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Midland Division
Exploration and Production

Conoco Inc.
10 Desta Drive West
Midland, TX 79705-4514
(915) 686-5400

December 21, 1990

Mr. Michael Stogner
New Mexico Oil Conservation Division
P.O. Box 2088
Santa Fe, NM 87501

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NEW MEXICO OIL CONSERVATION DIVISION

Dear Mr. Stogner:

Request for Examiner Hearing January 24,
1991 for Revision of the Special Rules
and Regulations for the North Dagger
Draw-Upper Pennsylvanian Pool, Eddy County,
New Mexico, as promulgated by Division
Order No. R-4691, to Provide for a 700 BOPD
Allowable for Each Established 160-Acre
Proration Unit

10321

- (1) Order No. R-4691-A, amended and extended the temporary rules adopted in Order No. R-4691, for the ~~North Dagger Draw-Upper Pennsylvanian Pool~~, Eddy County, New Mexico, on February 3, 1976. Order R-4691 was further amended by No. R-4691-B, October 12, 1976. Order No. R-4691-C, March 15, 1977, made permanent the rules adopted in Order No. R-4691, as amended by Order Nos. R-4691-A and R-4691-B.
- (2) Conoco believes that efficient and timely oil recovery from this pool has been delayed because of unwarranted allowable- curtailed production. Numerous wells in this pool have been proven capable of producing the current allowable (350 BOPD) from only a small portion of the total productive pay. Other wells have been drilled in proration units containing wells that have been depleted and plugged and have demonstrated that significant reservoir pressure and reserves still exist in those units.
- (3) Conoco has been employing new technology and completion practices that have greatly improved our understanding of this reservoir and its oil recovery mechanisms. Recent development, new logging techniques, bottomhole pressures, and altered completion programs are showing that the current 160-acre proration units have not been and can not be reasonably expected to be drained by a single well.
- (4) Therefore, it is appropriate, for the most efficient and effective recovery of the oil reserves from this pool, to increase the well density. The complicated land ownerships and communitization agreements existing throughout this pool make it impractical to change the established 160-acre proration unit size.

- (5) Conoco proposes that the more feasible approach would be to increase the allowable for the current proration unit size, which would allow for the development of additional wells to simultaneously share the allowable. This would effectively increase the well density without the complications of renegotiating all of the existing land agreements.

Very truly yours,

A handwritten signature in black ink, appearing to read "Jerry W. Hoover". The signature is written in a cursive, flowing style.

Jerry W. Hoover
Regulatory Coordinator

JWH/tm



Midland Division
Exploration and Production

Conoco Inc.
10 Desta Drive West
Midland, TX 79705-4514
(915) 686-5400

December 21, 1990

To Operators and/or Interest
Owners Within One Mile of the
North Dagger Draw Upper
Pennsylvanian Oil and Gas Pool
Eddy County, New Mexico

Case 1021

Gentlemen:

Attached is a copy of Conoco's application requesting an NMOCD examiner hearing on the January 24, 1991 docket for revision of the special rules and regulations for the North Dagger Draw Upper Pennsylvanian Pool, Eddy County, New Mexico. The purpose of this request for a higher oil allowable is to (a) promote additional development of this pool, (b) recover additional oil reserves unrecoverable by the current spacing development, and (c) through a higher well density to provide for a more efficient and effective recovery of these additional oil reserves.

New Technology and completion practices being used by Conoco are proving that the current oil allowable, which was established on the premise of one well for each 160 acres, is delaying efficient and timely recovery from this pool. Numerous wells in this pool are capable of producing at or above the current allowable and are not effectively draining the established 160-acre proration units. Therefore, increasing the oil allowable would promote the development of additional wells on these proration units and result in recovery of oil reserves that will not be recovered by the currently existing wells.

As an operator and/or interest owner who may be affected by this application, you may appear and present testimony in support or protest of this application. Any party desiring to appear must file a prehearing statement by the Friday prior to date of the hearing.

If you have no objection to changing the special pool rules to allow for a 700 BOPD oil allowable per 160 acres that may be shared by more than one well, please sign the attached waiver and return it in the enclosed postage paid envelope. If you have any questions regarding this application, please call Jerry W. Hoover at (915) 686-6548.

Very truly yours,

Jerry W. Hoover
Regulatory Coordinator

JWH/tm

**CONOCO INC.
10 Desta Drive West
Midland, Texas 79705**

Application for Revision of the Special Rules and Regulations for the North Dagger Draw-Upper Pennsylvanian Pool, Eddy County, New Mexico, as promulgated by Division Order No. R-4691, to Provide for a 700 BOPD Allowable for Each Established 160-acre Proration Unit

WAIVER TO OBJECTION

We, the undersigned, as an offset operator or interest owner, waive any objection to the above described application by Conoco for NMOCD approval of an increase in oil allowable to 700 BOPD for the North Dagger Draw-Upper Pennsylvanian Pool located in Eddy County, New Mexico.

Company or Name:

Signature:

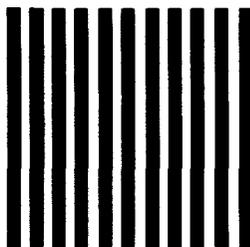
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Conoco Inc.
10 Desta Drive West Ten Conoco Plaza
Midland, TX 79705-9982

