

KELLAHIN & KELLAHIN
Attorney at Law

W. Thomas Kellahin
Recognized Specialist in the Area of
Natural Resources-oil and gas law-
New Mexico Board of Legal Specialization

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Santa Fe, New Mexico 87501

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February 15, 2006

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

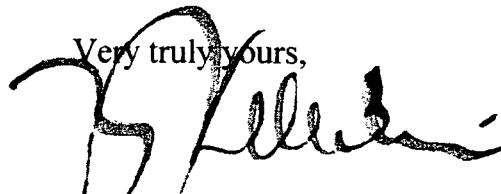
Re: Application of Burlington Resources Oil & Gas
Company LP for an exception to the well density
Requirements of the Special Rules and Regulations
for the Blanco-Mesaverde Gas Pool, Rio Arriba
County, New Mexico

On behalf of Burlington Resources Oil & Gas Company LP, please find enclosed our application for an exception to the referenced pool rules such that there can be 2 producing wells in the same 40-acre tract within this spacing unit consisting of the E/2 of Section 19, T27N, R5W that has been set for hearing on the New Mexico Oil Conservation Division Examiner's docket now scheduled for March 16, 2006. The hearing will be held at the Division hearing room located at 1220 South Saint 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's Memorandum 2-90, 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 4:00 PM on Friday, March 10, 2006, with a copy delivered to the undersigned.

Very truly yours,



W. Thomas Kellahin

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HAND DELIVERED

Mr. Mark Fesmire, P.E., Director
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

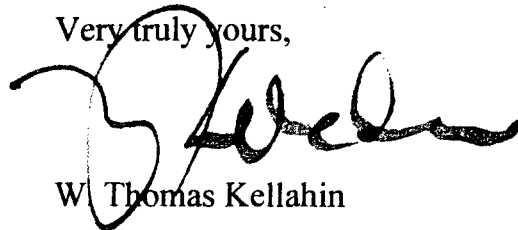
Re: Application of Burlington Resources Oil & Gas Company LP
for an exception to the well density requirements of the
Special Rules and Regulations for the Blanco-Mesaverde
Gas Pool, Rio Arriba County, New Mexico

E/2 Section 19, T27N, R5W including the simultaneous dedication
of the San Juan 27-5 Unit Well 138 (Unit Letter G) and the
San Juan 27-5 Unit Well 50 (Unit Letter G) both located in the
same 40-acre tract of the spacing unit.

Dear Mr. Fesmire:

On behalf of Burlington Resources Oil & Gas Company LP, please
find enclosed our referenced application which we request be set for
hearing on the Examiner's docket now scheduled for March 16, 2006. Also
enclosed is our proposed advertisement of this case for the NMOCD
docket.

Very truly yours,



W. Thomas Kellahin

cc: Burlington Resources Oil & Gas Company LP
Attn: Alan Alexander

CASE ____: Application of Burlington Resources Oil & Gas Company LP for an exception to the well density requirements of the Blanco-Mesaverde Gas Pool, Rio Arriba County, New Mexico. Applicant seeks an exception to the well density requirements of Rule I.B of the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool to permit it to produce the following 2 Mesaverde gas wells in the same quarter-quarter section (SW/4NE/4) on a standard spacing and proration unit comprised of the E/2 of Section 19, T27N, R5W, NMPM:

(a) the San Juan 27-5 Unit Well No. 138 (API #30-039-2046300) located 1600 feet FEL and 1800 feet FNL (Unit G) of this section; and

(b) the San Juan Unit Well No. 50 (API #30-039-0699600) located 1840 feet FEL and 1650 feet FNL (Unit G) of this section; and

These wells are located approximately 10 miles south of the Gobernador, New Mexico.

