

CASE 11240 -- CONOCO INC.

Reopen Case 10471

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

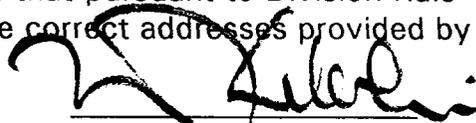
IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION
FOR THE PURPOSE OF CONSIDERING:

CASE NO. 11240

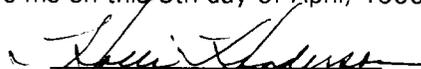
Application of CONOCO Inc.
to reopen Case No. 10471 and
10560 to vacate compulsory pooling
provisions No. R-9673-A and for the
creation of two non-standard units,
Eddy County, New Mexico.

**CERTIFICATE OF MAILING
AND
COMPLIANCE WITH ORDER R-8054**

W. THOMAS KELLAHIN, attorney in fact and authorized representative of CONOCO Inc., states that the notice provisions of Division Rule 1207 (Order R-8054) have been complied with, that Applicant has caused to be conducted a good faith diligent effort to find the correct addresses of all interested parties entitled to receive notice, that on the 22nd day of February, 1995 I caused to be sent, by certified mail return receipt requested, notice of this hearing and a copy of the application for the referenced case along with the cover letter, at least twenty days prior to the hearing set for April 6, 1995, to the parties shown in the application as evidenced by the attached copies of receipt cards, and that pursuant to Division Rule 1207, notice has been given at the correct addresses provided by such rule.


W. Thomas Kellahin

SUBSCRIBED AND SWORN to before me on this 5th day of April, 1995.


Notary Public

My Commission Expires: June 15th, 1998

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach to the reverse of this form so that we can return this card to you.
- Write the number and date delivered.

Conoco/10560(04/06/95) space
March 15, 1995 number and date delivered

I also wish to receive the following services (for an extra fee):

- Addressee's Address
- Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:
Unit Petroleum
POB 702500
Tulsa, OK 74170-2500

4a. Article Number
135 851 312

4b. Service Type

<input type="checkbox"/> Registered	<input type="checkbox"/> Insured
<input type="checkbox"/> Certified	<input type="checkbox"/> COD
<input type="checkbox"/> Express Mail	<input checked="" type="checkbox"/> Return Receipt for Merchandise

7. Date of Delivery
3-20-95

5. Signature (Addressee)

6. Signature (Agent)

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991 *U.S. GPO: 1993-352-714 **DOMESTIC RETURN RECEIPT**

Thank you for using Return Receipt Service.

P 135 851 312
Receipt for Certified Mail
No Insurance Coverage Provided
Do not use for International Mail (See Reverse)

Unit Petroleum
POB 702500
Tulsa, OK 74170-2500

Special Delivery Fee	
Restricted Delivery Fee	

P 135 851 313
Receipt for Certified Mail
No Insurance Coverage Provided
Do not use for International Mail (See Reverse)

Faskin Oil & Ranch Interests
303 West Wall Street
Ste. 1900
Midland, TX 79701-5116

00, June 1991

Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom Date and Addressee's Address	
TOTAL POSTAGE & FEES	\$
Postmark or Date	

Thank you for using Return Receipt Service.

P 135 851 314
Receipt for Certified Mail
No Insurance Coverage Provided
Do not use for International Mail (See Reverse)

BHP Petroleum Inc.
1360 Post Oak Blvd.
Ste. 500
Houston, TX 77056-3020

3800, June 1991

Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom Date and Addressee's Address	
TOTAL POSTAGE & FEES	\$
Postmark or Date	

Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach to the reverse of this form so that we can return this card to you.
- Write the number and date delivered.

Conoco/10506 space
March 15, 1995 number and date delivered

I also wish to receive the following services (for an extra fee):

- Addressee's Address
- Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:
Faskin Oil & Ranch Interests
303 West Wall Street
Ste. 1900
Midland, TX 79701-5116

4a. Article Number
135 851 313

4b. Service Type

<input type="checkbox"/> Registered	<input type="checkbox"/> Insured
<input type="checkbox"/> Certified	<input type="checkbox"/> COD
<input type="checkbox"/> Express Mail	<input checked="" type="checkbox"/> Return Receipt for Merchandise

7. Date of Delivery

5. Signature (Addressee)

6. Signature (Agent)

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991 *U.S. GPO: 1993-352-714 **DOMESTIC RETURN RECEIPT**

Is your RETURN ADDRESS completed on the reverse side?

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- Attach to the reverse of this form so that we can return this card to you.
- Write the number and date delivered.

