

MERIDIAN OIL

(AMEND)

ORDER # R-9920

(REOPEN)

CASE # 10745, # 10754

AUGUST 26, 1993

EXHIBIT 1

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW
EL PATIO BUILDING

117 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
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

August 2, 1993

HAND DELIVERED

Mr. William J. LeMay, Director
Oil Conservation Division
310 Old Santa Fe Trail
Santa Fe, New Mexico 87501

Re: Meridian Oil Inc. Application
to Amend Division Order R-9920
and to Reopen Cases 10745 & 10754,
Rio Arriba and San Juan Counties,
New Mexico

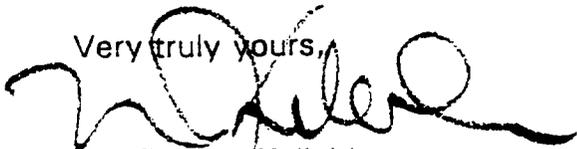
Dear Mr. LeMay:

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 August 26, 1993.

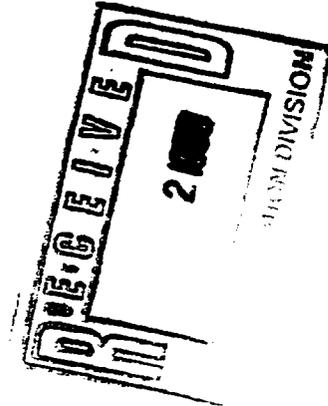
On July 9, 1993, I met with Michael E. Stogner, Larry VanRyan and Robert G. Stovall to discuss Division Order R-9920. At my request and with their concurrence, I have filed the enclosed application to have the Division consider modifying certain provisions affecting seven downhole commingling applications rather than filing for a DeNovo hearing before the Commission concerning those provisions.

Also enclosed is my suggested notice of this case for the NMOCD docket.

Very truly yours,

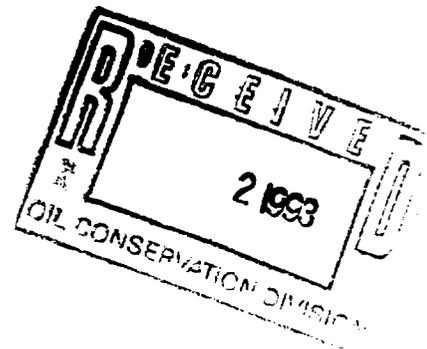

W. Thomas Kellahin

cc: Alan Alexander (Meridian-Farmington)



SUGGESTED ADVERTISEMENT

Case _____: Application of Meridian Oil Inc. to amend Division Order R-9920 and to reopen Cases 10754 and 10745, San Juan and Rio Arriba Counties, New Mexico. The applicant seeks to amend Division Order R-9920, dated July 9, 1993, entered in Cases 10721, 10722, 10723, 10724 and 10725 and to Reopen Cases 10745 and 10754 in order to present additional evidence. Specifically, applicant seeks to amend those provisions of Order R-9920 which established an economic limit for downhole commingling of production in certain wells in the Pictured Cliffs formation and the Basin Fruitland Coal Gas Pool and to have said amendments applied to orders to be issued in Cases 10754 and 10754. These cases involve a total of seven wells located and described in Division Examiner dockets of April 22, 1993 and July 1, 1993.



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. _____

APPLICATION OF MERIDIAN OIL INC.
TO AMEND DIVISION ORDER R-9920
AND TO REOPEN CASES 10745 AND 10754
SAN JUAN AND RIO ARRIBA COUNTIES,
NEW MEXICO

APPLICATION

Comes now MERIDIAN OIL INC., ("Meridian") and applies to the New Mexico Oil Conservation Division to amend Division Order R-9920, dated July 9, 1993, entered in Cases 10721, 10722, 10723, 10724 and 10725 and to Reopen Cases 10745 and 10754 in order to present additional evidence.

In support of this application Meridian states:

(1) Meridian is the applicant in the following seven cases pending before the Division all of which involve a common issue concerning the downhole commingling of Pictured Cliffs formation production with the Basin-Fruitland Coal Gas Pool:

1. Case 10721: Rowley Com Well No. 500
Unit K, (SW/4 and W/2) Sec 7, T27N, R10W,
San Juan County,
2. Case 10722: McAdams Well No. 500
Unit A, (NE/4 & E/4) Sec 28, T27N, R10W,
San Juan County,
3. Case 10723: Whitley "A" Well No. 100,
Unit L, (SW/4 & W/2) Sec 17, T27N, R11W,
San Juan County,
4. Case 10724: Rhodes "C" Well No. 101,
Unit N, (SW/4 & W/2) Sec 30, T28N, R11W,
San Juan County,
5. Case 10725: Rhodes "C" Well No. 102,
Unit B, (NE/4 & N/2) Sec 31, T28N, R11W,
San Juan County,
6. Case 10754: San Juan 28-4 Unit #225 Well,
Unit N, (SW/4 & S/2) Sec 7, T28N, R4W,
Rio Arriba County,
7. Case 10745: Valdez #5 Well,
Unit F, (NW/4 & N/2) Sec 16, T28N, R4W,
Rio Arriba County.

