

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

**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.**

CASE NO. 14773

Order No. R-13,000

AMENDED APPLICATION

ConocoPhillips Company, ("CPC") by its attorneys, Kellahin & Kellahin, applies to the New Mexico Oil Conservation Division for the termination of the La Jara Canyon-Gallup Pool (Pool ID #96483), being parts of Sections 25, 26, 27, and 34 of T30N, R5W, NMPM, a pool for oil production from the Gallup portion of the Mancos Formation, to expand the Basin-Mancos Gas Pool (Pool ID #97232) to include all acreage that had been included to the La Jara Canyon-Gallup Pool, and for exceptions to Rule 19.15.12.9 NMAC to permit downhole commingling production from the Mancos, Mesaverde and Dakota formations, and including further exceptions from Rule 19.15.12.10 approving alternative methods of allocation and notifications and Rule 19.15.12.11 approving alternative methods of allocation and notifications, Rio Arriba County, New Mexico.

AND in support states:

- (1) 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.

- (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) By Order R-10600, dated June 1, 1996, the Division established the La Jara Canyon-Gallup Pool.
- (6) By Order R-12984, dated September 3, 2008, the Division created the Basin-Mancos Gas Pool and in doing so designated the following described acreage in the La Jara-Canyon-Gallup Pool: 2

Township 30 North, Range 5 West

Section 25: SW/4

Section 26: S/2

Section 27: S/2

Section 34: ~~SW/4~~ W/2

See Locator Map attached as Exhibit "A" hereto

(7) 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

(8) 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.

(9) These two wells are within the San Juan 30-5 Unit but have not been designate part of any participation area. As drill block spacing units CPC owns 100%.

(10) By Order R-12984, dated September 3, 2008, the Division adopted operating rules for the Basin-Mancos Gas Pool but denied designation of pre-approved downhole commingling of production. See NMOCD Case 14133.

(11) The Basin Mancos Gas Pool is defined as:

- (a) Vertical limits are from the base of the Point Lookout formation (the lowest subdivision of the Mesaverde) to the base of the Greenhorn member of the Mancos formation, and
- (b) Horizontal boundaries are all of San Juan and Rio Arriba Counties and all of Section 21, Township 23 North Range 5 West in Sandoval County, NM

(12) All of CPC's planned wellbores will be drilled as gas wells in the Basin-Dakota Gas Pool and the Blanco-Mesaverde Gas Pool with the Mancos added as a secondary target. The Gallup interval aka El Vado (or Niobrara Sandstone) is part of the Mancos Formation.

(13) The anticipated productivity of the El Vado portion of the Mancos Formation will be inadequate to justify drilling a vertical "stand-alone" wellbores into this zone. In order to be produced, these wells must be drilled in conjunction with a well that also produces from either the Dakota or Mesaverde formations or both.

(14) These future wellbores will be downhole commingled with production from the Mancos, Mesaverde and the Dakota formations.

(15) Applicant further requests an exception to Rule 303.C(4) now Rule 19.15.12.9 NMAC based upon the demonstration by the Applicant of the following as set forth in Rule 19.15.12.11 NMAC: The director may grant an exception to 19.15.12.9 NMAC to permit the commingling of multiple producing pools in existing or proposed well bores when the following conditions, set forth in Rule 19.15.12.11, are met:

- (a) The fluids from each pool are compatible and combining the fluids will not damage the pools.
- (b) The commingling will not jeopardize the efficiency of present or future secondary recovery operations in the pools to be commingled.
- (c) The bottom perforation of the lower zone is within 150 percent of the depth of the top perforation in the upper zone and the lower zone is at or below normal pressure with normal pressure assumed to be 0.433 psi per foot of depth. If the pools to be commingled are not within this vertical interval, then evidence is required to demonstrate that commingling will not result in shut-in or flowing well bore pressures in excess of any commingled pool's fracture parting pressure. The fracture parting pressure is assumed to be 0.65 psi per foot of depth unless the applicant submits other measured or calculated pressure data acceptable to the division.

- (d) The commingling will not result in the permanent loss of reserves due to cross-flow in the well bore.
 - (e) Fluid-sensitive formations that may be subject to damage from water or other produced liquids are protected from contact with the liquids produced from other pools in the well.
 - (f) If any of the pools being commingled are prorated, or the well's production has been restricted by division order in any manner, the allocated production from each producing pool in the commingled wellbore shall not exceed the top oil or gas allowable rate for a well in that pool or rate restriction applicable to the well.
 - (g) Notice: 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
- (16) Applicant will 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
- (17) The commingling will not reduce the value of the total remaining production.
- (18) 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.
- (19) The existing La Jara wells are described on Division form C-0102s attached as Exhibits "B" and "C" hereto.
- (20) 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.
- (21) 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.
- (22) 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.

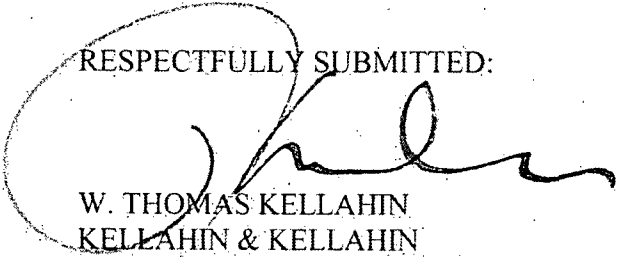
(23) Approval of this application will protect correlative rights and prevent waste.

(24) Applicant is the only operator of Gallup wells within the La Jara Canyon-Gallup Pool and the only operator of Gallup wells within one mile of the outer boundary of this pool.

(24) In accordance with the Division's notice requirements, a copy of this application will be sent to the interest owners within each existing 160-acre La Jara spacing unit operated by CPC as listed on Exhibit "D" notifying them of this case and of the applicant's request for a hearing of this matter before the Division on the Examiner's docket now scheduled for December 15, 2011.

WHEREFORE, ConocoPhillips Company, as applicant, requests that this application be set for hearing on December 15, 2011 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enters its order approving this application.

RESPECTFULLY SUBMITTED:



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FOR DECEMBER 15, 2011 OCD DOCKET

CASE 19773: Amended Application of ConocoPhillips to terminate the La Jara Canyon-Gallup Pool and to expand the Basin-Mancos Gas Pool to include all acreage included in the La Jara Canyon-Gallup Pool and for an exception to Rule 19.15.12.9 NMAC to permit downhole commingling of production from Gallup formation, now Mancos, with Dakota production, Rio Arriba County, New Mexico. Applicant requests that the Division enter an order terminating the La Jara Canyon-Gallup Pool (Pool ID #96483) being parts of Sections 25, 26, 27, and 34 Township 30 North, Range 5 West, NMPM and to expand the Basin-Mancos Gas Pool (Pool ID #97232) to include all acreage that was included to the El Jara Canyon-Gallup Pool. Applicant also seeks an exception to Rule 19.15.12.9 NMAC to permit downhole commingling of production from Gallup formation, now Mancos, with Dakota and/or Mesaverde production and including further exceptions from Rule 19.15.12.10 and Rule 19.15.12.11 approving alternative methods of allocation and notifications. This pool is located approximately 6 miles Northeast from Gobernador Camp, New Mexico.