

CASE NO.

7034

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,

ETC.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
1 October 1980

EXAMINER HEARING

IN THE MATTER OF:

Application of Merrion & Bayless
for downhole commingling, Rio
Arriba County, New Mexico.

CASE
7034

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Ernest L. Padilla, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

I N D E X

J. GREGORY MERRION, PRO SE

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E X H I B I T S

Applicant Exhibit One, Data

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Applicant Exhibit Two, Decline Curve

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Applicant Exhibit Three, Decline Curve

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2 7034.

3 MR. PADILLA: Application of Merrion &
4 Bayless for downhole commingling, Rio Arriba County, New
5 Mexico.

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7 Merrion, co-owner and co-operator of the Atlantic No. 1 Well,
8 which is the subject of Case Number 7034. I'm here on my
9 own behalf to present testimony in this case.

10 I have previously testified before the
11 Commission on several occasions and have offered my qualifi-
12 cations.

13 MR. NUTTER: Yes, sir, would you proceed,
14 Mr. Merrion.

15 MR. MERRION: I will, shall I be sworn?

16 MR. NUTTER: Yes.

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18 (Mr. Merrion sworn.)
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20 MR. MERRION: The purpose of my application
21 is to seek permission to commingle downhole in the wellbore
22 gas produced from the Pictured Cliffs-South Blanco formation
23 and the Otero-Chacra formation in the Atlantic No. 1 Well,
24 which is located in Unit 0 of Section 32, Township 26 North.
25 Range 6 West, Rio Arriba County.

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15 quarter of Section 32, Township 26 North, Range 6 West, Rio
16 Arriba County, New Mexico. The well was completed in May
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18 and Chacra formations. Cumulative production to date, Pic-
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20 1,172,857 Mcf and 617 barrels of oil, or condensate.

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22 27 Mcf per day and a trace of condensate; the Chacra makes
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25 125 pounds per square inch in seven days; the Chacra, 250

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8 ownership is the same for both zones. It is a State of New
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10 J. Gregory Merrion and Robert L. Bayless own 100 percent of
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4 in the neighborhood of 850 Mcf per month.

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14 inch tubing and a plunger lift, that we can produce the well
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7 (Hearing concluded.)

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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that
the foregoing Transcript of Hearing before the Oil Conserva-
tion Division was reported by me; that the said transcript
is a full, true, and correct record of the hearing, prepared
by me to the best of my ability.

Sally W. Boyd C.S.R.

I do hereby certify that the foregoing is
a correct and true transcript of the hearing in
File No. 7034
dated 10/1 80

[Signature], Examiner
Oil Conservation Division

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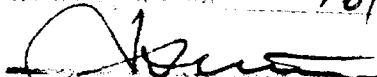
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I do hereby certify that the foregoing is
a correct and true transcript of the hearing in
Case No. 703P,
heard by me on 10/1 1982.


Oil Conservation Division, Examiner



BRUCE KING
GOVERNOR
LARRY KEHOE
SECRETARY

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

October 23, 1980

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87301
(505) 827-2434

Mr. J. Gregory Marrion
P. O. Box 507
Farmington, New Mexico 87401

Re: CASE NO. 7034
ORDER NO. R-6492

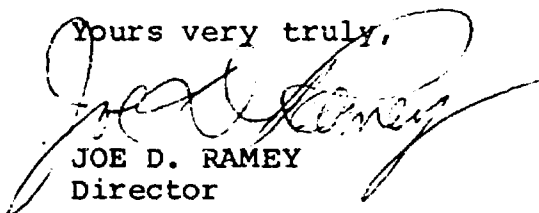
Applicant:

Marrion & Bayless

Dear Sir:

Enclosed herewith are two copies of the above-referenced
Division order recently entered in the subject case.

Yours very truly,


JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCD x
Artesia OCD x
Aztec OCD x

Other _____

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 7034
Order No. R-6492

APPLICATION OF MERRION & BAYLESS
FOR DOWNHOLE COMMINGLING, RIO ARRIBA
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on October 1, 1980, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 20th day of October, 1980, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Merrion & Bayless, is the owner and operator of the Atlantic Well No. 1, located in Unit 0 of Section 32, Township 26 North, Range 6 West, NMPM, Rio Arriba County, New Mexico.

(3) That the applicant seeks authority to commingle South Blanco-Pictured Cliffs and Otero-Chacra production within the wellbore of the above-described well.

(4) That from the South Blanco-Pictured Cliffs zone, the subject well is capable of low marginal production only.

(5) That from the Otero-Chacra zone, the subject well is capable of low marginal production only.

(6) That the proposed commingling may result in the recovery of additional hydrocarbons from each of the subject pools, thereby preventing waste, and will not violate correlative rights.

-2-

Case No. 7034
Order No. R-6492

(7) That 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.

(8) That to afford the Division the opportunity to assess the potential for waste and to expeditiously order appropriate remedial action, the operator should notify the Aztec district office of the Division any time the subject well is shut-in for 7 consecutive days.

(9) That in order to allocate the commingled production to each of the commingled zones in the subject well, 50 percent of the commingled production should be allocated to the South Blanco Pictured Cliffs zone, and 50 percent to the Otero-Chacra zone.

IT IS THEREFORE ORDERED:

(1) That the applicant, Merrion & Bayless, are hereby authorized to commingle South Blanco-Pictured Cliffs and Otero-Chacra production within the wellbore of the Atlantic Well No. 1, located in Unit O of Section 32, Township 26 North, Range 6 West, NMPM, Rio Arriba County, New Mexico.

(2) That 50 percent of the commingled production shall be allocated to the South Blanco-Pictured Cliffs zone and 50 percent to the Otero-Chacra zone.

(3) That the operator of the subject well shall immediately notify the Division's Aztec district office any time the well has been shut-in for 7 consecutive days and shall concurrently present, to the Division, a plan for remedial action.

