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RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

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July 15, 1996

HAND DELIVERED

Mr. William J. LeMay, Director
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

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JUL 15 1996

Oil Conservation Division

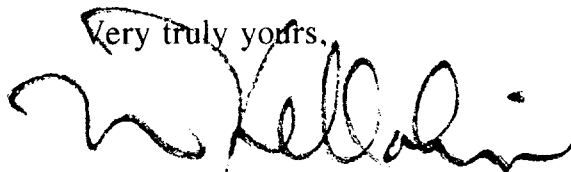
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**Re: Allison Unit Com Well No. 105
N/2 Section 26, T32N, R7W, NMPM
Application of Burlington Resources Oil & Gas Company
for Compulsory Pooling, San Juan County, New Mexico**

Dear Mr. LeMay:

On behalf of Burlington Resources Oil & Gas Company, please find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for August 8, 1996. 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: Alan Alexander

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Oil Conservation Division

PROPOSED ADVERTISEMENT FOR NMOCD DOCKET

CASE 11591: Application of Burlington Resources Oil & Gas Company for compulsory pooling, San Juan County, New Mexico. Applicant seeks an order pooling all mineral interests in the Basin Fruitland Coal Gas Pool underlying the N/2 of Section 26, T32N, R7W, NMPM, San Juan County, New Mexico, forming a standard 320-acre spacing and proration units. Said unit is to be dedicated to Burlington Resources Oil & Gas Company's Allison Unit Com Well No. 105 which is to be drilled at a standard well location. Also to be considered will be the costs of participation in said well, including but not limited to the costs of drilling, completing, and the allocation of those costs and income therefor as well as actual operating costs and charges for supervision, a charge for risk involved in drilling and completing said well and the designation of applicant as the operator of the well. Said well is located approximately 8 miles southwest of the intersection of Rio Arriba County and San Juan County lines of the State of New Mexico with the southern border of the State of Colorado.

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

IN THE MATTER OF THE APPLICATION
OF BURLINGTON RESOURCES OIL & GAS COMPANY
FOR COMPULSORY POOLING,
SAN JUAN COUNTY, NEW MEXICO.

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Oil Conservation Division

CASE NO. 11591

A P P L I C A T I O N

Comes now BURLINGTON RESOURCES OIL & GAS COMPANY (formerly Meridian Oil Inc.), by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17(c) (1978) applies to the New Mexico Oil Conservation Division for an order pooling all mineral interests in the Basin Fruitland Coal Gas Pool underlying the N/2 of Section 26, T32N, R7W, NMPM, San Juan County, New Mexico, forming standard 320-acre spacing and proration unit. Said unit is to be dedicated to Burlington Resources Oil & Gas Company's Allison Unit Com Well No. 105 which is to be drilled at a standard location. Also to be considered will be the costs of participation in said well, including but not limited to the costs of drilling, completing, and the allocation of those costs and income therefor as well as actual operating costs and charges for supervision, a charge for the risk involved in drilling and completing and the designation of applicant as the operator of the well.

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

1. Burlington is the operator of the Allison Unit which includes the NE/4 of Section 26, T32N, R7W, NMPM, San Juan County, New Mexico. See Exhibit "A" attached.

2. Phillips Petroleum Company ("Phillips") is a working interest owner and the operator of and William Producing Company (Williams") is a working interest owner in San Juan 32-7 Unit which includes the N/2NW/4 of said Section 26 which is acreage outside of the boundaries of the Allison Unit.

3. On April 18, 1996, Burlington's predecessor, Meridian, formally proposed to Phillips Petroleum Company and Williams Producing Company the voluntary formation of a 320-acre spacing unit consisting of the N/2 of said Section 26 to be dedicate to the Allison Unit Com Well No. 105 to be drilled to test for potential production from the Basin Fruitland Coal Gas Pool.

4. Both Phillips and Williams have expressed a desire to participate with Burlington in this well but have stated that neither is able to do so because of an unresolved legal dispute between them.

5. Burlington has been unable to persuade either Phillips or Williams to sign Burlington's propose agreement to join in this well and have not yet signed a communitization agreement.

6. Burlington has offered to allow both Phillips and Williams to use the subsequent well operation "non-consent provisions" of the operating agreement to initially participate as non-consenting parties.

7. The consent of or the compulsory pooling of said interest is required by the Bureau of Land Management before the BLM will approve the communitization of the NE/4, the N/2NW/4 and the S/2NW/4 of said Section 26 into a 320-acre spacing unit.

8. Pursuant to Section 70-2-17(c) NMSA (1978) and in order to obtain its just and equitable share of past and future production from the subject well and this spacing unit, Burlington needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.

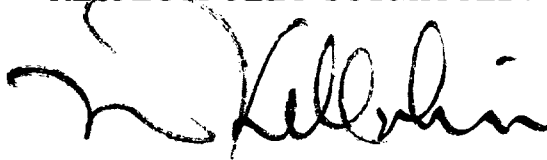
9. In accordance with the Division's notice requirements, a copy of this application has been sent as shown on Exhibit "B" attached.

10. Burlington requests that this matter be set for a hearing before the Division on the next available Examiner's docket now scheduled for August 8, 1996.

