

*Don
Wick*



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION



BRUCE KING
GOVERNOR

ANITA LOCKWOOD
CABINET SECRETARY

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

ADMINISTRATIVE ORDER DHC-1013

Meridian Oil, Inc.
P.O. Box 4289
Farmington, NM 87499-4289

Attention: John D. Clayton

*Huerfano Unit No. 217R
Unit G, Section 29, Township 27 North, Range 10 West, NMPM,
San Juan County, New Mexico.
Basin-Dakota and Angel Peak-Gallup Pools*

MAY 3 1994
OIL CONSERVATION DIVISION
SANTA FE, NM

Dear Mr. Clayton:

Reference is made to your recent application for an exception to Rule 303-A of the Division Rules and Regulations to permit the subject well to commingle production from both pools in the wellbore.

It appearing that the subject well qualifies for approval for such exception pursuant to the provisions of Rule 303-C, and that reservoir damage or waste will not result from such downhole commingling, and correlative rights will not be violated thereby, you are hereby authorized to commingle the production as described above and any Division Order which authorized the dual completion and required separation of the two zones is hereby placed in abeyance.

In accordance with the provisions of Rule 303-C-4., total commingled oil production from the subject well shall not exceed 40 barrels per day, and total water production shall not exceed 80 barrels per day. The maximum amount of gas which may be produced daily from the well shall be determined by Division Rules and Regulations or by the gas allowable for each respective prorated pool as printed in the Division's San Juan Basin Gas Proration Schedule.

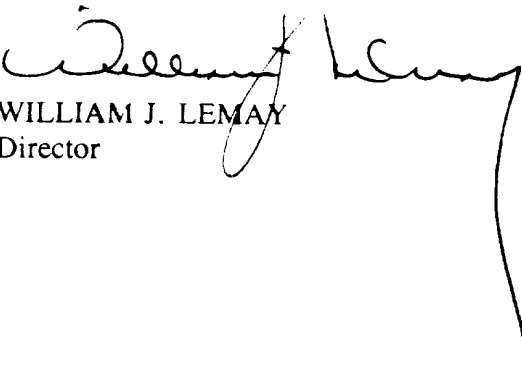
In accordance with the provisions of Rule 303-C, the supervisor of the Aztec District Office of the Oil Conservation Division shall determine the proper allocation of production from the subject well following its completion.

FURTHER: The operator shall notify the Aztec District Office of the Division upon implementation of the commingling process.

Pursuant to Rule 303-C-5, the commingling authority granted by the order may be rescinded by the Division Director if, in his opinion, conservation is not being best served by such commingling.

Approved at Santa Fe, New Mexico on this 25th day of May, 1994.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

S E A L

WJL/DRC/amg

cc: Oil Conservation Division - Aztec
US Bureau of Land Management - Farmington

Ernie Busch

From: Ernie Busch
To: David Catanach
Subject: MERIDIAN OIL INC. (DHC)
Date: Tuesday, May 17, 1994 10:43AM
Priority: High

WELL NAME & NO. HUERFANO UNIT #217R
LOCATION G-29-27N-10W
RECOMMEND APPROVAL

Control Number: 005939

POINT OF DISPOSITION AND WELL COMPLETION INFORMATION

OGRID: 002505 Operator Name: BLACKWOOD & NICHOLS CO A LTD PARTNERSHIP

1500 MID AMERICAN TOWER

OKLAHOMA

OK 73102-8260

C-115 Filer Contact Name:

Christell Sammons

Phone:

405 552-4732 FAX: 405 552-4550

REVISION

POD: 0602810 Product Type: OIL Facility Type: 03 Location: 0 33 31N 07W County SAN JUAN

OGRID Name

OGRID Name

Authorized Transporter(s): 009018 GIANT REFINERY

Description of POD (40 characters or less):

POD: 0602830 Product Type: GAS Facility Type: 01 Location: 0 33 31N 07W County SAN JUAN

OGRID Name

OGRID Name

Authorized Transporter(s): 046494 NORTHWEST PIPELINE CORP.

025344 Williams Field Services

Description of POD (40 characters or less):

POD: 0602850 Product Type: WATER Facility Type: 05 Location: 0 33 31N 07W County SAN JUAN

Description of POD (40 characters or less):

WELL COMPLETIONS

Code Pool Name

Code Producing Property Name

API Well No.

