

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

TELEPHONE (505) 982-4285

TELEFAX (505) 982-2047

JASON KELLAHIN (RETIRED 1991)

September 19, 1994

HAND DELIVERED

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

Re: C. M. Morris Well No. 100, G-10-27N-10W
Application of Meridian Oil Inc.
for downhole commingling and an
unorthodox gas well location,
San Juan County, New Mexico

Dear Mr. Stogner:

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 October 13, 1994.

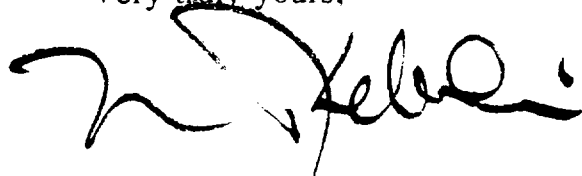
By copy of this letter and application, sent certified mail, we are notifying all interested parties of their right to appear at the hearing and participate in this case, including the right to present evidence either in support of or in opposition to the application and that failure to appear at the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

Oil Conservation Division
September 19, 1994
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, October 7, 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 in a cursive style.

W. Thomas Kellahin

WTK/wtk
Enclosure

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

PROPOSED ADVERTISEMENT

Case _____: Application of Meridian Oil Inc. for downhole commingling and an unorthodox gas well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval to downhole commingle Fulcher Kutz-Pictured Cliffs Gas Pool (NE/4 dedication) with the Basin-Fruitland Coal Gas Pool production (E/2 dedication) within the wellbore of its C. M. Morris Well No. 100 to be located at an unorthodox gas well location 1340 feet from the North line and 1450 feet from the East line (Unit G) of Section 10, T27N, R10W, NMPM. Said well is located approximately 10.5 miles southeast from Farmington, 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 DOWNHOLE COMMINGLING AND AN
UNORTHODOX COAL-GAS WELL LOCATION,
SAN JUAN COUNTY, NEW MEXICO.

CASE:

APPLICATION

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 (NE/4 dedication) with the Basin-Fruitland Coal Gas Pool production (E/2 dedication) within the wellbore of its C. M. Morris Well No. 100 to be located 1340 feet from the North line and 1450 feet from the East line (Unit G) of Section 10, T27N, R10W, NMPM, at an unorthodox gas well location. Said well is located approximately 10 miles southeast of Bloomfield, New Mexico.

In support of its application, Meridian states:

(1) Meridian, as the operator, proposes drill its C. M. Morris Well No. 100 at an unorthodox gas well location in Unit G of Section 10, T27N, R10W, NMPM, San Juan County, New Mexico. See Exhibit "A" attached.

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

(3) The subject well is to be initially drilled at an unorthodox location because of topographical conditions.

(4) Production is intended to be initially commingled in order to recover marginal Pictured Cliffs gas reserves located in the NE/4 of Section 10.

(5) The ownership is not common for the well and its respective spacing and proration units in both pools.

(6) 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.

(7) 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.

(8) 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.

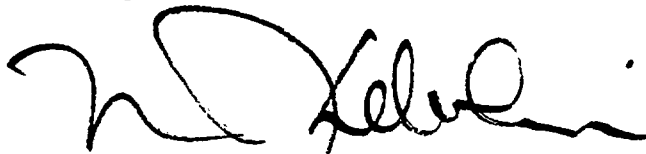
(9) Applicant requests that this matter be docketed for hearing on the Division's Examiner docket now scheduled for October 13, 1994.

(10) A copy of this application is being sent to all owners of production within the respective spacing unit for the well who may be affected by downhole commingling.

(11) Copies of this application has been sent to all offsetting operators to the two spacing units for the well as shown on Exhibits "B" and "C".

