

ABOVE THIS LINE FOR DIVISION USE ONLY

**NEW MEXICO OIL CONSERVATION DIVISION**  
 - Engineering Bureau -  
 1220 South St. Francis Drive, Santa Fe, NM 87505



*ConocoPhillips*  
*Hardy 36 Street*

**ADMINISTRATIVE APPLICATION CHECKLIST**

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

**Application Acronyms:**

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [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 - Simultaneous Dedication  
 NSL  NSP  SD
- Check One Only for [B] or [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
- [D] Other: Specify \_\_\_\_\_
- [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

RECEIVED  
 2008 OCT 23 PM 4 00

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

**Note:** Statement must be completed by an individual with managerial and/or supervisory capacity.

Celeste G. Dale  
 Print or Type Name

*Celeste G. Dale*  
 Signature

Regulatory Specialist  
 Title

08/12/08  
 Date

celeste.g.dale@conocophillips.com  
 e-mail Address



217817  
ConocoPhillips Company  
3300 N. A Street, Bldg. 6  
Midland, Texas 79705

EXPLORATION & PRODUCTION  
Mid-Continent Business Unit

August 11, 2008

New Mexico Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87504

Re: Request for Administrative Amendment Of  
Commingle Oder PC-916 To Authorize The Surface  
Commingle Of Skaggs Grayburg Production From  
the Hardy "36" State Lease With The Currently  
Approved Commingled Hardy Simpson-  
Ellenburger, North Hardy Tubb-Drinkard, South  
Cass-Strawn and North Hardy Strawn Production  
From The Same Lease.

Attention: Oil and Gas Department

ConocoPhillips respectfully request administrative approval to surface commingle Skaggs Grayburg from its Hardy "36" State Lease (Sec. 36, T-20S, R-37E) with the Hardy Simpson-Ellenburger, North Hardy Tubb-Drinkard, South Cass-Strawn and North Hardy Strawn production from this lease, which is already approved for commingling by Commingling Order PC-916 dated January 25, 2005.

1. Attached is a copy of the amended Commingling Order PC-916 which approved the commingling of Hardy Simpson-Ellenburger, North Hardy Tubb-Drinkard, South Cass-Strawn and North Hardy Strawn from the Hardy "36" State Lease. It also approved well 28, diverse interest, to be commingled with continuous measurement.
2. Also attached is a table which identifies all of the wells on this lease and the pools from which each well is producing. Well No. 3 in the Hardy "36" State Lease has been re-completed into the Skaggs Grayburg Pool. In order to minimize operation cost and to maximize Skaggs Grayburg oil recovery from this lease the Skaggs Grayburg Pool production needs to be stored in the existing battery for this lease. Production from the Skaggs Grayburg has identical interest to all other production, except for well 28 as noted, and is marginal so it is requested that its commingled production be approved for allocation by well test.
3. Attached is a certification of common working interest, royalty interest and overriding royalty interest.
4. A table of Hardy "36" State Battery recent production volume, gravity, and sulfur content with the tested production volume, gravity and sulfur content from the Skaggs Grayburg Pool is included in this application. The existing Hardy "36" State Battery has commingled oil volume of 200 BOPD, API gravity 40.9, and sulfur content .21 percent by weight. The Skaggs Grayburg has oil volume of 22 BOPD, API gravity 39.2, and sulfur content .955 percent by weight. The result of commingling would be volume of 222 BOPD, API gravity 40.7, and sulfur content .284 percent by weight.

*See attached  
Letters*

5. Also included in this table are the gravities and sulfur content values of (a) currently commingled production, (b) Skaggs Grayburg tested production, and (c) all five formations commingled. Notice that the combined oil gravity should change no more than .2 degree API, sulfur content is still less than .4 and the value of the total production is based on sale of sweet crude deemed 40 API gravity.
6. A map of the Hardy "36" State Lease with wells and battery location is enclosed with this application.
7. A schematic diagram of the Hardy "36" State Lease Battery is enclosed with this application.

