

DISTRICT I
P.O. Box 1980, Hobbs, NM 88241-1980
DISTRICT II
811 South First St., Artesia, NM 88210-2835
DISTRICT III
1000 Rio Brazos Rd, Aztec, NM 87410-1693

State of New Mexico
Energy, Minerals and Natural Resources Department
OIL CONSERVATION DIVISION
2040 S. Pacheco
Santa Fe, New Mexico 87505-6429

Form C-107-A
New 3-12-96

APPROVAL PROCESS :
X Administrative ___ Hearing
EXISTING WELLBORE
___ YES ___X_ NO

APPLICATION FOR DOWNHOLE COMMINGLING

| | | | |
|--|----------|-----------------------------------|------------|
| Burlington Resources Oil & Gas Company | | PO Box 4289, Farmington, NM 87499 | |
| Operator | Address | | |
| San Juan 27-5 Unit | 124M | 28-27N-05W | Rio Arriba |
| Lease | Well No. | Unit Ltr. - Sec - Twp - Rge | County |

Spacing Unit Lease Types: (check 1 or more)
OGRID NO. 14538 Property Code 7454 API NO. 30-XXX Federal x State (and/or) Fee

| The following facts are submitted in support of downhole commingling: | Upper Zone | Intermediate Zone | Lower Zone |
|---|---|-------------------|---|
| 1. Pool Name and Pool Code | Blanco Mesaverde - 72319 | | Basin Dakota - 71599 |
| 2. Top and Bottom of Pay Section (Perforations) | will be supplied upon completion | | will be supplied upon completion |
| 3. Type of production (Oil or Gas) | gas | | gas |
| 4. Method of Production (Flowing or Artificial Lift) | flowing | | flowing |
| 5. Bottomhole Pressure | (Current) a. 608 psi (see attachment) | a. | a. 1004 psi (see attachment) |
| Oil Zones - Artificial Lift: Estimated Current Gas & Oil - Flowing: Measured Current All Gas Zones: Estimated or Measured Original | (Original) b. 1373 psi (see attachment) | b. | b. 3129 psi (see attachment) |
| 6. Oil Gravity (API) or Gas BTU Content | BTU 1235 | | BTU 1137 |
| 7. Producing or Shut-In? | shut in | | shut in |
| Production Marginal? (yes or no) | no | | yes |
| * If Shut-In and oil/gas/water rates of last production | Date: n/a Rates: | Date: Rates: | Date: n/a Rates: |
| Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data | | | |
| * If Producing, give data and oil/gas/water of recent test (within 60 days) | Date: n/a Rates: | Date: Rates: | Date: n/a Rates: |
| 8. Fixed Percentage Allocation Formula -% for each zone (total of %'s to equal 100%) | Oil: % Gas: % will be supplied upon completion | Oil: % Gas: % | Oil: % Gas: % will be supplied upon completion |

9. If allocation formula is based upon something other than current or past production, or is based upon some other method, submit attachments with supporting data and/or explaining method and providing rate projections or other required data.
10. Are all working, overriding, and royalty interests identical in all commingled zones? Yes x No
If not, have all working, overriding, and royalty interests been notified by certified mail? Yes x No
Have all offset operators been given written notice of the proposed downhole commingling? x Yes No
11. Will cross-flow occur? x Yes No If yes, are fluids compatible, will the formations not be damaged, will any cross-flowed production be recovered, and will the allocation formula be reliable. x Yes No (If No, attach explanation)
12. Are all produced fluids from all commingled zones compatible with each other? x Yes No
13. Will the value of production be decreased by commingling? Yes x No (If Yes, attach explanation)
14. If this well is on, or communitized with, state or federal lands, either the Commissioner of Public Lands or the United States Bureau of Land Management has been notified in writing of this application. x Yes No
15. NMOCD Reference Cases for Rule 303(D) Exceptions: ORDER NO(S). Reference Order R-10694 attached
16. ATTACHMENTS:
* C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
* Production curve for each zone for at least one year. (If not available, attach explanation.)
* For zones with no production history, estimated production rates and supporting data.
* Data to support allocation method or formula.
* Notification list of all offset operators.
* Notification list of working, overriding, and royalty interests for uncommon interest cases.
* Any additional statements, data, or documents required to support commingling.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE: Dan Voecks TITLE: Production Engineer DATE: 2-2-99
TYPE OR PRINT NAME: Dan Voecks TELEPHONE NO.: (505) 326-9700

District I
PO Box 1980, Hobbs, NM 88241-1980

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised February 21, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 3 Copies
Fee Lease - 3 Copies

