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JASON KELLAHIN (RETIRED 1991)

October 19, 1999

#12296

HAND DELIVERED

Ms. Lori Wrotenbery, Director
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

Re: *Application of Burlington Resources Oil & Gas
Company to amend Rule 7 of the Special Rules
and Regulations for the Basin-Fruitland Coal Gas
Pool for purposes of changing well location
requirements, San Juan, Rio Arriba, McKinley
and Sandoval Counties, New Mexico.*

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Dear Ms. Wrotenbery:

On behalf of Burlington Resources Oil & Gas Company, please find enclosed our referenced application which we request be set for hearing on the November 18, 1999 Examiner's docket.

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 to amend Rule 7 of the Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool for purposes of changing well location requirements for coal gas wells, San Juan, Rio Arriba, McKinley and Sandoval Counties, New Mexico. Applicant seeks to amend Rule 7 of the Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool to (a) change the well location boundary requirements from not closer than 790 feet to not closer than 660 feet to any outer boundary of a spacing unit and from not closer than 130 feet to not closer than 10 feet to any quarter-quarter section line or subdivision inner boundary; and (b) to add well location requirements for federal exploratory units.

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**APPLICATION OF BURLINGTON RESOURCES
OIL & GAS COMPANY TO AMEND RULE 7 OF THE
SPECIAL RULES AND REGULATIONS FOR THE
BASIN-FRUITLAND COAL GAS POOL, SAN JUAN,
RIO ARriba, MCKINLEY AND SANDOVAL COUNTIES,
NEW MEXICO**

CASE NO. _____

OIL CONSERVATION DIV.
99 OCT 21 PM 8:25

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 to amend Rule 7 of the Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool to change the well location boundary requirements from not closer than 790 feet to not closer than 660 feet to any outer boundary of a spacing unit and from not closer than 130 feet to not closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

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

(1) Burlington is the operator of approximately 908 wells currently producing from the Basin-Fruitland Coal Gas Pool.

(2) The Basin-Fruitland Coal Gas Pool is currently governed by the "Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool" including Rule 7 which pertains to well spacing and location requirements which are set forth as follows:

"Rule 7. The first well drilled or recompleted on every standard or non-standard unit in the Basin-Fruitland Coal Gas Pool shall be located in the NE/4 or the SW/4 of a single governmental section and shall be located no closer than 790 feet to any outer boundary of the proration unit nor closer than 130 feet to any quarter section line nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary."

(3) One of the most effective and efficient current means of drilling and producing new coal gas wells is to do so as wellbores which can also be used to produce gas from other formations including the Mesaverde and Pictured Cliffs formations.

(4) In order to increase the opportunity to locate wells in the optimum position or to accommodate numerous topographic and archeological conditions, it is either necessary to process numerous cases for unorthodox well locations or to relax the exterior and interior footage setback requirements.

(5) The current well location requirements for wells in the Basin-Fruitland Gas Pool are not the same as the current well location regulations for wells in the Blanco-Mesaverde Gas Pool or the Pictured Cliffs pools.

(6) Effective February 1, 1999, Division Order R-10987-A amended the Blanco-Mesaverde Gas Pool Rules to (a) change the initial and infill well location boundary requirements from not closer than 790 feet to not closer than 660 feet to any outer boundary of a quarter section and (b) from not closer than 130 feet to not closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

(7) As a result of the different well location requirements for each of these pools, the drilling of a Mesaverde well at a standard location can be unorthodox in the Fruitland Coal Gas Pool.

(8) In addition, effective August 31, 1999, the Division entered Order R-11231 which, among other things, amended the well location requirements for certain gas wells spaced on "statewide spacing rules" so they could be located not closer than 660 feet to an outer boundary and not closer than 10 feet to an interior quarter-quarter section line.

(9) These differences require both the Division and the operator to process administrative non-standard location applications for the Basin-Fruitland Coal Gas wells which otherwise are not necessary.

(10) To the best of Burlington's knowledge, few, if any, of the administrative applications filed to obtain unorthodox coal gas well locations closer than 790 feet but not closer than 660 feet to the outer boundary of the quarter section have either been protested or denied.

(11) It is an unnecessary administrative burden on both the operators and the Division to process this type coal gas well location exception for which there has been few if any objections.

(12) It is in the best interests of conservation to establish uniform well locations requirements for the gas producing formations currently spaced on 160-acre and 320-acre gas spacing units in the Northwestern portion of New Mexico.

(13) Accordingly, Burlington desires that the Division amend the Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool to modify well location requirements as follows:

"Rule 7. Well Location Requirements:

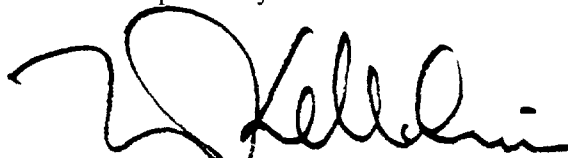
- (a) Wells drilled or recompleted within the Basin-Fruitland Coal Gas Pool shall be located in the NE/4 or the SW/4 of a single governmental section and shall be located no closer than 660 feet to any outer boundary of a spacing unit nor closer than 10 feet to any interior quarter or quarter-quarter section line or subdivision inner boundary.
- (b) Wells located within federal exploratory units shall not be closer than 10 feet to any section, quarter section or interior quarter-quarter section line or subdivision inner boundary, except that wells located within one-half mile of the outer boundary of any such unitized area shall not be closer than permitted by subparagraph (a) above."

(14) In accordance with Division Order R-11205, effective July 15, 1999, copies of this application have been sent to all operators in the pool.

(15) 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 18, 1999 before a duly appointed Examiner of the Oil Conservation Division and that after hearing is matter, the Division enter its order granting this application.

Respectfully submitted



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