

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

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)

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

August 27, 1993

HAND DELIVERED

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

27 SEP

Case 10830

Re: Application of Conoco Inc.
for the Establishment of a Temporary
Special Test Allowable, Lea County,
New Mexico

Dear Mr. LeMay:

On behalf of Conoco Inc., please find enclosed our application for the establishment of a temporary special test allowable for its Lockhart A-27 Lease Project which we request be set for hearing at the next available Examiner's docket now scheduled for September 23, 1993.

Our proposed advertisement to be used for the OCD docket is attached as enclosure (2).

By copy of this letter, including the application, to all affected parties, we are notifying them by certified mail-return receipt request, 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. Failure to appear at the time of hearing and become a party of record will preclude you from challenging this application at a later date.

Oil Conservation Division
August 27, 1993
Page 2.

In addition, parties appearing in cases have been requested by the Division (Memorandum 2-90) to file a Prehearing Statement with the Division and with a copy delivered to the applicant not later than 4:00 PM on Friday, September 17, 1993.

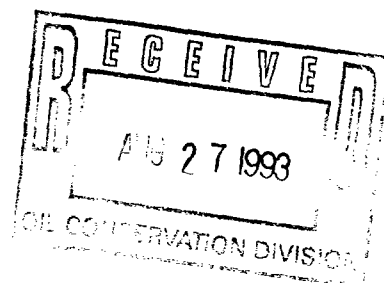
Very truly yours,

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

W. Thomas Kellahin

cc: Jerry Hoover
(Conoco Inc. Midland)

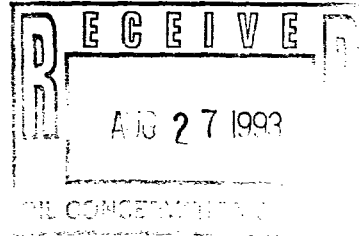
cc: BY CERTIFIED MAIL-RETURN RECEIPT
to all parties listed in application



Proposed notification for OCD docket

Case 10830 Application of Conoco Inc. for establishment of a temporary special testing allowable, Lea County, New Mexico. Applicant seeks an order establishing a special testing allowable for its Lockhart A-27 Lease Project, N/2 Section 27, T21S, R37E, NMPM, Paddock Pool, for a maximum period of twelve months at a maximum rate equal to the capacity of each well up to a limiting 6,000 to 1 GOR within the project to produce oil from said pool. This project is located approximately 1 mile northeast of Eunice, 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 A TEMPORARY
TESTING ALLOWABLE FOR ITS
LOCKHART A-27 LEASE,
PADDOCK OIL POOL,
LEA COUNTY, NEW MEXICO.

CASE NO. 16830

A P P L I C A T I O N

COMES NOW CONOCO INC. ("Conoco") by and through its attorneys, Kellahin & Kellahin, and applies to the New Mexico Oil Conservation Division for a Temporary Testing Allowable for its Lockhart A-27 Lease, N/2 of Section 27, T21S, R37E, NMPM, Paddock Oil Pool, Lea County, New Mexico, as more specifically described as follows:

(1) On January 1, 1950, the Division established the Paddock Pool as redefined by Order No. 850 whose vertical limits encompass the Paddock formation and whose current horizontal limits are set forth on Exhibit A, Lea County, New Mexico.

(2) The Paddock Pool is subject to statewide 40-acre oil spacing with oil production limited to a depth bracket oil allowable of 107 BOPD and a Gas-Oil Ratio of 2000 cubic feet of gas to 1 barrel of oil.

(3) The Paddock Pool is a mature solution gas drive reservoir with no evidence of an extensive gas cap, water influx or formation compaction.

(4) The Paddock Pool is vertically separated in each wellbore from any other reservoir and the horizontal boundaries of the reservoir are reasonably well defined.

(5) Conoco is the operator of the N/2 of Section 27, T21S, R37E, NMPM, which is identified as its Lockhart A-27 Lease ("Project Area"). See Exhibit B, attached.

(6) The Project Area consists of a single lease with all interest common within the project area.

