

**KELLAHIN AND KELLAHIN**

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN\*

\*NEW MEXICO BOARD OF LEGAL SPECIALIZATION  
RECOGNIZED SPECIALIST IN THE AREA OF  
NATURAL RESOURCES-OIL AND GAS LAW

TELEPHONE (505) 982-4285

TELEFAX (505) 982-2047

JASON KELLAHIN (RETIRED 1991)

September 19, 1996

TO:

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

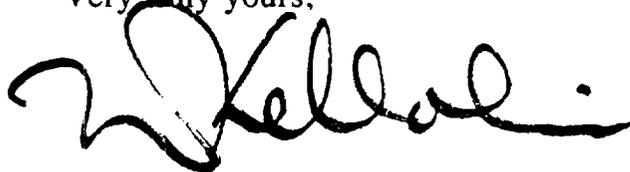
*Re: Application of Burlington Resources Oil & Gas Company  
for a downhole commingling reference case for its San  
Juan 29-7 Unit, Pursuant to Division Rule 303.E,  
San Juan County, New Mexico*

On behalf of Burlington Resources Oil & Gas Company (formerly Meridian Oil Inc.), please find enclosed our application which has been set for hearing on the New Mexico Oil Conservation Division Examiner's docket now scheduled for October 17, 1996. The hearing will be held at the Division hearing room located at 2040 S. Pacheco, 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, October 11, 1996, with a copy delivered to the undersigned. Please direct any questions to Alan Alexander (505) 326-9757.

Very truly yours,



W. Thomas Kellahin

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

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JASON KELLAHIN (RETIRED 1991)

September 19, 1996

HAND DELIVERED

Mr. William J. LeMay, Director  
Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505

Re: San Juan 29-7 Unit  
Application of Burlington Resources  
Oil & Gas Company for the establishment  
of a Downhole Commingling Reference Case  
Pursuant to Division Rule 303.E  
San Juan County, New Mexico

Dear Mr. LeMay:

On behalf of Burlington Resources Oil & Gas Company, please find enclosed our referenced application which we request be set for hearing on the next available Examiner's docket now scheduled for October 17, 1996.

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  
Attn: Mr. Alan Alexander

## PROPOSED ADVERTISEMENT

Case\_\_\_\_\_: Application of Burlington Resources Oil & Gas Company for the establishment of a downhole commingling reference case for its San Juan 29-7 Unit pursuant to Division Rule 303.E and the adoption of special administrative rules therefore, San Juan County, New Mexico. Applicant, in the above-styled cause, in accordance with Division Rule 303.E seeks to establish a downhole commingling reference case to provide for (a) marginal economic criteria, (b) pressure criteria, (c) allocation formulas, and (d) modification of notification rules on an area-wide basis authorization for downhole commingling of Dakota, Mesaverde, Fruitland-Coal and Pictured Cliffs gas production in the wellbores of existing or future wells drilled anywhere within the San Juan 29-7 Unit located in Township 29 North, Range 7 West, NMPM, San Juan County, New Mexico.

The center of said area is located approximately 9 miles west from Gobernador Camp, New Mexico.

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 CASE NO. \_\_\_\_\_  
OIL & GAS COMPANY FOR DOWNHOLE  
COMMINGLING REFERENCE CASE FOR ITS  
SAN JUAN 29-7 UNIT  
PURSUANT TO DIVISION RULE 303.E  
SAN JUAN COUNTY, NEW MEXICO.

**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 for its San Juan 29-7 Unit and the adoption of special administrative rules therefore, San Juan County, New Mexico. Applicant, in the above-styled cause, in accordance with Division Rule 303.E seeks to establish a downhole commingling reference case to provide for (a) marginal economic criteria, (b) pressure criteria, (c) allocation formulas, and (d) modification of notification rules on an area-wide basis authorization for downhole commingling of Dakota, Mesaverde, Fruitland-Coal and Pictured Cliffs gas production in the wellbores of existing or future wells drilled anywhere within the San Juan 29-7 Unit located in Township 29 North Range 7 West, NMPM, San Juan County, New Mexico.

