

**BURLINGTON
RESOURCES**

SAN JUAN DIVISION

January 31, 1997

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

Re: San Juan 28-5 Unit #44
840'FSL, 890'FWL Section 27, T-28-N, R-5-W, Rio Arriba County, NM
API #30-039-07294

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 was originally drilled as a dual Dakota and Mesa Verde.

To comply with the New Mexico Oil Conservation Division rules, Burlington Resources Oil & Gas 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 for the Dakota for at least one year;
4. Notification list of offset operators - Meridian is operator of San Juan 28-5 Unit;
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.

xc: Bureau of Land Management

Well Location and Acreage Dedication Plat

Section A.

Date **APRIL 27, 1960**

Operator **EL PASO NATURAL GAS COMPANY** Lease **SAN JUAN 28-5 UNIT** SF **079520**
 Well No. **111(MD)** Unit Letter **M** Section **27** Township **28-N** Range **5-W** NMPM
 Located **840** Feet From **SOUTH** Line **890** Feet From **WEST** Line
 County **RIO ARriba** G. L. Elevation **6764** Dedicated Acreage **320 & 320** Acre
 Name of Producing Formation **MESA VERDE AND DAKOTA** Pool **BLANCO MV & DAKOTA WILDCAT**

1. Is the Operator the only owner in the dedicated acreage outlined on the plat below?

Yes ☐ No ☒2. If the answer to question one is "no", have the interests of all the owners been consolidated by communitization agreement or otherwise? Yes ☒ No ☐ If answer is "yes", Type of Consolidation.**Unit Agreement**

3. If the answer to question two is "no", list all the owners and their respective interests below:

Owner

Land Description

Section B.

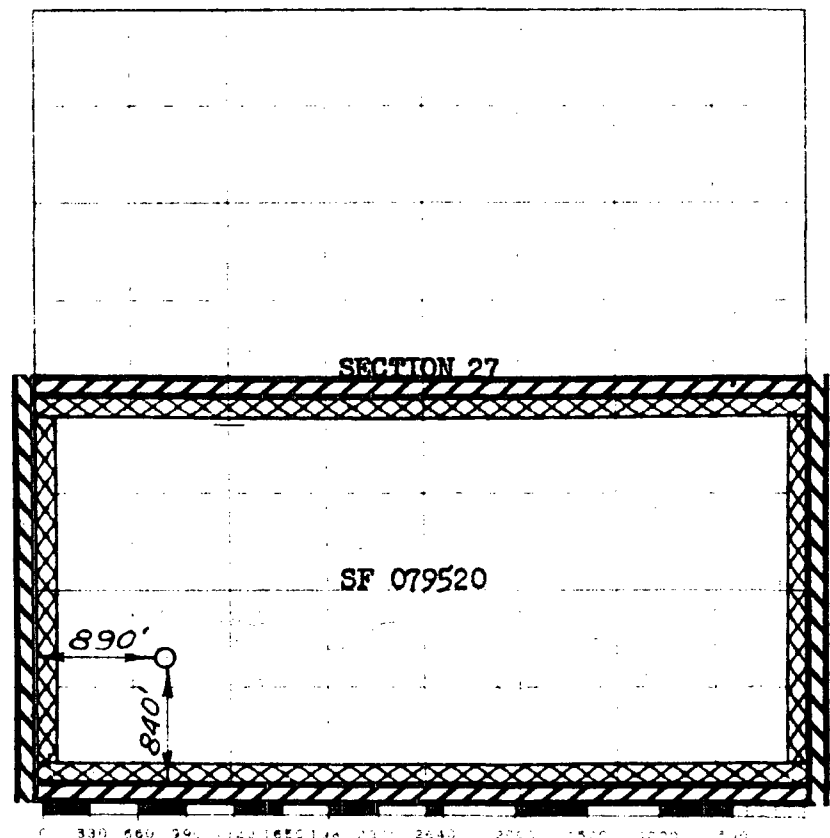
This is to certify that the information in Section A above is true and complete to the best of my knowledge and belief.

El Paso Natural Gas Co.
 (Operator)

ORIGINAL SIGNED A. M. SMITH
 (Representative)

Box 997, Farmington, New Mex.
 (Address)

Note: All distances must be from outer boundaries of section.



