

Catanach, David

From: Thomas Kellahin [kellahin@earthlink.net]
Sent: Tuesday, August 24, 2004 1:52 PM
To: David R Catanach
Cc: Alan Alexander
Subject: OCD Case 13314

Dear David:

On August 5th you heard this case. At the conclusion to requested two items: (a) additional details for allocation and (b) notice.

In response I have the following:

(a) attached is Burlington allocation details;

(b) Burlington proposes that notification be made in accordance with Rule 303.B(4)(d)(iii). For your information this was done in the subject case.

(c) In another case, to be filed later, Burlington will request that notice for surface commingling within the federal units will be like that approved for DHC, for example see Order R-10695

Please call me if you have any questions. If not, then I will submit this, without a witnesses, at the September 2 hearing will this case is called. If you have me to bring the Burlington witness back to testify and the September 2 hearing please call me.

Regards, Tom

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The following are the four scenarios for surface commingling of oil.

Two new wells (no existing well) on a location:

1. Produce the new wells for 90 days, (stabilization period)
2. During the stabilization period, oil production will be allocated to each well equally if both zones are anticipated to produce oil, otherwise all the oil will be allocated only to zone which is anticipated to produce oil
3. Direct measurement for one well for a 24 hour period
4. Subtract the tested direct measurement from the total oil production of both wells
5. Future oil allocation will be calculated utilizing above #4 test data creating a percentage ratio for each well.

Existing well with the addition of one new well on a location:

1. Determine a daily oil rate (using the last 12 months of production) from the existing well
2. Produce the new well for 90 days, (stabilization period)
3. During the stabilization period, the oil production will be allocated based upon the subtraction method
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Existing multiple wells with the addition of a new well on a location:

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Note: All allocations for surface commingling of oil production will be in addition to Down Hole Commingling (DHC) allocations if applicable.

Cáatanach, David

From: Thomas Kellahin [kellahin@earthlink.net]
Sent: Thursday, September 09, 2004 10:40 AM
To: David R Catanach
Cc: Alan Alexander
Subject: NMOCD Case 13314

Dear Mr. Catanach:

On August 8, 2004, I represented to you Burlington case for surface commingling of oil production. That the conclusion the case was continue to September 2, 2004 and at that time I submitted additional exhibits:

- Exhibit 7: detailing surface commingling situations
- Exhibit 8: Reference to the notice rule to be applied in this case
- Exhibit 9: proof of newspaper publication

As you requested, Attached is a draft order and a proposed Exhibit "A" to the order.

you request

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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. 13314
ORDER NO. R-12---**

**APPLICATION OF BURLINGTON RESOURCES
OIL & GAS COMPANY LP FOR SURFACE COMMINGLING,
SAN JUAN COUNTY, NEW MEXICO.**

DRAFT-9/9/04/WTK

**BURLINGTON'S
PROPOSED
ORDER OF THE DIVISION**

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on August 8, 2004 at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this ____ day of September, 2004, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

- (1) Due public notice has been given and the Division has jurisdiction of this case and the subject matter.
- (2) The applicant, Burlington Resources Oil & Gas Company LP ("Burlington") by its attorneys, Kellahin and Kellahin, has applied to the New Mexico Oil Conservation Division for an order granting an exception to Rule 303.A and, in accordance with Rule 303.B(4), approving surface commingling of oil production as a "pre-approved" allocation and measurement method other than

individual well/lease metering for the following described wells/leases:

- a. San Juan 29-7 Unit #191 Well
NWSE Section 22-T29N-R7W
Basin Fruitland Coal and Blanco Pictured Cliffs Pools
- b. San Juan 29-7 Unit #65A Well
NWSE Section 22-T29N-R7W
Basin Dakota and Blanco Mesaverde Pools
- c. San Juan 29-7 Unit #193 Well
SESE Section 36-T29N-R7W
Blanco PC South Pool
- d. San Juan 29-7 Unit #55A Well
SESE Section 36-T29N-R7W
Blanco Mesaverde Pool

which shall be stored and measured at its centralized facilities located on each of the production pads located on the sections listed above

- (3) In addition, if the Division approves this application, then the applicant intends to utilize this approved method for the surface commingling of oil production for other wells and areas with notification made in accordance with Rule 303.B(4)(d)(iii).
- (4) Burlington is the operator of the above described wells being produced from the Basin Fruitland Coal, Blanco PC South, Blanco Pictured Cliffs, Blanco Mesaverde and Basin Dakota Pools all within Township 29 North, Range 7 West.
- (5) Burlington proposes to operate a centralized facility in the NWSE (Unit J) of Section 22-T29N-R7W and the SENE (Unit P) of Section 36-T29N-R7W for the gathering of oil production from these wells.
- (6) Effective April 1, 2003, See Order R-11972, Division Rule 303.B (4) provided:

“Specific Requirements and Provisions for Commingling of leases, Pool or Leases and Pools with Diverse Ownership.

- (a) Measurement and Allocation Methods. Where there is diversity of ownership between two or more leases, two or more pools, or between different pools and leases, the surface commingling of production there from shall be permitted only if production from each of such pools or leases is accurately metered, or determined by other methods specifically approved by the Division, prior to such commingling.”