(2) On July 9, 1993, the Division entered Order R-9920 which is applicable to the first five cases number above and at the request of Meridian has not entered orders in the last two cases.

(3) In Order R-9920 the Division retained continuing jurisdiction over these cases.

(4) Order R-9920 contains the following limitation on downhole commingling of production from the Pictured Cliffs formation and the Basin Fruitland Coal Gas Pool:

"PROVIDED HOWEVER, in the event total gas production from both pools in a well exceeds 300 MCF per Day, downhole commingling will not be allowed in the effected well until the combined rate drops below 300 MCF/day."

(5) Meridian requests that all these cases be reopened so that it can present supplemental evidence concerning this issue in order to demonstrate that this limitation, unless amended, will preclude the only economic method available to produce the Pictured Cliffs formation gas in these wells.

(6) Specifically, Meridian seeks to amend those provisions of Order R-9920 which established an economic limit for downhole commingling based upon a combined producing rate of not more than 300 MCFPD of total gas production from both pools.

(7) Meridian proposes that the economic limit for downhole commingling in all seven cases be based upon the relationship of costs to rate and estimated ultimate gas recovery only from the Pictured Cliff pool.

(8) Meridian proposes the following substitution:

"In the event total gas production from the Pictured Cliffs Pool in a well exceeds both a maximum average daily producing rate of 300 MCFPD and an estimated ultimate gas recovery ("EUR") of 900 MMCF, then and in that event downhole commingle will not be allowed in the affected well until both the rate and the EUR drop below the above described limits."

(9) These cases were originally heard by the Division at Examiner Hearings held on April 22, 1993 and July 1, 1993 with Meridian being the only party to appear.

(10) Because Meridian is the only party to have appeared in these case, no further notice is required to reopen these cases.

(11) Meridian requests that this matter be placed on the Division's Examiner docket now set for August 26, 1993.

WHEREFORE, Meridian requests that after hearing, the Division grant the relief requested herein.

Respectfully submitted,

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

W. Thomas Kellahin
Kellahin & Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87501
(505) 982-4285

MERIDIAN'S PROPOSED AMENDMENTS
TO ORDER

(1) Amendment No.1: (page 4)

delete the last sentence of Finding (7) and substitute the following:

"The economic limit for downhole commingling in these cases should be based upon the relationship of costs to rate and estimated ultimate gas recovery from either the Pictured Cliffs or the Fruitland Coal gas pools.

(2) Amendment No. 2: (Page 8)

delete:

"Provided However, in the event total gas production from both pools in a well exceeds 300 MCF per Day, downhole commingling will not be allowed in the effected well until the combined rate drops below 300 MCF per day."

and substitute the following:

"In the event total gas production from either pool in a well exceeds the curve for the dual completion case as plotted on Exhibit A attached (being a plot of costs compared to both maximum average daily producing rate and an estimated ultimate gas recovery (EUR), then and in that event downhole commingling shall not be allowed in the affected well until such time as the total gas production from either pool in that well drops below the described limit on the curve."

EXHIBIT 2

PICTURED CLIFFS/FRUITLAND COAL

COMPLETION TECHNIQUE ECONOMIC CRITERIA

In order to facilitate an economic completion of either Pictured Cliffs or Fruitland Coal, three requirements must be met. It is the combination of these three requirements that determines the economic status and completion method (single completion, dual completion, commingled completion) utilized. These three requirements are as follows:

RESERVES $N_p(pc)$ (EUR)

COSTS (Investment and Operating)

FLOW RATE (Q_{pci}) (Stabilized Production)

