

MERIDIAN OIL

CASE # 10919

FEBRUARY 17, 1994

EXHIBIT 1

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN*

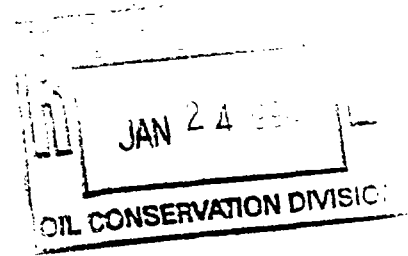
*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

January 24, 1994

HAND DELIVERED



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

Re: Lodewick #1 Well
18-T27N, R9W
Application of Meridian Oil Inc.
for an unorthodox coal gas well
location and downhole commingling,
San Juan County, New Mexico

Dear Mr. LeMay:

On behalf of Meridian Oil Inc., please find enclosed our referenced application which we request be set for hearing on the next available Examiner's docket now scheduled for February 17, 1994.

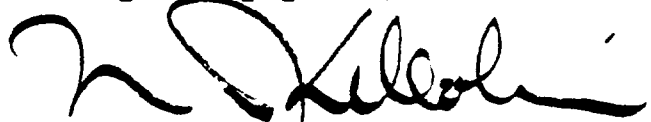
By copy of this letter and application, sent certified mail, we are notifying all interested parties of their right to appear at the hearing and participate in this case, including the right to present evidence either in support of or in opposition to the application and that failure to appear at the hearing may preclude them from any involvement in this case at a later date.

Mr. William J. LeMay
January 24, 1994
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Pursuant to the Division's Memorandum 2-90, all parties are hereby informed that if they appear in this case, then they are requested to file a Pre-Hearing Statement with the Division not later than 4:00 PM on Friday, February 11, 1994, with a copy delivered to the undersigned.

Also enclosed is our proposed advertisement of this case for the NMOCD docket.

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
Enclosure

cc: Meridian Oil Inc. and
By Certified Mail - Return Receipt
All Interested Parties

Mr. William J. LeMay
January 24, 1994
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PROPOSED ADVERTISEMENT

Case _____: Application of Meridian Oil Inc. for an unorthodox gas well location and downhole commingling, San Juan County, New Mexico. Applicant seeks 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 320-acre gas spacing unit for the Basin-Fruitland Coal Gas Pool being W/2 of Section 18 and to a standard 160-acre gas spacing unit for the Fulcher Kutz-Pictured Cliffs Gas Pool being the NW/4 of Section 18. The well is located approximately 2 miles northeast from Angels Peak, 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 AN UNORTHODOX GAS WELL LOCATION
AND DOWNHOLE COMMINGLING
SAN JUAN COUNTY, NEW MEXICO.

CASE:

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.

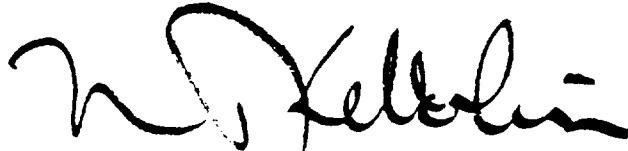
(11) Copy of this application has been sent to all offsetting operators to the two spacing units as set forth on Exhibits B and C.

Application of Meridian Oil, Inc.
Page 4

(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.

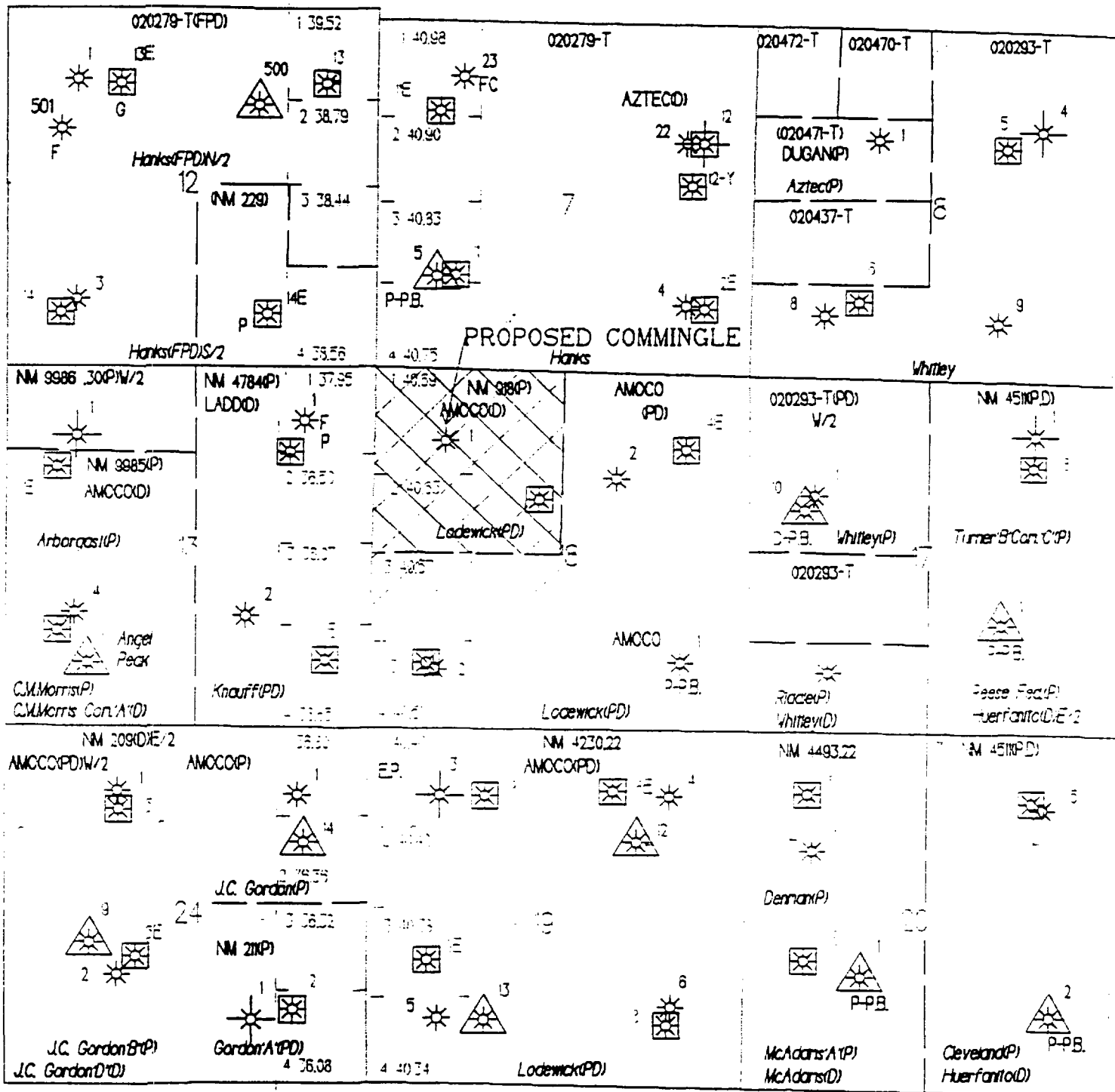
WHEREFORE Applicant requests that this matter be set for hearing on February 17, 1994 before a duly appointed Examiner of the Oil Conservation Division and that after notice and hearing as required by law, the Division enter its order granting this application.







