

ABOVE THIS LINE FOR DIVISION USE ONLY

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



2096

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]

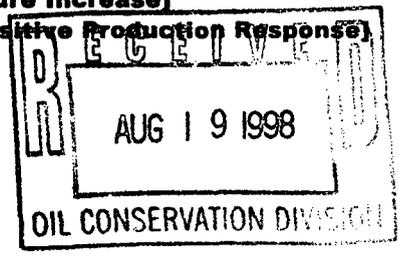
[1] **TYPE OF APPLICATION - Check Those Which Apply for [A]**

- [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.

Print or Type Name _____ Signature [Signature] Title _____ Date _____

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-A
New 3-12-96

APPROVAL PROCESS :

Administrative
 Hearing

APPLICATION FOR DOWNHOLE COMMINGLING

EXISTING WELLBORE

YES NO

BURLINGTON RESOURCES OIL & GAS COMPANY
Operator

PO Box 4289, Farmington, NM 87499
Address

San Juan 29-7 Unit
Lease

77A
Well No.

O, Sec. 33, T29N, R7W
Unit Ltr. - Sec - Twp - Rge

Rio Arriba
County

Spacing Unit Lease Types: (check 1 or more)

OGRID NO. 14538 Property Code 7465 API NO. 30-039-21919 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 Mesa Verde - 72319		Dakota - 71599
2. Top and Bottom of Pay Section (Perforations)	4588' - 5558'		7226' - 7426'
3. Type of production (Oil or Gas)	Gas		Gas
4. Method of Production (Flowing or Artificial Lift)	Flowing (with Compressor)		Flowing
5. Bottomhole Pressure Oil Zones - Artificial Lift: Estimated Current Gas & Oil - Flowing: Measured Current All Gas Zones: Estimated or Measured Original	(Current) a. 401 psia @ 5073'	a.	a. 386 Psia @ 7326'
	(Original) b. 1195 psia @ 5073'	b.	b. 1047 Psia @ 7326'
6. Oil Gravity (°API) or Gas BTU Content	1190 BTU		1060 BTU
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 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: Rates:
	Date: 7/98 Rates: 0.1 BOD/299 MCFD/1.3 BWD	Date: Rates:	Date: 7/98 Rates: 0.1 BOD / 31 MCFD / 0.9 BWD
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-10697
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 Kevin L. Midkiff TITLE Operations Engineer DATE August 18, 1998

