

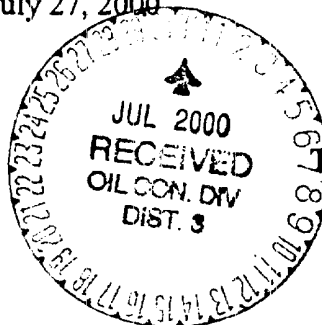


NEW MEXICO ENERGY, MINERALS and *Aztec* NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

July 27, 2000



Telefax No. (281) 293-5466

Conoco, Inc.
P. O. Box 2197 - DU3066
Houston, Texas 77252

Attention: Deborah Marberry

STH

Re: *Five administrative applications filed with the New Mexico Oil Conservation Division's ("Division") for exceptions to Rule 7 of the "Special Rules and Regulations for the Basin-Fruitland Coal (Gas) Pool," as promulgated by Division Order No. R-8768, as amended by Division Orders No. R-8768-A and R-8768-B, requesting authorization to drill the following five wells off-pattern from the normal development required in this pool: (i) San Juan "28-7" Unit Well No. 272 to be located 660' FNL & 1195' FWL (Unit D) of Section 35, T-28-N, R-7-W; (ii) San Juan "28-7" Unit Well No. 273 to be located 1325' FSL & 1560' FEL (Unit O) of Section 4, T-27-N, R-7-W; (iii) San Juan "28-7" Unit Well No. 276 to be located 960' FNL & 1065' FWL (Unit D) of Section 33, T-28-N, R-7-W; (iv) San Juan "28-7" Unit Well No. 277 to be located 935' FSL & 1765' FEL (Lot 2/Unit O) of Section 33, T-28-N, R-7-W; and (v) San Juan "28-7" Unit Well No. 279 to be located 1175' FNL & 845' FWL (Lot 4/Unit D) of Section 3, T-27-N, R-7-W; all in Rio Arriba County, New Mexico.*

Dear Ms. Marberry:

I have reviewed the above-described applications and discussed this matter with the technical staff of the Division's Aztec district office. These applications are hereby found to be inadequate, unjustified, and unwarranted.

The "Special Rules and Regulations for the Basin-Fruitland Coal (Gas) Pool," as promulgated by Division Order No. R-8768, issued in Case No. 9420 and dated October 17, 1988, as amended by Order No. R-8768-A, issued in Reopened Case No. 9420 on July 16, 1991, and Order No. R-8768-B, issued in Case No. 12296 and dated February 10, 2000, were established and modified over time in order to assure orderly development and to maximize recovery of gas reserves in this pool. Not only was the Division involved in creating and establishing operating procedures for this pool, many industry personnel representing various producers (including Conoco, Inc.) spent a tremendous amount of time and continue to do so under the name of the "Fruitland Coalbed Methane Committee" determining the optimal method and procedures for all to operate in order to prudently develop this unique and prolific reservoir.

Pool rules are serious matters for the purpose of orderly development of New Mexico's valuable oil and gas resources. It is very easy to get into a mode of thinking that considers these rules as minor inconveniences and applications for exceptions as "open and shut" issues. Given the poor quality of these applications and the fact that you called only one day after we had received them to check on their status, I detect that that might be occurring at Conoco. As I understand from Mr. Frank Chaves, Supervisor of the Division Aztec district office, this is not the relationship that they are used to experiencing with Conoco.

These five applications are hereby **denied** and are being returned to you at this time.

Should Conoco wish to pursue these applications, a hearing in Santa Fe before a duly appointed examiner will be required. At that time Conoco is to provide the Division with, but not necessarily limited to, any and all data pertaining to the current wells within the appropriate quarter section why they are not good candidates for reentry and recompletions, what complications Conoco expects to encounter if these wells were utilized. An detailed explanation with reservoir and geological support data as how and why the proposed off-pattern wells will not adversely affect this pools development thereby preventing waste.

Sincerely,

A handwritten signature in dark ink, appearing to read "Michael E. Stogner", with a long horizontal line extending to the right.

Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division - Aztec
U. S. Bureau of Land Management - Farmington
Kathy Valdes, NMOCD - 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

CONOCO

NSL 8/7/00

July 14, 2000

New Mexico Oil Conservation Division
2040 South Pacheco
Santa Fe, NM 87505

RE: San Juan 28-7 #273
Blanco P.C. South/Basin Fruitland Coal
Sec. 4, T27N, R7W
Rio Arriba County
API # - applied for

Dear Michael:

Conoco requests an unorthodox location for the above well located 1325' FSL & 1560' FEL Unit O. This well is located interior to the boundaries of the 28-7 Unit and does not affect any other unit. Conoco is the only operator in the 28-7 Unit.

