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February 27, 2009

**HAND DELIVERED**

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

*Case #295*

Re: Application of Koch Exploration Company, LLC,  
ConocoPhillips Company, Burlington Resources Oil & Gas  
Company LP and Energen Resources Corporation for Approval  
of an Increased Density Pilot Project in the Basin Fruitland Coal  
Gas Pool, San Juan County, New Mexico.

Dear Mr. Fesmire:

On behalf of Koch Exploration Company, LLC, Burlington Resources  
Oil & Gas Company LP and Energen Resources Corporation, please find  
enclosed our referenced application which we request be set for hearing on the  
Examiner's docket now scheduled for April 2, 2009. Also enclosed is  
Applicants' proposed advertisement for this case for the NMOCD docket.

Sincerely,

Earl E. DeBrine, Jr.

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Enclosures

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**CASE 14295: Application of Koch Exploration Company, LLC, ConocoPhillips Company, Burlington Resources Oil & Gas Company LP and Energen Resources Corporation for an Increased Density Pilot Project in the Basin-Fruitland Coal Gas Pool, San Juan County, New Mexico.** Applicant seeks an order approving an Increased Density Pilot Project to allow the drilling of additional infill wells within six standard spacing and proration units located in Township 29 North, Range 9 West NMPM in San Juan County, New Mexico in order to determine the proper well density and well requirements for Basin-Fruitland Coal gas wells in this area:

**Township 29 North, Range 9 West**

Section 20: E/2  
Section 21: W/2  
Section 28: W/2  
Section 29: E/2  
Section 32: E/2  
Section 33: W/2

Each of the above-referenced spacing units is located within the low-productivity area of the Basin-Fruitland Coal Gas Pool defined by Rule 7(C) of the Special Rules and Regulations for the Pool, promulgated by Order R-8768-F. These units are located approximately two miles southeast of Blanco, New Mexico.

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

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IN THE MATTER OF THE APPLICATION OF KOCH  
EXPLORATION COMPANY, LLC, CONOCOPHILLIPS  
COMPANY, BURLINGTON RESOURCES OIL AND  
GAS COMPANY LP AND ENERGEN RESOURCES  
CORPORATION FOR APPROVAL OF A PILOT INCREASED  
DENSITY WELL PROJECT IN THE BASIN-FRUITLAND COAL  
GAS POOL, SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 14295

APPLICATION

Koch Exploration Company, LLC, ("KEC"), ConocoPhillips Company ("COP"), Burlington Resources Oil and Gas Company LP ("Burlington") and Energen Resources Corporation ("Energen") (collectively "Applicants") by and through their attorneys, Modrall, Sperling, Roehl, Harris & Sisk, P.A., hereby make application to the Oil Conservation Division for an order approving a Pilot Increased Density Project to allow the drilling of eight additional infill wells within the existing standard spacing proration units as further described and located in Township 29 North, Range 9 West, NMPM in San Juan County, New Mexico.

In support of this application, Applicants state:

1. KEC is the operator of the original and one infill well drilled and completed in the Fruitland Coal formation, Basin-Fruitland Coal Gas Pool in each of the following standard 320 acre± spacing and proration units:

Township 29 North, Range 9 West

a. Section 21: W/2

(1) A. B. Geren Well No. 1 (API No. 30-045-27401)  
475' FSL & 1,060' FWL

- (2) A. B. Geren Well No. 1-A (API No. 30-045-31392)  
920' FNL & 1,575' FWL

**b. Section 29: E/2**

- (1) A. B. Geren Well No. 6 (API No. 30-045-27362)  
965' FNL & 1,690' FEL
- (2) A. B. Geren Well No. 6A (API No. 30-045-31388)  
1,175' FSL & 1,345' FEL

**c. Section 32: E/2**

- (1) Aggie State 32 No. 1 (API No. 30-045-28090)  
2,070' FNL & 810' FEL
- (2) Aggie State 32 No. 1A (API No. 30-045-32360)  
1,840' FSL & 1,475' FEL

*See* Locator map attached as Exhibit "A."

2. COP and Burlington are the operators of the original and one infill well drilled and completed in the Fruitland Coal formation, Basin-Fruitland Coal Gas Pool in each of the following standard 320 acre $\pm$  spacing and proration units:

**Township 29 North, Range 9 West**

**a. Section 20: E/2**

- (1) Hamner No. 9S (API No. 30-045-34497)  
310' FSL & 1,222' FEL
- (2) Hamner No. 9 (API No. 30-045-23421)  
1020' FNL & 1,090' FEL

**b. Section 33: W/2**

- (1) San Juan No. 23S (API No. 30-045-33603)  
2,265' FNL & 1,705' FWL
- (2) San Juan No. 23 (API No. 30-045-07654)  
1,738' FSL & 826' FWL

See Locator map attached as Exhibit "A."

