EXHIBIT # 1

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION
P. O. Box 2088
Santa Fe, New Mexico 87501

Side 1

APPLICATION FOR CLASSIFICATION AS HARDSHIP GAS WELL

Operator CONOCO INC. Contact Party HUGH INGRAM

Address P.O. BOX 460, HOBBS, N.M. 88240 Phone No. (505) 393-4141

Lease FEDERAL 34 Well No. 1 UT N Sec. 34 TWP 20-S RGE 26-E

Pool Name SPRINGS UPPER PENN (GAS) Minimum Rate Requested 300 MCFPD

Transporter Name GAS COMPANY OF NEW MEXICO Purchaser (if different) _____

Are you seeking emergency "hardship" classification for this well? * yes _____ no

*REC'D BY LES A. CLEMENTS LETTER DTD 1-12-87

Applicant must provide the following information to support his contention that the subject well qualifies as a hardship gas well.

1) Provide a statement of the problem that leads the applicant to believe that "underground waste" will occur if the subject well is shut-in or is curtailed below its ability to produce. (The definition of underground waste is shown on the reverse side of this form)

2) Document that you as applicant have done all you reasonably and economically can do to eliminate or prevent the problem(s) leading to this application.

   a) Well history. Explain fully all attempts made to rectify the problem. If no attempts have been made, explain reasons for failure to do so.

   b) Mechanical condition of the well(provide wellbore sketch). Explain fully mechanical attempts to rectify the problem, including but not limited to:

      i) the use of "smallbore" tubing; ii) other de-watering devices, such as plunger lift, rod pumping units, etc.

3) Present historical data which demonstrates conditions that can lead to waste. Such data should include:

   a) Permanent loss of productivity after shut-in periods (i.e., formation damage).

   b) Frequency of swabbing required after the well is shut-in or curtailed.

   c) Length of time swabbing is required to return well to production after being shut-in.

   d) Actual cost figures showing inability to continue operations without special relief

4) If failure to obtain a hardship gas well classification would result in premature abandonment, calculate the quantity of gas reserves which would be lost

5) Show the minimum sustainable producing rate of the subject well. This rate can be determined by:

   a) Minimum flow or "log off" test; and/or

   b) Documentation of well production history (producing rates and pressures, as well as gas/water ratio, both before and after shut-in periods due to the well dying, and other appropriate production data).

6) Attach a plat and/or map showing the proration unit dedicated to the well and the ownership of all offsetting acreage.

7) Submit any other appropriate data which will support the need for a hardship classification.

8) If the well is in a prorated pool, please show its current under- or over-produced status.

9) Attach a signed statement certifying that all information submitted with this application is true and correct to the best of your knowledge; that one copy of the application has been submitted to the appropriate Division district office (give the name) and that notice of the application has been given to the transporter/purchaser and all offset operators.

