

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 2040 South Pacheco, Santa Fe, NM 87505



2049

ADMINISTRATIVE APPLICATION COVERSHEET

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATION FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

- [NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location]
- [DD-Directional Drilling] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

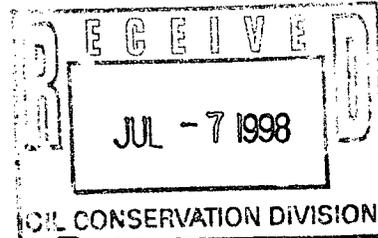
[1] **TYPE OF APPLICATION - Check Those Which Apply for [A]**

- [A] Location - Spacing Unit - Directional Drilling
 NSL NSP DD SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR



[2] **NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply**

- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] Offset Operators, Leaseholders or Surface Owner
- [C] Application is One Which Requires Published Legal Notice
- [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] Waivers are Attached

[3] **INFORMATION / DATA SUBMITTED IS COMPLETE - Certification**

I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common. I understand that any omission of data (including API numbers, pool codes, etc.), pertinent information and any required notification is cause to have the application package returned with no action taken.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

[Handwritten Signature]

Print or Type Name

Signature

Title

Date

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

State of New Mexico
Energy, Minerals and Natural Resources Department

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

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

OIL CONSERVATION DIVISION

APPROVAL PROCESS :

DISTRICT III
1000 Rio Brazos Rd, Aztec, NM 87410-1693

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

Administrative
 Hearing

APPLICATION FOR DOWNHOLE COMMINGLING

EXISTING WELLBORE
 YES NO

Burlington Resources Oil and Gas PO Box 4289, Farmington, NM 87499

Operator: San Juan 28-5 Unit #38A Address: O 32-28N-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. 30-039-22233 Federal X, State, Fee

The following facts are submitted in support of downhole commingling:	Upper Zone	Intermediate Zone	Lower Zone
1. Pool Name and Pool Code	Tapacito Pic Cliffs - 85920		Blanco Mesaverde - 72319
2. Top and Bottom of Pay Section (Perforations)	3296'-3356'		4983'-5815'
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. 1622 psi (see attachment)		a. 442 psi (see attachment)
	(Original) b. 1096 psi (see attachment)		b. 953 psi (see attachment)
6. Oil Gravity (°API) or Gas BTU Content	BTU 1150		BTU 1210
7. Producing or Shut-In?	Producing		Producing
Production Marginal? (yes or no)	Yes		No
* If Shut-In and oil/gas/water rates of last production <small>Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data</small>	Date: N/A Rates:		Date: N/A Rates:
* If Producing, give data and oil/gas/water water of recent test (within 60 days)	Date: 6/18/98 Rates: 11 mcf/d 0.0 bopd		Date: 6/18/98 Rates: 191 mcf/d 0.8 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.

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 L. Tom Loveland TITLE Production Engineer DATE 6/23/98

TYPE OR PRINT NAME L. Tom Loveland TELEPHONE NO. (505) 326-9700

All distances must be from the outer boundaries of the Section.

