

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

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

CASE NO. 12556

**APPLICATION OF CONOCO INC. TO AMEND
DIVISION ORDER R-11139 TO PROVIDE FOR
THE EXPANSION OF ITS DAKOTA PILOT PROJECT
WITHIN THE SAN JUAN 28-7 UNIT INCLUDING
UNORTHODOX WELL LOCATIONS AND EXCEPTIONS
FROM THE SPECIAL RULES AND REGULATIONS
FOR THE BASIN DAKOTA GAS POOL,
RIO ARriba COUNTY, NEW MEXICO**

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by CONOCO INC. as required by the Oil Conservation Division.

APPEARANCE OF PARTIES

APPLICANT

Conoco Inc.
600 N. Dairy Ashford
Houston, Texas 77079
Attn: Marc Shannon
(281) 293-6564

ATTORNEY

W. Thomas Kellahin
Kellahin & Kellahin
P.O. Box 2265
Santa Fe, NM 87504
(505) 982-4285

OTHER PARTIES

Bureau of Land Management

ATTORNEY

STATEMENT OF CASE

APPLICANT

(1) Conoco is the current operator of the San Juan 28-7 Unit containing 31,200 acres, more or less and located in portions of Township 27 North, Range 7 West, and Township 28 North, Range 7 West NMPM. See Exhibit "A" attached.

(2) On February 18, 1999, the Division entered Order R-11139 which approved Conoco's application to conduct an 80-acre pilot infill program within its San Juan 28-7 Unit in the Basin-Dakota Gas Pool by the drilling of six infill wells at standard and unorthodox gas well locations. This pilot project was initially limited to the drilling of these six wells.

(3) Based upon a study of the geological and reservoir engineering data obtained from the initial pilot project, Conoco Inc. has concluded that there is a need to expand this pilot project.

(4) Accordingly, Conoco Inc. desires to expand its infill pilot program for the drilling of additional Basin-Dakota Gas Pool wells in the San Juan 28-7 Unit to provide additional data for reservoir engineering and geologic studies for the purposes of determining the proper well density not to exceed a maximum of four (4) wells per GPU ("80-acre infill") **and** for determining the well location requirements for wells in this pool.

(5) Conoco seeks an administrative process for expanding the pilot project to include additional wells. This current request is for nine (9) additional infill pilot project wells.

(6) The approval of an expanded pilot program which increases the density of Basin Dakota Gas Pool wells at unorthodox well locations within the San Juan 28-7 Unit will not violate correlative rights because the San Juan 28-7 Unit Agreement has established an equitable method for the allocation of production of Basin-Dakota Gas Pool production to all interest owners within the unit regardless of the number of wells drilled or where those wells are located.

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(7) In order to protect the correlative rights of any owners adjacent to the outer boundary of this unit, Conoco Inc. proposes that the well density for each 160-acres within the unit along its outer boundary shall be limited to the current well density of not more than one (1) well per 160-acres with the proposed infill wells to be located within 10 feet of the outer boundary of the quarter section in which the well is located provided that such wells are located no closer than 660 feet to the outer boundary of the San Juan 28-7 Unit.

(8) Within the unit area, Conoco, Inc. proposes that:

(a) the well density shall not be more than two (2) wells per 160-acres within any standard 320-acre GPU;

(b) the proposed infill wells to be located anywhere within the GPU provided that such wells are located no closer than 10 feet to the outer boundary of a GPU; and

(c) the proposed infill wells to be located anywhere within the GPU provided that such wells are located no closer than 10 feet from the outer boundary of the quarter section on which the well is located.

(9) There will be no increase in the gas allowable or in the method of calculating gas allowables in the Basin-Dakota Gas Pool for any of the standard gas proration units targeted for the proposed infill drilling and producing program.

(10) This current expansion of the pilot project will include nine (9) wells as set forth on Exhibit "B" with eight (8) of these wells to be drilled at unorthodox locations from the current pool rules in an attempt to locate them in appropriate positions from which to obtain data for further computer modeling predictions of proper well density and well locations requirements for the pool.

(11) Copies of this application have been sent to all appropriate parties as required by the Division notice rules.

(12) Approval of this application is in the best interests of conservation, the prevention of waste and the protection of correlative rights.

(13) The Bureau of Land Management appears in support of the Division granting approval of this application

PROPOSED EVIDENCE


APPLICANT

WITNESSES	EST. TIME	EXHIBITS
Jennifer Barber (landman)	10 Min.	est. 2
Terry Glaser (geologist)	30 Min	est. 4
Trent Boneau (reservoir simulation)	30 Min	est. 6
Marc Shannon (petroleum engineer)	30 Min.	est. 8

PROCEDURAL MATTERS

None

KELLAHIN AND KELLAHIN



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