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

(1) Burlington is the operator of the San Juan 29-7 Unit which currently includes 55 Dakota wells, 131 Mesaverde wells, 49 Fruitland-Coal wells and 13 Pictured Cliffs wells all located within an area known as the "San Juan 29-7 Unit" consisting of 22,500 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 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.
- (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,
- (c) allocation formulas,
- (d) notification by certified mail return receipt to each interest owner where ownership is not common in the zones to be commingled, and
- (e) notification by certified mail return receipt to each offset operator

(3) Sufficient data is now available from existing wells in this unit to support the Division approving the downhole commingling of Dakota, Mesaverde, Fruitland-Coal and Pictured Cliffs gas production within this unit on an "area-wide" basis rather than on a "well-by-well basis."

(4) Sufficient data is now available from existing wells in this unit to support the Division adopting a "reference case" for the downhole commingling of Dakota, Mesaverde, Fruitland-Coal and Pictured Cliffs gas production within this unit as to the following criteria:

- (a) economic criteria to support that at least one zone to be commingled is marginal;
- (b) allocation formula:
- (c) notification by certified mail-return receipt to (a) each interest owner where ownership is not common in the zones to be commingled and to (b) each offset operator who is also an interest owner in this unit; and

- (d) notification by certified mail-return receipt to each offset operator, except as provided in paragraph (d) above will continue to be made provided those offset operators are operators other than applicant.

(5) Burlington seeks authorization pursuant to Division Rule 303.E that all administrative application for downhole commingling of Mesaverde, Dakota, Fruitland-Coal and Pictured Cliffs gas production within this 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 following criteria (a) marginal economic criteria, (b) pressure criteria, (c) allocation formulas, and (d) notice to owners of any production within spacing units where the ownership is no common and offset operators who also own an interest in this unit.

(6) Production from the Dakota and Pictured Cliffs polls is now either marginal or uneconomic from existing wells within this unit and the economic life of that production is extended if it is downhole commingled with Mesaverde or Fruitland-Coal production.

(7) 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.

(8) In addition, any new wells to be drilled or recompleted in this unit should be approved for downhole commingling because either the Dakota or the Pictured Cliffs zones is marginal based upon criteria which the applicant will submit at the hearing of this case.

(9) It is anticipated that new wells, recompleted wells or existing wellbores in this unit will be most economically completed if there is a summary administrative procedure by which those wells may be downhole commingled.

(10) 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.

(11) Approval of downhole commingling reference case for this unit on an area-wide basis is in the best interest of conservation, the prevention of waste and the protection of correlative rights.

(12) Burlington requests the adoption of a summary administrative procedure with the necessary exceptions to the Division Rule 303.C 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.

(13) The ownership is not common among these four formations within this unit.

(14) In accordance with Division Rule 303.C(1)(b), the Applicant states and will demonstrate at hearing:

1. That the wells in this unit which are currently single completions in the Dakota formation or the Pictured Cliffs formation are now marginal and production cannot be economically continued nor further developed unless it is done so by downhole commingling that production.

2. That there will be no unrecovered production crossflowing between or among the zones commingled.

3. That the value of the commingled production will not be less than the sum of the values of the individual production.

(15) In order to salvage the remaining Dakota and Pictured Cliffs production from this unit, Burlington seeks approval to downhole commingle all Dakota, Mesaverde, Fruitland-Coal and Pictured Cliffs production from any existing wells where mechanically feasible and the adoption of a summary procedures for the downhole commingling of future wells to be drilled in the Unit.

(16) Burlington will submit at hearing proposed formulas for the allocation of production to each of the commingled zones and a description of the factors or data used in determining such formulas.

(17) Applicant requests that this matter be docketed for hearing on the Division's Examiner docket now scheduled for October 17, 1996.

(18) 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 October 17, 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". The signature is fluid and cursive, with a large initial "W" and a long horizontal stroke at the end.

