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

Shadhuck Cal. Signature

Print or Type Name

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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

Burlington Resources Oil & Gas Company

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**

APPLICATION FOR DOWNHOLE COMMINGLING

_X_YES ___NO PO Box 4289, Farmington, NM 87499

Operator	Addre	85	
San Juan 27-5 Unit	130 B 26	-27N-05W	Rio Arriba
Lease	Well No. Unit Lt	r Sec - Twp - Rge	County
			Spacing Unit Lease Types: (check 1 or more)
OGRID NO. 14538 Property	Code 7454 API NO. 30-03	9-20374 Federal x	State (and/or) Fee
The following facts are submitted in support of downhole commingling:	Upper	Intermediate Zone	Lower
1. Pool Name and Pool Code	Blanco Mesaverde - 72319	, 1994; 	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. 688 psi (see attachment)	a.	a. 980 psi (see attachment)
Gas & Oil - Flowing: Measured Current All Gas Zones: Estimated or Measured Original	(Original) b. 1026 psi (see attachment)	b.	b. 3077 psi (see attachment)
6. Oil Gravity (API) or Gas BTU Content	BTU 1193		BTU 1147
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	Date: n/a Rates:	Date: Rates:	Date: n/a Rates:
Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data			
* If Producing, give data and oil/gas/water 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

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__No _x_Yes ____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). ____ 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 from & Conigon	TITLE: Production Engineer	DATE: 03-08-99
TYPE OR PRINT NAME: Sean Corrigan	TELEPHONE NO.: (505) 326-9700	

District I PO Box 1980, Hubbs, NM 88241-1980 District II PO Drawer DD, Artesia, NM 88211-0719 District III 1000 Rio Brazos Rd., Aztee, NM 87410 District IV PO Box 2088, Santa Fe, NM 87504-2088

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State of New Mexico Energy, Mineraia & Natural Resources Department

Form C-10: Revised February 21, 199-Instructions on back Submit to Appropriate District Offic... State Lease - 4 Copie Fee Lease - 3 Copie.

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

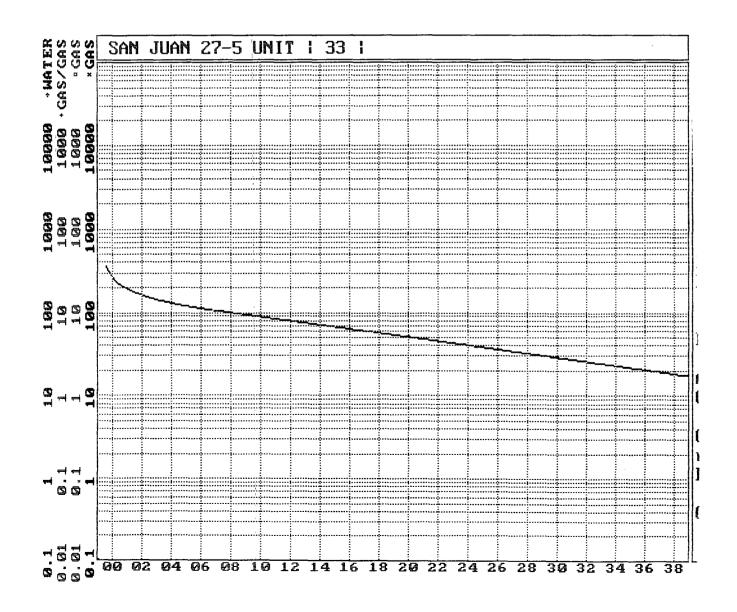
AMENDED REPORT

		WE	LL LO	CATIO	N AND	ACR	EAGE DEDI	CATION PL	.AT					
· · · · · · · · · · · · · · · · · · ·	API Numbe	r ² Pool Code			' Pool Name									
30-039-			72319/71599			Blanco Mesaverde/Basin Dakota				1599 Blanco Mesaverde/Basin Dakota				
⁴ Property (Code						¹ Property Name 'Well Number							
7454				San J		27-5 Unit 130								
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14538		Bur	rlingt	ton Re	source	<u>es (</u>	<u>)il & Gas C</u>	ompany		6	<u>560' GR</u>			
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MV-E/32 DK-N/31	.0]													
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		OR A	NON-ST	ANDARD	UNIT H	AS B	EEN APPROVED	BY THE DIV	ISION					
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San Juan 27-5 Unit #130 Expected Production Curve Mesaverde Formation

