AMEND PC 9/4/97

CONOCO

Mid-Continent Region
Exploration/Production

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

August 13, 1997

Mr. William J. LeMay
State of New Mexico
Oil Conservation Division
2040 S. Pacheco
Santa Fe, NM 87504

Re: Amendment of Commingling Order PC-916
for the commingling of Simpson, Tubb-Drin`kard,
and Strawn production on the Hardy 36 State Lease
Located in Sec. 36, T-20S, R-37E, Lea County

Dear Mr. LeMay:

Commingling Order PC-916 currently provides for surface commingling of production from the Hardy Simpson and the North Hardy Tubb-Drinkard Pools in a common tank battery located in Unit K of the Hardy 36 State Lease. Conoco requests that this order be amended to allow for South Cass Strawn production from this lease to also be commingled with Simpson and Tubb-Drinkard production in this battery. All three of these small pools are defined by a small local structural high and are primarily confined to Section 36.

This 600-acre lease is outlined on EXHIBIT A which also shows the currently producing wells and the formations from which they are producing. EXHIBIT B is a plat of Section 36 showing not only the current producers but proposed future development wells for the lease. Approval is being requested for the commingling of these pools from all current and future wells on the Hardy 36 State Lease. EXHIBIT C is a table showing the well names, pool names, and locations for both current and proposed wells.

The current Order PC-916 specifies that the Hardy Simpson Ellenburger production will be metered and the North Hardy Tubb-Drinkard production determined by subtraction. Separate application has been made to downhole commingle the new Strawn production with the Simpson. Therefore, the combined Simpson/Strawn stream will still be separately metered with the split for these two pools determined by the allocation method approved by the downhole commingling application. The Tubb-Drinkard production will still be determined by subtraction of the metered stream from the total.

EXHIBIT D is a table of production data, oil gravities, prices, and revenue. This table shows that mixing the three crudes does not result in any loss in revenue. Since all working and royalty interests are common throughout this lease it will be to the benefit of all parties to operate this lease more efficiently by reducing the amount of equipment and maintenance required to handle each pool separately.

