

MERIDIAN OIL

January 19, 1994

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

RE: Jicarilla 94 and 95 Lease

• Jicarilla 94 #1A	SE/4, Section 22, T27N, R03W
• Jicarilla 94 #5A	NW/4, Section 23, T27N, R03W
• Jicarilla 94 #6A	SE/4, Section 27, T27N, R03W
• Jicarilla 95 #3A	NW/4, Section 35, T27N, R03W
• Jicarilla 95 #4A	NW/4, Section 26, T27N, R03W
• Jicarilla 95 #5A	NW/4, Section 25, T27N, R03W

Rio Arriba County, New Mexico
Downhole Commingling Request

Dear Mr. LeMay:

Meridian Oil Inc. is applying for an administrative downhole commingling order for the referenced wells in the Gavilan Pictured Cliffs and the Blanco Mesaverde fields. The ownership of the zones to be commingled is common. All offset interest owners shown on the attached plat and the Bureau of Land Management will receive notice of this commingling application.

The Mesaverde and Pictured Cliffs wells in this area are marginal economic producers based on current rates of 10-90 MCFD for each zone. A reserve study in the area predicts an ultimate recovery of 775 MMCF for the Mesaverde and 700 MMCF for the Pictured Cliffs wells. These reserves and the low current producing rates are uneconomic as separate zone projects. The projects are economic when commingled due to savings realized on surface facilities and tubulars. The only economical way to recover the Mesaverde and Pictured Cliffs reserves identified on the lease is to downhole commingle production from both zones in the wells proposed.

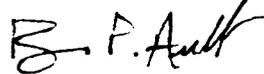
It is proposed to complete the Mesaverde formation and test its production. It is then proposed to set a bridge plug above the Mesaverde, perforate and stimulate the Pictured Cliffs, and test its production. The bridge plug will then be removed, and both zones produced through a single string of tubing. The reservoir characteristics of each of the subject zones are such that underground waste will not be caused by the proposed commingling. The fluids in the two reservoirs are compatible and no precipitates will be formed to cause damage to either reservoir (see attached fluid analyses and compatibility tests). The shut-in pressure for the Mesaverde and Pictured Cliffs are 550 and 490 psi, respectively.

The allocation of the commingled production will be calculated using flow tests from the Mesaverde and Pictured Cliffs during completion operations, and the surrounding production history from both producing intervals. Meridian will consult with the district supervisor of the Aztec NMOCD office for approval of the allocation.

Mr. Bill LeMay
Page 2
January 19, 1994

Approval of this commingling application will allow for the prevention of wasted resources and the protection of correlative rights. The Mesaverde and Pictured Cliffs are commingled in four other wells in this township as per NMOCD Order #'s R-5350 (01/17/77), R-6004 (05/02/79), DHC-924 and DHC-925 (09/27/93). Two of these wells (DHC-924, 925) are completed, waiting on hook-up, while two (R-5350, -6004) are producing with no adverse affects from the commingling. Included with this letter are plats showing ownership of offsetting leases for both formations, copies of letters to offset operators and the Bureau of Land Management, and a detailed report of fluid compatibility.

Sincerely,



Brian P. Ault
Production Engineer

BPA/rjp

Attachments

xc: Frank T. Chavez - NMOCD/Aztec

DATE: January 17, 1994
 NAME: JICARILLA 94, 95 LSE.
 FORM: PICTURED CLIFFS
 LOCATION: 13
 UNIT:
 SEC: 27N
 TOWN: 03W
 RANG: 03W

DUGAN PROD 16	MERIDIAN 9/58 JIC. 94 #1 24/388	MERIDIAN 5/58 JIC. 89 #5 1/81	MERIDIAN 13
DOME NAV AJO #3 5/82 47/10 5/83 DUGAN PROD. LALEE ANN #2 J 3/81 5/3 LALEE A N #1 9/126 28	MAX D. WEBB 6/78 FED. 27 #7 5/112 27 J.C. 84 #1A 10/58 J.C. 84 #6 20/989	MERIDIAN 7/41287 J.C. 84 #5 J.C. 85 #4A 30/1222 J.C. 85 #4 30/802 26	MERIDIAN J.C. 86 #6A 25
LALEE ANN #3 6/82 6/32 DUGAN PROD.	WILLIAMS 4/78 FED. 27 #6 2/239 9/76 FED. #3 35/293 J.C. 84 #4A 4/78 J.C. 85 #4A 5/78 MERRISON OIL	MERIDIAN 10/57 J.C. 85 #4 30/1222 J.C. 85 #4 30/802 4/89 J.C. 95 # 5 #10 8/56 MERIDIAN	DUGAN PROD. 5/78 36
10/75 OJO HE.-HE #2 15/120 10/75 OJO HE.-HE #3 19/237	FIELD SERVICE 5/83 JIC. 83 #12 2/34 34 8/78 FED. 34 #2 8/40 11/75 JIC. 93 #4 11/83	HIGH ROLL #4 36/458 5/78 35 HIGH ROLL #2 10/265 10/79 HIGH ROLL #1R 3/61	MERIDIAN JIC. 95 #1 20/1428 8/58 JIC. 9 5 #6 15/1304 3/78 BENGAL C#3 28/73 BENGAL C#5 5/210

