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

IASON KELLAHIN (RETIRED 1991)

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

W. THOMAS KELLAHIN*

September 13, 1992

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

1677

Re: Black Diamond Com. 8 No. 1 Well
Application of Meridian Oil Inc.
for a High Angle/Horizontal Direction
Drilling Pilot Project, Special
Operating Rules Therefor, including
A Non-Standard Oil Proration Unit,
and An Unorthodox Oil Well Location,
and A Special Project Allowable,
San Juan County, New Mexico

Dear Mr. LeMay:

On behalf of Meridian Oil Inc., 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 October 7, 1993.

By copy of this letter and application, sent certified mail, we are notifying all interested parties within a 1/2 mile radius of the subject well 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 failure to appear at the hearing may preclude them from any involvement in this case at a later date.

Mr. William J. LeMay September 13, 1993 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, August 27, 1993, with a copy delivered to the undersigned.

Very truly yours,

Thomas Kellahir

WTK/mg Enclosure

cc: Mr. John Zent

Meridian Oil Inc. Post Office Box 4289

Farmington, New Mexico 87499-4289

By Certified Mail - Return Receipt

All Parties Listed on Exhibit "C" of Application

PROPOSED ADVERTISEMENT

CASE Maridian Oil Inc. for a high angle/horizontal directional drilling pilot project and special operating rules therefor, San Juan County, New Mexico. Applicant seeks to initiate a horizontal drilling project in the Gallup formation, Horseshoe Gallup Oil Pool, underlying the W/2 of Section 8, T30N, R15W. Applicant proposes to drill its Black Diamond Com 18 No 1 Well by commencing at a standard well location in Unit D of Section 8, then kicking-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 a non-standard spacing and proration unit consisting of the W/2 of said Section 8, and for a special project allowable. Said project is located approximately 5-1/2 miles north-northeast from Waterflow. 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. 10844

APPLICATION OF MERIDIAN OIL INC. FOR HIGH ANGLE/HORIZONTAL DIRECTIONAL DRILLING PILOT PROJECT, SAN JUAN COUNTY, NEW MEXICO.

> CERTIFICATE OF MAILING AND COMPLIANCE WITH ORDER R-8054

STATE OF NEW MEXICO)

COUNTY OF SANTA FE)

W. Thomas Kellahin, being first duly sworn, hereby certifies that he is an Attorney at Law and representing the Applicant in this matter and that the notice provisions of Division Rule 1207 (Order R-8054) have been complied with, that Applicant has caused to be conducted a good faith diligent effort to find the correct addresses of all interested parties entitled to receive notice, that on September 15, 1993, he caused to be mailed by certified mail return-receipt requested notice of this hearing and a copy of the application for the above referenced case, at least twenty days prior to the hearing of this case set for October 7, 1993, to the parties shown in said application and as evidenced by the attached copies of return receipt cards, and that pursuant to Division Rule 1207, notice has been given at the correct addresses provided by such rule.

I. THOMAS KĖLLAHIN

SUBSCRIBED AND SWORN to before me this 6 day of October, 1993.

Notary Public

My Commission Expires:

June 7, 1993

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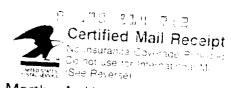
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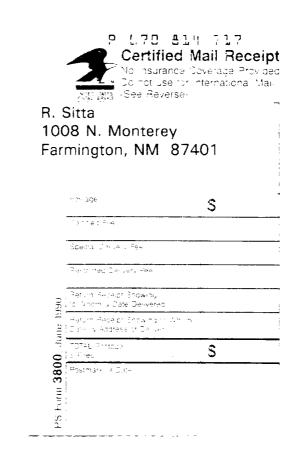
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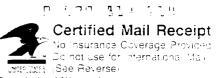
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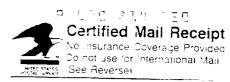
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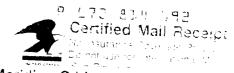
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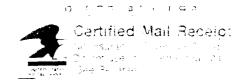
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George J. Head Trust c/o Lyle K. Head 2030 Airfield Ave Kingman, AZ 86401

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Helen Hayes P.R. of the Mary Hodgson Deceased 1817 Butler Ave Farmington, NM 87401

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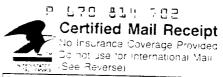
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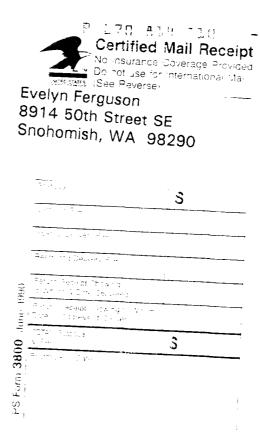
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Deborah E. Foulk Silla L. Von Foulk 31 Concord St. South Portland ME 06106

