

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*

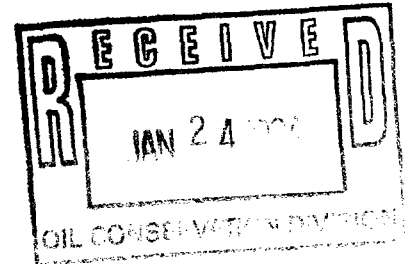
*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

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

JASON KELLAHIN (RETIRED 1991)

January 24, 1994

HAND DELIVERED



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

10920

Re: C. M. Morris #100 Well-10G-T27N,R10W
Huerfano Unit Com #509 Well-30D-T27N,R10W
Application of Meridian Oil Inc.
for downhole commingling and unorthodox
gas well locations,
San Juan County, 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 February 17, 1994.

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.

Mr. William J. LeMay
January 24, 1994
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, February 11, 1994, with a copy delivered to the undersigned.

Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', with a stylized flourish at the end.

W. Thomas Kellahin

WTK/mg
Enclosure

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

Mr. William J. LeMay
January 24, 1994
Page Two

10920

PROPOSED ADVERTISEMENT

Case _____ : Application of Meridian Oil Inc. for downhole commingling and unorthodox gas well locations, San Juan County, New Mexico. Applicant seeks approval (a) to drill its proposed C.M. Morris #100 Well at an unorthodox gas location 1340 feet FNL and 1405 feet FEL (Unit G) of Section 10, T27N, R10W and to downhole commingle Fulcher Kutz-Pictured Cliffs Gas Pool (NE/4 dedication) with the Basin-Fruitland Coal Gas Pool production (E/2 dedication) within the wellbore; and (b) to drill its proposed Huerfano Unit Com #509 Well at an unorthodox gas well location 775 feet FNL and 545 feet FWL (Unit D) of Section 30, T27N, R10W and to downhole commingle Fulcher Kutz-Pictured Cliffs Gas Pool (NW/4 dedication) and the Basin-Fruitland Coal Gas Pool production (N/2 dedication) within the wellbore.

The C. M. Morris #100 Well is located approximately 2.5 miles northwest from Angles Peak, New Mexico.

The Huerfano Unit Com #509 Well is located approximately 4.25 miles west-southwest from Angles Peak, 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:

APPLICATION OF MERIDIAN OIL INC.
FOR DOWNHOLE COMMINGLING AND
UNORTHODOX GAS WELL LOCATIONS,
SAN JUAN COUNTY, NEW MEXICO.

CASE: 10920

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 (a) to drill its proposed C.M. Morris #100 Well at an unorthodox gas location 1340 feet FNL and 1405 feet FEL (Unit G) of Section 10, T27N, R10W and to downhole commingle Fulcher Kutz-Pictured Cliffs Gas Pool (NE/4 dedication) with the Basin-Fruitland Coal Gas Pool production (E/2 dedication) within the wellbore; and (b) to drill its proposed Huerfano Unit Com #509 Well at an unorthodox gas well location 775 feet FNL and 545 feet FWL (Unit D) of Section 30, T27N, R10W and to downhole commingle Fulcher Kutz-Pictured Cliffs Gas Pool (NW/4 dedication) and the Basin-Fruitland Coal Gas Pool production (N/2 dedication) within the wellbore.

In support of its application, Meridian states:

(1) Meridian is the operator of:

(a) its proposed C.M. Morris #100 Well to be drilled at an unorthodox gas location 1340 feet FNL and 1405 feet FEL (Unit G) of Section 10, T27N, R10W and to downhole commingle Fulcher Kutz-Pictured Cliffs Gas Pool (NE/4 dedication) with the Basin-Fruitland Coal Gas Pool production (E/2 dedication) within the wellbore (See Exhibit A-1); and

(b) its proposed Huerfano Unit Com #509 Well to be drilled at an unorthodox gas well location 775 feet FNL and 545 feet FWL (Unit D) of Section 30, T27N, R10W and to downhole commingle Fulcher Kutz-Pictured Cliffs Gas Pool (NW/4 dedication) and the Basin-Fruitland Coal Gas Pool production (N/2 dedication) within the wellbore. (See Exhibit B-1).

