DISTRICT I

P.O. Box 1980, Hobbs, NM 88241-1980

DISTRICT II

811 South First St., Artesia, NM 88210-2836 DISTRICT III

1000 Rio Brazos Rd, Aztec, NM 87410-1893

State of New Mexico Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

2040 S. Pacheco Santa Fe, New Mexico 87505-6429 Form C-107-A New 3-12-96

APPROVAL PROCESS:

X Administrative ___Hearing

APPLICATION FOR DOWNHOLE COMMINGLING

EXISTING WELLBORE X_YES __NO

an Juan 32-9 Unit	#24A	P-5-31N-09W	San Juan
•	Well No. Unit Ltr Sec - T		County oing Unit Lease Types: (check 1 or more)
RID NO14538 Property Co	ode7473 API NO	·	
ne following facts are submitted support of downhole ommingling:	Upper Zone	Intermediate Zone	Lower Zone .
. Pool Name and Pool Code	Pictured Cliffs - 72359		Mesaverde - 72319
. Top and Bottom of Pay Section (Perforations)	Will be supplied upon completion.		5314'-6068'
. Type of production (Oil or Gas)	Gas	Annual Name Annual Sal No. 10	Gas
. Method of Production (Flowing or Artificial Lift)	Flowing	- DECEIVE	Flowing
Bottomhole Pressure Oil Zones - Artificial Lift: Estimated Current	(Current) a. 567 psi (est.) (offset SJ 32-9 #94) (see attachment)	APR 2 9 1997	a. 467 psi (est.) (offset SJ 32-9 #23) (see attachment)
Gas & Oil - Flowing: Measured Current All Gas Zones:	(Original) b. 817 psi (est.) (offset SJ 32-9 #94)	DIST. 3	b. 1263 psi (est.) (offset SJ 32-9 #23) (see attachment)
Stimated or Measured Original 3. Oil Gravity (°API) or Gas BTU Content	(see attachment) BTU 1131 (est.) (offset SJ 32-9 #94)		BTU 1010
7. Producing or Shut-In?	Not completed yet.		Producing
Production Marginal? (yes or no)	Yes		no
If Shut-In and oil/gas/water rates of last production	Oate: N/A Rates:		Date: N/A Rates:
lote: For new zones with no production history, applicant shall be required to attach production estimates and supporting data			
t If Producing, give data and pil/gas/water water of recent test (within 60 days)	Date: Rates:		Date: 3/1/97 Rates: 401 mcfd 1.54 bopd
8. Fixed Percentage Allocation Formula -% for each zone (total of %'s to equal 100%)	Will be supplied upon completion.		Will be supplied upon completion.
 Will cross-flow occur? _X_ production be recovered, and 	d royalty interests identical in a ding, and royalty interests been n given written notice of the pro Yes No If yes, are fluids d will the allocation formula be r	all commingled zones? I notified by certified mail? posed downhole commingling? Is compatible, will the formatic eliableXYesNo (If N	Yes_XNoYes_XNo _X_YesNo ons not be damaged, will any coo, attach explanation)
	Il commingled zones compatible	with each other? _X_Yes	
2. Are all produced fluids from al		Voe Y No /If You attack	
2. Are all produced fluids from al	e decreased by commingling? tized_with, state or federal land	Yes _X_ No	Public Lands or the United Sta
 Are all produced fluids from al Will the value of production be If this well is on, or community of Land Management has been 	tized with, state or federal land notified in writing of this applic	ds, either the Commissioner of ationXYes No	f Public Lands or the United Sta
2. Are all produced fluids from al 3. Will the value of production be 4. If this well is on, or communit of Land Management has been 5. NMOCD Reference Cases for 6 6. ATTACHMENTS:	tized with, state or federal land notified in writing of this applic Rule 303(D) Exceptions: ORDE	ds, either the Commissioner of ationXYes No R NO(S). R-10692 (see attact	FPublic Lands or the United Stanment.)
2. Are all produced fluids from al 3. Will the value of production be 4. If this well is on, or communit of Land Management has been 5. NMOCD Reference Cases for 6. ATTACHMENTS: * C-102 for each zon * Production curve for zones with no c * Data to support alk*	tized with, state or federal land notified in writing of this applic	ds, either the Commissioner of ationXYes No R NO(S). R-10692 (see attact as spacing unit and acreage dediar. (If not available, attach exploduction rates and supporting	Fublic Lands or the United Stanment.) cation. canation.) data.
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District I PO Box 1988, Elobbs, NM \$2241-1980 District II PO Drawer OD, Artesia, NM 88211-0719 Olstrict III 1888 Rie Brams Rd., Aztet, NM 87410

