

KELLAHIN, KELLAHIN AND AUBREY

ATTORNEYS AT LAW

EL PATIO BUILDING

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POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN
KAREN AUBREY

JASON KELLAHIN
OF COUNSEL

TELEPHONE (505) 982-4285
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RECEIVED

AUG 28 1991

August 28, 1991

OIL CONSERVATION DIVISION

HAND DELIVERED

~ 11:00 AM

Mr. William J. LeMay
Oil Conservation Division
310 Old Santa Fe Trail, Room 206
P. O. Box 2088
Santa Fe, New Mexico 87504

10392

Re: Application of Meridian Oil Inc., for a High Angle/Horizontal Directional Drilling Pilot Project, Special Operating Rules Therefor, a Non-Standard Oil Proration Unit, and a Special Project Oil Allowable, Sandoval County, New Mexico.

Dear Mr. LeMay:

On behalf of Meridian Oil Inc., please find enclosed our Application for a High Angle/Horizontal Directional Drilling Pilot Project which we request be set for hearing on the next available Examiner's docket now scheduled for September 19, 1991.

We suggest the following as a possible advertisement for this case:

Application of Meridian Oil Inc. for a high angle\ horizontal directional drilling pilot project, special operating rules therefor, a non-standard oil proration unit and a special project allowable, Sandoval County, New Mexico. Applicant, in the above-styled cause, seeks to initiate a high angle/horizontal directional drilling pilot project in the Mancos formation as an exception to statewide oil proration and spacing rules by forming a 640 acre non-standard proration unit consisting of all of Section 22, T19N, R2W, NMPM, and commencing its Piedra Lumbre #1 well at a surface location 2005 feet NSL and 1775 feet FEL of said Section 22, to be drilled vertically to a depth of approximately 2,000 feet, kick-off in a northwesterly

Mr. William J. LeMay
August 28, 1991
Page 2

direction, build angle up to approximately 80 degrees and drill horizontally for approximately 3,860 feet. Applicant further seeks the adoption of special operating provisions and rules within the pilot project area including the designation of a prescribed area limiting the horizontal displacement of said well's producing interval such that it can be no closer than 660 feet to the outer boundary of said Section 22 and a special project allowable of 640 barrels of oil per day. Said unit is located approximately _____ miles _____ of _____, New Mexico.

By copy of this letter and application to all parties identified in the application as offsetting this unit, 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 examiner witnesses either in support of or in opposition to the application.

Any party desiring to appear and participate should file with the Division, copy to applicant's attorney, a pre-hearing statement as set forth by Division guidelines not later than 4 PM on Friday before the hearing.

Very truly yours,

A handwritten signature in dark ink, appearing to read 'W. Thomas Kerlahin', is written over a horizontal line.

W. Thomas Kerlahin

WTK/jcl

Mr. William J. LeMay
August 28, 1991
Page 3

Enclosure

cc: Meridian Oil Inc. (w/encl.)
BY CERTIFIED MAIL
RETURN RECEIPT REQUESTED
WITH ENCLOSURES

Norman F. Taylor
P.O. Box 2733
Caspar, WY 82602

Veteran Exploration, Inc.
7535 E. Hampton Ave, Ste #506
Denver, CO 80231

Samuel Gary, Jr. & Assoc.
1775 Sherman St., Ste #1925
Denver, CO 80203

Yates Petroleum Corporation
105 S. Fourth St.
Artesia, NM 88210

LTRT827.330

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.

