

BLM
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State of New Mexico
ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT
Santa Fe, New Mexico 87505

OIL CONSERVATION DIVISION



ADMINISTRATIVE ORDER DHC-1092

Mr. Arden L. Walker
Meridian Oil Company
P.O. Box 4289
Farmington, New Mexico 87499-4289

RECEIVED
FEB 17 1995

Attention: Arden L. Walker

OIL CON. DIV.
DIST. 3

*Sanchez Well No.2
Unit J , Section 34, Township 30 North, Range 10 West, NMPM,
San Juan County, New Mexico.
Aztec Fruitland Sand (Gas) and Basin Fruitland Coal (Gas) Pools*

Dear Mr. Walker:

Reference is made to your recent application for an exception to Rule 303-A of the Division Rules and Regulations to permit the subject well to commingle production from both pools in the wellbore.

It appearing that the subject well qualifies for approval for such exception pursuant to the provisions of Rule 303-C, and that reservoir damage or waste will not result from such downhole commingling, and correlative rights will not be violated thereby, you are hereby authorized to commingle the production as described above and any Division Order which authorized the dual completion and required separation of the two zones is hereby placed in abeyance.

In accordance with the provisions of Rule 303-C-4., total commingled oil production from the subject well shall not exceed 20 barrels per day, and total water production shall not exceed 40 barrels per day. The maximum amount of gas which may be produced daily from the well shall be determined by Division Rules and Regulations or by the gas allowable for each respective prorated pool as printed in the Division's San Juan Basin Gas Proration Schedule.

In accordance with the provisions of Rule 303-C, the supervisor of the Aztec District Office of the Oil Conservation Division shall determine the proper allocation of production from the subject well following its completion.

FURTHER: The operator shall notify the Aztec District Office of the Division upon implementation of the commingling process.

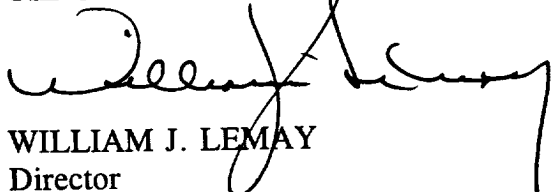
VILLAGRA BUILDING - 408 Galisteo
Forestry and Resources Conservation Division
P.O. Box 1948 87504-1948
827-5830
Park and Recreation Division
P.O. Box 1147 87504-1147
827-7465

2040 South Pacheco
Office of the Secretary
827-5950
Administrative Services
827-5925
Energy Conservation & Management
827-5900
Mining and Minerals
827-5970
Oil Conservation
827-7131

Pursuant to Rule 303-C-5, the commingling authority granted by the order may be rescinded by the Division Director if, in his opinion, conservation is not being best served by such commingling.

Approved at Santa Fe, New Mexico on this 15th day of February, 1995.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

S E A L

WJL/BES

cc: Oil Conservation Division - Aztec
Bureau of Land Management - Farmington

Ernie Busch

From: Ernie Busch
To: David Catanach
Subject: MERIDIAN OIL INC (DHC)
Date: Thursday, February 02, 1995 10:28AM
Priority: High

SANCHEZ #2
34-30N-10W
RECOMMEND: APPROVAL

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK

DRILL ☒DEEPEN ☐

b. TYPE OF WELL

OIL
WELL ☐GAS
WELL ☒

OTHER

SINGLE
ZONE ☒MULTIPLE
ZONE ☐

2. NAME OF OPERATOR

DUGAN PRODUCTION CORP.