LEGEND
 COMPLETION DATE
 WELL NAME
 MCFID - CUM(MMCF)

DATE: January 17, 1994
 NAME: JICARILLA 94, 95 LSE.
 FORM: MESAVERDE

LOCATION
 UNIT:
 SEC: 27N
 TWN: 27N
 RNG: 03W

16	JIC 89 #3 7/57 0/807 INA	MERIDIAN 12/94 9/58 JIC 94 #3A JIC 84 #1 98/817 72/1524 .7/2 1/7	JIC 89 #3A 73/341 3/1	15	NA JIC 89 #2 3/721 0/1	14	JIC 89 #2 3/721 0/1	13	JIC 89 #2 3/721 0/1
21	JIC 94 #3 7/57 1/524 0/1	MERIDIAN 12/94 9/58 JIC 94 #3A JIC 84 #1 98/817 72/1524 .7/2 1/7	JIC 84 #4 0/5	22	JIC 94 #5 12/646 1/7	23	JIC 94 #4 25/580 0/5	24	JIC 94 #8 21/191 2/4
28	JIC 94 #2A 51/293 3/1	MERIDIAN 11/77 JIC 94 #2A 51/293 3/1	JIC 94 #6 47/1872 4/9	27	JIC 94 #6 47/1872 4/9	26	JIC 95 #8 61/1046 0/1	25	JIC 95 #2 17/350 0/1
33	JIC 94 #2 11/791 0/1	WILLIAMS FIELD SERVICE 10/82 JIC 93 #12 74/424 34 0/1	JIC 94 #4A 0/1	35	JIC 94 #4A 0/1	36	JIC 95 #8A 94/753 1/3	37	JIC 95 #5 79/1833 1/11

LEGEND
 COMPLETION DATE
 WELL NAME
 MCFD - CUM(MCF)
 BOPD - CUM(BOP)

R-03-W

**PICTURED CLIFFS/MESAVERDE COMMINGLE
TOWNSHIP 27 NORTH, RANGE 3 WEST
OFFSET OPERATORS**

1. **Meridian Oil Inc.
P.O. Box 4289
Farmington, NM 87499-4289**
2. **Merrion Oil & Gas Corp.
610 Reilly Avenue
Farmington, NM 87401**
3. **Dugan Production Co.
P.O. Box 420
Farmington, NM 87490420**
4. **Williams Field Service Inc.
295 Chipeta Way
Salt Lake City, UT 84108**
5. **Max D. Webb
2705 1/2 E. Main
Farmington, NM 87401**

MERIDIAN OIL

January 19, 1994

Max D. Webb
2705-1/2 East Main Street
Farmington, NM 87401

RE: Jicarilla 94 and 95 Lease

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• Jicarilla 95 #4A	NW/4, Section 26, T27N, R03W
• Jicarilla 95 #5A	NW/4, Section 25, T27N, R03W

Rio Arriba County, New Mexico
Downhole Commingling Request

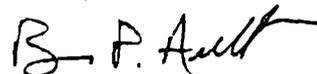
Gentlemen:

Meridian Oil, Inc. is in the process of applying for an downhole commingling order for the referenced wells in Rio Arriba County, New Mexico, in the Gavilan Pictured Cliffs and the Blanco Mesaverde 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 this letter and returning it to this office.

Your prompt attention to this matter would be appreciated.

Sincerely,



Brian P. Ault
Production Engineering

BPA/rjp

The above downhole commingling request is hereby approved:

Date: _____

MERIDIAN OIL

January 19, 1994

Williams Field Service Inc.
295 Chipeta Way
Salt Lake City, UT 84108

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January 19, 1994

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610 Reily Avenue
Farmington, NM 87401

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Rio Arriba County, New Mexico
Downhole Commingling Request

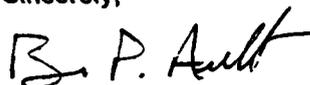
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January 19, 1994

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P.O. Box 420
Farmington, NM 87499-0420

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Rio Arriba County, New Mexico
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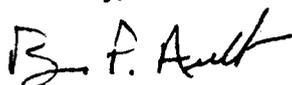
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Production Engineering

BPA/rjp

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January 19, 1994

Bureau of Land Management
1235 La Plata Highway
Farmington, NM 87401

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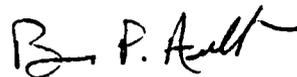
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Production Engineering

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Date: _____

Microsoft Mail v3.0 IPM.Microsoft Mail.Note

From: Ernie Busch

To: Ben Stone

David Catanach

Subject: MERIDIAN OIL INC (DHC)

Date: 1994-02-22 10:50

Priority: R

Message ID: F712233E

Conversation ID: F712233E

JICARILLA 95 #3A

D-35-27N-03W

RECOMMEND: APPROVAL
=====

DHC-986