BURLINGTON RESOURCES

SAN JUAN DIVISION

February 10, 1997

SENT FEDERAL EXPRESS

Mr. William LeMay
New Mexico Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: Allison Unit #12
1825'FNL, 1550'FEL Section G 14, T-32-N, R-7-W, San Juan County, NM
API #30-045-11429

Dear Mr. LeMay:

This is a request for administrative approval for downhole commingling the Blanco Mesa Verde and Basin Dakota in the subject well. This is well was drilled and completed as a Mesa Verde/Dakota dual.

To comply with the New Mexico Oil Conservation Division rules, Burlington Resources Oil & Gas is submitting the following for your approval of this commingling:

1. Form C107A - Application for Downhole Commingling;
2. C-102 plat for each zone showing its spacing unit and acreage dedication;
3. Production curve for both the Mesa Verde and Dakota for at least one year;
4. Notification list of offset operators - Burlington is the offsetting operator;
5. Shut in wellhead pressure and calculated down hole pressure;
6. Nine-section plats for the Dakota and Mesa Verde

Notification of Mesa Verde and Dakota interest owners is covered under Order #R-9918 issued July 6, 1996 attached.

The allocation formula is included and is requested at 17.6% for the Mesa Verde and 82.4% for the Dakota.

Please let me know if you require additional data.

Sincerely,

Peggy Bradfield
Regulatory/Compliance Administrator
encs.

xc: Bureau of Land Management

3535 East 30th St., 87402-8891, P.O. Box 4289, Farmington, New Mexico 87499-4289, Telephone 505-326-9700, Fax 505-326-9833

DISTRICT I
P.O. Box 1980, Hobbs, NM 88241-1980
DISTRICT II
811 South First St., Artesia, NM 88210-2835
DISTRICT III
1000 Rio Brazos Rd, Aztec, NM 87410-1693

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

2040 S. Pacheco
Santa Fe, New Mexico 87505-6429

APPLICATION FOR DOWNHOLE COMMINGLING

Form C-107-A
New 3-12-96

APPROVAL PROCESS :
_X_ Administrative ___Hearing

EXISTING WELLBORE
_X_ YES ___ NO

Burlington Resources Oil & Gas Company PO Box 4289, Farmington, NM 87499

Operator — Address

Allison Unit | **12** | **G 14-32-7** | **San Juan**

Lease | Well No. | Unit Ltr. - Sec - Twp - Rge | County

Spacing Unit Lease Types: (check 1 or more)

OGRID NO. _14538_____ Property Code ____6784_____ API NO. _30-045-11429__Federal ___x___ , State _____, (and/or) Fee __x_____

The following facts are submitted in support of downhole commingling:	Upper Zone	Intermediate Zone	Lower Zone
1. Pool Name and Pool Code	Blanco Mesaverde - 72319		Basin Dakota - 71599
2. Top and Bottom of Pay Section (Perforations)	5796-5870'		8082-8166'
3. Type of production (Oil or Gas)	gas		gas
4. Method of Production (Flowing or Artificial Lift)	flowing		flowing
5. Bottomhole Pressure Oil Zones - Artificial Lift: Estimated Current Gas & Oil - Flowing: Measured Current All Gas Zones: Estimated or Measured Original	(Current) a. 697 psia @ 5833' on 6-93	a.	a. 667 psia @ 8124'
	(Original) b. 1804 psia @ 5833'	b.	b. 3180 psia @ 8124'
6. Oil Gravity (°API) or Gas BTU Content	969		938
7. Producing or Shut-In?	producing		producing
Production Marginal? (yes or no)	yes		yes
* If Shut-In and oil/gas/water rates of last production Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data	Date: n/a Rates:	Date: Rates:	Date: n/a Rates:
* If Producing, give data and oil/gas/water water of recent test (within 60 days)	Date: 10-31-96 Rates: 81 mcfd	Date: Rates:	Date: 10-31-96 Rates: 463 mcfd
8. Fixed Percentage Allocation Formula -% for each zone (total of %'s to equal 100%)	Oil: % Gas: % 17.6	Oil: % Gas: %	Oil: % Gas: % 82.4

9. If allocation formula is based upon something other than current or past production, or is based upon some other method, submit attachments with supporting data and/or explaining method and providing rate projections or other required data.

10. Are all working, overriding, and royalty interests identical in all commingled zones? ___Yes __x__No
If not, have all working, overriding, and royalty interests been notified by certified mail? ___Yes __x__No
Have all offset operators been given written notice of the proposed downhole commingling? _X_Yes ____No

11. Will cross-flow occur? _x__ Yes __ No If yes, are fluids compatible, will the formations not be damaged, will any cross-flowed production be recovered, and will the allocation formula be reliable. __x___ Yes _____No (If No, attach explanation)

12. Are all produced fluids from all commingled zones compatible with each other? __x_ Yes ___ No

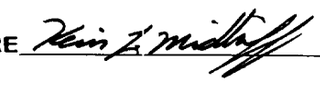
13. Will the value of production be decreased by commingling? ___ Yes _X_ No (If Yes, attach explanation)

14. If this well is on, or communitized with, state or federal lands, either the Commissioner of Public Lands or the United States Bureau of Land Management has been notified in writing of this application._X__Yes ___ No

15. NMOCD Reference Cases for Rule 303(D) Exceptions: ORDER NO(S). ____ _____

16. ATTACHMENTS:
* C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
* Production curve for each zone for at least one year. (If not available, attach explanation.)
* For zones with no production history, estimated production rates and supporting data.
* Data to support allocation method or formula.
* Notification list of all offset operators.
* Notification list of working, overriding, and royalty interests for uncommon interest cases.
* Any additional statements, data, or documents required to support commingling.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE  TITLE Sr. Operations Engineer DATE 2-10-97

TYPE OR PRINT NAME Kevin L. Midkiff TELEPHONE NO. (505) 326-9700

NEW MEXICO OIL CONSERVATION COMMISSION

Rev. 5/1/57

Location and Acreage Dedicat[illegible] Plat

Section A.

