

**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. 11147

APPLICATION OF MERIDIAN OIL INC.
FOR DOWNHOLE COMMINGLING AND AN
UNORTHODOX COAL GAS WELL LOCATION
SAN JUAN COUNTY, NEW MEXICO.

PRE-HEARING STATEMENT

This 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. seeks approval to downhole commingle conventional gas production from the Aztec-Pictured Cliffs Gas Pool with coal gas production from the Basin-Fruitland Coal Gas Pool within the wellbore of its existing MCGRATH WELL NO. 3 which is a Pictured Cliffs well at an unorthodox gas well location for the coal gas pool, San Juan County, New Mexico. As set forth in its application, Meridian will establish, among other things, that:

(1) Ownership is not identical within the spacing unit. However correlative rights will not be impaired because any remaining PC production will have to be abandoned unless commingled with the coal-gas and the allocation formula allows all parties to have their equitable and appropriate share of the respective production;

(2) That in this instance, Pictured Cliffs production is so low that Meridian cannot economically continue to produce it unless it is downhole commingled with the coal-gas;

(3) No reservoir damage will occur;

(4) Approval will allow the economic recovery of gas which might otherwise be left in the reservoirs thereby preventing waste.

The McGrath Well No. 3 is the optimum existing Pictured Cliffs well in the E/2 of said Section 3 to which potential production from the Basin Fruitland Coal (Gas) Pool can be downhole commingled. This well is "off-pattern" for the coal-gas pool.

PROPOSED EVIDENCE

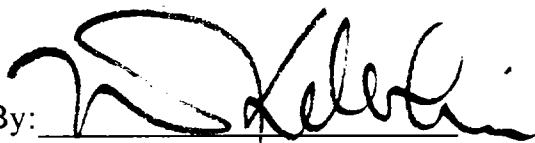
APPLICANT

WITNESSES	EST. TIME	EXHIBITS
Jay Close (geologist)	5 min.	2
Dean Price (landman)	5 min.	4
Leonard Biemer (petroleum engineer)	10 min.	2

PROCEDURAL MATTERS

NONE.

KELLAHIN AND KELLAHIN

By: 

W. Thomas Kellahin
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