

**EXHIBIT 1**

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

October 17, 1994

HAND DELIVERED

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

▲  
OCT 1994  
RECEIVED  
Land Dept.

Re: Wood Well No. 2, G-35-30N-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\_\_\_\_\_: 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 (NE/4 dedication) with the Basin-Fruitland Coal Gas Pool production (N/2 dedication) within the wellbore of its Wood Well No. 2 located 1650 feet from the North line and 1800 feet from the East line (Unit G) of Section 35, T30N, R11W, NMPM. Said well is located approximately 4 miles southeast 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:

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 Aztec-Pictured Cliffs Gas Pool (NE/4 dedication) with the Basin-Fruitland Coal Gas Pool production (N/2 dedication) within the wellbore of its Wood Well No. 2 located 1650 feet from the North line and 1800 feet from the East line (Unit G) of Section 35, T30N, R11W, NMPM;

In support of its application, Meridian states:

(1) Meridian is the operator of the Wood Well No. 2 in Section 35, 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.

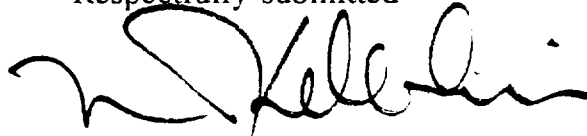
(7) Applicant requests that this matter be docketed for hearing on the Division's Examiner docket now scheduled for November 10, 1994.

(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".

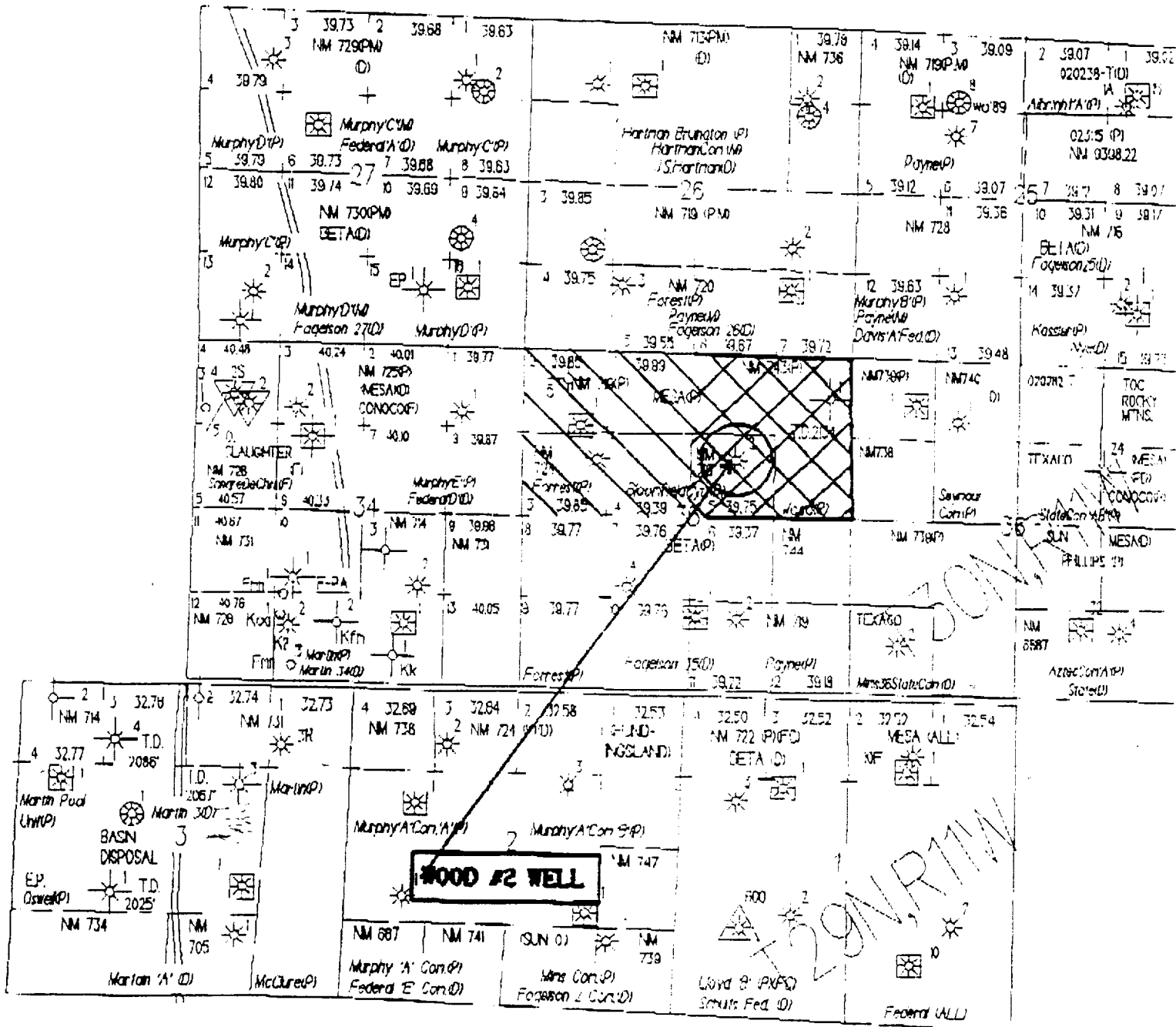
WHEREFORE Applicant requests that this matter be set for hearing on November 10, 1994 before a duly appointed Examiner of the Oil Conservation Division and that after notice and hearing as required by law, the Division enter its order granting this application.







