

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 2040 South Pacheco, Santa Fe, NM 87505



2010

ADMINISTRATIVE APPLICATION COVERSHEET

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATION FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

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]

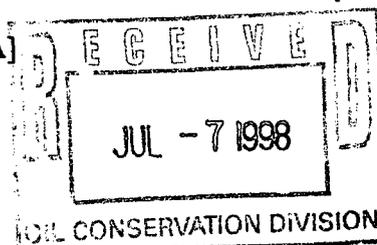
[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

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

Check One Only for [B] or [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 - Certification

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 (including API numbers, pool codes, etc.), pertinent information and any required notification is cause to have the application package returned with no action taken.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Print or Type Name _____ Signature [Signature] Title _____ Date _____

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

State of New Mexico
Energy, Minerals and Natural Resources Department

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

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

OIL CONSERVATION DIVISION

APPROVAL PROCESS :

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

Administrative
 Hearing

DISTRICT III
1000 Rio Brazos Rd, Aztec, NM 87410-1693

APPLICATION FOR DOWNHOLE COMMINGLING

EXISTING WELLBORE

YES NO

Burlington Resources Oil and Gas

PO Box 4289, Farmington, NM 87499

Operator **San Juan 28-5 Unit #41** Address **A-32-28N-05W** **Rio Arriba**
Lease Well No. Unit Ltr. - Sec - Twp - Rge County

Spacing Unit Lease Types: (check 1 or more)
OGRID NO. 14538 Property Code 7460 API NO. 30-039-07276 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 - 72399		Basin Dakota - 71599
2. Top and Bottom of Pay Section (Perforations)	5147'-5644'		7570'-7746'
3. Type of production (Oil or Gas)	Gas		Gas
4. Method of Production (Flowing or Artificial Lift)	Flowing		Flowing
5. Bottomhole Pressure Oil Zones - Artificial Lift: Estimated Current Gas & Oil - Flowing: Measured Current All Gas Zones: Estimated or Measured Original	(Current) a. 535 psi (see attachment)		a. 905 psi (see attachment)
	(Original) b. 1236 psi (see attachment)		b. 3093 psi (see attachment)
6. Oil Gravity (°API) or Gas BTU Content	BTU 1205		BTU 1056
7. Producing or Shut-In?	Producing		Producing
Production Marginal? (yes or no)	No		Yes
* If Shut-In and oil/gas/water rates of last production Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data	Date: N/A Rates:		Date: N/A Rates:
	Date: 6/18/98 Rates: 210 mcfd 1.0 bopd		Date: 6/18/98 Rates: 101 mcfd 0.0 bopd
* If Producing, give data and oil/gas/water water of recent test (within 60 days)			
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). R-10695 attached
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 *J. Tom Loveland* TITLE Production Engineer DATE 6/23/98

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

Well Location and Acreage Dedication Plat

Section A.

Date APRIL 14, 1960

Operator EL PASO NATURAL GAS

Lease SAN JUAN 28-5 UNIT SFO79521

Well No. 41 (MD) Unit Letter A Section 32 Township 28N Range 5W NMPM

Located 815 Feet From NORTH Line, 1090 Feet From EAST Line

County RIO ARriba G. L. Elevation 6547 Dedicated Acreage 320 & 320 Acres

Name of Producing Formation MESA VERDE & DAKOTA Pool BLANCO M V & COMPANERO DAKOTA

1. Is the Operator the only owner in the dedicated acreage outlined on the plat below? Yes No X

2. If the answer to question one is "no", have the interests of all the owners been consolidated by communization agreement or otherwise? Yes X No If answer is "yes", Type of Consolidation.

Unit Agreement.

