MERIDIAN OIL, INC.

CASE 10114

OCTOBER 31, 1990

KELLAHIN, KELLAHIN AND AUBREY

ATTORNEYS AT LAW EL PATIO BUILDING 117 NORTH GUADALUPE POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

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

W. THOMAS KELLAHIN KAREN AUBREY

CANDACE HAMANN CALLAHAN

JASON KELLAHIN OF COUNSEL

September 24, 1990

HAND-DELIVERED

Mr. William J. LeMay Oil Conservation Division P.O. Box 2088 Santa Fe, New Mexico 87501

RECEIVED

SEP 2 5 1990

Meridian Oil, Inc.'s First Amended Application for an Unorthodox Coal Gas Location, Basin Fruitland Coal Gas Pool, San Juan County, New Mexico.

QIL CONSERVATION DIVISION

Dear Mr. LeMay:

On behalf of Meridian Oil, Inc., please set the enclosed application for hearing at the next available examiner's docket now set for October 17, 1990.

We suggest the following to be used for the advertisement for this case:

Application of Meridian Oil, Inc. for an unorthodox coal gas well location, San Juan County, New Mexico. Applicant in the above-styled cause seeks authority to drill its Frost Well No. 500 at an unorthodox coal gas well location 2510 feet FNL and 790 feet FEL of Section 26, T27N, R10W, N.M.P.M., San Juan County, New Mexico and to dedicate the N/2 to said well. Said location is approximately ___ miles from

By copy of this letter and application sent certified mail, return-receipt requested, we are notifying each of the offsetting owners and/or operators of their right to appear at the hearing either in support of or in opposition to this application.

5 5059888936

Mr. William J. LeMay September 24, 1990 Page 2

Should any party desire more information about this matter or about the procedures for hearing this application, they may call the Division or the undersigned.

Very truly yours,

W. Thomas Kellahin

WTK/tic Enclosure

cc: Mr. Alan Alexander
 Meridian Oil, Inc.
 P.O. Box 4289
 Farmington, New Mexico 87499-4289

"Certified-Return Receipt Requested"

All parties listed on Exhibit C.

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT OIL CONSERVATION DIVISION

RECEIVED

IN THE MATTER OF THE APPLICATION OF MERIDIAN OIL, INC. FOR AN UNORTHODOX COAL GAS WELL LOCATION, BASIN FRUITLAND COAL GAS POOL, SAN JUAN COUNTY, NEW MEXICO

QIL CONSERVATION DIVISION CASE NO.

FIRST AMENDED APPLICATION

COMES NOW MERIDIAN OIL, INC., by and through its attorneys, KELLAHIN, KELLAHIN & AUBREY, and applies to the New Mexico Oil Conservation Division for approval to drill its Frost No. 500 well at an unorthodox coal gas well location 2510 feet FNL and 790 feet FEL of Section 26, T27N, R10W, N.M.P.M., San Juan County, New Mexico and to dedicate the N/2 of said Section 26 to the subject well and in support thereof states:

- 1. Applicant is a working interest owner and the operator of the N/2 of Section 26, T27N, R10W.
- 2. The applicant originally sought the approval of the Area Manager for the BLM for a standard well location in the NE/4 of said Section 26 and was denied that location.

RCV BY:Meridian Oil, Inc. ;10-24-90 ; 4:00PM , ま 5059888936

10/24/90 16:19 P.05

- 3. As an alternative the BLM has approved the requested unorthodox location.
- 4. As a result of topographical restrictions and in order to obtain a drilling location for the NE/4 of said Section the applicant seeks the subject unorthodox well location.
- 5. Directional drilling of the subject well is not economically feasible.
 - 6. Amoco is the diagonally offsetting operator.
 - 7. Meridian is the only other offsetting operator.
- 8. No correlative rights will be impaired by approving this application.
- 9. Applicant proposes to dedicate the well to the N/2 of Section 26 as described on Exhibit "A".
- 10. Attached as Exhibit "B" is a plat showing all of the acreage dedicated to the subject well and the surrounding acreage.
- 11. Attached as Exhibit "C" is a list of all offsetting owners and/or operators who are required by Division rules to receive notification of this application.
- 12. Pursuant to Division rules, a copy of this application was mailed by certified mail, return-receipt requested, to all parties listed on Exhibit "C".

