

**EXHIBIT 1**

**KELLAHIN AND KELLAHIN**

ATTORNEYS AT LAW

EL PATIO BUILDING

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SANTA FE, NEW MEXICO 87504-2265

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RECOGNIZED SPECIALIST IN THE AREA OF  
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

TELEPHONE (505) 982-4285  
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December 22, 1994

A  
DEC 1994  
RECEIVED  
Land Dept.

HAND DELIVERED

DEC 22 1994

Mr. Michael E. Stogner  
Chief Hearing Examiner  
Oil Conservation Division  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Re: Murphy "A" Com Well No. 1, L-02-29N-11W  
Application of Meridian Oil Inc.  
for downhole commingling  
San Juan County, New Mexico

Dear Mr. Stogner:

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 January 19, 1995.

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.

Oil Conservation Division  
December 22, 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, January 13, 1995, 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', written over the closing text.

W. Thomas Kellahin

WTK/wtk  
Enclosure

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

PROPOSED ADVERTISEMENT

Case \_\_\_\_\_: Application of Meridian Oil Inc. for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval to downhole commingle conventional Aztec-Pictured Cliffs Gas Pool production (160-acre standard dedication comprising the SW/4) with coal gas production from the Basin-Fruitland Coal Gas Pool (305.33-acre standard dedication comprising Lots 3,4, S/2NW/4 and SW/4, being W/2 equivalent) within the wellbore of its Murphy "A" Com Well No. 1 located 1650 feet from the South line and 990 feet from the West line (Unit L) of Section 2, T29N, R11W, NMPM. Said well is located approximately 3.5 miles north-northeast of Bloomfield, New Mexico. **IN THE ABSENCE OF OBJECTION, THIS APPLICATION WILL BE TAKEN UNDER ADVISEMENT.**

DEC 2 2 001

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:

DEC 22 1994

APPLICATION OF MERIDIAN OIL INC.  
FOR DOWNHOLE COMMINGLING  
SAN JUAN COUNTY, NEW MEXICO.

CASE:

APPLICATION

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 to downhole commingle conventional Aztec-Pictured Cliffs Gas Pool production (160-acre standard dedication comprising the SW/4) with coal gas production from the Basin-Fruitland Coal Gas Pool (305.33-acre standard dedication comprising Lots 3.4, S/2NW/4 and SW/4, being W/2 equivalent) within the wellbore of its Murphy "A" Com Well No. 1 located 1650 feet from the South line and 990 feet from the West line (Unit L) of Section 2, T29N, R11W, NMPM.

In support of its application, Meridian states:

(1) Meridian is the operator of the Murphy "A" Com Well No. 1 in Section 2, T29N, R11W, NMPM, San Juan County, New Mexico which currently is a single completion well within a 160-acre standard gas proration and spacing unit for production from the Aztec-Pictured Cliffs Gas Pool. See Exhibit "A" attached.

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

(3) In addition, Meridian has selected to recomplete its Murphy "A" Com Well No. 1 standard 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 SW/4 of Section 2.

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

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

1. the downhole commingling in this wellbore 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 this well;

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.

(6) 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.

(7) 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.

(8) Applicant requests that this matter be docketed for hearing on the Division's Examiner docket now scheduled for January 19, 1995.

(9) A copy of this application is being sent to all owners of production within the respective spacing unit for the well who may be affected by downhole commingling.

(10) A copy of this application has been sent to all offsetting operators to the two spacing units for the well as shown on Exhibits "B" and "C".

