

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

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)

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

September 25, 1995

HAND DELIVERED

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

Re: Sanchez A Com Well No. 2, E-16-28N-9W
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 October 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



RECEIVED

SEP 25 1995

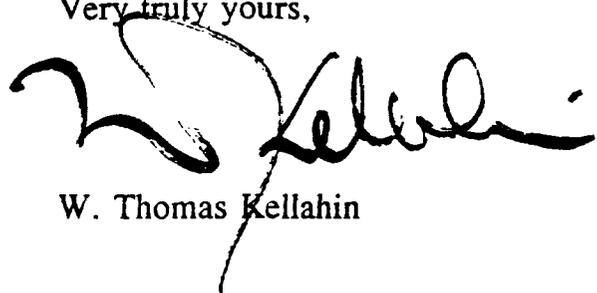
Oil Conservation Division

NMOCD Application
Meridian Oil Inc.
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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, October 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 typed name below.

W. Thomas Kellahin

WTK/wtk
Enclosure

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

NMOCD Application
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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 NW/4) with gas production from the Basin-Fruitland Coal Gas Pool (320-acre standard dedication comprising the W/2) within the wellbore of its existing Sanchez A Com Well No. 2 located 1600 feet from the North line and 990 feet from the West line (Unit E) of Section 16, T28N, R9W, NMPM. Said well is located approximately 4-1/2 miles southeast of Blanco, New Mexico.

IN THE ABSENCE OF OBJECTION, THIS APPLICATION WILL BE TAKEN UNDER ADVISEMENT.

RECEIVED

SEP 25 1995

Oil Conservation Division

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

RECEIVED

SEP 25 1995

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,
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 NW/4) with gas production from the Basin-Fruitland Coal Gas Pool (320-acre standard dedication comprising the W/2) within the wellbore of its existing Sanchez A Com Well No. 2 located 1600 feet from the North line and 990 feet from the West line (Unit E) of Section 16, T28N, R9W, NMPM.

In support of its application, Meridian states:

(1) Meridian is the operator of the Sanchez A Com Well No. 2 located 100 feet from the North line and 990 feet from the West line of Section 16, T28N, R9W, NMPM, San Juan County, New Mexico which currently is a single completion well within a 160-acre standard spacing and proration unit for the Aztec-Pictured Cliffs Gas Pool.
See Exhibit "C" 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) The ownership is not 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 Pictured Cliffs production from this well in this well is now marginally productive and any remaining Pictured Cliffs production will have to be abandoned unless it is downhole commingled with Basin Fruitland Coal 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 Basin-Fruitland Coal Gas and Pictured Cliffs Gas Pool reserves underlying each respective proration unit.

(6) 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.

(7) Applicant requests that this matter be docketed for hearing on the Division's Examiner docket now scheduled for October 19, 1995 and that in the absence of any objection this matter be taken under advisement.

(8) A copy of this application is being sent to all owners of production within each of the respective spacing units for the well who may be affected by downhole commingling as identified on Exhibit "A" attached.

(9) 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 October 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

NMOCD Application
Meridian Oil, Inc.
Page 4

EXHIBIT "A"

Doris O. Moore
Harbor View 16
720 Milton Road
Rye, New York 10580

Commissioner of Public Lands
State of New Mexico
P. O. Box 1148
Santa Fe, New Mexico 87501
Attn: Pete Martinez

