DATE IN 5/7/99	SUSPENSE 5/27/99	ENGINEER DC	LOGGED BY KV	TYPE DHC

ABOVE THIS LINE FOR DIVISION USE ONLY

2344

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

2040 South Pacheco, Santa Fe, NM 87505

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

MAY – 7 1999

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 a Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrati approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, I ORRI) is common. ***I understand that any omission of data (including API numbers, pool codes, etc.), pertine information and any required notification is cause to have the application package returned with no action take***

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

Doug Shadrach

Print or Type Name	Signature	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

APPLICATION FOR DOWNHOLE COMMINGLING

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

APPROVAL PROCESS :
_X_ Administrative ___Hearing

EXISTING WELLBORE
__ YES __x_ NO

Burlington Resources Oil & Gas Company — PO Box 4289, Farmington, NM 87499
Operator — Address

San Juan 27-5 Unit — 89M — C 4-27N-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 7454 API NO. 30-039-xxxxx Federal x State (and/or) 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)	will be supplied upon completion		will be supplied upon completion
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. 514 psi (see attachment)	a.	a. 852 psi (see attachment)
	(Original) b. 1171 psi (see attachment)	b.	b. 2848 psi (see attachment)
6. Oil Gravity (API) or Gas BTU Content	BTU 1195		BTU 1083
7. Producing or Shut-In?	shut in		shut in
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: Rates:	Date: n/a Rates:
* If Producing, give data and oil/gas/water water of recent test (within 60 days)	Date: n/a Rates:	Date: Rates:	Date: n/a Rates:
8. Fixed Percentage Allocation Formula -% for each zone (total of %'s to equal 100%)	Oil: % Gas: % will be supplied upon completion	Oil: % Gas: %	Oil: % Gas: % 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 _x__No
If not, have all working, overriding, and royalty interests been notified by certified mail? ___Yes _x__No
Have all offset operators been given written notice of the proposed downhole commingling? _X_Yes ____No

11. Will cross-flow occur? _x__ 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. __x___ Yes _____No (If No, attach explanation)

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

13. Will the value of production be decreased by commingling? ___ Yes _X_ 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. _X__Yes ___ No

15. NMOCD Reference Cases for Rule 303(D) Exceptions: ORDER NO(S). ___ R-10694_____ 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.

