

KELLAHIN & KELLAHIN
ATTORNEY AT LAW

W. Thomas Kellahin
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April 11, 2012

**NOTICE OF THE HEARING OF THE FOLLOWING
NEW MEXICO OIL CONSERVATION DIVISION CASE:**

CERTIFIED MAIL-RETURN RECEIPT

Ms. Madalyn Joy Johnson
P. O. Box 7371
Tahoe City, CA 96145

Re: Case _____: Application of ConocoPhillips Company/Burlington
Resources Oil & Gas Company LP. for Downhole Commingling,
Rio Arriba County, New Mexico

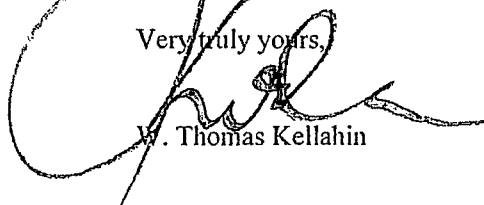
Dear Ms. Johnson,

Because of your objection letter, dated October 20, 2011, the New Mexico Oil Conservation Division ("Division") has set ConocoPhillips Company's referenced application for hearing on Division Examiner's docket now scheduled for at 8:15 a.m. May 24, 2012. The hearing will be held at the Division's hearing room located at 1220 South Saint Francis Drive, Santa Fe, New Mexico, 87050

As an objecting party who may be affected by this application, we are notifying you of your right to appear at the hearing and participate in this case, including the right to present evidence either in support of or in opposition to the application. Failure to appear at the hearing may preclude you from any involvement in this case at a later date. You are not required to attend this hearing.

Pursuant to the Division's Rule 1208.B, you are further notified that if you desire to appear in this case or to oppose the proposed risk charge (See Order R-11992), then you are required to file a Pre-Hearing Statement with the Division not later than 5:00 PM on Thursday, May 17, 2012, with a copy delivered to the undersigned. The Pre-Hearing Statement should include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and the identification of any procedural matters that are to be resolved prior to the hearing. If you desire more information, please call Richard Corcoran at (505) 326-9589.

Very truly yours,


W. Thomas Kellahin

LA

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

IN THE MATTER OF THE APPLICATION OF
CONOCOPHILLIPS COMPANY
FOR DOWNHOLE COMMINGLING
RIO ARriba COUNTY, NEW MEXICO.

CASE NO. _____

APPLICATION

ConocoPhillips Company and its affiliate Burlington Resources Oil & Gas Company LP. (collectively "ConocoPhillips") by its attorneys, Kellahin & Kellahin, seeks an order authorizing the downhole commingling of production from the Basin Dakota, Blanco Mesaverde and Basin Mancos Gas Pools underlying the W/2 of Section 26, T29N, R5W, NMPM, Rio Arriba County, New Mexico, being a standard 320-acre gas spacing and proration unit for the Mesaverde, Mancos and Dakota formation spaced on 320-acre spacing. This unit is being dedicated to its San Juan 29-5 Unit well No. 77M located in Unit E of this section. This matter is being set for hearing because of an objection filed by Madalyn Joy Johnson, a royalty owner.

In support of its application ConocoPhillips states:

- (1) It is the operator of the San Juan 29-5 Federal Unit.
- (2) It is a working interest owner and the proposed operator for the San Juan 29-5 Unit Well No. 77M to be dedicated to the W/2 of Section 26, T29N, R5W, Rio Arriba County, New Mexico.
- (3) Burlington has proposed to drill, complete and operate the 77M well at a location in Unit letter E of this section and if productive to downhole commingle Dakota, Mesaverde and Mancos production. See Division form C-102 attached as Exhibit "A"

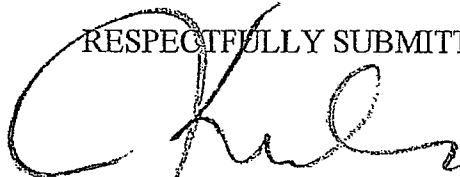
10B

- (4) Within the spacing unit(s) the Mesaverde and the Dakota formations are presently committed to participating areas "PAs" and as such are infill development wells, whereas the Mancos formation is to be drilled on a drill block basis.
- (5) By letter dated October 5, 2011, ConocoPhillips sent a Downhole Commingling "DHC" notice letter and a copy of the Division Form C-107A to those owners entitled to notice including Mrs. Madalyn Joy Johnson. See notice letter and C-107A attached as Exhibits "B" and "C."
- (6) None of the interest owners that were notified has filed a written objection except for Mrs. Johnson who has declined to state what her specific objection is. See her Letter dated October 20, 2011, attached as Exhibit "D."
- (7) Downhole commingling of these three formations, for Mrs. Johnson royalty interest this means that her percentage interests are as follows:
 - a. Dakota Participating Area = 0.021552%
 - b. Mesaverde Participating Area = 0.007336%
 - c. Mancos Drill Block = 0 %
- (8) ConocoPhillips needs an order of the Division approving this "tri-mingling including the allocation of that production to all the appropriate mineral interests owners involved in order to protect correlative rights and prevent waste including the interests of Madalyn Joy Johnson.
- (9) In accordance with the Division's notice requirements, a copy of this application has been sent to the Mrs. Madalyn Joy Johnson (see Exhibit D") notifying her 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 May 24, 2012.

