

KELLAHIN AND KELLAHIN

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EL PATIO BUILDING

117 NORTH GUADALUPE

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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
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JASON KELLAHIN (RETIRED 1991)

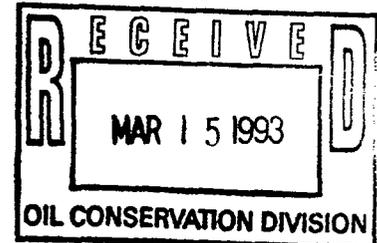
March 15, 1993

Mr. William J. LeMay
Oil Conservation Division
State Land Office Building
310 Old Santa Fe Trail, Room 219
Santa Fe, New Mexico 87501

HAND DELIVERED

10700

RE: Application of Meridian Oil, Inc.
for Downhole Commingling,
San Juan County, New Mexico
Shiotani Federal Com #400 Well



Dear Mr. LeMay:

On behalf of Meridian Oil, Inc. please find enclosed our Application for downhole commingling as referenced above, which we request be set for hearing on the next available Examiner's docket now scheduled for April 8, 1993.

By copy of this letter and application, sent certified mail-return receipt requested, we are notifying all interested parties offsetting the subject well and its proposed spacing and proration unit 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. Also, all parties entitled to notice are hereby informed that pursuant to Division requirements all parties appearing in this case are required to file a Pre-Hearing Statement with the Division no later than 4:00 p.m. on Friday, April 2, 1993.

Mr. William J. LeMay
March 15, 1993
Page Two

Also enclosed is our suggested advertisement for
this case.

Very truly yours,

A handwritten signature in black ink, appearing to read "W. Thomas Kellahin". The signature is fluid and cursive, with the first name "W." being particularly prominent.

W. Thomas Kellahin

WTK/jcl
Enclosures

cc: with Enclosures
Alan Alexander - Meridian Oil Inc.

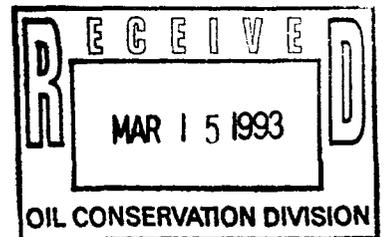
By Certified Mail - Return Receipt
All Parties Listed on Exhibits B & C of Application

kt315.330

PROPOSED ADVERTISEMENT FOR THE OCD DOCKET

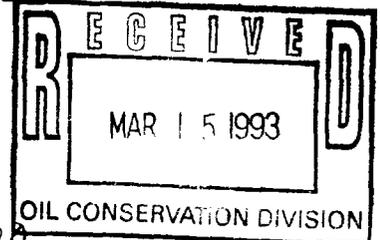
Case 10700 : Application of Meridian Oil Inc. for downhole commingling, San Juan County, New Mexico.

Applicant, in the above-styled cause, seeks approval to downhole commingle Fulcher-Kutz Pictured Cliffs Gas Pool and the Basin-Fruitland Coal Gas Pool production within the wellbore of its Shiotani Federal Com #400 Well which was drilled at a standard gas well location 870 feet FWL and 1630 feet FSL, (Unit L) Section 8, Township 29 North, Range 12 West, NMPM, San Juan County, New Mexico. Said well is dedicated to a standard 325.77-acre gas spacing unit for the Basin-Fruitland Coal Gas Pool being W/2 of Section 8 and is to be dedicated to a standard 164.44-acre gas spacing unit for the Fulcher-Kutz Pictured Cliffs Gas Pool being the SW/4 of Section 8. The well is located approximately 3 miles east from Farmington, 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 NO. 10700

APPLICATION OF MERIDIAN OIL INC.
FOR DOWNHOLE COMMINGLING
SAN JUAN COUNTY, NEW MEXICO.