Scale 1 inch equals 1 mile

This is to certify that the above plat was prepared from field notes of actual surveys made by me or under my supervision and that the same are true and correct to the best of my knowledge and belief.

(Seal)

Farmington, New Mexico

Date surveyed **APRIL 26, 1960**
Paul C. Nielsen
 Registered Professional Engineer and/or Land Surveyor

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 87505-6429Form C-107-A
New 3-12-96

APPROVAL PROCESS :

☒ Administrative ☐ Hearing

EXISTING WELLBORE

☒ YES ☐ NO

APPLICATION FOR DOWNHOLE COMMINGLING

Burlington Resources Oil & Gas Company

PO Box 4289, Farmington, NM 87499

Operator

Address

San Juan 28-5 Unit

44

M 27-28-5

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. 30-039-07294 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) | 5348-5904' (est) | | 7812-8126' |
| 3. Type of production (Oil or Gas) | gas | | gas |
| 4. Method of Production (Flowing or Artificial Lift) | flowing | | flowing |
| 5. Bottomhole Pressure | (Current) a. 1086 psi (est) | a. | a. 727 psi |
| Oil Zones - Artificial Lift: Estimated Current Gas & Oil - Flowing: Measured Current All Gas Zones: Estimated or Measured Original | (Original) b. 1086 psi (est) | b. | b. 3305 psi |
| 6. Oil Gravity ($^{\circ}$ API) or Gas BTU Content | 1199 | | 1119 |
| 7. Producing or Shut-In? | producing | | producing |
| Production Marginal? (yes or no) | no | | yes |
| * If Shut-In and oil/gas/water rates of last production | Date: n/a Rates: | Date: Rates: | Date: n/a Rates: |
| 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: Rates: | Date: Rates: | Date: 12-29-96 Rates: 84 mcf/d; 0 bwpd; 0.55 bopd |
| 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 ☐ No11. 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 ☐ No13. 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). Reference Case #10695 attached

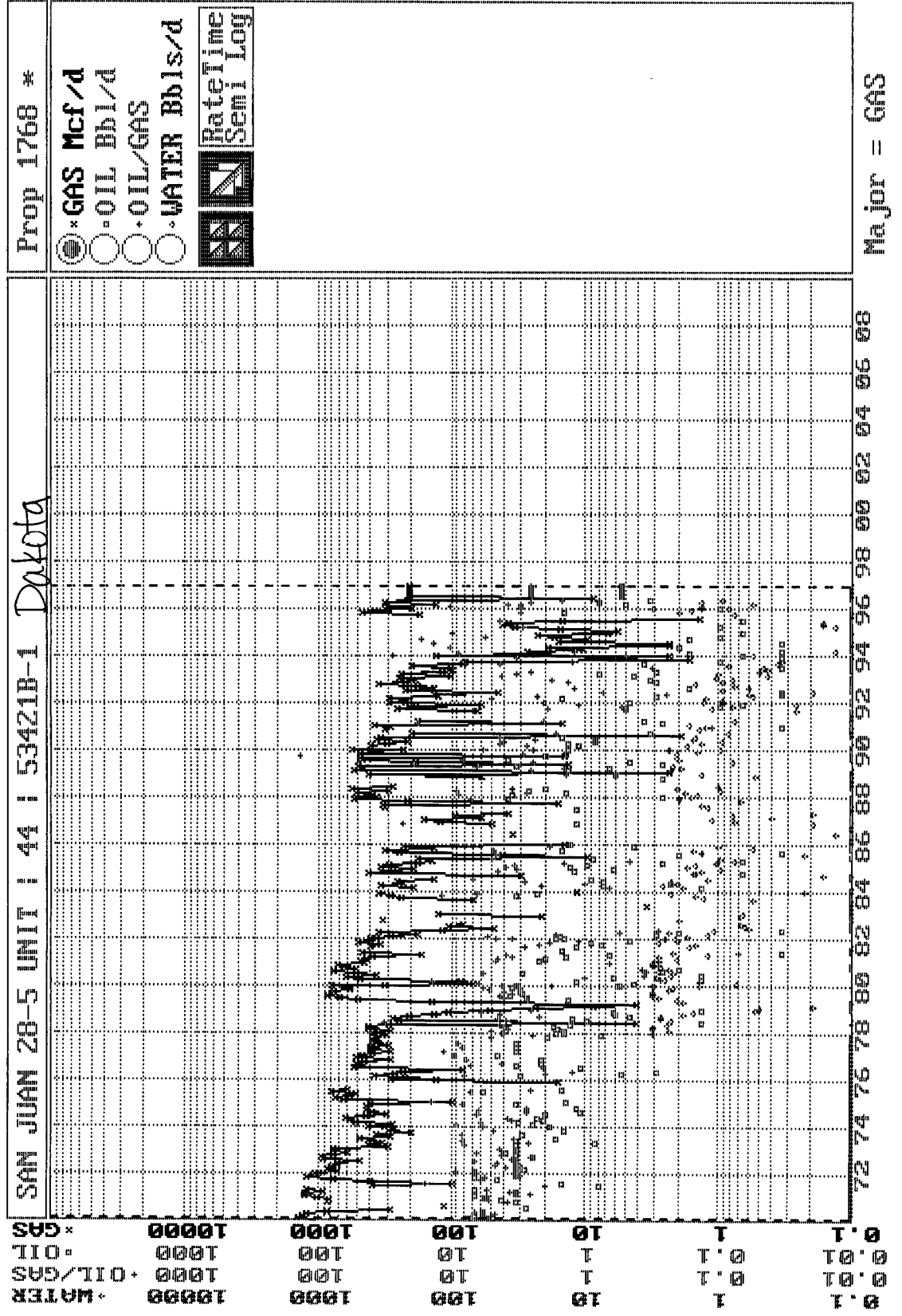
16. ATTACHMENTS:

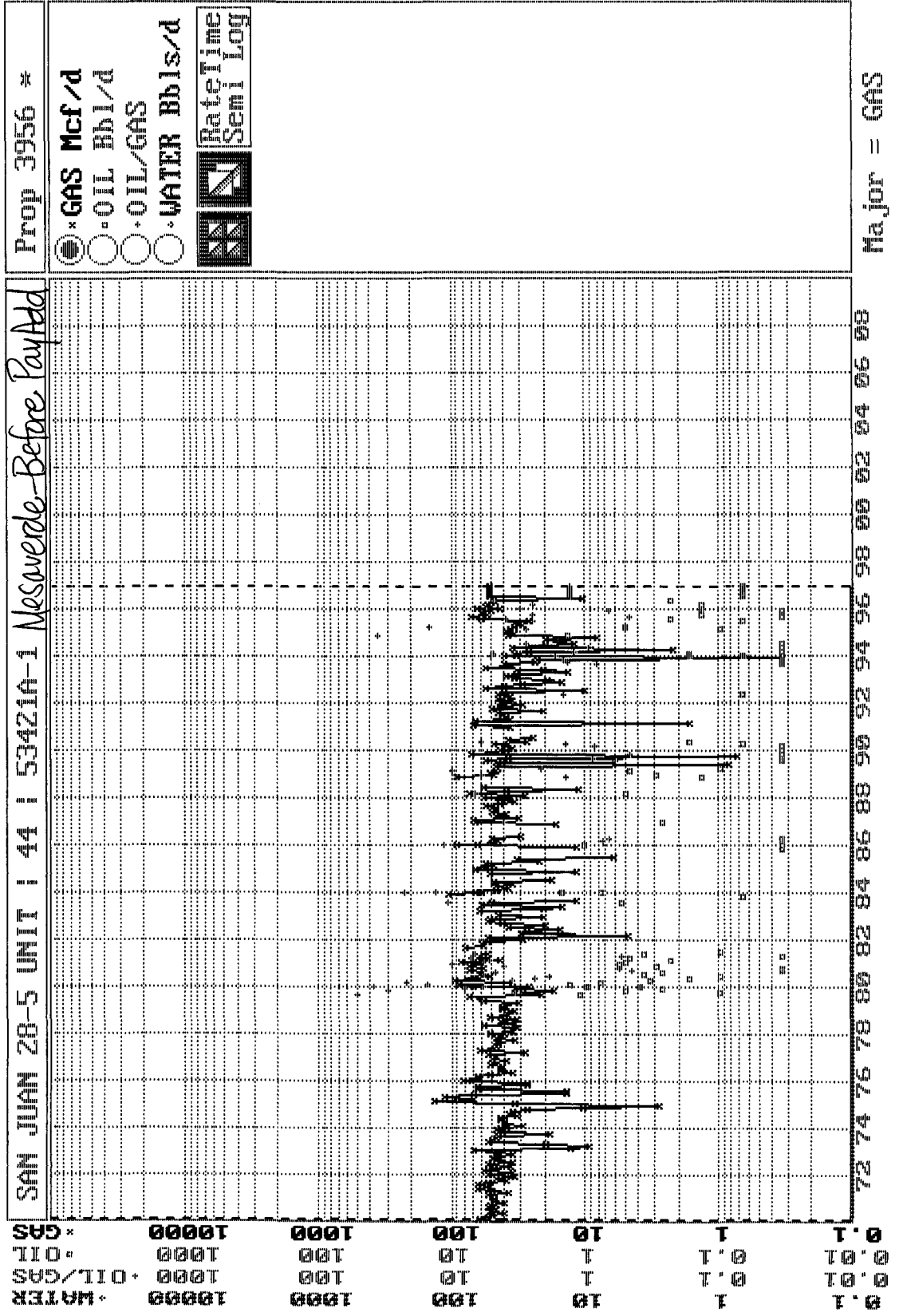
- * C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
- * Production curve for each zone for at least one year. (If not available, attach explanation.)
- * For zones with no production history, estimated production rates and supporting data.
- * Data to support allocation 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  TITLE Production Engineer DATE 1/30/97

