

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 AN UNORTHODOX GAS WELL LOCATION
AND DOWNHOLE COMMINGLING
SAN JUAN COUNTY, NEW MEXICO.

CASE: 10919

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 Fulcher Kutz-Pictured Cliffs Gas Pool and the Basin-Fruitland Coal Gas Pool production within the wellbore of its Lodewick #1 Well, a existing Pictured Cliffs formation well, located 990 feet FNL and 990 feet FWL, (Unit D) Section 18, T27N, R9W, NMPM, San Juan County, New Mexico. Said well would be an "off-pattern" unorthodox coal gas well and would be dedicated to a standard 322.40-acre gas spacing unit for the Basin-Fruitland Coal Gas Pool being W/2 of Section 18 and to a standard 161.32-acre gas spacing unit for the Fulcher Kutz-Pictured Cliffs Gas Pool being the NW/4 of Section 18.

In support of its application, Meridian states:

(1) Meridian is the operator for the Lodewick #1 Well, an existing Pictured Cliffs producing well, located 990 feet FWL and 990 feet FNL (Unit D), Section 18, T27N, R9W, NMPM, San Juan County, New Mexico as shown on Exhibit "A" attached.

(2) Said location is an unorthodox gas well location for the Basin-Fruitland Coal Gas Pool being located in the NW/4 rather than either the NE/4 or SW/4.

(3) The Well is to be recompleted so that production from the Basin-Fruitland Coal Gas Pool and the Fulcher Kutz-Pictured Cliffs Gas Pool can be downhole commingled in the wellbore.

(4) The W/2 of Section 18, being 322.40 acres, is to be dedicated to any production from the Basin-Fruitland Coal Gas Pool which is spaced on 320-acre gas spacing units.

(5) The NW/4 of Section 18, being 161.32 acres, is to be dedicated to any production from the Fulcher Kutz-Pictured Cliffs Gas Pool which is spaced on 160-acre gas spacing units.

(6) The ownership is not common between these two spacing units.

(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 this well is marginal and production cannot be economically continued unless it is done so by downhole commingling that production with Basin Fruitland Coal Gas production in this well.

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

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

4. 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.

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

(8) In order to salvage the remaining Pictured Cliffs production from this spacing unit, Meridian has elected to add the Fruitland Coal Gas formation to this well rather than drill a new coal gas well at a standard location in this section. The opportunity for a successful Basin Fruitland Coal Gas well is similar between the two quarter-sections in this spacing unit.

(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 as set forth on Exhibits B and C.

Application of Meridian Oil, Inc.

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(12) A copy of this application has been sent to all owners of production within the spacing unit 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

A handwritten signature in black ink, appearing to read "W. Thomas Kellahin". The signature is fluid and cursive, with a large initial "W" and a long, sweeping underline.