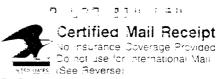
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3. Article Addressed to: Evelyn Ferguson 8914 50th Street SE Snohomish, WA 98290	4a. Article Number 4b. Service Type Registered Insured Express Mail Return Receipt for Merchandise 7. Date of Delivery
5. Signature (Addressee) 6. Signature (Agent) PS Form 3811, December 1991 *** APO: 1992—32	8. Addressee's Address (Only if requested and fee is paid) 3-427 DOMESTIC RETURN RECEIPT



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Barbara Couture 311 10th Street Alamosa, CO 81101

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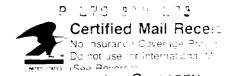
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Midlred Clifton Foutz & Doug Foutz 606 South Miller Avenue Farmington, NM 87401

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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 NOS. 10843 and 10844

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

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CONSOLIDATED PRE-HEARING STATEMENT

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

APPEARANCE OF PARTIES

APPLICANT

ATTORNEY

MERIDIAN OIL INC.
P. O. Box 4289
Farmington, N.M. 87499
Attn: John Zent
(505) 326-9758

W. Thomas Kellahin KELLAHIN AND KELLAHIN P.O. Box 2265 Santa Fe, NM 87504 (505) 982-4285 Pre-Hearing Statement Case Nos. 10843 & 10844 Page 2

STATEMENT OF CASES

APPLICANT:

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Meridian Oil Inc. seeks approval for two high angle/horizontal directional drilling pilot projects for:

- (1) Case 10843: its Black Diamond Com 18 Well No 1, San Juan County, New Mexico. The proposed project includes E/2 of Section 18, T30N, R15W, San Juan County, New Mexico, and
- (2) Case 10844: its Black Diamond Com 8 Well No 1, San Juan County, New Mexico. The proposed project includes W/2 of Section 8, T30N, R15W, San Juan County, New Mexico, and

The spacing for the pool is 40 acres per unit and Meridian proposes a single 320-acre project area spacing and proration unit to be dedicated to the well for each case.

Applicant proposes to drill each well commencing at standard oil well location and to drill in a southeasterly direction so that the producing lateral will extend across each section but with the final end point of the producing lateral to be not closer than 330 feet to the outer boundary of the project area in each case.

The two high angle/horizontal wells are an attempt to increase the probability of encountering several natural fractures in the reservoir which may improve productivity over conventional wells.

Pre-Hearing Statement Case Nos. 10843 & 10844 Page 3

In each case, Meridian seeks approval of:

- (1) A special 320-acre project area,
- (2) A drilling-producing window with 330 foot setbacks from the outer boundary of the project area,
- (3) The 320-acres as a non-standard proration and spacing unit with an allowable based upon the number of 40-acre tracts contacted by the wellbore;
- (4) An unorthodox well location so that the producing lateral can cross or encroach upon the interior 40-acre unit lines within the project area.

PROPOSED EVIDENCE

APPLICANT

WITNESSES	EST.	TIME	EXHIBITS*
Paul Basinski (geologist)		15 min.	2
John Zent (landman)		5 min.	1
Chris Settle (petroleum engine	eer)	15 min.	2
Eric Bauer (drilling engineer (drilling engineer))	10 min.	2

^{*} the exhibits are the number for each case. The time is the total time for the presentation of both of the consolidated cases.

Pre-Hearing Statement Case Nos. 10843 & 10844 Page 4

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PROCEDURAL MATTERS

Case 10843 is to be consolidated with Case 10844

KELLAHIN AND KELLAHIN

W. Thomas Kellahin P.O. Box 2265

Santa Fe, New Mexico 87504 (505) 982-4285

STATE OF NEW MEXICO



ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



BRUCE KING GOVERNOR

ANITA LOCKWOOD CABINET SECRETARY

POST OFFICE BOX 2088 STATE LAND OFFICE BUILDING SANTA FE, NEW MEXICO 87504 (505) 827-5800

October 25, 1993

RE: CASE NO. 10844 Order No. R-10001

Mr. Thomas Kellahin Kellahin and Kellahin Attorneys at Law Post Office Box 2265 Santa Fe, New Mexico 87504-2265

Dear Mr. Kellahin:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,

Florene Davidson OC Staff Specialist

Copy of order also sent to:

Hobbs OCD x
Artesia OCD x
Aztec OCD x