

**KELLAHIN AND KELLAHIN**

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN\*

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

TELEPHONE (505) 982-4285

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JASON KELLAHIN (RETIRED 1991)

September 19, 1996

TO:

**ALL INTERESTED PARTIES ENTITLED TO NOTICE  
OF THE HEARING OF THE FOLLOWING NEW MEXICO  
OIL CONSERVATION DIVISION CASE:**

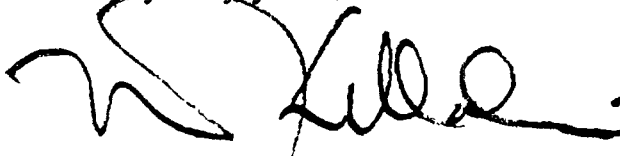
***Re: Application of Burlington Resources Oil & Gas Company  
for a downhole commingling reference case for its San  
Juan 27-5 Unit, Pursuant to Division Rule 303.E,  
San Juan County, New Mexico***

On behalf of Burlington Resources Oil & Gas Company (formerly Meridian Oil Inc.), please find enclosed our application which has been set for hearing on the New Mexico Oil Conservation Division Examiner's docket now scheduled for October 17, 1996. The hearing will be held at the Division hearing room located at 2040 S. Pacheco, Santa Fe, New Mexico.

As an interest owner who may be affected by this application, we are notifying you of your right to appear at the hearing and participate in this case, including the right to present evidence either in support of or in opposition to the application. Failure to appear at the hearing may preclude you from any involvement in this case at a later date.

Pursuant to the Division's Memorandum 2-90, you are further notified that if you desire to appear in this case, then you are requested to file a Pre-Hearing Statement with the Division not later than 4:00 PM on Friday, October 11, 1996, with a copy delivered to the undersigned. Please direct any questions to Alan Alexander (505) 326-9757.

Very truly yours,

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

W. Thomas Kellahin

cc: Burlington Resources Oil & Gas Company  
Attn: Alan Alexander

KELLAHIN AND KELLAHIN

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NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

September 19, 1996

HAND DELIVERED

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

Re: San Juan 27-5 Unit  
Application of Burlington Resources  
Oil & Gas Company for the establishment  
of a Downhole Commingling Reference Case  
Pursuant to Division Rule 303.E  
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 next available Examiner's docket now scheduled for October 17, 1996.

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

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over the typed name below.

W. Thomas Kellahin

cc: Burlington Resources Oil & Gas Company  
Attn: Mr. Alan Alexander

## PROPOSED ADVERTISEMENT

Case \_\_\_\_\_: Application of Burlington Resources Oil & Gas Company for the establishment of a downhole commingling reference case for its San Juan 27-5 Unit pursuant to Division Rule 303.E and the adoption of special administrative rules therefore, 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 to provide for (a) marginal economic criteria, (b) pressure criteria, (c) allocation formulas, and (d) modification of notification rules on an area-wide basis authorization for downhole commingling of Dakota, Mesaverde, Fruitland-Coal and Pictured Cliffs gas production in the wellbores of existing or future wells drilled anywhere within the San Juan 27-5 Unit located in Township 27 North, Range 5 West, NMPM, San Juan County, New Mexico.

The center of said area is located approximately 10 miles southeast from Gobernador Camp, New Mexico.

**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 CASE NO. \_\_\_\_\_  
OIL & GAS COMPANY FOR DOWNHOLE  
COMMINGLING REFERENCE CASE FOR ITS  
SAN JUAN 27-5 UNIT  
PURSUANT TO DIVISION RULE 303.E  
SAN JUAN COUNTY, NEW MEXICO.

**APPLICATION**

Comes now BURLINGTON RESOURCES OIL & GAS COMPANY (formerly Meridian Oil Inc.), 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 to Division Rule 303.E for its San Juan 27-5 Unit and the adoption of special administrative rules therefore, 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 to provide for (a) marginal economic criteria, (b) pressure criteria, (c) allocation formulas, and (d) modification of notification rules on an area-wide basis authorization for downhole commingling of Dakota, Mesaverde, Fruitland-Coal and Pictured Cliffs gas production in the wellbores of existing or future wells drilled anywhere within the San Juan 27-5 Unit located in Township 27 North Range 5 West, NMPM, San Juan County, New Mexico.

