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W. THOMAS KELLAHIN*

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RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

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October 12, 1994

HAND DELIVERED

OCT 1994
RECEIVED
OCT 1994

Mr. Michael E. Stogner
Chief Hearing Examiner
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Navajo Indian "B" Well No. 3, N-19-27N-8W
Application of Meridian Oil Inc.
for downhole commingling,
San Juan County, New Mexico

Dear Mr. Stogner:

On behalf of Meridian Oil Inc., please find enclosed our referenced application which we request be set for hearing on the next available Examiner's docket now scheduled for November 10, 1994.

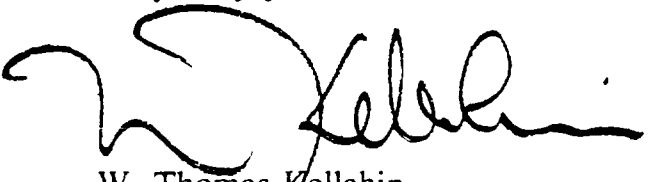
By copy of this letter and application, sent certified mail, we are notifying all interested parties of their right to appear at the hearing and participate in this case, including the right to present evidence either in support of or in opposition to the application and that failure to appear at the hearing may preclude them from any involvement in this case at a later date.

Oil Conservation Division
October 12, 1994
Page Two

Pursuant to the Division's Memorandum 2-90, all parties are hereby informed that if they appear in this case, then they are requested to file a Pre-Hearing Statement with the Division not later than 4:00 PM on Friday, October 4, 1994, with a copy delivered to the undersigned.

Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours.



W. Thomas Kellahin

WTK/wtk
Enclosure

cc: Meridian Oil Inc. and
By Certified Mail - Return Receipt
All Interested Parties

PROPOSED ADVERTISEMENT

Case _____: Application of Meridian Oil Inc. for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval to downhole commingle production from the Blanco-Mesaverde Pool (W/2 dedication), Otero-Chacra Pool (SW/4 dedication) and South Blanco-Pictured Cliffs Gas Pool (SW/4 dedication) within the wellbore of its Navajo Indian "B" Well No. 3 located 1180 feet from the South line and 1450 feet from the West line (Unit N) of Section 19, T27N, R8W, NMPM. Said well is located approximately 12 miles northeast of the Huerfano Trading Post, New Mexico. **IN THE ABSENCE OF OBJECTION, THIS APPLICATION WILL BE TAKEN UNDER ADVISEMENT.**

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**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:

7 12 1994

APPLICATION OF MERIDIAN OIL INC.
FOR DOWNHOLE COMMINGLING,
SAN JUAN COUNTY, NEW MEXICO.

CASE:

APPLICATION

Comes now MERIDIAN OIL INC., ("Meridian") by and through its attorneys, Kellahin and Kellahin, and applies to the New Mexico Oil Conservation Division for approval to downhole commingle production from the Blanco-Mesaverde Pool (W/2 dedication), Otero-Chacra Pool (SW/4 dedication) and South Blanco-Pictured Cliffs Gas Pool (SW/4 dedication) within the wellbore of its Navajo Indian "B" Well No. 3 located 1180 feet from the South line and 1450 feet from the West line (Unit N) of Section 19, T27N, R8W, NMPM.

In support of its application, Meridian states:

(1) Meridian is the operator of the Navajo Indian "B" Well No. 3 in Section 19, T27N, R8W, NMPM, San Juan County, New Mexico, which currently is a dual completion well in the Blanco-Mesaverde Gas Pool and in the South Blanco-Pictured Cliffs Gas Pool.

(2) The well is to be recompleted so that production from the Blanco Mesaverde Gas Pool, the Otero-Chacra Gas Pool and the South Blanco-Pictured Cliffs Gas Pool can be downhole commingled in the wellbore.

(3) The ownership is common for the well and its respective spacing and proration units in all three pools.

