

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 DOWNHOLE COMMINGLING
SAN JUAN COUNTY, NEW MEXICO.

CASE: 10918

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 Aztec-Pictured Cliffs Gas Pool and the Basin-Fruitland Coal Gas Pool production within the wellbore of:

(1) Neudecker #2 Well, located 1650 feet from north and east lines (Unit G) of 35, T29N, R10W, an existing Pictured Cliffs formation well dedicated to the NE/4 of Section 35 with the E/2 of said Section to be dedicated to coal gas production;

(2) Zachry #11 Well located 990 feet from the south and west lines (Unit M) of Section 10, T28N, R10W, an existing Pictured Cliffs formation well dedicated to a previously approved non-standard spacing unit consisting of part of sections 9 and 10 with all of Section 10 to be dedicated to coal gas production; and

(3) Pierce Federal A #1 Well located 990 feet from the north and east lines (Unit A) of Section 34, T29N, R10W, an existing Pictured Cliffs formation well dedicated to the NE/4 of Section 34 with the N/2 of said Section to be dedicated to coal gas production.

In support of its application, Meridian states:

(1) Meridian is the operator of the:

(a) Neudecker #2 Well, located 1650 feet from north and east lines (Unit G) of 35, T29N, R10W, an existing Pictured Cliffs formation well dedicated to the NE/4 of Section 35 with the E/2 of said Section to be dedicated to coal gas production (See Exhibit A-1);

(b) Zachry #11 Well located 990 feet from the south and west lines (Unit M) of Section 10, T28N, R10W, an existing Pictured Cliffs formation well dedicated to a previously approved non-standard spacing unit consisting of part of sections 9 and 10 with all of Section 10 to be dedicated to coal gas production (See Exhibit B-2); and

(c) Pierce Federal A #1 Well located 990 feet from the north and east lines (Unit A) of Section 34, T29N, R10W, an existing Pictured Cliffs formation well dedicated to the NE/4 of Section 34 with the N/2 of said Section to be dedicated to coal gas production (See Exhibit C-1).

(2) Each well is to be recompleted so that production from the Basin-Fruitland Coal Gas Pool and the Aztec-Pictured Cliffs Gas Pool can be downhole commingled in the wellbore.

(3) The Neudecker #2 Well and the Pierce Federal A #1 Well are each at standard locations and within standard spacing and proration units for both the Aztec Pictured Cliffs Pool and the Basin Fruitland Coal Gas Pool.

(4) The Zachry #11 Well is located at a standard well location for the Aztec Pictured Cliffs Gas Pool and within a previously approved 258.01 acre non-standard proration and spacing unit for said pool consisting of lot 1 (NE/4NE/4), SE/4SE/4 of Section 9, lot 3 (NE/4SW/4), lot 4 (NW/4SW/4), S/2SW/4 of Section 10.

(5) The Zachry #11 Well also is located at a standard well location for the Basin Fruitland Coal Gas Pool and will be dedicated to a standard 259.2 acre proration and spacing unit for said pool consisting of all of Section 10.

(6) The ownership is not common for each well and its respective spacing and proration units in both pools.

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

1. That the Pictured Cliffs production in these wells is marginal and production cannot be economically continued unless it is done so by downhole commingling that production with Basin Fruitland Coal Gas Pool production in these wells.

2. That the downhole commingling in these wellbores is necessary because it is not otherwise economic to attempt to drill and complete a separate well for Fruitland Coal Gas production nor is it economic to attempt to dually complete those formations in these wells.

3. 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.

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

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

(8) That the Basin Fruitland Coal Gas Pool production in this area of the basin should be marginally productive and cannot be economically produced unless it is done so by downhole commingling that production.

(9) 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 time of the hearing.

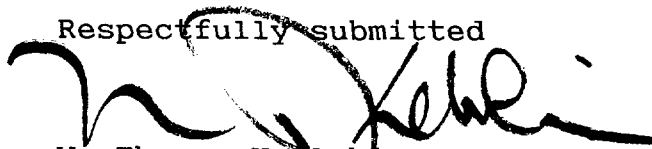
(10) Applicant requests that this matter be docketed for hearing on the Division's Examiner docket now scheduled for February 17, 1994.

