

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

**IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISON
FOR THE PURPOSE OF CONSIDERING:**

CASE NO. 15011

**APPLICATION OF CONOCOPHILLIPS COMPANY TO
TERMINATE THE TRAIL CANYON-GALLUP GAS POOL AND
EXPAND THE BASIN-MANCOS GAS POOL,
SAN JUAN COUNTY, NEW MEXICO**

CASE NO. 15012

**APPLICATION OF BURLINGTON RESOURCES OIL & GAS COMPANY, LP,
FOR THE ESTABLISHMENT OF A DOWNHOLE COMMINGLING
REFERENCE CASE, INCLUDING THE DELETION OF NOTICE
REQUIREMENT, FOR ITS SAN JUAN 27-4 UNIT, PURSUANT TO
DIVISION RULE 19.15.12.11.D, RIO ARRIBA COUNTY, NEW MEXICO**

CASE NO. 15013

**FIRST AMENDED APPLICATION OF BURLINGTON RESOURCES
OIL & GAS COMPANY, LP, TO TERMINATE THE CEREZA CANYON-
GALLUP POOL INCLUDING THE CONCOMITANT EXPANSION OF THE
BASIN-MANCOS GAS POOL AND FOR THE ESTABLISHMENT OF A
DOWNHOLE COMMINGLING REFERENCE CASE, INCLUDING THE
DELETION OF NOTICE REQUIREMENT, PURSUANT TO DIVISION RULE
19.15.12.11.D FOR ITS SAN JUAN 27-5 UNIT, RIO ARRIBA COUNTY, NEW
MEXICO**

CASE NO. 15014

**APPLICATION OF BURLINGTON RESOURCES OIL & GAS COMPANY, LP,
FOR THE ESTABLISHMENT OF A DOWNHOLE COMMINGLING
REFERENCE CASE, INCLUDING THE DELETION OF NOTICE
REQUIREMENT, FOR ITS SAN JUAN 28-5 UNIT, PURSUANT TO
DIVISION RULE 19.15.12.11.D, RIO ARRIBA COUNTY, NEW MEXICO**

CASE NO. 15015

**APPLICATION OF BURLINGTON RESOURCES OIL & GAS COMPANY, LP,
FOR THE ESTABLISHMENT OF A DOWNHOLE COMMINGLING
REFERENCE CASE, INCLUDING THE DELETION OF NOTICE
REQUIREMENT, FOR ITS HUERFANO UNIT, PURSUANT TO
DIVISION RULE 19.15.12.11.D, SAN JUAN COUNTY, NEW MEXICO**

CASE NO. 15016

**APPLICATION OF BURLINGTON RESOURCES OIL & GAS COMPANY, LP,
FOR THE ESTABLISHMENT OF A DOWNHOLE COMMINGLING
REFERENCE CASE, INCLUDING THE DELETION OF NOTICE
REQUIREMENT, FOR ITS HUERFANITO UNIT, PURSUANT TO
DIVISION RULE 19.15.12.11.D, SAN JUAN COUNTY, NEW MEXICO**

ORDER NO. R-13764

ORDER OF THE DIVISION

BY THE DIVISION

These cases came on for hearing at 8:15 a.m. on July 11, 2013, at Santa Fe, New Mexico, before Examiner Richard I. Ezeanyim.

NOW, on this 24th day of October, 2013, 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 these cases and the subject matter.
- (2) These cases were consolidated for hearing. Since the requests in each of these cases are similar, a single order should be entered for these cases.
- (3) Applicants sent more than seven hundred (700) notices to affected interest owners and there were no objections, and no party appeared at the hearing in opposition to the granting of these applications.
- (4) ConocoPhillips Company and its affiliate Burlington Resources Oil & Gas Company, LP (herein referred to collectively as "applicants") are continuing their plan to increase the efficiency of the regulatory process for the downhole commingling of production from the Basin-Dakota, Blanco-Mesaverde, and the Basin-Mancos Gas pools. That plan includes the abolishment of existing Gallup pools within one or more of the subject unit areas, and the concomitant expansion of the Basin-Mancos Gas Pool to

include this acreage, the granting of downhole commingling "reference case" status for one or more of the subject unit areas, including the deletion of certain notice requirements, and the granting of "pre-approval" status for certain Gallup pools within one or more of the subject unit areas.

