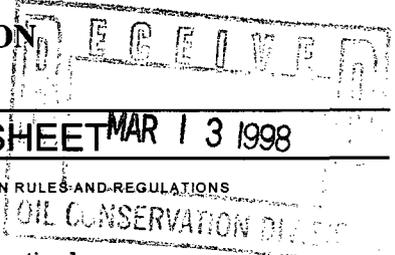


ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -



ADMINISTRATIVE APPLICATION COVERSHEET

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS

Application Acronyms:

- [NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location]
- [DD-Directional Drilling] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] **TYPE OF APPLICATION - Check Those Which Apply for [A]**

- [A] Location - Spacing Unit - Directional Drilling
 NSL NSP DD SD

Check One Only for [B] and [C]

- [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR

[2] **NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply**

- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] Offset Operators, Leaseholders or Surface Owner
- [C] Application is One Which Requires Published Legal Notice
- [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] Waivers are Attached

[3] **INFORMATION / DATA SUBMITTED IS COMPLETE - Statement of Understanding**

I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common. I understand that any omission of data, information or notification is cause to have the application package returned with no action taken.

Note: Statement must be completed by an individual with supervisory capacity.

Kay Maddox
Print or Type Name

Kay Maddox
Signature

Regulatory Agent
Title

3/6/98
Date

DISTRICT I
P.O. Box 1980, Hobbs, NM 88241 1980

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107-A
New 3-12-96

DISTRICT II
811 South First St. Artesia NM 88210 2835

OIL CONSERVATION DIVISION

2040 S. Pacheco
Santa Fe, New Mexico 87505-6429

APPROVAL PROCESS:
 Administrative Hearing

DISTRICT III
1000 Rio Brazos Rd. Aztec, NM 87410 1693

APPLICATION FOR DOWNHOLE COMMINGLING

EXISTING WELLBORE
 YES NO

Operator Conoco Inc. Address 10 Desta Dr. Ste 100W, Midland, Tx. 79705-4500

Lease Hardy 36 State Well No 1 Unit Ltr Sec Twp Rge Section 36, T-20-S, R-37-E, K Lea Lea County Lea

OGRID NO. 005073 Property Code 013396 API NO. 30-025-32128 Spacing Unit Lease Types: (check 1 or more)
Federal State (and/or) Fee

| The following facts are submitted in support of downhole commingling: | Upper Zone | Intermediate Zone | Lower Zone |
|---|--|-------------------|---|
| 1. Pool Name and Pool Code | SOUTH CASS STRAWN 10460 | | Hardy Simpson-Ellenburger 96227 |
| 2. TOP and Bottom of Pay Section (Perforations) | 7562-7706' | | 9940-10,285' |
| 3. Type of production (Oil or Gas) | OIL | | OIL |
| 4. Method of Production (Flowing or Artificial Lift) | Artificial Lift | | Artificial Lift |
| 5. Bottomhole Pressure Oil Zones - Artificial Lift: Gas & Oil - Flowing: All Gas Zones: Estimated Or Measured Original | a (Current) 1000 | a. | a. 655 |
| | b(Original) 1925 | b. | b. 3548 |
| 6. Oil Gravity (°API) or Gas BT Content | 40.9 | | 45.6 |
| 7. Producing or Shut-In? | To be Completed | | Producing |
| Production Marginal? (yes or no) | Yes | | Yes |
| • If Shut-In give date and oil/gas/water rates of last production Note For new zones with no production history applicant shall be required to attach production estimates and supporting data • If Producing, date and oil/gas/water rates of recent test (within 60 days) | Date Rates | Date Rates | Date Rates |
| | Production to be allocated by subtraction - See attached table | Date Rates | Est 2/98 45 BOPD, 3 BWPD, 57 MCFGPD |
| 8. Fixed Percentage Allocation Formula - % for each zone | oil: % Gas % | oil: % Gas % | oil: % Gas % |