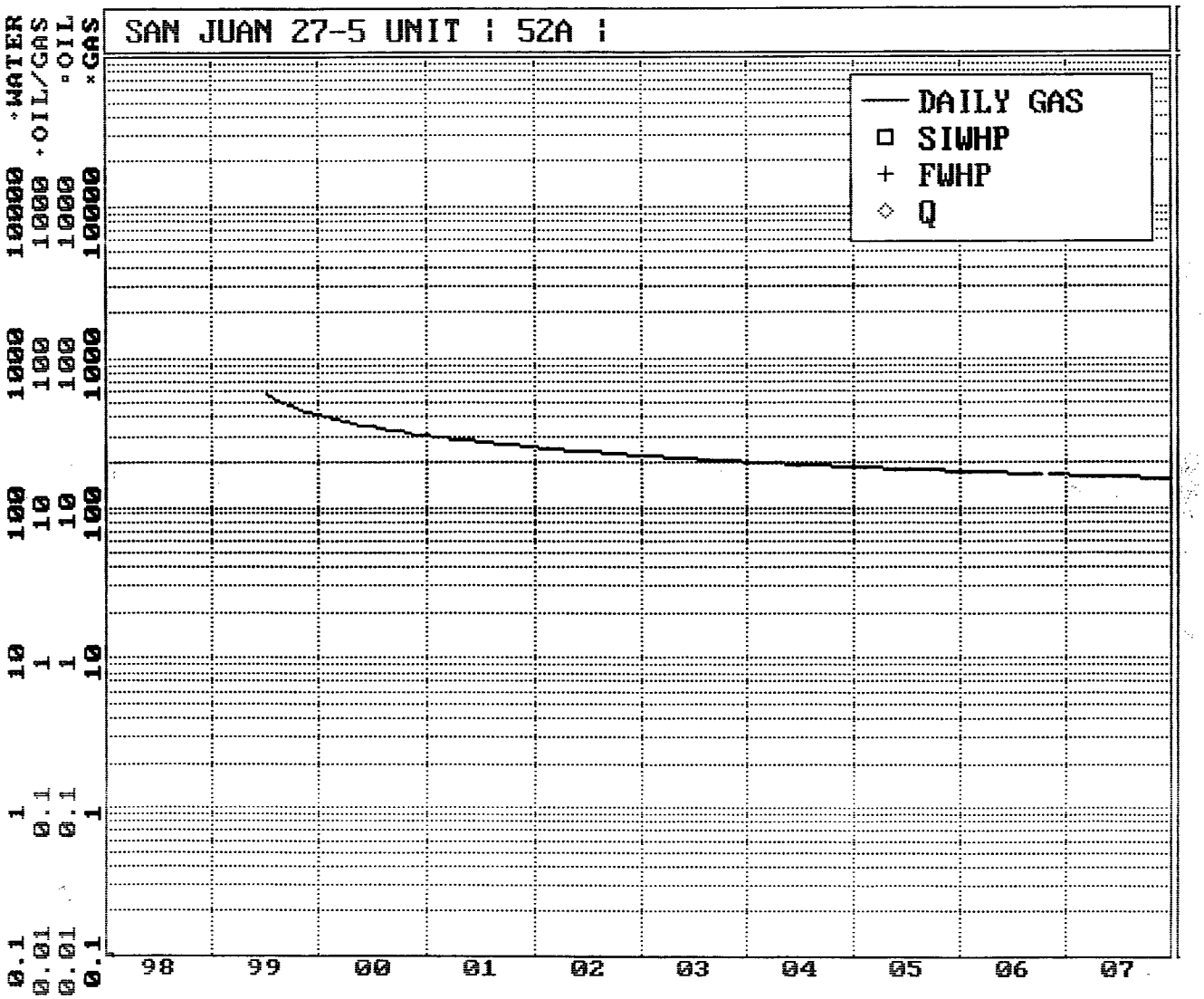
SIGNATURE Sean F. Corrigan TITLE: Production Engineer DATE: 05-06-99

