

DATE IN- 4/29/97	SUSPENSE 5/19/97	ENGINEER BS	LOGGED KV	TYPE DHC
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

367

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

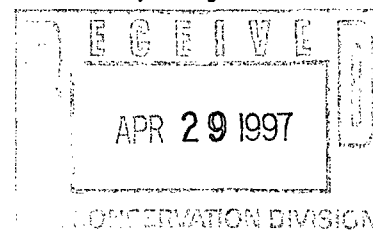
Check One Only for [B] and [C]

[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

4-28-97

BURLINGTON RESOURCES

SAN JUAN DIVISION

April 24, 1997

SENT FEDERAL EXPRESS

Mr. William LeMay
New Mexico Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: San Juan 32-9 Unit #24A
1695'FSL, 830'FEL Section 5, T-31-N, R-09-W, San Juan County, NM
API #30-045-29268

Dear Mr. LeMay:

This is a request for administrative approval for downhole commingling the Blanco Pictured Cliffs and Blanco Mesa Verde in the subject well. This well was originally drilled as a Mesa Verde; it is intended to add the Pictured Cliffs and commingle.

To comply with the New Mexico Oil Conservation Division rules, Burlington Resources Oil & Gas Company is submitting the following for your approval of this commingling:

1. Form C107A - Application for Downhole Commingling;
2. C-102 plat for each zone showing its spacing unit and acreage dedication;
3. Production curve for Mesa Verde and expected production curve for the Pictured Cliffs;
4. Notification list of offset operators - Burlington is the operator of the unit;
5. Shut in wellhead pressure and calculated down hole pressure of surrounding wells;
6. Nine-section plats for the Mesa Verde and Pictured Cliffs.

Notification of Mesa Verde and Pictured Cliffs interest owners is covered under Order R-10692 dated November 1, 1996 attached.

We will consult with the Supervisor of the Aztec District Office of the New Mexico Oil Conservation Division to establish an allocation formula.

Please let me know if you require additional data.

Sincerely,



Peggy Bradfield
Regulatory/Compliance Administrator

xc: Bureau of Land Management - hand delivered

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 :
X Administrative ___Hearing
EXISTING WELLBORE
X_ YES ___ NO

APPLICATION FOR DOWNHOLE COMMINGLING

Burlington Resources Oil and Gas

Operator
San Juan 32-9 Unit
Address
#24A P-5-31N-09W San Juan
Lease
Well No.
Unit Ltr. - Sec - Twp - Rge
County
Spacing Unit Lease Types: (check 1 or more)
OGRID NO. 14538 Property Code 7473 API NO. 30-045-29268 Federal X, State, Fee X

The following facts are submitted in support of downhole commingling:	Upper Zone	Intermediate Zone	Lower Zone
1. Pool Name and Pool Code	Pictured Cliffs - 72359		Mesaverde - 72319
2. Top and Bottom of Pay Section (Perforations)	Will be supplied upon completion.		5314'-6068'
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. 567 psi (est.) (offset SJ 32-9 #94) (see attachment) (Original) b. 817 psi (est.) (offset SJ 32-9 #94) (see attachment)		a. 467 psi (est.) (offset SJ 32-9 #23) (see attachment) b. 1263 psi (est.) (offset SJ 32-9 #23) (see attachment)
6. Oil Gravity (°API) or Gas BTU Content	BTU 1131 (est.) (offset SJ 32-9 #94)		BTU 1010
7. Producing or Shut-In?	Not completed yet.		Producing
Production Marginal? (yes or no)	Yes		no
* 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:
* If Producing, give data and oil/gas/water water of recent test (within 60 days)	Date: Rates:		Date: 3/1/97 Rates: 401 mcfd 1.54 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 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 communized 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-10692 (see attachment.)
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 Mary Ellen Lutey TITLE Production Engineer DATE 4/24/97
TYPE OR PRINT NAME Mary Ellen Lutey TELEPHONE NO. (505) 326-9700

District I
PO Box 1988, Hobbs, NM 88241-1988
District II
PO Drawer DD, Artesia, NM 88211-0719
District III
1600 Rio Bruma Rd., Aztec, NM 87410
District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

Form C-1
Revised February 21, 19
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-045-29268	Pool Code 72359/72319	Pool Name Blanco Pictured Cliffs/Blanco Mesaverde
Property Code 7473	Property Name San Juan 32-9 Unit	Well Number 24A
OGRID No. 14538	Operator Name Meridian Oil Inc.	Elevation 6641'

10 Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
I	5	31 N	9 W		1695	South	830	East	S.J.

