

MERIDIAN  **OIL**

CASE # 10679

MARCH 4, 1993

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

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

JASON KELLAHIN (RETIRED 1991)

February 5, 1993

Mr. William J. LeMay
Oil Conservation Division
State Land Office Building
310 Old Santa Fe Trail, 2nd Floor
Santa Fe, New Mexico 87501

HAND DELIVERED

RE: Jicarilla 99 #17 Well
N/2 Sec 23, T26N, R3W, NMPM.
Application of MERIDIAN OIL INC.
for a High Angle/Horizontal Directional
Drilling Pilot Project including Special
Operating Rules, An Unorthodox Oil Well Location,
a Non-Standard Proration and Spacing Unit, and
A Special Project Allowable,
Rio Arriba County, New Mexico

Dear Mr. LeMay:

On behalf of Meridian Oil., please find enclosed our Application for a High Angle/Horizontal Direction Drilling Pilot Project as referenced above, which we request be set for hearing on the next available Examiner's docket now scheduled for March 4, 1993.

By copy of this letter, including the Application to all parties, we are notifying them by certified mail return-receipt requested, that they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examine witnesses either in support of or in opposition to the Application.

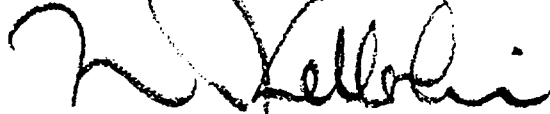
Our proposed advertisement to be used for the OCD docket and for the newspaper publication is attached as Enclosure (1).

In accordance with Division Memorandum 2-90, parties who may appear in this case are hereby requested to file a Pre-Hearing Statement with the Division, copy to

Mr. William J. LeMay
February 5, 1993
Page Two

Applicant, not later than 4:00 PM on Friday, February 26, 1993. A copy of the Pre-Hearing Statement form is attached as Enclosure (2) is being sent to all those required to receive notice as listed in the Application.

Very truly yours,

A handwritten signature in dark ink, appearing to read 'W. Thomas Kellahin', written in a cursive style.

W. Thomas Kellahin

WTK/jcl
Enclosure

cc: With Application and Enclosure (1)
Meridian Oil Inc.
Farmington, New Mexico

By Certified Mail - Return Receipt

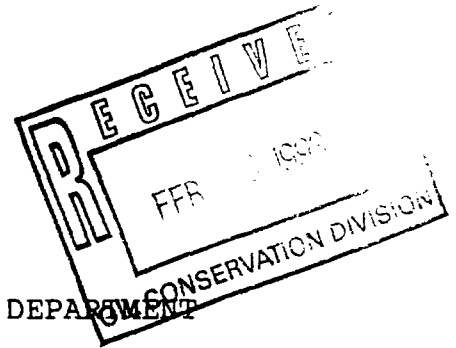
All Parties Listed on Exhibit "C" of Application
with Pre-Hearing Statement Form

Enclosure (1)

Proposed Advertisement for the OCD Docket

CASE _____: Application of Meridian Oil Inc. for a high angle/horizontal directional drilling pilot project, special operating rules therefor, a non-standard proration unit, an unorthodox well location, and special project oil allowable, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks to initiate a high angle/horizontal directional drilling pilot project in the Undesignated Northeast Ojito Gallup-Dakota Oil Pool underlying the N/2 of Section 23, Township 26 North, Range 3 West, thereby creating a non-standard 320-acre spacing and proration unit for said pool. The applicant proposes to drill its Jicarill "99" Well No. 17 from an unorthodox surface location 150 feet from the North line and 670 feet from the West line (Unit D) of said Section 23, kick off from vertical in a southeasterly direction commencing to build angle at an appropriate rate to vertically and horizontally traverse the proposed producing area. Applicant further seeks the adoption of special operating provisions and rules within the pilot project area including the designation of a target window such that the horizontal or producing portion of the wellbore shall be no closer than 330 feet to either the north or south boundary, nor closer than 790 feet to the east or west boundary of the spacing unit, and for a special project allowable. Said project area is located approximately 12 miles northwest of Lindrith, New Mexico.

