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RECOGNIZED SPECIALIST IN THE AREA OF
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†ALSO ADMITTED IN ARIZONA

SANTA FE, NEW MEXICO 87504-2265

JASON KELLAHIN (RETIRED 1991)

May 5, 1992

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

10481

Re: Huerfano Unit Well No. 218
Application of Meridian Oil Inc.
for a High Angle/Horizontal Direction
Drilling Pilot Project, Special
Operating Rules Therefor, A
Non-Standard Oil Proration Unit,
and A Special Project Allowable,
San Juan County, New Mexico

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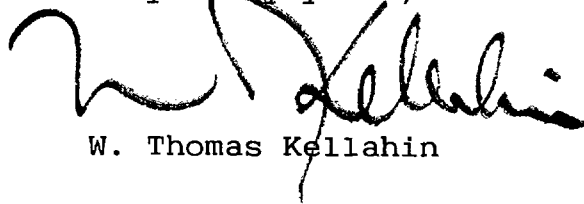
MAY 21 1992

STATE LAND OFFICE

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 May 28, 1992.

Very truly yours,



W. Thomas Kellahin

WTK/jcl
Enclosure

cc: Mr. Alan Alexander
Meridian Oil Inc.
Post Office Box 4289
Farmington, New Mexico 87499-4289

1988/appt504.330

RECEIVED
OIL CONSERVATION DIVISION

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: 10481

APPLICATION OF MERIDIAN OIL INC.
FOR A HIGH ANGLE/HORIZONTAL DIRECTION
DRILLING PILOT PROJECT, SPECIAL
OPERATING RULES THEREFOR,
INCLUDING A SPECIAL PROJECT OIL ALLOWABLE,
AND A NON-STANDARD OIL PRORATION UNIT
SAN JUAN COUNTY, NEW MEXICO

A P P L I C A T I O N

Comes now Meridian Oil Inc., by and through its attorneys, Kellahin, Kellahin & Aubrey, and applies to the New Mexico Oil Conservation Division for approval for a High Angle/Horizontal Direction Drilling Pilot Project, special operating rules therefor, including a special project oil allowable and a non-standard oil proration unit for its Huerfano Unit Well No. 218 to be recompleted from the Dakota formation into the Gallegos-Gallup Associated Pool underlying the N/2 of Section 29, T26N, R10W, San Juan County, New Mexico and in support thereof states:

(1) Applicant is the operator of the Huerfano Unit which unitized the Gallup formation and includes all of the N/2 of Section 29, T26N, R10W, N.M.P.M., San Juan County, New Mexico. (Exhibit "A").

(2) The subject spacing and proration unit is offset on all its boundaries by the Huerfano Unit and therefore no notification of offset operators is required in this case. (Exhibit "B").

(3) The proposed production from the Gallup formation will be dedicated to the Gallegos-Gallup Associated Pool and will be subject to the rules and regulations for Associated Pools set forth in Division Order R-5353, except as modified by this application.

(4) Applicant proposes to re-enter its Huerfano Unit #218 well, located at a standard surface location in the NW/4NW/4 of Section 29 being 790 feet FWL and 800 feet FNL of said Section 29 and recomplete it from the Dakota formation into the Gallup formation by squeezing the Dakota formation, setting a packer and commencing to

run a whipstock at approximately 5324 feet (+ or - 100 feet) at which point the applicant will kickoff the well in a Southeasterly direction building an angle of 17° per 100 feet to approximately 79.5° and penetrate the top of the Tocito Sandstone interval of the Gallegos-Gallup Associated Pool at an estimated total vertical depth of 5655 feet, and then to continue to build angle to 90 degrees and thence drilling horizontally in a Southeasterly direction a distance not in excess of 1250 feet and no closer than 790 feet to the boundaries of the N/2 of Section 29. See Exhibits "C," "D," and "E."

(5) Except as otherwise requested herein, Applicant proposes that this project be subject to the Special Rules and Regulations that govern the Gallegos-Gallup Associated Pool and that N/2 of Section 29 be dedicated as a standard gas spacing unit and a non-standard oil spacing unit for the project.

(6) The Tocito Sandstone interval of the Gallup is believed to be the potential productive zone at this

location in the Gallegos-Gallup Associated Pool. The Tocito produces through intergranular permeability.

