

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

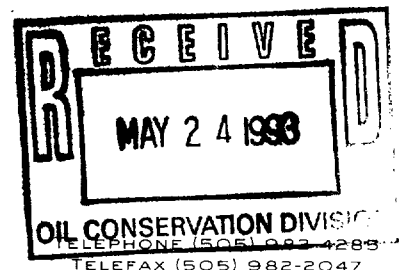
POST OFFICE BOX 2265

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)



May 24, 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

10745

RE: Application of Meridian Oil, Inc.  
for a Downhole Commingling,  
San Juan County, New Mexico  
Valdez # 5 Well

Dear Mr. LeMay:

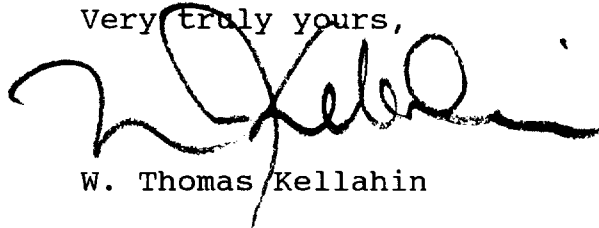
On behalf of Meridian Oil, Inc. please find enclosed our Application for downhole commingling as referenced above, which we request be set for hearing on the next available Examiner's docket now scheduled for June 17, 1993.

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, June 11, 1993.

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

Also enclosed is our suggested advertisement for this case.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over the typed name.

W. Thomas Kellahin

WTK/mg  
Enclosures

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

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

ltr524.330

PROPOSED ADVERTISEMENT

10745  
Case \_\_\_\_\_: Application of Meridian Oil Inc. for an unorthodox gas well location and downhole commingling, Rio Arriba County, New Mexico. Applicant seeks approval to downhole commingle Choza Mesa-Pictured Cliffs Gas Pool and the Basin-Fruitland Coal Gas Pool production within the wellbore of its proposed Valdez #5 Well to be drilled at an unorthodox gas well "off pattern" location for the Basin-Fruitland Coal Gas Pool, being 1820 feet FWL and 1850 feet FNL, (Unit F) Section 16, T28N, R4W, NMPM, Rio Arriba County, New Mexico. Said well is to be dedicated a standard 320-acre gas spacing unit for the Basin-Fruitland Coal Gas Pool being N/2 of Section 16 and to a standard 160-acre gas spacing unit for the Choza Mesa-Pictured Cliffs Gas Pool being the NW/4 of Section 16. The well is located approximately \_\_\_\_ miles \_\_\_\_\_ from \_\_\_\_\_, New Mexico.

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:

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

CASE: 10745

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 Choza Mesa-Pictured Cliffs Gas Pool and the Basin-Fruitland Coal Gas Pool production within the wellbore of its proposed Valdez #5 Well to be drilled at an "off pattern" gas well location for the Basin Fruitland Coal Gas Pool, being 1820 feet FWL and 1850 feet FNL, (Unit F) Section 16, T28N, R4W, NMPM, Rio Arriba County, New Mexico. The N/2 of Section 16 is to be dedicated to the subject well forming a standard 320-acre gas spacing unit for the Basin-Fruitland Coal Gas Pool. The NW/4 of Section 16 is to be dedicated to the subject well forming a standard 160 acre gas spacing unit for the Choza Mesa-Pictured Cliffs Gas Pool.

In support of its application, Meridian states:

(1) Meridian is the operator for the proposed Valdez #5 Well to be drilled at an unorthodox gas well location 1820 feet FWL and 1850 feet FNL (Unit F), Section 16, T28N, R4W, NMPM, Rio Arriba County, New Mexico as shown on Exhibit "A" attached.

(2) Said location is an unorthodox gas well location for the Basin-Fruitland Coal Gas Pool being located in the NW/4 rather than either the NE/4.

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

(4) The N/2 of Section 16 being 320 acres is to be dedicated to any production from the Basin-Fruitland Coal Gas Pool which is spaced on 320-acre gas spacing units.

(5) The NW/4 of Section 16 being 160 acres is to be dedicated to any production from the Choza Mesa-Pictured Cliffs Gas Pool which is spaced on 160-acre gas spacing units.

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

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

1. That drilling the Valdez #5 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.

(8) 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.