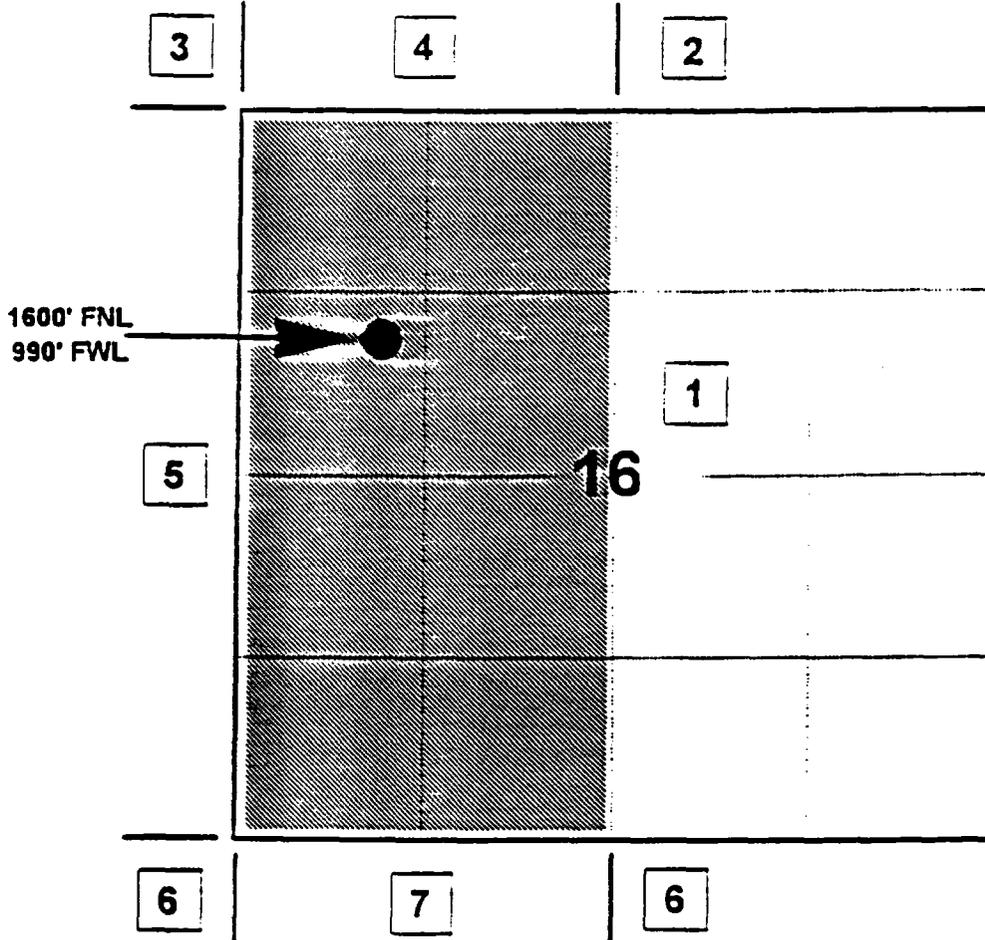
MERIDIAN OIL INC

SANCHEZ A COM #2

OFFSET OPERATOR \ OWNER PLAT

Fruitland Coal / Pictured Cliffs Formations Commingle Well

Township 28 North, Range 9 West



- 1) Meridian Oil Inc.
Williams Production Company PO Box 58900, Salt Lake City, UT 84158
Texaco Exploration & Production, Inc. PO Box 2100, Denver, CO 80201-2100
- 2) Meridian Oil Inc.
S G Interests 811 Dallas, Houston, TX 77002
- 3) Southland Royalty Company
Amoco Production Company PO Box 800, Denver, CO 80201
Conoco, Inc. 10 Desta Drive, Suite 100W, Midland, TX 79705
- 4) S G Interest &
D J Simmons PO Box 1469, Farmington, NM 87499
- 5) West Largo Corporation 5638 W. Ottawa Ave., Suite 100, Littleton, CO 80123
- 6) Amoco Production Company & Conoco, Inc.
- 7) Amoco Production Company

