

October 17, 2000

Ms. Lori Wrotenbery
NM Oil Conservation Division - Santa Fe
Fax - (505) 827-8177

Re: NMOCD Case 12508, October 19, 2000
Application of Burlington Resources
80 Acre Dakota Formation Infill Pilot
San Juan 27-5 Unit

Dear Ms. Wrotenbery,

Dugan Production Corp. is writing to support the subject application and request that this letter be made part of the record in this case.

I have a working interest in the San Juan 27-5 Unit and Dugan Production operates about 100 wells completed in the Basin Dakota pool. We believe Burlington's proposed pilot will provide valuable information as to the merits of a denser development spacing in the Dakota formation, and will aid in establishing the appropriate spacing to optimize economic recoveries of gas and condensate reserves from the Basin Dakota pool.

Sincerely,

A handwritten signature in black ink, appearing to read 'Thomas A. Dugan', is written over the typed name.

Thomas A. Dugan
President

JDR/tmf

xc: Linda Dean, Burlington Resources - Fax (505)326-9882

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**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. 12508

**APPLICATION OF BURLINGTON RESOURCES
OIL & GAS COMPANY FOR A DAKOTA PILOT
PROJECT IN ITS SAN JUAN 27-5 UNIT
INCLUDING WELLS AT UNORTHODOX LOCATIONS
AND INCREASED DENSITY WELLS,
RIO ARriba COUNTY, NEW MEXICO**

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by BURLINGTON RESOURCES OIL & GAS COMPANY as required by the Oil Conservation Division.

APPEARANCE OF PARTIES

APPLICANT

Burlington Resources Oil & Gas Company
PO Box 4289
Farmington, NM 87499
Attn: Alan Alexander
(505) 326 9757

ATTORNEY

W. Thomas Kellahin
Kellahin & Kellahin
P.O. Box 2265
Santa Fe, NM 87504
(505) 982-4285

OIL CONSERVATION DIV.
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STATEMENT OF CASE

APPLICANT

Burlington Resources Oil & Gas Company applies for approval of a Pilot Project including unorthodox well locations and an exception from the Special Rules and Regulations for the Basin-Dakota Gas Pool for purposes of establishing a pilot infill drilling program within its San Juan 27-5 Unit, consisting of T27N, R5W whereby up to four wells may be drilled on a standard gas proration unit to determine proper well density for Dakota wells, Rio Arriba County, New Mexico.

Burlington desires to initiate a pilot program for the drilling of additional Basin-Dakota Gas Pool wells in the San Juan 27-5 Unit to provide data for reservoir engineering 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 these wells.

Five of the initial 8 pilot project wells are to be located at unorthodox gas well locations in an attempt to locate them in undrained portions of the reservoir.

The approval of a pilot program which increases the density of Basin Dakota Gas Pool wells at unorthodox well locations within the San Juan 27-5 Unit will not violate correlative rights because the San Juan 27-5 Unit Agreement provides for the establishment of "Participating Areas" as an equitable method for the allocation of production of Basin-Dakota Gas Pool production to all interest owners within the unit's Dakota participating area regardless of the number of wells drilled or where those wells are located. The current Dakota Participating Area consists of the entire unit area except for one 40-acre tract in the SE/4SW/4 Section 3, T27N, R5W, NMPM.

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 the proposed infill wells to be located anywhere within the proration unit provided that such wells are located no closer than 660 feet to the outer boundary of the San Juan 27-5 Unit.

Within the unit area, Burlington proposes that:

- (a) the well density shall not be more than two (2) wells per 160-acres within any standard 320-acre gas proration unit:

- (b) the proposed infill wells to be located anywhere within the GPU provided that such wells are located no closer than 10 feet to the outer boundary of the GPU; and
- (c) the proposed infill wells to be located anywhere within the GPU provided that such wells are located no closer than 10 feet from the interior quarter-section within a GPU.

PROPOSED EVIDENCE

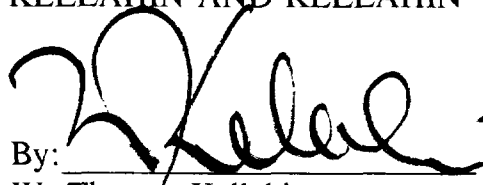
APPLICANT

WITNESSES	EST. TIME	EXHIBITS
Linda Donahue (landman)	20 Min.	est. 3
Bill Babcock (geologist)	30 Min	est. 12
Jack (petroleum engineer)	30 Min.	est. 8
Craig McCracken (reservoir simulation)	30 Min	est. 6

PROCEDURAL MATTERS

To consolidate this case with Case 12509 for purposes of presentation of witnesses and evidence.

KELLAHIN AND KELLAHIN

By: 
W. Thomas Kellahin
Attorney for Applicant