

STATE OF NEW MEXICO
ENERGY, MINERALS AND NAUTRAL 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 AND AN
UNORTHODOX COAL GAS WELL LOCATION,
RIO ARRIBA COUNTY, NEW MEXICO.

CASE: MAR 28 1994
10964

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 drill its proposed San Juan 28-5 Unit Well No. 106 at an unorthodox ("off-pattern") coal gas location 1020 feet FSL and 1850 feet FEL (Unit O) of Section 28, T28N, R5W and to downhole commingle production from the South Blanco-Pictured Cliffs Gas Pool (SE/4 dedication) with the Basin-Fruitland Coal Gas Pool production (S/2 dedication) within the wellbore.

In support of its application, Meridian states:

(1) Meridian is the operator of its proposed San Juan 28-5 Unit Well No. 106 at an unorthodox ("off-pattern") coal gas location 1020 feet FSL and 1850 feet FEL (Unit O) of Section 28, T28N, R5W and to downhole commingle South Blanco-Pictured Cliffs Gas Pool (SE/4 dedication) with the Basin-Fruitland Coal Gas Pool production (S/2 dedication) within the wellbore. See Exhibit "A"

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

(3) In addition, Meridian has selected to drill this well at an unorthodox "off pattern" coal gas well location in order to downhole commingle that production with the Pictured Cliffs production so as to recover marginal Pictured Cliffs gas reserves located in the SE/4 of Section 28.

(4) The ownership is common in the well and its respective spacing and proration units in both pools. See Exhibit "B" and Exhibit "C"

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

1. the downhole commingling in this wellbore is necessary because evidence indicates that the Pictured Cliffs formation in this area of the San Juan Basin should be marginally productive and that due to the marginal production expected, it is uneconomic to drill a stand alone Pictured Cliffs Well. In addition, it is not economic to attempt to dually complete those formations in this well;

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

3. neither commingled zones exposes the other to damage by produced liquids;

4. the fluids from each zone are compatible with the other;

5. 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.

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

(6) The proposed downhole commingling is necessary in order for the applicant to economically recover Basin-Fruitland Coal Gas and Pictured Cliffs Gas Pool reserves underlying each respective proration unit.

(7) 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.

(8) Applicant requests that this matter be docketed for hearing on the Division's Examiner docket now scheduled for April 28, 1994.

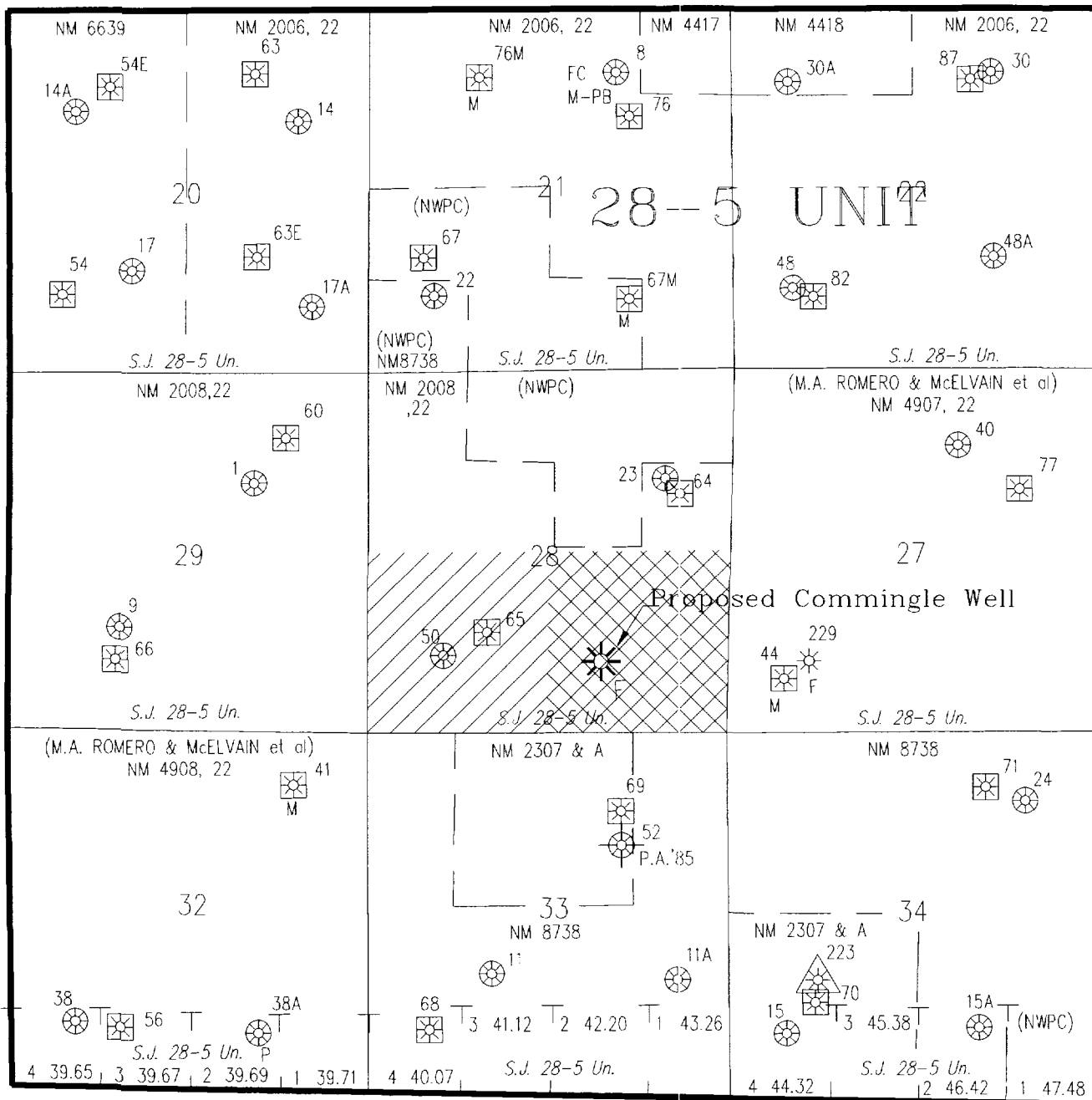
WHEREFORE Applicant requests that this matter be set for hearing on April 28, 1994 before a duly appointed Examiner of the Oil Conservation Division and that after notice and hearing as required by law, the Division enter its order granting this application.

