

MERIDIAN OIL

CASE # 11038

AUGUST 18, 1994

**KELLAHIN AND KELLAHIN**

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN\*

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

JASON KELLAHIN (RETIRED 1991)

TELEPHONE (505) 982-4285  
TELEFAX (505) 982-2047

July 12, 1994

HAND DELIVERED

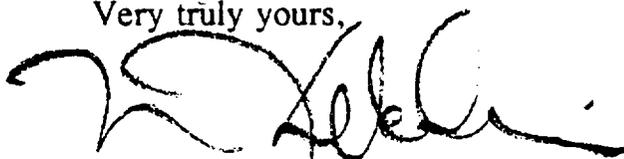
Mr. Michael E. Stogner  
Chief Hearing Examiner  
Oil Conservation Division  
310 Old Santa Fe Trail  
Santa Fe, New Mexico 87504

Re: NMOCD Case 11038: Application  
of Meridian Oil Inc. for Downhole  
Commingling, Klein/Vaughn Area  
Rio Arriba County, New Mexico

Dear Mr. Stogner:

On behalf of the applicant, Meridian Oil Inc., we would appreciate the referenced case being continued from the Division Examiner docket now set for July 21, 1994 docket to the August 4, 1994 docket.

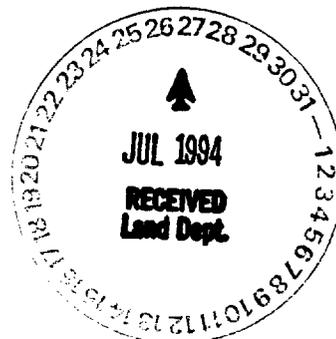
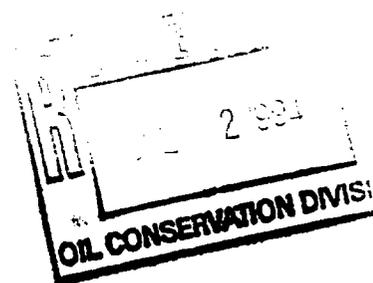
Very truly yours,



W. Thomas Kellahin

cc: Alan Alexander (Meridian-Farmington)

EXHIBIT 1



**KELLAHIN AND KELLAHIN**

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

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RECOGNIZED SPECIALIST IN THE AREA OF  
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

June 27, 1994

HAND DELIVERED

JUN 28 1994

Mr. Michael E. Stogner  
Chief Hearing Examiner  
Oil Conservation Division  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Re: Klein/Vaughn Area  
Application of Meridian Oil Inc.  
for Downhole Commingling,  
Rio Arriba County, New Mexico

Dear Mr. Stogner:

On behalf of Meridian Oil Inc., please find enclosed our referenced application which we request be set for hearing on the next available Examiner's docket now scheduled for July 21, 1994.

Notices are being sent certified mail, hereby we are notifying all interested parties of their right to appear at the hearing and participate in this case, including the right to present evidence either in support of or in opposition to the application and that failure to appear at the hearing may preclude them from any involvement in this case at a later date.

Oil Conservation Division  
June 27, 1994  
Page 2

Pursuant to the Division's Memorandum 2-90, all parties are hereby informed that if they appear in this case, then they are requested to file a Pre-Hearing Statement with the Division not later than 4:00 PM on Friday, July 15, 1994, with a copy delivered to the undersigned.

Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,

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

W. Thomas Kellahin

cc: Meridian Oil Inc.

JUN 28 1994

**PROPOSED ADVERTISEMENT**

**Case** \_\_\_\_\_: Application of Meridian Oil Inc. for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks exceptions from Division General Rule 303(C) to establish on an area-wide basis authorization for downhole commingling of Dakota, Mesaverde and Gallup gas production in the wellbores of existing or future wells drilled anywhere within Sections 26 through 30, 33, 34 and S/2 35 in Township 26 North, Range 6 West, Rio Arriba County, New Mexico, said production being portions of the Basin-Dakota Gas Pool, the Blanco-Mesaverde Gas Pool and Undesignated Gallup production. The center of said area is located approximately 4 miles southeast from El Paso Natural Gas Company Largo Station, New Mexico.

**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:

JUN 28 1994

APPLICATION OF MERIDIAN OIL INC.  
FOR DOWNHOLE COMMINGLING  
RIO ARriba COUNTY, NEW MEXICO.

CASE:

**APPLICATION**

Comes now MERIDIAN OIL INC., by and through its attorneys, Kellahin and Kellahin, and applies to the New Mexico Oil Conservation Division for exceptions from Division General Rule 303(C) to establish on an area-wide basis authorization for downhole commingling of Dakota, Mesaverde and Gallup gas production in the wellbores of existing or future wells drilled anywhere within Sections 26 through 30, 33, 34 and S/2 35 in Township 26 North, Range 6 West, Rio Arriba County, New Mexico, said production being portions of the Basin-Dakota Gas Pool, the Blanco-Mesaverde Gas Pool and Undesignated Gallup production.

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

(1) Meridian Oil Inc. is the operator of 19 Basin Dakota Gas Pool wells, 7 Blanco-Mesaverde Gas pool wells, 1 Undesignated Gallup Gas well, and 1 Mesaverde-Dakota dually completed well all located within an area known as the "Klein/Vaughn Area" as identified on Exhibit "A" and consisting of the following described acreage:

TOWNSHIP 26 NORTH, RANGE 6 WEST, NMPPM

Sections 26-30: All

Sections 33-34: All

Section 35: S/2

(2) In the absence of special circumstances, Division general state-wide Rule 303(C) requires that administrative applications for downhole commingling of gas production be submitted, processed and approved on a well by well basis.

(3) Sufficient data is now available from existing wells in the Klein/Vaughn Area to support the Division approving the downhole commingling of Dakota, Mesaverde and Gallup gas production within the Klein/Vaughn Area on an "area-wide" basis rather than on a "well-by-well basis."

(4) Production from the Dakota and Gallup pools is now either marginal or uneconomic from existing wells within the Klein/Vaughn Area and the economic life of that production is extended if it is downhole commingled with Mesaverde pool production.

(5) The approval of downhole commingling of these formations in the Klein/Vaughn Area will extend the economic life of the existing wells and thereby increase ultimate recovery from these formations.

(6) In addition, any new wells to be drilled in the Klein/Vaughn Area should be approved for downhole commingling upon submittal to the NMOCD-Aztec of production data demonstrating that only one of the zones is economic based upon criteria which the applicant will submit at the hearing of this case.

(7) The processing of downhole commingling applications for the Klein/Vaughn Area on a "well-by-well" basis will be an administrative burden to the Division and to the operator.

(8) Approval of downhole commingling on an area-wide basis for the Klein/Vaughn Area is in the best interests of conservation, the prevention of waste and the protection of correlative rights.

(9) Meridian Oil Inc. requests the adoption of a summary administrative procedure with the necessary exceptions to Division Rule 303(C) so that the Supervisor of the Aztec District Office of the Division shall approve the downhole commingling of said production on an area-wide basis for the Klein/Vaughn Area.

(10) The ownership is common among these three formations within the Klein/Vaughn Area.

(11) In accordance with Division Rule 303-C-1.(b), the Applicant states and will demonstrate at hearing:

1. The wells in the Klein/Vaughn Area which are currently single completions in the Dakota formation, the Mesaverde formation or the Gallup formation cannot be dually completed because of mechanical condition and therefore downhole commingling is necessary to economically produce in all three formations.

2. The well in the Klein/Vaughn Area which is currently dually completed in the Dakota and Mesaverde formations cannot be produced with the Gallup formation because of

mechanical conditions and therefore Gallup production will be wasted unless it is produced by downhole commingling.

3. Any new well to be drilled in the Klein/Vaughn Area that is determined to be economic only in the Mesaverde formation will require downhole commingling in order to maximize recoveries from either the Gallup or Dakota formations.