3. If the answer to question two is "no", list all the owners and their respective interests below:

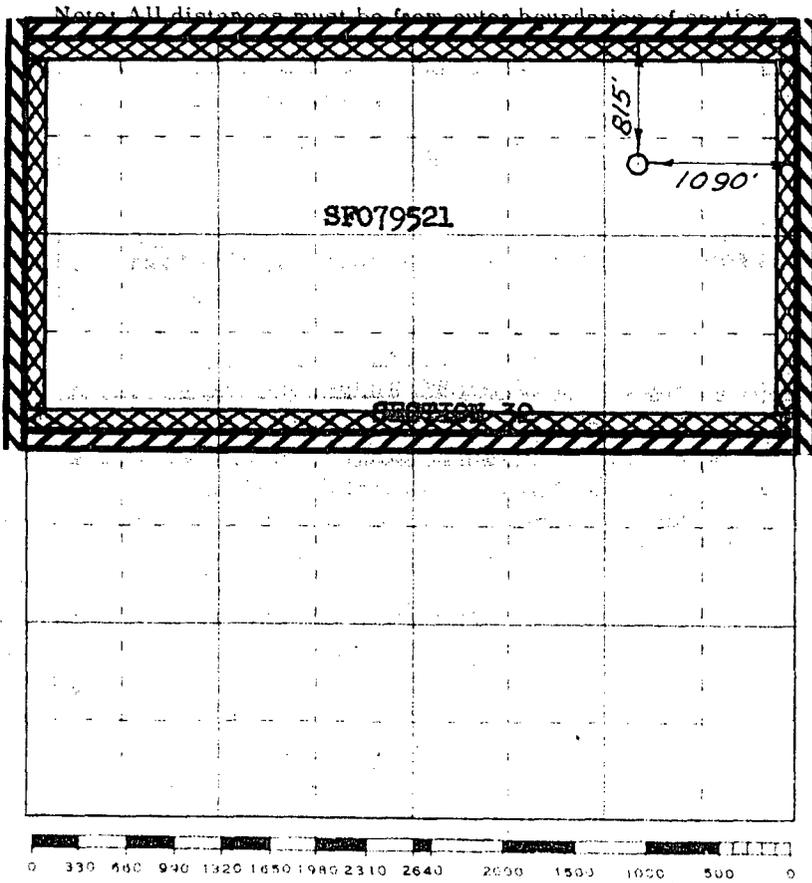
Owner	Land Description

Section B.

This is to certify that the information in Section A above is true and complete to the best of my knowledge and belief.

El Paso Natural Gas Company
ORIGINAL SIGNED E. S. OBERLY
(Representative)

