

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

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W. THOMAS KELLAHIN*

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RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

TELEPHONE (505) 982-4285

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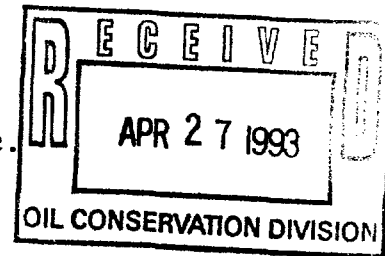
JASON KELLAHIN (RETIRED 1991)

April 27, 1993

Mr. William J. LeMay
Oil Conservation Division
State Land Office Building
310 Old Santa Fe Trail, Room 219
Santa Fe, New Mexico 87501

HAND DELIVERED

RE: Application of Meridian Oil, Inc.
Reopen case 10699 and amend
order R-9880.



Dear Mr. LeMay:

On behalf of Meridian Oil, Inc. please find enclosed our Application as referenced above, which we request be set for hearing on the next available Examiner's docket now scheduled for May 20, 1993.

By copy of this letter and application, sent certified mail-return receipt requested, we are notifying all interested parties offsetting the subject well and its proposed spacing and proration unit 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 and that failure to appear at the hearing may preclude them from any involvement in this case at a later date. Also, all parties entitled to notice are hereby informed that pursuant to Division requirements all parties appearing in this case are required to file a Pre-Hearing Statement with the Division no later than 4:00 p.m. on Friday, May

Mr. William J. LeMay
April 27, 1993
Page Two

Also enclosed is our suggested advertisement for
this case.

Very truly yours,

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

W. Thomas Kellahin

WTK/mg
Enclosures

cc: **with Enclosures**
Alan Alexander - Meridian Oil Inc.

By Certified Mail - Return Receipt
All Parties Listed on Exhibits A of Application

1trt427.330

PROPOSED ADVERTISEMENT

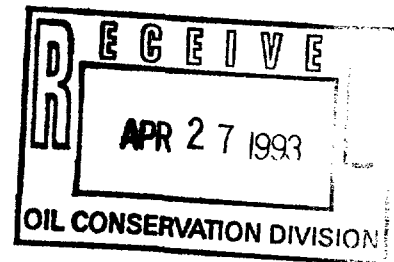
Case 10699 (Reopened): **Application of Meridian Oil Inc. to Reopen Case 10699 and Amend Order R-9980, Rio Arriba County, New Mexico.** Applicant seeks approval to reopen Division Case 10699 and amend Order R-9980 so that all references therein to "San Juan County" are replaced with "Rio Arriba County" and the unit letter designation of "L" is replaced with the unit letter "K." This case and its order approved the downhole commingling of Blanco-Pictured Cliffs and Basin -Fruitland Coal Gas Pool production and a non-standard spacing unit for its proposed San Juan 29-7 Unit #583 Well to be drilled at a standard gas well location 790 feet FWL and 1850 feet FSL of Section 6, T29N, R7W, NMPM, Rio Arriba County, New Mexico. The well is located approximately one mile west from Navajo City, New Mexico. IN THE ABSENCE OF OBJECTION, THIS CASE WILL BE TAKEN UNDER ADVISEMENT AND THE REQUESTED CORRECTION GRANTED.

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: 10699 (Reopened)
Order No. R-9880

APPLICATION OF MERIDIAN OIL INC.
FOR A NON-STANDARD SPACING UNIT
AND DOWNHOLE COMMINGLING
RIO ARRIBA COUNTY, NEW MEXICO.



A P P L I C A T I O N

Comes now MERIDIAN OIL INC., ("Meridian") by and through
its attorneys Kellahin and Kellahin, and applies to the New Mexico
Oil Conservation Division to **Reopen Case 10699 and Amend Order
R-9980, Rio Arriba County, New Mexico.**

Applicant seeks approval to reopen Division Case 10699 and
amend Order R-9980 so that all references therein to "San Juan
County" are replaced with "Rio Arriba County" and the unit letter
designation of "L" is replaced with the unit letter "K." This case and
its order approved the downhole commingling of Blanco-Pictured
Cliffs and Basin -Fruitland Coal Gas Pool production and a non-
standard spacing unit for its proposed San Juan 29-7 Unit #583
Well to be drilled at a standard gas well location 790 feet FWL and

Application of Meridian Oil Inc.
Page 2

1850 feet FSL of Section 6, T29N, R7W, NMPM, Rio Arriba County,
New Mexico.

