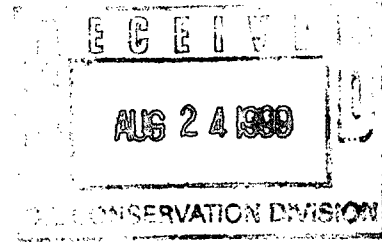


NSL 9/13/99



**PHILLIPS PETROLEUM COMPANY**  
FARMINGTON, NEW MEXICO 87401  
5525 HWY. 64 NBU 3004



August 23, 1999

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

Attn: Mr. Michael Stogner

**RE: REQUEST FOR ADMINISTRATIVE APPROVAL OF UNORTHODOX WELL LOCATION  
SAN JUAN 31-6 UNIT #3R WELL  
NE/4 SECTION 6-30N-6W  
RIO ARRIBA COUNTY, NEW MEXICO  
PHILLIPS CONTRACT C49866**

Dear Mr. Stogner:

Phillips Petroleum Company (Phillips) as Operator of the captioned well, respectfully requests administrative approval of an unorthodox well location for the said well.

Phillips has drilled the San Juan 31-6 Unit #3R well at a location of 1580' FNL & 1915' FEL of Section 6-30N-6W, Rio Arriba County, New Mexico. The #3R is a replacement for the #3 Mesaverde well, located in this same quarter section. This well will be a commingled well located in the Basin Dakota and Blanco Mesaverde Pools and will have the E/2 of Section 6 designated as the drillblock for the Mesaverde and as the drillblock for the Dakota. This is an orthodox location for the Mesaverde Pool, however it is not an orthodox location for the Dakota Pool as currently established. Through an oversight on my part, our request for approval of this unorthodox location for the Dakota portion of this well was not submitted prior to our drilling of the well.

In order to adequately develop the reserves in this area, it was determined that a commingled well of this nature would be the most effective means to accomplish this and prevent economic waste. It is unlikely that a Dakota well could be drilled as a stand-alone well on an economic basis. Economics are improved through the investment savings realized by drilling this well as a Dakota/Mesaverde commingled well.

There are significant topographical and archaeological limitations as to where this wellsite could be located and this also creates less surface disturbance, which is an increasing concern of the BLM and Fee surface owners, thus necessitating this request.

For your benefit in reviewing this request, we are providing the following:

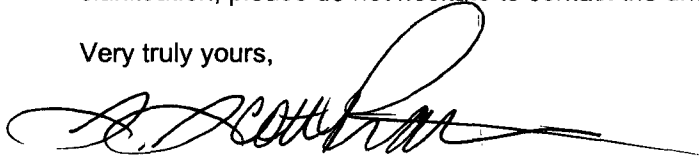
1. APD(and accompanying materials) approved by BLM
2. Offset Operator Plat
3. Copy of Letter from BLM
4. A copy of Order No. R-11188

This drill block is located within the confines of the San Juan 31-6 Unit and all offended drillblocks this location encroaches upon are also located within the confines of the San Juan 31-6 Unit. Since this is the case, it is our understanding that the 20-day notice period can be waived, due to Phillips operating all affected offsetting drillblocks. We respectfully ask that if possible, this request be expedited.

Unorthodox Well Location  
San Juan 31-6 Unit #3R Well  
May 14, 1999  
Page 2

We thank you for your considerate attention to this request and should you need additional information or clarification, please do not hesitate to contact the undersigned.

Very truly yours,

A handwritten signature in black ink, appearing to read 'S. Scott Prather', with a long, sweeping horizontal line extending to the right.

S. Scott Prather, CPL  
Senior Landman  
San Juan Basin  
(505) 599-3410

cc: J. L. Mathis (r) C40453  
Ernie Busch – OCD, Aztec

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

## APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK <b>DRILL</b> <input checked="" type="checkbox"/> <b>DEEPEN</b> <input type="checkbox"/>			5. LEASE DESIGNATION AND SERIAL NO. <b>NM-012735</b>	
1b. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER <input type="checkbox"/> SINGLE ZONE <input type="checkbox"/> MULTIPLE ZONE <input checked="" type="checkbox"/>			6. IF INDIAN, ALLOTTEE OR TRIBE NAME	
2. NAME OF OPERATOR <b>Phillips Petroleum Company</b>			7. UNIT AGREEMENT NAME <b>San Juan 31-6 Unit</b>	
3. ADDRESS AND TELEPHONE NO. <b>5525 Highway 64, NBU 3004, Farmington, NM 87401</b> <b>505-599-3454</b>			8. FARM OR LEASE NAME, WELL NO. <b>SJ 31-6 Unit #3R</b>	
4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements. *) At surface <b>Unit G, 1580' FNL &amp; 1915' FEL</b> At proposed prod. zone <b>Same as above</b>			9. API WELL NO. <b>30-039-26077</b>	
14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE* <b>19.5 miles NE of Blanco, NM</b>			10. FIELD AND POOL, OR WILDCAT <b>Blanco Mesaverde Basin Dakota</b>	
15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any) <b>1580'</b>			11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA <b>Sec. 6, T30N, R6W</b>	
16. NO. OF ACRES IN LEASE <b>639.40</b>			12. COUNTY OR PARISH <b>Rio Arriba,</b>	
17. NO. OF ACRES ASSIGNED TO THIS WELL <b>319.55 acres W/2</b>			13. STATE <b>NM</b>	
18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT. <b>500' 31-6 #207</b>			20. ROTARY OR CABLE TOOLS <b>Rotary</b>	
21. ELEVATIONS (Show whether DF, RT, GR, etc.) <b>unprepared ground level - 6302'</b>			22. APPROX. DATE WORK WILL START* <b>2nd Qtr 1999</b>	

## 23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
12-1/4"	9-5/8"	36#, J/K-55	350'	185 sx C1 H (222 cf)
8-3/4"	7"	20#, J/K-55	3542'	L-475 sx 35/65 C1 H POZ (998 cf)
				T-150 sx C1 H (180 cf)
6-1/4"	4-1/2"	11.6#, N-80	7887'	L-325 sx(50/50 POZ); T-150 sx C1 H*

\* Cement from the surface and intermediate casing will be circulated to the surface. The 4-1/2" casing cement is designed to cover openhole section (with 50% excess) and 100' inside the 7" shoe.

See the Drilling Prognosis for details on the cement and mud program.

See attached details on BOP equipment and cathodic protection.

This APD & pipeline qualify for APD/ROW process. See WFS's pipeline plat attached.

DRILLING OPERATIONS AUTHORIZED ARE  
SUBJECT TO COMPLIANCE WITH ATTACHEE  
"GENERAL REQUIREMENTS"

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24. SIGNED Patsy Clugston TITLE Regulatory Assistant DATE 1/14/99  
(This space for Federal or State office use)

PERMIT NO. \_\_\_\_\_ APPROVAL DATE MAR 11 1999

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

CONDITIONS OF APPROVAL, IF ANY:

APPROVED BY Chip Harada TITLE Rating Team Lead DATE 3/16/99

\*See Instructions On Reverse Side

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

OPERATOR

**OIL CONSERVATION DIVISION**  
2040 South Pacheco  
Santa Fe, NM 87505

☐ AMENDED REPORT

## WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number		2 Pool Code		3 Pool Name	
		71599		Basin Dakota	
4 Property Code		5 Property Name			6 Well Number
009259		SAN JUAN 31-6 UNIT			3R
7 OGRID No.		8 Operator Name			9 Elevation
017654		PHILLIPS PETROLEUM COMPANY			6302'

### <sup>10</sup> Surface Location

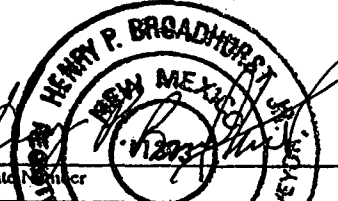
Ul. or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
G	6	30N	6W		1580'	NORTH	1915'	EAST	RIO ARRIBA

**11 Bottom Hole Location If Different From Surface**

Ul. or lot no. G	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
---------------------	---------	----------	-------	---------	---------------	------------------	---------------	----------------	--------

" Dedicated Acres	" Joint or Infill	" Consolidation Code	" Order No.
319.55 E/2	Y	II	

**NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION**

16	5280.00'			17 OPERATOR CERTIFICATION
11	10	9	8	I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief
		1580'		<i>Patsy Clugston</i>
		1915'		Signature Patsy Clugston
				Printed Name Regulatory Assistant
				Title
				12-21-98
				Date
	Sec 6	NM-012735	2	18 SURVEYOR CERTIFICATION
		639.40 acres		I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.
				10/14/98
				Date of Survey
				Signature and Seal of Professional Surveyor:
				
				Certificate Number
	5285.28'			

5285.28

District I  
190 Box 1980, Hobbs, NM 88241-1980  
District II  
811 South First, Artesia, NM 88210  
District III  
1000 Rio Brazos Rd., Aztec, NM 87410  
District IV  
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION  
2040 South Pacheco  
Santa Fe, NM 87505

Form C-102  
Revised October 18, 1994  
Instructions on back  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number		2 Pool Code 72319		3 Pool Name Blanco Mesaverde	
4 Property Code 009259		5 Property Name SAN JUAN 31-6 UNIT			6 Well Number 3R
7 OGRID No. 017654		8 Operator Name PHILLIPS PETROLEUM COMPANY			9 Elevation 6302'

10 Surface Location

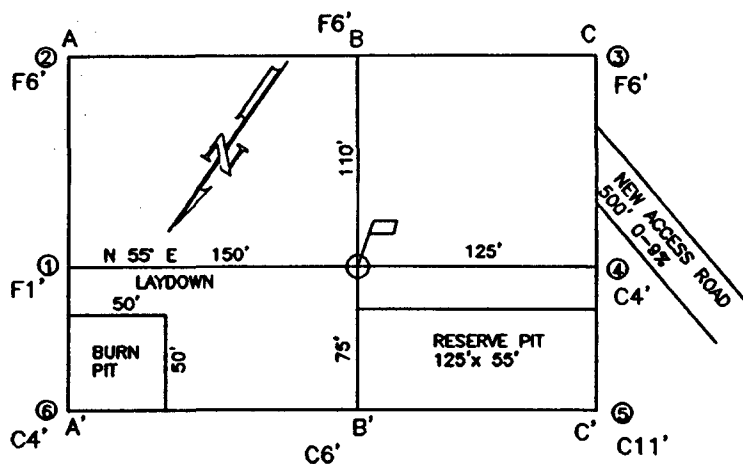
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
G	6	30N	6W		1580'	NORTH	1915'	EAST	RIO ARriba

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
G									
12 Dedicated Acres 319.55 E/2		13 Joint or Infill Y		14 Consolidation Code U		15 Order No.			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

5280.00'	16	5280.00'		17 OPERATOR CERTIFICATION	
	11	10	9	8	I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief
	1580'			2	Signature <i>Patsy Clugston</i>
	1915'			5	Printed Name Patsy Clugston
Sec 6		NM-012735 639.40 Acres		Regulatory Assistant	
5270.10'		5270.10'		Title	
5280.00'		5280.00'		Date 12-21-98	
5285.28'		5285.28'		18 SURVEYOR CERTIFICATION	
5285.28'		5285.28'		I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.	
5285.28'		5285.28'		Date of Survey 10/14/98	
5285.28'		5285.28'		Signature and Seal of Professional Surveyor:	
5285.28'		5285.28'		Certificate Number	



A-A' ELEVATION	C/L			
6322	.....	.....	.....	.....
6312	.....	.....	.....	.....
6302	.....	.....	.....	.....
6292	.....	.....	.....	.....
6282	.....	.....	.....	.....

B-B' ELEVATION	C/L			
6322	.....	.....	.....	.....
6312	.....	.....	.....	.....
6302	.....	.....	.....	.....
6292	.....	.....	.....	.....
6282	.....	.....	.....	.....

C-C' ELEVATION	C/L			
6322	.....	.....	.....	.....
6312	.....	.....	.....	.....
6302	.....	.....	.....	.....
6292	.....	.....	.....	.....
6282	.....	.....	.....	.....

