

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

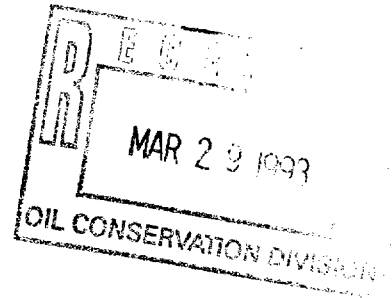
March 29, 1993

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

10725

RE: Application of Meridian Oil, Inc.
for an Unorthodox Gas Well Location
and Downhole Commingling,
San Juan County, New Mexico
Rhodes C #102 Well



Dear Mr. LeMay:

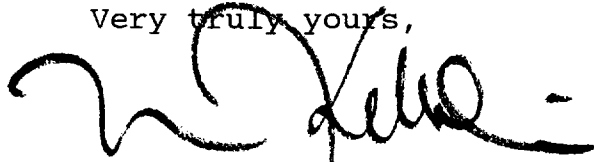
On behalf of Meridian Oil, Inc. please find enclosed our Application for an unorthodox gas well location and downhole commingling as referenced above, which we request be set for hearing on the next available Examiner's docket now scheduled for April 22, 1993.

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.

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Also enclosed is our suggested advertisement for
this case.

Very truly yours,

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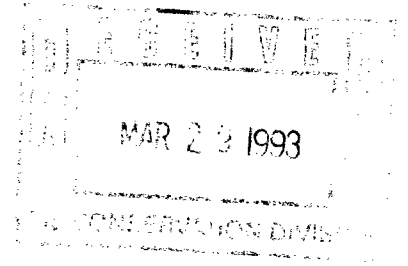
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WTK/lam
Enclosures

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

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

lrr329d.330



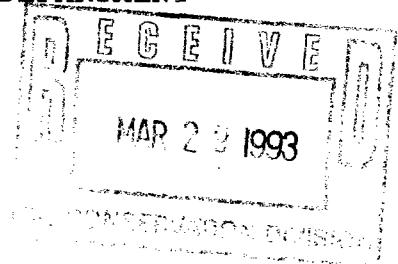
PROPOSED ADVERTISEMENT

Case _____: **Application of Meridian Oil Inc. for an unorthodox gas well location and downhole commingling, San Juan County, New Mexico.** Applicant seeks approval to downhole commingle West Kutz-Pictured Cliffs Gas Pool and the Basin-Fruitland Coal Gas Pool production within the wellbore of its proposed Rhodes C #102 Well to be drilled at an unorthodox gas well location for the West Kutz-Pictured Cliffs Gas Pool being 790 feet FNL and 1950 feet FEL, (Unit B) Section 31, T28N, R11W, NMPM, San Juan County, New Mexico. Said well is to be dedicated a standard 317.85-acre gas spacing unit for the Basin-Fruitland Coal Gas Pool being N/2 equivalent of Section 31 and to a standard 160-acre gas spacing unit for the West Kutz-Pictured Cliffs Gas Pool being the NE/4 of Section 31. The well is located approximately 7 miles south from Bloomfield, New Mexico.

10725

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: 10725

APPLICATION OF MERIDIAN OIL INC.
FOR AN UNORTHODOX GAS WELL LOCATION
AND DOWNHOLE COMMINGLING
SAN JUAN COUNTY, NEW MEXICO.

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 West Kutz-Pictured Cliffs Gas Pool and the Basin-Fruitland Coal Gas Pool production within the wellbore of its proposed Rhodes C #102 Well to be drilled at an unorthodox gas well location for the West Kutz-Pictured Cliffs Gas Pool being 790 feet FNL and 1950 feet FEL, (Unit B) Section 31, T28N, R11W, NMPM, San Juan County, New Mexico. The N/2 equivalent of Section 31 is to be dedicated to the subject well forming a standard 317.85-acre gas spacing unit for the Basin-Fruitland Coal Gas Pool. The NE/4 of Section 31 is to be dedicated to the subject well forming a standard 160-acre gas spacing unit for the West Kutz-Pictured Cliffs Gas Pool.

In support of its application, Meridian states:

(1) Meridian is the operator for the proposed Rhodes C #102 Well to be drilled at an unorthodox gas well location 790 feet FNL and 1950 feet FEL (Unit B), Section 31, T28N, R11W, NMPM, San Juan County, New Mexico as shown on Exhibit "A" attached.

(2) Said location is an unorthodox gas well location for the West Kutz-Pictured Cliffs Gas Pool being only 690 feet from the west side of its spacing unit rather than the required 790 feet from the outer boundaries of the spacing units for that pool.

(3) The T. L. Rhodes "C" Lease consists of all of Section 30 and the N/2 equivalent of Section 31, T28N, R11W, NMPM, with all of the interest owners (royalty, working and overriding riding royalty) being common.

(4) While the proposed well location is unorthodox pursuant to Division rules, it only encroaches upon offsetting spacing units which have ownerships identical to the subject spacing unit and therefore correlative rights will not be impaired.

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

(6) The N/2 equivalent of Section 31, being 317.85 acres, is to be dedicated to any production from the Basin-Fruitland Coal Gas Pool which is spaced on 320-acre gas spacing units.

(7) The NE/4 of Section 31 is to be dedicated to any production from the West Kutz-Pictured Cliffs Gas Pool which is spaced on 160-acre gas spacing units.

(8) The ownership is common between these two spacing units.

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

1. That drilling the Rhodes C #102 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 either Fruitland Coal Gas or 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 the ownership in each of the two spacing units is common between the two pools and 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.

