

**KELLAHIN AND KELLAHIN**

ATTORNEYS AT LAW

EL PATIO BUILDING

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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

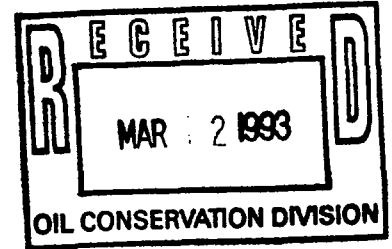
TELEPHONE (505) 982-4285  
TELEFAX (505) 982-2047

JASON KELLAHIN (RETIRED 1991)

March 12, 1993

Mr. William J. LeMay  
Oil Conservation Division  
State Land Office Building  
310 Old Santa Fe Trail, Room 219  
Santa Fe, New Mexico 87501

**HAND DELIVERED**



Re: Ute #8 Well  
Sections 15 & 16, T32N, R14W, NMPM.  
Application of MERIDIAN OIL INC.  
for a High Angle/Horizontal Directional  
Drilling Pilot Project, including Special  
Operating Rules, An Unorthodox Gas Well  
Location, and a Non-standard Spacing Unit.  
Barber Creek Paradox Gas Pool,  
San Juan County, New Mexico

Dear Mr. LeMay:

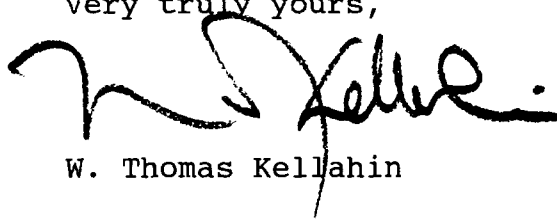
On behalf of Meridian Oil., please find enclosed our Application for a High Angle/Horizontal Direction Drilling Pilot Project as referenced above, which we request be set for hearing on the next available Examiner's docket now scheduled for April 8, 1993.

By copy of this letter and application, sent certified mail-return receipt requested, we are notifying all interested parties offsetting the subject well and its proposed spacing and proration unit 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. Also, all parties entitled to notice are hereby informed that pursuant to Division requirements all parties appearing in this case are required to file a Pre-Hearing Statement with the Division no later than 4:00 p.m. on Friday, April 2, 1993.

Mr. William J. LeMay  
March 12, 1993  
Page Two

Also enclosed is our suggested advertisement for  
this case.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', with a stylized flourish at the end.

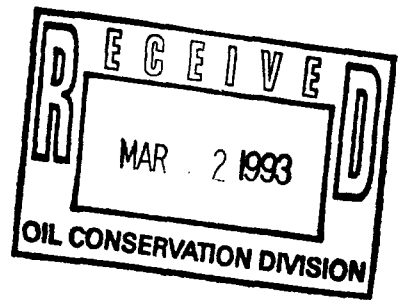
W. Thomas Kellahin

WTK/jcl  
Enclosures

cc: **with Enclosures**  
John F. Zent - Meridian Oil Inc.  
Alan Alexander - Meridian Oil Inc.  
Farmington, New Mexico

**By Certified Mail - Return Receipt**  
All Parties Listed on Exhibit "D" of Application

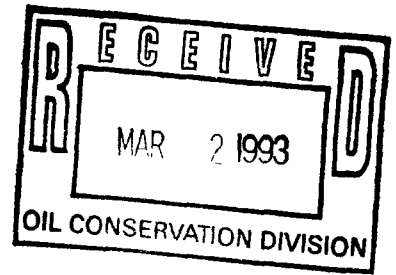
appt311.330



**Suggested Advertisement for the OCD Docket**

**CASE 10702: Application of Meridian Oil Inc. for a high angle/horizontal directional drilling pilot project, special operating rules therefor, an unorthodox gas well location, and a non-standard proration unit, San Juan County, New Mexico.**

