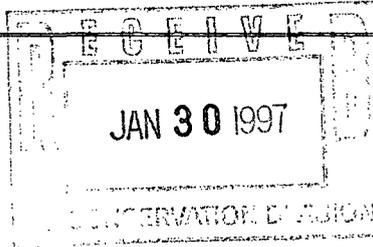


**BURLINGTON
RESOURCES**

SAN JUAN DIVISION



January 27, 1997

SENT FEDERAL EXPRESS

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

Re: San Juan 28-5 Unit #35M
1840'FSL, 1840'FEL Section 19, T-28-N, R-5-W, Rio Arriba County, NM
API #30-039-25596

Dear Mr. LeMay:

This is a request for administrative approval for downhole commingling the Blanco Mesa Verde and Basin Dakota pools in the subject well. This well is a new Mesa Verde/Dakota well that is being drilled and completed in 1997.

To comply with the New Mexico Oil Conservation Division rules, Burlington Resources Oil & Gas Company is submitting the following for your approval of this commingling:

1. Form C107A - Application for Downhole Commingling;
2. C-102 plat for each zone showing its spacing unit and acreage dedication;
3. Production curve - not available - new drill well;
4. Notification list of offset operators - Burlington is the offset operator;
5. Shut in wellhead pressure and calculated down hole pressure;
6. Nine-section plats for the Mesa Verde and Dakota.

Notification of Mesa Verde and Dakota interest owners is covered under Reference Order #R-10695 issued November 12, 1996 attached.

We will consult with the Supervisor of the Aztec District Office of the New Mexico Oil Conservation Division to establish an allocation formula.

Please let me know if you require additional data.

Sincerely,

Peggy Bradfield
Regulatory/Compliance Administrator

encs.

DISTRICT I

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

DISTRICT II

811 South First St., Artesia, NM 88210-2835

DISTRICT III

1000 Rio Brazos Rd, Aztec, NM 87410-1693

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-
New 3-12-96

APPROVAL PROCESS :

Administrative Hearing

EXISTING WELLBOR

YES NO

APPLICATION FOR DOWNHOLE COMMINGLING

Burlington Resources Oil & Gas Company

PO Box 4289, Farmington, NM 87499

Operator

Address

San Juan 28-5 Unit

35M

J 19-28-5

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. 30-039-25596 Federal , State _____, (and/or) Fee _____

The following facts are submitted in support of downhole commingling:	Upper Zone	Intermediate Zone	Lower Zone
1. Pool Name and Pool Code	Blanco Mesaverde - 72319		Basin Dakota - 71599
2. Top and Bottom of Pay Section (Perforations)	4978-5794		7593-7876'
3. Type of production (Oil or Gas)	Gas		Gas
4. Method of Production (Flowing or Artificial Lift)	Flowing		Flowing
5. Bottomhole Pressure Oil Zones - Artificial Lift: Estimated Current Gas & Oil - Flowing: Measured Current All Gas Zones: Estimated or Measured Original	(Current) a. 506 (see attachment)	a.	a. 1000 psi - see attachment
	(Original) b. 1249 psi (see attachment)	b.	b. 2588 psi - see attachment
6. Oil Gravity (^o API) or Gas BTU Content	BTU 1183		BTU 1027
7. Producing or Shut-In?	Shut In		SHUT IN
Production Marginal? (yes or no)	No		Yes
* If Shut-In and oil/gas/water rates of last production Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data * If Producing, give data and oil/gas/water of recent test (within 60 days)	Date: NA Rates: Mp po, mp	Date: Rates:	Date: NA Rates:
	Date: NA Rates:	Date: Rates:	Date: NA Rates:
8. Fixed Percentage Allocation Formula % for each zone (total of %'s to equal 100%)	Oil: % Gas: % Will be Supplied upon Completion	Oil: % Gas: %	Oil: % Gas: % Will be Supplied upon Completion

9. If allocation formula is based upon something other than current or past production, or is based upon some other method, submit attachments with supporting data and/or explaining method and providing rate projections or other required data.