(7) The Project Area contains five wells currently capable of production from the Pool with a sixth well planned for October, 1993.

(8) Conoco seeks a Temporary Testing Allowable for this Project so that each pool well in the Project Area **may be produced** at its capacity up to a limiting gas-oil ratio of 6000 to 1, for the purpose of gathering data to determine the most efficient producing rate for this particular reservoir or portion thereof.

(9) The proposed Temporary Testing Allowable would be for a period of one year during which period any production in excess of the limits set forth in Division Rule 505 and 506 **shall not constitute overproduction** provided that the limiting GOR shall be 6000 to 1.

(10) Ultimate recovery is not a function of the cumulative gas-oil ratio. Therefore, ultimate recovery of oil from the reservoir should not be adversely affected by the granting of this application.

(11) The current 2000 to 1 GOR is causing inefficient oil recovery for wells in the Project Area. Current data leads to the conclusion that increasing the GOR to 6,000 to 1 on a temporary basis will not cause waste or damage to offset wells.

(12) The proposed Temporary Testing Allowable is necessary in order to obtain data from which to determine the most efficient rate of production for the proper development and depletion of the pool thereby preventing waste and protecting correlative rights.

(13) The names and addresses of the operators in the pool, the offsetting operators and, in the absence of an operator, the working interest owners to whom notice has been sent by certified mail return receipt notifying them of this application and hearing are set forth on Exhibit C, attached.

(14) Applicant requests that this Application be set for hearing on the next available Division Examiner's docket now scheduled for September 23, 1993.

WHEREFORE, Applicant requests that this Application be set for hearing and that after notice and hearing the Applicant be granted as requested.

Respectfully submitted,

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

W. Thomas Kellahin
Kellahin & Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87501

**PADDOCK POOL
(PADDOCK)
Lea County, New Mexico**

Order No. 850, January 1, 1950, Redefining Pool, as Amended by Order No. R-124, January 8, 1952; Order No. R-460, May 19, 1954; Order No. R-1749, August 18, 1960; Order No. R-2172, February 1, 1962; Order No. R-2201, April 1, 1962; Order No. R-2241, June 1, 1962; Order No. R-2393, January 1, 1963; Order No. R-2427, March 1, 1963; Order No. R-2578, November 1, 1963; Order No. R-2692, May 1, 1964; Order No. R-3104, September 1, 1966; Order No. R-3342, December 1, 1967; Order No. R-5171, April 1, 1976; Order No. R-8075, December 1, 1985; Order No. R-9544, July 1, 1991; Order No. R-9685, July 1, 1992.

T-21-S, R-36-E SE/4 Sec. 24; E/2 Sec. 25.

T-21-S, R-37-E S/2, S/2 NW/4 Sec. 19; S/2 Sec. 20; SW/4, S/2 & NW/4 SE/4 Sec. 21; W/2 Sec. 22; Secs. 27, 28, 29; E/2, NW/4 Sec. 30; Secs. 32 through 35; S/2 Sec. 36.

T-21-S, R-38-E SW/4 Sec. 31.

T-22-S, R-37-E Secs. 1 through 5; Secs. 8 through 15; N/2 Sec. 16; E/2 Sec. 17; NW/4 Sec. 23; E/2 Sec. 24; N/2 NE/4 Sec. 25.

T-22-S, R-38-E W/2 Sec. 6; W/2 Sec. 7; W/2, SE/4 Sec. 18; W/2, NE/4 Sec. 19; NW/4 Sec. 20.