District IV

State of New Mexico Energy, Misseria & Natural Resources Dep

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

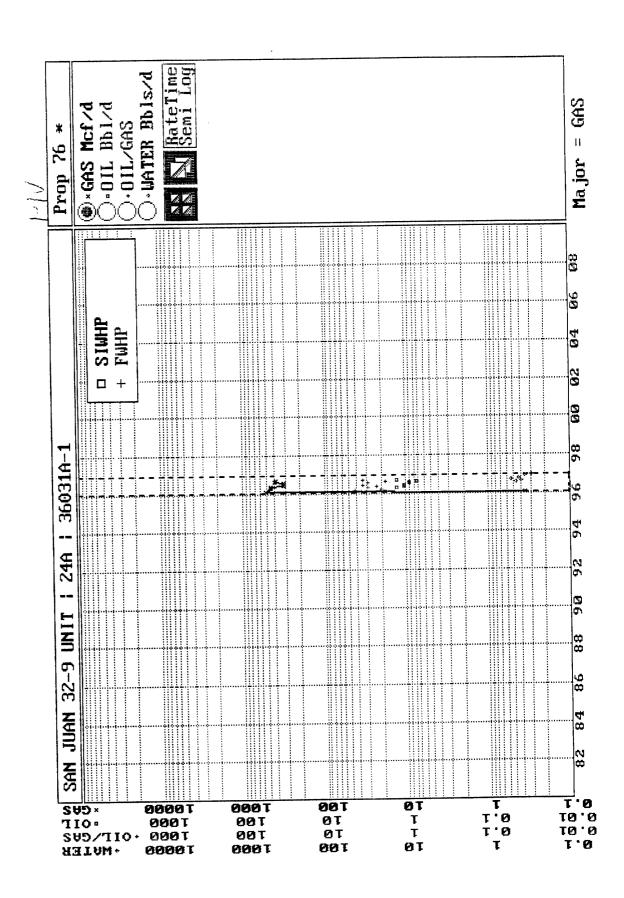
Form C-: Revised February 21. 19 instructions on b.

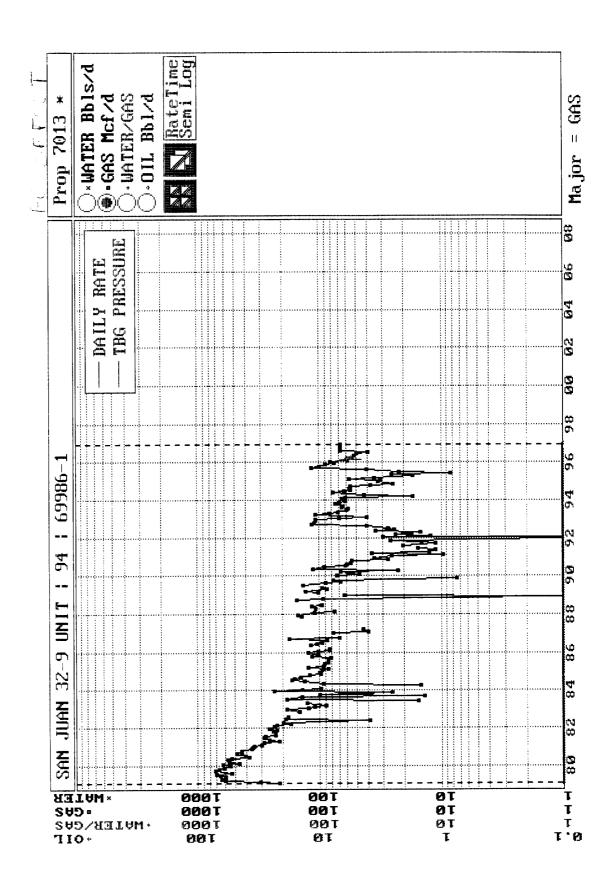
Submit to Appropriate District Off

State Lease - 4 Col

Fee Lease - 3 Co:

			<u> </u>	Pool		REAGE DEDI	' Post Na	1000	
ه: -045-	.79768		7239	59/72	4	anco Picture	ed Cliffs,	/Blanco	Mesaverd
* Property			723.	,,,,	1 Propert	y Name			* Well Number
7473					San Jua	n 32-9 Unit			24A
'OGRID	No.				1 Operate				Elevation 6641
14538						n Oil Inc.			
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			11 Bot	tom I		If Different Fr	Feet from the	East/West in	e County
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				<u> </u>				<u> </u>	
Dedicated Ac	Joint	er leftil "	Comestidati	on Code	14 Order No.				
						PROPERTY AT I	INTERESTS	HAVE REEN	CONSOLIDA
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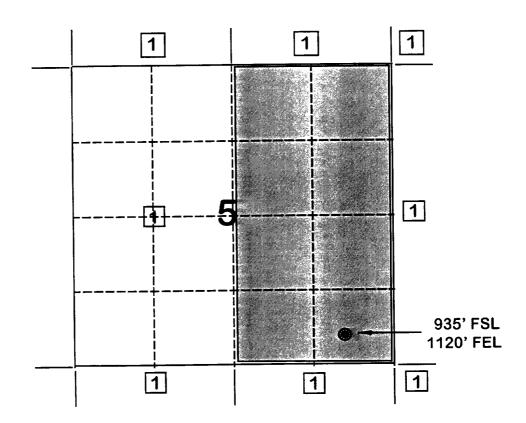


BURLINGTON RESOURCES OIL AND GAS COMPANY

San Juan 32-9 Unit #24A OFFSET OPERATOR \ OWNER PLAT

Mesaverde (E/2)/Pictured Cliffs (SE/4) Formations Commingle Well

Township 31 North, Range 9 West



1) Burlington Resources Oil and Gas Company Successor to Meridian Oil Inc.

+ TACCOM 10 3, 13, 34

GAS GRAVITY	0.67
COND. OR MISC. (C/M)	С
%N2	0.24
%CO2	1.62
%H2S	0
DIAMETER (IN)	2.4
DEPTH (FT)	6300
SURFACE TEMPERATURE (DEG F)	60
BOTTOMHOLE TEMPERATURE (DEG F)	150
FLOWRATE (MCFPD)	0
SURFACE PRESSURE (PSIA)	402
BOTTOMHOLE PRESSURE (PSIA)	466.9

SAN JUAN 32-9 UNIT #24A MESAVERDE - (ANTICIPATED) SAN JUAN 32-9 UNIT #23 MESAVERDE - (CURRENT)

V18007 510 3, 13, 24

0.67
С
0.24
1.62
0
2.4
6300
60
150
0
1069
1262.7

SAN JUAN 32-9 UNIT #24A MESAVERDE - (ANTICIPATED) SAN JUAN 32-9 UNIT #23 MESAVERDE - (ORIGINAL)

MV FFETT DWIGHTS TEST DATA REPORT ----- Row 1 to 10 of 17 SCROLL ===> PAGE COMMAND ===> State: 30 Lease Name: SAN JUAN Prod: 2 County Name: SAN JUAN Lease Name: SAN JUAN 32 9 UNIT Ident: 31N09W05M00MV Reservoir Name: MESAVERDE District: 4 Operator Name: BURLINGTON RES O&G CO Location: 5M 31N 9W Field Name: BLANCO (MESAVERDE) Retrieval code: 251,045,31N09W05M00MV Well: 23 Total Depth: 5900
Gas Gath: MOI Status: ACT Upper Perf: 5366
API No: 1101400 Comp Date: 195406 Lower Perf: 5850 Date Cum to Test WHSIP BHP P/Z BDWtr BDCnd WHFlw Poten MC Pt Z FAC -----0 1069 1222 1367 0 0 0 4474 C 2 94.00C 2,445,666 570 646 687 0 0 401 874 C 2 40.00C 2,604,417 586 664 708 0 0 355 812 C 2 38.00C 2,858,047 577 654 696 0 0 297 838 C 2 39.00C 3,046,798 564 639 679 0 0 364 699 C 2 41.00C 3,250,856 476 538 567 0 0 293 743 C 2 49.00C 3,729,145 462 522 549 0 0 304 701 C 2 51.00C 4,162,472 443 501 526 0 0 297 598 C 2 53.00C 4,584,306 442 500 525 0 0 290 427 C 2 53.00C 4,819,958 521 590 624 0 0 321 376 C 2 45.00C LU #17 19540628 19701022 19710611 19720629 19730523 19740416 19760507 19780411 19800603 19820603 LU #17 B MY JOB ----- DWIGHTS TEST DATA REPORT ----- Row 11 to 17 of 17 SCROLL ===> PAGE COMMAND ===> Lease Name: SAN JUAN 32 9 UNIT State: 30 Lease Name: SAN JUAN Prod: 2 County Name: SAN JUAN Ident: 31N09W05M00MV Reservoir Name: MESAVERDE District: 4 Operator Name: BURLINGTON RES O&G CO Location: 5M 31N 9W Field Name: BLANCO (MESAVERDE)

