

MERIDIAN OIL

January 19, 1994

New Mexico Oil Conservation Division
Attn: Mr. Bill LeMay
P.O. Box 2088
310 Old Santa Fe Trail
Santa Fe, New Mexico, 87501

RE: Jicarilla 94 and 95 Lease

- | | |
|--------------------|------------------------------|
| • Jicarilla 94 #1A | SE/4, Section 22, T27N, R03W |
| • Jicarilla 94 #5A | NW/4, Section 23, T27N, R03W |
| • Jicarilla 94 #6A | SE/4, Section 27, T27N, R03W |
| • Jicarilla 95 #3A | NW/4, Section 35, T27N, R03W |
| • Jicarilla 95 #4A | NW/4, Section 26, T27N, R03W |
| • Jicarilla 95 #5A | NW/4, Section 25, T27N, R03W |

Rio Arriba County, New Mexico
Downhole Commingling Request

Dear Mr. LeMay:

Meridian Oil Inc. is applying for an administrative downhole commingling order for the referenced wells in the Gavilan Pictured Cliffs and the Blanco Mesaverde fields. The ownership of the zones to be commingled is common. All offset interest owners shown on the attached plat and the Bureau of Land Management will receive notice of this commingling application.

The Mesaverde and Pictured Cliffs wells in this area are marginal economic producers based on current rates of 10-90 MCFD for each zone. A reserve study in the area predicts an ultimate recovery of 775 MMCF for the Mesaverde and 700 MMCF for the Pictured Cliffs wells. These reserves and the low current producing rates are uneconomic as separate zone projects. The projects are economic when commingled due to savings realized on surface facilities and tubulars. The only economical way to recover the Mesaverde and Pictured Cliffs reserves identified on the lease is to downhole commingle production from both zones in the wells proposed.

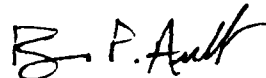
It is proposed to complete the Mesaverde formation and test its production. It is then proposed to set a bridge plug above the Mesaverde, perforate and stimulate the Pictured Cliffs, and test its production. The bridge plug will then be removed, and both zones produced through a single string of tubing. The reservoir characteristics of each of the subject zones are such that underground waste will not be caused by the proposed commingling. The fluids in the two reservoirs are compatible and no precipitates will be formed to cause damage to either reservoir (see attached fluid analyses and compatibility tests). The shut-in pressure for the Mesaverde and Pictured Cliffs are 550 and 490 psi, respectively.

The allocation of the commingled production will be calculated using flow tests from the Mesaverde and Pictured Cliffs during completion operations, and the surrounding production history from both producing intervals. Meridian will consult with the district supervisor of the Aztec NMOCD office for approval of the allocation.

Mr. Bill LeMay
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January 19, 1994

Approval of this commingling application will allow for the prevention of wasted resources and the protection of correlative rights. The Mesaverde and Pictured Cliffs are commingled in four other wells in this township as per NMOCD Order #'s R-5350 (01/17/77), R-6004 (05/02/79), DHC-924 and DHC-925 (09/27/93). Two of these wells (DHC-924, 925) are completed, waiting on hook-up while two (R-5350, -6004) are producing with no adverse affects from the commingling. Included with this letter are plats showing ownership of offsetting leases for both formations, copies of letters to offset operators and the Bureau of Land Management, and a detailed report of fluid compatibility.

Sincerely,

A handwritten signature in black ink, appearing to read "B. P. Ault".

