

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240
DISTRICT II
811 South First St., Artesia, NM 88210
DISTRICT III
1000 Rio Brazos Rd, Aztec, NM 87410
DISTRICT IV
2040 S. Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

2040 S. Pacheco
Santa Fe, New Mexico 87505-6429

APPLICATION FOR DOWNHOLE COMMINGLING

Form C-107-A
Revised August 1999

APPROVAL PROCESS:

Administrative ☐ Hearing ☐

EXISTING WELLBORE

☒ YES ☐ NO

BURLINGTON RESOURCES OIL & GAS COMPANY

PO BOX 4289, FARMINGTON, NM 87499

Operator

Address

San Juan 28-5 Unit

62

G 31-28N-05W

RIO ARRIBA

Lease

Well No.

Unit Ltr. - Sec - Twp - Rge

County

Spacing Unit Lease Types: (check 1 or more)

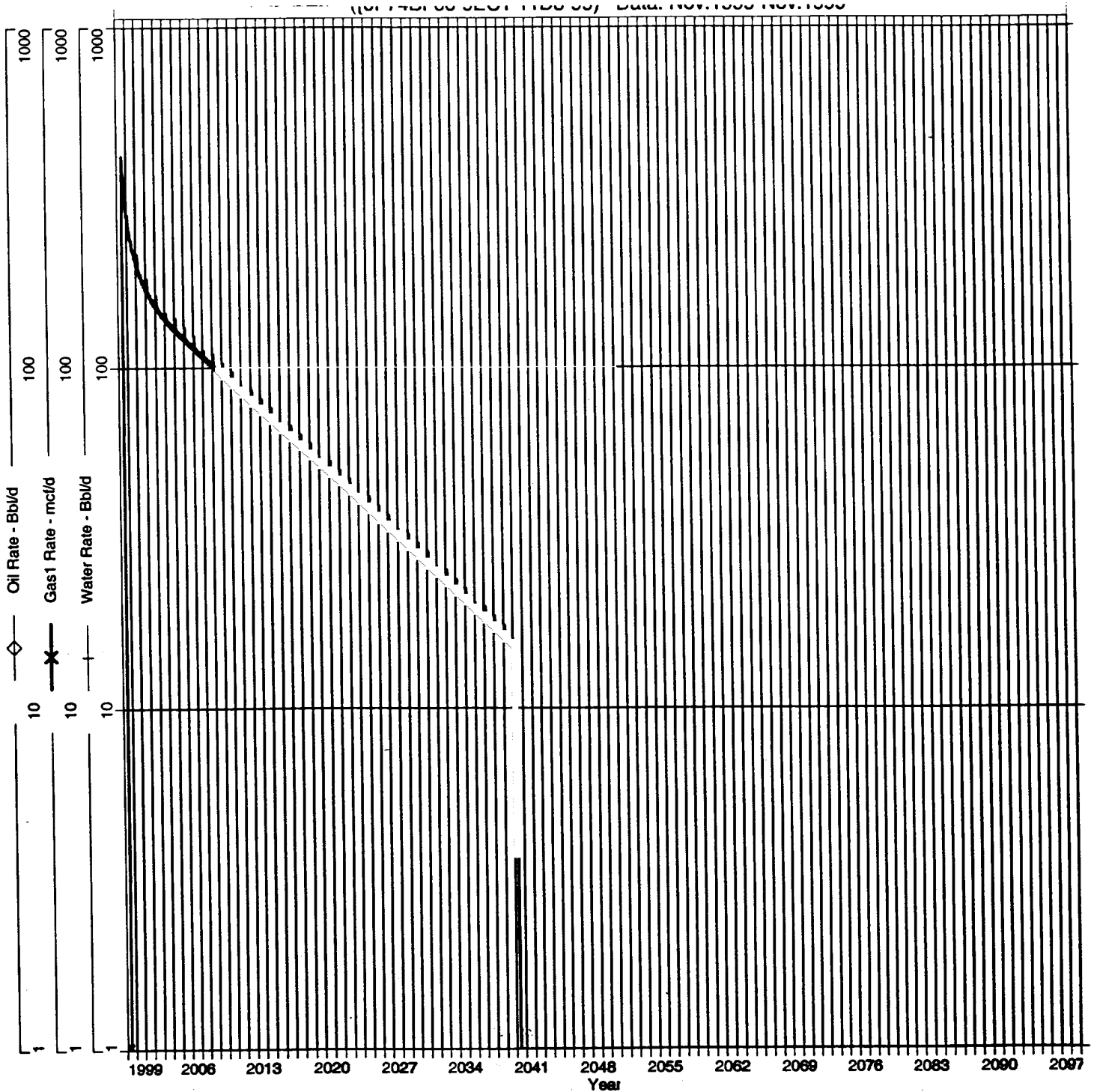
OGRID NO. 14538 Property Code 7460 API NO. 30-039-07261 Federal ☒ State ☐ (and/or) Fee ☐

