

DHC (3/5/97)

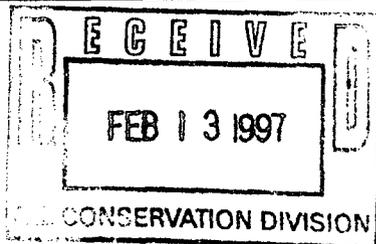
BURLINGTON RESOURCES

SAN JUAN DIVISION

February 12, 1997

SENT FEDERAL EXPRESS

Mr. William LeMay
New Mexico Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505



MS9

Re: Allison Unit #5A
1870'FSL, 1070'FEL Section 16, T-32-N, R-7-W, San Juan County, NM
API #30-045-24413

Dear Mr. LeMay:

This is a request for administrative approval for downhole commingling the Blanco Mesa Verde and Basin Dakota in the subject well. This well was drilled and completed as a Mesa Verde/Dakota dual.

To comply with the New Mexico Oil Conservation Division rules, Burlington Resources Oil & Gas is submitting the following for your approval of this commingling:

1. Form C107A - Application for Downhole Commingling;
2. C-102 plat for each zone showing its spacing unit and acreage dedication;
3. Production curve for both the Mesa Verde and Dakota for at least one year;
4. Notification list of offset operators
5. Shut in wellhead pressure and calculated down hole pressure;
6. Nine-section plats for the Dakota and Mesa Verde

Notification of Mesa Verde and Dakota interest owners is covered under Order #R-9918 issued July 6, 1996 attached.

The allocation formula is included and is requested at 78.9% for the Mesa Verde and 21.1% for the Dakota.

Please let me know if you require additional data.

Sincerely,

Peggy Bradfield
Regulatory/Compliance Administrator
encs.

xc: Bureau of Land Management

DISTRICT I
P.O. Box 1980, Hobbs, NM 88241-1980

DISTRICT II
811 South First St., Artesia, NM 88210-2835

DISTRICT III
1000 Rio Brazos Rd, Aztec, NM 87410-1693

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

2040 S. Pacheco
Santa Fe, New Mexico 87505-6429

Form C-107-A
New 3-12-96

APPROVAL PROCESS :

Administrative Hearing

APPLICATION FOR DOWNHOLE COMMINGLING

EXISTING WELLBORE

YES NO

Burlington Resources Oil & Gas Company
87499

PO Box 4289, Farmington, NM

Operator **Allison Unit** Address **5A I 16-32-7 San Juan**

Lease Well No. Unit Ltr. - Sec - Twp - Rge County Spacing Unit Lease Types: (check 1 or more)

OGRID NO. 14538 Property Code 6784 API NO. 30-045-24413 Federal , State , (and/or) Fee _____

The following facts are submitted in support of downhole commingling:	Upper Zone	Intermediate Zone	Lower Zone
1. Pool Name and Pool Code	Blanco Mesaverde - 72319		Basin Dakota - 71599
2. Top and Bottom of Pay Section (Perforations)	5415-6120'		7943-8080'
3. Type of production (Oil or Gas)	gas		gas
4. Method of Production (Flowing or Artificial Lift)	flowing		flowing
5. Bottomhole Pressure Oil Zones - Artificial Lift: Estimated Current Gas & Oil - Flowing: Measured Current All Gas Zones: Estimated or Measured Original	(Current) a. 627 psia (11-93 pressure) @ 5768'	a.	a. 998 psia @ 8012'
	(Original) b. 1234 psia @ 5768'	b.	b. 2999 psia @ 8012'
6. Oil Gravity (^o API) or Gas BTU Content	986		951
7. Producing or Shut-In?	producing		producing
Production Marginal? (yes or no)	yes		yes
* If Shut-In and oil/gas/water rates of last production <small>Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.</small>	Date: n/a Rates:	Date: Rates:	Date: n/a Rates:
* If Producing, give data and oil/gas/water water of recent test (within 60 days)	Date: 11-12-96 Rates: 239 mcf/d	Date: Rates:	Date: 11-12-96 Rates: 108 mcf/d
8. Fixed Percentage Allocation Formula -% for each zone (total of %'s to equal 100%)	Oil: na % Gas: % 78.9	Oil: % Gas: %	Oil: na % Gas: % 21.1

9. If allocation formula is based upon something other than current or past production, or is based upon some other method, submit attachments with supporting data and/or explaining method and providing rate projections or other required data.
10. Are all working, overriding, and royalty interests identical in all commingled zones? Yes No
If not, have all working, overriding, and royalty interests been notified by certified mail? Yes No
Have all offset operators been given written notice of the proposed downhole commingling? Yes No
11. Will cross-flow occur? Yes No If yes, are fluids compatible, will the formations not be damaged, will any cross-flowed production be recovered, and will the allocation formula be reliable. Yes No (If No, attach explanation)
12. Are all produced fluids from all commingled zones compatible with each other? Yes No
13. Will the value of production be decreased by commingling? Yes No (If Yes, attach explanation)
14. If this well is on, or communitized with, state or federal lands, either the Commissioner of Public Lands or the United States Bureau of Land Management has been notified in writing of this application. Yes No
15. NMOCD Reference Cases for Rule 303(D) Exceptions: ORDER NO(S). _____
16. ATTACHMENTS:
 * C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
 * Production curve for each zone for at least one year. (If not available, attach explanation.)
 * For zones with no production history, estimated production rates and supporting data.
 * Data to support allocation method or formula.
 * Notification list of all offset operators.
 * Notification list of working, overriding, and royalty interests for uncommon interest cases.
 * Any additional statements, data, or documents required to support commingling.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Kevin L. Midkiff TITLE Sr. Operations Engineer DATE 2/10/97

TYPE OR PRINT NAME Kevin L. Midkiff TELEPHONE NO. (505) 326-9700

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102
Supersedes C-128
Effective 1-1-65

All distances must be from the outer boundaries of the Section.