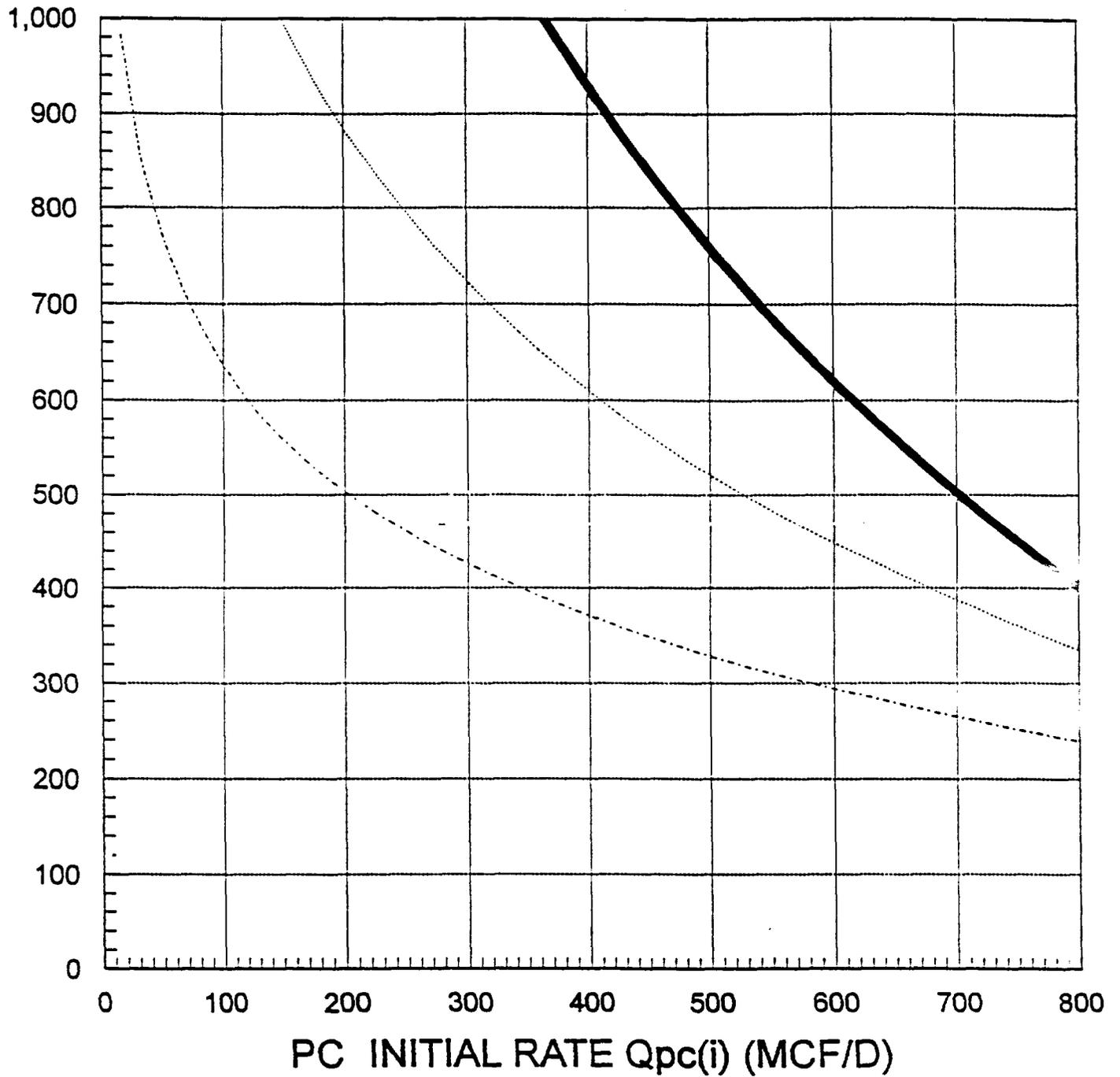
EXHIBIT 3

**FRUITLAND COAL GAS
OR
PICTURED CLIFFS**

ECONOMIC EVALUATION

COMPLETION TECHNIQUE SENSITIVITY

PC EUR Np(pc) (MMCF)



SINGLE DUAL COMMINGLE
15% ROR 15% ROR 15% ROR

INITIAL RATE VS EUR

EXHIBIT 4

RESERVES AND INITIAL RATE

WELL NAME	LOCATION	Qpc(p) MCF/D	Qftc(p) MCF/D	Qpc(i) MCF/D	Qt(i) MCF/D	P*(pc) (psi)	HCPV MMCF/PSI	R.F. (%)	Np(pc) MMCF
AZTEC #700	SW/4 14-28N-11W	266	539	91	275	130	1.59	85.00%	175.70
RHODES C #101	SW/4 30-28N-11W	493	N/A	150	N/A	345	1.05	85.00%	307.91
RHODES C #102	NE/4 31-28N-11W	493	N/A	150	N/A	364	0.61	85.00%	188.73
WHITLEY A #100	SW/4 17-27N-11W	493	N/A	150	N/A	191	1.34	85.00%	217.55
ROWLEY COM #500	SW/4 7-27N-10W	N/A	N/A	N/A	N/A	295	0.84	85.00%	210.63
McADAMS #500	NE/4 28-27N-10W	N/A	N/A	N/A	N/A	295	0.82	85.00%	205.62
HUERFANO UNIT #549	NE/4 33-27N-10W	N/A	N/A	N/A	N/A	295	1.08	85.00%	270.81

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:

CASES NOS. 10745 and
10754

APPLICATION OF MERIDIAN OIL INC.
TO AMEND ORDER R-9920 AND TO REOPEN
CASES 10754 AND 10745, SAN JUAN
AND RIO ARriba COUNTIES, NEW MEXICO.