Box 997
(Address)
Farmington, New Mexico

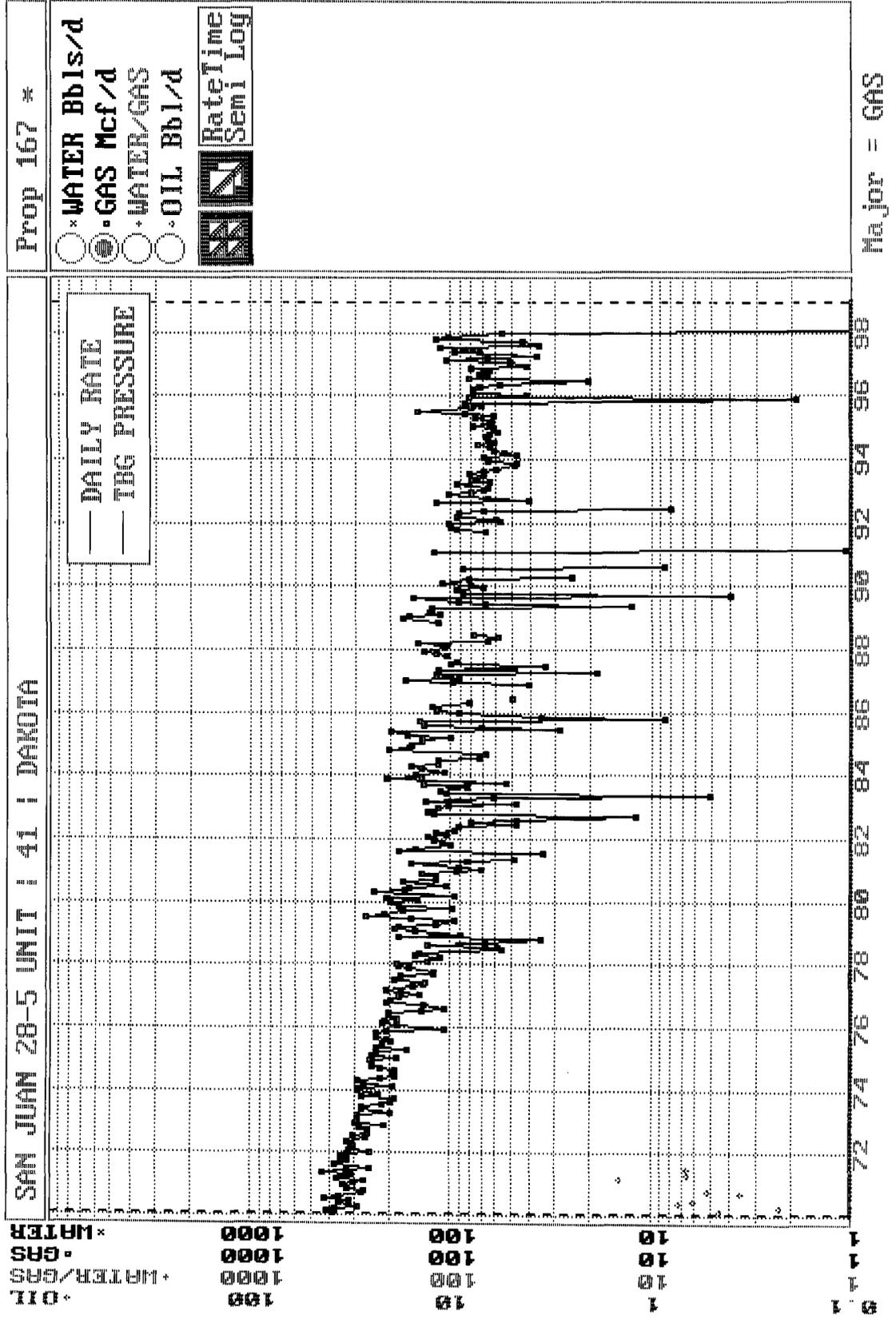


This is to certify that the above plat was prepared from field notes of actual surveys made by me or under my supervision and that the same are true and correct to the best of my knowledge and belief.

(Seal)

Farmington, New Mexico

Date Surveyed JANUARY 29, 1960
David O. Kilner
Registered Professional Engineer and/or Land Surveyor