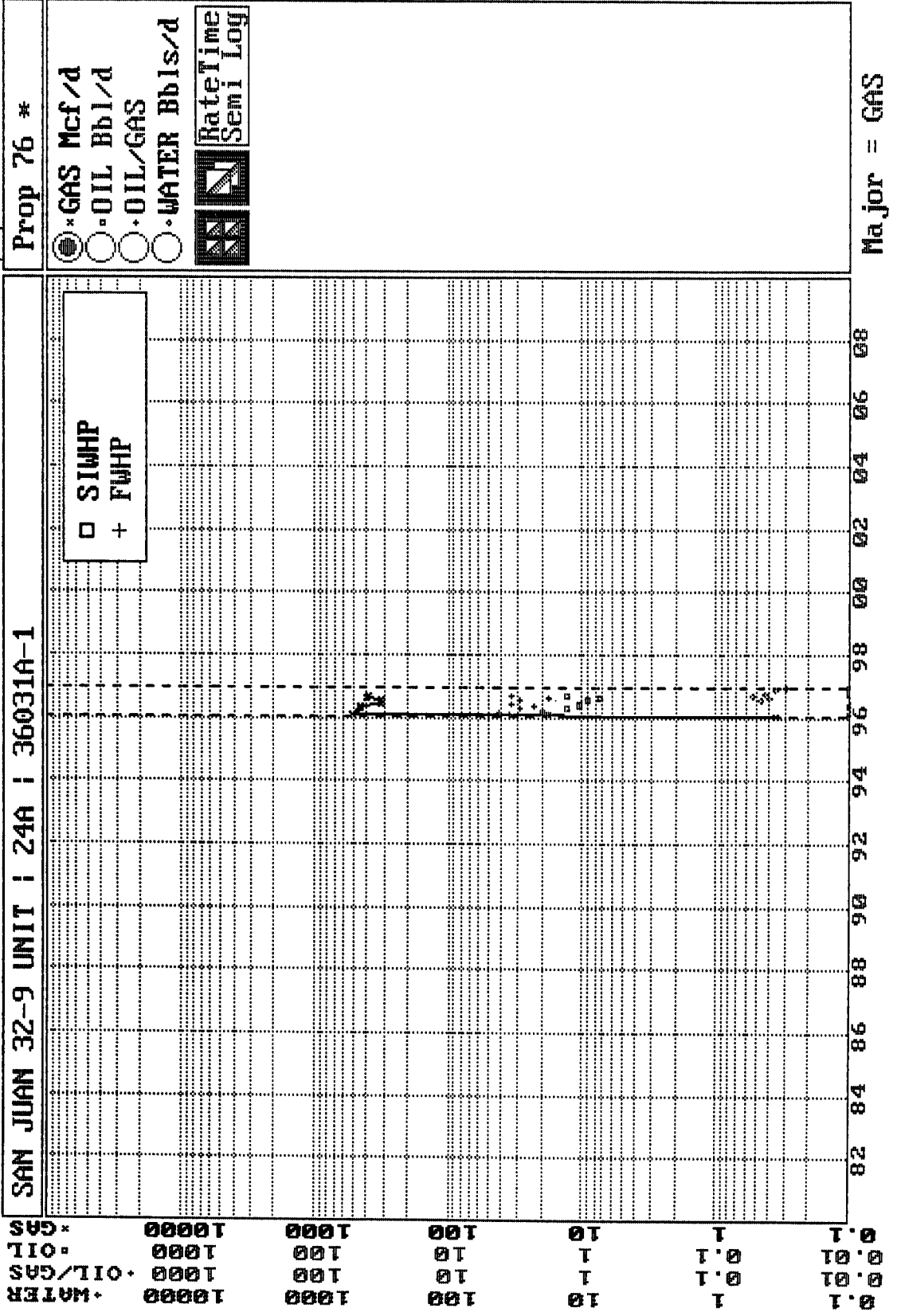
11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