Location

Well

72319 BLANCO MESAVERDE (PRORATED GAS)

002117 NORTHEAST BLANCO UNIT

30-045-25093 0 33 31N 07W 054A

MERIDIAN OIL

April 26, 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: Huerfano Unit #217R
1395 FNL 1460 FEL, Section 29, T27N, R10W
San Juan County, New Mexico
Downhole Commingling Request

RECEIVED
IN
OIL CONSERVATION
DIVISION

Dear Mr. LeMay:

Meridian Oil Inc. in accordance with Division Rule 303-C applies for an administrative downhole commingling order for the referenced well in the Angel Peak Gallup and the Basin Dakota fields. Meridian Oil operates the Huerfano Unit in which the well will be located. The ownerships of the zones to be commingled are not identical, but the Commission, pursuant to NMOCD Order No. R-9711, attached, has previously authorized the administrative approval to commingle the two zones within the Huerfano Unit. The offset operators to this proposed well are Conoco, Inc., Amoco Production Company, Marathon Oil Company and B.B.L. Ltd. The Bureau of Land Management and the above mentioned operators have received notification of this downhole commingle.

The proposed project is a redrill of the Huerfano Unit #217 DK wellbore which suffered an extensive casing failure and was plugged in 1992. The estimated remaining reserves associated with the Dakota formation in this drill block do not economically justify a redrill or dual completion of this location. The only economical way to recover the Dakota remaining reserves in this drill block is to downhole commingle production from both the Dakota and Gallup zones in this well.

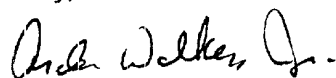
It is proposed to complete the Dakota formation and conduct a subsequent production test. It is then proposed to set a bridge plug above the Dakota, perforate and stimulate the Gallup, and test its production. The bridge plug will then be removed, and both zones produced through a single string of tubing. The reservoir characteristics of each of the subject zones are such that underground waste will not be caused by the proposed commingling. Attached with this application are the fluid compatibility tests run on Gallup and Dakota samples from the Huerfano Unit #105 well located 0.5 miles south of the intended redrill. The tests indicate that the fluids from both formations are compatible and that no precipitates will be formed which could potentially damage either reservoir. The shut-in pressures for the Dakota and Gallup are 428 and 274 psi, respectively.

The allocation of the commingled production will be calculated using flow tests from the Dakota and Gallup zones during completion operations. Meridian will consult with the district supervisor of the Aztec NMOCD office for approval of the allocation.

New Mexico Oil Conservation Division
Mr. Bill LeMay
Huerfano Unit #217R
Downhole Commingling Request
Page Two

Approval of this commingling application will allow for the prevention of wasted resources and protection of correlative rights. A similar application for a Huerfano Unit well (Huerfano Unit #131 NW/4 Sec. 34, T26N, R10W, has already received administrative approval NMOCD Order # R-9711). Included with this letter are plats showing ownership of offsetting leases for both the Dakota and Gallup, a copy of letters to the BLM and offset operators, a detailed report of fluid compatibility, and NMOCD Order No. R-9711.

Sincerely,

A handwritten signature in black ink, appearing to read "Arden L. Walker, Jr.", with a stylized flourish at the end.

