

**KELLAHIN AND KELLAHIN**

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4285

TELEFAX (505) 982-2047

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)

February 12, 1996

**HAND DELIVERED**

Mr. William J. LeMay, Director  
Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505

Re: Hancock Well No. 3  
Application of Meridian Oil Inc.  
for Downhole Commingling,  
San Juan County, New Mexico

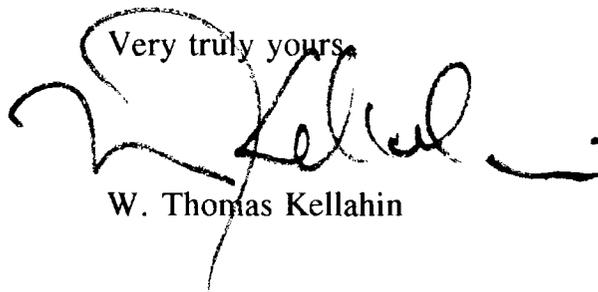
RECEIVED  
FEB 14 1996  
Oil Conservation Division

1480

Dear Mr. LeMay:

On behalf of Meridian Oil Inc., please find enclosed our application for downhole commingling of Aztec-Pictured Cliffs and Blanco-Mesaverde Pool production within its Hancock Well No. 3 which we request be set for hearing on the Examiner's docket now scheduled for March 7, 1996. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: Meridian Oil Inc.  
Attn: Alan Alexander

PROPOSED ADVERTISEMENT

Case 11480: 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 gas production from the Blanco-Mesaverde Gas Pool (320-acre standard dedication comprising the W/2) within the wellbore of its existing Hancock Well No. 3 located 890 feet from the South line and 990 feet from the West line (Unit M) of Section 22, T28N, R9W, NMPM. Applicant further seeks an exception to the pressure differential limitations of Rule 303(C)(b)(v). Said well is located approximately 5 miles southeast of Blanco, 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,  
SAN JUAN COUNTY, NEW MEXICO.

RECEIVED  
FEB 22 1996  
OIL CONSERVATION DIVISION  
CASE NO. 11480

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 gas production from the Blanco-Mesaverde Gas Pool (320-acre standard dedication comprising the W/2) within the wellbore of its existing Hancock Well No. 3 located 890 feet from the South line and 990 feet from the West line (Unit M) of Section 22, T28N, R9W, NMPM. Applicant further seeks an exception to the pressure differential limitations of Rule 303(C)(b)(v).

In support of its application, Meridian states:

(1) Meridian is the operator of the Hancock Well No. 3 located 890 feet from the South line and 990 feet from the West line of Section 22, T28N, R9W, NMPM, San Juan County, New Mexico which currently is a dual completion well within a 160-acre standard spacing and proration unit for the Aztec-Pictured Cliffs Gas Pool and within a 320-acres standard spacing and proration unit for the Blanco-Mesaverde Gas Pool. See Exhibit "A" attached.

(2) The well is to be recompleted so that production from the Blanco-Mesaverde Gas Pool and the Aztec-Pictured Cliffs Gas Pool can be downhole commingled in the wellbore.

(3) On September 14, 1996, Meridian filed an administrative application with the Division for the proposed downhole commingling which was denied by the Division on October 17, 1996 because the shut-in pressure of the Pictured Cliffs formation was 188 psi and for the Blanco Mesaverde was 550 psi.

(4) Meridian seeks an exception from the pressure differential limitations set forth in Rule 303(C)(1)(b)(v) and will demonstrate at hearing:

1. the downhole commingling in this wellbore is necessary because evidence indicates that both the Pictured Cliffs and Mesaverde production from this well is now marginally productive and both Pictured Cliffs and Mesaverde production will have to be prematurely abandoned unless downhole commingled.
2. there will not be any unrecovered 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. the bottom hole pressure of the highest pressured zone is less than the original bottom hole pressure of the lowest pressured zone.
6. the value of the commingled production will not be less than the sum of the values of the individual production.
7. ownership is common for both spacing units.