Date JUNE 6, 1957

Operator EL PASO NATURAL GAS COMPANY Lease ALLISON UNIT SF 078459-B

Well No. 12-MD Unit Letter G Section 14 Township 32 N Range 7 W NMPM

Located 1825 Feet From NORTH Line, 1550 Feet From EAST Line

County SAN JUAN G. L. Elevation 6647 Dedicated Acreage M-320- D-320 Acres

Name of Producing Formation MESA VERDE-DAKOTA Pool BASIN DAKOTA -BLANCO MV

1. Is the Operator the only owner in the dedicated acreage outlined on the plat below?

   Yes _____ No X.

2. If the answer to question one is "no", have the interests of all the owners been consolidated by communitization agreement or otherwise? Yes X No _____. If answer is "yes," Type of Consolidation **Unit Agreement**

3. If the answer to question two is "no," list all the owners and their respective interests below

Owner	Land Description

RECEIVED
JAN 1962
OIL CON. COM.
DIST. 3

Section B

This is to certify that the information in Section A above is true and complete to the best of my knowledge and belief.

El Paso Natural Gas Company
(Operator)

Original Signed By: B.H Oheim
(Representative)

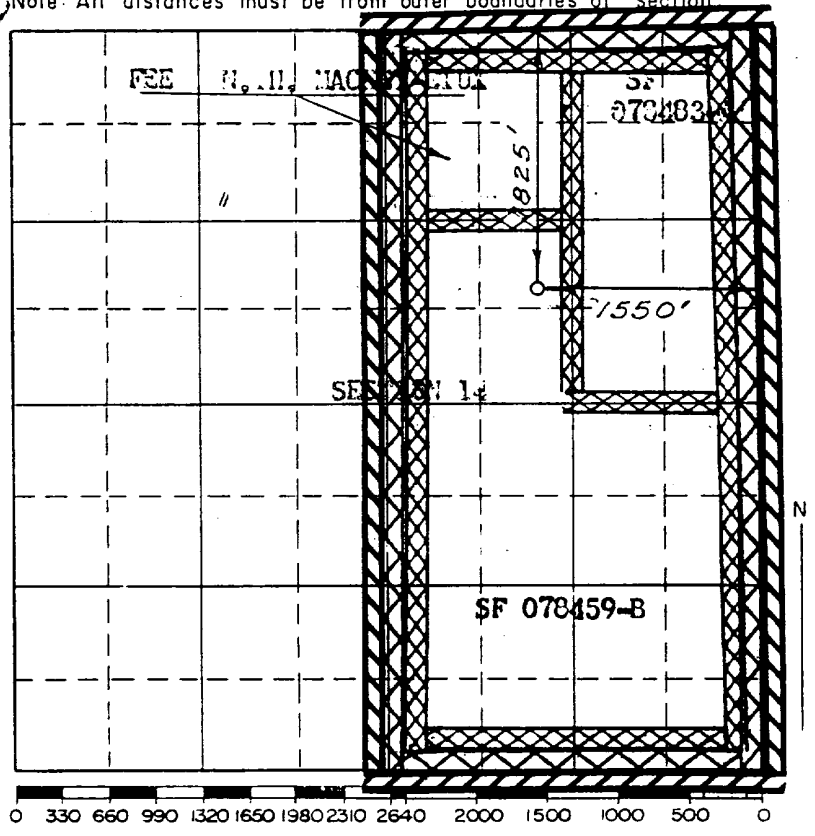
Box 990
Address

Farmington, New Mexico

NOTE: RE-ISSUED TO CORRECT DEDICATED ACREAGE.

NOTE: THIS PLAT REISSUED TO SHOW CORRECTED DAKOTA DEDICATION. 1-3-61

Note: All distances must be from outer boundaries of section



Scale 4 inches equal 1 mile

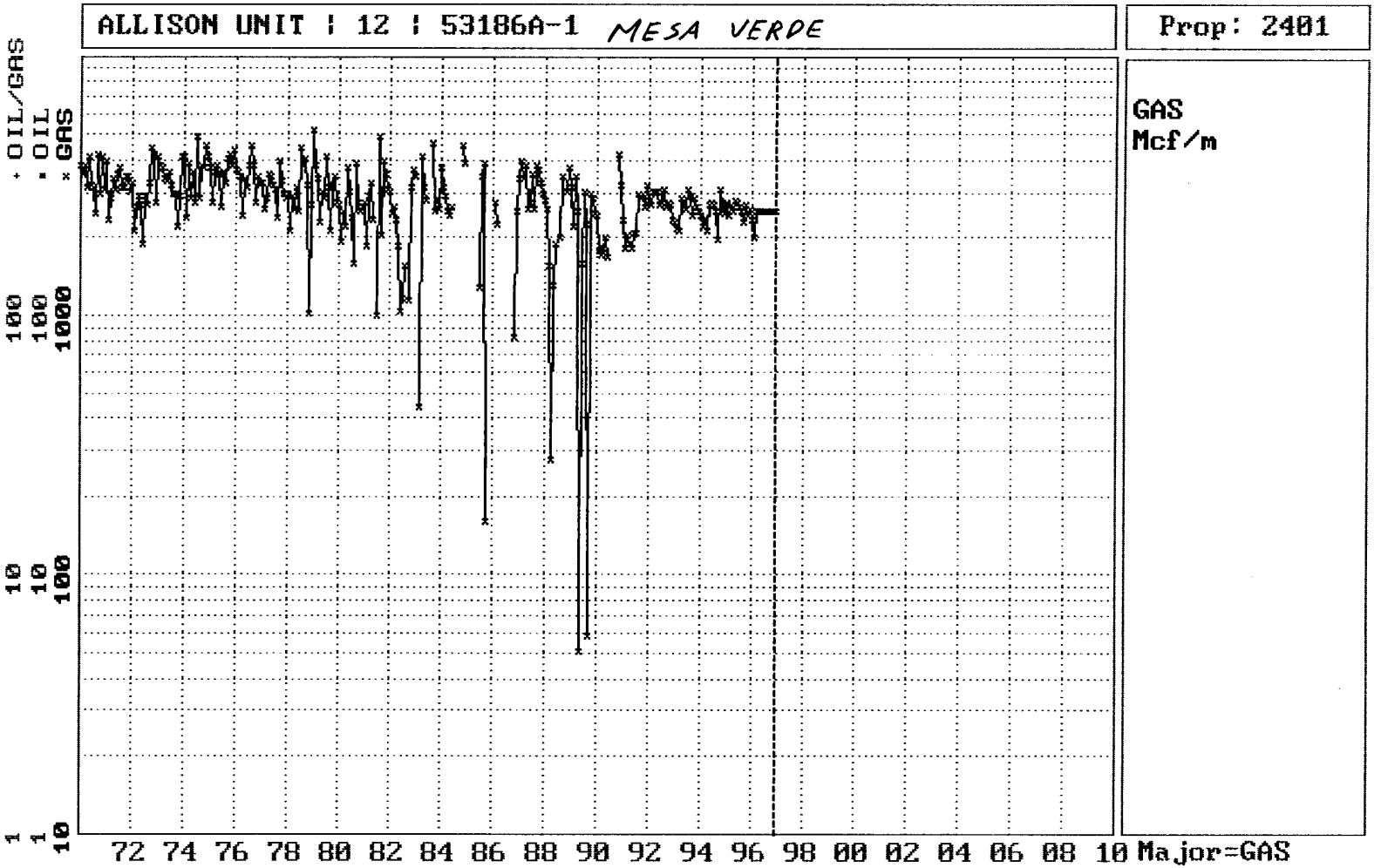
This is to certify that the above plat was prepared from field notes of actual surveys made by me or under my supervision and that the same are true and correct to the best of my knowledge and belief.