Conoco/10506 space
March 15, 1995 number and date delivered

I also wish to receive the following services (for an extra fee):

- Addressee's Address
- Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:
BHP Petroleum Inc.
1360 Post Oak Blvd.
Ste. 500
Houston, TX 77056-3020

4a. Article Number
135 851 314

4b. Service Type

<input type="checkbox"/> Registered	<input type="checkbox"/> Insured
<input type="checkbox"/> Certified	<input type="checkbox"/> COD
<input type="checkbox"/> Express Mail	<input checked="" type="checkbox"/> Return Receipt for Merchandise

7. Date of Delivery
3-20

5. Signature (Addressee)

6. Signature (Agent)

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991 *U.S. GPO: 1993-352-714 **DOMESTIC RETURN RECEIPT**

Conoco/10560(04/06/95)
March 15, 1995

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach does not
- Write "The Return Receipt will show to whom the article was delivered and the date delivered."

Conoco/10560(04/06/95)
March 15, 1995

I also wish to receive the following services (for an extra fee):

- 1. Addressee's Address
- 2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Myco Industries Inc.
105 South Fourth Street
Artesia, NM 88210

4a. Article Number

135 851 315

4b. Service Type

- Registered
- Certified
- Express Mail
- Insured
- COD
- Return Receipt for Merchandise

7. Date of Delivery

MAR 20 1995

5. Signature (Addressee)

8. Addressee's Address (Only if requested and fee is paid)

6. Signature (Agent)

Kathryn Parsons

PS Form 3811, December 1991 U.S. GPO: 1993-352-714

DOMESTIC RETURN RECEIPT

Thank you for using Return Receipt Service.

P 135 851 315



Receipt for Certified Mail

No Insurance Coverage Provided
Do not use for International Mail
See Reverse

Myco Industries Inc.
105 South Fourth Street
Artesia, NM 88210

June 1991	Restricted Delivery Fee	
	Return Receipt Forwarding to Whom? (Circle one)	
	Return Receipt Forwarding to Whom? (Circle one)	
	Date and Time of Delivery	
	Post Office Name	

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach does not
- Write "The Return Receipt will show to whom the article was delivered and the date delivered."

Conoco/10560(04/06/95)
March 15, 1995

I also wish to receive the following services (for an extra fee):

- 1. Addressee's Address
- 2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Abo Petroleum Corporation
105 South Fourth Street
Artesia, NM 88210

4a. Article Number

135 851 316

4b. Service Type

- Registered
- Certified
- Express Mail
- Insured
- COD
- Return Receipt for Merchandise

7. Date of Delivery

MAR 20 1995

5. Signature (Addressee)

8. Addressee's Address (Only if requested and fee is paid)

6. Signature (Agent)

Kathryn Parsons

PS Form 3811, December 1991 U.S. GPO: 1993-352-714

DOMESTIC RETURN RECEIPT

Thank you for using Return Receipt Service.

P 135 851 316



Receipt for Certified Mail

No Insurance Coverage Provided
Do not use for International Mail
See Reverse

Abo Petroleum Corporation
105 South Fourth Street
Artesia, NM 88210

June 1991	Restricted Delivery Fee	
	Return Receipt Forwarding to Whom? (Circle one)	
	Return Receipt Forwarding to Whom? (Circle one)	
	Date and Time of Delivery	
	Post Office Name	

Is your RETURN ADDRESS completed on the reverse side?

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- Complete items 3, and 4a & b.
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- Attach does not
- Write "The Return Receipt will show to whom the article was delivered and the date delivered."

Conoco/10506
March 15, 1995

I also wish to receive the following services (for an extra fee):

- 1. Addressee's Address
- 2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Yates Drilling Company
105 South Fourth Street
Artesia, NM 88210

4a. Article Number

135 851 317

4b. Service Type

- Registered
- Certified
- Express Mail
- Insured
- COD
- Return Receipt for Merchandise

7. Date of Delivery

MAR 20 1995

5. Signature (Addressee)

8. Addressee's Address (Only if requested and fee is paid)

6. Signature (Agent)

Kathryn Parsons

PS Form 3811, December 1991 U.S. GPO: 1993-352-714

DOMESTIC RETURN RECEIPT

Thank you for using Return Receipt Service.

P 135 851 317



Receipt for Certified Mail

No Insurance Coverage Provided
Do not use for International Mail
See Reverse

Yates Drilling Company
105 South Fourth Street
Artesia, NM 88210

June 1991	Restricted Delivery Fee	
	Return Receipt Forwarding to Whom? (Circle one)	
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	Post Office Name	

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Att **Conoco/10560(04/06/95)** space
- Wri **March 15, 1995** e number.
- The return receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- Addressee's Address
- Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:
Yates Petroleum Corporation
105 South Fourth Street
Artesia, NM 88210

4a. Article Number
135 851 318

4b. Service Type
 Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

7. Date of Delivery
MAR 20 1995

5. Signature (Addressee)

6. Signature (Agent)
Richard Parsons

8. Addressee's Address (Only if requested and fee is paid)

PS Form **3811**, December 1991 *U.S. GPO: 1993-352-714 **DOMESTIC RETURN RECEIPT**

Thank you for using Return Receipt Service.