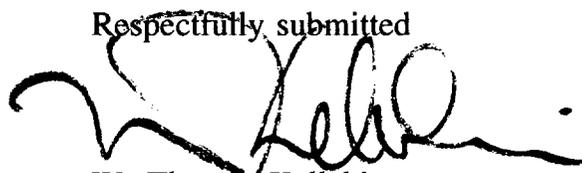
(6) an allocation formula to be presented at the time of the hearing.

(7) Applicant requests that this matter be docketed for hearing on the Division's Examiner docket now scheduled for March 7, 1996 and that in the absence of any objection this matter be taken under advisement.

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

WHEREFORE Applicant requests that this matter be set for hearing on March 7, 1996 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

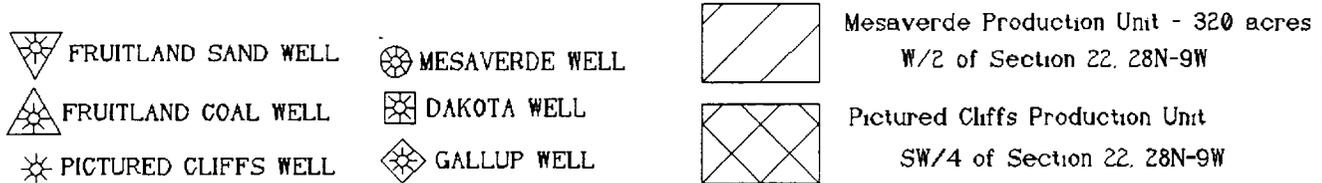
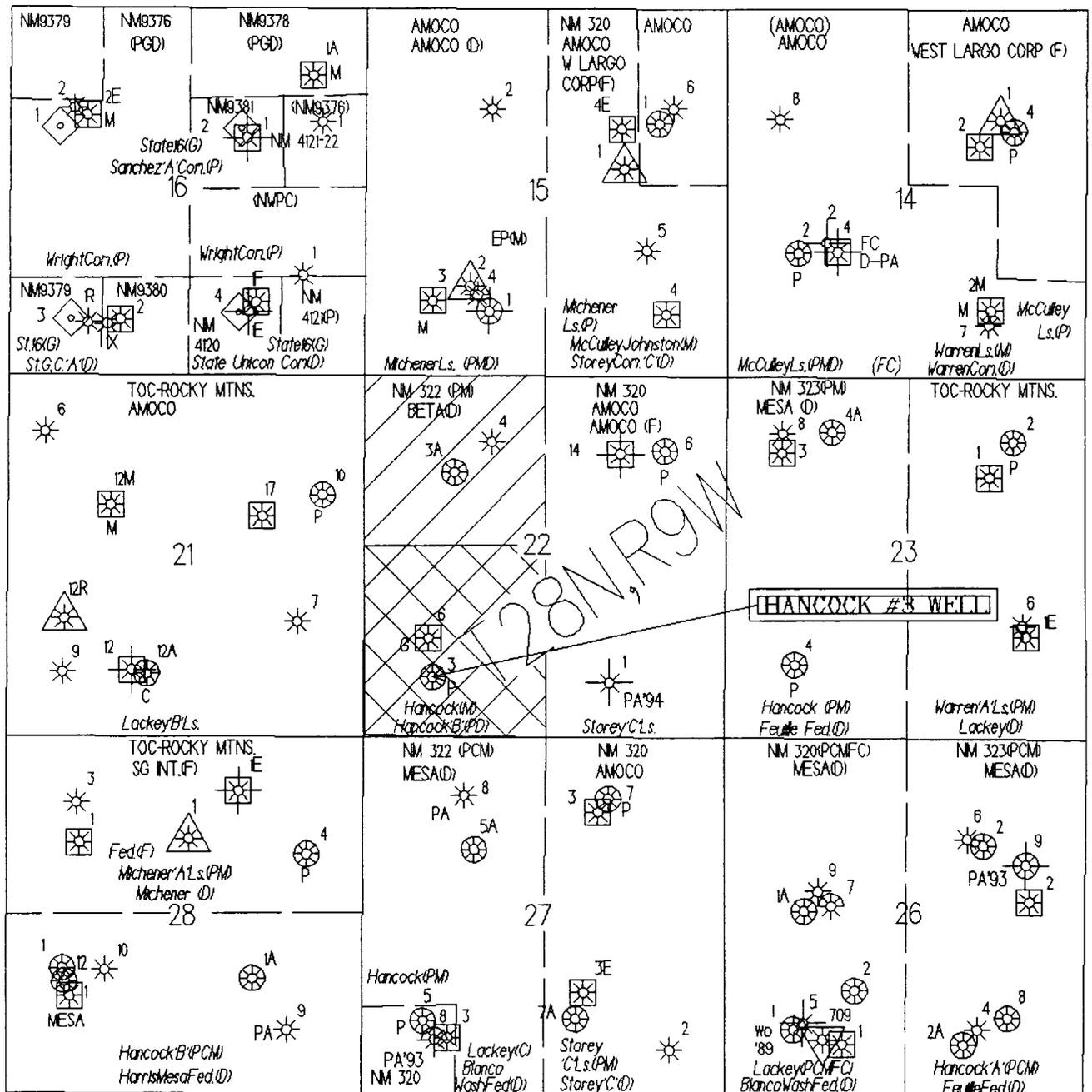


