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ATTORNEYS AT LAW

EL PATIO BUILDING

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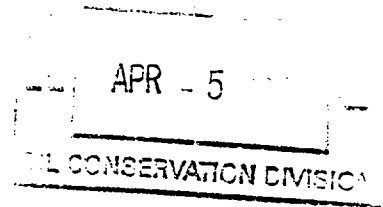
W. THOMAS KELLAHIN*

*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

April 25, 1995



HAND DELIVERED



APR 1995

RECEIVED
Land Dept.

Mr. Michael E. Stogner
Chief Hearing Examiner
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

Re: Sunray H Com Well No. 6, A-11-30N-10W
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 May 18, 1995.

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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Meridian Oil Inc.
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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, May 12, 1995, 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 over a faint, circular, dotted line.

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, and two non-standard gas well spacing and proration units, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval to downhole commingle conventional Undesignated Gallup formation gas production (157.70-acre non-standard dedication comprising Lots 1,2,7, and 8, being NE/4 equivalent) with gas production from the Basin-Dakota Gas Pool (314.74-acre non-standard dedication comprising Lots 1,2,7,8,9,10,15 and 16 being the E/2 equivalent) within the wellbore of its Sunray H Com Well No. 6 to be drilled at a standard location 820 feet from the North line and 1060 feet from the East line (Unit A) of Irregular Section 11, T30N, R10W, NMPM. Said well is located approximately 8 miles east 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:

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 conventional Undesignated Gallup formation gas production (157.70-acre non-standard dedication comprising Lots 1,2,7, and 8, being NE/4 equivalent) with gas production from the Basin-Dakota Gas Pool (314.74-acre non-standard dedication comprising Lots 1,2,7,8,9,10,15 and 16 being the E/2 equivalent) within the wellbore of its proposed Sunray H Com Well No. 6 to be drilled at a standard location 820 feet from the North line and 1060 feet from the East line (Unit A) of Irregular Section 11, T30N, R10W, NMPM.

In support of its application, Meridian states:

(1) Meridian is to be the operator of the proposed Sunray H Com Well No. 6 to be drilled at a standard gas well location 820 feet from the North line and 1060 feet from the East line (Unit A) of Irregular Section 11, T30N, R10W, NMPM. See Exhibit "A" attached.

(2) The well is to be initially drilled so that gas production from the Basin-Dakota Gas Pool and the Gallup 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 Gallup production from this well in this well is expected to be marginally productive and any potential Gallup production will have to be abandoned unless it is downhole commingled with Basin-Dakota Gas Pool 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-Dakota Pool gas and Gallup formation gas reserves underlying each respective proration unit.

(6) Meridian will propose a straight allocation of gas volumes from both zones and will seek the adoption of a monthly allocation formula to be presented at the time of the hearing.

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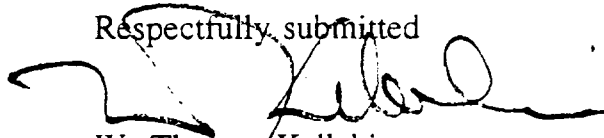
(7) Applicant requests that this matter be docketed for hearing on the Division's Examiner docket now scheduled for May 18, 1995.

(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 May 18, 1995 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', is 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

[illegible]

SUNRAY H COM #6
NE/4 (820" FNL, 1060' FEL)
Section 11, T-30-N, R-10-W
San Juan County, New Mexico

GALLUP and DAKOTA OWNERS

	<u>TYPE OF INTEREST</u>
El Paso Production Company 3535 E. 30th Street Farmington, NM 87402	WI
Devon Energy Corp. Attn: Mr. Steve Cromwell 1500 Mid American Tower 20 North Broadway Oklahoma City, OK 73102-8250	WI
Vastar Resources, Inc. Attn: Carrie Shull 15375 Memorial Drive Houston, TX 77079	WI
Minerals Management Service Royalty Management Program P.O. Box 5810 Denver, CO 80217-5810	RI
Jane Barbara Baer Estate 1st Interstate Bank Denver Attn: Trust Minerals 023 P.O. Box 5825 Denver, CO 80217	ORRI
Thomas J. & Donna Eileen Birmingham 1150 W. 8th Avenue #402 Vancouver, Canada	ORRI
Walter P. Youngblood Trustee for Rose M. Blount Estate 2292 Roth Place White Bear Lake, MN 55110	ORRI
Clinton C. Carney Jr. P.O. Box 2176 Balboa, Republic of Panama	ORRI