WHEREFORE, Burlington, as applicant, requests that this application be set for hearing on August 8, 1996 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in this spacing unit for the drilling, completing and operating the subject well at a standard gas well location upon terms and conditions which include:

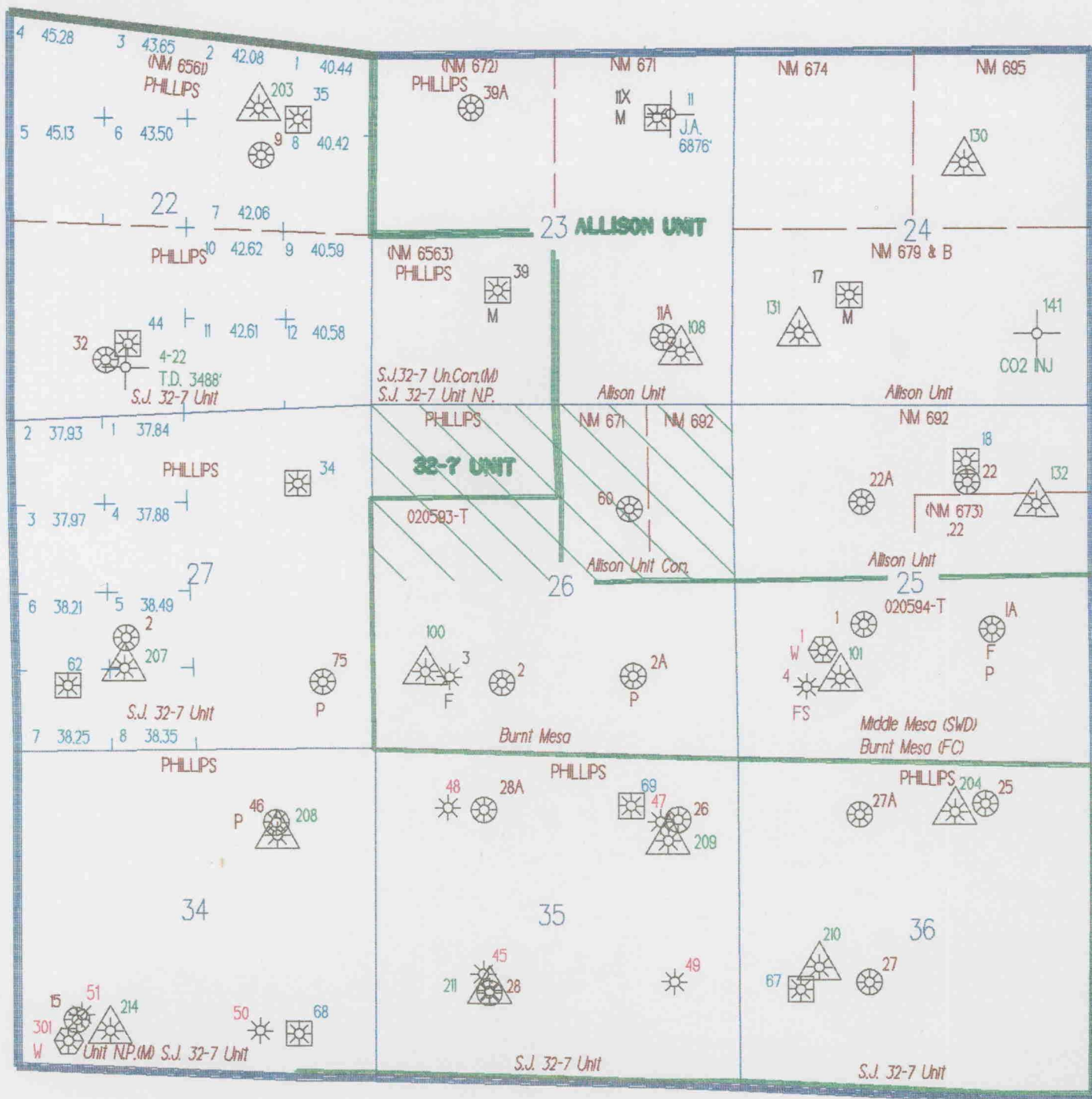
- (1) Burlington Resources Oil & Gas Company be named operator;
- (2) provisions for each working interest owner to participate in any Basin Fruitland Coal Gas Pool production by reimbursing the applicant for the costs of drilling, completing, equipping and operating said well;
- (3) provision pooling all uncommitted interest in a manner acceptable to the Bureau of Land Management which shall substitute for the voluntary commitment of those interests to a communitization of the NE/4 and the NW/4 of said Section 26.
- (4) In the event a working interest owner fails to elect to participate, then provisions be made to recover out of production, reimbursement to the applicant for the costs of drilling, completing, equipping and operating the well, including a risk factor penalty of 200 %;
- (5) Provision for overhead rates of \$2,251.80 per month drilling and \$474.64 per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS; and
- (6) For such other and further relief as may be proper.







RESPECTFULLY SUBMITTED:

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', is written over a horizontal line.

W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87501
(505) 982-4285

ALLISON UNIT COM #105 WELL
SECTION 26, T32N, R7W
SAN JUAN COUNTY, NEW MEXICO



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



SPACING UNIT

EXHIBIT

A

EXHIBIT "B"

**Williams Producing Company
Box 58900
Salt Lake City, Utah 84158-09000**

**Phillips Petroleum Company
5525 Highway 64
Farmington, New Mexico 87401
Attn: A. J. Kieke**