

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
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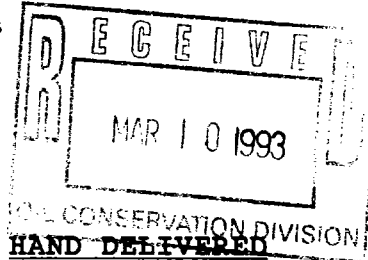
W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

March 10, 1993

Mr. William J. LeMay
Oil Conservation Division
310 Old Santa Fe Trail, Room 219
Santa Fe, New Mexico 87501



RE: Application of Meridian Oil Inc.
for Downhole Commingling and for an
Administrative Downhole Commingling
Procedure within the Huerfanito Unit
Area, San Juan County, New Mexico

10708

Dear Mr. LeMay:

On behalf of Meridian Oil Inc., please find enclosed our above-referenced application which we request be set for hearing on the Examiner's docket now scheduled for April 8, 1993.

By copy of this letter, including the application, to all affected parties, we are hereby notifying them by certified mail-return receipt requested, that they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examine witnesses either in support of or in opposition to the application. Also, all parties entitled to notice are hereby informed that pursuant to Division requirements all parties appearing in this case are required to file a Pre-Hearing Statement with the Division no later than 4:00 p.m. on Friday, April 2, 1993.

Also enclosed is our proposed notice for publication for this case.

Very truly yours

W. Thomas Kellahin

WTK/jcl

Enclosures

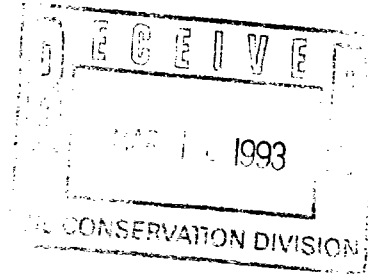
cc: With Enclosures

John Zent - Meridian Oil Inc.

Alan Alexander - Meridian Oil Inc.

BY CERTIFIED MAIL-RETURN RECEIPT REQUESTED

All parties listed on Exhibits B, C & D of the Application



SUGGESTED ADVERTISEMENT FOR OCD

CASE NO. 10708 : Application of Meridian Oil Inc. for downhole commingling and for an administrative downhole commingling procedure within the Huerfanito Unit area, San Juan County, New Mexico.

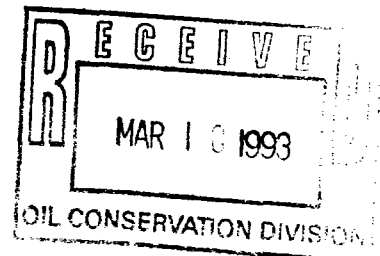
Applicant, in the above-styled cause, seeks approval to commingle gas production from the Blanco-Mesaverde Gas Pool and the Basin-Dakota Gas Pool within the wellbore of its existing Huerfanito Unit Well No. 71 located in Unit A in the E/2 of Section 3, Township 26 North, Range 9 West and Well No. 104 located in Unit M in the W/2 of Section 27, Township 27 North, Range 9 West, and within the wellbore to be drilled for Unit Well 78M, located in Unit I in the E/2 of Section 36, Unit Well 79M located in Unit J in the E/2 of Section 26, Unit Well 82M located in Unit D in the W/2 of Section 25, and Unit Well 98M located in Unit O in the E/2 of Section 35, all in Township 27 North, Range 9 West, NMPM with the identified 320-acre spacing and proration unit for both zones to be dedicated to each said well as indicated above. In addition, the Applicant seeks the adoption of an administrative procedure for authorizing the downhole commingling of Mesaverde and Dakota production in the wellbores of existing and subsequently drilled wells within the Huerfanito Unit area without hearing and without the requirement of notice to any offsetting operator and without the requirement that each interest owner in the Mesaverde and Dakota Participating Area be notified of such commingling. The Huerfanito Unit is located in portions of Sections 1-4, 10-12, Township 26 North, Range 9 West and portions of Sections 22-28 and 33-36, Township 27 North, Range 9 West. Said unit is located approximately 18 miles northwest by north of Nageezi, New Mexico or 12 miles northeast by north of Huerfano Trading Post

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:

CASE NO. 10908

APPLICATION OF MERIDIAN OIL INC.
FOR DOWNHOLE COMMINGLING AND FOR
AN ADMINISTRATIVE DOWNHOLE
COMMINGLING PROCEDURE FOR THE
Huerfanito UNIT, SAN JUAN COUNTY,
NEW MEXICO.



