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October 1, 2012

HAND DELIVERED

*Case 14928*

Ms. Jami Bailey, Director  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

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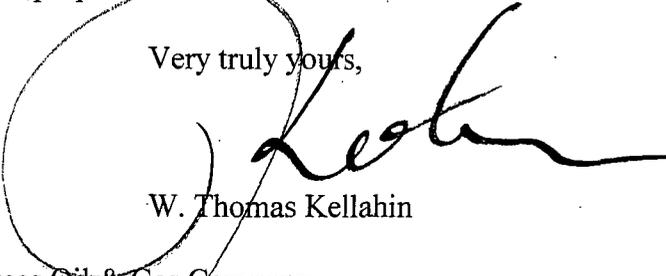
Re: Application of ConocoPhillips Company and Burlington Resources  
Oil & Gas Company LP to amend downhole commingling referenced  
Cases Orders for fourteen Township Units to delete the notice  
Requirement, San Juan and Rio Arriba County, New Mexico

Dear Ms. Bailey:

On behalf of ConocoPhillips Company and Burlington Resources Oil & Gas  
Company LP, please find enclosed our referenced application which we request be set for  
hearing on the Examiner's docket now scheduled for November 29, 2012.

Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,

  
W. Thomas Kellahin

cc: Burlington Resources Oil & Gas Company  
Attn: Mr. Chuck Creekmore

NOTICE FOR November 29<sup>th</sup> 2012 OCD Docket

Case 14928: Application of ConocoPhillips Company and Burlington Resources Oil & Gas Company LP to amend downhole commingling referenced cases orders for fourteen Township Units to delete the notice requirements, San Juan and Rio Arriba County, New Mexico. The existing orders authorized the applicant to delete notice to interest owners for the downhole commingling of production from Dakota and Mesaverde formation for these units. Now, the applicant seeks to delete the notice requirements for the downhole commingling of production from the Basin-Mancos Gas Pool, certain Gallup pools when it is commingled with Dakota and/or Mesaverde production. These Units are subject to these orders: Allison Unit--Order R-13106; San Juan 27-4 Unit--Order R-12867; San Juan 28-4 Unit--Order R-12865; San Juan 28-6 Unit--Order R-10696; San Juan 29-7 Unit--Order R-10697; San Juan 30-6 Unit--Order R-12866; San Juan 32-9 Unit--Order R-10692; San Juan 31-6 Unit--Order R-11188; San Juan 32-7 Unit--Order R-11210; San Juan 28-7 Unit--Order R-10476-B; San Juan 29-5 Unit--Order R-10770; San Juan 29-6 Unit--Order R-11187; San Juan 30-5 Unit--Order R-10771; San Juan 32-8 Unit--Order R-11189 plus commingling for the Trail Canyon-Gallup Pool. These units are contiguous and the center of the unit areas are approximately 9 miles Southeast of Gobernador Camp, New Mexico except for the San Juan 32-9, the center of which is located approximately 5 miles Southeast of Gobernador Camp, New Mexico

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

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

CASE NO. 14928

**APPLICATION OF CONOCOPHILLIPS COMPANY AND  
BURLINGTON RESOURCES OIL & GAS COMPANY LP  
TO AMEND DOWNHOLE COMMINGLING REFERENCE  
CASE ORDERS FOR FOURTEEN TOWNSHIP UNITS  
TO DELETE NOTICE REQUIREMENTS,  
SAN JUAN AND RIO ARriba COUNTIES, NEW MEXICO**

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**APPLICATION**

Comes now CONOCOPHILLIPS COMPANY AND BURLINGTON RESOURCES OIL & GAS COMPANY LP, collectively "COPC", by and through its attorneys, Kellahin and Kellahin, and applies to the New Mexico Oil Conservation Division for orders amending fourteen downhole commingling "DHC" reference case orders for fourteen of its Township Units to delete notice requirements.

And in support states:

- (1) COPC operates certain voluntary units (the "Township Units") in Rio Arriba and San Juan Counties, New Mexico that were approved for downhole commingling reference cases generally for Mesaverde and Dakota production. Some of those referenced cases also deleted the requirement that notice be sent to all interest owners when the operator filed to DHC either a Division form C-107-A or C-103 for production for Basin-Dakota and Blanco-Mesverde and other pools.
- (2) Now that the Division has approved the Basin-Mancos Gas Pool, Order R-12984-B, as a Pre-Approved for downhole commingling "DHC" with the Mesaverde and Dakota pools, the applicant seeks to delete the requirement that notice be sent to the Township Unit owners for the proposed downhole commingling of production from the Basin-Mancos Gas Pool with other approved pools.

(3) Applicant seeks to delete notice of DHC in the following Township Units and amend these orders:

- a. Allison Unit--Order R-13106, dated 3/25/2009, entered in Case 14281;
- b. San Juan 27-4 Unit--Order R-12867, dated 1/03/2008, entered in Case 13989;
- c. San Juan 28-4 Unit--Order R-12865, dated 1/03/2008, entered in Case 13987;
- d. San Juan 28-6 Unit--Order R-10696, dated 11/12/1996, entered in Case 11628;
- e. San Juan 29-7 Unit--Order R-10697, dated 11/08/1996, entered in Case 11629;
- f. San Juan 30-6 Unit--Order R-12866, dated 1/03/2008, entered in Case 13988;
- g. San Juan 32-9 Unit--Order R-10692, dated 11/01/1996, entered in Case 11601;
- h. San Juan 31-6 Unit--Order R-11188, dated 5/25/1999, entered in Case 12138;
- i. San Juan 32-7 Unit--Order R-11210, dated 6/21/1999, entered in Case 12137;
- j. San Juan 28-7 Unit--Order R-10476-B, dated 10/17/1997, entered in Case 11815;
- k. San Juan 29-5 Unit--Order R-10770, dated 2/21/1997, entered in Case 11708;
- l. San Juan 29-6 Unit--Order R-11187, dated 5/25/1999, entered in Case 12136;
- m. San Juan 30-5 Unit--Order R-10771, dated 2/21/1997, entered in Case 11709;
- n. San Juan 32-8 Unit--Order R-11189, dated 5/25/1999, entered in Case 12139 plus commingling for the Trail Canyon-Gallup Pool.