(4) That jurisdiction of this cause is 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 herein-
above designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

S E A


JOE D. RAMEY,
Director

dr/

EXHIBIT NO. 1

MERRION & BAYLESS
Atlantic #1
SE/4 Section 32, T26N, R6W
Rio Arriba County, New Mexico
South Blanco Pictured Cliffs
Otero Chacra

APPLICATION TO COMMINGLE IN WELLBORE

Completion Date: May 20, 1966

Cumulative Production:

Pictured Cliffs --- 747,148 MCF
Chacra -----1,172,857 MCF
617 bbls. oil

Current Production Rate:

Pictured Cliffs --- 27 MCF/day + trace condensate
Chacra ----- 27 MCF/day + trace condensate

Current Shut-In Pressure:

Pictured Cliffs --- 125 psi 7 days
Chacra ----- 250 psi 7 days

Current Downhole Equipment:

4-1/2" casing + 2 strings 1-1/4" tubing + drillable packer.

Proposed Equipment:

4-1/2" casing + 2-3/8" tubing + plunger lift.

Proposed Allocation Formula:

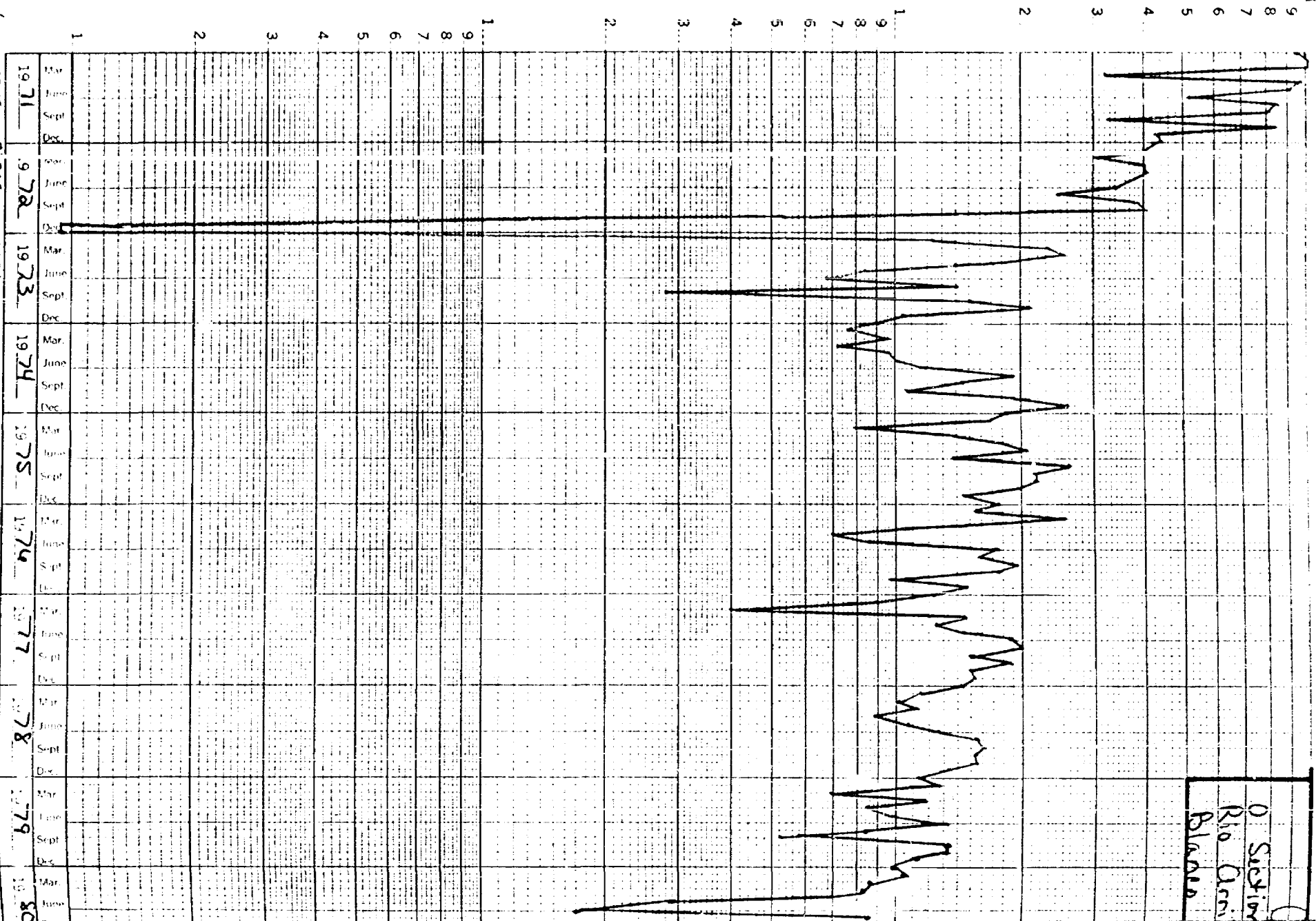
50% Chacra
50% Pictured Cliffs

Ownership:

Same for both zones.
Working Interest - J. Gregory Merrion & Robert L. Bayless - 100%
Royalty Interest - State of New Mexico - 1/8
Hondo Corp. - 1/8