• OIL 100

+ WATER/GAS 1000

• GAS 1000

* WATER 1000

9

1

10

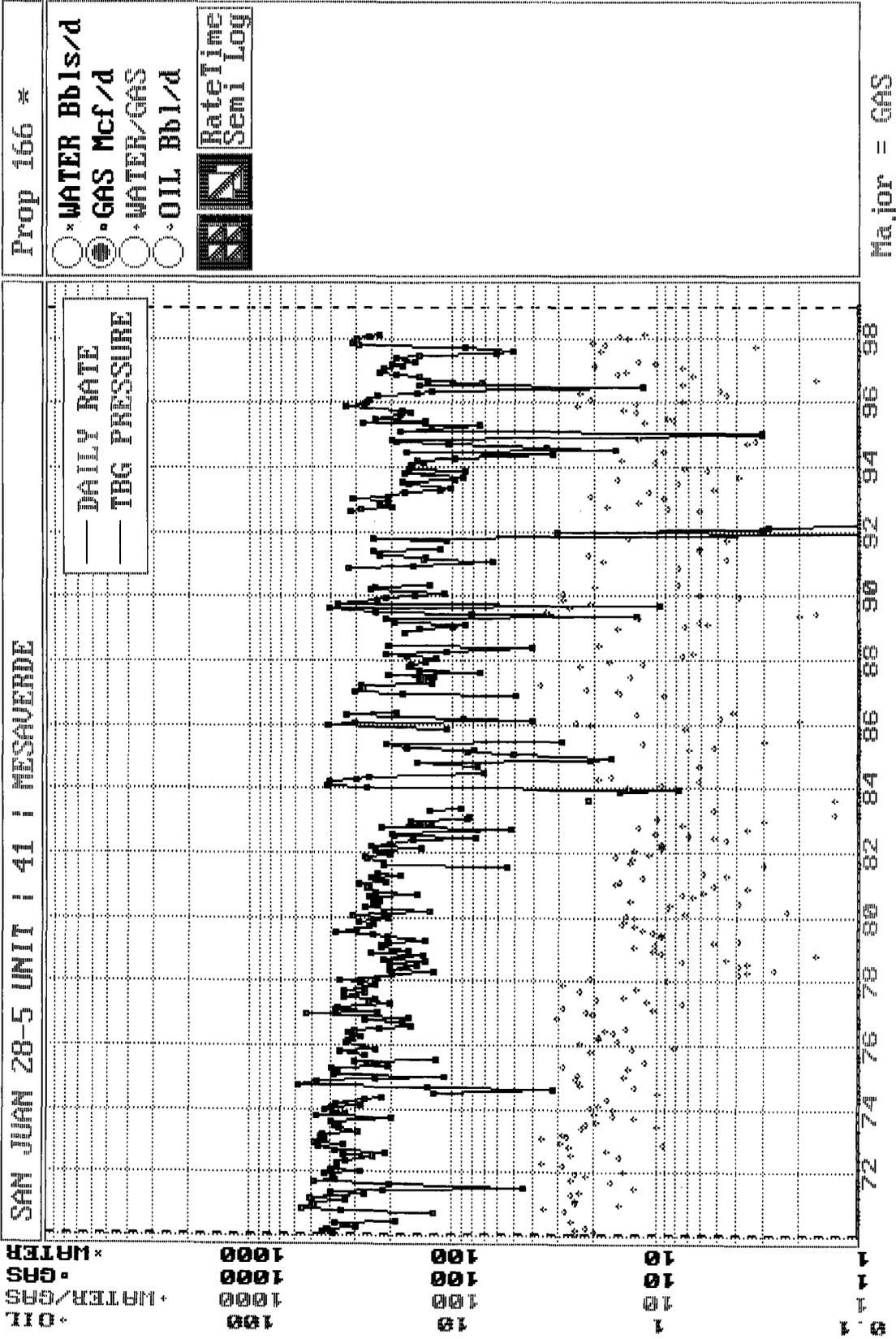
10

100

100

1000

72 74 76 78 80 82 84 86 88 90 92 94 96 98



San Juan 28-5 Unit #41
Bottom Hole Pressures
Flowing and Static BHP
Cullender and Smith Method
Version 1.0 1/14/98

Mesaverde	Dakota																																																
<u>MV-Current</u>	<u>DK-Current</u>																																																
<table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 80%;">GAS GRAVITY</td><td style="text-align: right; border-bottom: 1px solid black;">0.698</td></tr> <tr><td>COND. OR MISC. (C/M)</td><td style="text-align: right; border-bottom: 1px solid black;">C</td></tr> <tr><td>%N2</td><td style="text-align: right; border-bottom: 1px solid black;">0.25</td></tr> <tr><td>%CO2</td><td style="text-align: right; border-bottom: 1px solid black;">0.94</td></tr> <tr><td>%H2S</td><td style="text-align: right; border-bottom: 1px solid black;">0</td></tr> <tr><td>DIAMETER (IN)</td><td style="text-align: right; border-bottom: 1px solid black;">7</td></tr> <tr><td>DEPTH (FT)</td><td style="text-align: right; border-bottom: 1px solid black;">5590</td></tr> <tr><td>SURFACE TEMPERATURE (DEG F)</td><td style="text-align: right; border-bottom: 1px solid black;">60</td></tr> <tr><td>BOTTOMHOLE TEMPERATURE (DEG F)</td><td style="text-align: right; border-bottom: 1px solid black;">155</td></tr> <tr><td>FLOWRATE (MCFPD)</td><td style="text-align: right; border-bottom: 1px solid black;">0</td></tr> <tr><td>SURFACE PRESSURE (PSIA)</td><td style="text-align: right; border-bottom: 1px solid black;">465</td></tr> <tr><td>BOTTOMHOLE PRESSURE (PSIA)</td><td style="text-align: right; border: 1px solid black;">534.8</td></tr> </table>	GAS GRAVITY	0.698	COND. OR MISC. (C/M)	C	%N2	0.25	%CO2	0.94	%H2S	0	DIAMETER (IN)	7	DEPTH (FT)	5590	SURFACE TEMPERATURE (DEG F)	60	BOTTOMHOLE TEMPERATURE (DEG F)	155	FLOWRATE (MCFPD)	0	SURFACE PRESSURE (PSIA)	465	BOTTOMHOLE PRESSURE (PSIA)	534.8	<table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 80%;">GAS GRAVITY</td><td style="text-align: right; border-bottom: 1px solid black;">0.606</td></tr> <tr><td>COND. OR MISC. (C/M)</td><td style="text-align: right; border-bottom: 1px solid black;">C</td></tr> <tr><td>%N2</td><td style="text-align: right; border-bottom: 1px solid black;">0.14</td></tr> <tr><td>%CO2</td><td style="text-align: right; border-bottom: 1px solid black;">1.38</td></tr> <tr><td>%H2S</td><td style="text-align: right; border-bottom: 1px solid black;">0</td></tr> <tr><td>DIAMETER (IN)</td><td style="text-align: right; border-bottom: 1px solid black;">2.375</td></tr> <tr><td>DEPTH (FT)</td><td style="text-align: right; border-bottom: 1px solid black;">7658</td></tr> <tr><td>SURFACE TEMPERATURE (DEG F)</td><td style="text-align: right; border-bottom: 1px solid black;">60</td></tr> <tr><td>BOTTOMHOLE TEMPERATURE (DEG F)</td><td style="text-align: right; border-bottom: 1px solid black;">180</td></tr> <tr><td>FLOWRATE (MCFPD)</td><td style="text-align: right; border-bottom: 1px solid black;">0</td></tr> <tr><td>SURFACE PRESSURE (PSIA)</td><td style="text-align: right; border-bottom: 1px solid black;">767</td></tr> <tr><td>BOTTOMHOLE PRESSURE (PSIA)</td><td style="text-align: right; border: 1px solid black;">905.3</td></tr> </table>	GAS GRAVITY	0.606	COND. OR MISC. (C/M)	C	%N2	0.14	%CO2	1.38	%H2S	0	DIAMETER (IN)	2.375	DEPTH (FT)	7658	SURFACE TEMPERATURE (DEG F)	60	BOTTOMHOLE TEMPERATURE (DEG F)	180	FLOWRATE (MCFPD)	0	SURFACE PRESSURE (PSIA)	767	BOTTOMHOLE PRESSURE (PSIA)	905.3
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Page No.: 6