P 135 851 318
Receipt for Certified Mail
 No Insurance Coverage Provided
 Do not use for International Mail (See Reverse)

Special Service Fee

Restricted Delivery Fee

Return Receipt Showing to Whom & Date Delivered

Return Receipt Showing to Whom Date and Addressee's Address

Postage & Fees \$

Postmark Date
Conoco/10506
March 15, 1995

P 135 851 319
Receipt for Certified Mail
 No Insurance Coverage Provided
 Do not use for International Mail (See Reverse)

Southwest Royalties

Postage & Fees \$

P 135 851 311
Receipt for Certified Mail
 No Insurance Coverage Provided
 Do not use for International Mail (See Reverse)

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Att **Conoco/10506** space
- Wri **March 15, 1995** e number.
- The return receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- Addressee's Address
- Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:
Southwest Royalties Inc.
PO Drawer 11390
Midland, TX 79702-8390

4a. Article Number
135 851 319

4b. Service Type
 Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

7. Date of Delivery
3-15-95

5. Signature (Addressee)

6. Signature (Agent)
Parsons

8. Addressee's Address (Only if requested and fee is paid)

PS Form **3811**, December 1991 *U.S. GPO: 1993-352-714 **DOMESTIC RETURN RECEIPT**

Thank you for using Return Receipt Service.

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- Att **Conoco/10560(04/06/95)** if space
- Wri **March 15, 1995** icle number.
- The return receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- Addressee's Address
- Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:
Nearburg Producing Company
POB 823085
Dallas, TX 75382-3085

4a. Article Number
135 851 311

4b. Service Type
 Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

7. Date of Delivery
3-15-95

5. Signature (Addressee)

6. Signature (Agent)
Richard Parsons

8. Addressee's Address (Only if requested and fee is paid)

PS Form **3811**, December 1991 *U.S. GPO: 1993-352-714 **DOMESTIC RETURN RECEIPT**

Thank you for using Return Receipt Service.

Nearburg Producing Company
POB 823085
Dallas, TX 75382-3085

Postage & Fees \$

Postmark Date
Conoco/10506
March 15, 1995

R25E



PROPOSED NON-STANDARD
80-ACRE SPACING UNITS

T19S

PROJECTION: STATE PLANE
SYSTEM: ZONE 8

MIDLAND DIVISION
MIDLAND, TEXAS

PROJECT: DAGGER DRAW
AREA / PROJECTION: T199000
MAP TYPE: BASEMAP PLAT

NORTH DAGGER DRAW FIELD
BASEMAP

SCALE: 1:12000 UNITS FT

BEFORE AN EXAMINER OF THE
OIL CONSERVATION DIVISION

EXHIBIT NO. **1**

CASE NO.: 11240

Submitted by: Conoco Inc.

Hearing Date: Apr 6, 1995

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

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 10560
ORDER NO. R-9850

APPLICATION OF CONOCO INC. FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on February 18, 1993 at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 11th day of March, 1993, the Division Director, having considered the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Conoco Inc., seeks an order pooling all mineral interests from the surface to the base of the Canyon formation underlying the NE/4 of Section 17, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico, forming a standard 160-acre spacing and proration unit for any and all formations spaced on 160-acre spacing within said vertical extent, which presently includes, but is not necessarily limited to the North Dagger Draw-Pennsylvanian Pool. Said unit is to be dedicated to the existing Southwest Royalties, Inc. Dagger Draw Well No. 1 located at a standard location 660 feet from the North line and 1980 feet from the East line (Unit B) of said Section 17.

(3) The applicant has requested this case be dismissed.

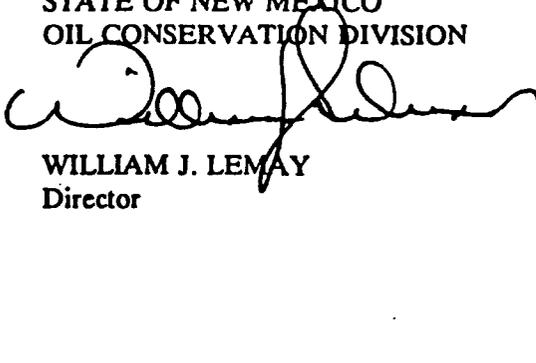
(4) The applicant's request for dismissal should be granted.

