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W. THOMAS KELLAHIN
KAREN AUBREY

JASON KELLAHIN
OF COUNSEL

September 9, 1991

Mr. William J. LeMay
Oil Conservation Division
310 Old Santa Fe Trail, Room 206
State Land Office Building
Santa Fe, New Mexico 87501

HAND DELIVERED

RECEIVED

Re: Application of Meridian Oil Inc.
for Downhole Commingling Gordon #5
Well Unit M 22-27N-10W, San Juan
County, New Mexico

SEP 09 1991

OIL CONSERVATION DIVISION

10393

Dear Mr. LeMay;

On behalf of Meridian Oil Inc., please find enclosed our Application for the referenced well which we request be set on the next available Examiner's docket now scheduled for October 3, 1991.

We suggest the following as a possible advertisement for this case:

Application of Meridian Oil Inc. for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval to downhole commingle production from the Fulcher Kutz Pictured Cliffs Pool and the Basin Fruitland Coal Gas Pool in its Gordon #5 well located in Unit M, Section 22, Township 27 North, Range 10 West, NMPM, San Juan County, New Mexico. Applicant further seeks approval of a formula for allocation of production from the two pools. The Basin Fruitland Coal Gas spacing unit consists of the W/2 and the Pictured Cliffs spacing unit consist of the SW/4 of said Section 22. The well is located approximately ___ miles ___ of _____, New Mexico.

By copy of this letter and application to all parties identified in the application, we are notifying them by certified mail, return receipt requested, that they have the right but not the obligation to appear at the hearing, to make a statement to the Division, to

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present evidence and cross examine witnesses either in support of or in opposition to the application.

Any party desiring to appear and participate in the hearing should file with the Division, with a copy to the applicant's attorney, a pre-hearing statement as set forth by Division guidelines not later than 4:00 PM on Friday before the hearing.

Very truly Yours,



W. Thomas Kellahin.

WTK/jcl
Enclosure

cc: Meridian Oil Inc (Farmington)(w/encl.)

By Certified Mail- Return Receipt Requested
(w/encl.)

Producing Properties Inc.
A/C Royalty Owners
35th Floor Southland Center
Dallas, TX 75215

Judy St. John Taylor
3217 Hilton Head Drive
Fairfield, CA 94533

Minerals Management Service
Royalty Management Program
P.O. Box 5810
Denver, CO 80217

Ted Edward Duff, Sole
Trustee of T.E. Duff Trust
P.O. Box 9908
Midland, TX 79708

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Kenneth Leach/Judith Dianne Duff Leach
Co-Trustees of the Duff Leach Family Trust
P.O. Box 30396
Albuquerque, NM 87190

Jeannette Gordon
14 Glen Terrace
Scotia, NV 12302

Joseph C. Gordon
764 Linwood Road
Birmingham, AL 35222

Eric Nitcher, Esq.
Amoco Production Company
P.O. Box 800
Denver, CO 80201

McKenzie Methane Corporation
1625 Broadway, Suite 2580
Denver, CO 80201

Mobil Oil Corporation
Mobil Producing-Texas and New Mexico
P.O. Box 633
Midland, TX 79702

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

RECEIVED

SEP 09 1991

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 DOWNHOLE COMMINGLING, SAN
JUAN COUNTY, NEW MEXICO.

CASE:

10393

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 to downhole commingle production from the Fulcher Kutz Pictured Cliffs Pool and the Basin Fruitland Coal Gas Pool in its Gordon #5 well, located 920 feet FSL and 1060 feet FWL, (Unit M) Section 22, T27N, R10W, NMPM, San Juan County, New Mexico and in support thereof would state:

- (1) Meridian Oil Inc. is the operator of the Gordon #5 well, located in Unit M, Section 22, T27N, R10W, NMPM, San Juan County, New Mexico.
- (2) The Well was recompleted on October 29, 1990 as a dual completion between the Fulcher Kutz Pictured Cliffs Pool and the Basin Fruitland Coal Gas Pool as shown on Exhibit A.
- (3) The SW/4 of Section 22 is dedicated to the Pictured Cliffs production and the W/2 of Section 22 is dedicated to the Basin Fruitland Coal Gas production.
- (4) On November 13 and 20, 1990 the Well failed its packer leakage test and has been shut-in.

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(5) Applicant proposes to recomplete the well as a downhole commingled well between the Pictured Cliffs and Basin Fruitland Coal Gas Pools, as shown on Exhibit B.

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

1. That the commingling is necessary to permit the Pictured Cliffs Pool to be produced because it is not otherwise economic to attempt to restore separate production in the wellbore from these two pools.

2. That there will be no crossflow between the two commingled pools.

3. That neither commingled zone exposes the other commingled zone to damage by produced liquids.

4. That the fluids from each zone are compatible with the other zone.

5. That while ownership is not common between the two pools, no correlative rights violations will occur.

6. 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.

7. That the value of the commingled production is not less than the sum of the values of the individual production.

(7) Applicant seeks the approval of an allocation formula for the equitable distribution of production between the two pools as set forth on Exhibit C.

(8) The Ownership between the pictured Cliffs formation and the Basin Fruitland Coal Gas formation is not identical and accordingly, Applicant seeks the

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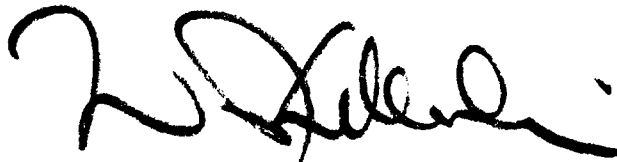
approval of the Division after notice and hearing.

(8) Applicant requests that this matter be docketed for hearing on the Division's Examiner docket now scheduled for October 3, 1991.

(9) Copy of this application has been sent to all offsetting operators and to the owners of interests in the affected production within the two spacing units as set forth on Exhibits D, E and F.

WHEREFORE, Applicant requests that this matter be set for hearing on October 3, 1991 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,



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