9. If allocation formula is based upon something other than current or past production, or is based upon some other method, submit attachments with supporting data and/or explaining method and providing rate projections or other required data.
10. Are all working, overriding, and royalty interests identical in all commingled zones? Yes No
If not, have all working, overriding, and royalty interests been notified by certified mail? Yes No
Have all offset operators been given written notice of the proposed downhole commingling? Yes No
11. Will cross-flow occur? Yes No If yes, are fluids compatible, will the formations not be damaged, will any cross-flowed production be recovered, and will the allocation formula be reliable. Yes No (If No, attach explanation)
12. Are all produced fluids from all commingled zones compatible with each others Yes No
13. Will the value of production be decreased by commingling? Yes No (If Yes, attach explanation)
14. If this well is on, or communitized with, state or federal lands, either the Commissioner of Public Lands or the United States Bureau of Land Management has been notified in writing of this application. Yes No
15. NMOCD Reference Cases for Rule 303(D) Exceptions: ORDER NO(S). _____

16. ATTACHMENTS
- * C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
 - * Production curve for each zone for at least one year. (If not available, attach explanation.)
 - * For zones with no production history, estimated production rates and supporting data.
 - * Data to support allocation method or formula.
 - * Notification list of all offset operators.
 - * Notification list of working, overriding and royalty interests for uncommon interest cases.
 - * Any additional statements, data, or documents required to support commingling.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Kay Maddox TITLE Regulatory Agent DATE 3/9/98

TYPE OR PRINT NAME Kay Maddox TELEPHONE NO. (915) 686-5798

HARDY 36 STATE NO. 1
Sec. 36 T20S R37E, Lea County, N.M.