(10) That both the Fruitland Coal formation and the Pictured Cliffs formations 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.

(11) Meridian has selected to drill the proposed well in the NE/4 instead of the NW/4 of Section 31 because that location appears to have a greater opportunity for a successful although marginal Fruitland formation well.

(12) In addition, the NE/4 of Section 31 is a standard location for a Fruitland Coal Gas Well while the NW/4 is an unorthodox location.

(13) 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.

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

Application of Meridian Oil, Inc.
Page 4

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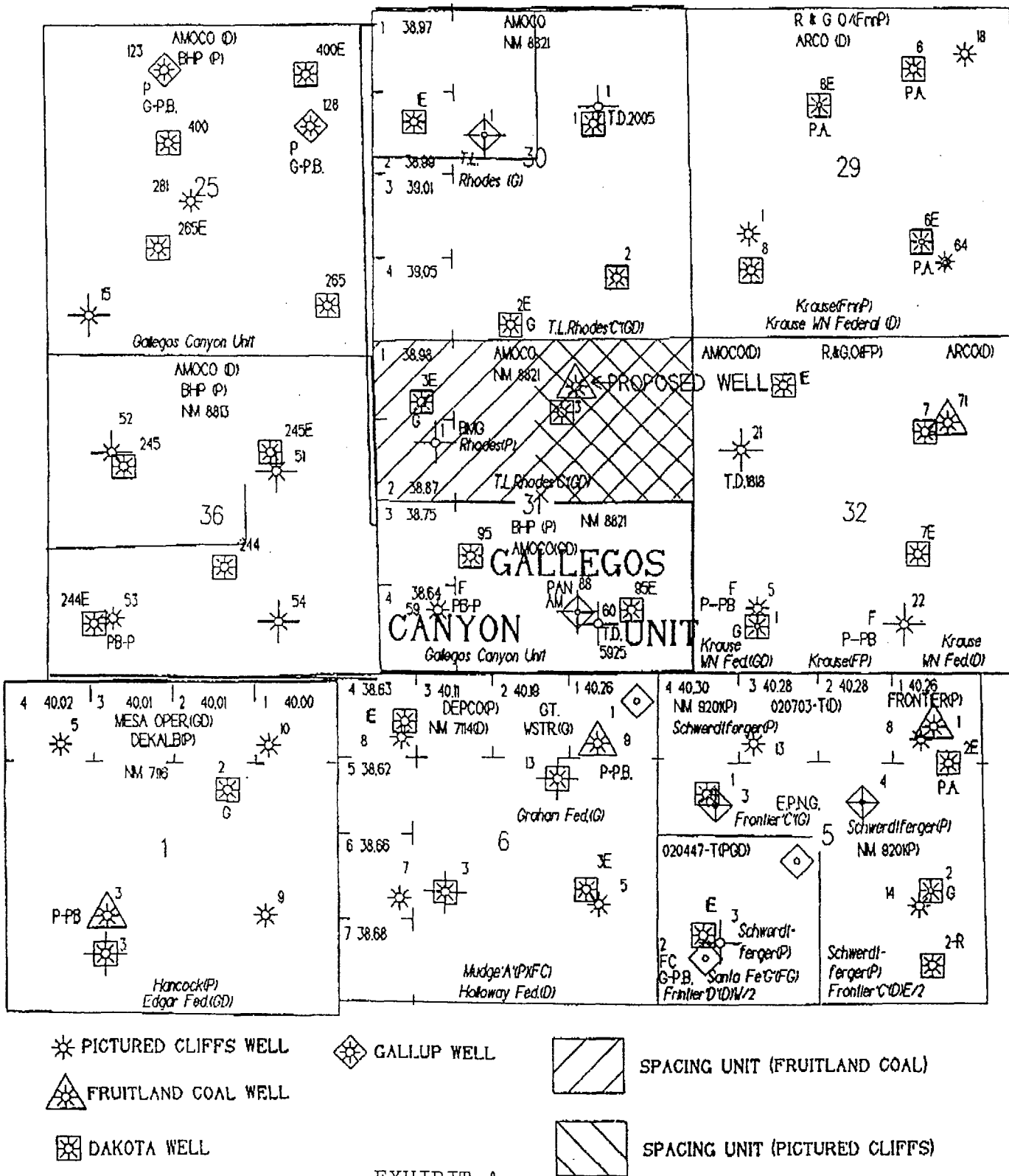
WHEREFORE Applicant requests that this matter be set for hearing on April 22, 1993 before a duly appointed Examiner of the Oil Conservation Division and that after notice and hearing as required by law, the Division enter its order granting this application.