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 Fulcher-Kutz Pictured Cliffs Gas Pool and the Basin-Fruitland Coal Gas Pool production within the wellbore of its proposed Shiotani Federal Com #400 Well which has been drilled at a standard gas well location 870 feet FWL and 1630 feet FSL, (Unit L) Section 8, Township 29 North, Range 12 West, NMPM, San Juan County, New Mexico and completed in the Basin Fruitland Coal Gas Pool. The W/2 of Section 8 is currently dedicated to the subject well forming a standard 325.77-acre gas spacing unit for the Basin-Fruitland Coal Gas Pool. The SW/4 of Section 8 is to be dedicated to the subject well forming a standard 164.44-acre gas spacing unit for the Fulcher-Kutz Pictured Cliffs Gas Pool.

Application of Meridian Oil, Inc.
Page 2

In support of its application, Meridian states:

(1) Meridian is the operator of the Shiotani Federal Com #400 Well located at a standard gas well location 870 feet FWL and 1630 feet FSL (Unit L), Section 8, Township 29 North, Range 12 West, NMPM, San Juan County, New Mexico as shown on Exhibit "A" attached.

(2) The Well has been drilled so that production from the Basin-Fruitland Coal Gas Pool and the Fulcher-Kutz Pictured Cliffs Gas Pool can be downhole commingled in the wellbore.

(3) The W/2 of Section 8, containing 325.77 acres, is dedicated to any production from the Basin Fruitland Coal Gas Pool which is spaced on 320-acre gas spacing units.

(4) The SW/4 of Section 8, containing 164.44 acres, is to be dedicated to any production from the Fulcher-Kutz Pictured Cliffs Gas Pool which is spaced on 160-acre gas spacing units.

(5) The ownership is different between these two spacing units.

(6) In accordance with Division Rule 303-C-1.(b), the Applicant states and will demonstrate at hearing:

a. That commingling the Basin Fruitland Coal Gas Pool in the Shiotani Federal Com #400 Well with that of the Fulcher-Kutz Pictured Cliffs Gas Pool is necessary because it is not otherwise economic to attempt to drill and complete a separate well for the Pictured Cliffs gas production nor is it economic to attempt to dually complete those formations in the proposed well.

b. That there will be no crossflow between the two zones commingled.

c. That while the ownership in each of the two spacing units is not common between the two pools, no impairment of correlative rights will occur.

d. 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.

e. That the value of the commingled production will not be less than the sum of the values of the individual production.

(6) Both the Pictured Cliffs and Fruitland Coal formations in this area of the basin should be marginally productive.

(7) Meridian has drilled the proposed well in the SW/4 instead of the NW/4 of Section 8 because that location appears to have a greater opportunity for a successful although marginal Fruitland formation well.

(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 proposed at the hearing in this matter.

(9) The ownership between the Basin Fruitland Coal Gas Pool spacing unit and the Blanco Pictured Cliffs Pool spacing unit is not identical and accordingly, applicant seeks the approval of the Division after notice and hearing.

(10) Applicant requests that this matter be docketed for hearing on the Division's Examiner docket now scheduled for April 8, 1993.

(11) Copy of this application has been sent to all offsetting operators and to the owners of interests in the affected production within the two spacing units as set forth on Exhibits "B" and "C."

