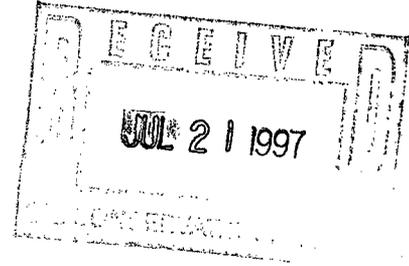




8/11/97

Mid-Continent Region
Exploration/Production

Conoco Inc.
10 Desta Drive, Suite 100W
Midland, TX 79705-4500
(915) 686-5400



July 17, 1997

Mr. Michael Stogner
New Mexico Oil Conservation Division
2040 S. Pacheco
Santa Fe, New Mexico 87504

RE: Application for Approval of a Non-Standard Location
for the Proposed Lockhart B-1 No. 10 Well, located
at 1980' FNL & 1550' FWL, Sec. 1, T-22S, R-36E

Dear Mr. Stogner:

ATTACHMENT A shows a current 280-acre Eumont gas proration unit dedicated to Eumont gas production from the Lockhart B-1 Wells No. 4 and No. 9 as approved by Administrative Order NSP-1711(SD)(L). It also identifies the location of the proposed new well No. 10 to be simultaneously dedicated to this unit and offset Eumont completions and operators.

The 80-acre western extension of this proration unit, consisting of the S/2 NW/4 of Section 1, does not currently have a Eumont gas completion and is not protected from drainage by offset Eumont wells to the north and west. Therefore, Conoco proposes to drill a new well on this 80 acre portion of the 280-acre proration unit for the purpose of recovering additional reserves from this area and protecting this lease from offset drainage.

Due to the unusual shape of this proration unit and the spacing setbacks required by the Eumont Gas Pool Rules, the only standard drilling locations on this 80-acre tract appear to lie on a line located 1980' FNL and ranging from 1650' to 2310' FWL or at a literal point located 1980' FNL & 990' FWL. Since this is a heavily oil and gas developed area, it should not be surprising that within these narrow limits that it would be difficult to find a standard drilling location.

Drainage considerations of offset existing Eumont completions and the recovery of new additional reserves were important in choosing a location. In trying to located the new well somewhat equidistant from the drainage areas of the existing wells we were limited to the 660 foot line from 1650' to 2310' FWL and 1980' FNL.

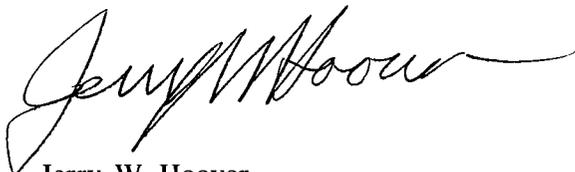
ATTACHMENT B shows the proposed location for Well No. 10 (the star) and other wells, roads, and powerlines near or crossing this 660 foot standard drilling "line". The two wells are deeper completions in the Chevron-operated Arrowhead Grayburg Waterflood Unit.

A location to the east of Chevron's Well No. 159 would be too close to Conoco's current Eumont completion No. 4 as shown in ATTACHMENT A. Moving to the west side of Chevron's No. 159, we find a road and a powerline crossing through the remaining potential standard location "line". Moving far enough to the west to avoid these surface obstructions put the location at 1550' FWL and caused the location to be less than 330 feet from the quarter-quarter line which is 1320' FWL.

Conoco believes that a well at this location is important to the efficient recovery of Eumont gas reserves and to the protection of the correlative rights of the interest owners in the Lockhart B-1 lease. Therefore, approval of this non-standard location and simultaneous dedication of Well Nos. 10, 4, and 9 are requested.