| | | | |
|--|---|---|---|
| <p>The following facts are submitted in support of downhole commingling:</p> <p>1. Pool Name and Pool Code</p> | <p>Upper Zone</p> <p>BLANCO MESAVERDE - 72319</p> | <p>Intermediate Zone</p> <p>RECEIVED NOV 29 1999 OIL CON. DIV. DIST. 3</p> | <p>Lower Zone</p> <p>BASIN DAKOTA - 71599</p> |
| <p>2. Top and Bottom of Pay Section (Perforations)</p> | <p>WILL BE SUPPLIED UPON COMPLETION</p> | <p>NOV 29 1999</p> | <p>WILL BE SUPPLIED UPON COMPLETION</p> |
| <p>3. Type of production (Oil or Gas)</p> | <p>GAS</p> | <p>OIL CON. DIV. DIST. 3</p> | <p>GAS</p> |
| <p>4. Method of Production (Flowing or Artificial Lift)</p> | <p>FLOWING</p> | | <p>FLOWING</p> |
| <p>5. Bottomhole Pressure</p> <p>Oil Zones - Artificial Lift: Estimated Current</p> <p>Gas & Oil - Flowing: Measured Current</p> <p>All Gas Zones: Estimated Or Measured Original</p> | <p>a. (Current)</p> <p>498 psi (see attachment)</p> | <p>a. (Current)</p> | <p>a. (Current)</p> <p>1125 psi (see attachment)</p> |
| | <p>b. (Original)</p> <p>1271 psi (see attachment)</p> | <p>b. (Original)</p> | <p>b. (Original)</p> <p>1422 psi (see attachment)</p> |
| <p>6. Oil Gravity (°API) or Gas B/U Content</p> | <p>BTU 1230</p> | | <p>BTU 1023</p> |
| <p>7. Producing or Shut-In?</p> | <p>SHUT-IN</p> | | <p>SHUT-IN</p> |
| <p>Production Marginal? (yes or no)</p> <p>* If Shut-In, give date and oil/gas/ water rates of last production</p> <p>Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data</p> <p>* If Producing, give date and oil/gas/</p> | <p>NO</p> | | <p>YES</p> |
| | <p>Date: N/A</p> <p>Rates:</p> | <p>Date: N/A</p> <p>Rates:</p> | <p>Date: N/A</p> <p>Rates:</p> |
| | <p>Date: N/A</p> <p>Rates:</p> | <p>Date: N/A</p> <p>Rates:</p> | <p>Date: N/A</p> <p>Rates:</p> |