District II
PO Drawer 00, Artesia, NM 88211-0719

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

District III
1000 Rio Brazos Rd., Aztec, NM 87410

District IV
PO Box 2088, Santa Fe, NM 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|------------------------------------|--|---|
| ¹ API Number 30-039- | ² Pool Code 71599/72319 | ³ Pool Name Basin Dakota/Blanco Mesaverde |
| ⁴ Property Code 7454 | ⁵ Property Name SAN JUAN 27-5 UNIT | ⁶ Well Number 124W |
| ⁷ GRID No. 14538 | ⁸ Operator Name BURLINGTON RESOURCES OIL & GAS COMPANY | ⁹ Elevation 6465' |

¹⁰ Surface Location

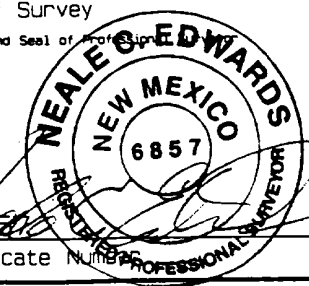
| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|------------|
| 0 | 28 | 27N | 5W | | 790 | SOUTH | 1875 | EAST | RIO ARriba |

¹¹ Bottom Hole Location If Different From Surface

| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| | | | | | | | | | |

| | | | |
|---|-------------------------------|----------------------------------|-------------------------|
| ¹² Dedicated Acres DK:E/295.97 MV:E/295.97 | ¹³ Joint or Infill | ¹⁴ Consolidation Code | ¹⁵ Order No. |
|---|-------------------------------|----------------------------------|-------------------------|

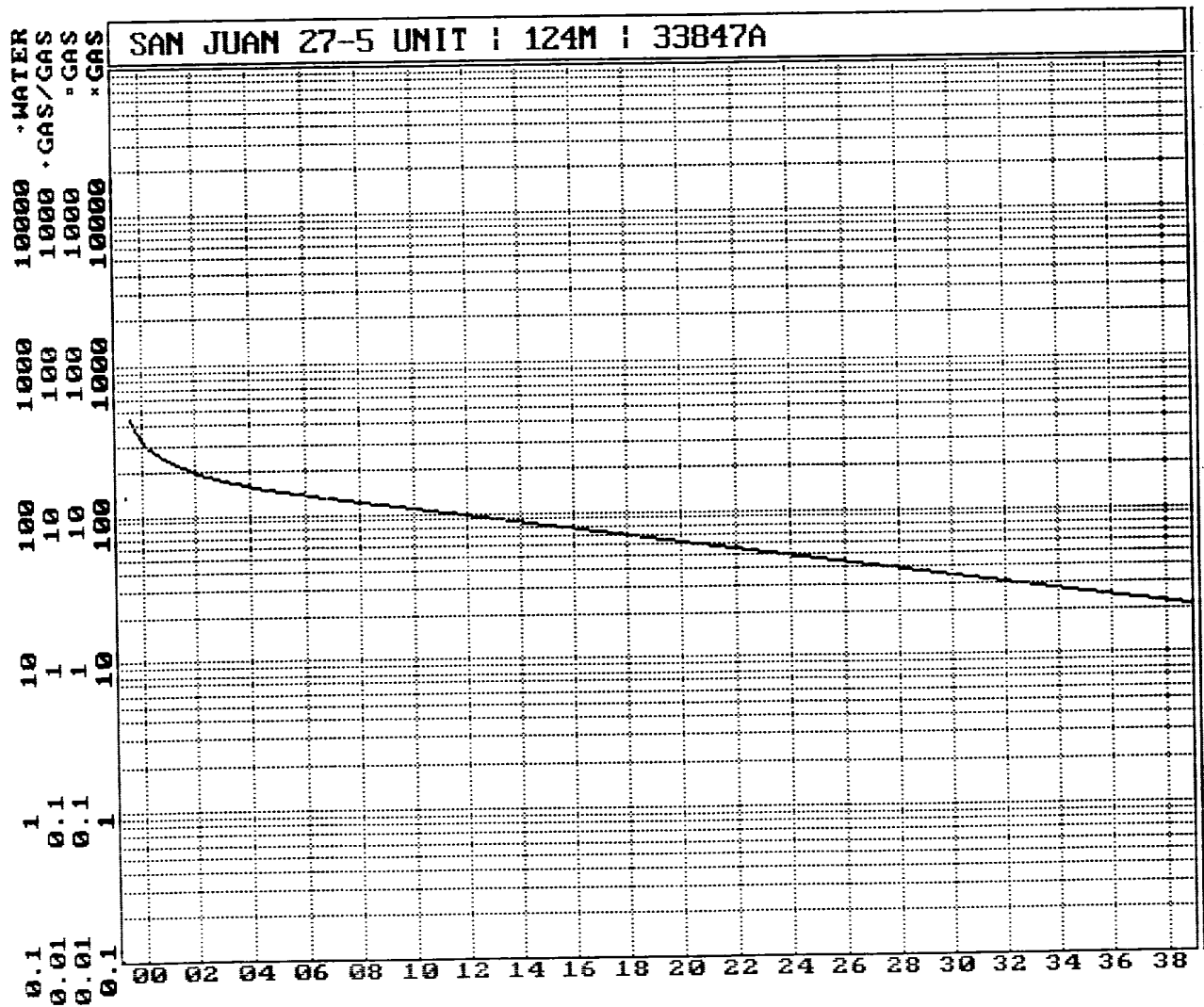
NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

