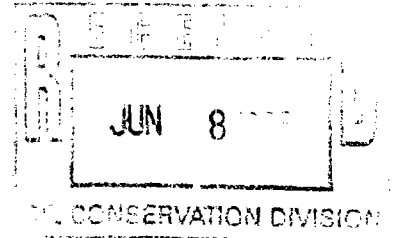


**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**



**IN THE MATTER OF THE APPLICATION
OF MERIDIAN OIL INC. FOR APPROVAL
OF AN UNORTHODOX COAL GAS WELL LOCATION,
RIO ARriba COUNTY, NEW MEXICO**

CASE NO. _____

APPLICATION

Comes now MERIDIAN OIL INC., by and through its attorneys, Kellahin and Kellahin, and applies to the New Mexico Oil Conservation Division for approval of an unorthodox well location ("OFF-PATTERN") in the Basin Fruitland Coal Gas Pool for its proposed San Juan 29-7 Unit Well No. 505R to be drilled at an unorthodox well location 1850 feet from the south line and 940 feet from the east line of Section 5, T29N, R7W, NMPM, Rio Arriba County, New Mexico, and to be dedicated to a 320 acre spacing unit consisting of the E/2 of Section 5, and in support states:

(1) Meridian Oil Inc. is the proposed operator of the subject well and is the current operator of the San Juan 29-7 Unit.

(2) Meridian Oil Inc. seeks to drill its San Juan 29-7 Unit Well No. 505R in the Basin Fruitland Coal Gas Pool at an unorthodox location in the SE/4 of Section 5 at a location 1850 feet from the south line and 940 feet from the east line (Unit I) of Section 5, T29N, R7W, NMPM, Rio Arriba County, New Mexico. See Exhibit "A" attached.

(3) The proposed location is standard as to the footage requirements but is unorthodox in that it is "off-pattern" for the Basin-Fruitland Coal Gas Pool because it is located in the SE/4 of the section rather than either the NE/4 or the SW/4 of the section.

(4) Meridian currently is the operator of the San Juan 29-7 Unit Well No. 505 (a Fruitland Coal Gas well located in the NE/4 of said Section 5) and desires to drill the subject well as a replacement for this well.

(5) An off-pattern well location in the SE/4 of this Section is requested in order to be in closer proximity to the "overpressured envelope" in this area.

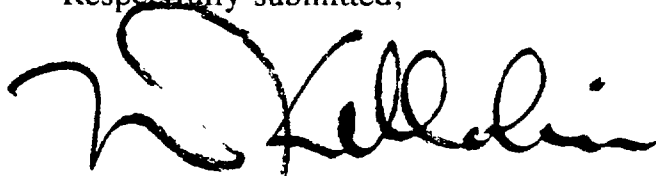
(6) No correlative rights will be impaired by approving this application.

(7) Meridian Oil Inc. requests that this matter be docketed for hearing on the Division Examiner docket now scheduled for July 11, 1996.

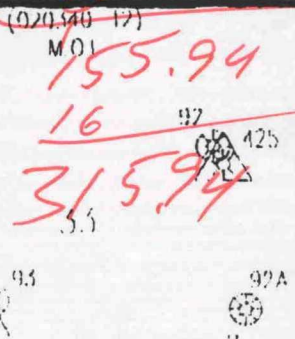
(8) Meridian Oil Inc. and Merrion Oil & Gas Corp. are the operators of all adjoining and offsetting coal gas spacing units and therefore notice of this case is being sent to Merrion Oil & Gas Corp. See Exhibit "B" attached.

WHEREFORE, Meridian Oil Inc. requests that this matter be set for hearing on July 11, 1996 before a duly appointed Examiner of the Oil Conservation Division and that after notice and hearing as required by law, the Division enter its order granting this application.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written in a cursive style.

W. Thomas Kellahin
Kellahin and Kellahin
P.O. Box 2265
Santa Fe, New Mexico 87504-2265
(505) 982-4285

$$\begin{array}{r} 38.10 \\ 37.84 \\ \hline 75.94 \\ \text{\textcircled{K}} \end{array}$$


- 
- SPACING UNIT

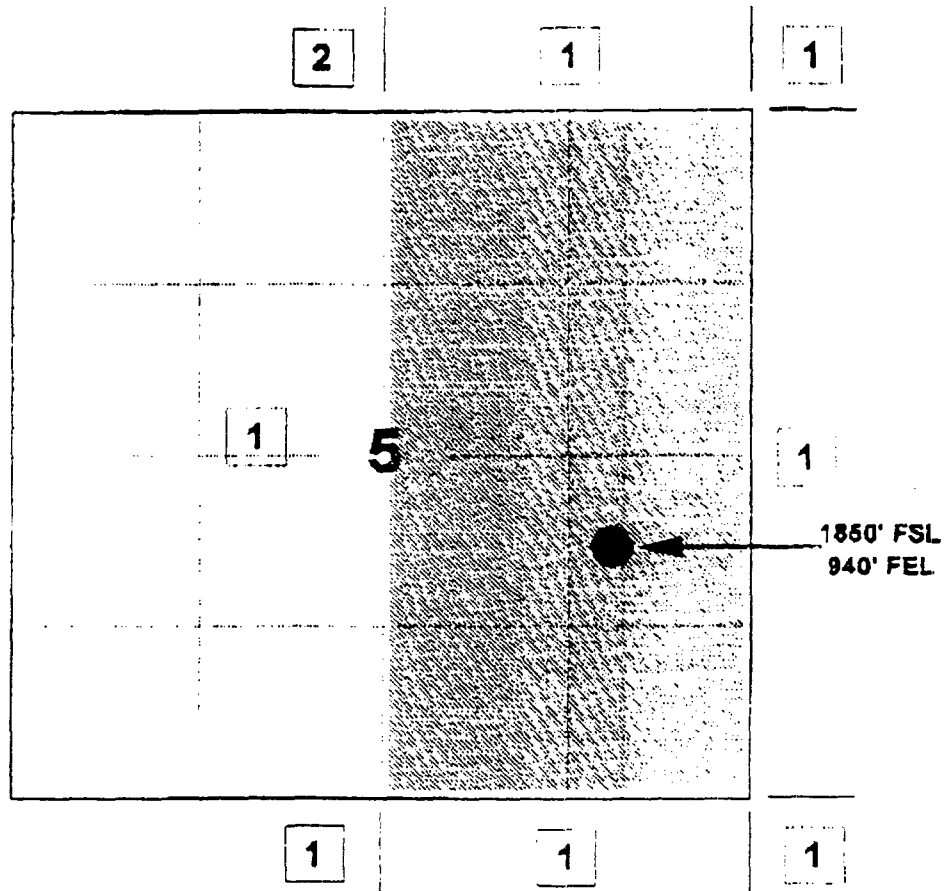
EXHIBIT

A

MERIDIAN OIL INC
SAN JUAN 29-7 UNIT #505R
OFFSET OPERATOR \ OWNER PLAT

Off Pattern Fruitland Coal Well Location

Township 29 North, Range 7 West



1) Meridian Oil Inc.

2) Merriion Oil & Gas Corp.

610 Reilly Ave., Farmington, NM 87401-2634

EXHIBIT

B