



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**BILL RICHARDSON**

Governor

Joanna Prukop  
Cabinet Secretary

February 12, 2004

Lori Wrotenbery

Director

Oil Conservation Division

**Burlington Resources Oil & Gas Company, L.P.**  
c/o **Kellahin & Kellahin**  
P. O. Box 2265  
Santa Fe, New Mexico 87504-2265

Attn: **W. Thomas Kellahin**  
[kellahin@earthlink.net](mailto:kellahin@earthlink.net)

*Administrative Order NSP-1870*

Dear Mr. Kellahin:

Reference is made to the following: (i) Burlington Resources Oil & Gas Company, L.P.'s ("Burlington") original application filed by Ms. Joni Clark with the New Mexico Oil Conservation Division ("Division") in Santa Fe on December 15, 2004 (*administrative application reference No. pMES0-335056107*); (ii) the Division's initial response by letter dated January 13, 2004 from Mr. Michael E. Stogner, Engineer/Hearing Officer in Santa Fe **denying** this application; (iii) your February 5, 2004 submittal of a discussion memorandum on behalf of Burlington; (iv) your telephone conversation with Mr. Stogner Monday morning, February 9, 2004; (v) Mr. Stogner's follow-up e-mail on February 9, 2004 advising you that the Division was considering your discussion memorandum as an amended application to Burlington's previous filing; (vi) your e-mail response to Mr. Stogner on Monday, February 9, 2004; (vii) your meeting with Mr. Stogner Thursday morning, February 12, 2004; (viii) your telefax of February 12, 2004 with the necessary support data to complete this amended application; and (ix) the Division's records in Santa Fe and Aztec, including the file in Case No. 10699: all concerning Burlington's request for a non-standard 104.56-acre gas spacing unit consisting of the following acreage in the Blanco-Pictured Cliffs Pool (**72359**):

**RIO ARRIBA COUNTY, NEW MEXICO**  
**TOWNSHIP 29 NORTH, RANGE 6 WEST, NMPM**

Irregular Section 6: Lots 10, 11, and 12 and the SE/4 NW/4 (NW/4 equivalent).

This unit is to be dedicated to Burlington's proposed San Juan "29-7" Unit Well No. 188 (API No. **30-039-27441**), to be drilled at a standard gas well location 1030 feet from the North line and 900 feet from the West line (Lot 10/Unit C) of Irregular Section 6.

This application has been duly filed under the provisions of Division Rule 104.D (2), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999.

*Jim H*

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. 30399  
Order No. E-9330

APPLICATION OF MERIDIAN OIL INC.  
FOR DOWNHOLE COMMINGLING AND A  
NON-STANDARD SPACING UNIT, SAN  
JUAN COUNTY, NEW MEXICO.

*RA*

RECEIVED  
APR 26 1993  
OIL CON. DIV.  
DIST. 2

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on April 8, 1993, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 21st day of April, 1993, 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, Meridian Oil Inc., seeks approval to downhole commingle Blanco-Pictured Cliffs and Basin-Fruitland Coal Gas Pool production within the wellbore of its proposed San Juan 29-7 Unit Well No. 583 to be drilled at a standard gas well location 1850 feet from the South line and 790 feet from the West line (Unit L) of Section 6, Township 29 North, Range 7 West, NMPM, San Juan County, New Mexico.

(3) Lots 10 through 14, SE/4 NW/4 and the E/2 SW/4 (W/2 equivalent) of Section 6, forming a previously approved 215.22-acre non-standard gas spacing and proration unit (approved by Division Order No. R-9303), is to be dedicated to the above-described well in the Basin-Fruitland Coal Gas Pool.

EXHIBIT  
F

**CASE NO. 10699**  
**Order No. R-9880**  
**Page -3-**

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(13) In the interest of prevention of waste and protection of correlative rights, the subject application should be approved.

(14) Due to the nature of the Basin-Fruitland Coal Gas production, straight allocation of gas volumes from both zones is not appropriate. The applicant therefore seeks the adoption of a monthly allocation formula, as shown on Exhibit "A" attached hereto and made a part hereof.

