

**KELLAHIN AND KELLAHIN**

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

TELEPHONE (505) 982-4285

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JASON KELLAHIN (RETIRED 1991)

May 19, 1995

**RECEIVED**

MAY 19 1995

Oil Conservation Division

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

Re: San Juan 30-4 Unit Well No. 40, J-21-30N-4W  
Application of Meridian Oil Inc.  
for downhole commingling, a non-standard  
proration unit and an unorthodox well location,  
Rio Arriba 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 June 15, 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.

Oil Conservation Division

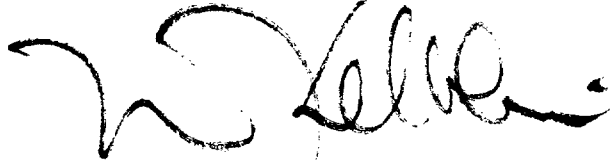
May 19, 1995

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, June 9, 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 in a cursive style.

W. Thomas Kellahin

WTK/wtk

Enclosure

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

## PROPOSED ADVERTISEMENT

Case 11330: Application of Meridian Oil Inc. for downhole commingling, a non-standard gas proration unit and an unorthodox well location, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval to downhole commingle conventional East Blanco-Pictured Cliffs Gas Pool gas production (320-acre non-standard E/2 dedication) with coal gas production from the Basin-Fruitland Coal Gas Pool (320-acre standard E/2 dedication) and to dual said commingled production with production from the Blanco Mesaverde Gas Pool within the wellbore of its San Juan 30-4 Unit Well No. 40 to be drilled at an unorthodox location 2450 feet from the South line and 2270 feet from the East line (Unit J) of Section 21, T30N, R4W, NMPM. Said well location is both an unorthodox "off-pattern" coal-gas well location and an unorthodox Pictured Cliff's well location. Said well is located approximately 18 miles southwest of Dulce, New Mexico.

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

**RECEIVED**

MAY 19 1995

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, A NON-  
STANDARD GAS PRORATION UNIT AND  
AN UNORTHODOX WELL LOCATION,  
RIO ARriba COUNTY, NEW MEXICO.

CASE: 11330

**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 conventional East Blanco-Pictured Cliffs Gas Pool gas production (320-acre non-standard E/2 dedication) with coal gas production from the Basin-Fruitland Coal Gas Pool (320-acre standard E/2 dedication) and to dual said commingled production with production from the Blanco Mesaverde Gas Pool within the wellbore of its San Juan 30-4 Unit Well No. 40 to be drilled at an unorthodox location 2450 feet from the South line and 2270 feet from the East line (Unit J) of Section 21, T30N, R4W, NMPM. Said well location is both an unorthodox "off-pattern" coal-gas well location and an unorthodox Pictured Cliff's well location.

In support of its application, Meridian states:

(1) Meridian is the operator of San Juan 30-4 Unit and proposes to drill its San Juan 30-4 Unit Well No. 40 at an unorthodox well location 2450 feet FSL and 2270 feet FEL (Unit J) of said Section 21. See Exhibit "A" attached.

(2) The San Juan 30-4 Unit Operating Agreement provides for 320-acre gas spacing in the Pictured Cliffs formation instead of the standard 160-acre spacing established for the East Blanco-Pictured Cliffs Gas Pool. Accordingly, Meridian seeks approval of a non-standard 320-acre spacing and proration unit consisting of the E/2 of said Section 21.

(3) The well is to be a "new drill" so that production from the Basin-Fruitland Coal Gas Pool and the Pictured Cliffs formation can be downhole commingled in the wellbore and dually completed with production from the Blanco-Mesaverde Gas Pool.

(4) In addition, Meridian desires to drill its San Juan 30-4 Unit Well No. 40 at an unorthodox "off pattern" coal gas well location and an unorthodox Pictured Cliffs well location because:

(a) a standard location within the SE/4 of said Section 21 is not available due to rough terrain and archeological concerns. The proposed location has been selected by the US Forest Service and meets the surface use requirements;

(b) a standard coal-gas well location for this spacing unit would be the NE/4, but because Meridian expects any production from the Basin-Fruitland Coal Gas Pool to be marginal it is necessary to downhole commingle that production with any production from the Pictured Cliffs Gas Pool and there already exists a Pictured Cliffs well in the NE/4 of Section 21.

(5) The ownership is not common for the well and its respective spacing and proration units in both pools.

