

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

December 9, 1933

POST OFFICE BOX 2038
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-5800

Mr. Thomas Kellahin
Kellahin, Kellahin & Aubrey
Attorneys at Law
Post Office Box 2265
Santa Fe, New Mexico

Re: CASE NO. 9422
ORDER NO. R-2802

Applicant:

Meridian Oil, Inc.

Dear Sir:

Enclosed herewith are two copies of the above-referenced
Division order recently entered in the subject case.

Sincerely,

Florene Davidson

FLORENE DAVIDSON
OC Staff Specialist

Copy of order also sent to:

Hobbs OCD x
Artesia OCD x
Aztec OCD x

Other _____

UNITED STATES DEPARTMENT OF THE INTERIOR

BUREAU OF LAND MANAGEMENT
FARMINGTON RESOURCE AREA
1235 LA PLATA HIGHWAY
FARMINGTON, NEW MEXICO 87401

Can. No.
9422

DEC. 16 1988

Memorandum

To: State Director, NM-920

From: *fn* Area Manager, NM-019

Subject: State NMOCD Approvals of Surface Commingling Through Hearings

Attached are two NMOCD State Orders (R-8802 and R-8803) granting surface commingling approval to Meridian Oil Company in the Canyon Largo Unit and the Lindrith Unit, respectively. It is our understanding that BLM grants approvals on surface commingling and measurement and NMOCD approves downhole commingling.

The question arises, whose responsibility is surface commingling and which BLM office is to attend the state hearings? Farmington Resource Area has been advised in the past that the State Office would attend those hearings and intervene where appropriate.

Did NM-920 attend these hearings? If so, has the policies changed so that all commingling is approved/denied by NMOCD? Please advise.

James E. Edwards Jr.

RECEIVED
STATE OFFICE
FARMINGTON, NEW MEXICO
DEC 19 AM 9 07

RECEIVED

DEC 19 1988

KELLAHIN, KELLAHIN and AUBREY

Attorneys at Law

W. Thomas Kellahin
Karen Aubrey

El Patio - 117 North Guadalupe
Post Office Box 2265

Telephone 982-4285
Area Code 505

Jason Kellahin
Of Counsel

Santa Fe, New Mexico 87504-2265

October 17, 1988

OIL CONSERVATION DIVISION

OCT 17 1988

RECEIVED

Mr. Michael E. Stogner
Oil Conservation Division
310 Old Santa Fe Trail
Room 206 Land Office
Santa Fe, NM 87503

Re: Meridian Oil, Inc.
Central Point Metering
NMOCD Case 9422 and Case 9423

Dear Mr. Stogner:

On behalf of Meridian Oil, Inc. please find enclosed a proposed order for entry in Case 9422. You will remember that Case 9422 dealt with the non-prorated Ballard Pictured Cliffs gas pool and Case 9423 dealt with the prorated Blanco Pictured Cliffs gas pool. However, the enclosed order can be used for either pool.

Very truly yours,


W. Thomas Kellahin

WTK/dm
Encl.

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: 9422

R-_____

APPLICATION OF MERIDIAN OIL INC.
FOR CENTRAL-POINT GAS MEASUREMENT,
RIO ARriba COUNTY, NEW MEXICO.

MERIDIAN OIL INC.'S PROPOSED
ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on August 3, 1988, at Santa Fe, New Mexico, before Michael E. Stogner.

NOW, on this _____ day of _____, 1988, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That 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 Company, seeks approval to install a central meter run at the end of El Paso Natural Gas Company's pipeline lateral 2C-90 thereby allowing sixteen Ballard-Pictured Cliffs producing wells in the Canyon Largo Unit to be commingled on the surface and their combined volumes to be metered at one central point located in the NE/4, SE/4 of Section 4, T25N, R7W, Rio Arriba County, New Mexico.

(3) Applicant provided the evidence at the hearing which established that:

(a) Of the 18 wells currently connected to lateral 2c-90 and individually metered, with the exception of Well 256 which is a Dakota gas well and Well 172 which is not in the participating area, the remaining 16 wells set forth on

Exhibit A to this order are all in the same participating area of the Canyon Largo Unit and each said well is a Ballard-Pictured Cliff gas well.

(b) The Well 172 (Dakota) and Well 172 (NP) (SW/4, Section 27) will continue to have their production metered and measured separately at the wellhead for each well.