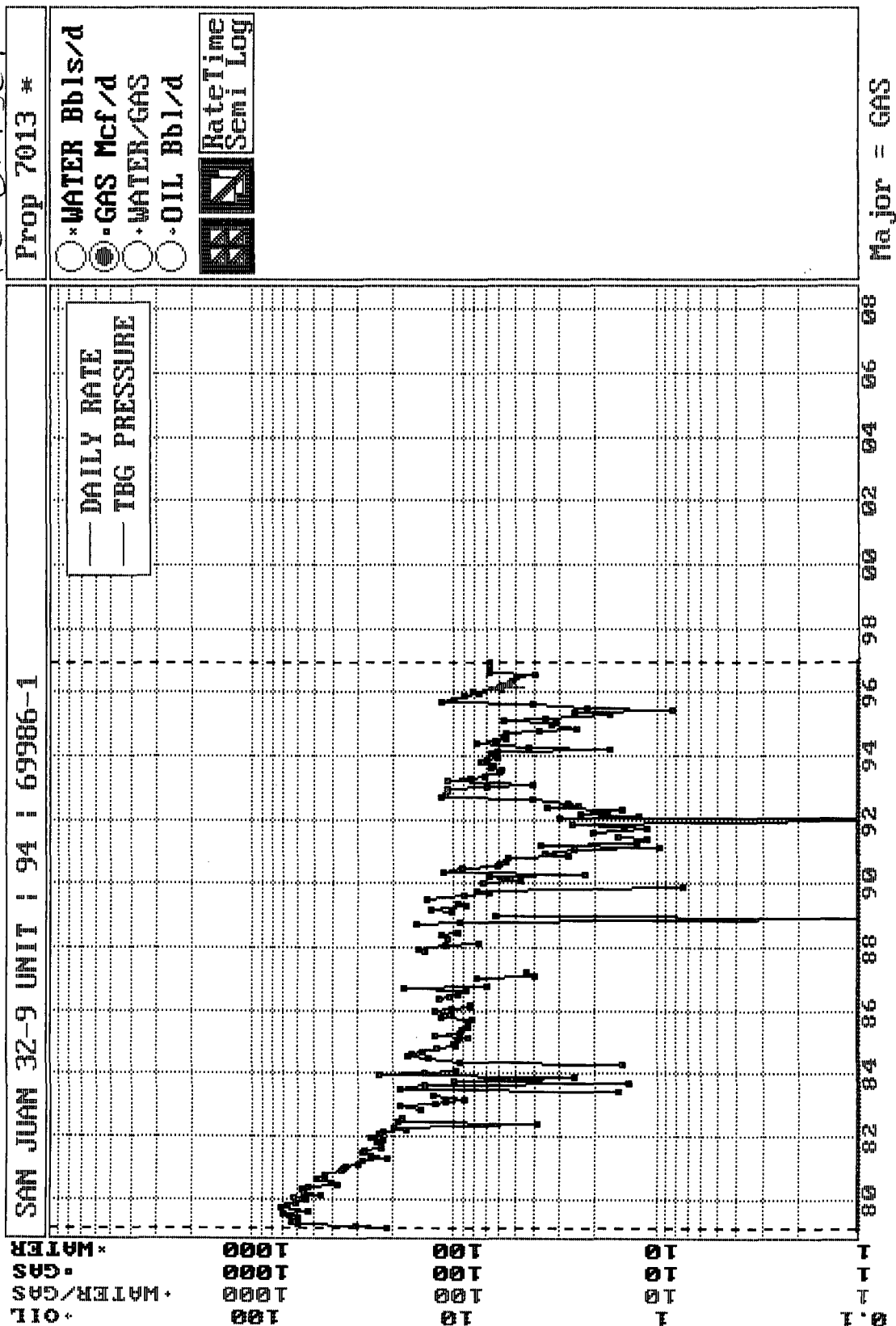
Dedicated Acres PC-158.3 MV-E/316.70	Joint or Infill	Consolidation Code	Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

