



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 S. PACHECO
SANTA FE, NEW MEXICO 87505
(505) 827-7131

August 14, 1997

Conoco, Inc.
10 Desta Drive - Suite 100W
Midland, Texas 79705-4500
Attention: Jerry Hoover

Administrative Order NSL-3854

Dear Mr. Hoover:

Reference is made to: (i) your application dated March 26, 1997; (ii) my letter dated April 2, 1997; (iii) your response by letter dated April 8, 1997, (iv) my request for clarification by note dated July 3, 1997, (v) your response by letter dated July 8, 1997; all of which refer to Conoco Inc.'s request for the following four unorthodox oil well locations in the Blinebry, Tubb, and Drinkard intervals within Conoco's Southeast Monument Unit ("SEMU") Area comprising all or portions of Sections 13, 14, 15, 22, 23, 24, 25, 26, and 27, Township 20 South, Range 37 East, NMPM, and all or portions of Sections 18, 19, 20, 29, and 30, Township 20 South, Range 38 East, NMPM, all in Lea County, New Mexico:

Well No.	Footage Location	Section-Township-Range	Unit
125	10' FSL & 190' FWL	18-20S-38E	M (Lot 4)
126	1310' FSL & 1120' FWL	19-20S-38E	M (Lot 4)
128	2490' FSL & 1310' FEL	24-20S-37E	I
129	1310' FSL & 1170' FEL	13-20S-37E	P

IT IS THEREFORE ORDERED THAT:

- (1) The application has been duly filed under the provisions of Rule 104.F of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division").
- (2) Conoco, Inc. ("Conoco") is the operator of the Southeast Monument Unit Area, which is a Federal unitized area and comprises the following described 5,403.58 acres in Lea County, New Mexico:

TOWNSHIP 20 SOUTH, RANGE 37 EAST, NMPM

Section 13: SW/4 NE/4, W/2 SW/4, SE/4 SW/4, and SE/4
Section 14: W/2 NE/4, SE/4 NE/4, W/2, and SE/4
Section 15: E/2 E/2
Section 22: E/2 E/2
Sections 23 and 24: All
Section 25: N/2 and N/2 S/2
Section 26: All
Section 27: E/2 E/2

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM

Section 18: Lots 3 and 4, SE/4 SW/4, and SW/4 SW/4
Section 19: Lots 1 through 4, W/2 NE/4, SE/4 NE/4, E/2
W/2, and SE/4
Section 20: SW/4 NW/4 and SW/4
Section 29: NW/4
Section 30: Lots 1, 2, and 3, NE/4, E/2 NW/4, NE/4
SW/4, and N/2 SE/4;

- (3) Within the SEMU unit area, Conoco operates the SEMU Permian Waterflood Project, approved by Division Order No. R-1710, issued in Case No. 1990 and dated June 30, 1960, which order authorized the injection of water for secondary recovery operations in the Skaggs-Grayburg Pool;
- (4) According to the application, recent 3-dimensional seismic surveys in this area have identified two small regional structural highs within the Blinberry, Tubb, and Drinkard formations;
- (5) As indicated by Conoco, the primary criteria for choosing these particular locations was to stay high on these small regional structures to ensure the best test of all three of the deeper formations. These locations were therefore considered to be the optimum positions to conduct these tests;
- (6) The secondary criteria for requesting these unorthodox locations was to provide for convenient backup wellbores for a potential future infill drilling program in the SEMU Permian Waterflood Project.

(a) A possible exception is the SEMU Well No. 126 in Section 19, Township 20 South, Range 38 East, NMPM, Lea County,

New Mexico, where it is our understanding that an attempt was made to locate this well one infill-location to the west, close to the section line between said Section 19 and Section 24, Township 20 South, Range 37 East, NMPM, Lea County, New Mexico; however, surface constraints prevented the staking of this well anywhere along this section line in the immediate area. Therefore the SEMU Well No. 126 was moved to the next possible infill-location that would still be sufficiently high enough on structure to provide a reasonable test; and,

(b) Should these three target zones be found non-commercially productive, then the wellbores could be used for infill locations in the waterflood and pursuant to Division Rule 104.F(1) these locations would be considered standard;

(7) For the Drinkard interval:

(a) the proposed SEMU Well No. 125 is within the boundary of the Skaggs-Drinkard Pool;

(b) the other three wells however are within one mile of both the Skaggs-Drinkard Pool and the Weir-Drinkard Pool, both of which are subject to the statewide rules and regulations for oil wells, as set forth in Rule 104.C(1), which provides for 40-acre oil spacing and proration units and requires that wells be located no closer than 330 feet to any boundary of such tract; furthermore both pools have special gas/oil ratio ("GOR") limitation factors of 10,000 cubic feet of gas per barrel of oil (see Division Order No. R-4803, dated June 4, 1974, for the Weir-Drinkard Pool and Division Order No. R-7020, dated July 2, 1982, for the Skaggs-Drinkard Pool);

(8) For the Tubb interval:

(a) SEMU Well Nos. 126 and 129 are both within one mile of the Monument-Tubb Pool and are therefore subject to the "*Special Rules and Regulations for the Monument-Tubb Pool*", as set forth in Division Order No. R-2800, dated November 10, 1964, as amended by Division Order No. R-10128, dated June 3, 1994, which includes provisions for 80-acre oil spacing and proration units with wells to be located no closer than 330 feet to any governmental quarter-quarter section or subdivision inner boundary and a special gas/oil ratio ("GOR")

limitation factors of 10,000 cubic feet of gas per barrel of oil;

(b) the SEMU Well No. 125 is within one mile of the Warren-Tubb Gas Pool and is therefore subject to the "*Special Rules and Regulations for the Warren-Tubb Gas Pool*", as promulgated by Division Order No. R-1234, dated August 6, 1958, which includes provisions for 160-acre gas spacing and proration units with wells to be located no closer than 660 feet to the outer boundary of the proration unit nor closer than 330 feet from any governmental quarter-quarter section or subdivision inner boundary; and,

(c) the well location of the proposed SEMU Well No. 128 is not within one mile of any Tubb oil or gas pool;

(9) For the **Blinebry** interval:

(a) the proposed SEMU Well No. 129 location is within one mile of the Weir-Blinebry Pool, the East Weir-Blinebry Pool, and the Blinebry Oil and Gas Pool; the No. 125 well is within one mile of the East Weir-Blinebry Pool, and the Blinebry Oil and Gas Pool, and both the SEMU Well Nos. 126 and 128 are within one mile of the Blinebry Oil and Gas Pool.

(i) the Weir-Blinebry Pool is subject to the statewide rules and regulations for oil wells, as set forth in Rule 104.C(1) and Rule 506.A, which provides for 40-acre oil spacing and proration units and requires that wells be located no closer than 330 feet to any boundary of such tract and a gas/oil ratio ("GOR") limitation factor of 2,000 cubic feet of gas per barrel of oil;

(ii) the East Weir-Blinebry Pool is subject to the statewide rules and regulations for oil wells, as set forth in Rule 104.C(1), which provides for 40-acre oil spacing and proration units and requires that wells be located no closer than 330 feet to any boundary of such tract; furthermore, said pool has a special gas/oil ratio ("GOR") limitation factor of 10,000 cubic feet of gas per barrel of oil (see Division Order No. R-9630, dated January 27, 1992); and

(iii) the Blinebry Oil and Gas Pool is governed by special rules and regulations, as set forth in Division Order No. R-8170, as

amended, that provides for 40-acre oil and 160-acre gas spacing and proration units, the gas/oil ratio ("GOR") cutoff point in distinguishing between gas wells and oil wells in this pool at 50,000 cubic feet of gas per barrel of oil, restricted well location requirements, and for the allocation of oil and gas production;

- (10) Pursuant to Rule 104.F(2) the four unorthodox oil well locations as described above should be approved at this time for the Drinkard interval only; and
- (11) Authorization for the Blinebry and Tubb intervals should be postponed until such time as the zone(s) are adequately tested, production is established, and such production is assigned to a specific pool(s).

IT IS THEREFORE ORDERED THAT:

(1) Conoco, Inc. is hereby authorized to drill its proposed SEMU Well Nos. 124, 125, 126, and 129 to a sufficient depth as to penetrate the Drinkard formation. By the authority granted me under the provisions of Division Rule 104.F(2), the following unorthodox oil well locations in either the Weir-Drinkard Pool or Skaggs-Drinkard Pool are hereby approved:

<i>Well No.</i>	<i>Footage Location</i>	<i>Section-Township-Range</i>	<i>Unit</i>	<i>Dedicated 40-Acre Tract</i>
125	10' FSL & 190' FWL	18-20S-38E	M	Lot 4 (37.60 acres)
126	1310' FSL & 1120' FWL	19-20S-38E	M	Lot 4 (40.40 acres)
128	2490' FSL & 1310' FEL	24-20S-37E	I	NE/4 SE/4
129	1310' FSL & 1170' FEL	13-20S-37E	P	SE/4 SE/4

IT IS FURTHER ORDERED THAT Conoco, Inc. be permitted to test the Blinebry and Tubb intervals in each of the four aforementioned wells; **PROVIDED HOWEVER THAT**, once production is established within the Blinebry and/or Tubb zones and it is determined by the Supervisor of the Hobbs District Office of the Division as to which pool such production is to be attributed, Conoco, Inc. shall at that time seek amendment to this order and to provide support data and provide all applicable information for an unorthodox oil or gas well for such production and assign the appropriate acreage dedication to the well for the assigned pool(s).

(2) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Administrative Order NSL-3854

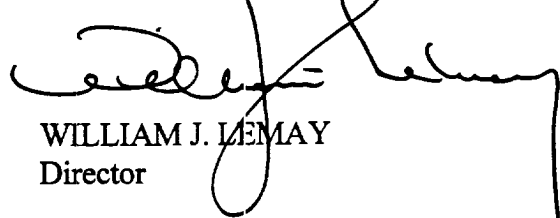
Conoco, Inc.

August 14, 1997

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DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

S E A L

WJL/MES/kv

cc: New Mexico Oil Conservation Division - Hobbs /
W. Thomas Kellahin, Counsel - Santa Fe
U. S. Bureau of Land Management - Carlsbad