(15) The operator should be responsible for reporting the monthly gas production from said well by utilizing the proposed allocation formula.

(16) An annual report should be submitted by the operator to both the Aztec and Santa Fe offices of the Division showing the complete computations for each month.

(17) Any condensate production from the subject well should be allocated entirely to the Pictured Cliffs interval.

(18) Any change in the method of gas allocation between the two pools should be made only after due notice and hearing.

(19) To afford the Division an opportunity to assess the potential of waste and to expeditiously order the appropriate remedial action, the operator should notify the Aztec district office of the Division any time the subject well is shut-in for seven consecutive days.

**IT IS THEREFORE ORDERED THAT:**

(1) The applicant, Meridian Oil Inc., is hereby authorized to downhole commingle Blanco-Pictured Cliffs and Basin-Fruitland Coal Gas Pool production within the wellbore of its San Juan 29-7 Unit Well No. 583 to be drilled at a standard gas well location 1850 feet from the South line and 790 feet from the West line (Unit 15) of Section 6, Township 29 North, Range 7 West, NMPM, San Juan County, New Mexico.

(2) Lots 10 through 14, SE/4 NW/4 and the E/2 SW/4 (W/2 equivalent) of Section 6, forming a 215.22-acre non-standard gas spacing and proration unit, shall be dedicated to the above-described well in the Basin-Fruitland Coal Gas Pool.

(3) Lots 13 and 14 and the E/2 SW/4 (SW/4 equivalent) of Section 6, forming a 110.66-acre non-standard gas spacing and proration unit approved herein, shall be dedicated to the above-described well in the Blanco-Pictured Cliffs Pool.

Order No. R-9880

Page -5-

**EXHIBIT "A"**  
**CASE NO. 10699**  
**DIVISION ORDER NO. R-9880**

**SAN JUAN 29-7 UNIT WELL NO. 583**  
**MONTHLY GAS PRODUCTION ALLOCATION FORMULA**

**GENERAL EQUATION:**

$$QT = Q_{ftc} + Q_{pc}$$

**WHERE: QT = TOTAL MONTHLY PRODUCTION (MCF/MONTH)****Q<sub>ftc</sub> = FRUITLAND COAL (FTC) MONTHLY PRODUCTION (MCF/MONTH)****Q<sub>pc</sub> = PICTURED CLIFFS (PC) MONTHLY PRODUCTION (MCF/MONTH)****REARRANGING THE EQUATION TO SOLVE FOR Q<sub>ftc</sub>:**

$$Q_{ftc} = Q_t - Q_{pc}$$

**ANY PRODUCTION RATE OVER WHAT IS CALCULATED FOR THE PICTURED CLIFFS (PC) USING THE APPLIED FORMULA IS FRUITLAND COAL (FTC) PRODUCTION.**

**PICTURED CLIFFS (PC) FORMATION PRODUCTION FORMULA IS:**

$$Q_{pc} = Q_{pci} * e^{-\{-(D_{pc}) * (t)\}}$$

**WHERE: Q<sub>pci</sub> = INITIAL PC MONTHLY FLOW RATE (DETERMINED FROM COMPLETION DATA)**

**D<sub>pc</sub> = MONTHLY DECLINE RATE BASED ON PC OFFSETS****ANNUAL DECLINE = 6.4% BASED ON 18 WELL STUDY IN T-29N, R-5E**