Application of Meridian Oil, Inc.
Page 5

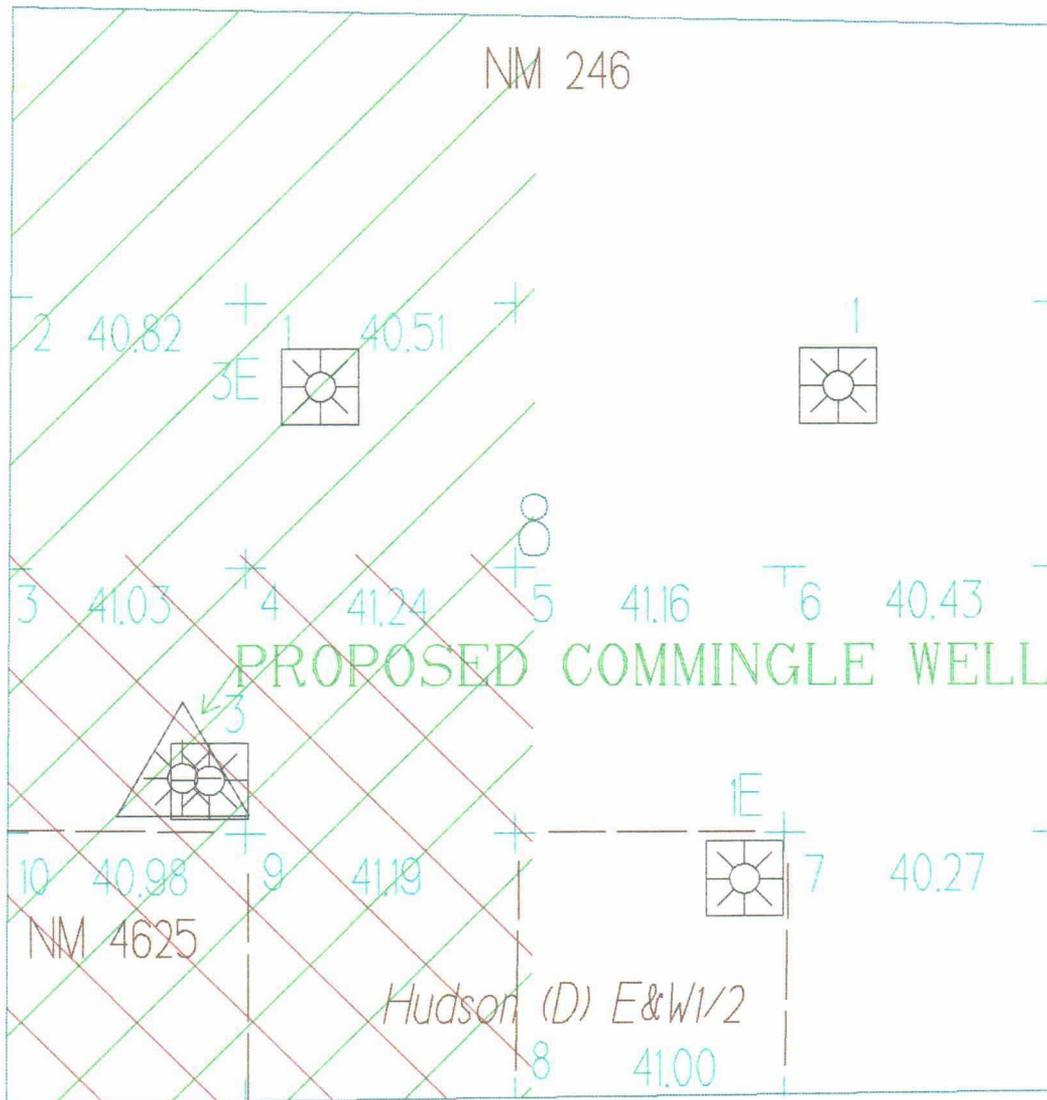
WHEREFORE Applicant requests that this matter be set for hearing on April 8, 1993 before a duly appointed Examiner of the Oil Conservation Division and that after notice and hearing as required by law, the Division enter its order granting this application.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "W. Thomas Kellahin". The signature is fluid and cursive, with a large initial "W" and a long, sweeping underline.

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

SHIOTANI FEDERAL COM # 400 WELL
870'FWL, 1630'FSL
SECTION 8-29N-12W



 FRUITLAND COAL WELL
 DAKOTA WELL

 FRUITLAND COAL SPACING UNIT
 PICTURED CLIFFS SPACING

**SHIOTANI FEDERAL COM #400
W/2 (Fruitland Coal), SW/4 (Pictured Cliffs)**

**ROYALTY OWNER
United States of America**

OVERRIDING ROYALTY OWNERS

Amoco Production Company
P. O. Box 800
1670 Broadway
Denver, CO 80201

Sabine Royalty Trust
Interfirst Bank Dallas N.A.
Department 0887
Dallas, TX 75284-0887

