

**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. 11038

APPLICATION OF MERIDIAN OIL INC.
FOR DOWNHOLE COMMINGLING,
RIO ARriba COUNTY, NEW MEXICO.

AUG 15 1991

**FIRST AMENDED
PRE-HEARING STATEMENT**

This first amended pre-hearing statement is submitted by MERIDIAN OIL INC. as required by the Oil Conservation Division.

APPEARANCE OF PARTIES

APPLICANT

MERIDIAN OIL INC.
P. O. Box 4289
Farmington, N.M. 87499
Attn: Alan Alexander
(505) 326-9757

ATTORNEY

W. Thomas Kellahin
KELLAHIN AND KELLAHIN
P.O. Box 2265
Santa Fe, NM 87504
(505) 982-4285

STATEMENT OF CASE

APPLICANT:

Meridian Oil Inc. is the operator of 19 Basin Dakota Gas Pool wells, 7 Blanco-Mesaverde Gas pool wells, 1 Undesignated Gallup Gas well, and 1 Mesaverde-Dakota dually completed well all located within an area known as the "Klein/Vaughn Area" as identified on Exhibit "A" attached to the application.

Sufficient data is now available from existing wells in the Klein/Vaughn Area to support the Division approving the downhole commingling of Dakota, Mesaverde and Gallup gas production within the Klein/Vaughn Area on an "area-wide" basis rather than on a "well-by-well basis."

In order to salvage the remaining Dakota and Gallup production from the Klein/Vaughn Area, Meridian Oil Inc. seeks approval to downhole commingle all Dakota, Mesaverde and Gallup production from any existing wells and any new wells where the Gallup and Dakota are determined to be uneconomic.

Production from the Dakota and Gallup pools is now either marginal or uneconomic from existing wells within the Klein/Vaughn Area and the economic life of that production is extended if it is downhole commingled with Mesaverde pool production. Further, downhole commingling will provide for the more efficient lifting of liquids from the Dakota formation. The size of the casing in the existing wells precludes dual completion.

The ownership is common among these three formations within the Klein/Vaughn Area.

The approval of downhole commingling of these formations in the Klein/Vaughn Area will extend the economic life of the existing wells and thereby increase ultimate recovery from these formations.

Pre-Hearing Statement

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In addition, any new wells to be drilled in the Klein/Vaughn Area should be approved for downhole commingling upon submittal to the NMOCD-Aztec of production data demonstrating that only one of the zones is economic based upon criteria which the applicant will submit at the hearing of this case.

Meridian Oil Inc. requests the adoption of a summary administrative procedure with the necessary exceptions to Division Rule 303(C) so that the Supervisor of the Aztec District Office of the Division shall approve the downhole commingling of said production on an area-wide basis for the Klein/Vaughn Area.

The wells in the Klein/Vaughn Area which are currently single completions in the Dakota formation, the Mesaverde formation or the Gallup formation cannot be dually completed because of mechanical condition and therefore downhole commingling is necessary to economically produce in all three formations.

The well in the Klein/Vaughn Area which is currently dually completed in the Dakota and Mesaverde formations cannot be produced with the Gallup formation because of mechanical conditions and therefore Gallup production will be wasted unless it is produced by downhole commingling.

Any new well to be drilled in the Klein/Vaughn Area that is determined to be economic only in the Mesaverde formation will require downhole commingling in order to maximize recoveries from either the Gallup or Dakota formations.

That there will be no crossflow between the three zones commingled. That the value of the commingled production will not be less than the sum of the values of the individual production. 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.

Meridian Oil Inc. will submit at the hearing, its proposed formula for the allocation of production to each of the commingled zones and a description of the factors or data used in determining such formula.

PROPOSED EVIDENCE

APPLICANT

WITNESSES	EST. TIME	EXHIBITS
Van Goebel (landman)	10 min.	6
Mike Dawson (geologist)	20 Min	4
Tom Mullins (petroleum engineer)	40 min.	10

PROCEDURAL MATTERS

None anticipated at this time

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By: 

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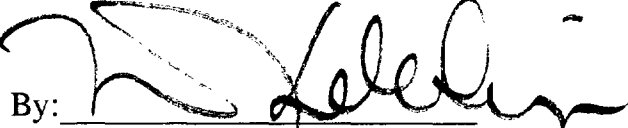
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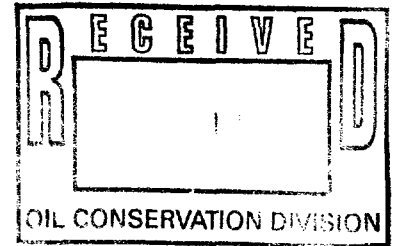
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