TYPE OR PRINT NAME Kevin L. Midkiff TELEPHONE NO. (505) 326-9700

WELL LOCATION AND ACREAGE DEDICATION AT

Supersedes C-122
Effective 1-1-69

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

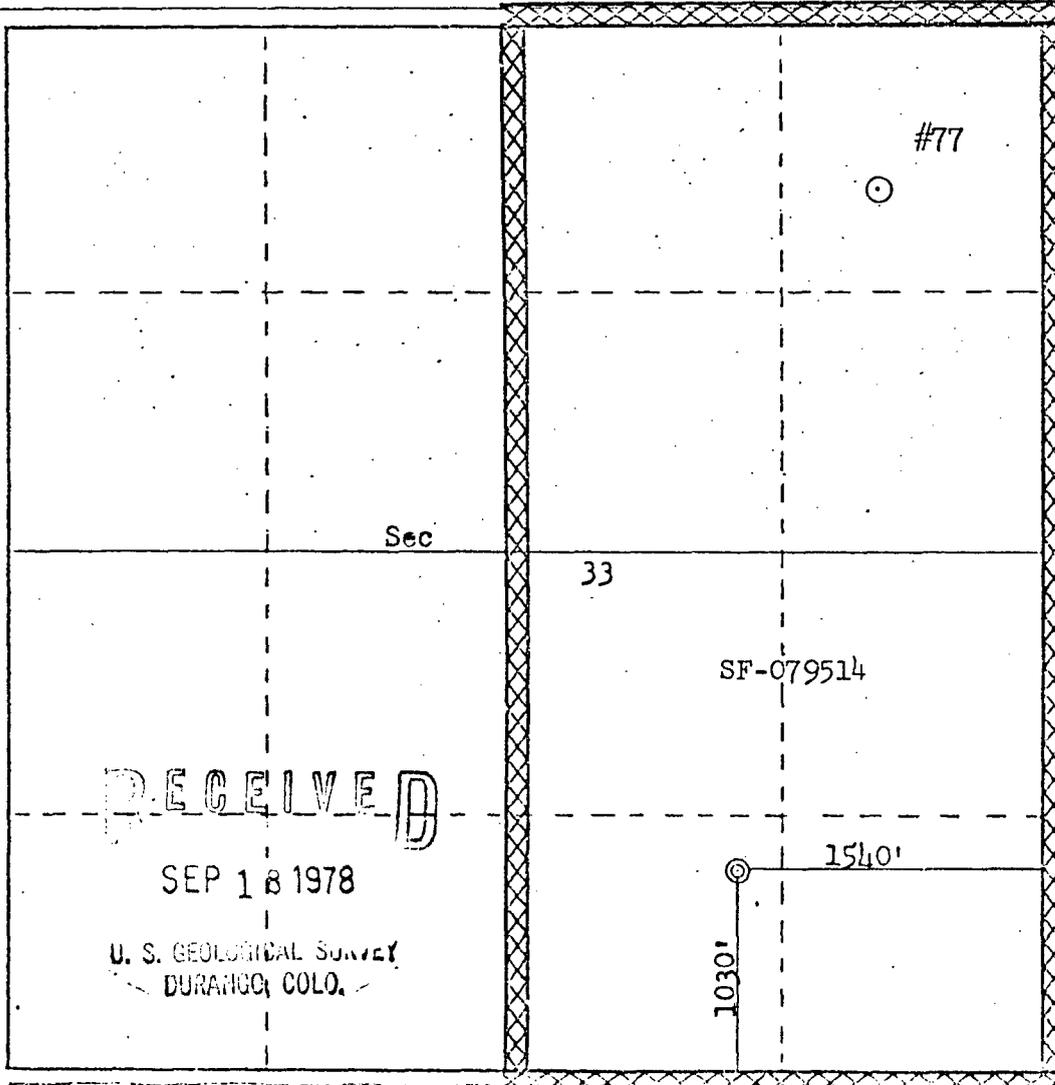
Operator EL PASO NATURAL GAS COMPANY			Lease SAN JUAN 29-7 UNIT (SF-079514)		Well No. 77A
Unit Letter 0	Section 33	Township 29N	Range 7W	County RIO ARRIBA	
Actual Footage Location of Well: 1030 feet from the South line and 1540 feet from the East line					
Ground Level Elev. 6227	Producing Formation Mesa Verde		Pool Blanco Mesa Verde	Dedicated Acreage: 320.00 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.

D. J. Bruce
Name

Drilling Clerk
Position

El Paso Natural Gas Co.
Company

September 14, 1978
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 29, 1978
Registered Professional Surveyor
and or Land Surveyor
Fred R. Kerr Jr.
Fred R. Kerr Jr.
3950

RECEIVED

SEP 18 1978

U. S. GEOLOGICAL SURVEY
DURANGO, COLO.

San Juan 29-7 Unit #77A
Bottom Hole Pressures
Flowing and Static BHP
Cullender and Smith Method

