

MERIDIAN OIL

(AMEND)

ORDER # R-9920

(REOPEN)

CASE # 10745, # 10754

AUGUST 26, 1993

Meridian Oil Inc.

August 26, 1993

- Application to Amend
Order No. R-9920; and,
- To Reopen Case Nos. 10745
and 10754

Exhibit No. 1

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

JASON KELLAHIN (RETIRED 1991)

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

August 2, 1993

HAND DELIVERED

Mr. William J. LeMay, Director
Oil Conservation Division
310 Old Santa Fe Trail
Santa Fe, New Mexico 87501

Re: Meridian Oil Inc. Application
to Amend Division Order R-9920
and to Reopen Cases 10745 & 10754,
Rio Arriba and San Juan Counties,
New Mexico

Dear Mr. LeMay:

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 August 26, 1993.

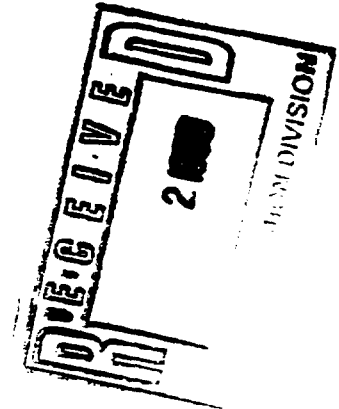
On July 9, 1993, I met with Michael E. Stogner, Larry VanRyan and Robert G. Stovall to discuss Division Order R-9920. At my request and with their concurrence, I have filed the enclosed application to have the Division consider modifying certain provisions affecting seven downhole commingling applications rather than filing for a DeNovo hearing before the Commission concerning those provisions.

Also enclosed is my suggested notice of this case for the NMOCD docket.

Very truly yours,

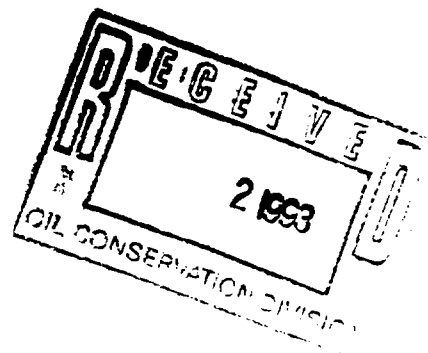

W. Thomas Kellahin

cc: Alan Alexander (Meridian-Farmington)



SUGGESTED ADVERTISEMENT

Case _____: Application of Meridian Oil Inc. to amend Division Order R-9920 and to reopen Cases 10754 and 10745, San Juan and Rio Arriba Counties, New Mexico. The applicant seeks to amend Division Order R-9920, dated July 9, 1993, entered in Cases 10721, 10722, 10723, 10724 and 10725 and to Reopen Cases 10745 and 10754 in order to present additional evidence. Specifically, applicant seeks to amend those provisions of Order R-9920 which established an economic limit for downhole commingling of production in certain wells in the Pictured Cliffs formation and the Basin Fruitland Coal Gas Pool and to have said amendments applied to orders to be issued in Cases 10754 and 10754. Those cases involve a total of seven wells located and described in Division Examiner dockets of April 22, 1993 and July 1, 1993.



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. _____

APPLICATION OF MERIDIAN OIL INC.
TO AMEND DIVISION ORDER R-9920
AND TO REOPEN CASES 10745 AND 10754
SAN JUAN AND RIO ARriba COUNTIES,
NEW MEXICO

APPLICATION

Comes now MERIDIAN OIL INC., ("Meridian") and applies to the New Mexico Oil Conservation Division to amend Division Order R-9920, dated July 9, 1993, entered in Cases 10721, 10722, 10723, 10724 and 10725 and to Reopen Cases 10745 and 10754 in order to present additional evidence.

In support of this application Meridian states:

(1) Meridian is the applicant in the following seven cases pending before the Division all of which involve a common issue concerning the downhole commingling of Pictured Cliffs formation production with the Basin-Fruitland Coal Gas Pool:

1. Case 10721: Rowley Com Well No. 500
Unit K, (SW/4 and W/2) Sec 7, T27N, R10W,
San Juan County,
2. Case 10722: McAdams Well No. 500
Unit A, (NE/4 & E/4) Sec 28, T27N, R10W,
San Juan County,
3. Case 10723: Whitley "A" Well No. 100,
Unit L, (SW/4 & W/2) Sec 17, T27N, R11W,
San Juan County,
4. Case 10724: Rhodes "C" Well No. 101,
Unit N, (SW/4 & W/2) Sec 30, T28N, R11W,
San Juan County,
5. Case 10725: Rhodes "C" Well No. 102,
Unit B, (NE/4 & N/2) Sec 31, T28N, R11W,
San Juan County,
6. Case 10754: San Juan 28-4 Unit #225 Well,
Unit N, (SW/4 & S/2) Sec 7, T28N, R4W,
Rio Arriba County,
7. Case 10745: Valdez #5 Well,
Unit F, (NW/4 & N/2) Sec 16, T28N, R4W,
Rio Arriba County.

(2) On July 9, 1993, the Division entered Order R-9920 which is applicable to the first five cases number above and at the request of Meridian has not entered orders in the last two cases.

(3) In Order R-9920 the Division retained continuing jurisdiction over these cases.

(4) Order R-9920 contains the following limitation on downhole commingling of production from the Pictured Cliffs formation and the Basin Fruitland Coal Gas Pool:

"PROVIDED HOWEVER, in the event total gas production from both pools in a well exceeds 300 MCF per Day, downhole commingling will not be allowed in the effected well until the combined rate drops below 300 MCF/day."

(5) Meridian requests that all these cases be reopened so that it can present supplemental evidence concerning this issue in order to demonstrate that this limitation, unless amended, will preclude the only economic method available to produce the Pictured Cliffs formation gas in these wells.

(6) Specifically, Meridian seeks to amend those provisions of Order R-9920 which established an economic limit for downhole commingling based upon a combined producing rate of not more than 300 MCFPD of total gas production from both pools.

(7) Meridian proposes that the economic limit for downhole commingling in all seven cases be based upon the relationship of costs to rate and estimated ultimate gas recovery only from the Pictured Cliff pool.

(8) Meridian proposes the following substitution:

"In the event total gas production from the Pictured Cliffs Pool in a well exceeds both a maximum average daily producing rate of 300 MCFPD and an estimated ultimate gas recovery ("EUR") of 900 MMCF, then and in that event downhole commingle will not be allowed in the affected well until both the rate and the EUR drop below the above described limits."

(9) These cases were originally heard by the Division at Examiner Hearings held on April 22, 1993 and July 1, 1993 with Meridian being the only party to appear.

(10) Because Meridian is the only party to have appeared in these cases, no further notice is required to reopen these cases.

(11) Meridian requests that this matter be placed on the Division's Examiner docket now set for August 26, 1993.

WHEREFORE, Meridian requests that after hearing, the Division grant the relief requested herein.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over a horizontal line.

W. Thomas Kellahin
Kellahin & Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87501
(505) 982-4285

MERIDIAN'S PROPOSED AMENDMENTS
TO ORDER

(1) Amendment No.1: (page 4)

delete the last sentence of Finding (7) and substitute the following:

"The economic limit for downhole commingling in these cases should be based upon the relationship of costs to rate and estimated ultimate gas recovery from either the Pictured Cliffs or the Fruitland Coal gas pools.

(2) Amendment No. 2: (Page 8)

delete:

"Provided However, in the event total gas production from both pools in a well exceeds 300 MCF per Day, downhole commingling will not be allowed in the effected well until the combined rate drops below 300 MCF per day."

and substitute the following:

"In the event total gas production from either pool in a well exceeds the curve for the dual completion case as plotted on Exhibit A attached (being a plot of costs compared to both maximum average daily producing rate and an estimated ultimate gas recovery (EUR), then and in that event downhole commingling shall not be allowed in the affected well until such time as the total gas production from either pool in that well drops below the described limit on the curve."

Meridian Oil Inc.

August 26, 1993

- *Application to Amend
Order No. R-9920; and,*
- *To Reopen Case Nos. 10745
and 10754*

Exhibit No. 2

PICTURED CLIFFS/FRUITLAND COAL

COMPLETION TECHNIQUE ECONOMIC CRITERIA

In order to facilitate an economic completion of either Pictured Cliffs or Fruitland Coal, three requirements must be met. It is the combination of these three requirements that determines the economic status and completion method (single completion, dual completion, commingled completion) utilized. These three requirements are as follows:

RESERVES $N_p(pc)$ (EUR)

COSTS (Investment and Operating)

FLOW RATE (Q_{pci}) (Stabilized Production)

Meridian Oil Inc.