Respectfully submitted

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', with a stylized flourish at the end.

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

WOOD #2 WELL  
UNIT G, SECTION 35, T30N, R11W  
SAN JUAN CO, NEW MEXICO



- |   |                       |   |                 |
|---|-----------------------|---|-----------------|
|  | FRUITLAND SAND WELL.  |  | MESAVERDE WELL. |
|  | FRUITLAND COAL WELL   |  | DAKOTA WELL     |
|  | PICTURED CLIFFS WELL. |  | GALLUP WELL     |



**PICTURED CLIFF  
SPACING UNIT**


**FRUITLAND COAL  
SPACING UNIT**



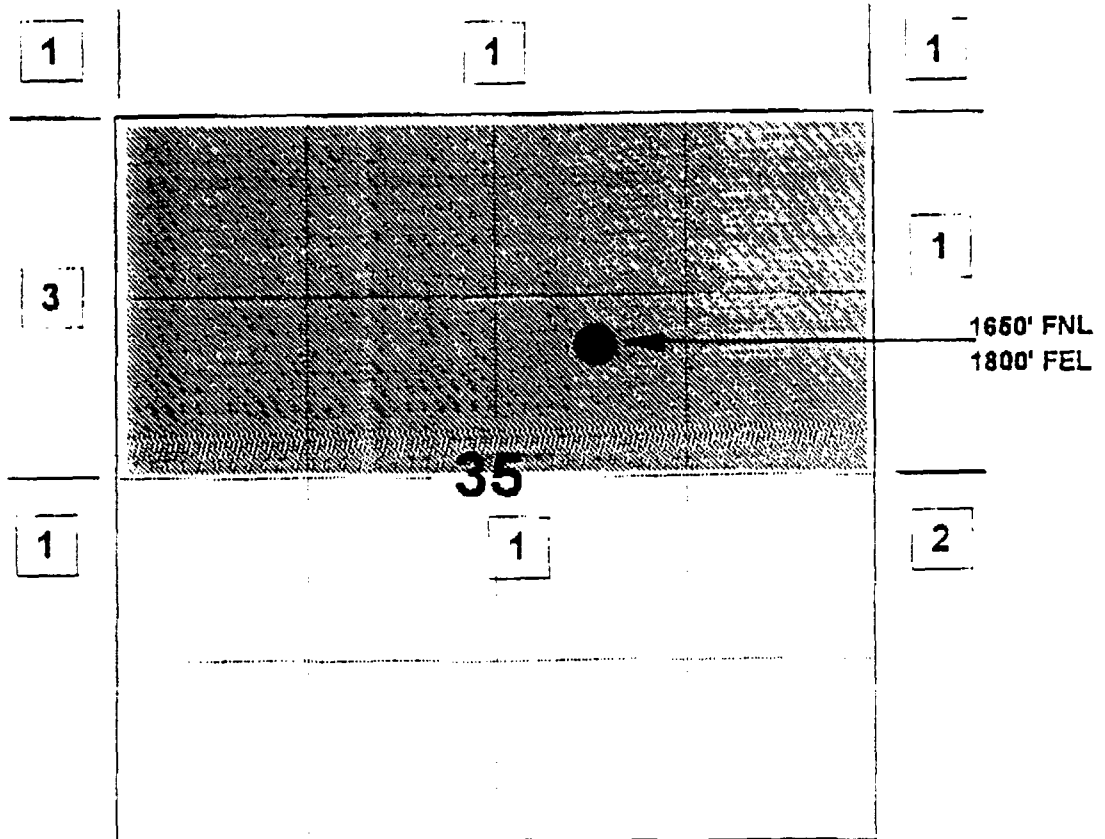