IT IS THEREFORE ORDERED THAT:

Case No. 10560 is hereby dismissed.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

SEAL

BEFORE AN EXAMINER OF THE
OIL CONSERVATION DIVISION

EXHIBIT NO. 2
CASE NO.: 11240
Submitted by: Conoco Inc.
Hearing Date: Apr 6, 1995

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

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 10471 (Reopened)
Order No. R-9673-A**

**APPLICATION OF SOUTHWEST ROYALTIES,
INC. FOR COMPULSORY POOLING, EDDY
COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on October 15, 1992, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 24th day of November, 1992, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) By Order No. R-9673 issued in Case No. 10471 on May 6, 1992, the Division, upon application of Southwest Royalties, Inc. (Southwest), pooled all mineral interests from the surface to the base of the Canyon formation underlying the NE/4 of Section 17, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico, forming a standard 160-acre spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent, which included the North Dagger Draw-Upper Pennsylvanian Pool. Said unit was to be dedicated to a well to be drilled at a standard location within the SW/4 NE/4 (Unit G) of Section 17.

(3) The interests effectively pooled by said Order No. R-9673 included an 85.75 percent interest, more or less, owned by Conoco Inc. (Conoco) and a 1.75 percent interest, more or less, owned by Martha L. (Scarlett) Nunes, whom the applicant could not locate. Both parties failed to join within the notice period and were deemed to have elected not to participate in the well.

BEFORE AN EXAMINER OF THE
OIL CONSERVATION DIVISION

EXHIBIT NO. 3
CASE NO.: 11240
Submitted by: Conoco Inc.
Hearing Date: Apr 6, 1995

CASE NO. 10471

Order No. R-9673-A

Page -2-

(4) On July 17, 1992, Southwest commenced the drilling of its Dagger Draw Well No. 1 at a standard location 660 feet from the North line and 1980 feet from the East line (Unit B) of Section 17, rather than in Unit G as authorized by Order No. R-9673.

(5) Conoco objected to the relocation of the well from Unit G to Unit B and on August 25, 1992, filed a competing compulsory pooling application (Case No. 10560). Such application sought the pooling of the NE/4 of Section 17, said unit to be dedicated to the Dagger Draw Well No. 1. Included in the application was a request by Conoco to be named operator of the subject well and unit.

(6) On August 14, 1992, Southwest filed an application to reopen Case No. 10471 to request that Division Order No. R-9673 be amended to authorize the change in well location from Unit G to Unit B of Section 17.

(7) Both Case Nos. 10471 (Reopened) and 10560 were originally scheduled to be heard on September 17, 1992.

(8) Prior to the hearing on September 17, 1992 in Case Nos. 10471 (Reopened) and 10560, Southwest and Conoco signed a written settlement of the matters in dispute, which, among other things, authorized Conoco to assume operations on the Dagger Draw Well No. 1 and to proceed with completion efforts. The agreement further contained a provision whereby Southwest was allowed to commence drilling a second well, the Dagger Draw "A" Well No. 1 at a standard location in Unit G of Section 17.

(9) With no evidence or testimony presented in Case Nos. 10471 (Reopened) and 10560 at the hearing on September 17, both cases were continued to the October 15, 1992 docket.

(10) On October 15, 1992, at the hearing of Case No. 10471 (Reopened), in order to implement the terms of the agreement between Conoco and Southwest, Southwest now seeks an order pooling all mineral interests from the surface to the base of the Canyon formation underlying the NE/4 of Section 17, Township 19 South, Range 25 East, NMPM, North Dagger Draw-Upper Pennsylvanian Pool, forming a standard 160-acre spacing and proration unit for said pool. Said unit is to be dedicated to the proposed Dagger Draw "A" Well No. 1 to be drilled at a standard location in Unit G of Section 17.

(11) Case No. 10560 was not heard on October 15, 1992 and was continued to the December 3, 1992 docket.

(12) While the settlement between Southwest and Conoco contemplates joint operators of the spacing unit with Conoco developing the N/2 of the spacing unit and Southwest operating the S/2 of the spacing unit, such a settlement would be inconsistent with the established practice of the Division to not have joint operators within a single spacing unit.

(13) Both Southwest and Conoco agree that a satisfactory resolution of that issue can be postponed until both wells are drilled, completed and producing capabilities established for each well.

(14) Towards that end, Southwest and Conoco, with the concurrence of the Division, agree that the following issues should be held in abeyance pending the completion and establishment of accurate producing rates for both wells:

- (a) The pooling of the NE/4 of Section 17 with regards to the Julie Well No. 2 (formerly the Dagger Draw Well No. 1);
- (b) The assignment of an appropriate allowable to both the Julie Well No. 2 and the Dagger Draw "A" Well No. 1;
- (c) A determination of whether the spacing unit should be subdivided into two 80-acre non-standard spacing and proration units consisting of the N/2 and S/2 of the NE/4 of Section 17 and the appropriate allocation of the allowable;
- (d) The rights, remedies and obligations to and from Martha L. (Scarlett) Nunes;
- (e) Designation of an operator and/or sub-operator(s) for the spacing unit and the subject wells;
- (f) Appropriate amendments to the subject order to accommodate Conoco's operation of the spacing unit for the Julie Well No. 2; and
- (g) If necessary, appropriate amendments to the subject order to modify the pooling to create two non-standard 80-acre spacing and proration units.