Applicant, in the above-styled cause, seeks to initiate a high angle/horizontal directional drilling pilot project in the Barker Creek Paradox (Pennsylvanian) Gas Pool for all of Sections 15 and 16, Township 32 North, Range 14 West, NMPM, San Juan County, New Mexico, including a non-standard 1280-acre spacing unit for said pool. The applicant proposes to re-enter its Ute #8 Well at its existing unorthodox surface location 1750 feet FSL and 950 feet FWL (Unit L) of said Section 15 and drill a high angle-horizontal well such that the bottom hole terminus of the well shall be at an unorthodox bottom hole location not closer than 990 feet FNL and not closer than 550 feet FEL of Section 16. Applicant further seeks special rules and provision within the pilot project area including the designation of a prescribed area limiting the horizontal displacement of the well bore such that its producing interval be no closer than 1650 feet to the south, west and east outer boundaries of the spacing unit and no closer than 990 feet to the north outer boundary of the spacing unit. Said project areas is located approximately 8 miles Northwest of La Plata, 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 NO: 10702

APPLICATION OF MERIDIAN OIL INC.  
FOR A HIGH ANGLE/HORIZONTAL DIRECTIONAL  
DRILLING PILOT PROJECT INCLUDING  
SPECIAL OPERATING RULES, AN  
UNORTHODOX GAS WELL LOCATION,  
AND A NON-STANDARD 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 and Kellahin, and applies to the New Mexico Oil Conservation Division for approval for a High Angle/Horizontal Directional Drilling Pilot Project in the Barker Creek Paradox (Pennsylvanian) Gas Pool, including Special Operating Rules, a non-standard 1280 acre spacing unit consisting of all of Sections 15 and 16, Township 32 North, Range 14 West, NMPM, San Juan

County, New Mexico, including an Unorthodox Gas Well Location for its Ute #8 Well to be re-entered at its existing unorthodox surface location 1750 feet FSL and 950 feet FWL of said Section 15 and drilling a high angle-horizontal well such that the bottom hole terminus of the well shall be at an unorthodox bottom hole location not closer than 990 feet FNL and not closer than 550 feet FEL of Section 16. Applicant further seeks special rules and provision within the pilot project area including the designation of a prescribed area limiting the horizontal displacement of the wellbore such that its producing interval be no closer than 1650 feet to the south, west and east outer boundaries of the spacing unit and no closer than 990 feet to the north outer boundary of the spacing unit. In support thereof, Applicant states:

(1) The Barker Creek-Paradox Gas Pool ("Pool") was established by Order R-13 issued March 15, 1950 and extended by Order R-6421 dated August 1, 1980.

(2) The current Pool boundaries are shown on Exhibit "A" attached and consists of the following acreage:

**TOWNSHIP 32 NORTH, RANGE 14 WEST, NMPM**

Sections 8-11: All  
Sections 14-16: All  
Section 17: E/2  
Sections 19-22: All  
Section 23: NW/4  
Section 27: NW/4  
Section 28: N/2  
Section 29: All

(3) With the exception of the W/2 of Section 19 which is unleased and owned by the Ute Mountain Tribe, Meridian Oil Inc. controls 100% of the operating rights in the Pool with 100% of the royalty, being owned by the Ute Mountain Tribe.

(4) On November 21, 1950, the Commission issued Order R-46 which established 640-acre spacing units and required wells to be located "not closer than 330 feet to center and 1650 feet from boundary of each section" in the Pool.

(5) On June 27, 1951, El Paso Natural Gas Company, predecessor to Meridian spudded its Ute #8 Well at an unorthodox surface location 1750 feet FSL and 950 feet FWL of Section 15 and drilled the well to a total depth

of 8750 feet. The well was completed on September 6, 1951.

(6) Meridian proposes to re-enter its Ute #8 Well and attempt to recomplete it as a high angle/horizontal directional well in the Pennsylvanian formation of the Barker Creek Paradox Gas Pool by squeezing the existing Paradox perforations from 8032 feet to 8216 feet, milling a section from 7650 feet to 7710 feet, setting a cement kickoff plug from 7650 feet to 7900 feet and drilling to the kickoff point at approximately 7680 feet. At that point, the Applicant will select a target point within the drilling-producing window established for the well and then kick off the well in an estimated northwesterly direction and commence to building angle at an appropriate rate which will reach the target point such that the producing interval of the well will be within the drilling-producing window from the top of the Pennsylvanian formation to the base of the Pennsylvanian formation. A copy of Applicant's preliminary projection of a horizontal and vertical plans for the subject well are attached as Exhibits "B" and "C" respectively.

(7) The drilling-producing window is identified as the area within a 640 acre non-standard spacing unit consisting of the W/2 of Section 15 and the E/2 of Section 16 which shall be no closer than 1650 feet to the west, south and east outer spacing unit boundaries and no closer than 990 feet to the north outer spacing unit boundary. See Exhibit "B."