Exhibit A

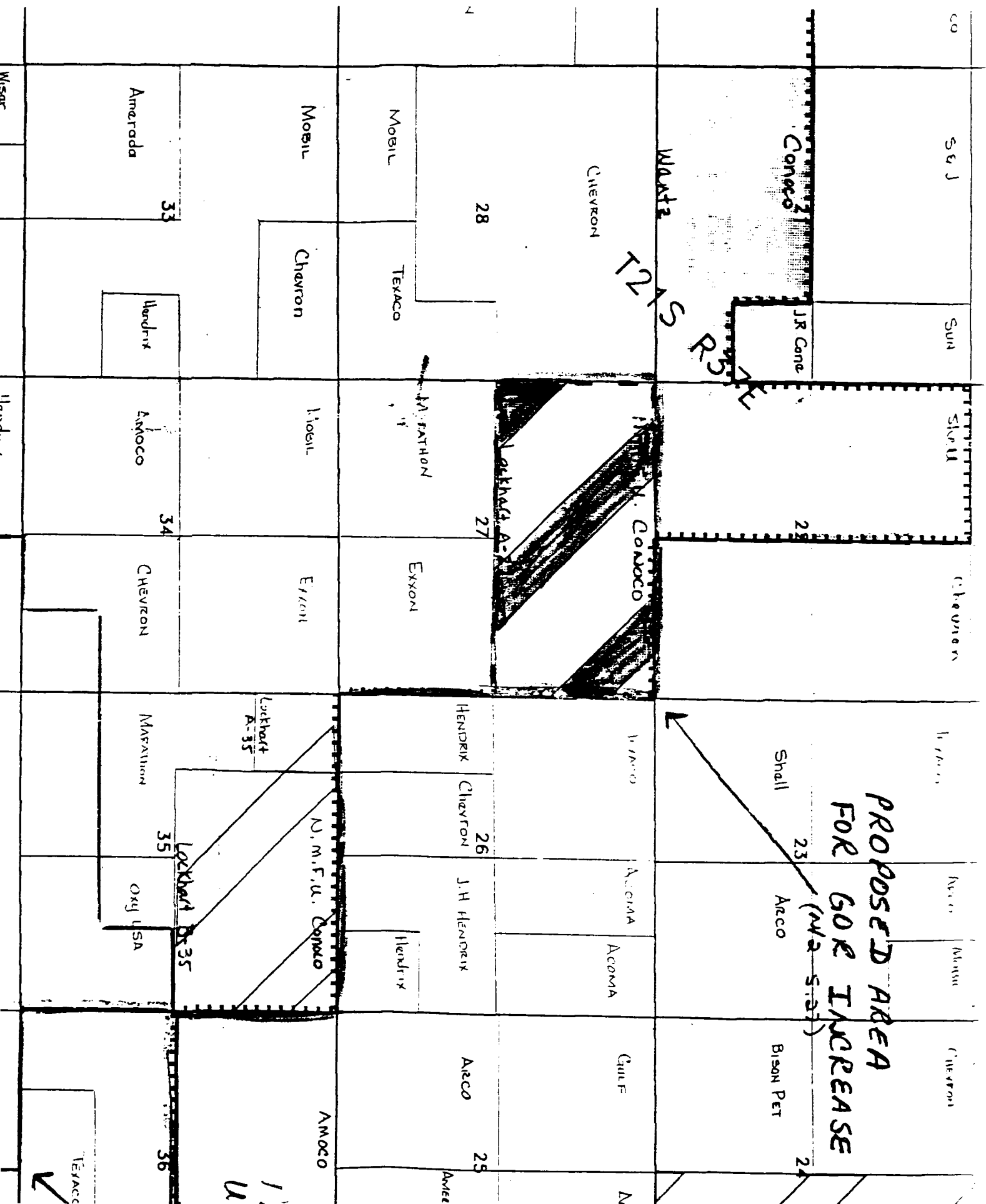


Exhibit B

**ALL OPERATORS WITHIN THE PADDOCK POOL
AND OPERATORS OUTSIDE THE POOL
WHICH OFFSET CONOCO'S LOCKHART A-27 LEASE**

**Amerada Hess Corporation
1201 Louisiana, Suite 700
Houston, TX 77002**

**Amoco Production Co.
P.O. Box 3092
Houston, TX 77253**

**Campbell and Hedrick
P.O. Box 401
Midland, TX 79701**

**Chevron U.S.A. Inc.
P.O. Box 1150
Midland, TX 79702**

**Exxon Corporation
P.O. Box 1600
Midland, TX 79702**

**Hanson Operating Co., Inc.
P.O. Box 1515
Roswell, NM 88202**

**Headington Oil Co.
14881 Quorum Dr.
Dallas, TX 75240**

**John H. Hendrix Corp.
223 W. Wall, Suite 525
Midland, TX 79701**

**Marathon Oil Company
P.O. Box 552
Midland, TX 79702**

**Mobil Producing Tex. & New Mex.
500 W. Illinois
Midland, TX 79701**

**Pro-Gas Operating Inc.
P.O. Box 10888
Midland, TX 79702**

**Shell Western E&P Inc.
P.O. Box 831
Houston, TX 77001**

**Texaco Exploration & Prod. Inc.
P.O. Box 3109
Midland, TX 79701**

**William B. Yarborough
1400 Briercroft Savings Bldg.
Midland, TX 79701**

**Zia Energy, Inc.
P.O. Box 2219
Hobbs, NM 88240**

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ATTORNEYS AT LAW

EL PATIO BUILDING

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W THOMAS KELLAHIN*

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NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

September 27, 1993

HAND DELIVERED

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

Re: NMOCD Case 10830 (Readvertised)
First Amended Application of
Conoco Inc. to Increase the
GOR Limit for the Paddock Pool
or in the Alternative for the
Establishment of a Temporary
Special Test Allowable,
Lea County, New Mexico

Dear Mr. LeMay:

On behalf of Conoco Inc., please find enclosed our first amended application to increase the GOR limit to 6,000 to 1 for the Paddock Pool or in the alternative for the establishment of a temporary special test allowable for its Lockhart A-27 Lease Project which we request be set for hearing at the next available Examiner's docket now scheduled for October 21, 1993.