$$D_{pc} = (0.00533)$$

**THUS:**

$$Q_{pc} = Q_{pci} * e^{-\{(0.00533) * (t)\}}$$

$$Q_{ftc} = Q_t - Q_{pci} * e^{-\{(0.00533) * (t)\}}$$

**WHERE: (t) IS TIME IN MONTHS OF PRODUCTION**

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. 10042  
ORDER NO. R-9303

*APPLICATION OF MERIDIAN OIL, INC. FOR  
SIX NON-STANDARD GAS PRORATION UNITS,  
RIO ARRIBA COUNTY, NEW MEXICO*

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on August 8 and September 5, 1990, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 27th day of September, 1990, 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) At the time of the August 8, 1990 hearing this case was consolidated with Case No. 10041 for the purpose of testimony.
- (3) The applicant, Meridian Oil, Inc., seeks an exception to Rule 6 of Division Order No. R-8768 to establish six non-standard gas proration units for Basin-Fruitland Coal Gas Pool production in Townships 29 and 30 North, Range 7 West, NMPM, Rio Arriba County, New Mexico, as further described in Exhibit "A" attached hereto and made a part hereof.
- (4) Said non-standard proration units are necessitated by irregular sections resulting from survey corrections in the United States Public Lands Survey.
- (5) The acreage contained in each individual proration unit should be based



on the latest official surveys and resurveys accepted by the United States Government.

(6) The non-standard proration units may reasonably be presumed productive of gas from the Basin-Fruitland Coal Gas Pool and the non-standard gas proration units can be efficiently and economically drained and developed by one well on each unit.

(7) No offset operator objected to the proposed non-standard gas proration units.

(8) Approval of the subject application will afford the applicant the opportunity to produce his just and equitable share of the gas in the Basin-Fruitland Coal Gas Pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

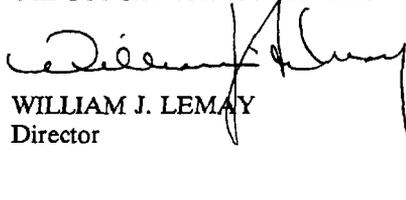
IT IS THEREFORE ORDERED THAT:

(1) The application of Meridian Oil, Inc. for six non-standard gas proration units in the Basin-Fruitland Coal Gas Pool in Townships 29 and 30 North, Range 7 West, NMPM, Rio Arriba County, New Mexico, as further described in Exhibit "A" attached hereto and made a part hereof, is hereby approved.

(2) 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

EXHIBIT "A"  
CASE NO. 10042  
ORDER NO. R-9303

Tract	Acreage (more or less)	Section	Description
TOWNSHIP 29 NORTH, RANGE 7 WEST, NMPM			
1	215.22	6	Lots 10 through 14, SE/4 NW/4 and E/2 SW/4 (W/2 equivalent)
2	226.72	7	Lots 5 through 8 and E/2 W/2 (W/2 equivalent)
3	231.03	18	Lots 5 through 8 and E/2 W/2 (W/2 equivalent)
4	238.88	19	Lots 5 through 8 and E/2 W/2 (W/2 equivalent)
TOWNSHIP 30 NORTH, RANGE 7 WEST, NMPM			
5	209.36	30	Lots 5 through 8 and E/2 W/2 (W/2 equivalent)
6	211.32	31	Lots 5 through 8 and E/2 W/2 (W/2 equivalent)

COAL  
GAS  
W/2

District I  
 PO Box 1988, Hobbs, NM 87411-1988  
 District II  
 PO Drawer DD, Artesia, NM 87211-0719  
 District III  
 1000 N. Joe Brann 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

Revised February 21.  
 Instructions on  
 Submit to Appropriate District (C)  
 State Lease - 4 C  
 Fee Lease - 3 C

AMENDED REI

WELL LOCATION AND ACREAGE DEDICATION PLAT

AFT Number 30-039-		Pool Code 72359		Pool Name Blanco Pictured Cliffs	
Property Code 7465		Property Name San Juan 29-7 Unit			Well Number 154
GRID No. 14538		Operator Name BURLINGTON RESOURCES OIL & GAS COMPANY			Section 6157'