W. Thomas Kellahin  
KELLAHIN and KELLAHIN  
P. O. Box 2265  
Santa Fe, New Mexico 87501  
(505) 982-4285  
Attorneys for Applicant

# HANCOCK #3 WELL

## UNIT M (SW/4) SECTION 22, T28N, R9W

### SAN JUAN CO, NEW MEXICO



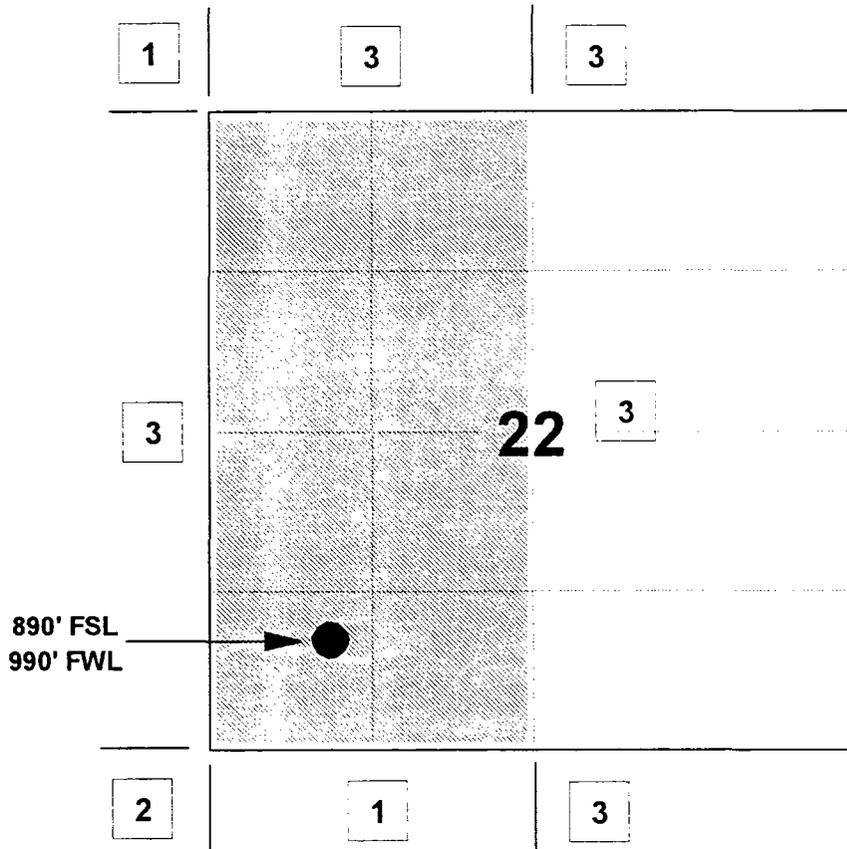
# MERIDIAN OIL INC

## HANCOCK #3

OFFSET OPERATOR \ OWNER PLAT

Mesaverde / Pictured Cliffs Formations Commingle Well

Township 28 North, Range 9 West



1) Meridian Oil Inc

2) Meridian Oil Inc., &

Amoco Production Company

PO Box 800, Denver, CO 80201

3) Amoco Production Company

PO Box 800, Denver, CO 80201

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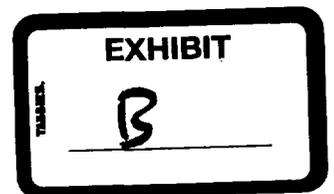
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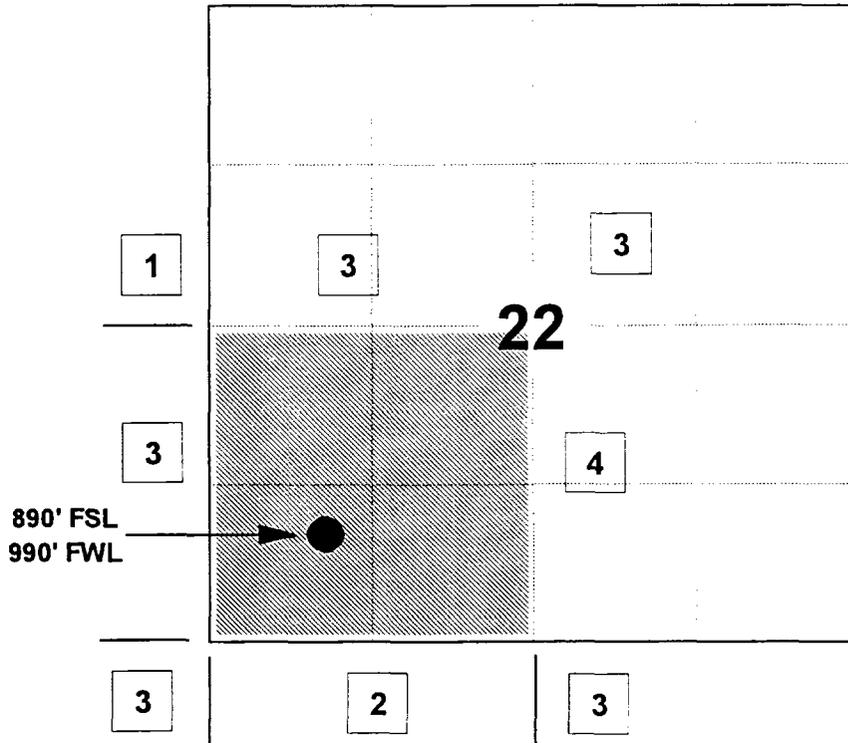
# MERIDIAN OIL INC

## HANCOCK #3

### OFFSET OPERATOR \ OWNER PLAT

#### Mesaverde / Pictured Cliffs Formations Commingle Well

Township 28 North, Range 9 West



1) Meridian Oil Inc

2) Meridian Oil Inc., &

Louis Dreyfus Gas Holdings Inc. 1400 Quail Springs Parkway, Suite 600, Oklahoma City, OK 73134

R H Feuille Special 11th Floor, Texas Commerce Bank Bldg, El Paso, TX 79901

Marathon Oil Company PO Box 552, Midland, TX 79702

3) Amoco Production Company

PO Box 800, Denver, CO 80201

4) Amoco Production Company &

Conoco, Inc.

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



EXHIBIT "D"

Amoco Production Company  
P. O. Box 800  
Denver, Colorado 80201  
Attn: Pam Staley

Conoco, Inc.  
10 Desta Drive, Suite 100W  
Midland, Texas 79705  
Attn: Jerry Hoover

Louis Dreyfus Gas Holding, Inc.  
1400 Quail Springs Parkway, Suite 600  
Oklahoma City, OK 73134

R. H. Feuille Special  
11th Floor  
Texas Commerce Bank Bldg  
El Paso Texas 79901

Marathon Oil Company  
P. O. Box 522  
Midland, Texas 79702  
Attn: Thomas C. Lowry, Esq.

Bureau of Land Management  
1235 LaPlata Hwy  
Farmington, New Mexico 87401