

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*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

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:**

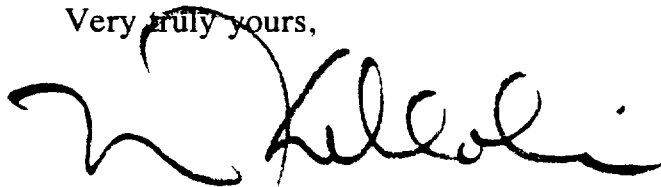
***Re: Application of Burlington Resources Oil & Gas Company
for a downhole commingling reference case for its San
Juan 28-6 Unit, Pursuant to Division Rule 303.E,
San Juan County, New Mexico***

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,



W. Thomas Kellahin

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

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TELEPHONE (505) 982-4285

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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

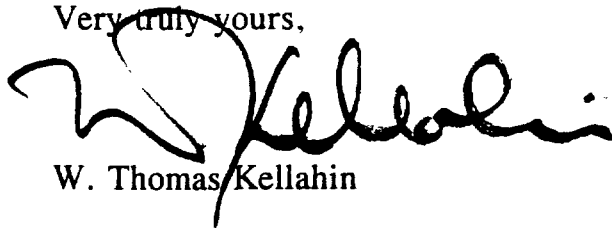
Re: San Juan 28-6 Unit
Application of Burlington Resources
Oil & Gas Company for the establishment
of a Downhole Commingling Reference Case
Pursuant to Division Rule 303.E
San Juan County, New Mexico

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,



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 28-6 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 28-6 Unit located in Township 28 North, Range 6 West and Township 27 North, Range 6 West, NMPM, San Juan County, New Mexico.

The center of said area is located approximately 5 miles southwest 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 28-6 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 28-6 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 28-6 Unit located in Township 28 North Range 6 West and Township 27 North Range 6 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 28-6 Unit which currently includes 90 Dakota wells, 126 Mesaverde wells, 58 Fruitland-Coal wells and 51 Pictured Cliffs wells all located within an area known as the "San Juan 28-6 Unit" consisting of 27,735 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 the San Juan 28-6 Unit to support the Division approving the downhole commingling of Dakota, Mesaverde, Fruitland-Coal and Pictured Cliffs gas production within the San Juan 28-6 Unit on an "area-wide" basis rather than on a "well-by-well basis."

(4) Sufficient data is now available from existing wells in the San Juan 28-6 Unit to support the Division adopting a "reference case" for the downhole commingling of Dakota, Mesaverde, Fruitland-Coal and Pictured Cliffs gas production within the San Juan 28-6 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 the San Juan 28-6 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 no common and offset operators who also own an interest in this unit.

(6) Production from the Dakota and Pictured Cliffs pools 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 large, stylized initial 'W' and a trailing flourish.

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

28-6 UNIT
 T27N, R6W

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100

FRUITLAND SAND
 FRUITLAND COAL
 PICTURED CLIFFS
 MESAVERDE
 DAKOTA
 GALLUP

**San Juan 28-6 Unit
GWI/NWI/ORRI/RI Owners**

A R GROVER
AGNES PATTERSON
ALBERT VERNE WORKS JR
ALICE JANE WEBB
ALICE M VICENTI
ALMA ROACH STEVENS
AMOCO PRODUCTION COMPANY
ANDREA T LUCERO
ANITA BRIGGS
ANNA CELIA HOWELL HILTON
ASCENSION WALKER
B H FUNDS INC
BARBARA LEIGH FARAH
BARBARA REESE DINGES
BEDROCK LIMITED PARTNERSHIP
BEN HOWELL LANGFORD
BEN R HOWELL TRUST
BETTY JEANNE PRESTON DECEDENTS
BILL AND JANICE LANE
BOLACK MINERALS COMPANY
BURLINGTON RESOURCES O&G CO
CARL W VOGT
CAROLYN BEAMON TILLEY
CARROLL D MYER
CATHARINE GRAY REMENICK
CATHERINE A HANSON
CATHERINE C HESS
CATHRYN BEAMON
CHASE OIL CORPORATION
CHERYL WILSON HAIRSTON
CINCO GENERAL PARTNERSHIP
CLAUDIA MARCIA LUNDELL GILMER
CONOCO INC-PUBCO
CORINNE MILLER GAY TRUST
CROSS TIMBERS OIL COMPANY
CRUZELIA & PAT D MONTOYA HWJT
CYNTHIA GRAY MILANI
D R & J C WYNNE
DARBY LEY WILSON
DAVID A ROGERS
DAVID ELBERT REESE
DAVID GARTNER DECD
DAVID H GRAY
DAVID HENDERSON
DEVERE C MYER
DIXIE LEE BOONE
DONALD & FLORENCE M CANDELARIA
DONALD TURRIETTA
DORIANN STOLWORTHY
DOROTHY MARIE OLIVER
E F KALB ESTATE
EDWARD ISERN JR
ELAINE F BLANKENSHIP

