

**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. 12837
ORDER NO. R-10987-A (1)**

**APPLICATION OF BURLINGTON RESOURCES OIL & GAS COMPANY, L. P.
TO AMEND THE SPECIAL RULES AND REGULATIONS FOR THE BLANCO-
MESAVERDE POOL, RIO ARRIBA AND SAN JUAN COUNTIES, NEW
MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on March 21, 2002, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 2nd day of December, 2002, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) Burlington Resources Oil & Gas Company, L. P. ("Burlington") seeks to amend Subpart I, "Acreage and Well Location Requirements," and Subpart II, "Administrative Exceptions," of the "*Special Rules for the Blanco-Mesaverde Pool*," as promulgated by Division Order No. R-10987-A, issued in Case No. 12069 on February 1, 1999, to conform with the acreage, well locations and administrative exceptions requirements set forth in the special pool rules governing the Basin-Dakota Pool (71599) [see Division Order No. R-10987-B (2), issued in Case No. 12745 on January 29, 2002].

(3) Burlington is the operator of approximately 2,287 wells currently producing from the Blanco-Mesaverde Pool (72319), which covers a large portion of the "San Juan Basin" in Rio Arriba and San Juan Counties, New Mexico.

(4) The Blanco-Mesaverde Pool is a prorated gas pool subject to Part "H" of the Division's statewide rules and regulations entitled "*Gas Proration and Allocation*" (Rules 601 through 605). The Blanco-Mesaverde Pool is further governed by special rules (see

Exhibit “A” of Division Order No. R-10987-A) that provide for:

- (a) 320-acre spacing (Subpart I.A);
- (b) well density of up to four wells per 320-acre unit allowing for effective 80-acre development [Subpart I.B (2)];
- (c) a well outside of a federal exploratory unit to be located no closer than 660 feet to the outer boundary of its assigned gas spacing and proration unit nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary [Subpart I.A (1) (a)]; and
- (d) a well within a federal exploratory unit to be located no closer than 10 feet to any section, quarter section or interior quarter-quarter section line or subdivision inner boundary, except that a well located within one-half mile of the outer boundary of any such unitized area shall not be closer than 660 feet to such outer boundary [Subpart I.B (1) (b)].

(5) The deeper Basin-Dakota Pool, which also covers a rather extensive portion of the San Juan Basin in San Juan, Rio Arriba, and Sandoval Counties, New Mexico, is also a prorated gas pool and, like the special pool rules for the Blanco-Mesaverde Pool, the “*Special Rules for the Basin-Dakota Pool*” [see Exhibit “A” of Division Order No. R-10987-B (2)] also provide for:

- (a) 320-acre spacing (Subpart II.A);
- (b) well density of up to four wells per 320-acre unit allowing for effective 80-acre development [Subpart II.B (1)]; and
- (c) a well outside of a federal exploratory unit to be no closer than 660 feet to the outer boundary of its assigned gas spacing and proration unit nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary [Subpart II.C (1)].

(6) With respect to wells inside federal exploratory units, the well location provisions for the Basin-Dakota Pool differ from those for the Blanco-Mesaverde Pool. Subparts II.C (2) and (3) of the rules governing the Basin-Dakota Pool provide the

following:

“(2) *Well locations inside federal exploratory units: Wells located within federal exploratory units are permitted an exception to the 660-foot setback requirement to the outer boundary of a GPU [gas spacing and proration unit] and shall be permitted to be no closer than 10 feet to any section, quarter section, or interior quarter-quarter section line or subdivision inner boundary, provided however:*

(a) *wells shall not be closer than 660 to the outer boundary of the federal exploratory unit;*

(b) *a well located within the unit area but adjacent to an existing or prospective GPU containing a non-committed tract or partially committed tract shall not be closer than 660 to the outer boundary of its GPU;*

(c) *a well located within a non-committed or partially committed GPU shall not be closer than 660 to the outer boundary of its GPU;*

(d) *a well located within a participating area but adjacent to an existing or prospective GPU that is not within the same participating area shall not be closer than 660 to the outer boundary of the participating area; and*

(e) *a well located within the unit area but in an existing or prospective GPU that is a non-participating GPU shall not be closer than 660 to the outer boundary of its GPU.*

(3) *The operator filing an APD for any well within a unit area that is closer to the outer boundary of its assigned GPU than 660 feet shall provide proof in the form of a participating area plat that such well meets the requirements of II.C (2) above.”*

(7) Included recently in Division Order No. R-8768-C, issued in Case No.