(5) The Division Order No. R-11363, dated April 26, 2000, approved the Basin-Dakota and the Blanco-Mesaverde Gas Pools as "pre-approved pools" for downhole commingling of production, thus eliminating the need to justify pressure and economic criteria on a well-by-well basis.

(6) Division Order No. R-12984-B, dated August 15, 2012, authorized "pre-approved" status for the downhole commingling of production from the Basin-Mancos Gas Pool, Blanco-Mesaverde Gas Pool and Basin-Dakota Gas Pool on a basin-wide basis.

(7) By Order No. R-13681, dated February 20, 2013, the Division approved the application of ConocoPhillips Company and Burlington Resources Oil & Gas Company, LP, to modify the downhole commingling notice requirements for some fourteen units operated by the applicants.

(8) The Division routinely administratively approves the downhole commingling of production from the Gallup (Mancos), Mesaverde and Dakota formations within the San Juan Basin.

(9) The current six cases involve other units where the absence of the establishment of a "reference case" as provided in Rule 19.15.12.11.D NMAC, requires that administrative applications for downhole commingling of gas production be submitted, processed and approved on a well-by-well basis, including notification by certified mail return receipt requested to each interest owner where ownership is not common in the zones to be commingled.

(10) Pursuant to Division Rule 19.15.12.11.C NMAC, applicants are currently required to notify all interest owners in the units every time a Form C-107-A is submitted to the Division, which can involve as many as five hundred (500) different owners. Because all owners will share in the production from each well in each of the units in the same proportions pursuant to the respective Unit Agreements, regardless of their ownership in particular tracts, notice is unnecessary.

(11) It is necessary in one or more of these units to obtain authorization, either as a "reference case" or "pre-approval" status such that applications to downhole commingle production from wells within these units will not be required to demonstrate marginal economic criteria, compatibility criteria, pressure criteria, cross-flow criteria, fluid-sensitivity criteria, and value criteria.

The applicant appeared at the hearing through counsel and presented testimony in each of the six (6) consolidated cases as follows:

(12) In **Case No. 15011 (San Juan 32-8 Unit)**, the applicants seek to abolish the Trail Canyon-Gallup Gas Pool, which currently comprises the NE/4 of Section 18, E/2 and NW/4 of Section 17, and the SW/4 of Section 16, all in Township 32 North, Range 8 West, and concomitantly expand the Basin-Mancos Gas Pool so that this acreage is subject to the Basin-Mancos Gas Pool rules, and thus compatible with the Blanco-Mesaverde and Basin-Dakota rules.

(a) The geologic cross-section shows fairly uniform thickness within the Mancos interval across the unit area with minimal change in character of the log data from well to well. This uniformity indicates there is no natural geological boundary separating the Trail Canyon-Gallup Gas Pool and the Basin-Mancos Gas Pool within the unit area. Consequently, the Basin-Mancos Gas Pool represents a single common source of supply within the unit area.

(b) The existing Trail Canyon-Gallup Gas Pool, having been tested in the El Vado C and Basal Niobrara, can be abolished and its acreage merged into the Basin-Mancos Gas Pool, because production is marginal, fluids are compatible and pressure data demonstrates that the producing interval within the Trail Canyon-Gallup Gas Pool is not unique, and does not require being administered as a “separate” Gallup pool. In addition, there are no engineering data that prevent abolishment and merger.

(c) There would be no violation of correlative rights by abolishing the Trail Canyon-Gallup Gas Pool, because the interest owners in existing 160-acre “Gallup” spacing units would remain the same when that acreage is re-dedicated to 320-acre spacing units in the Basin-Mancos Gas Pool. The notice requirement for the downhole commingling of Basin-Mancos, Basin-Dakota and Blanco-Mesaverde Gas Pools has already been deleted for the San Juan 32-8 Unit by Division Order No. R-13681, dated February 20, 2013.

