

MERIDIAN OIL

OIL CONSERVATION DIVISION
RECEIVED

'91 AUG 30 AM 9 22

August 12, 1991

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

RE: Hardie D #3
Unit M, Section 14, T28N, R08W
San Juan County, New Mexico
Downhole Commingling Request

Dear Mr. LeMay:

Meridian Oil Inc. is applying for an administrative downhole commingling order for the referenced well in the South Blanco Pictured Cliffs and the Basin Fruitland Coal fields. The ownership of the zones to be commingled is common. The offset operator to the north, south, east, and west is Amoco. The Bureau of Land Management and Amoco will receive notification of this downhole commingling.

The subject well was completed in the South Blanco Pictured Cliffs interval in August 1972 and gas sales commenced in November 1972. The well currently produces about 20 MCFD and has a cumulative production of 342 MMCF. This zone is still economic at the current rate and the well is not a candidate for plugging back the Pictured Cliffs and opening the Fruitland Coal. The well has 2 7/8" casing which makes the option of a dual completion very difficult.

The Fruitland Coal is proven to be productive in this area by Meridian and other operators producing wells. Based on offset production in this area, new well drilling is not economically justified. The only economical way to recover the Fruitland Coal reserves in this area is to commingle the production with an existing well.

It is proposed to set a bridge plug above the Pictured Cliffs, perforate and stimulate the Fruitland Coal, then remove the bridge plug and produce both zones 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. Neither producing interval makes oil or water in the offset wells. The shut-in pressure for the Pictured Cliffs and Fruitland Coal is 424 and 544 psi, respectively.

New Mexico Oil Conservation Division
Mr. Bill LeMay
Hardie D #3
Downhole Commingling Request
Page Two

The allocation of the commingled production will be calculated using the attached allocation formula. This formula is based on the Pictured Cliffs production history for the last 19 years and uses accepted Reservoir Engineering methods to allocate the remaining Pictured Cliffs reserves. All additional reserves will be attributed to the Fruitland Coal reservoir. This addresses the Fruitland Coal producing characteristics of early life inclining production rates. The formula also addresses the possible situation of pipeline curtailment.

Approval of this commingling application will allow for the prevention of wasted resources and protection of correlative rights. Included with this letter are plats showing ownership of offsetting leases for both the Pictured Cliffs and Fruitland Coal, a copy of letters to the BLM and offset operator, wellbore diagrams, production history curves, pertinent data sheet, and an allocation formula.

Sincerely,



George T. Dunn
Regional Production Engineer

LKS:tt
attachments

cc: Frank Chavez - NMOCD/Aztec

Pertinent Data Sheet -- Hardie D #3

Location: Unit M, Section 14, T28N, R08W, San Juan County, New Mexico

Field: South Blanco Pictured Cliffs

Elevation: 6392'GL
6403'KB

TD: 3014'

PBSD: 3003'

Completed: 8/72

Initial Potential: 1365 MCFD

Casing Record:

<u>Csg. Size</u>	<u>Wt. & Grade</u>	<u>Depth Set</u>	<u>Top/Cement</u>
8 5/8"	24# K-55	133'	Surface
2 7/8"	6.4# J-55	3014'	1900' (Temp. Survey)

Tubing Record: Tubingless

Formation Tops:

Ojo Alamo	1968'
Kirtland	2081'
Fruitland	2598'
Top/Coal	2728'
Base/Coal	2873'
Pictured Cliffs	2890'

Logging Record: Induction, Gamma Ray, Density, Temp. Survey

Stimulation: 8/72 - Perforated 2892' - 2904', 2928' - 42' with 56 holes. Frac'd with slickwater and 30,000 pounds of 10/20 sand.