12888 on October 15, 2002, which order amended the special rules governing the Basin-Fruitland Coal (Gas) Pool (71629), the following well location provisions for these same federal exploratory units were enacted [see Rules 7 (a) (2) and (3)]:

“(2) *A well drilled or recompleted within a federal exploratory unit is not subject to the 660-foot setback requirement to the outer boundary of the spacing unit, provided however:*

(i) the well shall not be closer than 10 feet to any section, quarter section, or interior quarter-quarter section line or subdivision inner boundary;

(ii) the well shall not be closer than 660 feet to the outer boundary of the federal exploratory unit;

(iii) if the well is located within the federal exploratory unit area but adjacent to an existing or prospective spacing unit containing a non-committed tract or partially committed tract, it shall not be closer than 660 feet to the outer boundary of its spacing unit;

(iv) if the well is located within a non-committed or partially committed spacing unit, it shall not be closer than 660 feet to the outer boundary of its spacing unit;

(v) if the well is located within a participating area but adjacent to an existing or prospective spacing unit that is not within the same participating area, it shall not be closer than 660 feet to the outer boundary of the participating area; and

(v) if the well is located within an exploratory unit area but in an existing or prospective spacing unit that is a non-participating spacing unit, it shall not be closer than 660 feet to the outer boundary of its spacing unit.

(3) *The operator filing an Application for Permit to Drill*

("APD") for any well within a federal exploratory unit area that is closer to the outer boundary of its assigned spacing unit than 660 feet shall provide proof in the form of a participating area plat that such well meets the requirements of Rule 7 (a)."

(8) Burlington is proposing that the well location provisions for Blanco-Mesaverde wells within these federal exploratory units in the San Juan Basin be amended to conform with the current provisions allowed in both the Basin-Dakota and Basin-Fruitland Coal (Gas) Pools.

(9) This application was styled such that in the absence of objection, this matter would be taken under advisement.

(10) In order to avoid confusion, the Blanco-Mesaverde Pool rules should be formatted to conform to the Basin-Dakota Pool rules.

(11) All operators of Blanco-Mesaverde gas wells in the San Juan Basin were provided notice of this application. A representative of Energen Resources Corporation entered an appearance at the hearing; however, no interested party objected to this application.

(12) Approval of this application is in the best interest of conservation and will provide workable, fair and efficient regulation of well locations while preventing waste of valuable hydrocarbons and protecting correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Burlington Resources Oil & Gas Corporation, L. P. ("Burlington"), Subpart I, "Acreage and Well Location Requirements," and Subpart II, "Administrative Exceptions," of the "*Special Rules for the Blanco-Mesaverde Pool*," as promulgated by Division Order No. R-10987-A (see Exhibit "A"), issued in Case No. 12069 on February 1, 1999, are hereby amended in their entirety to read as follows:

"I. ACREAGE AND WELL LOCATION REQUIREMENTS

A. Standard GPU (Gas Proration Unit): A standard GPU in the Blanco-Mesaverde Pool shall be 320 acres, more or less, comprising any two contiguous quarter sections of a single section that is a legal subdivision of the U. S. Public

Land Surveys.

B. Well density:

- (1) Up to four (4) wells may be drilled on a standard GPU, as follows:
 - (a) the FIRST OPTIONAL INFILL WELL drilled on a GPU shall be located in the quarter section not containing the INITIAL Mesaverde well;
 - (b) the SECOND OPTIONAL INFILL WELL drilled on a GPU shall be located in a quarter-quarter section not containing a Mesaverde well and within a quarter section not containing more than one (1) Mesaverde well;
 - (c) the THIRD OPTIONAL INFILL WELL drilled on a GPU shall be located in a quarter-quarter section not containing a Mesaverde well and within a quarter section not containing more than one (1) Mesaverde well;
 - (d) at the discretion of the operator, the second or third optional infill well may be drilled prior to the drilling of the first optional infill well;
 - (e) no more than two wells shall be located within either quarter section in a GPU; and
 - (f) any deviation from the above-described well density requirements shall be authorized only after hearing.