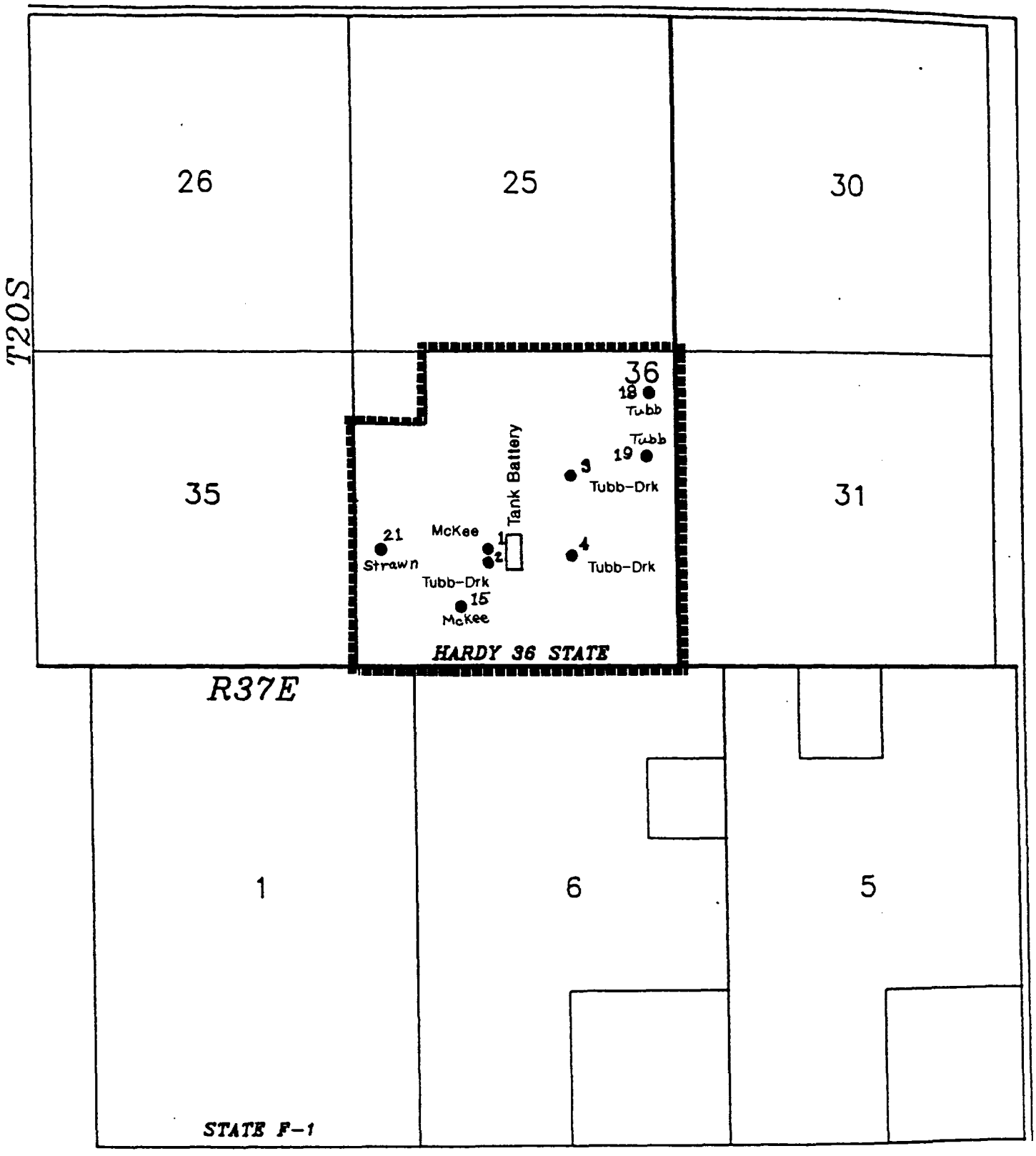
Conoco owns 100% of the working interest in this lease and the State of New Mexico owns all of the royalties. Therefore, there are no other parties to be notified of this application.

The attached battery diagram, EXHIBIT E, is an accurate schematic of the proposed commingled facility.