Workover History: None

Production History: Initial deliverability - 6/51 - 345 MCFD
Latest deliverability - 1/91 - 20 MCFD
Cumulative production - 1/91 - 342 MMCF

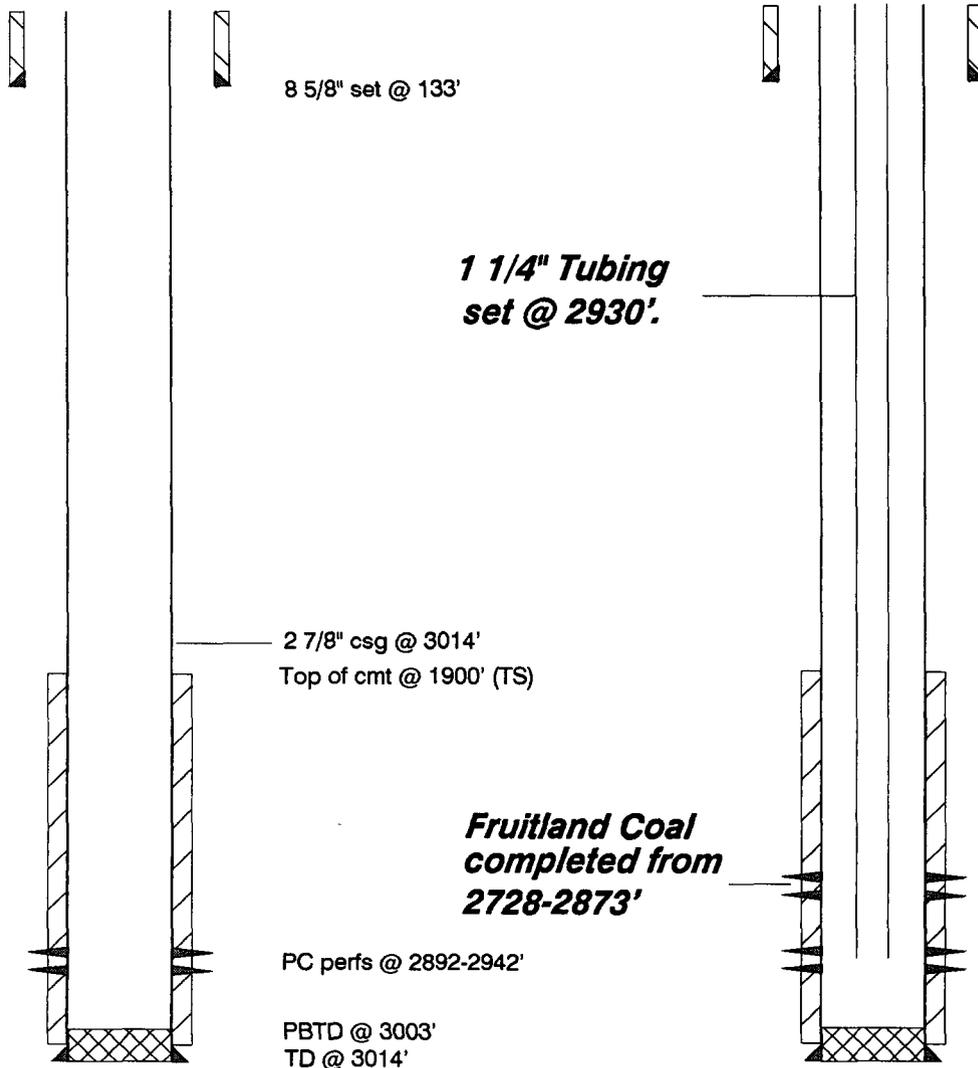
Transporter: EPNG

Hardie D #3
Unit M Sect 14-T28N-R8W
San Juan County, New Mexico

Wellbore Schematic

