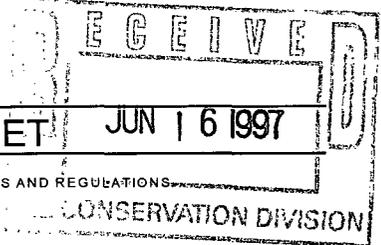


ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -



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

*Amendment of
Order NSL-2064*

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

*None other than
Conoco*

[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

[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	_____	Sr. Conservation Coordinator	6/11/97
Print or Type Name	Signature	Title	Date



Mid-Continent Region
Exploration/Production

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

June 11, 1997

Mr. Michael Stogner
New Mexico Oil Conservation Division
2040 S. Pacheco
Santa Fe, New Mexico 87504

RE: Application for Amendment of Administrative Order NSL-2064
to approve Production from both the Blanco Mesaverde and Basin
Dakota Pools in the San Juan 28-7 Unit No. 191E at a Non-Standard
Location at 1010' FNL & 320' FEL, Sec. 33, Township 28N, Range 7W

Dear Mr. Stogner:

On June 4, 1985 the Division granted approval of this well location, which was then operated by El Paso, for Basin Dakota production with its issuance of Administrative Order No. NSL-2064. Conoco now operates the San Juan 28-7 Federal Unit and is proposing to recomplete this well to the Blanco Mesaverde Pool which will later be downhole commingled with the Dakota production. This future downhole commingling has already been approved by the Division's Administrative Order DHC-1549.

Attached is a plat showing all Mesaverde and Dakota completions in this spacing unit in the east half of section 33 and in all offsetting spacing units. This plat also shows that the subject well, which is located within a federal unit operated solely by Conoco, has no offset operators other than Conoco. Therefore, no notification was necessary and no waiting period for offset operator response is required.

Also attached is a copy of El Paso's original application for this non-standard location in the Dakota. On their C-102 they indicated the presence of extremely rough terrain in the form of steep cliffs which prevented them from drilling at an orthodox gas well location. The next attachment is a copy of the Division's NSL-2064 Order approving their application.

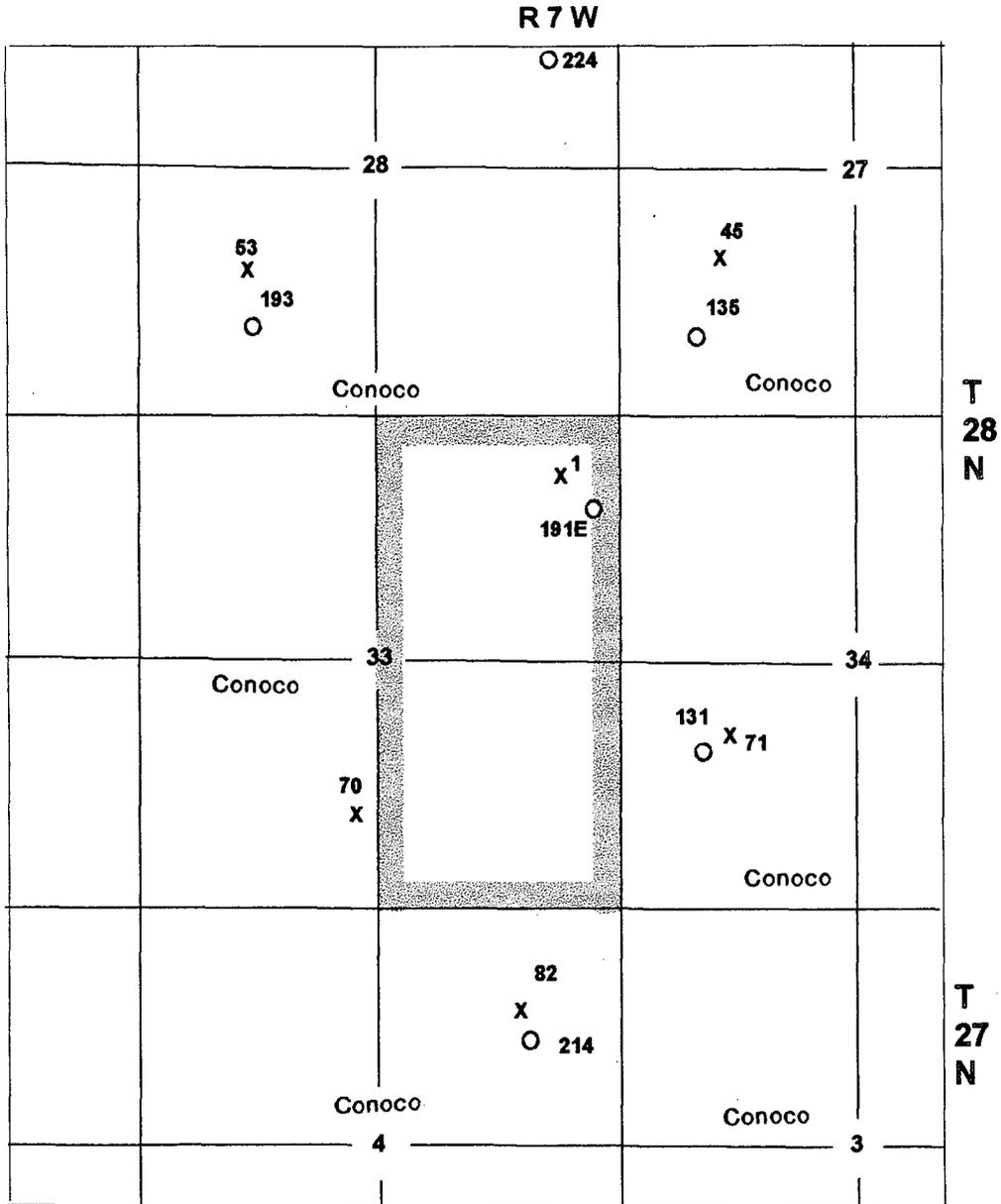
The final attachment is Conoco's approved BLM permit to recomplete the well to the Mesaverde.