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

(1) Burlington is the operator of the San Juan 27-5 Unit which currently includes 101 Dakota wells, 105 Mesaverde wells, 4 Fruitland-Coal wells and 87 Pictured Cliffs wells all located within an area known as the "San Juan 27-5 Unit" consisting of 23,043 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 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 submittal of the following:

- (a) economic criteria to support that at least one zone to be commingled is marginal.
- (b) 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,
- (c) allocation formulas,
- (d) notification by certified mail return receipt to each interest owner where ownership is not common in the zones to be commingled, and
- (e) notification by certified mail return receipt to each offset operator

(3) Sufficient data is now available from existing wells in this unit to support the Division approving the downhole commingling of Dakota, Mesaverde, Fruitland-Coal and Pictured Cliffs gas production within this unit on an "area-wide" basis rather than on a "well-by-well basis."

(4) Sufficient data is now available from existing wells in this unit to support the Division adopting a "reference case" for the downhole commingling of Dakota, Mesaverde, Fruitland-Coal and Pictured Cliffs gas production within this unit as to the following criteria:

- (a) economic criteria to support that at least one zone to be commingled is marginal;
- (b) allocation formula:
- (c) notification by certified mail-return receipt to (a) each interest owner where ownership is not common in the zones to be commingled and to (b) each offset operator who is also an interest owner in this unit; and

- (d) notification by certified mail-return receipt to each offset operator, except as provided in paragraph (d) above will continue to be made provided those offset operators are operators other than applicant.

(5) Burlington seeks authorization pursuant to Division Rule 303.E that all administrative application for downhole commingling of Mesaverde, Dakota, Fruitland-Coal and Pictured Cliffs gas production within this 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 following criteria (a) marginal economic criteria, (b) pressure criteria, (c) allocation formulas, and (d) notice to owners of any production within spacing units where the ownership is not common and offset operators who also own an interest in this unit.

(6) Production from the Dakota and Pictured Cliffs polls is now either marginal or uneconomic from existing wells within this unit and the economic life of that production is extended if it is downhole commingled with Mesaverde or Fruitland-Coal production.

(7) 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.

(8) In addition, any new wells to be drilled or recompleted in this unit should be approved for downhole commingling because either the Dakota or the Pictured Cliffs zones is marginal based upon criteria which the applicant will submit at the hearing of this case.

(9) It is anticipated that new wells, recompleted wells or existing wellbores in this unit will be most economically completed if there is a summary administrative procedure by which those wells may be downhole commingled.

(10) 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.

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

(12) Burlington requests the adoption of a summary administrative procedure with the necessary exceptions to the Division Rule 303.C 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.

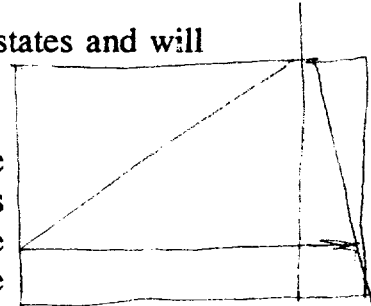
(13) The ownership is not common among these four formations within this unit.

(14) In accordance with Division Rule 303.C(1)(b), the Applicant states and will demonstrate at hearing:

1. That the wells in this unit which are currently single completions in the Dakota formation or the Pictured Cliffs formation are now marginal and production cannot be economically continued nor further developed unless it is done so by downhole commingling that production.

2. That there will be no unrecovered production crossflowing between or among the zones commingled.

3. That the value of the commingled production will not be less than the sum of the values of the individual production.



(15) In order to salvage the remaining Dakota and Pictured Cliffs production from this unit, Burlington seeks approval to downhole commingle all Dakota, Mesaverde, Fruitland-Coal and Pictured Cliffs production from any existing wells where mechanically feasible and the adoption of a summary procedures for the downhole commingling of future wells to be drilled in the Unit.

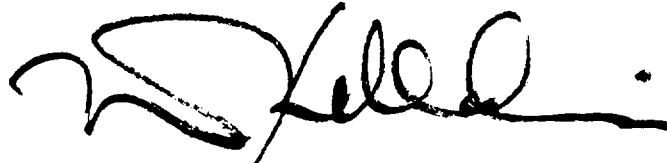
(16) Burlington will submit at hearing proposed formulas for the allocation of production to each of the commingled zones and a description of the factors or data used in determining such formulas.

(17) Applicant requests that this matter be docketed for hearing on the Division's Examiner docket now scheduled for October 17, 1996.

(18) 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 October 17, 1996 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.