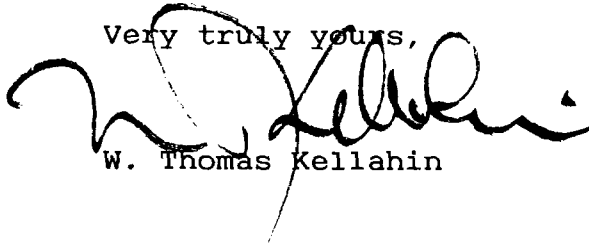
Our proposed advertisement to be used for the OCD docket is attached as enclosure (2).

Oil Conservation Division
September 27, 1993
Page 2.

By copy of this letter, including the application, to all affected parties, we are notifying them by certified mail-return receipt request, 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. Failure to appear at the time of hearing and become a party of record will preclude you from challenging this application at a later date.

In addition, parties appearing in cases have been requested by the Division (Memorandum 2-90) to file a Prehearing Statement with the Division and with a copy delivered to the applicant not later than 4:00 PM on Friday, October 15, 1993.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', is written over the typed name. The signature is fluid and cursive, with a large initial 'W' and a long, sweeping underline.

W. Thomas Kellahin

cc: Jerry Hoover
(Conoco Inc. Midland)

cc: BY CERTIFIED MAIL-RETURN RECEIPT
to all parties listed in application

Proposed notification for OCD docket

Case 10830: (Readvertised) Amended Application of Conoco Inc. for a temporary increase in the GOR limit for the Paddock Pool, or in the alternative, for a temporary special testing allowable, Lea County, New Mexico. Applicant seeks an order providing for a temporary gas/oil ratio of 6,000 cubic feet of gas per barrel of oil produced for the Paddock Pool, which covers all or parts of Sections 24, 25 in T21S, R36E, Sections 19-22, 27-30, 32-36 in T21S, R37E, Section 31 in T21S, R38E, Sections 1-5, 8-17 in 23-25 T22S, R37E and Sections 6-7, 18-20 in T22S, R38E. In the alternative, Applicant seeks an order establishing a special testing allowable for its Lockhart A-27 Lease Project, N/2 Section 27, T21S, R37E, NMPM, Paddock Pool, for a maximum period of twelve months at a maximum rate equal to the capacity of each well up to a limiting 6,000 to 1 GOR within the project to produce oil from said pool. This project is located approximately 1 mile northeast of Eunice, New Mexico.

