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September 27, 2006

**HAND DELIVERED**

Mr. Mark Fesmire, P.E., Director  
Oil Conservation Division  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

*Case 14016*

Re: Application of ConocoPhillips for an exception  
to the well density requirements of the  
Special Rules and Regulations for the Basin-Dakota  
Gas Pool, Rio Arriba County, New Mexico

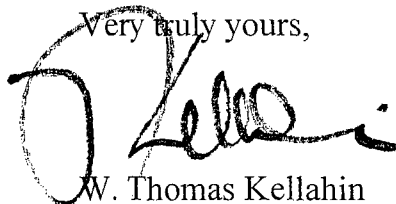
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W/2 Section 24, T28N, R7W including the simultaneous dedication  
for the San Juan 28-7 Unit Well 259 (Unit Letter L) and to  
the San Juan 28-7 Unit Well 259G (Unit Letter L) both located in the  
same 40-acre tract of the spacing unit.

Dear Mr. Fesmire:

On behalf of ConocoPhillips, please find enclosed our referenced  
application which we request be set for hearing on the Examiner's docket  
now scheduled for November 1, 2007. Also enclosed is our proposed  
advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: ConocoPhillips  
Attn: Alan Alexander

CASE 14016: Application of ConocoPhillips for an exception to the well density requirements of the Basin-Dakota Gas Pool, Rio Arriba County, New Mexico. Applicant seeks an exception to the well density requirements of Rule II.B of the Special Rules and Regulations for the Basin-Dakota Gas Pool to permit it to produce the following 2 Dakota gas wells in the same quarter-quarter section (NW/4SW/4) on a standard spacing and proration unit comprised of the W/2 of Section 24, T28N, R7W, NMPM:

(a) the San Juan 28-7 Unit Well No. 259 (API #30-039-21690) located 1450 feet FSL and 790 feet FWL (Unit L) of this section; and

(b) the San Juan 28-7 Unit Well No. 259G (API #30-039-21788) located 2370 feet FSL and 225 feet FWL (Unit L) of this section.

These wells are located approximately 8 miles southeast of Navajo City, New Mexico.

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

IN THE MATTER OF THE APPLICATION OF  
CONOCOPHILLIPS FOR AN EXCEPTION  
TO THE WELL DENSITY REQUIREMENTS  
FOR THE BASIN-DAKOTA  
GAS POOL, RIO ARRIBA COUNTY, NEW MEXICO.

CASE NO. 14016

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APPLICATION

ConocoPhillips, by its attorneys, Kellahin & Kellahin, seeks an order for an exception to the well density requirements of the Basin-Dakota Gas Pool, Rio Arriba County, New Mexico. Applicant seeks an exception to the well density requirements of Rule II.B of the Special Rules and Regulations for the Basin-Dakota Gas Pool to permit it to produce the following 2 Dakota gas wells in the same quarter-quarter section (NW/4SW/4) on a standard spacing and proration unit comprised of the W/2 of Section 24, T28N, R7W, NMPM:

In support of its application ConocoPhillips states:

- (1) ConocoPhillips is the current operator of the San Juan 28-7 Unit that includes, among other acreage, the W/2 of Section 24, T28N, R7W, Rio Arriba County, New Mexico.
- (2) Because this spacing unit ("GPU") is within the interior of this Federal Unit with all adjoining spacing units being in the Dakota participating area, all interest owners are common among the subject GPU and all adjoining GPUs.

This spacing Unit ("GPU") currently contains four wells completed in the Basin-Dakota Gas Pool as follows:

(a) the San Juan 28-7 Unit Well No. 259 (API #30-039-21690) located 1450 feet FSL and 790 feet FWL (Unit L) of this section; and

(b) the San Juan 28-7 Unit Well No. 259G (API #30-039-27290) located 2370 feet FSL and 225 feet FWL (Unit L) of this section

(c) the San Juan 28-7 Unit Well No. 259M (API #30-039-25558) located 790 feet FNL and 960 feet FWL (Unit D) of this section; and

(b) the San Juan 28-7 Unit Well No. 259F (API #30-039-27044) located 1945 feet FNL and 2225 feet FWL (Unit F) of this section.

- (3) The Basin-Dakota Gas Pool is governed by Special Rules and Regulations which provide for 320-acre spacing and proration units on which as many as four wells may be drilled. See As amended by Order R-10987-B, effective June 30, 2000 and Superseded by Order R-10981-B(1) effective January 29, 2002. These Special Pool Rules and Regulations provide, among other things, that an infill well shall not be located within the same quarter-quarter section (40-acre tract) as another well.
- (4) On or about April, 2006, ConocoPhillips completed the Well No. 259G in the Dakota such that the No. 259 and the No. 259G are both in the same quarter-quarter section and are located at standard distances from the outer boundaries of this GPU.
- (5) Upon becoming aware of its mistake, ConocoPhillips shut-in the Well No. 259 that remains shut-in and is not producing from the Dakota formation.

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(6) While the total number of four wells in this Dakota gas proration unit ("GPU") is allowed, the Well No. 259 and Well No. 259G are located in the same quarter-quarter section and therefore are in violation of the density requirements of these Special Pool Rules.

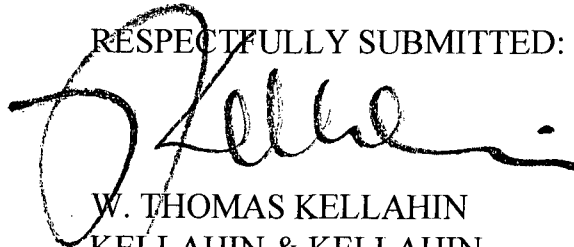
(7) ConocoPhillips therefore requests that the Division enter its order granting an exception to the well density requirements of Rule I.B of the Special Rules and Regulations of the Basin-Dakota Gas Pool approving the location of the San Juan 28-7 Unit Well No. 259 and the Well No. 259G in the same quarter-quarter section and authorizing ConocoPhillips to simultaneously produce both wells.

(8) Approval of this application will not impair the correlative rights of any other interest owner in the Basin-Dakota Gas Pool and will afford ConocoPhillips the opportunity to utilize the existing wells to produce the reserves from this GPU.

(9) Approval of this application will be in the best interests of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, ConocoPhillips requests that this application be set for hearing before an Examiner of the Oil Conservation Division on November 1, 2007 and after notice and hearing as required by law, the Division enter its order granting an exception to the well density requirements of Rule II.B of the Special Rules and Regulations of the Basin-Dakota Gas Pool approving the location of the San Juan 28-7 Unit Wells No.259 and 259G in the Dakota formation and authorizing ConocoPhillips to simultaneously produce both wells.

RESPECTFULLY SUBMITTED:



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