Arden L. Walker, Jr.
Regional Production Engineer

KAS:tdg
Attachments

cc: Frank T. Chavez - NMOCD/Aztec

MERIDIAN OIL INC

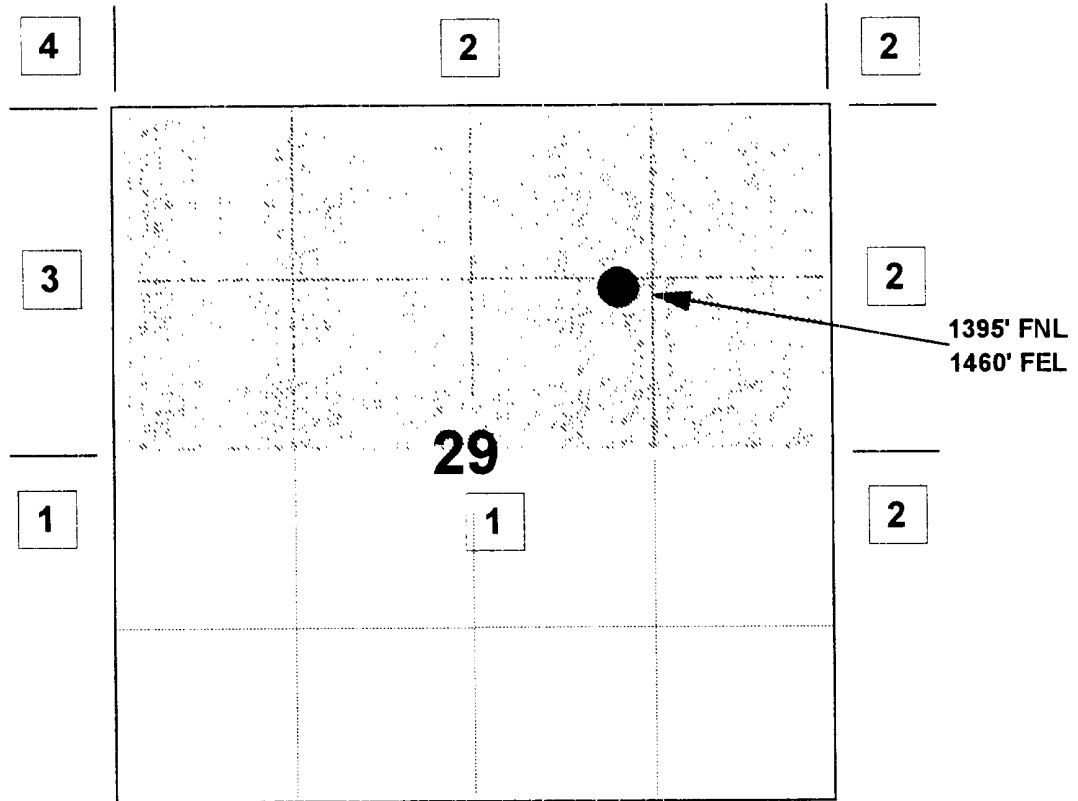
HUERFANO UNIT #217R

OFFSET OPERATOR \ OWNER PLAT

Gallup / Dakota Commingle Well

Unorthodox Gallup \ Dakota Well Location

Township 27 North, Range 10 West



1) Meridian Oil Inc

2) Amoco Production Company

PO Box 800, Denver, CO 80201 &

Conoco, Inc.

10 Desta Dr, Suite 100W, Midland, TX 79705-4500

3) B.B.L. Ltd.

