

DATE IN 6/19/97	SUSPENSE 7/9/97	ENGINEER DC	LOGGED BY KW	TYPE DHC
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -

1598
SF 32A

ADMINISTRATIVE APPLICATION COVERSHEET

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS

Application Acronyms:

[NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location]
[DD-Directional Drilling] [SD-Simultaneous Dedication]
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

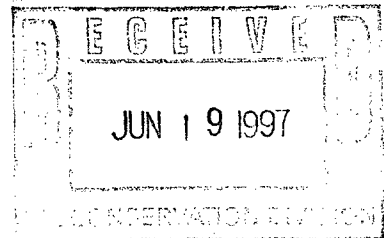
[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Directional Drilling
☐ NSL ☐ NSP ☐ DD ☐ SD

Check One Only for [B] and [C]

[B] Commingling - Storage - Measurement
☒ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR



[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or ☐ Does Not Apply

[A] ☒ Working, Royalty or Overriding Royalty Interest Owners

[B] ☒ Offset Operators, Leaseholders or Surface Owner

[C] ☐ Application is One Which Requires Published Legal Notice

[D] ☒ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office

[E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,

[F] ☐ Waivers are Attached

RECEIVED
JUL - 9 1997
OIL CON. DIV.
DIST. 3

[3] INFORMATION / DATA SUBMITTED IS COMPLETE - Statement of Understanding

I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common. I understand that any omission of data, information or notification is cause to have the application package returned with no action taken.

Note: Statement must be completed by an individual with supervisory capacity.

Jerry W. Hoover
Print or Type Name

Signature

Senior Conservation Coordinator 6-13-97
Title Date

DISTRICT I
P.O. Box 1980, Hobbs, NM 88241-1980

DISTRICT II
811 South First St., Artesia, NM 88210-2835

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410-1693

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

2040 S. Pacheco
Santa Fe, New Mexico 87505-6429

Form C-107-A
New 3-12-96

APPROVAL PROCESS:

☒ Administrative ☐ Hearing

EXISTING WELLBORE

☒ YES ☐ NO

APPLICATION FOR DOWNHOLE COMMINGLING

Conoco Inc.

10 Desta Dr., Ste 100W, Midland, TX 79705-4500

Operator

Address

San Juan 28-7

32A

C-19, T-28-N, R-7-W

Rio Arriba

Lease

Well No

Unit Ltr Sec Twp Rge

County

Spacing Unit Lease Types: (check 1 or more)

OGRID NO. 005073 Property Code 16608 API NO. 30-039-22240 Federal ☒ State ☐ (and/or) Fee ☐

The following facts are submitted in support of downhole commingling:	Upper Zone	Intermediate Zone	Lower Zone
1. Pool Name and Pool Code	Pictured Cliff 72439		Mesa Verde 72319
2. TOP and Bottom of Pay Section (Perforations)	3342-3442'		4970-5925'
3. Type of production (Oil or Gas)	Gas		Gas
4. Method of Production (Flowing or Artificial Lift)	Flowing		Flowing
5. Bottom hole Pressure Oil Zones - Artificial Lift: Gas & Oil - Flowing: All Gas Zones: Estimated Current Measured Current Estimated Or Measured Original	a (Current) 461 PSIA b (Original) 1000 PSIA	RECEIVED JUL - 9 1997 OIL CON. DIV. DIST. 3 a. b.	a. 347 PSIA b. 1195 PSIA
6. Oil Gravity (*API) or Gas BTU Content	1169		1244
7. Producing or Shut-In?	Producing		Producing
Production Marginal? (yes or no)	Yes		Yes
• If Shut-In give date and oil/gas/water rates of last production Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data. • If Producing, give date and oil/gas/water rates of recent test (within 60 days)	Date Rates 7-1-97 50 MCFD, .1 BOPD, 0 BWPD	Date Rates: Date Rates	Date Rates 7-1-97 105 MCFD .6 BOPD, 0 BWPD
8. Fixed Percentage Allocation Formula - % for each zone	oil: 9 % Gas 32 %	oil: % Gas %	oil: 91 % Gas 68 %

9. If allocation formula is based upon something other than current or past production, or is based upon some other method, submit attachments with supporting data and/or explaining method and providing rate projections or other required data.

10. Are all working, overriding, and royalty interests identical in all commingled zones? ☐ Yes ☒ No
If not, have all working, overriding, and royalty interests been notified by certified mail? ☒ Yes ☐ No
Have all offset operators been given written notice of the proposed downhole commingling? ☒ Yes ☐ No

11. Will cross-flow occur? ☐ Yes ☒ No. If yes, are fluids compatible, will the formations not be damaged, will any cross-flowed production be recovered, and will the allocation formula be reliable. ☐ Yes ☐ No (If No, attach explanation)

12. Are all produced fluids from all commingled zones compatible with each others ☒ Yes ☐ No

13. Will the value of production be decreased by commingling? ☐ Yes ☒ No (If Yes, attach explanation)

14. If this well is on, or communitized with, state or federal lands, either the Commissioner of Public Lands or the United States Bureau of Land Management has been notified in writing of this application. ☒ Yes ☐ No

15. NMOCD Reference Cases for Rule 303(D) Exceptions: ORDER NO(S). _____

16. ATTACHMENTS

- * C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
- * Production curve for each zone for at least one year. (If not available, attach explanation.)
- * For zones with no production history, estimated production rates and supporting data.
- * Data to support allocation method or formula.
- * Notification list of all offset operators.
- * Notification list of working, overriding and royalty interests for uncommon interest cases.
- * Any additional statements, data, or documents required to support commingling.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Jerry W. Hoover TITLE Sr. Conservation Coord. DATE 6/10/97

TYPE OR PRINT NAME Jerry W. Hoover TELEPHONE NO. (915) 686-6548

All distances must be from the outer boundaries of the Section.

