

STATE OF NEW MEXICO

ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION



GARREY CARRUTHERS  
GOVERNOR

January 5, 1939

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STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87501  
(505) 827-5800

Mr. Thomas Kellahin  
Kellahin, Kellahin & Aubrey  
Attorneys at Law  
Post Office Box 2265  
Santa Fe, New Mexico

Re: CASE NO. 9537

ORDER NO. R-3812

Applicant:

Meridian Oil, Inc.

Dear Sir:

Enclosed herewith are two copies of the above-referenced  
Division order recently entered in the subject case.

Sincerely,

*Florene Davidson*

FLORENE DAVIDSON  
OC Staff Specialist

Copy of order also sent to:

Hobbs OCD x  
Artesia OCD x  
Aztec OCD x

Other \_\_\_\_\_  
\_\_\_\_\_

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

IN THE MATTER OF THE APPLICATION OF  
MERIDIAN OIL INC., FOR COMPULSORY POOLING,  
SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 9537

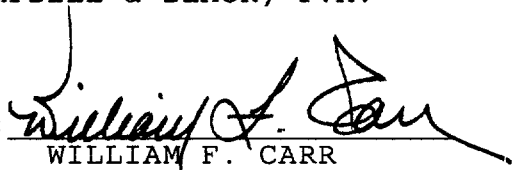
WITHDRAWAL OF COUNSEL

COMES NOW CAMPBELL & BLACK, P.A., and hereby withdraws as  
counsel for Meridian Oil Inc., in the above-referenced case.

Respectfully submitted,

CAMPBELL & BLACK, P.A.

By:

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

ATTORNEYS FOR  
MERIDIAN OIL INC.

cc: W. Thomas Kellahin, Esq.

Tom Owen, Esq.  
Meridian Oil Inc.

# MERIDIAN OIL

March 9, 1989

Conoco, Inc.  
Attention: Mr. Charles Taylor  
726 East Michigan  
Hobbs, NM 88240

FMP Operating Company  
Attention: Ms. Marjorie Lofthouse  
1615 Poydras Street  
New Orleans, LA 70112

Tenneco Oil Company  
c/o Amoco Production Company  
Attention: Mr. Michael Cuba  
1670 Broadway  
Denver, CO 80202

*M.S.*

Re: Howell C Com #301  
W/2 Sec. 18, SW/4 Sec. 7, T30N, R8W  
San Juan County, New Mexico

Gentlemen:

Enclosed please find a copy of New Mexico Oil Conservation Division Case No. 9535; Order Nos. R-8857 and R-8857A, covering the compulsory pooling of the subject well. Meridian Oil Inc. has now received voluntary joinder from all working interest owners in the well. All parties have executed an Operating Agreement which will cover future operations on the well (signature pages to be furnished by separate cover letter). Copies of the executed Authorities for Expenditure are enclosed for your reference.

By copy of this letter and pursuant to the terms of the above mentioned Compulsory Pooling Order, Meridian is hereby notifying the New Mexico Oil Conservation Division of full voluntary joinder by the pooled working interest owners.

If you require further information, please advise.

Yours very truly,

*Tom F. Hawkins*

Tom F. Hawkins  
Senior Landman

TFH:jf  
Enclosures  
NM-118  
Doc. 196+

xc: New Mexico Oil Conservation Division  
Attn Mr. W. LeMay  
Mr. Tom Kellahin

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. 9535  
ORDER NO. R-8857

APPLICATION OF MERIDIAN OIL, INC.  
FOR COMPULSORY POOLING, UNORTHODOX  
GAS WELL LOCATION AND NON-STANDARD  
GAS PRORATION UNIT, SAN JUAN COUNTY,  
NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on November 22, 1988 and on January 18, 1989, at Santa Fe, New Mexico, before Examiners Michael E. Stogner and Victor T. Lyon, respectively.

NOW, on this 3rd day of February, 1989, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) At the time of the January 18, 1989, hearing this case was consolidated with Case No. 9545 for purposes of testimony.

(3) The applicant, Meridian Oil, Inc., seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying Lots 3 and 4 and the E/2 SW/4 of Section 7 and Lots 1, 2, 3 and 4 and the E/2 W/2 of Section 18, Township 30 North, Range 8 West, NMPM, San Juan County, New Mexico, forming a non-standard 334.94-acre gas spacing and proration unit, to be dedicated to its Howell "C" Com Well No. 301 to be drilled at an unorthodox coal gas well location in the SE/4 NW/4 (Unit F) of said Section 18.

