

KELLAHIN, KELLAHIN and AUBREY

*Attorneys at Law*

W. Thomas Kellahin  
Karen Aubrey

El Patio - 117 North Guadalupe  
Post Office Box 2265

Telephone 982-4285  
Area Code 505

Jason Kellahin  
Of Counsel

Santa Fé, New Mexico 87504-2265

September 20, 1988

RECEIVED

SEP 22 1988

Mr. William J. LeMay  
Oil Conservation Division  
P.O. Box 2088  
Santa Fe, NM 87504

HAND DELIVERED

CONSERVATION DIVISION

Case 9498

Re: Application of Meridian Oil Inc.  
for a Horizontal Drain Hole  
Pilot Project, San Juan 32-5 Unit, H-100 well  
Rio Arriba, New Mexico

Dear Mr. LeMay:

On behalf of Meridian Oil Inc. we would appreciate you having the enclosed application set for hearing on the next available Examiner's docket now scheduled for October 12, 1988.

We suggest the following for an advertisement for the docket and newspaper:

Application of Meridian Oil Inc. for a Horizontal Directional Drilling, Unorthodox location, Rio Arriba County, New Mexico. Applicant in the above styled cause seeks authority to initiate a horizontal directional drilling pilot project in the SW/4 of Section 23, T32N, R6W, NMPM Rio Arriba County, New Mexico forming a standard 160 acre gas spacing and proration unit in the Fruitland formation, by commencing its San Juan 32-5 Unit Well H-100 at an unorthodox surface location 1485 feet FWL and 1765 feet FSL of said section 23, drilling to a true vertical depth of 3,085 feet then plugging back to 2285 feet and commencing a medium radius curve of 500 feet in a southerly direction to an angle of approximately 89 degrees to a depth to encounter the top of the Fruitland Coal Seam at 2,785 feet at which point the wellbore will be drilled horizontally an approximate lateral distance of 1100 feet within said formation. The terminus of the bottom hole location will be unorthodox 1485 feet from the west line and 165 feet from the south line of said Section 23.

Said location is approximately 6 miles southwest of Arboles, Colorado.

KELLAHIN, KELLAHIN and AUBREY

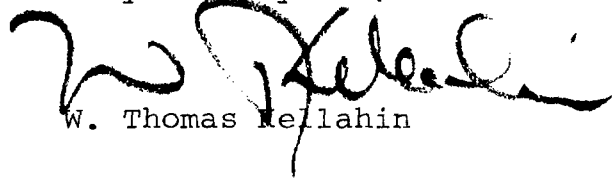
Mr. William J. LeMay

September 20, 1988

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By copy of this letter to all parties shown on Exhibit A to the application, we are forwarding a copy of the application and notifying them by certified mail return-receipt 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. Those parties are directed to contact the Division or the applicant's attorney to determine what additional rights they may have.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over a horizontal line.

W. Thomas Kellahin

WTK/dm

Encl.

cc: Mr. John Caldwell  
Meridian Oil Inc.  
3535 East 30th Street  
Farmington, NM 87499-4289

STATE OF NEW MEXICO  
DEPARTMENT OF ENERGY AND MINERALS  
OIL CONSERVATION DIVISION

RECEIVED

SEP 20 1961

OIL CONSERVATION DIVISION

IN THE MATTER OF THE  
APPLICATION OF MERIDIAN OIL INC.  
FOR A HORIZONTAL DIRECTIONAL  
DRILLING PILOT PROJECT AND  
UNORTHODOX BOTTOM HOLE LOCATION,  
RIO ARriba COUNTY, NEW MEXICO

CASE NO.: 9498

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 to initiate a horizontal directional drilling pilot project in the SW/4 of Section 23, T32N, R6W, NMPM Rio Arriba County, New Mexico forming a standard 160 acre gas spacing and proration unit in the Fruitland formation, by commencing its San Juan 32-5 Unit Well H-100 at an unorthodox surface location 1485 feet FWL and 1765 feet FSL of said Section 23 and drilling to a true vertical depth of 3085 feet then plugging back to 2285 feet and commencing a 500 foot medium radius curve in a southerly direction to an angle of approximately 89 degrees to a depth to encounter the top of the Fruitland Coal Seam at 2785 feet at which point the wellbore will be drilled horizontally an approximate lateral distance of 1100 feet within said formation. The terminus of the bottom hole location will be 1485 feet from the west line and 165 feet from the south line of said Section 23. Said location is approximately 6 miles

southwest from Arboles, Colorado. In support thereof applicant would show:

1. Applicant proposes to drill its 32-5 unit H-100 well at a surface location 1485 feet FWL and 1765 feet FSL of Section 23, T32N, R6W, NMPM, to a total depth of 3085 feet.

2. Applicant proposes to then plugback to approximately 2285 feet and there commence a medium radius curve of 500 feet and directionally drill horizontally in a southerly direction not more than a maximum of 1100 feet.

3. The spacing unit for the 32-5 unit well H-100 is the SW/4 of said Section 23.

4. Applicant is the operator of the 32-5 Federal Unit of which the SW/4 of Section 23 is part.

5. The subject 160 acre spacing unit and all adjacent 160 acre spacing units in the Fruitland formation are part of the same federal unit and therefore ownership of working interest, royalty and overriding royalty is the same, thus no notifications are required.

6. The proposed horizontal section of the wellbore will be located in the Fruitland limestone formation.

7. Applicant seeks approval of this application in order to determine if this type of application in order to determine if this type of wellbore and completion in the Fruitland formation will result in the recovery of substantially greater amounts of hydrocarbons from the Fruitland than would normally be recovered by a conventional well

completion thereby improving ultimate recovery and preventing waste.

WHEREFORE, after notice and hearing, the applicant requests that this application be granted.

Respectfully Submitted:

By 

W. Thomas Kellahin  
Kellahin, Kellahin & Aubrey  
P.O. Box 2265  
Santa Fe, NM 87504