(8) The target point is defined at the actual bottom hole location at the end point of the lateral of the subject well.

(9) The Pennsylvanian formation of Barker Creek Paradox Gas Pool is characterized by tight, low permeability carbonate reservoir. That interval is the potential productive zone in this section.

(10) Because the producing interval of the well will be closer than 1650 feet to the north outer boundary of the spacing unit, an unorthodox well location is necessary.

(11) By drilling a high angle/horizontal wellbore, Meridian is attempting to increase the ultimate recovery from these low permeability reservoirs, thereby preventing waste.



(12) In as much as the exact distance and direction of the lateral portion of the wellbore is not known at this time, Meridian seeks approval to be allowed to drill and produce said lateral portion anywhere within the drilling-producing window.

(13) As required, notice is provided to those offsetting interest owners as listed on Exhibit "D."

(14) 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 April 8, 1993 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 and KELLAHIN

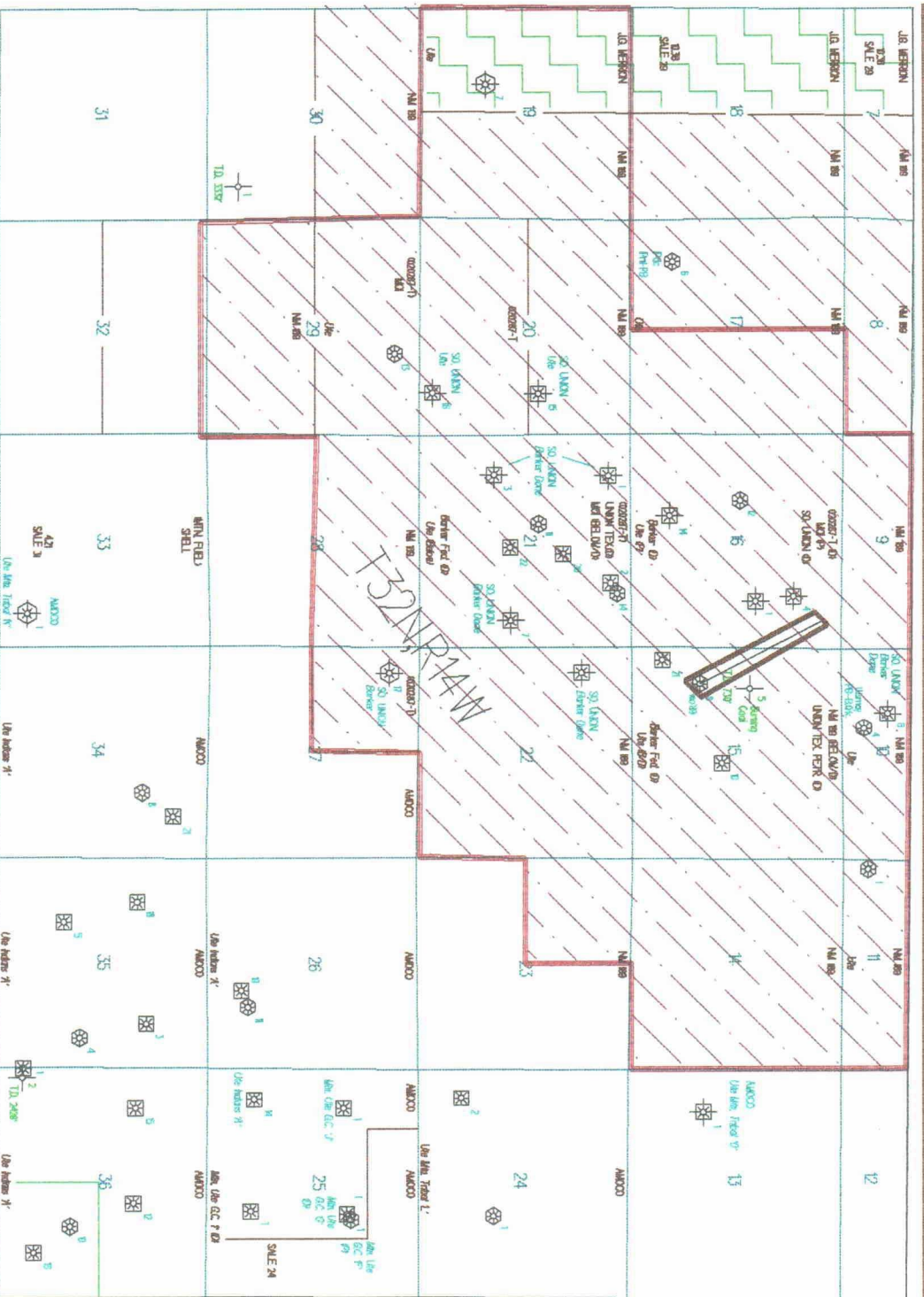
By: 

