

MERIDIAN OIL

OIL CONSERVATION DIVISION
RECEIVED

'92 JUN 15 AM 9 10

June 11, 1992

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

RE: Thompson C #5
Unit D, Section 3, T27N, R12W
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 West Kutz Pictured Cliffs and the Basin Fruitland Coal fields. The ownership of the zones to be commingled is common. The offset operators to this well are Marathon Oil Company, BHP Petroleum and Dekalb Energy Company. The Bureau of Land Management and the above mentioned operators will receive notification of this downhole commingling.

The subject well was completed in the West Kutz Pictured Cliffs interval in February 1952. Gas sales commenced in February 1952 with a cumulative to date production of 879 MMCF. This well has been inactive for five years and is currently blind plated.

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.

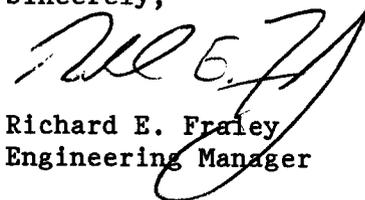
It is proposed to clean out the open hole Pictured Cliffs formation and re-establish production. It is then proposed to set a bridge plug above the Pictured Cliffs, perforate and stimulate the Fruitland Coal, then remove the bridge plug and produce both zones through a single string of tubing. The reservoir 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 170 and 315 psi, respectively.

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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 operators, wellbore diagrams, production history curves, pertinent data sheet, and an allocation formula.

Sincerely,



Richard E. Fraley
Engineering Manager

KAS:tg
attachments

cc: Frank Chavez - NMOCD/Aztec

Pertinent Data Sheet - Thompson C #5

Location: 990' FNL, 990' FEL, Section 3, T27N, R12W, San Juan County, NM

Field: West Kutz Pictured Cliffs

Elevation: 5847'GL TD: 1590'

PBTD: 1590'

Completed: 02-13-52

Initial Potential: 3310-Pitot

Casing Record:

<u>Hole Size</u>	<u>Csg. Size</u>	<u>Wt. & Grade</u>	<u>Depth Set</u>	<u>Cement</u>	<u>Top/Cement</u>
12 1/4"	10 3/4"	N/A	70'	80 sxs	Surface
9"	7"	23.0#	1486'	75 sxs	1105' (75%)

Tubing Record: 1" set @ 1475'.

Formation Tops:

Ojo Alamo	269'
Kirtland	375'
Fruitland	1209'
Pictured Cliffs	1482'

