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W. THOMAS KELLAHIN*

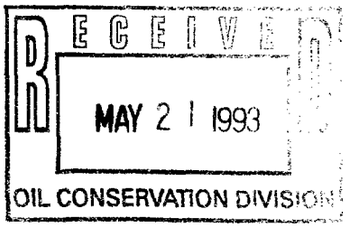
*NEW MEXICO BOARD OF LEGAL SPECIALIZATION RECOGNIZED SPECIALIST IN THE AREA OF NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

May 21, 1993

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

HAND DELIVERED 10743



RE: Application of Meridian Oil Inc. for Downhole Commingling and for an Administrative Downhole Commingling Procedure within the Allison Unit Area, San Juan County, New Mexico

Dear Mr. LeMay:

On behalf of Meridian Oil Inc., please find enclosed our above-referenced application which we request be set for hearing on the Examiner's docket now scheduled for June 17, 1993. Also enclosed is our proposed notice for publication for this case.

By copy of this letter, including the application, to all affected parties, we are hereby notifying them by certified mail-return receipt requested, that they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examine witnesses either in support of or in opposition to the application. 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, June 11, 1993.

Very truly yours,

W. Thomas Kellahin

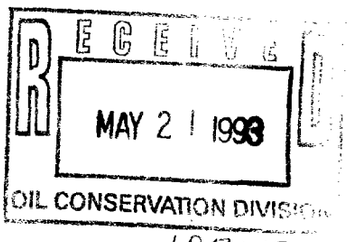
cc: w/ enclosure
Alan Alexander - Meridian Oil Inc.
BY CERTIFIED MAIL-RETURN RECEIPT REQUESTED
All parties listed on Exhibits C & D of the Application

SUGGESTED ADVERTISEMENT FOR OCD

10743

CASE------: Application of Meridian Oil Inc. for downhole commingling and for an administrative downhole commingling procedure within the Allison Unit area, San Juan County, New Mexico. Applicant seeks approval to commingle gas production from the Blanco-Mesaverde Gas Pool and the Basin-Dakota Gas Pool within the wellbore to be drilled for Unit Well #9R, to be located in Unit (G) E/2 equivalent of Section 13, T32N, R7W, NMPM with the 320-acre spacing and proration unit for both pools to be dedicated the E/2 equivalent of said Section 13. In addition, the Applicant seeks the adoption of an administrative procedure for authorizing the downhole commingling of Mesaverde and Dakota production in the wellbores of existing and subsequently drilled wells within the Allison Unit area without hearing and without the requirement of notice to any offsetting operator and without the requirement that each interest owner in the Mesaverde and Dakota Participating Area be notified of such commingling. The Allison Unit is located in portions of Sections 7, 8, 9, 16-22, 28-31, T32N, R6W, and in portions of Sections 9-16, 23-26, T32N, R7W, NMPM. Said unit is located approximately 4.2 miles south of Allison, Colorado.

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: 10743

APPLICATION OF MERIDIAN OIL INC.
FOR DOWNHOLE COMMINGLING AND FOR
AN ADMINISTRATIVE DOWNHOLE
COMMINGLING PROCEDURE FOR THE
ALLISON 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 of an administrative procedure for the Allison Unit to downhole commingle production from the Blanco Mesaverde Gas Pool and the Basin Dakota Gas Pool within the Allison Unit with the initial well for downhole commingling being:

Allison Unit Well #9R, located 1720 feet FNL and 1655 feet FEL, (Unit G) Section 13, T32N, R7W, NMPM, with a 320-acre spacing unit consisting of the E/2 equivalent of Section 13 and being a new well to be drilled and commingled with the Mesaverde and the Dakota formations all in San Juan County, New Mexico and in support thereof would state:

(1) Meridian Oil Inc. is the operator of the Allison Unit which includes all vertical intervals within the unit boundary. Said unit is "undivided" as to all working interest owners but is a "divided" unit for royalty and overriding royalty interest owners which results in different royalty participating areas for production from various pools.

(2) The Allison Unit contains 13,774.22 acres and is located in portions of Sections 7, 8, 9, 16-22, 28-31, T32N, R6W, and in portions of Sections 9-16, 23-26, T32N, R7W, NMPM. all as set forth in Division Order R-24, attached as Exhibit A.

(3) The current Dakota Royalty Participating Area for the Unit is described as follows:

T32N, R6W (New Mexico)
Section 17: E/2
Sections 18-19: All

T32N R6W (Colorado)
Section 19: All
Section 20: W/2, W/2E/2

T32N, R7W (New Mexico)
Section 9: E/2, E/2W/2
Sections 10-15 & 24: All
Section 16: E/2
Section 23: N/2, SE/4
Section 25: N/2

T32N, R7W (Colorado)
Section 23: E/2E/2
Section 24: All

(4) The current Mesaverde Royalty Participating Area for the Unit is described as follows:

T32N, R6W (New Mexico)
Section 7: All
Sections 17-19: All
Sections 16, 20, 21 & 28: W/2

Sections 28-30: All

T32N, R6W (Colorado)
Sections 19-20: All

T32N, R7W (New Mexico)
Sections 10-15 & 24: All
Section 9: E/2 & E/2W/2
Section 16: E/2
Section 23: N/2 & SE/4
Section 25: N/2
Section 26: NE/4

T32N, R7W (Colorado)
Section 23: E/2E/2
Section 24: All

(5) Meridian as unit operator proposes to drill Unit Well #9R as a new well for downhole commingled gas-gas well between the Blanco Mesaverde Gas Pool and Basin Dakota Gas Pool. See Exhibit "B" attached.

(6) Section 13 contains 640-acres but is of irregular shape due to governmental survey. The proposed E/2 equivalent of Section 13 spacing and proration unit will contain 320-acres and is "standard" for each pool. See Exhibit "B" attached.

(7) Both the Blanco Mesaverde Gas Pool and the Basin Dakota Gas Pool are spaced on spaced on 320 acre gas spacing and the spacing unit for the well is identical for both pools.

(8) Applicant further seeks an administrative procedure for obtaining further downhole commingling approvals for Mesaverde and Dakota wells within the Allison Unit without notice hearing and without the requirement that each interest owner in the Mesaverde and Dakota Royalty Participating Areas be notified of such commingling.

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

1. That the commingling is necessary to permit the most efficient means for the remaining recovery of both Dakota and Mesaverde gas within the unit.

2. That in each instance, either Dakota production or the Mesaverde production will be of such low productivity that it cannot be economically produced unless it is downhole commingled with the other.

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

4. That while the ownership is each of the two participating areas is not common between the two pools, no impairment of correlative rights will occur.

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

(10) Applicant seeks the approval of an allocation formula for the equitable distribution of production between the two pools based upon separate production tests of each zone prior to commingling.

(11) The Royalty (royalty and overriding royalty) Ownership between the Mesaverde participating area and the Dakota participating area in the Allison Unit is not identical and accordingly, applicant seeks the approval of the Division after notice and hearing.

(12) Applicant requests that this matter be docketed for hearing on the Division's Examiner docket now scheduled for June 17, 1993.

(13) Copy of this application has been sent to all offsetting operators (See Exhibit "C") and to the owners of interests in the affected production within the Allison Unit for the Mesaverde royalty participating area owners and for the Dakota royalty participating area owners (See Exhibit "D").

WHEREFORE Applicant requests that this matter be set for hearing on June 17, 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,

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

ALLISON UNIT

San Juan County, New Mexico.

Order No. R-24, Approving the Allison Unit, San Juan County, New Mexico, Heard June 14, 1950.

The application of Amerada Petroleum Corporation for an order for final approval of the Allison Unit Agreement embracing lands located as described in the application in Township 32 North, Range 6 West, and Township 32 North, Range 7 West, NMPM, San Juan County, New Mexico, and other lands located in the State of Colorado, all containing 13,774.22 acres.

CASE NO. 224
Order No. R-24

ORDER OF THE COMMISSION

BY THE COMMISSION: This cause coming on for hearing at 10:00 o'clock a.m., on the 14th day of June, 1950 before the Oil Conservation Commission pursuant to notice heretofore duly given by said Commission;

The Commission having heard and considered testimony adduced at said hearing, being fully advised in said premises:

FINDS: That the Allison Unit Plan will in principle tend to promote the conservation of oil and gas, and a prevention of waste;

IT IS THEREFORE ORDERED: That the order herein shall be known as the:

"ALLISON UNIT AGREEMENT ORDER"

SEC. 1. (a) That the Unit herein shall be known as the Allison Unit Agreement, and shall hereinafter be referred to as the Unit.

(b) That the plan by which the unit shall be operated shall be embraced in the form of unit agreement for the development and operation of the Allison Unit Area referred to in the petitioner's petition and filed with said petition, and such plan shall be known as the Allison Unit Agreement Plan.

SEC. 2. That the Allison Unit Agreement Plan shall be and is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said Unit Agreement, this approval of said agreement shall not be considered as waiving or relinquishing in any manner any rights, duties or obligations which are now or may hereafter be vested in the New Mexico Oil Conservation Commission by law relative to the supervision and control of operations for exploration and development of any lands committed to said Allison Unit Agreement or relative to the production of oil and gas therefrom.

SEC. 3. (a) That the Unit Area shall be:

NEW MEXICO PRINCIPAL MERIDIAN

Township 32 North, Range 6 West, N.M.P.M., New Mexico — **Acres**

Sec.	7:	Lots 1, 2, 3, 4, 5, 6, 7; SE/4 NW/4 E/2 SW/4; S/2 NE/4; SE/4 (All)	549.74
"	8:	Lots 1, 2, 3, 4; S/2 N/2; S/2	554.82
"	9:	SW/4	160.00
"	16:	W/2	320.00
"	17:	All	640.00
"	18:	Lots 1, 2, 3, 4; E/2 W/2; E/2 (All)	637.82
"	19:	Lots 1, 2, 3, 4; E/2 W/2; E/2 (All)	636.83
"	20:	All	640.00
"	21:	W/2	320.00
"	28:	W/2	320.00
"	29:	All	640.00
"	30:	Lots 1, 2, 3, 4; E/2 W/2; E/2 (All)	634.42
"	31:	Lot 1; NE/4 NW/4; NE/4; N/2 SE/4	318.39

Township 32 North, Range 7 West, N.M.P.M., New Mexico.