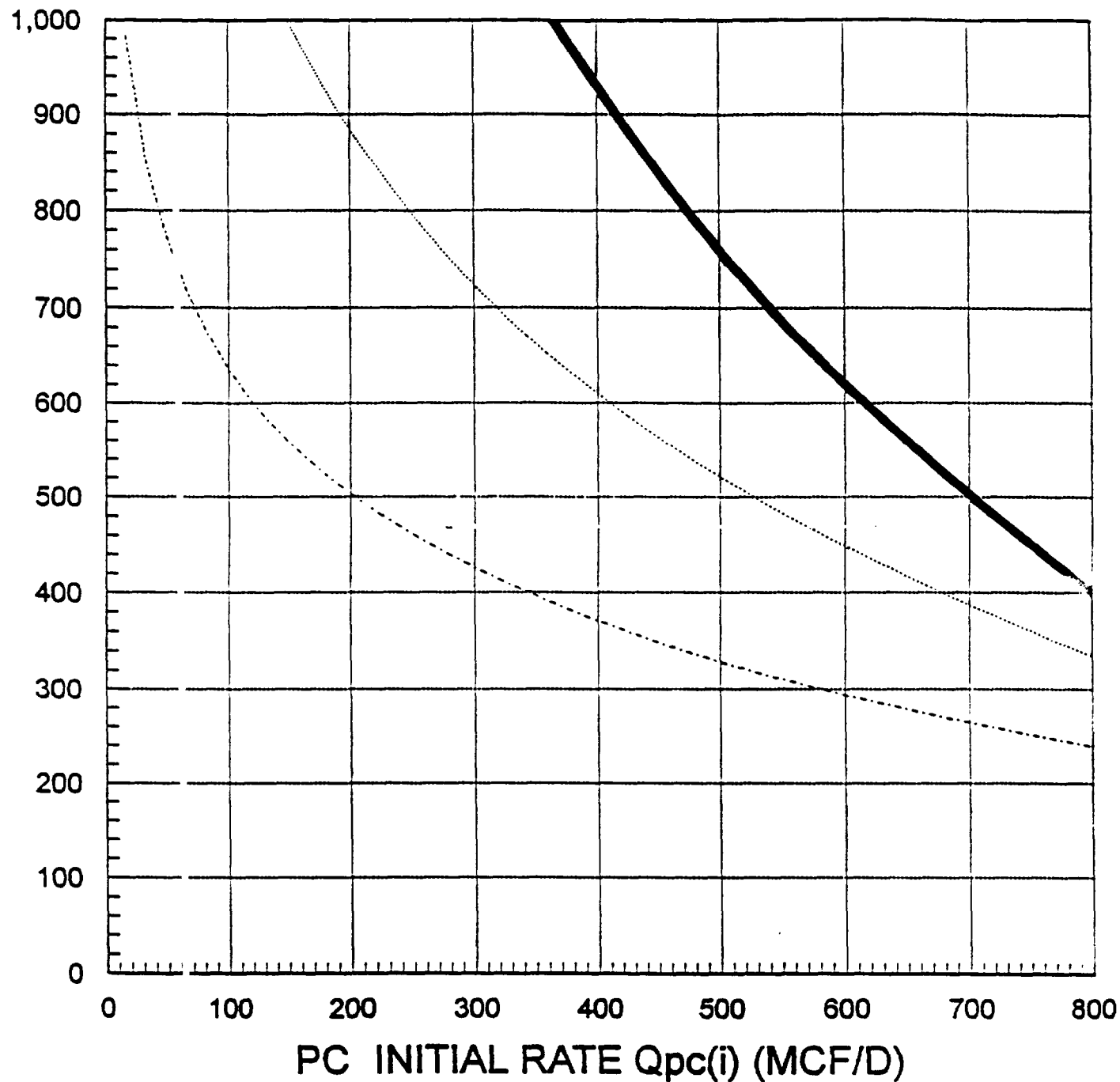
August 26, 1993

- *Application to Amend
Order No. R-9920; and,*
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and 10754*

Exhibit No. 3

FRUITLAND COAL GAS OR PICTURED CLIFFS ECONOMIC EVALUATION COMPLETION TECHNIQUE SENSITIVITY

PC EUR Np(pc) (MMCF)



SINGLE DUAL COMMINGLE
15% ROR 15% ROR 15% ROR

INITIAL RATE VS EUR

Meridian Oil Inc.

August 26, 1993

- Application to Amend
Order No. R-9920; and,
- To Reopen Case Nos. 10745
and 10754

Exhibit No. 4

RESERVES AND INITIAL RATE

		Qpc(p)	Qftc(p)	Qpc(i)	Qt(i)	P*(pc)	HCPV	R.F.	Np(pc)
WELL NAME	LOCATION	MCF/D	MCF/D	MCF/D	MCF/D	(psi)	MMCF/PSI	(%)	MMCF
AZTEC #700	SW/4 14-28N-11W	266	539	91	275	130	1.59	85.00%	175.70
RHODES C #101	SW/4 30-28N-11W	493	N/A	150	N/A	345	1.05	85.00%	307.91
RHODES C #102	NE/4 31-28N-11W	493	N/A	150	N/A	364	0.61	85.00%	188.73
WHITLEY A #100	SW/4 17-27N-11W	493	N/A	150	N/A	191	1.34	85.00%	217.55
ROWLEY COM #500	SW/4 7-27N-10W	N/A	N/A	N/A	N/A	295	0.84	85.00%	210.63
McADAMS #500	NE/4 28-27N-10W	N/A	N/A	N/A	N/A	295	0.82	85.00%	205.62
HUERFANO UNIT #549	NE/4 33-27N-10W	N/A	N/A	N/A	N/A	295	1.08	85.00%	270.81

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

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SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN*

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NATURAL RESOURCES-OIL AND GAS LAW

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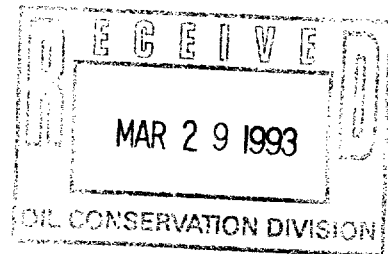
TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

March 29, 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: Application of Meridian Oil, Inc.
for a Downhole Commingling,
San Juan County, New Mexico
McAdams #500 Well



10722

Dear Mr. LeMay:

On behalf of Meridian Oil, Inc. please find enclosed our Application for downhole commingling as referenced above, which we request be set for hearing on the next available Examiner's docket now scheduled for April 22, 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 the Division Memorandum 2-90 all parties appearing in this case are requested to file a Pre-Hearing Statement with the Division no later than 4:00 p.m. on Friday, April 16, 1993.

Mr. William J. LeMay
March 29, 1993
Page 2

Also enclosed is our suggested advertisement for
this case.

Very truly yours,

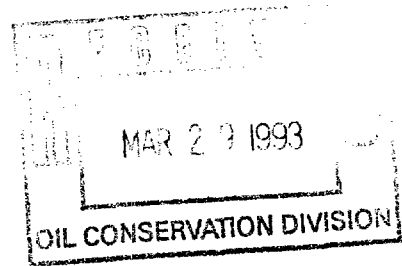
A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', with a stylized, flowing script.

W. Thomas Kellahin

WTK/lam
Enclosures

cc: **with Enclosures**
Alan Alexander - Meridian Oil Inc.

By Certified Mail - Return Receipt
All Parties Listed on Exhibits B, C & D of
Application



PROPOSED ADVERTISEMENT

Case 10722: **Application of Meridian Oil Inc. for downhole commingling, San Juan County, New Mexico.** Applicant seeks approval to downhole commingle Fulcher Kutz-Pictured Cliffs Gas Pool and the Basin-Fruitland Coal Gas Pool production within the wellbore of its proposed McAdams #500 Well to be drilled at a standard gas well location 790 feet FNL and 1010 feet FEL, (Unit A) Section 28, T27N, R10W, NMPM, San Juan County, New Mexico. Said well is to be dedicated a standard 320-acre gas spacing unit for the Basin-Fruitland Coal Gas Pool being E/2 of Section 28 and to a standard 160-acre gas spacing unit for the Fulcher Kutz-Pictured Cliffs Gas Pool being the NE/4 of Section 28. The well is located approximately 13 miles south from Bloomfield, New Mexico.

