



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

July 21, 1999

Conoco, Inc
10 Desta Drive - Suite 100W
Midland, Texas 79705-4500
Attention: Kay Maddox

Administrative Order NSL-4332

Dear Ms. Maddox:

Reference is made to the following: (i) your application dated July 20, 1999; and (ii) the records of the New Mexico Oil Conservation Division ("Division"), including the file in Case No. 12182: all concerning Conoco, Inc.'s request for an exception to Rule 4 of the "Temporary Special Pool Rules for the North Hardy-Strawn Pool," as promulgated by Division Order No. R-11221, issued in Case No. 12182 dated July 12, 1999, in order to drill the proposed SEMU Well No. 134 (API No. 30-025-34382) at an unorthodox oil well location 1650 feet from the South line and 450 feet from the West line (Lot 3/Unit L) of Section 30, Township 20 South, Range 38 East, NMPM, Lea County, New Mexico.

Lots 3 and 4 and the E/2 SW/4 (SW/4 equivalent) of Section 30, being a standard 160.50-acre oil spacing and proration unit within the governing limits of the North Hardy-Strawn Pool, is to be dedicated to this well.

It is our understanding that Conoco, Inc. is seeking this location exception based on a 3-D seismic survey of the immediate area, whereby it contends that a well drilled at this location, will be at a more favorable geologic position within the Undesignated North Hardy-Strawn Pool underlying the subject 160.50-acre unit.

The subject application has been duly filed under the provisions of Division Rule 104.F and the applicable provisions of the rules governing this pool.

By the authority granted me under the provisions of: (i) Rule 5 of these special pool rules; and (ii) Division Rule 104.F(2), the unorthodox oil well location of the proposed SEMU Well No. 134 is hereby approved.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lori Wrottenbery / MES for DMC".

Lori Wrottenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Hobbs
U. S. Bureau of Land Management - Carlsbad
File: Case No. 12182

CMD :
OG5SECT

ONGARD
INQUIRE LAND BY SECTION

02/18/00 15:18:06
OGOMES -TPX4
PAGE NO: 1

Sec : 30 Twp : 20S Rng : 38E Section Type : NORMAL

| | | | |
|--|--|--|---------------------------------|
| 1 40.38 Federal owned A | C 40.00 Federal owned A | B 40.00 Federal owned A | A 40.00 Federal owned |
| 2 40.32 Federal owned A | F 40.00 Federal owned A | G 40.00 Federal owned | H 40.00 Federal owned |

PF01 HELP PF02 PF03 EXIT PF04 GoTo PF05 PF06
PF07 BKWD PF08 FWD PF09 PRINT PF10 SDIV PF11 PF12

CMD :
OG5SECT

ONGARD
INQUIRE LAND BY SECTION

02/18/00 15:18:10
OGOMES -TPX4
PAGE NO: 2

Sec : 30 Twp : 20S Rng : 38E Section Type : NORMAL

| | | | |
|--------------------------------------|---------------------------------|---------------------------------|---------------------------------|
| 3 40.28 Federal owned A | K 40.00 Federal owned | J 40.00 Federal owned | I 40.00 Federal owned |
| 4 40.22 Federal owned | N 40.00 Federal owned | O 40.00 Federal owned | P 40.00 Federal owned |

PF01 HELP PF02 PF03 EXIT PF04 GoTo PF05 PF06
PF07 BKWD PF08 FWD PF09 PRINT PF10 SDIV PF11 PF12

80.50
80
160.50

CMD : ONGARD 02/18/00 15:18:20
OG6IWCM INQUIRE WELL COMPLETIONS OGOMES -TPX4

API Well No : 30 25 34382 Eff Date : 07-20-1999 WC Status : A
Pool Idn : 96893 HARDY;STRAWN, NORTH
OGRID Idn : 5073 CONOCO INC
Prop Idn : 13492 SEMU

Well No : 134
GL Elevation: 3511

| | U/L | Sec | Township | Range | North/South | East/West | Prop/Act (P/A) |
|-----------|-----|-----|----------|-------|------------------|-----------|----------------|
| B.H. Locn | : 3 | 30 | 20S | 38E | FTG 1650 F S FTG | 450 F W | A |

Lot Identifier:

Dedicated Acre: 160.50

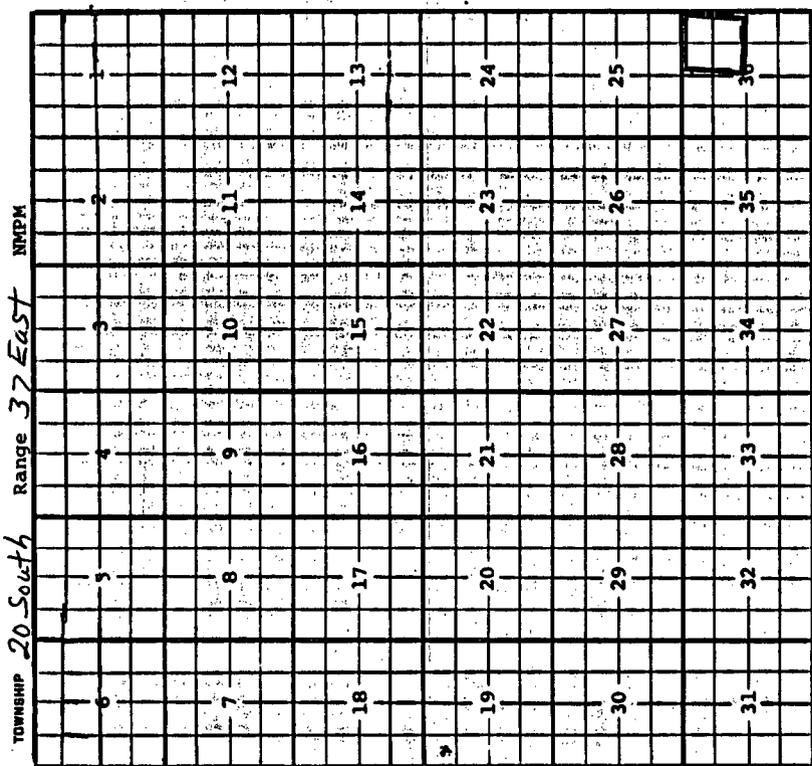
Lease Type : F

Type of consolidation (Comm, Unit, Forced Pooling - C/U/F/O) :

M0025: Enter PF keys to scroll

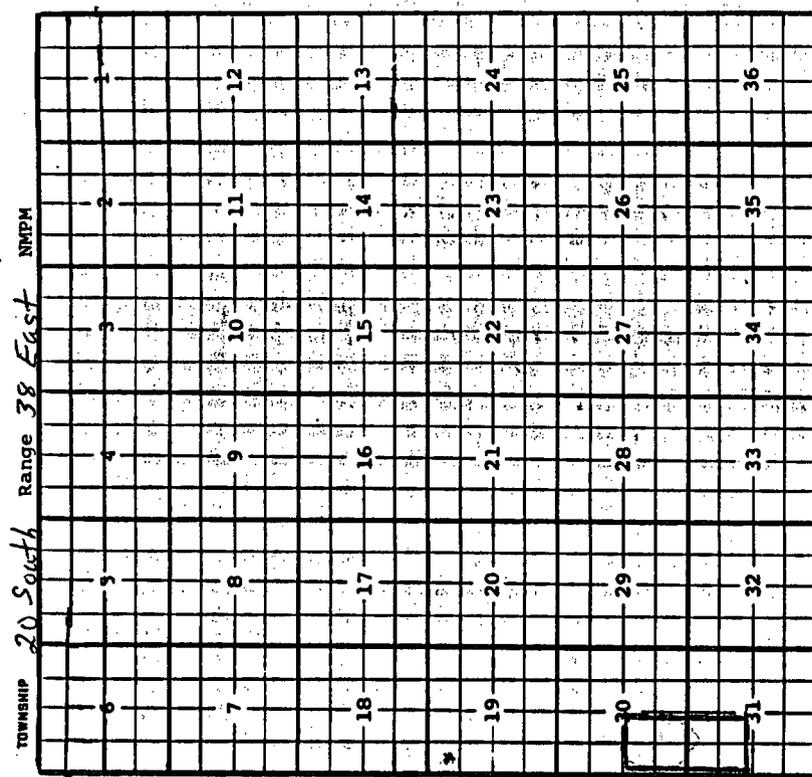
| | | | | | |
|-----------|------|-----------|--------------|--------------|-------------|
| PF01 HELP | PF02 | PF03 EXIT | PF04 GoTo | PF05 | PF06 |
| PF07 | PF08 | PF09 | PF10 NEXT-WC | PF11 HISTORY | PF12 NXTREC |

