

DATE IN 2/24/98	SUSPENSE 3/16/98	ENGINEER DC	LOGGED M	TYPE DHC
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -

1853

ADMINISTRATIVE APPLICATION COVERSHEET

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS

Application Acronyms:

- [NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location]
- [DD-Directional Drilling] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

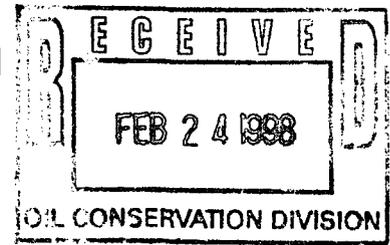
[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Directional Drilling
 NSL NSP DD SD

Check One Only for [B] and [C]

- [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR



[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply

- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] Offset Operators, Leaseholders or Surface Owner
- [C] Application is One Which Requires Published Legal Notice
- [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] Waivers are Attached

[3] INFORMATION / DATA SUBMITTED IS COMPLETE - Statement of Understanding

I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common. I understand that any omission of data, information or notification is cause to have the application package returned with no action taken.

Note: Statement must be completed by an individual with supervisory capacity.

Peggy Bradfield
 Print or Type Name _____
 Signature _____

Regulatory/Compliance Administrator
 Title _____

Date _____

DISTRICT I

P.O. Box 1980, Hobbs, NM 88241-1980

DISTRICT II

811 South First St., Artesia, NM 88210-2835

DISTRICT III

1000 Rio Brazos Rd, Aztec, NM 87410-1693

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

2040 S. Pacheco
Santa Fe, New Mexico 87505-6429

Form C-107-A
New 3-12-96

APPROVAL PROCESS :

Administrative
 Hearing

APPLICATION FOR DOWNHOLE COMMINGLING

EXISTING WELLBORE

YES NO

Burlington Resources Oil and Gas

Operator: **San Juan 29-7 Unit #31-A** Address: **J-32-29N-07W** **Rio Arriba**

Lease: _____ Well No. _____ Unit Ltr. - Sec - Twp - Rge _____ County _____

Spacing Unit Lease Types: (check 1 or more)

OGRID NO. 14538 Property Code 7465 API NO. 30-039-22065 Federal , State , Fee _____

The following facts are submitted in support of downhole commingling:	Upper Zone	Intermediate Zone	Lower Zone
1. Pool Name and Pool Code	Blanco Mesaverde - 72319		Basin Dakota - 71599
2. Top and Bottom of Pay Section (Perforations)	5062'-5990'		7708'-7918'
3. Type of production (Oil or Gas)	Gas		Gas
4. Method of Production (Flowing or Artificial Lift)	Flowing		Flowing
5. Bottomhole Pressure	(Current) a. 458 psi (see attachment)		a. 728 psi (see attachment)
Oil Zones - Artificial Lift: Estimated Current	(Original) b. 1112 psi (see attachment)		b. 1976 psi (see attachment)
Gas & Oil - Flowing: Measured Current All			
Gas Zones: Estimated or Measured Original			
6. Oil Gravity (°API) or Gas BTU Content	BTU 1181		BTU 1139
7. Producing or Shut-In?	Producing		Producing
Production Marginal? (yes or no)	Yes		No
* If Shut-In and oil/gas/water rates of last production	Date: N/A Rates:		Date: N/A Rates:
Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data			
* If Producing, give data and oil/gas/water of recent test (within 60 days)	Date: 11/97 Rates: 131 mcfd 0.63 bopd		Date: 11/97 Rates: 200 mcfd 0.17 bopd
8. Fixed Percentage Allocation Formula -% for each zone (total of %'s to equal 100%)	Will be supplied upon completion.		Will be supplied upon completion.

9. If allocation formula is based upon something other than current or past production, or is based upon some other method, submit attachments with supporting data and/or explaining method and providing rate projections or other required data.

10. Are all working, overriding, and royalty interests identical in all commingled zones? Yes No
If not, have all working, overriding, and royalty interests been notified by certified mail? Yes No
Have all offset operators been given written notice of the proposed downhole commingling? Yes No

11. Will cross-flow occur? Yes No If yes, are fluids compatible, will the formations not be damaged, will any cross-flowed production be recovered, and will the allocation formula be reliable. Yes No (If No, attach explanation)

12. Are all produced fluids from all commingled zones compatible with each other? Yes No

13. Will the value of production be decreased by commingling? Yes No (If Yes, attach explanation)

14. If this well is on, or communitized with, state or federal lands, either the Commissioner of Public Lands or the United States Bureau of Land Management has been notified in writing of this application. Yes No

15. NMOCD Reference Cases for Rule 303(D) Exceptions: ORDER NO(S). Reference Order # R-10697

16. ATTACHMENTS:

- * C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
- * Production curve for each zone for at least one year. (If not available, attach explanation.)
- * For zones with no production history, estimated production rates and supporting data.
- * Data to support allocation method or formula.
- * Notification list of all offset operators.
- * Notification list of working, overriding, and royalty interests for uncommon interest cases.
- * Any additional statements, data, or documents required to support commingling.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE L. Tom Loveland TITLE Production Engineer I DATE 02-23-98

TYPE OR PRINT NAME L. Tom Loveland TELEPHONE NO. (505) 326-9700

All distances must be from the outer boundaries of the Section.