3. ADDRESS AND TELEPHONE NO.

P.O. Box 420, Farmington, NM 87499

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)*

At surface

2370' FSL & 930' FWL (NW/4 SW/4)

At proposed prod. zone

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*

approx. 2 miles south of Brethren in Christ Mission School, NM

15. DISTANCE FROM PROPOSED*

LOCATION TO NEAREST
PROPERTY OR LEASE LINE, FT.
(Also to nearest drilg. unit line, if any)

930'

16. NO. OF ACRES IN LEASE

1721.01

18. DISTANCE FROM PROPOSED LOCATION*
TO NEAREST WELL, DRILLING, COMPLETED,
OR APPLIED FOR, ON THIS LEASE, FT.

approx. 668'

from April
Surprise #4

19. PROPOSED DEPTH

1710'

17. NO. OF ACRES ASSIGNED
TO THIS WELL

320

20. ROTARY OR CABLE TOOLS

Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)

6931' GL (est)

22. APPROX. DATE WORK WILL START*

ASAP

PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
9-7/8"	7"	20#	120'	45 sx (53 cu ft.) circ. to surf.
6-1/4"	4 1/2"	10.5#	1710'	160 sx (276 cu ft.) circ. to surf.

This action is subject to technical and
procedural review pursuant to 43 CFR 3100.2-9
and appeal pursuant to 43 CFR 3100.4.

DRILLING OPERATIONS & EQUIPMENT ARE
SUBJECT TO U.S. BUREAU OF LAND MANAGEMENT
"GENERAL REQUIREMENTS".

Plan to drill a 9-7/8" hole and set 120' of 7" OD, 20#, J-55 surface casing;
then plan to drill a 6-1/4" hole to total depth with gel-water-mud program to
test the Fruitland Coal formation. Plan to run IES and CDL logs. If determined
productive, will run 4 1/2", 10.5#, J-55 casing, selectively perforate, frac,
clean out after frac and complete well.

RECEIVED
SEP 23 1994
OIL CON. DIV.
DIST. 3

RECEIVED
AUG 29 PM 3:45
BLM
FARMINGTON, NM

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

34.

SIGNED

TITLE

Vice-President

DATE

8/26/94

(This space for Federal or State office use)

PERMIT NO.

APPROVAL DATE

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
CONDITIONS OF APPROVAL, IF ANY:

APPROVED
AS AMENDED

APPROVED BY

TITLE

DATE

*See Instructions On Reverse Side

SEP 23 1994

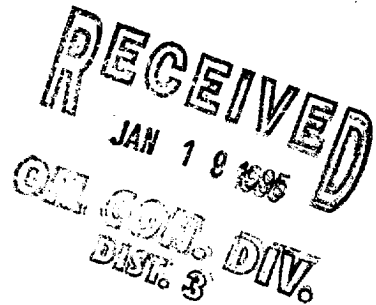
Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within the jurisdiction of such department or agency.

DISTRICT MANAGER

MERIDIAN OIL

January 11, 1995

New Mexico Oil Conservation Division
Attention: Mr. William LeMay
P.O. Box 2088
310 Old Santa Fe Trail
Santa Fe, New Mexico 87501



RE: Sanchez #2
SE/4, Section 34, T30N, R10W
San Juan County, New Mexico
Downhole Commingling Request

Dear Mr. LeMay:

Meridian Oil Inc. is applying for administrative approval to downhole commingle the above referenced well in the Fruitland Sand and Fruitland Coal intervals. The zones to be commingled have common ownership. All offset operators shown on the attached plat and the Bureau of Land Management have received notification of this downhole commingling application.

The proposed project is a Pictured Cliffs temporarily abandonment and a Fruitland Sand and Fruitland Coal completion. Commingling of the Fruitland Sand and Fruitland Coal horizons will provide an economical means of recovering reserves from both zones. Currently the Pictured Cliffs is not capable of producing gas against line pressure. At a later date, when line pressure has dropped, it may be proposed to tri-mingle the three horizons.

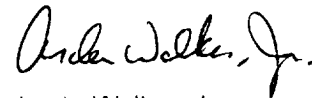
After perforating and stimulating the two formations a flow test of the two zones will be completed. The Fruitland Sand will then be isolated and tested separately using a retrievable bridge plug, bottom hole pressure bomb and packer assembly. After collecting bottom hole pressure information, the bridge plug assembly will be removed and both zones will be produced through a single string of tubing. Shut in pressures for the two formations are anticipated to be within a 50% variance. If post completion pressure variance exceeds 50%, the NMOCD will be notified for approval of an alternative production procedure. Based on reservoir characteristics, underground waste will not be caused by the proposed commingling. Significant cross flow is not anticipated because the flowing tubing pressure is less than any of the above horizons. Based on offset analogy, it is anticipated that minimal amounts of similar fluid will be produced.