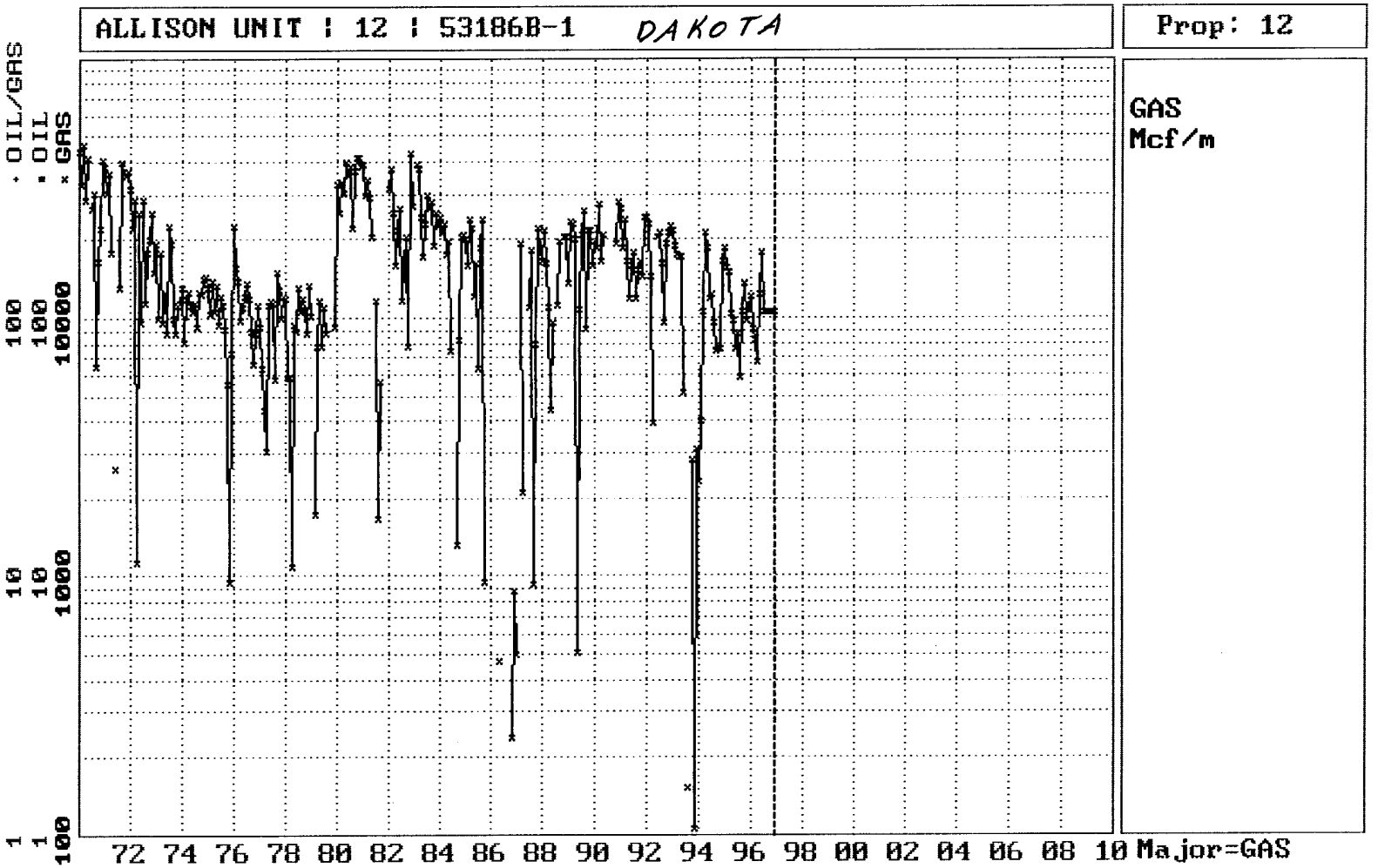
Date Surveyed MAY 6, 1957

(Seal)

Farmington, New Mexico

Registered Professional Engineer and/or Land Surveyor


ALLISON UNIT ¦ 12 ¦ 53186A-1 MESA VERDE
Prop: 2401
GAS
Mcf/m
* OIL/GAS
* OIL
* GAS
1000
100
10
100
10
1
10
1
72 74 76 78 80 82 84 86 88 90 92 94 96 98 00 02 04 06 08 10
Major=GAS

