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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)

May 12, 1995

RECEIVED

MAY 12 1995

Oil Conservation Division

HAND DELIVERED

Mr. Michael E. Stogner
Chief Hearing Examiner
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

Re: Carson Well No. 2, K-7-30N-4W
Application of Meridian Oil Inc.
for downhole commingling, an
unorthodox well location and
non-standard proration units.
Rio Arriba County, New Mexico

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MAY 1995
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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 June 15, 1995.

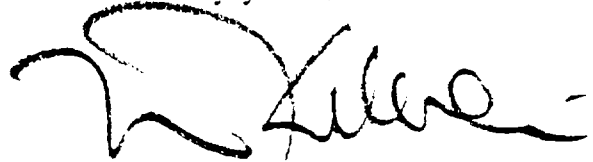
By copy of this letter and application, sent certified mail, we are notifying all interested parties of their right to appear at the hearing and participate in this case, including the right to present evidence either in support of or in opposition to the application and that failure to appear at the hearing may preclude them from any involvement in this case at a later date

NMOCD Application
Meridian Oil Inc.
Page 2

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, May 26, 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 in a cursive style.

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, unorthodox well location and two non-standard proration units, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval to downhole commingle conventional undesignated Gallup formation production (109.29-acre non-standard dedication comprising Lots 3, 4 and E/2SW/4, being SW/4 equivalent) with gas production from the Blanco Mesaverde Gas Pool (218.30-acre non-standard dedication comprising Lots 1,2,3,4, and E/2W/2, being the W/2 equivalent of irregular Section 7) within the wellbore of its existing Carson Well No. 2 at an unorthodox location 1470 feet from the South line and 810 feet from the West line (Unit K) of Irregular Section 7, T30N, R4W, NMPM. Said well is located approximately 18 miles southwest of the Dulce, New Mexico. **IN THE ABSENCE OF OBJECTION, THIS APPLICATION WILL BE TAKEN UNDER ADVISEMENT.**

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:

APPLICATION OF MERIDIAN OIL INC.
FOR DOWNHOLE COMMINGLING,
RIO ARRIBA COUNTY, NEW MEXICO.

RECEIVED

MAY 12 1995

Oil Conservation Division

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 undesignated Gallup formation production (109.29-acre non-standard dedication comprising Lots 3, 4 and E/2SW/4, being SW/4 equivalent) with gas production from the Blanco Mesaverde Gas Pool (218.30-acre non-standard dedication comprising Lots 1,2,3,4, and E/2W/2, being the W/2 equivalent of irregular Section 7) within the wellbore of its existing Carson Well No. 2 at an unorthodox location 1470 feet from the South line and 810 feet from the West line (Unit K) of Irregular Section 7, T30N, R4W, NMPM.

In support of its application, Meridian states:

(1) Meridian is the operator of the Carson Well No. 2 in Unit K of irregular Section 7, T30N, R4W, NMPM, Rio Arriba County, New Mexico which currently is a single completion well dedicated to production from the Basin-Dakota Gas Pool.
See Exhibit "A" attached.

(2) Meridian proposes to plug and abandon the existing Dakota perforation in this wellbore and recompleate it so that production from the Blanco Mesaverde Gas Pool and the Gallup formation can be downhole commingled in the wellbore.

(3) The ownership is common for the well and its respective spacing and proration units in both pools.

(4) 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 Gallup formation production from this well is expected to be marginally productive and will have to be abandoned unless it is downhole commingled with Blanco Mesaverde Gas production. 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.

(5) The proposed downhole commingling is necessary in order for the applicant to economically recover Blanco Mesaverde Gas and Gallup formation reserves underlying each respective proration unit.

(6) An allocation of gas volumes from both zones will be presented at the time of the hearing.