Print Time: Fri May 08 08:28:38 1998

Property ID: 166

Property Name: SAN JUAN 28-5 UNIT | 41 | MESAVERDE

Table Name: S:\ARIES\78LTL\TEST.DBF

<u>--DATE--</u>	<u>--CUM OIL-</u>	<u>---CUM GAS--</u>	<u>M SIWHP</u>
	Bbl	Mcf	Psi

05/21/60		0	1059.0
07/15/60		0	1058.0
11/06/60		64000	752.0
06/13/61		142000	765.0
11/02/62		270000	680.0
05/06/63		313000	735.0
10/07/64		427000	800.0
12/06/65		577000	682.0
10/31/66		685000	685.0
05/26/67		749000	689.0
05/20/68		849000	701.0
05/15/69		963000	602.0
06/19/70		1086757	564.0
04/27/71		1181986	529.0
05/15/72		1313431	506.0
07/05/73		1471211	418.0
04/19/74		1568197	382.0
08/17/76		1786915	427.0
08/02/78		1977038	473.0
06/04/80		2134051	440.0
11/08/82		2308378	516.0
05/01/84		2377015	469.0
04/16/86		2446218	580.0
09/20/89		2602729	347.0
06/05/91		2698620	520.0
06/21/91		2698620	532.0
04/01/98		3061597	465.0

Original

Current estimated from P/z data

Page No.: 7

Print Time: Fri May 08 08:28:39 1998

Property ID: 167

Property Name: SAN JUAN 28-5 UNIT | 41 | DAKOTA

Table Name: S:\ARIES\78LTL\TEST.DBF

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	Bbl	Mcf	Psi

05/21/60		0	2583.0
07/08/60		0	2582.0
11/06/60		59000	1935.0
06/13/61		178000	1838.0
11/12/62		377000	1782.0
08/02/63		441000	1999.0
04/22/64		489000	1839.0
04/21/65		701000	1431.0
05/26/67		1038000	929.0
05/20/68		1204000	894.0
05/23/69		1330073	904.0
06/19/70		1470881	946.0
04/27/71		1570841	941.0
05/15/72		1701788	959.0
07/05/73		1816529	752.0
04/30/75		1965280	741.0
06/01/77		2112159	637.0
05/01/79		2204770	542.0
05/04/81		2312259	507.0
09/19/83		2391405	645.0
05/17/85		2470903	747.0
10/23/88		2556849	942.0
07/31/90		2611234	854.0
04/01/98		2777433	767.0