If there are any further questions concerning this application please call me at (915) 686-6548.

Very truly yours,

Jerry W. Hoover
Sr. Conservation Coordinator

cc: Oil Conservation Division - Aztec



- O Dakota Producers
- X Meseverde Producers



28-7UNIT

Mesaverde & Dakota Producers

San Juan 28-7 Unit #191E

Non-Standard location



P. O. BOX 4289
FARMINGTON, NEW MEXICO 87499-4289
PHONE: 505-325-2841

June 4, 1985

Mr. Richard Stamets
New Mexico Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87501

Dear Mr. Stamets:

This is a request for administrative approval for an unorthodox gas well location in the Blanco Mesa Verde Pool.

It is intended to locate the El Paso Natural Gas Company's San Juan 28-7 Unit #191E at 1010' from the North line and 320' from the East line of Section 33, T-28-N, R-7-W, Rio Arriba County, New Mexico.

Extremely rough terrain in the form of steep cliffs in the northeast corner of this section makes it impossible to build an orthodox gas well location.

El Paso Natural Gas Company is the offsetting operator of the surrounding area.

Plats showing the proposed well location and the terrain in Section 33, along with an ownership plat, are attached.

Sincerely yours,

A handwritten signature in cursive script that reads "G. W. Brink". There is a small mark below the signature that appears to be "pa".

G. W. Brink
Project Drilling Engineer

encl.

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102
Supersedes C-123
Effective 1-1-65

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

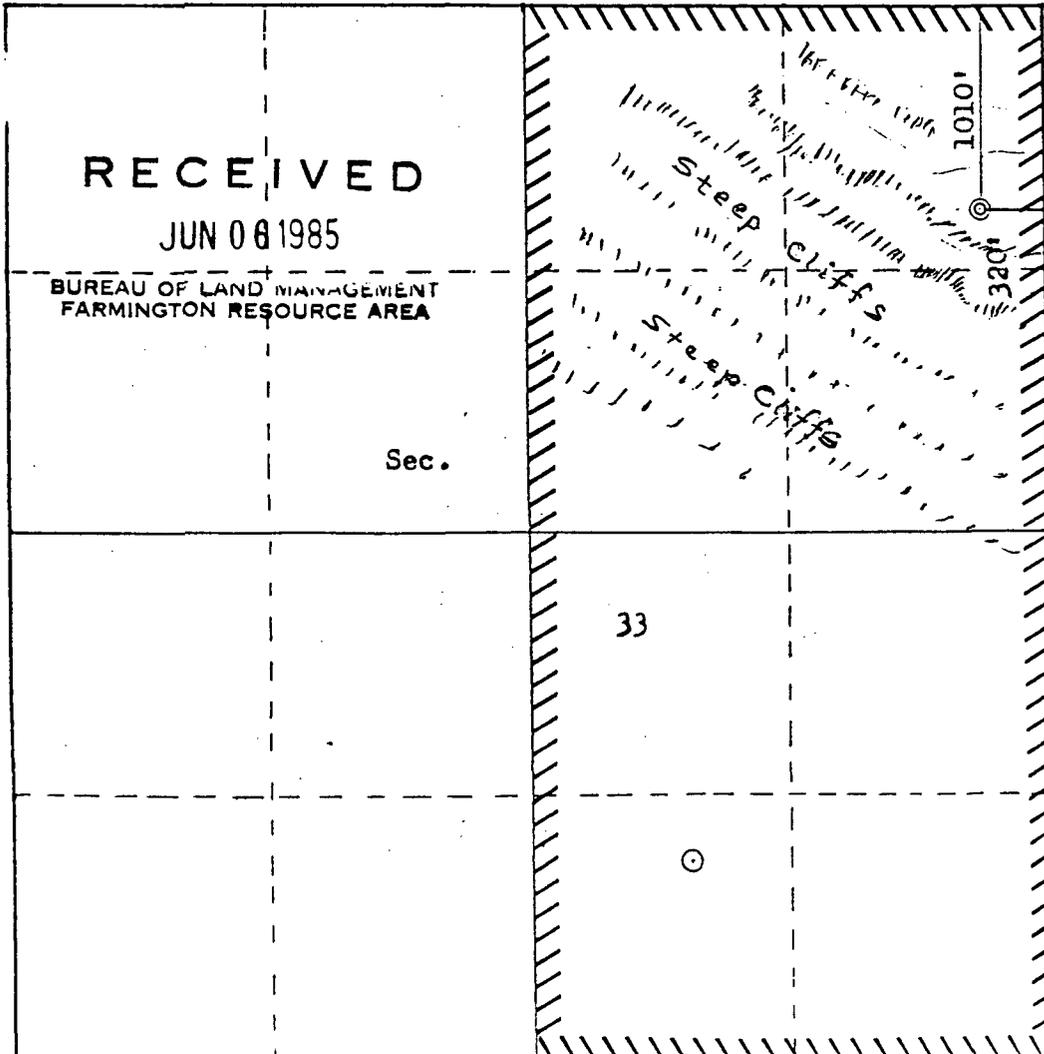
Operator EL PASO NATURAL GAS COMPANY		Lease SAN JUAN 28-7 UNIT (SF 078498)		Well No. 191E
Unit Letter A	Section 33	Township 28N	Range 7W	County Rio Arriba
Actual Footage Location of Well: 1010 feet from the North line and 320 feet from the East line				
Ground Level Elev: 6040	Producing Formation Dakota	Pool Basin	Dedicated Acreage: 316.32 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.