(4) There are interest owners in the proposed proration unit who have not agreed to pool their interests.

Case No. 9535  
Order No. R-8857  
Page No. 2

(5) To avoid the drilling of unnecessary wells, to protect correlative rights, to prevent waste and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(6) The applicant should be designated the operator of the subject well and unit.

(7) Any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(8) Any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of reasonable well costs plus an additional 156 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(9) Any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(10) Following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(11) \$3500.00 per month while drilling and \$300.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(12) All proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(13) Upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before April 15, 1989, the order pooling said unit should become null and void and of no further effect whatsoever.

(14) Should all the parties to this force-pooling reach voluntary agreement subsequent to entry of this order, this order should thereafter be of no further effect.

Case No. 9535  
Order No. R-8857  
Page No. 3

(15) The operator of the well and unit should notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force-pooling provisions of this order.

IT IS THEREFORE ORDERED THAT:

(1) All mineral interests, whatever they may be, are hereby pooled in the Basin-Fruitland Coal Gas Pool underlying Lots 3 and 4 and the E/2 SW/4 of Section 7 and Lots 1, 2, 3 and 4 and the E/2 W/2 of Section 18, Township 30 North, Range 8 West, NMPM, San Juan County, New Mexico, forming a non-standard 334.94-acre gas spacing and proration unit, to be dedicated to the Meridian Oil, Inc. Howell "C" Com Well No. 301 to be drilled at an unorthodox gas well location in the SE/4 NW/4 (Unit F) of said Section 18.

PROVIDED HOWEVER THAT, the operator of said unit shall commence the drilling of said well on or before the 15th day of April, 1989, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Fruitland Coal formation.

PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well on or before the 15th day of April, 1989, Ordering Paragraph No. (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER THAT, should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Ordering Paragraph No. (1) of this order should not be rescinded.

(2) Meridian Oil, Inc. is hereby designated the operator of the subject well and unit.

(3) After the effective date of this order and within 90 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(4) Within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

Case No. 9535  
Order No. R-8857  
Page No. 4

(5) The operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(6) Within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) The operator is hereby authorized to withhold the following costs and charges from production:

(A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him; and

(B) As a charge for the risk involved in the drilling of the well, 156 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) The operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) \$3500.00 per month while drilling and \$300.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

Case No. 9535  
Order No. R-8857  
Page No. 5

(11) Any well costs or charges which are to be paid out of production shall be withheld only from the working interest's share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) All proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in San Juan County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(13) Should all the parties to this force pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(14) The operator of the well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force pooling provisions of this order.

(15) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY  
Director

S E A L



1015

MERIDIAN OIL INC.  
Farmington Region  
Post Office Box 4289  
Farmington, New Mexico 87499  
(505) 326-9700

AUTHORITY FOR EXPENDITURE

AFE No.: \_\_\_\_\_ Date: 04-07-88  
Lease/Well Name: Howell C Com #301 Lease No.: \_\_\_\_\_  
Field/Prospect: Undesignated Fruitland Region: Farmington  
Location: SE/NW Section 18, T30N, R8W County: San Juan State: NM  
AFE Type: 01 Development Original X Supplement Addendum \_\_\_\_\_ API Well Type F  
Operator Meridian Oil Inc.  
Objective Formation: Fruitland Coal Authorized Total Depth (Feet) 3130  
Project Description: Drill and complete the Fruitland Coal Formation. Tie-  
in to handle produced gas and water.  
Est. Start Date: 10-10-88 Prepared By: T.C. Joseph  
Est. Completion Date: 11-10-88

GROSS WELL COST DATA

	<u>Drilling</u>	<u>Workover,</u>	<u>Construction</u>	
	<u>Dry Hole</u>	<u>Suspended</u>	<u>Completion</u>	<u>or Facility</u>
				<u>Total</u>
Days: _____		<u>20</u>		<u>10</u>
This AFE: _____		<u>392,500</u>		<u>211,898</u>
Prior AFE'S: _____				
Total Costs: \$ _____	\$ <u>392,500</u>	\$ _____	\$ <u>211,898</u>	\$ <u>604,398</u>