The allocation of the commingled production will be calculated using flow tests from the Fruitland Sand and Fruitland Coal during completion operations. Meridian Oil Inc. will consult with the district supervisor of the Aztec NMOCD office for approval of the allocation formula.

New Mexico Oil Conservation Division
Mr. William LeMay
Sanchez #2
Downhole Commingling Request
Page Two

Approval of this commingling application will prevent resources from being wasted and protect correlative rights. Attached with this letter are plats showing ownership of the offsetting leases for both the Fruitland Sand and Fruitland Coal formations and a copy of letters sent to offset operators and the Bureau of Land Management.

Sincerely,

A handwritten signature in black ink, appearing to read "Arden Walker, Jr.", with a stylized, cursive script.

Arden L. Walker, Jr.
Regional Engineer

MEL:mel

Attachments

cc: Frank T. Chavez - NMOCD/Aztec
Peggy Bradfield - MOI Regulatory
Bureau of Land Management
Well File

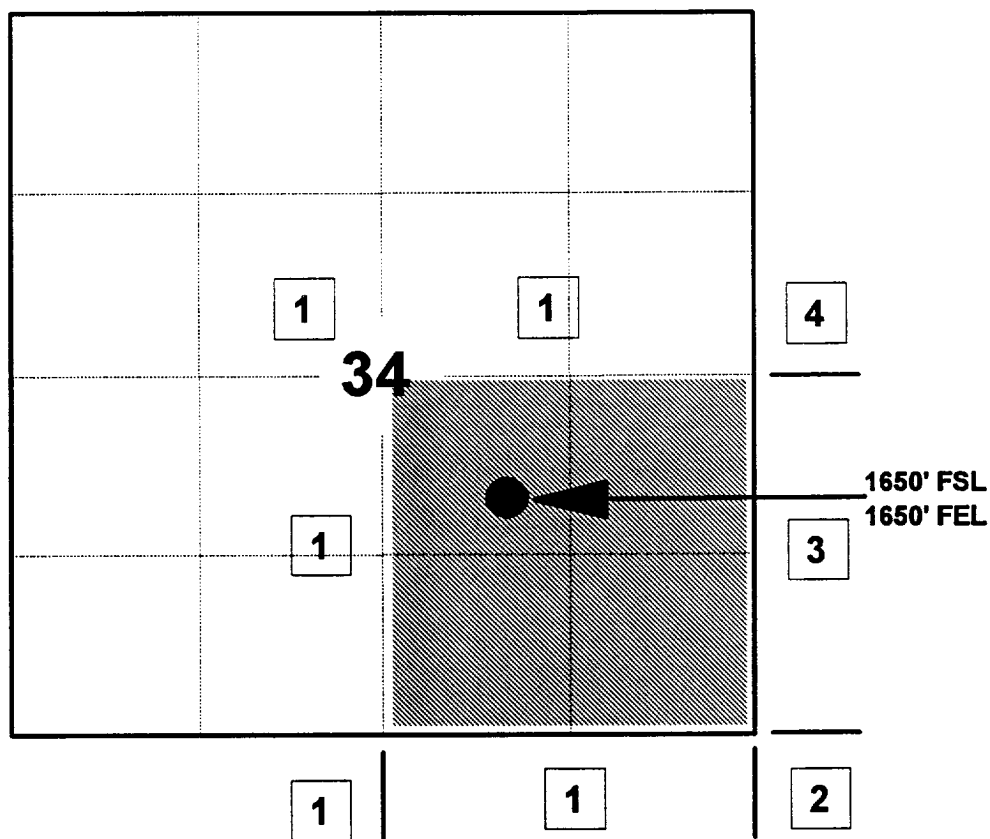
MERIDIAN OIL INC

SANCHEZ #2

OFFSET OPERATOR \ OWNER PLAT

Fruitland Sand / Fruitland Coal Formations Commigle Well

Township 30 North, Range 10 West



1) Southland Royalty Company

2) S G Interests

811 Dallas, Houston, TX 77002

&

Amoco Production

PO Box 800, Denver, CO 80202

3) See attached list.