- (2) The plat (Form C-102) accompanying the “*Application for Permit to Drill (“APD”)*” (Form C-101 or federal equivalent) for subsequent wells on a GPU shall have outlined the boundaries of the GPU and shall show the location (well name, footage location, API number) of all existing Mesaverde wells on the GPU plus the proposed new well.

C. Well locations:

- (1) Except as provided in subparagraph I.C (2) below, wells drilled on a GPU shall be located no closer than 660 feet to the outer boundary of the GPU and no closer than 10 feet to any interior quarter or quarter-quarter section line or subdivision inner boundary.
- (2) A well drilled or recompleted within a federal exploratory unit is not subject to the 660-foot setback requirement to the outer boundary of a GPU, provided however:
 - (a) the well shall not be closer than 10 feet to any section, quarter section, or interior quarter-quarter section line or subdivision inner boundary;
 - (b) the well shall not be closer than 660 feet to the outer boundary of the federal exploratory unit;
 - (c) if the well is located within the federal exploratory unit area but adjacent to an existing or prospective GPU containing a non-committed tract or partially committed tract, it shall not be closer than 660 feet to the outer

boundary of its GPU;

- (d) if the well is located within a non-committed or partially committed GPU, it shall not be closer than 660 feet to the outer boundary of its GPU;
 - (e) if the well is located within a participating area but adjacent to an existing or prospective GPU that is not within the same participating area, it shall not be closer than 660 feet to the outer boundary of the participating area; and
 - (f) if the well is located within the federal exploratory unit area but in an existing or prospective GPU that is a non-participating GPU, it shall not be closer than 660 feet to the outer boundary of its GPU.
- (3) The operator filing an APD for any well within a federal exploratory unit area that is closer to the outer boundary of its assigned GPU than 660 feet shall provide proof in the form of a participating area plat that such well meets the requirements of **I.C (2)** above.

II. ADMINISTRATIVE EXCEPTIONS:

The Division Director, in accordance with Division Rule 104, may administratively grant an exception to the well location requirements of **I.C** above upon application to the Division which includes notification by certified mail-return receipt requested to affected parties [see Division Rule 1207.A (2)].”

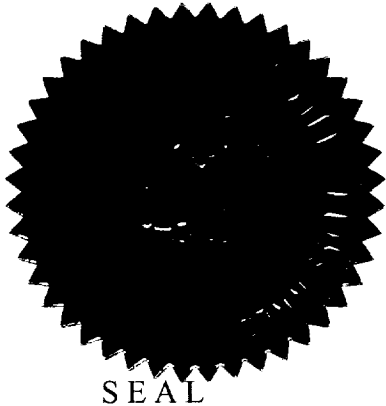
- (2) All provisions applicable to the Blanco-Mesaverde Pool contained in Division Order No. R-10987-A and Part “H” of the Division’s statewide rules and

regulations entitled "*Gas Proration and Allocation*" (Rules 601 through 605) not in conflict with this order shall remain in full force and effect until further notice.

(3) The newly adopted amendments of Subparts I and II of the "*Special Rules for the Blanco-Mesaverde Pool*" do not apply to Indian Lands. Until further order, Indian Lands in the Blanco-Mesaverde Pool shall continue to be governed by the special pool rules set forth in Division Order No. R-10987-A (see Exhibit "A"), issued in Case No. 12069 on February 1, 1999.

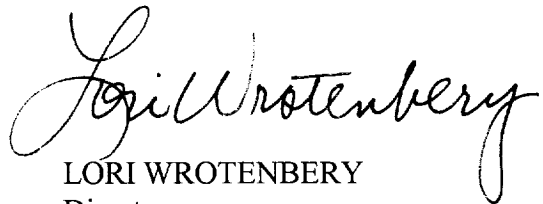
(4) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



LORI WROTENBERY
Director