(7) Past experience in said pool has shown that unless a conventionally drilled (vertical) well intersects natural fractures, the chance of obtaining commercial production is severely curtailed.

(8) By drilling a high angle/horizontal wellbore, the applicant is attempting to increase the probability of encountering several of these fractures, which may ultimately result in the recovery of a greater amount of gas and oil, thereby preventing waste.

(9) In as much as the exact distance and direction of the lateral portion of the wellbore is not known at this time, the Applicant seeks approval to be allowed to drill said lateral portion anywhere within an area designated a target window as follows: commencing at a distance not closer than 790 feet from the west line, no closer than 790 feet from the north line or 3430 feet from the south line of Section 29, thence towards the

Southeast so that within the standard drilling window for a gas well in the Gallegos-Gallup Associated Pool, no portion of the wellbore open for production shall be closer than 790 feet to the outer boundary of the N/2 of Section 29.

(10) Because all of the N/2 said Section 29 will be within a common Gallup participating area for the Huerfano Unit, all of the same parties in a standard gas-oil proration and spacing unit will participate equitably in the proposed non-standard oil proration and spacing unit for the well.

(11) Because this wellbore will contact multiple proration units including up to four standard 80-acre oil proration units and one standard 320-gas proration unit, the applicant seeks approval of a 320-acre non-standard oil proration and spacing unit consisting of the N/2 of said Section 29 to be dedicated to the well.

(12) Applicant seeks a maximum special project oil allowable of four (4) times the allowable for an oil well under the Gallegos-Gallup Associated Pool Rules.

(13) The granting of this Application will be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Applicant requests that this matter be set for hearing on May 28, 1992 before a duly appointed Examiner of the Oil Conservation Division and, after notice and hearing as required by law, the Division enter its Order granting this application.

Respectfully submitted,

KELLAHIN, KELLAHIN & AUBREY

By: 