10. Are all working, overriding, and royalty interests identical in all commingled zones? Yes No
If not, have all working, overriding, and royalty interests been notified by certified mail? Yes No
Have all offset operators been given written notice of the proposed downhole commingling? Yes No

11. Will cross-flow occur? Yes No If yes, are fluids compatible, will the formations not be damaged, will any cross-flowed production be recovered, and will the allocation formula be reliable. Yes No (If No, attach explanation)

12. Are all produced fluids from all commingled zones compatible with each other? Yes No

13. Will the value of production be decreased by commingling? Yes No (If Yes, attach explanation)

14. If this well is on, or communitized with, state or federal lands, either the Commissioner of Public Lands or the United States Bureau of Land Management has been notified in writing of this application. Yes No

15. NMOCD Reference Cases for Rule 303(D) Exceptions: ORDER NO(S). R-10695 attached _____

16. ATTACHMENTS:

- * C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
- * Production curve for each zone for at least one year. (If not available, attach explanation.)
- * For zones with no production history, estimated production rates and supporting data.
- * Data to support allocation method or formula.
- * Notification list of all offset operators.
- * Notification list of working, overriding, and royalty interests for uncommon interest cases.
- * Any additional statements, data, or documents required to support commingling.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE James A. Smith TITLE Production Engineer DATE 1/28/97

TYPE OR PRINT NAME James A. Smith TELEPHONE NO. (505) 326-9700

District I
 PO Box 1980, Hobbs, NM 88241-1980
 District II
 PO Drawer DD, Artesia, NM 88211-0719
 District III
 1000 Rio Hrasas Rd., Aztec, NM 87410
 District IV
 PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
 Energy, Minerals & Natural Resources Department

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

Form C-102
 Revised February 21, 1994
 Instructions on back
 Submit to Appropriate District Office
 State Lease - 4 Copies
 Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-039-		Pool Code 72319/71599	Pool Name Blanco Mesaverde/Basin Dakota
Property Code 7460	Property Name San Juan 28-5 Unit		Well Number 35M
OGRID No. 14538	Operator Name BURLINGTON RESOURCES OIL AND GAS COMPANY		Elevation 6584'

10 Surface Location

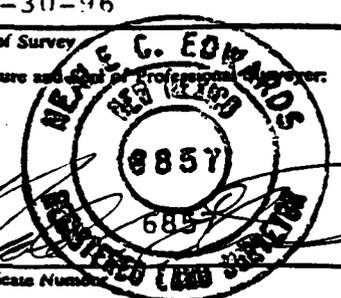
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
J	19	28 N	5 W		1840	South	1840	East	R.A.

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

12 Dedicated Acres S/320 S/320	13 Joint or Infill	14 Consolidation Code	15 Order No.
--------------------------------------	--------------------	-----------------------	--------------

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

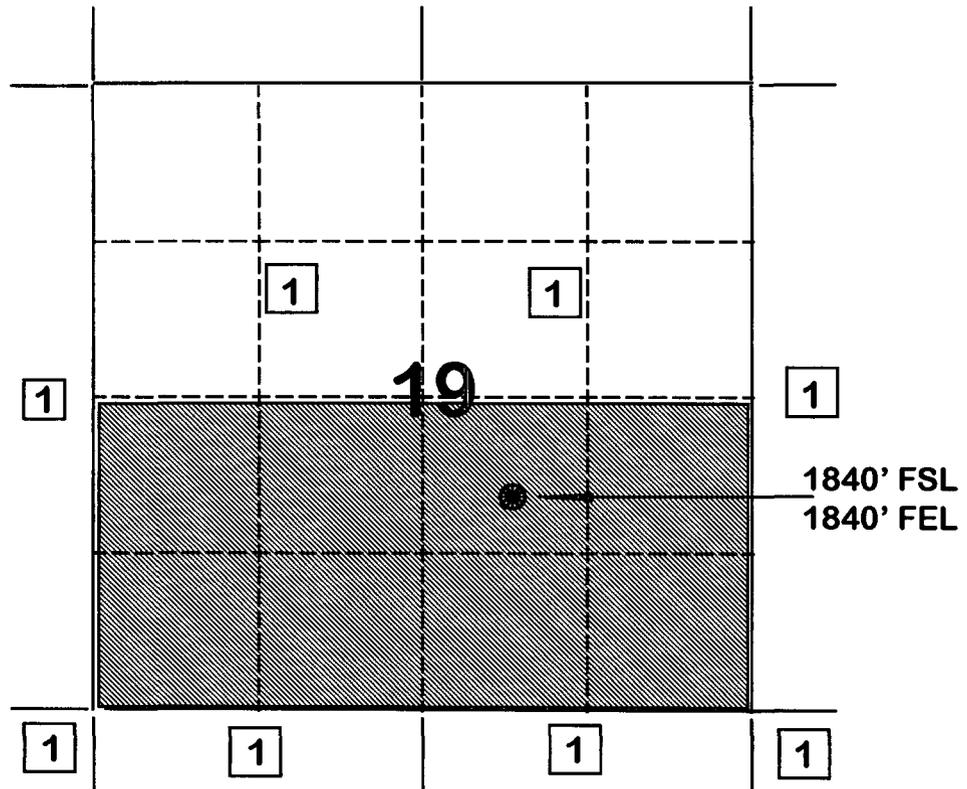
16 Not resurveyed, prepared from a plat dated 9-22-80 by Fred B. Kerr, Jr.	19 SF-080505B	1840'	1840'	SF080516A	17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief
					Signature  Printed Name Peggy Bradfield Title Regulatory Administrator Date 8-30-96
					18 SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. Date of Survey 8-30-96 Signature and Seal of Professional Surveyor:  Certificate Number