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

IN THE MATTER OF THE AMENDED APPLICATION
OF CONOCO INC. FOR AN INCREASED GOR LIMIT
FOR THE PADDOCK POOL, OR IN THE ALTERNATIVE,
FOR A TEMPORARY TESTING ALLOWABLE FOR ITS
LOCKHART A-27 LEASE, PADDOCK OIL POOL,
LEA COUNTY, NEW MEXICO.

CASE NO. 10830

FIRST AMENDED APPLICATION

COMES NOW CONOCO INC. ("Conoco") by and through its attorneys, Kellahin & Kellahin, and for its First Amended Application herein applies to the New Mexico Oil Conservation Division for an order establishing a Temporary Special GOR limit of 6,000 cubic feet of gas per barrel of oil produced for the Paddock Pool. In the alternative, Conoco seeks the establishment of a Temporary Testing Allowable for its Lockhart A-27 Lease, N/2 of Section 27, T21S, R37E, NMPM, Paddock Oil Pool, Lea County, New Mexico, as more specifically described as follows:

(1) On January 1, 1950, the Division established the Paddock Pool as redefined by Order No. 850 whose vertical limits encompass the Paddock formation and whose current horizontal limits are set forth on Exhibit A, Lea County, New Mexico.

(2) The Paddock Pool is subject to statewide 40-acre oil spacing with oil production limited to a depth bracket oil allowable of 107 BOPD and a Gas-Oil Ratio of 2000 cubic feet of gas to 1 barrel of oil.

(3) The current 2000 to 1 GOR is causing inefficient oil recovery for wells in the Project Area. Current data leads to the conclusion that increasing the GOR to 6,000 to 1 on a temporary basis will not cause waste or damage to the Pool.

(4) The Paddock Pool is a mature solution gas drive reservoir with no evidence of an extensive gas cap, water influx or formation compaction.

(5) The Paddock Pool is vertically separated in each wellbore from any other reservoir and the horizontal boundaries of the reservoir are reasonably well defined.

(6) The historical GOR for the Pool is 6,000 to 1 GOR with certain areas or combinations of wells averaging up to 10,000 to 1 GOR.

(7) On September 23, 1993, at the Division hearing held on the original application, Conoco proposed to amend its application to include a request that this special testing allowable be applied to the entire pool, a proposal which was support at that hearing by the following operators:

Marathon Oil Company
Exxon Corporation
John H. Hendrix Corp.
Shell Western E&P, Inc.

(8) Therefore, Conoco specifically requests the establishment of a pool-wide testing allowable based upon a gas-oil ratio of 6,000 cubic feet of gas per barrel of oil produced for the Paddock Pool

(9) To implement this new GOR limit, it is suggested that a special oil allowable be establish based upon a 6,000 to 1 GOR which will result in the adoption of a maximum gas allowable of 642 MCF per day.

(10) Conoco is the operator of the N/2 of Section 27, T21S, R37E, NMPM, which is identified as its Lockhart A-27 Lease ("Project Area").

(11) The Project Area consists of a single lease with all interest common within the project area.

(12) The Project Area contains five wells currently capable of production from the Pool with a sixth well planned for October, 1993.

(13) In the alternative, Conoco seeks a Temporary Testing Allowable for this Project so that each pool well in the Project Area may be produce its depth bracket oil allowable up to a limiting gas-oil ratio of 6000 to 1, for the purpose of gathering data to determine the most efficient producing rate for this particular reservoir or portion thereof.

(14) The proposed Temporary Testing Allowable would be for a period of one year during which period any gas production in excess of the limits set forth in Division Rule 505 and 506 shall not constitute over production provided that the limiting GOR shall be 6000 to 1.

(15) Ultimate recovery is not a function of the cumulative gas-oil ratio. Therefore, ultimate recovery of oil from the reservoir should not be adversely affected by the granting of this application.

