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OF COUNSEL

January 29, 1991

Mr. William J. LeMay  
Oil Conservation Division  
Post Office Box 2088  
Santa Fe, New Mexico 87504

RECEIVED

JAN 29 1991

Re: Application of Meridian Oil Inc.  
for an Unorthodox Oil Well Location,  
Benson "3" Federal No. 7,  
Eddy County, New Mexico

OIL CONSERVATION DIVISION

Dear Mr. LeMay:

On behalf of Meridian Oil Inc. please find enclosed our Application for an Unorthodox Oil Well Location for the referenced well which we request be set for hearing on the next available Examiner's docket now scheduled for February 21, 1991.

By copy of this letter, including the application, to all parties, we are 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.

Very truly yours,



W. Thomas Kellahin

WTK/tic  
Enclosure

Mr. William J. LeMay  
January 29, 1991  
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cc: Mr. Mo Gaddis  
Meridian Oil Inc.  
21 Desta Drive  
Midland, Texas 79705

Certified Mail Return-Receipt  
All parties listed in Paragraph 8  
of the application w/enclosures

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

IN THE MATTER OF THE APPLICATION OF  
MERIDIAN OIL INC. FOR APPROVAL OF AN  
UNORTHODOX OIL WELL LOCATION,  
EDDY COUNTY, NEW MEXICO

RECEIVED  
JAN 20 1991  
OIL CONSERVATION DIVISION  
10-2411

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 of an unorthodox oil well location for production from any oil pool spaced on 40 acres, including the Shugart Pool (Yates-Seven Rivers-Queen-Grayburg), for its Benson "3" Federal No. 7 well to be drilled to the base of the Grayburg formation, at an unorthodox location 330 feet from the East line and 1140 feet from the South line of Section 3, T19S, R30E, N.M.P.M., Eddy County, New Mexico with the dedication of a standard spacing and proration unit thereto consisting of 40 acres, more or less, being the SE/4SE/4 of said Section 3 and in support states:

1. Applicant, Meridian Oil Inc., is the operator of and has the right to drill and develop the SE/4SE/4 of Section 3, T19S, R30E, N.M.P.M., Eddy County, New Mexico.

2. Applicant had proposed to develop said spacing unit by the drilling of a well at a standard well location in said Section 3 but was unable to satisfy the Bureau of Land Management as to surface use, or AMAX Potash Corp., the potash lessee, as to the subsurface use.

3. The unorthodox well location is sought to satisfy the BLM and potash lessee's considerations in developing this spacing unit.

4. The requested surface location for the unorthodox oil well location has been approved the BLM and by AMAX.

5. The requested unorthodox well location is also a suitable geologic location at which to penetrate the Shugart Pool with a vertically drilled well.

6. Applicant is unable to locate its well at the surface location approved by the BLM and then directionally drill to a standard subsurface location acceptable to applicant without incurring considerable expense.

7. In accordance with Division Rule 1207 and R-111-P the following parties are entitled to and have been sent notice of this application:

- (1) ARCO Oil & Gas Corporation  
P.O. Box 1610  
Midland, Texas 79702  
Attn: Land Department
- (2) Bureau of Land Management  
P.O. Box 1778  
Carlsbad, New Mexico 88220
- (3) AMAX Potash Corp.  
P.O. Box 279  
Carlsbad, New Mexico 88221  
Attn: Ralph W. Crosser, Jr.

8. Approval of the application, without a production penalty, will afford the operator and the other mineral interest owners for this spacing unit the opportunity to recover its proportionate share of the oil from the pool thereby preventing waste and protecting correlative rights.

WHEREFORE, applicant requests that, after notice and hearing, this application be approved as requested.

KELLAHIN, KELLAHIN & AUBREY

By: 

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