10 Surface Location

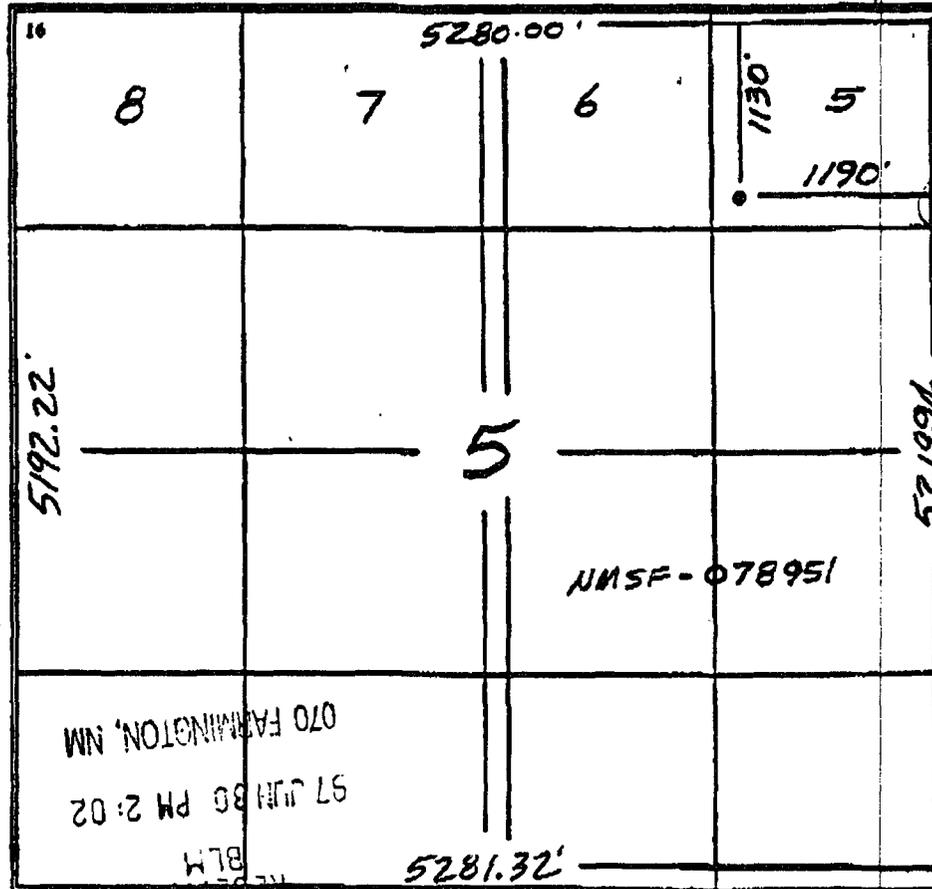
UL or lot no.	Section	Township	Range	Lot Ids	Feet from the	North/South line	Feet from the	East/West line	County
A	5	29-N	7-W		1130	North	1190	East	R.A.

11 Bottom Hole Location If Different From Surface

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

12 Dedicated Acres 155.94 E7315.94	13 Joint or Infill	14 Consolidation Code	15 Order No. 155.94 acres for density purposes for the Pict 315.94 acres for revenue purposes for the Pict
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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



17 OPERATOR CERTIFICATE

I hereby certify that the information contained here true and complete to the best of my knowledge and

*Peggy Bradfield*  
 Signature  
 Peggy Bradfield  
 Printed Name  
 Regulatory Administra  
 Title  
 Date  
 6-27-97

18 SURVEYOR CERTIFICATE

I hereby certify that the well location shown on this plat was placed from field notes of actual measurements or under my supervision, and that the same is true correct to the best of my belief.

5/17/97  
 Date of Survey  
 Signature and Seal of Professional Surveyor  
 NEAL C. EDWARDS  
 NEW MEXICO  
 6857  
 Certificate Number

EXHIBIT  
 4

District I  
PO Box 1980, Hobbs, NM 88241-1980

State of New Mexico  
Energy, Minerals & Natural Resources Department

Form C-102  
Revised February 21, 1994

District II  
PO Drawer DD, Artesia, NM 88211-0719

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

Instructions on back  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

District III  
1000 Rio Brazos Rd., Aztec, NM 87410

AMENDED REPORT

District IV  
PO Box 2088, Santa Fe, NM 87504-2088

WELL LOCATION AND ACREAGE DEDICATION PLAT

<sup>1</sup> API Number 30-039-		<sup>2</sup> Pool Code 71629/72400		<sup>3</sup> Pool Name Basin Fruitland Coal/Blanco Pictured Cliffs	
<sup>4</sup> Property Code 7465		<sup>5</sup> Property Name SAN JUAN 29-7 UNIT			<sup>6</sup> Well Number 188
<sup>7</sup> GRID No. 14538		<sup>8</sup> Operator Name BURLINGTON RESOURCES OIL & GAS COMPANY, LP			<sup>9</sup> Elevation 6193'