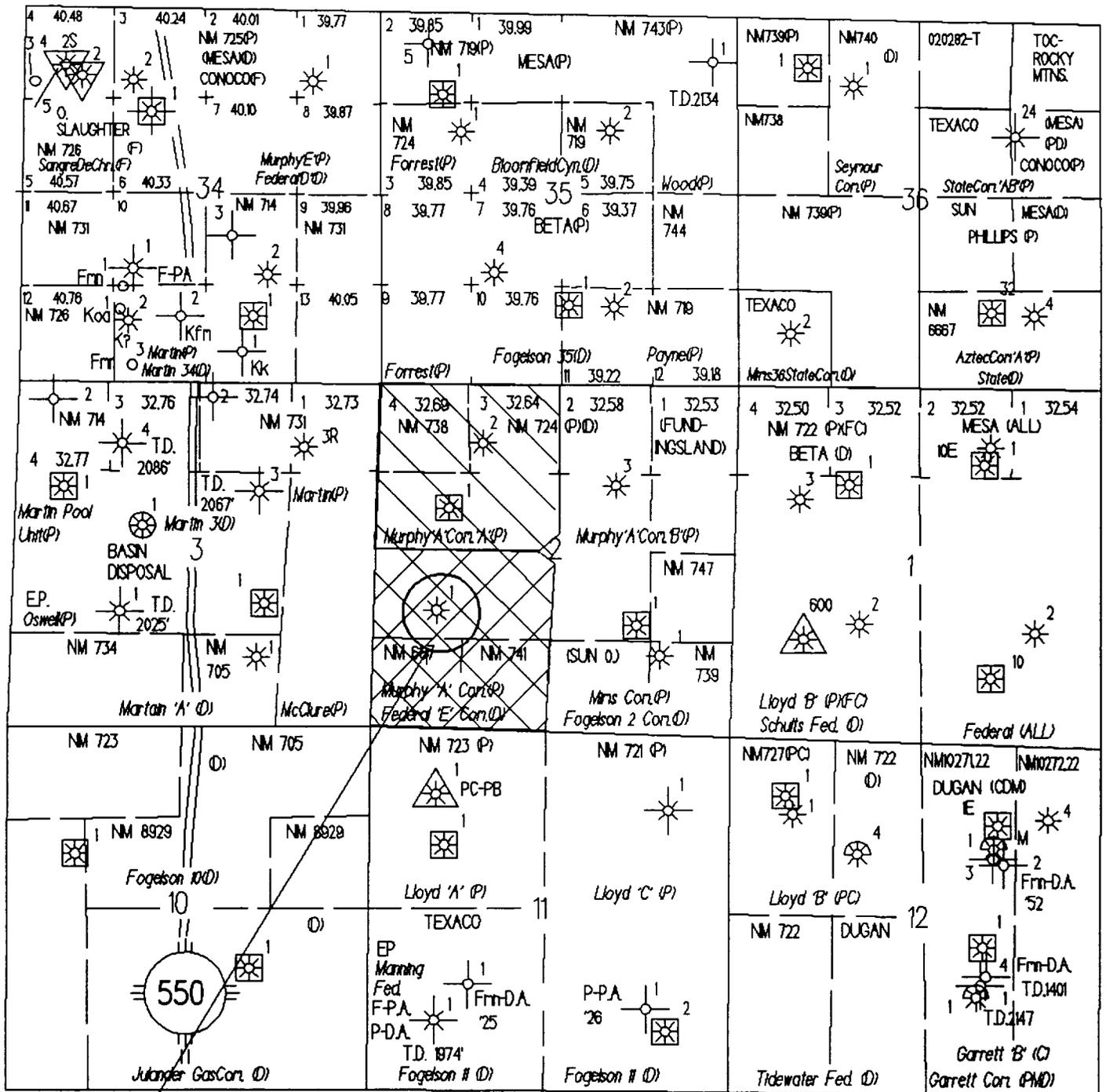
WHEREFORE Applicant requests that this matter be set for hearing on January 19, 1995 before a duly appointed Examiner of the Oil Conservation Division and that after notice and hearing as required by law, the Division enter its order granting this application.