PO Box 911, Breckenridge, TX 76024

4) Meridian Oil Inc &

Marathon Oil Company

PO Box 552, Midland, TX 79702

Gallup Formation

MERIDIAN OIL INC

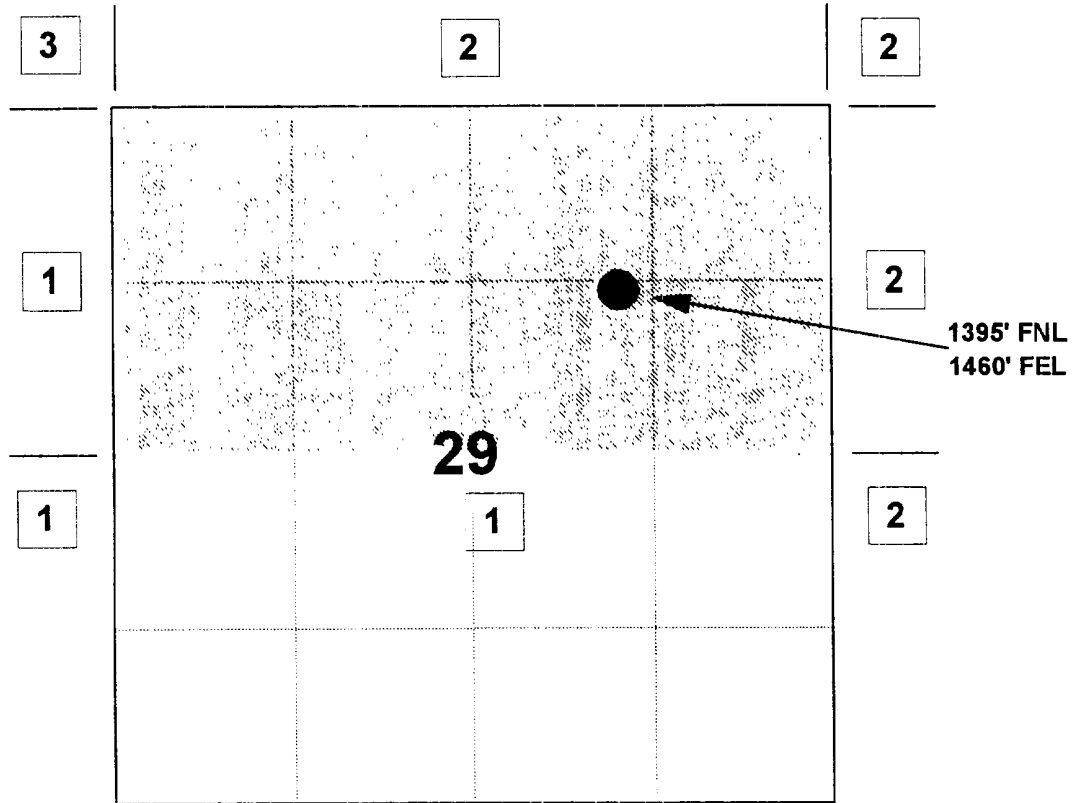
HUERFANO UNIT #217R

OFFSET OPERATOR \ OWNER PLAT

Gallup / Dakota Commingle Well

Unorthodox Gallup \ Dakota Well Location

Township 27 North, Range 10 West



1) Meridian Oil Inc

2) Amoco Production Company

PO Box 800, Denver, CO 80201 &

3) Meridian Oil Inc &

Marathon Oil Company

PO Box 552, Midland, TX 79702

Dakota Formation

MERIDIAN OIL

April 26, 1994

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

RE: Huerfano Unit #217R
Unit G, Section 29, T27N, R10W
San Juan County, New Mexico
Downhole Commingling Request

Gentlemen:

Meridian Oil Inc. is in the process of applying for a downhole commingling order from the New Mexico Oil Conservation Division (NMOCD) for the referenced well located in San Juan County, New Mexico. The approved application will commingle the Angel Peak Gallup and the Basin Dakota fields.

The purpose of this letter is to notify you of Meridian's application. If you have no objections to the NMOCD issuing a commingling order, we would appreciate your signing this letter and returning the original to Mr. LeMay at the following address with a copy to this office:

New Mexico Oil Conservation Division
Mr. William LeMay
P.O. Box 2088
Santa Fe, New Mexico 87501

Your prompt attention to this matter would be appreciated.

Sincerely,



Keith A. Swainson
Reservoir Engineer

**The undersigned hereby waives objection to the referenced
Downhole Commingle Request.**

Company/Owner: _____

Title: _____

Date: _____

April 26, 1994

Amoco Production Company
P.O. Box 800
Denver, Colorado 80201

RE: Huerfano Unit #217R
Unit G, Section 29, T27N, R10W
San Juan County, New Mexico
Downhole Commingling Request

Gentlemen:

Meridian Oil Inc. is in the process of applying for a downhole commingling order from the New Mexico Oil Conservation Division (NMOCD) for the referenced well located in San Juan County, New Mexico. The approved application will commingle the Angel Peak Gallup and the Basin Dakota fields.

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Mr. William LeMay
P.O. Box 2088
Santa Fe, New Mexico 87501

Your prompt attention to this matter would be appreciated.

Sincerely,


Keith A. Swainson
Reservoir Engineer

**The undersigned hereby waives objection to the referenced
Downhole Commingle Request.**

Company/Owner: _____

Title: _____

Date: _____

MERIDIAN OIL

April 26, 1994

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

RE: Huerfano Unit #217R
Unit G, Section 29, T27N, R10W
San Juan County, New Mexico
Downhole Commingling Request

Gentlemen:

Meridian Oil Inc. is in the process of applying for a downhole commingling order from the New Mexico Oil Conservation Division (NMOCD) for the referenced well located in San Juan County, New Mexico. The approved application will commingle the Angel Peak Gallup and the Basin Dakota fields.

The purpose of this letter is to notify you of Meridian's application. If you have no objections to the NMOCD issuing a commingling order, we would appreciate your signing this letter and returning the original to Mr. LeMay at the following address with a copy to this office:

New Mexico Oil Conservation Division
Mr. William LeMay
P.O. Box 2088
Santa Fe, New Mexico 87501

Your prompt attention to this matter would be appreciated.