16 2620.86' 1310.76' 6 5 7 8 12 2631.42'	17 OPERATOR CERTIFICATE I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. Signature Peggy Bradfield Printed Name Regulatory Administrator Title 4-23-97 Date
11 830' 1695' 5000.00' FEE NM 5F-078509	18 SURVEYOR CERTIFICATE I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by or under my supervision, and that the same is true and correct to the best of my belief. 9-28-95 Date of Survey Signature and Seal of Professional Engineer NEALE C. EDWARDS NEW MEXICO 6857 Certificate Number



PC OFFSET

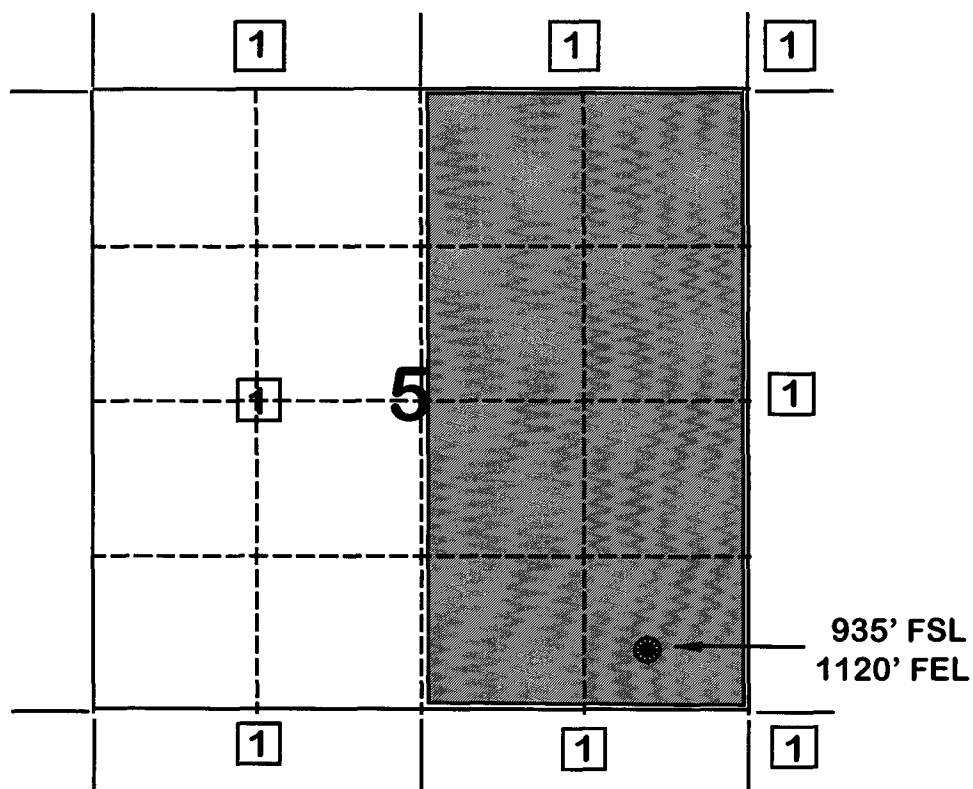


BURLINGTON RESOURCES OIL AND GAS COMPANY

**San Juan 32-9 Unit #24A
OFFSET OPERATOR \ OWNER PLAT**

Mesaverde (E/2)/Pictured Cliffs (SE/4) Formations Commingle Well

Township 31 North, Range 9 West



1) Burlington Resources Oil and Gas Company Successor to Meridian Oil Inc.