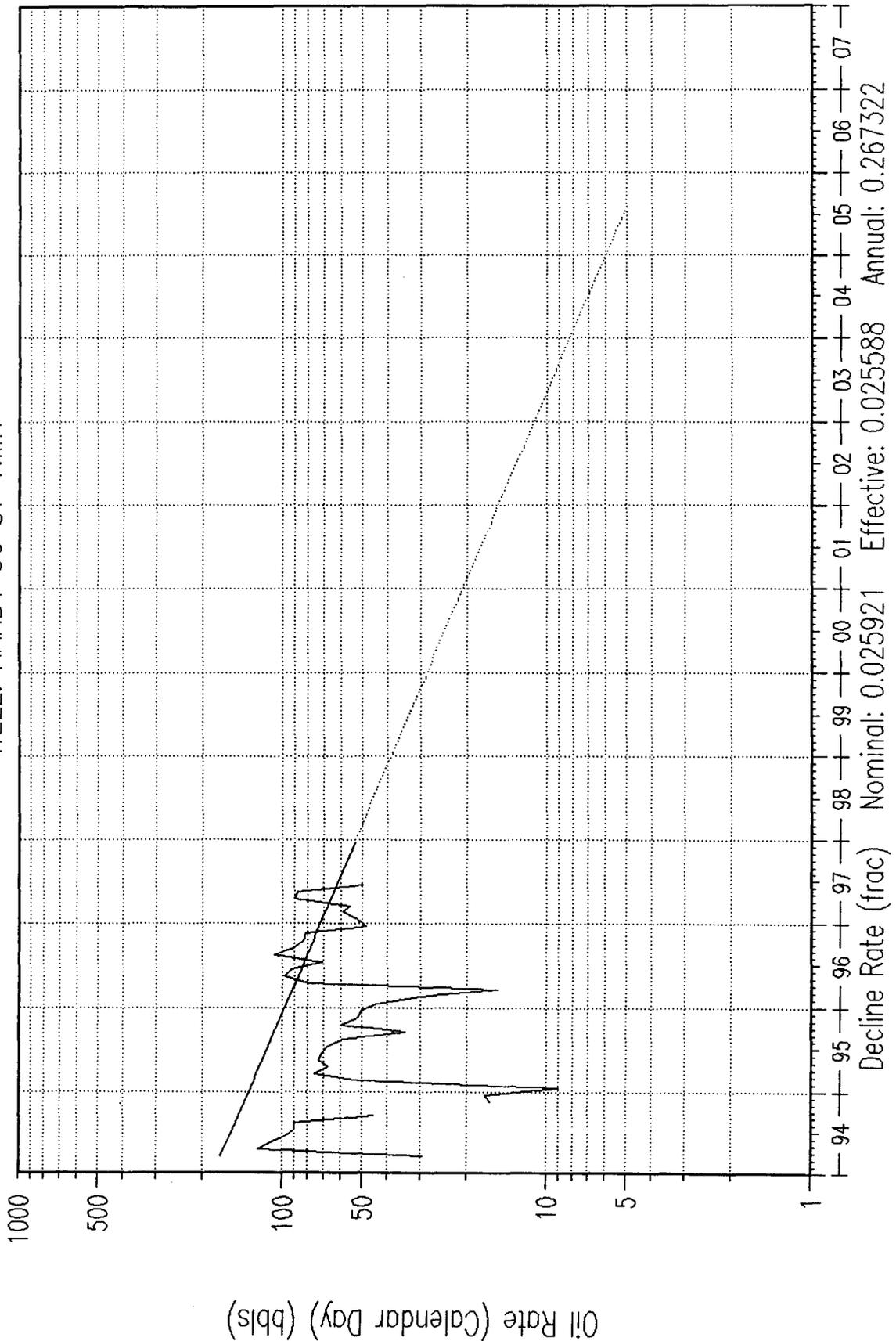
API NO: 30 025 3212800

McKee Formation
Hardy Simpson Ellenburger Pool (LLP)

