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January 16, 2009

HAND DELIVERED

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

Case 14281

Re: Allison Unit: Application of Burlington Resources Oil & Gas Company
to Amend Order R-9918, a Downhole Commingling Reference Case, by
adding additional pools and deleting notice requirements, Pursuant to Division
Rule 303.E, San Juan County, New Mexico

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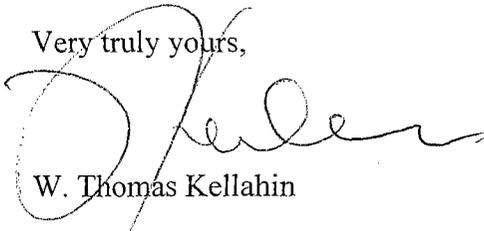
6/9/02/1 (mm)

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 March 5, 2009.

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: 14281 Application of Burlington Resources Oil & Gas Company to amend Order R-9918 for a downhole commingling reference case for the Allison Unit area, San Juan County, New Mexico. Applicant, in accordance with Division Rule 303.E, seeks to establish a downhole commingling reference case to extend to the entire Allison Unit. Order R-9918 authorization downhole commingling of Dakota and Mesaverde gas production in the wellbores of existing or future wells drilled anywhere within the Dakota and Mesaverde participation areas of the Allison Unit. Applicant seek to expand *this* order to also (a) include the Picture Cliffs formations, Fruitland Coal-Gas Pool, (b) include non-participation areas acreage within the Allison Unit, and (c) delete additional notice to each affected interest owners within the unit area. The Allison Unit is located in portions of Sections 7, 8, 9, 16-21, 28-31, T32N, R6 W, and in portions of Sections 9-16, 23-26, T32N, R7W, NMPM. Said unit is located approximately 4.2 miles south of Allison, Colorado.

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 LP COMPANY TO AMEND
ORDER R-9918 FOR A DOWNHOLE COMMINGLING
REFERENCE CASE FOR ITS ALLISON UNIT PURSUANT
TO DIVISION RULE 303.E,
SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 14281

APPLICATION

Comes now BURLINGTON RESOURCES OIL & GAS COMPANY ("Burlington"), 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* for the Allison Unit, San Juan County, New Mexico. Applicant, in the above-styled cause, in accordance with Division Rule 303.E, seeks to establish a downhole commingling reference case including the modification the notification rules on an area-wide basis authorization for downhole commingling of Dakota, Mesaverde, Fruitland Coal-Gas, and Pictured Cliffs production in the wellbores of existing or future wells drilled anywhere within the Allison Unit.

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

(1) Burlington is the current operator of the Allison Unit, which includes all vertical intervals within the unit boundary. Said unit is "undivided" as to all working interest owners but is a "divided" unit for royalty and overriding royalty interest owners which results *in* different royalty participating areas for production from various pools.

(2) The Allison Unit contains 13,774.22 acres and is located in portions of Sections 7,8,9, 16-21, 28-31 T32N R6W and in portions of Sections 9-16, 23-26 T32N, R7W all as set forth in Division Order R-24, attached as Exhibit "A"

(3) 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 in areas of the Allison Unit containing non-participating areas 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.

(4) By Order R-9918, dated June 17, 1993, predates the Division current Rule 303.E for a "reference case" but did authorized the adoption of an administrative procedure for the downhole commingle of Blanco-Mesaverde and Dakota Pool production within the participating areas of the Allison Unit without additional notice to each affected interest owners within the Unit area.

(5) Thereafter, 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.

(6) In additional, allocation formula are administered and approved by the District Office of the Division.

(7) Now Burlington seeks to Amend Order R-9918 to establish a downhole commingling reference case to extend the currently approved modified notification *rules* to the entire Allison Unit. Order R-9918 authorization downhole commingling of Dakota and Mesaverde gas production in the wellbores of existing or future wells drilled anywhere within Dakota and Mesaverde participating areas within the Allison Unit. Applicant seeks to expand this order to also (a) include the Picture Cliffs formations and Fruitland Coal-Gas Pool, (b) include non-participation areas acreage within the Allison Unit, and (c) delete additional notice to each affected interest owners anywhere within the unit area.

(8) Currently, the Division still requires the applicant for downhole commingling for the Allison Unit to notify in writing to each interest owner in the non-participating areas *where ownership is* not common in the zones to be commingled.

(9) For the Allison Unit this rule requires notice to approximately 450 interest owners at current development levels.

NMOCD

Application of **Burlington** Resources Oil & Gas Company Inc.