Version 1.0 3/13/94

Mesaverde	Dakota																																																
<u>MV-Current</u>	<u>DK-Current</u>																																																
<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;">0.743</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;">0.23</td></tr> <tr><td>%CO2</td><td style="text-align: right; border-bottom: 1px solid black;">0.85</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;">5073</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;">191</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;">353</td></tr> <tr><td> BOTTOMHOLE PRESSURE (PSIA)</td><td style="text-align: right; border-bottom: 1px solid black;">401.4</td></tr> </table>	GAS GRAVITY	0.743	COND. OR MISC. (C/M)	C	%N2	0.23	%CO2	0.85	%H2S	0	DIAMETER (IN)	7	DEPTH (FT)	5073	SURFACE TEMPERATURE (DEG F)	60	BOTTOMHOLE TEMPERATURE (DEG F)	191	FLOWRATE (MCFPD)	0	SURFACE PRESSURE (PSIA)	353	 BOTTOMHOLE PRESSURE (PSIA)	401.4	<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;">0.633</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;">0.13</td></tr> <tr><td>%CO2</td><td style="text-align: right; border-bottom: 1px solid black;">1.39</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;">7326</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;">249</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;">333</td></tr> <tr><td> BOTTOMHOLE PRESSURE (PSIA)</td><td style="text-align: right; border-bottom: 1px solid black;">386.0</td></tr> </table>	GAS GRAVITY	0.633	COND. OR MISC. (C/M)	C	%N2	0.13	%CO2	1.39	%H2S	0	DIAMETER (IN)	2.375	DEPTH (FT)	7326	SURFACE TEMPERATURE (DEG F)	60	BOTTOMHOLE TEMPERATURE (DEG F)	249	FLOWRATE (MCFPD)	0	SURFACE PRESSURE (PSIA)	333	 BOTTOMHOLE PRESSURE (PSIA)	386.0
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Page No.: 9
Print Time: Wed Dec 24 14:16:38 1997
Property ID: 289
Property Name: SAN JUAN 29-7 UNIT | 77A | MESAVERDE
Table Name: S:\ARIES\1ROS\TEST.DBF

<u>--DATE--</u>	<u>---CUM_GAS--</u> Mcf	<u>M</u>	<u>SIWHP</u> Psi	
08/29/80		0	1034.0	<i>Original</i>
09/24/80		0	1035.0	
01/19/81	71180		762.0	
08/04/81	199831		640.0	
11/11/82	391605		621.0	
06/28/84	583414		583.0	
12/07/86	819973		1945.0	
06/29/89	1071353		482.0	
02/15/91	1209810		560.0	
06/12/91	1224355		572.0	
08/30/93	1388124		492.0	
10/31/97	1765909		353.0	<i>Current Estimated from P12 data</i>

Page No.: 3

Print Time: Wed Dec 24 14:16:37 1997

Property ID: 283

Property Name: SAN JUAN 29-7 UNIT | 77A | DAKOTA

Table Name: S:\ARIES\1ROS\TEST.DBF

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

09/24/80	0	895.0	<i>ORIGINAL</i>
01/19/81	36627	1889.0	
08/04/81	146245	1256.0	
06/04/82	276357	746.0	
02/04/84	420351	799.0	
09/04/85	530804	599.0	
11/20/85	547290	635.0	
12/02/88	671990	718.0	
04/13/90	744606	622.0	
03/30/92	818654	922.0	
06/23/93	872315	420.0	
10/31/97	996332	333.0	<i>Current Estimated from P/z data</i>

