

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

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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)

TELEPHONE (505) 982-4285
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February 20, 1995

VIA FACSIMILE

(505) 627-0276

Bureau of Land Management
Roswell District Office
1717 West Second Street
Roswell, New Mexico 88202

Attn: Alexis Swoboda
Unitization Section

**COPY
RECEIVED**

FEB 20 1995

Oil Conservation Division

Re: **FIRST REVISED APPLICATION**
*Meridian Oil Inc. application for
Preliminary Approval of its
East Corbin (Delaware) Unit as a
Secondary Recovery Unit composed of state
and federal lands in Lea County, New Mexico*

Dear Ms. Swoboda:

In accordance with our telephone conversation on February 15, 1995 and on behalf of Meridian Oil Inc., we wish to revise our application dated January 30, 1995 to conform to the changes recommended by the Bureau of Land Management at the review meeting held in Roswell, New Mexico on February 6, 1995 and attended by Mr. Chet Babin and Mr. Adam Szentay of Meridian Oil Inc. (Midland) as follows:

(1) Change in Unit Boundary:

The unit boundary has been contracted to delete the following three 40-acre tracts:

Section 16: NW/4SE/4
Section 21: SW/4NW/4
Section 22: SE/4NW/4

The purpose for the deletions is so that the unit will include only 40-acre tracts which have all or some portion of the reservoir pore volume. Revised Exhibit "A" is a plat reflecting the changes in boundary and Revised Exhibit "A-1" is the written geologic description justifying the changes.

(2) Change in Tract Listing:

At your request, we have listed the federal tracts first and in chronological order. See Revised Exhibit "B" attached.

(3) Correction of Clerical Error in Formula:

We have corrected the clerical error in the participation formula and also have corrected the tract numbers so that Revised Exhibit C" attached, is consistent with Revised Exhibit "B".

(4) Corrections to Tabulation of tract Allocation

We have corrected the clerical errors in the Tract Allocation so that Revised Exhibit "D" is consistent with Revised Exhibits "B" and "C".

I believe that the foregoing addresses all of the items of concern to you and that this corrected application is now before you and ready for issuance of a BLM preliminary letter of approval.

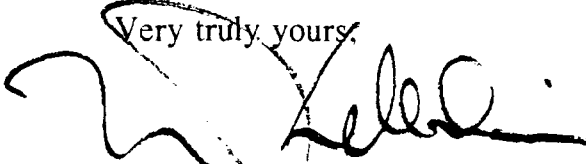
So as not to create any inconsistencies in BLM action with that taken by the Commissioner of Public lands ("SLO"), I am also enclosing a copy of the Commissioner's preliminary approval letter dated February 15, 1995.

Meridian Oil Inc.
February 20, 1995
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Finally, the subject of the waterflood project (NMOCD Case 11208) and the accompanying unit (NMOCD Case 11207) were submitted to Examiner Michael E. Stogner of the New Mexico Oil Conservation Division ("NMOCD") at a hearing held on February 16, 1995.

I am aware that the approvals of the BLM, SLO and NMOCD are each conditioned upon approval by the others. Accordingly, I am providing a copy of this letter with enclosures to both Jamie Bailey of the SLO and to Mr. Stogner of the NMOCD so that they are informed of the status of the application with the BLM and to insure consistent action by all three agencies.

Please call me if I need to do anything else to obtain BLM preliminary approval.

Very truly yours,

W. Thomas Kellahin

*cc: Office of the Commissioner of Public Lands
Attn: Jamie Bailey
via hand delivered*

*cc: Oil Conservation Division of New Mexico
Attn: Michael E. Stogner
via hand delivered*

*cc: Meridian Oil Inc.
Attn: Chet Babin
via facsimile (915) 688-6011*

REVISED EXHIBIT A-1

The following geologic justification for the boundary of the East Corbin Delaware Unit was prepared on February 15, 1995 by Adam Szantay, a petroleum geologist employed by Meridian Oil Inc. in Midland Texas:

The selection of tracts for inclusion in the proposed East Corbin Delaware Unit was based on the geology of the hydrocarbon-producing Delaware Formation. The boundary of the Unit area is based on the combination stratigraphic/structural setting of the trap and hydrocarbon pore volume in both the "A " and "B" sandstone reservoirs. The Northern Unit boundary coincides with the up-dip porosity limit and sandstone pinchout of those reservoirs. It is interpreted that the NW4/SE4 of Section 16 does not contain economic quantities of hydrocarbons and is therefore not included in the Unit area. The Southern Unit boundary coincides approximately with the down-dip porosity limit and oil water contact. In addition, the SW4/NW4 Section 21 and the SE4/NW4 Section 22 have been interpreted as containing uneconomic quantities of hydrocarbons in the Delaware and are not included in the Unit. The East and West Unit boundaries coincide with the East and West edges of the structural feature over which the reservoirs drape.

