

MERIDIAN OIL

OIL CONSERVATION DIVISION
RECEIVED

94 JAN 10 AM 8 43

January 5, 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: Thompson C #7
Unit L, Section 03, T27N, R12W
San Juan County, New Mexico
Downhole Commingling Request

Dear Mr. LeMay:

Meridian Oil Inc. is applying for an administrative downhole commingling order for the referenced well in the Pictured Cliffs and the Basin Fruitland Coal fields. The ownership of the zones to be commingled is common. The offset operators to this well are Louis Dreyfus Natural Gas Corporation and Amoco Production Company. The Bureau of Land Management and the above mentioned operators have received notification of this downhole commingling.

The Fruitland Coal and Pictured Cliffs wells producing in this area operated by Meridian and others are marginally productive. Based on offset production in this area, drilling of separate wells and dual completions to produce the Fruitland Coal and Pictured Cliffs are not economically justified. The only economical way to recover the Fruitland Coal and Pictured Cliffs reserves in this drill block is to downhole commingle production from both zones in this well.

The Pictured Cliffs formation is currently completed and marginally productive. It is proposed to set a bridge plug above the Pictured Cliffs, perforate and stimulate the Fruitland Coal, 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. Neither producing interval makes oil, and only minimal amounts of similar water are produced in the offset wells. The shut-in pressures for the Pictured Cliffs and Fruitland Coal are 240 and 320 psi, respectively.

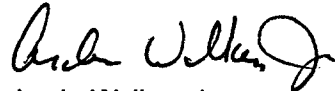
The allocation of the commingled production will be calculated using the attached allocation formula. This formula is based on offset Pictured Cliffs production performance (material balance), and uses accepted Reservoir Engineering methods to allocate the Pictured Cliffs reserves. This addresses the Fruitland Coal producing characteristics of early life inclining production rates.

Unit PB - Pictured Cliffs

New Mexico Oil Conservation Division
Mr. Bill LeMay
Thompson C #7
Downhole Commingling Request
Page Two

Approval of this commingling application will allow for the prevention of wasted resources and protection of correlative rights. Included with this letter are plats showing ownership of offsetting leases for both the Pictured Cliffs and Fruitland Coal, a copy of letters to the BLM and the offset operators, and an allocation formula.

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

SBD:tdg
Attachments

cc: Frank T. Chavez - NMOCD/Aztec
Peggy A. Bradfield
Well File

MERIDIAN OIL

January 5, 1994

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

RE: Thompson C #7
Unit L, Section 03, T27N, R12W
San Juan County, New Mexico
Downhole Commingling Request

Gentlemen:

Meridian Oil, Inc. is in the process of applying for a downhole commingling order for the Thompson C #7 well located in Unit L, Section 03, T27N, R12W, N.M.P.M., San Juan County, New Mexico, in the Pictured Cliffs and the Basin Fruitland Coal fields.

The purpose of this letter is to notify you of such action. If you have no objections to the proposed commingling order, we would appreciate your signing this letter and returning it to this office.

Your prompt attention to this matter would be appreciated.

Yours truly,



Scott B. Daves
Production Engineer

SBD/tdg

The above downhole commingling request is hereby approved:

Date: _____

MERIDIAN OIL

January 5, 1994

BHP Petroleum
5847 San Felipe
Suite 3600
Houston, Texas 77057

RE: Thompson C #7
Unit L, Section 03, T27N, R12W
San Juan County, New Mexico
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Yours truly,



Scott B. Daves
Production Engineer

SBD/tdg

The above downhole commingling request is hereby approved:

Date: _____

MERIDIAN OIL

January 5, 1994

Louis Dreyfus Natural Gas Corp.
1400 Quail Springs Parkway
Suite 1400
Oklahoma City, Oklahoma 73134

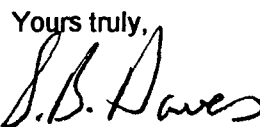
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San Juan County, New Mexico
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Scott B. Daves
Production Engineer