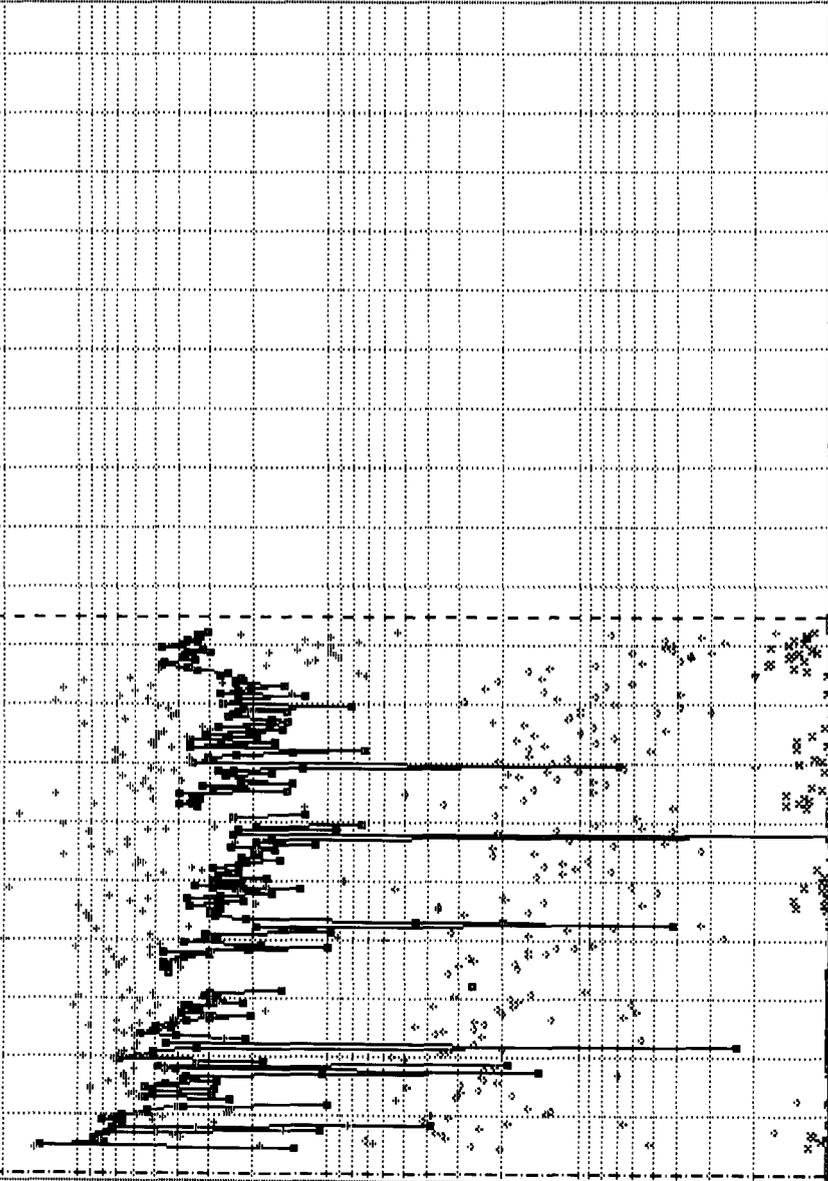
Prop 314 *

SAN JUAN 29-7 UNIT | 77A | 69353-1 MESA VERDE

- * WATER Bbls/d
 - GAS Mcf/d
 - OIL/GAS Bbl/M
 - OIL Bbl/d
- Rate Time
 Semi Log