EXHIBIT
B

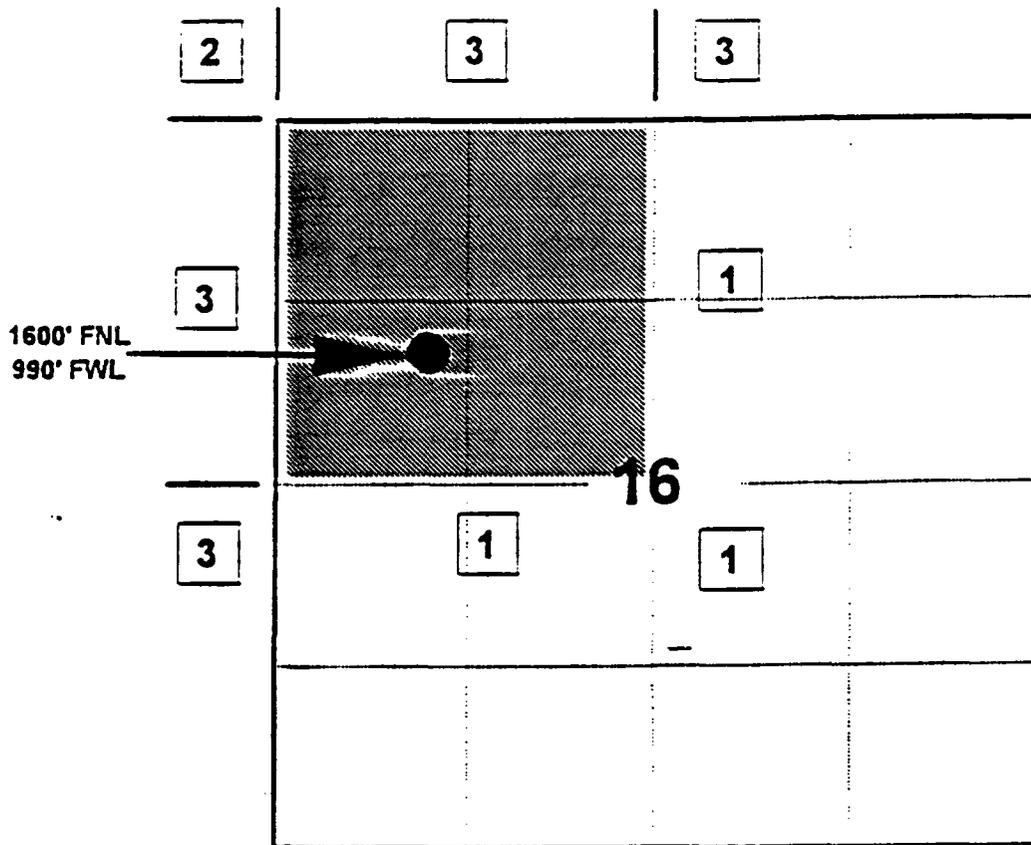
MERIDIAN OIL INC

SANCHEZ A COM #2

OFFSET OPERATOR \ OWNER PLAT

Fruitland Coal / Pictured Cliffs Commingle Well

Township 28 North, Range 9 West



1) Meridian Oil Inc.