W. Thomas Kellahin
Post Office Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285

Attorneys for Applicant

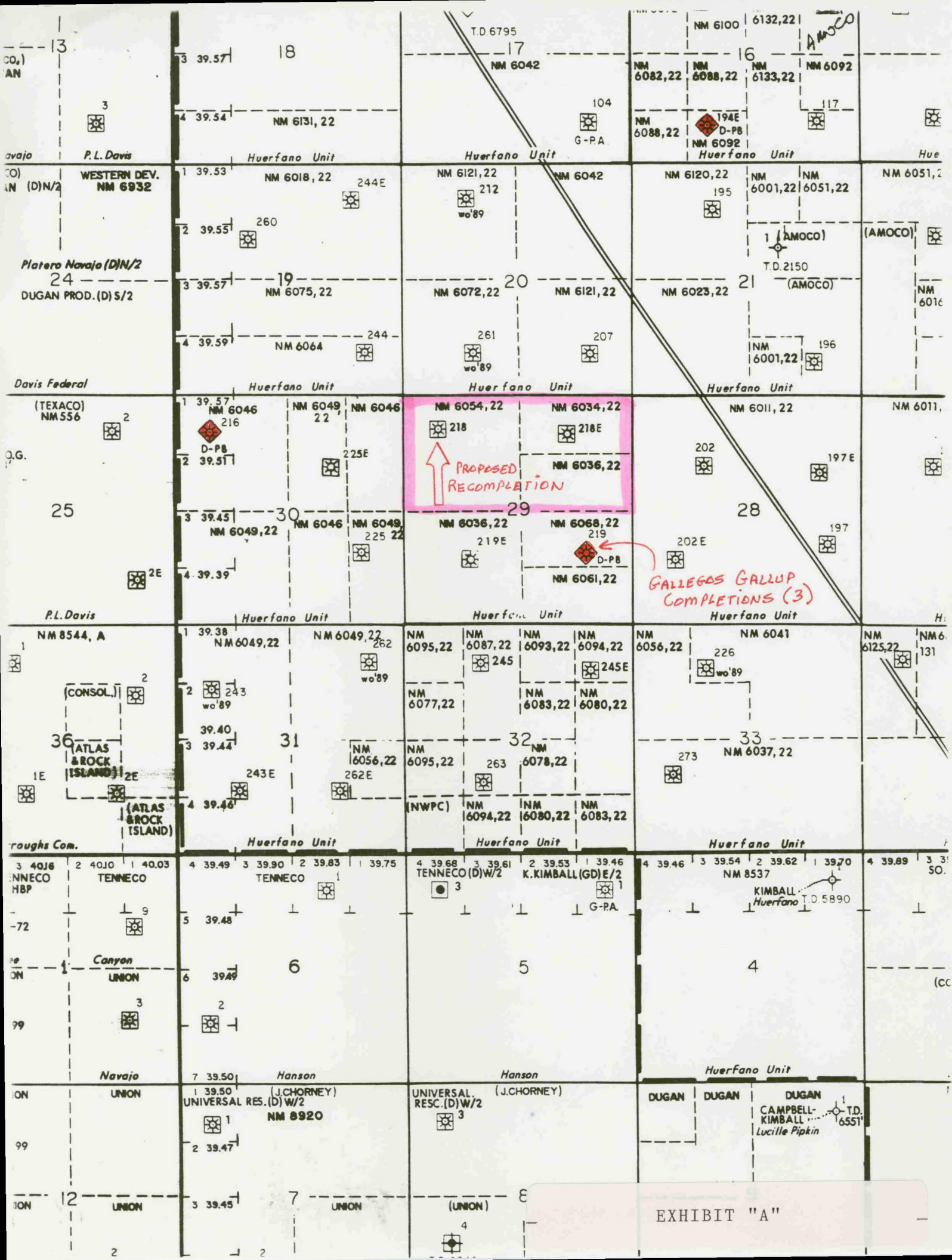


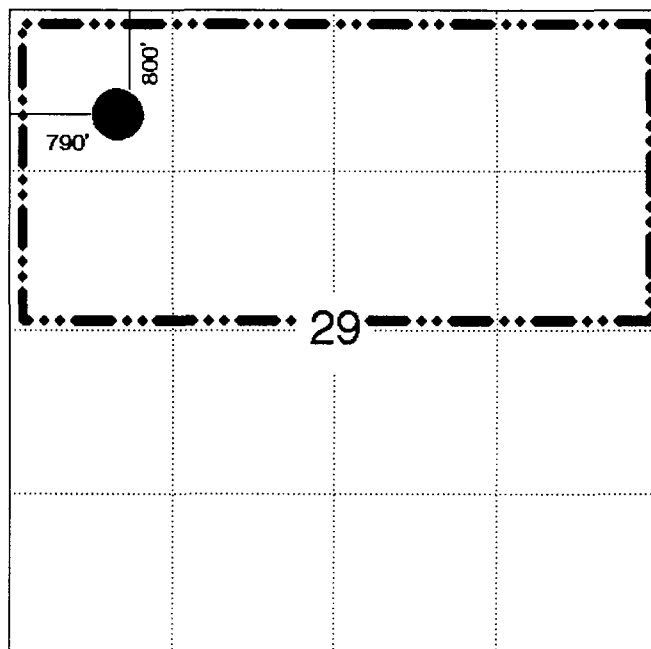
EXHIBIT "A"

