

(a)



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-939

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

Attention: Arden L. Walker, Jr.

RECEIVED
OCT 28 1993
OIL CON. DIV
DIST. 3

*San Juan 28-5 Well No. 229
Unit M, Section 27, Township 28 North, Range 5 West, NMPM,
Rio Arriba County, New Mexico.
Basin Fruitland Coal and Gobernador Pictured Cliffs Pools*

Dear Mr. Walker:

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 20 barrels per day, and total water production shall not exceed 40 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.

Assignment of allowable to the well and allocation of production from the well shall be in accordance with the allocation formula shown on Exhibit "A", attached hereto and made a part hereof. Any condensate production will be allocated entirely to the Gobernador Pictured Cliffs Pool.

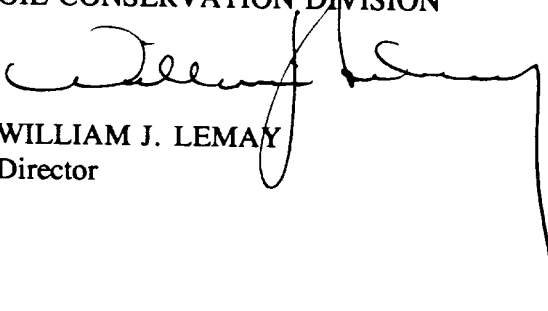
The operator is responsible for reporting the monthly gas production from the subject well to the Division utilizing the allocation formula adopted herein. An annual report shall be submitted by the operator to both the Aztec and Santa Fe offices of the Division showing the complete computations for the previous twelve-month period.

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 October, 1993.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

S E A L

WJL/BES/amg

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

SAN JUAN 28-5 UNIT #229

MONTHLY GAS PRODUCTION ALLOCATION FORMULA

GENERAL EQUATION

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

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} :

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

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

ICTURED CLIFFS (PC) FORMATION PRODUCTION FORMULA IS:

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

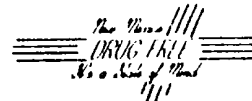
WHERE: Q_{pci} = INITIAL PC MONTHLY FLOW RATE (CALCULATED FROM FLOW TEST)
 D_{pc} = PICTURED CLIFFS MONTHLY DECLINE RATE CALCULATED FROM:
 $D_{pc} = (Q_{pci} - Q_{pcabd}) / N_{p(pc)}$
See Determination of Q_{pci} and PC Estimated Ultimate Recovery ($N_{p(pc)}$)
 $Q_{pcabd} = 300 \text{ MCF/M}$

WHERE: $N_{p(pc)}$ = PICTURED CLIFFS ESTIMATED ULTIMATE RECOVERY (EUR)
 $N_{p(pc)} = P \times 0.55 \text{ MMCF/PSI}^{**} \times R_f$
 P^* = INITIAL RESERVOIR PRESSURE (SIBHP)
 R_f = RECOVERY (FIELD ANALOGY): = 0.95
 ** DETERMINED FROM MATERIAL BALANCE (FIELD ANALOGY) AND VOLUMETRIC RESERVES (LOG ANALYSIS)

By calculating $N_{p(pc)}$ from SIBHP and determining Q_{pci} , D_{pc} can then be calculated utilizing the previously described parameters. See derivation of D_{pc} , item (c) on page 4.

THUS: $Q_{ftc} = Q_t - Q_{pci} \times e^{-\{D_{pc}\} \times (t)}$
WHERE: (t) IS IN MONTHS

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



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

BRUCE KING
GOVERNOR

ANITA LOCKWOOD
CABINET SECRETARY

1000 RIO BRAZOS ROAD
AZTEC, NEW MEXICO 87410
(505) 334-6174

Date: 10/1/93

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 ✓ _____
Proposed SWD _____
Proposed PMX _____
Proposed DD _____

Gentlemen:

I have examined the application received on 9/22/93
for the Merichai S.J. 28-5 Unit #229
OPERATOR LEASE & WELL NO.