Peggy Doah
Name
Drilling Clerk
Position
El Paso Natural Gas Co.
Company
June 4, 1985
Date

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
May 20, 1985
Registered Professional Engineer and Land Surveyor
Fred B. Kerr Jr.
Fred B. Kerr Jr.

50 YEARS



1935 - 1985

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-5800



TONEY ANAYA
GOVERNOR

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

October 15, 1985

El Paso Exploration Co.
P. O. Box 4289
Farmington, New Mexico 87499-4289

Attention: G. W. Brink

AMENDMENT
Administrative Order NSL-2064

Gentlemen:

Reference is made to your application for a non-standard location for your San Juan 28-7 Unit Well No. 191E to be located 1010 feet from the North line and 320 feet from the East line of Section 33, Township 28 North, Range 7 West, NMPM, Basin Dakota Pool, Rio Arriba County, New Mexico. The E/2 of said Section 33 shall be dedicated to the well.

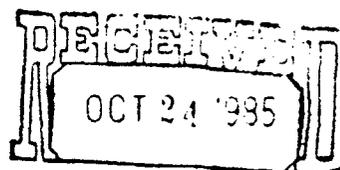
By authority granted me under the provisions of Rule 104 F(I), the above-described unorthodox location is hereby approved.

Sincerely,

R. L. STAMETS, DIRECTOR

RLS/DC/dr

cc: Oil Conservation Division - Aztec
Bureau of Land Management - Farmington



Purchasing Department
Western Rcky Mtn. Division

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED
BLM

FORM APPROVED
Budget Bureau No. 1004-0135
Expires: March 31, 1993

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.
Use "APPLICATION FOR PERMIT—" for such proposals.

SUBMIT IN TRIPLICATE

1. Type of Well <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other	5. Lease Designation and Serial No. SF 078498
2. Name of Operator CONOCO INC.	6. If Indian, Allottee or Tribe Name
3. Address and Telephone No. 10 DESTA DR. STE. 100W, MIDLAND, TX. 79705-4500 (915) 686-5424	7. If Unit or CA, Agreement Designation San Juan Unit 28-7
4. Location of Well (Footage, Sec., T. R. M. or Survey Description) 1010' FNL, 320' FEL, Sec. 33, T28N, R7W	8. Well Name and No. 191E
	9. API Well No. 30-039-23753
	10. Field and Pool, or Exploratory Area Mesaverde
	11. County or Parish, State Rio Arriba, NM

CHECK APPROPRIATE BOX(S) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Abandonment
<input type="checkbox"/> Subsequent Repon	<input checked="" type="checkbox"/> Recompletion
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Plugging Back
	<input type="checkbox"/> Casing Repair
	<input type="checkbox"/> Altering Casing
	<input type="checkbox"/> Other _____
	<input type="checkbox"/> Change of Plans
	<input type="checkbox"/> New Construction
	<input type="checkbox"/> Non-Routine Fracrunng
	<input type="checkbox"/> Water Shut-Off
	<input type="checkbox"/> Conversion to Injection
	<input type="checkbox"/> Dispose Water

Note: Repon result of multiple completion on Well Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

It is proposed to recomplete this well to the Mesaverde by the following procedure:

- NU BOP & test*
1. Set CIBP at 5300' to isolate Dakota perforations.
 2. Perforate Point Lookout from 4887' - 5277', 31 total holes; treat with 500 gals 15% HCL and frac.
 3. Set CIBP at 4850'; perforate Menefee from 4596' - 4792', 23 total holes; treat with 500 gals 15% HCL and frac.
 4. Set CIBP at 4500'; perforate Cliffhouse from 4284' - 4410', 27 total holes; treat with 500 gals 15% HCL and frac.
 5. Drill out all CIBPs, clean out well to PBTD and put on production.

Application for Downhole Commingling of Mesaverde and Dakota has previously been submitted.

NMOC approval for the unorthodox location is required.