Respectfully submitted

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

MERIDIAN OIL INC.
RHODES C # 102
790'FNL,1950'FEL
SECTION 31-28N-11W



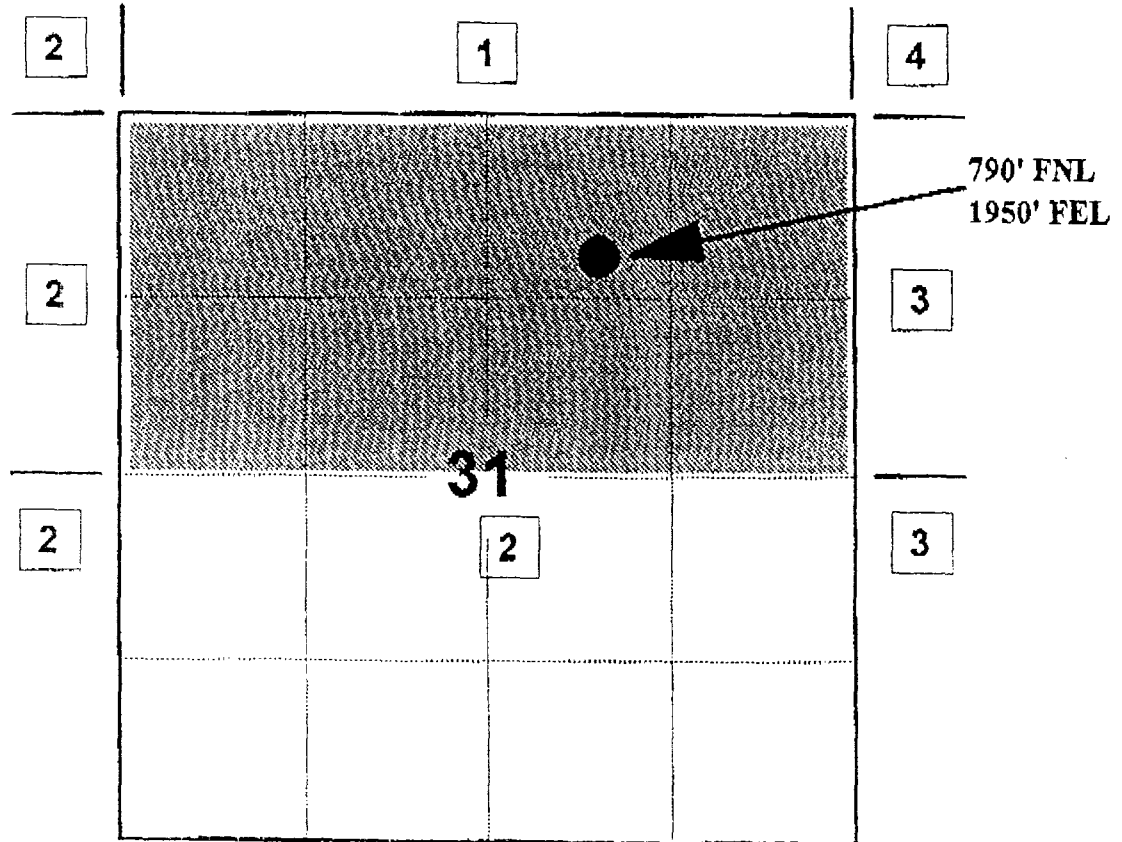
MERIDIAN OIL INC

RHODES C #102

OFFSET OPERATOR \ OWNER PLAT

Fruitland Coal / Pictured Cliffs Formation Commingle

Township 28 North, Range 11 West



- | | |
|-----------------------------|--------------------------------------|
| 1) Meridian Oil Inc | |
| 2) Amoco Production Company | PO Box 800, Denver, CO 80202 |
| 3) R & G Drilling Co, Inc. | PO Box 158, Thousand Palms, CA 92276 |
| M & G Drilling Co | PO Box 2560, Palms Springs, CA 92263 |
| 4) Amoco Production Company | |
| Conoco, Inc | 10 Desta Drive West, Midland, TX |
| M & G Drilling Co | |
| R & G Drilling Co, Inc. | |

Exhibit B

Fruitland Coal Formation

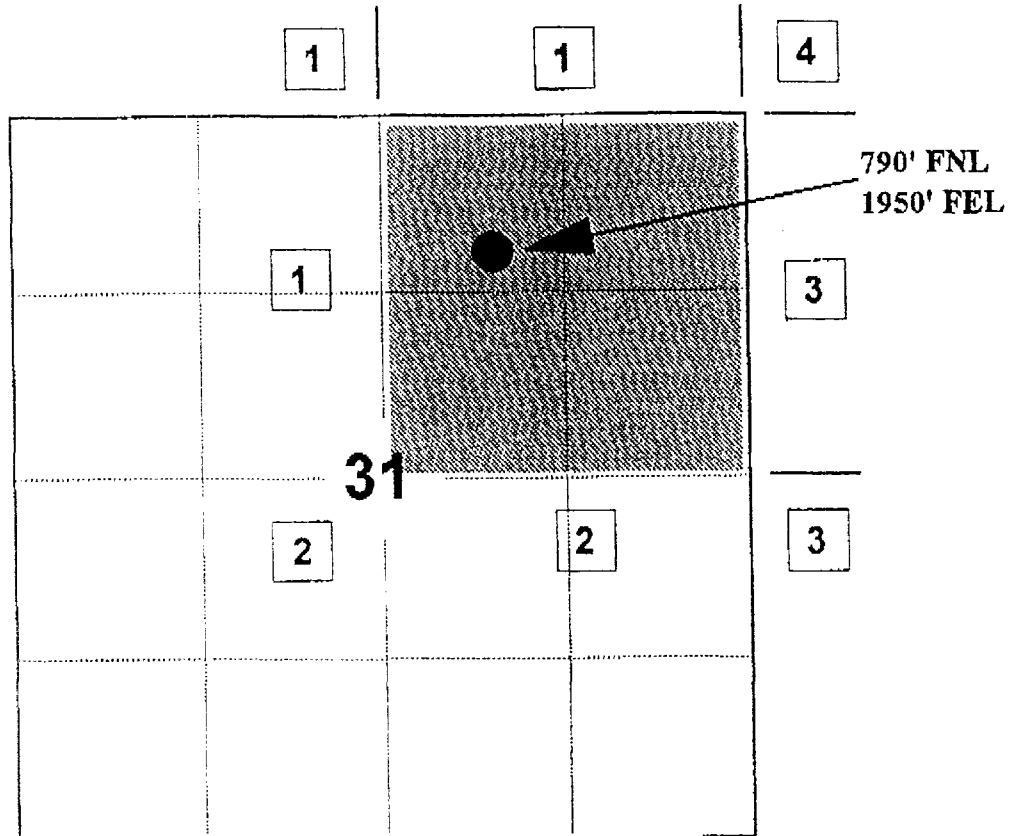
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10 Desta Drive West, Midland, TX