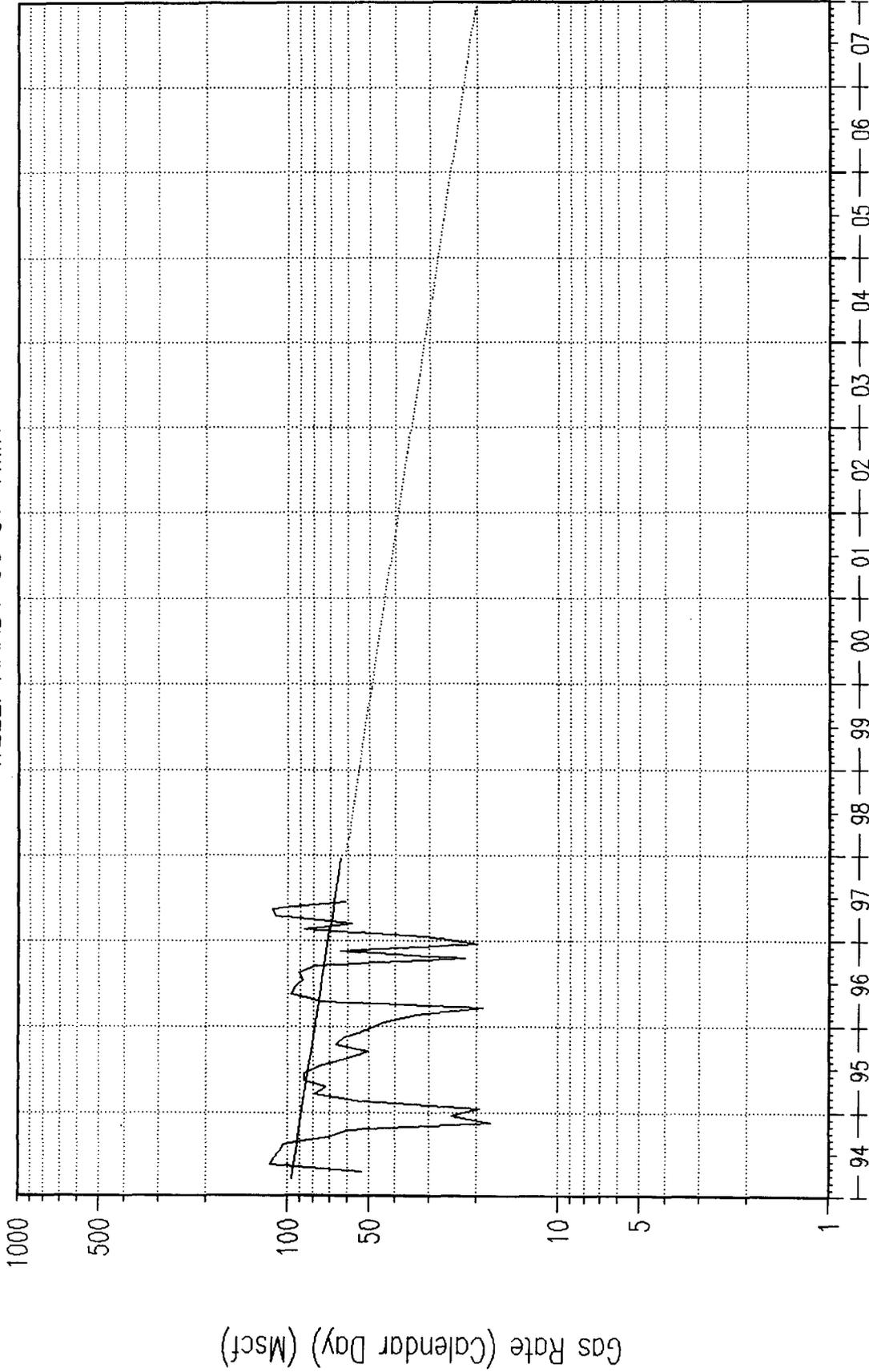
Downhole Commingle Schedule

| Year | Oil Prod (BBL) | Gas Prod (MSCF) |
|-------------|---------------------------|----------------------------|
| 1998 | 14410 | 19750 |
| 1999 | 11030 | 17780 |
| 2000 | 8445 | 16000 |
| 2001 | 6460 | 14400 |
| 2002 | 4950 | 12975 |