Mr. George E. Conley
P. O. Box 99
Parker, CO 80134

Mr. Ben R. Howard
3807 Cypresswood Dr.
Spring, TX 77388-5729

WORKING INTEREST OWNERS

El Paso Production Company
c/o Meridian Oil Inc.
Attn: Van Goebel
P. O. Box 4289
Farmington, NM 87499-4289

Mr. Frank A Shultz
Attn: Aaron L. Colvin
Lincoln Plaza Suite 2160 LB-1
500 North Akard
Dallas, TX 75201-3318

Conoco, Inc.
Attn: James W. Fitzpatrick
10 Desta Drive West
Midland, TX 79705

Ms. Virginia Long Linthicum
Attn: R. J. Smith
2626 Cole Avenue, Suite 603
Dallas, TX 75204

Mr. Frederick Eugene Turner
One Energy Square, #852
4925 Greenville Avenue
Dallas, TX 75206-4079

C. W. Murchison Estate Trust B
c/o C. W. Murchison III
6116 N. Central Expressway
Suite 1300
Dallas, TX 75206

Mr. John Lee Turner
5801 Branding Green
Plano, TX 75093

Mary Frances Turner Trust
Attn: Iris Gleiser
1201 Elm Street, 31st Floor
Dallas, TX 75270

Ms. Elizabeth J. Turner Calloway
4801 St. Johns
Dallas, TX 75205

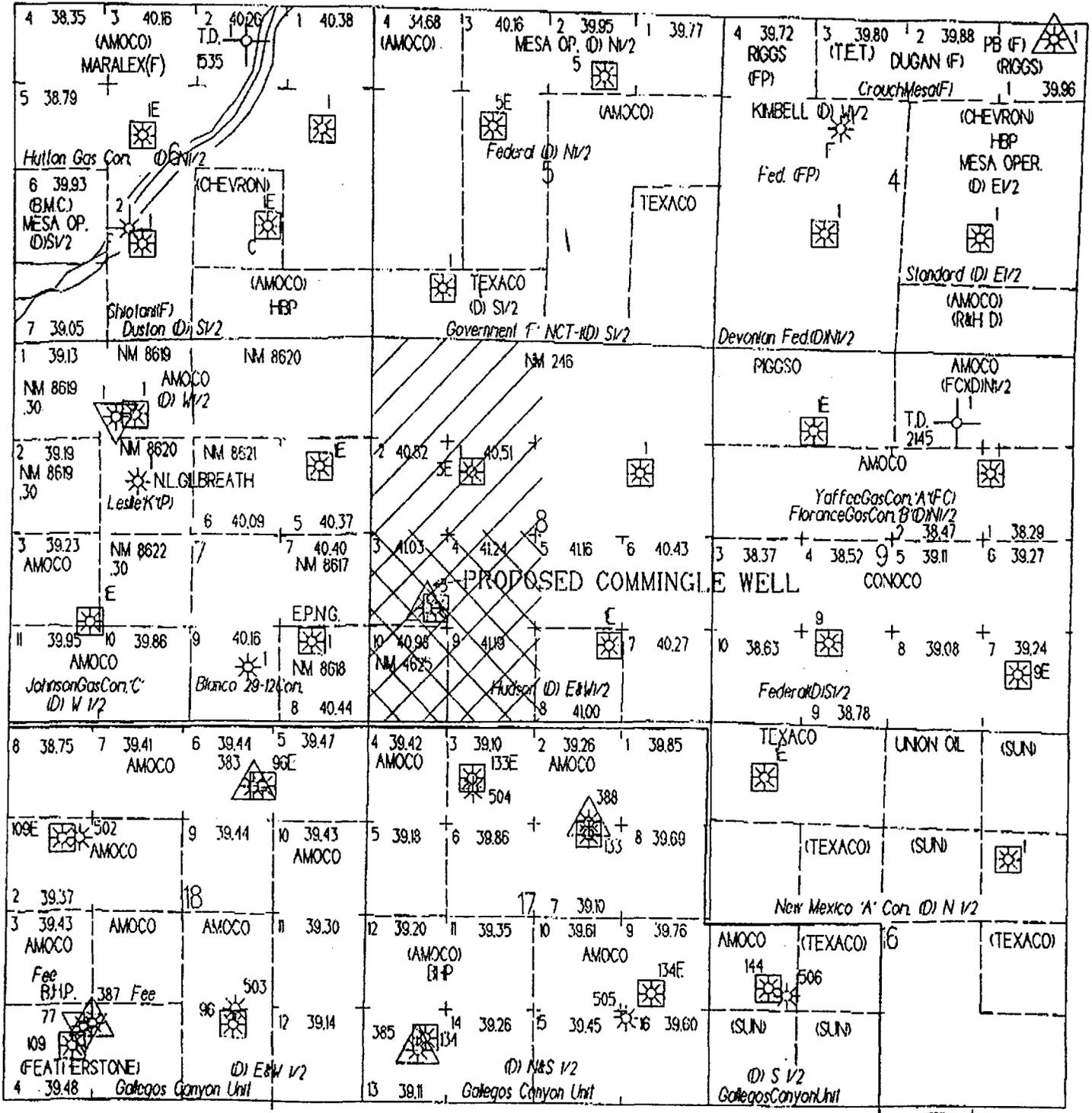
Mr. William Webb
1525 Elm Street, 2nd Floor
Dallas, TX 75201