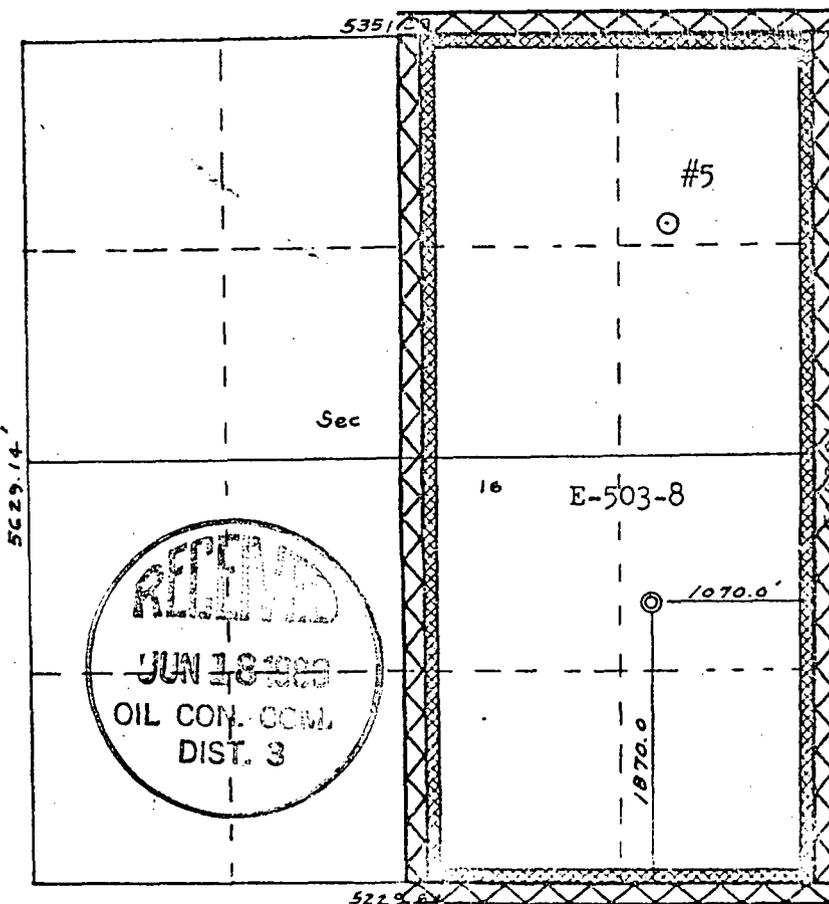
.or EL PASO NATURAL GAS COMPANY			Lease ALLISON UNIT (E-503-8)		Well No. 5A
Unit Letter I	Section 16	Township 32N	Range 7W	County San Juan	
Actual Footage Location of Well:					
1370 feet from the South line and		1070 feet from the East line			
Ground Level Elev: 5471	Producing Formation Mesa Verde - Dakota	Pool Basin Dakota Blanco Mesa Verde	Dedicated Acreage: 320.00 & 320.00 Acres		

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

Yes No If answer is "yes," type of consolidation Unitization

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission. NOTE: THIS PLAT IS REISSUED TO SHOW DUAL COMPLETION. 1-28-80



Scale: 1"=1320'

CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

A. G. Brisco

Name
Drilling Clerk
Position
El Paso Natural Gas
Company
June 17, 1980
Date

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed
October 11, 1978

Registered Professional Engineer and Land Surveyor

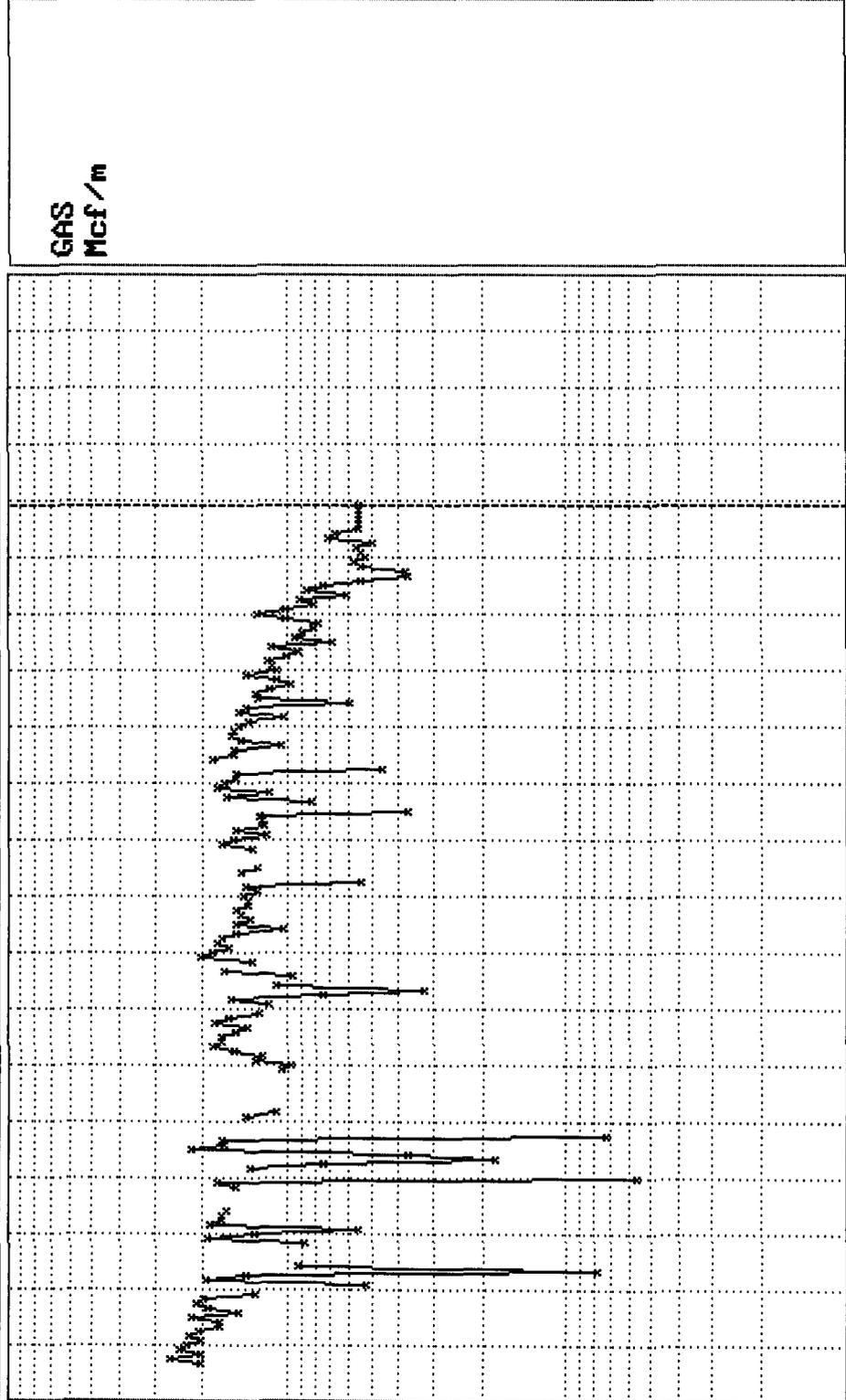
Fred B. Kerr Jr.
Fred B. Kerr Jr.

