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W. THOMAS KELLAHIN*

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

JASON KELLAHIN (RETIRED 1991)

September 28, 1998

CERTIFIED MAIL-RETURN RECEIPT REQUESTED

TO: NOTICE OF THE HEARING OF THE FOLLOWING
NEW MEXICO OIL CONSERVATION DIVISION CASE:

Case 12069

Re: Application of Burlington Resources Oil & Gas Company to increase vertical limits, provide notice requirements, establish administrative procedures and adopt Rule 2(c), Rule 3 and to amend Rule 2(b) of the Special Rules and Regulations for the Blanco Mesaverde Gas Pool for purposes of increasing well density and changing well location requirements for Mesaverde wells, Rio Arriba and San Juan Counties, New Mexico.

98 SEP 23 PM 1:34

OIL CONSERVATION DIV.

On behalf of Burlington Resources Oil & Gas Company, please find enclosed a copy of its referenced application. This case has been set for hearing on the New Mexico Oil Conservation Division Examiner's docket now scheduled for 8:15 am, Wednesday, October 28, 1998. The hearing will be held at the Division hearing room located at 2040 South Pacheco, Santa Fe, New Mexico.

As party 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 16, 1998, with a copy delivered to the undersigned.

Very truly yours,



W. Thomas Kellahin

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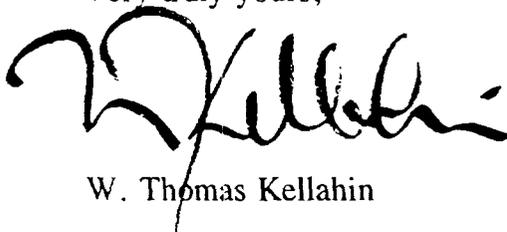
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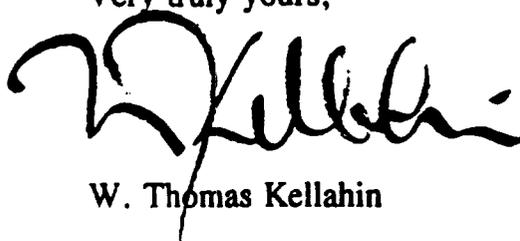
Re: *Application of Burlington Resources Oil & Gas Company to increase vertical limits, provide notice requirements, establish administrative procedures and adopt Rule 2(c), Rule 3 and to amend Rule 2(b) of the Special Rules and Regulations for the Blanco Mesaverde Gas Pool for purposes of increasing well density and changing well location requirements for Mesaverde wells, Rio Arriba and San Juan Counties, New Mexico.*

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Very truly yours,



W. Thomas Kellahin

**CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**APPLICATION OF BURLINGTON RESOURCES
OIL & GAS COMPANY TO INCREASE THE
VERTICAL LIMITS, PROVIDE NOTICE
REQUIREMENTS, ESTABLISH ADMINISTRATIVE
PROCEDURES AND ADOPT A NEW RULE 2(c),
RULE 3 AND TO AMEND RULE 2(b) FOR
THE SPECIAL RULES AND REGULATIONS FOR
THE BLANCO MESAVERDE POOL,
RIO ARRIBA AND SAN JUAN COUNTIES, NEW MEXICO**

CASE NO. _____

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 increase the vertical limits, provide notice requirements, provide administrative procedures and adopt a new Rule 2(c), Rule 3 and to amend Rule 2(b) of the Special Rule and Regulations for the Blanco-Mesaverde Gas Pool to increase the well density and change well location requirements from the current maximum of two (2) wells per 320-acre gas proration and spacing unit (160-acre infill) provided in Order R-8170, as amended, to a maximum of four (4) wells per 320-acre gas proration and spacing unit (80-acre infill) for wells dedicated to the Blanco Mesaverde Gas Pool.

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

- (1) Burlington is the operator of approximately 2287 wells currently producing from the Blanco Mesaverde Gas Pool.
- (2) 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 790 feet (but subject to a 200 foot topographical allowance) to the outerboundary of a quarter section.
- (3) On September 20, 1978, the Division issued Order R-1670-U amending 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.
- (4) 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."

(5) 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 adopt and amend rules and regulations for this pool in order to drill more wells per GPU than is currently permitted by Rule 2(b) of the pool rules.

(6) Proposed rule changes: Accordingly, Burlington desires that the Division amend the Special Rules and Regulations for the Blanco Mesaverde Gas Pool to allow a maximum of four (4) wells per GPU ("80-acre infill") in this pool as set forth in Exhibit 1 attached.

(7) Proposed special qualifying area: The proposed Special Qualifying Area of this pool is shown on the map attached as Exhibit 2 and as shown in the acreage description set forth in Exhibit 3.