(15) Southwest failed to conform to the requirements set forth in Division Order No. R-9673, namely the drilling of a well in the SW/4 NE/4 of Section 17, but it did file its Application for Permit to Drill, Deepen or Plug Back (Form C-101) designating the drill site of that well to be at a standard location in the NW/4 NE/4 (Unit B) of Section 17, which was duly approved by the Division's Hobbs district office on July 16, 1992.

(16) For purposes of this order, the following action should be authorized:

- (a) Conoco shall be temporarily authorized to operate the Julie Well No. 2 in Unit B and shall receive a temporary test allowable of 100 percent of a standard 160-acre allowable until such time as the Dagger Draw "A" Well No. 1 is in actual production. The allowable for both wells subsequent to that shall be 50 percent of the standard 160-acre allowable for a period of not more than 90 days following first production from the Dagger Draw "A" Well No. 1; and
- (b) All mineral interests from the surface to the base of the Canyon formation underlying the NE/4 of Section 17 shall be pooled. Southwest shall be authorized to drill and operate the proposed Dagger Draw "A" Well No. 1 located in Unit G. Southwest shall commence the drilling of said well on or before December 31, 1992 and if the subject well is productive, it shall receive a temporary test allowable of one-half of a standard 160-acre allowable for a period of not more than 90 days following first production.

(17) Division Order No. R-9673 should be superceded by this order.

(18) Case No. 10471 should be reopened and heard in conjunction with Case No. 10560 at such time as both wells in the NE/4 of Section 17 are completed and have been tested. The issues to be considered at such hearing should include those issues set forth in Finding No. (14) above.

(19) As a result of Conoco and Southwest signing a joint operating agreement for this spacing unit, Martha L. (Scarlett) Nunes is the only working interest owner in the proposed unit who has not agreed to pool her interest.

(20) The primary objective of both the Conoco Julie Well No. 2 in Unit B and the Southwest Dagger Draw "A" Well No. 1 in Unit G is the North Dagger-Draw Upper Pennsylvanian Pool which is spaced on 160 acres but allows for multiple wells.

(21) Overhead charges for supervision should be set at \$5600.00 while drilling and \$560.00 while producing.

(22) Approval as set forth herein will avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the production in any pool resulting from this order.

IT IS THEREFORE ORDERED THAT:

(1) Division Order No. R-9673 is hereby superceded by this order.

(2) All mineral interests, whatever they may be, from the surface to the base of the Canyon formation underlying the NE/4 of Section 17, Township 19 South, Range 25 East, NMPM, North Dagger Draw-Upper Pennsylvanian Pool, Eddy County, New Mexico, are hereby pooled forming a standard 160-acre oil spacing and proration unit for said pool. Said unit shall be dedicated to the Southwest Royalties, Inc. Dagger Draw "A" Well No. 1 to be drilled at a standard oil well location 1650 feet from the North line and 1880 feet from the East line (Unit G) of Section 17.

PROVIDED HOWEVER THAT, the applicant shall commence the drilling of the Dagger Draw "A" Well No. 1 on or before the 31st day of December, 1992, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Canyon formation.

PROVIDED FURTHER THAT, in the event the applicant does not commence the drilling of said well on or before the 31st day of December, 1992, Ordering Paragraph No. (2) of this order shall be null and void and of no effect whatsoever, unless said operator, after notice to Conoco, obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER THAT, should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, the applicant shall appear before the Division Director and show cause why Ordering Paragraph No. (2) of this order should not be rescinded.

(3) Southwest Royalties, Inc. (Southwest) is hereby designated the operator of the Dagger Draw "A" Well No. 1.

(4) After the effective date of this order, Southwest shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(5) With the exception of Conoco Inc. which has already agreed to be a non-consenting party in the Dagger Draw "A" Well No. 1 under the Joint Operating Agreement signed between Southwest and Conoco, any non-consenting working interest owner shall, within 30 days from the date the schedule of estimated well costs is furnished to him, have the right to pay his share of the estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(6) Southwest shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(7) Within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(8) The operator is hereby authorized to withhold the following costs and charges from production:

- A. The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of the estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him; and
- B. As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated costs is furnished to him.

