

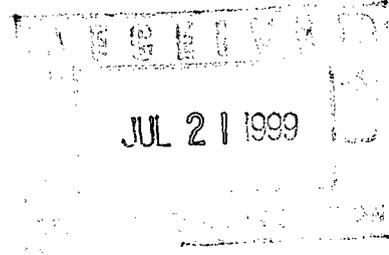


Mid-Continent Region
Exploration/Production

Conoco Inc.
10 Desta Drive, Suite 100W
Midland, TX 79705-4500
(915) 686-5400

July 20, 1999

New Mexico Oil Conservation Division, District 1
2040 S. Pacheco
Santa Fe, NM 87504-2088



RE: Application for Non-Standard Location Orders

SEMU # 134
Section 30, T-20-S, R-38-E, L
450' FWL & 1650' FSL
API # 30-025-34382
Lea County, NM

SEMU # 135
Section 25, T-20-S, R-37-E, J
1330' FSL & 1980 FEL
API # Not available
Lea County, NM

Dear Mr. Stogner,

Please find attached a C-102 designating 160 acres to Conoco, Inc. Hardy "36" State #26. This well is the discovery well for the new pool North Hardy Strawn recently established per attached Order # R-11221. Please see green highlighted requirement that we are fulfilling by submitting this document.

Please be aware that Conoco, Inc. is spudding the SEMU #134 July 20, 1999. This well is located 450' FWL & 1650' FSL Section 30, T-20-S, R-38-E. The original APD put this well in the South Cass Strawn pool, which is 40 acres spacing. Conoco wishes to put this well in the new North Hardy Strawn pool. Upon approval July 12, 1999 of Conoco's application to establish a new Strawn pool, this well will fall within the mile boundary. Please be advised of the fulfillment of the pink highlighted requirement in Order # R-11221. The new pool rules require 160 acres dedication. Consequently, this well will now be non-standard with respect to the outside section lines. The well is only 450' from the west line rather than the required 660'. Please see attached revised C-102.

Conoco plans to drill the SEMU #135 as soon as possible. This well is located 1330' FSL & 1980' FEL, Section 25, T-20-S, R-37-E. The APD has been submitted and the well was put in the new North Hardy Strawn pool. When Conoco applied for the establishment of the new pool rules for the North Hardy Strawn they requested a 10' set back from the interior ¼ section lines. This request was denied therefore this location is now non-standard. The well should have been either 1650' FSL or 990' FSL to fulfill the standard location of 330' from the interior ¼ section line requirements. The following paragraph is an explanation as to why the aforementioned wells were spudded and staked in a non-standard location.



-2-

This play is based on 3-D seismic interpretation that has meticulously defined the thickest porosity zones. As evidenced by drilling and completing the Hardy State 36 #26, #21 and #1 proximity to thick porosity zones is imperative to the location of new drilling prospects. Based on log correlations, stratigraphy is also a major component of porosity development. The stratigraphy coordinated with the structural trend defines a very small area in which to locate the well. Movement as little as 200' could result in a net loss of porosity resulting in a ten fold reduction in production. Conoco, Inc. feels that the placement of the above listed non-standard wells will not compromise the validity of the scientific data that resulted in the proposal to drill the wells. It is believed that the proposed locations are the optimum way to develop the reservoir. For more structural and stratigraphic verification please reference the maps submitted in application to the OCD for the new North Hardy Strawn pool.

Please note that Conoco, Inc. would only be encroaching interior to their lease. There are no offset operators, no notifications are required.

Conoco, Inc respectfully requests that a non-standard location be granted for the SEMU #134 and the SEMU # 135 based on the reasons previously stated. If any additional information is required please call me at (915) 686-5798.

Sincerely,

A handwritten signature in cursive script that reads "Kay Maddox".

