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

JASON KELLAHIN (RETIRED 1991)

October 14, 1997

HAND DELIVERED

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

11880

Re: *Application of Burlington Resources Oil & Gas Company for approval of a Pilot Project including an exception from Rule 2(b) of the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool for purposes of establishing a program within a four section area to determine proper well density and well location requirements for Mesaverde wells, 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 November 6, 1997.

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 11880: Application of Burlington Resources Oil & Gas Company for approval of a Pilot Project including an exception from Rule 2(b) of the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool to institute a pilot infill drilling program within a four-section area including six unorthodox gas well locations for purposes of establishing a program to determine proper well density and well location requirements for Mesaverde wells, San Juan County, New Mexico. Applicant seeks approval for a pilot project to be conducted within a four (4) section area (Section 1, T30N, R11W, Section 36, T31N, R11W, Section 31, T31N, R10W, and Section 6, T30N, R10W) including an exception from Rule 2(b) of the Special Rule and Regulations for the Blanco-Mesaverde Gas Pool and authorization to drill six (6) unorthodox gas well locations within said area and to increase the well density from the current maximum of two (2) wells (160-acre infill) provided in Order R-1670-T to a maximum of four (4) wells (80-acre infill) per gas proration and spacing unit for wells dedicated to the Blanco Mesaverde Gas Pool within said project area. Said project is located approximately 4 miles northeast of Aztec, 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. 11880
OIL & GAS COMPANY FOR SIX UNORTHODOX
GAS WELL LOCATIONS AND AN EXCEPTION
FOR A PROJECT AREA FROM RULE 2(b) OF
THE SPECIAL RULES AND REGULATIONS
FOR THE BLANCO MESAVERDE POOL,
SAN JUAN COUNTY, NEW MEXICO

APPLICATION

Comes now BURLINGTON RESOURCES OIL & GAS COMPANY, by and through its attorneys, Kellahin and Kellahin, and applies to the New Mexico Oil Conservation Division for approval of a Pilot Project including an exception from Rule 2(b) of the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool to institute a pilot infill drilling program within a four-section area including six unorthodox gas well locations for purposes of establishing a program to determine proper well density and well location requirements for Mesaverde wells, San Juan County, New Mexico. Applicant seeks approval for a pilot project to be conducted within a four (4) section area (Section 1, T30N, R11W, Section 36, T31N, R11W, Section 31, T31N, R10W, and Section 6, T30N, R10W) including an exception from Rule 2(b) of the Special Rule and Regulations for the Blanco-Mesaverde Gas Pool and authorization to drill six (6) unorthodox gas well locations within said area and to increase the well density from the current maximum of two (2) wells (160-acre infill) provided in Order R-1670-T to a maximum of four (4) wells (80-acre infill) per gas proration and spacing unit for wells dedicated to the Blanco Mesaverde Gas Pool within said project area.

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

(1) Burlington is the current operator of seven Mesaverde proration and spacing units within a "Project Area" described as follows:

- (a) Section 1, T30N, R11W,
 - (b) Section 36, T31N, R11W,
 - (c) Section 31, T31N, R10W, and
 - (d) Section 6, T30N, R10W,
- San Juan County, New Mexico **See Exhibit "A"**.

(2) The Project Area is within the current boundaries of the Blanco-Mesaverde Gas Pool and includes wells which are dedicated to that pool. See Exhibit "A" attached.

(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 (subject to a 200 foot topographical allowance) 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 traets 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, 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 within the Project Area 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 project will involve the approval of the following six (6) unorthodox gas well locations:

(a) Pubco State Com Well No. 1B, 325 feet FSL and 2510 feet FEL of (Unit O) Section 36, T31N, R11W.

(b) Atlantic "C" Well No. 4C, 445 feet FWL and 1385 feet FSL of (Unit L) Section 31, T31N, R10W.

(c) Atlantic "C" Well No. 6B, 2190 feet FWL and 380 feet FNL of Unit C) Section 6, T30N, R10W.

(d) Atlantic "C" Well No. 6C, 2240 feet FNL and 2005 feet FWL of (Unit F) Section 6, T30N, R10W.

(e) Sunray C Well No. 1B, 2135 feet FNL and 395 feet FEL of (Unit H) Section 1, T30N, R11W.

(f) Sunray C Well No. 1C, 2220 feet FNL and 2520 feet FEL of (Unit G) Section 1, T30N, R11W.

(9) The increase in density of Blanco Mesaverde Pool wells at unorthodox well locations within the Project Area will not violate correlative rights because the pattern created by existing wells and these new unorthodox wells will provide an opportunity for each 320-acre proration and spacing unit to be protected.

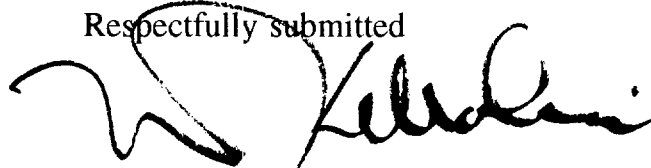
(10) Approval of this Project Area will afford an opportunity to recovery gas from the Mesaverde Pool which might not otherwise be produced thereby preventing waste.

(11) Copies of this application have been sent to all appropriate parties as required by the Division notice rules.

(12) Approval of this application is in the best interests of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE Applicant requests that this matter be set for hearing on November 6, 1997 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', is written over the typed name and address.

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