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June 4, 2013

Filed Electronically

Ms. Jami Bailey, Director  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

*Case 15012*

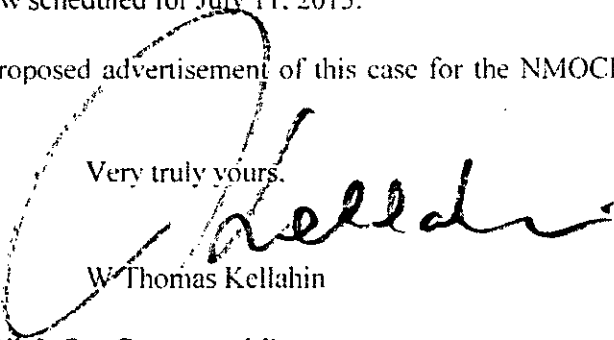
Re: San Juan 27-4 Unit  
Application of Burlington Resources  
Oil & Gas Company, LP, for the establishment  
of a Downhole Commingling Reference Case,  
including the deletion of notice requirements,  
pursuant to Division Rule 19.15.12.11.D  
Rio Arriba County, New Mexico

Dear Mr. Bailey:

On behalf of Burlington Resources Oil & Gas Company, LP, please find enclosed our referenced application which we request be set for hearing on the next available Examiner's docket now scheduled for July 11, 2013.

Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,

  
W. Thomas Kellahin

cc: Burlington Resources Oil & Gas Company, LP  
Attn: Chuck Creekmore

**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:**

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

**CASE NO. 15012**

**APPLICATION**

Comes now BURLINGTON RESOURCES OIL & GAS COMPANY, LP, by and through its attorneys, W. Thomas Kellahin of Kellahin & Kellahin, and applies to the New Mexico Oil Conservation Division for the establishment of a downhole commingling reference case, including the deletion of notice requirements, pursuant to Division Rule 19.15.12.11.D for its San Juan 27-4 Unit, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, in accordance with Division Rule 19.15.12.11.D seeks to establish a downhole commingling reference case to provide for (a) marginal economic criteria, (b) cross flow criteria (c) pressure criteria, (d) fluid compatibility and water sensitivity/ damage issues (e) value issues (f) allocation formulas, and modification of notification rules on an area-wide basis authorization for downhole commingling from the B. S. Mesa-Gallup Pool so that production can be downhole commingling with/or Dakota, Mesaverde, and Mancos gas production in the wellbores of existing or future wells drilled anywhere within the San Juan 27-4 Unit located in Township 27 North Range 4 West, NMPM, Rio Arriba County, New Mexico.

In support of its application, Burlington Resources Oil & Gas Company, LP ("Burlington") states:

(1) Burlington is the operator of the San Juan 27-<sup>4</sup> Unit which currently includes 130± Dakota wells, 197 ± Mesaverde wells, 3 Basin-Mancos wells and 2 B. S. Mesa-Gallup Pool wells all located within an area known as the "San Juan 27-4 Unit" consisting of 20,966.19 acres, more or less of acreage, as identified on Exhibit "A"

(2) In the absence of the establishment of a "reference case" as provided in Rule 19.15.12.11.D, Division general state-wide Rule 19.15.12.11.A requires that administrative applications for downhole commingling of gas production (Form C-107A) be submitted, processed and approved on a well by well basis including submittal of the following:

- (a) Economic criteria to support that at least one zone to be commingled is marginal.
- (b) Cross-flow issues
- (c) Pressure criteria to demonstrate that the bottomhole pressure of all zones to be commingled is less than the original bottom hole pressure of the lowest pressures zone.
- (d) Fluid compatibility and water sensitivity/damage issues
- (e) Will commingling decrease the value of production?
- (f) Allocation formulas.
- (g) Notification by certified mail return receipt to each interest owner where ownership is not common in the zones to be commingled, and (h) Notification by certified mail return receipt to each offset operator

(3) As a result of the entry of Order R-11363, Case 12346, dated April 26, 2000, the Basin-Dakota Pool (71599) and the Blanco-Mesaverde Pool (72319) were approved 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.

(4) As a result of the entry of Order R-12984-B, Case 14862 dated June 25, 2012, the Basin-Mancos Gas Pool (97232) was approved 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.

(5) In Division Case 14928, the Division entered Order R-13681 that approved the deletion of notice for some fourteen Township Units including the San Juan 27-4 Unit when downhole commingled production involved the Basin-Dakota, the Blanco-Mesaverde and Basin-Mancos Gas Pools.

(6) The B. S. Mesa-Gallup Pool is not currently approved as a "pre-approved" downhole commingled pool. The Applicant now seeks to add this pool to the list of "pre-approved" DHC pools and to delete notification requirements.