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

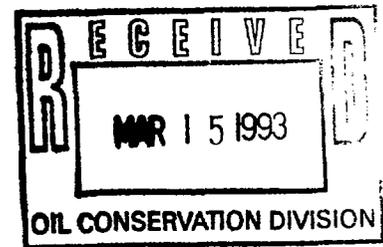
SHIOTANI FEDERAL COM # 400 WELL

870'FWL, 1630'FSL

SECTION 8-29N-12W



- ☼ PICTURED CLIFFS WELL ☒ DAKOTA WELL.
- ▲ FRUITLAND COAL WELL. ☒ FRUITLAND SAND WELL
- ▨ FRUITLAND COAL SPACING UNIT
- ▨ PICTURED CLIFFS SPACING



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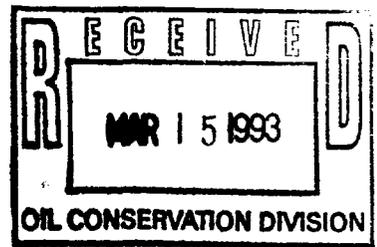
W. Thomas Kellahin

WTK/jcl
Enclosures

cc: with Enclosures
Alan Alexander - Meridian Oil Inc.

By Certified Mail - Return Receipt
All Parties Listed on Exhibits B & C of Application

