



**EXHIBIT 1**



**KELLAHIN AND KELLAHIN**

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

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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)

July 11, 1994

HAND DELIVERED

Mr. Michael E. Stogner  
Chief Hearing Examiner  
Oil Conservation Division  
310 Old Santa Fe Trail  
Santa Fe, New Mexico 87504

Re: Johnson POW #1 Well  
Application of Meridian Oil Inc.  
for an Unorthodox Coal Gas Well  
Location, Basin Fruitland Coal Gas Pool,  
San Juan County, New Mexico

Dear Mr. Stogner:

On behalf of Meridian Inc., please find enclosed our Application for An Unorthodox Coal-Gas Well Location for the Johnson POW #1 Well which we request be set for hearing on the next available Examiner's docket now scheduled for August 4, 1994.

By copy of this letter, including the Application to all interested parties, 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-examine witnesses either in support of or in opposition to the Application.

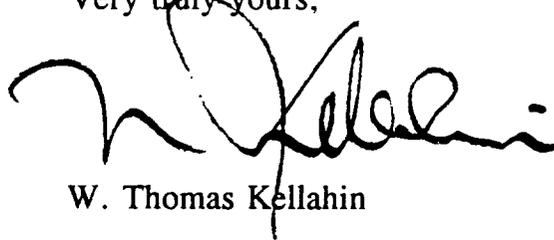
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Mr. Michael E. Stogner  
July 11, 1994  
Page Two

Pursuant to the Division's Memorandum 2-90, all interested 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 P.M. on Friday July 29, 1994, with a copy delivered to the undersigned.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written in a cursive style. The signature is positioned below the closing 'Very truly yours,' and above the printed name 'W. Thomas Kellahin'.

W. Thomas Kellahin

cc: Alan Alexander (Meridian-Farmington)

JUL 11 1994

PROPOSED ADVERTISEMENT

CASE \_\_\_\_\_: Application of Meridian Oil Inc. for an unorthodox coal-gas well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox coal-gas well location for its Johnson POW #1 Well to be drilled at an unorthodox coal-gas location 240 feet FSL and 340 feet FEL (Unit P) Section 21, Township 27 North, Range 10 West, NMPM, San Juan County, New Mexico in the Basin-Fruitland Coal Gas Pool and to be dedicated to a standard 320 acre coal-gas proration and spacing unit consisting of the E/2 of said Section 21. Said well is located approximately 1-1/2 miles southwest from Angels Peak, New Mexico.

**STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION**

JUL 11 1994

IN THE MATTER OF THE APPLICATION OF  
MERIDIAN OIL INC. FOR APPROVAL OF  
AN UNORTHODOX COAL-GAS WELL LOCATION,  
BASIN-FRUITLAND COAL GAS POOL,  
SAN JUAN COUNTY, NEW MEXICO

CASE: \_\_\_\_\_

**APPLICATION**

Comes now MERIDIAN OIL INC., by and through its attorneys, KELLAHIN and KELLAHIN, and applies to the New Mexico Oil Conservation Division for approval of an unorthodox coal-gas well location for its Johnson POW #1 Well to be drilled at an unorthodox coal-gas location 240 feet FSL and 340 feet FEL (Unit P) Section 21, Township 27 North, Range 10 West, NMPM, San Juan County, New Mexico, in the Basin-Fruitland Coal Gas Pool and to be dedicated to a standard 320 acre coal-gas proration and spacing unit consisting of the E/2 of said Section 21.

In support thereof, Applicant states:

1. Applicant, Meridian Oil Inc., is the operator of the coal-gas wells in Sections 21, 22, 27 and 28 of T27N, R10W, N.M.P.M, San Juan County, New Mexico, which is to be the "Johnson-Fruitland Coal Gas Reservoir Study Project ("Project") to be conducted within an area referred to as the "Project Area," all as shown on Exhibit "A" attached.