W. Thomas Kellahin  
KELLAHIN and KELLAHIN  
P. O. Box 2265  
Santa Fe, New Mexico 87501  
(505) 982-4285  
Attorneys for Applicant



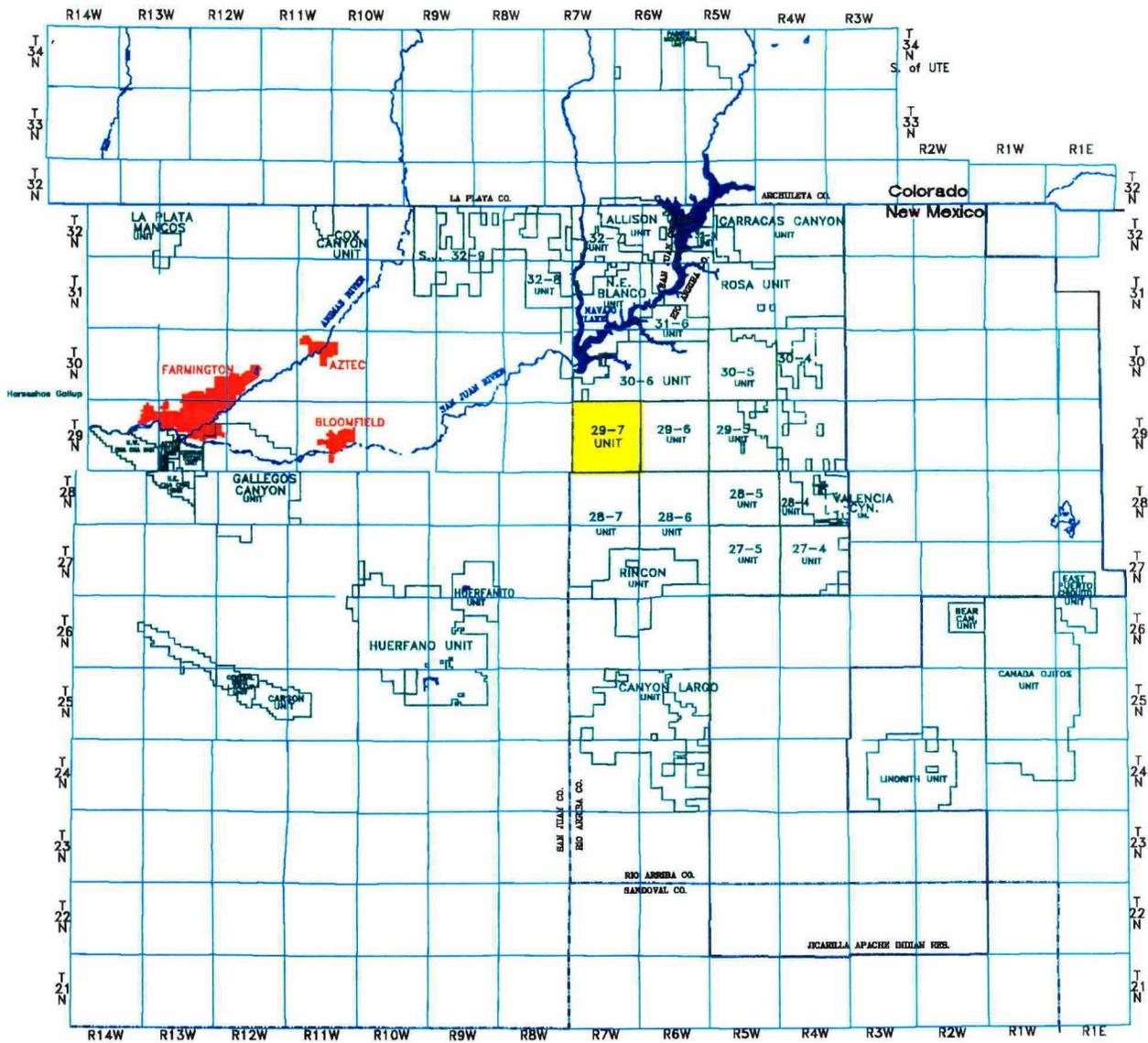
San Juan 29-7 Unit  
GWI/NWI/RI/ORRI Owners