COMPANY: PHILLIPS PETROLEUM CO.

LEASE: SAN JUAN 31-6 UNIT #3R

FOOTAGE: 1580 FNL 1915 FEL UNIT G

SEC. 6 TWN. 30 N RNG. 6 W N.M.P.M.

COUNTY, RIO ARRIBA STATE, N.M.

ELEVATION: 6302

LATITUDE: 36-50-45

LONGITUDE: 107-30-04



**PHILLIPS PETROLEUM CO.**  
FARMINGTON, NEW MEXICO

SURVEYED: 10/14/98

REV. DATE:

APP. BY H.B.

DRAWN BY: S.B.

DATE DRAWN: 10/18/98

FILE NAME: 3163RC

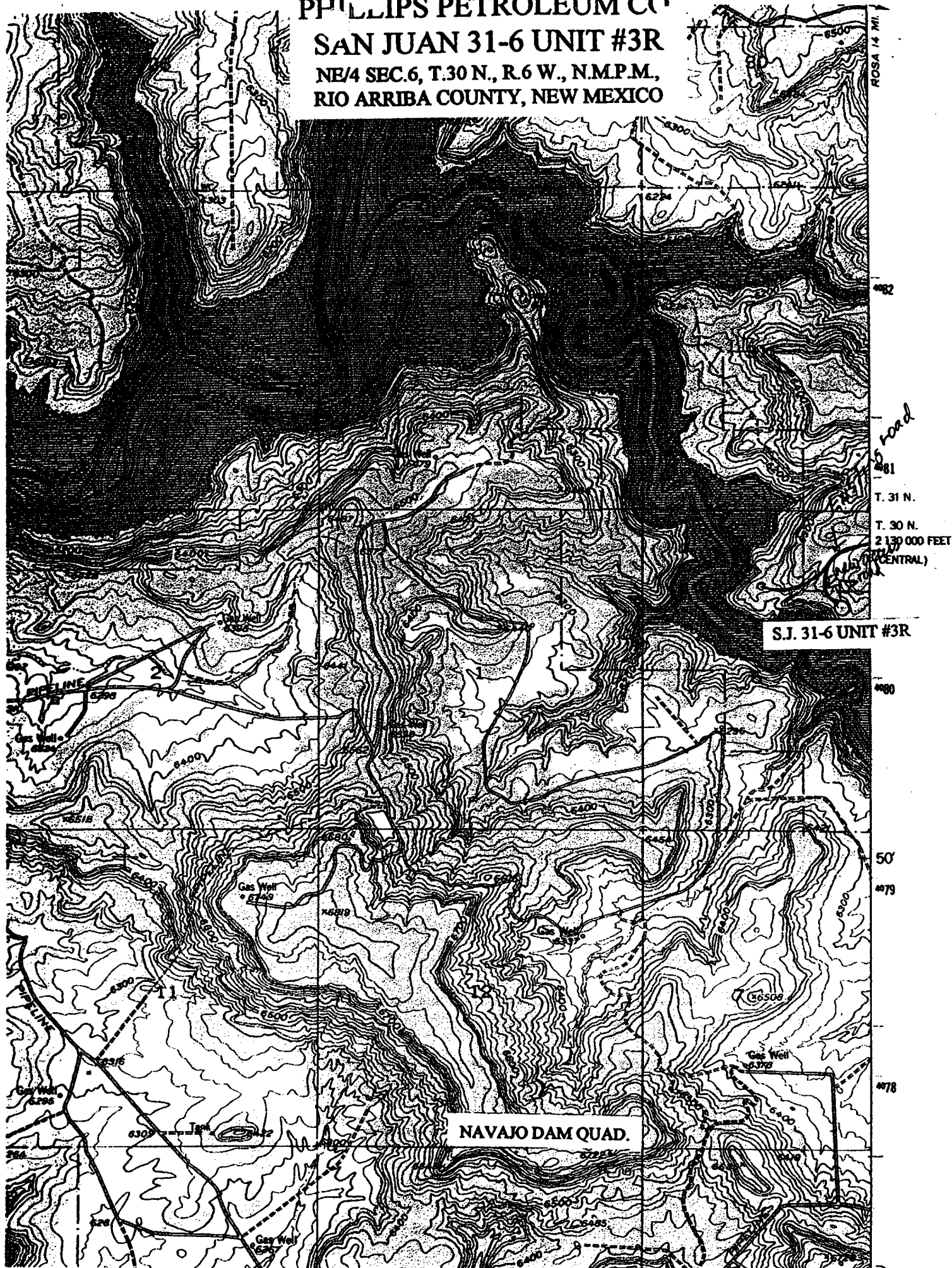
**UNITED**  
**FIELD SERVICES INC.**

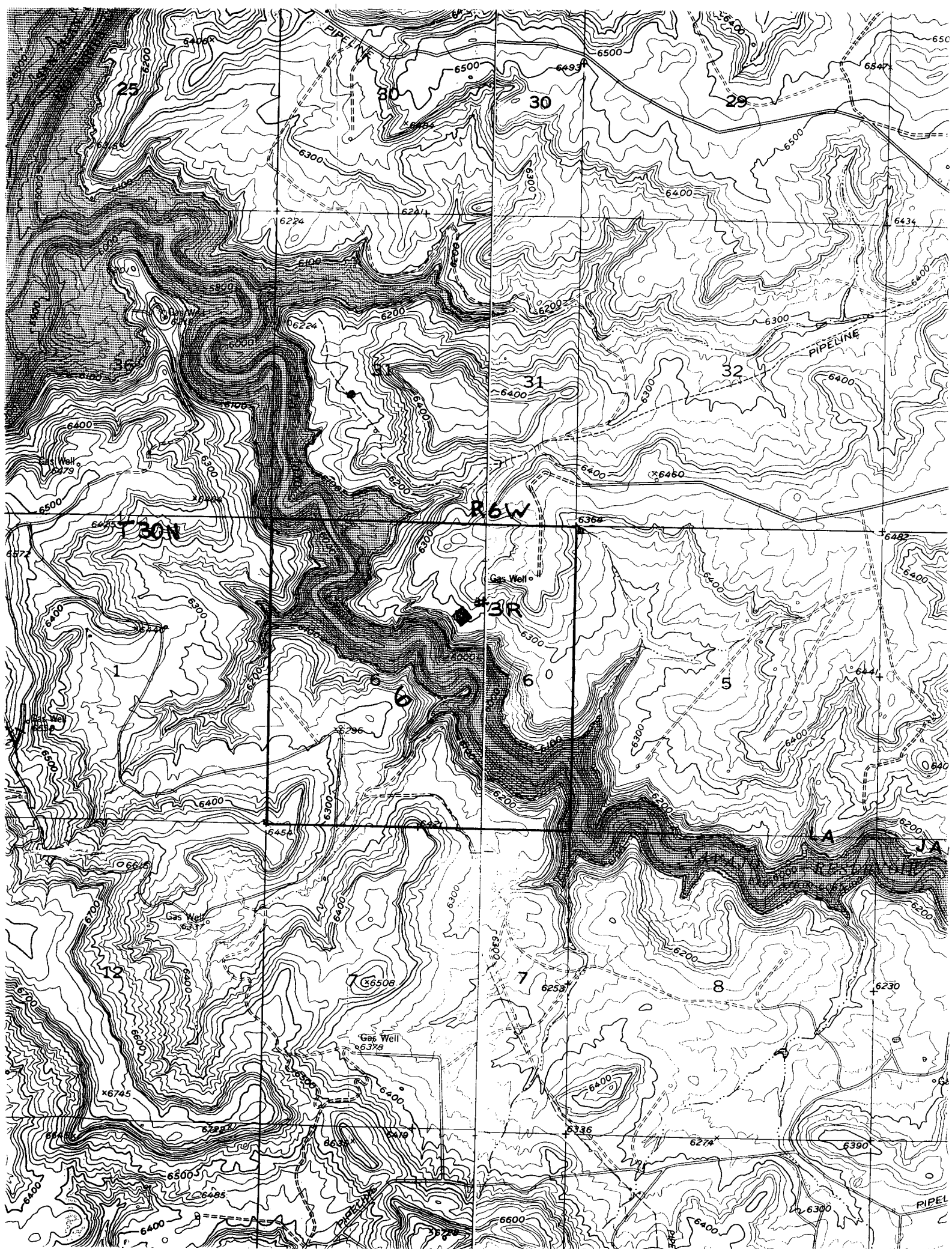
P.O. BOX 3651  
FARMINGTON, NM 87499  
OFFICE: (505)325-5319

PHILLIPS PETROLEUM CO

SAN JUAN 31-6 UNIT #3R

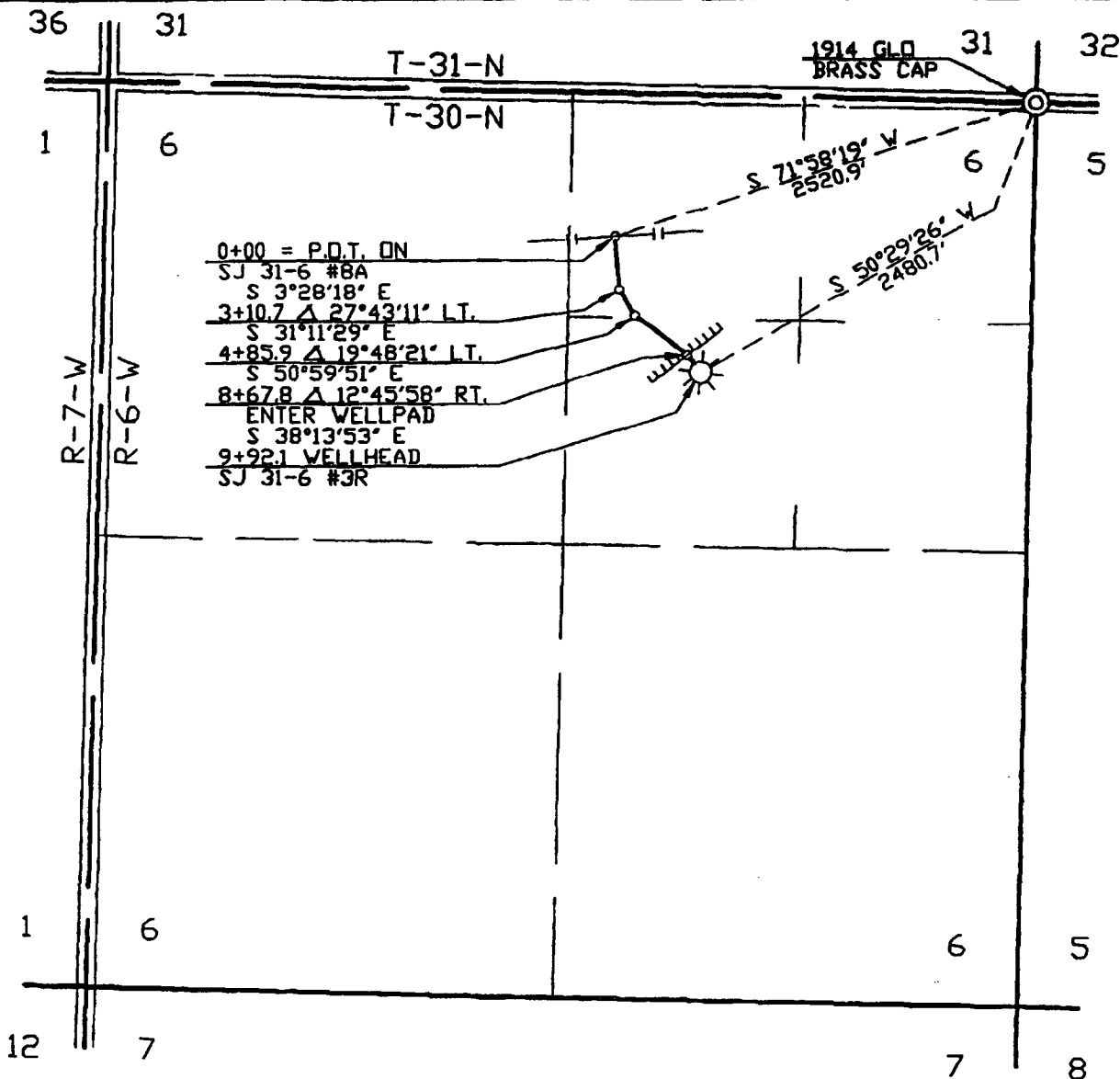
NE/4 SEC.6, T.30 N., R.6 W., N.M.P.M.,  
RIO ARriba COUNTY, NEW MEXICO







