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ATTORNEY AT LAW

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November 8, 2011

**HAND DELIVERED**

Ms. Jami Bailey, Director  
Oil Conservation Division  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

*Case 14773*

Re: 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 of 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, with Dakota and  
Mesaverde production, Rio Arriba County, New Mexico

RECEIVED OCD  
2011 NOV -8 A 11:30

Dear Ms. Bailey:

On behalf of ConocoPhillips Company, find enclosed our referenced application  
that we request be set for hearing on the Examiner's docket now scheduled for December  
15, 2011. Also enclosed is our proposed advertisement of this case for the NMOCD  
docket.

Very truly yours,

W. Thomas Kellahin

cc: ConocoPhillips Company  
Attn: Richard Corcoran

FOR DECEMBER 15, 2011 OCD DOCKET

CASE 147.73: Application of ConocoPhillips Company 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 exceptions to Rule 19.15.12.9 Rule 19.15.12.10 and 19.15.12.11 NMAC to permit downhole commingling of production from Gallup formation, now Mancos, with Dakota and Mesaverde 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 exceptions 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.

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

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2011 NOV -8 A 11:30

**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

**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:

Township 30 North, Range 5 West

Section 25: SW/4

Section 26: S/2

Section 27: S/2

Section 34: SW/4

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.

ConocoPhillips Company

NMOCD Application

-Page 2-

(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 Gas Composition Analysis in addition to 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.
- (21) Approval of this application will to 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.

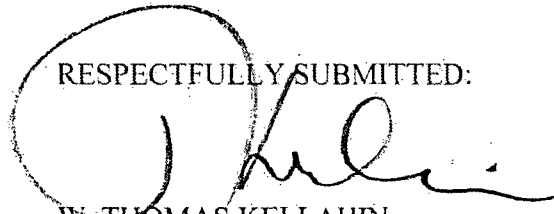
(22) Approval of this application will protect correlative rights and prevent waste.

(23) 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:

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', is written over a circular stamp or seal.

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Santa Fe, New Mexico 87501  
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Fax: (505) 216-2780





District I  
PO 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 30-039-23168		1 Pool Code 96483		1 Pool Name La Jara Canyon - Gallup (G)	
4 Property Code 009258		4 Property Name San Juan 30-5 Unit			4 Well Number 91
1 OGRID No. 017654		1 Operator Name PHILLIPS PETROLEUM COMPANY			1 Elevation 6659

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
L	25	30N	5W		1950	South	835	West	RA

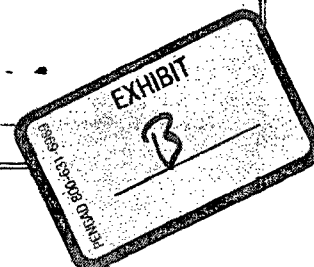
11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

12 Dedicated Acres 160	13 Joint or Infill	14 Consolidation Code	15 Order No.
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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 				17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete, to the best of my knowledge and belief.  Signature: <u>Ed Hasely</u> Printed Name: <u>Ed Hasely</u> Title: <u>Envir./Regulatory Eng.</u> Date: <u>June 4, 1996</u>	
				18 SURVEYOR CERTIFICATION 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.  Date of Survey: _____ Signature and Seal of Professional Surveyer: _____  Certificate Number: _____	





Name Line 1	Address Line 1	Address Line 2	City	State	Zip Code
CARLA JEAN OHORNETT	9920 N SEDONA PL		TUCSON	ARIZONA	85742
CATALIS LLC	PO BOX 1054		EDWARDS	COLORADO	81632
CONOCOPHILLIPS COMPANY	P O BOX 7500		BARTLESVILLE	OKLAHOMA	74005
DEPARTMENT OF INTERIOR MMS	*ROYALTY MANAGEMENT PROGRAM	P O BOX 5810 T A	DENVER	COLORADO	80217
E TAIT MELDRAM REVOC TRUST	E TAIT MELDRAM TRUSTEE	PO BOX 580	WEAVERVILLE	NORTH CAROLINA	28787-0580
ELIZABETH MARIE OHORNETT GILTHVEDT	C/O ROGERS AND BELL	P O BOX 3209	TULSA	OKLAHOMA	74101
GEORGEANNE NILSEN TRUSTEE UTA DATED	JUNE 16 1988	3232 WEST BRITTON	OKLAHOMA CITY	OKLAHOMA	73120
GREG IRETON AND JO ANN W IRETON	1430 CHARTWELL VIEW		COLORADO SPRINGS	COLORADO	80906
JOHN DAVID PRESTON	4380 CREEKSIDE DR		SHINGLE SPRINGS	CALIFORNIA	95682
KEVIN MICHAEL OHORNETT	PO BOX 80		GOLDEN	COLORADO	80402-0080
MAHONEY HOLDINGS LLC	STE 102	7675 W 14TH AVE	LAKEWOOD	COLORADO	80214
MARY PATRICIA OHORNETT PETERSDORF	5148 W AQUAMARINE STREET		TUCSON	ARIZONA	85741
PINE CONE PROPERTIES LLC	STE 220	210 ST PAUL ST	DENVER	COLORADO	80206
PRESTON FAMILY LUG TR DTD APR 20 2010	TOM PRESTON & LESLIE PRESTON TRUSTEE	6802 RAYNOR WAY	SUGAR LAND	TEXAS	77479
RABSM LLC	DEPT 1300	PO BOX 22155	TULSA	OKLAHOMA	74121-2155
SHIRLEY ANN CHOUTEAU TR JUNE 10 1992	DANA GARCIA TRUSTEE	7825 S GRANITE AVE	TULSA	OKLAHOMA	74136
SUZANNE PRESTON CAMFERDAM	5410 LEXINGTON DR		BENTON	ARKANSAS	72019