A C ANDERSON TRUST 1 & 2  
A LEWIS SOENS  
A WILLIAM RUTTER TRUST  
AMOCO PRODUCTION COMPANY  
ANNA CELIA HOWELL HILTON  
ATNA/SJ 1993-A  
ATNA/SJFC 1993-A  
BARBARA E KOONS TRUST  
BARBARA EVANS  
BARBARA WALL JOHNSON  
BEN DANSBY JR ESTATE  
BEN HOWELL LANGFORD  
BEN R HOWELL TRUST  
BENJAMIN JOSEPH MANSFIELD  
BETSY H BRYANT  
BETTY LOU LONG  
BETTY S PETTUS LIFE ESTATE  
BILL AND JANICE LANE  
BLANCHE DANSBY DECD  
BOLACK MINERALS COMPANY  
BUFORD C WAYT  
BURLINGTON RESOURCES O&G CO  
C W BOLIN  
CARL M JOHNSON  
CAROLYN STOOPS ROSS  
CAROLYNN CLARK WIGGIN  
CARYN JEFFREY  
CATHY J WALL POUND  
CHARLES W MCCARTY TRUST  
CITADEL ENERGY INC  
CONOCO INC  
CORINNE MILLER GAY TRUST  
CROFF OIL CO  
CRUEZELIA C MONTOYA  
CRUZELIA & PAT D MONTOYA HWJT  
DAN H BOLIN  
DAVID A PIERCE  
DAWSON FAMILY TRUST  
DIRK VANHORN REEMTSMA  
DOLORES P BOLIN ESTATE  
DONALD & FLORENCE M CANDELARIA  
DONALD R CANDELARIA  
DONALD S IRONSIDE  
DOROTEA VALDEZ LOPEZ DECD  
DOROTHY T RUTTER SECT 2631 TR  
DOUGLAS CAMERON MCLEOD  
DR CHARLES A MCADAMS  
DR JOHN F PETTUS  
DUFF LEACH FAMILY TRUST  
DUGAN PRODUCTION CORPORATION  
EDNA G BOMKE ESTATE  
ELEANOR H JOHNSON  
ELIZABETH H LUND ROYALTY TRUST  
ELIZABETH S HUTCHINGS  
ELIZABETH WHITE FAMILY TRUST  
EMILIE M HARDIE ROYALTY TRUST  
EMILY D GRAMBLING  
EST GEORGE ANN BERGH  
ETHEL PARNELL  
ETHEL YNN Y CLARK  
EULA MAY JOHNSTON TRUST  
F J ODENDAHL INVESTMENTS INC  
FOUR STAR OIL & GAS COMPANY  
FRANCIS LEROY CANDELARIA  
GENEVA T JOHNSON  
GENEVIEVE CANDELARIA  
GERALD & ALTA WILLIAMS TRUSTEE  
GLENN D HUGHES  
GORDON L GOTTSTEIN  
GREGORY WALL  
HAROLD RICHARD COOPER  
HARRIET M BUCHENAU  
HARRY MCKIM ESTATE  
HORACE & ELMYRA MCKAY TRUST  
HOWELL GRANDCHILDRENS TRST EST  
IDA O HANCOCK  
J FIDEL & CORDELIA CANDELARIA  
J FIDEL CANDELARIA  
JAMES BEATTY/R KARLENE NOLAND  
JAMES J JOHNSTON EST  
JAMES M RAYMOND  
JAMES R PAYNE & JEAN PAYNE  
JANE BARBARA BAER TRUST  
JANE MANNING PITKIN  
JANET PATRICIA BRANNEN  
JAY GOTTSTEIN TRUST  
JERRY J ANDREW  
JO ANN SCHMIDT  
JOANNE C LORENCE  
JOHN A GRAMBLING  
JOHN A WALL  
JOHN CHRISTOPHER CANDELARIA  
JOHN S CATRON  
JOHNNIE P SCHMIDT  
JOSEPH C JASTRZEMBSKI  
JUDITH LOUISE HUGGINS ESTATE  
K & W GAS PARTNERS LP  
KATHLYN H GIBSON ESTATE  
KIM MCKIM DUNN  
L KEITH WAYT  
LANCE REEMTSMA  
LAURA DICHTER  
LELAND STANFORD JR UNIVERSITY  
LINDA MARIE MCCARTNEY  
MABEL GLENN HAM REVOCABLE TR  
MABELLE H SOWERS ROYALTY TRUST  
MAP 1992-A PARTNERS LP  
MARGARET E HOUSER  
MARGARET M HODGES TRUSTEE  
MARIE A SCHAEFER  
MARY DOLL INGRAM  
MARY ELIZABETH HARDIE ROY TRST