Respectfully submitted



A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written in a cursive style.

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

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



	FRUITLAND SAND WELL		MESAVERDE WELL
	FRUITLAND COAL WELL		DAKOTA WELL
	PICTURED CLIFFS WELL		GALLUP WELL

-  SPACING UNIT PICTURED CLIFFS
-  SPACING UNIT FRUITLAND COAL

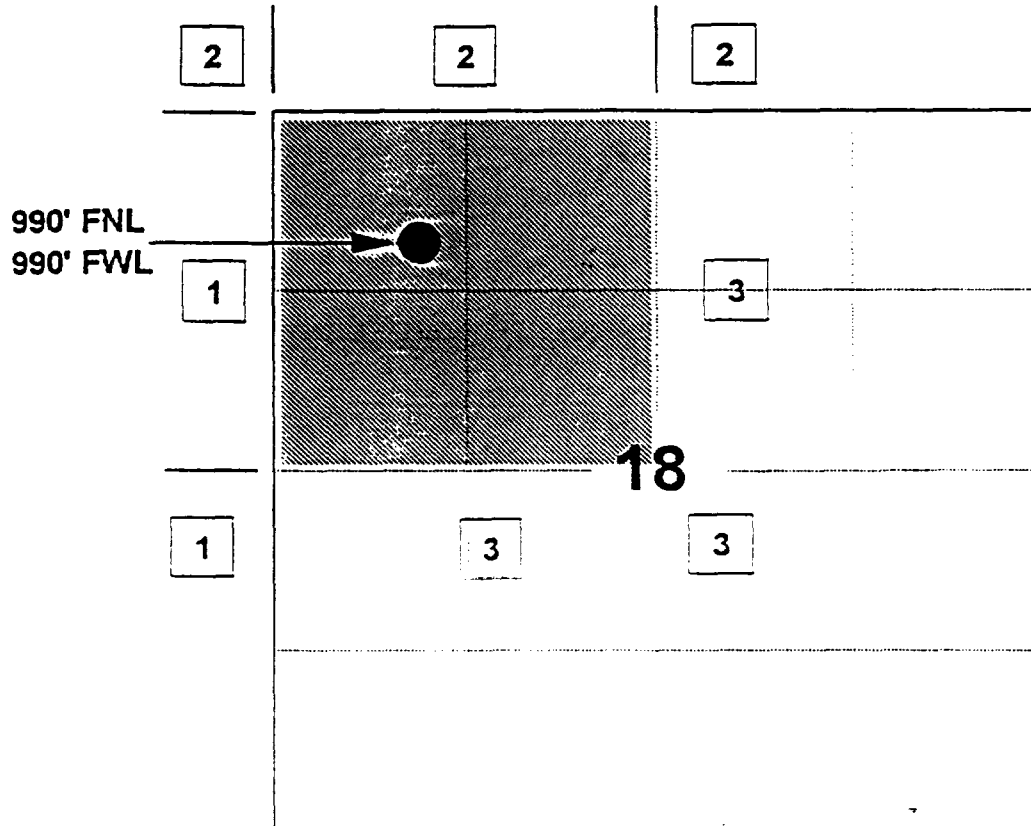
MERIDIAN OIL INC

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

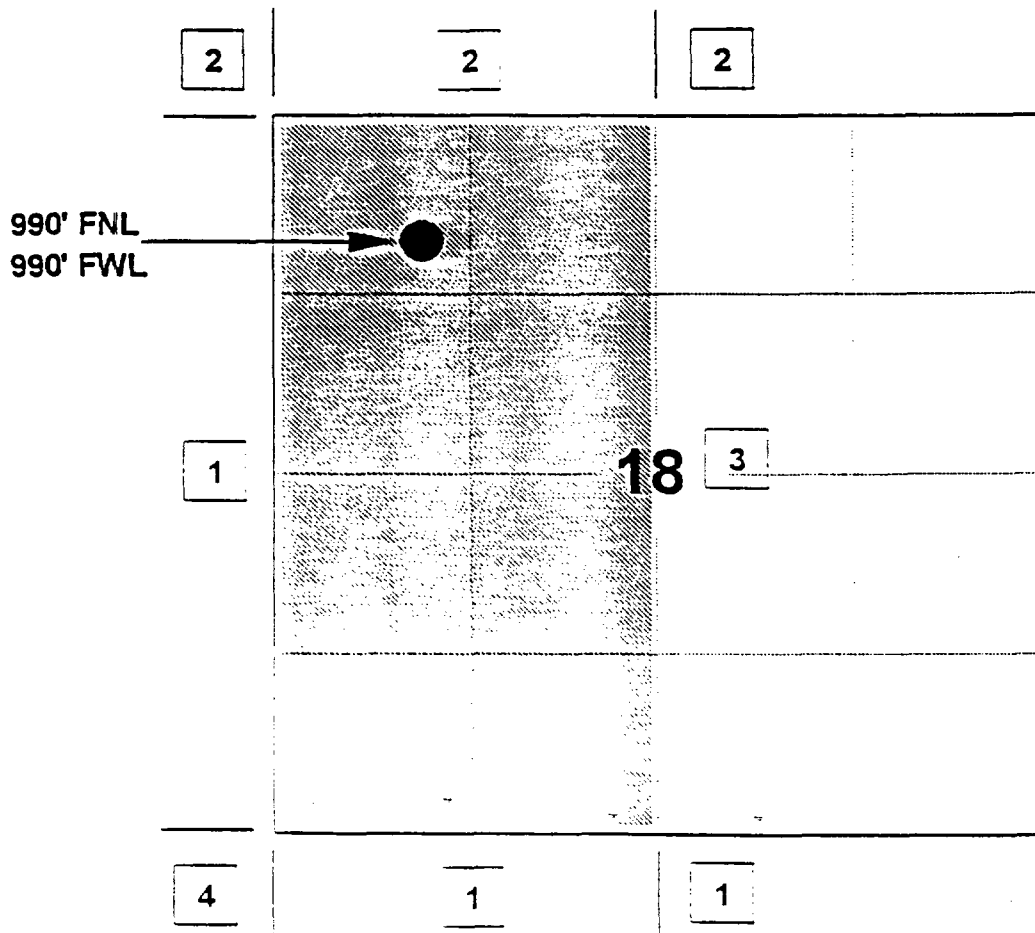
MERIDIAN OIL INC

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Township 27 North, Range 9 West



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PO Box 800, Denver, CO 80201