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WHEREFORE, ConocoPhillips, as applicant, requests that Mrs. Madalyn Joy Johnson's objection be set for hearing on May 24, 2012 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order approving this downhole commingling request and deny this objection.

RESPECTFULLY SUBMITTED:

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over the typed name.

W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN
706 Gonzales Road
Santa Fe, New Mexico 87501
(505) 982-4285
tkellahin@comcast.net

DISTRICT I
1625 N. French Dr., Hobbs, N.M. 88240

DISTRICT II
1301 West Grand Avenue, Artesia, N.M. 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, N.M. 87410

DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised July 16, 2010
Submit one copy to appropriate
District Office

☒ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-039-31044	² Pool Code 71599/72319/97232	³ Pool Name BASIN DAKOTA/BLANCO MESAVERDE /MANCOS	BASIN
⁴ Property Code 31325	⁵ Property Name SAN JUAN 29-5 UNIT	⁶ Well Number 77M	
⁷ GRID No. 217817	⁸ Operator Name CONOCOPHILLIPS COMPANY	⁹ Elevation 7095'	

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
E	26	29-N	5-W		1905	NORTH	1150	WEST	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

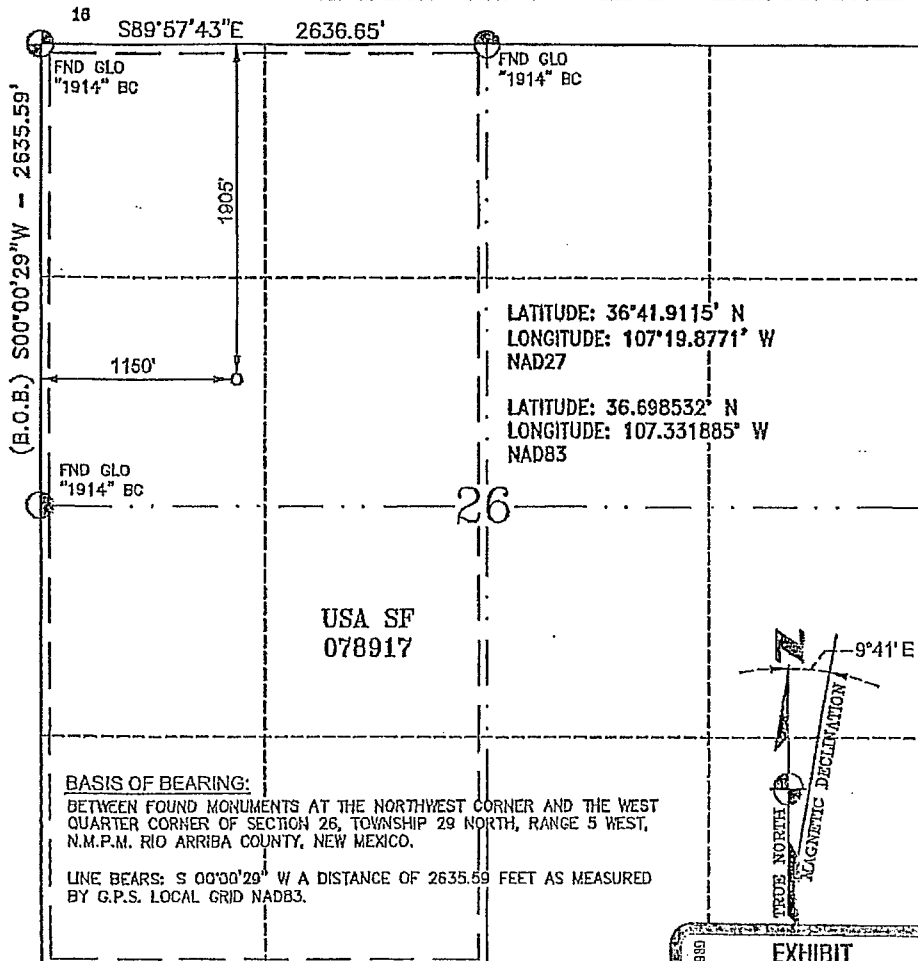
¹²Dedicated Acres
DK 320.00 ACRES W/2
MV 320.00 ACRES W/2

¹³Joint or Infill

¹⁴Consolidation Code

¹⁵Order 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



17 OPERATOR CERTIFICATION

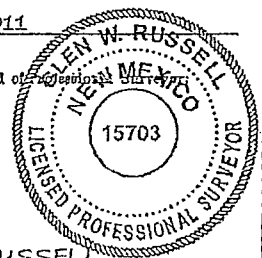
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or undivided mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or a working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the Division.

Signature _____ Date _____
Arleen Kellywood
Printed Name
arleen.r.kellywood@conocophillips.com
E-mail Address

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.