 Retrieval code:
 251,045,31N09W05M00MV
 Well:
 23
 Total Depth:
 5900

 Gas Gath:
 MOI
 Status:
 ACT
 Upper Perf:
 5366

 API No:
 1101400
 Comp Date:
 195406
 Lower Perf:
 5850

 Date Cum to Test WHSIP BHP P/Z BDWtr BDCnd WHFlw Poten MC Pt Z FA(______

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LU #17 B MY JOB

478 CONSIDER OF STREET

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2.4
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0
517
566.6

SAN JUAN 32-9 UNIT #24A PICTURED CLIFFS - (ANTICIPATED) SAN JUAN 32-9 UNIT #94 PICTURED CLIFFS - (CURRENT)

775007 Y 00 3, 03, 34

GAS GRAVITY	0.66
COND. OR MISC. (C/M)	С
%N2	0.17
%CO2	1.85
%H2S	0
DIAMETER (IN)	2.4
DEPTH (FT)	3692
SURFACE TEMPERATURE (DEG F)	60
BOTTOMHOLE TEMPERATURE (DEG F)	110
FLOWRATE (MCFPD)	0
SURFACE PRESSURE (PSIA)	743
BOTTOMHOLE PRESSURE (PSIA)	817.4

SAN JUAN 32-9 UNIT #24A PICTURED CLIFFS - (ANTICIPATED) SAN JUAN 32-9 UNIT #94 PICTURED CLIFFS - (ORIGINAL) PE STEET

Organize Data ScreenGraph Economics Report Plot Utility Browsing: SAN JUAN 32-9 UNIT | 94 | 69986-1 Property No.: 7013
Table(T): TEST/M, P, H, E, T, Z, C, A, O, D, N, 1, 2, 3, B, U, S Rec: 1/6/103224

Item: 2/3/33 Name: DATE Type: Date Len: 8/27/203

DATE 11/08/78 02/21/79 07/17/80 08/03/81 06/28/82	CUM_GAS Mcf 0 15857 313840 444685 506461	M SIWHP Psi 743.0 716.0 573.0 517.0 516.0
06/28/82	506461	516.0
07/12/84	583525	517.0

F1=Help F3=PrvPro F5=PrvTbl F7=Calcu F9=Utils Alt+TableLtr=Change Table F2=Jump F4=NxtPro F6=NxtTbl F8=Print F10=Exit Shift+<-->=Fast Tbl R & L

1997 MONTHLY PRODUCTION FOR 36031A PHS030M FARMINGTON

SAN JUAN 32-9 UNIT 24A

BLANCO MESAVERDE (PRORATED GAS FIELD MESAVERDE ZONE

MO T S ON PC PROD GRV PC PROD ON BTU PRESS WATER PROD 1 2 F 31 02 42 01 14851 31 1018 15.025 2 F 28 02 43 01 11230 28 1010 15.025 1.54 Bozal 401 Act 4 5 6 7 8 9 10 11 12

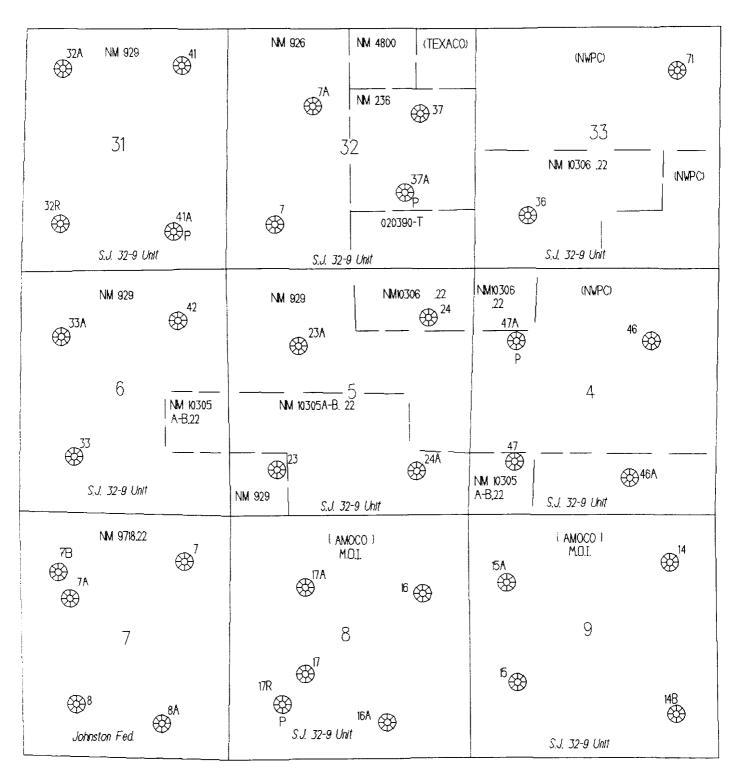
PF6 - RETURNS TO ANNUAL DISPLAY PF3 - TRANSFER TO UPDATE PF9 - DISPLAY MONTHLY INJECTIC

