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JASON KELLAHIN (RETIRED 1991)

September 19, 2001

HAND DELIVERED

Ms. Lori Wrotenbery, Director
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Case 12745

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Oil Conservation Div

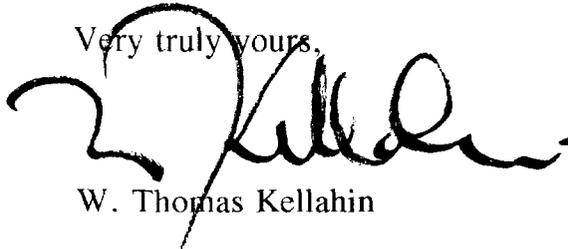
Re: BASIN DAKOTA INCREASED WELL DENSITY
Application of Burlington Resources Oil & Gas Company and Conoco Inc. to amend the Special Rules and Regulations for the Basin Dakota Gas Pool to increase well density and amend well location requirements, San Juan, McKinley, Sandoval and Rio Arriba Counties, New Mexico.

Dear Ms. Wrotenbery:

On behalf of Burlington Resources Oil & Gas Company and Conoco Inc., please find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for October 18, 2001.

Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: Burlington Oil & Gas Company
Attn: Alan Alexander
Conoco Inc.
Attn: David Wacker

PROPOSED ADVERTISEMENT

Case 12749: Application of Burlington Resources Oil & Gas Company and Conoco Inc. to amend the Special Rules and Regulations for the Basin Dakota Gas Pool to increase well density and amend well location requirements, San Juan, McKinley, Sandoval and Rio Arriba Counties, New Mexico. Applicant seeks the amendment of the Special Rules and Regulations for the Basin-Dakota Gas Pool to authorize wells to be drilled anywhere in a standard 320-acre gas proration and spacing unit provided such wells are located no closer than 660 feet to the outer boundary of the spacing unit nor closer than 10 feet from any interior quarter, quarter-quarter section line or boundary and to increase the well density from the current maximum of two (2) wells (160-acre infill) provided in Order R-8170 to a maximum of four (4) wells (80-acre infill) per gas proration and spacing unit for wells dedicated to the Basin Dakota Gas Pool. In addition, Applicant seeks special well location requirements applicable to federal exploratory units providing for standard well locations not closer than 10 feet to the outer boundary of certain qualifying spacing units within those units.

**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. 12745

**APPLICATION OF BURLINGTON RESOURCES OIL & GAS
COMPANY AND CONOCO INC. TO AMEND THE SPECIAL
RULES AND REGULATIONS FOR THE BASIN DAKOTA GAS
POOL TO INCREASE WELL DENSITY AND AMEND WELL
LOCATION REQUIREMENTS, SAN JUAN, MCKINLEY,
SANDOVAL AND RIO ARRIBA COUNTIES, NEW MEXICO**

APPLICATION

Comes now Burlington Resources Oil & Gas Company ("Burlington") and Conoco Inc. ("Conoco") apply to the Division for an order amending the Special Rules and Regulations for the Basin Dakota Gas Pool to increase well density and amend well location requirements, San Juan, McKinley, Sandoval and Rio Arriba Counties, New Mexico. Applicant seeks the amendment of the Special Rules and Regulations for the Basin-Dakota Gas Pool to authorize wells to be drilled anywhere in a standard 320-acre gas proration and spacing unit provided such wells are located no closer than 660 feet to the outer boundary of the spacing unit nor closer than 10 feet from any interior quarter, quarter-quarter section line or boundary and to increase the well density from the current maximum of two (2) wells (160-acre infill) provided in Order R-8170 to a maximum of four (4) wells (80-acre infill) per gas proration and spacing unit for wells dedicated to the Basin Dakota Gas Pool. In addition, Applicant seeks special well location requirements applicable to federal exploratory units providing for standard well locations not closer than 10 feet to the outer boundary of certain qualifying spacing units within those units.

In support of its application, Burlington and Conoco state:

(1) Burlington is the current operator of approximately 1530 wells within the Basin-Dakota Gas Pool.

(2) Conoco is the current operator of approximately 517 wells within the Basin-Dakota Gas Pool.

(3) On May 22, 1979, the New Mexico Oil Conservation Commission ("Commission") issued Order R-1670-V which adopted "infill drilling" for the Basin Dakota Gas Pool by permitting in Rule 2 for the drilling of a second well within a 320-acre gas proration and spacing unit ("GPU") providing this **one optional** "infill well" to be located on the opposite 160-acres from the 160-acres containing the original well ("the initial well") **and** further providing that these infill wells were not closer than 790 feet (but subject to a 200 foot topographical allowance) to the outer boundary of the quarter section and no closer than 130 feet to any quarter-quarter section line or subdivision inner boundary and that no infill well could be drilled nearer than 920 feet to an existing Dakota well in the same GPU.