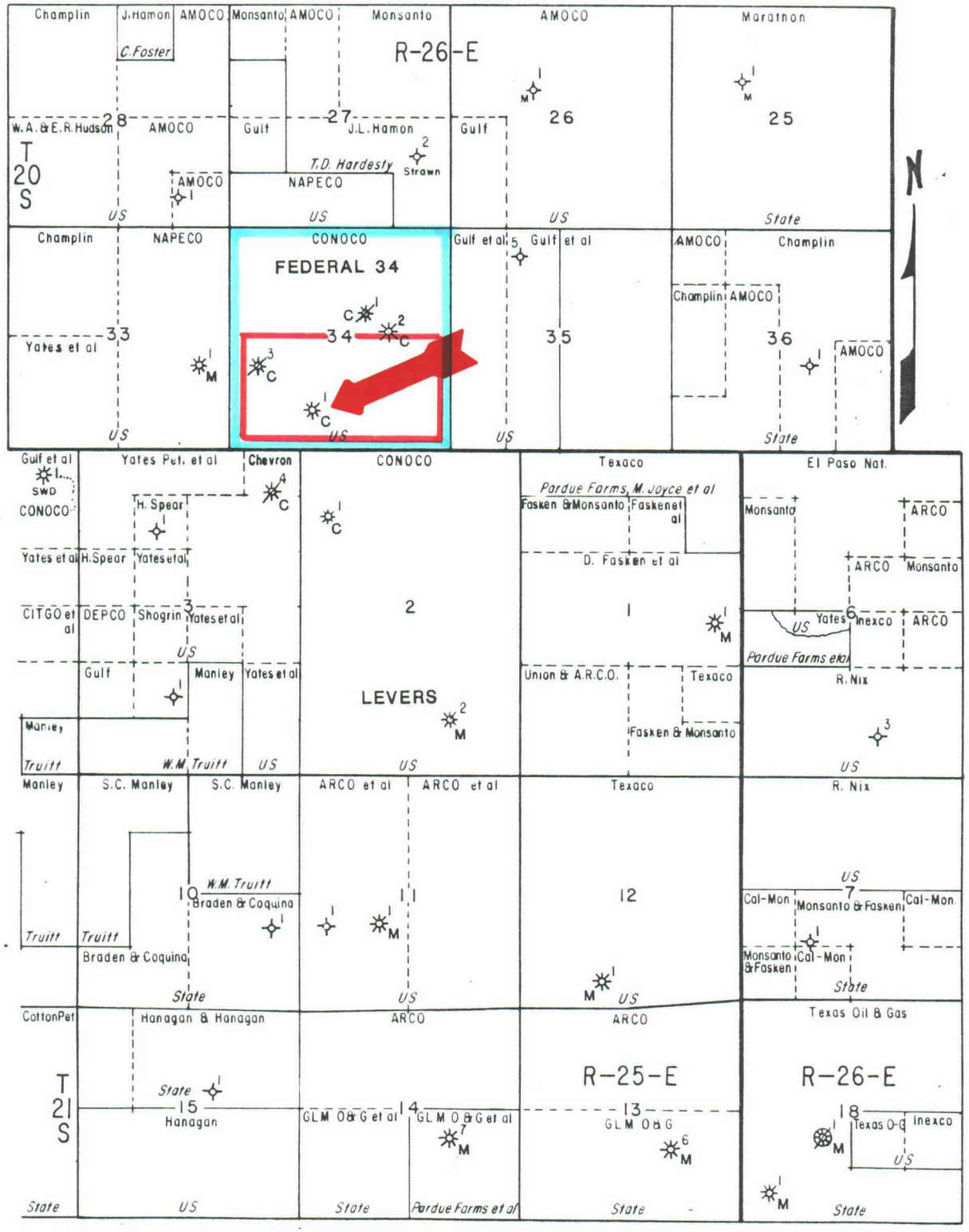
BEFORE EXAMINER
OIL CONSERVATION DIVISION

EXHIBIT NO. 1

CASE NO. 9080

Submitted by CONOCO INC.

Hearing Date FERRUARY 18, 1987



Federal 34 Lease

Proration Unit – Federal 34 No. 1

BEFORE EXAMINER CATANACH
OIL CONSERVATION DIVISION

EXHIBIT NO. 2

CASE NO. 9080

Submitted by CONOCO INC.

Hearing Date FEBRUARY 18, 1987

PRODUCTION DEPARTMENT — conoco — HOBBS DIVISION

FEDERAL "34" LEASE

Section 34-T20S-R26E

EDDY COUNTY, NEW MEXICO

SCALE 0' 1000' 2000'

EXHIBIT 2

PS Form 3811, July 1983 447-845

SENDER: Complete items 1, 2, 3 and 4.

Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for service(s) requested.

1. ☐ Show to whom, date and address of delivery.
2. ☐ Restricted Delivery.

3. Article Addressed to:
BARBARA FARREN
303 W. WALL STE.
MIDLAND, TX. 79701

4. Type of Service:	Article Number
☐ Registered ☐ Insured ☑ Certified ☐ COD ☐ Express Mail	P-241-440-545

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature – Addressee
X

6. Signature – Agent
X

7. Date of Delivery
2-6-87

8. Addressee's Address *(ONLY if requested and fee paid)*

DOMESTIC RETURN RECEIPT

PS Form 3811, July 1983 447-845

SENDER: Complete items 1, 2, 3 and 4.

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1. ☐ Show to whom, date and address of delivery.
2. ☐ Restricted Delivery.