**SEE ATTACHED FOR
CONDITIONS OF APPROVAL**

14. I hereby certify that the foregoing is true and correct

Signed *Jerry W. Hoover* Title Jerry W. Hoover Date 3-4-97
Sr. Conservation Coordinator

(This space for Federal or State office use)

Approved by *Tam Leach* Title Tam Leach - PMT Date 3/2/97
Conditions of approval if any:

BLM(6), JWH, FILE ROOM

District I
PO Box 1980, Hobbs, NM 88241-1980

District II
PO Drawer DD, Artesia, NM 88211-0719

District III
1000 Rio Brazos Rd. Aztec, NM 87410

District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

Revised February 21, 1994
instructions on back

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

STAMPED: 1997 MAR 19 11:51 AM
SAN JUAN COUNTY, NM

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-039-23753		2 Pool Code 72319		3 Pool Name Mesaverde			
4 Property Code 016608		5 Property Name San Juan 28-7 Unit				6 Well Number 191E	
7 OGRID No. 005073		8 Operator Name Conoco Inc., 10 Desta Drive, Ste. 100W, Midland, TX 79705-4500				9 Elevation 6040	

10 Surface Location

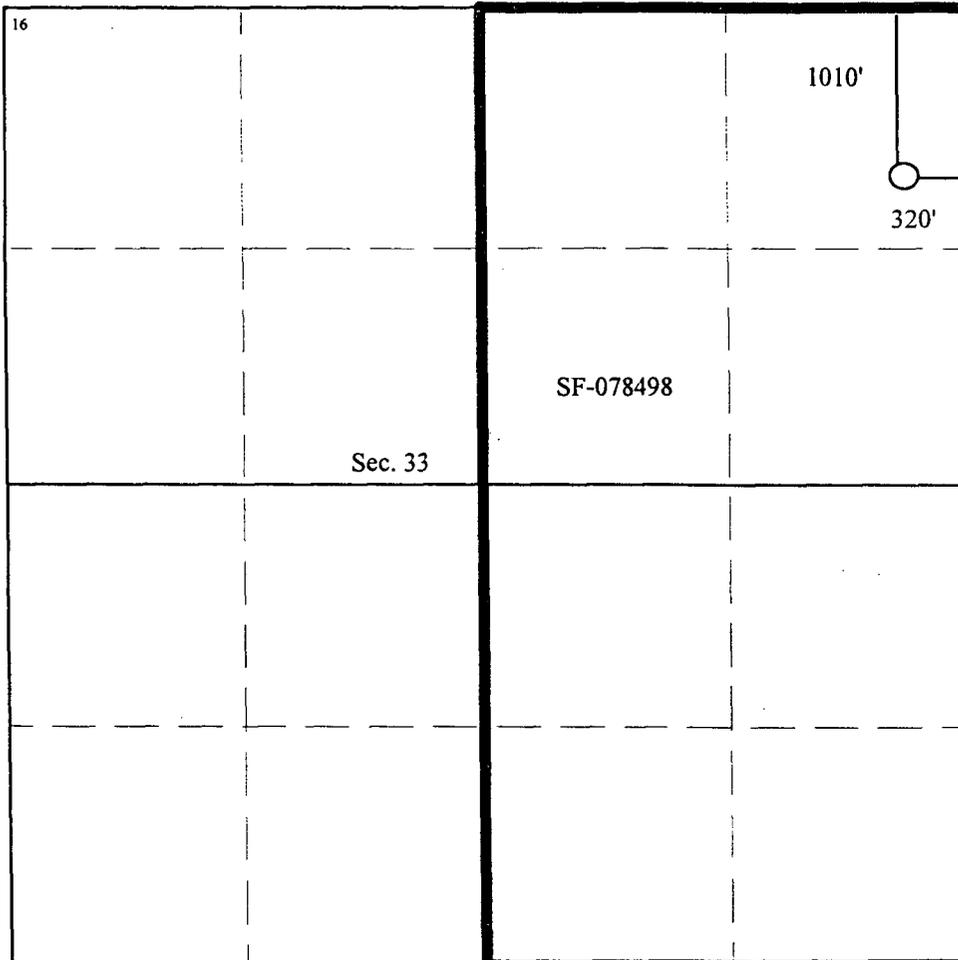
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	33	28N	7W		1010	N	320	E.	Rio Arriba

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

12 Dedicated Acres 316.32	13 Joint or Infill	14 Consolidation Code	15 Order No.
------------------------------	--------------------	-----------------------	--------------

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



17 OPERATOR CERTIFICATION

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

Jerry W. Hoover
Signature
Jerry W. Hoover
Printed Name

Sr. Cons. Coordinator, Conoco Inc.
Title

March 4, 1997
Date

Date

18 SURVEYOR CERTIFICATION

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 belief.

Date of Survey
Signature and Seal of Professional Surveyor:

Certificate Number

Sec : 33 Twp : 28N Rng : 07W Section Type : NORMAL

L 40.00 Federal owned U	K 40.00 Federal owned U	J 40.00 Federal owned U	I 40.00 Federal owned U
4 37.96 Federal owned U	3 38.04 Federal owned U A	2 38.12 Federal owned U A	1 38.20 Federal owned U

PF01 HELP PF02 PF03 EXIT PF04 GoTo PF05 PF06
PF07 BKWD PF08 FWD PF09 PRINT PF10 SDIV PF11 PF12

78.12

78.20
78.12

156.32
16

316.32

Sec : 33 Twp : 28N Rng : 07W Section Type : NORMAL

D 40.00 Federal owned U A	C 40.00 Federal owned U	B 40.00 Federal owned U	A 40.00 Federal owned U A A
E 40.00 Federal owned U	F 40.00 Federal owned U	G 40.00 Federal owned U	H 40.00 Federal owned U

PF01 HELP PF02 PF03 EXIT PF04 GoTo PF05 PF06
PF07 BKWD PF08 FWD PF09 PRINT PF10 SDIV PF11 PF12

**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. 11349
Order No. R-10476**

**APPLICATION OF CONOCO INC. FOR
DOWNHOLE COMMINGLING AND FOR TWO
UNORTHODOX GAS WELL LOCATIONS, RIO
ARRIBA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on July 27, 1995, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 6th day of October, 1995, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Conoco Inc., seeks approval to commingle gas production from the Basin-Dakota and Blanco-Mesaverde Gas Pools within fourteen (14) existing Basin-Dakota Gas Pool wells, and within seventeen (17) wells to be subsequently drilled as Dakota-Mesaverde commingled completions, all as shown on Exhibit "A" attached hereto, and all located within its San Juan 28-7 Unit located in portions of Townships 27 and 28 North, Range 7 West, NMPM, Rio Arriba County, New Mexico.