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

JASON KELLAHIN (RETIRED 1991)

TELEPHONE (505) 982-4285

TELEFAX (505) 982-2047

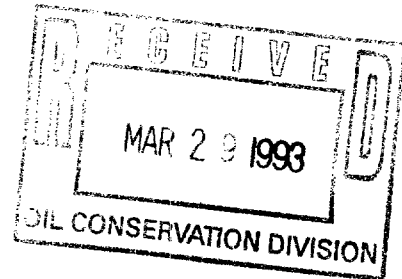
March 29, 1993

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

16722

RE: Application of Meridian Oil, Inc.
for a Downhole Commingling,
San Juan County, New Mexico
McAdams #500 Well



Dear Mr. LeMay:

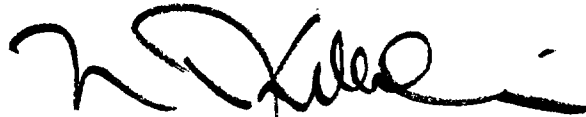
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By copy of this letter and application, sent certified mail-return receipt requested, we are notifying all interested parties offsetting the subject well and its proposed spacing and proration unit of their right to appear at the hearing and participate 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 the Division Memorandum 2-90 all parties appearing in this case are requested to file a Pre-Hearing Statement with the Division no later than 4:00 p.m. on Friday, April 16, 1993.

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March 29, 1993
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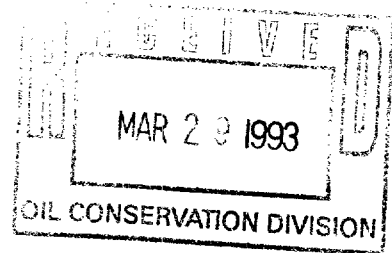
W. Thomas Kellahin

WTK/lam
Enclosures

cc: with Enclosures
Alan Alexander - Meridian Oil Inc.

By Certified Mail - Return Receipt
All Parties Listed on Exhibits B, C & D of
Application

PROPOSED ADVERTISEMENT

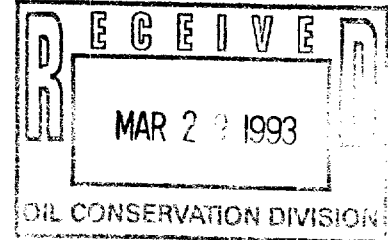


Case _____: Application of Meridian Oil Inc. for downhole commingling, San Juan County, New Mexico. Applicant seeks approval to downhole commingle Fulcher Kutz-Pictured Cliffs Gas Pool and the Basin-Fruitland Coal Gas Pool production within the wellbore of its proposed McAdams #500 Well to be drilled at a standard gas well location 790 feet FNL and 1010 feet FEL, (Unit A) Section 28, T27N, R10W, NMPM, San Juan County, New Mexico. Said well is to be dedicated a standard 320-acre gas spacing unit for the Basin-Fruitland Coal Gas Pool being E/2 of Section 28 and to a standard 160-acre gas spacing unit for the Fulcher Kutz-Pictured Cliffs Gas Pool being the NE/4 of Section 28. The well is located approximately 13 miles south from Bloomfield, New Mexico.

10722

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
SAN JUAN COUNTY, NEW MEXICO.

CASE: 10722

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 downhole commingle Fulcher Kutz-Pictured Cliffs Gas Pool and the Basin-Fruitland Coal Gas Pool production within the wellbore of its proposed McAdams #500 Well to be drilled at a standard gas well location 790 feet FNL and 1010 feet FEL, (Unit A) Section 28, T27N, R10W, NMPM, San Juan County, New Mexico. The E/2 of Section 28 is to be dedicated to the subject well forming a standard 320-acre gas spacing unit for the Basin-Fruitland Coal Gas Pool. The NE/4 of Section 28 is to be dedicated to the subject well forming a standard 160-acre gas spacing unit for the Fulcher Kutz-Pictured Cliffs Gas Pool.

In support of its application, Meridian states:

(1) Meridian is the operator for the proposed McAdams #500 Well to be drilled at a standard gas well location 790 feet FNL and 1010 feet FEL (Unit A), Section 28, T27N, R10W, NMPM, San Juan County, New Mexico as shown on Exhibit "A" attached.

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

(3) The E/2 of Section 28 is to be dedicated to any production from the Basin Fruitland Coal Gas Pool which is spaced on 320-acre gas spacing units.

(4) The NE/4 of Section 28 is to be dedicated to any production from the Fulcher Kutz-Pictured Cliffs Gas Pool which is spaced on 160-acre gas spacing units.

(5) The ownership in each of the two spacing units is not common between these two pools.

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

1. That drilling the McAdams #500 Well initially for downhole commingling in the wellbore is necessary because it is not otherwise economic to attempt to drill and complete a separate well for Pictured Cliffs gas production nor is it economic to attempt to dually complete those formations in the proposed well.

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

3. That while the ownership in each of the two spacing units is not common between the two pools, no impairment of correlative rights will occur.

4. 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.

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

- 7) That the Pictured Cliffs formation in this area of the basin should be marginally productive and cannot be economically produced unless it is done so by downhole commingling that production.

(8) Meridian has selected to drill the proposed well in the NE/4 instead of the SE/4 of Section 28 because that location appears to have a greater opportunity for a successful Fruitland formation well.

(9) In addition, the NE/4 of Section 28 is a standard location for a Fruitland Coal Gas Well while the SE/4 is an unorthodox location.

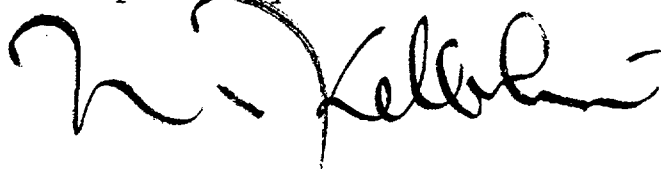
(10) Due to the nature of the Basin-Fruitland Coal Gas production, straight allocation of gas volumes from both zones is not appropriate. Meridian therefore seeks the adoption of a monthly allocation formula to be presented at the time of the hearing.

(11) Applicant requests that this matter be docketed for hearing on the Division's Examiner docket now scheduled for April 22, 1993.

(12) Copy of this application has been sent to all offsetting operators and to the owners of interests in the affected production within the two spacing units as set forth on Exhibits B, C and D.

WHEREFORE Applicant requests that this matter be set for hearing on April 22, 1993 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', with a stylized flourish at the end.

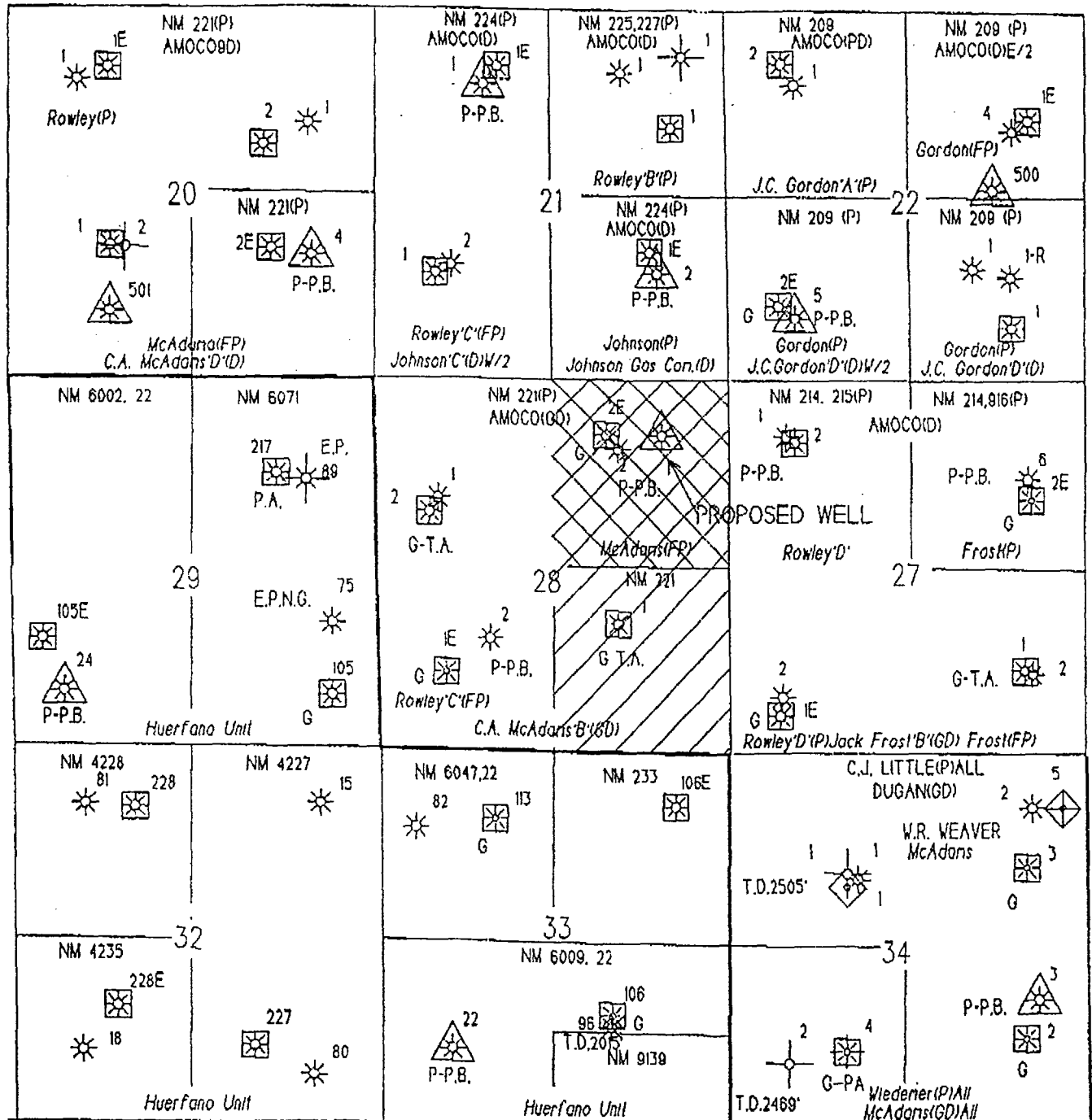
W. Thomas Kellahin
KELLAHIN and KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87501
(505) 982-4285
Attorneys for Applicant