3. Article Addressed to:
Cities Gas Corp
2444 Louisiana Blvd. N.E
Albuquerque, N.M. 87125

4. Type of Service:	Article Number
☐ Registered ☐ Insured ☑ Certified ☐ COD ☐ Express Mail	P-241-440-542

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature – Addressee
X

6. Signature – Agent
X Scott Mann

7. Date of Delivery
FEB 9 1987

8. Addressee's Address *(ONLY if requested and fee paid)*

ALBUQUERQUE NM USPO

DOMESTIC RETURN RECEIPT

PS Form 3811, July 1983 447-845

(HAND)

SENDER: Complete items 1, 2, 3 and 4.

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1. ☐ Show to whom, date and address of delivery.
2. ☐ Restricted Delivery.

3. Article Addressed to:
Cities Service Oil & Gas Corp
Box 1919
Midland, Tx. 79705

4. Type of Service:	Article Number
☐ Registered ☐ Insured ☑ Certified ☐ COD ☐ Express Mail	P-241-440-544

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature – Addressee
X

6. Signature – Agent
X

7. Date of Delivery
2-6-87

8. Addressee's Address *(ONLY if requested and fee paid)*

DOMESTIC RETURN RECEIPT

PS Form 3811, July 1983 447-845

(HAND)

SENDER: Complete items 1, 2, 3 and 4.

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1. ☐ Show to whom, date and address of delivery.
2. ☐ Restricted Delivery.

3. Article Addressed to:
Chevron USA Inc.
P.O. Box 670
Hobbs, N.M. 88240

4. Type of Service:	Article Number
☐ Registered ☐ Insured ☑ Certified ☐ COD ☐ Express Mail	P-241-440-541

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature – Addressee
X

6. Signature – Agent
X Barbara J. Edwards

7. Date of Delivery

8. Addressee's Address *(ONLY if requested and fee paid)*

DOMESTIC RETURN RECEIPT

BEFORE EXAMINER CATANACH
OIL CONSERVATION DIVISION
PAGE 1 EXHIBIT NO. 3
CASE NO. 9080
Submitted by: CONOCO INC.
Hearing Date: FEBRUARY 18, 1987

PS Form 3811, July 1983 447-845

SENDER: Complete items 1, 2, 3 and 4.

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1. ☐ Show to whom, date and address of delivery.
2. ☐ Restricted Delivery.

3. Article Addressed to:
TENNECO INC.
BOX 728
HOBBS, N.M. 88240

4. Type of Service:	Article Number
☐ Registered ☐ Insured ☑ Certified ☐ COD ☐ Express Mail	P-241-440-546

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature – Addressee
X

6. Signature – Agent
X Bobbie Harrison

7. Date of Delivery
2-13-87

8. Addressee's Address *(ONLY if requested and fee paid)*

DOMESTIC RETURN RECEIPT

PS Form 3811, July 1983 447-845

SENDER: Complete items 1, 2, 3 and 4.

Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for service(s) requested.

1. ☐ Show to whom, date and address of delivery.
2. ☐ Restricted Delivery.

3. Article Addressed to:
MARTCO
P.O. BOX 2163
Houston, TX 77001

4. Type of Service:	Article Number
☐ Registered ☐ Insured ☑ Certified ☐ COD ☐ Express Mail	P-241-440-543

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature – Addressee
X

6. Signature – Agent
X

7. Date of Delivery
FEB 9 1987

8. Addressee's Address *(ONLY if requested and fee paid)*

DOMESTIC RETURN RECEIPT

PS Form 3811, July 1983 447-845

(HAI)

SENDER: Complete items 1, 2, 3 and 4.

Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for service(s) requested.

1. ☐ **Show to whom, date and address of delivery.**
2. ☐ **Restricted Delivery.**

