

KELLAHIN, KELLAHIN AND AUBREY

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

TELEPHONE (505) 982-4285

TELEFAX (505) 982-2047

W. THOMAS KELLAHIN*
KAREN AUBREY†

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW
†ALSO ADMITTED IN ARIZONA

SANTA FE, NEW MEXICO 87504-2265

JASON KELLAHIN (RETIRED 1991)

March 10, 1992

Mr. William J. LeMay
Oil Conservation Division
State Land Office Building
310 Old Santa Fe Trail, 2nd Floor
Santa Fe, New Mexico 87501

HAND DELIVERED

Re: Huerfano Unit Well No. 306
Application of Meridian Oil Inc.
for a High Angle/Horizontal Direction
Drilling Pilot Project, Special
Operating Rules Therefor, A
Non-Standard Gas-Oil Proration Unit,
and An Unorthodox Gas-Oil Well Location,
and A Special Project Allowable,
San Juan County, New Mexico

RECEIVED

MAR 10 1992

OIL CONSERVATION DIV.
SANTA FE

109158

Dear Mr. LeMay:

On behalf of Meridian Oil Inc., please find enclosed our Application for a High Angle/Horizontal Direction Drilling Pilot Project as referenced above, which we request be set for hearing on the next available Examiner's docket now scheduled for April 2, 1992.

By copy of this letter and application, sent certified mail, we are notifying all interested parties within a 1/2 mile radius of the subject well of their right to appear at the hearing and participate in this case, including the right to present evidence either in support of or in opposition to the application.

Very truly yours,



W. Thomas Kellahin

Mr. William J. LeMay
March 10, 1992
Page Two

WTK/tic
Enclosure

cc: Mr. John Zent
Meridian Oil Inc.
Post Office Box 4289
Farmington, New Mexico 87499-4289

By Certified Mail - Return Receipt
All Parties Listed on Exhibit "D" of Application

1988/appt306.330

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

RECEIVED

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

MAR 10 1992

OIL CONSERVATION DIV.
SANTA FE

CASE: 10458

APPLICATION OF MERIDIAN OIL INC.
FOR A HIGH ANGLE/HORIZONTAL DIRECTION
DRILLING PILOT PROJECT, SPECIAL
OPERATING RULES THEREFOR, A
NON-STANDARD GAS-OIL PRORATION
UNIT, AN UNORTHDOX GAS-OIL WELL LOCATION
AND A SPECIAL PROJECT ALLOWABLE,
SAN JUAN COUNTY, NEW MEXICO

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 for a High Angle/Horizontal Direction Drilling Pilot Project, special operating rules therefor, a non-standard gas-oil proration unit, and an unorthodox gas-oil well location and a special project allowable for its Huerfano Unit Well No. 306 to be drilled at a unorthodox surface well location for a gas well, and an unorthodox location for an oil well in the NE/4SW/4, and a 640-acre non-standard

gas-oil spacing unit consisting of all of Section 35, T27N, R10W, within the Angel Peak Associated Pool, San Juan County, New Mexico and in support thereof states:

(1) Applicant is the operator of the Huerfano Unit which unitized the Gallup formation and includes all of Section 35, T27N, R10W, N.M.P.M., San Juan County, New Mexico.

(2) Applicant proposes to drill a high angle/horizontal directional well commencing at a surface location in the NE/4SW/4 of Section 35 estimated to be 1550 feet FWL and 1455 feet FSL of said Section 35 and drilled vertically to approximately 5781 feet (+ or - 100 feet) at which point the applicant will kickoff the well in a Southeasterly direction building an angle of 17 degrees per 100 feet to approximately 80 degrees and penetrate the top of the Tocito Sandstone interval of the Angel Peak Associated Pool at an estimated total vertical depth of 6128 feet, and then to continue to build angle to 90 degrees and thence drilling horizontally in a Southeasterly direction a distance not in excess of 3014 feet and no closer than 790 feet to the boundaries of Section 35. See Exhibits "A," "B," and "C."

(3) Except as otherwise requested herein, Applicant proposes that this project be subject to the Special Rules and Regulations that govern the Angel Peak Associated Pool and that all of Section 35 be dedicated as a non-standard gas-oil spacing unit for the project.

