

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

99 JUN -3 PM 3:31
OIL CONSERVATION DIV

[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.

William F. Carr

 Print or Type Name

William F. Carr

 Signature

Attorney

 Title

June 3, 1999

 Date

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
LAWYERS

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June 3, 1999

HAND-DELIVERED

Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: *Application of Enron Oil & Gas Company for Administrative Approval of an Unorthodox Well Location for its Conoco "8" State Com Well No. 1, located 1650 feet from the South line and 1550 feet from the East line of Section 8, Township 17 South, Range 29 East, N.M.P.M., Eddy County, New Mexico*

Dear Ms. Wrotenbery:

Enron Oil & Gas Company hereby seeks administrative approval pursuant to the provisions of Division Rule 104 F (2) adopted on January 18, 1996, of an unorthodox well location for its Conoco "8" State Com Well No. 1 to be drilled at an unorthodox well location 1650 feet from the South line and 1550 feet from the East line of Section 8, Township 17 South, Range 29 East, N.M.P.M., Eddy County, New Mexico. This well will be drilled to a depth sufficient to test the Morrow formation, South Empire-Morrow Gas Pool and the Mississippian Chester formation. A standard 320-acre spacing and proration unit comprised of the E/2 of Section 8 will be dedicated to the well.

This location in the Morrow and Mississippian Chester formations, the principal objectives in this well, is unorthodox because it is governed by the Division's statewide rules which provide for wells on 320-spacing units to be located not closer than 660 feet to the nearest side boundary, nor closer than 1650 feet to the nearest end boundary of the dedicated tract, nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary.

Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources

June 3, 1999

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An unorthodox location for this well is required by topographic and geologic conditions. Attached hereto as Exhibit A is a Surveyor's Plat which shows an existing pipeline running in a North-South direction 1750 feet from the East line of Section 8. Since pad and pit configuration for this location require 200 feet distance from the pipeline, a standard location is only available by moving to the West to a location between 1950 feet and 1980 feet from the East line of Section 8. Attached as Exhibit B is a Lower Morrow Structure Map which shows that moving to the West will put the drillsite at risk because of a Northwest-Southeast trending fault which runs through this spacing and proration unit. Accordingly, Enron proposes to drill at an unorthodox location 1650 feet from the South line and 1550 feet from the East line of the Section.

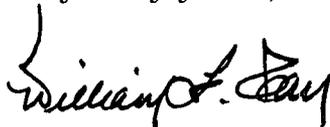
Attached hereto as Exhibits C is a geological explanation for this well location which shows that the unorthodox location is supported by the geology of the subject formations.

Attached hereto as Exhibit D is a plat which shows the subject area, the 320-acre spacing unit comprised of all of the E/2 of Section 8 and the proposed unorthodox location. Since this location is only unorthodox to an interior quarter-quarter section line, there are no adjoining or diagonal spacing units towards which the well location encroaches. Accordingly, there are no affected parties to whom this application needs to be provided.

Enclosed in hard copy and disc is a proposed administrative order of the Division.

Your attention to this application is appreciated.

Very truly yours,



WILLIAM F. CARR

Attorney for Enron Oil & Gas Company

Enclosures

cc: Patrick J. Tower, Project Landman

Enron Oil & Gas Company
Post Office Box 2267
Midland, Texas 79705

Attention: Patrick J. Tower

Administrative Order NSL-_____

Dear Mr. Tower:

Reference is made to your application dated June 3, 1999 for an unorthodox well location for a wild cat well to be drilled to the Morrow and Mississippian formations for your proposed Conoco "8" State Com. Well No. 1. Said well to be drilled to a bottom hole location in the Morrow and Mississippian Chester formations 1650 feet from the South line and 1550 feet from the East line (Unit J) of Section 8, Township 17 South, Range 29 East, NMPM, Eddy County, New Mexico.

A 320-acre spacing and proration unit in the Morrow and Mississippian Chester formations comprising the E/2 of said Section 8 is to be dedicated to said well.

By authority granted me under the provisions of Rule 104.F(2) of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division"), revised by Division Order No. R-10533, issued by the New Mexico Oil Conservation Commission in Case 11,351 on January 18, 1996, the above-described unorthodox well location is hereby approved.