4. That there will be no crossflow between the three zones commingled.

5. That the value of the commingled production will not be less than the sum of the values of the individual production.

6. It is expected that the bottom hole pressure of the lower pressure zone is not less than 50 percent of the bottom hole pressure of the higher pressure zone adjusted to a common datum.

(12) In order to salvage the remaining Dakota and Gallup production from the Klein/Vaughn Area, Meridian Oil Inc. seeks approval to downhole commingle all Dakota, Mesaverde and Gallup production from any existing wells and any new wells where the Gallup and Dakota are determined to be uneconomic.

(13) Meridian Oil Inc. will submit at the hearing, its proposed formula for the allocation of production to each of the commingled zones and a description of the factors or data used in determining such formula.

(14) Applicant requests that this matter be docketed for hearing on the Division's Examiner docket now scheduled for July 21, 1994.

(15) Notice of this application has been sent to all offsetting operators/owners adjacent to the Klein/Vaughn Area who may be affected by downhole commingling and who are identified as follows:

Dakota plat and notice list:	Exhibit "B" and "C"
Mesaverde plat and notice list:	Exhibit "D" and "E"
Gallup plat and notice list:	Exhibit "F" and "G"

WHEREFORE Applicant requests that this matter be set for hearing on July 21, 1994 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



W. Thomas Kellahin  
KELLAHIN and KELLAHIN  
P. O. Box 2265  
Santa Fe, New Mexico 87501  
(505) 982-4285  
Attorneys for Applicant



KLEIN / VAUGHN  
DAKOTA / GALLUP / MESAVERDE  
COMMINGLE APPLICATION

TOWNSHIP 26 NORTH, RANGE 6 WEST  
RIO ARRIBA COUNTY, NEW MEXICO

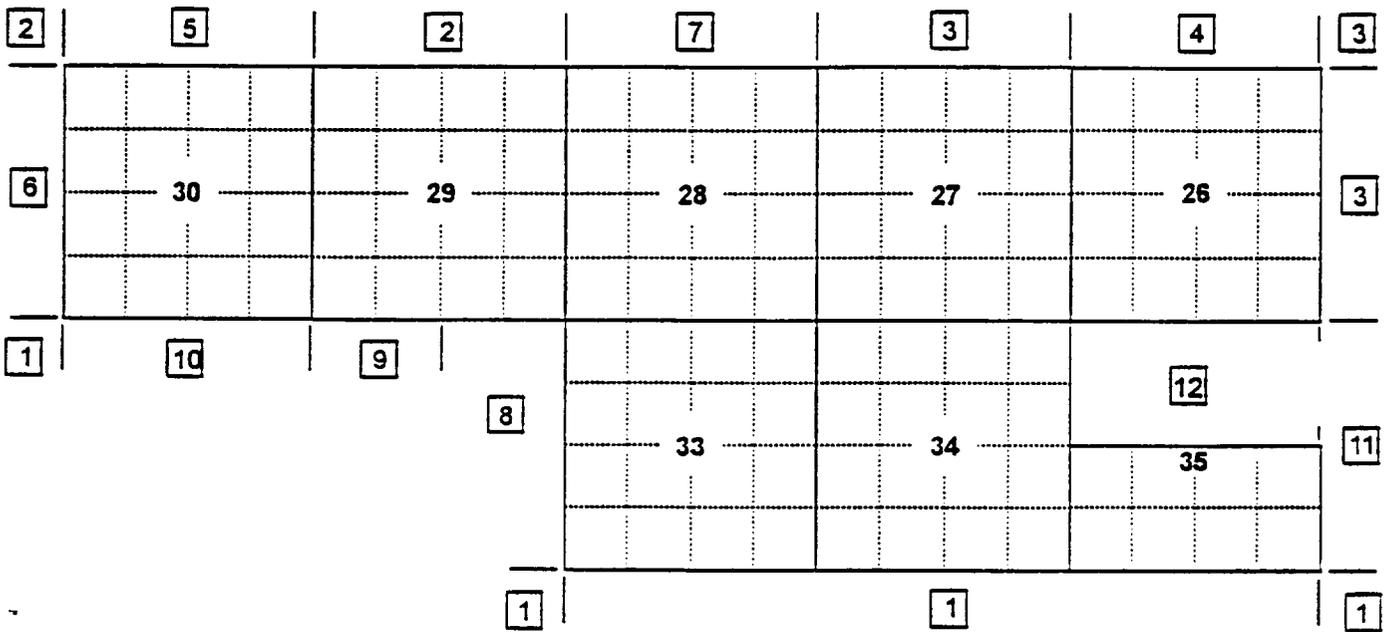


EXHIBIT "B"

DAKOTA FORMATION

**KLEIN/VAUGHN  
DAKOTA FORMATION**

1. Meridian Oil Inc.
2. Meridian Oil Inc. and Caulkins Oil Co.  
2100 Colorado Bank Building,  
Denver, Colorado 80202
3. Caulkins Oil Co.
4. Conoco Inc.  
10 Desta Drive, Suite 100W,  
Midland, Texas 79705
5. Amoco Production Co.  
Post Office Box 800  
Denver, Colorado 80201
6. Central Resouces Inc.  
1776 Lincoln St., Suite 1010  
Denver, Colorado 80203
7. Caulkins Oil Co. and Conoco, Inc.
8. Meridian Oil Inc. and Merrion Oil and Gas Corp.  
Post Office Box 840  
Farmington, New Mexico 87109
9. Meridian Oil Inc. and The Wiser Oil Co.  
8115 Preston Road, Suite 400  
Dallas, Texas 75225
10. Meridian Oil Inc., Merrion Oil and Gas Corp. and AG Hill  
5000 Thanksgiving Tower  
Dallas, Texas 75201
11. Meridan Oil Inc., The Wiser Co. and ARCO Oil and Gas  
P.O. Box 1610  
Midland, Texas 79702
12. Texaco Exploration and Production Inc.  
Post Office Box 2100  
Denver, Colorado 80237

EXHIBIT "C"

MERIDIAN OIL INC

KLEIN / VAUGHN  
DAKOTA / GALLUP / MESAVERDE  
COMMINGLE APPLICATION

TOWNSHIP 26 NORTH, RANGE 6 WEST  
RIO ARRIBA COUNTY, NEW MEXICO

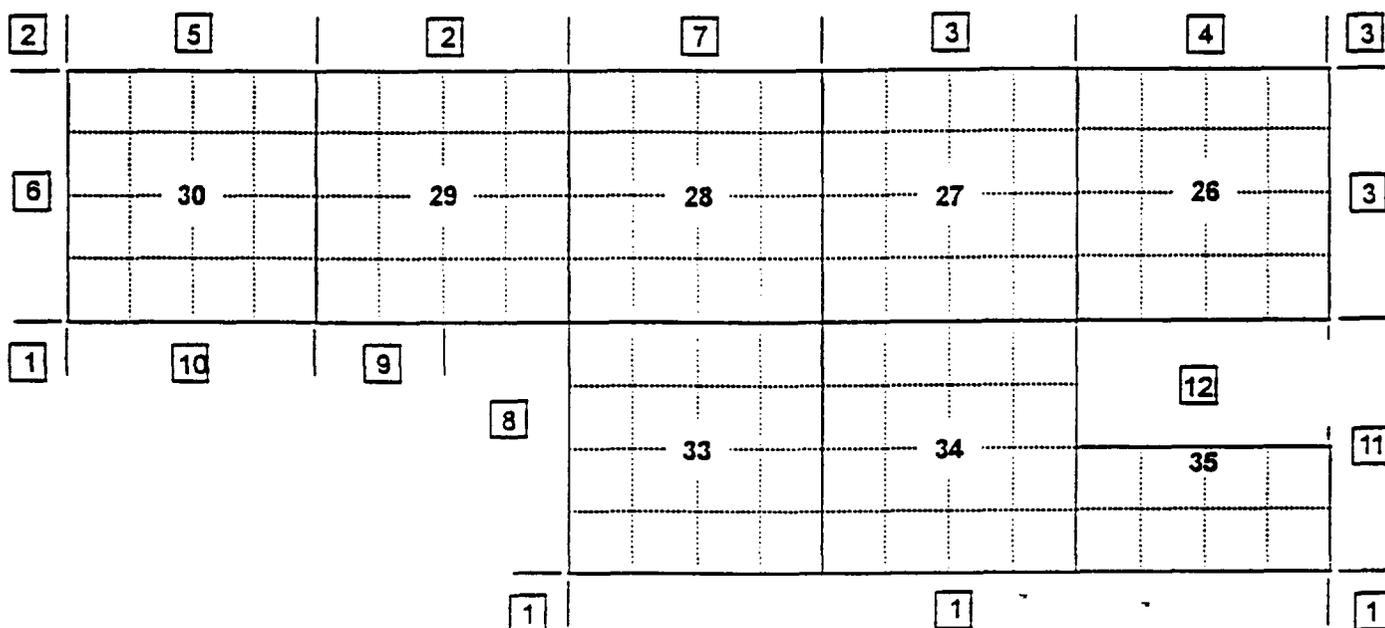


EXHIBIT "D"