M-27-28N-5W and my recommendations are as follows:
UL-S-T-R

Approve

Yours truly,

[Signature]

MERIDIAN OIL

September 21, 1993

New Mexico Oil Conservation Division
Attn: Mr. Bill LeMay
P.O. Box 2088
310 Old Santa Fe Trail
Santa Fe, New Mexico 87501

RECEIVED
SEP 22 1993
OIL CON. DIV.
DIST. 3

RE: San Juan 28-5 Unit #229
Unit M, Section 27, T28N, R05W
Rio Arriba 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. All offsetting acreage in this case belongs to Meridian Oil Inc. A letter has been sent to the Bureau of Land Management notifying them.

The Fruitland Coal and Pictured Cliffs wells producing in this area operated by Meridian 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.

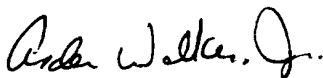
It is proposed to complete the Pictured Cliffs formation and test its production. It is then proposed to set a bridge plug above the Pictured Cliffs, perforate and stimulate the Fruitland Coal, and test its production. The bridge plug will then be removed, and both zones produced through a single string 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 average shut-in pressures in the area for the Pictured Cliffs and Fruitland Coal are 1090 and 1070 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 volumetrics, 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.

New Mexico Oil Conservation Division
Mr. Bill LeMay
San Juan 28-5 Unit #229
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 the letter to the BLM and an allocation formula.

Sincerely,

A handwritten signature in black ink, appearing to read "Arden L. Walker, Jr.", with a stylized, cursive script.

Arden L. Walker, Jr.
Regional Production Engineer

KS:tg
Attachments

cc: Frank T. Chavez - NMOCD/Aztec

MERIDIAN OIL

September 21, 1993

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

RE: San Juan 28-5 Unit #229
Unit M, Section 27, T28N, R05W
Rio Arriba County, New Mexico
Downhole Commingling Request

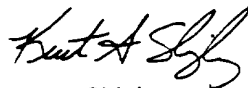
Gentlemen:

Meridian Oil, Inc. is in the process of applying for a downhole commingling order for the San Juan 28-5 Unit #229 well located in Unit M, Section 27, T28N, R05W, N.M.P.M., Rio Arriba 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,



Kurt A. Shipley
Production Engineering

KS/tg

The above downhole commingling request is hereby approved:

Date: _____

SAN JUAN 28-5 UNIT #229

In order to facilitate an economic Pictured Cliffs completion three requirements must be met. It is the combination of these three requirements that determines the economic status and completion method (PC single completion, PC-FTC Dual, PC-FTC commingle) utilized. In some cases the Pictured Cliffs formation may be economic as a stand alone or dual completion. The Fruitland Coal, however, fails to meet economic criteria in all cases except commingling. These three requirements are as follows:

RESERVES $N_p(pc)$

FLOW RATE (Q_{pci})

COSTS (Investment and Operating)

Shown in the following example are the parameters and calculations used to determine Pictured Cliffs initial rate (Q_{pci}), Pictured Cliffs Estimated Ultimate Recovery ($N_p(pc)$), and Pictured Cliffs decline rate (D_{pc}). Additionally, estimated costs associated with each completion method and economic sensitivities (figures 1-3) are attached to show the effects of PC reserves ($N_p(pc)$), initial PC rates (Q_{pci}), and completion method (costs).

The monthly gas production allocation formula presented is similar to the allocation formula presented by Meridian Oil in previous commingle hearings.

SAN JUAN 28-5 UNIT #229

MONTHLY GAS PRODUCTION ALLOCATION FORMULA

GENERAL EQUATION

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

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} :

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

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:

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

WHERE: Q_{pci} = INITIAL PC MONTHLY FLOW RATE (CALCULATED FROM FLOW TEST)
 D_{pc} = PICTURED CLIFFS MONTHLY DECLINE RATE CALCULATED FROM:
 $D_{pc} = (Q_{pci} - Q_{pcabd}) / N_{p(pc)}$
See Determination of Q_{pci} and PC Estimated Ultimate Recovery ($N_{p(pc)}$)
 $Q_{pcabd} = 300 \text{ MCF/M}$

WHERE: $N_{p(pc)}$ = PICTURED CLIFFS ESTIMATED ULTIMATE RECOVERY (EUR)
 $N_{p(pc)} = P \times 0.55 \text{ MMCF/PSI}^{**} \times R_f$
 P^* = INITIAL RESERVOIR PRESSURE (SIBHP)
 R_f = RECOVERY (FIELD ANALOGY): = 0.95
 ** DETERMINED FROM MATERIAL BALANCE (FIELD ANALOGY) AND VOLUMETRIC RESERVES (LOG ANALYSIS)

By calculating $N_{p(pc)}$ from SIBHP and determining Q_{pci} , D_{pc} can then be calculated utilizing the previously described parameters. See derivation of D_{pc} , item (c) on page 4.

