

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

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JUL 31 1996

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

Oil Conservation Division

APPLICATION OF BURLINGTON RESOURCES OIL & GAS COMPANY FOR DOWNHOLE
COMMINGLING REFERENCE CASE
PURSUANT TO DIVISION RULE 303.E
SAN JUAN AND RIO ARRIBA COUNTIES, NEW MEXICO. CASE NO. 11600

APPLICATION

Comes now BURLINGTON RESOURCES OIL & GAS COMPANY (formerly Meridian Oil Inc.), by and through its attorneys, Kellahin and Kellahin, and applies to the New Mexico Oil Conservation Division for the establishment of a downhole commingling reference case pursuant to Division Rule 303.E and the testimony presented in Division Case 11353 on January 18, 1996, seeks to establish a downhole commingling reference case to provide for (a) marginal economic criteria and (b) pressure criteria on a pool-wide basis for downhole commingling of Dakota, Mesaverde and Pictured Cliffs gas production in the wellbores of existing or future wells for the Basin-Dakota Gas Pool, the Blanco-Mesaverde Gas Pool and Blanco Pictured Cliffs Gas Pool all within San Juan Basin, New Mexico.

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

(1) Burlington currently operates 1,582 wells in the Basin Dakota Gas Pool wells, 2,163 wells in the Blanco-Mesaverde Gas Pool and 2,529 wells in the Blanco Pictured Cliffs Gas all located within the San Juan Basin, New Mexico.

(2) On August 3, 1995, January 18, 1996 and February 15, 1996, the New Mexico Oil Conservation Commission held a hearings in Case 11353 to consider the adoption of amendments to Rule 303 of its General Rules and Regulations pertaining to Downhole Commingling.

(3) On January 18, 1996, Burlington, then known as Meridian Oil Inc., presented technical geologic and petroleum engineering evidence to the Commission and requested that the Commission establish a "reference case" and thereby set a marginal economic criteria (Part (1)(b)(v) and justify deleting the pressure limitation criteria (Part (1)(b)(v) for downhole commingled production from the Dakota, Mesaverde and Pictured Cliffs formations in the San Juan Basin.

(4) On March 12, 1996, the Commission issued Order R-10480-A which among other things established the procedures to adoption by the Division of "reference cases" but failed to specifically establish a reference case as requested by the applicant.

(5) In the absence of the establishment of a "reference case" as provided in Rule 303.E, Division general state-wide Rule 303.C requires that administrative applications for downhole commingling of gas production 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; and
- (b) 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.

(6) Sufficient data was presented to the Commission to support the Division approving a downhole commingling "reference case" for Dakota, Mesaverde and Pictured Cliffs gas production within the San Juan Basin on a "pool-wide" basis rather than on a "well-by-well basis."

(7) Sufficient data was submitted in Case 11353 to support the Division adopting a "reference case" for the downhole commingling of Blanco-Mesaverde Gas Pool, the Basin-Dakota Gas Pool and/or the Blanco Pictured Cliffs Gas Pool gas production within the San Juan 32-9 Unit as to the following criteria:

- (a) economic criteria to support that at least one zone to be commingled is marginal; and
- (b) 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,

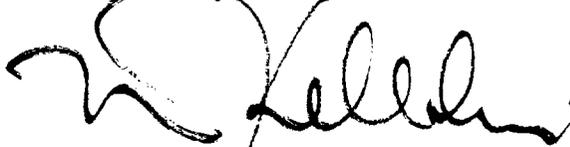
(8) Burlington requests that the Division incorporate the record in Case 11353 and in the absence of objection authorize pursuant to Division Rule 303.E that all administrative applications for the downhole commingling of production from the Blanco-Mesaverde Gas Pool, the Basin-Dakota Gas Pool and/or the Blanco Pictured Cliffs Gas Pool within the San Juan Basin submitted subsequent to the filing of the application in this case shall be authorized to refer to the order entered in this case and shall not be required to submit evidence or data for the following criteria (a) marginal economic criteria or (b) pressure criteria.

(9) The processing of downhole commingling applications for the Basin Dakota Gas Pool, the Blanco-Mesaverde Gas Pool and the Blanco Pictured Cliffs Gas in the absence of adopting a reference case will be an administrative burden to the Division and to the operator.

(10) Approval of downhole commingling reference case for these pools on an pool-wide basis is in the best interests of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE Applicant requests that this matter be set for hearing on August 22, 1996 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', written over a horizontal line.

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Case _____: Application of Burlington Resources Oil & Gas Company for the establishment of a downhole commingling reference case pursuant to Division Rule 303.E and the adoption of special administrative rules therefore, San Juan County and Rio Arriba County, New Mexico. Applicant, in the above-styled cause, in accordance with Division Rule 303.E and the testimony presented in Division Case 11353 on January 18, 1996, seeks to establish a downhole commingling reference case to provide for (a) marginal economic criteria and (b) pressure criteria on a pool-wide basis for downhole commingling of Dakota, Mesaverde and Pictured Cliffs gas production in the wellbores of existing or future wells for the Basin-Dakota Gas Pool, the Blanco-Mesaverde Gas Pool and Blanco Pictured Cliffs Gas Pool. Said pools are located in the San Juan Basin of San Juan and Rio Arriba Counties, New Mexico.

IN THE ABSENCE OF OBJECTION THIS CASE WILL BE TAKEN UNDER ADVISEMENT BASED UPON THE RECORD PRESENTED IN DIVISION CASE 11353