

**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:**



**APPLICATIONS OF CONOCO INC. FOR
DOWNHOLE COMMINGLING REFERENCE CASE
PURSUANT TO DIVISION RULE 303.E
FOR ITS SAN JUAN 28-7 UNIT
RIO ARriba COUNTY, NEW MEXICO.**

CASE NO. 11815

PRE-HEARING STATEMENT

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

APPEARANCE OF PARTIES

APPLICANT

Conoco Inc.
10 Desta Drive W100
Midland, Texas 79701
Attn: Jerry Hoover
(915) 686-6548

ATTORNEY

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

STATEMENT OF THE CASE

Conoco is the operator of the San Juan 28-7 Unit which currently includes 145 Dakota wells, 114 Mesaverde wells, Chacra wells and 94 Pictured Cliffs wells all located within an area known as the "San Juan 28-7 Unit" consisting of 31,000 acres.

Sufficient data is now available from existing wells in this unit so as to render it unnecessary to repeatedly provide supporting data on Form C-107-A for the downhole commingling of Dakota, Mesaverde, Fruitland-Coal, Chacra and Pictured Cliffs gas production within this unit as to the following criteria:

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- (a) **economic criteria:** to support that the Dakota, Mesaverde, Pictured Cliffs and Fruitland Coal gas zones are each marginal;
- (b) **allocation formulas:** to support that each interest owner shall receive its fair and equitable share of production by the use of either the subtraction method or the percentage method of allocation;
- (c) **elimination of unnecessary notice:** such that any future or further notice concerning downhole commingling applications or orders within this unit shall not be required to (a) 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 or to (b) each offset operator who is also an interest owner in this unit; but

notice to offset operators: notification to each offset operator, except as provided in paragraph (c) above, will continue to be made provided those offset operators are operators other than applicant.

- (d) **pressure limitation:** to demonstrate that downhole commingling of the Dakota formation with the Mesaverde formation can be approved even if the bottomhole pressure of the Dakota formation (the higher pressured reservoir) exceeds the original bottom hole pressure of the Mesaverde formation (the lowest pressured reservoir) because any fractures will remained confined to the Mesaverde formation, will not result in loss of reserves and will not cause waste or violate correlative rights.

Conoco seeks authorization pursuant to Division Rule 303.E that all administrative applications for downhole commingling of Mesaverde, Dakota, Fruitland-Coal, Chacra and Pictured Cliffs gas production within this unit submitted subsequent to the filing of this application in this case shall be authorized to complete the information blanks on Division Form C-107-A but shall not be required to submit additional supporting evidence or data for the following criteria (a) marginal economic criteria, (b) pressure criteria, (c) allocation formulas, and (d) notice to owners of any production within spacing units where the ownership is not common and offset operators who also own an interest in this unit.

Applicant further seeks an exception from the pressure limitation criteria set forth in Rule 303C.(1)(b) (ii) for all future "new drills" for Dakota and Mesaverde production within said unit and for four (4) specific Dakota/Mesaverde wells currently being drilled described as follows:

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- (a) Well No. 224M, located 1450 FSL & 790 FEL Sec 28
- (b) Well No. 226M, located 790 FNL & 790 FWL Sec 36
- (c) Well No. 227M, located 1745 FSL & 1850 FEL Sec 36
- (d) Well No. 232M, located 2425 FSL & 500 FEL Sec 20

Production from the various pools ("reservoirs") in this unit are now either marginal or uneconomic from existing wells within this unit and the economic life of that production is extended if it is downhole commingled with other production in the unit.

Conoco requests the adoption of a summary administrative procedure with the necessary exceptions to the Division Rule 303.C so that the Supervisor of the Aztec District Office of the Division shall be authorized to approve the downhole commingling of said production within this unit.

Because of the creation of participating areas within this unit, the ownership is not common among these formations within this unit.

Conoco will submit at hearing proposed formulas for the allocation of production to each of the commingled zones and a description of the factors or data used in determining such formulas.

PROPOSED EVIDENCE

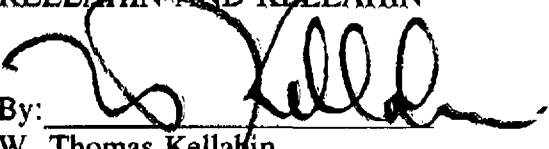
APPLICANT

WITNESSES	EST. TIME	EXHIBITS
Mark Majcher (petroleum engineer)	45-60 Min.	est. 16

PROCEDURAL MATTERS

None anticipated.

KELLAHIN AND KELLAHIN

By: 
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