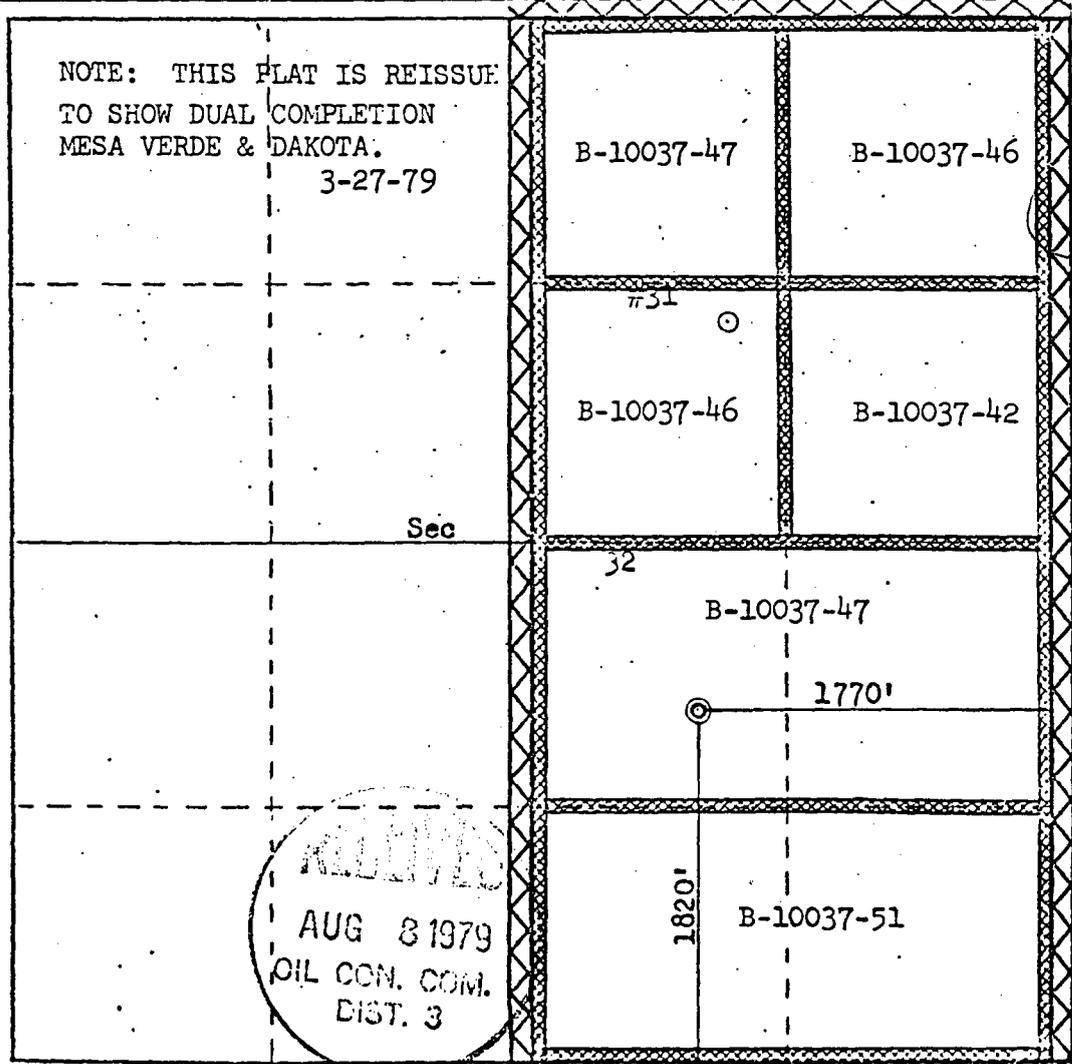
Operator EL PASO NATURAL GAS COMPANY		Lease SAN JUAN 29-7 UNIT (B-10037-47)		Well No. 31A
Unit Letter J	Section 32	Township 29N	Range 7W	County RIO ARRIBA
Actual Footage Location of Well: 1820 feet from the South line and 1770 feet from the East line.				
Ground Level Elev. 6723	Producing Formation Mesa Verde - Dakota	Pool Basin Dakota Blanco Mesa Verde	Dedicated Acreage: 320.00 320.00 &	

