

**KELLAHIN AND KELLAHIN**

ATTORNEYS AT LAW

EL PATIO BUILDING

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SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN\*

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

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

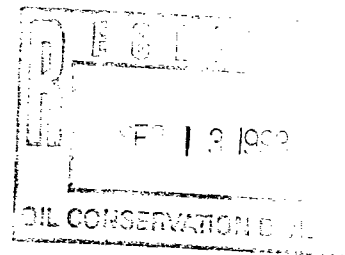
JASON KELLAHIN (RETIRED 1991)

September 13, 1993

Mr. William J. LeMay  
Oil Conservation Division  
State Land Office Building  
310 Old Santa Fe Trail, 2nd Floor  
Santa Fe, New Mexico 87501

**HAND DELIVERED**

Re: Black Diamond Com. 18 No. 1 Well  
Application of Meridian Oil Inc.  
for a High Angle/Horizontal Direction  
Drilling Pilot Project, Special  
Operating Rules Therefor, including  
A Non-Standard Oil Proration Unit,  
and An Unorthodox Oil Well Location,  
and A Special Project Allowable,  
San Juan County, New Mexico



Dear Mr. LeMay:

On behalf of Meridian Oil Inc., please find enclosed our Application for a High Angle/Horizontal Direction Drilling Pilot Project as referenced above, which we request be set for hearing on the next available Examiner's docket now scheduled for October 7, 1993.

By copy of this letter and application, sent certified mail, we are notifying all interested parties within a 1/2 mile radius of the subject well 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.

Mr. William J. LeMay  
September 13, 1993  
Page Two

Pursuant to the Division's Memorandum 2-90, all parties are hereby informed that if they appear in this case, then they are requested to file a Pre-Hearing Statement with the Division not later than 4:00 PM on Friday, August 27, 1993, with a copy delivered to the undersigned.

Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

WTK/mg  
Enclosure

cc: Mr. John Zent  
Meridian Oil Inc.  
Post Office Box 4289  
Farmington, New Mexico 87499-4289

By Certified Mail - Return Receipt  
All Parties Listed on Exhibit "C" of Application

## PROPOSED ADVERTISEMENT

CASE 16842 Application of Meridian Oil Inc. for a high angle/horizontal directional drilling pilot project and special operating rules therefor, San Juan County, New Mexico. Applicant seeks to initiate a horizontal drilling project in the Gallup formation, Horseshoe Gallup Oil Pool, underlying the E/2 of Section 18, T30N, R15W. Applicant proposes to drill its Black Diamond Com 18 No 1 Well by commencing at a standard well location in Unit B of Section 18, then kicking-off from vertical in a southeasterly direction commencing to build angle at an appropriate rate to vertically and horizontally traverse the proposed producing area. Applicant further seeks the adoption of special operating provisions and rules within the project area including the designation of a target window such that the horizontal or producing portion of the wellbore shall be no closer than 330 feet to any boundary of a non-standard spacing and proration unit consisting of the E/2 of said Section 18, and for a special project allowable. Said project is located approximately 4-1/2 miles north-northeast from Waterflow, 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:

CASE NOS. 10843  
and 10844

APPLICATIONS OF MERIDIAN OIL INC.  
FOR A HIGH ANGLE/HORIZONTAL DIRECTIONAL  
DRILLING PILOT PROJECT, SPECIAL OPERATING  
RULES, A SPECIAL PROJECT OIL ALLOWABLE,  
AN UNORTHODOX OIL WELL LOCATION  
AND A NON-STANDARD OIL PRORATION UNIT,  
SAN JUAN COUNTY, NEW MEXICO.

FILED  
5

CONSOLIDATED  
PRE-HEARING STATEMENT

This pre-hearing statement is submitted by MERIDIAN OIL  
INC. as required by the Oil Conservation Division.