ltr315.330



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

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Attorneys for Applicant

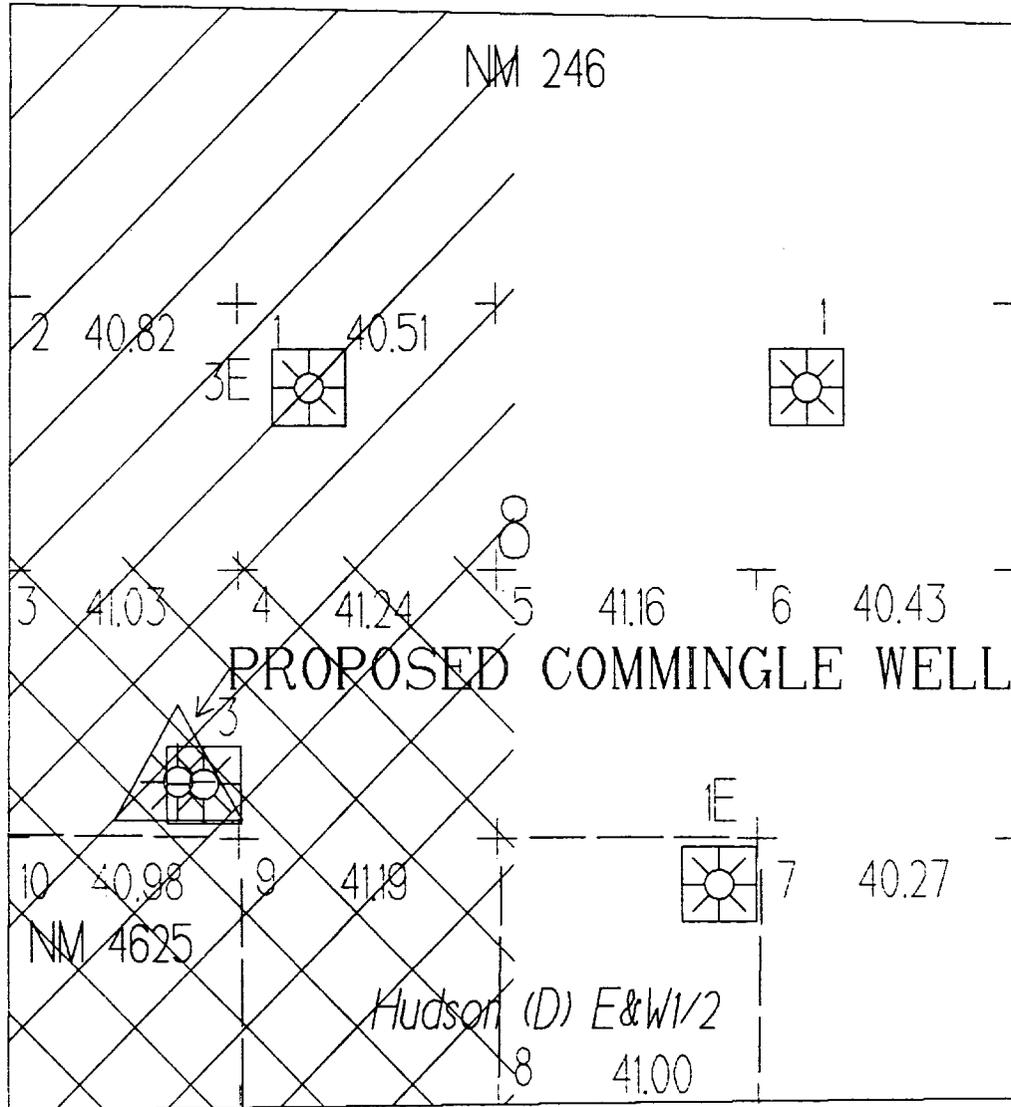
PROPOSED ADVERTISEMENT FOR THE OCD DOCKET

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EXHIBIT "A"

SHIOTANI FEDERAL COM # 400 WELL
870'FWL, 1630'FSL
SECTION 8-29N-12W



 FRUITLAND COAL WELL
 DAKOTA WELL

 FRUITLAND COAL SPACING UNIT
 PICTURED CLIFFS SPACING

EXHIBIT "B"

**SHIOTANI FEDERAL COM #400
W/2 (Fruitland Coal), SW/4 (Pictured Cliffs)**

**ROYALTY OWNER
United States of America**

OVERRIDING ROYALTY OWNERS

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P. O. Box 800
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Denver, CO 80201

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Interfirst Bank Dallas N.A.
Department 0887
Dallas, TX 75284-0887

Mr. George E. Conley
P. O. Box 99
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Mr. Ben R. Howard
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Spring, TX 77388-5729

WORKING INTEREST OWNERS

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Dallas, TX 75201-3318

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Attn: James W. Fitzpatrick
10 Desta Drive West
Midland, TX 79705

Ms. Virginia Long Linthicum
Attn: R. J. Smith
2626 Cole Avenue, Suite 603
Dallas, TX 75204

Mr. Frederick Eugene Turner
One Energy Square, #852
4925 Greenville Avenue
Dallas, TX 75206-4079

