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W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
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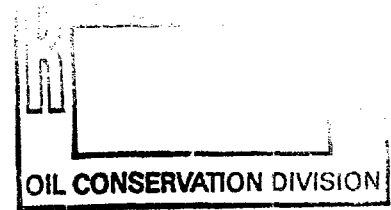
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October 3, 1994

HAND DELIVERED

Mr. Michael E. Stogner
Chief Hearing Examiner
Oil Conservation Division
310 Old Santa Fe Trail, Room 219
P. O. Box 2088
Santa Fe, New Mexico 87501



1/15/94

Re: Joyce Federal Com Well No. 1
NW/4 Section 32, T19S, R25E, NMPM
Application of CONOCO Inc.
for Compulsory Pooling,
Eddy County, New Mexico

Dear Mr. Stogner:

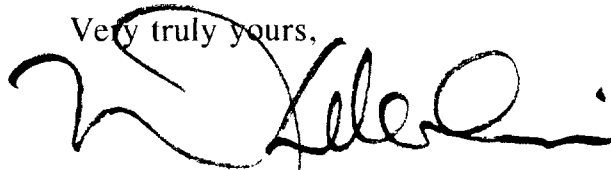
On behalf of Conoco Inc., please find enclosed our application for compulsory pooling which we request be set for hearing on the Examiner's docket now scheduled for October 27, 1994. Also enclosed is our proposed notice of publication for this case.

By copy of this letter, including the application, to all affected parties, we are notifying them by certified mail-return receipt requested, that they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examine witnesses either in support of or in opposition to the application.

Oil Conservation Division
October 3, 1994
Page 2.

Pursuant to the Division's Memorandum 2-90, all interested parties are hereby informed that if they appear in the case, then they are requested to file a Pre-Hearing Statement with the Division not later than 4:00 pm on Friday, October 21, 1994, with a copy delivered to the undersigned.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written in a cursive style.

W. Thomas Kellahin

Enclosure

cc: Conoco Inc.

BY CERTIFIED MAIL-RETURN RECEIPT REQUESTED

to: Texaco Exploration & Production Inc.

PROPOSED ADVERTISEMENT FOR NMOCD DOCKET

11/24

CASE ___: Application of Conoco Inc. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests in the North Dagger Draw-Upper Pennsylvanian Pool underlying the NW/4 of Section 32, T19S, R25E, NMPM, Eddy County, New Mexico, forming a standard 160-acre spacing and proration unit to be dedicated to Conoco's Joyce Federal Com Well No. 1 which is proposed to be drilled at a standard location 810 feet FNL and 660 feet FWL (Unit E) of said Section 32. Also to be considered will be the costs of drilling, completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of the applicant as the operator of the well and a charge for the risk involved in drilling and completing said well. Said unit is located approximately 10-1/2 miles west of Lakewood, New Mexico.

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

IN THE MATTER OF THE APPLICATION
OF CONOCO INC.
FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

CASE NO. 112~

A P P L I C A T I O N

Comes now CONOCO INC., by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17(c) (1978) applies to the New Mexico Oil Conservation Division for an order pooling all mineral interests in the North Dagger Draw-Upper Pennsylvanian Pool underlying the NW/4 of Section 32, T19S, R25E, NMPM, Eddy County, New Mexico, forming a standard 160-acre spacing and proration unit to be dedicated to Conoco's Joyce Federal Com Well No. 1 which is proposed to be drilled at a standard location 810 feet FNL and 660 feet FWL (Unit E) of said Section 32. Also to be considered will be the costs of drilling, completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of the applicant as the operator of the well and a charge for the risk involved in drilling and completing said well.

In support of its application, CONOCO Inc. ("Conoco") states:

1. Conoco has a working interest in the oil and gas minerals underlying the NW/4 of Section 32, T19S, R25E, NMPM, Eddy County, New Mexico.

NMOCD Application

Conoco Inc.