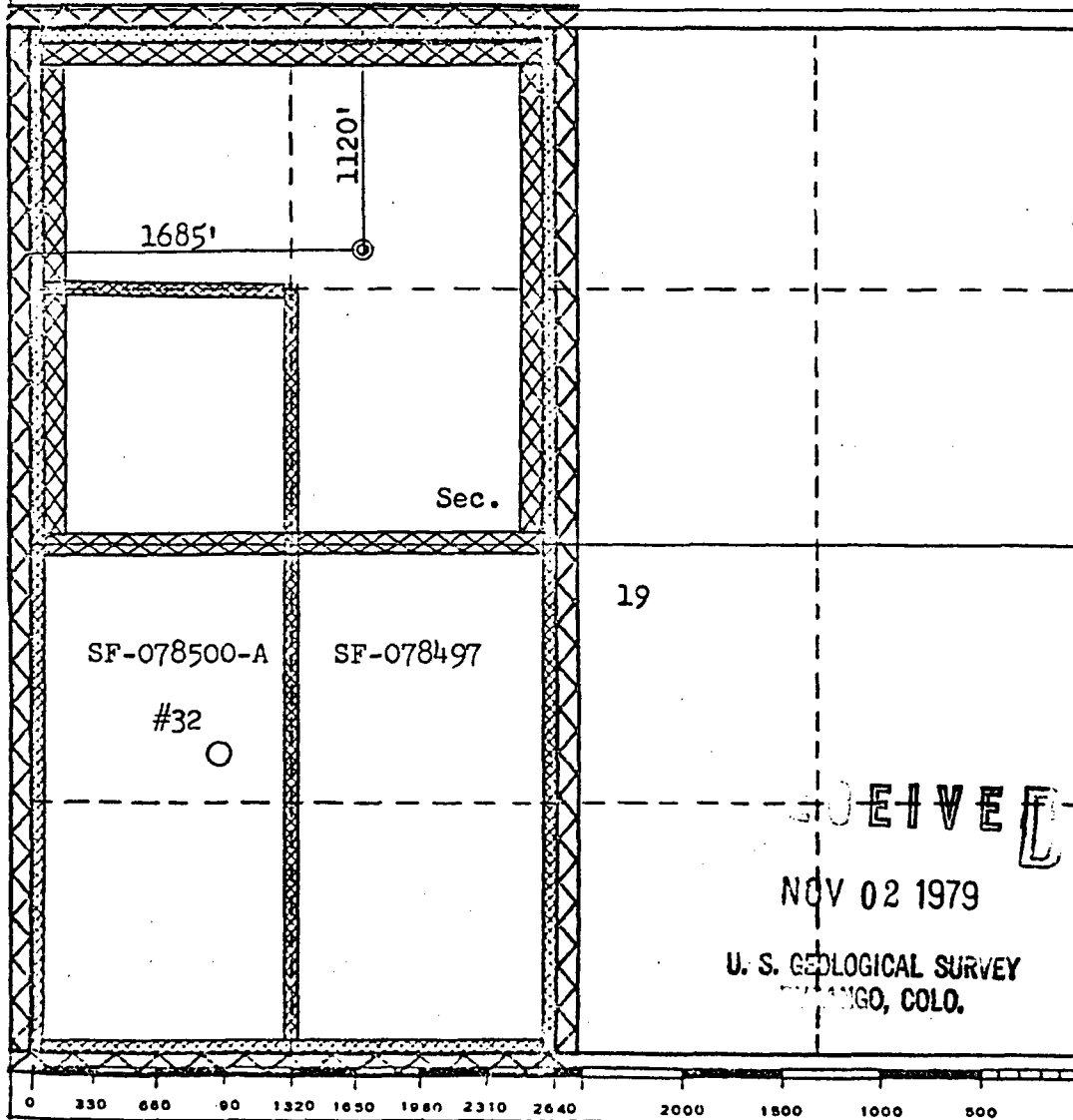
Operator EL PASO NATURAL GAS COMPANY			Lease SAN JUAN 28-7 UNIT (SF-078497)		Well No. 32A
Unit Letter C	Section 19	Township 28N	Range 7W	County Rio Arriba	
Actual Footage Location of Well: 1120 feet from the North line and 1685 feet from the West line					
Ground Level Elev. 6741	Producing Formation Mesa Verde - Cliffs	Pictured So. Blanco Pictured Cliffs Ext.	Pool Blanco Mesa Verde	Dedicated Acreage: 152.66 & 305.44 Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

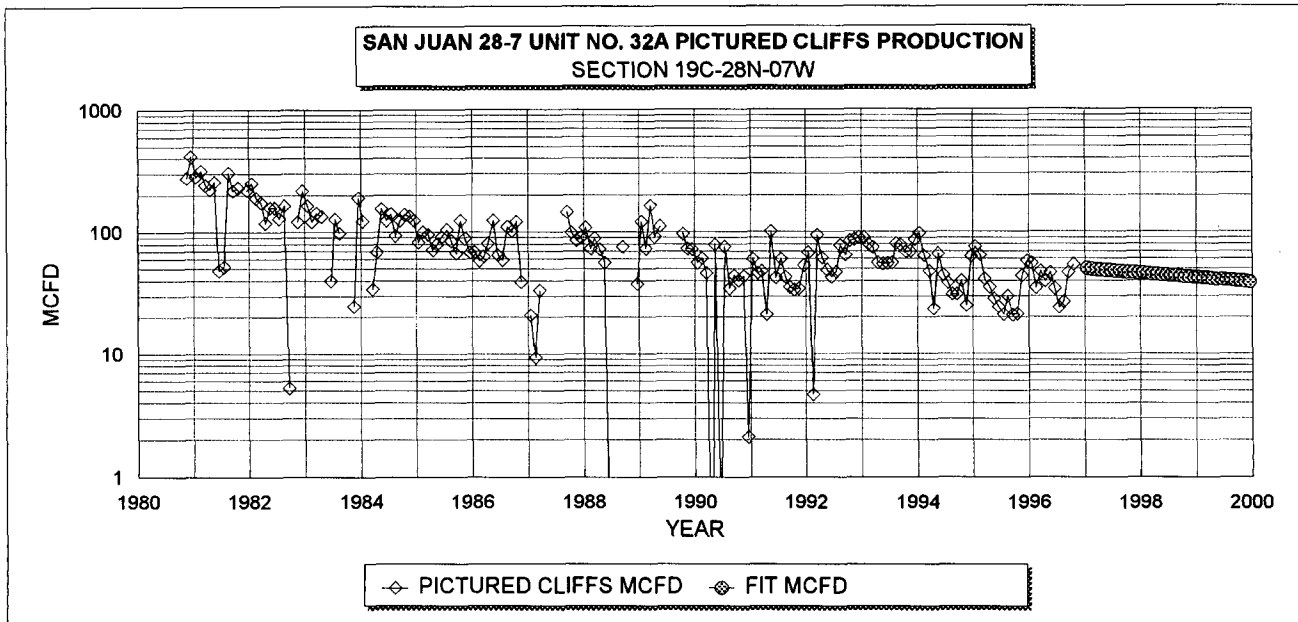
☒ Yes ☐ No If answer is "yes," type of consolidation Unitization

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.)