THUS: $Q_{ftc} = Q_t - Q_{pci} \times e^{-\{D_{pc} \times (t)\}}$
WHERE: (t) IS IN MONTHS

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

SAN JUAN 28-5 UNIT #229

DETERMINATION OF Qpci: (INITIAL PICTURED CLIFFS MONTHLY PRODUCTION)

$$\mathbf{Qpci = Qt(1) \times Qpc(p) / \{Qpc(p) + Qftc (p)\}}$$

WHERE:

Qt(1) = FIRST MONTH TOTAL PRODUCTION (MCF)

Qpc(p) = FINAL PICTURED CLIFFS FLOW TEST (MCFPD)

Qftc(p) = FINAL FRUITLAND COAL FLOW TEST (MCFPD)

SAN JUAN 28-5 UNIT #229

EXAMPLE DETERMINATION OF:

(a) $N_p(pc)$

(b) Q_{pci}

(c) D_{pc}

PC EUR

INITIAL PC MONTHLY FLOW RATE

PC MONTHLY DECLINE RATE

(a) DETERMINATION OF $N_p(pc)$

(see page 5 for $N_p(pc)$ derivation)

$$N_p(pc) = 0.55 \text{ (MMCF/PSI)} \times P^* \text{ (PSI)} \times R_f$$

$$P^* = 1090 \text{ PSI (FROM SIBHP)}$$

$$N_p(pc) = 0.55 \text{ MMCF/PSI} \times 1090 \text{ PSI} \times 0.95$$

$$\underline{N_p(pc) = 573 \text{ MMCF}}$$

(b) DETERMINATION OF Q_{pci}

$$Q_{pci} = Q_t(1) \times \{Q_{pc}(p) / (Q_{pc}(p) + Q_{ftc}(p))\}$$

$$Q_t(1) = 15,000 \text{ MCF}$$

$$Q_{pc}(p) = 500 \text{ MCF/D}$$

$$Q_{ftc}(p) = 400 \text{ MCF/D}$$

1ST MONTH TOTAL PRODUCTION

PC FLOW TEST

FTC FLOW TEST

$$Q_{pci} = 15,000 \text{ MCF/M} \times \{500 \text{ MCF/D} / (500 \text{ MCF/D} + 400 \text{ MCF/D})\}$$

$$\underline{Q_{pci} = 8,333 \text{ MCF/M}}$$

(c) DETERMINATION OF D_{pc}

$$D_{pc} = (Q_{pci} - Q_{pcabd}) / N_p(pc)$$

$$Q_{pcabd} = 300 \text{ MCF/M}$$

$$D_{pc} = (8,333 \text{ MCF/M} - 300 \text{ MCF/M}) / (573,000 \text{ MCF})$$

$$\underline{D_{pc} = 0.0140/\text{M}}$$

$$\underline{\text{THUS: } Q_{ftc} = Q_t(\text{MCF/M}) - 8,333(\text{MCF/M}) \times e^{\{-(0.0096(1/\text{M}))\}} \times t(\text{M})\}}$$

SAN JUAN 28-5 UNIT #229

A. DETERMINATION OF PC RESERVES		$N_p(pc) = (HCPV \times B_g \times R_f)$
Volumetric Evaluation (averages are for subject 160 acre drill block)		
a.	(t) thickness	= 15.0 ft
b.	(phi) porosity	= 14.0 %
c.	(Sw) H2O saturation	= 44.0 %
d.	(Rf) Recovery Factor	= 95.0 %
e.	(rcf) Reservoir Cubic Feet	@ reservoir conditions
f.	(scf) Standard Cubic Feet	@ standard conditions

