

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

**IN THE MATTER OF THE APPLICATION OF KOCH
EXPLORATION COMPANY, LLC, CONOCOPHILLIPS
COMPANY, BURLINGTON RESOURCES OIL AND
GAS COMPANY LP AND ENERGEN RESOURCES
CORPORATION FOR APPROVAL OF A PILOT INCREASED
DENSITY WELL PROJECT IN THE BASIN-FRUITLAND COAL
GAS POOL, SAN JUAN COUNTY, NEW MEXICO.**

**RECEIVED
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CASE NO. 14295

PRE-HEARING STATEMENT

This Pre-Hearing Statement is submitted by Koch Exploration Company, LLC, (“KEC”), ConocoPhillips Company (“COP”), Burlington Resources Oil and Gas Company LP (“Burlington”) and Energen Resources Corporation (“Energen”) (collectively “Applicants”) as required by the Oil Conservation Division Rule 19.15.14.1211(B).

APPEARANCES

APPLICANTS:

Koch Exploration Company, LLC,
ConocoPhillips Company
Burlington Resources Oil and Gas Company LP
Energen Resources Corporation

ATTORNEY:

Earl E. DeBrine, Jr.
Modrall, Sperling, Roehl, Harris & Sisk, P.A.
Post Office Box 2168
Bank of America Centre, Suite 1000
Albuquerque, New Mexico 87103-2168
Telephone: (505) 848-1800

STATEMENT OF THE CASE

Applicants seek approval for a pilot program in the Fruitland Coal formation, Basin-Fruitland Coal Gas Pool, to gather data to determine the appropriate well density in the Fruitland Coal formation for wells in pools governed by the “Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool” which currently limits well density to two wells on each 320 acre

standard gas spacing unit. The pilot project area encompasses all or a portion of the following acreage in San Juan County, New Mexico:

Township 29 North, Range 9 West, NMPM

Section 20: SE/4

Section 21: SW/4

Section 28: W/2

Section 29: E/2

Section 32: NE/4

Section 33: NW/4

PROPOSED EVIDENCE

WITNESSES	EST. TIME	NO. OF EXHIBITS
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Morgan Connor (Land)	15 Minutes	3
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Mr. Connor will provide information concerning the location of the wells in proposed pilot project and the regulatory framework regarding development in this area.

Alan Alexander (Land)	15 Minutes	1
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Mr. Alexander will provide information concerning spacing rules for the Basin-Fruitland Coal Gas Pool and well density pilot projects.

Glenn Baack (Geology)	15 Minutes	3
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Mr. Baack will discuss the geological characterization of the formation.

Bob Wright (Petroleum Engineering)	30 Minutes	17
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Mr. Wright will provide evidence concerning the reservoir properties, reservoir performance, recovery and/or drainage efficiencies and discuss the data that Applicants seek to obtain through the pilot project.

PROCEDURAL MATTERS

None anticipated. The proposed Pilot Project includes state and federal acreage and is supported by the federal Bureau of Land Management. See April 6, 2009 letter from BLM Field Office Manager Steve Henke to Division Director Mark Fesmire, a copy of which is attached hereto as Exhibit A.

MODRALL, SPERLING, ROEHL, HARRIS
& SISK, P.A.

By: _____

Handwritten signature of Ryan Flynn in cursive script, written over a horizontal line. The word "for" is written in a smaller, simpler script to the right of the signature.

Earl E. DeBrine, Jr.
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United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Farmington Field Office
1235 La Plata Highway, Suite A
Farmington, New Mexico 87401



IN REPLY REFER TO:
FC Pilot Infill Project

April 6, 2009

Mark Fesmire
New Mexico Oil Conservation Division
1220 S. St. Frances Drive
Santa Fe, New Mexico 87505

Dear Mr. Fesmire:

Reference is made to Case No. 14295, whereby Koch Exploration LLC., ConocoPhillips Company, Burlington Resources Oil and Gas Company LP and Energen Resources Corporation (Koch et.al.) are seeking approval for an infill pilot project to authorize increased Fruitland Coal well density within six standard spacing units. These spacing units are located in the following areas:

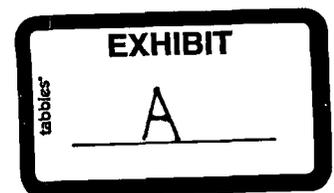
Township 29 North and Range 9 West, San Juan County, New Mexico:

E1/2 section 20; W1/2 section 21; W1/2 section 28; E1/2 section 29; E1/2 section 32; and the W1/2 section 33.

The purpose of the pilot is to determine optimal well density, maximum ultimate recovery and the commercial feasibility for Fruitland Coal well development in this area. The Fruitland Coal is currently being developed on a 320 acre spacing unit basis with an option infill well provision.

We recently reviewed the technical merits of this case with representatives of Koch and the other proponents of the pilot. Their preliminary findings suggest that current well bore recovery factors from the Fruitland Coal in this area is approximately 41 percent. To determine optimal well density, Koch et al., are proposing to drill eight (8) infill wells. Detailed reservoir parameters such as layered pressure data, coal properties from log analysis and reservoir simulation analysis will be gathered as part of this study. Other factors such as reservoir heterogeneity and expected ultimate recoveries will also be investigated.

Pursuant to the Memorandum of Understanding between the BLM and the NMOCD, we support the application for an increased well density pilot project. This pilot study will help Koch et al., and our respective agencies determine optimal well density for the Fruitland Coal in this area. Koch et al., will be expected to annually present to the BLM and the NMOCD their geologic and engineering data for the wells drilled under the pilot. Within six (6) months of completion of the pilot project, Koch et al., will be expected to provide their overall findings and well density recommendations.



☞ If you have any questions regarding the above, contact me at (505) 599-6340.

Steve Henke

/s/ Steve Henke

Field Office Manager,
BLM, Farmington

CC: Koch Exploration Company, LLC
ConocoPhillips Company
Burlington Resources Oil and Gas Company, LP
Energen Resources Corporation