Logging Record: None

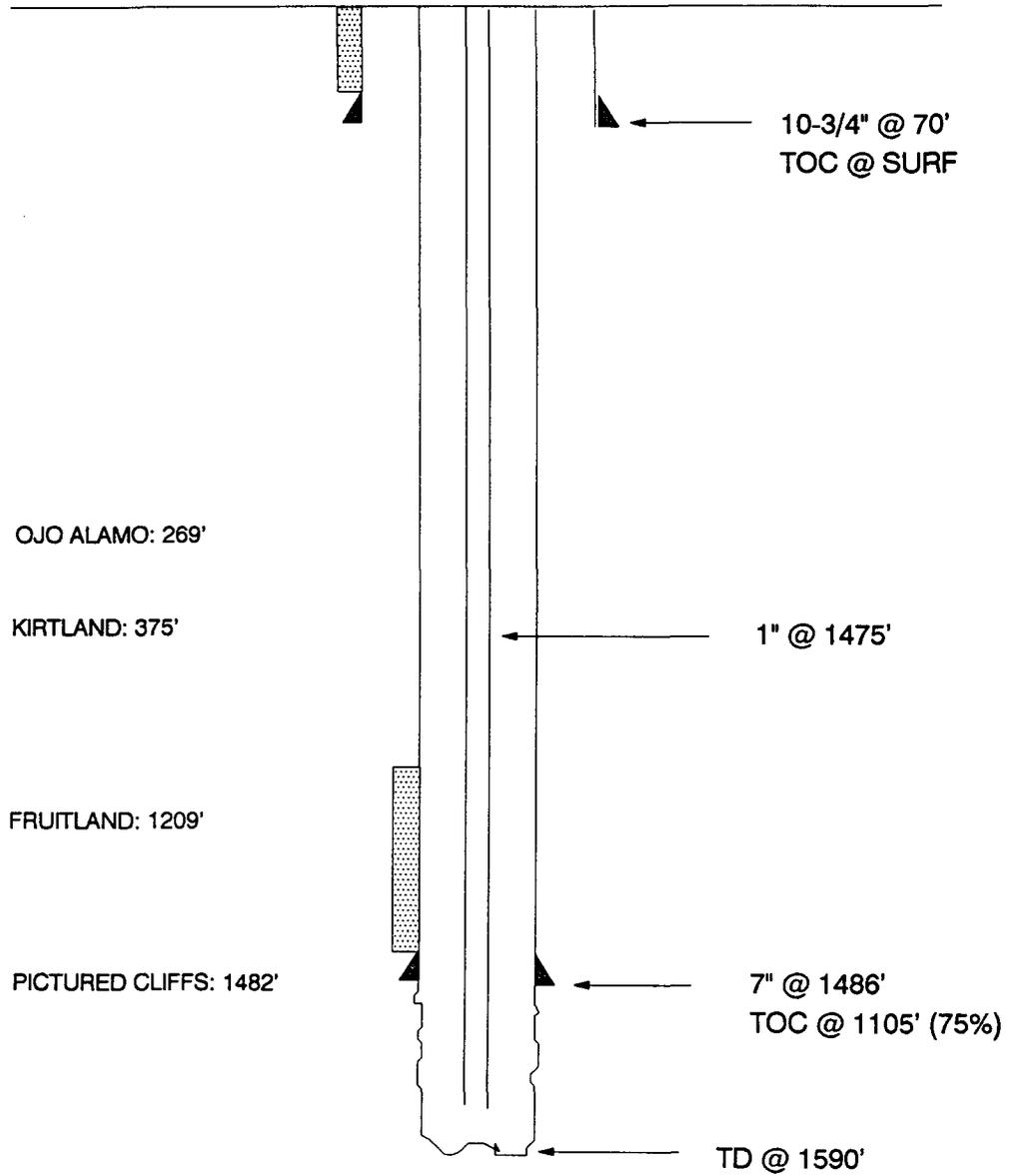
Stimulation: 1952: Open hole shot with 268 qts. SNG.

Workover History: None

Production History: PC cum = 879 MMCF since first delivery in February, 1952. The well has been inactive since January, 1987.