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION	
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.	
<i>[Signature]</i>	
Name	
Position	Drilling Clerk
Company	El Paso Natural Gas Co.
Date	October 18, 1979
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.	
Date Surveyed	August 8, 1979
Registered Professional Engineer and/or Land Surveyor	
<i>[Signature]</i>	
Certificate No.	3950

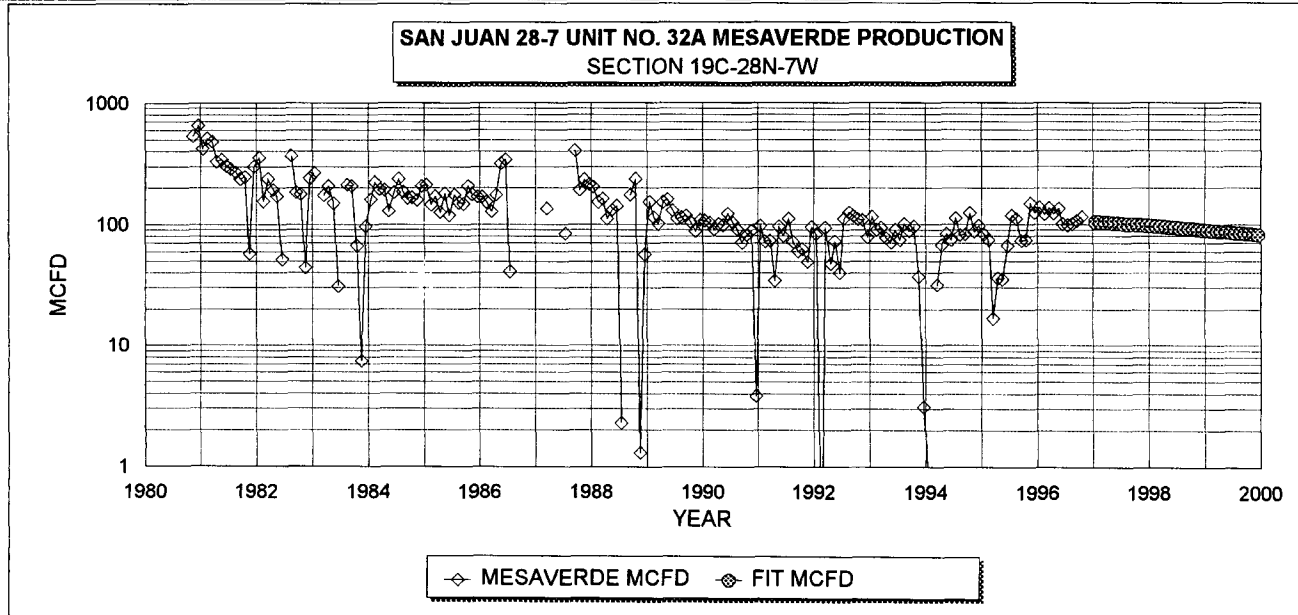


PICTURED CLIFFS HISTORICAL DATA 1ST PROD: 11/80

OIL CUM: 0.53 MBO
GAS CUM: 451.0 MMCF
OIL YIELD: 0.0012 BBL/MCF

PICTURED CLIFFS PROJECTED DATA

1/1/97 Qi: 50 MCFD
DECLINE RATE: 8.0% (EXPONENTIAL)



MESAVERDE HISTORICAL DATA 1ST PROD: 11/80

OIL CUM: 4.4 MBO
GAS CUM: 753.0 MMCF
OIL YIELD: 0.0058 BBL/MCF

MESAVERDE PROJECTED DATA

1/1/97 Qi: 105 MCFD
DECLINE RATE: 8.0% (EXPONENTIAL)

FIXED COMMINGLE ALLOCATION FACTORS:

	GAS	OIL
PICTURED CLIF	32%	9%
MESAVERDE	68%	91%

GAS ALLOCATION BASED ON PROJECTED 1997 RATES
OIL ALLOCATION BASED ON WEIGHTED CUM OIL YIELDS

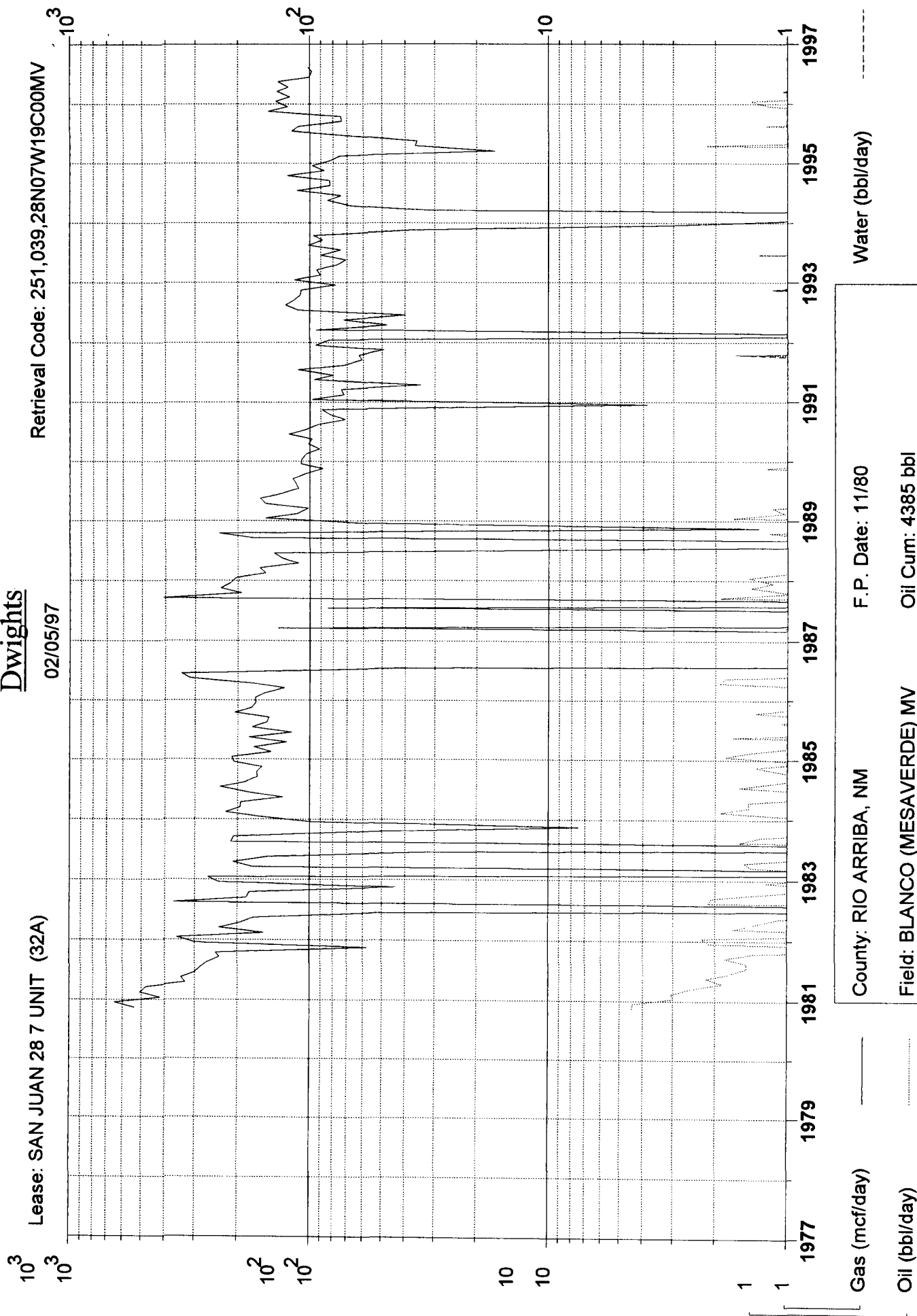
NOTE: ALL PRODUCTION DATA FROM DWIGHTS ENERGYDATA

Dwights

Lease: SAN JUAN 28 7 UNIT (32A)

Retrieval Code: 251,039,28N07W19C00MV

02/05/97



Gas (mcf/day)

Oil (bbl/day)

F.P. Date: 11/80

County: RIO ARRIBA, NM

Field: BLANCO (MESAVERDE) MV

Oil Cum: 4385 bbl

Reservoir: MESAVERDE

Gas Cum: 752.9 mmcf

Operator: CONOCO INC

Location: 19C 28N 7W

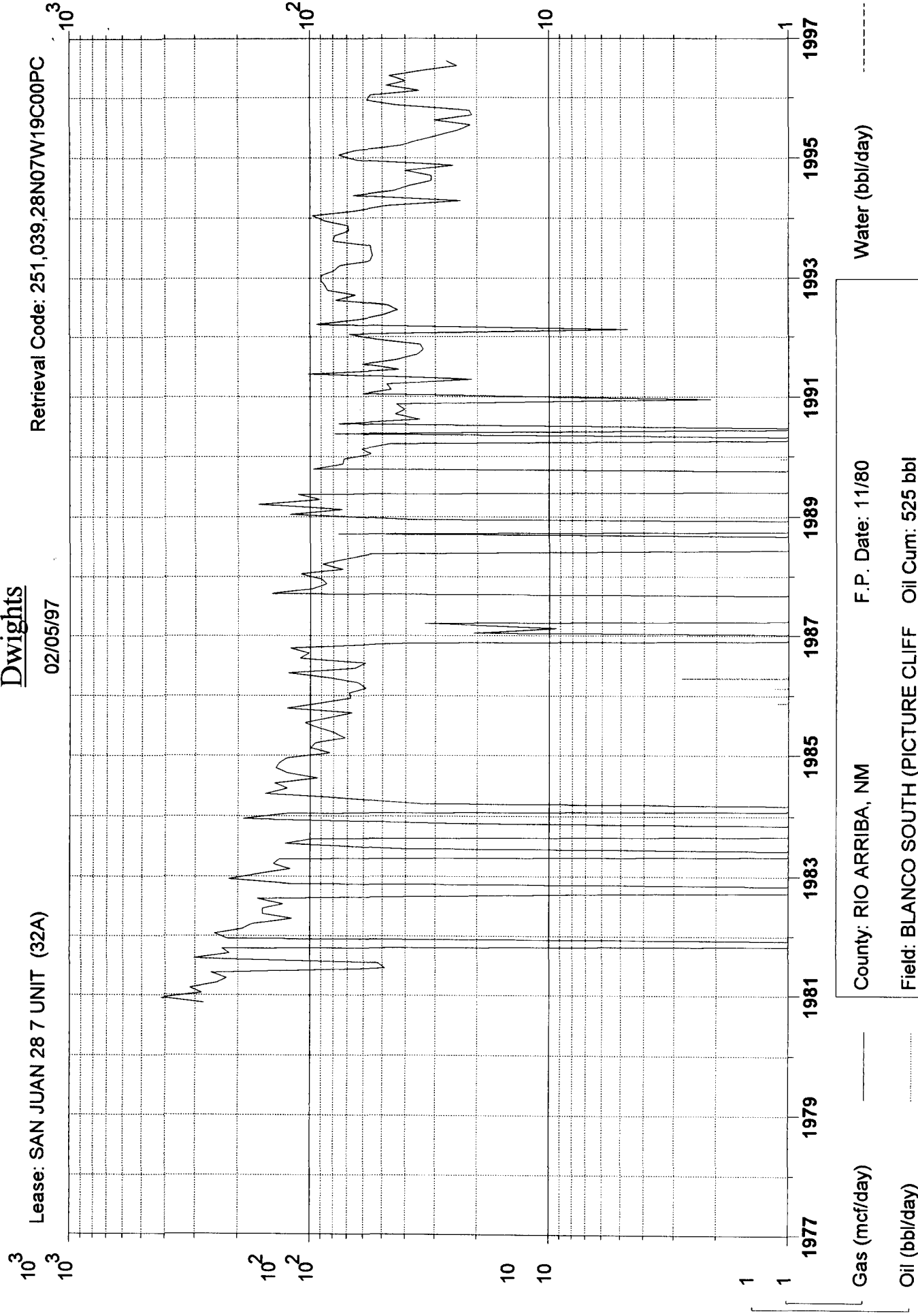
Water (bbl/day)