Sincerely,



Keith A. Swainson
Reservoir Engineer

**The undersigned hereby waives objection to the referenced
Downhole Commingle Request.**

Company/Owner: _____

Title: _____

Date: _____

MERIDIAN OIL

April 26, 1994

Conoco, Inc.
10 Desta Drive
Suite 100W
Midland, Texas 79705-4500

RE: Huerfano Unit #217R
Unit G, Section 29, T27N, R10W
San Juan County, New Mexico
Downhole Commingling Request

Gentlemen:

Meridian Oil Inc. is in the process of applying for a downhole commingling order from the New Mexico Oil Conservation Division (NMOCD) for the referenced well located in San Juan County, New Mexico. The approved application will commingle the Angel Peak Gallup and the Basin Dakota fields.

The purpose of this letter is to notify you of Meridian's application. If you have no objections to the NMOCD issuing a commingling order, we would appreciate your signing this letter and returning the original to Mr. LeMay at the following address with a copy to this office:

New Mexico Oil Conservation Division
Mr. William LeMay
P.O. Box 2088
Santa Fe, New Mexico 87501

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Sincerely,



Keith A. Swainson
Reservoir Engineer

**The undersigned hereby waives objection to the referenced
Downhole Commingle Request.**

Company/Owner: _____

Title: _____

Date: _____

MERIDIAN OIL

April 26, 1994

B.B.L. Ltd.
P.O. Box 991
Breckenridge, Texas 76024

RE: Huerfano Unit #217R
Unit G, Section 29, T27N, R10W
San Juan County, New Mexico
Downhole Commingling Request

Gentlemen:

Meridian Oil Inc. is in the process of applying for a downhole commingling order from the New Mexico Oil Conservation Division (NMOCD) for the referenced well located in San Juan County, New Mexico. The approved application will commingle the Angel Peak Gallup and the Basin Dakota fields.

The purpose of this letter is to notify you of Meridian's application. If you have no objections to the NMOCD issuing a commingling order, we would appreciate your signing this letter and returning the original to Mr. LeMay at the following address with a copy to this office:

New Mexico Oil Conservation Division
Mr. William LeMay
P.O. Box 2088
Santa Fe, New Mexico 87501

Your prompt attention to this matter would be appreciated.

Sincerely,



Keith A. Swainson
Reservoir Engineer

**The undersigned hereby waives objection to the referenced
Downhole Commingle Request.**

Company/Owner: _____

Title: _____

Date: _____

MERIDIAN OIL

HUERFANO # 105

SAN JUAN COUNTY, NM

DAKOTA/GALLUP FORMATION



The Western Company

COMMINGLE TEST

PREPARED FOR

KEITH SWAINSON

SERVICE POINT

FARMINGTON, NM

(505) 327-6222

PREPARED BY

LOREN DIEDE

DISTRICT ENGINEER

FARMINGTON

APRIL 21, 1994

SALES REPRESENTATIVE

LARRY E. LEWIS

FM020970

April 22, 1994

MERIDIAN OIL COMPANY
P.O. Box 4289
Farmington, NM 87499

Four samples from the Huerfano #105, two waters (Dak/Gal) and two oils(Dak/Gal), were submitted for analysis on April 21. The tests were to determine the result of commingling the oils and waters from the Dakota and Gallup formations.

Samples:

1. Dakota formation water
2. Gallup formation water
3. Dakota formation water
4. Gallup formation water

Analysis:

API analysis on water
API gravity on oil

Commingling:

1. Dakota water and Gallup water combined in 50/50 amounts (25 ml. ea) to observe for effect.
2. Dakota oil and Gallup oil combined in 50/50 amounts (25 ml. ea) to observe for effect.
3. Mixed Water and oil samples from tests 1. and 2. were combined using an emulsion blade at high speed for 30 seconds (total 100 ml sample) to observe for stability.

Test results:

1. Combined Dak/Gal waters showed no adverse effects.
2. Combined Dak/Gal oils showed no adverse effects.
3. Emulsion created as described in test 3. above was not stable (separated in less than 10 minutes) with a small dirty interface (less than 1 ml).

No adverse effects from combination of samples were observed other than the small interface noted in test 3.

Individual sample test results follow.

Dave Coleson
Lab Tech.

