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September 27, 2006

HAND DELIVERED

Mr. Mark Fesmire, P.E., Director
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Case 14017

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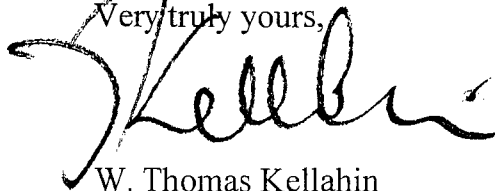
Re: Application of ConocoPhillips for an exception
to the well density requirements of the
Special Rules and Regulations for the Blanco-Mesaverde
Gas Pool, Rio Arriba County, New Mexico

E/2 Section 34, T29N, R5W including the simultaneous dedication
for the San Juan 29-5 Unit Well 34R (Unit Letter G) and to
the San Juan 29-5 Unit Well 34 (Unit Letter G) both located in the
same 40-acre tract of the spacing unit.

Dear Mr. Fesmire:

On behalf of ConocoPhillips, please find enclosed our referenced
application which we request be set for hearing on the Examiner's docket
now scheduled for November 1, 2007. Also enclosed is our proposed
advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: ConocoPhillips
Attn: Alan Alexander

CASE 1401? Application of ConocoPhillips for an exception to the well density requirements of the Blanco-Mesaverde Gas Pool, Rio Arriba County, New Mexico. Applicant seeks an exception to the well density requirements of Rule I.B of the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool to permit it to produce the following 2 Mesaverde gas wells in the same quarter-quarter section (SW/4NE/4) on a standard spacing and proration unit comprised of the E/2 of Section 34, T29N, R5W, NMPM:

(a) the San Juan 29-5 Unit Well No. 34 (API #30-039-075150) located 1425 feet FNL and 2080 feet FEL (Unit G) of this section; and

(b) the San Juan 29-5 Unit Well No. 34R (API #30-039-21788) located 2450 feet FNL and 1850 feet FEL (Unit G) of this section.

These wells are located approximately 4 miles southeast of Gobernador Campy, New Mexico.

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

**IN THE MATTER OF THE APPLICATION OF
CONOCOPHILLIPS FOR AN EXCEPTION
TO THE WELL DENSITY REQUIREMENTS
FOR THE BLANCO-MESAVERDE
GAS POOL, RIO ARRIBA COUNTY, NEW MEXICO.**

CASE NO. 14017

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APPLICATION

ConocoPhillips, by its attorneys, Kellahin & Kellahin, seeks an order for an exception to the well density requirements of the Blanco-Mesaverde Gas Pool, San Juan County, New Mexico. Applicant seeks an exception to the well density requirements of Rule I.B of the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool to permit it to produce the following 2 Mesaverde gas wells in the same quarter-quarter section (SW/4NE/4) on a standard spacing and proration unit comprised of the E/2 of Section 34, T29N, R5W, NMPM:

In support of its application ConocoPhillips states:

- (1) ConocoPhillips is the current operator of the San Juan 29-5 Unit that includes, among other acreage, the E/2 of Section 34, T29N, R5W, Rio Arriba County, New Mexico.

- (2) This spacing Unit ("GPU") currently contains three wells completed in the Blanco-Mesaverde Gas Pool as follows:
- (a) the San Juan 29-5 Unit Well No. 34 (API #30-039-075150) located 1425 feet FNL and 2080 feet FEL (Unit G) of this section;
 - (b) the San Juan 29-5 Unit Well No. 34R (API #30-039-21788) located 2450 feet FNL and 1850 feet FEL (Unit G) of this section; and
 - (c) the San Juan 29-5 Unit Well No. 34M (API #30-039-30162) located (BHL) 1056 feet FSL and 2303 feet FEL (Unit O) of this section.
- (3) The Blanco-Mesaverde Gas Pool is governed by Special Rules and Regulations which provide for 320-acre spacing and proration units on which as many as four wells may be drilled. See Order R-8170, as superseded by Order R-10987-A, effective February 1, 1999 and amended by Order R-10987-A (1), effective December 2, 2002. These Special Pool Rules and Regulations provide, among other things, that an infill well shall not be located within the same quarter-quarter section (40-acre tract) as another well.
- (4) On or about January 4, 1996, ConocoPhillips' predecessor, Phillips Petroleum Company recompleted the Well No. 34R from the Dakota to the Mesaverde such that the No. 34R and the No. 34 are both in the same quarter-quarter section and are located at standard distances from the outer boundaries of this GPU.
- (5) The Well 34R apparently was intended as a replacement well for the Well 34, but was produced and not plugged.
- (6) Upon becoming aware of its mistake, ConocoPhillips shut-in the Well No. 34 that remains shut-in and is not producing from the Mesaverde formation.

- (7) While the total number of wells in this Mesaverde gas proration unit ("GPU") is less than what is allowed, the Well No. 34 and Well No. 34R are located in the same quarter-quarter section and therefore are in violation of the density requirements of these Special Pool Rules.
- (8) ConocoPhillips therefore requests that the Division enter its order granting an exception to the well density requirements of Rule I.B of the Special Rules and Regulations of the Blanco-Mesaverde Gas Pool approving the location of the San Juan 29-5 Unit Well No. 34 and the Well No. 34R in the same quarter-quarter section and authorizing ConocoPhillips to simultaneously produce both wells.
- (9) Approval of this application will not impair the correlative rights of any other interest owner in the Blanco-Mesaverde Gas Pool and will afford ConocoPhillips the opportunity to utilize the existing wells to produce the reserves from this GPU.
- (10) Approval of this application will be in the best interests of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, ConocoPhillips requests that this application be set for hearing before an Examiner of the Oil Conservation Division on November 1, 2007 and after notice and hearing as required by law, the Division enter its order granting an exception to the well density requirements of Rule I.B of the Special Rules and Regulations of the Blanco-Mesaverde Gas Pool approving the location of the San Juan 29-5 Unit Wells No.34 and 34R in the Mesaverde formation and authorizing ConocoPhillips to simultaneously produce both wells.

RESPECTFULLY SUBMITTED:

A handwritten signature in black ink, appearing to read 'W. Kellahin', is written over the typed name.

W. THOMAS KELLAHIN
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