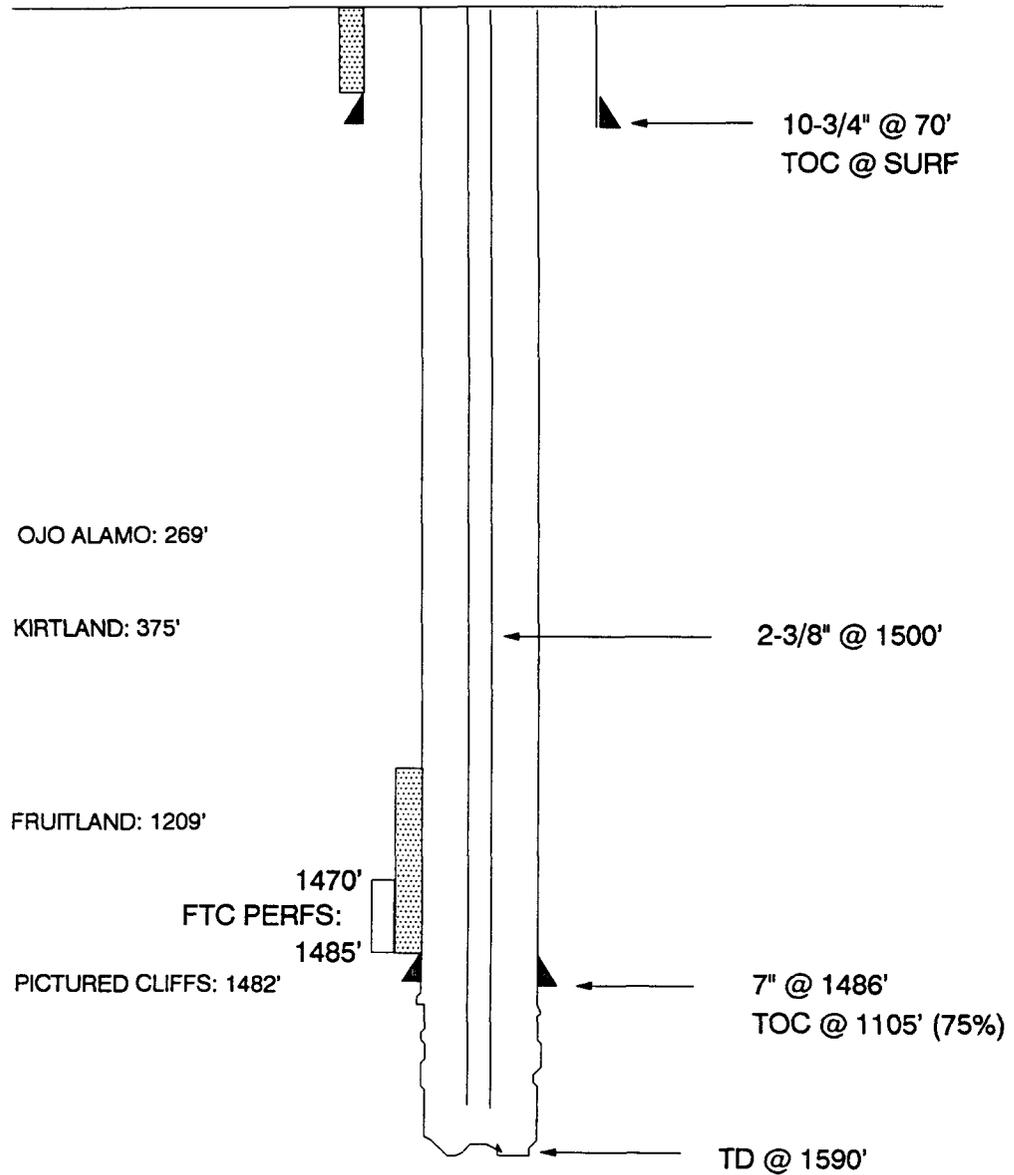
CURRENT
THOMPSON C #5

UNIT D SECTION 3 T27N R12W
SAN JUAN COUNTY, NEW MEXICO



PROPOSED
THOMPSON C #5

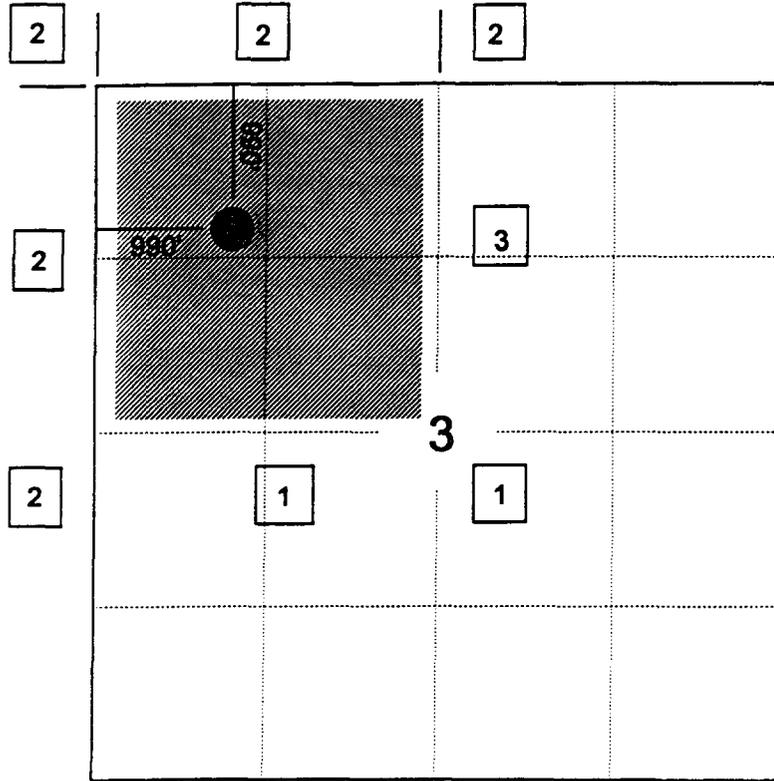
UNIT D SECTION 3 T27N R12W
SAN JUAN COUNTY, NEW MEXICO