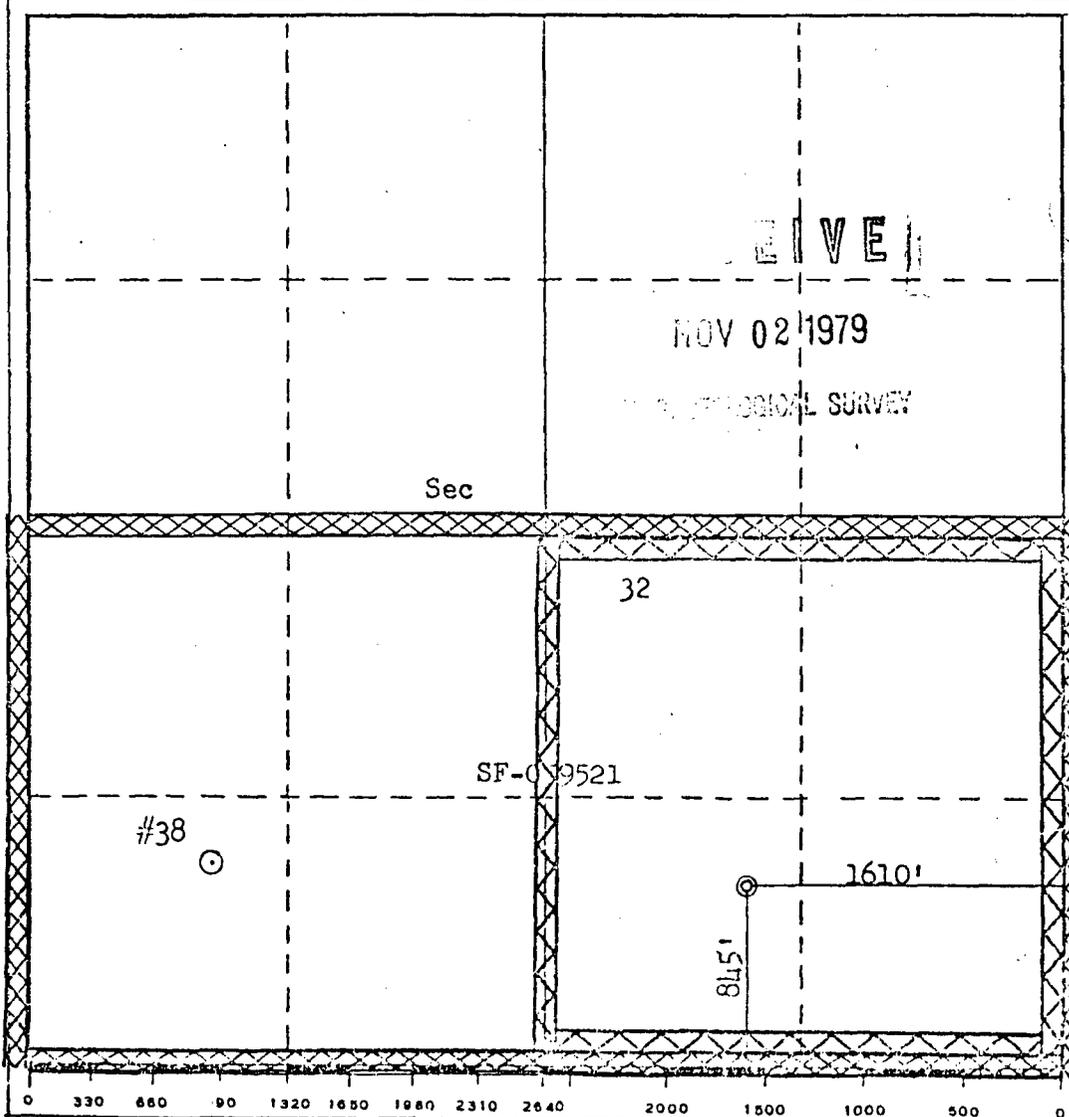
Operator EL PASO NATURAL GAS COMPANY			Lease SAN JUAN 28-5 UNIT (SF-079521)		Well No. 38A
Unit Letter 0	Section 32	Township 28N	Range 5W	County Rio Arriba	
Actual Footage Location of Well: 845 feet from the South line and 1610 feet from the East line					
Ground Level Elev. 6487	Producing Formation PICTURED MESA VERDE-CLIFFS		Pool TAPACITO PICTURED CLIFFS EXT. BLANCO MESA VERDE		Dedicated Acreage: 159.40 & 318.72 Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

Yes No If answer is "yes," type of consolidation Unitization

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

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

[Signature]
Name _____

Drilling Clerk
Position _____

El Paso Natural Gas Co.
Company _____

October 18, 1979
Date _____

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 knowledge and belief.