San Juan 28-5 Unit #62

Expected Production

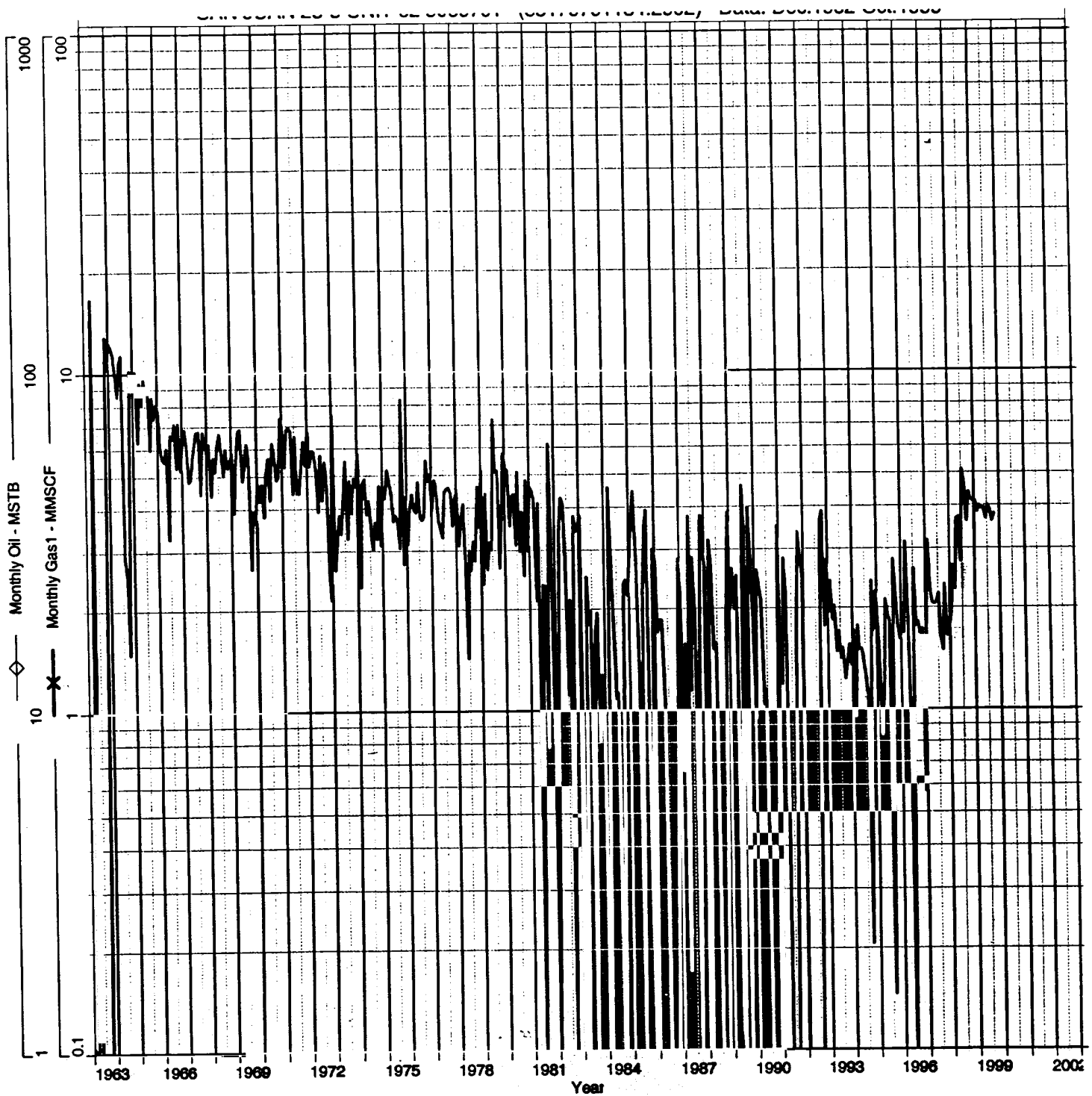
Mesaverde Formation



San Juan 28-5 Unit #62

Actual Production

Dakota Formation



San Juan 28-5 Unit #62

Bottom Hole Pressures

Flowing and Static BHP

Cullender and Smith Method

Version 1.0 3/13/94

| Mesaverde | | Dakota | |
|--------------------------------|--------|--------------------------------|--------|
| <u>MV-Current</u> | | <u>DK-Current</u> | |
| GAS GRAVITY | 0.71 | GAS GRAVITY | 0.586 |
| COND. OR MISC. (C/M) | C | COND. OR MISC. (C/M) | C |
| %N2 | 0.2 | %N2 | 0.1 |
| %CO2 | 0.93 | %CO2 | 1.56 |
| %H2S | 0 | %H2S | 0 |
| DIAMETER (IN) | 2.375 | DIAMETER (IN) | 2.0625 |
| DEPTH (FT) | 5480 | DEPTH (FT) | 7639 |
| SURFACE TEMPERATURE (DEG F) | 60 | SURFACE TEMPERATURE (DEG F) | 60 |
| BOTTOMHOLE TEMPERATURE (DEG F) | 137 | BOTTOMHOLE TEMPERATURE (DEG F) | 198 |
| FLOWRATE (MCFPD) | 0 | FLOWRATE (MCFPD) | 0 |
| SURFACE PRESSURE (PSIA) | 432 | SURFACE PRESSURE (PSIA) | 960 |
| BOTTOMHOLE PRESSURE (PSIA) | 497.8 | BOTTOMHOLE PRESSURE (PSIA) | 1125.4 |
| <u>MV-Original</u> | | <u>DK-Original</u> | |
| GAS GRAVITY | 0.71 | GAS GRAVITY | 0.586 |
| COND. OR MISC. (C/M) | C | COND. OR MISC. (C/M) | C |
| %N2 | 0.2 | %N2 | 0.1 |
| %CO2 | 0.93 | %CO2 | 1.56 |
| %H2S | 0 | %H2S | 0 |
| DIAMETER (IN) | 2.375 | DIAMETER (IN) | 2.0625 |
| DEPTH (FT) | 5480 | DEPTH (FT) | 7639 |
| SURFACE TEMPERATURE (DEG F) | 60 | SURFACE TEMPERATURE (DEG F) | 60 |
| BOTTOMHOLE TEMPERATURE (DEG F) | 137 | BOTTOMHOLE TEMPERATURE (DEG F) | 198 |
| FLOWRATE (MCFPD) | 0 | FLOWRATE (MCFPD) | 0 |
| SURFACE PRESSURE (PSIA) | 1083 | SURFACE PRESSURE (PSIA) | 1209 |
| BOTTOMHOLE PRESSURE (PSIA) | 1270.9 | BOTTOMHOLE PRESSURE (PSIA) | 1421.8 |

