

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

JASON KELLAHIN (RETIRED 1991)

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

September 19, 1996

TO:

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

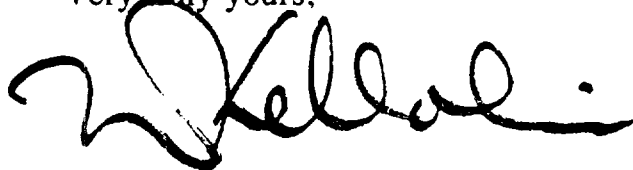
***Re: Application of Burlington Resources Oil & Gas Company
for a downhole commingling reference case for its San
Juan 29-7 Unit, Pursuant to Division Rule 303.E,
San Juan County, New Mexico***

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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September 19, 1996

HAND DELIVERED

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

Re: San Juan 29-7 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 a horizontal line.

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 29-7 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 29-7 Unit located in Township 29 North, Range 7 West, NMPM, San Juan County, New Mexico.

The center of said area is located approximately 9 miles west 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 29-7 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 29-7 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 29-7 Unit located in Township 29 North Range 7 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 29-7 Unit which currently includes 55 Dakota wells, 131 Mesaverde wells, 49 Fruitland-Coal wells and 13 Pictured Cliffs wells all located within an area known as the "San Juan 29-7 Unit" consisting of 22,500 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 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

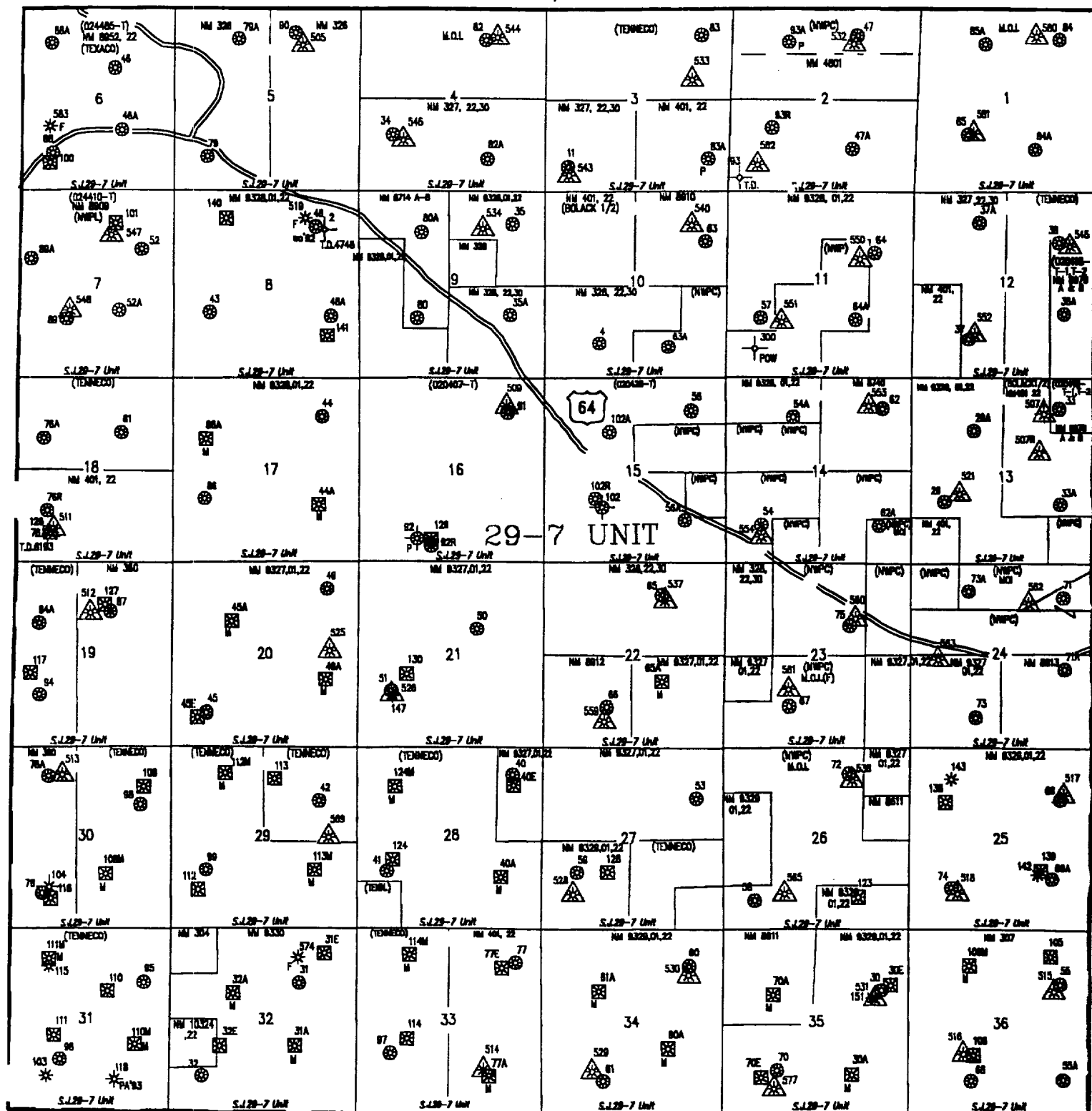
A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', with a stylized flourish at the end.

