



pSEM0-514342373 *NSL-5221*

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

September 15, 2006

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

ConocoPhillips Company
San Juan Business Unit
P. O. Box 4289
Farmington, New Mexico 87499-4289

Attention: Patsy Clugston
Regulatory Analyst
PClugston@br-inc.com

2nd AMENDMENT to Division Administrative Order NSL-5221 (BHL)

Dear Ms. Clugston:

Reference is made to the following: (i) your initial application that was submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on July 20, 2006 (*administrative application reference No. pTDS0-620250733*); (ii) the Division's response from Mr. Michael E. Stogner, Staff Engineer in Santa Fe, by voice-mail message left Tuesday afternoon, September 5, 2006, requesting additional information to support your application; (iii) your electronic reply on Wednesday morning, September 6, 2006 with the requested information; (iv) yours and Mr. Stogner's telephone conversation on September 6, 2006; (v) yours, Mr. Stogner's and Mr. Steve Hayden's, Aztec District Geologist, subsequent e-mail correspondences on September 13, 14, and 15, 2006; and (vi) the Division's records in Aztec and Santa Fe, including the files on Division Administrative Order NSL-5221, as amended: all pertaining to ConocoPhillips Company's request to further amend the provisions of Division Administrative Order NSL-5221, as amended, to:

- (A) reflect the actual deviated wellbore of its San Juan "32-8" Unit Well No. 267 (*API No. 30-045-33075*) into the Basin-Fruitland Coal (Gas) Pool (*71629*); and
- (B) include the Undesignated Albino-Pictured Cliffs Pool (*70120*).

This application has been duly filed under the provisions of: (i) Division Rules 104.F, 111.A (13), 111.C (2), and 1210.A (2) [formerly Division Rule 1207.A (2), see Division Order No. R-12327-A, issued by the New Mexico Oil Conservation Commission in Case No. 13482 on September 15, 2005]; and (ii) Rule 7 (b) of the "*Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool*," as promulgated by Division Order No. R-8768, as amended.

Division Administrative Order NSL-5221 (*administrative application reference No. pSEM0-514342373*), dated June 14, 2005, authorized ConocoPhillips Company to drill its San Juan "32-8" Unit Well No. 267 as a conventional vertical well within the E/2 of Section 23, Township 32 North, Range 8 West, NMPM, San Juan County, New Mexico, being a standard stand-up gas spacing unit in the Basin-Fruitland Coal (Gas) Pool, at an unorthodox coal gas well location 61 feet from the North line and 391 feet from the East line (Unit A) of Section 23.

By an amended order (*administrative application reference No. pSEM0-528535760*) dated October 26, 2005, this June 14, 2005 order was superseded, authorizing ConocoPhillips Company to directionally drill this well from a surface location 925 feet from the South line and 1054 feet from the East line (Unit P) of offsetting Section 14, Township 32 North, Range 8 West, NMPM, San Juan County, New Mexico, into the Basin-Fruitland Coal (Gas) Pool to a targeted unorthodox bottomhole location 240 feet from the North line and 1200 feet from the East line (Unit A) of Section 23.

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From the information provided and the Division's records, it is our understanding that ConocoPhillips Company commenced drilling its San Juan "32-8" Unit Well No. 267 from its intended surface location in Section 14 on May 8, 2006. At a depth of 350 feet the well was drilled directionally to the south-southwest utilizing the "S" curve technique. At an approximate measured depth ("MD") of 3,728 feet, or true vertical depth ("TVD") of 3,504 feet, with the subsurface location approximately 200 feet from the North line and 1176 feet from the East line (Unit A) of Section 23, the wellbore was returned to vertical and drilling continued into both gas producing horizons to an estimated bottomhole depth of 4,458 feet MD (4,234 feet TVD). The last directional survey point for this wellbore occurred at a depth of 3,830 feet MD (3,606 feet TVD) showing this point at a subsurface location 202 feet from the North line and 1177 feet from the East line (Unit A) of Section 23.

It is further understood that both the Basin-Fruitland coal and Undesignated Albino-Pictured Cliffs gas producing intervals are to be commingled within the San Juan "32-8" Unit Well No. 267.

The NE/4 of Section 23, being a standard 160-acre gas spacing unit in Undesignated Albino-Pictured Cliffs Pool, is to be dedicated to this well.

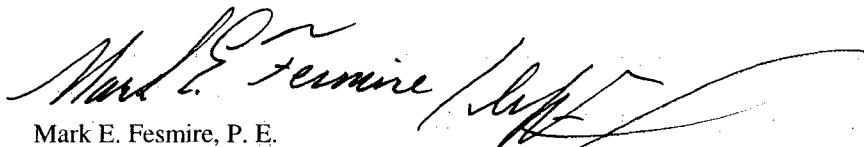
Gas production from the Basin-Fruitland Coal (Gas) Pool is to be included within the existing standard 320-acre stand-up gas spacing unit (E/2 Section 23), which is currently dedicated to ConocoPhillips Company's San Juan "32-8" Unit Well No. 267-A (*API No. 30-045-32886*) located at a standard coal gas well location 1597 feet from the South line and 663 feet from the East line (Unit I) of Section 23.

By the authority granted me under the applicable provisions of the special pool rules governing the Basin-Fruitland Coal (Gas) Pool and Division Rules 104.F (2) and 111.D (2), the above-described unorthodox: (i) infill coal gas well location; and (ii) Pictured Cliffs gas well location, for ConocoPhillips Company's San Juan "32-8" Unit Well No. 267 is hereby approved.

This order shall supersede the provisions of the two previous orders issued on June 14 and October 26, 2005.

Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,



Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Aztec
U. S. Bureau of Land Management – Farmington

File: NSL-5221 – *Division administrative application reference No. pSEM0-514342373*
AMENDED NSL-5221 – *Division administrative application reference No. pSEM0-528535760*