Page No.: 1
 Print Time: Fri Nov 19 13:55:44 1999
 Property ID: 1626
 Property Name: SAN JUAN 28-5 UNIT | 51 | 50473A
 Table Name: R:\RESERVES\GDPNOS\TEST.DBF

--DATE-- ---CUM_GAS-- M SIWHP
 ::::: ::::: Mcf ::::: ::::: Psi :::::

San Juan 28-5 Unit #62

Mesaverde Offset

| | | |
|----------|---------|--------|
| 08/11/61 | 0 | 1083.0 |
| 08/24/61 | 0 | 1082.0 |
| 09/24/62 | 53000 | 817.0 |
| 08/26/63 | 107000 | 713.0 |
| 12/02/64 | 191000 | 653.0 |
| 05/03/65 | 208000 | 648.0 |
| 06/07/66 | 264000 | 669.0 |
| 05/25/67 | 315000 | 643.0 |
| 05/27/68 | 362000 | 647.0 |
| 07/28/70 | 451068 | 631.0 |
| 06/22/71 | 494494 | 561.0 |
| 06/07/72 | 537047 | 569.0 |
| 07/15/74 | 630535 | 507.0 |
| 08/17/76 | 716002 | 479.0 |
| 08/02/78 | 790315 | 460.0 |
| 07/02/80 | 855193 | 464.0 |
| 11/20/81 | 887915 | 502.0 |
| 10/20/86 | 953547 | 622.0 |
| 05/08/89 | 1012400 | 554.0 |
| 01/24/91 | 1042143 | 632.0 |
| 07/29/91 | 1043627 | 644.0 |
| 04/01/93 | 1082780 | 432.0 |

