



UNITED STATES DEPARTMENT OF THE INTERIOR

BUREAU OF LAND MANAGEMENT  
FARMINGTON RESOURCE AREA  
1235 LA PLATA HIGHWAY  
FARMINGTON, NEW MEXICO 87401

*Case No.*  
*9422*

DEC. 16 1988

Memorandum

To: State Director, NM-920

From: *jm* Area Manager, NM-019

Subject: State NMOCD Approvals of Surface Commingling Through Hearings

Attached are two NMOCD State Orders (R-8802 and R-8803) granting surface commingling approval to Meridian Oil Company in the Canyon Largo Unit and the Lindrith Unit, respectively. It is our understanding that BLM grants approvals on surface commingling and measurement and NMOCD approves downhole commingling.

The question arises, whose responsibility is surface commingling and which BLM office is to attend the state hearings? Farmington Resource Area has been advised in the past that the State Office would attend those hearings and intervene where appropriate.

Did NM-920 attend these hearings? If so, has the policies changed so that all commingling is approved/denied by NMOCD? Please advise.

*James E. Edwards Jr.*

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STATE OFFICE  
SANTA FE, NEW MEXICO  
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October 17, 1988

OIL CONSERVATION DIVISION

OCT 17 1988

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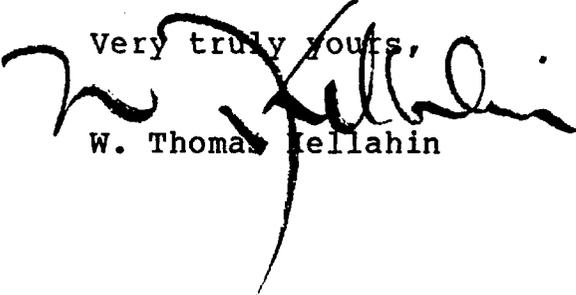
Mr. Michael E. Stogner  
Oil Conservation Division  
310 Old Santa Fe Trail  
Room 206 Land Office  
Santa Fe, NM 87503

Re: Meridian Oil, Inc.  
Central Point Metering  
NMOCD Case 9422 and Case 9423

Dear Mr. Stogner:

On behalf of Meridian Oil, Inc. please find enclosed a proposed order for entry in Case 9422. You will remember that Case 9422 dealt with the non-prorated Ballard Pictured Cliffs gas pool and Case 9423 dealt with the prorated Blanco Pictured Cliffs gas pool. However, the enclosed order can be used for either pool.

Very truly yours,

  
W. Thomas Kellahin

WTK/dm  
Encl.

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: 9422

R- \_\_\_\_\_

APPLICATION OF MERIDIAN OIL INC.  
FOR CENTRAL-POINT GAS MEASUREMENT,  
RIO ARRIBA COUNTY, NEW MEXICO.

MERIDIAN OIL INC.'S PROPOSED  
ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on August 3, 1988, at Santa Fe, New Mexico, before Michael E. Stogner.

NOW, on this \_\_\_\_\_ day of \_\_\_\_\_, 1988, 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) The applicant, Meridian Oil Company, seeks approval to install a central meter run at the end of El Paso Natural Gas Company's pipeline lateral 2C-90 thereby allowing sixteen Ballard-Pictured Cliffs producing wells in the Canyon Largo Unit to be commingled on the surface and their combined volumes to be metered at one central point located in the NE/4, SE/4 of Section 4, T25N, R7W, Rio Arriba County, New Mexico.

(3) Applicant provided the evidence at the hearing which established that:

(a) Of the 18 wells currently connected to lateral 2c-90 and individually metered, with the exception of Well 256 which is a Dakota gas well and Well 172 which is not in the participating area, the remaining 16 wells set forth on

Exhibit A to this order are all in the same participating area of the Canyon Largo Unit and each said well is a Ballard-Pictured Cliff gas well.

(b) The Well 172 (Dakota) and Well 172 (NP) (SW/4, Section 27) will continue to have their production metered and measured separately at the wellhead for each well.

(c) The meters currently installed on each well will remain in place.

(4) For the 16 wells on lateral 2c-90 for which the Applicant proposes central point metering, the applicant has provided evidence which established that:

(a) The pipeline purchaser for the production is in support of the application.

(b) Because of unit production, the working interest and royalty ownership share proceeds on a Unit participation area basis rather than on an individual well basis and therefore will not be adversely affected by the granting of this application.

(c) The allocation formula by which Production will be allocated back to each of the 16 individual wells shall be based upon procedures as discussed with Frank Chavez, Area Supervisor, Oil Conservation Division Aztec District Office.

(d) The cost of compression and fuel gas used therein shall be allocated back to the 18 wells on lateral 2C-90 so that each well bears its appropriate share.

(e) The use of central point metering with the installation of compression will afford the operator and the unit owners a better opportunity to prolong the economic producing life of the subject wells, thereby recovering additional volumes of gas that might not otherwise be recovered.

