

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. 11284
ORDER NO. R-10385

**APPLICATION OF MERIDIAN OIL, INC. FOR DOWNHOLE COMMINGLING
AND TWO NON-STANDARD GAS PRORATION UNITS, SAN JUAN COUNTY,
NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on May 18, 1995 at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 8th day of June, 1995 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 downhole commingle gas production from the Gallup formation with gas production from the Basin-Dakota Pool within the wellbore of its proposed Sunray "H" Com Well No. 6 to be drilled at a standard gas well location for both intervals 820 feet from the North line and 1060 feet from the East line (Lot 1/Unit A) of Irregular Section 11, Township 30 North, Range 10 West, NMPM, San Juan County, New Mexico.
- (3) Further, approval for two non-standard gas spacing and proration units to be dedicated to the above-described well are being sought in this matter:

- (a) Lots 1, 2, 7, and 8 (the NE/4 equivalent) of said Section 11 comprising 157.70 acres is to be dedicated to the Gallup formation; and,
 - (b) Lots 1, 2, 7, 8, 9, 10, 15, and 16 (E/2 equivalent) of said Section 11 comprising 314.74 acres is to be dedicated to the Basin-Dakota Pool.
- (4) The two above-described non-standard gas spacing and proration units are necessitated by a variation in the legal subdivision of the United States Public Lands Survey.
- (5) Mineral ownership within the Basin-Dakota Pool and the Gallup formation underlying each respective proration unit is not common.
- (6) The applicant has notified all interest owners owning an interest in either the Gallup or Dakota intervals within the subject proration units of its proposed downhole commingling.
- (7) No offset operator and/or interest owner appeared at the hearing in opposition to the proposed downhole commingling and/or the proposed non-standard gas spacing and proration units.
- (8) The applicant demonstrated through its evidence that:
- 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;
 - e) the value of the commingled production is not less than the sum of the values of the individual production; and,

f) the proposed downhole commingling is necessary in order for the applicant to economically recover Basin-Dakota Pool reserves underlying the E/2 equivalent of said Section 11 as well as the gas reserves in the Gallup formation underlying the NE/4 equivalent of said Section 11.

(9) In the interest of conservation, the prevention of waste, and in the protection of correlative rights, the subject application should be approved.

(10) Subsequent to completion, the applicant proposes to conduct a production test on each of the subject zones in order to obtain initial production data.

(11) The applicant should consult with the supervisor of the Aztec district office of the Division in order to determine an allocation formula for the allocation of production to each zone in the subject well.

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

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Meridian Oil, Inc., is hereby authorized to downhole commingle Basin-Dakota Pool gas production with gas production from the Gallup formation within the wellbore of its proposed Sunray "H" Com Well No. 6 to be drilled at a standard gas well location for both intervals 820 feet from the North line and 1060 feet from the East line (Lot 1/Unit A) of Irregular Section 11, Township 30 North, Range 10 West, NMPM, San Juan County, New Mexico.

(2) Lots 1, 2, 7, and 8 (the NE/4 equivalent) of said Section 11 are to be dedicated to the subject well in the Gallup formation thereby forming a non-standard 157.70-acre gas spacing and proration unit.

(3) Lots 1, 2, 7, 8, 9, 10, 15, and 16 (E/2 equivalent) of said Section 11 are to be dedicated to the Basin-Dakota Pool to form a non-standard 314.74-acre gas spacing and proration unit.

(4) Subsequent to completion, the applicant shall conduct a production test of sufficient duration on each of the zones in order to obtain initial stabilized producing rates. In addition, the applicant shall consult with the supervisor of the Aztec district office of the Division in order to determine an allocation formula for the allocation of production to each zone in the subject well.

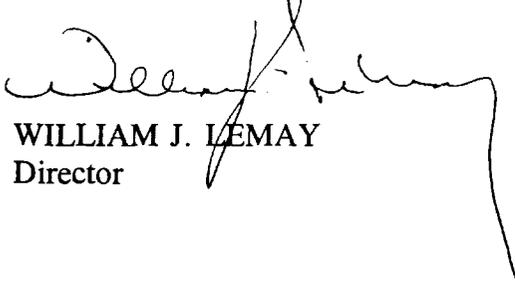
(5) The operator shall immediately notify the supervisor of the Aztec district office of the Division any time the subject well has been shut-in for seven consecutive days and shall concurrently present, to the Division, a plan for remedial action.

(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