MERIDIAN OLL CASE # 11331 JULY 27, 1995

KELLAHIN AND KELLAHIN

W. THOMAS KELLAHIN"

INCW MEXICO BOARD OF LEGAL SPECIALIZATION RECODNIZED SPECIALIST IN THE AREA OF NATURAL RESOURCESTIL AND GAS LAW ATTORNEYS AT LAW EL PATIO BUILDING II7 NORTH GUADALUPE POST OFFICE BOX 2265 SANTA FE, NEW MEXICO 87504-2255

TELEPHONE (505) 982-4285 TELEFAK (806) 982-2047

JASON KELLAHIN (RETIRED 1991)

July 7, 1995

VIA FACSIMILE (505) 827-8177

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

Re: NMOCD Case 11330: NMOCD Case 11331: San Juan "30-4" Unit Well No. 40 Meridian Oil Inc. Application for Downhole Commingling, Dual Completion, Unorthodox Gas Well Location, Rio Arriba County, New Mexico

Dear Mr. Stogner:

On behalf of Meridian Inc., we would appreciate you continuing the referenced Case 11330 and Case 1131 from the Division Examiner docket now set for July 13, 1995 to the Division Examiner hearing now scheduled for July 27, 1995.

Very truly W. Thomas Kellahin

via facsimile: cc: Meridian Oil Inc. Attn: Alan Alexander

KELLAHIN AND KELLAHIN

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)

ATTORNEYS AT LAW EL PATIO BUILDING II7 NORTH GUADALUPE POST OFFICE BOX 2265 SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4285 TELEFAX (505) 982-2047

June 13, 1995

HAND DELIVERED



RECEIVED

JUN 1 3 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 July 13, 1995.

Previously, on May 13, 1995, I submitted this application which was not docketed for hearing because the application includes a request for the approval of a 320-acre Pictured Cliffs gas Proration and Spacing Unit.

While both you and Mr. Catanach have advised me that the relief Meridian seeks cannot be granted, I would appreciate you docketing it for hearing and giving us an opportunity to present this matter at a hearing so we can obtain a formal order on the matter. Oil Conservation Division June 13, 1995 Page Two

Meridian has a dilemma--in May 27, 1953, when the New Mexico Oil Conservation Commission approved the San Juan 30-4 Unit Agreement it ratified a special provision that required 320-acre Pictured Cliffs gas spacing. [See Paragraph (11) of Agreement, copy enclosed]

While unit agreements are no longer drafted in this manner, this one has a unique provision which appears to me to constitute a determination by the Oil Conservation Commission that requires the Pictured Cliffs within the unit area to be spaced on 320 acres rather than the typical 160-acres.

Meridian is still searching its records on this topic. But, for example, I have enclosed a copy of a C-102 which was approved by the Division on April 25, 1973 which declares 320-acre dedication but then shows a 160-acre outline on the plat.

Meridian Oil Inc believes it is obligated to use 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. And if not, we would like an order declaring the appropriate spacing.

Accordingly, Meridian seeks approval of a non-standard 320-acre spacing and proration unit consisting of the E/2 of said Section 21 as set forth in the enclosed application.

W. Thomas Kellahin

WTK/wtk Enclosure cc: Meridian Oil Inc. Attn: Alan Alexander

PROPOSED ADVERTISEMENT

<u>Case</u>: 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 "offpattern" coal-gas well location and an unorthodox Pictured Cliff's well location. Said well is located approximately 18 miles southwest of Dulce, New Mexico. W XICO OIL CONSERVATION COMM ON WELL LUCATION AND ACREAGE DEDICATION PLAT

1760

All distances must be from the outer boundaries of the Section , - : :::: EL PASO MATURAL GAS COMPANY SAN JUAN 30-4 UNIT (SF-079485) 34 ALC CARGE AL. 1.3 ·· mar ····· 16 RIO ARRIBA F 30-N 4-W 1. 61. 44 1790 NORTH 1650 WEST for the second ine ar 12 20 1.101 7450 EST. PICTURED CLIFFS EAST BLANCO PICTURED CLIFFS 320.00 1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below, 2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty) 3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc? Unitization XIYes No If answer is "yes." type of consolidation _ If answer is "no." list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.). No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission. ∞ CERTIFICATION hereby certify that the information contained herein is true and complete to the best of my knowledge and bellef. 1790 ビモン シー Drilling Clerk El Paso Natural Gas Co. 1650 September 18, 1973 SF-079485 INN 16 SECT SEP 1 9 197 I hereby certity shown on this plat was platten transferil notes of actual surveys made by me or under my supervision and thut the same is true and correct to the best of my knowledge and pelief APRIL 25, 1973

11.50

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KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW EL PATIO BUILDING II7 NORTH GUADALUPE POST OFFICE BOX 2265 SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4285 TELEFAX (505) 982-2047

W. THOMAS KELLAHIN*

NEW MEXICO BOARD OF LEGAL SPECIALIZATION PECOGNIZED SPECIALIST IN THE AREA OF NATURAL RESOURCES-OIL AND GAS LAW

JASCN KELLAHIN (RETIRED (991)

May 19, 1995

RECEIVED

HAND DELIVERED

MAY 1 9 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, W. Thomas Kellahin

WTK/wtk Enclosure

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

PROPOSED ADVERTISEMENT

<u>Case</u>: 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 "offpattern" 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

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING:

MAY 1 9 1995

Oil Conservation Division

CASE:

APPLICATION OF MERIDIAN OIL INC. FOR DOWNHOLE COMMINGLING, A NON-STANDARD GAS PRORATION UNIT AND AN UNORTHODOX WELL LOCATION, RIO ARRIBA COUNTY, NEW MEXICO.

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.

NMOCD Application MERIDIAN OIL INC. Page 2

(2) The San Juan 30-4 Unit Operating Agreement provides for 320acre 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.

NMOCD Application MERIDIAN OIL INC. Page 3

(6) In accordance with Division Rule 303-C-l.(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. NMOCD Application MERIDIAN OIL INC. Page 4

(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".

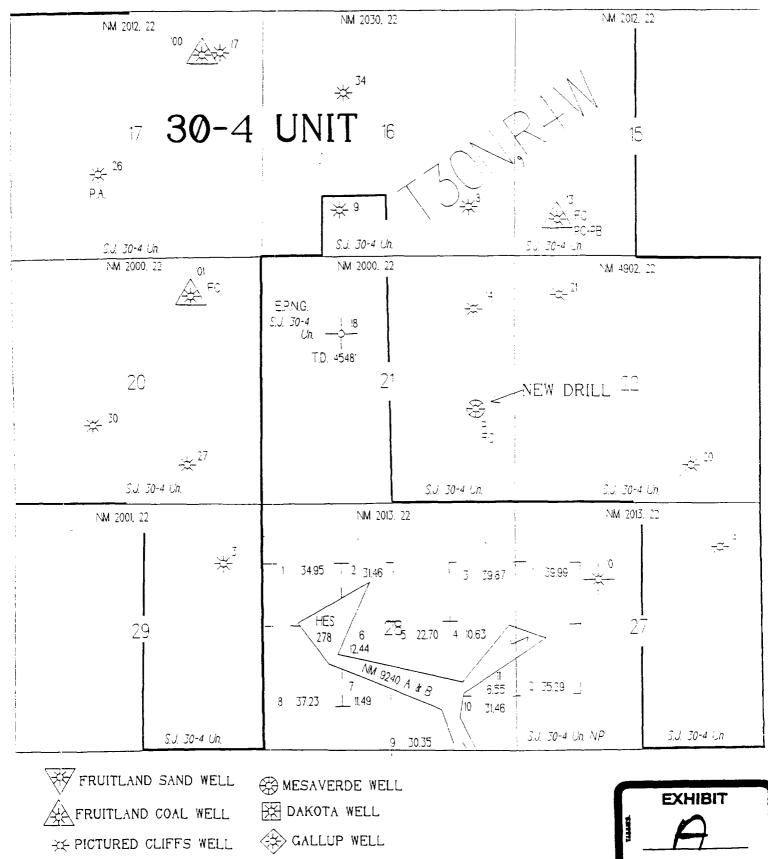
(11) Copy of this application has been sent to all offsetting operators to the spacing units for the well. See Exhibit "C".