RECEIVED
AUG 28 1991
OIL CONSERVATION DIVISION
10392

APPLICATION OF MERIDIAN OIL INC.
FOR A HIGH ANGLE/HORIZONTAL DIRECTIONAL
DRILLING PILOT PROJECT, SPECIAL OPERATING
RULES THEREFOR, A NON-STANDARD OIL PRORATION
UNIT, AND A SPECIAL PROJECT OIL ALLOWABLE,
SANDOVAL 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, Kellahin & Aubrey, and applies to the New Mexico Oil Conservation Division for approval of a High Angle/Horizontal Directional Drilling Pilot Project, including special operating rules for its Piedra Lumbre #1 well, to be drilled commencing at a surface location of 2005 feet FSL and 1775 feet FEL, Section 22, T19N, R2W, NMPM, Sandoval County, New Mexico and terminating at a projected bottom hole location 660 feet FNL and 660 feet FWL of this Section, to be dedicated to a 640-acre non-standard oil proration and spacing unit for consisting of all of said Section 22 for production from an Undesignated Mancos pool, with a special project oil allowable of 640 barrels of oil per day, and in support thereof states:

1. Applicant is the operator of Section 22, T19N, R2W, NMPM, Sandoval County, New Mexico.

2. Applicant seeks the following:

- (1) Pool Name:
(none) this is Undesignated Mancos
- (2) Spacing Unit:
Non-standard proration unit
size of 640-acres
all of Section 22-19N-2W
Sandoval County, N.M.
See Exhibit A.
- (3) Type Of Deviation:
High Angle
- (4) Surface Location:
2005 feet FSL
1775 feet FEL
- (5) Bottom Hole Location:
projected to be
660 feet FNL and
660 feet FWL of said
Section 22.
- (6) Horizontal Distance from
Surface to Bottom Hole Location:
3860 feet
- (7) Plan View of Well:
See Exhibit B.
- (8) Vertical Schematic:
See Exhibit C.
- (9) Direction/Angle of Wellbore:
Estimated plan is
N48 degrees W azimuth with
80 degrees inclination
- (10) Vertical producing interval:
Mancos formation
- (11) Horizontal producing interval:
within area contained
in Section but not closer than
660 feet to any outer boundary
of Section.
- (12) Vertical Depth at Bottom Hole:
estimated 3100 feet
- (13) Special Allowable:
Maximum of 640 BBL/day
- (14) GOR ratio:
2,000 to 1.
- (15) Offset Operator and Owners:
See Exhibit D.

3. Applicant requests a hearing be docketed by the Oil Conservation Division on September 19, 1991 to determine the appropriate spacing and special operating rules and allowables for its Piedra Lumbre #1 Well.

4. The subject section is now spaced on statewide 40-acre oil spacing/ 80 BBL/day allowable with the three closest pools being the Gavilan Mancos Oil Pool, the Rio Puerco Oil Pool and the San Isidro Oil Pool.

5. Because the Division has not yet adopted General Rules and Regulations for the approval of High Angle/ Horizontal Directional Wells the foregoing is submitted in anticipation of the type of data necessary to docket such a case for hearing.

6. For purposes of notification, a copy of this application is being sent to all offset operators, and unleased mineral owners in each section contiguous to Section 22 as set forth on Exhibit D.

7. The Niobrara interval of the Mancos formation is the potentially productive zone in this immediate area, which is characterized by tight, low permeability blocks interconnected by a high capacity fracture system.

8. The utilization of high angle/horizontal drilling technology in this area will afford the interest owners a greater opportunity to intersect such a fracture system than a conventionally drilled (vertical) well.

9. In as much as the exact distance, depth and direction of the lateral portion of the wellbore is not known at this time, the Applicant seeks approval to be allowed to drill said lateral portion anywhere within the Mancos interval and within an area designated a target window with no portion of the wellbore open to production in the Mancos formation being closer than 660 feet to an outer boundary of this section.

10. The granting of this application will be in the best interests of conservation, the prevention of waste and the protection of correlative rights.

Application of Meridian Oil Inc.
Case No.
Page 4

WHEREFORE, Applicant requests that this matter be set for hearing on September 19, 1991 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', written over a horizontal line.