TYPE OR PRINT NAME Lori Lantz TELEPHONE NO. (505) 326-9700



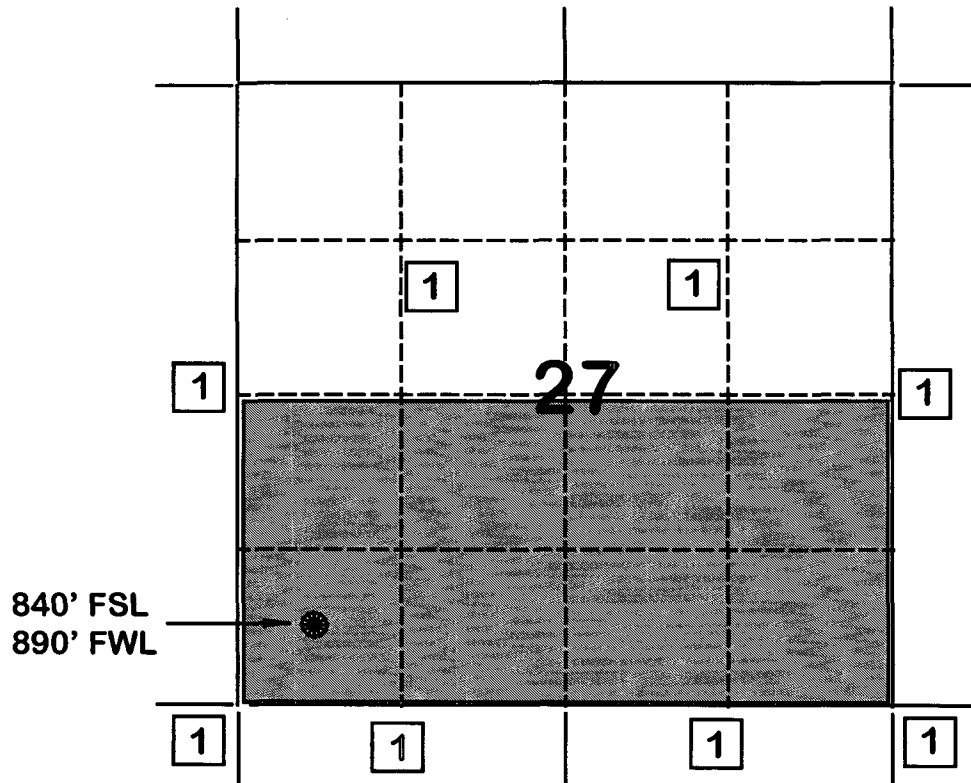


BURLINGTON RESOURCES OIL AND GAS COMPANY

**San Juan 28-5 Unit #44
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.

REQUESTED RECORD NOT FOUND (NEXT RECORD DISPLAYED)

