DHC 3/5/97

1460

BURLINGTON RESOURCES

SAN JUAN DIVISION

RECEIVED
FEB 13 1997
OIL CONSERVATION DIVISION

February 12, 1997

SENT FEDERAL EXPRESS

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

Re: Allison Unit #11X
917'FNL, 1086'FEL Section 23, T-32-N, R-7-W, San Juan County, NM
API #30-045-11346

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 is 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 69.6% for the Mesa Verde and 30.4% for the Dakota.

Please let me know if you require additional data.

Sincerely,

Peggy Bradfield

Peggy Bradfield
Regulatory/Compliance Administrator
encs.

xc: Bureau of Land Management

3535 East 30th St., 87402-8891, P.O. Box 4289, Farmington, New Mexico 87499-4289, Telephone 505-326-9700, Fax 505-326-9833

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

APPLICATION FOR DOWNHOLE COMMINGLING

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

APPROVAL PROCESS :
_X_ Administrative ___Hearing

EXISTING WELLBORE
_X_ YES ___ NO

Burlington Resources Oil & Gas Company PO Box 4289, Farmington, NM 87499

Operator | Address

Allison Unit | **11X** | **A 23-32-7** | **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. _30-045-11346__Federal __x___ , 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)	6010'-6068'		8291-8364'
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. 686 psia at 6039' (Original) b. 1230 psia @ 6039'	a. b.	a. 820 psia @ 8328' b. 3465 psia @ 8328'
6. Oil Gravity (°API) or Gas BTU Content	985		945
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 Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data	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: 11-19-96 Rates: 82 mcfd	Date: Rates:	Date: 11-19-96 Rates: 48 mcfd
8. Fixed Percentage Allocation Formula -% for each zone (total of %'s to equal 100%)	Oil: % Gas: % 69.6	Oil: % Gas: %	Oil: % Gas: % 30.4

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 __x__No
If not, have all working, overriding, and royalty interests been notified by certified mail? ___Yes __x__No
Have all offset operators been given written notice of the proposed downhole commingling? _X_Yes ____No

11. Will cross-flow occur? _x__ 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. __x___ Yes _____No (If No, attach explanation)

12. Are all produced fluids from all commingled zones compatible with each other? __x_ Yes ___ No

13. Will the value of production be decreased by commingling? ___ Yes _X_ 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._X__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

Form C-128 (6-57)

NEW MEXICO OIL CONSERVATION COMMISSION

Well Location and Acreage Dedication Plat

Section A.

Date JANUARY 3, 1961

Operator EL PASO NATURAL GAS COMPANY Lease ALLISON UNIT SF 078483-A

Well No. 11-X (MD) Unit Letter A Section 23 Township 32N Range 7W NMPM

Located 917 Feet From NORTH Line, 1086 Feet From EAST Line

County SAN JUAN G. L. Elevation 6809 Dedicated Acreage 320 & 320 Acres

Name of Producing Formation MESA VERDE & DAKOTA Pool BLANCO MV & BASIN DAKOTA

1. Is the Operator the only owner in the dedicated acreage outlined on the plat below?

   Yes _____ No X

2. If the answer to question one is "no", have the interests of all the owners been consolidated by communitization agreement or otherwise? Yes X No _____. If answer is "yes", Type of Consolidation

   Unit Agreement

3. If the answer to question two is "no", list all the owners and their respective interests below:

Owner	Land Description

RECEIVED
JAN 11 1961
OIL CON. COM.
DIST. 3

Section B.

This is to certify that the information in Section A above is true and complete to the best of my knowledge and belief.