— DAILY RATE
 — TBG PRESSURE

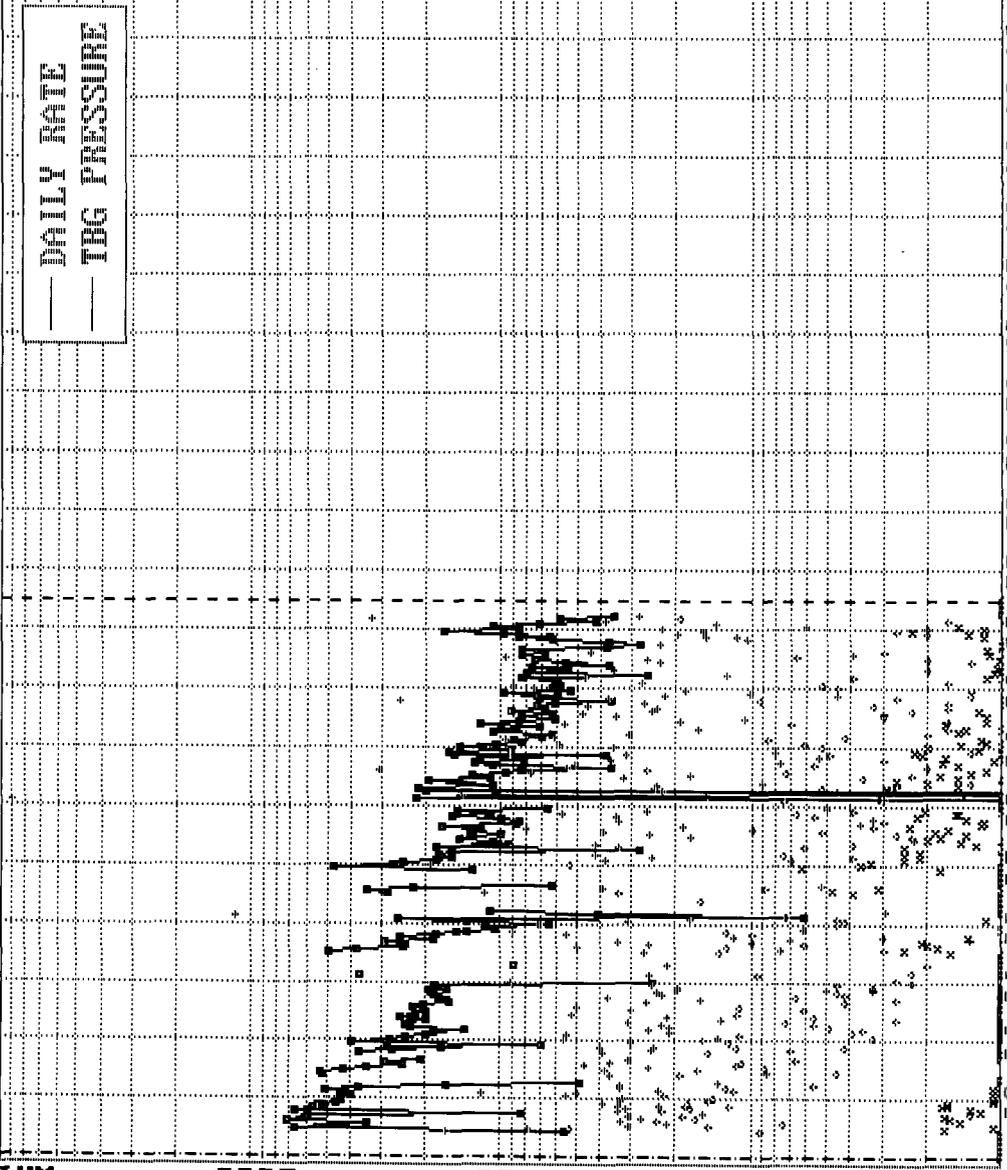
* WATER
 * GAS
 * OIL/GAS
 * OIL
 Mcf/M
 1000
 100
 10
 1
 0.1
 1
 1
 1
 0.1



Major = GAS

SAN JUAN 29-7 UNIT | 77A | 69354-1 DAKOTA

• OIL
• OIL/GAS
• GAS
• WATER
Mcf/m
100
100
100
100



Prop 315 *

○ * WATER Bbls/d
● • GAS Mcf/d
○ • OIL/GAS Bbl/m
○ • OIL Bbl/d

RateTime
Semi Log

Major = GAS

1
1
1
1
10
10
10
10
100
100
100
100
1000
1000
1000
1000

82 84 86 88 90 92 94 96 98 00 02 04 06 08 10 12 14 16 18

Package Preparation Volume Data

DPNo: 59353

SAN JUAN 29-7 UNET

77A

Form: MV

Supt: 60 KEN RAYBON

FF: 339 WARD ARNOLD

MS: 317 LEROY SERRANO

Pipeline: EPNG

Plunger: No

Dual: Yes

Compressor: Yes

<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:	62.5191%	62.5191%	Jan	7,688	6.0	29.5	11,605	13.0	31
GNI:	52.8043%	52.8043%	Feb	9,918	49.0	20.7	10,036	8.0	28
			Mar	10,992	40.0	26.9	10,746	14.0	31
			Apr	14,218	26.0	26.9	9,662	10.0	30
			May	13,749	17.0	31	9,686	23.0	31
			Jun	10,335	12.0	26.3	0	0.0	30
			Jul	11,662	11.0	31	0	0.0	0
			Aug	11,315	11.0	31	0	0.0	0
			Sept	10,520	19.0	30	0	0.0	0
			Oct	9,157	9.0	6.8	0	0.0	0
			Nov	9,725	13.0	25.4	0	0.0	0
			Dec	14,001	14.0	31	0	0.0	0
			Total	133,280	227.0		51,735	68.0	

<u>Volumes</u>	<u>MCFD</u>	<u>BOPD</u>
<u>(Days On)</u>		
7 Day Avg	199	2.2
30 Day Avg	299	0.1
60 Day Avg	306	0.4
3 Mo Avg	327	0.5
6 Mo Avg	361	0.5
12 MoAvg	386	0.5