MESAVERDE FORMATION

**KLEIN/VAUGHN  
MESAVERDE FORMATION**

1. Meridian Oil Inc.
2. Meridian Oil Inc. and Caulkins Oil Co.  
2100 Colorado Bank Building,  
Denver, Colorado 80202
3. Caulkins Oil Co.
4. Conoco Inc.  
10 Desta Drive, Suite 100W,  
Midland, Texas 79705
5. Amoco Production Co.  
Post Office Box 800  
Denver, Colorado 80201
6. Central Resouces Inc.  
1776 Lincoln St., Suite 1010  
Denver, Colorado 80203
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Post Office Box 840  
Farmington, New Mexico 87109
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P.O. Box 1610  
Midland, Texas 79702
12. Texaco Exploration and Production Inc.  
Post Office Box 2100 -  
Denver, Colorado 80237

EXHIBIT "E"

# MERIDIAN OIL INC

## KLEIN / VAUGHN DAKOTA / GALLUP / MESAVERDE COMMINGLE APPLICATION

TOWNSHIP 26 NORTH, RANGE 6 WEST  
RIO ARRIBA COUNTY, NEW MEXICO

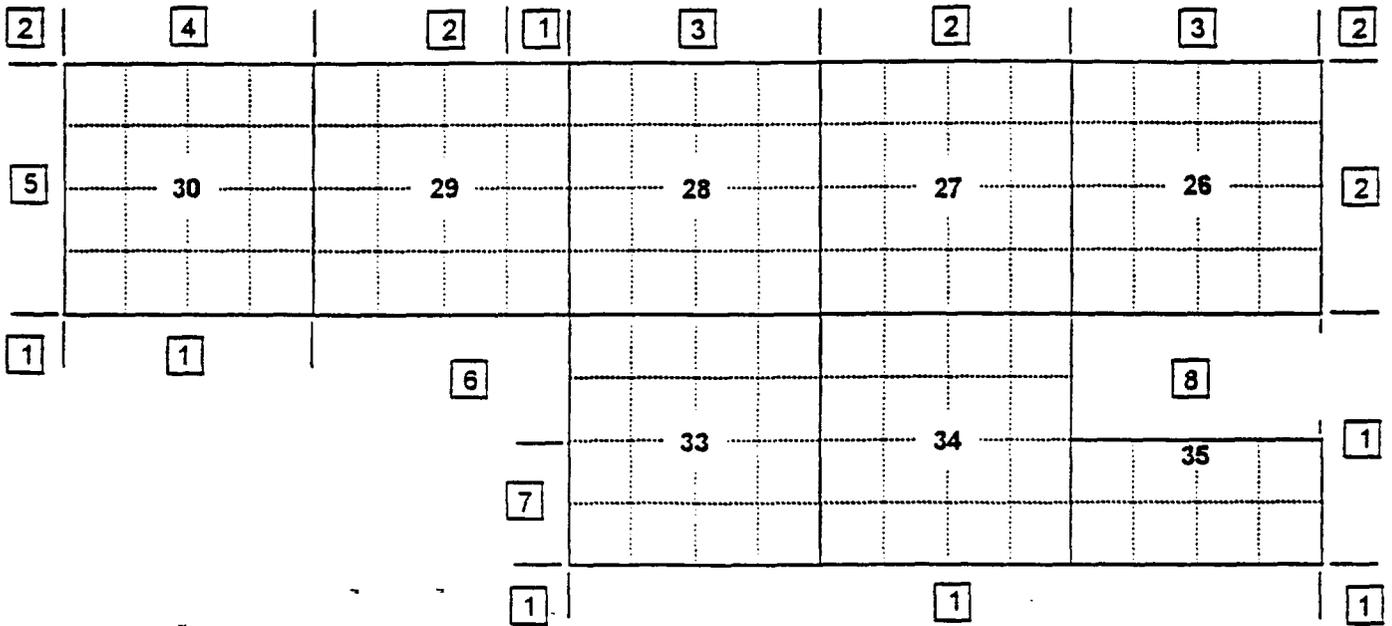


EXHIBIT "F"

GALLUP FORMATION

**KLEIN/VAUGHN  
GALLUP FORMATION**

1. Meridian Oil Inc.
2. Caulkins Oil Co.  
2100 Colorado Bank Building,  
Denver, Colorado 80202
3. Conoco Inc.  
10 Desta Drive, Suite 100W,  
Midland, Texas 79705
4. Amoco Production Co.  
Post Office Box 800  
Denver, Colorado 80201
5. Central Resouces Inc.  
1776 Lincoln St., Suite 1010  
Denver, Colorado 80203
6. Meridian Oil Inc. and The Beamon Group  
Tom L. Hail, Trustee  
James Robert Beamon, Trustee  
Cathryn Beamon  
Claudia Marcia Lundell Gilmer  
Linda Jeanne Lundell Lindsey  
Carolyn Beamon Tilley  
Robert Walter Lundell  
James Robert Beamon  
c/o Pattie Beamon Lundell  
1616 S. Voss, #870  
Houston, Texas 77057  
c/o Robert Beamon, Trustee  
Three Riverway, Suite 470  
Houston, Texas 77056  
c/o Randall T. Johnson, Trustee  
Sheryl A. Lundell, Revocable Trust  
430 Meadow Ridge Drive  
Kerrville, Texas 78028-3825
7. Merrion Oil and Gas Corp.  
Post Office Box 840  
Farmington, New Mexico 87109
8. Texaco Exploration and Production Inc.  
Post Office Box 2100  
Denver, Colorado 80237