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by MERIDIAN OIL
INC. as required by the Oil Conservation Division.

APPEARANCE OF PARTIES

APPLICANT

MERIDIAN OIL INC.
P. O. Box 4289
Farmington, N.M. 87499
Attn: Alan Alexander
(505) 326-9757

ATTORNEY

W. Thomas Kellahin
KELLAHIN AND KELLAHIN
P.O. Box 2265
Santa Fe, NM 87504
(505) 982-4285

STATEMENT OF CASE

APPLICANT:

Meridian Oil Inc. requests an amendment to Order R-9920 such that the economic criteria for downhole commingling is based initially upon the relationship of costs to rate and estimated ultimate gas recovery only from the Pictured Cliffs pool. In addition, Meridian seeks to have this same criteria adopted in any order issued for cases 10754 and 10745.

Meridian proposed the following language:

"In the event total gas production from the Pictured Cliffs pool in a well exceeds both a maximum average daily producing rate of 300 MCFD and an estimated ultimate gas recovery (EUR) of 800 MMCF, then and in that event, downhole commingling will not be allowed in the affected well until either (a) both the rate and the EUR for the Pictured Cliffs pool drop below the above described limits, or (b) Meridian Oil Inc. submits evidence to the Aztec District Office of the Division that pursuant to Division Rule 303 (including cost to rate and EUR criteria) the Basin Fruitland Coal Gas Pool production qualifies the well for downhole commingling with the Pictured Cliffs pool."

PROPOSED EVIDENCE

APPLICANT

WITNESSES	EST. TIME	EXHIBITS
Scott Daves (PE)	30-40 Min.	10

Possible additional witnesses:

Jim Craddock (PE)
Mike Dawson (geologist)
Alan Alexander (landman)

PROCEDURAL MATTERS

NONE.

KELLAHIN AND KELLAHIN

By: 
W. Thomas Kellahin
P.O. Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285

DOCKET: EXAMINER HEARING - THURSDAY - AUGUST 26, 1993
8:15 A.M. - MORGAN HALL, STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

Dockets Nos. 26-93 and 27-93 are tentatively set for September 9, 1993 and September 23, 1993. Applications for hearing must be filed at least 23 days in advance of hearing date.

The following cases will be heard before Michael E. Stogner, Examiner or David R. Catanach, Alternate Examiner:

CASE 10687: (Continued from August 12, 1993, Examiner Hearing.)

Application of Mewbourne Oil Company for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from 500 feet below the top of the San Andres formation to the base of the Morrow formation underlying the following described areas in Section 17, Township 18 South, Range 28 East, and in the following manner: the E/2 forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent; and the SE/4 forming a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent. Said unit is to be dedicated to its Illinois Camp "17" State Well No. 2, to be drilled at a standard location within said E/2 proration unit. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 2 miles north of Illinois Camp.

CASE 10688: (Continued from July 15, 1993, Examiner Hearing.)

Application of Mewbourne Oil Company for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the base of the Abo formation to the base of the Morrow formation underlying the following described areas in Section 31, Township 17 South, Range 28 East, and in the following manner: the S/2 forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent; the SE/4 forming a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent; and the SW/4 SE/4 forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent. Said unit is to be dedicated to its Chalk Bluff "31" State Well No. 1, to be drilled at a standard location within said S/2 proration unit. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 1 mile southwest of the Baylor Triangulation Station.

CASE 10760: (Continued from July 29, 1993, Examiner Hearing.)

Application of Breck Operating Corporation for compulsory pooling, San Juan County, New Mexico. Applicant seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying the W/2 of Section 20, Township 28 North, Range 10 West, forming a standard 320-acre gas spacing and proration unit for said pool developed within said vertical extent. Said unit is to be dedicated to its Kutz-Government Well No. 9, recompleted at an approved unorthodox location within said W/2 proration unit. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling and completing said well. Said well is located approximately 5 miles southeast of Bloomfield, New Mexico.

CASE 10800: **Application of Merrion Oil & Gas Corporation for compulsory pooling, San Juan County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Basin-Fruitland Coal (Gas) formation, underlying the E/2 of Section 26, Township 26 North, Range 13 West, forming a standard 320-acre coal gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, including the Basin-Fruitland Coal Gas Pool. Said unit is to be dedicated to its Serendipity Well No. 1 to be recompleted at a standard coal gas well location 1650 feet from the South line and 2310 feet from the East line of said Section 26. Also to be considered will be the cost of recompleting said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in recompleting said well. Said well is located approximately 3 miles southeast of the Chaco Gas Plant.