Kay Maddox - Conoco, Inc.
Regulatory Agent

Cc: OCD – Hobbs
BLM-Roswell

FM: GR

FM: GR

CONOCO

CONOCO

CONOCO

T20S R37E

T20S R38E

26

25

30

SEM U #136
1980' FSL
1090' FWL

52
TD: 3870

30
TD: 3888

26
TD: 3908

16
TD: 3860
FM: GR

54
TD: 3850

55
TD: 3900

56
TD: 3900

SEM U #134
450' FWL
1650' FSL

SEM U #135
1330' FSL
1980' FEL

LYNX
CONOCO

1
TD: 3820

2
TD: 3800

3
TD: 3791

4
TD: 3800

S.W. ROYALTIES

LYNX
CONOCO

18
TD: 8980
FM: TD

LYNX

CONOCO

9
TD: 3883

3
TD: 3800
FM: YS

7
TD: 3800

HARDY "36"
26
TD: 7900
FM: ST
870' FNL
1650' FEL

5
TD: 3800

35

36

31

CONOCO

1
TD: 10600
FM: TD-ST

25
TD: 7000
FM: TD

7
TD: 10890

11
TD: 3825

12
TD: 3800
FM: YS

13
TD: 3830

19
TD: 8960
FM: TD

LYNX

14
TD: 3850
FM: YS

LYNX

15
TD: 3790

2
TD: 3872

CONOCO

1
TD: 8000
FM: ST

19
TD: 3800

21
TD: 10547
FM: ST-SM

18
TD: 3875

1
TD: 10130
FM: ST-EL

17
TD: 3800

16
TD: 3790

4
TD: 7050
FM: TD

EUMONT HARDY UNIT

LYNX
CONOCO

25
TD: 3785

HENDRIX

20
TD: 3835

15
TD: 10340
FM: EL

21
TD: 3810
FM: YS

22
TD: 3741
FM: YS

23
TD: 3845

24
TD: 3790
FM: YS

LYNX (OPER)

LYNX
TEXACO

T21S R37E

LYNX

LYNX

31
TD: 3780

30
TD: 3728
FM: YS

29
TD: 3741

28
TD: 3780
FM: YS

1
TD: 3770

ALTURA
LYNX

27
TD: 3755

26
TD: 3767
FM: YS

NOTES

DATE: 7/20/99

DRAWN BY: glg

CHECKED BY:

APPROVED BY:

SCALE: 1" = 1320'

STATE PLANE COORDINATES REFERRED TO
NAD27 - N.M. EAST
STATE PLANE COORDINATES
ZONE - 3001



EPNGNA
MIDLAND DIVISION

CONOCO HARDY STATE '36' #26
Sec. 36, T20S, R37E
Lea County, New Mexico
Non-Standard Location

STATE API COUNTY WELL
30 - 025 - 34311

DRAWING
HARDY-26

CONOCO INC. OFFICE
10 DESTA DRIVE WEST
MIDLAND, TEXAS 79705

District I
 PO Box 1980, Hobbs, NM 88241-198
 District II
 PO Drawer DD, Artesia, NM 88211-071
 District III
 1000 Rio Brazos Rd. Aztec, NM 8741
 District IV
 PO Box 2088, Santa Fe, NM 87504-208

State of New Mexico
 Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
 PO Box 2088
 Santa Fe, NM 87504-2088

Revised February 21, 1994
 instructions on back

Submit to Appropriate District Office
 State Lease - 4 Copies
 Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-34311	2 Pool Code	3 Pool Name North Hardy Strawn
4 Property Code 13396	5 Property Name Hardy 36 State	6 Well Number #26
7 OGRID No. 005073	8 Operator Name Conoco Inc., 10 Desta Drive, Ste. 100W, Midland, TX 79705-4500	9 Elevation 3504'