A P P L I C A T I O N

Comes now MERIDIAN OIL INC., by and through its attorneys Kellahin and Kellahin, and applies to the New Mexico Oil Conservation Division for approval of an administrative procedure for the Huerfanito Unit to downhole commingle production from the Blanco Mesaverde Gas Pool and the Basin Dakota Gas Pool within the Huerfanito Unit with the six initial wells for downhole commingling being:

(1) Huerfanito Unit Well #71, located 660 feet FNL and 660 feet FEL, (Unit A) Section 3, T26N, R9W, NMPM, with a 320-acre spacing unit consisting of the E/2 of

Section 3 and being an existing Dakota well to be recompleted and commingled with the Mesaverde;

(2) Huerfanito Unit Well #104, located 1090 feet FSL and 825 feet FWL, (Unit M) Section 27, T27N, R9W, NMPM, with a 320-acre spacing unit consisting of the W/2 of Section 27, and being an existing Dakota well to be recompleted and commingled with the Mesaverde;

(3) Huerfanito Unit Well #78M, located 1545 feet FSL and 1270 feet FEL, (Unit I) Section 36, T27N, R9W, NMPM, with a 320-acre spacing unit consisting of the E/2 of Section 36 and being a new well to be drilled for commingling of Dakota and Mesaverde production;

(4) Huerfanito Unit Well #79M, located 1795 feet FSL and 1730 feet FEL, (Unit J) Section 26, T27N, R9W, NMPM, with a 320-acre spacing unit consisting of the E/2 of Section 26 and being a new well to be drilled for commingling of Dakota and Mesaverde production;

(5) Huerfanito Unit Well #82M, located 870 feet FNL and 850 feet FWL, (Unit D) Section 25, T27N, R9W, NMPM, with a 320-acre spacing unit consisting of the W/2 of Section 25 and being a new well to be drilled for commingling of Dakota and Mesaverde production;

(6) Huerfanito Unit Well #98M, located 790 feet FSL and 1500 feet FEL, (Unit O) Section 35, T27N, R9W, NMPM, with a 320-acre spacing unit consisting of the W/2 of Section 35 and being a new well to be drilled for commingling of Dakota and Mesaverde production; all in San Juan County, New Mexico and in support thereof states:

1. Meridian Oil Inc. ("Meridian") is the operator of the Huerfanito Unit which includes all vertical intervals within the unit boundary but is a "divided" unit consisting of various participating areas for production from various pools.

2. The Huerfanito Unit contains 10,245.35 acres and consists of the following described area all as set forth on Exhibit A attached hereto:

Township 26 North, Range 9 West

Sections 1-4: All
Section 10: N/2
Section 11: N/2
Section 12: All

Township 27 North, Range 9 West

Sections 22-23: All
Sections 24 & 25: W/2
Sections 26-28: All
Sections 33-36: All

3. The current Dakota Participating area for the Unit is contiguous with the outer boundary of the Huerfanito Unit.

4. The current Mesaverde participating area for the Unit containing 4,321.16 acres, is described as follows:

Township 26 North, Range 9 West

Section 1: All
Section 2: N/2 & SE/4

Township 27 North, Range 9 West

Section 23: E/2
Section 24: W/2
Section 25: W/2
Section 26: All
Section 34: E/2
Sections 35 and 36: All

5. Meridian as unit operator proposes to recomplete Unit Wells #71 and #104 as a downhole commingled gas-gas wells between the Blanco Mesaverde Gas Pool and Basin Dakota Gas Pool.

6. Meridian as unit operator proposes to drill Unit Wells #78M, #79M, #82M and #98M as new wells for the downhole commingled gas-gas wells between the Blanco Mesaverde Gas Pool and Basin Dakota Gas Pool.

7. Both the Blanco Mesaverde Gas Pool and the

Basin Dakota Gas Pool are spaced on 320-acre gas spacing units and in each instance the spacing unit for each well is identical for both pools.

8. Applicant further seeks an administrative procedure for obtaining further downhole commingling approvals for Mesaverde and Dakota wells within the Huerfanito Unit without notice hearing and without the requirement that each offsetting operator and each interest owner in the Mesaverde and Dakota Participating Areas be notified of such commingling.