Certificate No. 3950

Prop: 2424

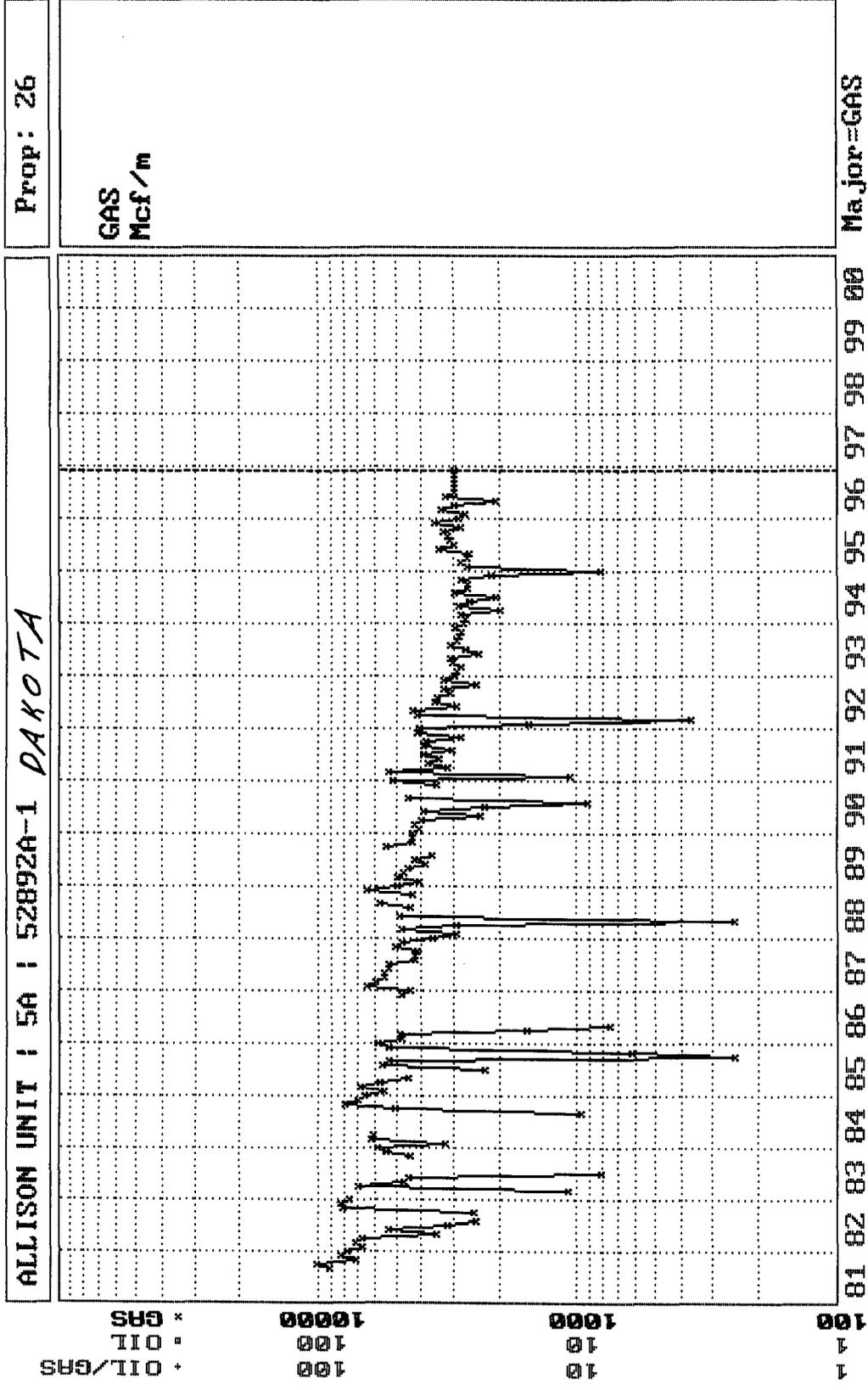
GAS
Mcf/m

ALLISON UNIT : 5A : 52892B-1 MESA VERDE



Major=GAS

100
10
100
1000
10000
* OIL/GAS
* OIL
* GAS

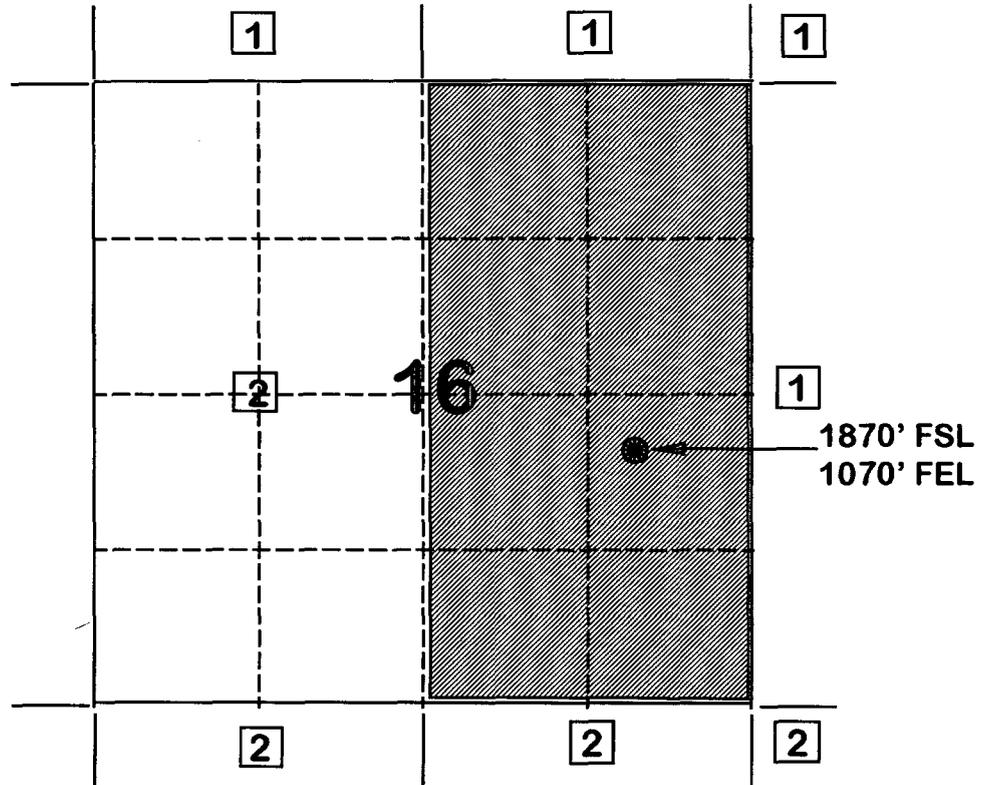


BURLINGTON RESOURCES OIL AND GAS COMPANY

**Allison Unit #5A
OFFSET OPERATOR \ OWNER PLAT**

Mesaverde/Dakota Formations Commingle Well

Township 32 North, Range 7 West



- 1) Burlington Resources Oil and Gas Company Successor to Meridian Oil Inc.
- 2) Phillips Petroleum Company
5525 Hwy. 64, NBU 3004
Farmington, NM 87401

Page No.: 1

Print Time: Wed Feb 12 10:54:52 1997

Property ID: 2403

Property Name: ALLISON UNIT | 16 | 53406B-1 - Mesa Verde

Table Name: K:\ARIES\RR97PDP\TEST.DBF

--DATE-- ---CUM GAS-- M SIWHP
 Mcf Psi

*- This is a "parent" well
1/2 mile from the Allison Unit No. 5A.*

06/15/58	0	1072.0	<i>- Initial Pressure</i>
07/21/58	0	1071.0	
12/14/58	58000	1026.0	
07/29/59	112000	1102.0	
02/22/60	186000	1042.0	
07/28/61	325000	1046.0	
04/25/62	401000	1061.0	
04/29/63	483000	1033.0	
07/16/64	0	0.0	
12/18/64	650000	910.0	
05/03/65	695000	945.0	
02/23/66	784000	905.0	
03/06/67	903000	780.0	
08/15/68	1107000	905.0	
04/16/69	1228000	875.0	
08/05/70	1466897	857.0	
08/31/71	1586689	922.0	
06/22/72	1741255	782.0	
07/03/73	1909333	752.0	
04/18/74	2066093	733.0	
06/02/76	2448768	666.0	
08/03/78	2763439	695.0	
06/04/80	3090119	612.0	
07/01/80	3111721	687.0	
05/18/82	3291564	711.0	
07/02/84	3465684	702.0	
03/18/86	3578536	714.0	
03/29/89	3707807	768.0	
01/24/91	3763311	699.0	
06/08/91	3793741	711.0	
07/05/93	3929399	683.0	

**FLOWING AND STATIC BHP
CULLENDER AND SMITH METHOD**

VERSION 1.0 3/13/94

GAS GRAVITY	<u>0.588</u>
COND. OR MISC. (C/M)	<u>M</u>
%N2	<u>0.13</u>
%CO2	<u>2.37</u>
%H2S	<u>0</u>
DIAMETER (IN)	<u>2</u>
DEPTH (FT)	<u>5768</u>
SURFACE TEMPERATURE (DEG F)	<u>60</u>
BOTTOMHOLE TEMPERATURE (DEG F)	<u>137</u>
FLOWRATE (MCFPD)	<u>0</u>
SURFACE PRESSURE (PSIA)	<u>1083</u>