4) See attached list.

Fruitland Sand Formation

3) Meridian Oil Inc.

Elizabeth Caloway
4801 St. Johns Drive
Dallas, TX 75205

Henrietta Schultz, Trustee
Lincoln Plaza, Suite 2160 LB-1
500 North Akard
Dallas, TX 75205

J. Glenn Turner, Jr.
3131 Turtle Creek Blve., Suite 1201
Dallas, TX 75219

Mary Frances Turner, Jr.
C/o MBank Dallas, Trustee (Trust #3095)
PO Box 951412
Dallas, TX 75295-1412

Fredrerick Eugene Turner
One Energy Square, Suite 853
4925 Greenville Ave.
Dallas, TX 75205

John Lee Turner
PO Box 797215
Dallas, TX 75279-7215

William G. Webb
c/o Questa Petroleum Inc.
PO Box 451
Albuquerque, NM 87103-0451

4) Southland Royalty Company

Meridian Oil Inc.

Ann Jones
Riverview Road, Irvington on Hudson
New York City, NY 10533

Ann Lockie
146 N. Gunston Drive
Los Angeles, CA 90049

Donna Mellenthin
3318 Oakdell Road
Studio City, CA 91604

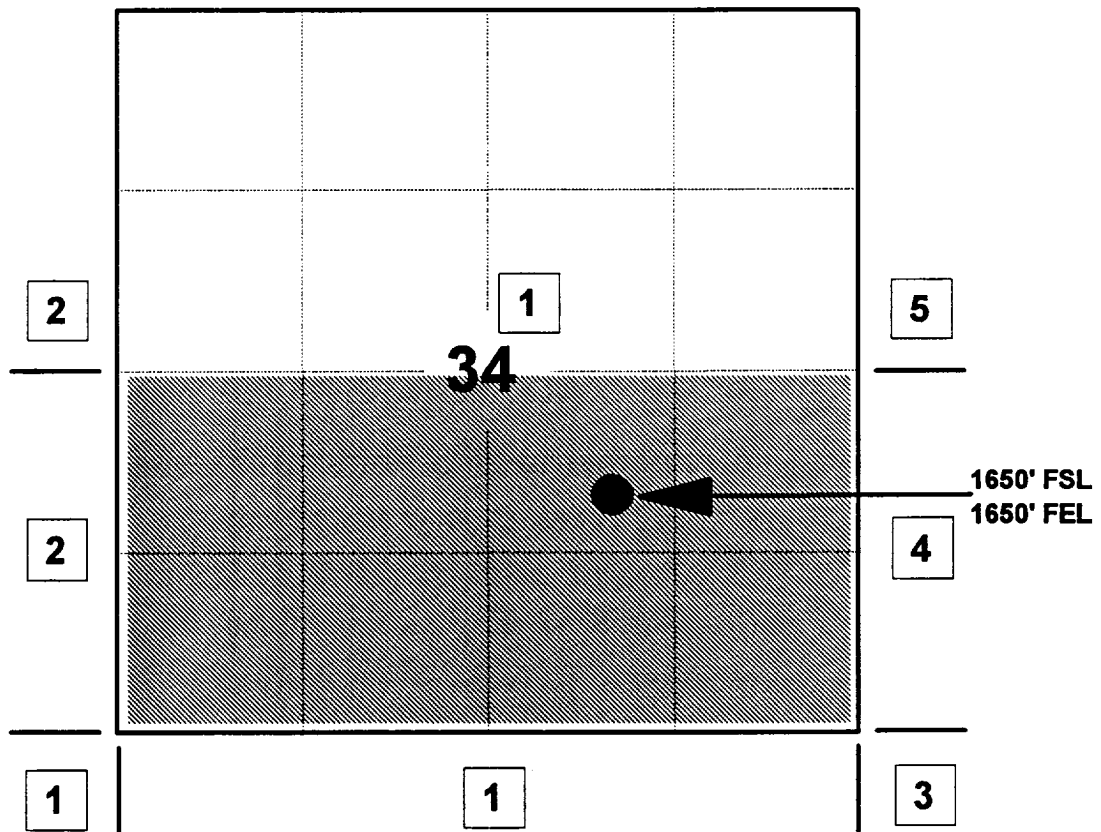
MERIDIAN OIL INC

SANCHEZ #2

OFFSET OPERATOR \ OWNER PLAT

Fruitland Sand / Fruitland Coal Formations Commingle Well

Township 30 North, Range 10 West



1) Southland Royalty Company

2) Conoco, Inc.

10 Desta Drive, Suite 100W, Midland, TX 79705

3) S G Interests

811 Dallas, Houston, TX 77002

4) See attached list.

5) See attached list.

4) Meridian Oil Inc.

Elizabeth Caloway
4801 St. Johns Drive
Dallas, TX 75205

Henrietta Schultz, Trustee
Lincoln Plaza, Suite 2160 LB-1
500 North Akard
Dallas, TX 75205

J. Glenn Turner, Jr.
3131 Turtle Creek Blve., Suite 1201
Dallas, TX 75219

Mary Frances Turner, Jr.
C/o MBank Dallas, Trustee (Trust #3095)
PO Box 951412
Dallas, TX 75295-1412

Fredrick Eugene Turner
One Energy Square, Suite 853
4925 Greenville Ave.
Dallas, TX 75205

John Lee Turner
PO Box 797215
Dallas, TX 75279-7215

William G. Webb
