

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

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)

RECEIVED

NOV 23 1992

CONSERVATION DIVISION

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

November 23, 1992

Florene Davidson
Senior Staff Specialist
Oil Conservation Division
310 Old Santa Fe Trail
Room 219
Santa Fe, New Mexico 87501

HAND DELIVERED

RE: NMOCD Case No. 10565
Order No. R-9770
Application of Conoco, Inc.
for Directional Drilling and
an Unorthodox Bottomhole Well
Location, Eddy County, NM

Dear Florene:

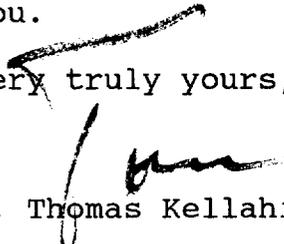
Last week I received the above-reference order
which contains two typographical errors:

- (1) The well is the Preston Federal Well No. 6 rather
than the No. 1
- (2) The Unit Letter for the surface location is Unit A
not Unit H.

I have enclosed a copy of the order on which I
have highlighted in yellow the places that need to be
corrected.

Please provide me with a Nunc Pro Tunc Order as
soon as possible. Thank you.

Very truly yours,


W. Thomas Kellahin

WTK/jcl
Enclosure
xc: Jerry Hoover - Conoco, Inc.

lnt1123.089

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

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OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 10565
ORDER NO. R-9770

APPLICATION OF CONOCO, INC. FOR DIRECTIONAL
DRILLING AND AN UNORTHODOX BOTTOMHOLE GAS
WELL LOCATION, EDDY COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on October 1, 1992, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 19th day of November, 1992 the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Conoco, Inc., seeks authorization to directionally drill its proposed Preston Federal Well No. 1 from a surface location 990 feet from the North line and 460 feet from the East line (Unit H) of Section 35, Township 20 South, Range 24 East, NMPM, Eddy County, New Mexico, in such a manner as to bottom the well in the Undesignated Cemetery-Morrow Gas Pool at an unorthodox bottomhole gas well location in the NE/4 NE/4 of said Section 35 and provided said wellbore is no closer than 660 feet from the North and East lines of said Section 35, the N/2 of the Section is to be dedicated to said well forming a standard 320-acre gas spacing and proration unit for said gas pool.

(3) The primary zone of interest for this well is the Cisco formation of the South Dagger Draw-Upper Pennsylvanian Associated Pool, which is governed by Special Rules and Regulations, as promulgated by Division Order No. R-5353, as amended, that provides for 320-acre spacing units and well location standards for wells to be no closer than 660 feet from any quarter-quarter section or subdivision inner boundary.

(4) The Cisco subsurface location, which is proposed to be the same as the Morrow bottomhole location, is considered to be a standard location. Also, the N/2 of said Section 35 is to be dedicated to said well forming a standard 320-acre proration unit in said pool.

(5) The geological testimony presented by the applicant indicates that the proposed subsurface location would maximize the opportunity for Conoco to encounter the Cisco formation at the most favorable location in the spacing/proration unit and would increase the likelihood of obtaining production in commercial quantities.

(6) Subsequent geological evidence presented by the applicant at the hearing indicates that the Morrow formation is a potential gas-bearing interval that warrants further investigation. A stand-alone test of the Morrow formation in this area is a risky proposition at best; however, in this instance where the Morrow test becomes a "tail into" the Cisco formation, such a venture becomes economical.

(7) The necessity of directional drilling from the proposed surface location is topographic and will serve to avoid the surface feature known as Box Canyon Draw. Said surface location has also been authorized at this time by the U.S. Bureau of Land Management, which is the federal surface/mineral management agency for this particular section.

(8) Conoco is proposing to drill vertically to a depth of approximately 4630 feet, kick-off in a northeasterly direction, drill a deviated hole to a horizontal displacement of approximately 400 feet, and will finally drop angle back to vertical and drill into the Cisco and Morrow formations.