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

Very truly yours,

Jerry W. Hoover
Sr. Conservation Coordinator



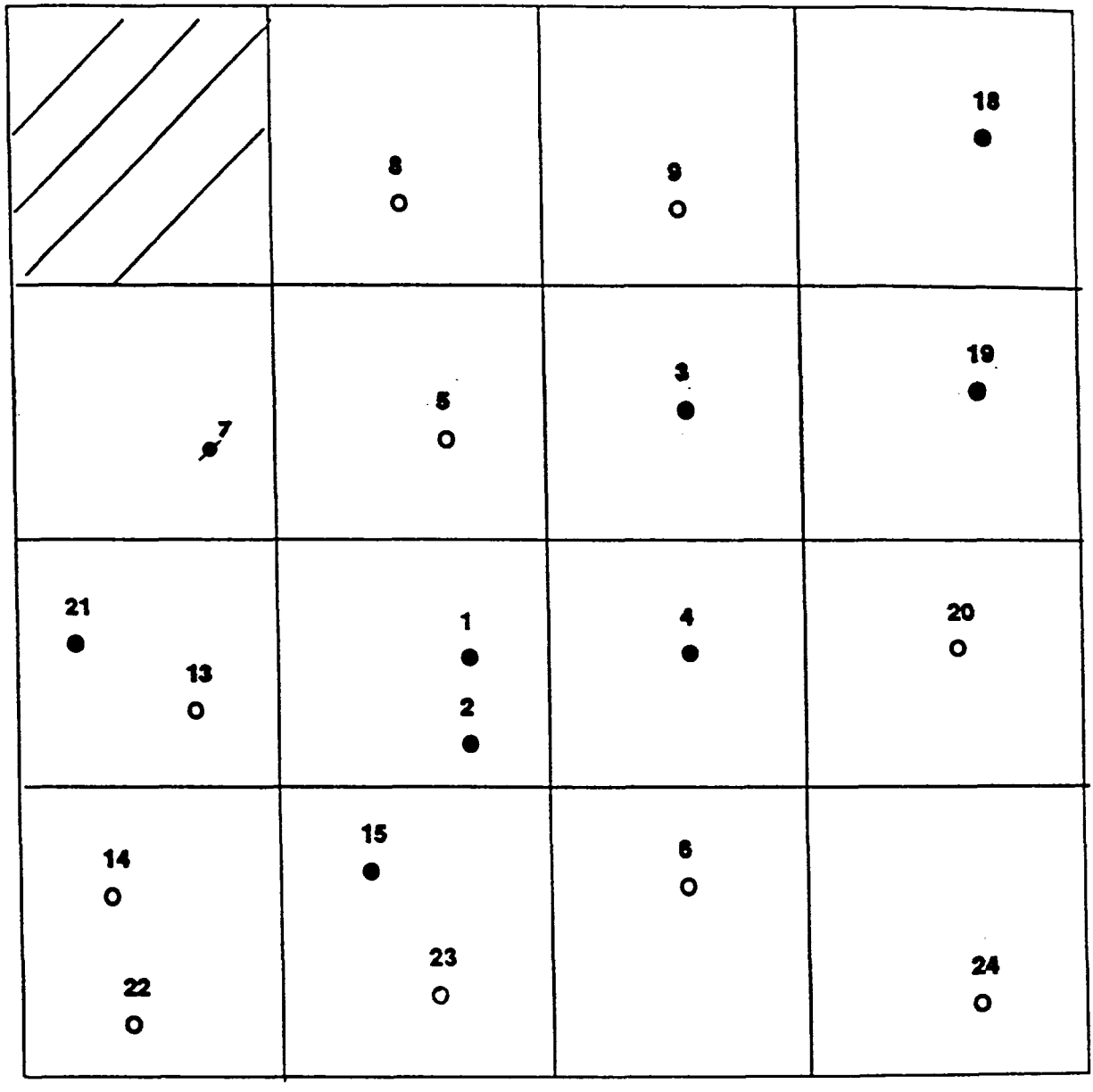
Hardy 36 State Lease

Current Producing Wells

CONOCO INC.
PRODUCTION DEPARTMENT
HARDY 36 STATE LEASE
LEA COUNTY, NEW MEXICO
SCALE: 1" = 2000' DATE: 10/4/94

EXHIBIT A

Hardy 36 State Lease



● Current Producers

○ Proposed Producers

EXHIBIT B

APPLICATION TO SURFACE COMMIMGLE
HARDY 36 STATE TUBB/DRINKARD AND SIMPSON-ELLENBURGER W/STRAWN

HARDY 36 SIMPSON-ELLENBURGER PRODUCTION

WELL NAME (CURRENT)	POOL NAME	LOCATION
Hardy 36 State #1	Hardy Simp/Ell.	Unit k, Sec.36, T20S, R37E
Hardy 36 State #15	Hardy Simp/Ell.	Unit N, Sec.36, T20S, R37E

WELL NAME (FUTURE)	POOL NAME	LOCATION
Hardy 36 State #22	Hardy Simp/Ell.	Unit M, Sec.36, T20S, R37E
Hardy 36 State #23	Hardy Simp/Ell.	Unit N, Sec.36, T20S, R37E

HARDY 36 STRAWN PRODUCTION

WELL NAME (PROPOSED)		
Hardy 36 state #21	SO. Cass Strawn	Unit L, Sec.36, T20S, R37E

HARDY 36 TUBB/DRINKARD PRODUCTION

WELL NAME (CURRENT)	POOL NAME	LOCATION
Hardy 36 State #2	North Hardy TD	Unit K, Sec.36, T20S, R37E
Hardy 36 State #3	North Hardy TD	Unit G, Sec.36, T20S, R37E
Hardy 36 State #4	North Hardy TD	Unit J, Sec.36, T20S, R37E
Hardy 36 State #18	North Hardy TD	Unit A, Sec.36, T20S, R37E
Hardy 36 State #19	North Hardy TD	Unit H, Sec.36, T20S, R37E