9. In accordance with Division Rule 303-C-1.(b), the Applicant states and will demonstrate at hearing:

A. That the commingling is necessary to permit the most efficient means for the remaining recovery of both Dakota and Mesaverde gas within the unit.

B. It is not otherwise economic to attempt to drill and complete separate wells in the unit for either Dakota production or for Mesaverde production.

C. It is not otherwise economic to attempt to drill and dually complete wells in the unit for Dakota production and Mesaverde production.

D. That there will be no significant crossflow between the two zones to be commingled.

E. That while the ownership in each of the two participating areas is not common between the two pools, no impairment of correlative rights will occur.

F. 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.

G. That the value of the commingled production will not be less than the sum of the values of the individual production.

10. Applicant seeks the approval of an allocation formula for the equitable distribution of production between the two pools based upon separate production tests of each zone prior to commingling.

11. The ownership between the Mesaverde participating area and the Dakota participating area in the Huerfanito Unit is not identical and accordingly, Applicant seeks the approval of the Division after notice and hearing.

12. Applicant requests that this matter be docketed

Application of Meridian Oil Inc.
Page 7

for hearing on the Division's Examiner docket now scheduled for April 8, 1993.

13. Copy of this application has been sent to all offsetting operators and to the owners of interests in the affected production within the Huerfanito Unit as set forth on Exhibits B, C and D.

WHEREFORE Applicant requests that this matter be set for hearing on April 8, 1993 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,

KELLAHIN AND KELLAHIN,

BY:



W. Thomas Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285
ATTORNEYS FOR APPLICANT

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

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W THOMAS KELLAHIN*

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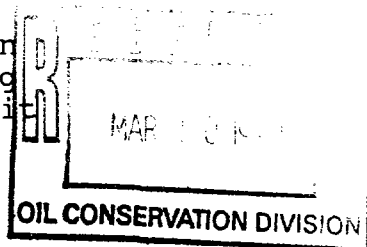
March 10, 1993

Mr. William J. LeMay
Oil Conservation Division
310 Old Santa Fe Trail, Room 219
Santa Fe, New Mexico 87501

10708

HAND DELIVERED

RE: Application of Meridian Oil Inc.
for Downhole Commingling and for an
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Procedure within the Huerfanito Unit
Area, San Juan County, New Mexico



Dear Mr. LeMay:

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By copy of this letter, including the application, to all affected parties, we are hereby notifying them by certified mail-return receipt requested, that they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examine witnesses either in support of or in opposition to the application. Also, all parties entitled to notice are hereby informed that pursuant to Division requirements all parties appearing in this case are required to file a Pre-Hearing Statement with the Division no later than 4:00 p.m. on Friday, April 2, 1993.

Also enclosed is our proposed notice for publication for this case.

Very truly yours,

A handwritten signature in black ink, appearing to read "W. Thomas Kellahin".

W. Thomas Kellahin

WTK/jcl

Enclosures

cc: With Enclosures

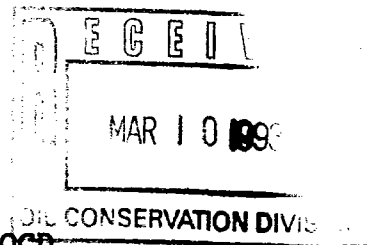
John Zent - Meridian Oil Inc.

Alan Alexander - Meridian Oil Inc.

BY CERTIFIED MAIL-RETURN RECEIPT REQUESTED

All parties listed on Exhibits B, C & D of the Application

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SUGGESTED ADVERTISEMENT FOR OGD

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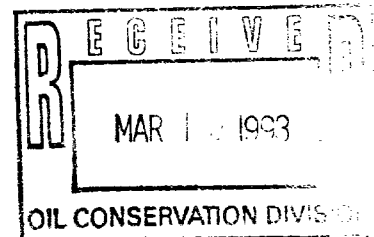
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STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 10708

APPLICATION OF MERIDIAN OIL INC.
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Huerfanito UNIT, SAN JUAN COUNTY,
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2. The Huerfanito Unit contains 10,245.35 acres and consists of the following described area all as set forth on Exhibit A attached hereto:

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3. The current Dakota Participating area for the Unit is contiguous with the outer boundary of the Huerfanito Unit.

