KELLAHIN AND KELLAHIN
ATTORNEYS AT LAW
EL PATIO BUILDING
117 NORTH GUADALUPE
POST OFFICE BOX 2265
SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION RECOGNIZED SPECIALIST IN THE AREA OF NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

October 15, 1999

Rec: 10-15-99

**HAND DELIVERED**

Mr. Michael E. Stogner
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505
Attn: Mr. Michael E. Stogner

*Re: San Juan 29-7 Unit Well No. 11C*
*Unit C, Section 3, T29N, R7W, NMPM,*
*Burlington Resources Oil & Gas Company*
*administrative application for an unorthodox*
*gas well location, Blanco-Mesaverde Gas Pool,*
*Rio Arriba County, New Mexico*

Dear Mr. Stogner:

By letter dated July 16, 1999, Burlington Resources Oil & Gas Company filed the referenced administrative application with the Division. Since then, you have requested and I have now received additional information to support Burlington's application.

Specifically, the supplemental information addresses the following:

(a) Is there a standard location anywhere in the proposed spacing unit?

No; topography precludes a standard location:

Exhibit A shows the spacing unit and existing wells;

Exhibit B shows the topography of the W/2 of Section 3;

Exhibit C is coded with horizontal yellow bands showing the area that the BLM refuses to allow a well location which precludes any standard well location.

(b) Does this location "disrupt" the forecasted Mesaverde infill well elliptical drainage patterns such that this well will only be recovering reserves which other existing wells can produce?

No; some 57% of the production will be new reserves:

Exhibit D is an evaluation prepared by Mr. Dave Clark, Burlington's petroleum geologist, with assistance from Burlington's engineering staff, who testified before you in the Mesaverde increased density case (Order R-10987-A). This display has been shaded in yellow to show the additional reserves this well is expected to recover which cannot be recovered by existing wells;

Exhibit E is Mr. Clark's written evaluation on this point;

Exhibit F is taken from Burlington's exhibit book presented in Case 12069 (Exhibit Tab 6) and shows that while 43% of the production would be accelerated reserves, some 57% would be new reserves.

(c) Will this well location impair the correlative rights of offsetting owners?

No;