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

1. the downhole commingling in this wellbore is necessary because evidence indicates that the South Blanco-Pictured Cliffs Gas Pool and the Blanco-Mesaverde Gas Pool production from this well is now marginally productive and any remaining production will have to be abandoned unless it is downhole commingled with production from the Otero-Charca Gas Pool. In addition, it is not economic to attempt to triple complete those formations in this well;

2. there will be no significant crossflow between or among the three zones commingled;

3. no commingled zone exposes any other to damage by produced liquids;

4. the South Blanco-Pictured Cliffs Pool production in this well makes no liquids and the Mesaverde and Charca fluids from each zone are compatible with the other;

5. while it is expected that the bottom hole pressure of the lower pressure zone is more than 50 percent of the bottom hole pressure of the higher pressure zone adjusted to a common datum (PC= 220 psi; MV=510 psi; and Chacra=720 psi), no significant crossflow will occur.

6. the current rate of production in the Mesaverde is 6 mcfpd and in the Pictured Cliffs is 13 mcfpd and the value of the commingled production will not be less than the sum of the values of the individual production.

(5) The proposed downhole commingling is necessary in order for the applicant to economically recover remaining South Blanco-Pictured

Cliffs Gas Pool, Blanco Mesaverde Gas Pool and Otero Charca Gas Pool reserves underlying each respective proration unit.

(6) To allocate the commingled production to each of the zones, Meridian will consult with the NMOCD District Supervisor-Aztec to determine an allocation formula for each of the three productive zones. This will be done using flow tests from the Mesaverde, Pictured Cliffs and Chacra formations during recompletion operations.

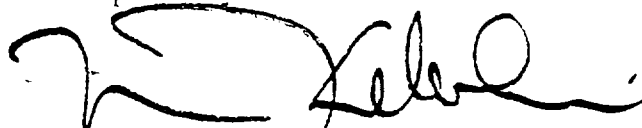
(7) Applicant requests that this matter be docketed for hearing on the Division's Examiner docket now scheduled for November 10, 1994.

(8) A copy of this application is being sent to all owners of production within each of the respective spacing units for the well who may be affected by downhole commingling.

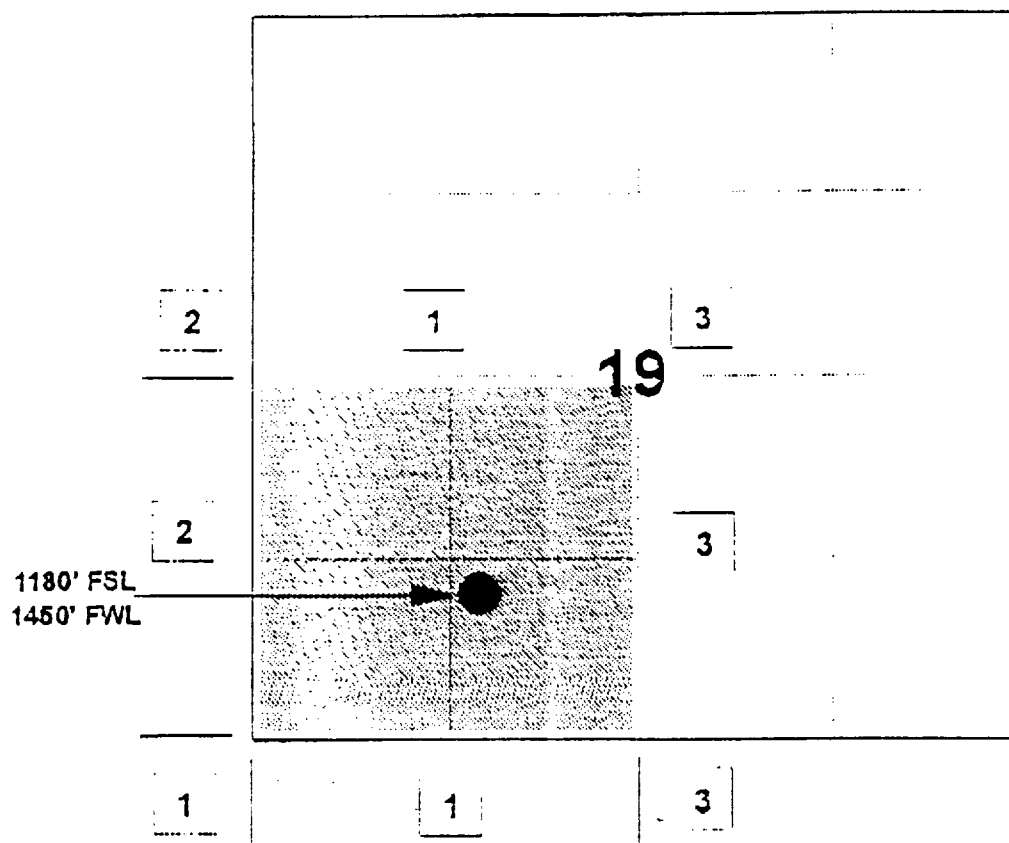
(9) Copy of this application has been sent to all offsetting operators to the three spacing units for the well as shown on Exhibits "A", "B" and "C".