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

San Juan 29-7 Unit

Rio Arriba Co., New Mexico

T29N,R7W



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

**San Juan 29-7 Unit
GWI/NWI/RI/ORRI Owners**

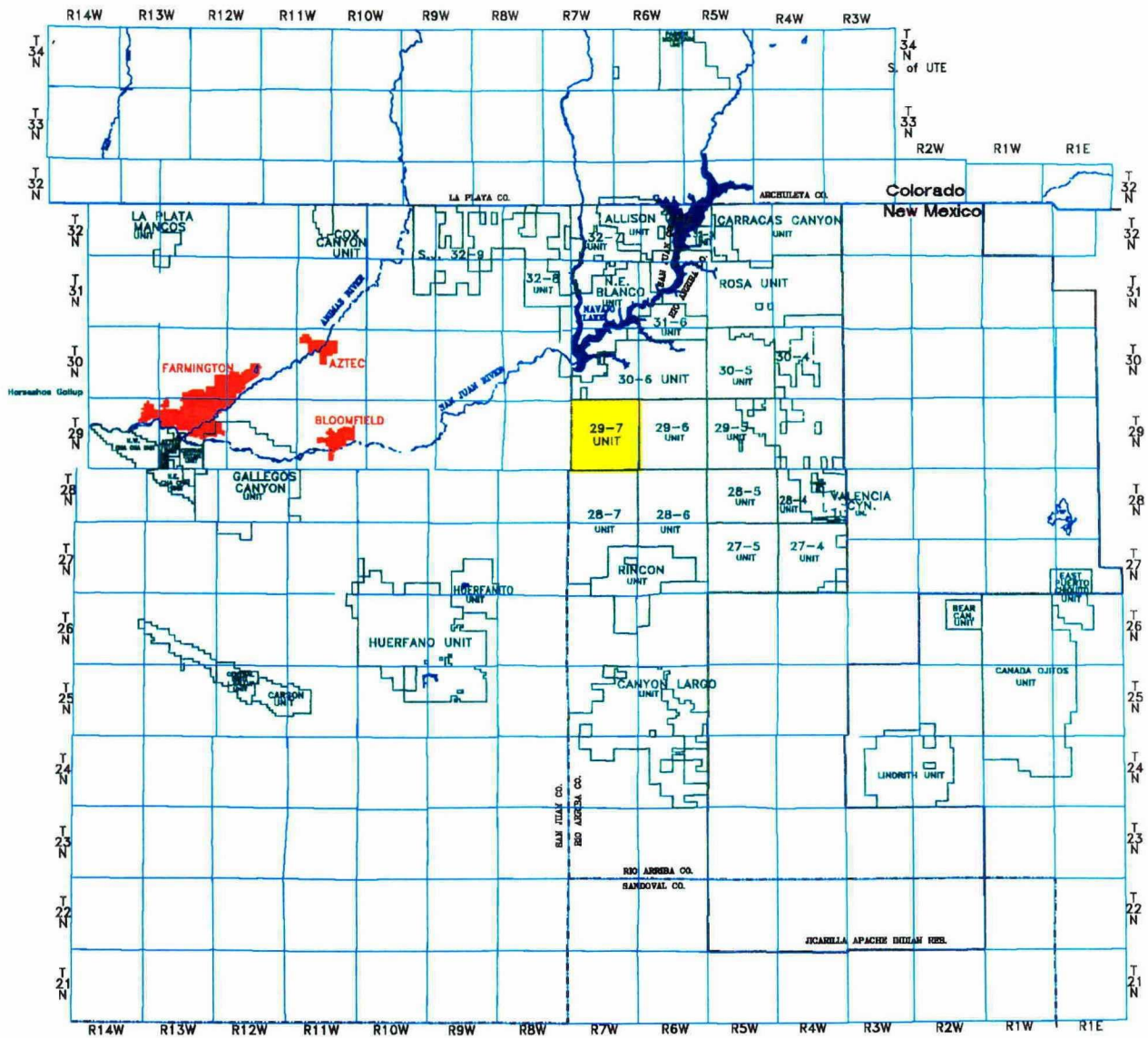
A C ANDERSON TRUST 1 & 2
A LEWIS SOENS
A WILLIAM RUTTER TRUST
AMOCO PRODUCTION COMPANY
ANNA CELIA HOWELL HILTON
ATNA/SJ 1993-A
ATNA/SJFC 1993-A
BARBARA E KOONS TRUST
BARBARA EVANS
BARBARA WALL JOHNSON
BEN DANSBY JR ESTATE
BEN HOWELL LANGFORD
BEN R HOWELL TRUST
BENJAMIN JOSEPH MANSFIELD
BETSY H BRYANT
BETTY LOU LONG
BETTY S PETTUS LIFE ESTATE
BILL AND JANICE LANE
BLANCHE DANSBY DECD
BOLACK MINERALS COMPANY
BUFORD C WAYT
BURLINGTON RESOURCES O&G CO
C W BOLIN