4) Meridian Oil Inc &

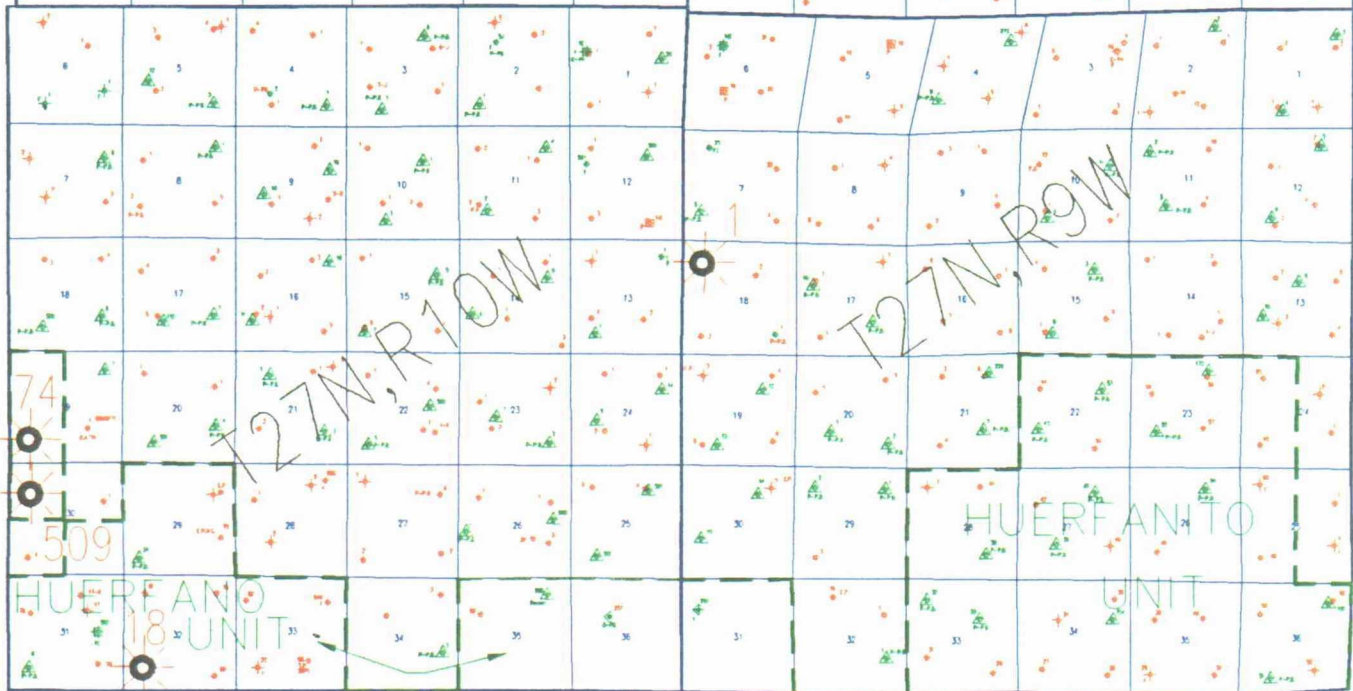
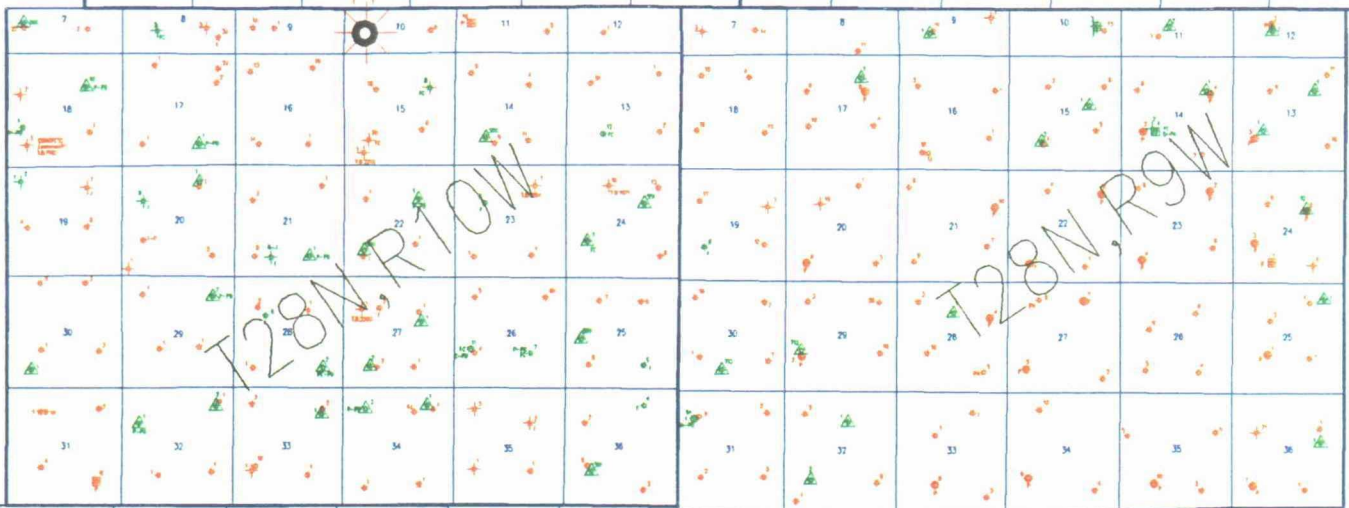