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: 10679

APPLICATION OF MERIDIAN OIL INC.
FOR A HIGH ANGLE/HORIZONTAL DIRECTIONAL
DRILLING PILOT PROJECT INCLUDING
SPECIAL OPERATING RULES, AN UNORTHODOX
OIL WELL LOCATION, A NON-STANDARD OIL
PRORATION AND SPACING UNIT, AND A
SPECIAL OIL ALLOWABLE,
RIO ARriba COUNTY, NEW MEXICO

A P P L I C A T I O N

Comes now MERIDIAN OIL INC., by and through its attorneys, Kellahin and Kellahin, and applies to the New Mexico Oil Conservation Division for approval for a High Angle/Horizontal Directional Drilling Pilot Project in the Niobrara ("Gallup") formation of the Northeast Ojito Gallup-Dakota Oil Pool including Special Operating Rules, an Unorthodox Oil Well Location, a Non-Standard Proration and Spacing Unit and a Special Project Oil Allowable for its Jicarilla "99" #17 Well to be dedicated to a non-standard 320 acre spacing and proration unit consisting

of the N/2 of Section 23, T26N, R3W, NMPM, Rio Arriba County, New Mexico, to be drilled commencing at an unorthodox surface location 150 feet FNL and 670 feet FWL of said Section 23. Applicant further seeks special rules and provision within the pilot project area including the designation of a prescribed area limiting the horizontal displacement of the wellbore such that its producing interval be no closer than 330 feet to the North and South outer boundaries of the spacing unit and not closer than 790 feet to the East and West outer boundaries of the spacing unit. Applicant further seeks a special oil allowable of two times the standard allowable for an oil well in this pool. In support the Applicant states:

(1) Applicant is the operator of all of Section 23, T26N, R3W, NMPM, Rio Arriba County, New Mexico.

(2) The same lease covers acreage including all of Section 23 and Section 14 with the interest owners and their respective percentages being identical in both sections.

(3) Applicant proposes to drill its Jicarilla "99" #17 Well as a high angle/horizontal directional well by

commencing at an unorthodox surface location 150 feet FNL and 670 feet FWL (Unit D) of said Section 23 and drilling vertically to a true vertical depth of approximately 6,700 feet at which point the applicant will select a target point within the drilling-producing window established for the well and then kicking off the well in a southeasterly direction and commencing to building angle at an appropriate rate which will reach the target point such that the producing interval of the well will be within the drilling-producing window from the top of the Niobrara "B" zone to the base of the Niobrara "C" zone. A copy of Applicant's preliminary projection of a horizontal and vertical plans for the subject well are attached as Exhibits "A" and "B" respectively.

(4) The drilling-producing window is identified as the area within the N/2 Section 23 which shall be no closer than 330 feet to either the North or the South outer spacing unit boundary and no closer than 790 feet to either the West or East outer spacing unit boundary. See Exhibit "A."

(5) The target point is defined at the actual bottom hole location at the end point of the lateral of the subject well.

(6) The Niobrara ("Gallup" equivalent) interval of Northeast Ojito Gallup-Dakota Oil Pool is characterized by tight, low permeability blocks interconnected by a high capacity fracture system. That interval is the potential productive zone in this section and is anticipated to contain multiple fractures with multiple orientations and good permeability associated with the fractures. The wellbore orientation is designed to maximize intersection with this fracture system

(7) The proposed well is located within one mile of the Northeast Ojito Gallup-Dakota Oil Pool where Rule 2 provides for 160-acre spacing and proration units and Rule 4 provides that wells shall not be located nearer than 790 feet from the outer boundary of the proration unit nor closer than 330 feet to a quarter-quarter section line.

(8) The producing interval of the well will comply with Pool Rule 4 as to the West and East spacing unit boundaries and will only encroach towards the North and

South spacing unit boundaries towards offsetting spacing units which have interest owners and percentages identical to the subject spacing unit.

(9) Past experience in the Niobrara formation has shown that unless a conventionally drilled (vertical) well intersects natural fractures, the chance of obtaining commercial production is severely curtailed.

(10) By drilling a high angle/horizontal wellbore, the applicant is attempting to increase the probability of encountering several of these fractures, which may ultimately result in the recovery of a greater amount of gas and oil, thereby preventing waste.

(11) In as much as the exact distance and direction of the lateral portion of the wellbore is not precisely known at this time, the Applicant seeks approval to be allowed to drill and produce said lateral portion anywhere within the drilling-producing window.