Respectfully submitted



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

# MURPHY A COM #1 WELL UNIT L, SECTION 2, T29N, R11W SAN JUAN CO., NEW MEXICO



MURPHY A COM #1 WELL



FRUITLAND COAL SPACING UNIT



PICTURED CLIFFS SPACING UNIT

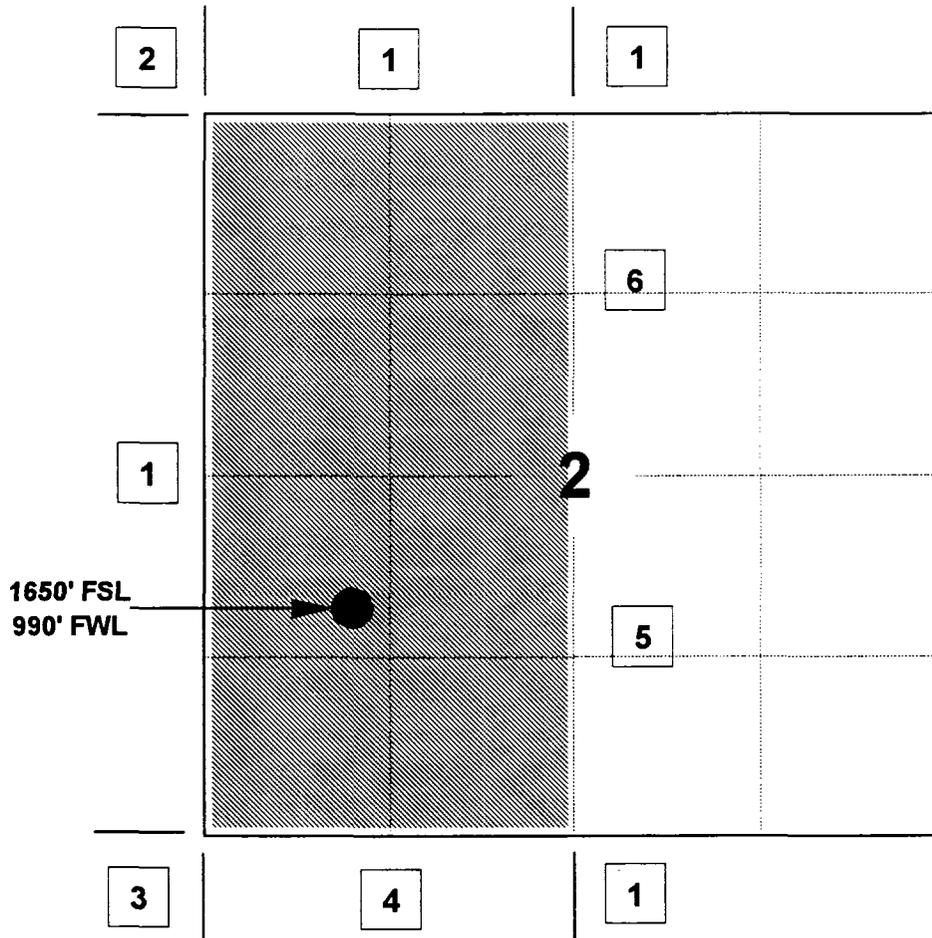
# MERIDIAN OIL INC

## MURPHY A COM #1

OFFSET OPERATOR \ OWNER PLAT

Fruitland Coal / Pictured Cliffs Commingle Well

Township 29 North, Range 11 West



1) Meridian Oil Inc	
2) Meridian Oil Inc	&
Conoco, Inc.	10 Desta Drive, Suite 100W, Midland, TX 79705
3) Meridian Oil Inc	&
Mobil Producing Texas & New Mexico	PO Box 633, Midland, TX 79702
Dugan Production Corporation	PO Box 420, Farmington, NM 87499
4) Meridian Oil Inc	&
Texaco Exploration & Production, Inc.	PO Box 2100, Denver, CO 80201
5) Meridian Oil Inc	&
Sunland Oil Company	6200 Desert Moon Loop, Tucson, AZ 85715
6) Meridian Oil Inc	&
Petroleum Distributors	PO Box 1157, Littleton, CO 80120

Fruitland Coal Formation

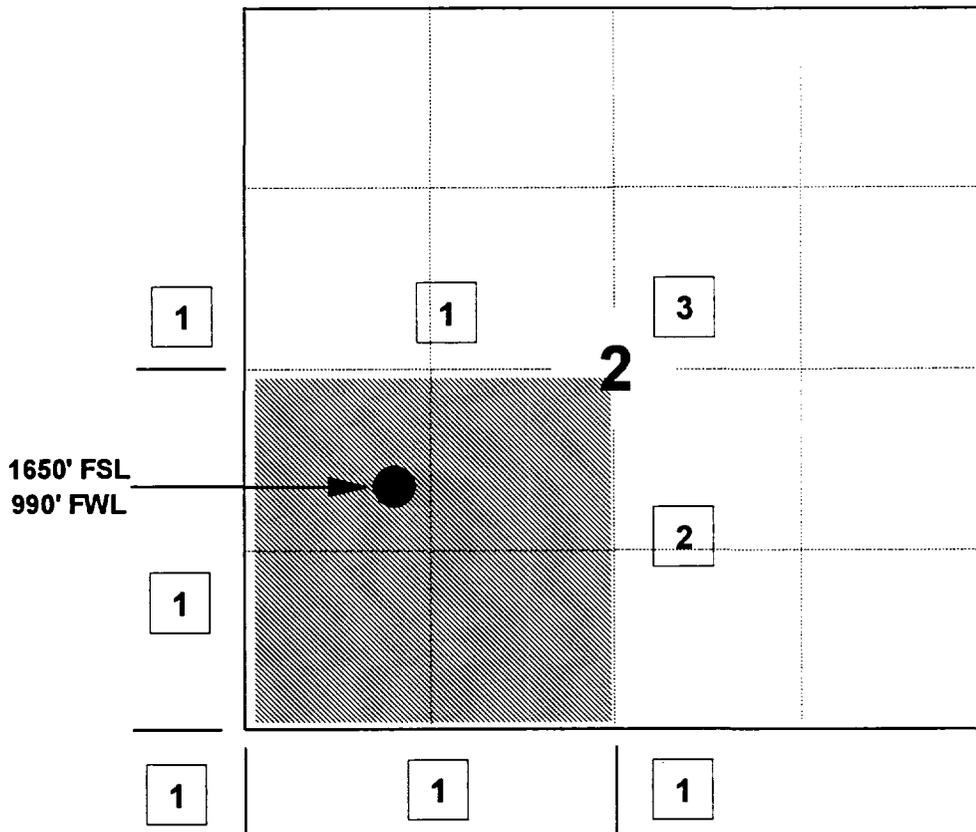
# MERIDIAN OIL INC

## MURPHY A COM #1

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Township 29 North, Range 11 West



1) Meridian Oil Inc

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PO Box 1157, Littleton, CO 80120