(11) Copy of this application has been sent to all offsetting operators to the two spacing units for each well as set forth on Exhibits A-2, A-3, B-2, B-3, C-2 and C-3.

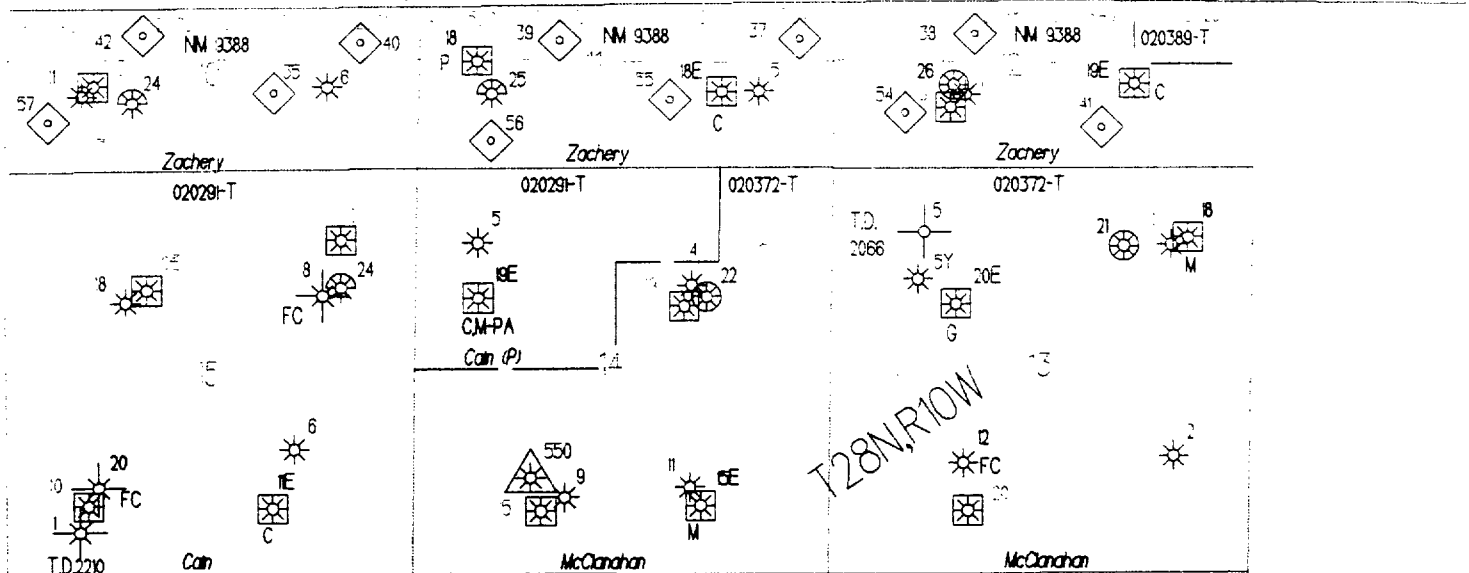
(12) A copy of this application has been sent to all owners of production within these spacing units who may be affected by downhole commingling.

WHEREFORE Applicant requests that this matter be set for hearing on February 17, 1994 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