**MERIDIAN OIL INC
OFFSET OPERATOR PLAT
Thompson C #5**

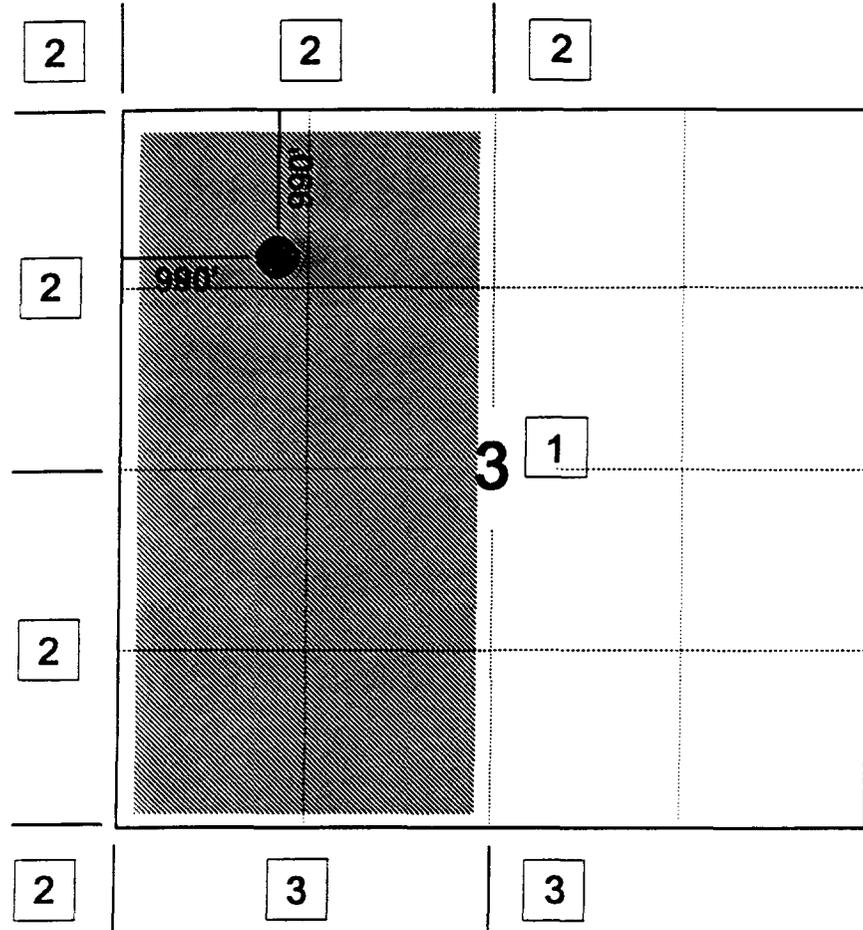
Fruitland Coal \ Pictured Cliffs Comingle

Township 27 North, Range 12 West



- 1) Meridian Oil Inc
- 2) BHP Petroleum, PO Box 845877, Dallas, TX 75284-5877
- 3) Marathon Oil Company, PO Box 552, Midland, TX 79702
- _____
- _____
- _____
- _____
- _____
- _____

MERIDIAN OIL INC
OFFSET OPERATOR \ OWNER PLAT
THOMPSON C #5
Fruitland Coal \ Pictured Cliffs Commingle
 Township 27 North, Range 12 West



- 1) Meridian Oil Inc

 Marathon Oil Company, PO Box 552, Midland, TX 79702

- 2) BHP Pretroleum, PO Box 845877, Dallas, TX 75284-5877

- 3) Dekalb Energy Company, 1625 Broadway, Denver, CO 80202
 Marathon Oil Company