As a result of this geologic evaluation, I have concluded that it is appropriate to include within the unit only those 40-acre tracts which have all or some portion of the reservoir pore volume as shown on the two pore volume maps which I prepared and submitted to the BLM on February 6, 1995.

REVISED

EXHIBIT B

| Tract No. | Description of Lands | Acres | Serial No. & Effective Date | Basic Royalty Owner Owner & Percentage | Leases of Record | Overriding Royalty Owner & Percentage | Working Interest Owner & Percentage Interest | Participation of Tract in Unit |
|-----------|---|-------|--------------------------------|---|---------------------------|---|---|-----------------------------------|
| 1 | NE/4 SEC. 21, T18S, R33E Federal 744' 26" & 8 wells (and the proposed #11 well) | 160 | USA CG-064844 6/1/47 HBP | USA 12.50% | Southland Royalty Company | Summit Energy Inc. 1.6670% Verna Fay Scott, Trustee 1.6670% Betsy L. Rogers, Trustee 0.8333% Katy Hale Kruse 0.8333% | Southland Royalty Company 100% | 50.8163% |
| 2 | NW/4 SEC. 22, T18S, R33E Aztec Federal 22" #3 wells | 160 | USA NM 0997 2/1/50 HBP | USA 12.50% | Southland Royalty Company | Ronald H. Ireland 0.833330% Mary Louella Clowe 1.66667% Pamela C. Ireland 0.833330% Howard B. Whigham 1.66667% | Southland Royalty Company 100% | 4.4874% |
| 3 | NW/4 Sec. 21, T18S, R33E Federal 21" #4 well | 160 | USA NM 61605 6/1/85 HBP | USA 12.50% | Southland Royalty Company | NONE | Southland Royalty Company 100% | 4.3276% |
| 4 | S/2 Sec. 18, T18S, R33E State 16" #4, 6, 8 & 8 wells | 320 | IG 4087 3/1/77 HBP | State of New Mexico 12.50% | L. R. French, Jr. | L. R. French, Jr. 6.25% | Southland Royalty Company 100% | 38.0520% |
| 5 | S/2 SW/4 Sec. 15, T18S, R33E Percha State 16" #11 well | 80 | VB-0161 11/1/87 HBP | State of New Mexico 16.75% | Meridian Oil Inc. | NONE | Meridian Oil Inc. 100% | 2.3167% |

REVISED
EXHIBIT C

TRACT PARTICIPATION FACTORS AND FORMULA
FOR THE PROPOSED EAST CORBIN DELAWARE UNIT

| | | TRACT ALLOCATION |
|---------|---|---------------------|
| Tract 1 | NE 1/4 of Section 21, T-18-S, R-33-E Containing Federal MA #6, #7 | 50.8163% |
| Tract 2 | NW 1/4 of Section 22, T-18-S, R-33-E Containing Aztec "22" Federal #3 | 4.4874% |
| Tract 3 | NW 1/4 of Section 21, T-18-S, R-33-E Containing Federal "21" #4 | 4.3276% |
| Tract 4 | S 1/2 of Section 16, T-18-S, R-33-E Containing State "16" #4, #5, #6, #8 | 38.0520% |
| Tract 5 | S 1/2 SW 1/4 of Section 15, T-18-S, R-33-E Containing Percha "15" State #1 | 2.3167% |

TRACT PARTICIPATION FORMULA

$$\begin{aligned}
 [\text{FACTOR}]_{\text{tract } i} = & \\
 & 35\% \left(\frac{\text{Tract } i \text{ recoverable primary oil}}{\text{Unit recoverable primary oil}} \right) + 25\% \left(\frac{\text{Tract } i \text{ remaining primary oil}}{\text{Unit remaining primary oil}} \right) \\
 & + 15\% \left(\frac{\text{Tract } i \text{ original oil in place}}{\text{Unit original oil in place}} \right) + 10\% \left(\frac{\text{Tract } i \text{ recoverable primary gas}}{\text{Unit recoverable primary gas}} \right) \\
 & + 10\% \left(\frac{\text{Tract } i \text{ remaining primary gas}}{\text{Unit remaining primary gas}} \right) + 5\% \left(\frac{\text{Tract } i \text{ usable wellbores}}{\text{Unit usable wellbores}} \right)
 \end{aligned}$$