2) Southland Royalty Company

3) Amoco Production Company

PO Box 800, Denver, CO 80201

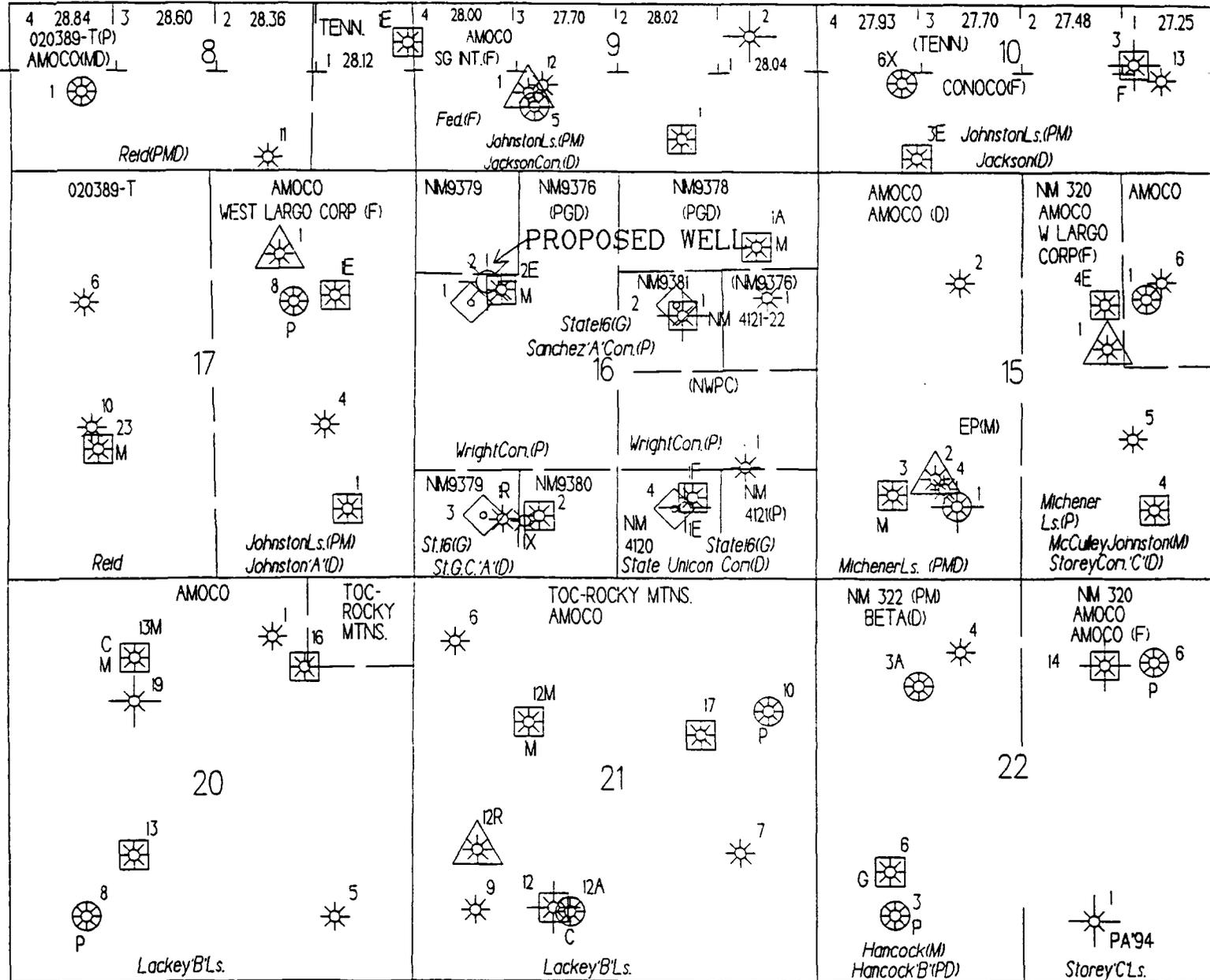
EXHIBIT

C

SANCHEZ A COM # 2 WELL

SE/4 NW/4 SECTION 16, T28N, R9W

SAN JAUN CO., NEW MEXICO



- | | | | |
|---|----------------------|---|----------------|
|  | FRUITLAND SAND WELL |  | MESAVERDE WELL |
|  | FRUITLAND COAL WELL |  | DAKOTA WELL |
|  | PICTURED CLIFFS WELL |  | GALLUP WELL |

September 15, 1995

New Mexico Oil Conservation Division
Attn: Mr. Bill LeMay
2040 South Pacheco Street
Santa Fe, New Mexico 87505

RE: Sanchez A Com #2
Unit E, Section 16, T28N, R9W
San Juan County, New Mexico
Downhole Commingle Request
Fruitland Coal/Pictured Cliffs

Dear Mr. Bill LeMay,

Meridian Oil Inc., operator of the subject well, requests approval to downhole commingle the Aztec Pictured Cliffs and Basin Fruitland Coal pools in the referenced well. Ownership for the producing intervals to be commingled is common, save an ORRI in the Fruitland Coal. All offset interest owners shown on the attached plat and the Bureau of Land Management will receive notice of this commingling application.

Precedent for commingling the referenced intervals in this area has been established in the Reid #8 (Unit L, Section 19, T28N, R9W) per NMOCD Administrative Order #DHC-856, dated September 3, 1992, the Reid #13 (Unit I, Section 18, T28N, R9W) per NMOCD Administrative Order #DHC-1030, dated August 30, 1994, and the Reid #14 (Unit O, Section 7, T28N, R9W) per NMOCD Administrative Order #DHC-1029, dated August 30, 1994. These wells are producing without adverse effects. The most recent offset approval, the Reid #10 (Unit L, Section 17, T28N, R9W) per NMOCD Administrative Order #DHC-1142, is dated August 7, 1995.

The Sanchez A Com #2 was completed in the Pictured Cliffs in 1955. Currently the well is inactive; casing integrity appears sound with 342 psi casing pressure and 340 psi tubing pressure. The well has cumulative production of 579 MMCF. Meridian Oil proposes to verify the integrity of the existing wellbore, case the open hole interval, re-stimulate the Pictured Cliffs, complete the Fruitland Coal and commingle Fruitland Coal production with the Pictured Cliffs production. Remaining Pictured Cliffs reserves are estimated to be 443 MMCF +/-.

Based upon previous Fruitland Coal completions in this area, ultimate reserves of 577 MMCF +/- are estimated for the Fruitland Coal interval in the Sanchez A Com #2. Meridian Oil anticipates restoration of 100 MCFD in Pictured Cliffs production commingled with 200 MCFD in Fruitland Coal production, yielding a combined rate of 300 MCFD. Currently, the Pictured Cliffs is uneconomic. The addition of the Fruitland Coal interval will ensure continued Pictured Cliffs production and prevent waste of resources.

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

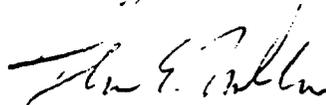
All produced fluids from these two reservoirs are compatible and no precipitates will be formed. The reservoir parameters of each zone are such that underground waste will not be caused by the proposed commingling. Bottom hole shut-in pressures for both the Pictured Cliffs and Fruitland Coal are estimated to be 386 psi.

