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

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October 17, 1994

HAND DELIVERED

11133

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

Re: Murphy B Well No. 1, N-25-30N-11W
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.

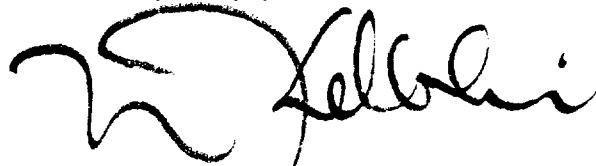
By copy of this letter and application, sent certified mail, we are notifying all interested parties of their right to appear at the hearing and participate in this case, including the right to present evidence either in support of or in opposition to the application and that failure to appear at the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

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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, November 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,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written in a cursive style.

W. Thomas Kellahin

WTK/wtk
Enclosure

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

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PROPOSED ADVERTISEMENT

Case 11133: Application of Meridian Oil Inc. for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval to downhole commingle Aztec-Pictured Cliffs Gas Pool (SW/4 dedication) with the Basin-Fruitland Coal Gas Pool production (W/2 dedication) within the wellbore of its Murphy B Well No. 1 located 1050 feet from the South line and 1600 feet from the West line (Unit N) of Section 25, T30N, R11W, NMPM. Said well is located approximately 3 miles southwest of Aztec, New Mexico. **IN THE ABSENCE OF OBJECTION, THIS APPLICATION WILL BE TAKEN UNDER ADVISEMENT.**

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.
FOR DOWNHOLE COMMINGLING,
SAN JUAN COUNTY, NEW MEXICO.

CASE: 11133

A P P L I C A T I O N

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 Aztec-Pictured Cliffs Gas Pool (SW/4 dedication) with the Basin-Fruitland Coal Gas Pool production (W/2 dedication) within the wellbore of its Murphy B Well No. 1 located 1050 feet from the South line and 1600 feet from the West line (Unit N) of Section 25, T30N, R11W, NMPM;

In support of its application, Meridian states:

(1) Meridian is the operator of the Murphy B Well No. 1 in Section 25, T30N, R11W, NMPM, San Juan County, New Mexico which currently is a single completion well in the Aztec-Pictured Cliffs Gas Pool. See Exhibit "A" attached.

(2) The well is to be recompleted so that production from the Basin-Fruitland Coal Gas Pool and the Pictured Cliffs formation can be downhole commingled in the wellbore.

(3) The ownership is not common for the well and its respective spacing and proration units in both 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 Pictured Cliffs production from this well in this well is now marginally productive and any remaining Pictured Cliffs production will have to be abandoned unless it is downhole commingled with Basin Fruitland Coal Gas production. In addition, it is not economic to attempt to dually complete those formations in this well;

2. there will be no crossflow between the two zones commingled;

3. neither commingled zones exposes the other to damage by produced liquids;

4. the fluids from each zone are compatible with the other;

5. 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.

6. 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 Basin-Fruitland Coal Gas and Pictured Cliffs Gas Pool reserves underlying each respective proration unit.

(6) Due to the nature of the Basin-Fruitland Coal Gas production, straight allocation of gas volumes from both zones is not appropriate. Meridian therefore seeks the adoption of a monthly allocation formula to be presented at the time of the hearing.

(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 two spacing units for the well as shown on Exhibits "B" and "C".