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.

spectfully submitted

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



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

Minerals Management Service Royalty Management Program P.O. Box 5810 Denver, CO 80217-5810	<u>TYPE OF INTEREST</u> 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	WI

Denver, CO 80217

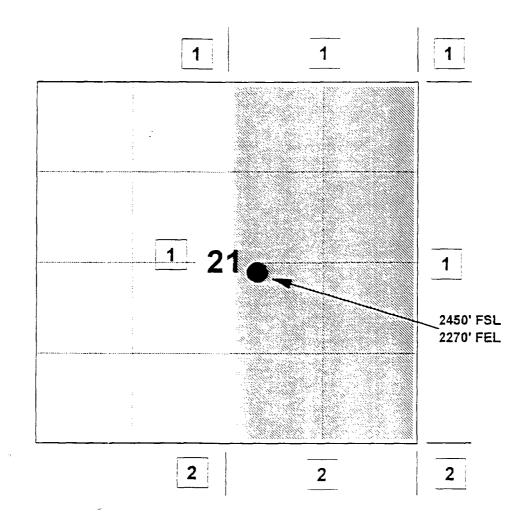
EXHIBIT

SAN JUAN 30-4 UNIT #40

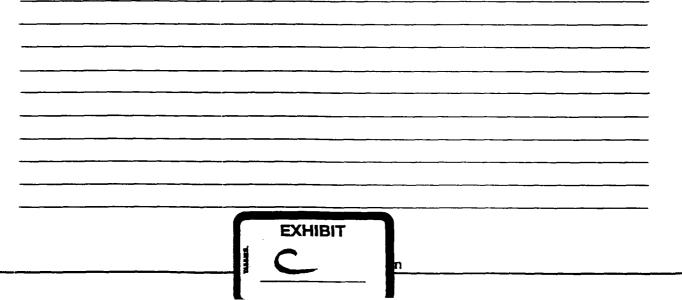
OFFSET OPERATOR \ OWNER PLAT

Fruitland Coal / Pictured Cliffs Formations Commingle well

Township 30 North, Range 4 West



See Attachment



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

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 San Juan 30-4 Unit #40 ownership continued.

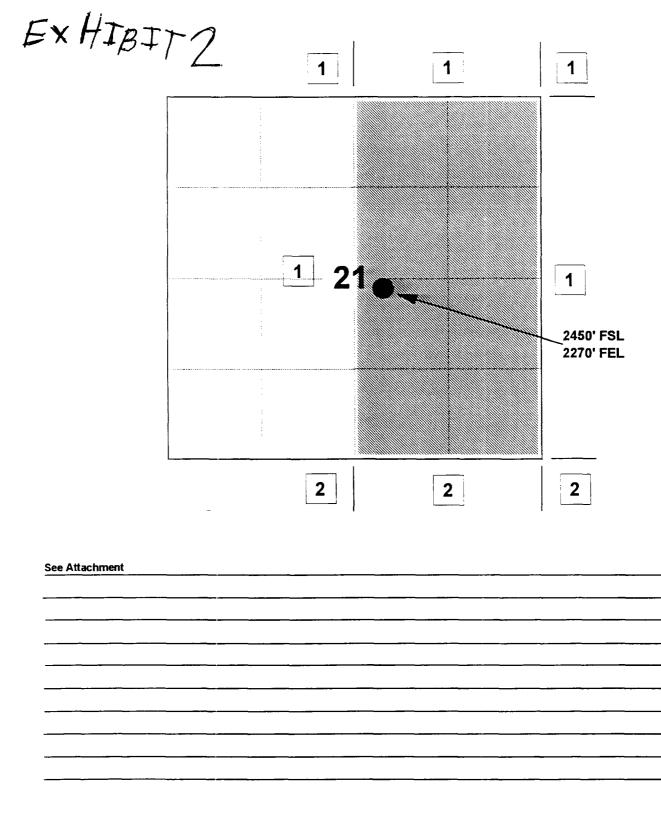
MAR Oil & Gas P.O. Box 5155 Santa Fe, NM 87502	WI
Corinne M. Gay Trust c/o James W. Raymond, Trustee P.O. Box 1445 Kerrville, TX 78028	WI
Robert P. Tinnin P.O. Box 1885 Albuquerque, NM 87103	WI
Langdon D. Harrison 11401 Penfield Lane, NE Albuquerque, New Mexico 87111	WI
T. H. McElvain Oil & Gas Company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

SAN JUAN 30-4 UNIT #40

OFFSET OPERATOR \ OWNER PLAT

Fruitland Coal / Pictured Cliffs Formations Commingle Well

Township 30 North, Range 4 West



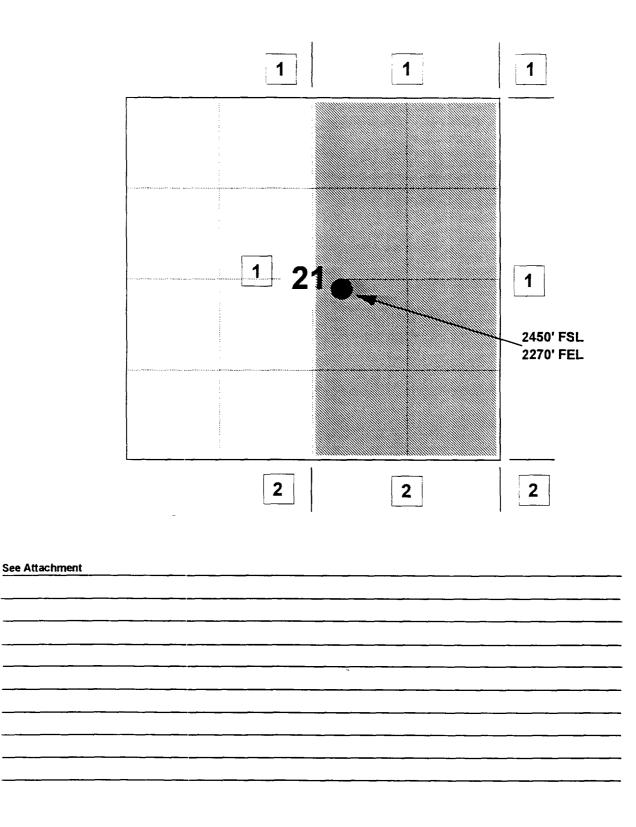
Fruitland Coal Formation

SAN JUAN 30-4 UNIT #40

OFFSET OPERATOR \ OWNER PLAT

Fruitland Coal / Pictured Cliffs Formations Commingle well

Township 30 North, Range 4 West



Pictured Cliffs Formation

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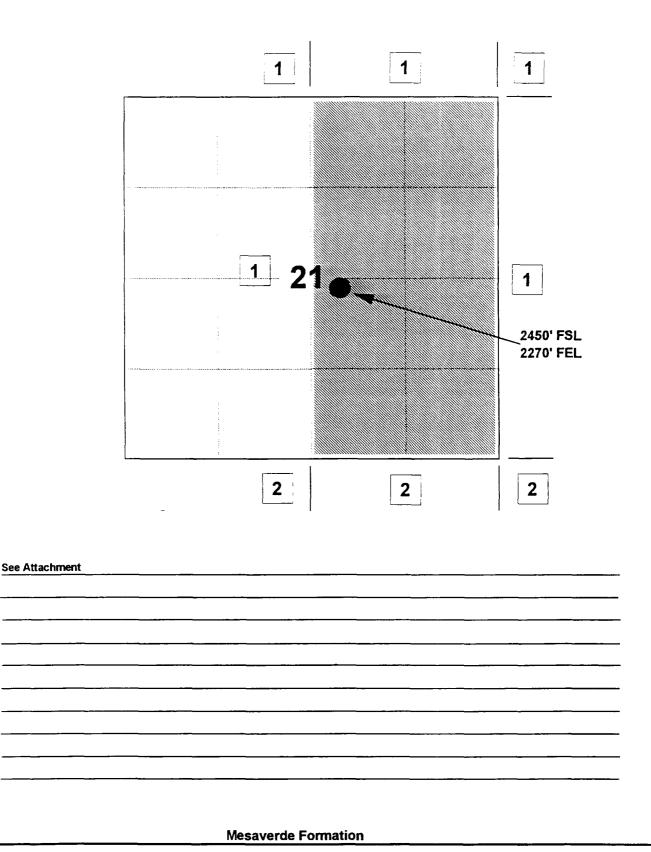
Mary S. Schutz PO Box 338 Wagon Mound, NM 88752