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

Yes No If answer is "yes," type of consolidation Unitization

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

James Hadfield
Name
Drilling Clerk
Position
El Paso Natural Gas Co.
August 7, 1979
Date

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

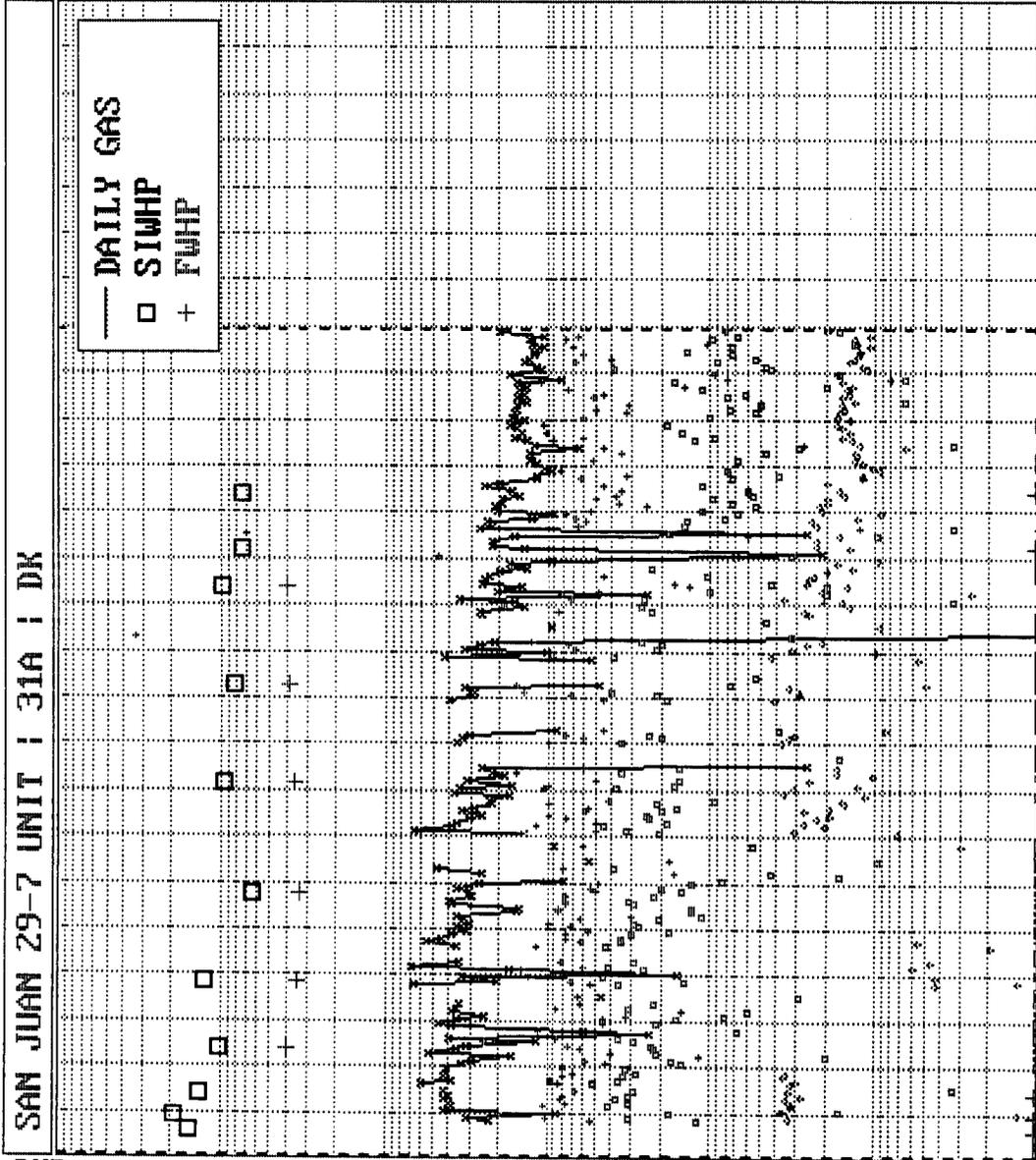
Date Surveyed
August 17, 1978

James Hadfield
Signature
Fred B. Kerr, Jr.
Name
3950
No. **B. KERR, JR.**

Prop 45 *

- *GAS Mcf/d
- OIL Bbl/d
- OIL/GAS
- WATER Bbls/d

 Rate Time
 Semi Log



*GAS 10000
 *OIL 1000
 *OIL/GAS 1000
 *WATER 10000
 1000
 100
 10
 10
 1
 1
 0.1
 0.1
 1
 1
 0.1
 0.1
 0.1

8081 8283 8485 86 87 88 89 90 91 92 93 94 95 96 97 98 99 00 01 02 03 04

Major = GAS

**San Juan 29-7 Unit #31A
Bottom Hole Pressures
Flowing and Static BHP
Cullender and Smith Method**

Version 1.0 3/13/94

Mesaverde		Dakota	
<u>MV-Current</u>		<u>DK-Current</u>	
GAS GRAVITY	0.693	GAS GRAVITY	0.672
COND. OR MISC. (C/M)	C	COND. OR MISC. (C/M)	C
%N2	0.3	%N2	0.11
%CO2	0.88	%CO2	1.38
%H2S	0	%H2S	0
DIAMETER (IN)	7	DIAMETER (IN)	2.375
DEPTH (FT)	5526	DEPTH (FT)	7813
SURFACE TEMPERATURE (DEG F)	60	SURFACE TEMPERATURE (DEG F)	60
BOTTOMHOLE TEMPERATURE (DEG F)	150	BOTTOMHOLE TEMPERATURE (DEG F)	187
FLOWRATE (MCFPD)	0	FLOWRATE (MCFPD)	0
SURFACE PRESSURE (PSIA)	400	SURFACE PRESSURE (PSIA)	605
BOTTOMHOLE PRESSURE (PSIA)	458.4	BOTTOMHOLE PRESSURE (PSIA)	728.2
<u>MV-Original</u>		<u>DK-Original</u>	
GAS GRAVITY	0.693	GAS GRAVITY	0.672
COND. OR MISC. (C/M)	C	COND. OR MISC. (C/M)	C
