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NATURAL RESOURCES-OIL AND GAS LAW
†ALSO ADMITTED IN ARIZONA

JASON KELLAHIN (RETIRED 1991)

May 19, 1992

Mr. William J. LeMay
Oil Conservation Division
State Land Office Building
310 Old Santa Fe Trail, 2nd Floor
Santa Fe, New Mexico 87501

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OIL CONSERVATION DIVISION

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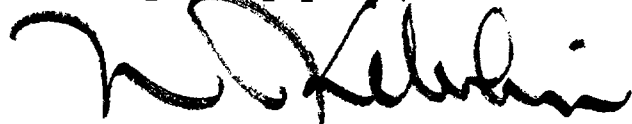
Re: Black Diamond 17 No 1 Well
Application of Meridian Oil Inc.
for a High Angle/Horizontal Direction
Drilling Pilot Project, Special
Operating Rules Therefor, including
Optional Spacing Unit Configurations,
A Non-Standard Oil Proration Unit,
and An Unorthodox Oil Well Location,
a Special Gas Oil Ratio, and A Special Project
Allowable, San Juan County, New Mexico

Dear Mr. LeMay:

On behalf of Meridian Oil Inc., please find enclosed our Application for a High Angle/Horizontal Direction Drilling Pilot Project as referenced above, which we request be set for hearing on the next available Examiner's docket now scheduled for June 11, 1992.

By copy of this letter and application, sent certified mail, we are notifying all interested parties within a 1/2 mile radius of the subject well 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.

Very truly yours,



W. Thomas Kellahin

Mr. William J. LeMay
May 19, 1992
Page Two

WTK/jcl
Enclosure

cc: Mr. Alan Alexander
Meridian Oil Inc.
Post Office Box 4289
Farmington, New Mexico 87499-4289

By Certified Mail - Return Receipt
All Parties Listed on Exhibit "D" of Application

1988/appt518c.330

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 A HIGH ANGLE/HORIZONTAL DIRECTION
DRILLING PILOT PROJECT, SPECIAL
OPERATING RULES THEREFOR, INCLUDING
OPTIONAL SPACING UNIT CONFIGURATION,
A NON-STANDARD OIL PRORATION UNIT,
AN UNORTHODOX OIL WELL LOCATION,
SPECIAL GAS OIL RATIO, AND A
SPECIAL PROJECT ALLOWABLE,
SAN JUAN COUNTY, NEW MEXICO

CASE: 10487

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OIL CONSERVATION DIVISION

A P P L I C A T I O N

Comes now Meridian Oil Inc., by and through its attorneys, Kellahin, Kellahin & Aubrey, and applies to the New Mexico Oil Conservation Division for approval for a High Angle/Horizontal Direction Drilling Pilot Project, special operating rules therefor, including optional spacing unit configuration, a non-standard oil proration unit, a special gas-oil ratio, and an unorthodox oil well location and a special project allowable for its Black Diamond 17 No 1 Well to be drilled at a unorthodox

the NW/4NW/4 of Section 17, T30N, R15W, within the Horseshoe Gallup Oil Pool, San Juan County, New Mexico and in support thereof states:

(1) Applicant is the operator in Section 17 and proposes to be the operator in Section 18, T30N, R15W, N.M.P.M., San Juan County, New Mexico.

(2) Applicant proposes to drill a high angle/horizontal directional well commencing at an unorthodox surface location in the NW/4NW/4 of Section 17 estimated to be 150 feet FNL and 205 feet FWL of said Section 17 and drilled vertically to a depth of approximately 3670 feet (+ or - 100 feet) at which point the applicant will determine an orientation and select one of four possible laterals and azimuths as shown on Exhibit A, attached.

(3) Depending upon information obtained from the vertical section of the hole, applicant will dedicate one of the following four possible spacing units to the well:

- (a) N/2 of Section 17,
- (b) W/2 of Section 17,
- (c) E/2 of Section 18, or
- (d) N/2 of Section 18.