WHEREFORE, Applicant requests that after notice and hearing the application be granted.

Respectfully submitted:

KELLAHIN, KELLAHIN & AUBREY

W. Thomas Kellahin

Post Office Box 2265 Santa Fe, New Mexico 87504

(505) 982-4285

Appropriate - Office itate Lease - 4 copies fee Lease - 3 copies

State of New Mexico Energy, Minerals and Natural Resources Department

Form C-102 Revised 1-1-89

DISTRICT I 2.0, Box 1980, Hobbs, NM 84240

DISTRICT II

OIL CONSERVATION DIVISION P.O. Box 2088

Santa Fe, New Mexico 87504-2088

ISTRICT III 000 Rio Brazos Rd.,	Azac, NM 87410				r boundaries of	ATION PLAT the section		
perator	043 Tue			Lease	•			Well No.
meridian	Oil Inc.			Fros	5 t			50 0
ik Letter H.	Section 26.	Township 27 No	orth	Range 10	West	NMPM	County San	Juan
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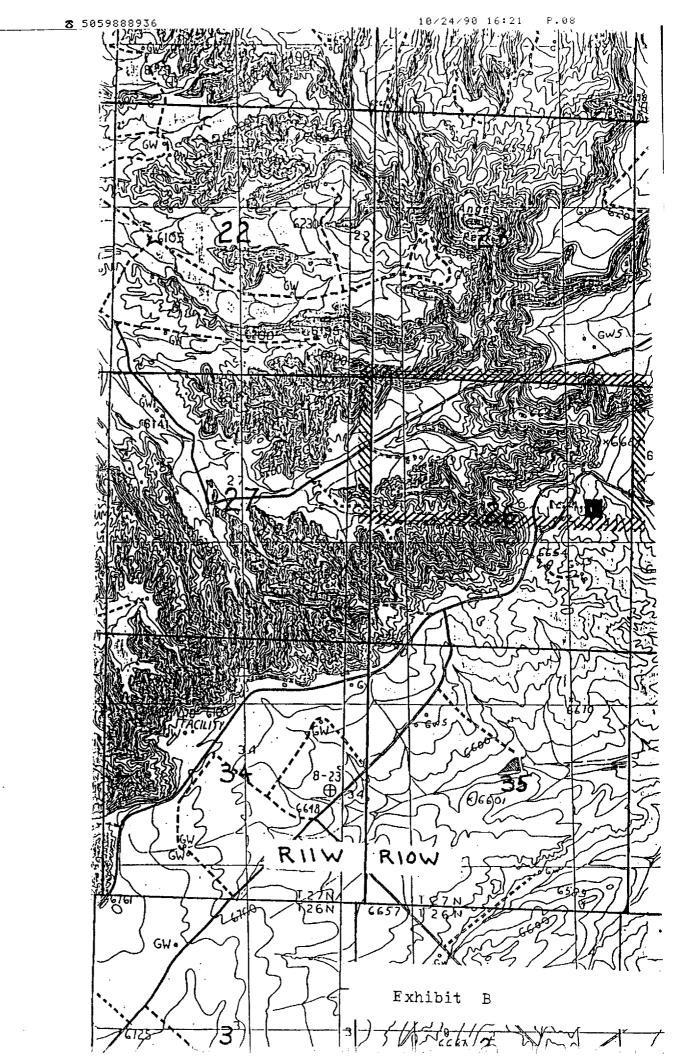
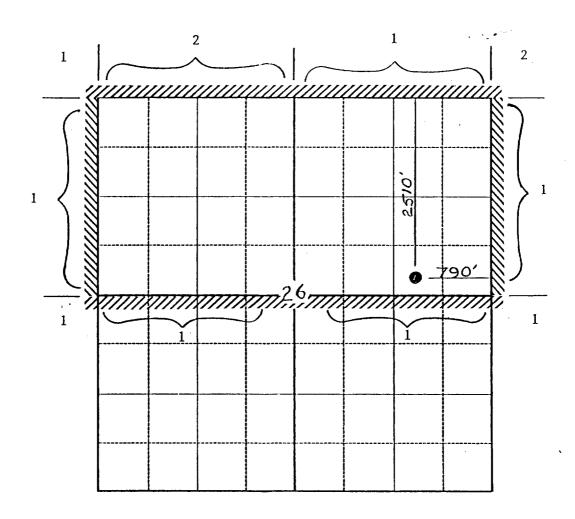