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

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- Exhibit A-1

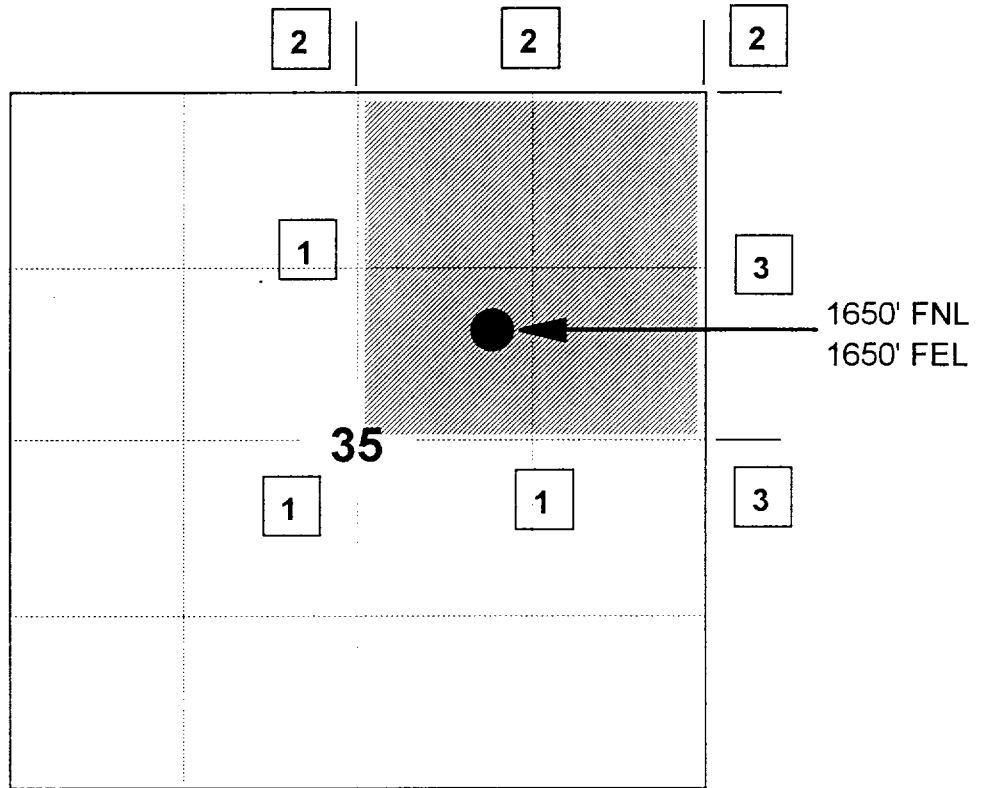
MERIDIAN OIL INC

NEUDECKER #2

OFFSET OPERATOR PLAT

Pictured Cliffs / Fruitland Coal Commingle

Township 29 North, Range 10 West



1) Meridian Oil Inc

2) Amoco Production Company

PO Box 800, Denver, CO 80202

3) Conoco, Inc.

