

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

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

APPLICATION OF CONOCOPHILLIPS COMPANY AND BURLINGTON RESOURCES OIL & GAS COMPANY (COLLECTIVELY "COPC")  
FOR PREAPPROVAL OF DOWNHOLE COMMINGLING OF PRODUCTION ON A POOL-WIDE BASIS FOR THE BASIN-MANCOS GAS POOL, RIO ARRIBA, SAN JUAN AND SANDOVAL COUNTIES, NEW MEXICO

CASE NO. 14862

**PRE-HEARING STATEMENT**

This pre-hearing statement is submitted by ConocoPhillips Company and Burlington Resources Oil & Gas Company as required by the New Mexico Oil Conservation Division.

**APPEARANCES OF THE PARTIES**

**APPLICANT**

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Burlington Resources Oil & Gas Company  
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**ATTORNEY**

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**OTHER PARTIES**

None has filed at this time

**ATTORNEY**

## STATEMENT OF THE CASE

### APPLICANT:

- (1) ConocoPhillips Company and Burlington Resources Oil & Gas Company (collectively "COPC") seeks to the New Mexico Oil Conservation Division ("Division") approval to obtain pre-approval status, pursuant to Division Rule 19.15.12.11.D(2), on a pool-wide basis for Basin-Mancos Gas Pool with production from the Dakota and Mesaverde formations such that approval to downhole commingle any pool combination thereof can be submitted and approved by the Division's Aztec district office.
- (2) COPC is an operator of wells within the Basin-Mancos Gas Pool, the Blanco-Mesaverde Gas Pool and the Basin-Dakota Gas Pool.
- (3) By Order R-12984, dated September 3, 2008, in Case 14133, the Division created the Basin-Mancos Gas Pool and adopted special rules and regulations.
- (4) In doing so, the Division defined the vertical limits of the pool as extending from the base of the Point Lookout formation (the lowest subdivision of the Mesaverde) to the base of the Greenhorn member of the Mancos formation.
- (5) These vertical limits included all of the subdivision of the Mancos Formation including that interval, a portion, or a strata within the overall Mancos Formation, that has commonly been referred to as the "Gallup."
- (6) The term "Gallup" is not synonymous with the entire Mancos Formation. There are instances where ownership has been separated the Gallup section from the remaining sections of the Mancos. Further there are instances where the Division has named pools the "Gallup" when it meant only the Gallup section of the Mancos and others where the name "Gallup" was meant to include all of the productive limits of the Mancos Formation.
- (7) However, for purposes of this case, the Gallup should continue to be treated collectively with all the other sections of the Mancos Formation as a single pool.
- (8) The Division based its order upon the testimony of Mr. Steve Hayden, the Division District geologist in Aztec, who testified that all of the subdivisions of the Mancos, including the Gallup, could now be consolidate and administered as a single pool because of their low productively. (See Tr Case 14133, pg 11, lines 9-19).
- (9) While the Division adopted special rules and regulations for this Pool it denied the request for pre-approval of down-hole commingling of Mancos production with production from the Dakota and Mesaverde formations because the applicant failed to present the required evidence.

(10) The Division also found that the Mancos formation is marginally productive, such that, in most places, stand-alone Mancos wells would not be economic. However, the gas in the Mancos can be economically produced from wells that can also be completed in the Mesaverde and/or Dakota formations. See Finding (3) (e) of Order R-12984.

(11) COPC will present evidence to demonstrate that:

- a. Division Rule 19.15.12.11.D(2) authorizes the Division to establish pre-approved pools and areas for downhole commingling such that these pool combinations and areas qualify for a streamlined approval process at the Division's district office.
- b. Pre-approval status may be approved by the Division if sufficient data exists for multiple formations or pools that have previously been commingled. Pre-approval status allows approval of downhole commingling applications without having to repeatedly present certain data required by Form C-107-A (Application for Downhole Commingling).
- c. The Division routinely administratively approves the downhole commingling of production from the Gallup (Mancos), Mesaverde and Dakota formations within the San Juan Basin, and COPC will present evidence to demonstrate that there is sufficient precedent and sufficient data available to pre-approve the downhole commingling of Basin-Mancos, Basin-Dakota and Blanco-Mesaverde Gas Pool production on a pool-wide basis.
- d. In addition, the Division has authorized pre-approval status of numerous existing Gallup pools with either Basin-Dakota or Blanco-Mesaverde Gas Pools within the San Juan Basin.
- e. In support of this application, COPC will present a comprehensive list of these pre-approved Gallup/Dakota and Gallup/Mesaverde pool combinations and their locations within the San Juan Basin.
- f. In the absence of pre-approval status as provided in 19.15.12.11.D(2), the Division requires that administrative applications for downhole commingling of production be submitted, processed and approved on a well by well basis including submittal of the following:

(aa) **Compatibility Criteria [Rule 19.15.12.11.A(1)]:** Evidence that the fluids from each pool are compatible and combining fluids will not result in damage to any pool.

