

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

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**IN THE MATTER OF THE APPLICATION
OF CONOCOPHILLIPS COMPANY AND
BURLINGTON RESOURCES OIL & GAS COMPANY LP
TO TERMINATE THE TRAIL CANYON CANYON-GALLUP GAS POOL
AND TO EXPAND THE BASIN-MANCOS GAS POOL,
SAN JUAN COUNTY, NEW MEXICO.**

CASE NO. 15011

SECOND AMENDED APPLICATION

ConocoPhillips Company ("CPC") and Burlington Resources Oil & Gas Company LP ("BR") by its attorneys, Kellahin & Kellahin, applies to the New Mexico Oil Conservation Division for the termination of the Trail Canyon-Gallup Gas Pool (Pool ID #86410), being parts of Sections 16, 17, 18 of T32N, R8W, NMPM, a pool for gas production from the Gallup portion of the Mancos Formation, to expand the Basin-Mancos Gas Pool (Pool ID #97232) to include all acreage that had been included to the Trail Canyon-Gallup Pool, San Juan County, New Mexico.

AND in support states:

- (1) BR is the current operator of the Trail Canyon 2 Well (API #30-045-24590) located in Unit H of Sec 18, T32N R8W producing from the only the Blanco Mesaverde Gas Pool and the Susco 16 State 1 Well (API #30-045-25278) located in Unit M of Sec 16, T32N R8W producing from the Basin-Dakota Pool. These are the only wells still producing in the Trail Canyon Gallup Gas Pool.
- (2) These Gallup wells are part of the larger Mancos formations which is located vertically between the base of the Mesaverde formation and the top of the Dakota formations is widely known as being marginally productive and for the most part is only economic if developed concurrently with Mesaverde and/or Dakota wells.
- (3) CPC desires to streamline the regulatory process by termination of the Trail Canyon Gallup Gas Pool so that this acres is subject the Basin-Mancos Gas Pool rules and thus compatible with the Blanco Mesaverde and/or Baskin Dakota pool rules also on 320-acre spacing units.

- (4) By Order R-7277, dated March 1, 1983, the Division established the Trail Canyon-Gallup Pool and in doing so designated the following described acreage in the La Jara-Canyon-Gallup Pool:

Township 32 North, Range 8 West

Section 16: SW/4

Section 17: N/2, SE/4

Section 18: NE/4

See Locator Map attached as Exhibit "A" hereto

- (5) CPC is the Operator of the San Juan 32-8 Unit, which has the Trail Canyon – Gallup Pool in the N/2 and SW/4 of Section 17, Township 32 North, Range 8 West.
- (6) BR and CPC are the only operators in this Pool and BR currently operates these two active wells.
- (7) These two wells are contiguous to the San Juan 32-8 Unit but have not been designate part of any participation area. As drill block spacing units CPC owns 100%.
- (8) As a result of the entry of Order R-11363, Case 12346, dated April 26, 2000, the Basin-Dakota Pool (71599) and the Blanco-Mesaverde Pool (72319) were approved as "pre-approved pools" for downhole commingling of production thus eliminating the need to justify pressure and economic criteria on a well-by-well basis.
- (9) As a result of the entry of Order R-12984-B, Case 14862 dated June 25, 2012; the Basin-Mancos Gas Pool (97232) was approved as "pre-approved pools" for downhole commingling of production thus eliminating the need to justify certain criteria on a well-by-well basis.
- (10) In Division Case 14928, the Division entered Order R-13681, dated November 29, 2012, that approved the deletion of notice to some fourteen Township Units, including the San Juan 32-8 Unit, for downhole commingling of production from the Basin-Mancos, Basin-Dakota and/or the Blanco Mesaverde Pools.
- (11) The Trail Canyon Gallup Pool is not currently approved as a "pre-approved" downhole commingled pool. There are no regulatory reasons for maintain the Trail Canyon Gallup Pool as a separate pool when it should be designated part of the Basin-Mancos Gas Pool.

- (12) All of CPC's planned wellbores will be drilled as gas wells in the Basin-Dakota Gas Pool and the Blanco-Mesaverde Gas Pool with the Mancos added as a secondary target. The Gallup interval aka El Vado (or Niobrara Sandstone) is part of the Mancos Formation.
- (13) The anticipated productivity of the Trail Canyon Gallup of the Mancos Formation will be inadequate to justify drilling a vertical "stand-alone" wellbores into this zone. In order to be produced, these wells must be drilled as Basin-Mancos wells in conjunction with a well that also produces from either the Dakota or Mesaverde formations or both.
- (14) These future wellbores will be downhole commingled with production from the Mancos, Mesaverde and the Dakota formations. The existing two Gallup "gas" wells will not be adversely affected by inclusion in the Basin-Mancos Gas Pool or by being downhole commingled with production from the Dakota and/or Mesaverde formations.
- (15) The two existing gas wells in the Trail Canyon-Gallup Pool have demonstrated a limited drainage area thereby leaving possible production at locations outside of the "standard" wells location windows for this Pool.
- (16) Drilling of additional wells in the Trail Canyon Gallup Gas Pool pursuant to current well density rules will cause the operator and working interest owners to either drill too few wells or have to incur the time and expenses of seeking exceptions to certain Division's rules.
- (17) Approval of this application will provide greater flexibility for Trail Canyon Gallup Gas Pool wells and to allow a small resource to be developed in conjunction with Basin-Mancos Gas Pool, Basin Dakota Gas Pool and Blanco Mesaverde Gas Pool wells.
- (18) Approval of this application will protect correlative rights and prevent waste.
- (19) Applicants are the only operator is Gallup wells within the Trail Canyon-Gallup Pool and the only operator of Gallup wells within one mile of the outer boundary of this pool.
- (20) The existing two Gallup "gas" wells will not be adversely affected by inclusion in the Basin-Mancos Gas Pool or by being downhole commingled with production from the Dakota and/or Mesaverde formations.