San Juan 29-7 Unit  
GWI/NWI/RI/ORRI Owners

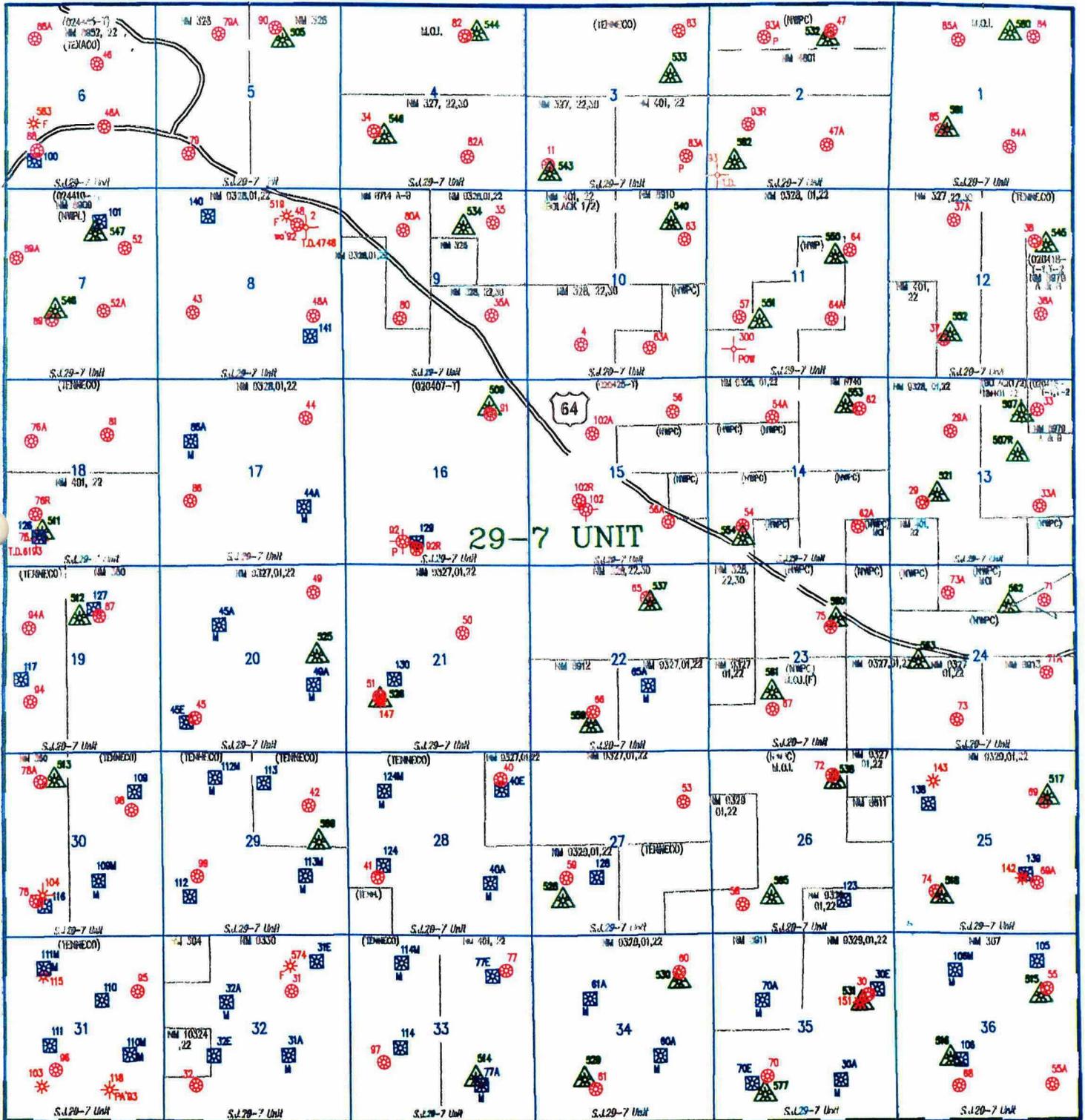
MARY ESTHER BROWN  
MARY JANE OSHEA ESTATE  
MAYDELL MILLER MAST TRUST  
MCCORMICK & CO INC  
MELODY GIGER TOOHEY  
MERCEDES M SKIDMORE  
MERLAND EUGENE BUTTOLPH  
MICHAEL D BROWN  
MILDRED B JENKINS ESTATE  
MILDRED HELLERICH  
MINERALS MANAGEMENT SERVICE  
MIRIAM N WASHBURN  
MITZI ANN HENDERSON EASLEY  
MOORE LOYAL TRUST  
MURIEL ANDREWS BOSSERT LIFE EST  
NELLIE R ACKERMAN  
NICK G CANDELARIA  
OLIVE C GERLACH  
ORLANDO CANDELARIA  
PABLO LENNY CANDELARIA  
PAMELA ANN COATS  
PAMELA POLLOCK BRUNS  
PAT S BOLIN  
PATRICIA G HARVEY  
PATRICK HEGARTY  
PATTIE ANN BEAMON LUNDELL  
PAUL MICHAEL CANDELARIA  
PAUL SLAYTON  
PAULETTE SHARON CANDELARIA  
PERRY H POLLOCK  
PHILLIPS PETROLEUM COMPANY  
R H FEUILLE  
R L BOLIN  
R W WARNER DECD  
RALPH W GILMORE