1. $HCPV = \text{HYDROCARBON PORE VOLUME (rcf)}$

$$= t \text{ (ft)} \times a \text{ (ft}^2\text{)} \times \phi \times (1 - S_w)$$

$$= 15 \text{ (ft)} \times 160 \text{ (acres)} \times 43,560 \text{ (ft}^2\text{/acre)} \times 0.14 \times (1 - 0.44)$$

$$= 8,371,385 \text{ ft}^3 \quad 1 \text{ mmrcf} = 1,000,000 \text{ ft}^3$$

$HCPV = 8.371 \text{ mmrcf}$

2. $B_g = \text{FORMATION VOLUME FACTOR (scf/rcf)}$

UTILIZING THE REAL GAS LAW TO DETERMINE THE FORMATION VOLUME FACTOR (B_g):

REAL GAS LAW states:

$$P V = Z n R T$$

Rearranging to solve for n:

$$n = P V / Z R T$$

assuming:

$$n_r = n_s$$

WHERE: $n_r = \text{NUMBER OF MOLES OF GAS AT RESERVOIR CONDITION}$

$n_s = \text{NUMBER OF MOLES OF GAS AT SURFACE CONDITIONS}$

THUS: $\frac{P_r V_r}{Z_r T_r} R = \frac{P_s V_s}{Z_s T_s} R$

Rearranging: $\frac{V_s}{V_r} = \frac{B_g = Z_s T_s P_r}{Z_r T_r P_s}$

assuming:

$$\frac{Z_s}{Z_r} = 1.00$$

$$\frac{T_s}{T_r} = 0.94$$

$$T_s = 60 \text{ } ^\circ\text{F} \quad \text{or } 520 \text{ } ^\circ\text{R}$$

$$T_r = 100 \text{ } ^\circ\text{F} \quad \text{or } 560 \text{ } ^\circ\text{R}$$

$$P_s = 15.025 \text{ psia}$$

$$P_r = \text{Determined from build-up test}$$

$$B_g = \text{FORMATION VOLUME FACTOR (scf/rcf)} = \frac{Z_s T_s P_r}{Z_r T_r P_s}$$

$$= (\text{scf/rcf}) \{1.00 \times 520 \text{ (} ^\circ\text{R)} \times P_r \text{ (psia)}\} / \{0.94 \times 560 \text{ (} ^\circ\text{R)} \times 15.025 \text{ (psia)}\}$$

$B_g = 0.0657 \text{ {scf/ (rcf psia)}} \times P_r \text{ (psia)}$

3. $EUR = HCPV \times B_g \times R_f$

$$= 8.371 \text{ (mmrcf)} \times 0.0657 \text{ {scf/(rcf psia)}} \times P_r \text{ (psia)} \times 0.95$$

$N_p(pc) = 0.55 \text{ (mmscf/psia)} \times P_r \text{ (psia)} \times 0.95$

SAN JUAN 28-5 UNIT #229

B. PICTURED CLIFFS DRILLING /COMPLETION COST SUMMARY

1. STAND ALONE SINGLE PC COMPLETION

ESTIMATED COSTS:	TANGIBLE (M\$)	INTANGIBLE (M\$)	TOTAL (M\$)
	115.00	209.75	324.75

2. FTC/PC DUAL COMPLETION*

ESTIMATED COSTS:	TANGIBLE (M\$)	INTANGIBLE (M\$)	TOTAL (M\$)
	127.20	144.34	271.54

3. FTC/PC COMMINGLE COMPLETION*

ESTIMATED COSTS:	TANGIBLE (M\$)	INTANGIBLE (M\$)	TOTAL (M\$)
	58.90	141.45	200.35

***PICTURED CLIFFS COSTS ONLY**

C. ECONOMIC SUMMARY

THE FIGURE INCLUDED DEPICTS RESERVES (EUR) VS INITIAL RATE (MC

THREE CASES PER FIGURE (FTC/PC COMMINGLE, FTC/PC DUAL, PC SINGLE) @ 15 % ROR

SAN JUAN 28-5 UNIT #229

Expected Reservoir Pressures

Pictured Cliffs - Average of the closest PC completions is 1090 psi SICP (pressures range from 1017 psi to 1065 psi). All of the completions are within 4 miles of the subject location. The initial pressure at the subject location is expected to be the offsetting PC average of 1090 psi.

