

**JAMES BRUCE**  
**ATTORNEY AT LAW**

POST OFFICE BOX 1056  
SANTA FE, NEW MEXICO 87504

3304 CAMINO LISA  
SANTA FE, NEW MEXICO 87501

(505) 982-2043  
(505) 982-2151 (FAX)

April 28, 1999

**Via Fax and U.S. Mail**

David Catanach  
Oil Conservation Division  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505

Re: Case No. 12137; Application of Phillips Petroleum Company ("Phillips") for the establishment of a downhole commingling reference case for its San Juan 32-7 Unit pursuant to Division Rule 303.E and the adoption of special administrative rules therefor, San Juan County, New Mexico.

Dear Mr. Catanach:

I have received Mr. Kellahin's letter of April 27th. Please let me respond on Mr. Simmons' behalf.

First, although Phillips did provide some information on Mr. Simmons' ownership in the unit, that data is incomplete. Mr. Kellahin states that Mr. Simmons owns interests in (among others) Unit Tracts 22X, 24B, and 24W. However, my examination of the Division's unit file does not indicate what lands are within these three tracts; they are not specifically described in filings Phillips has made with the Division. It is hard to make an informed decision when Phillips does not provide the information it promised at the hearing.

Second, Mr. Simmons would simply like to continue to receive notice of downhole commingling applications so that he may satisfy himself that production is properly allocated. This is not asking much of Phillips. However, if Phillips is unwilling to accede to this small request from one of its royalty owners, then Mr. Simmons requests that the application be denied. In support of this request, Mr. Simmons states:

1. Mr. Simmons does not own interests in all four P.A.'s. Therefore, if production is improperly allocated, his correlative rights will obviously be affected.

2. In support of its application and allocation method, Phillips is using data from only three wells in the northeast part of the unit. See Phillips Exhibit 2. Such data is insufficient to accurately allocate production over a unit which is 8 miles long and 6 miles wide. Phillips' testimony and exhibits show that the producing characteristics of the four producing zones vary widely across the unit.
3. Phillips' engineer gave no specific answer as to how long production will be tested in a newly opened zone before production is allocated. This may be of little concern in individual wells, where interest ownership may be uniform. However, since interests vary widely in the unit, production testing is essential for allocation purposes.

Finally, a review of the hearing transcript will show that, in response to my questions, Mr. Larimer (Phillips' engineer) agreed to provide Mr. Simmons with unit production data as to each producing formation. He did not have that data at the hearing. If Phillips will not agree to provide the data it promised, its application should be denied.

Thank you for your consideration of this matter.

Very truly yours,



James Bruce

Attorney for Larry Simmons

cc: Larry Simmons  
W. Thomas Kellahin

JAMES BRUCE  
Attorney at Law  
Post Office Box 1056  
Santa Fe, New Mexico 87504  
Telephone: (505) 982-2043  
Fax: (505) 982-2151

FAX COVER SHEET

DELIVER TO: David Catanach  
COMPANY: Oil Conservation Division  
CITY: Santa Fe, New Mexico  
FAX NUMBER: 827-8177  
NUMBER OF PAGES: 3 (Including Cover Sheet)  
DATE SENT: 4/28/99  
MEMO:

CONFIDENTIALITY NOTICE

This transmission contains information which may be confidential and/or legally privileged. The information is intended only for the above-named recipient. If you are not the intended recipient, any copying or distribution of the information is prohibited. If you have received this transmission in error, please call us at the above number and return the document by United States mail. Thank you.

**JAMES BRUCE**  
**ATTORNEY AT LAW**

**POST OFFICE BOX 1056**  
**SANTA FE, NEW MEXICO 87504**

**3304 CAMINO LISA**  
**SANTA FE, NEW MEXICO 87501**

**(505) 982-2043**  
**(505) 982-2151 (FAX)**

April 28, 1999

**Via Fax and U.S. Mail**

David Catanach  
Oil Conservation Division  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505

Re: Case No. 12137; Application of Phillips Petroleum Company ("Phillips") for the establishment of a downhole commingling reference case for its San Juan 32-7 Unit pursuant to Division Rule 303.E and the adoption of special administrative rules therefor, San Juan County, New Mexico.

Dear Mr. Catanach:

I have received Mr. Kellahin's letter of April 27th. Please let me respond on Mr. Simmons' behalf.

First, although Phillips did provide some information on Mr. Simmons' ownership in the unit, that data is incomplete. Mr. Kellahin states that Mr. Simmons owns interests in (among others) Unit Tracts 22X, 24B, and 24W. However, my examination of the Division's unit file does not indicate what lands are within these three tracts; they are not specifically described in filings Phillips has made with the Division. It is hard to make an informed decision when Phillips does not provide the information it promised at the hearing.

Second, Mr. Simmons would simply like to continue to receive notice of downhole commingling applications so that he may satisfy himself that production is properly allocated. This is not asking much of Phillips. However, if Phillips is unwilling to accede to this small request from one of its royalty owners, then Mr. Simmons requests that the application be denied. In support of this request, Mr. Simmons states:

1. Mr. Simmons does not own interests in all four P.A.'s. Therefore, if production is improperly allocated, his correlative rights will obviously be affected.

2. In support of its application and allocation method, Phillips is using data from only three wells in the northeast part of the unit. See Phillips Exhibit 2. Such data is insufficient to accurately allocate production over a unit which is 8 miles long and 6 miles wide. Phillips' testimony and exhibits show that the producing characteristics of the four producing zones vary widely across the unit.
3. Phillips' engineer gave no specific answer as to how long production will be tested in a newly opened zone before production is allocated. This may be of little concern in individual wells, where interest ownership may be uniform. However, since interests vary widely in the unit, production testing is essential for allocation purposes.

Finally, a review of the hearing transcript will show that, in response to my questions, Mr. Larimer (Phillips' engineer) agreed to provide Mr. Simmons with unit production data as to each producing formation. He did not have that data at the hearing. If Phillips will not agree to provide the data it promised, its application should be denied.

Thank you for your consideration of this matter.

Very truly yours,



James Bruce

Attorney for Larry Simmons

cc: Larry Simmons  
W. Thomas Kellahin