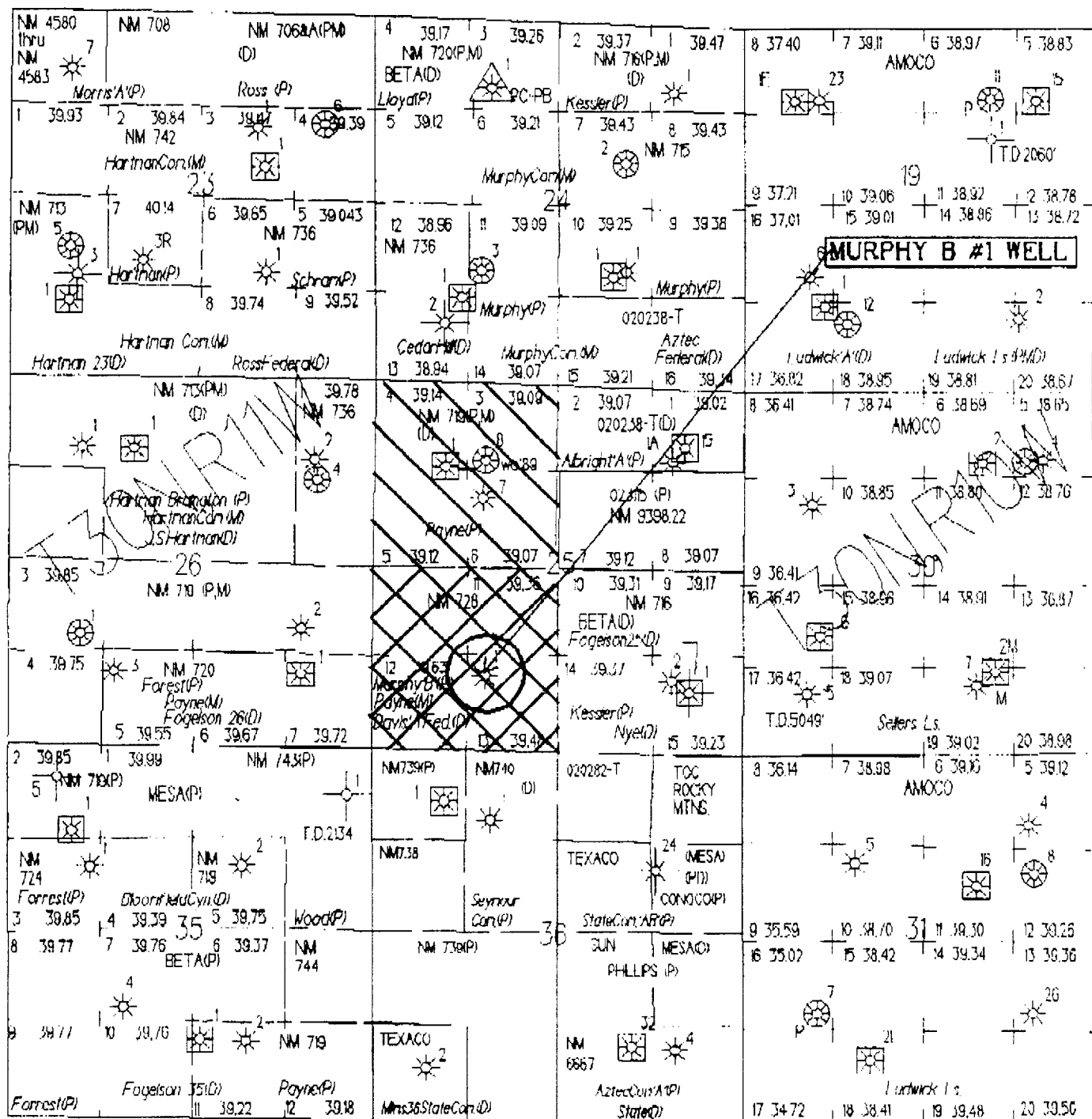
WHEREFORE Applicant requests that this matter be set for hearing on November 10, 1994 before a duly appointed Examiner of the Oil Conservation Division and that after notice and hearing as required by law, the Division enter its order granting this application.