HUERFANO UNIT # 218 OFFSET OPERATOR PLAT

HORIZONTAL RECOMPLETION

Township 26 North, Range 10 West

San Juan County, New Mexico

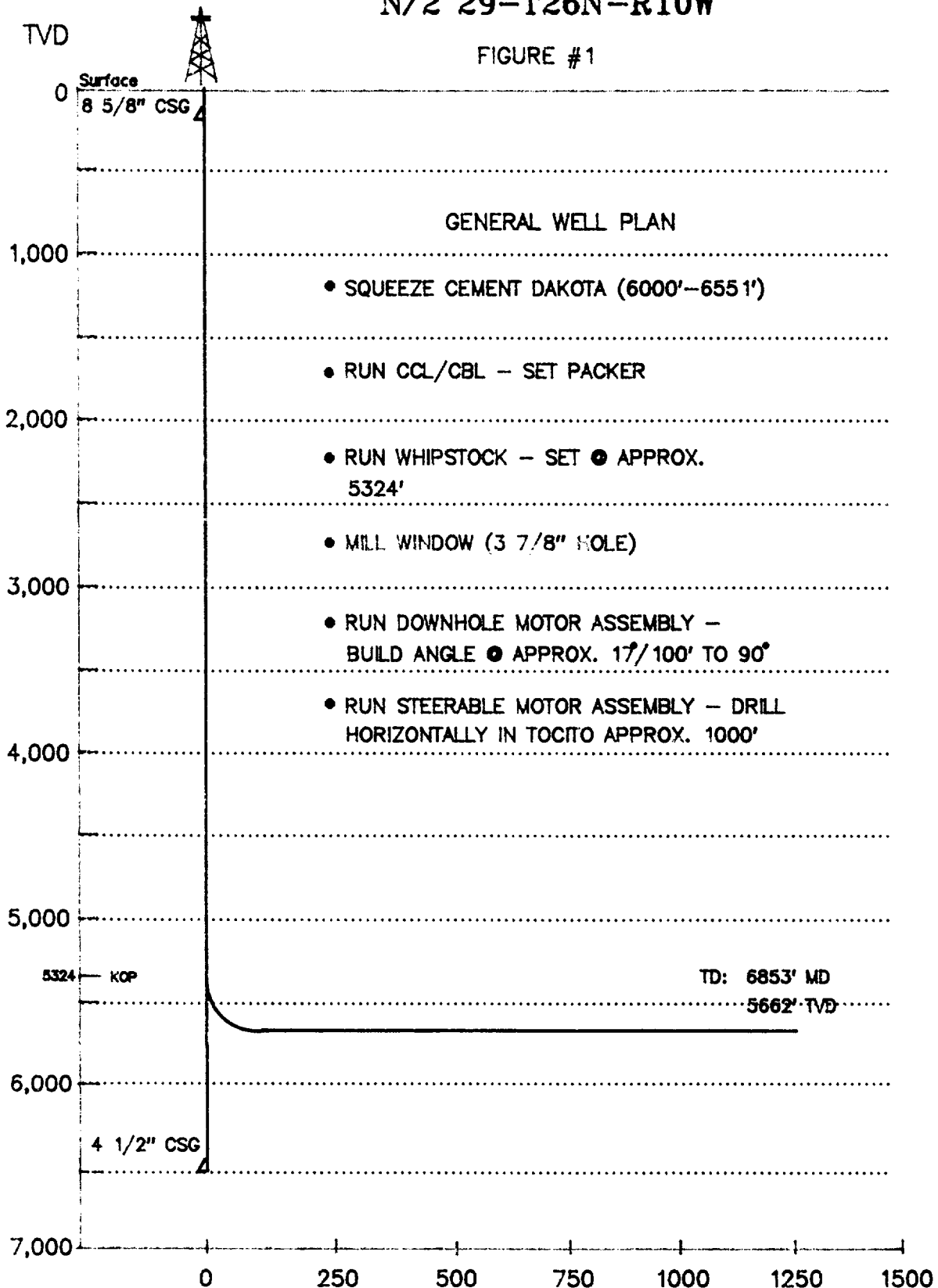


All surrounding lands are located within the
Huerfano Unit Boundries. Meridian Oil Inc. Is The Operator.