In support of its application, Meridian states:

(1) Meridian is the operator for the proposed San Juan 29-7
Unit #583 Well to be drilled at a standard gas well location 790 feet
FWL and 1850 feet FSL of Section 6, T29N, R7W, NMPM, Rio Arriba
County, New Mexico.

(2) The Well is to be drilled so that production from the Basin-
Fruitland Coal Gas Pool and the Blanco Pictured Cliffs Gas Pool can
be downhole commingled in the wellbore.

(3) The W/2 equivalent of Section 6 is to be dedicated to the
any production from the Basin Fruitland Coal Gas Pool. It consists
of Lots 10 through 14, SE/4NW/4 and E/2SW/4 of Section 6 and
contains 215.22 acres, more or less.

(4) The SW/4 equivalent of Section 6 is to be dedicated to any
production from the Blanco Pictured Cliffs Gas Pool. It consists of
Lots 13 and 14 and the E/2SW/4 of Section 6 and contains 110.66
acres, more or less.

(5) This well and its spacing unit are located in close proximity to the line separating San Juan County from Rio Arriba County.

(6) As a result of a clerical mistake made by the applicant, it requested and obtained Division Order R-9880 which incorrectly described the well and its spacing units as being located in San Juan County when in fact they are located in Rio Arriba County.

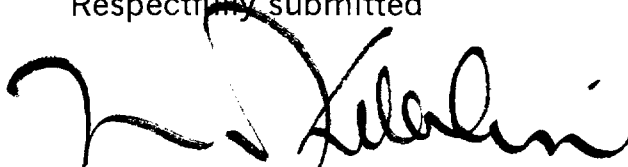
(7) In addition, while the well is correctly described in Order R-9880 in terms of its actual footage location, has been designated as being in Unit L when in fact it is located in Unit K.

(8) In accordance with Division Rule 1207.A(6) a copy of this application has been sent to all offsetting operators as set forth on Exhibit A.

Application of Meridian Oil Inc.
Page 4

WHEREFORE Applicant requests that this matter be set for hearing on May 20, 1993 before a duly appointed Examiner of the Oil Conservation Division and that after notice and hearing as required by law, and in the absence of objection, the Division enter its order granting this application.