SAN JUAN 30-4 UNIT #40

OFFSET OPERATOR \ OWNER PLAT

Unorthodox Well Location

Township 30 North, Range 4 West

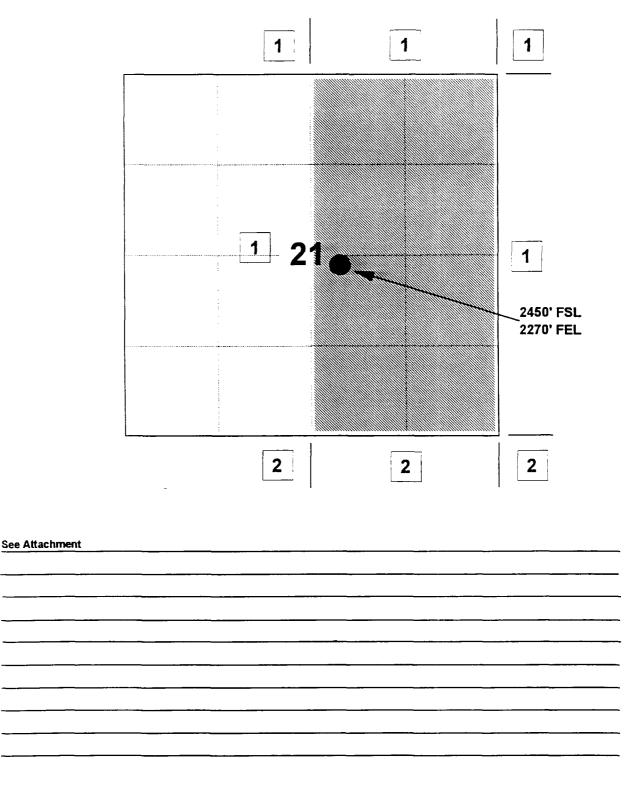


SAN JUAN 30-4 UNIT #40

OFFSET OPERATOR \ OWNER PLAT

Off Pattern / Unorthodox Well Location

Township 30 North, Range 4 West



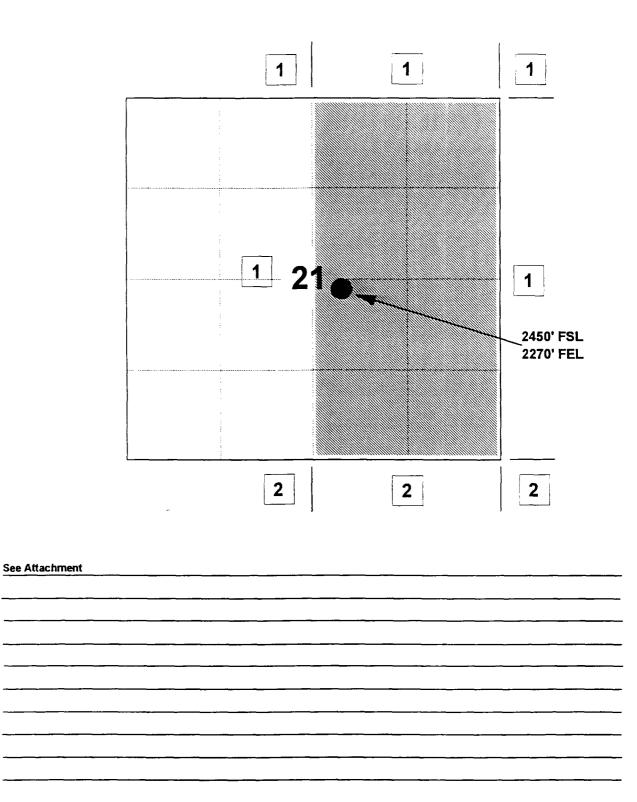
Fruitland Coal Formation

SAN JUAN 30-4 UNIT #40

OFFSET OPERATOR \ OWNER PLAT

Unorthodox Well Location

Township 30 North, Range 4 West



Pictured Cliffs Formation

SAN JUAN 30-4 UNIT #40 Unorthodox Well Location

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

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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

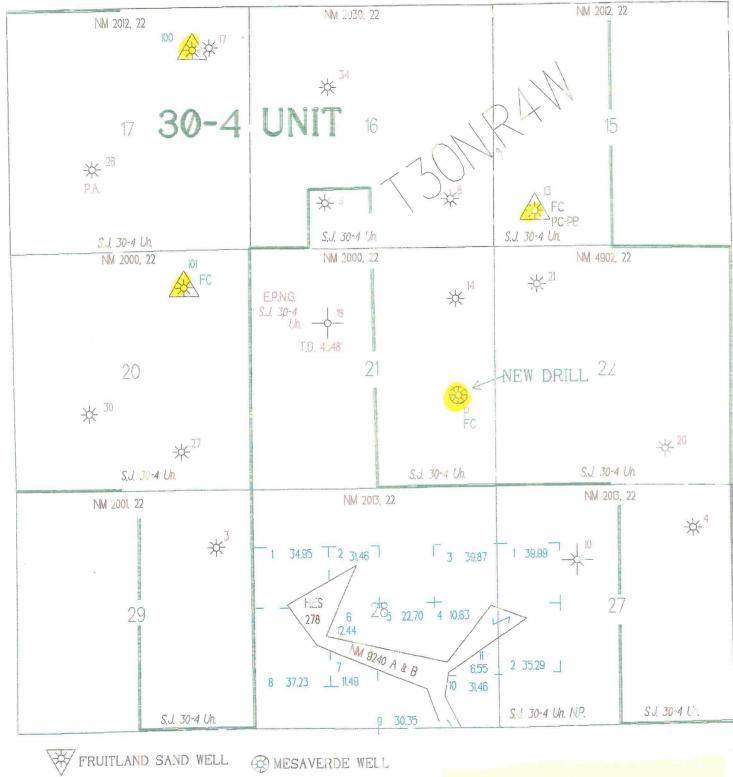
PICTURED CLIFFS/FRUITLAND COAL DRILLBLOCK OWNERS

	TYPE OF INTEREST
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Royalty Management Program P.O. Box 5810	
Denver, CO 80217-5810	
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Farmington, NM 87402	
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
mouquoique, mix or ize	
EJE Brown Company c/o Nationsbank of Texas, N.A.	WI
P.O. Box 2546 Fort Worth, TX 76113-2546	
Ruth Zimmerman Trust c/o Ruther Zimmerman, Trustee 842 Muirlands Vista Way La Jolla, CA 92037	WI
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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
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San Juan 30-4 Unit #40 ownership continued.

