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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)

September 25, 1995

11405

RECEIVED

SEP 25 1995

HAND DELIVERED

Oil Conservation Division

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

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

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:

RECEIVED

SEP 25 1995

Oil Conservation Division

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

CASE: 11405

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

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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

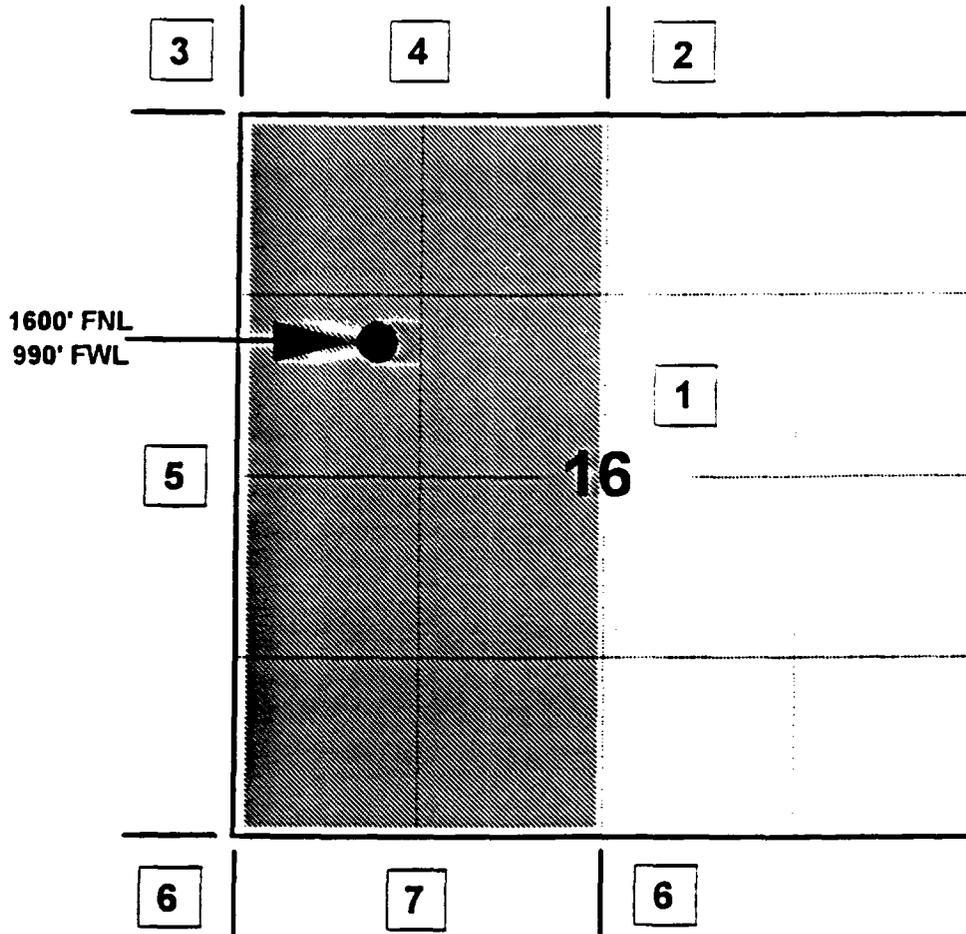
MERIDIAN OIL INC

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

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

6) Amoco Production Company & Conoco, Inc.

