

BURLINGTON RESOURCES

SAN JUAN DIVISION

October 30, 1997

SENT FEDERAL EXPRESS

Mr. William LeMay
New Mexico Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: Allison Unit #23X
990'FSL, 965'FWL Section 19, T-32-N, R-6-W, San Juan County, NM
API #30-045-13189

Dear Mr. LeMay:

This is a request for administrative approval for downhole commingling the Blanco Mesa Verde and Basin Dakota in the subject well. This well was drilled and completed as a Mesa Verde/Dakota dual.

To comply with the New Mexico Oil Conservation Division rules, Burlington Resources Oil & Gas is submitting the following for your approval of this commingling:

1. Form C107A - Application for Downhole Commingling;
2. C-102 plat for each zone showing its spacing unit and acreage dedication;
3. Production curve for both the Mesa Verde and Dakota for at least one year;
4. Notification list of offset operators - Burlington is the unit operator;
5. Shut in wellhead pressure and calculated down hole pressure;
6. Nine-section plats for the Dakota and Mesa Verde

Notification of Mesa Verde and Dakota interest owners is covered under Order #R-9918 issued July 6, 1996 attached.

We will consult with the Supervisor of the Aztec District Office of the New Mexico Oil Conservation Division to establish an allocation formula.

Please let me know if you require additional data.

Sincerely,



Peggy Bradfield
Regulatory/Compliance Administrator
encs.

xc: Bureau of Land Management
NMOCD - Aztec

DISTRICT I

P.O. Box 1980, Hobbs, NM 88241-1980

DISTRICT II

811 South First St., Artesia, NM 88210-2835

DISTRICT III

1000 Rio Brazos Rd, Aztec, NM 87410-1693

State of New Mexico Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

2040 S. Pacheco Santa Fe, New Mexico 87505-6429

Form C-107-A New 3-12-96

APPROVAL PROCESS :

Administrative Hearing

APPLICATION FOR DOWNHOLE COMMINGLING

EXISTING WELLBORE

YES NO

Burlington Resources Oil & Gas Company

PO Box 4289, Farmington, NM 87499

Operator

Address

Allison Unit

23X

M 19-32N-6W

Rio Arriba

Lease

Well No.

Unit Ltr. - Sec - Twp - Rge

County Spacing Unit Lease Types: (check 1 or more)

OGRID NO. 14538 Property Code 6785 API NO. 30-045-13189 Federal State Fee

Table with 4 columns: The following facts are submitted in support of downhole commingling, Upper Zone, Intermediate Zone, Lower Zone. Rows include Pool Name and Pool Code, Top and Bottom of Pay Section (Perforations), Type of production (Oil or Gas), Method of Production (Flowing or Artificial Lift), Bottomhole Pressure, Oil Zones - Artificial Lift: Estimated Current Gas & Oil - Flowing: Measured Current All Gas Zones: Estimated or Measured Original, Oil Gravity (°API) or Gas BTU Content, Producing or Shut-In?, Production Marginal? (yes or no), * If Shut-In and oil/gas/water rates of last production, * If Producing, give data and oil/gas/water of recent test (within 60 days), 8. Fixed Percentage Allocation Formula - % for each zone (total of %'s to equal 100%)

9. If allocation formula is based upon something other than current or past production, or is based upon some other method, submit attachments with supporting data and/or explaining method and providing rate projections or other required data.

10. Are all working, overriding, and royalty interests identical in all commingled zones? Yes No If not, have all working, overriding, and royalty interests been notified by certified mail? Yes No Have all offset operators been given written notice of the proposed downhole commingling? Yes No

11. Will cross-flow occur? Yes No If yes, are fluids compatible, will the formations not be damaged, will any cross-flowed production be recovered, and will the allocation formula be reliable. Yes No (If No, attach explanation)

12. Are all produced fluids from all commingled zones compatible with each other? Yes No

13. Will the value of production be decreased by commingling? Yes No (If Yes, attach explanation)

14. If this well is on, or communitized with, state or federal lands, either the Commissioner of Public Lands or the United States Bureau of Land Management has been notified in writing of this application. Yes No

15. NMOCD Reference Cases for Rule 303(D) Exceptions: ORDER NO(S) _____

16. ATTACHMENTS:

- * C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
* Production curve for each zone for at least one year. (if not available, attach explanation.)
* For zones with no production history, estimated production rates and supporting data.
* Data to support allocation method or formula.
* Notification list of all offset operators.
* Notification list of working, overriding, and royalty interests for uncommon interest cases.
* Any additional statements, data, or documents required to support commingling.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE [Signature] TITLE Production Engineer DATE 10/29/97

TYPE OR PRINT NAME Robert L. Goodwin III TELEPHONE NO. (505) 326-9700

Well Location and Acreage Dedication Plat

Section A.

