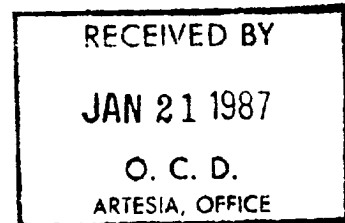


BEFORE THE OIL CONSERVATION DIVISION
OF THE
NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

IN THE MATTER OF THE APPLICATION OF
CONOCO INC. FOR HARDSHIP GAS WELL CLASS-
IFICATION FOR ITS FEDERAL 34 WELL NO. 1,
LOCATED IN UNIT N, SECTION 34, T20S, R26E,
EDDY COUNTY, NEW MEXICO, SPRINGS UPPER
PENN (GAS) POOL



A P P L I C A T I O N

Applicant, CONOCO INC., respectfully requests HARDSHIP GAS WELL CLASSIFICATION for its Federal 34 Well No. 1, Springs Upper Penn (Gas) Pool, located in Unit N, Section 34, T20S, R26E, Eddy County, New Mexico, and in support thereof will show:

1. Applicant is owner and operator of the Federal 34 Lease consisting of Section 34, T20S, R26E, Eddy County, New Mexico.
2. That the Federal 34 Well No. 1 is an Upper Penn gas well located in Section 34, T20S, R26E, Eddy County, New Mexico, which under normal producing conditions flows approximately 480 MCFG, 4B0, and 1042 BW per day, with the reservoir drive mechanism of the Upper Penn gas zone being water.
3. That water encroachment during periods of shut-in reduces the total recoverable gas reserves and increases the risk of watering out the Upper Penn gas zone in this well.
4. That water encroachment in and around the wellbore could cause premature abandonment and waste of recoverable gas and oil reserves.
5. That the Federal 34 Well No. 1 is located 960' FSL and 1980' FWL of said Section 34, a standard location for a gas well, with the S/2