



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

January 26, 2001

Lori Wrotenberg
Director
Oil Conservation Division

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

Telefax No. (915) 686-5780

Administrative Order NSL-4430-A (NSBHL)

Dear Ms. Maddox:

Reference is made to the following: (i) your application dated October 5, 2000; (ii) the records of the New Mexico Oil Conservation Division in Santa Fe ("Division"), including the file on Division Administrative Order NSL-4430, dated April 5, 2000; and (iii) the record in Division Cases No. 12182 and 12532: all concerning Conoco, Inc.'s request for exception to Division Rules 111.A (13) and 111.C (2) and 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 and dated July 12, 1999.

The Division Director Finds That:

- (1) The subject application has been duly filed under the provisions of Division Rules 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, and 111.C (2) and the applicable provisions of the special rules governing the North Hardy-Strawn Pool;
- (2) By Order No. R-11183 issued in Case No. 12184, dated May 19, 1999 and made effective June 1, 1999, the Division created and defined the North Hardy-Strawn Pool for the production of oil from the Strawn formation. The horizontal limits for this pool, as currently designated, include the following lands in Lea County, New Mexico:

TOWNSHIP 20 SOUTH, RANGE 37 EAST, NMPM

Section 36: NE/4

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM

Section 30: SW/4

Section 31: W/2;

- (3) The special rules governing the North Hardy-Strawn Pool provides for 160-acre oil

spacing and proration units and requires wells be located no closer than 660 feet to any outer boundary of such unit and no closer than 330 feet to any quarter-quarter section or subdivision inner boundary;

- (4) The "project area" proposed by Conoco, Inc. is to consist of a single standard 160-acre oil spacing and proration unit comprising the SE/4 of Section 36, Township 20 South, Range 37 East, NMPM, Lea County, New Mexico;
- (5) It is our understanding that Conoco, Inc. initially drilled the Hardy "36" State Well No. 27 (**API No. 30-025-34794**) at an unorthodox oil well location (approved by Division Administrative Order NSL-4430) 2200 feet from the South line and 1650 feet from the East line (Unit J) of Section 36 to a depth of 7,907 feet in March, 2000;
- (6) It is further understood that after extensive evaluation of this well's completion in the Strawn interval (7,627 feet to 7,724 feet), Conoco, Inc. now intends to recomplete this well by plugging back to an approximate depth of 7,500 feet, kick-off in a east-southeasterly direction, built angle to approximately 90 degrees, continue drilling horizontally a distance of 1,000 feet;
- (7) The targeted end or bottom-hole location of this drainhole is proposed to be within the NE/4 SE/4 (Unit I) of Section 36 at a point that is approximately 1900 feet from the South line and 700 feet from the East line of Section 36;
- (8) Such recompletion of this well in the above-described manner should serve to efficiently access those reserves found by the Hardy "36" State Well No. 27's original completion and has a potential to develop additional reserves not currently accessible with the vertical completion;
- (9) It appears that the applicant has satisfied all of the appropriate requirements prescribed in Division Rules 111.C (2) and 104.F and RULE 5 of the special pool rules; therefore the subject application should be approved; and
- (10) The provisions contained within this order and all other applicable provisions of Division Rule 111 and Division Order No. R-11221 should govern the subject 160-acre oil spacing and proration unit.

It Is Therefore Ordered That:

(1) By the authority granted me under the provisions of Division Rule 104.F (2) and RULE 5 of the "*Special Rules and Regulations for the North Hardy-Strawn Pool*," as promulgated by Division Order No. R-11221, the above-described application of Conoco, Inc. for exception to Division Rules 111.A (13) and 111.C (2) and RULE 4 of the special pool rules, is hereby approved. Conoco, Inc. is further authorized to recompleat its existing Hardy "36" State Well No. 27 (**API No. 30-025-34794**) located on the surface at an unorthodox oil well location (approved by Division Administrative Order NSL-4430) 2200 feet from the South line and 1650 feet from the East line (Unit J) of Section 36, Township 20 South, Range 37 East, NMPM, Lea County, New Mexico, by plugging the existing completion interval back to an approximate depth of 7,500 feet, kick-off in a east-southeasterly direction, built angle to approximately 90 degrees, continue drilling horizontally a distance of 1,000 feet to a targeted bottom-hole location within the NE/4 SE/4 (Unit I) of Section 36 at a point that is approximately 1900 feet from the South line and 700 feet from the East line of Section 36.

(2) The "project area" for this well shall consist of a single standard 160-acre oil spacing and proration unit comprising the SE/4 of Section 36.

(3) The applicable drilling window or producing area within the North Hardy-Strawn Pool for this wellbore shall include that area within the subject 160-acre oil spacing and proration unit that is:

(a) no closer than the normal set-back requirement of 660 feet to the eastern, southern, and western boundaries of the subject 160-acre tract; and

(b) no closer than 440 feet to the northern boundary of this unit.

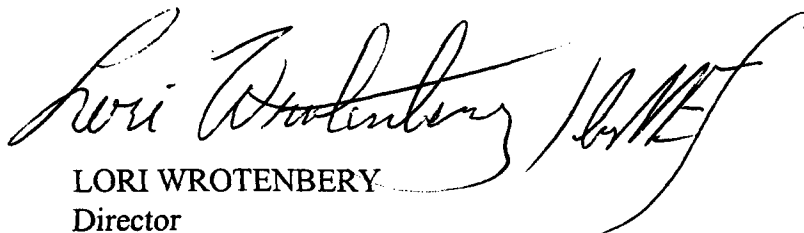
(4) The operator shall comply with all applicable requirements and conditions set forth in Division Rule 111 and Division Order No. R-11221.

(5) This order shall supersede the provisions of Division Administrative Order NSL-4430, dated April 5, 2000.

(6) Jurisdiction of this case is 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

LW/MES/kv

cc: New Mexico Oil Conservation Division - Hobbs
New Mexico State Land Office - Santa Fe
File: Case No. 12182
Case No. 12532
W. Thomas Kellahin, Legal Counsel for Conoco, Inc. - Santa Fe