

State of New Mexico
ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT
Santa Fe, New Mexico 87505

OIL CONSERVATION DIVISION



CORRECTED ADMINISTRATIVE ORDER DHC-1088

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

Attention: Arden L. Walker

*Zachry Well No.8
Unit A , Section 33, Township 29 North, Range 10 West, NMPM,
San Juan County, New Mexico.
Fulcher Pictured Cliffs and Basin Fruitland Coal 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.

Proper allocation of the production from the subject well shall be determined using the allocation formula as shown on Exhibit "A" attached hereto.

FURTHER: The operator shall notify the Aztec District Office of the Division upon implementation of the commingling process.

VILLAGRA BUILDING - 408 Galisteo

Forestry and Resources Conservation Division
P.O. Box 1948 87504-1948
827-5830

Park and Recreation Division
P.O. Box 1147 87504-1147
827-7465

2040 South Pacheco

Office of the Secretary
827-5950

Administrative Services
827-5925

Energy Conservation & Management
827-5900

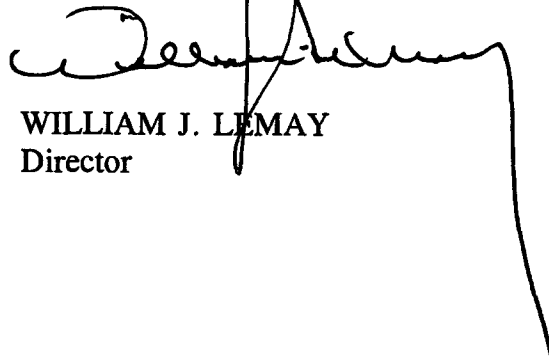
Mining and Minerals
827-5970

Oil Conservation
827-7131

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 14th day of February, 1995.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read "William J. Lemay", is written over the typed name and title. The signature is fluid and cursive, with a long, sweeping line extending from the end of the name down towards the bottom right of the page.

WILLIAM J. LEMAY
Director

S E A L

WJL/BES

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

Exhibit "A"

ZACHRY #8

NE/NE 33-29N-10W

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 (Mcf / Month)
 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 (Q_{pc}), Using the Applied Formula is Fruitland Coal Production (Q_{ftc}).

The Pictured Cliffs (Q_{pc}) Formation Production Formula is:

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

WHERE: Q_{pci} = Pictured Cliffs Initial Monthly Rate = 1,243 Mcf/M (Determined from the attached decline curve)

 D_{pc} = Pictured Cliffs Monthly Decline Rate Calculated from Decline Curve and Material Balance Analysis:

 D_{pc} = (0.0067/M)

THUS: $Q_{ftc} = Q_t - Q_{pci} \times e^{\{-(0.0067) \times (t)\}}$

NOTE: (t) is in Months