# MERIDIAN OIL INC

## KLEIN / VAUGHN DAKOTA / GALLUP / MESAVERDE COMMINGLE APPLICATION

TOWNSHIP 26 NORTH, RANGE 6 WEST  
RIO ARRIBA COUNTY, NEW MEXICO

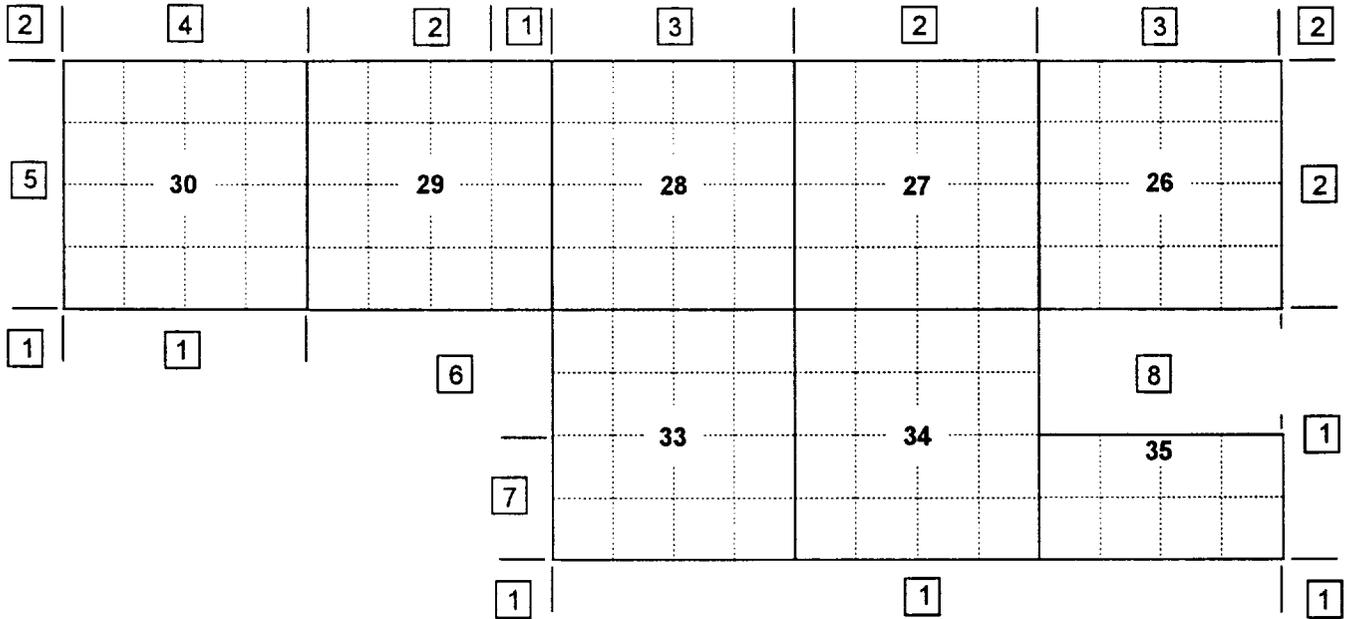


EXHIBIT 2

GALLUP FORMATION

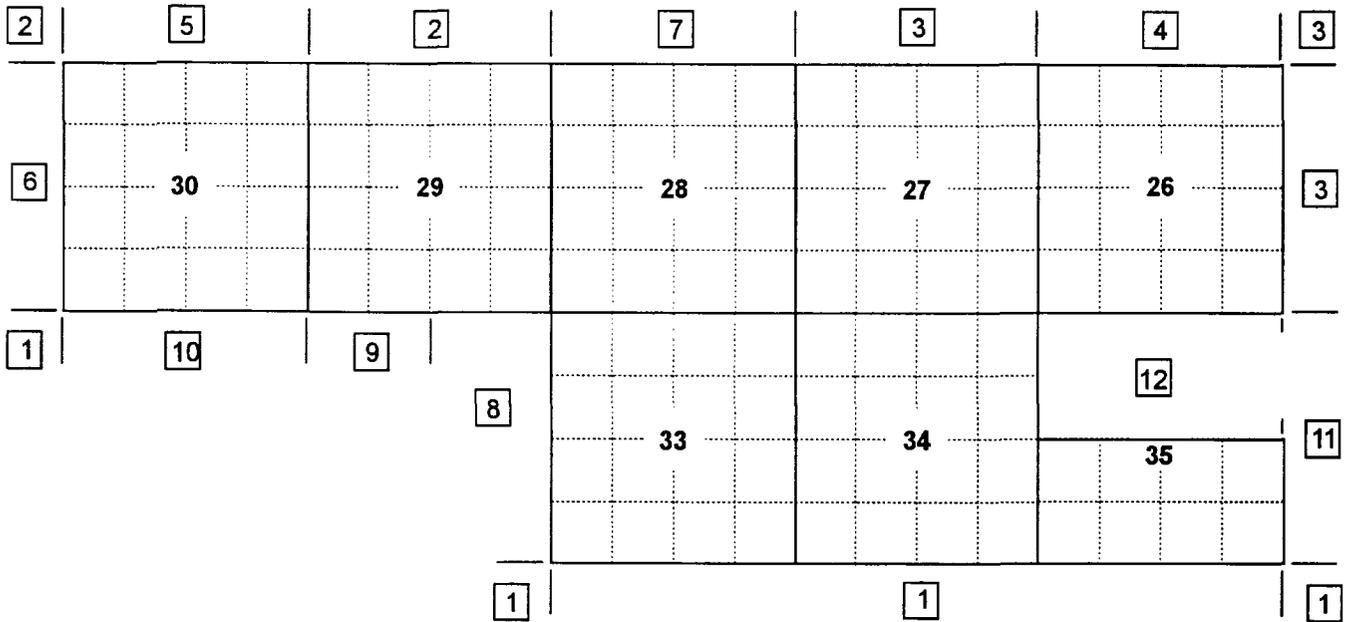
**KLEIN/VAUGHN  
GALLUP FORMATION**

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Carolyn Beamon Tilley  
Robert Walter Lundell  
James Robert Beamon  
c/o Pattie Beamon Lundell  
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c/o Randall T. Johnson, Trustee  
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430 Meadow Ridge Drive  
Kerrville, Texas 78028-3825
7. Merrion Oil and Gas Corp.  
Post Office Box 840  
Farmington, New Mexico 87109
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# MERIDIAN OIL INC

## KLEIN / VAUGHN DAKOTA / GALLUP / MESAVERDE COMMINGLE APPLICATION

TOWNSHIP 26 NORTH, RANGE 6 WEST  
RIO ARRIBA COUNTY, NEW MEXICO



MESAVERDE FORMATION

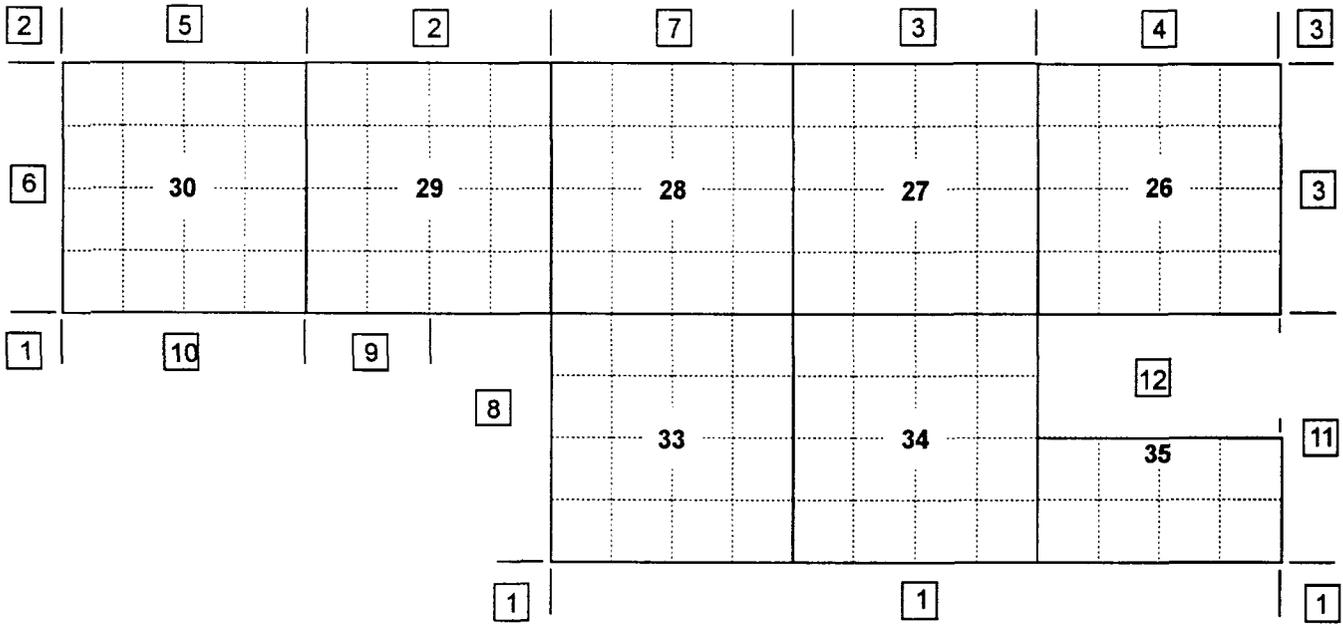
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# MERIDIAN OIL INC