(13) In **Case No. 15012 (San Juan 27-4 Unit)**, the applicants seek “pre-approval” status of the BS Mesa-Gallup Gas Pool with the Blanco-Mesaverde and Basin-Dakota Gas Pools, such that applications to downhole commingle these three pools as a trimingle completion can be processed at the Division’s Aztec district office. Division Rule 19.15.12.11.E NMAC currently shows the BS Mesa-Gallup and Basin-Dakota Gas Pools as “pre approved” and also shows the BS Mesa-Gallup and Blanco-Mesaverde Gas Pools as pre-approved, but does not show the three pool combination as “pre-approved”. The applicant also seeks an exception to the notice requirement of Rule 19.15.12.11.C NMAC such that notice of the applications to downhole commingle any combination of these three pools will not have to be provided to all interest owners within a given well.

(a) This Unit contains the BS Mesa-Gallup Gas Pool, which comprises parts of Sections 28 and 33, Township 27 North, Range 4 West. In support of its request for an exception to the notice requirement of Rule 19.15.12.11.C NMAC, the applicants provided notice of the application in this case to all interest owners in the San Juan 27-4 Unit. No party appeared in opposition to the application. As in numerous previous cases presented by the applicants with regards to notice of downhole commingling, applicants

believe that no violation of correlative rights will occur as a result of granting a notice exception within the San Juan 27-4 Unit.

(b) The geologic data in these cases generally demonstrate that the producing interval in existing Gallup pools in the San Juan Basin, including the BS Mesa-Gallup Gas Pool, is generally the same geologic interval that is being produced in the Basin-Mancos Gas Pool. Consequently, there is no natural geologic boundary separating the BS Mesa-Gallup Gas Pool from the Basin-Mancos Gas Pool within the unit area.

(c) Since the BS Mesa-Gallup Gas Pool has been “pre-approved” in combination with the Basin-Dakota and Blanco-Mesaverde Gas Pools, in accordance with Rule 19.15.12.11.E NMAC, the BS Mesa-Gallup has already qualified as a pool that does not require evidence as to marginal economic criteria, compatibility criteria, pressure criteria, cross-flow criteria, fluid-sensitivity criteria, and value criteria when commingled with either the Basin-Dakota or Blanco-Mesaverde Gas Pools. Consequently, there is nothing that would preclude the authorization of “pre-approved” status for the three pool combination.

(14) In **Case No. 15013 (San Juan 27-5 Unit)**, the applicants seek to abolish the Cereza Canyon-Gallup Gas Pool, which currently comprises the SE/4 of Section 19, Township 27 North, Range 5 West, and concomitantly expand the Basin-Mancos Gas Pool so that this acreage is subject to the Basin-Mancos Gas Pool rules, and thus compatible with the Blanco-Mesaverde and Basin-Dakota Gas Pool rules. Applicants also seek an exception to the notice requirements of Rule 19.15.12.11.C NMAC, such that notice of applications to downhole commingle the Basin-Mancos, Blanco-Mesaverde and/or Basin-Dakota Gas Pools within the San Juan 27-5 Unit, will not have to be provided to all interest owners in a given well.

(a) There would be no violation of correlative rights by abolishing the Cereza Canyon-Gallup Gas Pool, because the interest owners in existing 160-acre “Gallup” spacing units would remain the same when that acreage is re-dedicated to 320-acre spacing units in the Basin-Mancos Gas Pool. In support of its request for an exception to the notice requirement of Rule 19.15.12.11.C NMAC, the applicants provided notice of the application in this case to all interest owners in the San Juan 27-5 Unit. No party appeared in opposition to the application. As in numerous previous cases presented by the applicants with regards to notice of downhole commingling, applicants believe that no violation of correlative rights will occur as a result of granting a notice exception within the San Juan 27-5 Unit.

(b) The cross-section shows fairly uniform thickness within the Mancos interval across the unit area with minimal change in character of the log data from well to well. This uniformity indicates there is no natural geological boundary separating the Cereza Canyon-Gallup Gas Pool and the Basin-Mancos Gas Pool within the unit area. Consequently, the Basin-Mancos Gas Pool represents a single common source of supply within the unit area.