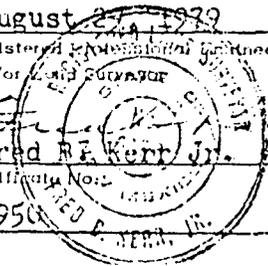
Date Surveyed _____

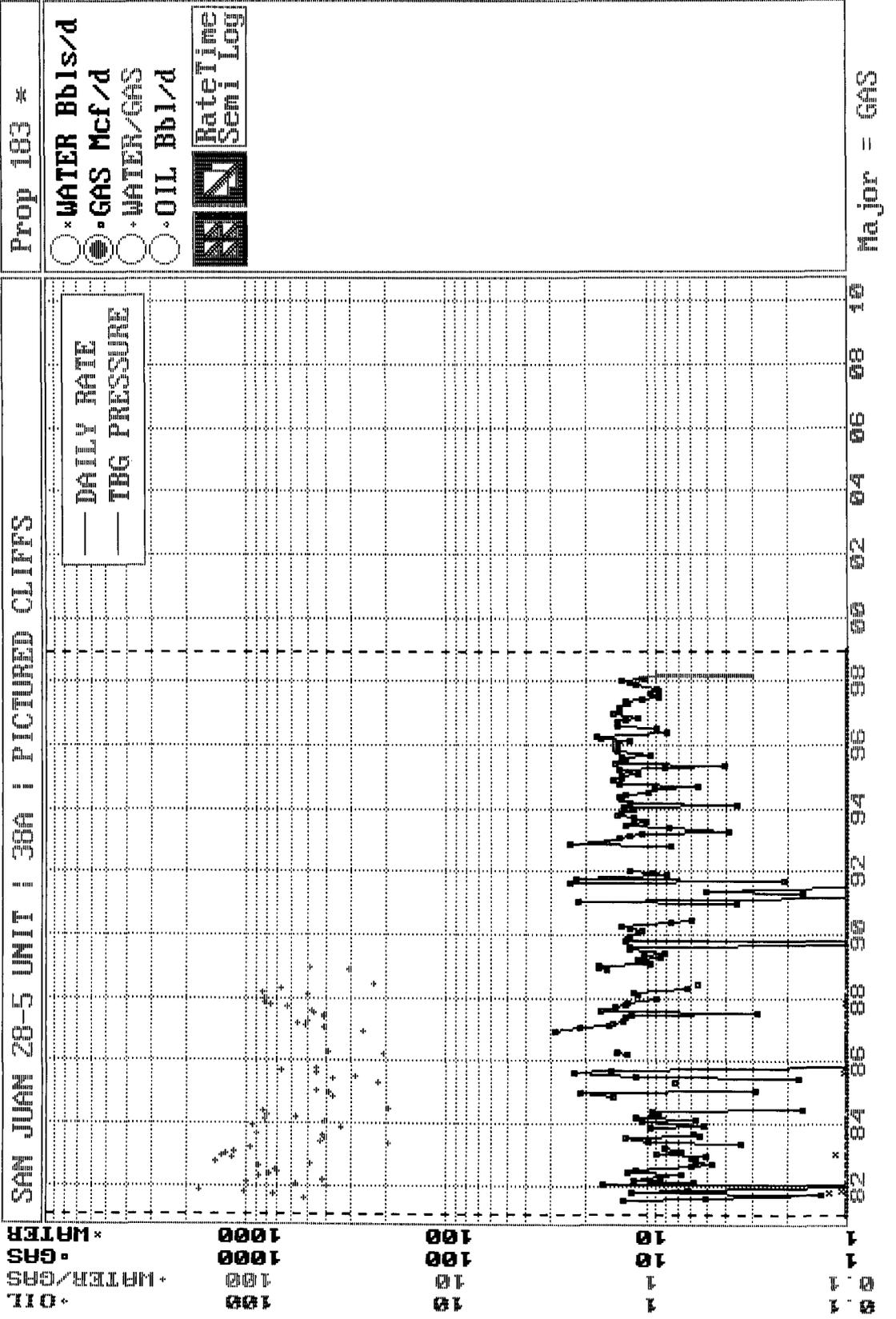
August 27, 1979

Registered Professional Geologist and/or Land Surveyor

[Signature]
Fred R. Kert, Jr.