MERIDIAN OIL INC.

MCADAMS # 500 WELL

790'FNL, 1010'FEL

SECTION 28-27N-10W



- PICTURED CLIFFS WELL
- FRUITLAND COAL WELL
- DAKOTA WELL

- SPACING UNIT (FRUITLAND COAL)
- SPACING UNIT (PICTURED CLIFFS)

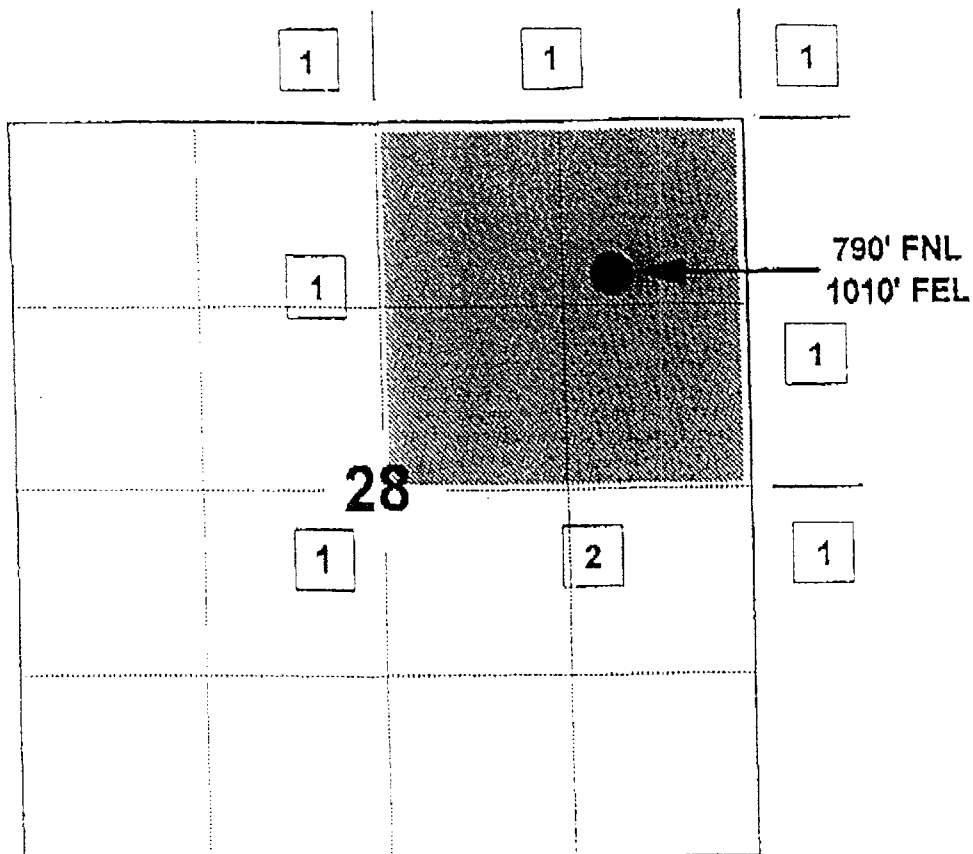
MERIDIAN OIL INC

OFFSET OPERATOR \ OWNER PLAT

McADAMS #500

Fruitland Coal \ Pictured Cliffs Formations Commingle

Township 27 North, Range 10 West



1) Meridian Oil Inc

2) Amoco Production Company

P.O. Box 800, Denver, CO 80202

Conoco, Inc.,

10 Deste Dr., Suite 100W, Midland, TX 79705-4500

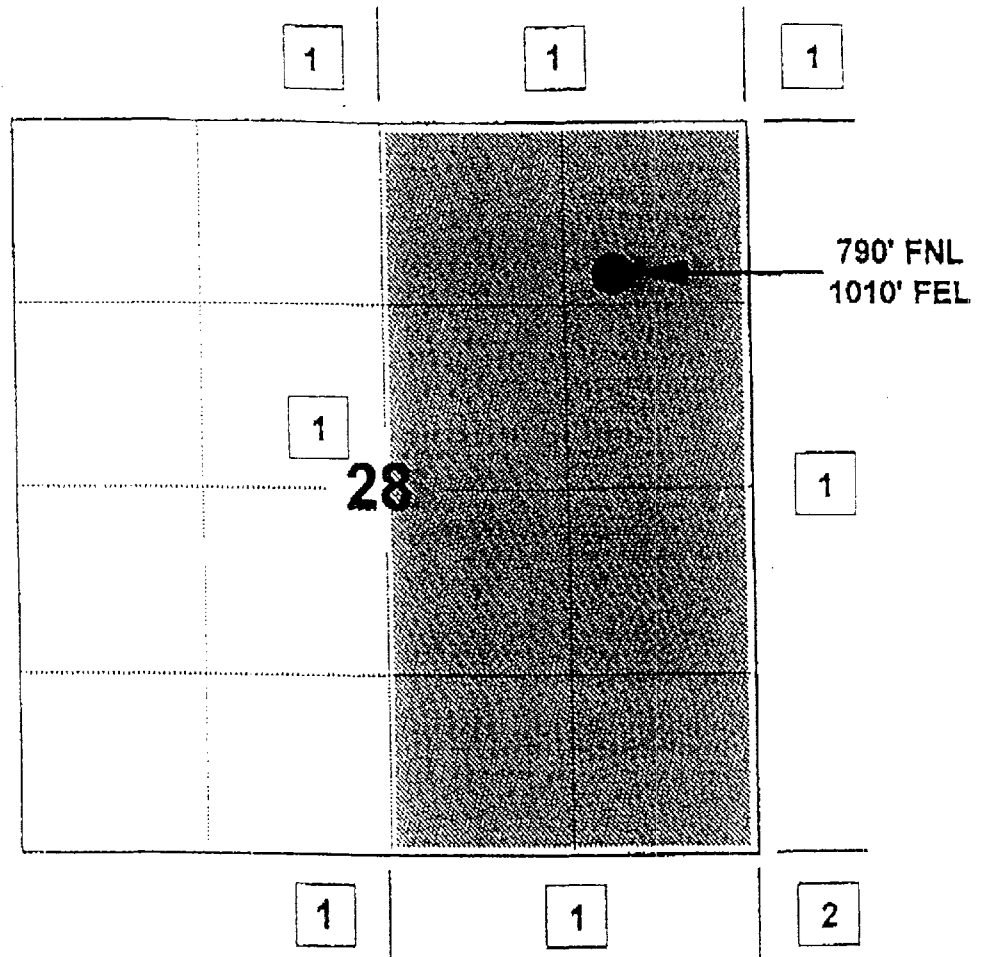
MERIDIAN OIL INC

OFFSET OPERATOR \ OWNER PLAT

McADAMS #500

Fruitland Coal \ Pictured Cliffs Formations Commingle

Township 27 North, Range 10 West



1) Meridian Oil Inc

2) Curtis J. Little

PO Box 1258, Farmington, NM 87499

John P. Wiedemer

PO Box 19392, Houston, TX 77024

Robert Andrew Wiedemer Trust

930 W. Forest Drive, Houston, 77079

James Ivy Wiedemer Trust

" "