JUNE 29, 2011
Date of Survey
Signature and Seal of _____
GLEN W. RUSSELL
Certificate Number 15703



PC

6E

BURLINGTON

RESOURCES Oil & Gas Company LP
3401 E. 30th St.
P.O. Box 4289
Farmington, NM 87499-4289

October 5, 2011

Subject well: San Juan 29-5 Unit 77M

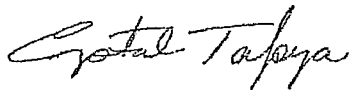
It has come to our attention that some interest owners may find the Down Hole Commingle application process slightly confusing. We hope this letter will clarify some of the questions you as an interest owner may have.

ConocoPhillips' (or Burlington's) plans are to add gas pay to the subject well and down hole commingle production. As required by regulation, we have enclosed a copy of the Commingling Application for your review. No action by you is required at this time unless you object.

If you object, you will need to send notice Burlington Resources/ConocoPhillips, PO Box 4289, Farmington, NM 87499 within twenty (20) days. Again, if you do not object, you **do not need** to sign or return any paperwork at this time.

All interest owners have been notified by certified mail on 10/05/2011.

Thank you,



Crystal Tafoya
Staff Regulatory Technician
ConocoPhillips Company
505-326-9837

Exhibit
B

6F

District I
1613 H. French Drive, Hobbs, NM 88240
District II
3101 W. Grand Avenue, Artesia, NM 88210
District III
1600 Rio Street East, Amar, NM 88210
District IV
1120 S. El Paso Blvd., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107A
Revised June 10, 2003

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

APPLICATION TYPE
☒ Single Well
☐ Establish Pre-Approved Pools
EXISTING WELLBORE
☐ Yes ☒ No

APPLICATION FOR DOWNHOLE COMMINGLING

ConocoPhillips Company P.O. Box 4289 Farmington, NM 87499
Operator Address
San Juan 29-5 Unit 77M Unit E, Sec. 26, 029N, 005W Rio Arriba
Lease Well No. Unit Letter-Section-Township-Range County
OGRID No: 217817 Property Code 31325 API No. 30039310440000 Lease Type: ☒ Federal ☐ State ☐ Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	BLANCO MESAVERDE	BASIN MANCOS	BASIN DAKOTA
Pool Code	72319	97232	71599
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	4900'-6450' estimated	7300'-8000' estimated	8340'-8454' estimated
Method of Production (Flowing or Artificial Lift)	New Zone	New Zone	New Zone
Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone.)	1022 psi	3057 psi	2981 psi
Oil Gravity or Gas BTU (Degree API or Gas BTU)	BTU 1000	BTU 1000	BTU 1000
Producing, Shut-In or New Zone	New Zone	New Zone	New Zone
Date and Oil/Gas/Water Rates of Last Production. (Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.)	Date: N/A Rates: N/A	Date: N/A Rates: N/A	Date: N/A Rates: N/A
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil Gas Will be supplied upon completion	Oil Gas Will be supplied upon completion	Oil Gas Will be supplied upon completion

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones?
Yes ☐ No ☒
If not, have all working, royalty and overriding royalty interest owners been notified by certified mail?
Yes ☒ No ☐
Are all produced fluids from all commingled zones compatible with each other?
Yes ☒ No ☐
Will commingling decrease the value of production?
Yes ☐ No ☒
If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands
or the United States Bureau of Land Management been notified in writing of this application?
Yes ☒ No ☐
NMOC Reference Case No. applicable to this well: _____

Attachments:

C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
Production curve for each zone for at least one year. (If not available, attach explanation.)
For zones with no production history, estimated production rates and supporting data.
Data to support allocation method or formula.
Notification list of working, royalty and overriding royalty interests for uncommon interest cases.
Any additional statements, data or documents required to support commingling.

PRE-APPROVED POOLS

If application is to establish Pre-Approved Pools, the following additional information will be required:

List of other orders approving downhole commingling within the proposed Pre-Approved Pools
List of all operators within the proposed Pre-Approved Pools
Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application.
Bottomhole pressure data.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

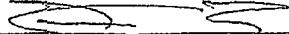
SIGNATURE  TITLE Engineer DATE 10/4/11
TYPE OR PRINT NAME Bill Akwari, Engineer TELEPHONE NO. (505) 326-9700
E-MAIL ADDRESS Bill.N.Akwari@conocophillips.com

Exhibit
C

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San Juan 29-5 Unit 77M
Surface - Unit E, Section 26, T029N, R005W

The San Juan 29-5 Unit 77M is a Blanco Mesaverde, Basin Dakota and Basin Mancos new drill. A cased hole neutron log will be run prior to completion to identify the Mesaverde, Dakota and Mancos zones. If the Mesaverde, Dakota and Mancos horizons can be isolated, a spinner test will be performed and the allocation will be assigned. In the event that the Mesaverde, Dakota and Mancos can not be tested separately, a volumetric calculation will be performed to determine the allocation percentages between the Basin Mesaverde, Basin Dakota and Basin Mancos. All documentation will be submitted to the Aztec NMOC office.

6044

Exhibit "D"

Mrs. Madalyn Joy Johnson
P. O. Box 7371
Tahoe City, CA 96145

Clyde F. Worthen, Esq.
Keleher & McLeod, P.A.
P. O. Box AA
Albuquerque, NM 87103