THE WESTERN COMPANY OF NORTH AMERICA

API WATER ANALYSIS

Company: MERIDIAN
Field:
Well: #105
Depth:
Formation: DAKOTA
State:
County:

W.C.N.A. Sample No.: S202194
Legal Description:
Lease or Unit: HUERFANO
Water.B/D:
Sampling Point:
Sampled By:
Date Sampled:

Type of Water(Produced,Supply, ect.): PRODUCED

PROPERTIES

pH: 6.87
Specific Gravity: 1.010
Resistivity (ohm-meter): 1.50
Temperature: 70 F

Iron, Fe(total): 0
Sulfide as H₂S: 0

D I S S O L V E D SOLIDS

CATIONS	mg/l	me/l
Sodium, Na:	2369	: 103
Calcium, Ca:	80	: 4
Magnesium, Mg:	49	: 4
Barium, Ba:	N/A	: N/A
Potassium, K:	200	: 5

Sample(ml): 1.0 ml of EDTA: .2
Sample(ml): 1.0 ml of EDTA: .2

ANIONS	mg/l	me/l
N: .5814Chloride, Cl:	4122	: 116
Sulfate, SO ₄ :	0	: 0
Carbonate, CO ₃ :		:
Bicarbonate, HCO ₃ :	1220	: 20

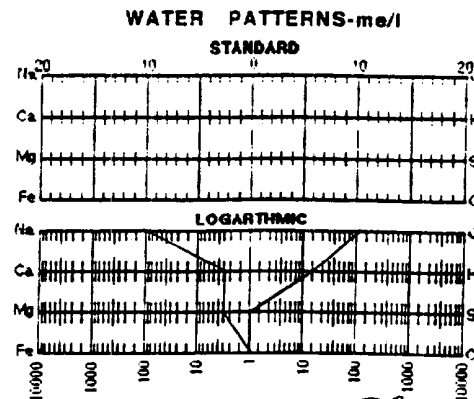
Sample(ml): 1.0 ml of AgNO₃: .2

Sample(ml): 1.0 ml of H₂SO₄:
Sample(ml): 1.0 ml of H₂SO₄: .2

Total Dissolved
Solids (calculated): 8040
Total Hardness: 400

Sample(ml): 1.0 ml of EDTA: .4

REMARKS AND RECOMMENDATIONS:



THE WESTERN COMPANY OF NORTH AMERICA

API WATER ANALYSIS

Company: MERIDIAN	W.C.N.A. Sample No.: S202094
Field:	Legal Description:
Well: #105	Lease or Unit: HUERFANO
Depth:	Water.B/D:
Formation: GALLUP	Sampling Point:
State:	Sampled By:
County:	Date Sampled:
Type of Water(Produced,Supply, ect.): PROD.	

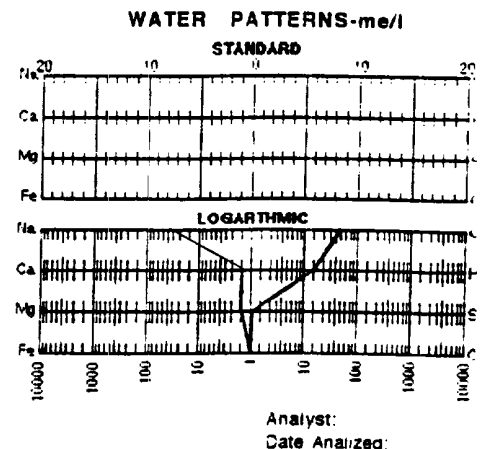
PROPERTIES

pH: 5.69	Iron, Fe(total): 3
Specific Gravity: 1.000	Sulfide as H2S: 0
Resistivity (ohm-meter): 10.00	
Temperature: 75 F	

D I S S O L V E D SOLIDS

CATIONS		mg/l	me/l		
Sodium, Na:	1081	:	47	Sample(ml):	1.0 ml of EDTA: .1
Calcium, Ca:	40	:	2	Sample(ml):	1.0 ml of EDTA: .1
Magnesium, Mg:	24	:	2		
Barium, Ba:	N/A	:	N/A		
Potassium, K:	200	:	5		
ANIONS		mg/l	me/l		
N: .5640Chloride, Cl:	1999	:	56	Sample(ml):	1.0 ml of AgNO3: .1
Sulfate, SO4:	0	:	0		
Carbonate, CO3:		:		Sample(ml):	1.0 ml of H2SO4: .2
Bicarbonate, HCO3:	1220	:	20	Sample(ml):	1.0 ml of H2SO4: .2
Total Dissolved Solids (calculated): 4564				Sample(ml):	1.0 ml of EDTA: .1
Total Hardness: 100					