CASE 10801: Application of Merrion Oil & Gas Corporation for compulsory pooling, San Juan County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Fruitland Sand formation, underlying the SW/4 of Section 22, Township 30 North, Range 12 West, forming a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent. Said unit is to be dedicated to its Osborn Well No. 1 to be recompleted at a standard gas well location 790 feet from the South line and 900 feet from the West line of said Section 22. Also to be considered will be the cost of recompleting said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in recompleting said well. Said well is located near Flora Vista, New Mexico.

CASE 10802: Application of Phillips Petroleum Company for an unorthodox oil well location, Eddy County, New Mexico. Applicant seeks approval of an unorthodox subsurface oil well location for its James "E" Federal Well No. 8 which was directionally drilled to an unorthodox subsurface location being a point at the top of the Cherry Canyon Formation 1970 feet from the South line and 1030 feet from the East line (Unit D) of Section 11, Township 22 South, Range 30 East, Cabin Lake-Delaware Pool. The NE/4 SE/4 of said Section 11 is to be dedicated to said well forming a standard 40-acre oil spacing unit. Said unit is located approximately 22 miles east of Carlsbad, New Mexico.

**CASES 10745
and 10754: (Reopened)**

Application of Meridian Oil Inc. to amend Division Order No. R-9920 and to reopen Cases 10754 and 10745, San Juan and Rio Arriba Counties, New Mexico. Applicant seeks to amend Division Order No. R-9920, dated July 9, 1993, entered in Cases 10721, 10722, 10723, 10724, and 10725 and to Reopen Cases 10745 and 10754 in order to present additional evidence. Specifically, applicant seeks to amend those provisions of Order No. R-9920 which established an economic limit for downhole commingling of production in certain wells in the Pictured Cliffs formation and the Basin-Fruitland Coal Gas Pool and to have said amendments applied to orders to be issued in Cases 10745 and 10754. These cases involve a total of seven wells located and described in Division Examiner dockets of April 22, 1993 and July 1, 1993.

CASE 10803: Application of Texaco Exploration and Production, Inc. for an unorthodox gas well location, Eddy County, New Mexico. Applicant seeks approval to drill its Dow "B" 33 Federal Well No. 2 as a gas well at an unorthodox location 660 feet from the North line and 2310 feet from the West line (Unit C) of Section 33, Township 17 South, Range 31 East, to test the Morrow formation. The W/2 of said Section 33 is to be dedicated to the well. Applicant further requests approval of the unorthodox location as to all prospective pools or formations including but not limited to the Morrow formation. Said well is located approximately 4 1/2 miles south of Maljamar, New Mexico.

CASE 10804: Application of Collins & Ware, Inc. for special pool rules, Eddy County, New Mexico. Applicant seeks the promulgation of special pool rules for the Happy Valley-Delaware Pool, located in the NE/4 NW/4 of Section 33, Township 22 South, Range 26 East, including a provision for a gas-oil ratio limitation of 10,000 cubic feet of gas per barrel of oil and a special oil allowable of 160 barrels per day. Said area is located approximately 5 miles southwest of Carlsbad, New Mexico.

CASE 10805: Application of Collins & Ware, Inc. for an unorthodox gas well location and simultaneous dedication, Eddy County, New Mexico. Applicant seeks approval of an unorthodox gas well location 710 feet from the South and East lines (Unit P) of Section 25, Township 23 South, Range 28 East, South Culebra Bluff-Atoka Gas Pool. In addition, the applicant seeks an exception to Division General Rule 104(c)(2) to allow the existing 320-acre gas spacing and proration unit comprising the S/2 of said Section 25 to be simultaneously dedicated in this pool to the proposed well and to the existing Ray "25" Well No. 1 located at a standard gas well location 897 feet from the South line and 1980 feet from the West line (Unit N) of said Section 25. Said unit is located approximately 3.5 miles east by southeast of Loving, New Mexico.

CASE 10791: (Continued from August 12, 1993, Examiner Hearing.)

Application of Yates Petroleum Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant seeks approval to drill its Beauregard ANP State Com Well No. 1 to the Morrow formation, Illinois Camp-Morrow Gas Pool, at an unorthodox gas well location 660 feet from the North line and 1980 feet from the East line (Unit B) of Section 14, Township 18 South, Range 27 East. The E/2 of said Section 14 is to be dedicated to the well. Applicant further requests approval of the unorthodox location as to all prospective pools or formations including but not limited to the Morrow spaced on 320 acres. Said well is located approximately 4 miles northeast of Illinois Camp.