The allocation of the commingled production will be verified using flow tests from the Pictured Cliffs and Fruitland Coal intervals during completion operations, in addition to the 39 years of prior Pictured Cliffs production. Meridian Oil will consult with the district supervisor of the Aztec NMOCD office for approval of the attached Sanchez A Com #2 Downhole Commingle Allocation Formula.

Approval of this commingling request will promote recoverable resources and protect correlative rights. Included with this letter are plats showing ownership of offsetting leases for both formations, copies of letters to offset operators and copies of the proposed workover procedure and wellbore diagram.

If you have any questions concerning this matter, please call me at (505) 326-9546. Your consideration is appreciated.

Sincerely,



Thomas E. Mullins
Reservoir Engineer

TEM:dlc

enclosures

xc: BLM (Farmington)
Frank T. Chavez, NMOCD (Aztec)
Peggy Bradfield
Well File

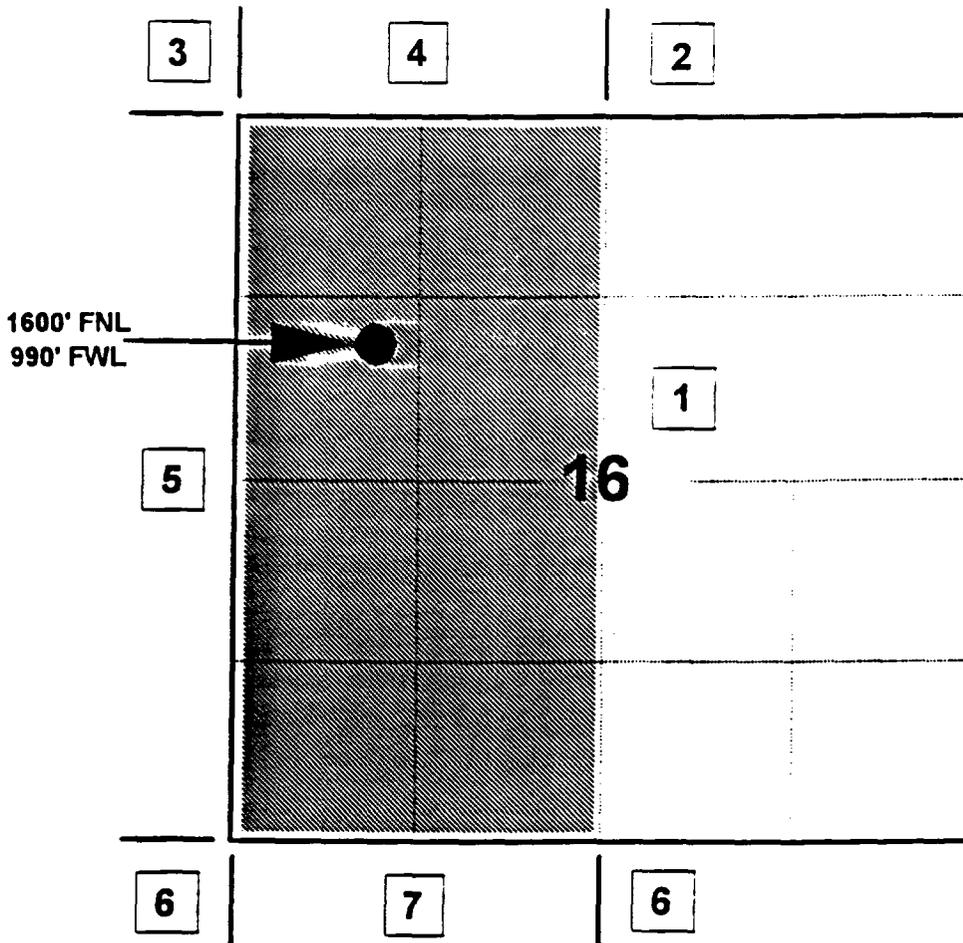
MERIDIAN OIL INC

SANCHEZ A COM #2

OFFSET OPERATOR \ OWNER PLAT

Fruitland Coal / Pictured Cliffs Formations Commingle Well

Township 28 North, Range 9 West



- 1) Meridian Oil Inc.
Williams Production Company PO Box 58900, Salt Lake City, UT 84158
Texaco Exploration & Production, Inc. PO Box 2100, Denver, CO 80201-2100
- 2) Meridian Oil Inc.
S G Interests 811 Dallas, Houston, TX 77002
- 3) Southland Royalty Company
Amoco Production Company PO Box 800, Denver, CO 80201
Conoco, Inc. 10 Desta Drive, Suite 100W, Midland, TX 79705
- 4) S G Interest &
D J Simmons PO Box 1469, Farmington, NM 87499
- 5) West Largo Corporation 6638 W. Ottawa Ave., Suite 100, Littleton, CO 80123
- 6) Amoco Production Company & Conoco, Inc.
- 7) Amoco Production Company