Date JUNE 17, 1960

Operator EL PASO NATURAL GAS COMPANY Lease ALLISON UNIT SF 081155
Well No 23-7(MD) Unit Letter M Section 19 Township 32-N Range 6-W NMPM
Located 990 Feet From SOUTH Line, 965 Feet From WEST Line
County SAN JUAN G. L. Elevation 6142 Dedicated Acreage 272.85 & 272.85 Acres
Name of Producing Formation MESA VERDE AND DAKOTA Pool BLANCO M.V. & NORTH LAS PINOS DAKOTA POOL EXT.

- 1. Is the Operator the only owner in the dedicated acreage outlined on the plat below? Yes No X
2. If the answer to question one is "no", have the interests of all the owners been consolidated by communitization agreement or otherwise? Yes X No If answer is "yes", Type of Consolidation.

Unitization

- 3. If the answer to question two is "no", list all the owners and their respective interests below:

Owner Land Description

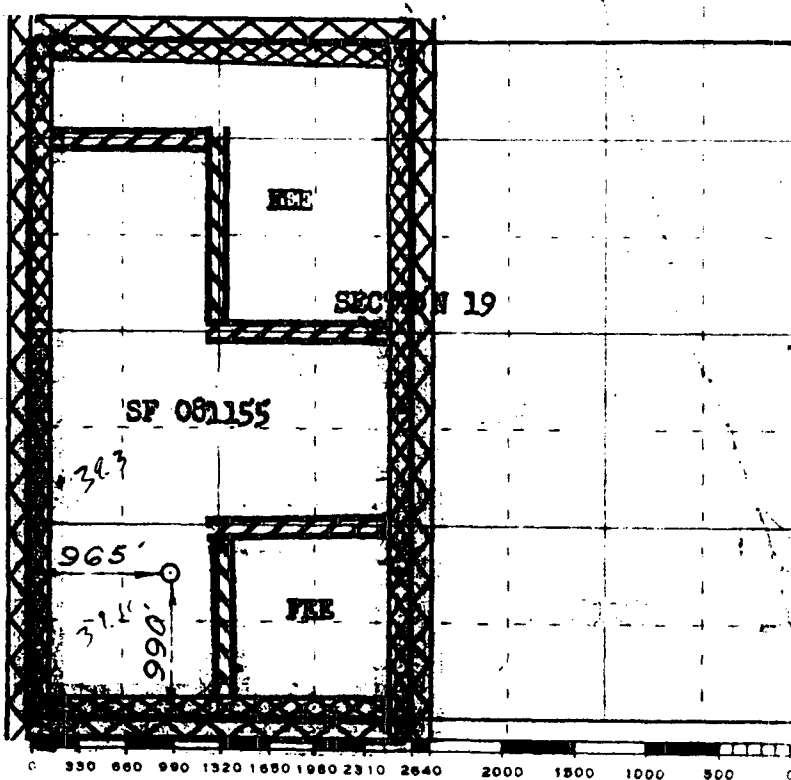
Table with 2 columns: Owner, Land Description. The table is currently empty.

Section B.

Note: All distances must be from outer boundaries of section.

This is to certify that the information in Section A above is true and complete to the best of my knowledge and belief.

El Paso Natural Gas Company
(Operator)
Original Signed F. H. WOOD
(Representative)
PO Box 990, Farmington, NM
(Address)
February 15, 1973



NOTE: THIS PLAT IS RE-ISSUED TO SHOW SKIDDED RIG LOCATION. 6-7-60

NOTE: THIS PLAT IS RE-ISSUED TO SHOW NEW DEDICATION. 2-13-73

Scale 4 inches equal 1 mile

This is to certify that the above plat was prepared from field notes of actual surveys made by me or under my supervision and that the same are true and correct to the best of my knowledge and belief.

(Seal)

Date Surveyed APRIL 4, 1960

David O. Wilburn
Registered Professional Engineer and/or Land Surveyor

DATE: October 15, 1997

NAME: ALLISON UNIT 23X

FORM: DAKOTA

LOCATION
UNIT: M
SEC: 19
TWN: 32N
RNG: 6W

<p>2/56 * 9/93 * Allison Unit 9 117/221(97) 60/4709(97) 0/0 [13] 0/0 6/81 * Allison Unit 57 218/2698(97) 0/0</p>	<p>5/59 * Allison Unit 20 360/6714(97) 0/0</p>	<p>INA 3/54 * Allison Unit 1 1/2487(92) 0/0 [17] INA 12/73 * Allison Unit NP 38 5/27(79) 0/0</p>
<p>8/58 * [24] Allison Unit 17 15/1958(97) 0/0</p>	<p>1/74 * Allison Unit 40 39/285(97) 0/0 [19] 8/60 * Allison Unit 23x 77/2322(97) 0/0</p>	<p>INA * Allison Unit 10 Pcum 41 0/0 [20] INA 6/74 * Allison Unit NP 41 0/69(79) 0/0</p>
<p>11/73 * Allison Unit 18 44/471(97) 0/0 [25]</p>	<p>9/65 * Allison Unit NP 27 41/897(97) 0/0 [30]</p>	<p>INA * [29] 6/74 * Allison Unit NP 41 0/69(79) 0/0</p>