Respectfully submitted

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

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

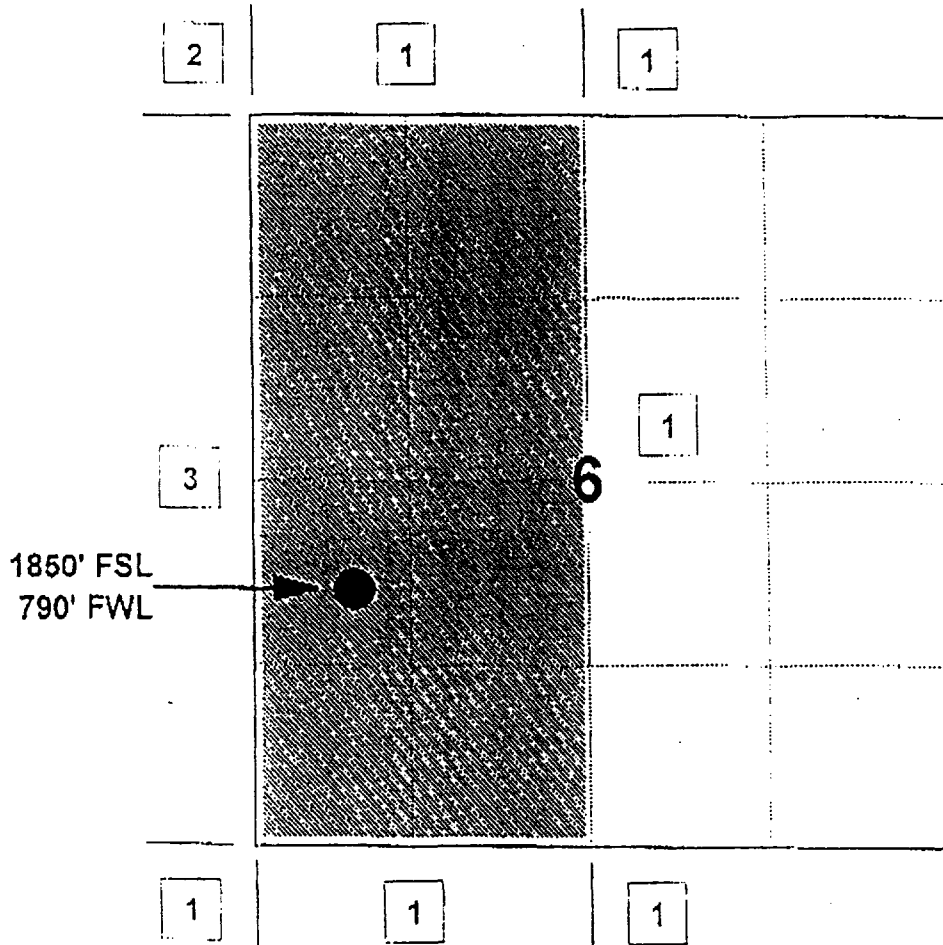
MERIDIAN OIL INC

SAN JUAN 29-7 UNIT #583

OFFSET OPERATOR \ OWNER PLAT

Fruitland Coal / Pictured Cliffs Formations Commingle

Township 29 North, Range 07 West



1) Meridian Oil Inc

2) Amoco Production Company

PO Box 800, Denver, CO 80202

3) Amoco Production Company

Conoco, Inc.

10 Desta Dr., Suite 100W, Midland, TX 79705-4500

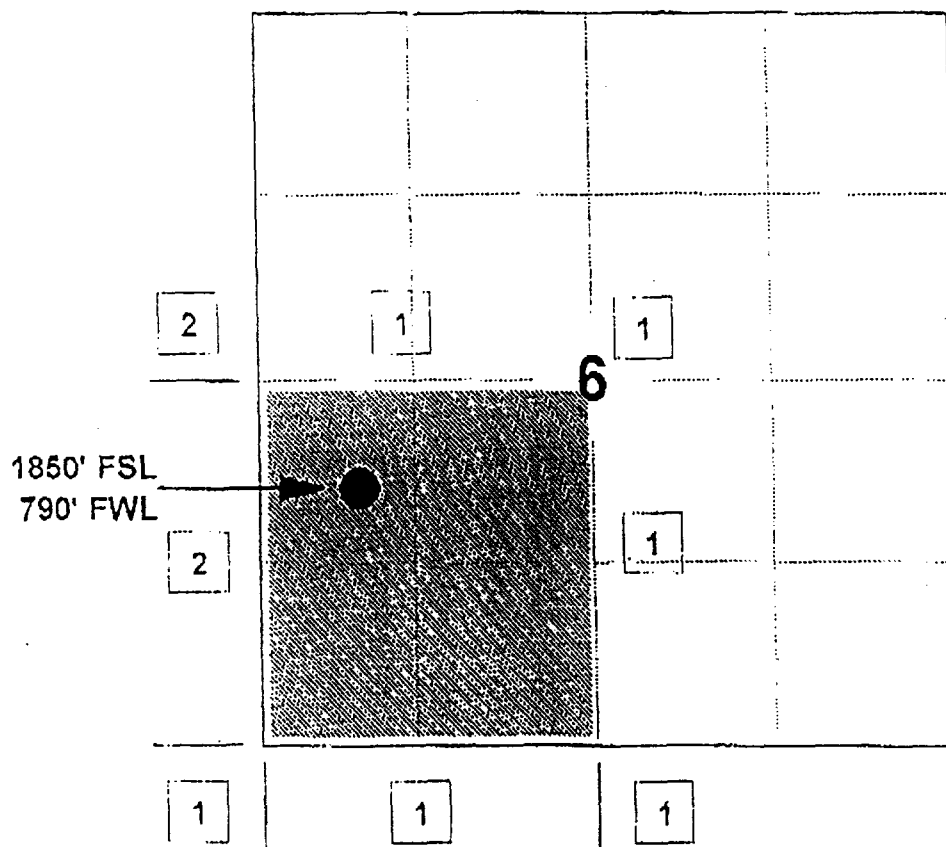
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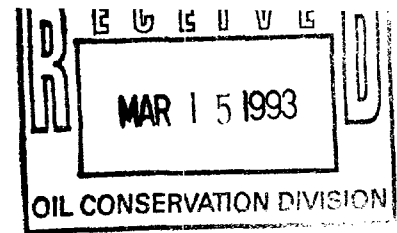
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JASON KELLAHIN (RETIRED 1991)