OPR008M1 G020

O008 CHROMATOGRAPH TEST MAIN SCREEN

16:16:03.0 12/31/96

FUNCTION (A,C,D,I) i ** DATA AT TEST PRESSURE UNLESS NOTED **
MP NUMBER 72726 SAN JUAN 28-5 UNIT 44
EFFECTIVE DATE 19951201 *Dakota*
REGION CD 42 SAN JUAN
MP TYPE CODE 10 GAS METER - WELLHEAD SALES

SAMPLE TYPE CODE (GAS, LIQ, BTU) GAS ----- BTU/CF -----
SAMPLE DATE 19951201 --- (AT 14.73 PSIG) --
SAMPLE LINE PRESSURE (PSIG) ----- WET 1099.545 DRY 1119.000
SAMPLE LINE TEMPERATURE (DEG F) -----
TEST DATE ----- BTU/CF -----
TEST PRESSURE (PSIG) 14.730 WET 1099.545 DRY 1119.000
TEST TEMPERATURE (DEG F) 60 VAPOR FACTOR -----
TEST LIFE (MONTHS) 6
TESTER SOURCE BA NUMBER 038689 PETROLEUM LAND CORP
TEST PURPOSE CODE -----

03=DETAIL SCR 04=MP-NM BRWS 06=MP/DS LST 07=MP/WN LST
11=PREV SCR 12=MAIN MENU 20=NEXT REC
21=REFRESH SCR 22=PREV MENU 24=HELP PA1=TERMINATE
B MY JOB LU #22

OPR008M2 G020

O008 CHROMATOGRAPH GAS SAMPLE DETAIL

16:16:49.9 12/31/96

GPM ** DATA AT 14.730 PSIG UNLESS NOTED **
MOL % (AT 14.73)
HYDROGEN ----- MP NUMBER 72726
HELIUM ----- EFFECTIVE DATE 19951201
NITROGEN 0.17
OXYGEN -----
HYDROGEN SULFIDE ----- -- GASOLINE CONTENT (GPM) --
CARBON DIOXIDE 1.43 26/70 GASOLINE -----
METHANE 88.12 100% PROPANE -----
ETHANE 7.12 1.9046 EXCESS BUTANES -----
PROPANE 1.75 0.4823 TOTAL -----
ISO-BUTANE 0.39 0.1276
N-BUTANE 0.43 0.1356
ISO-PENTANE 0.18 0.0659
N-PENTANE 0.12 0.0435
HEXANE -----
HEXANE PLUS 0.29 0.1265
HEPTANE PLUS -----
TOTALS 100.00 2.8860

SULPHUR GRAINS / 100 CU FT -----

03=MAIN SCREEN 24=HELP PA1=TERMINATE
B MY JOB NUM LU #22

REQUESTED RECORD NOT FOUND (NEXT RECORD DISPLAYED)

OPR008M1 G020 0008 CHROMATOGRAPH TEST MAIN SCREEN

16:15:06.8 12/31/96

FUNCTION (A,C,D,I) i ** DATA AT TEST PRESSURE UNLESS NOTED **
 MP NUMBER 72725 SAN JUAN 28-5 UNIT 44
 EFFECTIVE DATE 19930101 Mesaverde
 REGION CD 42 SAN JUAN
 MP TYPE CODE 10 GAS METER - WELLHEAD SALES

 SAMPLE TYPE CODE (GAS, LIQ, BTU) GAS ----- BTU/CF -----
 SAMPLE DATE 19930126 --- (AT 14.73 PSIG) --
 SAMPLE LINE PRESSURE (PSIG) WET 1178.154 DRY 1199.000
 SAMPLE LINE TEMPERATURE (DEG F) -----
 TEST DATE ----- BTU/CF -----
 TEST PRESSURE (PSIG) 14.730 WET 1178.154 DRY 1199.000
 TEST TEMPERATURE (DEG F) 60 VAPOR FACTOR -----
 TEST LIFE (MONTHS) 6
 TESTER SOURCE BA NUMBER 038689 PETROLEUM LAND CORP
 TEST PURPOSE CODE -----

 03=DETAIL SCR 04=MP-NM BRWS 06=MP/DS LST 07=MP/WN LST
 11=PREV SCR 12=MAIN MENU 20=NEXT REC
 21=REFRESH SCR 22=PREV MENU 24=HELP PA1=TERMINATE
 B MY JOB LU #22