Page 3

2. Conoco has proposed to all working interest owners in the subject spacing unit that the Joyce Federal Com Well No. 1 be drilled and located at a standard well location 810 feet FNL and 660 feet FWL (Unit E) of Section 32, as identified on Exhibit A, attached, to a depth sufficient to test for production from the North Dagger Draw-Upper Pennsylvanian Pool.

3. All of the working interest owners in the oil and gas minerals underling the NW/4 of Section 32, as identified on Exhibit "B" attached, have committed to the subject well and this spacing unit with the exception of:

Texaco Exploration and Production Inc.
P. O. Box 46513,
Denver, Colorado 80201-6513.

4. Included in the proposed spacing unit are 80 acres of federal surface and minerals located in the N/2NW/4 of Section 32, and 80 acres of state surface and minerals located in the S/2NW/4 of Section 32. The proposed well is to be located on the federal acreage in the NW/4NW/4 of Section 32.

5. As the current lessee of the State of New Mexico Oil & Gas Lease No. V-3301, Conoco has voluntarily committed the working interest of the SW/4NW/4 of Section 32 to this well and General Atlantic Resources, Inc. as the current lessee of Federal Oil & Gas Lease NM-0553777 has voluntarily committed the working interest of the N/2NW/4 of Section 32 to the well. However, Texaco Exploration and Production Inc. has not responded to Conoco's efforts over the last six months to either farmout or assign their interest to Conoco or to join in drilling and completing this proposed well with a voluntary commitment of their working interest in the SE/4NW/4 of Section 32.

6. Pursuant to Section 70-2-17(c) NMSA (1978) and in order to obtain its just and equitable share of production from the subject well and this spacing unit, Conoco needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.

7. In accordance with the Division's notice requirements, a copy of this application has been sent to those parties identified on Exhibit "B" notifying them of this application and Conoco's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for October 27, 1994.

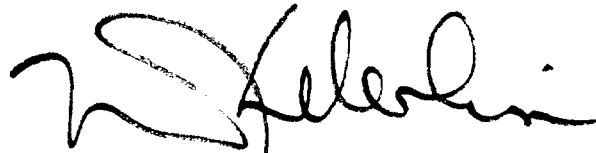
WHEREFORE, Conoco, as applicant, requests that this application be set for hearing on October 27, 1994 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in this spacing unit for the drilling of the subject well at a standard well location upon terms and conditions which include:

- (1) Conoco Inc. be named operator;
- (2) provisions for each working interest owner to participate in any North Dagger Draw-Upper Pennsylvanian Pool production by paying to Conoco their proportionate share of the costs of drilling, completing, equipping and operating said well;
- (3) In the event a working interest owner fails to elect to participate, then provisions be made to recover out of production, reimbursement to the applicant for the costs of drilling, completing, equipping and operating the well, including a risk factor penalty of 200%;