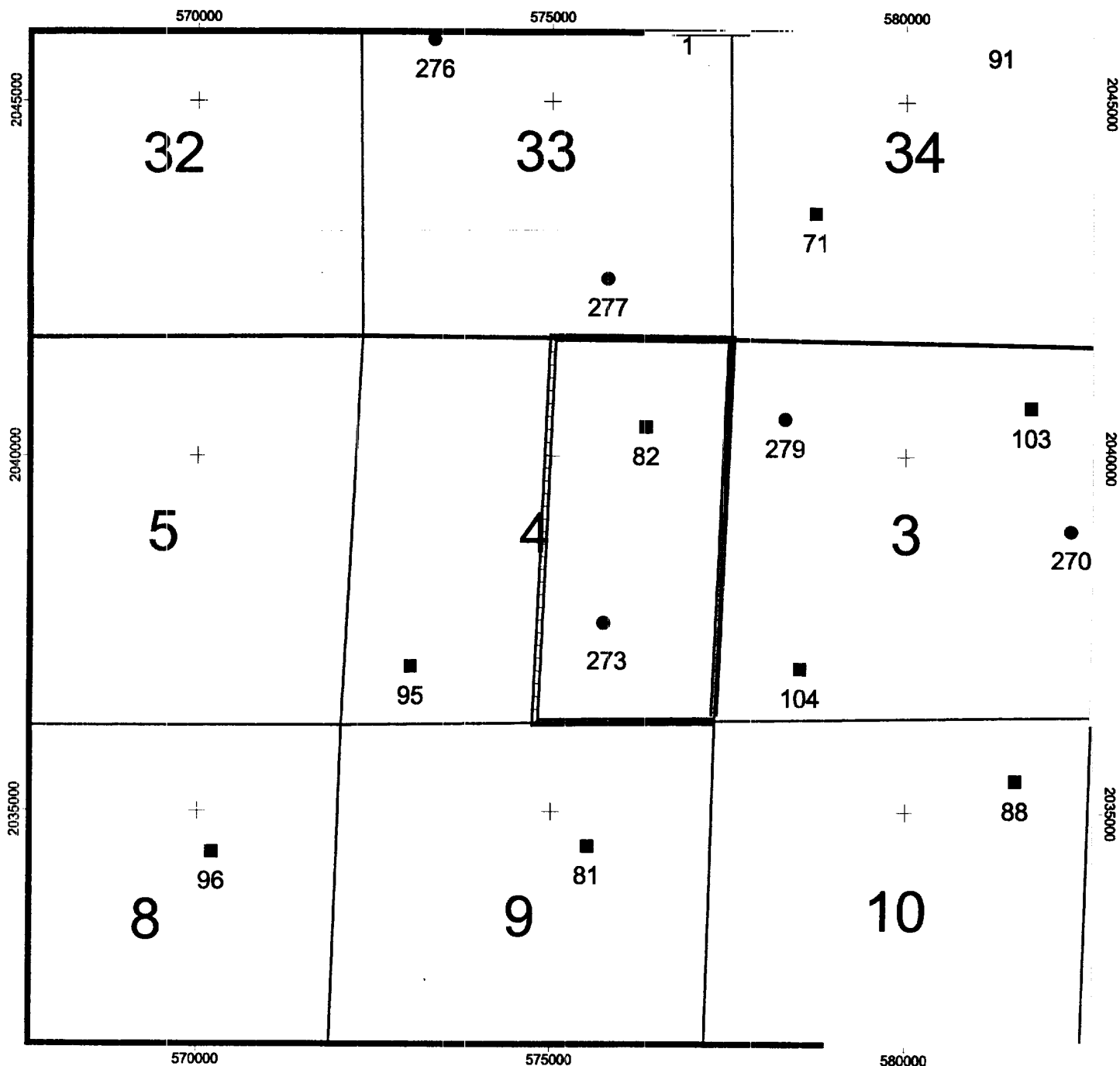
This requests allows Conoco the ability to access the Fruitland Coal within a new wellbore removing the risk of mechanical complications in existing wellbores.

If you have any questions or need additional information please give me a call @ (281) 293-1005.
Thank you for your time.

Sincerely,


Deborah Marberry
Regulatory Analyst

T27N R7W Section 4



NOTES

Conoco operates all wells within the 28-7 Unit. The wells represented show only Fruitland Coal and Pictured Cliffs wells. This well is interior to the 28-7 Unit. This unorthodox location is being requested in order to access Fruitland Coal reserves from this well bore removing the risk of mechanical complication in reworking existing well bores.

- Proposed Locations
- ▲ Fruitland Coal
- Pictured Cliff



CONOCO 28-7 UNIT
FC & PC PRODUCERS
SAN JUAN 28-7 #273
Unorthodox Location

Author: Angela Whitefield	Date: 7/12/00
Compiled by:	Map 1 of 1
Info File:	