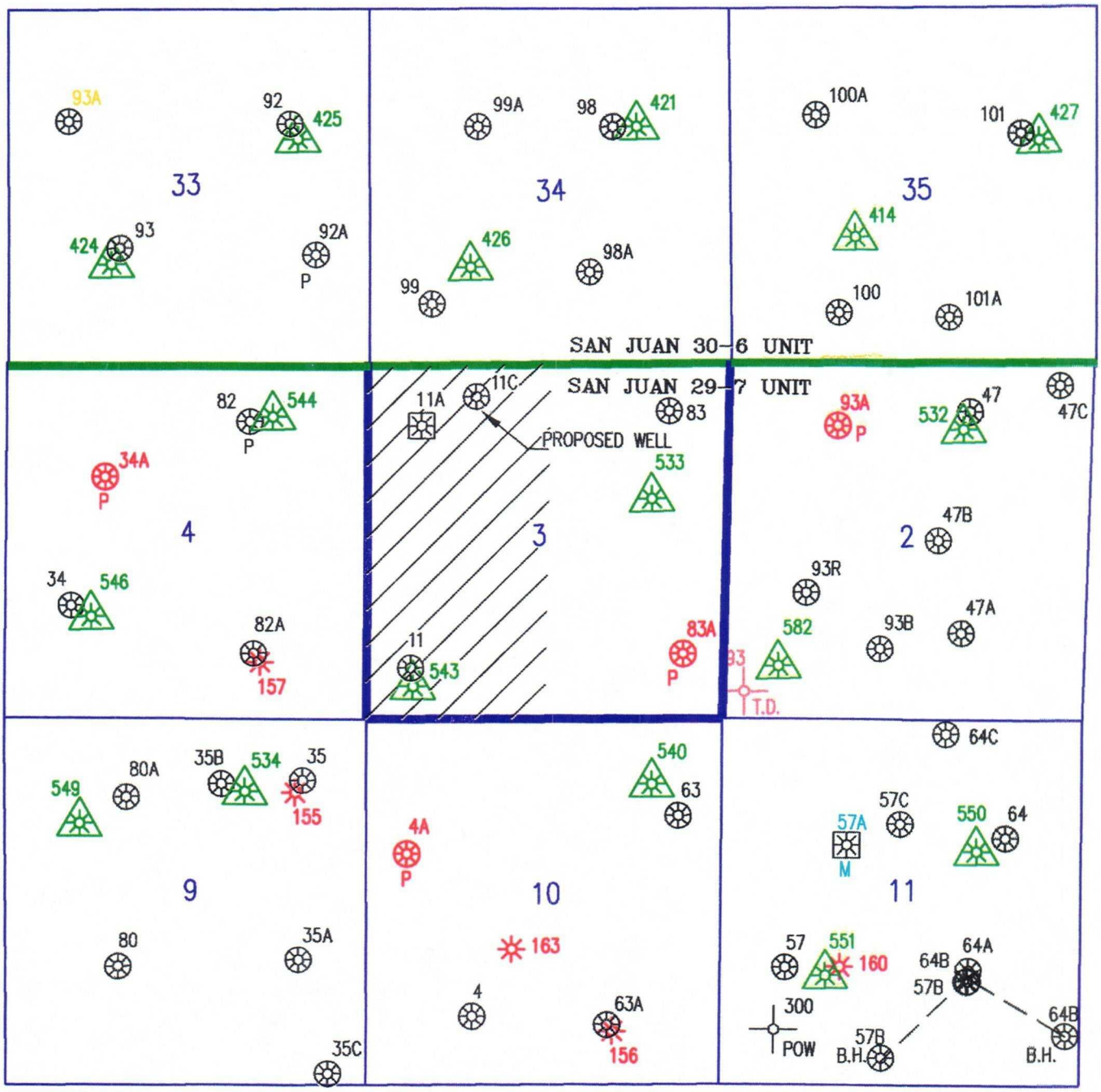
Exhibit D shows that the existing Mesaverde well in Unit M of Section 34 is going to drain reserves from the W/2 of Section 3. Well 11C creates a drainage-counter drainage balance between the two wells so that all rights are protected.

Please call me if you would like further information or clarification.