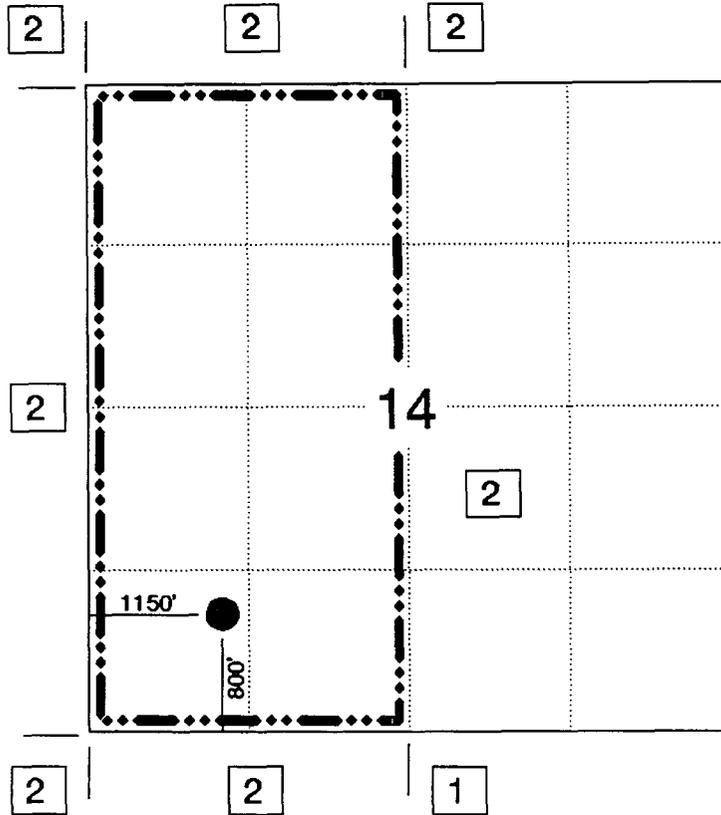
CURRENT

PROPOSED



MERIDIAN OIL INC
OFFSET OPERATOR PLAT
HARDIE D #3

Township 28 North, Range 8 West

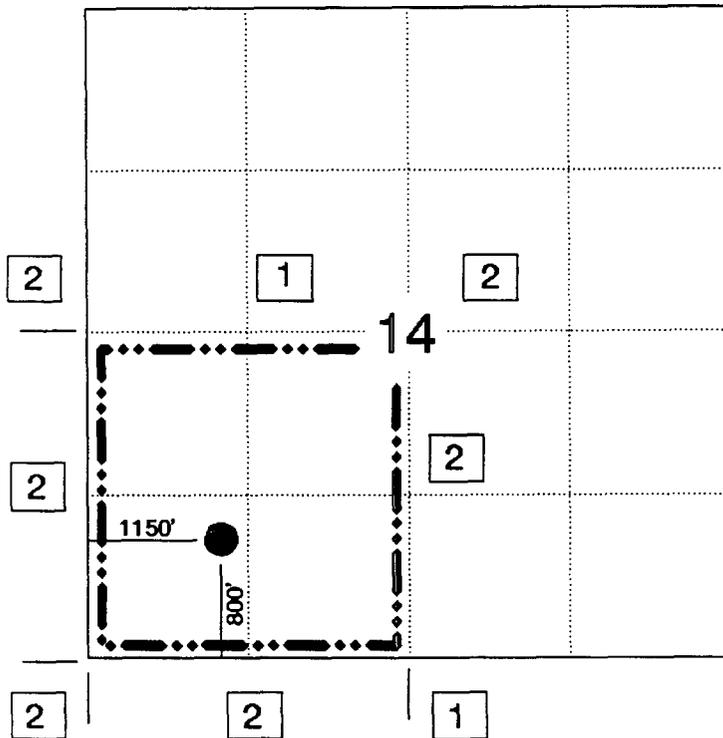


- 1) Meridian Oil Inc _____
- 2) Amoco Production Company _____
- _____
- _____
- _____
- _____
- _____

