

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. 11132
Order No. R-10258

APPLICATION OF MERIDIAN OIL INC.
FOR DOWNHOLE COMMINGLING, et al.
JUAN COUNTY, NEW MEXICO.

ORDER OF TI

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on November 10, 1994, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 28th day of November, 1994, 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 Blanco-Mesaverde, South Blanco-Pictured Cliffs and Undesignated Otero-Chacra Gas Pool production within the wellbore of its Navajo Indian "B" Well No. 3 located 1180 feet from the South line and 1450 feet from the West line (Unit N) of Section 19, Township 27 North, Range 8 West, NMPM, San Juan County, New Mexico.
- (3) The subject well is currently a Blanco-Mesaverde/South Blanco-Pictured Cliffs Gas Pool dual completion.
- (4) The W/2 and SW/4 of Section 19 are currently dedicated to the subject well in the Blanco-Mesaverde and South Blanco-Pictured Cliffs Gas Pools, respectively, and the applicant proposes to dedicate the SW/4 of Section 19 to the subject well in the Otero-Chacra Gas Pool forming a standard 160-acre gas spacing and proration unit for said pool.

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(5) According to applicant's testimony, the working, royalty and overriding royalty interest ownership between the three pools is common.

(6) The subject well was drilled in 1959 and dually completed in the Blanco-Mesaverde and South Blanco-Pictured Cliffs Gas Pools at initial producing rates of approximately 1,694 and 915 MCF gas per day, respectively.

(7) The subject well is currently producing from the Blanco-Mesaverde and South Blanco-Pictured Cliffs Gas Pools at rates of approximately 6.0 and 13.0 MCF gas per day, respectively.

(8) According to applicant's evidence, there is potential for gas production from the Chacra formation in this area.

(9) The current producing rates from the Mesaverde and Pictured Cliffs formations are not sufficient to justify a triple completion.

(10) Unless the remaining Mesaverde and Pictured Cliffs gas reserves are produced in conjunction with Chacra gas reserves within a downhole commingled wellbore, these reserves will likely be abandoned, thereby causing waste.

(11) The proposed downhole commingling is necessary in order to economically recover the oil and gas reserves in the Chacra formation as well as the remaining oil and gas reserves in the Mesaverde and Pictured Cliffs formations.

(12) The applicant further demonstrated through its evidence and testimony that:

- a) none of the commingled zones exposes the other to damage by produced liquids;
- b) the fluids from each zone are compatible with the other;
- c) the value of the commingled production is not less than the sum of the values of the individual production.

(13) Applicant's evidence indicates that the bottomhole pressures of the Pictured Cliffs, Mesaverde and Chacra formations, adjusted to a common datum, are 220 psi, 510 psi and 720 psi, respectively.

(14) Although the bottomhole pressures within the subject pools do not meet the criteria as outlined in Division Rule No. 303(C), applicant's evidence indicates that the subject well will utilize compression and will be on line very nearly 100 percent of the time, which should greatly reduce the possibility of crossflow within the wellbore.

(15) No interest owner and/or offset operator appeared at the hearing in opposition to the application.

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

(17) According to applicant's evidence, it will conduct a production test on the Chacra formation after completion in order to gather sufficient data to determine an accurate allocation of production.

(18) Subsequent to conducting said production test, the applicant should consult with the supervisor of the Division's Aztec District Office in order to determine a proper allocation of production from the subject well.

(19) 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 Blanco-Mesaverde, South Blanco-Pictured Cliffs and Undesignated Otero-Chacra Gas Pool production within the wellbore of its Navajo Indian "B" Well No. 3 located 1180 feet from the South line and 1450 feet from the West line (Unit N) of Section 19, Township 27 North, Range 8 West, NMPM, San Juan County, New Mexico.

(2) The SW/4 of Section 19 shall be dedicated to the subject well in the Undesignated Otero-Chacra Gas Pool forming a standard 160-acre gas spacing and proration unit for said pool.

(3) The applicant shall conduct a production test on the Chacra formation after completion in order to gather sufficient data to determine an accurate allocation of production.

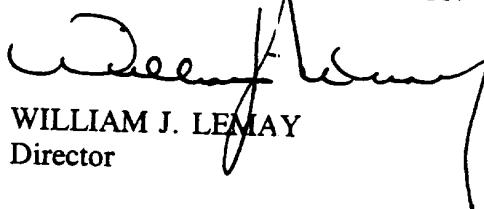
(4) Subsequent to conducting said production test, the applicant shall consult with the supervisor of the Division's Aztec District Office in order to determine a proper allocation of production from the subject well.

(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

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