| | | | |
|---------------|----------|-------------|--|
| ¹⁶ | 2622.13' | 2620.86' | ¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief |
| 4 | 3 | 2 | 1 |
| 2220.24' | | | 2280.96' |
| 5 | 6 | 7 | 8 |
| | | | |
| | 28 | NMSF-079394 | Signature Peggy Bradfield Printed Name Regulatory Administrator Title Date |
| | | | ¹⁸ SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my belief. |
| | | | OCTOBER 8, 1998 Date of Survey Signature and Seal of Professional Surveyor |
| 2667.72' | | 2573.34' |  |
| | 2654.52' | 2667.72' | Certificate Number |

San Juan 27-5 Unit #124M

Expected Production Curve

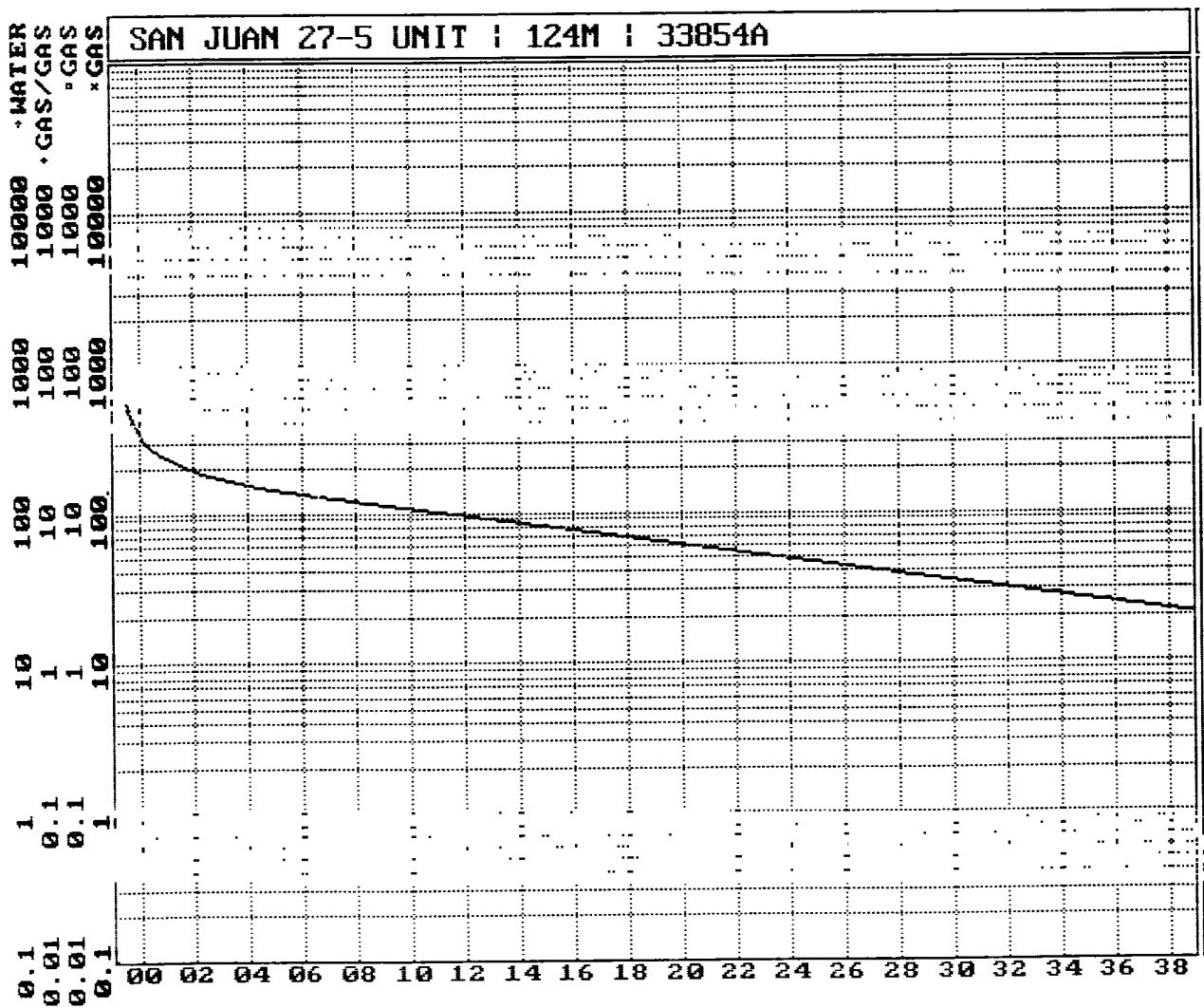
Mesaverde Formation



San Juan 27-5 Unit #124M

Expected Production Curve

Dakota Formation



San Juan 27-5 Unit #124M

Bottom Hole Pressures

Flowing and Static BHP

Cullender and Smith Method

Version 1.0 3/13/94

| Mesaverde | | Dakota | |
|--------------------------------|--------|--------------------------------|--------|
| <u>MV-Current</u> | | <u>DK-Current</u> | |
| GAS GRAVITY | 0.725 | GAS GRAVITY | 0.664 |
| COND. OR MISC. (C/M) | C | COND. OR MISC. (C/M) | C |
| %N2 | 0.22 | %N2 | 0.19 |
