

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)

October 13, 1992

Mr. William J. LeMay
Oil Conservation Division
310 Old Santa Fe Trail, Room 218
State Land Office Building
Santa Fe, New Mexico 87501

HAND DELIVERED

RE: Application of Conoco Inc.
for Approval of an
Unorthodox Gas Well Location,
and a Non-Standard Spacing Unit,
San Juan County, New Mexico

RECEIVED

OCT 13 1992

Case 10597

Dear Mr. LeMay:

OIL CONSERVATION DIVISION

On behalf of Conoco Inc., please find enclosed our application for a hearing for the FC Flaherty Com #1R Well. We request that this case be set for hearing on November 5, 1992 Examiner's Docket.

By copy of this letter, including the application, to all parties listed on Exhibit "B" to the application, 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

xc: with Enclosure

Conoco Inc. (Hoover-Midland)

By Certified Mail - Return Receipt Requested

To all parties listed on Exhibit "B"
of the Application

app1013a.089

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

CASE NO. 10597

IN THE MATTER OF THE APPLICATION
OF CONOCO INC. FOR APPROVAL
OF AN UNORTHODOX GAS WELL LOCATION,
AND A NON-STANDARD SPACING UNIT,
SAN JUAN COUNTY, NEW MEXICO

RECEIVED

OCT 1 1992

A P P L I C A T I O N

OIL CONSERVATION DIVISION

Comes now CONOCO INC., by and through its attorneys, Kellahin and Kellahin, and applies to the New Mexico Oil Conservation Division for approval of an unorthodox well location in the Basin Fruitland Coal Gas Pool for its proposed FC Flaherty Com #1R Well to be drilled at an unorthodox well location 800 feet FNL and 1820 feet FWL of Section 6, T31N, R10W, NMPM, San Juan County, New Mexico and to be dedicated to a non-standard spacing unit containing 307.54 acres, more or less, and consisting of the W/2 of Section 6, and in support states:

(1) Conoco Inc. ("Conoco") is the proposed operator of the subject well and is a working interest owner in the W/2 of Section 6.

(2) On February 26, 1991, Conoco completed its FC Flaherty Com #1 Well at a standard location in the SW/4

of Section 6 and dedicated the W/2 of Section 6 to the well as shown on Exhibit A (attached).

(3) The FC Flaherty Com #1 Well was completed open hole with an initial potential of 40 MCFPD and was then sand fractured on January 16, 1992. Although this remedial work increased the initial potential to 515 MCFGPD, production has already declined to only 220 MCFGPD and continues to decline at a rapid date. This well is expected to recover only 250 MMCFG and will not pay out.

(4) Basin Fruitland Coal Gas Pool wells offsetting the FC Flaherty Com #1 Well to the north and east are currently producing at much higher rates.

(5) There is an apparent sharp permeability transition in the Basin Fruitland Coal deposits in Section 6 between the N/2 and S/2 of the section as exhibited by the completion and producing history of the wells.

(6) The spacing requires of the Basin Fruitland Coal Gas Pool, which designate standard well locations only in the SW/4 and NE/4 of each section, have allowed Amoco to access the higher permeability area of the reservoir in

the N/2 of Section 6, while Conoco, with its stand up spacing unit, was required to drill in the lower permeability area in the SW/4 of the Section.

(7) While the entire W/2 of Section 36 is potentially productive, Conoco has been unsuccessful in its attempt to obtain an economic well in a standard quarter section in this spacing unit. Without a well located in the NW/4 of Section 6, Basin Fruitland Coal Gas Pool reserves attributable to the W/2 of Section 6 will be drained by the higher permeability, higher potential offsetting wells to the north and east.

(8) Meridian seeks to drill its FC Flaherty Com #1R Well in the Basin Fruitland Coal Gas Pool at an unorthodox location in the NW/4 being 800 feet FNL and 1820 feet FWL of Section 6 as a replacement well for the uncommercial FC Flaherty Com #1 Well which will be shut-in after the replacement well is completed.

(9) The proposed location is unorthodox for the Basin-Fruitland Coal Gas Pool because it is located in the NW/4 of the section rather than the NE/2 or the SW/4 of the section and requires an exception to Rule 7 of the Basin Fruitland Coal Gas Pool Rules (Order R-8768). All

other standard setbacks from spacing unit boundaries, quarter section lines and quarter-quarter section lines are adhered to by the proposed location.

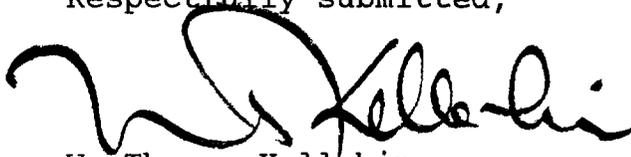
(10) The proposed unorthodox location is necessary in order for the applicant to economically recover Basin-Fruitland Coal Gas Pool reserves that are present in the N/2 of Section 6 and to avoid having this acreage drained by offsetting Basin Fruitland Coal Gas wells.

(11) Conoco requests that this matter be docketed for hearing on the Division Examiner docket now scheduled for November 5, 1992.

