

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION



BRUCE KING
GOVERNOR

ANITA LOCKWOOD
CABINET SECRETARY

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OIL CON. DIV.
DIST. 3

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STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

ADMINISTRATIVE ORDER DHC-979

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

Attention: Arden L. Walker, Jr.

*Zachry Well No. 5
Unit P, Section 11, Township 28 North, Range 10 West, NMPM,
San Juan County, New Mexico.
Basin-Fruitland Coal and Aztec-Pictured Cliffs Gas 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 Aztec-Pictured Cliffs Gas Pool.

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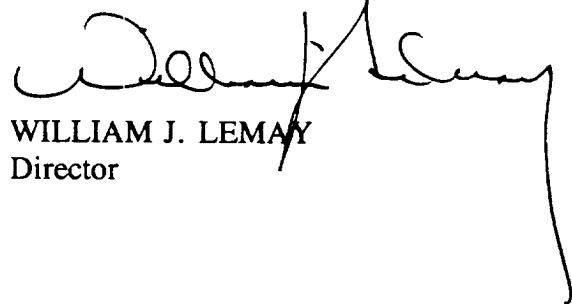
the Division utilizing the allocation formula adopted herein. An annual report shall be submitted by the operator to both the Aztec and Santa Fe offices of the Division showing the complete computations for the previous twelve-month period.

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 1st day of February, 1994.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

S E A L

WJL/DRC/amg

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

ZACHRY #5

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 1,515 MCF/M (DETERMINED FROM LAST MON PC ONLY PRODUCTION, PRIOR TO RECOMPLETION & COMMINGLE)

D_{pc} = PICTURED CLIFFS MONTHLY DECLINE RATE CALCULATED FROM DECLINE CURVE AND MATERIAL BALANCE ANALYSIS:

$$D_{pc} = (0.00417/M)$$

THUS: $Q_{ftc} = Q_t - Q_{pci} \times e^{-\{0.00417 \times (t)\}}$

WHERE: (t) IS IN MONTHS

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