TELEPHONE (505) 982-4285

TELEFAX (505) 982-2047

March 15, 1993

Mr. William J. LeMay
Oil Conservation Division
State Land Office Building
310 Old Santa Fe Trail, Room 219
Santa Fe, New Mexico 87501

HAND DELIVERED

10699

RE: Application of Meridian Oil, Inc.
for a Non-Standard Spacing Unit
and Downhole Commingling,
San Juan County, New Mexico
San Juan 29-7 Unit #583 Well

Dear Mr. LeMay:

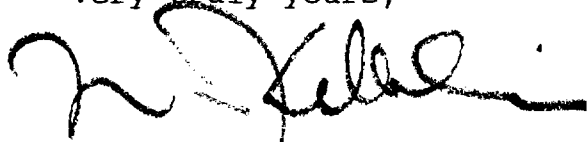
On behalf of Meridian Oil, Inc. please find enclosed our Application for a non-standard spacing unit and downhole commingling as referenced above, which we request be set for hearing on the next available Examiner's docket now scheduled for April 8, 1993.

By copy of this letter and application, sent certified mail-return receipt requested, we are notifying all interested parties offsetting the subject well and its proposed spacing and proration unit 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 and that failure to appear at the hearing may preclude them from any involvement in this case at a later date. Also, all parties entitled to notice are hereby informed that pursuant to Division requirements all parties appearing in this case are required to file a Pre-Hearing Statement with the Division no later than 4:00 p.m. on Friday, April 2, 1993.

Mr. William J. LeMay
March 15, 1993
Page Two

Also enclosed is our suggested advertisement for
this case.

Very truly yours,

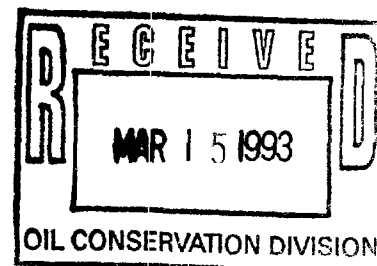
A handwritten signature in dark ink, appearing to read 'W. Thomas Kellahin', written over a horizontal line.

W. Thomas Kellahin

WTK/jcl
Enclosures

cc: with Enclosures
Alan Alexander - Meridian Oil Inc.

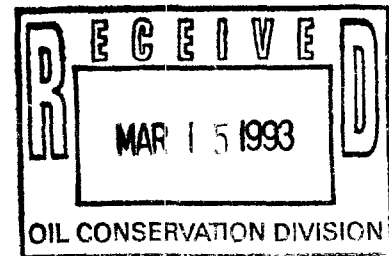
By Certified Mail - Return Receipt
All Parties Listed on Exhibits B & C of Application



PROPOSED ADVERTISEMENT FOR THE OCD DOCKET

Case 10699: Application of Meridian Oil Inc. for downhole commingling and a non-standard spacing unit, San Juan County, New Mexico.

Applicant seeks approval to downhole commingle Blanco Pictured Cliffs Gas Pool and the Basin-Fruitland Coal Gas Pool production within the wellbore of its proposed San Juan 29-7 Unit #583 Well to be drilled at a standard gas well location 790 feet FWL and 1850 feet FSL of Section 6, T29N, R7W, NMPM, San Juan County, New Mexico. Said well is to be dedicated a previously approved non-standard 215.22-acre gas spacing unit for the Basin-Fruitland Coal Gas Pool being the W/2 equivalent of Section 6 and to a non-standard 110.66-acre gas spacing unit for the Blanco Pictured Cliffs Gas Pool being the SW/4 equivalent of Section 6. The well is located approximately 1 mile west from Navajo City, New Mexico.



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:

APPLICATION OF MERIDIAN OIL INC.
FOR A NON-STANDARD SPACING UNIT
AND DOWNHOLE COMMINGLING
SAN JUAN COUNTY, NEW MEXICO.

CASE: 10699

A P P L I C A T I O N

Comes now MERIDIAN OIL INC., ("Meridian") by and through its attorneys, Kellahin and Kellahin, and applies to the New Mexico Oil Conservation Division for approval to downhole commingle Blanco Pictured Cliffs Gas Pool and the Basin-Fruitland Coal Gas Pool production within the wellbore of its proposed San Juan 29-7 Unit #583 Well to be drilled at a standard gas well location 790 feet FWL and 1850 feet FSL of Section 6, Township 29 North, Range 7 West, NMPM, San Juan County, New Mexico. Said well is to be dedicated a previously approved non-standard 215.22-acre gas spacing unit for the Basin-Fruitland Coal Gas Pool being the W/2 equivalent of Section 6 and to a non-standard 110.66-acre gas spacing unit for the Blanco Pictured Cliffs Gas Pool being the SW/4 equivalent of said Section 6.