%N2	0.3	%N2	0.11
%CO2	0.88	%CO2	1.38
%H2S	0	%H2S	0
DIAMETER (IN)	7	DIAMETER (IN)	2.375
DEPTH (FT)	5526	DEPTH (FT)	7813
SURFACE TEMPERATURE (DEG F)	60	SURFACE TEMPERATURE (DEG F)	60
BOTTOMHOLE TEMPERATURE (DEG F)	150	BOTTOMHOLE TEMPERATURE (DEG F)	187
FLOWRATE (MCFPD)	0	FLOWRATE (MCFPD)	0
SURFACE PRESSURE (PSIA)	957	SURFACE PRESSURE (PSIA)	1604
BOTTOMHOLE PRESSURE (PSIA)	1111.7	BOTTOMHOLE PRESSURE (PSIA)	1975.7

mv

Page No.: 19
Print Time: Tue Aug 19 13:40:42 1997
Property ID: 4401
Property Name: SAN JUAN 29-7 UNIT | 31A | 69321-1
Table Name: K:\ARIES\RR98PDP\TEST.DBF

<u>--DATE--</u>	<u>--CUM OIL--</u> Bbl	<u>---CUM GAS---</u> Mcf	<u>M SIWHP</u> Psi	
08/18/80		0	957.0	ORIGINAL
12/05/80		48030	742.0	
11/09/81		263957	579.0	
05/25/82		344118	512.0	
06/01/84		527536	510.0	
12/01/86		705008	507.0	
04/14/89		873558	622.0	
05/20/91		962778	575.0	
07/10/91		972070	587.0	
07/05/93		1090872	490.0	
11/30/97		1,308,529	400.0	CURRENT - ESTIMATED FROM P/E DATA

DK

Page No.: 7

Print Time: Tue Aug 19 13:40:28 1997

Property ID: 2105

Property Name: SAN JUAN 29-7 UNIT | 31A | 69323-1

Table Name: K:\ARIES\RR98PDP\TEST.DBF

<u>--DATE--</u>	<u>--CUM OIL-</u>	<u>---CUM GAS--</u>	<u>M SIWHP</u>	
	Bbl	Mcf	Psi	
08/11/80		0	1604.0	ORIGINAL
12/05/80		16502	1942.0	
05/21/81		82650	1390.0	
05/25/82		216588	1039.0	
11/01/83		351064	1253.0	
09/25/85		547443	649.0	
03/03/88		745016	951.0	
04/08/90		840030	830.0	
05/28/92		932395	995.0	
03/19/93		982295	738.0	
05/31/94		1054484	738.0	
11/30/97		1,244,239	605.0	CURRENT- ESTIMATED FROM P/Z DATA