7) Amoco Production Company

EXHIBIT

B

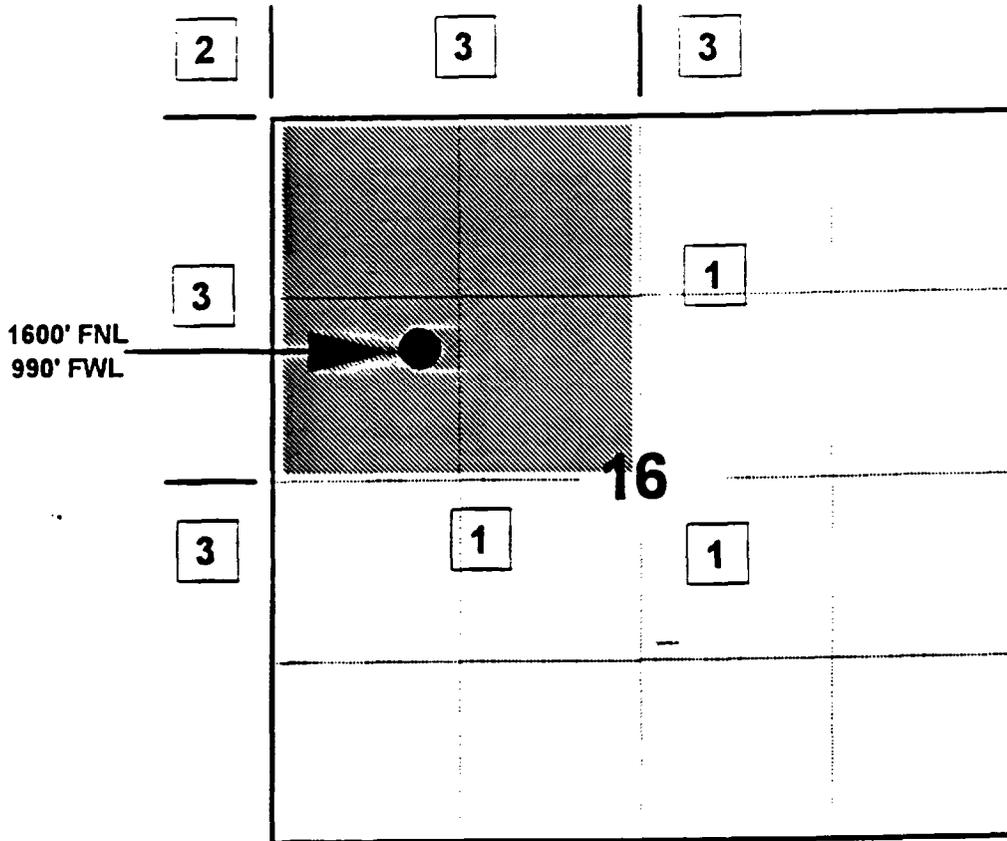
MERIDIAN OIL INC

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

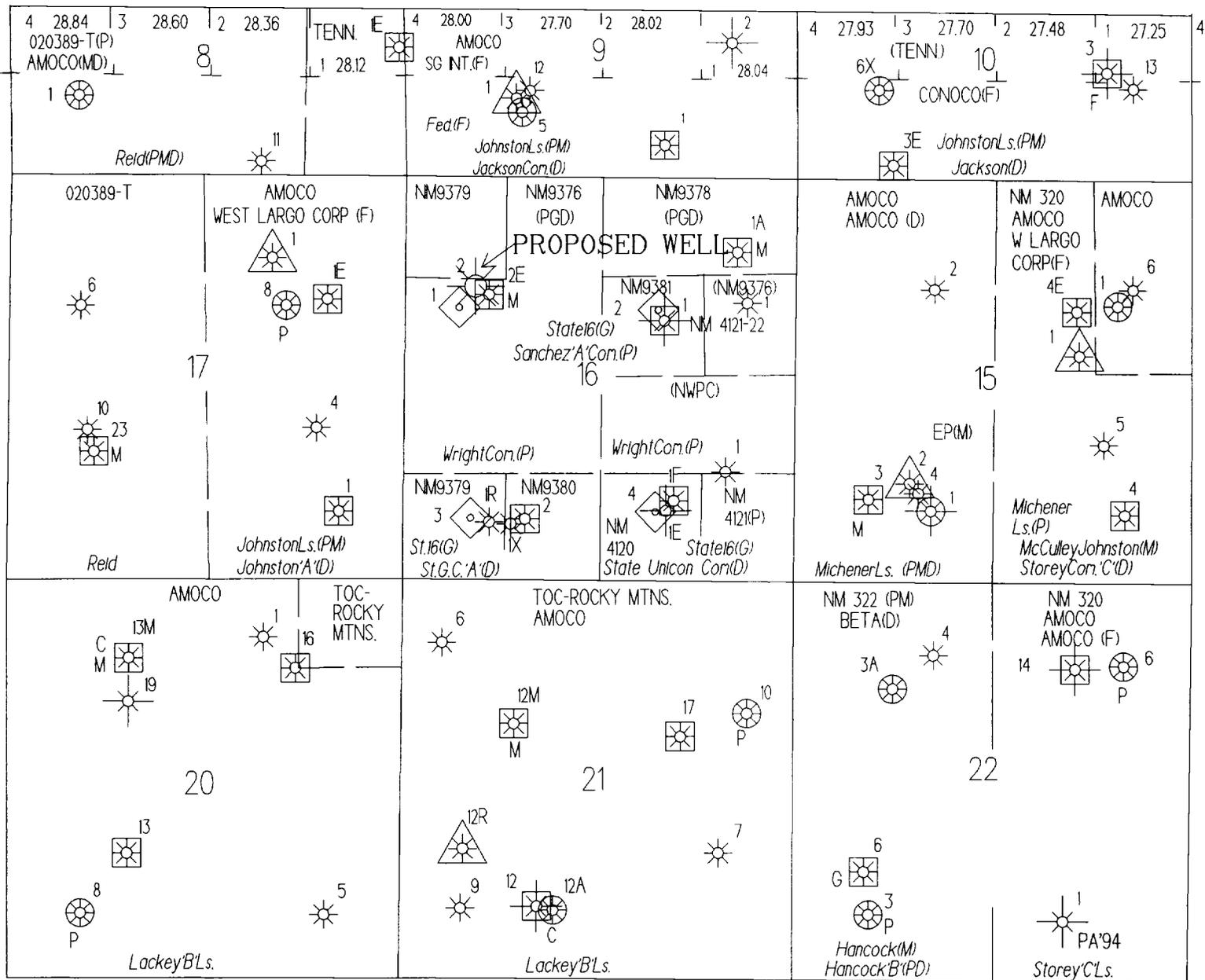
PO Box 800, Denver, CO 80201

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 |