Fruitland Coal Formation

FIGURE 1

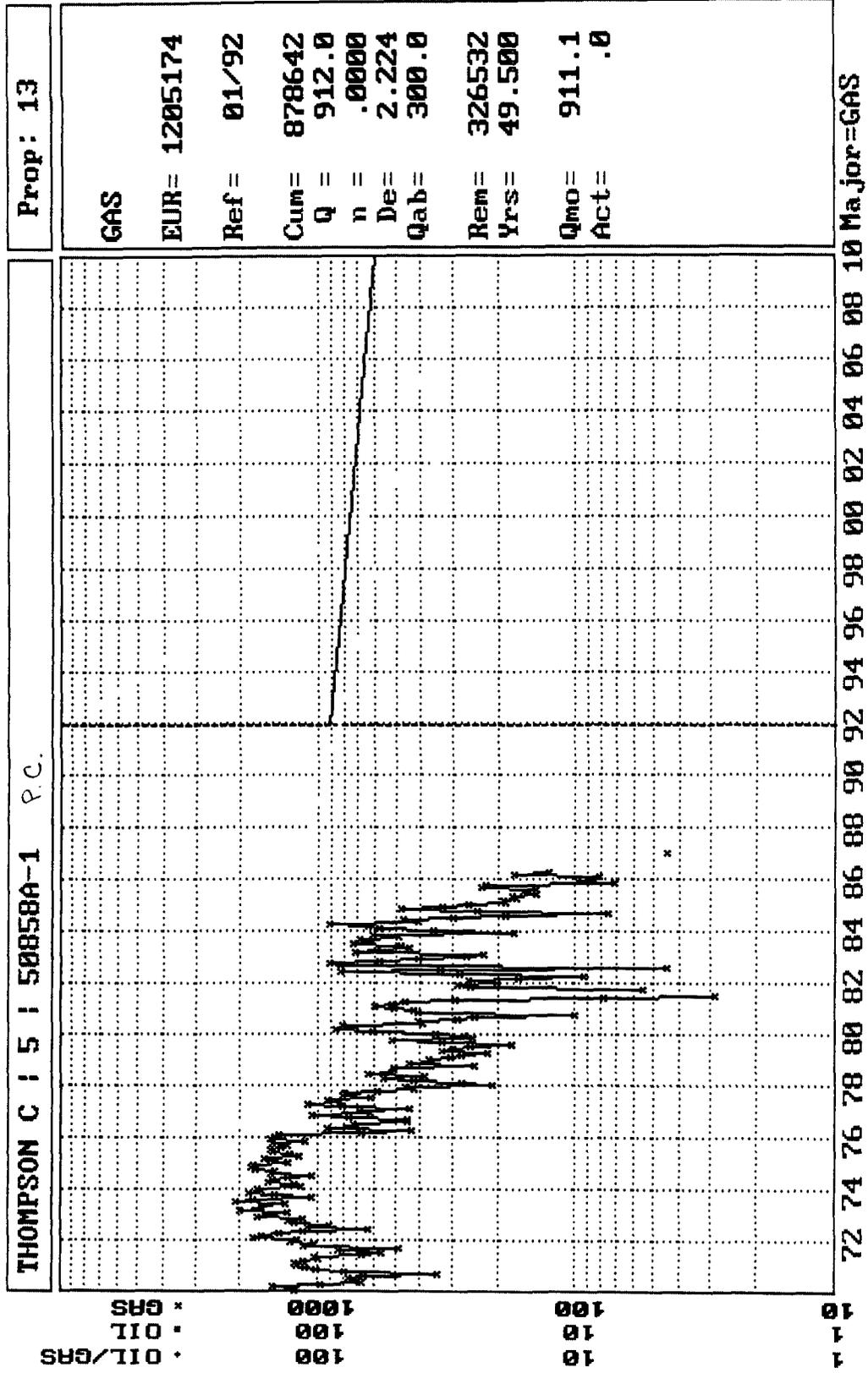
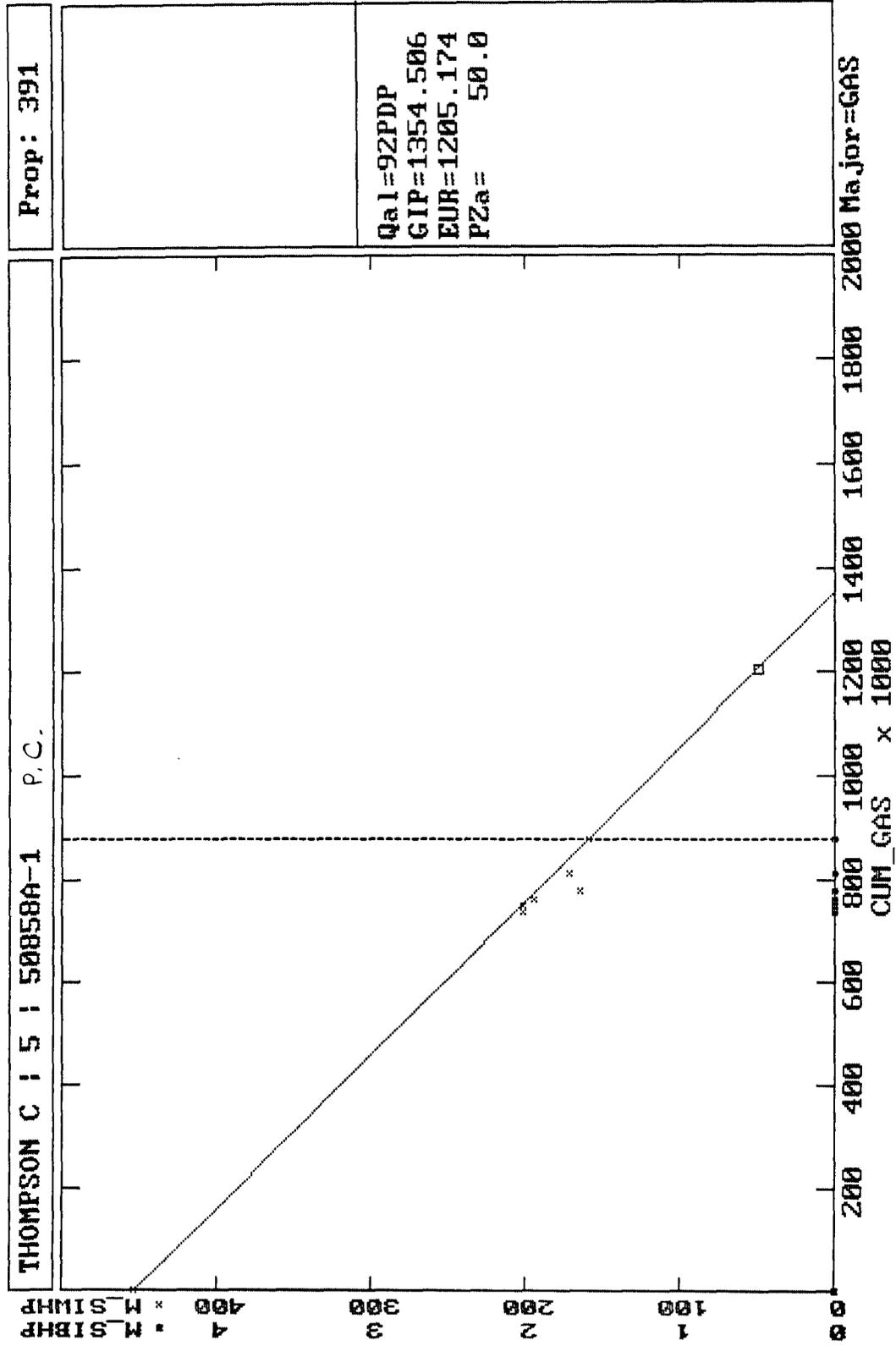


FIGURE 2



Thompson C #5 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
Q₃ = Rate one (current rate) MCFD