COMMINGLE PICTURED CLIFFS AND FRUITLAND COAL
Fruitland Coal Formation Ownership

MERIDIAN OIL INC
OFFSET OPERATOR PLAT
HARDIE D #3

Township 28 North, Range 8 West



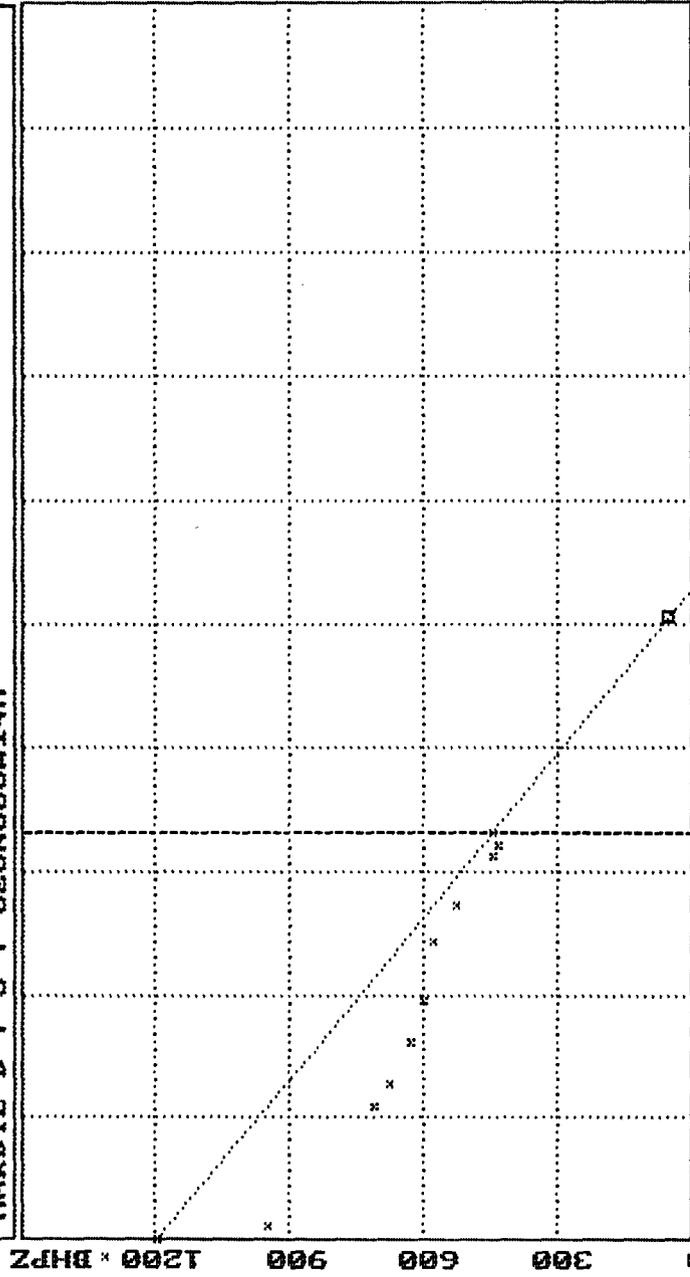
- 1) Meridian Oil Inc _____
- 2) Amoco Production Company _____
- _____
- _____
- _____
- _____
- _____

COMMINGLE PICTURED CLIFFS AND FRUITLAND COAL
Pictured Cliffs Formation Ownership

HARDIE D : 3 : 028N008H14M

Prop: 537

Ref=08/19/91
GIP= 527.452
EUR= 505.454
PZa= 50.0



T.CUM_GAS x 1000 1000 Major=GAS

0 300 600 900 1200 x BHPZ

Hardie D #3 Allocation Formula

Equation Derivation

Given the exponential decline curve analysis formula*:

$$De = 1 - (Q_2/Q_1)^{(1/yr)}$$

Where: DE - Effective Decline in %/yr

Q₂ = Rate two (at some future date) MCFD

Q₁ = Rate One (current rate) MCFD

Yr = years into the future from current date

Rearranging the equation to solve for Q₂:

$$Q_2 = Q_1 (1-De)^{Yr} \text{ MCFD}$$

Hardie D #3 Formula

Using Production plot (fig 1):

$$\begin{aligned} \text{Last production rate} = Q_1 &= 715 \text{ MCFM} \cong 24 \text{ MCFD} \\ De &= 3.0\% \text{ from plot} \end{aligned}$$

$$Q_{2_{pc}} = 24 (1 - 0.03)^{Yr} \text{ MCFD}$$

$$Q_{2_{pc}} = 24 (0.97)^{Yr} \text{ MCFD} \quad \text{FORMULA FOR FUTURE PC RATES}$$

Any production rate over what is calculated using the above PC formula on a specific date is Fruitland Coal.

Curtailment Situations

If any curtailment occurs, both streams will be affected the same and go to 0 MCFD.