September 25, 1995

Federal Express

Mr. Michael Stogner
New Mexico Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: Sanchez A Com #2
1600'FNL, 990'FWL Section 16, T-28-N, R-9-W, San Juan County, NM
API #30-045-07491

Dear Mr. Stogner:

This is a request for administrative approval for a non-standard gas well location in the Basin Fruitland Coal pool.

Meridian Oil Inc. is planning to recomplete the Sanchez A Com #2 in the Basin Fruitland Coal pool and commingle with the Pictured Cliffs formation. To comply with the New Mexico Oil Conservation Division rules, Meridian is submitting the following for your approval of this non-standard location:

1. C-102 plat showing location of the well;
2. Plat showing offset owners/operators;
3. Affidavit of notification of offset owners/operators;
4. Copy of Well Completion Log for original completion.

A copy of this application is being submitted to all offset owners/operators by certified mail with a request that they furnish your Santa Fe office with a Waiver of Objection, and return one copy to this office.

Sincerely yours,



Peggy Bradfield
Regulatory/Compliance Administrator

WAIVER

_____ hereby waives objection to Meridian Oil Inc.'s application for non-standard location for the Sanchez A Com #2 as proposed above.

By: _____ Date: _____

xc: Texaco Exploration and Production Inc.
Amoco Production Company
Williams Production Company
SG Interests
D.J. Simmons
Conoco Inc.
West Largo Corp.

District I
 PO Box 1988, Hobbs, NM 88241-1988
 District II
 PO Drawer DD, Artesia, NM 88211-0719
 District III
 1008 Mio Brazos Rd., Abec, NM 87410
 District IV
 PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
 Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
 PO Box 2088
 Santa Fe, NM 87504-2088

Form C
 Revised February 21,
 Instructions on
 Submit to Appropriate District O
 State Lease - 4 C
 Fee Lease - 3 C

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number 30-045-07491		2 Pool Code 71629/71280		3 Pool Name Basin Fruitland Coal/Aztec Pictured Cliffs	
4 Property Code 7477		5 Property Name Sanchez A Com			6 Well Number 2
7 OGRID No. 14538		8 Operator Name MERIDIAN OIL INC.			9 Elevation 5990'

10 Surface Location

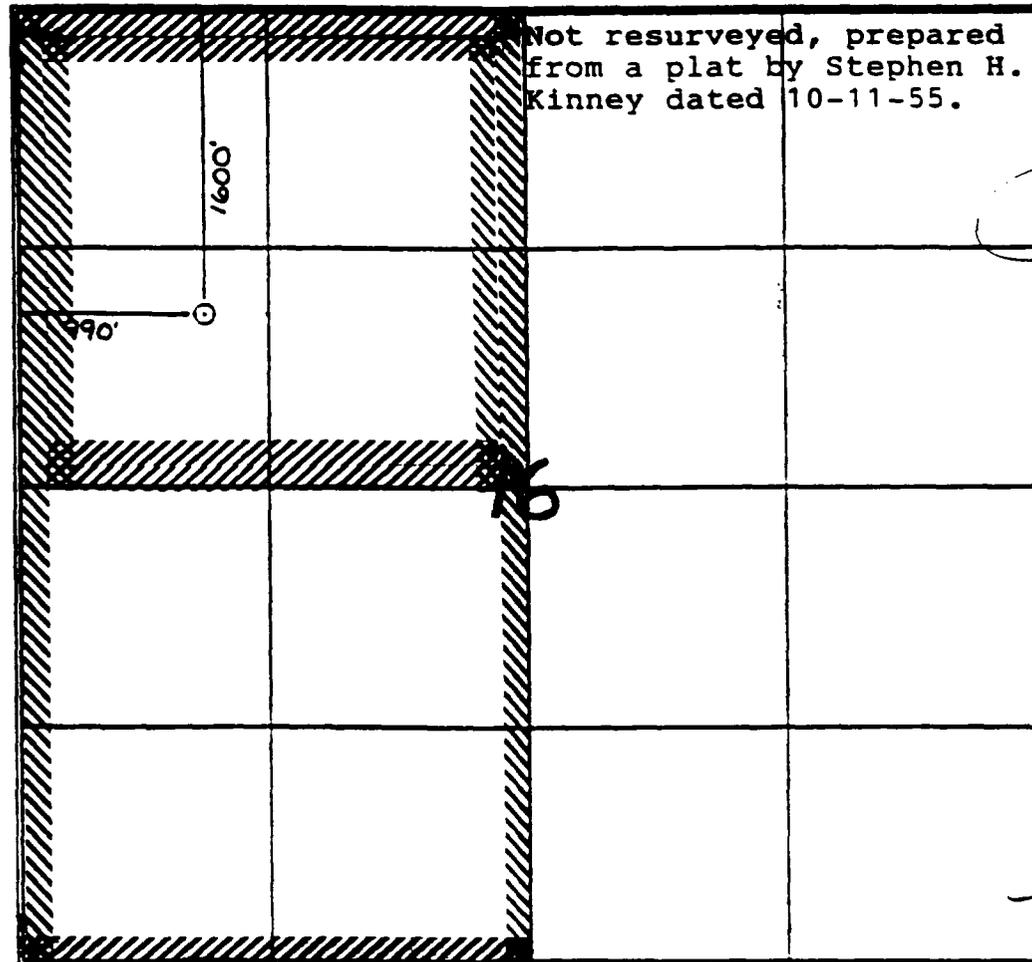
UL or lot no.	Section	Township	Range	Lot Ids	Feet from the	North/South line	Feet from the	East/West line	County
E	16	28 N	9 W		1600	North	990	West	S.J.