Very truly yours,

W. Thomas Kellahin

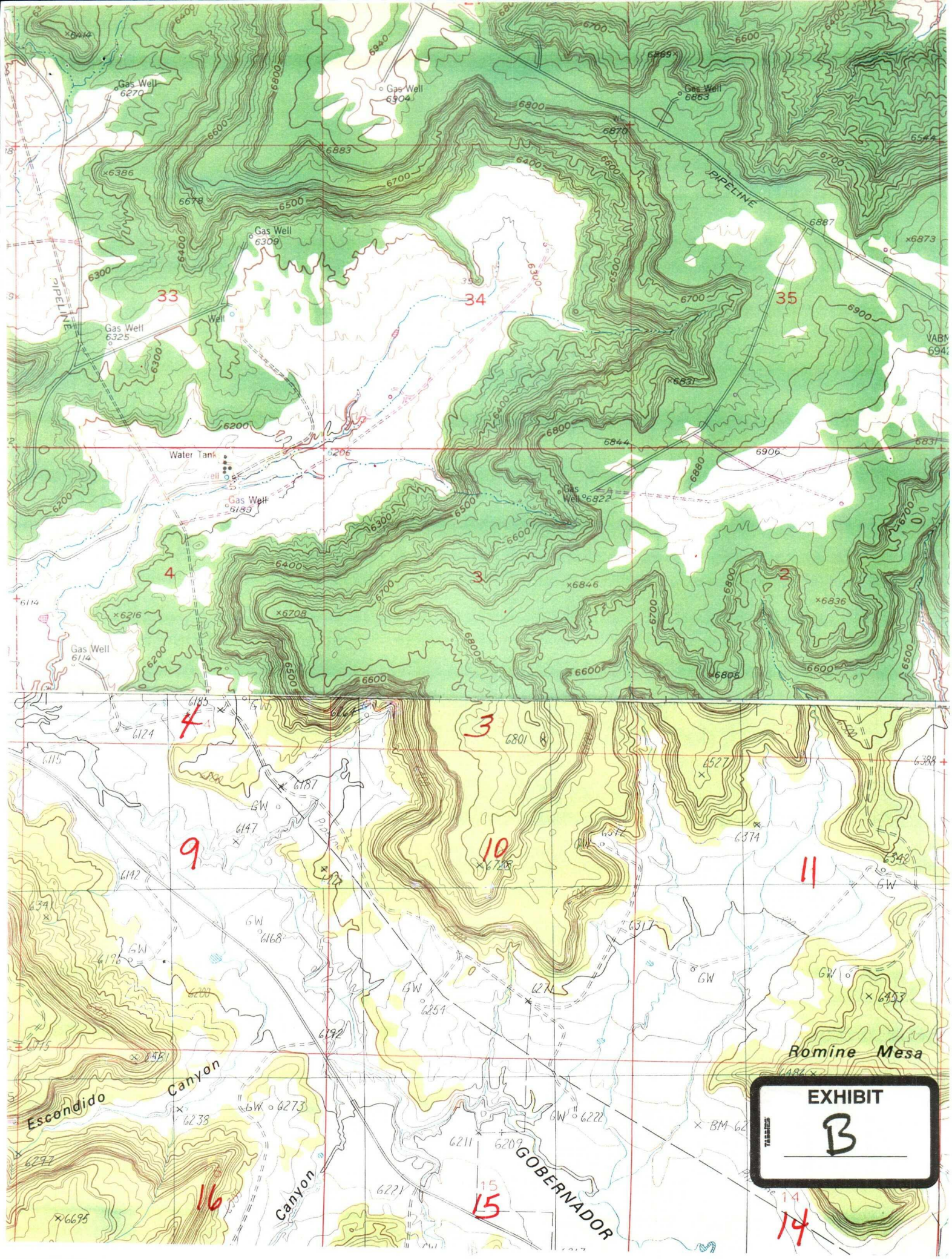
cc: *Burlington Resources Oil & Gas Company*
*Attn: Alan Alexander*