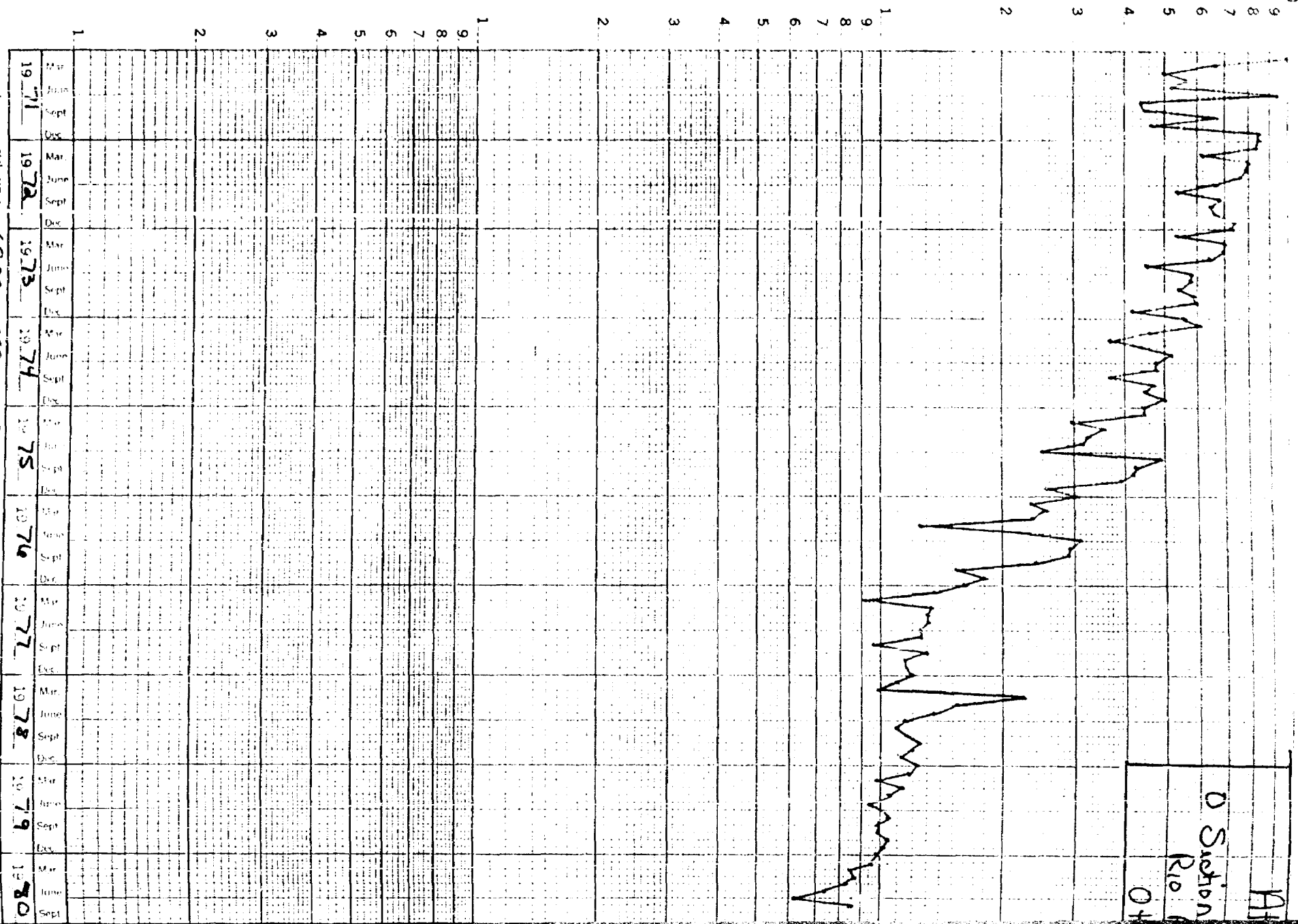
Current: 59166 63411 64150 65675 68042 69655 71351 729098

Production: 78245 81205 16694 17205 21287 16521 17232 15,291



0 Section
Rio Beni
Blanca

844,367	929,157	998,178	1054,129	1070,000	1,124,214	1,130,598	1,154,326
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32, Teton, Rio
Grande County, NM
eco Chaco

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Atlantic #1				Ex Lib. #3			
3a, Tawn, Reid Arriba County, NM Cerro Chaco							
1981	Mar	June	Dec	1986	Mar	June	Dec
1982	Mar	June	Dec	1987	Mar	June	Dec
1983	Mar	June	Dec	1988	Mar	June	Dec
1984	Mar	June	Dec	1989	Mar	June	Dec
1985	Mar	June	Dec	1990	Mar	June	Dec
1986	Mar	June	Dec				
1987	Mar	June	Dec				
1988	Mar	June	Dec				
1989	Mar	June	Dec				
1990	Mar	June	Dec				

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EXHIBIT NO. 1

MERRION & BAYLESS
Atlantic #1
SE/4 Section 32, T26N, R6W
Rio Arriba County, New Mexico
South Blanco Pictured Cliffs
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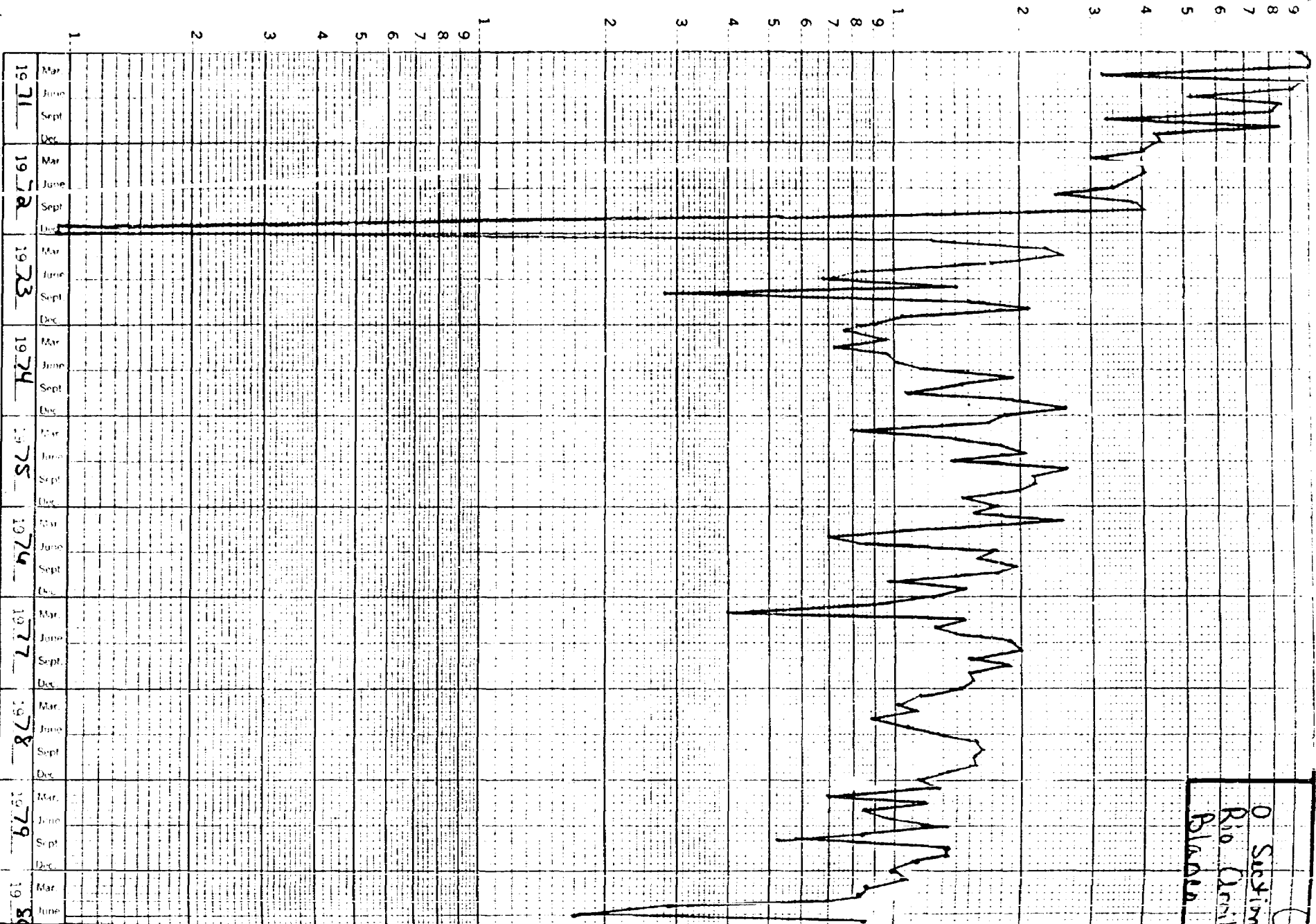
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Hondo Corp - 1/8 •