CASE 10806: Application of Kinlaw Oil Corporation for a high angle/horizontal directional drilling pilot project, special operating rules therefor, a non-standard oil proration unit, an unorthodox well location, and a special project oil allowable, Lea County, New Mexico. Applicant seeks to initiate a horizontal drilling project in the Devonian formation, Denton-Devonian Pool, underlying the NE/4 SE/4 of Section 35 and the NW/4 SW/4 of Section 36, Township 15 South, Range 37 East, thereby creating a non-standard 80-acre oil spacing and proration unit for said pool. Applicant proposes to re-enter its Magnolia Petroleum New Mexico "M" Well No. 1 which is at an orthodox location 1980 feet from the South line and 660 feet from the West line (Unit L) of said Section 36, kick-off from vertical in a southwesterly 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 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 any boundary of the proration unit, and for a special project allowable. Said project is located approximately 9 miles east by northeast of Lovington, New Mexico.

CASE 10807: Application of Kinlaw Oil Corporation for a high angle/horizontal directional drilling pilot project, special operating rules therefor, a non-standard oil proration unit, an unorthodox well location, and a special project oil allowable, Lea County, New Mexico. Applicant seeks to initiate a horizontal drilling project in the Devonian formation, Denton-Devonian Pool underlying the SE/4 SE/4 of Section 35 and the SW/4 SW/4 of Section 36, Township 15 South, Range 37 East, thereby creating a non-standard 80-acre oil spacing and proration unit for said pool. Applicant proposes to re-enter its Shell Oil Company State "SDA" Well No. 1 which is at an orthodox location 660 feet from the South and West lines (Unit M) of said Section 36, kick-off from vertical in a northwesterly 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 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 any boundary of the proration unit, and for a special project allowable. Said project is located approximately 9 miles east by northeast of Lovington, New Mexico.

CASE 10808: Application of Kinlaw Oil Corporation for a high angle/horizontal directional drilling pilot project and special operating rules therefor, Lea County, New Mexico. Applicant seeks to initiate a horizontal drilling project in the Devonian formation, Denton-Devonian Pool, underlying the SE/4 SW/4 of Section 36, Township 15 South, Range 37 East. Applicant proposes to re-enter its Shell Oil Company State "SDA" Well No. 2 which is at an orthodox location 660 feet from the South line and 1650 feet from the West line (Unit N) of said Section 36, kick-off from vertical in a southwesterly 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 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 any boundary of the proration unit, and for a special project allowable. Said project is located approximately 10 miles east by northeast of Lovington, New Mexico.

CASE 10809: Application of Kinlaw Oil Corporation for a high angle/horizontal directional drilling pilot project, special operating rules therefor, a non-standard oil proration unit, an unorthodox well location, and a special project oil allowable, Lea County, New Mexico. Applicant seeks to initiate a horizontal drilling project in the Devonian formation, Denton-Devonian Pool, underlying the E/2 NE/4 of Section 5, Township 16 South, Range 38 East, thereby creating a non-standard 80-acre oil spacing and proration unit for said pool. Applicant proposes to re-enter its V.F. Petroleum Huber State Well No. 1 which is at an unorthodox surface location 330 feet from the North line and 1150 feet from the East line (Unit A) of said Section 5, 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 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 any boundary of the proration unit, and for a special project allowable. Said project is located approximately 2 miles east of Hobbs Army Airfield Aux. #1.

CASE 10717: (Continued from July 29, 1993, Examiner Hearing.)

Application of Davcro Inc. for salt water disposal, Lea County, New Mexico. Applicant seeks authority to re-enter the previously plugged and abandoned Cactus Drilling Corporation Sawyer Deep Well No. 1 located 330 feet from the South line and 2310 feet from the West line (Unit N) of Section 19, Township 9 South, Range 38 East, and utilize said well to dispose of produced salt water into the Sawyer-San Andres Associated Pool through the open-hole interval from approximately 5120 feet to 5600 feet. Said well is located approximately 4.5 miles east of Crossroads, New Mexico.

CASE 10749: (Continued from July 29, 1993, Examiner Hearing.)

Application of Devon Energy Corporation for pool creation and special pool rules, Eddy County, New Mexico. Applicant seeks the promulgation of special rules for the Ingle Wells-Delaware Pool located in portions of Sections 26 and 35 of Township 23 South, Range 31 East and in a portion of Section 2, Township 24 South, Range 31 East, including a provision for a gas-oil limitation of 5000 cubic feet of gas per barrel of oil. Said area is located approximately 2 miles west of mile marker 19 on highway 128.

CASE 10810: **Application of Marbob Energy Corporation for statutory unitization, Eddy County, New Mexico.** Applicant seeks an order unitizing, for the purpose of establishing a secondary recovery project, all mineral interests in the Grayburg-Jackson Pool, Seven Rivers, Queen, Grayburg and San Andres formations, underlying 5149.44 acres, more or less, of federal land comprising portions of Township 17 South, Ranges 29 and 30 East, to be designated the Burch-Keely Unit Area. To be considered will be those matters required by the New Mexico Statutory Unitization Act, Subsection 70-7-1 et seq., N.M.S.A. 1978, and other provisions of the unit agreement and unit operating agreement. Said unit area is located near Loco Hills, New Mexico.

