



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87506
(505) 827-7131

October 18, 1996

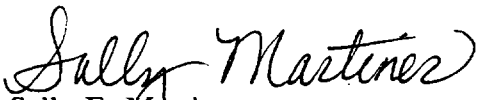
Kellahin and Kellahin
117 N. Guadalupe
P. O. Box 2265
Santa Fe, New Mexico 87504

RE: CASE NO. 11600
ORDER NO. R-10686

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,


Sally E. Martinez
Administrative Secretary

cc: BLM - Farmington
Taxation & Revenue Dept.

**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:**

**CASE NO. 11600
ORDER NO. R-10686**

**APPLICATION OF BURLINGTON RESOURCES
OIL & GAS COMPANY FOR THE ESTABLISHMENT
OF A DOWNHOLE COMMINGLING "REFERENCE
CASE" PURSUANT TO DIVISION RULE 303.E AND
THE ADOPTION OF SPECIAL ADMINISTRATIVE
RULES THEREFOR, SAN JUAN AND RIO ARriba
COUNTIES, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on August 22, 1996, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 18th day of October, 1996, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Burlington Resources Oil & Gas Company (Burlington), pursuant to the provisions of Division Rule 303.E., seeks to establish a downhole commingling "reference case" to provide exceptions for (a) marginal economic criteria and (b) pressure criteria on a pool-wide basis in the Dakota, Mesaverde and Pictured Cliffs formations within the San Juan Basin, San Juan and Rio Arriba Counties, New Mexico.

(3) Division Rule No. 303.E., amended by Order No. R-10470-A, currently states:

**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:**

**CASE NO. 11600
ORDER NO. R-**

**APPLICATION OF BURLINGTON RESOURCES
OIL & GAS COMPANY FOR THE ESTABLISHMENT
OF A DOWNHOLE COMMINGLING REFERENCE CASE
PURSUANT TO DIVISION RULE 303.E FOR PRODUCTION
FROM THE PICTURED CLIFFS, DAKOTA AND MESAVERDE
FORMATIONS AND THE ADOPTION OF SPECIAL
ADMINISTRATIVE RULES THEREFOR,
SAN JUAN AND RIO ARriba COUNTIES, NEW MEXICO**

**BURLINGTON RESOURCES' PROPOSED
ORDER OF THE DIVISION**

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on August 22, 1996, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this ____ day of September, 1996, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Burlington Resources Oil & Gas Company, in accordance with Division Rule 303.E and the testimony presented on January 18, 1996 in Division Case 11353, seeks to establish a downhole commingling reference case to provide for (a) marginal economic criteria and (b) pressure criteria on a pool-wide basis for downhole commingling of gas production in the wellbores of existing or future wells in the Dakota, Mesaverde and Pictured Cliffs formations all within San Juan Basin, New Mexico.

(3) Burlington currently operates 1,582 wells in the Dakota formation, 2,163 wells in the Mesaverde formation and 2,529 wells in the Pictured Cliffs formation all located within the San Juan Basin, New Mexico.

(4) On August 3, 1995, January 18, 1996 and February 15, 1996, the New Mexico Oil Conservation Commission held hearings in Case 11353 to consider the adoption of amendments to Rule 303 of its General Rules and Regulations pertaining to Downhole Commingling.

(5) At the hearing held on January 18, 1996, Burlington, then known as Meridian Oil Inc., presented technical geologic and petroleum engineering evidence to the Commission and requested that the Commission establish a "reference case" and thereby set:

(a) a marginal economic criteria (Part (1)(b)(i) for downhole commingled production from the Dakota and the Pictured Cliffs formations and

(b) delete the requirement to file the original reservoir pressure (Part (1)(b)(ii) for downhole commingled production from the Mesaverde, Dakota and Pictured Cliffs formations in the San Juan Basin.

(6) On March 12, 1996, the Commission issued Order R-10480-A in Case 11353 which, among other things, established the procedures for adoption by the Division of "reference cases" but failed to specifically establish a reference case as requested by the applicant.

(7) In the absence of the establishment of a "reference case", Division 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 submittal of the following:

- (a) economic criteria to support that at least one zone to be commingled is marginal; and
- (b) pressure criteria to demonstrate that the current bottomhole pressure of all zones to be commingled is less than the original bottom hole pressure of the lowest pressured zone.

(8) Sufficient data was presented to the Commission to support the Division approving a downhole commingling "reference case" as requested by the applicant for Dakota, Mesaverde and Pictured Cliffs gas production within the San Juan Basin on a "pool-wide" basis rather than on a "well-by-well basis."

(9) At the hearing held in this case, Burlington requested that the Division incorporate the record in Case 11353 and in the absence of objection authorize that all administrative applications filed after July 30, 1996 for the downhole commingling of production within the San Juan Basin shall be authorized to refer to the order entered in this case and thereby shall not be required to submit evidence or data for (a) marginal economic criteria for the Pictured Cliffs formation or the Dakota formation or (b) original reservoir pressure information for the Mesaverde, Pictured Cliffs and Dakota formations.

(10) The processing of downhole commingling applications for the Dakota, Mesaverde and Pictured Cliffs formations in the absence of adopting a reference case will be an administrative burden to the Division and to the operator.

(11) Approval of the requested downhole commingling reference case for these pools on an pool-wide basis is in the best interests of conservation, the prevention of waste and the protection of correlative rights.

(12) No interested party appeared at the hearing to oppose this application.

IT IS THEREFORE ORDERED THAT:

(1) All downhole commingling applications received by the Division after July 30, 1996 for downhole commingling of production from the Dakota formation in the San Juan Basin may cite this order as a reference case for:

marginal classification of any and all Dakota production and the applicant shall not be required to file any documentation to support the classification of this formation as marginal for purposes of satisfying the requirements of Division Rule 303.C(1)(b)(i)

(2) All downhole commingling applications received by the Division after July 30, 1996 for downhole commingling of production from the Pictured Cliffs formation in the San Juan Basin shall cite this order as a reference case for:

marginal classification of any and all Pictured Cliffs production and the applicant shall not be required to file any documentation to support the classification of this formation as marginal for purposes of satisfying the requirements of Division Rule 303.C(1)(b)(i)

(3) All downhole commingling applications received by the Division after July 30, 1996 for downhole commingling of production from the Pictured Cliffs, Dakota or Mesaverde formations in the San Juan Basin may cite this order as a reference case for:

original reservoir pressure information and the applicant shall not be required to file original pressure data for any of these formations for purposes of satisfying the requirements of Division Rule 303.C(1)(b)(ii).

(4) Jurisdiction of this cause 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.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

WILLIAM J. LeMAY
Director

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