4. The current Mesaverde participating area for the Unit containing 4,321.16 acres, is described as follows:

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7. Both the Blanco Mesaverde Gas Pool and the

Basin Dakota Gas Pool are spaced on 320-acre gas spacing units and in each instance the spacing unit for each well is identical for both pools.

8. Applicant further seeks an administrative procedure for obtaining further downhole commingling approvals for Mesaverde and Dakota wells within the Huerfanito Unit without notice hearing and without the requirement that each offsetting operator and each interest owner in the Mesaverde and Dakota Participating Areas be notified of such commingling.

9. In accordance with Division Rule 303-C-1.(b), the Applicant states and will demonstrate at hearing:

A. That the commingling is necessary to permit the most efficient means for the remaining recovery of both Dakota and Mesaverde gas within the unit.

B. It is not otherwise economic to attempt to drill and complete separate wells in the unit for either Dakota production or for Mesaverde production.

C. It is not otherwise economic to attempt to drill and dually complete wells in the unit for Dakota production and Mesaverde production.

D. That there will be no significant crossflow between the two zones to be commingled.

E. That while the ownership in each of the two participating areas is not common between the two pools, no impairment of correlative rights will occur.

F. 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.

G. That the value of the commingled production will not be less than the sum of the values of the individual production.

10. Applicant seeks the approval of an allocation formula for the equitable distribution of production between the two pools based upon separate production tests of each zone prior to commingling.

11. The ownership between the Mesaverde participating area and the Dakota participating area in the Huerfanito Unit is not identical and accordingly, Applicant seeks the approval of the Division after notice and hearing.

12. Applicant requests that this matter be docketed

Application of Meridian Oil Inc.
Page 7

for hearing on the Division's Examiner docket now scheduled for April 8, 1993.

13. Copy of this application has been sent to all offsetting operators and to the owners of interests in the affected production within the Huerfanito Unit as set forth on Exhibits B, C and D.

WHEREFORE Applicant requests that this matter be set for hearing on April 8, 1993 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,

KELLAHIN AND KELLAHIN,

BY:



W. Thomas Kellahin

P. O. Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285
ATTORNEYS FOR APPLICANT

CAMPBELL, CARR, BERGE

& SHERIDAN, P.A.

LAWYERS

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
WILLIAM P. SLATTERY

PATRICIA A. MATTHEWS
MICHAEL H. FELDEWERT

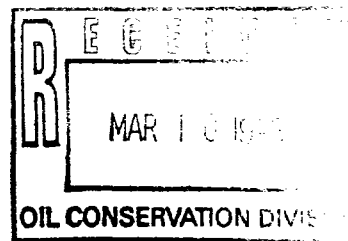
JACK M. CAMPBELL
OF COUNSEL

JEFFERSON PLACE
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POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE (505) 988-4421
TELECOPIER (505) 983-6043

March 10, 1993

HAND-DELIVERED

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
State Land Office Building
Santa Fe, New Mexico 87503



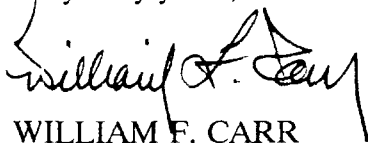
10708

Re: In the Matter of the Application of Yates Petroleum Corporation for Compulsory Pooling, Eddy County, New Mexico

Dear Mr. LeMay:

Enclosed in triplicate is the Application of Yates Petroleum Corporation in the above-referenced matter and a draft of a legal advertisement for this case. Yates Petroleum Corporation respectfully requests that this matter be placed on the docket for the April 8, 1993 Examiner hearings.

Very truly yours,

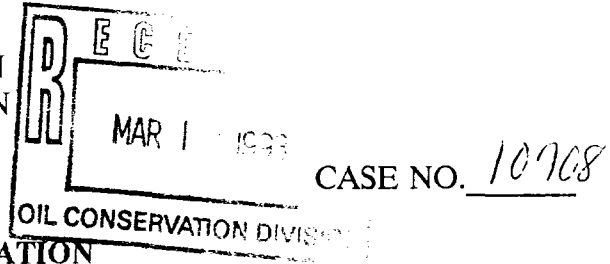

WILLIAM F. CARR

WFC:mlh
Enclosures

cc w/enclosure: Ms Janet Richardson

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

IN THE MATTER OF THE APPLICATION
OF YATES PETROLEUM CORPORATION
FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.



