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February 21, 1995

HAND DELIVERED

Mr. William J. LeMay, Chairman
Oil Conservation Commission
2040 South Pacheco
Santa Fe, New Mexico 87504

Re: Proposed Administrative Rules for
High Angle-Horizontal Wells

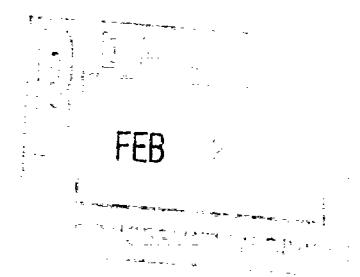
Dear Mr. LeMay:

Alan Alexander of Meridian Oil Inc. and I have prepared the enclosed application which we request be set on the next available Commission docket to begin the formally hearing process towards adoption of an administrative procedures for "high angle/horizontal/ directional drilled wells."

Last year, Michael Stogner of the NMOCD told me that he thought that the Division had held enough hearings dealing with high angle horizontal wells that a practical administrative procedure for such projects could be adopted. In addition to initiating our efforts, Mr. Stogner also has provided a number of suggestions to our first draft.

We then reviewed all of the NMOCD orders for those project from which we developed a first rule draft which we circulated to those members of the oil & gas industry who had previously been involved with OCD hearings on this topic. That list is enclosed.

Case File



Case 11274

Mr. William J. LeMay
February 21, 1995
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In response, we received thoughtful and specific suggestions from the following:

Bill Hawkins of Amoco Production Company
John Roe of Dugan Production Corp
Ken Schramko of Phillips Petroleum Company
David Boneau of Yates Petroleum Corporation
Dow Campbell of Marathon Oil Company
Sally McDonald of Meridian Oil Inc.
David Poage of Meridian Oil Inc.

While all of these individuals/companies support the concept of an administrative rule, please be advised that their cooperation and our use of a number of their suggestions and recommendations does not mean that they each support all of the specific items included or excluded from this application.

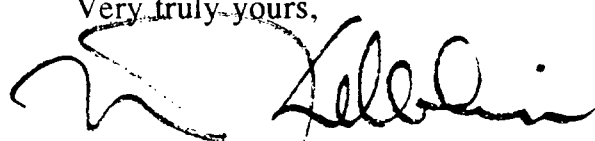
For example, a number of companies desired a "bonus allowable" to be assigned to a high angle/horizontal well simply as an incentive for this drilling technique. Our failure to include such a bonus allowable only reflects the fact that in the following cases the Division already has denied such a bonus allowable:

NMOCD Case 10325 Order R-9607 issued November 4, 1991
NMOCD Case 10487 Order R-9691 issued July 13, 1992
NMOCD Case 10488 Order R-9692 issued July 13, 1992

In addition, on March 22, 1990, the Commission denied such a bonus allowable in Cases 9764 & 9765. See DeNovo Order R-9037-A.

We think the time has come to docket this matter for consideration by the Commission and let the industry submit additional suggestions, comments or objections.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over a horizontal line.

W. Thomas Kellahin

cc: Alan Alexander (Meridian Oil Inc.-Farmington)

NOTICE LIST OF POTENTIALLY INTERESTED PARTIES
TO PARTICIPATE IN
PROPOSED ADMINISTRATIVE PROCEDURES
TO BE ADOPTED BY THE NMOCC
FOR HIGH ANGLE/HORIZONTAL/DIRECTIONAL WELLS

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Attn: Richard Smiley

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Attn: Jerry Hoover

Kinlaw Oil Corporation
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Attn: Mr. Michael R. Hill

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