John David Wiedemer Trust

" "

MCADAMS #500 (FC & PC)

Working Interest Owners:

Amoco Production Company
P.O. Box 800
Denver, CO 80201

Conoco Inc.
Attn: Steve Klein
10 Desta Drive West
Midland, TX 79705

El Paso Production Company
P.O. Box 4289
Farmington, NM 87401

ORRI Owners:

Jane Hardie Trustee
William B. Hardie Sr. Royalty Trust
1065 Los Jardines
El Paso, TX 79912

Amoco Production Company
P.O. Box 800
Denver, CO 80201

Conoco Inc.
Attn: Steve Klein
10 Desta Drive West
Midland, TX 79705

Robert M. Williams
P.O. Box 854
Hobbs, NM 88241

Emily D. Grambling
916 Cherry Hill Lane
El Paso, TX 79912

MCADAMS #500 (FC & PC)

ORRI Owners:

Voit Gilmore
c/o Merrill Lynch
RE 727-10520
4011 University Dr., 3rd Floor
Durham, NC 27707

Rachel Lyman
P.O. Box 3726
Midland, TX 79702

James D. Hancock, Jr.
4339 Versailles
Dallas, TX 75205

R. H. Feuille
11th Floor
Texas Commerce Bank Bldg.
El Paso, TX 79901

Gary W. Harvey Indep. Exec.
H. W. Smith Estate
401 SW 23rd
Seminole, TX 79360

Rachel Lyman and
Thomas C. Brown
U/W/O C. V. Lyman, Deceased
P.O. Box 3726
Midland, TX 79702

John L. Hancock
3600 Dartmouth Ave.
Dallas, TX 75205-3239

John A. Grambling
916 Cherry Hill Lane
El Paso, TX 79912

MCADAMS #500 (FC & PC)

ORRI Owners:

Patricia G. Harvey
P.O. Drawer 140
El Paso, TX 79980

J. Burton Veteto
607 ABO
Hobbs, NM 88240

Ann Hancock Dorie
5315 Preston Haven Dr.
Dallas, TX 75229-3043

Jim L. Sharp
P.O. Box 594
Hobbs, NM 88240

Michael Fitzgerald and
James Fitzgerald III
Independent Ex
Est Ben Dansby Jr, Decd.
P.O. Box 710
Midland, TX 79702

Elizabeth H. Lund Trustee
Mabelle Hardie Royalty Trust
1065 Los Jardines
El Paso, TX 79912

Texas Commerce Bank Trustee
Ben R. Howell Trust
P.O. Box 722
El Paso, TX 79944

United Pipe Supply Co.
Suite 3130
8911 Capital of Texas Hwy.
Austin, TX 78759

MCADAMS #500 (FC & PC)

ORRI Owners:

Michael Fitzgerald &
James Fitzgerald III, Trustees
U/W/O Blanche Dansby, Decd.
P.O. Box 710
Midland, TX 79702

Julie Ann Antweil Trust
4408 Canyon CT NE
Albuquerque, NM 87111

Union Oil Company of California
P.O. Box 9702135
Dallas, TX 75397

Singer Bros.
c/o Bank of Oklahoma
Lockbox Dept.
Tulsa, OK 74182

Evelyn Smith
404 De Grummond Way
Salado, TX 76571

Howell Grandchildrens Trust
Estate (5-38010)
c/o Texas Commerce Bank NA
El Paso Trustee
P.O. Box 722
El Paso, TX 79944

Richard Parker Langford
1512 Jersey Dr.
Austin, TX 78758

Ben Howell Langford
c/o Eppler Guerin & Turner
The Centre 123 Pioneer Plz.
El Paso, TX 79901

MCADAMS #500 (FC & PC)

ORRI Owners:

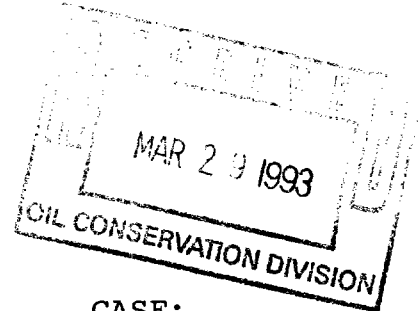
Madeline Howell Jastrzembski
1106 Mesita
El Paso, TX 79902

Royalty Owner:

U.S.A.

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
SAN JUAN COUNTY, NEW MEXICO.

CASE:

10722

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 downhole commingle Fulcher Kutz-Pictured Cliffs Gas Pool and the Basin-Fruitland Coal Gas Pool production within the wellbore of its proposed McAdams #500 Well to be drilled at a standard gas well location 790 feet FNL and 1010 feet FEL, (Unit A) Section 28, T27N, R10W, NMPM, San Juan County, New Mexico. The E/2 of Section 28 is to be dedicated to the subject well forming a standard 320-acre gas spacing unit for the Basin-Fruitland Coal Gas Pool. The NE/4 of Section 28 is to be dedicated to the subject well forming a standard 160-acre gas spacing unit for the Fulcher Kutz-Pictured Cliffs Gas Pool.

In support of its application, Meridian states:

(1) Meridian is the operator for the proposed McAdams #500 Well to be drilled at a standard gas well location 790 feet FNL and 1010 feet FEL (Unit A), Section 28, T27N, R10W, NMPM, San Juan County, New Mexico as shown on Exhibit "A" attached.

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

(3) The E/2 of Section 28 is to be dedicated to any production from the Basin Fruitland Coal Gas Pool which is spaced on 320-acre gas spacing units.

(4) The NE/4 of Section 28 is to be dedicated to any production from the Fulcher Kutz-Pictured Cliffs Gas Pool which is spaced on 160-acre gas spacing units.

(5) The ownership in each of the two spacing units is not common between these two pools.

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

1. That drilling the McAdams #500 Well initially for downhole commingling in the wellbore is necessary because it is not otherwise economic to attempt to drill and complete a separate well for Pictured Cliffs gas production nor is it economic to attempt to dually complete those formations in the proposed well.

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

3. That while the ownership in each of the two spacing units is not common between the two pools, no impairment of correlative rights will occur.

4. 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.

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

6. That the Pictured Cliffs formation in this area of the basin should be marginally productive and cannot be economically produced unless it is done so by downhole commingling that production.

Application of Meridian Oil, Inc.
Page 3

(8) Meridian has selected to drill the proposed well in the NE/4 instead of the SE/4 of Section 28 because that location appears to have a greater opportunity for a successful Fruitland formation well.

(9) In addition, the NE/4 of Section 28 is a standard location for a Fruitland Coal Gas Well while the SE/4 is an unorthodox location.

(10) 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.

(11) Applicant requests that this matter be docketed for hearing on the Division's Examiner docket now scheduled for April 22, 1993.

(12) Copy of this application has been sent to all offsetting operators and to the owners of interests in the affected production within the two spacing units as set forth on Exhibits B, C and D.