<u>--DATE--</u>	<u>----OIL----</u> Bbl	<u>----GAS----</u> Mcf	<u>---WATER---</u> Bbls	<u>NO WE</u>	<u>DA</u>	<u>--INJ VOL--</u> Bbls	<u>INJ PR</u> Psi	<u>DA</u>	<u>--GA</u> Sc
01/31/96	33	5834	20		31				1767
02/29/96	26	3987	13		29				1533
03/31/96	37	6975	23		31				1885
04/30/96	43	5537	19		30				1287
05/31/96	0	4111	14		26				
06/30/96	36	2381	8		23				661
07/31/96	2	4277	14		31				****
08/31/96	16	4159	14		31				2599
09/30/96	10	5433	18		30				5433
10/31/96	50	4743	16		31				948
11/30/96	38	6089	21		30				1602
12/31/96	10	1865	6		31				1865
01/31/97	9	3026	10		0				3362
02/28/97	31	4463	15		0				1439
03/31/97	34	5582	19		0				1641
04/30/97	28	5327	18		0				1902
05/31/97	24	5444	18		0				2268
06/30/97	30	3460	12		22				1153
07/31/97	28	5652	19		31				2018
08/31/97	19	3127	11		31				1645
09/30/97	17	4508	15		30				2651
10/31/97	28	3036	10		29				1084
11/30/97	16	3923	13		30				2451
12/31/97	0	0	0		0				

16/30 DAYS = 0.53 BOPD
3923/30 = 130.8 MCFD

Page No.: 5
 Print Time: Tue Feb 03 10:24:14 1998
 Property ID: 16
 Property Name: SAN JUAN 29-7 UNIT | 31A | DK
 Table Name: S:\ARIES\78LTL\PRODUCT.DBF

<u>--DATE--</u>	<u>----OIL----</u> Bbl	<u>----GAS----</u> Mcf	<u>---WATER---</u> Bbls	<u>NO WE DA</u>	<u>--INJ_VOL--</u> Bbls	<u>INJ_PR DA</u> Psi	<u>--GA</u> Sc
01/31/96	31	5132	52	31			1655
02/29/96	16	4929	50	29			3080
03/31/96	23	4661	47	31			2020
04/30/96	15	4703	48	30			3135
05/31/96	2	4090	41	28			***
06/30/96	24	4687	48	23			1952
07/31/96	19	4258	43	31			2247
08/31/96	34	4549	46	31			1337
09/30/96	6	4147	42	30			6911
10/31/96	51	4691	48	31			919
11/30/96	2	2500	25	30			***
12/31/96	5	5261	53	31			***
01/31/97	13	3376	34	0			2590
02/28/97	14	3628	37	0			2590
03/31/97	28	4254	43	0			1519
04/30/97	16	3991	40	0			2494
05/31/97	22	3701	38	0			1682
06/30/97	42	3725	38	24			886
07/31/97	22	3244	33	31			1474
08/31/97	4	3807	39	31			9517
09/30/97	30	3957	40	30			1319
10/31/97	21	3222	33	29			1534
11/30/97	5	6009	61	30			***
12/31/97	0	0	0	0			



 $5/30 = 0.17 \text{ BOPD}$
 $6009/30 = 200.3 \text{ MCFD}$

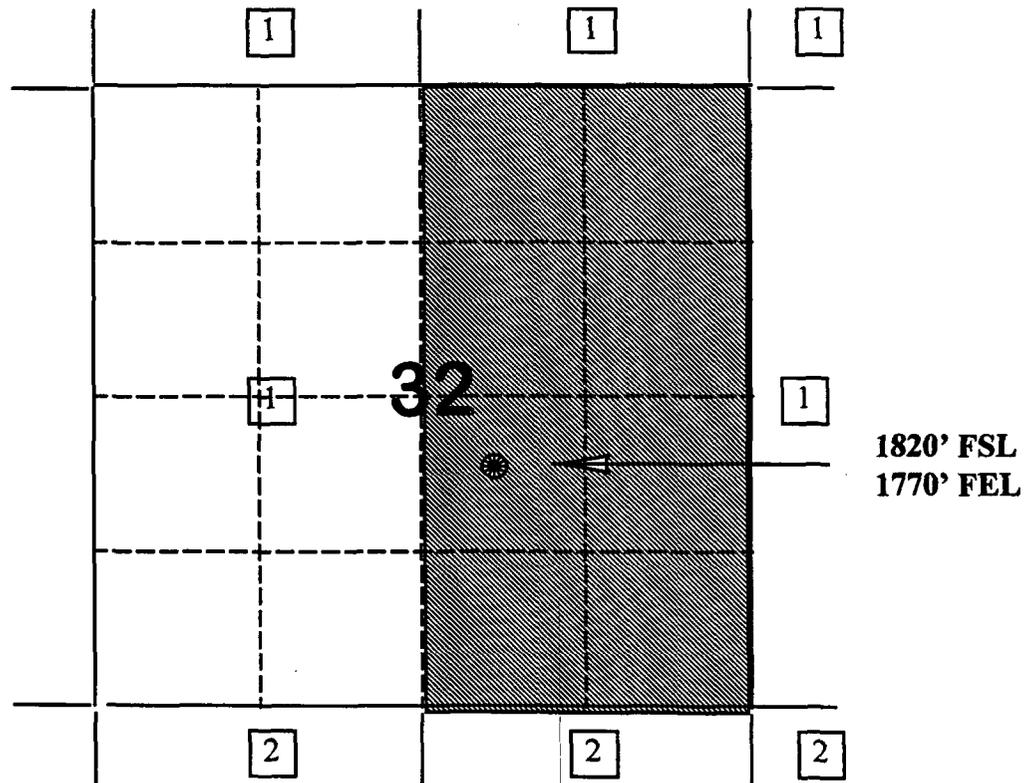
BURLINGTON RESOURCES OIL AND GAS COMPANY

