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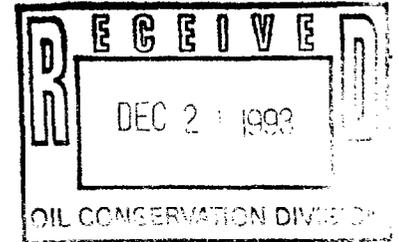
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W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

December 21, 1993



Mr. William J. LeMay
Oil Conservation Division
State Land Office Building
310 Old Santa Fe Trail, 2nd Floor
Santa Fe, New Mexico 87501

HAND DELIVERED

70897

Re: Application of Conoco Inc. for Approval of a an Expansion of its Warren Blinebry-Tubb Waterflood Project for and to Qualify Said Expansion for the Recovered Oil Tax Rate Pursuant to the "New Mexico Enhanced Oil Recovery Act," for Expansion of the Warren Blinebry-Tubb Oil and Gas Pool and the Concomitant Contraction of the Blinebry Oil and Gas Pool and the Warren Tubb Gas Pool, Lea County, New Mexico

Dear Mr. LeMay:

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 January 20, 1994.

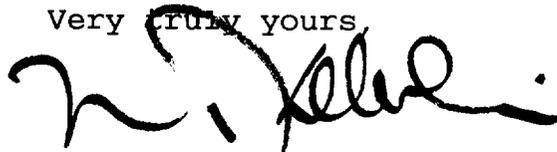
By copy of this letter and application, sent certified mail, we are notifying all interested parties within a 1/2 mile radius of the subject injection well of their right to appear at the hearing and participate in this case, including the right to present evidence either in support of or in opposition to the application and that failure to appear at the hearing may preclude them from any involvement in this case at a later date.

Mr. William J. LeMay
December 21, 1993
Page Two

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, December 31, 1993, with a copy delivered to the undersigned.

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

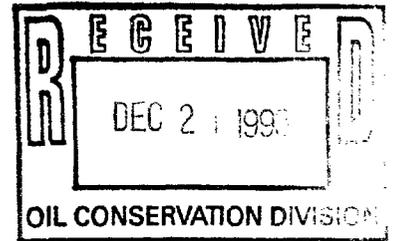
Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over the typed name below.

W. Thomas Kellahin

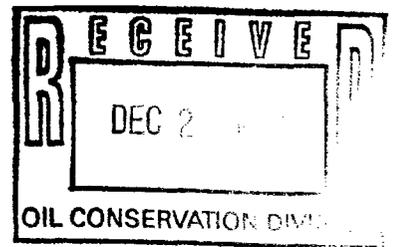
WTK/mg
Enclosure

cc: Conoco Inc. (Midland) and
By Certified Mail - Return Receipt
All Parties Listed in Application



PROPOSED ADVERTISEMENT

CASE 10897 Application of Conoco Inc. for approval of a waterflood project, to qualify said project for the recovered oil tax rate pursuant to the Enhanced Oil Recovery Act, and for the expansion and contractions of certain pools, Lea County, New Mexico. Applicant seeks approval of an Expansion of its Warren Blinebry-Tubb Waterflood Project by injection of water into the Warren Blinebry-Tubb Oil & Gas Pool, the expansion of said pool to include portions or all of Sections 20, 21, 28 and 29, Township 20 South, Range 38 East, NMPM, in an area consisting of 1280 acres, more or less, and the concomitant contraction of the Blinebry Oil and Gas Pool and the Warren Tubb Gas Pool from said area. Applicant further seeks to qualify this expansion area for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act" (Law 1992, Chapter 38, Sections 1 through 5). Said project is located approximately 5-1/2 miles south-southwest from Nadine, New Mexico.



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

Case 10897

IN THE MATTER OF THE APPLICATION OF CONOCO INC.
FOR APPROVAL OF AN EXPANSION OF ITS WARREN
BLINEBRY-TUBB WATERFLOOD PROJECT AND TO QUALIFY
SAID EXPANSION FOR THE RECOVERED OIL TAX RATE
PURSUANT TO THE "NEW MEXICO ENHANCED OIL
RECOVERY ACT," FOR EXPANSION OF THE WARREN
BLINEBRY-TUBB OIL AND GAS POOL AND THE
CONCOMITANT CONTRACTION OF THE BLINEBRY OIL
AND GAS POOL AND THE WARREN TUBB GAS POOL,
LEA COUNTY, NEW MEXICO

CASE NO. _____

APPLICATION

Comes now CONOCO INC., by its attorneys, Kellahin & Kellahin, and pursuant to the New Mexico "Enhanced Oil Recovery Act" and Division Rule 701(G) applies to the New Mexico Oil Conservation Division for Authority to expand a portion of its Warren Blinebry-Tubb Waterflood Project and to qualify said expansion for the recovered oil tax rate for enhanced oil recovery by the injection of water into the formations from the top of the Blinebry formation down to the base of the Tubb formation of the Warren Blinebry-Tubb Oil and Gas Pool, Lea County, New Mexico and for the expansion of said pool to include the expansion area with the concomitant contraction of the Blinebry Oil and Gas Pool and the Warren Tubb Gas Pool and in support states:

(1) Conoco Inc. ("Conoco") is the current operator of the Warren Unit and the Warren Blinebry-Tubb Waterflood Project, Lea County, New Mexico which was approved by Division Order R-6906-B issued March 15, 1991.