CASE 10513: (Continued from July 15, 1993, Examiner Hearing.)

Application of Hanley Petroleum Inc. for determination of reasonable well costs, Lea County, New Mexico. Applicant, in the above-styled cause, as a working interest owner in the Santa Fe Energy Operating Partners, L.P. Kachina "8" Federal Well No. 2 located 1830 feet from the North line and 660 feet from the West line (Unit E) of Section 8, Township 18 South, Range 33 East, South Corbin-Wolfcamp Pool, which was drilled pursuant to the compulsory pooling provisions of Division Order Nos. R-9480, R-9480-A, and R-9480-B, all entered in Case Nos. 10211 and 10219, and to which is dedicated the W/2 NW/4 (Units D and E) of said Section 8, seeks an order ascertaining the reasonableness of actual well costs for the subject well. Said unit is located approximately 7.5 miles southeast by south of Maljamar, New Mexico.

CASE 10772: (Continued from August 12, 1993, Examiner Hearing.)

Application of Barber Oil Inc. for salt water disposal, Eddy County, New Mexico. Applicant seeks authority to utilize its Stovall-Wood Well No. 5 located 880 feet from the North line and 1580 feet from the West line (Unit C) of Section 20, Township 20 South, Range 30 East, to dispose of produced salt water into the Rustler Lime formation through the perforated interval from approximately 195 feet to 255 feet. Said well is located 2 miles northeast of the National Potash Company Mine.

CASE 10766: (Continued from August 12, 1993, Examiner Hearing.)

Application of David H. Arrington Oil & Gas Inc. for an unorthodox gas well location and non-standard gas spacing unit, Lea County, New Mexico. Applicant seeks authorization to drill a well at an unorthodox location 1980 feet from the North line and 1650 feet from the West line (Unit F) of Section 11, Township 21 South, Range 36 East, Eumont Gas Pool. Applicant also seeks authority to dedicate a non-standard spacing unit comprised of the SE/4 NW/4, S/2 NE/4 and the NW/4 SE/4 of said Section 11 to said well. Said unit is located approximately 1 mile east of Oil Center, New Mexico.

CASE 10795: (Continued from August 12, 1993, Examiner Hearing.)

Application of David H. Arrington Oil & Gas Inc. for an unorthodox gas well location and a non-standard spacing unit, Lea County, New Mexico. Applicant seeks authorization to drill its Foster Well No. 3 in the Eumont Gas Pool at an unorthodox gas well location 330 feet from the South and East lines (Unit P) of Section 34, Township 19 South, Range 36 East, to be dedicated to a non-standard 160-acre gas proration unit comprising the S/2 S/2 of said Section 34. Said area is approximately 1 mile northwest of the Warren Gas Co. Compressor Station.

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4285

TELEFAX (505) 982-2047

W. THOMAS KELLAHIN*

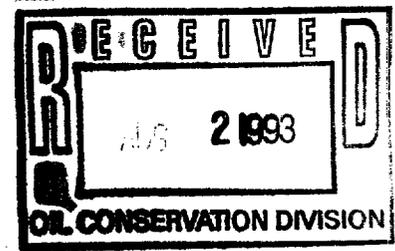
*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

August 2, 1993

HAND DELIVERED

Mr. William J. LeMay, Director
Oil Conservation Division
310 Old Santa Fe Trail
Santa Fe, New Mexico 87501



Re: Meridian Oil Inc. Application
to Amend Division Order R-9920
and to Reopen Cases 10745 & 10754,
Rio Arriba and San Juan Counties,
New Mexico

Dear Mr. LeMay:

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 August 26, 1993.

On July 9, 1993, I met with Michael E. Stogner, Larry VanRyan and Robert G. Stovall to discuss Division Order R-9920. At my request and with their concurrence, I have filed the enclosed application to have the Division consider modifying certain provisions affecting seven downhole commingling applications rather than filing for a DeNovo hearing before the Commission concerning those provisions.

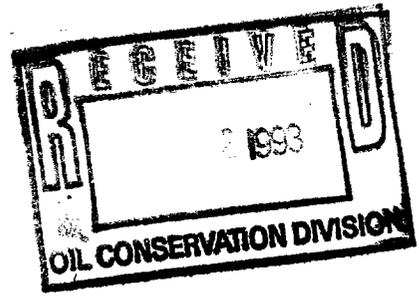
Also enclosed is my suggested notice of this case for the NMOCD docket.

Very truly yours,

A handwritten signature in black ink, appearing to read "W. Thomas Kellahin". The signature is fluid and cursive, written over the typed name.

