

MERIDIAN OIL

CASE # 10965
MAY 12, 1994

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March 29, 1994

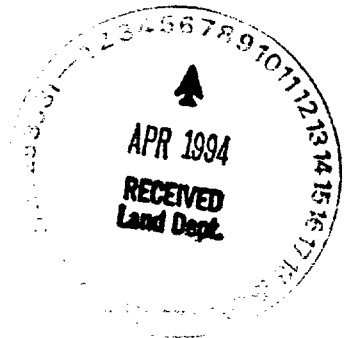
EXHIBIT 1

HAND DELIVERED

~~1994~~ 30 1994

Mr. Michael E. Stogner
Chief Hearing Examiner
Oil Conservation Division
310 Old Santa Fe Trail, 2nd Floor
Santa Fe, New Mexico 87501

Re: Jernigan Well No. 3
E/2 Sec 24, T27N, R9W
Application of Southland Royalty Company
for a High Angle/Horizontal/Direction
Drilling Pilot Project,
San Juan County, New Mexico



Dear Mr. LeMay:

On behalf of Southland Royalty Company, 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 April 28, 1994.

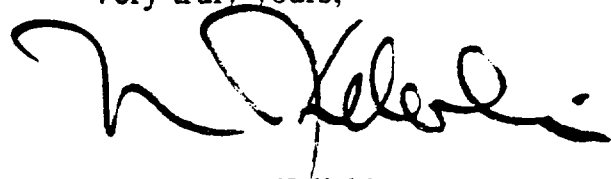
By copy of this letter and application, sent certified mail, we are notifying all interested parties within a 1/2 mile radius of the subject well of their right to appear at the hearing and participate in this case, including the right to present evidence either in support of or in opposition to the application and that failure to appear at the hearing may preclude them from any involvement in this case at a later date.

Oil Conservation Division
March 29, 1994
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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, April 22, 1994, with a copy delivered to the undersigned.

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

Very truly yours,

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

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 _____ Application of Southland Royalty Company 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 Dakota formation, Basin Dakota Gas Pool, underlying the E/2 of Section 24, T27N, R9W. Applicant proposes to recompleat its Jernigan Well No. 3, located 1990 feet FNL and 1100 feet FEL (Unit H) of Section 24, by plugging back to approximately 6200 feet and then kicking-off from vertical in a south southwesterly 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 790 feet to any boundary of a standard spacing and proration unit consisting of the E/2 of said Section 24. Said project is located approximately 13 miles north-northeast from Huerfano Trading Post, 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:

APPLICATION OF SOUTHLAND ROYALTY COMPANY
FOR A HIGH ANGLE/HORIZONTAL/
DIRECTION DRILLING PILOT PROJECT,
INCLUDING SPECIAL OPERATING RULES,
SAN JUAN COUNTY, NEW MEXICO

A P P L I C A T I O N

Comes now Southland Royalty Company, by and through its attorneys, Kellahin and Kellahin, and applies to the New Mexico Oil Conservation Division for approval for a High Angle/Horizontal/Direction Drilling Pilot Project, including special operating rules, for its Jernigan Well No. 3, located 1990 feet FNL and 1100 feet FEL (Unit H) of Section 24, T27N, R9W, which applicant proposes to recomplete as a high angle/horizontal/directional well within the Basin Dakota Gas Pool and to be dedicated to a standard gas spacing and proration unit consisting of the E/2 of said Section 2, and in support thereof states:

(1) Applicant is the proposed operator for this well in Section 24, T27N, R9W, NMPM, San Juan County, New Mexico.

(2) Applicant proposes to recomplete the Jernigan Well No. 3 located at a standard surface location 1990 feet FNL and 1100 feet FEL (Unit H) of said Section 24, as a high angle/horizontal/directional well by plugging back to a total depth of approximately 6200 feet (+ or - 100 feet) at which point the applicant will kick the well off in a south southwesterly direction as approximated on Exhibit A, attached.

(3) Applicant will dedicate the E/2 of Section 24 to the well.

(4) The kickoff point for the well is estimated to be 6200 feet, at which point applicant will commence to build an angle of 14 ^{degrees} per 100 feet to approximately 90 ^{degrees} and penetrate the Basin Dakota Gas Pool at an estimated total vertical depth of 6610 feet, and then to continue to drill horizontally in a lateral distance not closer than 790 feet to the outer boundaries of the 320-acre spacing and proration unit. See Exhibits "A," and "B."

(5) The Basal Dakota interval of the Dakota is believed to be the potential productive zone at this location in the Basin Dakota Gas Pool.

(6) Past experience in the Basal Dakota interval of said pool has shown that because a conventionally drilled (vertical) well must be hydraulically fractured to be productive, it often communicates with a water bearing interval below the Basal Dakota interval.

(7) By drilling a high angle/horizontal/directional wellbore, the applicant is attempting to decrease the probability of encountering these water bearing zone, which may ultimately result in the recovery of a greater amount of gas, thereby preventing waste.

(8) In as much as the exact distance and direction of the lateral portion of the wellbore is not known at this time, the Applicant seeks approval to be allowed to drill and produce said lateral portion anywhere within an area designated a target window as follows: commencing at a distance not closer than 790 feet from any of the side boundaries of the proposed spacing unit so that within the drilling window no portion of the

wellbore open for production shall be closer than 790 feet to the outer boundary of the spacing unit.

(9) As required, notice is provided to those offsetting operators as listed on Exhibit "C."

(10) The granting of this Application will be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Applicant requests that this matter be set for hearing on April 28, 1994 before a duly appointed Examiner of the Oil Conservation Division and, after notice and hearing as required by law, the Division enter its Order granting this application.

Respectfully submitted,

KELLAHIN and KELLAHIN

By: 

W. Thomas Kellahin
Post Office Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285
Attorneys for Applicant