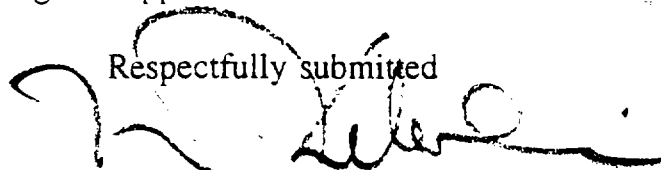
(7) Applicant requests that this matter be docketed for hearing on the Division's Examiner docket now scheduled for June 1, 1995.

(8) Copy of this application has been sent to all offsetting operators to the two spacing units for the well as shown on Exhibit "B" and "C".

(9) Copy of this application has been sent to all owners of production within the two spacing units as shown on Exhibit "D".

WHEREFORE Applicant requests that this matter be set for hearing on June 1, 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

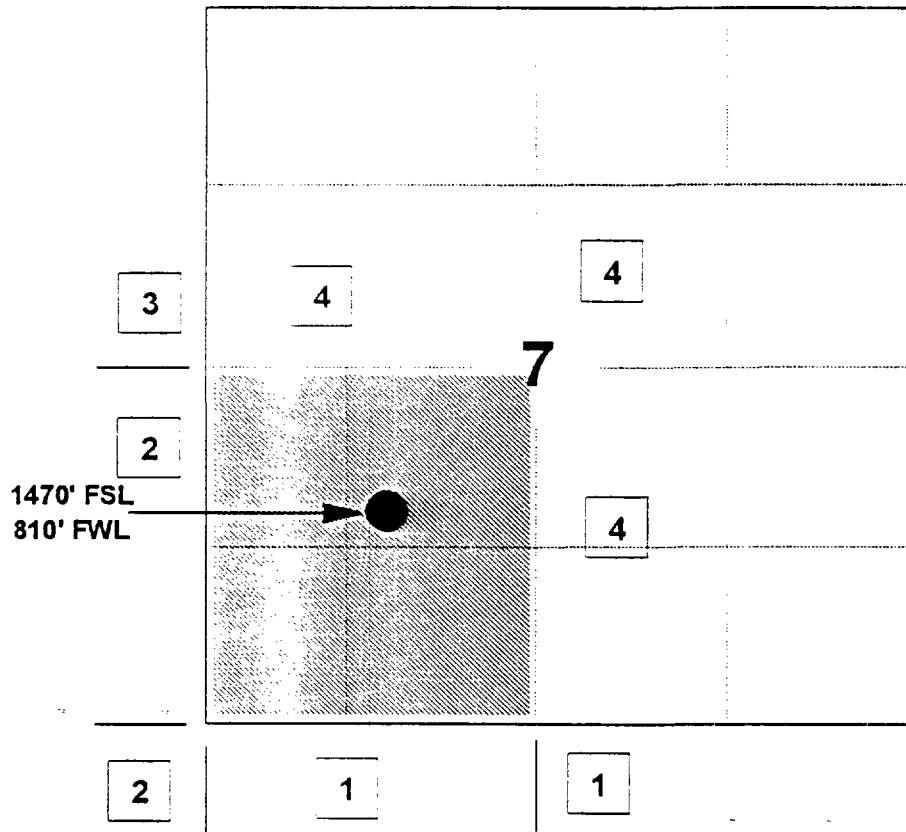
MERIDIAN OIL INC

Carson #2

OFFSET OPERATOR \ OWNER PLAT

Mesaverde / Gallup Formations Commingle Well

Township 30 North, Range 4 West



See Attachment

EXHIBIT
3

CARSON #2
Mesaverde / Gallup Formations Commingle

1. Meridian Oil Inc.
2. Southland Royalty Company
3. Phillips Petroleum Company
5525 HWY 64, NBU 3004
Farmington, NM 87401
4. Coastline Petroleum Co.
8204 Elmbrook Dr., Suite 142
Dallas, TX 75247
5. Meridian Oil Inc.