(16) The proposed Temporary Testing Allowable is necessary in order to obtain data from which to determine the most efficient rate of production for the proper development and depletion of the pool thereby preventing waste and protecting correlative rights.

(17) The names and addresses of the operators in the pool, the offsetting operators to whom notice has been sent by certified mail return receipt notifying them of this application and hearing are set forth on Exhibit B, attached.

(18) Applicant requests that this First Amended Application be set for hearing on the next available Division Examiner's docket now scheduled for October 21, 1993.

WHEREFORE, Applicant requests that this matter be set for hearing and that after notice and hearing the Application be granted as requested.

Respectfully submitted,

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

W. Thomas Kellahin
Kellahin & Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87501

**PADDOCK POOL
(PADDOCK)
Lea County, New Mexico**

Order No. 850, January 1, 1950, Redefining Pool, as Amended by Order No. R-124, January 8, 1952; Order No. R-460, May 19, 1954; Order No. R-1749, August 18, 1960; Order No. R-2172, February 1, 1962; Order No. R-2201, April 1, 1962; Order No. R-2241, June 1, 1962; Order No. R-2393, January 1, 1963; Order No. R-2427, March 1, 1963; Order No. R-2578, November 1, 1963; Order No. R-2692, May 1, 1964; Order No. R-3104, September 1, 1966; Order No. R-3342, December 1, 1967; Order No. R-5171, April 1, 1976; Order No. R-8075, December 1, 1985; Order No. R-9544, July 1, 1991; Order No. R-9685, July 1, 1992.

T-21-S, R-36-E SE/4 Sec. 24; E/2 Sec. 25.

T-21-S, R-37-E S/2, S/2 NW/4 Sec. 19; S/2 Sec. 20; SW/4, S/2 & NW/4 SE/4 Sec. 21; W/2 Sec. 22; Secs. 27, 28, 29; E/2, NW/4 Sec. 30; Secs. 32 through 35; S/2 Sec. 36.

T-21-S, R-38-E SW/4 Sec. 31.

T-22-S, R-37-E Secs. 1 through 5; Secs. 8 through 15; N/2 Sec. 16; E/2 Sec. 17; NW/4 Sec. 23; E/2 Sec. 24; N/2 NE/4 Sec. 25.

T-22-S, R-38-E W/2 Sec. 6; W/2 Sec. 7; W/2, SE/4 Sec. 18; W/2, NE/4 Sec. 19; NW/4 Sec. 20.

**ALL OPERATORS WITHIN THE PADDOCK POOL
AND OPERATORS OUTSIDE THE POOL
WHICH OFFSET CONOCO'S LOCKHART A-27 LEASE**

**Amerada Hess Corporation
1201 Louisiana, Suite 700
Houston, TX 77002**

**Amoco Production Co.
P.O. Box 3092
Houston, TX 77253**

**Campbell and Hedrick
P.O. Box 401
Midland, TX 79701**

**Chevron U.S.A. Inc.
P.O. Box 1150
Midland, TX 79702**

**Exxon Corporation
P.O. Box 1600
Midland, TX 79702**

**Hanson Operating Co., Inc.
P.O. Box 1515
Roswell, NM 88202**

**Headington Oil Co.
14881 Quorum Dr.
Dallas, TX 75240**

**John H. Hendrix Corp.
223 W. Wall, Suite 525
Midland, TX 79701**

**Marathon Oil Company
P.O. Box 552
Midland, TX 79702**

**Mobil Producing Tex. & New Mex.
500 W. Illinois
Midland, TX 79701**

**Pro-Gas Operating Inc.
P.O. Box 10888
Midland, TX 79702**

**Shell Western E&P Inc.
P.O. Box 831
Houston, TX 77001**

**Texaco Exploration & Prod. Inc.
P.O. Box 3109
Midland, TX 79701**

**William B. Yarborough
1400 Briercroft Savings Bldg.
Midland, TX 79701**

**Zia Energy, Inc.
P.O. Box 2219
Hobbs, NM 88240**