T
32
N

LEGEND

WELL STATUS
COMPLETION DATE *

WELL NAME
MCF/D-CUM(MMF)
BOP/D-CUM(MBO)

R-7-W

R-6-W

DATE: October 15, 1997

NAME: ALLISON UNIT 23X

FORM: MESAVERDE

LOCATION
UNIT: M
SEC: 19
TWN: 32N
RNG: 6W

<p>9/93 * Allison Unit 9R 27/1501(97) 0/0</p> <p>[13] 6/81 * Allison Unit 57 63/701(97) 0/0</p>	<p>INA * Allison Unit 20 Pcum 179 0/0</p> <p>[18]</p>	<p>INA 7/52 * Allison Unit 2 8/634(99) 0/0</p> <p>[17] 5/79 * Allison Unit 38 91/1011(97) 0/0</p>
<p>8/58 * Allison Unit 17 60/1604(97) 0/0</p> <p>[24]</p>	<p>6/80 * Allison Unit 23x 84/1860(97) 0/0</p> <p>[19]</p>	<p>4/56 * Allison Unit 10 62/1910(97) 0/0</p> <p>[20] 1/80 * Allison Unit 10A 106/1197(97) 0/0</p> <p>11/77 * Yager 2 113/1273(97) 0/0</p> <p>4/78 * Yager 2A 107/1176(97) 0/0</p>
<p>12/77 * Allison Unit 22 5/84 * 145/2217(97) 0/0</p> <p>Allison Unit 22A 24/367(97) 0/0</p> <p>[25] 1/75 * 12/77 * Burnt Mesa 1 60/1425(97) 0/0</p> <p>Burnt Mesa 1A 1/454(97) 0/0</p>	<p>9/65 * Allison Unit 27 88/1957(97) 0/0</p> <p>12/81 * Allison Unit 44 156/1463(97) 0/0</p> <p>[30]</p>	<p>9/81 * Allison Unit 41A 66/638(97) 0/0</p> <p>6/79 * Allison Unit 53 59/730(97) 0/0</p> <p>[29] 12/79 * Allison Unit NP 41 80/1103(97) 0/0</p>

