

**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. 13989
ORDER NO. R-12867**

**APPLICATION OF BURLINGTON RESOURCES OIL & GAS COMPANY, LP
FOR THE ESTABLISHMENT OF A DOWNHOLE COMMINGLING
REFERENCE CASE FOR ITS SAN JUAN 27-4 UNIT, RIO ARriba COUNTY,
NEW MEXICO**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on September 20, 2007, at Santa Fe, New Mexico, before Examiners David K. Brooks and William V. Jones.

NOW, on this 3rd day of January, 2008, the Division Director, having considered the testimony, the record and the recommendations of the Examiners,

FINDS THAT:

- (1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.
- (2) The Oil Conservation Commission last amended Division Rule 303.C governing downhole commingling in Order No. R-11363, dated April 26, 2000, Case No. 12346. In that order, the Basin Dakota (Prorated Gas) Pool (71599) and Blanco-Mesaverde (Prorated Gas) Pool (72319) were pre-approved for downhole commingling throughout the San Juan Basin.
- (3) For pre-approved pool combinations with diverse ownership, Division Rule 303.C(3)(b)(vi) requires notice to be provided, as stated below:

“(vi) in those instances where the ownership or percentages between the pools to be commingled is not identical, a statement attesting that applicant sent notice to all interest owners in the spacing unit by certified mail (return receipt) of its intent to apply for downhole commingling and no objection was received

within 20 days of sending this notice;"

(4) In this case, the applicant, Burlington Resources Oil & Gas Company, LP ("Burlington"), pursuant to Division Rule 303.C(4)(a), seeks to establish a downhole commingling "reference case" on a unit wide basis such that formal notification would no longer be required for downhole commingling of production from the Dakota and Mesaverde formations for existing and future wells within the San Juan 27-4 Unit.

(5) This application was unopposed with no other parties entering an appearance.

(6) The San Juan 27-4 Unit operated by Burlington covers portions of Township 27 North, Range 4 West, Rio Arriba County, New Mexico. Division records indicate this unit currently has 100 active completions in the Dakota formation and 162 active completions in the Mesaverde formation.

(7) Burlington presented testimony and evidence at the hearing indicating that:

(a) Production from the Dakota and Mesaverde formations within this unit is commonly downhole commingled.

(b) The formal notification requirement for downhole commingling in this unit is onerous to the applicant. Ownership is almost always diverse in the wells being commingled; therefore Burlington must, in each case, provide formal notice to multiple interest owners.

(c) Burlington is planning within the near term to increase the number of completions and downhole commingles within this unit and has a need for relief from the formal notice requirement for downhole commingling.

(d) Burlington is continuously looking for the best method of allocating production to the Pools being downhole commingled. Within this unit, the subtraction method is normally considered the most accurate method to use and is commonly used due to the sequence of completion.

(e) Burlington is requesting that only the Basin Dakota Gas Pool and the Blanco-Mesaverde Gas Pool be included in this reference case. Completions in other pools are less common within this unit.

(f) The Commission in approving these two pools for "pre-approval" of downhole commingling has recognized the need to prevent waste by allowing this commingling.

(g) Burlington has provided notice to all owners within the unit of this application for a downhole commingling reference case and has received no protest.

(8) Approval of this proposed reference case will not adversely or otherwise influence the accuracy of Burlington's production splits of production from the Mesaverde and the Dakota formations within the downhole commingled wells, and will not absolve Burlington of Division requirements to keep accurate records of production between pools and therefore to protect owners' rights and prevent waste of hydrocarbons.

(9) The proposed "reference case" will remove the repetitive notice requirement and encourage expedient completion of wells within this unit and thereby prevent waste and protect correlative rights.

(10) This application should be approved.

IT IS THEREFORE ORDERED THAT:

(1) The application of Burlington Resources Oil & Gas Company, LP to establish a downhole commingling "reference case" whereby formal notification will no longer be required prior to approval of downhole commingling of production from the Basin Dakota Gas Pool and the Blanco-Mesaverde Gas Pool for existing and future wells within the San Juan 27-4 Unit, Rio Arriba County, New Mexico, is hereby approved.

(2) The operator of the San Juan 27-4 Unit may reference this Division order when applying to the Division for approval to downhole commingle production from the Dakota and Mesaverde formations and shall no longer be required to provide formal notice of that commingling to diverse owners within the wellbore.

(3) All other Division provisions relating to applications for downhole commingling are still in force and effect including notification to the State Land Office or the Bureau of Land Management.

(4) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read "Mark E. Fesmire".

MARK E. FESMIRE, P.E.
Director