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE APPLICATION OF
BURLINGTON RESOURCES OIL & GAS COMPANY LP
FOR AN EXCEPTION TO THE WELL DENISTY
REQUIREMENTS FOR THE BLANCO-MESAVERDE
GAS POOL, RIO ARRIBA COUNTY, NEW MEXICO.**

CASE NO. _____

APPLICATION

Burlington Resources Oil & Gas Company LP. ("Burlington") by its attorneys, Kellahin & Kellahin, seeks an order for an exception to the well density requirements of the Blanco-Mesaverde Gas Pool, Rio Arriba County, New Mexico. Applicant seeks an exception to the well density requirements of Rule I.B of the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool to permit it to produce the following 2 Mesaverde gas wells in the same quarter-quarter section (SW/4NE/4) on a standard spacing and proration unit comprised of the E/2 of Section 19, T27N, R5W, NMPM:

(a) the San Juan 27-5 Unit Well No. 138 (API #30-039-2046300) located 1600 feet FEL and 1800 feet FNL (Unit G) of this section; and

(b) the San Juan Unit Well No. 50 (API #30-039-0699600) located 1840 feet FEL and 1650 feet FNL (Unit G) of this section; and

In support of its application Burlington states:

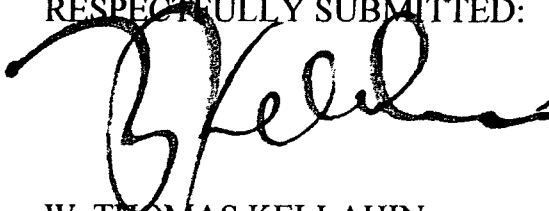
- (1) Burlington is the current operator of the San Juan 27-5 Unit that includes, among other acreage, the E/2 of Section 19, T27N, R5W, Rio Arriba County, New Mexico.

- (2) This spacing unit currently contains four wells completed in the Blanco-Mesaverde Gas Pool as follows:
 - (a) the San Juan 27-5 Unit Well No. 138 (API #30-039-2046300) located 1600 feet FEL and 1800 feet FNL (Unit G) of this section; and
 - (b) the San Juan 27-5 Unit Well No. 50 (API #30-039-0699600) located 1840 feet FEL and 1650 feet FNL (Unit G) of this section; and
 - (c) the San Juan 27-5 Unit Well No. 138E (API #300392375800) located 800 feet FSL and 1650 feet FEL (Unit O) of this section.
 - (d) the San Juan 27-5 Unit Well No. 138P (API #300392768200) located 1700 feet FSL and 660 feet FEL (Unit I) of this section.
- (3) The Blanco-Mesaverde Gas Pool is governed by Special Rules and Regulations which provide for 320-acre spacing and proration units on which as many as four wells may be drilled. See Order R-8170, as superseded by Order R-10987-A, effective February 1, 1999 and amended by Order R-10987-A (1), effective December 2, 2002. This Special Pool Rules and Regulations provide, among other things, that an infill well shall not be located within the same quarter-quarter section (40-acre tract) and another well.
- (4) On or about October 12, 1999, Burlington recompleted the San Juan 27-5 Unit Well No. 138 such that the No. 138 and the No. 50 are both in the same quarter-quarter section and are located at standard distances from the outer boundaries of this GPU.
- (5) Upon becoming aware of its mistake, on January 9, 2006, Burlington shut-in the Well No.50 that remains shut-in and is not producing from the Mesaverde formation.
- (6) While the total number of wells in this Mesaverde gas proration unit ("GPU") is not more than what is allowed, the Well No. 138 and Well No. 50 are located in the same quarter-quarter section and therefore are in violation of the density requirements of this Special Pool Rules.

- (7) Burlington therefore requests that the Division enter its order granting an exception to the well density requirements of Rule I.B of the Special Rules and Regulations of the Blanco-Mesaverde Gas Pool approving the location of the San Juan 27-5 Unit Well No. 138 and the Well No. 50 in the same quarter-quarter section and authoring Burlington to simultaneously produce both wells.
- (8) Approval of this application will not impair the correlative rights of any other interest owner in the Blanco-Mesaverde Gas Pool and will afford Burlington the opportunity to utilize the existing wells to produce the reserves from this GPU.
- (9) Approval of this application will be in the best interests of conversations, the prevention of waste and the protection of correlative rights.

WHEREFORE, Burlington Resources Oil & Gas Company, LP requests that this application be set for hearing before an Examiner of the Oil Conservation Division on March 16, 2006 and after notice and hearing as required by law, the Division enter its order granting an exception to the well density requirements of Rule I.B of the Special Rules and Regulations of the Blanco-Mesaverde Gas Pool approving the location of the San Juan 27-5 Unit Wells No. 138 and No. 50 in the Mesaverde formation and authorizing Burlington to simultaneously produced both wells.