| %CO2 | 0.78 | %CO2 | 1.01 |
| %H2S | 0 | %H2S | 0 |
| DIAMETER (IN) | 2.0625 | DIAMETER (IN) | 1.5 |
| DEPTH (FT) | 5490 | DEPTH (FT) | 7654 |
| SURFACE TEMPERATURE (DEG F) | 60 | SURFACE TEMPERATURE (DEG F) | 60 |
| BOTTOMHOLE TEMPERATURE (DEG F) | 137 | BOTTOMHOLE TEMPERATURE (DEG F) | 198 |
| FLOWRATE (MCFPD) | 0 | FLOWRATE (MCFPD) | 0 |
| SURFACE PRESSURE (PSIA) | 524 | SURFACE PRESSURE (PSIA) | 836 |
| BOTTOMHOLE PRESSURE (PSIA) | 607.7 | BOTTOMHOLE PRESSURE (PSIA) | 1003.7 |
| <u>MV-Original</u> | | <u>DK-Original</u> | |
| GAS GRAVITY | 0.725 | GAS GRAVITY | 0.664 |
| COND. OR MISC. (C/M) | C | COND. OR MISC. (C/M) | C |
| %N2 | 0.2 | %N2 | 0.19 |
| %CO2 | 0.78 | %CO2 | 1.01 |
| %H2S | 0 | %H2S | 0 |
| DIAMETER (IN) | 2.0625 | DIAMETER (IN) | 1.5 |
| DEPTH (FT) | 5490 | DEPTH (FT) | 7654 |
| SURFACE TEMPERATURE (DEG F) | 60 | SURFACE TEMPERATURE (DEG F) | 60 |
| BOTTOMHOLE TEMPERATURE (DEG F) | 137 | BOTTOMHOLE TEMPERATURE (DEG F) | 198 |
| FLOWRATE (MCFPD) | 0 | FLOWRATE (MCFPD) | 0 |
| SURFACE PRESSURE (PSIA) | 1161 | SURFACE PRESSURE (PSIA) | 2565 |
| BOTTOMHOLE PRESSURE (PSIA) | 1372.9 | BOTTOMHOLE PRESSURE (PSIA) | 3128.9 |

