

**KELLAHIN AND KELLAHIN**

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

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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)

August 25, 1992

Mr. William J. LeMay  
Oil Conservation Division  
310 Old Santa Fe Trail, Room 219  
Post Office Box 2088  
Santa Fe, New Mexico 87501

**HAND DELIVERED**

RECEIVED

Case 10560  
AUG 25 1992

Re: Application of Conoco, Inc.  
for Compulsory Pooling, Eddy  
County, New Mexico

OIL CONSERVATION DIVISION

Dear Mr. LeMay:

On behalf of Conoco, Inc., please find enclosed our application for compulsory pooling which we request be set for hearing on the next available Examiner's docket now scheduled for September 17, 1992.

By copy of this letter, including the application, to all affected parties, we are notifying them by certified mail, return-receipt requested, that they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examine witnesses either in support of or in opposition to the application.

Very truly yours,



W. Thomas Kellahin

WTK/jcl

Enclosure

cc: Jerry Hoover - Conoco, Inc.

**BY CERTIFIED MAIL- RETURN RECEIPT REQUESTED**

All Parties Listed in Paragraph (2) of Application

ltrt825.089

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

RECEIVED

AUG 21 1982

IN THE MATTER OF THE APPLICATION OF  
CONOCO INC. FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO

OIL CONSERVATION DIVISION

CASE NO: 10560

A P P L I C A T I O N

Comes now CONOCO INC. by its attorneys, KELLAHIN & KELLAHIN, and in accordance with Section 70-2-17(c) NMSA (1978) applies to the New Mexico Oil Conservation Division for an order pooling all mineral interests from the surface to the base of the Canyon formation underlying the NE/4 of Section 17, T19S, R25E, NMPM, Eddy County, New Mexico forming a standard 160-acre spacing and proration unit for any and all formations and/or pools developed on 160-acres spacing within said vertical extent, which presently includes but is not necessarily limited to the North Dagger Draw-Upper Pennsylvanian Pool. Said unit to be dedicated to Southwest Royalties Inc.'s Dagger Draw #1 Well now drilled and awaiting completion at a standard location within the NW/4NE/4 (Unit B) of Section 17, and in support states:

(1) Applicant, Conoco Inc. ("Conoco") has a 87.75% working interest ownership in the oil and gas minerals in the NE/4 of Section 17.

(2) The other working interest owners in the NE/4 of Section 17 are as follows:

(a) Southwest Royalties, Inc.

407 North Big Spring

Midland, Texas 79701-4326

12.5% working interest

(b) Martha L. Nunes

344 North Oakhurst Drive #B

Beverly Hills, California 90210

1.75% working interest

(3) On March 16, 1992, Southwest Royalties Inc. proposed to Conoco, Inc. the drilling of a well to be dedicated to a 160-acre spacing unit consisting of the NE/4 of Section 17.

(4) Conoco rejected Southwest's well proposal because of the high risk involved in locating the well at Southwest's proposed location in the SW/4NE/4 of Section 17.

(5) On May 6, 1992, the Division issued Order R-9673 which pooled Conoco's interest in the NE/4 of Section 17 for the drilling of a well specifically ordered to be drilled in the SW/4NE/4 of Section 17.

(6) Thereafter, Conoco elected to go "non-consent" under the terms of the pooling order, again, because of the high degree of risk in locating the well as proposed by Southwest Royalties, Inc.

(7) On the 17th day of July, 1992, in violation of Order R-9673 and without notice to Conoco, Inc., Southwest Royalties commenced the well in the NW/4NE/4 of Section 17 instead of the SW/4NE/4 of that section.

(8) On August 3, 1992, Conoco notified the Division and Southwest Royalties that Southwest Royalties had commenced the well in the wrong quarter-quarter section.

(9) On August 7, 1992, the Director of the Division issued its decision advising Southwest Royalties, Inc that Order R-9673 is not valid in this case since the well was located in a different quarter-quarter section then specified in said order.

(10) On August 13, 1992, Conoco delivered to Southwest Royalties, Inc. a proposal concerning the well

in which Conoco sought, among other things, to be designated the operator, to participate in the well, to pay its share of the reasonable actual costs of the well and to determine how to complete the well.

(11) Southwest Royalties Inc. has refused to consider Conoco's effort to voluntarily form a spacing unit for this well.

(12) That all reasonable efforts by Conoco to form a voluntary agreement for this well have failed and Conoco has been unable to obtain a voluntary agreement.

(13) Pursuant to Section 70-2-17(c) NMSA (1978) and in order to obtain its just and equitable share of the potential production underlying the above tract, Conoco needs an order pooling the mineral interest involved in order to protect Conoco's correlative rights and prevent waste.

(14) Pursuant to the Division notice requirements, Conoco has notified those parties identified in paragraph (2) above of this application for compulsory pooling and the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for September 17, 1992.

WHEREFORE, Applicant prays that this application be set for hearing before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interests described herein. Applicant further prays:

(1) that it be named operator of the well;

(2) that the order make provisions for applicant and all working interest owners to participate in the costs of drilling, completing and equipping the well;

(3) that in the event a working interest owners fails to elect to participate, then provision be made to recover, out of production, the costs of the drilling, completing and equipping of the well including a risk factor penalty to be determined by the Division; and

(4) for such other and further relief as may be proper.

Respectfully submitted,



W. Thomas Kellahin  
Kellahin & Kellahin  
P. O. Box 2265  
Santa Fe, New Mexico 87504-2265  
(505) 982-4285  
ATTORNEYS FOR CONOCO, INC.