10 Surface Location

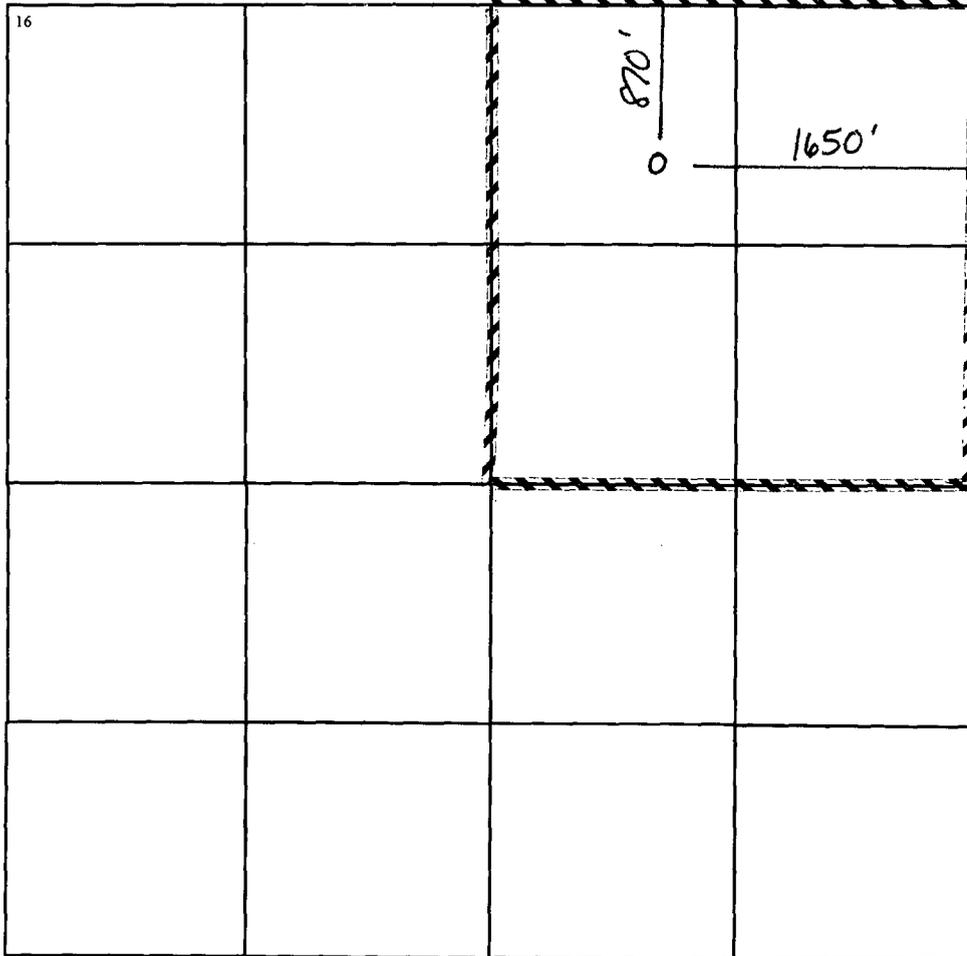
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
B	36	20S	37E		870'	North	1650'	East	Lea

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

12 Dedicated Acres 160	13 Joint or Infill	14 Consolidation Code	15 Order No.
---------------------------	--------------------	-----------------------	--------------

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



17 OPERATOR CERTIFICATION
 I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief

Kay Maddox
 Signature
 Kay Maddox
 Printed Name
 Regulatory Agent
 Title
 July 20, 1999
 Date

18 SURVEYOR CERTIFICATION
 I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

Date of Survey
 Signature and Seal of Professional Surveyor:
 Certificate Number

District I
PO Box 1980, Hobbs, NM 88241-198

State of New Mexico
Energy, Minerals & Natural Resources Department

Revised February 21, 1994
instructions on back

District II
PO Drawer DD, Artesia, NM 88211-071

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District III
1000 Rio Brazos Rd. Aztec, NM 8741

District IV
PO Box 2088, Santa Fe. NM 87504-208

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-34382		2 Pool Code		3 Pool Name North Hardy Strawn	
4 Property Code 13492		5 Property Name SEMU			6 Well Number # 134
7 OGRID No. 005073		8 Operator Name Conoco Inc., 10 Desta Drive, Ste. 100W, Midland, TX 79705-4500			9 Elevation

