

**STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE APPLICATION  
OF BURLINGTON RESOURCES OIL & GAS  
COMPANY FOR COMPULSORY POOLING AND A  
NON-STANDARD PRORATION AND SPACING UNIT,  
SAN JUAN COUNTY, NEW MEXICO.**

JUN 1 1997  
CASE NO. 11808

**A P P L I C A T I O N**

Comes now BURLINGTON RESOURCES OIL & GAS COMPANY (formerly Meridian Oil Inc.), by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17(c) (1978) applies to the New Mexico Oil Conservation Division for an order pooling all mineral owners including working interest, royalty interests and overriding royalty interests from the base of the Dakota formation to the base of the Pre-Cambrian aged formation underlying all of Irregular Section 9, T31N, R10W, NMPM, San Juan County, New Mexico, forming a non-standard 636.01-acre gas spacing and proration unit for any formations and/or pools developed on 640-acre gas spacing within said vertical extent. Applicant seeks to be designated as the operator of the well. Said unit is to be dedicated to Burlington Resources Oil & Gas Company's Scott Well No. 24 which is to be drilled at a standard gas well location 1535 feet from the north line and 2500 feet from the west line (Unit F) of said Section 9.

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

1. On June 5, 1997, the New Mexico Oil Conservation Commission entered Order R-10815 which:

- (a) established gas spacing units consisting of 640-acres for gas production **below** the base of the Dakota formation ("deep gas") for the San Juan Basin (OCD Case 11745); and
- (b) provided within the surface outcrop of the Pictured Cliffs formation for standard well locations not closer than 1200 feet to the outer boundary, 130 to any quarter section line nor closer than 10 feet to any quarter-quarter section line.

2. Burlington, is the proposed operator for a "deep gas" well in Irregular Section 9, T31N, R10W, NMPM, San Juan County, New Mexico.

3. Burlington has attempted to consolidate on a voluntary basis all of the oil and gas working interests ("operating rights") within said Section 9 as a possible deep gas 636.01-acre spacing unit on which Burlington, as operator, intends to locate and drill the Scott Well No. 24 to the top of the pre-cambrian aged formation and to dedicate any production from the base of the Dakota formation to the base of the Pre-Cambrian aged formation to a non-standard 636.01-acre gas spacing and proration unit consisting of all of said Section 9. See Exhibit "A" attached.

4. Within said Section 9, Burlington has obtained the voluntarily agreement of 31.687% of the working interest owners who will participate on a voluntary basis with Burlington. See Exhibit "B" attached.

5. If Burlington is able to complete a well capable of production, then Burlington intends to distribute the proceeds from production based upon each interest owner's proportionate share of acreage within the 636.01-acre unit.

6. Despite its good faith efforts, Burlington has not been able to obtain the voluntary agreement of certain mineral owners as indicated on Exhibit "B".

7. In addition, based upon preliminary title examination, it appears that Amoco and its partners may be the lessee of a certain lease in this section which is subject to royalty interests owned by the party listed on Exhibit "C" attached which contains pooling provisions limiting the size of spacing units to less than 640-acres.

8. Because such a provision is inconsistent with 640-acre gas spacing, Burlington has attempted to notify this royalty interest owner and has requested that he voluntarily participate based upon proportionately sharing on a 636.01-acre spacing unit basis.

9. Burlington has been unable to obtain the voluntarily agreement of all said mineral owners, including certain working interest, royalty and overriding royalty interest owners and therefore requests that the Division enter a compulsory pooling order pooling all said mineral interests so that proceeds can be paid based upon the percentage of each lease's acreage contained in that 636.01-acre spacing unit.

10. The non-standard 636.01 acre gas proration and spacing unit is necessary because Section 9 contains less than the standard 640 acres as a result of governmental survey.

11. The unorthodox well location is necessary because of geologic reasons and topographic limitations.

12. Pursuant to Section 70-2-17(c) NMSA (1978) and in order to obtain its just and equitable share of production from the subject well and this spacing unit, Burlington needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.

13. In accordance with the Division's notice requirements, a copy of this application has been sent to the parties to be pooled as shown on Exhibit "B" and Exhibit "C".

14. Burlington requests that this matter be set for a hearing before the Division on the next available Examiner's docket now scheduled for July 10, 1997.

WHEREFORE, Burlington, as applicant, requests that this application be set for hearing on July 10, 1997 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interests described in this spacing unit for the drilling, completing and operating the subject well at a non-standard gas well location and a non-standard proration and spacing unit upon terms and conditions which include:

- (1) Burlington Resources Oil & Gas Company be named operator;

- (2) provisions for applicant and all working interest owners to participate in the costs of drilling, completing, equipping and operating the well;
- (3) in the event a working interest owner fails to elect to participate, then provision be made to recover out of production the costs of the drilling, completing, equipping and operating the well including a risk factor penalty of 200 %;
- (4) provision for overhead rates per month drilling and per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS;
- (5) provisions allowing each royalty interest owner to participate in any production from the Scott Well No. 24 by voluntarily committing that interest to this 636.01-acre gas spacing unit;
- (6) in the event a royalty or overriding royalty interest owner fails to elect to participate, then provisions declaring said interest pooled so that proceeds can be paid based upon the percentage of each lease's acreage contained in the 636.01-acre spacing unit;
- (7) for approval of a non-standard 636.01-acre gas proration and spacing unit; and
- (8) for such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over a horizontal line.

W. THOMAS KELLAHIN  
KELLAHIN & KELLAHIN  
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Santa Fe, New Mexico 87504