Sec.	9:	Lots 1, 2, 3; SE/4; E/2 SW/4	298.15
"	10:	Lots 1, 2, 3, 4; S/2 (Fractional, All)	397.56
"	11:	Lots 1, 2, 3, 4; S/2 (Fractional, All)	398.25
"	12:	Lots 1, 2, 3, 4; S/2 (Fractional, All)	399.00
"	13:	All	640.00
"	14:	All	640.00
"	15:	All	640.00
"	16:	E/2	320.00
"	23:	NW/4; E/2	480.00
"	24:	All	640.00
"	25:	NW/4; N/2 NE/4 S/2 NE/4	320.00
"	26:	NE/4	160.00

Township 32 North, Range 6 West, N.M.P.M., Colorado — **Acres**

Sec.	19:	Fractional, All	450.68
"	20:	Lots 1, 2, 3, 4; S/2 N/2; N/2 NE/4; N/2 NW/4 (Fractional, All)	448.96
"	21:	Lots 1, 2, 3, 4; S/2 N/2; NW/4 NW/4	328.40
"	22:	Lots 1, 2, 3, 4; SW/4 NE/4; S/2 NW/4	246.24

Township 32 North, Range 7 West, N.M.P.M., Colorado

Sec.	23:	Lot 1; E/2 NE/4	119.60
"	24:	Fractional, All	475.36
		TOTAL ACRES	13,774.22

(b) The above reference to land in the State of Colorado shall not be construed as any attempt on the part of this Commission to exercise jurisdiction over such lands.

(c) The Unit Area may be enlarged or diminished as provided in said Plan.

SEC. 4. That the Unit operator shall file with the Commission an executed original, or executed counterparts thereof, of the Allison Unit Agreement not later than 30 days after the effective date thereof.

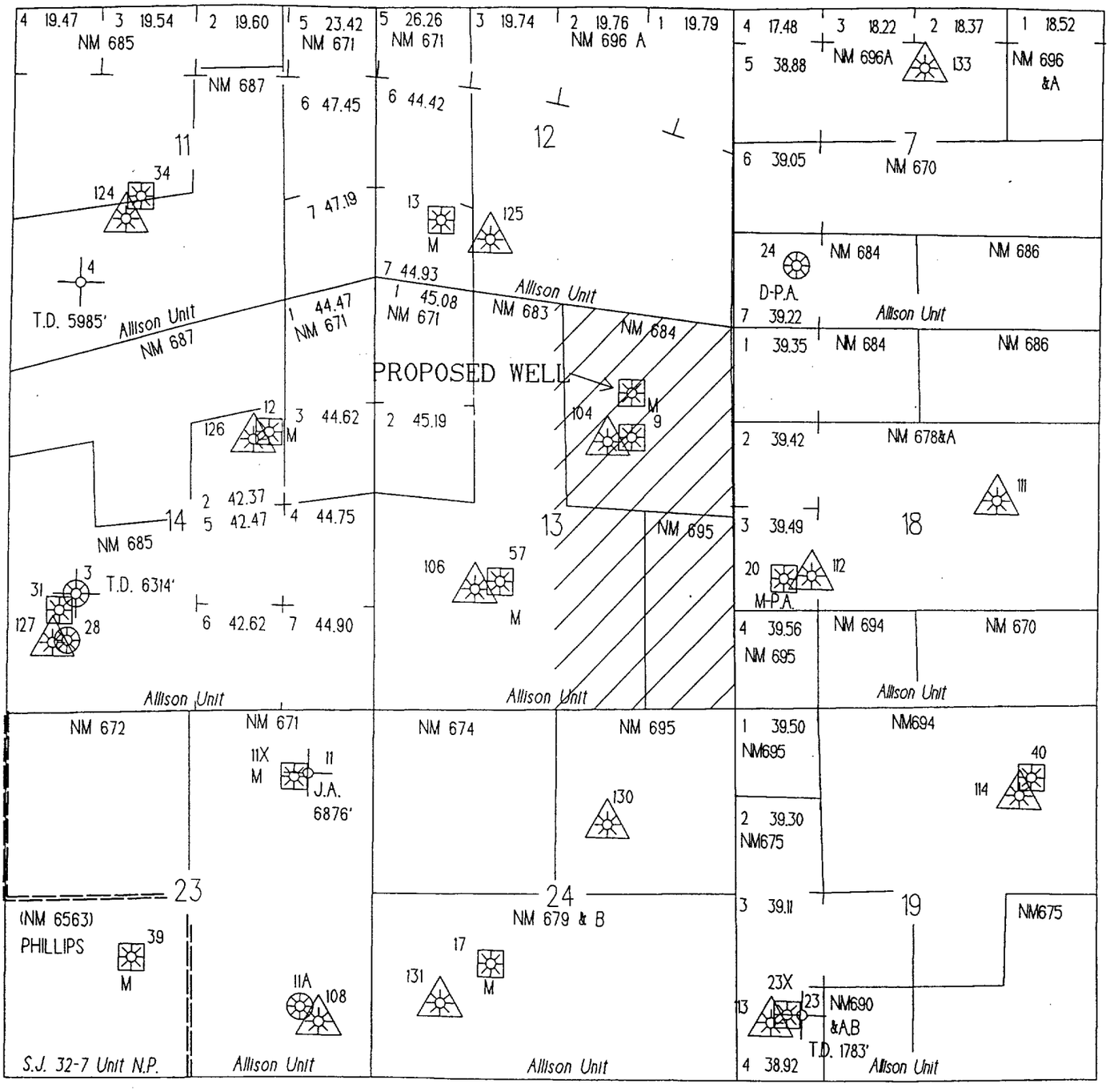
SEC. 5. That any party owning rights in the unitized substances who does not commit such rights to said Unit Agreement before the effective date thereof may thereafter become a party thereto by subscribing to such Agreement or a counterpart thereof. The Unit Operator shall file with the Commission within 30 days an original of any such counterpart.

SEC. 6. That the order herein shall become effective on the first day of thhe calendar month next following the approval of Commissioner of Public Lands and the Secretary of the Interior and shall terminate ipso facto on the termination of said Unit Agreement. The last Unit Operator shall immediately notify the Commission in writing of such termination.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

Exhibit "A"

ALLISON UNIT #9R WELL
MESAVERDE/DAKOTA DUAL COMPLETION
SECTION 13-32N-7W



FRUITLAND COAL WELL

MESAVERDE WELL

DAKOTA WELL

SPACING UNIT

Exhibit "D"

MERIDIAN OIL INC

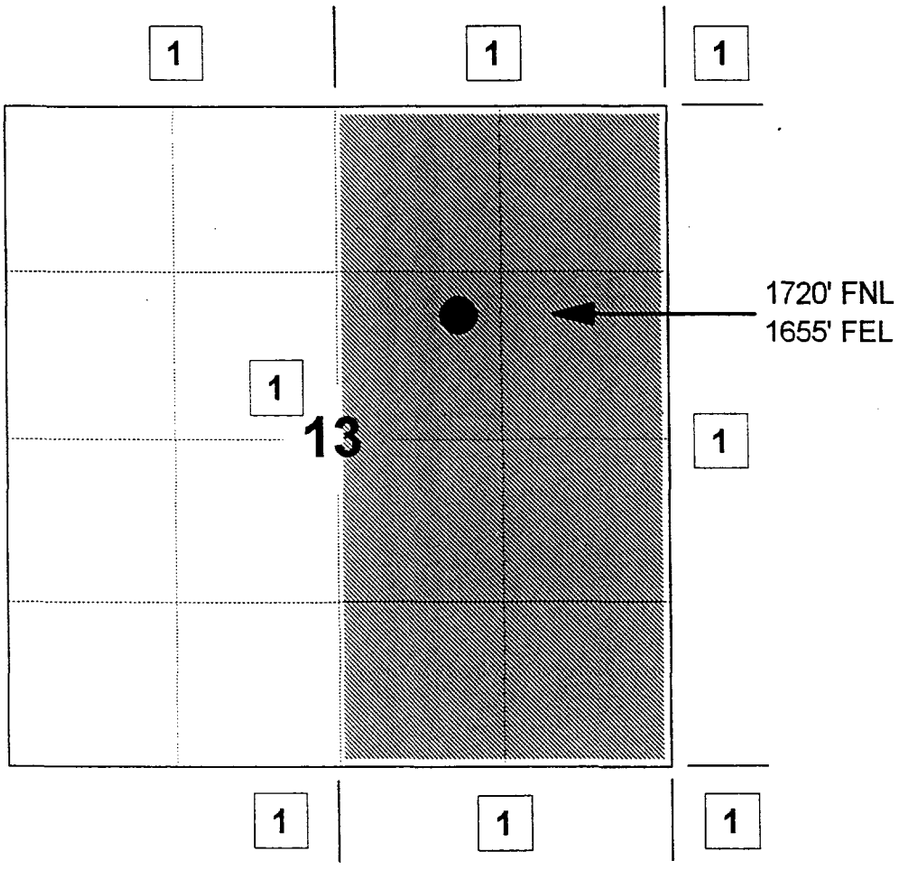
Allison Unit #9R

OFFSET OPERATOR \ OWNER PLAT

Mesaverde/Dakota Commingle Well Application

SW/NE Section 13

Township 32 North, Range 7 West



1) Meridian Oil Inc., Operator Allison Unit, 3535 East 30th St., P.O. Box 4289, Farmington, New Mexico 87499-4289.

EXHIBIT "C"

(2) The Allison Unit contains 13,774.22 acres and is located in portions of Sections 7, 8, 9, 16-22, 28-31, T32N, R6W, and in portions of Sections 9-16, 23-26, T32N, R7W, NMPM. all as set forth in Division Order R-24, attached as Exhibit A.