(4) The kickoff point for the well is estimated to be 3670 feet, at which point applicant will commence to build an angle of 14° per 100 feet to approximately 80° and penetrate the Horseshoe Gallup Oil Pool at an estimated total vertical depth of 4090 feet, and then to continue to build angle to 90° and thence drilling horizontally in a lateral distance not in excess of 5,663 feet and no closer than 330 feet to the outer boundaries of the 320-acre spacing and proration unit. See Exhibits "A," "B," and "C."

(5) Applicant proposes that this project be subject to Special Rules and Regulations as follows:

(a) Pool Name: Horseshoe Gallup Oil Pool,

(b) Spacing/Proration Unit: 320 acres being a non-standard unit consisting of one of the four tracts as described above,

(c) Special Allowable of 640 BOPD being 8 times the standard 40-acre oil allowable for the pool, and

(d) Special Gas-Oil Ratio of 4,500 to 1.

(6) The Waterflow interval of the Gallup is believed to be the potential productive zone at this

location in the Horseshoe Gallup Oil Pool. This interval produces through intergranular permeability.

(7) Past experience in said pool has shown that a conventionally drilled (vertical) well seldom intersects significant natural fractures, and often has a low ultimate recovery.

(8) By drilling a high angle/horizontal wellbore, the applicant is attempting to increase the probability of encountering several of these fractures, which may ultimately result in the recovery of a greater amount of gas and oil, thereby preventing waste.

(9) In as much as the exact distance and direction of the lateral portion of the wellbore is not known at this time, the Applicant seeks approval to be allowed to drill and produce said lateral portion anywhere within an area designated a target window as follows: commencing at a distance not closer than 330 feet from any of the side boundaries of the proposed spacing unit so that within the drilling window no portion of the wellbore open for production shall be closer than 330 feet to the outer boundary of the spacing unit.

(10) As required, notice is provided to those

offsetting operators as listed on Exhibit "D."

(11) The granting of this Application will be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Applicant requests that this matter be set for hearing on June 11, 1992 before a duly appointed Examiner of the Oil Conservation Division and, after notice and hearing as required by law, the Division enter its Order granting this application.

Respectfully submitted,

KELLAHIN, KELLAHIN & AUBREY

By: 

