

STATEMENT OF CASE

APPLICANT:

Meridian Oil Inc. seeks approval to pool all mineral interests in the Mesa Verde formation underlying E/2 of Section 22, Township 25 North Range 3 West, NMPM in Rio Arriba County, New Mexico. Meridian has a 50% working interest ownership in the oil and gas minerals underlying the said location.

Meridian's Arco Hill Well No.1 was drilled and completed at a standard gas well location and is currently dedicated to a 160-acre gas spacing and proration unit consisting of the NE/4 Section 22 for production from the West Lindrith Gallup-Dekota Gas Pool.

The subject well is reaching its economic limit in the Dakota formation and Meridian intends to abandon further attempts in that formation and to recompleting this well into the Mesaverde formation. Meridian proposed 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 Section 22.

Meridian needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste and for the recompleting 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 operation 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.