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(10) 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 provided evidence and testimony which will demonstrated that:

- (a) because **this** is an undivided unit for working interest but a "divided" unit for royalties and overrides with various participating areas, the interest ownership between any zones to be downhole commingled within a given wellbore in the Unit will therefore not be common;
- (b) pursuant to Division Rule 303. D, applicant is currently required to notify all interest owners in the non-participating areas of the Allison Unit *every time a* Form C-107-A is submitted to the Division which can involve as many as 450 different owners; 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.
- (d) Burlington, without objection, *has* successfully downhole commingled Mesaverde and Dakota production pursuant to Order R-9918,
- (e) Burlington contends that Order R-9918 should be expanded to include the Fruitland Coal-Gas Pool and the Pictured Cliff Pools
- (f) Burlington owns 97.561711% of the working interest in all formations in the Allison Unit.
- (g) Burlington and ConocoPhillips have previously received reference orders for notice purposes on the following Units:

ORIGIN	ORDER NUMBER	ORDER DATE	UNIT NAME
Br	R-9918	7/6/1993	Allison
Br	R-10786	4/3/1997	Canyon Largo
Br	R-12867	1/3/2008	San Juan 27-4
Br	R-10694	11/12/1996	San Juan 27-5
Br	R-12865	1/3/2008	San Juan 28-4
Br	R-10695	11/12/1996	San Juan 28-5
Br	R-10696	11/12/1996	San Juan 28-6
Br	R-10697	11/8/1996	San Juan 29-7
Br	R-12866	1/3/2008	San Juan 30-6
Br	R-10692	11/1/1996	San Juan 32-9
CoP	R-11188	5/25/1999	San Juan 31-6
CoP	R-11210	6/21/1999	San Juan 32-7
CoP	R-10476-B	10/17/1997	San Juan 28-7
CoP	R-10770	2/21/1997	San Juan 29-5
CoP	R-11187	4/25/1999	San Juan 29-6
CoP	R-10771	2/21/1997	San Juan 30-5
CoP	R-11189	5/25/1999	San Juan 32-8

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Application of **Burlington** Resources Oil & Gas Company Inc.

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(11) The ownership is not common between the pools/formations within the Allison 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.

(12) Burlington therefore requests that the Division authorize that all future downhole commingling applications received by the Division after the effective date for amended order R-9918 for downhole commingling of production from wells within the Allison Unit may cite the order entered in this case as a reference case for:

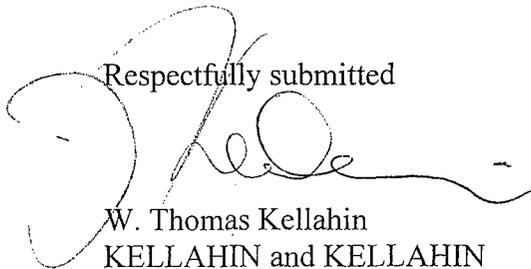
elimination of unnecessary notice: such that any future or further notice concerning downhole commingling applications within this unit shall not be required to any owner (including royally, overriding royalty or working interest owners) in instances where ownership are not common or percentages are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

(13) Applicant requests that this matter be docketed for hearing on the Division's Examiner docket now scheduled for March 5, 2009.

(14) Notice of this application will be sent to all interest owners entitled to *receive* production within the unit.

WHEREFORE Applicant requests that this matter be set for hearing on March 5, 2009 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



W. Thomas Kellahin
KELLAHIN and KELLAHIN
706 Gonzales Road
Santa Fe, New Mexico 87501

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING CALLED BY
THE OIL CONSERVATION COMMISSION OF THE
STATE OF NEW MEXICO FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 224
ORDER NO. R-24

THE APPLICATION OF AMERADA PETROLEUM CORPORATION FOR AN ORDER FOR FINAL APPROVAL OF THE ALLISON UNIT AGREEMENT EMBRACING LANDS LOCATED AS DESCRIBED IN THE APPLICATION IN TOWNSHIP 32 NORTH, RANGE 6 WEST, AND TOWNSHIP 32 NORTH, RANGE 7 WEST, N.M.P.M., SAN JUAN COUNTY, NEW MEXICO, AND OTHER LANDS LOCATED IN THE STATE OF COLORADO, ALL CONTAINING 13,774.22 ACRES.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause coming on for hearing at 10:00 o'clock a.m., on the 14th day of June, 1950 before the Oil Conservation Commission pursuant to notice heretofore duly given by said Commission;

The Commission having heard and considered testimony adduced at said hearing, being fully advised in said premises:

FINDS that the Allison Unit Plan will in principle tend to promote the conservation of oil and gas, and a prevention of waste;

IT IS THEREFORE ORDERED:

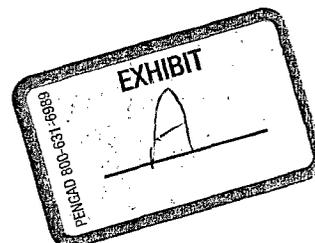
That the order herein shall be known as the:

"ALLISON UNIT AGREEMENT ORDER"

SECTION 1. (a) That the Unit herein shall be known as the Allison Unit Agreement, and shall hereinafter be referred to as the Unit.