EXHIBIT "C"

Amoco Production Company Post Office Box 800 Denver, Colorado 80201 Well Name Frost #500
Footage 2510' FNL; 790' FEL

APPLICATION FOR NON-STANDARD LOCATION

County San Juan State New Mexico Section 26 Township 27N Range 10W



Remarks_	l)	Meridian Oil Inc.	· · · · · · · · · · · · · · · · · · ·	
_	2)	Amoco Production Co.		

NM 224 (P) NM 275,227 (P) AMOCO(D) 1E AMOCO(D) 34 1	NM 210 NM 210, 917 (P) 2	NM 210 38 NM 209,210(P) AMOCO (D)E/2	NM 210(D)E/2 1 36.80 AMOCO (PD)W/2 TENNECO (P)
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0 LOCATION

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FRUITLAND GAS WELL

PICTURED CLIFFS GAS WELL

MESAVERDE GAS WELL 器

DAKOTA GAS WELL

MERIDIAN OIL

CASE NO. 10114 FROST #500 2510' FNL, 790' FEL Section 26, T-27-N, R-10-W San Juan County, New Mexico

Suon Appropriate Distr... Office State Lease - 4 copies Foe Lease - 3 copies

State of New Mexico Energy, Minerals and Natural Resources Department

Form C-102 Revised 1-1-89

OIL CONSERVATION DIVISION

P.O. Box 2088 Santa Fe, New Mexico 87504-2088

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DISTRICT I P.O. Box 1980, Hobbs, NM 88240

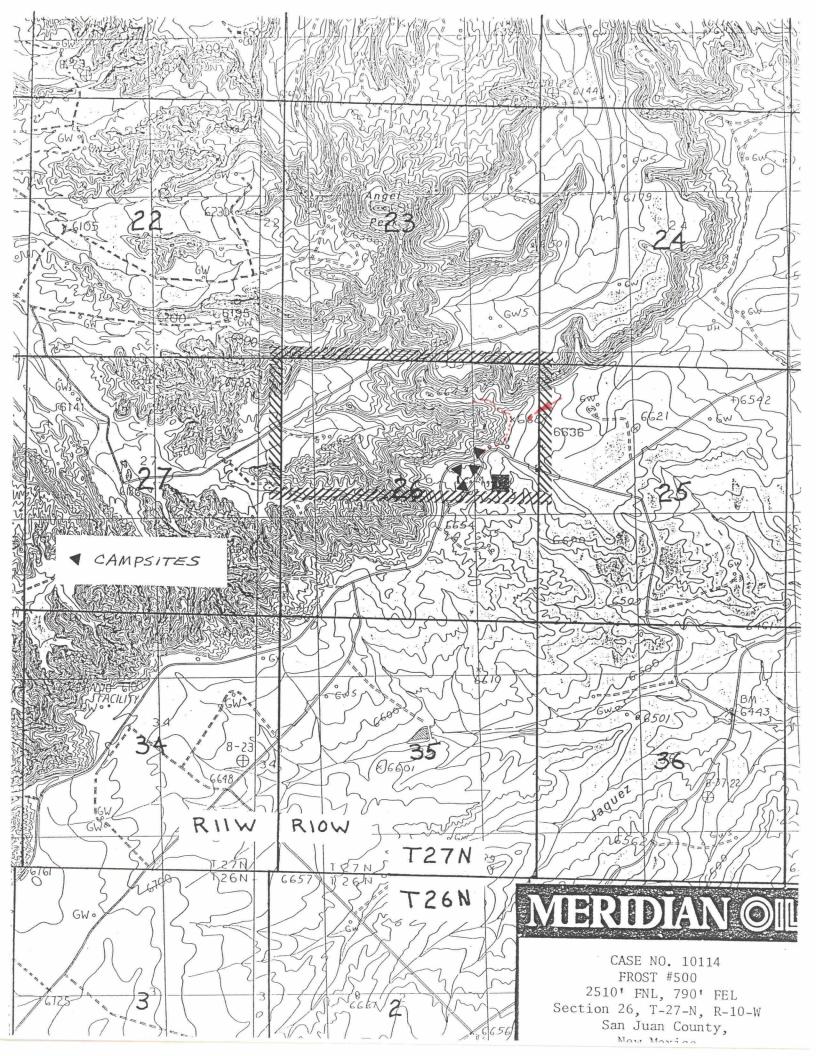
DISTRICT III
1000 Rio Brazos Rd., Azzec, NM 87410

