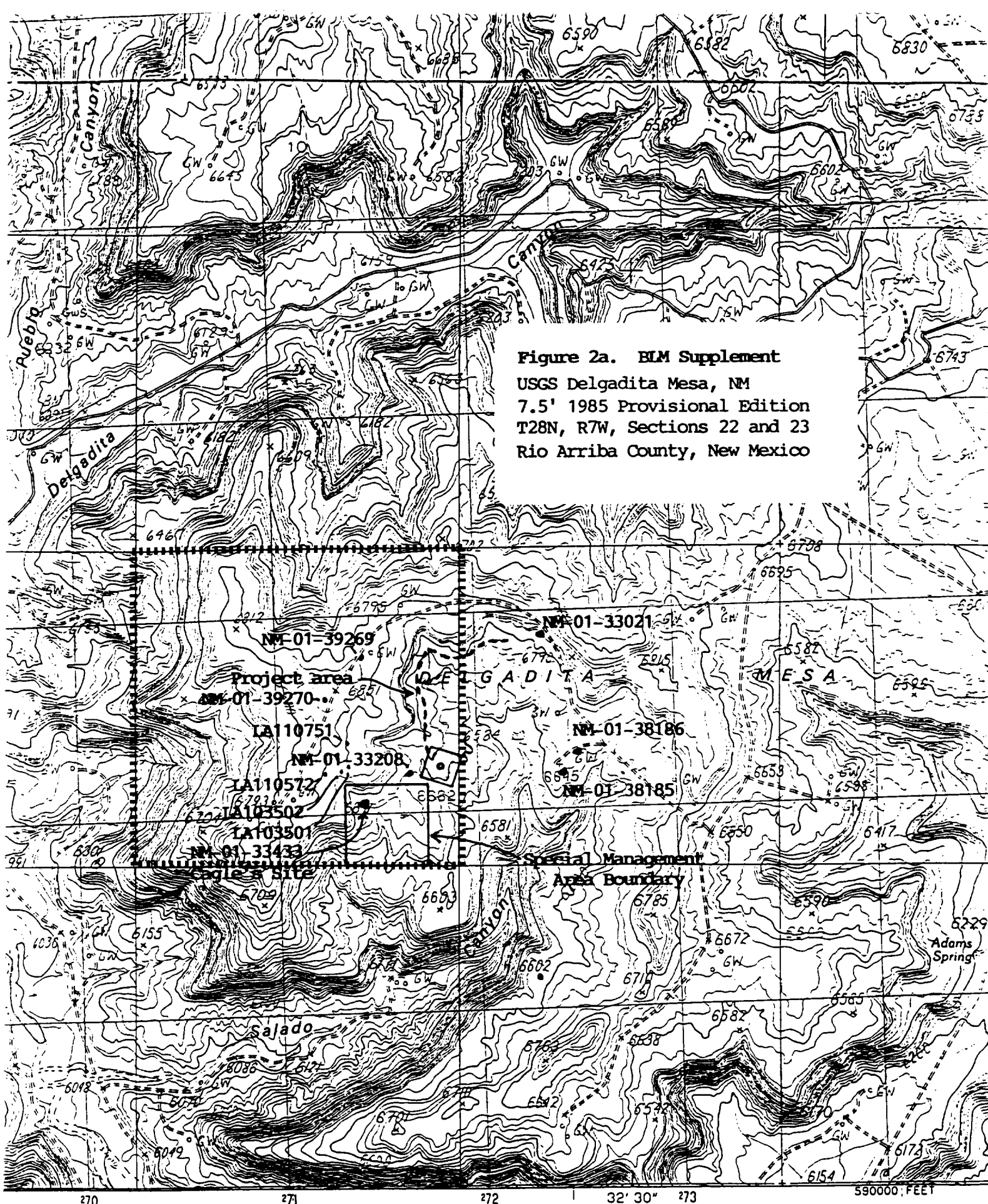


Figure 2a. BLM Supplement
 USGS Delgadita Mesa, NM
 7.5' 1985 Provisional Edition
 T28N, R7W, Sections 22 and 23
 Rio Arriba County, New Mexico