2. The subject pool was created by Order R-8768 dated October 17, 1988 and was initially spaced on 320 acre spacing (Rule 4) with standard coal gas well locations to be not closer than 790 feet to any outer boundary of the spacing unit, nor closer than 130 feet to any quarter section line, nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary (Rule 7).

3. Division Order R-8768-A issued July 16, 1991 found among other things that "traditional engineering methods such as decline curve analysis, volumetric calculations and material balance which are usually utilized to determine drainage areas are inapplicable to the Basin-Fruitland Coal Gas Pool due to the unique producing characteristics of the coal seams."

4. The Project is to be a reservoir study of a portion of the Basin-Fruitland Coal Gas Pool as shown on Exhibit "B" to obtain reservoir characterization data, to define Fruitland Coal-Gas Pool production characteristics, and to allow Meridian Oil Inc. an opportunity to refine it's Fruitland Coal-Gas reservoir simulation model.

5. The Project Area will include the eight (8) currently productive coal gas wells identified on Exhibit "C" attached.

6. The Project Area also contains the Pictured Cliffs wells identified on Exhibit "D" attached.

7. The unorthodox coal-gas well location for the Johnson POW #1 Well is needed in order to place the Johnson POW #1 Well at the approximate center of a group of 8 coal-gas wells all within the Project Area.

8. An interference test will be conducted in the basal and upper coal zones within the Project Area by shutting-in the 8 coal gas wells and all of the Pictured Cliffs wells and producing the Johnson POW #1 Well with the nearest four coal-gas wells used as pressure observation wells. Upon completion of the Pilot Project, the Johnson POW #1 Well will be used as a pressure observation well and the other wells returned to production.

9. The proposed well would be at unorthodox location because it is 240 feet from the south side and 340 feet from the east side of Section 21 rather than the required 790 feet and would require an exception to Rule 7 of the subject pool.

10. The closest standard location would place the subject Johnson POW #1 Well too far to the north and west and may adversely affect the ability to obtain accurate pressure interference data.

11. In order to avoid the impairment of correlative rights, Meridian Oil Inc. has designated a Project Area which consists entirely of federal oil & gas leases; will obtain the consent of all the Fruitland Coal-Gas working interest owners in the Project Area; and commits to pay each burden (royalty, overriding royalty, etc.) owner in each of the eight 320-acre coal gas spacing units in the Project Area as if the Johnson POW #1 Well was located on that spacing unit with each such burden owner being paid revenue derived solely from the Johnson POW #1 Well's production.

12. Approval of the application will afford the applicant and all working interest owners in the Project Area the opportunity to produce to gather reservoir data concerning this pool, to obtain reservoir characterization data, to define Fruitland Coal-Gas Pool production characteristics, and to allow Meridian Oil Inc. an opportunity to refine it's Fruitland Coal-Gas reservoir simulation model.

13. In accordance with Division Rule 1207, Applicant will notify those affected parties towards whom the proposed location encroaches.

14. In addition, Meridian Oil Inc. will provide notice of this application and this request for a hearing to all interest owners within the Project Area.

WHEREFORE, Applicant requests that, after notice and hearing, this Application be approved as requested.