San Juan 29-7 Unit #31A

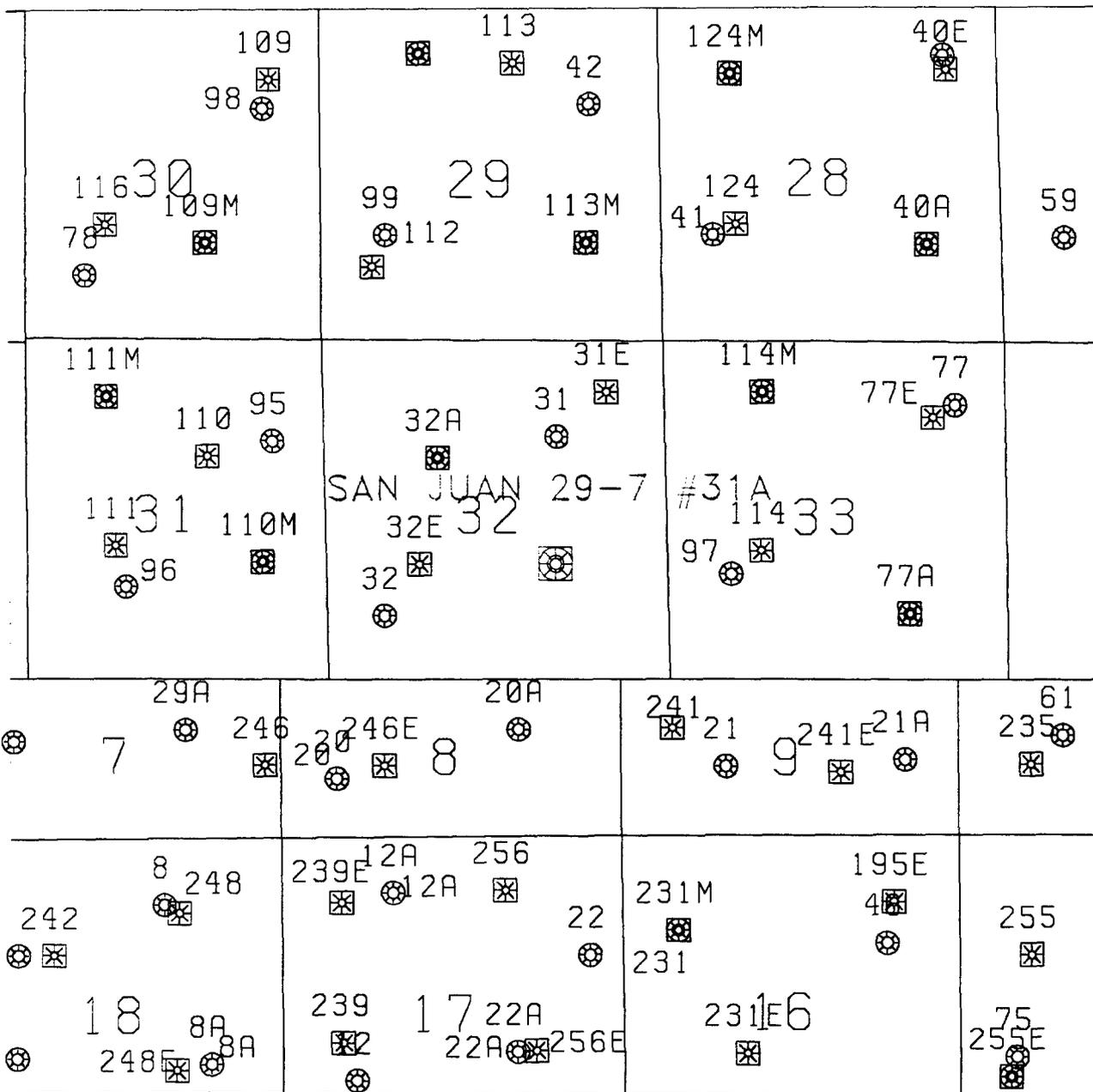
OFFSET OPERATOR/OWNER PLAT

Mesaverde / Dakota Formations Commingle Well

Township 29 North, Range 7 West



- 1) Burlington Resources
- 2) Conoco, Inc.
10 Desta Drive, Suite 100W
Midland, TX 79705-4500