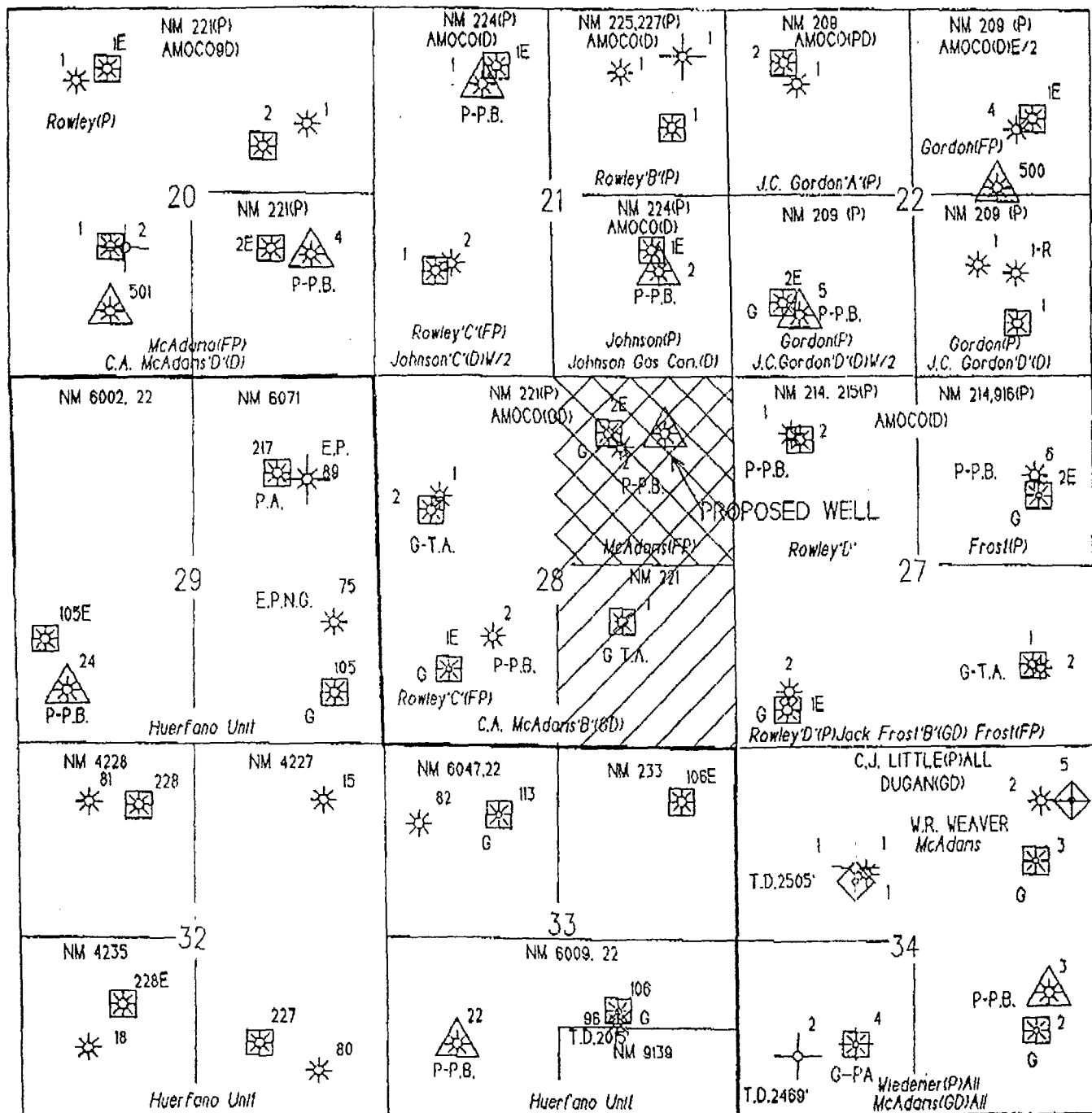
WHEREFORE Applicant requests that this matter be set for hearing on April 22, 1993 before a duly appointed Examiner of the Oil Conservation Division and that after notice and hearing as required by law, the Division enter its order granting this application.

Respectfully submitted

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over a horizontal line.


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

SECRET



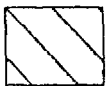
☼ PICTURED CLIFFS WELL

 FRUITLAND COAL WELL

 DAKOTA WELL



SPACING UNIT (FRUITLAND COAL)



SPACING UNIT (PICTURED CLIFFS)

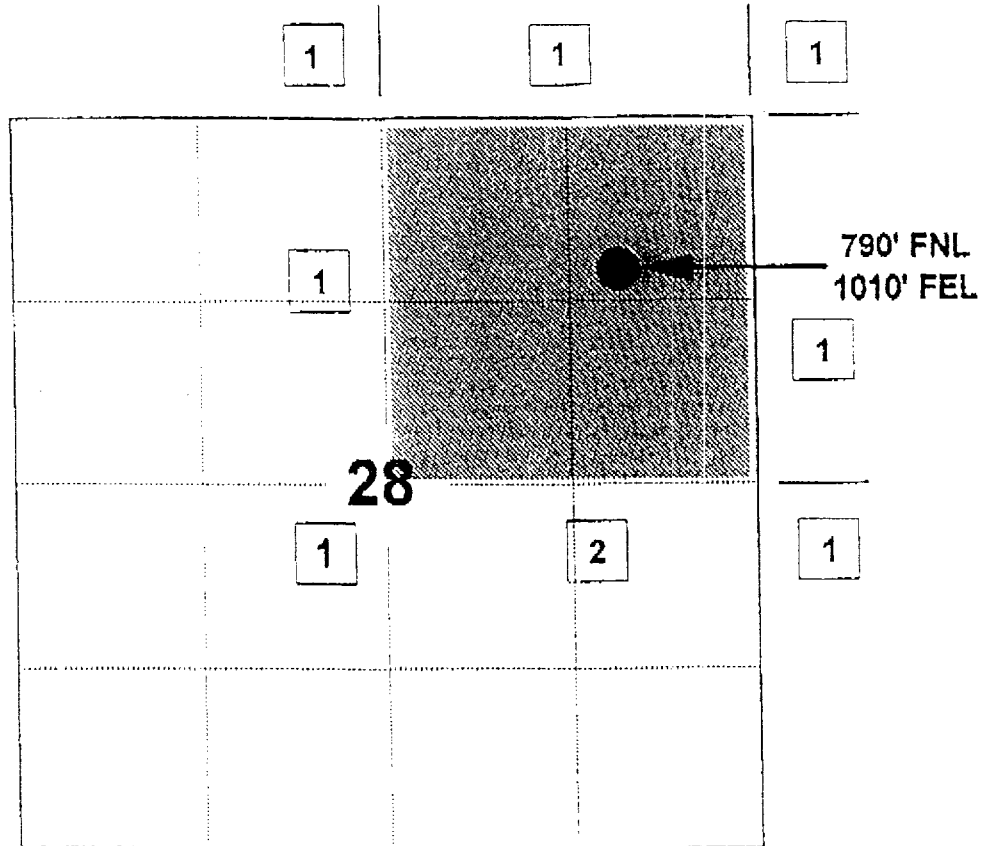
MERIDIAN OIL INC

OFFSET OPERATOR \ OWNER PLAT

McADAMS #500

Fruitland Coal \ Pictured Cliffs Formations Commingle

Township 27 North, Range 10 West



1) Meridian Oil Inc

2) Amoco Production Company

P.O. Box 800, Denver, CO 80202

Conoco, Inc.

10 Desta Dr., Suite 100W, Midland, TX 79705-4500

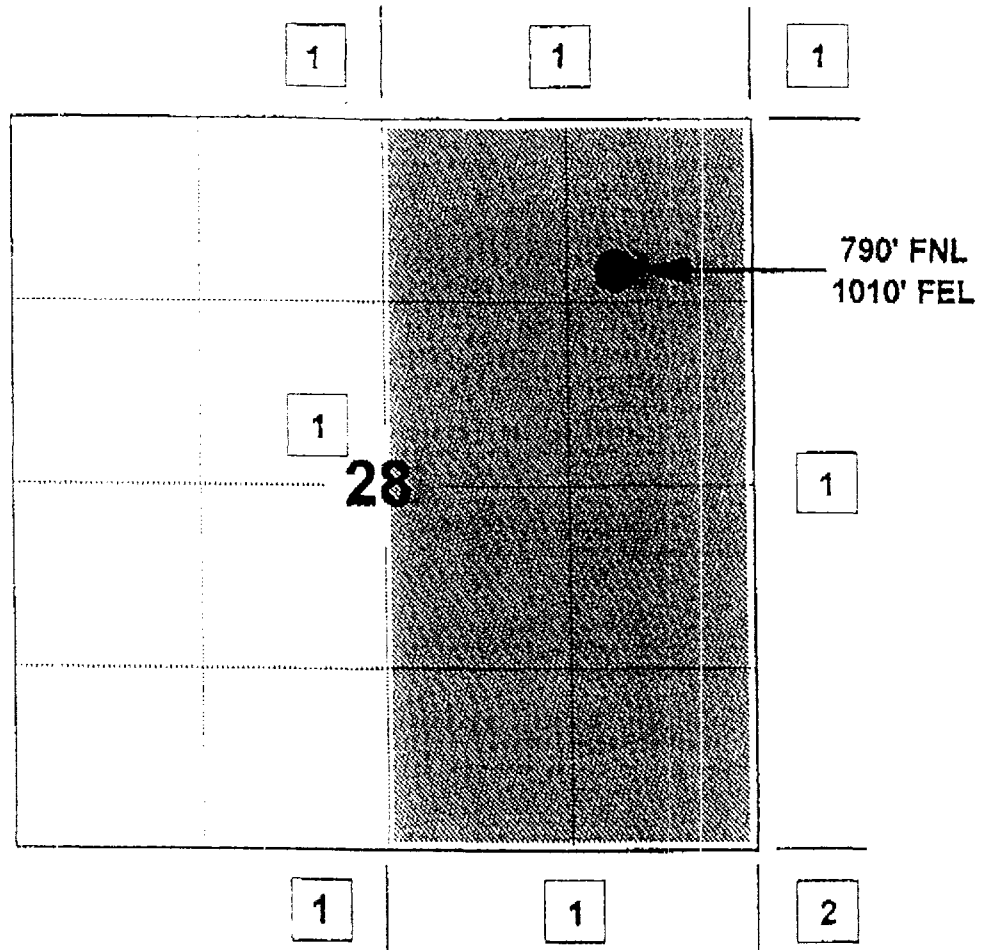
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Robert Andrew Wiedemer Trust 930 W. Forest Drive, Houston, 77079

James Ivy Wiedemer Trust " "

John David Wiedemer Trust " "

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Conoco Inc.
Attn: Steve Klein
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Midland, TX 79705

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Austin, TX 78759

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Julie Ann Antweil Trust
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Albuquerque, NM 87111

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El Paso, TX 79902

Royalty Owner:

U.S.A.