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

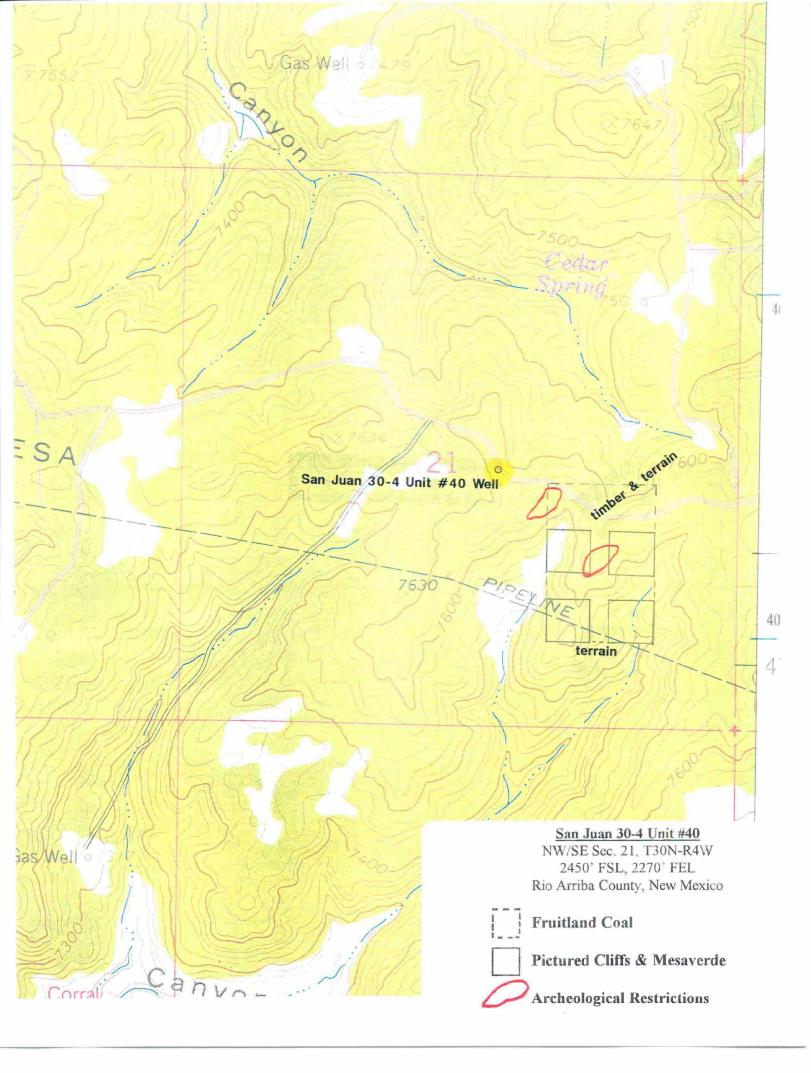


* PICTURED CLIFFS WELL

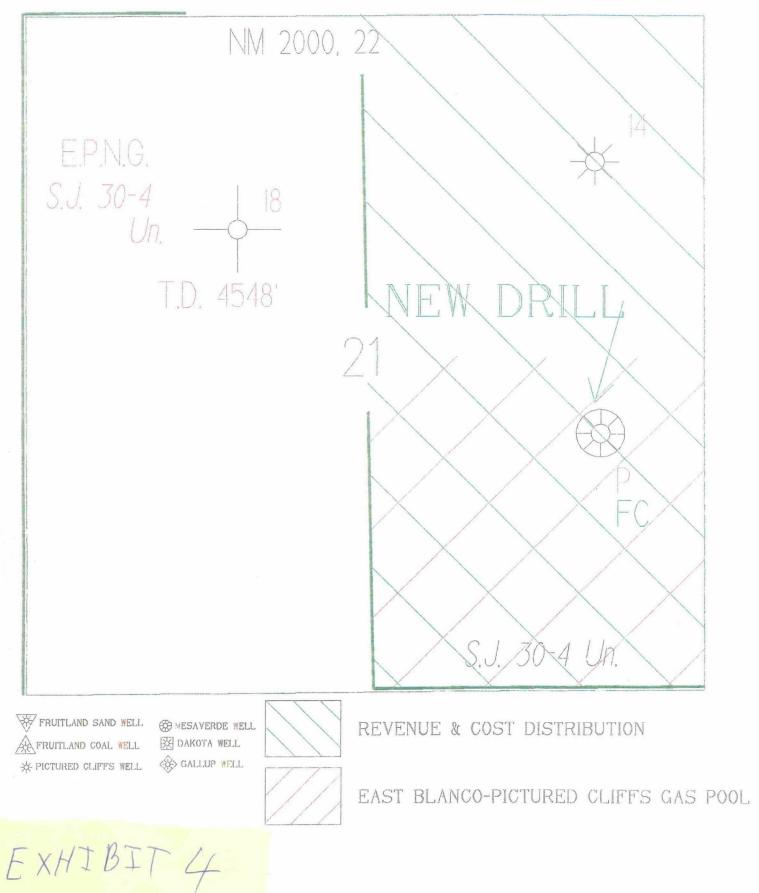
FRUITLAND COAL WELL

GALLUP WELL

EX HIBIT3



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



Supervisor and Commissioner are authorized to grant a reasonable extension of the 6-month period herein prescribed for submission of an initial plan of development where such action is justified because of unusual conditions or circumstances. After completion hereunder of the drilling program outlined in Section 9 above, no further wells, except such as may be necessary to afford protection against operations not under this agreement or such as may be specifically approved by the Supervisor, the Commissioner and the Commission, shall be drilled except in accordance with a plan of development approved as herein provided.

11. Participation after discovery.

(a) Mesaverde and Shallower Formations:

That portion of the unit area lying above the base of the Mesaverde formation is hereby divided into Drilling Blocks containing 320 acres each, more or less, which Drilling Blocks shall constitute one-half sections, by government survey, the sections being divided by a line running north and south in such manner that each Drilling Block shall be either the East Half (E/2) or the West Half (W/2)of each given section; provided, however, that in any instances of irregular surveys that portion of a section which most nearly constitutes either the East Half (E/2) or the West Half (W/2) shall constitute a Drilling Block even though its acreage may be irregular, and provided further that any irregular strips or small tracts shall attach to the adjacent Drilling Blocks to which they most logically attach within the limitations for Drilling Blocks as herein set forth, and provided further that in the event any portion of the area subject to this agreement is not surveyed, Unit Operator shall project the survey from the nearest established government survey points for the purposes of this agreement.

Upon completion of a well capable of producing unitized substances from the Mesaverde or shallower formation or as soon thereafter as required by the Supervisor or the Commissioner, the Unit Operator shall determine whether said well is capable of producing

UA

-11-

REFORE THE OIL CONDENATED & COLLISSION OF THE STATE OF NEW MEXICO.

-3

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO FOR THE FURIPOSE OF CONSIDERING:

4.

THE APPLICATION OF EL PASO NATURAL GAS COMPANY FOR AN CADEA APPHOVING A PROPOSED UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE SAN JUAN 30-4 UNIT AREA, CONSISTING OF 26,104.50 ACRES, MORE OR LESS, SITUATED IN TOWNSHIP 30 NORTH, RANGE 4 WEST AND TOWNSHIP 31 NORTH, RANGE 4 WEST, RIO ARRIHA COUNTY, NEW MEXICO CASE NO. <u>1976</u> ORDER NO. <u>K² 2007</u>

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock A. M., May 26, 1953, at Santa Fc, New Mexico, before the Dil Conservation Commission of New Mexico, hereinafter referred to as the "Commission".

NOW, on this $\frac{226}{6}$ day of May, 1953, the Commission having before it for consideration the testimony adduced at the hearing of said case and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the proposed unit plan will in principle tend to promote the conservation of oil and gas and the prevention of waste.

IT IS THEREFORE ORDERED:

That the order herein shall be known as the:

"SAN JUAN 30-4 UNIT AGREEPENT ORDER"

SECTION 1. (a) That the project herein shall be known as the San Juan 30-4 Unit Agreement and shall hereafter be referre to as the "Project".

(b) That the plan by which the Project shall be operated shall be embraced in the form of a unit norfor the development and operation of the San Juan 30-1 Unit operation referred to in the Petitioner's petition and filed with said petition and such plan shall be known as the Son Juan 30-4 Pott Agreement Flan.

-4

SECTION 2. That the San Juan 30-4 Unit Agreement shall be, and is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval of said agreement shall not be considered as waiving or relinquishing in any manner any rights, duties, or obligations which are now or may hereafter be vested in the New Mexico Oil Conservation Commission by law relative to the supervision and control of operations for exploration and development of any lands committed to said San Juan 30-4 Unit Agreement or relative to the production of oil or gas therefrom.

SECTION 3. (a) That the Unit Area shall be:

NEW MEXICO PRINCIPAL MERIDIAN

Township 30 North, Range 4 West

Sections 1 through 36: All

Township 31 North, Range 4 West

Sections 32 through 36: All

containing 26,104.50 acres, more or less.

(b) The Unit Area may be enlarged or contracted as provided in said Plan.

<u>SECTION 4.</u> That the unit operator shall file with the Commission an executed original or executed counterpart thereof of the San Juan 30-4 Unit Agreement not later than 30 days after the effective date thereof.

SECTION 5. That any party owning rights in the unitized substances who does not commit such rights to said Unit Agreement before the effective date thereof may thereafter become a party thereto by subscribing to such agreement or a counterpart thereof. The Unit Operator shall file with the Commission within 30 days an original or any such counterpart.

<u>SECTION 6</u>. That this order shall become effective on the first day of the calendar month next following the approval of the Commissioner of Public Lands and the Director of the United States Geological Survey and shall terminate ipso facto on the termination of said Unit Agreement. The last Unit Operator shall immediately notify the Commission in writing of such termination.