Page No.: 1

Print Time: Tue Feb 02 07:09:37 1999

Property ID: 1496

Property Name: SAN JUAN 27-5 UNIT | 68 | 53400A-1

Table Name: Q:\PUBLIC\GENTITY\GDPNOS\TEST.DBF

--DATE-- ---CUM GAS-- M SIWHP
Mcf Psi

| | | |
|----------|--------|--------|
| 08/17/61 | 0 | 1161.0 |
| 09/06/61 | 0 | 1160.0 |
| 04/24/62 | 31000 | 838.0 |
| 07/26/63 | 85000 | 706.0 |
| 08/12/64 | 128000 | 708.0 |
| 05/10/65 | 152000 | 648.0 |
| 04/19/66 | 183000 | 677.0 |
| 05/16/67 | 217000 | 609.0 |
| 05/02/68 | 241000 | 570.0 |
| 08/28/70 | 296029 | 582.0 |
| 04/08/71 | 311268 | 570.0 |
| 07/25/72 | 336820 | 556.0 |
| 10/06/82 | 540009 | 511.0 |
| 04/07/86 | 578306 | 537.0 |
| 09/08/89 | 623205 | 522.0 |
| 06/03/91 | 643568 | 625.0 |
| 06/17/91 | 643568 | 613.0 |
| 06/01/93 | 675949 | 524.0 |

San Juan 27-5 Unit #124M

Mesaverde Offset

Page No.: 1

Print Time: Tue Feb 02 07:09:10 1999

Property ID: 1368

Property Name: SAN JUAN 27-5 UNIT | 142 | 44056A-1

Table Name: Q:\PUBLIC\GENTITY\GDPNOS\TEST.DBF

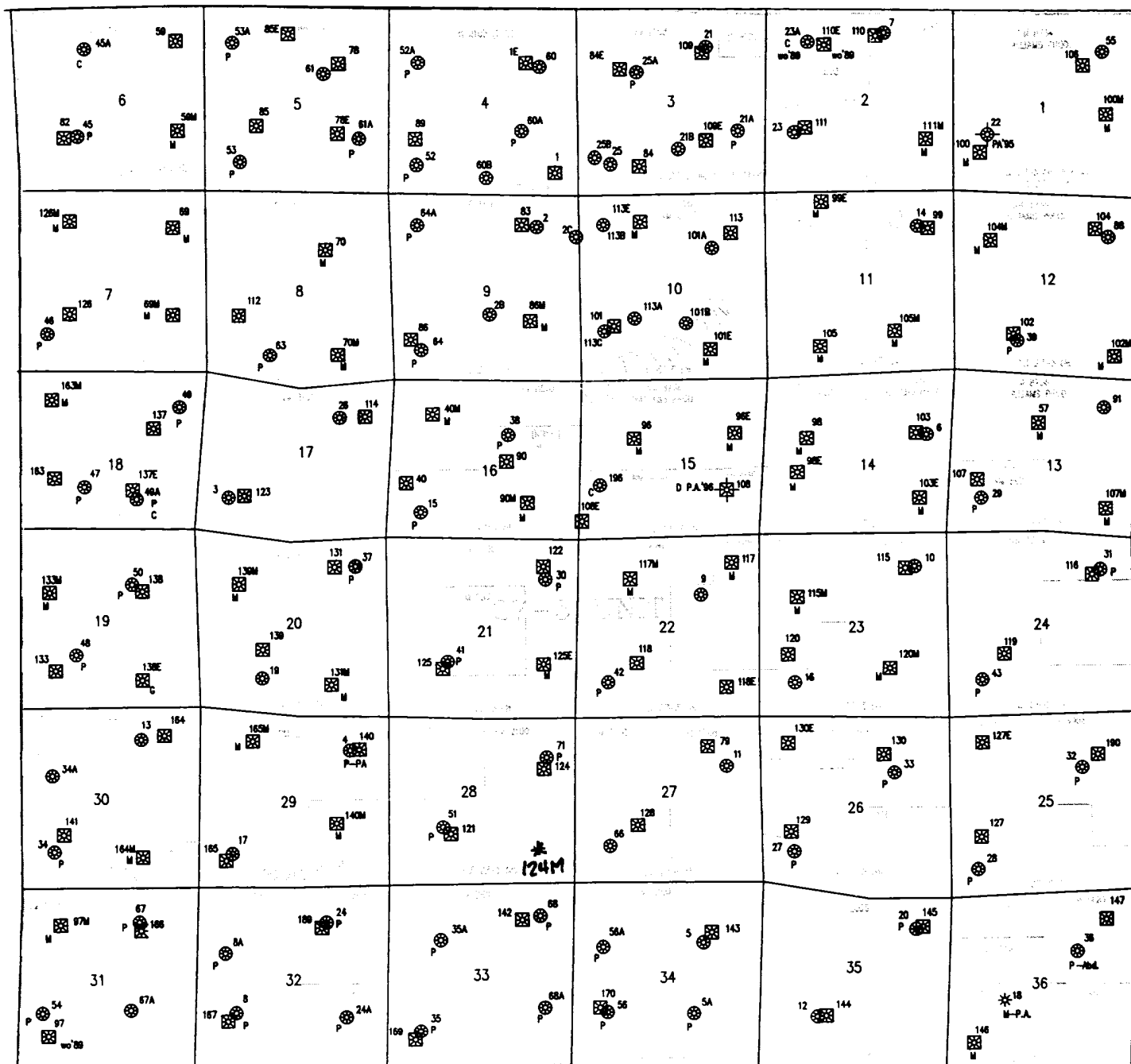
--DATE-- ---CUM GAS-- M SIWHP
:MCf:Psi:

| | | |
|----------|---------|--------|
| 05/04/72 | 0 | 2565.0 |
| 07/10/72 | 36705 | 2037.0 |
| 05/09/73 | 177344 | 1246.0 |
| 11/20/74 | 325589 | 894.0 |
| 09/04/75 | 391557 | 924.0 |
| 07/12/76 | 444366 | 859.0 |
| 08/08/77 | 510745 | 816.0 |
| 09/27/79 | 621227 | 829.0 |
| 06/04/81 | 703164 | 746.0 |
| 09/22/83 | 769086 | 961.0 |
| 06/06/85 | 839834 | 870.0 |
| 10/11/88 | 957017 | 907.0 |
| 04/22/90 | 1025237 | 797.0 |
| 07/28/92 | 1084536 | 836.0 |

San Juan 27-5 Unit #124M

Dakota Offset

San Juan 27-5 Unit #124M
Blanco Mesaverde / Basin Dakota
27N - 5W - 28



BURLINGTON RESOURCES OIL AND GAS COMPANY

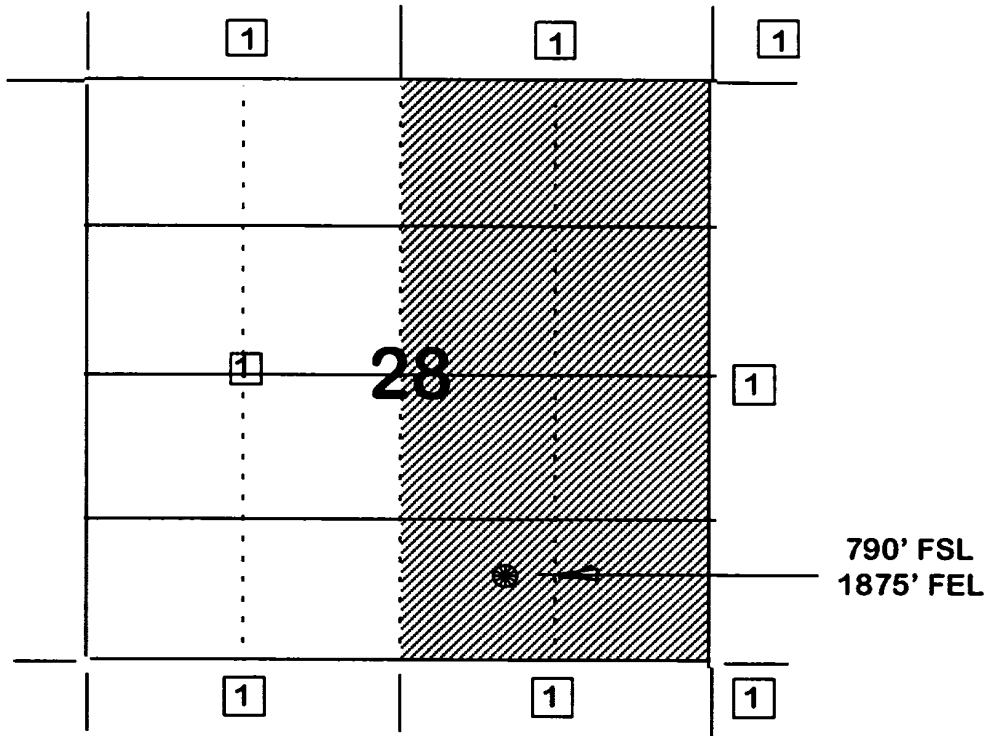
OFFSET OPERATOR \ OWNER PLAT

San Juan 27-5 Unit #124M

Mesaverde/Dakota Formations

Commingled well

Township 27 North, Range 5 West



1) Burlington Resources

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. 11626
ORDER NO. R-10694

APPLICATION OF BURLINGTON RESOURCES
OIL & GAS COMPANY FOR THE ESTABLISHMENT
OF A DOWNHOLE COMMINGLING "REFERENCE
CASE" FOR ITS SAN JUAN 27-5 UNIT PURSUANT
TO DIVISION RULE 303.E AND THE ADOPTION
OF SPECIAL ADMINISTRATIVE RULES THEREFOR.
SAN JUAN COUNTY, NEW MEXICO.

