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	N	NEW MEXICO OIL CONSERVATION DIVISION - Engineering Bureau - 2040 South Pacheco, Santa Fe, NM 87505
	A	DMINISTRATIVE APPLICATION COVERSHEET
THIS	S COVERSHEET IS M	ANDATORY FOR ALL ADMINISTRATIVE APPLICATION FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE
Applic	ation Acronym	
	[DHC-Downh [PC-Pool [N	[NSF-Non-Standard Profation Cini;] [RecEntence Extended Decency, [DD-Directional Drilling] [SD-Simultaneous Dedication] ole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling] Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement] /FX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion] [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase] ied Enhanced Oll Recovery Certification] [PPR-Positive Production Response]
[1]	[A]	PLICATION - Check Those Which Apply for [A] Location - Spacing Unit - Directional Drilling NSL NSP DD SD JUL - 1 1998
	Check [B]	Commingling - Storage - Measurement
	[C]	Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
[2]	NOTIFICAT [A]	TION REQUIRED TO: - Check Those Which Apply, or Does Not Apply 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]	Generation of the above, Proof of Notification or Publication is Attached, and/or,
	[F]	U Waivers are Attached
[3]	INFORMAT	ION / 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.

adfield Title Print or Type Name Date 15. NMOCD Reference Cases for Rule 303(D) Exceptions: ORDER NO(S). ____Reference Order ____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 Son Uperla for SCU TITLE: <u>Reservoir Engineer</u> DATE: <u>06-26-98</u>
TYPE OR PRINT NAME <u>Sean Woolverton</u> TELEPHONE NO. (505) 326-9700

DISTRICT I

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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 & Ga	s Company	PO Box 4289, Farmington, NM 87499			
Operator		Address			
San Juan 28-5 Unit 80N		ζ 26-28N-05W	Rio Arriba		
Lease	Well No.	Unit Ltr Sec - Twp - Rge	County		

OGRID NO. ___14538___ Property Code ____7460___ API NO. 30-039-not assigned Federal ___x___, State ____

Spacing Unit Lease Types: (check 1 or more) ____, (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	(Current) a. 603 psi (see attachment)	a.	a. 1084 psi (see attachment)
Gas & Oil - Flowing: Measured Current All Gas Zones: Estimated or Measured Original	(Original) b. 1320 psi (see attachment)	b.	b. 3392 psi (see attachment)
6. Oil Gravity (API) or Gas BTU Content	BTU 1126		BTU 1153
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: %	Oil: Gas: %	Oil: Gas: % % %

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. 9

- 10. Are all working, overriding, and royalty interests identical in all commingled zones? If not, have all working, overriding, and royalty interests been notified by certified mail? Have all offset operators been given written notice of the proposed downhole commingling? Yes ____x_ _Yes __x_No __x_Yes ___ No
- 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) 11. Will cross-flow occur?

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). ___Reference Order ____R-10695____ attached

16. ATTACHMENTS

IENTS: * 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 informatign above is true and complete to the best of my knowledge and belief.

SIGNATURE Son Joerks for SCU	TITLE: <u>Reservoir Engineer</u> DATE: <u>06-26-98</u>
TYPE OR PRINT NAME <u>Sean Woolverton</u>	TELEPHONE NO. (505) 326-9700

Distric	t I 1090	Hobbe	ым	88241-1980
PO - Box	1960.	noona,	TAUAT	00241-1900

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District II PO Drawer DD. Artesia, NM 88211-0719

District III 1000 Rio Brazos Rd., Aztec, NM 87410

Form C-102 Revised February 21, 1994 Instructions on back Energy, Minerals & Natural Resources Department Submit to Appropriate District Office State Lease - 4 Copies Fee Lease - 3 Copies OIL CONSERVATION DIVISION Santa Fe, NM 87504-2088

AMENDED REPORT

District IV PO Box 2088, Santa Fe, NM 87504-2088

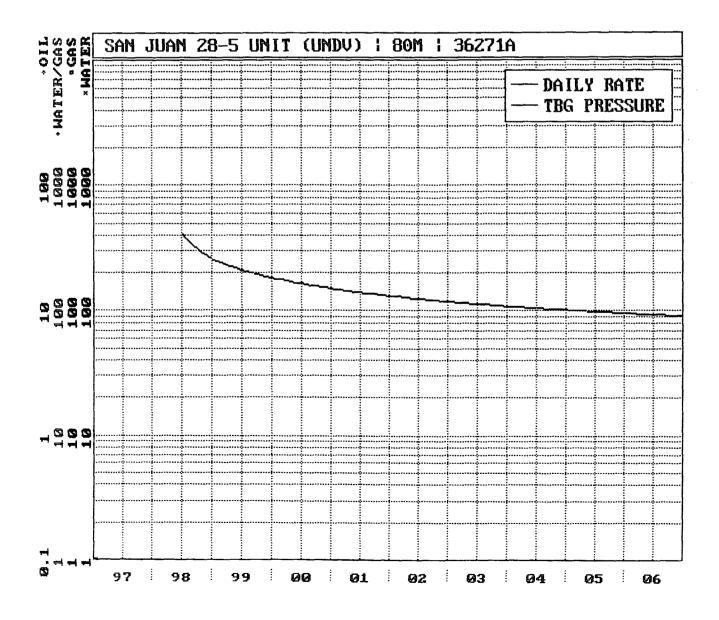
WELL LOCATION AND ACREAGE DEDICATION PLAT