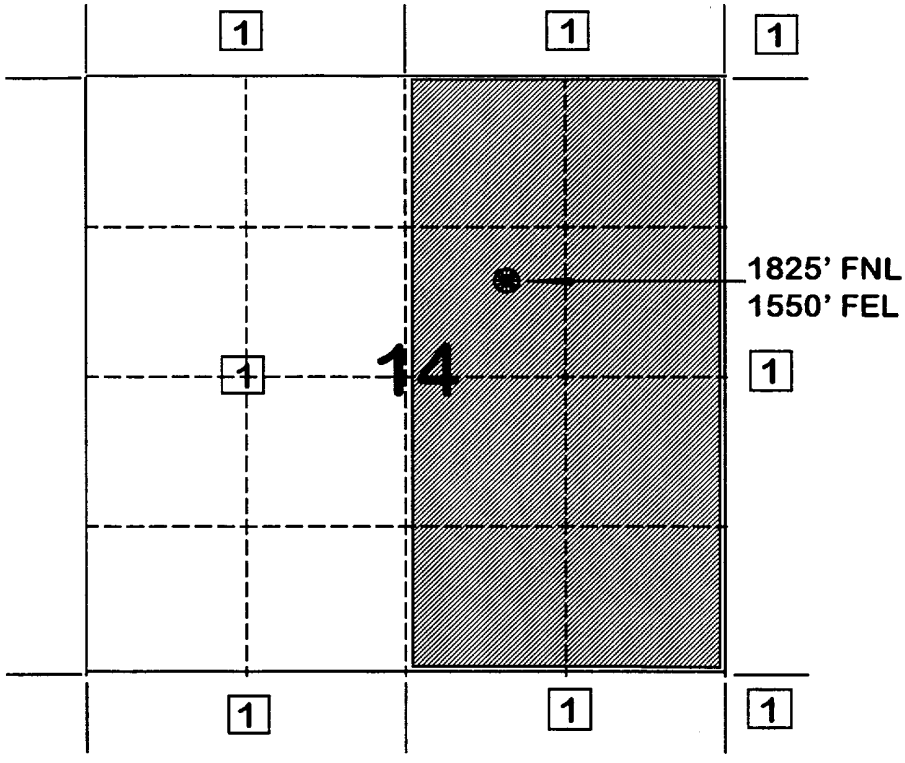

ALLISON UNIT ¦ 12 ¦ 53186B-1 DAKOTA
Prop: 12
GAS
Mcf/m
. OIL/GAS
* OIL
* GAS
100
100
10000
10
10
1000
1
1
100
72 74 76 78 80 82 84 86 88 90 92 94 96 98 00 02 04 06 08 10
Major=GAS

BURLINGTON RESOURCES OIL AND GAS COMPANY

Allison Unit #12
OFFSET OPERATOR \ OWNER PLAT

Mesaverde/Dakota Formations Commingle Well

Township 32 North, Range 7 West



1) Burlington Resources Oil and Gas Company Successor to Meridian Oil Inc.

Page No.: 1
Print Time: Wed Feb 12 11:19:01 1997
Property ID: 2401
Property Name: ALLISON UNIT | 12 | 53186A-1
Table Name: K:\ARIES\RR97PDP\TEST.DBF - Mesa Verde

--DATE--	---CUM_GAS-- Mcf	M_SIWHP Psi	
12/27/57	0	1563.0	- Initial
07/24/58	0	0.0	
08/18/58	0	1562.0	
07/29/59	124000	1034.0	
02/22/60	160000	977.0	
07/28/61	219000	881.0	
04/25/62	270000	860.0	
04/29/63	318000	885.0	
04/22/64	355000	924.0	
05/03/65	409000	864.0	
02/23/66	452000	859.0	
03/06/67	510000	827.0	
03/08/68	563000	802.0	
06/22/69	625146	797.0	
06/02/70	670680	787.0	
07/19/71	713980	769.0	
08/12/72	751667	785.0	
04/18/74	820807	736.0	
06/02/76	915173	726.0	
08/03/78	999637	705.0	
06/05/80	1066958	702.0	
05/18/82	1127254	678.0	
07/02/84	1183523	661.0	
03/18/86	1206053	746.0	
09/31/89	1291116	688.0	
09/31/89	1291116	688.0	
09/31/89	1291116	688.0	
04/15/91	1326804	622.0	
09/10/91	1338711	634.0	
07/05/93	1399433	605.0	- Current

FLOWING AND STATIC BHP
CULLENDER AND SMITH METHOD

VERSION 1.0 3/13/94

GAS GRAVITY	**0.583**
COND. OR MISC. (C/M)	**M**
%N2	**0.67**
%CO2	**2.44**
%H2S	**0**
DIAMETER (IN)	**2**
DEPTH (FT)	**5833**
SURFACE TEMPERATURE (DEG F)	**60**
BOTTOMHOLE TEMPERATURE (DEG F)	**137**
FLOWRATE (MCFPD)	**0**
SURFACE PRESSURE (PSIA)	**1575**
BOTTOMHOLE PRESSURE (PSIA)	1803.5

Allison Unit No. 12 - Initial BHP (Mesa Verde)

FLOWING AND STATIC BHP
CULLENDER AND SMITH METHOD
VERSION 1.0 3/13/94

GAS GRAVITY	**0.583**
COND. OR MISC. (C/M)	**M**
%N2	**0.67**
%CO2	**2.44**
%H2S	**0**
DIAMETER (IN)	**2**
DEPTH (FT)	**5833**
SURFACE TEMPERATURE (DEG F)	**60**
BOTTOMHOLE TEMPERATURE (DEG F)	**137**
FLOWRATE (MCFPD)	**0**
SURFACE PRESSURE (PSIA)	**616**
BOTTOMHOLE PRESSURE (PSIA)	696.9

Allison Unit No. 12 - Current (6/93) BHP (Mesa Verde)

Page No.: 1
Print Time: Wed Feb 12 11:35:32 1997
Property ID: 12
Property Name: ALLISON UNIT | 12 | 53186B-1
Table Name: K:\ARIES\RR97PDP\TEST.DBF -Dakota

--DATE--	---CUM_GAS-- Mcf	M_SIWHP Psi	
07/24/58	0	2658.0	- Initial
07/29/59	700000	2177.0	
02/22/60	1427000	1550.0	
07/21/61	2512000	1401.0	
12/26/61	2668000	1604.0	
04/25/62	2830000	1521.0	
05/06/63	3162000	1674.0	
04/22/64	3517000	1620.0	
05/03/65	3859000	1577.0	
08/18/66	4376000	1497.0	
03/06/67	4458000	1494.0	
08/15/68	5096000	1349.0	
04/16/69	5501807	1147.0	
11/09/70	5937096	1249.0	
07/19/71	6103555	1307.0	
04/04/72	6348810	1155.0	
08/10/72	6425902	1162.0	
06/18/73	6584000	803.0	
04/29/75	6859274	1171.0	
08/08/77	7139725	1025.0	
06/04/79	7342031	936.0	
05/15/81	7921562	735.0	
04/25/83	8350339	726.0	
05/02/85	8803123	724.0	
08/15/88	9064770	825.0	
04/22/90	9417862	661.0	
03/29/92	9764094	583.0	
06/16/94	10074851	581.0	