| 2003 | 3790 | 11680 |
| 2004 | 2900 | 10520 |
| 2005 | 2220 | 9470 |
| 2006 | 1700 | 8525 |
| 2007 | 1300 | 7675 |

WELL: HARDY 36 ST 1:MK



WELL: HARDY 36 ST 1:MK



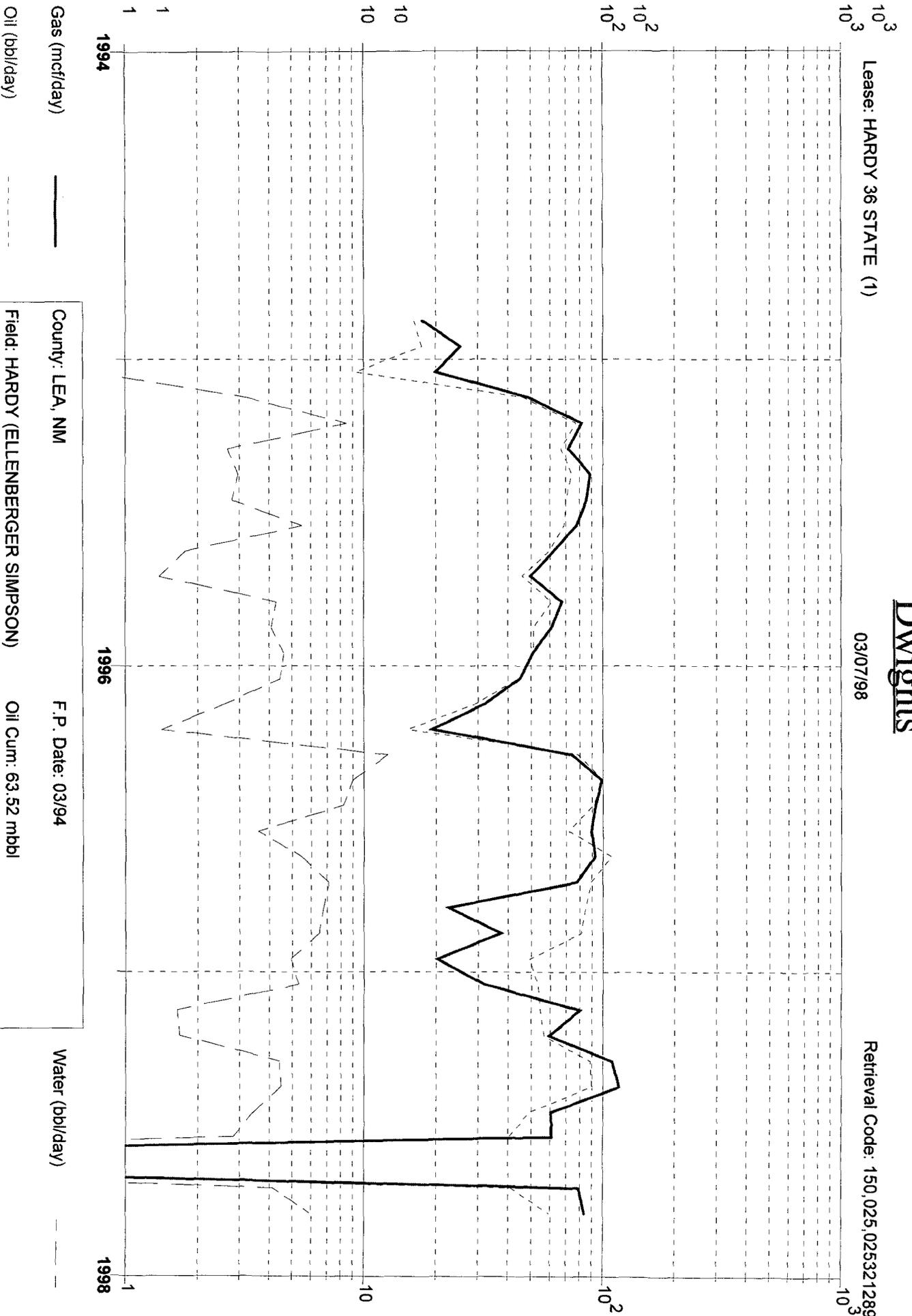
Decline Rate (frac) Nominal: 0.009248 Effective: 0.009205 Annual: 0.105038