CARL M JOHNSON
CAROLYN STOOPS ROSS
CAROLYNN CLARK WIGGIN
CARYN JEFFREY
CATHY J WALL POUND
CHARLES W MCCARTY TRUST
CITADEL ENERGY INC
CONOCO INC
CORINNE MILLER GAY TRUST
CROFF OIL CO
CRUEZELIA C MONTOYA
CRUZELIA & PAT D MONTOYA HWJT
DAN H BOLIN
DAVID A PIERCE
DAWSON FAMILY TRUST
DIRK VANHORN REEMTSMA
DOLORES P BOLIN ESTATE
DONALD & FLORENCE M CANDELARIA
DONALD R CANDELARIA
DONALD S IRONSIDE
DOROTEA VALDEZ LOPEZ DECD
DOROTHY T RUTTER SECT 2631 TR
DOUGLAS CAMERON MCLEOD
DR CHARLES A MCADAMS
DR JOHN F PETTUS
DUFF LEACH FAMILY TRUST
DUGAN PRODUCTION CORPORATION
EDNA G BOMKE ESTATE
ELEANOR H JOHNSON
ELIZABETH H LUND ROYALTY TRUST
ELIZABETH S HUTCHINGS
ELIZABETH WHITE FAMILY TRUST
EMILIE M HARDIE ROYALTY TRUST