(f) Use of central point metering will allow the operator to more efficiently measure and produce these wells and the installation of lateral compression should increase the gas production from the subject wells.

IT IS THEREFORE ORDERED:

(1) The applicant, Meridian Oil, Inc., is hereby authorized to a central point metering at the point in the NE/4, SE/4 of Section 4, T25N, R7W, Rio Arriba County, New Mexico at which lateral 2c-90 meets pipeline 2c-89 to measure and meter surface commingled production from the following wells located on lateral 2c-90:

<u>Well Name</u>	<u>Lease Number</u>
Canyon Largo Unit #9	078922
Canyon Largo Unit #221	078922
Canyon Largo Unit #81	078987
Canyon Largo Unit #197	078987
Canyon Largo Unit #173	078987
Canyon Largo Unit #277	078978
Canyon Largo Unit #248	E-809-12
Canyon Largo Unit #196	078876
Canyon Largo Unit #198	078986
Canyon Largo Unit #114	078876
Canyon Largo Unit #276	078878
Canyon Largo Unit #181	078878
Canyon Largo Unit #200	078987
Canyon Largo Unit #246	078878
Canyon Largo Unit #157	078878
Canyon Largo Unit #199	078987

(2) Production from the sixteen commingled Ballard-Pictured Cliffs Wells shall be allocated back to the individual wells based upon procedures as may be required by the Area Supervisor, Oil Conservation Division Aztec District Office.

(3) Well 256 and Well 172 shall continue to be measured at the wellhead and the production therefrom reported separately for each well.

(4) Applicant shall file with the Division, OCD Form C-111 and comply with Rule 111 in addition to any other report or form required to be filed by applicant as operator of the unit and the wells involved herein.

(5) 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 year hereinabove designated.

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STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION  
WILLIAM J. LEMAY, Director



Canyon Largo Units  
 Ballard Pictured Cliffs  
 T-24-N & R-25-N, R-7-W  
 Pio Arriba County, New Mexico

Meridian GWI - 83.68%

WELL STATUS -

The following Ballard Pictured Cliffs wells are producing on the traditional market into EPNG's pipeline Lateral 2C-90.

	LEASE NO.		LEASE NO.
Canyon Largo Unit #9	-078412	<del>Canyon Largo Unit #221</del>	
Canyon Largo Unit #221	-078422	Canyon Largo Unit #196	-078476
Canyon Largo Unit #81	-078487	Canyon Largo Unit #198	-078486
Canyon Largo Unit #197	-078487	Canyon Largo Unit #114	-078476
Canyon Largo Unit #173	-078487	Canyon Largo Unit #276	-078478
Canyon Largo Unit #277	-078477	Canyon Largo Unit #181	-078478
Canyon Largo Unit #248	-L-904-12		

The following five Ballard Pictured Cliffs and one Dakota have been blind plated and are connected to the same Lateral.

	LEASE NO.		LEASE NO.
Canyon Largo Unit #172	-078478	Canyon Largo Unit #157	-078478
Canyon Largo Unit #200	-078477	Canyon Largo Unit #199	-078477
Canyon Largo Unit #246	-078478	Canyon Largo Unit #256	-078478

(DK)

RECOMMENDATION -

It is recommended that a compressor be installed on Lateral 2C-90 where it connects to Lateral 2C-89.

JUSTIFICATION -

The economics for this project are as follows:

<u>Well Name &amp; No.</u>	<u>Current</u> MCF	<u>Projected</u> MCF	<u>Line</u> PSI	<u>SIP</u>
Canyon Largo Unit #9	12	25	115	221
Canyon Largo Unit #221	17	35	123	316
Canyon Largo Unit #196	7	20	118	210
Canyon Largo Unit #81	12	25	114	235
Canyon Largo Unit #198	25	50	114	200
Canyon Largo Unit #197	8	20	112	119
Canyon Largo Unit #114	24	50	116	226
Canyon Largo Unit #173	52	105	121	210
Canyon Largo Unit #276	27	50	143	245
Canyon Largo Unit #277	32	65	138	315
Canyon Largo Unit #181	7	20	114	220
Canyon Largo Unit #248	14	30	120	308
Totals -	<u>237</u>	<u>795</u>		

350

Subject: Canyon Largo Unit Wells  
 LN/d1  
 Doc 2321P/Pg 1-2

The following Ballard Pictured Cliffs are blind plated. They will be returned to production.