(2) Each well is to be drilled and completed so that production from the Basin-Fruitland Coal Gas Pool and the Pictured Cliffs formation can be downhole commingled in the wellbore.

(3) The C. M. Morris #100 Well is to be located 1340 feet FNL and 1405 feet FEL of said Section 10 which is an unorthodox gas well location in Fulcher Kutz-Pictured Cliffs Gas Pool because it is to be located closer than 130 feet to interior quarter-quarter sections lines within the spacing units.

(4) Because of both topographic limitations and BLM restrictions, the Huerfano Unit Com #509 Well is to be located 775 feet FNL and 545 feet FWL of said Section 30 which is an unorthodox gas well location in both pools because it is closer than 790 feet to the outer boundary of each spacing unit.

(5) In addition, Meridian has selected to drill its Huerfano Unit Com #509 Well at an unorthodox "off pattern" coal gas well location in order to downhole commingle that production with the Pictured Cliffs production in order to recover marginal Pictured Cliffs gas reserves located in the NW/4 of Section 30.

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

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

1. the downhole commingling in these wellbores is necessary because evidence indicates that the Pictured Cliffs formation 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 Pictured Cliffs Well. In addition, it is not economic to attempt to dually complete those formations in these wells;

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.

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

(8) 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.

(9) 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.

Application of Meridian Oil, Inc.
Page 4

(10) Applicant requests that this matter be docketed for hearing on the Division's Examiner docket now scheduled for February 17, 1994.

(11) Division Order R-9921-A authorized downhole commingling of pictured cliffs and Basin Fruitland Coal Gas Pool production without further notice to the interest owners in the Huerfano Unit. However, there are owners involved in the Huerfano Unit Com #509 Well who have not been previously notified.

(12) A copy of this application is being sent to all owners of production within the respective spacing unit for the Huerfano Unit Com #509 well who may be affected by downhole commingling and who were not notified in the case resulting in Division Order R-9921-A.

(13) Copy of this application has been sent to all offsetting operators to the two spacing units for each well as set forth on Exhibits A-2, A-3, B-2, and B-3.

WHEREFORE Applicant requests that this matter be set for hearing on February 17, 1994 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

