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W. THOMAS KELLAHIN*

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

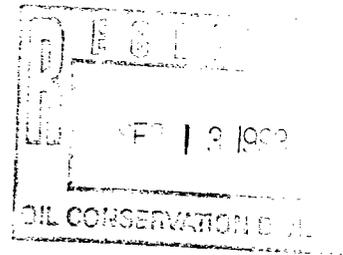
JASON KELLAHIN (RETIRED 1991)

September 13, 1993

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: Black Diamond Com. 18 No. 1 Well
Application of Meridian Oil Inc.
for a High Angle/Horizontal Direction
Drilling Pilot Project, Special
Operating Rules Therefor, including
A Non-Standard Oil Proration Unit,
and An Unorthodox Oil Well Location,
and A Special Project Allowable,
San Juan County, New Mexico



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 October 7, 1993.

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 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
September 13, 1993
Page Two

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, August 27, 1993, 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". The signature is fluid and cursive, with a large initial "W" and "K".

W. Thomas Kellahin

WTK/mg
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 "C" of Application

PROPOSED ADVERTISEMENT

CASE 16872 Application of Meridian Oil Inc. for a high angle/horizontal directional drilling pilot project and special operating rules therefor, San Juan County, New Mexico. Applicant seeks to initiate a horizontal drilling project in the Gallup formation, Horseshoe Gallup Oil Pool, underlying the E/2 of Section 18, T30N, R15W. Applicant proposes to drill its Black Diamond Com 18 No 1 Well by commencing at a standard well location in Unit B of Section 18, then kicking-off from vertical in a southeasterly direction commencing to build angle at an appropriate rate to vertically and horizontally traverse the proposed producing area. Applicant further seeks the adoption of special operating provisions and rules within the project area including the designation of a target window such that the horizontal or producing portion of the wellbore shall be no closer than 330 feet to any boundary of a non-standard spacing and proration unit consisting of the E/2 of said Section 18, and for a special project allowable. Said project is located approximately 4-1/2 miles north-northeast from Waterflow, 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:

CASE NOS. 10843
and 10844

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

5

CONSOLIDATED
PRE-HEARING STATEMENT

This pre-hearing statement is submitted by MERIDIAN OIL
INC. as required by the Oil Conservation Division.

APPEARANCE OF PARTIES

APPLICANT

MERIDIAN OIL INC.
P. O. Box 4289
Farmington, N.M. 87499
Attn: John Zent
(505) 326-9758

ATTORNEY

W. Thomas Kellahin
KELLAHIN AND KELLAHIN
P.O. Box 2265
Santa Fe, NM 87504
(505) 982-4285

STATEMENT OF CASES

APPLICANT:

Meridian Oil Inc. seeks approval for two high angle/horizontal directional drilling pilot projects for:

(1) Case 10843: its Black Diamond Com 18 Well No 1, San Juan County, New Mexico. The proposed project includes E/2 of Section 18, T30N, R15W, San Juan County, New Mexico, and

(2) Case 10844: its Black Diamond Com 8 Well No 1, San Juan County, New Mexico. The proposed project includes W/2 of Section 8, T30N, R15W, San Juan County, New Mexico, and

The spacing for the pool is 40 acres per unit and Meridian proposes a single 320-acre project area spacing and proration unit to be dedicated to the well for each case.

Applicant proposes to drill each well commencing at standard oil well location and to drill in a southeasterly direction so that the producing lateral will extend across each section but with the final end point of the producing lateral to be not closer than 330 feet to the outer boundary of the project area in each case.

The two high angle/horizontal wells are an attempt to increase the probability of encountering several natural fractures in the reservoir which may improve productivity over conventional wells.