*contracted before
EP discontinue
Chacra gas
to New Pipeline
now - but
handled by EP
who say they will
have no problem.*

*has internal upset
lift would not
work*

*lift will help
lift fluids even
though they are
minor.*

Section
Rio Grande
Bladen

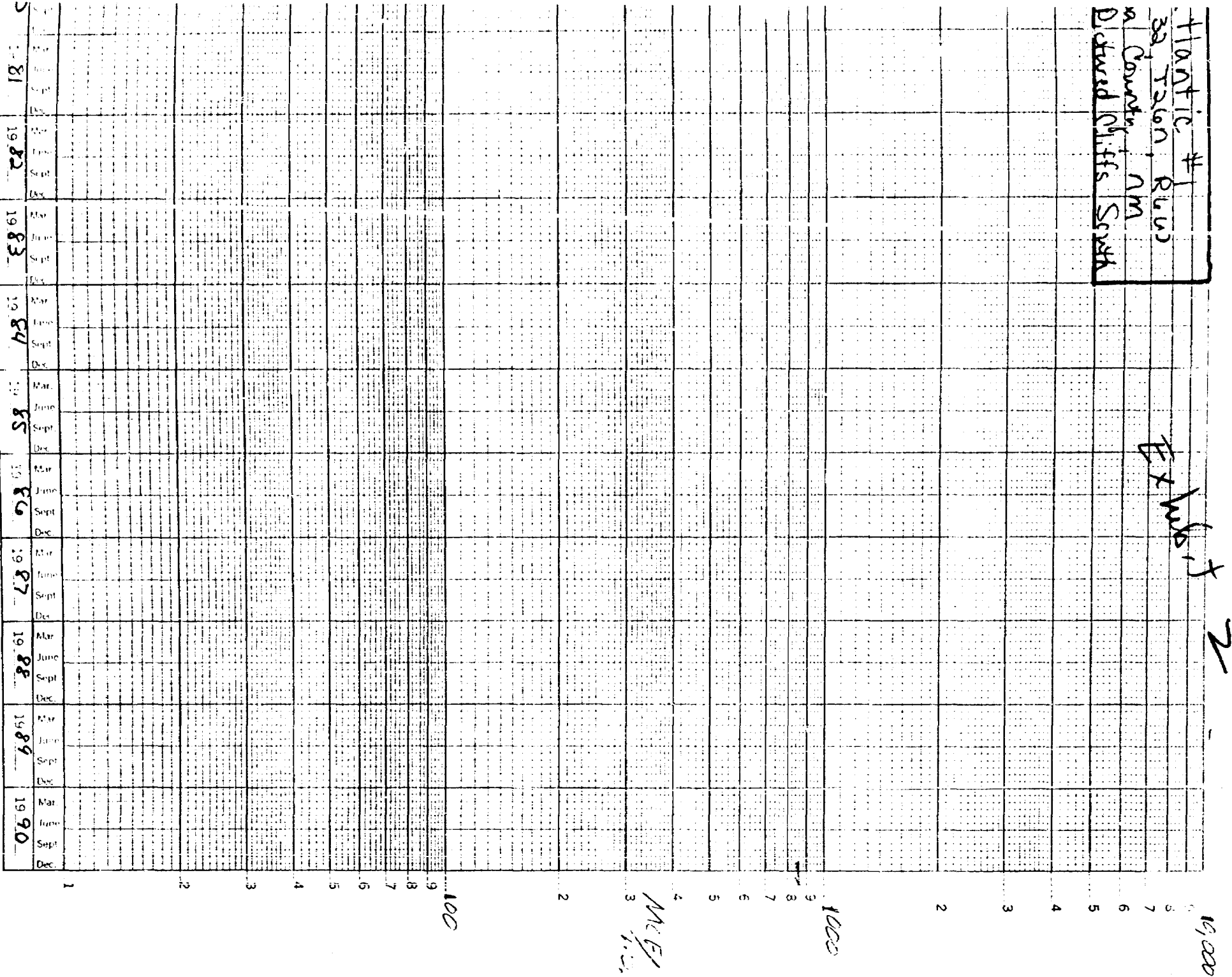


Productive 75,245 33,205 16,599 17,225 21,287 16,523 17,232 15,291

Customer No. 591616 674511 601510 658775 680622 696535 713517 729098

Atlantic #1
 3a Tacon Run
 a Country NM
 District Office South

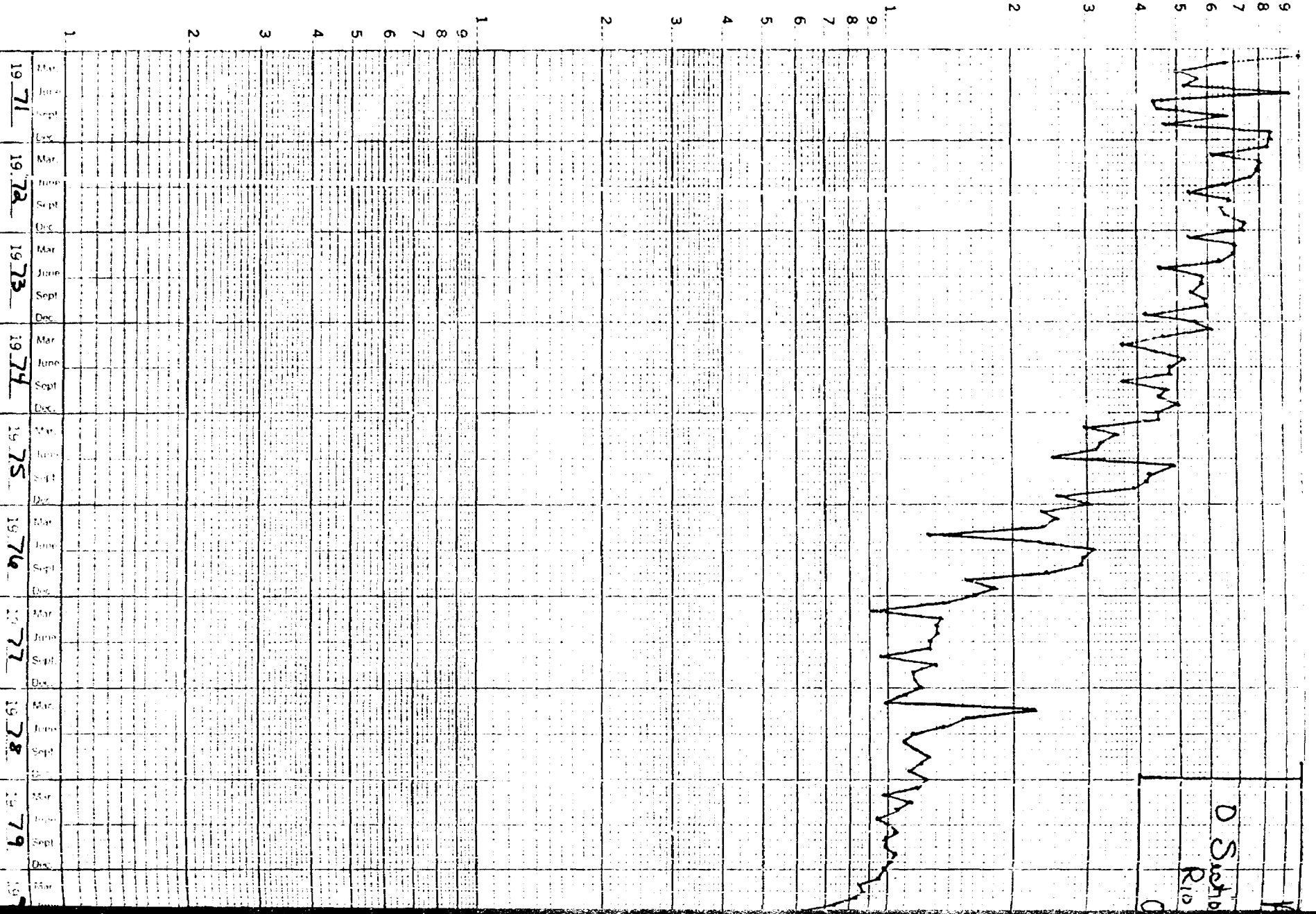
Exhibits 2



Yrly Incr
Cum

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70,465 84,520 68,991 55,951 42,924 27,911 14,594 15,506



Atlantic #1

232, Tabor, R.R.
Arriba County, NM
Herc Chasera

Exhibit 3

Sept	1981	Mar	1982	Mar	1983	Mar	1984	Mar	1985	Mar	1986	Mar	1987	Mar	1988	Mar	1989	Mar	1990
Apr		Apr		Apr		Apr		Apr		Apr		Apr		Apr		Apr		Apr	
May		May		May		May		May		May		May		May		May		May	
June		June		June		June		June		June		June		June		June		June	
July		July		July		July		July		July		July		July		July		July	
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EXHIBIT NO. 1

MERRION & BAYLESS
Atlantic #1
SE/4 Section 32, T26N, R6W
Rio Arriba County, New Mexico
South Blanco Pictured Cliffs
Otero Chacra

APPLICATION TO COMMINGLE IN WELLBORE

Completion Date: May 20, 1966

Cumulative Production:

Pictured Cliffs --- 747,148 MCF
Chacra -----1,172,857 MCF
617 bbls. oil

Current Production Rate:

Pictured Cliffs --- 27 MCF/day + trace condensate
Chacra ----- 27 MCF/day + trace condensate

Current Shut-In Pressure:

Pictured Cliffs --- 125 psi 7 days
Chacra ----- 250 psi 7 days

Current Downhole Equipment:

4-1/2" casing + 2 strings 1-1/4" tubing + drillable packer.

Proposed Equipment:

4-1/2" casing + 2-3/8" tubing + plunger lift.

