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RECOGNIZED SPECIALIST IN THE AREA OF
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JASON KELLAHIN (RETIRED 1991)

February 20, 1995

HAND DELIVERED

Mr. Michael E. Stogner
Chief Hearing Examiner
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87504

Re: Preston 35N Com Federal Well No. 15
*Application of CONOCO INC. for
an Unorthodox Gas Well Location
Eddy County, New Mexico*

Dear Mr. Stogner:

On behalf of Conoco Inc., please find enclosed our referenced application which we request be set for hearing on the next available Examiner's docket now scheduled for March 16, 1995.

By copy of this letter and application, sent certified mail, we are notifying all interested parties towards which this well is encroaching of their right to appear at the hearing and participate in this case, including the right to present evidence either in support of or in opposition to the application and that failure to appear at the hearing may preclude them from any involvement in this case at a later date.

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FEB 20 1995

Oil Conservation Division

Mr. Michael E. Stogner
February 20, 1995
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Pursuant to the Division's Memorandum 2-90, all parties are hereby informed that if they appear in this case, then they are requested to file a Pre-Hearing Statement with the Division not later than 4:00 PM on Friday, March 10, 1995, with a copy delivered to the undersigned.

Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin'. The signature is fluid and cursive, with a large initial 'W' and a long, sweeping tail.

W. Thomas Kellahin

WTK/wtk
Enclosure

cc: Conoco and
By Certified Mail - Return Receipt
All Parties Listed in Application

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Oil Conservation Division

PROPOSED ADVERTISEMENT

CASE 11219 Application of Conoco Inc. for an unorthodox gas well location, Eddy County, New Mexico. Applicant seeks approval to drill its Preston 35N Federal Com Well No. 15 at an unorthodox gas well location 860 feet FNL and 710 feet FWL (Unit D) in Section 35, T20S, R24E, NMPM, Eddy County, New Mexico, to a total vertical depth to the base of the Morrow formation to be dedicated to a standard 320-acre spacing and proration unit consisting of the N/2 of Section 35 in both the Undesignated Cemetery-Morrow Gas Pool and the South Dagger Draw-Upper Pennsylvanian Associated Pool. Said unit is located approximately 9 miles southwest of Seven Rivers, New Mexico.

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE APPLICATION
OF CONOCO INC. FOR AN UNORTHODOX
GAS WELL LOCATION,
EDDY COUNTY, NEW MEXICO**

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Oil Conservation Division

CASE NO.: 11219

APPLICATION

Comes now CONOCO INC. by its attorneys, Kellahin and Kellahin, and applies to the New Mexico Oil Conservation Division for approval to drill its Preston 35N Federal Com Well No. 15 at an unorthodox gas well location 860 feet FNL and 710 feet FWL (Unit D) in Section 35, T20S, R24E, NMPM, Eddy County, New Mexico, and drilling to a total vertical depth to the base of the Morrow formation to be dedicated to a standard 320-acre spacing and proration unit consisting of the N/2 of Section 35 in both the Undesignated Cemetery-Morrow Gas Pool and the South Dagger Draw-Upper Pennsylvanian Associated Pool and in support states:

(1) Conoco Inc. is the operator for and a working interest owner in the Preston Federal Well No. 6 which was drilled at an unorthodox gas well location 460 feet FEL and 990 feet FNL in the N/2 of Section 35, T20S, R24E, NMPM, Eddy County, New Mexico in accordance with Division Order R-9770 issued November 19, 1992.

(2) The Preston Federal Well No. 6 is now nearing depletion and Conoco proposes to replace it with the Preston 35N Federal Com Well No. 15 to be drilled at unorthodox gas location 860 feet FNL and 710 feet FWL (Unit D) in Section 35 with dedication of a standard 320-acre spacing and proration unit consisting of the N/2 of said Section 35 for the Cemetery-Morrow Gas Pool and being a standard location for production from the Cisco formation of the South Dagger Draw-Upper Pennsylvanian Associated Pool.

Conoco, Inc.
NMOCD Application
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(3) The Morrow formation at this location is within the Cemetery-Morrow Gas Pool.

(4) The Special Rules and Regulations for the South Dagger Draw-Upper Pennsylvanian Associated Pool provide, among other things, for 320-acre proration and spacing units for either oil or gas production with wells located no closer than 660 feet to the nearest side boundary of the tract, nor nearer than 660 feet to the nearest end boundary of the tract, nor closer than 330 feet to any quarter-quarter section of subdivision inner boundary.

(5) Based upon geological considerations and in order to maximize the opportunity to encounter the Cisco formation at its most favorable location in this spacing unit while providing an opportunity to also test the Morrow formation which cannot be tested at a standard location without compromising the Cisco location, Conoco Inc. proposes to locate the well in the Morrow formation at an unorthodox gas well location.

(6) The proposed location will afford to Conoco Inc. and the interest owners in the proposed well the optimum location at which to test for both Morrow or Cisco production.

(7) In accordance with Division notice requirements, notice of this application and applicant's request for a hearing to be set on March 16, 1995 has been sent to those parties listed on Exhibit A.

WHEREFORE, Conoco Inc. requests that this application be set for hearing and that after notice and hearing as provided for by Division rules, the application be granted as requested.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written in a cursive style.

W. Thomas Kellahin
KELLAHIN AND KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87504

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EXHIBIT "A"
CONOCO APPLICATION

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

Yates Drilling Company
105 South Fourth Street
Artesia, New Mexico 88210

Abo Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

Myco Industries Inc.
105 South Fourth Street
Artesia, New Mexico 88210