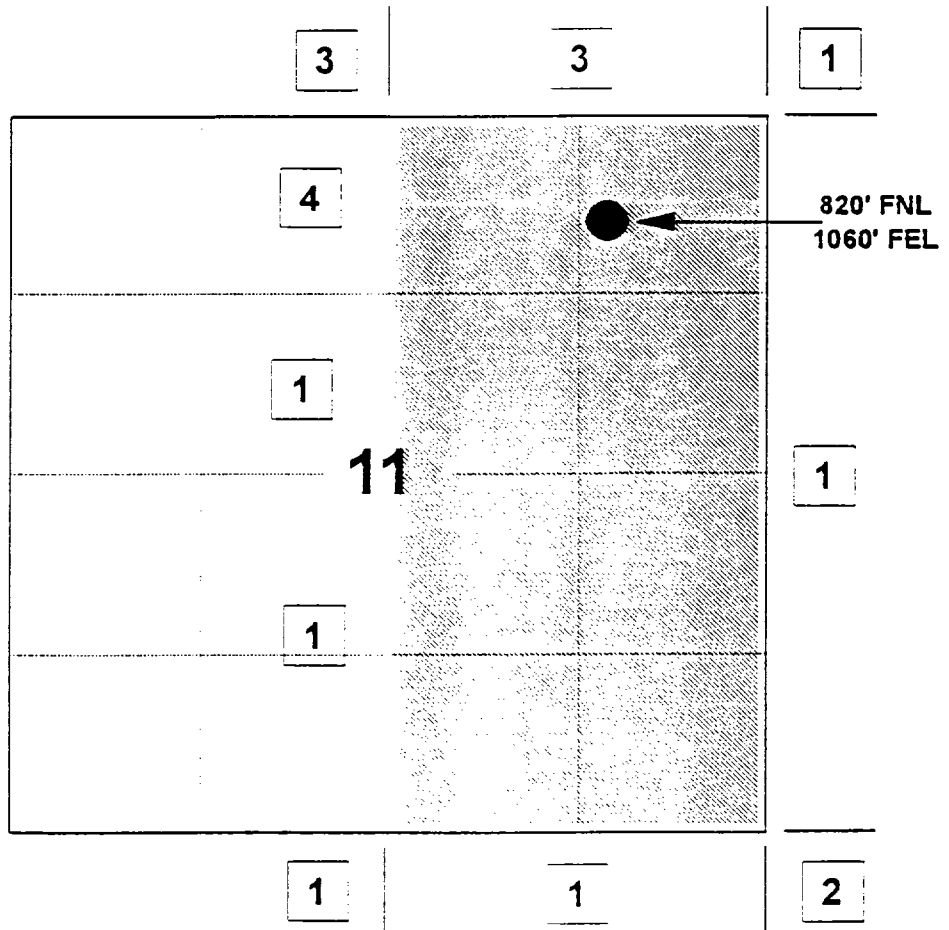
Ruth Demeree 15 Terrace Hill Road Bainbridge, NY 13733	ORRI
ENCAP Investments LC 6688 N. Central Expy, Suite 1100 Dallas, TX 75206	ORRI
Olive C. Gerlach 1189 W. Camino Sagasta Green Valley, AZ 85614	ORRI
Gordon L. Gottstein 9433 North East 14th Bellevue, WA 98004	ORRI
Jay Gottstein Trustee Jay Gottstein Trust 577 Dogwood Road Lake Ozarks, MO 65049	ORRI
Mary R. Hawkins 2805 Argyle Drive South Salem, OR 97302	ORRI
Ann Lockie 146 N. Gunston Drive Los Angeles, CA 90049	ORRI
Palmer L. Long 6352 Reubens Drive Huntington Beach, CA 92647	ORRI
Benjamin Joseph Mansfield 2615 Everett Drive Reno, NV 89503	ORRI
Donna Mellenthin 3318 Oakdell Road Studio City, CA 91604	ORRI
Aline G. Miller 1915 Holiday Road Newport Beach, CA 92660	ORRI
David G. Newbro 2016 Vista Cajon Newport Beach, CA 92660	ORRI

Franklin Newbro Veterans Home of California P.O. Box 1200 Yountville, CA 94599	ORRI
Suzanne Martha Newbro P.O. Box 1355 Post Falls, ID 83854	ORRI
William Hall Newbro, Jr. 534 E. Cornell Drive Burbank, CA 91504	ORRI
Patricia Parker Life Estate 3202 Bridle Path Ct Garland, TX 75044	ORRI
Lucile O. Quigley Trustee Lucile O. Quigley Trust P.O. Box 1107 Salem, OR 97308	ORRI
David P. Rowell 565 Leffelle Street South Salem, OR 97302	ORRI
Richard W. Rowell 3455 Sunridge Drive South Salem, OR 97302	ORRI
San Juan Basin Pool Ltd. Box 1237 Panhandle, TX 79068	ORRI
Billie-Dalnewbro Williams 6556 Rosebay Street Long Beach, CA 90808	ORRI
Gaynor Newbro Willson 11902 Central Avenue, Apt. 117A Chino, CA 91710	ORRI
The Youngblood Family Trust c/o Walter P. Youngblood Trustee 2292 Roth Place White Bear Lake, MN 55110	ORRI

MERIDIAN OIL INC
SUNRAY H COM #6
OFFSET OPERATOR \ OWNER PLAT

Dakota / Gallup Formations Commingle Well

Township 30 North, Range 10 West



See Attached List



SUNRAY H COM #6
Gallup / Dakota Formations Commingle Well

1. Meridian Oil Inc.

2. Meridian Oil Inc.

Elizabeth Jeanne Turner Calloway
4801 St. Johns Drive
Dallas, TX 75205

Frederick Eugene Turner
One Energy Square, Suite 853, 4925 Greenville Ave.
Dallas, TX 75205

J. Glenn Turner Jr.
3131 Turtle Creek Blvd.
Suite 1201
Dallas, TX 75219

John Lee Turner
P.O. Box 797215
Dallas, TX 75379-7215

Mary Frances Turner Jr.
c/o MBank Dallas, Trustee (Trust #3095)
P.O. Box 951412
Dallas, TX 75395-1412

3. Meridian Oil Inc.

Amoco Production Company
P.O. Box 800
Denver, CO 80201

Conoco Inc.
10 Desta Drive, Suite 100W
Midland, TX 79705-4500

Moore Loyal Trust
403 N. Marienfeld
Midland, TX 79701-4397

George W. Umbach
c/o Total Minatome Corp.
PO Box 201769
Houston, TX 77216-1769

Robert Umbach
c/o Total Minatome Corp.
PO Box 201769
Houston, TX 77216-1769

4. Vastar Resources
15375 Memorial Drive
Houston, TX 77069