(9) At no time does Conoco propose to complete said well in either the Cisco or Morrow intervals in a window inside the NE/4 NE/4 of said Section 35 that varies from the South Dagger Draw-Upper Pennsylvanian Associated Pool Rules for a standard location (660 feet/330 feet).

(10) The two offset mineral interest owners other than Conoco, Yates Petroleum Company and Marathon Oil Company, have both submitted waivers to the proposed directional drilling and unorthodox gas well location.

(11) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the hydrocarbons in the affected pools, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste.

(12) The applicant should be required to determine the subsurface location of the kick-off point in the wellbore prior to directional drilling and should subsequently be required to conduct an accurate wellbore survey during or upon completion of drilling operations from the kick-off point to total depth to determine its true depth and course.

(13) The applicant should be required to notify the supervisor of the Artesia District Office of the Division of the date and time said directional surveys are to be conducted so that they may be witnessed. The applicant should further be required to provide a copy of said directional surveys to the Santa Fe and Artesia offices of the Division upon completion.

IT IS THEREFORE ORDERED THAT:

(1) The application of Conoco, Inc. is hereby approved for its Preston Federal Well No. 1 to be located at a surface location of 990 feet from the North line and 460 feet from the East line (Unit H) of Section 35, Township 20 South, Range 24 East, NMPM, Eddy County, New Mexico, and directionally drill in such a manner as to penetrate both the Undesignated South Dagger Draw-Upper Pennsylvanian Associated Pool and the Undesignated Cemetery-Morrow Gas Pool at a location that is no closer than 660 feet from the North and East lines of said Section 35, nor closer than 330 feet from the South and West lines of the NE/4 NE/4 sub-sectional lines, being a standard subsurface location for production from the Cisco formation and an unorthodox subsurface gas well location for production from the Morrow formation.

PROVIDED HOWEVER THAT, prior to commencing directional drilling operations in said wellbore, the applicant shall establish the location of the kick-off point by means of a directional survey from the kick-off point to total depth in order that the bottomhole location, as well as the wellbore's true depth and course, may be determined.

(2) The applicant shall notify the supervisor of the Artesia District Office of the Division of the date and time said directional surveys are to be conducted so that they may be witnessed. The applicant shall further provide a copy of said directional surveys to the Santa Fe and Artesia offices of the Division upon completion.

(3) Form C-105 shall be filed in accordance with Division Rule 1105 and the operator shall indicate thereon true vertical depth in addition to measured depths.

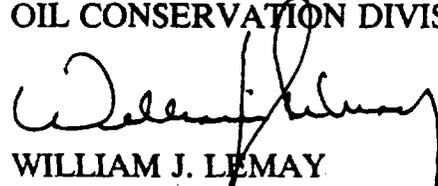
Case No. 10565
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(4) The N/2 of said Section 35 is to be dedicated to said well forming a standard 320-acre spacing and proration unit for both zones.

(5) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

S E A L

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Artec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