Dwights

Lease: SAN JUAN 28 7 UNIT (32A)

Retrieval Code: 251,039,28N07W19C00PC

02/05/97



Gas (mcf/day)

Oil (bbl/day)

Water (bbl/day)

County: RIO ARRIBA, NM F.P. Date: 11/80

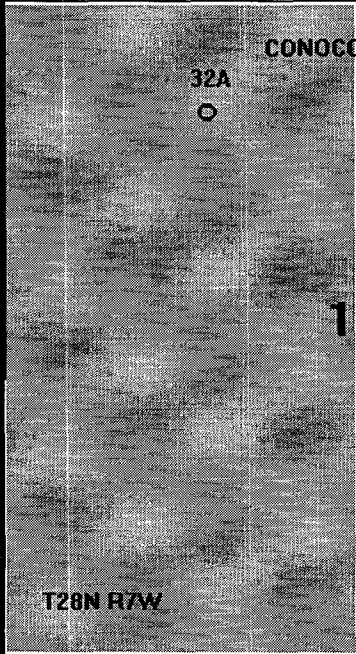
Field: BLANCO SOUTH (PICTURE CLIFF) Oil Cum: 525 bbl

Reservoir: PICTURE CLIFFS Gas Cum: 451.0 mmcf

Operator: CONOCO INC Location: 19C 28N 7W

SAN JUAN 28-7 #32A

OFFSET OPERATORS

AMOCO RICHARDSON OPER 13 T28N R8W	CONOCO 18 T28N R7W	CONOCO AMOCO 17
AMOCO RICHARDSON OPER 24 T28N R8W	 T28N R7W	CONOCO 20
AMOCO RICHARDSON OPER TENNECO OIL CO 25 T28N R8W	AMOCO CONOCO 30 T28N R7W	AMOCO CONOCO 29

Township 28N --- Range 7W



Mid-Continent Region
Exploration/Production

Conoco Inc.
10 Desta Drive, Suite 100W
Midland, TX 79705-4500
(915) 686-5400

June 12, 1997

TO: ALL INTERESTED PARTIES ENTITLED TO NOTICE
OF DOWNHOLE COMMINGLING APPLICATIONS
IN THE SAN JUAN 28-7 FEDERAL UNIT

Re: Applications of Conoco Inc. for Downhole Commingling
Operations in ten (10) Wells in the Conoco-Operated
San Juan 28-7 Federal Unit.

Attached you will find Conoco's applications to downhole commingle the following ten wells in the San Juan 28-7 Federal Unit:

No. 8A, 20A, 32A, 33A, 51A, 61A, 74A, 94A, 126, & 256

Notice of this action is being sent to you in fulfillment of the Oil Conservation Division Rule No. 303.D(10)(b) which requires notification to all working, royalty and overriding royalty interest owners.

Downhole commingling multiple producing zones in these wells greatly reduces their operating costs and increases their ultimate recovery. Therefore, everyone's share of the revenue is increased. If you have no objection to these beneficial changes in operations, you do not need to respond in any way to this notice.

However, by this letter, you are notified of your right to oppose these actions to the New Mexico Oil Conservation Division, 2040 S. Pacheco, Santa Fe, New Mexico, 87504 within 20 days of your receipt of this notice. Failure to respond in that time frame may preclude you from any involvement in these applications at a later date.

If you simply have questions concerning the applications, you may contact me at (915) 686-6548.

Very truly yours,

Jerry W. Hoover
Sr. Conservation Coordinator

Conoco, Inc./Application to Downhole Commingle
Form C-107A submitted 6-13-97
Wells #8A, 20A, 32A, 33A, 51A, 61A, 74A, 94A, 126 & 256
SAN JUAN 28-7 UNIT MAILING LIST

**OFFSET OPERATORS, ROYALTY INTEREST OWNERS,
CARRIED WORKING INTEREST OWNERS, WORKING INTEREST OWNERS,
AND OVERRIDING ROYALTY INTEREST OWNERS**

OFFSET OPERATORS (*Entire Filing*)

Amoco Production Company
P.O. Box 800
Denver, CO 80201

Bledsoe Petroleum Corporation
5850 Bank One Center
1717 Main Street
Dallas, TX 75201

El Paso Production Company
% Meridian Oil Inc.
P.O. Box 4289
Farmington, NM 87499-4289

Lively Exploration Company
1300 Post Oak Blvd., Suite 1900
Houston, TX 77056-3013

Meridian Oil Inc.
P.O. Box 4289
Farmington, NM 87499-4289

Phillips Petroleum Company
5525 Highway 64 NBU 3004
Farmington, NM 87401

R & G Drilling Co.
% M & G Drilling Company
P.O. Box 9560
Palm Springs, CA 92263

Snyder Oil Corporation
1625 Broadway, Suite 2200
Denver, CO 80202

Union Oil Company of California
14141 Southwest Freeway
Sugar Land, TX 77478

ROYALTY INTEREST OWNERS (*Entire Filing*)

Commissioner of Public Lands
State of New Mexico
P.O. Box 1148
Santa Fe, NM 87504-1148

Nora I. Jacquez
146 S. Kendall St.
Lakewood, CO 80226-2235

Minerals Mgt. Service
Onshore Federal #17555
P.O. Box 5810
Denver, CO 80217-5810

Gerald G. Williams & Alta Jane
Williams, Trustees under Trust Agrmt.
dated 9-12-91
315 N. Clark Dr.
Aztec, NM 87410-2015