<u>Well Name &amp; No.</u>	<u>Current MCF</u>	<u>Projected MCF</u>	<u>Line PSI</u>	<u>SIP</u>
(Canyon Largo Unit #172)	0	20	115	114
Canyon Largo Unit #157	0	15	114	80
Canyon Largo Unit #200	0	20	114	115
Canyon Largo Unit #199	0	20	114	114
Canyon Largo Unit #246	0	20	114	85
Totals -	0	95		

Expense - \$4,000 - GWI \$3,347

Rate - 353 MCF/D

Gas Price -  $\frac{0.60}{1.25}$  MCF

Operating Expenses - \$39.00 Per Day

Payout -  $\frac{1.25}{25}$  Days of production

DISCUSSION -

A compressor and meter set at this location would allow the switching of these wells at one point. The meters could be removed on all wells except Canyon Largo Unit #256 (DK) and Canyon Largo Unit (NP) #172. These wells would have to be measured on location.

*non participating*

If this Lateral was shut-in the line pressure should not exceed 320#.

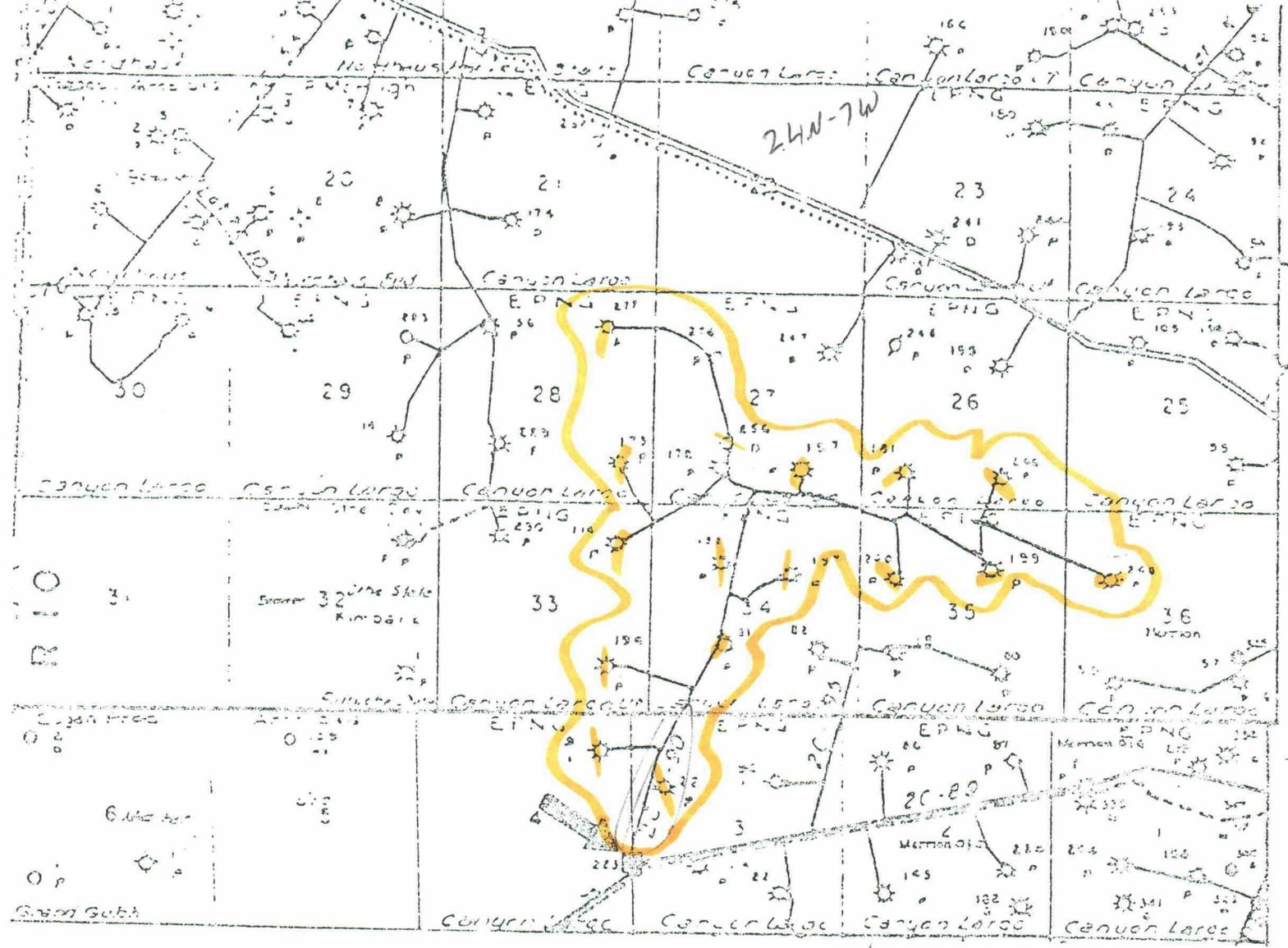
LOCATION DIAGRAM -

(Attached)

PROCEDURE -

Install compressor on Lateral 2C-90 where it connects to Lateral 2C-89

WAVE ERNG INSTALL METER DOWNSTREAM OF COMPRESSOR



25N-7W