(c) The existing Cereza-Gallup Gas Pool, having been tested in the El Vado A to the Juana Lopez formation, can be abolished and its acreage merged into the Basin-Mancos Gas Pool, because production is marginal, fluids are compatible, and pressure data demonstrates that the producing interval within the Cereza Canyon-Gallup Gas Pool is not unique, and does not require being administered as a “separate” Gallup pool. There are no engineering data that prevent abolishment and merger because waste will not occur and correlative rights will not be impaired.

(15) **In Case No. 15014 (the San Juan 28-5 Unit)**, the applicants seek approval of the Munoz Canyon-Gallup Gas Pool as a “pre-approved” pool for downhole commingling in combination with the Basin-Dakota and Blanco-Mesaverde Gas Pools within the San Juan 28-5 Unit. In addition, the applicants seek an exception to the notice requirement of Rule 19.15.12.11.C NMAC such that notice of applications to downhole commingle the Munoz Canyon-Gallup, Basin-Mancos, Blanco-Mesaverde and/or Basin-Dakota Gas Pools within the San Juan 28-5 Unit will not have to be provided to all interest owners in a given well.

(a) The Munoz Canyon-Gallup Gas Pool currently comprises all or parts of Sections 17-18 and 20-22, Township 28 North, Range 5 West. The evidence demonstrated that the Munoz Canyon-Gallup Pool cannot be terminated because the interest owners in existing “Gallup” spacing units would not remain the same when that acreage is re-dedicated to the Basin-Mancos Gas Pool. In support of its request for an exception to the notice requirement of Rule 19.15.12.11.C NMAC, the applicants provided notice of the application in this case to all interest owners in the San Juan 28-5 Unit. No party appeared in opposition to the application. As in numerous previous cases presented by the applicants with regards to notice of downhole commingling, applicants believe that no violation of correlative rights will occur as a result of granting a notice exception within the San Juan 28-5 Unit.

(b) The cross-section shows fairly uniform thickness within the Mancos interval across the unit area with minimal change in character of the log data from well to well. This uniformity indicates there is no natural geological boundary separating the Munoz Canyon-Gallup Gas Pool and the Basin-Mancos Gas Pool within the unit area.

(c) In accordance with Rule 19.15.12.11.D NMAC, the Munoz Canyon-Gallup Gas Pool wells are marginal, producing less than 20 MCFPD of gas. The current reservoir pressures are not sufficient to result in cross flow that would result in any permanent loss of gas reserves. The fluids from each zone are compatible and there are no water sensitivity/damage issues. The commingling will not decrease the value of production.

(16) **In Case No. 15015 (the Huerfano Unit)**, the applicants seek an exception to the notice requirements of Rule 19.15.12.11.C NMAC, such that notice of applications to downhole commingle any combination of the following groups of pools will not have to be provided to all interest owners in a given well: 1) Basin-Mancos Gas Pool, Basin-Dakota Gas Pool and Blanco-Mesaverde Gas Pool; and 2) Angel’s Peak-Gallup

Associated Pool, Gallegos-Gallup Associated Pool and Basin-Dakota Gas Pool. The applicants request that the portion of the application in this case seeking a notice exemption for the Dufers Point-Gallup-Dakota Pool in combination with other pools be **dismissed**.

(a) In support of its request for an exception to the notice requirement of Rule 19.15.12.11.C NMAC, the applicants provided notice of the application in this case to all interest owners in the Huerfano Unit.

(b) No party appeared in opposition to the application. As in numerous previous cases presented by the applicants with regards to notice of downhole commingling, applicants believe that no violation of correlative rights will occur as a result of granting a notice exception within the Huerfano Unit.

(17) **In Case No. 15016 (the Huerfanito Unit)**, the applicants seek an exception to the notice requirements of Rule 19.15.12.11.C NMAC, such that notice of applications to downhole commingle any combination of the following groups of pools will not have to be provided to all interest owners in a given well: 1) Basin-Mancos Gas Pool, Basin-Dakota Gas Pool and Blanco-Mesaverde Gas Pool; and 2) Angel's Peak-Gallup Associated Pool and Basin-Dakota Gas Pool. The applicants requested at the hearing that the portion of the application requesting "reference case" status for the Angel's Peak-Gallup Associated Pool be **dismissed**.