CARRIED WORKING INTEREST OWNERS (*Entire Filing*)

Conoco A/C Atwell & Co.
% United States Tr. Co. of NY
Box 456, Wall St. Station
New York, NY 10005

Conoco A/C Shirley Bernstein
654 Madison Ave.
New York, NY 10021-8404

Conoco A/C Kathleen B. Lipkins
812 Park Ave., #4A
New York, NY 10021-2759

Conoco A/C Mesa Royalty Trust
New Mexico Properties Only
P.O. Box 1267
Ponca City, OK 74602-1267

WORKING INTEREST OWNERS (*Entire Filing*)

Mary Jeanne Simmons Banks
2104 Winter Sunday Way
Arlington, TX 76012-4941

Cindy Hamilton
2222 Flat Creek
Richardson, TX 75080-2332

Burlington Resources
Oil & Gas Company
P.O. Box 840656
Dallas, TX 75284-0656

Koch Exploration
Attn: R. J. Miller
P.O. Box 2256
Wichita, KS 67201-2256

June Simmons Lively
3529 Bellaire Drive North
Fort Worth, TX 76109-2110

Kathleen McLane Trust
P.O. Box 214430
Dallas, TX 75221-4430

Michael S. McLane Trust
P.O. Box 214430
Dallas, TX 75221-4430

W. G. Peavy Oil Company
221 Woodcrest Dr.
Richardson, TX 75080-2038

Helen Louise Simmons
2429 Wabash
Fort Worth, TX 76109-1018

Carolee Simmons Smith
5717 Jacqueline Road
Fort Worth, TX 76112-3952

Texaco Exploration & Production, Inc.
c/o Texas Commerce Bank
P.O. Box 200778
Houston, TX 77216-0778

Dawn J. Turnbull Trust
5847 Lakehurst Avenue
Dallas, TX 75230-5031

Derrick Turnbull
5847 Lakehurst Avenue
Dallas, TX 75230-5031

Elizabeth J. Turner-Calloway
4801 Saint Johns Drive
Dallas, TX 75205-3143

JGT Estate
John Lee Turner
P.O. Box 33610
Kerrville, TX 78029-3610

John Lee Turner
P.O. Box 33610
Kerrville, TX 78029-3610

Mary F. Turner Trust N° 6743
Texas Commerce Bank N A Trustee
Dallas Oil & Gas
P.O. Box 200890
Houston, TX 77216-0890

UNOCAL, Oil & Gas Division
Attn: Revenue Accounting
P.O. Box 841055
Dallas, TX 75284-1055

Denise Turnbull Williams
5847 Lakehurst Avenue
Dallas, TX 75230-5031

The Wiser Oil Company
P.O. Box 890996
Dallas, TX 75389-0996

WORKING INTEREST OWNERS

Amoco Production Company
P.O. Box 65111
Charlotte, NC 28265-0111

J.G. Turner, et al Estate
c/o Turner Heirs, MBank Dallas &
J.G. Turner, Jr., Execs.
3131 Turtle Creek Blvd., Ste. 1201
Dallas, TX 75219-5441

Dugan Production Corp.
P.O. Box 420
Farmington, NM 87499-0420

Thelma Ford Simmons Trust
NationsBank Texas N A Trustee
c/o D.J. Simmons Company
P.O. Box 1469
Farmington, NM 87499-1469

OVERRIDING ROYALTY INTEREST OWNERS

(Cover letter, hearing order,
C-107a)

Joe Renee Abbott
3733 Avenida Palo Verde
Bonita, CA 91902-1007

John B. Allinson, Jr.
2013 Douglas Dr.
San Angelo, TX 76904-5025

Amoco Production Company
P.O. Box 65111
Charlotte, NC 28265-0111

Jerry J. Andrew
408 Longwoods
Houston, TX 77024-5617

W. R. Archer
U/W/O Eleanor M. Archer, Trustee
3615 Piping Rock Ln.
Houston, TX 77027-4116

Virginia Ann Asher
RR 2, Box 80
Sheridan, MO 64486-8820

Atlantic Richfield Co.
P.O. Box 910355
Dallas, TX 75011-0355

Joyce K. Attebury
3202 Lipscomb
Amarillo, TX 79109-3536

Douglas E. Atwill
602 Canyon Rd.
Santa Fe, NM 87501-2722

Edward R. Atwill
P.O. Box 1551
Tubac, AZ 85646-1551

James H. Atwill
P.O. Box 1810
Port Aransas, TX 78373-1810

Pamela Gray Baldwin
Texas Commerce Bank N A
Agent & Attorney In Fact
Trust Minerals Section 1049313
P.O. Box 209829
Houston, TX 77216-9829

John Nickson Beers
20579 Missionary Ridge
Walnut, CA 91789-3529

Marcia Berger
% Sunwest Bank of Albuquerque, Agent
P.O. Box 26900
Albuquerque, NM 87125-6900

Theodore J. Blechar
138 La Canada Way
Santa Cruz, CA 95060-1031

Bolack Minerals Company
3901 Bloomfield Hwy.
Farmington, NM 87401-2831

Hazel Ashley Bracken
101 Westcott, #403
Houston, TX 77007-7030

Anita Briggs
712 Raleigh Rd.
Oxford, NC 27565-3740

Herbert R. Briggs
% Sunwest Bank of Albuquerque, Agent
P.O. Box 26900
Albuquerque, NM 87125-6900

William C. Briggs
Sunwest Bank of Albuquerque
P.O. Box 26900
Albuquerque, NM 87125-6900

Betsy Henderson Bryant
2201 Brookhollow Drive
Abilene, TX 79605-5507

Harriet M. Buchenau
P.O. Box 867585
Plano, TX 75086-7585

James W. Childress
P.O. Box 209
Roswell, NM 88202-0209

Shirley Childress
604 N. Delaware Ave., #2
Roswell, NM 88201-2135

Carolyn Judith Combs
6114 E. Gilbert
Wichita, KS 67218-2822

William Warren Cooper
4040 San Felipe St., Suite 112
Houston, TX 77027-3940

Sally Covington
902 Riverside Dr.
Carlsbad, NM 88220-5250

John E. Creps Jr. & Virginia Creps,
Co-Trustees
Creps Family Trust dtd 12-5-91
4556 Avalon Cove
Lakeland, FL 33801-0572