Sincerely,

Lori Wrotenbery
Director

cc: Oil Conservation Division - Hobbs/Artesia
U. S. Bureau of Land Management - Carlsbad

SECTION 8, TOWNSHIP 17 SOUTH, RANGE 29 EAST, N.M.P.M.
 EDDY COUNTY, NEW MEXICO

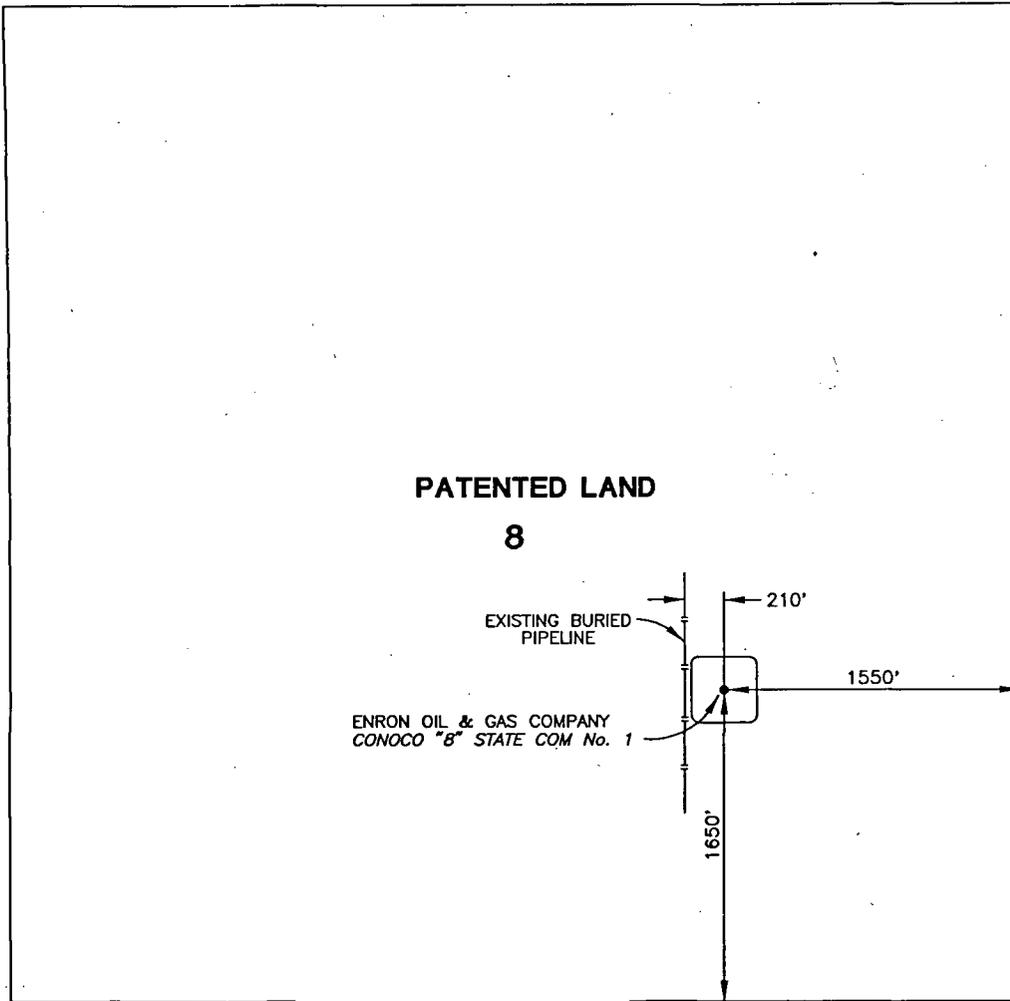


EXHIBIT A

PLAT SHOWING EXISTING BURIED PIPELINE AND ITS POSITION IN RELATION TO ENRON OIL & GAS COMPANY PROPOSED WELL LOCATION CONOCO "8" STATE COM. No. 1, LOCATED 1650 FEET FROM THE SOUTH LINE AND 1550 FEET FROM THE EAST LINE OF SECTION 8, T-17-S, R-29-E, N.M.P.M., EDDY COUNTY, NEW MEXICO.

I hereby certify that this plat was prepared from an actual survey made on the ground and meets or exceeds all requirements for land surveys as specified by the state of New Mexico.