WHEREFORE Applicant requests that this matter be set for hearing on October 13, 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

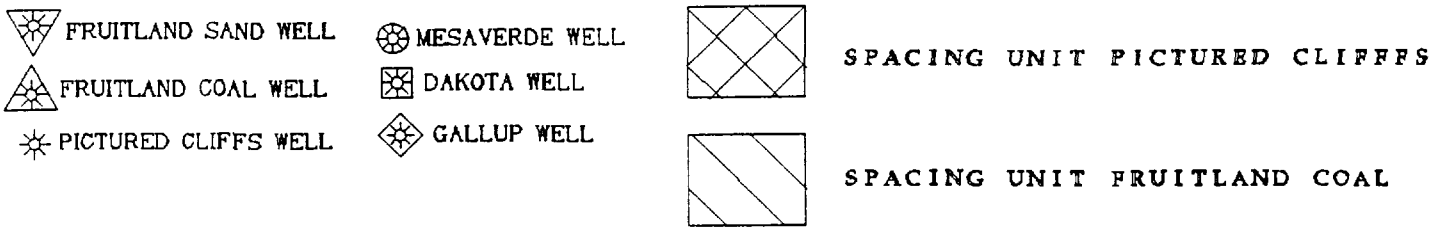
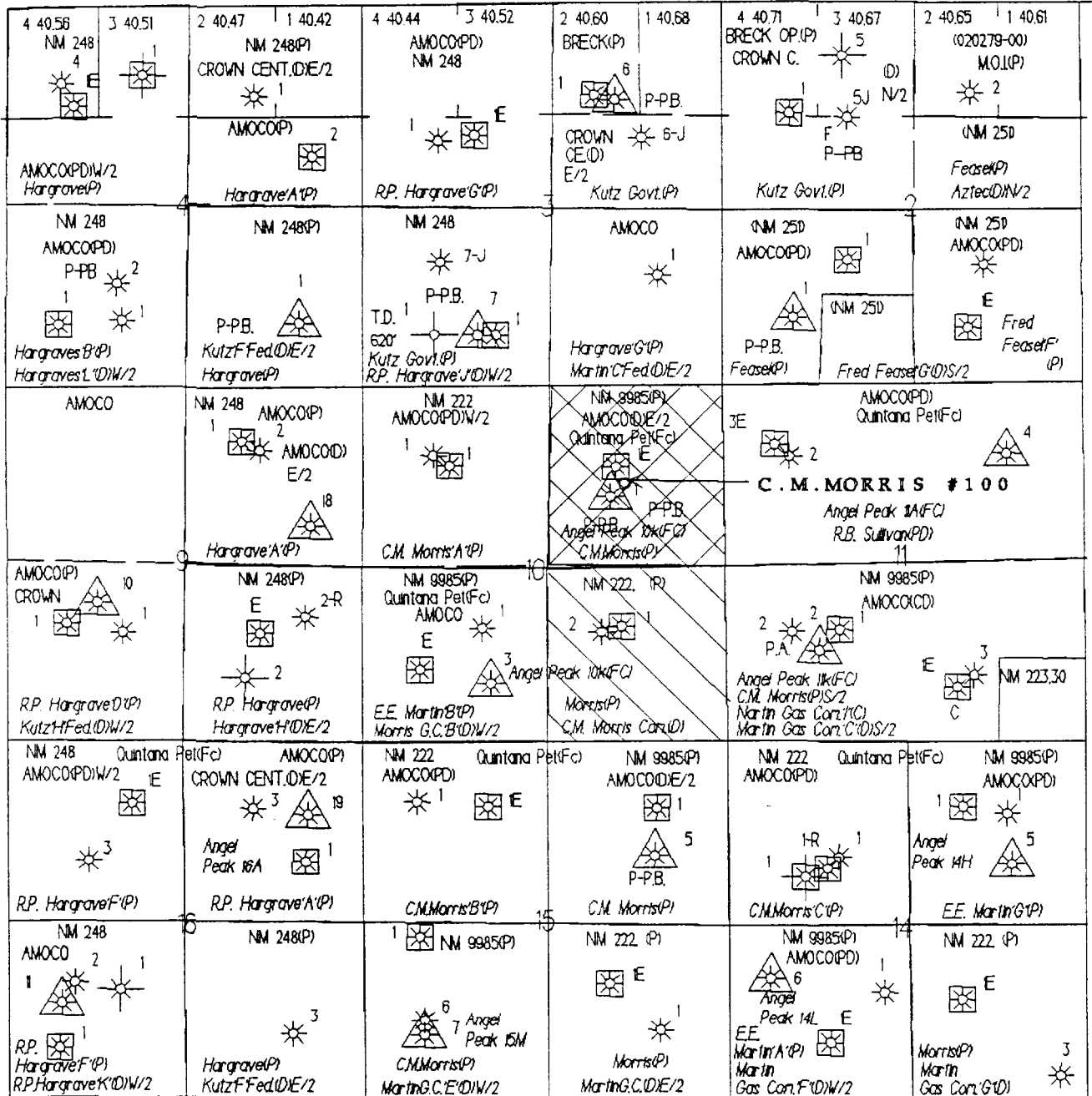