(12) Because this wellbore will intercept two proration units in this pool, applicant seeks approval of a 320 acre non-standard oil proration and spacing unit consisting of the N/2 of Section 23 and the establishment of a special project allowable twice the allowable for an

oil well in the subject pool.

(13) As required, notice is provided to those offsetting operators as listed on Exhibit "C."

(14) The granting of this Application will be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Applicant requests that this matter be set for hearing on March 4, 1993 before a duly appointed Examiner of the Oil Conservation Division and, after notice and hearing as required by law, the Division enter its Order granting this application.

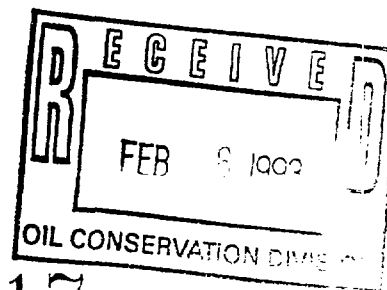
Respectfully submitted,

KELLAHIN and KELLAHIN

By: 

W. Thomas Kellahin
Post Office Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285
Attorneys for Applicant

EXHIBIT "A"



MERIDIAN OIL
Jicarilla "99" No. 17

Sec. 23, T26N-R3W
Rio Arriba Co., N.M.
150' FNL, 670' FWL

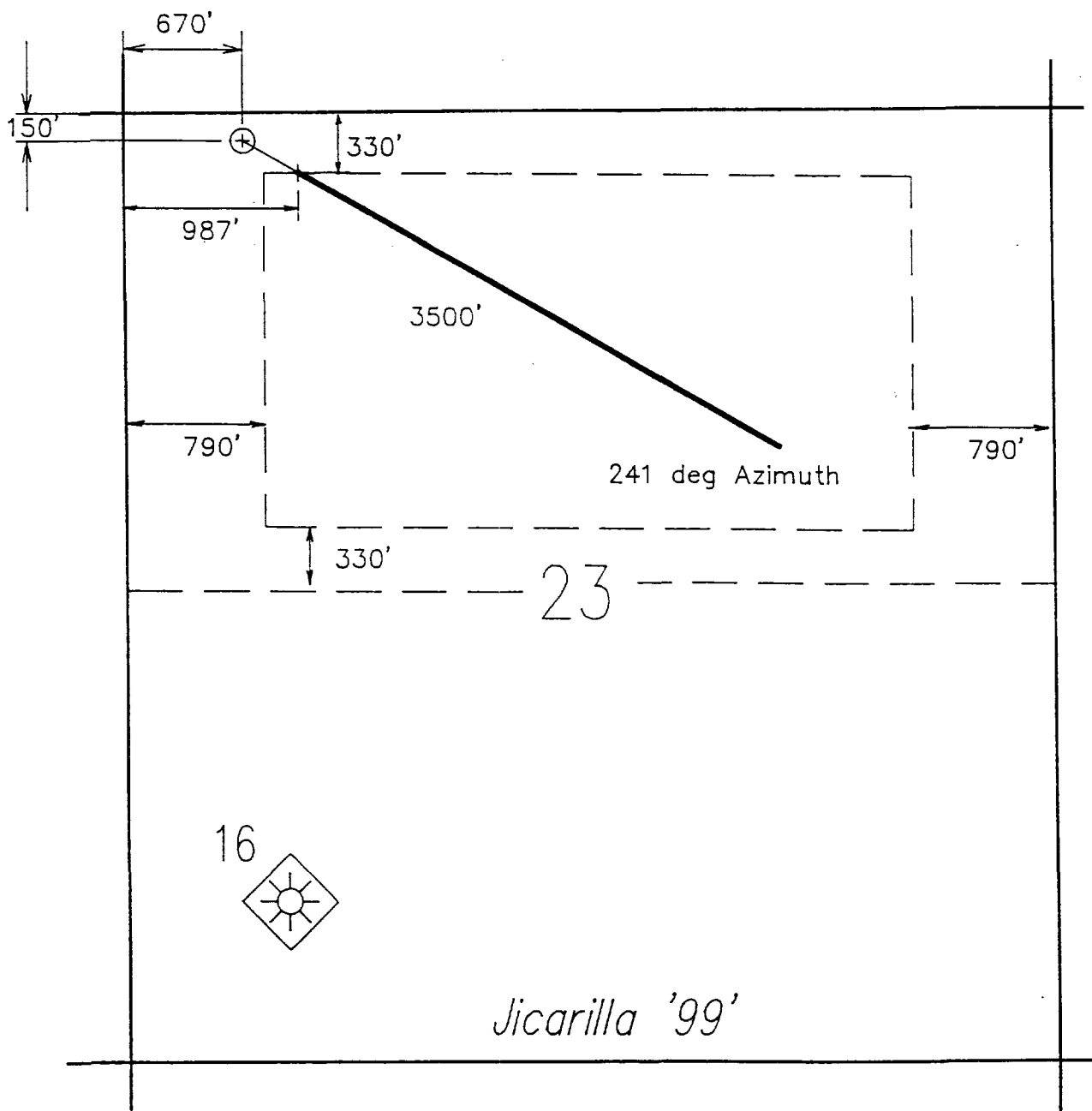
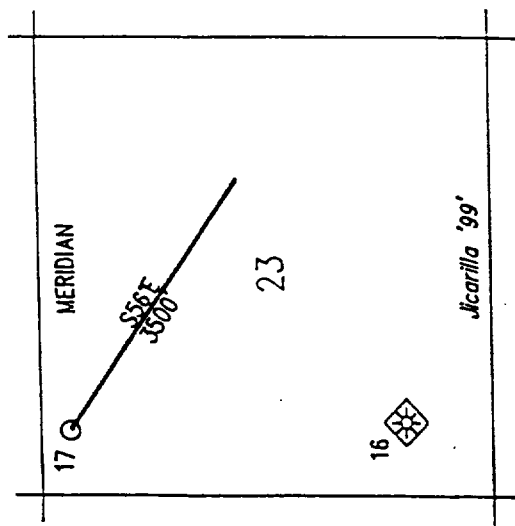