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

MURPHY B #1 WELL
UNIT N, SECTION 25, T30N, R11W
SAN JUAN CO, NEW MEXICO



FRUITLAND SAND WELL



FRUITLAND COAL WELL




PICTURED CLIFFS WELL



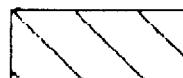
 MESAVERDE WELL



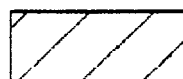
 DAKOTA WELL



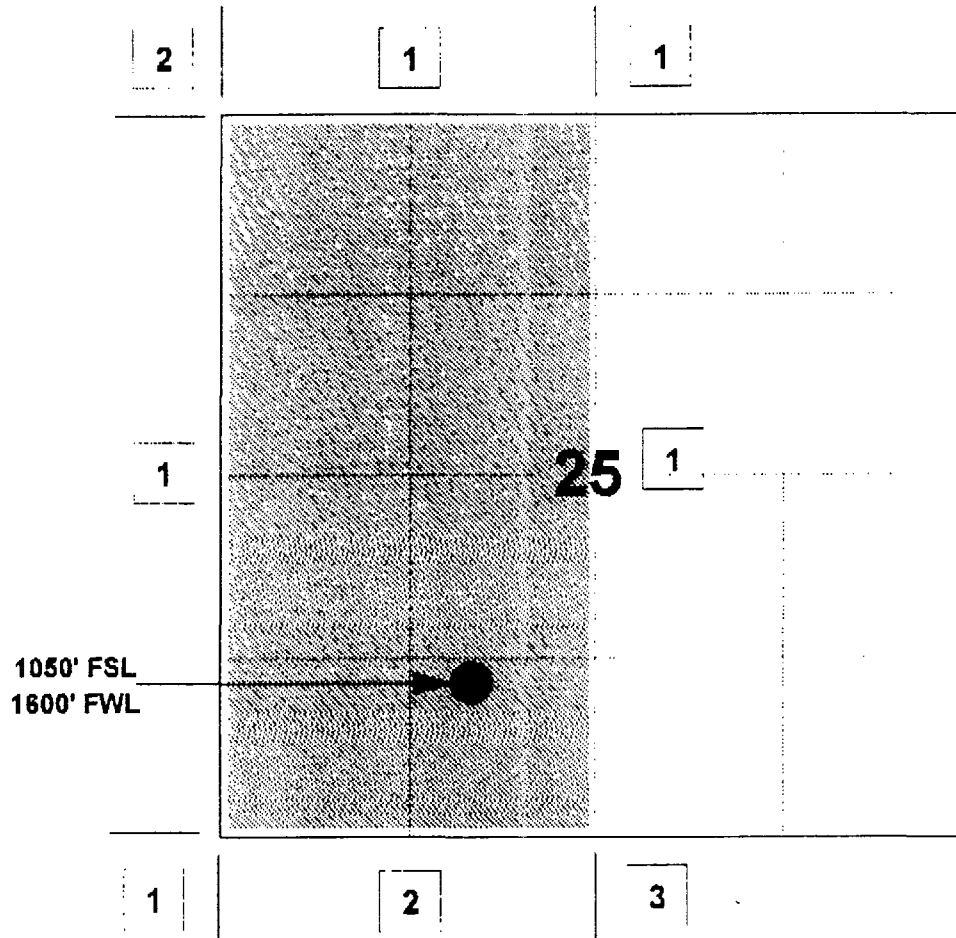
GALLUP WELL



**FRUITLAND COAL
SPACING UNIT**



PICTURED CLIFFS
SPACING UNIT

MERIDIAN OIL INC**MURPHY B #1****OFFSET OPERATOR \ OWNER PLAT****Fruitland Coal / Pictured Cliffs Commingle Well****Township 30 North, Range 11 West**

1) Meridian Oil Inc

2) Meridian Oil Inc &

Elliott Riggs

PO Box 711, Farmington, NM 87499

3) Meridian Oil Inc &

Conoco, Inc.

10 Desta Drive, Suite 100W, Midland, TX 79705

Unit Petroleum Company

PO Box 702500, Tulsa, OK 74170-2500

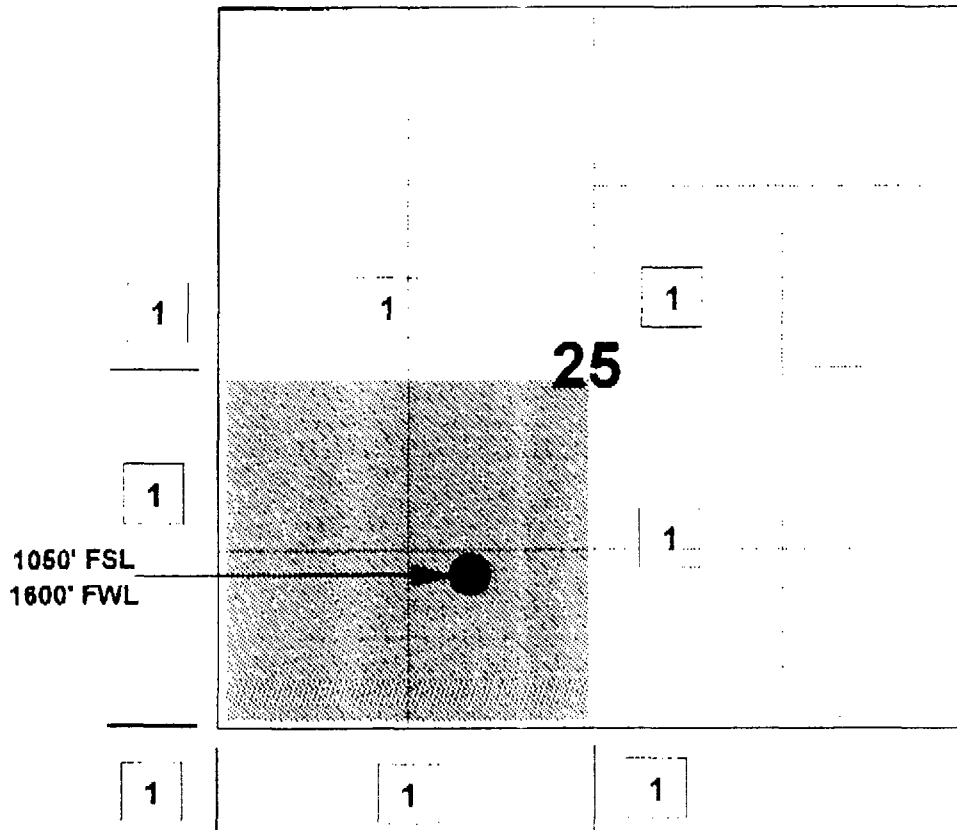
MERIDIAN OIL INC

MURPHY B #1

OFFSET OPERATOR \ OWNER PLAT

Fruitland Coal / Pictured Cliffs Commingle Well

Township 30 North, Range 11 West



1) Meridian Oil Inc

Pictured Cliffs Formation