

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4285

TELEFAX (505) 982-2047

W. THOMAS KELLAHIN\*

\*NEW MEXICO BOARD OF LEGAL SPECIALIZATION  
RECOGNIZED SPECIALIST IN THE AREA OF  
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

September 8, 1992

Mr. William J. LeMay  
Oil Conservation Division  
310 Old Santa Fe Trail, Room 219  
Post Office Box 2088  
Santa Fe, New Mexico 87501

**HAND DELIVERED**

Re: Application of Conoco, Inc. for  
Directional Drilling and an  
Unorthodox Oil Well Location and  
an Unorthodox Gas Well Bottom Hole  
Location, Eddy County, New Mexico

RECEIVED

SEP 08 1992

OIL CONSERVATION DIVISION

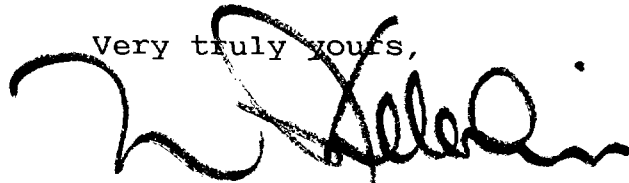
10565

Dear Mr. LeMay:

On behalf of Conoco, Inc., please find enclosed our application for the referenced well which we request be set for hearing on the next available Examiner's docket now scheduled for October 1, 1992.

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.

Very truly yours,



W. Thomas Kellahin

WTK/jcl

Enclosure

cc: Jerry Hoover - Conoco, Inc.

**BY CERTIFIED MAIL- RETURN RECEIPT REQUESTED**

All Parties Listed on Exhibit A of Application

1trt908.038

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

RECEIVED

SEP 02 1992

OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION  
OF CONOCO INC. FOR DIRECTIONAL  
DRILLING, AND UNORTHODOX OIL WELL  
SURFACE LOCATION AND AN UNORTHODOX  
GAS WELL BOTTOM HOLE LOCATION,  
EDDY COUNTY, NEW MEXICO

CASE NO.: 10565

A P P L I C A T I O N

Comes now CONOCO INC by its attorneys, Kellahin and Kellahin, and applies to the New Mexico Oil Conservation Division for approval to directionally drill its Preston Federal No. 6 Well commencing at an unorthodox surface location 460 feet FEL and 990 feet FNL (Unit H) in Section 35, T20S, R24E, NMPM, Eddy County, New Mexico, and drilling to a total vertical depth of approximately 9650 feet to the base of the Morrow formation at a point no closer than 660 feet from the North and East lines of Unit A, Section 35 and for approval to produce the Morrow formation at said Unorthodox bottom hole location with the N/2 of Section 35 being dedicated as the spacing unit for this well in both the Undesignated Cemetery Morrow Gas Pool and the South Dagger Draw-Upper Pennsylvanian Associated Pool and in support states:

(1) Conoco Inc. is the proposed operator for and a working interest owner in the Preston Federal No. 6 Well to be drilled in the N/2 of Section 35, T20S, R24E, NMPM, Eddy County, New Mexico.

(2) Conoco Inc. proposes to drill this well commencing at an unorthodox surface location 460 feet FEL and 990 feet FNL (Unit H) in Section 35 and drilling directionally to penetrate the top of the Morrow formation, at a true vertical depth of approximately 9000 feet and no closer than 660 feet from the North and East lines of Unit A, Section 35 being a standard subsurface location for production from the Cisco formation of the South Dagger Draw-Upper Pennsylvanian Associated Pool and being an unorthodox subsurface location for production from the Morrow formation in the Undesignated Cemetery Morrow Gas Pool.

(3) The Morrow formation at this location is within 660 feet of the Cemetery Morrow Gas Pool the closest current boundary of which is the western boundary of Section 36, T20S, R24E, NMPM.

(4) The Special Rules and Regulations for the South Dagger Draw-Upper Pennsylvanian Associated Pool provide,

among other things, for 320-acre proration and spacing units for either oil or gas production with wells located no closer than 660 feet to the nearest side boundary of the tract, nor nearer than 660 feet to the nearest end boundary of the tract, nor closer than 330 feet to any quarter-quarter section of subdivision inner boundary.

(5) Based upon geological considerations and in order to maximize the opportunity to encounter the Cisco formation at its most favorable location in this spacing unit while providing an opportunity to also test the Morrow formation which cannot be tested at a standard location without compromising the Cisco location, Conoco Inc. proposes to locate the well in the Morrow formation at an unorthodox bottom hole location.

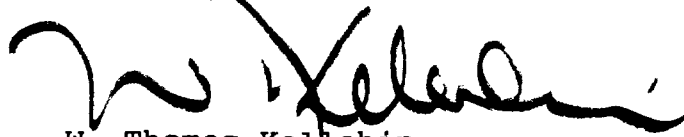
(6) The proposed location will afford to Conoco Inc. and the interest owners in the proposed well the optimum location at which to test for both Morrow and Cisco production.

(7) In accordance with Division notice requirements, notice of this application and applicant's request for a hearing to be set on October 1, 1992 has been sent to those parties listed on Exhibit A to this Application.

Application of Conoco, Inc.  
Page 4

WHEREFORE, Conoco Inc. requests that this application be set for hearing and that after notice and hearing as provided for by Division rules, the application be granted as requested.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over the typed name and firm name.

W. Thomas Kellahin  
KELLAHIN AND KELLAHIN  
P. O. Box 2265  
Santa Fe, New Mexico 87504  
(505) 982-4285  
ATTORNEYS FOR APPLICANT

**EXHIBIT "A"**

Yates Petroleum Company	)	
Yates Drilling Company	)	All four at same address
Abo Petroleum Company	)	All mailed to separately
Myco Industries Inc.	)	
105 South Fourth Street		
Artesia, NM 88210		

Marathon Oil Company  
P.O. Box 552  
Midland, TX 79702  
ATTN: Thomas C. Lowry