

MERIDIAN OIL

February 25, 1992

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

VIA FACSIMILE
(505) 827-5741

Re: Application of Southland
Royalty Company for Downhole
commingling, Unorthodox Well
Location and a Non-Standard
Spacing Unit, San Juan County,
New Mexico.

Case 10454
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FEB 25 1992

OIL CONSERVATION DIVISION

Dear Mr. LeMay:

On behalf of Southland Royalty Company, please
find enclosed our application for a hearing for the
Cozzens Com #10 Well. We request that this case be set
for hearing on March 19, 1992.

Very truly yours,

Alan Alexander
Alan Alexander

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

IN THE MATTER OF THE APPLICATION
OF SOUTHLAND ROYALTY COMPANY FOR
DOWNHOLE COMMINGLING, UNORTHODOX
GAS WELL LOCATION AND APPROVAL OF
A NON-STANDARD PRORATION UNIT,
SAN JUAN COUNTY, NEW MEXICO.

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OIL CONSERVATION DIVISION

Case 10454

APPLICATION

Comes now SOUTHLAND ROYALTY COMPANY, Meridian Oil Inc. and by and through its attorneys, Kellahin Kellahin & Aubrey, and applies to the New Mexico Oil Conservation Division for approval to drill its proposed Southland Royalty Company's Cozzens Com #10 Well as follows:

(1) a downhole commingled well for production from the Basin Fruitland Coal Gas Pool and the Fulcher Kutz Pictured Cliff Pool:

(2) at an unorthodox well location 975 feet FNL and 1785 feet FWL of Section 19, T29N, R11W, NMPM, San Juan County, New Mexico for the Basin Fruitland Coal Gas Pool, said well being located in the NW/4 of said Section 19;

(3) with the dedication of a standard spacing unit containing 313.05 acres and consisting of the N/2 of said Section 19 for production from the Basin Fruitland Coal Gas Pool; and

(4) the dedication of a non-standard proration and spacing unit containing 157.55 acres and consisting of the W/2NE/4 and E/2NW/4 of said Section 19 for production from the Fulcher-Kutz Pictured Cliff Pool.

and in support thereof states:

1. Southland Royalty Company ("Southland") is the proposed operator of the subject well and is a working interest owner in both proposed spacing units in the Basin Fruitland Coal Gas Pool and the Fulcher Kutz Pictured Cliff Pool.

2. The proposed non-standard spacing unit for the Fulcher Kutz Pictured Cliff Pool is currently an approved non-standard spacing unit dedicated to the Aztec Oil & Gas Company Cozzens Well #2 located in Unit B of said Section 19.

3. Southland proposed to plug the Aztec Oil & Gas Company, now Southland Royalty Company's Cozzens #2 well and replace it with a well to be drilled at a location 975 feet FNL and 1785 feet FWL a depth sufficient to test both the Fulcher Kutz Pictured Cliffs Gas Pool and the Basin Fruitland Coal Gas Pool.

4. The optimum location for this subject well to test for production in both pools with a single wellbore is as proposed by Southland.

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

(a) that the commingling is necessary to permit the Pictured Cliffs Pool to be produced because it is not otherwise economic to attempt to drill a separate well for each of the two pools involved;

(b) that there will be no crossflow between the two commingled pools;

(c) that neither commingled zone exposes the other commingled zone to damage by produced liquids;

(d) that the fluids, if any, from each zone are expected to be compatible with the other zone;

(e) that while ownership is not common between the two pools, no correlative rights violations will occur;

(f) that the bottomhole pressure of the lower pressure zone is not anticipated to be less than 50 percent of the bottom hole pressure of the higher pressure zone when adjusted to a common datum;

(g) that the value of the commingled production is not less than the sum of the values of the individual production.

6. Because of established equities, Southland seeks the continuation of the previously approved non-standard proration and spacing unit for production from the Fulcher Kutz Pictured Cliffs Pool. In addition, Section 19 contains other non-standard proration units for this pool which are compatible with this non-standard spacing unit.

7. Southland seeks the approval of an allocation formula for the equitable distribution of production between the two pools based upon individual pool production tests to be conducted on the well during its drilling and completion.

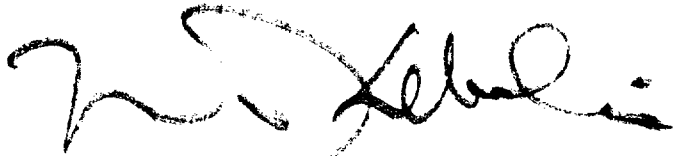
8. The ownership between the two pools is not identical and accordingly, Southland seeks the approval of this application by the Division after notice and hearing.

9. Southland request that this matter be docketed for hearing on the Division's Examiner docket now scheduled for March 19, 1992.

10. A copy of this application has been sent to all offsetting operators and to the owners of interest in the affected production within the two spacing units as set forth on Exhibits A, and B.

WHEREFORE, Southland requests that this matter be set for hearing on March 19, 1992 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,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', with a stylized flourish at the end.