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

# EXHIBIT "A"

Colorado

New Mexico



Ute 8  
Surface Location: 1750' FSL & 950' FWL Sec. 15-32N-14W  
Bottom Hole Location: NE/4 NE/4 Sec. 16-32N-14W

Barker Creek Paradox Gas Pool  
Order R-13, R-6421

MOI Leasehold 100%

Unleased Ute Mountain Ute Tribe

EXHIBIT "B"

**UTE #8 ST**  
**T32N, R14W**  
**SAN JUAN COUNTY, NM**

PLAN VIEW

SEC  
16

SEC  
15

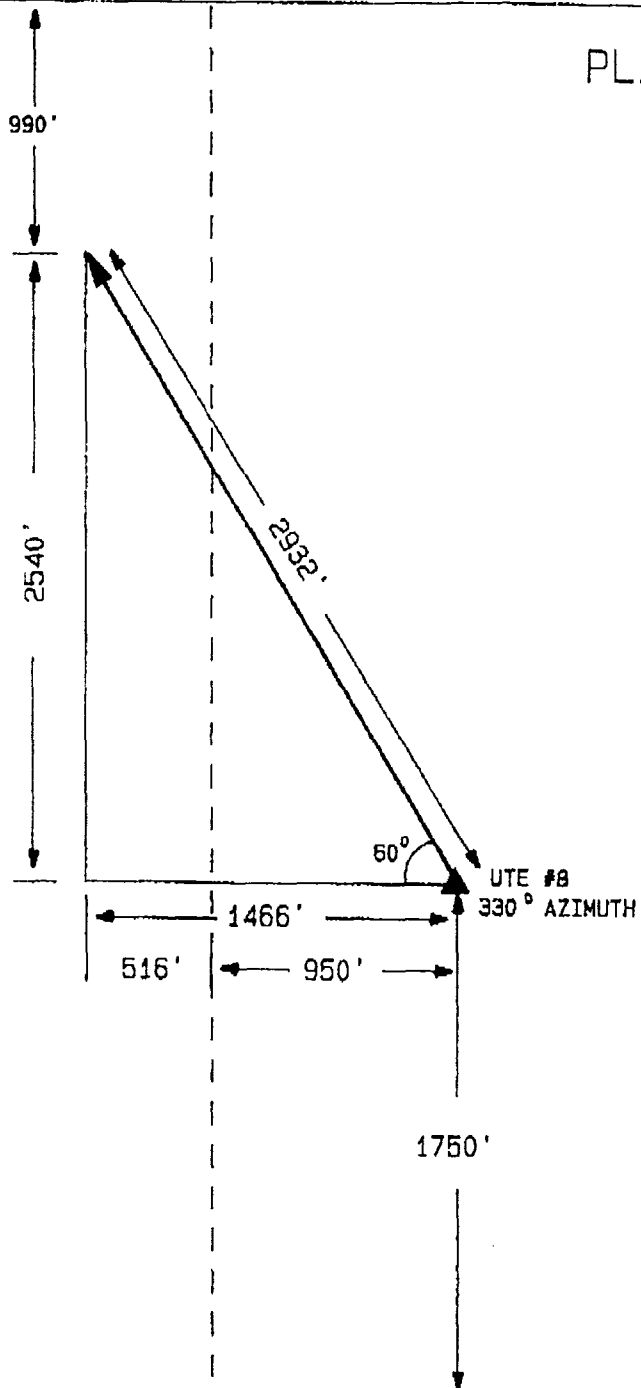