PLH 12/10/97

SAN JUAN 29-7 #31A
SEC. 35, T29N, R7W
MESAVERDE/DAKOTA

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. 11629
ORDER NO. R-10697

APPLICATION OF BURLINGTON RESOURCES
OIL & GAS COMPANY FOR THE ESTABLISHMENT
OF A DOWNHOLE COMMINGLING "REFERENCE
CASE" FOR ITS SAN JUAN 29-7 UNIT PURSUANT
TO DIVISION RULE 303.E. AND THE ADOPTION
OF SPECIAL ADMINISTRATIVE RULES THEREFOR,
SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on October 17, and November 7, 1996, at Santa Fe, New Mexico, before Examiners David R. Catanach and Michael E. Stogner, respectively.

NOW, on this 8th day of November, 1996, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises.

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Burlington Resources Oil & Gas Company (Burlington), pursuant to the provisions of Division Rule 303.E., seeks to establish a downhole commingling "reference case" to provide exceptions for (a) marginal economic criteria, (b) pressure criteria, (c) allocation formulas and (d) modification of notification rules on a unit-wide basis for downhole commingling of Dakota, Mesaverde, Fruitland Coal and Pictured Cliffs gas production within existing or future drilled wells within the San Juan 29-7 Unit, San Juan County, New Mexico.

(3) Division Rule No. 303.E., amended by Order No. R-10470-A, currently states:

"If sufficient data exists on a lease, pool, formation, geographic area, etc., so as to render it unnecessary to repeatedly provide such data on Form C-107-A, an operator may except any of the various criteria required under Paragraph 303.D. of this rule by establishing a "reference case". The Division, upon its own motion, or by application from an operator, may establish "reference cases" either administratively or by hearing. Upon Division approval of such "reference cases" for specific criteria, subsequent applications to downhole commingle (Form C-107-A) will be required only to cite the Division order number which established such exceptions and shall not be required to submit data for those criteria."

(4) The applicant is the current operator of the San Juan 29-7 Unit which encompasses some 22,500 acres in Township 29 North, Range 7 West, NMPM, San Juan County, New Mexico.

(5) Within the San Juan 29-7 Unit, the applicant currently operates fifty-five (55) Basin-Dakota Gas Pool wells, one hundred thirty-one (131) Blanco-Mesaverde Gas Pool wells, thirteen (13) Blanco-Pictured Cliffs and South Blanco-Pictured Cliffs Gas Pool wells, and forty-nine (49) Basin-Fruitland Coal Gas Pool wells.

(6) According to its evidence and testimony, Burlington seeks to:

- a) establish a "reference case" for marginal economic criteria in the Dakota and Pictured Cliffs formations whereby these formations and/or pools may be identified as "marginal" on Form C-107-A's subsequently filed for wells within the San Juan 29-7 Unit. The applicant further proposes that the data provided in the immediate case serve as supplemental data or confirmation that these formations and/or pools should be classified as "marginal";
- b) establish a "reference case" for pressure criteria in the Dakota and Pictured Cliffs formations whereby the Division may utilize data provided in the immediate case to verify the pressure data provided on Form C-107-A's subsequently filed for wells within the San Juan 29-7 Unit;
- c) establish a "reference case" whereby the Division utilizes the data presented in the immediate case to endorse or approve certain methods of allocating production whereby the applicant need not submit additional data or justification when proposing a certain method of allocating production on Form C-107-A's subsequently filed for wells within the San Juan 29-7 Unit; and.

- d) establish a "reference case" or an administrative procedure for authorizing the downhole commingling of existing or future drilled wells within the San Juan 29-7 Unit without additional notice to each affected interest owner as required by Division Rule No. 303.D.

(7) In support of its request to except marginal economic criteria, the applicant presented geologic and engineering evidence and testimony which indicates that within the San Juan 29-7 Unit:

- a) the structure and thickness of the Dakota and Pictured Cliffs formations are very consistent;
- b) the average recoverable Dakota and Pictured Cliffs gas reserves underlying an undeveloped drill block are approximately 245 MMCFG and 76 MMCFG, respectively;
- c) the average initial producing rate for a newly drilled or recompleted Dakota and Pictured Cliffs gas well is approximately 218 MCFGD and 238 MCFGD, respectively; and,
- d) the estimated ultimate gas recoveries and initial producing rates from the Dakota and Pictured Cliffs formations are insufficient to justify drilling stand alone wells and/or dually completed wells to recover such gas reserves.

(8) The evidence and testimony presented by the applicant indicates that the Dakota and Pictured Cliffs formations within the San Juan 29-7 Unit should be properly classified as "marginal".