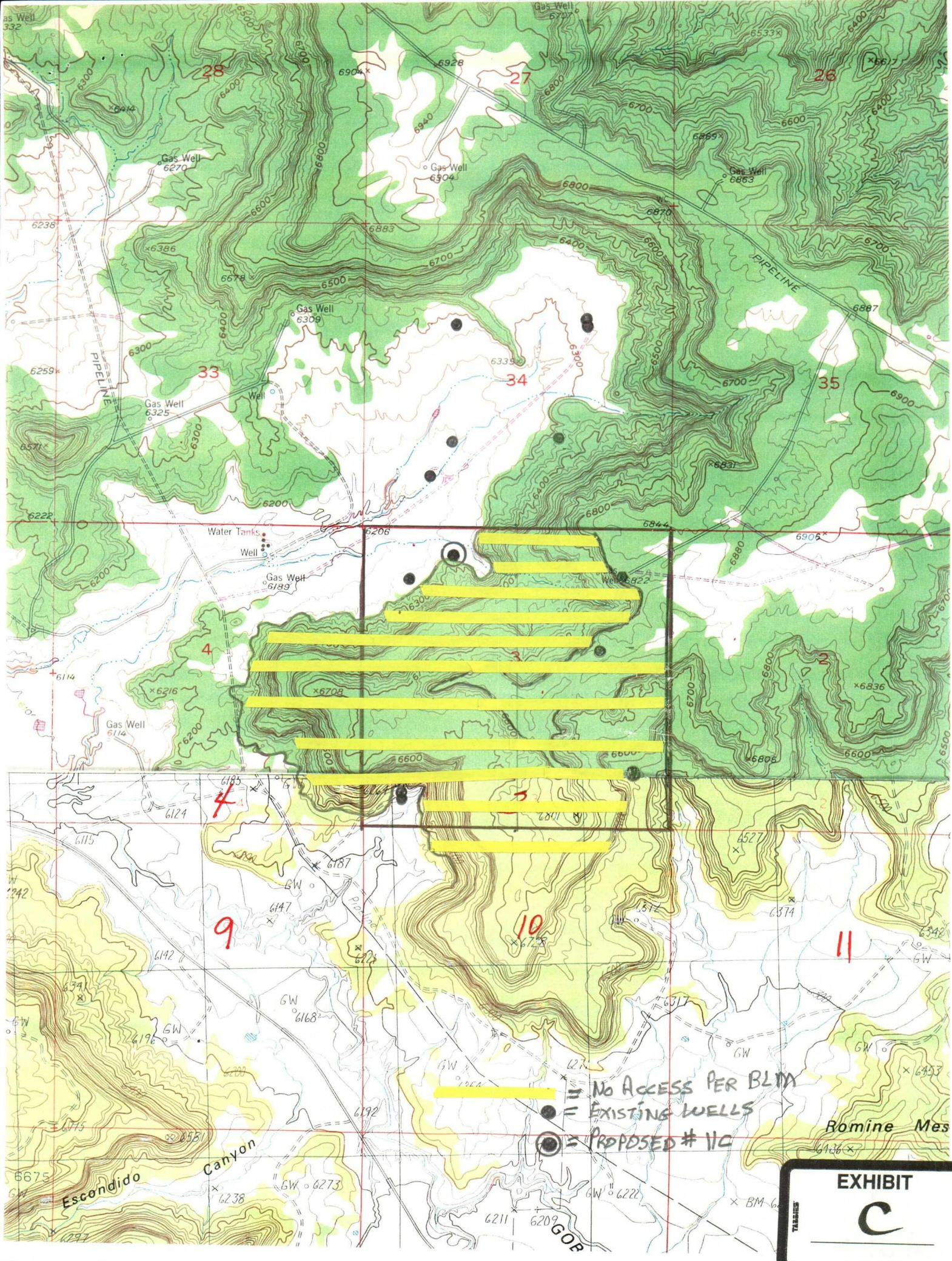



FRUITLAND SAND WELL
FRUITLAND COAL WELL
PICTURED CLIFFS WELL
MESAVERDE WELL
DAKOTA WELL
GALLUP WELL

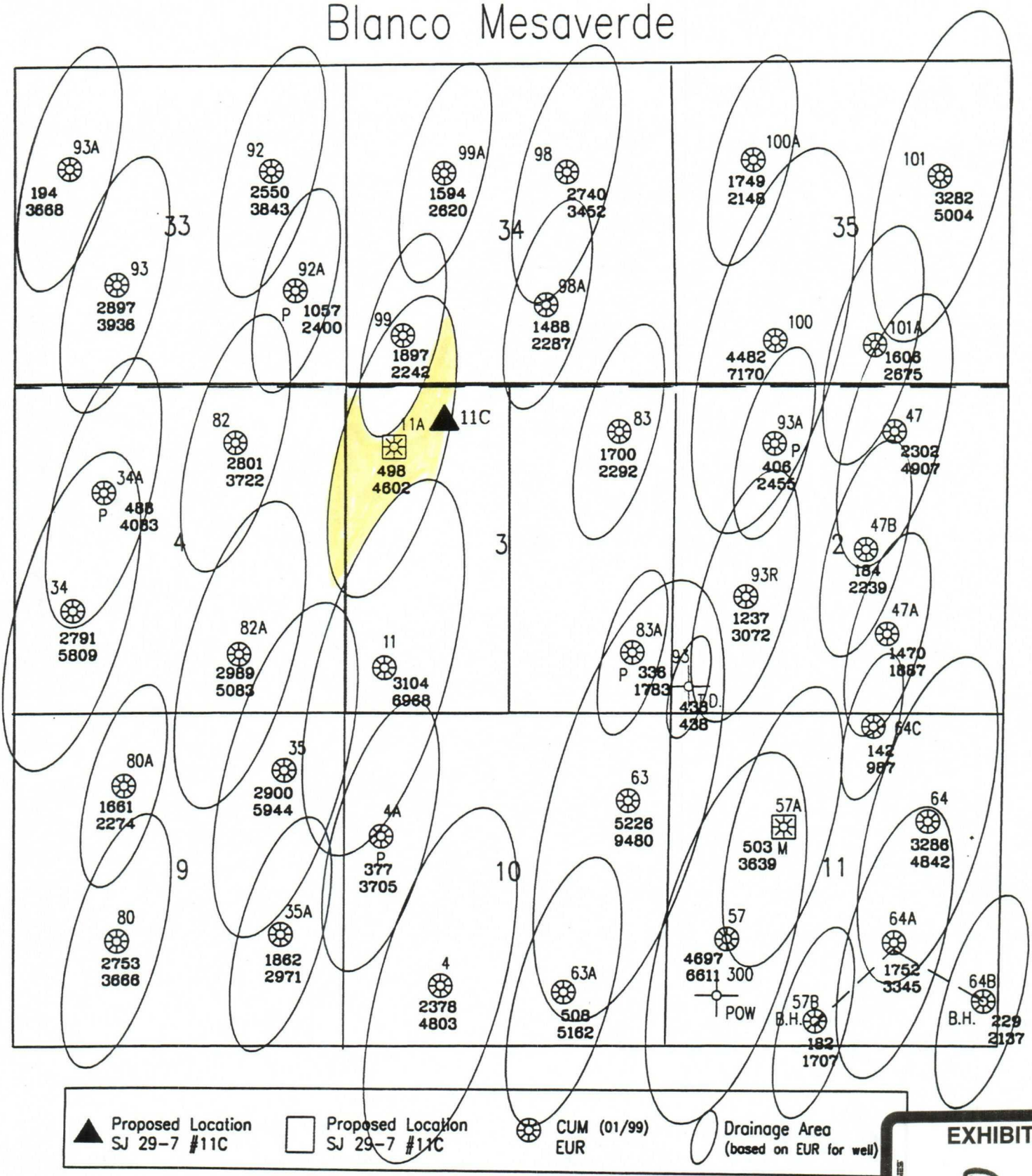
SPACING UNIT

EXHIBIT
A


Gas Well 6270
Gas Well 6304
Gas Well 6853
Gas Well 6309
Gas Well 6325
Water Tank
Gas Well 6183
Gas Well 6822
Gas Well 6114
PIPELINE
33
34
35
4
3
2
9
10
11
16
15
14
Escondido Canyon
Canyon
GOBERNADOR
Romine Mesa
EXHIBIT
B


= No Access Per BLM
= Existing Wells
= Proposed # 11C
Escondido Canyon
Romine Mes
EXHIBIT
C

# San Juan 29-7 #11C
# 29N - 7W - 03
# Blanco Mesaverde




EXHIBIT

D

## ADDITIONAL INFORMATION

Proposed San Juan 29-7 Unit Well Number 11C
480' FNL & 1590' FWL
Section 3, T29N, R7W
Rio Arriba County, New Mexico
Blanco Mesaverde Pool
Estimated TD 5730'