WELL NAME (FUTURE)	POOL NAME	LOCATION
Hardy 36 State #5	North Hardy TD	Unit F, Sec.36, T20S, R37E
Hardy 36 State #6	North Hardy TD	Unit O, Sec.36, T20S, R37E
Hardy 36 State #8	North Hardy TD	Unit C, Sec.36, T20S, R37E
Hardy 36 State #9	North Hardy TD	Unit B, Sec.36, T20S, R37E
Hardy 36 State #13	North Hardy TD	Unit L, Sec.36, T20S, R37E
Hardy 36 State #14	North Hardy TD	Unit M, Sec.36, T20S, R37E
Hardy 36 State #20	North Hardy TD	Unit I, Sec.36, T20S, R37E
Hardy 36 State #24	North Hardy TD	Unit P, Sec.36, T20S, R37E

EXHIBIT C

APPLICATION TO SURFACE COMMINGLE
HARDY 36 STATE TUBB/DRINKARD AND SIMPSON-ELLENBURGER W/STRAWN

HARDY SIMPSON/MCKEE-ELLENBURGER

WELL NAME	ZONE	MCFGPD	BOPD	API (Corrected)	$ Per Bo	Revenue/Day
Hardy 36 STATE #1	Simp./Ell	104	102	42.5	17.50	$1,785.00
Hardy 36 STATE #15	Simp./Ell	18	12	42.5	17.50	$210.00
Hardy 36 STATE #22	Simp./Ell	Proposed	NA	42.5	17.50	$0.00
Hardy 36 STATE #23	Simp./Ell	Proposed	NA	42.5	17.50	$0.00
Total		122	114	42.5	17.50	$1,995.00

NORTH HARDY TUBB/DRINKARD

Well Name	ZONE	MCFGPD	BOPD	API (Corrected)	$ Per Bo	Revenue/Day
Hardy 36 STATE #2	TD	1315	34	42.5	17.50	$595.00
Hardy 36 STATE #3	TD	340	126	42.5	17.50	$2,205.00
Hardy 36 STATE #4	TD	1435	112	42.5	17.50	$1,960.00
Hardy 36 STATE #18	TD	210	19	42.5	17.50	$332.50
Hardy 36 STATE #19	TD	80	11	42.5	17.50	$192.50
Hardy 36 STATE #20	TD	Proposed	NA	42.5	17.50	
Hardy 36 STATE #24	TD	Proposed	NA	42.5	17.50	
Hardy 36 STATE #5	TD	Proposed	NA	42.5	17.50	
Hardy 36 STATE #6	TD	Proposed	NA	42.5	17.50	
Hardy 36 STATE #8	TD	Proposed	NA	42.5	17.50	
Hardy 36 STATE #9	TD	Proposed	NA	42.5	17.50	
Hardy 36 STATE #13	TD	Proposed	NA	42.5	17.50	
Hardy 36 STATE #14	TD	Proposed	NA	42.5	17.50	
Total		3380	302	42.5	17.50	$5,285.00