NOTE: BEARINGS ARE BASED ON A SOLAR OBSERVATION.  
AS MEASURED BETWEEN TPI 1, STA. 0+00  
SECTION 6, T-30-N, R-6-W, NMPM  
BEARS: N 73°20'45" E



PIPE DATA

OWNER'S DIVISION	SUBDIVISION			OWNER			FEET		MILES		ACRES		RODS		APPLICATION DVG.			
	0+00 TO 9+92.1			BUREAU OF LAND MANAGEMENT			992.1		0.188		0.911		60.127					
REVISION	2	1/29/99	JDB	LINE CHANGE NOTES 1/25/99				FAD	CL									
	1	11/16/98	JDB	ISSUED FOR REVIEW				FAD	CK									
	NO.	DATE	BY	DESCRIPTION			V.D.NO.	CHK.	APP.	NO.	DATE	BY	DESCRIPTION			V.D.NO.	CHK.	APP.
INFO		DRAFTING		BY	DATE	STATE: NEW MEXICO		WILLIAMS GAS PROCESSING ONE OF THE WILLIAMS COMPANIES										
R/W #:		03951		DRAWN BY		JDB	11/16/98											COUNTY: RIO ARRIDA
METER #:		CHECKED BY		FAD	11/16/98	SAN JUAN GATHERING SYSTEM PPCO - SJ 31-6 #3R 0+00 = P.O.T. ON SJ 31-6 #8A (REF. DWG. 34A765.0-21-1) SEC. 6, T-30-N, R-6-W, NMPM												
METER #:		APPROVED BY		RR	11/17/98													
SURVEYED:		11/4/98		ENGINEER	BY													DATE
		DESIGNED BY																SCALE: 1"=1000'
		PROJ. APPROVED		CK	11/23/98	V.D. NO.												

## SURFACE USE PLAN

Phillips Petroleum Company, San Juan 31-6 Unit Well No. 3R, SWNE/4 Section 6, T30N, R6W, Rio Arriba County, New Mexico (Federal Lease NO. NM-012735).

This plan is to accompany "Application for Permit to Drill" the subject well which is located approximately 19.5 miles north and east of Blanco, New Mexico. The following is a discussion of pertinent information concerning the possible effect which the proposed drilling well may have on the environment of the well and road sites and surrounding acreage. A copy will be posted on the derrick floor so that all contractors and sub-contractors will be aware of all items of this plan.

1. **Existing Roads:**

- A. To reach the proposed location, start from Farmington, NM, take NM 64 to NM 527 at Gobernador and turn left on 527. Go approx. 7.8 miles and turn right on Rosa Road and go 6½ miles across La Jara wash to top of hill. Turn left at "Y" (Lake Loop Road) and follow road 6 ½ miles to location.

2. **Planned Access Roads:**

- A. The access road is shown on the attached map. All existing roads used to access the proposed location shall be maintained in the same or better condition than presently found. The access road is to be classified "Temporary Resource Road".
- B. Turnouts: None
- C. Culverts, Cuts and Fills: See cut and Fill Sketch.
- D. Surfacing Material: Natural materials at the well site.
- E. Gates, Cattleguards, Fences: As required
- F. Proposed Road: @ 500' of new access is needed.
- G. Drainage: As needed, Will provide as needed.
- 

3. **Location of Existing Wells:** # 8A-Unit C, 1200' FNL 7 1865' FWL, Sec. 6, 30N, 6W  
# 3 - Unit A, 990' FNL & 790' FEL, Sec. 6, 30N, R6W  
# 207, Unit B, 790' FNL & 1470' FEL, Sec. 6, 30N, 6W

4. **Location of Tank Batteries, Production Facilities, Production Gathering and Service Lines:**

In the event of production, production facilities will be located on the drill pad. The actual placement of this equipment will be determined when the well's production characteristics can be evaluated after completion. The condensate tank will be enclosed by a dike. Upon completion of drilling, the location and surrounding area will be cleared of debris.

A 4 ½" diameter buried steel pipeline that is 1069.1 feet in length will be constructed. The pipe-wall thickness is 0.156" and the pipe-wall strength is X-42. It will be adjacent to the access road and tie the well in to SJ 31-6 #8A pipeline owned and operated by Williams Gas Processing. The pipeline may or may not be used to transport gas to drill the well. After the well is spudded, the pipeline will be authorized by a right-a-way issued to Williams Gas Processing, refer to the attached survey plat.

5. **Water Supply Source:** Will be provided by the drilling contractor and trucked to the drilling site. See Attachment No. 1 - WATER SUPPLY SOURCES.

6. **Source of Construction Materials:**

No additional construction materials will be required to build the proposed location. The dirt from the reserve pit will be back-sloped and saved for use when the pit is rehabilitated.

7. **Methods for Handling Waste Disposal:**

- A. A Conventional Drilling System will be used. The drill cuttings, fluids and completion fluids will be placed in the reserve pit. The reserve pit will be fenced with wire mesh on three sides away from the pad during drilling and the fourth side fenced as soon as the rig moves out. The reserve pit will be backfilled and leveled as soon as practical.
- B. All garbage and trash will be placed in specially constructed wire mesh containers. Upon cleanup, the refuse in the containers will be hauled to an approved landfill site.

All produced water will be collected in tanks until hauled to an approved disposal system, or separate disposal application will be submitted for appropriate approval.

8. **Ancillary Facilities:** None

9. **Well Site Layout:** Attached sketch shows the relative location and dimensions of the well pad, and reserve pit. Location will be 275' X 185'.

10. **Plans for Restoration of Surface:**

Pit will be filled and leveled as soon as practical. If well is productive, drilling pad will remain as well service pad. If dry hole, the pad will be ripped and re-seeded per regulations. Reserve pit dirt will be saved to be used during restoration of the pit area.

11. **Other Information:**

- A. Terrain: See Archaeological Survey
- B. Soil: See Archaeological Survey
- C. Vegetation: See Archaeological Survey
- D. Surface Use: See Archaeological Survey
- E. Ponds and Streams: See Archaeological Survey
- F. Water Wells: No water wells are located in Section
- G. Residences and Buildings: There are no occupied residences or buildings within one quarter of a mile of the proposed well location.

## 11. Other Information: (cont.)

- H. Arroyos, Canyons, etc.: See Archaeological Survey
- I. Well Sign: Sign identifying and locating the well will be maintained at drill site with the spudding of the well.
- J. Archaeological Resources: See Archaeological Survey. No cultural resources was encountered.

## 12. Operator's Representatives: Field personnel who can be contacted concerning compliance of the Surface Use Plan is as follows:

**Drilling and Production**

Bryant J. Morris

or

R. A. Allred

5525 Hwy. 64

5525 Hwy. 64

Farmington, NM 87401

Farmington, NM 87401

Phone: 505-599-3485

Phone: 505-599-3403

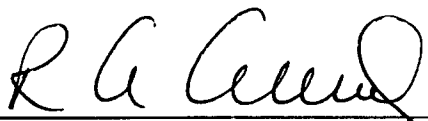
13. Surface Ownership: BLM

## 14. Certification:

I hereby certify that I, or persons under my direct supervision, have inspected the drill site and access route, that I am familiar with the conditions which presently exist; that the statements made in this plan are, to the best of my knowledge, true and correct, and that the work associated with the operations proposed herein will be performed by Phillips Petroleum Company and its contractors and sub-contractors in conformity with this plan and the terms and conditions under which it is approved.

R.A. Allred

Typed or Printed Name



Signature

1-15-99

Date

**PHILLIPS PETROLEUM COMPANY**

**WELL NAME:** San Juan 31-6 Unit #3 R (MV/DK)

**DRILLING PROGNOSIS**

1. Location of Proposed Well: Unit G, 1580' FNL & 1915' FEL  
Section 6, T30N, R6W, Rio Arriba County, NM

2. Unprepared Ground Elevation: @ 6302' (unprepared) .

3. The geological name of the surface formation is San Jose .

4. Type of drilling tools will be rotary .

5. Proposed drilling depth is 7887' .

6. The estimated tops of important geologic markers are as follows:

<u>Nacimiento - 1012'</u>	<u>Menefee Fm. - 5217'</u>
<u>Ojo Alamo - 2212'</u>	<u>Pt. Lookout - 5452'</u>
<u>Kirtland Sh - 2367'</u>	<u>Mancos Sh - 5782'</u>
<u>Fruitland Fm. - 2897'</u>	<u>Gallup Ss. - 6767'</u>
<u>Pictured Cliffs - 3122'</u>	<u>Greenhorn Ls. - 7497'</u>
<u>Lewis Shale - 3377'</u>	<u>Graneros Sh. - 7557'</u>
<u>Cliff House Ss - 5147'</u>	<u>Dakota Ss - 7662'</u>

7. The estimated depths at which anticipated water, oil, gas or other mineral bearing formations are expected to be encountered are as follows:

Water:	<u>Ojo Alamo - 2212' - 2367'</u>
Gas & Water:	<u>Fruitland - 2897' - 3122'</u>
Gas:	<u>Mesaverde - 5147' - 5782'</u>
	<u>Dakota Ss - 7662' - 7887'</u>

8. The proposed casing program is as follows:

Surface String: 9-5/8", 36#, J/K-55 @ 350'

Intermediate String: 7", 20#, J/K-55 @ 3542'

Production String : 4-1/2", 11.6#, N-80 @ 7887' (TD)

9. Cement Program:

Surface String: 185 sx Cl "H" with 2% CaCl<sub>2</sub> + 1/4#/sx Cello-Flake:  
15.6 ppg, 1.2 cu. ft/sx yield . (222 cf) 5.23 gal H<sub>2</sub>O sx. or  
sufficient to circulate to surface.

Intermediate String: **Lead Cement:** 475 sx. 35/65 (Cl "H"/POZ) with 5#/sx Gilsonite & 1/4 #/sx Cello-Flake & 6% gel; 12.0 ppg, 2.1 cu. ft/sx yield. (998 cf) (100% excess of volume to circulate cement to surface).

**Tail:** 150 sx.(+/-) Cl "H" with 1/4 #/sx Cello-Flake, & 0.3% Fl-52 & 2% CaCl<sub>2</sub>; 15.6 ppg, 1.2 cu. ft./sx yield (180 cf);

Production String:

**1st Stage:** **Lead:** 325 sx (+/-) 50/50 (Cl "H"/POZ) with 4% Gel, & 0.5% Fl-52; 13.4 ppg 1.36 cu ft/sx yield (442 cf) or sufficient volume for at least 100' overlap into intermediate casing

**Tail:** 150 sx Cl "H" with 35% silica flour & 1.8% FL-62 & 1/4#/sx Cello-Flake; 15.9 ppg, 1.5 cu ft/sx yield; (150 cf).

Centralizer Program:

**Surface:** Total four (4) 1 @ 10' above shoe & top of 2<sup>nd</sup>, 4<sup>th</sup> & 6<sup>th</sup> joint

**Intermediate:** Total seven (7) – 10' above shoe, top of 1<sup>st</sup>, 2<sup>nd</sup>, 4<sup>th</sup>, 6<sup>th</sup>, & 8<sup>th</sup> jts & 1 jt. Above surface casing.

