

**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:

JAN 17

APPLICATION OF AMOCO PETROLEUM CASE NO. 11176
COMPANY FOR A HIGH ANGLE/HORIZONTAL
DIRECTIONAL DRILLING PILOT PROJECT AND
SPECIAL OPERATING RULES THEREFOR,
SAN JUAN COUNTY, NEW MEXICO.

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by CONOCO INC., as required
by the Oil Conservation Division.

APPEARANCE OF PARTIES

APPLICANT

Amoco Production Company
P. O. Box 800
Denver, Colorado 80201
Attn: J. W. Hawkins

ATTORNEY

William F. Carr, Esq.
P. O. Box 2208
Santa Fe, New Mexico 87501
(505) 988-4421

OPPONENT

CONOCO INC.
10 Desta Drive, Suite 100W
Midland, Texas 79705-4500
Attn: Jerry Hoover
(915)686-6548

ATTORNEY

W. Thomas Kellahin
KELLAHIN AND KELLAHIN
P.O. Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285

OPPONENT'S STATEMENT OF CASE

Conoco is a working interest owner in the E/2 of Section 6, T30N-R8W, is an interested party adversely affected by NMOCD Cases 11054 and 11176

Amoco has obtained a regulatory order in this case (Order R-10174) which does not conform to the existing well spacing pattern for this source of supply. Contrary to the well spacing pattern of 320 acres for the Blanco Mesaverde Pool (which limits that pattern to one single well on each 160-acres within a 320 acre spacing unit), Amoco has obtained approval to drill a third well (the "Horizontal Well") without adequate notice to Conoco and in violation of Conoco's correlative rights.

The Correlative rights issue is that Amoco, without full and complete disclosure to the Division of relevant information and without obtaining the consent of Conoco, has allowed the Division to authorize the drilling of an unnecessary well.

This Horizontal Well constitutes a third well in a spacing unit and the granting of a special exception to the established well spacing pattern for the Blanco-Mesaverde Pool which is not justified or supported by substantial evidence.

The two existing vertical wells in this spacing unit can and will effectively and efficiently drain the recoverable gas in this spacing unit without the necessity of a third well.

However, Amoco, as operator, has failed to maximize the potential of either or both of these vertical wells and, instead, is pursuing a third well which will interfere with the ultimate recovery of the two vertical wells.

There is insufficient technical evidence to justify the drilling of the Horizontal Well.

Conoco strenuously objects to a third well in this 320-acre spacing unit because it will directly and adversely affect the ultimate recovery of gas from this spacing unit by the existing two vertical wells; that the horizontal well is not necessary in order to recover the Mesaverde reserves in this unit; and will impair the efficiency of the two vertical wells to reimburse Conoco for its expenses.

PROPOSED EVIDENCE

OPPONENT:

WITNESSES	EST. TIME	EXHIBITS
Steve Klein (landman)	20 Min	@ 3 exhibits
Jerry Hoover (conservation co-ordinator)	15 min.	@ 4 exhibits
Pete Bowser (petroleum engineer)	20 Min.	@ 12 exhibits

PROCEDURAL MATTERS

Motion to vacate and void Division Order R-10174 and to deny the application in NMOCD Cases 11054 and 11176 because:

(a) it was entered based upon a hearing held without adequate notice to Conoco as an interest owner within this spacing unit in violation of procedural due process;

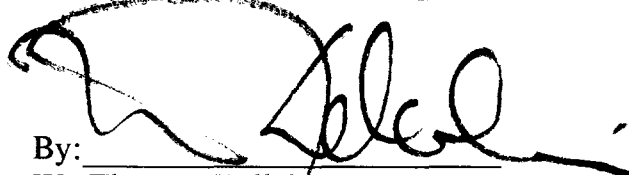
(b) it authorized the drilling of a third well on this spacing unit as an exception to Rule 2(b) of the Blanco-Mesaverde Pool which violates the correlative rights of Conoco;

(c) it authorized the drilling of a third well on this spacing unit as an exception to Rule 2(b) of the Blanco-Mesaverde Pool thereby approving the drilling of an unnecessary well which constitutes waste;

(d) it was obtained by Amoco which lacked standing before the Division in this matter until Amoco had first received the unanimous consent of the working interest owners in this spacing unit pursuant to the terms and conditions of the applicable Joint Operating Agreement; and/or

(e) the NMOCD has no jurisdiction to grant Amoco a contract exception from its obligation under the subject Joint Operating Agreement.

KELLAHIN AND KELLAHIN

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', is written over a horizontal line.

By: _____
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