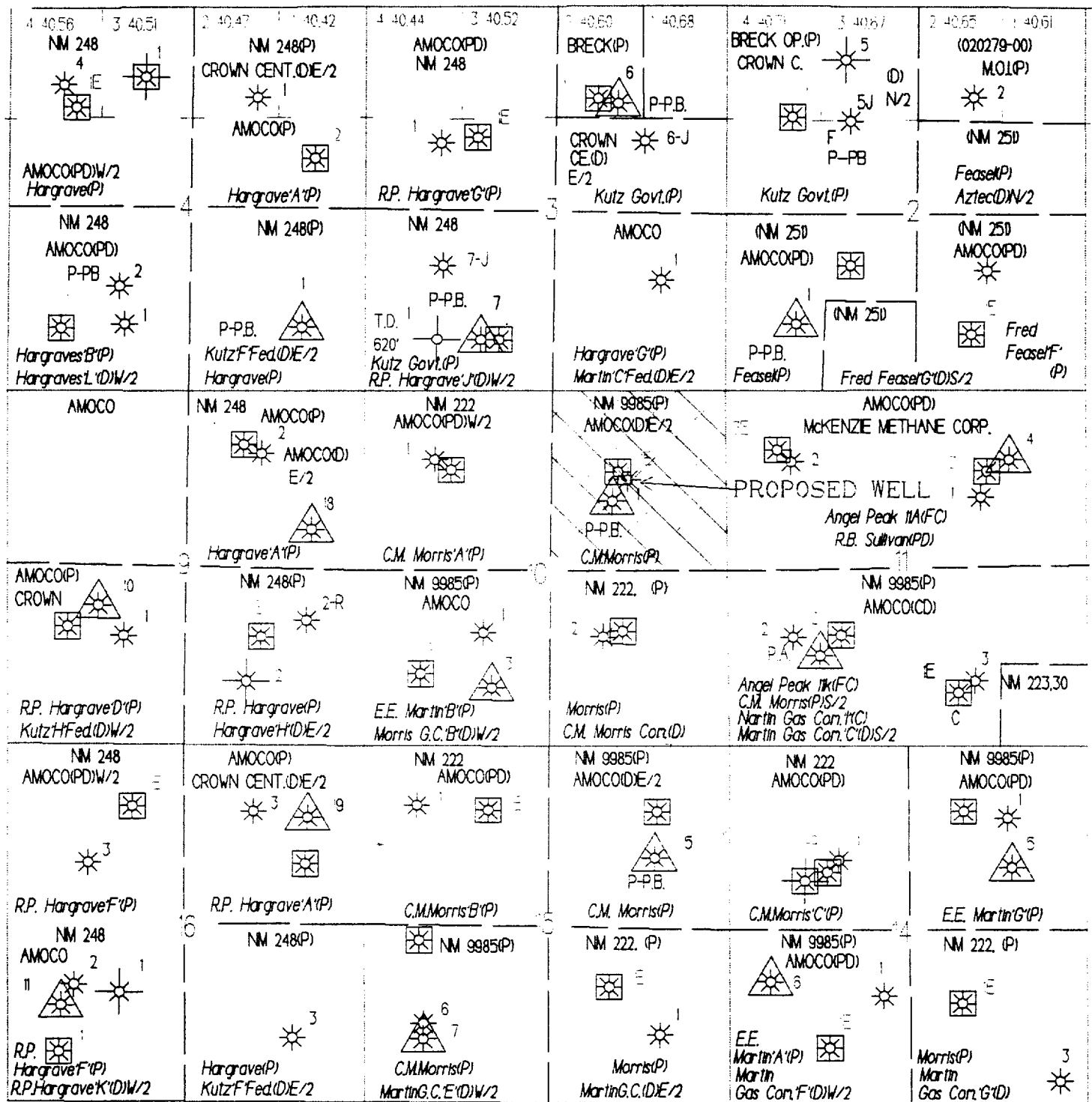
A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', with a large, stylized flourish extending from the end of the name.