BOTTOMHOLE PRESSURE (PSIA)	<u>1233.7</u>

Allison Unit No. 5A - Initial BHP (Mesa Verde)
 The Allison Unit No. 5A was an infill well.
 Therefore, the Allison Unit No. 16 (1/2 mile away)
 was used for initial reservoir pressures.

Page No.: 1

Print Time: Wed Feb 12 10:56:28 1997

Property ID: 2424

Property Name: ALLISON UNIT | 5A | 52892B-1 - *Mesa Verde*

Table Name: K:\ARIES\RR97PDP\TEST.DBF

<u>--DATE--</u>	<u>---CUM_GAS--</u> Mcf	<u>M SIWHP</u> Psi
06/25/81	0	1013.0
11/02/81	47495	757.0
05/18/82	198116	669.0
04/25/83	367306	694.0
07/02/84	495064	683.0
03/18/86	638341	717.0
09/03/89	1081827	591.0
01/24/91	1246980	562.0
06/08/91	1311870	574.0
11/02/93	1664808	543.0 - <i>Current</i>

**FLOWING AND STATIC BHP
CULLENDER AND SMITH METHOD**

VERSION 1.0 3/13/94

GAS GRAVITY	0.588
COND. OR MISC. (C/M)	M
%N2	0.13
%CO2	2.37
%H2S	0
DIAMETER (IN)	2
DEPTH (FT)	5768
SURFACE TEMPERATURE (DEG F)	60
BOTTOMHOLE TEMPERATURE (DEG F)	137
FLOWRATE (MCFPD)	0
SURFACE PRESSURE (PSIA)	555
BOTTOMHOLE PRESSURE (PSIA)	627.3

Allison Unit No. 5A - Current BHP (Mesa Verde)
Unable to obtain current BHP measurement.
Therefore, the last SIWHP was used to calculate
a current BHP.

Page No.: 1

Print Time: Wed Feb 12 10:57:34 1997

Property ID: 14

Property Name: ALLISON UNIT | 16 | 53406A-1 - *Dakota*

Table Name: K:\ARIES\RR97PDP\TEST.DBF

<u>--DATE--</u>	<u>---CUM GAS---</u> Mcf	<u>M SIWHP</u> Psi	
06/15/58	0	2511.0	-Initial
07/29/59	94000	1304.0	
02/22/60	176000	1334.0	
07/28/61	299000	1011.0	
04/25/62	347000	1027.0	
05/06/63	407000	1335.0	
12/18/64	532000	1501.0	
10/18/65	613000	1446.0	
02/23/66	642000	1554.0	
03/06/67	738000	1368.0	
03/08/68	832000	1332.0	
06/02/70	1026665	1199.0	
08/31/71	1113676	943.0	
06/22/72	1176976	782.0	
07/03/73	1236446	1136.0	
04/29/75	1375616	974.0	
08/08/77	1533101	924.0	
06/05/79	1648117	914.0	
06/02/81	1763835	839.0	
04/25/83	1828724	1061.0	
05/02/85	1902828	938.0	
08/15/88	1995719	929.0	
04/22/90	2067547	876.0	