M & G Drilling Co

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Exhibit C

Pictured Cliffs Formation

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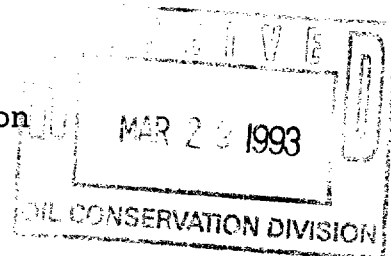
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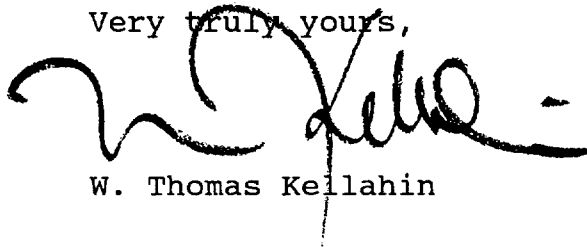
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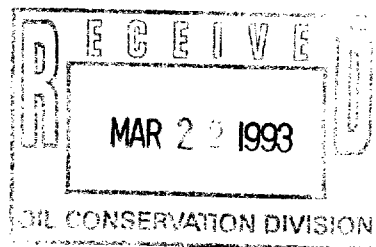
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ltr329d.330

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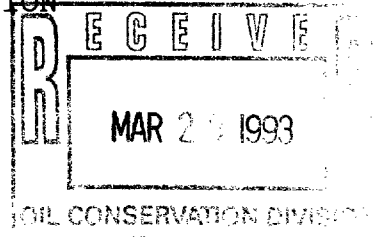
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ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
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IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
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CONSIDERING:



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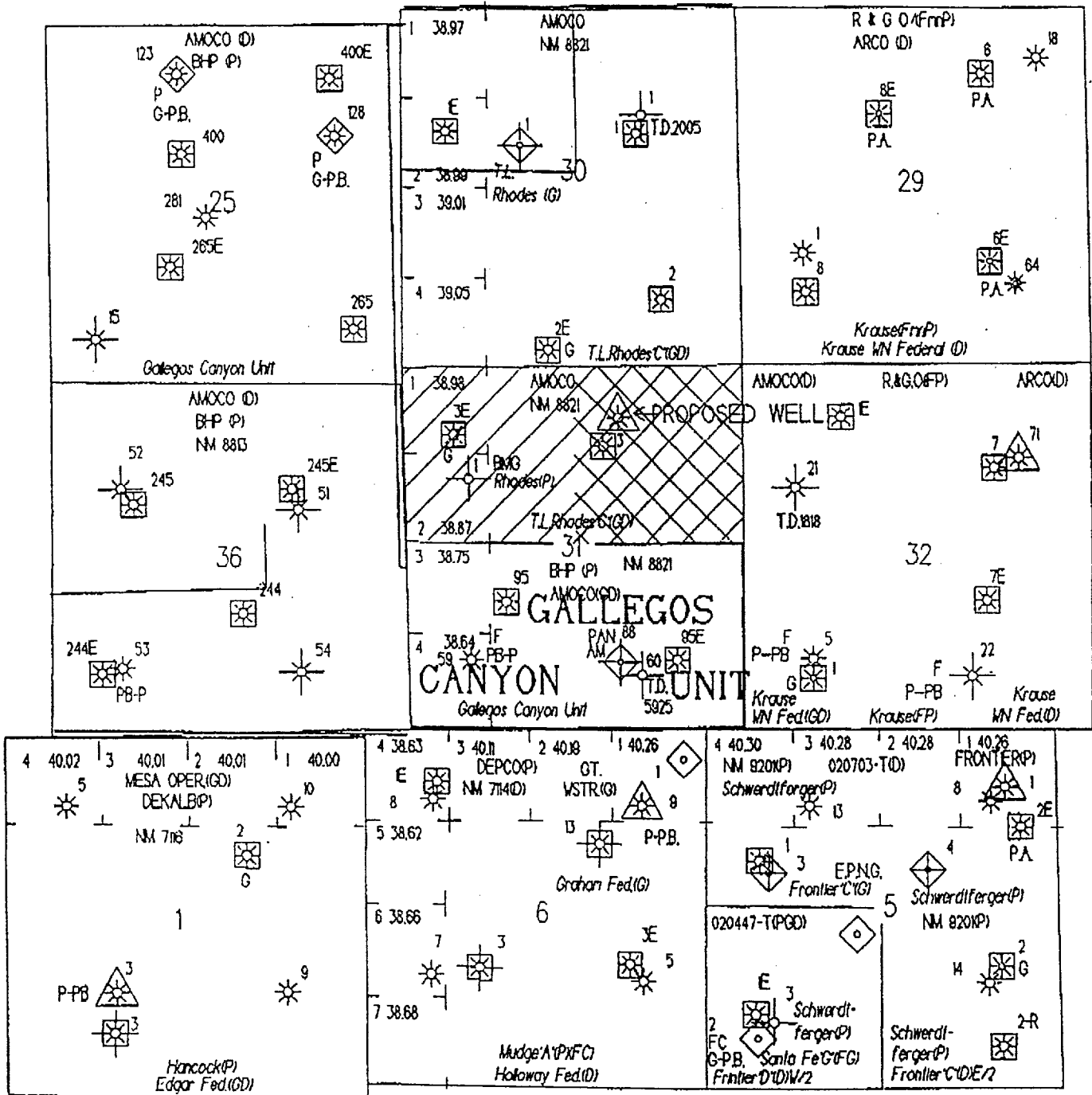
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MERIDIAN OIL INC.
RHODES C # 102
790'FNL,1950'FEL
SECTION 31-28N-11W