**Production:** None planned.

**Turbulators:** Total Three (3) – on intermediate casing at 1<sup>st</sup> jt. Below the Ojo Alamo and next 2 jts up.

10. The minimum specifications for pressure control equipment which are to be used, a schematic diagram thereof showing sizes, pressure ratings (or) API series and the testing procedure and testing frequency are enclosed within the APD packet.
11. Drilling Mud Prognosis: Surface - spud mud on surface casing.  
Intermediate - water w/Polymer sweeps.  
Below Intermediate - air or gas drilled.
12. The testing, logging, and coring programs are as follows:  
D.S.T.s or cores: \_\_\_\_\_  
Logs: DIL from surface casing to TD, CNL – FDC over zones of interest

13. Anticipated no abnormal pressures or temperatures to be encountered or any other potential hazards such as Hydrogen Sulfide Gas. Low risk H<sub>2</sub>S equipment will be used.

Estimated Bottomhole pressures:

Fruitland -	230	psi
Mesaverde -	800	psi
Dakota -	2800	psi

14. The anticipated starting date is approximately 2nd Qtr 1999 with duration of drilling / completion operations for approximately 20 days thereafter.

98drill\316#3Rmvdprog

## **BOP AND RELATED EQUIPMENT CHECK LIST**

### **3M SYSTEM:**

2 hydr. rams (pipe & blind) or hydr. ram and annular with blind ram on bottom

Kill Line (2-inch minimum)

1 kill line valve (2-inch minimum)

1 choke line valve

2 chokes (refer to diagram in attachment 1) on choke manifold

Upper kelly cock valve in open position with handle available

Safety valve (in open position) and subs to fit all drill strings in use (with handle available)

Pressure gauged on choke manifold

2 inch minimum choke line

Fill-up line above the uppermost preventer

*The BOPs will be pressure tested according to Onshore Order #2 III, A 1 and 30% safety factor.*



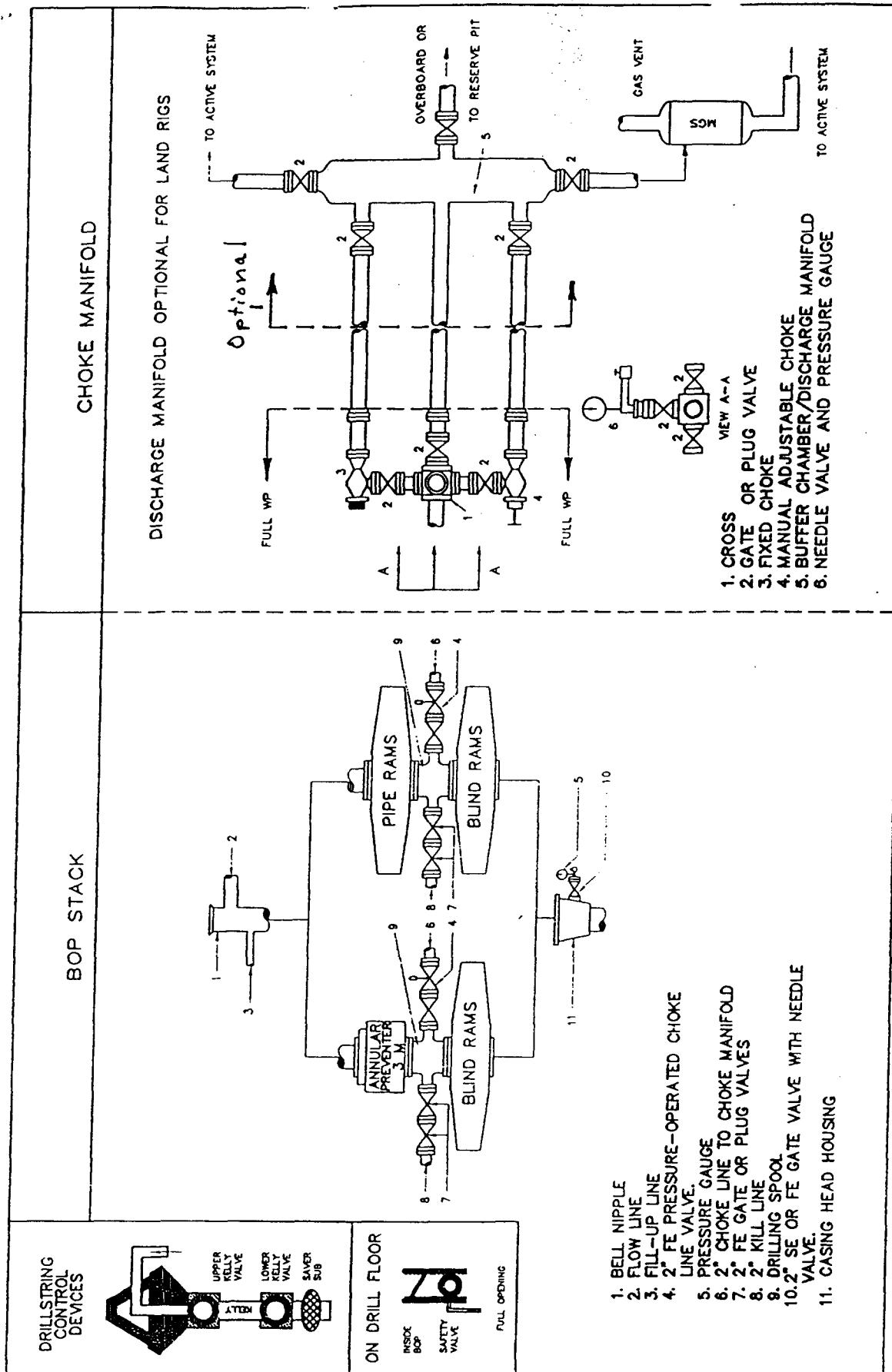


Fig. 2.4. Class 2 BOP and Choke Manifold.

**San Juan 31-6 Unit #3R  
NM-012735; Unit G, 1580' FNL & 1915' FEL  
Section 6, T30N, R6W; Rio Arriba County, NM**

**Cathodic Protection**

Phillips proposes to drill a cathodic protection deep well groundbed for the subject well. Will drill a 6-7/8" hole to an anticipated minimum depth of 300' (maximum depth of 500'). Cement plugs will not be used unless more than one water zone is encountered. Prior drilling history for the area indicates only one zone to that depth. If more than one water zone is encountered, notification will be made and details of cement and casing will be provided.

All drilling activity will remain on existing well pad and "Tierra Dynamic Company" of Farmington will be doing the drilling for Phillips.

**WATER SUPPLY SOURCE**  
**Surface Use Plan**

**Attachment No 1**

Depending on which drilling contractor is used, the water for drilling and completion operations will come from one of the following locations:

1. San Juan River at Blanco Bridge, NW SE SE Section 18, T29N, R9W.
2. 29-6 Waterhole in Unit L, Section 28, T29N, R6W.
3. Navajo Reservoir, SW NW SE Section 14, T30N, R7W.
4. Sims Mesa (SJ #14) NW SW Section 35, T31N, R7W.
5. La Jara Water Hole, Unit M, Section 11, T30N, R6W.
6. Pine River
7. City of Ignacio, CO.
8. Produced Water
9. City of Aztec, NM.

## Casing Design Worksheet

### Surface Casing

Size	Grade	#/foot	Collapse	Yield	Tensile	Coupling	Length	Weight
9-5/8"	K-55	36	2020	3520	423	ST&C	350	12,600

### Intermediate Casing

Size	Grade	#/foot	Collapse	Yield	Tensile	Coupling	Length	Weight
7"	K-55	20	2270	3740	254	ST&C	3,542	70,840
								-
								-
								-
Total Weight								70,840

### Production Casing

Size	Grade	#/foot	Collapse	Yield	Tensile	Coupling	Length	Weight
4-1/2"	N-80	11.6	6350	7780	223	LT&C	7,887	91,489
								-
								-
								-
Total Weight								91,489

### Casing Parameters

Tensile

$$SF_t = \text{Tensile} / ; \text{ Must Exceed 1.8 for Dry or 1.6 for Bouyant}$$

9-5/8"	Surf.	423000 /	12,600	=	33.6
7"	Int.	254000 /	70,840	=	3.6
4-1/2"	Prod.	223000 /	91,489	=	2.4

Collapse

$$SF_c = \text{Collapse} / (\text{Maximum Formation Pressure}) \text{ or } (\text{Mud Gradient X T. V. D.}); \text{ Must Exceed 1.125}$$

9-5/8"	Surf.	2020 /	2800	=	0.7
7"	Int.	2270 /	2800	=	0.8
4-1/2"	Prod.	6350 /	2800	=	2.3

Burst

$$SF_b = \text{Burst} / (\text{Maximum Foramtion Pressure}) \text{ or } (\text{Mud Gradient X T. V.D.}); \text{ Must Exceed 1.0}$$

9-5/8"	Surf.	3520 /	2800	=	1.3
7"	Int.	3740 /	2800	=	1.3
4-1/2"	Prod.	7780 /	2800	=	2.8

B.O.P. Requirement - (Maximum Formation Pore Pressue) or (Mud Weight X 0.05195 x T. V. D.) - 0.22 X T.V.D.

2,800

### Excess Cement Volumes

Surface	100%
Intermediate	100%
Production	50%

Note: Cement volume calculations are stored in the computer log.

### Blowout Preventer Equipment (BOPE)

ABHP = 2800 PSI; TVD = 7887 Feet; Mud Weight = 8.34

Operator's Gradient (ABHP / TVD) = 0.355 PSI/Ft is ~~is not~~ appropriate and does ~~does not~~ coincide with the Anticipated Mud Weight for each drilled interval.  
The most credible ABHP is 0.355 PSI/Ft.

Mud Weight x 0.05195 = Gradient

$$\underline{8.34} \times 0.05195 = \underline{0.433}$$

ABHP - (0.22 x TVD) = ASP

$$\underline{2800} - (0.22 \times \underline{7887}) = \underline{1065} \text{ psi}$$

Operator's proposed BOPE of 3 M exceeds ~~does not exceed~~ the ASP and is therefore adequate ~~not adequate~~.

Note ASP - Anticipated Surface Pressure  
ABHP - Anticipated Bottom Hole Pressure

$$(\text{Decmin}) = \text{ASP} / (\text{GR} - .22)$$

OPERATOR

**BLM CONDITIONS OF APPROVAL**

Operator Phillips Petroleum Company Well Name 3R San Juan 31-6 Unit  
Legal Location 1580' FNL/1915' FEL Sec. 6 T. 30 N. R. 6 W.  
Lease Number NM-012735 Field Inspection Date 1/12/99

The following conditions of approval will apply to this well unless a particular Surface Managing Agency or private surface owner has supplied to BLM and the operator a contradictory environmental stipulation. The failure of the operator to comply with these requirements may result in the assessment of liquidated damages or penalties pursuant to 43 CFR 3163.1 or 3163.2. A copy of these conditions of approval shall be present on the location during construction, drilling and reclamation activity.

An agreement between operator and fee land owner will take precedence over BLM surface stipulations unless (In reference to 43 CFR Part 3160) 1) BLM determines that the operator's actions will affect adjacent Federal or Indian surface, or 2) the operator does not maintain well area and lease premises in a workmanlike manner with due regard for safety, conservation and appearance, or 3) no such agreement exists, or 4) in the event of well abandonment, minimal Federal restoration requirements will be required.

**Special Stipulations:**

*1. Compressor units on this well location not equipped with drip pan for containment of fluids shall be lined with an impervious material at least 8 mils thick and a twelve inch berm. The compressor will be painted to match the well facilities. Any variance to this will be approved by the authorized officer (AO). When compressor units are washed, or any other equipment associated with this location, the fluids (i.e., scrubber cleaners) will be properly disposed of to avoid ground contamination or hazard to livestock or wildlife.*

2. No construction, drilling or completion activities shall be conducted between December 1 and March 31 because of deer/elk wintering habitat.

3. The **northwest corner** of the well pad will be rounded off to **avoid excess cut**.

4. Diversion ditch(es) will be constructed on the **north side** of location below the cut slope, draining to the **east**.

5. An **18" culvert** will be placed every **300'** throughout new access.

6. The final cut slope shall not exceed a **3:1 ratio**. The final fill slope shall not exceed a **4:1 ratio**. To obtain this ratio, pits and slopes shall be backsloped into the pad upon completion of drilling and prior to setting production equipment. Construction slopes can be much steeper during drilling, but will be contoured to the above final slopes upon reclamation.