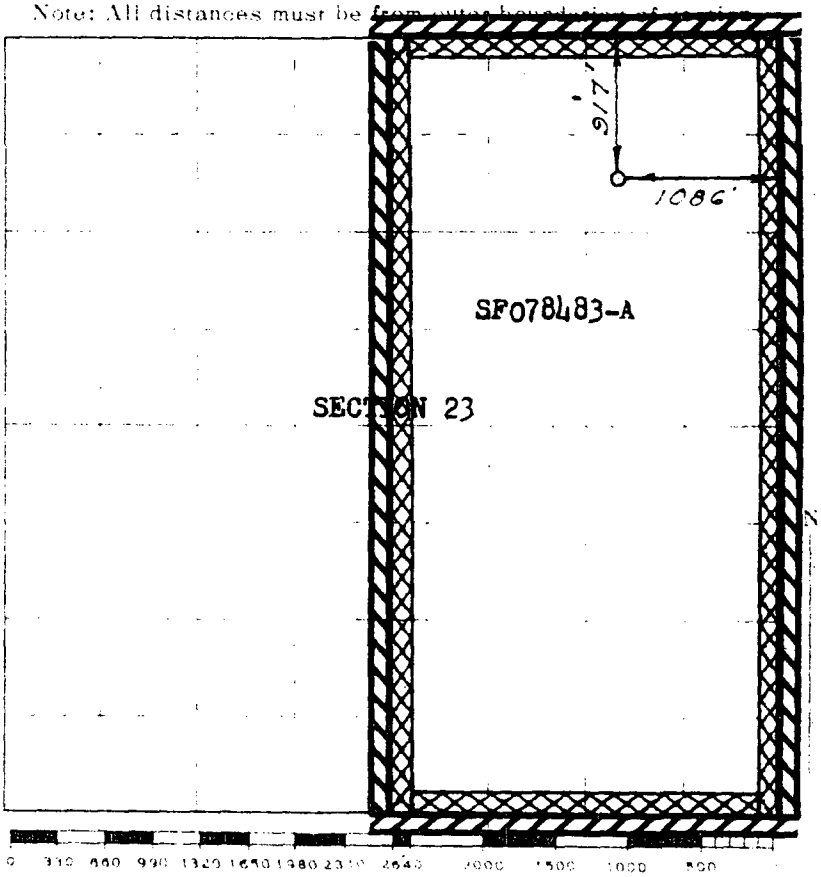
El Paso Natural Gas Company
(Operator)

Original Signed By: D.H. Oheim
(Representative)

Box 990
(Address)

Farmington, New Mexico

Note: All distances must be from outer boundaries of section



Scale 4 inches equal 1 mile

NOTE: THIS PLAT REISSUED TO SHOW CORRECTED DAKOTA ACREAGE. 1-3-61

This is to certify that the above plat was prepared from field notes of actual surveys made by me or under my supervision and that the same are true and correct to the best of my knowledge and belief.

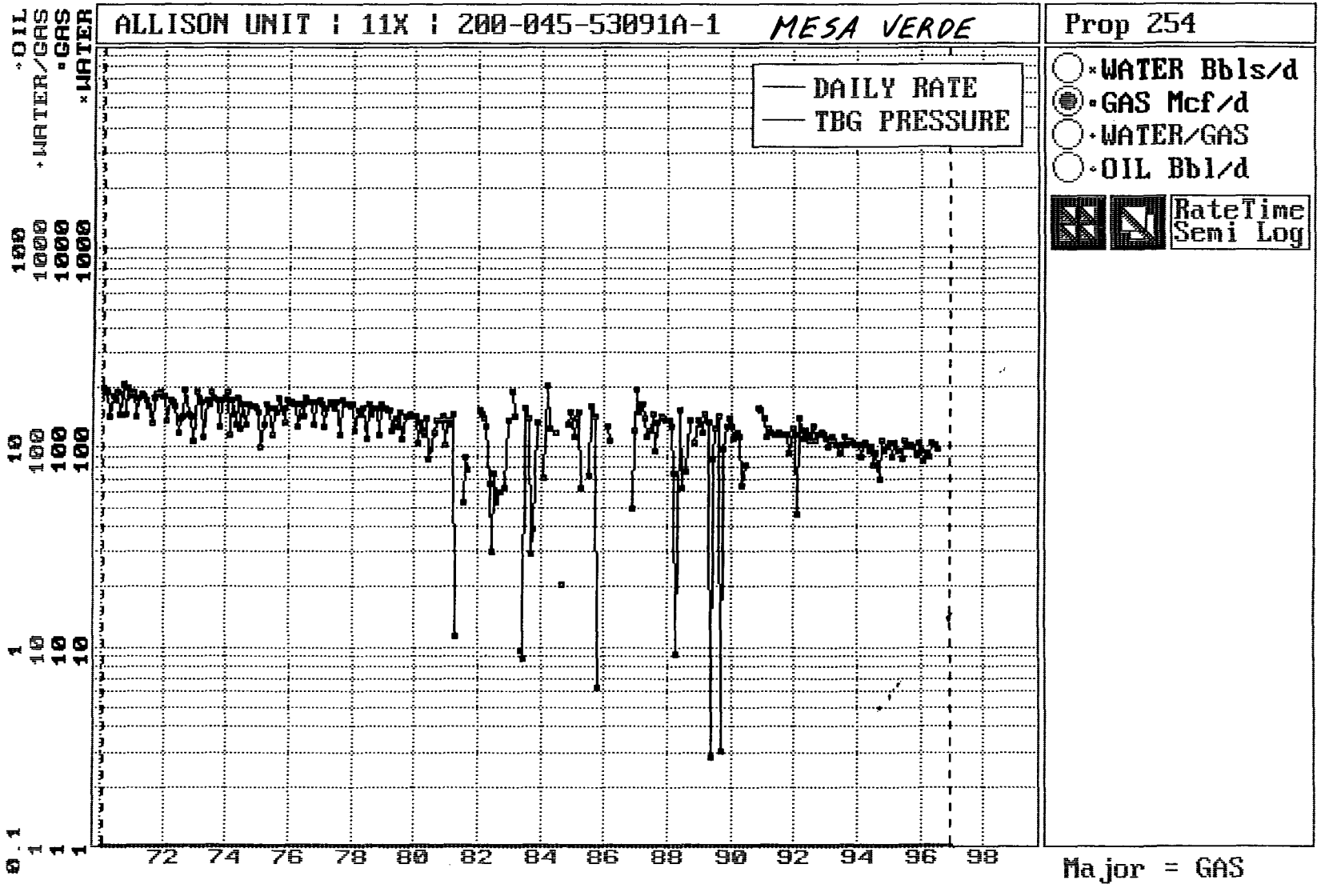
(Seal)