KELLAHIN and KELLAHIN

BY 

W. Thomas Kellahin

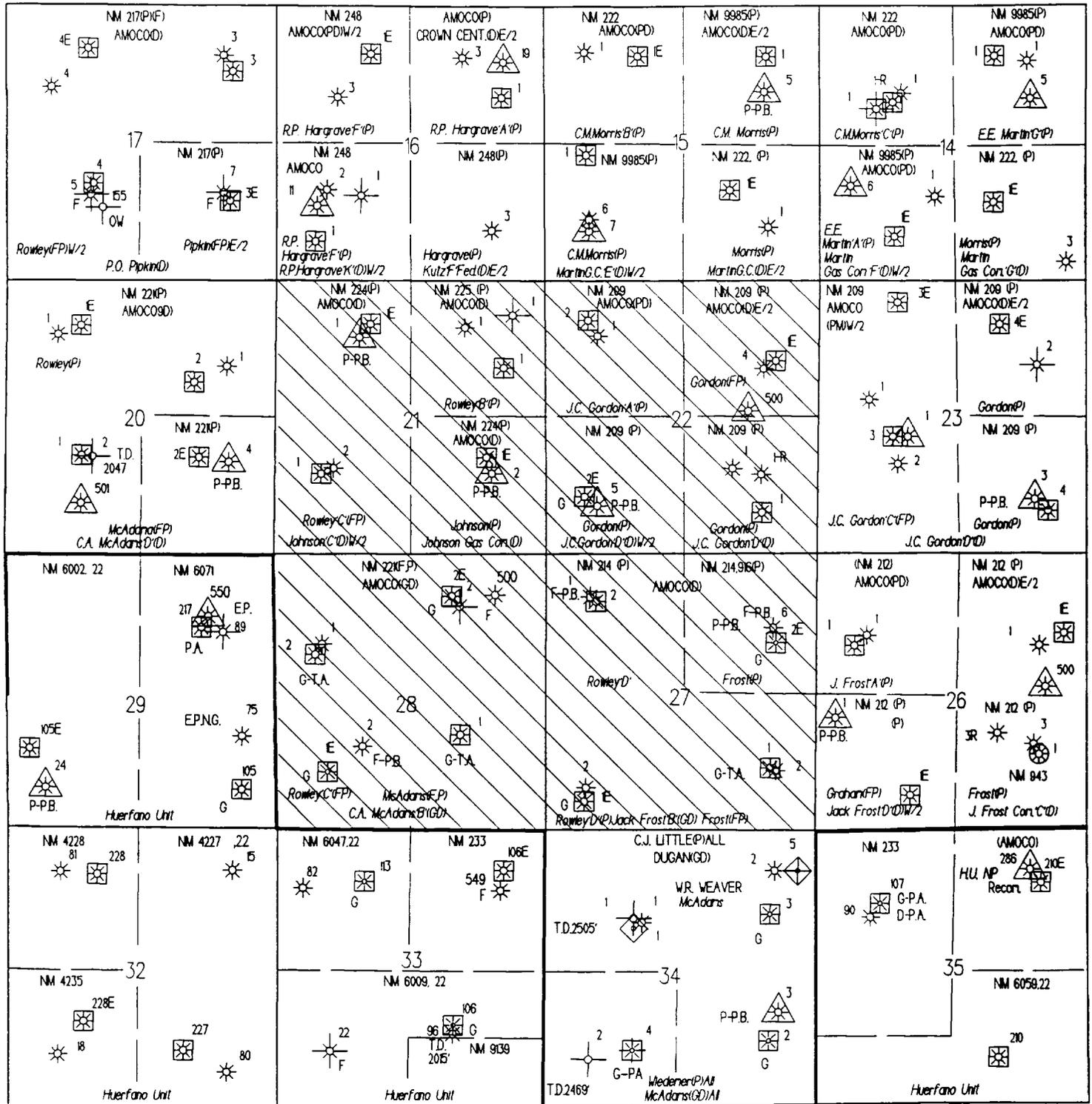
P. O. Box 2265

Santa Fe, New Mexico 87504

(505) 982-4285

ATTORNEY FOR APPLICANT

# MERIDIAN OIL INC. FRUITLAND COAL PILOT PROJECT SECTION 21,22,27,28,T27N,R10W SAN JUAN CO., NEW MEXICO



- FRUITLAND SAND WELL
- MESAVERDE WELL
- FRUITLAND COAL WELL
- DAKOTA WELL
- PICTURED CLIFFS WELL
- GALLUP WELL
- PROJECT AREA