Rearranging the equation to solve for Q₂:

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

Thompson C #5 Formula

Using Production plot (Fig 1):

Last production rate = Q₁ = 912 MCFM \cong 30 MCFD
De = 2.224% from plot

$$Q_{2PC} = 30 (1 - 0.02224)^{Yr} \text{ MCFD}$$

$$Q_{2PC} = 30 (0.97776)^{Yr} \text{ MCFD} \quad \text{FORMULA FOR FUTURE PC RATES}$$

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:

$$Q_{2PC} = 30 (0.97776)^{(Yr - \text{curtailment time})}$$

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

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

The total amount of PC gas produced will be the EUR calculated through decline curve and P-Sum analysis (see Figs 1 & 2).

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

Thompson C #5 Allocation Formula, page 2

Example: Date Now = 1/1/93

Assuming the well produces steadily in 1993. On 1/1/94, the well produces 300 MCFD.

$$\begin{aligned}Q_1 &= 30 \text{ MCFD} & De &= 2.224\% \\Q_{PC} &= 30 (0.97776) (\text{Yr} - \text{curtailment time}) \\Q_{PC} &= 30 (0.97776) (1 - 0) = 29 \text{ MCFD} \\Q_{TOT} &= 300 \text{ MCFD} = Q_{FTC} + Q_{PC} \\Q_{FTC} &= 300 - 29 = 271 \text{ MCFD}\end{aligned}$$

Then on 1/2/94, the well gets shut in for 1 month:

On 2/2/94, assume that the PC stream will come back on line at the same rate it left off. Or:

$$\begin{aligned}1 \text{ month curtailment} &= 1/12 = 0.0833 \\Tot. \text{ Time} &= 1 \text{ yr} + 1 \text{ month} = 1 + 1/12 = 1.0833 \\Q_{PC} &= 30 (0.97776) (1.0833 - 0.0833) = 29 \text{ MCFD.} \\Q_{TOT} &= 300 \text{ MCFD} \\Q_{FTC} &= 271 \text{ MCFD}\end{aligned}$$

MERIDIAN OIL

June 11, 1992

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

RE: Thompson C #5
Unit D, Section 3, T27N, R12W
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 Thompson C #5 well located in Unit D, Section 3, T27N, R12W, N.M.P.M., San Juan County, New Mexico, in the Fulcher Kutz 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,


Keith A. Swainson
Production Engineer

KAS:tg

The above downhole commingling request is hereby approved:

Date: _____

MERIDIAN OIL

June 11, 1992

Marathon Oil Company
P.O. Box 552
Midland, Texas 79702

RE: Thompson C #5
Unit D, Section 3, T27N, R12W
San Juan County, New Mexico
Downhole Commingling Request

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June 11, 1992

BHP Petroleum
P.O. Box 845877
Dallas, Texas 75284-5877

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San Juan County, New Mexico
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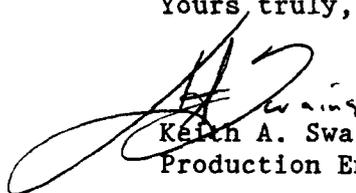
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Production Engineer

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Date: _____

MERIDIAN OIL

June 11, 1992

Dekalb Energy Company
1625 Broadway
Denver, Colorado 80202

RE: Thompson C #5
Unit D, Section 3, T27N, R12W
San Juan County, New Mexico
Downhole Commingling Request

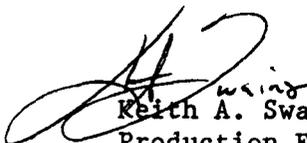
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Keith A. Swainson
Production Engineer

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The above downhole commingling request is hereby approved:

Date: _____



OIL CONSERVATION DIVISION
ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT
'92 JUN 25 AM 9 00

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION
AZTEC DISTRICT OFFICE

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

Date: June 23, 1992

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 June 15
for the Mirinda Thompson C et al
OPERATOR LEASE & WELL NO.

D-3-27N-12W and my recommendations are as follows:
UL-S-T-R

Approve

Yours truly,

[Signature]