(9) Meridian has selected to drill the proposed well in the NW/4 instead of the NE/4 of Section 16 because that location appears to have a greater opportunity for a successful although marginal Fruitland formation well.

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

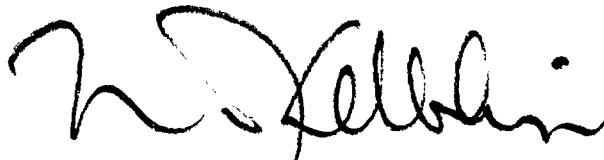
(11) Applicant requests that this matter be docketed for hearing on the Division's Examiner docket now scheduled for June 17, 1993.

(12) A copy of this application has been sent to all offsetting operators to the two spacing units as set forth on Exhibit B and to the royalty owners as set forth on Exhibit C.

Application of Meridian Oil, Inc.  
Page 4

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

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

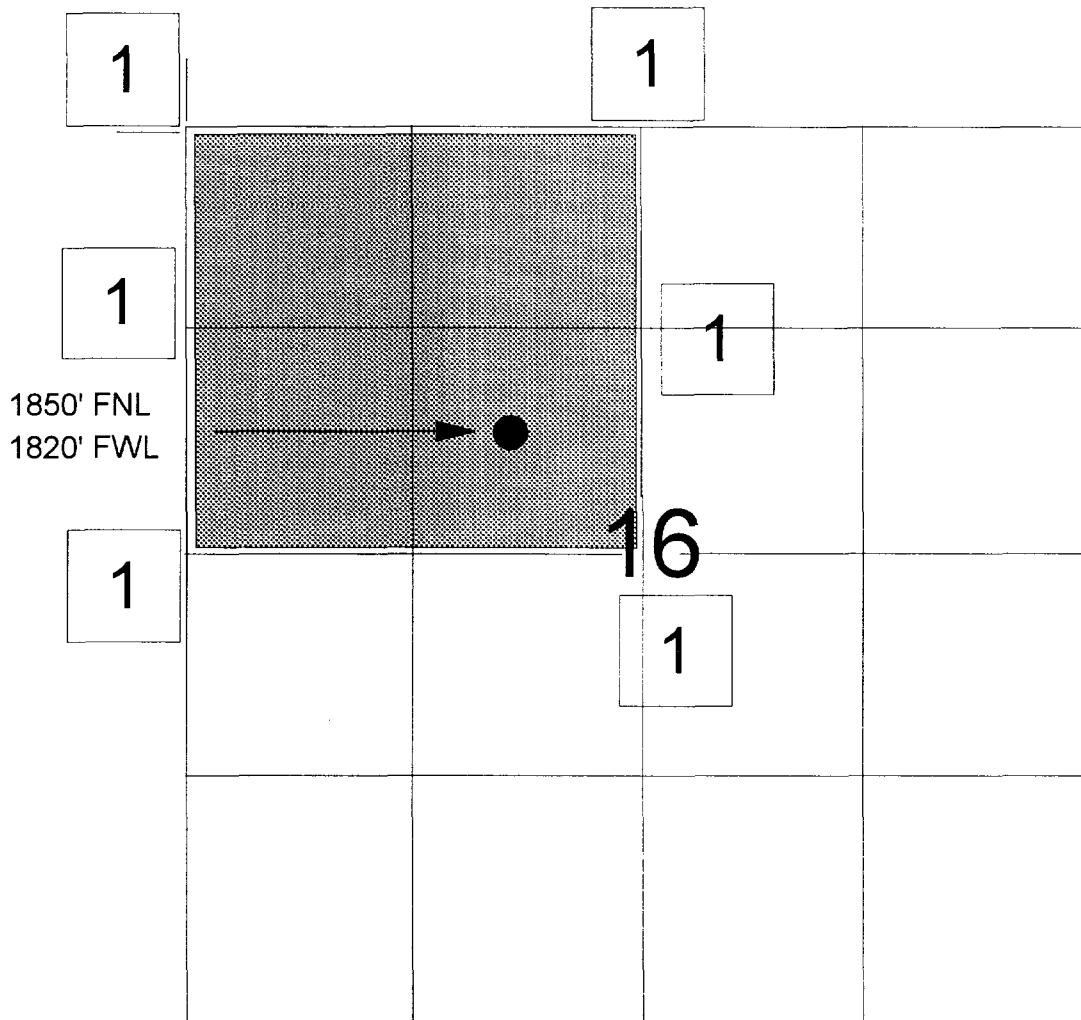
The map displays a grid with coordinates and labels for various areas. The central area is labeled 'Valencia Cyn.' and 'UN.'. To the left, 'Valdez' is labeled. The map includes a shaded area indicating the 'Proposed Well' location. A legend at the bottom right identifies symbols for 'FC' (Fossil Fuel) and 'Mv-PB' (Motor Vehicle Pollution). The map also shows 'Valencia Canyon' and 'Valencia Canyon' labels. A legend at the bottom right identifies symbols for 'FC' (Fossil Fuel) and 'Mv-PB' (Motor Vehicle Pollution).

