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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 22, 2000

HAND DELIVERED

Ms. Lori Wrotenbery, Director
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

Re:

CULPEPPER MARTIN PROJECT

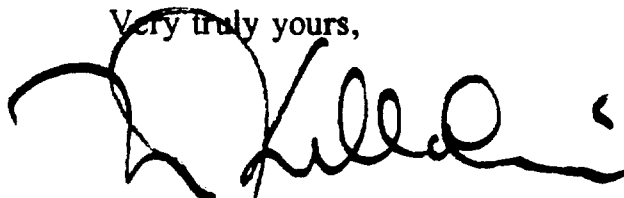
Application of Burlington Resources Oil & Gas Company for approval of a Pilot Project including unorthodox gas well locations and an exception from the Special Rules and Regulations for the Basin Dakota Gas Pool for purposes of establishing a program in its Culpepper Martin Project Area to determine proper well density requirements for Dakota wells, Rio Arriba County, New Mexico.

Dear Ms. Wrotenbery:

On behalf of Burlington Resources Oil & Gas Company, please find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for October 19, 2000.

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

Very truly yours,



W. Thomas Kellahin

cc: Burlington Oil & Gas Company
Attn: Alan Alexander

**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 FROM THE SPECIAL RULES AND
REGULATIONS FOR THE BASIN - DAKOTA GAS POOL
SAN JUAN COUNTY, NEW MEXICO.**

CASE NO.

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 Culpepper Martin Project Area consisting of Sections 1-3, 10-15 and 22-24, T31N, R12W whereby up to four wells may be drilled on a standard gas proration unit to determine proper well density for Dakota wells, San Juan County, New Mexico. Applicant seeks approval for a pilot program including an exception for the Culpepper Martin Project Area 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 ("GPU") provided such wells are located no closer than 660 feet to the outer boundary of the GPU on which the well is located and not closer than 10 feet to any interior quarter or quarter-quarter section line on subdivision inner boundary 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 standard 320-acre gas proration and spacing unit for wells dedicated to the Basin - Dakota Gas Pool within the project area but not more than one well per 160-acres for those proration units contiguous to the outer boundary of the project area. Applicant further seeks approval for 6 initial wells all at 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 Culpepper Martin Project Area containing 7,413.91 acres, more or less and located in Township 31 North, Range 12 West, NMPM. See Exhibit "A" (**attached**).

(2) The Culpepper Martin Project Area is within the current boundaries of the Basin - Dakota Gas Pool and includes 39 producing, 2 temporarily shut-in and 2 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 Culpepper Martin Project Area 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) The initial 6 pilot project wells are to be located at unorthodox gas well locations as set forth on Exhibit "B" (attached) in an attempt to locate them in undrained portions of the reservoir.

(9) In order to protect the correlative rights of any owners within or adjacent to the outer boundary of this project area Burlington proposes that the well density for each 160-acres within the project area along its outer boundary shall be limited to the current well density of not more than one (1) well per 160-acres with well locations as prescribed by Order R-10987-B.

(10) Within the project 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 660 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 to any

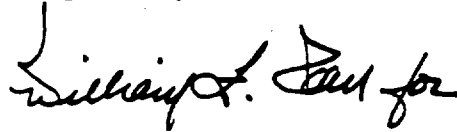
interior quarter or quarter-quarter-section line or subdivision inner boundary within a GPU.

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

(12) Approval of the 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 required by law, the Division enter its order granting this application.