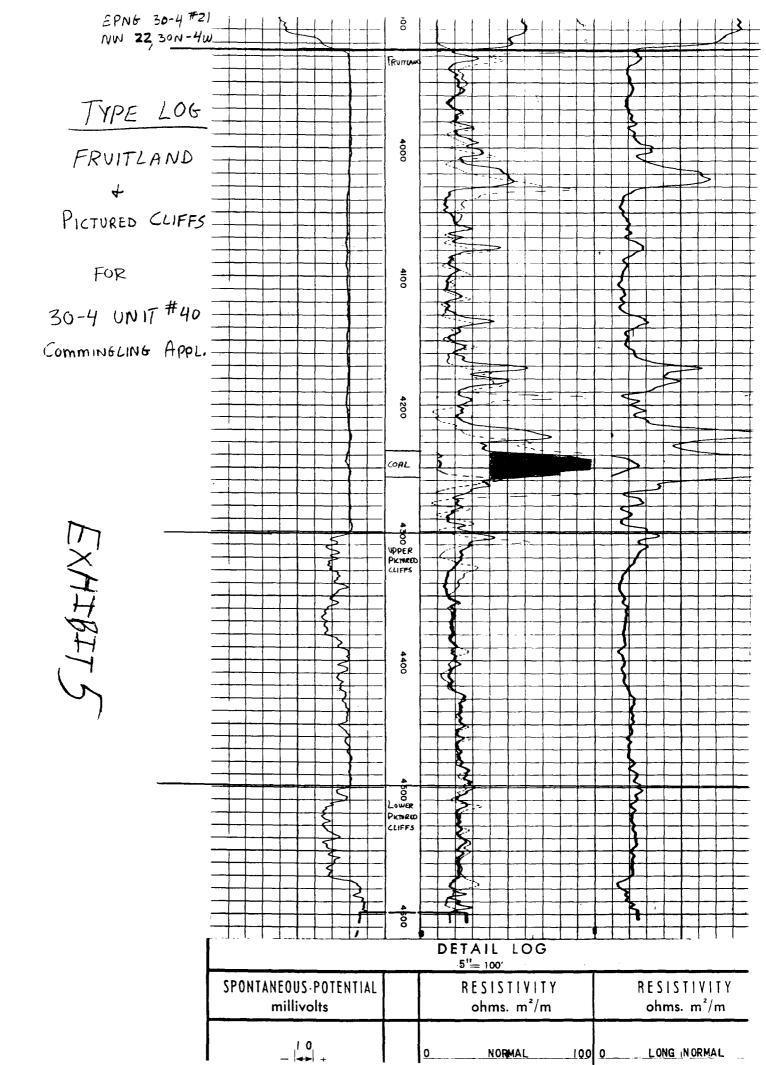
DONE at Santa Pe, New Mexico, on the day and year hereinabove designated,

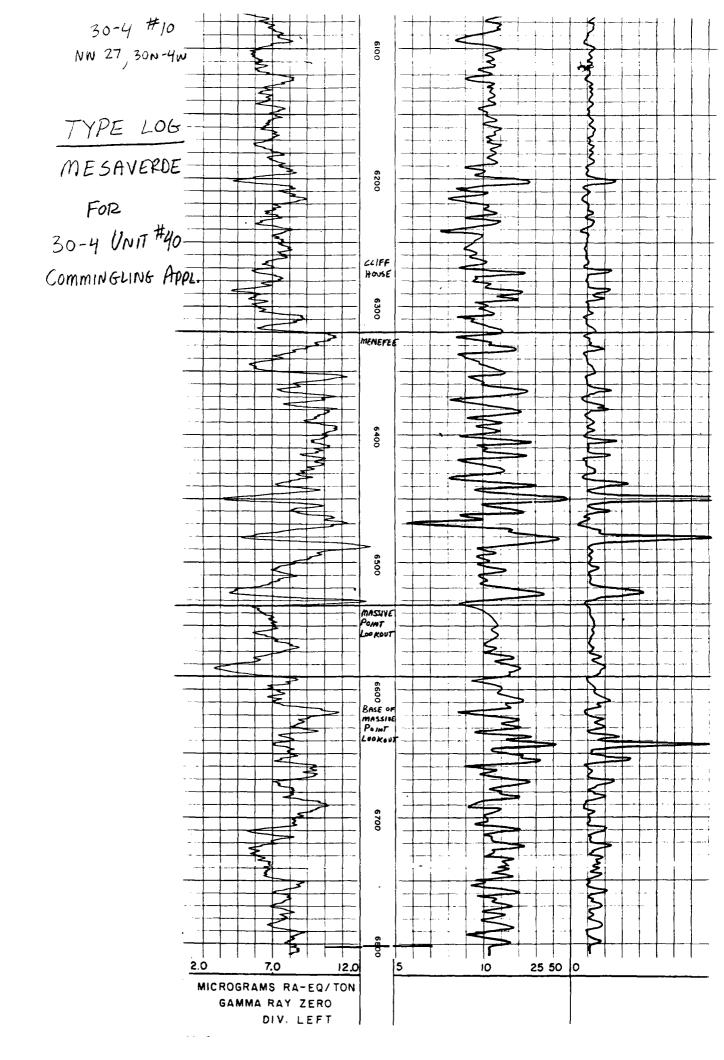
OIL CONSERVATION COMMISSION morte MECHEM, Chairman ival LKER, Member Duracel R. R. SPURRIER, Secretary

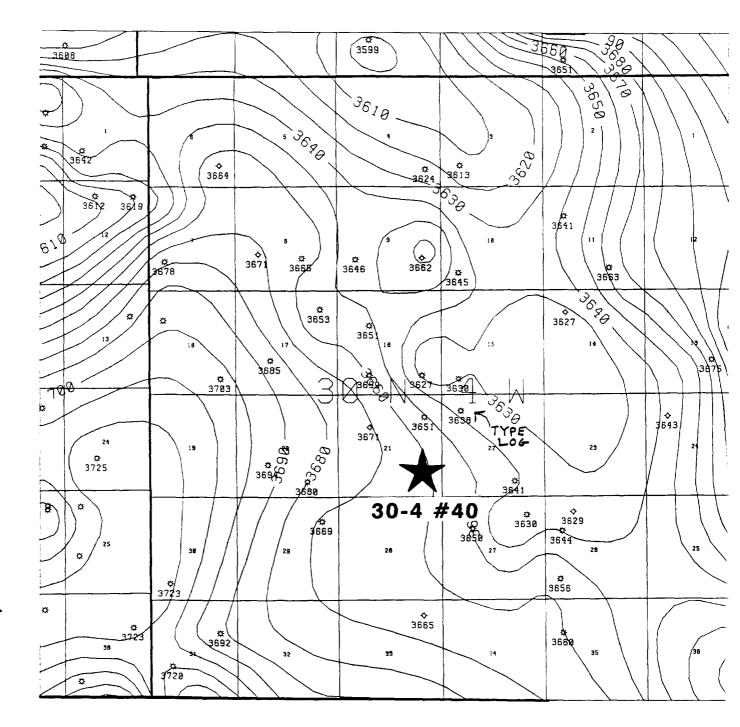
STATE OF NEW MEXICO

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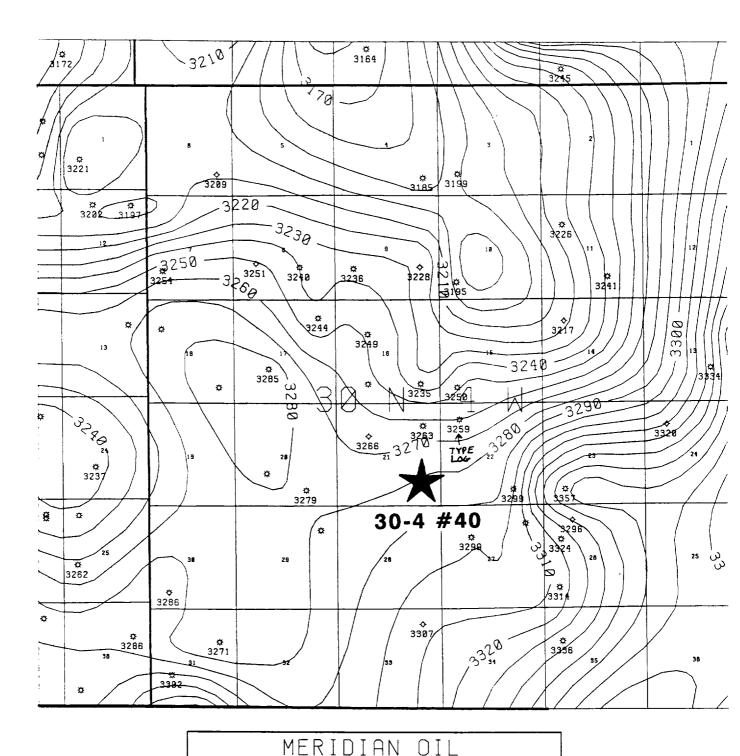
MERIDIAN OIL Farmington region
SAN JUAN 30-4 #40 COMMINGLING APPLICATION Structure : Top of Fruitland CI = 10 FT
ACR.E. 1 2 5000 000000 JLD/GLJ 00072 B-JUN-95