Exhibit A



# MERIDIAN OIL INC.

**OFFSET OPERATOR/OWNER PLAT**  
**Fruitland Coal/Pictured Cliffs Commingle**  
**Offpattern Fruitland Location**  
**VALDEZ #5**  
**SE NW Section 16, T28N, R04W**  
**Rio Arriba County, New Mexico**



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

Exhibit B  
Page 1 of 2

PICTURED CLIFFS FORMATION

# MERIDIAN OIL INC.

OFFSET OPERATOR/OWNER PLAT  
Fruitland Coal/Pictured Cliffs Commingle  
Offpattern Fruitland Location  
VALDEZ #5  
SE NW Section 16, T28N, R04W  
Rio Arriba County, New Mexico

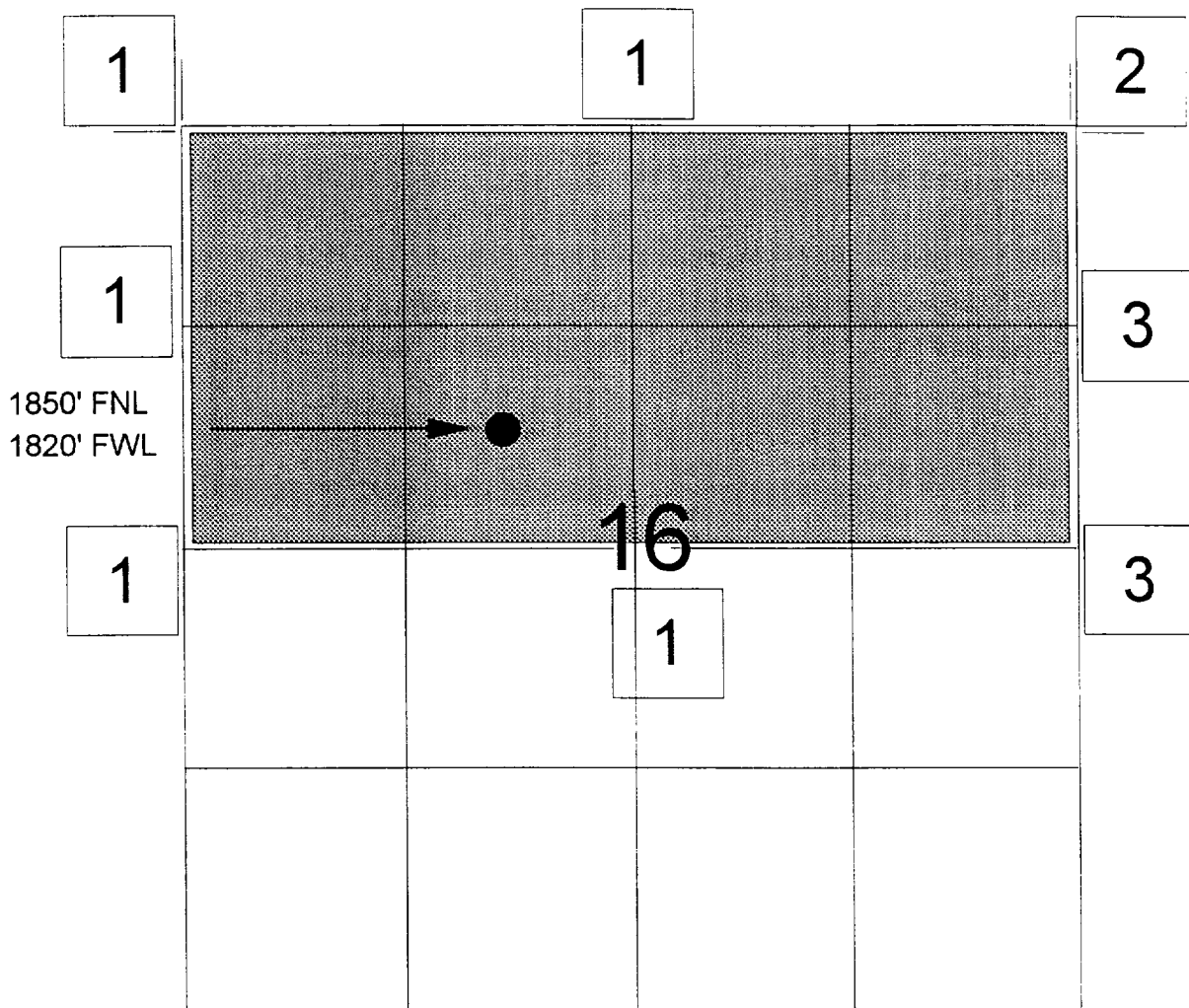


Exhibit B page 2 of 2

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

2) Williams Production Company-18%, P.O. Box 58900, 295 Chipeta Way, Salt Lake City, Utah 84158-0900.

Phillips Petroleum-82%, 5525 Hwy. 64, NBU 3004, Farmington, New Mexico 87401.

3) Amoco Production Company, P.O. Box 800, 1670 Broadway, Denver, Colorado 80201.

FRUITLAND FORMATION

**Valdez #5, Fruitland/Pictured Cliffs Commingle  
N/2 Section 16, T28N, R4W  
Rio Arriba County, New Mexico**

**Royalty Owner:**

Minerals Management Service  
Royalty Management Program  
P.O. Box 5810  
Denver, CO 80217

**Overriding Royalty Owners:**

MAR Oil & Gas Corporation  
P.O. Box 5155  
Santa Fe, NM 87502

Bank One Trust Co Na Trustee  
U/W/O Robert Critchfield  
100 East Broad Street  
Columbus, OH 43271

Timothy D. McCoy  
Ninth Floor  
200 North Harvey Street  
Oklahoma City, OK 73102