RESPECTFULLY SUBMITTED:



W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87501
(505) 982-4285

**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 AN EXCEPTION
TO THE WELL DENISTY REQUIREMENTS OF
THE BLANCO-MEASVERDE GAS POOL
RIO ARRIBA OR SAN JUAN COUNTY, NEW MEXICO**

**CASE NO. 13667
CASE NO. 13668
CASE NO. 13669
CASE NO. 13670
CASE NO. 13671
CASE NO. 13672
CASE NO. 13673
CASE NO. 13674**

CONSOLIDATED PRE-HEARING STATEMENT

This consolidated pre-hearing statement is submitted by Burlington Resources Oil & Gas Company LP as required by the New Mexico Oil Conservation Division.

APPEARENCES OF THE PARTIES

APPLICANT

Burlington Resources Oil & Gas Company
3535 West 32nd Street
Farmington, NM 87501
Attn: Alan Alexander
Phone 505-326-9757

ATTORNEY

W. Thomas Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87504
phone 505-982-4285
Fax 505-982-2047

OPPONENT

None

ATTORNEY

STATEMENT OF THE CASES

APPLICANT:

These eight applications of Burlington Resources Oil & Gas Company LP are for an exception to the well density requirements of the Blanco-Mesaverde Gas Pool, San Juan County, New Mexico. Applicant seeks an exception to the well density requirements of Rule I.B of the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool to permit it:

(1) CASE 13667: to produce the following 2 Mesaverde gas wells in the same quarter-quarter section (SE/4NE/4) on a standard spacing and proration unit comprised of the E/2 of Section 16, T30N, R7W, NMPM:

(a) the State Com Well No. 1 (API #30-039-0784700) located 1090 feet FEL and 2040 feet FNL (Unit H) of this section; and

(b) the State Com Well No. 1R (API #30-039-2526200) located 640 feet FEL and 2515 feet FNL (Unit H) of this section; and

(2) CASE 13668: to produce the following 2 Mesaverde gas wells in the same quarter-quarter section (SE/4NW/4) on a standard spacing and proration unit comprised of the W/2 of Section 11, T29N, R7W, NMPM:

(a) the San Juan 29-7 Unit Well No. 57A (API #30-039-2556700) located 1840 feet FWL and 1850 feet FNL (Unit F) of this section; and

(b) the San Juan Unit 29-7 Well No. 57C (API #30-039-2585700) located 2620 feet FWL and 1545 feet FNL (Unit F) of this section.

(3) CASE 13669: to produce the following 2 Mesaverde gas wells in the same quarter-quarter section (SW/4NE/4) on a standard spacing and proration unit comprised of the E/2 of Section 19, T27N, R5W, NMPM:

(a) the San Juan 27-5 Unit Well No. 138 (API #30-039-2046300) located 1600 feet FEL and 1800 feet FNL (Unit G) of this section; and

(b) the San Juan ²⁷⁻⁵ Unit Well No. 50 (API #30-039-0699600) located 1840 feet FEL and 1650 feet FNL (Unit G) of this section.

(4) CASE 13670: to permit it to produce the following 2 Mesaverde gas wells in the same quarter-quarter section (NW/4NE/4) on a standard spacing and proration unit comprised of the E/2 of Section 30, T27N, R4W, NMPM:

(a) the San Juan 27-4 Unit Well No. 21 (API #30-039-0693700) located 1800 feet FEL and 850 feet FNL (Unit B) of this section; and

(b) the San Juan 27-4 Unit Well No. 53 (API #30-039-201500) located 1460 feet FEL and 900 feet FNL (Unit B) of this section.

(5) CASE 13671: to produce the following 2 Mesaverde gas wells in the same quarter-quarter section (NE/4NW/4) on a standard spacing and proration unit comprised of the W/2 of Section 33, T29N, R7W, NMPM:

(a) the San Juan 29-7 Unit Well No. 97B (API #30-039-2586100) located 2135 feet FWL and 1195 feet FNL (Unit C) of this section; and

(b) the San Juan Unit 29-7 Well No. 114M (API #30-039-2242500) located 1530 feet FWL and 790 feet FNL (Unit C) of this section.

(6) CASE 13672: to produce the following 2 Mesaverde/Dakota Commingled gas wells in the same quarter-quarter section (NE/4SW/4) on a standard spacing and proration unit comprised of the W/2 equivalent of Irregular Section 31, T28N, R6W, NMPM:

(a) the San Juan 28-6 Unit Well No. 210 (API #30-039-2084100) located 1190 feet FWL and 1850 feet FSL (Unit K) of this section; and

(b) the San Juan Unit 28-6 Well No. 210P (API #30-039-2945800) located 2015 feet FWL and 1845 feet FSL (Unit K) of this section.