JOINT INTEREST OWNERS

<u>Company</u>	<u>Working Interest</u> <u>Percent</u>	<u>Net \$ Expenditures</u>	
		<u>Dry Hole \$</u>	<u>Completed \$</u>
_____	_____	_____	_____
_____	_____	_____	_____
OTHERS	<u>33.28950%</u>	_____	<u>201,201</u>
MERIDIAN OIL INC.	<u>66.71050%</u>	_____	<u>403,197</u>
AFE TOTAL:	<u>100.00000%</u>	\$ _____	\$ <u>604,398</u>

MERIDIAN OIL APPROVAL

Recommended: \_\_\_\_\_/Date: \_\_\_\_\_ Approved: Donald K. Read Date: 4-11-88  
Title: Regional Operations Manager  
Recommended: Donald C. Walker /Date: 4/11/88 Approved: \_\_\_\_\_/Date: \_\_\_\_\_  
Title: \_\_\_\_\_

PARTNER APPROVAL

Company Name: TENNIS OIL CO.  
Authorized By: JO [Signature] Date: 6/7/88  
Title: \_\_\_\_\_

REVISED  
MERIDIAN OIL INC.  
Farmington Region  
Post Office Box 4289  
Farmington, New Mexico 87499  
(505) 326-9700

AUTHORITY FOR EXPENDITURE

AFE No.: \_\_\_\_\_ Date: 7-1-88  
Lease/Well Name: Howell C Com #301 Lease No.: \_\_\_\_\_  
Field/Prospect: Undesignated Fruitland Region: Farmington  
Location: SE/NW Sec. 18, T30N, R08W County: San Juan State: NM  
AFE Type: Oil Development Original X Supplement Addendum \_\_\_\_\_ API Well Type F  
Operator Meridian Oil Inc.  
Objective Formation: Fruitland Coal Authorized Total Depth (Feet) 3130  
Project Description: Drill and complete the Fruitland Coal formation.  
Tie-in to handle produced gas and water.

Est. Start Date: 10-10-88 Prepared By: J. Smith  
Est. Completion Date: 11-10-88

GROSS WELL COST DATA

	Drilling	Workover,	Construction	
	Dry Hole	Suspended	Completion	or Facility
Days:		<u>11</u>		<u>10</u>
This AFE:		<u>247,800</u>		<u>211,898</u>
Prior AFE'S:				
Total Costs:	\$	\$ <u>247,800</u>	\$	\$ <u>211,898</u>
				\$ <u>459,698</u>

JOINT INTEREST OWNERS

Company	Working Interest	Net \$ Expenditures	
	Percent	Dry Hole \$	Completed \$
_____	_____	_____	_____
_____	_____	_____	_____
OTHERS:	<u>33.28950%</u>		<u>153,031</u>
MERIDIAN OIL INC.	<u>66.71050%</u>		<u>306,667</u>
AFE TOTAL:	<u>100.00000%</u>	\$	\$ <u>459,698</u>

*etc* 7/1/88  
Recommended: JAS /Date: 7/1/88 Recommended: Swilance /Date: 7/1/88

Recommended: TCB by WHH /Date: 7/1/88 Approved: \_\_\_\_\_ /Date: \_\_\_\_\_  
Title: Regional Operations Manager

CONOCO INC. PARTNER APPROVAL

Company Name: CONOCO INC.  
Authorized By: Daniel T. Wacker Date: 12/20/88  
Title: Division Manager

R E V I S E D  
MERIDIAN OIL INC.  
Farmington Region  
Post Office Box 4289  
Farmington, New Mexico 87499  
(505) 326-9700

*REVISED* AUTHORITY FOR EXPENDITURE

AFE No.: \_\_\_\_\_ Date: 7-1-88  
Lease/Well Name: Howell C Com #301 Lease No.: \_\_\_\_\_  
Field/Prospect: Undesignated Fruitland Region: Farmington  
Location: SE/NW Sec. 18, T30N, R08W County: San Juan State: NM  
AFE Type: Oil Development Original X Supplement Addendum \_\_\_\_\_ API Well Type F  
Operator Meridian Oil Inc.  
Objective Formation: Fruitland Coal Authorized Total Depth (Feet) 3130  
Project Description: Drill and complete the Fruitland Coal formation.  
Tie-in to handle produced gas and water.