3. Energen is the operator of the original and one infill well drilled and completed in the Fruitland Coal formation, Basin-Fruitland Coal Gas Pool in each of the following standard 320 acre $\pm$  spacing and proration units:

**Township 29 North, Range 9 West**

**a. Section 28: W/2**

(1) 2 Federal 29-9-28 No.2 (API No. 30-045-28740)  
1,000' FSL & 810 FWL

(2) 3 Federal 29-9-28 No. 3 (API No. 30-045-32096)  
1,780' FNL & 1,950' FWL

See Locator map attached as Exhibit "A."

4. Each of the above-referenced spacing units is located within the low-productivity area of the Basin-Fruitland Coal Gas Pool defined by Rule 7(c) of the Special Rules and Regulations for the Pool, promulgated by Order R-8768-F dated July 17, 2003.

5. Rule 7(d) of the pool rules for the low-productivity area within the Basin-Fruitland Coal Gas pool provides as follows:

**Rule 7(d) Well Density**

(3) Well density within the low productivity area: "No more than two (2) wells per standard 320 acre gas spacing unit may be located in the "*Low-Productivity Area*" of the Pool as follows:

(i) The *optional in-fill well* drilled on an existing spacing unit shall be located in the quarter section not containing the *initial Fruitland Coal Gas Well*;

6. Applicants seek authorization for a pilot project to drill up to eight additional Basin Fruitland Coal Gas infill wells, one well per quarter-section, in the following acreage:

**Township 29 North, Range 9 West, NMPM, Section 20: SE/4, Section 21: SW/4, Section 28:**

**W/2, Section 29: E/2, Section 32: NE/4 and Section 33: NW/4.** Applicants further propose that in each of the referenced units, the additional coal gas wells be simultaneously dedicated with the original and infill wells identified in paragraphs 1, 2 and 3, above.

7. Applicants believe that there are significant reserves of gas within the subject spacing units which will not be produced by existing wells and therefore desire to drill additional wells as a pilot project to determine the feasibility of recovering a greater percentage of Basin-Fruitland Coal Gas through the drilling of additional infill wells to prevent waste and increase the ultimate recovery of gas from the reservoirs.

8. In undertaking the pilot project, Applicants would conduct pressure, production and other tests to determine whether the drilling of additional wells at a greater density than allowed under Rule 7(d) would result in the greatest economic recovery of gas and associated hydrocarbons from the reservoir.

9. Each of the referenced spacing units is comprised of a single lease or is otherwise the subject of a communitization agreement. None of the spacing units is located within the boundaries of a federal township exploratory or development unit. Each of the proposed well locations conforms to the provisions of Rule 7(a) of the Special Pool Rules for the Basin-Fruitland Coal Gas Pool and none of the surface or bottom hole locations will be located closer than 660 feet to the outer boundary of a spacing unit or closer than 10 feet to any interior quarter-quarter section line or subdivision inner boundary.

10. Approval of this Application authorizing the drilling of additional Fruitland Coal Gas wells on each of the spacing units will: (a) allow the Division to determine optimal well densities for ensuring the greatest ultimate recovery of gas and associated hydrocarbons; (b)

allow the production of additional coal bed methane reserves that would otherwise go unrecovered; and (c) allow for more efficient drainage of the formation.

11. Approval of this Application will further be in the interests of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE Koch Exploration Company, LLC, ConocoPhillips Company, Burlington Resources Oil and Gas Company LP and Energen Resources Corporation request that this Application be set for hearing before one of the Division's examiners on March 19, 2009, and that after a Notice of Hearing as required by law, the Division enter its order granting this Application and providing such further relief as the Division deems appropriate.

Respectfully submitted,

MODRALL, SPERLING, ROEHL, HARRIS  
& SISK, P.A.

By: 

Earl E. DeBrine, Jr.

