

**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. 14589
ORDER NO. R-8993-A**

**APPLICATION OF BURLINGTON RESOURCES OIL & GAS
COMPANY, L.P. TO VOID DIVISION ORDER NO. R-8993, INCLUDING
AUTHORITY TO FILE AMENDED ACREAGE DEDICATION PLATS
("C-102s") FOR CERTAIN FRUITLAND COAL GAS WELLBORES
WITHIN SECTIONS 7 AND 8 OF TOWNSHIP 32 NORTH, RANGE 6
WEST, ALL WITHIN THE ALLISON UNIT, SAN JUAN COUNTY, NEW
MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on January 20, 2011, at Santa Fe, New Mexico, before Examiner David K. Brooks.

NOW, on this 8th day of March, 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) By this application, Burlington Resources Oil & Gas Company, L.P. ("Applicant") seeks realignment of certain non-standard gas spacing units heretofore established for the Basin-Fruitland Coal Gas Pool (Pool Code 71629) in Sections 7 and 8, Township 32 North, Range 6 West, NMPM, in San Juan County, New Mexico, in order to reconcile conflicts between units as established or recognized by prior Division orders and existing or proposed acreage dedications to certain wells.
- (3) All of Sections 7 and 8 except for the SE/4 SE/4 of Section 8 (which is not affected by the proposed unit realignment) is included in the Allison Unit, a federal

exploratory unit established by Unit Agreement dated November 15, 1949, of which Applicant is the Unit Operator.

(4) Sections 7 and 8 are located adjacent to the northern border of the State of New Mexico. The northern part of these sections is truncated such that the north half of each section consists of less than the 320 acres prescribed as the unit size for the Basin-Fruitland Coal Gas Pool.

(5) By Order No. R-8993, issued in Case No. 9730 on August 31, 1989, the Division established a non-standard 308.75-acre, more or less, gas spacing unit in the Basin-Fruitland Coal Gas Pool comprising Lots 1 through 5, the SE/4 NW/4 and the S/2 NE/4 (collectively constituting the N/2 equivalent) of Section 7, and Lots 3 and 4 (the N/2 NW/4 equivalent) and the SW/4 NW/4 of Section 8. This unit was dedicated to Meridian Oil Inc.'s Allison Unit (Fee) Well No. 133.

(6) Applicant and its predecessors have subsequently filed Well Location and Dedication Plats (Forms C-102) dedicating wells within Sections 7 and 8 to stand-up spacing units that overlap the unit established by Order No. R-8993.

(7) By Administrative Order No. NSL-4460, issued on May 26, 2000, the Division approved the dedication of Applicant's Allison Unit Com. Well No. 150 (API No. 30-045-30154), located in the SW/4 SE/4 of Section 8 to a unit comprising the E/2 equivalent of Section 8, which it characterizes as "a standard 277.51-acre stand-up gas spacing and proration unit for the Basin-Fruitland Gas Pool." Although the unit established by Administrative Order No. NSL-4460 does not overlap the unit established by Order No. R-8993, the two orders combined establish conflicting spacing patterns that preclude establishment of either a stand-up or a lay-down unit consisting of the remaining acreage in Section 8 not included in either of said units.

(8) Applicant requests an order rescinding Order No. R-8993, and establishing three non-standard, stand-up gas spacing units in the Basin-Fruitland Coal Gas Pool, comprising, respectively, the W/2 equivalent of Section 7, the E/2 equivalent of Section 7 and the W/2 equivalent of Section 8.

(9) Applicant did not notify the owners of interests in the Allison Unit of the filing of this Application, or of the hearing, and contends that their interests will not be affected by the proposed unit realignment.

(10) Applicant appeared at the hearing through counsel and presented evidence by affidavit to the effect that:

(a) Applicant has, for years, treated the wells in the Allison Unit in Sections 7 and 8, Township 32 North, Range 6 West, as though they were dedicated to stand-up units comprising the E/2 and W/2 equivalents, respectively, of these sections, and has filed Forms C-102 with the Aztec District Office of the Division (Aztec Office) consistent with that practice.