In support of its application, Meridian states:

(1) Meridian is the operator for the proposed San Juan 29-7 Unit #583 Well to be drilled at a standard gas well location 790 feet FWL and 1850 feet FSL of Section 6, Township 29 North, Range 7 West, NMPM, San Juan County, New Mexico as shown on Exhibit "A" attached.

(2) The Well is to be drilled so that production from the Basin-Fruitland Coal Gas Pool and the Blanco Pictured Cliffs Gas Pool can be downhole commingled in the wellbore.

(3) The W/2 equivalent of Section 6 is to be dedicated to the any production from the Basin Fruitland Coal Gas Pool. It consists of Lots 10 through 14, SE/4NW/4 and E/2SW/4 of Section 6 and contains 215.22 acres, more or less. See Exhibit "B" attached. On September 27, 1990, Division Order R-9303 approved this acreage as a non-standard unit in this pool.

(4) The SW/4 equivalent of Section 6 is to be dedicated to any production from the Blanco Pictured Cliffs Gas Pool. It consists of Lots 13 and 14 and the E/2SW/4 of Section 6 and contains 110.66 acres, more or less. See Exhibit "B" attached.

(5) The ownership is common between these two spacing units.

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

a. That drilling the San Juan 29-7 Unit #583 Well initially for downhole commingling in the wellbore is necessary because it is not otherwise economic to attempt to drill and complete a separate well for either Fruitland coal gas or Pictured Cliffs gas production nor is it economic to attempt to dually complete those formations in the proposed well.

b. That there will be no crossflow between the two zones commingled.

c. That the ownership is each of the two spacing units is common between the two pools and no impairment of correlative rights will occur.

d. It is expected that 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.

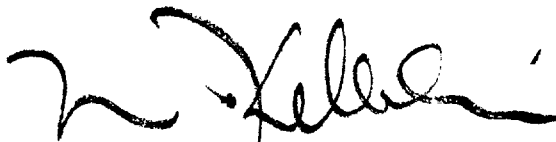
Application of Meridian Oil Inc.
Page 5

hearing. Therefore, Applicant requests that both matters be docketed for hearing on the Division's Examiner docket now scheduled for April 8, 1993.

(12) In accordance with Division Rule 1207.A(6) a copy of this application has been sent to all offsetting operators as set forth on Exhibit "C."

WHEREFORE Applicant requests that this matter be set for hearing on April 8, 1993 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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Attorneys for Applicant

e. That the value of the commingled production will not be less than the sum of the values of the individual production.

(7) Both the Pictured Cliffs and Fruitland Coal formations in this area of the basin should be marginally productive.

(8) Meridian has selected to drill the proposed well in the SW/4 equivalent instead of the NW/4 equivalent of Section 6 because that location appears to have a greater opportunity for a successful although marginal Fruitland formation well.

(9) In addition, the SW/4 equivalent of Section 6 is a standard location for a Fruitland Coal Gas Well while the NW/4 equivalent is an unorthodox location.

(10) Due to the nature of the Basin-Fruitland Coal Gas production, straight allocation of gas volumes from both zones is not appropriate. Meridian therefore seeks the adoption of a monthly allocation formula, to be presented at the hearing in this matter.