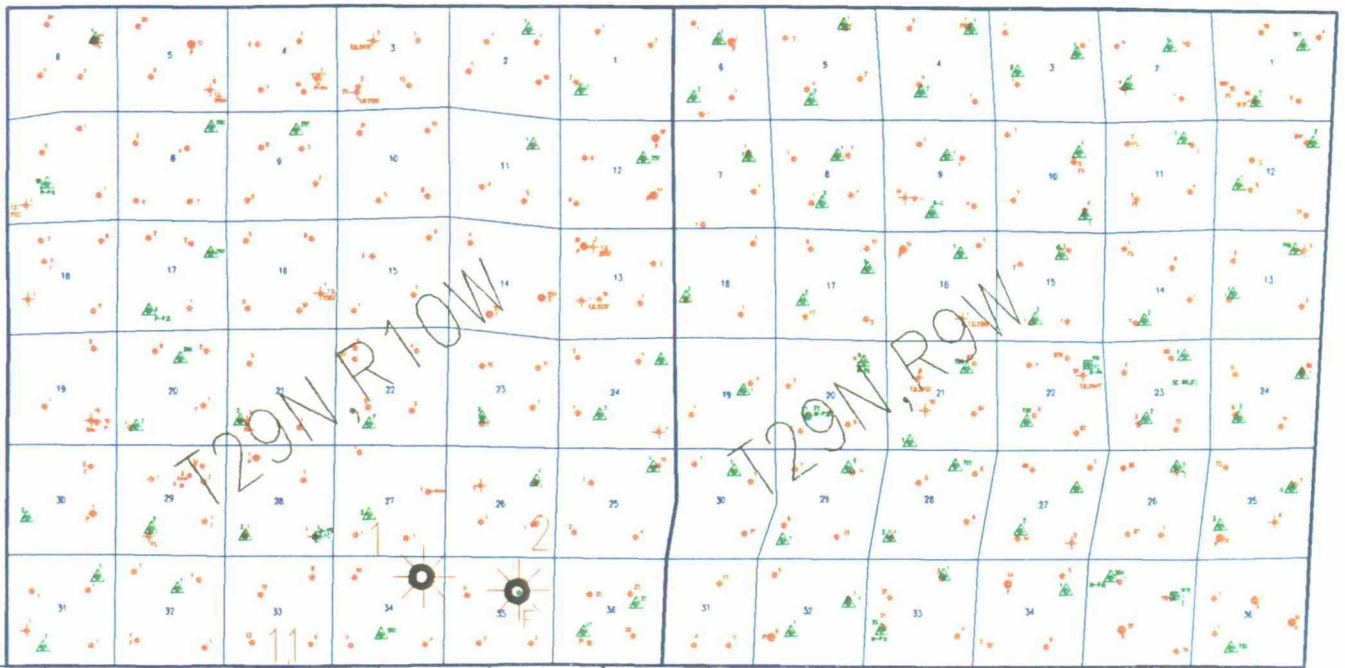
McKenzie Methane Corp.