(3) The applicant further seeks:

- a) to establish an administrative procedure whereby additional wells within its San Juan 28-7 Unit, either existing or subsequently drilled, may be downhole commingled in the Basin-Dakota and Blanco-Mesaverde Gas Pools upon submission and approval of an application to the Aztec District Office of the Division; and,
- b) approval to drill its San Juan 28-7 Unit Well Nos. 125M and 157M, both wells proposed to be downhole commingled, at unorthodox gas well locations for both the Basin-Dakota and Blanco-Mesaverde Gas Pools 580 feet from the North line and 1140 feet from the West line (Unit D) of Section 12, and 798 feet from the South line and 712 feet from the East line (Unit P) of Section 11, respectively, both in Township 27 North, Range 7 West, NMPM.

(4) Conoco is the current operator of the San Juan 28-7 Unit, a Federal Exploratory unit which currently encompasses approximately 31,000 acres.

(5) Both the Blanco-Mesaverde and Basin-Dakota Gas Pools have been extensively developed within the San Juan 28-7 Unit with approximately 110 existing Mesaverde and 127 existing Dakota producing wells.

(6) According to applicant's land testimony, the interest ownership between the Dakota and Mesaverde formations within any given wellbore in the unit is not common due to differing Dakota and Mesaverde Participating Areas (PA's).

(7) The applicant provided notice of its application to all offset operators and to all working, royalty and overriding royalty interest owners within the existing San Juan 28-7 Unit Dakota and Mesaverde PA's, including the Commissioner of Public Lands for the State of New Mexico and the United States Bureau of Land Management. No offset operator and/or interest owner appeared at the hearing in opposition to the application.

(8) The geologic evidence and testimony presented by the applicant indicates that within the San Juan 28-7 Unit:

- a) the regional dip within both the Dakota and Mesaverde formations is from the southwest to the northeast;
- b) the Mesaverde formation is continuous and productive throughout the entire unit, with production predominantly originating from the Point Lookout and Cliffhouse intervals. Mesaverde wells located within the north and northeast portion of the unit generally exhibit better producing rates and higher cumulative gas recoveries due to better sand development in the Point Lookout and Cliffhouse intervals;
- c) the Mesaverde formation is relatively "tight" with low porosities and permeabilities;
- d) the Dakota formation is continuous and productive throughout the entire unit, and Dakota wells generally exhibit consistent producing rates and cumulative gas recoveries; and,
- e) there is potential for the recovery of additional gas reserves from both the Mesaverde and Dakota formations from recompletions and infill drilling.

(9) Applicant's geologic and engineering evidence and testimony indicates that:

- a) 55 MCF gas per day is the current average Dakota producing rate within those fourteen existing wells applicant proposes to recomplete and downhole commingle with Mesaverde production;
- b) 73 MCF gas per day is the current average producing rate of existing Mesaverde wells located within those Sections in which the fourteen existing Basin-Dakota Gas Pool wells are located;
- c) current Dakota and Mesaverde production within those sections applicant proposes to drill its seventeen infill wells averages approximately 82 and 88 MCF gas per day, respectively.

(10) In its proposed recompletions and infill wells, the applicant expects to obtain initial stabilized producing rates from each of the proposed commingled formations ranging from 200-600 MCF gas per day.

(11) In its attempt to analyze recoverable gas reserves and the feasibility of infill drilling within the unit, and in order to provide a mechanism whereby commingled production could be fairly allocated between the Dakota and Mesaverde reservoirs within the proposed commingled wells, the applicant has constructed a computer assisted production model of the San Juan 28-7 Unit.

(12) The data utilized to construct and verify the model, as well as the results of the computer model, indicate that:

- a) at the end of a ten year production period, cumulative gas recoveries from the Mesaverde and Dakota formations in the proposed commingled infill wells range from 350-875 MMCFG, and 350-700 MMCFG, respectively;
- b) at the end of a one year production period, Mesaverde and Dakota production from 1980's infill wells within the unit averaged approximately 250 MCF gas per day for each of the intervals;
- c) at the end of a six month production period, Mesaverde and Dakota production from 1994's infill wells within the unit averaged approximately 250 and 300 MCF gas per day, respectively.

(13) According to applicant's evidence and testimony, a dually completed well within the San Juan 28-7 Unit costs approximately \$785,000. A similar commingled Dakota/Mesaverde well costs approximately \$545,000.

(14) The applicant utilized the data obtained from the production model to determine the economic viability of drilling dually completed wells within the San Juan 28-7 Unit instead of drilling commingled wells. The results of this analysis indicates that drilling commingled wells is the only viable economic method of recovering remaining gas reserves from the Dakota and Mesaverde formations within the San Juan 28-7 Unit.