(7) CASE 13673: to permit it to produce the following 2 Mesaverde gas wells in the same quarter-quarter section (SW/4NE/4) on a standard spacing and proration unit comprised of the E/2 of Section 5, T27N, R5W, NMPM:

(a) the San Juan 27-5 Unit Well No. 61 (API #30-039-0719100) located 1850 feet FEL and 1700 feet FNL (Unit G) of this section; and

(b) the San Juan Unit 27-5 Well No. 78 (API #30-039-0719400) located 1460 feet FEL and 1460 feet FNL (Unit G) of this section.

(8) CASE 13674: to produce the following 2 Mesaverde gas wells in the same quarter-quarter section (SE/4SW/4) on a standard spacing and proration unit comprised of the W/2 of Section 15, T32N, R7W, NMPM:

(a) the Allison Unit Well No. 16 (API #30-045-11385) located 1800 feet FWL and 890 feet FSL (Unit N) of this section; and

(b) the Allison Unit Well No. 16R (API #30-045-28986) located 2335 feet FWL and 995 feet FSL (Unit N) of this section.

PROPOSED EVIDENCE

BACKGROUND:

The Banco-Mesaverde Gas Pool Rules (R-10987-A, effective December 2, 2002) among other things allows a well density of (4) wells within a standard 320-acre gas spacing unit ("GPU") provided that no more than two wells be located within either quarter section in a GPU.

Burlington recently became aware that it had recompleted Mesaverde gas well in an existing 320-acre spacing unit (GPU) such that two (2) gas wells had been drilled or recompleted in the same 40-acre tracts of an existing 320-acre GPU.

Burlington conducted a review of 1027 completions and discovered that it operates eight (8) GPUs in which are two (2) within the same 40-acre tract and therefore are not in compliance with Rules for this pool.

Burlington has voluntarily "shut-in" wells in these GPUs in order to be in compliance pending a hearing before the Division on these cases.

PRECEDENT AND CRITERIA

In a recent case, the Division established a "precedent" by approving an application for BP America is Case 13483, Order R-12385, dated July 8, 2005 authorizing two gas wells to simultaneously produce in the same quarter-quarter of an existing GPU.

The criteria adopted by the Division in the BP America's case are:

(1) the wells in the same 40-acre tract are at "standard" locations in relations to the outer boundaries of the 320-acre GPU and do not encroached upon any surrounding spacing units,

(2) both wells are "low-productivity" wells. In the BP case the wells were not capable of producing more than 150 mcfpd at the existing line pressures.

(3) The two well do not appear to interfere with each other. (While BP introduced production decline curves, BP did not introduce actual “interference calculation to support its contention).

(4) The two well appeared to produce “unique” reserves. (BP did not introduce actual data to support its contention).

(5) BP had no plans to produced more and the maximum of four (4) Mesaverde gas wells in its GPU

(6) There was no objections or opposition.

BURLINGTON’S PROPOSED REFINED CRITERIA:

Burlington will propose that the Division use actual reservoir petroleum engineering interference calculations rather than the less reliable “low-productivity” wellbore standard. See Item (2) above.

CONCLUSIONS

Burlington will present evidence that demonstrates that these 8 cases meet the appropriate criteria and should be granted exceptions form the Rules for this pool as requested, and doing so, will testify and present evidence that includes:

- (1) History of “offending” wells, including reasons for these mistakes
- (2) New Burlington procedures to avoid future non-compliance wellbores
- (3) Information on encroachment
- (4) Total well density for the GPU
- (5) Production data, including initial and current production rates for the wells
- (6) Interference data between wells
- (7) Incremental reserves being produced
- (8) Plats of offsetting owners
- (9) Cost to plug and abandon offending well and redrill.

APPLICANT

WITNESSES	EST. TIME	EST. EXHIBITS
L. Tom Loveland (PE)	1-1.5 hour	many
Alan Alexander (landman)	20-30 min.	many

PROCEDURAL MATTERS

Burlington request to consolidate these 8 cases for purposes of hearing.

KELLAHIN & KELLAHIN

W. Thomas Kellahin