In each case, Meridian seeks approval of:

- (1) A special 320-acre project area,
- (2) A drilling-producing window with 330 foot setbacks from the outer boundary of the project area,
- (3) The 320-acres as a non-standard proration and spacing unit with an allowable based upon the number of 40-acre tracts contacted by the wellbore;
- (4) An unorthodox well location so that the producing lateral can cross or encroach upon the interior 40-acre unit lines within the project area.

PROPOSED EVIDENCE

APPLICANT

WITNESSES	EST. TIME	EXHIBITS*
Paul Basinski (geologist)	15 min.	2
John Zent (landman)	5 min.	1
Chris Settle (petroleum engineer)	15 min.	2
Eric Bauer (drilling engineer) (drilling engineer)	10 min.	2

* the exhibits are the number for each case. The time is the total time for the presentation of both of the consolidated cases.

Pre-Hearing Statement
Case Nos. 10843 & 10844
Page 4

PROCEDURAL MATTERS

Case 10843 is to be consolidated with Case 10844

KELLAHIN AND KELLAHIN



By: W. Thomas Kellahin
W. Thomas Kellahin
P.O. Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- 1. Addressee's Address
- 2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Yates Petroleum Corporation
P.O. Box 818
Artesia, NM 88211-0818

4a. Article Number

670 814 662

4b. Service Type

- Registered Insured
- Certified COD
- Express Mail Return Receipt for Merchandise

7. Date of Delivery

9-16-93

5. Signature (Addressee)

6. Signature (Agent)

[Handwritten Signature]

8. Addressee's Address (Only if requested and fee is paid)

Thank you for using Return Receipt Service.

MEC 6718

Is your RETURN ADDRESS completed on the reverse side?

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- Complete items 3, and 4a & b.
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I also wish to receive the following services (for an extra fee):

- 1. Addressee's Address
- 2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

EP Operating Company
4849 Greenville Ave.
Suite 1200
Dallas, Texas 75206

4a. Article Number

670 814 623

4b. Service Type

- Registered Insured
- Certified COD
- Express Mail Return Receipt for Merchandise

7. Date of Delivery

9-16-93

5. Signature (Addressee)

6. Signature (Agent)

J. Kramer

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991

*U.S. GPO: 1990-222-422

DOMESTIC RETURN RECEIPT

McA- 130 18

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I also wish to receive the following services (for an extra fee):

- 1. Addressee's Address
- 2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:
 Morgan Energy Corp.
 1999 Broadway Suite 2450
 Denver, CO 80202

4a. Article Number
 670814 666

- 4b. Service Type
- Registered Insured
 - Certified COD
 - Express Mail Return Receipt for Merchandise

7. Date of Delivery
 9-16-93

5. Signature (Addressee)

8. Addressee's Address (Only if requested and fee is paid)

6. Signature (Agent)
 Pat Herrera

PS Form 3811, December 1991 *U.S. GPO: 1992-025-422 DOMESTIC RETURN RECEIPT

MER BD 18

Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
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- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- 1. Addressee's Address
- 2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Oxford Exploration
P.O. Box 37390
Denver, CO 80237

4a. Article Number

6 70 814 668

4b. Service Type

- Registered
- Insured
- Certified
- COD
- Business Mail
- Return Receipt for Merchandise

7. Date of Delivery

5. Signature (Addressee)

6. Signature (Agent)

Julist



PS Form 3811, December 1991 *U.S. GPO: 1992-222-402 **DOMESTIC RETURN RECEIPT**

MER BN 18

Thank you for using Return Receipt Service.



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



BRUCE KING
GOVERNOR

ANITA LOCKWOOD
CABINET SECRETARY

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

October 25, 1993

RE: CASE NO. 10843
Order No. R-10000

Mr. Thomas Kellahin
Kellahin and Kellahin
Attorneys at Law
Post Office Box 2265
Santa Fe, New Mexico 87504-2265

Dear Mr. Kellahin:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,

Florene Davidson
OC Staff Specialist

Copy of order also sent to:

Hobbs OCD x
Artesia OCD x
Aztec OCD x