REMARKS AND RECOMMENDATIONS:





Date 4/22/94

Rocky Mountain Region

THE WESTERN COMPANY

Oil Analysis

Operator <u>MERIDIAN</u>	Date Sampled _____
Well <u>HUERFANO #105</u>	Date Received <u>4/21/94</u>
Field _____	Submitted By _____
Formation <u>DAKOTA</u>	Worked By <u>DC</u>
Depth _____	Sample Description <u>BROWN</u>
County _____	<u>TRANSLUCENT LIQUID</u>
State _____	_____

API Gravity 59.4 ° at 60°F

Paraffin Content _____ % by weight

Asphaltene Content _____ % by weight

Pour Point _____ °F

Cloud Point _____ °F

Comments:

60.2 @ 68°F

Analyst DC



Date 4/22/94

Rocky Mountain Region

THE WESTERN COMPANY

Oil Analysis

Operator <u>MERIDIAN</u>	Date Sampled _____
Well <u>HUCKLEBERRY #105</u>	Date Received <u>4/21/94</u>
Field _____	Submitted By _____
Formation <u>GALLUP</u>	Worked By <u>DC</u>
Depth _____	Sample Description <u>AMBER</u>
County _____	<u>LIQUID C TRACE CLOUDINESS</u>
State _____	_____

API Gravity 53.1 ° at 60°F

Paraffin Content _____ % by weight

Asphaltene Content _____ % by weight

Pour Point _____ °F

Cloud Point _____ °F

Comments:

53.9 @ 68°F

Analyst DC



4/22/94

MERIDIAN OIL INC.
WELL ANALYSIS COMPARISONWELL NAME: HUERFANO 105
STATION NO.:

	DAKOTA	<i>Gallup</i>
ANALYSIS NO.:	MDN40075	MDN40076
DATE:	4/21/94	4/21/94
COMPONENT	MOLE %	MOLE %
NITROGEN	0.982	0.421
CO2	0.962	0.958
METHANE	73.635	69.433
ETHANE	12.272	16.584
PROPANE	7.314	8.565
I-BUTANE	0.940	0.786
N-BUTANE	2.079	2.035
I-PENTANE	0.545	0.397
N-PENTANE	0.502	0.395
HEXANE +	0.769	0.426
BTU'S	1333.4	1365.0
GPM	6.9781	8.1696
SPEC. GRAV.	0.7852	0.7992

ad: P. Readfield

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. 10510
Order No. R-9711

APPLICATION OF MERIDIAN OIL INC. FOR
DOWNHOLE COMMINGLING AND FOR AN
ADMINISTRATIVE DOWNHOLE COMMINGLING
PROCEDURE WITHIN THE HUERFANO SAND
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 July 23, 1992, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 2nd day of September, 1992, 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 Undesignated Gallegos-Gallup Associated Pool and the Basin-Dakota Gas Pool within the wellbore of its Huerfano Unit Well No. 131 located 800 feet from the North line and 990 feet from the West line (Unit D) of Section 34, Township 26 North, Range 10 West, NMPM, San Juan County, New Mexico. The N/2 of Section 34, forming a standard 320-acre spacing and proration unit for both zones, is to be dedicated to the subject well.

(3) The applicant further seeks the adoption of an administrative procedure for authorizing the downhole commingling of Gallup and Dakota production in the wellbores of certain existing and subsequently drilled wells within the Huerfano Unit Area without additional notice to each affected interest owner within the Unit Area.

(4) The Huerfano Unit is a Federal exploratory unit comprising some 63,122 acres in portions of Townships 25, 26 and 27 North and Ranges 9, 10 and 11 West, NMPM, San Juan County, New Mexico. The unit was formed in 1950 and is currently operated by Meridian Oil Inc.

(5) The Huerfano Unit Well No. 131 was drilled in 1971 and completed as a producing well in the Basin-Dakota Gas Pool. Division records indicate that the subject well last produced in September, 1989.

(6) At the time the subject well was shut in, it was capable of low marginal production only from the Basin-Dakota Gas Pool.