10 Surface Location

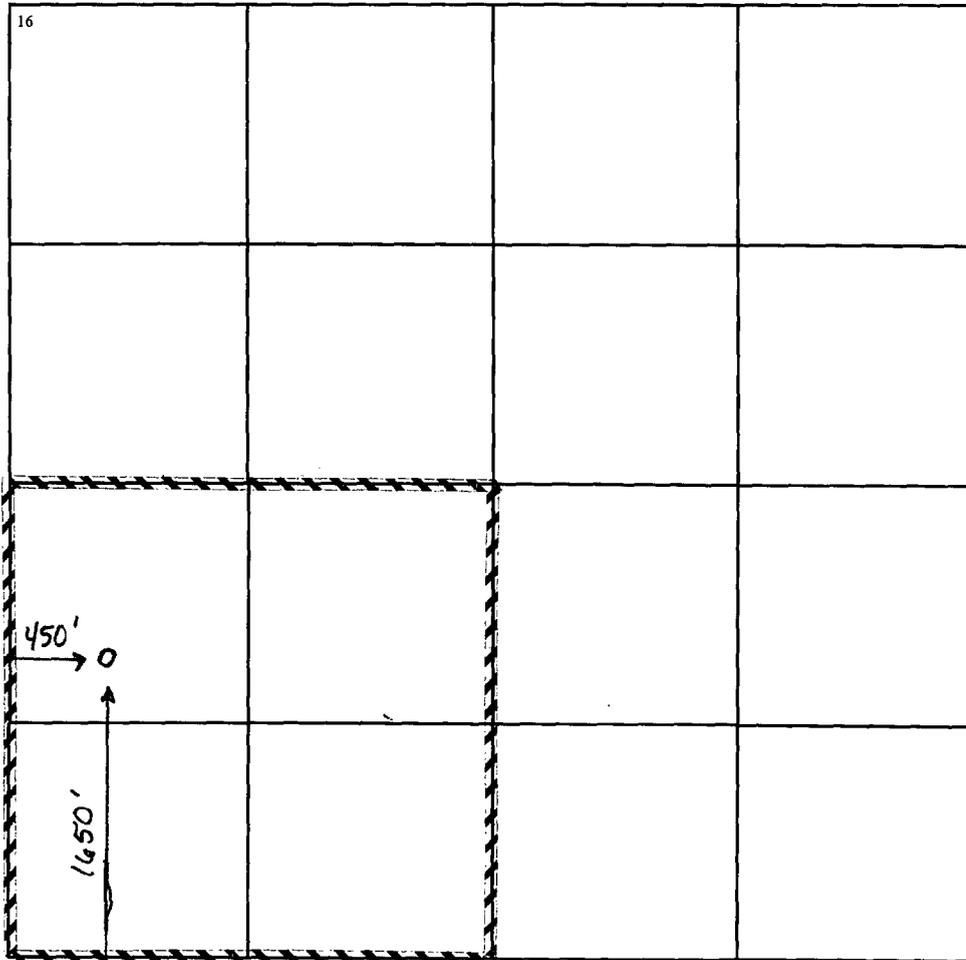
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	30	20S	38E		1650'	South	450'	West	Lea

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

12 Dedicated Acres 160	13 Joint or Infill	14 Consolidation Code	15 Order No.
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Kay Maddox

Signature

Kay Maddox

Printed Name

Regulatory Agent

Title

July 20, 1999

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District III
1000 Rio Brazos Rd. Aztec, NM 8741

District IV
PO Box 2088, Santa Fe, NM 87504-208

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number N/A	2 Pool Code	3 Pool Name North Hardy Strawn
4 Property Code	5 Property Name SEMU	6 Well Number #135
7 OGRID No.	8 Operator Name Conoco Inc., 10 Desta Drive, Ste. 100W, Midland, TX 79705-4500	9 Elevation