Phillips Petroleum Company  
5525 Hwy. 64, NBU 3004  
Farmington, NM 87401

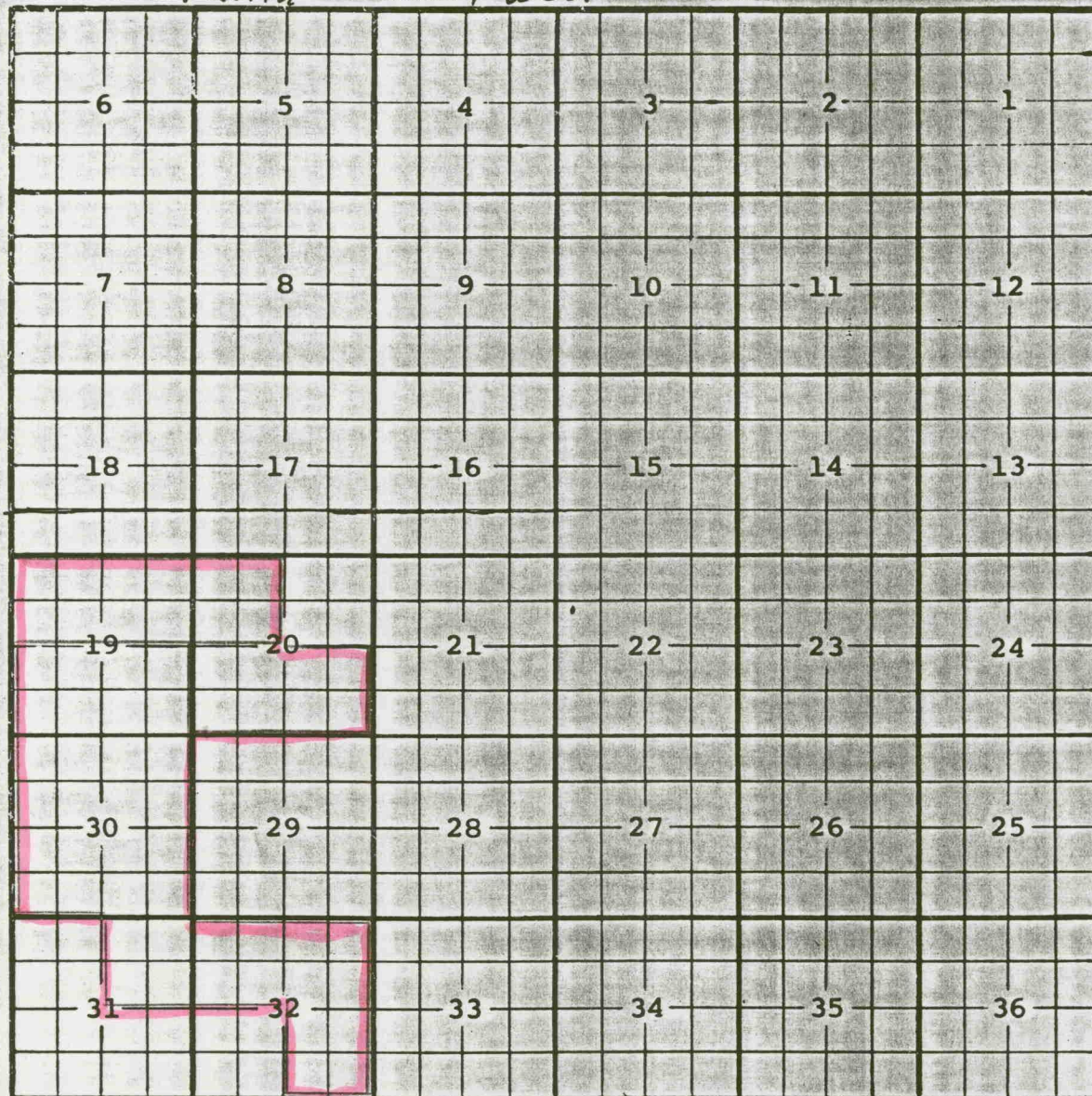


COUNTY Rio Arriba POOL Gobernador - Pictured Cliffs

TOWNSHIP 29 North

RANGE 4 West

NMPM



Ext:  $\frac{N}{2}$  Sec 19,  $\frac{NW}{4}$  Sec 20 (R-4963, 3-1-75)