(7) The Gallup interval is not yet completed in the subject well, however, the applicant expects initial production from said zone to be approximately 100-200 MCF gas per day.

(8) The proposed commingling is necessary in order to efficiently and economically produce the remaining gas reserves in the Dakota and Gallup formations.

(9) Although the interest is not common among the Dakota and Gallup zones in the subject well, the applicant notified all interest owners of its proposal to commingle. No interest owner and/or offset operator appeared at the hearing in opposition to the application.

(10) The proposed commingling should result in the recovery of additional gas reserves from each of the subject pools, thereby preventing waste, and will not violate correlative rights.

(11) The reservoir characteristics of each of the subject zones are such that underground waste would not be caused by the proposed commingling provided that the well is not shut-in for an extended period.

(12) To afford the Division the opportunity to assess the potential for waste and to expeditiously order appropriate remedial action, the operator should notify the supervisor of the Aztec District Office of the Division any time the subject well is shut-in for 7 consecutive days.

(13) The applicant should consult with the supervisor of the Aztec District Office of the Division upon completion of the subject well in order to determine a proper allocation of production from each of the commingled zones.

(14) The Basin-Dakota Pool has essentially been fully developed in the Huerfano Unit as evidenced by applicant's testimony which indicates that the Dakota Participating Area (PA) within the unit currently contains in excess of 44,000 acres.

(15) The Gallup Participating Area (PA) within the Huerfano Unit currently contains in excess of 10,000 acres.

(16) The applicant has identified substantial potential for new gas production from the Gallup formation within the Huerfano Unit.

(17) Further testimony by the applicant indicates that gas reserves in the Gallup formation on an individual well basis are not sufficient to economically justify the drilling of new wells to produce such reserves.

(18) The applicant has identified 20-50 wells within the Huerfano Unit currently completed in or producing from the Basin-Dakota Gas Pool which are candidates for downhole commingling.

(19) Applicant's Exhibit No. 7 Part (C) in this case is a list of over 400 interest owners in the Dakota and Gallup Participating Areas within the Huerfano Unit. All such interest owners were notified of the application in this case.

(20) By virtue of different Dakota and Gallup Participating Areas, interest ownership is generally not common among the Dakota and Gallup formations within any given drill tract in the Huerfano Unit.

(21) 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.

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

(23) Applicant's evidence and testimony indicates that all interests in the Gallup and Dakota formations within the Huerfano Unit Area are fully committed to the unit by virtue of ratification of the Unit Agreement. The applicant further testified that all such interest owners, by virtue of such ratification, have contractually agreed how they will participate and share in unit production.

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

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

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

(27) An administrative procedure should be established within the Huerfano Unit for obtaining approval for subsequently downhole commingled wells without notice 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.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Meridian Oil Inc., is hereby authorized to commingle production from the Basin-Dakota and Undesignated Gallegos-Gallup Associated Pools within the wellbore of its Huerfano Unit Well No. 131 located 800 feet from the North line and 990 feet from the West line (Unit D) of Section 34, Township 26 North, Range 10 West, NMPM, San Juan County, New Mexico.

(2) 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 7 consecutive days, and shall concurrently present to the Division a plan for remedial action.

(3) The applicant shall consult with the supervisor of the Aztec District Office of the Division upon completion of the subject well in order to determine a proper allocation of production from each of the commingled zones.

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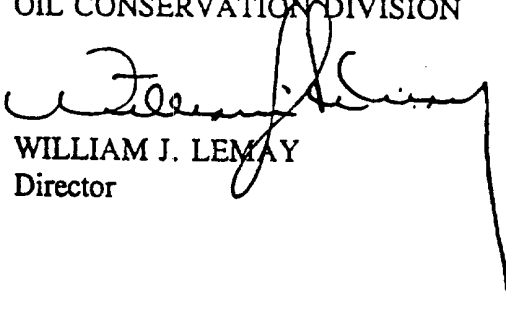
(4) An administrative procedure for obtaining approval to downhole commingle additional wells within the Huerfano Unit, located in portions of Townships 25, 26 and 27 North and Ranges 9, 10 and 11 West, NMPM, San Juan County, New Mexico, is hereby established.

(5) In order to obtain Division authorization to downhole commingle wells within the Huerfano 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 Gallup Participating Areas in the Huerfano 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

S E A L