(6) 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 Basin Fruitland Coal Gas Pool in this area of the San Juan Basin should be marginally productive and that due to the marginal production expected, it is uneconomic to drill a stand alone coal-gas well. 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; and
6. the value of the commingled production will not be less than the sum of the values of the individual production.

(7) 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.

(8) 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.

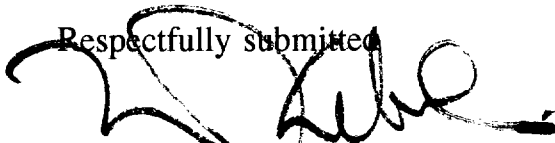
(9) Applicant requests that this matter be docketed for hearing on the Division's Examiner docket now scheduled for June 15, 1995.

(10) A copy of this application is being sent to all owners of production within the respective spacing unit for the well who may be affected by downhole commingling. See Exhibit "B".

(11) Copy of this application has been sent to all offsetting operators to the spacing units for the well. See Exhibit "C".

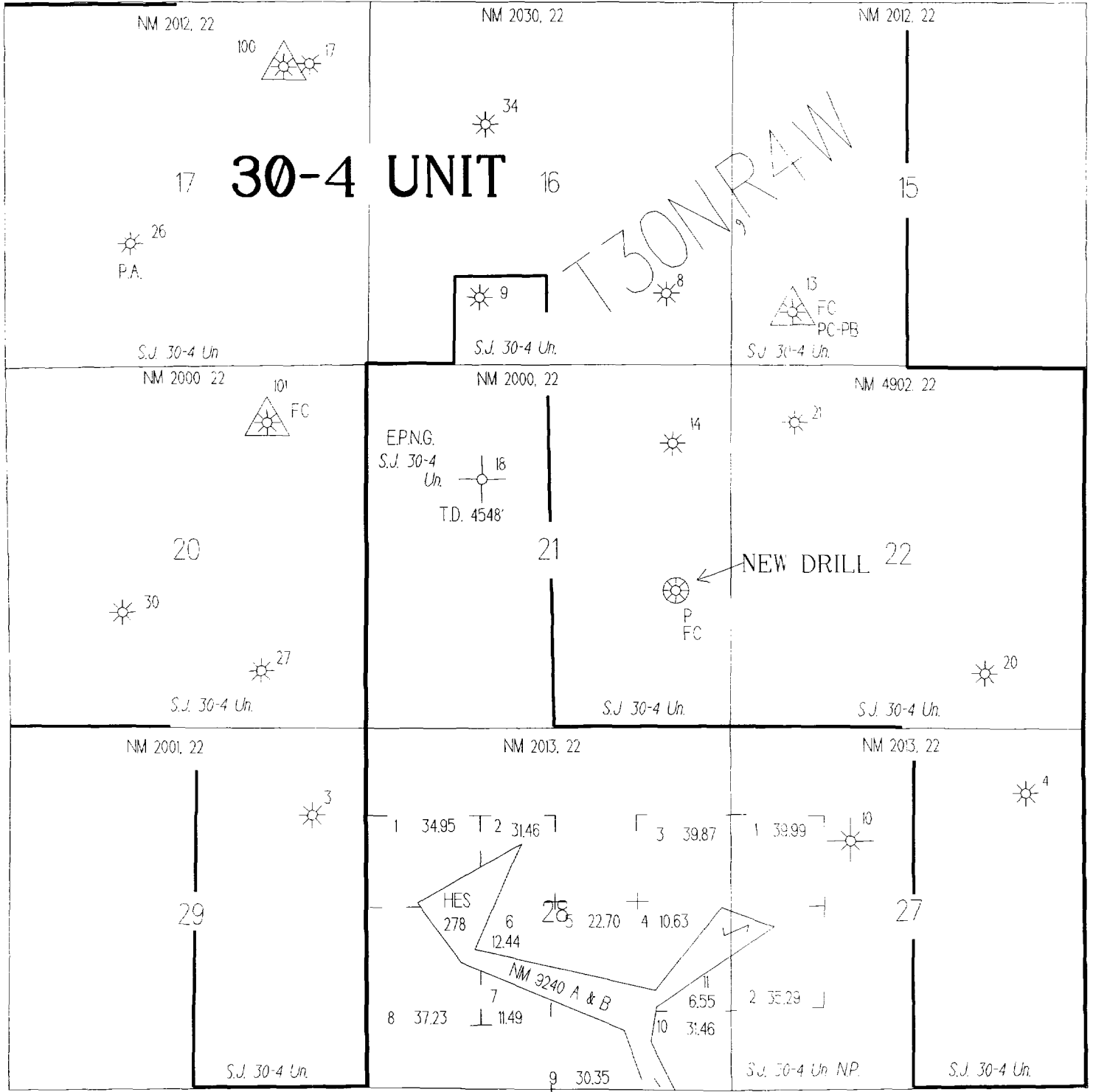
WHEREFORE Applicant requests that this matter be set for hearing on June 1, 1995 before a duly appointed Examiner of the Oil Conservation Division and that after notice and hearing as required by law, the Division enter its order granting this application.