<u>Volumes</u>	<u>MCFD</u>	<u>BOPD</u>
<u>(Days in Month)</u>		
30 Day Avg	299	0.1
60 Day Avg	306	0.4
3 Mo Avg	327	0.5
6 Mo Avg	360	0.4
12 Mo Avg	352	0.4

Print Form

Exit Volumes Data

8/6/1998

Package Preparation Volume Data

DPNo: 69354 SAN JUAN 29-7 UNIT 77A Form: DK

Supt: 60 KEN RAYBON FF: 339 WARD ARNOLD MS: 317 LEROY SERRANO
 Pipeline: EPNG 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:	63.6931%	63.6931%	Jan	1,932	20.0	31	2,505	6.0	31
GNI:	52.9787%	52.9787%	Feb	2,438	1.0	28	3,220	2.0	28
			Mar	1,916	9.0	31	2,054	3.0	31
			Apr	2,466	0.0	30	1,164	5.0	30
			May	1,016	0.0	31	1,648	58.0	31
			Jun	753	2.0	24	0	0.0	30
			Jul	1,005	0.0	31	0	0.0	0
			Aug	1,785	2.0	31	0	0.0	0
			Sept	2,526	3.0	30	0	0.0	0
			Oct	1,869	3.0	27.7	0	0.0	0
			Nov	2,938	6.0	26.9	0	0.0	0
			Dec	5,099	8.0	31	0	0.0	0
			Total	25,743	54.0		10,591	74.0	

<u>Volumes (Days On)</u>			<u>Volumes (Days in Month)</u>		
	<u>MCFD</u>	<u>BOPD</u>		<u>MCFD</u>	<u>BOPD</u>
7 Day Avg	19	1.0	30 Day Avg	31	0.1
30 Day Avg	31	0.1	60 Day Avg	42	1.0
60 Day Avg	42	1.0	3 Mo Avg	53	0.7
3 Mo Avg	53	0.7	6 Mo Avg	86	0.4
6 Mo Avg	86	0.5	12 Mo Avg	73	0.3
12 Mo Avg	75	0.3			