## KLEIN / VAUGHN DAKOTA / GALLUP / MESAVERDE COMMINGLE APPLICATION

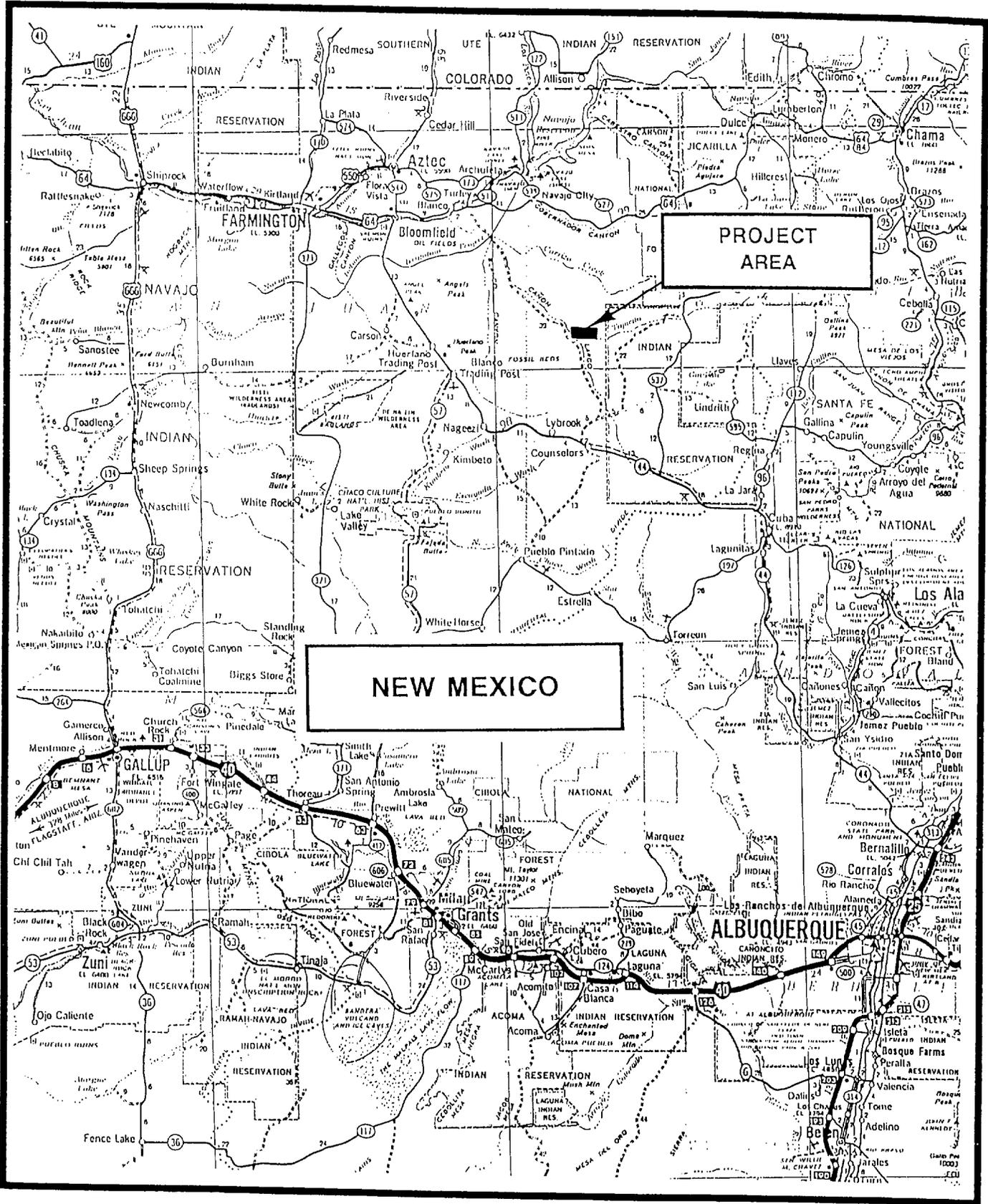
TOWNSHIP 26 NORTH, RANGE 6 WEST  
RIO ARRIBA COUNTY, NEW MEXICO



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Dallas, Texas 75201
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~~P.O. Box 1610~~ *15375 Memorial Drive*  
~~Midland, Texas 79702~~ *Houston, TX 77079*
12. Texaco Exploration and Production Inc.  
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Denver, Colorado 80237