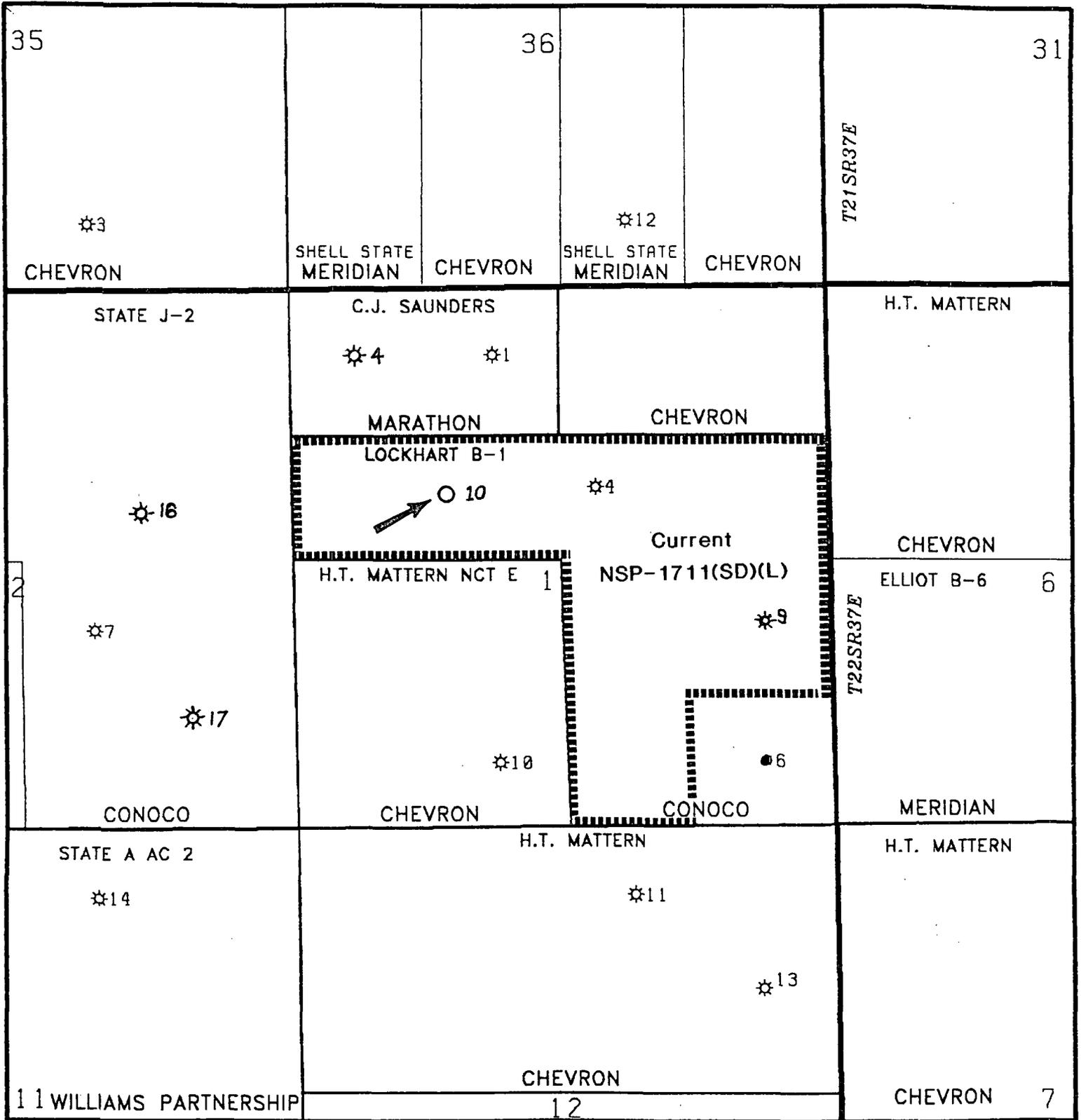
If there are any further questions concerning this application please call me at (915) 686-6548.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Jerry W. Hoover". The signature is written in dark ink and is positioned above the typed name.

