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May 17, 2012

**CERTIFIED MAIL-RETURNED RECEIPT REQUESTED**

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

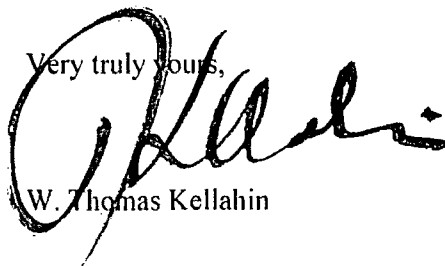
Re: Case (# pending): Application of ConocoPhillips Company  
and Burlington Resources Oil & Gas Company for  
Pre-Approval of Dowhole Commingling of production  
on a pool-wide basis for the Basin-Mancos Gas Pool with  
production from the Dakota and Mesaverde Formations,  
San Juan, Rio Arriba and Sandoval Counties, New Mexico

On behalf of ConocoPhillips Company and Burlington Resources Oil & Gas Company  
"COPC", please find enclosed our application for the referenced case. The hearing for this case will  
be set on the New Mexico Oil Conservation Division Examiner's docket now scheduled for 8:15 am  
on June 21, 2012. The hearing will be held at the Division hearing room located at 1220 South Saint  
Francis Drive, Santa Fe, New Mexico, 87505. (Phone 505-476-3458, Fax 505-476-3462)

You are receiving this notice because a search of the Division's records indicates that you  
may be an operator subject to the Basin-Mancos Gas Pool Rules. You are not required to attend this  
hearing, but as a party of interest 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.

Pursuant Division Rule 1208.B, parties appearing in cases are required to file a Pre-  
Hearing Statement with the Division not later than 5:00 PM on Thursday, June 14, 2012, with a  
copy delivered to the undersigned. This statement must include: A concise statement of your  
position; the names of all witnesses the party will call to testify at the hearing; the approximate  
time of the party will need to present its case, and identification of any procedural matters that are  
to be resolved prior the hearing. Please direct any questions to Chuck Creekmore of Conoco  
COPC at 505-326-6122.

Very truly yours,



W. Thomas Kellahin

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

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

**CASE NO.**

**APPLICATION OF CONOCOPHILLIPS COMPANY AND  
BURLINGTON RESOURCES OIL & GAS COMPANY  
FOR PRE-APPROVAL OF DOWNHOLE COMMINGLING  
OF PRODUCTION ON A POOL-WIDE BASIS FOR THE  
BASIN-MANCOS GAS POOL WITH PRODUCTION FROM  
DAKOTA AND MESAVERDE FORMATIONS,  
SAN JUAN, RIO ARRIBA AND SANDOVAL COUNTIES,  
NEW MEXICO.**

**APPLICATION**

Comes now ConocoPhillips Company and Burlington Resources Oil & Gas Company (collectively "COPC"), by and through its attorneys, Kellahin and Kellahin, and applies to the New Mexico Oil Conservation Division ("Division") to obtain pre-approval status, pursuant to Division Rule 19.15.12.ll.D(2), on a pool-wide basis for Basin-Mancos Gas Pool with production from the Dakota and Mesaverde formations such that approval to downhole commingle any pool combination thereof can be submitted and approved by the Division's Aztec district office.

In support of its application, COPC states:

(1) COPC is an operator of wells within the Basin-Mancos Gas Pool, the Blanco-Mesaverde Gas Pool and the Basin-Dakota Gas Pool.

(2) By Order R-12984, dated September 3, 2008, in Case 14133, the Division created the Basin-Mancos Gas Pool and adopted special rules and regulations but denied the request for pre-approval of down-hole commingling of Mancos production with production from the Dakota and Mesaverde formations because the applicant failed to present the required evidence.

(3) The Basin-Mancos Gas Pool defines the vertical limits of the pool as extending 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. These vertical limits include that interval that has commonly been referred to as the Gallup formation.

(4) The Division also found that the Mancos formation is marginally productive, such that, in most places, stand-alone Mancos wells would not be economic. However, the gas in the Mancos can be economically produced from wells that can also be completed in the Mesaverde and/or Dakota formations. See Finding (3) (e) of Order R-12984.

(5) Division Rule 19.15.12.11.D(2) authorizes the Division to establish pre-approved pools and areas for downhole commingling such that these pool combinations and areas qualify for a streamlined approval process at the Division's district office. Pre-approval status may be approved by the Division if sufficient data exists for multiple formations or pools that have previously been commingled. Pre-approval status allows approval of downhole commingling applications without having to repeatedly present certain data required by Form C-107-A (Application for Downhole Commingling).