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Ids	Feet from the	North/South line	Feet from the	East/West line	County

12 Dedicated Acres 150-W/320	13 Joint or Infill	14 Consolidation Code	15 Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



Not resurveyed, prepared from a plat by Stephen H. Kinney dated 10-11-55.

17 OPERATOR CERTIFICATE

I hereby certify that the information contained here is true and complete to the best of my knowledge and

Peggy Bradfield
 Signature

Peggy Bradfield
 Printed Name

Regulatory Administrator
 Title

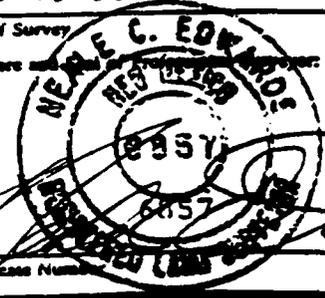
9-19-95
 Date

18 SURVEYOR CERTIFICATE

I hereby certify that the well location shown on this was placed from field notes of actual surveys made or under my supervision, and that the same is true correct to the best of my belief.

9-19-95

Date of Survey
 Signature



Certificate Number

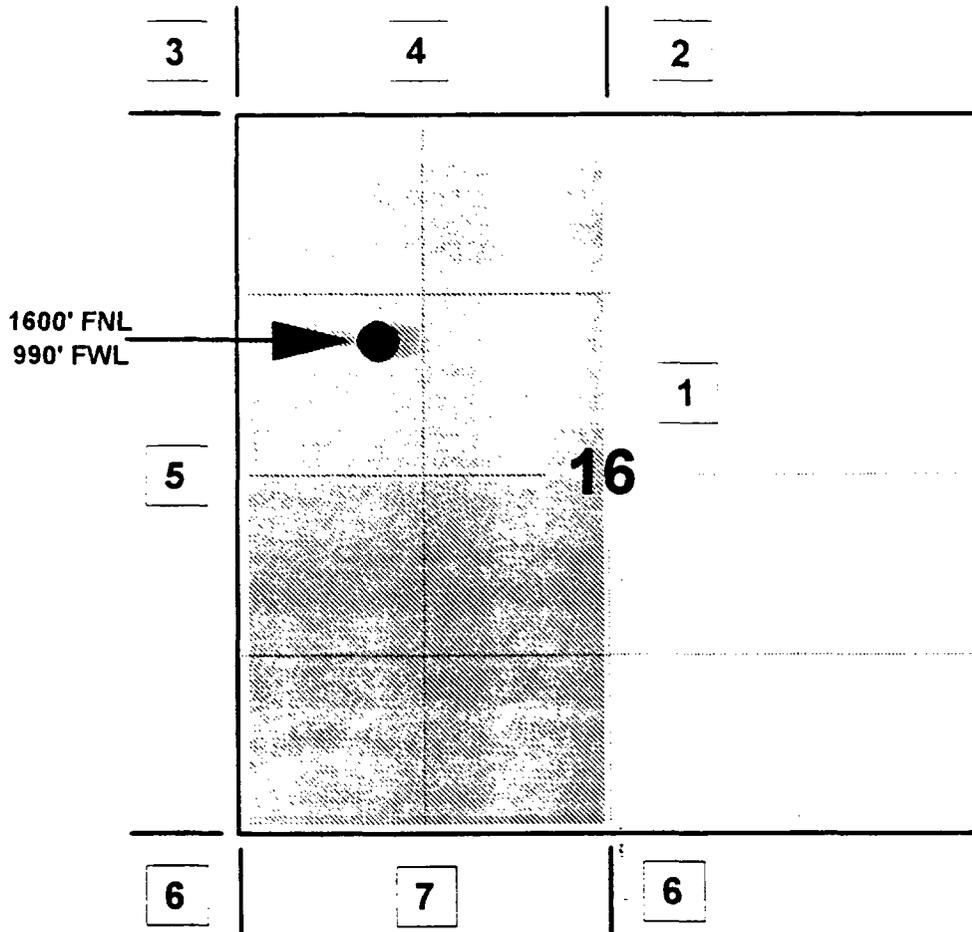
MERIDIAN OIL INC

SANCHEZ A COM #2

OFFSET OPERATOR \ OWNER PLAT

Unorthodox Fruitland Coal Formation Well Location

Township 28 North, Range 9 West



1) Meridian Oil Inc.

Williams Production Company

PO Box 58900, Salt Lake City, UT 84158

Texaco Exploration & Production, Inc.

PO Box 2100, Denver, CO 80201-2100

2) Meridian Oil Inc.

S G Interests

811 Dallas, Houston, TX 77002

3) Southland Royalty Company

Amoco Production Company

PO Box 800, Denver, CO 80201

Conoco, Inc.

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

4) S G Interest &

D J Simmons

PO Box 1469, Farmington, NM 87499

5) West Largo Corporation

6638 W. Ottawa Ave., Suite 100, Littleton, CO 80123

6) Amoco Production Company & Conoco, Inc.

7) Amoco Production Company

Re: Sanchez A Com #2
1600'FNL, 990'FWL Section 16, T-28-N, R-9-W, San Juan County, NM
API #30-045-07491

I hereby certify that the following offset owners/operators have been notified by certified mail of our application for administrative approval for non-standard well location of the above well.