3. Article Addressed to:
Yates Petroleum Corp.
105 S. Fourth St.
Artesia, N.M. 88210

4. Type of Service:	Article Number
☐ Registered ☐ Insured ☑ Certified ☐ COD ☐ Express Mail	P-241-440-540

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature – Addressee
X

6. Signature – Agent
X

7. Date of Delivery
2-6-87

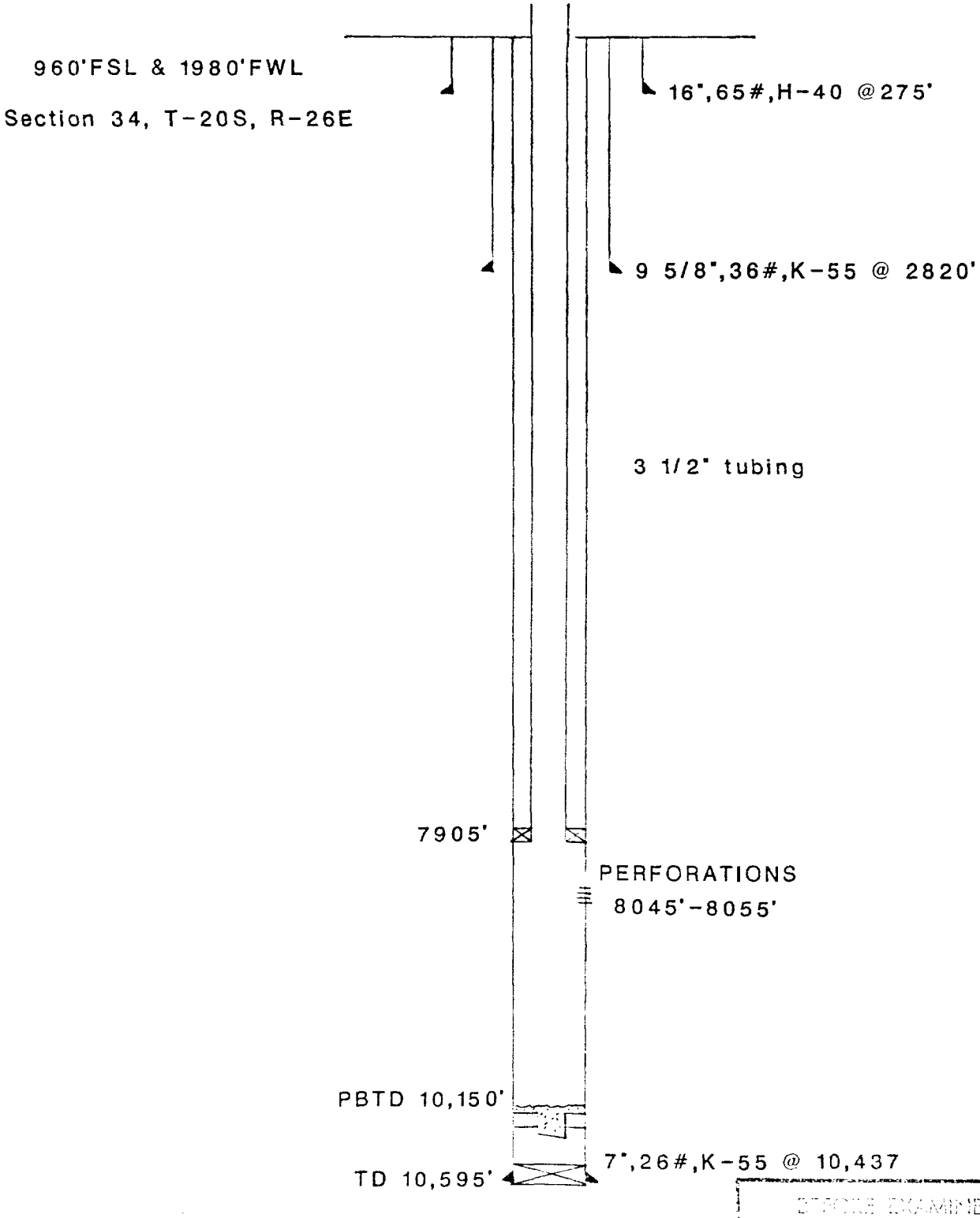
8. Addressee's Address *(ONLY if requested and fee paid)*

DOMESTIC RETURN RECEIPT

BEFORE EXAMINER CATANACH
OIL CONSERVATION DIVISION
PAGE 2 EXHIBIT NO. 3
CASE NO. 9080
Submitted by: CONOCO INC.
Hearing Date: FEBRUARY 18, 1987

