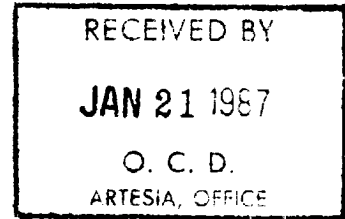


BEFORE THE OIL CONSERVATION DIVISION  
OF THE  
NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

IN THE MATTER OF THE APPLICATION OF  
CONOCO INC. FOR HARDSHIP GAS WELL CLASS-  
IFICATION FOR ITS FEDERAL 34 WELL NO. 2,  
LOCATED IN UNIT H, 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. 2, Springs Upper Penn (Gas) Pool, located in Unit H, 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. 2 is an Upper Penn gas well located in Section 34, T20S, R26E, Eddy County, New Mexico, which under normal producing conditions will flow approximately 425 MCFG, 3B0, and 1900 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. 2 is located 2310' FNL and 1290' FEL of said Section 34 with the N/2 of the section being dedicated as the proration unit for the well.