

**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:**

**IN THE MATTER OF THE APPLICATION OF
BURLINGTON RESOURCES OIL & GAS COMPANY LP
BP-AMOCO AND ENERGEN RESOURCES CORPORATION
FOR APPROVAL OF A PILOT PROJECT INCLUDING
UNORTHDOX WELL LOCATION AND AN
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**

CASE NO. 12857 Re-Opened

PRE-HEARING STATEMENT

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

APPEARANCES OF THE PARTIES

APPLICANT
Energy Resources Corporation

ATTORNEY
J. Scott Hall, Esq.

INTERESTED PARTY

Burlington Resources Oil & Gas Company LP
P. O. Box 4289
Farmington, New Mexico 87499-4289
Attn: Richard Corcoran
505-326-9589

W. Thomas Kellahin
706 Gonzales Road
Santa Fe, New Mexico 87501
505-982-4285
Fax: 505-612-2780

STATEMENT OF THE CASE

INTERESTED PARTY:

Burlington Resources Oil Gas Company LP ("Burlington") was the principle operator involved in obtaining Division approval for the original Pictured Cliffs ("PC") Pilot Infill Project with the hearing held on May 2, 2002 in Case 12857 and the approval Order R-11848 dated October 25, 2002.

Thereafter, based upon the data from this infill pilot project, by September 2005, Burlington concluded that the majority of available data suggests infilling the PC across the basin was not appropriate at that time. Today, Burlington continues to conclude that it is not appropriate to increase the density for the Pictured Cliffs spacing units within those pools in the San Juan Basin.

Discussion:

By the entry of Order R-11848, Burlington, BP and Energen received approval for this 30-well PC infill pilot project with Burlington drilling 16 80-acre pilot wells in 2002 and 2003. BP and Energen drilled a total of about 10 80-acre wells. Burlington and BP's 80-acre pilot wells are primarily in the central part of the basin while Energen's 80-acre tests are on the east side of the basin

Between 2001 and 2003 Burlington Resources collected pressure data on 13 160-acre wells and the 16 80-acre pilot wells. Layered pressure tests indicated that there is an insignificant amount of differential depletion between the upper and lower PC. Pressure data from the 80-acre pilot wells showed an average of 25% of the original reservoir pressure, which indicates that the PC is currently being drained laterally to a sufficient extent.

Initial production from the 80-acre pilot wells indicated that an average EUR of less than 250 MMSCF could be expected. Numerical simulation of the PC 80-acre pairs showed that 50-60% of the future recovery would be attributed to acceleration, and rate transient analysis confirmed this. Economic analysis indicated that the majority of future PC 80-acre infill projects would be uneconomic.

Summary:

In 2005, Burlington concluded that infill drilling of the Pictured Cliffs was not warranted. BP has independently reached the same conclusion and was against pursuing an infill order with the NMOCD at that time. Energen, because of recent acquisitions, has played a minor role in the analysis of the 80-acre pilot well production data and their opinion is unclear at this time. Their five 80-acre tests outperformed Burlington and BP's tests and had decent rates (>100 mcf/d) even after several years of production.

Today, Burlington continues to conclude that infill PC drilling is not justified.

BURLINGTON'S PROPOSED EVIDENCE

WITNESSES	EST. TIME	EST. EXHIBITS
Paul J. Marusak (petroleum engineer) (possible witness)	(pending)	

PROCEDURAL MATTERS

In its application to reopen, Energen at page 8 paragraph (7) states: "Energen will present the results of those studies on behalf of the operators and will identify those areas where additional infill development may or may not be warranted at this time."

Energen's application fails to disclose what exactly Energen wants the Division to do and fails to state what recommendations Energen intends to make. Therefore, at the conclusion of Energen's presentation, Burlington will move that this case be continued to the September 30, 2010 docket for provide time for comment and recommendations by Burlington.

KELLAHIN & KELLAHIN



W. Thomas Kellahin
Kellahin & Kellahin
706 Gonzales Road
Santa Fe, New Mexico 87501
Phone 505-982-4285
Fax 505-216-2780
E-mail: tkellahin@comcast.net

CERTIFICATE OF SERVICE

I certify that on August 26, 2010, I served a copy of the foregoing documents by:

- US Mail, postage prepaid
- Hand Delivery
- Facsimile
- Email

to the following:

David K. Brooks,, Esq. OCD
J. Scott Hall, Esq.



W. Thomas Kellahin