W. Thomas Kellahin

cc: Alan Alexander (Meridian-Farmington)



SUGGESTED ADVERTISEMENT

Case ^{10745 Genl} 10754: Application of Meridian Oil Inc. to amend Division Order R-9920 and to reopen Cases 10754 and 10745, San Juan and Rio Arriba Counties, New Mexico. The applicant seeks to amend Division Order R-9920, dated July 9, 1993, entered in Cases 10721, 10722, 10723, 10724 and 10725 and to Reopen Cases 10745 and 10754 in order to present additional evidence. Specifically, applicant seeks to amend those provisions of Order R-9920 which established an economic limit for downhole commingling of production in certain wells in the Pictured Cliffs formation and the Basin Fruitland Coal Gas Pool and to have said amendments applied to orders to be issued in Cases 10754 and 10754. These cases involve a total of seven wells located and described in Division Examiner dockets of April 22, 1993 and July 1, 1993.



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. *10745 and*
10754

APPLICATION OF MERIDIAN OIL INC.
TO AMEND DIVISION ORDER R-9920
AND TO REOPEN CASES 10745 AND 10754
SAN JUAN AND RIO ARRIBA COUNTIES,
NEW MEXICO

APPLICATION

Comes now MERIDIAN OIL INC., ("Meridian") and applies to the New Mexico Oil Conservation Division to amend Division Order R-9920, dated July 9, 1993, entered in Cases 10721, 10722, 10723, 10724 and 10725 and to Reopen Cases 10745 and 10754 in order to present additional evidence.

In support of this application Meridian states:

(1) Meridian is the applicant in the following seven cases pending before the Division all of which involve a common issue concerning the downhole commingling of Pictured Cliffs formation production with the Basin-Fruitland Coal Gas Pool:

1. Case 10721: Rowley Com Well No. 500
Unit K, (SW/4 and W/2) Sec 7, T27N, R10W,
San Juan County,
2. Case 10722: McAdams Well No. 500
Unit A, (NE/4 & E/4) Sec 28, T27N, R10W,
San Juan County,
3. Case 10723: Whitley "A" Well No. 100,
Unit L, (SW/4 & W/2) Sec 17, T27N, R11W,
San Juan County,
4. Case 10724: Rhodes "C" Well No. 101,
Unit N, (SW/4 & W/2) Sec 30, T28N, R11W,
San Juan County,
5. Case 10725: Rhodes "C" Well No. 102,
Unit B, (NE/4 & N/2) Sec 31, T28N, R11W,
San Juan County,
6. Case 10754: San Juan 28-4 Unit #225 Well,
Unit N, (SW/4 & S/2) Sec 7, T28N, R4W,
Rio Arriba County,
7. Case 10745: Valdez #5 Well,
Unit F, (NW/4 & N/2) Sec 16, T28N, R4W,
Rio Arriba County.

(2) On July 9, 1993, the Division entered Order R-9920 which is applicable to the first five cases number above and at the request of Meridian has not entered orders in the last two cases.

(3) In Order R-9920 the Division retained continuing jurisdiction over these cases.

(4) Order R-9920 contains the following limitation on downhole commingling of production from the Pictured Cliffs formation and the Basin Fruitland Coal Gas Pool:

"PROVIDED HOWEVER, in the event total gas production from both pools in a well exceeds 300 MCF per Day, downhole commingling will not be allowed in the effected well until the combined rate drops below 300 MCF/day."

(5) Meridian requests that all these cases be reopened so that it can present supplemental evidence concerning this issue in order to demonstrate that this limitation, unless amended, will preclude the only economic method available to produce the Pictured Cliffs formation gas in these wells.

(6) Specifically, Meridian seeks to amend those provisions of Order R-9920 which established an economic limit for downhole commingling based upon a combined producing rate of not more than 300 MCFPD of total gas production from both pools.

(7) Meridian proposes that the economic limit for downhole commingling in all seven cases be based upon the relationship of costs to rate and estimated ultimate gas recovery only from the Pictured Cliff pool.

(8) Meridian proposes the following substitution:

"In the event total gas production from the Pictured Cliffs Pool in a well exceeds both a maximum average daily producing rate of 300 MCFPD and an estimated ultimate gas recovery ("EUR") of 900 MMCF, then and in that event downhole commingle will not be allowed in the affected well until both the rate and the EUR drop below the above described limits."

(9) These cases were originally heard by the Division at Examiner Hearings held on April 22, 1993 and July 1, 1993 with Meridian being the only party to appear.

(10) Because Meridian is the only party to have appeared in these case, no further notice is required to reopen these cases.

(11) Meridian requests that this matter be placed on the Division's Examiner docket now set for August 26, 1993.

WHEREFORE, Meridian requests that after hearing, the Division grant the relief requested herein.

Respectfully submitted,

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

W. Thomas Kellahin
Kellahin & Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87501
(505) 982-4285