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

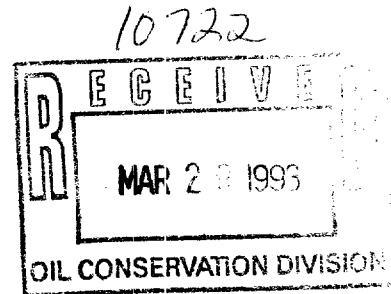
TELEFAX (505) 982-2047

JASON KELLAHIN (RETIRED 1991)

March 29, 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: Application of Meridian Oil, Inc.
for a Downhole Commingling,
San Juan County, New Mexico
McAdams #500 Well

Dear Mr. LeMay:

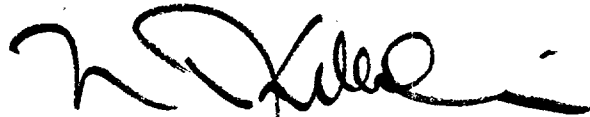
On behalf of Meridian Oil, Inc. please find enclosed our Application for downhole commingling as referenced above, which we request be set for hearing on the next available Examiner's docket now scheduled for April 22, 1993.

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 the Division Memorandum 2-90 all parties appearing in this case are requested to file a Pre-Hearing Statement with the Division no later than 4:00 p.m. on Friday, April 16, 1993.

Mr. William J. LeMay
March 29, 1993
Page 2

Also enclosed is our suggested advertisement for
this case.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over a horizontal line.

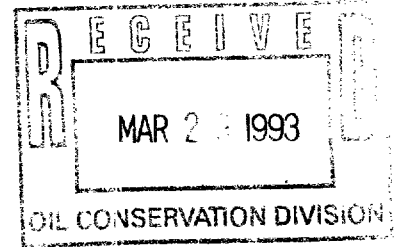
W. Thomas Kellahin

WTK/lam
Enclosures

cc: with Enclosures
Alan Alexander - Meridian Oil Inc.

By Certified Mail - Return Receipt
All Parties Listed on Exhibits B, C & D of
Application

ltr329b.330

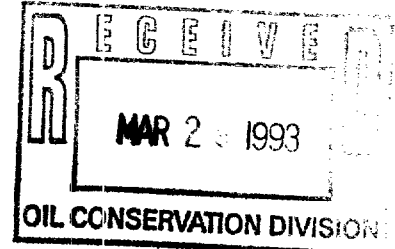


PROPOSED ADVERTISEMENT

Case 10722: Application of Meridian Oil Inc. for downhole commingling, San Juan County, New Mexico. Applicant seeks approval to downhole commingle Fulcher Kutz-Pictured Cliffs Gas Pool and the Basin-Fruitland Coal Gas Pool production within the wellbore of its proposed McAdams #500 Well to be drilled at a standard gas well location 790 feet FNL and 1010 feet FEL, (Unit A) Section 28, T27N, R10W, NMPM, San Juan County, New Mexico. Said well is to be dedicated a standard 320-acre gas spacing unit for the Basin-Fruitland Coal Gas Pool being E/2 of Section 28 and to a standard 160-acre gas spacing unit for the Fulcher Kutz-Pictured Cliffs Gas Pool being the NE/4 of Section 28. The well is located approximately 13 miles south from Bloomfield, 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
SAN JUAN COUNTY, NEW MEXICO.

CASE: 10722

A P P L I C A T I O N

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In support of its application, Meridian states:

(1) Meridian is the operator for the proposed McAdams #500 Well to be drilled at a standard gas well location 790 feet FNL and 1010 feet FEL (Unit A), Section 28, T27N, R10W, NMPM, San Juan County, New Mexico as shown on Exhibit "A" attached.

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

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(5) The ownership in each of the two spacing units is not common between these two pools.

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

1. That drilling the McAdams #500 Well initially for downhole commingling in the wellbore is necessary because it is not otherwise economic to attempt to drill and complete a separate well for Pictured Cliffs gas production nor is it economic to attempt to dually complete those formations in the proposed well.

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

3. That while the ownership in each of the two spacing units is not common between the two pools, no impairment of correlative rights will occur.

4. 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.

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

- (7) That the Pictured Cliffs formation in this area of the basin should be marginally productive and cannot be economically produced unless it is done so by downhole commingling that production.

(8) Meridian has selected to drill the proposed well in the NE/4 instead of the SE/4 of Section 28 because that location appears to have a greater opportunity for a successful Fruitland formation well.

(9) In addition, the NE/4 of Section 28 is a standard location for a Fruitland Coal Gas Well while the SE/4 is an unorthodox location.

(10) 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.

(11) Applicant requests that this matter be docketed for hearing on the Division's Examiner docket now scheduled for April 22, 1993.

(12) Copy of this application has been sent to all offsetting operators and to the owners of interests in the affected production within the two spacing units as set forth on Exhibits B, C and D.

WHEREFORE Applicant requests that this matter be set for hearing on April 22, 1993 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

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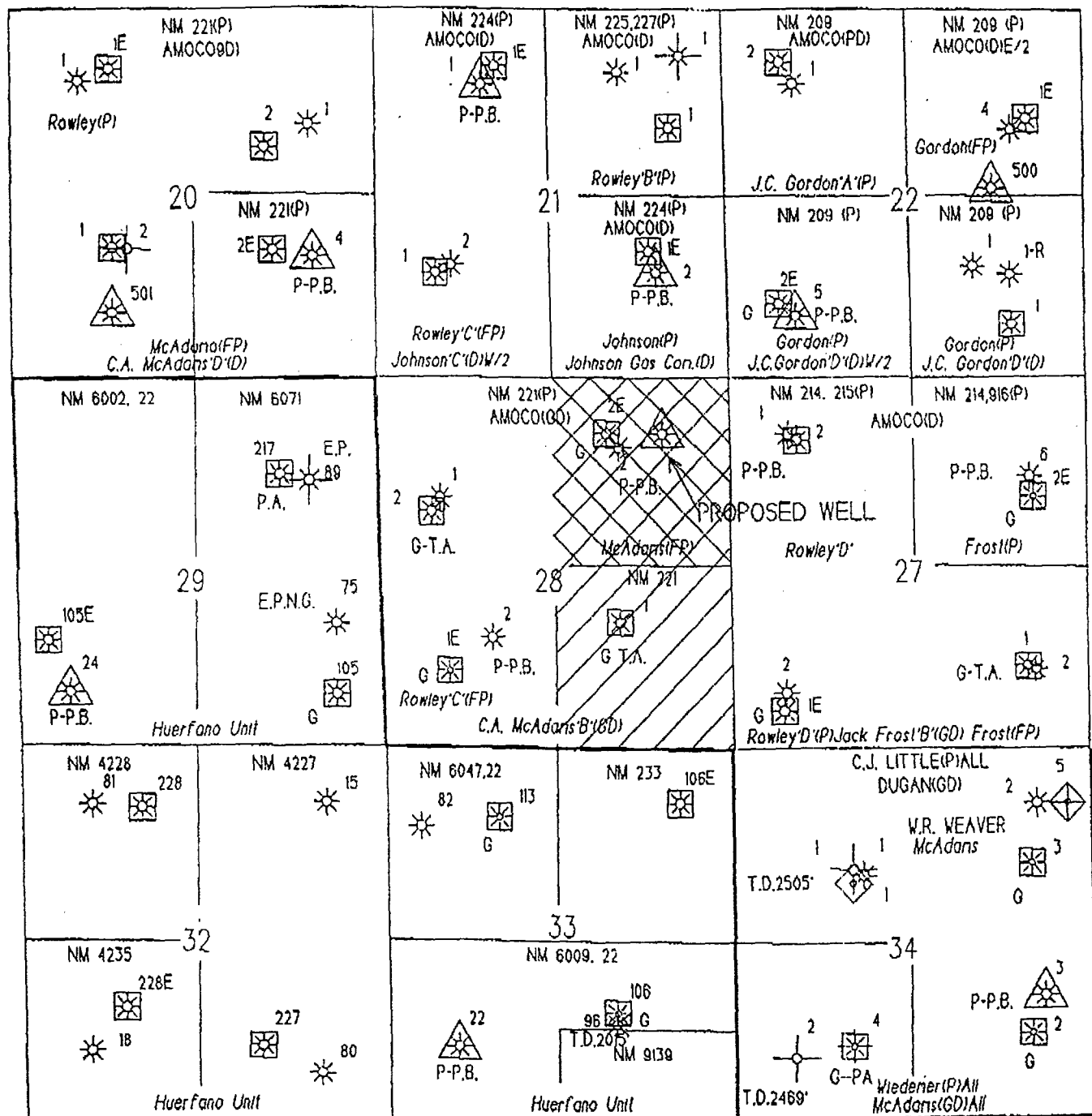
W. Thomas Kellahin
KELLAHIN and KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87501
(505) 982-4285
Attorneys for Applicant