RIO ARRIBA

ORDER OF THE DIVISION

BEFORE THE DIVISION:

This cause came on for hearing at 8:15 a.m. on October 17 and November 7, 1996, at Santa Fe, New Mexico, before Examiners David R. Catanach and Michael E. Stogner, respectively.

NOW, on this 12th day of November, 1996, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Burlington Resources Oil & Gas Company (Burlington), pursuant to the provisions of Division Rule 303.E., seeks to establish a downhole commingling "reference case" to provide exceptions for (a) marginal economic criteria, (b) pressure criteria, (c) allocation formulas and (d) modification of notification rules on a unit-wide basis for downhole commingling of Dakota, Mesaverde, Fruitland Coal and Pictured Cliffs gas production within existing or future drilled wells within the San Juan 27-5 Unit, San Juan County, New Mexico.

(3) Division Rule No. 303.E., amended by Order No. R-10470-A, currently states:

"If sufficient data exists on a lease, pool, formation, geographic area, etc., so as to render it unnecessary to repeatedly provide such data on Form C-107-A, an operator may except any of the various criteria required under Paragraph 303.D. of this rule by establishing a "reference case". The Division, upon its own motion, or by application from an operator, may establish "reference cases" either administratively or by hearing. Upon Division approval of such "reference cases" for specific criteria, subsequent applications to downhole commingle (Form C-107-A) will be required only to cite the Division order number which established such exceptions and shall not be required to submit data for those criteria."

(4) The applicant is the current operator of the San Juan 27-5 Unit which encompasses some 23,043 acres in Township 27 North, Range 5 West, NMPM, San Juan County, New Mexico.

(5) Within the San Juan 27-5 Unit, the applicant currently operates one hundred and one (101) Basin-Dakota Gas Pool wells, one hundred and five (105) Blanco-Mesaverde Gas Pool wells, eighty-seven (87) South Blanco-Pictured Cliffs and Tapacino-Pictured Cliffs Gas Pool wells, and four (4) Basin-Fruitland Coal Gas Pool wells.

(6) According to its evidence and testimony, Burlington seeks to:

- a) establish a "reference case" for marginal economic criteria in the Dakota and Pictured Cliffs formations whereby these formations and/or pools may be identified as "marginal" on Form C-107-A's subsequently filed for wells within the San Juan 27-5 Unit. The applicant further proposes that the data provided in the immediate case serve as supplemental data or confirmation that these formations and/or pools should be classified as "marginal";
- b) establish a "reference case" for pressure criteria in the Dakota and Pictured Cliffs formations whereby the Division may utilize data provided in the immediate case to verify the pressure data provided on Form C-107-A's subsequently filed for wells within the San Juan 27-5 Unit;

- c) establish a "reference case" whereby the Division utilizes the data presented in the immediate case to endorse or approve certain methods of allocating production whereby the applicant need not submit additional data or justification when proposing a certain method of allocating production on Form C-107-A's subsequently filed for wells within the San Juan 27-5 Unit; and.
- d) establish a "reference case" or an administrative procedure for authorizing the downhole commingling of existing or future drilled wells within the San Juan 27-5 Unit without additional notice to each affected interest owner as required by Division Rule No. 303.D.

(7) In support of its request to except marginal economic criteria, the applicant presented geologic and engineering evidence and testimony which indicates that within the San Juan 27-5 Unit:

- a) the structure and thickness of the Dakota and Pictured Cliffs formations are very consistent;
- b) the average recoverable Dakota and Pictured Cliffs gas reserves underlying an undeveloped drill block are approximately 583 MMCFG and 426 MMCFG, respectively;
- c) the average initial producing rate for a newly drilled or recompleted Dakota and Pictured Cliffs gas well is approximately 393 MCFGD and 63 MCFGD, respectively; and.
- d) the estimated ultimate gas recoveries and initial producing rates from the Dakota and Pictured Cliffs formations are insufficient to justify drilling stand alone wells and/or dually completed wells to recover such gas reserves.

(8) The evidence and testimony presented by the applicant indicates that the Dakota and Pictured Cliffs formations within the San Juan 27-5 Unit should be properly classified as "marginal".