PO Box 951063, Houston, TX 75395-1063

Exhibit A-2

Pictured Cliffs Formation

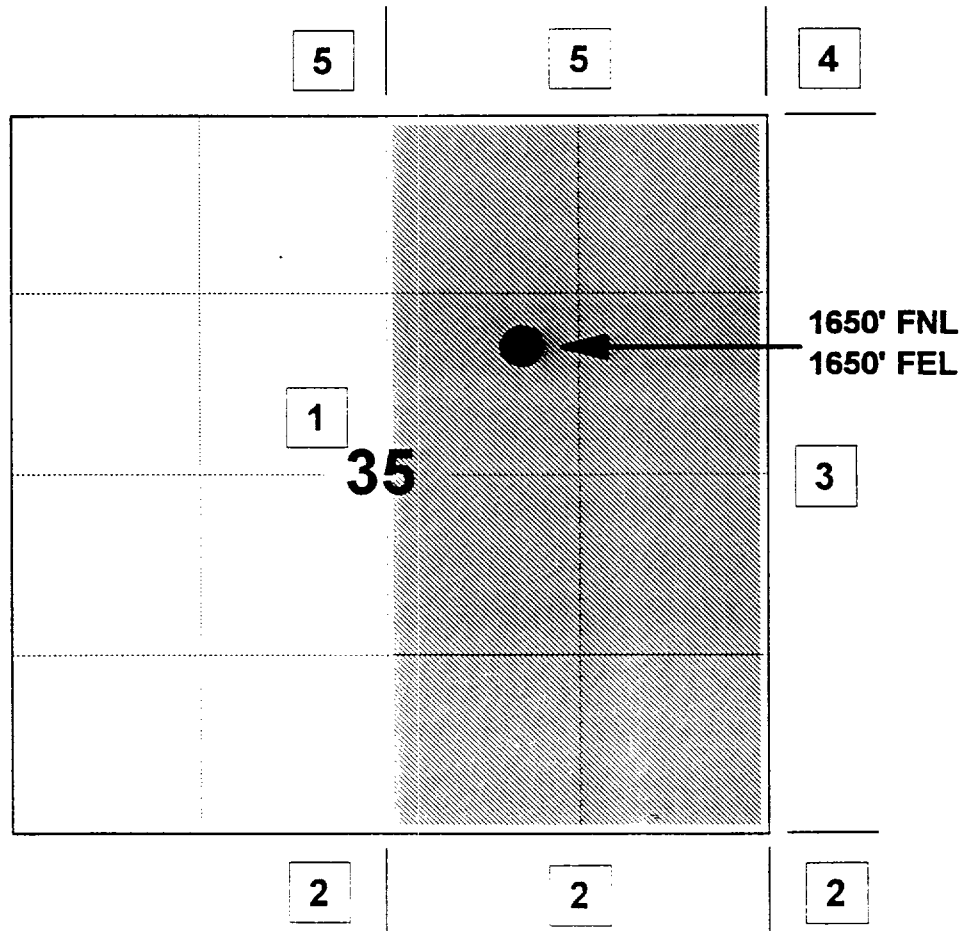
MERIDIAN OIL INC

