



PHILLIPS PETROLEUM COMPANY

FARMINGTON, NEW MEXICO 87401
5525 HWY. 64 NBU 3004

NOV 10 1999

November 4, 1999

State of New Mexico
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

12290

Attn: Ms. Lori Wrotenberry
Director

Ladies and Gentlemen:

Phillips Petroleum Company (Phillips) is in receipt of two (2) separate applications filed on behalf of Burlington Resources Oil & Gas Company to amend the Special Rules and Regulations for the Basin Fruitland Coal Gas Pool and the Basin Dakota Gas Pool in San Juan and Rio Arriba Counties, New Mexico.

Please be advised that as a potentially affected Operator, Phillips has no objections to either of these applications and supports Burlington in this endeavor. During 1999, Phillips filed eleven (11) applications for administrative approval of unorthodox locations which were necessary due to geographical or infill drilling considerations. None of these applications were protested or denied.

Phillips believes approval of Burlington's applications is in the best interests of affected mineral owners, working interest owners and operators and will promote further prevention of economic waste, conservation of resources and protection of correlative rights.

Very truly yours,

S. Scott Prather, CPL
Senior Landman
San Juan Area
(505) 599-3410

cc: Tom Kellahin

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)

October 26, 1999

CERTIFIED MAIL-RETURN RECEIPT REQUESTED

TO: NOTICE OF THE HEARING OF THE FOLLOWING
NEW MEXICO OIL CONSERVATION DIVISION CASE:

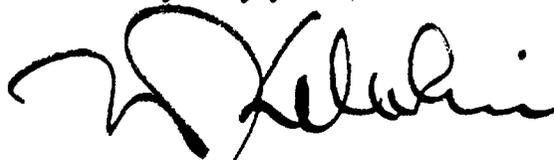
*Re: Application of Burlington Resources Oil & Gas Company
to amend the Special Rules and Regulations for the Basin-Dakota Gas
Pool for the purposes of changing well locations
requirements, Rio Arriba and San Juan Counties, New
Mexico.*

On behalf of Burlington Resources Oil & Gas Company, please find enclosed our a copy of its referenced application. This case has been set for hearing on the New Mexico Oil Conservation Division Examiner's docket now scheduled for November 18, 1999. The hearing will be held at the Division hearing room located at 2040 South Pacheco, Santa Fe, New Mexico.

As an operator 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, November 12, 1999, with a copy delivered to the undersigned.

Very truly yours,



W. Thomas Kellahin

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

**APPLICATION OF BURLINGTON RESOURCES
OIL & GAS COMPANY TO AMEND THE
SPECIAL RULES AND REGULATIONS FOR
THE BASIN-DAKOTA GAS POOL,
RIO ARRIBA AND SAN JUAN COUNTIES, NEW MEXICO**

CASE NO. _____

APPLICATION

Comes now BURLINGTON RESOURCES OIL & GAS COMPANY, by and through its attorneys, Kellahin and Kellahin, and applies to the New Mexico Oil Conservation Division to amend the Special Rules and Regulations for the Basin-Dakota Gas Pool to (a) change the initial and infill well location boundary requirements to not closer than 660 feet to any outer boundary of a gas proration unit ("GPU") and not closer than 10 feet to any quarter-quarter section line or subdivision inner boundary; (b) delete the 920 foot minimum distances between wells; and (c) add well locations requirements for federal exploratory units.

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

(1) Burlington is the operator of approximately 1633 wells currently producing from the Basin-Dakota Gas Pool.

(2) The Basin-Dakota Gas Pool is currently governed by the "Special Rules and Regulations for the Basin-Dakota Gas Pool" as set forth in Exhibit "B" "Special Rules for Individual Prorated Gas Pools", of Division Order R-10987, dated May 7, 1998. The rules pertaining to well spacing and location requirements are set forth as follows:

"WELL ACREAGE AND LOCATION REQUIREMENTS

The **Standard GPU (Gas Proration Unit)** in the Basin-Dakota Gas Pool shall be 320 acres.

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 Dakota well, and shall be located with respect to the GPU boundaries as described in the preceding paragraph.

No Dakota infill well shall be drilled nearer than 920 feet to an existing Dakota well on the same GPU."

- (3) One of the most effective and efficient current means of drilling and producing new Dakota gas wells is to do so as wellbores which downhole commingle the Dakota formation with other formations including the Mesaverde formation.

- (4) In order to increase the opportunity to locate wells in the optimum position or to accommodate numerous topographical and archaeological conditions, it is either necessary to process numerous cases for unorthodox well locations or to relax the exterior and interior footage setback requirements.

- (5) The current well location requirements for wells in Basin-Dakota Gas Pool rules are not the same as the current well location regulations for wells in the Blanco-Mesaverde Gas Pool.

- (6) Effective February 1, 1999, Division Order R-10987-A amended the Blanco-Mesaverde Gas Pool Rules to (a) change the initial and infill well location boundary requirements from not closer than 790 feet to not closer than 660 feet to any outer boundary of a quarter section and (b) from not closer than 130 feet to not closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

- (7) As a result of the different well location requirements for each of these pools, the drilling of a Mesaverde well at a standard location can be unorthodox in the Basin-Dakota Gas Pool.

- (8) In addition, effective August 31, 1999, the Division entered Order R-11231 which, among other things, amended the well location requirements for certain types of gas wells spaced on "statewide spacing rules" so they could be located not closer than 660 feet to an outer boundary of a spacing unit and not closer than 10 feet to an interior quarter-quarter section line.

- (9) These differences require both the Division and the operator to process administrative non-standard location applications for the Dakota wells which otherwise are not necessary.

- (10) To the best of Burlington's knowledge, few, if any, of the numerous administrative applications filed to obtain unorthodox Dakota well locations closer than 790 feet but not closer than 660 feet to the outer boundary have either been protested or denied.

- (11) It is an unnecessary administrative burden on both the operators and the Division to process this type Dakota location exception for which there has been few, if any, objections.

(12) It is in the best interest of conservation to establish uniform well locations requirements for the gas producing formations currently spaced on 160 acre and 320-acre gas spacing units in the Northwestern portion of New Mexico.

(13) Accordingly, Burlington desires that the Division amend the Special Rules and Regulations for the Basin-Dakota Gas Pool to modify well location requirements as follows:

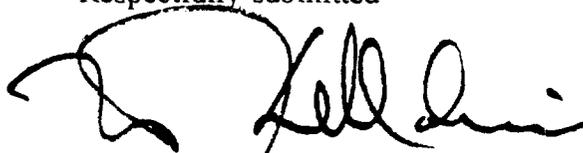
- 1) THE INITIAL WELL drilled on a GPU shall be located not closer than 660 feet to the South and North lines nor closer than 660 feet to the East and West lines of a GPU and not closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.
- 2) THE INFILL WELL drilled on a GPU shall be located in the quarter section of the GPU not containing a Dakota well, and shall be located with respect to the GPU boundaries as described in the preceding paragraph.
- 3) Wells located within federal exploratory units shall not be closer than 10 feet to any section, quarter section or interior quarter-quarter section line or subdivision inner boundary, except that wells located within one-half mile of the outer boundary of any such unitized area shall not be closer than permitted by subparagraph (1) above.

(14) In accordance with Division Order R-11205, effective July 15, 1999, copies of this application have been sent to all operators in the pool.

(15) 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 November 18, 1999 before a duly appointed Examiner of the Oil Conservation Division and that after hearing is matter, the Division enter its order granting this application.

Respectfully submitted



W. Thomas Kellahin
KELLAHIN and KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285