



Mid-Continent Region
Exploration/Production

Conoco Inc.
10 Desta Drive, Suite 100W
Midland, TX 79705-4500
(915) 686-5400

*cu
Honna*

July 17, 1997

Mr. Michael Stogner
New Mexico Oil Conservation Division
2040 S. Pacheco
Santa Fe, New Mexico 87504

RE: Application for Approval of a Non-Standard Location
for the Proposed Lockhart B-1 No. 10 Well, located
at 1980' FNL & 1550' FWL, Sec. 1, T-22S, R-36E

Dear Mr. Stogner:

ATTACHMENT A shows a current 280-acre Eumont gas proration unit dedicated to Eumont gas production from the Lockhart B-1 Wells No. 4 and No. 9 as approved by Administrative Order NSP-1711(SD)(L). It also identifies the location of the proposed new well No. 10 to be simultaneously dedicated to this unit and offset Eumont completions and operators.

The 80-acre western extension of this proration unit, consisting of the S/2 NW/4 of Section 1, does not currently have a Eumont gas completion and is not protected from drainage by offset Eumont wells to the north and west. Therefore, Conoco proposes to drill a new well on this 80 acre portion of the 280-acre proration unit for the purpose of recovering additional reserves from this area and protecting this lease from offset drainage.

Due to the unusual shape of this proration unit and the spacing setbacks required by the Eumont Gas Pool Rules, the only standard drilling locations on this 80-acre tract appear to lie on a line located 1980' FNL and ranging from 1650' to 2310' FWL or at a literal point located 1980' FNL & 990' FWL. Since this is a heavily oil and gas developed area, it should not be surprising that within these narrow limits that it would be difficult to find a standard drilling location.

Drainage considerations of offset existing Eumont completions and the recovery of new additional reserves were important in choosing a location. In trying to located the new well somewhat equidistant from the drainage areas of the existing wells we were limited to the 660 foot line from 1650' to 2310' FWL and 1980' FNL.

ATTACHMENT B shows the proposed location for Well No. 10 (the star) and other wells, roads, and powerlines near or crossing this 660 foot standard drilling "line". The to wells are deeper completions in the Chevron-operated Arrowhead Grayburg Waterflood Unit.