NEUDECKER #2

OFFSET OPERATOR \ OWNER PLAT

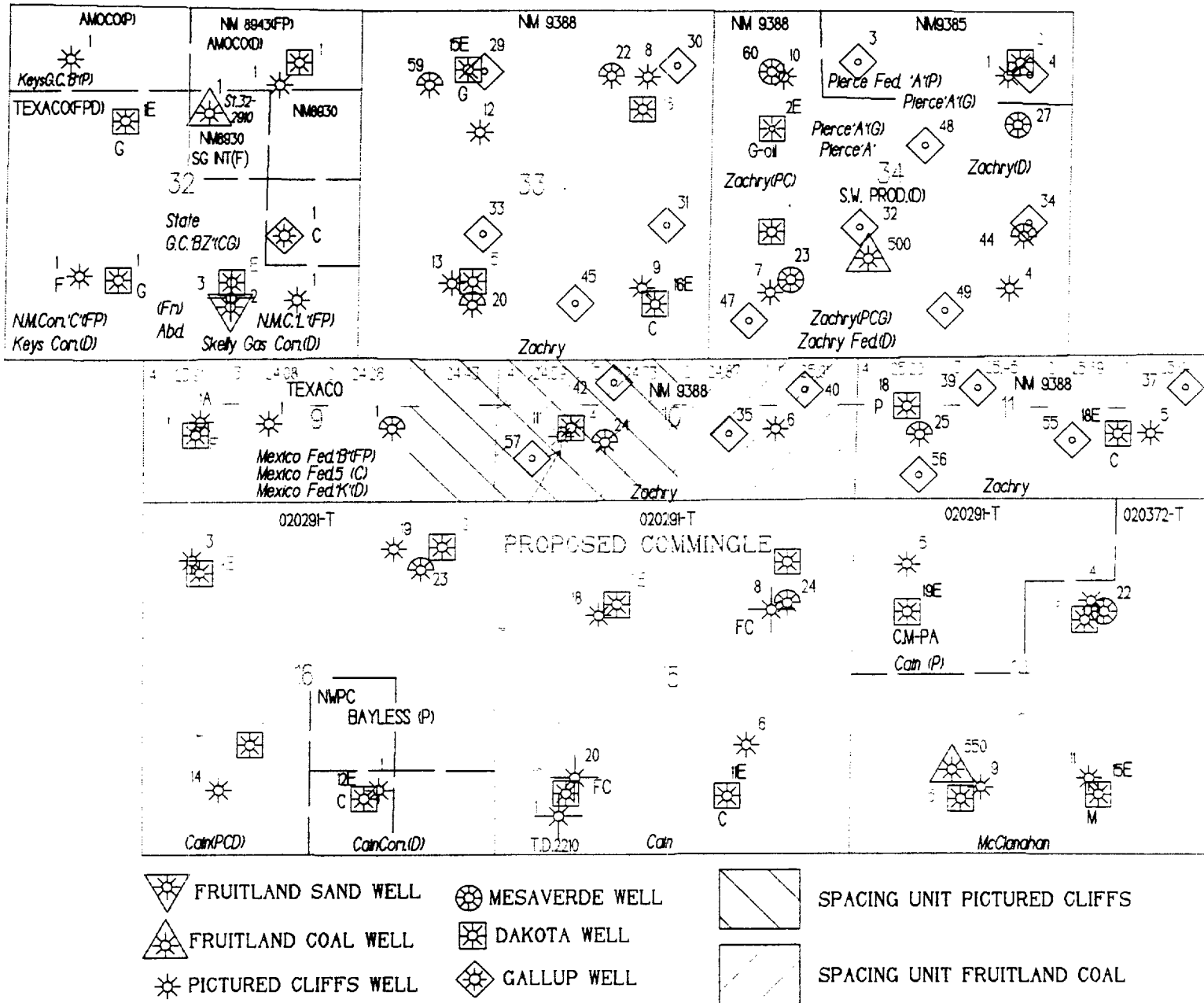
Pictured Cliffs / Fruitland Coal Commingle