W. Thomas Kellahin
KELLAHIN and KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87501
(505) 982-4285
Attorneys for Applicant

C. M. MORRIS #100 WELL

SW/4NE/4 SECTION 10, T27N, R10W

SAN JUAN CO, NEW MEXICO



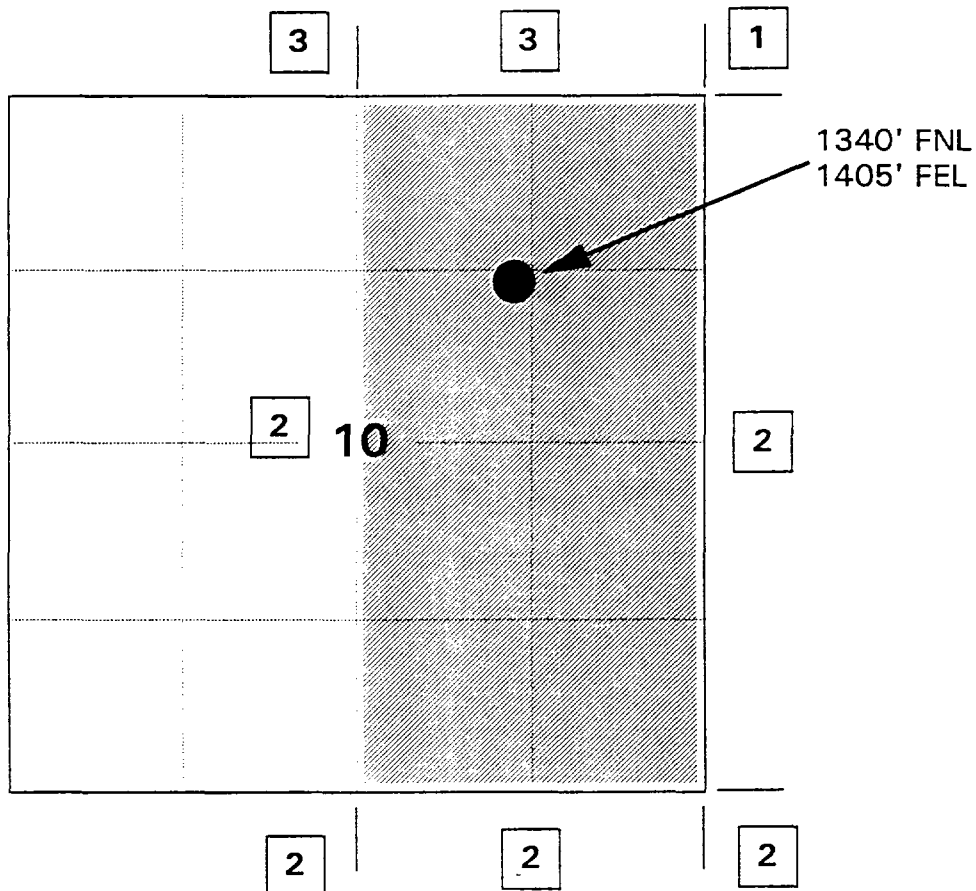
MERIDIAN OIL INC

C. M. MORRIS #100

OFFSET OPERATOR PLAT

Fruitland Coal / Pictured Cliffs Formations Commingle Well

Township 27 North, Range 10 West



1) Meridian Oil Inc &

Breck Operating Corporation

PO Box 911, Breckenridge, TX 76024

2) McKenzie Methane