(9) In support of its request to except pressure criteria within the Dakota and Pictured Cliffs formations within the San Juan 29-7 Unit, the applicant presented engineering evidence and testimony which indicates that:

- a) the average shut-in bottomhole pressure within the Dakota and Pictured Cliffs formations at the time of initial development was approximately 3,209 psi and 1,148 psi, respectively; and,
- b) the average current shut-in bottomhole pressure within the Dakota and Pictured Cliffs formations is approximately 952 psi and 655 psi, respectively.

(10) There is sufficient pressure data available within the San Juan 29-7 Unit so as to except pressure criteria as proposed by the applicant.

(11) The applicant testified that various allocation methods will be utilized for downhole commingled wells within the San Juan 29-7 Unit depending on the circumstances. Some of the methods and circumstances are described as follows:

- a) the subtraction method will likely be utilized in those instances involving the Basin-Fruitland Coal Gas Pool and in those instances where a zone with a well established decline rate is commingled with a newly completed zone;
- b) a fixed allocation formula will be utilized in those instances where production history for both zones is available, or in those instances where newly completed zones are tested and stabilized flow rates obtained.

(12) The allocation methods proposed by the applicant are routinely utilized by industry and approved by the Division and therefore, the proposal to except allocation formulas should be approved.

(13) In support of its request to establish a "reference case" or administrative procedure for providing notice within the San Juan 29-7 Unit the applicant presented evidence and testimony which indicates that:

- a) the interest ownership between two zones within a given wellbore in the San Juan 29-7 Unit is generally not common;
- b) pursuant to Division Rule No. 303.D., applicant is currently required to notify all interest owners within the San Juan 29-7 Unit every time a Form C-107-A is submitted to the Division. There are a considerable number of such interest owners within the unit;
- c) providing notice to each interest owner within the San Juan 29-7 Unit of subsequent downhole comminglings is unnecessary and is an excessive burden on the applicant;
- d) the downhole commingling of wells within the San Juan 29-7 Unit Area will benefit working, royalty, and overriding royalty interest owners. In addition, the downhole commingling of wells within the San Juan 29-7 Unit should not violate the correlative rights of any interest owner;

- e) no interest owner appeared at the hearing in opposition to the establishment of a "reference case" or administrative procedure for notice.

(14) An administrative procedure should be established within the San Juan 29-7 Unit for obtaining approval for subsequent downhole commingled wells without notice to Unit interest owners, provided however that, all other provisions contained within Division Rule No. 303.C. are complied with.

(15) Approval of the proposed "reference cases" for marginal economic criteria, pressure criteria, allocation formulas and notice will lessen the burden on the applicant insofar as providing the data required pursuant to Division Rule No. 303.D. and Form C-107-A, will provide the applicant a streamlined method for obtaining downhole commingling approvals within the San Juan 29-7 Unit, and will not violate correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The application of Burlington Resources Oil & Gas Company to establish a "reference case" for (a) marginal economic criteria, (b) pressure criteria, (c) allocation formulas and (d) modification of notification rules on a unit-wide basis for downhole commingling of Dakota, Mesaverde, Fruitland Coal and Pictured Cliffs gas production within existing or future drilled wells within the San Juan 29-7 Unit, San Juan County, New Mexico, is hereby approved.

(2) Upon filing of Division Form No. C-107-A's for wells subsequently downhole commingled within the San Juan 29-7 Unit Area, the applicant shall not be required to submit supporting data to justify the classification of the Pictured Cliffs and Dakota formations as "marginal", supporting data to verify the Pictured Cliffs and Dakota pressure information provided, and support or justification for utilizing a given method or formula for allocation of production, provided however, in the event any of the data described above appearing on Form C-107-A appears to be beyond the data range provided in this case, the Division may require the submittal of additional supporting data.

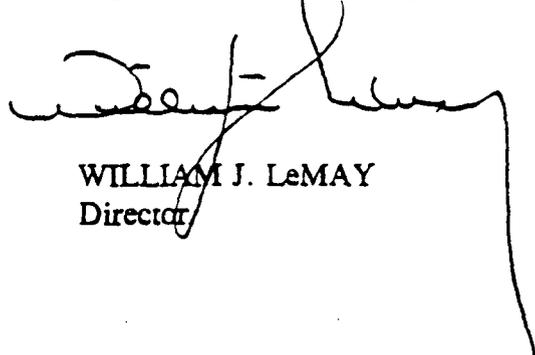
(3) In order to obtain Division authorization to downhole commingle wells within the San Juan 29-7 Unit, the applicant shall file a Form C-107-A with the Santa Fe and Aztec Offices of the Division. Such application shall contain all the information required under Rule No. 303.C. of the Division Rules and Regulations, provided however that the applicant shall not be required to provide notice to all interest owners within the San Juan 29-7 Unit of such proposed commingling.

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(4) Jurisdiction of this cause is 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.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LeMAY
Director

S E A L