EXHIBIT "A"

EXHIBIT "B"



MERIDIAN OIL

JICARILLA "99" NO. 17
HIGH ANGLE NIOBRARA NEW DRILL
Rio Arriba County, New Mexico

D. A. SCHODERBEK
P. D. ALLAN
L. K. SMITH

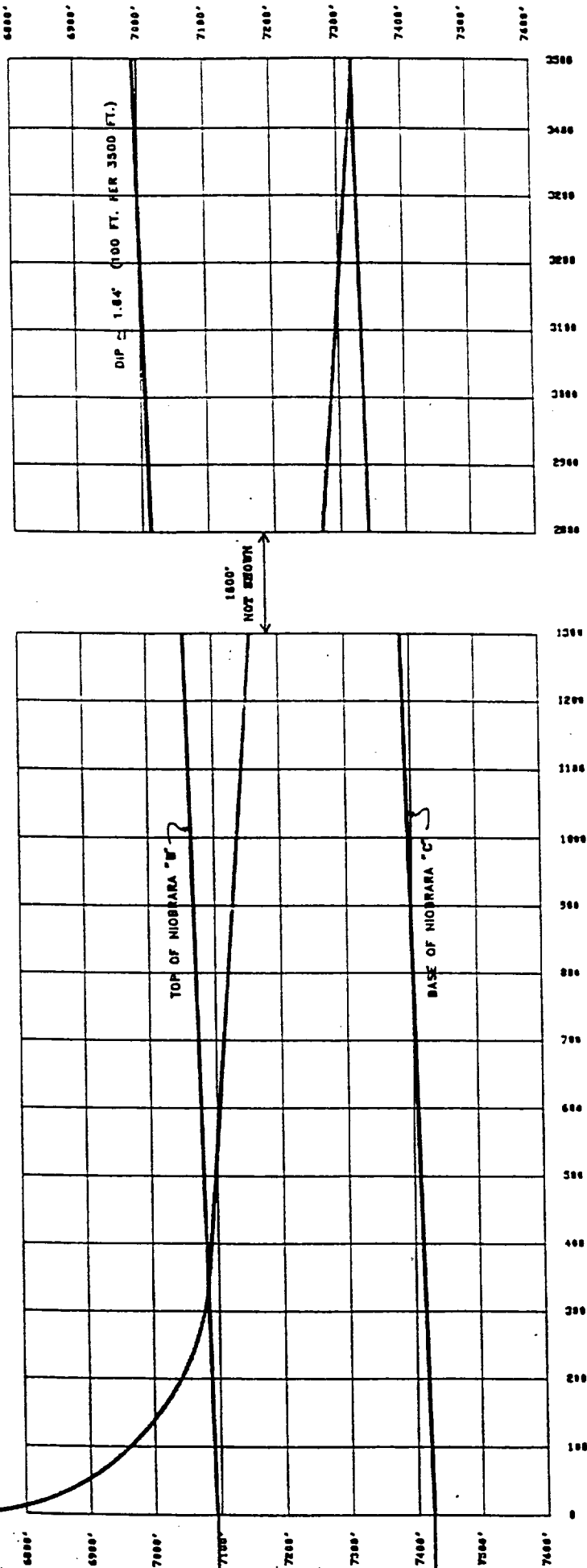
DWG. C. GROTH
10/6/92

SE

NW
JICARILLA "99"
NO. 17

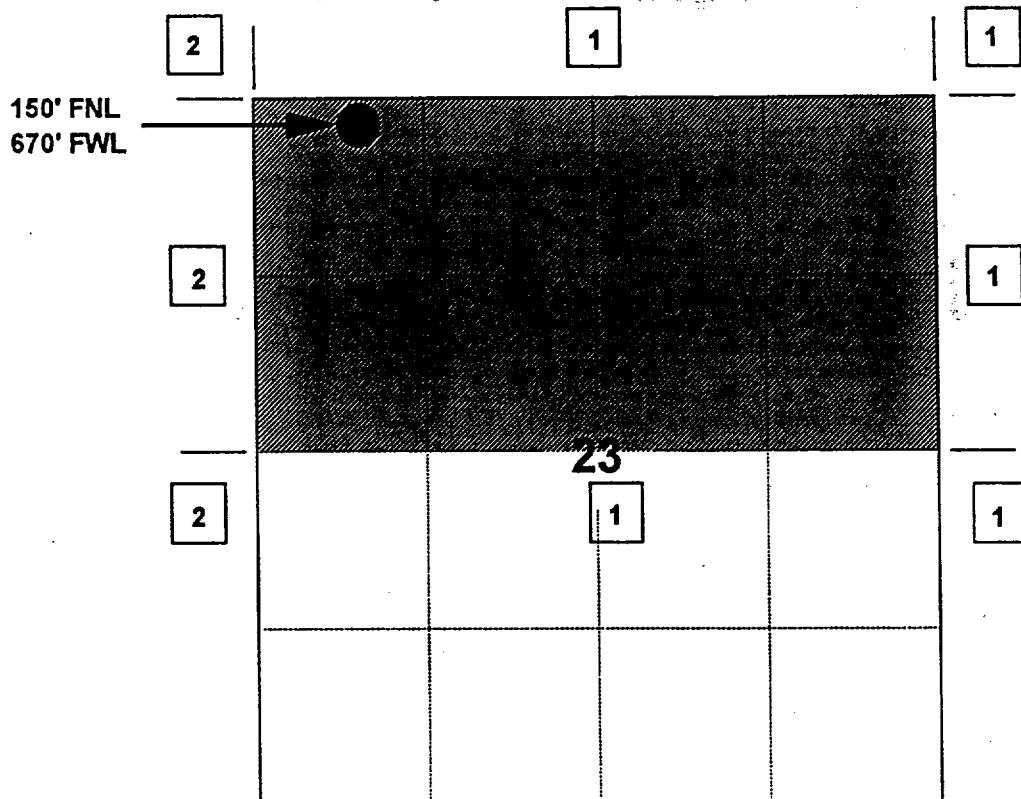
T.V.D.