Certification No. 3950





San Juan 28-5 Unit #38A
Bottom Hole Pressures
Flowing and Static BHP
Cullender and Smith Method
Version 1.0 1/14/98

Pictured Cliffs	Mesaverde																																																
<u>PC-Current</u>	<u>MV-Current</u>																																																
<table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 80%;">GAS GRAVITY</td><td style="text-align: right; border-bottom: 1px solid black;">0.676</td></tr> <tr><td>COND. OR MISC. (C/M)</td><td style="text-align: right; border-bottom: 1px solid black;">C</td></tr> <tr><td>%N2</td><td style="text-align: right; border-bottom: 1px solid black;">1.32</td></tr> <tr><td>%CO2</td><td style="text-align: right; border-bottom: 1px solid black;">0.53</td></tr> <tr><td>%H2S</td><td style="text-align: right; border-bottom: 1px solid black;">0</td></tr> <tr><td>DIAMETER (IN)</td><td style="text-align: right; border-bottom: 1px solid black;">7</td></tr> <tr><td>DEPTH (FT)</td><td style="text-align: right; border-bottom: 1px solid black;">3326</td></tr> <tr><td>SURFACE TEMPERATURE (DEG F)</td><td style="text-align: right; border-bottom: 1px solid black;">60</td></tr> <tr><td>BOTTOMHOLE TEMPERATURE (DEG F)</td><td style="text-align: right; border-bottom: 1px solid black;">114</td></tr> <tr><td>FLOWRATE (MCFPD)</td><td style="text-align: right; border-bottom: 1px solid black;">0</td></tr> <tr><td>SURFACE PRESSURE (PSIA)</td><td style="text-align: right; border-bottom: 1px solid black;">571</td></tr> <tr><td>BOTTOMHOLE PRESSURE (PSIA)</td><td style="text-align: right; border: 1px solid black;">621.9</td></tr> </table>	GAS GRAVITY	0.676	COND. OR MISC. (C/M)	C	%N2	1.32	%CO2	0.53	%H2S	0	DIAMETER (IN)	7	DEPTH (FT)	3326	SURFACE TEMPERATURE (DEG F)	60	BOTTOMHOLE TEMPERATURE (DEG F)	114	FLOWRATE (MCFPD)	0	SURFACE PRESSURE (PSIA)	571	BOTTOMHOLE PRESSURE (PSIA)	621.9	<table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 80%;">GAS GRAVITY</td><td style="text-align: right; border-bottom: 1px solid black;">0.692</td></tr> <tr><td>COND. OR MISC. (C/M)</td><td style="text-align: right; border-bottom: 1px solid black;">C</td></tr> <tr><td>%N2</td><td style="text-align: right; border-bottom: 1px solid black;">0.30</td></tr> <tr><td>%CO2</td><td style="text-align: right; border-bottom: 1px solid black;">0.92</td></tr> <tr><td>%H2S</td><td style="text-align: right; border-bottom: 1px solid black;">0</td></tr> <tr><td>DIAMETER (IN)</td><td style="text-align: right; border-bottom: 1px solid black;">2.375</td></tr> <tr><td>DEPTH (FT)</td><td style="text-align: right; border-bottom: 1px solid black;">5399</td></tr> <tr><td>SURFACE TEMPERATURE (DEG F)</td><td style="text-align: right; border-bottom: 1px solid black;">60</td></tr> <tr><td>BOTTOMHOLE TEMPERATURE (DEG F)</td><td style="text-align: right; border-bottom: 1px solid black;">147</td></tr> <tr><td>FLOWRATE (MCFPD)</td><td style="text-align: right; border-bottom: 1px solid black;">0</td></tr> <tr><td>SURFACE PRESSURE (PSIA)</td><td style="text-align: right; border-bottom: 1px solid black;">387</td></tr> <tr><td>BOTTOMHOLE PRESSURE (PSIA)</td><td style="text-align: right; border: 1px solid black;">442.1</td></tr> </table>	GAS GRAVITY	0.692	COND. OR MISC. (C/M)	C	%N2	0.30	%CO2	0.92	%H2S	0	DIAMETER (IN)	2.375	DEPTH (FT)	5399	SURFACE TEMPERATURE (DEG F)	60	BOTTOMHOLE TEMPERATURE (DEG F)	147	FLOWRATE (MCFPD)	0	SURFACE PRESSURE (PSIA)	387	BOTTOMHOLE PRESSURE (PSIA)	442.1
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Page No.: 23

