

December 27, 1995

Mr. William J. LeMay
N. M. Oil Conservation Division
P. O. Box 2088
Santa Fe, N. M. 87501-2088

Re: Navajo Indian B #5 MV/DK
1520' FSL 960' FWL
Section 30, T27N R8W
San Juan County, N. M.

Dear Mr. LeMay:

Meridian Oil Inc. is applying for an administrative downhole commingling order for the referenced well in the Basin Dakota (DK) and the Blanco Mesaverde (MV) fields. The ownership of the zones to be commingled is common. The offset operators to both the Mesaverde and Dakota are Amoco, Conoco, and Snyder Oil Corp. The Bureau of Land Management and these offset operators will receive notification of this proposed downhole commingling.

This well has produced as a dual MV / DK well since 1965. The MV is a marginal producer with an average producing rate of 30 MCF/D. The DK's producing rate is 40 MCF/D but is logging off with fluid. The DK has had trouble producing for several years due to a fluid loading problem. The addition of the MV gas to the producing stream should help lift the small amount of liquid (less than 1 BLPD). This would greatly enhance the DK producing efficiency thus preventing waste of the DK gas reserves. The cumulative production for the MV is 1,321 MMCF and 13,564 BO with 1,242 MMCF and 26,329 BO for the DK.

We believe that the DK production is currently being suppressed due to the presence of the well's production packer which limits the DK's ability to unload liquid with its small gas volume. The MV should continue producing at its present rate of 30 MCF/D. The commingling of the subject well in the twilight of its producing life will result in better producing efficiency for both intervals. We believe that the combined gas volume will be sufficient to lift the produced liquids.

Granting this application will be in the best interest of conservation, the prevention of waste, and the protection of correlative rights.

We plan to commingle this well by pulling the MV tubing and the DK tubing, eliminate the production packer, and run a single string of 1-1/2" tubing.

The reservoir characteristics of each of the subject zones are such that underground waste would not be caused by the proposed downhole commingling. The fluids from each zone are compatible and no precipitates will be formed to cause damage to either reservoir. MV and DK wells have been successfully commingled in many areas of San Juan Basin with no detrimental effects. In addition, the offset well Navajo Indian B #5M (E 30 27 8) was commingled in the MV and DK (DHC-381) on 4-19-83 with no detrimental effects. The daily production will not exceed the limit of Rule 303c, Section 1a, Part 1. The shut-in pressures for the MV and DK are 355 and 430 psi, respectively, however, we do not believe that there will be any significant crossflow.

Handwritten notes and signatures:

- Entered 4/26/04
- 2/5/96
- DHC-1185
- DHC-1185-A
- (No 1/2 Given)
- 6/9/03
- CHOCOR
- DKTA
- MV/DK
- DKTA
- MV/DK

To allocate the commingled production to each of the zones, the current MV rate of 30 MCF/D and the DK rate of 40 MCF/D were utilized to obtain the following recommendation for the gas allocation: MV Gas = 43% and DK Gas = 57%. Since the well now averages about 10 BOPM from each formation the oil allocation recommendation is: MV Oil = 50% and DK Oil = 50%.

Included with this letter are plats showing ownership of offsetting leases for both the MV and DK, a copy of letters to the offset operators and BLM, before and after wellbore diagrams, production curves, a pertinent data sheet, and maps indicating the offset MV and DK wells in the area.

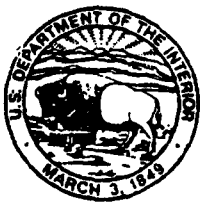
Yours truly,

A handwritten signature in black ink, appearing to read "P. M. Pippin", written over the typed name.

P. M. Pippin
Senior Production Engineer

PMP:pmp
attachments

cc: Frank Chavez - Aztec OCD



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Farmington District Office
1235 La Plata Highway
Farmington, New Mexico 87401

IN REPLY REFER TO:

I-149-IND-8468
3162.7-3 (07327)

February 8, 1996

Mr. Mike Pippin
Senior Production Engineer
Meridian Oil
P.O. Box 4289
Farmington, NM 87499-4289

RE: Indian Allotment I-149-IND-8468
Downhole Commingling Application
Blanco Mesaverde and Basin Dakota Pools
No. 5 Navajo Indian B
1520' FSL & 960' FWL
Section 30, T. 27 N., R. 8 W.
San Juan County, New Mexico

Dear Mr. Pippin:

The Farmington District Office (FDO) of the Bureau of Land Management (BLM) has received your letter dated December 27, 1995, requesting approval for downhole commingling of the Blanco Mesaverde and Basin Dakota Pools in the above referenced well.

Your downhole commingling application is approved using the following allocation:

FORMATION	GAS PRODUCTION	OIL PRODUCTION
Dakota	57 %	50 %
Mesaverde	43 %	50 %

If you have further questions regarding this matter, please contact Brian W. Davis at (505) 599-6367 or (505) 599-8900.

Sincerely,

Duane W. Spencer
Team Leader, Petroleum Management