(7) Sufficient data is now available from existing wells in the San Juan 27-4 Unit to support the Division approving the downhole commingling of production from the B.S. Mesa- Gallup Pool with production from the Dakota, Mesaverde, and/or Mancos formations within the San Juan 27-4 Unit on an "area-wide" basis rather than on a "well-by-well basis" as to the criteria listed in paragraph 2 above.

(8) Burlington seeks authorization pursuant to Division Rule 19.15.12.11.D that all administrative application for downhole commingling of Mesaverde, Dakota, Mancos and/or Gallup gas production within the San Juan 27-4 Unit submitted subsequent to the filing of this application in this case shall be authorized to refer to the order entered in this case and will not be required to submit evidence or data for the criteria set forth in paragraph 2 above.

(9) Production from these formations is either marginal or uneconomic from existing wells within this unit and the economic life of that production is extended if it is downhole commingled is authorized.

(10) The approval of downhole commingling of these formations within this unit will extend the economic life of the existing wells and thereby increase ultimate recovery from these formations.

(11) In addition, any new wells to be drilled or recompleted in this unit should be approved for downhole commingling because either the Dakota, Mesaverde, Mancos/Gallup are marginal based upon criteria, which the applicant will submit at the hearing of this case.

(12) The processing of downhole commingling application for this unit in the absence of adopting a "reference case" will be an administrative burden to the Division and to the operator.

(13) Approval of downhole commingling reference case for this unit on an area-wide basis is in the best interest of conservation, the pretention of waste and the protection of correlative rights.

(14) Burlington requests the adoption of a "reference case" for the B.S. Mesa-Gallup Pool so that the Supervisor of the Aztec District Office of the Division shall approve the downhole commingling of said production on an area-wide basis for this unit with the filing of Division Form C-103.

(15) The ownership is not common among these formations within this unit

- a. Currently, there is no exception to the notice requirements within this Unit in the instances where the operator seeks approval to downhole commingle the B. S. Mesa-Gallup production with the Basin-Mancos Gas Pool, the Blanco-Mesaverde and/or Basin-Dakota Gas Pools.

b. In support of its request to delete the requirement that each application for downhole commingling of B. S. Mesa Gallup Pool with Basin-Mancos, Blanco-Mesaverde and/or Basin-Dakota Gas Pools be sent to each interest owner affected, applicant will provide evidence and testimony which will demonstrate that:

- i. because this is "divided" unit with various participating areas, the interest ownership between any zones to be downhole commingled within a given wellbore in this Unit will not be common;
- ii. pursuant to Division Rule 19.15.12.11.C.(2), which states the requirements for filing downhole commingling applications within "pre-approved" areas, applicant is 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-103 is submitted to the Division which can involve many different owners; and,
- iii. providing notice to each interest owner in this Unit of subsequent downhole commingling is unnecessary and is an excessive burden to the applicant.

(16) The deletion of the "notice requirement" will lessen the burden on the operator to send hundreds of notice packages to unit interest owners every time the operator seeks approval to downhole commingle production from the B.S. Mesa Gallup Pool with Basin-Mancos Gas Pool, the Blanco-Mesaverde and/or Basin-Dakota Gas Pools.

(17) The Applicant seeks the elimination of unnecessary notice whereby notice for downhole commingling of B. S. Mesa Gallup Pool with Basin-Mancos, Blanco-Mesaverde and/or Basin-Dakota Gas Pools within this Unit will not be required to any owner (including royalty, overriding royalty or working interest owners) in instances where ownership are not common or percentages are not identical in the zones to be commingled.

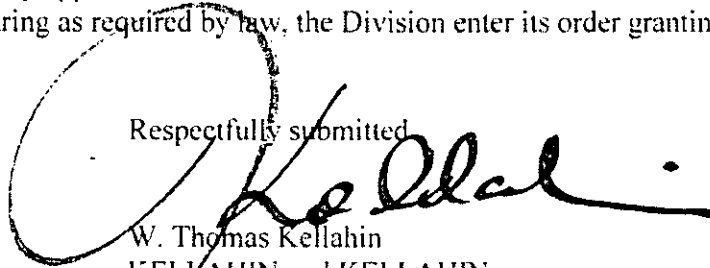
(18) Notice will still be sent to the Bureau of Land Management that the New Mexico State Land Office.

(19) Applicant requests that this matter be docketed for hearing on the Division's Examiner docket now scheduled for July 11, 2013.

(20) Notice of this application has been sent to all interest owners entitled to receive production within the unit.