Dwights

Lease: HARDY 36 STATE (1)

03/07/98

Retrieval Code: 150.025.0253212896227



County: LEA, NM F.P. Date: 03/94

Field: HARDY (ELLENBERGER SIMPSON) Oil Cum: 63.52 mbbl

Reservoir: ELLENBERGER SIMPSON Gas Cum: 66.61 mmcf

Operator: CONOCO INC Location: 36K 20S 37E

District I
 PO Box 1980, Hobbs, NM 88241-1980
 District II
 PO Drawer DD, Artesia, NM 88211-0719
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
 Energy, Minerals & Natural Resources Department

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

Form C-102
 Revised February 21, 1994
 Instructions on back
 Submit to Appropriate District Office
 State Lease - 4 Copies
 Fee Lease - 3 Copies

30025-3212800

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | | | | |
|------------------------------|--|-----------------------------------|--|------------------------------|---------------------------|
| 1 API Number 30-025-32128 | | 2 Pool Code 96227 New Pool | | 3 Pool Name Hardy Simpson | |
| 4 Property Code 13396 | | 5 Property Name Hardy 36 State | | | 6 Well Number 1 |
| 7 OGRID No. 005073 | | 8 Operator Name CONOCO INC. | | | 9 Elevation 3489.1' GR |

10 Surface Location

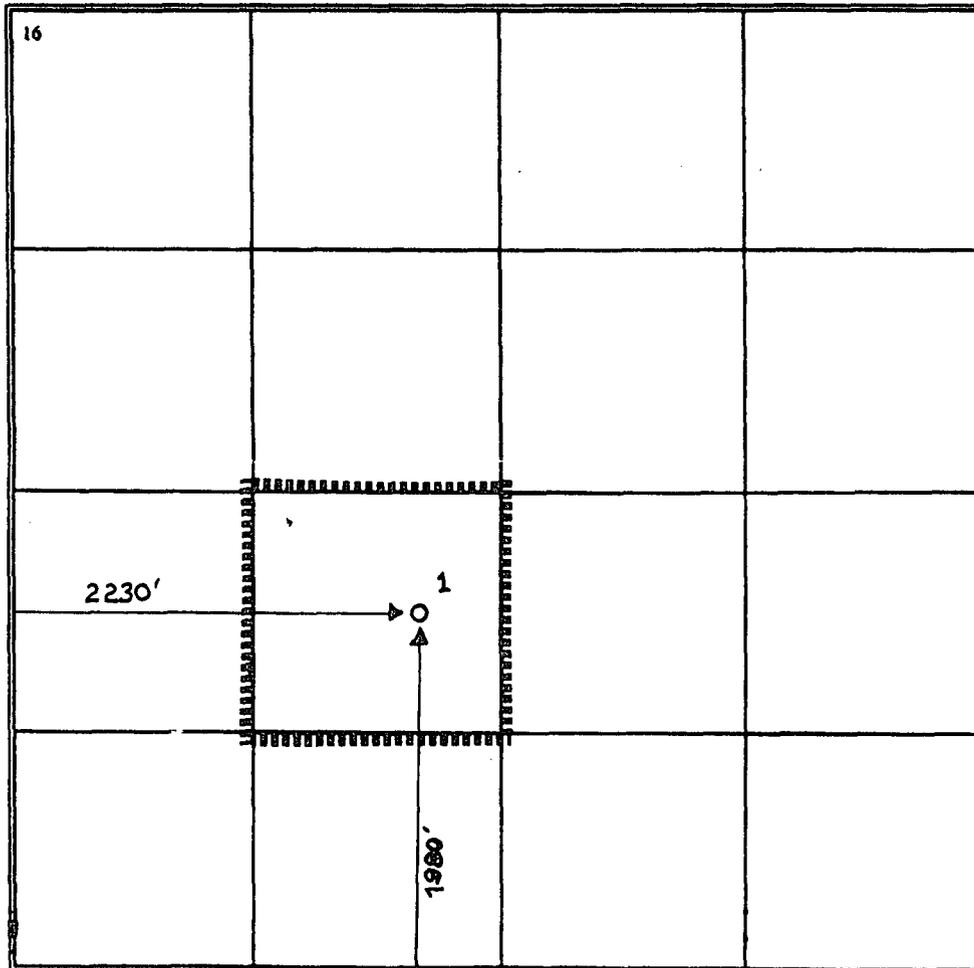
| UL or lot no. | Section | Township | Range | Lot Ida | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| K | 36 | 20S | 37E | | 1980 | South | 2230 | West | Lea |

11 Bottom Hole Location If Different From Surface

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

| | | | |
|--------------------------|-------------------|-----------------------|--------------|
| 12 Dedicated Acres 40 | 13 Joint or In/In | 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

Jerry W. Hoover
 Signature
 Jerry W. Hoover
 Printed Name
 Sr. Conservation Coordinator
 Title
 4/27/94
 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 Surveyer:
 Certificate Number

District I
 PO Box 1980, Hobbs, NM 88241-1980
 District II
 PO Drawer DD, Artesia, NM 88211-0719
 District III
 1000 Rio Brazos Rd. Aztec, NM 87410
 District IV
 PO Box 2088, Santa Fe, NM 87504-2088

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 30-025-32128 | | 2 Pool Code 10460 | | 3 Pool Name South Cass Strawn | |
| 4 Property Code 013396 | | 5 Property Name Hardy 36 | | | 6 Well Number #1 |
| 7 OGRID No. 005073 | | 8 Operator Name Conoco Inc., 10 Desta Drive, Ste. 100W, Midland, TX 79705-4500 | | | 9 Elevation 3489 |