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

C. M. MORRIS #100 WELL

SWNE SECTION 10, T27N, R10W

SAN JUAN CO., NEW MEXICO



FRUITLAND SAND WELL



MESAVERDE WELL



FRUITLAND COAL WELL



DAKOTA WELL



PICTURED CLIFFS WELL



GALLUP WELL



SPACING UNIT PICTURED CLIFFS



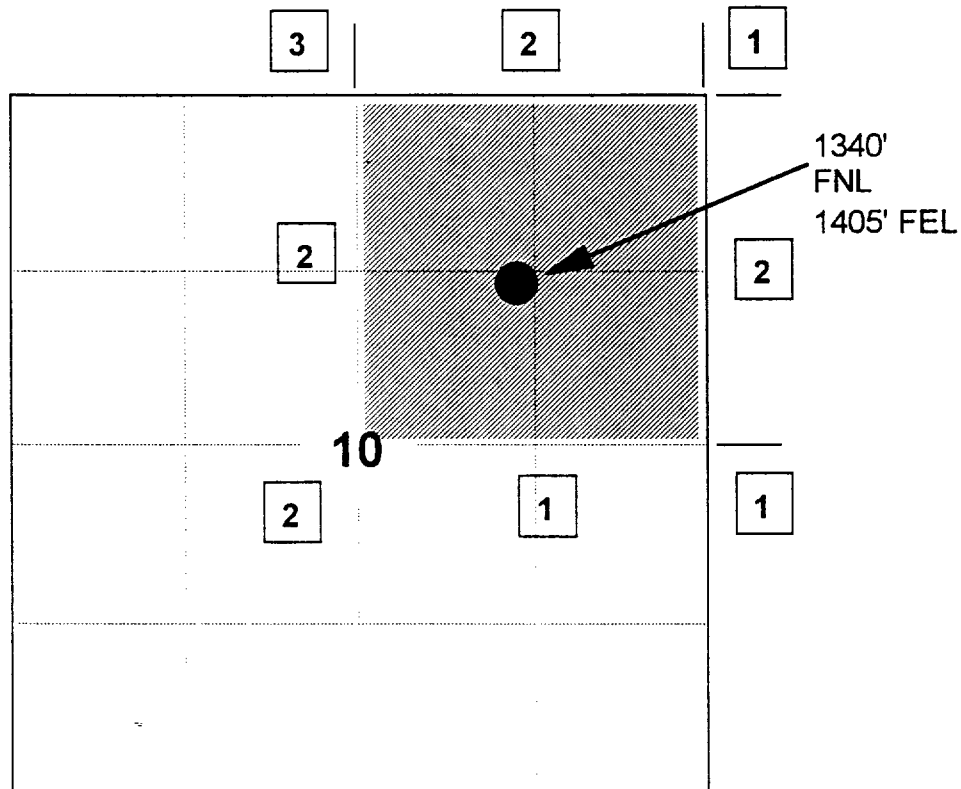
SPACING UNIT FRUITLAND COAL

MERIDIAN OIL INC

C. M. MORRIS #100 OFFSET OPERATOR PLAT

Fruitland Coal | Pictured Cliffs Formations Commingle Well

Township 27 North, Range 10 West



1) Meridian Oil Inc