<sup>10</sup> Surface Location

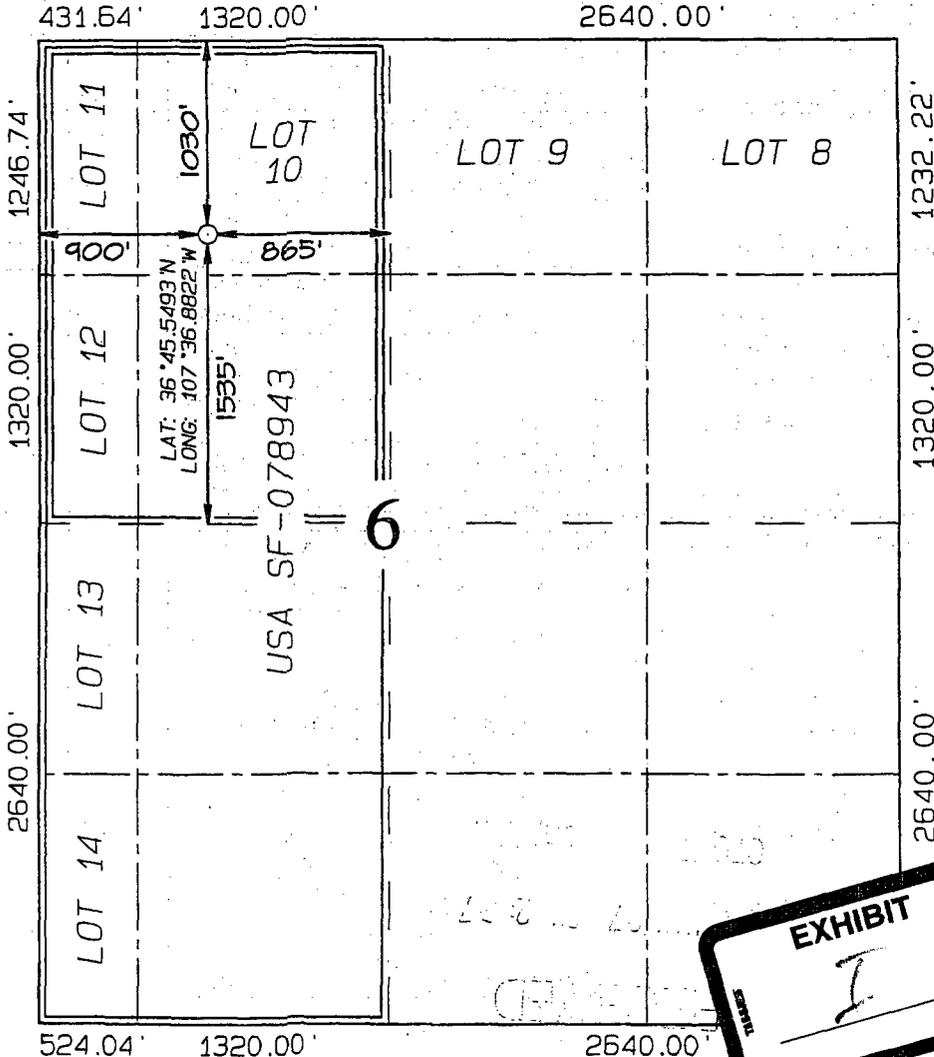
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	6	29N	7W		1030	NORTH	900	WEST	RIO ARRIBA

<sup>11</sup> 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

<sup>12</sup> Dedicated Acres FTC-W/215.22 PC - W7215.22		<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> Order No.
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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



<sup>17</sup> OPERATOR CERTIFICATION  
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

*Peggy Cole*  
Signature  
Peggy Cole  
Printed Name  
Regulatory Supervisor  
Title  
5-2-03  
Date

<sup>18</sup> 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.