EXHIBIT 4

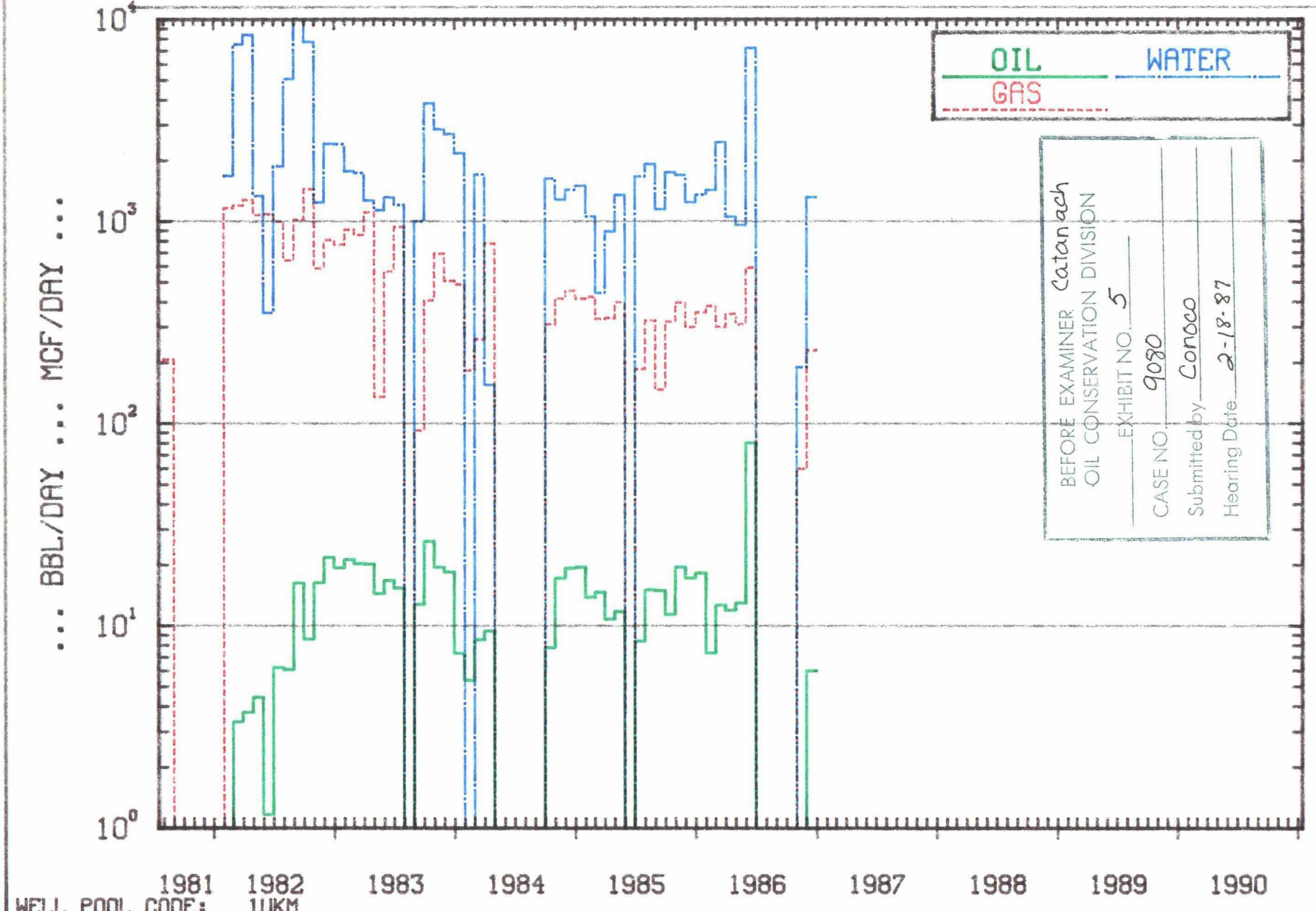
FEDERAL 34 NO. 1
WELLBORE SCHEMATIC



OIL CONSERVATION DIVISION
EXAMINER Catanach
EXHIBIT NO. 4
CASE NO. 9080
Submitted by Conoco Inc
Hearing Date 2-18-87

FEDERAL 34 NO. 1

PEGS01 LIQUID & GAS PRODUCTION VS. TIME 02/09/87



BEFORE EXAMINER Catanach
OIL CONSERVATION DIVISION
EXHIBIT NO. 5
CASE NO. 9080
Submitted by Conoco
Hearing Date 2-18-87

