

**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 PHILLIPS COMPANY FOR
DOWNHOLE COMMINGLING REFERENCE CASES
PURSUANT TO DIVISION RULE 303.E
RIO ARRIBA AND SAN JUAN COUNTIES, NEW MEXICO.**

**SAN JUAN 29-6 UNIT
SAN JUAN 32-7 UNIT
SAN JUAN 31-6 UNIT
SAN JUAN 32-8 UNIT**

**CASE NO. 12136
CASE NO. 12137
CASE NO. 12138
CASE NO. 12139**

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by PHILLIPS PETROLEUM COMPANY as required by the Oil Conservation Division.

APPEARANCE OF PARTIES

APPLICANT

**Phillips Petroleum Company
5525 Hwy 64
Farmington, NM 87401
Attn: Scott Prather
(505) 599-3410**

ATTORNEY

**W. Thomas Kellahin
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Santa Fe, NM 87504
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STATEMENT OF CASE

(1) Phillips Petroleum Company is the operator of the:

(a) OCD Case 12136: San Juan 29-6 Unit which currently includes 37 Dakota wells, 143 Mesaverde wells, 59 Fruitland-Coal wells and 2 Pictured Cliffs wells all located within an area known as the "San Juan 29-6 Unit" and consists of 22,510 acres.

(b) OCD Case 12137: San Juan 32-7 Unit which currently includes 187 Dakota wells, 47 Mesaverde wells, 29 Fruitland-Coal wells and 19 Pictured Cliffs wells all located within an area known as the "San Juan 32-7 Unit" and consists of 17,829 acres.

(c) OCD Case 12138: San Juan 31-6 Unit which currently includes 34 Dakota wells, 26 Mesaverde wells, 35 Fruitland-Coal wells and 1 Pictured Cliffs wells all located within an area known as the "San Juan 30-5 Unit" and consists of 10,050 acres.

(d) OCD Case 12139: San Juan 32-8 Unit which currently includes 2 Dakota wells, 42 Mesaverde wells, 40 Fruitland-Coal wells and 9 Pictured Cliffs wells all located within an area known as the "San Juan 32-8 Unit" and consists of 18,290 acres.

(2) In the absence of the establishment of a "reference case" as provided in Rule 303.E, Division general state-wide Rule 303.C requires that administrative applications for downhole commingling of gas production be submitted, processed and approved on a well by well basis including submittal of the following:

- (a) economic criteria to support that at least one zone to be commingled is marginal.
- (b) pressure criteria to demonstrate that the bottomhole pressure of all zones to be commingled is less than the original bottom hole pressure of the lowest pressures zone,

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- (c) allocation formulas, and
- (d) notification by certified mail return receipt to each interest owner where ownership is not common in the zones to be commingled.

(3) Sufficient data is now available from existing wells in these units to support the Division approving the downhole commingling of Dakota and Mesaverde gas production within these units on an "area-wide" basis rather than on a "well-by-well basis."

(4) Sufficient data, which will be submitted at the hearing of this case, is now available from existing wells in these units to support the Division adopting a "reference case" for the downhole commingling of Dakota and Mesaverde gas production within these units as to the following criteria:

- (a) economic criteria to support that at least one zone to be commingled is marginal (Dakota and Mesaverde).
- (b) pressure criteria to demonstrate that the bottomhole pressure of all zones to be commingled is less than the original bottom hole pressure of the lowest pressures zone,
- (c) allocation formulas,
- (d) notification in this case by certified mail return receipt constitutes satisfactory notification in all subsequent cases to each interest owner where ownership is not common in the zones to be commingled; and
- (e) notification to offset operators will continue to be made provided those offset operators are operators other than applicant.

(5) Phillips seeks authorization pursuant to Division Rule 303.E that all administrative applications for the downhole commingling of Mesaverde and Dakota gas production within these units submitted subsequent to the filing of the application in these cases shall be authorized to refer to the order entered in this case and shall not be

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required to submit 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.

(6) The approval of downhole commingling of these formations in these units will extend the economic life of the existing wells and thereby increase ultimate recovery from these formations.

(7) In addition, any new wells to be drilled or recompleted in these units should be approved for downhole commingling because at least one of these zones is marginal based upon criteria which the applicant will submit at the hearing of this case.

(8) Approval of downhole commingling reference case for these units on an area-wide basis is in the best interests of conservation, the prevention of waste and the protection of correlative rights.

PROPOSED EVIDENCE

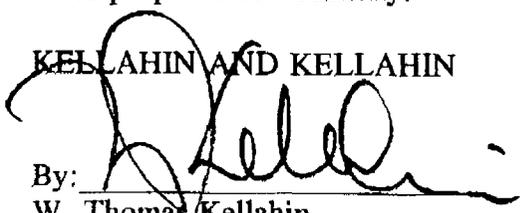
APPLICANT

WITNESSES	EST. TIME	EXHIBITS
Scott Prather (landman)	15 Min.	est. 6
Mike Larimer (petroleum engineer)	20 Min.	est. 8

PROCEDURAL MATTERS

Request to consolidate cases for purposes of testimony.

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By: 

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