Print Time: Fri May 08 08:28:41 1998

Property ID: 183

Property Name: SAN JUAN 28-5 UNIT | 38A | PICTURED CLIFFS

Table Name: S:\ARIES\78LTL\TEST.DBF

<u>--DATE--</u>	<u>--CUM OIL--</u>	<u>---CUM GAS---</u>	<u>M SIWHP</u>
	Bbl	Mcf	Psi

01/27/81		0	1000.0	Original
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02/23/82		1866	730.0	
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05/31/82		2693	665.0	
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09/19/83		6146	604.0	
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02/13/84		7095	619.0	
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04/17/86		11881	620.0	
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05/10/89		21443	677.0	
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09/10/91		27287	777.0	
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04/01/98		52636	571.0	Current estimated from P/z data
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Page No.: 5
Print Time: Fri May 08 08:28:38 1998
Property ID: 165
Property Name: SAN JUAN 28-5 UNIT | 38A | MESAVERDE
Table Name: S:\ARIES\78LTL\TEST.DBF

<u>--DATE--</u>	<u>--CUM OIL-</u>	<u>---CUM GAS--</u>	<u>M SIWHP</u>
	Bbl	Mcf	Psi

01/27/81		0	826.0	<i>Original</i>
10/01/81		53678	641.0	
05/31/82		118455	561.0	
09/19/83		190321	596.0	
05/02/84		222729	575.0	
04/17/86		337860	443.0	
05/10/89		489525	713.0	
04/15/91		576388	463.0	
09/10/91		589326	475.0	
08/30/93		680869	492.0	
04/01/98		912509	387.0	<i>Current estimated from P/z data</i>

Package Preparation Volume Data

DPNo: 53417A SAN JUAN 28-5 UNIT 38A Form: PC

Supt: 60 KEN RAYBON FF: 335 LARY BYARS MS: 378 GARY NELSON
 Pipeline: WFS Plunger: No Dual: Yes Compressor: No

<u>Ownership (No Trust)</u>			<u>Prior Year</u>			<u>Current Year</u>				
	<u>Gas</u>	<u>Oil</u>			<u>Days</u>			<u>Days</u>		
	<u>GWl:</u>	<u>64.1250%</u>	<u>64.1250%</u>	<u>MCF/M</u>	<u>BOPM</u>	<u>On</u>	<u>MCF/M</u>	<u>BOPM</u>	<u>On</u>	
	<u>GNI:</u>	<u>53.2547%</u>	<u>53.2547%</u>	Jan	331	0.0	31	327	0.0	31
				Feb	349	0.0	28	236	0.0	28
				Mar	334	0.0	31	202	0.0	31
				Apr	298	0.0	30	308	0.0	30
				May	308	0.0	31	0	0.0	26.9
				Jun	241	0.0	30	0	0.0	0
				Jul	178	0.0	31	0	0.0	0
				Aug	204	0.0	31	0	0.0	0
				Sept	180	0.0	30	0	0.0	0
				Oct	208	0.0	25	0	0.0	0
				Nov	265	0.0	30	0	0.0	0
				Dec	290	0.0	31	0	0.0	0
				Total	3,186	0.0		1,073	0.0	
<u>Volumes (Days On)</u>										
	<u>MCFD</u>	<u>BOPD</u>								
7 Day Avg	13	0.0								
30 Day Avg	13	0.0								
60 Day Avg	11	0.0								
3 Mo Avg	8	0.0								
6 Mo Avg	9	0.0								
12 Mo Avg	8	0.0								
<u>Volumes (Days in Month)</u>										
	<u>MCFD</u>	<u>BOPD</u>								
30 Day Avg	11	0.0								
60 Day Avg	11	0.0								
3 Mo Avg	8	0.0								
6 Mo Avg	9	0.0								
12 Mo Avg	8	0.0								