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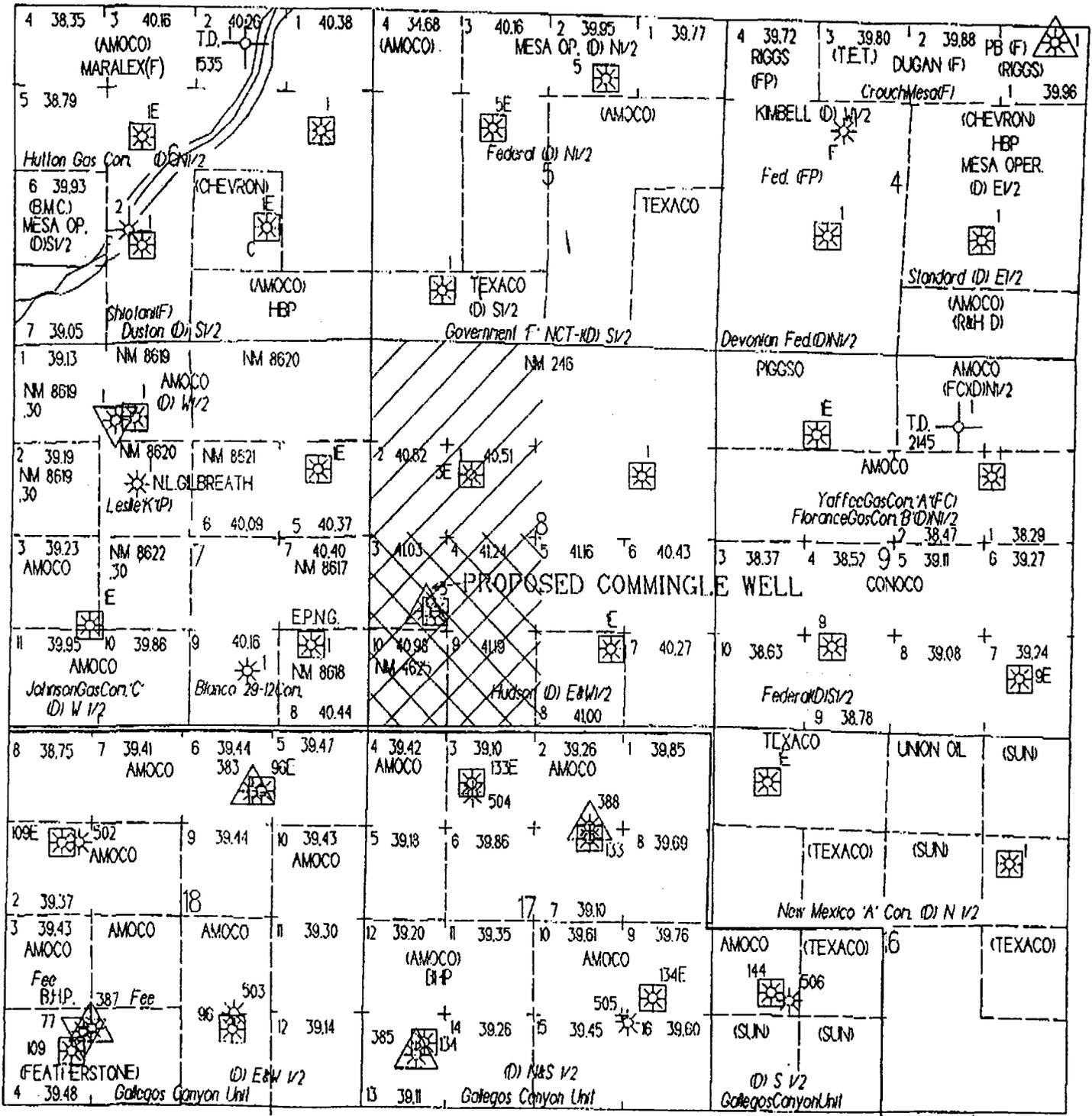
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SHIOTANI FEDERAL COM # 400 WELL

870'FWL, 1630'FSL

SECTION 8-29N-12W



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