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STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT 4: 45  
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 COMPANY, LP, TO TERMINATE THE  
CEREZA CANYON-GALLUP POOL INCLUDING CONCOMITANT  
EXPANSION OF THE BASIN-MANCOS GAS POOL AND FOR  
A DOWNHOLE COMMINGLING REFERENCE CASE FOR ITS  
SAN JUAN 27-5 UNIT, INCLUDING THE DELETION  
OF NOTICE REQUIREMENTS, PURSUANT TO DIVISION  
RULE 19.15.12.11.D, RIO ARRIBA COUNTY, NEW MEXICO.

15013  
CASE NO. ~~1504~~

FIRST AMENDED APPLICATION

Comes now BURLINGTON RESOURCES OIL & GAS COMPANY, LP, by and through its attorneys, W. Thomas Kellahin of Kellahin & Kellahin, for its first amended application, applies to the New Mexico Oil Conservation Division to terminate the Cereza Canyon Gallup Pool (ID # 96766) including the concomitant expansion of the Basin-Mancos Gas Pool and for the establishment of a downhole commingling reference case, including the deletion of notice requirements, pursuant to Division Rule 19.15.12.11.D for its San Juan 27-5 Unit, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks the termination of the Cereza Canyon-Gallup Pool including the expansion of the Basin-Mancos Gas Pool. In addition, Applicant, in accordance with Division Rule 19.15.12.11.D, seeks to establish a downhole commingling reference case for its San Juan 27-5 Unit including the modification of notification rules on an area-wide basis authorization for downhole commingling so that production can be downhole commingling with/or Dakota, Mesaverde, and Mancos gas production in the wellbores of existing or future wells drilled anywhere within the San Juan 27-5 Unit located in Township 27 North Range 5 West, NMPM, Rio Arriba County, New Mexico.

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

(1) Burlington is the operator of the San Juan 27-5 Unit which currently includes 214± Dakota wells, 223± Mesaverde wells, 1 Basin-Mancos wells and 1 Cereza Canyon Gallup Pool wells all located within an area known as the "San Juan 27-5 Unit" consisting of 23,043.99 acres, more or less of acreage, as identified on Exhibit "A"

(2) The Cereza Canyon Gallup Pool is part of the larger Mancos formations which is located vertically between the base of the Mesaverde formation and the top of the Dakota formations is widely known as being marginally productive and for the most part is only economic if developed concurrently with Mesaverde and/or Dakota wells.

(3) Burlington desires to streamline the regulatory process by termination of the Cereza Canyon Gallup Gas Pool so that this acres is subject the Basin-Mancos Gas Pool rules and thus compatible with the Blanco Mesaverde and/or Baskin Dakota pool rules also on 320-acre spacing units.

(4) By Order R-11115, dated January 1, 1999, the Division established the Cereza Canyon-Gallup Pool and in doing so designated the following described acreage in the Cereza-Canyon-Gallup Pool:

Township 27 North, Range 5 West  
Section 19: SE/4

See Locator Map attached as Exhibit "A" hereto

(5) CPC is the only operator in this Pool and currently operates one well.

(6) In the absence of the establishment of a "reference case" as provided in Rule 19.15.12.11.D, Division general state-wide Rule 19.15.12.11.A requires that administrative applications for downhole commingling of gas production (Form C-107A) be submitted, processed and approved on a well by well basis including submittal of the following:

Economic criteria to support that at least one zone to be commingled is marginal, (b) Cross-flow issues, (c) Pressure criteria to demonstrate that the bottomhole pressure of all zones to be commingled is less than the original bottom hole pressure of the lowest pressures zone, (d) Fluid compatibility and water sensitivity/damage issues, (e) Will commingling decrease the value of production? (f) Allocation formulas, (g) Notification by certified mail return receipt to each interest owner where ownership is not common in the zones to be commingled, and (h) Notification by certified mail return receipt to each offset operator.

(7) As a result of the entry of Order R-11363, Case 12346, dated April 26, 2000, the Basin-Dakota Pool (71599) and the Blanco-Mesaverde Pool (72319) 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.

- (8) As a result of the entry of Order R-12984-B, Case 14862, dated June 25, 2012, the Basin-Mancos Gas Pool (97232) was 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.
- (9) The Cereza Canyon Gallup Pool is not currently approved as a "pre-Approved" downhole commingled pool.
- (10) There are no regulatory reasons for maintaining the Cereza Canyon Gallup Pool as a separate pool when it should be designated part of the Basin-Mancos Gas Pool.
- (11) Sufficient data is now available from existing wells in the San Juan 27-5 Unit to support the Division approving the downhole commingling of production from the Dakota, Mesaverde, and/or Mancos formations within the San Juan 27-5 Unit on an "area-wide" basis rather than on a "well-by-well basis" as to the criteria listed in paragraph 6 above.
- (12) Burlington seeks authorization pursuant to Division Rule 19.15.12.11.D that all administrative application for downhole commingling of Mesaverde, Dakota, Mancos and/or Gallup gas production within the San Juan 27-5 Unit submitted subsequent to the filing of this application in this case shall be authorized to refer to the order entered in this case and will not be required to submit evidence or data for the criteria set forth in paragraph 6 above.
- (13) Production from these formations is either marginal or uneconomic from existing wells within this unit and the economic life of that production is extended if it is downhole commingled is authorized.
- (14) The approval of downhole commingling of these formations within this unit will extend the economic life of the existing wells and thereby increase ultimate recovery from these formations.
- (15) In addition, any new wells to be drilled or recompleted in this unit should be approved for downhole commingling because either the Dakota, Mesaverde, Mancos/Gallup are marginal based upon criteria, which the applicant will submit at the hearing of this case.
- (16) The processing of downhole commingling application for this unit in the absence of adopting a "reference case" will be an administrative burden to the Division and to the operator.

