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(10) Both the Basin-Dakota and Blanco-Mesaverde Gas Pools within the five subject dually completed wells are prorated gas pools subject to the General Rules for the Prorated Gas Pools of New Mexico as promulgated by Division Order No. R-8170, as amended.

(11) Rule No. 11(b)(1) of said rules provides that should a gas proration unit become overproduced in an amount exceeding twelve times its average monthly allowable for the preceding twelve months, it shall be shut in until its overproduction is less than twelve times its average monthly allowable.

(12) According to the August, 1989, San Juan Basin Gas Proration Schedule, three of the five subject dually completed wells are currently overproduced in the Basin-Dakota Gas Pool, these being the Well Nos. 9E, 14E and 16E, and that the Well No. 9E is nearing the twelve times overproduced status.

(13) The possibility exists that one or more of the five subject dually completed wells will be required to be shut in under the terms of said Rule No. 11(b)(1), in order to protect the correlative rights of other operators in the subject pools.

(14) The evidence presented does not adequately demonstrate that no loss of gas reserves would occur should any of the five subject dually completed wells be shut in due to overproduction as described above.

(15) The applicant should take all steps necessary to ensure that the five subject wells will not be required to be shut in due to overproduction.

(16) In the event that any of the five subject dually completed wells are shut in due to overproduction, its commingling authority, granted herein, should terminate and the applicant should be required to segregate the two zones in said well(s).

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(17) Inasmuch as the evidence supporting the proposed downhole commingling within those wells currently completed only in the Basin-Dakota Gas Pool is insufficient at this time, that portion of the application requesting approval to downhole commingle Basin-Dakota and Blanco-Mesaverde Gas Pool production within the Well Nos. 8, 9, 10E, 11E, 12 and 16 should be denied.

(18) Upon recompletion and testing of the wells described above, the applicant should be allowed to administratively apply for downhole commingling, provided that sufficient information, as described in Rule 303(C) of the Division Rules and Regulations, is available.

(19) The applicant should consult with the supervisor of the Aztec district office of the Division in order to determine an allocation formula for the allocation of production from the Well Nos. 8E, 9E, 13E, 14E and 16E, and also to determine a satisfactory method of determining annual deliverability for gas proration purposes.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Marathon Oil Company, is hereby authorized to downhole commingle Basin-Dakota and Blanco-Mesaverde Gas Pool production within the following described wells, all located on its Jicarilla Apache Lease, Township 26 North, Range 5 West, NMPM, Rio Arriba County, New Mexico:

<u>WELL NO.</u>	<u>WELL LOCATION</u>	
8E	1685' FSL & 1685' FWL (Unit K)	Section 27
9E	1040' FSL & 1685' FEL (Unit O)	Section 28
13E	1850' FNL & 930' FWL (Unit E)	Section 33
14E	1850' FNL & 1685' FWL (Unit F)	Section 34
16E	825' FNL & 955' FEL (Unit A)	Section 34

PROVIDED HOWEVER THAT, the applicant shall take all steps necessary to ensure that the wells described above are not required to be shut in due to overproduction of gas under the terms and conditions of Rule 11(b)(1) of the General Rules for the Prorated Gas Pools in New Mexico as promulgated by Division Order No. R-8170, as amended.

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PROVIDED FURTHER THAT, in the event that any of the subject wells are shut in due to overproduction as described above, its commingling authority, granted herein, shall terminate and the applicant shall be required to segregate the two zones in the well(s).

(2) Prior to commingling, the applicant shall consult with the supervisor of the Aztec district office of the Division and determine an allocation formula for the allocation of production to each zone within the subject wells, and also to determine a satisfactory method of determining annual deliverability for gas proration purposes.

(3) The application of Marathon Oil Company for downhole commingling of Basin-Dakota and Blanco-Mesaverde Gas Pool production within the following described wells, all located on its Jicarilla Apache Lease, Township 26 North, Range 5 West, NMPM, Rio Arriba County, New Mexico, is hereby denied.

<u>WELL NO.</u>	<u>WELL LOCATION</u>	
8	990' FSL & 990' FEL (Unit P)	Section 27
9	990' FNL & 1100' FEL (Unit A)	Section 28
10E	1040' FNL & 1685' FWL (Unit C)	Section 27
11E	955' FNL & 1685' FWL (Unit C)	Section 28
12	800' FNL & 800' FEL (Unit A)	Section 33
16	1600' FSL & 990' FEL (Unit I)	Section 34

(4) Upon recompletion and testing of the wells described above, the applicant shall be allowed to administratively apply for downhole commingling, provided that sufficient information, as described in Rule 303(C) of the Division Rules and Regulations, is available and is submitted.

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

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