

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. 14928
ORDER NO. R-13681

APPLICATION OF CONOCOPHILLIPS COMPANY AND BURLINGTON
RESOURCES OIL & GAS COMPANY, LP, TO AMEND DOWNHOLE
COMMINGLING REFERENCE CASES ORDERS FOR FOURTEEN
"TOWNSHIP" UNITS TO DELETE THE NOTICE REQUIREMENTS, SAN
JUAN AND RIO ARRIBA COUNTIES, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on November 29, 2012 at Santa Fe, New Mexico, before Examiner Richard I. Ezeanyim.

NOW, on this 20th day of February, 2013, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.

(1) The Applicants, ConocoPhillips Company and Burlington Resources Oil & Gas Company LP, operate certain voluntary units (the "Township Units") in Rio Arriba and San Juan Counties, New Mexico, that were approved for downhole commingling reference cases generally for Mesaverde and Dakota production. Some of those reference cases also deleted the requirement that notice be sent to all interest owners when the operator filed to downhole commingle by either a Division form C-107-A or C-103, for production from the Basin-Dakota, Blanco-Mesaverde Gas Pools and other pools.

(2) The Division has approved the Basin-Mancos Gas Pool as a Pre-Approved pool for downhole commingling (DHC) with the Blanco-Mesavede and Basin-Dakota Gas Pools in Order No. R-12984-B. The Applicants now seek to delete the requirement

that notice be sent to the Township Unit owners for the proposed downhole commingling of production from the Basin-Mancos Gas Pool with other approved pools.

(3) Applicant seeks to delete notice of DHC within the following Township Units and amend these orders accordingly:

- a. Allison Unit—Order No. R-13106, dated 3/25/2009, entered in Case 14281;
- b. San Juan 27-4 Unit—Order No. R-12867, dated 1/03/2008, entered in Case 13989;
- c. San Juan 28-4 Unit--Order No. R-12865, dated 1/03/2008, entered in Case 13987;
- d. San Juan 28-6 Unit--Order No. R-10696, dated 11/12/1996, entered in Case 11628;
- e. San Juan 28-7 Unit--Order No. R-10476-B, dated 10/17/1997, entered in Case 11815;
- f. San Juan 29-5 Unit--Order No. R-10770, dated 2/21/1997, entered in Case 11708;
- g. San Juan 29-6 Unit—Order No. R-11187, dated 5/25/1999, entered in Case 12136;
- h. San Juan 29-7 Unit--Order No. R-10697, dated 11/08/1996, entered in Case 11629;
- i. San Juan 30-5 Unit--Order No. R-10771, dated 2/21/1997, entered in Case 11709;
- j. San Juan 30-6 Unit--Order No. R-12866, dated 1/03/2008, entered in Case 13988;
- k. San Juan 31-6 Unit—Order No. R-11188, dated 5/25/1999, entered in Case 12138;
- l. San Juan 32-7 Unit--Order No. R-11210, dated 6/21/1999, entered in Case 12137;
- m. San Juan 32-8 Unit--Order No. R-11189, dated 5/25/1999, entered in Case 12139; and
- n. San Juan 32-9 Unit--Order No. R-10692, dated 11/01/1996, entered in Case 11601.

(4) As a result of the entry of the downhole commingling "reference cases", certain formations within these Township Units have been exempted from some or all of the requirements of Division Rule 19.15.12.11 NMAC. Those exempted requirements include (a) marginal economic criteria, (b) compatibility criteria, (c) pressure criteria, (d) cross-flow criteria, (e) fluid-sensitivity criteria, (f) value criteria, and (g) allocation formulas. In addition, some of the formations within these Township Units also have notice requirements to interest owners already exempted from downhole commingling applications.

(5) In all these fourteen Township Units, the Division has exempted production from the Blanco-Mesaverde and Basin-Dakota Gas Pools from some or all the criteria listed in paragraph (4) above.

(6) As a result of the entry of Order No. R-11363, dated April 26, 2000, the Basin-Dakota and the Blanco-Mesaverde Gas Pools were approved as "pre-approved pools", for downhole commingling of production, thus eliminating the need to justify marginal economic criteria, compatibility criteria, pressure criteria, cross flow criteria, and fluid sensitivity criteria on a well-by-well basis.

(7) The Division routinely approves administratively the downhole commingling of production from the Gallup (Mancos), Mesaverde and Dakota formations within the San Juan Basin.

(8) Recently, as a result of the entry of Division Order No. R-12984-B, dated August 15, 2012 entered in Case 14862, the Division has "pre-approved" the downhole commingling of production from the Basin-Mancos, Blanco-Mesaverde and Basin-Dakota Gas Pools within the entire San Juan Basin.

(9) In doing so, the Division has authorized the downhole commingling of Basin-Mancos, Blanco-Mesaverde and Basin-Dakota Gas Pools and exempted the operators from having to demonstrate: (a) marginal economic criteria, (b) compatibility criteria (c) pressure criteria, (d) cross-flow criteria, and (e) fluid sensitivity criteria.