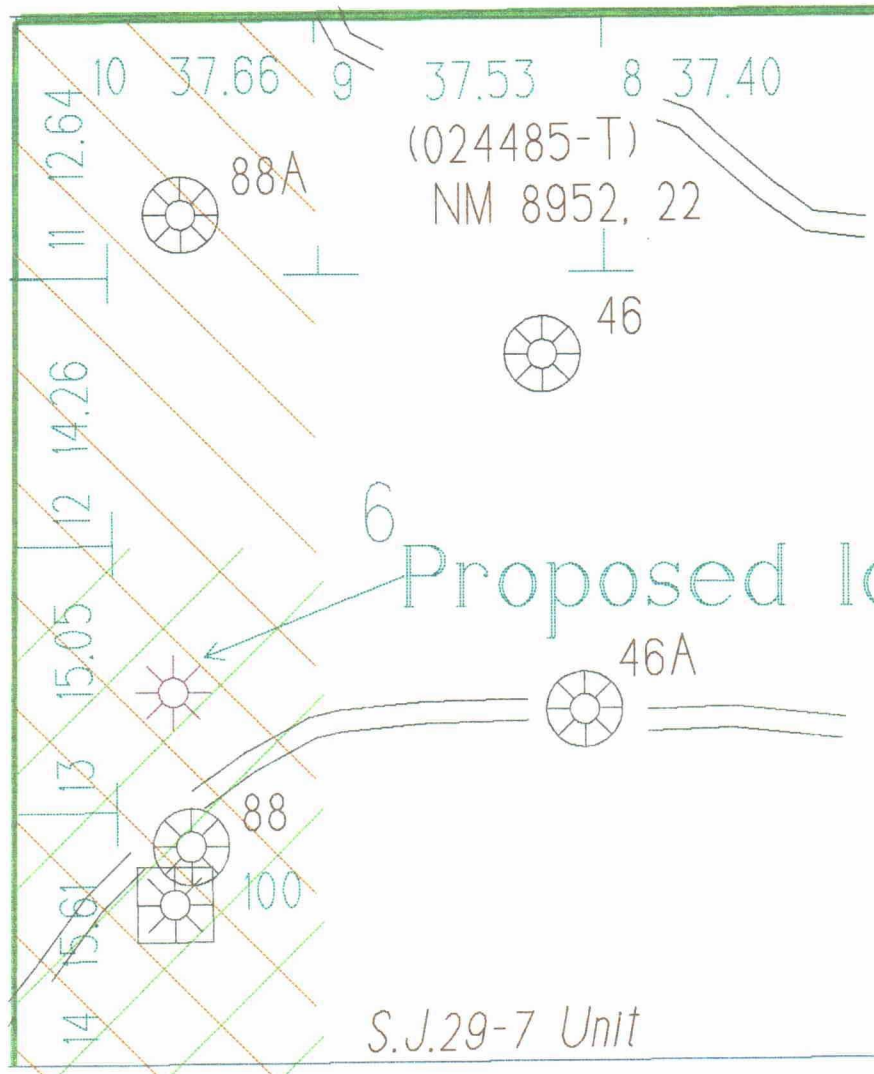
(11) While the downhole commingling is subject to administrative approval, the non-standard spacing unit for the Blanco Pictured Cliffs Gas Pool requires a

San Juan 29-7 Unit #583, W/2 6-29N-7W
FR/PC Commingle & Non-Standard Proration Unit



EXHIBIT "B"

San Juan 29-7 Unit #583, W/2 6-29N-7W
FR/PC Commingle & Non-Standard Proration Unit



- △ FRUITLAND COAL WELL
- ⊗ MESAVERDE WELL
- ⊠ DAKOTA WELL

- ▨ FR Spacing
- ▨ PC Spacing

EXHIBIT "B"

