

October 29, 2007

**HAND DELIVERY**

Ms. Florene Davidson  
Commission Clerk  
Oil Conservation Commission  
New Mexico Department of Energy,  
Minerals and Natural Resources  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

2007 OCT 29 PM 3:59  
RECEIVED

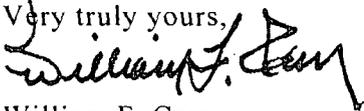
Re: **PRE-HEARING STATEMENT AND EXHIBITS**

Oil Conservation Commission Case No. 14015: Application of the Oil Conservation Division for Repeal of Existing Rule 50 concerning pits and below grade tanks and adoption of a new rule governing pits, below grade tanks, closed loop systems and other alternative methods to the foregoing, and amending other rules to conforming changes, Statewide.

Dear Ms. Davidson:

Pursuant to Oil Conservation Division Rule 19.15.14.1211 NMAC, ConocoPhillips Company files herewith its pre-hearing statement and six copies of the exhibits it will present at the November 5, 2007 Oil Conservation Commission hearing on the above-referenced application. By copy of this letter, I am providing this pre-hearing statement and exhibits to all parties of record in this case.

Very truly yours,



William F. Carr  
Attorney for ConocoPhillips Company

Enclosures

cc: Parties of record

David K. Brooks, Esq.  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources

James H. Vaiana, Esq.  
Mr. Alan Alexander  
ConocoPhillips Company

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

**IN THE MATTER OF THE APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION FOR REPEAL OF EXISTING RULE 50 CONCERNING PITS AND BELOW GRADE TANKS AND ADOPTION OF A NEW RULE GOVERNING PITS, BELOW GRADE TANKS, CLOSED LOOP SYSTEMS AND OTHER ALTERNATIVE METHODS TO THE FOREGOING, AND AMENDING OTHER RULES TO CONFORMING CHANGES, STATEWIDE.**

**CASE NO. 14015**

**PRE-HEARING STATEMENT**

This Pre-Hearing Statement is submitted on behalf of ConocoPhillips Company by Holland & Hart LLP as required by Oil Conservation Division Rule 19.15.14.1204.B NMAC.

**APPEARANCES OF PARTIES**

**APPLICANT**

New Mexico Oil Conservation Division

**ATTORNEY**

David K. Brooks, Esq.  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, NM 87505

**OPPOSITION**

ConocoPhillips Company  
Attn: James H. Vaiana, Esq.  
Mr. Alan Alexander  
3401 East 30th Street  
Farmington, New Mexico 87402

**ATTORNEY**

William F. Carr, Esq.  
Holland & Hart, LLP  
Post Office Box 2208  
Santa Fe, NM 87504-2208  
(505) 988-4421

**STATEMENT OF CASE**

**APPLICANT OIL CONSERVATION DIVISION:**

The hearing concerns the repeal of existing Oil Conservation Division Rule 50 concerning pits and below grade tanks and the adoption of new rules governing pits, below grade tanks, closed loop systems ("Pit Rules") and other alternative methods addressing these issues. The Division also proposes to amend other rules to make them conform with the proposed new Pit Rules.

**CONOCOPHILLIPS:**

ConocoPhillips opposes the Division's proposed rules for the current pit rules and procedures because the current pit rules are fully protective of human health and the environment and because the economic impact of the proposed pit rules will result in a loss of reserves to ConocoPhillips and the State of New Mexico.

**PROPOSED EVIDENCE**

ConocoPhillips will present the following witnesses and evidence:

<b><u>WITNESSES:</u></b>	<b><u>ESTIMATED TIME</u></b>	<b><u>NUMBER OF EXHIBITS</u></b>
<b><u>Gregg Wirtz</u></b> (Geologist and Certified Hazardous Materials Manager)	1 Hour	Approximately 2

Mr. Wirtz will address the sampling and analysis of selected drilling pit materials after the drilling pit material has been stabilized and prior to the application of top soil and closure of the pit. Mr. Wirtz will provide an overview of the sampling and analysis process and will discuss the type of materials sampled and the point in time in the drilling and closure process the samples were collected. He will summarize the laboratory analysis and compare the results to applicable and relevant and appropriate environmental standards. Mr. Wirtz will testify that ConocoPhillips believes the closure of drilling pits insitu using the current practices and processes is appropriate and protective of human health and the environment.