T
32
N

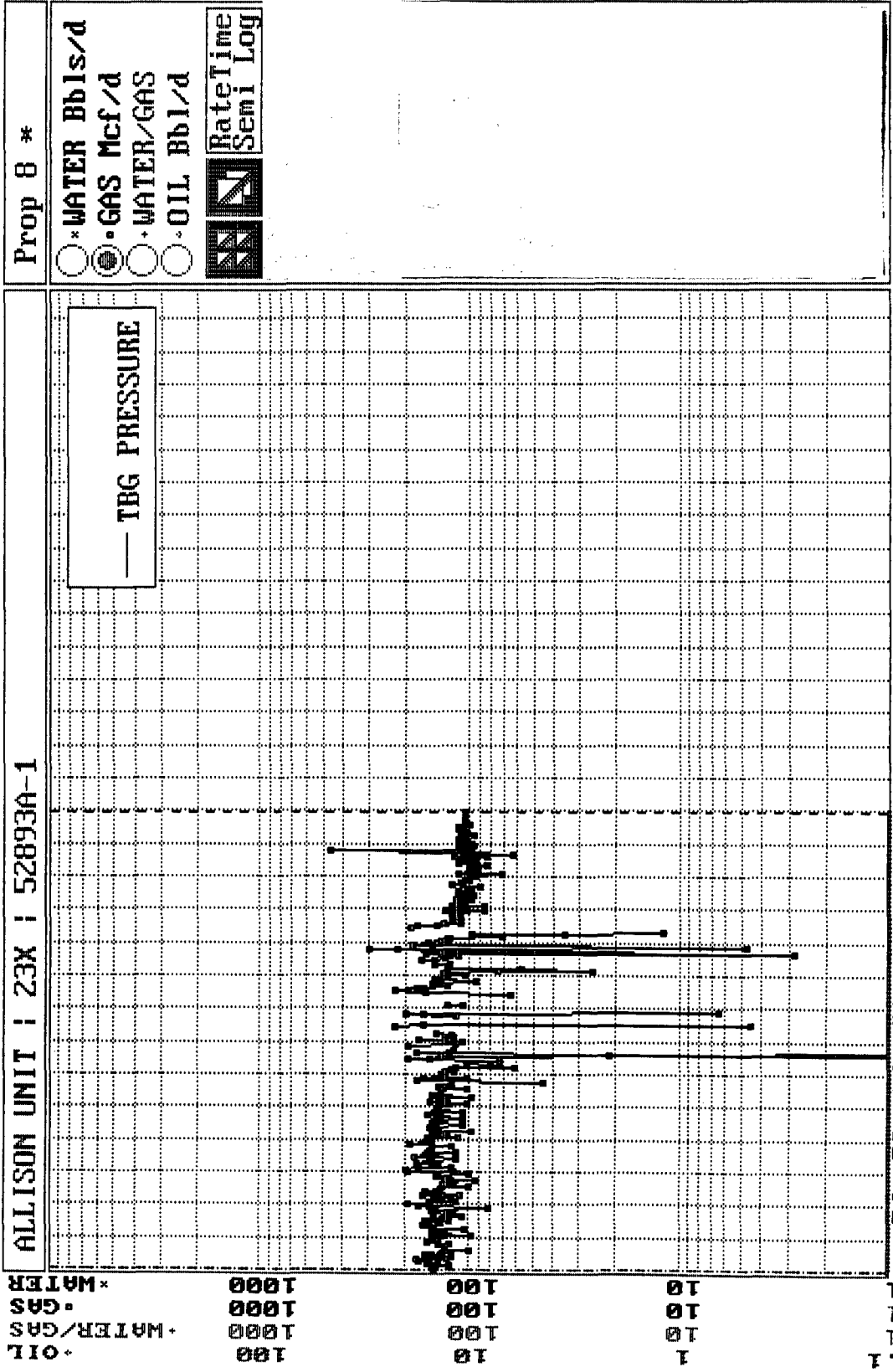
LEGEND
WELL STATUS
COMPLETION DATE
*

WELL NAME
MCF/D-CUM(MMF)
BOP/D-CUM(MBO)

R-7-W

R-6-W

CURRENT MESAVERDE



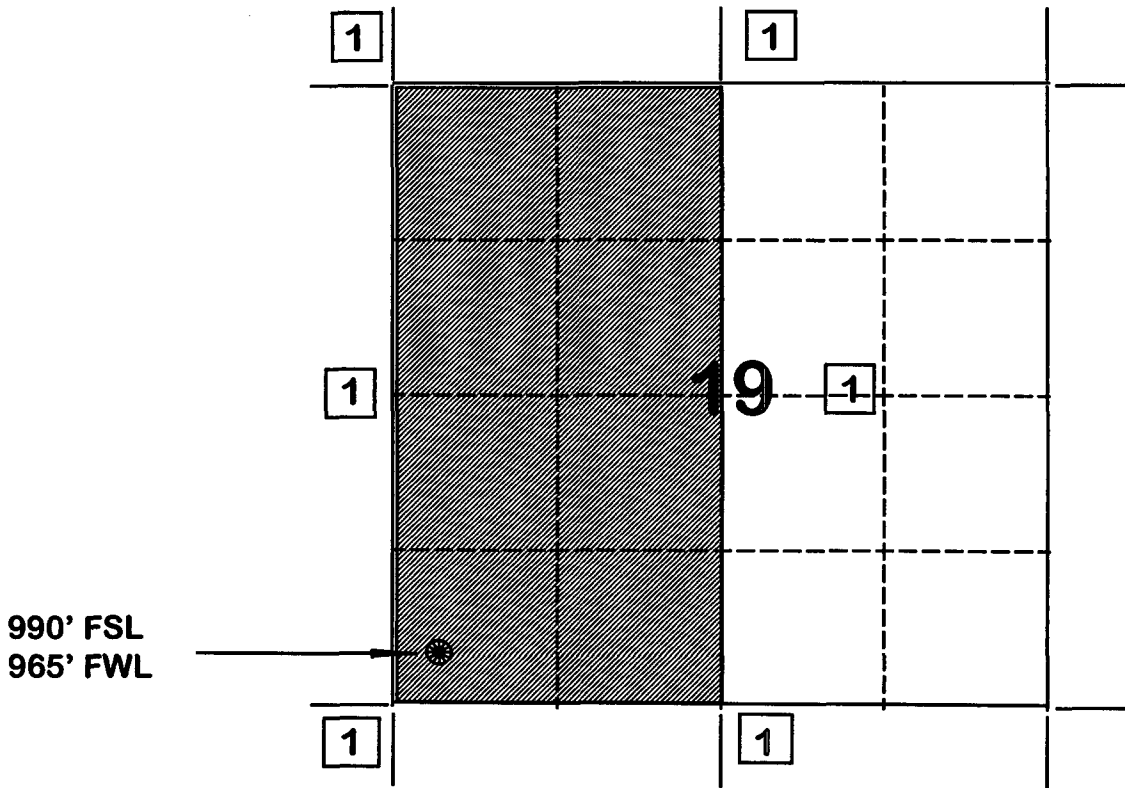
Major = GAS

BURLINGTON RESOURCES OIL AND GAS COMPANY

**Allison Unit #23X
OFFSET OPERATOR \ OWNER PLAT**

Mesaverde/Dakota Formations Commingle Well

Township 32 North, Range 6 West



1) Burlington Resources Oil and Gas Co.