APPLICATION

Yates Petroleum Corporation, through its undersigned attorneys, hereby makes application pursuant to the provisions of N.M.Stat. Ann. § 70-2-17, (1978), for an order pooling all of the mineral interests in the SW/4 of Section 21, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico, and in support thereof states:

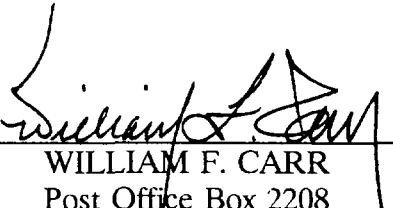
1. Applicant owns or represents over 61% of the working interest in the SW/4 of Section 21, and Applicant has the right to drill thereon.
2. Applicant proposes to dedicate the above-referenced spacing or proration unit to its Hooper "AMP" Well No. 1 to be drilled at an orthodox location 670 feet from the South line and 660 feet from the West line of Section 21, to a depth of approximately 8300 feet, more or less, to test any and all formations from the surface to the base of the Canyon formation including , but not limited to the North Dagger Draw-Upper Pennsylvanian Pool.
3. Applicant has sought and been unable to obtain either voluntary agreement for pooling or farmout from certain interest owners in the SW/4 of said Section 21.
4. Said pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

5. In order to permit the Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and Applicant should be designated the operator of the well to be drilled.

WHEREFORE, Applicant prays that this application be set for hearing before an Examiner of the Oil Conservation Division on April 8, 1993 and, after notice and hearing as required by law, the Division enter its order pooling the lands, including provisions for Applicant to recover its costs of drilling, equipping and completing the well, its costs of supervision while drilling and after completion, including overhead charges, and imposing a risk factor for the risk assumed by the Applicant in drilling, completing and equipping the well.

Respectfully submitted,

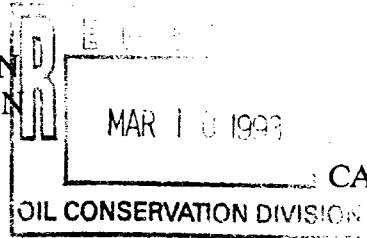
CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.

By: 
WILLIAM F. CARR
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR YATES
PETROLEUM CORPORATION

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

IN THE MATTER OF THE APPLICATION
OF YATES PETROLEUM CORPORATION
FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.



CASE NO. 10708

APPLICATION

Yates Petroleum Corporation, through its undersigned attorneys, hereby makes application pursuant to the provisions of N.M.Stat. Ann. § 70-2-17, (1978), for an order pooling all of the mineral interests in the SW/4 of Section 21, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico, and in support thereof states:

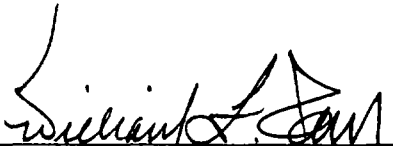
1. Applicant owns or represents over 61% of the working interest in the SW/4 of Section 21, and Applicant has the right to drill thereon.
2. Applicant proposes to dedicate the above-referenced spacing or proration unit to its Hooper "AMP" Well No. 1 to be drilled at an orthodox location 670 feet from the South line and 660 feet from the West line of Section 21, to a depth of approximately 8300 feet, more or less, to test any and all formations from the surface to the base of the Canyon formation including , but not limited to the North Dagger Draw-Upper Pennsylvanian Pool.
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5. In order to permit the Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and Applicant should be designated the operator of the well to be drilled.

WHEREFORE, Applicant prays that this application be set for hearing before an Examiner of the Oil Conservation Division on April 8, 1993 and, after notice and hearing as required by law, the Division enter its order pooling the lands, including provisions for Applicant to recover its costs of drilling, equipping and completing the well, its costs of supervision while drilling and after completion, including overhead charges, and imposing a risk factor for the risk assumed by the Applicant in drilling, completing and equipping the well.

Respectfully submitted,

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.