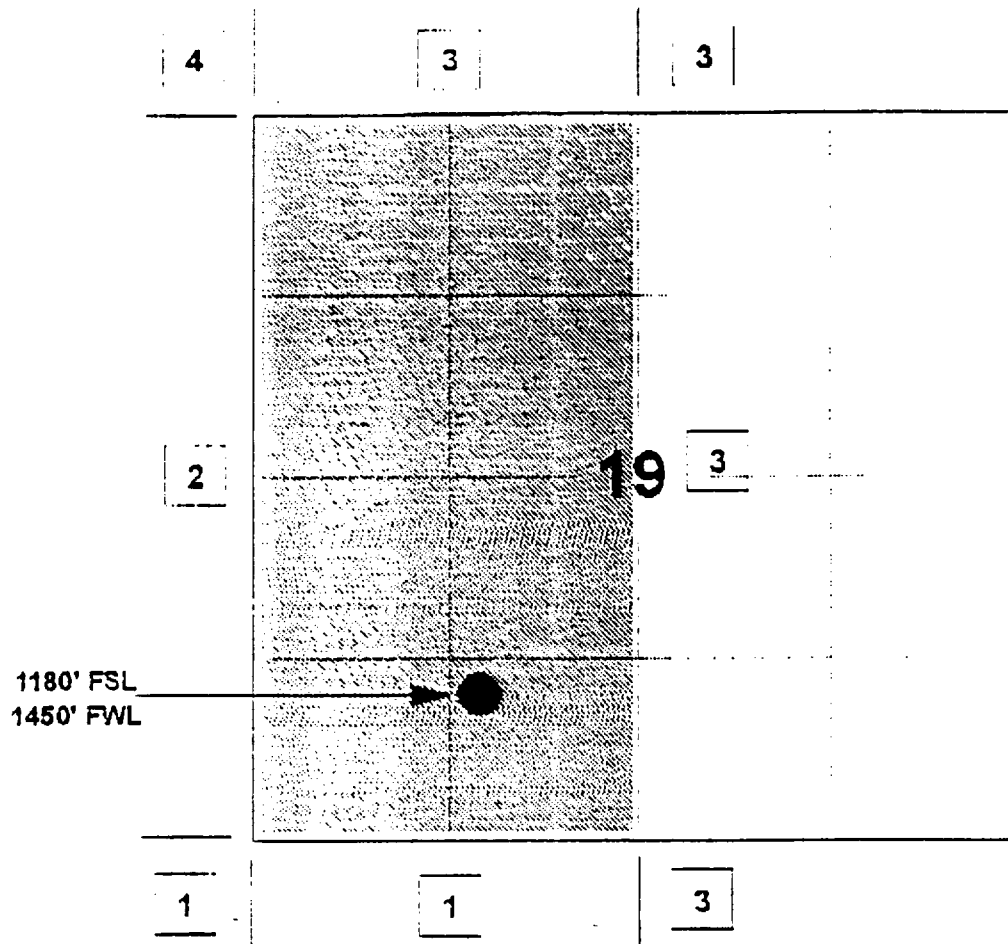
WHEREFORE Applicant requests that this matter be set for hearing on November 10, 1994 before a duly appointed Examiner of the Oil Conservation Division and that after notice and hearing as required by law, the Division enter its order granting this application.

