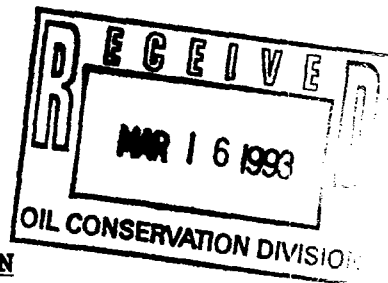


STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:

CASE NO. 10901

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



A P P L I C A T I O N

Comes now MERIDIAN OIL INC., by and through its attorneys Kellahin and Kellahin, and applies to the New Mexico Oil Conservation Division for approval of an administrative procedure for the Huerfanito Unit to downhole commingle production from the Blanco Mesaverde Gas Pool and the Basin Dakota Gas Pool within the Huerfanito Unit with the six initial wells for downhole commingling being:

(1) Huerfanito Unit Well #71, located 660 feet FNL and 660 feet FEL, (Unit A) Section 3, T26N, R9W, NMPM, with a 320-acre spacing unit consisting of the E/2 of

Section 3 and being an existing Dakota well to be recompleted and commingled with the Mesaverde;

(2) Huerfanito Unit Well #104, located 1090 feet FSL and 825 feet FWL, (Unit M) Section 27, T27N, R9W, NMPM, with a 320-acre spacing unit consisting of the W/2 of Section 27, and being an existing Dakota well to be recompleted and commingled with the Mesaverde;

(3) Huerfanito Unit Well #78M, located 1545 feet FSL and 1270 feet FEL, (Unit I) Section 36, T27N, R9W, NMPM, with a 320-acre spacing unit consisting of the E/2 of Section 36 and being a new well to be drilled for commingling of Dakota and Mesaverde production;

(4) Huerfanito Unit Well #79M, located 1795 feet FSL and 1730 feet FEL, (Unit J) Section 26, T27N, R9W, NMPM, with a 320-acre spacing unit consisting of the E/2 of Section 26 and being a new well to be drilled for commingling of Dakota and Mesaverde production;

(5) Huerfanito Unit Well #82M, located 870 feet FNL and 850 feet FWL, (Unit D) Section 25, T27N, R9W, NMPM, with a 320-acre spacing unit consisting of the W/2 of Section 25 and being a new well to be drilled for commingling of Dakota and Mesaverde production;

(6) Huerfanito Unit Well #98M, located 790 feet FSL and 1500 feet FEL, (Unit O) Section 35, T27N, R9W, NMPM, with a 320-acre spacing unit consisting of the W/2 of Section 35 and being a new well to be drilled for commingling of Dakota and Mesaverde production; all in San Juan County, New Mexico and in support thereof states:

1. Meridian Oil Inc. ("Meridian") is the operator of the Huerfanito Unit which includes all vertical intervals within the unit boundary but is a "divided" unit consisting of various participating areas for production from various pools.

2. The Huerfanito Unit contains 10,245.35 acres and consists of the following described area all as set forth on Exhibit A attached hereto:

**Township 26 North, Range 9 West**

Sections 1-4: All  
Section 10: N/2  
Section 11: N/2  
Section 12: All

**Township 27 North, Range 9 West**

Sections 22-23: All  
Sections 24 & 25: W/2  
Sections 26-28: All  
Sections 33-36: All

3. The current Dakota Participating area for the Unit is contiguous with the outer boundary of the Huerfanito Unit.

4. The current Mesaverde participating area for the Unit containing 4,321.16 acres, is described as follows:

**Township 26 North, Range 9 West**

Section 1: All  
Section 2: N/2 & SE/4

**Township 27 North, Range 9 West**

Section 23: E/2  
Section 24: W/2  
Section 25: W/2  
Section 26: All  
Section 34: E/2  
Sections 35 and 36: All

5. Meridian as unit operator proposes to recomplete Unit Wells #71 and #104 as a downhole commingled gas-gas wells between the Blanco Mesaverde Gas Pool and Basin Dakota Gas Pool.

6. Meridian as unit operator proposes to drill Unit Wells #78M, #79M, #82M and #98M as new wells for the downhole commingled gas-gas wells between the Blanco Mesaverde Gas Pool and Basin Dakota Gas Pool.