**FLOWING AND STATIC BHP
CULLENDER AND SMITH METHOD**

VERSION 10/3/13/54

GAS GRAVITY	0.67
COND. OR MISC. (C/M)	C
%N2	0.24
%CO2	1.62
%H2S	0
DIAMETER (IN)	2.4
DEPTH (FT)	6300
SURFACE TEMPERATURE (DEG F)	60
BOTTOMHOLE TEMPERATURE (DEG F)	150
FLOWRATE (MCFPD)	0
SURFACE PRESSURE (PSIA)	402
BOTTOMHOLE PRESSURE (PSIA)	466.9

SAN JUAN 32-9 UNIT #24A MESAVERDE - (ANTICIPATED)
SAN JUAN 32-9 UNIT #23 MESAVERDE - (CURRENT)

**FLOWING AND STATIC BHP
CULLENDER AND SMITH METHOD**

VERSION 1.0 3/13/54

GAS GRAVITY	<u>0.67</u>
COND. OR MISC. (C/M)	<u>C</u>
%N2	<u>0.24</u>
%CO2	<u>1.62</u>
%H2S	<u>0</u>
DIAMETER (IN)	<u>2.4</u>
DEPTH (FT)	<u>6300</u>
SURFACE TEMPERATURE (DEG F)	<u>60</u>
BOTTOMHOLE TEMPERATURE (DEG F)	<u>150</u>
FLOWRATE (MCFPD)	<u>0</u>
SURFACE PRESSURE (PSIA)	<u>1069</u>
BOTTOMHOLE PRESSURE (PSIA)	<div>1262.7</div>

SAN JUAN 32-9 UNIT #24A MESAVERDE - (ANTICIPATED)
SAN JUAN 32-9 UNIT #23 MESAVERDE - (ORIGINAL)

MV OFFSET

----- DWIGHTS TEST DATA REPORT ----- Row 1 to 10 of 17
COMMAND ==> SCROLL ==> PAGE

State: 30 Lease Name: SAN JUAN 32 9 UNIT
Prod: 2 County Name: SAN JUAN
Ident: 31N09W05M00MV Reservoir Name: MESAVERDE
District: 4 Operator Name: BURLINGTON RES O&G CO
Location: 5M 31N 9W Field Name: BLANCO (MESAVERDE)
Retrieval code: 251,045,31N09W05M00MV Well: 23 Total Depth: 5900
Gas Gath: MOI Status: ACT Upper Perf: 5366
API No: 1101400 Comp Date: 195406 Lower Perf: 5850

Date	Cum to Test	WHSIP	BHP	P/Z	BDWtr	BDCnd	WHFlw	Poten	MC	Pt	Z	FAC
19540628	0	1069	1222	1367	0	0	0	4474	C	2	94.000	
19701022	2,445,666	570	646	687	0	0	401	874	C	2	40.000	
19710611	2,604,417	586	664	708	0	0	355	812	C	2	38.000	
19720629	2,858,047	577	654	696	0	0	297	838	C	2	39.000	
19730523	3,046,798	564	639	679	0	0	364	699	C	2	41.000	
19740416	3,250,856	476	538	567	0	0	293	743	C	2	49.000	
19760507	3,729,145	462	522	549	0	0	304	701	C	2	51.000	
19780411	4,162,472	443	501	526	0	0	297	598	C	2	53.000	
19800603	4,584,306	442	500	525	0	0	290	427	C	2	53.000	
19820603	4,819,958	521	590	624	0	0	321	376	C	2	45.000	

B MY JOB LU #17

----- DWIGHTS TEST DATA REPORT ----- Row 11 to 17 of 17
COMMAND ==> SCROLL ==> PAGE

State: 30 Lease Name: SAN JUAN 32 9 UNIT
Prod: 2 County Name: SAN JUAN
Ident: 31N09W05M00MV Reservoir Name: MESAVERDE
District: 4 Operator Name: BURLINGTON RES O&G CO
Location: 5M 31N 9W Field Name: BLANCO (MESAVERDE)
Retrieval code: 251,045,31N09W05M00MV Well: 23 Total Depth: 5900
Gas Gath: MOI Status: ACT Upper Perf: 5366
API No: 1101400 Comp Date: 195406 Lower Perf: 5850

