

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

**IN THE MATTER OF THE APPLICATION
OF BURLINGTON RESOURCES OIL & GAS
COMPANY FOR APPROVAL OF A PILOT
PROJECT INCLUDING UNORTHODOX WELL LOCATIONS
AND EXCEPTIONS FOR THE SAN JUAN 27-5 UNIT
FROM THE SPECIAL RULES AND REGULATIONS
FOR THE BASIN-DAKOTA GAS POOL,
RIO ARriba COUNTY, NEW MEXICO.**

CASE NO. 12508

RECEIVED
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OIL CONSERVATION DIVISION

APPLICATION

Comes now Burlington Resources Oil & Gas Company ("Burlington") and applies to the Division 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. Applicant seeks approval for a pilot program including an exception for the San Juan 27-5 Unit from the Special Rules and Regulations for the Basin-Dakota Gas Pool and authorization to drill wells at unorthodox locations anywhere in the proration unit provided such wells are located no closer than 660 feet to the outer boundary of the San Juan 27-5 Unit or closer than 10 feet to any outer boundary of the quarter section on which the well is located and to increase the well density from the current maximum of two (2) wells (160-acre infill) provided in Order R- 8170 to a maximum of four (4) wells (80-acre infill) per gas proration and spacing unit for wells dedicated to the Basin Dakota Gas Pool within the San Juan 27-5 Unit but not more than one well per 160-acres for those proration units contiguous to the outer boundary of the San Juan 27-5 Unit. Applicant further seeks approval for 8 initial wells all at orthodox and unorthodox well locations in the pilot project and an administrative process for expanding the pilot project to include additional wells.

In support of its application, Burlington states:

- (1) Burlington is the current operator of the San Juan 27-5 Unit containing 23.040 acres, more or less, and located in Township 27 North, Range 5 West, NMPM. See Exhibit "A" attached.
- (2) The San Juan 27-5 Unit is within the current boundaries of the Basin-Dakota Gas Pool and includes 118 producing, 20 temporarily shut-in and 1 plugged and abandoned Dakota wells which are dedicated to that pool.
- (3) On May 22, 1979, the New Mexico Oil Conservation Commission ("Commission") issued Order R-1670-V which adopted "infill drilling" for the Basin Dakota 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 790 feet (but subject to a 200 foot topographical allowance) to the outer boundary of a quarter section and no closer than 130 feet to any quarter-quarter section line or subdivision inner boundary and that no infill well could be drilled nearer than 920 feet to an existing Dakota well in the same GPU.
- (4) 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 Basin Dakota Gas Pool.
- (5) On June 30, 2000, the New Mexico Oil Conservation Division ("Division") issued Order R-10987-B in Case 12290 which amended the well location requirements of the Rules and Regulations for the Basin Dakota Gas Pool which currently provide:

A. WELL ACREAGE AND LOCATION REQUIREMENTS

RULE 2(a). **Standard GPU (Gas Proration Unit)** in the Basin Dakota 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 660 feet to any outer boundary of the quarter section on which the well is located and not closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.
- (3) 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.

(6) 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 there is a need in a majority of the pool area to drill more wells per GPU than is currently permitted by Rule 2(b) of the pool rules.

(7) Accordingly, 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.

(8) Five of the initial 8 pilot project wells are to be located at unorthodox gas well locations as set forth on Exhibit A (**attached**) in an attempt to locate them in undrained portions of the reservoir.

(9) 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 on 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/4 SW/4 Section 3 T27N, R5W, NMPM.

(10) 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.

(11) 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

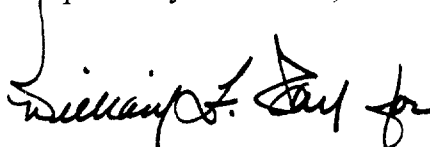
(c) the proposed infill wells to be located anywhere within the GPU provided that such wells are located no closer than 10 feet from the interior quarter-section within a GPU.

(12) Copies of this application have been sent to all appropriate parties as required by Division notice rules.

(13) 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 19, 2000 before a duly appointed Examiner of the Oil Conservation Division and that after notice and hearing as require by law, the Division enter its order granting this application.

