

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN\*

\*NEW MEXICO BOARD OF LEGAL SPECIALIZATION  
RECOGNIZED SPECIALIST IN THE AREA OF  
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

TELEPHONE (505) 982-4285  
TELEFAX (505) 982-2047

September 15, 1993

HAND DELIVERED

Mr. Michael E. Stogner  
Hearing Examiner  
Oil Conservation Division  
310 Old Santa Fe Trail  
Santa Fe, New Mexico 87501

Re: Meridian Oil Inc.'s  
Downhole Commingling Cases

15 1993  
OIL CONSERVATION DIVISION

Dear Mr Stogner:

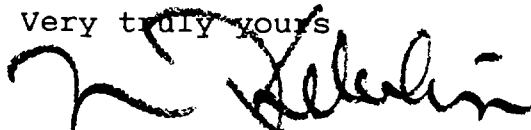
On behalf of Meridian Oil Inc., please find enclosed our suggested order. I have drafted it as an "A" Order to supplement Order R-9920.

If you approve this request, then a combination of both Order R-9920 as modified by this "A" Order would be appropriate for the following additional cases:

OCD Case 10745 (Valdez #5 Well)  
OCD Case 10754 (San Juan 28-4 Unit #225 Well)

If you desire me to draft these additional orders, I will be happy to do so. Please let me know.

Very truly yours



W. Thomas Kellahin

cc: Alan Alexander  
Meridian Oil Inc. (Farmington)

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:

APPLICATION OF MERIDIAN OIL INC. Case No. 10721  
FOR AN UNORTHODOX GAS WELL LOCATION  
AND DOWNHOLE COMMINGLING,  
SAN JUAN COUNTY, NEW MEXICO.

APPLICATION OF MERIDIAN OIL INC. Case No. 10722  
FOR DOWNHOLE COMMINGLING,  
SAN JUAN COUNTY, NEW MEXICO.

APPLICATION OF MERIDIAN OIL INC. Case No. 10723  
FOR AN UNORTHODOX GAS WELL LOCATION  
AND DOWNHOLE COMMINGLING,  
SAN JUAN COUNTY, NEW MEXICO.

APPLICATION OF MERIDIAN OIL INC. Case No. 10724  
FOR AN UNORTHODOX GAS WELL LOCATION  
AND DOWNHOLE COMMINGLING,  
SAN JUAN COUNTY, NEW MEXICO.

APPLICATION OF MERIDIAN OIL INC. Case No. 10725  
FOR AN UNORTHODOX GAS WELL LOCATION  
AND DOWNHOLE COMMINGLING,  
SAN JUAN COUNTY, NEW MEXICO.

Order No. R-9920-A

MERIDIAN OIL INC.'S PROPOSED  
ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on April 22, 1993, at Santa Fe, New Mexico, before Michael E. Stogner.

Case No.s 10721 through 10725  
Order No. R-9920-A  
Page 3

(5) In addition, the Division proposed to issue orders in Cases 10845 and 10754 containing similar economic limitations as set forth in Order R-9920.

(6) Meridian timely requested that these cases be reopened so that it could present supplemental evidence concerning this issue in order to demonstrate that this economic limitation, unless amended, would preclude the only economic method available to produce the Pictured Cliffs and Basin Fruitland Coal Gas formation gas in these wells.

(7) Meridian presented expert petroleum engineering data and economic analysis which support adoption of an "Economic Limit" for downhole commingling in all seven cases with such Economic Limit being based upon the relationship of costs to rate and estimated ultimate gas recovery from either the Pictured Cliffs formation or the Basin Fruitland Coal Gas Pool.

(8) In addition, Meridian has presented a graph which can be utilized by the Division as an accurate and reliable means by which to establish an Economic Limit for the downhole commingling of production from either of these pools in this area and is hereby adopted as Exhibit "B" to the original Order.

(9) The Economic Limit plotted on Exhibit "B" is based upon either the Pictured Cliff or Basin Fruitland Coal Gas Pool well costs with three individual curves representing the minimum estimated cost of (1) a single well (\$320,000.), (2) a dual completed well (\$270,000.) or (3) a downhole commingled well (\$200,000.).

IT IS THEREFORE ORDERED THAT:

(1) Meridian's request to amend Order R-9920 is approved.