(4) The Tocito Sandstone interval of the Gallup is believed to be the potential productive zone at this location in the Angel Peak Associated Pool. The Tocito produces through intergranular permeability.

(5) Past experience in said pool has shown that unless a conventionally drilled (vertical) well intersects natural fractures, the chance of obtaining commercial production is severely curtailed.

(6) By drilling a high angle/horizontal wellbore, the applicant is attempting to increase the probability of encountering several of these fractures, which may ultimately result in the recovery of a greater amount of gas and oil, thereby preventing waste.

(7) In as much as the exact distance and direction of the lateral portion of the wellbore is not known at this time, the Applicant seeks approval to be allowed to drill said lateral portion anywhere within an area

designated a target window as follows: commencing at a distance not closer than 790 feet from the west line, no closer than 790 feet from the south line or 3430 feet from the North line of Section 35, thence towards the Southeast so that within the standard drilling window for a gas well in the Angel Peak Associated Pool, no portion of the wellbore open for production shall be closer than 790 feet to the outer boundary of the S/2 of Section 35.

(8) As required, notice is provided to those offsetting operators as listed on Exhibit "D."

(9) Because all of said Section 35 will be within a common Gallup participating area for the Huerfano Unit, all of the same parties in a standard gas-oil proration and spacing unit will participate equitably in the proposed non-standard gas-oil proration and spacing unit for the well.

(10) Previously, the subject Section 35 has been developed by orienting a 320-acre gas spacing unit such that the W/2 of said Section 35 was a standup unit for Dakota and Gallup production. See Exhibit "E."

(11) Because this wellbore will contact multiple proration units including up to four standard 80-acre oil

proration units and two standard 320-gas proration units, the applicant seeks approval of a 640-acre non-standard gas-oil proration and spacing unit consisting of all of said Section 35 to be dedicated to the well.

(12) Applicant seeks a special project allowable with such allowable based upon the greater of the following formulas:

(a) The deliverability of the high angle/horizontal well as determined by NMOCD regulations;
or

(b) Two (2) times the allowable for a gas well; or four (4) times the allowable for an oil well under the Angel Peak Associated Pool Rules.

(13) The granting of this Application will be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Applicant requests that this matter be set for hearing on April 2, 1992 before a duly appointed Examiner of the Oil Conservation Division and, after notice and hearing as required by law, the Division enter its Order granting this application.

