



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

September 19, 2000

Lori Wrotenbery
Director
Oil Conservation Division

Conoco, Inc.
P. O. Box 2197 - DU3066
Houston, Texas 77252
Attention: Deborah Marberry

Administrative Order NSL-4508

Dear Ms. Marberry:

Reference is made to the following: (i) your initial application dated July 26, 2000; (ii) the New Mexico Oil Conservation Division's ("Division") response by letter dated August 1, 2000 from Mr. Michael E. Stogner, Engineer in Santa Fe; (iii) Conoco, Inc.'s response by letter from Ms. Jennifer A. Barber, Senior Landman dated September 5, 2000 to amend this application; and (iv) the records of the Division in Aztec and Santa Fe: all concerning Conoco, Inc.'s request to drill the proposed San Juan "28-7" Unit Well No. 270 at an unorthodox Pictured Cliffs gas well location 2580 feet from the South line and 275 feet from the East line (Unit I) of Section 3, Township 27 North, Range 7 West, NMPM, Rio Arriba County, New Mexico. The SE/4 of Section 3 is to be dedicated to the well in order to form a standard 160-acre gas spacing and proration unit for the South Blanco-Pictured Cliffs Pool.

This application has been duly filed under the provisions of: (i) Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999; (ii) Division Rule 605; and (iii) the "*Special Rules and Regulations for the South Blanco-Pictured Cliffs Pool*", as promulgated by Division Order No. R-10987, issued in Case No. 11705 on May 7, 1998.

The geologic interpretation submitted with this application indicates that a well drilled at the proposed unorthodox gas well location will be at a more favorable geologic position within the potentially gas productive interval of the Pictured Cliffs formation than a well drilled at a location considered to be standard within the subject 160-acre gas spacing and proration unit.

Further, all surrounding quarter sections to the SE/4 of Section 3 are within the participating area for Pictured Cliffs production in the San Juan "28-7" Unit; therefore, at this time, the correlative rights of those mineral interest owners within the W/2 equivalent of Section 2, Township 27 North, Range 7 West, NMPM, Rio Arriba County, New Mexico appear to be adequately protected by the San Juan "28-7" Unit Agreement.

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By the authority granted me under the provisions of Division Rule 104.F (2), as revised, Division Rule 605.B (2) (b), and the applicable provisions of the special pool rules governing the South Blanco-Pictured Cliffs Pool, the above-described unorthodox gas well location is hereby approved.

Sincerely,

A handwritten signature in black ink, appearing to read "Lori Wrottenbery" followed by a stylized set of initials "LW".

Lori Wrottenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Aztec
U. S. Bureau of Land Management - Farmington
New Mexico State Land Office - Santa Fe
Mr. W. Thomas Kellahin, Legal Counsel for Conoco, Inc. - Santa Fe
Ms. Jennifer A. Barber, Conoco, Inc. - Houston
Ms. Yolanda Perez, Conoco, Inc. - Houston