



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

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Cabinet Secretary

August 1, 2000

Lori Wrotenbery

Director

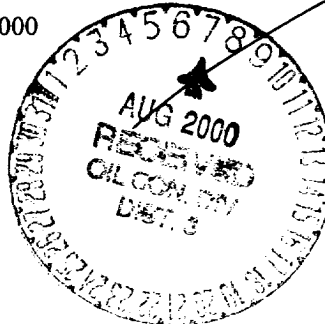
Oil Conservation Division

Conoco, Inc.

P. O. Box 2197 - DU3066

Houston, Texas 77252

Attention: Deborah Marberry



Re: Administrative application dated July 26, 2000 for an off-pattern non-standard coal gas well location within a standard 319.25-acre stand-up gas spacing and proration unit within the Basin-Fruitland Coal (Gas) Pool comprising the E/2 equivalent of Section 3, Township 27 North, Range 7 West, NMPM, Rio Arriba County, New Mexico/unorthodox Pictured Cliffs gas well location within a standard 160-acre gas spacing and proration unit within the South Blanco-Pictured Cliffs Pool comprising the SE/4 of Section 3 for the proposed San Juan "28-7" Unit Well No. 270 to be drilled 2580 feet from the South line and 275 feet from the East line (Unit 1) of Section 3.

Dear Ms. Marberry:

The Division's preliminary review of the subject application finds the geological reasoning for this particular location within the Pictured Cliffs interval to be adequate; however, as stated in previous correspondence when an existing well in the appropriate quarter section (NE/4 equivalent) of a proposed 320-acre, more or less, unit for the Fruitland coal gas interval could be utilized, additional information will be necessary to explain: (i) why that well (s) is not a good candidate for reentry and recompletion; and (ii) what complications Conoco expects to encounter if this well (s) were to be utilized. Also, a detailed explanation, with reservoir and geological support data, as to how and why the proposed off-pattern well will not adversely affect this pool's development, thereby preventing waste.

Further, in this situation where the proposed unorthodox location is only 275 feet from an offset proration unit and/or possible proration unit even though it is within the unitized area, the possibility of correlative rights violations exists. Please provide me a copy of the Unit participation maps for both the Pictured Cliffs and Fruitland coal intervals. This topic was discussed in Findings Paragraphs No. 15 through 20 in the recently issued Division Order No. R-10987-B (see copy attached). Should the W/2 equivalent of Section 2, Township 27 North, Range 7 West, NMPM, Rio Arriba County, New Mexico not be included within either the Pictured Cliffs or Fruitland coal participating areas of the San Juan "28-7" Unit, please explain in great detail how this extreme unorthodox location will not adversely affect the working, over-riding royalty, and royalty interests in the W/2 of Section 2 or, in the alternative, proceed on another course of action to assure such affect interests are protected.

Thank you for your cooperation, understanding, and continued support in making this very important portion of New Mexico's conservation rules a meaningful success.

Sincerely,

Michael E. Stogner

Chief Hearing Officer/Engineer

cc: ~~New Mexico Oil Conservation Division - Aztec~~
U. S. Bureau of Land Management - Farmington
New Mexico State Land Office - Santa Fe
Mr. W. Thomas Kellahin, Legal Counsel for Conoco, Inc. - Santa Fe
Ms. Lori Wrotenbery, Director - NMOCD, Santa Fe
Ms. Yolanda Perez, Conoco, Inc. - Houston

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