(3) The current Dakota Royalty Participating Area for the Unit is described as follows:

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T32N, R7W (New Mexico)
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Section 16: E/2
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T32N, R7W (Colorado)
Section 23: E/2E/2
Section 24: All

(4) The current Mesaverde Royalty Participating Area for the Unit is described as follows:

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Sections 17-19: All
Sections 16, 20, 21 & 28: W/2

Sections 28-30: All

T32N, R6W (Colorado)
Sections 19-20: All

T32N, R7W (New Mexico)
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Section 23: N/2 & SE/4
Section 25: N/2
Section 26: NE/4

T32N, R7W (Colorado)
Section 23: E/2E/2
Section 24: All

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JEAN MCIVER OLLIS
HC 60 BOX 565
CABLE, WI 54821

Allison Unit

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CHARLES W MCCARTY TRUST
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ALBUQUERQUE, NM 87125

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MARY F ROBERTS
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Exhibit D

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CASTLE INC
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P 144 970 742
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WEST TERRE HAUTE, IN 47885

P 144 970 747
JUNE CLARK
7190 S 400 E
MARKLEVILLE, IN 46056

P 144 970 748
HAROLD BOYD
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TERRE HAUTE, IN 47808

P 144 970 749
MARGRET WIGGINS
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P 144 970 750
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P 144 970 758
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P 144 970 759
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P 144 970 780
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P 144 970 788
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P 144 970 789
MARY C MARTIN
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JOAN CONRY HAUPTMAN
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P 144 970 794
ROBERT S TATUM
C/O THE FIRST NATL BANK AGENT
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4046 COLUMBIA STREET
DES MOINES, IA 50313