1625 Broadway, Suite 2580, Denver, CO 80201

&

Quintana Petroleum Services

601 Jefferson St, Houston, TX 77002

3) Breck Operating Corporation

PO Box 911, Breckenridge, TX 76024

Fruitland Coal

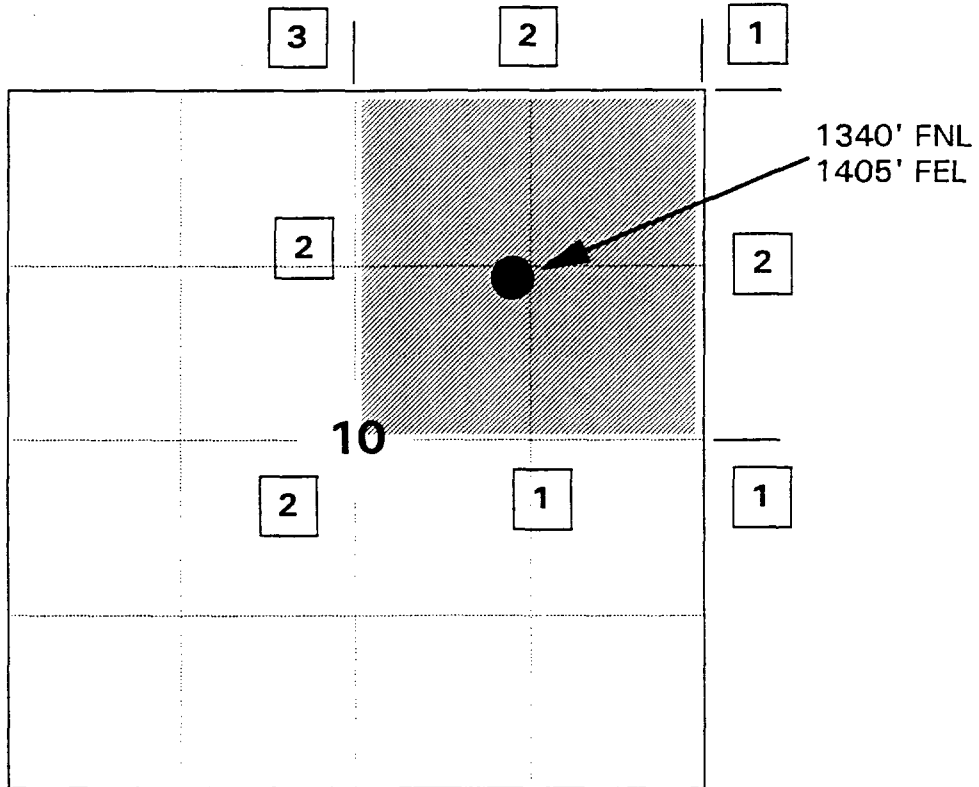
MERIDIAN OIL INC

C. M. MORRIS #100

OFFSET OPERATOR PLAT

Fruitland Coal | Pictured Cliffs Formations Commingle Well

Township 27 North, Range 10 West



1) Meridian Oil Inc

2) Amoco Production Company

PO Box 800, Denver, CO 80201

3) Breck Operating Corporation

PO Box 911, Breckenridge, TX 76024

Pictured Cliffs