W. Thomas Kellahin
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(505) 982-4285
Attorneys for Applicant

LODEWICK # 1 WELL
NWNW SECTION 18, T27N, R9W
SAN JUAN CO., NEW MEXICO

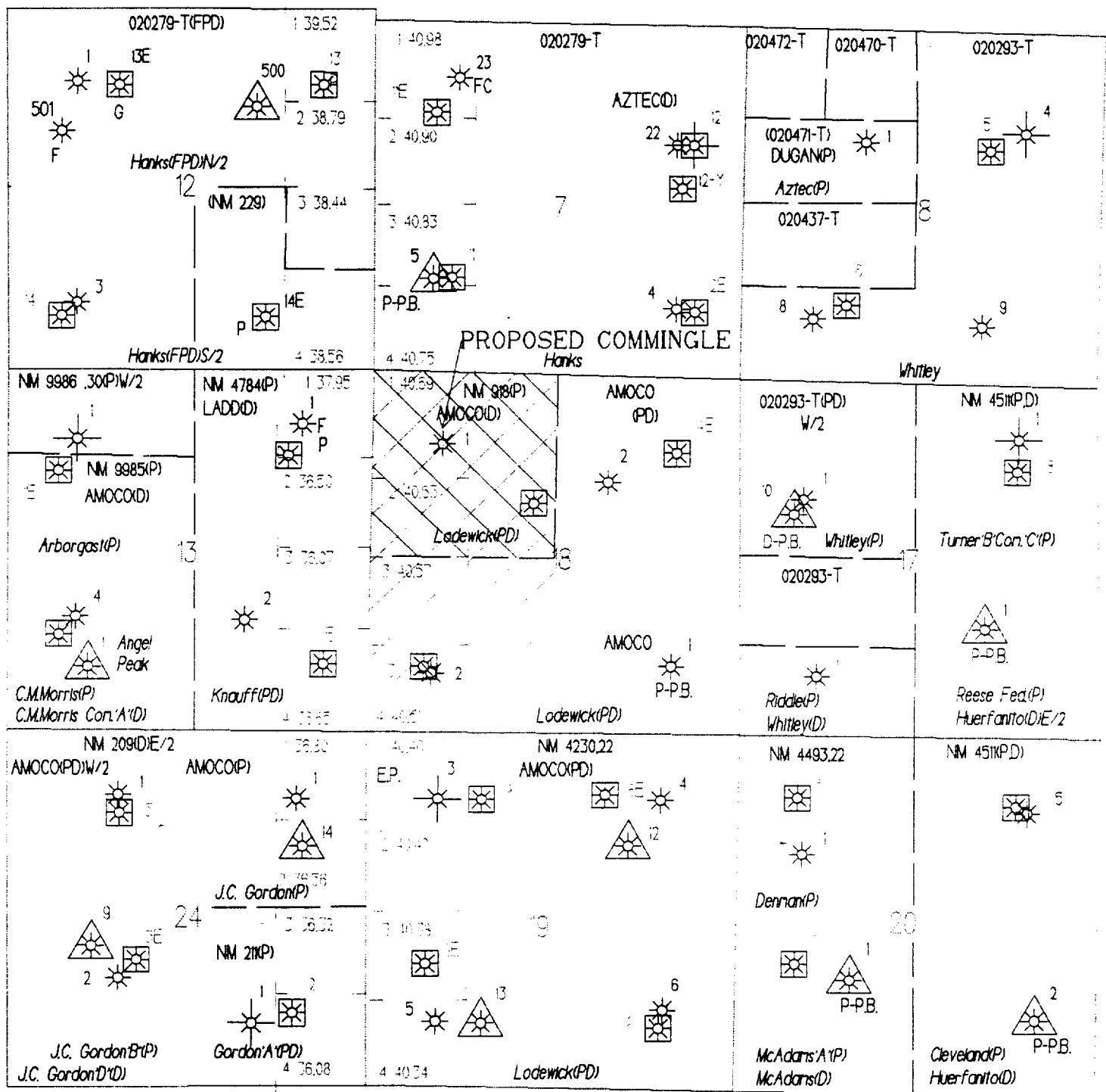


EXHIBIT A

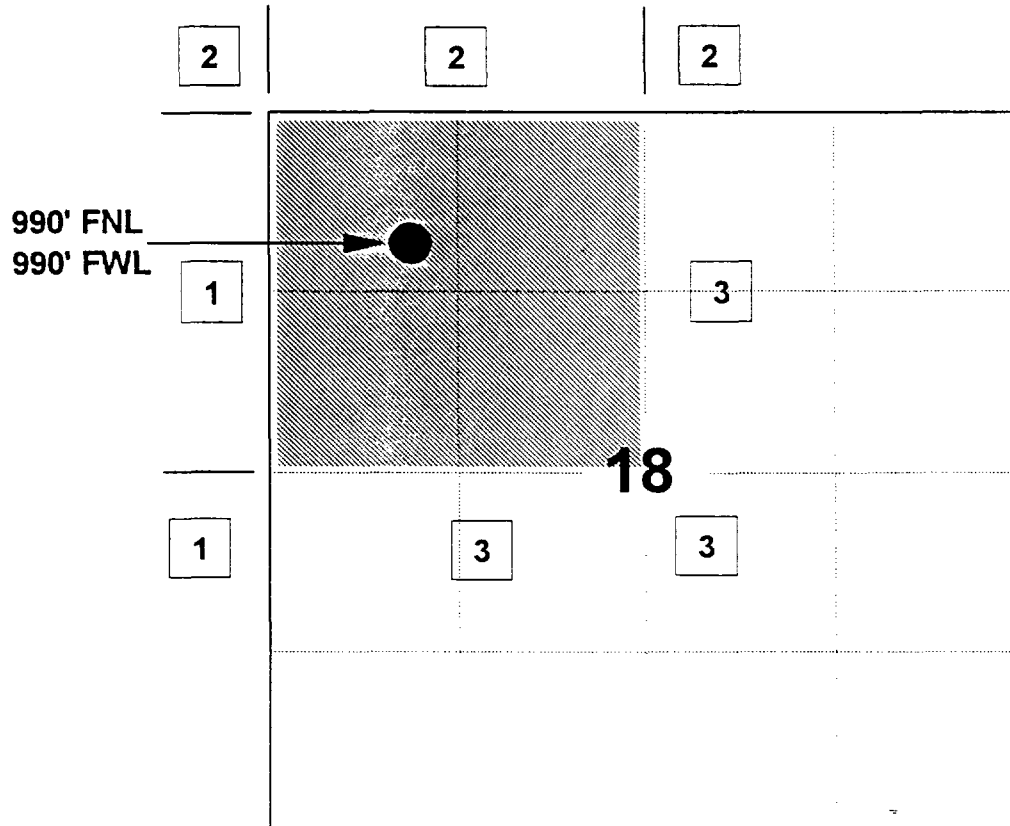
MERIDIAN OIL INC

LODEWICK #1

OFFSET OPERATOR \ OWNER PLAT

Fruitland Coal / Pictured Cliffs Commingle Well

Township 27 North, Range 9 West



1) Meridian Oil Inc

2) Southland Royalty Company

3) Amoco Production Company

