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W. THOMAS KELLAHIN*

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RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

November 13, 2000

HAND DELIVERED

Mr. Lori Wrotenbery, Director
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

Case 12556

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OIL CONSERVATION DIV.

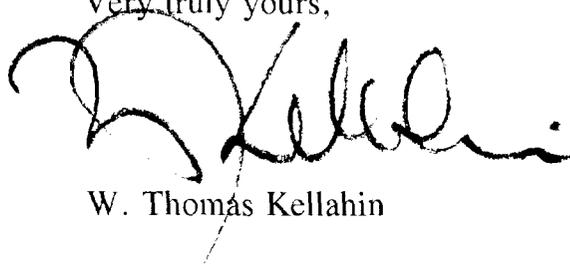
Re: *Application of Conoco Inc. to amend Division Order R-11139 to provide for the expansion of a pilot project within its San Juan 28-7 Unit including exceptions from the well density and locations requirements applicable to the Basin Dakota Gas Pool to determine proper well density requirements and well location requirements for Dakota wells, Rio Arriba County, New Mexico*

Dear Ms. Wrotenbery:

On behalf of Conoco Inc., please find enclosed our referenced application which we request be set for hearing on the next available Examiner's docket now scheduled for December 7, 2000.

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

Very truly yours,



W. Thomas Kellahin

cc: Conoco Inc.
Attn: Ms. Yolanda Perez
Attn: Mr. Marc Shannon

PROPOSED ADVERTISEMENT

Case 12,556: Application of Conoco Inc. to amend Division Order R-11139, Rio Arriba County, New Mexico. Applicant seeks to amend Division Order R-11139 to provide for the expansion of a pilot project within its San Juan 28-7 Unit. Applicant seeks approval to expand its pilot program including an exception for the San Juan 28-7 Unit from the Special Rule and Regulations for the Basin-Dakota Gas Pool and authorization to drill wells at unorthodox locations anywhere in the gas proration and spacing unit ("GPU") provided such wells are located no closer than 660 feet to the outer boundary of the San Juan 28-7 Unit or closer than 10 feet to any outer boundary of the quarter section on which the well is located and to increase the well density from the current maximum of two (2) wells (160-acre infill) per standard 320-acre GPU provided in Order R-8170 to a maximum of four (4) wells (80-acre infill) per standard 320-acre GPU for wells dedicated to the Basin Dakota Gas Pool within the San Juan 28-7 Unit but not more than one well per 160-acres for those proration units contiguous to the outer boundary of the San Juan 28-7 Unit. Applicant further seeks approval for nine (9) additional pilot project wells with eight (8) wells being at the following unorthodox well locations:

[insert list of unorthodox well locations from Exhibit "B"]

Applicant further seeks an administrative process for expanding the pilot project in include additional wells. This unit is located approximately 14 miles southwest of Gobernador Camp, New Mexico.

**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. TO
AMEND DIVISION ORDER R-11139 TO
PROVIDE FOR THE EXPANSION OF A PILOT
PROJECT IN ITS SAN JUAN 28-7 UNIT
INCLUDING UNORTHODOX WELL LOCATIONS
AND EXCEPTIONS FROM THE RULES AND
REGULATIONS FOR THE BASIN DAKOTA GAS POOL,
RIO ARRIBA COUNTY, NEW MEXICO**

CASE NO. 12556

APPLICATION

Comes now Conoco Inc. ("Conoco") and applies to the New Mexico Oil Conservation Division to amend Division Order R-11139 to provide for the expansion of Conoco's pilot program including an exception for the San Juan 28-7 Unit from the Special Rule and Regulations for the Basin-Dakota Gas Pool and authorization to drill wells at unorthodox locations anywhere in the gas proration and spacing unit ("GPU") provided such wells are located no closer than 660 feet to the outer boundary of the San Juan 28-7 Unit or closer than 10 feet to any outer boundary of the quarter section on which the well is located and to increase the well density from the current maximum of two (2) wells (160-acre infill) per standard 320-acre GPU provided in Order R-8170 to a maximum of four (4) wells (80-acre infill) per standard 320-acre GPU for wells dedicated to the Basin Dakota Gas Pool within the San Juan 28-7 Unit but not more than one well per 160-acres for those proration units contiguous to the outer boundary of the San Juan 28-7 Unit. Applicant further seeks approval for nine (9) additional pilot project wells with eight (8) wells being at unorthodox well locations.

In support of its application, Conoco states:

(1) Conoco is the current operator of the San Juan 28-7 Unit containing 31,200 acres, more or less and located in portions of Township 27 North, Range 7 West, and Township 28 North, Range 7 West NMPM. See Exhibit "A" attached.