(2) The following ordering paragraph contained on Page 8 of Order R-9920 is amended by deleting the following:

"PROVIDED HOWEVER, in the event total gas production from both pools in a well exceeds 300 MCF per Day, downhole commingling will not be allowed in the effected well until the combined rate drops below 300 MCF/day."

and the substituting the following:

"PROVIDED HOWEVER, in the event the Economic Limit plotted for production from either pool in a well is less than the curve for the dual completion case as plotted on Exhibit "B" [being a plot of costs compared to both maximum average daily producing rate against pipeline pressure ("Initial Rate") and an estimated ultimate gas recovery ("EUR")], then and in that event, downhole commingling shall be allowed in the effected well. In the event the Economic Limit plotted for production from both pools in a well initially exceeds the curve for the dual completion case, then downhole commingling shall not be allowed in the well until such time as the Economic Limit in that well for production from either pool drops below the dual completion curve plotted on Exhibit "B".

add a new ordering paragraph (3) as follows:

" As part of the procedure for obtaining authorization to produce the subject well as a downhole commingled well, the operator shall submit to the Supervisor of the Aztec Office of the Division a sworn

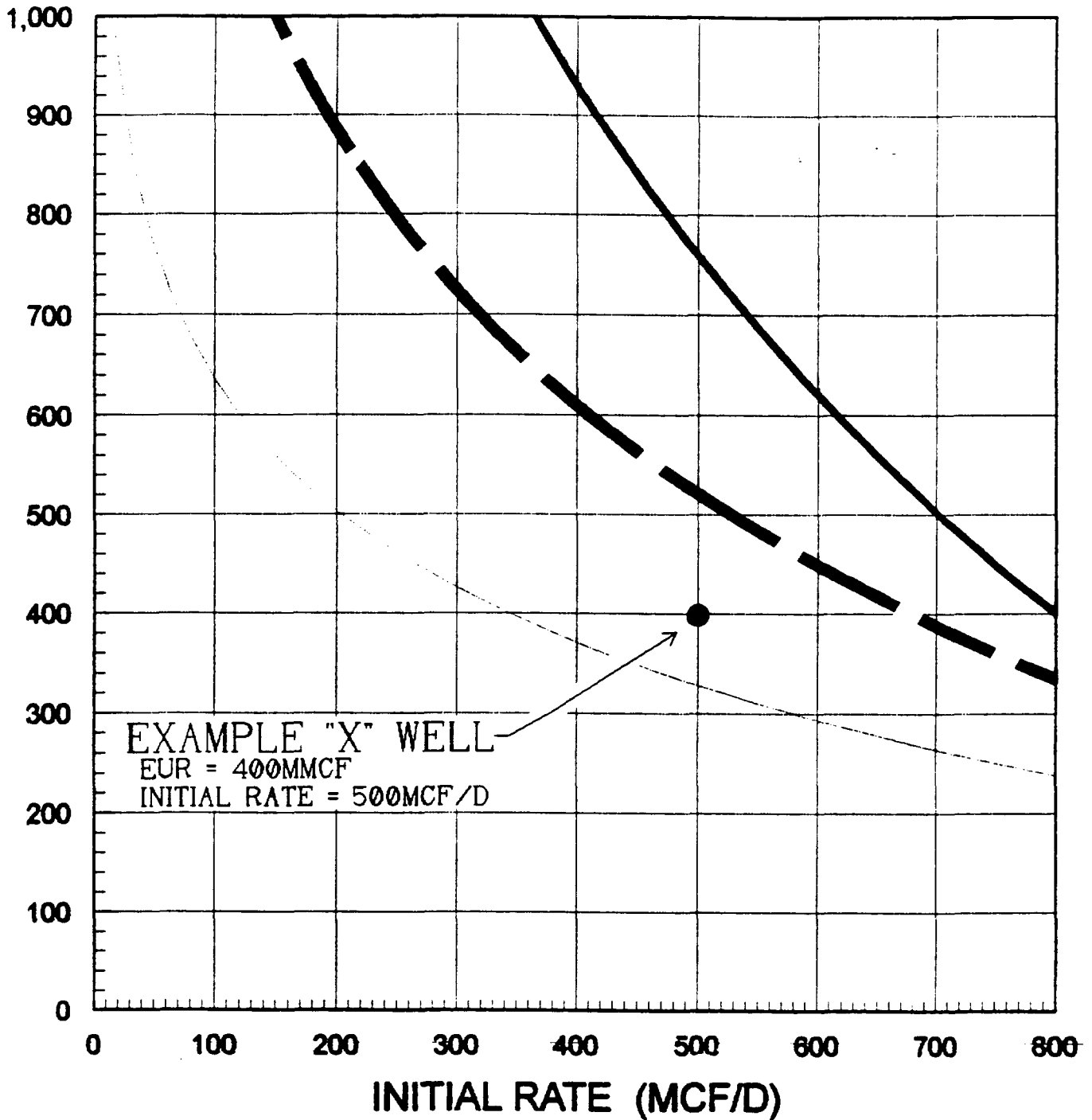
15% ROR 15% ROR 15% ROR

# PICTURED CLIFFS / FRUITLAND COAL

## ECONOMIC EVALUATION

### COMPLETION TECHNIQUE SENSITIVITY

EUR (MMCF)



SINGLE DUAL COMMINGLE  
15% ROR 15% ROR 15% ROR

— — —

INITIAL RATE VS EUR