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August 20, 2007

**HAND DELIVERED**

Mr. Mark E. Fesmire, P.E., Director  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

Re: San Juan 28-4 Unit  
Application of Burlington Resources  
Oil & Gas Company LP for the establishment  
of a Downhole Commingling Reference Case  
Pursuant to Division Rule 303.E  
Rio Arriba County, New Mexico

~~73987~~  
Case 13987

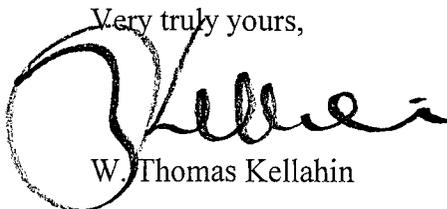
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Dear Mr. Fesmire:

On behalf of Burlington Resources Oil & Gas Company LP, please find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for September 20, 2007.

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  
Attn: Mr. Alan Alexander

PROPOSED ADVERTISEMENT

Case 1398.7 Application of Burlington Resources Oil & Gas Company LP for the establishment of a downhole commingling reference case for its San Juan 28-4 Unit, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, in accordance with Division Rule 303.E seeks to establish a downhole commingling reference case to modify the notification rules on an area-wide basis authorization for downhole commingling of Dakota and Mesaverde gas production in the wellbores of existing or future wells drilled anywhere within the San Juan 28-4 Unit located in Township 28 North, Range 4 West, NMPM, Rio Arriba County, New Mexico, said production being portions of the Basin-Dakota Gas Pool, the Blanco-Mesaverde Gas Pool.

The center of said area is located approximately 9 miles east from Gobernador Camp, New Mexico.

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

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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 28-4 UNIT PURSUANT TO DIVISION  
RULE 303.E, RIO ARRIBA COUNTY, NEW MEXICO.

CASE NO. 13987

APPLICATION

Comes now BURLINGTON RESOURCES OIL & GAS COMPANY LP, by and through its attorneys, Kellahin and Kellahin, and applies to the New Mexico Oil Conservation Division for the establishment of a downhole commingling reference case pursuant for its San Juan 28-4 Unit, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, in accordance with Division Rule 303.E, seeks to establish a downhole commingling reference case to modify the notification rules on an area-wide basis authorization for downhole commingling of Dakota and Mesaverde production in the wellbores of existing or future wells drilled anywhere within the San Juan 28-4 Unit located in Township 28 North Range 4 West, NMPM, Rio Arriba County, New Mexico, said production being portions of the Basin-Dakota Gas Pool and the Blanco-Mesaverde Gas Pool.

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

(1) Burlington is the operator of the San Juan 28-4 Unit which currently includes 22 wells in the Basin Dakota Gas Pool and 23 wells of the Blanco-Mesaverde Gas pool all located within an area known as the "San Juan 28-4 Unit" consisting of 16,733.16 acres, more or less of acreage, as identified on Exhibit "A".

(2) The absence of the establishment of a "reference case" as provided in Rule 303.E, Division general state-wide Rule 303.C 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.

(3) As a result of the entry of Order R-11363, dated April 26, 2000, the Basin-Dakota and the Blanco-Mesaverde Pools 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) In addition, allocation formula are administered and approved by the District Office of the Division.

(5) Currently, the Division still requires the applicant for downhole commingling for this unit to notify in writing to each interest owner where ownership is not common in the zones to be commingled.

(6) For the San Juan 28-4 Unit this rule requires notice to 7 interest owners at current development levels.

(7) In support of its request to establish a "reference case" to delete the requirement that each application for downhole commingling be sent to each interest owner affected, Burlington will provide evidence and testimony which will demonstrate that:

- (a) because this is a "divided" unit with various participating areas, the interest ownership between any zones to be downhole commingled within a given wellbore in the Unit will not be common;
- (b) pursuant to Division Rule 303. D, applicant is currently required to notify all interest owners in the unit every time a Form C-107-A is submitted to the Division and,
- (c) providing notice to each interest owner in the unit of subsequent downhole commingling application is unnecessary and is an excessive burden to the applicant.

(8) In seven prior Burlington cases, the Division has entered orders in DHC referenced cases that have eliminated the notice requirements:

- (a) Order R-10692, Nov 1, 1996, Case 11601 for the San Juan 32-9 Unit,
- (b) Order R-10694, Nov 12, 1996, Case 11626 for the San Juan 27-5 Unit
- (c) Order R-10695, Nov 12, 1996, Case 11627 for the San Juan 28-5 Unit
- (d) Order R-10696, Nov 18, 1996, Case 11628 for the San Juan 28-6 Unit
- (e) Order R-10697, Oct 8, 1996, Case 11629 for the San Juan 29-7 Unit
- (f) Order R-10786, April 2, 1997, Case 11685 for the Canyon Largo Unit
- (g) Order R-10476-B, Oct 17, 1997, Case 11815 for the San Juan 28-7 Unit

(9) The ownership is not common among these two pools/formations within the San Juan 28-4 Unit and notification in this case by certified mail return receipt constitutes satisfactory notification in all subsequent cases to each interest owner where ownership is not common in the zones to be commingled.