EXHIBIT 6

FEDERAL 34 NO. 1
Daily Production Reports

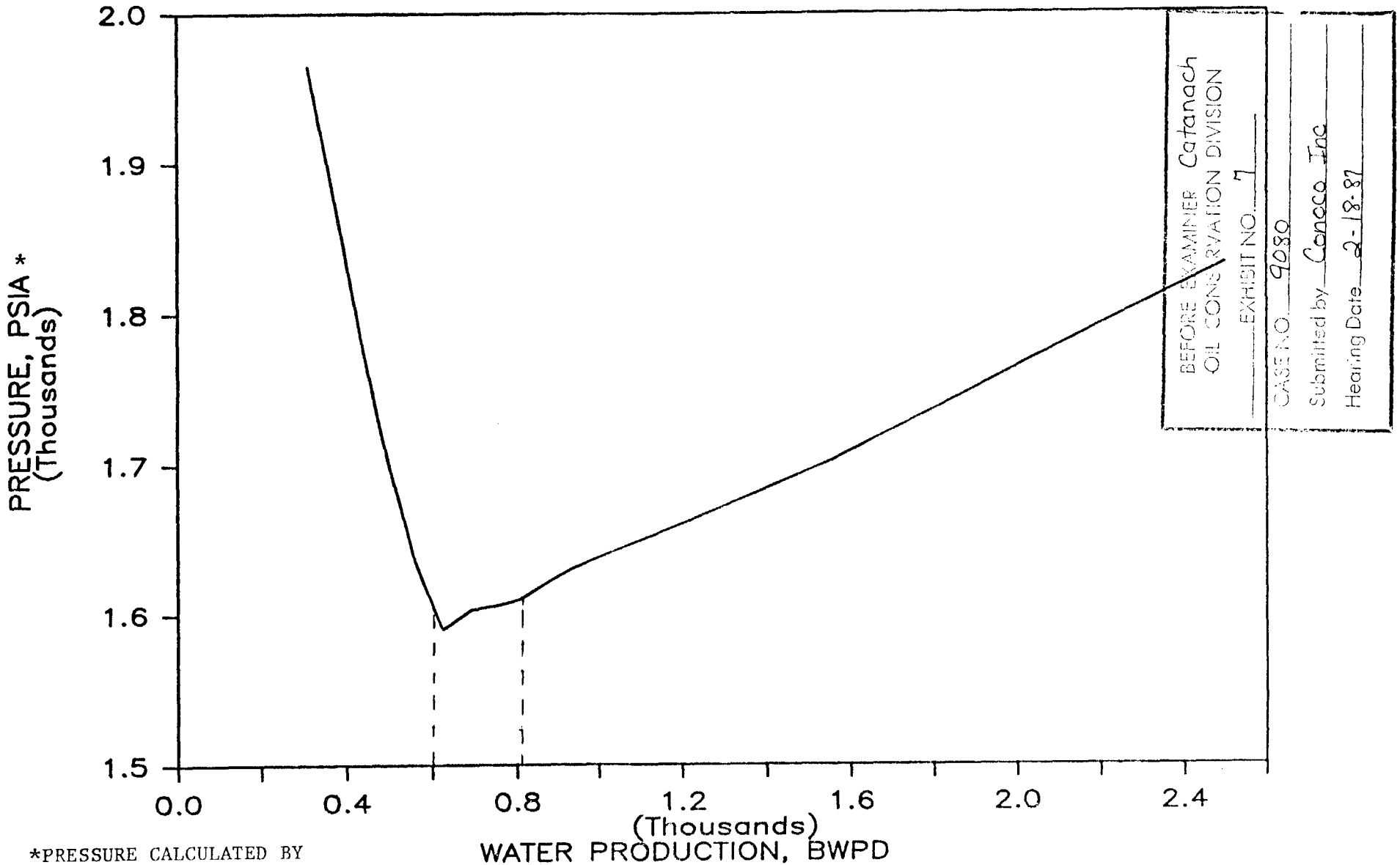
DATE		MCFPD	BWPD	BOPD
11/23/86	1 week after shut-in period	378	857	0
11/30/86		391	1100	3
12/06/86		414	1057	0
12/13/86		412	1133	0
12/20/86		429	961	5
12/30/86		547	1102	5