Respectfully Submitted,

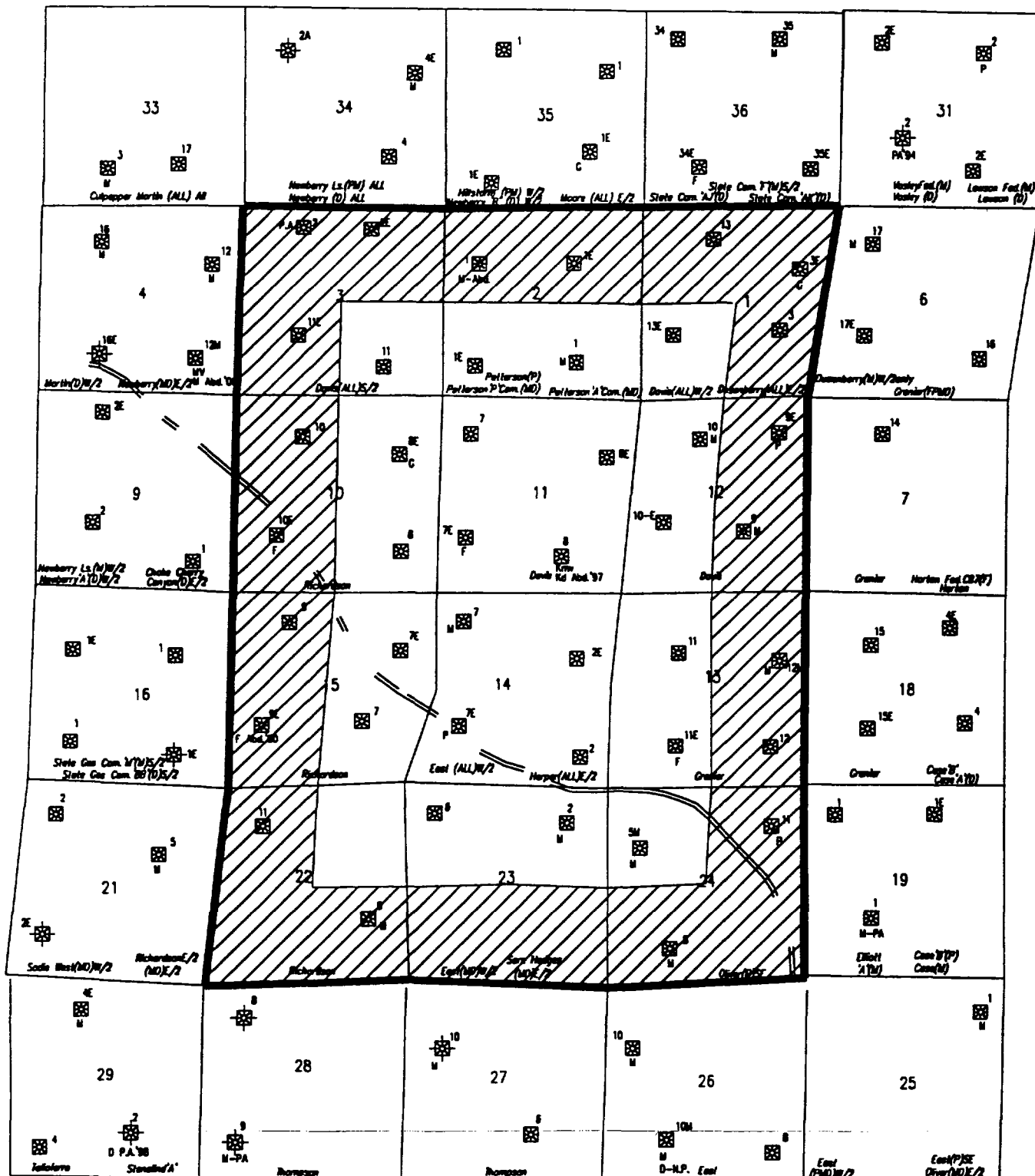
A handwritten signature in black ink, appearing to read "William T. Kellahin", written over a horizontal line.

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

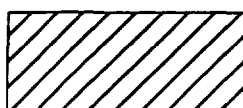
EXHIBIT A

CULPEPPER MARTIN DAKOTA INCREASE DENSITY PILOT AREA

SEC: 1 - 3, 10 - 15 & 22 - 24, T31N, R12W



DAKOTA



Buffer Zone



Project Area

Exhibit B
Culpepper Martin Project Area, San Juan County, NM
80 acre Dakota Infill Non-Standard Locations

<u>Well Name</u>	<u>Footage</u>	<u>Dedication</u>	<u>Location</u>
Davis #7F	180' FNL, 2465' FWL	W/2	C 11-31N-12W
Davis #8R	2270' FSL, 2140' FEL	E/2	J 11-31N-12W
East #7F	1740' FNL, 2395' FWL	W/2	F 14-31N-12W
Grenier #11F	965' FNL, 500' FWL	W/2	D 13-31N-12W
Harper #2F	2020' FSL, 1585' FEL	E/2	J 14-31N-12W
Richardson #8F	2510' FSL, 1915' FEL	E/2	J 10-31N-12W