HARDY SOUTH CASS STRAWN

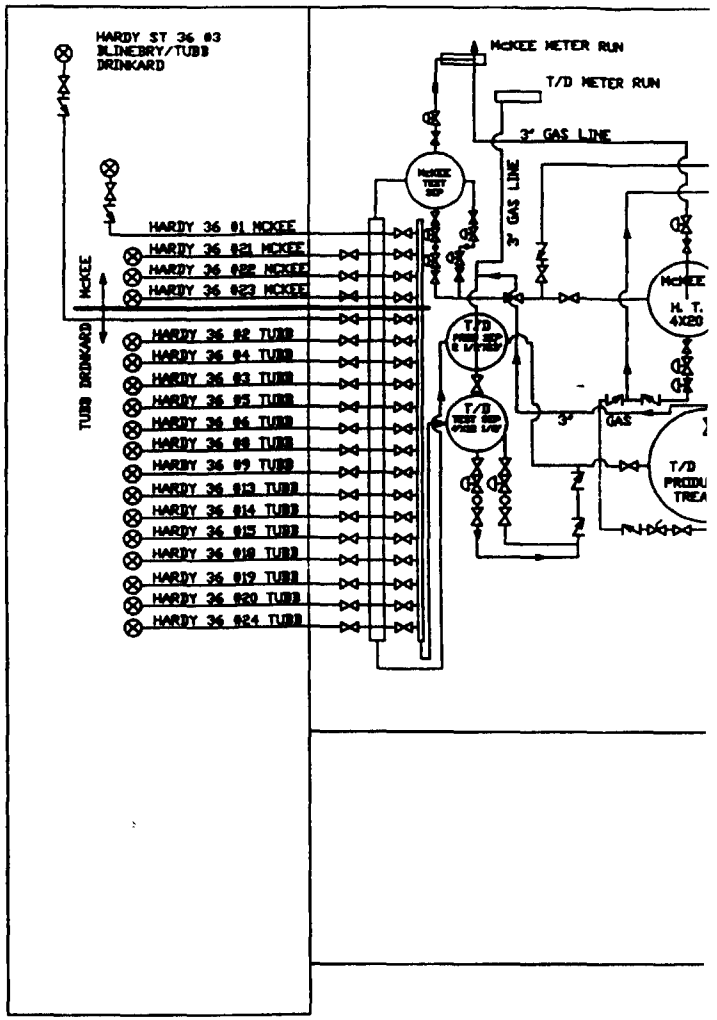
Hardy 36 STATE #21	Strawn	Proposed	187*	39.2	17.50	$3,272.50

COMBINED HARDY 36 STATE STRAWN /TUBB/DRINKARD W/SIMPSON-ELLENBURGER

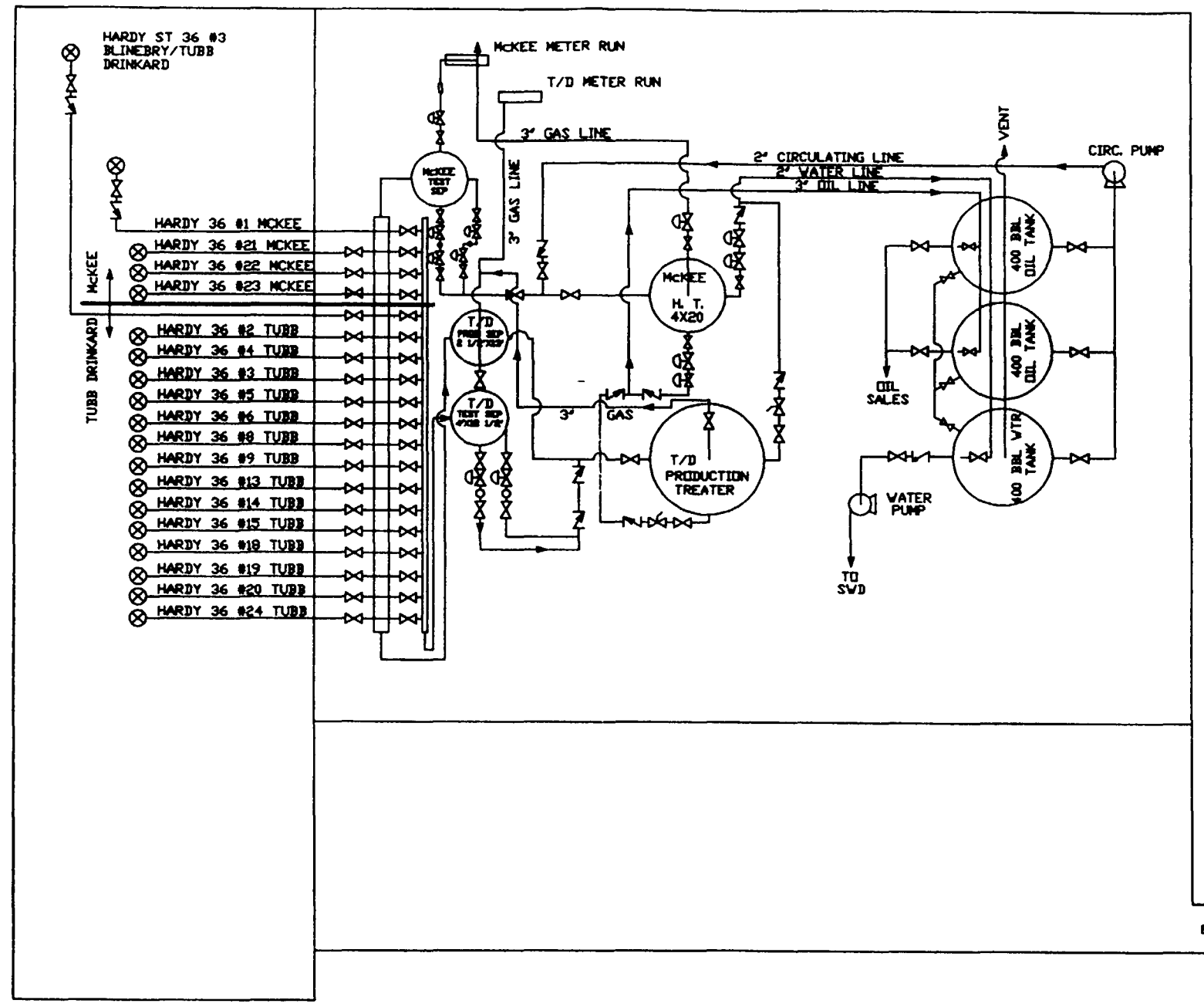
Production		MCFGPD	BOPD	API (Corrected)	$ Per Bo	Revenue/Day
Total		3502	416	41.5	17.50	$10,552.50