SBD/tdg

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Date: _____

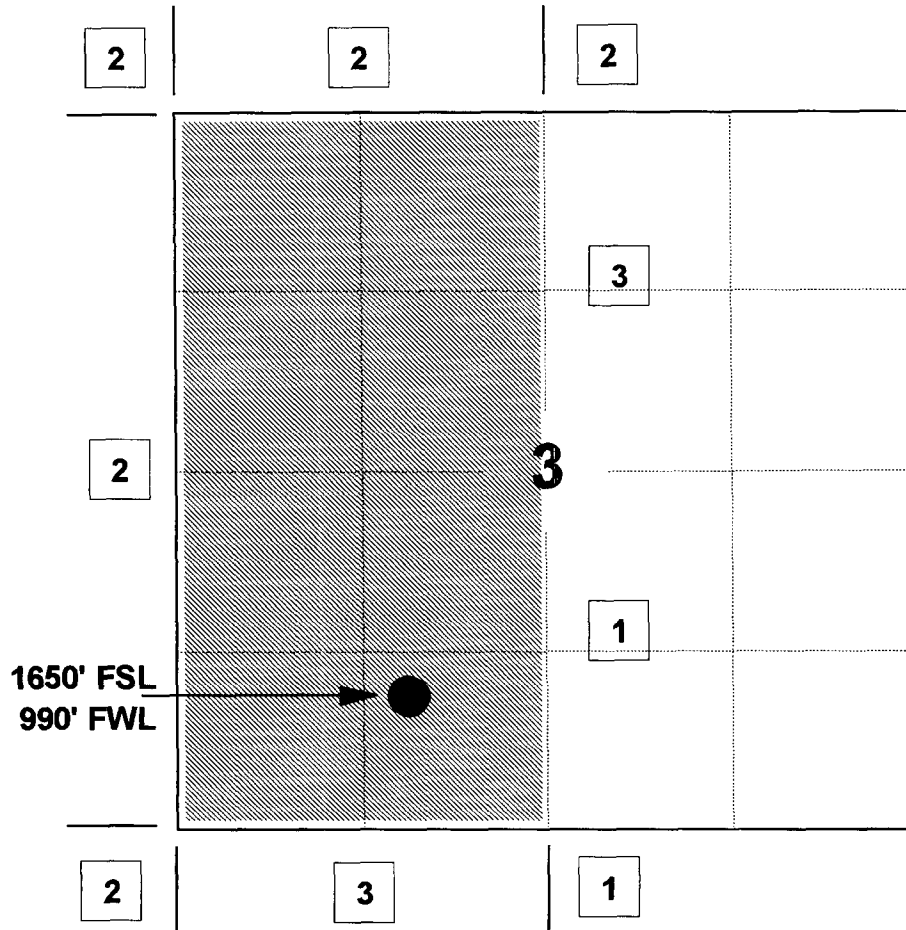
MERIDIAN OIL INC

THOMPSON C #7

OFFSET OPERATOR \ OWNER PLAT

Fruitland Coal / Pictured Cliffs Commingle Well

Township 27 North, Range 12 West



1) Meridian Oil Inc

2) BHP Petroleum

5847 San Felipe, Suite 3600, Houston, TX 77057

3) Louis Dreyfus Natural Gas Corp. 1400 Quail Springs Pkwy, Ste 1400, Oklahoma City, OK 73134