Sincerely,



Celeste G. Dale  
Regulatory Specialist  
Mid-Continent Business Unit

Cc: Commissioner of Public Lands  
P.O. Box 1148  
Santa Fe, NM 87504-1148

District I  
1625 N. French Drive, Hobbs, NM 88240

District II  
1301 W. Grand Ave, Artesia, NM 88210

District III  
1000 Rio Brazos Road, Aztec, NM 87410

District IV  
1220 S. St Francis Dr, Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-107-B  
Revised June 10, 2003

OIL CONSERVATION DIVISION  
1220 S. St Francis Drive  
Santa Fe, New Mexico 87505

Submit the original application to the Santa Fe office with one copy to the appropriate District Office.

APPLICATION FOR SURFACE COMMINGLING (DIVERSE OWNERSHIP)

OPERATOR NAME: ConocoPhillips Company

OPERATOR ADDRESS: 3300 N. "A" Street, Bldg. 6 Midland, TX 79705

APPLICATION TYPE:

Pool Commingling     Lease Commingling     Pool and Lease Commingling     Off-Lease Storage and Measurement (Only if not Surface Commingled)

LEASE TYPE:     Fee     State     Federal

Is this an Amendment to existing Order?  Yes     No    If #Yes#, please include the appropriate Order No. PC-916

Have the Bureau of Land Management (BLM) and State Land office (SLO) been notified in writing of the proposed commingling

Yes     No

(A) POOL COMMINGLING

Please attach sheets with the following information

(1) Pool Names and Codes	Gravities / BTU of Non-Commingled Production	Calculated Gravities / BTU of Commingled Production	Calculated Value of Commingled Production	Volumes

- (2) Are any wells producing at top allowables?  Yes     No
- (3) Has all interest owners been notified by certified mail of the proposed commingling?     Yes     No.
- (4) Measurement type:     Metering     Other (Specify)    allocation based upon well test
- (5) Will commingling decrease the value of production?     Yes     No    If #yes#, describe why commingling should be approved

(B) LEASE COMMINGLING

Please attach sheets with the following information

- (1) Pool Name and Code.
- (2) Is all production from same source of supply?     Yes     No
- (3) Has all interest owners been notified by certified mail of the proposed commingling?     Yes     No
- (4) Measurement type:     Metering     Other (Specify)

(C) POOL and LEASE COMMINGLING

Please attach sheets with the following information

- (1) Complete Sections A and E.

(D) OFF-LEASE STORAGE and MEASUREMENT

Please attached sheets with the following information

- (1) Is all production from same source of supply?     Yes     No
- (2) Include proof of notice to all interest owners.

(E) ADDITIONAL INFORMATION (for all application types)

Please attach sheets with the following information

- (1) A schematic diagram of facility, including legal location.
- (2) A plat with lease boundaries showing all well and facility locations. Include lease numbers if Federal or State lands are involved.
- (3) Lease Names, Lease and Well Numbers, and API Numbers.