Township 29 North, Range 10 West



1) Meridian Oil Inc	
2) Meridian Oil Inc & Southland Oil Company	
3) Conoco, Inc.	PO Box 951063, Houston, TX 75395-1063
4) Incline Reserves, Inc.	1603 S.W. 37th St., Topeka, KS 66611
5) Amoco Production Co.	PO Box 800, Denver, CO 80202 &
S. G. Interests	811 Dallas, Ste 1505, Houston, TX 77002

ZACHRY #11 WELL
SWSW SECTION 10, T28N, R10W
SAN JUAN CO., NEW MEXICO



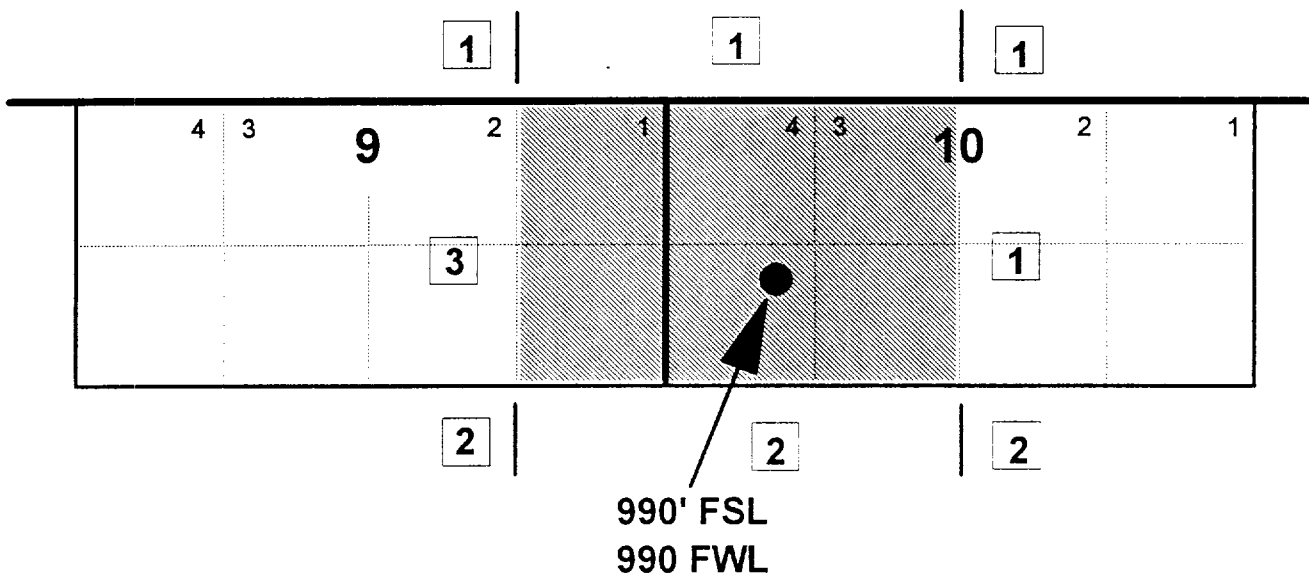
MERIDIAN OIL INC

ZACHRY #11

OFFSET OPERATOR \ OWNER PLAT

Pictured Cliffs \ Fruitland Coal Commingle Well

Township 28 North, Range 10 West



1) Meridian Oil Inc

2) Southland Royalty Company

3) Texaco Exploration & Production Inc.