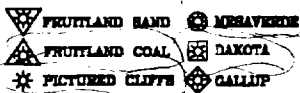
Respectfully submitted

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', with a stylized flourish at the end.

W. Thomas Kellahin  
KELLAHIN and KELLAHIN  
P. O. Box 2265  
Santa Fe, New Mexico 87501  
(505) 982-4285  
Attorneys for Applicant




T27N,R5W



**FRUITLAND BAND @ MRS. AVERIDE**

FRUITLAND COAL  DAKOTA

PICTURED CLIFFS  GALLUP



**San Juan 27-5 Unit  
GWI/NWI/RI/ORRI Owners**

*(Oil Revenue Owner Lists)*

ALICE JANE WEBB  
ALICE M VICENTI  
AMALIA S SANCHEZ  
AMOCO PRODUCTION COMPANY  
BEDROCK LIMITED PARTNERSHIP  
BURLINGTON RESOURCES O&G CO  
CINCO GENERAL PARTNERSHIP  
COASTAL OIL & GAS CORP  
CORINNE MILLER GAY TRUST  
CRUEZELIA C MONTOYA  
CRUZELIA & PAT D MONTOYA HWJT  
DEREK PETER VENEZIA  
DIOCESE OF GALLUP  
DONALD & FLORENCE M CANDELARIA  
DONALD R CANDELARIA  
E J E BROWN COMPANY  
EDNA E MORRELL LIVG TRUST  
ELEANOR G HAND  
ELIZABETH T CALLOWAY  
ERNESTINA M GALLEGOS  
FRANCIS LEROY CANDELARIA  
FRANK D GORHAM JR  
FREDDY ARNOLD  
FREDERICK EUGENE TURNER  
FRIEDA M HOLT  
GENEVIEVE CANDELARIA  
GERALD F HARRINGTON  
HARCO LTD PTSHP  
HAROLD O POOL IRRV RESIDUAL TR  
HORACE & ELMYRA MCKAY TRUST  
IRIS ANN DAHARSH  
J FIDEL & CORDELIA CANDELARIA  
J FIDEL CANDELARIA  
J GLENN TURNER JR  
JAMES M RAYMOND  
JAMES R PAYNE & JEAN PAYNE  
JAMES V HARRINGTON  
JO ANN SCHMIDT  
JOHN C MEADOWS  
JOHN CHRISTOPHER CANDELARIA  
JOHN LEE TURNER  
JOSEPH R ABRAHAM  
JUAN R MONTANO  
KATHLEEN QUINN  
KATHRYN L CAMPBELL

KERR-MCGEE CORPORATION  
LANGDON C HARRISON  
LANGDON D HARRISON  
M A R OIL & GAS CORP INC  
MANUEL A SANCHEZ TRUST  
MARIE PEEK  
MARY JO WELLS  
MARY JONE CHAPPELL  
MAYDELL MILLER MAST TRUST  
MERCEDES M SKIDMORE  
MINERALS MANAGEMENT SERVICE  
NICK G CANDELARIA  
PABLO LENNY CANDELARIA  
PATRICIA ANN ASHBURN  
PAUL MICHAEL CANDELARIA  
PAULETTE SHARON CANDELARIA  
RAYMOND MARTINEZ ESTATE  
RICHARD ARNOLD  
ROBERT L BAYLESS  
ROBERT P & ANNA D EARNEST TR  
ROBERT P TINNIN  
ROMERO FAMILY LTD PARTNERSHIP  
RUFIE LUJAN  
RUTH ZIMMERMAN TRUSTEE  
SAMUEL L & FRANCES DAZZO  
SCOTT ANTHONY VENEZIA  
STANLEY R ARNOLD  
STATE OF NEW MEXICO  
STEPHANIE A & CARLOS MARTINEZ  
T H MCELVAIN OIL & GAS LTD PAR  
TEMPE LTD PARTNERSHIP  
THE WISER OIL COMPANY  
THELMA POOL REV MARITAL TRUST  
THOMAS A DUGAN & MARY E DUGAN  
TOTAL MINATOME CORPORATION  
U/W FOSTER MORRELL DECD  
UNION OIL CO OF CALIF  
VASTAR RESOURCES INC  
VERDA L BOCCACIO  
VIRGINIA M MARTINEZ  
W G PEAVY OIL COMPANY  
WILLIAM G WEBB  
WILLIAMS PRODUCTION COMPANY

*(Formerly ARCO)*

*Excluded (501)  
Amo (500)  
L. Montano (501)*