Fruitland Coal Formation

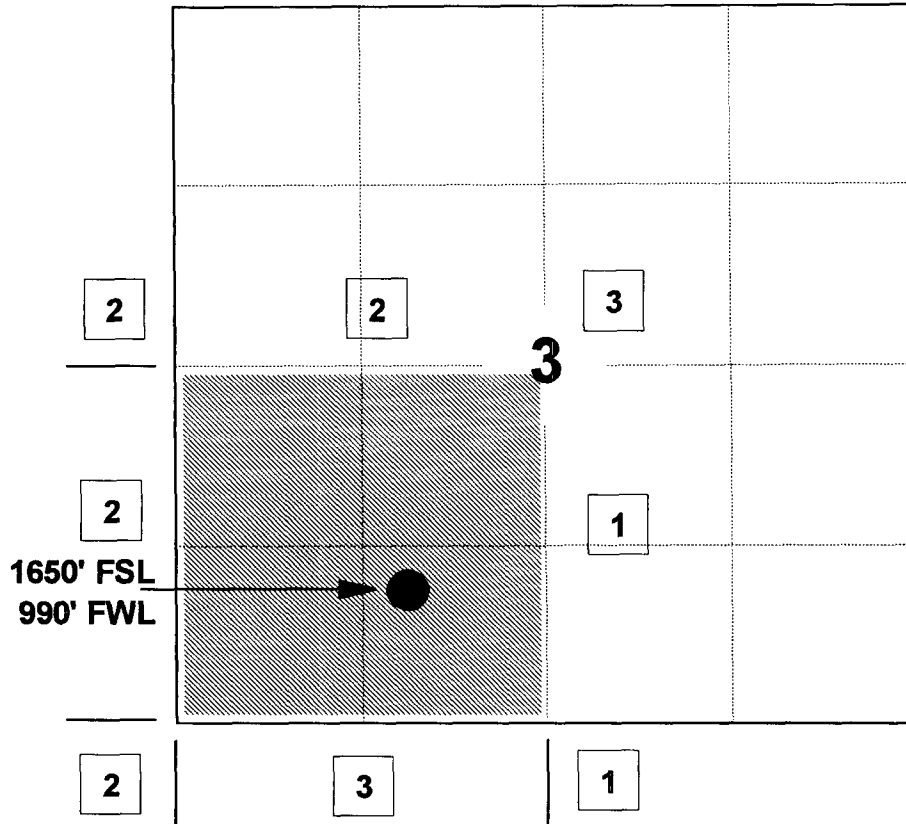
MERIDIAN OIL INC

THOMPSON C #7

OFFSET OPERATOR \ OWNER PLAT

Fruitland Coal / Pictured Cliffs Commingle Well

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5847 San Felipe, Suite 3600, Houston, TX 77057

3) Louis Dreyfus Natural Gas Corp. 1400 Quail Springs Pkwy, Ste 1400, Oklahoma City, OK 73134

Pictured Cliffs Formation

THOMPSON C #7

MONTHLY GAS PRODUCTION ALLOCATION FORMULA

GENERAL EQUATION

$$\mathbf{Q_t = Q_{ftc} + Q_{pc}}$$

WHERE: Q_t = TOTAL MONTHLY PRODUCTION (MCF/MONTH)
 Q_{ftc} = FRUITLAND COAL (ftc) MONTHLY PRODUCTION
 Q_{pc} = PICTURED CLIFFS (pc) MONTHLY PRODUCTION (MCF/MONTH)

REARRANGING THE EQUATION TO SOLVE FOR Q_{ftc} :

$$\mathbf{Q_{ftc} = Q_t - Q_{pc}}$$

ANY PRODUCTION RATE OVER WHAT IS CALCULATED FOR THE PICTURED CLIFFS (PC) USING THE APPLIED FORMULA IS FRUITLAND COAL (FTC) PRODUCTION.

PICTURED CLIFFS (PC) FORMATION PRODUCTION FORMULA IS:

$$\mathbf{Q_{pc} = Q_{pci} \times e^{\{-(D_{pc}) \times (t)\}}}$$

WHERE: Q_{pci} = INITIAL PC MONTHLY FLOW RATE = 750 MCF/M (DETERMINED FROM TESTED RATE AGAINST 75 PSI LINE PRESSURE AS OPPOSED TO HISTORICAL LINE PRESSURE OF 175 PSI)
 D_{pc} = PICTURED CLIFFS MONTHLY DECLINE RATE CALCULATED FROM DECLINE CURVE AND MATERIAL BALANCE ANALYSIS:
 $D_{pc} = (0.0015/M)$