P.O. Box 2100, Denver, CO 80201

Exhibit B-2

Pictured Cliffs

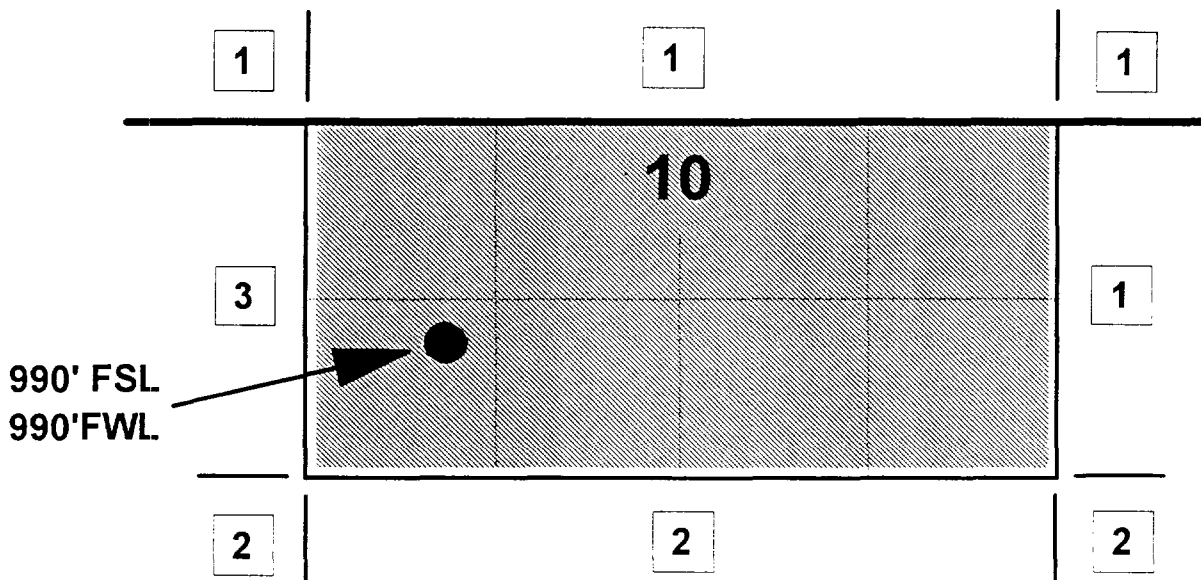
MERIDIAN OIL INC

ZACHRY #11

OFFSET OPERATOR \ OWNER PLAT

Pictured Cliffs \ Fruitland Coal Commingle Well

Township 28 North, Range 10 West



1) Meridian Oil Inc

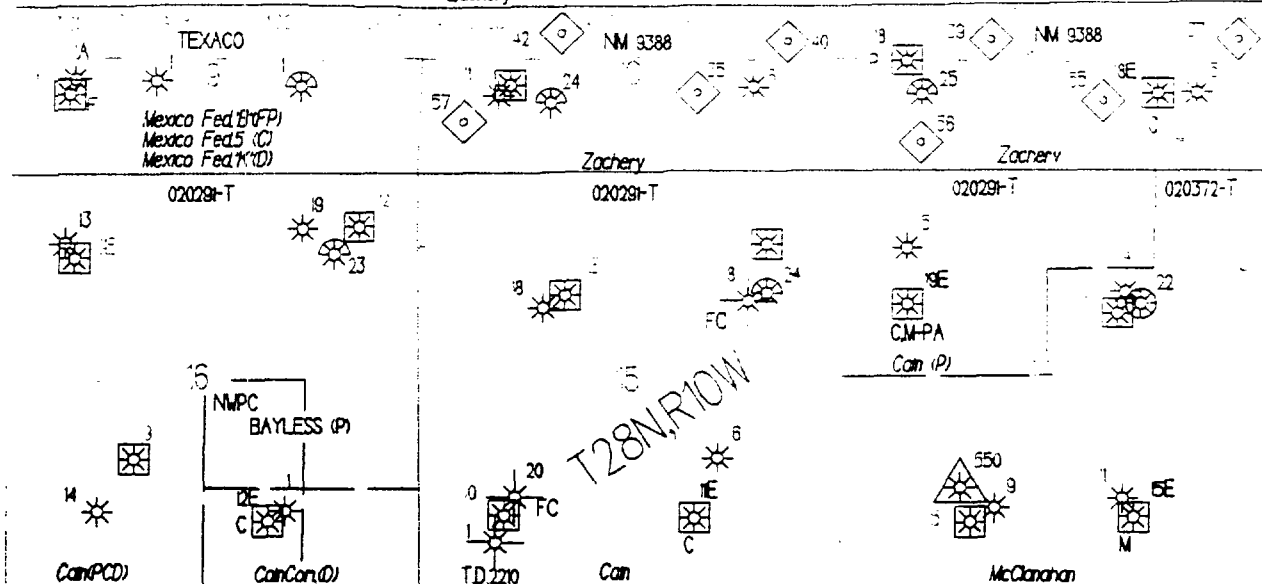
2) Southland Royalty Company

3) Texaco Exploration & Production Inc.

PQ Box 2100, Denver, CO 80201

Exhibit B-3

Fruitland Coal

[illegible]