Survey Date: FEBRUARY 11, 2003

Signature and Seal of Professional Surveyor

**JASON C. EDWARDS**  
NEW MEXICO  
REGISTERED PROFESSIONAL SURVEYOR  
15269

*JASON C. EDWARDS*  
Certificate Number 15269

EXHIBIT  
I

**BURLINGTON  
RESOURCES**

SAN JUAN DIVISION

NSL  
**RECEIVED**

DEC 15 2003

Sent Federal Express

December 12, 2003

Oil Conservation Division  
1220 S. St. Francis Drive  
Santa Fe, NM 87505

Mr. Michael Stogner  
New Mexico Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87504

Re: San Juan 29-7 Unit #188  
1030' FNL, 900' FWL, Section 6, T29N, R7W, Rio Arriba County  
API #30-039-27441

Dear Mr. Stogner:

Burlington Resources requests that the New Mexico Oil Conservation Division establish a non-standard gas spacing unit within the San Juan 29-7 Unit to be dedicated to any production from the Blanco Pictured Cliffs Pool, to be configured from Lots 10, 11 and 12 and the SE/4NW/4 of Section 6, T29N, R7W, NMPM, Rio Arriba County, New Mexico. This unit is made necessary as a result of variations in the legal subdivision of the United States Public Land Survey. The requested non-standard gas spacing unit is adjacent to the previously approved NSP Order No. R-9303, as shown on the attached map.

Burlington Resources proposes to drill the San Juan 29-7 Unit #188 well to the Fruitland Coal and Pictured Cliffs formation. This well is located 1030' FNL, 900' FWL in Section 6, Township 29 North, Range 7 West. Burlington will apply for a commingle order in the near future. The attached APD lists the spacing unit for the Pictured Cliffs formation as Lots 10, 11, 12, 13 and 14 and the E/2SW/4 and the SE/4NW/4. This spacing unit is being utilized for accounting purposes, according to the San Juan 29-7 Unit Agreement, even though the Blanco Pictured Cliffs pool requires equivalent 160 acre spacing.

The following attachments are for your review:

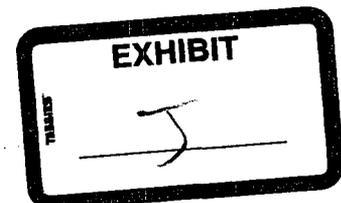
- Approved application for Permit to Drill and C-102 at referenced location
- Offset operators / owners plat
- 9 Section plat
- List of offset operators

A copy of this application is being submitted to offset operator / owner by certified mail. Please let me know if you have any questions about this application.

Sincerely,



Joni Clark  
Regulatory Specialist





*Tom Kelleher*

# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**BILL RICHARDSON**

Governor

**Joanna Prukop**  
Cabinet Secretary

January 13, 2004

**Lori Wrotenbery**  
Director

Oil Conservation Division

**Burlington Resources Oil & Gas Company, L.P.**  
P. O. Box 4289  
Farmington, New Mexico 87499-4289

Attention: **Joni Clark, Regulatory Specialist**

Re: **San Juan "29-7" Unit Well No. 188**  
**1030' FNL & 900' FWL (Lot 10/Unit C) Sec. 6, T29N, R7W, NMPM, Rio Arriba County**  
**API No. 30-039-27441**

Dear Ms. Clark:

Reference is hereby made to your application dated December 12, 2004 for:

(A) an exception to the spacing requirements of Division Rule 104.C (3) in order to create a non-standard 215.22-acre gas spacing unit in the Blanco-Pictured Cliffs Pool (72359) comprising Lots 10, 11, 12, 13, and 14, the SE/4 NW/4, and the E/2 SW/4 (W/2 equivalent) of Irregular Section 6, Township 29 North, Range 7 West, NMPM, Rio Arriba County, New Mexico;

