

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
AND A NON-STANDARD PRORATION AND SPACING UNIT,
SAN JUAN COUNTY, NEW MEXICO.

RECEIVED

AUG 11 1997

Oil Conservation Division

CASE NO. 11843

APPLICATION

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 uncommitted mineral owners, including working interest, royalty interests below the base of the Dakota formation (base of the Cretaceous aged formation) to the base of the Pre-Cambrian aged formation underlying all of Irregular Section 1, T27N, R8W, NMPM, San Juan County, New Mexico, forming a non-standard 641.12-acre gas spacing and proration unit for any formations and/or pools developed on 640-acre gas spacing within said vertical extent. Applicant seeks to be designated as the operator of the well. Said unit is to be dedicated to Conoco's Stove Canyon Well No. 1 which is to be drilled at a standard gas well location 1320 feet from the west line and 1940 feet from the south line (Unit K) of said Section 1.

In support of its application, Conoco Inc. states:

1. On June 5, 1997, the New Mexico Oil Conservation Commission entered Order R-10815 which:

(a) established gas spacing units consisting of 640-acres for gas production **below** the base of the Dakota formation ("deep gas") for the San Juan Basin (OCD Case 11745); and

(b) provided within the surface outcrop of the Pictured Cliffs formation for standard well locations not closer than 1200 feet to the outer boundary, 130 to any quarter section line nor closer than 10 feet to any quarter-quarter section line.

2. Conoco Inc., is the proposed operator for a "deep gas" well in Irregular Section 1, T27N, R8W, NMPM, San Juan County, New Mexico.

3. Conoco Inc. has attempted to consolidate on a voluntary basis all of the oil and gas working interests ("operating rights") within said Section 1 as a possible deep gas 641.12-acre spacing unit on which Conoco Inc., as operator, intends to locate and drill the Stove Canyon Well No. 1 to the base of the pre-cambrian aged formation and to dedicate any production from the base of the Dakota formation to the base of the Pre-Cambrian aged formation to a non-standard 641.12-acre gas spacing and proration unit consisting of all of said Section 1. See Exhibit "A" attached.

4. Within said Section 1, Conoco Inc. has obtained the voluntarily agreement of certain of the working interest owners who will participate on a voluntary basis with Conoco Inc..

5. If Conoco Inc. is able to complete a well capable of production, then Conoco Inc. intends to distribute the proceeds from production based upon each interest owner's proportionate share of acreage within the 641.12-acre unit.

6. However, despite its good faith efforts, Conoco Inc. has not been able to obtain the voluntary agreement of those mineral owners listed on Exhibit "B".

7. Conoco Inc. has been unable to obtain the voluntarily agreement of all said mineral owners, including certain working interest owners and therefore requests that the Division enter a compulsory pooling order pooling all said mineral interests so that proceeds can be paid based upon the percentage of each lease's acreage contained in that 641.12-acre spacing unit.

8. The non-standard 641.12 acre gas proration and spacing unit is necessary because Section 1 contains more than the standard 640 acres as a result of governmental survey.

9. 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 Inc. needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.

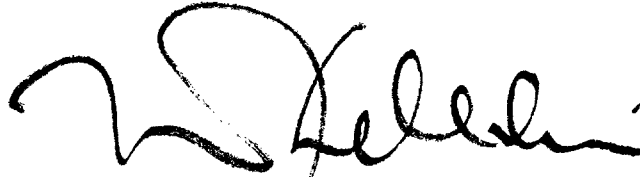
10. In accordance with the Division's notice requirements, a copy of this application has been sent to the parties to be pooled as shown on Exhibit "B".

11. Conoco Inc. requests that this matter be set for a hearing before the Division on the next available Examiner's docket now scheduled for September 4, 1997.

WHEREFORE, Conoco Inc., as applicant, requests that this application be set for hearing on September 4, 1997 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 interests described in this spacing unit for the drilling, completing and operating the subject well at a non-standard gas well location and a non-standard proration and spacing unit upon terms and conditions which include:

- (1) Conoco Inc. be named operator;
- (2) provisions for applicant and all working interest owners to participate in the costs of drilling, completing, equipping and operating the well;
- (3) in the event a working interest owner fails to elect to participate, then provision be made to recover out of production the costs of the 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;
- (5) for approval of a non-standard 641.12-acre gas proration and spacing unit; and
- (6) for such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', with a large, stylized initial 'W'.

W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87504

EXHIBIT "B"

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