VERTICAL SECTION



HORIZONTAL SECTION

EXHIBIT "B"

MERIDIAN OIL INC**OFFSET OPERATOR PLAT****JICARILLA 99 #17****Gallup Horizontal Well****Township 26 North, Range 03 West**

1) Meridian Oil Inc

2) Jicarilla Apache Tribe

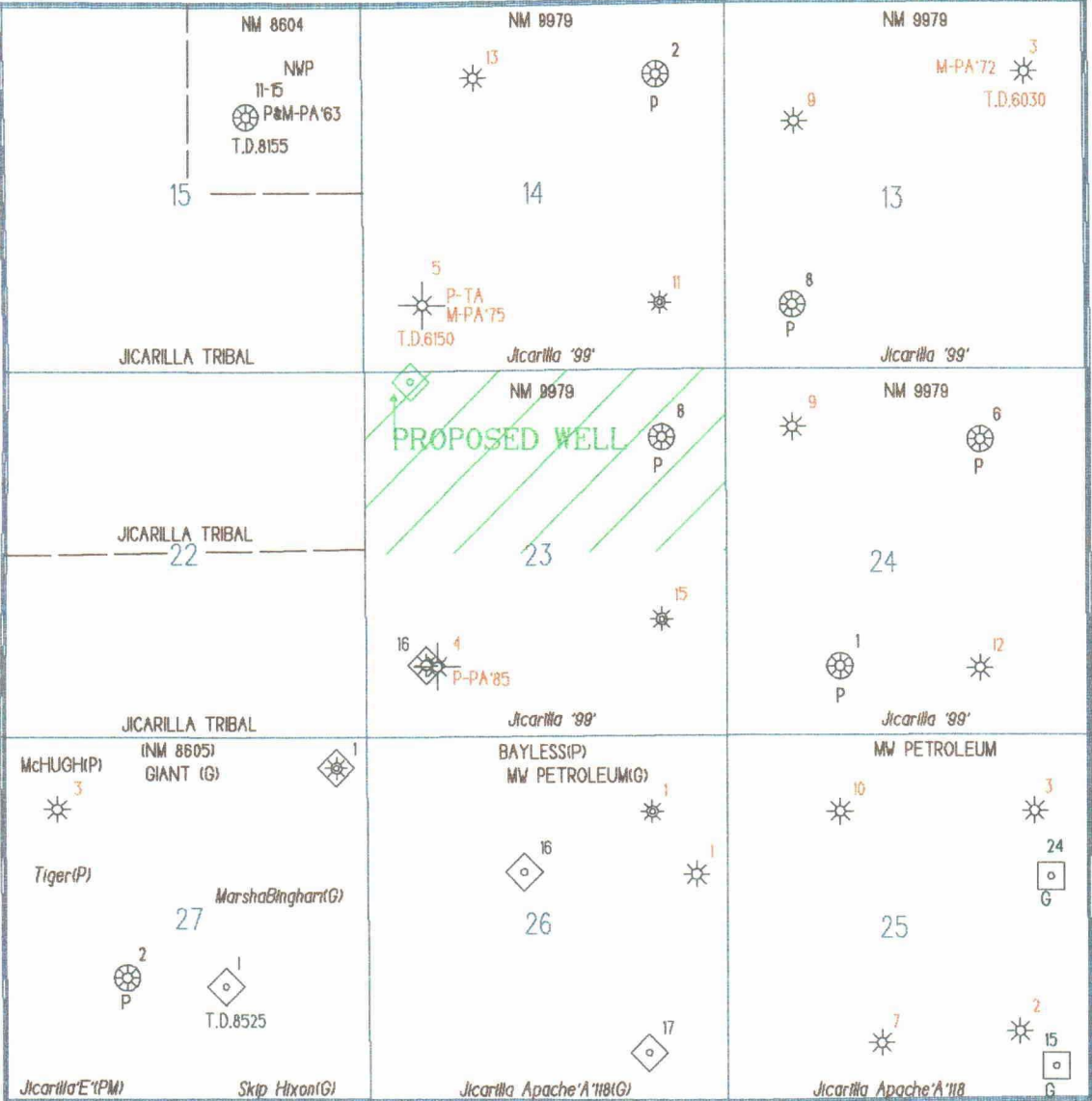
Bureau of Land Management
 1235 La Plata Hwy.
 Farmington, New Mexico 87401
 Attn: John Keller





Jicarilla Apache Tribe
 Post Office Box 507
 Dulce, New Mexico 87528
 Attn: Thurman Velarde
 Oil and Gas Administrator