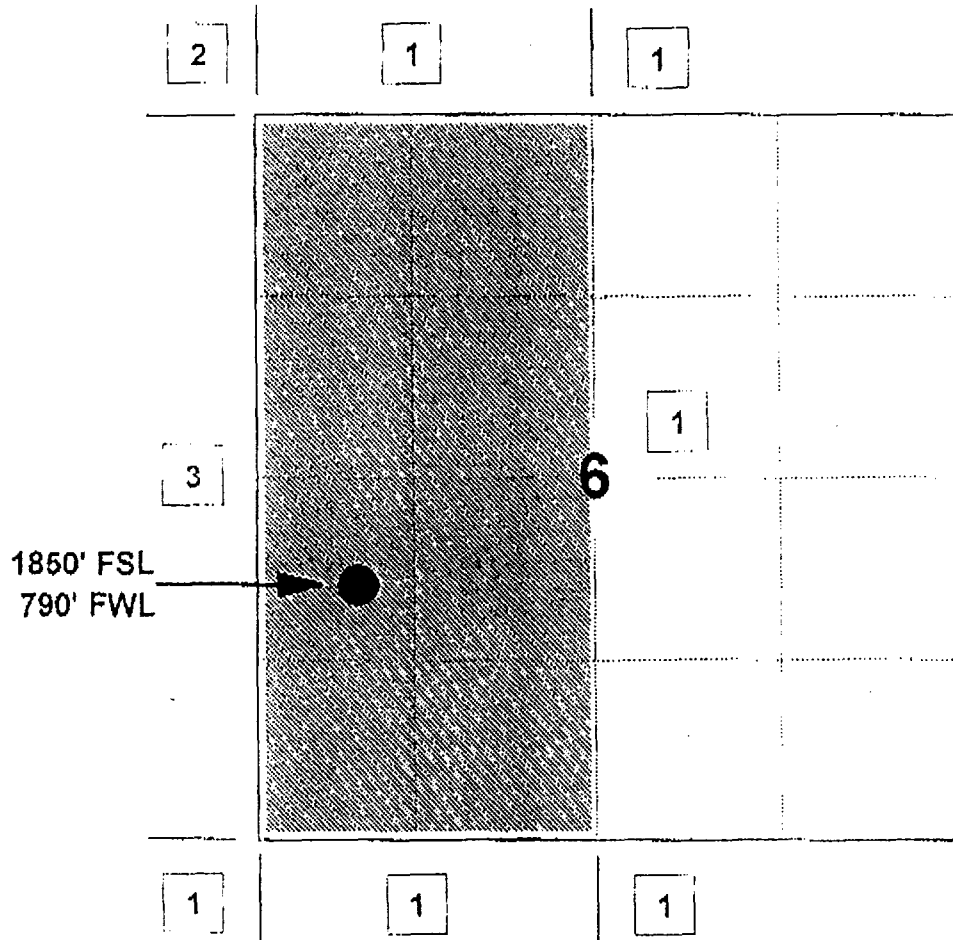
MERIDIAN OIL INC

SAN JUAN 29-7 UNIT #583

OFFSET OPERATOR \ OWNER PLAT

Fruitland Coal / Pictured Cliffs Formations Commingle

Township 29 North, Range 07 West



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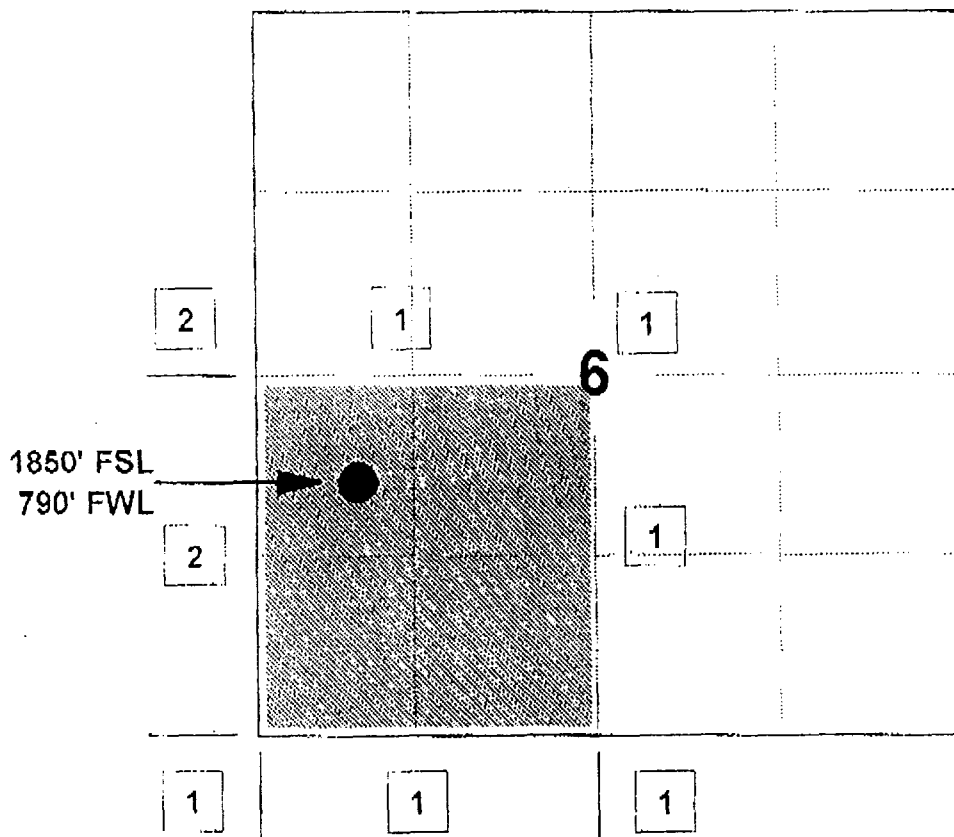
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