

**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. 11302
Order No. R-10426**

**APPLICATION OF MERIDIAN OIL INC.
FOR DOWNHOLE COMMINGLING,
UNORTHODOX GAS WELL LOCATIONS
AND TWO NON-STANDARD GAS
PRORATION UNITS, RIO ARRIBA
COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on June 15, 1995, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 24th day of July, 1995, 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 downhole commingle Wildcat Gallup Pool and Blanco-Mesaverde Gas Pool production within its existing Carson Well No. 2 located at an unorthodox gas well location for both producing intervals 1470 feet from the South line and 810 feet from the West line (Unit K) of Irregular Section 7, Township 30 North, Range 4 West, NMPM, Rio Arriba County, New Mexico.

(3) The applicant further seeks to establish two non-standard gas proration units described as follows:

a 109.29-acre non-standard gas spacing and proration unit comprising Lots 3 and 4 and the E/2 SW/4 (SW/4 equivalent) of Section 7, said unit to be dedicated to the subject well in the Gallup formation; and,

a 218.30-acre non-standard gas spacing and proration unit comprising Lots 1, 2, 3, and 4 and the E/2 W/2 (W/2 equivalent) of Section 7, said unit to be dedicated to the subject well in the Mesaverde formation.

(4) This case was styled such that in the absence of objection, the case would be taken under advisement.

(5) Division records indicate that the subject well was drilled by El Paso Natural Gas Company in July, 1979, and was completed in the Basin-Dakota Gas Pool at an initial producing rate of approximately 869 MCF gas per day.

(6) The well cumulatively produced approximately 0.28 BCF of gas from the Basin-Dakota Gas Pool until 1984 at which time production ceased.

(7) The applicant now proposes to plug back the subject well from the Basin-Dakota Gas Pool and recompleat in the Blanco-Mesaverde Gas Pool and Gallup formation.

(8) The applicant expects marginal production only from the Gallup formation.

(9) The expected producing rates from the Mesaverde and Gallup formations are insufficient to economically justify completing the subject well as a dual completion.

(10) The proposed downhole commingling is necessary in order to economically recover remaining gas reserves from the Mesaverde and Gallup formations underlying the proposed proration units.

(11) The ownership within the Mesaverde and Gallup formations underlying each respective proration unit is common.

(12) The proposed non-standard gas spacing and proration units are necessitated by a variation in the legal subdivision of the United States Public Lands Survey.

(13) The applicant has notified all offset operators of its proposed downhole commingling, unorthodox gas well locations and non-standard gas proration units, and no offset operator and/or interest owner appeared at the hearing in opposition to the application.

(14) The applicant further demonstrated through its evidence that:

- 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.

(15) In the interest of prevention of waste and protection of correlative rights, the proposed downhole commingling, unorthodox gas well locations and non-standard gas proration units should be approved.

(16) In accordance with the proposal set forth, the applicant should conduct a flow test on the Gallup and Mesaverde formations upon completion in order to gather data to be utilized in the allocation formula.

(17) The allocation of production from the subject well should be in accordance with the formula presented by the applicant (Exhibit No. 9).

(18) To afford the Division an opportunity to assess the potential of waste and to expeditiously order the appropriate remedial action, the operator should notify the Aztec district office of the Division any time the subject well is shut-in for seven consecutive days.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Meridian Oil Inc., is hereby authorized to downhole commingle Wildcat Gallup Pool and Blanco-Mesaverde Gas Pool production within its existing Carson Well No. 2 located at an unorthodox gas well location for both producing intervals, also hereby approved, 1470 feet from the South line and 810 feet from the West line (Unit K) of Irregular Section 7, Township 30 North, Range 4 West, NMPM, Rio Arriba County, New Mexico.

(2) The following described non-standard gas proration units are hereby established and dedicated to the Carson Well No. 2:

a 109.29-acre non-standard gas spacing and proration unit comprising Lots 3 and 4 and the E/2 SW/4 (SW/4 equivalent) of Section 7, said unit to be dedicated to the subject well in the Gallup formation; and,

a 218.30-acre non-standard gas spacing and proration unit comprising Lots 1, 2, 3, and 4 and the E/2 W/2 (W/2 equivalent) of Section 7, said unit to be dedicated to the subject well in the Mesaverde formation.

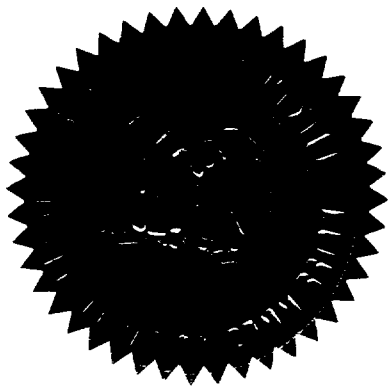
(3) In accordance with the proposal set forth, the applicant shall conduct a flow test on the Gallup and Mesaverde formations upon completion in order to gather data to be utilized in the allocation formula.

(4) The allocation of production from the subject well shall be in accordance with the formula presented by the applicant (Exhibit No. 9).

(5) To afford the Division an opportunity to assess the potential of waste and to expeditiously order the appropriate remedial action, the operator should notify the Aztec district office of the Division any time the subject well is shut-in for seven consecutive days.

(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

A handwritten signature in black ink, appearing to read "William J. Lemay", is written over the typed name and title. The signature is fluid and cursive, with a long, sweeping tail that extends downwards and to the right.

WILLIAM J. LEMAY
Director