

KELLAHIN & KELLAHIN
ATTORNEY AT LAW

W. Thomas Kellahin
706 Gonzales Road
Santa Fe, New Mexico 87501

phone 505.982.4285
Facsimile 505.216.2780
tkellahin@comcast.net

June 13, 2013

TO:

**ALL INTERESTED PARTIES ENTITLED TO NOTICE
OF THE HEARING OF THE FOLLOWING NEW MEXICO
OIL CONSERVATION DIVISION CASE:**

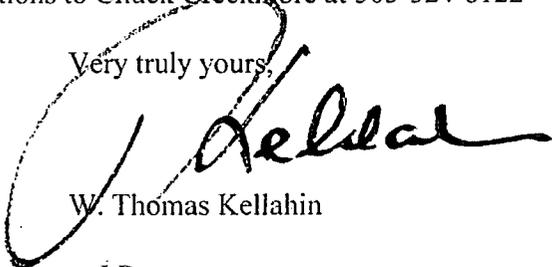
*Re: Application of Burlington Resources Oil & Gas
Company, LP for a downhole commingling reference case
for its Huerfano Unit, including the deletion of notice
requirements pursuant to Division Rule 19.15.12.11.D.,
San Juan County, New Mexico*

On behalf of Burlington Resources Oil & Gas Company, LP, please find enclosed our application, which has been set for hearing on the New Mexico Oil Conservation Division Examiner's docket now scheduled for 8:15 am on July 11, 2013. The hearing will be held at the Division hearing room located at 1220 South St. Francis Drive, Santa Fe, New Mexico.

As an interest owner who 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 to the Division Rule 19.15.4.13.B, you are further notified that if you desire to appear in this case, then you are requested to file a Pre-Hearing Statement with the Division not later than 5:00 PM on Thursday, July 4, 2013, with a copy delivered to the undersigned. Please direct any questions to Chuck Creekmore at 505-324-6122

Very truly yours,


W. Thomas Kellahin

cc: Burlington Resources Oil & Gas Company, LP
Attn: Chuck Creekmore

**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 COMPANY, LP FOR DOWNHOLE
COMMINGLING REFERENCE CASE FOR ITS
HUERFANO UNIT, INCLUDING THE DELETION
OF NOTICE REQUIREMENTS, PURSUANT TO DIVISION
RULE 19.15.12.11.D, SAN JUAN COUNTY, NEW MEXICO.**

CASE NO.

APPLICATION

Comes now BURLINGTON RESOURCES OIL & GAS COMPANY, LP, by and through its attorneys, W. Thomas Kellahin of Kellahin & Kellahin, and applies to the New Mexico Oil Conservation Division 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 Huerfano Unit, San Juan County, New Mexico. Applicant, in the above-styled cause, in accordance with Division Rule 19.15.12.11.D seeks to establish a downhole commingling reference case to provide for (a) marginal economic criteria, (b) cross flow criteria (c) pressure criteria, (d) fluid compatibility and water sensitivity/damage issues (e) value issues (f) allocation formulas, and modification of notification rules on an area-wide basis authorization for downhole commingling from the Angel Peak Gallup Associated Pool, Dufers Point Gallup-Dakota Pool and/or the Gallegos-Gallup Pool so that production can be downhole commingling with/or Dakota, Mesaverde, and Basin-Mancos gas production in the wellbores of existing or future wells drilled anywhere within the Huerfano Unit located parts of Township 26 North, Range 11 West, Township 26 North, Range 10 West, Township 26 North Range 9 West, Township 25 North, Range 10 West, Township 25 North, Range 9 West, Township 27 North Range 10 West, Township 27 North, Range 11 West, NMPM., San Juan County, New Mexico.

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

(1) Burlington is the operator of the Huerfano Unit which currently includes 188± Dakota wells, -0- Mesaverde wells, -0- Basin-Mancos Pool wells, -0- Dufers-Point Gallup-Dakota Pool wells, 3± Gallegos-Gallup Associated Pool wells and 23± Angel Peak Gallup Associated Pool wells all located within an area known as the "Huerfano Unit" consisting of 56,792.79 acres, more or less of acreage, as identified on Exhibit "A"

(2) 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:

- (a) 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

(3) 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.

(4) 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.

(5) The Angel Peak Gallup Associate Pool, Dufers Point Gallup-Dakota Pool and the Gallegos-Gallup Pool are not currently approved as a "pre-approved" downhole commingled pools.

(6) Sufficient data is now available from existing wells in the Huerfano Unit to support the Division approving the downhole commingling of production from the Angel Peak Gallup Associated Pool, Dufers Point Gallup-Dakota Pool, Gallegos-Gallup Pool and/or the Basin-Mancos Gas Pool with production from the Dakota, Mesaverde, and/or Mancos formations within the Huerfano Unit on an "area-wide" basis rather than on a "well-by-well basis" as to the criteria listed in paragraph 2 above.

(7) Burlington seeks authorization pursuant to Division Rule 19.15.12.11.D that all administrative application for downhole commingling of Mesaverde, Dakota, Manos and/or Gallup gas production within the Huerfano 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 2 above.

(8) 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.

(9) 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.

(10) 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.

(11) 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.

(12) 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.

(13) Burlington requests the adoption of a "reference case" for the Angel Peak Gallup Associated Pool, Gallegos-Gallup Pool and the Dufers Point Gallup-Dakota 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.

(14) 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, Angel Peak Gallup Associated Pool, Gallegos Gallup Pool, Dufers Point Gallup-Dakota Pool 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, Angel Peak Gallup Associated Pool, Gallegos Gallup Pool, Dufers Point Gallup-Dakota Pool and/or Basin-Dakota Gas Pools be sent to each interest owner affected, applicant will provide 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.

(15) 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, Angel Peak Gallup Associated Pool, Gallegos Gallup Pool, Dufers Point Gallup-Dakota Pool and/or Basin-Dakota Gas Pools.

(16) The Applicant seeks the elimination of unnecessary notice whereby notice for downhole commingling of Basin-Mancos, Blanco-Mesaverde, Basin-Dakota, Angel Peak Gallup Associated Pool, Gallegos-Gallup Pool, Dufers Point Gallup-Dakota 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.

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

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

(19) 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 handwritten signature in black ink, appearing to read "W. Thomas Kellahin". The signature is written in a cursive style and is positioned over the typed name and address.

W. Thomas Kellahin
KELLAHIN and KELLAHIN
706 Gonzales Road
Santa Fe, New Mexico 87501
(505) 982-4285
Attorneys for Applicant