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

WTK/jcl

appt827.330

EXHIBIT "A"

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised 1-1-89

Submit to Appropriate
District Office
State Leases - 4 copies
Fee Leases - 3 copies

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

DISTRICT I

P.O. Box 1980, Hobbs, NM 88240

DISTRICT II

P.O. Drawer DD, Artesia, NM 88210

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

Operator Meridian Oil Inc.		Lease Piedra Lumbre		Well No. 1
Unit Letter J	Section 22	Township 19 North	Range 2 West	County Sandoval
Actual Footage Location of Well: 2005 feet from the South line and 1775 feet from the East line				
Ground level Elev. 6829'	Producing Formation Mancos	Pool Undesignated	Dedicated Acreage: 640 Acres	

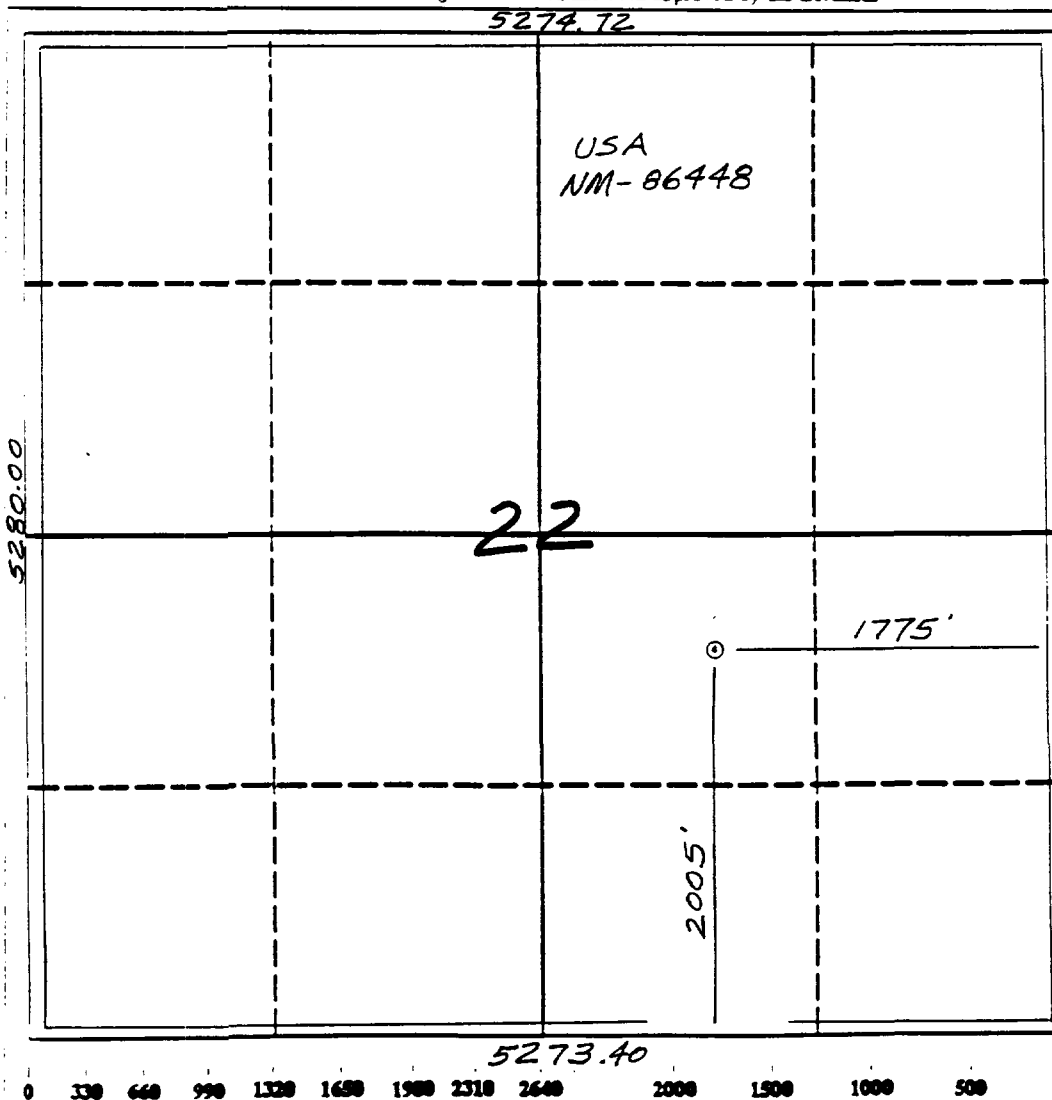
- Outline the acreage dedicated to the subject well by colored pencil or ballpoint marker on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.?

