

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4285

TELEFAX (505) 982-2047

W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

April 25, 2000

HAND DELIVERED

Ms. Lori Wrotenbery, Director
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

Handwritten: Rule 2018

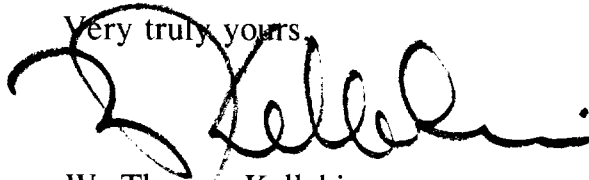
01/03/2000 PM 12:58
01/03/2000 PM 12:58

Re: SEMU Well No. 135
Application of Conoco, Inc. for
Approval of three (3) non-standard oil proration and
spacing units and an unorthodox oil well location,
or in the alternative, approval of an unorthodox well location
North Hardy-Tubb-Drinkard Pool, Lea County, New Mexico

Dear Ms. Wrotenbery:

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 May 18, 2000. Our proposed advertisement to be used for the OCD docket is attached.

Very truly yours,



W. Thomas Kellahin

cfx: Conoco, Inc.

Attn: Charlie Rule

Proposed notification/advertisement for OCD docket:

Case 2405: Application of Conoco, Inc. for approval of three (3) non-standard oil proration and spacing units and unorthodox oil well location, or in the alternative, approval of an unorthodox oil well location, Lea County, New Mexico. Applicant seeks (i) approval of three (3) non-standard oil proration and spacing units in the Undesignated North Hardy-Tubb-Drinkard Pool within Section 25, Township 20 South, Range 37 East, NMPM, as follows: (a) a 40-acre non-standard unit consisting of the S/2NW/4SE/4 and the N/2SW/4SE/4 to be dedicated to its SEMU Well No. 135 (**API No. 30-025-34666**) which was originally drilled as a Strawn gas well at an unorthodox location 1330 feet FSL and 1980 feet FEL (Unit J) of this section and which is to be recompleted as a Tubb/Drinkard oil well; (b) a 20-acre non-standard unit consisting of the N/2NW/4SE/4; and (c) a 20-acre non-standard unit consisting of the S/2SW/4SE/4; or (ii) in the alternative, approval of an unorthodox well location for this well to be dedicated to a standard 40-acre spacing unit consisting of Unit J of this section. This well is located approximately 7 miles southwest from Nadine, New Mexico.

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**APPLICATION OF CONOCO, INC. FOR
APPROVAL OF THREE (3) NON-STANDARD OIL
SPACING AND PRORATION UNITS AND AN
UNORTHODOX OIL WELL LOCATION, OR
IN THE ALTERNATIVE, APPROVAL OF A
AN UNORTHODOX OIL WELL LOCATION,
LEA COUNTY, NEW MEXICO**

01 APR 25 11:12:53
OIL CONSERVATION DIV.

CASE: 134-8

APPLICATION

Comes now CONOCO, INC., by and through its attorneys, KELLAHIN and KELLAHIN, and applies to the New Mexico Oil Conservation Division for (i) approval of three (3) non-standard oil proration and spacing units in the Undesignated North Hardy-Tubb-Drinkard Pool within Section 25, Township 20 South, Range 37 East, NMPM, as follows:

- (a) a 40-acre non-standard unit consisting of the S/2NW/4SE/4 and the N/2SW/4SE/4 to be dedicated to its SEMU Well No. 135 (**API No. 30-025-34666**) which was originally drilled as a Strawn gas well at an unorthodox location 1330 feet FSL and 1980 feet FEL (Unit J) of this section and which is to be recompleted as a Tubb/Drinkard oil well;
- (b) a 20-acre non-standard unit consisting of the N/2NW/4SE/4; and
- (c) a 20-acre non-standard unit consisting of the S/2SW/4SE/4;

or (ii) in the alternative, approval of an unorthodox well location for this well to be dedicated to a standard 40-acre spacing unit consisting of Unit J of this section.

NMOCD Application

Conoco Inc.

-Page 2-

In support thereof, Applicant states:

1. Applicant, Conoco, Inc., ("Conoco") is the operator of the Southeast Monument Unit Are ("SEMU") which includes the SE/4 of Section 25, T20S, R37E.

2. On July 21, 1999, the Division issued Administrative Order NSL-4333 which approved Conoco's application to drill its SEMU Unit Well No. 135 at an unorthodox location 1330 feet from the South line and 1980 feet from the East line (Unit J) of Section 25 to be dedicated to a standard 160-acre oil spacing and proration unit in the North Hardy-Strawn Pool consisting of the SE/4 of this section.

3. The unorthodox well location provided for encroachment towards an interior 40-acre tract within the 160-acre spacing and proration unit.