**APPEARANCE OF PARTIES**

**APPLICANT**

MERIDIAN OIL INC.  
P. O. Box 4289  
Farmington, N.M. 87499  
Attn: John Zent  
(505) 326-9758

**ATTORNEY**

W. Thomas Kellahin  
KELLAHIN AND KELLAHIN  
P.O. Box 2265  
Santa Fe, NM 87504  
(505) 982-4285

## STATEMENT OF CASES

### APPLICANT:

Meridian Oil Inc. seeks approval for two high angle/horizontal directional drilling pilot projects for:

(1) Case 10843: its Black Diamond Com 18 Well No 1, San Juan County, New Mexico. The proposed project includes E/2 of Section 18, T30N, R15W, San Juan County, New Mexico, and

(2) Case 10844: its Black Diamond Com 8 Well No 1, San Juan County, New Mexico. The proposed project includes W/2 of Section 8, T30N, R15W, San Juan County, New Mexico, and

The spacing for the pool is 40 acres per unit and Meridian proposes a single 320-acre project area spacing and proration unit to be dedicated to the well for each case.

Applicant proposes to drill each well commencing at standard oil well location and to drill in a southeasterly direction so that the producing lateral will extend across each section but with the final end point of the producing lateral to be not closer than 330 feet to the outer boundary of the project area in each case.

The two high angle/horizontal wells are an attempt to increase the probability of encountering several natural fractures in the reservoir which may improve productivity over conventional wells.

In each case, Meridian seeks approval of:

- (1) A special 320-acre project area,
- (2) A drilling-producing window with 330 foot setbacks from the outer boundary of the project area,
- (3) The 320-acres as a non-standard proration and spacing unit with an allowable based upon the number of 40-acre tracts contacted by the wellbore;
- (4) An unorthodox well location so that the producing lateral can cross or encroach upon the interior 40-acre unit lines within the project area.

#### PROPOSED EVIDENCE

##### APPLICANT

| WITNESSES   | EST. TIME | EXHIBITS* |
|---|-----------|-----------|
| Paul Basinski (geologist)                             | 15 min.   | 2         |
| John Zent (landman)                                   | 5 min.    | 1         |
| Chris Settle (petroleum engineer)                     | 15 min.   | 2         |
| Eric Bauer (drilling engineer)<br>(drilling engineer) | 10 min.   | 2         |

\* the exhibits are the number for each case. The time is the total time for the presentation of both of the consolidated cases.

Pre-Hearing Statement  
Case Nos. 10843 & 10844  
Page 4

**PROCEDURAL MATTERS**

Case 10843 is to be consolidated with Case 10844

KELLAHIN AND KELLAHIN



By:  
W. Thomas Kellahin  
P.O. Box 2265  
Santa Fe, New Mexico 87504  
(505) 982-4285

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:

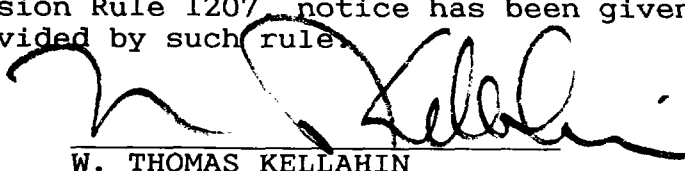
CASE NO. 10843

APPLICATION OF MERIDIAN OIL INC.  
FOR HIGH ANGLE/HORIZONTAL DIRECTIONAL  
DRILLING PILOT PROJECT,  
SAN JUAN COUNTY, NEW MEXICO.

CERTIFICATE OF MAILING  
AND  
COMPLIANCE WITH ORDER R-8054

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

W. Thomas Kellahin, being first duly sworn, hereby certifies that he is an Attorney at Law and representing the Applicant in this matter and that the notice provisions of Division Rule 1207 (Order R-8054) have been complied with, that Applicant has caused to be conducted a good faith diligent effort to find the correct addresses of all interested parties entitled to receive notice, that on September 15, 1993, he caused to be mailed by certified mail return-receipt requested notice of this hearing and a copy of the application for the above referenced case, at least twenty days prior to the hearing of this case set for October 7, 1993, to the parties shown in said application and as evidenced by the attached copies of return receipt cards, and that pursuant to Division Rule 1207, notice has been given at the correct addresses provided by such rule.