P 144 970 799
SUZANNE CHAMBERS
1341 SQUIRES
ABILENE, TX 79602

P 144 970 800
MILDRED A WRIGHT TRSTE
P.O. BOX 15057
FARMINGTON, NM 87499

P 144 970 801
JOHN SCIESZINSKI
114 1/2 CLINTON
ALBIA, IA 52531

P 144 970 802
ERNEST REDFORD
111 NARA VISTA N W
ALBUQUERQUE, NM 87107

P 144 970 803
JOHN WILLIAM MCDONALD
1301 SUNNY HILL COURT
BETTENDORF, IA 52722

P 144 970 804
DAVID GRAHAM MCDONALD
1212 OFFICE PARK RD #11
W DES MOINES, IA 50265

P 144 970 805
HOWARD SWEARINGEN
RR 1 BOX 146A
JAMESTOWN, KS 66948

P 144 970 806
M D VAN DAVEER & LOIS VAN DAVEER
RT 2 BOX 129B
MILLER, MO 65907

P 144 970 807
WILLIAM L STACK
P O BOX 2753
KANSAS CITY, MO 64142

P 144 970 808
EDNA M WATT
400 HOLLAND DRIVE
BRODERICK, CA 95605

P 144 970 809
RUBY ROGERS
3104 E BROADWAY SP 108
MESA, AZ 85204

P 144 970 810
ALDA MULLEN
1084 GIRON CT SE
LOS LUNAS, NM 87031

P 144 970 811
BURTON C DUNN
1801 BROADWAY SUITE 400
DENVER, CO 80202

P 144 970 812
FLORENCE SWEARINGEN
ROUTE 1
JAMESTOWN, KS 66948

P 144 970 813
JULIA PAGE
PO BOX 610
LAWRENCE, KS 66044

P 144 970 814
JULIA PAGE LIFE ESTATE
PO BOX 610
LAWRENCE, KS 66044

P 144 970 815
FLORA JANE HOPKINS
2149 SAN ANSELINE AVE
LONG BEACH, CA 90815

P 144 970 816
STELLA E HERRELL
2704 MEADOW GREEN
BEDFORD, TX 76021

P 144 970 817
MARION L SWEARINGEN
2828 S E DOWNING
TOPEKA, KS 66605

P 144 970 818
LOUISE M RICHARDSON
1916 NORWOOD ST
INDEPENDENCE, MO 64052

P 144 970 819
SHERYL COLLINS
4016 SE MERCIER
TOPEKA, KS 66609

P 144 970 820
MARY A GARVIN
P O BOX 423
NORTHBORO, MA 01532

P 144 970 821
CRAIG COLLINS & SHERYL COLLINS
4016 SE MERCIER
TOPEKA, KS 66609

P 144 970 822
MICHELLE RHEE BRAUN
541 Q ST
LINCOLN, CA 95648

P 144 970 823
MICHAEL ROBERT MCLAUGHLIN
90 SKI RD
LIBBY, MT 59923

P 144 970 824
FRANK J MACHACEK
34 MANOR DRIVE PARK
BUHL, ID 83316

P 144 970 825
ERMA S REA HAFER
BOX 306
WEIPPE, ID 83553

P 144 970 826
MARIA TRUJILLO
1568 CR 327
IGNACIO, CO 81137

P 144 970 827
ELLIS BANK AND TRUST CO
P O BOX 1718
SARASOTA, FL 33578

P 144 970 828
ROSE SMITH
BOX 367
SHATTUCK, OK 73858

P 144 970 829
SHIRLEY M REA
1590 C R 328
IGNACIO, CO 81137

P 144 970 830
NELSON H MACKEY
ROUTE 2 BOX 126A
IGNACIO, CO 81137

P 144 970 831
HAROLD F PAYNE JR
PO BOX 1142
BAYFIELD, CO 81122

P 144 970 832
JERRY L YOUNG
PO BOX 421
IGNACIO, CO 81137

P 144 970 833
REX C REA
7793 BRENTWOOD COURT
ARVADA, CO 80005

P 144 970 834
CELESTINO R LOPEZ
P O BOX 90
IGNACIO, CO 81137

P 144 970 835
STELLA AGUIRRE
134 GLENN PL
PUEBLO, CO 81001

P 144 970 836
GLORIA WHITE
131 S SAN JUAN AVE
MONTROSE, CO 81401

P 144 970 837
THOMAS R GOULDING
22389 PUMA LN NE
POULSBO, WA 98370

P 144 970 838
DENNIS O SNODGRASS
1590 CR 328
IGNACIO, CO 81137

P 144 970 839
LOUIS M CUMMINS
PO BOX 1495
DURANGO, CO 81302

P 144 970 840
EARL A BARKER JR
155 RIVERVIEW DR
DURANGO, CO 81301

P 144 970 841
MARGARET WEDDLE
ROUTE 2 BOX 26
KAMIAH, ID 83536

P 144 970 842
I RENEE YOUNG PERS REP
WILLIAM H YOUNG ESTATE
940 9TH ST
IDAHO FALLS, ID 83401

P 144 970 843
ARCHIE DON YOUNG
2559 CO RD 329
IGNACIO, CO 81137

P 144 970 844
ROSE A HERRERA
1209 FEARNOW AVENUE
PUEBLO, CO 81101

P 144 970 845
HARVEY J BENNETT
19304 SE 145TH STREET
RENTON, WA 98056

P 144 970 846
LOIS A STANSELL
3896 CY ROAD 309A
IGNACIO, CO 81137

P 144 970 847
DEAN CLARK
723 MCMANNESS
FINDLAY, OH 45840

P 144 970 848
DONALD L REA
11108 STATE HIGHWAY 172
IGNACIO, CO 81137

P 144 970 849
DAVID HERRERA
1209 FEARNOW AVE
PUEBLO, CO 81101

P 144 970 850
DOROTHY HERRERA PACHECO
1209 FEARNOW AVE
PUEBLO, CO 81101

P 144 970 851
DONALD REA GOULDING
5061 RESERVOIR ROAD
GREENWOOD, CA 95635

P 144 970 852
MARIA LUCIA STEWART
11 APPALOOSA LN
BAYFIELD, CO 81121

P 144 970 853
VICTORIANO LEROY TRUJILLO
P O BOX 214
DURANGO, CO 81302

P 144 970 854
JOSE FERNANDO TRUJILLO
1568 COUNTY ROAD 327
IGNACIO, CO 81137

P 144 970 855
J ROBERT TRUJILLO
2005 RANCH DR
FARMINGTON, NM 87401

P 144 970 856
MARIA ELENA TRUJILLO
BOX 928
IGNACIO, CO 81137

P 144 970 857
JOSE MARGARITO TRUJILLO
1568 COUNTY ROAD 327
IGNACIO, CO 81137

P 144 970 858
MARIA TRUJILLO GUARDIAN FOR
MARIA ELIZA TRUJILLO A MINOR
1568 COUNTY ROAD 327
IGNACIO, CO 81137

P 144 970 859
MARGARET E CLARK
650 COUNTY RD 301
DURANGO, CO 81301

P 144 970 860
CHARLES D SELF & CAROLYN E
225 COUNTY RD 4020
IGNACIO, CO 81137

P 144 970 861
SHIRLEY SUTHERLIN
75 COUNTY ROAD 231
DURANGO, CO 81301

P 144 970 862
LEROY SELF
ROUTE #2 BOX 85
IGNACIO, CO 81137

P 144 970 863
IRENE REA
458 C RD 308
DURANGO, CO 81301

P 144 970 864
GEORGIA DITTMAR
912 EAST FIFTH AVE
DURANGO, CO 81301

P 144 970 865
RONALD L REA
1911 COMPANY ROAD 309 A
IGNACIO, CO 81137

P 144 970 866
STANLEY W POLLOCK
409 WEST 7TH ST
WINONA, MN 55987

P 144 970 867
MARY AGNES CHRISTENSEN
P O BOX 1853
ARBOLES, CO 81121

P 144 970 868
MARY B LOPEZ
335 COUNTY ROAD 328
IGNACIO, CO 81137

P 144 970 869
MARY AURORA ARCHULETA
379 COUNTY RD 326
IGNACIO, CO 81137

P 144 970 870
CHARLES R GOULDING
P O BOX 1034
BLACK CANYON CITY, AZ 85324

P 144 970 871
SHARON SMALL GIOTES
43443 NICHOLSON DRIVE
PORT ORFORD, OR 97465

P 144 970 872
MARIA ALACANTA ALBO
PO BOX 214
DURANGO, CO 81302

P 144 970 873
PINE RIVER VALLEY BANK
F/A/O RALPH E REA JR
PO BOX 500
BAYFIELD, CO 81122

P 144 970 874
JAMES A WISEMAN
3140 BRUNSWICK CIRCLE
PALM HARBOR, FL 34684

P 144 970 875
MARIA TRUJILLO GUARDIAN FOR
EVA DOLORES TRUJILLO A MINOR
1568 COUNTY ROAD 327
IGNACIO, CO 81137

P 144 970 876
FELICITA VELASQUEZ
P O BOX 434
IGNACIO, CO 81137

P 144 970 877
EARL L REA
ROUTE 1 1623 C R 309A
IGNACIO, CO 81137

P 144 970 878
EARL L REA AND PATRICIA J REA
1623 C R 309A
IGNACIO, CO 81137

P 144 970 879
DALE A YOUNG
975 SANDIA DRIVE
BOSQUE FARMS, NM 87068

P 144 970 880
BESSIE CRUZ LA VOLD
1209 FEARNOW AVENUE
PUEBLO, CO 81001

P 144 970 881
PATRICIO TRUJILLO
P O BOX 1744
BLOOMFIELD, NM 87413

P 144 970 882
RUBY J OLGUIN
3004 ESTRELLA BRILLANTE NW
ALBUQUERQUE, NM 87102

P 144 970 883
SHARLEEN DIANE HALL
RT 1 BOX 7034
ALVARADO, TX 76009

P 144 970 884
SUNWEST BANK OF ALBUQUERQUE
AGENT FOR EDITH R BRIGGS
PO BOX 26900
ALBUQUERQUE, NM 87125

P 144 970 885
LORENE MCLEOD
1624 ESCALANTE AVE SW
ALBUQUERQUE, NM 87104

P 144 970 886
ADDIE SWEARINGEN
1100 GEMINI CIRCLE
PORTALES, NM 88130

P 144 970 887
MYRA PALMER
1147 RUNNING SPRINGS RD 3
WALNUT CREEK, CA 94595

P 144 970 888
SUNWEST BANK OF ALBUQUERQUE
AGENT FOR WILLIAM C BRIGGS
PO BOX 26900
ALBUQUERQUE, NM 87125

P 144 970 889
SUNWEST BANK OF ALBUQUERQUE
AGENT FOR HERBERT R BRIGGS
PO BOX 26900
ALBUQUERQUE, NM 87125

P 144 970 890
CLIFFORD CAMPBELL
P O BOX 112
OURAY, CO 81427

P 144 970 891
LOUIS T FAVERINO
P O BOX 8
BLOOMFIELD, NM 87413

P 144 970 892
IRENE G PEDERSEN
288 ANIMAS DRIVE #5
DURANGO, CO 81301

P 144 970 893
GLENN FAVERINO
3262 CR 334
IGNACIO, CO 81137

P 144 970 894
BETTY J FAVERINO
1004 CIMMARON STREET
AZTEC, NM 87410

P 144 970 895
PATRICIA ANN CLARK
PO BOX 5350
DURANGO, CO 81301

P 144 970 896
SUNWEST BANK OF ALBUQUERQUE
AGENT FOR ROGER B NIELSON
PO BOX 26900
ALBUQUERQUE, NM 87125

P 144 970 897
SUNWEST BANK OF ALBUQUERQUE
CAROLYN NIELSON SEDBERRY
PO BOX 26900
ALBUQUERQUE, NM 87125

P 144 970 898
T H MCELVAIN JR
PO BOX 2148
SANTA FE, NM 87504

P 144 970 899
ROBERT FAVERINO
HCR 69 BOX 15
OLDFIELD, MO 65720

P 144 970 900
SUNWEST BANK OF ALBUQUERQUE
AGENT FOR C FRED LUTHY JR
PO BOX 26900
ALBUQUERQUE, NM 87125

P 144 970 901
SAMUEL THOMAS SMOUSE
BOX 93
FRUITLAND, NM 87416

P 144 970 902
REVAE MAE SMOUSE WELLS
6624 MOORE SW
ALBUQUERQUE, NM 87105

P 144 970 903
MOLLIE FRANCES SMOUSE
P O BOX 93
FRUITLAND, NM 87416

P 144 970 904
MRS MARIE J SALEGO
ESTATE OF VICTORIA G MARTINEZ
102 NORTH 30TH DRIVE
PHOENIX, AZ 85009

P 144 970 905
VIRGINIA S BINKLEY
P O BOX 70
CHAMA, NM 87520

P 144 970 906
ELAINE PALMER GOLD
3212 NW AVE #C-224
BELLINGHAM, WA 98225

P 144 970 907
MINERALS MANAGEMENT SERVICE
ROYALTY MANAGEMENT PROGRAM
PO BOX 5810
DENVER, CO 80217

P 144 970 908
HELEN M GOODLOE TRUSTEE
JAMES BLAKE TOUCHSTONE
778 HILL RD
BRENTWOOD, TN 37027

P 144 970 909
MAXINE C ANDERSON
PO BOX 416
IGNACIO, CO 81137

P 144 970 910
LOIS RICE
1108 NORTH CENTER STREET
STOCKTON, CA 95202

P 144 970 911
ARTHUR C SCHROEDER DECD
4971 PASEO DALI
IRVINE, CA 92715

P 144 970 912
WILLIAM MOHRMANN
1864 SOUTH HIGHWAY 49
SAN ANDREAS, CA 95249

P 144 970 913
MARGUERITE ATKINSON & EVALEE MILLER
200 WEST ARBOR VITA
INGLEWOOD, CA 90301

P 144 970 914
NEAL SELF
7318 RUSH RIVER DR
SACRAMENTO, CA 95831

P 144 970 915
BLOSSOM MCBRIER
6721 BRIER HILL RD
FAIRVIEW, PA 16415

P 144 970 916
JOY MAE HARTWICK
875 COMSTOCK AVE STE 12B
LOS ANGELES, CA 90024

P 144 970 917
CONSTANCE Z HUFF
175 BLUEJAY WAY
SANTA ROSA, CA 95405

P 144 970 918
BARBARA MCCOLLOUGH
2367 N E 16TH COURT
JENSEN BEACH, FL 34957

P 144 970 919
MARIE RICE
1108 NORTH CENTER STREET
STOCKTON, CA 95202

P 144 970 920
PATRICIA COLE
30127 CUTHBERT RD
MALIBU, CA 90265

P 144 970 921
SALOMON V ARCHULETA
PO BOX 358
DURANGO, CO 81302

P 144 970 922
LENA M COCHRAN
24377 NEWHALL AVE #201
NEWHALL, CA 91321

P 144 970 923
PORTIA PATTERSON
12347 GRANDEE RD
SAN DIEGO, CA 92128

P 144 970 924
BERNICE SNYDER
5543 1/2 HAROLD WAY
HOLLYWOOD, CA 90028

P 144 970 925
ROLAND MOHRMANN
P O BOX 324
SUTTER CREEK, CA 95685

P 144 970 926
ANNA MAY VOLLBRECHT
6058 E PINE STREET
LODI, CA 95240

P 144 970 927
KAREN SELF HIGASHINO
8470 CUTLER WAY
SACRAMENTO, CA 95828

P 144 970 928
EARL B SELF C/O ALICE SUTHERLIN
11371 TWIN CITIES RD
GALT, CA 95632

P 144 970 929
WILLIE LOU COTTERELL
1034 BERRUM LN
RENO, NV 89509

P 144 970 930
JANICE CHULICK
ROUTE 1 BOX 47 A
SUTTER CREEK, CA 95685

P 144 970 931
ELEANOR LORRAINE STEVENS
139 N CRESCENT AVENUE
LODI, CA 95240

P 144 970 932
DIANE D LABARRE
27049 RIO BOSQUE DRIVE
VALENCIA, CA 91354

P 144 970 933
JACK FLOYD ANDERSON DECD
E 5004 9TH AVE
SPOKANE, WA 99212

P 144 970 934
DIAN SELF
1355 42ND STREET
SACRAMENTO, CA 95819

P 144 970 935
KATHLEEN L GELBACH DECD
129 SO 96TH ST
TACOMA, WA 98444

P 144 970 936
KEITH W CHATFIELD
P O BOX 609
SCAPPOOSE, OR 97056

P 144 970 937
KAY DIANE BOWLES TR
KATHERINE MOORE CLAMMER TRUST
5336 FALMOUTH RD
BETHESDA, MD 20816

P 144 970 938
ESTANISLAO M MADARANG OR
MADELINE MADARANG
705 BURTON ST
ROCKY MOUNT, NC 27801

P 144 970 939
MILDRED C MAITLEN
BOX 365
WATERFLOW, NM 87421

P 144 970 940
CATHERINE MCELVAIN HARVEY
A/K/A CATHERINE M HARVEY
PO BOX 2148
SANTA FE, NM 87504

P 144 970 941
SUNWEST BANK OF ALBUQUERQUE
AGENT FOR CYRENE F MAPEL
PO BOX 26900
ALBUQUERQUE, NM 87125

P 144 970 942
JACQUELINE FIELDS CAMPBELL
P O BOX 112
OURAY, CO 81427

P 144 970 943
SUNWEST BANK OF ALBUQUERQUE
AGENT FOR CYRENE L INMAN
PO BOX 26900
ALBUQUERQUE, NM 87125

P 144 970 944
JOHN CHRISTOPHER FAVERINO
301 PINION
AZTEC, NM 87410

P 144 970 945
BILLIE JEAN FAVERINO
2170 THYME DR
CORONA, CA 91719

P 144 971 210
THOMAS S SENTER
1440 VENTURA
ENUMCLAW, WA 98022

P 144 971 211
AMOCO PRODUCTION COMPANY
PO BOX 841521
DALLAS, TX 75284

P 144 971 212
ORA R HALL TRUST
BOX 797
PERRY, OK 73077

P 144 971 213
STILLWATER NATL BK TRUSTEE
C R SMITH FBO CURTIS R KELLER
PO BOX 3688
TULSA, OK 74101

P 144 971 214
NORTH CENTRAL OIL CORP
P O BOX 200201