OPR008M2 G020

0008 CHROMATOGRAPH GAS SAMPLE DETAIL

16:15:49.6 12/31/96

GPM ** DATA AT 14.730 PSIG UNLESS NOTED **
 MOL % (AT 14.73)
 HYDROGEN ----- MP NUMBER 72725
 HELIUM ----- EFFECTIVE DATE 19930101
 NITROGEN 0.18
 OXYGEN -----
 HYDROGEN SULFIDE ----- -- GASOLINE CONTENT (GPM) --
 CARBON DIOXIDE 0.77 26/70 GASOLINE -----
 METHANE 83.37 100% PROPANE -----
 ETHANE 9.72 2.6001 EXCESS BUTANES -----
 PROPANE 3.39 0.9343 TOTAL -----
 ISO-BUTANE 0.66 0.2159
 N-BUTANE 0.98 0.3090
 ISO-PENTANE 0.39 0.1427
 N-PENTANE 0.28 0.1014
 HEXANE -----
 HEXANE PLUS 0.26 0.1134
 HEPTANE PLUS -----
 TOTALS 100.00 4.4168

 ----- SPECIFIC GRAVITY -----
 CALCULATED 0.6870
 MEASURED -----
 SULPHUR GRAINS / 100 CU FT -----

 03=MAIN SCREEN 24=HELP PA1=TERMINATE
 B MY JOB NUM LU #22

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

VERSION 1.0 3/13/94

| | |
|--------------------------------|--------|
| GAS GRAVITY | 0.647 |
| COND. OR MISC. (C/M) | M |
| %N2 | 0.17 |
| %CO2 | 1.43 |
| %H2S | 0 |
| DIAMETER (IN) | 2.5 |
| DEPTH (FT) | 7969 |
| SURFACE TEMPERATURE (DEG F) | 60 |
| BOTTOMHOLE TEMPERATURE (DEG F) | 190 |
| FLOWRATE (MCFPD) | 0 |
| SURFACE PRESSURE (PSIA) | 2701 |
| BOTTOMHOLE PRESSURE (PSIA) | 3304.7 |

San Juan 28-5 Unit #44 - Dakota
Initial Bottomhole Pressure

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

VERSION 1.0 3/13/94

| | |
|--------------------------------|-------|
| GAS GRAVITY | 0.647 |
| COND. OR MISC. (C/M) | M |
| %N2 | 0.17 |
| %CO2 | 1.43 |
| %H2S | 0 |
| DIAMETER (IN) | 2.5 |
| DEPTH (FT) | 7969 |
| SURFACE TEMPERATURE (DEG F) | 60 |
| BOTTOMHOLE TEMPERATURE (DEG F) | 190 |
| FLOWRATE (MCFPD) | 0 |
| SURFACE PRESSURE (PSIA) | 607 |
| BOTTOMHOLE PRESSURE (PSIA) | 727.2 |

San Juan 28-5 Unit #44 - Dakota
Current Bottomhole Pressure

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

VERSION 1.0 3/13/94

| | |
|--------------------------------|-------|
| GAS GRAVITY | 0.687 |
| COND. OR MISC. (C/M) | M |
| %N2 | 0.18 |
| %CO2 | 0.77 |
| %H2S | 0 |
| DIAMETER (IN) | 2.5 |
| DEPTH (FT) | 5626 |
| SURFACE TEMPERATURE (DEG F) | 60 |
| BOTTOMHOLE TEMPERATURE (DEG F) | 120 |
| FLOWRATE (MCFPD) | 0 |
| SURFACE PRESSURE (PSIA) | 927 |

| | |
|----------------------------|--------|
| BOTTOMHOLE PRESSURE (PSIA) | 1086.3 |
|----------------------------|--------|