San Juan 28-5 Unit #62

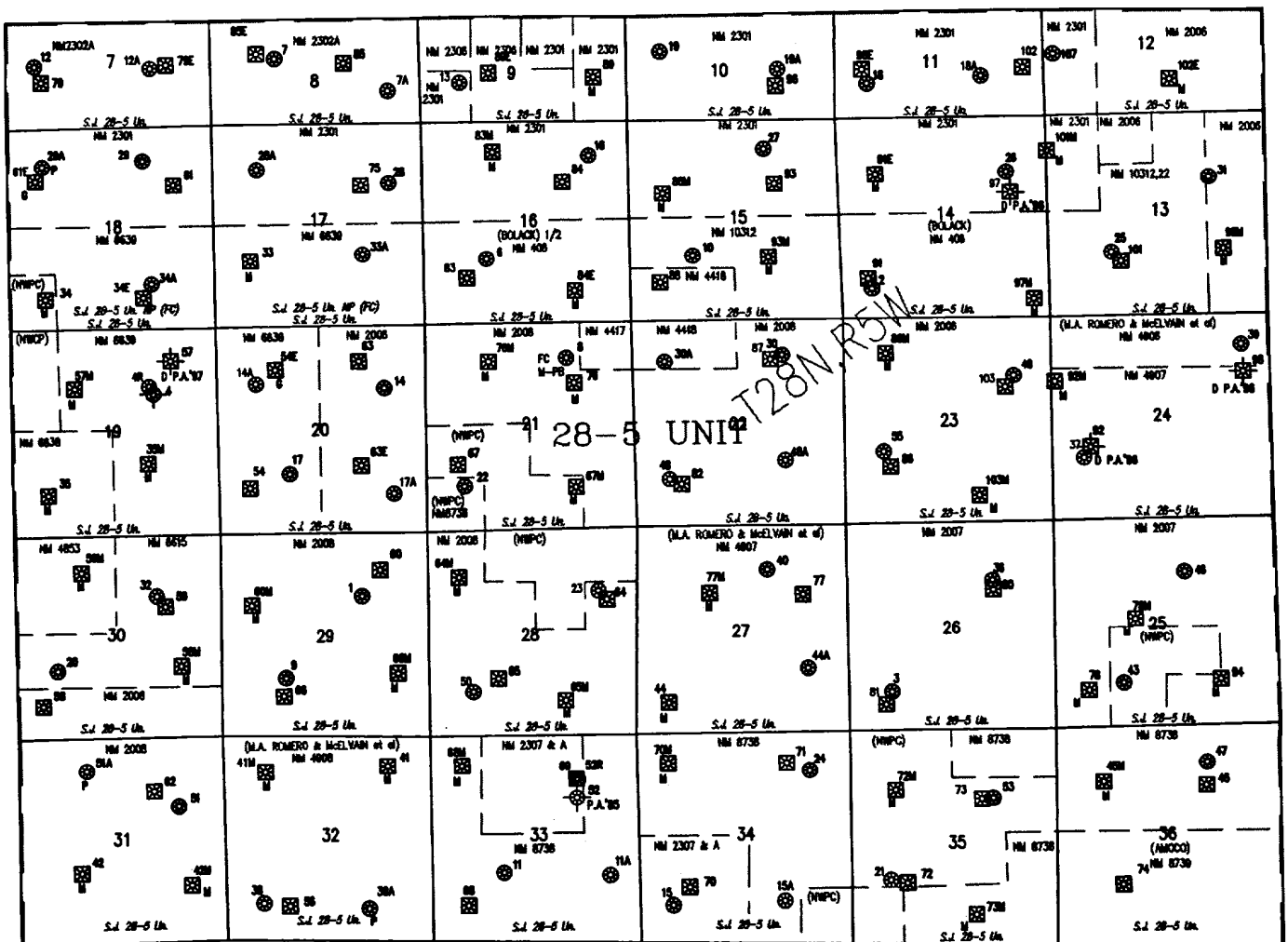
Existing Dakota

| <u>Well Name</u> | <u>Date</u> | <u>Pressure</u> |
|-----------------------|-------------|-----------------|
| SAN JUAN 28-5 UNIT 62 | 12/24/62 | 1,209 |
| SAN JUAN 28-5 UNIT 62 | 04/22/64 | 1,092 |
| SAN JUAN 28-5 UNIT 62 | 05/03/65 | 1,133 |
| SAN JUAN 28-5 UNIT 62 | 10/05/66 | 1,101 |
| SAN JUAN 28-5 UNIT 62 | 05/25/67 | 1,063 |
| SAN JUAN 28-5 UNIT 62 | 05/27/68 | 1,023 |
| SAN JUAN 28-5 UNIT 62 | 07/28/70 | 977 |
| SAN JUAN 28-5 UNIT 62 | 06/22/71 | 866 |
| SAN JUAN 28-5 UNIT 62 | 06/07/72 | 909 |
| SAN JUAN 28-5 UNIT 62 | 10/01/73 | 927 |
| SAN JUAN 28-5 UNIT 62 | 09/04/75 | 904 |
| SAN JUAN 28-5 UNIT 62 | 06/10/77 | 846 |
| SAN JUAN 28-5 UNIT 62 | 05/01/79 | 877 |
| SAN JUAN 28-5 UNIT 62 | 05/01/81 | 764 |
| SAN JUAN 28-5 UNIT 62 | 09/19/83 | 953 |
| SAN JUAN 28-5 UNIT 62 | 05/17/85 | 960 |

San Juan 28-5 Unit #62

Mesaverde / Dakota

28N-5W-31B



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. 11627
ORDER NO. R-10695

APPLICATION OF BURLINGTON RESOURCES
OIL & GAS COMPANY FOR THE ESTABLISHMENT
OF A DOWNHOLE COMMINGLING "REFERENCE
CASE" FOR ITS SAN JUAN 28-5 UNIT PURSUANT
TO DIVISION RULE 303.E. AND THE ADOPTION
OF SPECIAL ADMINISTRATIVE RULES THEREFOR,
~~SAN JUAN COUNTY, NEW MEXICO.~~

✓ Rio ARriba

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on October 17 and November 7, 1996, at Santa Fe, New Mexico, before Examiners David R. Catanach and Michael E. Stogner, respectively.