Print Form

Exit Volumes Data

Package Preparation Volume Data

DPNo: 53417B SAN JUAN 28-5 UNIT 38A Form: MV

Supt: 60 KEN RAYBON FF: 335 LARY BYARS MS: 378 GARY NELSON
 Pipeline: WFS Plunger: No Dual: Yes Compressor: No

<u>Ownership (No Trust)</u>			<u>Prior Year</u>			<u>Current Year</u>			
	<u>Gas</u>	<u>Oil</u>			<u>Days</u>			<u>Days</u>	
				<u>MCF/M</u>	<u>BOPM</u>	<u>On</u>	<u>MCF/M</u>	<u>BOPM</u>	<u>On</u>
GWI:	73.1659%	73.1659%	Jan	0	0.0	0	7,212	26.0	31
GNI:	62.3562%	62.3562%	Feb	11,198	108.0	24.9	5,326	5.0	28
			Mar	8,028	190.0	31	6,064	5.0	31
			Apr	8,104	0.0	30	4,722	14.0	30
			May	5,527	0.0	31	0	0.0	26.9
			Jun	6,191	0.0	30	0	0.0	0
			Jul	6,811	0.0	31	0	0.0	0
			Aug	4,972	10.0	31	0	0.0	0
			Sept	5,674	18.0	30	0	0.0	0
			Oct	6,508	30.0	27	0	0.0	0
			Nov	5,867	30.0	30	0	0.0	0
			Dec	7,199	44.0	31	0	0.0	0
			Total	76,079	430.0		23,324	50.0	
<u>Volumes</u>									
<u>(Days On)</u>	<u>MCFD</u>	<u>BOPD</u>							
7 Day Avg	229	9.4							
30 Day Avg	222	0.9							
60 Day Avg	188	0.7							
3 Mo Avg	181	0.3							
6 Mo Avg	201	0.7							
12 MoAvg	200	0.5							
<u>Volumes</u>									
<u>(Days in Month)</u>	<u>MCFD</u>	<u>BOPD</u>							
30 Day Avg	191	0.8							
60 Day Avg	174	0.6							
3 Mo Avg	181	0.3							
6 Mo Avg	199	0.7							
12 Mo Avg	197	0.5							