San Juan 28-5 Unit #44 - Mesaverde
Initial & Current Bottomhole Pressure

FDG055M4 G000
START OF DATA
DP NO: 53421B
SAN JUAN 28-5 UNIT
S

WELL PRODUCTION 8/8'S VOLUME

12/31/96 17:25:46

DATE: 961229 (YYMMDD FORMAT)
44 SCROLL FORWARD BY DATE: _

| E | DATE | HOURS | -OIL PRODN- | -GAS PRODN- | -WATER PRODN- |
|---|----------|-------|-------------|-------------|---------------|
| L | PRODUCED | ON | (BOPD BOPM) | (MCFD MCFM) | (BWPD BWPM) |
| - | 12/29/96 | 24.0 | 0.55 15.95 | 84 4074 | 0.00 0.00 |
| - | 12/28/96 | 24.0 | 0.55 15.40 | 84 3990 | 0.00 0.00 |
| - | 12/27/96 | 24.0 | 0.55 14.85 | 84 3906 | 0.00 0.00 |
| - | 12/26/96 | 24.0 | 0.55 14.30 | 84 3822 | 0.00 0.00 |
| - | 12/25/96 | 24.0 | 0.55 13.75 | 84 3738 | 0.00 0.00 |
| - | 12/24/96 | 24.0 | 0.55 13.20 | 84 3654 | 0.00 0.00 |
| - | 12/23/96 | 24.0 | 0.55 12.65 | 84 3570 | 0.00 0.00 |
| - | 12/22/96 | 24.0 | 0.55 12.10 | 84 3486 | 0.00 0.00 |
| - | 12/21/96 | 24.0 | 0.55 11.55 | 84 3402 | 0.00 0.00 |
| - | 12/20/96 | 24.0 | 0.55 11.00 | 84 3318 | 0.00 0.00 |
| - | 12/19/96 | 24.0 | 0.55 10.45 | 84 3234 | 0.00 0.00 |

ENTER I UNDER SEL FOR MAINTENANCE

PF6=NRI PF10=BROWSE MENU PF11=INQ/UPDATE MENU
PF12=MAIN MENU ENTER=BACKWARDS PF24=HELP
B MY JOB LU #2

FDG055M4 G000
START OF DATA
DP NO: 53421a
SAN JUAN 28-5 UNIT
S

WELL PRODUCTION 8/8'S VOLUME

12/31/96 17:25:59

DATE: 961229 (YYMMDD FORMAT)
44 SCROLL FORWARD BY DATE: _

| E | DATE | HOURS | -OIL PRODN- | -GAS PRODN- | -WATER PRODN- |
|---|----------|-------|-------------|-------------|---------------|
| L | PRODUCED | ON | (BOPD BOPM) | (MCFD MCFM) | (BWPD BWPM) |
| - | 12/29/96 | 24.0 | 0.00 0.00 | 35 1015 | 0.00 0.00 |
| - | 12/28/96 | 24.0 | 0.00 0.00 | 35 980 | 0.00 0.00 |
| - | 12/27/96 | 24.0 | 0.00 0.00 | 35 945 | 0.00 0.00 |
| - | 12/26/96 | 24.0 | 0.00 0.00 | 35 910 | 0.00 0.00 |
| - | 12/25/96 | 24.0 | 0.00 0.00 | 35 875 | 0.00 0.00 |
| - | 12/24/96 | 24.0 | 0.00 0.00 | 35 840 | 0.00 0.00 |
| - | 12/23/96 | 24.0 | 0.00 0.00 | 35 805 | 0.00 0.00 |
| - | 12/22/96 | 24.0 | 0.00 0.00 | 35 770 | 0.00 0.00 |
| - | 12/21/96 | 24.0 | 0.00 0.00 | 35 735 | 0.00 0.00 |
| - | 12/20/96 | 24.0 | 0.00 0.00 | 35 700 | 0.00 0.00 |
| - | 12/19/96 | 24.0 | 0.00 0.00 | 35 665 | 0.00 0.00 |