Fruitland Coal - Average of the closest FTC completions is 1070 psi SICP (pressures range from 635 to 1459 psi). All of the completions are within 4-5 miles of the subject location. The pressure at the subject location is expected to be the offset FTC average of 1070 psi.

PC - 1090 psi, FTC - 1070 psi. Within limits of pressure requirements for commingling.

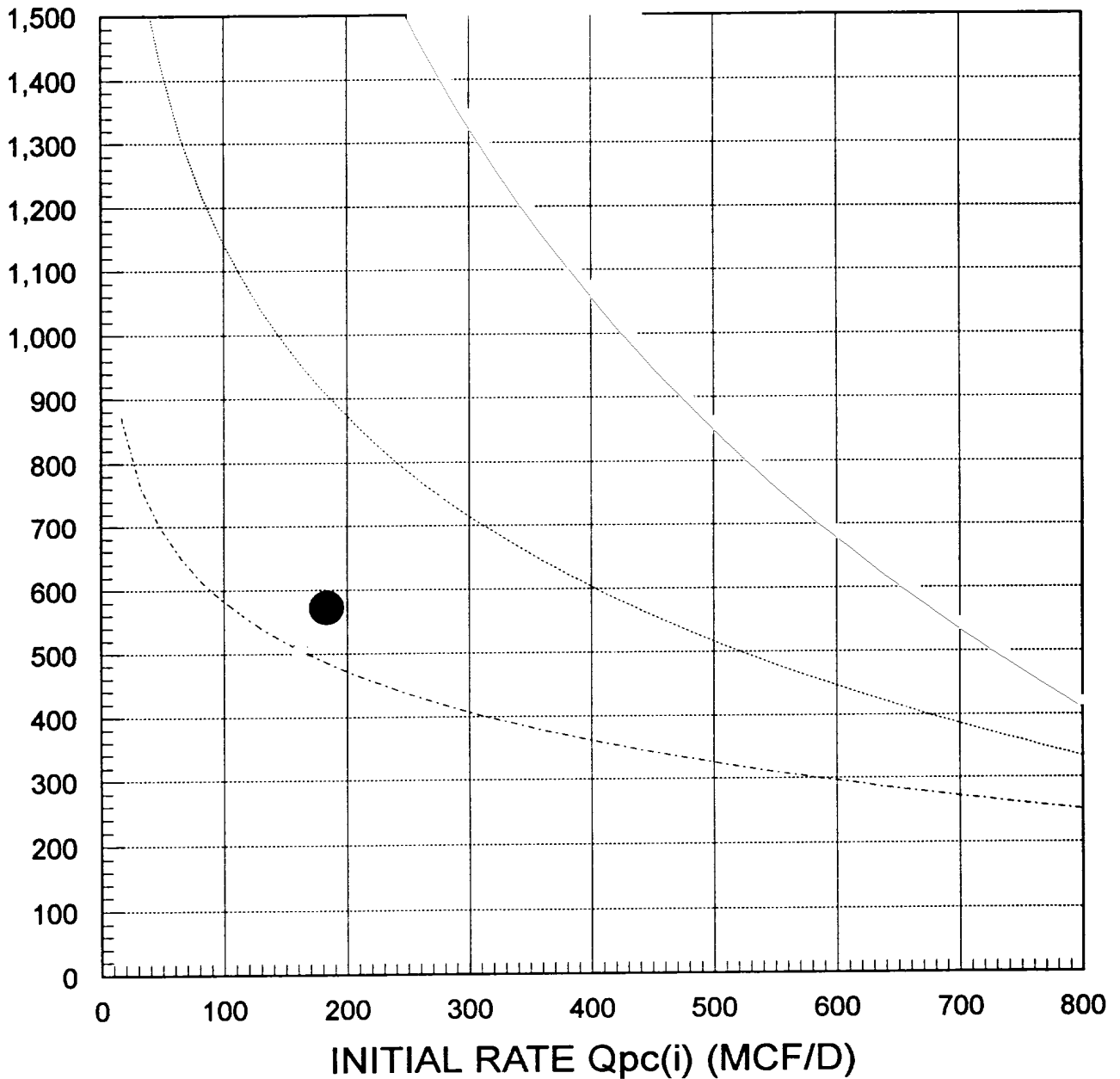
Fluid Compatibility

Neither producing formation makes oil or water in existing wells in the area. Both formations are very dry gas producers and no fluid production is anticipated in this well.