Brian P. Ault
Production Engineer

BPA/rjp

Attachments

xc: Frank T. Chavez - NMOCD/Aztec

DATE: January 17, 1994
 NAME: JICARILLA 94, 95 LSE.
 FORM: MESAVERDE
 LOCATION
 UNIT:
 SEC:
 TWN: 27N
 RNS: 03W

16	15	14	13
JIC. 89 #3 7/57 0/607 INA	NA JIC. 89 #3A 73/341 3/1	9/56 JIC. 89 #2 3/721 0/1	
21	22	23	24
JIC. 94 #3 7/57 1/624 0/1	12/94 9/58 JIC. 94 #3A 98/617 72/524 1/2 1/7	JIC. 84 #4 23	10/58 JIC. 94 #7 28/871 1/2
28	27	26	25
JIC. 94 #2A 51/293 3/1	11/77 10/58 JIC. 94 #6 47/1872 4/9	9/58 JIC. 95 #8 61/1046 0/1	JIC. 95 #2 17/390 0/1
JIC. 94 #2 11/791 0/1	10/56 JIC. 5 #4 119/2533 0/1	11/78 JIC. 95 #8A 94/733 1/3	6/58 JIC. 95 #5 79/1833 1/11
33	34	35	36
JIC. 93 #12 74/424 0/1	JIC. 96 #3A 3/62 JIC. 93 #2 218/3972 2/10	8/56 JIC. 95 #1 217/47 1/27	NA JIC. 95 #7A 146/1087 1/4
	7/57 JIC. 95 #3 84/4596 4/11	8/76 JIC. 95 #1A 17/138 5/5	8/58 JIC. 95 #6 26/640 2 4/22

LEGEND
 COMPLETION DATE
 WELL NAME
 MCF/D - CUM(MMCF)
 BOF/D - CUM(MBO)

R-03-W

**PICTURED CLIFFS/MESAVERDE COMMINGLE
TOWNSHIP 27 NORTH, RANGE 3 WEST
OFFSET OPERATORS**

1. Meridian Oil Inc.
P.O. Box 4289
Farmington, NM 87499-4289
2. Merrion Oil & Gas Corp.
610 Reilly Avenue
Farmington, NM 87401
3. Dugan Production Co.
P.O. Box 420
Farmington, NM 87490420
4. Williams Field Service Inc.
295 Chipeta Way
Salt Lake City, UT 84108
5. Max D. Webb
2705 1/2 E. Main
Farmington, NM 87401

MERIDIAN OIL

January 19, 1994

Max D. Webb
2705-1/2 East Main Street
Farmington, NM 87401

RE: Jicarilla 94 and 95 Lease

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Rio Arriba County, New Mexico
Downhole Commingling Request

Gentlemen:

Meridian Oil, Inc. is in the process of applying for an downhole commingling order for the referenced wells in Rio Arriba County, New Mexico, in the Gavilan Pictured Cliffs and the Blanco Mesaverde fields.

The purpose of this letter is to notify you of such action. If you have no objections to the proposed commingling order, we would appreciate your signing this letter and returning it to this office.

Your prompt attention to this matter would be appreciated.

Sincerely,



Brian P. Ault
Production Engineering

BPA/rjp

The above downhole commingling request is hereby approved:

Date: _____

MERIDIAN OIL

January 19, 1994

Williams Field Service Inc.
295 Chipeta Way
Salt Lake City, UT 84108

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January 19, 1994

Merrion Oil & Gas Corp.
610 Reilly Avenue
Farmington, NM 87401

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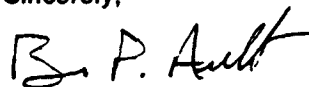
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Brian P. Ault
Production Engineering

BPA/rjp

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Date: _____

MERIDIAN OIL

January 19, 1994

Dugan Production Corp.
P.O. Box 420
Farmington, NM 87499-0420

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Rio Arriba County, New Mexico
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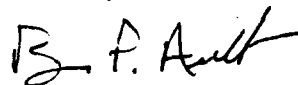
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Production Engineering

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Bureau of Land Management
1235 La Plata Highway
Farmington, NM 87401

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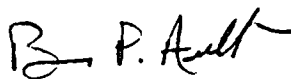
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Brian P. Ault
Production Engineering

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The above downhole commingling request is hereby approved:

Date: _____

Microsoft Mail v3.0 IPM.Microsoft Mail.Note

From: Ernie Busch

To: Ben Stone
David Catanach

Subject: MERIDIAN OIL INC (DHC) REVISED

Date: 1994-02-22 11:13

Priority: R

Message ID: AB8C2712

Conversation ID: AB8C2712

JICARILLA 95 #4A

D-26-27N-03W

RECOMMEND: APPROVAL

DAVID'

PLEASE DISCARD THE PREVIOUS MESSAGE FOR THE SAME ULSTR.

=====

DHC-985