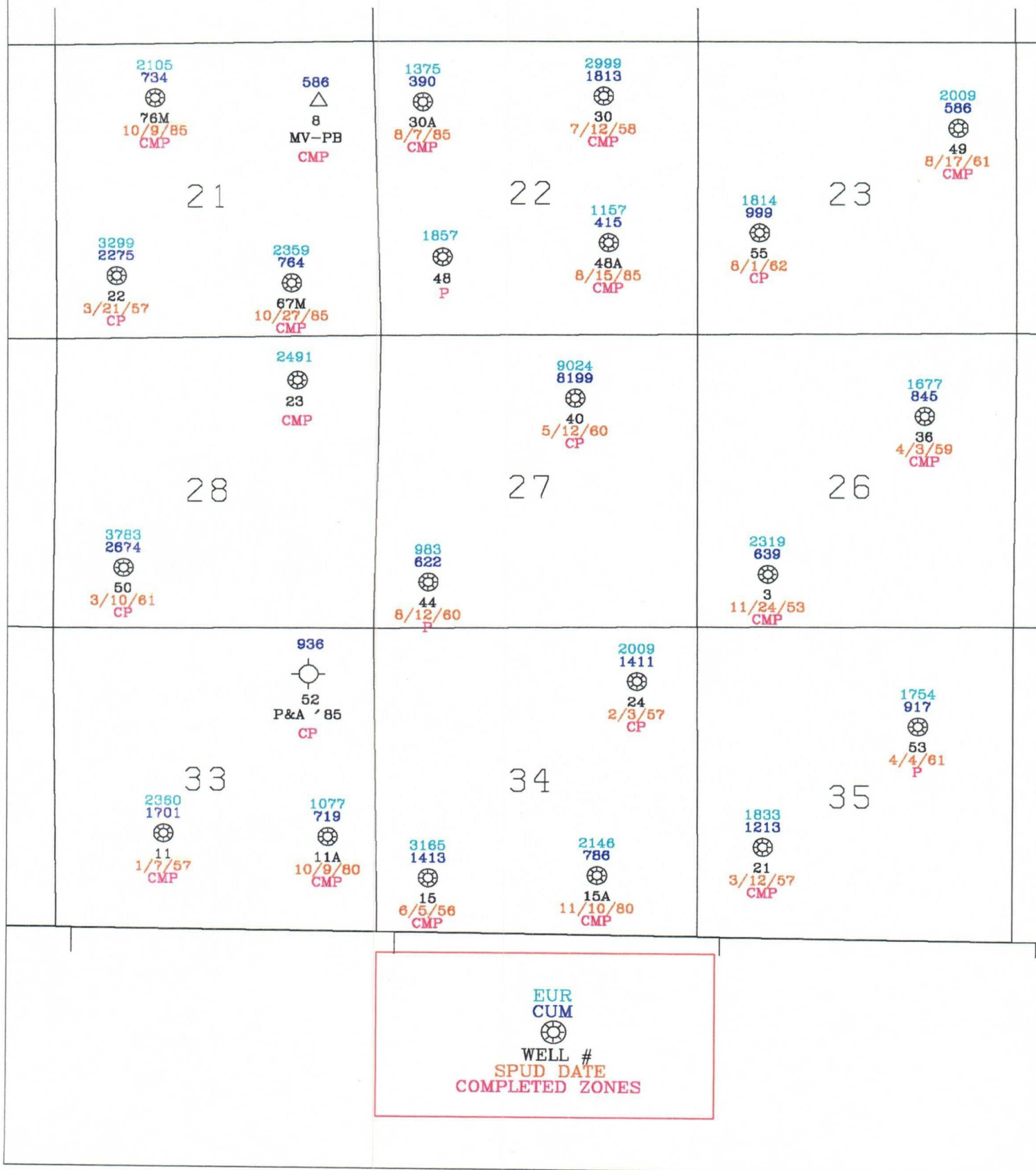
ENTER I UNDER SEL FOR MAINTENANCE

PF6=NRI PF10=BROWSE MENU PF11=INQ/UPDATE MENU
PF12=MAIN MENU ENTER=BACKWARDS PF24=HELP
B MY JOB LU #2

SAN JUAN 28-5 UNIT #44

SECTION 44M, T28N, R5W

RIO ARRIBA COUNTY, NM



**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.

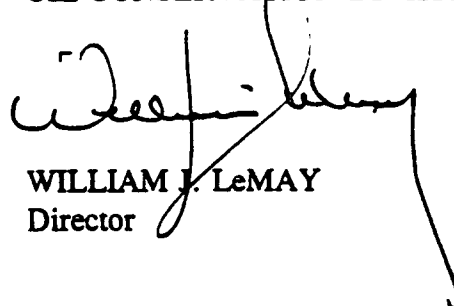
(2) Upon filing of Division Form No. C-107-A's for wells subsequently downhole commingled within the San Juan 28-5 Unit Area, the applicant shall not be required to submit supporting data to justify the classification of the Pictured Cliffs and Dakota formations as "marginal", supporting data to verify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