☐ Yes
 ☐ 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 interest, has been approved by the Division.



OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature
Peggy Bradfield
Printed Name
Regulatory Affairs
Position
Meridian Oil Inc.
Company

Date

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes or actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

8-20-39

Date Surveyed

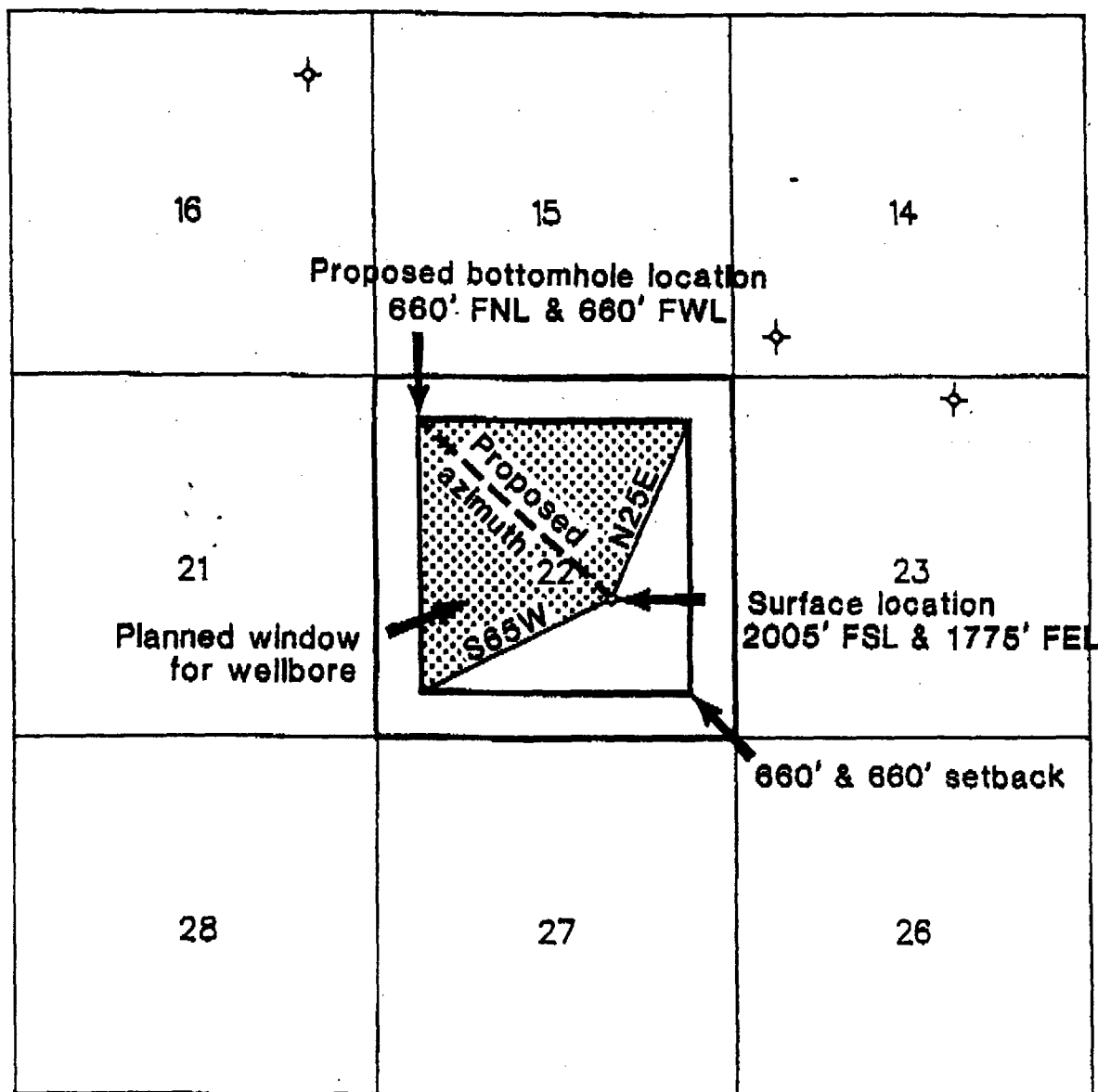
Signature
Professional Surveyor



Certificate

Neale C. Edwards

R 2 W



Kickoff Point, Casing Point, Deviation, Azimuth, Bottomhole Location
subject to change after logging vertical pilot hole