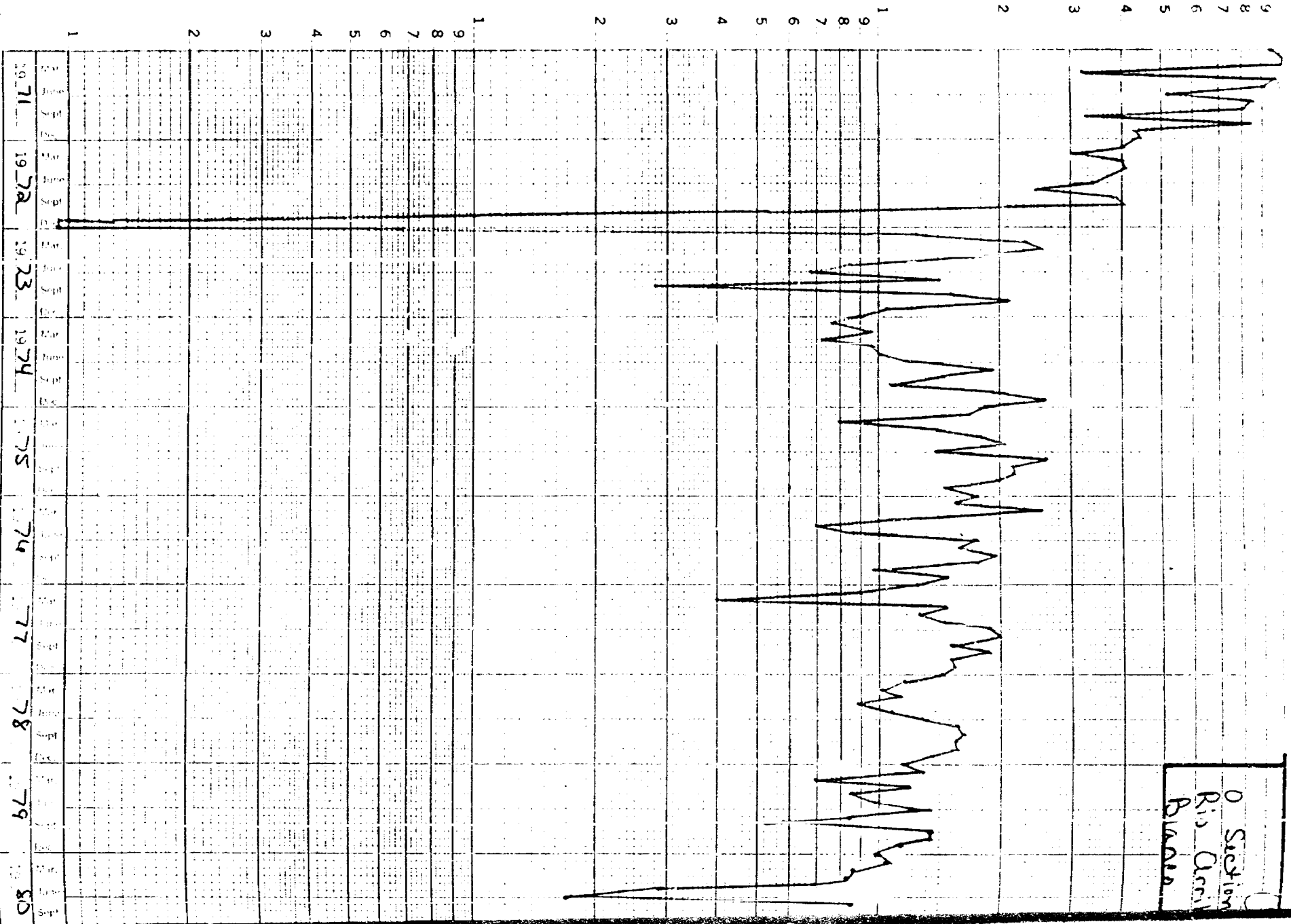
Proposed Allocation Formula:

50% Chacra
50% Pictured Cliffs

Ownership:

Same for both zones.
Working Interest - J. Gregory Merrion & Robert L. Bayless - 100%
Royalty Interest - State of New Mexico - 1/8
Hondo Corp. - 1/8

0 Section
Rio Arriba
Blanca



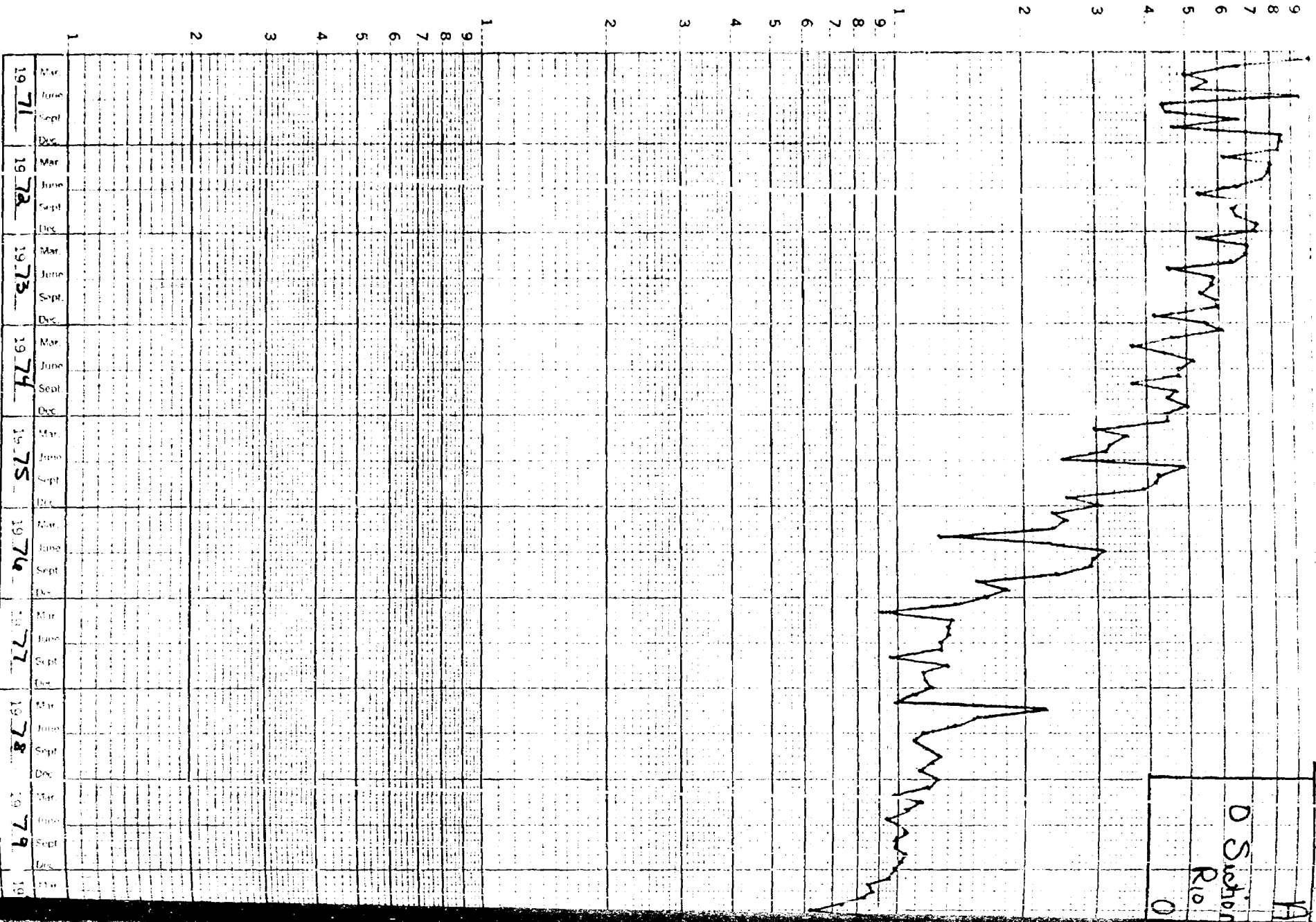
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Exhib. 2