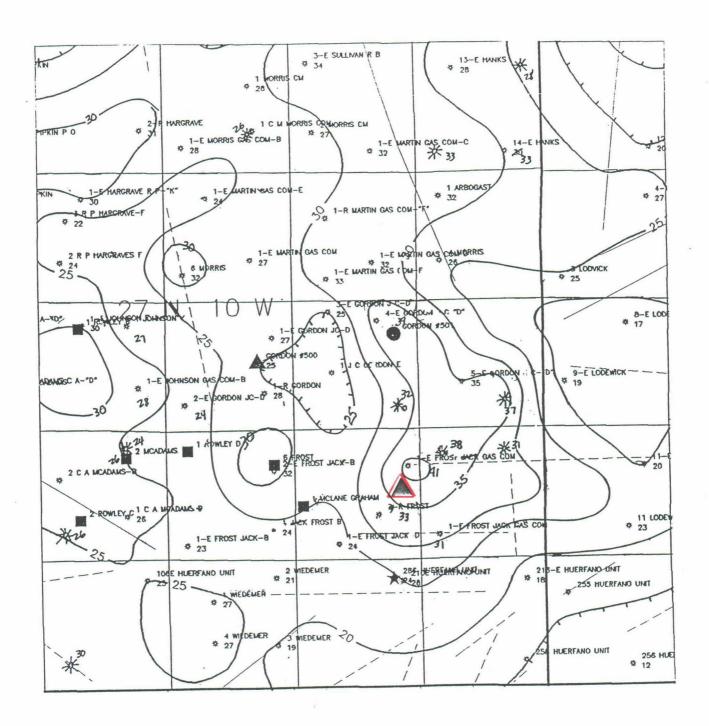
WELL LOCATION AND ACREAGE DEDICATION PLAT

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Frost #500 Section 26, T-27-N, R-10-W

<u>Location</u>	<u>Date</u>	<u>Action</u>
1040'N, 130'E	10-12-88	Staked non-standard due to terrain, existing locations
	10-21-88	Archaeological Report #1421 from DCA, location recommended
	11-30-88	Notice of Staking submitted to BLM
	12-29-88	Application for Permit to Drill submitted to BLM with E/2 dedication
2510'N, 790'E	01-09-89	Moved to orthodox location with E/2 dedication
	03-14-89	Inspected by archaeologist
	03-15-89	Inspected by Bureau of Land Management
	03-24-89	Archaeological Report #1499 from DCA, location recommended
	05-09-89	Letter from BLM to Meridian denying this location, requesting move back to 1040'N, 130'E
1040'N, 130'E	05-24-89	Application made to NMOCD for NSL
	08-23-89	Sundry submitted to BLM for move back to original location
	09-14-89	Letter from Michael Stogner (NMOCD) stating cannot administratively approve NSL, need to refile and request hearing w/BLM testimony, directional drilling testimony, topographic condition testimony, provisions for production restriction to protect correlative rights.
2510'N, 790'E	08-01-90	Re-released for Staking with $N/2$ dedication (unorthodox location)
	09-17-90	Application for NSL made to NMOCD in Santa Fe
	09-20-90	Letter received from NMOCD questioning E/2 dedication, versus S/2 dedication Section 26, T-27-N, R-10-W of Graham #1 (recompletion).
	10-02-90	Letter from BLM requesting this location.
	10-18-90	Application for Permit to Drill submitted to BLM with N/2 dedication.
	10-31-90	Set for hearing CASE NO. 10114 FROST #500 2510' FNL, 790' FEL Section 26, T-27-N, R-10-W San Juan County, New Mexico