Print Form

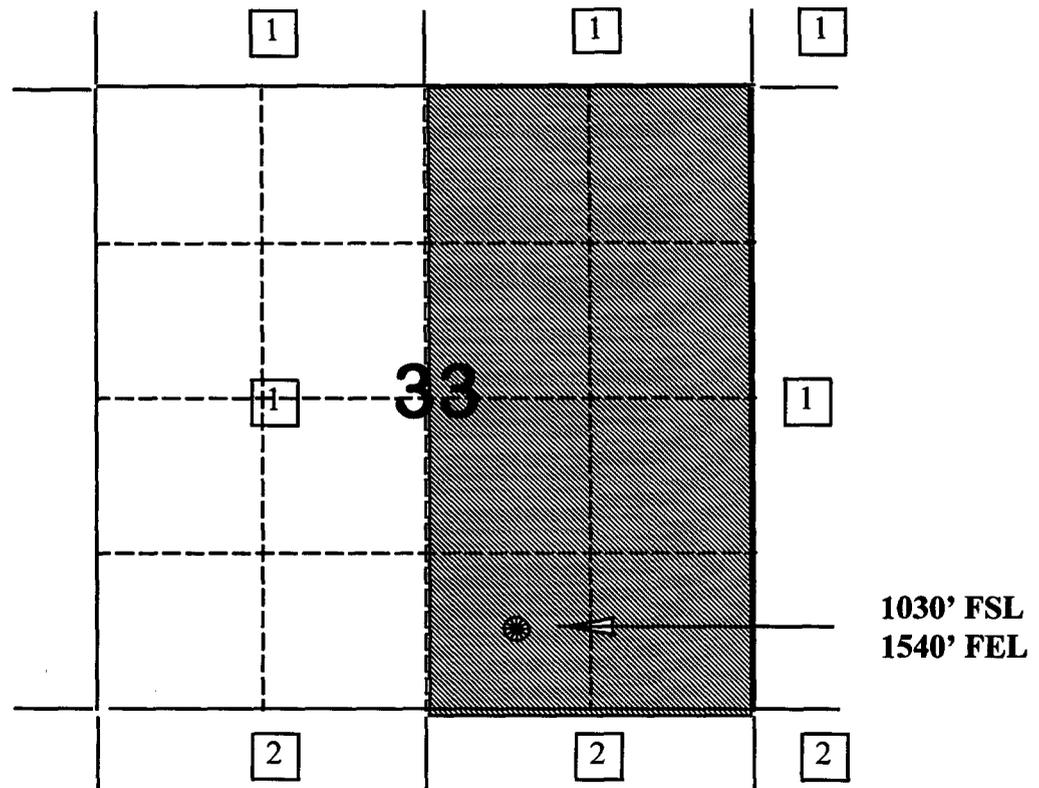
Exit Volumes Data

BURLINGTON RESOURCES OIL AND GAS COMPANY

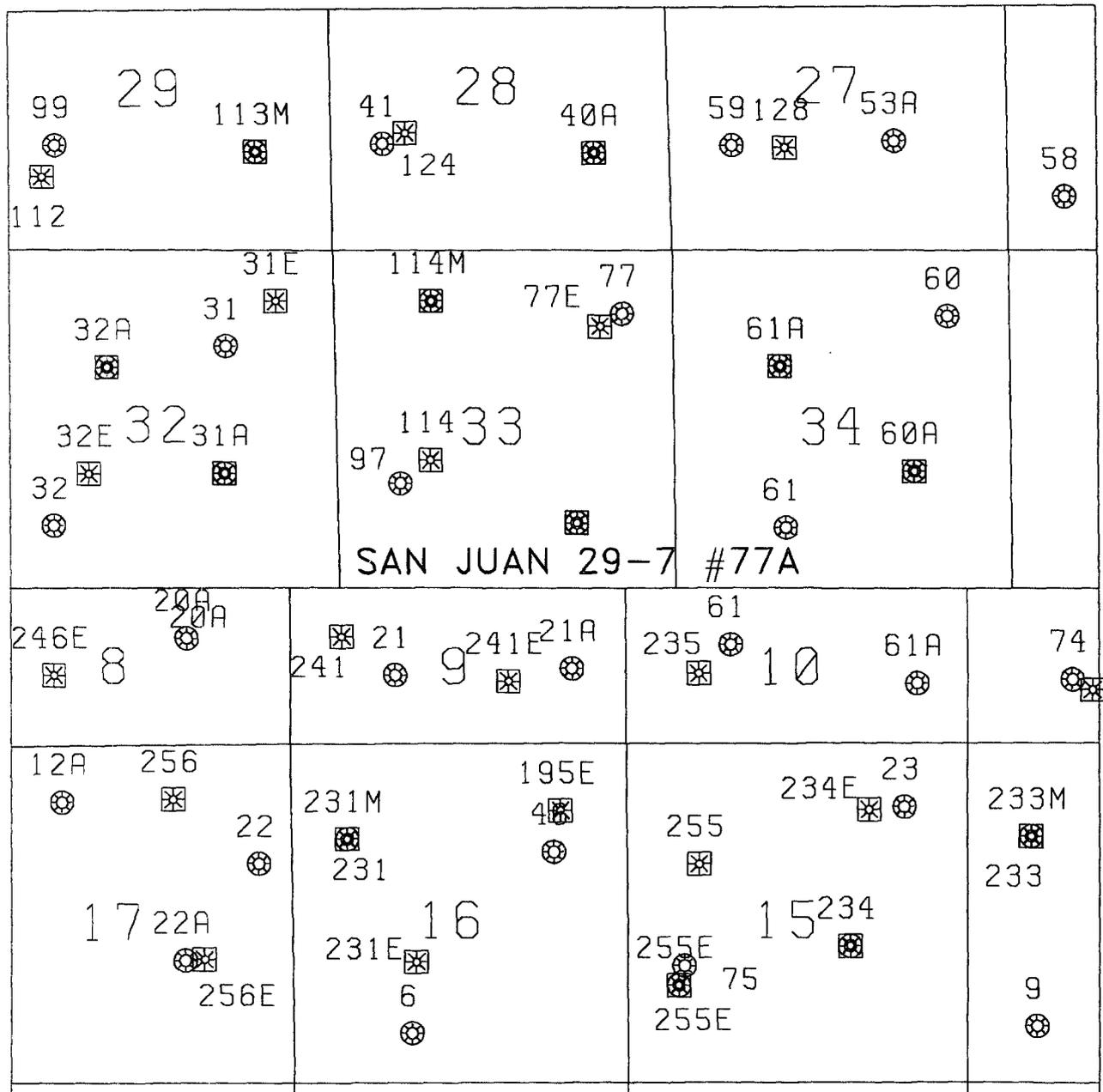
San Juan 29-7 Unit #77A

**OFFSET OPERATOR/OWNER PLAT
Mesaverde / Dakota Formations Commingle Well**

Township 29 North, Range 7 West



- 1) Burlington Resources
- 2) Conoco, Inc.
10 Desta Drive, Suite 100W
Midland, TX 79705-4500



PLH 1/8/98

*SAN JUAN 29-7 #77A
 SEC. 33, T29N, R7W
 MESAVERDE/DAKOTA*

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. 11629
ORDER NO. R-10697

APPLICATION OF BURLINGTON RESOURCES
OIL & GAS COMPANY FOR THE ESTABLISHMENT
OF A DOWNHOLE COMMINGLING "REFERENCE
CASE" FOR ITS SAN JUAN 29-7 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 8th 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 29-7 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 29-7 Unit which encompasses some 22,500 acres in Township 29 North, Range 7 West, NMPM, San Juan County, New Mexico.

(5) Within the San Juan 29-7 Unit, the applicant currently operates fifty-five (55) Basin-Dakota Gas Pool wells, one hundred thirty-one (131) Blanco-Mesaverde Gas Pool wells, thirteen (13) Blanco-Pictured Cliffs and South Blanco-Pictured Cliffs Gas Pool wells, and forty-nine (49) 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 29-7 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 29-7 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 29-7 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 29-7 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 29-7 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 245 MMCFG and 76 MMCFG, respectively;