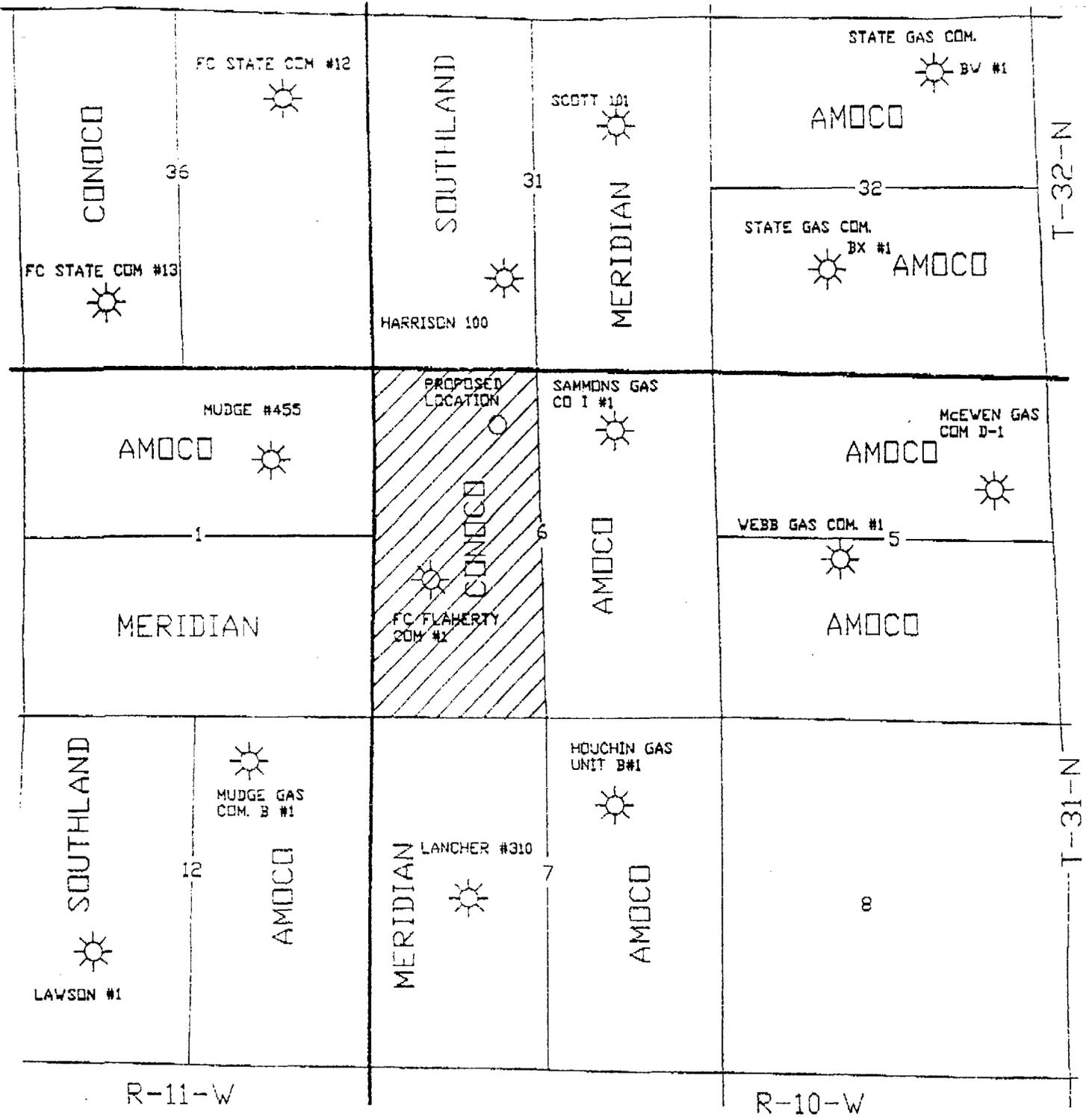
(12) A copy of this application has been sent to all offsetting operators and interested parties who might be affected by this application as identified and set forth on Exhibit B.

WHEREFORE, Conoco requests that this matter be set for hearing on November 5, 1992 before a duly appointed Examiner of the Oil Conservation Division and that after notice and hearing as required by law, the Division enter its order granting this application.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "W. Thomas Kellahin". The signature is fluid and cursive, with a large initial "W" and a long, sweeping underline.

W. Thomas Kellahin
Kellahin and Kellahin
P.O. Box 2265
Santa Fe, New Mexico 87504-2265
(505) 982-4285
Attorneys for Applicant



CONOCO INC.
 FC FLAHERTY #1R
 FRUITLAND PRODUCTION
 UNIT WITH OPERATOR

 FRUITLAND COAL WELLS

EXHIBIT "B"

CERTIFIED MAIL RETURN RECEIPT

OFFSET OPERATORS:

Amoco Production Company
P. O. Box 800
Denver, Colorado 80201
Attn: Barbara Sturgeon
(Land Department)

Meridian Oil Inc.
P. O. Box 4289
Farmington, New Mexico 87499-4289
Attn: Mr. Alan Alexander

Southland Royalty Company
c/o Meridian Oil Inc.
P. O. Box 4289
Farmington, New Mexico 87499-4289
Attn: Mr. Alan Alexander

Great Western Drilling Company
P. O. Box 1659
Midland, Texas 79702
Attn: Mike Heathington
(Land Department)