

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. 10855

APPLICATION OF MERIDIAN OIL INC.  
TO AMEND DIVISION ORDER R-9921  
AND TO REOPEN CASE 10735  
SAN JUAN COUNTY, NEW MEXICO

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A P P L I C A T I O N

Comes now MERIDIAN OIL INC., ("Meridian") and applies to the New Mexico Oil Conservation Division to amend Division Order R-9921, dated July 9, 1993, entered in Case 10735 and to Reopen said case in order to present additional evidence.

In support of this application Meridian states:

(1) Meridian is the applicant in the following eight cases pending before the Division all of which involve a common issue concerning the downhole commingling of Pictured Cliffs formation production with the Basin-Fruitland Coal Gas Pool:

1. Case 10721: Rowley Com Well No. 500  
Unit K, (SW/4 and W/2) Sec 7, T27N, R10W,  
San Juan County,

2. Case 10722: McAdams Well No. 500  
Unit A, (NE/4 & E/4) Sec 28, T27N, R10W,  
San Juan County,
3. Case 10723: Whitley "A" Well No. 100,  
Unit L, (SW/4 & W/2) Sec 17, T27N, R11W,  
San Juan County,
4. Case 10724: Rhodes "C" Well No. 101,  
Unit N, (SW/4 & W/2) Sec 30, T28N, R11W,  
San Juan County,
5. Case 10725: Rhodes "C" Well No. 102,  
Unit B, (NE/4 & N/2) Sec 31, T28N, R11W,  
San Juan County,
6. Case 10754: San Juan 28-4 Unit #225 Well,  
Unit N, (SW/4 & S/2) Sec 7, T28N, R4W,  
Rio Arriba County,
7. Case 10745: Valdez #5 Well,  
Unit F, (NW/4 & N/2) Sec 16, T28N, R4W,  
Rio Arriba County.
8. Case 10735:
  - (a) Huerfano Unit Well 46,  
Unit K, Sec 23, T26N, R9W,  
San Juan County.
  - (b) Huerfano Unit Well 59,  
Unit B, Sec.26, T26N, R9W,  
San Juan County.
  - (c) Huerfano Unit Well 549,  
Unit A, Sec 33, T27N, R10W,  
San Juan County.

(2) On July 9, 1993, the Division entered Order R-9920 which is applicable to the first five cases number above and also entered Order R-9921 which is applicable to the last case.

(3) At the request of Meridian, the Division has not entered orders in Cases 10754 and 10745.

(4) In both Order R-9920 and Order R-9921, the Division retained continuing jurisdiction over these cases.

(5) Order R-9921 contains the following limitation on downhole commingling of production from the Pictured Cliffs formation and the Basin Fruitland Coal Gas Pool:

"PROVIDED HOWEVER, in the event total gas production from both pools in a well exceeds 300 MCF per Day, downhole commingling will not be allowed in the effected well until the combined rate drops below 300 MCF/day."

(6) Meridian requests that Case 10735 be reopened so that it can present supplemental evidence concerning this issue in order to demonstrate that this limitation, unless amended, will preclude the only economic method available to produce the Pictured Cliffs formation gas in these wells.

(7) Specifically, Meridian seeks to amend those provisions of Order R-9921 which established an economic limit for downhole commingling based upon a combined producing rate of not more than 300 MCFPD of total gas production from both pools.

(8) The provisions of Order R-9921 are more restrictive than the Division's statewide Rule 303-C(1)(b)(i) which allows downhole commingling based upon the economics of a single zone rather than requiring the combined total gas production from both zones to be uneconomic.

(9) The economic limit adopted in Order R-9921 is too restrictive because it fails to address the fact that there are various combinations of either rate or estimated ultimate recovery other than those used in Order R-9921 which would be economic or uneconomic.

(8) Meridian proposes that the economic limit for downhole commingling in all eight cases be based upon the relationship of costs to rate and estimated ultimate gas recovery only from the Pictured Cliff pool.

(9) Meridian proposes the following substitution:

"PROVIDED HOWEVER, in the event the economic limit plotted for production from either pool in a well is less than the curve for the dual completion case as plotted on Exhibit "A" attached [being a plot of costs compared to both maximum average daily producing rate against pipeline pressure (Initial Rate") and an estimated ultimate gas recovery ("EUR")], then and in that event downhole commingling shall be allowed in the effected well. In the event the economic limit plotted for production from both pools in a well initially exceeds the curve for the dual completion case, then downhole commingling shall not be allowed in the well until such time as the economic limit in that well for production from either pool drops below the dual completion curve plotted on Exhibit "A".

(10) This case was originally heard by the Division at an Examiner Hearing held on June 3, 1993 with Meridian being the only party to appear.