- (7) The Division rules currently allow for administrative approval of downhole commingling of oil and gas production for both common and diverse ownership units and has "pre-approval allocation methods" for downhole commingling of that production. See Rule 303.
- (8) Also, the Division rules currently allow the surface commingling of oil and gas when the ownership is common and for gas when the ownership is diverse provided the gas is directly meter at the wellbore. See Rule 303.
- (9) The applicant is requesting that the Division adopt for the surface commingling of oil a similar methodology as the Division adopted for the downhole commingling of gas and oil production.
- (10) The applicant presented evidence that demonstrated that approval of the application will :
 - a. reduce surface use and disturbance
 - b. reduce emissions to the atmosphere
 - c. reduce risk of oil and water spills form tanks and pit line failures
 - d. reduce noise
 - e. reduce visual impact of excess equipment
 - f. facilitate the drilling of multiple wells on a single well pad
 - g. reduce the amount of surface equipment
 - h. reduce the number of ignition sources
- (11) Further, the Applicant presented evidence that demonstrated that:
 - a. these 4 well sites are representative for the San Juan Basin,
 - b. that there will be a substantial reduction of costs, and
 - c. the value of the commingle hydrocarbons will not be reduced.
- (12) The applicant has identified 250 projects within its operations in the next 5 years that may benefit for the approval of this application.
- (13) The Applicant is requesting a "pre-approved allocation method" for surface commingling of oil production under Rule 303.B.

- (14) Burlington is the operator of the San Juan 29-7 Unit 65A gas well, which was approved for downhole-commingled production from the Blanco Mesaverde Pool and the Basin Dakota Pool. See **DHC-1875**. The San Juan 29-7 Unit 191 well was approved for downhole-commingled production from the Blanco Pictured Cliffs Pool and the Basin Fruitland Coal Pool. See **DHC-1403AZ**. The San Juan 29-7 Unit 193 is a stand alone Basin Blanco PC South Pool well. The San Juan 28-6 Unit 55A is a stand alone Blanco Mesaverde Pool well.
- (15) In addition to gas production, these wells also produce oil at the daily rate of 10 barrels/day or less.
- (16) Burlington seeks approval to establish an allocation for oil production as follows:
- a. utilizing a combination of the subtraction and direct measurement methodologies described in Finding (17) below;
 - b. any well's allocated oil production that is excess of 10 BOPD shall have a separate oil tank installed and measured under current methods;
- (17) There are four (4) scenarios that were submitted by the applicant as Exhibit 7 that should be approved by this application all as set forth on Exhibit "A" attached to this order.
- (18) This proposed allocation/measurement method will be utilized until the additional of new formations or payadd, workovers resulting in increased production, new are added or wells or formations are plugged at which time the allocation will be recalculated.
- (19) Any gas production will continue to be separately and continually metered or measured in accordance with previously approved down-hole commingling orders.
- (20) As a result of different ownership, the ownership of the proposed commingled production is not identical in terms of parties or interest.
- (21) In accordance with Division Rule 1207.A and Rule 303.B(d) applicant has sent a copy of this application and notice for hearing to be held on August 5, 2004 to all the proper parties entitled to said notice.

(22) Accordingly, the Division should approve this application and grant an exception to Division Rule 303.B(4)(d)(iii) and Rule 303-A to permit surface commingling, and storage of Blanco Mesaverde and Basin Dakota Pool production from its San Juan 29-7 Unit #68N and #65A wells and its San Juan 29-7 Unit #193 and #55A wells and associated leases all in Section 22-T29N-R7W and Section 36-T29N-R7W respectively, which shall be stored and measured at its centralized facilities located in Unit J and Unit H of the sections listed above. The Division should also authorize utilization of this approved method for the surface commingling of oil production for other wells or areas with notification made in accordance with R303.B(4)(d)(iii).

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Burlington Resources oil and Gas Company L.P., is hereby granted an exception to Rule 303.A and, in accordance with Rule 303.B(4), approving surface commingling of oil production as a “pre-approved” allocation and measurement method other than individual well/lease metering for the following described wells/leases:

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Blanco Mesaverde Pool

which shall be stored and measured at its centralized facilities located on each of the production pads located on the sections listed above

(2) The applicant is hereby further authorized to use this order as a “reference order” for administrative application to be filed in accordance Division Rule 303.A and to utilize

this approved method as set forth on Exhibit "A" to this order for the surface commingling of oil production for other wells and areas with notification made in accordance with Rule 303.B(4)(d)(iii). Jurisdiction is hereby 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

MARK S. FESMIRE, P.E.
Director

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Catanach, David

From: Thomas Kellahin [kellahin@earthlink.net]
Sent: Thursday, September 09, 2004 10:45 AM
To: Scott Hall
Cc: David R Catanach
Subject: Fw: NMOCD Case 13314

Scott --attached is Burlington draft order I just E-mail to Mr. Catanach. Please call me if you have any questions.

----- Original Message -----

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To: David R Catanach
Cc: Alan Alexander
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