W. Thomas Kellahin
Post Office Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285

Attorneys for Applicant

MERIDIAN OIL
BLACK DIAMOND 17 #1
 OPTIONAL SPACING UNITS
 SEC. 17,18 T30N-R15W
 SAN JUAN CO., NEW MEXICO

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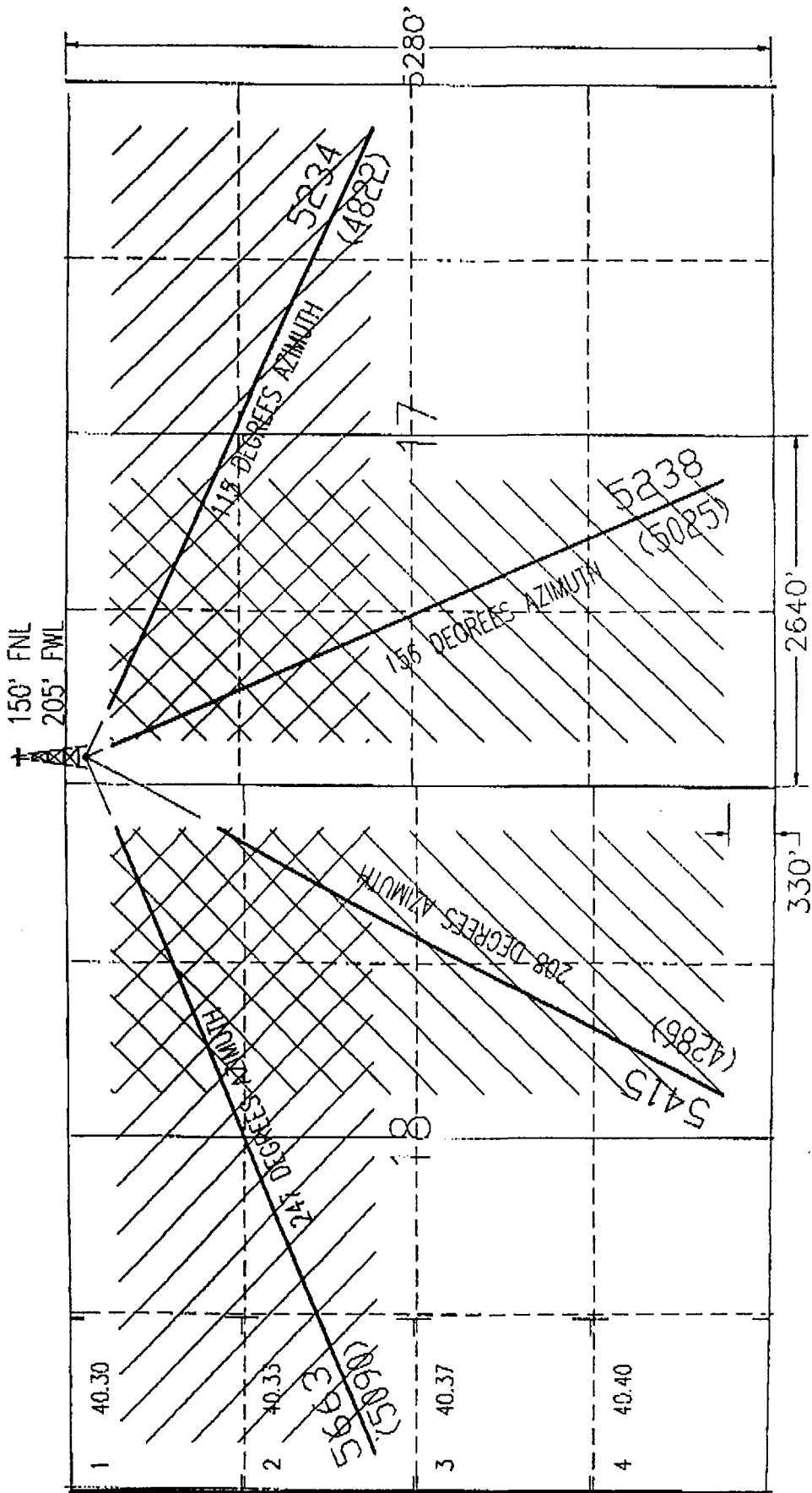


EXHIBIT "A"