MERIDIAN OIL

CASE NO. 10114
FROST #500
2510' FNL, 790' FEL
Section 26, T-27-N, R-10-W
San Juan County,
New Mexico

FROST #500 Sec. 26, T27N, R10W San Juan County, NM 10/30/90

VERTICAL WELL

GROSS WELL COST DATA

	Dri1	ling	Workover,	Construction	
	Dry Hole		,	or Facility	Total
Days:		3	5	5	13
This AFE:		105680	118410	81630	305720
Prior AFE'S: Total Costs:	\$	\$ 105680	\$ 118410	\$ 81630	\$ 305720

DIRECTIONAL WELL

GROSS WELL COST DATA

	Dril	ling	Workover,	Construction			
	Dry Hole	Suspended	Completion	or Facility	Total		
Days:		10	5	5	20		
This AFE: Prior AFE'S:		257825	118410	81630	457865		
Total Costs:	\$	\$ 257825	\$ 118410	\$ 81630	\$ 457865		

MERIDIAN OIL

CASE NO. 10114
FROST #500
2510' FNL, 790' FEL
Section 26, T-27-N, R-10-W
San Juan County,
New Mexico

WELL I	NAME: Frost #500 I Y,STATE: San Juan County, NM A ION: NE/NE/4 26-27-10 A	PREPARED BY: DAPPROVED BY:	T. Boone	DATE: 11-Aug-90 DATE: <u>8 - 13 - 90</u>
LOCAT.	ION: NE/NE/4 26-27-10 A	AFE TYPE: 0	I Deserobmen.	t Type 5
	SED TD: 2449 AFE NOMENCLATURE		DRYHOLE	SUSPENDED 3 Days
248.	INTANGIBLE DRILLING COSTS			5 5 11 2 5
02	Environmental studies			1,000
03	Location and roads construction		-	7,500
04	Surface restoration		-	1,000
05	Move in, move out		-	
06	Contractor fees - Footage 2,449 (\$14.50 /Ft	-	35,500
07	Contractor fees - Daywork 0.60 (\$4,300 /Day-	-	2,580
09	Drilling fluidsGas and air drilling		_	
10	Gas and air drilling		-	
16	Water			
17	Bits		-	
18	Primary cementing		-	9,400
20	Mud logging			900
21	Wireline logging		-	9,200
	(SURF - TD: IES/LDT/NGT/CNL/MLT/GI	₹)		
22	Coring and AnalysisFuel		-	
23	Fuel		· -	
28	Other rentals		-	400
29	Trucking and Transportation		-	1,300
33	Tubular inspection			1,500
34	Cased hole logging		· -	,
35	Perforating		· -	
39	Fracturing		· -	
43	Consultants		-	1,000
45	Roustabout and contract labor		-	700
46	Miscellaneous		· -	500
72	Company Supervision and Overhead-		•	1,200
	Contingency - 5%		-	3,600
				5,000
	TOTAL INTANGIBLE DRILLING COST			77,280
				77,200
	TANGIBLE DRILLING COSTS			
80	Casing-(COPAS price)		· -	24,300
	Casing-(COPAS price)	9 \$13.81 /Ft.		2.,500
	2449 Ft. 5 1/2" 15.5# K-55 (88.78 /Ft.		
81	Tubing		. <u> </u>	
84	Casing/Liner Equipment		· -	
86	Wellhead equipment-(LIST price)			4,100
- -				.,200
	TOTAL TANGIBLE DRILLING COST			28,400
				20,400
	TOTAL DRILLING COST ESTIMATE			105,680
				100,000