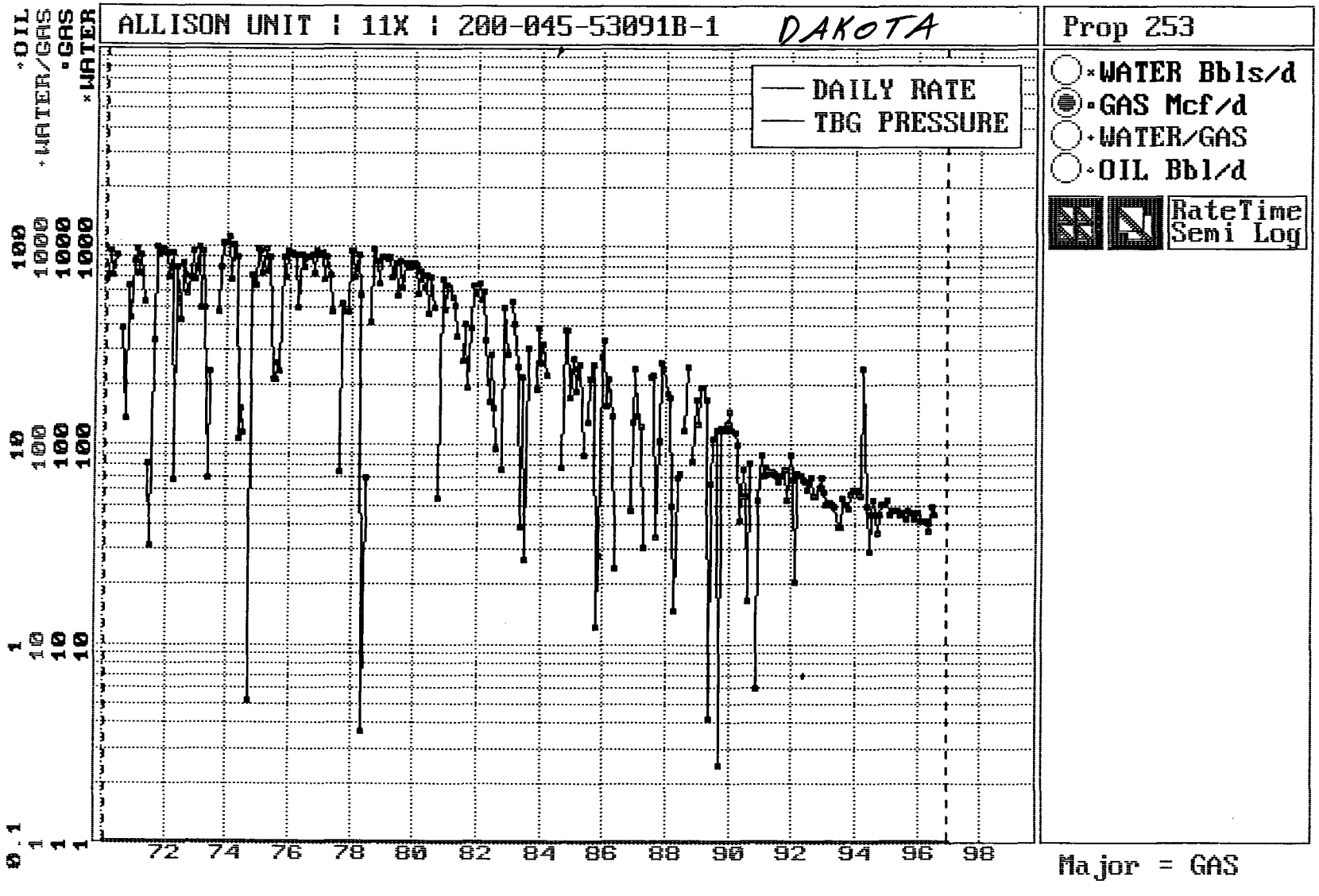
Date Surveyed MAY 6, 1957

Farmington, New Mexico

Registered Professional Engineer and/or Land Surveyor

E. O. Fraker


ALLISON UNIT ¦ 11X ¦ 200-045-53091A-1
MESA VERDE
DAILY RATE
TBG PRESSURE
Prop 254
WATER Bbls/d
GAS Mcf/d
WATER/GAS
OIL Bbl/d
RateTime
Semi Log
OIL
WATER/GAS
GAS