Application of Meridian Oil Inc.
Page 6

Respectfully submitted,

KELLAHIN, KELLAHIN & AUBREY

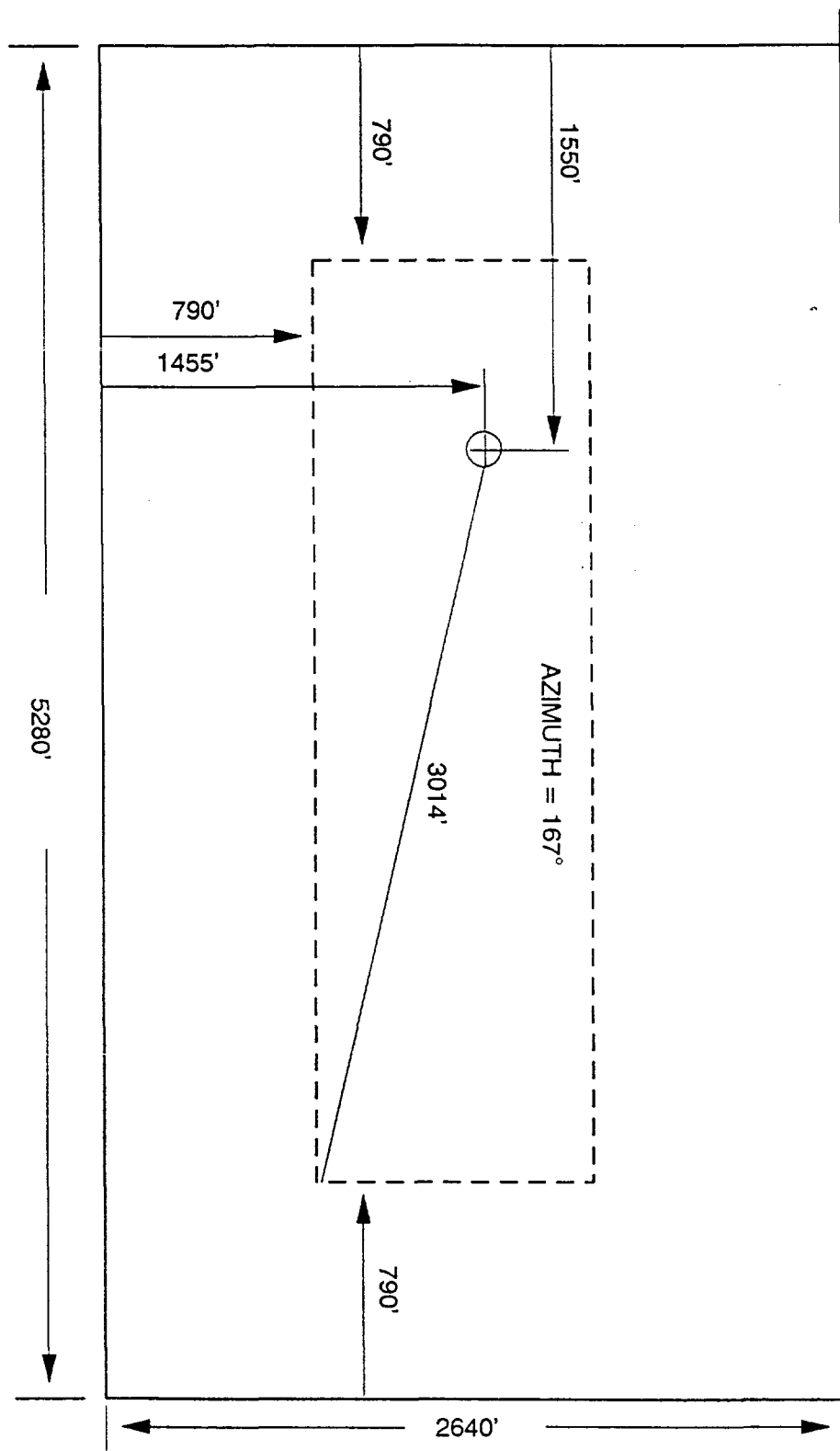
By: 