(15) The applicant also provided evidence and testimony which shows that due to the presence of water and condensate within both the Dakota and Mesaverde formations, some wells within the unit are experiencing a liquid loading problem. This liquid loading problem, according to applicant's testimony, hampers efficient gas production.

(16) Downhole commingling of Dakota and Mesaverde production within the subject wells, as opposed to dual or single completions, will greatly benefit liquids removal from the wellbores, which should in turn result in the ultimate recovery of a greater amount of gas from the unit area, thereby preventing waste.

(17) The applicant further demonstrated through its evidence and testimony that within the wells it proposes to commingle within the unit:

- a) neither commingled zone exposes the other to damage by produced liquids;
- b) the fluids from each zone are compatible with the other;
- c) the value of the commingled production is not less than the sum of the values of the individual production.

(18) Applicant's evidence and testimony indicates that the bottomhole pressures of the Dakota and Mesaverde formations within the San Juan 28-7 Unit are in the range of 1700-2500 psi and 750-950 psi, respectively. These pressures exceed the 50 percent pressure differential requirement as contained within Division Rule No. 303(C).

(19) According to applicant's evidence and testimony, the pressure differentials between the subject reservoirs should not result in crossflow, provided that the wells are not shut-in for an extended period of time, for the following reasons:

- a) the Mesaverde formation, being the lower pressured zone, has relatively low porosity and permeability;
- b) seven day shut-in pressure tests within the unit indicate on average a 45 percent difference in pressures between the Mesaverde and Dakota intervals.

(20) Provided that the subject commingled wells are not shut-in for an extended period of time, the evidence and testimony indicates that crossflow should not occur.

(21) The downhole commingling of the fourteen existing wells and the seventeen proposed infill wells within the San Juan 28-7 Unit will benefit the working, royalty and overriding royalty interest owners within the unit, will result in the recovery of gas reserves which may otherwise not be recovered, thereby preventing waste, and will not violate correlative rights.

(22) The applicant proposed that the allocation of production between the Dakota and Mesaverde formations within the fourteen existing Dakota wells be accomplished by projecting future Dakota production based upon known historical production data and attributing any production over these projections to the Mesaverde interval.

(23) The applicant proposed that the allocation of production between the Dakota and Mesaverde formations within the seventeen proposed infill wells be accomplished by utilizing the data obtained from a minimum three month production test on each zone.

(24) The evidence presented indicates that the applicant's proposed method of allocation is fair and reasonable and should be adopted.

(25) The applicant should consult with the supervisor of the Division's Aztec District Office subsequent to the completion of testing operations on the seventeen infill wells in order to arrive at fixed allocation percentages for each well.

(26) The applicant further seeks authority to drill its San Juan 28-7 Unit Well Nos. 125M and 157M, both wells proposed to be downhole commingled, at unorthodox gas well locations for both the Basin-Dakota and Blanco-Mesaverde Gas Pools as described in Finding No. (3) above.

(27) The evidence and testimony presented by the applicant indicates that the proposed unorthodox locations are necessitated by topographic conditions within the NW/4 of Section 12 and the SE/4 of Section 11.

(28) No offset operator and/or interest owner appeared at the hearing in opposition to the proposed downhole commingling and/or unorthodox gas well locations.

(29) The applicant's request to establish an administrative procedure whereby the downhole commingling of Mesaverde and Dakota production within existing or additional future infill wells may be reviewed and processed by the supervisor of the Division's Aztec District Office should not be approved at the current time for the following reasons:

- a) a transfer of duties relating to the review and process of administrative downhole commingling applications from the Santa Fe Office of the Division to various Division District Offices is a major policy change which is beyond the scope of this application; and,

- b) a New Mexico Oil & Gas Association/Industry Committee is in the process of formulating revised changes to Division Rule No. 303(C) (Downhole Commingling) which will likely include a provision similar to that proposed by the applicant. Such amendment will be appropriately considered by the Oil Conservation Commission.

(30) The operator should immediately notify the supervisor of the Aztec district office of the Division any time any of the subject wells have been shut-in for seven consecutive days and shall concurrently present, to the Division, a plan for remedial action.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Conoco Inc., is hereby authorized to commingle gas production from the Basin-Dakota and Blanco-Mesaverde Gas Pools within fourteen (14) existing Basin-Dakota Gas Pool wells, and within seventeen (17) wells to be subsequently drilled as Dakota-Mesaverde commingled completions, all as shown on Exhibit "A" attached hereto, and all located within its San Juan 28-7 Unit located in portions of Townships 27 and 28 North, Range 7 West, NMPM, Rio Arriba County, New Mexico.

(2) The applicant is further authorized to drill its San Juan 28-7 Unit Well Nos. 125M and 157M, both wells to be downhole commingled Dakota/Mesaverde completions, at unorthodox gas well locations for both the Basin-Dakota and Blanco-Mesaverde Gas Pools 580 feet from the North line and 1140 feet from the West line (Unit D) of Section 12, and 798 feet from the South line and 712 feet from the East line (Unit P) of Section 11, respectively, both in Township 27 North, Range 7 West, NMPM.

(3) The allocation of production between the Dakota and Mesaverde formations within the fourteen existing Dakota wells shall be accomplished by projecting future Dakota production based upon known historical production data and attributing any production over these projections to the Mesaverde interval.