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

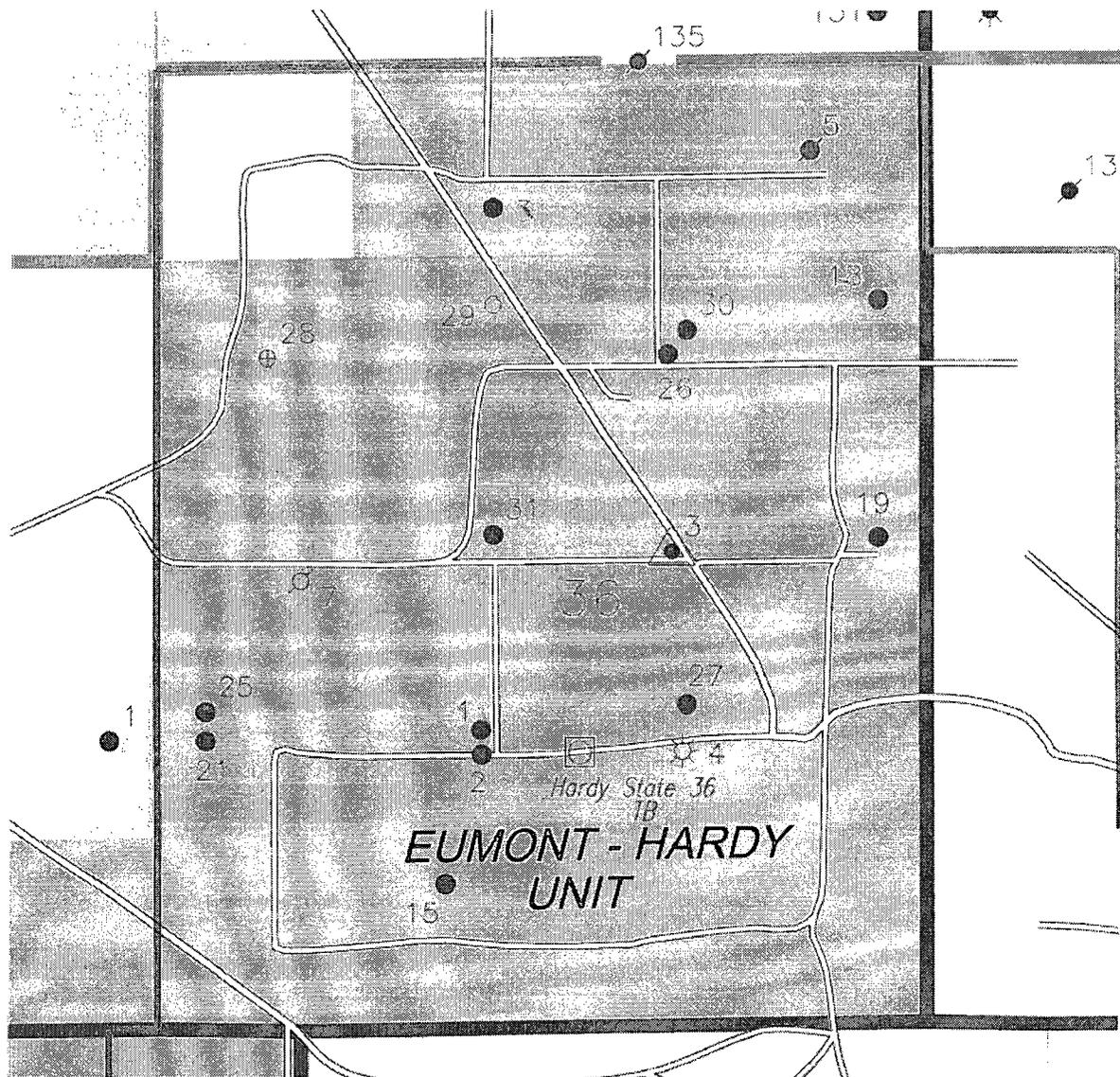
SIGNATURE: Celeste G. Dale    TITLE: Regulatory Specialist    DATE: 08/11/2008

TYPE OR PRINT NAME Celeste G. Dale    TELEPHONE NO.: (432)688-6884

E-MAIL ADDRESS: celeste.g.dale@conocophillips.com

API	Legal Name	Well Status	Pool	Pool Code	Unit Letter	Surface Legal Location	North/South Distance (ft)	North/South Reference	East/West Distance (ft)	East/West Reference	Co.
300253212800	HARDY 36 STATE 01	Producing	South Cass Strawn ✓	10460	K	Sec. 36, T-20-S, R-37-E	1,980.00	S	2,230.00	W	LEA
300253247300	HARDY 36 STATE 02	Producing	North Hardy Tubb Drinkard ✓	96356	K	Sec. 36, T-20-S, R-37-E	1,876.00	S	2,230.00	W	LEA
300253247900	HARDY 36 STATE 03	Producing	Skaggs Grayburg ✓	57380	G	Sec. 36, T-20-S, R-37-E	2,080.00	N	1,730.00	E	LEA
300253251300	HARDY 36 STATE 04	Producing	North Hardy Tubb Drinkard ✓	96356	J	Sec. 36, T-20-S, R-37-E	1,880.00	S	1,680.00	E	LEA
300253253000	HARDY 36 STATE 07	P&A	North Hardy Tubb Drinkard ✓	96393	E	Sec. 36, T-20-S, R-36-E	2,200.00	N	990	W	LEA
300253392400	HARDY 36 STATE 15	Producing	South Cass Strawn ✓	10460	N	Sec. 36, T-20S, R-37E	990	S	1,980.00	W	LEA
300253302700	HARDY 36 STATE 18	Producing	North Hardy Tubb Drinkard ✓	96356	A	Sec. 36, T-20S, R-37E	330	N	330	E	LEA
300253320200	HARDY 36 STATE 19	Producing	North Hardy Tubb Drinkard ✓	96356	H	Sec. 36, T-20S, R-37E	1,950.00	N	330	E	LEA
300253302800	HARDY 36 STATE 21	Producing	South Cass Strawn ✓	10460	L	Sec. 36, T-20S, R-37E	1,980.00	S	330	W	LEA
300253410200	HARDY 36 STATE 25	Producing	North Hardy Tubb Drinkard ✓	96356	L	Sec. 36, T-20S, R-37E	2,180.00	S	330	W	LEA
300253431100	HARDY 36 STATE 26	Producing	North Hardy Strawn ✓	96893	B	Sec. 36, T-20 S, R-37 E	870	N	1,650.00	E	LEA
300253479400	HARDY 36 STATE 27	Producing	North Hardy Strawn ✓	96893	J	Sec 36, T-20-S, R 38 E	2,200.00	S	1,650.00	E	LEA
300253662400	HARDY 36 STATE 28	Producing	North Hardy Strawn ✓	96893	H	Sec. 36, T-20-S, R-37-E	2,374.00	N	511	E	LEA
300253515500	HARDY 36 STATE 30	Producing	North Hardy Tubb Drinkard ✓	96356	B	Sec.36, T-20S, R-37E	520	N	1,650.00	E	LEA
300253548500	HARDY 36 STATE 31	Producing	North Hardy Strawn ✓	96893	F	Sec. 36, T-20S, R-37E	1,900.00	N	2,310.00	W	LEA