*Hardy 36 State #21 production volume is an estimate.

EXHIBIT D



PIPING LEGEND		VALVE LEGEND: POSITION/MODE	REVISIONS	
—— GAS	THIS FACILITY IS IN COMPLIANCE WITH CONOCO INC. MIDLAND DIVISION SITE SECURITY PLAN. PLAN LOCATED AT:	1. CLOSE/SALE	NO.	DESCRIPTION
—— OIL		2. OPEN/SALE	1	DIFFERENCE
-- WATER		3. CLOSED/PRODUCTION		
—— CIRCULATING	CONOCO INC. OFFICE 10 DESTA DRIVE WEST MIDLAND, TEXAS 79705	4. OPEN/PRODUCTION		
—— MIXTURE LINE\VESSEL				
—— VAPOR RECOVERY				
—— EXTRA				



PIPING LEGEND
GAS
OIL
WATER
CIRCULATING
MIXTURE LINE\VESSEL
VAPOR RECOVERY
EXTRA

THIS FACILITY IS IN COMPLIANCE WITH CONOCO INC. MIDLAND DIVISION SITE SECURITY PLAN.
PLAN LOCATED AT:

CONOCO INC. OFFICE
10 DESTA DRIVE WEST
MIDLAND, TEXAS 79705

VALVE LEGEND: POSITION/MODE
1. CLOSE/SALE
2. OPEN/SALE
3. CLOSED/PRODUCTION
4. OPEN/PRODUCTION

REVISIONS				REVISIONS			
NO.	DESCRIPTION	DATE	BY	NO.	DESCRIPTION	DATE	BY
1	DIFFERENCE	00/00	IN.				

DATE: AUGUST 7, 1995
DRAWN BY: FRANCIS MARTIN
DESIGN BY: DOUG DIETRICH
CHECKED BY: SAME
APPROVED BY:SAME
SCALE: NOT TO SCALE

conoco EPNGNA MIDLAND DIVISION

HARDY 36 STATE TK.BTRY.
LEA COUNTY, NEW MEXICO
UNIT K-36-T20S-R37E

FED. LEASE NO: -------
DRAWING NO. TB1816A

EXHIBIT E