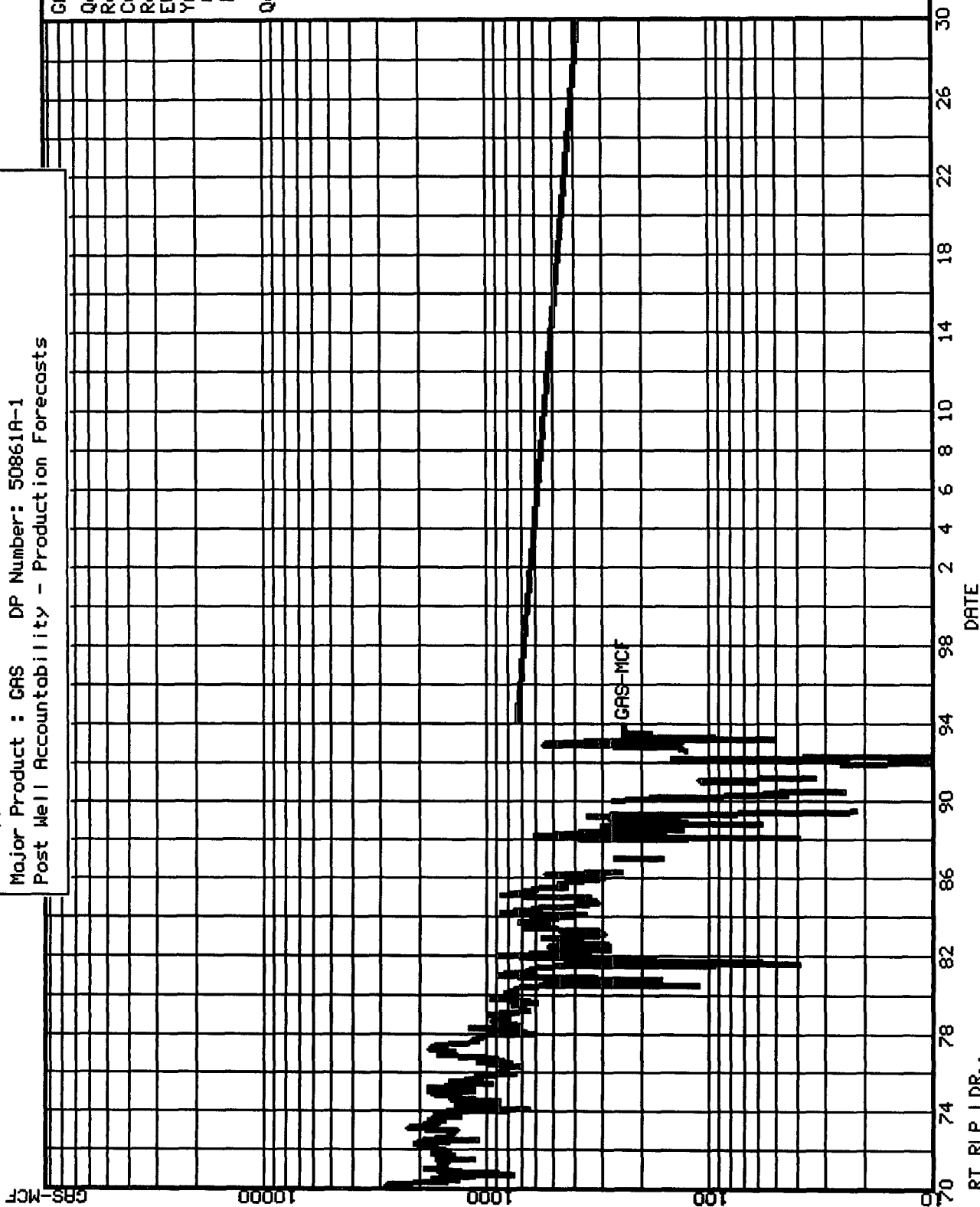
THUS: $Q_{ftc} = Q_t - Q_{pci} \times e^{\{-(0.0015) \times (t)\}}$