*This is a "parent" well
1/2 mile from the Allison
Unit No. 5A.*

**FLOWING AND STATIC BHP
CULLENDER AND SMITH METHOD**

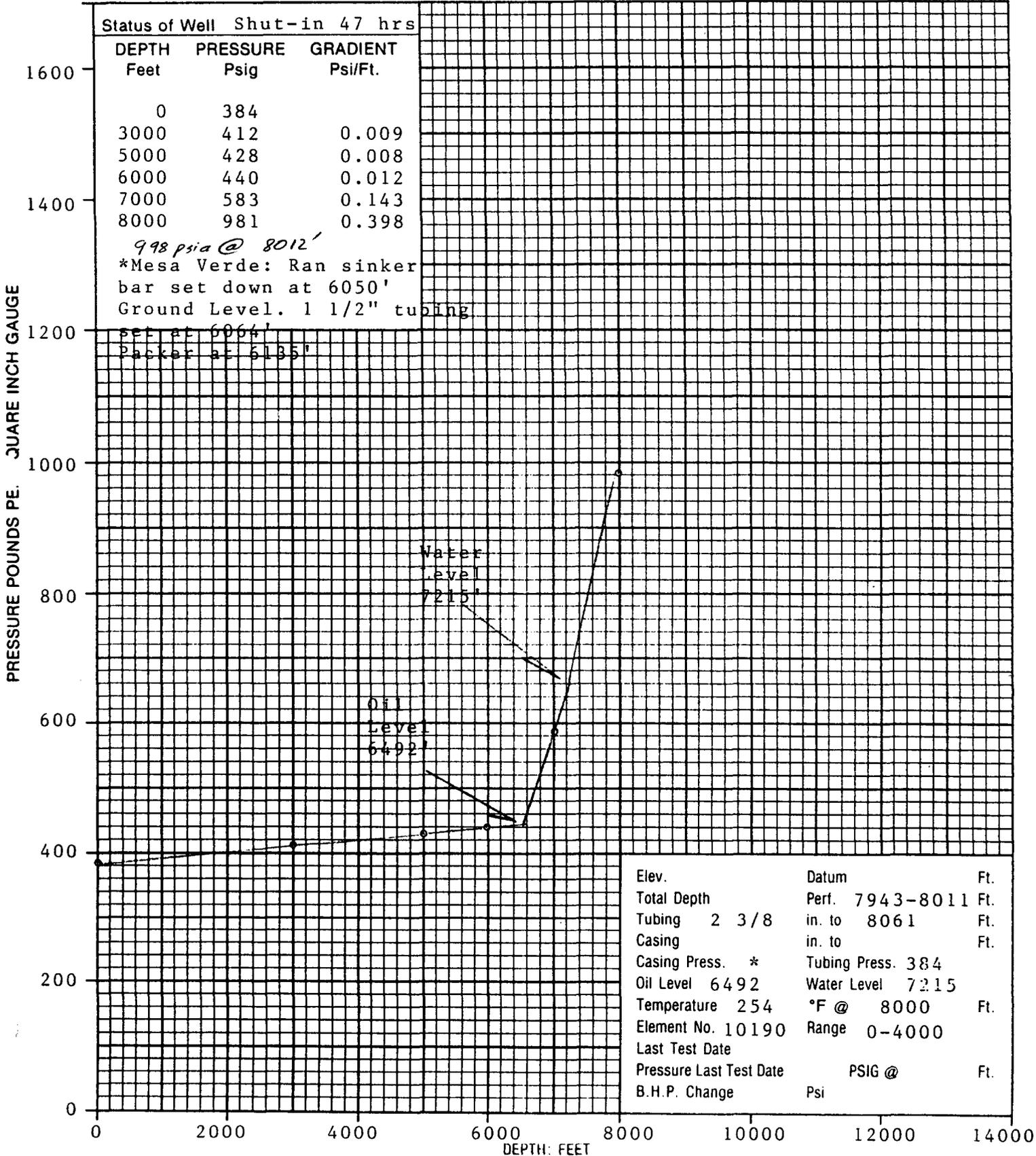
VERSION 1.0 3/13/94

GAS GRAVITY	<u>0.603</u>
COND. OR MISC. (C/M)	<u>M</u>
%N2	<u>0.14</u>
%CO2	<u>4.71</u>
%H2S	<u>0</u>
DIAMETER (IN)	<u>2</u>
DEPTH (FT)	<u>8012</u>
SURFACE TEMPERATURE (DEG F)	<u>60</u>
BOTTOMHOLE TEMPERATURE (DEG F)	<u>228</u>
FLOWRATE (MCFPD)	<u>0</u>
SURFACE PRESSURE (PSIA)	<u>2522</u>
BOTTOMHOLE PRESSURE (PSIA)	<u>2998.7</u>

Allison Unit No. 5A - Initial BHP (Dakota)
The Allison Unit No. 5A was an infill well.
Therefore, the Allison Unit No. 16 (1/2 mile away)
was used for initial reservoir pressures.



Company Burlington Resources Oil & Gas Lease Allison Unit Well No. 5-A
 Field _____ County San Juan State New Mexico
 Formation Dakota Test Date October 8, 1996



FARMINGTON

ANNUAL PRODUCTION FOR 52892B

PHS020M1

ALLISON UNIT 5A

LANCO MESAVERDE (PRORATED GAS FIELD MESAVERDE ZONE

===== OIL CUM =====	===== GAS CUM =====	===== WATER CUM =====
PC DATE	PC DATE	DATE
BBLs	MCF	BBLs

```

=====
YEAR      OIL      OIL CUM      GAS      GAS CUM      WATER      WATER CUM
1991      139562    1370670
1992      160454    1531124
1993      148111    1679235
1994      117154    1796389
1995      87396     1883785
1996      42780     1926565
=====

```

POSITION CURSOR BY YEAR AND PRESS ENTER TO DISPLAY MONTHLY PRODUCTION
 ENTER - CONTINUES ANNUAL DISPLAY PF3 - TRANSFER TO UPDATE
 PF6 - RETURN TO WELL-INFO DISPLAY PF9 - ANNUAL INJECTION DISPLAY
 PF10 - HELP INFORMATION