PICTURED CLIFFS WELL
 FRUITLAND COAL WELL
 DAKOTA WELL

GALLUP WELL

SPACING UNIT (FRUITLAND COAL)

SPACING UNIT (PICTURED CLIFFS)

EXHIBIT A

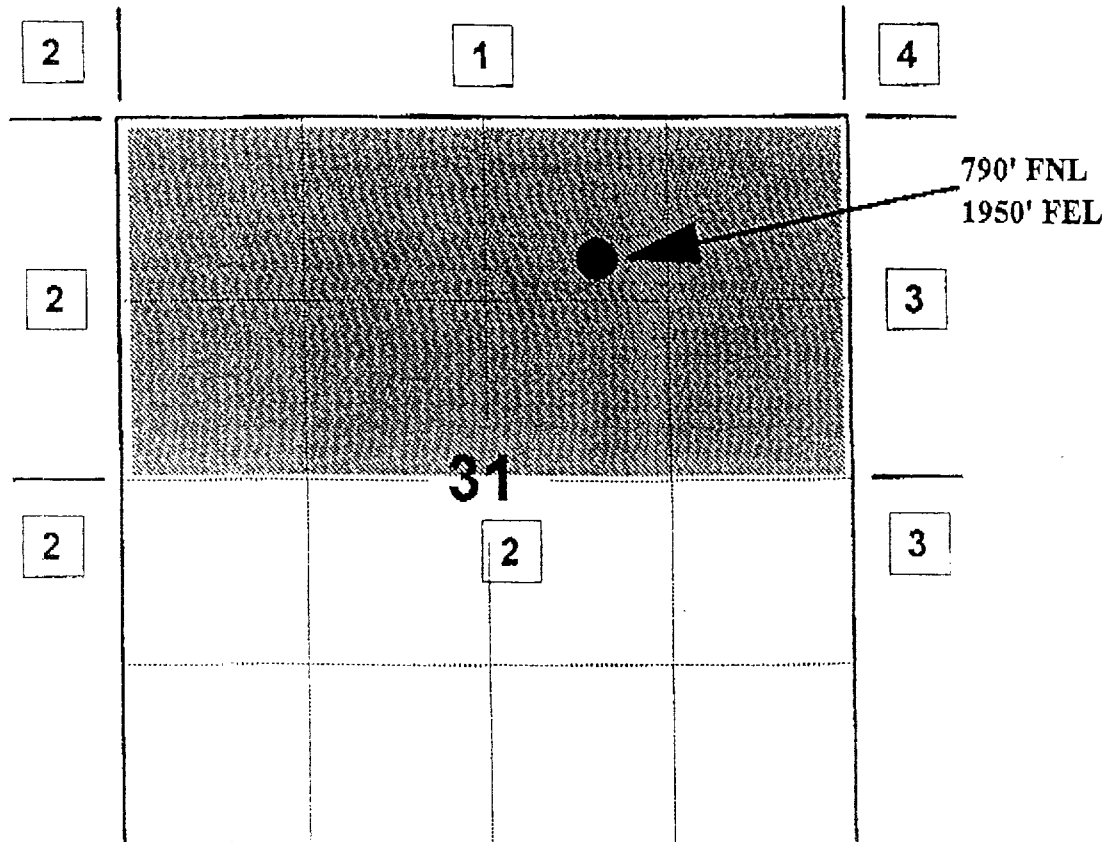
MERIDIAN OIL INC

RHODES C #102

OFFSET OPERATOR \ OWNER PLAT

Fruitland Coal / Pictured Cliffs Formation Commingle

Township 28 North, Range 11 West



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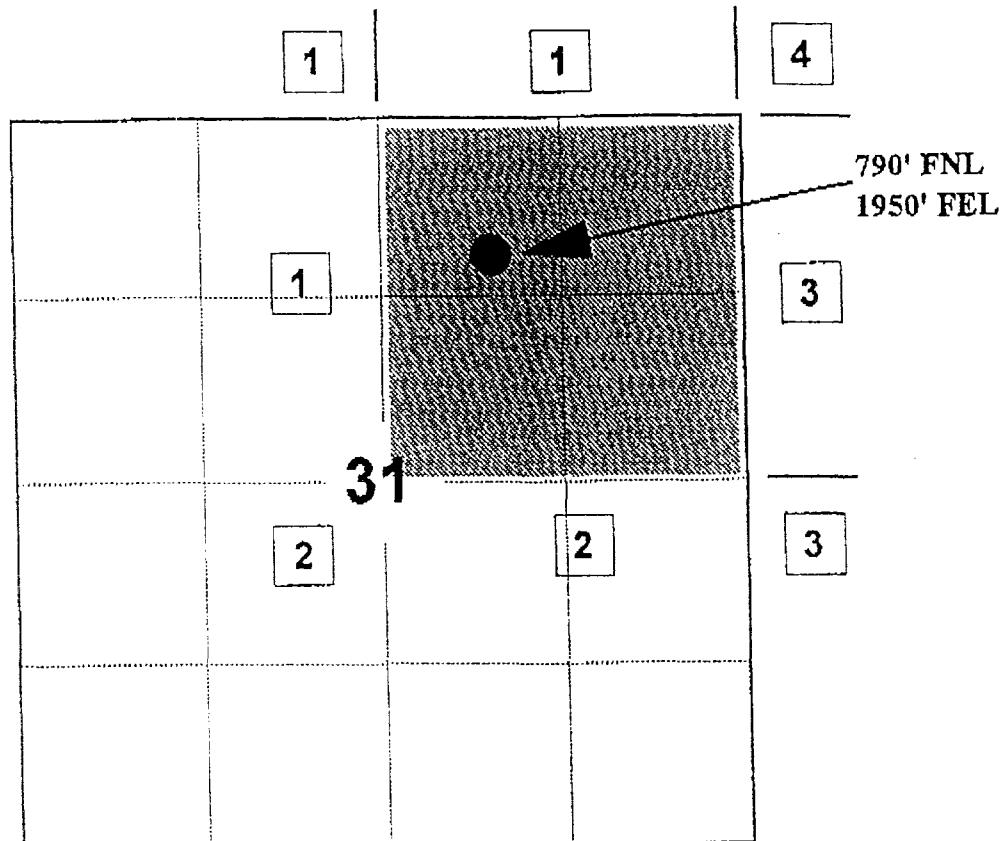
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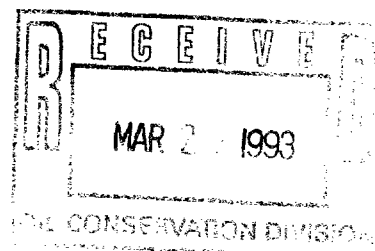
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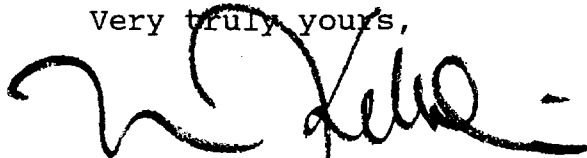
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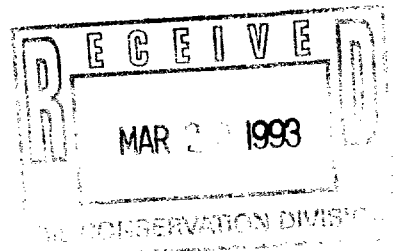
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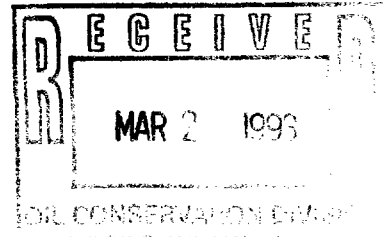
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Comes now MERIDIAN OIL INC., ("Meridian") by and through its attorneys Kellahin and Kellahin, and applies to the New Mexico Oil Conservation Division for approval to downhole commingle West Kutz-Pictured Cliffs Gas Pool and the Basin-Fruitland Coal Gas Pool production within the wellbore of its proposed Rhodes C #102 Well to be drilled at an unorthodox gas well location for the West Kutz-Pictured Cliffs Gas Pool being 790 feet FNL and 1950 feet FEL, (Unit B) Section 31, T28N, R11W, NMPM, San Juan County, New Mexico. The N/2 equivalent of Section 31 is to be dedicated to the subject well forming a standard 317.85-acre gas spacing unit for the Basin-Fruitland Coal Gas Pool. The NE/4 of Section 31 is to be dedicated to the subject well forming a standard 160-acre gas spacing unit for the West Kutz-Pictured Cliffs Gas Pool.

In support of its application, Meridian states:

(1) Meridian is the operator for the proposed Rhodes C #102 Well to be drilled at an unorthodox gas well location 790 feet FNL and 1950 feet FEL (Unit B), Section 31, T28N, R11W, NMPM, San Juan County, New Mexico as shown on Exhibit "A" attached.

Application of Meridian Oil, Inc.

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(2) Said location is an unorthodox gas well location for the West Kutz-Pictured Cliffs Gas Pool being only 690 feet from the west side of its spacing unit rather than the required 790 feet from the outer boundaries of the spacing units for that pool.

(3) The T. L. Rhodes "C" Lease consists of all of Section 30 and the N/2 equivalent of Section 31, T28N, R11W, NMPM, with all of the interest owners (royalty, working and overriding riding royalty) being common.

(4) While the proposed well location is unorthodox pursuant to Division rules, it only encroaches upon offsetting spacing units which have ownerships identical to the subject spacing unit and therefore correlative rights will not be impaired.

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

(6) The N/2 equivalent of Section 31, being 317.85 acres, is to be dedicated to any production from the Basin-Fruitland Coal Gas Pool which is spaced on 320-acre gas spacing units.

(7) The NE/4 of Section 31 is to be dedicated to any production from the West Kutz-Pictured Cliffs Gas Pool which is spaced on 160-acre gas spacing units.

(8) The ownership is common between these two spacing units.

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

1. That drilling the Rhodes C #102 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 either Fruitland Coal Gas or 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 the ownership in each of the two spacing units is common between the two pools and 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.