PO Box 800, Denver, CO 80201

Exhibit B

Pictured Cliffs Formation

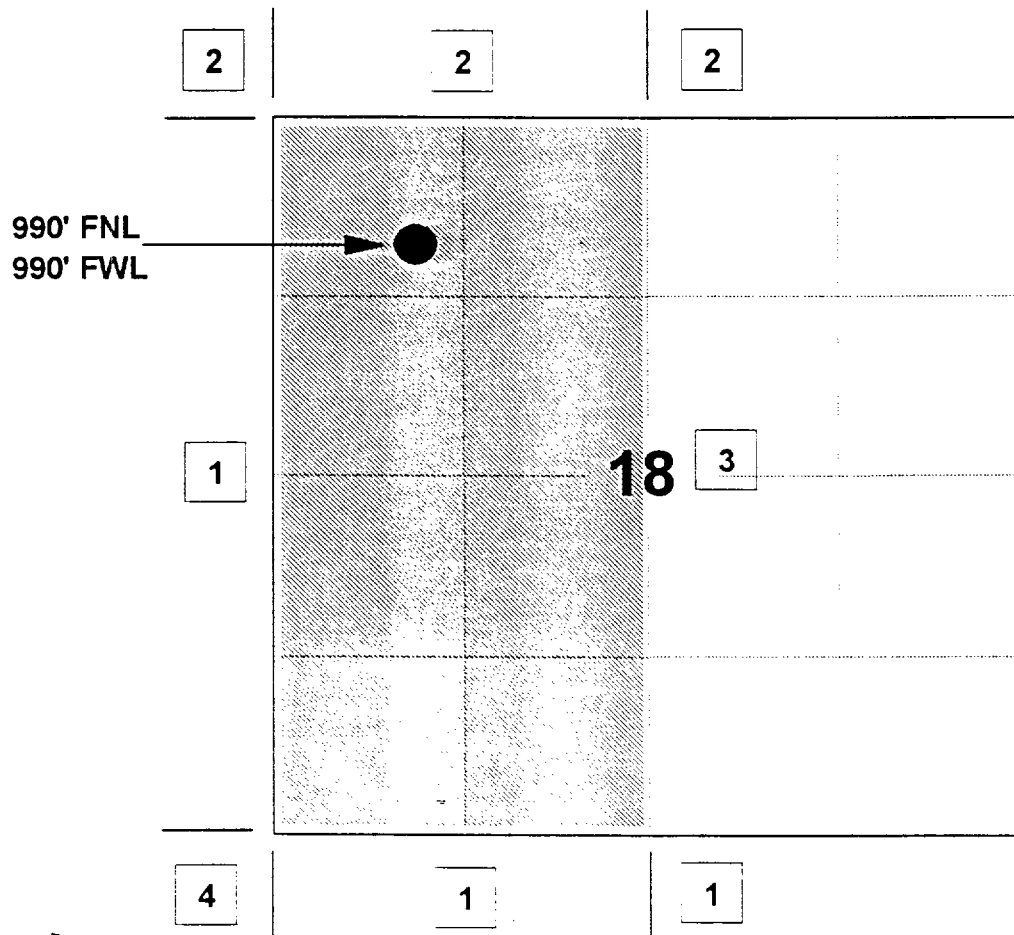
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LODEWICK #1

OFFSET OPERATOR \ OWNER PLAT

Fruitland Coal / Pictured Cliffs Commingle Well

Township 27 North, Range 9 West



1) Meridian Oil Inc

2) Southland Royalty Company

3) Amoco Production Company

PO Box 800, Denver, CO 80201

4) Meridian Oil Inc &

McKenzie Methane Corp.

1625 Broadway, Suite 2580, Denver, CO 80201

Exhibit C

Fruitland Coal Formation