PROJECT LOCATION



NEW MEXICO

KLEIN/VAUGHN AREA

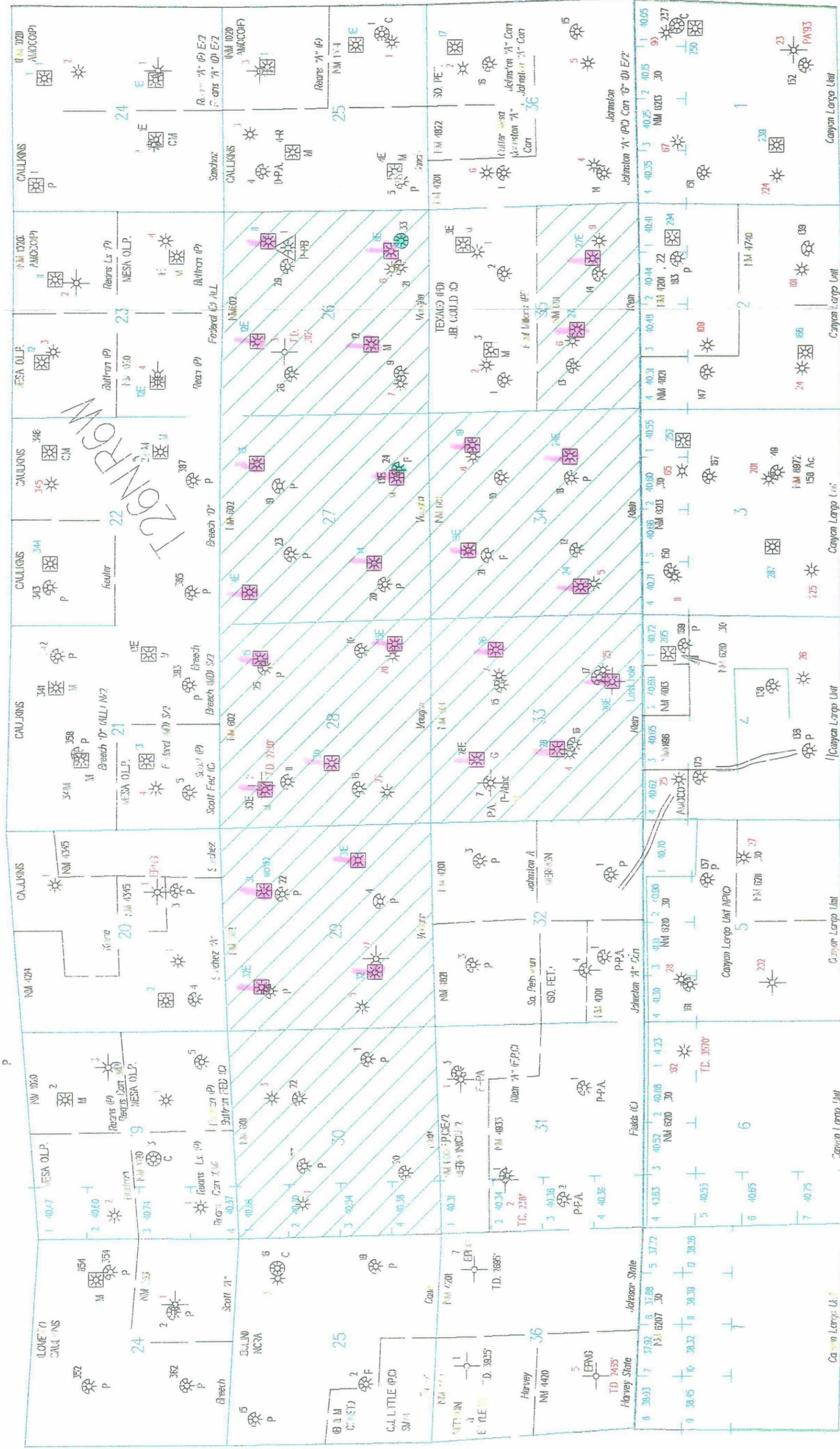
EXHIBIT 3

FIGURE 1  
OVERVIEW MAP

KLEIN/VAUGHN AREA

T26N,R6W

Sec. 26, 27, 28, 29, 30, 33, 34 S/2 35  
RIO ARRIBA COUNTY, NEW MEXICO



- FRUITLAND SAND WELL
- FRUITLAND COAL WELL
- PICTURED CLIFFS WELL
- MESAVERDE WELL
- DAKOTA WELL
- GALLUP WELL

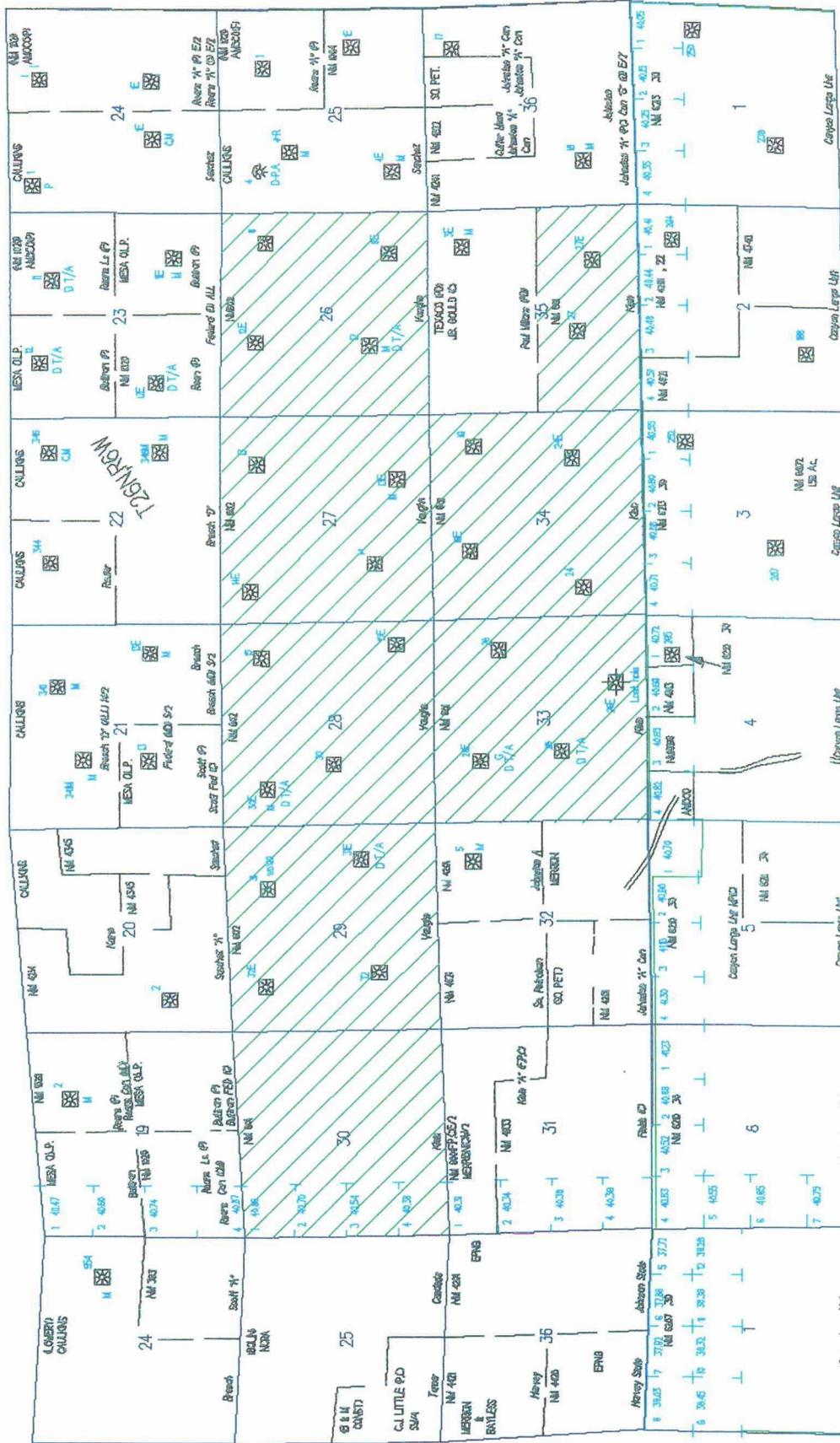
26- Dakota





KLEIN/VAUGHN AREA DAKOTA  
T26N.R6W

Sec. 26. 27. 28. 29. 30. 33. 34. S/2 35  
RIO ARriba COUNTY, NEW MEXICO



- ⊠ FRUITLAND SAND WELL
- ⊠ MESAVERDE WELL
- ⊠ FRUITLAND COAL WELL
- ⊠ DAKOTA WELL
- ⊠ GALLUP WELL
- \* PICTURED CLIFFS WELL

KLEIN/VAUGHN AREA

	T-26-N, R-6-W	
	% ORRI	% ORRI
ORRI Owner	Sec. 30: All	Sec. 26: All
<u>All Depths</u>	Sec. 33: All	Sec. 27: All
	Sec. 34: All	Sec. 28: All
	Sec. 35: S/2	Sec. 29: All
	<u>(NM-601)</u>	<u>(NM-602)</u>
Elizabeth T. Calloway	1.562500%	Same
GWV Interest Inc.	0.538844%	Same
The Klein Family Trust	6.250000%	Same
C. F. Saunders Jr.	0.250000%	Same
Nancy Saunders Smith	0.250000%	Same
Frederick Eugene Turner	1.562500%	Same
J. Glenn Turner Jr.	1.562500%	Same
John Lee Turner	1.562500%	Same
William T. Drozd	0.538844%	Same
Grady H. Vaughn III and John S. Nichols Trustees U/W Dorothy Vaughn		
John S. Nichols & William T. Drozd Trustees of the Grady H. Vaughn III Childrens Trust #2	0.809500%	0.740866%
Grady H. Vaughn III	0.268187%	0.336821%
Vaughn Petroleum INC.	<u>4.094625%</u>	<u>Same</u>
<b>TOTAL</b>	<b>19.250000%</b>	<b>19.250000%</b>

