

KELLAHIN AND KELLAHIN
ATTORNEYS AT LAW
EL PATIO BUILDING
117 NORTH GUADALUPE
POST OFFICE BOX 2265
SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

JASON KELLAHIN (RETIRED 1991)

September 18, 1996

TO:

**ALL INTERESTED PARTIES ENTITLED TO NOTICE
OF THE HEARING OF THE FOLLOWING NEW MEXICO
OIL CONSERVATION DIVISION CASE:**

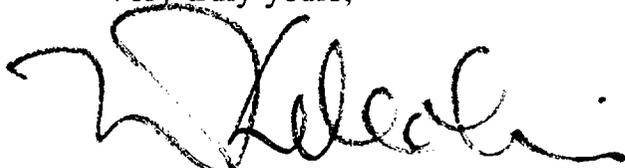
Re: Application of Burlington Resources Oil & Gas Company for approval of a Pilot Project including an exception from Rule 2(b) of the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool for purposes of establishing a program in its San Juan 29-7 Unit to determine proper well density and well location requirements for Mesaverde wells, Rio Arriba County, New Mexico

On behalf of Burlington Resources Oil & Gas Company (formerly Meridian Oil Inc.), please find enclosed our application which has been set for hearing on the New Mexico Oil Conservation Division Examiner's docket now scheduled for October 17, 1996. The hearing will be held at the Division hearing room located at 2040 S. Pacheco, Santa Fe, New Mexico.

As an interest owner who may be affected by this application, we are notifying you of your right to appear at the hearing and participate in this case, including the right to present evidence either in support of or in opposition to the application. Failure to appear at the hearing may preclude you from any involvement in this case at a later date.

Pursuant to the Division's Memorandum 2-90, you are further notified that if you desire to appear in this case, then you are requested to file a Pre-Hearing Statement with the Division not later than 4:00 PM on Friday, October 11, 1996, with a copy delivered to the undersigned. Please direct any questions to Alan Alexander (505) 326-9757.

Very truly yours,



W. Thomas Kellahin

cc: Burlington Resources Oil & Gas Company
Attn: Alan Alexander

KELLAHIN AND KELLAHIN
ATTORNEYS AT LAW
EL PATIO BUILDING
117 NORTH GUADALUPE
POST OFFICE BOX 2265
SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

September 10, 1996

HAND DELIVERED

Mr. William J. LeMay, Director
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

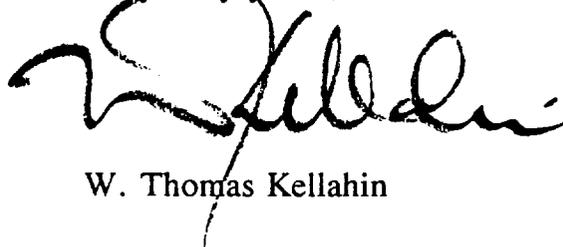
**Re: *Application of Burlington Resources Oil & Gas
Company for approval of a Pilot Project including
an exception from Rule 2(b) of the Special Rules
and Regulations for the Blanco-Mesaverde Gas
Pool for purposes of establishing a program in its
San Juan 29-7 Unit to determine proper well
density and well location requirements for
Mesaverde wells, Rio Arriba County, New Mexico.***

Dear Mr. LeMay:

On behalf of Burlington Resources Oil & Gas Company, please find enclosed our referenced application which we request be set for hearing on the next available Examiner's docket now scheduled for October 17, 1996.

Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: Burlington Resources Oil & Gas Company
Attn: Mr. Alan Alexander

PROPOSED ADVERTISEMENT

Case _____: Application of Burlington Resources Oil & Gas Company for approval of a Pilot Project including an exception from Rule 2(b) of the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool for purposes of establishing a program in its San Juan 29-7 Unit to determine proper well density and well location requirements for Mesaverde wells, Rio Arriba County, New Mexico. Applicant seeks approval for a pilot program including an exception for the San Juan 29-7 Unit from Rule 2(b) of the Special Rule and Regulations for the Blanco-Mesaverde Gas Pool and authorization to drill wells at unorthodox locations and to increase the well density from the current maximum of two (2) wells (160-acre infill) provided in Order R-1670-T to a maximum of four (4) wells (80-acre infill) per gas proration and spacing unit for wells dedicated to the Blanco Mesaverde Gas Pool within the San Juan 29-7 Unit. Said unit is located approximately 4 miles southeast of Navajo City, New Mexico.

**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:

APPLICATION OF BURLINGTON RESOURCES CASE NO. _____
OIL & GAS COMPANY FOR AN EXCEPTION
FOR THE SAN JUAN 29-7 UNIT FROM
RULE 2(b) OF THE SPECIAL RULES AND
REGULATIONS FOR THE BLANCO MESAVERDE POOL,
RIO ARriba COUNTY, NEW MEXICO

APPLICATION

Comes now BURLINGTON RESOURCES OIL & GAS COMPANY (formerly Meridian Oil Inc.), by and through its attorneys, Kellahin and Kellahin, and applies to the New Mexico Oil Conservation Division approval for a pilot program including an exception for the San Juan 29-7 Unit from Rule 2(b) of the Special Rule and Regulations for the Blanco-Mesaverde Gas Pool and authorization to drill wells at unorthodox well locations and to increase the well density from the current maximum of two (2) wells (160-acre infill) provided in Order R-1670-T to a maximum of four (4) wells (80-acre infill) per gas proration and spacing unit for wells dedicated to the Blanco Mesaverde Gas Pool within the San Juan 29-7 Unit.

In support of its application, Burlington Resources Oil & Gas Company ("Burlington"). states:

(1) Burlington is the current operator of the San Juan 29-7 Unit containing 22,500 acres, more or less and consisting of all 36 sections in Township 29 North, Range 7 West, NMPM.

(2) The San Juan 29-7 Unit is within the current boundaries of the Blanco-Mesaverde Gas Pool and includes 135 wells in the San Juan 29-7 Unit which are dedicated to that pool. See Exhibit "A" attached.

(3) On November 14, 1974, the New Mexico Oil Conservation Division ("Division") issued Order R-1670-T adopted "infill drilling" for the Blanco-Mesaverde Gas Pool by permitting in Rule 2 for the drilling of a second well within a 320-acre gas proration and spacing unit ("GPU") providing this **one optional** "infill well" to be located on the opposite 160-acres from the 160-acres containing the original well ("the initial well") **and** further providing that these infill wells were not closer than 990 feet to the outerboundary of a quarter section.

(4) On September 20, 1978, the Division issued Order R-1670-U amended Rule 2 to permit the initial well on the proration unit to be drilled on either 160-acre tracts comprising the unit, so long as the well is no closer than 790 feet to the outer boundary of the quarter section and no closer than 130 feet to any quarter-quarter section line or subdivision inner boundary.

(5) On March 28, 1986, the Commission issued Order R-8170 which, among other things, promulgated the Rules and Regulations for the Prorated Gas Pools, including "reformatting" Rule 2 of the Rules and Regulations for the Blanco Mesaverde Gas Pool which currently provides:

"A. WELL ACREAGE AND LOCATION REQUIREMENTS

RULE 2(a). Standard GPU (Gas proration Unit) in the Blanco-Mesaverde Gas Pool shall be 320 acres.

RULE 2(b) Well Location:

1. THE INITIAL WELL drilled on a GPU shall be located not closer than 790 feet to any outer boundary of the quarter section on which the well is located and not closer than 130 feet to any quarter-quarter section line or subdivision inner boundary.

2. THE INFILL WELL drilled on a GPU shall be located in the quarter section of the GPU not containing a Mesaverde well, and shall be located with respect to the GPU boundaries as described in the preceding paragraph."