7. Trees, 6 inches diameter or less, and brush will be incorporated into fill for erosion control; trees, 6 inches diameter or greater, will be cut and delimbed; trunks will be left whole along access or existing road for wood gathering; slash will be put back on pad cut and fill slopes after reseeding.



United States Department of the Interior

BUREAU OF RECLAMATION

Upper Colorado Region  
Western Colorado Area Office



FEB 26 1999

Northern Division  
2764 Compass Drive  
Grand Junction CO 81506-8785

Southern Division  
835 E 2nd Avenue  
PO Box 640  
Durango, CO 81302-0640

WCS-BWalsh  
LND-6.00

MEMORANDUM

To: District Manager, Bureau of Land Management, Farmington District Office,  
1235 La Plata Highway, Farmington NM 87401

From: Bill Walsh, Geologist  
Southern Division

*Bill Walsh*

Subject: Report on Applications for Permit to Drill (APD) for Well #310, Northeast Blanco Unit, Burlington Resources Oil and Gas Company, and Well # 3R, San Juan 31-6 Unit, Phillips Petroleum Company; Navajo Unit, Colorado River Storage Project, New Mexico.

I and members of the Land, Recreation, and Environmental Resources Group, and New Mexico State Parks representative, Larry Federici, have reviewed the APD for the drilling of well #310 located 2210 ft. FNL and 975 ft. FWL, Section 4, T.30 N., R.7W., N.M.P.M., and well #3R located 1580 ft. FNL and 1915 ft. FEL, Section 6, T.30 N., R.6 W., N.M.P.M. We offer no objections provided that the Bureau of Land Management Conditions of Approval are followed, and the following stipulations are made a part of the permit.

Stipulations for Well #3R:

1. If water hauled for this well is needed to be obtained from Navajo Reservoir, only licensed takeout points and access roads may be used.
2. All storage tanks shall be low-profile, due to proximity of the reservoir.
3. No new access to the reservoir shall be established from this well pad.
4. The reserve pit shall be lined with a minimum 12-mil thick plastic liner.
5. Reclamation will be consulted with concerning possible mitigation measures prior to the installation of any compressor units on the well site.

For future use, please consider the above five stipulations for well #3R as standard Reclamation stipulations to be made part of all permits on Reclamation land.

8. All above ground structures shall be painted to blend with the natural color of the landscape. The paint used shall be: *Juniper Green (Federal 595a-34127)*.

# **I. LOCATION AND ACCESS ROAD**

1. Well area and lease premises will be maintained in a workmanlike manner with due regard to safety, conservation and appearance. All liquid waste, completion fluids and drilling products associated with oil and gas operations will be contained and then buried in place, or removed and deposited in an approved disposal site.

2. Surface disturbance and vehicular traffic will be limited to the approved location and approved access road.

3. Mud and blow pits will be constructed so as not to leak, break or allow discharge of liquids or produced solids. At least half of the capacity of the reserve pit must be in cut. The top of the outside wall of reserve pit should be smoothed-off with a minimum of one blade width. The pit should have adequate capacity to maintain 2 feet of free board. Pits are not to be located in natural drainages. Pit walls are to be "walked down" by a crawler type tractor following construction and prior to usage. Any plastic material used to line pits must be removed to below-ground level before pits are covered. The final grade of reserve pit (after reclamation) shall allow for drainage away from pit area.

4. All unguarded pits (reserve/production/blow) containing liquids will be fenced with woven wire. Drilling pits will be fenced on three sides and once the rig leaves location, the fourth side will be fenced. All fencing must be a legal fence in accordance with New Mexico State Law. Liquids in pits will be allowed to evaporate, or be properly disposed of, before pits are filled and recontoured. (This office will be notified 24 hours prior to fluid hauling). Under no circumstances will pits be cut and drained. Aeration of pit fluids must be confined within pit area. Upon completion of the well the reserve pit will be covered with screening or netting and remained covered until the pit is reclaimed. All production pits 16 feet in diameter or larger will be covered with screening or netting.

5. No gravel or other related minerals from new or existing pits on Federal land will be used in construction of roads, well sites, etc., without prior approval from the Surface Managing Agency.

6. Berms or firewalls will be constructed around all storage facilities sufficient in size to contain the storage capacity of tanks, or the combined capacity of tanks if a rupture could drain more than one tank. Berm walls will be compacted with appropriate equipment to assure proper construction.

7. All roads on public land must be maintained in good passable condition.

8. Use of pesticides/herbicides shall comply with applicable Federal and State laws. Pesticides and herbicides shall be used only in accordance with their registered uses and within limitations imposed by the Secretary of the Interior. Prior to the use of pesticides, Holder shall obtain from the Authorized Officer (AO) written approval of a plan showing the type and quantity of material to be used, pest(s) to be controlled, method of application, location of storage and disposal of containers, and any other information deemed necessary. Emergency use of pesticides shall be approved in writing by the AO prior to use.

9 Holder shall be responsible for weed control and selective control of invasive weeds on disturbed and reclaimed areas within the limits of well pad, associated road and pipeline ROW. Holder



is responsible for consultation with the AO and/or local authorities for acceptable weed control methods within limits imposed in the conditions of approval.

## II. CULTURAL RESOURCES (ARCHAEOLOGY)

1. **Discovery of Cultural Resources in the Absence of Monitoring:** If, in its operations, operator/holder discovers any previously unidentified historic or prehistoric cultural resources, then work in the vicinity of the discovery will be suspended and the discovery promptly reported to the BLM Field Manager. BLM will then specify what action is to be taken. If there is an approved "discovery plan" in place for the project, then the plan will be executed. In the absence of an approved plan, BLM will evaluate the significance of the discovery and consult with the State Historic Preservation Officer in accordance with 36 CFR Section 800.11. Minor recordation, stabilization, or data recovery may be performed by BLM or a permitted cultural resources consultant. If warranted, more extensive treatment by a permitted cultural resources consultant may be required of the operator/holder prior to allowing the project to proceed. Further damage to significant cultural resources will not be allowed until any required treatment is completed. Failure to notify the BLM about a discovery may result in civil or criminal penalties in accordance with the Archeological Resources Protection Act of 1979 (as amended).

2. **Discovery of Cultural Resources During Monitoring:** If monitoring confirms the presence of previously unidentified cultural resources, then work in the vicinity of the discovery will be suspended and the monitor will promptly report the discovery to the BLM Field Manager. BLM will then specify what action is to be taken. If there is an approved "discovery plan" in place for the project, then the plan will be executed. In the absence of an approved plan, the BLM will evaluate the significance of the discovery and consult with the State Historic Preservation Officer in accordance with 36 CFR Section 800.11. Minor recordation, stabilization, or data recovery may be performed by BLM or a permitted cultural resources consultant. If warranted, more extensive treatment by a permitted cultural resources consultant may be required of the operator/holder prior to allowing the project to proceed. Further damage to significant cultural resources will not be allowed until any required treatment is completed.

3. **Damage to Sites:** If, in its operations, operator/holder damages, or is found to have damaged any previously documented or undocumented historic or prehistoric cultural resources, excluding "discoveries" as noted above, the operator/holder agrees at his/her expense to have a permitted cultural resources consultant prepare and have executed a BLM approved data recovery plan. Damage to cultural resources may result in civil or criminal penalties in accordance with the Archeological Resources Protection Act of 1979 (as amended).

## III. RESEEDING AND ABANDONMENT

### Seed Mix No. 1:

Crested Wheatgrass ( <u>Agropyron desertorum</u> )	2 lbs.
Smooth Brome ( <u>Bromus inermis</u> )	1 lb.
Fourwing Saltbush (dewinged)( <u>Atriplex canescens</u> )	1 lb.
Nomad Alfalfa ( <u>Medicago sitiva</u> )	2 lbs.
Indian Ricegrass ( <u>Orysopsis hymenoides</u> )	1 lb.
Western Wheatgrass ( <u>Agropyron smithii</u> )	2 lbs.

Species shall be planted in pounds of pure live seed per acre:

Present Pure Live Seed (PLS) = Purity X Germination/100

Two lots of seed can be compared on the basis of PLS as follows:

<u>Source No. One (poor quality)</u>		<u>Source No. two (better quality)</u>	
Purity	50 percent	Purity	80 percent
Germination	40 percent	Germination	63 percent
Percent PLS	20 percent	Percent PLS	50 percent
<i>.5 lb. bulk seed required to make 1 lb. PLS.</i>		<i>2 lb. bulk seed required to make 1 lb. PLS.</i>	

Seed mixture used must be ***certified***. There shall be **NO** primary or secondary noxious weeds in the seed mixture. Seed labels from each bag shall be available for inspection while seed is being sown.

Seeding shall be accomplished between July 1 and September 15 (later date may be extended on a case-by-case basis with AO approval). Seeding shall be repeated if a satisfactory stand is not obtained as determined by the AO upon evaluation after the second growing season.

Compacted areas shall be ripped to a depth of 12" and disked to a depth of six inches before seeding. Seed with a disk-type drill with two boxes for various seed sizes. The drill rows shall be eight to ten inches apart. Seed shall be planted at not less than one-half inch deep or more than one inch deep. The seeder shall be followed with a drag, packer, or roller to ensure uniform coverage of the seed, and adequate compaction. Drilling shall be done on the contour where possible, not up and down the slope.

Where slopes are too steep for contour drilling a "cyclone" hand seeder or similar broadcast seeder shall be used. Seed shall then be covered to the depth described above by whatever means is practical, i.e. hand raked. If the seed is not covered, the prescribed seed mixture amount (pounds/acre/PLS) will be doubled.

If, upon abandonment of wells, the retention of access road is not considered necessary for the management and multiple use of the natural resources, it will be ripped a minimum of 12" in depth. After ripping, water bars will be installed. All ripped surfaces are to be protected from vehicular travel by construction of a dead end ditch and earthen barricade at the entrance to these ripped areas. (Reseeding of affected areas may be required.)

## EXHIBIT A

### PROJECT

Location(s) T. 30 N., R. 6 W., Sec. 6  
SW $\frac{1}{4}$ NE  $\frac{1}{4}$

EA LOG NO. NM-070-99-154

Lease NO. NM-012735

File Code 2800

### ROAD AND PIPELINE STIPULATIONS

Project Construct New Road and Pipeline to #3R San Juan 31-6 Gas Well  
Applicant Phillips Petroleum Company  
Address 5525 Highway 64, NBU 3004, Farmington, NM 87401  
BLM Office: Farmington District Office - Phone No.: (505) 599-8900

The following stipulations and/or mitigating measures will be implemented during (1) the various stages (if specified) of project development/operation and (2) up to 30 years after construction is completed for this project. If problems arise during or after field work is completed, the applicant/contractor(s) is required to promptly notify the Bureau's authorized representative. Consultation between the applicant/contractor(s) and the Bureau's authorized representative may result in additional field work being required of the applicant/contractor(s) to fully implement one or more of the following stipulations.

#### A. CONSTRUCTION AND MAINTENANCE

##### Special Road Stipulations:

1. No construction or routine maintenance activities shall be performed during periods when the soil is too wet to adequately support construction equipment. If such equipment creates ruts in excess of **6 inches** deep, the soil shall be deemed too wet.
2. Those segments of road where grade is in excess of ten percent for more than 300 feet shall be designed by a professional engineer.
3. No construction, drilling or completion activities shall be conducted between December 1 and March 31 because of deer/elk wintering habitat.
4. Right-of-way clearing shall be limited to the limits of the right-of-way.
5. This road shall have a minimum driving surface of 14 feet, a maximum bladed width of **14 feet** excluding turnout ditches and turnouts, and a maximum grade of 10 percent (pitches over 10 percent that are less than 300 feet in length may be allowed).
6. Crowning and ditching on both sides of road is required. The road cross section will conform to the cross section diagrams available from BLM. The crown shall have a grade of approximately two percent (i.e., two inch crown on a 14 foot wide road).
7. Drainage control shall be ensured over the entire road through the use of borrow ditches, drainage dips, outslowing, inslaping, natural rolling topography, and/or turnout (lead-off) ditches. Every drainage dip shall drain water into an adjacent turnout ditch.
8. ~~Trees~~, **6 inches diameter or less**, and brush will be incorporated into fill for erosion control; **trees, 6 inches diameter or greater**, will be cut and delimbed; trunks will be left whole along access or existing road for wood gathering; slash will be put back on pad cut and fill slopes after reseeded.