(10) That both the Fruitland Coal formation and the Pictured Cliffs formations 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.

(11) Meridian has selected to drill the proposed well in the NE/4 instead of the NW/4 of Section 31 because that location appears to have a greater opportunity for a successful although marginal Fruitland formation well.

(12) In addition, the NE/4 of Section 31 is a standard location for a Fruitland Coal Gas Well while the NW/4 is an unorthodox location.

(13) 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.

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

Application of Meridian Oil, Inc.
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(15) Copy of this application has been sent to all offsetting operators to the two spacing units as set forth on Exhibits B and C.

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.

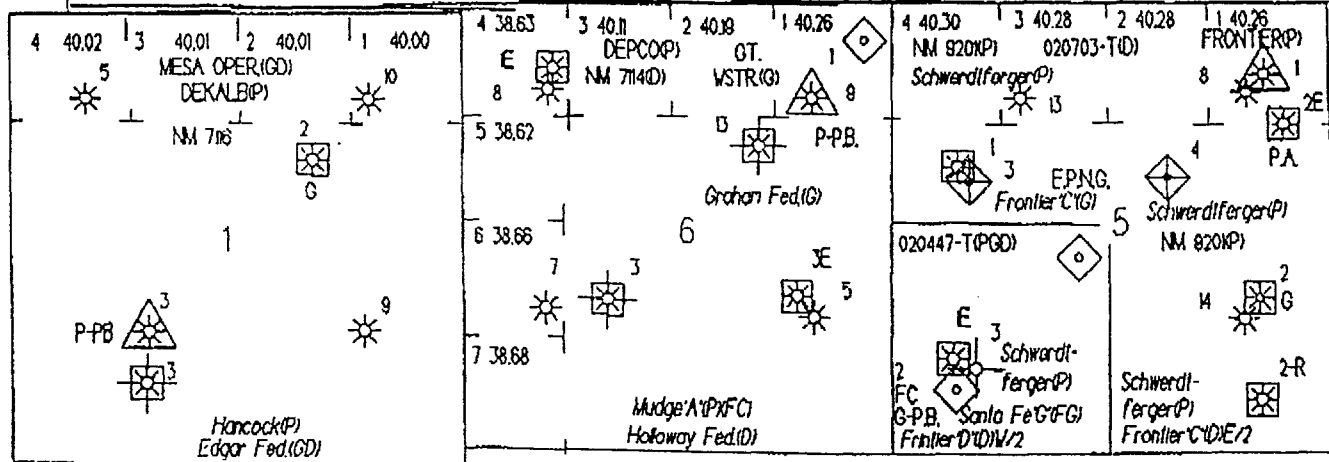
Respectfully submitted

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

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

The map displays the following well data and features:

- Top Left Section:**
 - Well 123: AMOCO (D), B-P (P), 400E, 128, 400, 281, 25, 265E, 265.
 - Well 15: Gallejos Canyon Unit.
- Top Middle Section:**
 - Well 1: 38.97, AMOCO NM 8821, 30, 38.89, 39.01, Rhodes (G), 39.05, 2E, G, T.L. Rhodes (G), 2.
- Top Right Section:**
 - Well 6: R & G O (FmP), ARCO (D), 6, PA, 29, 8E, PA, 1, 8, 6E, 64, PA, Krause Fm (P), Krause WN Fed (D).
- Middle Left Section:**
 - Well 52: AMOCO (D), B-P (P), NM 8813, 245, 245E, 51, 36, 244, 24E, 53, PB-P, 54.
- Middle Right Section:**
 - Well 7: AMOCO (D), R & G (FmP), ARCO (D), 7, 71, 21, T.D. 1818, 32, 7E, 22, Krause Fm (P), Krause WN Fed (D).
- Bottom Middle Section:**
 - Well 95: 38.87, 38.75, B-P (P), NM 8821, 59, PB-P, 60, T.D. 5925, 85E, 5025, GALLEGOS CANYON UNIT, Gallejos Canyon Unit.
- Bottom Right Section:**
 - Well 5: 38.64, 59, PB-P, 60, T.D. 5925, 85E, 5025, GALLEGOS CANYON UNIT, Gallejos Canyon Unit.



- SPACING UNIT (PICTURED CLIFFS)