2) Amoco Production Company PO Box 800, Denver, CO 80201

3) Breck Operating Corporation PO Box 911, Breckenridge, TX 76024

Exhibit A-2

Pictured Cliffs

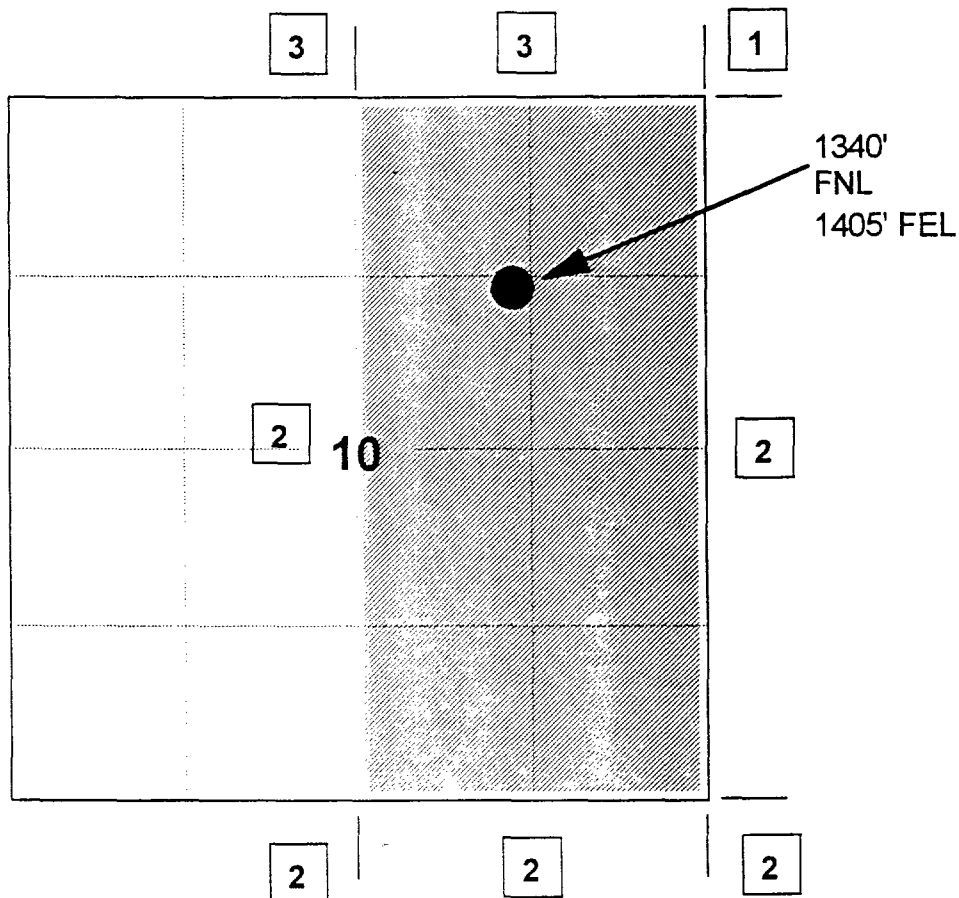
MERIDIAN OIL INC

C. M. MORRIS #100

OFFSET OPERATOR PLAT

Unorthodox Pictured Cliffs Location

Township 27 North, Range 10 West



1) Meridian Oil Inc &

Breck Operating Corporation PO Box 911, Breckenridge, TX 76024

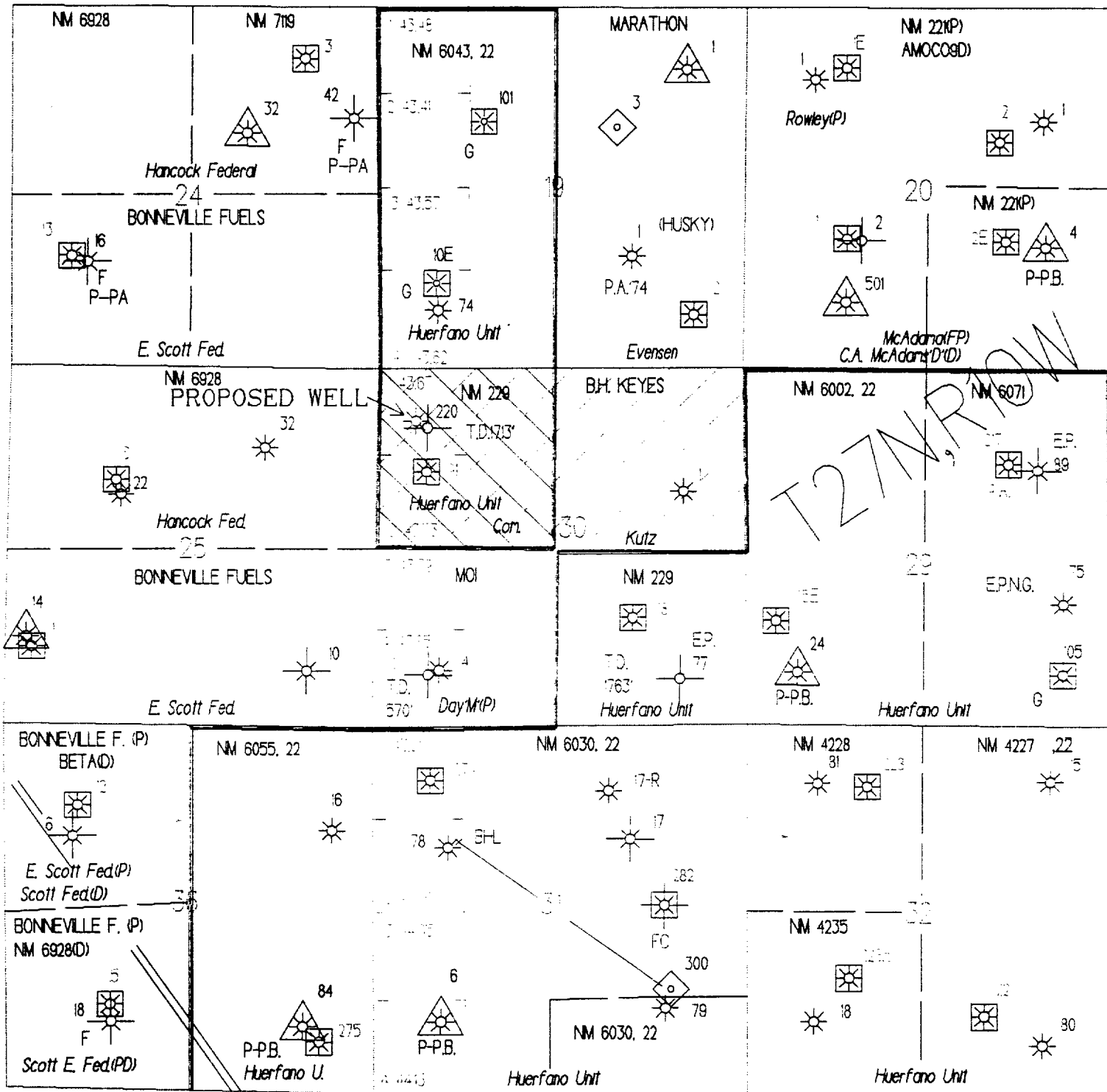
2) McKenzie Methane 1625 Broadway, Suite 2580, Denver, CO 80201 &









