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NATURAL RESOURCES-OIL AND GAS LAW

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September 19, 1994

**HAND DELIVERED**

Mr. Michael E. Stogner  
Chief Hearing Examiner  
Oil Conservation Division  
310 Old Santa Fe Trail, Room 219  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Re: Lodewick Well No. 1  
W/2 & NW/4 Section 18, T27N, R9W, NMPM  
Application of Meridian Oil Inc. for  
Compulsory Pooling, San Juan County, New Mexico

Dear Mr. Stogner:

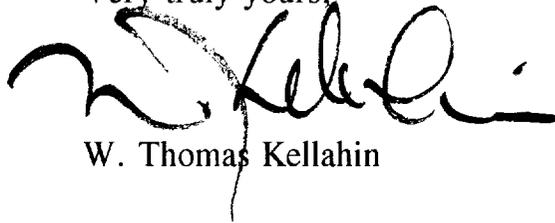
On behalf of Meridian Oil Inc., please find enclosed our application for compulsory pooling which we request be set for hearing on the Examiner's docket now scheduled for October 13, 1994. Also enclosed is our proposed notice of publication for this case.

By copy of this letter, including the application, to all affected parties, we are notifying them by certified mail-return receipt requested, that they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examine witnesses either in support of or in opposition to the application.

Oil Conservation Division  
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Pursuant to the Division's Memorandum 2-90, all interested parties are hereby informed that if they appear in the case, then they are requested to file a Pre-Hearing Statement with the Division not later than 4:00 pm on Friday, October 7, 1994, with a copy delivered to the undersigned.

Very truly yours,

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

W. Thomas Kellahin

Enclosure

cc: Meridian Oil Inc.

BY CERTIFIED MAIL-RETURN RECEIPT REQUESTED

to: Amoco Petroleum Company

to: Conoco Inc.

**STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION**

IN THE MATTER OF THE APPLICATION  
OF MERIDIAN OIL INC.  
FOR COMPULSORY POOLING,  
SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 11117

APPLICATION

Comes now MERIDIAN OIL INC., by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17(c) (1978) applies to the New Mexico Oil Conservation Division for an order pooling all mineral interests in the Pictured Cliffs formation underlying the NW/4 and all mineral interests in the Basin Fruitland Coal Gas Pool underlying the W/2 of Section 18, T27N, R9W, NMPM, San Juan County, New Mexico, forming standard 161.32-acre and 322.40-acre spacing and proration units, respectively. Said units are to be dedicated to Meridian Oil Inc.'s Lodewick Well No. 1 which is an existing Pictured Cliffs well currently approved by Order R-10090 for downhole commingled production from the Fulcher Kutz-Pictured Cliffs Gas Pool and the Basin-Fruitland Coal-Gas Pool at an unorthodox coal-gas well location in Unit D of said Section 18. Also to be considered will be the costs of participation in said well, including but not limited to the value of the existing wellbore, the costs of recompletion, and the allocation of those costs and income therefor as well as actual operating costs and charges for supervision, and the designation of applicant as the operator of the well.

In support of its application, Meridian Oil Inc. ("Meridian") states:

1. El Paso Production Company has an 100% working interest ownership in the oil and gas minerals underlying the NW/4 and 50% working interest in the NW/4 of Section 18, T29N, R10W, NMPM, San Juan County, New Mexico.

2. Meridian's Lodewick Well No. 1 was drilled and completed at a standard gas well location 990 feet FNL and 990 feet FWL (Unit D) of said Section 18 and is currently dedicated to a 160-acre gas spacing and proration unit consisting of the NW/4 of said Section for production from the Fulcher Kutz-Pictured Cliffs Gas Pool.

3. On April 4, 1994, the Division entered Order R-10090 which approved the downhole commingling of production within this wellbore from the Fulcher Kutz-Pictured Cliffs Gas Pool and the Basin Fruitland Coal Gas Pool and its unorthodox "off-pattern" coal gas well location.

4. Meridian has proposed to the other working interest owners that this well be recompleted as a "downhole commingled completion" with the addition of potential production from the Basin Fruitland Coal Gas Pool with any remaining Pictured Cliffs production to be dedicated respectively to a 320-acre coal-gas spacing and proration unit consisting of the W/2 of Section 18 and to a 160 acre gas spacing and proration unit consisting of the NW/4 of said Section 18.

5. Despite its good faith efforts, Meridian has been unable to obtain a written voluntary agreement from one of the working interest parties, Amoco Production Company.

6. Pursuant to Section 70-2-17(c) NMSA (1978) and in order to obtain its just and equitable share of past and future production from the subject well and this spacing unit, Meridian needs an order of the Division

pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.

7. In accordance with the Division's notice requirements, a copy of this application has been sent to:

Amoco Production Company  
P. O. Box 800  
Denver, Colorado, 80201  
Attn: Mr. Bill Hawkins

Conoco Inc.  
10 Desta Drive, Suite 100W  
Midland, Texas 79705-4500

8. Meridian requests that this matter be set for a hearing before the Division on the next available Examiner's docket now scheduled for October 13, 1994.

WHEREFORE, Meridian, as applicant, requests that this application be set for hearing on October 13, 1994 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in this spacing unit for the recompletion and operations of the subject well at a standard gas well location upon terms and conditions which include:

- (1) Meridian Oil Inc. be named operator;
- (2) provisions for each working interest owner to participate in any Gallup production by reimbursing the applicant for the value of the existing wellbore and the costs of recompleting, equipping and operating said well;
- (3) In the event a working interest owner fails to elect to participate,

then provisions be made to recover out of production, reimbursement to the applicant for the value of the existing wellbore and for the costs of recompleting, equipping and operating the well, including a risk factor penalty of 200 %;

(4) Provision for overhead rates of \$4,000 per month drilling and \$433 per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS; and

(5) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:

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

W. THOMAS KELLAHIN  
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