HOUSTON, TX 77216

P 144 971 215
JAMES M RAYMOND
PO BOX 1445
KERRVILLE, TX 78029

P 144 971 216
WINTERGREEN ENERGY CORP
SUITE 125
5735 PINELAND DR
DALLAS, TX 75231

P 144 971 217
NCNB TX NATL BK-FT WORTH
UTA 8-11-60 EX JL TATUM TRST
P O DRAWER 848703
DALLAS, TX 75284

P 144 971 218
AMERITRUST TEXAS NA TRUSTEE
A/C M J FLORANCE TRUST
P O BOX 951412
DALLAS, TX 75395

P 144 971 219
NATIONSBANK OF TEXAS NA
ESCROW AGENT
SABINE ROYALTY TRUST
DALLAS, TX 75284

P 144 971 220
UNITED BANK OF IGNACIO
615 GODDARD AVENUE
BOX 869
IGNACIO, CO 81137

P 144 971 221
EVERGREEN RESOURCES INC
1512 LARIMER ST
1000 WRITER SQUARE
DENVER, CO 80202

P 144 971 222
PAUL H UMBACH ESTATE
PO BOX 5310
FARMINGTON, NM 87499

P 144 971 223
MRS CATHERINE B MCELVAIN
INDIV & EXECX T H MCELVAIN
P O BOX 2148
SANTA FE, NM 87504

P 144 971 224
T H MCELVAIN OIL & GAS PROPERTIES
PO BOX 2148
SANTA FE, NM 87504

P 144 971 225
FRANK O ELLIOTT DBA
ELLIOTT OIL CO
P O BOX 1355
ROSWELL, NM 88201

P 144 971 226
FRANCIS H MARTIN AND
ROSELYN MARTIN TRUSTEES
PO BOX 539
FARMINGTON, NM 87499

P 144 971 227
STATE OF NEW MEXICO
PO BOX 1148
SANTA FE, NM 87501

P 144 971 228
S W AND DOROTHY C
HORSTMAN TRUST
476 BOARDS ROAD
GEORGETOWN, KY 40324

P 144 971 229
THE BOARD OF TRUSTEES LELAND
STANFORD JUNIOR UNIVERSITY
P O BOX 951424
DALLAS, TX 75395

P 144 971 230
MARTHA T TUFFLI ELIZ T CLAYTON
TRUSTEES FOR CATHERINE C
76 EASTFIELD DR
ROLLING HILLS, CA 90274

P 144 971 231
ARTHUR E SHOTTS
OIL & GAS PROPERTIES
BOX 506
WEATHERFORD, OK 73096

P 144 971 232
EMILY SMOUSE O'RILEY
BOX 743
FRUITLAND, NM 87416

P 144 971 233
HELEN RICE SCHLICHT
1527 RED BUD LANE
MCALLISTER, OK 74501

P 144 971 234
MERLE RICE
P O BOX 194
LOCKEFORD, CA 95327

P 144 971 235
ST STANISLAUS CHURCH
C/O REV MICHAEL SAWLEWICZ
616 NORTH DEARBORN AVE
KANKAKEE, IL 60901

P 144 971 236
SUSAN A ESTEP
3804 CEMETERY HILL
CARROLLTON, TX 75007

P 144 971 237
TRANSAMERICA MINERALS COMPANY
1150 SOUTH OLIVE SUITE 2200
LOS ANGELES, CA 90015

P 144 971 238
LOUISE HEALY
P O BOX 4182
REDDING, CA 96099

P 144 971 239
JOSEPHINE MONTOYA
PO BOX 70182
SUNNYVALE, CA 94086

P 144 971 240
DAVID J MARTINEZ DECD
C/O LINDA MARTINEZ
12658 PORTADA PL
SAN DIEGO, CA 92130

P 144 971 241
JOSEPH L MARTINEZ
RT 1 BOX 199A
DEMING, NM 88030

P 144 971 242
SOUTHERN UTE TRIBE
SOUTHERN UTE LOCKBOX
P O BOX 696
IGNACIO, CO 81137

P 144 971 243
VAUGHAN MCELVAIN ENERGY INC
215 OLD KENNETT RD
KENNETT SQ, PA 19348

P 144 971 244
HENRIETTA ABEYTA
2571 W 6075 S
ROY, UT 84067

P 144 971 245
BARBARA GALLEGOS
4771 MT ST HELEN DRIVE
SAN DIEGO, CA 92117

P 144 971 246
LARRY D SEIBEL
P O BOX 368
IGNACIO, CO 81137

P 144 971 247
JEAN M MCCOY
RR #2 BOX 425
CORNISH, NH 03745

P 144 971 248
MARIE M MCCAULEY
C/O JEAN M MCCOY
RR #2 BOX 425
CORNISH, NH 03745

P 144 971 249
CHARLES W SMITH
10559 NORTN ST
HOUSTON, TX 77043

P 144 971 250
CONOCO INC/DELHI
C/O AMOCO PRODUCTION CO
PO BOX 841521
DALLAS, TX 75284

P 144 971 251
SUNWEST BANK OF ALBUQUERQUE
F A CRONICAN SR & HB CRONICAN TRST
PO BOX 26900
ALBUQUERQUE, NM 87125

P 144 971 252
JAMES M RAYMOND TRUSTEE
MAYDELL MILLER MAST TRUST
PO BOX 1445
KERRVILLE, TX 78029

P 144 971 253
JAMES M RAYMOND TRUSTEE OF
THE CORINNE MILLER GAY TRUST
P O BOX 1445
KERRVILLE, TX 78029

P 144 971 254
ESTATE OF JOHN A KROEGER DEC
RUBY B KROEGER PERS REP
P O BOX 597
DURANGO, CO 81302

P 144 971 255
JAMES A MACKEY & STACY A MACKEY
2380 C R 328
IGNACIO, CO 81137

P 144 971 256
DEBRA LEE DUPRAY
12040 EAST JEFSUMARK CIRCLE
TUCSON, AZ 85749

P 144 971 257
GREGORY D HARKINS
1846 ASHBERRY DR
PALM DALE, CA 93551

P 144 971 258
LOUISE A CHAVEZ
2920 ARIZONA PLACE NE
ALBUQUERQUE, NM 87110

P 144 971 259
BANK IV TOPEKA TRUSTEE
JULIE J BISTLINE MARTIN
PO BOX 48348
WICHITA, KS 67201

P 144 971 260
ROGERT LODGE RIEDEL
367 NW 42ND ST
BOCA RATON, FL 33431

P 144 971 261
CHARLES SALTER
5029 PAPPAS DR
INDIANAPOLIS, IN 76237

P 144 971 262
FREDRICK CHARLES JULIAN
500 WEST PARK LANE
COLUMBIA, MO 65201

P 144 971 263
DELORES MAE WENTZ
11160 5TH ST E
TREASURE ISLAND, FL 33706

P 144 971 264
JIMMIE LEE COLLIER
P O BOX 63
ELGIN, OK 73538

P 144 971 265
STANICO ENERGY CORPORATION
P O BOX 32467
OKLAHOMA CITY, OK 73123

P 144 971 266
CORRINE BERKE
1800 ATRIUM PKY APT 255
NAPA, CA 94559

P 144 971 267
STILLWATER NATL BK & TR CO
CR SMITH & FBO GRETCHEN KEELER
P O BOX 1988
STILLWATER, OK 74076

P 144 971 268
HELENA L NETHERCUTT PER REP
OF CARL C NETHERCUTT JR EST
1050 NORTH AVENIDA VENADO
TUSCON, AZ 85710

P 144 971 269
MARJORIE HENSHAW SKOPECEK TRTE
MARJORIE HENSHAW SKOPECEK TRST
2729 MIRADERO DR
SANTA BARBARA, CA 93105

P 144 971 270
THOMAS L DUQUE & JANE HENSHAW
DUQUE TRUSTEES FOR THE DUQUE
5315 L AVENIDA ENCINAS
CARLSBAD, CA 92008

P 144 971 271
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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. 10743

APPLICATION OF MERIDIAN OIL INC.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: David R. Catanach, Hearing Examiner

June 17, 1993

Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Division on June 17, 1993, at the Oil Conservation Division Conference Room, State Land Office Building, 310 Old Santa Fe Trail, Santa Fe, New Mexico, before Deborah O'Bine, RPR, Certified Court Reporter No. 63, for the State of New Mexico.

ORIGINAL

CUMBRE COURT REPORTING
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I N D E X

June 17, 1993
Examiner Hearing
CASE NO. 10743

E X H I B I T S

A P P E A R A N C E S

FOR THE DIVISION: ROBERT G. STOVALL, ESQ.
General Counsel
Oil Conservation Commission
State Land Office Building
310 Old Santa Fe Trail
Santa Fe, New Mexico 87501

FOR THE APPLICANT: KELLAHIN AND KELLAHIN
117 N. Guadalupe
Santa Fe, New Mexico
BY: W. THOMAS KELLAHIN, ESQ.

EXAMINER CATANACH: Let's call the hearing back to order and at this time call Case 10743.

MR. STOVALL: Application of Meridian Oil Inc. for downhole commingling and for an administrative downhole commingling procedure within the Allison Unit area, San Juan County, New Mexico.

EXAMINER CATANACH: Are there appearances in this case?

MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of the Santa Fe Law Firm of Kellahin & Kellahin appearing on behalf of the applicant, and I have three witnesses to be sworn.

EXAMINER CATANACH: Any other appearances?

MR. STOVALL: Actually, Mr. Kellahin, why don't we just swear all the Meridian witnesses in for both cases at this time.

MR. KELLAHIN: There's four witnesses.

(Witnesses sworn.)

MR. KELLAHIN: Mr. Examiner, we will call at this time Mr. Alan Alexander.

ALAN ALEXANDER,

the witness herein, after having been first duly sworn upon his oath, was examined and testified as follows:

EXAMINATION

BY MR. KELLAHIN:

Q. Mr. Alexander, for the record, will you please state your name and occupation.

A. Yes. My name is Alan Alexander. I'm currently employed as a Senior Land Adviser with Meridian Oil Inc. in the Farmington, New Mexico, office.

Q. On prior occasions have you testified as an expert petroleum landman before the Division and had your qualifications accepted and made a matter of record?

A. Yes, sir, I have.

Q. Pursuant to your employment have you made a study of and are you familiar with the land title facts surrounding the Allison Unit and Meridian's application in that case?

A. Yes, sir.

MR. KELLAHIN: We tender Mr. Alexander as an expert petroleum landman.

EXAMINER CATANACH: He is so qualified.

Q. (BY MR. KELLAHIN) Mr. Alexander, before we talk about how the exhibit book is organized, summarize for us what your company seeks to accomplish with this application.

A. Meridian is seeking to obtain approval from

the Division for a commingle of production from the Mesaverde participating area and the Dakota participating area for our Allison Unit No. 9R well, which will be a replacement well for an existing No. 9 well.

The well is located in the Allison Unit, and we are also requesting, in addition to the authorization to commingle the production in this wellbore, an administrative procedure to continue with commingling work in the Mesaverde and the Dakota Unit without notifying unit owners.

Q. Are you familiar with the Division rules on downhole commingling of production in various pools?

A. Yes, sir, I am.

Q. What has caused this particular case to be set for a division examiner hearing?

A. The reason that we have come before the Division in this particular case is that we are dealing with two different participating areas, being the Mesaverde participating area and the Dakota participating area and in that the royalty and the overriding royalty owners are not common between those two participating areas.

Q. How is the working interest ownership arranged for participation in the Allison Unit?

A. The working interest ownership in the Allison Unit is fixed as to all depths and as to all tracts. In other words, it does not vary no matter where we would drill a wellbore in the Allison Unit, the working interest ownership remains the same.

Q. Under your direction, have you caused Meridian personnel to provide you with a tabulation of all the interest owners that have a royalty or an overriding royalty interest within the Allison Unit?

A. Yes, sir, we have.

Q. To the best of your knowledge, is that list accurate and correct?

A. Yes, sir, to the best of our knowledge, it is.

Q. Have you caused notification to be sent to all those interest owners that might be affected by this application?

A. Yes, sir, we have.

Q. And have you received any objection from any of those interest owners?

A. We have not received any objection from any interest owner.

Q. As to the specific well that is the initial well to be commingled for production out of the Mesaverde and the Dakota, it's the 9R well, did you

cause notification to be sent to any offset operators?

A. No, sir, we did not because the offset operators in the Allison Unit would be Meridian since we're the operator of the entire unit.

Q. So that spacing unit for that well is within the interior of the Allison Unit and is not on the exterior boundaries of the unit?

A. That is correct.

Q. Describe for us how the exhibit book is organized.

A. We have included for the Division an exhibit book that is organized, and if you will refer behind Exhibit tab No. 1, we have included a copy of our application to the Division. And behind the application to the Division we have included certain exhibits, Exhibit A being a copy of the Byram's report that established the Allison Unit and the order number and the acres dedicated to the unit.

We've also included a nine-section plat around the well, as well as an offset operator plat.

Behind Exhibit No. 2, we have provided another copy of the offset operator plat that shows the offset operator. Behind the offset operator plat beneath Exhibit No. 2, we have provided a complete listing of all of the parties that we have notified in

this case.

Exhibit No. 3 is an Allison Unit plat whereby we are depicting certain information that we will discuss momentarily.