(B) an exception to Division Rule 104.D (3) in order to simultaneously dedicate Pictured Cliffs gas production from the unprorated Blanco-Pictured Cliffs Pool within this proposed 215.22-acre non-standard gas spacing unit from its existing: (i) San Juan "29-7" Unit Well No. 583 (API No. 30-039-25260), located at a standard gas well location 1850 feet from the South line and 790 feet from the West line (Unit K) of Irregular Section 6; and (ii) its proposed San Juan "29-7" Unit Well No. 188 (API No. 30-039-27441), to be drilled at a standard gas well location 1030 feet from the North line and 900 feet from the West line (Lot 10/Unit C) of Irregular Section 6; and

(C) the suspension of that portion of Division Order No. R-9880, issued in Case No. 10699 on April 21, 1993, as amended by Division Order No. R-9880-A, dated June 4, 1993, that established a non-standard 110.66-acre gas spacing unit in the Blanco-Pictured Cliffs Pool comprising Lots 13 and 14 and the E/2 SW/4 (SW/4 equivalent) of Irregular Section 6 for the above-described San Juan "29-7" Unit Well No. 583.

The Blanco-Pictured Cliffs Pool, being unprorated, is not subject to Part H of the Division's statewide rules entitled "*Gas Proration and Allocation*" (Rules 601 through 605); however, this pool is currently governed by Division Rules 104.C (3) and D (3), which requires the following:

(i) that gas wells developed on 160-acre spacing are to be located in a designated drilling tract consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section, being a legal subdivision of the U.S. Public Land Surveys;

**EXHIBIT**  
K

**Burlington Resources Oil & Gas Company, L.P.**  
**Administrative Application pMES0-335056107**  
**January 13, 2004**  
**Page 2**

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- (ii) for such wells to be located not closer than 660 feet to any outer boundary of such tract nor closer than 10 feet to any quarter-quarter section or subdivision inner boundary; and
- (iii) precludes the drilling, recompletion, and production of a second gas well within a single gas spacing unit.

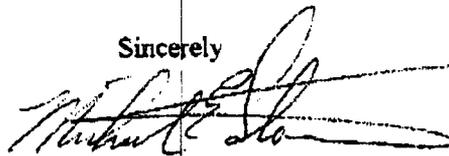
Your proposed 215.22-acre non-standard unit (W/2 equivalent of Irregular Section 6) only serves to combine the aforementioned existing non-standard Pictured Cliffs 110.66-acre gas spacing unit (SW/4 equivalent of Irregular Section 6) and the 104.56 acres comprising the NW/4 equivalent of Irregular Section 6. The proposed unit of course does not conform to the "quarter section" requirements of 104.C (3). The requests for the formation of such a unit in an unprorated pool and the simulations dedication of wells are matters beyond administrative review of Division Rule 104.D (2) (b) and (3). Furthermore, Burlington Resources Oil & Gas Company, L.P.'s ("Burlington") rationale for the formation of this unit, which is "for accounting purposes", is not a viable or acceptable reason to seek such an exception to the State's spacing requirements. Your application is therefore denied and is being returned to you at this time.

As a reminder the State's spacing rules is a serious matter for the purpose of orderly development of New Mexico's valuable oil and gas resources and for the additional purpose of protecting correlative rights and preventing waste. It is very easy to get into a mode of thinking that considers these rules as minor inconveniences and applications for minor exceptions as "open and shut" issues without so much as a thought about the setting of precedence by the issuance of a frivolous exception by the Division.

NOW not to discourage Burlington from developing its Pictured Cliffs reserves underlying the NW/4 equivalent of Irregular Section 6, I suggest you consider a more reasonable, common sense approach by re-filing to form a non-standard 104.56-acre gas spacing unit, being 0.65 % the size of a standard 160-acre unit, that comprises Lots 10, 11, and 12 and the SE/4 NW/4 (NW/4 equivalent) of Irregular Section 6 under the provisions of Rule 104.D (2) (c).