Date	Cum to Test	WHSIP	BHP	P/Z	BDWtr	BDCnd	WHFlw	Poten	MC	Pt	Z	FAC
19840719	4,935,173	549	622	660	0	0	278	331	C	2	42.000	
19860527	5,073,346	514	582	615	0	0	306	268	C	2	46.000	
19870803	5,177,649	433	489	513	0	0	326	756	C	2	0.954	
19891207	5,361,209	475	537	565	0	0	325	240	C	2	0.950	
19910805	5,438,733	511	578	611	0	0	357	205	C	2	0.946	
19930816	5,500,258	484	547	576	0	0	244	140	C	2	0.949	
19950927	5,615,375	402	454	474	0	0	214	408	C	2	0.957	

***** Bottom of data *****

B MY JOB

LU #17

**FLOWING AND STATIC BHP
CULLENDER AND SMITH METHOD**

VERSION 10/3/13/94

GAS GRAVITY	0.66
COND. OR MISC. (C/M)	C
%N2	0.17
%CO2	1.85
%H2S	0
DIAMETER (IN)	2.4
DEPTH (FT)	3692
SURFACE TEMPERATURE (DEG F)	60
BOTTOMHOLE TEMPERATURE (DEG F)	110
FLOWRATE (MCFPD)	0
SURFACE PRESSURE (PSIA)	517
BOTTOMHOLE PRESSURE (PSIA)	566.6

SAN JUAN 32-9 UNIT #24A PICTURED CLIFFS - (ANTICIPATED)
SAN JUAN 32-9 UNIT #94 PICTURED CLIFFS - (CURRENT)

**FLOWING AND STATIC BHP
CULLENDER AND SMITH METHOD**

VERSION 10/3/94

GAS GRAVITY	0.66
COND. OR MISC. (C/M)	C
%N ₂	0.17
%CO ₂	1.85
%H ₂ S	0
DIAMETER (IN)	2.4
DEPTH (FT)	3692
SURFACE TEMPERATURE (DEG F)	60
BOTTOMHOLE TEMPERATURE (DEG F)	110
FLOWRATE (MCFPD)	0
SURFACE PRESSURE (PSIA)	743
BOTTOMHOLE PRESSURE (PSIA)	817.4

SAN JUAN 32-9 UNIT #24A PICTURED CLIFFS - (ANTICIPATED)
SAN JUAN 32-9 UNIT #94 PICTURED CLIFFS - (ORIGINAL)

PC OFFSET

Organize Data ScreenGraph Economics Report Plot Utility Quit
 Browsing: SAN JUAN 32-9 UNIT | 94 | 69986-1 Property No.: 7013
 Table(T): TEST/M,P,H,E,T,Z,C,A,O,D,N,1,2,3,B,U,S Rec: 1/6/103224
 Item: 2/3/33 Name: DATE Type: Date Len: 8/27/203

--DATE--	---CUM GAS--	M SIWHP
	Mcf	Psi
11/08/78	0	743.0
02/21/79	15857	716.0
07/17/80	313840	573.0
08/03/81	444685	517.0
06/28/82	506461	516.0
07/12/84	583525	517.0

F1=Help F3=PrvPro F5=PrvTbl F7=Calcu F9=Utils Alt+TableLtr=Change Table
 F2=Jump F4=NxtPro F6=NxtTbl F8=Print F10=Exit Shift+<- ->=Fast Tbl R & L

FARMINGTON 1997 MONTHLY PRODUCTION FOR 36031A
SAN JUAN 32-9 UNIT 24A
BLANCO MESAVERDE (PRORATED GAS FIELD MESAVERDE ZONE

PHS030M1

		DAYS =====		OIL =====		=====		GAS =====						
MO	T S	ON	PC	PROD	GRV	PC	PROD	ON	BTU	PRESS	WATER	PROD	C	
1	2 F	31	02	42		01	14851	31	1018	15.025				
2	2 F	28	02	43		01	11230	28	1010	15.025				
3														
4														
5														
6														
7														
8														
9														
10														
11														
12														