Frank Cronican & Harriet Cronican
Trust
Sunwest Bank of Albuquerque, Agent
P.O. Box 26900
Albuquerque, NM 87125-6900

Cross Timbers, Oil Co.
P.O. Box 840287
Dallas, TX 75284-0287

Davant Family Trust C
U/A dated 11-19-86
NationsBank of Texas, NA, Trustee
Acct. No. 30011053442647
P.O. Box 840738
Dallas, TX 75284-0738

Jeremy S. Davis
7539 Brompton Blvd.
Houston, TX 77025-2267

Waters S. Davis, III
Texas Commerce Bank, NA, Agent & AIF
Trust Min Sec #1049308
P.O. Box 209829
Houston, TX 77216-9829

Sam Dazzo, Sr., Trustee for Samuel Lionel
Dazzo & Frances Joy Dazzo U/TA dated
5-17-83
901 Val Verde SE
Albuquerque, NM 87108-3471

Thelma Demott
RR 2, Box 36
Hopkins, MO 64461-9603

Lynn E. Desper
50 Coronado Pl.
Corrales, NM 87048-9520

Barbara Reese Dinges
6510 Shadow Crest
Houston, TX 77074-6818

Martha Dixon
311 W. Taggard St.
Burnet, TX 78611-1722

James Duffin
P.O. Box 1352
Artesia, NM 88211-1352

Thomas R. Duffin
1508 Adams
Carlsbad, NM 88220-4603

Barbara L. Farah,
Pers. Rep. of Estate of
Robert N. Dumble, Jr.
P.O. Box 42177
Houston, TX 77242-2177

Mitzi H. Easley
3900 Dominion Cove
Austin, TX 78759-7300

Jane Taylor Ebersole
P.O. Box 918
Tehachapi, CA 93581-0918

Bessie E. Evans
623 W. Torrance
Maryville, MO 64468-2514

James L. Fashing Irrev. Tr.
David A. Rogers, Trustee
4855 N. Mesa, Suite 122
El Paso, TX 79912-5939

R. H. Feuille
11th Floor
Texas Commerce Bank Building
El Paso, TX 79901

Hazle L. Gentle
1117 S. Michigan St.
Roswell, NM 88201-4339

Kathlyn H. Gibson Estate
George Ann Scharhag, Pers Rep
P.O. Box 546
Tesuque, NM 87574-0546

Richard Godfrey
Revocable Trust
P.O. Box 18661
Oklahoma City, OK 73154-0661

Charles B. Gonsales
P.O. Drawer 2509
Santa Fe, NM 87504-2509

Emily D. Grambling
916 Cherry Hill Lane
El Paso, TX 79912-3327

John A. Grambling
916 Cherry Hill
El Paso, TX 79912-3327

David H. Gray
Texas Commerce Bank, NA,
Agent & Attorney-in-Fact
Trust Minerals Section 1049309
P.O. Box 209829
Houston, TX 77216-9829

John L. Gray
Texas Commerce Bank, NA,
Agent & Attorney-in-Fact
Trust Minerals Section 1049310
P.O. Box 209829
Houston, TX 77216-9829

Thyra Gregersen
RR No. 2, Box 82
Walnut, IA 51577-9424

A. R. Grover
San Juan Royalty JV-90
P.O. Box 3666
Midland, TX 79702-3666

Grover Bros. Ltd. Ptmshp.
San Juan Royalty JV-90
P.O. Box 3666
Midland, TX 79702-3666

Mabel Glenn Ham Rev Tr
Kathlyn Nora Black, Trustee
921 Grecian NW
Albuquerque, NM 87107-5732

Hanson-McBride Petro Co.
P.O. Box 1515
Roswell, NM 88202-1515

Emilie M. Hardie Royalty Trust
Emilie M. Hardie, Trustee
1065 Los Jardines
El Paso, TX 79912-1942

Mary Elizabeth Hardie Royalty Trust
Thorton Hardie, III, Trustee
1700 Pacific Ave., Suite 3300
Dallas, TX 75201-4656

William B. Hardie, Sr. Royalty Trust
Jane Hardie, Trustee
1065 Los Jardines
El Paso, TX 79912-1942

Nancy H. Harman
6206 Deloache Ave.
Dallas, TX 75225-2813

Patricia G. Harvey
Box 328
Cave Creek, AZ 85331-0328

David Henderson
9411 Winding Ridge Drive
Dallas, TX 75238-1449

Marguerite E. Hess
1209 Hunters Glen Rd.
San Angelo, TX 76901-5003

Mozelle C. Hill
1405 Kenilworth Road
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EL PATIO BUILDING

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POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

June 12, 1997

TO:

**ALL INTERESTED PARTIES ENTITLED TO NOTICE
OF THE HEARING OF THE FOLLOWING NEW MEXICO
OIL CONSERVATION DIVISION CASE:**

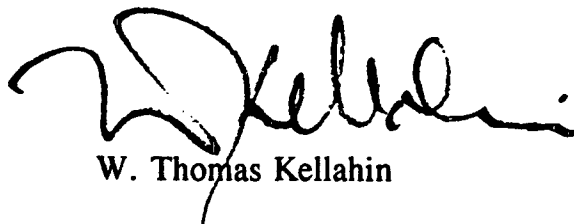
*Re: Application of Conoco Inc. for a downhole commingling
reference case for its San Juan 28-7 Unit, Pursuant to
Division Rule 303.E and an Exception to Rule
303.C.(1)(b)(ii) Rio Arriba County, New Mexico*

On behalf of Conoco Inc., please find enclosed our application which has been set for hearing on the New Mexico Oil Conservation Division Examiner's docket now scheduled for July 24, 1997. The hearing will be held at the Division hearing room located at 2040 S. Pacheco, Santa Fe, New Mexico.

As an interest owner who may be affected by this application, we are notifying you of your right to appear at the hearing and participate in this case, including the right to present evidence either in support of or in opposition to the application. Failure to appear at the hearing may preclude you from any involvement in this case at a later date.