BEFORE EXAMINER Catanach
OIL CONSERVATION DIVISION
EXHIBIT NO. 6
CASE NO. 9080
Submitted by: Conoco Inc.
Hearing Date 2-18-87

EXHIBIT 7

FEDERAL 34 #1 PRESSURE VS. BWPD

HAGEDORN–BROWN *



*PRESSURE CALCULATED BY HAGEDORN–BROWN

GLR = 320

FEDERAL 34 NO. #1
COMPUTER RESULTS

WELL FLOWING ANALYSIS
CONOCO PROGRAM # GC260

[illegible] ------ REVIEW OF RATES & PRESSURE ------ [illegible]
COMMAND ===>

TITLE ==> FEDERAL 34 #1 GLR=320
USER ==>

X AXIS TYPE ==> GAS For graphics
Enter [illegible]

GOR ==>
REF DEP ==> 8050
REF TMP ==> 156
SURF TMP ==> 60
TOP PRS ==> 80

RATES ARE FROM A GAS WELL IPR- [illegible] INT-2.1H

OIL	GAS	WATER	SANDFACE	COMP DP	VERT DP	ERRS. VEL
0	100	310			1965	8
0	150	470			1736	12
0	200	625			1590	16
0	250	780			1600	20
0	300	940			1631	24
0	400	1250			1666	31
0	500	1560			1703	39
0	600	1875			1747	47
0	700	2190			1791	55
0	800	2500			1833	63

GRAPHICS = ENTER ; LAST PANEL = PF15 ; MAIN MENU = PF16 ; HELP = PF13

[illegible] ------ REVIEW OF RATES & PRESSURE ------ TIME - 09:32
COMMAND ===> DATE - 87/02/16

TITLE ==> FEDERAL 34 #1 GLR = 320
USER ==>

X AXIS TYPE ==> GAS For graphics
Enter OIL,GAS,WATER,TPR

GOR ==>
REF DEP ==> 8050
REF TMP ==> 156
SURF TMP ==> 60
TOP PRS ==> 80

RATES ARE FROM A GAS WELL IPR- [illegible] INT-2.1H

OIL	GAS	WATER	SANDFACE	COMP DP	VERT DP	ERRS. VEL
0	120	375			1871	9
0	140	440			1776	11
0	150	470			1736	12
0	160	500			1699	13
0	180	560			1635	14
0	200	625			1590	16
0	220	690			1603	17
0	240	750			1606	19
0	260	810			1619	20
0	280	875			1621	22

GRAPHICS = ENTER ; LAST PANEL = PF15 ; MAIN MENU = PF16 ; HELP = PF1[illegible]

BEFORE EXAMINER Catanach
OIL CONSERVATION DIVISION
EXHIBIT NO. 8
CASE NO. ~~4081~~ 9080
Submitted by Conoco Inc.
Hearing Date 2-18-87

EXHIBIT 9

MONTHLY PRODUCTION REPORTS

FEDERAL 34 NO. 1

GLR

DATE	DAYS PRODUCED	GAS, MCFPD	OIL, BOPD	WATER, BWPD	GLR, SCF/BBL
1-85	30	12,202	572	44,078	273
2-85	22	9,449	308	23,460	398
3-85	29	9,661	429	12,926	723
4-85	30	9,969	323	26,709	369
5-85	13	5,068	149	17,135	293
6-85	0	0	0	0	0
7-85	28	5,229	234	46,566	112
8-85	17	5,456	254	32,456	167
9-85	16	2,285	231	17,711	127
10-85	30	9,636	342	52,555	182
11-85	30	11,867	583	50,762	232
12-85	31	9,289	533	38,376	239
1-86	31	11,001	553	41,893	259
2-86	28	10,663	205	39,975	266
3-86	31	9,309	391	76,248	121
4-86	30	10,481	357	71,498	329
5-86	31	9,558	401	28,599	330
6-86	2	1,132	160	14,337	61
7-86	0	0	0	0	0
8-86	0	0	0	0	0
9-86	0	0	0	0	0
10-86	0	0	0	0	0
11-86	20	1,189	6	3,800	315
12-86	31	7,105	185	40,737	174

BEFORE EXAMINER Catanach
OIL CONSERVATION DIVISION
EXHIBIT NO. 9
CASE NO. 9090
Submitted by Conoco Inc.
Hearing Date 2-18-87