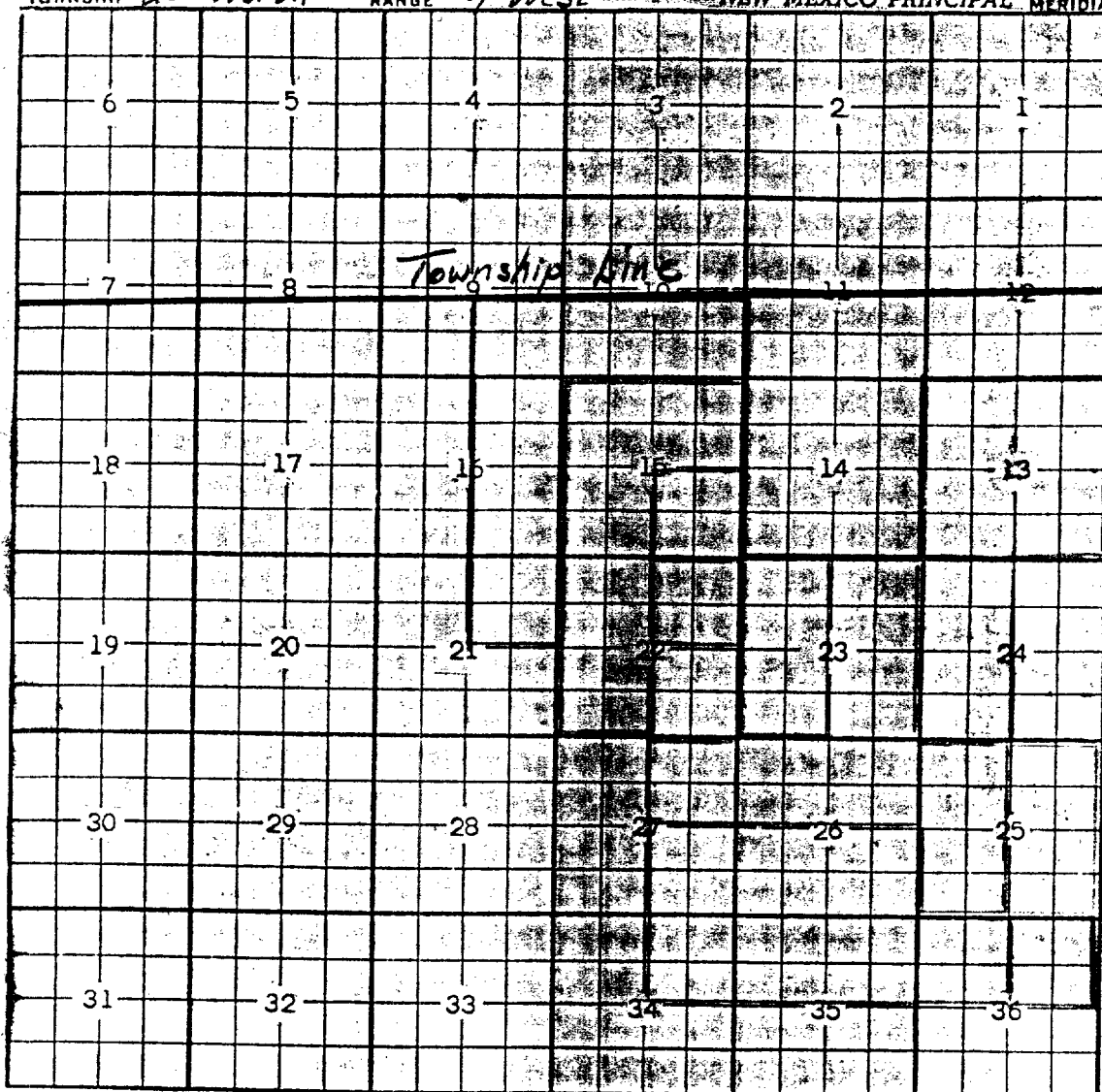
Ext:  $\frac{S}{2}$  Sec 19, All Sec 30,  $\frac{NE}{4}$  Sec 31,  $\frac{N}{2}$  &  $\frac{SE}{4}$  Sec 32 (R-5339, 2-1-77)

Ext:  $\frac{S}{2}$  Sec. 20 (R-6056, 8-1-79)



County Rio Arriba Pool Chozas Mesa Pictured Cliffs

TOWNSHIP 28 North RANGE 4 West NEW MEXICO PRINCIPAL MERIDIAN



Description: All Sec. 11, 12 & 14 (R-813, 6-8-56)

Ext:  $\frac{W}{2}$  Sec 23 (R-4690, 12-1-73) Ext:  $\frac{NE}{4}$  Sec 22,  $\frac{E}{2}$  Sec 23,  
 $\frac{W}{2}$  Sec 25,  $\frac{N}{2}$  Sec 26,  $\frac{NE}{4}$  Sec 27 (R-5596, 1-1-78)

Ext:  $\frac{SE}{4}$  Sec 15,  $\frac{SE}{4}$  Sec 22,  $\frac{E}{2}$  Sec 25,  $\frac{S}{2}$  Sec 26,  $\frac{SE}{4}$  Sec 27, -  
-  $\frac{NE}{4}$  Sec 34,  $\frac{N}{2}$  Sec 35,  $\frac{NW}{4}$  Sec 36 (R-5772, 7-1-78)

Ext:  $\frac{N}{2}$  &  $\frac{SW}{4}$  Sec 15,  $\frac{W}{2}$  Sec 22 (R-5843, 12-1-78)

Ext: All Sec. 13,  $\frac{W}{2}$  Sec. 24,  $\frac{NE}{4}$  Sec. 36 (R-6056, 8-1-79)

Ext:  $\frac{E}{2}$  Sec. 9, All Sec. 10,  $\frac{E}{2}$  Sec. 16,  $\frac{NE}{4}$  Sec. 21 (R-6327, 5-1-80)

ILLEGIBLE