(2) On February 18, 1999, the Division entered Order R-11139 which approved Conoco's application to conduct an 80-acre pilot infill program within its San Juan 28-7 Unit in the Basin-Dakota Gas Pool by the drilling of six infill wells at standard and unorthodox gas well locations. This pilot project was initially limited to the drilling of these six wells.

(3) Based upon a study of the geological and reservoir engineering data obtained from the initial pilot project, Conoco Inc. has concluded that there is a need to expand this pilot project.

(4) Accordingly, Conoco Inc. desires to expand its infill pilot program for the drilling of additional Basin-Dakota Gas Pool wells in the San Juan 28-7 Unit to provide additional data for reservoir engineering and geologic studies for the purposes of determining the proper well density not to exceed a maximum of four (4) wells per GPU ("80-acre infill") **and** for determining the well location requirements for wells in this pool.

(5) Conoco seeks an administrative process for expanding the pilot project to include additional wells. This current request is for nine (9) additional infill pilot project wells.

(6) The approval of an expanded pilot program which increases the density of Basin Dakota Gas Pool wells at unorthodox well locations within the San Juan 28-7 Unit will not violate correlative rights because the San Juan 28-7 Unit Agreement has established an equitable method for the allocation of production of Basin-Dakota Gas Pool production to all interest owners within the unit regardless of the number of wells drilled or where those wells are located.

(7) In order to protect the correlative rights of any owners adjacent to the outer boundary of this unit, Conoco Inc. proposes that the well density for each 160-acres within the unit along its outer boundary shall be limited to the current well density of not more than one (1) well per 160-acres with the proposed infill wells to be located within 10 feet of the outer boundary of the quarter section in which the well is located provided that such wells are located no closer than 660 feet to the outer boundary of the San Juan 28-7 Unit.

(8) Within the unit area, Conoco, Inc. proposes that:

(a) the well density shall not be more than two (2) wells per 160-acres within any standard 320-acre GPU;

(b) the proposed infill wells to be located anywhere within the GPU provided that such wells are located no closer than 10 feet to the outer boundary of a GPU; and

(c) the proposed infill wells to be located anywhere within the GPU provided that such wells are located no closer than 10 feet from the outer boundary of the quarter section on which the well is located.

(9) There will be no increase in the gas allowable or in the method of calculating gas allowables in the Basin-Dakota Gas Pool for any of the standard gas proration units targeted for the proposed infill drilling and producing program.

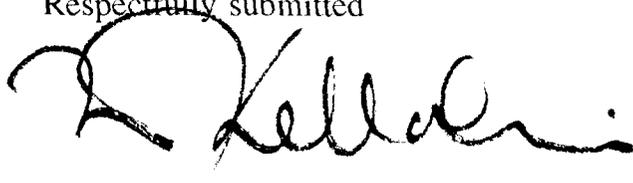
(10) This current expansion of the pilot project will include nine (9) wells as set forth on Exhibit "B" with eight (8) of these wells to be drilled at unorthodox locations from the current pool rules in an attempt to locate them in undrained portions of the reservoir.

(11) Copies of this application have been sent to all appropriate parties as required by the Division notice rules.

(12) Approval of this application is in the best interests of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE Applicant requests that this matter be set for hearing on December 7, 2000, 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". The signature is fluid and cursive, with a large initial "W" and a long, sweeping underline.