(c) The meters currently installed on each well will remain in place.

(4) For the 16 wells on lateral 2c-90 for which the Applicant proposes central point metering, the applicant has provided evidence which established that:

(a) The pipeline purchaser for the production is in support of the application.

(b) Because of unit production, the working interest and royalty ownership share proceeds on a Unit participation area basis rather than on an individual well basis and therefore will not be adversely affected by the granting of this application.

(c) The allocation formula by which Production will be allocated back to each of the 16 individual wells shall be based upon procedures as discussed with Frank Chavez, Area Supervisor, Oil Conservation Division Aztec District Office.

(d) The cost of compression and fuel gas used therein shall be allocated back to the 18 wells on lateral 2C-90 so that each well bears its appropriate share.

(e) The use of central point metering with the installation of compression will afford the operator and the unit owners a better opportunity to prolong the economic producing life of the subject wells, thereby recovering additional volumes of gas that might not otherwise be recovered.

(f) Use of central point metering will allow the operator to more efficiently measure and produce these wells and the installation of lateral compression should increase the gas production from the subject wells.

IT IS THEREFORE ORDERED:

(1) The applicant, Meridian Oil, Inc., is hereby authorized to a central point metering at the point in the NE/4, SE/4 of Section 4, T25N, R7W, Rio Arriba County, New Mexico at which lateral 2c-90 meets pipeline 2c-89 to measure and meter surface commingled production from the following wells located on lateral 2c-90:

| <u>Well Name</u> | <u>Lease Number</u> |
|------------------------|---------------------|
| Canyon Largo Unit #9 | 078922 |
| Canyon Largo Unit #221 | 078922 |
| Canyon Largo Unit #81 | 078987 |
| Canyon Largo Unit #197 | 078987 |
| Canyon Largo Unit #173 | 078987 |
| Canyon Largo Unit #277 | 078978 |
| Canyon Largo Unit #248 | E-809-12 |
| Canyon Largo Unit #196 | 078876 |
| Canyon Largo Unit #198 | 078986 |
| Canyon Largo Unit #114 | 078876 |
| Canyon Largo Unit #276 | 078878 |
| Canyon Largo Unit #181 | 078878 |
| Canyon Largo Unit #200 | 078987 |
| Canyon Largo Unit #246 | 078878 |
| Canyon Largo Unit #157 | 078878 |
| Canyon Largo Unit #199 | 078987 |

(2) Production from the sixteen commingled Ballard-Pictured Cliffs Wells shall be allocated back to the individual wells based upon procedures as may be required by the Area Supervisor, Oil Conservation Division Aztec District Office.

(3) Well 256 and Well 172 shall continue to be measured at the wellhead and the production therefrom reported separately for each well.

(4) Applicant shall file with the Division, OCD Form C-111 and comply with Rule 111 in addition to any other report or form required to be filed by applicant as operator of the unit and the wells involved herein.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION
WILLIAM J. LEMAY, Director

MERIDIAN OIL

April 22, 1988

Case 9422

Kellahin & Kellahin
Attorneys at Law
Attn: Mr. Thomas W. Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87504-2265

Dear Sir,

Attached is the information you requested per our phone conservation on April 21, 1988 concerning NMOCD approval to install central-point gas measurement.

The laterals on which the metering is requested are EPNG Lateral 2C-90 (Canyon Largo Unit wells) and EPNG Lateral's 2C-18 and 2C-151 (Lindrith Unit wells).

Hopefully we can obtain administrative approval to do these projects. If we have to go to a Hearing could you please inform me as to what must be prepared before proceeding.

If I can be of any assistance please contact me at (505) 326-9802. Thank you very much.