Pursuant to the Division's Memorandum 2-90, you are further notified that if you desire to appear in this case, then you are requested to file a Pre-Hearing Statement with the Division not later than 4:00 PM on Friday, July 18, 1997, with a copy delivered to the undersigned. Please direct any questions to Jerry Hoover (915) 686-6548.

Very truly yours,



W. Thomas Kellahin

cc: Conoco Inc.

Attn: Jerry Hoover

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

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NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

June 11, 1997

HAND DELIVERED

Mr. William J. LeMay, Director
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

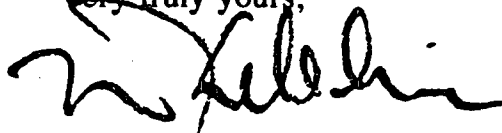
Re: San Juan 28-7 Unit
Application of Conoco Inc. for the establishment
of a Downhole Commingling Reference Case
Pursuant to Division Rule 303.E and an
Exception to Rule 303.C.(1)(b)(ii)
Rio Arriba County, New Mexico

Dear Mr. LeMay:

On behalf of Conoco Inc., please find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for July 24, 1997.

Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: Conoco Inc.
Attn: Mr. Jerry Hoover

**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:

APPLICATION OF CONOCO INC.
FOR DOWNHOLE COMMINGLING REFERENCE
CASE FOR ITS SAN JUAN 28-7 UNIT
PURSUANT TO DIVISION RULE 303.E
AND FOR AN EXCEPTION TO RULE 303.C(1)(b)(ii)
RIO ARriba COUNTY, NEW MEXICO.

CASE NO. _____

APPLICATION

Comes now CONOCO INC. by and through its attorneys, Kellahin and Kellahin, and applies to the New Mexico Oil Conservation Division for the establishment of a downhole commingling reference case pursuant to Division Rule 303.E for its San Juan 28-7 Unit and the adoption of special administrative rules therefore including an exception from Rule 303.C(1)(b)(ii), Rio Arriba County, New Mexico, to provide for (a) marginal economic criteria, (b) pressure criteria, (c) allocation formulas, and (d) modification of notification rules on an area-wide basis authorization for downhole commingling of Dakota, Mesaverde, Fruitland-Coal, Chacra and Pictured Cliffs gas production in the wellbores of existing or future wells drilled anywhere within the San Juan 28-7 Unit located in Township 28 North, Range 7 West, NMPM, Rio Arriba County, New Mexico. 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.

In support of its application, Conoco Inc. states:

(1) Conoco is the operator of the San Juan 28-7 Unit which currently includes 139 Dakota wells, 125 Mesaverde wells, 27 Chacra wells, 14 Fruitland Coal-gas wells and 100 Pictured Cliffs wells all located within an area known as the "San Juan 28-7 Unit" consisting of 31,000 acres, more or less, as shown on the plat of the unit attached as Exhibit "A".

(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 each zone to be commingled is less than the original bottom hole pressure of the lowest pressured zone,
- (c) allocation formulas,
- (d) notification in writing to each interest owner where ownership is not common in the zones to be commingled, and
- (e) notification in writing to each offset operator.

(3) **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:

- (a) **economic criteria:** to support that the Dakota, Mesaverde, Pictured Cliffs, Chacra 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
- (d) **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.

- (e) **pressure limitation:** to demonstrate that downhole commingling of newly drilled Mesaverde/Dakota wells can be approved even if the initial bottomhole pressure of the Dakota formation (the higher pressured reservoir) exceeds the original bottom hole pressure of the Mesaverde formation (the lower pressured reservoir) because a much higher pressure than the original reservoir pressure is required to fracture the Mesaverde formation and no waste, loss of reserves, or violation of correlative rights will occur.

(5) 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.

(6) 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:

- (a) San Juan 28-7 Unit Well No. 224M located 1450'FSL & 790'FEL Sec 28, T28NR7W
- (b) San Juan 28-7 Unit Well No. 226M located 790' FNL & 790'FWL Sec 36, T28NR7W
- (c) San Juan 28-7 Unit Well No. 227M located 1745'FSL & 1850'FEL Sec 36 T28NR7W
- (d) San Juan 28-7 Unit Well No. 232M located 2425'FSL & 500'FEL Sec 20, T28NR7W

(7) 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.

(8) The approval of downhole commingling of these formations within this unit will extend the economic life of the existing wells and thereby increase ultimate recovery from these formations.

(9) In addition, any new wells to be drilled or recompleted in this unit should be approved for downhole commingling because either the Dakota, Fruitland Coal-gas, Mesaverde, Chacra or the Pictured Cliffs zones are marginal based upon criteria which the applicant will submit at the hearing of this case.

(10) It is anticipated that new wells, recompleted wells or existing wellbores in this unit will be most economically completed if there is a summary administrative procedure by which those wells may be downhole commingled.

(11) The processing of downhole commingling applications for this unit in the absence of adopting a reference case will be an administrative burden to the Division and to the operator.

(12) Approval of a downhole commingling reference case for this unit on an area-wide basis is in the best interest of conservation, the pretention of waste and the protection of correlative rights.

(13) 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.

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

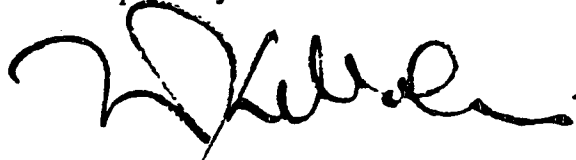
(15) Conoco will submit at hearing proposed formulas for the allocation of production to each of the commingled zones and a description of the factors or data used in determining such formulas.

(16) Applicant requests that this matter be docketed for hearing on the Division's Examiner docket now scheduled for July 24, 1997.

(17) Notice of this application has been sent to all interest owners entitled to receive production within the unit and to all offsetting operators.

WHEREFORE Applicant requests that this matter be set for hearing on July 24, 1997 before a duly appointed Examiner of the Oil Conservation Division and that after notice and hearing as required by law, the Division enter its order granting this application.

Respectfully submitted

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', with a stylized, flowing script.

W. Thomas Kellahin
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