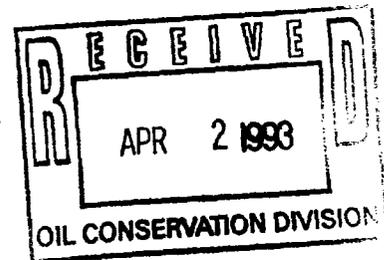


STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 10702

APPLICATION OF MERIDIAN OIL INC.
FOR A HIGH ANGLE/HORIZONTAL DIRECTIONAL
DRILLING PILOT PROJECT, SPECIAL OPERATING
RULES, AN UNORTHODOX GAS WELL LOCATION
AND A NON-STANDARD OIL PRORATION UNIT,
SAN JUAN COUNTY, NEW MEXICO.



PRE-HEARING STATEMENT

This pre-hearing statement is submitted by as required
by the Oil Conservation Division.

APPEARANCE OF PARTIES

APPLICANT

MERIDIAN OIL INC.
P. O. Box 4289
Farmington, N.M. 87499
Attn: Alan Alexander
(505) 326-9757

ATTORNEY

W. Thomas Kellahin
KELLAHIN AND KELLAHIN
P.O. Box 2265
Santa Fe, NM 87504
(505) 982-4285

PROPOSED EVIDENCE

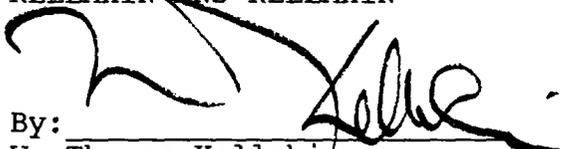
APPLICANT

WITNESSES	EST. TIME	EXHIBITS
Jim Hornbeck (geologist)	15 min.	2
Alan Alexander (landman)	10 min.	4
Scott Daves (petroleum engineer)	10 min.	2
Paul Allen (drilling engineer)	15 min.	2

PROCEDURAL MATTERS

None applicable at this time.

KELLAHIN AND KELLAHIN


By: _____
W. Thomas Kellahin
P.O. Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285
Attorney for Applicant

STATEMENT OF CASE

APPLICANT:

Meridian Oil Inc. seeks approval for a high angle/horizontal directional drilling pilot project in the Baker Creek Paradox (Pennsylvanian) Pool.

The proposed project includes all of Section 15 and 16, T32N, R14W, San Juan County, New Mexico.

The spacing for the pool is 640 acres and well cannot be located closer than 1650 feet to the outer boundary of a section all in accordance with Commission Order R-46 issued November 21, 1950.

All of the project area is under identical ownership.

Applicant requests a non-standard gas spacing unit consisting of 1280 acres.

Applicant proposes to re-enter its existing Ute #8 Well which is at an unorthodox gas well location 1750 feet FSL and 950 feet FWL of Section 15 and to drill in a northwest direction so that the producing lateral will extend across and into adjoining Section 16 with the final end point of the producing lateral to be not closer than 990 feet to the north boundary of the project area.

This is a low permeability reservoir and Meridian is seeking to determine if horizontal drilling will result in increased ultimate recovery from this pool thereby preventing waste.