7. Both the Blanco Mesaverde Gas Pool and the Basin Dakota Gas Pool are spaced on 320-acre gas spacing units and in each instance the spacing unit for each well is identical for both pools.

8. Applicant further seeks an administrative procedure for obtaining further downhole commingling approvals for Mesaverde and Dakota wells within the Huerfanito Unit without notice hearing and without the requirement that each offsetting operator and each interest owner in the Mesaverde and Dakota Participating Areas be notified of such commingling.

9. In accordance with Division Rule 303-C-1.(b), the Applicant states and will demonstrate at hearing:

A. That the commingling is necessary to permit the most efficient means for the remaining recovery of both Dakota and Mesaverde gas within the unit.

B. It is not otherwise economic to attempt to drill and complete separate wells in the unit for either Dakota production or for Mesaverde production.

C. It is not otherwise economic to attempt to drill and dually complete wells in the unit for Dakota production and Mesaverde production.

D. That there will be no significant crossflow between the two zones to be commingled.

E. That while the ownership in each of the two participating areas is not common between the two pools, no impairment of correlative rights will occur.

F. It is expected that the bottom hole pressure of the lower pressure zone is not less than 50 percent of the bottom hole pressure of the higher pressure zone adjusted to a common datum.

G. That the value of the commingled production will not be less than the sum of the values of the individual production.

10. Applicant seeks the approval of an allocation formula for the equitable distribution of production between the two pools based upon separate production tests of each zone prior to commingling.

11. The ownership between the Mesaverde participating area and the Dakota participating area in the Huerfanito Unit is not identical and accordingly, Applicant seeks the approval of the Division after notice and hearing.

12. Applicant requests that this matter be docketed for hearing on the Division's Examiner docket now scheduled for April 8, 1993.

13. Copy of this application has been sent to all offsetting operators and to the owners of interests in the affected production within the Huerfanito Unit as set forth on Exhibits B, C and D.

WHEREFORE Applicant requests that this matter be set for hearing on April 8, 1993 before a duly appointed Examiner of the Oil Conservation Division and that after notice and hearing as required by law, the Division enter its order granting this application.

Respectfully submitted,

KELLAHIN AND KELLAHIN,

Original signed by  
W. Thomas Kellahin  
BY: \_\_\_\_\_  
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ATTORNEYS FOR APPLICANT

**SUGGESTED ADVERTISEMENT FOR OCD**

**CASE NO. 10761 : Application of Meridian Oil Inc. for downhole commingling and for an administrative downhole commingling procedure within the Huerfanito Unit area, San Juan County, New Mexico.**

Applicant, in the above-styled cause, seeks approval to commingle gas production from the Blanco-Mesaverde Gas Pool and the Basin-Dakota Gas Pool within the wellbore of its existing Huerfanito Unit Well No. 71 located in Unit A in the E/2 of Section 3, Township 26 North, Range 9 West and Well No. 104 located in Unit M in the W/2 of Section 27, Township 27 North, Range 9 West, and within the wellbore to be drilled for Unit Well 78M, located in Unit I in the E/2 of Section 36, Unit Well 79M located in Unit J in the E/2 of Section 26, Unit Well 82M located in Unit D in the W/2 of Section 25, and Unit Well 98M located in Unit O in the E/2 of Section 35, all in Township 27 North, Range 9 West, NMPM with the identified 320-acre spacing and proration unit for both zones to be dedicated to each said well as indicated above. In addition, the Applicant seeks the adoption of an administrative procedure for authorizing the downhole commingling of Mesaverde and Dakota production in the wellbores of existing and subsequently drilled wells within the Huerfanito Unit area without hearing and without the requirement of notice to any offsetting operator and without the requirement that each interest owner in the Mesaverde and Dakota Participating Area be notified of such commingling. The Huerfanito Unit is located in portions of Sections 1-4, 10-12, Township 26 North, Range 9 West and portions of Sections 22-28 and 33-36, Township 27 North, Range 9 West. Said unit is located approximately 18 miles northwest by north of Nageezi, New Mexico or 12 miles northeast by north of Huerfano Trading Post