By: 
WILLIAM F. CARR
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

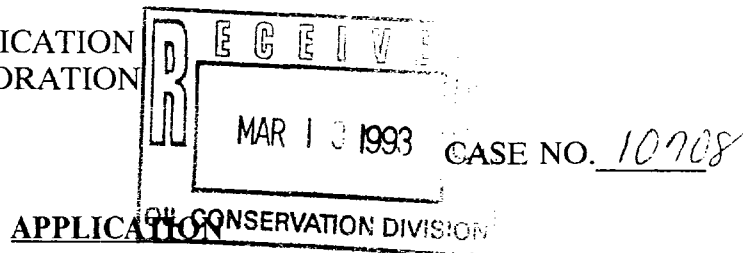
ATTORNEYS FOR YATES
PETROLEUM CORPORATION

CASE 10th 8 :

Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order pooling all mineral interests from the surface to the base of the Canyon formation underlying the SW/4 of Section 21, Township 19 South, Range 25 East. Said unit is to be dedicated to the Hooper "AMP" Well No. 1 to be drilled at a standard location 670 feet from the South line and 660 feet from the West line of said Section 21. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately ____ miles _____ of _____, New Mexico.

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

IN THE MATTER OF THE APPLICATION
OF YATES PETROLEUM CORPORATION
FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.



Yates Petroleum Corporation, through its undersigned attorneys, hereby makes application pursuant to the provisions of N.M.Stat. Ann. § 70-2-17, (1978), for an order pooling all of the mineral interests in the SW/4 of Section 21, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico, and in support thereof states:

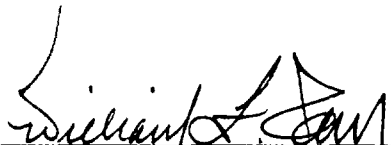
1. Applicant owns or represents over 61% of the working interest in the SW/4 of Section 21, and Applicant has the right to drill thereon.
2. Applicant proposes to dedicate the above-referenced spacing or proration unit to its Hooper "AMP" Well No. 1 to be drilled at an orthodox location 670 feet from the South line and 660 feet from the West line of Section 21, to a depth of approximately 8300 feet, more or less, to test any and all formations from the surface to the base of the Canyon formation including , but not limited to the North Dagger Draw-Upper Pennsylvanian Pool.
3. Applicant has sought and been unable to obtain either voluntary agreement for pooling or farmout from certain interest owners in the SW/4 of said Section 21.
4. Said pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

5. In order to permit the Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and Applicant should be designated the operator of the well to be drilled.

WHEREFORE, Applicant prays that this application be set for hearing before an Examiner of the Oil Conservation Division on April 8, 1993 and, after notice and hearing as required by law, the Division enter its order pooling the lands, including provisions for Applicant to recover its costs of drilling, equipping and completing the well, its costs of supervision while drilling and after completion, including overhead charges, and imposing a risk factor for the risk assumed by the Applicant in drilling, completing and equipping the well.

Respectfully submitted,

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.

By: 
WILLIAM F. CARR
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

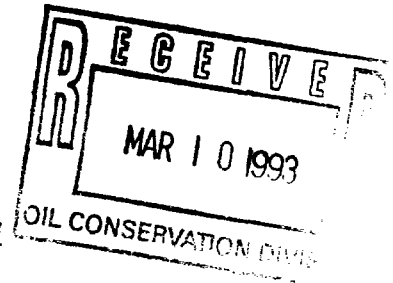
ATTORNEYS FOR YATES
PETROLEUM CORPORATION

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:

CASE NO. 10908

APPLICATION OF MERIDIAN OIL INC.
FOR DOWNHOLE COMMINGLING AND FOR
AN ADMINISTRATIVE DOWNHOLE
COMMINGLING PROCEDURE FOR THE
Huerfanito UNIT, SAN JUAN COUNTY,
NEW MEXICO.



A P P L I C A T I O N

Comes now MERIDIAN OIL INC., by and through its attorneys Kellahin and Kellahin, and applies to the New Mexico Oil Conservation Division for approval of an administrative procedure for the Huerfanito Unit to downhole commingle production from the Blanco Mesaverde Gas Pool and the Basin Dakota Gas Pool within the Huerfanito Unit with the six initial wells for downhole commingling being:

(1) Huerfanito Unit Well #71, located 660 feet FNL and 660 feet FEL, (Unit A) Section 3, T26N, R9W, NMPM, with a 320-acre spacing unit consisting of the E/2 of

Section 3 and being an existing Dakota well to be recompleted and commingled with the Mesaverde;