Original

Current estimated from P/z data

Package Preparation Volume Data

DPNo: 53419A

SAN JUAN 20-5 UNIT

41

Form: MY

Supt: 60 KEN RAYBON

FF: 335 LARY BYARS

MS: 378 GARY NELSON

Pipeline: WFS

Plunger: No

Dual: Yes

Compressor: No

<u>Ownership (No Trust)</u>			<u>Prior Year</u>			<u>Current Year</u>			
	<u>Gas</u>	<u>Oil</u>			<u>Days</u>			<u>Days</u>	
				<u>MCF/M</u>	<u>BOPM</u>	<u>On</u>	<u>MCF/M</u>	<u>BOPM</u>	<u>On</u>
GWI:	73.1659%	73.1659%	Jan	6,711	23.0	31	8,069	46.0	31
GNI:	62.3562%	62.3562%	Feb	5,405	61.0	28	7,068	35.0	28
			Mar	6,096	31.0	31	7,087	45.0	31
			Apr	4,704	37.0	30	7,099	40.0	30
			May	5,942	0.0	24.1	0	0.0	26.9
			Jun	4,503	0.0	30	0	0.0	0
			Jul	1,829	0.0	31	0	0.0	0
			Aug	1,483	57.0	31	0	0.0	0
			Sept	2,637	10.0	30	0	0.0	0
			Oct	9,037	55.0	25	0	0.0	0
			Nov	9,764	63.0	30	0	0.0	0
			Dec	9,175	42.0	31	0	0.0	0
			Total	67,286	379.0		29,323	166.0	
<u>Volumes</u>									
<u>(Days On)</u>	<u>MCFD</u>	<u>BOPD</u>							
7 Day Avg	210	12.0							
30 Day Avg	245	1.2							
60 Day Avg	240	1.3							
3 Mo Avg	239	1.3							
6 Mo Avg	267	1.5							
12 Mo Avg	209	1.1							
<u>Volumes</u>									
<u>(Days in Month)</u>	<u>MCFD</u>	<u>BOPD</u>							
30 Day Avg	210	1.0							
60 Day Avg	223	1.2							
3 Mo Avg	239	1.3							
6 Mo Avg	264	1.5							
12 Mo Avg	202	1.1							

Print Form

Exit Volumes Data

6/18/98

Package Preparation Volume Data

DPNo: 53419B SAN JUAN 28-5 UNIT 41 Form: DK

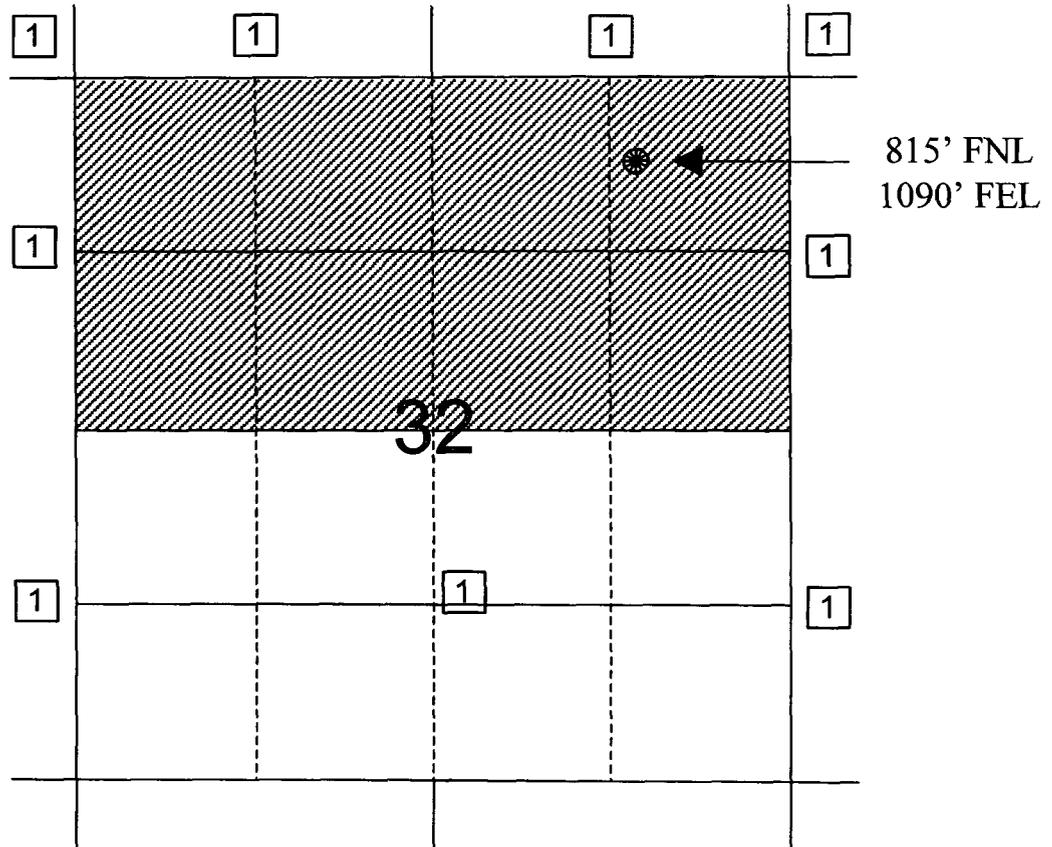
Supt: 60 KEN RAYBON FF: 335 LARY BYARS MS: 378 GARY NELSON
 Pipeline: WFS Plunger: No Dual: Yes Compressor: No