Section 36, T-20-S, R-37-E





Mid-America – Permian Basin  
P. O. Box 2197  
Houston, TX 77252-2197  
Tel: 832-486-2000  
Fax: 832-486-6446

December 16, 2008

RE: Surface Commingling Application  
Hardy 36 State Wells  
Lea County, New Mexico

The Hardy 36 State wells are located in Section 36, T20S, R37E on State leases B-11300-4, B-2366-11, E-5376-1, B-2656; and Federal leases NM 002551 and LC 031696-B. The ownership for the working interest, overriding royalty interest and royalty interest owners is noted below:

Lease 013988-000 (State NM B-2656) - E/2 and SW/4 Section 36, T20S, R37E

Hardy 36 State Nos. 1, 2, 3, 4, 15, 18, 19, 21, 25, 26, 27, and 30 (The ownership is consistent for these wells.).

<u>Interest Owner</u>	<u>Working Interest</u>	<u>Net Revenue Interest</u>	<u>ORR Interest</u>	<u>Royalty Interest</u>
ConocoPhillips Company State of New Mexico	100%	87.5%		12.5%

Lease 145556-000 (NM B-11300-4) – NW4/NW4 Section 36, T20S, R37E

Lease 088913-000 (NM B-2366-11) – NE4/NW4 Section 36, T20S, R37E

Lease 145554-000 (NM E-5376-1) – S2/NW4 Section 36, T20S, R37E

Hardy 36 State No. 31 (This well is subject to Communitization Agreement C-200616 covering a 160-acre well spacing unit in the Strawn formation in the NW/4.)

<u>Interest Owner</u>	<u>Working Interest</u>	<u>Net Revenue Interest</u>	<u>ORR Interest</u>	<u>Royalty Interest</u>
ConocoPhillips Company State of New Mexico	100%	87.5%		12.5%

Lease 013988-000 (State NM B-2656) – NE/4 Section 36, T20S, R37E

Lease 155818-000 (Federal NM 002511) – E/2 NW Section 31, T20S, R38E

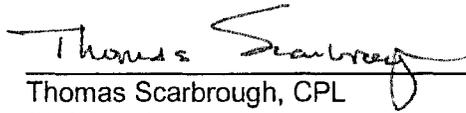
Lease 018626-000 (Federal LC 031696-B) – Lots 1 and 2, Section 36, T20S, R38E

Surface Commingling Application  
Hardy 36 State Wells  
Ownership Certification  
December 12, 2008

Hardy 36 State No. 28 (This well is subject to the Cooperative Well Agreement, C-200129, and  
Communitization Agreement, C-200690.)

<u>Interest Owner</u>	<u>Working Interest</u>	<u>Net Revenue Interest</u>	<u>ORR Interest</u>	<u>Royalty Interest</u>
ConocoPhillips Company	74.98%	65.6075%		
BP America Production	12.51%	10.9463%		
Chevron USA Inc.	12.51%	10.9462%		
State of New Mexico				6.24375%
United States				6.25625%

I certify that the above information is true and correct.



