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March 22, 1996

HAND-DELIVERED

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco
Santa Fe, New Mexico 87503

Re: Case No. 11434:
Application of Meridian Oil Inc. for Compulsory Pooling and an Unorthodox
Gas Well Location, San Juan County, New Mexico; Order No. R-10545

Dear Mr. LeMay:

Enclosed is the Application for Hearing De Novo of Four Star Oil & Gas Company in the above-referenced case.

As you are aware, Four Star filed a motion seeking dismissal of Meridian's application in this case which asserted that the owners of the Mesa Verde rights in the E/2 of Section 23, Township 31 North, Range 9 West have a voluntary agreement in place which governs the operation and development of this tract and, accordingly, the Division lacks authority under Section 70-2-17.C of the New Mexico Oil and Gas to force pool this acreage.

The Examiner granted Four Star's Motion to Dismiss Meridian's application on the grounds that Meridian had failed to make reasonable efforts to adequately obtain voluntary joinder of all working interests for the further development of this acreage prior to filing its pooling application (See Finding 11). However, the Order also addresses the issue of whether the Division may force pool once the operators have entered an agreement for the development thereof. Four Star is adversely affected by the findings in this Order which determine that