

Allocation of Oil Production

- **Allocation is determined within 30 days after stabilized production is established**
 - ◇ Allocation based on a single 24 hour direct measurement of liquids
 - ◇ After allocation percentage is established, the production for each well is allocated back to the 1st delivery date of each well
 - ◇ Surface commingling only for wells averaging less than 10 bbls / day on yearly basis
- **Oil and gas production is tested and reallocated based upon the following conditions:**
 - ◇ Oil and gas production will be reallocated if a workover is performed on the well
 - ◇ Oil and gas production is reallocated if one zone is abandoned or another zone is added

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SAN JUAN 28-5 UNIT 96 (DK)				1.5" to 2.375" Tbg. Chg. Out 7-24-01			
	1999	2000	2001	2002	2003	Average	
Avg. Days	30	31	30	30	30	30	
Avg. BO/d	0.16	0.32	0.16	0.15	0.00	0.16	
Avg. Mcf/d	157.61	111.27	95.80	148.37	139.78	130.56	
GOR	0.0010	0.0028	0.0017	0.0010	0.0000	0.0013	

SAN JUAN 28-5 UNIT 23B (MV)				1ST DELIVERY 6/23/01			
	2001	2002	2003	Average			
Avg. Days	27	30	30	29			
Avg. BO/d	1.12	0.76	0.54	0.81			
Avg. Mcf/d	608.82	299.03	257.00	388.28			
GOR	0.0018	0.0025	0.0021	0.0022			

SAN JUAN 29-7 UNIT 65A (DK)				Well was commingled in 10-1998			
	1999	2000	2001	2002	2003	Average	
Avg. Days	30	30	30	30	30	30	
Avg. BO/d	0.00	0.00	0.00	0.00	0.00	0.00	
Avg. Mcf/d	49.84	47.39	41.08	37.80	37.92	42.80	
GOR	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	

SAN JUAN 29-7 UNIT 65A (MV)				Well was commingled in 10-1998			
	1999	2000	2001	2002	2003	Average	
Avg. Days	30	30	30	30	30	30	
Avg. BO/d	0.90	1.10	0.99	0.94	0.83	0.95	
Avg. Mcf/d	332.40	282.42	268.54	234.76	214.86	266.60	
GOR	0.0027	0.0039	0.0037	0.0040	0.0038	0.0036	

NOTE: 1ST DELIVERY 3/23/04

Wellname and number	Prod Month	Days On	MCF/M	BO/M	is Production	BO/D	MCF/D	GOR
SAN JUAN 29-7 UNIT 191 FC	2/29/2004	0	0	0.00	0.00	0.00	0.00	0.00
SAN JUAN 29-7 UNIT 191 FC	3/31/2004	9	1156.76	0.00	1166.88	0.00	128.53	0.00
SAN JUAN 29-7 UNIT 191 FC	4/30/2004	30	2857.99	0.00	2893.18	0.00	95.27	0.00
SAN JUAN 29-7 UNIT 191 FC	5/31/2004	31	2338.92	0.00	2375.28	0.00	75.45	0.00
TOTAL 2004		70	6353.67	0.00	6435.34	0.00	90.77	0.00

Wellname and number	Prod Month	Days On	MCF/M	BO/M	is Production	BO/D	MCF/D	GOR
SAN JUAN 29-7 UNIT 191 PC	2/29/2004	0	0	0.00	0.00	0.00	0.00	0.00
SAN JUAN 29-7 UNIT 191 PC	3/31/2004	9	1969.63	0.00	1986.85	0.00	218.85	0.00
SAN JUAN 29-7 UNIT 191 PC	4/30/2004	30	4866.31	32.05	4926.22	1.07 ✓	162.21	0.01
SAN JUAN 29-7 UNIT 191 PC	5/31/2004	31	3982.48	42.53	4044.39	1.37	128.47	0.01
TOTAL 2004		70	10818.42	74.58	10957.46	1.07	154.55	0.01

State of New Mexico
Energy, Minerals and Natural Resources Department
Oil Conservation Division