1.54 Bopd 401 mcf/d

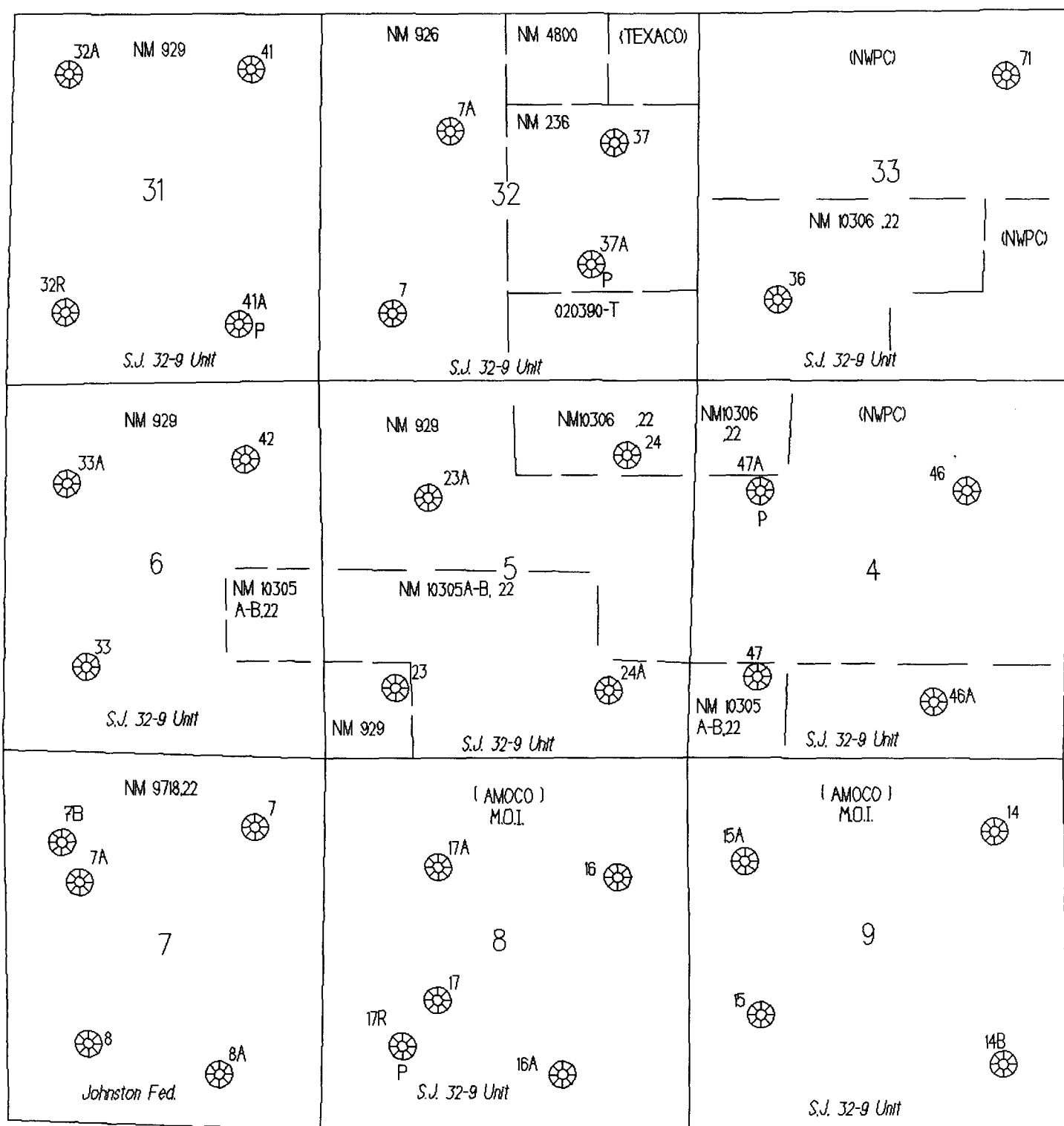
PF6 - RETURNS TO ANNUAL DISPLAY PF3 - TRANSFER TO UPDATE
PF10 - HELP INFORMATION PF9 - DISPLAY MONTHLY INJECTION
00/00/00 00:00:00:0 PRS 04/03/97

