

**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. 11879

**APPLICATION OF BURLINGTON RESOURCES
OIL & GAS COMPANY FOR AN EXCEPTION
FOR THE SAN JUAN 27-5 UNIT FROM
RULE 2(b) OF THE SPECIAL RULES AND
REGULATIONS FOR THE BLANCO MESAVERDE POOL,
RIO ARriba COUNTY, NEW MEXICO**

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by BURLINGTON RESOURCES OIL & GAS COMPANY as required by the Oil Conservation Division.

APPEARANCE OF PARTIES

APPLICANT

Burlington Resources Oil & Gas Company
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ATTORNEY

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STATEMENT OF CASE

APPLICANT

(1) Burlington is the current operator of the San Juan 27-5 Unit containing 23,043.99 acres, more or less and consisting of all 36 sections in Township 27 North, Range 5 West, NMPM.

(2) The San Juan 27-5 Unit is within the current boundaries of the Blanco-Mesaverde Gas Pool and includes 99 producing wells and 12 temporarily abandoned wells in the San Juan 27-5 Unit which are dedicated to that pool.

(3) On November 14, 1974, the New Mexico Oil Conservation Division ("Division") issued Order R-1670-T adopted "infill drilling" for the Blanco-Mesaverde Gas Pool by permitting in Rule 2 for the drilling of a second well within a 320-acre gas proration and spacing unit ("GPU") providing this **one optional** "infill well" to be located on the opposite 160-acres from the 160-acres containing the original well ("the initial well") **and** further providing that these infill wells were not closer than 990 feet to the outerboundary of a quarter section.

(4) On September 20, 1978, the Division issued Order R-1670-U amended Rule 2 to permit the initial well on the proration unit to be drilled on either 160-acre tracts comprising the unit, so long as the well is no closer than 790 feet to the outer boundary of the quarter section and no closer than 130 feet to any quarter-quarter section line or subdivision inner boundary.

(5) On March 28, 1986, the Commission issued Order R-8170 which, among other things, promulgated the Rules and Regulations for the Prorated Gas Pools, including "reformatting" Rule 2 of the Rules and Regulations for the Blanco Mesaverde Gas Pool which currently provides:

"A. WELL ACREAGE AND LOCATION REQUIREMENTS

RULE 2(a). Standard GPU (Gas proration Unit) in the Blanco-Mesaverde Gas Pool shall be 320 acres.

RULE 2(b) Well Location:

1. THE INITIAL WELL drilled on a GPU shall be located not closer than 790 feet to any outer boundary of the quarter section on which the well is located and not closer than 130 feet to any quarter-quarter section line or subdivision inner boundary.

2. THE INFILL WELL drilled on a GPU shall be located in the quarter section of the GPU not containing a Mesaverde well, and shall be located with respect to the GPU boundaries as described in the preceding paragraph."

(6) Based upon a study of the geological and reservoir engineering data, Burlington has concluded that in order to increase ultimate recovery of gas from this pool within the San Juan 27-5 Unit there is a need to drill more wells per GPU than is currently permitted by Rule 2(b) of the pool rules.

(7) Accordingly, Burlington desires to initiate a pilot program for the drilling of additional Blanco Mesaverde Pool wells in the San Juan 27-5 Unit to validate and confirm reservoir simulation and geologic studies for the purposes of determining the proper well density not to exceed a maximum of four (4) wells per GPU ("80-acre infill") **and** for determining the well location requirements for said wells.

(8) The approval of a pilot program which increases the density of Blanco Mesaverde Pool wells at unorthodox well locations within the San Juan 27-5 Unit will not violate correlative rights because the San Juan 27-5 Unit Agreement has established an equitable method for the allocation of production of Blanco-Mesaverde Gas production to all interest owners within the unit regardless of the number of wells drilled or where those wells are located.

(9) In order to protect the correlative rights of any owners adjacent to the outer boundary of this unit, Burlington proposes that the well density for each 160-acres within the unit along its outer boundary shall be limited to the current well density of not more than one (1) well per 160-acres with wells located not be closer than 790 feet to the outer boundary of the San Juan 27-5 Unit.

PROPOSED EVIDENCE

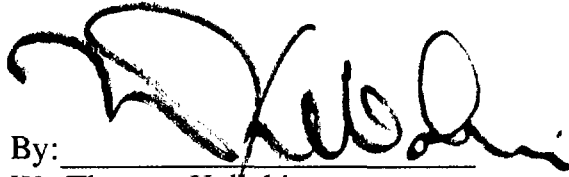
APPLICANT

WITNESSES	EST. TIME	EXHIBITS
Alan Alexander (landman)	15 Min.	est. 8-10
Bill Babcock (geologist)	30 Min	est. 4
Jamin McNeil (petroleum engineer)	30 Min.	est. 4

PROCEDURAL MATTERS

None pending

KELLAHIN AND KELLAHIN



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