**KELLAHIN AND KELLAHIN**

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JASON KELLAHIN (RETIRED 1991)

August 25, 1992

Mr. William J. LeMay  
Oil Conservation Division  
310 Old Santa Fe Trail, Room 219  
Post Office Box 2088  
Santa Fe, New Mexico 87501

**HAND DELIVERED**

*Case 10560*

**RECEIVED**

Re: Application of Conoco, Inc.  
for Compulsory Pooling, Eddy  
County, New Mexico

*AUG 25 1992*

Dear Mr. LeMay:

**OIL CONSERVATION DIVISION**

On behalf of Conoco, Inc., please find enclosed our application for compulsory pooling which we request be set for hearing on the next available Examiner's docket now scheduled for September 17, 1992.

By copy of this letter, including the application, to all affected parties, we are notifying them by certified mail, return-receipt requested, that they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examine witnesses either in support of or in opposition to the application.

Very truly yours,



W. Thomas Kellahin

WTK/jcl  
Enclosure

cc: Jerry Hoover - Conoco, Inc.

**BY CERTIFIED MAIL- RETURN RECEIPT REQUESTED**

All Parties Listed in Paragraph (2) of Application

1trt825.089

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

RECEIVED

AUG 21 1997

OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF  
CONOCO INC. FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO

CASE NO: 10560

A P P L I C A T I O N

Comes now CONOCO INC. by its attorneys, KELLAHIN & KELLAHIN, and in accordance with Section 70-2-17(c) NMSA (1978) applies to the New Mexico Oil Conservation Division for an order pooling all mineral interests from the surface to the base of the Canyon formation underlying the NE/4 of Section 17, T19S, R25E, NMPM, Eddy County, New Mexico forming a standard 160-acre spacing and proration unit for any and all formations and/or pools developed on 160-acres spacing within said vertical extent, which presently includes but is not necessarily limited to the North Dagger Draw-Upper Pennsylvanian Pool. Said unit to be dedicated to Southwest Royalties Inc.'s Dagger Draw #1 Well now drilled and awaiting completion at a standard location within the NW/4NE/4 (Unit B) of Section 17, and in support states:

(1) Applicant, Conoco Inc. ("Conoco") has a 87.75% working interest ownership in the oil and gas minerals in the NE/4 of Section 17.

(2) The other working interest owners in the NE/4 of Section 17 are as follows:

(a) Southwest Royalties, Inc.  
407 North Big Spring  
Midland, Texas 79701-4326  
12.5% working interest

(b) Martha L. Nunes  
344 North Oakhurst Drive #B  
Beverly Hills, California 90210  
1.75% working interest

(3) On March 16, 1992, Southwest Royalties Inc. proposed to Conoco, Inc. the drilling of a well to be dedicated to a 160-acre spacing unit consisting of the NE/4 of Section 17.

(4) Conoco rejected Southwest's well proposal because of the high risk involved in locating the well at Southwest's proposed location in the SW/4NE/4 of Section 17.

(5) On May 6, 1992, the Division issued Order R-9673 which pooled Conoco's interest in the NE/4 of Section 17 for the drilling of a well specifically ordered to be drilled in the SW/4NE/4 of Section 17.

(6) Thereafter, Conoco elected to go "non-consent" under the terms of the pooling order, again, because of the high degree of risk in locating the well as proposed by Southwest Royalties, Inc.

(7) On the 17th day of July, 1992, in violation of Order R-9673 and without notice to Conoco, Inc., Southwest Royalties commenced the well in the NW/4NE/4 of Section 17 instead of the SW/4NE/4 of that section.

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in which Conoco sought, among other things, to be designated the operator, to participate in the well, to pay its share of the reasonable actual costs of the well and to determine how to complete the well.

(11) Southwest Royalties Inc. has refused to consider Conoco's effort to voluntarily form a spacing unit for this well.

(12) That all reasonable efforts by Conoco to form a voluntary agreement for this well have failed and Conoco has been unable to obtain a voluntary agreement.

(13) Pursuant to Section 70-2-17(c) NMSA (1978) and in order to obtain its just and equitable share of the potential production underlying the above tract, Conoco needs an order pooling the mineral interest involved in order to protect Conoco's correlative rights and prevent waste.

(14) Pursuant to the Division notice requirements, Conoco has notified those parties identified in paragraph (2) above of this application for compulsory pooling and the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for September 17, 1992.

WHEREFORE, Applicant prays that this application be set for hearing before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interests described herein. Applicant further prays:

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Respectfully submitted,



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August 25, 1992

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**HAND DELIVERED**

Case 16560  
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County, New Mexico

AUG 24 1992

OIL CONSERVATION DIVISION

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

RECEIVED

AUG 21 1982

OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF  
CONOCO INC. FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO

CASE NO: 10560

A P P L I C A T I O N

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WHEREFORE, Applicant prays that this application be set for hearing before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interests described herein. Applicant further prays:

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Kellahin & Kellahin  
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Santa Fe, New Mexico 87504-2265  
(505) 982-4285  
ATTORNEYS FOR CONOCO, INC.

**CASE NO.**

**Application of Conoco, Inc. for  
compulsory pooling, Eddy County,  
New Mexico.**

Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Canyon formation underlying the NE/4 of Section 17, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico, forming a standard 160-acre spacing and proration unit for any and all formations and or pools developed on 160-acre spacing within said vertical extent, which presently includes, but is not necessarily limited to the North Dagger Draw-Upper Pennsylvanian Pool. Said unit to be dedicated to the Southwest Royalties, Inc.'s Dagger Draw Well No. 1 which has been drilled at a standard location in the NW/4 NE/4 (Unit B) of Section 17. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said unit is approximately