

**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. 14281
ORDER NO. R-13106**

**APPLICATION OF BURLINGTON RESOURCES OIL & GAS COMPANY TO
AMEND ORDER NO. R-9918 FOR DOWNHOLE COMMINGLING
REFERENCE CASE FOR THE ALLISON UNIT AREA, SAN JUAN COUNTY,
NEW MEXICO**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on March 5, 2009, at Santa Fe, New Mexico, before Examiners David K. Brooks and Terry Warnell.

NOW, on this 25th day of March, 2009, the Division Director, having considered the testimony, the record and the recommendations of the Examiners,

FINDS THAT:

- (1) Due public notice has been given and the Division has jurisdiction of this case and its subject matter.
- (2) In this case, the applicant, Burlington Resources Oil & Gas Company ("Burlington" or "applicant"), pursuant to Division Rule 12.11 seeks to establish a downhole commingling "reference case" for the Allison Unit such that formal notification would no longer be required for downhole commingling. Applicant also seeks authorization for downhole commingling of production from the Dakota, Mesaverde, Fruitland Coal-Gas, and Pictured Cliffs formations of existing or future wells drilled within the Allison Unit.
- (3) The Oil Conservation Commission last amended Division Rule 12.11 governing downhole commingling in Order No. R-11363, dated April 26, 2000, Case No. 12346. In that Order, the Basin-Dakota (Prorated Gas) Pool (71599) and Blanco-Mesaverde (Prorated Gas) Pool (72319) were pre-approved for downhole commingling

throughout the San Juan Basin.

(4) For pre-approved pool combinations with diverse ownership, Division Rule 19.15.12.11.C(2) (f) requires notice to be provided, as stated below:

“(f) in those instances where the ownership or percentages between the pools to be commingled is not identical, a statement attesting that applicant sent notice to all interest owners in the spacing unit by certified mail (return receipt) of its intent to apply for downhole commingling and no objection was received within 20 days of sending this notice;”

(5) The Allison Unit operated by Burlington covers 13,774.22 acres and is located in portions of Sections 7, 8, 9, 16-21, and 28-31 of Township 32 North, Range 6 West, all as set forth in Division Order No. R-24, dated June 14, 1950.

(6) This application was unopposed with no other parties entering an appearance.

(7) Burlington presented testimony and evidence at the hearing indicating that:

(a) Production from the Dakota and Mesaverde formations within this unit is commonly downhole commingled. Hearing Order No. R-9918 approved the elimination of notice.

(b) Burlington contends that Order No. R-9918 should be expanded to include the Fruitland Coal-Gas Pool, and the Pictured Cliffs formation.

(c) Burlington has 97.56% working interest in all formations in the Allison Unit.

(d) The formal notification requirement for downhole commingling in this unit is burdensome to the applicant. Ownership is almost always diverse in the wells being commingled; therefore Burlington must, in each case, provide formal notice to multiple interest owners.

(e) Burlington is planning within the near term to increase the number of completions and downhole commingles within this unit and has a need for relief from the formal notice requirement for downhole commingling.

(f) Commingling would not adversely affect the correlative rights of interest owners.

(g) Burlington is requesting that the Basin-Dakota Gas Pool, the

Blanco-Mesaverde Gas Pool, the Basin Fruitland Coal-Gas, and the Pictured Cliffs formation be included in this reference case. Completions in other pools are less common within this unit.

(h) The standard cost allocation formula used across the basin and generally accepted by the industry is a 40-60 split respectively for the Mesaverde and Dakota and fifty-fifty for the Fruitland Coal and Pictured Cliffs.

(i) Burlington plans additional development in the coal-gas, either with new coal-gas wellbores that are also commingled with lower zones or older wellbores in lower zones that are recompleted in the coal.

(j) Burlington has provided notice to all interest owners within the unit of this application for a downhole commingling reference case and has received no protest.

(8) Approval of this proposed reference case will not adversely or otherwise influence the accuracy of Burlington's split of production from the Mesaverde and the Dakota formations within the downhole commingled wells, and will not absolve Burlington of Division requirements to keep accurate records of production between pools and therefore to protect interest owners' rights and prevent waste of hydrocarbons.

(9) The proposed "reference case" will remove the repetitive notice requirement, encourage expedient completion of wells within the Allison Unit and thereby prevent waste and protect correlative rights.

(10) This application should be approved.

IT IS THEREFORE ORDERED THAT:

(1) The application of Burlington Resources Oil & Gas Company, LP to establish a downhole commingling "reference case" whereby formal notification will no longer be required prior to approval of downhole commingling of production from the Basin-Dakota, Blanco-Mesaverde, Fruitland Coal and Pictured Cliffs gas production for existing and future wells within the Allison Unit, San Juan County, New Mexico, is hereby approved.

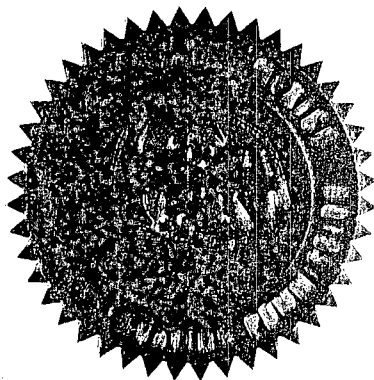
(2) The operator of the Allison Unit may reference this Division order when applying to the Division for approval to downhole commingle production from the Dakota, Mesaverde, Fruitland Coal, and Pictured Cliffs formations and shall no longer be required to provide formal notice of that commingling to diverse owners within the wellbore.

(3) In order to obtain Division authorization to downhole commingle wells within the Allison Unit, the applicant shall file a Form C-107-A with the Santa Fe and Aztec Offices of the Division. Such applications shall include all of the information required under Division Rule 12.11, provided however that the applicant shall not be required to provide notice to all interest owners within the Allison Unit of such proposed commingling.

(4) All other Division provisions relating to applications for downhole commingling are still in force and effect including notification to the State Land Office or the Bureau of Land Management.

(5) Jurisdiction of this case 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.



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in dark ink, appearing to read "Mark E. Fesmire", written in a cursive style.

MARK E. FESMIRE, P.E.
Director