Sincerely,

Sincerely,
Jesse D. Evans

Jesse D. Evans
Production Superintendent

JDE/dl
Doc 2575P

Consent from
WT and RI owners

Canyon Largo Units
Ballard Pictured Cliffs
T-24-N & R-25-N, R-7-W
Pio Arriba County, New Mexico

Meridian GWI - 83.68%

WELL STATUS -

The following Ballard Pictured Cliffs wells are producing on the traditional market into EPNG's pipeline Lateral 2C-90.

| <u>LEASE NO.</u> | <u>LEASE NO.</u> |
|---------------------------------|--|
| Canyon Largo Unit #9 - 078412 | Canyon Largo Unit #221 - 078412 |
| Canyon Largo Unit #221 - 078412 | Canyon Largo Unit #196 - 078476 |
| Canyon Largo Unit #81 - 078487 | Canyon Largo Unit #198 - 078486 |
| Canyon Largo Unit #197 - 078487 | Canyon Largo Unit #114 - 078476 |
| Canyon Largo Unit #173 - 078487 | Canyon Largo Unit #276 - 078478 |
| Canyon Largo Unit #277 - 078477 | Canyon Largo Unit #181 - 078478 |
| Canyon Largo Unit #248 - 078412 | |

The following five Ballard Pictured Cliffs and one Dakota have been blind plated and are connected to the same Lateral.

| <u>LEASE NO.</u> | <u>LEASE NO.</u> |
|---------------------------------|---------------------------------|
| Canyon Largo Unit #172 - 078478 | Canyon Largo Unit #157 - 078478 |
| Canyon Largo Unit #200 - 078477 | Canyon Largo Unit #199 - 078477 |
| Canyon Largo Unit #246 - 078478 | Canyon Largo Unit #256 - 078478 |

(DK)

RECOMMENDATION -

It is recommended that a compressor be installed on Lateral 2C-90 where it connects to Lateral 2C-89.

JUSTIFICATION -

The economics for this project are as follows:

| <u>Well Name & No.</u> | <u>Current MCF</u> | <u>Projected MCF</u> | <u>Line PSI</u> | <u>SIP</u> |
|----------------------------|------------------------|--------------------------|---------------------|------------|
| Canyon Largo Unit #9 | 12 | 25 | 115 | 221 |
| Canyon Largo Unit #221 | 17 | 35 | 123 | 316 |
| Canyon Largo Unit #196 | 7 | 20 | 118 | 210 |
| Canyon Largo Unit #81 | 12 | 25 | 114 | 235 |
| Canyon Largo Unit #198 | 25 | 50 | 114 | 200 |
| Canyon Largo Unit #197 | 8 | 20 | 112 | 119 |
| Canyon Largo Unit #114 | 24 | 50 | 116 | 226 |
| Canyon Largo Unit #173 | 52 | 105 | 121 | 210 |
| Canyon Largo Unit #276 | 27 | 50 | 143 | 245 |
| Canyon Largo Unit #277 | 32 | 65 | 138 | 315 |
| Canyon Largo Unit #181 | 7 | 20 | 114 | 220 |
| Canyon Largo Unit #248 | 14 | 30 | 120 | 308 |
| Totals - | 237 | 795 | | |

Subject: Canyon Largo Unit Wells
LN/d1
Doc 2321P/Pg 1-2

The following Ballard Pictured Cliffs are blind plated. They will be returned to production.

| <u>Well Name & No.</u> | <u>Current MCF</u> | <u>Projected MCF</u> | <u>Line PSI</u> | <u>SIP</u> |
|----------------------------|------------------------|--------------------------|---------------------|------------|
| (Canyon Largo Unit #172) | 0 | 20 | 115 | 114 |
| Canyon Largo Unit #157 | 0 | 15 | 114 | 80 |
| Canyon Largo Unit #200 | 0 | 20 | 114 | 115 |
| Canyon Largo Unit #199 | 0 | 20 | 114 | 114 |
| Canyon Largo Unit #246 | 0 | 20 | 114 | 85 |
| Totals - | 0 | 95 | | |

Expense - \$4,000 - GWI \$3,347

Rate - 353 MCF/D

Gas Price - $\frac{0.60}{1.25}$ MCF

Operating Expenses - \$39.00 Per Day

Payout - $\frac{1.25}{10}$ Days of production

DISCUSSION -

*non
participing* (NP) #172. A compressor and meter set at this location would allow the switching of these wells at one point. The meters could be removed on all wells except Canyon Largo Unit #256 (DK) and Canyon Largo Unit (NP) #172. These wells would have to be measured on location.

If this Lateral was shut-in the line pressure should not exceed 320#.

LOCATION DIAGRAM -

(Attached)

PROCEDURE -

Install compressor on Lateral 2C-90 where it connects to Lateral 2C-89

WANT ERNG INSTALL METER DOWNSTREAM OF COMPRESSOR