Jerry W. Hoover
Sr. Conservation Coordinator

cc: Oil Conservation Division - Hobbs



0 1000 2000 FEET

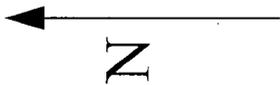
MAP LEGEND

☼ EUMONT

○ GAS WELL

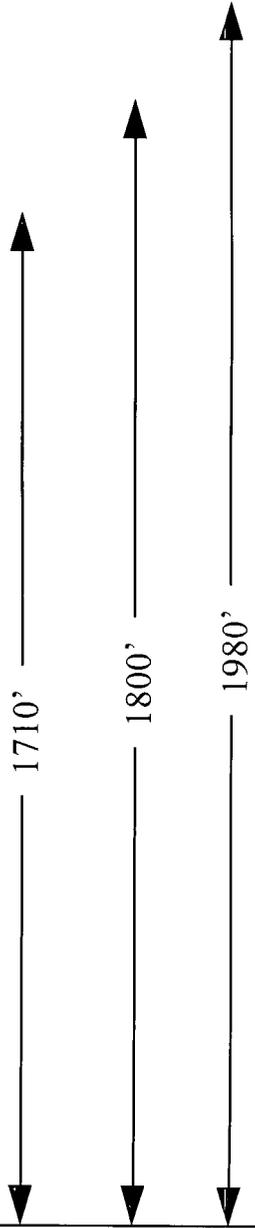


MIDLAND DIVISION											
HOBBS DU											
EUMONT	BASEMAP										
LOCKHART B-1 LEASE											
LEA COUNTY, NEW MEXICO											
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Section 2

Section 1



Blacktop Road

Dirt Road

Powerlines

Proposed Location

Arrowhead Grayburg Unit 158

Arrowhead Grayburg Unit 159



1980' fml 660' fwl

1980' fml 1550' fwl

1980' fml 1980' fwl

State of New Mexico
ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT
Santa Fe, New Mexico 87505



OIL CONSERVATION DIVISION



January 26, 1995

Conoco, Inc.
10 Desta Drive, Suite 100W
Midland, TX 79705-4500

Attention: Jerry Hoover

Administrative Order NSP-1711(SD)(L)

Dear Mr. Hoover:

Reference is made to your application dated August 11, 1994 to reduce the acreage of the existing 320-acre non-standard gas spacing and proration unit ("GPU") in the Eumont Gas Pool comprising the S/2 N/2 and SE/4 of Section 1, Township 22 South, Range 36 East, NMPM, Lea County, New Mexico, which was approved by Division Order No. R-3907, dated January 14, 1970, by omitting the 40 acres comprising the SE/4 SE/4 (Unit P) of said Section 1 from said GPU. Said Order No. R-3907 further authorized the simultaneous dedication of the 320-acre unit to the Lockhart "B-1" Well No. 4 (API No. 30-025-08725), located 1980 feet from the North line and 2310 feet from the East line (Unit G) of said Section 1 and the Lockhart "B-1" Well No. 6 (API No. 30-025-08722), located 660 feet from the South and East lines (Unit P) of said Section 1.

It is our understanding that such reduction of acreage is necessary due to the re-classification of the Lockhart "B-1" Well No. 6 as a Eumont oil completion.

By authority granted me under the provisions of Rule 2(a)4 of the Special Rules and Regulations for the Eumont Gas Pool, as promulgated by Division Order No. R-8170, as amended, the following described 280-acre non-standard gas spacing and proration unit is hereby approved:

LEA COUNTY, NEW MEXICO
TOWNSHIP 22 SOUTH, RANGE 36 EAST, NMPM
Section 1: S/2 N/2, N/2 SE/4, and SW/4 SE/4

VILLAGRA BUILDING - 408 Gallisteo
Forestry and Resources Conservation Division
P.O. Box 1948 87504-1948
827-5830
Park and Recreation Division
P.O. Box 1147 87504-1147
827-7485

2040 South Pacheco
Office of the Secretary
827-5950
Administrative Services
827-5925
Energy Conservation & Management
827-5900
Mining and Minerals
827-5970
Oil Conservation
827-7131

Administrative Order NSP-1711(SD)(L)

Conoco, Inc.

January 26, 1995

Page 2

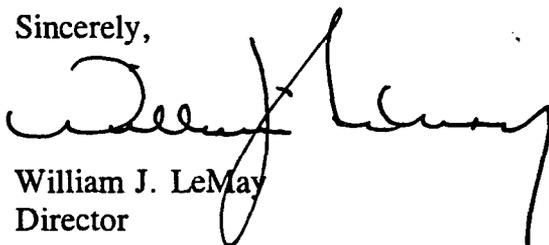
The subject application also contained a concurrent request for a second well, located at an unorthodox gas well location, to be simultaneously dedicated to this newly formed 280-acre non-standard gas spacing and proration unit. It is our understanding that the Lockhart "B-1" Well No. 9 (API No. 30-025-24529), located 1980 feet from the South line and 660 feet from the East line (Unit I) of said Section 1, is currently a dually completed Blinebry and Drinkard oil well; however, said well will be recompleted into the Eumont Gas Pool upon issuance of this order.