Allison Unit #23X
Bottom Hole Pressures
Flowing and Static BHP
Cullender and Smith Method
Version 1.0 3/13/94

Mesa Verde		Dakota	
<u>MV - Current</u>		<u>DK-Current</u>	
GAS GRAVITY	0.586	GAS GRAVITY	0.6
COND. OR MISC. (C/M)	M	COND. OR MISC. (C/M)	M
%N2	0.09	%N2	0.3
%CO2	2.11	%CO2	4.42
%H2S	0	%H2S	0
DIAMETER (IN)	7	DIAMETER (IN)	5
DEPTH (FT)	5666	DEPTH (FT)	7935
SURFACE TEMPERATURE (DEG F)	60	SURFACE TEMPERATURE (DEG F)	60
BOTTOMHOLE TEMPERATURE (DEG F)	205	BOTTOMHOLE TEMPERATURE (DEG F)	215
FLOWRATE (MCFPD)	0	FLOWRATE (MCFPD)	0
SURFACE PRESSURE (PSIA)	581	SURFACE PRESSURE (PSIA)	602
BOTTOMHOLE PRESSURE (PSIA)	649.9	BOTTOMHOLE PRESSURE (PSIA)	706.2
<u>MV - Original</u>		<u>DK-Original</u>	
GAS GRAVITY	0.586	GAS GRAVITY	0.6
COND. OR MISC. (C/M)	M	COND. OR MISC. (C/M)	M
%N2	0.09	%N2	0.3
%CO2	2.11	%CO2	4.42
%H2S	0	%H2S	0
DIAMETER (IN)	7	DIAMETER (IN)	5
DEPTH (FT)	5666	DEPTH (FT)	7935
SURFACE TEMPERATURE (DEG F)	60	SURFACE TEMPERATURE (DEG F)	60
BOTTOMHOLE TEMPERATURE (DEG F)	205	BOTTOMHOLE TEMPERATURE (DEG F)	215
FLOWRATE (MCFPD)	0	FLOWRATE (MCFPD)	0
SURFACE PRESSURE (PSIA)	1208	SURFACE PRESSURE (PSIA)	2623
BOTTOMHOLE PRESSURE (PSIA)	1359.4	BOTTOMHOLE PRESSURE (PSIA)	3116.3

Property ID: 7

Property Name: ALLISON UNIT | 23X | 52893B-1

DAKOTA

Table Name: C:\ARIES\ALLISON\TEST.DBF

--DATE--	---CUM_GAS--	M SIWHP	M SIBHP	C SIWHP	C SIBHP
.....Mcf.....Psi.....Psi.....

08/12/60	0	2623.0	3117.0		
08/26/60	0	2680.0			
07/28/61	72000	1858.0			
02/27/62	109000	1790.0			
04/19/63	209000	1724.0			
04/22/64	293000	1557.0			
05/03/65	392000	1529.0			
02/23/66	475000	1421.0			
03/06/67	560000	1430.0			
03/08/68	660000	1270.0			
05/26/69	762000	1336.0			
06/02/70	863391	1229.0	1451.0		
07/19/71	955672	1234.0	1457.0		
08/10/72	1037754	1226.0	1448.0		
06/18/73	1100637	1238.0	1462.0		
04/29/75	1249775	942.0	1108.0		
08/08/77	1425343	930.0	1094.0		
06/04/79	1551283	965.0	1135.0		
05/15/81	1668663	1062.0			
04/25/83	1752472	1057.0	1245.0		
08/02/85	1828281	979.0	1152.0		
08/16/88	1940092	948.0	1115.0		
08/02/90	2045138	932.0	1096.0		
03/29/92	2122468	841.0	988.0		

Property ID: 8

Property Name: ALLISON UNIT | 23X | 52893A-1

Table Name: C:\ARIES\ALLISON\TEST.DBF

MESAVERDE

--DATE--	---CUM GAS--	M SIWHP	M SIBHP	C SIWHP	C SIBHP
	Mcf	Psi	Psi		
08/12/60	0	1208.0	1359.0		
09/07/60	0	1195.0			
07/28/61	87000	878.0			
02/27/62	147000	817.0			
04/19/63	224000	839.0			
04/22/64	290000	828.0			
05/03/65	359000	747.0			
02/23/66	421000	741.0			
03/06/67	499000	757.0			
03/08/68	567000	713.0			
06/22/69	652909	706.0			
06/02/70	710437	719.0	805.0		
07/19/71	765818	719.0	805.0		
08/10/72	820737	714.0	799.0		
06/18/73	862803	737.0	825.0		
04/18/74	907003	700.0	783.0		
06/02/76	1016701	689.0	771.0		
08/03/78	1134441	701.0	785.0		
06/05/80	1222484	732.0			
05/18/82	1313014	737.0	825.0		
03/02/84	1392466	745.0	834.0		
03/18/86	1426808	813.0	911.0		
09/31/89	1558237	796.0	892.0		
09/31/89	1558237	796.0	892.0		
09/31/89	1558237	796.0	892.0		
03/18/91	1618969	699.0			
08/13/91	1636480	711.0	796.0		
05/31/93	1705176	709.0	794.0		