WATER
72 74 76 78 80 82 84 86 88 90 92 94 96 98
Major = GAS

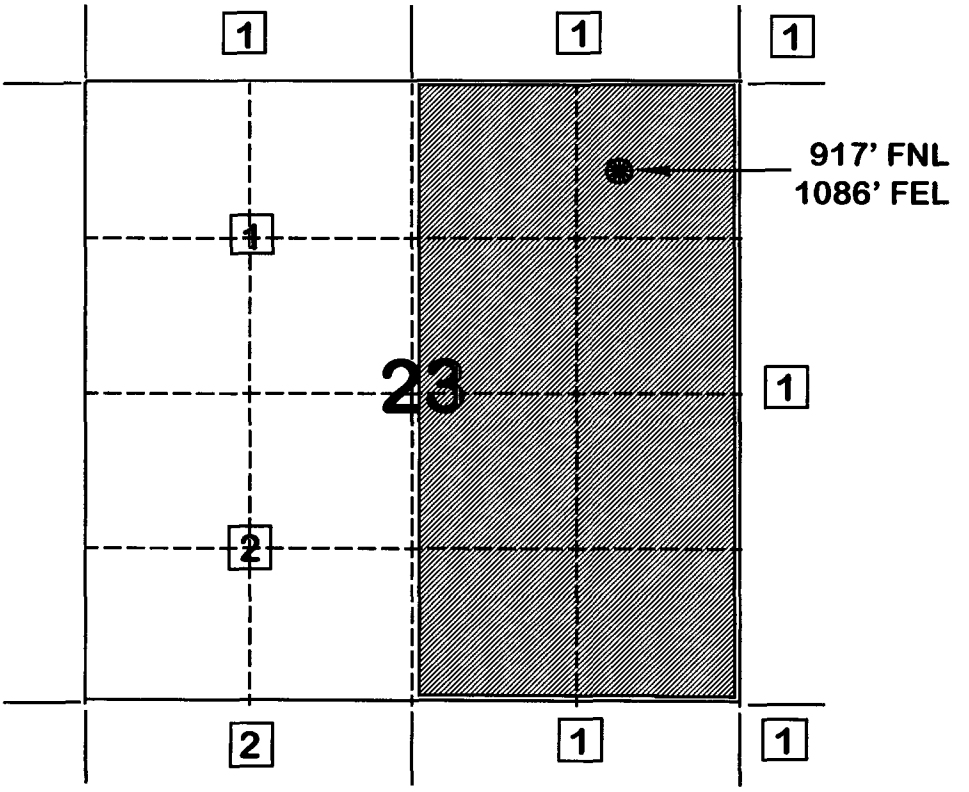

ALLISON UNIT : 11X : 200-045-53091B-1
DAKOTA
DAILY RATE
TBG PRESSURE
Prop 253
WATER Bbls/d
GAS Mcf/d
WATER/GAS
OIL Bbl/d
RateTime
Semi Log
Major = GAS
OIL
WATER/GAS
GAS
WATER
72
74
76
78
80
82
84
86
88
90
92
94
96
98