B MY JOB

LU #8

FARMINGTON

ANNUAL PRODUCTION FOR 52892A

PHS020M1

ALLISON UNIT 5A

ASIN DAKOTA (PRORATED GAS) FIELD

DAKOTA ZONE

===== OIL CUM =====

===== GAS CUM =====

===== WATER CUM =====

PC DATE

BBLs

PC DATE

MCF

DATE

BBLs

```
=====
```

YEAR	OIL	OIL CUM	GAS	GAS CUM	WATER	WATER CUM
1991			44040	478248	38	651
1992			36923	515171	33	684
1993			34965	550136	33	717
1994			31306	581442	26	743
1995			34180	615622	30	773
1996			20808	636430	19	792

POSITION CURSOR BY YEAR AND PRESS ENTER TO DISPLAY MONTHLY PRODUCTION

ENTER - CONTINUES ANNUAL DISPLAY

PF3 - TRANSFER TO UPDATE

PF6 - RETURN TO WELL-INFO DISPLAY

PF9 - ANNUAL INJECTION DISPLAY

PF10 - HELP INFORMATION

B MY JOB

LU #8

FARMINGTON 1996 MONTHLY PRODUCTION FOR 52892A
 ALLISON UNIT 5A
 BASIN DAKOTA (PRORATED GAS) FIELD DAKOTA ZONE

PHS030M1

MO	T	S	DAYS		OIL			GAS				WATER	PROD	C
			ON	PC	PROD	GRV	PC	PROD	ON	BTU	PRESS			
1	2	F	31				01	2897	31	951	15.025		3	
2	2	F	29				01	2742	29	951	15.025		2	
3	2	F	31				01	3364	31	951	15.025		3	
4	2	F	27				01	3018	27	951	15.025		3	
5	2	F	24				01	2069	24	951	15.025		2	
6	2	F	30				01	3261	30	951	15.025		3	
7	2	F	31				01	3457	31	951	15.025		3	
8	2	F	31				01	2956	31	951	15.025		3	
9	2	F	30				01	2564	30	951	15.025		2	
10														
11														
12														

PF6 - RETURNS TO ANNUAL DISPLAY PF3 - TRANSFER TO UPDATE
 PF10 - HELP INFORMATION PF9 - DISPLAY MONTHLY INJECTION
 00/00/00 00:00:00:0 PRS 11/05/96

B MY JOB NUM LU #14

FARMINGTON 1996 MONTHLY PRODUCTION FOR 52892B
 ALLISON UNIT 5A
 BLANCO MESAVERDE (PRORATED GAS) FIELD MESAVERDE ZONE

PHS030M1

MO	T	S	DAYS		OIL			GAS				WATER	PROD	C
			ON	PC	PROD	GRV	PC	PROD	ON	BTU	PRESS			
1	2	F					01	5303	31	986	15.025			
2	2	F					01	5513	29	986	15.025			
3	2	F					01	5682	31	986	15.025			
4	2	F					01	4965	25	986	15.025			
5	2	F					01	7285	28	986	15.025			
6	2	F					01	6854	30	986	15.025			
7	2	F					01	7178	31	986	15.025			
8	2	F					01	6972	31	986	15.025			
9	2	F					01	6366	30	986	15.025			
10														
11														
12														

PF6 - RETURNS TO ANNUAL DISPLAY PF3 - TRANSFER TO UPDATE
 PF10 - HELP INFORMATION PF9 - DISPLAY MONTHLY INJECTION
 00/00/00 00:00:00:0 PRS 11/05/96

B MY JOB NUM LU #14

FDG055M4 0473
START OF DATA
DP NO: 52892a
ALLISON UNIT

WELL PRODUCTION 8/8'S VOLUME

11/14/96 17:41:08

5A DATE: 961112 (YYMMDD FORMAT)
SCROLL FORWARD BY DATE: _

S

E	DATE	HOURS	-OIL PRODN-	-GAS PRODN-	-WATER PRODN-
L	PRODUCED	ON	(BOPD BOPM)	(MCFD MCFM)	(BWPD BWPM)
-	11/12/96	24.0	0.00 0.00	108 1130	0.00 0.00
-	11/11/96	24.0	0.00 0.00	138 1022	0.00 0.00
-	11/10/96	24.0	0.00 0.00	162 884	0.00 0.00
-	11/09/96	24.0	0.00 0.00	193 722	0.00 0.00
-	11/08/96	24.0	0.00 0.00	298 529	0.00 0.00
-	11/07/96	17.8	0.00 0.00	231 231	0.00 0.00
-	11/06/96	0.0	0.00 0.00	0 0	0.00 0.00
-	11/05/96	0.0	0.00 0.00	0 0	0.00 0.00
-	11/04/96	0.0	0.00 0.00	0 0	0.00 0.00
-	11/03/96	0.0	0.00 0.00	0 0	0.00 0.00
-	11/02/96	0.0	0.00 0.00	0 0	0.00 0.00

ENTER I UNDER SEL FOR MAINTENANCE

PF12=MAIN MENU PF6=NRI PF10=BROWSE MENU PF11=INQ/UPDATE MENU
B MY JOB ENTER=BACKWARDS LU #3 PF24=HELP

FDG055M4 0473
START OF DATA
DP NO: 52892b
ALLISON UNIT

WELL PRODUCTION 8/8'S VOLUME

11/14/96 17:41:46

5A DATE: 961112 (YYMMDD FORMAT)
SCROLL FORWARD BY DATE: _

S

E	DATE	HOURS	-OIL PRODN-	-GAS PRODN-	-WATER PRODN-
L	PRODUCED	ON	(BOPD BOPM)	(MCFD MCFM)	(BWPD BWPM)
-	11/12/96	24.0	0.00 0.00	239 2913	0.00 0.00
-	11/11/96	24.0	0.00 0.00	242 2674	0.00 0.00
-	11/10/96	24.0	0.00 0.00	242 2432	0.00 0.00
-	11/09/96	24.0	0.00 0.00	242 2190	0.00 0.00
-	11/08/96	24.0	0.00 0.00	242 1948	0.00 0.00
-	11/07/96	24.0	0.00 0.00	242 1706	0.00 0.00
-	11/06/96	24.0	0.00 0.00	242 1464	0.00 0.00
-	11/05/96	24.0	0.00 0.00	242 1222	0.00 0.00
-	11/04/96	24.0	0.00 0.00	248 980	0.00 0.00
-	11/03/96	24.0	0.00 0.00	248 732	0.00 0.00
-	11/02/96	24.0	0.00 0.00	248 484	0.00 0.00

