

Application for Approval Downhole Commingling
Basin Mancos Gas Pool
San Juan 29-4 Unit
Rio Arriba County, New Mexico

Before the Oil Conservation Division
Burlington Resources Oil & Gas Company LP – Operator
ConocoPhillips Company – Operator
OCD Case # 14927
Hearing: November 29, 2012

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Exh. 1

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October 16, 2012

CERTIFIED MAIL-RETURNED RECEIPT REQUESTED

TO: NOTICE OF THE HEARING OF THE FOLLOWING
NEW MEXICO OIL CONSERVATION DIVISION CASE:

Re: Case (# pending): Application of Burlington Resources
Oil & Gas Company LP for the establishment of a
Downhole Comingling Referenced Case for the San
Juan 29-4 Unit, Rio Arriba County, New Mexico

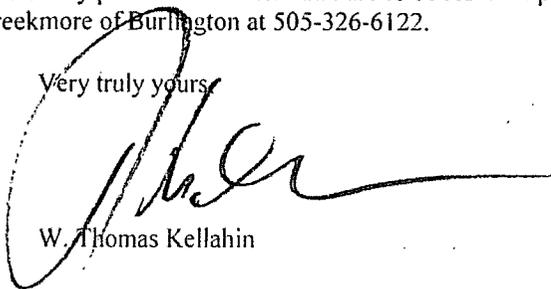
On behalf of Burlington Resources Oil & Gas Company LP "Burlington", please find enclosed our application for the referenced case. The hearing for this case will be set on the New Mexico Oil Conservation Division Examiner's docket now scheduled for 8:15 am on November 29, 2012. The hearing will be held at the Division hearing room located at 1220 South Saint Francis Drive, Santa Fe, New Mexico, 87505. (Phone 505-476-3458, Fax 505-476-3462)

You are receiving this notice because a search of the Burlington's records indicates that you may be an owner within the San Juan 29-4 Unit named in the enclosed application. Currently, Burlington is required to provide notice to you when it is downhole commingles Mancos, Dakota and/or Mesaverde production. Burlington, with this application, seeks to establish a downhole referenced case including deleting notice to you when it wants to add the production from the Mancos formations, including the Gallup interval of the Mancos formation. Burlington will still be required to obtain approval from the Division.

You are not required to attend this hearing, but as a party of interest may be affected by this application, we are notifying you of your right to appear at the hearing and participate in this case, including the right to present evidence either in support of or in opposition to the application. Failure to appear at the hearing may preclude you from any involvement in this case at a later date.

Pursuant Division Rule 1208.B, parties appearing in cases are required to file a Pre-Hearing Statement with the Division not later than 5:00 PM on Thursday, November 22, 2012, with a copy delivered to the undersigned. This statement must include: A concise statement of your position; the names of all witnesses the party will call to testify at the hearing; the approximate time of the party will need to present its case, and identification of any procedural matters that are to be resolved prior the hearing. Please direct any questions to Chuck Creekmore of Burlington at 505-326-6122.

Very truly yours,



W. Thomas Kellahin

**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:**

**APPLICATION OF BURLINGTON RESOURCES
OIL & GAS LP COMPANY FOR DOWNHOLE
COMMINGLING REFERENCE CASE FOR ITS
SAN JUAN 29-4 UNIT PURSUANT TO DIVISION
RULE 303.E, RIO ARRIBA COUNTY, NEW MEXICO.**

CASE NO. _____

APPLICATION

Comes now BURLINGTON RESOURCES OIL & GAS COMPANY, by and through its attorneys, Kellahin and Kellahin, and applies to the New Mexico Oil Conservation Division for the establishment of a downhole commingling reference case pursuant for its San Juan 29-4 Unit, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, in accordance with Division Rule 303.E, seeks to establish a downhole commingling reference case to modify the notification rules on an area-wide basis authorization for downhole commingling of Mesaverde, Mancos and Dakota production in the wellbores of existing or future wells drilled anywhere within the San Juan 29-4 Unit located in Township 29 North Range 4 West, NMPM, Rio Arriba County, New Mexico, said production being portions of the Basin-Dakota Gas Pool and the Blanco-Mesaverde Gas Pool.