(9) Southwest shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(10) \$5600.00 per month while drilling and \$560.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); Southwest is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, Southwest is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(11) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges to the Dagger Draw "A" Well No. 1 under the terms of this order.

(12) Any well costs or charges attributed to the Dagger Draw "A" Well No. 1 which are to be paid out of production shall be withheld only from the working interest's share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(13) All proceeds from production from the Dagger Draw "A" Well No. 1 which are not disbursed for any reason shall be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(14) Should all the parties to this force-pooling reach voluntary agreement subsequent to the entry of this order, this order shall thereafter be of no further effect.

(15) Southwest, as operator of the Dagger Draw "A" Well No. 1, shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force-pooling provisions of this order.

(16) Case No. 10471 shall be reopened and heard in conjunction with Case No. 10560 at such time as the Julie Well No. 2 and the Dagger Draw "A" Well No. 1 are completed and have been tested. The issues to be considered at such hearing shall include the following:

- (a) The pooling of the NE/4 of Section 17 with regards to the Julie Well No. 2;
- (b) The assignment of an appropriate allowable to both the Julie Well No. 2 and the Dagger Draw "A" Well No. 1;

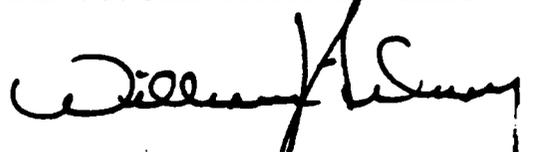
- (c) A determination of whether the spacing unit should be subdivided into two 80-acre non-standard spacing and proration units consisting of the N/2 and S/2 of the NE/4 of Section 17 and the appropriate allocation of the allowable;
- (d) The rights, remedies and obligations to and from Martha L. (Scarlett) Nunes;
- (e) Designation of an operator and/or sub-operator(s) for the spacing unit and the subject wells;
- (f) Appropriate amendments to the subject order to accommodate Conoco's operation of the spacing unit for the Julie Well No. 2; and
- (g) If necessary, appropriate amendments to the subject order to modify the pooling to create two non-standard 80-acre spacing and proration units.

(17) Conoco, pending resolution of those issues described above, is hereby temporarily authorized to operate the Julie Well No. 2. Said well shall receive a temporary test allowable of 100 percent of a standard 160-acre allowable until such time as the Dagger Draw "A" Well No. 1 is in actual production. The allowable for both wells subsequent to that shall be 50 percent of the standard 160-acre allowable for a period of not more than 90 days following first production from the Dagger Draw "A" Well No. 1.

(18) Jurisdiction of this cause 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


WILLIAM J. LEMAY,
Director

S E A L



David A. Scott
Land Advisor
Midland Division
Exploration Production

Conoco Inc.
10 Desta Drive, Suite 100W
Midland, Texas 79705-4500
(915) 686-6510

November 30, 1992

Miss Scarlet Nunes
344 North Oakhurst Drive, #B
Beverly Hills, California 90210

Re: T-19-S, R-25-E
Section 17: N/2
Eddy County, New Mexico

Dear Miss Nunes,

The purpose of this letter is to clarify our agreement to purchase all of your interest in the above referenced property. You currently own leasehold rights and a working interest under several wells located on the referenced land. Conoco Inc. ("Conoco") operates several of these wells and, until recently, has been unable to locate you. Because of this, Conoco began to apply your share of revenue from the wells against your share of the expenses from the wells. Under this procedure, your account is currently in a state such that you owe Conoco money from the operations of said wells.

Conoco has agreed to pay you \$17,500 for all of your interest in the above referenced property and any oil and gas wells or equipment located thereon. Conoco also agreed to release you from any debt which has accrued against your interest up to this time and agrees to indemnify you against any costs or expenses which may have occurred or will occur after the effective date of the assignments. Conoco will owe no monetary consideration to you other than the \$17,500 mentioned above and the forgiveness of debt which has currently accrued against your interest.

If this constitutes your understanding of our agreement regarding this property, please acknowledge such by signing in the space provided below and return one copy to me at the letterhead address.

Very truly yours,

David A. Scott

Agreed to this 17th day
of DECEMBER, 1992.

Scarlet Nunes

DAS152

BEFORE AN EXAMINER OF THE
OIL CONSERVATION DIVISION

EXHIBIT NO. 4
CASE NO.: 11240
Submitted by: Conoco Inc.
Hearing Date: Apr 6, 1995

ASSIGNMENT

THE STATE OF NEW MEXICO §
COUNTY OF EDDY §

KNOW ALL MEN BY THESE PRESENTS:

THAT. Scarlet Nunes, whose address is 344 North Oakhurst Drive, #B, Beverly Hills, California 90210, hereinafter referred to as "Assignor", for and in consideration of the sum of One Dollar (\$1.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, does hereby bargain, sell, assign, transfer and convey unto Conoco Inc., whose address is 10 Desta Drive, Suite 100W, Midland, Texas 79705, hereinafter referred to as "Assignee", all of the right, title and interest of Assignor in and to the oil and gas leases located in Eddy County, State of New Mexico, which are more specifically described in Exhibit "A" attached hereto and made a part hereof, insofar as the same covers the lands therein described, together with all personal property and equipment located thereon and used in the operation thereof for oil and gas purposes.