(10) Currently, there is no exception to the notice requirements within these Township Units 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.

(11) In support of its request to delete this notice requirement the Applicants appeared at the hearing through counsel and presented the following testimony:

(a) These Township Units are "divided" units with varying participating areas, the interest ownership between any zones to be downhole commingled within a given wellbore in these Township Units are not common;

(b) Pursuant to Division Rule 19.15.12.11.C.(2) NMAC, which states the requirements for filing downhole commingling applications within "pre-approved" areas, applicants are 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. Due to the diverse ownership within these Township Units, this notice can involve as many as 221 different owners within a given wellbore; and

(c) Providing notice to each interest owner in these Township Units of subsequent downhole commingling is unnecessary and is an excessive burden to the Applicants.

(12) The deletion of the notice requirement will eliminate the burden on the Applicants of sending hundreds of notice packages to unit interest owners every time the Applicants seek approval to downhole commingle production from the Basin-Mancos Gas Pool with the Blanco-Mesaverde and/or Basin-Dakota Gas Pools.

(13) The Applicants seek the elimination of unnecessary notice whereby notice for downhole commingling of Basin-Mancos with Blanco-Mesaverde and/or Basin-Dakota Gas Pools within these Township Units will not be required to any owners (including royalty, overriding royalty or working interest owners) in instances where ownership is not common or percentages are not identical in the zones to be commingled.

(14) Approximately 1,800 notices of this application were sent to all interest owners, including working, royalty and overriding royalty interest owners within each of these Township Units.

(15) There were no objections filed and no party appeared at the hearing in opposition to the granting of this application.

(16) The proposed "Reference Case" should remove the repetitive notice requirement and encourage expedient completion of wells within these fourteen Township Units, and thereby prevent waste and protect correlative rights.

(17) This application should be approved.

IT IS THEREFORE ORDERED THAT:

(1) The application of ConocoPhillips Company and Burlington Resources Oil & Gas Company, LP, to establish a "Reference Case" to delete the notice requirement for downhole commingling of production from the Basin-Mancos with the Blanco-Mesaverde and/or Basin-Dakota Gas Pools within the following described fourteen (14) Township Units is hereby approved:

- a. Allison Unit - Order No. R-13106, dated 3/25/2009, entered in Case 14281;
- b. San Juan 27-4 Unit - Order No. R-12867, dated 1/03/2008, entered in Case 13989;
- c. San Juan 28-4 Unit - Order No. R-12865, dated 1/03/2008, entered in Case 13987;
- d. San Juan 28-6 Unit - Order No. R-10696, dated 11/12/1996, entered in Case 11628;
- e. San Juan 28-7 Unit - Order No. R-10476-B, dated 10/17/1997, entered in Case 11815;
- f. San Juan 29-5 Unit - Order No. R-10770, dated 2/21/1997, entered in Case 11708;
- g. San Juan 29-6 Unit - Order No. R-11187, dated 5/25/1999, entered in Case 12136;

- h. San Juan 29-7 Unit - Order No. R-10697, dated 11/08/1996, entered in Case 11629;
- i. San Juan 30-5 Unit - Order No. R-10771, dated 2/21/1997, entered in Case 11709;
- j. San Juan 30-6 Unit - Order No. R-12866, dated 1/03/2008, entered in Case 13988;
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- l. San Juan 32-7 Unit - Order No. R-11210, dated 6/21/1999, entered in Case 12137;
- m. San Juan 32-8 Unit - Order No. R-11189, dated 5/25/1999, entered in Case 12139; and
- n. San Juan 32-9 Unit - Order No. R-10692, dated 11/01/1996, entered in Case 11601.

(2) Henceforth, all applications to downhole commingle production from the Basin-Mancos Gas Pool with the Blanco-Mesaverde and/or Basin-Dakota Gas Pools within the above-described fourteen Township Units, shall be in accordance with the procedure set forth in Rule 19.15.12.11(C)(2) NMAC (Wells located in Pre-Approved pools or areas), provided however, that notice of such downhole commingling shall not be required to be provided to all interest owners within the wellbore to be commingled, even though the interest ownership between the zones to be commingled within that wellbore is not common.

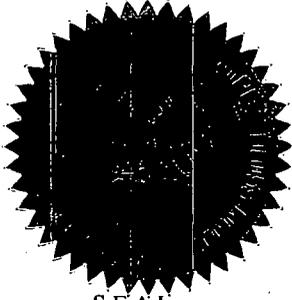
(3) The above-described orders applicable to the fourteen Township Units are hereby amended by adding Ordering Paragraph (2) above to those orders.

(4) All other Division provisions relating to application for downhole commingling are still in force and effect including notification to the Bureau of Land Management (BLM), and the State Land Office (SLO).

(5) The operator of these fourteen Township Units shall reference this Division Order on either Form C-107-A, or Form C-103, when applying to the Division for approval of downhole commingling of production from the Basin-Mancos, Blanco-Mesaverde, and the Basin-Dakota Gas Pools.

Jurisdiction of this case is 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.



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read "Jami Bailey".

JAMI BAILEY
Director