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

Attorneys for Applicant

1988/appt306.330

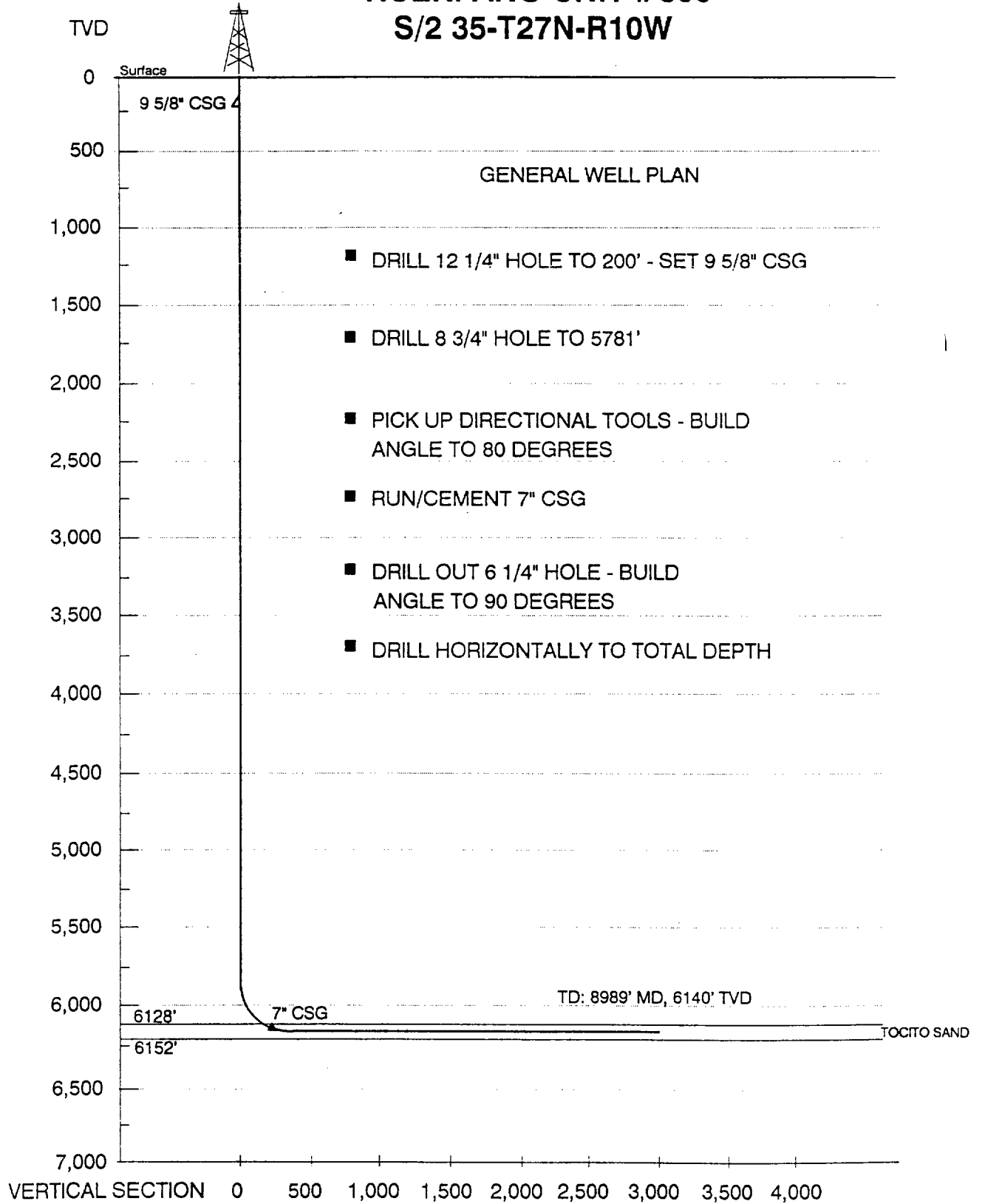
EXHIBIT "A"