In support of its application, Burlington Resources Oil & Gas Company LP ("Burlington") states:

(1) Burlington is the operator of the San Juan 29-4 Unit which currently includes no wells in the Basin Dakota Gas Pool and 6 wells of the Blanco-Mesaverde Gas pool all located within an area known as the "San Juan 29-4 Unit" consisting of 4,156.65 acres, more or less of acreage, as identified on Exhibit "A".

(2) The absence of the establishment of a "reference case" as provided in Rule 303.E, Division general state-wide Rule 303.C requires that administrative applications for downhole commingling of gas production be submitted, processed and approved on a well by well basis including notification by certified mail return receipt requested to each interest owner where ownership is not common in the zones to be commingled.

(3) As a result of the entry of Order R-11363, dated April 26, 2000, the Basin-Dakota and the Blanco-Mesaverde Pools were approved as "pre-approved pools" for downhole commingling of production thus eliminating the need to justify pressure and economic criteria on a well-by-well basis. In addition, by Order R-12984-B, dated August 4, 2012, the Division has "pre-approved" the downhole commingling of production from the Basin-Mancos Gas Pool such that production from the Basin-Mancos Gas Pool, the Blanco-Mesaverde Gas Pool and the Basin-Dakota Gas Pool that all be downhole commingled.

(4) In addition, allocation formula are administered and approved by the District Office of the Division.

(5) Currently, the Division still requires the applicant for downhole commingling for this unit to notify in writing to each interest owner where ownership is not common in the zones to be commingled.

(6) For the San Juan 29-4 Unit this rule requires notice to some twenty-five interest owners at current development levels.

(7) In support of its request to establish a "reference case" to delete the requirement that each application for downhole commingling be sent to each interest owner affected, Burlington will provided evidence and testimony which will demonstrated that:

- (a) because this is a "divided" unit with various participating areas, the interest ownership between any zones to be downhole commingled within a given wellbore in the Unit will not be common;
- (b) pursuant to Division Rule 303. D, applicant is currently required to notify all interest owners in the unit every time a Form C-107-A is submitted to the Division which can involve as many as twenty-five different owners; and,
- (c) providing notice to each interest owner in the unit of subsequent downhole commingling application is unnecessary and is an excessive burden to the applicant.

(8) The Division has entered orders in DHC referenced cases that have eliminated the notice requirements for production from Mesaverde and Dakota in numerous cases.

(9) The ownership is not common among these two pools/formations within the San Juan 29-4 Unit and notification in this case by certified mail return receipt constitutes satisfactory notification in all subsequent cases to each interest owner where ownership is not common in the zones to be commingled.

(10) Burlington therefore requests that the Division authorize that all downhole commingling applications received by the Division after November 29, 2012 for downhole commingling of production from Mesaverde, Mancos and Dakota wells within the San Juan 29-4 Unit may cite the order entered in this case as a reference case for:

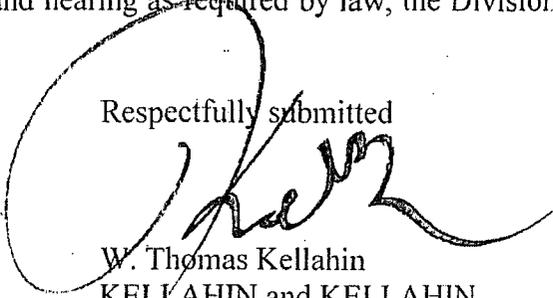
elimination of unnecessary notice: such that any future or further notice concerning downhole commingling applications within this unit shall not be required to any owner (including royalty, overriding royalty or working interest owners) in instances where ownership are not common or percentages are not identical in the zones to be commingled

(11) Applicant requests that this matter be docketed for hearing on the Division's Examiner docket now scheduled for November 29, 2012.

(12) Notice of this application has been sent to all interest owners entitled to receive production within the unit.

WHEREFORE Applicant requests that this matter be set for hearing on November 29, 2012 before a duly appointed Examiner of the Oil Conservation Division and that after notice and hearing as required by law, the Division enter its order granting this application.

Respectfully submitted



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