FLOWING AND STATIC BHP
CULLENDER AND SMITH METHOD
VERSION 1.0 3/13/94

GAS GRAVITY	**0.606**
COND. OR MISC. (C/M)	**M**
%N2	**1.06**
%CO2	**4.81**
%H2S	**0**
DIAMETER (IN)	**2**
DEPTH (FT)	**8124**
SURFACE TEMPERATURE (DEG F)	**60**
BOTTOMHOLE TEMPERATURE (DEG F)	**228**
FLOWRATE (MCFPD)	**0**
SURFACE PRESSURE (PSIA)	**2669**
BOTTOMHOLE PRESSURE (PSIA)	3179.8

Allison Unit No. 12 - Initial BHP (Dakota)

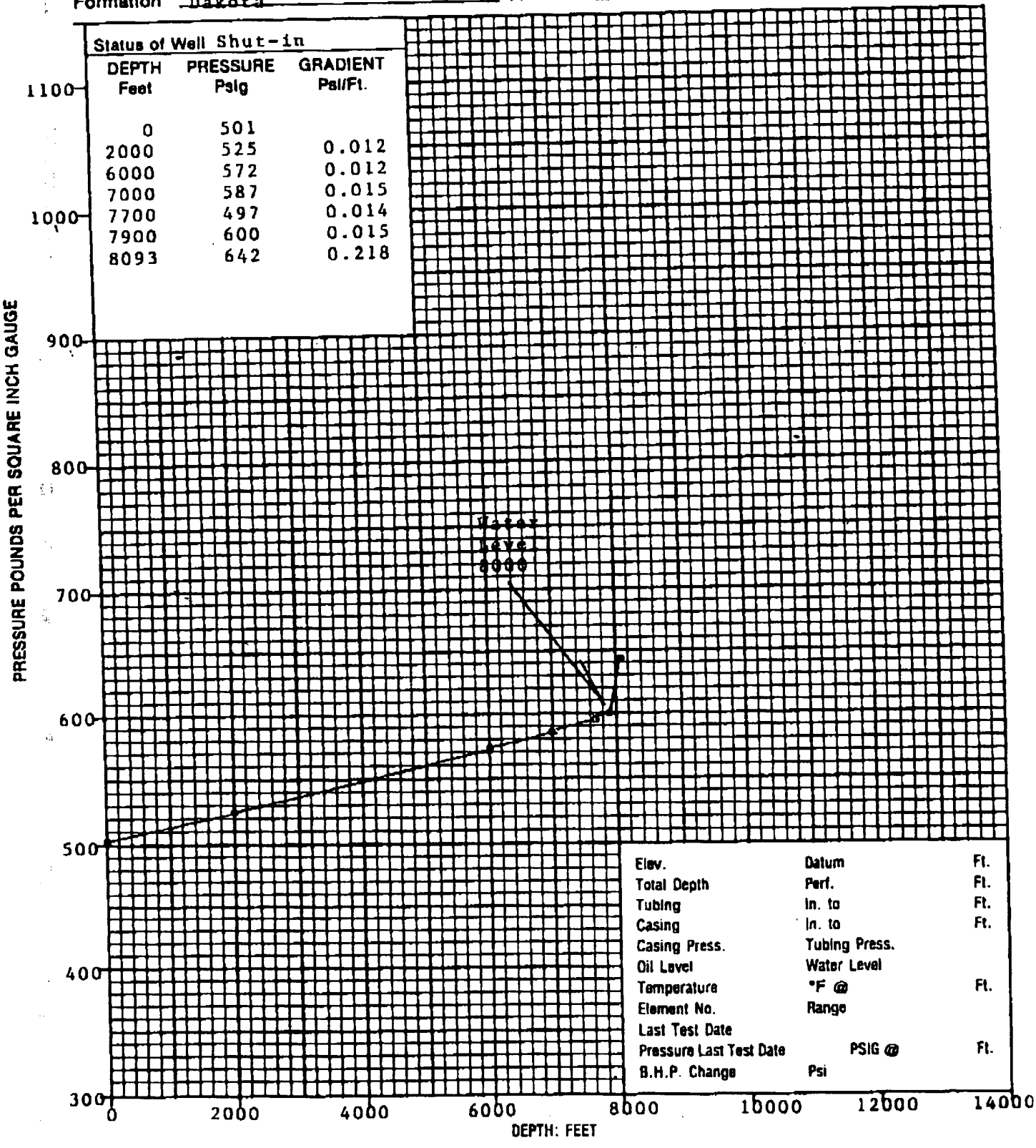
TEFTELLER, INC.
reservoir engineering data
MIDLAND, TEXAS

Page _____ of _____
File _____

Company Burlington Resources Oil&Gas Lease Allison Unit Well No. 12
Field CURRENT PRESSURE County San Juan State New Mexico
Formation Dakota Test Date November 7, 1996

Status of Well Shut-in

DEPTH Feet	PRESSURE Psig	GRADIENT Psi/Ft.
0	501	
2000	525	0.012
6000	572	0.012
7000	587	0.015
7700	497	0.014
7900	600	0.015
8093	642	0.218



Elev.	Datum	Ft.
Total Depth	Perf.	Ft.
Tubing	In. to	Ft.
Casing	In. to	Ft.
Casing Press.	Tubing Press.	
Oil Level	Water Level	
Temperature	°F @	Ft.
Element No.	Range	
Last Test Date		
Pressure Last Test Date	PSIG @	Ft.
B.H.P. Change	Psi	