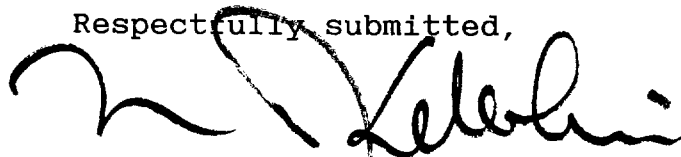
(11) Because Meridian is the only party to have appeared in these case, no further notice is required to reopen these cases.

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(12) Meridian requests that this matter be placed on the Division's Examiner docket now set for October 21, 1993.

WHEREFORE, Meridian requests that after hearing, the Division grant the relief requested herein.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over a horizontal line.

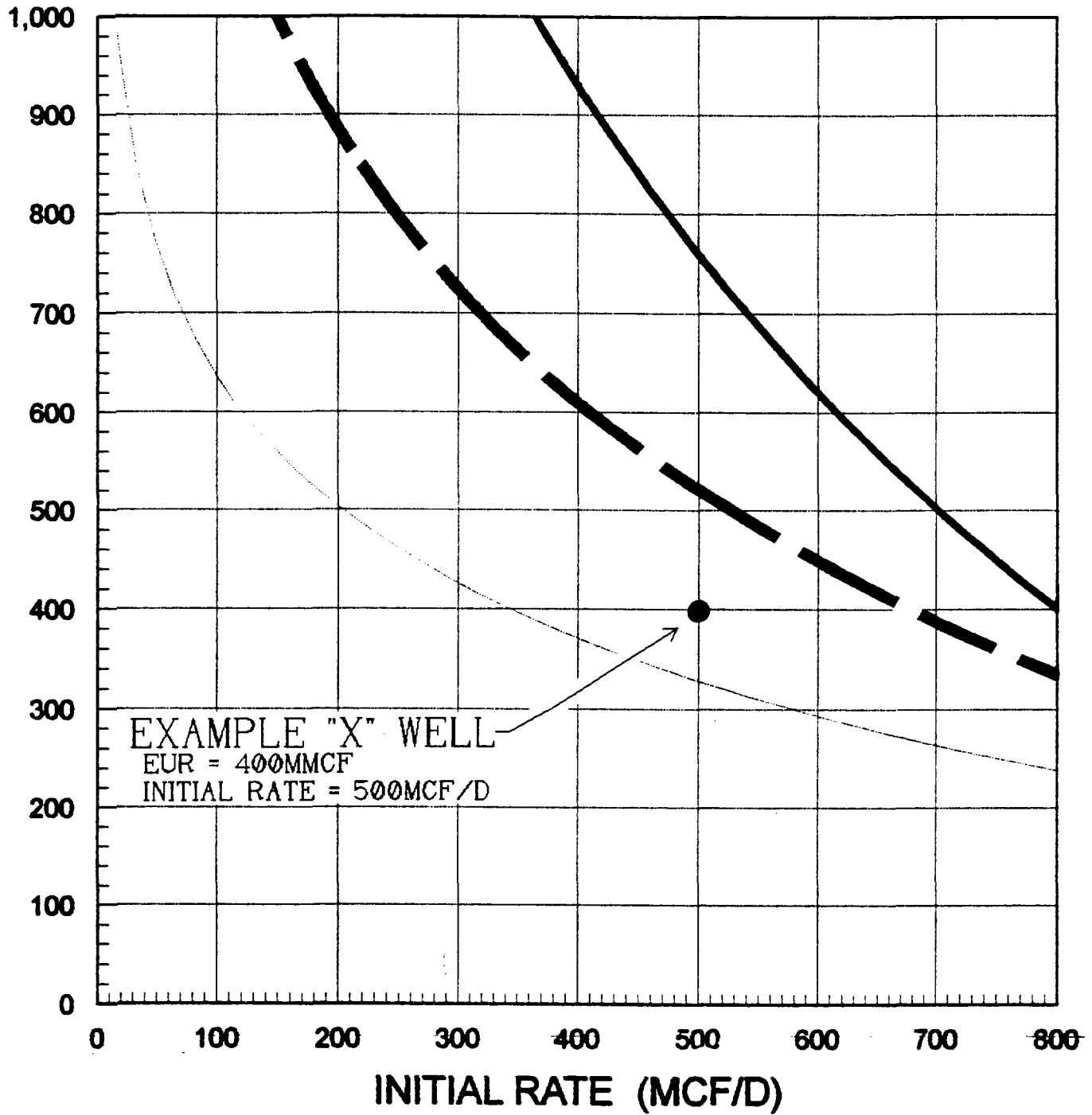
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# PICTURED CLIFFS / FRUITLAND COAL

## ECONOMIC EVALUATION

### COMPLETION TECHNIQUE SENSITIVITY

EUR (MMCF)



EXAMPLE "X" WELL  
EUR = 400MMCF  
INITIAL RATE = 500MCF/D

SINGLE DUAL COMMINGLE  
15% ROR 15% ROR 15% ROR

— — —

INITIAL RATE VS EUR