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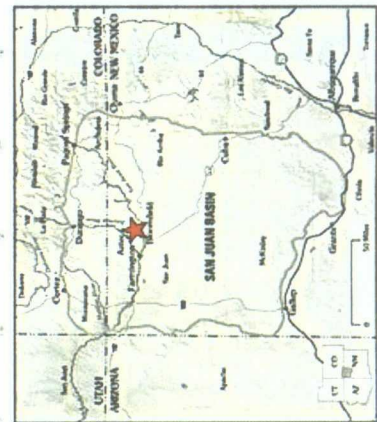
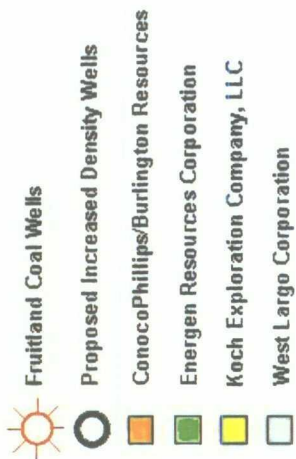
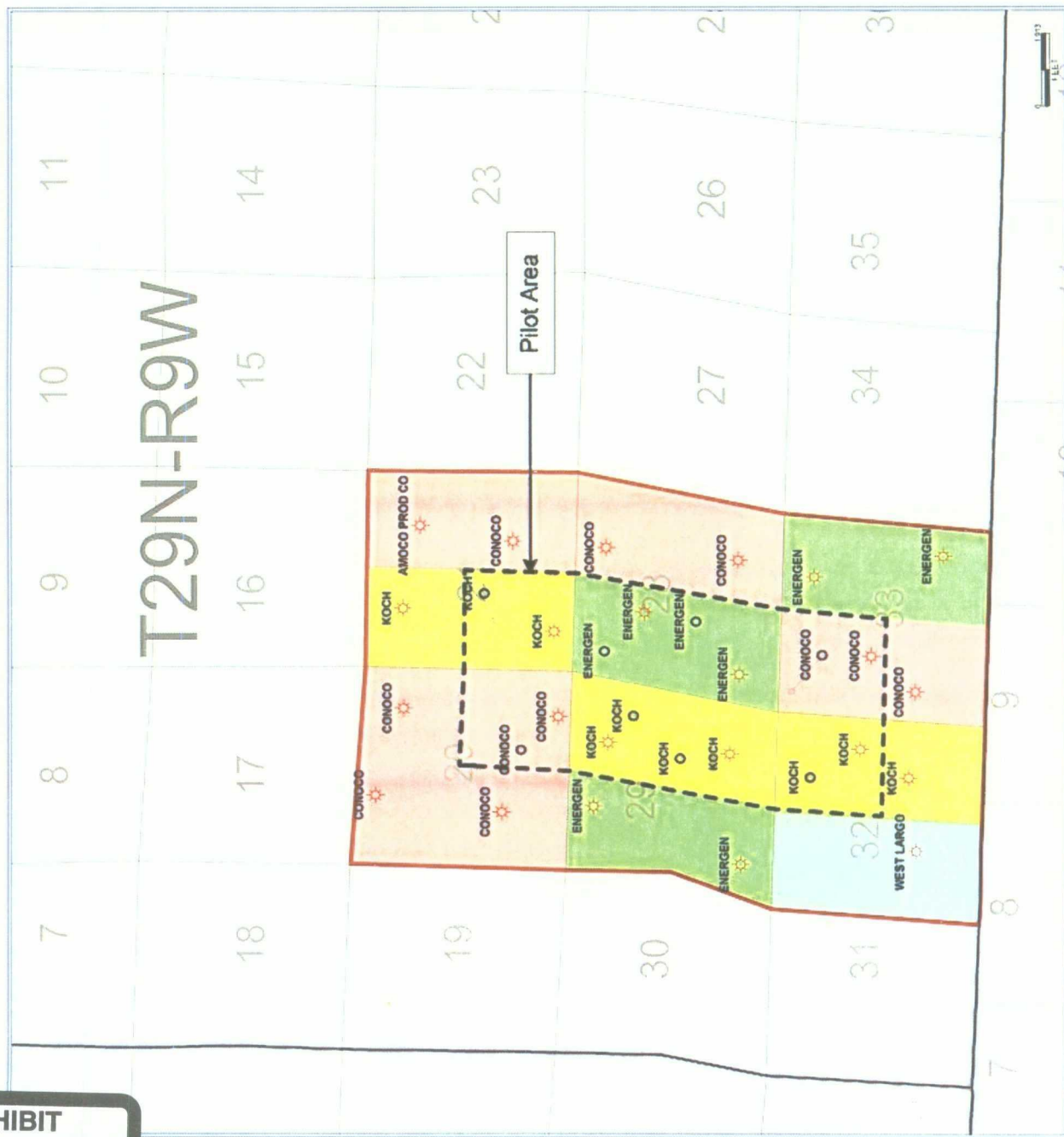
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**Fruitland Coal Formation  
San Juan County, New Mexico**

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## EXHIBIT

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