ROYALTY OWNER  
ALL DEPTHS

% ROYALTY

% ROYALTY

USA

12.50%

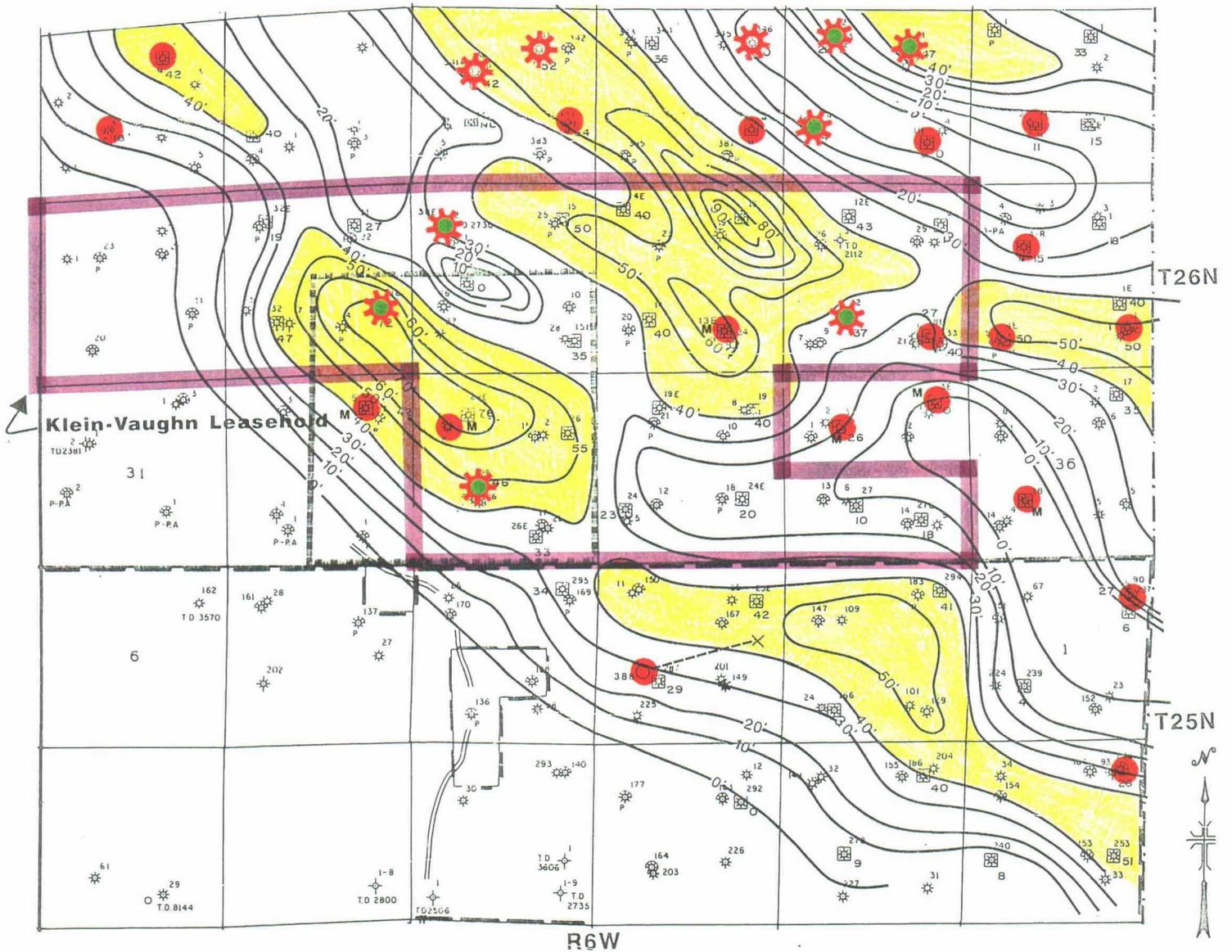
12.50%



**EXHIBIT 4**

**INDEX MAP**

-  Mesaverde Dakota Commingle
-  Gallup Completion with Dakota Temporarily Abandoned
-  Mesaverde Completion with Dakota Temporarily Abandoned



**POINT LOOKOUT FORMATION**

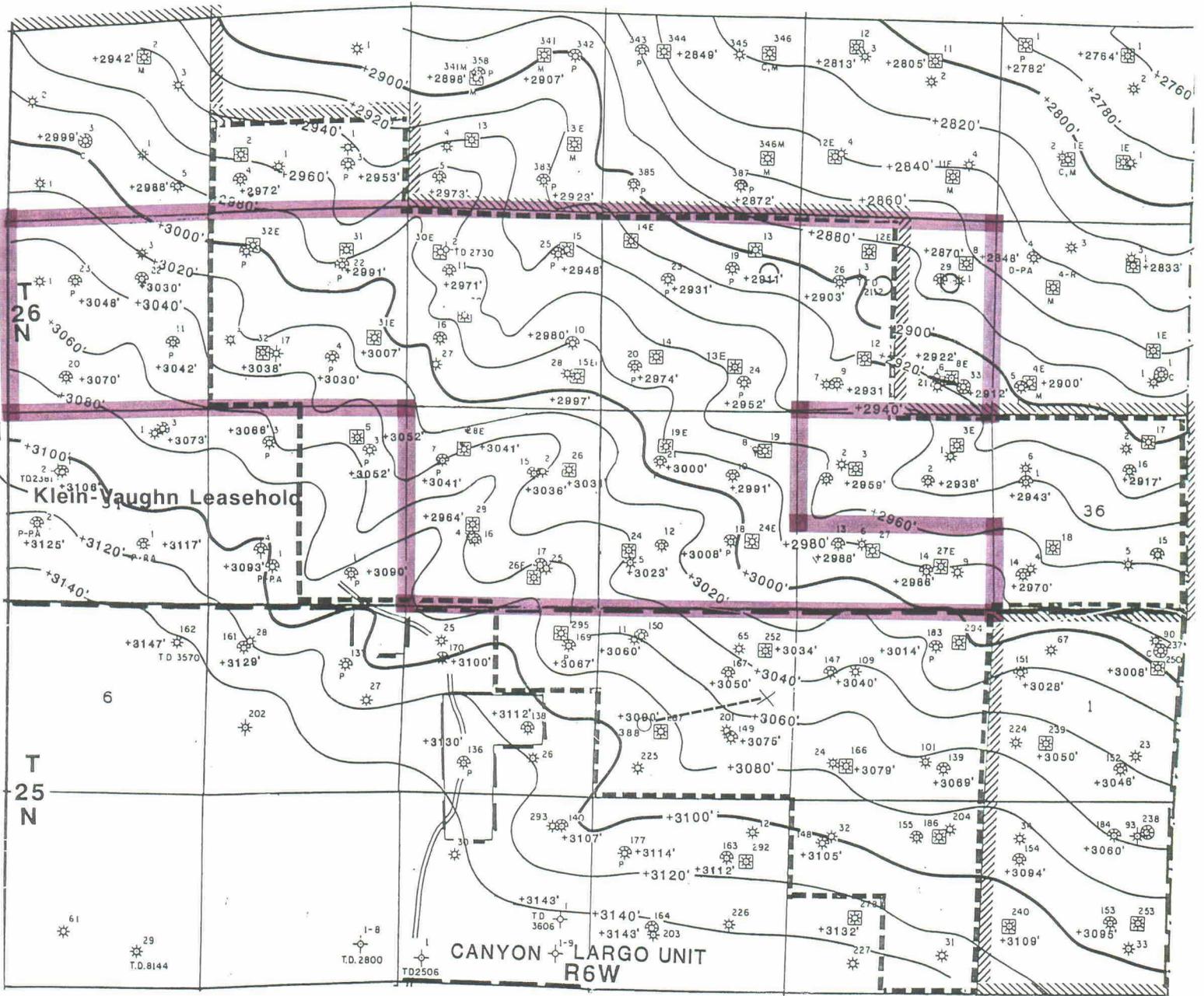
**GROSS SANDSTONE ISOPACH**

**Rt > 30 ohm**

**C.I. = 10'**



-  Existing MV-DK commingles
-  Mesaverde Completions  
revised by EAP / MKD 7-27-94
-  Mesaverde Completion with Dakota Temporarily Abandoned