BLACK DIAMOND 17 #1 NW/NW 17-T30N-R15W

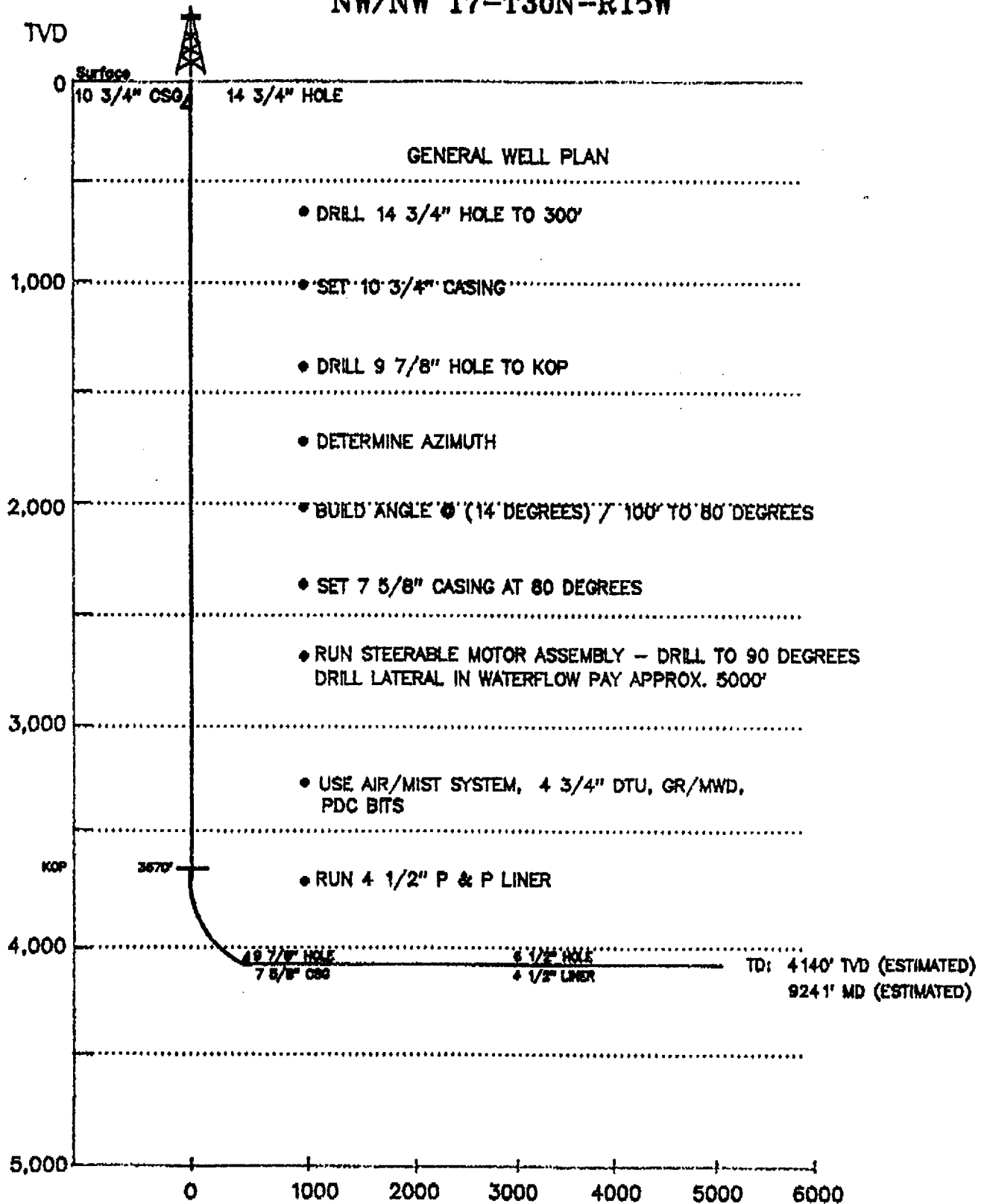


EXHIBIT "B"