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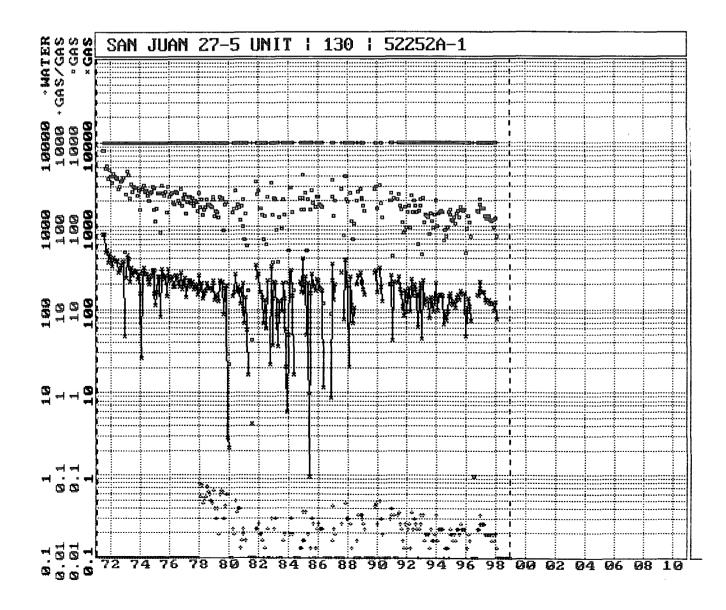
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San Juan 27-5 Unit #130 Actual Production Dakota Formation

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San Juan 27-5 Unit #130

Bottom Hole Pressures Flowing and Static BHP Cullender and Smith Method Version 1.0 3/13/94

Mesaverde	Dakota
<u>MV-Current</u>	DK-Current
GAS GRAVITY0.697COND. OR MISC. (C/M)C%N20.28%CO20.72%H2S0DIAMETER (IN)2DEPTH (FT)5629SURFACE TEMPERATURE (DEG F)60BOTTOMHOLE TEMPERATURE (DEG F)137FLOWRATE (MCFPD)0SURFACE PRESSURE (PSIA)594BOTTOMHOLE PRESSURE (PSIA)688.1	GAS GRAVITY0.673COND. OR MISC. (C/M)C%N20.25%CO21.07%H2S0DIAMETER (IN)1.5DEPTH (FT)7756SURFACE TEMPERATURE (DEG F)60BOTTOMHOLE TEMPERATURE (DEG F)198FLOWRATE (MCFPD)0SURFACE PRESSURE (PSIA)812BOTTOMHOLE PRESSURE (PSIA)979.7
MV-Original	<u>DK-Original</u>
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Page No.: 1 Print Time: Wed Mar 03 11:24:55 1999 Property ID: 1436 Property Name: SAN JUAN 27-5 UNIT | 33 | 53364B-1 Table Name: Q:\PUBLIC\GENTITY\GDPNOS\TEST.DBF

--DATE-- ---CUM_GAS-- M_SIWHP

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12/06/58	19000	879.0
09/22/59	42000	822.0
05/29/60	74000	717.0
05/28/61	101000	632.0
03/07/62	115000	609.0
08/26/63	136000	582.0
10/22/64	150000	616.0
05/10/65	155000	661.0
11/22/65	0	1153.0
04/19/66	170000	587.0
08/04/67	185000	597.0
05/02/68	194000	569.0
08/28/70	220088	579.0
04/08/71	225235	597.0
08/09/72	242819	491.0
12/06/83	350728	573.0
10/20/86	371502	574.0
09/08/89	396634	492.0
09/17/91	412109	582.0
10/01/91	413126	594.0