B MY JOB NUM LU #29

SAN JUAN 32-9 UNIT #24A

SECTION 5, T31N, R09W

SAN JUAN CO., NEW MEXICO



**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. 11601
ORDER NO. R-10692**

**APPLICATION OF BURLINGTON RESOURCES
OIL & GAS COMPANY FOR THE ESTABLISHMENT
OF A DOWNHOLE COMMINGLING "REFERENCE
CASE" 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 August 22, 1996, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 1st 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 and Picured Cliffs gas production within existing or future drilled wells within the San Juan 32-9 Unit, San Juan County, New Mexico.

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

CASE NO. 11601
Order No. R-10692
Page -2-

"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 32-9 Unit which encompasses some 21,864 acres in Townships 31 and 32 North, Ranges 9 and 10 West, NMPM, San Juan County, New Mexico.

(5) Within the San Juan 32-9 Unit, the applicant currently operates two (2) Basin-Dakota Gas Pool wells, one hundred twenty-eight (128) Blanco-Mesaverde Gas Pool wells and thirty-two (32) Blanco-Pictured Cliffs 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 32-9 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 32-9 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 32-9 Unit; and,

CASE NO. 11601
Order No. R-10692
Page -3-

- d) establish a "reference case" or an administrative procedure for authorizing the downhole commingling of existing or future drilled wells within the San Juan 32-9 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 32-9 Unit:

- a) the structure and thickness of the Dakota and Pictured Cliffs formations are very consistent;
- b) the average recoverable Pictured Cliffs gas reserves underlying an undeveloped drill block are approximately 700 MMCFG.
- c) initial producing rates for newly drilled or recompleted Pictured Cliffs gas wells range from 150-600 MCFGD;
- d) the San Juan 32-9 Unit Well Nos. 113 and 114 were recently drilled to test the Dakota formation within the unit. Both wells proved non-productive in the Dakota formation; and,
- e) 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 32-9 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 32-9 Unit, the applicant presented engineering evidence and testimony which indicates that:

- a) the average shut-in pressure within the Pictured Cliffs formation at the time of initial development was approximately 562 psi; and,

CASE NO. 11601
Order No. R-10692
Page -4-

- b) the average current shut-in pressure within the Picured Cliffs formation is approximately 349 psi.

(10) The applicant did not present sufficient bottomhole pressure data within the Dakota and Picured Cliffs formations within the San Juan 32-9 Unit so as to justify the establishment of a "reference case" for pressure criteria.

(11) The applicant testified that various allocation methods will be utilized for downhole commingled wells within the San Juan 32-9 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 where a zone with a well established decline rate is commingled with a newly completed zone; and,
- 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 32-9 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 32-9 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 32-9 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 32-9 Unit of subsequent downhole comminglings is unnecessary and is an excessive burden on the applicant;

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- d) the downhole commingling of wells within the San Juan 32-9 Unit Area will benefit working, royalty, and overriding royalty interest owners. In addition, the downhole commingling of wells within the San Juan 32-9 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 32-9 Unit for obtaining approval for subsequently 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, 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 32-9 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) allocation formulas and (c) modification of notification rules on a unit-wide basis for downhole commingling of Dakota, Mesaverde and Pictured Cliffs gas production within existing or future drilled wells within the San Juan 32-9 Unit, San Juan County, New Mexico, is hereby approved.

(2) The application of Burlington Resources Oil & Gas Company to establish a "reference case" for pressure criteria in the Dakota and Pictured Cliffs formation within the San Juan 32-9 Unit is hereby denied.

(3) Upon filing of Division Form No. C-107-A's for wells subsequently downhole commingled within the San Juan 32-9 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" 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.

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(4) In order to obtain Division authorization to downhole commingle wells within the San Juan 32-9 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 32-9 Unit of such proposed commingling.

(5) 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

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