1625 Broadway, Suite 2580, Denver, CO 80201

Exhibit C

Fruitland Coal Formation

EXHIBIT 2



FRUITLAND COAL

PICTURED CLIFFS

LODEWICK # 1 WELL

NWNW SECTION 18, T27N, R9W

SAN JUAN CO., NEW MEXICO

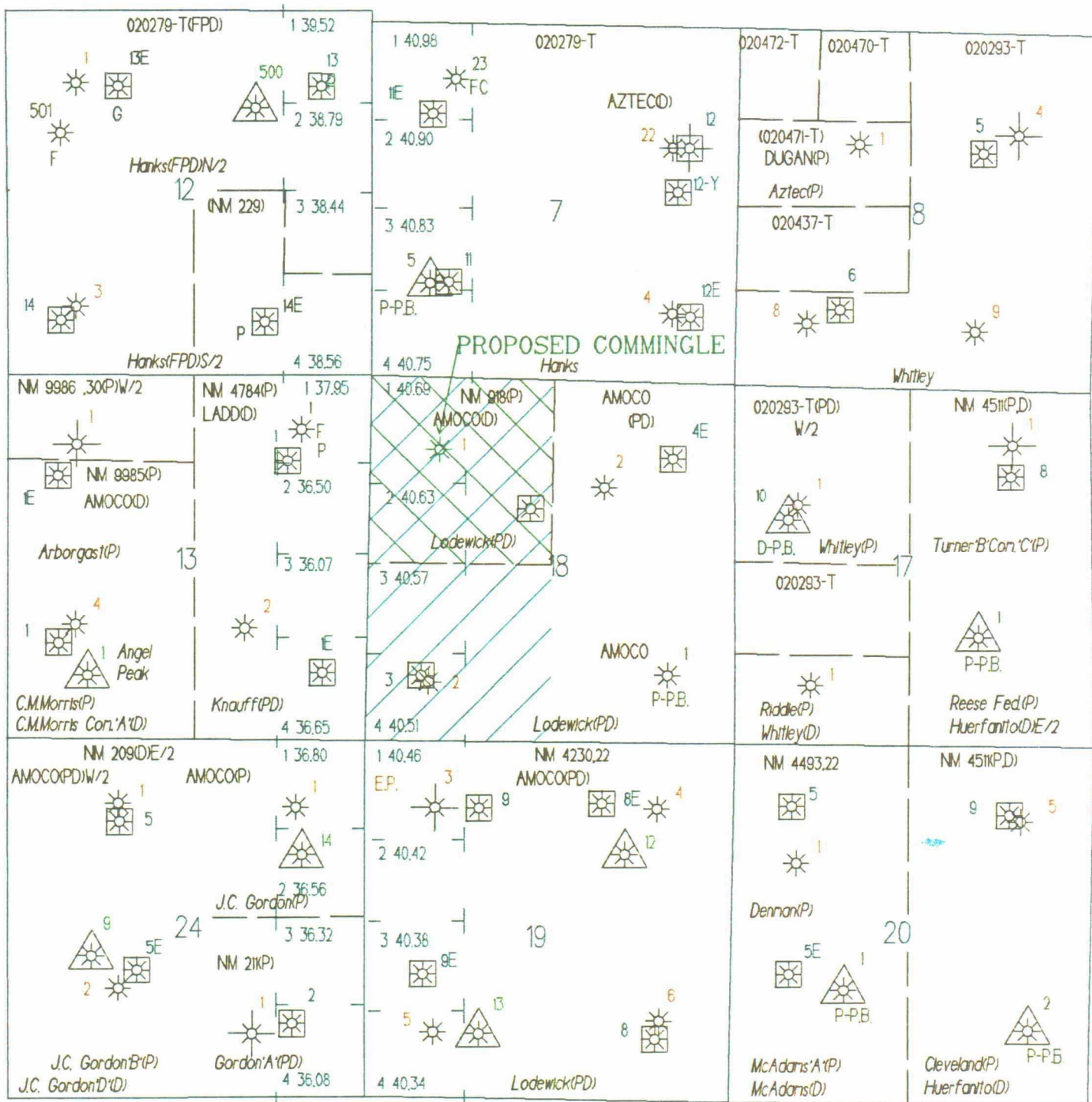


EXHIBIT 3

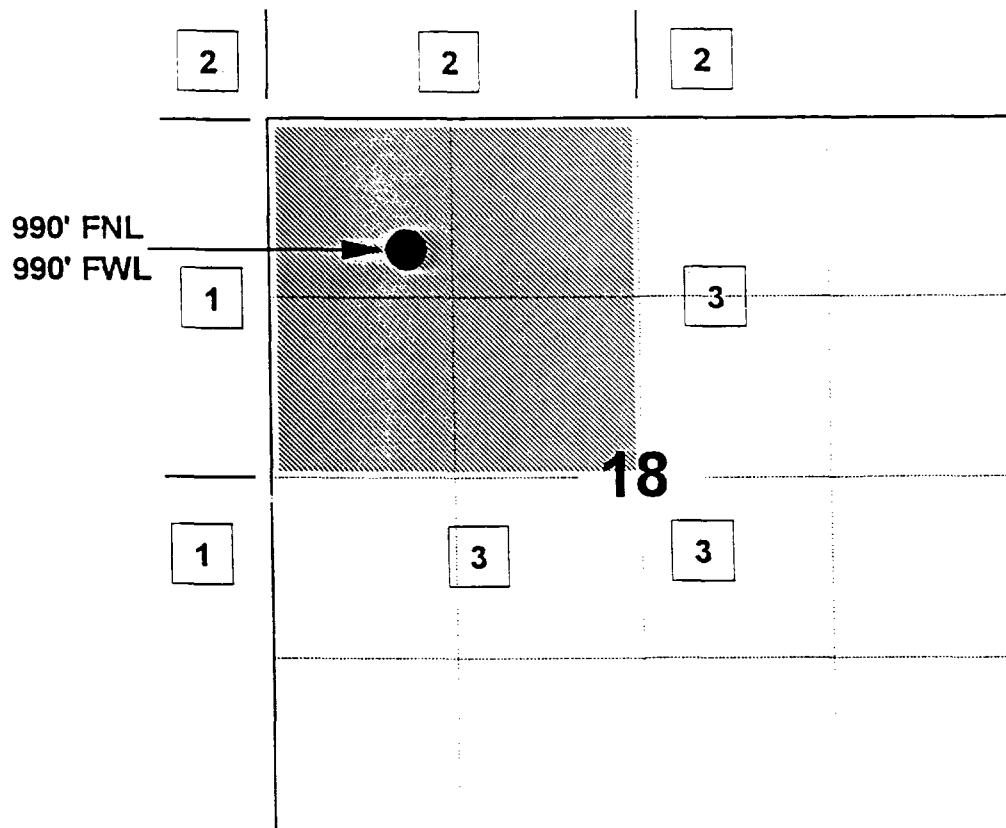
MERIDIAN OIL INC

LODEWICK #1

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Township 27 North, Range 9 West



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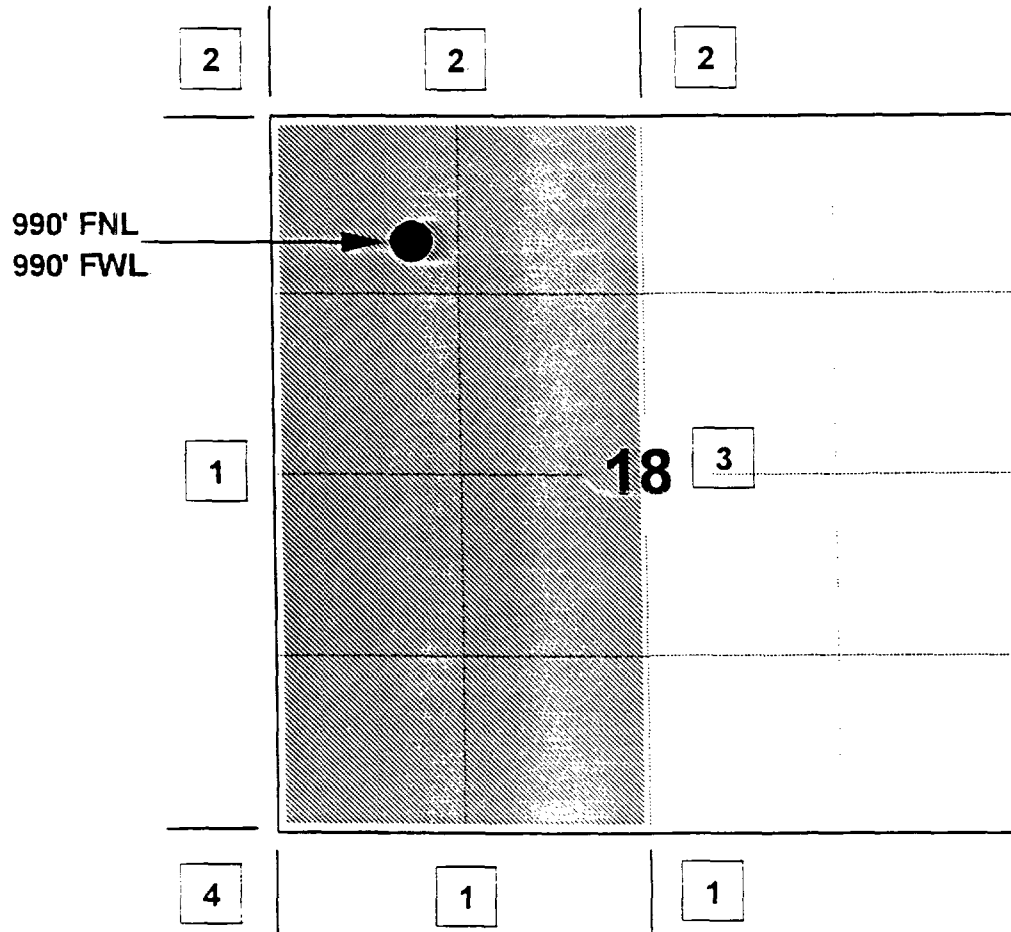
MERIDIAN OIL INC

LODEWICK #1

OFFSET OPERATOR \ OWNER PLAT

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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

**ADDRESS LIST
FOR
LODEWICK 1 WELL**

