

**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. 14016
ORDER NO. R-12883**

**APPLICATION OF CONOCOPHILLIPS COMPANY FOR AN EXCEPTION TO
THE WELL DENSITY REQUIREMENTS FOR THE BASIN-DAKOTA GAS
POOL, RIO ARriba COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on January 10, 2008, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 18th day of January, 2008, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) ConocoPhillips Company ("applicant"), seeks an exception to the well density provisions of the Special Rules and Regulations of the Basin-Dakota (Prorated Gas) Pool (71599) within an existing standard 320-acre Dakota spacing and proration unit ("GPU") consisting of the W/2 of Section 24, Township 28 North, Range 7 West, NMPM, Rio Arriba County, New Mexico by approval of simultaneous production from the following two gas wells within the NW/4 SW/4 (Unit L):

(a) San Juan 28-7 Unit Well No. 259 (API No. 30-039-21690) located 1450 from the South line, and 790 feet from the West line, Unit L of Section 24; and the

(b) San Juan 28-7 Unit Well No. 259G (API No. 30-039-27290) located 2370 from the South line, and 225 feet from the West line, Unit L of Section 24.

(3) No other party entered an appearance in this case or otherwise opposed this application.

(4) Well density, well locations, and gas spacing and proration unit ("GPU") size, within the Basin-Dakota (Prorated Gas) Pool, are governed by Special Rules detailed in Division Order No. R-10987-B(2) effective January 29, 2002. That portion of those Special Rules pertaining to GPU size and well density (shown below) also requires each quarter section to contain only two wells and each quarter-quarter section to only contain one well. The relevant provisions are as follows:

II. ACREAGE AND WELL LOCATION REQUIREMENTS

A. Standard GPU (Gas Proration Unit): *A standard GPU in the Basin-Dakota Pool shall be 320 acres, more or less, comprising any two contiguous quarter sections of a single section that is a legal subdivision of the U. S. Public Land Surveys.*

B. Well density:

(1) *Up to four (4) wells may be drilled on a standard GPU, as follows:*

(a) *the FIRST OPTIONAL INFILL WELL drilled on a GPU shall be located in the quarter section not containing the INITIAL Dakota well;*

(b) *the SECOND OPTIONAL INFILL WELL drilled on a GPU shall be located in a quarter-quarter section not containing a Dakota well and within a quarter section not containing more than one (1) Dakota well;*

(c) *the THIRD OPTIONAL INFILL WELL drilled on a GPU shall be located in a quarter-quarter section not containing a Dakota well and within a quarter section not containing more than one (1) Dakota well;*

(d) *at the discretion of the operator, the second or third optional infill well may be drilled prior to the drilling of the first optional infill well;*

(e) *no more than two wells shall be located within either quarter section in a GPU; and*

(f) *any deviation from the above-described well density requirements shall be authorized only after hearing.*

(5) The applicant presented testimony and facts at the hearing as follows:

(a) ConocoPhillips has gone through a process of examining all wells for regulatory compliance and has discovered that this W/2 of Section 24 GPU contains two Dakota wells in the same quarter-quarter section, which is out of compliance with Rule II.B of the aforementioned Special Pool Rules.

(b) ConocoPhillips mistakenly completed the San Juan 28-7 Unit Well No. 259G in April of 2006 on the same NW/4 SW/4 quarter-quarter section (Unit L) as the San Juan 28-7 Unit Well No. 259. After discovering this, the Well No. 259 well was shut-in and has remained shut-in pending the result of this hearing. Well No. 259 had produced since September of 1978 and was last producing approximately 50 Mcf gas per day.

(c) Currently, this GPU contains four wells; two wells are located in Unit L, one well is in Unit D, and one well is located in Unit F. ConocoPhillips has no intention to drill more than four wells within this GPU.

(d) This GPU is surrounded by other spacing units, all within the Dakota participating area of the San Juan 28-7 Unit; therefore affected interests are identical to interests in this W/2 of Section 24.

(e) ConocoPhillips has determined the effective drainage area for these two (combined) wells using a no-flow boundary calculation and compared this to a drainage area calculated using a projected dimensionless producing rate versus cumulative (flowing material balance) plot. Both methods were in general agreement and show that the approximate drainage area for these two wells is a cumulative 115 acres.

(f) ConocoPhillips then set up and ran a one-layer numerical simulator comparing pressure depletion in the calculated drainage area with and without the participation of Well No. 259. That analysis indicates that abandonment of Well No. 259 would result in a loss of approximately 120 MMscf of gas.

(6) The examiner finds as follows:

(a) ConocoPhillips is making a good faith effort to identify San Juan Basin wells which are not in compliance with Division rules, to bring those wells into compliance, and to prevent future violations. ConocoPhillips has itself identified this well density exception and brought it to the Division's attention.

(b) Professionals from ConocoPhillips have used the latest technology and sound science to show that these two wells, located in the same quarter-quarter section, are not violating correlative rights or causing waste.

(c) The subject GPU is wholly located within the Dakota participating area and correlative rights are not being violated.

(d) If this application is approved, ConocoPhillips will be allowed to resume production from the San Juan 28-7 Unit Well No. 259 located in Unit L and increase production within this spacing unit by approximately 50 Mcf gas per day.

(e) Producing both wells will not result in unfair drainage from offset spacing units.

(f) It appears that real additional developed reserves have been added by drilling the second well within this quarter-quarter section.

(g) Allowing both wells completed within Unit L of Section 24 to simultaneously produce will prevent waste by allowing the recovery of natural gas that may otherwise not be produced and will allow the use of a drilling investment that has already been made.

(h) If this application is approved, then all spacing and location provisions of the Special Rules and Regulations of the Basin-Dakota Gas Pool should remain in effect, except as exempted in this order, including the provisions that no more than two wells shall simultaneously produce in any quarter section and no more than four wells shall simultaneously produce in any spacing unit.

(i) This application should be approved in order to prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The application of ConocoPhillips Company is approved. An exception is hereby granted to the well density provisions (Rule II.B) of the Special Rules and Regulations of the Basin-Dakota (Prorated Gas) Pool (71599) as promulgated by Division Order No. R-10987-B(2) and the following two wells are allowed to simultaneously produce within the NW/4 SW/4 of Section 24 within an existing standard 320-acre, more or less, Dakota spacing and proration unit consisting of the W/2 of Section 24, Township 28 North, Range 7 West, NMPM, Rio Arriba County, New Mexico:

(a) San Juan 28-7 Unit Well No. 259 (API No. 30-039-21690) in Unit L

(b) San Juan 28-7 Unit Well No. 259G (API No. 30-039-27290) in Unit L

(2) Except as granted above, all spacing and location provisions of the Special Rules and Regulations of the Basin-Dakota Gas Pool shall remain in effect including the provisions that no more than two wells shall simultaneously produce in any quarter

section and no more than four wells shall simultaneously produce in any gas spacing and proration unit.

(3) Jurisdiction is hereby retained for the entry of such further orders, as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read "Mark E. Fesmire".

MARK E. FESMIRE, P.E.
Director