EMILY D GRAMBLING
EST GEORGE ANN BERGH
ETHEL PARNELL
ETHEL YNN Y CLARK
EULA MAY JOHNSTON TRUST
F J ODENDAHL INVESTMENTS INC
FOUR STAR OIL & GAS COMPANY
FRANCIS LEROY CANDELARIA
GENEVA T JOHNSON
GENEVIEVE CANDELARIA
GERALD & ALTA WILLIAMS TRUSTEE
GLENN D HUGHES
GORDON L GOTTSTEIN
GREGORY WALL
HAROLD RICHARD COOPER
HARRIET M BUCHENAU
HARRY MCKIM ESTATE
HORACE & ELMYRA MCKAY TRUST
HOWELL GRANDCHILDRENS TRST EST
IDA O HANCOCK
J FIDEL & CORDELIA CANDELARIA
J FIDEL CANDELARIA
JAMES BEATTY/R KARLENE NOLAND
JAMES J JOHNSTON EST
JAMES M RAYMOND
JAMES R PAYNE & JEAN PAYNE
JANE BARBARA BAER TRUST
JANE MANNING PITKIN
JANET PATRICIA BRANNEN
JAY GOTTSTEIN TRUST
JERRY J ANDREW
JO ANN SCHMIDT
JOANNE C LORENCE
JOHN A GRAMBLING
JOHN A WALL
JOHN CHRISTOPHER CANDELARIA
JOHN S CATRON
JOHNNIE P SCHMIDT
JOSEPH C JASTRZEMBSKI
JUDITH LOUISE HUGGINS ESTATE
K & W GAS PARTNERS LP
KATHLYN H GIBSON ESTATE
KIM MCKIM DUNN
L KEITH WAYT
LANCE REEMTSMA
LAURA DICHTER
LELAND STANFORD JR UNIVERSITY
LINDA MARIE MCCARTNEY
MABEL GLENN HAM REVOCABLE TR
MABELLE H SOWERS ROYALTY TRUST
MAP 1992-A PARTNERS LP
MARGARET E HOUSER
MARGARET M HODGES TRUSTEE
MARIE A SCHAEFER
MARY DOLL INGRAM
MARY ELIZABETH HARDIE ROY TRST

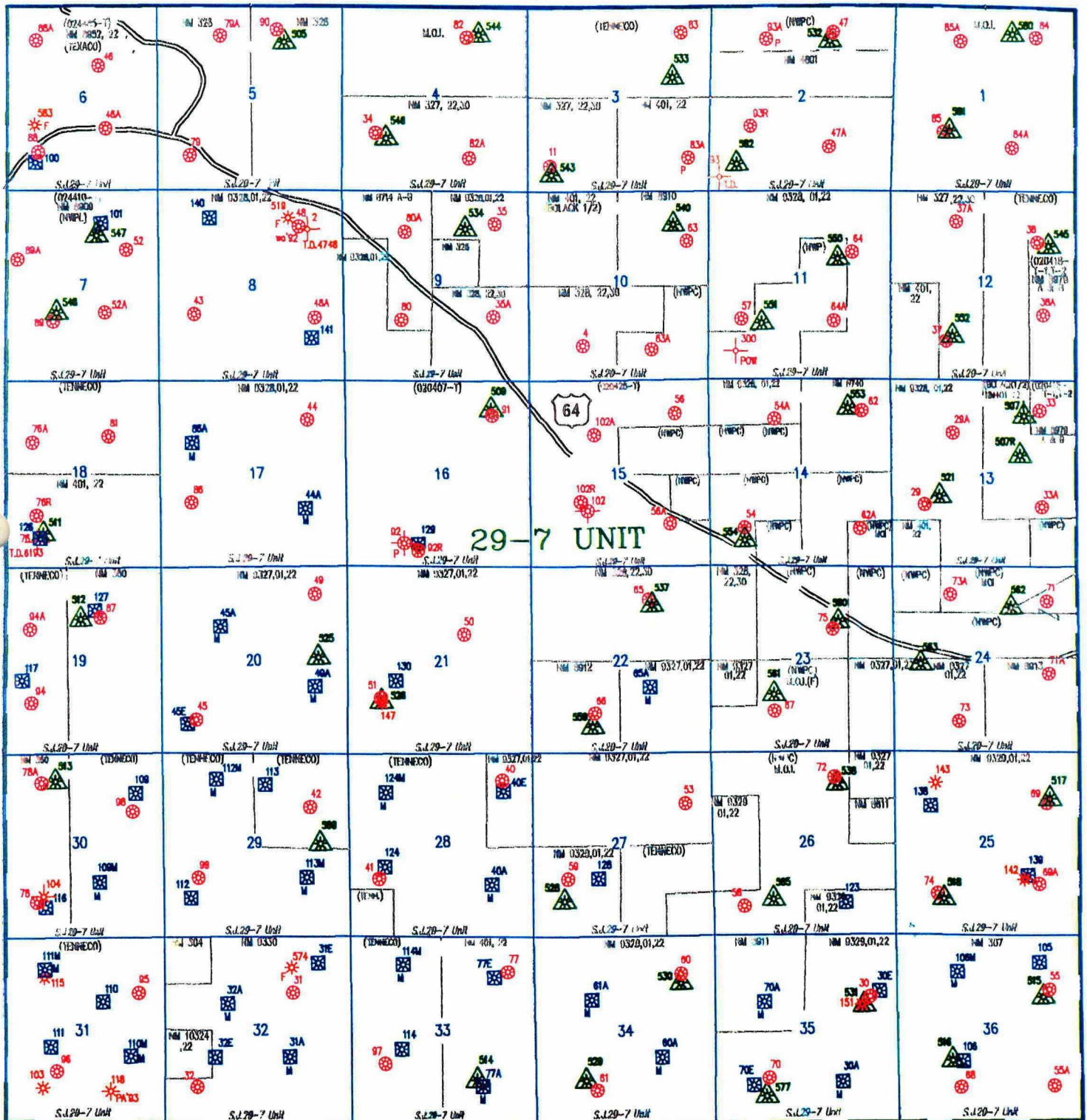
San Juan 29-7 Unit
GWI/NWI/RI/ORRI Owners