c/o Questa Petroleum Inc.
PO Box 451
Albuquerque, NM 87103-0451

5) Southland Royalty Company

Meridian Oil Inc.

Ann Jones
Riverview Road, Irvington on Hudson
New York City, NY 10533

Ann Lockie
146 N. Gunston Drive
Los Angeles, CA 90049

Donna Mellenthin
3318 Oakdell Road
Studio City, CA 91604

MERIDIAN OIL

January 11, 1995

Bureau of Land Management
1235 La Plata Highway
Farmington, New Mexico 87401

RE: Sanchez #2
SE/4, Section 34, T30N, R10W
San Juan County, New Mexico
Downhole Commingling Request

Gentlemen:

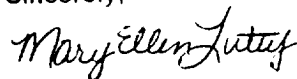
Meridian Oil Inc. is in the process of applying for a downhole commingling order from the New Mexico Oil Conservation Division (NMOCD) for the referenced well located in San Juan County, New Mexico. The approved application will commingle the Fruitland Sand and the Fruitland Coal fields.

The purpose of this letter is to notify you of Meridian's application. If you have no objections to the NMOCD issuing a commingling order, we would appreciate your signing this letter and returning the original to Mr. LeMay at the following address with a copy to this office:

New Mexico Oil Conservation Division
Mr. William LeMay
P.O. Box 2088
Santa Fe, New Mexico 87501

Your prompt attention to this matter would be appreciated.

Sincerely,



Mary Ellen Lutey
Production Engineer

MEL:tdg

**The undersigned hereby waives objection to the referenced
Downhole Commingle Request.**

Company/Owner: _____

Title: _____

Date: _____

MERIDIAN OIL

January 11, 1995

Conoco, Inc.
10 Desta Drive
Suite 100W
Midland, Texas 79705

RE: Sanchez #2
SE/4, Section 34, T30N, R10W
San Juan County, New Mexico
Downhole Commingling Request

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Mary Ellen Lutey
Production Engineer