(a) In support of its request for an exception to the notice requirement of Rule 19.15.12.11.C NMAC, the applicants provided notice of the application in this case to all interest owners in the Huerfanito Unit.

(b) No party appeared in opposition to the application. As in numerous previous cases presented by the applicants with regards to notice of downhole commingling, applicants believe that no violation of correlative rights will occur as a result of granting a notice exception within the Huerfanito Unit.

The Division Concludes as Follows:

(18) Pursuant to Division Rule 19.15.12.11.C.(2) NMAC, which states the requirements for filing downhole commingling applications within "pre-approved" areas, applicants are currently required to notify all interest owners within the well when the ownership between the commingled zones is not common every time a Form C-107-A or Form C-103 is submitted to the Division. Due to the diverse ownership within these Units, this notice can involve as many as several hundred different owners within a given wellbore.

(19) To provide notice to each interest owner in these Units of subsequent downhole commingling is unnecessary and is an excessive burden to the applicants.

(20) The proposed "Reference Case" should remove the repetitive notice requirement, repetitive demonstration of Criteria Requirements, and encourage expedient completion of wells within these Units, and thereby prevent waste and protect correlative rights.

(21) These applications should be approved.

IT IS THEREFORE ORDERED THAT:

(1) In Case 15011, the application of ConocoPhillips Company to abolish the Trail Canyon-Gallup Gas Pool, which currently comprises the NE/4 of Section 18, E/2 and NW/4 of Section 17 and the SW/4 of Section 16, all in Township 32 North, Range 8 West, NMPM, San Juan County, New Mexico, is hereby approved. The Basin-Mancos Gas Pool is hereby extended to include the acreage previously contained within the Trail Canyon-Gallup Gas Pool. All wells producing from the Trail Canyon-Gallup Gas Pool shall have 320 acres dedicated thereto in accordance with the special pool rules for the Basin-Mancos Gas Pool. The operators of these wells shall file the appropriate forms changing the dedicated acreage with the Aztec district office of the Division within 30 days of the date of this order.

(2) In Case 15012, the application of Burlington Resources Oil & Gas Company, LP is hereby approved. The BS Mesa-Gallup Gas Pool, Basin-Dakota Gas Pool and Blanco-Mesaverde Gas Pool are hereby granted "pre-approval" status for commingling within the boundaries of the applicant's San Juan 27-4 Unit pursuant to Rule 19.15.12.11.D NMAC. Any application to downhole commingle production from the BS Mesa-Gallup Gas Pool with the Basin-Dakota Gas Pool and/or the Blanco-Mesaverde Gas Pool within the San Juan 27-4 Unit shall be in accordance with the procedure set forth in Rule 19.15.12.11(C)(2) NMAC (Wells located in Pre-Approved pools or areas), provided however, that notice of such downhole commingling shall not be required to be provided to all interest owners within the wellbore to be commingled, even though the interest ownership between the zones to be commingled within that wellbore are not common. Notice shall still be sent to the Bureau of Land Management and the New Mexico State Land Office where applicable.

(3) In Case 15013, the application of Burlington Resources Oil & Gas Company, LP to abolish the Cereza Canyon-Gallup Gas Pool, which currently comprises the SE/4 of Section 19, Township 27 North, Range 5 West, NMPM, San Juan County, New Mexico, is hereby approved. The Basin-Mancos Gas Pool is hereby extended to include the acreage previously contained within the Cereza Canyon-Gallup Gas Pool. All wells producing from the Cereza Canyon-Gallup Gas Pool shall have 320 acres dedicated thereto in accordance with the special pool rules for the Basin-Mancos Gas Pool. The operators of these wells shall file the appropriate forms changing the dedicated acreage with the Aztec district office of the Division within 30 days of the date of this order. In addition, applications to downhole commingle production from the Basin-Mancos Gas Pool with the Blanco-Mesaverde Gas Pool and/or Basin-Dakota Gas Pools within the San Juan 27-5 Unit, are hereby granted an exception to the notice requirements of Rule

19.15.12.11.C NMAC, such that notice of such applications shall not be required to be provided to all interest owners within the wellbore to be commingled, even though the interest ownership between the zones to be commingled within that wellbore are not common. Notice shall still be sent to the Bureau of Land Management and the New Mexico State Land Office, where applicable.

