

m 2/1

**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:**

CASE NO. 12122

**APPLICATION OF CONOCO INC. FOR AN EXCEPTION
FOR THE SAN JUAN 28-7 UNIT FROM
RULE 2(b) OF THE SPECIAL RULES AND
REGULATIONS FOR THE BASIN DAKOTA GAS POOL,
RIO ARRIBA 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

Conoco Inc.
10 Desta Drive Ste 100W
Midland, Texas 79705
Attn: Jimmy Carlile
(915) 686-5425

ATTORNEY

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

OTHER PARTIES

Estate of Glenn D Hughes

ATTORNEY

Sealy H. Cavin, Jr. Esq.
P. O. Box 1216
Albuquerque, NM 87103
(505) 243-5400

Pre-Hearing Statement**Case No. 12122****Page 2****STATEMENT OF CASE****APPLICANT**

(1) Conoco Inc. is the current operator of the San Juan 28-7 Unit containing 31,200 acres, more or less and located in portions of Township 27 North, Range 7 West, and Township 28 North, Range 7 West NMPM. See Exhibit "A" attached.

(2) The San Juan 28-7 Unit is within the current boundaries of the Basin Dakota Gas Pool and includes 155 producing and 5 temporarily shut-in Dakota wells which are dedicated to that pool.

(3) On May 22, 1979, the New Mexico Oil Conservation Commission ("Commission") issued Order R-1670-V which adopted "infill drilling" for the Basin Dakota Gas Pool by permitting in Rule 2 for the drilling of a second well within a 320-acre gas proration and spacing unit ("GPU") providing this **one optional** "infill well" to be located on the opposite 160-acres from the 160-acres containing the original well ("the initial well") **and** further providing that these infill wells were not closer than 790 feet (but subject to a 200 foot topographical allowance) to the outerboundary of a quarter section and no closer than 130 feet to any quarter-quarter section line or subdivision inner boundary and that no infill well could be drilled nearer than 920 feet to an existing Dakota well in the same GPU.

(4) On March 28, 1986, the Commission issued Order R-8170 which, among other things, promulgated the Rules and Regulations for the Prorated Gas Pools, including "reformatting" Rule 2 of the Rules and Regulations for the Basin Dakota Gas Pool which currently provides for one well per GPU and well locations not closer than 790 feet to any outer boundary of the quarter section on which the well is located and not closer than 130 feet to any quarter-quarter section line or subdivision inner boundary. No Dakota infill well shall be drilled nearer than 920 feet to an existing Dakota well on the same GPU.

(5) Based upon a study of the geological and reservoir engineering data, Conoco Inc. has concluded that in order to increase ultimate recovery of gas from this pool within the San Juan 28-7 Unit there is a need to drill more wells per GPU than is currently permitted by Rule 2(b) of the pool rules.

(6) Accordingly, Conoco Inc. desires to initiate a pilot program for the drilling of additional Basin-Dakota Gas Pool wells in the San Juan 28-7 Unit to provide data for reservoir engineering and geologic studies for the purposes of determining the proper well density not to exceed a maximum of four (4) wells per GPU ("80-acre infill") **and** for determining the well location requirements for said wells.

Pre-Hearing Statement**Case No. 12122****Page 3**

(7) The initial six (6) pilot project wells, four of which are to be located at the following unorthodox gas well locations in an attempt to locate them in undrained portions of the reservoir:

Standard well locations:

- (a) San Juan 28-7 Unit Well No. 234-M
1015 feet FSL and 895 feet FEL Section 15, T28N, R7W
- (b) San Juan 28-7 Unit Well No. 135-E
1270 feet FNL and 1850 feet FWL Section 27, T28N, R7W

Unorthodox well locations:

- (c) San Juan 28-7 Unit Well No. 231-M
1320 feet FSL and 10 feet FWL Section 16, T28N, R7W
- (d) San Juan 28-7 Unit Well No. 219-M
690 feet FWL and 1365 feet FSL Section 20, T28N, R7W
- (e) San Juan 28-7 Unit Well No. 225-E
1340 feet FSL and 2020 feet FEL Section 34, T28N, R7W
- (f) San Juan 28-7 Unit Well No. 226-E
1500 feet FNL and 2400 feet FWL Section 36, T28N, R7W

(8) On October 6, 1995, the Division entered Order R-10476 in Case 11349 which approved downhole commingling of Blanco-Mesaverde Gas Pool production with Basin-Dakota Gas Pool production in some 17 wells in this unit. (See also Order R-10476-B)

(9) Downhole commingling of this production has resulted in substantial economic savings which prolongs the lives of these wells thus preventing waste.

(10) Conoco Inc. seeks to continue this practice by having the Division authorize downhole commingling in the six (6) pilot project wells described above.

(11) The approval of a pilot program which increases the density of Basin Dakota Gas Pool wells at unorthodox well locations within the San Juan 28-7 Unit will not violate correlative rights because the San Juan 28-7 Unit Agreement has established an equitable method for the allocation of production of Basin-Dakota Gas Pool production to all interest owners within the unit regardless of the number of wells drilled or where those wells are located.

Pre-Hearing Statement**Case No. 12122****Page 4**

(12) In order to protect the correlative rights of any owners adjacent to the outer boundary of this unit, Conoco Inc. proposes that the well density for each 160-acres within the unit along its outer boundary shall be limited to the current well density of not more than one (1) well per 160-acres with the proposed infill wells to be located anywhere within the proration unit provided that such wells are located no closer than 10 feet from any section, quarter-section or quarter-quarter section line nor located closer than 790 feet to the outer boundary of the San Juan 28-7 Unit.

(13) Copies of this application have been sent to all appropriate parties as required by the Division notice rules.

(14) Approval of this application is in the best interests of conservation, the prevention of waste and the protection of correlative rights.

PROPOSED EVIDENCE**APPLICANT**

WITNESSES	EST. TIME	EXHIBITS
Steve Klein (landman)	15 Min.	est. 8-10
Marc Shannon (geologist)	30 Min	est. 4
Tom Johnson (petroleum engineer)	30 Min.	est. 4

PROCEDURAL MATTERS

Conoco is opposed to the four week continuance requested by the Estate of Glen D. Hughes.

KELLAHIN AND KELLAHINBy: 

W. Thomas Kellahin

P.O. Box 2265

Santa Fe, New Mexico 87504

(505) 982-4285

Attorneys for Applicant