NOW, on this 12th day of November, 1996, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Burlington Resources Oil & Gas Company (Burlington), pursuant to the provisions of Division Rule 303.E., seeks to establish a downhole commingling "reference case" to provide exceptions for (a) marginal economic criteria, (b) pressure criteria, (c) allocation formulas and (d) modification of notification rules on a unit-wide basis for downhole commingling of Dakota, Mesaverde, Fruitland Coal and Pictured Cliffs gas production within existing or future drilled wells within the San Juan 28-5 Unit, San Juan County, New Mexico.

(3) Division Rule No. 303.E., amended by Order No. R-10470-A, currently states:

"If sufficient data exists on a lease, pool, formation, geographic area, etc., so as to render it unnecessary to repeatedly provide such data on Form C-107-A, an operator may except any of the various criteria required under Paragraph 303.D. of this rule by establishing a "reference case". The Division, upon its own motion, or by application from an operator, may establish "reference cases" either administratively or by hearing. Upon Division approval of such "reference cases" for specific criteria, subsequent applications to downhole commingle (Form C-107-A) will be required only to cite the Division order number which established such exceptions and shall not be required to submit data for those criteria."

(4) The applicant is the current operator of the San Juan 28-5 Unit which encompasses some 17,399 acres in Township 28 North, Range 5 West, NMPM, San Juan County, New Mexico.

(5) Within the San Juan 28-5 Unit, the applicant currently operates sixty-seven (67) Basin-Dakota Gas Pool wells, seventy-one (71) Blanco-Mesaverde Gas Pool wells, sixteen (16) Gobernador-Pictured Cliffs, Oso-Pictured Cliffs and Tapacito-Pictured Cliffs Gas Pool wells, and nineteen (19) Basin-Fruitland Coal Gas Pool wells.

(6) According to its evidence and testimony, Burlington seeks to:

- a) establish a "reference case" for marginal economic criteria in the Dakota and Pictured Cliffs formations, whereby these formations and/or pools may be identified as "marginal" on Form C-107-A's subsequently filed for wells within the San Juan 28-5 Unit. The applicant further proposes that the data provided in the immediate case serve as supplemental data or confirmation that these formations and/or pools should be classified as "marginal";
- b) establish a "reference case" for pressure criteria in the Dakota and Pictured Cliffs formations whereby the Division may utilize data provided in the immediate case to verify the pressure data provided on Form C-107-A's subsequently filed for wells within the San Juan 28-5 Unit;

c) establish a "reference case" whereby the Division utilizes the data presented in the immediate case to endorse or approve certain methods of allocating production whereby the applicant need not submit additional data or justification when proposing a certain method of allocating production on Form C-107-A's subsequently filed for wells within the San Juan 28-5 Unit; and,

d) establish a "reference case" or an administrative procedure for authorizing the downhole commingling of existing or future drilled wells within the San Juan 28-5 Unit without additional notice to each affected interest owner as required by Division Rule No. 303.D.

(7) In support of its request to except marginal economic criteria, the applicant presented geologic and engineering evidence and testimony which indicates that within the San Juan 28-5 Unit:

a) the structure and thickness of the Dakota and Pictured Cliffs formations are very consistent;

b) the average recoverable Dakota and Pictured Cliffs gas reserves underlying an undeveloped drill block are approximately 1,258 MMCFG and 77 MMCFG, respectively;

c) the average initial producing rate for a newly drilled or recompleted Dakota and Pictured Cliffs gas well is approximately 276 MCFGD and 136 MCFGD, respectively; and,

d) the estimated ultimate gas recoveries and initial producing rates from the Dakota and Pictured Cliffs formations are insufficient to justify drilling stand alone wells and/or dually completed wells to recover such gas reserves.

(8) The evidence and testimony presented by the applicant indicates that the Dakota and Pictured Cliffs formations within the San Juan 28-5 Unit should be properly classified as "marginal".

(9) In support of its request to except pressure criteria within the Dakota and Pictured Cliffs formations within the San Juan 28-5 Unit, the applicant presented engineering evidence and testimony which indicates that:

- a) the average shut-in bottomhole pressure within the Dakota and Pictured Cliffs formations at the time of initial development were approximately 3,149 psi and 1,143 psi, respectively; and,
- b) the average current shut-in bottomhole pressure within the Dakota and Pictured Cliffs formations are approximately 1,059 psi and 714 psi, respectively.