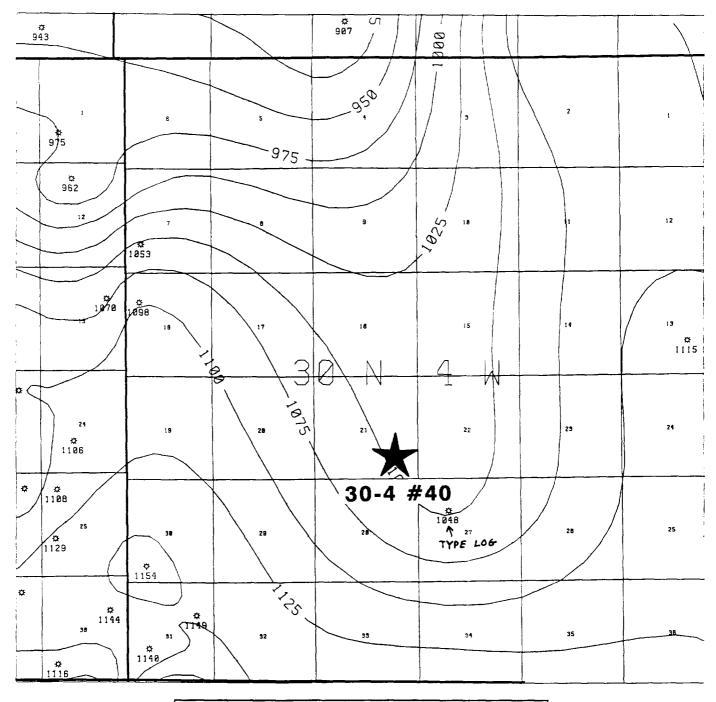


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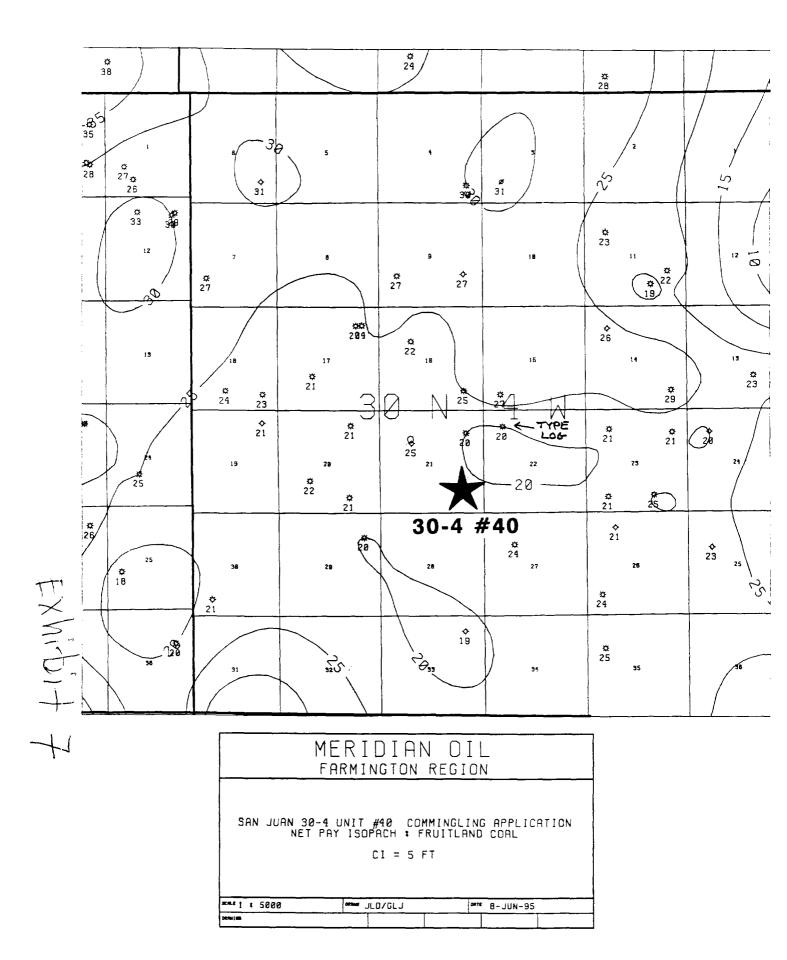
FARMINGTON REGION

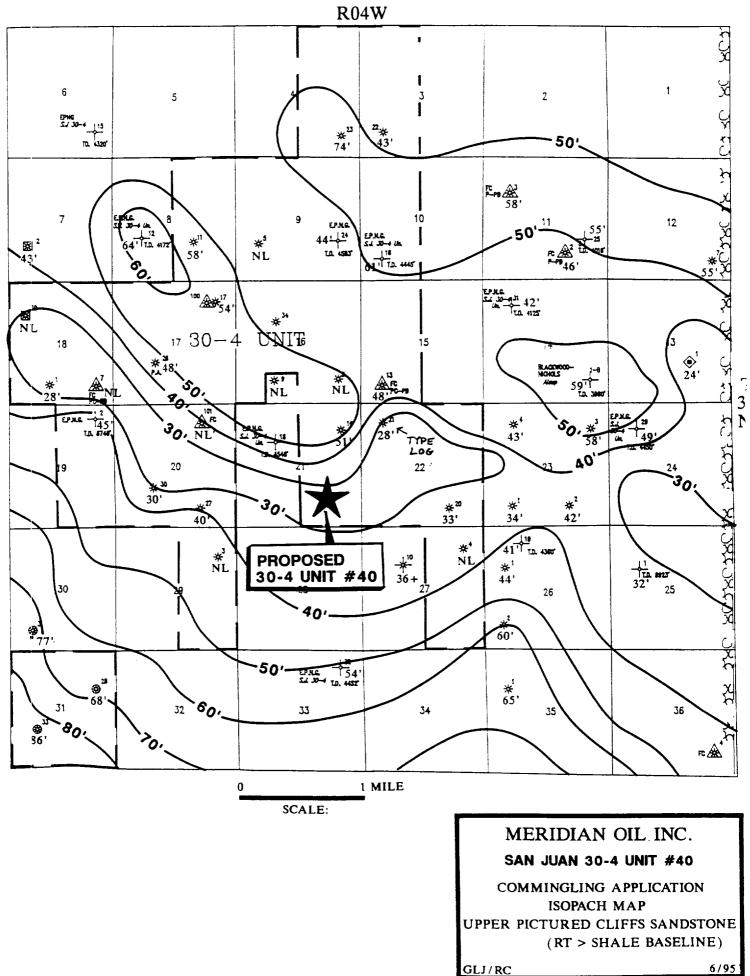
SAN JUAN 30-4 UNIT #40 COMMINGLING APPLICATION STRUCTURE : TOP OF PICTURED CLIFFS CI = 10 FT