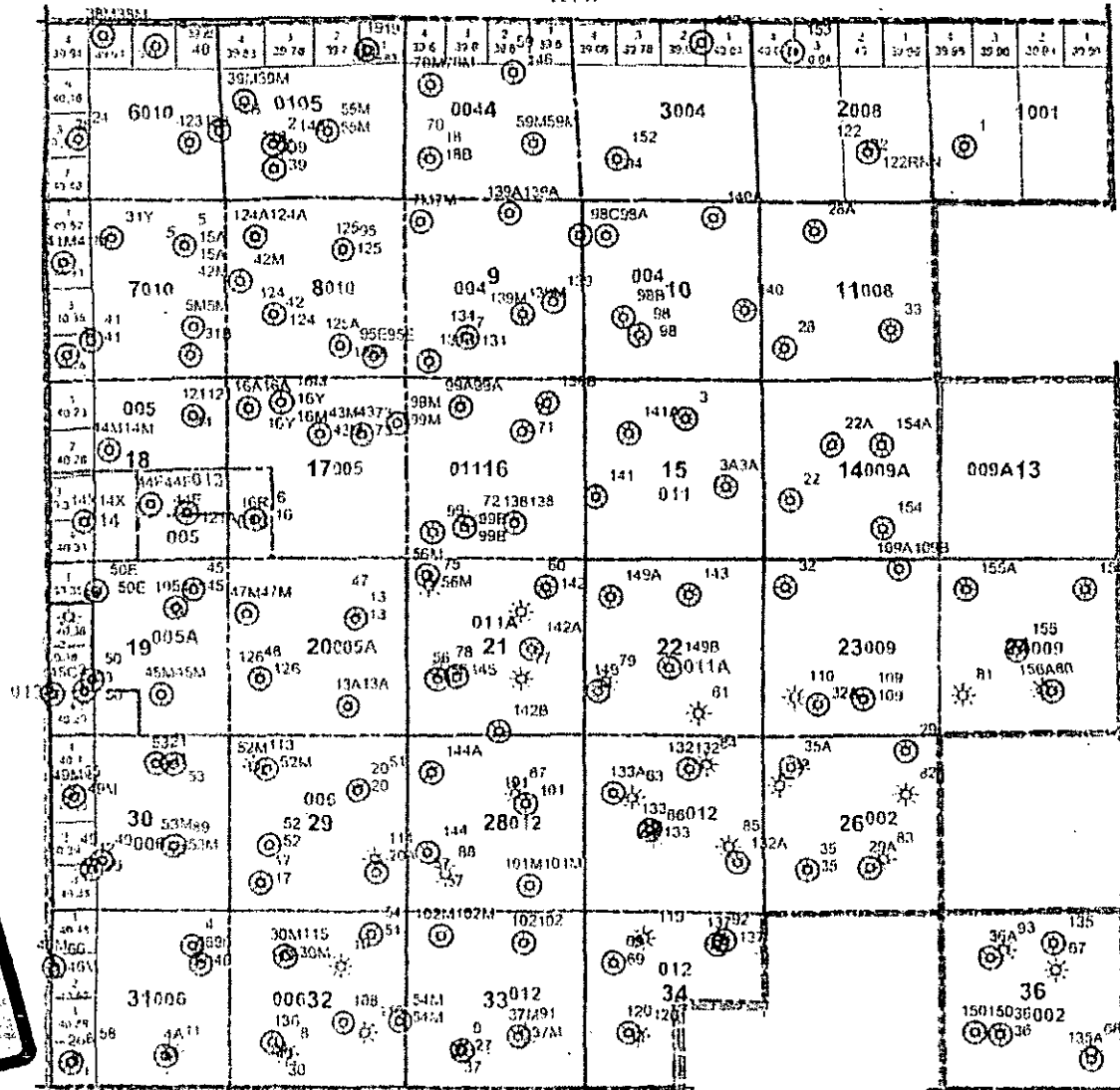
WHEREFORE Applicant requests that this matter be set for hearing on July 11, 2013 before a duly appointed Examiner of the Oil Conservation Division and that after notice and hearing as required by law, the Division enter its order granting this application.

Respectfully submitted

A large, stylized handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', is written over the typed name and address.

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(505) 982-4285  
Attorneys for Applicant

R4W



### Well Formation

- PICTURED CLIFFS
- MESAVERDE
- DAKOTA

### San Juan 27-4 Unit

Mesaverde PA

☐ Expan. 32, Effective 2/1/2001

### BURLINGTON RESOURCES

Inventory Management  
San Juan Division  
Farmington, New Mexico  
January 14, 2004



## PROPOSED ADVERTISEMENT

Case 150.12: 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. Applicant, in the above-styled cause, in accordance with Division Rule 19.15.12.11.D seeks to establish a downhole commingling reference case to provide for (a) marginal economic criteria, (b) cross flow criteria (c) pressure criteria, (d) fluid compatibility and water sensitivity/ damage issues (e) value issues (f) allocation formulas, and modification of notification rules on an area-wide basis authorization for downhole commingling from the BS Mesa-Gallup Pool so that production can be downhole commingling with/or Dakota, Mesaverde, and Basin-Mancos gas production in the wellbores of existing or future wells drilled anywhere within the San Juan 27-4 Unit located in Township 27 North, Range 4 West, NMPM, Rio Arriba County, New Mexico. The center of said area is located approximately 5 miles northeast from Cebolla, New Mexico.