10 Surface Location

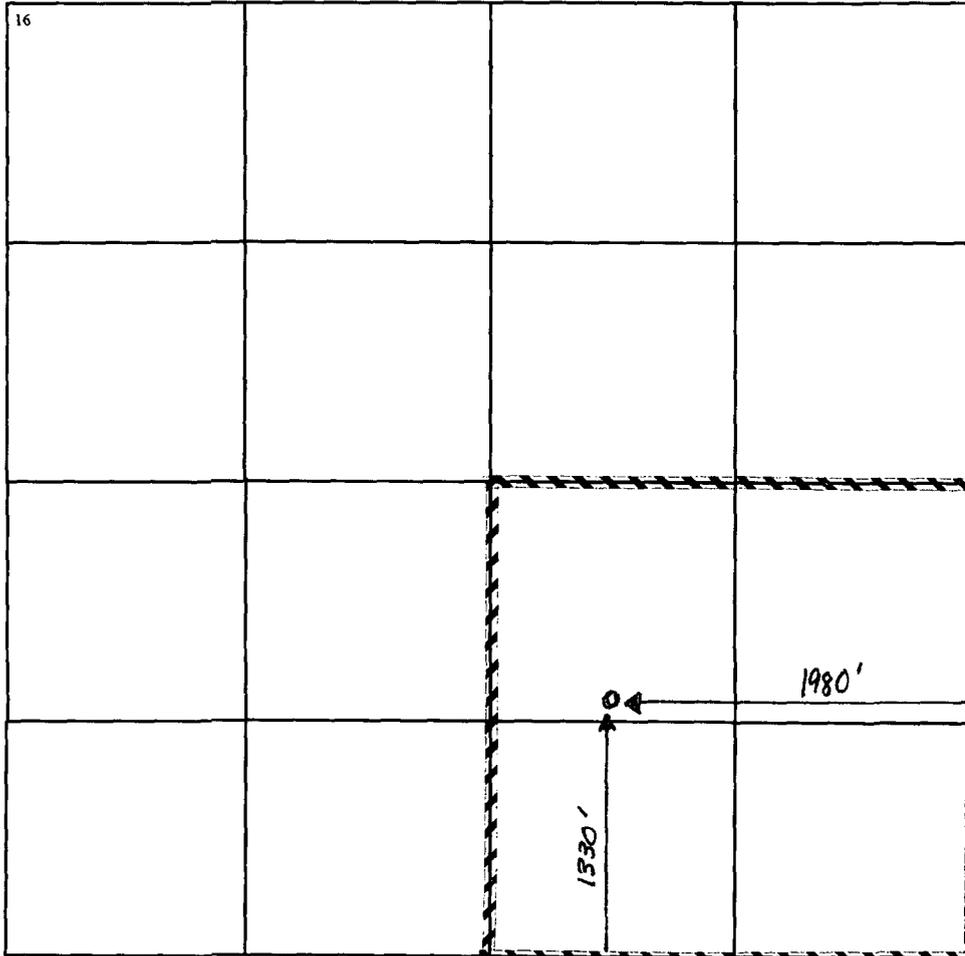
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
J	25	20S	37E		1330'	South	1980'	East	Lea

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

12 Dedicated Acres 160	13 Joint or Infill	14 Consolidation Code	15 Order No.
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Kay Maddox

Signature
Kay Maddox

Printed Name
Regulatory Agent

Title
July 20, 1999

Date

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I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

Date of Survey
Signature and Seal of Professional Surveyor:

Certificate Number

**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:**

*Nomenclature
Case No. 12182
Order No. R-11221*

**APPLICATION OF CONOCO INC. FOR POOL CREATION, SPECIAL POOL
RULES, AND THE ASSIGNMENT OF A SPECIAL DEPTH BRACKET
ALLOWABLE, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on May 13, 1999, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 12th day of July, 1999, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given and the Division has jurisdiction of this case and its subject matter.