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0 Station
R.O.

Atlantic #1

3a, Tahn, River
Ariba County, NM
face Chasra

Exhibit 3

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Dockets Nos. 31-80 and 32-80 are tentatively set for October 15 and 29, 1980. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - OCTOBER 1, 1980

**9 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO**

The following cases will be heard before Daniel S. Nutter, Examiner, or Richard L. Stamets, Alternate Examiner:

- CASE 7029:** In the matter of the hearing called by the Oil Conservation Division on its own motion to consider amendments to its special rules and procedures for the designation of "tight formation", promulgated by Division Order No. R-6388, to comply with FERC Order No. 99, issued August 15, 1980, promulgating final regulations with respect to Section 107 of the NGPA.
- CASE 7030:** In the matter of the hearing called by the Oil Conservation Division on its own motion to consider amendments to its SPECIAL RULES FOR APPLICATIONS FOR WELLHEAD PRICE CEILING CATEGORY DETERMINATIONS as promulgated by Division Order No. R-5878, as amended. The proposed amendments relate to individual well filings for price category determination as "tight formation" gas under Section 107 of the NGPA.
- CASE 7031:** Application of Coronado Exploration Corp. for a unit agreement, Guadalupe County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Mesa Leon Unit Area, comprising 15,680 acres, more or less, of State, Federal, and fee lands in Township 6 North, Range 17 East.
- CASE 7007:** (Continued from September 3, 1980, Examiner Hearing)
Application of Harvey E. Yates Company for downhole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Morrow and Atoka production in the wellbore of its North Travis 12 Deep Well No. 1 located in Unit 0 of Section 12, Township 18 South, Range 28 East.
- CASE 7023:** (Continued from September 17, 1980, Examiner Hearing)
Application of Shell Oil Company for pool creation and temporary special pool rules, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new Pennsylvanian oil pool for its Askew Well No. 1 located in Unit L of Section 2, Township 5 South, Range 33 East, and the promulgation of special pool rules therefor, including a provision for 80-acre spacing.
- CASE 7019:** (Continued from September 17, 1980, Examiner Hearing)
Application of Amoco Production Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the W/2 of Section 30, Township 23 South, Range 25 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7032:** Application of Dalport Oil Corporation for an exception to Order No. R-3221, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Order No. R-3221 to permit disposal of produced brine into an unlined surface pit located between Units L and M of Section 9, Township 15 South, Range 30 East.
- CASE 7033:** Application of Adams Exploration Inc. for three non-standard proration units, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of three 80-acre non-standard proration units in the Vada-Pennsylvanian Pool, comprising the following acreage: SE/4 NE/4 and NE/4 SE/4 of Section 12, N/2 NE/4 of Section 12, and S/2 SE/4 of Section 2, all in Township 9 South, Range 34 East.
- CASE 6940:** (Continued from August 20, 1980, Examiner Hearing)
Application of Adobe Oil Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down through the Wolfcamp formation underlying the NW/4 SE/4 for oil and the SE/4 for gas, Section 23, Township 20 South, Range 38 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 6996: (Continued from September 3, 1980, Examiner Hearing)

Application of John E. Schalk for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Blanco Mesaverde Pool underlying the NE/4 of Section 8, Township 25 North, Range 3 West, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7034: Application of Merrion & Bayless for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of South Blanco-Pictured Cliffs and Otero-Chacara production in the wellbore of its Atlantic Well No. 1 located in Unit O of Section 32, Township 26 North, Range 6 West.

CASE 7035: Application of Merrion & Bayless for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Gallegos-Gallup and Basin-Dakota production in the wellbore of its Delhi Taylor Well No. 1 located in Unit M of Section 4, Township 26 North, Range 11 West.

CASE 7036: Application of J. Gregory Merrion for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pictured Cliffs formation underlying the SE/4 of Section 34, Township 25 North, Range 6 West, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7037: Application of Mesa Petroleum Co. for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Chacara and Mesaverde production in the wellbore of its State Com AF Well No. 28 located in Unit I of Section 36, Township 29 North, Range 10 West.

CASE 7020: (Continued from September 3, 1980, Examiner Hearing)

Application of Mesa Petroleum Co. for pool creation, special pool rules and an oil discovery allowable, Rio Arriba and San Juan Counties, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new Gallup oil pool for its South Blanco Federal Well No. 1-6 located in Unit A of Section 6, Township 23 North, Range 7 West, and special rules therefor, including a provision for 80-acre spacing units. Applicant further seeks a discovery allowable for the aforesaid well.