(8) Increasing the vertical limit of the pool:

(a) The current top vertical limit for this pool is the Huerfanito bentonite marker.

(b) There is a need to increase the current top vertical limit of the pool to include that interval from the Huerfanito bentonite marker up to 400 feet above this marker.

(9) Notifications:

(a) With the exception of Rule 2(a) dealing with the size of a gas proration and spacing unit in this pool, all other rules for this pool involve operational aspects dealt with by the operators of existing GPU's for this pool.

(b) The Division should adopt a procedure whereby future changes in the rules and regulations for the pool, excluding Rule 2(a), may be made based upon notice to operators and not to all interest owners in the pool.

(10) Grandfathering:

- (a) Order R-1670-T currently limits the number of wells in a GPU to an original well and to one optional infill well drilled on the opposite 160-acres from the 160-acre containing the original well.
- (b) Notwithstanding this limitation, a third well ("second infill well") has been allowed to be drilled in a number of GPUs.
- (c) Any second infill well drilled to or completed in this pool prior to the effective date of an order approving this application shall be deemed to have also approved these existing second infill wells.

(11) Coordination with BLM:

- (a) Because the proposed special qualifying area of this pool includes numerous federal oil and gas leases, it is necessary to adopt a procedure to allow the BLM to withhold its approval of an application for permit to drill ("APD") until such time as the applicant has submitted to the BLM proof that the applicant has satisfied the requirements of proposed Rule 2(b).
- (b) The Division's District Supervisor should be authorized to develop with the concurrence of the Bureau of Land Management such a procedures to insure compliance with proposed Rule 2(b).

(12) Copies of this application have been sent to all operators in the pool and to those owners who have been identified as currently receiving payment for or a share of production from this pool.

(13) 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 October 28, 1998 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



W. Thomas Kellahin
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Santa Fe, New Mexico 87504

EXHIBIT 1

CURRENT RULES FOR BLANCO MESAVERDE POOL

"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."

PROPOSED RULE CHANGES

Burlington proposes that the Division amend the Special Rules and Regulations for the Blanco Mesaverde Gas Pool to allow a maximum of four (4) wells per GPU ("80-acre infill") in this pool as follows:

"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 locations and well density in Special Qualifying Area:

Within the Special Qualifying Area of the Pool, a second and third optional "infill" well may be drilled within a GPU in accordance with Rule 2(c) pursuant to the following procedures:

1. Operators of an existing GPU which contains both an original well and a first infill well and who desire to file an Application for Permit to Drill ("APD") to drill a second or third optional infill wells shall notify adjacent

operator(s) by certified mail-return receipt requested advising that they have twenty (20) days from receipt to file with the Division's District Supervisor a written objection to the APD application.

2. An adjacent operator shall be any operator of a Mesaverde GPU whose side boundary or corner adjoins the side boundary or corner of the quarter section in which the proposed optional infill well is to be located.

3. The Division's District Supervisor may approve the application for permit to drill ("APD") upon receipt of the APD and certification by the applicant that all adjacent operators have received notification and no objections have been received within a twenty (20) day notice period.

4. Well locations for approved second or third optional infill wells in the Special Qualifying Area shall not be closer than permitted by Rule 2(c)(1)(i).

5. In the event an objection is timely received, or the District Supervisor upon its own initiative, the application shall be set for a hearing before a Division Examiner.

In the event the Division desires to adopt criteria for approval of an infill well even in the absence of objection, the following is suggested:

5. A map of the GPU showing the location of all existing Mesaverde wells, and any two (2) of the following:

(a) Estimate of initial reservoir pressure (Initial Pressure) for both the original well and first infill well, estimated ultimate cumulative recovery and current rate for each Mesaverde well within the GPU and calculations of pressure drop per year derived from the Initial Pressure from the original well subtracting the Initial Pressure of the first infill well and then dividing that difference by the number of years between the drilling of the original well and the drilling of the first infill well.

(b) volumetric estimates of drainage areas for the original and first infill well in the GPU;

(c) reservoir simulations of drainage areas for the original and first infill wells in the GPU.

RULE 2(c) Well locations and well density for all acreage in the pool outside any special qualifying area:

Within any area of the Pool outside any special qualifying area, an original well and up to three (3) optional "infill" wells may be drilled within a GPU, subject to the following restrictions:

(1) Well Locations:

(i) wells drilled on a GPU shall be located not closer than 660 feet to the North, South, East and West lines of a GPU and not closer than 10 feet to any interior quarter or quarter-quarter section line or subdivision inner boundary.

(ii) 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 unit, shall not be closer than permitted by Rule 2(c)(1)(i) above.