BURLINGTON RESOURCES OIL AND GAS COMPANY

**San Juan 28-5 Unit #35M
OFFSET OPERATOR \ OWNER PLAT**

Mesaverde/Dakota Formations Commingle Well

Township 28 North, Range 5 West



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

**FLOWING AND STATIC BHP
CULLENDER AND SMITH METHOD**

VERSION 1.0 3/13/94

GAS GRAVITY	0.687
COND. OR MISC. (C/M)	C
%N2	0.88
%CO2	0.89
%H2S	0
DIAMETER (IN)	1.25
DEPTH (FT)	4660
SURFACE TEMPERATURE (DEG F)	60
BOTTOMHOLE TEMPERATURE (DEG F)	150
FLOWRATE (MCFPD)	0
SURFACE PRESSURE (PSIA)	451
BOTTOMHOLE PRESSURE (PSIA)	505.7

SAN JUAN 28-5 #35 MESAVERDE CURRENT

**FLOWING AND STATIC BHP
CULLENDER AND SMITH METHOD**

VERSION 1.0 3/13/94

GAS GRAVITY	<u>0.687</u>
COND. OR MISC. (C/M)	<u>C</u>
%N2	<u>0.88</u>
%CO2	<u>0.89</u>
%H2S	<u>0</u>
DIAMETER (IN)	<u>1.25</u>
DEPTH (FT)	<u>4650</u>
SURFACE TEMPERATURE (DEG F)	<u>60</u>
BOTTOMHOLE TEMPERATURE (DEG F)	<u>150</u>
FLOWRATE (MCFPD)	<u>0</u>
SURFACE PRESSURE (PSIA)	<u>1100</u>
BOTTOMHOLE PRESSURE (PSIA)	<u>1249.3</u>

SAN JUAN 28-5 #35 MESAVERDE ORIGINAL

Page No.: 1

Print Time: Thu Oct 03 11:39:16 1996

Property ID: 3947

Property Name: SAN JUAN 28-5 UNIT | 35 | : : 2228 CF: 93 SIP:

Table Name: K:\ARIES\RR97PDP\TEST.DBF

--DATE--	---CUM GAS--	M SIWHP
.....Mcf.....Psi.....
11/12/59	0	1100.0 ← orig
02/23/60	0	1087.0
12/14/60	125000	858.0
06/13/61	204000	815.0
09/24/62	343000	822.0
05/16/63	435000	753.0
05/26/64	534000	748.0
09/08/65	701000	727.0
04/12/66	770000	696.0
03/22/67	881000	686.0
04/01/68	1005000	662.0
05/15/69	1168255	631.0
05/25/70	1298898	582.0
05/04/71	1443315	562.0
05/22/72	1579040	528.0
08/21/73	1760089	475.0
06/12/74	1878779	442.0
08/17/76	2147766	449.0
06/05/78	2363910	454.0
06/04/80	2559123	382.0
11/04/82	2743480	562.0
05/01/84	2869149	451.0
04/16/86	2992042	471.0
09/04/89	3198517	482.0
02/18/91	3271292	530.0
08/26/91	3271506	542.0
03/02/93	3376293	451.0 ← we