0/13/97

WELL-INFO INQUIRE FOR 52893B 0-079714-00 WMS009M1

RECORD TYPE: W SCREEN 1

FARMINGTON SAN JUAN , NM

BASIN DAKOTA (PRORATED GAS) FIELD

DAKOTA ZONE

SAN JUAN TRUST

ALLISON UNIT (23X)
BURLINGTON RESOURCES O&G CO

04/11/96 FLOWING GAS WELL

LOCATION

990'S 965'W

BLK	UNIT	SEC	TWN	RNG	TRACT
	SWSW	19	032N	006W	

WORK INT-GAS	NET INT-GAS	TD	PBTD	TPERF	BPERF	AFE	BATTERY
0.5405678	0.4605230	8104	0	7900	8034		

WORK INT-OIL	NET INT-OIL
0.5405678	0.4605230

ORIG SPUD	WO/RECOMP	DRIL COMP	WELL COMP	1ST OIL PROD	1ST OIL SOLD
07/07/60		08/01/60	08/12/60	02/03/61	

1ST GAS SOLD
11/01/60

INITIAL TEST

08/26/60 SITP2680AOF2674CHVOL2608MC/FD

CURRENT TEST

CONSULTANT
GAS CONTRACT
NXO 07/23/97

PF6 - PAGE BACK PA1 - END INQUIRE ENTER - NEXT SCREEN SCREEN NUMBER

10/13/97

WELL-INFO INQUIRE FOR 52893A 0-079715-00 WMS009M1

RECORD TYPE: W SCREEN 1

FARMINGTON SAN JUAN , NM

BLANCO MESAVERDE (PRORATED GAS FIELD

ALLISON UNIT 23X

BURLINGTON RESOURCES O&G CO

MESAVERDE ZONE

SAN JUAN TRUST

11/09/90 FLOWING GAS WELL

LOCATION

BLK UNIT SEC TWN RNG TRACT

990'S, 965'W

SWSW 19 032N 006W

WORK INT-GAS NET INT-GAS TD PBTB TPERF BPERF AFE BATTERY

0.5405676 0.4593383 8104 8059 5586 5726

WORK INT-OIL NET INT-OIL

0.5405676 0.4593383

ORIG SPUD WO/RECOMP DRIL COMP WELL COMP 1ST OIL PROD 1ST OIL SOLD

07/07/60 08/12/60

1ST GAS SOLD

INITIAL TEST

09/07/60

09/07/60 4751 AOF, 3438 CV, 1195 SITP, 1191 SICP

CURRENT TEST

CONSULTANT

GAS CONTRACT

NXO 07/23/97

PF6 - PAGE BACK PA1 - END INQUIRE ENTER - NEXT SCREEN SCREEN NUMBER

FARMINGTON

ANNUAL PRODUCTION FOR 52893B

PHS020M1

ALLISON UNIT) 23X

BASIN DAKOTA (PRORATED GAS) FIELD

DAKOTA_ZONE

===== OIL CUM =====

===== GAS CUM =====

===== WATER CUM =====

PC DATE BBLs
02 6912

PC DATE MCF
01 6912 816647

DATE BBLs

YEAR	OIL	OIL CUM	GAS	GAS CUM	WATER	WATER CUM
1990			45489	2060813		
1991			49580	2110393		
1992			43660	2154053		
1993			41559	2195612		
1994			35702	2231314		
1995			42968	2274282		
1996			35813	2310095		
1997			22423	2332518		

POSITION CURSOR BY YEAR AND PRESS ENTER TO DISPLAY MONTHLY PRODUCTION

ENTER - CONTINUES ANNUAL DISPLAY

PF3 - TRANSFER TO UPDATE

PF6 - RETURN TO WELL-INFO DISPLAY

PF9 - ANNUAL INJECTION DISPLAY

PF10 - HELP INFORMATION

00/00/00 00:00:00:0 D03 09/02/89

FARMINGTON

1997 MONTHLY PRODUCTION FOR 52893B

PHS030M1

ALLISON UNIT 23X

BASIN DAKOTA (PRORATED GAS) FIELD

DAKOTA ZONE

DAYS			OIL			GAS								
MO	T	S	ON	PC	PROD	GRV	PC	PROD	ON	BTU	PRESS	WATER	PROD	C
1	2	F					01	3352	31	956	15.025			
2	2	F					01	3169	28	956	15.025			
3	2	F					01	3023	31	956	15.025			
4	2	F					01	2931	30	956	15.025			
5	2	F					01	2423	29	956	15.025			
6	2	F					01	2580	30	956	15.025			
7	2	F					01	2646	31	956	15.025			
8	2	F					01	2299	31	956	15.025			
9														
10														
11														
12														