EXHIBIT A

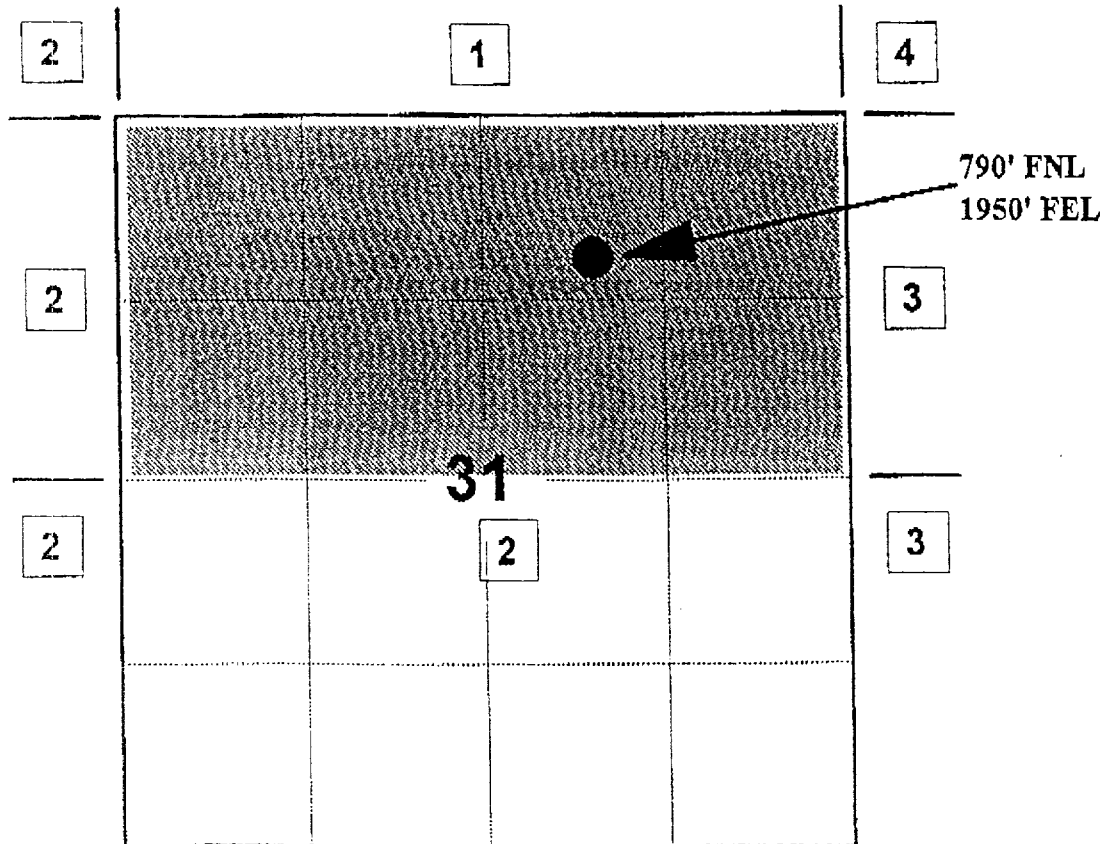
MERIDIAN OIL INC

RHODES C #102

OFFSET OPERATOR \ OWNER PLAT

Fruitland Coal / Pictured Cliffs Formation Commingle

Township 28 North, Range 11 West



1) Meridian Oil Inc

2) Amoco Production Company

PO Box 800, Denver, CO 80202

3) R & G Drilling Co, Inc.

PO Box 158, Thousand Palms, CA 92276

M & G Drilling Co

PO Box 2560, Palms Springs, CA 92263

4) Amoco Production Company

Conoco, Inc

10 Desta Drive West, Midland, TX

M & G Drilling Co

R & G Drilling Co, Inc.

Exhibit B

Fruitland Coal Formation

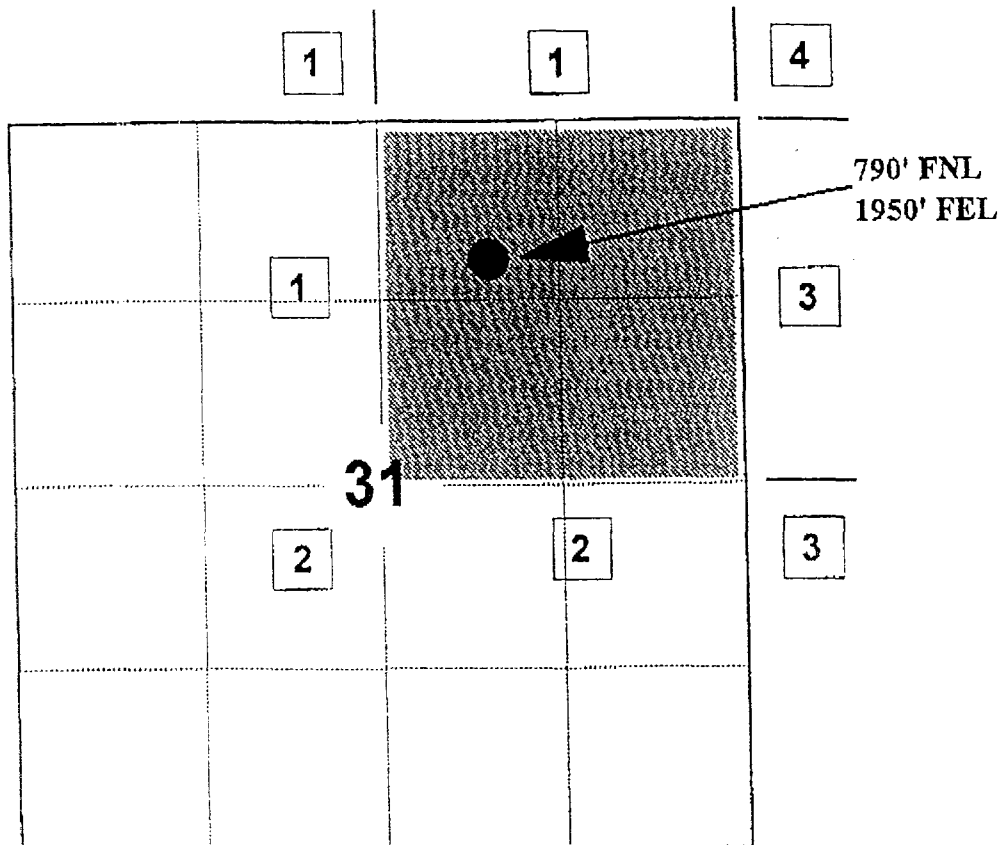
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Exhibit C

Pictured Cliffs Formation