- c) the average initial producing rate for a newly drilled or recompleted Dakota and Pictured Cliffs gas well is approximately 218 MCFGD and 238 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 29-7 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 29-7 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 was approximately 3,209 psi and 1,148 psi, respectively; and,
- b) the average current shut-in bottomhole pressure within the Dakota and Pictured Cliffs formations is approximately 952 psi and 655 psi, respectively.

(10) There is sufficient pressure data available within the San Juan 29-7 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 29-7 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 29-7 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 29-7 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 29-7 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 29-7 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 29-7 Unit Area will benefit working, royalty, and overriding royalty interest owners. In addition, the downhole commingling of wells within the San Juan 29-7 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 29-7 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 29-7 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 29-7 Unit, San Juan County, New Mexico, is hereby approved.

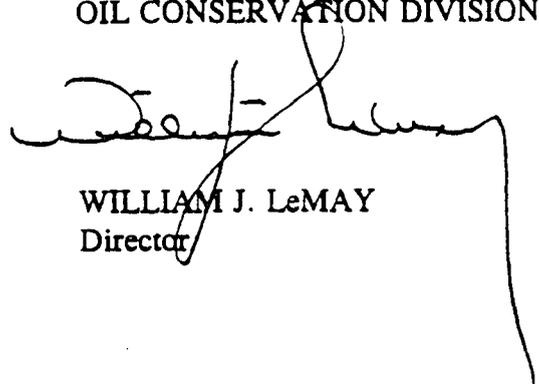
(2) Upon filing of Division Form No. C-107-A's for wells subsequently downhole commingled within the San Juan 29-7 Unit Area, the applicant shall not be required to submit supporting data to justify the classification of the Pictured Cliffs and Dakota formations as "marginal", supporting data to verify 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 29-7 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 29-7 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