<u>Ownership (No Trust)</u>			<u>Prior Year</u>			<u>Current Year</u>			
	<u>Gas</u>	<u>Oil</u>		<u>MCF/M</u>	<u>BOPM</u>	<u>Days On</u>	<u>MCF/M</u>	<u>BOPM</u>	<u>Days On</u>
GWI:	69.6124%	69.6124%	Jan	1,543	0.0	15.2	0	0.0	1.1
GNI:	58.8960%	58.8960%	Feb	3,205	0.0	27.9	0	0.0	0
Volumes			Mar	1,979	0.0	31	1,494	0.0	3
(Days On)	MCFD	BOPD	Apr	1,103	0.0	30	1,611	0.0	30
7 Day Avg	84	0.0	May	2,933	0.0	31	0	0.0	26.9
30 Day Avg	118	0.0	Jun	2,218	0.0	30	0	0.0	0
60 Day Avg	84	0.0	Jul	3,470	0.0	31	0	0.0	0
3 Mo Avg	94	0.0	Aug	1,073	0.0	31	0	0.0	0
6 Mo Avg	83	0.0	Sept	1,327	0.0	30	0	0.0	0
12 Mo Avg	82	0.0	Oct	3,642	0.0	27	0	0.0	0
Volumes			Nov	3,133	0.0	30	0	0.0	0
(Days in Month)	MCFD	BOPD	Dec	1,687	0.0	31	0	0.0	0
30 Day Avg	101	0.0	Total	27,313	0.0		3,105	0.0	
60 Day Avg	78	0.0	Print Form						
3 Mo Avg	35	0.0	Exit Volumes Data						
6 Mo Avg	43	0.0							
12 Mo Avg	62	0.0							