Quintana Petroleum Services 601 Jefferson St, Houston, TX 77002

3) Breck Operating Corporation PO Box 911, Breckenridge, TX 76024

Exhibit A-3

HUERFANO UNIT #509 WELL
NWNW SECTION 30, T27N, R10W
SAN JUAN CO., NEW MEXICO



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

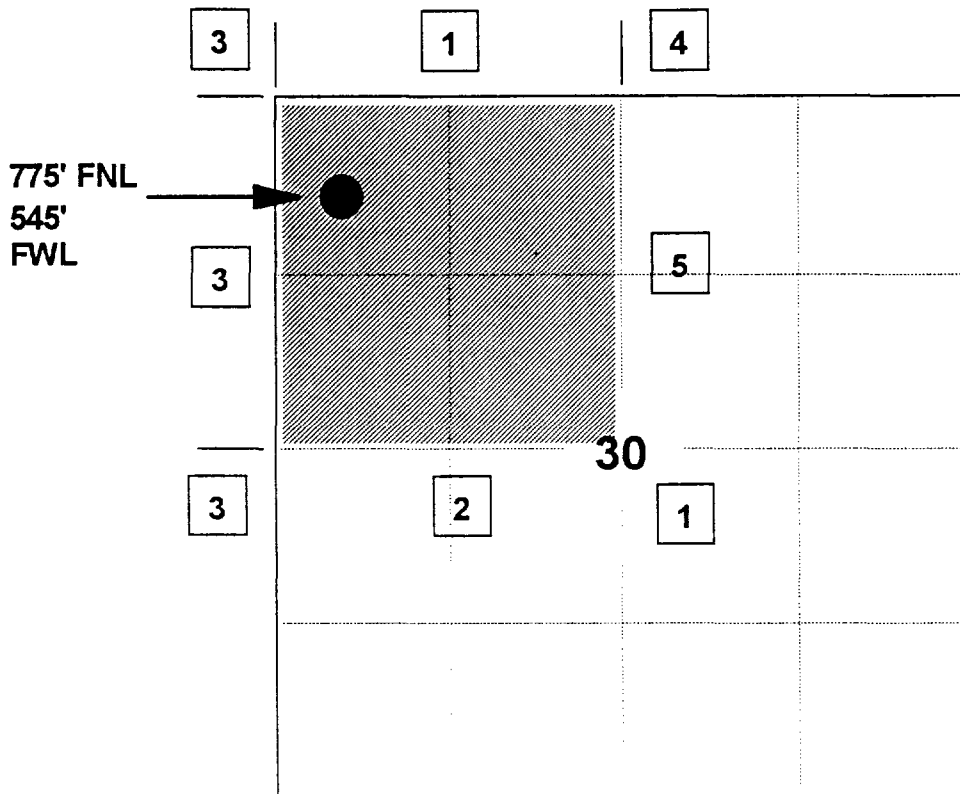
MERIDIAN OIL INC

HUERFANO UNIT COM #509

OFFSET OPERATOR PLAT

Fruitland Coal / Pictured Cliffs Commingle Well

Township 27 North, Range 10 West



1) Meridian Oil Inc

2) Meridian Oil Inc &

BBL, Limited

PO Box 911, Breckenridge, TX 76024-0911

3) Bonneville Fuels Corp. 1660 Lincoln St, Suite 1800, Denver, CO 80264