BURLINGTON RESOURCES OIL AND GAS COMPANY

Allison Unit #11X
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 11:06:12 1997
Property ID: 2400
Property Name: ALLISON UNIT | 11X | 53091A-1
Table Name: K:\ARIES\RR97PDP\TEST.DBF MESA VERDE

--DATE--	---CUM_GAS-- Mcf	M_SIWHP Psi	
08/04/57	0	1137.0	- Initial
09/05/57	0	1136.0	
11/14/58	99000	858.0	
07/29/59	157000	867.0	
02/22/60	209000	798.0	
07/28/61	320000	782.0	
04/25/62	370000	819.0	
04/29/63	420000	807.0	
04/22/64	480000	785.0	
05/03/65	553000	745.0	
02/23/66	611000	791.0	
03/06/67	680000	752.0	
03/08/68	746000	740.0	
06/22/69	838455	686.0	
06/02/70	907328	669.0	
07/19/71	977244	675.0	
08/10/72	1041490	643.0	
06/18/73	1089936	653.0	
04/18/74	1139638	670.0	
06/02/76	1260575	659.0	
08/03/78	1384674	627.0	
07/01/80	1476544	658.0	
05/18/82	1538630	694.0	
07/02/84	1593376	725.0	
03/18/86	1635873	718.0	
09/31/89	1750829	643.0	
09/31/89	1750829	643.0	
09/31/89	1750829	643.0	
02/18/91	1798265	599.0	
07/15/91	1816411	611.0	
07/05/93	1897187	592.0	- Current

FLOWING AND STATIC BHP
CULLENDER AND SMITH METHOD

VERSION 1.0 3/13/94

GAS GRAVITY	**0.587**
COND. OR MISC. (C/M)	**M**
%N2	**0.45**
%CO2	**2.22**
%H2S	**0**
DIAMETER (IN)	**2**
DEPTH (FT)	**6039**
SURFACE TEMPERATURE (DEG F)	**60**
BOTTOMHOLE TEMPERATURE (DEG F)	**137**
FLOWRATE (MCFPD)	**0**
SURFACE PRESSURE (PSIA)	**1074**
BOTTOMHOLE PRESSURE (PSIA)	1230.4

Allison Unit No. 11X - Initial BHP (Mesa Verde)

FLOWING AND STATIC BHP
CULLENDER AND SMITH METHOD

VERSION 1.0 3/13/94

GAS GRAVITY	**0.587**
COND. OR MISC. (C/M)	**M**
%N2	**0.45**
%CO2	**2.22**
%H2S	**0**
DIAMETER (IN)	**2**
DEPTH (FT)	**6039**
SURFACE TEMPERATURE (DEG F)	**60**
BOTTOMHOLE TEMPERATURE (DEG F)	**137**
FLOWRATE (MCFPD)	**0**
SURFACE PRESSURE (PSIA)	**603**
BOTTOMHOLE PRESSURE (PSIA)	685.8

Allison Unit No. 11X - Current BHP (Mesa Verde)

Page No.: 1
Print Time: Wed Feb 12 11:06:33 1997
Property ID: 11
Property Name: ALLISON UNIT | 11X | 53091B-1
Table Name: K:\ARIES\RR97PDP\TEST.DBF DAKOTA