W. Thomas Kellahin
KELLAHIN and KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87504

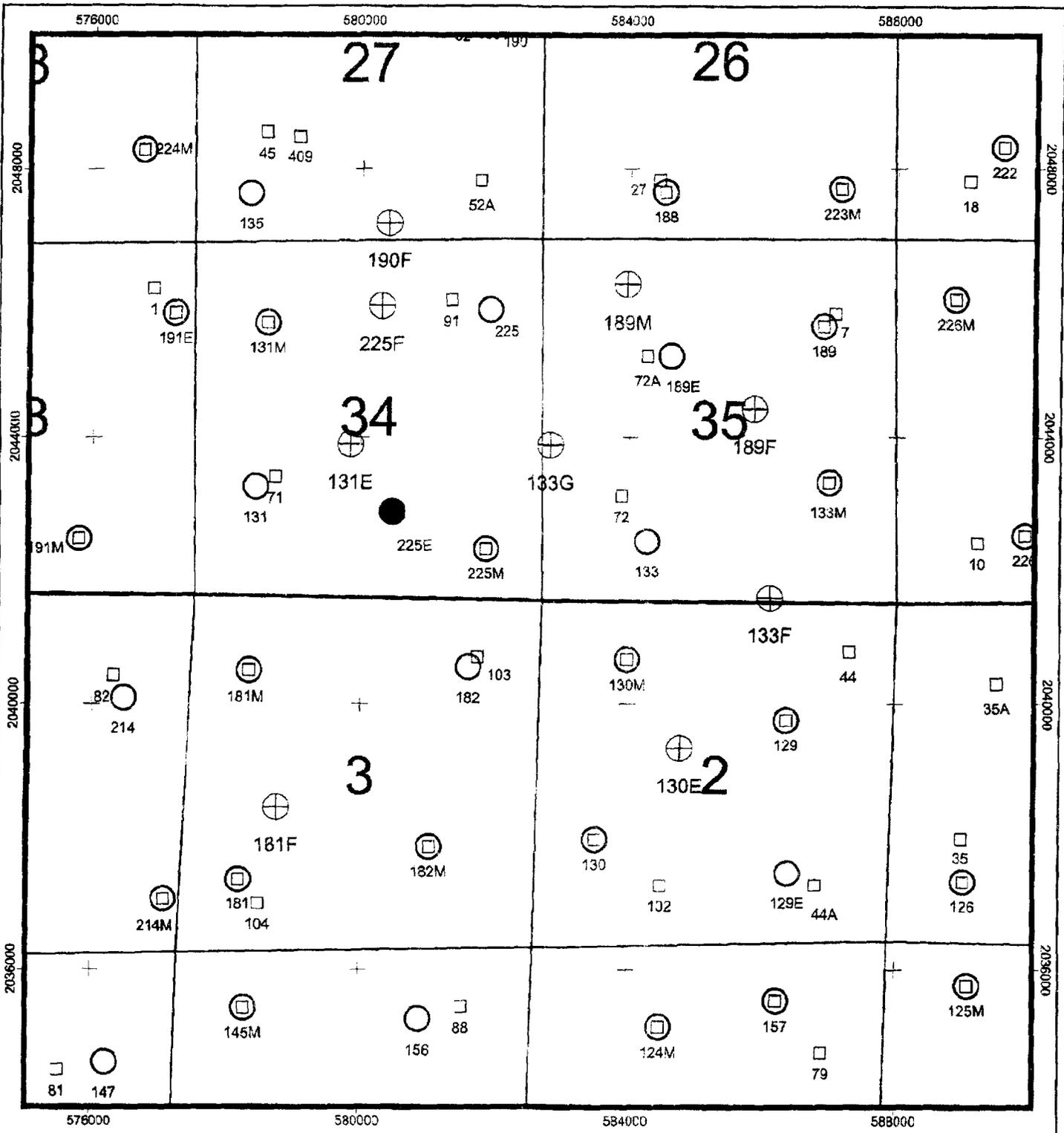
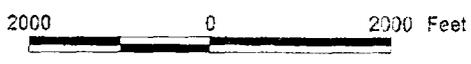


Exhibit A



(Note: all proposed pilot expansion locations are within PA)

- ⊕ Proposed Pilot Expansion Wells
- Phase 1 Pilot Wells
- Other Formations
- Dakota



San Juan Basin, N. M.	
San Juan 28-7 Unit	
Dakota Pilot Expansion	
Proposed Locations	
Author: Angela Whitfield	Des: 11/8/00
Compiled by:	Map 1 of 1
MD File:	

Exhibit B
San Juan 28-7 Unit
Dakota Pilot Expansion - 80 Acre Locations
Rio Arriba County, New Mexico

<u>Well Name</u>	<u>Location</u>	<u>Bottom-hole Location</u>	<u>Surface Locations</u>	<u>Standard/Non-standard</u>
San Juan 28-7 #131E	Sec. 34-28N-7W	2305' FSL-2485' FWL	2305' FSL-2485' FWL	Non-standard
San Juan 28-7 #225F	Sec. 34-28N-7W	740' FNL-2170' FEL	740' FNL-2170' FEL	Non-standard
San Juan 28-7 #190F	Sec. 27-28N-7W	250' FSL-2300' FEL	745' FNL-2145' FEL	Non-standard
San Juan 28-7 #189M	Sec. 35-28N-7W	700' FNL-1255' FWL	700' FNL-1255' FWL	Standard
San Juan 28-7 #189F	Sec. 35-28N-7W	2460' FNL-2280' FEL	2460' FNL-2280' FEL	Non-standard
San Juan 28-7 #133G	Sec. 35-28N-7W	2170' FSL-320' FWL	2170' FSL-320' FWL	Non-standard
San Juan 28-7 #133F	Sec. 35-28N-7W	295' FSL-2390' FEL	295' FSL-2390' FEL	Non-standard
San Juan 28-7 #130E	Sec. 2-27N-7W	2200' FNL-1900' FWL	2200' FNL-1900' FWL	Non-standard
San Juan 28-7 #181F	Sec. 3-27N-7W	2200' FSL-1400' FWL	2200' FSL-1400' FWL	Non-standard