4) Marathon Oil Company PO Box 552, Midland, TX 79702

5) Bradley H. Keyes PO Box 842, Aztec, NM 87410

Exhibit B-2

Pictured Cliffs

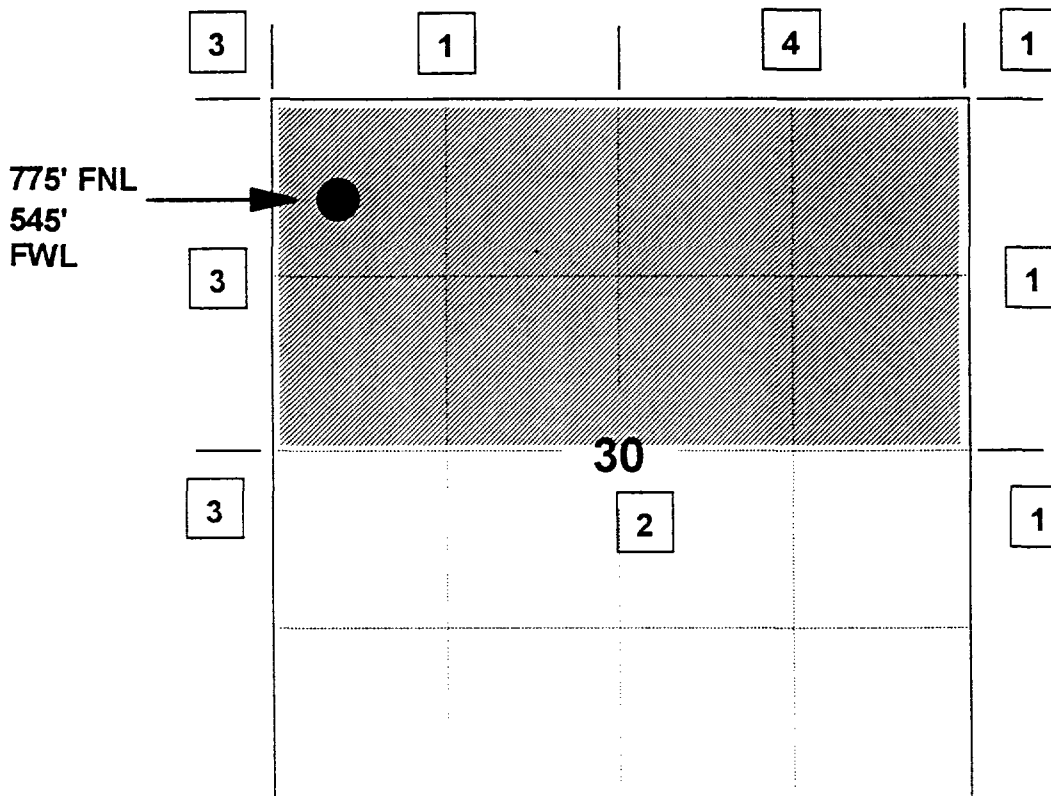
MERIDIAN OIL INC

HUERFANO UNIT COM #509

OFFSET OPERATOR PLAT

Fruitland Coal / Pictured Cliffs Commingle Well

Township 27 North, Range 10 West



1) Meridian Oil Inc

2) Meridian Oil Inc &

BBL, Limited

PO Box 911, Breckenridge, TX 76024-0911

3) Bonneville Fuels Corp.

1660 Lincoln St, Suite 1800, Denver, CO 80264

4) Marathon Oil Company

PO Box 552, Midland, TX 79702

Exhibit B-3

Fruitland Coal