(b) The Aztec Office approved Applicant's C-102s until Applicant recently filed a proposal to dedicate the W/2 equivalent of Section 7 to its proposed Allison Unit Well No. 145-H, which was projected to penetrate acreage both within and outside of the Unit established by Order No. R-8993. The Aztec Office rejected this proposal.

(c) The owners of interests in the wells in the Allison Unit will not be affected by Applicant's proposed realignment of the units dedicated to wells in Section 7 and the W/2 of Section 8 because:

(i) under the terms of the Unit Agreement for the Allison Unit the working interest owners share costs and revenues for all wells in the Unit according to fixed percentages specified in the Unit Agreement, regardless of the acreage dedicated to any particular well,; and

(ii) the United States Bureau of Land Management has established a Basin Fruitland Coal Project Area comprising the entire Allison Unit, so that royalty and overriding royalty revenues are allocated in the proportion that the acreage included in each lease dedicated to the Unit bears to the total acreage in the Allison Unit, regardless of the acreage dedicated to any particular well.

(d) Since all adjoining acreage is included in the Allison Unit, there are no offsetting operators or owners who would be affected by the proposed unit realignment.

The Division concludes that:

(11) The spacing unit realignment requested in this Application will facilitate the development of the Allison Unit thereby preventing waste, will not impair correlative rights, and accordingly should be granted.

IT IS THEREFORE ORDERED THAT:

(1) Order No. R-8993, issued in Case No. 9730 on August 31, 1989, is hereby rescinded.

(2) The following non-standard gas spacing units are hereby established in Township 32 North, Range 6 West, NMPM, in San Juan County, New Mexico, for the Basin-Fruitland Coal Gas Pool:

(a) a 276.89-acre, more or less, gas spacing unit comprising Lots 1 and 2, the S/2 NE/4 and SE/4 [E/2 equivalent] of Section 7. This unit will be dedicated to Applicant's Allison Unit Well No. 133 (API No. 30-045-27154) and Allison Unit Well No. 133S (API No. 30-045-33235);

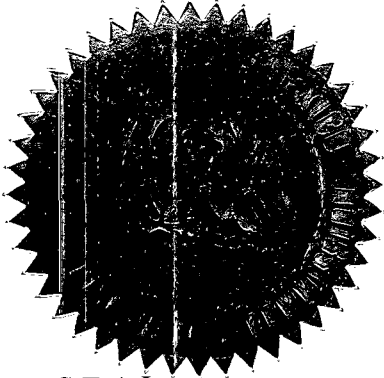
(b) a 272.85-acre, more or less, gas spacing unit comprising Lots 3 through 7, the SE/4 NW/4 and E/2 SW/4 [W/2 equivalent] of Section 7. This unit will be dedicated to Applicant's Allison Unit Well No. 145 (API No. 30-045-29363) and Allison Unit Well No. 145S (30-045-34768); and

(c) a 277.31-acre, more or less, gas spacing unit comprising Lots 3 and 4, the S/2 NW/4 and SW/4 [W/2 equivalent] of Section 8. This unit will be dedicated to Applicant's Allison Unit Well No. 134 (API No. 30-045-27186) and Allison Unit Well No. 134S (API No. 30-045-33236).

(3) Within 60 days from the issuance of this Order, Applicant shall file revised Well Location and Acreage Dedication Plats (Forms C-102), as necessary, to reflect dedication of each of the above-described wells to the respective units approved in Ordering Paragraph 2. In addition, applicant may file Applications for Permits to Drill laterals from any of the wells in these units, which shall include Forms C-102 dedicating the respective units approved in Ordering Paragraph 2 to said laterals.

(4) Jurisdiction of this case is 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".

DANIEL SANCHEZ
Acting Director