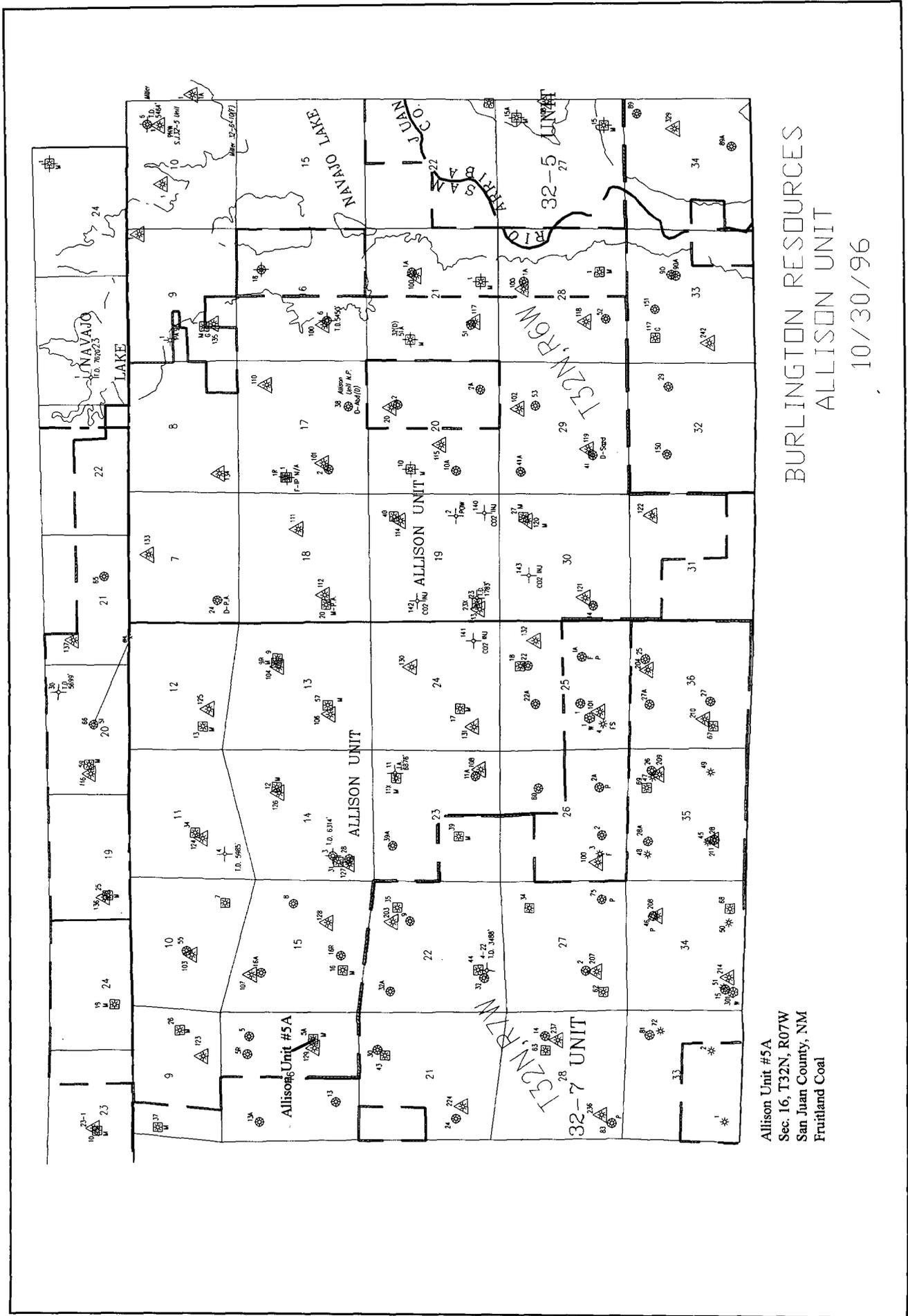
ENTER I UNDER SEL FOR MAINTENANCE

PF12=MAIN MENU PF6=NRI PF10=BROWSE MENU PF11=INQ/UPDATE MENU
B MY JOB ENTER=BACKWARDS LU #3 PF24=HELP

**Allison Unit #5A
Production Allocation**

Due to liquid loading on the Mesaverde side beginning in 1995, use 1994 production for allocation:

1994 Mesaverde Production:	117,154 Mcf	78.9%
1994 Dakota Production:	<u>31,306 Mcf</u>	<u>21.1%</u>
Total	148,460 Mcf	100.0%



Allison Unit #5A
 Sec. 16, T32N, R07W
 San Juan County, NM
 Fruitland Coal

BURLINGTON RESOURCES
 ALLISON UNIT
 10/30/96

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. 10743
Order No. R-9918

APPLICATION OF MERIDIAN OIL INC.
FOR DOWNHOLE COMMINGLING AND FOR
AN ADMINISTRATIVE DOWNHOLE COMMINGLING
PROCEDURE WITHIN THE ALLISON UNIT
AREA, SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on June 17, 1993, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 6th day of July, 1993, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

- (1) 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 Inc., seeks approval to commingle gas production from the Blanco-Mesaverde and Basin-Dakota Pools within the Allison Unit Well No. 9R located 1720 feet from the North line and 1655 feet from the East line (Unit G) of Section 13, Township 32 North, Range 7 West, NMPM, San Juan County, New Mexico.
- (3) The applicant further seeks the adoption of an administrative procedure for authorizing the downhole commingling of Blanco-Mesaverde and Basin-Dakota Pool production within certain existing and subsequently drilled wells in its Allison Unit Area, San Juan County, New Mexico, without additional notice to each affected interest owner within the Unit Area.

(4) The Allison Unit Well No. 9R is to be drilled as a replacement well for the Allison Unit Well No. 9 which is located 1765 feet from the North line and 1500 feet from the East line (Unit G) of Section 13 and which is currently completed in and producing from the Basin-Dakota Pool.

(5) The Allison Unit Well No. 9 was drilled in 1955 and has cumulatively recovered some 4.4 BCF of gas from the Basin-Dakota Pool.