(4) As a result of the entry of the downhole commingling "reference cases" certain formations within these Township Units have been exempted from some or all of the requirements of Division Rule 19.15.12.11 that required administrative applications for downhole commingling to demonstrate (a) marginal economic criteria, (b) compatibility criteria (c) pressure criteria, (d) cross-flow criteria (e) fluid-sensitivity criteria (f) value criteria (g) allocation formulas and (h) that notice of the proposed downhole commingling on a well by well basis was provided by certified mail return receipt requested to each of the interest owners in the well in those instances where ownership between the zones to be commingled is not common.

(5) In all these fourteen Township Units, the Division has exempted production from the Blanco-Mesaverde and Basin-Dakota formations from some or all the criteria listed in paragraph (3) above.

(6) As a result of the entry of Order R-11363, dated April 26, 2000, the Basin-Dakota and the Blanco-Mesaverde Pools were approved as "pre-approved pools" for downhole commingling of production thus eliminating the need to justify marginal economic criteria, compatibility criteria, pressure criteria, cross flow criteria and fluid sensitivity criteria on a well-by-well basis.

(7) The Division routinely administratively approves the downhole commingling of production from the Gallup (Mancos), Mesaverde and Dakota formations within the San Juan Basin.

(8) Recently, as a result of the entry of Division Order R-12984-B, dated August 15, 2012 entered in Case 14862, the Division has "pre-approved" the downhole commingling of production from the Basin-Mancos, Blanco-Mesaverde and Basin-Dakota Gas Pools within the entire San Juan Basin.

(9) In doing so, the Division has authorized the downhole commingling of Basin-Mancos, Blanco-Mesaverde and Basin Dakota Gas Pools and exempted the operators from having to demonstrate: (a) marginal economic criteria, (b) compatibility criteria (c) pressure criteria, (d) cross-flow criteria and fluid sensitivity criteria.

(10) Currently, there is no exception to the notice requirements within these Township Units in the instances where the operator seeks approval to downhole commingle the Basin-Mancos Gas Pool with the Blanco-Mesaverde and/or Basin-Dakota Gas Pools.

(11) In support of its request to delete the requirement that each application for downhole commingling of Basin-Mancos with Blanco-Mesaverde and/or Basin-Dakota Gas Pools be sent to each interest owner affected, COPC will provide evidence and testimony which will demonstrate that:

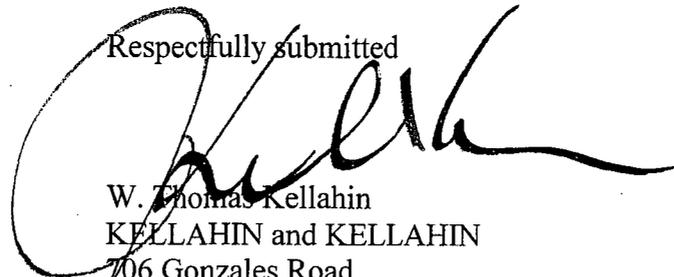
(a) because these are "divided" units with various participating areas, the interest ownership between any zones to be downhole commingled within a given wellbore in these Township Units will not be common;

(b) pursuant to Division Rule 19.15.12.11.C.(2), which states the requirements for filing downhole commingling applications within "pre-approved" areas, applicant is currently required to notify all interest owners within the well when the ownership between the commingled zones is not common every time a Form C-103 is submitted to the Division which can involve as many as 221 different owners; and,

- (c) providing notice to each interest owner in these Township Units of subsequent downhole commingling is unnecessary and is an excessive burden to the applicant.
- (12) The deletion of the "notice requirement" will lessen the burden on the operator to send hundreds of notice packages to unit interest owners every time the operator seeks approval to downhole commingle production from the Basin-Mancos Gas Pool with the Blanco-Mesaverde and/or Basin-Dakota Gas Pools.
- (13) The Applicant seeks the elimination of unnecessary notice whereby notice for downhole commingling of Basin-Mancos with Blanco-Mesaverde and/or Basin-Dakota Gas Pools within these Township Units will not be required to any owner (including royalty, overriding royalty or working interest owners) in instances where ownership are not common or percentages are not identical in the zones to be commingled.
- (14) Applicant requests that this matter be docketed for hearing on the Division's Examiner docket now scheduled for November 29, 2012.
- (15) Notice of this application has been sent to all interest owners, including working, royalty and overriding royalty interest owners within each of these Township Units.

WHEREFORE Applicant requests that this matter be set for hearing on November 29, 2012 before a duly appointed Examiner of the Oil Conservation Division and that after notice and hearing as required by law, the Division enter its order granting this application.

Respectfully submitted



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