(4) Based upon a study of the geological and reservoir engineering data, Burlington has concluded that in order to increase ultimate recovery of gas from this pool within the San Juan 29-7 Unit there is a need to drill more wells per GPU than is currently permitted by Rule 2(b) of the pool rules.

(5) Accordingly, Burlington desires to initiate a pilot program for the drilling of additional Blanco Mesaverde Pool wells in the San Juan 29-7 Unit to validate and confirm reservoir simulation and geologic studies for the purposes of determining the proper well density not to exceed a maximum of four (4) wells per GPU ("80-acre infill") **and** for determining the well location requirements for said wells.

(6) The approval of a pilot program which increases the density of Blanco Mesaverde Pool wells at unorthodox well locations within the San Juan 29-7 Unit will not violate correlative rights because the San Juan 29-7 Unit Agreement has established an equitable method for the allocation of production of Blanco-Mesaverde Gas production to all interest owners within the unit regardless of the number of wells drilled or where those wells are located.

(7) In order to protect the correlative rights of any owners adjacent to the outer boundary of this unit, Burlington proposes that the well density for each 160-acres within the unit along its outer boundary shall be limited to the current well density of not more than one (1) well per 160-acres with wells located not be closer than 790 feet to the outer boundary of the San Juan 29-7 Unit. The area of limited well density ("Buffer Zone") is illustrated on Exhibit "A" attached.

(8) Copies of this application have been sent to all appropriate parties as required by the Division notice rules which are identified on Exhibit "B" attached.

(9) Approval of this application is in the best interests of conservation, the prevention of waste and the protection of correlative rights.

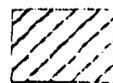
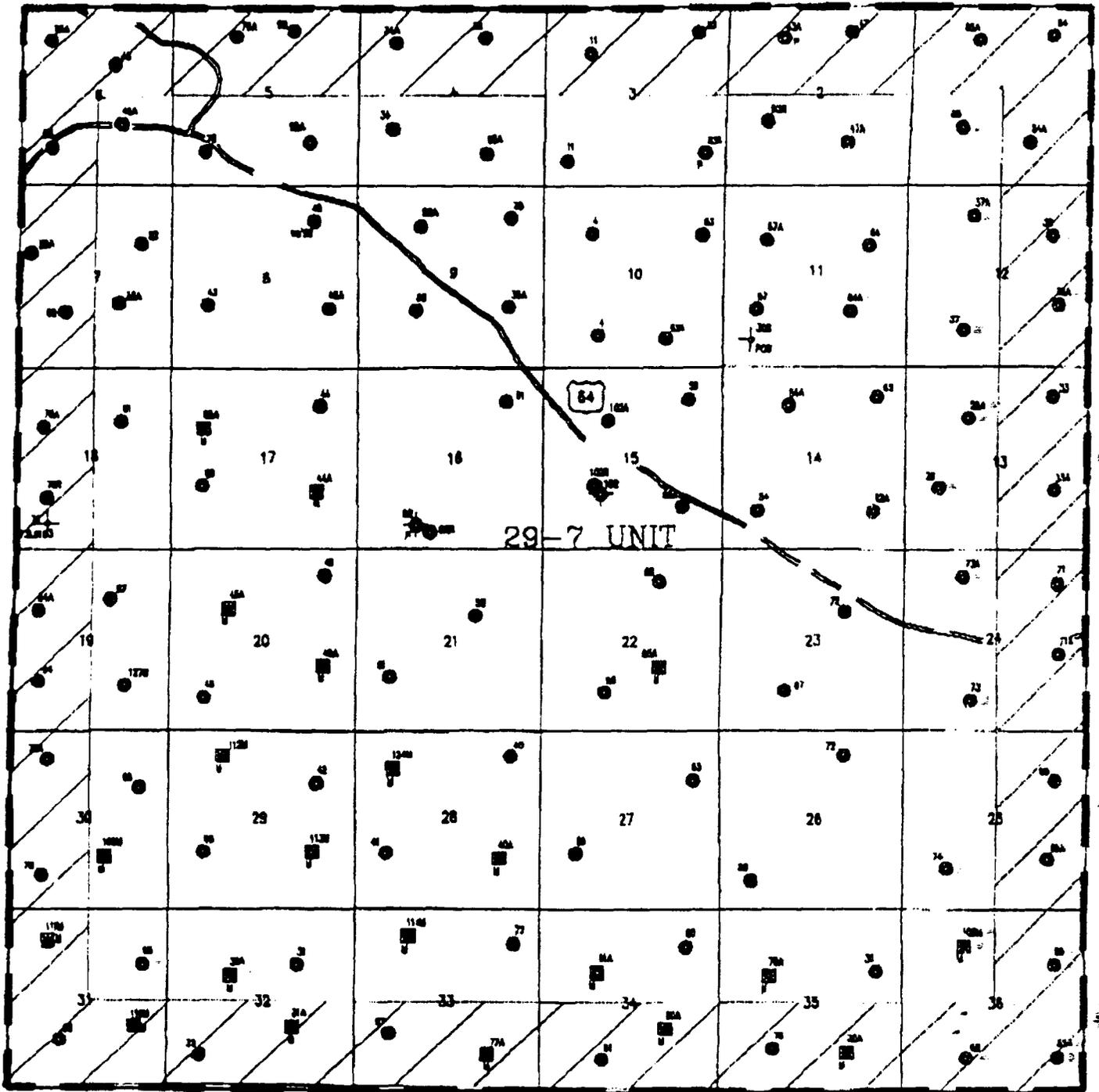
WHEREFORE Applicant requests that this matter be set for hearing on October 17, 1996 before a duly appointed Examiner of the Oil Conservation Division and that after notice and hearing as required by law, the Division enter its order granting this application.

