

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

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF CONSIDERING:

APPLICATION OF MARBOB ENERGY
CORPORATION FOR A VERTICAL
EXPANSION OF THE BURCH KEELY UNIT,
EDDY COUNTY, NEW MEXICO

CASE NO. 14558
ORDER NO. R-7900-C

and

APPLICATION OF COG OPERATING, LLC
FOR VERTICAL EXTENSION OF THE
GRAYBURG-JACKSON (SEVEN RIVERS-
QUEEN-GRAYBURG-SAN ANDRES) POOL
TO CORRESPOND WITH THE UNITIZED
FORMATION OF THE BURCH KEELY UNIT,
EDDY COUNTY, NEW MEXICO.

CASE NO. 14577
ORDER NO. R-10067-B

PRE-HEARING STATEMENT
OF CONOCOPHILLIPS COMPANY

This Pre-Hearing Statement is submitted by ConocoPhillips Company
(ConocoPhillips), as required by rule.

APPEARANCES

PARTIES

ConocoPhillips Company
P.O. Box 2197
3WL3060
Houston, Texas 77252-2197

ATTORNEY

Michael Campbell
Campbell Trial Law
110 N. Guadalupe, Suite 6
Santa Fe, New Mexico 87501

STATEMENT OF THE CASES

In Case No. 14558, Order No. R-7900-C, Applicant Marbob sought, and the Division approved, expansion of the vertical limits of the Burch Keely Unit to comprise as the Unitized Formation that interval underlying the Unit Area from the top of the Seven Rivers formation to a true vertical depth of 5,000 feet below the surface.

In Case No. 14577, Order No. R-10067-B, Applicant COG Operating sought, and the Division approved, expansion of the Grayburg-Jackson-Seven Rivers-Queen-Grayburg-San Andres Pool [Pool Code 28509] (the "Grayburg-Jackson Pool") to coincide with the lower vertical limits of the Unitized Formation of the Burch Keely Unit, as amended by the preceding Order No. R-7900-C, that is, to a true vertical depth of 5,000 feet below the surface.

ConocoPhillips is the designated Operator of the Grayburg Deep Unit, a statutory Federal Unit approved by the United States Geological Survey on June 4, 1954. The geographical boundaries of the Grayburg Deep Unit encompass the geographical boundaries of the Burch Keely Unit. The vertical limits of the Grayburg Deep Unit, and its "Unitized Formation," begin at a depth 5,000 feet below the surface and extend to all deeper depths. As discussed below, portions of the Unitized Formation of the Burch Keely Unit are also within the horizontal limits of the Grayburg Deep Unit and extend below the aforementioned 5,000 foot vertical boundary, and consequently are included within the Unitized Formation of the Grayburg Deep Unit.

In the Yeso Formation, the Paddock member is a more conventional reservoir, with fair porosity and permeability. The underlying Blinebry member is productive in

recent years by operators using hydraulic fracturing as part of the completion process. Applicants utilize such hydraulic fracturing in the Paddock and Blinebry members in each of its wells, and Applicants cannot effectively control the vertical height (upward or downward) of such fracturing. The Yeso Formation is recognized as a homogeneous formation to the extent that there exists no known geologic barrier or impediment to fracture growth within the Yeso Formation corresponding to the unit boundary at 5,000 feet. The Blinebry member thickens dramatically to the southeast within the Grayburg Deep Unit, and the thickened Blinebry member to the southeast falls primarily below 5,000 feet. Accordingly, grant of these Applications would permit Applicants to drill, perforate and perform hydraulic fracturing at a 5,000 foot level, directly on the top of – and without geological distinction from – ConocoPhillip’s ownership rights. Such perforation and fracturing may result in downward fracture growth across the 5000’ boundary and subsequent drainage and production by Applicants of reserves below 5000’ – reserves to which ConocoPhillips has rights but Applicants do not. Accordingly, ConocoPhillips’ correlative rights will be impaired by grant of these Applications.

ConocoPhillips requests that the Applications be denied.

PROPOSED EVIDENCE

<u>WITNESS</u>	<u>EST. DIRECT TIME</u>	<u>EXHIBITS</u>
Tom Scarbrough Petroleum Landman	Appx. 20 Minutes	Appx. 5
Charlie E. Angerman Petroleum Geologist	Appx. 20 Minutes	Appx. 5
Kim Head	Appx. 15 Minutes	1
Brian Dzubin Petroleum Engineer	Appx. 30 minutes	Appx. 5

PROCEDURAL MATTERS

Applicant has a pending motion to Limit Testimony and Argument, to which ConocoPhillips has responded in opposition.

RESPECTULLY SUBMITTED,

Campbell Trial Law LLC



Michael Campbell
110 N. Guadalupe, Suite 6
Santa Fe, New Mexico 87504
505-820-9959 (Phone)
505-820-1926
mcampbell@campbelltriallaw.com

**ATTORNEYS FOR CONOCOPHILLIPS
COMPANY**

CERTIFICATE OF SERVICE

I certify that on June 23, 2011 I served a copy of this pleading to the following persons by e-mail:

Carol Leach
Beatty & Wozniak, P.C.
500 Don Gaspar
Santa Fe, New Mexico 87504
505-983-8901
cleach@bWenergyllaw.com

ATTORNEYS FOR APPLICANT



Michael Campbell