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

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September 25, 1995

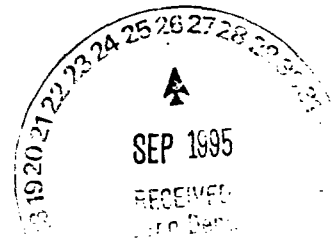
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SEP 25 1995

HAND DELIVERED

Oil Conservation Division

Mr. William J. LeMay, Director
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87501



**Re: *Arco Hill Well No. 1*
 E/2 Section 22, T25N, R3W, NMPM
 Application of Meridian Oil Inc. for
 *Compulsory Pooling, Rio Arriba County, New Mexico***

Dear Mr. LeMay:

On behalf of Meridian Oil Inc., please find enclosed our application for compulsory pooling which we request be set for hearing on the Examiner's docket now scheduled for October 19, 1995. Also enclosed is our proposed notice of publication for this case.

By copy of this letter, including the application, to all affected parties, we are notifying them by certified mail-return receipt requested, that they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examine witnesses either in support of or in opposition to the application.

Oil Conservation Division

September 25, 1995

Page 2.

Pursuant to the Division's Memorandum 2-90, all interested parties are hereby informed that if they appear in the case, then they are requested to file a Pre-Hearing Statement with the Division not later than 4:00 pm on Friday, October 13, 1995, with a copy delivered to the undersigned.

Very truly yours,

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

W. Thomas Kellahin

Enclosure

cc: Meridian Oil Inc.

Attn: Alan Alexander

cc: BY CERTIFIED MAIL-RETURN RECEIPT REQUESTED
to: parties listed in application

PROPOSED ADVERTISEMENT FOR NMOCD DOCKET

CASE ____: Application of Meridian Oil Inc. for compulsory pooling, Rio Arriba County, New Mexico. Applicant seeks an order pooling all mineral interests in the Mesa Verde formation underlying E/2 of Section 22, T25N, R3W, NMPM, Rio Arriba County, New Mexico, forming standard 320-acre spacing and proration unit to be dedicated to Meridian Oil Inc.'s Arco Hill Well No. 1 which is an existing West Lindrith Gallup-Dakota Pool well located in G of said Section 22 which is to be recompleted in the Mesaverde formation of the Blanco-Mesaverde Pool. Also to be considered will be the costs of participation in said well, including but not limited to the value of the existing wellbore, the costs of recompletion, and the allocation of those costs and income therefor as well as actual operating costs and charges for supervision, a charge for the risk involved in recompleting said well and the designation of applicant as the operator of the well. Said well is located approximately 5 miles west of Gavilan, New Mexico.

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Oil Conservation Division

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

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SEP 25 1995

Oil Conservation Division

IN THE MATTER OF THE APPLICATION
OF MERIDIAN OIL INC.
FOR COMPULSORY POOLING,
SAN JUAN COUNTY, NEW MEXICO.

CASE NO. _____

A P P L I C A T I O N

Comes now MERIDIAN OIL INC., by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17(c) (1978) applies to the New Mexico Oil Conservation Division for an order pooling all mineral interests in the Mesa Verde formation underlying E/2 of Section 22, T25N, R3W, NMPM, Rio Arriba County, New Mexico, forming standard 320-acre spacing and proration unit to be dedicated to Meridian Oil Inc.'s Arco Hill Well No. 1 which is an existing West Lindrith Gallup-Dakota Pool well located in G of said Section 22 which is to be recompleted in the Mesaverde formation of the Blanco-Mesaverde Pool. Also to be considered will be the costs of participation in said well, including but not limited to the value of the existing wellbore, the costs of recompletion, and the allocation of those costs and income therefor as well as actual operating costs and charges for supervision, a charge for the risk involved in recompleting said well and the designation of applicant as the operator of the well.

In support of its application, Meridian Oil Inc. ("Meridian") states:

1. Meridian has an 50 % working interest ownership in the oil and gas minerals underlying the E/2 of Section 22, T25N, R3W, NMPM, Rio Arriba County, New Mexico.

2. Meridian's Arco Hill Well No. 1 was drilled and completed at a standard gas well location 1650 feet FNL and 1780 feet FEL (Unit G) of said Section 22 and is currently dedicated to a 160-acre gas spacing and proration unit consisting of the NE/4 of said Section for production from the West Lindrith Gallup-Dakota Gas Pool. See Exhibit "A" attached.

3. The subject well is reaching its economic limit in the Dakota formation and Meridian intends to abandon further attempts in that formation and to recomplete this well into the Mesaverde formation.