MARY ESTHER BROWN
MARY JANE OSHEA ESTATE
MAYDELL MILLER MAST TRUST
MCCORMICK & CO INC
MELODY GIGER TOOHEY
MERCEDES M SKIDMORE
MERLAND EUGENE BUTTOLPH
MICHAEL D BROWN
MILDRED B JENKINS ESTATE
MILDRED HELLERICH
MINERALS MANAGEMENT SERVICE
MIRIAM N WASHBURN
MITZI ANN HENDERSON EASLEY
MOORE LOYAL TRUST
MURIEL ANDREWS BOSSERT LIFE EST
NELLIE R ACKERMAN
NICK G CANDELARIA
OLIVE C GERLACH
ORLANDO CANDELARIA
PABLO LENNY CANDELARIA
PAMELA ANN COATS
PAMELA POLLOCK BRUNS
PAT S BOLIN
PATRICIA G HARVEY
PATRICK HEGARTY
PATTIE ANN BEAMON LUNDELL
PAUL MICHAEL CANDELARIA
PAUL SLAYTON
PAULETTE SHARON CANDELARIA
PERRY H POLLOCK
PHILLIPS PETROLEUM COMPANY
R H FEUILLE
R L BOLIN
R W WARNER DECD
RALPH W GILMORE

RICHARD PARKER LANGFORD
ROBERT P SOENS
RODERICK A IRONSIDE
ROGERS-GIBBARD TRUST
ROSEMARY WARNER HALL
RUTH DEMEREE
SAM G WALL III
SAN JUAN 1990-A LP
SARAH S MIMS REVOCABLE TRUST
SHARON MCADAMS STEINBERG
SHIRLEY M WALL GAULDIN
STATE OF NEW MEXICO
STEPHANIE A & CARLOS MARTINEZ
STEPHANIE ANN CANDELARIA
SUSAN H RITTER
SUVIAN RUTH DAVES
T H MCELVAIN OIL & GAS LTD PAR
TED EDWARD DUFF TRUSTEE
THE WRIGHT BROS TRUST
THOMAS B CATRON
THOMAS B CATRON III TRUSTEE
THOMAS D & EILEEN CITRANGOLA
THOMAS N MANDRY
THOMAS POLLOCK
UNION OIL CO OF CALIF
V A JOHNSTON FAMILY TRUST
VASTAR RESOURCES INC
VIRGINIA HUGGINS
VIRGINIA LEE JENKS
VIRGINIA M WALL GORET
VIRGINIA OLIVER HATFIELD
WE COOPER
WILLIAM B HARDIE SR ROYALTY TR
WILLIAM O HUGGINS III
WILLIAMS PRODUCTION COMPANY



**BURLINGTON RESOURCES
FARMINGTON REGION
LOCATION MAP**



	FRUITLAND SAND		MESA VERDE
	FRUITLAND COAL		DAKOTA
	PICTURED CLIFFS		GALLUP