9. Culvert pipes shall be used for cross drains where drainage dips or low water crossings are not feasible. 18" culverts will be placed every 200' throughout new access.

10. Unless otherwise approved by the AO, vehicle turnouts will be required. Turnouts will be located at 2000 foot intervals, or the turnouts will be inter-visible, whichever is less. Turnouts will conform to diagrams that can be obtained from the AO.

11. Surfacing may be applied at Holder's discretion, but is not required at this time. However, if it becomes evident there is resource damage or it becomes evident the road is receiving excess damage, surfacing will be required.

12. Seed all the disturbed areas (except the driving surface and road shoulders [entire area if road is to be reclaimed] using the following designated seed mixture and to the specifications given. Disturbed areas shall be reseeded within one year of final construction.

#### Seed Mixture Number 1:

Crested Wheatgrass ( <u>Agropyron desertorum</u> )	2 lbs.
Smooth Brome ( <u>Bromus inermis</u> )	1 lb.
Fourwing Saltbush (dewinged)( <u>Atriplex canescens</u> )	1 lb.
Nomad Alfalfa ( <u>Medicago sitiva</u> )	2 lbs.
Indian Ricegrass ( <u>Orysopsis hymenoides</u> )	1 lb.
Western Wheatgrass ( <u>Agropyron smithii</u> )	2 lbs.

Species shall be planted in pounds of pure live seed per acre:

Present Pure Live Seed (PLS) = Purity X Germination/100

Two lots of seed can be compared on the basis of PLS as follows:

<u>Source No. One (poor quality)</u>		<u>Source No. two (better quality)</u>	
Purity	50 percent	Purity	80 percent
Germination	40 percent	Germination	63 percent
Percent PLS	20 percent	Percent PLS	50 percent
5 lb. bulk seed required to make 1 lb. PLS.		2 lb. bulk seed required to make 1 lb. PLS.	

Seed mixture used must be *certified*. There shall be *NO* primary or secondary noxious weeds in the seed mixture. Seed labels from each bag shall be available for inspection while seed is being sown.

Seeding shall be accomplished between July 1 and September 15 (later date may be extended on a case-by-case basis with AO approval). Seeding shall be repeated if a satisfactory stand is not obtained as determined by the AO upon evaluation after the second growing season.

Compacted areas shall be ripped to a depth of twelve inches and disked to a depth of six inches before seeding. Seed with a disk-type drill with two boxes for various seed sizes. Drill rows shall be eight to ten inches apart. Seed shall be planted at not less than one-half inch deep or more than one inch deep. The seeder shall be followed with a drag, packer, or roller to ensure uniform coverage of the seed, and adequate compaction. Drilling shall be done on the contour where possible, not up and down the slope.

Where slopes are too steep for contour drilling a "cyclone" hand seeder or similar broadcast seeder shall be used. Seed shall then be covered to the depth described above by whatever means is practical, i.e. hand raked. If seed is not covered, the prescribed seed mixture amount will be doubled.

If, upon abandonment of wells, the retention of access road is not considered necessary for the management and multiple use of the natural resources, it will be ripped a minimum of 12" in depth. After ripping, water bars will be installed. All ripped surfaces are to be protected from vehicular travel by construction of a dead end ditch and earthen barricade at the entrance to these ripped areas. (Reseeding of affected areas may be required).

**Special Pipeline Stipulations:**

- 1. Any compressor units on this well location not equipped with a drip pan for containment of fluids shall be lined with an impervious material at least 8 mils thick and a 12 inch berm. The compressor will be painted to match the well facilities. Any variance to this will be approved by the authorized officer (AO). When compressor units are washed, or any other equipment associated with this location, the fluids (i.e., scrubber cleaners) will be properly disposed of to avoid ground contamination or hazard to livestock or wildlife.***
2. If construction of the pipeline disturbs any portion of the access road to the proposed well site, pipeline construction company will repair access road and place all drainage ditches/waterbars/turnouts to its original state.
3. No construction, drilling or completion activities shall be conducted between December 1 and March 31 because of deer/elk wintering habitat.
4. No construction or routine maintenance activities shall be performed during periods when soil is too wet to adequately support construction equipment. If such equipment creates ruts in excess of 6" deep, the soil shall be deemed too wet to adequately support construction equipment.
5. No surface disturbing activities shall take place on the subject right-of-way until the associated APD is approved. Holder will adhere to special stipulations in the Surface Use Program of the approved APD, relevant to any right-of-way facilities.
6. Right-of-way clearing shall be limited to the limits of the right-of-way.
- 7. Trees 8" or less in diameter will be used for erosion control around pad; all trees 8" or greater in diameter will be cut, delimbed and set on roads and R/W in pad vicinity; and slash will be put back on cut and fill slopes.***
8. Sidehill cuts of more than three (3) feet are not permitted. Areas requiring cuts greater than this shall be terraced so none are greater than three (3) feet.
9. Place pipeline within twenty (20) feet of the edge of the traveled surface of existing road.
10. Holder shall recontour disturbed area and obliterate all earthwork by removing embankments, backfilling excavations and grading to re-establish the approximate original contours of the land in ROW.
11. Holder shall construct waterbars on all disturbed areas to the spacing and cross sections specified by the AO. Waterbars are to be constructed to: (1) simulate the imaginary contour lines of the slope (ideally with a grade of one or two percent); (2) drain away from the disturbed area; and (3) begin and end in vegetation or rock whenever possible. Spacing will be as follows:

Percent Slope	Spacing Intervals
less than 1%	400 feet
1 - 5%	300 feet
5 - 15%	200 feet
12 - 25%	100 feet

12. All above ground structures not subject to safety requirements shall be painted by Holder to blend with the natural color of the landscape. A reflective material may be used to reduce hazards that may occur when such structures are near roads. Otherwise, paint used shall be a non-glare, non-reflective, non-chalking color of *Federal Juniper Green (595a-34127)*.

13. Seed all the disturbed areas except the driving surface and road shoulders using designated mix #1 (above) and to the specifications given. Disturbed areas shall be reseeded within one year of final construction.

#### **Standard Pipeline & Road Stipulations:**

1. The Holder shall conduct all activities associated with the construction, operation, and termination of the right-of-way within the authorized limits of the right-of-way.

2. A copy of these stipulations, including exhibits and the Plan(s) of Operation (if required), shall be on the project area and available to persons directing equipment operation.

3. Disposal of all liquid and solid waste produced during operation of this right-of-way shall be in an approved manner so it will not impact the air, soil, water, vegetation or animals.

4. Holder shall not violate applicable air and water quality standards or related facility siting standards established by or pursuant to applicable Federal and State law.

5. Holder shall minimize disturbance to existing fences and other improvements on public land. Holder is required to promptly repair improvements to at least their former state. Functional use of these improvements will be maintained at all times. Holder will contact the owner of any improvements prior to disturbing them. When necessary to pass through a fence line, the fence shall be H-braced on both sides of the passageway prior to cutting the fence.

6. Construction sites shall be maintained in a sanitary condition at all times; waste materials at those sites shall be disposed of promptly at an appropriate waste disposal site. "Waste" means all discarded matter including, but not limited to, human waste, trash, garbage, refuse, oil drums, petroleum products, ashes and equipment.

7. Holder shall maintain the right-of-way in a safe, useable condition, as directed by the AO. (A regular maintenance program shall include, but is not limited to, soil stabilization.)

8. Holder shall be responsible for weed control and selective control of invasive weeds on disturbed and reclaimed areas within the limits of the ROW. Holder is responsible for consultation with the AO and/or local authorities for acceptable weed control methods within the limits imposed in the conditions of approval.

9. Use of pesticides/herbicides shall comply with the applicable Federal and State laws. Pesticides and herbicides shall be used only in accordance with their registered uses and within limitations imposed by the Secretary of the Interior. Prior to the use of pesticides, Holder shall obtain from the AO written approval of a plan showing the type and quantity of material to be used, pest(s) to be controlled, method of application, location of storage and disposal of containers, and any other information deemed necessary. Emergency use of pesticides shall be approved in writing prior to use.

10. Unless otherwise approved in writing by the AO, this road will be designed and constructed to conform with the BLM, New Mexico road construction/maintenance policy.

11. Public access along this road will not be restricted by the Holder without specific written approval being granted by the AO. Gates or cattleguards on the public land will not be locked or closed to public use unless specifically determined by the AO.

12. Unless otherwise approved in writing by the AO, drainage dip location for grades over two (2) percent shall be determined by the formula:

$$\text{Spacing Interval} = \frac{400}{\text{road slope \%}} + 100'$$

Example: For a road with a four (4) percent slope.

$$\text{Spacing Interval} = \frac{400}{4\%} + 100' = 200 \text{ feet}$$

13. Unless otherwise approved in writing by the AO, all turnout ditches shall be graded to drain water with a one (1) percent minimum to three (3) percent maximum ditch slope. The spacing interval for turnout ditches shall be determined according to the following table, but may be amended depending upon existing soil types and centerline road grade:

#### SPACING INTERVAL FOR TURNOUT DITCHES

<u>Percent Slope</u>	<u>Spacing Interval</u>
0 - 4%	150 - 350 feet
4 - 6%	125 - 250 feet
6 - 8%	100 - 200 feet
8 - 10%	75 - 150 feet

14. Maintain the road so that user traffic remains within the R/W and erosion is mitigated. Roads and road segments where serious erosional damage is occurring will be handled on a case-by-case basis. "Flat blading" will be avoided where practical. A typical exemption would be where bedrock is exposed at the surface. The road(s) will be maintained so that over time a proper road prism and good drainage is achieved. Maintenance will include drainage dips, turnout ditches, crowning and/or out-sloping/in-sloping, low water crossings and vehicle turnouts. Cattleguards and culverts will be cleaned and repaired or replaced. Surfacing may be required.

15. Failure of Holder to share maintenance costs in dollars/equipment/materials/manpower proportionate to Holder's use with the other authorized users may be adequate grounds to terminate ROW grant. The determination as to whether this has occurred and the decision to terminate shall rest with the AO and upon request, he shall be provided with copies of any maintenance agreement entered into.

#### B. CULTURAL RESOURCES ARCHEOLOGY

1. **Discovery of Cultural Resources in the Absence of Monitoring:** If, in its operations, operator/holder discovers any previously unidentified historic or prehistoric cultural resources, then work

in the vicinity of the discovery will be suspended and the discovery promptly reported to the BLM Field Manager. BLM will then specify what action is to be taken. If there is an approved "discovery plan" in place for the project, then the plan will be executed. In the absence of an approved plan, BLM will evaluate the significance of the discovery and consult with the State Historic Preservation Officer in accordance with 36 CFR Section 800.11. Minor recordation, stabilization, or data recovery may be performed by BLM or a permitted cultural resources consultant. If warranted, more extensive treatment by a permitted cultural resources consultant may be required of the operator/holder prior to allowing the project to proceed. Further damage to significant cultural resources will not be allowed until any required treatment is completed. Failure to notify the BLM about a discovery may result in civil or criminal penalties in accordance with the Archeological Resources Protection Act of 1979 (as amended).

**2. Discovery of Cultural Resources During Monitoring:** If monitoring confirms the presence of previously unidentified cultural resources, then work in the vicinity of the discovery will be suspended and the monitor will promptly report the discovery to the BLM Field Manager. BLM will then specify what action is to be taken. If there is an approved "discovery plan" in place for the project, then the plan will be executed. In the absence of an approved plan, the BLM will evaluate the significance of the discovery and consult with the State Historic Preservation Officer in accordance with 36 CFR Section 800.11. Minor recordation, stabilization, or data recovery may be performed by BLM or a permitted cultural resources consultant. If warranted, more extensive treatment by a permitted cultural resources consultant may be required of the operator/holder prior to allowing the project to proceed. Further damage to significant cultural resources will not be allowed until any required treatment is completed.