Mesaverde Parent of
28-5 # 35m

SAN JUAN 28-5 #35M

CURRENT DAKOTA PRESSURE
(BASED ON CURRENT AVERAGE OF OFFSET WELLS)**FLOWING AND STATIC BHP
CULLENDER AND SMITH METHOD**

VERSION 1.0 3/13/94

GAS GRAVITY	<u>0.694</u>
COND. OR MISC. (C/M)	<u>C</u>
%N2	<u>0.34</u>
%CO2	<u>1.44</u>
%H2S	<u>0</u>
DIAMETER (IN)	<u>2.375</u>
DEPTH (FT)	<u>7509</u>
SURFACE TEMPERATURE (DEG F)	<u>60</u>
BOTTOMHOLE TEMPERATURE (DEG F)	<u>200</u>
FLOWRATE (MCFPD)	<u>0</u>
SURFACE PRESSURE (PSIA)	<u>828</u>
BOTTOMHOLE PRESSURE (PSIA)	<u>999.7</u>

OFFSET DAKOTA WELLS - CURRENT PRESSURE

SAN JUAN 28-5 UNIT #35 DAKOTA-CURRENT	779
SAN JUAN 28-5 UNIT #54 DAKOTA-CURRENT	1083
SAN JUAN 28-5 UNIT #54E DAKOTA-CURRENT	501
SAN JUAN 28-5 UNIT #57 DAKOTA-CURRENT	1380
SAN JUAN 28-5 UNIT #57M DAKOTA-CURRENT	511
SAN JUAN 28-5 UNIT #59 DAKOTA-CURRENT	1001
SAN JUAN 28-5 UNIT #59M DAKOTA-CURRENT	638
SAN JUAN 28-5 UNIT #66 DAKOTA-CURRENT	732
AVERAGE SURFACE PRESSURE	828

NOTE : SEE OFFSET WELL PLAT

**FLOWING AND STATIC BHP
CULLENDER AND SMITH METHOD**

VERSION 1.0 3/13/94

GAS GRAVITY	<u>0.694</u>
COND. OR MISC. (C/M)	<u>C</u>
%N2	<u>0.34</u>
%CO2	<u>1.44</u>
%H2S	<u>0</u>
DIAMETER (IN)	<u>2.375</u>
DEPTH (FT)	<u>7509</u>
SURFACE TEMPERATURE (DEG F)	<u>60</u>
BOTTOMHOLE TEMPERATURE (DEG F)	<u>200</u>
FLOWRATE (MCFPD)	<u>0</u>
SURFACE PRESSURE (PSIA)	<u>2099</u>
BOTTOMHOLE PRESSURE (PSIA)	<u>2587.9</u>

SAN JUAN 28-5 #35 DAKOTA ORIGINAL

Page No.: 1

Print Time: Thu Oct 03 16:11:48 1996

Property ID: 1874

Property Name: SAN JUAN 28 5 UNIT | 000035 | 251-039-28N05W19M00DK

Table Name: C:\ARIES\DAKOTA\TEST.DBF

--DATE-- ---CUM GAS-- M SIWHP
Mcf Psi

11/12/59	0	2099.0	← original
05/25/70	607627	1001.0	
05/04/71	677032	1012.0	
05/22/72	745349	997.0	
08/21/73	823346	959.0	
09/04/75	922610	1144.0	
01/24/77	986257	1090.0	
06/07/79	1085379	985.0	
05/01/81	1150306	1051.0	
05/17/85	1270685	779.0	← Current

Dakota of Parent well
28-5 #1 35m

Page No.: 1

Print Time: Mon Nov 04 16:10:31 1996

Property ID: 1770

Property Name: SAN JUAN 28-5 UNIT | 54 | 50693A-1

Table Name: K:\ARIES\RR97PDP\TEST.DBF

--DATE-- ---CUM GAS-- M SIWHP
Mcf Psi

12/24/62	0	2625.0
01/15/63	0	2629.0
05/06/63	41000	1679.0
04/22/64	137000	1348.0
06/21/65	256000	1229.0
05/23/66	361000	1141.0
05/26/67	473000	984.0
05/20/68	572000	957.0
06/19/70	755870	858.0
04/27/71	822634	822.0
05/15/72	905811	833.0
07/23/73	972655	1046.0
05/05/75	1057586	1132.0
07/05/77	1137950	1182.0
10/04/79	1206041	1182.0
08/12/81	1252029	1224.0
12/12/85	1351967	1160.0
10/04/88	1410682	1112.0
04/08/90	1431387	1522.0
04/04/94	1512579	1083.0 ← Current