Sundry Notices and Reports on Wells

1. Type of Well GAS 2. Name of Operator BURLINGTON RESOURCES OIL & GAS COMPANY LP 3. Address & Phone No. of Operator PO Box 4289, Farmington, NM 87499 (505) 326-9700 4. Location of Well, Footage, Sec., T, R, M 1110' FNL, 1940' FEL, Sec. 34, T-27-N, R-4-W, NMPM, Rio Arriba County	API # (assigned by OCD) 30-039-27436 5. Lease Number NMSF-080675 6. State Oil&Gas Lease # 7. Lease Name/Unit Name San Juan 27-4 Unit Com 8. Well No. 34M 9. Pool Name or Wildcat Blanco MV/Basin DK 10. Elevation:
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Type of Submission	Type of Action
☒ Notice of Intent	☐ Abandonment ☐ Change of Plans
☐ Subsequent Report	☐ Recompletion ☐ New Construction
☐ Final Abandonment	☐ Plugging Back ☐ Non-Routine Fracturing
	☐ Casing Repair ☐ Water Shut off
	☐ Altering Casing ☐ Conversion to Injection
	☒ Other - Commingle

13. Describe Proposed or Completed Operations

It is intended to drill and complete the subject well in the Blanco Mesaverde (Pool Code 72319) and the Basin Dakota (Pool Code 71599). The production will be commingled according to Oil Conservation Division Order Number 11363. Allocation and methodology will be provided after the well is completed. Commingling will not reduce the value of the production. The Bureau of Land Management has been notified in writing of this application.

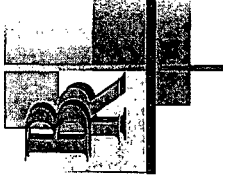
Notification of the intent to commingle the subject well was sent to all interest owners via certified mail on June 25, 2004. No objections were received.

SIGNATURE Nancy Oltmanns Senior Staff Specialist July 19, 2004

no

(This space for State Use)

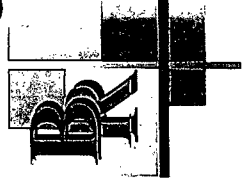
Approved by _____ Title _____ Date _____



Potential Environmental Advantages

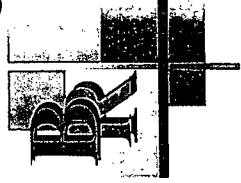
- **Reduced emissions**
 - ◇ Volatile Organic Compounds (VOCs) = 1.4 tpy reduction with principal reduction being reduced standing losses from two fewer tanks
 - ◇ Oxides of Nitrogen (NOx) = .2 tpy reduction with principal reduction being reduced number of separators and tank heaters
 - ◇ Carbon Monoxide (CO) = .1 tpy reduction with principal reduction being reduced number of separators and tank heaters

(tpy = tons per year – three well example)
- **Reduce risk of oil and water spills from tank and pit line failures**
- **Reduced visual impact of excess equipment**
- **Reduced noise impact**
- **Compliance with RMP for the Farmington Division (BLM) and BMP nationwide**
- **Smaller surface footprint**
 - ◇ Decreases potential of erosion
 - ◇ Surface commingled locations will all be reseeded with exception of 1/3 to 1/2 acre



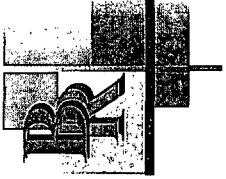
Safety Issues

- **Reduction in the amount of surface equipment**
- **Vehicular traffic on location**
 - Reduced need to back up on location or maneuver around equipment on location**
 - General public safety**
- **Fewer ignition sources**
 - Vehicles**
 - Surface equipment**



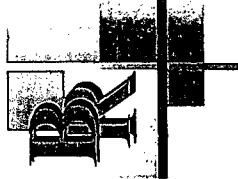
Value of Commingle Liquids

- **No material reduction in the value of the surface commingle oil to all owners**
- **Historically industry has been downhole commingling oil with no adverse impact on owners**
- **The majority of oil ranges are between 55.3 and 44.6 gravity for the San Juan Basin**
- **The oil may be blended as it is picked up at each well site**



Economics

- Savings on the costs of additional water, oil tank and installation costs is approximately \$16,000 / well
- Reduced cost to operate
 - ◇ Fuel gas
 - ◇ Man hours
 - ◇ Maintenance
- Savings translates into the potential development of additional projects
- Increased value to owners due to fuel gas being sold and not burned
- 250 twin projects identified in the next five years



Conclusion

- **Currently the NMOCD allows for administrative approval of downhole commingling of oil and gas production**
- **BR is requesting that a similar methodology be approved for surface commingling of oil production for the following reasons:**

- **Environmental**

- **Safety**

- **Economic**

- **Historic Practice Downhole (DHC)**