David M. Young, Jr.
 DAVID M. YOUNG, JR.
 NEW MEXICO
 REGISTERED PROFESSIONAL SURVEYOR
 14274

David M. Young, Jr.
 Registered Professional Surveyor
 New Mexico Certificate No. 14274

ENRON OIL AND GAS COMPANY		
Plat showing buried pipeline and its relation to proposed location of CONOCO "8" STATE COM. No. 1, Section 8, T-17-S, R-29-E, N.M.P.M., Eddy County, New Mexico		
WEST TEXAS CONSULTANTS, INC. ENGINEERS-PLANNERS-SURVEYORS MIDLAND, TEXAS		
Survey Date: 3-18-99	Date: 4-05-99	Scale: 1" = 1000'
WTC No. 45550	Drawn By: JJJ	Sheet 1 of 1

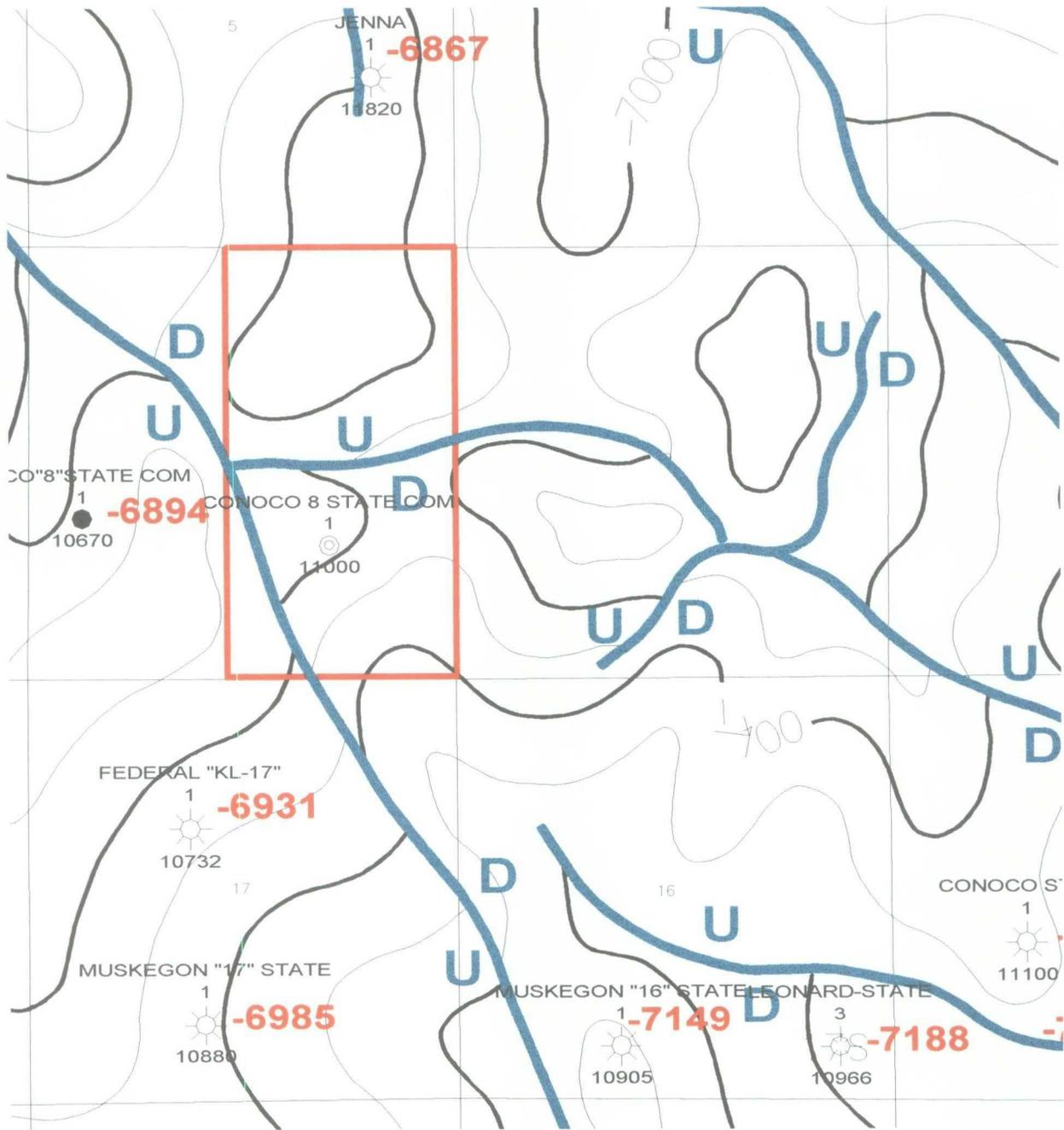


EXHIBIT B

 Enron Oil & Gas Company Midland Division		
SAND TANK AREA EDDY COUNTY, NEW MEXICO LOWER MORROW STRUCTURE		
Geologist: ZINZ	C.I. = 50'	Date: 4-12-99
Tech: TATE	Scale: 1:24000	File:

T:\PROJECTS\BLZ\ZTEX\MEX\SOTK\SC08PAF.GPF

TECHNICAL DISCUSSION

Enron Oil & Gas Company is seeking approval for an unorthodox location in the Empire, South area Eddy County, New Mexico, based on a combination of topographic and technical reasons. The proposed non-standard location for EOG's Conoco "8" State Com No. 1 (E/2 proration unit, 1,650' FSL & 1,550' FEL Section 8-17S-29E), is unorthodox as to the interior quarter section lines. This development well will be drilled to a depth sufficient to test the Mississippian Chester; however, the shallower Morrow formation is the primary zone of interest.

EOG was forced to move the original orthodox location (1,650' FSL & 1,650' FEL Section 8-17S-29E) for the Conoco "8" State Com No. 1 due to an existing pipeline. The N-S pipeline is located 1,750' FEL of Section 8 (refer to surveyors plat). Pad and pit configuration for this location required 200' distance from the pipeline so a legal location could have been obtained by moving west to between 1,950' and 1,980' FEL of the section. This option was not considered due to geology. 3D seismic has identified a NW to SE trending fault which displaces the Morrow (refer to Lower Morrow structure map). Moving farther west (between 1,950' and 1,980') from the original location would put the drillsite at risk because of the above-mentioned fault; hence, moving east was the only remaining choice since the pipeline runs N-S. Enron believes the proposed unorthodox location will allow the participating parties to effectively recover hydrocarbons under the lease, protect correlative rights, and prevent waste.

EXHIBIT C

CMD :
OG5SECT

ONGARD
INQUIRE LAND BY SECTION

06/07/99 13:17:33
OGOMES -TPLW
PAGE NO: 1

Sec : 08 Twp : 17S Rng : 29E Section Type : NORMAL

<p>D 40.00 CS E00741 0000 02/56 EXXON CORP U A</p>	<p>C 40.00 CS E00741 0000 02/56 EXXON CORP U</p>	<p>B 40.00 CS E07639 0000 12/63 CONOCO INC U A</p>	<p>A 40.00 CS E07639 0000 12/63 CONOCO INC U A</p>
<p>E 40.00 Federal owned U A</p>	<p>F 40.00 CS E00741 0000 02/56 EXXON CORP U</p>	<p>G 40.00 CS E04200 0000 09/60 CONOCO INC U</p>	<p>H 40.00 CS E04200 0000 09/60 CONOCO INC U</p>