(6) The Division routinely administratively approves the downhole commingling of production from the Gallup (Mancos), Mesaverde and Dakota formations within the San Juan Basin, and COPC will present evidence to demonstrate that there is sufficient precedent and sufficient data available to pre-approve the downhole commingling of Basin-Mancos, Basin-Dakota and Blanco-Mesaverde Gas Pool production on a pool-wide basis.

(7) In addition, the Division has authorized pre-approval status of numerous existing Gallup pools with either Basin-Dakota or Blanco-Mesaverde Gas Pools within the San Juan Basin. In support of this application, COPC will present a comprehensive list of these pre-approved Gallup/Dakota and Gallup/Mesaverde pool combinations and their locations within the San Juan Basin.

(8) In the absence of pre-approval status as provided in 19.15.12.11.D(2), the Division requires that administrative applications for downhole commingling of production be submitted, processed and approved on a well by well basis including submittal of the following:

(a) **Compatibility Criteria [Rule 19.15.12.11.A(1)]**: Evidence that the fluids from each pool are compatible and combining fluids will not result in damage to any pool.

(b) **Pressure Criteria [Rule 19.15.12.11.A(3)]**: Evidence that 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 (assumed 0.433 psi per foot of depth). If the commingled pools are not within this vertical interval, then evidence will be required to demonstrate that commingling will not result in shut-in or flowing wellbore pressures in excess of the fracture parting pressure of any commingled pool. Fracture parting pressure is assumed to be 0.65 psi per foot of depth.

(c) **Cross-flow Criteria [Rule 19.15.12.11.A(4)]**: Evidence that the commingling will not result in the permanent loss of reserves due to cross-flow in the wellbore.

(d) **Fluid-sensitivity Criteria [Rule 19.15.12.11.A(5)]**: Evidence that fluid-sensitive formations will not be damaged by downhole commingling.

(9) Sufficient data is now available from existing wells within the Basin-Mancos Gas Pool to support the Division authorizing pre-approval status for the downhole commingling of Dakota, Mesaverde with Mancos gas production.

(10) There is sufficient data within the Basin-Mancos Gas Pool to support the granting of exceptions from certain of the criteria required by Rule 19.15.12.11(A) or as set forth on Form C-107-A and listed in paragraph (7) above.

(11) COPC, pursuant to Rule 19.15.12.11.D, seeks Division authorization of pre-approval status on a pool wide basis for all production from the Basin-Mancos, Blanco-Mesaverde and Basin-Dakota Gas Pools as to the following criteria: compatibility, pressure, cross-flow and fluid sensitivity.

(12) COPC, pursuant to Rule 19.15.12.11.D(2), seeks the pre-approval of the following additional combinations of pools/formations for downhole commingling within the San Juan Basin:

- (a) Basin-Mancos Gas Pool (97232) & Basin-Dakota Gas Pool (71599)
- (b) Basin-Mancos Gas Pool (97232) & Blanco-Mesaverde Gas Pool (72319)
- (c) Basin-Mancos Gas Pool (97232), Basin-Dakota Gas Pool (71599) and Blanco Mesaverde Gas Pool (72319)

(13) The pre-approved pool combinations for downhole commingling cited above will extend the economic life of the existing wells and thereby increase ultimate recovery from these formations.

(14) In addition, the pre approved pool combinations for downhole commingling cited above should apply to new wells and recompleted wells within the Basin-Mancos, Blanco-Mesaverde or Basin-Dakota Gas Pools because production from one or more of these zones are marginal based upon criteria, which the applicant will submit at the hearing of this case.

(15) The processing of downhole commingling applications for wells completed in the Basin-Mancos, Blanco-Mesaverde and/or Basin-Dakota Gas Pools in the absence of pre-approval status will be an administrative burden to the Division and to the operator.

(16) Pre-approval of downhole commingling on a pool wide basis is in the best interest of conservation, the prevention of waste and the protection of correlative rights.

(17) Applicant requests that this matter be docketed for hearing on the Division's Examiner docket now scheduled for June 21, 2012.

(18) Pursuant to Division notice rules, notice of this application has been sent to all operators in the Basin-Mancos, Blanco-Mesavde and Basin-Dakota Gas Pools.

WHEREFORE Applicant requests that this matter be set for hearing on June 21, 2012 before a duly appointed Examiner of the Oil Conservation Division and that after notice and hearing as required by law, the Division enter its order granting this application.

Respectfully submitted

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

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