County Lea Pool South Hardy-Strawn



Description: NE 1/4 Sec. 31, 6-11183, 5-19-99
Redesignate as North Hardy-Strawn Pool (A-11203, 6-14-92)

County Lea Pool North Hardy-Strawn



Est. NW 1/4 Sec. 30, NW 1/4 Sec. 31 (A-11184, 1-12-00)

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

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

Nomenclature
Case No. 12182
Order No. R-11221

APPLICATION OF CONOCO INC. FOR POOL CREATION, SPECIAL POOL RULES, AND THE ASSIGNMENT OF A SPECIAL DEPTH BRACKET ALLOWABLE, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on May 13, 1999, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 12th day of July, 1999, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

- (1) Due public notice has been given and the Division has jurisdiction of this case and its subject matter.
- (2) The applicant, Conoco Inc., seeks the creation of a new pool for the production of oil from the Strawn formation comprising the NE/4 of Section 36, Township 20 South, Range 37 East, NMPM, Lea County, New Mexico.
- (3) The applicant further seeks the adoption of special pool rules therefor, including provisions for 160-acre spacing and proration units and designated well location requirements such that wells can be located no closer than 660 feet from the outer boundary of the spacing unit nor closer than 10 feet from any quarter-quarter section line or subdivision inner boundary. The applicant further seeks the assignment of a special depth bracket allowable of 600 barrels of oil per day.
- (4) At the hearing, the applicant requested that its Hardy "36" State Well No. 26 (API No. 30-025-34311), located 870 feet from the North line and 1650 feet from the East line (Unit B) of Section 36, be assigned a bonus discovery allowable pursuant to Division Rule No. 509 in the amount of 37,825 barrels of oil.
- (5) Division records indicate that by Order No. R-11183 issued in Case No. 12184 on May 19, 1999, the Division:

- a) created the South Hardy-Strawn Pool comprising the NE/4 of Section 36, Township 20 South, Range 37 East, NMPM; and
- b) assigned the Conoco Inc. Hardy "36" State Well No. 26 a bonus discovery allowable in the amount of 37,825 barrels of oil to be produced over a two-year period.

(6) Division records further indicate that by Order No. R-11204 issued in Case No. 12200 on June 14, 1999, the Division corrected its previous nomenclature by redesignating the South Hardy-Strawn Pool as the **North Hardy-Strawn Pool**.

(7) That portion of the application seeking the creation of a new pool for production of oil from the Strawn formation and for the assignment of a bonus discovery allowable to its Hardy "36" State Well No. 26 should be dismissed.

(8) In support of its proposed 160-acre spacing and special depth bracket allowable of 600 barrels of oil per day for the North Hardy-Strawn Pool, the applicant presented engineering evidence and testimony indicating that:

- a) the Hardy "36" State Well No. 26 was drilled during March, 1998 and completed in the Strawn formation during April, 1998;
- b) the Hardy "36" State Well No. 26 initially produced at a rate of 722 BOPD, 0 BWPD and 778 MCF gas per day. Peak production from the well, which occurred on April 29, 1998, was 1,570 BOPD, 0 BWPD and 1,331 MCF gas per day;
- c) the Hardy "36" State Well No. 26 is currently capable of production in excess of 600 barrels of oil per day;
- d) the North Hardy-Strawn Pool appears to be a solution gas drive reservoir;
- e) extensive production testing demonstrates that producing the Hardy "36" State Well No. 26 at a rate of 600 barrels of oil per day has little or no effect on the producing GOR, which is consistently at or below 1,000 cubic feet of gas per barrel of oil; and

- f) preliminary production and drainage data demonstrate that the Hardy "36" State Well No. 26 is capable of draining an area of approximately 190 acres.

(9) The applicant requested that the proposed 160-acre well spacing and special depth bracket allowable for the North Hardy-Strawn Pool be adopted for a temporary period of eighteen months in order to provide the applicant and other operators in the pool the opportunity to gather additional engineering data to support continuation of the special pool rules on a permanent basis.

(10) No offset operator and/or interest owner appeared at the hearing in opposition to the application.

(11) Approval of this application will provide the applicant the opportunity to efficiently develop the Strawn reservoir underlying the NE/4 of Section 36, thereby preventing waste, will prevent the drilling of unnecessary wells, and will otherwise protect correlative rights.