OWNER NAME	ADDRESS	ADDRESS	CITY	STATE	ZIP CODE	INTEREST
MINERALS MANAGEMENT SERVICE	ROYALTY MANAGEMENT PROGRAM	PO BOX 5810	DENVER	CO	80217	RI
BETTIANNE H. BOWEN	1902 IVANHOE LANE		ABILENE	TX	79605-5023	ORRI
CHARLES E. HINKLE	LONOAK RT., BOX 4		KING CITY	CA	93930-0004	ORRI
CYNTHIA HINKLE TRUSTEE	F/B/O CYNTHIA, KRISTIN, JEANNA HINKLE	RT. 3, BOX 519	CARMEL	CA	93923-9432	ORRI
JAMES L. HINKLE	P.O. BOX 2002		ROSWELL	NM	88202-2002	ORRI
JOHN T. HINKLE	P.O. BOX 1793		ROSWELL	NM	88202-1793	ORRI
LILLIAN T. HINKLE	P.O. BOX 2002		ROSWELL	NM	88202-2002	ORRI
LAURA PATRICIA LODEWICK	LAURA B. LODEWICK ATTORNEY	511 NEWELL	DALLAS	TX	75223-1155	ORRI
JOHN WIDNEY LODEWICK	3305 WENTWOOD		DALLAS	TX	75225-4847	ORRI
RICHARD B. LODEWICK	2100 W. WADLEY #21		MIDLAND	TX	79705-6434	ORRI