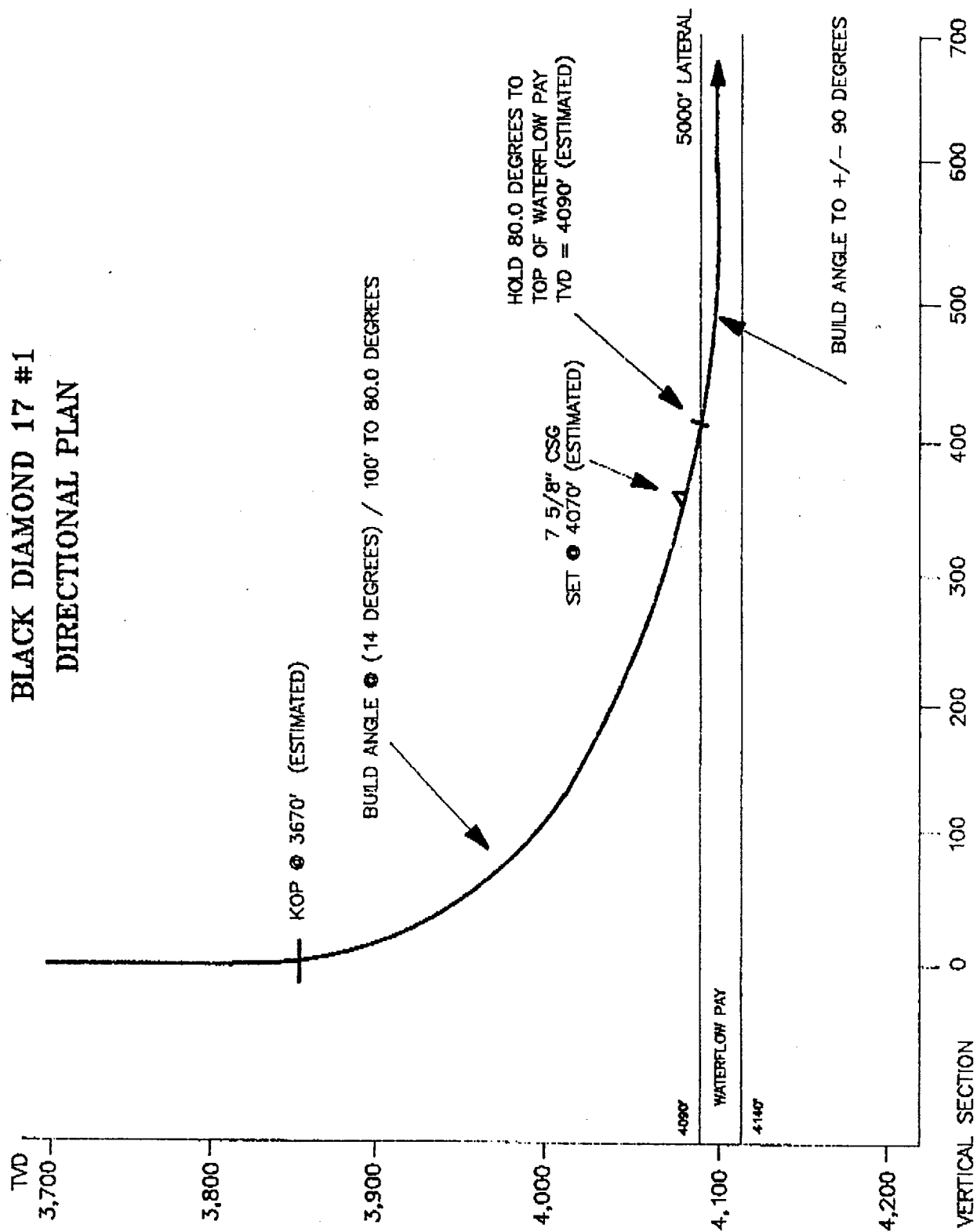
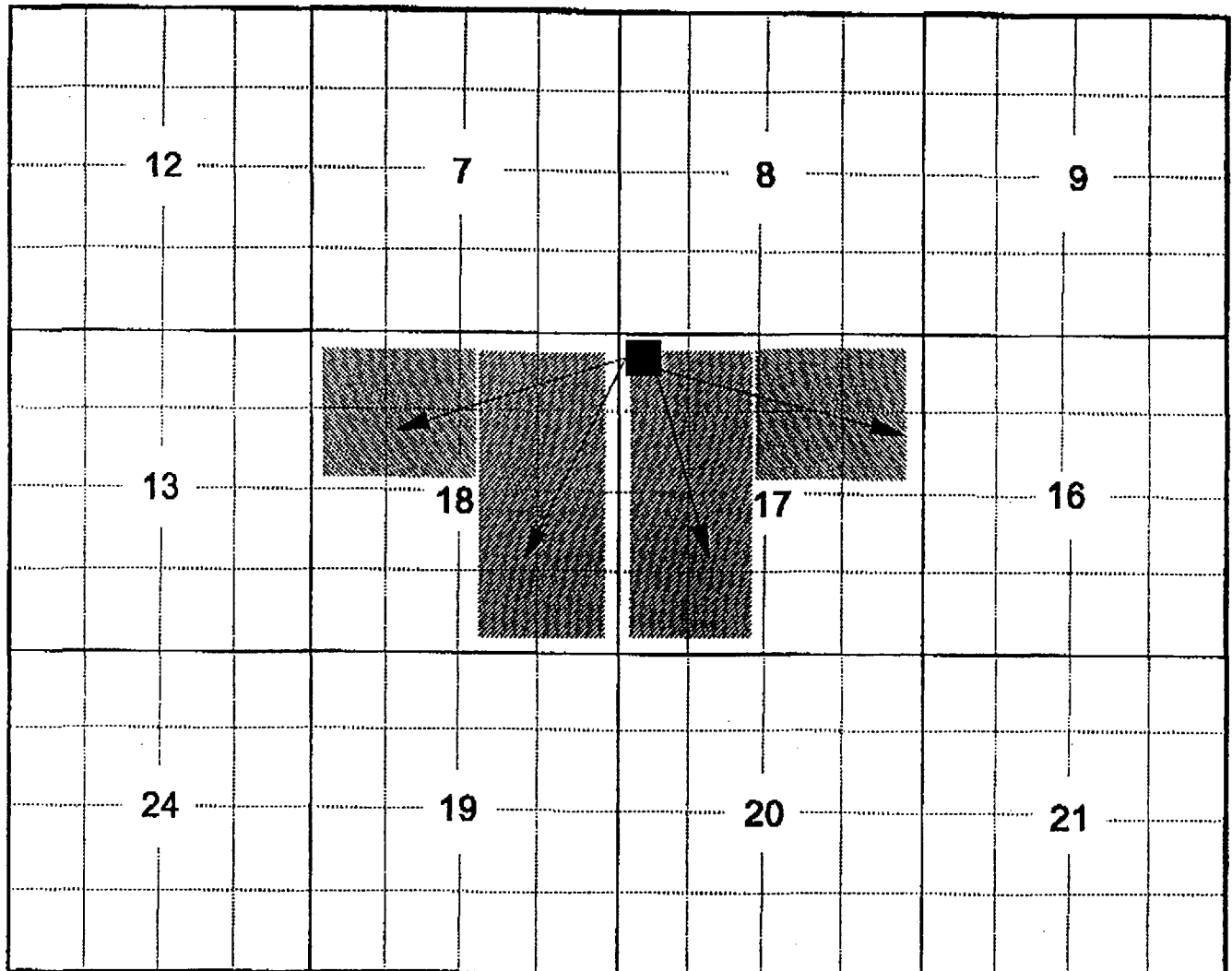