(4) On March 28, 1986, the Commission issued Order R-8170 which, among other things, promulgated the Rules and Regulations for the Prorated Gas Pools, including "reformatting" Rule 2 of the Rules and Regulations for the Basin Dakota Gas Pool.

(5) On June 30, 2000, the New Mexico Oil Conservation Division ("Division") issued Order R-10987-B in Case 12290 which amended the well location requirements of the Rules and Regulations for the Basin Dakota Gas Pool which currently provide:

"A. WELL ACREAGE AND LOCATION REQUIREMENTS

RULE 2(a). Standard GPU (Gas proration Unit) in the Basin-Dakota Gas Pool shall be 320 acres.

RULE 2(b) Well Location:

1. THE INITIAL WELL drilled on a GPU shall be located not closer than 660 feet to any outer boundary of the quarter section on which the well is located and not closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

2. THE INFILL WELL drilled on a GPU shall be located in the quarter section of the GPU not containing a Dakota well, and shall be located with respect to the GPU boundaries as described in the preceding paragraph.

(6) On February 18, 1999, the Division entered Order R-11139 in Case 12122 which authorized Conoco Inc. to conduct a pilot project within its San Juan 28-7 Unit for purposes of developing data to establish appropriate infill well density for the Basin Dakota Gas Pool.

(7) On December 29, 2000, the Division entered Order R-11503 in Case 12508 which authorized Burlington to conduct a pilot project within its San Juan 27-5 Unit for purposes of developing data to establish appropriate infill well density for the Basin Dakota Gas Pool.

(8) On February 6, 2001, the Division entered Order R-11532 in Case 12509 which authorized Burlington to conduct a pilot project within the Culpepper Martin Area (Sections 1-3, 10-15 and 22-24 of T31N, R12W) for purposes of developing data to establish appropriate infill well density for the Basin Dakota Gas Pool.

(9) On February 12, 2001, the Division entered Order R-11139-A in Case 12556 which authorized Conoco Inc. to expand its pilot project within its San Juan 28-7 Unit for purposes of developing data to establish appropriate infill well density for the Basin Dakota Gas Pool.

(10) Based upon studies of the geological and reservoir engineering data including the results from the three (3) pilot projects, Burlington and Conoco have concluded that in order to increase ultimate recovery of gas from this pool there is a need to drill more wells per GPU than is currently permitted by Rule 2(b) of the pool rules.

(11) Accordingly, Burlington and Conoco recommend the following amendments:

(a) wells may be drilled anywhere within a standard 320-acre gas proration and spacing unit provided such wells are located no closer than 660 feet to the outer boundary of the unit nor closer than 10 feet from any interior quarter, quarter-quarter section line or boundary;

(b) to increase the well density from the current maximum of two (2) wells (160-acre infill) provided in Order R-8170 to a maximum of four (4) wells (80-acre infill) per gas proration and spacing unit for wells dedicated to the Basin Dakota Gas Pool provided that no more than two (2) wells be located within any 160-acre portion of a gas proration and spacing unit; and

(c) wells located within federal exploratory units shall not be closer than 10 feet to any section, quarter section, or interior quarter-quarter section line or subdivision inner boundary, except that (i) wells located within one-half mile of the outer boundary of a federal exploratory unit shall not be closer than permitted by paragraph 11(a) above; and (ii) wells located within a 320-acre tract adjacent to any non-committed tract or partially committed tract within any such unitized area shall not be closer than permitted by paragraph 11(a) above.

(12) The approval of special well location requirements with the federal exploratory units will not violate correlative rights because the unit agreements provide for approved annual plans of development and the establishment of "Participating Areas" as an equitable method for the allocation of production of Basin-Dakota Gas Pool production to all interest owners within the unit's Dakota participating area regardless of the number of wells drilled or where those wells are located.

(13) In order to protect the correlative rights of any owners adjacent to the outer boundary of a federal exploratory unit, Burlington and Conoco propose that the infill wells be located anywhere within the proration unit provided that such wells are located no closer than 660 feet to the outer boundary of the federal exploratory unit.

(14) Copies of this application have been sent to all appropriate parties as required by the Division notice rules.

(15) Approval of this application 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 October 18, 2001 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



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