(2) The applicant, Conoco Inc., seeks the creation of a new pool for the production of oil from the Strawn formation comprising the NE/4 of Section 36, Township 20 South, Range 37 East, NMPM, Lea County, New Mexico.

(3) The applicant further seeks the adoption of special pool rules therefor, including provisions for 160-acre spacing and proration units and designated well location requirements such that wells can be located no closer than 660 feet from the outer boundary of the spacing unit nor closer than 10 feet from any quarter-quarter section line or subdivision inner boundary. The applicant further seeks the assignment of a special depth bracket allowable of 600 barrels of oil per day.

(4) At the hearing, the applicant requested that its Hardy "36" State Well No. 26 (API No. 30-025-34311), located 870 feet from the North line and 1650 feet from the East line (Unit B) of Section 36, be assigned a bonus discovery allowable pursuant to Division Rule No. 509 in the amount of 37,825 barrels of oil.

(5) Division records indicate that by Order No. R-11183 issued in Case No. 12184 on May 19, 1999, the Division:

CASE NO. 12182 - Nomenclature**Order No. R-11221****Page 2**

- a) created the South Hardy-Strawn Pool comprising the NE/4 of Section 36, Township 20 South, Range 37 East, NMPM; and
- b) assigned the Conoco Inc. Hardy "36" State Well No. 26 a bonus discovery allowable in the amount of 37,825 barrels of oil to be produced over a two-year period.

(6) Division records further indicate that by Order No. R-11204 issued in Case No. 12200 on June 14, 1999, the Division corrected its previous nomenclature by redesignating the South Hardy-Strawn Pool as the **North Hardy-Strawn Pool**.

(7) That portion of the application seeking the creation of a new pool for production of oil from the Strawn formation and for the assignment of a bonus discovery allowable to its Hardy "36" State Well No. 26 should be dismissed.

(8) In support of its proposed 160-acre spacing and special depth bracket allowable of 600 barrels of oil per day for the North Hardy-Strawn Pool, the applicant presented engineering evidence and testimony indicating that:

- a) the Hardy "36" State Well No. 26 was drilled during March, 1998 and completed in the Strawn formation during April, 1998;
- b) the Hardy "36" State Well No. 26 initially produced at a rate of 722 BOPD, 0 BWPD and 778 MCF gas per day. Peak production from the well, which occurred on April 29, 1998, was 1,570 BOPD, 0 BWPD and 1,331 MCF gas per day;
- c) the Hardy "36" State Well No. 26 is currently capable of production in excess of 600 barrels of oil per day;
- d) the North Hardy-Strawn Pool appears to be a solution gas drive reservoir;
- e) extensive production testing demonstrates that producing the Hardy "36" State Well No. 26 at a rate of 600 barrels of oil per day has little or no effect on the producing GOR, which is consistently at or below 1,000 cubic feet of gas per barrel of oil; and

CASE NO. 12182 - Nomenclature**Order No. R-11221****Page 3**

- f) preliminary production and drainage data demonstrate that the Hardy "36" State Well No. 26 is capable of draining an area of approximately 190 acres.

(9) The applicant requested that the proposed 160-acre well spacing and special depth bracket allowable for the North Hardy-Strawn Pool be adopted for a temporary period of eighteen months in order to provide the applicant and other operators in the pool the opportunity to gather additional engineering data to support continuation of the special pool rules on a permanent basis.

(10) No offset operator and/or interest owner appeared at the hearing in opposition to the application.

(11) Approval of this application will provide the applicant the opportunity to efficiently develop the Strawn reservoir underlying the NE/4 of Section 36, thereby preventing waste, will prevent the drilling of unnecessary wells, and will otherwise protect correlative rights.

(12) Special pool rules, including provisions for 160-acre spacing and proration units, designated well location requirements, and a special depth bracket allowable of 600 barrels of oil per day for the North Hardy-Strawn Pool should be established for a temporary period of eighteen months.