(12) Special pool rules, including provisions for 160-acre spacing and proration units, designated well location requirements, and a special depth bracket allowable of 600 barrels of oil per day for the North Hardy-Strawn Pool should be established for a temporary period of eighteen months.

(13) The applicant did not present sufficient evidence to justify the establishment of 10-foot interior quarter-quarter section setback requirements; therefore, standard 330-foot interior quarter-quarter section setback requirements should be adopted.

(14) This case should be re-opened at an examiner hearing in December, 2000, at which time the operators in the North Hardy-Strawn Pool should be prepared to appear and present evidence and testimony to support the continuation of the special pool rules on a permanent basis.

IT IS THEREFORE ORDERED THAT:

(1) The application of Conoco Inc. for the creation of a new pool for the production of oil from the Strawn formation comprising the NE/4 of Section 36, Township 20 South, Range 37 East, NMPM, Lea County, New Mexico, is hereby dismissed.

(2) The application of Conoco Inc. for the assignment of a bonus discovery allowable for its Hardy "36" State Well No. 26 (API No. 30-025-34311), located 870 feet from the North line and 1650 feet from the East line (Unit B) of Section 36, in the amount of 37,825 barrels of oil is hereby dismissed.

(3) Pursuant to the application of Conoco Inc., special pool rules for the North Hardy-Strawn Pool are hereby adopted as follows:

**TEMPORARY SPECIAL POOL RULES FOR THE
NORTH HARDY-STRAWN POOL**

Rule 1. Each well completed in or recompleted in the North Hardy-Strawn Pool or in the Strawn formation within one mile thereof, and not nearer to or within the limits of another designated Strawn pool, shall be spaced, drilled, operated, and produced in accordance with these Rules.

Rule 2. Each well completed in or recompleted in the North Hardy-Strawn Pool shall be located on a standard unit containing 160 acres, more or less, substantially in the form of a square which is a governmental quarter section and a legal subdivision of the United States Public Lands Survey.

Rule 3. The Director may grant an exception to the requirements of Rule 2 without hearing when an application has been duly filed under the provisions of **Division Rule 104.D.(2)**.

Rule 4. Each well shall be located no closer than 660 feet to the outer boundary of the spacing unit nor closer than 330 feet to any quarter-quarter section line or subdivision inner boundary.

Rule 5. The Director may grant an exception to the requirements of Rule 4 without hearing when an application has been duly filed under the provisions of **Division Rule No. 104.F**.

Rule 6. The allowable for a standard proration unit (158 through 162 acres) shall be based on a special depth bracket allowable of 600 barrels of oil per day, and in the event there is more than one well on a 160-acre proration unit, the operator may produce the allowable assigned to the unit from the wells on the unit in any proportion. The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 160 acres.

Note: *These rules will expire in December 2000, unless evidence is presented at a hearing at that time supporting their continuation on a permanent basis.*

IT IS FURTHER ORDERED THAT:

(1) The location of any well presently drilling to or completed in the North Hardy-Strawn Pool or in the Strawn formation within one mile thereof is hereby approved. The operator of any well having an unorthodox location shall notify the Division's Hobbs District Office in writing of the name and location of the well within 20 days from the date of this order.

(2) Existing oil wells in the North Hardy-Strawn Pool shall have dedicated thereto 160 acres in accordance with the foregoing pool rules, or may have non-standard spacing or proration units established by the Division and dedicated thereto.

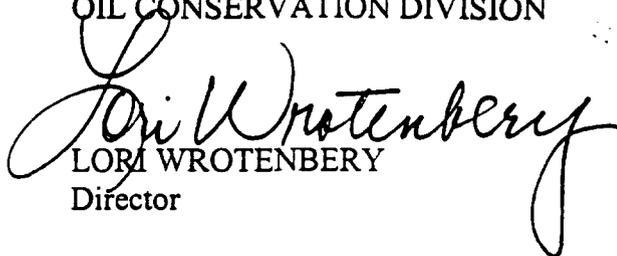
Failure to file new Forms C-102 with the Division dedicating 160 acres to a well or to obtain a non-standard unit approved by the Division within 60 days from the date of this order shall subject the well to cancellation of allowable.

(3) This case shall be re-opened at an examiner hearing in December, 2000, at which time the operators in the North Hardy-Strawn Pool should be prepared to appear and present evidence to support the continuation of the special pool rules on a permanent basis.

(4) Jurisdiction is hereby 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


LORI WROTENBERY
Director



S E A L