Respectfully submitted

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over the typed name below.

W. Thomas Kellahin
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Attorneys for Applicant

Meridian Oil Inc.
 San Juan 28-5 Unit # 106 Well
 1020' FSL, 1850' FEL
 Section 28-28N-5W



- | | | | | | |
|--|----------------------|--|----------------|--|-------------------------|
| | FRUITLAND SAND WELL | | MESAVERDE WELL | | Pictured Cliffs Spacing |
| | FRUITLAND COAL WELL | | DAKOTA WELL | | Fruitland Coal Spacing |
| | PICTURED CLIFFS WELL | | GALLUP WELL | | |

Exhibit A

MERIDIAN OIL INC

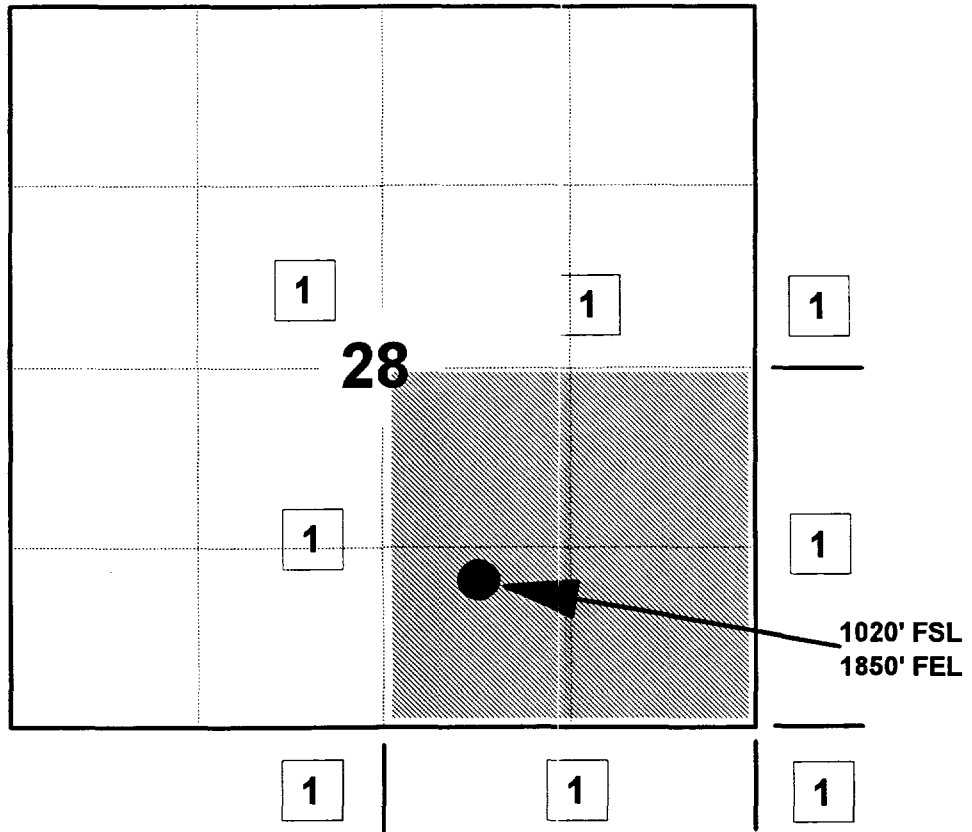
SAN JUAN 28-5 UNIT #106

OFFSET OPERATOR \ OWNER PLAT

Pictured Cliffs \ Fruitland Coal Commingle Well

Township 28 North, Range 5 West

*Standard
640 acre Section*



1) Meridian Oil Inc

Exhibit B

Pictured Cliffs Well

MERIDIAN OIL INC

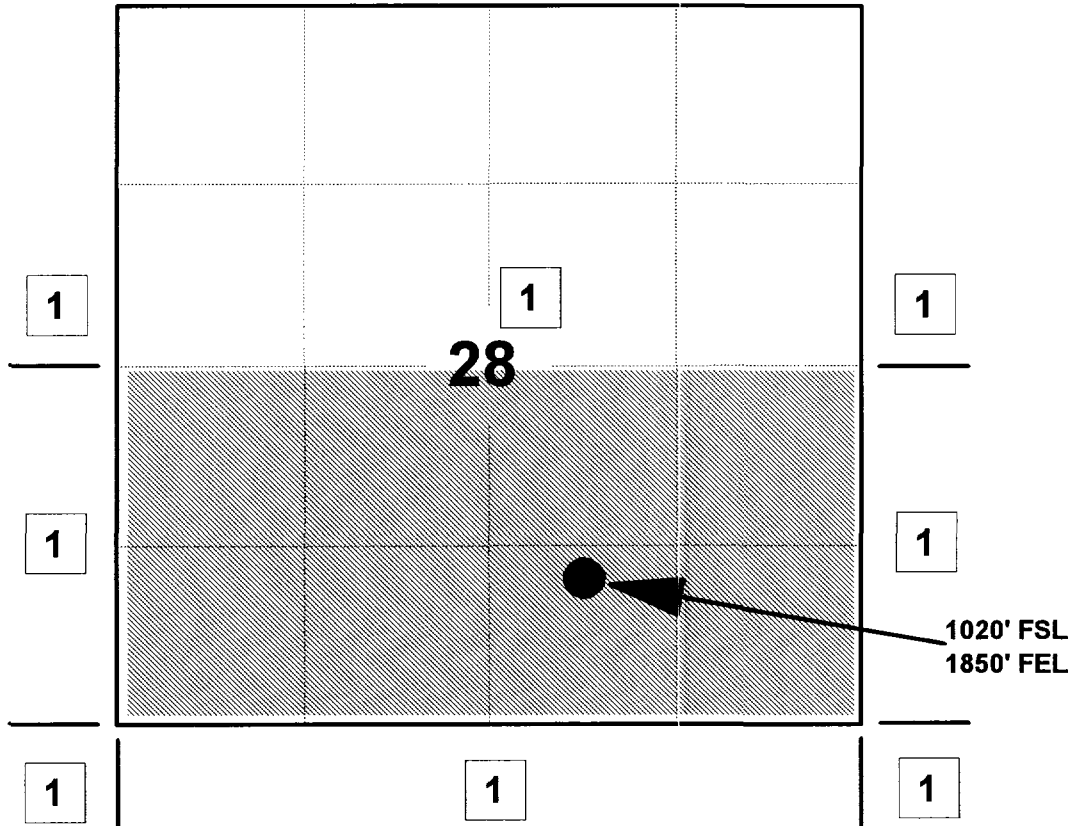
SAN JUAN 28-5 UNIT #106

OFFSET OPERATOR \ OWNER PLAT

Pictured Cliffs \ Fruitland Coal Commingle Well

Unorthodox Fruitland Coal Well

Township 28 North, Range 5 West



1) Meridian Oil Inc

Exhibit C

Fruitland Coal Formation