Texaco Exploration and Production Inc.
PO Box 2100
Denver, CO 80201-2100

Williams Production Company
PO Box 58900
Salt Lake City, UT 84158

S G Interest
811 Dallas
Houston, TX 77002

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

D. J. Simmons
PO Box 1469
Farmington, NM 87499

West Largo Corporation
6638 W. Ottawa Avenue, Suite 100
Littleton, CO 80123

Amoco Production Company
PO Box 800
Denver, CO 80201-0800



Peggy Bradfield
Regulatory/Compliance Administrator

NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

WELL RECORD

Mail to District Office, Oil Conservation Commission, to which Form C-101 was sent not later than twenty days after completion of well. Follow instructions in Rules and Regulations of the Commission. Submit in QUINTUPLICATE.

AREA 640 ACRES
LOCATE WELL CORRECTLY

Southern Union Gas Company

Stokes

(Company or Operator)

(Lease)

Well No. **8-A**, in **SW** 1/4 of **SW** 1/4, of Sec. **16**, T. **23-S**, R. **9-W**, NMPM

Artes Pictured Cliffs

Pool, **San Juan**

County

Well is **1600** feet from **North** line and **390** feet from **West** line

of Section **16**. If State Land the Oil and Gas Lease No. is **MINERAL 1-231-8**

Drilling Commenced **11-21-**, 19**33** Drilling was Completed **11-23-**, 19**33**

Name of Drilling Contractor **San Denver Drilling Co.** **Gealey Cos. Drilling Contractor**

Address **Farmington, New Mexico** **Artes, New Mexico**

Elevation above sea level at Top of Tubing Head **5,130**. The information given is to be kept confidential until _____, 19____.

OIL SANDS OR ZONES

No. 1, from **2260** to **2320 (8)** No. 4, from _____ to _____
No. 2, from _____ to _____ No. 5, from _____ to _____
No. 3, from _____ to _____ No. 6, from _____ to _____

IMPORTANT WATER SANDS

Include data on rate of water inflow and elevation to which water rose in hole.

No. 1, from _____ to _____ feet. _____
No. 2, from _____ to _____ feet. _____
No. 3, from _____ to _____ feet. _____
feet _____