MERIDIAN OIL INCORPORATED DRILLING WELL COST ESTIMATE

WELL NAME: Frost #500 PREPARED BY: D. T. Boone DATE: 11-Aug-90 COUNTY, STATE: San Juan, NM APPROVED BY: DTB for JUC DATE: 9-13-90 LOCATION: SE/NE/4 26-27-10 AFE TYPE: 01 Development PROPOSED TD: 2449 TVD 2703 *DIRECTIONAL WELL COST ESTIMATE* KOP: 1198 MEASURED DEPTH: ACCT AFE NOMENCLATURE DRYHOLE SUSPENDED Days: 10 248. INTANGIBLE DRILLING COSTS Environmental studies-----02 1,000 Location and roads construction-----03 15,000 Surface restoration-----04 1,000 Move in, move out-----05 Contractor fees - Footage 1,198 @ \$14.50 /Ft.--06 17,400 Contractor fees - Daywork 6.80 @ \$5,500 /Day--07 37,400 09 Drilling fluids-----9,900 Drilling Fluids Maintenance Equipment-----11 2,900 Gas and air drilling-----10 Water-----16 3,300 Bits----17 7,525 Primary cementing-----18 10,400 Mud logging-----20 1,200 Wireline Logging-----21 15,000 Fuel-----23 Drill/Work String Rentals-----25 6,700 Tank rentals-----27 500 Other rentals-----28 400 Trucking and Transportation-----29 1,600 Directional Services-----32 72,600 6.60 Days @ \$11,000/day Tubular inspection-----33 1,700 Cased hole logging-----34 43 Consultants-----3,200 Roustabout and contract labor-----45 2,000 Miscellaneous-----46 2,000 72 Company Supervision and Overhead-----3,900 Contingency - 5% ------10,600 TOTAL INTANGIBLE DRILLING COST 227,225 TANGIBLE DRILLING COSTS Casing-(COPAS price)-----80 26,500 200 Ft. 8 5/8" 24.0# K-55 @ \$13.81 /Ft. 2703 Ft. 5 1/2" 15.5# K-55 @ \$8.78 /Ft. Tubing-----81 Casing/Liner Equipment ------84 Wellhead equipment-(LIST price)-----86 4,100 TOTAL TANGIBLE DRILLING COST 30,600

257,825

TOTAL DRILLING COST ESTIMATE

Meridian Oil, Inc.

Risked Consolidation	100% Trouble Time	50% Trouble Time	No Trouble Time	irec	Vertical Hole		10/30/90 Pro	Sec. 26-T27N-R10W	Frost #500
NA 82%	33% 70%	33% 80%	34% 95%		NA 95%	Suco	lity Prob		
298.3	438.2	348.0	257.8		105.7		Drilling Capital	Estimated Estimated	
498.3 -0.21	638.2 -0.33	548.0 -0.23	457.9 -0.06		305.7 0.30	'		ated Ricked	
-106.9	-181.0	-116.2	-25.9		91.1	Value (M\$)	Present	Risked	

Trouble Time Documentation

Sunray H Com #201:

Drilled to TD. 380 M\$ Cost AFE 640 M\$ Completion: After stage 1 of frac tried to drill out bottom bridge plug leaving bit, sub, and 4 jts of pipe. Set new bridge plug. Wore hole in casing after stage 2 of frac tying to remove plug. Set another retrievable bridge plug for stage 3 of frac. Took 7 days of milling and jarring to remove, also wore another hole in casing.

1028 M\$ Cost AFE 445 M\$.

TOTAL w/o facilities: Cost 1408 M\$ AFE 1085 M\$ 40% over AFE Costs

SJ 32-5 Unit #100:

Drilled to TD. Blew well before running casing. Lost hole had to redrill. 97 hrs drilling trouble time

266 hrs completion trouble time

TOTAL 363 hrs

792 hrs approved 1008 hrs taken

Total AFE Cost: 893 M\$
Total T.T. Cost: 348 M\$

40% Trouble Time

SJ 30-6 Unit #404:

Drilled to TD. Ran casing before blowing. Got casing stuck, had to ream etc.

Cost: 41 days 951 M\$ w/o facilities AFE: 36 days 865 M\$ w/o facilities

10% Trouble Time

Howell E #2R:

While drilling, torque and drag excessively high. Stuck pipe, lost bit, sub, and 4 jts of pipe. 7 days fishing. Directional portion took twice as long to drill. 25 days planned, 51 days actual.

750 M\$ AFE 1400 M\$ Actual

100% Trouble Time