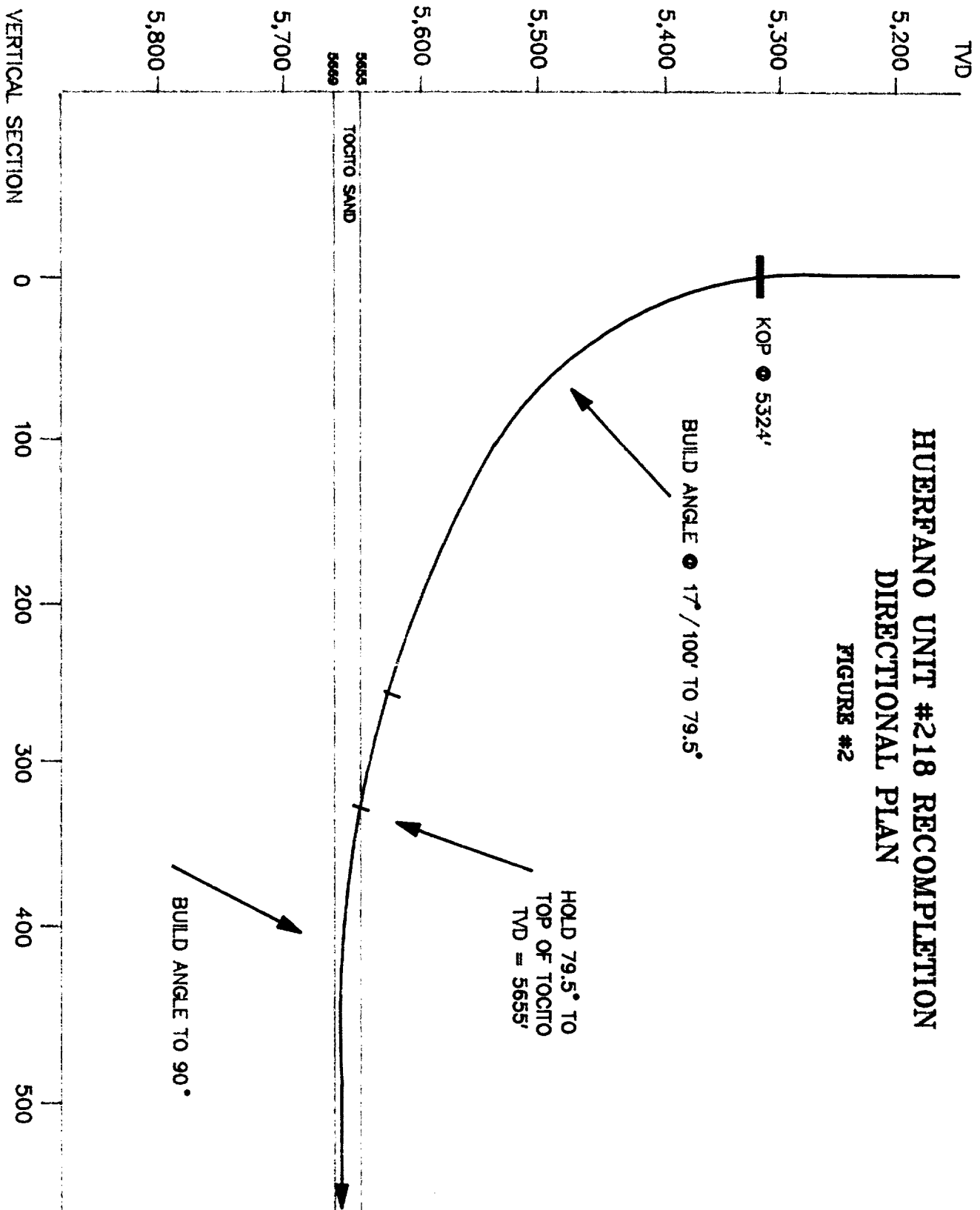
HUERFANO UNIT #218 RECOMPLETION

N/2 29-T26N-R10W

FIGURE #1

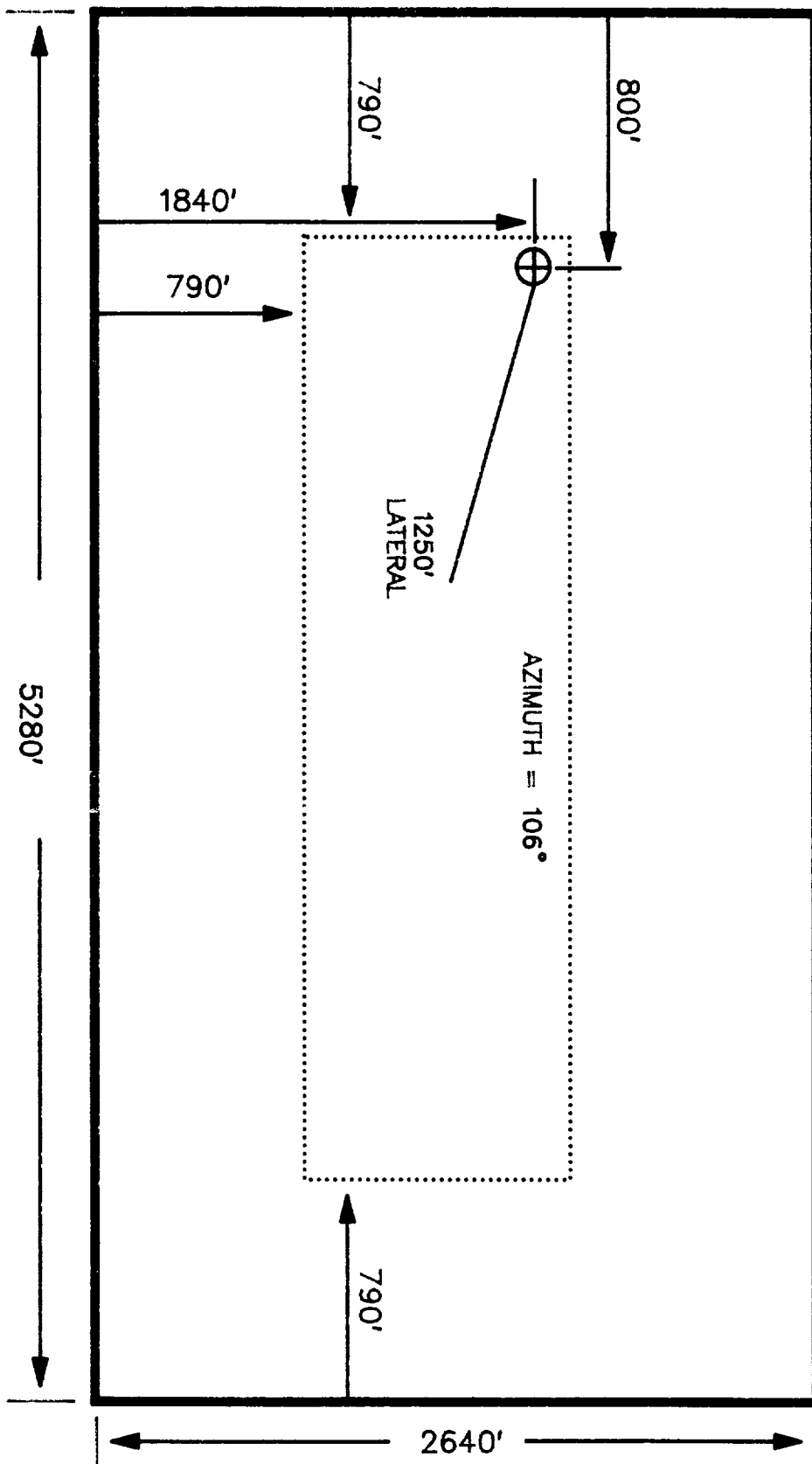