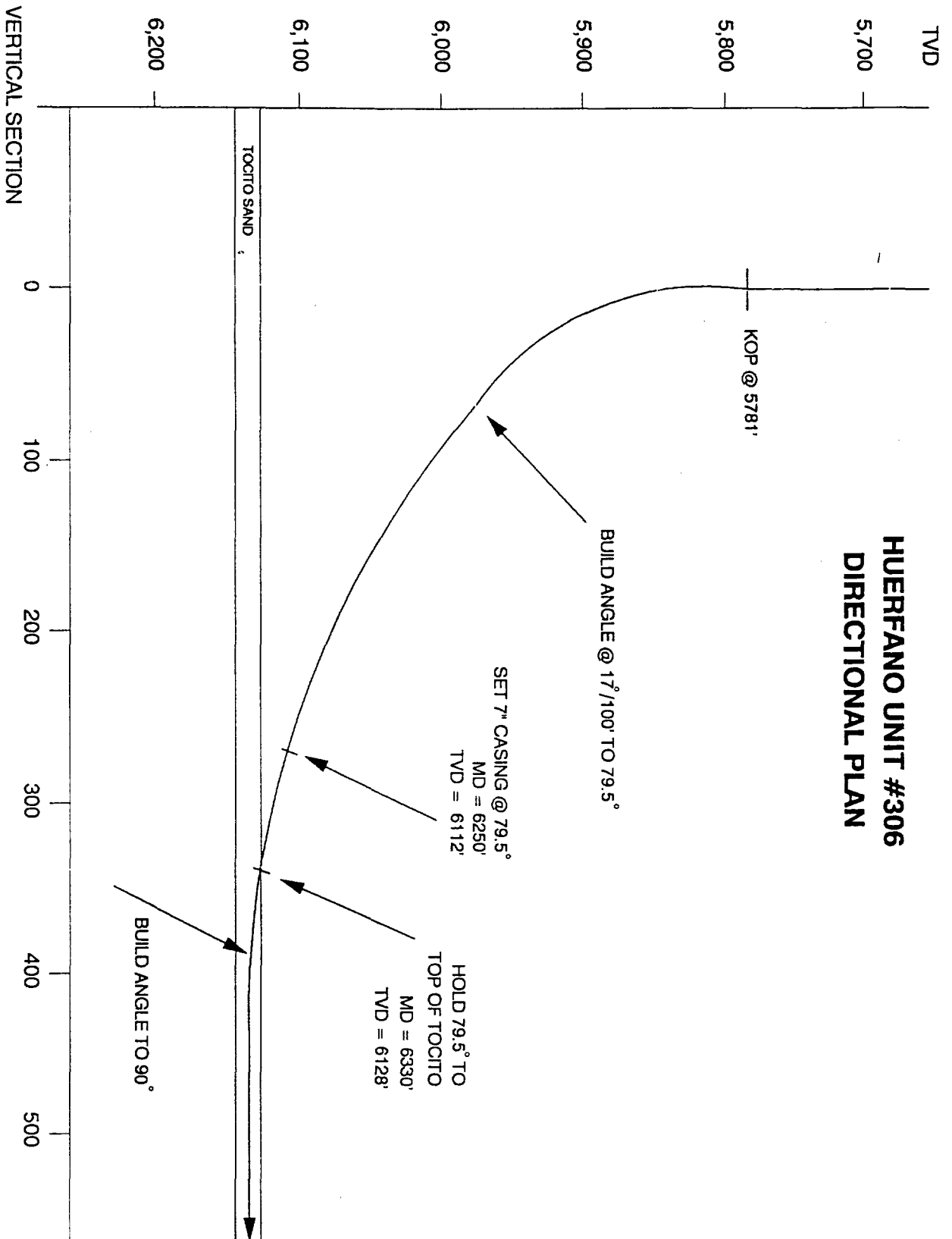


HUERFANO UNIT #306
S/2 35-T27N-R10W

EXHIBIT "A"

HUERFANO UNIT #306 S/2 35-T27N-R10W

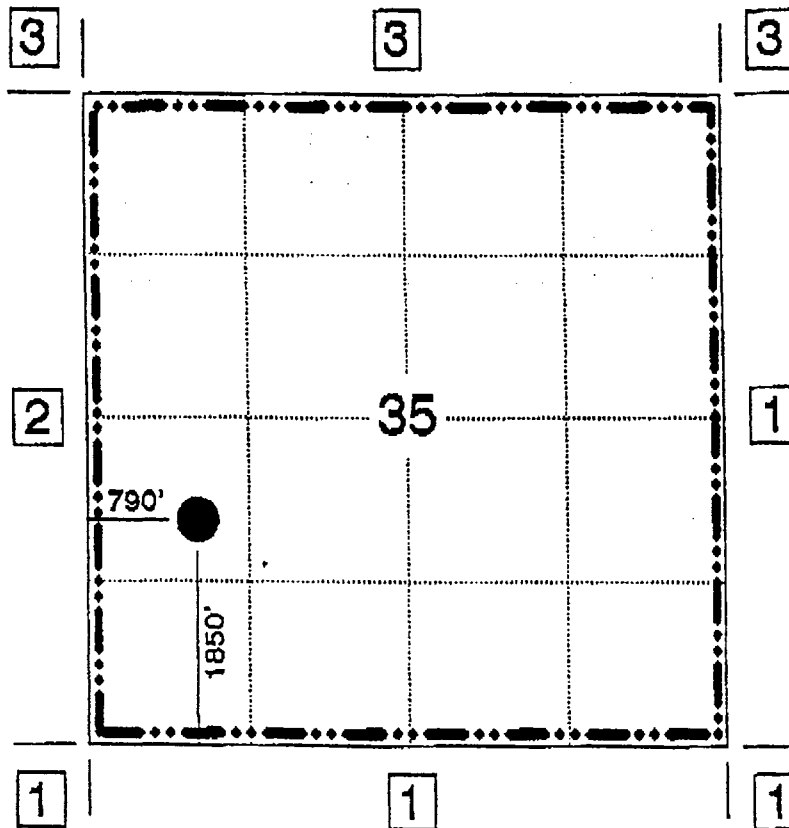




Huerfano Unit #306

OFFSET OPERATOR PLAT

Gallup Formation Ownership
Township 27 North, Range 10 West
San Juan County, New Mexico