REVISED

EXHIBIT D

| Assigned percentages: | TRACT | WELL | Acres | EUR - Primary oil (bbl) | EUR - Primary gas (mcf) | Remaining (as of 1/1/85) - Primary oil (bbl) | Remaining (as of 1/1/85) - Primary gas (mcf) | OOIP (bbl) | Number of usable wellbores | Tract Allocation Factor |
|---------------------------------|-------------|--|-------|--|--|--|--|------------|----------------------------|-------------------------|
| 1) recoverable primary oil: 35% | Tract 1 | Federal MA #6 Federal MA #7 | 160 | 147536 127071 274607 | 396618 402555 799173 | 34525 37346 71871 | 168065 185340 353405 | 1624562 | 2 | 50.8163% |
| 2) remaining primary oil: 25% | Tract 2 | Adac "22" Fed #3 | 160 | 20169 | 4887 | 5242 | 10564 | 503500 | 1 | 4.4874% |
| 3) OOIP 15% | Tract 3 | Federal "21" #4 | 160 | 14004 | 60703 | 1254 | 11228 | 762582 | 1 | 4.3276% |
| 4) recoverable primary gas 10% | Tract 4 | State "16" #4 State "16" #5 State "16" #6 State "16" #8 | 320 | 49845 60560 58849 44475 213729 | 120557 146285 178145 110010 555006 | 7471 13848 12030 5725 38074 | 29491 51373 63534 21422 165670 | 2587529 | 4 | 38.0920% |
| 5) remaining primary gas 10% | Total | | | | | | | | | |
| 6) usable wellbores: 5% | | | | | | | | | | |
| Total: 100% | Tract 5 | Patcha "15" St. #1 | 80 | 3525 | 2671 | 0 | 0 | 610019 | 1 | 2.3167% |
| | Grand Total | | | 526034 | 1430520 | 117441 | 541015 | 6088172 | 8 | Total: 100.0000% |



State of New Mexico
Commissioner of Public Lands

RAY POWELL, M.S., D.V.M.
COMMISSIONER

310 OLD SANTA FE TRAIL P.O. BOX 1148

SANTA FE, NEW MEXICO 87504-1148

(505) 827-5760
FAX (505) 827-5766

February 15, 1995

Kellahin and Kellahin
P.O. Box 2265
Santa Fe, New Mexico 87504-2265

Attention: Mr. W. Thomas Kellahin

Re: Request for Preliminary Approval
East Corbin Delaware Unit
Lea County, New Mexico

Dear Mr. Kellahin:

This office has reviewed the unexecuted copy of the proposed East Corbin Delaware Unit Agreement, Lea County, New Mexico which you have submitted on behalf of Meridian Oil Incorporated. This agreement meets the general requirements of the Commissioner of Public Lands who has this date granted you preliminary approval as to form and content.

Preliminary approval shall not be construed to mean final approval of this agreement in any way and will not extend any short term leases until final approval and an effective date are given.

When submitting your agreement for final approval, please submit the following:

1. Application for final approval by the Commissioner setting forth the tracts that have been committed and the tracts that have not been committed.
2. The filing fee in the amount of \$120.00. The filing fee for a unit agreement is thirty (\$30.00) dollars for every section or partial section thereof.
3. Two copies of the Unit Agreement.
4. All ratifications from Lessees of Record and Working Interest Owners. All signatures should be acknowledged before a notary. One set of ratifications must contain original signatures.
5. Initial Plan of Operation.

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6. Order of the New Mexico Oil Conservation Division. Our approval will be conditioned upon subsequent favorable approval by the New Mexico Oil Conservation Division.
7. A copy of the Unit Operating Agreement (if applicable).
8. Designation letter from the Bureau of Land Management. Our approval will be conditioned upon subsequent favorable approval by the Bureau of Land Management.
9. A redesignation of all well names and numbers (including API numbers).

In addition, we have also taken the liberty of reviewing the unexecuted copy of the East Corbin Delaware Unit Agreement which was also submitted with your application and would like to point out the following corrections:

- A. On Page 2, Subsection (a) of the Unit Agreement, the acreage should be changed from 880.00 acres to 760.00 acres.
- B. On Page 5, Subsection 13. Tract Participation of the Unit Agreement, please correct the participation formula per your letter of February 9, 1995.
- C. On Revised Exhibit "B" Tract No. 2, the correct description should be N2SW4, SW4NW4, Section 22-18S-33E, and the correct acreage should be 120.00 acres.
- D. On Revised Exhibit "B" Tract No. 3, the correct description should be N2NW4, SE4NW4, Section 21-18S-33E, and the correct acreage should be 120.00 acres.
- E. On Revised Exhibit "B" Tract No. 4, the correct description should be SW4, NE4SE4, S2SE4, Section 16-18S-33E, and the correct acreage should be 280.00 acres.
- F. On Exhibit "B" please also provide a recapitulation by land type:

| | | |
|---------------|-----------|------|
| Federal Lands | 400 acres | 53% |
| State Lands | 360 acres | 47% |
| <hr/> | | |
| Total | 760 acres | 100% |

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G. On Exhibit "C", please change the land descriptions for each tract to coincide with Exhibit "B".

If you have any questions, or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

BY: 

JAMES B. LEWIS, Director
Oil/Gas and Minerals Division
(505) 827-5744

RP/JBL/cpm

Enclosure

cc: Reader File

BLM-Roswell--Attn: Ms. Alexis Swoboda

OCD-Santa Fe--Attn: Mr. Roy Johnson