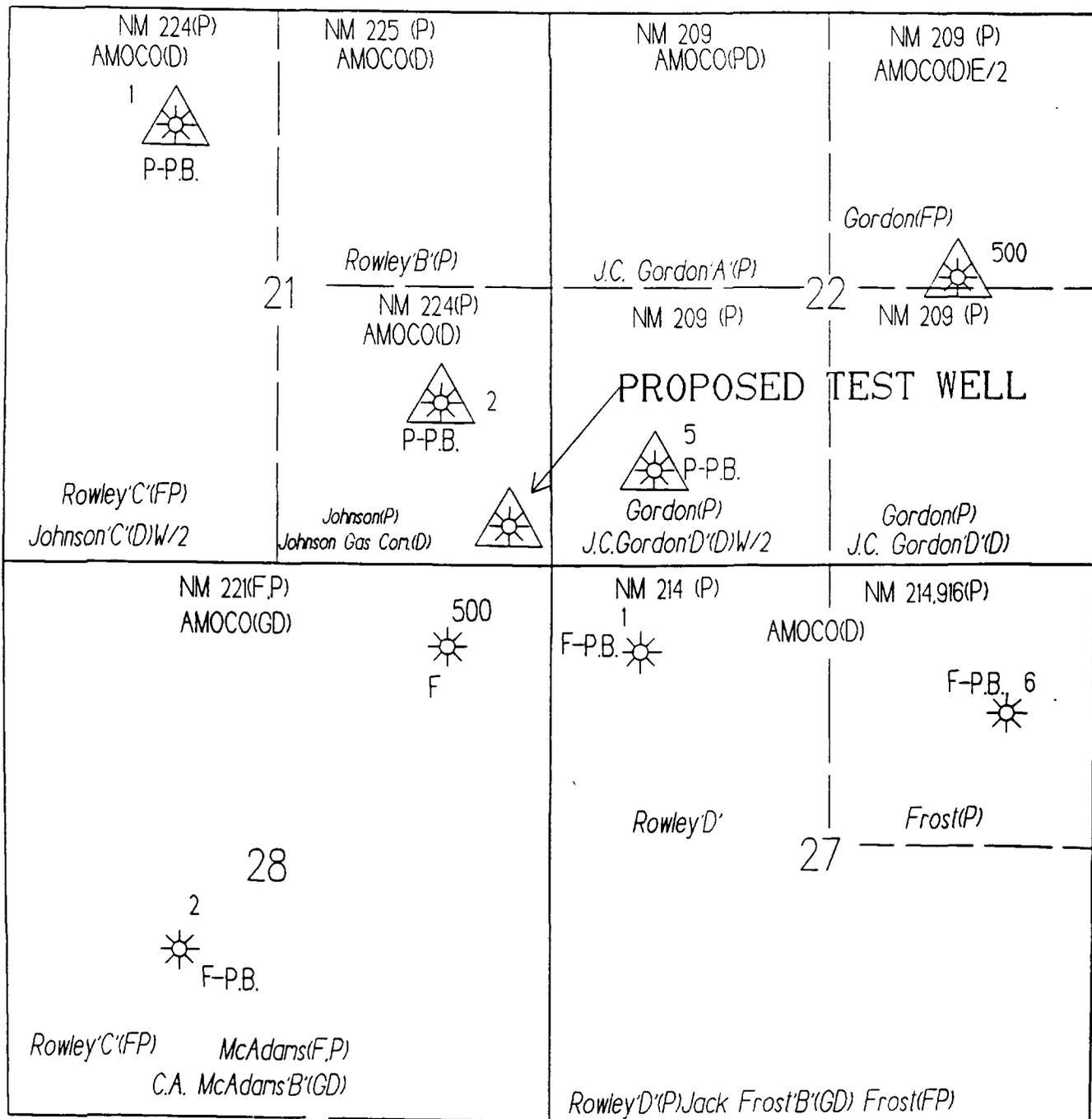
EXHIBIT "A"