EXHIBIT "C"

BLACK DIAMOND 17 #1
Working Interest Ownership
Horseshoe Gallup Horizontal Well
Township 30 North, Range 15 West

T 30 N, R 16 W

T 30 N, R 15 W



T 30 N, R 16 W

Section 12, 13 & 24: Condor Oil Corporation, PO Box 25130, Wilmington, DL 19899

T 30 N, R 15 W

Section 7: Yates Petroleum Corp., Yates Drilling Co., ABO Petroleum Corp. & Myco Industries, Inc., 105 S. 4th St., Artesia, NM 88210

EP Operating Company, PO Box 2649, Dallas, TX 75221

Section 8: Yates Petroleum, et al, EP Operating Company, Amoco Production Co., PO Box 800, Denver, CO 80202 & Apache Corp., Suite 4900, Lincoln St. Denver, CO 80203

Section 9: Yates Petroleum, et al, EP Operating Company, Amoco Production
Company, Apache Corporation and Celcius Energy Company, PO
Box 11070, Salt Lake City, UT 84147

Section 16: Amoco Production Company, Apache Corporation, L. T. Barringer
and W.H. Atkins, c/o John W. Barringer, 11 W. Nettleton Ave.,
Memphis, TN 38103, EVKO Development, 4710 Cabrillo St., San
Francisco, CA 94121

Section 17: Meridian Oil Inc

Section 18: Yates, et al, Morgan Richardson Operating Company, PO Box
9808, Denver, CO 80209

Section 19: Meridian Oil Inc, Oxford Exploration Company, 4582 South Ulster St.,
Suite 1500, Stanford Place III, Denver, CO 80237

Section 20 & 21: Meridian Oil Inc, Amoco Production Company & Apache Corp.