(2) Conoco seeks to expand the existing waterflood project to include the following additional acreage within the Warren Unit being 1280 acres, more or less, identified as the "Second Expansion Area" and described as:

Township 20 South, Range 38 East, NMPM

Section 20: SE/4
Section 21: SW/4 and S/2 SE/4
Section 28: All
Section 29: NE/4 and N/2 SE/4

(3) The Second Expansion Area is within the Warren Unit and has been approved by the Bureau of Land Management. Adjustments in the Blinebry, Tubb, and Blinebry-Tubb Participating Areas of the Warren Unit, required by this waterflood and pool expansion, have also been approved by the Bureau of Land Management.

(4) Conoco proposes to subject the Second Expansion Area to a waterflood plan, the objective of which is to successfully recover an estimated additional 1,000,000 barrels of primary oil and 1,723,000 barrels of secondary (waterflood) oil from the Blinebry and Tubb formations that cannot be economically recovered under current dual operations and separate pool rules for the two formations.

(5) Current primary production from the Second Expansion Area is 140 BOPD, and is expected to result in an ultimate primary oil recovery of 1,895 MBO under current economical development. Approximately 513 MBO of primary reserves remain to be recovered under the current mode of operation.

(6) Additional remaining economical oil potential from these formations within the Second Expansion Area, that will be recoverable only with the implementation of the proposed waterflood plan, is estimated to be an additional 2,723 MBO.

(7) Conoco seeks to expand its waterflood operations into the Second Expansion Area in accordance with Division Order R-9708, by means of an "expansion, extension or increase in size of the geologic area or adjacent geologic area that could reasonably be determined to represent a new or unique area of activity."

(8) The Second Expansion Area will be developed on a 40-acre five spot injection pattern and will involve 14 injection wells and 16 producers within this area. An additional 3 wells will be converted to water injection in the First Expansion Area that have not previously been approved for injection, which will bring the total number of new injection wells proposed for approval by this application to 17.

(9) Enclosed with this application is the completed Division Form C-108 with all required attachments for this project.

(10) At the request of Conoco, by Order R-9467, issued March 15, 1991, the Division created the Warren Blinebry-Tubb Oil & Gas Pool out of portions of the Blinebry Oil & Gas Pool and the Warren Tubb Gas Pool in order to provide for the most efficient method of secondary recovery operations for the simultaneous recovery of hydrocarbons from the Blinebry and Tubb formations.

(11) The Tubb formation within the Second Expansion Area is currently classified within a portion of the Warren Tubb Gas Pool.

(12) The Blinebry formation within the Second Expansion Area is currently classified within a portion of the Blinebry Oil & Gas Pool.

(13) In order to provide for the most efficient method of secondary recovery operations for the simultaneous recovery of hydrocarbons from the Blinebry and Tubb formations within the Second Expansion Area, Conoco requests that the Warren Blinebry-Tubb Oil & Gas Pool be expanded to include the Second Expansion Area and the Warren Tubb Gas Pool and the Blinebry Oil & Gas Pool be concomitantly contracted.

(14) In accordance with Division Order R-9708, the following is submitted:

a. Operator's name and address:

Conoco Inc.
10 Desta Drive West
Suite 100W
Midland, Texas 79705

b. Description of the Project Area:

(1) Plat outlining project area:

See Exhibit "A"

(2) Description of the Project Area:

Township 20 South Range 38 East, NMPM

Section 20: SE/4

Section 21: SW/4 and S/2 SE/4

Section 28: All

Section 29: NE/4 and N/2 SE/4

(3) Total acres in Project Area:

1280 acres, more or less

(4) Name of the subject Pool and formation:

Blinebry and Tubb formations of the
Warren Blinebry-Tubb Oil & Gas Pool

c. Status of operations in the Project Area:

(1) Unit Name: Conoco-operated "Warren Unit"

(2) Division Order:

(3) Date of Order:

d. Method of recovery to used:

(1) Injected Fluids: water

(2) If the Division has approved the project,
provide the date and number of the
Division Order:

Original Project approved by NMOCD
Order R-6906-B issued March 15, 1991

(3) The subject Second Expansion Area has not
yet been approved and is the subject of
this application.

