

**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. 11601
ORDER NO. R-**

**APPLICATION OF BURLINGTON RESOURCES OIL & GAS
COMPANY FOR THE ESTABLISHMENT OF A DOWNHOLE
COMMINGLING REFERENCE CASE FOR THE SAN JUAN 32-9
UNIT PURSUANT TO DIVISION RULE 303.E AND THE ADOPTION
OF SPECIAL ADMINISTRATIVE RULES THEREFOR,
SAN JUAN AND RIO ARRIBA COUNTIES, NEW MEXICO**

**BURLINGTON RESOURCES' PROPOSED
ORDER OF THE DIVISION**

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on August 22, 1996, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this ____ day of September, 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, in accordance with Division Rule 303.E seeks to establish a downhole commingling reference case to provide for (a) marginal economic criteria, (b) pressure criteria, (c) allocation formulas, and (d) modification of notification rules on an area-wide basis authorization for downhole commingling of Dakota, Mesaverde and Pictured Cliffs gas production in the wellbores of existing or future wells drilled anywhere within the San Juan 32-9 Unit located in Township 31 North Range 9 West, Township 32 North Range 10 West, Township 32 North Range 9 West, and Township 32 North Range 10 West, NMPM, San Juan County, New Mexico, said production being portions of the Basin-Dakota Gas Pool, the Blanco-Mesaverde Gas Pool and the Blanco Pictured Cliffs Gas Pool.

(3) Burlington is the operator of the San Juan 32-9 Unit which currently includes 2 Basin Dakota Gas Pool wells, 128 Blanco-Mesaverde Gas pool wells and 32 Blanco Pictured Cliffs Gas wells all located within an area known as the "San Juan 32-9 Unit" consisting of 21,863.77 acres.

(4) In the absence of the establishment of a "reference case" as provided in Rule 303.E, Division general state-wide Rule 303.C requires that administrative applications for downhole commingling of gas production be submitted, processed and approved on a well by well basis including submittal of the following:

- (a) economic criteria to support that at least one zone to be commingled is marginal.
- (b) pressure criteria to demonstrate that the bottomhole pressure of all zones to be commingled is less than the original bottom hole pressure of the lowest pressures zone,
- (c) allocation formulas, and

- (d) notification by certified mail return receipt to each interest owner where ownership is not common in the zones to be commingled.

(5) Burlington provided sufficient data from existing wells in the San Juan 32-9 Unit to support the Division approving the downhole commingling of Dakota, Mesaverde and Pictured Cliffs gas production within the San Juan 32-9 Unit on an "area-wide" basis rather than on a "well-by-well basis."

(6) Further, Burlington provided sufficient data from existing wells in the San Juan 32-9 Unit to support the Division adopting a "reference case" for the downhole commingling of Dakota, Mesaverde and Pictured Cliffs gas production within the San Juan 32-9 Unit and demonstrated that:

- (a) wells in the San Juan 32-9 Unit which are currently completed in the Pictured Cliffs and Dakota formations are now marginal and production cannot be economically continued nor further developed unless it is done so by downhole commingling that production;

- (b) any new wells to be drilled or recompleted in the San Juan 32-9 Unit should be approved for downhole commingling because either the Dakota or the Pictured Cliffs zones is marginal;

- (c) the approval of downhole commingling of these formations in the San Juan 32-9 Unit will extend the economic life of the existing wells and thereby increase ultimate recovery from these formations;

- (d) there will be no unrecovered production crossflowing between or among the three zones commingled;

(e) the value of the commingled production will not be less than the sum of the values of the individual production;

(f) the original reservoir pressures for Pictured Cliffs, Dakota and Mesaverde formations are well established and it has been determined that the current bottom hole pressure of the Pictured Cliffs and Mesaverde formations are never greater than the original bottom hole pressure of the Pictured Cliffs formations which is the lowest pressure zone adjusted to a common datum;

(g) in order to salvage the remaining Dakota and Pictured Cliffs production from the San Juan 32-9 Unit, Burlington seeks approval to downhole commingle all Dakota, Mesaverde and Pictured Cliffs production from any existing wells where mechanically feasible and the adoption of a summary procedure for the downhole commingling of future wells to be drilled in the Unit;

(h) submitted two proposed formulas for the allocation of production to each of the commingled zones and a description of the factors or data used in determining such formula;

(i) the ownership is not common among these three formations within the San Juan 32-9 Unit and notification in this case by certified mail return receipt constitutes satisfactory notification in all subsequent cases to each interest owner where ownership is not common in the zones to be commingled; and

(j) notification to offset operators will continue to be made provided those offset operators are operators other than applicant.

(7) The processing of downhole commingling applications for the San Juan 32-9 Unit in the absence of adopting a reference case will be an administrative burden to the Division and to the operator.

(8) Approval of downhole commingling reference case for the San Juan 32-9 Unit on an area-wide basis is in the best interests of conservation, the prevention of waste and the protection of correlative rights.

(9) Notice of this application has been sent to all interest owners entitled to receive production within the unit and no party appeared in opposition to approval of this application.

(10) On March 12, 1996, the Commission issued Order R-10480-A in Case 11353 which, among other things, established the procedures for adoption by the Division of "reference cases".

(11) Also on August 22, 1996, the Division heard Case 11600 in which Burlington's requested that the Division incorporate the record in Case 11353 and in the absence of objection authorize that all administrative applications filed after July 30, 1996 for the downhole commingling of production within the San Juan Basin shall be authorized to refer to the order entered in this case and thereby shall not be required to submit evidence or data for (a) marginal economic criteria for the Pictured Cliffs formation or the Dakota formation or (b) original reservoir pressures for the Mesaverde, Dakota or Pictured Cliffs formations.

(12) Order R-_____ entered in Case 11600 provides the necessary reference case for the downhole commingling of Dakota, Mesaverde and Pictured Cliffs production both within the San Juan 32-9 Unit and elsewhere in the San Juan Basin and therefore certain of Burlington's requests in Case 11601 may be dismissed.

IT IS THEREFORE ORDERED THAT:

(1) All downhole commingling applications received by the Division after July 30, 1996 for downhole commingling of production from wells within the San Juan 32-9 Unit may cite Order R-_____ entered in Case 11600 as a reference case for:

(a) marginal classification of any and all Dakota production and the applicant shall not be required to file any documentation to support the classification of this formation as marginal for purposes of satisfying the requirements of Division Rule 303.C(1)(b)(i)

(b) marginal classification of any and all Pictured Cliffs production and the applicant shall not be required to file any documentation to support the classification of this formation as marginal for purposes of satisfying the requirements of Division Rule 303.C(1)(b)(i)

(2) All downhole commingling applications received by the Division after July 30, 1996 for downhole commingling of production from the Pictured Cliffs, Mesaverde or Dakota formations within the San Juan 32-9 Unit may cite Order R-_____ entered in Case 11600 as a reference case for:

original reservoir pressure information and the applicant shall not be required to file original reservoir pressure data for any of these formations for purposes of satisfying the requirements of Division Rule 303.C(1)(b)(ii)

(3) All downhole commingling applications received by the Division after July 30, 1996 for downhole commingling of production from either the Pictured Cliffs formation or the Mesaverde formation within the San Juan 32-9 Unit shall cite the order entered in this case as a reference case for:

(a) **allocation formulas** and the applicant shall not be required to file the allocations formula provided it utilizes the percentage method or the percentage of historical production method introduced as Exhibit 8 in Case 11601

(b) **notification:** for not sending notification to each interest owner where ownership is not common in the zones to be commingled.

(5) 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

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