- Exhibit C-1

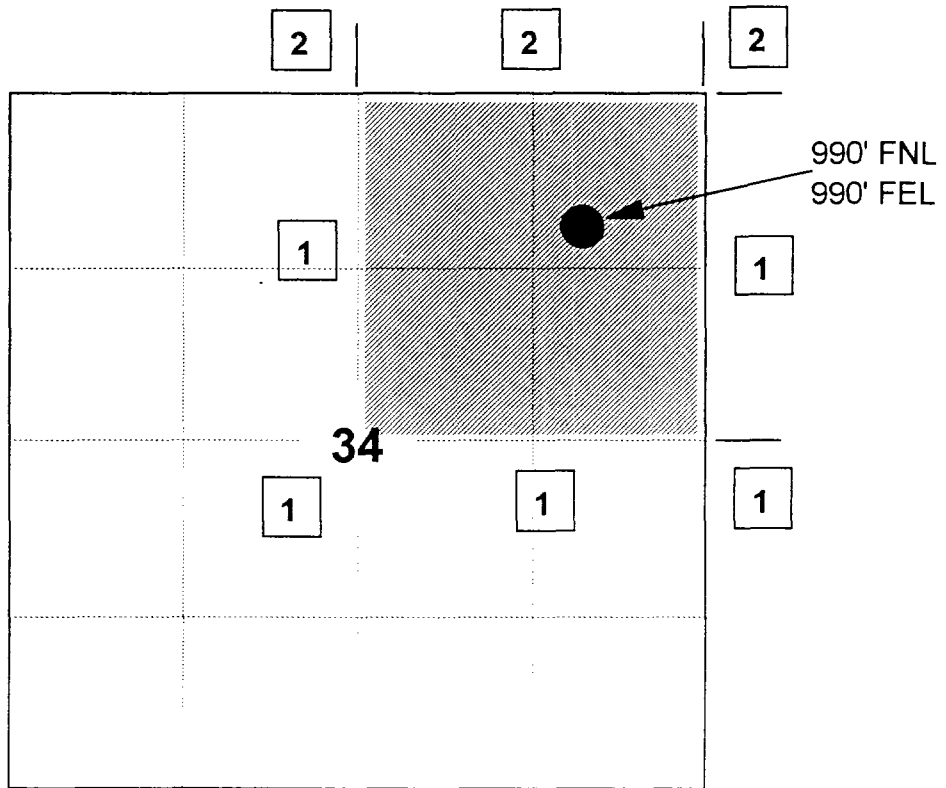
MERIDIAN OIL INC

PIERCE FEDERAL A #1

OFFSET OPERATOR PLAT

Pictured Cliffs / Fruitland Coal Commingle

Township 29 North, Range 10 West



1) Meridian Oil Inc

2) Amoco Production Company

PO Box 800, Denver, CO 80202

Exhibit C-2

Pictured Cliffs Formation

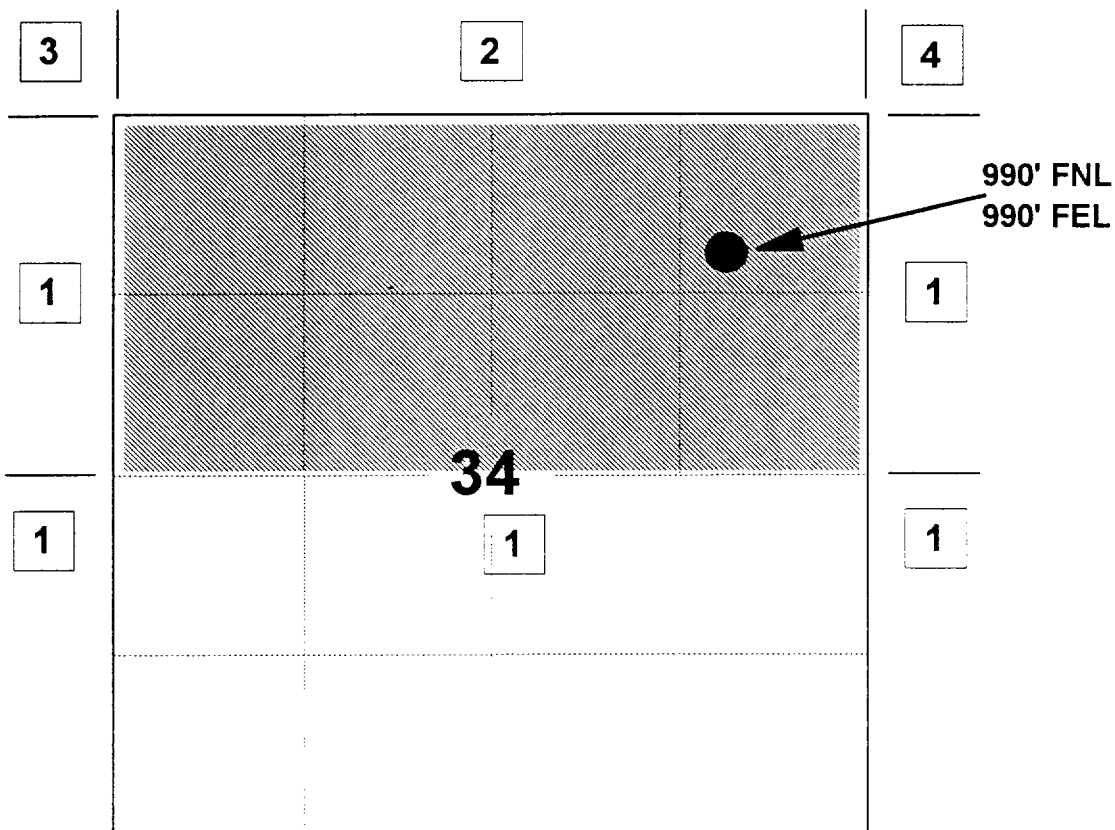
MERIDIAN OIL INC

PIERCE FEDERAL A #1

OFFSET OPERATOR \ OWNER PLAT

Pictured Cliffs / Fruitland Coal Commingle Well

Township 29 North, Range 10 West



1) Meridian Oil Inc

2) S G Interests 811 Dallas, Suite 1505, Houston, TX 77002

3) Amoco Production Company PO Box 800, Denver, CO 80201

4) Conoco, Inc. 10 Desta Drive, Suite 100W, Midland, TX 79705-4500,
Amoco Production Company & S G Interests

Exhibit C-3

Fruitland Coal