By authority granted me under the provisions of Rule 2(c) of said special Eumont Gas Pool rules the above-described Lockhart "B-1" Well No. 9, located at an unorthodox Eumont gas well location for the subject 280-acre unit, is hereby approved.

Also, Conoco is hereby authorized to simultaneously dedicate Eumont Gas production from the Lockhart "B-1" Well No. 4 with the Lockhart "B-1" Well No. 9. Furthermore, you are hereby permitted to produce the allowable assigned the subject GPU from both wells in any proportion.

It is further ordered that any provisions of said Order No. R-3907 not pertinent to the immediate administrative order shall be placed in abeyance until further notice.

Sincerely,



William J. LeMay
Director

WJL/MES/kv

cc: Oil Conservation Division - Hobbs
US Bureau of Land Management - Carlsbad

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 4292
Order No. R-3907

APPLICATION OF CONTINENTAL OIL COMPANY
FOR A NON-STANDARD GAS PRORATION UNIT,
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on January 7, 1970, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 14th day of January, 1970, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Continental Oil Company, is the co-owner and operator of the Lockhart B-1 Lease consisting of the S/2 N/2 and SE/4 of Section 1, Township 22 South, Range 36 East, NMPM, Lea County, New Mexico.

(3) That by Administrative Order NSP-572, the Commission approved a 240-acre non-standard gas proration unit in the Eumont Gas Pool consisting of the S/2 N/2 and N/2 SE/4 of said Section 1 to be dedicated to the applicant's Lockhart B-1 Well No. 4, located in Unit G of said Section 1; and that by Administrative Order NSP-573, the Commission approved an 80-acre non-standard gas proration unit in the Eumont Gas Pool consisting of the S/2 SE/4 of said Section 1 to be dedicated to the applicant's Lockhart B-1 Well No. 6, located in Unit P of said Section 1.

(4) That the applicant now seeks the consolidation of the two existing non-standard gas proration units to form one 320-acre non-standard gas proration unit in the Eumont Gas Pool comprising the S/2 N/2 and SE/4 of said Section 1, to be simultaneously dedicated to the aforesaid Lockhart B-1 Wells Nos. 4 and 6.

(5) That the applicant further seeks authority to produce the allowable assigned to the unit from either of the aforesaid wells in any proportion.

(6) That the proposed non-standard gas proration unit can be efficiently and economically drained and developed by the aforesaid Lockhart B-1 Wells Nos. 4 and 6.

(7) That approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the Eumont Gas Pool, will prevent the economic loss caused by the drilling of unnecessary wells, will avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

(8) That Administrative Orders NSP-572 and NSP-573 should be superseded.

IT IS THEREFORE ORDERED:

(1) That, effective February 1, 1970, a 320-acre non-standard gas proration unit in the Eumont Gas Pool comprising the S/2 N/2 and the SE/4 of Section 1, Township 22 South, Range 36 East, NMPM, Lea County, New Mexico, is hereby established and simultaneously dedicated to the Continental Oil Company Lockhart B-1 Well No. 4, located in Unit G of said Section 1, and the Continental Oil Company Lockhart B-1 Well No. 6, located in Unit P of said Section 1.

(2) That the allowable assigned to the above-described non-standard gas proration unit shall be based upon the unit size of 320 acres; that the operator may produce the allowable assigned to the unit from the subject wells in any proportion; that the status of said consolidated unit shall be the combined status, as of January 31, 1970, of the two units being consolidated.

(3) That Administrative Orders NSP-572 and NSP-573 are hereby superseded.

-3-

CASE No. 4292

Order No. R-3907

(4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

DAVID F. CARGO, Chairman

ALEX J. ARMIJO, Member

A. L. PORTER, Jr., Member & Secretary

S E A L

esr/