(2) Huerfanito Unit Well #104, located 1090 feet FSL and 825 feet FWL, (Unit M) Section 27, T27N, R9W, NMPM, with a 320-acre spacing unit consisting of the W/2 of Section 27, and being an existing Dakota well to be recompleted and commingled with the Mesaverde;

(3) Huerfanito Unit Well #78M, located 1545 feet FSL and 1270 feet FEL, (Unit I) Section 36, T27N, R9W, NMPM, with a 320-acre spacing unit consisting of the E/2 of Section 36 and being a new well to be drilled for commingling of Dakota and Mesaverde production;

(4) Huerfanito Unit Well #79M, located 1795 feet FSL and 1730 feet FEL, (Unit J) Section 26, T27N, R9W, NMPM, with a 320-acre spacing unit consisting of the E/2 of Section 26 and being a new well to be drilled for commingling of Dakota and Mesaverde production;

(5) Huerfanito Unit Well #82M, located 870 feet FNL and 850 feet FWL, (Unit D) Section 25, T27N, R9W, NMPM, with a 320-acre spacing unit consisting of the W/2 of Section 25 and being a new well to be drilled for commingling of Dakota and Mesaverde production;

(6) Huerfanito Unit Well #98M, located 790 feet FSL and 1500 feet FEL, (Unit O) Section 35, T27N, R9W, NMPM, with a 320-acre spacing unit consisting of the W/2 of Section 35 and being a new well to be drilled for commingling of Dakota and Mesaverde production; all in San Juan County, New Mexico and in support thereof states:

1. Meridian Oil Inc. ("Meridian") is the operator of the Huerfanito Unit which includes all vertical intervals within the unit boundary but is a "divided" unit consisting of various participating areas for production from various pools.

2. The Huerfanito Unit contains 10,245.35 acres and consists of the following described area all as set forth on Exhibit A attached hereto:

Township 26 North, Range 9 West

Sections 1-4: All
Section 10: N/2
Section 11: N/2
Section 12: All

Township 27 North, Range 9 West

Sections 22-23: All
Sections 24 & 25: W/2
Sections 26-28: All
Sections 33-36: All

3. The current Dakota Participating area for the Unit is contiguous with the outer boundary of the Huerfanito Unit.

4. The current Mesaverde participating area for the Unit containing 4,321.16 acres, is described as follows:

Township 26 North, Range 9 West

Section 1: All
Section 2: N/2 & SE/4

Township 27 North, Range 9 West

Section 23: E/2
Section 24: W/2
Section 25: W/2
Section 26: All
Section 34: E/2
Sections 35 and 36: All

5. Meridian as unit operator proposes to recomplete Unit Wells #71 and #104 as a downhole commingled gas-gas wells between the Blanco Mesaverde Gas Pool and Basin Dakota Gas Pool.

6. Meridian as unit operator proposes to drill Unit Wells #78M, #79M, #82M and #98M as new wells for the downhole commingled gas-gas wells between the Blanco Mesaverde Gas Pool and Basin Dakota Gas Pool.

7. Both the Blanco Mesaverde Gas Pool and the

Basin Dakota Gas Pool are spaced on 320-acre gas spacing units and in each instance the spacing unit for each well is identical for both pools.

8. Applicant further seeks an administrative procedure for obtaining further downhole commingling approvals for Mesaverde and Dakota wells within the Huerfanito Unit without notice hearing and without the requirement that each offsetting operator and each interest owner in the Mesaverde and Dakota Participating Areas be notified of such commingling.

9. In accordance with Division Rule 303-C-1.(b), the Applicant states and will demonstrate at hearing:

A. That the commingling is necessary to permit the most efficient means for the remaining recovery of both Dakota and Mesaverde gas within the unit.

B. It is not otherwise economic to attempt to drill and complete separate wells in the unit for either Dakota production or for Mesaverde production.

C. It is not otherwise economic to attempt to drill and dually complete wells in the unit for Dakota production and Mesaverde production.

D. That there will be no significant crossflow between the two zones to be commingled.

E. That while the ownership in each of the two participating areas is not common between the two pools, no impairment of correlative rights will occur.

F. 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.

G. That the value of the commingled production will not be less than the sum of the values of the individual production.

10. Applicant seeks the approval of an allocation formula for the equitable distribution of production between the two pools based upon separate production tests of each zone prior to commingling.