e. Description of the Second Expansion area Project:

- (1) A list of producing wells:

See Exhibit "B"

- (2) A list of injection wells:

See Exhibit "B"

- (3) Capital cost of additional facilities:

\$ 310,000

- (4) Total Second Expansion Project costs:

\$ 5,614,000

- (5) Estimated total value of the additional production that will be recovered as a result of this expansion project:

An additional 2,723,000 barrels of oil with a current undiscounted value of 2,700,000 dollars

- (6) Anticipated date of commencement of injection:

April 1, 1995

- (7) The type of fluid to be injected and the anticipated volumes:

water injected at an estimated average rate of 500 BWPD

- (8) If application is made for an expansion of an existing project, explain what changes in technology will be used or what additional geographic area will be added to the project area:

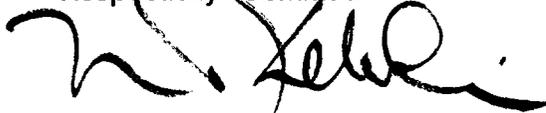
No changes will be made in technology, but the additional geographic area shown in Exhibit "A" will be added

f. Production data:

Graphs, charts, and supporting data to show the production history and production forecast of oil, gas, casinghead gas and water from the project expansion area will be presented at the examiner hearing for this application.

Wherefore, Applicant requests that this application be set for hearing and that after said hearing, the Division enter its order approving this application.

Respectfully submitted



W. Thomas Kellahin
KELLAHIN & KELLAHIN
P.O. Box 2265
Santa Fe, New Mexico 87504
(505) 982-4286
Attorneys for Applicant

CERTIFICATION

STATE OF TEXAS)
) SS.
COUNTY OF MIDLAND)

I, Joe A. Miller, having been first duly sworn, state that I am a petroleum engineer, a duly authorized representative of Conoco Inc., have knowledge of the facts herein and therefore certify that the facts set forth in this Application are true and accurate to the best of my own knowledge and belief.

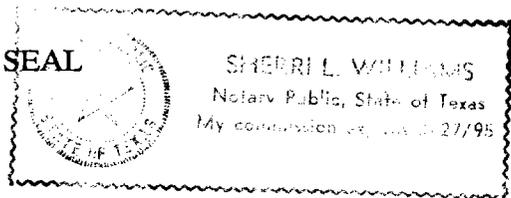
Joe A. Miller
(Signature)

The foregoing certificate was acknowledged before me this 17 day of December, 1993
by Joe A. Miller.

Sherril L. Williams
Notary Public

My Commission Expires:

3/27/95



**CONOCO'S APPLICATION TO EXPAND THE
WARREN BLINEBRY-TUBB WATERFLOOD PROJECT
AND TO
EXPAND THE WARREN BLINEBRY-TUBB OIL & GAS POOL**

NOTIFICATION LIST

As Required by Rule 107 A (7) (a) and C-108

WARREN UNIT WORKING INTEREST OWNERS

Apache Corporation
1000 Post Oak Blvd.
Houston, TX 77056-4400

Chevron USA Inc.
P.O. Box 1150
Midland, TX 79702

Arco Oil & Gas Co.
P.O. Box 1610
Midland, TX 79701

MINERALS INTEREST OWNER

Bureau of Land Management
P.O. Box 1397
Roswell, NM 88201

SURFACE OWNERS

Dallas McCasland
P.O. Box 206
Eunice, NM 88221

Bureau of Land Management
P.O. Box 1397
Roswell, NM 88201

OPERATORS OF WELLS WITHIN ONE MILE OF PROPOSED NEW INJECTION WELLS

Amerada Hess Corporation
1201 Louisiana, Ste 700
Houston, TX 77002

Aztec Oil and Gas
P.O. Box 3134
Wichita Falls, TX 76309

Bravo Operating
P.O. Box 2160
Hobbs, NM 88241-2160

Carr Well Service
P.O. Box 69090
Odessa, TX 79764-0090

Chevron USA Inc.
P.O. Box 1150
Midland, TX 79702

Elliott Oil Company
P.O. Box 1607
Baytown, TX 77522-1607

John Hendrix Corp.
223 W. Wall, Ste 525
Midland, TX 79701

Mirage Energy
P.O. Box 551
Lovington, NM 88260

Mewbourne Oil Co.
500 W. Texas, Ste 1020
Midland, TX 79701

Mobil Oil Corp.
P.O. Box 633
Midland, TX 79702

Penroe Oil Co.
P.O. Box 5970
Hobbs, NM 88241

Shell Western E&P Inc.
P.O. Box 831
Houston, TX 77001

Stevens & Tull, Inc.
3316 Andrews Hwy.
Midland, TX 79703