Respectfully submitted

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written in a cursive style.

W. Thomas Kellahin
KELLAHIN and KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87501
(505) 982-4285
Attorneys for Applicant

MESAVERDE INFILL PILOT PROJECT
T29N,R7W



PROPOSED
BUFFER ZONE

● INFILL WELLS DRILLED IN 1996



Blanco Mesaverde Operators

AMOCO PRODUCTION CO
BLACKWOOD & NICHOLS LTD PTR
BLEDSOE PETRO CORP
BURLINGTON RESOURCES O & G CO
CAULKINS OIL CO
CENTRAL RESOURCES INC
CINCO GENERAL PARTNERSHIP
CONOCO INC
CURTIS J LITTLE
D J SIMMONS CO
DUGAN PRODUCTION CORP
ELLIOTT OIL CO
ENRE CORP
FOUR STAR OIL & GAS CO
FULLER PETROLEUM INC
GREAT LAKES CHEMICAL CORP
GREAT WESTERN DRILLING CO
HALLWOOD PETROLEUM INC
JICARILLA ENERGY CO
JOHN E SCHALK
KIMBARK OIL & GAS CO
KOCH EXPLORATION CO
LOUIS DREYFUS NATURAL GAS CORP.
M & G DRLG CO INC
MALLON OIL CO
MARATHON OIL CO
MERRION OIL & GAS CORP
MW PET CORP
N M & O OPERATING CO
NORTHWEST PIPELINE COMPANY
OMIMEX PETROLEUM INC
P & M PETROLEUM MANAGEMENT
P-R-O MANAGEMENT INC
PHILLIPS PETROLEUM CO NW
RC RESOURCES CORP
SCHALK DEVELOPMENT CO
SNYDER OIL CORP
UNION OIL CO OF CALIFORNIA
VASTAR RESOURCES INC
W M GALLAWAY
WESTERN OIL & MINERALS LTD
WILLIAMS PRODUCTION COMPANY