



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

BETTY RIVERA

Cabinet Secretary

June 28, 2002

Lori Wrotenbery

Director

Oil Conservation Division

Conoco, Inc.

10 Desta Drive - Suite 100W

Midland, Texas 79705

Attention: Kay Maddox

m-kay.Maddox@USA.Conoco.com

Telefax No. (915) 686-5780

Administrative Order NSL-4413-A (SD)

Dear Ms. Maddox:

Reference is made to the following: (i) your original application (*application reference No. pKRV0-214127374*) that was submitted to the New Mexico Oil Conservation Division ("Division") on May 20, 2002; (ii) the Division's initial response by letter dated June 17, 2002 from Mr. Michael E. Stogner, Engineer/Chief Hearing Officer in Santa Fe **denying** this application; (iii) your telephone conversations with Mr. Stogner on Wednesday, June 26, 2002, Thursday, June 27, 2002, and Friday morning, June 28, 2002; (iv) your re-submittal of this application to the Division by e-mail on June 26, 2002; (v) the supplemental data furnished the Division on June 27, 2002 to support this refilling; and (vi) the Division's records in Santa Fe, including the file on Division Administrative Order NSL-4413: all concerning Conoco, Inc.'s request for:

- (A) either an unorthodox gas or oil well location in the Undesignated Blinebry Oil and Gas Pool (72480);
- (B) an unorthodox oil well location in the Undesignated North Hardy Tubb-Drinkard Pool (96356); and
- (C) an unorthodox infill oil well location in the Undesignated North Hardy-Strawn Pool (96893).

It is our understanding that Conoco, Inc. is proposing to drill its SEMU Well No. 167 down to a depth sufficient to test the Strawn interval, being the primary zone of interest for this well, with the Tubb/Drinkard and Blinebry intervals being secondary should the Strawn be unproductive. The proposed location, being 2250 feet from the North line and 1530 feet from the East line (Unit G) of Section 25, Township 20 South, Range 37 East, NMPM, Lea County, New Mexico, is considered to be unorthodox for all three zones.

This location is within one mile of the Blinebry Oil and Gas Pool and is therefore subject to the "*Special Rules and Regulations for the Blinebry Oil and Gas Pool*," as promulgated by Division

Order No. R-8170, as amended, which provides for (i) oil wells to be spaced on 40-acre tracts with (oil) wells to be located no closer than 330 feet from the outer boundary of the proration unit; and (ii) gas wells to be spaced on 160-acre tracts comprising a quarter section with (gas) wells to be located no closer than 660 feet to the outer boundary of the 160-acre tract nor closer than 330 feet to any quarter-quarter section line or subdivision inner boundary. Should this well be completed in the Blinebry Oil and Gas Pool as an oil well, the SW/4 NE/4 (Unit G) of Section 25, being a standard 40-acre oil spacing and proration unit, is to be dedicated to this well; however, should it be classified a Blinebry gas well, the NE/4 of Section 25 is to be dedicated to form a standard 160-acre gas spacing and proration unit.

This location is also within one mile of the North Hardy-Tubb Drinkard Pool where the spacing and well location requirements are governed under the provisions of Division Rule 104.B (1), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, which provides for 40-acre oil spacing and proration units and requires wells to be located no closer than 330 feet to the outer boundary of such 40-acre unit. If this well is completed in the Tubb/Drinkard interval, the SW/4 NE/4 (Unit G) of Section 25, being a standard 40-acre oil spacing and proration unit, is to be dedicated to this well.

All of Section 25, with the exception of the NE/4, is within the North Hardy-Strawn Pool, which pool is governed under the "*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, as amended by Division Order No. R-11221-A, issued in Cases No. 12182 (Reopened) and 12532 on February 2, 2001, and provides for 160-acre spacing units comprising a single quarter section with wells to be located no closer than 660 feet to the outer boundary of the 160-acre unit nor closer than 330 feet to any quarter-quarter section line or subdivision inner boundary. Strawn oil production from underneath the NE/4 of Section 25, being a standard 160-acre oil spacing and proration unit for the Undesignated North Hardy-Strawn Pool, is currently dedicated to Conoco, Inc.'s SEMU Well No. 139 (API No. 30-025-35043), located at an unorthodox oil well location (approved by Division Administrative Order NSL-4413, dated February 18, 2000) 990 feet from the North line and 330 feet from the East line (Unit A) of Section 25.

The subject application has been duly filed under the provisions of Division Rules 104.F, as revised, and 605 and the applicable provisions of the rules governing both the Blinebry Oil and Gas and North Hardy-Strawn Pools.

It is our understanding that Conoco, Inc. is seeking this location exception based on a 3-D seismic survey of the immediate area and by well control from past drilling activity, which indicates 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-acre unit.

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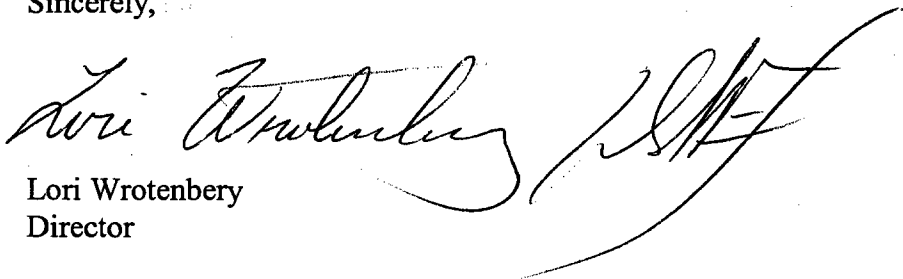
It is further understood that the S/2 NE/4 of Section 25 is included in a single federal lease (U. S. Government lease No. LC-031696-A) with common ownership in which Conoco, Inc. is the leasehold operator; therefore, there are no adversely effected offsets to the proposed 40-acre oil spacing and proration unit within the Blinebry and Tubb/Drinkard intervals.

By the authority granted me under the provisions of: (i) Division Rule 104.F (2), as revised; (ii) Division Rule 605.B; (iii) Rule 5 of the special pool rules for the North Hardy-Strawn Pool; and (iv) the applicable provisions of the rules governing the Blinebry Oil and Gas Pool, the unorthodox location of Conoco, Inc.'s proposed SEMU Well No. 167 to be drilled 2250 feet from the North line and 1530 feet from the East line (Unit G) of Section 25 is hereby approved.

Further, both the existing Conoco, Inc. SEMU Well No. 139 and the proposed SEMU Well No. 167 are to be simultaneously dedicated to the subject 160-acre unit for the Undesignated North Hardy-Strawn Pool; furthermore, Conoco, Inc. shall be permitted to produce the allowable assigned this 160-acre unit from both wells in any proportion.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in black ink, appearing to read "Lori Wrotenbery", followed by a large, stylized flourish or scribble.

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Hobbs
U. S. Bureau of Land Management - Carlsbad
File: NSL-4413 ✓