11. The ownership between the Mesaverde participating area and the Dakota participating area in the Huerfanito Unit is not identical and accordingly, Applicant seeks the approval of the Division after notice and hearing.

12. Applicant requests that this matter be docketed

for hearing on the Division's Examiner docket now scheduled for April 8, 1993.

13. Copy of this application has been sent to all offsetting operators and to the owners of interests in the affected production within the Huerfanito Unit as set forth on Exhibits B, C and D.

WHEREFORE Applicant requests that this matter be set for hearing on April 8, 1993 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,

KELLAHIN AND KELLAHIN,

BY: 

W. Thomas Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285
ATTORNEYS FOR APPLICANT

KELLAHIN AND KELLAHIN

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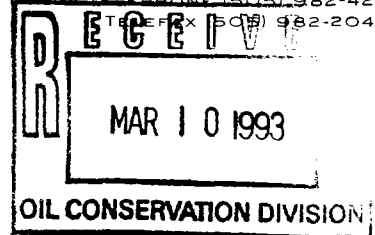
W THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED (1991))

TELEPHONE (505) 982-4285

TELEFAX (505) 982-2047



March 10, 1993

Mr. William J. LeMay
Oil Conservation Division
310 Old Santa Fe Trail, Room 219
Santa Fe, New Mexico 87501

HAND DELIVERED

10708

RE: Application of Meridian Oil Inc.
for Downhole Commingling and for an
Administrative Downhole Commingling
Procedure within the Huerfanito Unit
Area, San Juan County, New Mexico

Dear Mr. LeMay:

On behalf of Meridian Oil Inc., please find enclosed
our above-referenced application which we request be set
for hearing on the Examiner's docket now scheduled for
April 8, 1993.

By copy of this letter, including the application,
to all affected parties, we are hereby notifying them by
certified mail-return receipt requested, that they have
the right to appear at the hearing, to make a statement
to the Division, to present evidence and cross-examine
witnesses either in support of or in opposition to the
application. Also, all parties entitled to notice are
hereby informed that pursuant to Division requirements
all parties appearing in this case are required to file
a Pre-Hearing Statement with the Division no later than
4:00 p.m. on Friday, April 2, 1993.

Also enclosed is our proposed notice for publication
for this case.

Very truly yours,

W. Thomas Kellahin

WTK/jcl

Enclosures

cc: With Enclosures

John Zent - Meridian Oil Inc.
Alan Alexander - Meridian Oil Inc.

BY CERTIFIED MAIL-RETURN RECEIPT REQUESTED

All parties listed on Exhibits B, C & D of the
Application

SUGGESTED ADVERTISEMENT FOR OCD

CASE NO. 10708 : Application of Meridian Oil Inc. for downhole commingling and for an administrative downhole commingling procedure within the Huerfanito Unit area, San Juan County, New Mexico.

Applicant, in the above-styled cause, seeks approval to commingle gas production from the Blanco-Mesaverde Gas Pool and the Basin-Dakota Gas Pool within the wellbore of its existing Huerfanito Unit Well No. 71 located in Unit A in the E/2 of Section 3, Township 26 North, Range 9 West and Well No. 104 located in Unit M in the W/2 of Section 27, Township 27 North, Range 9 West, and within the wellbore to be drilled for Unit Well 78M, located in Unit I in the E/2 of Section 36, Unit Well 79M located in Unit J in the E/2 of Section 26, Unit Well 82M located in Unit D in the W/2 of Section 25, and Unit Well 98M located in Unit O in the E/2 of Section 35, all in Township 27 North, Range 9 West, NMPM with the identified 320-acre spacing and proration unit for both zones to be dedicated to each said well as indicated above. In addition, the Applicant seeks the adoption of an administrative procedure for authorizing the downhole commingling of Mesaverde and Dakota production in the wellbores of existing and subsequently drilled wells within the Huerfanito Unit area without hearing and without the requirement of notice to any offsetting operator and without the requirement that each interest owner in the Mesaverde and Dakota Participating Area be notified of such commingling. The Huerfanito Unit is located in portions of Sections 1-4, 10-12, Township 26 North, Range 9 West and portions of Sections 22-28 and 33-36, Township 27 North, Range 9 West. Said unit is located approximately 18 miles northwest by north of Nageezi, New Mexico or 12 miles northeast by north of Huerfano Trading Post