ALLISON UNIT #12
Production Allocation

1996 Mesa Verde Production:	23,584 MCF	17.6%
1996 Dakota Production:	110,671 MCF	82.4%
	Total: 134,255 MCF	100.0%

FDG055M4 0681 WELL PRODUCTION 8/8'S VOLUME 11/18/96 15:50:25

DP NO: 53186a DATE: 961105 (YYMMDD FORMAT)
ALLISON UNIT 12 SCROLL FORWARD BY DATE: _

S E L	DATE PRODUCED	HOURS ON	-OIL PRODN- (BOPD	BOPM)	-GAS PRODN- (MCFD	MCFM)	-WATER PRODN- (BWPD	BWPM)
_	11/05/96	0.1	0.00	0.00	0	255	0.00	0.00
_	11/04/96	24.0	0.00	0.00	56	255	0.00	0.00
_	11/03/96	24.0	0.00	0.00	59	199	0.00	0.00
_	11/02/96	24.0	0.00	0.00	59	140	0.00	0.00
_	11/01/96	24.0	0.00	0.00	81	81	0.00	0.00
_	10/31/96	24.0	0.00	0.00	81	2610	0.00	0.00
_	10/30/96	24.0	0.00	0.00	81	2529	0.00	0.00
_	10/29/96	24.0	0.00	0.00	81	2448	0.00	0.00
_	10/28/96	24.0	0.00	0.00	81	2367	0.00	0.00
_	10/27/96	24.0	0.00	0.00	90	2286	0.00	0.00
_	10/26/96	24.0	0.00	0.00	90	2196	0.00	0.00

ENTER I UNDER SEL FOR MAINTENANCE

PF6=NRI PF10=BROWSE MENU PF11=INQ/UPDATE MENU
PF12=MAIN MENU ENTER=BACKWARDS PF24=HELP
B MY JOB LU #2

FDG055M4 0681 WELL PRODUCTION 8/8'S VOLUME 11/18/96 15:50:37

DP NO: 53186b DATE: 961105 (YYMMDD FORMAT)
ALLISON UNIT 12 SCROLL FORWARD BY DATE: _

S E L	DATE PRODUCED	HOURS ON	-OIL PRODN- (BOPD	BOPM)	-GAS PRODN- (MCFD	MCFM)	-WATER PRODN- (BWPD	BWPM)
_	11/05/96	0.1	0.00	0.00	1	925	0.00	0.00
_	11/04/96	24.0	0.00	0.00	137	924	0.00	0.00
_	11/03/96	24.0	0.00	0.00	162	787	0.00	0.00
_	11/02/96	24.0	0.00	0.00	162	625	0.00	0.00
_	11/01/96	24.0	0.00	0.00	463	463	0.00	0.00
_	10/31/96	24.0	0.00	0.00	463	6004	0.00	0.00
_	10/30/96	24.0	0.00	0.00	463	5541	0.00	0.00
_	10/29/96	24.0	0.00	0.00	463	5078	0.00	0.00
_	10/28/96	24.0	0.00	0.00	463	4615	0.00	0.00
_	10/27/96	24.0	0.00	0.00	460	4152	0.00	0.00
_	10/26/96	24.0	0.00	0.00	460	3692	0.00	0.00

ENTER I UNDER SEL FOR MAINTENANCE

PF6=NRI PF10=BROWSE MENU PF11=INQ/UPDATE MENU
PF12=MAIN MENU ENTER=BACKWARDS PF24=HELP
B MY JOB LU #2

FARMINGTON ANNUAL PRODUCTION FOR 53186A PHS020M1
ALLISON UNIT 12
BLANCO MESAVERDE (PRORATED GAS FIELD MESAVERDE ZONE

====== OIL CUM =======		====== GAS CUM =======		==== WATER CUM =====	
PC	DATE BBLS	PC	DATE MCF	DATE	BBLS
02	6912	01	6912 648871		

YEAR	OIL	OIL CUM	GAS	GAS CUM	WATER	WATER CUM
1990			19106	1318631		
1991			28989	1347620		
1992			33757	1381377		
1993			31565	1412942		
1994			30308	1443250		
1995			31402	1474652		
1996			23584	1498236		

POSITION CURSOR BY YEAR AND PRESS ENTER TO DISPLAY MONTHLY PRODUCTION
ENTER - CONTINUES ANNUAL DISPLAY PF3 - TRANSFER TO UPDATE
PF6 - RETURN TO WELL-INFO DISPLAY PF9 - ANNUAL INJECTION DISPLAY
PF10 - HELP INFORMATION
00/00/00 00:00:00:0 D03 09/02/89
B MY JOB LU #2

FARMINGTON 1996 MONTHLY PRODUCTION FOR 53186A PHS030M1
ALLISON UNIT 12
BLANCO MESAVERDE (PRORATED GAS FIELD MESAVERDE ZONE

			DAYS	====== OIL =======			========== GAS ==========					
MO	T	S	ON	PC	PROD	GRV	PC	PROD	ON	BTU	PRESS	WATER PROD C
1	2	F					01	2387	31	978	15.025	
2	2	F					01	2033	29	978	15.025	
3	2	F					01	2395	31	978	15.025	
4	2	F					01	2459	25	978	15.025	
5	2	F					01	3261	28	978	15.025	
6	2	F					01	2933	30	978	15.025	
7	2	F					01	2690	31	978	15.025	
8	2	F					01	2587	31	978	15.025	
9	2	F					01	2839	30	978	15.025	
10												
11												
12												

PF6 - RETURNS TO ANNUAL DISPLAY PF3 - TRANSFER TO UPDATE
PF10 - HELP INFORMATION PF9 - DISPLAY MONTHLY INJECTION
00/00/00 00:00:00:0 PRS 11/05/96

B MY JOB NUM LU #2

FARMINGTON ANNUAL PRODUCTION FOR 53186B PHS020M1
ALLISON UNIT 12
BASIN DAKOTA (PRORATED GAS) FIELD DAKOTA ZONE

====== OIL CUM =======		====== GAS CUM =======		==== WATER CUM =====
PC DATE	BBLS	PC DATE	MCF	DATE BBLS
02 6912		01 6912	5639600	

YEAR	OIL	OIL CUM	GAS	GAS CUM	WATER	WATER CUM
1990			152024	9486541	102	1389
1991			215397	9701938	145	1534
1992			198256	9900194	134	1668
1993			105053	10005247	72	1740
1994			131712	10136959	89	1829
1995			137635	10274594	93	1922
1996			110671	10385265	74	1996