(6) Due to the age and mechanical condition of the Allison Unit Well No. 9, the applicant has estimated that it will not recover some 1.7 BCF of gas in the Basin-Dakota Pool underlying the E/2 of Section 13.

(7) Applicant's testimony indicates that due to economics, the Allison Unit Well No. 9R cannot be drilled solely to recover gas reserves in the Basin-Dakota Pool.

(8) The applicant expects to encounter marginal production only from the Blanco-Mesaverde Pool.

(9) The proposed downhole commingling is necessary in order for the applicant to economically recover Basin-Dakota and Blanco-Mesaverde Pool reserves underlying the E/2 of Section 13.

(10) The Allison Unit is a Federal exploratory unit initially comprising some 11,705 acres in New Mexico and some 2,069 acres in Colorado. Within New Mexico, the unit comprises portions of Township 32 North, Ranges 6 and 7 West, NMPM, San Juan County. The unit was formed in 1950 and is currently operated by Meridian Oil Inc.

(11) The evidence and testimony presented indicates that the Basin-Dakota and Blanco-Mesaverde Pools have both been substantially developed within the Allison Unit.

(12) The applicant has identified numerous Mesaverde and Dakota well locations within the Allison Unit which by virtue of marginal gas reserves and resulting poor economics cannot be economically drilled and produced as stand alone units.

(13) The current well economics and projected Dakota and Mesaverde gas reserves underlying these respective tracts virtually assure that these wells must be downhole commingled in order to meet the economic criteria for drilling.

(14) The applicant expects initial producing rates from both the Mesaverde and Dakota formations to be fairly marginal in nature.

(15) The applicant further demonstrated through its evidence and testimony that within the wells it proposes or will propose to commingle within the Unit Area:

- a) there will be no crossflow between the two commingled pools;
- b) neither commingled zone exposes the other to damage by produced liquids;
- c) the fluids from each zone are compatible with the other;
- d) the bottomhole pressure of the lower pressure zone should not be less than 50 percent of the bottomhole pressure of the higher pressure zone adjusted to a common datum; and,
- e) the value of the commingled production is not less than the sum of the values of the individual production.

(16) The Dakota and Mesaverde Participating Areas within the Allison Unit are not common.

(17) By virtue of different Participating Areas, the interest ownership between the Dakota and Mesaverde formations within any given wellbore is not common.

(18) Applicant's Exhibit No. 2 in this case is a list of three hundred and fifty four (354) interest owners in the Dakota and Mesaverde Participating Areas within the Allison Unit. All such interest owners were notified of the application in this case.

(19) Rule No. 303(C) of the Division Rules and Regulations provides that administrative approval for downhole commingling may be granted provided that the interest ownership, including working, royalty and overriding royalty interest, is common among the commingled zones.

(20) Applicant's proposed administrative procedure would provide for Division approval to downhole commingle wells in the Allison Unit Area without hearing, and without the requirement that each interest owner in the Dakota and Mesaverde Participating Areas be notified of such commingling.

(21) The downhole commingling of wells within the Allison Unit Area will benefit working, royalty and overriding royalty interest owners. In addition, the downhole commingling of wells within the Allison Unit Area should not violate the correlative rights of any interest owner.

(22) The evidence in this case indicates that notice to each interest owner within the Dakota and Mesaverde Participating Areas of subsequent downhole comminglings within the Allison Unit is unnecessary and is an excessive burden on the applicant.

(23) No interest owner and/or offset operator appeared at the hearing in opposition to the application.

(24) An administrative procedure should be established within the Allison Unit for obtaining approval for subsequently downhole commingled wells without notice to Unit interest owners and hearing, provided however that, all provisions contained within Rule No. 303(C) of the Division Rules and Regulations, with the exception of Part 1 (b)(v), are fully complied with.

(25) The proposed administrative procedure for obtaining approval for downhole commingling will allow the applicant the opportunity to recover additional gas reserves from the Allison Unit Area which may otherwise not be recovered, thereby preventing waste, and will not violate correlative rights.

(26) In the interest of prevention of waste and protection of correlative rights, the proposed downhole commingling within the Allison Unit Well No. 9R should be approved.

(27) The applicant should consult with the supervisor of the Aztec District Office of the Division subsequent to the completion of the subject well in order to determine a proper allocation of production.

(28) The operator should immediately notify the supervisor of the Aztec district office of the Division any time the subject well has been shut-in for seven consecutive days and shall concurrently present, to the Division, a plan for remedial action.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Meridian Oil Inc., is hereby authorized to commingle gas production from the Blanco-Mesaverde and Basin-Dakota Pools within the Allison Unit Well No. 9R located 1720 feet from the North line and 1655 feet from the East line (Unit G) of Section 13, Township 32 North, Range 7 West, NMPM, San Juan County, New Mexico.

(2) The applicant shall consult with the supervisor of the Aztec district office of the Division subsequent to the completion of the subject well in order to determine a proper allocation of production.

(3) The operator shall immediately notify the supervisor of the Aztec district office of the Division any time the subject well has been shut-in for seven consecutive days and shall concurrently present, to the Division, a plan for remedial action.

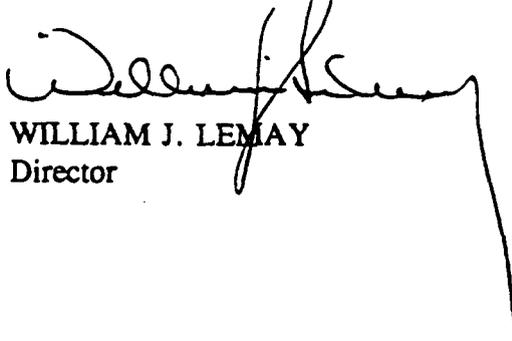
(4) An administrative procedure for obtaining approval to downhole commingle wells within the Allison Unit, located in portions of Township 32 North, Ranges 6 and 7 West, NMPM, San Juan County, New Mexico, is hereby established.

(5) In order to obtain Division authorization to downhole commingle wells within the Allison Unit, the applicant shall file an application with the Santa Fe and Aztec Offices of the Division. Such application shall contain all of the information required under Rule No. 303(C) of the Division Rules and Regulations, provided however that the applicant shall not be required to provide notice to all interest owners within the Dakota and Mesaverde Participating Areas in the Allison Unit of such proposed commingling. In addition, the application shall contain evidence that all offset operators and the United States Bureau of Land Management (BLM) have been notified of the proposed commingling.

(6) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

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