Thomas Scarbrough, CPL  
Staff Landman  
ConocoPhillips Company  
December 16, 2008



**Jones, William V., EMNRD**

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**From:** Dale, Celeste G [Celeste.G.Dale@conocophillips.com]  
**Sent:** Wednesday, December 17, 2008 1:02 PM  
**To:** Jones, William V., EMNRD  
**Subject:** FW: Hardy 36 Confirmation Attached  
**Attachments:** SURFACE COMMINGLING APPLICATION - Hardy 36 State Wells 36\_20081218151915\_001.PDF

**Importance:** High

Will,  
Please advise if this is what you're looking for in order to proceed with the Hardy 36 application to surface commingle.

Thank you,  
Celeste

Celeste G. Dale  
Regulatory Specialist  
ConocoPhillips Company \*  
Mid-Continent Business Unit,  
3300 N. "A" St., Bldg. 6 #133  
Midland, TX 79705-5490  
432-688-6884  
Fax 432-688-6019

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**From:** Dimiterchik, Betty B.  
**Sent:** Tuesday, December 16, 2008 3:29 PM  
**To:** Dale, Celeste G; Scarbrough, Thomas J.  
**Cc:** Johansen, Larry D.  
**Subject:** RE: Hardy 36 Confirmation Attached  
**Importance:** High

Attached is the revised surface commingling certification signed by Tom Scarbrough. Let me know if you have any questions.

*Betty Dimiterchik*  
*Sr. Land Analyst*  
*Permian Basin*  
*Bus: 832-486-2339*  
*Fax: 832-486-2674*

---

**From:** Dale, Celeste G  
**Sent:** Wednesday, December 10, 2008 7:31 AM  
**To:** Scarbrough, Thomas J.  
**Cc:** Johansen, Larry D.; Dimiterchik, Betty B.  
**Subject:** FW: Hardy 36 Confirmation Attached  
**Importance:** High

**Hardy "36" State Lease  
Application To Surface Commingle**

Pool	BOPD	API Gravity	Sulfur wt. %	MSCFD	BWPD	Comments
Hardy Simpson-Ellenburger, North Hardy Tubb-Drinkard, South Cass-Strawn and North Hardy Strawn	200	40.9	0.21	660	260	Present commingled production
Skaggs Grayburg	22	39.2	0.955	27	300	Test after completion
Total	222	40.73	0.284	687	560	

Production Revenues					
Pool	BOPD	API Gravity	\$ Value/BO*	Revenue/Day	Comments
Currently Commingled Battery - (Hardy Simpson-Ellenburger, North Hardy Tubb-Drinkard, South Cass-Strawn and North Hardy Strawn)	200	40.9	\$131.38	\$26,276.00	Posted WTI sweet crude
Skaggs Grayburg	22	39.2	\$131.38	\$2,890.36	Posted WTI sweet crude
	222	40.73	\$131.38	\$29,166.36	
<b>* Value/BO is paid on crude price deemed API 40 gravity.</b>					