When production resumes the rates will equate to those when the well was shut in:

$$Q_{2_{pc}} = 24 (0.97)^{(yr - \text{cumulative curtailment time})}$$

$$Q_{FTC} = Q_{TOT} - Q_{PC}$$

$$Q_{TOT} = Q_{FTC} + Q_{PC}$$

The total amount of PC gas produced will be the EUR calculated through decline curve and P-Cum analysis (see plots).

*Reference: pg. 5-46 Oil Property Evaluation
by R. S. Thompson & J. D. Wright

Hardie D #3 Allocation Formula, page 2

Example: Date Now = 1/1/91

Assuming the well produces steadily in 1991. On 1/1/92, the well produces 200 MCFD.

$$Q_1 = 24 \text{ MCFD} \quad De = 3.0 \%$$

$$Q_{PC} = 24 (0.97) \text{ (yr - cumulative curtailment time)}$$

$$Q_{PC} = 24 (0.97) (1-0) = 23 \text{ MCFD}$$

$$Q_{TOT} = 200 \text{ MCFD} = Q_{PC} + Q_{FTC}$$

$$Q_{FTC} = 200 - 23 = 177 \text{ MCFD}$$

Then on 1/2/92, the well gets shut in for 1 month:

On 2/2/92, assume that the PC stream will come back on line at the same rate it left off. Or:

$$1 \text{ month curtailment} = 1/12 = 0.0833$$

$$\text{Tot. Time} = 1 \text{ yr} + 1 \text{ month} = 1 \frac{1}{12} = 1.0833$$

$$Q_{PC} = 24 (0.97) (1.0833 - .0833) = 23 \text{ MCFD}$$

$$Q_{TOT} = 200 \text{ MCFD}$$

$$Q_{FTC} = 177 \text{ MCFD}$$

MERIDIAN OIL

August 12, 1991

Amoco Production Company
Attn: Mr. Larry Emmons
P.O. Box 800
Denver, Colorado 80201

RE: Hardie D #3
Unit M, Section 14, T28N, R08W
San Juan County, New Mexico
Downhole Commingling Request

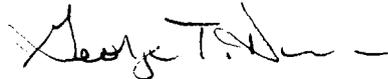
Gentlemen:

Meridian Oil, Inc. is in the process of applying for a downhole commingling order for the Hardie D #3 well located in Unit M, Section 14, T28N, R08W, N.M.P.M., San Juan County, New Mexico, in the South Blanco Pictured Cliffs and Basin Fruitland Coal 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 the attached copy of this letter and returning it to this office.

Your prompt attention to this matter would be appreciated.

Yours truly,



George T. Dunn
Regional Production Engineer

LKS:tt

The above downhole commingling request is hereby approved:

Date: _____

MERIDIAN OIL

August 12, 1991

Bureau of Land Management
1235 La Plata Highway
Farmington, New Mexico 87401

RE: Hardie D #3
Unit M, Section 14, T28N, R08W
San Juan County, New Mexico
Downhole Commingling Request

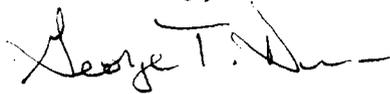
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George T. Dunn
Regional Production Engineer

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The above downhole commingling request is hereby approved:

Date: _____



OIL CONSERVATION DIVISION
 STATE OF NEW MEXICO RECEIVED
 ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT
 OIL CONSERVATION DIVISION
 AZTEC DISTRICT OFFICE

1000 RIO BRAZOS ROAD
 AZTEC, NEW MEXICO 87410
 (505) 334-6178

DHC-827

Date: 9/2/91

Oil Conservation Division
 P.O. Box 2088
 Santa Fe, NM 87504-2088

RE: Proposed MC _____
 Proposed NSL _____
 Proposed WFX _____
 Proposed NSP _____

Proposed DHC X _____
 Proposed SWD _____
 Proposed PMX _____
 Proposed DD _____

Gentlemen:

I have examined the application received on 8/26/91
 for the Meridian OPERATOR Stanley D#3 LEASE & WELL NO.

M-14-28N-8W and my recommendations are as follows:
 UL-S-T-R

Approve

Yours truly,

[Signature]