Thomas A. Dugan & Mary Dugan
P.O. Box 420
Farmington, NM 87499

EJE Brown Company
c/o Nationsbank of Texas, N.A.
P.O. Box 2546
Fort Worth, TX 76113-2546

Mr. Langdon D. Harrison
11401 Penfield Lane, NE
Albuquerque, New Mexico 87111

Kerr-McGee Corporation
Attn: Land Department
P.O. Box 25861
Oklahoma City, OK 73125-0861

Mar Oil Gas Corporation
P.O. Box 5155
Santa Fe, NM 87502

Harold O. Pool Irrevocable Res. &
Thelma Pool Rev Marital Trust
c/o First Interstate Bank of Denver
P.O. Box 5825
Denver, Colorado 80217

Kathleen Quinn
c/o Sunwest Bank of Albuquerque, N.A.
P.O. Box 26900
Albuquerque, NM 87125

Robert Tinnin
P.O. Box 1885
Albuquerque, NM 87103

Ruth Zimmerman (Trust)
c/o Hazel Hart, Trustee
842 Muirlands Vista Way
La Jolla, CA 92037

Mr. Robert L. Bayless
P.O. Box 168
Farmington, NM 87499

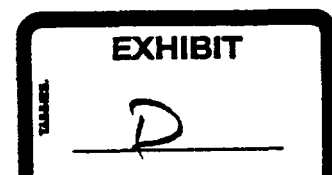
McElvain Oil & Gas Limited Partnership
P.O. Box 2148
409 St. Michael's Dr.
Santa Fe, NM 87501

James M. Raymond Individually &
c/o Trustee for Corinne Miller Gay & Maydell Miller Mast
P.O. Box 1445
Kerrville, TX 78028

CARSON #2
NE/4 SW/4 (1470' FSL, 810' FWL)
Section 7, T-30-N, R-4-W
Rio Arriba County, New Mexico

GALLUP and MESAVERDE OWNERS

	<u>TYPE OF INTEREST</u>
Minerals Management Service Royalty Management Program P.O. Box 5810 Denver, CO 80217-5810	RI
Meridian Oil Production Inc. 3535 E. 30th Street Farmington, NM 87402	WI
El Paso Production Company 3535 E. 30th Street Farmington, NM 87402	WI
Kathleen Quinn c/o Sunwest Bank of Albuquerque, N.A. P.O. Box 26900 Albuquerque, NM 87125	WI
EJE Brown Company c/o Nationsbank of Texas, N.A. P.O. Box 2546 Fort Worth, TX 76113-2546	WI
Ruth Zimmerman Trust c/o Ruther Zimmerman, Trustee 842 Muirlands Vista Way La Jolla, CA 92037	WI
Robert Bayless P.O. Box 168 Farmington, NM 87499	WI
Harold O. Pool Irrevocable Residual Trust c/o 1st Interstate Bank of Denver N/A Trust Minerals/023 P.O. Box 5825 Denver, CO 80217	WI
Thelma Pool Revocable Martial Trust c/o 1st Interstate Bank of Denver N/A Trust Minerals/023 P.O. Box 5825 Denver, CO 80217	WI



Carson #2 ownership continued.

MAR Oil & Gas WI
P.O. Box 5155
Santa Fe, NM 87502

Corinne M. Gay Trust WI
c/o James W. Raymond, Trustee
P.O. Box 1445
Kerrville, TX 78028

Robert P. Tinnin WI
P.O. Box 1885
Albuquerque, NM 87103

Langdon D. Harrison WI
11401 Penfield Lane, NE
Albuquerque, New Mexico 87111

T. H. McElvain Oil & Gas Company WI
P.O. Box 2148
409 St. Michael's Dr.
Santa Fe, NM 87501

Kerr McGee Corporation WI
Attn: Land Department
P.O. Box 25861
Oklahoma City, OK 73125-0861

Thomas A. Dugan & Mary Dugan WI
P.O. Box 420
Farmington, NM 87499

James M. Raymond WI
P.O. Box 1445
Kerrville, TX 78028

Maydell M. Mast WI
c/o James M. Raymond, Trustee
P.O. Box 1445
Kerrville, TX 78028