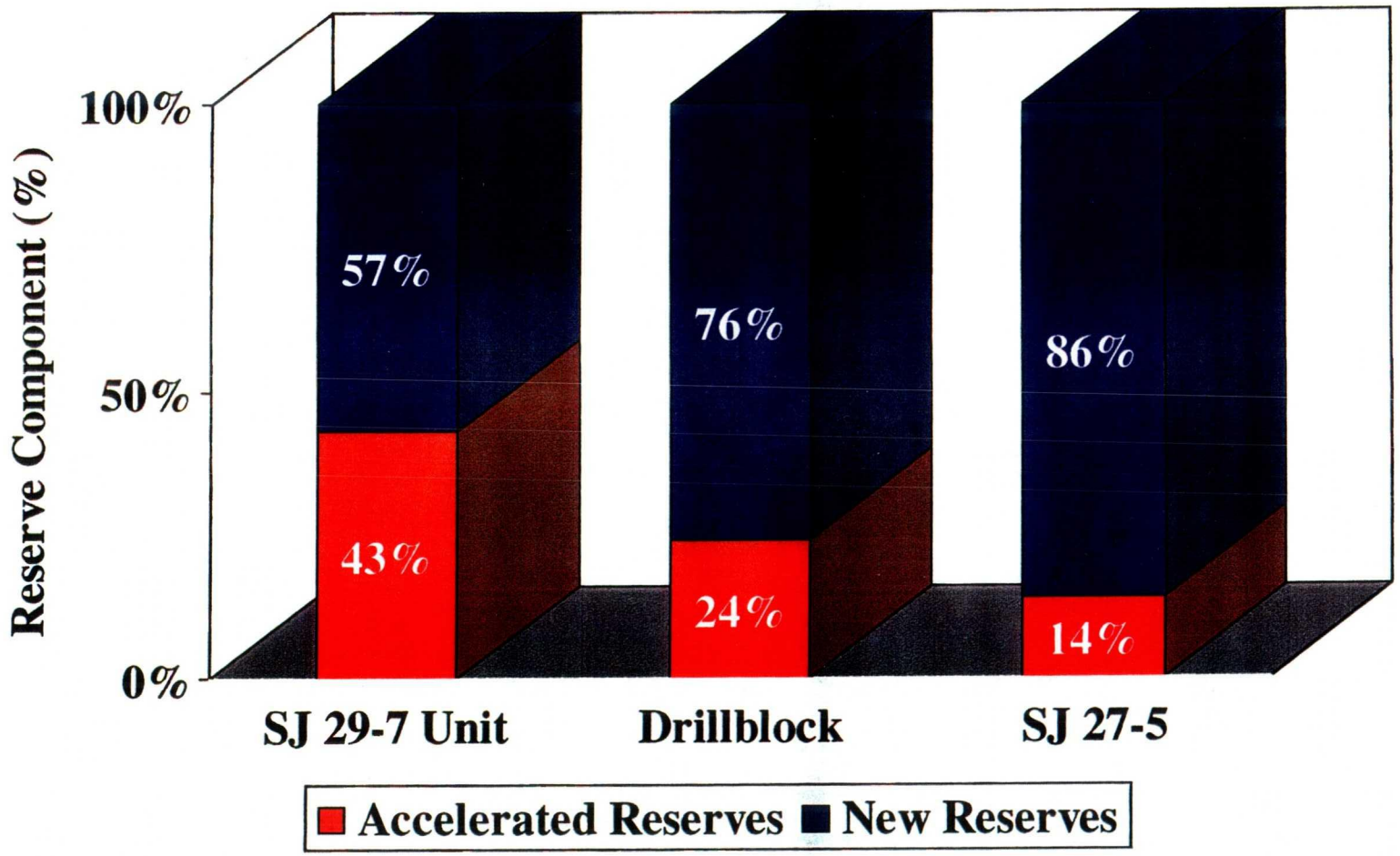
The proposed San Juan 29-7 Unit 11C is expected to recover undeveloped gas reserves remaining in the 320 acre spacing unit located in the W/2 of Section 3, more specifically those reserves remaining in the E/2NW/4 of Section 3. Interpretation of reservoir engineering and geologic data suggests that a better location from a reservoir perspective could be found to the southeast of the proposed location. Unfortunately, attempts to stake a well site at such an optimum surface location were unsuccessful. The BLM, as indicated on the attachment, will not allow access to a surface location for optimum well placement. Indeed, the 11C is staked at the only accessible location in the W/2 of Section 3 that would be recommended as suitable based on engineering and geologic data.

Expected gas recovery at the proposed 11C well can be represented as two reserve components, new reserves and accelerated reserves. New reserves are reserves that would not be recovered by any existing Mesaverde producing well. Accelerated reserves are reserves that would eventually be recovered by an existing Mesaverde producer, in this particular case, the 11A well located in NW/4NW/4 of Section 3. An attachment presented by Burlington Resources at the Mesaverde 80 acre increased density hearing is provided to show the expected new well reserve component in the San Juan 29-7 Unit. Burlington expects approximately 57% of reserves recovered by the drilling of two additional wells in each spacing unit at the San Juan 29-7 Unit to be new reserves and 43% of reserves to be accelerated reserves. The predicted drainage area for the proposed 11C will overlap some of the drainage area predicted for the 11A. That overlap for the 11C will represent those reserves accelerated from eventual recovery by the 11A. The percentage of new versus accelerated reserves for the 11C is expected to be very similar to that predicted for the entire unit (53%/47%).

EXHIBIT
E

# New Well Reserve Component

## Two Wells per GPU




TABBIES

EXHIBIT

F

*BURLINGTON RESOURCES*