PROPOSED ADVERTISEMENT

Case _____: Application of Burlington Resources Oil & Gas Company 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 Culpepper Martin Project Area, consisting of Sections 1-3, 10-15, and 22-24, T31N, R12W whereby up to four wells may be drilled on a standard gas proration unit to determine proper well density for Dakota Wells, San Juan County, New Mexico. Applicant seeks approval for a pilot program including an exception for the Culpepper Martin Project Area 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 ("GPU") provided such wells are located no closer than 660 feet to the outer boundary of the GPU or on which the well is located and not closer than 10 feet to any interior quarter or quarter-quarter section line or subdivision inner boundary 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 standard 320-acre gas proration and spacing unit for wells dedicated to the Basin - Dakota Gas Pool within the project area but not more than one well per 160-acres for those proration units contiguous to the outer boundary of the project area. Applicant further seeks approval for initial project wells at the following unorthodox locations:

<u>Well Name</u>	<u>Footage</u>	<u>Dedication</u>	<u>Location</u>
Davis #7F	180' FNL, 2465' FWL	W/2	C 11-31N-12W
Davis #8R	2270' FSL, 2140' FEL	E/2	J 11-31N-12W
East #7F	1740' FNL, 2395' FWL	W/2	F 14-31N-12W
Grenier #11F	965' FNL, 500' FWL	W/2	D 13-31N-12W
Harper #2F	2020' FSL, 1585' FEL	E/2	J 14-31N-12W
Richardson #8F	2510' FSL, 1915' FEL	E/2	J 10-31N-12W

Applicant further seeks an administrative process for expanding the pilot project to include additional wells. Said unit is located approximately 7 miles east-southeast of La Plata, New Mexico.

**Offset Operator/Working Interest Owners
Culpepper Martin Pilot Project Area
80 Acre Dakota Infill, T31N, R12W
San Juan County, New Mexico**

Amoco Production Company

Conoco Inc.

Cross Timbers Oil Company

Energen Resources Corporation

Dona Lisa Johnson Trust

Jewel M. Lanier Trust

V. F. Neuhaus Properties

St. Johns Operating #1 LP

Indicate if restricted delivery is desired.
Print your name and address on the reverse of this form so that we can return this card to you.
Attach this form to the front of the mailpiece, or on the back if space does not permit.
Write "Return Receipt Requested" on the mailpiece below the article number.
The Return receipt Fee will provide you the signature of the person delivered to and the date of delivery.

☒ **Restricted Delivery**
Consult postmaster for fee.

Article Addressed to:

AMOCO PRODUCTION COMPANY
C/O DON DUHRKOPF-BP EXPLORATION
PO BOX 3092
HOUSTON, TX 77253-3092

2. Article Number

7110 6605 9590 0000 6580

3. Service Type ☒ **CERTIFIED**

Date of Delivery

OCT - 3 2000

Received By: (Print Name)

Enter delivery address
if different than item 1.

Signature - (Addressee or Agent)

PS Form 3811

DOMESTIC RETURN RECEIPT

1:46 PM 9/13/2000

Code: Culbrenner Martin

File: LAND-DK In HI

SENDER:

Complete items 1, 2 and 3.

Indicate if restricted delivery is desired.

Print your name and address on the reverse of this form so that we can return this card to you.

Attach this form to the front of the mailpiece, or on the back if space does not permit.

Write "Return Receipt Requested" on the mailpiece below the article number.

The Return receipt Fee will provide you the signature of the person delivered to and the date of delivery.

I also wish to receive the
following service (for an extra fee)

☒ **Restricted Delivery**

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Article Addressed to:

ENERGEN RESOURCES CORPORATION
ATTN RICH CORCORAN
2198 BLOOMFIELD HWY
FARMINGTON, NM 87401

2. Article Number

7110 6605 9590 0000 6689

3. Service Type ☒ **CERTIFIED**

Date of Delivery

09-27-00

Received By: (Print Name)

LORI McCabe

Enter delivery address
if different than item 1.

Signature - (Addressee or Agent)

Lori McCabe

S Form 3811

DOMESTIC RETURN RECEIPT

1:45 PM 9/13/2000

Code: Culbrenner Martin

File: LAND-DK In HI

SENDER:

Complete items 1, 2 and 3.

Indicate if restricted delivery is desired.

Print your name and address on the reverse of this form so that we can return this card to you.

Attach this form to the front of the mailpiece, or on the back if space does not permit.