Est. Start Date: 10-10-88 Prepared By: J. Smith  
Est. Completion Date: 11-10-88

GROSS WELL COST DATA

	<u>Drilling</u>	<u>Workover,</u>	<u>Construction</u>	
	<u>Dry Hole</u>	<u>Suspended</u>	<u>Completion</u>	<u>or Facility</u>
				<u>Total</u>
Days:		<u>11</u>		<u>21</u>
This AFE:		<u>247,800</u>		<u>211,898</u>
Prior AFE'S:				<u>459,698</u>
Total Costs:	\$	\$ <u>247,800</u>	\$	\$ <u>211,898</u>
				\$ <u>459,698</u>

JOINT INTEREST OWNERS

<u>Company</u>	<u>Working Interest</u>	<u>Net \$ Expenditures</u>	
	<u>Percent</u>	<u>Dry Hole \$</u>	<u>Completed \$</u>
_____	_____	_____	_____
_____	_____	_____	_____
OTHERS:	<u>33.28950%</u>	_____	<u>153,031</u>
MERIDIAN OIL INC.	<u>66.71050%</u>	_____	<u>306,667</u>
AFE TOTAL:	<u>100.00000%</u>	\$ _____	\$ <u>459,698</u>

*JC* 7/1/88 MERIDIAN OIL APPROVAL  
Recommended: JAS /Date: 7/1/88 Recommended: Swanance /Date: 7/1/88

Recommended: TCS by HAH /Date: 7/1/88 Approved: \_\_\_\_\_ /Date: \_\_\_\_\_  
Title: Regional Operations Manager

PARTNER APPROVAL

Company Name: FMP Operating Company, A Limited Partnership,  
Authorized By: McMoran Oil & Gas Co., Managing General Partner Date: 11/17/88  
Title: P.J. Kelly STAFF P.E.

WI = 2.16382% (\*9,947 net) FMPO AFE #88DC5220

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

CASE NO. 9535  
ORDER NO. R-8857-A

APPLICATION OF MERIDIAN OIL, INC.  
FOR COMPULSORY POOLING, UNORTHODOX  
GAS WELL LOCATION AND NON-STANDARD  
GAS PRORATION UNIT, SAN JUAN COUNTY,  
NEW MEXICO

NUNC PRO TUNC ORDER

BY THE DIVISION:

It appearing to the Division that Order No. R-8857, dated February 3, 1989, does not correctly state the intended order of the Division,

IT IS THEREFORE ORDERED THAT:

(1) Finding Paragraph No. (3) is hereby amended to read in its entirety as follows:

"(3) The applicant, Meridian Oil, Inc., seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying Lots 3 and 4 and the E/2 SW/4 of Section 7 and Lots 1, 2, 3 and 4 and the E/2 W/2 of Section 18, Township 30 North, Range 8 West, NMPM, San Juan County, New Mexico, forming a non-standard 334.94-acre gas spacing and proration unit, to be dedicated to its Howell "C" Com Well No. 301 to be drilled at an unorthodox coal gas well location 1660 feet from the North line and 1320 feet from the West line (Unit F) of said Section 18."

(2) Decretory Paragraph No. (1) is hereby amended to read in its entirety as follows:

"(1) All mineral interests, whatever they may be, are hereby pooled in the Basin-Fruitland Coal Gas Pool underlying Lots 3 and 4 and the E/2 SW/4 of Section 7 and Lots 1, 2, 3 and 4 and the E/2 W/2 of Section 18, Township 30 North, Range 8 West, NMPM, San Juan County, New Mexico, forming a non-standard 334.94-acre gas spacing and proration unit, to be dedicated to the Meridian Oil, Inc. Howell "C" Com Well No. 301 to be drilled at an unorthodox gas well location 1660 feet from the North line and 1320 feet from the West line (Unit F) of said Section 18."

PROVIDED HOWEVER THAT, the operator of said unit shall commence the drilling of said well on or before the 15th day of April, 1989, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Fruitland Coal formation.

Case No. 9535  
Order No. R-8857-A  
Page No. 2

PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well on or before the 15th day of April, 1989, Ordering Paragraph No. (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER THAT, should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Ordering Paragraph No. (1) of this order should not be rescinded."

(3) The corrections set forth in this order be entered nunc pro tunc as of February 3, 1989.

DONE at Santa Fe, New Mexico, on this 3rd day of March, 1989.

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY  
Director

S E A L