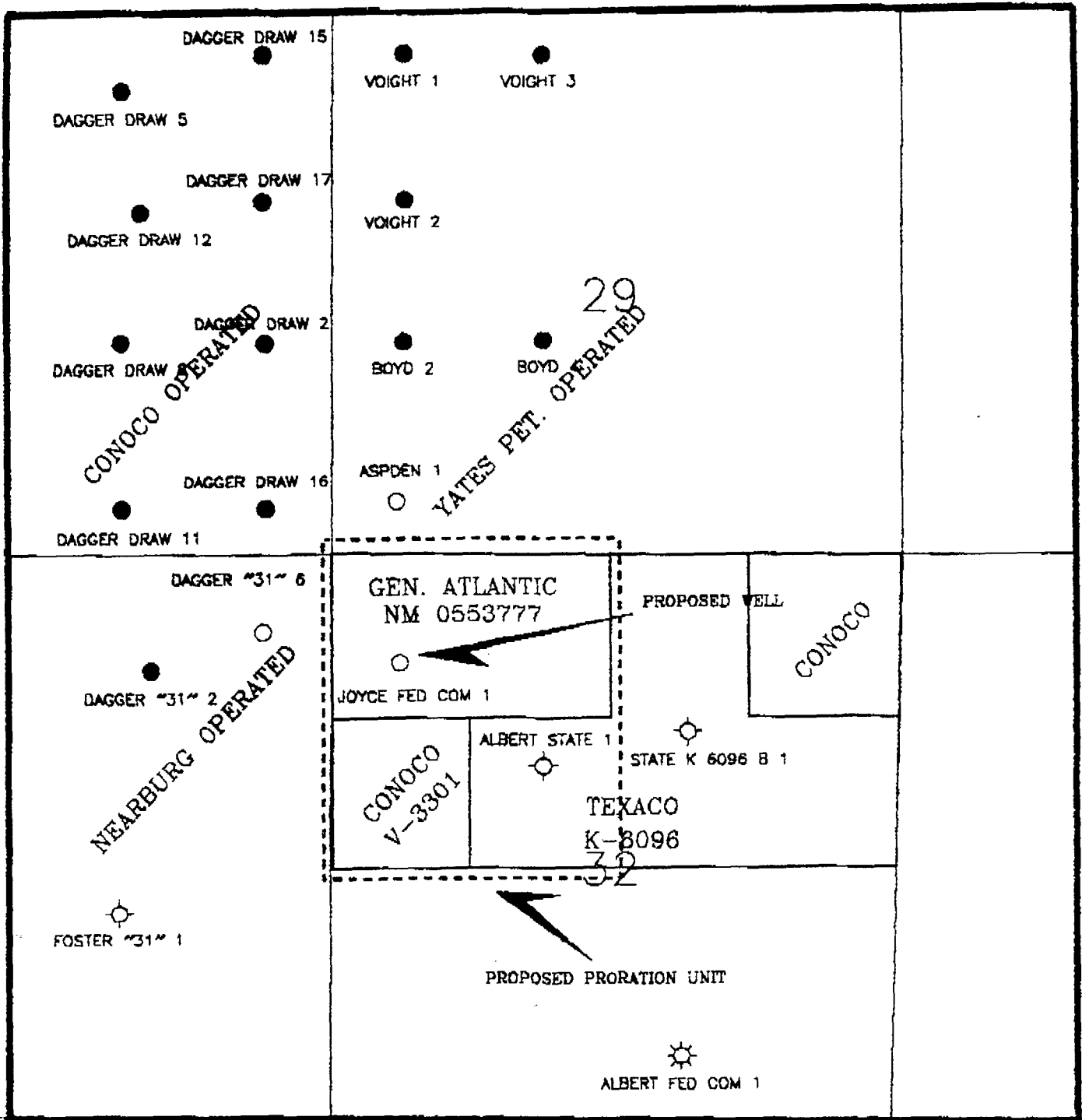
(4) Provision for overhead rates per month drilling and per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS; and

(5) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:

A handwritten signature in black ink, appearing to read "W. Thomas Kellahin". The signature is fluid and cursive, with a large initial "W" and a long, sweeping underline.

W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87501
(505) 982-4285



CONOCO MIDLAND DIVISION

NORTH DAGGER DRAW

EDDY COUNTY, NEW MEXICO

Scale 1" = 1000' MAP NO. HARBIE DATE 28-SEP-84

EXHIBIT A

WORKING INTEREST OWNERS

NW/4 SECTION 32, T-19S, R-25E

1. **Conoco Inc.**
10 Desta Drive, Suite 100W
Midland, Texas 79705-4500

Lessor: State of New Mexico
Lease No.: V-3301
Description: SW/4 NW/4 Section 32, T-19S, R-25E
80 acres

2. **Texaco Exploration and Production Inc.**
P.O. Box 46513
Denver, Colorado 80201-6513

Lessor: State of New Mexico
Lease No.: K-6096
Description: SE/4 NW/4 Section 32, T-19S, R-25E

3. **General Atlantic Resources, Inc.**
410 Building
410 17th Street, Suite 1400
Denver Colorado 80202

Lessor: The United States of America
Lease No.: NM 0553777
Description: N/2 NW/4 Section 32, T-19S, R-25E