HUERFANO UNIT #218 RECOMPLETION DIRECTIONAL PLAN FIGURE #2



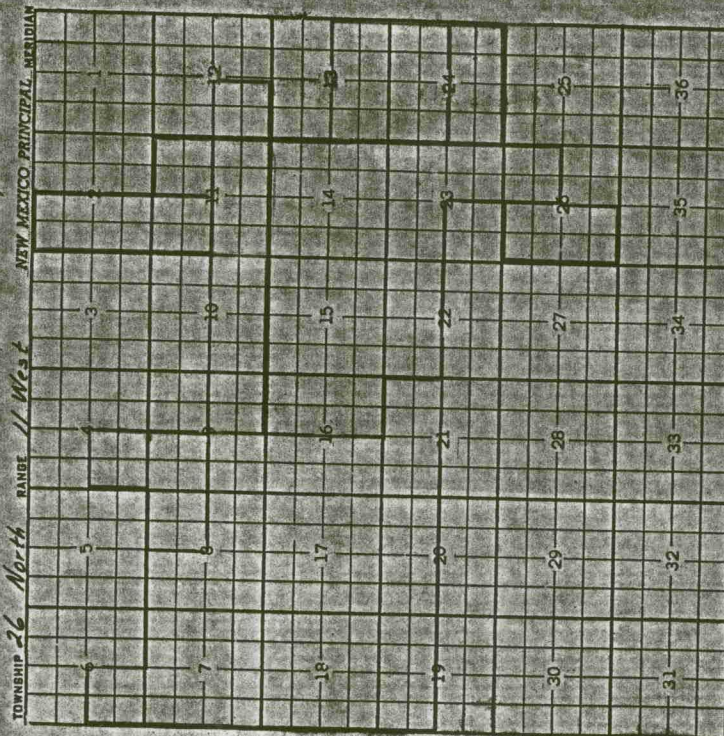
HUERFANO UNIT #218 RECOMPLETION
N/2 29-T26N-R10W