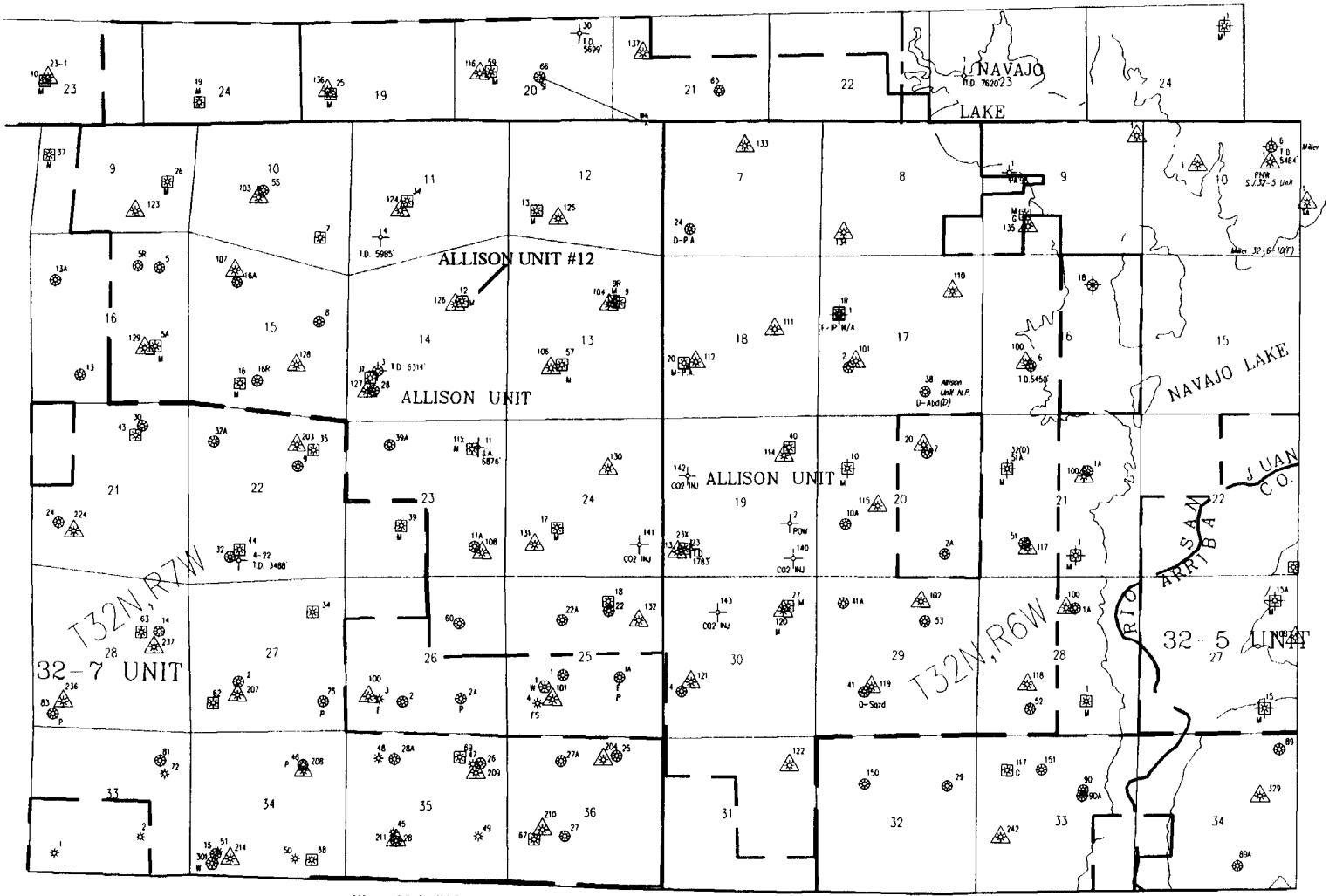
POSITION CURSOR BY YEAR AND PRESS ENTER TO DISPLAY MONTHLY PRODUCTION
ENTER - CONTINUES ANNUAL DISPLAY PF3 - TRANSFER TO UPDATE
PF6 - RETURN TO WELL-INFO DISPLAY PF9 - ANNUAL INJECTION DISPLAY
PF10 - HELP INFORMATION
00/00/00 00:00:00:0 D03 09/02/89
B MY JOB LU #2

FARMINGTON 1996 MONTHLY PRODUCTION FOR 53186B PHS030M1
ALLISON UNIT 12
BASIN DAKOTA (PRORATED GAS) FIELD DAKOTA ZONE

	DAYS	====== OIL =======			========== GAS ==========					
MO T S	ON	PC	PROD	GRV	PC	PROD	ON	BTU	PRESS	WATER PROD C
1 2 F	31				01	12142	31	949	15.025	8
2 2 F	29				01	9136	29	949	15.025	6
3 2 S	26				01	8249	26	949	15.025	6
4 2 F	26				01	6854	26	949	15.025	5
5 2 F	24				01	12511	24	949	15.025	8
6 2 F	30				01	18061	30	949	15.025	12
7 2 F	31				01	16492	31	949	15.025	11
8 2 F	31				01	13817	31	949	15.025	9
9 2 F	30				01	13409	30	949	15.025	9
10										
11										
12										

PF6 - RETURNS TO ANNUAL DISPLAY PF3 - TRANSFER TO UPDATE
PF10 - HELP INFORMATION PF9 - DISPLAY MONTHLY INJECTION
00/00/00 00:00:00:0 PRS 11/05/96

B MY JOB NUM LU #2



Allison Unit #12
Sec. 14, T32N, R7W

BURLINGTON RESOURCES
ALLISON UNIT
10/30/96

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. 10743
Order No. R-9918

APPLICATION OF MERIDIAN OIL INC.
FOR DOWNHOLE COMMINGLING AND FOR
AN ADMINISTRATIVE DOWNHOLE COMMINGLING
PROCEDURE WITHIN THE ALLISON UNIT
AREA, SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on June 17, 1993, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 6th day of July, 1993, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Meridian Oil Inc., seeks approval to commingle gas production from the Blanco-Mesaverde and Basin-Dakota Pools within the Allison Unit Well No. 9R located 1720 feet from the North line and 1655 feet from the East line (Unit G) of Section 13, Township 32 North, Range 7 West, NMPM, San Juan County, New Mexico.

(3) The applicant further seeks the adoption of an administrative procedure for authorizing the downhole commingling of Blanco-Mesaverde and Basin-Dakota Pool production within certain existing and subsequently drilled wells in its Allison Unit Area, San Juan County, New Mexico, without additional notice to each affected interest owner within the Unit Area.

