



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

November 7, 1997

Conoco, Inc.
10 Desta Drive - Suite 100W
Midland, Texas 79705-4500
Attention: Jerry W. Hoover

Administrative Order NSL-3374-A

Dear Mr. Hoover:

Reference is made to: (i) your original application dated November 3, 1997 (received by the Division in Santa Fe on November 5, 1997); and, (ii) the Division's records in Santa Fe, which also include the files on Administrative Orders NSL-3374 and DHC-1623: all of which concern Conoco, Inc.'s ("Conoco") request for an unorthodox gas well location in both the Blanco-Mesaverde and Undesignated Otero-Chacra Pools for Conoco's existing Jicarilla "K" Well No. 10-E (API No. 30-039-25393), located 1370 feet from the South line and 1440 feet from the West line (Unit K) of Section 1, Township 25 North, Range 5 West, NMPM, Rio Arriba County, New Mexico.

The Jicarilla "K" Well No. 10-E was drilled by Merit Energy Company ("Merit") in 1994 in order to test the Undesignated West Lindrith Gallup-Dakota Oil Pool at an unorthodox oil well location (see Division Administrative Order NSL-3374, dated April 8, 1994) within a standard 160-acre oil spacing and proration unit comprising the SW/4 of said Section 1. Division records indicate that this well was actually completed as an infill gas well in the Basin-Dakota Pool and, pursuant to the "*General Rules for the Prorated Gas Pools of New Mexico/Special Rules and Regulations for the Basin-Dakota Pool*," as promulgated by Division Order No. R-8170, as amended, said location is also considered to be "non-standard" with respect to the internal quarter-quarter section line for the existing standard 319.69-acre gas spacing and proration unit ("GPU") comprising Lots 3 and 4, the S/2 NW/4, and the SW/4 (W/2 equivalent) of said Section 1. The operator at the time (Merit) evidently failed to procure proper authorization from the Division for the unorthodox infill gas well location within the Basin-Dakota Pool for the Jicarilla "K" Well No. 10-E.

The Division therefore finds that since this location is unorthodox only to the internal quarter-quarter section line of the subject 319.69-acre GPU and is not encroaching upon any other operator or properties, approval of this unorthodox infill gas well location within the Basin-Dakota Pool should be included within the order to be issued in this matter at this time.

It is our understanding that Conoco intends to downhole commingle gas production from the Blanco-Mesaverde, Basin-Dakota, and Undesignated Otero-Chacra Pools in said well under authority of Division Administrative Order DHC-1623, dated August 15, 1997; and, pursuant to Division General Rule 104.C(3) and to the "*General Rules for the Prorated Gas Pools of New Mexico/Special Rules and Regulations for the Blanco-Mesaverde Pool*," as promulgated by Division Order No. R-8170, as amended, said location is also unorthodox for both the Otero-Chacra and Blanco-Mesaverde gas producing intervals, respectively.

Basin-Dakota gas production from said 319.69-acre GPU is currently simultaneously dedicated to said Jicarilla "K" Well No. 10-E and to Conoco's Jicarilla "K" Well No. 10 (API No. 30-039-20260), located at a standard gas well location 790 feet from the North line and 1190 feet from the West line (Lot 4/Unit D) of said Section 1.

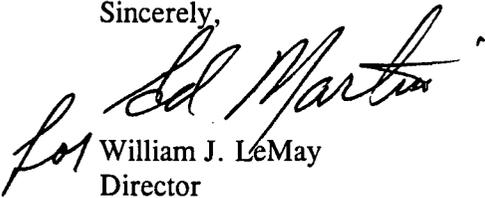
Production from the Blanco-Mesaverde Pool in said well is to be included to the existing standard 319.69-acre gas spacing and proration unit comprising the W/2 equivalent of said Section 1, which production is also currently dedicated to the above-described Jicarilla "K" Well No. 10.

The SW/4 of said Section 1, being a standard 160-acre gas spacing and proration unit for the Undesignated Otero-Chacra Pool, is to be dedicated to said well.

By the authority granted me under the provisions of Rule 2(d) of the "*General Rules for the Prorated Gas Pools of New Mexico/Special Rules and Regulations for the Blanco-Mesaverde Pool/Special Rules and Regulations for the Basin-Dakota Pool*," as promulgated by Division Order No. R-8170, as amended, and Division General Rule 104.F(2) the above-described unorthodox "infill" Dakota/Mesaverde gas well location and Chacra gas well location for the Jicarilla "K" Well No. 10-E is hereby approved.

At this time the original Administrative Order NSL-3374 shall be placed in abeyance until further notice.

Sincerely,



William J. LeMay
Director

WJL/MES/kv

cc: New Mexico Oil Conservation Division - Aztec
U. S. Bureau of Land Management - Farmington
W. Thomas Kellahin, Counsel - Santa Fe
Dave Wacker, Conoco, Inc. - Santa Fe
File: NSL-3374
DHC-1623