(4) The allocation of production between the Dakota and Mesaverde formations within the seventeen proposed infill wells shall be determined by utilizing the data obtained from a minimum three month production test on each zone.

(5) The applicant shall consult with the supervisor of the Division's Aztec District Office subsequent to the completion of testing operations on the seventeen infill wells in order to arrive at fixed allocation percentages for each well.

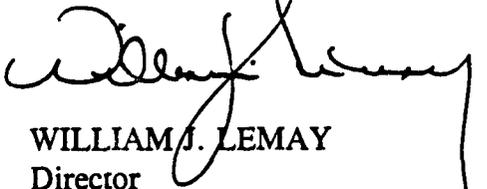
(6) The operator shall immediately notify the supervisor of the Aztec district office of the Division any time any of the subject wells have been shut-in for seven consecutive days and shall concurrently present, to the Division, a plan for remedial action.

(7) The applicant's request to establish an administrative procedure whereby the downhole commingling of Mesaverde and Dakota production within existing or additional future infill wells may be reviewed and processed by the supervisor of the Division's Aztec District Office is hereby denied.

(8) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

S E A L

EXHIBIT "A"
DIVISION CASE NO. 11349
ORDER NO. R- 10476
EXISTING WELLS

<u>WELL NAME & NUMBER</u>	<u>WELL LOCATION</u>
San Juan 28-7 Unit No. 242E	900' FSL & 800' FWL (M) 7-28N-7W
San Juan 28-7 Unit No. 233	1460' FNL & 1000' FWL (E) 14-28N-7W
San Juan 28-7 Unit No. 255	1890' FNL & 1130' FWL (E) 15-28N-7W
San Juan 28-7 Unit No. 255E	1540' FSL & 800' FWL (L) 15-28N-7W
San Juan 28-7 Unit No. 234	2150' FSL & 1840' FEL (J) 15-28N-7W
San Juan 28-7 Unit No. 231	1495' FNL & 875' FWL (E) 16-28N-7W
San Juan 28-7 Unit No. 231E	1915' FSL & 1930' FWL (K) 16-28N-7W
San Juan 28-7 Unit No. 195	1550' FSL & 1840' FEL (J) 16-28N-7W
San Juan 28-7 Unit No. 239	2080' FSL & 950' FWL (L) 17-28N-7W
San Juan 28-7 Unit No. 257E	990' FSL & 1850' FEL (O) 19-28N-7W
San Juan 28-7 Unit No. 194E	1670' FSL & 1060' FEL (I) 21-28N-7W
San Juan 28-7 Unit No. 252	79' FNL & 1850' FWL (C) 32-28N-7W
San Juan 28-7 Unit No. 192	736' FNL & 990' FWL (D) 33-28N-7W
San Juan 28-7 Unit No. 191	890' FSL & 1780' FEL (O) 33-28N-7W

WELLS TO BE DRILLED

San Juan 28-7 Unit No. 159M	1550' FSL & 1850' FEL (J) 22-28N-7W
San Juan 28-7 Unit No. 258M	1523' FNL & 933' FWL (E) 23-28N-7W
San Juan 28-7 Unit No. 259M	790' FNL & 960' FWL (D) 24-28N-7W
San Juan 28-7 Unit No. 222M	916' FNL & 813' FWL (D) 25-28N-7W
San Juan 28-7 Unit No. 188M	1640' FNL & 1530' FWL (F) 26-28N-7W
San Juan 28-7 Unit No. 223M	830' FSL & 930' FEL (P) 26-28N-7W
San Juan 28-7 Unit No. 230M	1190' FSL & 870' FEL (P) 29-28N-7W
San Juan 28-7 Unit No. 131M	1150' FNL & 1055' FWL (D) 34-28N-7W
San Juan 28-7 Unit No. 225M	830' FSL & 930' FEL (P) 34-28N-7W
San Juan 28-7 Unit No. 183M	870' FSL & 1480' FEL (O) 1-27N-7W
San Juan 28-7 Unit No. 130M	808' FNL & 1182' FWL (D) 2-27N-7W
San Juan 28-7 Unit No. 182M	1610' FSL & 1674' FEL (J) 3-27N-7W
San Juan 28-7 Unit No. 156M	1028' FSL & 1872' FEL (O) 10-27N-7W
San Juan 28-7 Unit No. 124M	1170' FNL & 1842' FWL (C) 11-27N-7W
San Juan 28-7 Unit No. 157M **	798' FSL & 712' FEL (P) 11-27N-7W
San Juan 28-7 Unit No. 125M **	580' FNL & 1140' FWL (D) 12-27N-7W
San Juan 28-7 Unit No. 132M	1488' FNL & 1100' FWL (E) 15-27N-7W