# MERIDIAN OIL INC.

## FRUITLAND COAL PILOT PROJECT

### SECTION 21,22,27,28,T27N,R10W

### SAN JUAN CO., NEW MEXICO



 FRUITLAND COAL WELL

 PICTURED CLIFFS PLUG BACK TO FRUITLAND WELL

JOHNSON PILOT PROJECT  
 FRUITLAND COAL WELLS  
 SEC. 21, 22, 27, 28, T27N, R10W

WELL ID	WELL NAME	NO.	RNG	TWN	SECT	UNIT	DED.	BASE FILE NBR	LOCATION DESC	FORM CD	GWI PCT	NRI PCT	CMPLT DT	OP NONOP	FLG
50883B	JOHNSON	2	010W	027N	21	I	E/2	NM 224	1625'S, 1090'E	1238	100	75.0625	19901102		O
50884B	ROWLEY B	1	010W	027N	21	C	W/2	NM-224	990'N 1650'W	1238	100	72	19890721		O
50929B	GORDON	5	010W	027N	22	M	W/2	NM 209	920'S 1060'W	1238	100	71.9375	19920219		O
4168A	GORDON	500	010W	027N	22	G	E/2	NM 209 300	2500'N, 1400'E	1238	100	76.0625	19900312		O
50885B	ROWLEY D	1	010W	027N	27	D	W/2	NM 214 01	790'N 890'W	1238	100	74	19881101		O
50881B	FROST	6	010W	027N	27	H	E/2	NM916	1400' FNL & 830' FEL	1238	100	76.0625	19000000		O
36950B	MCADAMS	500	010W	027N	28	A	E/2	NM221	790'FNL, 1010'FEL	1238	50	42	19931215		O
50875B	ROWLEY C	2	010W	027N	28	K	W/2	NM-221	1650'S 1650'W	1238	100	71.5	19890801		O

EXHIBIT "C"