MEL:tdg

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Company/Owner: _____

Title: _____

Date: _____

MERIDIAN OIL

January 11, 1995

S G Interests
811 Dallas
Houston, Texas 77002

RE: Sanchez #2
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San Juan County, New Mexico
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Sincerely,



Mary Ellen Lutey
Production Engineer

MEL:tdg

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Company/Owner: _____

Title: _____

Date: _____

MERIDIAN OIL

January 11, 1995

Amoco Production
P.O. Box 800
Denver, Colorado 80202

RE: Sanchez #2
SE/4, Section 34, T30N, R10W
San Juan County, New Mexico
Downhole Commingling Request

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Sincerely,



Mary Ellen Lutey
Production Engineer

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Company/Owner: _____

Title: _____

Date: _____

MERIDIAN OIL

January 11, 1995

Elizabeth Caloway
4801 St. Johns Drive
Dallas, Texas 75205

RE: Sanchez #2
SE/4, Section 34, T30N, R10W
San Juan County, New Mexico
Downhole Commingling Request

Dear Ms. Caloway:

Meridian Oil Inc. is in the process of applying for a downhole commingling order from the New Mexico Oil Conservation Division (NMOCD) for the referenced well located in San Juan County, New Mexico. The approved application will commingle the Fruitland Sand and the Fruitland Coal fields.

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Production Engineer

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Company/Owner: _____

Title: _____

Date: _____

MERIDIAN OIL

January 11, 1995

Henrietta Schultz, Trustee
Lincoln Plaza
Suite 2160 LB-1
500 North Akard
Dallas, Texas 75205

RE: Sanchez #2
SE/4, Section 34, T30N, R10W
San Juan County, New Mexico
Downhole Commingling Request

Dear Ms. Schultz:

Meridian Oil Inc. is in the process of applying for a downhole commingling order from the New Mexico Oil Conservation Division (NMOCD) for the referenced well located in San Juan County, New Mexico. The approved application will commingle the Fruitland Sand and the Fruitland Coal fields.

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Santa Fe, New Mexico 87501

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Sincerely,

Mary Ellen Lutey
Production Engineer

MEL:tdg

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Downhole Commingle Request.**

Company/Owner: _____

Title: _____

Date: _____

MERIDIAN OIL

January 11, 1995

J. Glenn Turner, Jr.
3131 Turtle Creek Blvd
Suite 1201
Dallas, Texas 75219

RE: Sanchez #2
SE/4, Section 34, T30N, R10W
San Juan County, New Mexico
Downhole Commingling Request

Dear Mr. Turner:

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Mary Ellen Lutey
Production Engineer

MEL:tdg

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Company/Owner: _____

Title: _____

Date: _____

MERIDIAN OIL

January 11, 1995

Mary Frances Turner, Jr.
c/o MBank Dallas, Trustee (Trust #3095)
P.O. Box 951412
Dallas, Texas 75295-1412

RE: Sanchez #2
SE/4, Section 34, T30N, R10W
San Juan County, New Mexico
Downhole Commingling Request

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Santa Fe, New Mexico 87501

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Sincerely,



Mary Ellen Lutey
Production Engineer

MEL:tdg

**The undersigned hereby waives objection to the referenced
Downhole Commingle Request.**

Company/Owner: _____

Title: _____

Date: _____

MERIDIAN OIL

January 11, 1995

Fredrick Eugene Turner
One Energy Square
Suite 853
4925 Greenville Avenue
Dallas, Texas 75205

RE: Sanchez #2
SE/4, Section 34, T30N, R10W
San Juan County, New Mexico
Downhole Commingling Request

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Santa Fe, New Mexico 87501

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Sincerely,



Mary Ellen Lutey
Production Engineer

MEL:tdg

**The undersigned hereby waives objection to the referenced
Downhole Commingle Request.**

Company/Owner: _____

Title: _____

Date: _____

MERIDIAN OIL

January 11, 1995

John Lee Turner
P.O. Box 797215
Dallas, Texas 75279-7215

RE: Sanchez #2
SE/4, Section 34, T30N, R10W
San Juan County, New Mexico
Downhole Commingling Request