Respectfully submitted

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over a horizontal line.

W. Thomas Kellahin
KELLAHIN and KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87501
(505) 982-4285
Attorneys for Applicant

MERIDIAN OIL INC**NAVAJO INDIAN B #3****OFFSET OPERATOR \ OWNER PLAT****Mesaverde / Chacra \ Pictured Cliffs Formations Commingle Well****Township 27 North, Range 8 West****1) Meridian Oil Inc****2) Southland Royalty Company****3) Amoco Production Co****PO Box 800, Denver, CO 80201**

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1) Meridian Oil Inc

2) Southland Royalty Company

3) Amoco Production Co

PO Box 800, Denver, CO 80201

4) Texaco Exploration and Production, Inc.

PO Box 2100, Denver, CO 80201

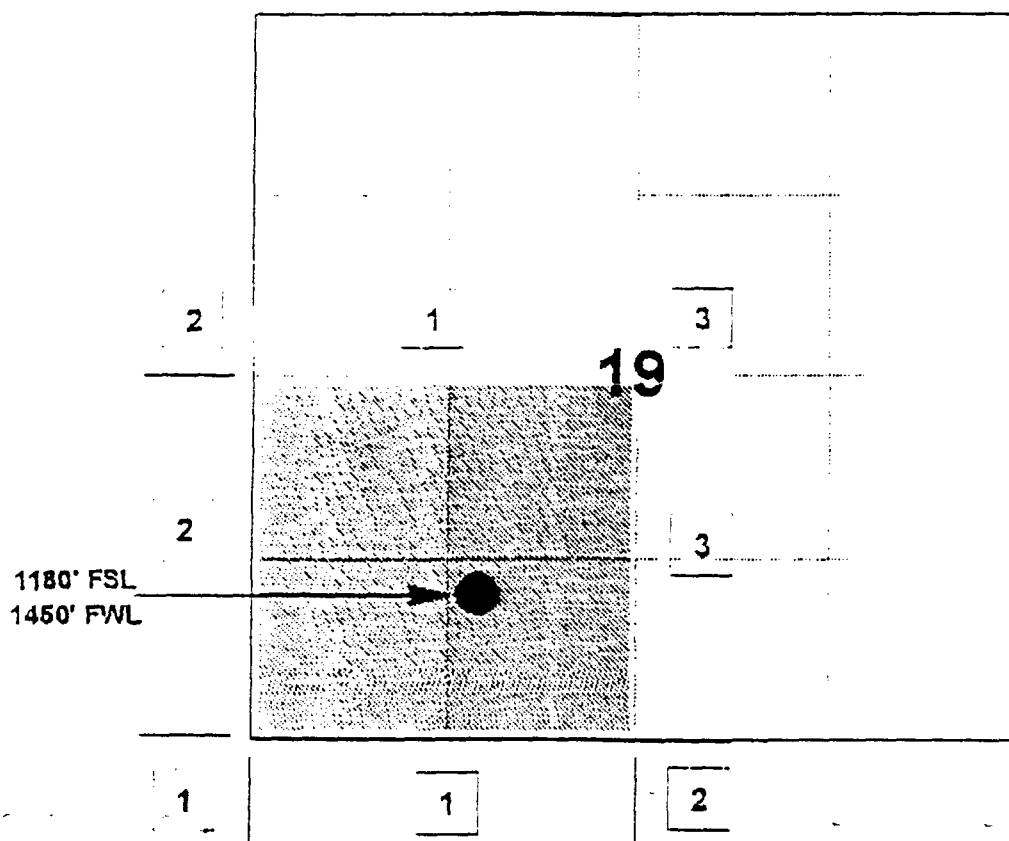
MERIDIAN OIL INC

NAVAJO INDIAN B #3

OFFSET OPERATOR \ OWNER PLAT

Mesaverde / Chacra \ Pictured Cliffs Formations Commingle Well

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