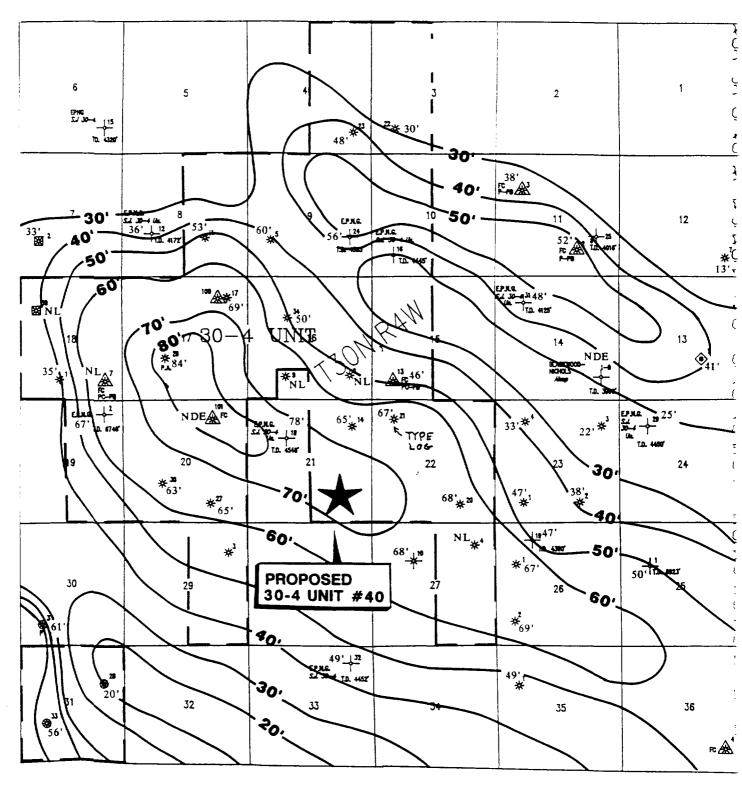




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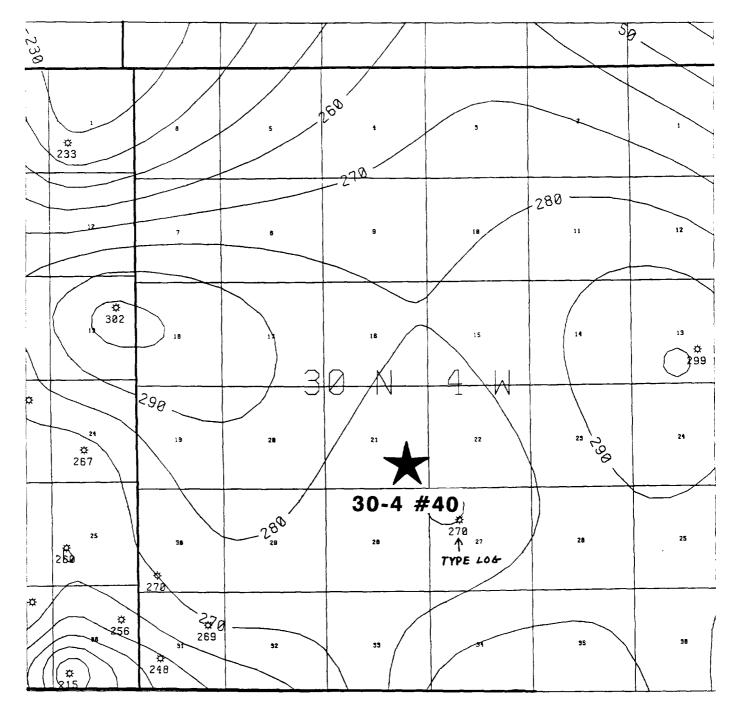
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MERIDIAN OIL INC.

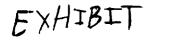
SAN JUAN 30-4 UNIT #40

COMMINGLING APPLICATION ISOPACH MAP LOWER PICTURED CLIFFS SANDSTONE. (RT > SHALE BASELINE)

GLJ/RC



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MONTHLY GAS PRODUCTION ALLOCATION FORMULA

GENERAL EQUATION

Qt = Qftc + Qpc

WHERE: Qt = TOTAL MONTHLY PRODUCTION (MCF/MONTH)

Qftc = FRUITLAND COAL (ftc) MONTHLY PRODUCTION Qpc = PICTURED CLIFFS (pc) MONTHLY PRODUCTION (MCF/MONTH)

REARRANGING THE EQUATION TO SOLVE FOR Qftc:

Я

Qfte = Qt - Qpc

ANY PRODUCTION RATE OVER WHAT IS CALCULATED FOR THE PICTURED CLIFFS (PC) USING THE APPLIED FORMULA IS FRUITLAND COAL (FTC) PRODUCTION.

PICTURED CLIFFS (PC) FORMATION PRODUCTION FORMULA IS:

	Qpc	=	Qpci X e^{-(Dpc) X (t)}
WHERE:	Qpci	=	INITIAL PC MONTHLY FLOW RATE (CALCULATED FROM FLOW TEST)
	Dpc Dpc	8	PICTURED CLIFFS MONTHLY DECLINE RATE CALCULATED FROM: (Qpci - Qpcabd)/ Np(pc) See Determination of Qpci and PC Estimated Ultimate Recovery (Np(pc)) Qpcabd = 300 MCF/M
WHERE:	Np(pc) Np(pc)		PICTURED CLIFFS ESTIMATED ULTIMATE RECOVERY (EUR) P X 0.74 MMCF/PSI** X Rf P* = INITIAL RESERVOIR PRESSURE (SIBHP) Rf = RECOVERY (FIELD ANALOGY): = 0.95 ** DETERMINED FROM MATERIAL BALANCE (FIELD ANALOGY) AND VOLUMETRIC RESERVES (LOG ANALYSIS)

By calculating Np(pc) from SIBHP and determining Qpci, Dpc can then be calculated utilizing the previously described parameters. See derivation of Dpc, item (c) on page 4.

THUS: $Qftc = Qt - Qpci X e^{-(Dpc) X (t)}$ WHERE: (t) IS IN MONTHS

REFERENCE: Thompson, R.S., Wright, J.D., "Oil Property Evaluation", Pages 5-2, 5-3, 5-4.

DETERMINATION OF Qpci: (INITIAL PICTURED CLIFFS MONTHLY PRODUCTION)

$\underline{Qpci = Qt(1) X Qpc(p) / \{Qpc(p) + Qftc(p)\}}$

WHERE:

- Qt(1) = FIRST MONTH TOTAL PRODUCTION (MCF)
- **Qpc(p)** = **FINAL PICTURED CLIFFS FLOW TEST (MCFPD)**
- Qftc(p) = FINAL FRUITLAND COAL FLOW TEST (MCFPD)

EXAMPLE OF DETERMINATION OF:

- (a) Np(pc) PC EUR
- (b) Qpci INITIAL PC MONTHLY
 - FLOW RATE
- (c) PC MONTHLY DECLINE RATE

(a) DETERMINATION OF Np(pc)

(see page 5 for Np(pc) derivation)

Np(pc) = 0.74 (MMCF/PSI) X P*(PSI) X Rf

 $P^* = 986 (FROM SIBHP)$

NP(pc) = 0.74 MMCF/PSI X 986 PSI X 0.95

<u>Np(pc) = 706.2 MMCF</u>

(b) DETERMINATION OF Qpci

 $Qpci = Qt(1) \times \{Qpc(p)/(Qpc(p)) + Qftc(p))\}$

Qt(1)	=	6,688 MCF	1st MONTH TOTAL PRODUCTION
Qpc(P)	=	220 MCF/D	PC FLOW TEST
Qftc(p)	=	185 MCF/D	FTC FLOW TEST

4

Qpci = 6,688 MCF/M X {220 MCF/D/(220 MCF/D + 185 MCF/D)}

Qpci = 3,633 MCF/M

(c) DETERMINATION OF Dpc

Dpc = (Qpci - Qpcabd)/Np(pc)

Qpcabd = 300 MCF/M

Dpc = (3,633 MCF/M - 300 MCF/M)/(706,200 MCF)

Dpc = 0.00472/M

THUS: $Qftc = Qt(MCF/M) - 3,633(MCF/M) X e^{-(0.00472(1/M))} X t(M)$

B. FRUITLAND COAL DRILLING/COMPLETION COST SUMMARY

1. STAND ALONE SINGLE FC COMPLETION

	Estimated Costs:	Tangible (M\$)	Intangible (M\$)	TOTAL (M\$)
		115.00	209.75	324.75
2.	FTC/PC DUAL COMP	LETION*		
	Estimated Costs:	Tangible (M\$)	Intangible (M\$)	TOTAL (M\$)
		127.20	144.34	271.54
3.	FTC/PC COMMINGLE	E COMPLETION*		
	Estimated Costs:	Tangible (M\$)	Intangible (M\$)	TOTAL (M\$)
		53.95	139.75	193.70

* FRUITLAND COAL COSTS ONLY

C. ECONOMIC SUMMARY

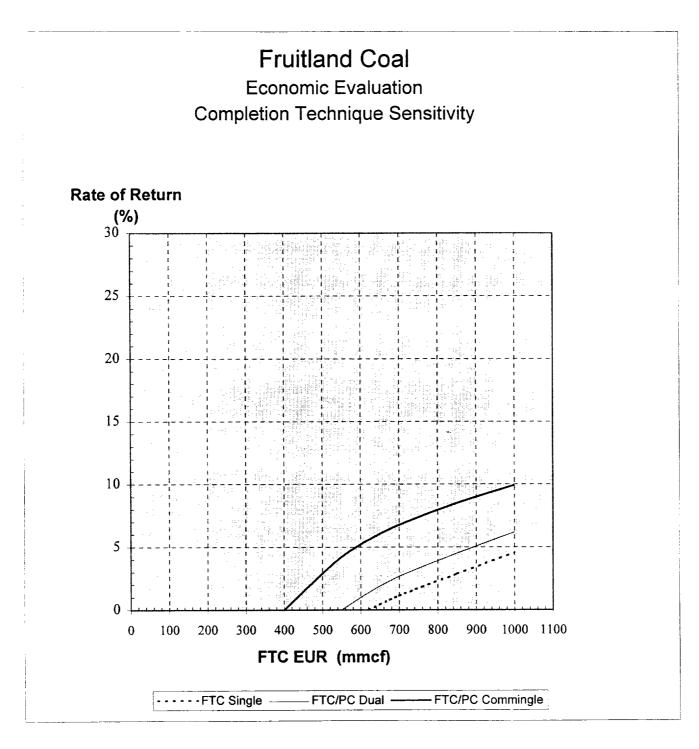
FIGURES 1-3 FRUITLAND COAL RESERVES vs. RATE OF RETURN (%)