PF10 - HELP INFORMATION

00/00/00 00:00:00:0 PRS 04/03/97

NUM LU #29 B MY JOB

SAN JUAN 32-9 UNIT #24A SECTION 5, T31N, R09W SAN JUAN CO, 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:

> CASE NO. 11601 ORDER NO. R-10692

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 THEREFOR, SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on August 22, 1996, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 1st 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 and Pictured Cliffs gas production within existing or future drilled wells within the San Juan 32-9 Unit, San Juan County, New Mexico.
- (3) Division Rule No. 303.E., amended by Order No. R-10470-A, currently states:

CASE NO. 11601 Order No. R-10692 Page -2-

"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 commingie (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 32-9 Unit which encompasses some 21,864 acres in Townships 31 and 32 North, Ranges 9 and 10 West, NMPM, San Juan County, New Mexico.
- (5) Within the San Juan 32-9 Unit, the applicant currently operates two (2) Basin-Dakota Gas Pool wells, one hundred twenty-eight (128) Blanco-Mesaverde Gas Pool wells and thirty-two (32) Blanco-Pictured Cliffs Gas Pool wells.
 - (6) According to its evidence and testimony, Burlington seeks to:
 - 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 32-9 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 32-9 Unit;
 - 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 32-9 Unit; and,

PAGE U4

- d) establish a "reference case" or an administrative procedure for authorizing the downhole commingling of existing or future drilled wells within the San Juan 32-9 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 32-9 Unit:
 - a) the structure and thickness of the Dakota and Pictured Cliffs formations are very consistent;
 - b) the average recoverable Pictured Cliffs gas reserves underlying an undeveloped drill block are approximately 700 MMCFG.
 - c) initial producing rates for newly drilled or recompleted Pictured Cliffs gas wells range from 150-600 MCFGD;
 - d) the San Juan 32-9 Unit Well Nos. 113 and 114 were recently drilled to test the Dakota formation within the unit. Both wells proved non-productive in the Dakota formation; and.
 - e) 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 32-9 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 32-9 Unit, the applicant presented engineering evidence and testimony which indicates that:
 - a) the average shut-in pressure within the Pictured Cliffs formation at the time of initial development was approximately 562 psi; and,

CASE NO. 11601 Order No. R-10692 Page -4-

- b) the average current shut-in pressure within the Pictured Cliffs formation is approximately 349 psi.
- (10) The applicant did not present sufficient bottomhole pressure data within the Dakota and Pictured Cliffs formations within the San Juan 32-9 Unit so as to justify the establishment of a "reference case" for pressure criteria.
- (11) The applicant testified that various allocation methods will be utilized for downhole commingled wells within the San Juan 32-9 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 where a zone with a well established decline rate is commingled with a newly completed zone; and,
 - 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 32-9 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 32-9 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 32-9 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 32-9
 Unit of subsequent downhole comminglings is unnecessary and is
 an excessive burden on the applicant;

CASE NO. 11601 Order No. R-10692 Page -5-

- d) the downhole commingling of wells within the San Juan 32-9 Unit Area will benefit working, royalty, and overriding royalty interest owners. In addition, the downhole commingling of wells within the San Juan 32-9 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 32-9 Unit for obtaining approval for subsequently 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, 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 32-9 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) allocation formulas and (c) modification of notification rules on a unit-wide basis for downhole commingling of Dakota. Mesaverde and Pictured Cliffs gas production within existing or future drilled wells within the San Juan 32-9 Unit, San Juan County, New Mexico, is hereby approved.
- (2) The application of Burlington Resources Oil & Gas Company to establish a "reference case" for pressure criteria in the Dakota and Pictured Cliffs formation within the San Juan 32-9 Unit is hereby denied.
- (3) Upon filing of Division Form No. C-107-A's for wells subsequently downhole commingled within the San Juan 32-9 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" 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.

CASE NO. 11601 Order No. R-10692 Page -6-

- (4) In order to obtain Division authorization to downhole commingle wells within the San Juan 32-9 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 32-9 Unit of such proposed comminging.
- (5) 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 // LeMAY

Director

SEAL