(4) The Allison Unit Well No. 9R is to be drilled as a replacement well for the Allison Unit Well No. 9 which is located 1765 feet from the North line and 1500 feet from the East line (Unit G) of Section 13 and which is currently completed in and producing from the Basin-Dakota Pool.

(5) The Allison Unit Well No. 9 was drilled in 1955 and has cumulatively recovered some 4.4 BCF of gas from the Basin-Dakota Pool.

(6) Due to the age and mechanical condition of the Allison Unit Well No. 9, the applicant has estimated that it will not recover some 1.7 BCF of gas in the Basin-Dakota Pool underlying the E/2 of Section 13.

(7) Applicant's testimony indicates that due to economics, the Allison Unit Well No. 9R cannot be drilled solely to recover gas reserves in the Basin-Dakota Pool.

(8) The applicant expects to encounter marginal production only from the Blanco-Mesaverde Pool.

(9) The proposed downhole commingling is necessary in order for the applicant to economically recover Basin-Dakota and Blanco-Mesaverde Pool reserves underlying the E/2 of Section 13.

(10) The Allison Unit is a Federal exploratory unit initially comprising some 11,705 acres in New Mexico and some 2,069 acres in Colorado. Within New Mexico, the unit comprises portions of Township 32 North, Ranges 6 and 7 West, NMPM, San Juan County. The unit was formed in 1950 and is currently operated by Meridian Oil Inc.

(11) The evidence and testimony presented indicates that the Basin-Dakota and Blanco-Mesaverde Pools have both been substantially developed within the Allison Unit.

(12) The applicant has identified numerous Mesaverde and Dakota well locations within the Allison Unit which by virtue of marginal gas reserves and resulting poor economics cannot be economically drilled and produced as stand alone units.

(13) The current well economics and projected Dakota and Mesaverde gas reserves underlying these respective tracts virtually assure that these wells must be downhole commingled in order to meet the economic criteria for drilling.

(14) The applicant expects initial producing rates from both the Mesaverde and Dakota formations to be fairly marginal in nature.

(15) The applicant further demonstrated through its evidence and testimony that within the wells it proposes or will propose to commingle within the Unit Area:

a) there will be no crossflow between the two commingled pools;

b) neither commingled zone exposes the other to damage by produced liquids;

c) the fluids from each zone are compatible with the other;

d) the bottomhole pressure of the lower pressure zone should not be less than 50 percent of the bottomhole pressure of the higher pressure zone adjusted to a common datum; and,

e) the value of the commingled production is not less than the sum of the values of the individual production.

(16) The Dakota and Mesaverde Participating Areas within the Allison Unit are not common.

(17) By virtue of different Participating Areas, the interest ownership between the Dakota and Mesaverde formations within any given wellbore is not common.

(18) Applicant's Exhibit No. 2 in this case is a list of three hundred and fifty four (354) interest owners in the Dakota and Mesaverde Participating Areas within the Allison Unit. All such interest owners were notified of the application in this case.

(19) Rule No. 303(C) of the Division Rules and Regulations provides that administrative approval for downhole commingling may be granted provided that the interest ownership, including working, royalty and overriding royalty interest, is common among the commingled zones.

(20) Applicant's proposed administrative procedure would provide for Division approval to downhole commingle wells in the Allison Unit Area without hearing, and without the requirement that each interest owner in the Dakota and Mesaverde Participating Areas be notified of such commingling.

(21) The downhole commingling of wells within the Allison Unit Area will benefit working, royalty and overriding royalty interest owners. In addition, the downhole commingling of wells within the Allison Unit Area should not violate the correlative rights of any interest owner.

(22) The evidence in this case indicates that notice to each interest owner within the Dakota and Mesaverde Participating Areas of subsequent downhole commingling within the Allison Unit is unnecessary and is an excessive burden on the applicant.

(23) No interest owner and/or offset operator appeared at the hearing in opposition to the application.

(24) An administrative procedure should be established within the Allison Unit for obtaining approval for subsequently downhole commingled wells without notice to Unit interest owners and hearing, provided however that, all provisions contained within Rule No. 303(C) of the Division Rules and Regulations, with the exception of Part 1 (b)(v), are fully complied with.

(25) The proposed administrative procedure for obtaining approval for downhole commingling will allow the applicant the opportunity to recover additional gas reserves from the Allison Unit Area which may otherwise not be recovered, thereby preventing waste, and will not violate correlative rights.

(26) In the interest of prevention of waste and protection of correlative rights, the proposed downhole commingling within the Allison Unit Well No. 9R should be approved.

(27) The applicant should consult with the supervisor of the Aztec District Office of the Division subsequent to the completion of the subject well in order to determine a proper allocation of production.

(28) The operator should immediately notify the supervisor of the Aztec district office of the Division any time the subject well has been shut-in for seven consecutive days and shall concurrently present, to the Division, a plan for remedial action.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Meridian Oil Inc., is hereby authorized to commingle gas production from the Blanco-Mesaverde and Basin-Dakota Pools within the Allison Unit Well No. 9R located 1720 feet from the North line and 1655 feet from the East line (Unit G) of Section 13, Township 32 North, Range 7 West, NMPM, San Juan County, New Mexico.

(2) The applicant shall consult with the supervisor of the Aztec district office of the Division subsequent to the completion of the subject well in order to determine a proper allocation of production.

(3) The operator shall immediately notify the supervisor of the Aztec district office of the Division any time the subject well has been shut-in for seven consecutive days and shall concurrently present, to the Division, a plan for remedial action.

(4) An administrative procedure for obtaining approval to downhole commingle wells within the Allison Unit, located in portions of Township 32 North, Ranges 6 and 7 West, NMPM, San Juan County, New Mexico, is hereby established.

(5) In order to obtain Division authorization to downhole commingle wells within the Allison Unit, the applicant shall file an application with the Santa Fe and Aztec Offices of the Division. Such application shall contain all of the information required under Rule No. 303(C) of the Division Rules and Regulations, provided however that the applicant shall not be required to provide notice to all interest owners within the Dakota and Mesaverde Participating Areas in the Allison Unit of such proposed commingling. In addition, the application shall contain evidence that all offset operators and the United States Bureau of Land Management (BLM) have been notified of the proposed commingling.

(6) Jurisdiction is hereby 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.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

WILLIAM J. LEMAY
Director

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