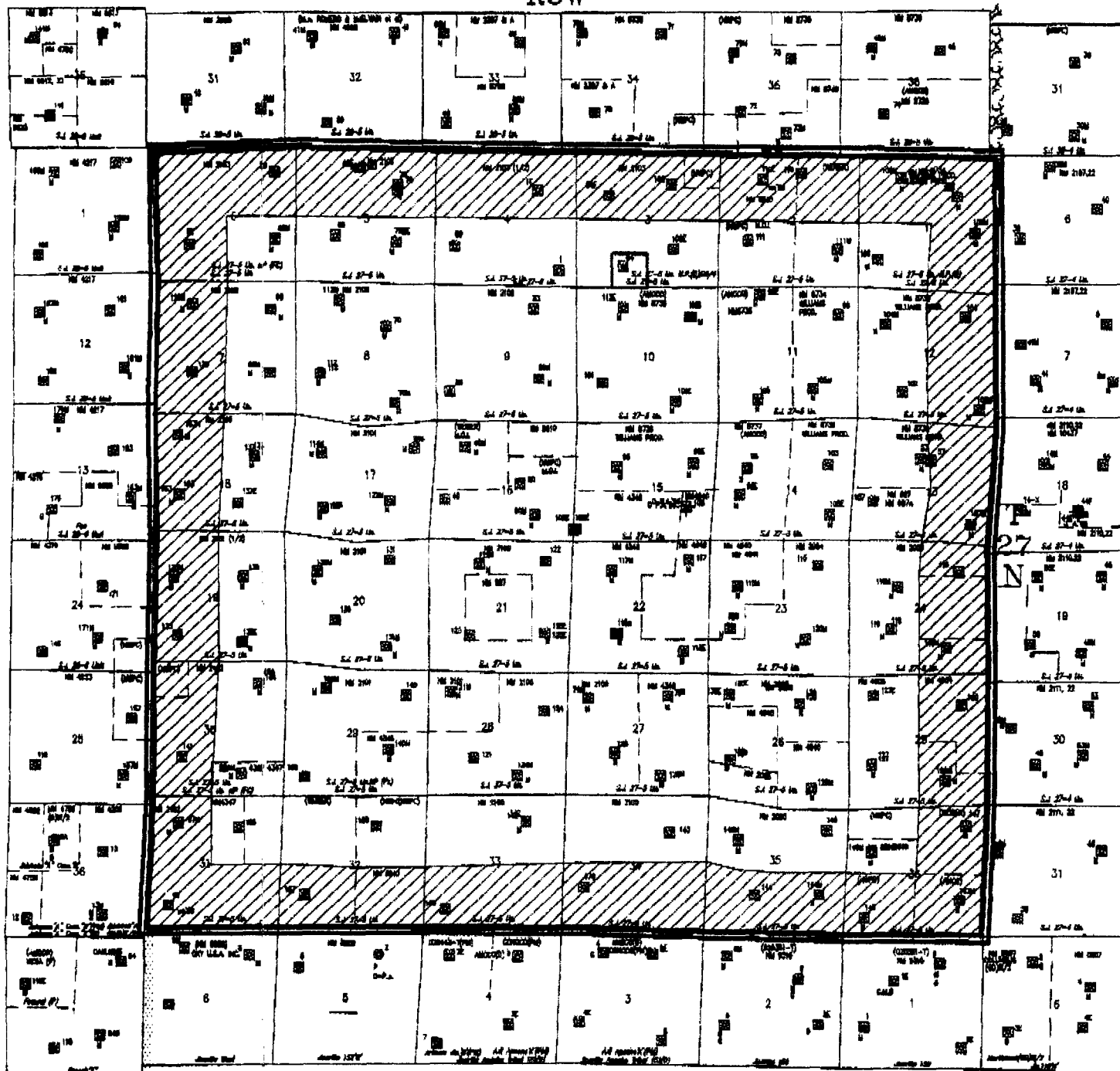
Respectfully submitted,

A handwritten signature in black ink, appearing to read "W. Thomas Kellahin", with a stylized flourish at the end.

W. Thomas Kellahin
KELLAHIN and KELLAHIN
P.O. Box 2265
Santa Fe, NM 87504

EXHIBIT "A" SAN JUAN 27-5 UNIT DAKOTA INCREASE DENSITY PILOT AREA

R5W



DAKOTA PARTICIPATING AREA
24th Expansion Effective 11/1/73

DAKOTA

Buffer Zone

BURLINGTON
RESOURCES

LAND DEPARTMENT

Exhibit B

San Juan 27-5 Unit – Rio Arriba County, NM
80 acre Dakota Infill Non-Standard Locations

<u>Well Name</u>	<u>Footage</u>	<u>Dedication</u>	<u>Location</u>
San Juan 27-5 Unit #90F	2275' FNL, 200' FEL	E/2	H 16-27N-5W
San Juan 27-5 Unit #112F	2485' FNL, 2445' FWL	W/2	F 08-27N-5W
San Juan 27-5 Unit #114F	380' FNL, 2310' FWL	N/2	C 17-27N-5W
San Juan 27-5 Unit #123F	800' FSL, 2265' FEL	S/2	O 17-27N-5W
San Juan 27-5 Unit #137F	560' FNL, 305' FEL	E/2	A 18-27N-5W

PROPOSED ADVERTISEMENT

2568

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Applicant further seeks an administrative process for expanding the pilot project to include additional wells. Said unit is located approximately 5 miles southeast of Gobernador Camp, New Mexico.