MERIDIAN OIL INC.

MCADAMS # 500 WELL

790'FNL, 1010'FEL

SECTION 28-27N-10W



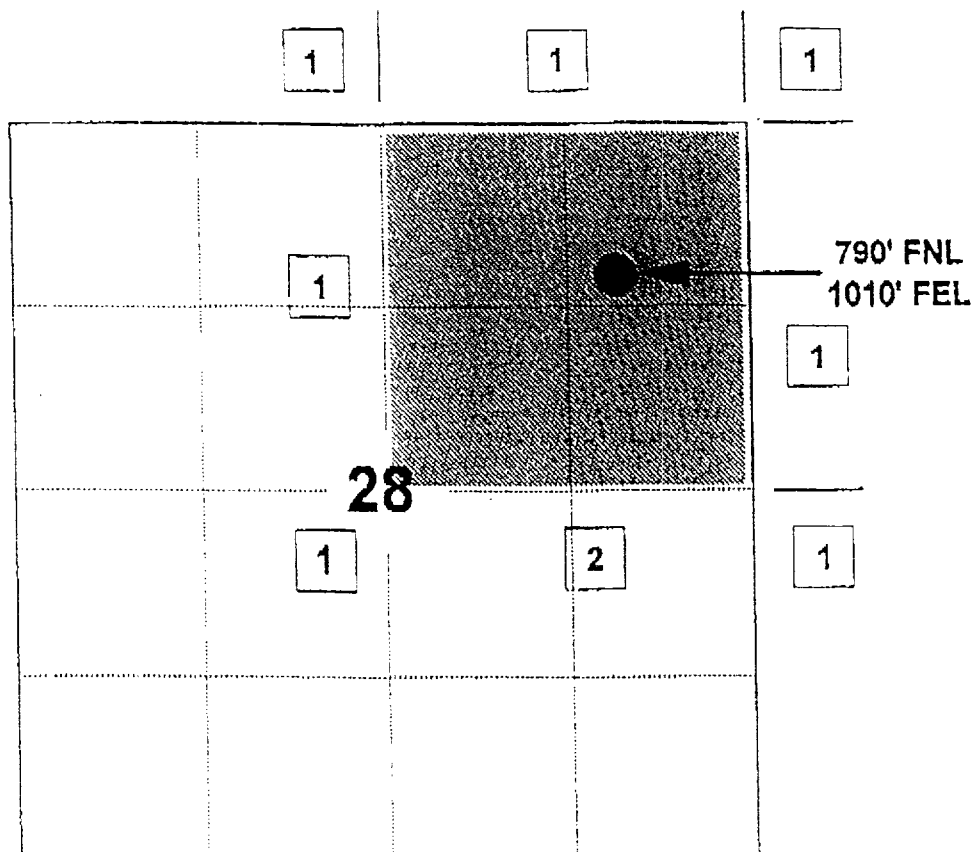
MERIDIAN OIL INC

OFFSET OPERATOR \ OWNER PLAT

McADAMS #500

Fruitland Coal \ Pictured Cliffs Formations Commingle

Township 27 North, Range 10 West



1) Meridian Oil Inc

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P.O. Box 800, Denver, CO 80202

Conoco, Inc.

10 Desta Dr., Suite 100W, Midland, TX 79705-4500

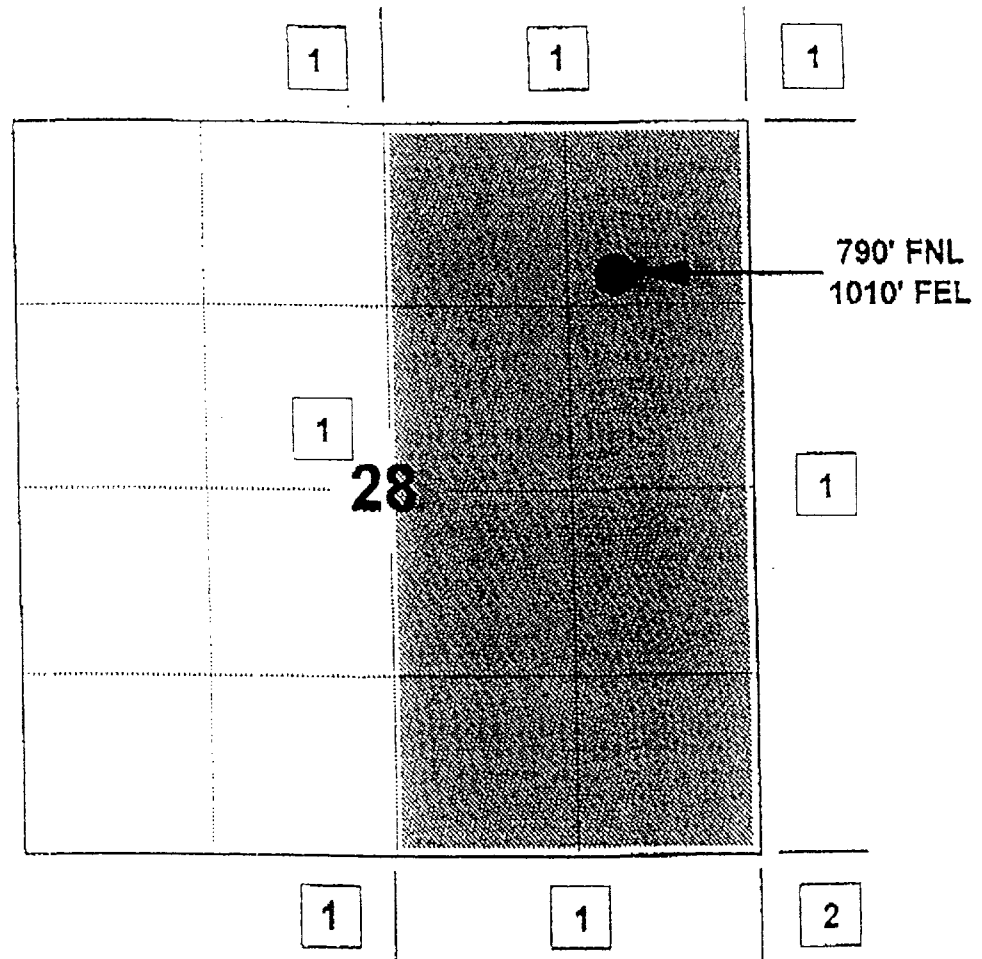
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Fruitland Coal \ Pictured Cliffs Formations Commingle

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1) Meridian Oil Inc

2) Curtis J. Little

PO Box 1258, Farmington, NM 87499

John P. Wiedemer

PO Box 19392, Houston, TX 77024

Robert Andrew Wiedemer Trust

930 W. Forest Drive, Houston, 77079

James Ivy Wiedemer Trust

" "

John David Wiedemer Trust

" "

MCADAMS #500 (FC & PC)

Working Interest Owners:

Amoco Production Company
P.O. Box 800
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Conoco Inc.
Attn: Steve Klein
10 Desta Drive West
Midland, TX 79705

El Paso Production Company
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Farmington, NM 87401

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