And behind Exhibits No. 4 and No. 5, we are providing geologic data, being typical well logs and isopachs and structure maps.

Behind Exhibit No. 6, we have provided some economics for the benefit of the Commission.

And behind Exhibit tab No. 7, we have provided our allocation formula in which we propose to allocate the production between the two zones.

MR. KELLAHIN: Mr. Examiner, we would appreciate your permission to submit to you post-hearing the certificate of mailing. It was generated out of Farmington, and we neglected to bring it this morning. We'd like permission to submit that after the hearing.

EXAMINER CATANACH: That would be fine, Mr. Kellahin.

Q. (BY MR. KELLAHIN) Let me have you turn to the tab behind Exhibit tab No. 3, Mr. Alexander. Describe for us what is the proposed spacing unit for each of the pools for the 9R well.

Q. The proposed spacing unit for each of the

pools is identical, and it consists of the east half of Section 13 of Township 32 North, Range 7 West.

Q. When you look at Section 13 on this display, it has an irregular shape. Does that alter the acreage within the east half of Section 13?

A. No, sir. It still contains 320 acres, although it is irregularly shaped.

Q. Does the irregular shape change the well location so that the well locations are nonstandard?

A. No, sir, it does not.

Q. These are standard well locations?

A. That is correct.

Q. Describe for us the well symbols that are shown for the wells in Section 13.

A. I've indicated a legend down at the bottom of the map that shows the well symbols to be for the Fruitland Coal, basically a triangle shape. Around the gas symbol, the Mesaverde is a round circle around the gas symbol. And the Dakota is the square -- is the rectangle around the gas symbol.

Q. Let's turn now to Exhibit No. 4. I'm sorry, it's the big plat behind Exhibit tab No. 3 and it's the next display.

A. Yes. That display is a map of the Allison Unit. It shows the Allison Unit boundaries insofar as

the acreage that's committed to the Allison Unit. If you would compare this outline with the original order that established the Allison Unit, they would not be identical because we have simply tried to show only that's acreage that's committed to the unit, not necessarily within the unit boundary.

Q. Show us how you have identified and described the various participating areas within the unit boundary.

A. I have attempted to describe those participating areas by two different hatch patterns. And the legend is described on the map. There is a diamond-shaped hatch pattern that depicts the Dakota participating area. There is a dashed-shaped hatch pattern that depicts the Mesaverde participating area. You will notice that the proposed well is included in both of those participating areas.

Q. This well is intended to be a new well drilled initially as a downhole commingled well?

A. Yes, sir, that's correct.

Q. Describe for us the mechanics of how the participating areas will be altered to include this well if it's a successful well?

A. Actually, we will not alter the participating area upon completion of this well since

the 9 well, the original well, is already in the participating area for the Dakota formation, and since the east half of this section is already included in the Mesaverde participating area, the well will be drilled in the existing participating areas. Therefore, it will not result in an enlargement of the participating areas for either pool.

Q. From your perspective as an expert in petroleum land matters, do you see an opportunity for the impairment of correlative rights if the Division Examiner approves your application?

A. No, sir, I do not, more particularly since we are dealing with existing participating areas, and we will not impact the size nor shape of those participating areas.

MR. KELLAHIN: That concludes my examination of Mr. Alexander. We move the introduction of Exhibits 1 through 3.

EXAMINER CATANACH: Exhibits 1 through 3 will be admitted as evidence.

EXAMINATION

BY EXAMINER CATANACH:

Q. Mr. Alexander, your application in this case contains a provision whereby for subsequent downhole commingling approval, you wouldn't have to

notify interest owners within the unit, and it also includes offset operators. That's really not what Meridian had in mind with this; is that correct?

A. No, sir. Our intentions here are only to make that apply to the owners that are in the Allison Unit, not to offsetting owners that would be around the perimeter of the unit.

Q. Do you know how much acreage is currently within the unit?

A. The original description of the unit, as you'll see in THAT Byram's report, there's 13,774.22 acres within the unit outline. Since the original formation of that unit, some acreage was excluded. I didn't bring with me a calculation of the acreage that's currently dedicated to the unit, but I can provide that for you.

Q. Is it substantially different from the 13,000 acres?

A. Not substantially.

Q. Okay. I don't need that. And this was an exploratory unit. When was this formed?

A. The unit was formed in 19 -- the hearing was called on June the 14th of 1950 to establish the unit, and I have an effective date for you for the unit agreement also. The unit agreements are actually

dated effective the 15th of November, 1949.

Q. How is noncommitted acreage within the unit handled as far as ownership or disbursement of payment or whatever?

A. We would communitize those tracts that are not committed to the unit, and we would have a communitization agreement or a designation of pool unit, and that would be filed of record. And then we would simply allocate the production to the unit acreage in its correct percentage, and then allocate the acreage to the nonunit portion of the drill block in its percentage.

Q. So it doesn't become a P.A., or does it?

A. No. If the acreage that was in the subject drill block that we're talking about was already included in the P.A., then of course it would remain such.

Now, if we drill a well on a drill block that had Allison Unit acreage dedicated to this drill block, and that acreage was not in an existing participating area, then only the acreage that's committed to the Allison Unit, if the well is commercial, would be brought into the Allison Unit respective participating area.

The com acreage or the nonunit acreage

would never come into the participating area. It would always stand on its own.

Now, the production from this well, instead of being brought in -- the total production being brought into the participating area, would be allocated and would always be allocated. So that if we had 100 Mcf of production a day coming from the well, and 50 percent of that was unit acreage, then 50 percent of that production would go to the Allison Unit, and 50 percent of the production would go to the nonunit acreage.

Q. If the drill block was entire noncommitted acreage, it would remain that; the Allison Unit wouldn't share in that production?

A. That is correct.

Q. Is this all federal acreage?

A. Within the Allison Unit, it is a mixture of federal and Indian and fee acreage and state acreage.

Q. Are there overriding royalty interests?

A. Yes, sir, within the unit boundaries, there is. And it varies per tract or per lease as equivalent to tract.

Q. Did your list of notice include all working interest owners?

A. Yes, sir, it did include all working

interest owners.

Q. Did it include royalty and overriding royalty interest owners that may be affected by future application?

A. Yes, sir, it did.

Q. So you've notified everybody within the unit?

A. We believe that we've notified everybody within the unit. We started with, our division order section in Fort Worth furnished us with a complete list of all owners, including royalties and overrides for both of these participating areas. And then any acreage that was not within a participating area, we checked to see if, even though it wasn't in a participating area, that we had some common ownership somewhere within the participating area.

And they have informed me that that was the case. And we should have included everybody in the Allison Unit boundaries in our notification, being working interests, royalties and overrides or other burdens that might exist.

MR. STOVALL: Including the Internal Revenue Service.

THE WITNESS: Including the Internal Revenue Service.

EXAMINER CATANACH: The 9R is going to be a replacement well. Is there going to be a witness that will address the need for a replacement well?

MR. KELLAHIN: Yes, sir.

EXAMINER CATANACH: Okay. That's all I have of the witness.

MR. KELLAHIN: Call John Clayton.

JOHN CLAYTON,

the witness herein, after having been first duly sworn upon his oath, was examined and testified as follows:

EXAMINATION

BY MR. KELLAHIN:

Q. Mr. Clayton, would you please state your name and occupation.

A. My name is John Clayton. I'm employed as a Senior Reservoir Engineer for Meridian Oil in Farmington, New Mexico.

Q. On prior occasions, Mr. Clayton, have you testified as a Senior Petroleum Engineer before the Division?

A. Yes, sir, I have.

Q. Pursuant to your employment by your company, have you made an engineering study of the facts surrounding this application?

A. Yes, sir, I have.

MR. KELLAHIN: We tender Mr. Clayton as an expert petroleum engineer.

EXAMINER CATANACH: Mr. Clayton is so qualified.

Q. (BY MR. KELLAHIN) Before we look at the specifics of your economics that you've studied and present it, as well as your allocation formula, Mr. Clayton, give me a general summary of what you see as the need for this type of activity within the Allison Unit.

A. Specifically on the 9R well, we looked at the Allison No. 9 well. We did some mass balance calculations on what the well would ultimately recover from that well off a mass balance, and we compared that to actual performance of the well and came up with the well would come up short by about 1.7 Bcf of gas under current conditions of the well.

Q. You say come up short. What does that mean?

A. We would leave about 1.7 Bcf of gas in the ground if the well continues to produce as it is.

Q. That's the current well, the No. 9 well?

A. That's correct, that's the Allison No. 9.

Q. What did you explore as options in order to recover that additional recoverable gas that might

otherwise be wasted?

A. First we looked at doing subsequent work to the No. 9 well. Historically, the well was drilled in 1956, and it's open-hole completed into the Dakota. It's had two open hole sand water fracs on the well since then. Both fracs have failed by means of a screenout. We feel since the well is old, it has tried to be stimulated twice, any subsequent work to the open hole formation would also fail.

We then looked at redrilling the well to the Dakota formation by means of the Allison No. 9R. We used our mass balance calculations of pressure versus cum to identify remaining reserves in the ground, and that is where we came up with the incremental 1.7 B's from the well. We looked at economics to do that on a Dakota stand-alone basis, and the economics failed our parameters.

If you notice the drill block for the Allison No. 9 well, it's also undeveloped in the Mesaverde formation. We did some calculations and estimated that there's about 1.6 Bcf of gas that could be ultimately recovered from the Mesaverde formation, and it is undeveloped.

We then looked at the incremental cost to dually complete the Dakota formation with the

Mesaverde formation. As such wells in the Allison Unit are, they were drilled in the early '50's and '60's. The economics on that case also failed.

We then ran economics to commingle both zones. They passed. We then looked at the viability of commingling with pressures and fluid compatability, and we feel that everything is in order to go ahead and commingle those two zones.

Q. After all your study, does that represent your ultimate engineering conclusion as the best means to extract the additional recoverable gas not only out of the Dakota but out of the Mesaverde?

A. That's correct. Under current economic conditions that we run against today, the incremental Dakota reserves and the Mesaverde reserves underlying that section or that half of the section could not be recovered unless we could commingle the well.

Q. Explain to the examiner the timing of why you're choosing now to replace the existing No. 9 Dakota well with the 9R.

A. I had mentioned earlier that the No. 9 well was drilled in 1956. So we're approaching 40 years on the wellbore. The remaining reserves in that well are somewhere in the 30-year range, and we do not feel the mechanical integrity of the pipe will last that long.

Additionally, the cement bond behind the pipe that covers the Mesaverde formation is also poor and then would require subsequent work to try and recomplete in that formation.

As we all know on the economics, the time value of money comes into play, and we feel that if we wait and do the work after the depletion of the Dakota, it may not be economic at that time; so we choose to do it now.