TYPE OR PRINT NAME: Sean Corrigan TELEPHONE NO.: (505) 326-9700

San Juan 27-5 Unit #89M

Expected Production

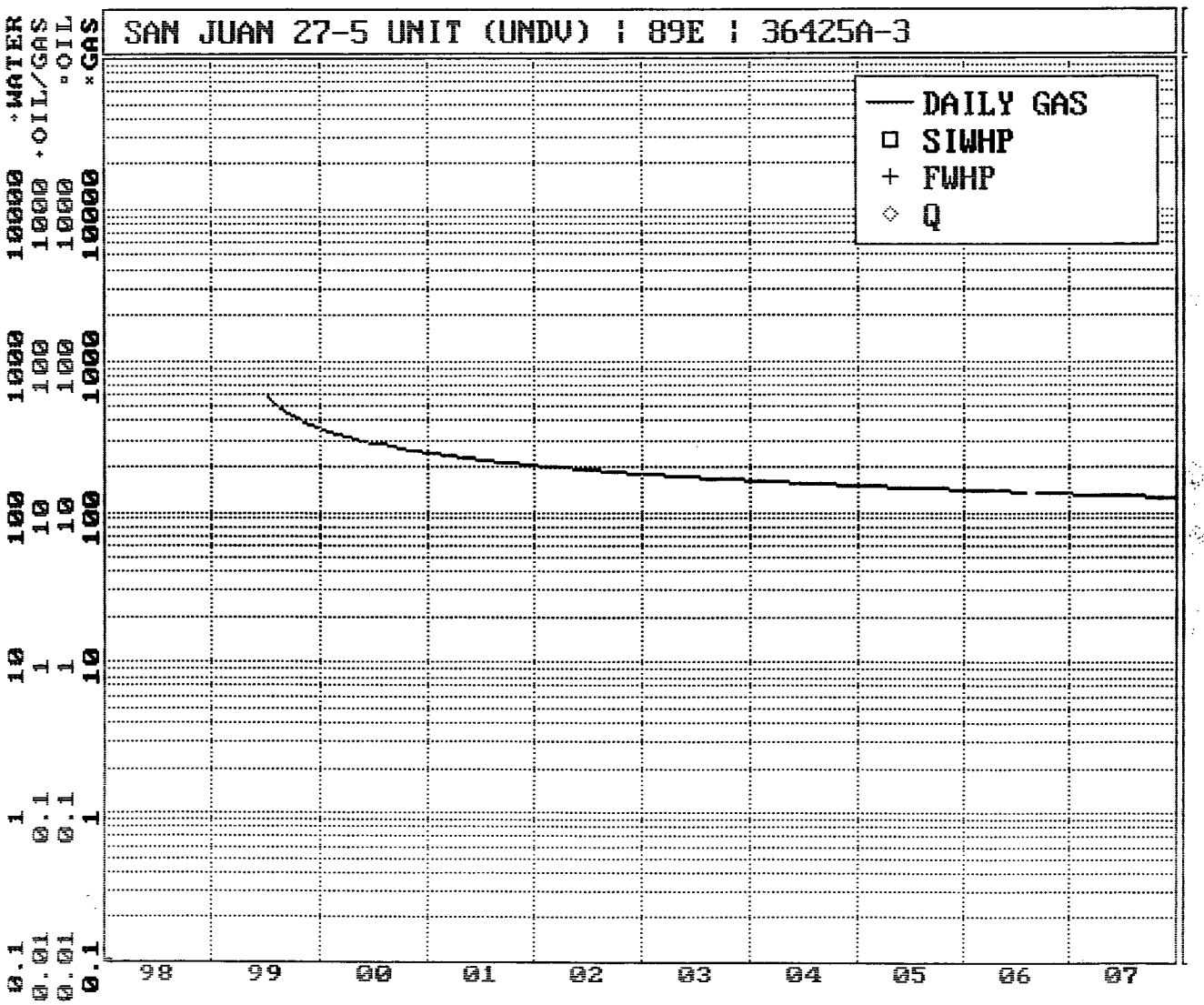
Mesaverde Formation



San Juan 27-5 Unit #89M

Expected Production

Dakota Formation



San Juan 27-5 Unit #89M

Bottom Hole Pressures

Flowing and Static BHP

Cullender and Smith Method

Version 1.0 3/13/94

Mesaverde

MV-Current

GAS GRAVITY	0.705
COND. OR MISC. (C/M)	C
%N2	0.18
%CO2	1.18
%H2S	0
DIAMETER (IN)	2.375
DEPTH (FT)	5894
SURFACE TEMPERATURE (DEG F)	60
BOTTOMHOLE TEMPERATURE (DEG F)	137
FLOWRATE (MCFPD)	0
SURFACE PRESSURE (PSIA)	442
BOTTOMHOLE PRESSURE (PSIA)	514.3

MV-Original

GAS GRAVITY	0.705
COND. OR MISC. (C/M)	C
%N2	0.18
%CO2	1.18
%H2S	0
DIAMETER (IN)	2.375
DEPTH (FT)	5894
SURFACE TEMPERATURE (DEG F)	60
BOTTOMHOLE TEMPERATURE (DEG F)	137
FLOWRATE (MCFPD)	0
SURFACE PRESSURE (PSIA)	990
BOTTOMHOLE PRESSURE (PSIA)	1170.6

Dakota

DK-Current

GAS GRAVITY	0.638
COND. OR MISC. (C/M)	C
%N2	0.2
%CO2	1.57
%H2S	0
DIAMETER (IN)	2.375
DEPTH (FT)	7742
SURFACE TEMPERATURE (DEG F)	60
BOTTOMHOLE TEMPERATURE (DEG F)	198
FLOWRATE (MCFPD)	0
SURFACE PRESSURE (PSIA)	716
BOTTOMHOLE PRESSURE (PSIA)	851.5