Dakota Offset
28-5 # 35M

Page No.: 2

Print Time: Mon Nov 04 16:10:32 1996

Property ID: 1771

Property Name: SAN JUAN 28-5 UNIT | 54E | 54329A-1

Table Name: K:\ARIES\RR97PDP\TEST.DBF

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

10/07/85	0	1602.0
12/12/85	42225	1057.0
09/19/86	117591	882.0
12/18/87	260717	728.0
10/04/88	329905	702.0
04/08/90	401308	912.0
09/29/92	573187	619.0
01/31/94	694337	501.0 ← Current

Dakota Offset
28-5 #35m

Page No.: 3

Print Time: Mon Nov 04 16:10:32 1996

Property ID: 1773

Property Name: SAN JUAN 28-5 UNIT | 57 | 50692A-1

Table Name: K:\ARIES\RR97PDP\TEST.DBF

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

12/21/62	0	2595.0
01/04/63	0	2594.0
04/28/63	51000	2092.0
04/22/64	176000	1701.0
06/21/65	339000	1608.0
05/23/66	491000	1361.0
05/26/67	634000	1472.0
05/20/68	778000	1333.0
11/04/68	842000	1216.0
08/19/69	947920	1223.0
07/28/70	1068832	1097.0
06/22/71	1188627	1014.0
06/07/72	1276842	876.0
07/23/73	1335667	1426.0
10/21/75	1478008	1334.0
08/17/76	1544129	1232.0
06/01/77	1627778	1037.0
06/07/79	1787492	1024.0
11/04/81	1788136	0.0
03/04/83	1788136	99.0
05/17/85	1795672	1561.0
04/22/90	1809470	1512.0
11/04/92	1814547	1380.0 ← current

Dakota Offset
28-5 #35m

Page No.: 4

Print Time: Mon Nov 04 16:10:32 1996

Property ID: 1774

Property Name: SAN JUAN 28-5 UNIT | 57M | 53423B-1

Table Name: K:\ARIES\RR97PDP\TEST.DBF

--DATE-- ---CUM GAS-- M SIWHP
Mcf Psi

11/12/81	0	1435.0
09/03/82	40228	1519.0
09/19/83	189842	944.0
05/01/84	260154	558.0
05/17/85	299227	552.0
11/09/88	452924	536.0
07/31/90	553798	522.0
03/29/92	622798	822.0
05/24/93	678486	511.0 ← Current

Dakota Offset
28-5 #35m

Page No.: 5

Print Time: Mon Nov 04 16:10:33 1996

Property ID: 1776

Property Name: SAN JUAN 28-5 UNIT | 59 | 50675A-1

Table Name: K:\ARIES\RR97PDP\TEST.DBF

--DATE-- ---CUM GAS-- M SIWHP
Mcf Psi

10/30/62	0	2699.0
11/28/62	0	2698.0
03/21/63	62000	2414.0
05/26/64	260000	2176.0
10/18/65	559000	1746.0
06/07/66	689000	1965.0
05/25/67	844000	1557.0
05/27/68	1047000	1417.0
08/18/69	1255084	1317.0
07/28/70	1380561	1274.0
06/22/71	1498479	1232.0
06/07/72	1602424	1152.0
07/23/73	1699919	1165.0
04/30/75	1874751	1072.0
06/01/77	2036561	1049.0
06/07/79	2165728	1050.0
05/01/81	2266029	1085.0
03/04/82	2295796	1064.0
09/19/83	2354456	1085.0
11/18/85	2429888	1039.0
11/10/88	2511812	1016.0
04/22/90	2562823	1022.0
11/21/92	2606661	1001.0 ← current