San Juan 27-5 Unit #130

Mesaverde Offset

Page No.: 1 Print Time: Wed Mar 03 11:24:18 1999 Property ID: 1354 Property Name: SAN JUAN 27-5 UNIT | 130 | 52252A-1 Table Name: Q:\PUBLIC\GENTITY\GDPNOS\TEST.DBF

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90210	1362.0
191784	1029.0
266370	980.0
442071	923.0
610586	752.0
752222	756.0
823089	833.0
923534	915.0
1002978	835.0
1150314	1092.0
1219073	837.0
1314664	818.0
1414334	812.0
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San Juan 27-5 Unit #130

Existing Dakota

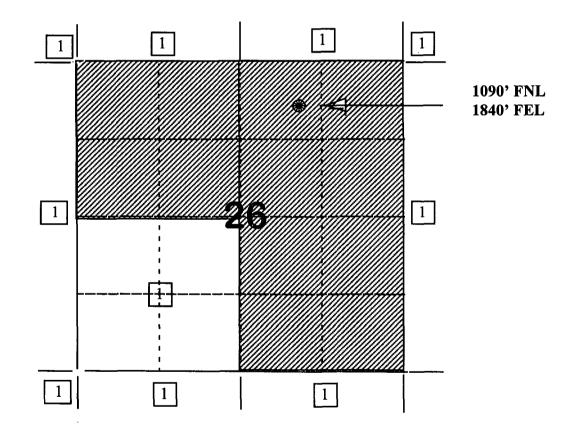
BURLINGTON RESOURCES OIL AND GAS COMPANY

San Juan 27-5 Unit #130

OFFSET OPERATOR/OWNER PLAT

Mesaverde (E/2) / Dakota (N/2) Formations Commingle Well

Township 27 North, Range 5 West



1) Burlington Resources

San Juan 27-5 Unit #130 Blanco Mesaverde / Basin Dakota 27N - 5W - 26

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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

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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 comminging "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 Dakora. 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:

CASE NO. 11626 Order No. R-10694 Page -2-

> "If sufficient data exists on a lease, pool, formation, geographic area, erg., 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 commingie (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 introduced and one (101) Basin-Dakota Gas Pool wells. one introduced and five (105) Blanco-Messverie Gas Pool wells. eighty-seven (87) South Blanco-Pictured Cliffs and Tapacito-Pictured Cliffs Gas Pool wells. and four (4) Basin-Fruitiand 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:

CASE NO. 11626 Order No. R-10694 Page -3-

- c) establish a "reference case" whereby the Division unitizes 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.
- 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 nonce 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 Dakora 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 Dakora and Picturesi 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 Dakora 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 unlized for downhole commingied 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 commingied with a newly completed zone:
- 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 weilbore 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:

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CASE NO. 11626 Order No. R-10694 Page -5-

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- c) providing notice to each interest owner within the San Juan 27-5 Unit of subsequent downnois comminglings is unnecessary and is an excessive burden on the applicant:
- d) the downhole commingling of wells within the San Juan 27-5 Unit Area will benefit working, royaity, and overriding royaity interest owners. In addition, the downhole commingling 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 commingied 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 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 downhold commingling of Dakota. Mesavertie. 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. CASE NO. 11626 Order No. R-10694 Page -6-

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(2) Upon filing of Division Form No. C-107-A's for weils subsequently downhole communited within the San Juan 27-5 Unit Area, the applicant shall not be required to submit supporting data to justify the classification of the Pictures Cliffs and Dakota formations as "marginal", supporting data to verify the Pictures 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 commungle wells within the San Juan 27-5 Unix, the applicant shall file a Form C-107-A with the Santa Fe and Aznec 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 commingting.

(4) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Sama Fe. New Mexico. on the day and year hereinabove designated.

STATE OF NEW MEXICO OIL CONSERVATION DIVISION Director