DK-Original

GAS GRAVITY	0.638
COND. OR MISC. (C/M)	C
%N2	0.2
%CO2	1.57
%H2S	0
DIAMETER (IN)	2.375
DEPTH (FT)	7742
SURFACE TEMPERATURE (DEG F)	60
BOTTOMHOLE TEMPERATURE (DEG F)	198
FLOWRATE (MCFPD)	0
SURFACE PRESSURE (PSIA)	2352
BOTTOMHOLE PRESSURE (PSIA)	2847.8

Page No.: 1
Print Time: Mon May 03 15:25:38 1999
Property ID: 1465
Property Name: SAN JUAN 27-5 UNIT | 52A | 53385B-1
Table Name: Q:\PUBLIC\GENTITY\GDPNOS\TEST.DBF

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01/27/81	0	990.0
02/12/81	0	991.0
10/01/81	67000	555.0
11/08/82	154250	518.0
04/17/84	205165	471.0
11/02/84	213827	484.0
01/02/87	287872	490.0
09/28/89	433655	364.0
07/30/91	477937	485.0
08/16/91	482035	497.0
06/01/93	551677	442.0

San Juan 27-5 Unit #89M

Mesaverde Offset

Page No.: 1
Print Time: Tue May 04 06:41:06 1999
Property ID: 1510
Property Name: SAN JUAN 27-5 UNIT | 78 | 50634A-1
Table Name: Q:\PUBLIC\GENTITY\GDPNOS\TEST.DBF

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08/29/62	0	2352.0
10/03/62	0	2351.0
01/22/63	52000	1606.0
04/22/64	215000	1303.0
02/21/65	390000	1142.0
05/23/66	515000	1154.0
05/26/67	688000	1011.0
05/20/68	843000	961.0
06/19/70	1175710	823.0
08/17/71	1347136	743.0
05/15/72	1445851	782.0
07/05/73	1571579	810.0
04/30/75	1726016	807.0
07/29/77	1917668	836.0
02/05/80	2141601	680.0
05/04/81	2257664	704.0
09/19/83	2377332	767.0
05/20/85	2462586	731.0
10/09/88	2557496	782.0
05/29/90	2636909	716.0