(2) Well Density:

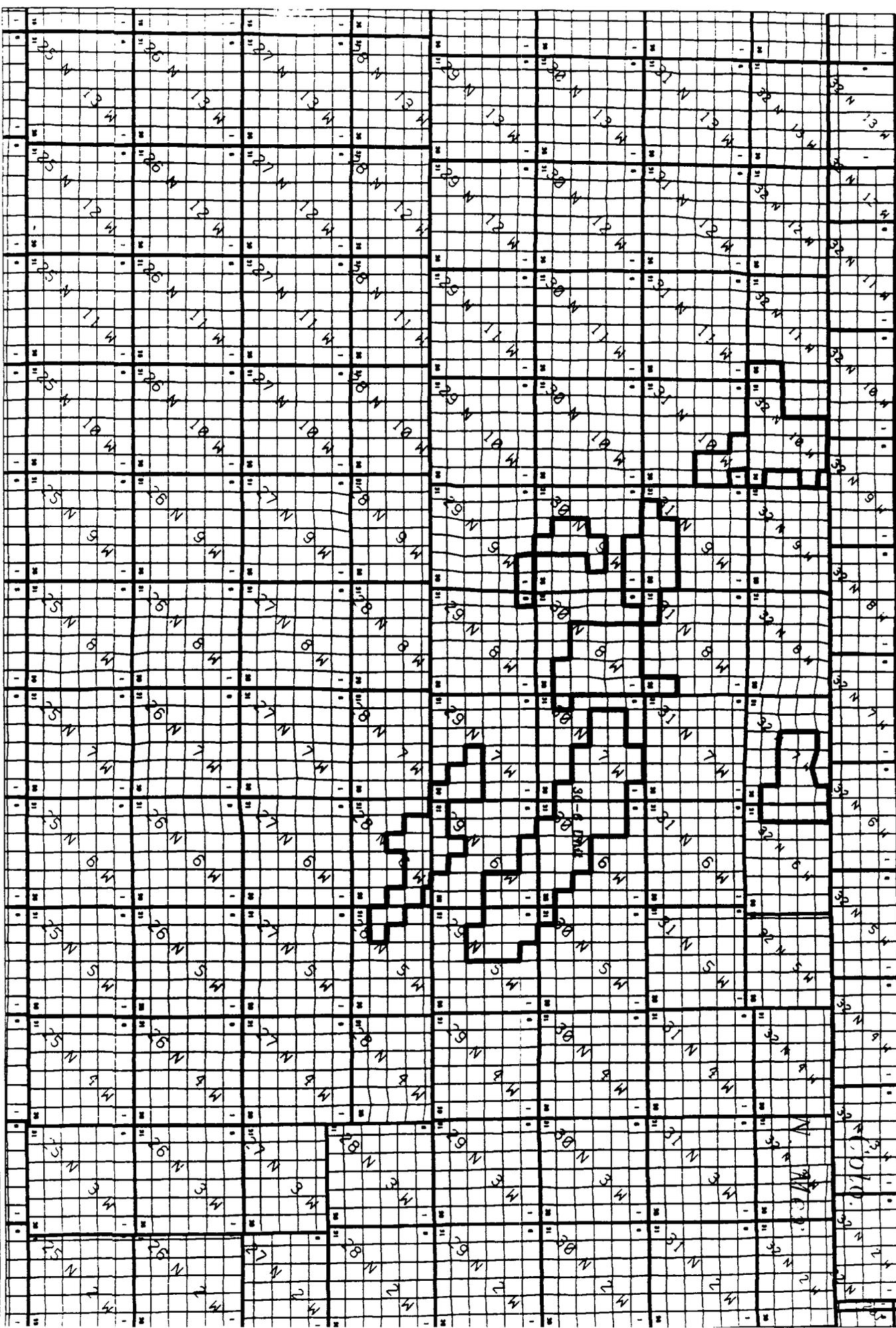
(i) the **FIRST INFILL WELL** drilled on a GPU shall be located in the quarter section of the GPU not containing a Mesaverde well;

(ii) the **SECOND INFILL WELL** drilled on a GPU shall be located in a quarter-quarter section of the GPU not containing a Mesaverde well and within a quarter section of the GPU not containing more than one (1) Mesaverde well;

(iii) the **THIRD INFILL WELL** drilled on a GPU shall be located in a quarter-quarter section of the GPU not containing a Mesaverde well and within a quarter section of the GPU not containing more than one (1) Mesaverde well.

RULE 3. Administrative Exceptions

The Division Director, in accordance with the applicable provisions of General Rule 104, may grant an exception to Rule 2 when an application has been submitted to the Division including notification to the affected parties as set forth in proposed Rule 2(b)2.



Special Qualifying Areas

Special Qualifying Areas
by Station

EXHIBIT

Burlington Resources Permitted New Areas Special Qualifying Areas
