

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

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**IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION
FOR THE PURPOSE OF CONSIDERING:**

CASE NO. 14773

**IN THE MATTER OF THE APPLICATION OF CONOCOPHILLIPS
COMPANY TO TERMINATE THE LA JARA CANYON-GALLUP POOL
AND TO EXPAND THE BASIN-MANCOS GAS POOL AND FOR
EXCEPTIONS TO RULE 19.15.12.9 NMAC TO PERMIT DOWNHOLE
COMMINGLING PRODUCTION INCLUDING FURTHER EXCEPTIONS
FROM RULE 19.15.12.10 AND RULE 19.15.12.11 APPROVING ALTERNATIVE
ALLOCATION METHODS AND NOTIFICATIONS FOR THE GALLUP FORMATION,
NOW MANCOS FORMATION PRODUCTION WITH MESAVERDE AND DAKOTA
FORMATION PRODUCTION, RIO ARriba COUNTY, NEW MEXICO.**

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by ConocoPhillips Company as required by the
New Mexico Oil Conservation Division.

APPEARANCES OF THE PARTIES

APPLICANT

ConocoPhillips Company
3535 West 32nd Street
Farmington, NM 87501
Attn: Richard Corcoran
Phone 505-326-9589

ATTORNEY

W. Thomas Kellahin
706 Gonzales Road
Santa Fe, New Mexico 87501
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OTHER PARTIES

None of record

ATTORNEY

STATEMENT OF THE CASE

APPLICANT:

- Ⓐ (1) ConocoPhillips Company "CPC" is the current operator of the San Juan 30-5 Unit that contains two wells in the Gallup formation each currently spaced on 160-acre spacing units as part of the La Jara Canyon-Gallup Pool.
- Ⓓ (2) These Gallup wells are part of the larger Mancos formations which is located vertically between the base of the Mesaverde formation and the top of the Dakota formations is widely known as being marginally productive and for the most part is only economic if developed concurrently with Mesaverde and/or Dakota wells.
- Ⓒ (3) CPC desires to streamline the regulatory process by converting these two existing spacing units into 320-acre spacing units so that they and the remaining acreage in the La Jara Canyon-Gallup Pool can be further develop with similarly dedicated Mesaverde and/or Dakota also on 320-acre spacing units.
- Ⓔ (4) This change is necessary in order to drill more wells and recover production from the Mancos formations that might otherwise be lost.
- Ⓐ (5) The Rules for the La Jara Canyon-Gallup Pool are based upon the general statewide rules (19.15.15. and provide in part, that gas well will be spacing on 160-acre units with well located not closer than 660 feet to the side boundaries of the spacing unit.
- Ⓔ (6) CPC is the only operator in this Pool and currently operates two wells, and plans to drill an additional three wells. Those two wells are the San Juan 30-5 Unit Well No. 91 (API #30-039-23168) dedicated to the SW/4 of Section 25 and the San Juan 30-5 Unit Well No. 102 (API # 30-039-23176) dedicated to the SW/4 of Section 34.
- (7) CPC also requests approval for downhole commingling of production from the Mancos, Mesaverde and Dakota formations with certain exceptions to Rule 303.C(4) now Rule 19.15.12.9 NMAC.
- (8) Applicant will seek the elimination of notice requirements for downhole commingling as set forth on Division order R-107-A and as required by Rules 19.15.12.10 and 19.15.12.11
- (9) Applicant ~~will~~ ^s propose an Alternative Allocation Method using a Spinner Method of allocation. Both of these methods are already approved for the Basin-Dakota Gas Pool and the Blanco-Mesaverde Gas Pool. See Division Rule 19.15.12.10.B & C and Rule 19.15.12.11.C

- (10) The commingling will not reduce the value of the total remaining production.
- (11) The existing two Gallup "gas" wells will not be adversely affected by inclusion in the Basin-Mancos Gas Pool or by being downhole commingled with production from the Dakota and/or Mesaverde formations.
- (12) The two existing gas wells in the La Jara Canyon-Gallup Pool have demonstrated a limited drainage area thereby leaving possible production at locations outside of the "standard" wells location windows for this Pool.
- (13) Drilling of additional wells in the La Jara pool pursuant to current well density rules will cause the operator and working interest owners to either drill too few wells or have to incur the time and expenses of seeking exceptions to certain Division's rules.
- (14) Approval of this application will provide greater flexibility for La Jara wells and to allow a small resource to be developed in conjunction with Basin Dakota Gas Pool and Blanco Mesaverde Gas Pool wells.

PROPOSED EVIDENCE

APPLICANT

WITNESSES	EST. TIME	EST. EXHIBITS
Richard Corcoran (Landman)	@ 25 -min.	@ 8-10
Zack Swaney (Geologist)	@ 20 min	@ 4-6
Dryonis Pertuso (Reservoir Engineer)	@ 30- min	@ 8-10

PROCEDURAL MATTERS

None.

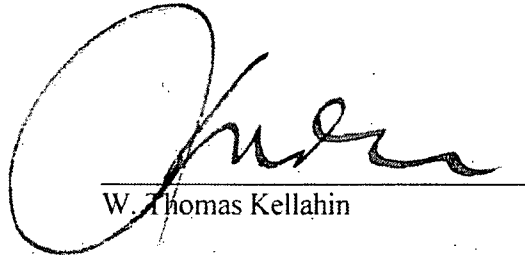
KELLAHIN & KELLAHIN


W. Thomas Kellahin

CERTIFICATION OF SERVICE

I hereby certify that a copy of this pleading was served upon the following parties and attorneys this 8th day of December 2011, by email:

None at this time



W. Thomas Kellahin