Write "Return Receipt Requested" on the mailpiece below the article number.

The Return receipt Fee will provide you the signature of the person delivered to and the date of delivery.

I also wish to receive the
following service (for an extra fee)

☒ **Restricted Delivery**

Consult postmaster for fee.

Article Addressed to:

CROSS TIMBERS OIL COMPANY
ATTN DIVISION ORDERS
810 HOUSTON ST STE 2000
FORT WORTH, TX 76102-6298

2. Article Number

7110 6605 9590 0000 6641

3. Service Type ☒ **CERTIFIED**

Date of Delivery

09-29-00

Received By: (Print Name)

Steve Williams

Enter delivery address
if different than item 1.

Signature - (Addressee or Agent)

Steve Williams

PS Form 3811

DOMESTIC RETURN RECEIPT

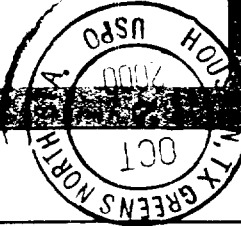
LAND-DK In HI

ST JOHNS OPERATING #1 LP
16800 GREENSPPOINT PARK DR STE 380-S
HOUSTON, TX 77060

110 6605 9590 0000 6894

Received By: (Print Name)

Signature - (Addressee or Agent)



1:46 PM 04/23/2000

LAND-DK Infi

DONA LISA JOHNSON TRUST
C/O KEN ROSEN CPA
3100 OAK ROAD STE 300
WALNUT CREEK, CA 94596

110 6605 9590 0000 6665

Received By: (Print Name)

Signature - (Addressee or Agent)

PS

1:46 PM 04/23/2000

LAND-DK Infi

V F NEUHAUS PROPERTIES
PO BOX DRAWER 1270
MCALLEN, TX 78505-1270

110 6605 9590 0000 6955

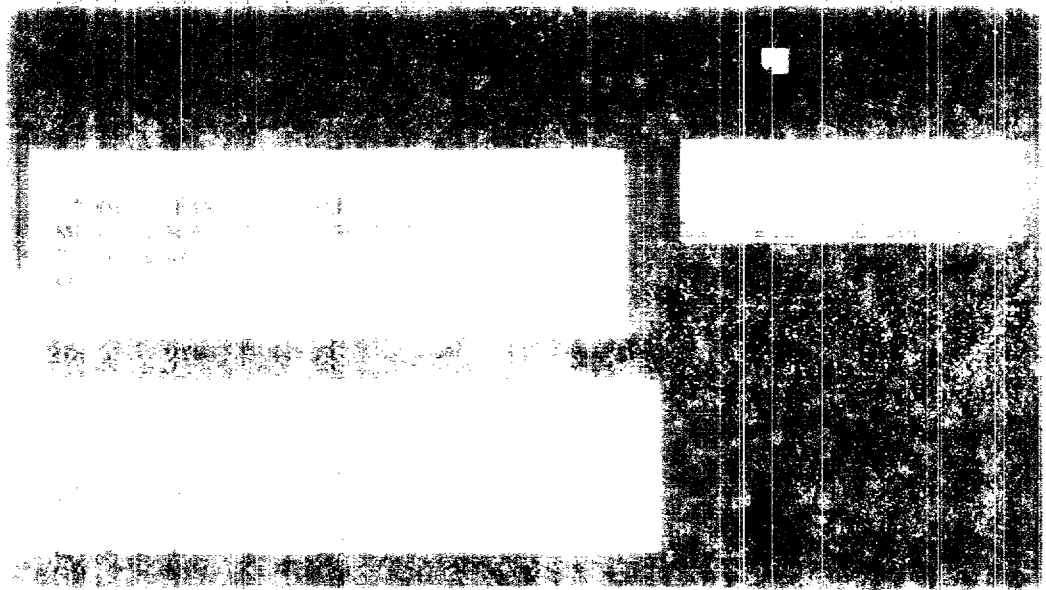
Received By: (Print Name)

Signature - (Addressee or Agent)

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LAND-DK Infi

1007-4400
1007-4400



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For the items listed below, please check the appropriate box. If you are not sure, please check the "Not Sure" box. If you are not sure, please check the "Not Sure" box. If you are not sure, please check the "Not Sure" box.

Also wish to receive for follow-up service for an extra fee.

Restricted (Only)