WHERE: (t) IS IN MONTHS

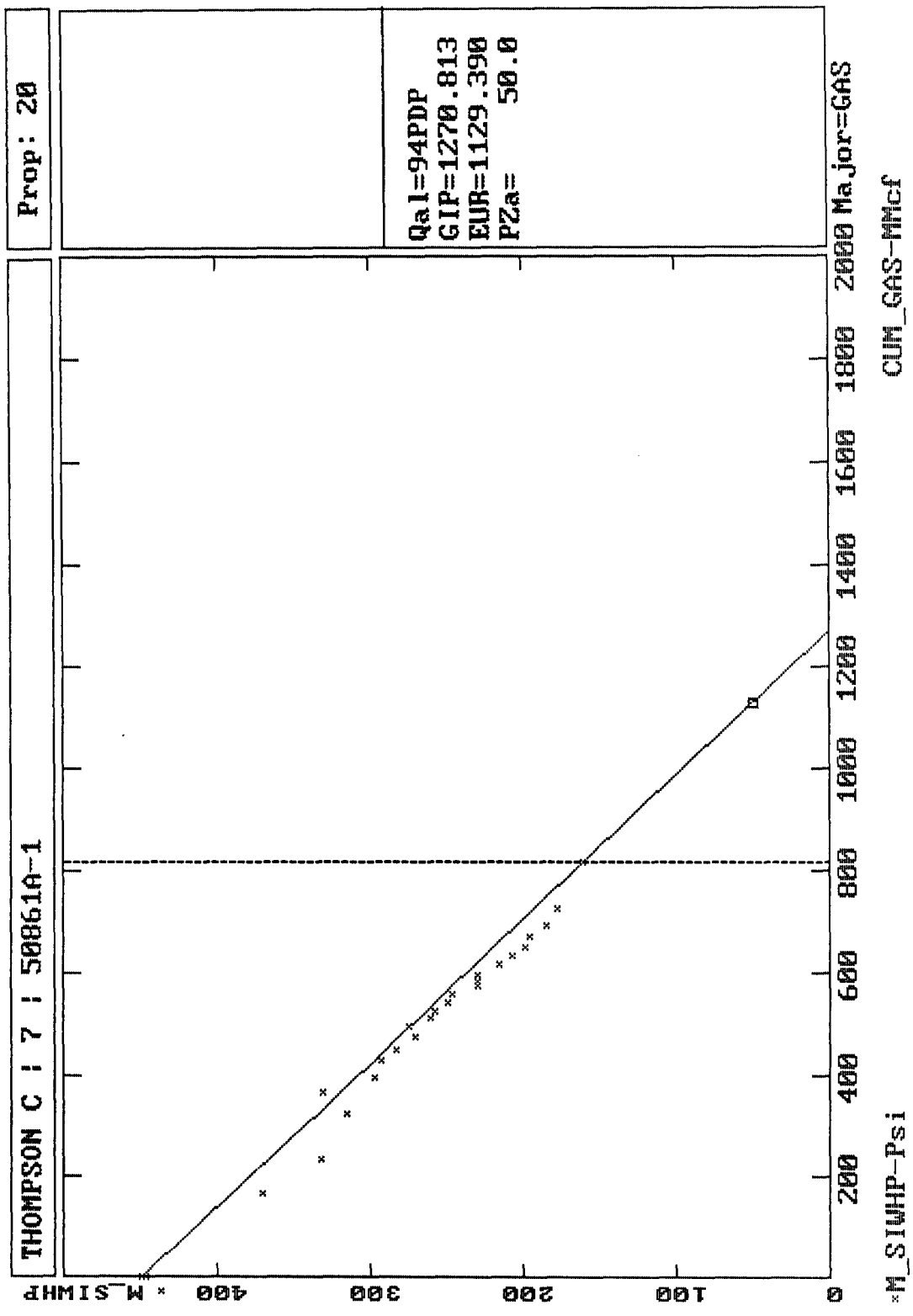
REFERENCE: Thompson, R. S., and Wright, J. D., "Oil Property Evaluation", pages 5-2, 5-3, 5-4.

Lease : THOMPSON C 7
 Field : KUTZ PICTURED CLIFFS WEST (GAS
 Location : 027N012W03L
 County, St : SAN JUAN NM
 Major Product : GAS DP Number: 50861A-1
 Post Well Accountability - Production Forecasts

GAS
 Qol=94PDP
 Ref= 01/94
 Cum= 832.042
 Rem= 297.348
 EUR=1129.390
 Yrs= 50.500
 Qi= 750.0
 De= 1.800
 n= .000
 Qob= 299.9



RT RLP LDR,
 =963.155MMCF,
 RLP EPNG LP SYS,
 MLL, RT,
 PZ EUR = 1,129.39 MMCF @50psi abd
 pz eur = 987.968 mmcf @100psi abd





STATE OF NEW MEXICO
ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
AZTEC DISTRICT OFFICE

94 JAN 25 AM 9 35

1000 RIO BRAZOS ROAD
AZTEC, NEW MEXICO 87410
(505) 334-6178

Date: 1-21-94

Attn: Ben Stone

Oil Conservation Division
P.O. Box 2088
Santa Fe, NM 87504-2088

RE: Proposed MC _____
Proposed NSL _____
Proposed WFX _____
Proposed NSP _____

Proposed DHC X _____
Proposed SWD _____
Proposed PMX _____
Proposed DD _____

Gentlemen:

I have examined the application received on 1-7-94
for the Meridian Oil Inc. Thompson C#7
OPERATOR LEASE & WELL NO.

L-3-27M-12w and my recommendations are as follows:
UL-S-T-R

Approve

Yours truly,

Ernie Bunch