# LEGEND

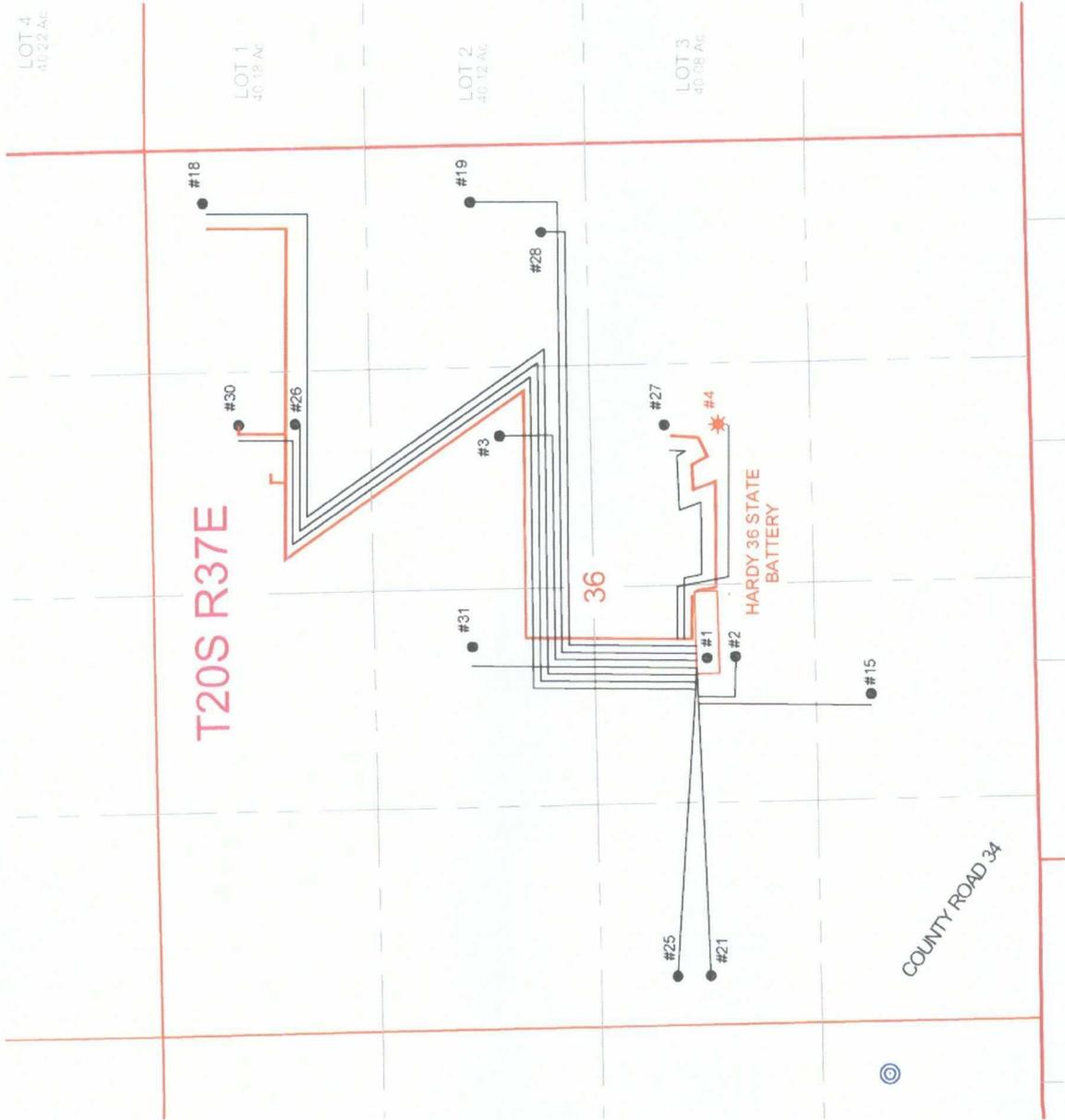
- TOWNSHIP LINE
- SECTION LINE
- ALIQUOT LINE
- GAS PIPELINE
- FLOW LINE

## HARDY 36 WELL SYMBOLS

- \* GAS WELL
- ⊙ WATER WELL
- OIL WELL

## NOTES

DATUMS & PROJECTION  
 UTM NAD83 - Zone 13 - METERS  
 DIGITAL IMAGE BASE  
 AERIAL - USDA - National Agriculture Imagery Program  
 2004, 1:12000 Scale Series



### PERMIAN OPERATING AREA

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HARDY 36 STATE

---

CASS SOUTH FIELD

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SECTION 36, T-20-S, R-37-E

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LAT: 32° 31.659' N	LON: 103° 12.380' W
USGS QUAD: HOBBS - SW, NM	N 25 W - 6.8 MILES FROM EUNICE, NM
COUNTY: LEA, NEW MEXICO	

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Prepared By:  
 PROFESSIONAL DRAFTING SERVICE  
 MIDLAND, TEXAS - PH: 432.570.5405

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DATE: 08/13/2008	FILE: COP-HARD.DWG
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**Jones, William V., EMNRD**

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**From:** Jones, William V., EMNRD  
**Sent:** Wednesday, November 26, 2008 1:50 PM  
**To:** 'Dale, Celeste G'  
**Cc:** Ezeanyim, Richard, EMNRD; Warnell, Terry G, EMNRD; Brooks, David K., EMNRD; Kautz, Paul, EMNRD; Mull, Donna, EMNRD; Sanchez, Daniel J., EMNRD; Macquesten, Gail, EMNRD  
**Subject:** Surface Commingle Application from ConocoPhillips: Hardy 36 State Lease

Hello Celeste:

Your application asks for another amendment to PC-916 to add the Skaggs-Grayburg Pool (well #3) to the existing commingle.