- 1) Meridian Oil Inc
- 2) Dugan Production Corporation
PO Box 420, Farmington, NM 87499
- 3) Amoco Production Company
PO Box 800, Denver, CO 80201

EXHIBIT "E"

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACERAGE DEDICATION PLAT

All distances must be from the outer boundaries of the Section

Operator	EL PASO NATURAL GAS COMPANY			Lease	HUERFANO	SF-077950	Well No	107 (GD)
Unit Letter	Section	Township	Range	County				
E	35	27-N	10-W	SAN JUAN				
Actual Footage Location of Well:								
1160		feet from the	NORTH	line and	1180	feet from the	WEST	line
Ground Level Elev.	Producing Formation		Pool	Dedicated Acreage:				
6650	GALLUP & DAKOTA		ANGEL PEAK GALLUP-BASIN DAKOTA	320 & 320		Acres		

- Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling etc?

Yes No If answer is "yes," type of consolidation Unitization

If answer is "no," list the owners and tract descriptions which have actually consolidated (Use reverse side of this Form if necessary.)

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non standard unit, eliminating such interests, has been approved by the Commission.

NOTE: THIS PLAT REISSUED TO COMPLY WITH
N. M. O. C. C. ORDER NO. R-1110-C
1-6-67

CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

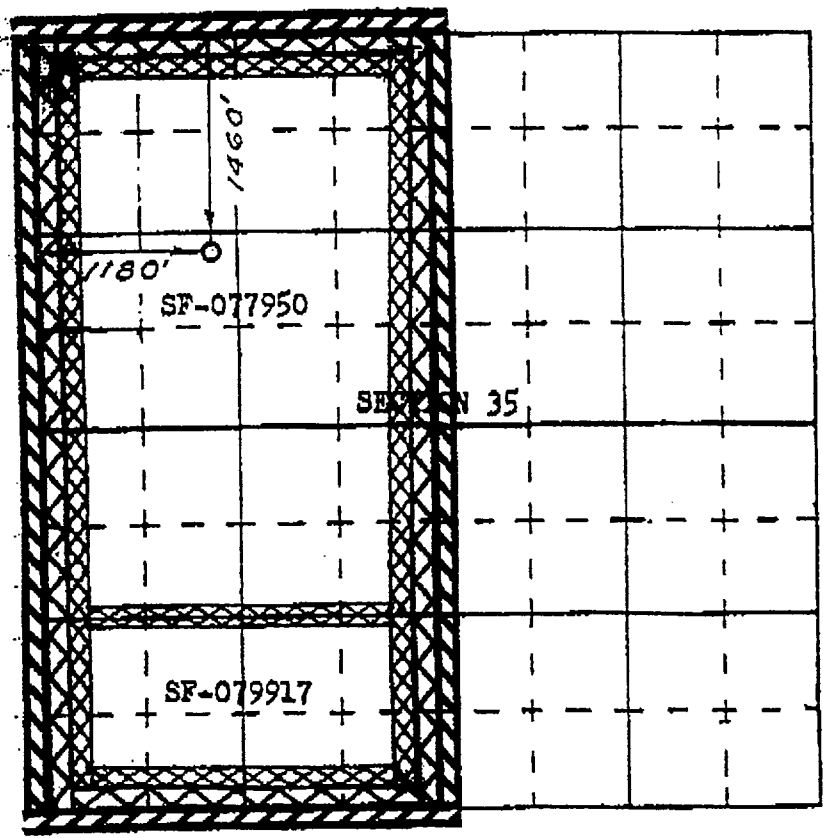
Original signed by
Carl E. Matthews

Name _____
Suburban Engineer
 Position _____
El Paso Natural Gas Company
 Company _____
January 11, 1967
 Date _____

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed _____
OCTOBER 21, 1958
 Registered Professional Engineer
 and/or Land Surveyor

Richard Oliver
 Certificate No. **1760**



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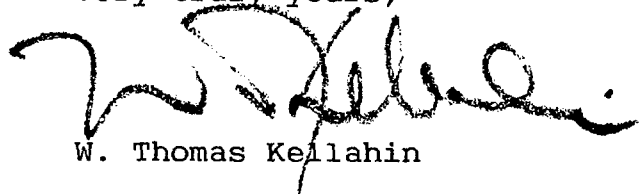
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