(bb) **Pressure Criteria [Rule 19.15.12.11.A(3)]:** Evidence that the bottom perforation of the lower zone is within 150 percent of the depth of the top perforation in the upper zone and the lower zone is at or below normal pressure (assumed 0.433 psi per foot of depth). If the commingled pools are not within this vertical interval, then evidence will be required to

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demonstrate that commingling will not result in shut-in or flowing wellbore pressures in excess of the fracture parting pressure of any commingled pool. Fracture parting pressure is assumed to be 0.65 psi per foot of depth.

(cc) **Cross-flow Criteria [Rule 19.15.12.11.A(4)]**: Evidence that the commingling will not result in the permanent loss of reserves due to cross-flow in the wellbore.

(dd) **Fluid-sensitivity Criteria [Rule 19.15.12.11.A(5)]**: Evidence that fluid-sensitive formations will not be damaged by downhole commingling.

(12) Sufficient data is now available from existing wells within the Basin-Mancos Gas Pool to support the Division authorizing pre-approval status for the downhole commingling of Dakota, Mesaverde with Mancos gas production.

(13) There is sufficient data within the Basin-Mancos Gas Pool to support the granting of exceptions from certain of the criteria required by Rule 19.15.12.11(A) or as set forth on Form C-107-A and listed in paragraph (7) above.

(14) COPC, pursuant to Rule 19.15.12.11.D, seeks Division authorization of pre-approval status on a pool wide basis for all production from the Basin-Mancos, Blanco-Mesaverde and Basin-Dakota Gas Pools as to the following criteria: compatibility, pressure, cross-flow and fluid sensitivity.

(15) COPC, pursuant to Rule 19.15.12.11.D(2), seeks the pre-approval of the following additional combinations of pools/formations for downhole commingling within the San Juan Basin:

Basin-Mancos Gas Pool (97232) & Basin-Dakota Gas Pool (71599)  
Basin-Mancos Gas Pool (97232) & Blanco-Mesaverde Gas Pool (72319)  
Basin-Mancos Gas Pool (97232), Basin-Dakota Gas Pool (71599) and Blanco Mesaverde Gas Pool (72319)

(16) The pre-approved pool combinations for downhole commingling cited above will extend the economic life of the existing wells and thereby increase ultimate recovery from these formations.

(17) In addition, the pre approved pool combinations for downhole commingling cited above should apply to new wells and recompleted wells within the Basin-Mancos, Blanco-Mesaverde or Basin-Dakota Gas Pools because production from one or more of these zones are marginal based upon criteria, which the applicant will submit at the hearing of this case.

**PROPOSED EVIDENCE**

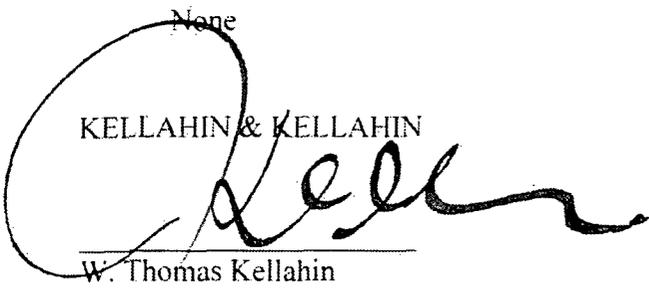
**APPLICANT**

| <b>WITNESSES</b>          | <b>EST. TIME</b> | <b>EST. EXHIBITS</b> |
|---------------------------|------------------|----------------------|
| Chuck Creekmore (landman) | 20-30-min.       | @ 8-10               |
| Zack Swaney (geologist)   | 20-30-min.       | @ 6                  |
| Dryonis Pertuso (PE)      | 20-30min         | @8-10                |

**PROCEDURAL MATTERS**

None

KELLAHIN & KELLAHIN



W. Thomas Kellahin