

KELLAHIN & KELLAHIN
Attorney at Law

W. THOMAS KELLAHIN
706 GONZALES ROAD
SANTA FE, NEW MEXICO 87501

TELEPHONE 505-982-4285
FACSIMILE 505-982-2047
TKELLAHIN@COMCAST.NET

September 27, 2006

HAND DELIVERED

Mr. Mark Fesmire, P.E., Director
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Case 14018

RECEIVED
2007 SEP 28 AM 9 57

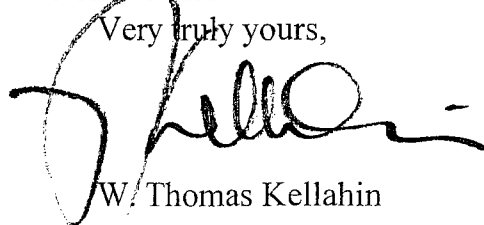
Re: Application of ConocoPhillips for an exception
to the well density requirements of the
Special Rules and Regulations for the Blanco-Mesaverde
Gas Pool, Rio Arriba County, New Mexico

E/2 Section 34, T28N, R7W including the simultaneous dedication
for the San Juan 28-7 Unit Well 225F (Unit Letter B) and to
the San Juan 28-7 Unit Well 91 (Unit Letter B) both located in the
same 40-acre tract of the spacing unit.

Dear Mr. Fesmire:

On behalf of ConocoPhillips, please find enclosed our referenced
application which we request be set for hearing on the Examiner's docket
now scheduled for November 1, 2007. Also enclosed is our proposed
advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: ConocoPhillips
Attn: Alan Alexander

CASE 14018 Application of ConocoPhillips for an exception to the well density requirements of the Blanco-Mesaverde Gas Pool, Rio Arriba County, New Mexico. Applicant seeks an exception to the well density requirements of Rule I.B of the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool to permit it to produce the following 2 Mesaverde gas wells in the same quarter-quarter section (NW/4NE/4) on a standard spacing and proration unit comprised of the E/2 of Section 34, T28N, R7W, NMPM:

(a) the San Juan 28-7 Unit Well No. 225F (API #30-039-66940) located 2170 feet FEL and 740 feet FNL (Unit B) of this section; and

(b) the San Juan 28-7 Unit Well No. 91 (API #30-039-07270) located 1460 feet FEL and 900 feet FNL (Unit B) of this section.

These wells are located approximately 9-1/2 miles southeast of Navajo City, New Mexico.

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

**IN THE MATTER OF THE APPLICATION OF
CONOCOPHILLIPS FOR AN EXCEPTION
TO THE WELL DENSITY REQUIREMENTS
FOR THE BLANCO-MESAVERDE
GAS POOL, RIO ARRIBA COUNTY, NEW MEXICO.**

CASE NO. 14018

APPLICATION

ConocoPhillips, by its attorneys, Kellahin & Kellahin, seeks an order for an exception to the well density requirements of the Blanco-Mesaverde Gas Pool, San Juan County, New Mexico. Applicant seeks an exception to the well density requirements of Rule I.B of the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool to permit it to produce the following 2 Mesaverde gas wells in the same quarter-quarter section (NW/4NE/4) on a standard spacing and proration unit comprised of the E/2 of Section 34, T28N, R7W, NMPM:

In support of its application ConocoPhillips states:

- (1) ConocoPhillips is the current operator of the San Juan 28-7 Unit that includes, among other acreage, the E/2 of Section 34, T28N, R7W, Rio Arriba County, New Mexico.
- (2) Because this spacing unit ("GPU") is within the interior of this Federal Unit with all adjoining spacing units being in the Mesaverde participating area, all interest owners are common among the subject GPU and all adjoining GPUs.

(3) This spacing Unit ("GPU") currently contains four wells completed in the Blanco-Mesaverde Gas Pool as follows:

(a) the San Juan 28-7 Unit Well No. 225F (API #30-039-66940) located 2170 feet FEL and 740 feet FNL (Unit B) of this section;

(b) the San Juan 28-7 Unit Well No. 91 (API #30-039-07270) located 1460 feet FEL and 900 feet FNL (Unit B) of this section; and

(c) the San Juan 28-7 Unit Well No. 225E (API #30-039-26173) located 1350 feet FSL and 2330 feet FEL (Unit J) of this section.

(d) the San Juan 28-7 Unit Well No. 225M (API #30-039-25545) located 830 feet FSL and 930 feet FEL (Unit P) of this section.

(4) The Blanco-Mesaverde Gas Pool is governed by Special Rules and Regulations which provide for 320-acre spacing and proration units on which as many as four wells may be drilled. See Order R-8170, as superseded by Order R-10987-A, effective February 1, 1999 and amended by Order R-10987-A (1), effective December 2, 2002. These Special Pool Rules and Regulations provide, among other things, that an infill well shall not be located within the same quarter-quarter section (40-acre tract) as another well.

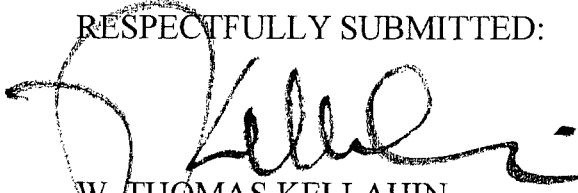
(5) On or about January 8, 2002, ConocoPhillips recompleted the Well No. 225F from the Dakota to the Mesaverde such that the No. 225F and the No. 91 are both in the same quarter-quarter section and are located at standard distances from the outer boundaries of this GPU.

(6) Upon becoming aware of its mistake, ConocoPhillips shut-in the Well No. 91 that remains shut-in and is not producing from the Mesaverde formation.

- (7) While the total number of four wells in this Mesaverde gas proration unit ("GPU") is allowed, the Well No. 225F and Well No. 91 are located in the same quarter-quarter section and therefore are in violation of the density requirements of these Special Pool Rules.
- (8) ConocoPhillips therefore requests that the Division enter its order granting an exception to the well density requirements of Rule I.B of the Special Rules and Regulations of the Blanco-Mesaverde Gas Pool approving the location of the San Juan 28-7 Unit Well No. 225F and the Well No. 91 in the same quarter-quarter section and authorizing ConocoPhillips to simultaneously produce both wells.
- (9) Approval of this application will not impair the correlative rights of any other interest owner in the Blanco-Mesaverde Gas Pool and will afford ConocoPhillips the opportunity to utilize the existing wells to produce the reserves from this GPU.
- (10) Approval of this application will be in the best interests of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, ConocoPhillips requests that this application be set for hearing before an Examiner of the Oil Conservation Division on November 1, 2007 and after notice and hearing as required by law, the Division enter its order granting an exception to the well density requirements of Rule I.B of the Special Rules and Regulations of the Blanco-Mesaverde Gas Pool approving the location of the San Juan 28-7 Unit Wells No. 225F and 91 in the Mesaverde formation and authorizing ConocoPhillips to simultaneously produce both wells.

RESPECTFULLY SUBMITTED:



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