MERIDIAN OIL - PIEDRA LUMBRE NO. 1

Section 22 - T19N - R2W Sandoval County, New Mexico

W

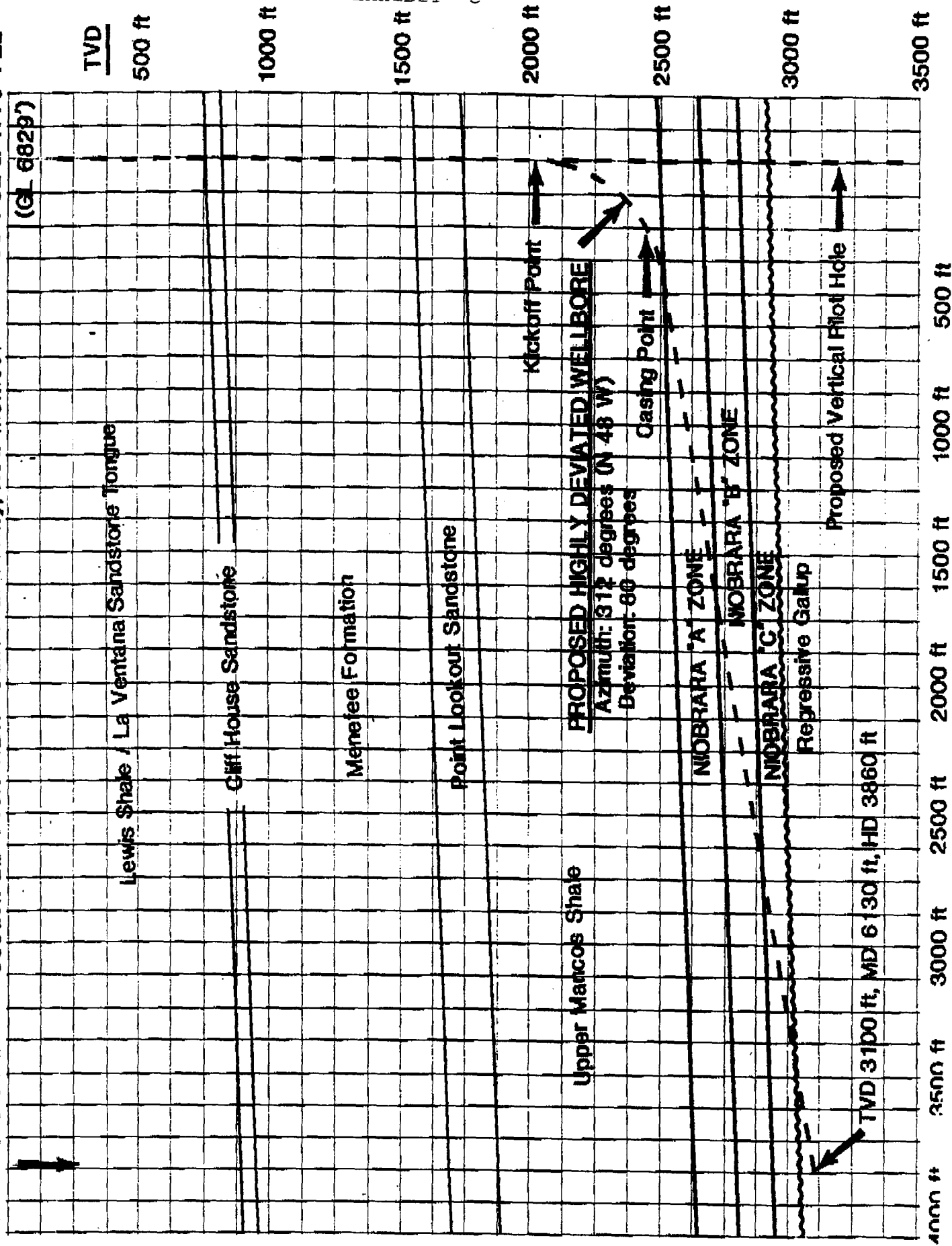
MERIDIAN OIL - PIEDRA LUMBRE NO. 1

Bottomhole location
660' FNL & 660' FWL

Section 22-T19N-R2W Sandoval County, New Mexico

Surface location
2205' FSL & 1775' FEL

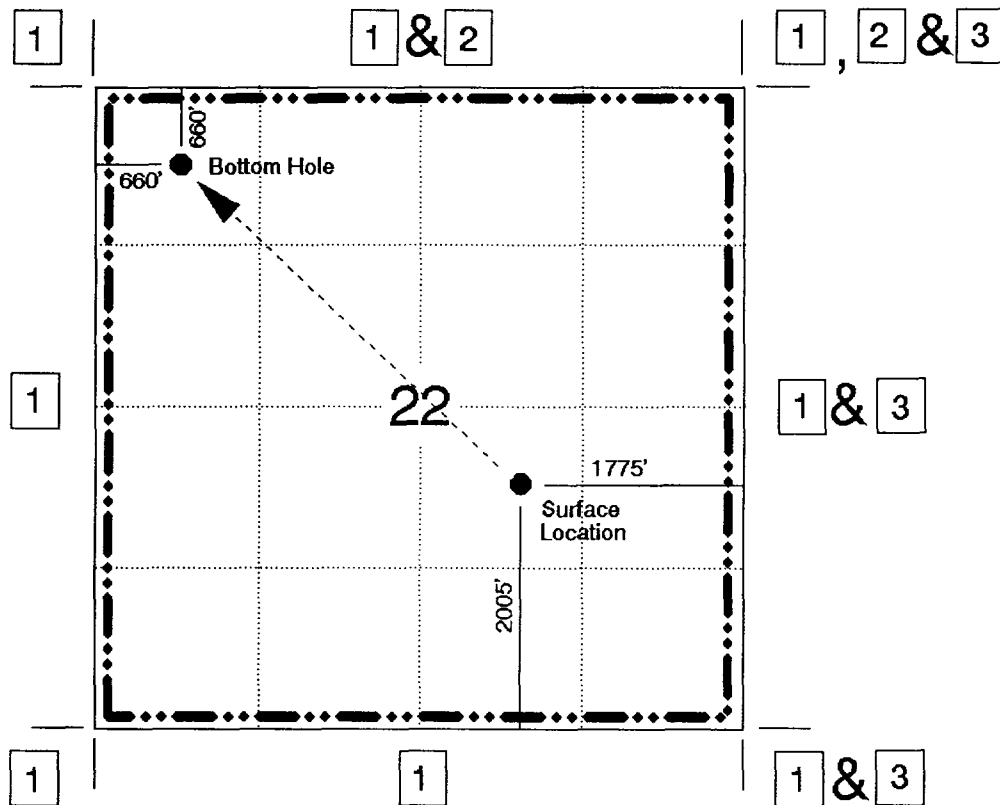
SE



OFFSET OPERATOR PLAT

Piedra Lumbre #1

Township 19 North, Range 02 West



1) Meridian Oil Inc

2) Norman F. Taylor (Not in Sec. 14)

PO Box 2733, Casper, WY 82602

Veteran Exploration, Inc.

7535 E. Hampton Ave., Suite 506, Denver, CO 80231

Samuel Gary, Jr. & Associates, Inc.

1775 Sherman St, Suite 1925, Denver, CO 80203

3) Yates Petroleum Corporation

105 S. Fourth St, Artesia, NM 88210