EXHIBIT 4

Lodewick #4

1850 FNL 2300 FWL

Sec. 18, T27N, R9W

En Lun Co., NM

KB 6243A

offset type log for

Lodewick #1 990 FNL 990 FWL

Sec. 18, T27N, R9W

KB 6187A

Lodewick #1 depths
56 ft shallower
(est.)

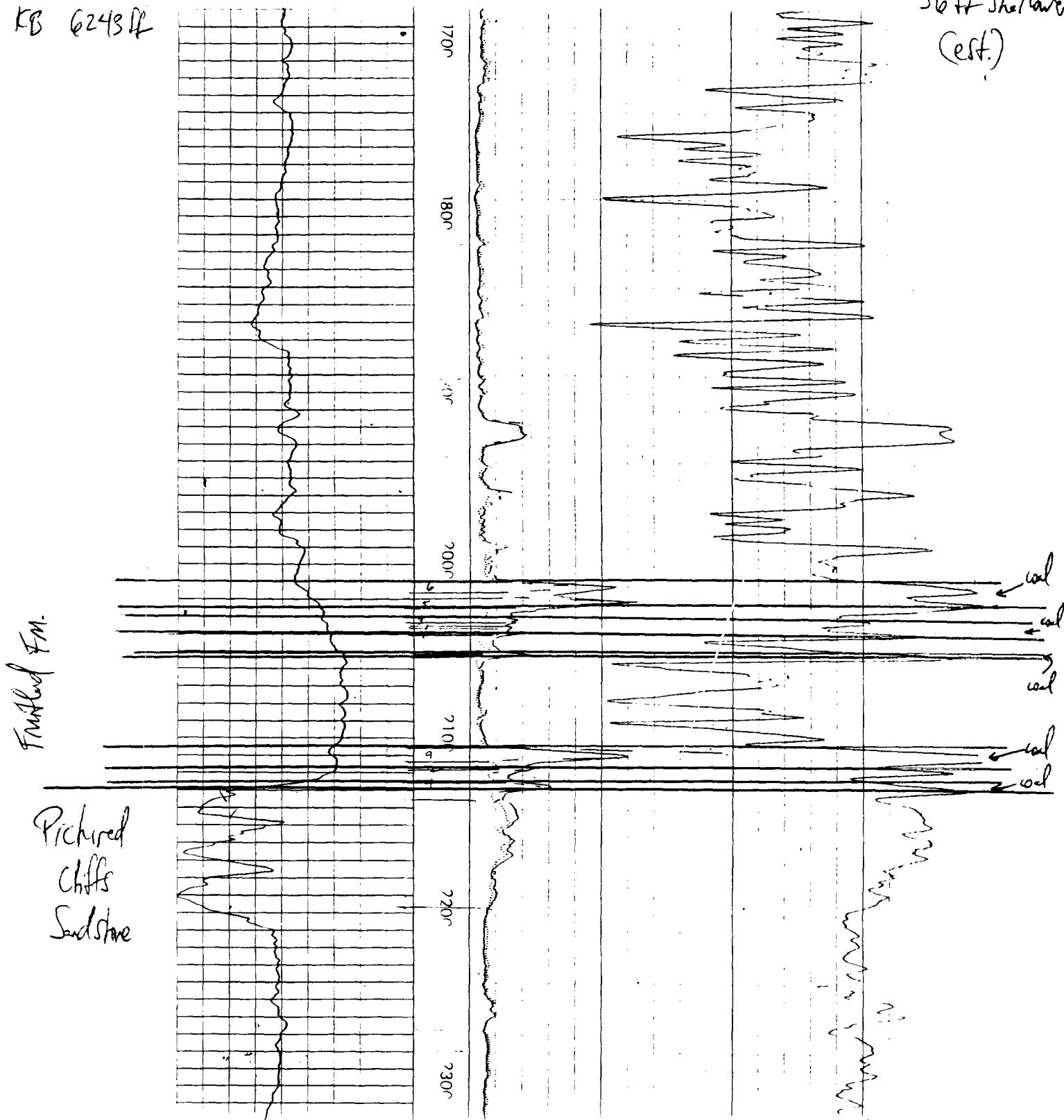


EXHIBIT 5

LODEWICK #1

MONTHLY GAS PRODUCTION ALLOCATION FORMULA

GENERAL EQUATION

$$Q_t = Q_{ftc} + Q_{pc}$$

WHERE: Q_t = TOTAL MONTHLY PRODUCTION (MCF/MONTH)
 Q_{ftc} = FRUITLAND COAL (ftc) MONTHLY PRODUCTION
 Q_{pc} = PICTURED CLIFFS (pc) MONTHLY PRODUCTION (MCF/MONTH)

REARRANGING THE EQUATION TO SOLVE FOR Q_{ftc} :

$$Q_{ftc} = Q_t - Q_{pc}$$

ANY PRODUCTION RATE OVER WHAT IS CALCULATED FOR THE PICTURED CLIFFS (PC) USING THE APPLIED FORMULA IS FRUITLAND COAL (FTC) PRODUCTION.