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

CMD :
OGSSECT

ONGARD
INQUIRE LAND BY SECTION

06/07/99 13:17:49
OGOMES -TPLW
PAGE NO: 2

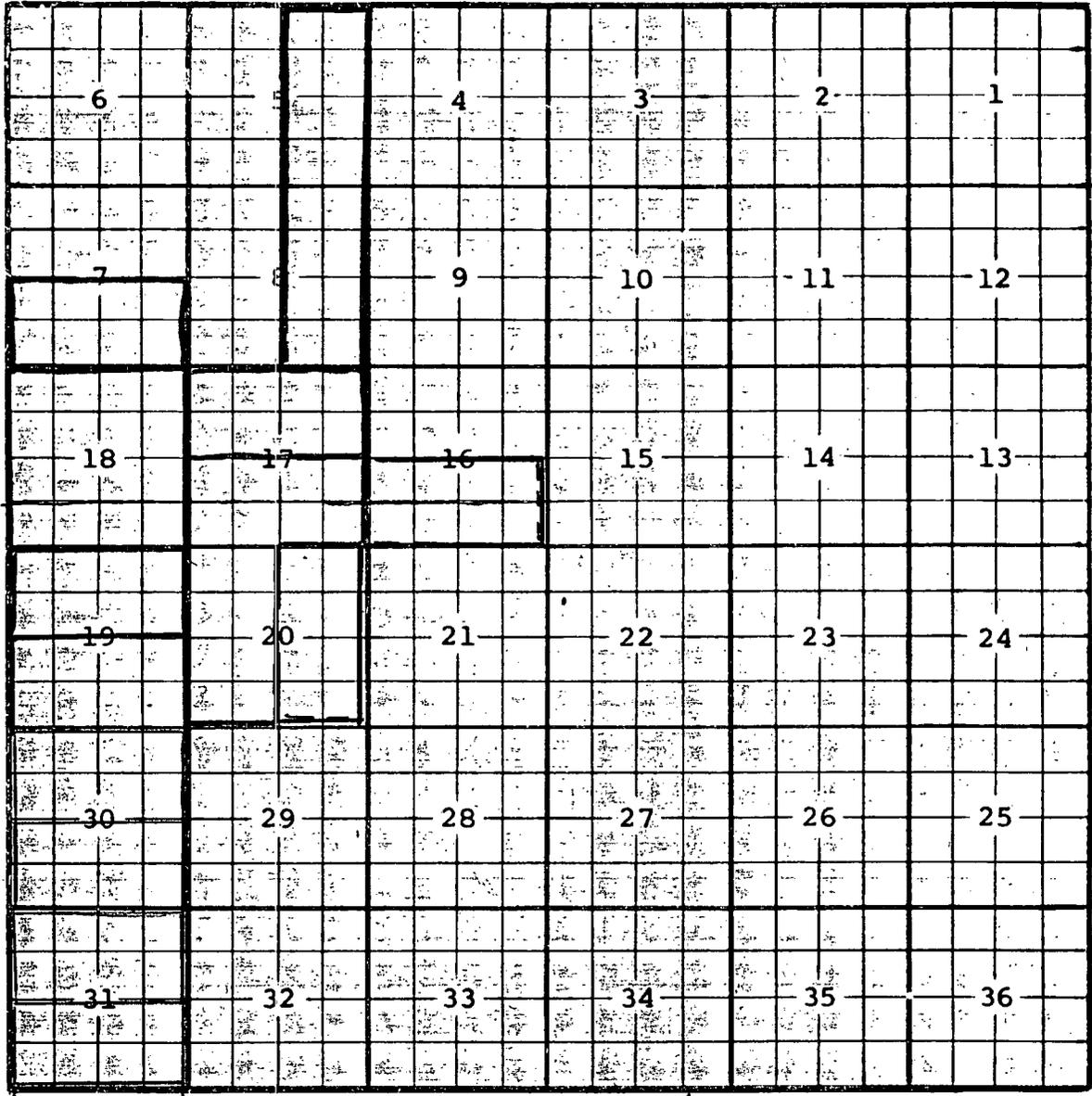
Sec : 08 Twp : 17S Rng : 29E Section Type : NORMAL

<p>L 40.00 CS E06353 0000 07/62 ATLANTIC RICHFIEL U</p>	<p>K 40.00 CS E06353 0000 07/62 ATLANTIC RICHFIEL U</p>	<p>J 40.00 CS E06353 0000 07/62 ATLANTIC RICHFIEL U</p>	<p>I 40.00 CS E00741 0000 02/56 EXXON CORP</p>
<p>M 40.00 CS B04918 0103 09/45 HARVEY E YATES CO</p>	<p>N 40.00 CS E06353 0000 07/62 ATLANTIC RICHFIEL U</p>	<p>O 40.00 CS E06353 0000 07/62 ATLANTIC RICHFIEL</p>	<p>P 40.00 CS E00741 0000 02/56 EXXON CORP</p>

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

COUNTY Eddy POOL South Empire - Morrow Gas

TOWNSHIP 17 South RANGE 29 East NMPM



Ext: 5/2 Sec 31 (R-4734, 3-1-74) Ext: 1/2 Sec 31 (R-4969, 4-1-75)

Ext: 5/2 Sec 30 (R-5511, 9-1-77) Ext: 1/2 Sec 30 (R-5838, 11-1-78)

Ext: 5/2 Sec 19 (R-6033, 7-1-79) Ext: 1/2 Sec 19 (R-6170, 11-1-79)

Ext: All Sec 18 (R-6536, 12-1-80) Ext: 5/2 sec 7, (R-6890, 1-2-82)

Ext: 1/2 sec 17 (R-6994, 5-28-82)

Ext: 5/2 Sec 17, 1/2 Sec 20 (R-8065, 10-31-85) Ext: 5/2 Sec 20 (R-9545, 7-1-91)

Ext: 5/2 Sec 16 (R-9884, 4-26-93) Ext: 5/2 Sec 5, 5/2 Sec 8 (R-10844, 7-16-97)