Respectfully submitted

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over the typed name and address.

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

SAN JUAN 30-4 UNIT #40 WELL  
SECTION 21, T30N, R4W  
RIO ARRIBA CO., NEW MEXICO



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

**EXHIBIT**

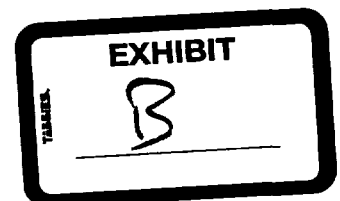
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**SAN JUAN 30-4 UNIT #40**  
**NE/4 SE/4 (2450' FSL, 2270' FEL)**  
**Section 21, T-30-N, R-4-W**  
**Rio Arriba County, New Mexico**

**PICTURED CLIFFS/FRUITLAND COAL DRILLBLOCK OWNERS**

	<u>TYPE OF INTEREST</u>
Minerals Management Service Royalty Management Program P.O. Box 5810 Denver, CO 80217-5810	RI
Meridian Oil Production Inc. 3535 E. 30th Street Farmington, NM 87402	WI
El Paso Production Company 3535 E. 30th Street Farmington, NM 87402	WI
Kathleen Quinn c/o Sunwest Bank of Albuquerque, N.A. P.O. Box 26900 Albuquerque, NM 87125	WI
EJE Brown Company c/o Nationsbank of Texas, N.A. P.O. Box 2546 Fort Worth, TX 76113-2546	WI
Ruth Zimmerman Trust c/o Ruther Zimmerman, Trustee 842 Muirlands Vista Way La Jolla, CA 92037	WI
Robert Bayless P.O. Box 168 Farmington, NM 87499	WI
Harold O. Pool Irrevocable Residual Trust c/o 1st Interstate Bank of Denver N/A Trust Minerals/023 P.O. Box 5825 Denver, CO 80217	WI
Thelma Pool Revocable Martial Trust c/o 1st Interstate Bank of Denver N/A Trust Minerals/023 P.O. Box 5825 Denver, CO 80217	WI



San Juan 30-4 Unit #40 ownership continued.

MAR Oil & Gas P.O. Box 5155 Santa Fe, NM 87502	WI
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Corinne M. Gay Trust c/o James W. Raymond, Trustee P.O. Box 1445 Kerrville, TX 78028	WI
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Robert P. Tinnin P.O. Box 1885 Albuquerque, NM 87103	WI
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Langdon D. Harrison 11401 Penfield Lane, NE Albuquerque, New Mexico 87111	WI
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T. H. McElvain Oil & Gas Company P.O. Box 2148 409 St. Michael's Dr. Santa Fe, NM 87501	WI
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Kerr McGee Corporation Attn: Land Department P.O. Box 25861 Oklahoma City, OK 73125-0861	WI
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Thomas A. Dugan & Mary Dugan P.O. Box 420 Farmington, NM 87499	WI
--	----