FIGURE #3



0-80
9-300

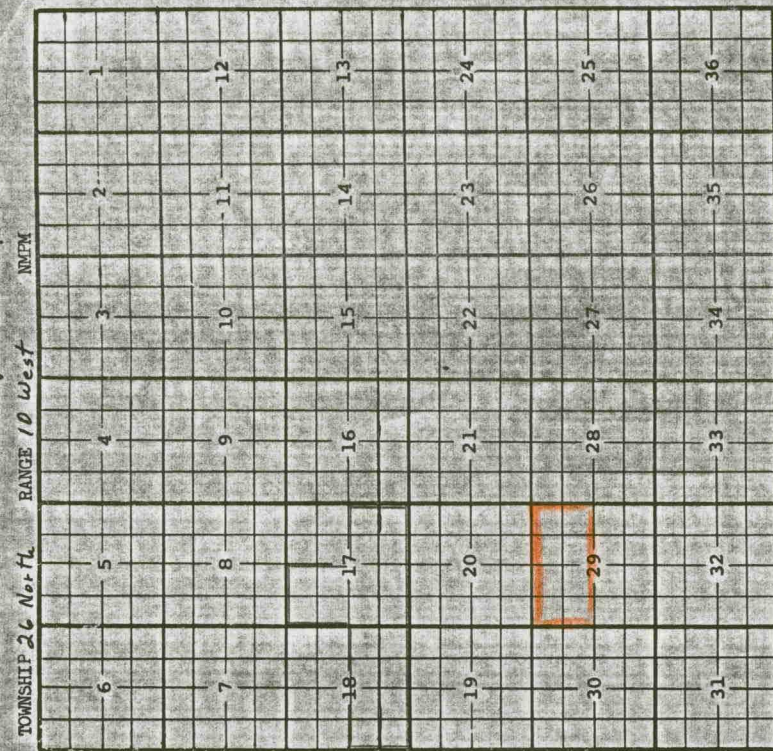
COUNTY San Juan POOL Gallegos - Gallup Associated



Description: SW 1/4 Sec 6, All Sec 7, 8 & NW 1/4 Sec 8, SW 1/4 Sec 9, 1/2 Sec 16, All Sec 17 & 18, 1/2 Sec 19, 1/2 Sec 20, NW 1/4 Sec 21 (R-1239 8-1-58)
 Ext: SW 1/4 Sec 1, NW 1/4 Sec 2, NW 1/4 Sec 3, NW 1/4 Sec 4, NW 1/4 Sec 5, NW 1/4 Sec 6, NW 1/4 Sec 7, NW 1/4 Sec 8, NW 1/4 Sec 9, NW 1/4 Sec 10, NW 1/4 Sec 11 (R-1350)
 - All Sec 14 & 15, 1/2 Sec 16, 1/2 Sec 17, NW 1/4 Sec 18, NW 1/4 Sec 19, NW 1/4 Sec 20, NW 1/4 Sec 21, NW 1/4 Sec 22, NW 1/4 Sec 23, NW 1/4 Sec 24 (R-1461 8-1-58)
 - NW 1/4 Sec 26 (R-1558 2-1-61) - 1/2 Sec 24 (R-4403 3-1-72) - 1/2 Sec 25 (R-4403 3-1-72)
 Ext: 1/2 Sec 13, 1/2 Sec 24 (R-5339 2-1-77) Ext: NW 1/4 Sec 12 (R-2046 8-4-83)
 Reclassify as associated pool (A-5353)
 Ext: NW 1/4 Sec 11 (R-1495 4-3-81)

0-80
9-300

COUNTY San Juan POOL Gallegos - Gallup Associated



Ext: NW 1/4 Sec 17, 1/2 Sec 18 (R-5339 2-1-77)
 Reclassify as associated pool (A-5353)