(21) In accordance with the Division's notice requirements, a copy of this application will be sent to the interest owners notifying them of this case and of the applicant's request for a hearing of this matter before the Division on the Examiner's docket now scheduled for July 11, 2013

WHEREFORE, ConocoPhillips Company and Burlington Resources Oil and Gas Company LP, as applicant, requests that this application be set for hearing on July 11, 2013 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enters its order approving this application.

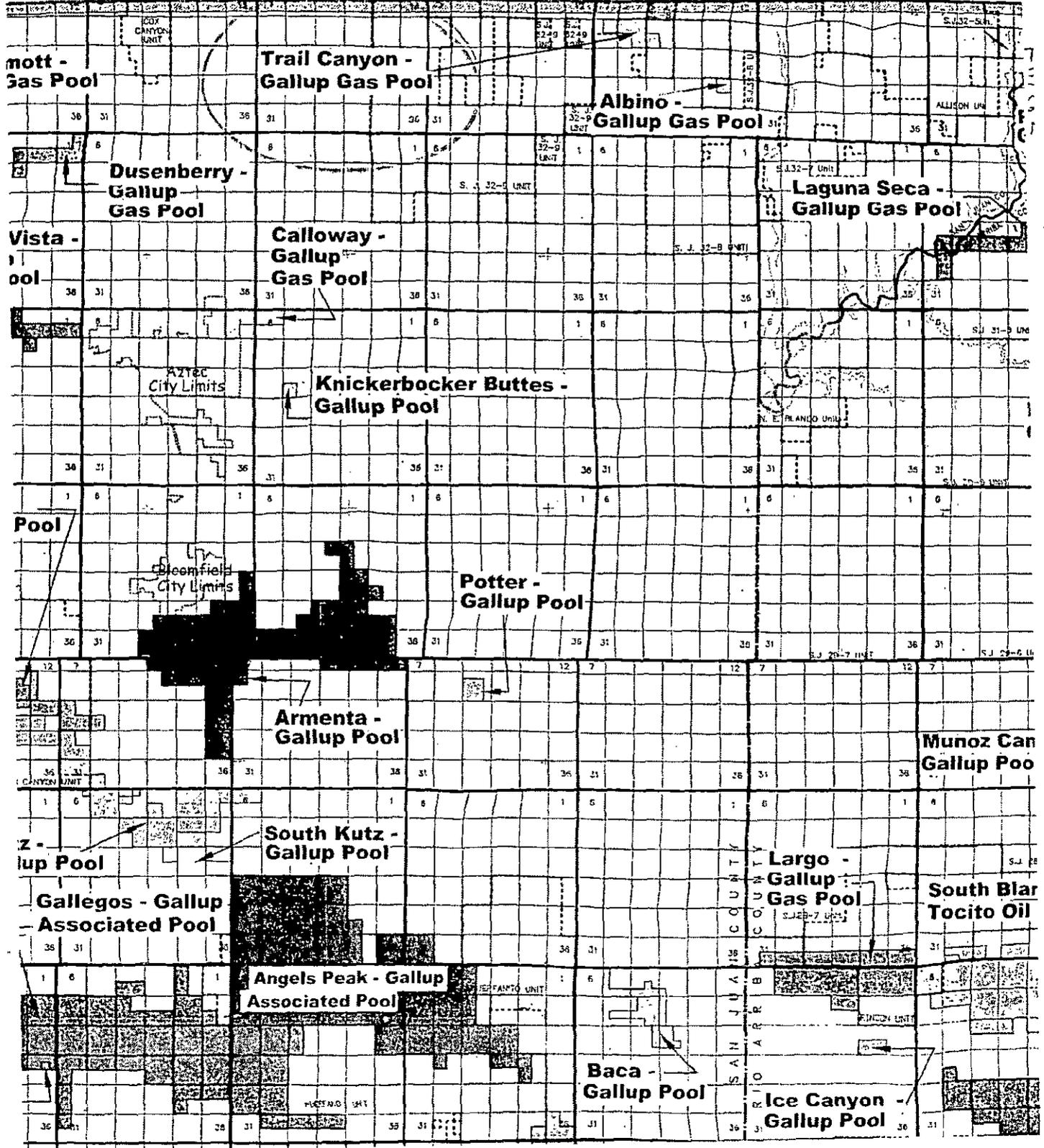
RESPECTFULLY SUBMITTED:

A large, stylized handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', is written over the typed name and partially over the 'RESPECTFULLY SUBMITTED:' text.

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Proposed Advertisement

CASE: 15011 ConocoPhillips Company, ("CPC") and Burlington Resources Oil & Gas Company LP ("BR") to terminate the Trail Canyon Gallup Gas Pool, San Juan County, New Mexico. Applicants, in the above styled cause, seek to the termination of the Trail Canyon-Gallup Gas Pool (Pool ID #86410), being parts of Sections 25, 26, 27, and 34 of T30N, R5W, NMPM, a pool for gas production from the Gallup portion of the Mancos Formation and to expand the Basin-Mancos Gas Pool (Pool ID #97232) to include all acreage that had been included to the Trail Canyon-Gallup Pool, San Juan County, New Mexico. The center of said area is located approximately 12 miles northeast of Cedar Hill, New Mexico