Apache Jicarilla Agency
 BIA
 Post Office Box 167
 Dulce, New Mexico 87528

ILLEGIBLE

RIO ARRIBA CO., NEW MEXICO



-  PICTURED CLIFFS WELL
-  MESAVERDE WELL
-  GALLUP WELL
-  GALLUP-DAKOTA WELL

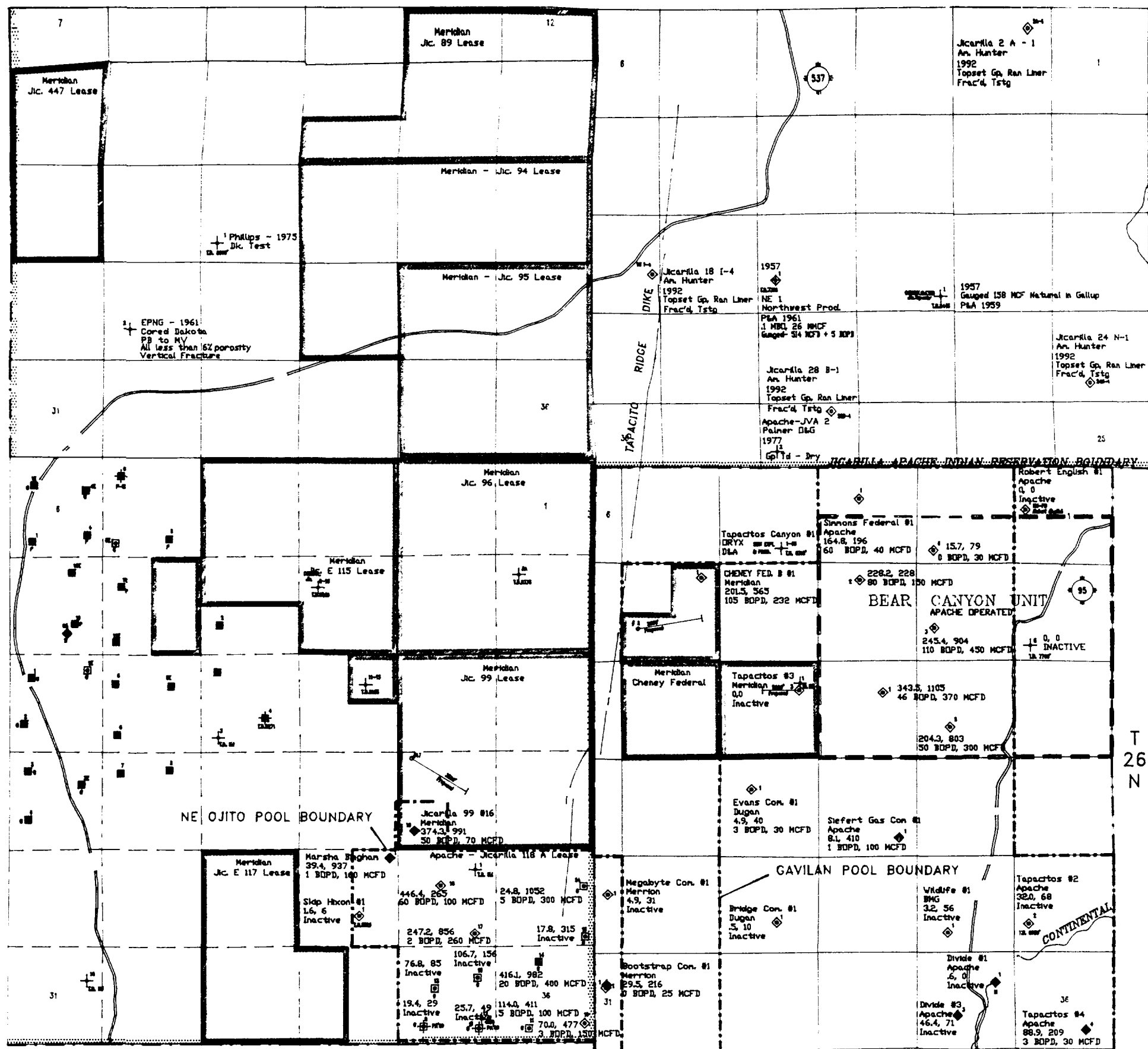


PROPOSED SPACING

MERIDIAN OIL



ILLEGIBLE



LEGEND
WELL
OPERATOR
EUR-MBO, MMCF
PROD RATE- BOPD, MCFD
(AS OF 3/92)

R 3 W

R 2 W

MERIDIAN OIL

GALLUP EUR MAP
NORTHEAST OJITO & GAVILAN FIELDS