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Sincerely,



Mary Ellen Lutey
Production Engineer

MEL:tdg

**The undersigned hereby waives objection to the referenced
Downhole Commingle Request.**

Company/Owner: _____

Title: _____

Date: _____

MERIDIAN OIL

January 11, 1995

William G. Webb
c/o Questa Petroleum Inc.
P.O. Box 451
Albuquerque, New Mexico 87103-0451

RE: Sanchez #2
SE/4, Section 34, T30N, R10W
San Juan County, New Mexico
Downhole Commingling Request

Dear Mr. Webb:

Meridian Oil Inc. is in the process of applying for a downhole commingling order from the New Mexico Oil Conservation Division (NMOCD) for the referenced well located in San Juan County, New Mexico. The approved application will commingle the Fruitland Sand and the Fruitland Coal fields.

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Mr. William LeMay
P.O. Box 2088
Santa Fe, New Mexico 87501

Your prompt attention to this matter would be appreciated.

Sincerely,



Mary Ellen Lutey
Production Engineer

MEL:tdg

**The undersigned hereby waives objection to the referenced
Downhole Commingle Request.**

Company/Owner: _____

Title: _____

Date: _____

MERIDIAN OIL

January 11, 1995

Ann Jones
Riverview Road
Irvington on Hudson
New York City, New York 10533

RE: Sanchez #2
SE/4, Section 34, T30N, R10W
San Juan County, New Mexico
Downhole Commingling Request

Dear Ms. Jones:

Meridian Oil Inc. is in the process of applying for a downhole commingling order from the New Mexico Oil Conservation Division (NMOCD) for the referenced well located in San Juan County, New Mexico. The approved application will commingle the Fruitland Sand and the Fruitland Coal fields.

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New Mexico Oil Conservation Division
Mr. William LeMay
P.O. Box 2088
Santa Fe, New Mexico 87501

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Sincerely,



Mary Ellen Lutey
Production Engineer

MEL:tdg

**The undersigned hereby waives objection to the referenced
Downhole Commingle Request.**

Company/Owner: _____

Title: _____

Date: _____

MERIDIAN OIL

January 11, 1995

Ann Lockie
146 North Gunston Drive
Los Angeles, California 90049

RE: Sanchez #2
SE/4, Section 34, T30N, R10W
San Juan County, New Mexico
Downhole Commingling Request

Dear Ms. Lockie:

Meridian Oil Inc. is in the process of applying for a downhole commingling order from the New Mexico Oil Conservation Division (NMOCD) for the referenced well located in San Juan County, New Mexico. The approved application will commingle the Fruitland Sand and the Fruitland Coal fields.

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Sincerely,



Mary Ellen Lutey
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Company/Owner: _____

Title: _____

Date: _____

MERIDIAN OIL

January 11, 1995

Donna Mellenthin
3318 Oakdell Road
Studio City, California 91604

RE: Sanchez #2
SE/4, Section 34, T30N, R10W
San Juan County, New Mexico
Downhole Commingling Request

Dear Ms. Mellenthin:

Meridian Oil Inc. is in the process of applying for a downhole commingling order from the New Mexico Oil Conservation Division (NMOCD) for the referenced well located in San Juan County, New Mexico. The approved application will commingle the Fruitland Sand and the Fruitland Coal fields.

The purpose of this letter is to notify you of Meridian's application. If you have no objections to the NMOCD issuing a commingling order, we would appreciate your signing this letter and returning the original to Mr. LeMay at the following address with a copy to this office:

New Mexico Oil Conservation Division
Mr. William LeMay
P.O. Box 2088
Santa Fe, New Mexico 87501

Your prompt attention to this matter would be appreciated.

Sincerely,



Mary Ellen Lutey
Production Engineer

MEL:tdg

**The undersigned hereby waives objection to the referenced
Downhole Commingle Request.**

Company/Owner: _____

Title: _____

Date: _____