This assignment shall be effective as of October 1, 1984 at 7:00 a.m., M.S.T.; all production prior thereto shall be for Assignor's account and all production subsequent thereto shall be for the account of Assignee.

This assignment is made subject to any presently effective contracts and agreements applicable thereto, including without limitation, operating agreements, pooling agreements, unitization agreements and gas sales contracts and covers all of Assignor's rights, privileges and obligations thereunder or with respect thereto.

This assignment is made with special warranty of title as against those claiming by, through, or under Assignor, but not otherwise; and, Assignor for herself, her heirs, successors and representatives, do covenant with Assignee, its successors and assigns, that Assignor is the lawful owner of the interests in said leases and personal property herein conveyed; that Assignor does have good right and authority to sell and convey the same, and that the same are free and clear from any liens and encumbrances.

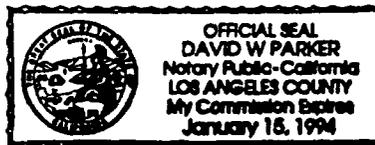
Assignor for herself, her heirs, successors and representatives, will, at any time hereafter, at the request of Assignee, its successors or assigns, make, do and execute, all and any such further, lawful and reasonable acts, conveyances and assurances for the more effectual conveying of the interests in said leases and personal property herein conveyed, as may be reasonably required by Assignee.

Assignor recognizes that lease no. 1 on Exhibit A was issued by the United States of America, as Lessor. In this regard, Assignor has prepared for simultaneous execution a counterpart original Assignment of Operating Rights on appropriate Federal form (the "Federal Assignment"). The Federal Assignment shall be deemed to contain all of the exceptions, warranties, rights, titles, powers and privileges set forth herein as fully as though they were set forth in the Federal Assignment. The interest conveyed by the Federal Assignment are the same as and not in addition to the interest conveyed herein.

EXECUTED this 3rd day of December, 1992, to be effective as of October 1, 1984, at 7:00 a.m., M.S.T.

Signature of Scarlet Nunes
Scarlet Nunes

STATE OF CALIFORNIA §
COUNTY OF Los Angeles §



On this 3rd day of DECEMBER, 1992, before me personally appeared Scarlet Nunes, to me known to be the person described in and who executed the following instrument, and acknowledged that she executed the same as her free act and deed.

My commission expires: Jan. 15, 1994

Signature of David W. Parker
Notary Public in and for Los Angeles County, California

DAS008

BEFORE AN EXAMINER OF THE OIL CONSERVATION DIVISION

EXHIBIT NO. 5
CASE NO.: 11240
Submitted by: Conoco Inc.
Hearing Date: Apr 6, 1995

EXHIBIT A
to
ASSIGNMENT
from
SCARLET NUNES
to
CONOCO INC.

Section 17, T-19-S, R-25-E, N.M.P.M.

1. **Lease No.:** 211149
Lessor: United States of America
Lessee: L. C. Johnston
Serial No. of Lease: NM-1372
Date of Lease: February 1, 1967
Description of Lands Committed: E2/NW4 Section 17
Number of Acres: 80

2. **Lease No.:** 211168-001
Lessor: CA Land & Cattle Company
Lessee: Roger C. Hanks
Mineral Interest Covered: 1/32
Royalty Rate: 3/16
Date of Lease: November 4, 1970
Description of Lands Committed: W2/NW4, NE4 Section 17
Number of Acres: 240

3. **Lease No.:** 211168-003
Lessor: Floyd and Margaret W. Childress
Lessee: Roger C. Hanks
Mineral Interest Covered: 1/16
Royalty Rate: 3/16
Date of Lease: November 5, 1970
Description of Lands Committed: W2/NW4, NE4 Section 17
Number of Acres: 240

4. **Lease No.:** 211168-004
Lessor: Clarence E. and Lillian T. Hinkle
Lessee: Roger C. Hanks
Mineral Interest Covered: 1/16
Royalty Rate: 3/16
Date of Lease: November 5, 1970
Description of Lands Committed: W2/NW4, NE4 Section 17
Number of Acres: 240