  
W. THOMAS KELLAHIN

SUBSCRIBED AND SWORN to before me this 6 day of  
October, 1993.

  
Notary Public

My Commission Expires:

June 9, 1997

Is your RETURN ADDRESS completed on the reverse side?

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

1. ☐ Addressee's Address
2. ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Yates Petroleum Corporation  
P.O. Box 818  
Artesia, NM 88211-0818

4a. Article Number

670 814 662

4b. Service Type

- ☐ Registered ☐ Insured  
☒ Certified ☐ COD  
☐ Express Mail ☒ Return Receipt for Merchandise

7. Date of Delivery

9-16-93

5. Signature (Addressee)

6. Signature (Agent)

*[Signature]*

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991 ★U.S. GPO: 1992-322-402

DOMESTIC RETURN RECEIPT

*Mer 6718*

Thank you for using Return Receipt Service.

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I also wish to receive the following services (for an extra fee):

1. ☐ Addressee's Address
2. ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

EP Operating Company  
4849 Greenville Ave.  
Suite 1200  
Dallas, Texas 75206

4a. Article Number

670 814 663

4b. Service Type

- ☒ Registered ☐ Insured  
☐ Certified ☐ COD  
☐ Express Mail ☒ Return Receipt for Merchandise

7. Date of Delivery

9-16-93

5. Signature (Addressee)

6. Signature (Agent)

*J. H. Hanner*

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991

\*U.S. GPO: 1990-022-022

DOMESTIC RETURN RECEIPT

*McA- 130 18*

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I also wish to receive the following services (for an extra fee):

1. ☐ Addressee's Address
2. ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Morgan Energy Corp.  
1999 Broadway Suite 2450  
Denver, CO 80202

4a. Article Number

670814 666

4b. Service Type

- ☐ Registered ☐ Insured  
☒ Certified ☐ COD  
☐ Express Mail ☒ Return Receipt for Merchandise

7. Date of Delivery

9-16-93

5. Signature (Addressee)

8. Addressee's Address (Only if requested and fee is paid)

6. Signature (Agent)

Rafael Herrera

PS Form 3811, December 1991

U.S. GPO: 1992-000-000

DOMESTIC RETURN RECEIPT

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BD 18

Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side?

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I also wish to receive the following services (for an extra fee):

1. ☐ Addressee's Address
2. ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Oxford Exploration  
P.O. Box 37390  
Denver, CO 80237

4a. Article Number

6 70 814 668

4b. Service Type

- ☐ Registered ☐ Insured  
☐ Certified ☐ COD  
☐ Express Mail ☒ Return Receipt for Merchandise

7. Date of Delivery

5. Signature (Addressee)

6. Signature (Agent)

*Julist*

PS Form 3811, December 1991 ★U.S. GPO: 1992-222-402

**DOMESTIC RETURN RECEIPT**

*Mer BN 18*

Thank you for using Return Receipt Service.



STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



BRUCE KING  
GOVERNOR

ANITA LOCKWOOD  
CABINET SECRETARY

POST OFFICE BOX 2088  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87504  
(505) 827-5800

October 25, 1993

RE: CASE NO. 10843  
Order No. R-10000

Mr. Thomas Kellahin  
Kellahin and Kellahin  
Attorneys at Law  
Post Office Box 2265  
Santa Fe, New Mexico 87504-2265

Dear Mr. Kellahin:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,

A handwritten signature in cursive script that reads "Florene Davidson".

Florene Davidson  
OC Staff Specialist

Copy of order also sent to:

Hobbs OCD   x    
Artesia OCD   x    
Aztec OCD   x