Q. Having found this example within the Allison Unit of the opportunity for downhole commingling of the Mesaverde and Dakota, did you also study applying this solution to other areas of the Allison Unit?

A. Yes, sir. As you approach the fringe of the Allison Unit, the Mesaverde and the Dakota sands get thinner and thicker in different parts, and there are areas that one is more productive than the other, and each cannot stand alone on an economic basis. There are areas that we've identified that we haven't gone into as much detail as the No. 9, but we do feel that there are more opportunities in the Allison Unit to do such.

Q. Describe for us your engineering conclusions why you're seeking the administrative

ability to downhole commingle those two pools with either recompletions or new drills.

A. Alan had mentioned earlier about the common working interest and of course the changing, the overriding royalty interest. From a reservoir standpoint, we feel that it would be more efficient for the Commission and Meridian and the working interest owners if we could work through administratively on doing this.

Q. When you look at the reservoirs, let's start with the Dakota within the Allison Unit, do you see any opportunity in the Allison Unit to drill a stand-alone Dakota well that might have sufficient initial rates and ultimate recoveries to justify a stand-alone Dakota well?

A. To my knowledge, not at this point. We haven't done a detailed analysis of the entire unit as such, but what we have looked at, we're most likely fully developed in the Dakota by itself on a stand alone.

Q. How about those opportunities for stand alone of a Mesaverde well?

A. We are drilling one well this year in the Mesaverde we've identified as a stand alone on the southwestern part of the basin. It's actually a Com

well with the 32-7 Unit.

We're also proposing a horizontal Mesaverde well within the unit. It did not stand alone vertically, economically, and we chose to drill it horizontally. That's in Colorado.

Q. Let's turn now to the specifics of your conclusions. If you'll look at the information behind Exhibit tab No. 6, let me have you describe the economic analysis that you conducted which ultimately led you to the conclusion about the necessity of downhole commingling.

First of all, tell us how to read the display.

A. There are five columns. The one to the far left is the economic parameters that I displayed here.

Moving from left to right, the next column is the Mesaverde stand-alone economics. That would be the economics that would have to be justified to drill a stand-alone Mesaverde well in the east half of the section where the Allison 9 is.

The centermost column is the Dakota stand-alone economics.

The column moving right is the economics to justify dually completing both the Mesaverde and

Dakota.

And the furthermost column to the right is the economics that justify commingling the well.

As you can see right now, the economic considerations we take as a company now or a P/I hurdle, and the only economic column that justifies positive P/I, 12 percent, is the commingled economics.

Talking about the Mesaverde specifically, the risk capital that we used in our analysis was $492,000. The risk reserves associated with the Mesaverde formation is 1.5 B's. It yielded a 9 percent rate of return. Discounted at 12 percent, it yielded a negative profit-to-investment ratio.

Q. What's the last column represent or the last row -- the last line on the display represent?

A. What I've attempted to show here is the development cost when you take your capital and divide it by your recoverable reserves, keeping in mind that these reserves are not discounted forward. What we try to do is compare this on a what we receive for our product and compare different scenarios on a dollar per Mcf basis.

The centermost column is the economics that would have justified the Dakota well if it were

drilled on a stand-alone basis. The risk capital associated with that project was $568,000. Risk reserves were 1.45 Bcf. Yielded a rate of return of 8 percent. It also had a negative profit to investment ratio of negative .5.

The duly completed economic scenario, risk capital was $799,000. The risk reserves associated with duly completing both zones were slightly over 3 Bcf of gas. Rate of return was 10.66 percent. And it's P/I, 12 percent, was also negative.

The furthermost column, and this is the column we're asking for, is the commingled economic case. Risk capital was $657,000. The reserves were slightly over 3 Bcf. The rate of return is 13 percent. And it has a positive P/I when discounted at 12 percent.

I would like to point out one thing in here. The risk reserves associated with these cases reach an economic limit. Therefore, you can see that the duly completed reserve level is slightly higher than the two individual stand-alone cases. That's because the operating cost for one duly completed well is a little less than the operating cost for two single wells.

Moving to the right you can see there are

more reserves associated with commingle. That's because the operating cost for a commingle well are slightly less than that for a dual well. Thereby your life is slightly larger in the long run, and you do have more reserves.

Q. Have you as a reservoir engineer examined the reservoir parameters to satisfy yourself that you can effectively and efficiently commingle Dakota and Mesaverde production within the Allison Unit?

A. Yes, sir, we have. I'd like to turn to the next page behind Exhibit 6. What I've attempted to show here is in the Mesaverde and Dakota formations, the pressure analysis under initial conditions and also current conditions in the field. I've also listed there an average decline of these formations.

The column furthest left are the parameters. The centermost column is that of the Mesaverde formation, and the column to the right is that of the Dakota. Like I said, these wells were developed in the early '50's. The average initial bottom hole pressure at that time in the Mesaverde was 1,120 pounds on an average. The Dakota formation was slightly less than 2,700 pounds.

The current bottom hole pressures as we see today are slightly less than 600 pounds in the

Mesaverde and slightly higher than 900 pounds in the Dakota.

The initial pressures for the No. 9, the well is not completed in the Mesaverde, and we do not have any data; however, the Dakota well, the No. 9, experienced 2,866 pounds initial bottom hole pressure, and it currently has 969 pounds. The average decline rate for the Mesaverde is 3.64 percent and the Dakota 3.6 percent.

What we're estimating for bottom hole pressure on the 9R on the Mesaverde, since it is undeveloped in our drill block east half, is initial reservoir Mesaverde conditions of 1,120 pounds.

Since we are redrilling the No. 9 well with the No. 9R, we're anticipating depleting Dakota pressures in the No. 9R at 969 pounds. We can see that these pressures are very close together, almost identical. When you look at the estimated decline rate on both formations in the area, it shows about 3.6 percent production decline.

Q. Does either the Mesaverde or Dakota formations within the Allison Unit produce liquids or water?

A. No, sir, they don't.

Q. Dry gas in both the pools?

A. In the Dakota sandstone, in the lower intervals, the Dakota C and D, there is some water down there.

Q. You don't complete in those zones, though, do you?

A. No, sir, you don't. We will not penetrate those in the No. 9R.

Q. Any other reservoir parameters of concern, cross-flows between the two zones?

A. No, sir. If the pressures come in as expected, we shouldn't see any cross-flow between the two zones, and we'll work with the district office when we get that data.

Q. Any difference in value of product between commingled streams or separate streams for Dakota and Mesaverde?

A. The Btu content, both produced dry gas, and the Btu content on both formations is about 1,100.

Q. Composition of the gas is similar to both pools?

A. Yes, sir, it is.

Q. Describe for us how you propose to allocate the production between the two pools, Mr. Clayton.

A. Since the initial pressures are the same, the remaining reserves are the same, and the decline

rate and production is the same, what we have proposed to do is when we complete the Dakota formation, have an initial flow test on the Dakota sandstone, trying to resemble line pressures at about 300 pounds back pressure.

Q. You've summarized this in terms of a display, have you not?

A. Yes, sir. Moving back, it's Exhibit 7 that follows Exhibit 6 that we just reviewed.

Q. Describe for us your proposed allocation.

A. What we propose to do is individually flow test the Dakota with a back pressure which resembles line pressure at about 300 pounds to obtain an established rate and stabilize that rate. We then isolate the Dakota zone and do the same testing procedure in the Mesaverde and flow it against an identical pressure to obtain an established rate.

What we would simply do then is take the sum of those two rates, and that would be our total rate, and the formation allocation would be the percentage of the rate that it produced when compared against the total rate. That's displayed in Exhibit 7.

Q. In your opinion, is that a fair and accurate way to allocate production between the two

pools?

A. Yes, sir, it is.

Q. And will that allocation formula if adopted by the Division be one that is fair to all interest owners?

A. To the best of my knowledge, yes.

Q. Will approval of this application be an opportunity for Meridian and the other interest owners to obtain gas production from these two reservoirs that might not otherwise be produced?

A. That is a fair statement.

MR. KELLAHIN: That concludes my examination of Mr. Clayton. We move the introduction of his Exhibits 6 and 7.

EXAMINER CATANACH: Exhibits 6 and 7 will be admitted as evidence.

EXAMINATION

BY EXAMINER CATANACH:

Q. Mr. Clayton, how long did you flow test these zones?

A. Again, we would work with the district office. Right now we're thinking of long enough to establish a stabilized rate at whatever time that would be. I don't anticipate anything more than a week or two. It should stabilize fairly easily in

each zone.

Q. How did you arrive at your current bottom hole pressure in these zones?

A. Off of deliverability testing.

Q. Should that change in areas that haven't been drilled or haven't produced from the Dakota or Mesaverde?

A. I show in the Dakota well, the anticipated pressure we see there is off the deliverability testing of the No. 9, which is the parent well. However, it should change in the Mesaverde. We're anticipating initial bottom hole pressures in the Mesaverde. So we did not use deliverability testing to estimate the Mesaverde pressure in the 9R. We used initial pressures.

Q. So what is the pressure anticipated in the Mesaverde?

A. I believe it's 1,120 pounds. Turning back to Exhibit 6, the second page, second to last row, we're anticipating 1,120 in the Mesaverde and 969 in the Dakota.

Q. So even though that tract hasn't been developed in the Mesaverde prior to this, the bottom hole pressure should have depleted to that point?

A. In the Mesaverde?

Q. Right.

A. We're anticipating no depletion in the Mesaverde to this point.

Q. Oh, okay, I see what you're saying.

A. But since we do have a Dakota well in the east half of that section, we are anticipating depleted Dakota pressure.

Q. Are there areas in the unit where the Dakota has not been developed that you plan to develop?

A. By means of commingling, I would anticipate, yes.

Q. So in those wellbores, do you anticipate encountering high pressures in the Dakota on the order of what you've got here, initial BHP's?

A. Right. Again, we have not gone into detail enough on areas throughout the entire unit. We focused specifically on this project here, but I would anticipate higher pressures if we haven't seen depletion. If the logistics of the wells surrounding what we're looking at in the Dakota are such that the reserves wouldn't have reached that boundary, I would anticipate higher pressures.

Q. And that necessarily wouldn't -- if you did encounter higher pressures in the Dakota, that may not

qualify for downhole commingling?

A. That is correct.

Q. But that could be addressed at the time you submit an application?

A. That is correct. If we found an area that had initial Mesaverde pressures and initial Dakota pressures, I do not think that would qualify.

Q. In your economic calculations, how did you arrive at reserve numbers?

A. We used offset analogies for the Mesaverde and compared them against volumetrics of the thickness. In the Dakota we used material balance calculations, pressure versus cum.