ICTURED CLIFFS (PC) FORMATION PRODUCTION FORMULA IS:

$$Q_{pc} = Q_{pci} \times e^{-\{D_{pc} \times (t)\}}$$

WHERE: Q_{pci} = INITIAL PC MONTHLY FLOW RATE (DETERMINED FROM LAST MONTH OF PC ONLY PRODUCTION, PRIOR TO RECOMPLETION & COMMINGLE)

D_{pc} = PICTURED CLIFFS MONTHLY DECLINE RATE CALCULATED FROM DECLINE CURVE AND MATERIAL BALANCE ANALYSIS:

$$D_{pc} = (0.00102/M)$$

THUS: $Q_{ftc} = Q_t - Q_{pci} \times e^{-\{(0.00102) \times (t)\}}$

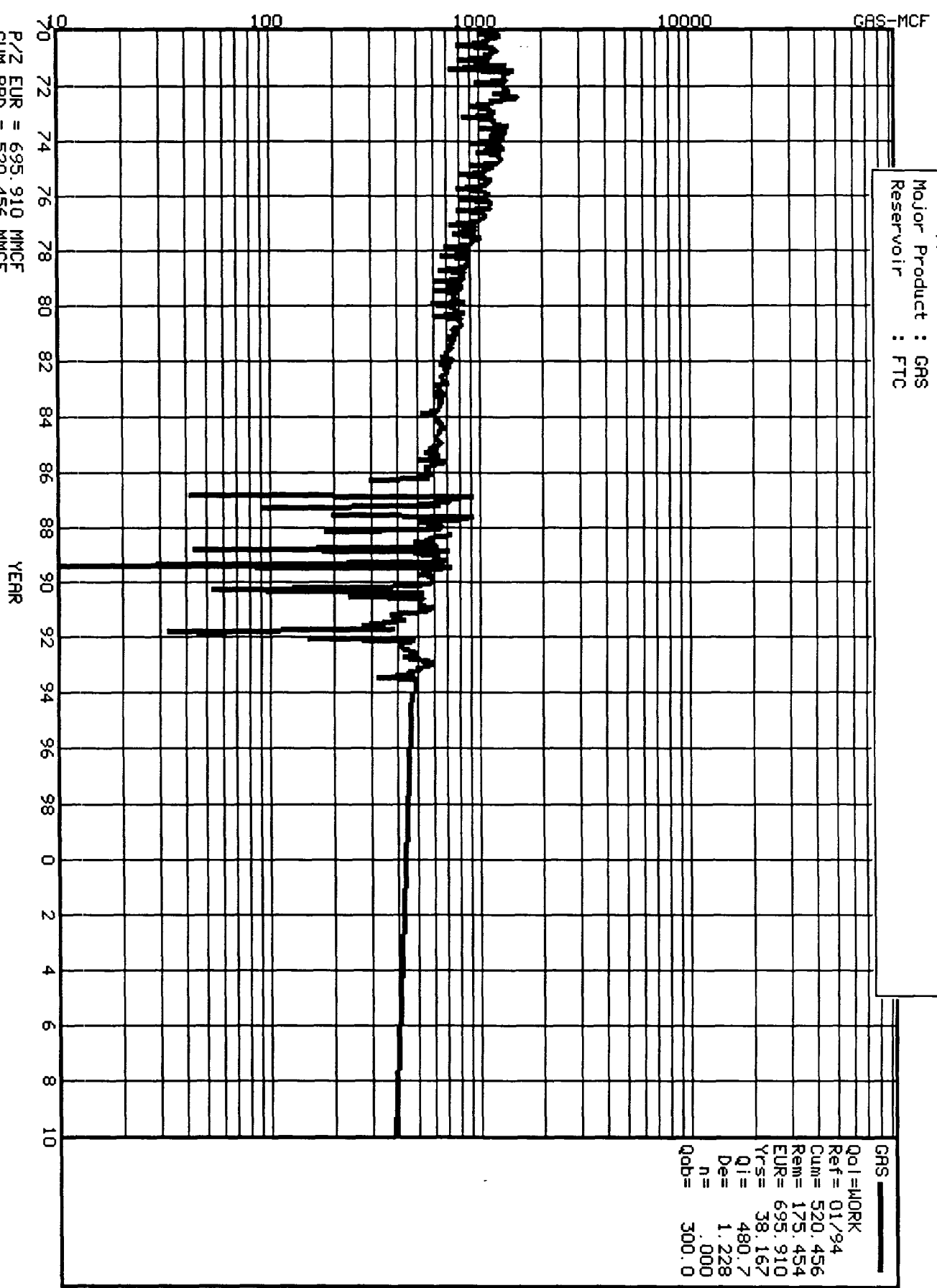
WHERE: (t) IS IN MONTHS

REFERENCE: Thompson, R. S., and Wright, J. D., "Oil Property Evaluation", pages 5-2, 5-3, 5-4.

EXHIBIT 6

Lease : LODDEWICK
 Field : FULCHER KUTZ P.C. (GRS)
 Location : 027N009W18D
 County, St : SAN JUAN NM
 Major Product : GRS
 Reservoir : FTC

1



P/Z EUR = 695.910 MMCF
 CUM PRD = 520.456 MMCF
 REM RSV = 175.454 MMCF

cash flow summary see over

YEAR

GRS ———
 QoI = MORK
 Ref = 01/94
 Cum = 520.456
 Rem = 175.454
 EUR = 695.910
 Yrs = 38.167
 QI = 480.7
 De = 1.228
 n = .000
 Qob = 300.0