Once you have read this letter and reviewed all the rules mentioned; should you have any questions, I suggest you contact your legal counsel, Mr. W. Thomas Kellahin in Santa Fe at (505) 982-4285 for a detailed explanation of New Mexico's conservation rules with respect to spacing and the formation of "units". Thank you for your understanding and cooperation and Burlington's continued support in making New Mexico's conservation rules a meaningful success.

Sincerely



Michael E. Stogner  
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division - Aztec  
U. S. Bureau of Land Management - Farmington  
W. Thomas Kellahin, Legal Counsel for Burlington Resources Oil & Gas Company, L.P. - Santa Fe

**Stogner, Michael**

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To: Tom Kellahin (E-mail)  
Subject: Burlington

This issue is not a dilemma at all. There are two separate issues here: (1) regulatory spacing; and (2) provisions within a "Unit Agreement". The Unit Agreement addresses something called a "drilling block". This term, as far as I know, is not recognized within the Division's rules. We have spacing units but no drilling blocks. Don't get these two terms confused.

On a C-102 for a well, show the dedicated acreage, or spacing unit, pursuant to NM's spacing and prorationing rules. Burlington can submit whatever it needs, on whatever form it desires, and to whomever it wants, in order to meet its "Unit Agreement" obligations.

Division Order No. R-9880 as amended, reinstates this fact.

The Unit agreement has been in effect since 1953 and El Paso/Meridian/Burlington has never viewed this as a problem before now. I feel someone new at Burlington with Ms. Peggy Cole retirement is probably not aware of the way this matter has been addressed in the past.

PLEASE NOTE, as stated on page 5, Possible Options No. (1) - **A GREAT IDEA**; I will consider and take your document, as submitted, an amended administrative application to form a non-standard 104.56-acre Pictured Cliffs gas spacing unit comprising the NW/4 equivalent of Irregular Section 6-T29N-R7W for this well.

I think this explanation should suffice, if however you feel otherwise, you may either set this matter to a hearing for some other option or take it up with the Division's Chief Engineer.

*I talked w/ Tom  
on Monday morning (2-9-04) before  
sending the email. After we talked I  
decided against sending it and wrote another  
instead.  
M.S.*

## **Stogner, Michael**

---

**From:** Stogner, Michael  
**Sent:** Monday, February 09, 2004 9:34 AM  
**To:** Tom Kellahin (E-mail)  
**Subject:** Burlington

Per our telephone conversation this morning at 9:20 a.m. I will consider your written "Issue for Discussion" submitted to the Division on February 5, 2004 as an amended administrative application to form a non-standard 104.56-acre Pictured Cliffs gas spacing unit comprising the NW/4 equivalent of Irregular Section 6-T29N-R7W by Burlington to its previous application filed on December 15, 2003 (see pMES0-335056107).

**Stogner, Michael**

**From:** Thomas Kellahin [kellahin@earthlink.net]  
**Sent:** Monday, February 09, 2004 10:22 AM  
**To:** Stogner, Michael  
**Subject:** Re: Burlington

Thanks,

As we discussed in order to complete the filing, I have asked Burlington to prepare and send me a replacement C-102 that confirms to the one for Well 154 (attachment H) Upon receipt I will forward it to you.

----- Original Message -----

**From:** "Stogner, Michael" <MSTOGNER@state.nm.us>  
**To:** "Tom Kellahin (E-mail)" <kellahin@earthlink.com>  
**Sent:** Monday, February 09, 2004 9:33 AM  
**Subject:** Burlington

> Per our telephone conversation this morning at 9:20 a.m. I will consider  
> your written "Issue for Discussion" submitted to the Division on February  
> 5,  
> 2004 as an amended administrative application to form a non-standard  
> 104.56-acre Pictured Cliffs gas spacing unit comprising the NW/4  
> equivalent  
> of Irregular Section 6-T29N-R7W by Burlington to its previous application  
> filed on December 15, 2003 (see pMES0-335056107).  
>  
>  
>

*2-12-2004 (A.M.)  
Met w/ Tom Kellahin  
Rebut about C-102 from Burlington.  
Extracting it to arrive today. Will  
send over when it arrives.  
M. Stogner*