**3. Damage to Sites:** If, in its operations, operator/holder damages, or is found to have damaged any previously documented or undocumented historic or prehistoric cultural resources, excluding "discoveries" as noted above, the operator/holder agrees at his/her expense to have a permitted cultural resources consultant prepare and have executed a BLM approved data recovery plan. Damage to cultural resources may result in civil or criminal penalties in accordance with the Archeological Resources Protection Act of 1979 (as amended).

#### **C. ABANDONMENT**

1. Ninety days prior to termination of the ROW, Holder shall contact the AO to arrange a joint inspection of the ROW. This inspection will be held to agree to an acceptable termination (and rehabilitation) plan. This plan shall include, but is not limited to, removal of facilities, drainage structures, or surfacing material, recontouring, topsoiling or seeding. The AO must approve the plan in writing prior to the Holder's commencement of any termination actions.

#### **D. GENERAL**

1. After complying with all restoration stipulations, submit a "proof of restoration" letter if this road has been approved as a right-of-way. Proof of restoration letters shall be filed with BLM, Farmington Field Office, 1235 La Plata Highway, Farmington, NM 87401 not later than 2 years after completion of construction.

2. Holder of this R/W agrees to indemnify the United States against any liability arising from the release of any hazardous substance or hazardous waste (as these terms are defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. 9601, et seq. or the Resource Conservation and Recovery Act, 42 U.S.C. 6901, et seq.) on this ROW (unless the release or threatened release is wholly unrelated to Holder's activity in this R/W). This agreement applies without regard to whether a release is caused by the Holder, their agent, or unrelated third parties.



3. Holder(s) shall comply with all applicable Federal laws and regulations existing or hereafter enacted or promulgated. In any event, Holder(s) shall comply with the Toxic Substances Control Act of 1976, as amended (15 U.S.C. 2601, et seq.) with regard to any toxic substances that are used, generated by or stored on the R/W or on facilities authorized under this R/W grant (See 40 CFR, Part 702-799 and especially, provisions on polychlorinated biphenyls, 40 CFR 761.1-761.193.) Additionally, any release of toxic substances (leaks, spills, etc.) in excess of the reportable quantity established by 40 CFR, Part 117 shall be reported as required by the Comprehensive Environmental Response, Compensation and Liability Act of 1980, Section 102b. A copy of any report required or requested by any Federal agency or State government as a result of a reportable release of spill of any toxic substances shall be furnished to the AO concurrent with the filing of reports to involved Federal agency or State government.

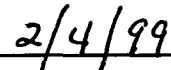
4. The Holder of this right-of-way grant, or the Holder's successor in interest, shall comply with Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d et seq.) and the regulations of the Secretary of the Interior issued pursuant thereto.

On behalf of Phillips, I have reviewed these stipulations and conditions and agree with them.

\_\_\_\_\_  
Phillips Petroleum Company .

\_\_\_\_\_  
Date

  
\_\_\_\_\_  
BLM Field Examiner

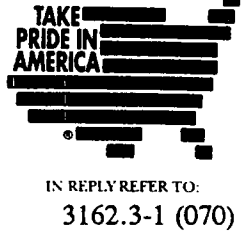
  
\_\_\_\_\_  
Date



# United States Department of the Interior

## BUREAU OF LAND MANAGEMENT

Farmington District Office  
1235 La Plata Highway  
Farmington, New Mexico 87401



Phillips Petroleum Company  
3R San Juan 31-6 Unit  
New Mexico 012735  
SW/4NE/4 Sec. 6, T. 30 N., R. 6 W.  
Rio Arriba County, New Mexico

Above Data Required on Well Sign

### GENERAL REQUIREMENTS FOR OIL AND GAS OPERATIONS ON FEDERAL AND INDIAN LEASES

In addition to those requirements set forth in the laws, regulations and Onshore Orders, these requirements apply generally to all oil and gas operations on Federal and Indian leases. They apply specifically to the above-described well. Special requirements that apply and are effective for this well, if any, are check-marked in Section VII of these General Requirements. The failure of the operator to comply with these requirements and the filing of required reports will result in strict enforcement of 43 CFR 3163.1 or 3163.2.

#### I. GENERAL

A. Full compliance with all applicable laws, regulations, and Onshore Orders, with the approved Permit to Drill, and with the approved Surface Use and Operations Plan is required. Lessees and/or operators are fully accountable for the actions of their contractors and subcontractors.

B. Each well shall have a well sign in legible condition from spud date to final abandonment. The sign should show the operator's name, lease serial number, or unit name, well number, location of the well, and whether lease is Tribal or allotted, (see 43 CFR 3162.6(b)).

C. A complete copy of the approved Application for Permit to Drill, along with any conditions of approval, shall be available to authorized personnel at the drill site whenever active drilling operations are under way.

D. For Wildcat wells only, a drilling operations progress report is to be submitted, to the BLM-District Office, weekly from the spud date until the well is completed and the Well Completion Report (Form 3160-4) is filed. The report should be on 8 1/2 x 11 inch paper, and each page should identify the well by; operator's name, well number, location and lease number.

E. As soon as practical, notice is required of all blowouts, fires and accidents involving life-threatening injuries or loss of life. (See NTL-3A).

3. A cement evaluation log if cement is not circulated to surface.

### III. DRILLER'S LOG

A. The following shall be entered in the daily driller's log: 1) Blowout preventer pressure tests, including test pressures and results. 2) Blowout preventer tests for proper functioning, 3) Blowout prevention drills conducted, 4) Casing run, including size, grade, weight, and depth set, 5) How pipe was cemented, including amount of cement, type, whether cement circulated to surface, location of cementing tools, etc., 6) Waiting on cement time for each casing string, 7) Casing pressure tests after cementing, including test pressure and results and 8) Estimated amounts of oil and gas recovered and/or produced during drillstem tests.

### IV. GAS FLARING

A. Gas produced from this well may not be vented or flared beyond an initial, authorized test period of \_\_\_\_\* days or 50 MMcf following its (completion) (recompletion), whichever first occurs, without the prior, written approval of the authorized officer. Should gas be vented or flared without approval beyond the test period authorized above, you may be directed to shut-in the well until the gas can be captured or approval to continue venting or flaring as uneconomic is granted, and you shall be required to compensate the lessor for that portion of the gas vented or flared without approval which is determined to have been avoidably lost.

\* 30 days, unless a longer test period specifically is approved by the authorized officer. The 30-day period begins when the casing is first perforated for cased holes, and when Total Depth (TD) is reached for open hole completion.

### V. SAFETY

- A. All rig heating stoves are to be of the explosion-proof type.
- B. Rig safety lines are to be installed.
- C. Hard hats must be utilized.

### VI. CHANGE OF PLANS OR ABANDONMENT

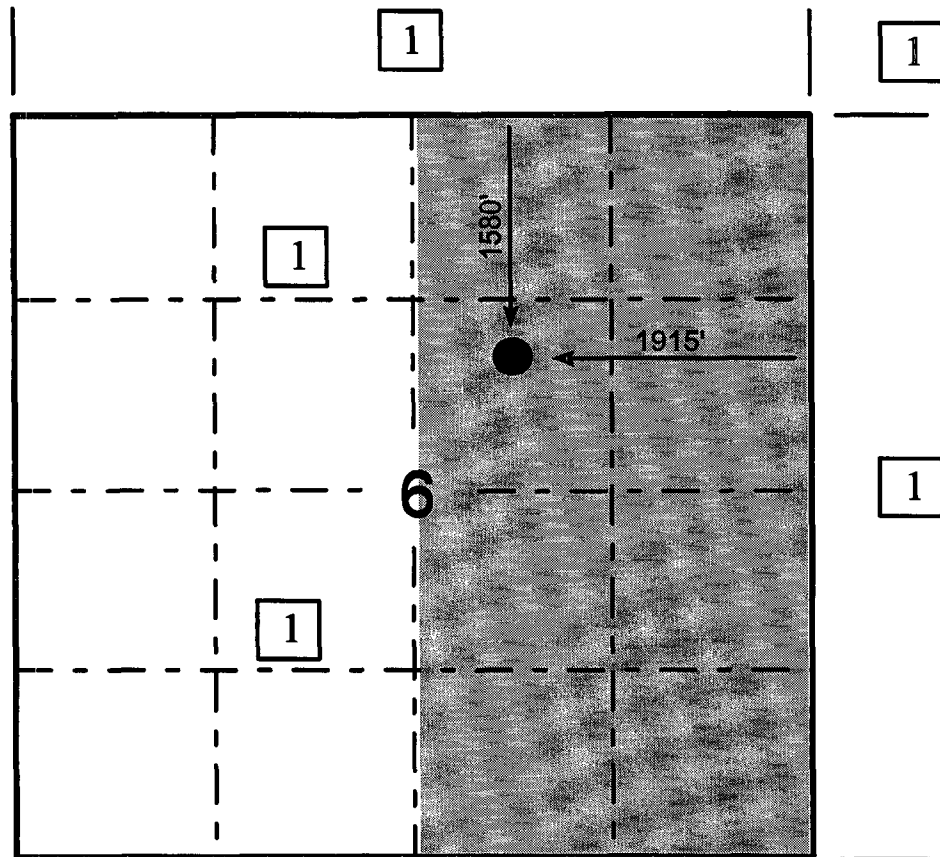
A. Any change of plans required in order to mitigate unanticipated conditions encountered during drilling operations, will require approval as set forth in Section I.F..

B. If the well is dry it is to be plugged in accord with 43 CFR 3162.3-4, approval of the proposed plugging program is required as set forth in Section I.F.. The report should show the total depth reached, the reason for plugging, and the proposed intervals, by depths, where cement plugs are to be placed, type of plugging mud, etc. A Subsequent Report of Abandonment is required as set forth in Section II.B.1.c..

C. Unless a well has been properly cased and cemented, or properly plugged, the drilling rig must not be moved from the drillsite without prior approval from the BLM-Authorized Officer

# UNORTHODOX DAKOTA WELL LOCATION

San Juan 31-6 Unit #3R  
Township 30 North, Range 6 West  
Rio Arriba County



## OFFSET OWNERSHIP

1. Phillips Petroleum Company

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## United States Department of the Interior

### BUREAU OF LAND MANAGEMENT

Farmington District Office  
1235 La Plata Highway  
Farmington, New Mexico 87401

IN REPLY REFER TO:  
3162.5-1 (070)

Mr. Richard Allred  
Phillips petroleum Company  
5525 Hwy 64, NBU 3004  
Farmington, NM 87401

Dear Mr. Allred:

The purpose of this letter is to inform Phillips Petroleum Company and NMOCD of an unorthodox well placement location for the Phillips Petroleum Company's San Juan 31-6 # 3R. In the past, most locations without resource conflicts have been drilled. The window where the 3R would not require an OCD hearing has topographical constraints, is in critical big game winter range, and impacts archeological resources. This caused the moving of this well to the location where it is now staked. It is the Bureau of Land Management's goal to stake these wells in an area where resource damage is minimal and can be reduced to acceptable levels by mitigation. Therefore, it is the request of the Authorized Officer that this location be moved to an unorthodox location to lessen impacts to various resources in the area.

If you have any questions, please contact Bill Liess of my staff at (505) 599-6321.

Sincerely,

Ruben Sanchez

Environmental Protection Team Lead

**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:**

**CASE NO. 12138  
Order No. R-11188**

**APPLICATION OF PHILLIPS PETROLEUM COMPANY FOR THE  
ESTABLISHMENT OF A DOWNHOLE COMMINGLING REFERENCE CASE  
FOR ITS SAN JUAN 31-6 UNIT PURSUANT TO DIVISION RULE 303.E. AND  
THE ADOPTION OF SPECIAL ADMINISTRATIVE RULES THEREFOR, RIO  
ARRIBA COUNTY, NEW MEXICO.**

**ORDER OF THE DIVISION**

**BY THE DIVISION:**

This case came on for hearing at 8:15 a.m. on March 18, 1999, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 25<sup>th</sup> day of May, 1999, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

**FINDS THAT:**

(1) Due public notice has been given and the Division has jurisdiction of this case and its subject matter.