10 Surface Location

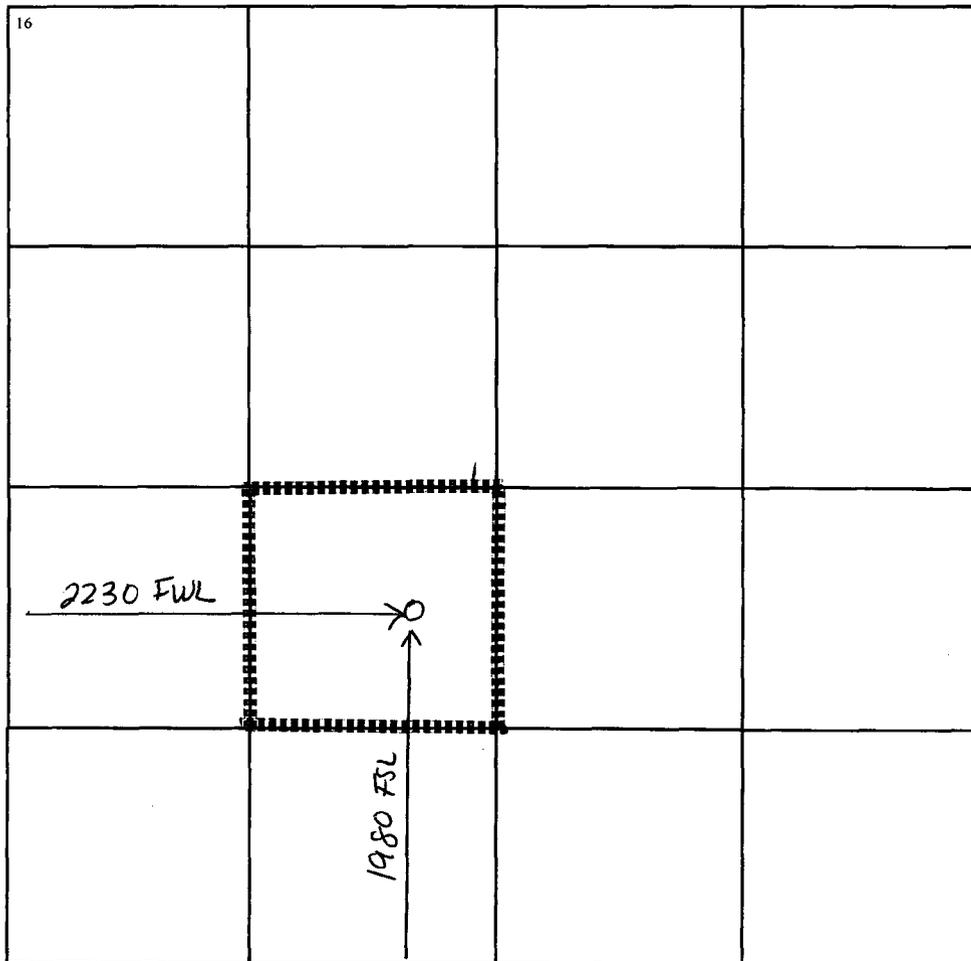
| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| E | 36 | 20S | 37E | | 1980 | South | 2230 | 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 40 | 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

3/9/98
 Date

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

Hardy 36 State #1
Section 36, T-20-S, R-37-E
Lea County, NM

Re: Downhole Commingle Application C107A

Offset Operators:

M&W Petroleum
200 Post Oak Blvd Ste 100
Houston, TX 77056-4400

Chuza Petroleum
PO Box 51010
Midland, TX 79710-1010

Southwest Royalty
777 S. Central Expressway STE 7E
Richardson, TX 75080

Altura Energy
PO Box 576
Houston, TX 77001

Zachary Oil
307 W 7th St STE 1212
Ft. Worth, TX 76102-5178

Chevron
915 Gravier ST
New Orleans, LA 70112-1625

Lynx Petroleum
PO Box 1979
Hobbs, NM 88241-1979

Saga
415 W, Wall STE 2222
Midland, TX 79701

Cross Timbers
810 Houston St STE 2000
Fort Worth, TX 76102-6298

Elliot
PO Box 1355
Roswell, NM 88202-1355

Exxon
PO Box 4778
Houston, TX 77210-4778

Pete Mills
706 Boyd
Midland, TX 79705

John H. Hendrix
223 W. Wall STE 525
Midland, TX 79701-4519

DHC-1895



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
HOBBS DISTRICT OFFICE

4/1/98

POST OFFICE BOX 1980
HOBBS, NEW MEXICO 88241-1980
(505) 393-6161

GOVERNOR

OIL CONSERVATION DIVISION
P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

RE: Proposed:
MC _____
DHC X _____
NSL _____
NSP _____
SWD _____
WFX _____
PMX _____

Gentlemen:

I have examined the application for the:

Conoco Inc Hardy 36 State # 1-E-36-20s-37e
Operator Lease & Well No. Unit S-T-R

and my recommendations are as follows:

Please convert subtraction method to estimated %.

Yours very truly,

Chris Williams
Supervisor, District 1

/ed