ELIZABETH GOODWIN REESE
ELIZABETH H LUND ROYALTY TRUST
EMILIE M HARDIE ROYALTY TRUST
EMILY D GRAMBLING
ERNESTINA M GALLEGOS
EULA MAY JOHNSTON TRUST
FOUR STAR OIL & GAS COMPANY
FRANCES H WEAVER
FRANCIS LEROY CANDELARIA
FRANK D GORHAM JR
FRANK M ELAM
GENEVIEVE A RINERSON
GERALD F HARRINGTON
GLADIOLA ELEANOR TRUJILLO
GLADYS WATFORD TRUST
GREAT WESTERN ONSHORE INC
GREGORY F MYER
GROVER BROTHERS LP
GUY R CAMPBELL JR CO
H LIMITED PARTNERSHIP
HARCO LTD PTSHP
HARRY D PORTER TRUST
HAZEL ASHLEY BRACKEN
HORACE & ELMYRA MCKAY TRUST
HOWELL GRANDCHILDRENS TRST EST
HYACINTH RUSSELL MAVOR DECD
I H STEWART
J BRYCE WYNNE TRUSTEE
J FIDEL & CORDELIA CANDELARIA
J P AND BILLIE SCHAUMBERG
JAMES J JOHNSTON ESTATE
JAMES M RAYMOND
JAMES P M ROACH
JAMES R LEETON JR
JAMES R PAYNE & JEAN PAYNE
JAMES ROBERT BEAMON INDIV & TRUSTEE
JAMES V HARRINGTON
JANE ANN BOND WHEELER
JANE C GORDEN
JAS L FASHING IRREVOCABLE TRST
JEREMY S DAVIS
JERRY J ANDREW
JO ANN SCHMIDT
JOAN E MYER
JOE P TRUJILLO
JOHN A GRAMBLING
JOHN CHRISTOPHER CANDELARIA
JOHN L GRAY
JOHN L LANCASTER III
JOHN S ROACH
JOSEPH C JASTRZEMBSKI
JUANITA V PETERSON
KATHERINE K MCINTYRE

**San Juan 28-6 Unit
GWI/NWI/ORRI/RI Owners**

KATHRIN BOND MALONE
L DORIS WILLIAMS ESTATE
LALO & MARY C ENRIQUEZ
LANGDON D HARRISON
LEILA FRANCES PEARCE
LINDA JEANNE LUNDELL LINDSEY
LISA K MAGAZINER
LORETTA DELANEY LANCASTER
LUCIA ANN RAWSON BRYAN
MABELLE H SOWERS ROYALTY TRUST
MANUEL A FERRAN
MAP 1992-C PARTNERS L P
MARGARET ESTELLE BLECHAR ESTAT
MARIAN ISERN TRUST
MARTHA LOU DIXON
MARY ANN ISERN DEEN
MARY DOLL INGRAM
MARY E WADEMAN
MARY ELINOR LANCASTER SACHS
MARY ELIZABETH HARDIE ROY TRST
MARY JONE CHAPPELL
MARY LINDA LEY AMENT CHILDRENS
MATIAS A & EMELINE L ZAMORA TR
MAYBELLE TAYLOR
MAYDELL MILLER MAST TRUST
MERCEDES M SKIDMORE
MICHAEL V PERRYMAN
MICHELLE DIANA MINICA IRREV TRUST
MILTON SCHWARTZ
MINERALS MANAGEMENT SERVICE
MIRIAM CARROLL TRUST
MOZELLE C HILL
NAN ALICE ELAM HAMBY
NANCY ALICE WILSON
NANCY LEY WILSON CHILDRENS TRS
NATHAN D MYER
NICK G CANDELARIA
NIGH REVOCABLE TRT DTD 8/3/89
PABLO LENNY CANDELARIA
PAMELA GRAY BALDWIN
PATRICIA G HARVEY
PATTIE ANN BEAMON LUNDELL
PAUL MICHAEL CANDELARIA
PAULETTE SHARON CANDELARIA
PEARL NEUGENT NORDAN ESTATE
PEARL W SIEGENTHALER
PETCO LTD
PHILLIPS PETROLEUM COMPANY
PHYLLIS F HOFFMAN
R E BEAMON III
R H FEUILLE
RAYMOND MARTINEZ

REBECCA ANN REESE WARD
RICHARD H GODFREY JR
RICHARD PARKER LANGFORD
RITA ROACH
ROBERT BEAMON
ROBERT NICK RAWSON
ROBERT PAYNE LANCASTER
ROBERT WALTER LUNDELL
ROBIN HAMPTON
ROGERS-GIBBARD TRUST
ROMERO FAMILY LTD PARTNERSHIP
RUFIE LUJAN
RUTH B REID
SAMUEL L & FRANCES DAZZO
SAMUEL W JUNKIN
SCOTT ALAN PERRYMAN
SHEILA WARD
SHERYL A LUNDELL GRANTOR TRUST
SHIRLEY ANN CHOUTEAU TRUST
STATE OF NEW MEXICO
STATEWIDE MINERALS INC
STEPHANIE ANN CANDELARIA
SUE BOYD
SUE WARD HALL
SUSAN BEAMON PORTER
SUSAN LEE BOND GREEN
T D CUNNINGHAM
T H MCELVAIN OIL & GAS LTD PARTNERSHIP
TC/UST-94
TEMPE LTD PARTNERSHIP
THE NORDAN TRUST
THE WISER OIL COMPANY
THEODORE J BLECHAR
THOMAS F MCKENNA
TOM D PATTERSON
TOM L HAIL TRUSTEE
U J LOBATO TRUST
V A JOHNSTON FAMILY TRUST
VALOIS V LOBATO
VASTAR RESOURCES INC
VERNON D TREXEL
VIOLET C & EDWARD P RIPLEY
VIRGINIA M MARTINEZ
VIRGINIA THIRLAWAY
W D KENNEDY
W L JENNINGS
WALTER K HOWARD
WATERS S DAVIS III
WILLIAM B HARDIE SR ROYALTY TR
WILLIAM D RAWSON
WILLIAM G WEBB
WILLIAMS PRODUCTION COMPANY