5. **Lease No.:** 211168-005
Lessor: Opal Taylor Hinkle, et al, Executors of R. R. Hinkle Estate
Lessee: Roger C. Hanks
Mineral Interest Covered: 1/16
Royalty Rate: 3/16
Date of Lease: November 5, 1970
Description of Lands Committed: W2/NW4, NE4 Section 17
Number of Acres: 240

6. **Lease No.:** 211168-006
Lessor: Don Phillips & Associates, a partnership
Lessee: Roger C. Hanks
Mineral Interest Covered: 3/32
Royalty Rate: 3/16
Date of Lease: November 20, 1970
Description of Lands Committed: W2/NW4, NE4 Section 17
Number of Acres: 240

7. **Lease No.:** 211168-007
Lessor: Quetico Superior Foundation
Lessee: Roger C. Hanks
Mineral Interest Covered: 1/32
Royalty Rate: 3/16
Date of Lease: November 25, 1970
Description of Lands Committed: W2/NW4, NE4 Section 17
Number of Acres: 240
8. **Lease No.:** 211168-002
Lessor: I. J. and Claribel Marshall
Lessee: Roger C. Hanks
Mineral Interest Covered: 1/32
Royalty Rate: 3/16
Date of Lease: November 4, 1970
Description of Lands Committed: W2/NW4, NE4 Section 17
Number of Acres: 240
9. **Lease No.:** 212829-002
Lessor: Roy E. Glass, et ux
Lessee: Yates Petroleum Corporation
Mineral Interest Covered: 1/4
Royalty Rate: 1/8
Date of Lease: February 1, 1967
Description of Lands Committed: W2/NW4, NE4 Section 17
Number of Acres: 240
Subject To: Farmout Letter Agreement dated February 22, 1974, between Yates Petroleum Corporation, et al (Eagle Group), and Roger C. Hanks, et al.
10. **Lease No.:** 212829-001
Lessor: Cordella M. Kincaid, et al
Lessee: Yates Petroleum Corporation
Mineral Interest Covered: 1/4
Royalty Rate: 1/8
Date of Lease: February 1, 1967
Description of Lands Committed: W2/NW4, NE4 Section 17
Number of Acres: 240
Subject To: Farmout Letter Agreement dated February 22, 1974, between Yates Petroleum Corporation, et al (Eagle Group), and Roger C. Hanks, et al.

END OF EXHIBIT A

PROPOSED ASSIGNMENT OF ALLOWABLE

FOR THE

NE/4, Section 17, T-19S, R-25E

Eddy County, New Mexico

BASED UPON "North Dagger Draw Upper Penn" POOL RULES:

- (a) 160-Acre standard proration unit
- (b) 700 BOPD allowable for a standard proration unit

ASSUMED:

Formation of two 80-acre non-standard proration units consisting of the N/2 and S/2 of Section 17, T-19S, R-25E

**PROPOSED SPLIT OF 700 BOPD ALLOWABLE BETWEEN THESE TWO NSPU's
BASED UPON THE FOLLOWING FOUR (4) POTENTIAL SCENARIOS:**

1. As long as BOTH 80-acre NSPU's ARE NOT capable of producing and reporting production in excess of 350 BOPD, each NSPU shall be assigned an oil allowable of 350 BOPD.
2. As long as BOTH 80-acre NSPU's ARE capable of producing and reporting production in excess of 350 BOPD, each NSPU shall be assigned an oil allowable of 350 BOPD.
3. If normal daily production for either NSPU naturally declines to the point that it is not capable of producing its 350 BOPD allowable, the other NSPU will have the option of increasing its producing rate to take advantage of the unused portion of the total standard allowable of 700 BOPD for 160 acres.
4. If (following the occurrence of scenario No. 3) operational problems are solved, and/or remedial work on the well is conducted, and/or more efficient artificial lift equipment is installed, and/or additional wells are drilled which increases production, then the NSPU conducting such work will be allowed to maximize its production
 - (a) UP TO its ONE-HALF (1/2) share of the total allowable, if the other NSPU can produce in excess of its one-half (1/2) share of the total allowable, or
 - (b) IN EXCESS OF its ONE-HALF (1/2) share of the total allowable, if the other NSPU cannot produce its one-half (1/2) share of the total allowable and has unused allowable such that the combined production from both NSPU's does not exceed the total allowable for a standard 160-acre proration unit.

The current producing scenario is described by No. 1 above and is the most likely scenario to continue throughout the lives of these two 80-acre proration units. However, should the drilling of additional wells or the workovers of existing wells significantly change the producing capability of either or both of these NSPU's, the other three scenarios will provide a means of ensuring fair and efficient recovery for both units.

BEFORE AN EXAMINER OF THE
OIL CONSERVATION DIVISION

EXHIBIT NO. 6
CASE NO.: 11240
Submitted by: Conoco Inc.
Hearing Date: Apr 6, 1995