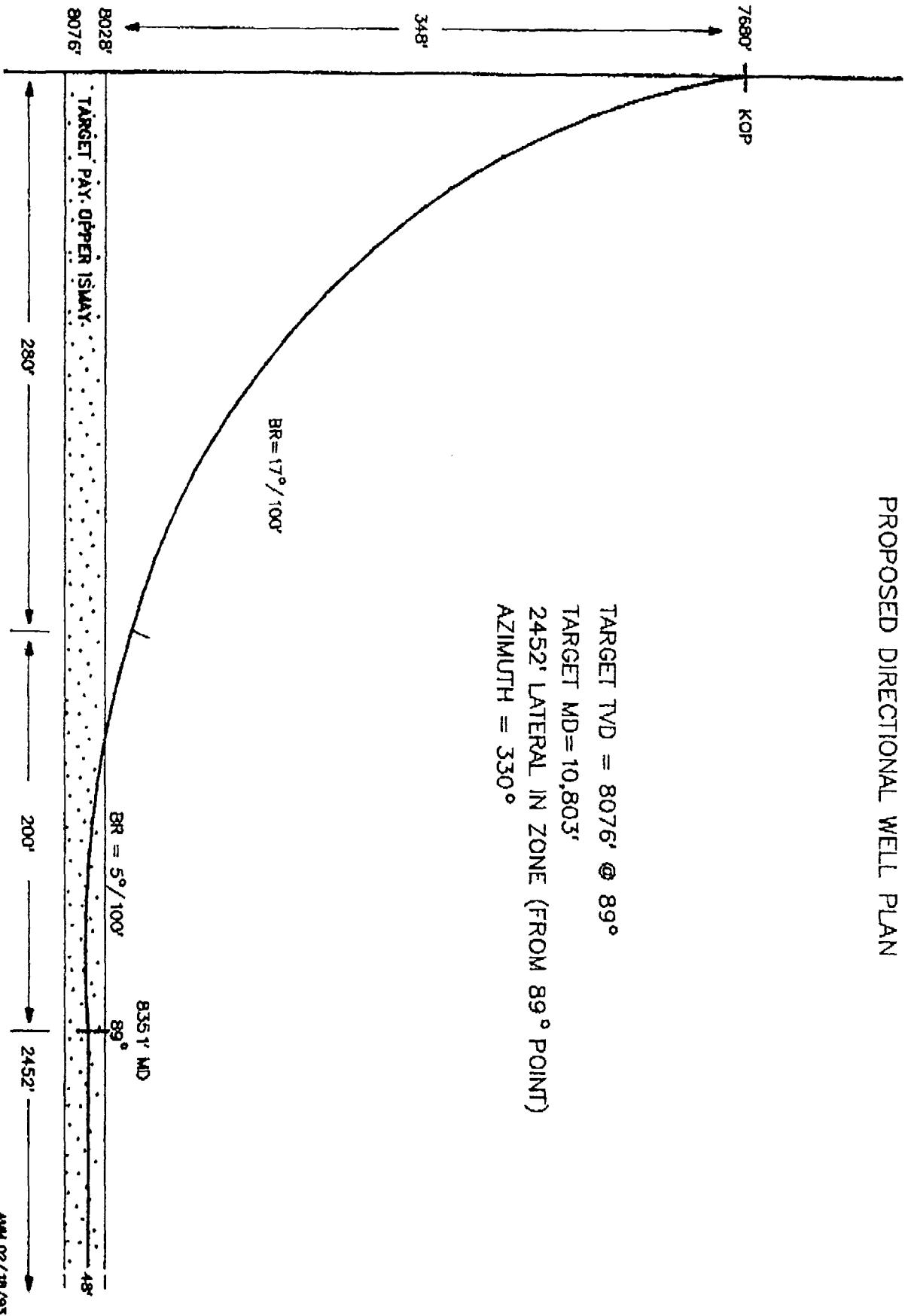


EXHIBIT "C"

# UTE #8 (ST)

## PROPOSED DIRECTIONAL WELL PLAN

TARGET TVD = 8076' @ 89°  
 TARGET MD=10,803'  
 2452' LATERAL IN ZONE (FROM 89° POINT)  
 AZIMUTH = 330°



**EXHIBIT "D"**

Ute #8 Well  
Sections 15 & 16, T32N, R14W, NMPM.

Ute Mountain Ute Tribe  
ATTN; Mr. Craig Canfield  
P.O. Box 42  
Towaoc, Colorado 81334

Bureau of Indian Affairs  
Ute Mountain Ute Agency  
ATTN: Mr. Steve Graham  
Towaoc, Colorado 81334