(2) Cases No. 12136, 12137, 12138 and 12139 were consolidated at the time of the hearing for the purpose of testimony.

(3) The applicant, Phillips Petroleum Company (Phillips), pursuant to the provisions of Division Rule 303.E., seeks to establish a downhole commingling "reference case" to provide exceptions for (a) marginal economic criteria, (b) pressure criteria, (c) allocation formulas, and (d) modification of notice rules on a unit-wide basis for downhole commingling of Dakota, Mesaverde, Fruitland Coal and Pictured Cliffs gas production within existing or future drilled wells within the San Juan 31-6 Unit located in Townships 30 and 31 North, Ranges 6 and 7 West, NMPM, Rio Arriba County, New Mexico.

(4) Division Rule 303.E. currently states:

**CASE NO. 12138**  
**Order No. R-11188**  
**Page -2-**

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"If sufficient data exists on a lease, pool, formation, geographic area, etc., so as to render it unnecessary to repeatedly provide such data on Form C-107-A, an operator may except any of the various criteria required under Paragraph 303.D. of this rule by establishing a "reference case". The Division, upon its own motion or by application from an operator, may establish "reference cases" either administratively or by hearing. Upon Division approval of such "reference cases" for specific criteria, subsequent applications to downhole commingle (Form C-107-A) will be required only to cite the Division order number which established such exceptions and shall not be required to submit data for those criteria."

(5) The applicant is the current operator of the San Juan 31-6 Unit, which encompasses some 10,050 acres, more or less, in Townships 30 and 31 North, Ranges 6 and 7 West, NMPM, Rio Arriba County, New Mexico.

(6) Within the San Juan 31-6 Unit, the applicant currently operates thirty-four (34) Basin-Dakota Gas Pool wells, twenty-six (26) Blanco-Mesaverde Gas Pool wells, thirty-five (35) Basin-Fruitland Coal Gas Pool wells, and one (1) Undesignated-Pictured Cliffs Gas Pool well.

(7) According to its evidence and testimony, Phillips seeks to:

- a) establish a "reference case" for marginal economic criteria in the Basin-Dakota and Blanco-Mesaverde Gas Pools whereby these pools may be identified as "marginal" on Form C-107-A's subsequently filed for wells within the San Juan 31-6 Unit. The applicant further proposes that the data provided in the immediate case serve as supplemental data or confirmation that these pools should be classified as "marginal";
- b) establish a "reference case" for pressure criteria in the Basin-Dakota and Blanco-Mesaverde Gas Pools whereby the Division may utilize the data provided in the immediate case to verify the pressure data provided on Form C-107-A's subsequently filed for wells within the San Juan 31-6 Unit;
- c) establish a "reference case" whereby the Division utilizes the data presented in the immediate case to endorse or approve certain methods of allocating production whereby the applicant need not submit additional data or justification when proposing a certain method of allocating production on Form C-107-A's subsequently filed for wells within the San Juan 31-6 Unit; and

**CASE NO. 12138**  
**Order No. R-11188**  
**Page -3-**

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- d) establish a "reference case" or an administrative procedure for authorizing the downhole commingling of existing or future drilled wells within the San Juan 31-6 Unit without additional notice to each affected interest owner as required by Rule No. 303.D.

(8) In support of its request to except marginal economic criteria, the applicant presented engineering evidence and testimony indicating that within the San Juan 31-6 Unit:

- a) the average estimated Mesaverde and Dakota ultimate recoverable gas reserves within the San Juan 31-6 Unit on a per well basis are approximately .69 BCFG and 1.69 BCFG, respectively;
- b) the average initial producing rate for a Mesaverde and Dakota gas well (either newly drilled or recompleted) is approximately 315 MCFGD and 335 MCFGD, respectively; and
- c) the estimated ultimate gas recoveries and initial producing rates from the Mesaverde and Dakota formations within the San Juan 31-6 Unit are insufficient to justify drilling stand alone wells and/or dually completed wells to recover such gas reserves.

(9) The evidence and testimony presented by the applicant indicates that the Blanco-Mesaverde and Basin-Dakota Gas Pools within the San Juan 31-6 Unit should be properly classified as "marginal".

(10) In support of its request to except pressure criteria within the Mesaverde and Dakota formations within the San Juan 31-6 Unit, the applicant presented engineering evidence and testimony indicating that:

- a) the average shut-in bottomhole pressure within the Mesaverde and Dakota formations at the time of initial development was approximately 1,300 psi and 3,313 psi, respectively; and
- b) the average current shut-in bottomhole pressure within the Mesaverde and Dakota formations is approximately 536 psi and 1260 psi, respectively.

(11) Testimony by the applicant indicates that the pressure data described above was obtained from three (3) Mesaverde and six (6) Dakota wells within the San Juan 31-6 Unit.

(12) The applicant presented insufficient pressure data within the San Juan 31-6 Unit area to except pressure criteria.



**CASE NO. 12138**  
**Order No. R-11188**  
**Page -4-**

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(13) The applicant testified that various allocation methods would be utilized for downhole commingled wells within the San Juan 31-6 Unit depending on the circumstances. Some of the methods and circumstances are described as follows:

- a) in those instances where a newly completed zone is commingled with an existing producing interval with an established decline, the subtraction method will be utilized for a period of +/- 12 months. Subsequent to that time, and assuming that the production rate has stabilized, a fixed allocation will be determined and utilized; and
- b) in those instances where a well is newly drilled, the lower zone will be production tested for a period of several weeks to several months, whatever time period is necessary to establish a stabilized production rate. A production forecast will then be obtained from the lower zone based upon the stabilized production rate. The upper zone will be completed and the subtraction method will be utilized for a period of +/- 12 months. Once the production rate has stabilized, a fixed allocation will be determined and utilized.

(14) The allocation methods proposed by the applicant are routinely utilized by industry and approved by the Division and therefore the proposal to except allocation methods should be approved.

(15) In support of its request to establish a "reference case" or administrative procedure whereby additional notice of Form C-107-A within the San Juan 31-6 Unit need not be given to interest owners, the applicant presented evidence and testimony indicating that:

- a) the interest ownership between zones within a given wellbore in the San Juan 31-6 Unit is generally not common;
- b) pursuant to Rule No. 303.D., it is currently required to notify all interest owners within the San Juan 31-6 Unit every time a Form C-107-A is submitted to the Division. There are a considerable number of such interest owners within the unit;
- c) the downhole commingling of wells within the San Juan 31-6 Unit will benefit working, royalty, and overriding royalty interest owners. In addition, the downhole commingling of wells within the San Juan 31-6 Unit should not violate the correlative rights of any interest owner; and
- d) no interest owner appeared at the hearing in opposition to the establishment of a "reference case" or administrative procedure for notice.

**CASE NO. 12138**  
**Order No. R-11188**  
**Page -5-**

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(16) An administrative procedure should be established within the San Juan 31-6 Unit for obtaining approval for subsequently downhole commingled wells without notice to unit interest owners, provided however that the applicant shall comply with all other provisions contained within Division Rule 303.C.

(17) Approval of the proposed "reference case" for marginal economic criteria, allocation formulas and notice will lessen the burden on the applicant insofar as providing the data required pursuant to Division Rule 303.D. and Form C-107-A, will provide the applicant a streamlined method for obtaining downhole commingling approval within the San Juan 31-6 Unit, and will not violate correlative rights.

**IT IS THEREFORE ORDERED THAT:**

(1) The application of Phillips Petroleum Company to establish a "reference case" for a) marginal economic criteria within the Blanco-Mesaverde and Basin-Dakota Gas Pools, b) allocation formulas, and c) modification of notice rules on a unit-wide basis for downhole commingling of Dakota, Mesaverde, Fruitland Coal and Pictured Cliffs gas production within existing or future drilled wells within the San Juan 31-6 Unit, Rio Arriba County, New Mexico, is hereby approved.

(2) The application of Phillips Petroleum Company to establish a "reference case" for pressure criteria on a unit-wide basis for downhole commingling of Blanco-Mesaverde and Basin-Dakota Gas Pools within the San Juan 31-6 Unit is hereby denied.

(3) Upon filing of Form C-107-A's for wells subsequently downhole commingled within the San Juan 31-6 Unit, the applicant shall not be required to submit supporting data: (a) to justify the classification of the Blanco-Mesaverde and Basin-Dakota Gas Pools as "marginal" and (b) support or justify the utilization of a given method or formula for allocation of production, provided however, in the event any of the data described above appearing on Form C-107-A appears to be beyond the data range provided in this case, the Division may require the submittal of additional supporting data.

(4) In order to obtain Division authorization to downhole commingle wells within the San Juan 31-6 Unit, the applicant shall file Form C-107-A with the Santa Fe and Aztec Offices of the Division. Such application shall contain all the information required under Division Rule 303.C., provided however that the applicant shall not be required to provide notice to all interest owners within the San Juan 31-6 Unit of such proposed commingling.

(5) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

**CASE NO. 12138**  
**Order No. R-11188**  
**Page -6-**

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DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

*Lori Wrotenbery*

LORI WROTENBERY  
Director

CMD : ONGARD 08/25/99 11:33:32  
OG6C101 C101-APPLICATION FOR PERMIT TO DRILL OGOMES -TP1Y

OGRID Idn : 17654 API Well No: 30 39 26077 APD Status(A/C/P): A  
Opr Name, Addr: PHILLIPS PETROLEUM CO NW Aprvl/Cncl Date : 03-11-1999  
5525 HWY 64 NBU 3004  
FARMINGTON,NM 87401

Prop Idn: 9259 SAN JUAN 31 6 UNIT Well No: 3 R

	U/L	Sec	Township	Range	Lot	Idn	North/South	East/West
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Surface Locn : G	6	30N	06W				FTG 1580 F N	FTG 1915 F E
OCD U/L : G	API	County	39					

Work typ(N/E/D/P/A) : N Well typ(O/G/M/I/S/W/C): G Cable/Rotary (C/R) : F  
Lease typ(F/S/P/N/J/U/I): F Ground Level Elevation : 6302

State Lease No: Multiple Comp (Y/N) : S  
Prpsd Depth : 7887 Prpsd Frmtn : BLANCO MV/BASIN DK

E0009: Enter data to modify record

PF01 HELP	PF02	PF03 EXIT	PF04 GoTo	PF05	PF06 CONFIRM
PF07	PF08	PF09 PRINT	PF10 C102	PF11 HISTORY	PF12

CMD :  
OG5SECT

ONGARD  
INQUIRE LAND BY SECTION

08/25/99 11:20:43  
OGOMES -TP1Y  
PAGE NO: 1

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E 40.00  Federal owned U	F 40.00  Federal owned U	G 40.00  Federal owned U A	H 40.00  Federal owned U

PF01 HELP  
PF07 BKWD

PF02  
PF08 FWD

PF03 EXIT  
PF09 PRINT

PF04 GoTo  
PF10 SDIV

PF05  
PF11

PF06  
PF12

1  
79.81  
79.74  
159.55  
16  
319.55

CMD :  
OG5SECT

ONGARD  
INQUIRE LAND BY SECTION

08/25/99 11:20:50  
OGOMES -TP1Y  
PAGE NO: 2

Sec : 06 Twp : 30N Rng : 06W Section Type : NORMAL

L 40.00	K 40.00	J 40.00	I 40.00
Federal owned U A	Federal owned U A	Federal owned U	Federal owned U
M 40.00	N 40.00	O 40.00	P 40.00
Federal owned U	Federal owned U	Federal owned U A	Federal owned U

PF01 HELP  
PF07 BKWD

PF02  
PF08 FWD

PF03 EXIT  
PF09 PRINT

PF04 GoTo  
PF10 SDIV

PF05  
PF11

PF06  
PF12