PC - dry gas production , FTC - dry gas production. Only natural gas will be produced so fluids are compatible.

SAN JUAN 28-5 UNIT #229
FRUITLAND COAL/ PICTURED CLIFFS
INITIAL RATE VS EUR

EUR (MMCF)



SINGLE DUAL COMMINGLE
15% ROR 15% ROR 15% ROR

EST. FTC EUR: 514 MMCF EST. FTC QI: 160 MCFD

EST. PC EUR: 573 MMCF EST. PC QI: 190 MCFD



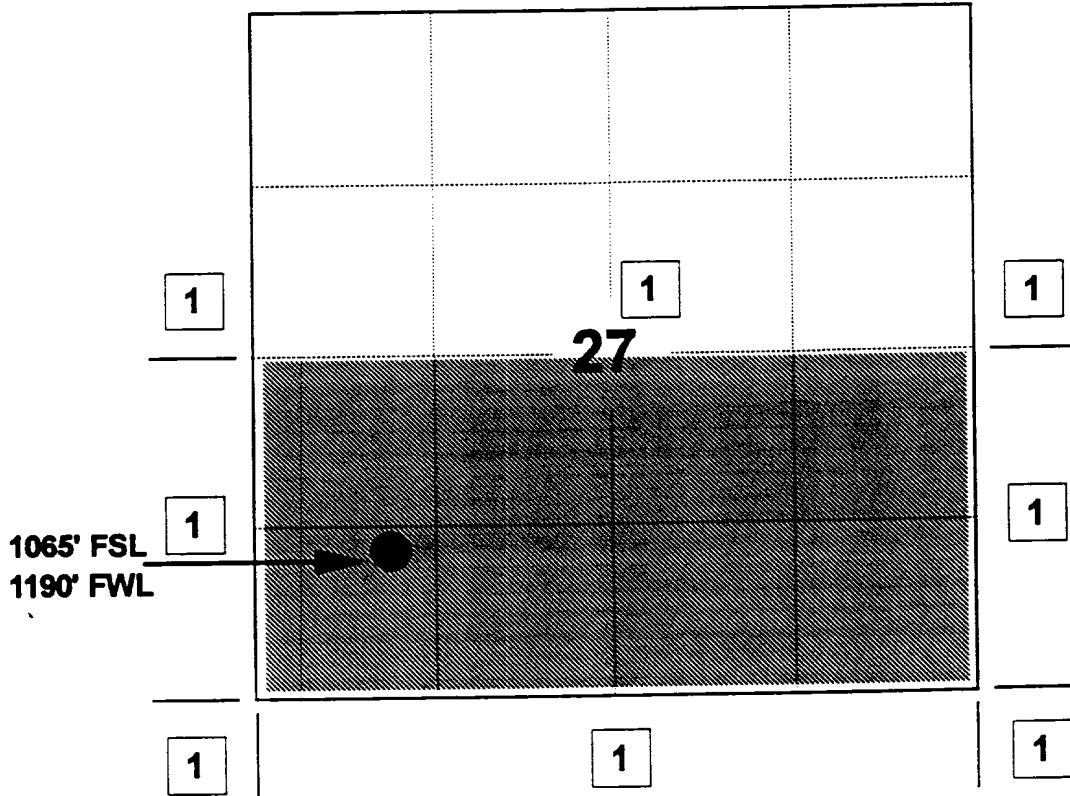
MERIDIAN OIL INC

SAN JUAN 28-5 UNIT #229

OFFSET OPERATOR \ OWNER PLAT

Fruitland Coal / Pictured Cliffs Formation Commingle

Township 28 North, Range 05 West



1) Meridian Oil Inc