**Exhibit 1** to this Pre-hearing Statement is a summary of Mr. Wirtz education and experience.

**Exhibit 2** is Tabular Data

<b><u>John W. Poore</u></b> (Reservoir Engineer)	20 minutes	Approximately 2
---	------------	-----------------

John Poore will address the economic impact of the proposed draft pit rule to future ConocoPhillips drilling opportunities. He will review cost estimates to implement closed loop drilling and the cost to haul and dispose of the cuttings at the NMOCD temporarily approved San Juan County Landfill. Mr. Poore will explain that all future ConocoPhillips wells must meet certain corporate economic criteria before they are approved for drilling. Based on examination of the estimated costs that will be incurred as a result of the proposed pit rules, Mr. Poore determined the reduction in the number of future wells drilled and the corresponding loss of revenues to ConocoPhillips and the State of New Mexico.

Mr. Poore will also testify about the immediate impact of this rule, if adopted. ConocoPhillips' fixed annual budgets will have to reduce the number of wells drilled in relation to the corresponding increase in costs. The increased cost will reduce the profitability and capital efficiency making these projects less competitive when allocating limited corporate resources. This will further reduce the future number of wells drilled and reserves developed.

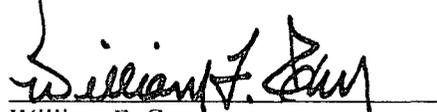
**Exhibit 3** to this Pre-hearing Statement is a summary of Mr. Poore's education and experience

**Exhibit 4** to this Pre-hearing Statement is a cost analysis summary.

**PROCEDURAL MATTERS**

None at this time.

Respectfully submitted,  
HOLLAND & HART, LLP

A handwritten signature in black ink, appearing to read "William F. Carr", written over a horizontal line.

William F. Carr  
ATTORNEYS FOR CONOCOPHILLIPS COMPANY

**CERTIFICATE OF SERVICE**

I certify that on October 29, 2007 I served a copy of the foregoing document to the following by U.S. Mail, postage prepaid, Hand Delivery or by Facsimile:

David K. Brooks, Esq. (Hand Delivery)  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505  
ATTORNEY FOR NEW MEXICO OIL CONSERVATION DIVISION

New Mexico Oil and Gas Association  
Attn: Stephanie Reid  
Director of Regulatory and Governmental Affairs  
Post Office Box 1864  
Santa Fe, New Mexico 87504-1864

Eric L. Hiser, Esq.  
Jorden Bischoff & Hiser, P. L. C.  
7272 East Indian School Road  
Suite 360  
Scottsdale, Arizona 85251  
JOINT COUNSEL FOR THE NEW MEXICO INDUSTRY COMMITTEE

Williams Production Company, LLC  
One Williams Center 47th Floor  
Tulsa, Oklahoma 74172

BP America Production Company, Inc.  
Post Office Box 800  
Denver, Colorado 80201

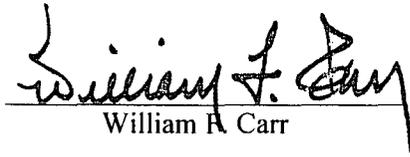
Energen Resources Corporation  
2198 Bloomfield Highway  
Farmington, New Mexico 87401

Karin V. Foster, Esq.  
P.O. Box 462  
Placitas, New Mexico 87043-0462  
ATTORNEY FOR THE INDEPENDENT PETROLEUM ASSOCIATION OF NEW MEXICO

Alletta D. Belin, Esq. (Hand Delivery)  
Belin & Sugarman  
618 Paseo de Peralta  
Santa Fe, New Mexico 87501  
ATTORNEY FOR THE NEW MEXICO CITIZENS FOR CLEAN AIR &  
WATER, INC.

Michael Moffett, Esq.  
Huffaker & Moffett LLC  
P.O. Box 1868  
Santa Fe, New Mexico 87502  
ATTORNEY FOR CONTROLLED RECOVERY, INC.

Eric D. Jantz, Esq.  
New Mexico Environmental Law Center  
1405 Luisa St. #5  
Santa Fe, New Mexico 87504-4074  
ATTORNEY FOR THE NEW MEXICO OIL & GAS ACCOUNTABILITY  
PROJECT

  
William R. Carr