PF6 - RETURNS TO ANNUAL DISPLAY

PF3 - TRANSFER TO UPDATE

PF10 - HELP INFORMATION

PF9 - DISPLAY MONTHLY INJECTION

00/00/00 00:00:00:0

PRS 10/03/97

FARMINGTON

ANNUAL PRODUCTION FOR 52893A

PHS020M1

ALLISON UNIT 23X

BLANCO MESAVERDE (PRORATED GAS FIELD MESAVERDE ZONE)

===== OIL CUM =====		===== GAS CUM =====		===== WATER CUM =====	
PC	DATE	BBLs	PC	DATE	MCF
02	6912		01	6912	683964

YEAR	OIL	OIL CUM	GAS	GAS CUM	WATER	WATER CUM
1990			33613	1607127		
1991			43139	1650266		
1992			39500	1689766		
1993			38461	1728227		
1994			35379	1763606		
1995			47691	1811297		
1996			39362	1850659		
1997			23929	1874588		

POSITION CURSOR BY YEAR AND PRESS ENTER TO DISPLAY MONTHLY PRODUCTION
 ENTER - CONTINUES ANNUAL DISPLAY PF3 - TRANSFER TO UPDATE
 PF6 - RETURN TO WELL-INFO DISPLAY PF9 - ANNUAL INJECTION DISPLAY
 PF10 - HELP INFORMATION

00/00/00 00:00:00:0 D03 09/02/89

FARMINGTON

1997 MONTHLY PRODUCTION FOR 52893A

PHS030M1

ALLISON UNIT 23X/

BLANCO MESAVERDE (PRORATED GAS FIELD

MESAVERDE ZONE)

DAYS			OIL			GAS								
MO	T	S	ON	PC	PROD	GRV	PC	PROD	ON	BTU	PRESS	WATER	PROD	C
1	2	F					01	3427	31	988	15.025			
2	2	F					01	3105	28	649	15.025			
3	2	F					01	3235	31	632	15.025			
4	2	F					01	3137	30	661	15.025			
5	2	F					01	2969	29	710	15.025			
6	2	F					01	2228	30	991	15.025			
7	2	F					01	2319	31	991	15.025			
8	2	F					01	3509	31	740	15.025			
9														
10														
11														
12														

PF6 - RETURNS TO ANNUAL DISPLAY

PF3 - TRANSFER TO UPDATE

PF10 - HELP INFORMATION

PF9 - DISPLAY MONTHLY INJECTION

00/00/00 00:00:00:0

PRS 10/03/97

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. 10743
Order No. R-9918

APPLICATION OF MERIDIAN OIL INC.
FOR DOWNHOLE COMMINGLING AND FOR
AN ADMINISTRATIVE DOWNHOLE COMMINGLING
PROCEDURE WITHIN THE ALLISON UNIT
AREA, SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on June 17, 1993, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 6th day of July, 1993, 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 commingle gas production from the Blanco-Mesaverde and Basin-Dakota Pools within the Allison Unit Well No. 9R located 1720 feet from the North line and 1655 feet from the East line (Unit G) of Section 13, Township 32 North, Range 7 West, NMPM, San Juan County, New Mexico.

(3) The applicant further seeks the adoption of an administrative procedure for authorizing the downhole commingling of Blanco-Mesaverde and Basin-Dakota Pool production within certain existing and subsequently drilled wells in its Allison Unit Area, San Juan County, New Mexico, without additional notice to each affected interest owner within the Unit Area.

(4) The Allison Unit Well No. 9R is to be drilled as a replacement well for the Allison Unit Well No. 9 which is located 1765 feet from the North line and 1500 feet from the East line (Unit G) of Section 13 and which is currently completed in and producing from the Basin-Dakota Pool.

(5) The Allison Unit Well No. 9 was drilled in 1955 and has cumulatively recovered some 4.4 BCF of gas from the Basin-Dakota Pool.

(6) Due to the age and mechanical condition of the Allison Unit Well No. 9, the applicant has estimated that it will not recover some 1.7 BCF of gas in the Basin-Dakota Pool underlying the E/2 of Section 13.

(7) Applicant's testimony indicates that due to economics, the Allison Unit Well No. 9R cannot be drilled solely to recover gas reserves in the Basin-Dakota Pool.

(8) The applicant expects to encounter marginal production only from the Blanco-Mesaverde Pool.

(9) The proposed downhole commingling is necessary in order for the applicant to economically recover Basin-Dakota and Blanco-Mesaverde Pool reserves underlying the E/2 of Section 13.

(10) The Allison Unit is a Federal exploratory unit initially comprising some 11,705 acres in New Mexico and some 2,069 acres in Colorado. Within New Mexico, the unit comprises portions of Township 32 North, Ranges 6 and 7 West, NMPM, San Juan County. The unit was formed in 1950 and is currently operated by Meridian Oil Inc.

(11) The evidence and testimony presented indicates that the Basin-Dakota and Blanco-Mesaverde Pools have both been substantially developed within the Allison Unit.