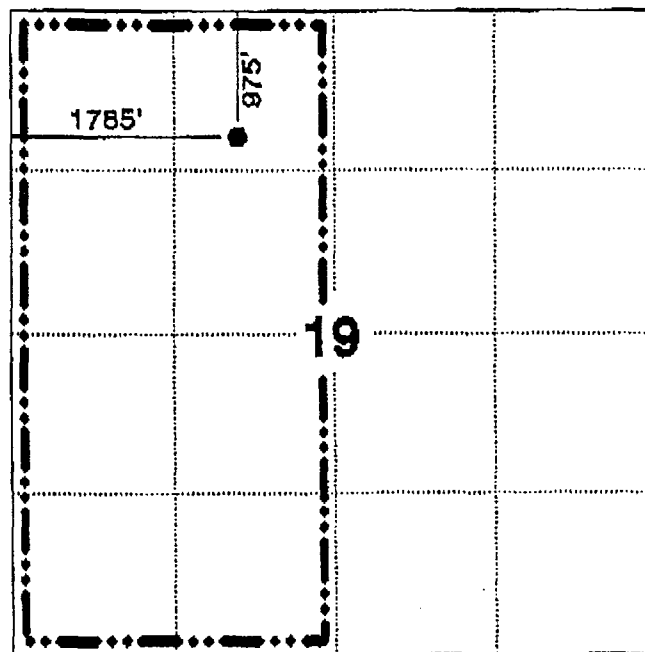
W. Thomas Kellahin
Kellahin, Kellahin & Aubrey
P. O. Box 2265
Santa Fe, New Mexico 87501
(505) 982-4285
Attorneys for Applicant

EXHIBIT "A"

COZZENS COM #10 OFFSET OPERATOR PLAT

Pictured Cliffs \Fruitland Coal Co-Mingle
and Unorthodox Location
Fruitland Coal Ownership

Township 29 North, Range 11 West
San Juan County, New Mexico



<u>Northern Natural Gas Company</u>	<u>PO Box 3362, Dallas, TX 75286</u>
<u>Jack Markham and John J Christman</u>	
<u>First National Bank Bldg, Suite 1212, 1600 Broadway, Lubbock, TX 79401</u>	
<u>John J Redfern</u>	<u>PO Box 2127, Midland, TX 79702</u>
<u>Bradley H and Margaret Keyes</u>	<u>103 North Main, Aztec, NM 87410</u>
<u>Manana Gas Inc.</u>	<u>2520 Tramway Terrace Ct NE, Albuquerque, NM 87122</u>
<u>White Sands Oil & Gas Corp.</u>	<u>Address Unknown</u>

EXHIBIT "A"

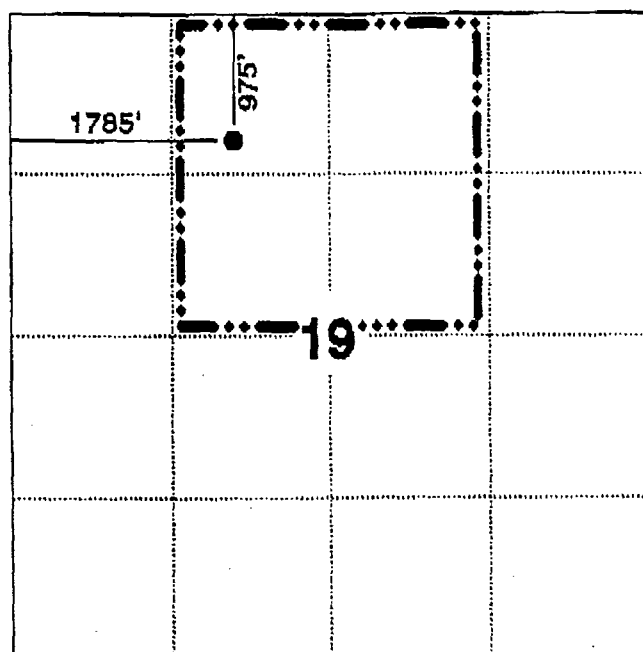
**COZZENS COM #10
OFFSET OPERATOR PLAT**

Pictured Cliffs \Fruitland Coal Co-Mingle

Pictured Cliffs Ownership

Township 29 North, Range 11 West

San Juan County, New Mexico



Amoco Production Company

PO Box 800, Denver, CO 80201

Conoco, Inc.

3817 Northwest Expressway, Oklahoma City, OK 73112

EXHIBIT "B"

OWNERS OF PRODUCTION
COZZENS COM # 10 WELL

JAMES EDWARD KAUNE
403 CAMINO SOBRANTE
ORINCA, CA. 94563

HANCEL MCCORD
1720 REGAL ROW
SUITE 135
DALLAS , TX. 75235

ROBERT G. & WILMA L. WHITE
TRUSTEES UTAD 6-16-76
30 ROAD 6050 NBU 1001
FARMINGTON, NM. 87401-9607

FARMERS FAMILY CENTER INC.
401 WEST BROADWAY
BLOOMFIELD, NM. 87413

MINERALS MANAGEMENT SERVICE
ROYALTY MANAGEMENT PROGRAM
P. O. BOX 5810
DENVER, CO. 80217

SOUTHLAND ROYALTY COMPANY
P.O. BOX 4289
FARMINGTON, NM. 87499-4289

TEXACO EXPLORATION AND PRODUCTION INC.
P.O. BOX 2100
DENVER, CO. 80201

CONOCO, INC.
3817 NORTHWEST EXPRESSWAY
OKLAHOMA CITY, OK. 73112

HANSON-MCBRIDE PETROLEUM COMPANY
P.O. BOX 515
ROSWELL, NM. 88201