(13) The applicant did not present sufficient evidence to justify the establishment of 10-foot interior quarter-quarter section setback requirements; therefore, standard 330-foot interior quarter-quarter section setback requirements should be adopted.

(14) This case should be re-opened at an examiner hearing in December, 2000, at which time the operators in the North Hardy-Strawn Pool should be prepared to appear and present evidence and testimony to support the continuation of the special pool rules on a permanent basis.

IT IS THEREFORE ORDERED THAT:

(1) The application of Conoco Inc. for the creation of a new pool for the production of oil from the Strawn formation comprising the NE/4 of Section 36, Township 20 South, Range 37 East, NMPM, Lea County, New Mexico, is hereby dismissed.

(2) The application of Conoco Inc. for the assignment of a bonus discovery allowable for its Hardy "36" State Well No. 26 (API No. 30-025-34311), located 870 feet from the North line and 1650 feet from the East line (Unit B) of Section 36, in the amount of 37,825 barrels of oil is hereby dismissed.

CASE NO. 12182 - Nomenclature
Order No. R-11221
Page 4

(3) Pursuant to the application of Conoco Inc., special pool rules for the North Hardy-Strawn Pool are hereby adopted as follows:

**TEMPORARY SPECIAL POOL RULES FOR THE
NORTH HARDY-STRAWN POOL**

Rule 1. Each well completed in or recompleted in the North Hardy-Strawn Pool or in the Strawn formation within one mile thereof, and not nearer to or within the limits of another designated Strawn pool, shall be spaced, drilled, operated, and produced in accordance with these Rules.

Rule 2. Each well completed in or recompleted in the North Hardy-Strawn Pool shall be located on a standard unit containing 160 acres, more or less, substantially in the form of a square which is a governmental quarter section and a legal subdivision of the United States Public Lands Survey.

Rule 3. The Director may grant an exception to the requirements of Rule 2 without hearing when an application has been duly filed under the provisions of Division Rule 104.D.(2).

Rule 4. Each well shall be located no closer than 660 feet to the outer boundary of the spacing unit nor closer than 330 feet to any quarter-quarter section line or subdivision inner boundary.

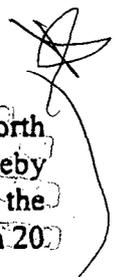
Rule 5. The Director may grant an exception to the requirements of Rule 4 without hearing when an application has been duly filed under the provisions of Division Rule No. 104.F.

Rule 6. The allowable for a standard proration unit (158 through 162 acres) shall be based on a special depth bracket allowable of 600 barrels of oil per day, and in the event there is more than one well on a 160-acre proration unit, the operator may produce the allowable assigned to the unit from the wells on the unit in any proportion. The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 160 acres.

Note: These rules will expire in December 2000, unless evidence is presented at a hearing at that time supporting their continuation on a permanent basis.

IT IS FURTHER ORDERED THAT:

(1) ~~The location of any well presently drilling to or completed in the North Hardy-Strawn Pool or in the Strawn formation within one mile thereof is hereby approved. The operator of any well having an unorthodox location shall notify the Division's Hobbs District Office in writing of the name and location of the well within 20 days from the date of this order.~~



CASE NO. 12182 - Nomenclature
Order No. R-11221
Page 5

(2) Existing oil wells in the North Hardy-Strawn Pool shall have dedicated thereto 160 acres in accordance with the foregoing pool rules, or may have non-standard spacing or proration units established by the Division and dedicated thereto.

Failure to file new Forms C-102 with the Division dedicating 160 acres to a well or to obtain a non-standard unit approved by the Division within 60 days from the date of this order shall subject the well to cancellation of allowable.

(3) This case shall be re-opened at an examiner hearing in December, 2000, at which time the operators in the North Hardy-Strawn Pool should be prepared to appear and present evidence to support the continuation of the special pool rules on a permanent basis.