** - Unorthodox gas well locations as described in Finding No. (3) above.

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. 11502
ORDER NO. R-10476-A

**APPLICATION OF CONOCO, INC. TO AMEND DIVISION ORDER NO. R-10476
FOR AN ADDITIONAL UNORTHODOX GAS WELL LOCATION, RIO ARRIBA
COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on April 4, 1996, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 23rd day of April, 1996 the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) By Order No. R-10476, issued in Case 11349 and dated October 6, 1995, the Division authorized Conoco, Inc. to commingle gas production from the Basin-Dakota and Blanco-Mesaverde Pools within fourteen (14) existing Basin-Dakota Pool gas wells, and within seventeen (17) wells to be subsequently drilled and initially completed as Dakota/Mesaverde commingled wells, all located within its San Juan 28-7 Unit located in portions of Townships 27 and 28 North, Range 7 West, NMPM, Rio Arriba County, New Mexico. Two of the proposed seventeen wells, the San Juan 28-7 Unit Well Nos. 125-M and 157-M, were authorized to be drilled at the following unorthodox gas well locations in Township 27 North, Range 7 West, NMPM, Rio Arriba County, New Mexico for both intervals:

- Well No. 125-M to be drilled 580 feet from the North line and 1140 feet from the West line (Unit D) of Section 12; and,

- Well No. 157-M to be drilled 798 feet from the South line and 712 feet from the East line (Unit P) of Section 11.

(3) In particular, the proposed San Juan 28-7 Unit Well No. 159-M, included in said Order No. R-10476, was to be drilled at a standard "infill" gas well location 1550 feet from the South line and 1850 feet from the East line (Unit J) of said Section 22, Township 28 North, Range 7 West, NMPM, Rio Arriba County, New Mexico.

(4) By application dated January 31, 1996, Conoco, Inc., filed with the Division a request for administrative approval to move the proposed location for the San Juan 28-7 Unit Well No. 159-M from the proposed standard "infill" location to an unorthodox "infill" gas well location for both pools 1605 feet from the South line and 330 feet from the East line (Unit I) of said Section 22. Production from both pools in said well is to be included to the existing standard 320-acre gas spacing and proration units comprising the E/2 of said Section 22, which production is currently dedicated as follows:

- (a) for the Blanco-Mesaverde Pool; the San Juan 28-7 Unit Well No. 76 (API No. 30-039-07384) located at a standard gas well location 990 feet from the North and East lines (Unit A) of said Section 22; and,
- (b) for the Basin-Dakota Pool; the San Juan 28-7 Unit Well No. 159 (API No. 30-039-20384) located at a standard gas well location 1750 feet from the North line and 1460 feet from the East line (Unit G) of said Section 22.

(5) The necessity for this move stems from numerous archaeological and topographic conditions within the SE/4 of said Section 22 that made drilling at a "standard" gas well location within this quarter section unacceptable to the United States Bureau of Land Management's Carlsbad Resource Area Office (U. S. BLM), being the surface use management agency for said Section 22. The subject location, being acceptable to the U. S. BLM, was also chosen over other unorthodox locations for reservoir drainage integrity reasons.

(6) Subsequent to the submittal of additional data in support of this filing, the Division caused this matter to be set for hearing before an Examiner.

(7) This case was styled such that in the absence of objection this case would be taken under advisement.

(8) No appearances were made in this case at the time of the hearing.

(9) The E/2 of said Section 22 is within Conoco's San Juan 28-7 Unit; therefore, pursuant to Division Rule 1207.A(5), no notice was required by the applicant to any offset operator and/or interest owner in this case.

(10) Approval of this application is in the best interest of conservation, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) Conoco, Inc. as applicant in this case is hereby authorized to drill its San Juan 28-7 Unit Well No. 159-M at an unorthodox "infill" gas well location for both the Blanco-Mesaverde and Basin-Dakota Pools 1605 feet from the South line and 330 feet from the East line (Unit I) of Section 22, Township 28 North, Range 7 West, NMPM, Rio Arriba County, New Mexico. Production from both pools in said well shall be attributed to the existing standard 320-acre gas spacing and proration units comprising the E/2 of said Section 22, which production is currently dedicated as follows:

- (a) for the Blanco-Mesaverde Pool; the San Juan 28-7 Unit Well No. 76 (API No. 30-039-07384) located at a standard gas well location 990 feet from the North and East lines (Unit A) of said Section 22; and,
- (b) for the Basin-Dakota Pool; the San Juan 28-7 Unit Well No. 159 (API No. 30-039-20384) located at a standard gas well location 1750 feet from the North line and 1460 feet from the East line (Unit G) of said Section 22.

(2) In Exhibit "A" on page 9 of Division Order No. 10476, issued in Case 11349 and dated October 6, 1995, being one in the same, the referenced location for the San Juan 28-7 Unit Well No. 159-M is hereby amended to read as follows:

"1605' FSL & 330' FEL (Unit I) of Section 22".

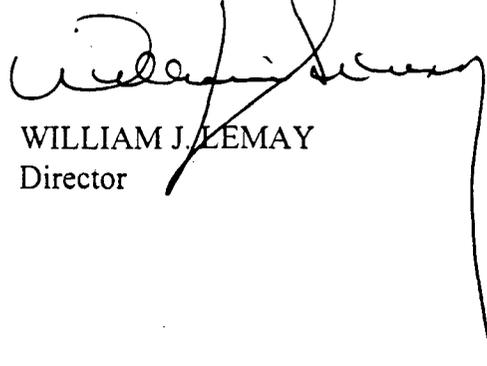
(3) All other provisions of said Order No. R-10476 shall remain in full force and effect until further notice.

(4) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Case No. 11502
Order No. R-10476-A
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DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read 'William J. Lemay', is written over the typed name. The signature is fluid and cursive, with a long vertical stroke extending downwards from the end of the name.

WILLIAM J. LEMAY
Director

SEAL