--DATE--	---CUM_GAS-- Mcf	M_SIWHP Psi	
08/04/57	0	2901.0	- Initial
07/29/59	962000	2082.0	
02/22/60	1399000	1506.0	
07/28/61	1961000	1425.0	
11/20/62	2167000	1722.0	
05/06/63	2205000	1657.0	
04/22/64	2361000	1543.0	
05/03/65	2555000	1534.0	
02/23/66	2674000	1682.0	
03/06/67	2899000	1458.0	
08/15/68	3256000	1324.0	
04/16/69	3456024	1122.0	
06/02/70	3655750	1124.0	
07/19/71	3829844	1285.0	
04/04/72	4036775	1085.0	
06/18/73	4309200	1140.0	
04/29/75	4713529	1091.0	
08/08/77	5275946	1092.0	
06/05/79	5707944	1012.0	
06/02/81	6187383	734.0	
09/02/83	6370730	736.0	
05/02/85	6475831	728.0	
08/15/88	6606677	641.0	
06/08/90	6681545	682.0	- Current

FLOWING AND STATIC BHP
CULLENDER AND SMITH METHOD

VERSION 1.0 3/13/94

GAS GRAVITY	**0.605**
COND. OR MISC. (C/M)	**M**
%N2	**0.75**
%CO2	**4.68**
%H2S	**0**
DIAMETER (IN)	**2**
DEPTH (FT)	**8328**
SURFACE TEMPERATURE (DEG F)	**60**
BOTTOMHOLE TEMPERATURE (DEG F)	**228**
FLOWRATE (MCFPD)	**0**
SURFACE PRESSURE (PSIA)	**2900**
BOTTOMHOLE PRESSURE (PSIA)	3464.5

Allison Unit No. 11X - Initial BHP (Dakota)

FLOWING AND STATIC BHP
CULLENDER AND SMITH METHOD
VERSION 1.0 3/13/94

GAS GRAVITY	**0.605**
COND. OR MISC. (C/M)	**M**
%N2	**0.75**
%CO2	**4.68**
%H2S	**0**
DIAMETER (IN)	**2**
DEPTH (FT)	**8328**
SURFACE TEMPERATURE (DEG F)	**60**
BOTTOMHOLE TEMPERATURE (DEG F)	**228**
FLOWRATE (MCFPD)	**0**
SURFACE PRESSURE (PSIA)	**693**
BOTTOMHOLE PRESSURE (PSIA)	820.0

Allison Unit No. 11X - Current BHP (Dakota)

FDG055M4 0786 WELL PRODUCTION 8/8'S VOLUME 11/21/96 20:46:20
START OF DATA
DP NO: 53091a DATE: 961119 (YYMMDD FORMAT)
ALLISON UNIT 11X SCROLL FORWARD BY DATE: _
S MESA VERDE

E L	DATE PRODUCED	HOURS ON	-OIL PRODN- (BOPD	BOPM)	-GAS PRODN- (MCFD	MCFM)	-WATER PRODN- (BWPD	BWPM)
_	11/19/96	24.0	0.00	0.00	82	1617	0.00	0.00
_	11/18/96	24.0	0.00	0.00	82	1535	0.00	0.00
_	11/17/96	24.0	0.00	0.00	82	1453	0.00	0.00
_	11/16/96	24.0	0.00	0.00	80	1371	0.00	0.00
_	11/15/96	24.0	0.00	0.00	80	1291	0.00	0.00
_	11/14/96	24.0	0.00	0.00	80	1211	0.00	0.00
_	11/13/96	24.0	0.00	0.00	80	1131	0.00	0.00
_	11/12/96	24.0	0.00	0.00	80	1051	0.00	0.00
_	11/11/96	24.0	0.00	0.00	88	971	0.00	0.00
_	11/10/96	24.0	0.00	0.00	88	883	0.00	0.00
_	11/09/96	24.0	0.00	0.00	88	795	0.00	0.00

ENTER I UNDER SEL FOR MAINTENANCE

PF6=NRI PF10=BROWSE MENU PF11=INQ/UPDATE MENU
PF12=MAIN MENU ENTER=BACKWARDS PF24=HELP
B MY JOB LU #2

FDG055M4 0786 WELL PRODUCTION 8/8'S VOLUME 11/21/96 20:47:03
START OF DATA
DP NO: 53091b DATE: 961119 (YYMMDD FORMAT)
ALLISON UNIT 11X SCROLL FORWARD BY DATE: _
S DAKOTA