(9) In support of its request to except pressure criteria within the Dakota and Pictured Cliffs formations within the San Juan 27-5 Unit, the applicant presented engineering evidence and testimony which indicates that:

- a) the average shut-in bottomhole pressure within the Dakota and Picured Cliffs formations at the time of initial development were approximately 3.141 psi and 1.118 psi, respectively; and.
- b) the average current shut-in bottomhole pressure within the Dakota and Picured Cliffs formations are approximately 1.032 psi and 441 psi, respectively.

(10) There is sufficient pressure data available within the San Juan 27-5 Unit so as to except pressure criteria as proposed by the applicant.

(11) The applicant testified that various allocation methods will be utilized for downhole commingled wells within the San Juan 27-5 Unit depending on the circumstances. Some of the methods and circumstances are described as follows:

- a) the subtraction method will likely be utilized in those instances involving the Basin-Fruitland Coal Gas Pool and in those instances where a zone with a well established decline rate is commingled with a newly completed zone;
- b) a fixed allocation formula will be utilized in those instances where production history for both zones is available, or in those instances where newly completed zones are tested and stabilized flow rates obtained.

(12) The allocation methods proposed by the applicant are routinely utilized by industry and approved by the Division and therefore the proposal to except allocation formulas should be approved.

(13) In support of its request to establish a "reference case" or administrative procedure for providing notice within the San Juan 27-5 Unit the applicant presented evidence and testimony which indicates that:

- a) the interest ownership between two zones within a given wellbore in the San Juan 27-5 Unit is generally not common;
- b) pursuant to Division Rule No. 303.D., applicant is currently required to notify all interest owners within the San Juan 27-5 Unit every time a Form C-107-A is submitted to the Division. There is a considerable number of such interest owners within the unit;

- c) providing notice to each interest owner within the San Juan 27-5 Unit of subsequent downhole comminglings is unnecessary and is an excessive burden on the applicant;
- d) the downhole commingling of wells within the San Juan 27-5 Unit Area will benefit working, royalty, and overriding royalty interest owners. In addition, the downhole commingling of wells within the San Juan 27-5 Unit should not violate the correlative rights of any interest owner;
- e) no interest owner appeared at the hearing in opposition to the establishment of a "reference case" or administrative procedure for notice.

(14) An administrative procedure should be established within the San Juan 27-5 Unit for obtaining approval for subsequent downhole commingled wells without notice to Unit interest owners, provided however that, all other provisions contained within Division Rule No. 303.C. are complied with.

(15) Approval of the proposed "reference cases" for marginal economic criteria, pressure criteria, allocation formulas and notice will lessen the burden on the applicant insofar as providing the data required pursuant to Division Rule No. 303.D. and Form C-107-A. will provide the applicant a streamlined method for obtaining downhole commingling approvals within the San Juan 27-5 Unit, and will not violate correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The application of Burlington Resources Oil & Gas Company to establish a "reference case" for (a) marginal economic criteria, (b) pressure criteria, (c) allocation formulas and (d) modification of notification rules on a unit-wide basis for downhole commingling of Dakota, Mesaverde, Fruitland Coal and Pictured Cliffs gas production within existing or future drilled wells within the San Juan 27-5 Unit, San Juan County New Mexico, is hereby approved.

CASE NO. 11626
Order No. R-10694
Page -6-

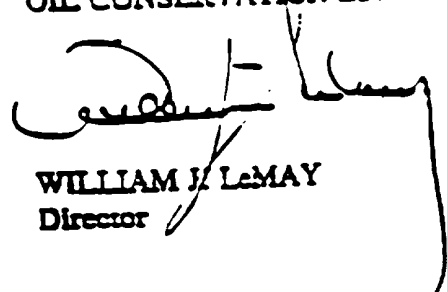
(2) Upon filing of Division Form No. C-107-A's for wells subsequently downhole commingled within the San Juan 27-5 Unit Area, the applicant shall not be required to submit supporting data to justify the classification of the Picured Cliffs and Dakota formations as "marginal", supporting data to verify the Picured Cliffs and Dakota pressure information provided, and support or justification for utilizing a given method or formula for allocation of production, provided however, in the event any of the data described above appearing on Form C-107-A appears to be beyond the data range provided in this case, the Division may require the submittal of additional supporting data.

(3) In order to obtain Division authorization to downhole commingle wells within the San Juan 27-5 Unit, the applicant shall file a Form C-107-A with the Santa Fe and Aztec Offices of the Division. Such application shall contain all the information required under Rule No. 303.C. of the Division Rules and Regulations, provided however that the applicant shall not be required to provide notice to all interest owners within the San Juan 27-5 Unit of such proposed commingling.

(4) Jurisdiction of this cause is 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.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

S E A L