Three cases per figure (FTC/PC Commingle, FTC/PC Dual, FC Single)

FIGURE 1 INITIAL RATE = 100 MCF/D

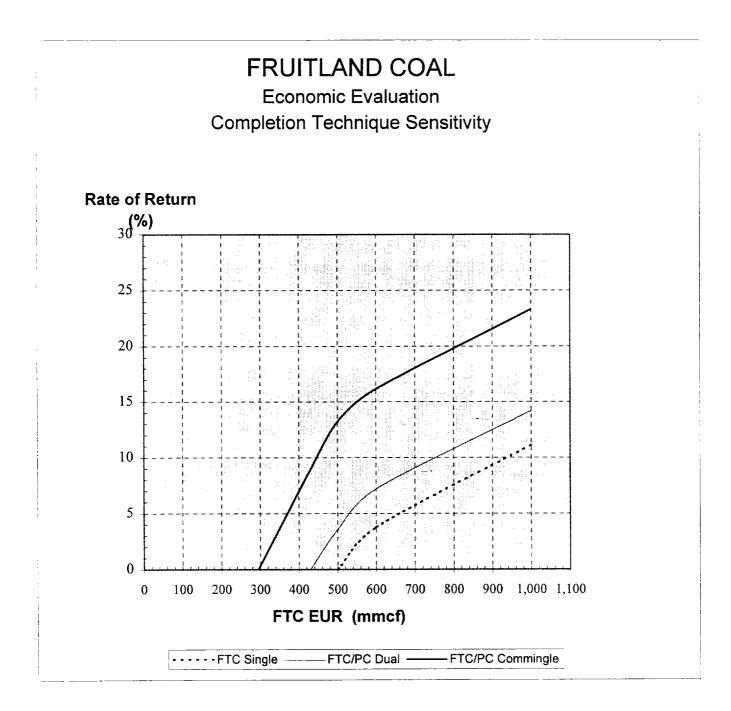
FIGURE 2 INITIAL RATE = 200 MCF/D

FIGURE 3 INITIAL RATE = 300 MCF/D



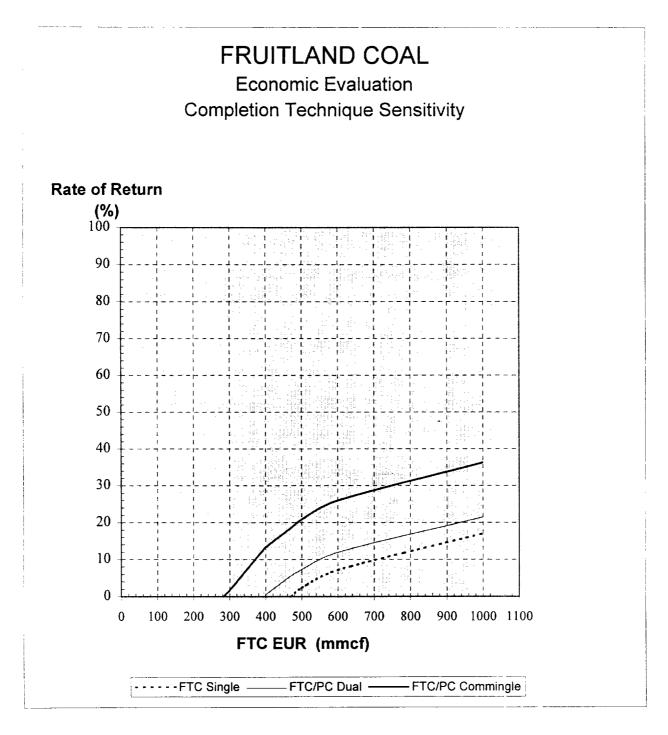
INITIAL RATE (Qftc) = 100 MCF/D or 3,000 MCF/M

FIGURE 1 San Juan 30-4 #40



INITIAL RATE (Qftc) = 200 MCF/D or 6,000 MCF/M

FIGURE 2 San Juan 30-4 #40



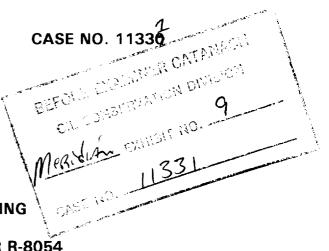
INITIAL RATE (Qftc) = 300 MCF/D or 9,000 MCF/M

FIGURE 3 San Juan 30-4 #40

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, a nonstandard gas proration unit, duel completion and an unorthodox gas well location, San Juan "30-4" Rio Arriba County, New Mexico.



CERTIFICATE OF MAILING AND

W. THOMAS KELLAHIN, attorney in fact and authorized representative of Meridian Oil Inc., states that the notice provisions of Division Rule 1207 (Order R-8054) have been complied with, that Applicant has caused to be conducted a good faith diligent effort to find the correct addresses of all interested parties entitled to receive notice, that on the 22nd day of May, 1995 I caused to be sent, by certified mail return receipt requested, notice of this hearing and a copy of the application for the referenced case along with the cover letter, at least twenty days prior to the hearing set for June 29, 1995, to the parties shown in the application as evidenced by the attached copies of receipt cards, and that pursuant to Division Rule 1207, notice has been given at the correct addresses provided by such rule.

W. Thomas Kellahin

SUBSCRIBED AND SWORN to before me on this 27th day of June, 1995.

derso **Notary Public**

My Commission Expires: June 15, 1998

SENDER: • Complete items 1 and/or 2 for additional services. • Complete items 3, and 4a & b. • Print your name and address on the reverse of this form so return this card to you. • Ar • Definition of the service of the servic	o that we can '' if space :icle number and the date	I also wish to receive the following services (for an extra fee): 1. Addressee's Address 2. Restricted Delivery Consult postmaster for fee.
3. Article Acdressed to: Kerr-McGee Corporation POB 25861 Oklahoma City, OK 73125-0861 Attn: Land Department	4b. Ser Ab. Ser Cert Expr	vice type stered Insured
5. Signature (Addressee) 5. Signature (Addressee) 6. Signature (Agent) PS Form 3811 , December 1991 &U.S. GPO: 1983 SENDER:	33	OMESTIC RETURN RECEIPT

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Certified Mail No Insurance Coverage Provided Do not use for International Mail

Kerr-McGee Corporation °CB 25861 Ckiehoma City, OK 73125-0861 Attn: Land Department

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Receipt for Certified Mail No Insurance Coverage Provided

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Harold O. Pool Irrevocable Res. Thelma Pool Marital Trust olo First Interstate/Denver 208 5825 Denver, CO 80217

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Receipt for Certified Mail

No Insurance Coverage Provided Do not use for International Mail (See Reverse)

Mar Oil Gas Corporation POB 5155 Santa Fe, New Mexico 87502

Z 091 494 763



Certified Mail No Insurance Coverage Provided Do not use for International Mail (See Reverse)

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3. Article Addressed to:		Theima Pool Revocable Marital Trust
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Denver, CO 80217	7. Date of Delivery	
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PS Form 3811 , December 1991 #U.S. GPO: 1993-35	2-714 DOMESTIC RETURN RECEIPT	Receipt for
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leted	3. Article Addressed to: Ruth Zimmerman(Trust)	4a. Article Number			
completed	c/o Hazel Hart, Trustee 842 Muirlands Vista Way	4b. Service Type			
DDRESS c	La Jolla, CA 92037		fied COD . ess Mail X Return Receipt for Merchandise		
ADDF		7. Date	of Deliverary 2 4 1995		
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Receipt for Certified Mail

No Insurance Coverage Provided Do not use for International Mail (See Reverse)

Sent to Ruth Zimmerman(Trust) c/c Hazel Hart, Trustee 342 Muirlands Vista Way _a Jolla, CA 92037

), M£	TOTAL Postage & Fees	\$
March 1993	Return Receipt Showing to Whom, Date, and Addressee's Address	
1993	Return Receipt Showing to Whom & Date Delivered	
	Restricted Delivery Fee	
	Special Delivery Fee	

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Meridian/SanJuan061595 May 22, 1995

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