Your letter asks that Well #28 be allowed to commingle after using periodic well tests to determine the production splits *because it is a marginal producer*. Well #28 is (the only) diversely owned well in this commingle and these all seem to be producing from "oil" Pools.

For diversely owned "oil" wells, Rule 303 (new rules Part 12 Sections 9-11) only allows the OCD to issue surface commingling permits where continuous metering is used between diversely owned production – so "well testing" is not an option. If this were a marginal gas well, it may be considered – see rule 303.

However, we would consider this at an examiner hearing if sufficient evidence is presented by the applicant showing correlative rights are not being violated.

Please ask your foremen if they are willing to install separate facilities for Well #28 prior to it being commingled with the others or if they are willing to come to an examiner hearing in Santa Fe and present evidence showing why this does not need to be done.

The previous commingle order (PC-916 5<sup>th</sup> amendment) requires the Well #28 to be continuously and separately metered – so the facilities should already be in place?

Let me know.

Regards,

William V. Jones PE  
New Mexico Oil Conservation Division  
1220 South St. Francis  
Santa Fe, NM 87505  
505-476-3448

**Jones, William V., EMNRD**

---

**From:** Jones, William V., EMNRD  
**Sent:** Sunday, December 07, 2008 4:07 PM  
**To:** 'Dale, Celeste G'  
**Cc:** Ezeanyim, Richard, EMNRD; Warnell, Terry G, EMNRD; Brooks, David K., EMNRD; Kautz, Paul, EMNRD; Mull, Donna, EMNRD; Sanchez, Daniel J., EMNRD; Macquesten, Gail, EMNRD  
**Subject:** RE: Surface Commingle Application from ConocoPhillips: Hardy 36 State Lease

Hello Celeste:

Per your request to add the #3 well (Skaggs-Grayburg Pool) to the Hardy 36 State surface commingle:

Please send a signed confirmation from a supervisor that oil and gas from the Hardy 36 State Well No. 28 is being continuously, separately metered prior to being commingled for sales – as per the requirements in PC-916 5<sup>th</sup> amendment.

Thank You,

William V. Jones PE  
New Mexico Oil Conservation Division  
1220 South St. Francis  
Santa Fe, NM 87505  
505-476-3448

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**From:** Jones, William V., EMNRD  
**Sent:** Wednesday, November 26, 2008 1:50 PM  
**To:** 'Dale, Celeste G'  
**Cc:** Ezeanyim, Richard, EMNRD; Warnell, Terry G, EMNRD; Brooks, David K., EMNRD; Kautz, Paul, EMNRD; Mull, Donna, EMNRD; Sanchez, Daniel J., EMNRD; Macquesten, Gail, EMNRD  
**Subject:** Surface Commingle Application from ConocoPhillips: Hardy 36 State Lease

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Your application asks for another amendment to PC-916 to add the Skaggs-Grayburg Pool (well #3) to the existing commingle.

Your letter asks that Well #28 be allowed to commingle after using periodic well tests to determine the production splits *because it is a marginal producer*. Well #28 is (the only) diversely owned well in this commingle and these all seem to be producing from "oil" Pools.

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Let me know.

Regards.

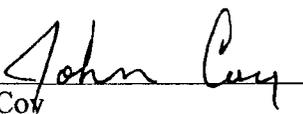
ConocoPhillips Company  
P.O. Box 51810  
Midland, TX 79710-1810



Hardy 36 State #3, Lea Co., NM  
Application for Authority to Surface Commingle

I, John Coy, do hereby confirm that pursuant to the requirements of PC-916, 5<sup>th</sup> Amendment dated 01/25/2005; the oil and gas production from the Hardy 36 State Well No. 28 is being continuously, separately, metered prior to being commingled for sales with the remainder of wells producing by this Operator within Section 36, T20S, R37E.

Sincerely,

  
\_\_\_\_\_  
John Coy  
Hobbs Production Supervisor

Date: 12-8-08