(12) The applicant has identified numerous Mesaverde and Dakota well locations within the Allison Unit which by virtue of marginal gas reserves and resulting poor economics cannot be economically drilled and produced as stand alone units.

(13) The current well economics and projected Dakota and Mesaverde gas reserves underlying these respective tracts virtually assure that these wells must be downhole commingled in order to meet the economic criteria for drilling.

(14) The applicant expects initial producing rates from both the Mesaverde and Dakota formations to be fairly marginal in nature.

(15) The applicant further demonstrated through its evidence and testimony that within the wells it proposes or will propose to commingle within the Unit Area:

- a) there will be no crossflow between the two commingled pools;
- b) neither commingled zone exposes the other to damage by produced liquids;
- c) the fluids from each zone are compatible with the other;
- d) the bottomhole pressure of the lower pressure zone should not be less than 50 percent of the bottomhole pressure of the higher pressure zone adjusted to a common datum; and,
- e) the value of the commingled production is not less than the sum of the values of the individual production.

(16) The Dakota and Mesaverde Participating Areas within the Allison Unit are not common.

(17) By virtue of different Participating Areas, the interest ownership between the Dakota and Mesaverde formations within any given wellbore is not common.

(18) Applicant's Exhibit No. 2 in this case is a list of three hundred and fifty four (354) interest owners in the Dakota and Mesaverde Participating Areas within the Allison Unit. All such interest owners were notified of the application in this case.

(19) Rule No. 303(C) of the Division Rules and Regulations provides that administrative approval for downhole commingling may be granted provided that the interest ownership, including working, royalty and overriding royalty interest, is common among the commingled zones.

(20) Applicant's proposed administrative procedure would provide for Division approval to downhole commingle wells in the Allison Unit Area without hearing, and without the requirement that each interest owner in the Dakota and Mesaverde Participating Areas be notified of such commingling.

(21) The downhole commingling of wells within the Allison Unit Area will benefit working, royalty and overriding royalty interest owners. In addition, the downhole commingling of wells within the Allison Unit Area should not violate the correlative rights of any interest owner.

(22) Evidence in this case indicates that . . . to each interest owner within the Dakota and Mesaverde Participating Areas of subsequent downhole comminglings within the Allison Unit is unnecessary and is an excessive burden on the applicant.

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

(24) An administrative procedure should be established within the Allison Unit for obtaining approval for subsequently downhole commingled wells without notice to Unit interest owners and hearing, provided however that, all provisions contained within Rule No. 303(C) of the Division Rules and Regulations, with the exception of Part 1 (b)(v), are fully complied with.

(25) The proposed administrative procedure for obtaining approval for downhole commingling will allow the applicant the opportunity to recover additional gas reserves from the Allison Unit Area which may otherwise not be recovered, thereby preventing waste, and will not violate correlative rights.

(26) In the interest of prevention of waste and protection of correlative rights, the proposed downhole commingling within the Allison Unit Well No. 9R should be approved.

(27) The applicant should consult with the supervisor of the Aztec District Office of the Division subsequent to the completion of the subject well in order to determine a proper allocation of production.

(28) The operator should 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.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Meridian Oil Inc., is hereby authorized to commingle gas production from the Blanco-Mesaverde and Basin-Dakota Pools within the Allison Unit Well No. 9R located 1720 feet from the North line and 1655 feet from the East line (Unit G) of Section 13, Township 32 North, Range 7 West, NMPM, San Juan County, New Mexico.

(2) The applicant shall consult with the supervisor of the Aztec district office of the Division subsequent to the completion of the subject well in order to determine proper allocation of production.

JUL - 7 - 93 WED 12:47 OIL CONSERVATION DIV P.

CASE NO. 10743
Order No. R-0018

(3) 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.

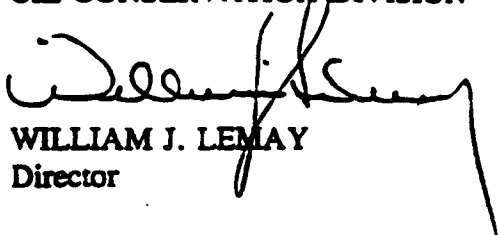
(4) An administrative procedure for obtaining approval to downhole commingle wells within the Allison Unit, located in portions of Township 32 North, Ranges 6 and 7 West, NMPM, San Juan County, New Mexico, is hereby established.

(5) In order to obtain Division authorization to downhole commingle wells within the Allison Unit, the applicant shall file an application with the Santa Fe and Aztec Offices of the Division. Such application shall contain all of the information required under Rule No. 303(C) of the Division Rules and Regulations, provided however that the applicant shall not be required to provide notice to all interest owners within the Dakota and Mesaverde Participating Areas in the Allison Unit of such proposed commingling. In addition, the application shall contain evidence that all offset operators and the United States Bureau of Land Management (BLM) have been notified of the proposed commingling.

(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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