James M. Raymond P.O. Box 1445 Kerrville, TX 78028	WI
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Maydell M. Mast c/o James M. Raymond, Trustee P.O. Box 1445 Kerrville, TX 78028	WI
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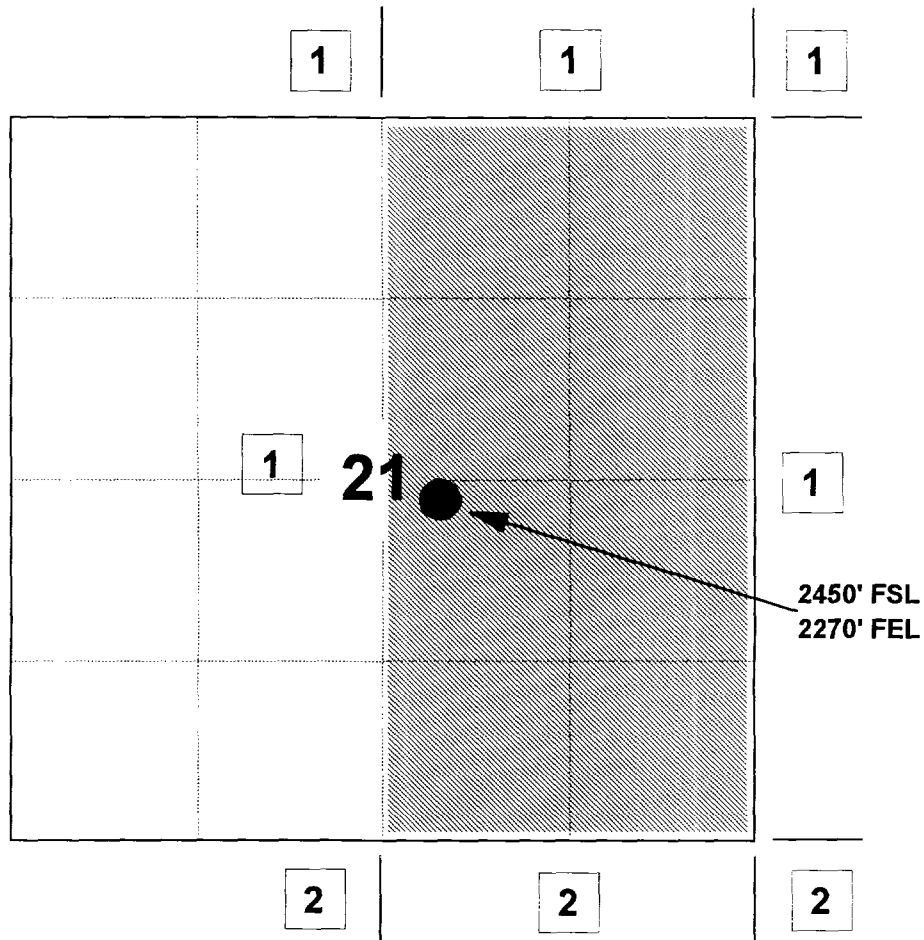
# MERIDIAN OIL INC

## SAN JUAN 30-4 UNIT #40

### OFFSET OPERATOR \ OWNER PLAT

Fruitland Coal / Pictured Cliffs Formations Commingle well

Township 30 North, Range 4 West



See Attachment

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**SAN JUAN 30-4 UNIT #40**  
**Fruitland Coal / Pictured Cliffs Formation Commingle Well**

1. Meridian Oil Inc.
2. Meridian Oil Inc.

Thomas A. Dugan & Mary Dugan  
P.O. Box 420  
Farmington, NM 87499

EJE Brown Company  
c/o Nationsbank of Texas, N.A.  
P.O. Box 2546  
Fort Worth, TX 76113-2546

Mr. Langdon D. Harrison  
11401 Penfield Lane, NE  
Albuquerque, NM 87111

Kerr-McGee Corporation  
Attn: Land Department  
P.O. Box 25861  
Oklahoma City, OK 73125-0861

Mar Oil Gas Corporation Inc.  
P.O. Box 5155  
Santa Fe, NM 87502

H. O. Pool (Trust) &  
Thelma Pool Rev Marital Trust  
c/o First Interstate Bank of Denver  
P.O. Box 5825  
Denver, Colorado 80217

Kathleen Quinn  
c/o Sunwest Bank of Albuquerque, N.A.  
P.O. Box 26900  
Albuquerque, NM 87125

Robert Tinnin  
P.O. Box 1885  
Albuquerque, NM 87103

Ruth Zimmerman (Trust)  
c/o Ruther Zimmerman, Trustee  
842 Muirlands Vista Way  
La Jolla, CA 92037

Mr. Robert L. Bayless  
P.O. Box 168  
Farmington, NM 87499

McElvain Oil & Gas Properties  
P.O. Box 2148  
409 St. Michael's Dr.  
Santa Fe, NM 87501

Maydell Miller Mast Estate  
James M. Raymond Independent Exe.  
P.O. Box 1445  
Kerrville, TX 78028

James M. Raymond Individually  
c/o Trustee for Corinne Miller Gay & Maydell Miller  
Attn: Miller Mast Trusts  
P.O. Box 1445  
Kerrville, TX 78028

Corrinne Miller Gay (Trust)  
c/o James W. Raymond, Trustee  
P.O. Box 1445  
Kerrville, TX 78028

Richard W. Simms  
405 Jamaica Dr.  
Willis, TX 77378

Mary S. Schutz  
PO Box 338  
Wagon Mound, NM 88752