Print Form

Exit Volumes Data

6/18/98

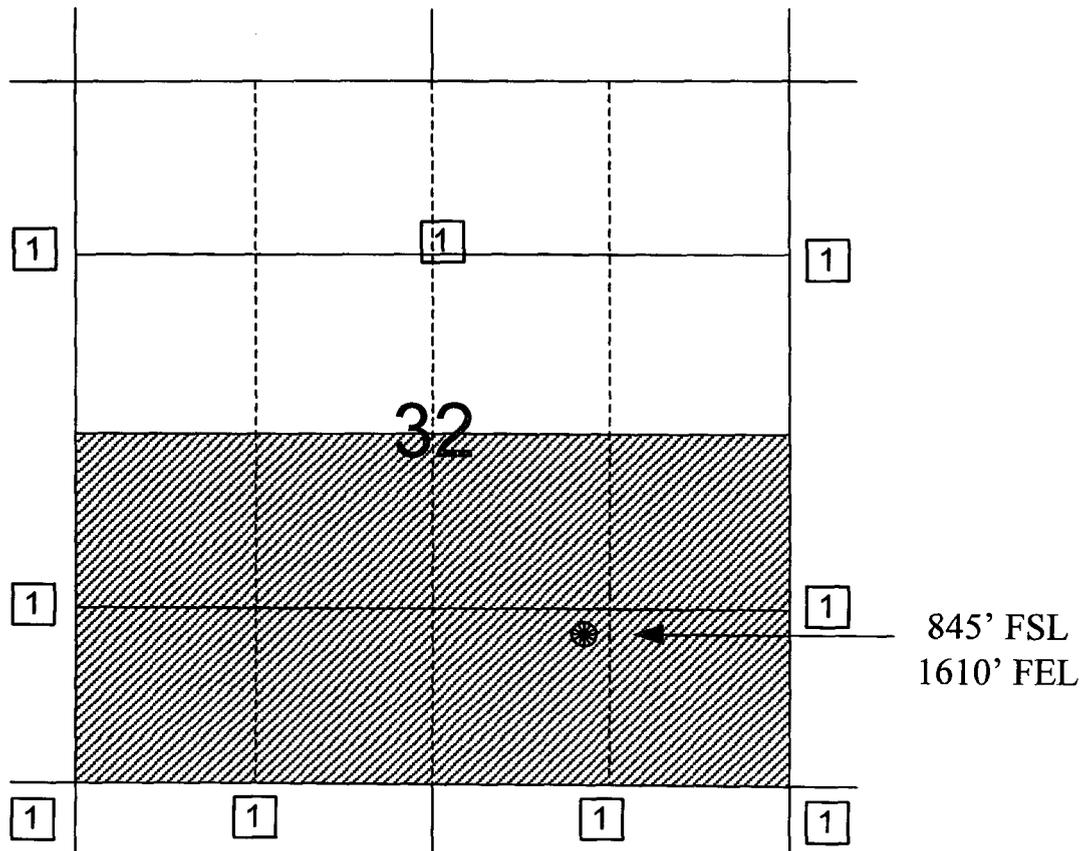
BURLINGTON RESOURCES OIL AND GAS COMPANY

San Juan 28-5 Unit #38A

Offset Operator/Owner Plat

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

Township 28 North, Range 5 West



1) Burlington Resources

30	g 29 ⊗	235 28 ⊗ 50	229 ⊗ 44
51 ⊗ 31	41 ⊗ ⊙ 240 32 SJ 28-5 Unit ⊗ 38	52 ⊗ 11 33 11A ⊗ 38A ⊗	15 ⊗
45A ⊗ 59 ⊙ 62 45 6 149 ⊙ ⊗ 59M	53A ⊙ 61 ⊗ 5 61A ⊙ 53 ⊙	52A ⊙ 60 ⊗ 4 60A ⊙ 52 ⊙	25 ⊗
69 ⊙ 76	150 ⊙ 176 ⊙ ⊗ 70	64A ⊙ 2 ⊗	

PLH 5/7/98

SJ 28-5 Unit 38A
Sec. 32, T28N, R5W
Mesaverde/Pictured Cliffs

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.

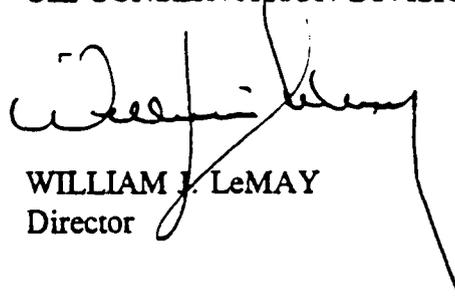
(2) Upon filing of Division Form No. C-107-A's for wells subsequently downhole commingled within the San Juan 28-5 Unit Area, the applicant shall not be required to submit supporting data to justify the classification of the Pictured Cliffs and Dakota formations as "marginal", supporting data to verify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