



Midland Division
Exploration Production

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

August 12, 1994

Michael E. Stogner
Oil Conservation Division
P.O. Box 2088
Santa Fe, NM 87504

RE: Application to:

- (1) Approve an Unorthodox Gas Well Location for Recompletion of Conoco's Vaughan B-1 Well No. 5, Located at 660' FNL & 660' FWL, Sec. 1, T-24S, R-36E, Lea County, New Mexico, to the Jalmat Gas Pool, and**
- (2) Simultaneously Dedicate Wells No. 1, 5, and 6 to the existing 320-acre NSPU established by Division Order R-2988.**

Dear Mr. Stogner:

EXHIBIT A shows the 320-acre NSPU, previously established for dedication to Jalmat gas production from Conoco's Vaughan B-1 Wells No. 1 and 6, the proposed recompletion of Well No. 5 to the Jalmat, and the offset operators and Jalmat wells to Conoco's gas proration unit.

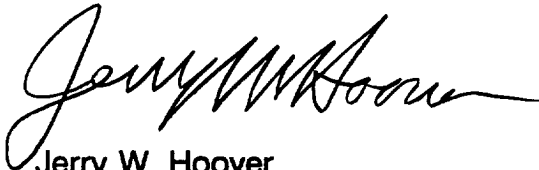
EXHIBIT B illustrates the surrounding production history with current rates and cumulative recoveries shown for the Vaughan wells and offset wells. The Burleson New Mexico Z State No. 1 well to the West of Conoco's proposed recompletion has apparently depleted the offsetting acreage to the West and has been P&A'd. The three wells to the North, operated by OXY and Meridian have had good cumulative recoveries and the two Meridian wells are still producing at significant rates.

All production from Conoco's Vaughan Lease has come from the South half of this 320 spacing unit. The North half of this lease needs to be developed to maximize recovery efficiency from this tract and to offset the good recoveries by the North offsetting wells of OXY and Meridian. Since it is difficult to evaluate potential drainage and to project the quantity of remaining reserves on the North half of Conoco's Lease, it is necessary to attempt to capture these reserves through the recompletion of existing wellbores rather than by drilling.

Since the offsetting acreage toward which the Vaughan B-1 No.5 encroaches appears to have been adequately protected with prior development and drainage, approval of this project should not impair offset correlative rights and will allow Conoco to more efficiently recover Jalmat gas from its lease. Therefore, Conoco requests approval of this unorthodox gas well location and of simultaneous dedication of this existing 320-acre NSPU to the three Wells No. 1, 5, and 6.

EXHIBIT C contains copies of the certified mail receipts for all of the offset operators who were sent a copy of this application. New C-102's are also enclosed for Wells No. 1, 5, and 6. If there are any further questions concerning this application, please contact me at (915) 686-6548.

Very truly yours,

A handwritten signature in black ink, appearing to read "Jerry W. Hoover". The signature is fluid and cursive, with a long horizontal stroke at the end.

Jerry W. Hoover
Sr. Conservation Coordinator

cc: Hobbs District OCD Office