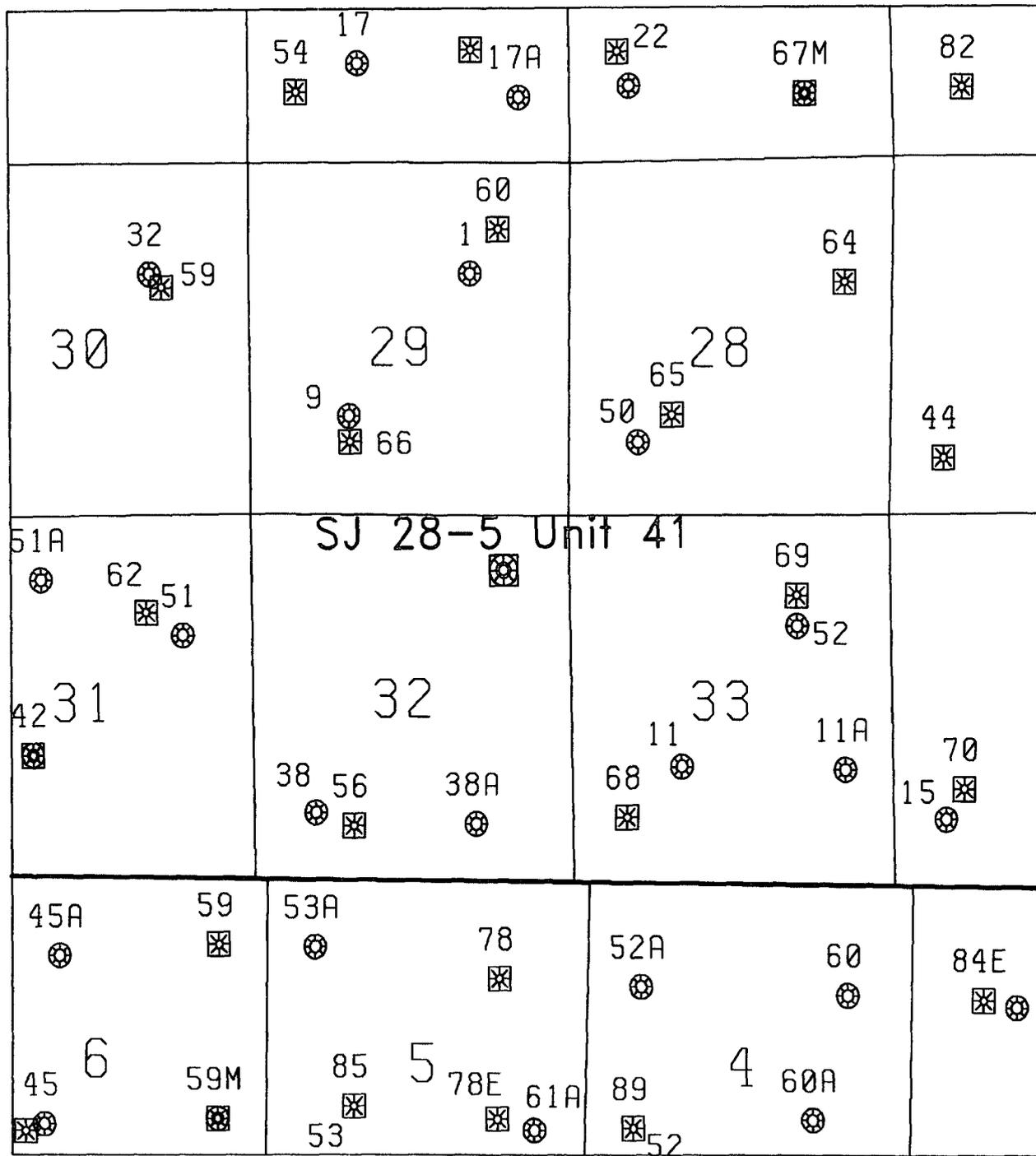
6/18/98

BURLINGTON RESOURCES OIL AND GAS COMPANY
San Juan 28-5 Unit #41
Offset Operator/Owner Plat
Mesaverde (N/2) / Dakota (N/2) Formations Commingle Well

Township 28 North, Range 5 West



1) Burlington Resources



PLH 5/7/98

SJ 28-5 Unit 41
Sec. 32, T28N, R5W
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. 11627
ORDER NO. R-10695

APPLICATION OF BURLINGTON RESOURCES
OIL & GAS COMPANY FOR THE ESTABLISHMENT
OF A DOWNHOLE COMMINGLING "REFERENCE
CASE" FOR ITS SAN JUAN 28-5 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 12th 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 28-5 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 28-5 Unit which encompasses some 17,399 acres in Township 28 North, Range 5 West, NMPM, San Juan County, New Mexico.

(5) Within the San Juan 28-5 Unit, the applicant currently operates sixty-seven (67) Basin-Dakota Gas Pool wells, seventy-one (71) Blanco-Mesaverde Gas Pool wells, sixteen (16) Gobernador-Pictured Cliffs, Oso-Pictured Cliffs and Tapacito-Pictured Cliffs Gas Pool wells, and nineteen (19) 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 28-5 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 28-5 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 28-5 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 28-5 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 28-5 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 1,258 MMCFG and 77 MMCFG, respectively;
- c) the average initial producing rate for a newly drilled or recompleted Dakota and Pictured Cliffs gas well is approximately 276 MCFGD and 136 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 28-5 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 28-5 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 were approximately 3,149 psi and 1,143 psi, respectively; and,
- b) the average current shut-in bottomhole pressure within the Dakota and Pictured Cliffs formations are approximately 1,059 psi and 714 psi, respectively.

(10) There is sufficient pressure data available within the San Juan 28-5 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 28-5 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 28-5 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 28-5 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 28-5 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 28-5 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 28-5 Unit Area will benefit working, royalty, and overriding royalty interest owners. In addition, the downhole commingling of wells within the San Juan 28-5 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 28-5 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 28-5 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 28-5 Unit, San Juan County, New Mexico, is hereby approved.

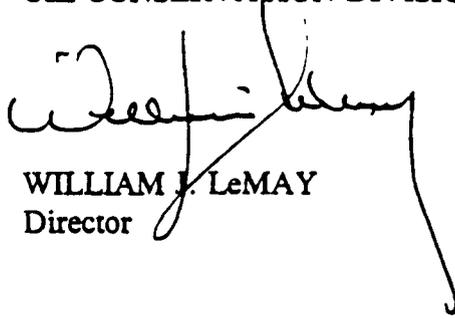
(2) Upon filing of Division Form No. C-107-A's for wells subsequently downhole commingled within the San Juan 28-5 Unit Area, the applicant shall not be required to submit supporting data to justify the classification of the Pictured Cliffs and Dakota formations as "marginal", supporting data to verify 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 28-5 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 28-5 Unit of such proposed commingling.

(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