E L	DATE PRODUCED	HOURS ON	-OIL PRODN- (BOPD	BOPM)	-GAS PRODN- (MCFD	MCFM)	-WATER PRODN- (BWPD	BWPM)
_	11/19/96	24.0	0.00	0.00	48	860	0.00	0.00
_	11/18/96	24.0	0.00	0.00	48	812	0.00	0.00
_	11/17/96	24.0	0.00	0.00	44	764	0.00	0.00
_	11/16/96	24.0	0.00	0.00	45	720	0.00	0.00
_	11/15/96	24.0	0.00	0.00	45	675	0.00	0.00
_	11/14/96	24.0	0.00	0.00	45	630	0.00	0.00
_	11/13/96	24.0	0.00	0.00	45	585	0.00	0.00
_	11/12/96	24.0	0.00	0.00	45	540	0.00	0.00
_	11/11/96	24.0	0.00	0.00	44	495	0.00	0.00
_	11/10/96	24.0	0.00	0.00	44	451	0.00	0.00
_	11/09/96	24.0	0.00	0.00	44	407	0.00	0.00

ENTER I UNDER SEL FOR MAINTENANCE

PF6=NRI PF10=BROWSE MENU PF11=INQ/UPDATE MENU
PF12=MAIN MENU ENTER=BACKWARDS PF24=HELP
B MY JOB LU #2

FARMINGTON ANNUAL PRODUCTION FOR 53091A PHS020M1
ALLISON UNIT 11X
BLANCO MESAVERDE (PRORATED GAS FIELD MESAVERDE ZONE

====== OIL CUM =======		====== GAS CUM =======		==== WATER CUM =====
PC DATE	BBLS	PC DATE	MCF	DATE BBLS
02 6912		01 6912	874172	

YEAR	OIL	OIL CUM	GAS	GAS CUM	WATER	WATER CUM
1990			28536	1790486		
1991			43285	1833771		
1992			41122	1874893		
1993			38520	1913413		
1994			35094	1948507		
1995			36415	1984922		
1996			26588	2011510		

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
00/00/00 00:00:00:0 D03 09/02/89
B MY JOB LU #23

FARMINGTON 1996 MONTHLY PRODUCTION FOR 53091A PHS030M1
ALLISON UNIT 11X
BLANCO MESAVERDE (PRORATED GAS FIELD MESAVERDE ZONE

			DAYS	====== OIL =======			========== GAS ==========					
MO	T	S	ON	PC	PROD	GRV	PC	PROD	ON	BTU	PRESS	WATER PROD C
1	2	F					01	2906	31	984	15.025	
2	2	F					01	2618	29	984	15.025	
3	2	F					01	2862	31	984	15.025	
4	2	F					01	2708	25	984	15.025	
5	2	F					01	3250	28	984	15.025	
6	2	F					01	3188	30	996	15.025	
7	2	F					01	2984	31	984	15.025	
8	2	F					01	3045	31	996	15.025	
9	2	F					01	3027	30	984	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