San Juan 27-5 Unit #89M

Dakota Offset

BURLINGTON RESOURCES OIL AND GAS COMPANY

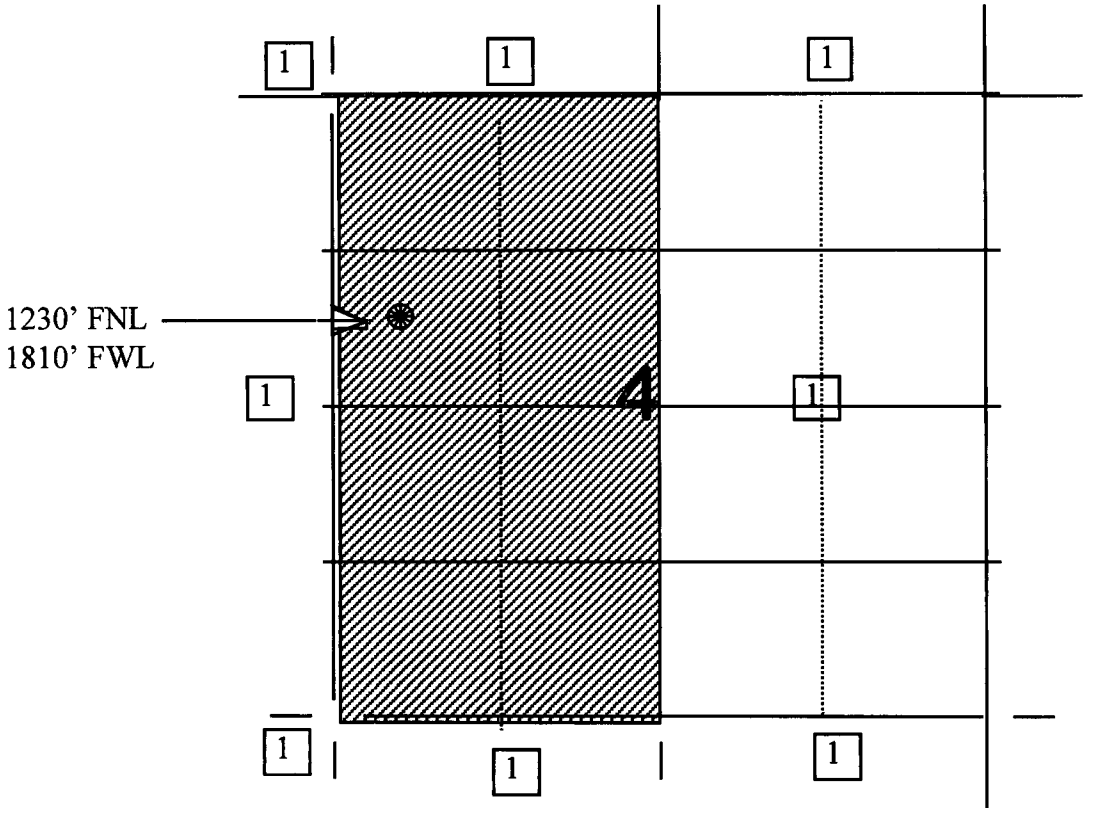
San Juan 27-5 Unit #89M

OFFSET OPERATOR/OWNER PLAT

Mesaverde & Dakota Formations

Commingle well

Township 27 North, Range 5 West

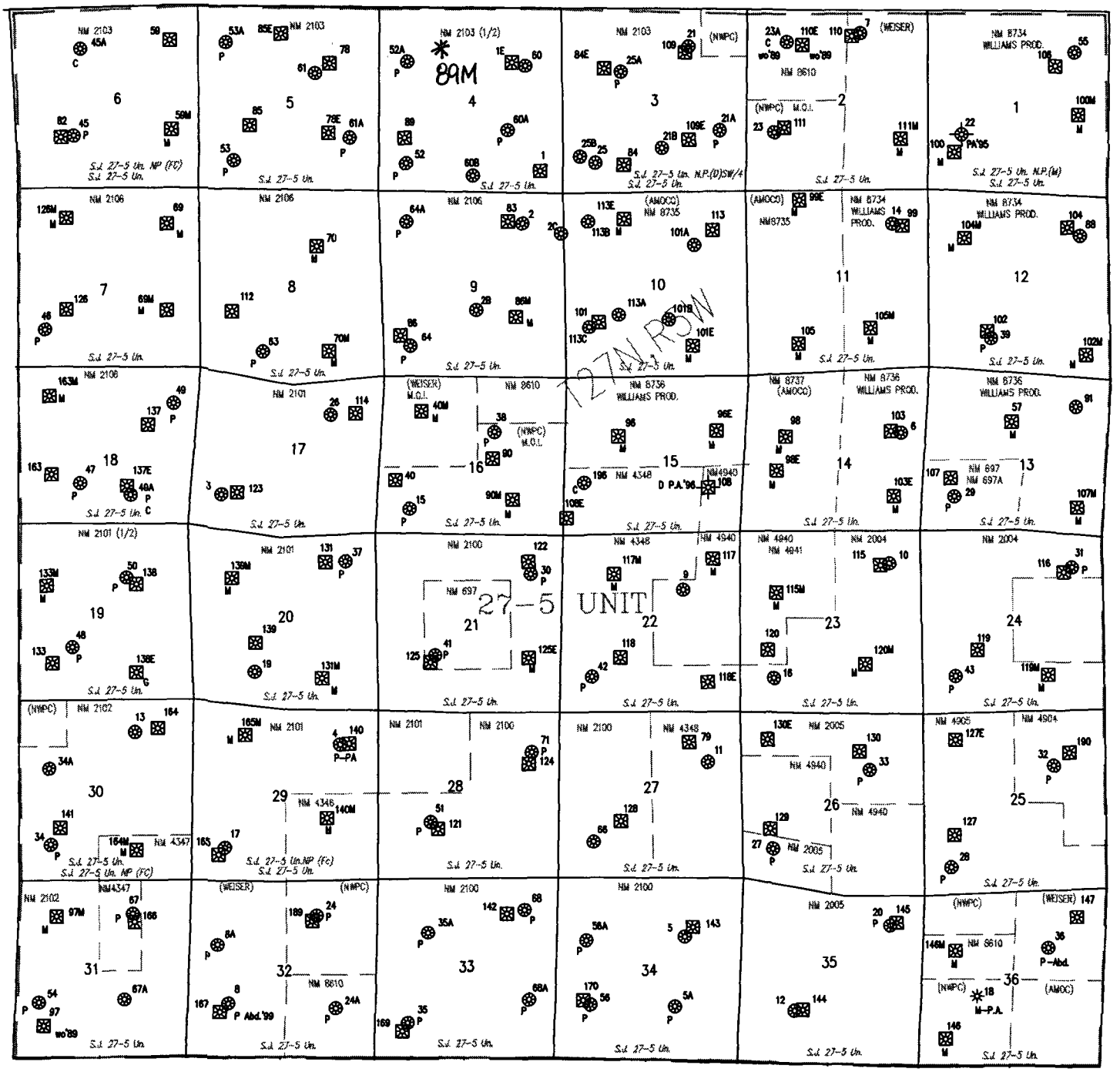


1) Burlington Resources

San Juan 27-5 Unit #89M

Blanco Mesaverde / Basin Dakota

27N - 5W - 04C



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. 11626
ORDER NO. R-10694

APPLICATION OF BURLINGTON RESOURCES
OIL & GAS COMPANY FOR THE ESTABLISHMENT
OF A DOWNHOLE COMMINGLING "REFERENCE
CASE" FOR ITS SAN JUAN 27-5 UNIT PURSUANT
TO DIVISION RULE 303.E AND THE ADOPTION
OF SPECIAL ADMINISTRATIVE RULES THEREFOR.
~~SAN JUAN~~ COUNTY, NEW MEXICO.
RIO ARRIBA

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 27-5 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 27-5 Unit which encompasses some 23,043 acres in Township 27 North, Range 5 West, NMPM, San Juan County, New Mexico.

(5) Within the San Juan 27-5 Unit, the applicant currently operates one hundred and one (101) Basin-Dakota Gas Pool wells, one hundred and five (105) Blanco-Mesaverde Gas Pool wells, eighty-seven (87) South Blanco-Pictured Cliffs and Tapacito-Pictured Cliffs Gas Pool wells, and four (4) 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 27-5 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 27-5 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 27-5 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 27-5 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 27-5 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 583 MMCFG and 426 MMCFG, respectively;

c) the average initial producing rate for a newly drilled or recompleted Dakota and Pictured Cliffs gas well is approximately 393 MCFGD and 63 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 27-5 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 27-5 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 3,141 psi and 1,118 psi, respectively; and,

b) the average current shut-in bottomhole pressure within the Dakota and Pictured Cliffs formations are approximately 1,032 psi and 441 psi, respectively.

(10) There is sufficient pressure data available within the San Juan 27-5 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 27-5 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 27-5 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 27-5 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 27-5 Unit every time a Form C-107-A is submitted to the Division. There is a considerable number of such interest owners within the unit;

c) providing notice to each interest owner within the San Juan 27-5 Unit of subsequent downhole commingiings is unnecessary and is an excessive burden on the applicant;

d) the downhole commingiing of wells within the San Juan 27-5 Unit Area will benefit working, royalty, and overriding royalty interest owners. In addition, the downhole commingiing of wells within the San Juan 27-5 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 27-5 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 commingiing approvals within the San Juan 27-5 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 commingiing of Dakota, Mesaverde, Fruitland Coal and Pictured Cliffs gas production within existing or future drilled wells within the San Juan 27-5 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 27-5 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 27-5 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 27-5 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