(4) In Case 15014, the application of Burlington Resources Oil & Gas Company, LP to obtain "pre-approval" status for the Munoz Canyon-Gallup Gas Pool with the Basin-Dakota and Blanco-Mesaverde Gas Pools within the San Juan 28-5 Unit, is hereby granted. Any application for downhole commingling of production from the Munoz Canyon-Gallup Gas Pool with the Basin-Dakota Gas Pool and/or Blanco-Mesaverde Gas Pool within the San Juan 28-5 Unit, shall be in accordance with the procedure set forth in Rule 19.15.12.11(C)(2) NMAC (Wells located in Pre-Approved pools or areas), provided however, that notice of such downhole commingling shall not be required to be provided to all interest owners within the wellbore to be commingled, even though the interest ownership between the zones to be commingled within that wellbore are not common. Notice shall still be sent to the Bureau of Land Management and the New Mexico State Land Office, where applicable.

(5) In Case 15015, the application of Burlington Resources Oil and Gas Company and ConocoPhillips Company requesting the deletion of the notice requirements of Rule 19.15.12.11.C NMAC is hereby granted as follows: 1) the commingling of Basin-Mancos Gas Pool with the Blanco-Mesaverde and/or Basin-Dakota Gas Pools within the Huerfano Unit; and 2) the commingling of Angel's Peak-Gallup Associated Pool with the Gallegos-Gallup Associated Pool and/or the Basin-Dakota Gas Pool within the Huerfano Unit. Notice of applications to downhole commingle as described above shall not be required to be provided to all interest owners within the wellbore to be commingled, even though the interest ownership between the zones to be commingled within that wellbore are not common. Notice shall still be sent to the Bureau of Land Management and the New Mexico State Land Office, where applicable. The applicants' request seeking a notice exemption for the Dufers Point Gallup-Dakota Pool, in combination with other pools, is hereby **dismissed**.

(6) In Case 15016, the application of Burlington Resources Oil & Gas Company, LP, and ConocoPhillips Company requesting the deletion of the notice requirement of Rule 19.15.12.11.C NMAC is hereby granted as follows: 1) the commingling of the Basin-Mancos Gas Pool, Basin-Dakota Gas Pool, and Blanco-Mesaverde Gas Pool within the Huerfanito Unit; and 2) the commingling of Angel's Peak-Gallup Associated Pool and Basin-Dakota Gas Pool within the Huerfanito Unit. Notice of applications to downhole commingle as described above shall not be required to be provided to all interest owners within the wellbore to be commingled, even though the interest ownership between the zones to be commingled within that wellbore are not common. Notice shall still be sent to the Bureau of Land Management and the New Mexico State Land Office, where applicable. The request by the applicants for approval of a reference case for the Angel's Peak-Gallup Associated Pool is hereby **dismissed**.

Case Nos. 15011-15016

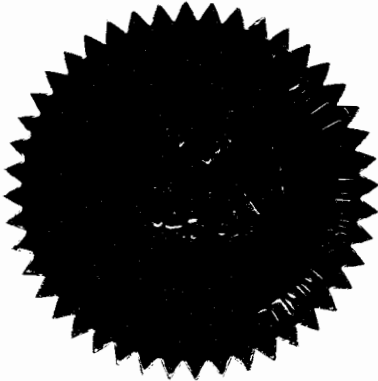
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(7) The operator of these Units shall reference this Division Order on either Form C-107-A or Form C-103, when applying to the Division for approval of downhole commingling of production from these Gas Pools.

(8) Jurisdiction of this case 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.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



JAMI BAILEY
Director