RICHARD PARKER LANGFORD  
ROBERT P SOENS  
RODERICK A IRONSIDE  
ROGERS-GIBBARD TRUST  
ROSEMARY WARNER HALL  
RUTH DEMEREE  
SAM G WALL III  
SAN JUAN 1990-A LP  
SARAH S MIMS REVOCABLE TRUST  
SHARON MCADAMS STEINBERG  
SHIRLEY M WALL GAULDIN  
STATE OF NEW MEXICO  
STEPHANIE A & CARLOS MARTINEZ  
STEPHANIE ANN CANDELARIA  
SUSAN H RITTER  
SUVIAN RUTH DAVES  
T H MCELVAIN OIL & GAS LTD PAR  
TED EDWARD DUFF TRUSTEE  
THE WRIGHT BROS TRUST  
THOMAS B CATRON  
THOMAS B CATRON III TRUSTEE  
THOMAS D & EILEEN CITRANGOLA  
THOMAS N MANDRY  
THOMAS POLLOCK  
UNION OIL CO OF CALIF  
V A JOHNSTON FAMILY TRUST  
VASTAR RESOURCES INC  
VIRGINIA HUGGINS  
VIRGINIA LEE JENKS  
VIRGINIA M WALL GORET  
VIRGINIA OLIVER HATFIELD  
WE COOPER  
WILLIAM B HARDIE SR ROYALTY TR  
WILLIAM O HUGGINS III  
WILLIAMS PRODUCTION COMPANY



**BURLINGTON RESOURCES  
FARMINGTON REGION  
LOCATION MAP**

# San Juan 29-7 Unit Rio Arriba Co., New Mexico T29N,R7W



- FRUITLAND SAND
- FRUITLAND COAL
- PICTURED CLIFFS
- DAKOTA
- MESAVERDE
- GALLUP