CASE 6822: (Continued from September 17, 1980, Examiner Hearing)

In the matter of Case 6822 being reopened pursuant to the provisions of Order No. R-6293 which order created the West Double X-Wolfcamp Gas Pool as a retrograde gas condensate pool and set special production limitations therein. Operator(s) may appear and present evidence to establish the true nature of the reservoir and proper rates of withdrawal therefrom.

CASE 7038: Application of Natura Energy Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the San Andres formation underlying the NE/4 NE/4 of Section 6, Township 19 South, Range 39 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7039: Application of Red Mountain & Associates for a waterflood project, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project in the Chaco Wash-Mesaverde Oil Pool by the injection of water into the Chaco Wash Sand formation through eight wells at various orthodox and unorthodox locations in Section 28 of Township 20 North, Range 9 West.

CASE 7040: Application of Belco Petroleum Corporation for reclassification or a new gas pool and a non-standard proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the reclassification of the Wilson Strawn Pool as a gas pool or, in the alternative, the creation of a new gas pool for its State 12 Well No. 1 located in Unit G of Section 12, Township 21 South, Range 34 East; applicant further seeks approval of a standard gas proration unit for said well comprising the E/2 of said Section 12, or in the alternative, a non-standard unit comprising the NE/4, N/2 SE/4 and SE/4 SE/4 of said Section 12.

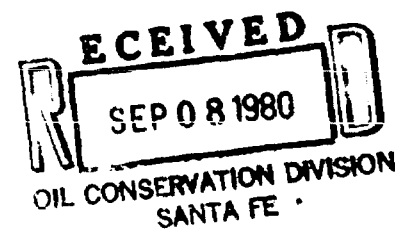
CASE 6618: (Reopened and Readvertised)

In the matter of Case 6618 being reopened pursuant to the provisions of Order No. R-6103 which order created the Travis-Yates Gas Pool in Eddy County, New Mexico, with temporary special rules and regulations including a provision for 80-acre spacing units. Operators in said pool may appear and show cause why the pool should not be developed on 160-acre spacing units.

CASE 6648: (Reopened and Readvertised)

In the matter of Case 6648 being reopened pursuant to the provisions of Order No. R-6124 which order promulgated temporary special rules and regulations for the North Caprock-Mississippian Pool in Lea County, New Mexico, including a provision for 160-acre spacing and a 4000 to one gas-oil ratio limitation. Operators in said pool may appear and show cause why the pool should not be developed on 40-acre spacing with a 2000 to one GOR.

J. GREGORY MERRION
PETROLEUM ENGINEER
P. O. BOX 207
FARMINGTON, NEW MEXICO 87401



September 3, 1980

New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, NM 87501

Case 7034

ATTN: Mr. Joe D. Ramey
Director

RE: Request for Hearing to
Commingle Merrion and
Bayless ATLANTIC #1 WELL

Gentlemen:

Please schedule a hearing to consider our application to commingle in the wellbore gas produced from the Otero Chacra and South Blanco Pictured Cliffs formations in our Atlantic #1 well located 790' FSL and 1470' FEL, Section 32, T26N, R6W, Rio Arriba County, New Mexico.

Yours very truly,

MERRION & BAYLESS


J. GREGORY MERRION

JGM/pb

dr/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 7034

Order No. B-6492

APPLICATION OF MERRION & BAYLESS
FOR DOWNHOLE COMMINGLING, RIO ARRIBA
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on October 1
1980, at Santa Fe, New Mexico, before Examiner Daniel S.
Nutter.

NOW, on this _____ day of October, 1980, the
Division Director, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully
advised in the premises,

FINDS:

(1) That due public notice having been given as required
by law, the Division has jurisdiction of this cause and the
subject matter thereof.

(2) That the applicant, Merrion & Bayless, is
the owner and operator of the Atlantic Well No. 1,
located in Unit 0 of Section 32, Township 26 North,
Range 6 West, NMPM, Rio Arriba County, New Mexico.

(3) That the applicant seeks authority to commingle
South Blanco-Pictured Cliff and Otero-Chacra production
within the wellbore of the above-described well.

(4) That from the South Blanco Pictured / ^{Cliffs} zone, the subject well is capable of low marginal production only.

(5) That from the Otero-Chacra zone, the subject well is capable of low marginal production only.

(6) That the proposed commingling may result in the recovery of additional hydrocarbons from each of the subject pools, thereby preventing waste, and will not violate correlative rights.

(7) That 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.

(8) That to afford the Division the opportunity to assess the potential for waste and to expeditiously order appropriate remedial action, the operator should notify the Aztec district office of the Division any time the subject well is shut-in for 7 consecutive days.

(9) That in order to allocate the commingled production to each of the commingled zones in the subject well, 50 percent of the commingled production should be allocated to the South Blanco Pictured / ^{Cliffs} zone, and 50 percent of the commingled production to the Otero-Chacra zone.

~~(10) That in order to allocate the commingled production to~~

~~each of the commingled zones in the wells, applicant should consult with the supervisor of the Aztec district office of the Division and determine an allocation formula for each of the production zones.~~

IT IS THEREFORE ORDERED:

(1) That the applicant, Merrion & Bayless, ~~ss~~ are hereby authorized to commingle South Blanco-Pictured Cliffs and Otero-Chacra production within the wellbore of the Atlantic Well No. 1, located in Unit 0 of Section 32, Township 26 North, Range 6 West, NMPM, Rio Arriba County, New Mexico.

~~(2) That the applicant shall consult with the Supervisor of the Aztec district office of the Division and determine an allocation formula for the allocation of production to each zone in each of the subject wells.~~

~~(ALTERNATE)~~

(2) That 50 percent of the commingled production shall be allocated to the South Blanco-Pictured Cliffs zone and 50 percent of the commingled production shall be allocated to the Otero-Chacra zone.

(3) That the operator of the subject well shall immediately notify the Division's Aztec district office any time the well has been shut-in for 7 consecutive days and shall concurrently present, to the Division, a plan for remedial action.

(4) That jurisdiction of this cause is 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.