JOHNSON FTC PILOT PROJECT  
PICTURED CLIFFS WELLS

DP	WELL_NAME	NO.	SEC	TWN	RNG	BASE_FILE	FOOTAGE	NWI	GWI	CMP_DATE	CODE	DESC	UNIT	QUARTER	FORMATION	OPER/NON-OPER
58828A	JOHNSON	1P/A	21	027N	010W	NM 225 01	660'FNL, 660'FEL	84.500000	100.000000	19481025	07	NE/4	A	NE/4 NE/4	PICTURED CLIFFS	MERIDIAN
50887A	ROWLEY B	2	21	027N	010W	NM 224 010	1650'S 1090'W	72.000000	100.000000	19530324	08	SW/4	L	NW/4 SW/4	PICTURED CLIFFS	MERIDIAN
50884A	ROWLEY B	1	21	027N	010W	NM 224 010	990'N 1650'W	72.000000	100.000000	19530414	02	W/2	C	NE/4 NW/4	PICTURED CLIFFS	MERIDIAN
50883A	JOHNSON	2	21	027N	010W	NM 224 010	1625'S 1090'E	65.625000	100.000000	19530601	09	SE/4	I	NE/4 SE/4	PICTURED CLIFFS	MERIDIAN
52260A	JOHNSON	21	21	027N	010W	NM 225 01	890'N 1550'E	84.500000	100.000000	19680816	07	NE/4	B	NW/4 NE/4	PICTURED CLIFFS	MERIDIAN
50852A	GORDON	1P/A	22	027N	010W	NM 209 01	1650'S 1650'E	86.500000	100.000000	19511203	09	SE/4	J	NW/4 SE/4	PICTURED CLIFFS	MERIDIAN
50865A	GORDON	4	22	027N	010W	NM 917 01	1650'N 990'E	65.625000	100.000000	19520731	07	NE/4	H	SE/4 NE/4	PICTURED CLIFFS	MERIDIAN
50929A	GORDON	5	22	027N	010W	NM 4785 01	920'S 1060'W	73.875000	100.000000	19550310	08	SW/4	M	SW/4 SW/4	PICTURED CLIFFS	MERIDIAN
50853A	GORDON	22	22	027N	010W	NM 209 01	1520'S 1120'E	86.500000	100.000000	19810113	09	SE/4	I	NE/4 SE/4	PICTURED CLIFFS	MERIDIAN
N/A	F. C. GORDON	1	22	027N	010W	N/A		0.000000	0.000000		07	NE/4	D	NW/4 NW/4	PICTURED CLIFFS	AMOCO
50855A	FROST	2	27	027N	010W	NM 214 01	1150'S 850'E	86.500000	100.000000	19520205	09	SE/4	P	SE/4 SE/4	PICTURED CLIFFS	MERIDIAN
50885A	ROWLEY D	1	27	027N	010W	NM 214 01	790'N 890'W	74.000000	100.000000	19530324	06	NW/4	D	NW/4 NW/4	PICTURED CLIFFS	MERIDIAN
50881A	FROST	6	27	027N	010W	NM 916 01	1400'N 830'E	65.625000	100.000000	19530512	03	E/2	H	SE/4 NE/4	PICTURED CLIFFS	MERIDIAN
50876A	ROWLEY D	2	27	027N	010W	NM 214 01	790'S 790'W	74.000000	100.000000	19530611	08	SW/4	M	SW/4 SW/4	PICTURED CLIFFS	MERIDIAN
50857A	MCADAMS	2	28	027N	010W	NM 221 01	990'N 1650'E	84.000000	100.000000	19511204	04	N/2	B	NW/4 NE/4	PICTURED CLIFFS	MERIDIAN
50874A	ROWLEY C	1	28	027N	010W	NM 221 30	1650'N 990'W	71.500000	100.000000	19530601	06	NW/4	E	SW/4 NW/4	PICTURED CLIFFS	MERIDIAN
50875A	ROWLEY C	2	28	027N	010W	NM 221 30	1650'S 1650'W	71.500000	100.000000	19530601	08	SW/4	K	NE/4 SW/4	PICTURED CLIFFS	MERIDIAN
36950A	MCADAMS	500	28	027N	010W	NM221	790'FNL, 1010'FE	84.000000	100.000000	19931215	07	NE/4	A	NE/4 NE/4	PICTURED CLIFFS	MERIDIAN

EXHIBIT "D"



**MERIDIAN OIL**

July 28, 1994

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94 JUL 28 AM 11:05

070 FARMINGTON, NM

United States Department of Interior  
Bureau of Land Management  
1235 La Plata Highway  
Farmington, NM 87401

**RE: Waiver of Notice  
Case No. 11047  
NMOCD Examiners Hearing  
Thursday-August 4, 1994  
8:15 AM-Morgan Hall  
State Office Building  
Santa Fe, New Mexico**

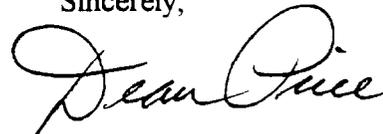
Dear Sirs:

For the above referenced State of New Mexico Oil Conservation Division Examiner's Hearing, Meridian Oil Inc. has filed an application for an unorthodox coal gas well location 240 feet from the South line and 340 feet from the East Line of Section 21, Township 27 North, Range 10 West, NMPM in the Basin-Fruitland Coal Gas Pool.

Attached is a copy of the application and a copy of the NMOCD Examiner's hearing docket for Thursday, August 4, 1994.

If you should have any questions concerning same, please inquire of the undersigned at 599-4027. You also are urged to attend the hearing. Thank you.

Sincerely,



Dean Price-CPL  
Senior Landman

DDP/cj  
dpjul.17

**United States Department of Interior, Bureau of Land Management, Farmington District Office waives and acknowledges that it has received notice of the above referenced NMOCD Examiner's hearing.**

X Brian W. Davis Date: July 27, 1994

BY: Brian W. Davis TITLE: Petroleum Engineer  
for Dave Spencer