Dakota Offset
28-5 #35m

Page No.: 6

Print Time: Mon Nov 04 16:10:33 1996

Property ID: 1777

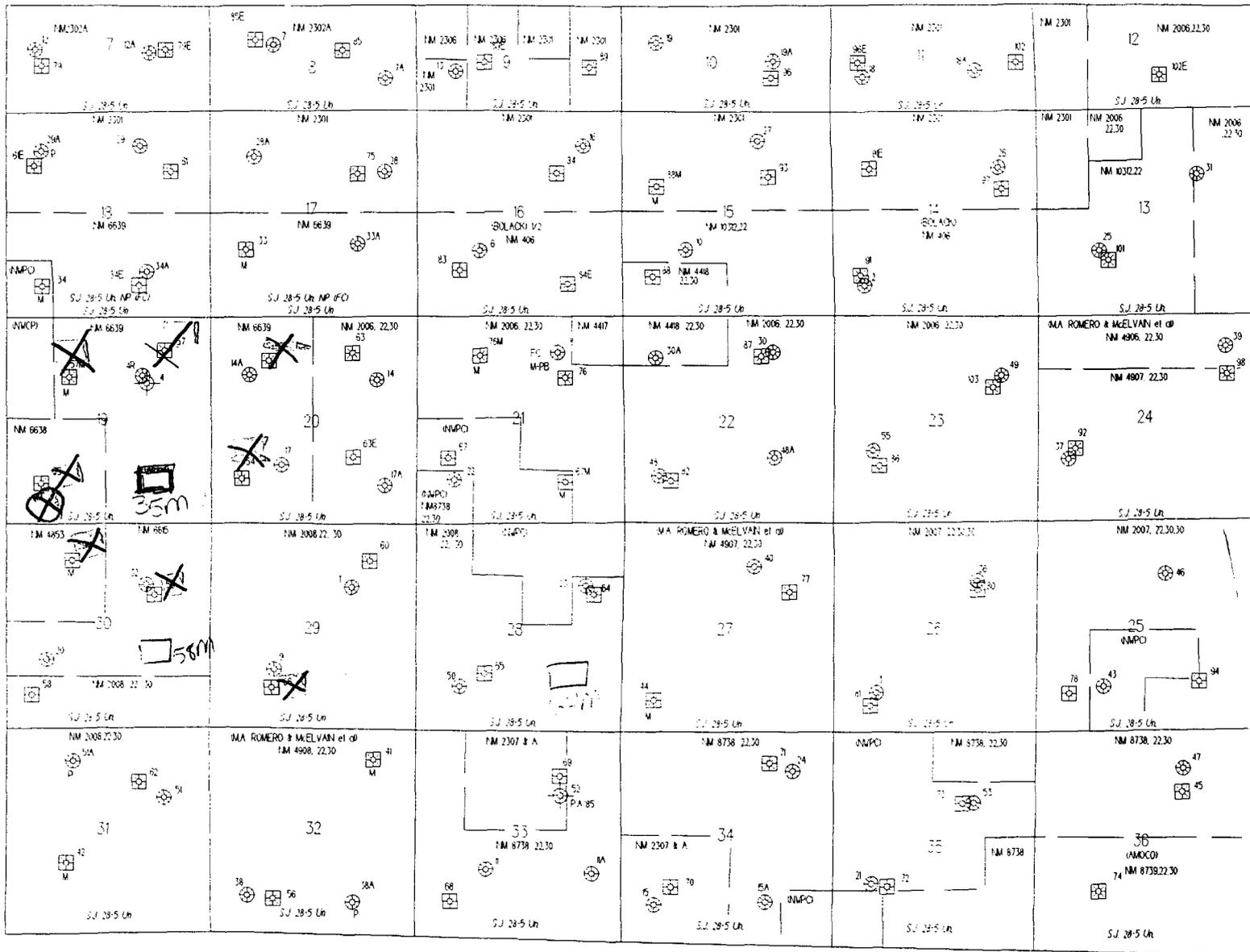
Property Name: SAN JUAN 28-5 UNIT | 59M | 53424B-1

Table Name: K:\ARIES\RR97PDP\TEST.DBF

--DATE-- ---CUM GAS-- M SIWHP
Mcf Psi

11/11/81	0	1978.0
03/04/82	47673	1120.0
09/19/83	262274	611.0
11/01/84	385862	612.0
11/18/85	483650	593.0
11/09/88	634868	584.0
04/22/90	722677	612.0
05/28/92	800657	718.0
05/24/93	834299	638.0 ← current

Dakota Offset
28-5 # 35M



SAN JUAN 26-5 UNIT

 - DK offset wells used for current AVG PSI
 - MV offset

**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.**

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.

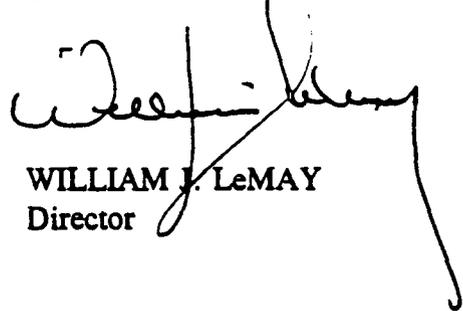
(2) Upon filing of Division Form No. C-107-A's for wells subsequently downhole commingled within the San Juan 28-5 Unit Area, the applicant shall not be required to submit supporting data to justify the classification of the Pictured Cliffs and Dakota formations as "marginal", supporting data to verify 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