Q. So are these numbers averages of those within the unit?

A. The Dakota well itself is actual data from the 9. What we plot on there is P/Z versus cum and came up with a recoverable reserve number. And on the Mesaverde, they are averages of offset wells, and then we compared it volumetrically to calculations on the gas in place.

Q. These reserves in the Mesaverde Dakota are going to vary for each new well that you drill, probably?

A. That is correct.

Q. So these economic parameters may not hold true for any subsequent downhole commingled well?

A. No, they would not. Each case would be specific.

Q. If you did have a high reserve number on one of these drilled tracts, would you consider just singly producing the well or stand alone producing it as opposed to commingling?

A. If we had a high reserve number on one formation and uncommercial reserves on a stand alone on the other, and the pressures and all the considerations we need to look at are favorable to commingling, the only way we'll recover the other reserves in the second formation would be to commingle. If both formations can do stand-alone economics, we would definitely look at it that way.

Q. Is it my understanding that -- did you state that the stand-alone Dakota and Mesaverde have all been drilled in the unit?

A. No, sir. We are not fully developed in the Dakota or the Mesaverde in the Allison Unit.

Q. Okay.

A. And the undrilled locations, there again, are due to economics.

Q. So essentially what you're going to do is,

you're going to look at the reserves on each individual well basis and at that time decide whether or not you're going to commingle?

A. Yes, sir, that's correct.

Q. What would you estimate, or is there even any way to estimate initial production from the Mesaverde-Dakota, or is that going to be an individual type deal?

A. When we run the economics, we took the reserves, and we took some data, and we backed into an initial production. On the Mesaverde, if I remember correct, it's about 170 Mcf per day.

Q. 107?

A. 170. And on the Dakota, the incremental production against the No. 9 was 155 or 160, I believe. These reservoirs are extremely tight, less than 1 millidarcy of rock, and we're anticipating a type of hyperbolic decline.

Q. This is just for the 9 well?

A. Yes, sir, that's correct, the 9R.

Q. The decision to commingle a well is not based on initial production. Is it solely based on reserve estimates?

A. It's based on economics.

Q. That are based on reserve estimates?

A. That's correct, right.

EXAMINER CATANACH: Okay. I believe that's all I have.

MR. KELLAHIN: I'd like to call at this time Mr. Greg Jennings.

GREGORY L. JENNINGS,

the witness herein, after having been first duly sworn upon his oath, was examined and testified as follows:

EXAMINATION

BY MR. KELLAHIN:

Q. Would you please state your name and occupation.

A. My name is Gregory L. Jennings. I'm a senior geologist with Meridian Oil Inc., located in Farmington, New Mexico.

Q. Mr. Jennings, on prior occasions have you qualified as an expert witness in the field of petroleum geology before the Division?

A. Yes, I have.

Q. Pursuant to that employment by your company, have you made a geologic study of the Allison Unit insofar as we're discussing the Mesaverde and the Dakota formations?

A. Yes, I have.

MR. KELLAHIN: We tender Mr. Jennings as an

expert petroleum geologist.

EXAMINER CATANACH: He is so qualified.

Q. (BY MR. KELLAHIN) Mr. Jennings, let me have you give us a general summary of the geology of both of those reservoirs, and let's have you start with the exhibit book, looking behind Exhibit Tab No. 4.

A. Okay, we'll start with the Mesaverde. And as you're aware, the Allison Unit is really on the northern fringe of the Blanco/Mesaverde Pool. In the central part of the basin, all of the formations in the Mesaverde group are well developed with good reservoir quality rock.

I've shown on this type log the Cliff House formation, the Menefee formation and the Point Lookout formation, and all of those reservoirs are well developed in the central part of the basin. However, in the Allison Unit, the Cliff House is tight, the Menefee is tight, and most of the Point Lookout is also tight.

We're getting down to one primary reservoir, and that is a sand or two in the massive Point Lookout formation. I've highlighted that in yellow and labeled it zone No. 2 on this type log. And as you can see, this is an old gamma ray

resistivity log, which is typical of the logs in that area, but it is the cleanest rock in the overall interval, and it does have the highest resistivity. However, it's only about 25 feet thick.

And that is not only typical of the area, but that is the reason that the Mesaverde production is so marginal. We just don't have very much pay in the Mesaverde.

Q. Have you mapped the distribution of that pay throughout the Allison Unit?

A. Yes, I have. If we could turn to the next page, I'm showing you an isopach of net pay for the zone No. 2, which I just had identified on that type log.

In this zone is -- oh, ranges in thickness from 4 feet to perhaps a maximum of a little over 40 feet. The zone is deposited in an upper shore face environment, kind of a beach environment, and it tends to trend northwest-southeast, and is typical of the Mesaverde in that it's pretty darn tight rock.

Q. Mr. Clayton has forecast as a reservoir engineer that the type of productivity he is going to see in the 9R well is going to be typical of the Mesaverde production throughout the unit area. Do you as a geologist come to any other conclusion?

A. No. His conclusion is correct. Our well is expected -- well, we know that we have 25 feet of pay from the log in that well. We expect to have 25 foot of pay in the 9R, and that is very similar to all of the offset wells that we've used for reserve analogies.

Q. As a geologist, is it likely to find an area of the unit that is going to support a stand-alone Mesaverde well?

A. We do have one location that we're actually proposing this year in the southern part of the unit in an area where the reservoir is a little thicker, but, by and large, the entire Allison Unit is very marginal in production on a stand-alone basis for the Mesaverde.

Q. As a petroleum geologist, do you have a recommendation to the examiner as to what is the most effective and efficient way to produce the additional hydrocarbons out of the Mesaverde in terms of the type of well that produces that gas?

A. Yes. We know that there is significant gas in place, and we would like to recover those reserves; however, it's noncommercial on a stand-alone basis, and the only way that we can recover those reserves is on a commingled basis.

Q. Let's turn now to the last portion of the geologic workup on the Mesaverde and have you identify and describe that.

A. The next page is simply a structure map. It's actually on top of that pay zone, and we're not seeing anything extraordinary. We do have a gentle southwest plunging anticline running across the location of the No. 9, nothing, no faulting indicated, nothing that would lead us to believe we could expect any significant natural fracturing, and therefore our offset analogies and our volumetrics should be very accurate.

Q. Let's turn now to the Dakota. Looking at the first display behind Exhibit Tab No. 5, identify for us the Dakota interval that is productive in the unit.

A. This is just the bottom part of the same log, an old gamma ray resistivity log from the Allison No. 9. And there are two main pay zones in the Dakota in the Allison Unit, and we then formally named them the A zone and the B zone, and I've highlighted those in yellow. Those were the two zones that were completed open hole with a fracture stimulation in 1956. And I've got isopach maps prepared for both of those zones as well.

Q. Give us the general summary of the distribution of the Dakota A and B sands throughout the unit area.

A. Let's flip to the next page, which is an isopach of the A sand. The A sand is also an upper shore face or a beach-type deposit. It generally trends northwest-southeast with some minor undulations, and it is probably the best reservoir within the Dakota. We've got 20 feet in this well. And it was completed in the original well, and, of course, a bunch of reserves have been depleted from that zone, but we will also -- we will complete that zone in the 9R.

And then the second map, just flip to the next page, is the Dakota B zone, which looks a little more interesting. It's essentially also a marine shore face sand that has northwest-southeast orientation, slightly more variable in its thickness. The No. 9 had 42 foot.

This zone is generally tighter, and, unfortunately, while it's thicker, it does not generally contribute quite as much production as the A zone does. It was also completed in the No. 9 well, and it will be completed in our well, and we do not plan to complete any zones below this B sandstone

because you do encounter water when you start getting deeper in the Dakota.

Q. Then finally the structure map.

A. This structure map is on top of the Graneros, which is about 50 foot above the Dakota, and essentially it shows very similar structural setting, a gentle southwest plunging anticline running through the location.

While there is a very small fault interpreted down in the 32-7 unit, we do not expect any faulting in our 9R location, and nothing to -- unfortunately, nothing to lead us to believe we might expected any significant natural fracturing.

Probably the bottom line or my conclusion from these exhibits is that we have very good control for all of the reservoirs in the Mesaverde and the Dakota, and we know what 20 foot of Mesaverde reservoir will produce, and we know what 20 foot of Dakota sand will produce, and therefore we feel real comfortable in our volumetric calculations and our offset analogy comparisons. And therefore the numbers that we have run economics on for the No. 9R are based on very solid data.

Q. As a geologist, what is your conclusion about the optimum method in which to continue

developing the Dakota within the unit area as a stand alone, dual, or a downhole commingled well?

A. Well, we're looking at every drill block on an individual basis, and when we find those rare occasions where the individual reservoirs will stand alone, we will propose stand-alone wells. In this drill block, it's pretty cut and dry that in order to recover the remaining reserves in the ground from the two formations, we must have a commingled situation.

Q. Is that generally true throughout the unit area for both pools?

A. Yes.

MR. KELLAHIN: That concludes my examination of Mr. Jennings. We move the introduction of his Exhibits 4 and 5.

EXAMINER CATANACH: Exhibits 4 and 5 will be admitted as evidence.

I have no questions.

MR. KELLAHIN: That concludes our presentation in this case, Mr. Examiner.

MR. STOVALL: I do have one question for Mr. Alexander. Are there any state lands in this unit?

MR. ALEXANDER: I believe there are, Mr. Stovall, but that's a recollection right off the top

of my head, and I could confirm that for you if you like.

MR. STOVALL: We're particularly concerned about notice, and of course they've got their own rules on commingling, but I do find on your notice tabulation, the third sheet from the back of the notice tabulations --

MR. KELLAHIN: It says State of New Mexico?

MR. STOVALL: Says State of New Mexico, correct. And because it doesn't have an agency, do you happen to know -- I can't remember if that is the State Land Office box number. Do you happen to know?

MR. KELLAHIN: It is, Mr. Stovall. Mr. Alexander and I have visited with Pete Martinez about the Land Office's downhole commingling procedures, and we are aware of their requirements, and we'll comply with their requests.

MR. STOVALL: Okay. That's all I've got.

EXAMINER CATANACH: There being nothing further, Case 10743 will be taken under advisement.

CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

I, Deborah O'Bine, Certified Shorthand Reporter and Notary Public, HEREBY CERTIFY that I caused my notes to be transcribed under my personal supervision, and that the foregoing transcript is a true and accurate record of the proceedings of said hearing.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL, June 29, 1993.

Deborah O'Bine

DEBORAH O'BINE
CCR No. 63

OFFICIAL SEAL
Deborah O'Bine
NOTARY PUBLIC
STATE OF NEW MEXICO
My Commission Expires: Sept. 19, 1994

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 10763, heard by me on June 17 1993.

Examiner
Oil Conservation Division