(4) Jurisdiction is hereby 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

Lori Wrottenberg
LORI WROTENBERY
Director



S E A L

SOUTHEAST MONUMENT UNIT AREA

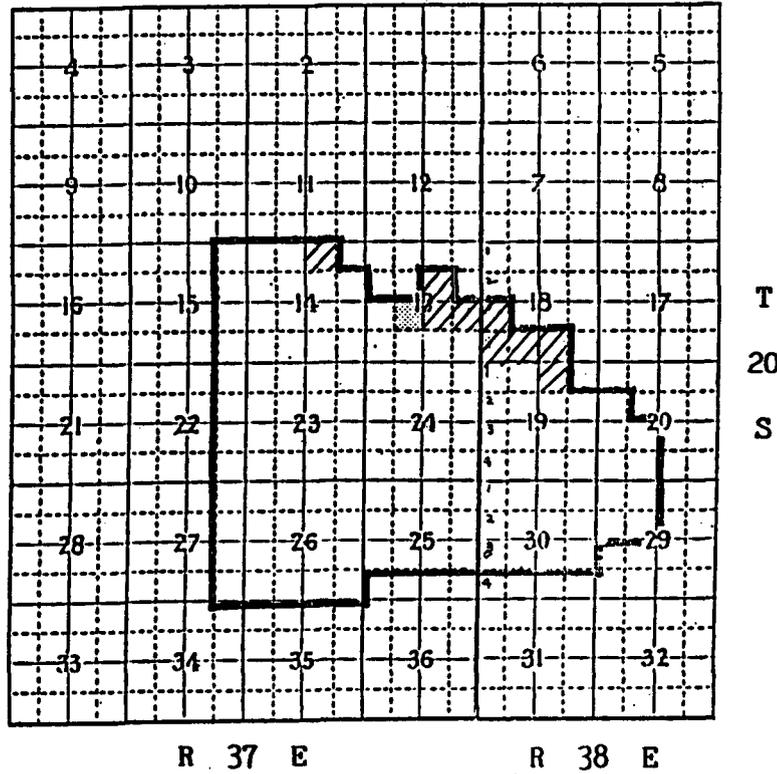
No. I-Sec. No. 321

APPROVED: December 16, 1939

EFFECTIVE: January 1, 1940

EXPLORATORY
DEVELOPED TO WATERFLOOD
Lea County, New Mexico


gulram, inc.
 petroleum engineering and government regulation consultants



Federal Lands 5,082.66 acres

 -Land Automatically Eliminated, effective December 5, 1947

 -Enlargement Effective January 1, 1960

Unit Area - Federal Lands 5,403.58 acres

CMD :
OG5SECT

ONGARD
INQUIRE LAND BY SECTION

07/21/99 12:04:12
OGOMES -TPOH
PAGE NO: 2

Sec : 30 Twp : 20S Rng : 38E Section Type : NORMAL

3, 40.28 Federal owned A	K 40.00 Federal owned	J 40.00 Federal owned	I 40.00 Federal owned
4 40.22 <hr/> <i>80.50</i> Federal owned <i>8</i> <hr/> <i>160.50</i>	N 40.00 Federal owned	O 40.00 Federal owned	P 40.00 Federal owned

PF01 HELP PF02 PF03 EXIT PF04 GoTo PF05 PF06
PF07 BKWD PF08 FWD PF09 PRINT PF10 SDIV PF11 PF12

CMD :
OG5SECT

ONGARD
INQUIRE LAND BY SECTION

07/21/99 12:42:31
OGOMES -TPOH
PAGE NO: 1

Sec : 30 Twp : 20S Rng : 38E Section Type : NORMAL

1 40.38 Federal owned A	C 40.00 Federal owned A	B 40.00 Federal owned A	A 40.00 Federal owned
2 40.32 Federal owned A	F 40.00 Federal owned A	G 40.00 Federal owned	H 40.00 Federal owned

M0002: This is the first page

PF01 HELP PF02 PF03 EXIT PF04 GoTo PF05 PF06
PF07 BKWD PF08 FWD PF09 PRINT PF10 SDIV PF11 PF12