4. Meridian has proposed to the working interest owners in the SE/4 of said Section 22 that this well be recompleted as a "Mesaverde completion" to be dedicated to a 320-acre gas spacing and proration unit consisting of the E/2 of said Section 22.

5. Despite its good faith efforts, Meridian has been unable to obtain a written voluntary agreement from the working interest owners set forth on Exhibit "B" attached.

6. Pursuant to Section 70-2-17(c) NMSA (1978) and in order to obtain its just and equitable share of past and future production from the subject well and this spacing unit, Meridian needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.

7. In accordance with the Division's notice requirements, a copy of this application has been sent to those parties set forth on Exhibit "B" attached.

8. Meridian requests that this matter be set for a hearing before the Division on the next available Examiner's docket now scheduled for October 19, 1995.

WHEREFORE, Meridian, as applicant, requests that this application be set for hearing on October 19, 1995 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in this spacing unit for the recompletion and operations of the subject well at a standard gas well location upon terms and conditions which include:

- (1) Meridian Oil Inc. be named operator;
- (2) provisions for each working interest owner to participate in any Gallup production by reimbursing the applicant for the value of the existing wellbore and the costs of recompleting, equipping and operating said well;
- (3) In the event a working interest owner fails to elect to participate, then provisions be made to recover out of production, reimbursement to the applicant for the value of the existing wellbore and for the costs of recompleting, equipping and operating the well, including a risk factor penalty of 200 %;
- (4) Provision for overhead rates of \$4,176 per month drilling and \$452.41 per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS; and
- (5) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:



W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87501
(505) 982-4285

A

ARCO HILL #1 WELL
1650' FNL, 1780' FEL
SECTION 22, T25N, R3W
RIO ARRIBA CO., NEW MEXICO

Meridian Oil Production Inc.

NM-04075

100.00%

(NM 4872)

160.00 acres



← 1650' FNL, 1780' FEL

G

22

USA SF-081334

160.00 acres

Ramco-NYL 1987 Limited Partnership

33.00000%

RB Operating Company

00.33333%

Hooper, Kimball, Williams Inc.

33.33333%

Ibex Partnership

15.60873%

PC Ltd.

15.60873%

Mabel Reed, Trustee of W. Clark Tr.

00.81380%

Carolyn C. Oatman

00.87484%

Mabel Reed & H.M. Reed, Trustees
of the will of W. Clark

00.12721%



FRUITLAND SAND WELL



MESAVERDE WELL



FRUITLAND COAL WELL



DAKOTA WELL



PICTURED CLIFFS WELL



GALLUP WELL



E/2 WELL DEDICATION



Attached to and made a part of that certain Operating Agreement dated July 17, 1995 between Meridian Inc., as Operator, and Non-Operators.

LANDS SUBJECT TO OPERATING AGREEMENT:

Township 25 North, Range 3 West

Section 22: E/2

Containing 320.00 acres more or less, located in Rio Arriba County, New Mexico

II. RESTRICTIONS, IF ANY, AS TO DEPTHS OR FORMATIONS:

Limited in depth as to the Mesaverde formation only.

III. ADDRESSES AND PERCENTAGES OR FRACTIONAL INTERESTS OF PARTIES TO THIS AGREEMENT:

Meridian Oil Inc.
c/o Land Department
P.O. Box 4239
Farmington, New Mexico 87499-4239

OPERATOR

WORKING INTEREST OWNERS

Meridian Oil Production Inc. PO Box 4239 Farmington, NM 87499-4239	50.000000%
RB Operating Company Two Warren Place, Suite 1700, 6120 South Yale Tulsa, OK 74136	0.166666%
Hooper, Kimball & Williams, Inc. P.O. Box 620970 Tulsa, OK 74132	16.666666%
IBEX Partnership, Ltd. P.O. Box 911 Breckenridge, TX 76424-0911	7.804377%
PC, Ltd. P.O. Box 911 Breckenridge, TX 76424	7.804377%
Warren Clark c/o Mabel Reed, Trustee P.O. Box 1846 Austin, TX 78767	0.40690%
Warren Clark c/o Mabel Reed & W. W. Oatman, Co-Trustees P.O. Box 1846 Austin, TX 78767	0.213627%
Carolyn Clark Oatman P.O. Box 1846 Austin, TX 78767	0.43742%
Ramco-NYL 1987 Limited Partnership 5100 Skelly Dr., Suite 650 Tulsa, OK 74135-6549	16.100000%
Total	100.000000%

Exhibit 2