

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. 12857 (Reopened)
ORDER NO. R- 11848-A

APPLICATION OF BURLINGTON RESOURCES
OIL AND GAS COMPANY, LP, BP, AMOCO AND
ENERGEN RESOURCES CORPORATION FOR
APPROVAL OF THE PILOT PROJECT INCLUDING
UNORTHODOX WELL LOCATIONS AND EXCEPTION
FROM DIVISION RULE 104.D.3 (19.15.15.11) FOR
PURPOSES OF ESTABLISHING A PILOT PROGRAM
IN THE PICTURED CLIFFS FORMATION TO DETERMINE
PROPER WELL DENSITY REQUIREMENTS FOR
PICTURED CLIFFS WELLS IN SAN JUAN, SANDOVAL
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 September 2, 2010, at Santa Fe, New Mexico, before Examiner Terry Warnell.

NOW, on this 11th day of January, 2011, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

- (1) Due notice has been given, and the Division has jurisdiction of the subject matter of this case.
- (2) This case was consolidated for purposes of hearing with Case No. 14539. However, since the two cases involve different agenda, separate orders are being issued.
- (3) By Division Order No. R-11848, issued in Case No. 12857 and dated October 2, 2002, Burlington Resources Oil and Gas Company, BP, Amoco and Energen Resources Corporation (Applicants) were allowed to conduct a 30-well infill pilot study

program in the Pictured Cliffs formation in existing spacing units located in San Juan, Sandoval and Rio Arriba Counties.

(4) Applicants appeared at the hearing through counsel and presented land, geologic and engineering testimony and feedback accumulated over the past eight years. The results and recommendations from the operator pilot project study are as follows:

(a) Under Division Order No. R-11848 the Applicants were authorized to drill or add thirty (30) wells for the pilot project study over and above the normal spacing pattern.

(b) Twenty-five wells were ultimately evaluated in the Pictured Cliffs (BP 3, Burlington 16 and Energen 6).

(c) Seventeen of the pilot wells were "pay add" wells or existing producing Mesa Verde wells that were recompleted uphole in the Pictured Cliffs. Only eight of the wells were new drills.

(d) There is no significant pressure differential between the Mesa Verde and the Pictured Cliffs and therefore no reason to expect cross flow within the proposed wells.

(e) The gases and fluids from the Pictured Cliffs and the Mesa Verde formations are compatible.

(f) None of the Applicants felt they have enough information to recommend down spacing from 160 acres to 80 acres at this time.

(g) The objectives of the original pilot project study were not accomplished and additional pilot project study infill Pictured Cliffs wells may be needed.

(5) No other party appeared at the hearing or otherwise communicated to the Division any opposition to this hearing.

The Division concludes that:

(6) Based on the pressure and production data recorded in the pilot project study wells, and based upon current economic conditions infill "completions" i.e. new wells or re-completion of existing wells in the Pictured Cliffs in San Juan, Sandoval and Rio Arriba Counties, is not appropriate at this time and no infill order will be requested.

IT IS THEREFORE ORDERED THAT:

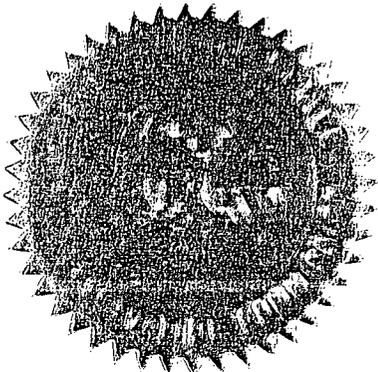
(1) The Division concludes that the original pilot project objective was not accomplished. The 160-acre wells (the parent wells) effectively drained the upper and

lower parts of the Pictured Cliffs and it is not economic to drill new 80-acre spacing wells to recover the incremental reserves out of the Pictured Cliffs at this time and more pilots may be needed.

(2) The original Order No. R-11848 issued in October of 2002 is hereby continued in full force and effect until further order of the Division.

(3) Jurisdiction is hereby 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 'Daniel Sanchez', with a long, sweeping flourish extending to the right.

DANIEL SANCHEZ
Acting Director