

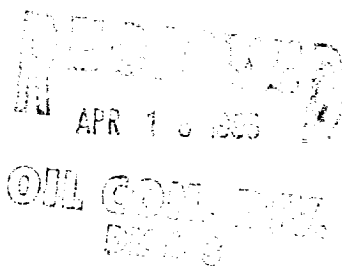


STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

2040 S. PACHECO
SANTA FE, NEW MEXICO 87505
(505) 827-7131

April 11, 1996



Meridian Oil, Inc.
Attention: Peggy Bradfield
P.O. Box 4289
Farmington, New Mexico 87499-4289

Administrative Order NSL-2382-A

Dear Ms. Bradfield:

Reference is made to your application dated March 13, 1996 for a non-standard coal gas well location within the Cedar Hill-Fruitland Basal Coal (Gas) Pool [not the Basin Dakota Coal (Gas) Pool as referenced in said application] for your existing Payne Well No. 11 (API No. 30-045-26804), which was originally drilled in September, 1987 and completed in the Basin-Dakota Pool at a previously approved non-standard gas well location (see Division Administrative Order NSL-2382, dated August 24, 1987) 590 feet from the North line and 810 feet from the East line (Lot 1/Unit A) of Section 27, Township 32 North, Range 10 West, NMPM, San Juan County, New Mexico.

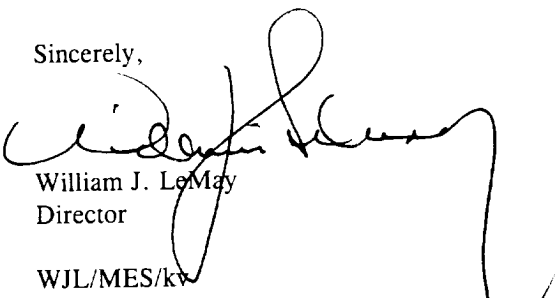
It is our understanding that the Basin-Dakota interval will be properly plugged back at this time and recompleted up-hole to the Cedar Hill-Fruitland Basal Coal (Gas) Pool, which pursuant to the "*Special Rules and Regulations for the Cedar Hill-Fruitland Basal Coal (Gas) Pool*", as promulgated by Division Order No. R-7588, as amended, is unorthodox.

By the authority granted me under the provisions of **Rule 4** of said Order No. R-7588, as amended, the above-described unorthodox coal gas well location is hereby approved.

Further, Lots 1 through 8 (E/2 equivalent) of said Section 27 shall be dedicated to the well to form a standard 305.02-acre gas spacing and proration unit for said pool.

Said original Division Administrative Order NSL-2382, as amended on May 22, 1990 [which order also approved this location within the Cedar Hill-Fruitland Basal Coal (Gas) Pool], shall be placed in abeyance until further notice.

Sincerely,



William J. LeMay
Director

WJL/MES/kv

cc: Oil Conservation Division - Aztec
US Bureau of Land Management - Farmington
Williams Production Company (Attn: M. Vern Hansen) - Tulsa, Oklahoma
File: NSL-2382
Rand Carroll, General Counsel - OCD, Santa Fe