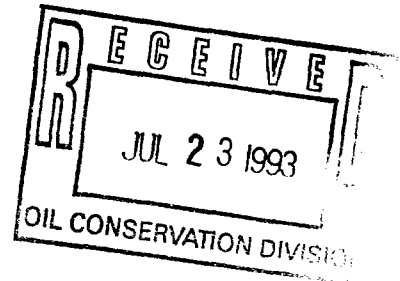


STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 10778

APPLICATION OF CONOCO INC. FOR A
HIGH ANGLE/HORIZONTAL DIRECTIONAL
DRILLING PILOT PROJECT INCLUDING
SPECIAL OPERATING RULES AND AN
UNORTHODOX GAS WELL LOCATION,
SAN JUAN COUNTY, NEW MEXICO.



PRE-HEARING STATEMENT

This pre-hearing statement is submitted by CONOCO INC.
as required by the Oil Conservation Division.

APPEARANCE OF PARTIES

APPLICANT

CONOCO INC.
10 Desta Drive West
Suite 100 West
Midland, Texas 79705-4500
Attn: Jerry Hoover
(915) 686-6548

ATTORNEY

W. Thomas Kellahin
KELLAHIN AND KELLAHIN
P.O. Box 2265
Santa Fe, NM 87504
(505) 982-4285

STATEMENT OF CASE

APPLICANT:

Conoco Inc. seeks approval for a high angle/ horizontal directional drilling pilot project in the Basin Fruitland Coal Gas Pool. The proposed project is the E/2 of Section 21, T29N, R8W, San Juan County, New Mexico.

Conoco proposes to drill its existing Hughes B #18 Well within a drilling producing window in the E/2 of Section 21 such that its surface location and producing interval will be no closer than 790 feet to the outer boundaries of the spacing unit.

Section 21 and each of the adjoining sections has been fully developed with two wells to the section. None of the existing vertically drilled wells is very prolific.

Conoco seeks to drill this high angle well in a north to south direction in order to intersect substantially more of the coal cleats than a vertical thereby increasing the opportunity for a more productive well.

PROPOSED EVIDENCE

APPLICANT

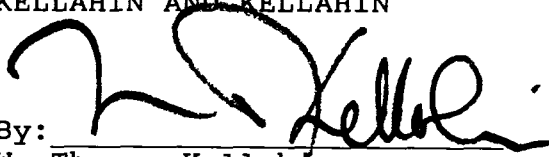
WITNESSES	EST. TIME	EXHIBITS
Reed Meek (geologist)	20 min.	11
Don Eubanks (petroleum engineer)	15 min.	5

Pre-Hearing Statement
Case No. 10778
Page 3

PROCEDURAL MATTERS

None applicable at this time.

KELLAHIN AND KELLAHIN



By:

W. Thomas Kellahin

P.O. Box 2265

Santa Fe, New Mexico 87504

(505) 982-4285