(17) Approval of downhole commingling reference case for this unit on an area-wide basis is in the best interest of conservation, the pretention of waste and the protection of correlative rights.

(18) Burlington requests the adoption of a "reference case" for the Cereza Canyon-Gallup Pool so that the Supervisor of the Aztec District Office of the Division shall approve the downhole commingling of said production on an area-wide basis for this unit with the filing of Division Form C-103.

(19) The ownership is not common among these formations within this unit

- a. Currently, there is no exception to the notice requirements within this Unit in the instances where the operator seeks approval to downhole commingle the Basin-Mancos Gas Pool with the Blanco-Mesaverde and/or Basin-Dakota Gas Pools.
- b. In support of its request to delete the requirement that each application for downhole commingling of Basin-Mancos with Blanco-Mesaverde and/or Basin-Dakota Gas Pools be sent to each interest owner affected, applicant will provided evidence and testimony which will demonstrate that:
  - i. because this is "divided" unit with various participating areas, the interest ownership between any zones to be downhole commingled within a given wellbore in this Unit will not be common;
  - ii. pursuant to Division Rule 19.15.12.11.C.(2), which states the requirements for filing downhole commingling applications within "pre-approved" areas, applicant is currently required to notify all interest owners within the well when the ownership between the commingled zones is not common every time a Form C-103 is submitted to the Division which can involve many different owners; and.
  - iii. providing notice to each interest owner in this Unit of subsequent downhole commingling is unnecessary and is an excessive burden to the applicant.

(20) The deletion of the "notice requirement" will lessen the burden on the operator to send hundreds of notice packages to unit interest owners every time the operator seeks approval to downhole commingle production from the Basin-Mancos Gas Pool with the Blanco-Mesaverde and/or Basin-Dakota Gas Pools.

(21) The Applicant seeks the elimination of unnecessary notice whereby notice for downhole commingling of Basin-Mancos with Blanco-Mesaverde, Basin-Dakota Gas Pools and/or the Cereza Canyon-Gallup Pool within this Unit will 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.

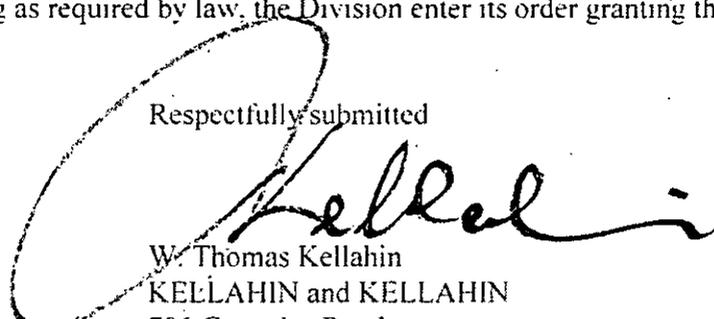
(22) Notice will still be sent to the Bureau of Land Management and the New Mexico State Land Office

(23) Applicant requests that this matter be docketed for hearing on the Division's Examiner docket now scheduled for July 11, 2013.

(24) 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 July 11, 2013 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

A large, stylized handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', is written over the typed name and address below.

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**AMENDED PROPOSED ADVERTISEMENT**

15013

Case ~~15011~~ First Amended Application of Burlington Resources Oil & Gas Company, LP, to terminate the Cereza Canyon-Gallup Pool including the concomitant expansion of the Basin-Mancos Gas Pool and for the establishment of a downhole commingling reference case, including the deletion of notice requirements, pursuant to Division Rule 19.15.12.11.D for its San Juan 27-5 Unit, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks the termination of the Cereza Canyon-Gallup Pool including the expansion of the Basin-Mancos Gas Pool. In addition, Applicant, in accordance with Division Rule 19.15.12.11.D, seeks to establish a downhole commingling reference case for its San Juan 27-5 Unit including the modification of notification rules on an area-wide basis authorization for downhole commingling so that production can be downhole commingling with/or Dakota, Mesaverde, and Mancos gas production in the wellbores of existing or future wells drilled anywhere within the San Juan 27-5 Unit located in Township 27 North Range 5 West, NMPM, Rio Arriba County, New Mexico. The center of said area is located approximately 5 miles northeast from Cebolla, New Mexico.

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