(10) Burlington therefore requests that the Division authorize that all downhole commingling applications received by the Division after October 1, 2007 for downhole commingling of production from Mesaverde and Dakota wells within the San Juan 28-4 Unit may cite the order entered in this case as a reference case for:

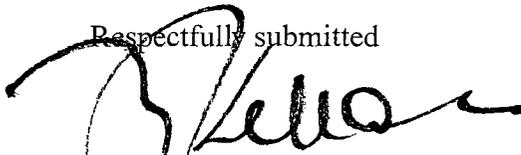
**elimination of unnecessary notice:** such that any future or further notice concerning downhole commingling applications within this unit shall not be required to any owner (including royalty, overriding royalty or working interest owners) in instances where ownership are not common or percentages are not identical in the zones to be commingled

(11) Applicant requests that this matter be docketed for hearing on the Division's Examiner docket now scheduled for September 20, 2007.

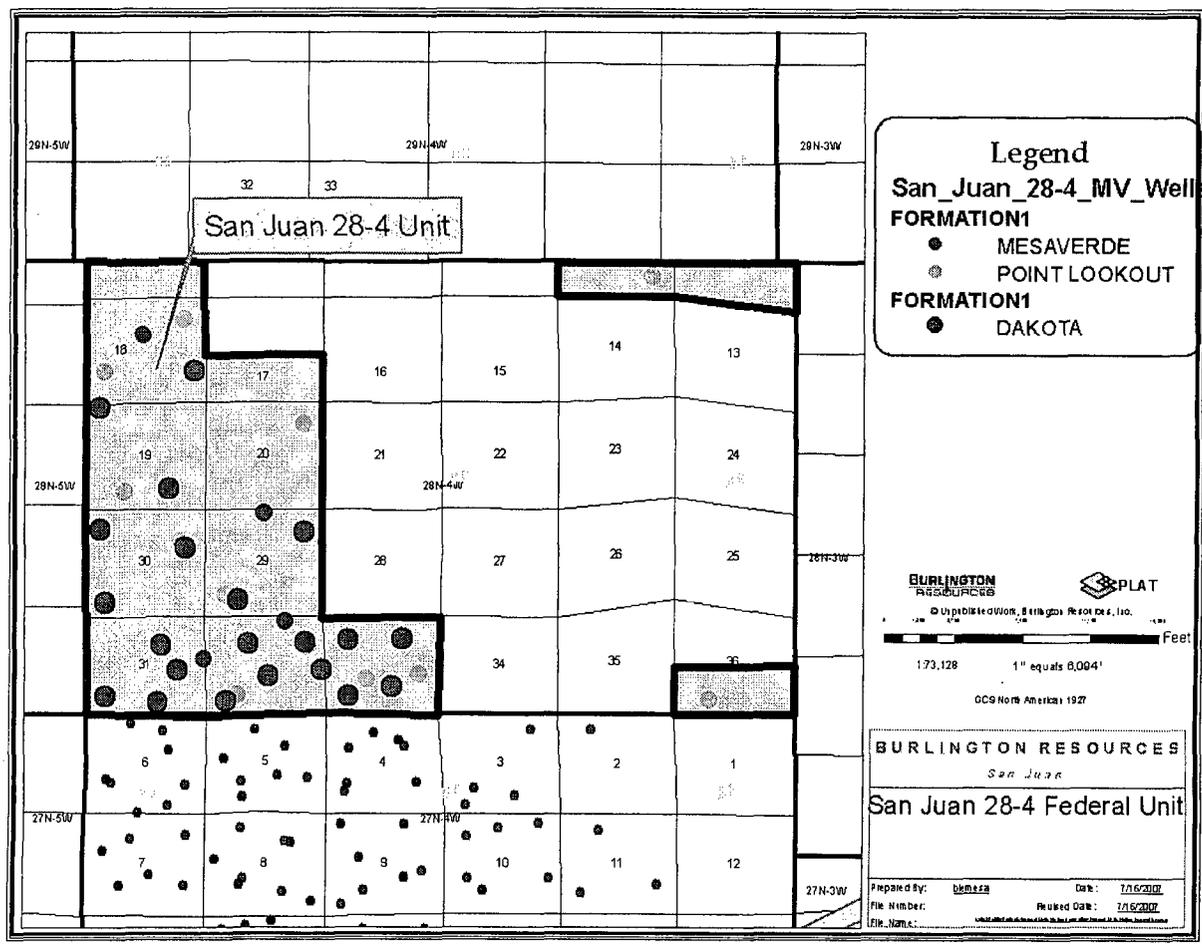
(12) Notice of this application has been sent to all interest owners entitled to receive production within the unit.

WHEREFORE Applicant requests that this matter be set for hearing on September 20, 2007 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



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Attorneys for Applicant



all in Rio Arriba  
 COUNTY

(7459 = proposed)  
 40 Total active wells  
 19 DKTA  
 32 MVRD