(b) That the plan by which the unit shall be operated shall be embraced in the form of unit agreement for the development and operation of the Allison Unit Area referred to in the petitioner's petition and filed with said petition, and such plan shall be known as the Allison Unit Agreement Plan.

SECTION 2. That the Allison Unit Agreement Plan shall be and is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions, contained in said Unit Agreement, this approval of said agreement shall not be considered as waiving or relinquishing in any manner any rights, duties or obligations which are now or may hereafter be bested in the New Mexico Oil Conservation Commission by law relative to the supervision and control of operations for exploration and development of any lands committed to said Allison Unit Agreement or relative to the production of oil and gas therefrom.



SECTION 3. (a) That the Unit Area shall be:

NEW MEXICO PRINCIPAL MERIDIAN

TOWNSHIP 32 NORTH, RANGE 6 WEST, N.M.P.M., NEW MEXICO

	<u>ACRES</u>
Section 7: Lots 1,2,3,4,5,6,7; SE/4 NW/4 E/2 SW/4; S/2 NE/4; SE/4 All	549.74
" 8: Lots 1,2,3,4; S/2 N/2; S/2	544.82
" 9: SW/4	160.00
" 16: W/2	320.00
" 17: All	640.00
" 18: Lots 1,2,3,4; E/2 W/2; E/2 All	637.82
" 19: Lots 1,2,3,4; E/2 W/2; E/2 All	636.83
" 20: All	640.00
" 21: W/2	320.00
" 28: W/2	320.00
" 29: All	640.00
" 30: Lots 1,2,3,4; E/2 W/2; E/2 All	634.42
" 31: Lot 1; NE/4 NW/4; NE/4; N/2 SE/4	318.39

TOWNSHIP 32 NORTH, RANGE 7 WEST, N.M.P.M., NEW MEXICO

Section 9: Lots 1,2,3; SE/4; E/2 SW/4	298.15
" 10: Lots 1,2,3,4; S/2 (Fractional, All)	397.56
" 11: Lots 1,2,3,4; S/2 " "	398.25
" 12: Lots 1,2,3,4; S/2 " "	399.00
" 13: All	640.00
" 14: All	640.00
" 15: All	640.00
" 16: E/2	320.00
" 23: NW/4; E/2	480.00
" 24: All	640.00
" 25: NW/4; N/2 NE/4; S/2 NE/4	320.00
" 26: NE/4	160.00

TOWNSHIP 32 NORTH, RANGE 6 WEST, N.M.P.M., COLORADO

Section 19: Fractional, All	450.68
" 20: Lots 1,2,3,4; S/2 N/2; N/2 NE/4; N/2 NW/4 (Fractional, All)	448.96
" 21: Lots 1,2,3,4; S/2 N/2; NW/4 NW/4	328.40
" 22: Lots 1,2,3,4; SW/4 NE/4; S/2 NW/4	246.24

TOWNSHIP 32 NORTH, RANGE 7 WEST, N.M.P.M., COLORADO

Section 23: Lot 1; E/2 NE/4	119.60
" 24: Fractional, All	475.36

TOTAL ACRES 13,774.22

(b) The above reference to land in the State of Colorado shall not be construed as any attempt on the part of this Commission to exercise jurisdiction over such lands.

(c) The Unit area may be enlarged or diminished as provided in said Plan.

SECTION 4. That the Unit operator shall file with the Commission an executed original, or executed counterparts thereof, of the Allison Unit Agreement not later than 30 days after the effective date thereof.

SECTION 5. That any party owning rights in the unitized substances who does not commit such rights to said Unit Agreement before the effective date thereof may thereafter become a party thereto by subscribing to such Agreement or a counterpart thereof. The Unit Operator shall file with the Commission within 30 days an original of any such counterpart.

SECTION 6. That the order herein shall become effective on the first day of the calendar month next following the approval of Commissioner of Public Lands and the Secretary of the Interior and shall terminate ipso facto on the

termination of said Unit Agreement. The last Unit Operator shall immediately notify the Commission in writing of such termination.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

THOMAS J. MABRY, CHAIRMAN

GUY SHEPARD, MEMBER

R. R. SPURRIER, SECRETARY