(10) There is sufficient pressure data available within the San Juan 28-5 Unit so as to except pressure criteria as proposed by the applicant.

(11) The applicant testified that various allocation methods will be utilized for downhole commingled wells within the San Juan 28-5 Unit depending on the circumstances. Some of the methods and circumstances are described as follows:

- a) the subtraction method will likely be utilized in those instances involving the Basin-Fruitland Coal Gas Pool and in those instances where a zone with a well established decline rate is commingled with a newly completed zone;
- b) a fixed allocation formula will be utilized in those instances where production history for both zones is available, or in those instances where newly completed zones are tested and stabilized flow rates obtained.

(12) The allocation methods proposed by the applicant are routinely utilized by industry and approved by the Division and therefore, the proposal to except allocation formulas should be approved.

(13) In support of its request to establish a "reference case" or administrative procedure for providing notice within the San Juan 28-5 Unit the applicant presented evidence and testimony which indicates that:

- a) the interest ownership between two zones within a given wellbore in the San Juan 28-5 Unit is generally not common;
- b) pursuant to Division Rule No. 303.D., applicant is currently required to notify all interest owners within the San Juan 28-5 Unit every time a Form C-107-A is submitted to the Division. There are a considerable number of such interest owners within the unit;

- c) providing notice to each interest owner within the San Juan 28-5 Unit of subsequent downhole comminglings is unnecessary and is an excessive burden on the applicant;
- d) the downhole commingling of wells within the San Juan 28-5 Unit Area will benefit working, royalty, and overriding royalty interest owners. In addition, the downhole commingling of wells within the San Juan 28-5 Unit should not violate the correlative rights of any interest owner;
- e) no interest owner appeared at the hearing in opposition to the establishment of a "reference case" or administrative procedure for notice.

(14) An administrative procedure should be established within the San Juan 28-5 Unit for obtaining approval for subsequent downhole commingled wells without notice to Unit interest owners, provided however that, all other provisions contained within Division Rule No. 303.C. are complied with.

(15) Approval of the proposed "reference cases" for marginal economic criteria, pressure criteria, allocation formulas and notice will lessen the burden on the applicant insofar as providing the data required pursuant to Division Rule No. 303.D. and Form C-107-A, will provide the applicant a streamlined method for obtaining downhole commingling approvals within the San Juan 28-5 Unit, and will not violate correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The application of Burlington Resources Oil & Gas Company to establish a "reference case" for (a) marginal economic criteria, (b) pressure criteria, (c) allocation formulas and (d) modification of notification rules on a unit-wide basis for downhole commingling of Dakota, Mesaverde, Fruitland Coal and Pictured Cliffs gas production within existing or future drilled wells within the San Juan 28-5 Unit, San Juan County, New Mexico, is hereby approved.

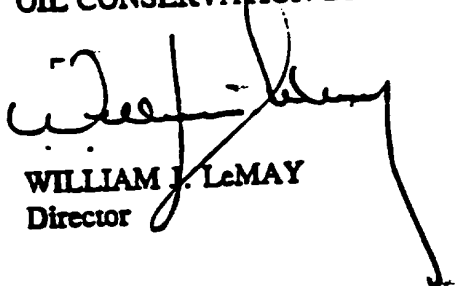
(2) Upon filing of Division Form No. C-107-A's for wells subsequently downhole commingled within the San Juan 28-5 Unit Area, the applicant shall not be required to submit supporting data to justify the classification of the Pictured Cliffs and Dakota formations as "marginal", supporting data to verify the Pictured Cliffs and Dakota pressure information provided, and support or justification for utilizing a given method or formula for allocation of production, provided however, in the event any of the data described above appearing on Form C-107-A appears to be beyond the data range provided in this case, the Division may require the submittal of additional supporting data.

(3) In order to obtain Division authorization to downhole commingle wells within the San Juan 28-5 Unit, the applicant shall file a Form C-107-A with the Santa Fe and Aztec Offices of the Division. Such application shall contain all the information required under Rule No. 303.C. of the Division Rules and Regulations, provided however that the applicant shall not be required to provide notice to all interest owners within the San Juan 28-5 Unit of such proposed commingling.

(4) Jurisdiction of this cause 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.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

S E A L