State of New Mexico

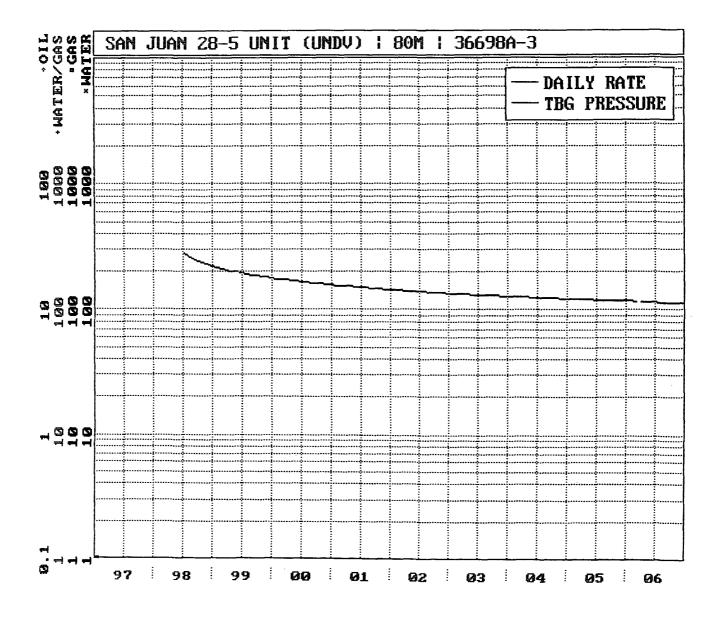
PO Box 2088

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San Juan 28-5 Unit #80M Expected Production Curve Blanco Mesaverde



San Juan 28-5 Unit #80M Expected Production Curve Basin Dakota



.1

SJ 28-5 Unit #80M 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 GRAVITY0.661COND. OR MISC. (C/M)C%N20.16%CO21.22%H2S0DIAMETER (IN)2.375DEPTH (FT)6319SURFACE TEMPERATURE (DEG F)60BOTTOMHOLE TEMPERATURE (DEG F)137FLOWRATE (MCFPD)0SURFACE PRESSURE (PSIA)517BOTTOMHOLE PRESSURE (PSIA)602.5	GAS GRAVITY0.695COND. OR MISC. (C/M)C%N22.98%CO20.42%H2S0DIAMETER (IN)1.5DEPTH (FT)8449SURFACE TEMPERATURE (DEG F)60BOTTOMHOLE TEMPERATURE (DEG F)198FLOWRATE (MCFPD)0SURFACE PRESSURE (PSIA)875BOTTOMHOLE PRESSURE (PSIA)1083.6				
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Page No.: 1 Print Time: Thu Feb 19 10:06:09 1998 Property ID: 3967 Property Name: SAN JUAN 28-5 UNIT | 55 | 50633A-1 San Juan 28-5 Unit *80M Mesaverde Offset Table Name: K:\ARIES\RR98PDP\TEST.DBF --DATE-- M SIWHP Psi 1116.0-Original 08/21/62 08/31/62 1116.0 01/13/63 814.0 01/24/64 782.0 09/01/65 597.0 615.0 02/24/66 10/25/67 567.0 03/01/68 582.0 06/19/70 497.0 04/27/71 457.0 05/15/72 439.0 05/02/74 532.0 04/09/76 499.0 08/03/82 540.0 04/15/91 680.0 08/16/91 692.0

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Page No.: 1 Print Time: Thu Feb 19 10:03:41 1998 Property ID: 1760 Property Name: SAN JUAN 28-5 UNIT NP | 86 | 52417A-1 Table Name: K:\ARIES\RR98PDP\TEST.DBF San Juan 28-5 Unit #80M --DATE-- M SIWHP Psi Dakota Offset 2699.0 - ONOXINAL 05/20/71 11/05/71 1727.0 1262.0 05/15/72 07/05/73 1271.0 04/15/75 1064.0 06/15/77 926.0 07/02/79 953.0 06/11/81 957.0 09/27/83 966.0 07/11/85 896.0 972.0 08/02/88 05/08/90 930.0 875.0 Current 09/29/92

San Juan 28-5 Unit #80M Blanco Mesaverde / Basin Dakota 28N-05W-26

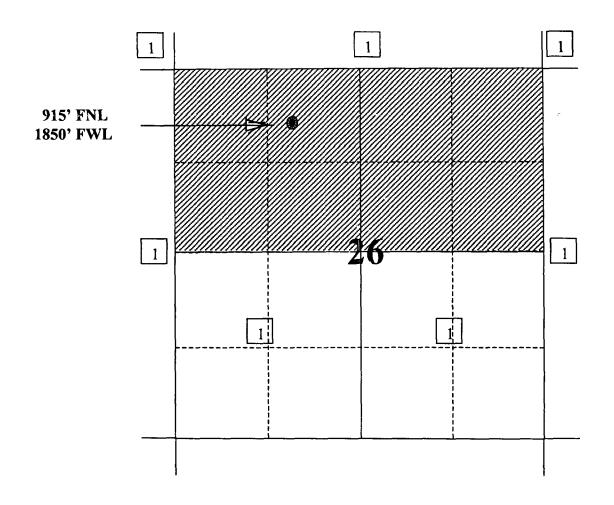
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BURLINGTON RESOURCES OIL AND GAS COMPANY

San Juan 28-5 Unit #80M

OFFSET OPERATOR/OWNER PLAT Mesaverde / Dakota Formations Commingle Well

Township 28 North, Range 5 West



1) Burlington Resources

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.

4

(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

SEAL