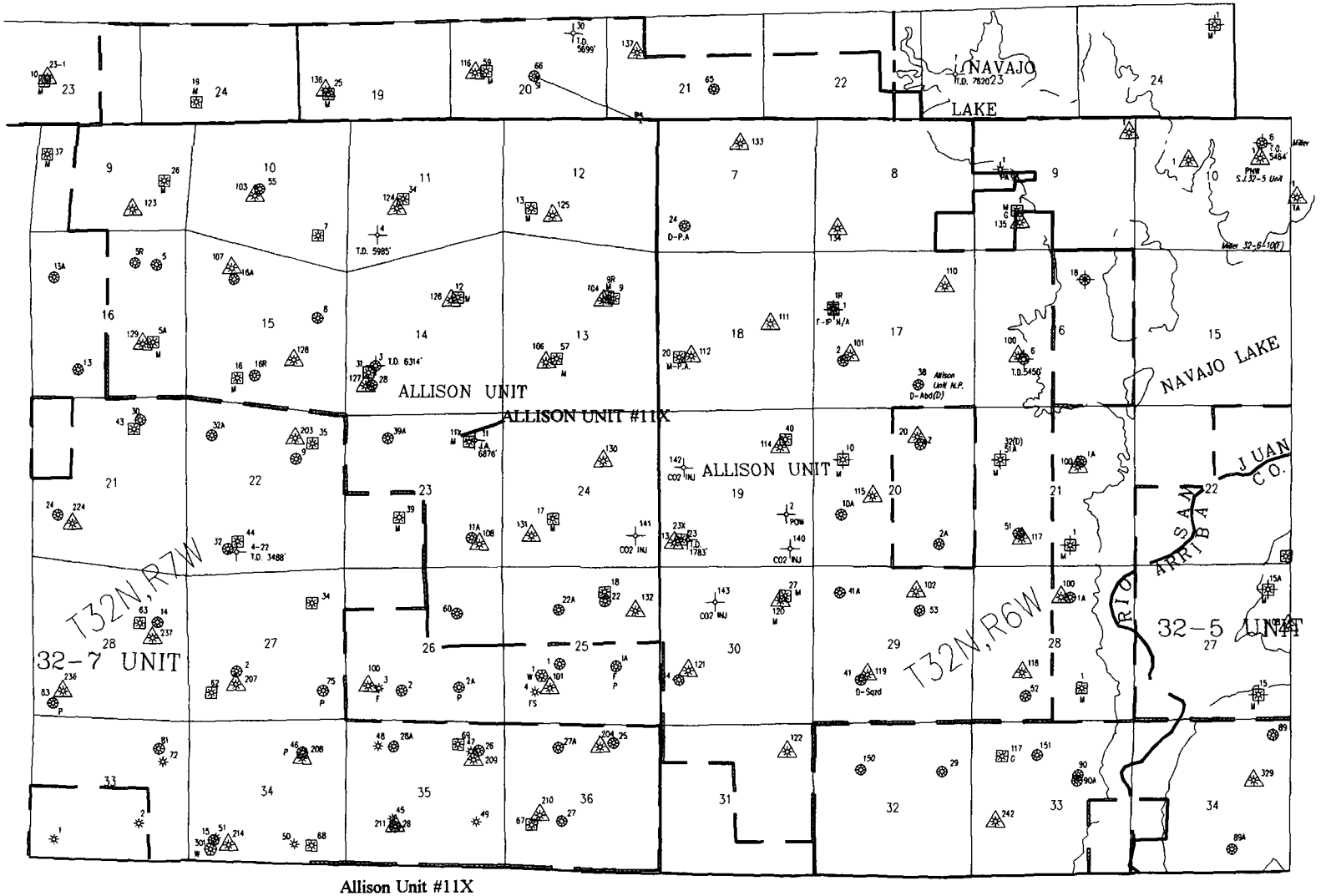
B MY JOB NUM LU #23

```
FARMINGTON                    ANNUAL PRODUCTION FOR  53091B                PHS020M1
ALLISON UNIT    11X
BASIN DAKOTA (PRORATED GAS) FIELD          DAKOTA ZONE
====== OIL CUM =======       ====== GAS CUM =======       ==== WATER CUM =====
PC  DATE          BBLS       PC  DATE           MCF       DATE            BBLS
02  6912                     01  6912        3533983
=============================================================================
   YEAR          OIL     OIL CUM          GAS     GAS CUM       WATER   WATER CUM
   1990                                  24806     6688050
   1991                                  26961     6715011
   1992                                  22460     6737471
   1993                                  18603     6756074
   1994                                  23562     6779636
   1995                                  16957     6796593
   1996                                  11612     6808205


   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
                          00/00/00  00:00:00:0   D03  09/02/89
B MY JOB                          LU #23


FARMINGTON              1996 MONTHLY PRODUCTION FOR 53091B          PHS030M1
ALLISON UNIT    11X
BASIN DAKOTA (PRORATED GAS) FIELD          DAKOTA ZONE

        DAYS ====== OIL =======  ============= GAS ============
MO T S  ON  PC       PROD  GRV  PC       PROD  ON   BTU  PRESS  WATER PROD   C
 1 2 F                          01       1397  31   952 15.025
 2 2 F                          01       1267  29   952 15.025
 3 2 F                          01       1272  31   952 15.025
 4 2 F                          01       1287  27   952 15.025
 5 2 F                          01       1141  23   952 15.025
 6 2 F                          01       1495  30   945 15.025
 7 2 F                          01       1365  31   945 15.025
 8 2 F                          01       1345  31   945 15.025
 9 2 F                          01       1043  24   945 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 #23
```

ALLISON UNIT #11X

Production Allocation

1996 Mesa Verde Production:	26,588 MCF	69.6%
1996 Dakota Production:	11,612 MCF	30.4%
	38,200 MCF	100.0%



Allison Unit #11X
Sec. 23, T32N, R7W

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 commingling 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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