4. The well was to be located in the NW/4SE/4 (Unit J) which is part of Federal Oil & Gas Lease No. LC-031696-A covering the N/2SE/4 of this section but only 10 feet from the north boundary of the SW/4SE/4 (Unit O) which is part of State of New Mexico Oil & Gas Lease No. B-11349 covering the S/2SE/4 of this section.

5. Although the working interest ownership is common between the NW/4SE/4 and the SW/4SE/4 of this section, the royalty ownership is not.

6. The SEMU Well No. 135 was drilled but failed to produce from the Strawn formation.

7. Instead of abandoning this wellbore, on December 23, 1999, Conoco applied to the Division for approval to recomplete the well, up hole, in the Tubb/Drinkard formation at an unorthodox location for production from the North Hardy-Tubb-Drinkard Pool and to dedicate this well to a standard 40-acre spacing unit in this pool consisting of Unit J of this section. **See Exhibit "A"**

8. The North Hardy-Tubb-Drinkard Pool is spaced on 40-acre oil spacing with standard well location not closer than 330 feet to a side boundary.

9. On January 3, 2000, the Division **denied** Conoco application to recomplete this well at an unorthodox location in the North Hardy-Tubb-Drinkard Pool because it might adversely affect the correlative rights of the State of New Mexico in the adjoining 40-acre State of New Mexico lease in the SW/4SE/4 of this section.

NMOCD Application

Conoco Inc.

-Page 3-

10. In order to protect the correlative rights of both the State and the Federal royalty owners, Conoco proposes that the Division approve the unorthodox well location and the formation of a 40-acre non-standard proration and spacing unit consisting of two 20-acre tracts being equal portions from both the federal and state leases and described as follows:

the S/2NW/4SE/4 and the N/2SW/4SE/4 to be dedicated to its SEMU Well No. 135 (**API No. 30-025-34666**) which was originally drilled as a Strawn gas well at an unorthodox location 1330 feet FSL and 1980 feet FEL (Unit J) of this section and which is to be recompleted as a Tubb/Drinkard oil well.

11. The correlative rights of both the State and the Federal royalty owners by providing for the equitable sharing of royalties pursuant to a standard form communitization agreement covering this proposed non-standard proration and spacing unit;

12. The approval of the proposed non-standard 40-acre oil proration and spacing unit will afford the opportunity to equitably share production from the well among the owners in both governmental quarter-quarter sections and thereby avoid the impairment of correlative rights which will occur if Unit O is excluded and is subject to drainage by the well.

13. The creation of this 40-acre non-standard proration unit also requires the approval of two additional non-standard units in order to preclude the necessity of creating multiple non-standard units crossing governmental quarter-quarter section lines as follows:

(a) a 20-acre non-standard unit consisting of the N/2NW/4SE/4; and

(b) a 20-acre non-standard unit consisting of the S/2SW/4SE/4;

14. In the alternative, Conoco seeks approval the unorthodox well location for this well to be dedicated to a standard 40-acre unit consisting of Unit J of this section

NMOCD Application

Conoco Inc.

-Page 4-

15. The opportunity to use a previously drilled wellbore to obtain production from the Tubb/Drinkard formations instead of drilling of a new well at a standard well location substantially reduces the cost and thereby avoids the drilling of an unnecessary well and prevents waste.

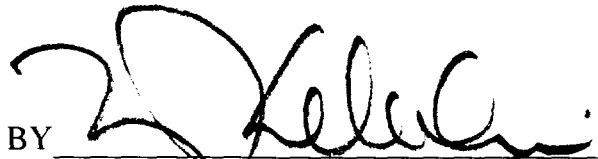
16. Approval of the application will afford all interest owners in each of the two 40-acre tracts the opportunity to produce their just and equitable share of the hydrocarbons from the North Hardy-Tubb-Drinkard Pool and will otherwise prevent waste and protect correlative rights.

17. In accordance with Division Rule 1207, Applicant has notified those affected parties who operate spacing units adjoining the proposed unit as set forth on Exhibit "B."

18. In accordance with Division Rule 1207, Applicant has notified those affected parties who have an interest in production within the proposed unit as set forth on Exhibit "C."

WHEREFORE, Applicant requests that, after notice and hearing, this Application be approved as requested.

KELLAHIN and KELLAHIN

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

BY

W. Thomas Kellahin

P. O. Box 2265

Santa Fe, New Mexico 87504

(505) 982-4285

EXHIBIT "B"
NOTICE LIST FOR CONOCO APPLICATION
OFFSET OPERATORS

Conoco, Inc.

EXHIBIT "C"
NOTICE LIST FOR CONOCO APPLICATION
INTEREST OWNERS IN NSP

State Land Office
P.O. Box 1148
Santa Fe, New Mexico 87504
Attn: Mr. Pete Martinez.

Bureau of Land Management
2909 West Second Street
Roswell, New Mexico 88201
Attn: Amando Lopez