# MERIDIAN OIL INC

## WOOD #2

### OFFSET OPERATOR \ OWNER PLAT

#### Fruitland Coal / Pictured Cliffs Commingle Well

Township 30 North, Range 11 West



1) Meridian Oil Inc	
2) Meridian Oil Inc	&
Unit Petroleum Company	PO Box 702500, Tulsa, OK 74170-2500
Elliott Riggs	PO Box 711, Farmington, NM 87499
Conoco, Inc	10 Deste Drive, Suite 100W, Midland, TX 79705
3) Conoco, Inc.	&
Orville Slaughter	710 E. 20th, Farmington, NM 87401

Fruitland Coal Formation

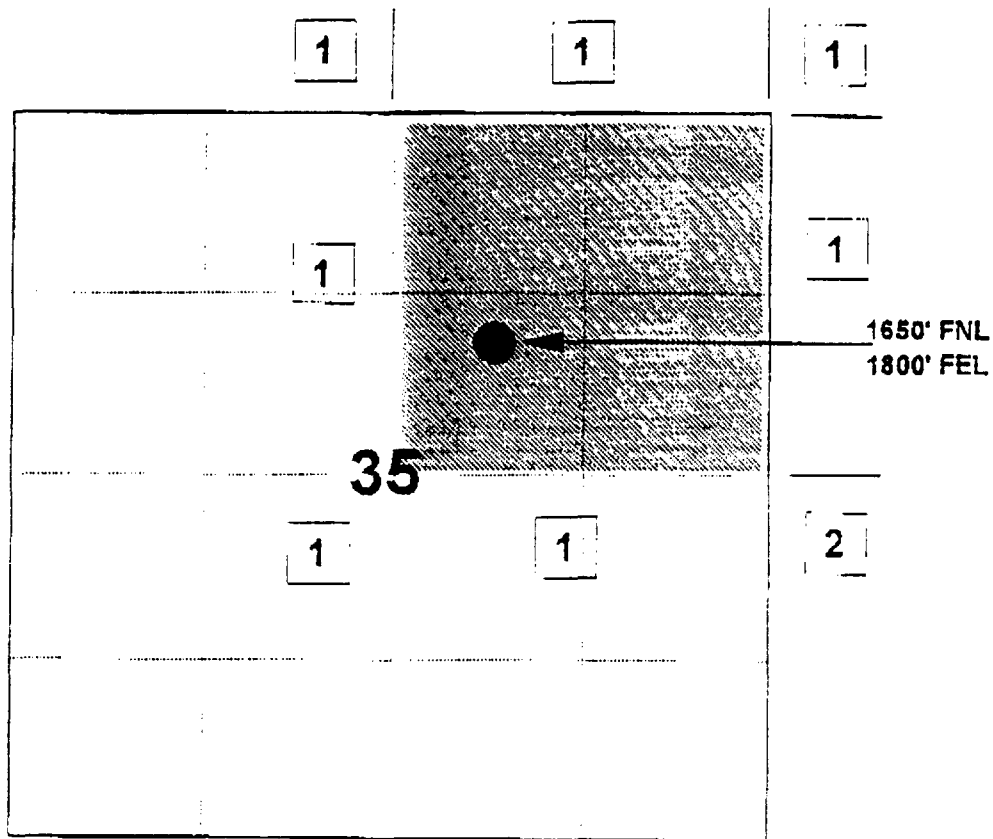
# MERIDIAN OIL INC

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1) Meridian Oil Inc

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PO Box 711, Farmington, NM 87499

Pictured Cliffs Formation