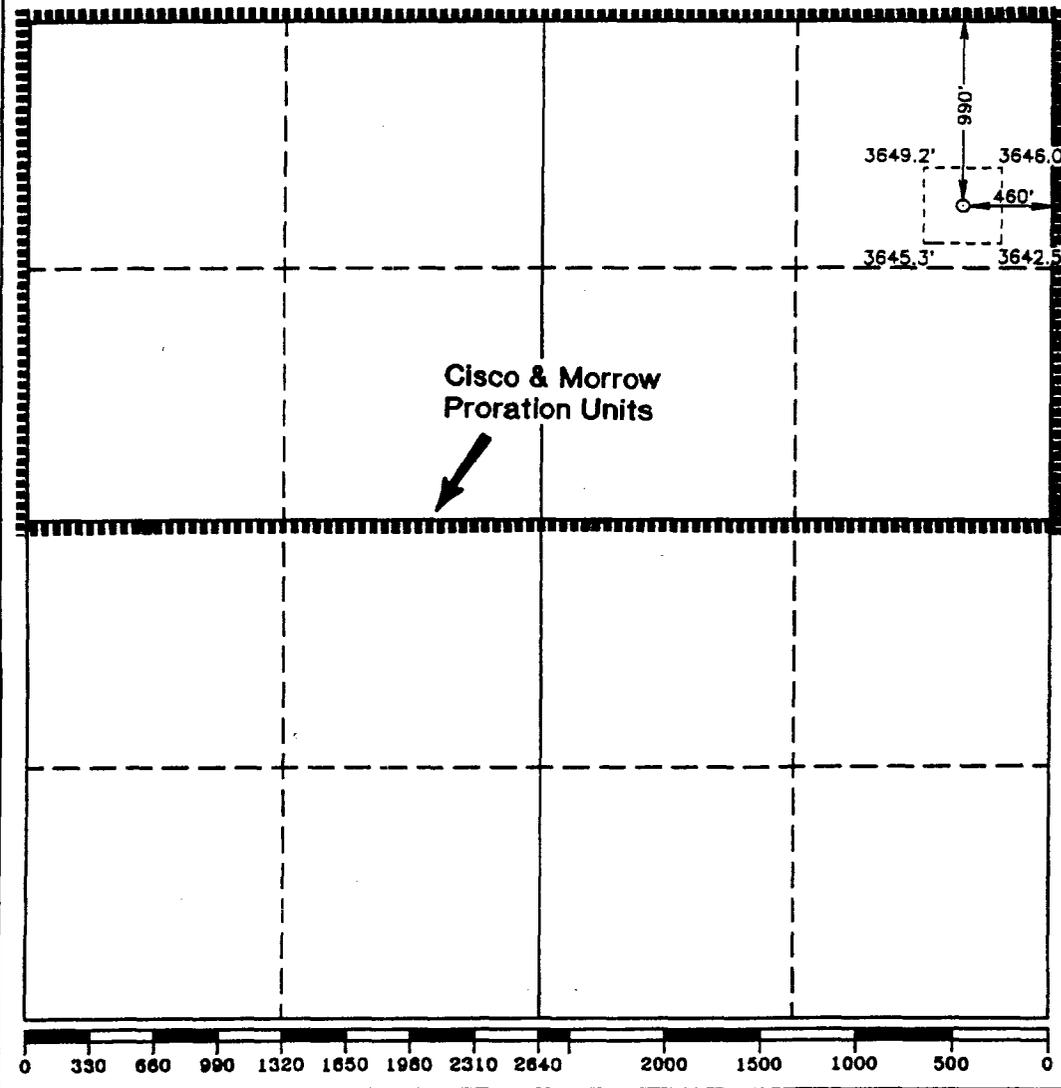
Operator CONOCO INC.			Lease PRESTON FEDERAL		Well No. 6
Unit Letter A	Section 35	Township 20 SOUTH	Range 24 EAST	NMPM	County EDDY
Actual Footage Location of Well: 990 feet from the NORTH line and 460 feet from the EAST line					
Ground Level Elev. 3644.8'	Producing Formation CISCO / MORROW	Pool S. DAGGER DRAW / CEMETARY MORROW	Dedicated Acreage: 320 Acres		

- Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communization, unitization, force-pooling, etc.?

Yes No If answer is "yes" type of consolidation _____

If answer is "no" list of owners and tract descriptions which have actually been consolidated. (Use reverse side of this form necessary.)

No allowable will be assigned to the well unit all interests have been consolidated (by communization, unitization, forced-pooling, otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.



OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature: *Jerry W. Hoover*
Printed Name: **Jerry W. Hoover**

Position: **Sr. Conservation Coordinator**

Company: **Conoco Inc.**

Date: **Sept. 28, 1992**

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed: **AUGUST 8, 1992**

Signature & Seal of Professional Surveyor: *[Signature]*

Certificate No. **JOHN W. WEST, 876**
RONALD E. EBBSON, 3238
DAVID L. JONES, 7917

82-11-1271

OIL CONSERVATION DIVISION

EXHIBIT NO. 7
CASE NO.: 10565
Submitted by: Conoco, Inc.
Hearing Date: Oct. 1, 1992