**STRUCTURE MAP**  
**DATUM IS "K" MARKER**  
**IN LEWIS SHALE**  
**C.I. = 20'**  
 revised by EAP / MKD 7-27-94

**Klein / Vaughn Lease Area  
Dakota Pressure / Production Information**

NAME	#	LOCATION		7-Day ISICP	DATE	Btm Hole 03/31/94	Most recent rate MCFD
VAUGHN	8	26N06W26A	DK	2597	11/18/68		44
VAUGHN	12E	26N06W26C	DK	1508	12/10/85	516	460
VAUGHN	12	26N06W26K	DK	2423	06/16/71		32
VAUGHN	8E	26N06W26P	DK	1772	10/22/85	957*	115
VAUGHN	13	26N06W27A	DK	2225	11/2/71		39
VAUGHN	14E	26N06W27D	DK	2208	11/20/85		153
VAUGHN	14	26N06W27K	DK	2604	08/06/71		378
VAUGHN	13E	26N06W27O	DK	1805	01/31/92		412
VAUGHN	15	26N06W28A	DK	2475	07/14/71	920	24
VAUGHN	30E	26N06W28D	DK	2201	11/20/85		178
VAUGHN	30	26N06W28K	DK	2272	10/17/79	730	93
VAUGHN	15E	26N06W28P	DK	1950	11/11/85		108
VAUGHN	31	26N06W29B	DK	2052	12/17/80		50
VAUGHN	32E	26N06W29D	DK	2212	12/12/85		110
VAUGHN	31E	26N06W29I	DK	2334	01/09/86		58
VAUGHN	32	26N06W29K	DK	2489	12/10/80	694	67
KLEIN	28E	26N06W33C	DK	2104	01/10/85		51
KLEIN	26	26N06W33H	DK	1538	11/05/79		133
KLEIN	28	26N06W33K	DK	2509	12/30/80	835*	54
KLEIN	26E	26N06W33O	DK	2100	10/02/85		97
KLEIN	19	26N06W34A	DK	2598	07/01/72	1013*	56
KLEIN	19E	26N06W34C	DK	2087	10/10/85	903*	110
KLEIN	24E	26N06W34I	DK	1910	10/10/85		90
KLEIN	24	26N06W34L	DK	2264	11/26/73		171
KLEIN	27	26N06W35K	DK	2473	09/20/78		115
KLEIN	27E	26N06W35O	DK	2311	10/25/85	891*	83

Current Bottom-hole Pressure Average: 828 psi @ 7000' +/-  
Current Candidate Commingle Rate Average: 114 MCFD

\* Echometer Interpreted Bottom-Hole Pressure

Note: Vaughn # 13E is a dual Mesaverde / Dakota producter.

**EXHIBIT 5**

**Klein / Vaughn Lease Area  
Mesaverde Pressure / Production Information**

				7-Day ISICP	DATE	Btm Hole Gauge	Most Recent Rate MCFD
VAUGHN	33	26N06W26P	MV	1212	11/13/85	-	140 ✓
KLEIN	7	26N06W33E	MV	1041	12/16/91	1329	450 ✓
VAUGHN	12	26N06W26K	MV	1032	07/28/93	1229	540 ✓
VAUGHN	30E	26N06W28D	MV	1030	07/28/93	1211	460 ✓
VAUGHN	13E	26N06W27O	MV	1032	03/03/92	1400	420 ✓
Canyon Largo Unit NP	237	25N06W01A	MV	1234	07/09/74	-	90 ✓
Canyon Largo Unit NP	238	25N06W12A	MV	1237	04/30/74	-	37 ✓
KLEIN	28	26N06W33K	MV	600	05/20/94	1392	- ✓
VAUGHN	31E	26N06W29I	MV	731	06/13/94	1432	675* ✓

Initial Bottom-hole Pressure Average:  
Current Mesaverde Rate Average:

1,330 psi @ 5200' +/-  
305 MCFD

Canyon Largo Unit Wells used as reference wells.

\* Initial Rate on Vaughn # 31E due to recent recompletion.

**Klein / Vaughn Lease Area  
Gallup Pressure / Production Information**

				7-Day ISICP	DATE	Btm Hole Gauge	Most Recent Rate MCFD
KLEIN	28E	26N06W33C	GP	1152	12/28/92	1400*	45

\* Initial pressure at 6440'

Pressure Data Adjusted to Common Datum will use 6400' as common datum point, since this is the mid-point of all formations (Gas Gradients taken from surveys):

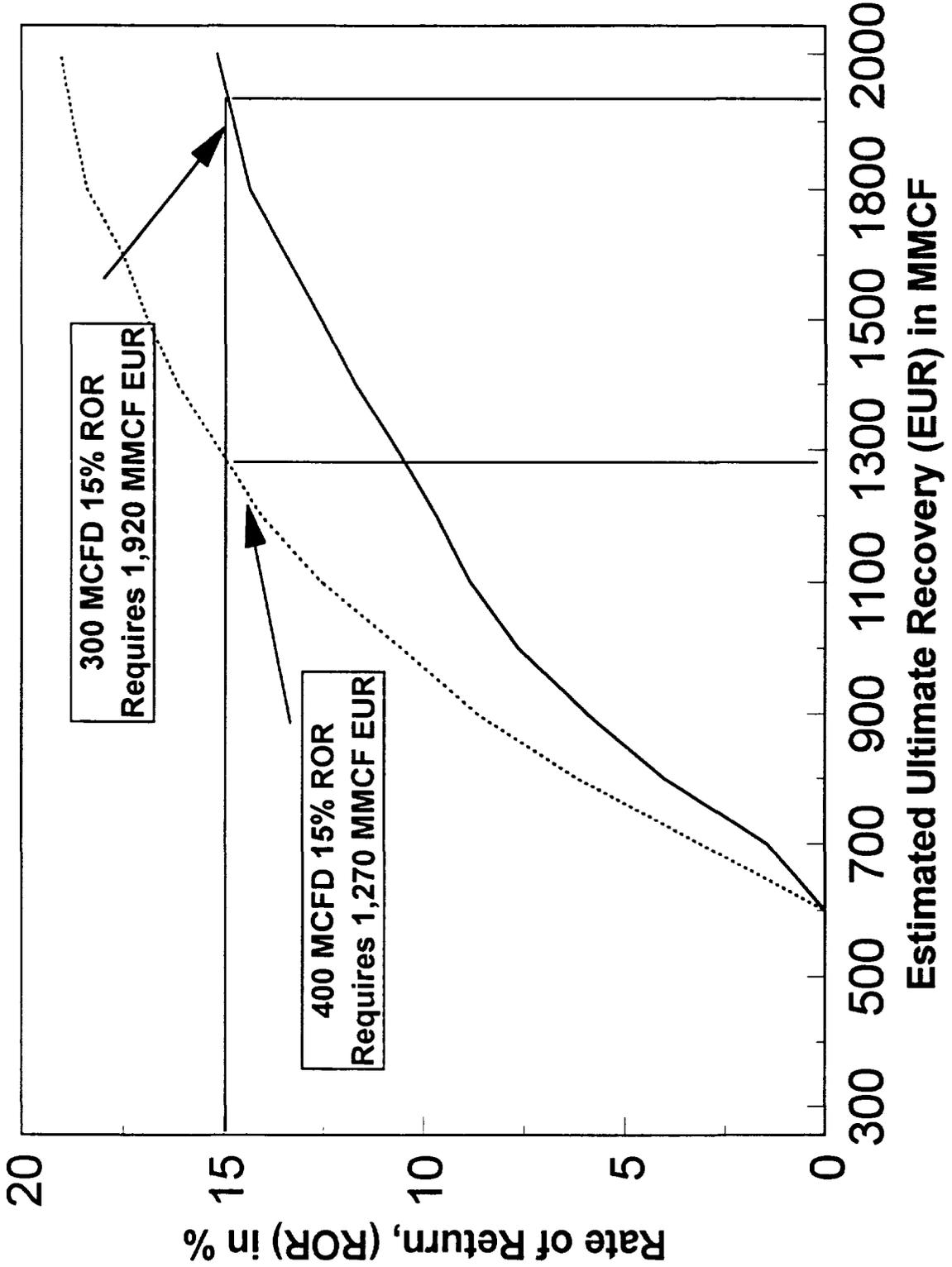
Dakota: 828 psi - (7000' - 6400') \* 0.02 psi/ft = 816 psi @ 6400'

Gallup: 1,400 psi - (6440' - 6400') \* 0.04 psi/ft = 1,398 psi @ 6400'

Mesaverde: 1,330 psi - (5200' - 6400') \* 0.04 psi/ft = 1,378 psi @ 6400'

**Klein / Vaughn Area  
Dakota Stand Alone New Drill  
Rate of Return vs EUR**

To be used to determine if Dakota is Economic, or should be commingled.



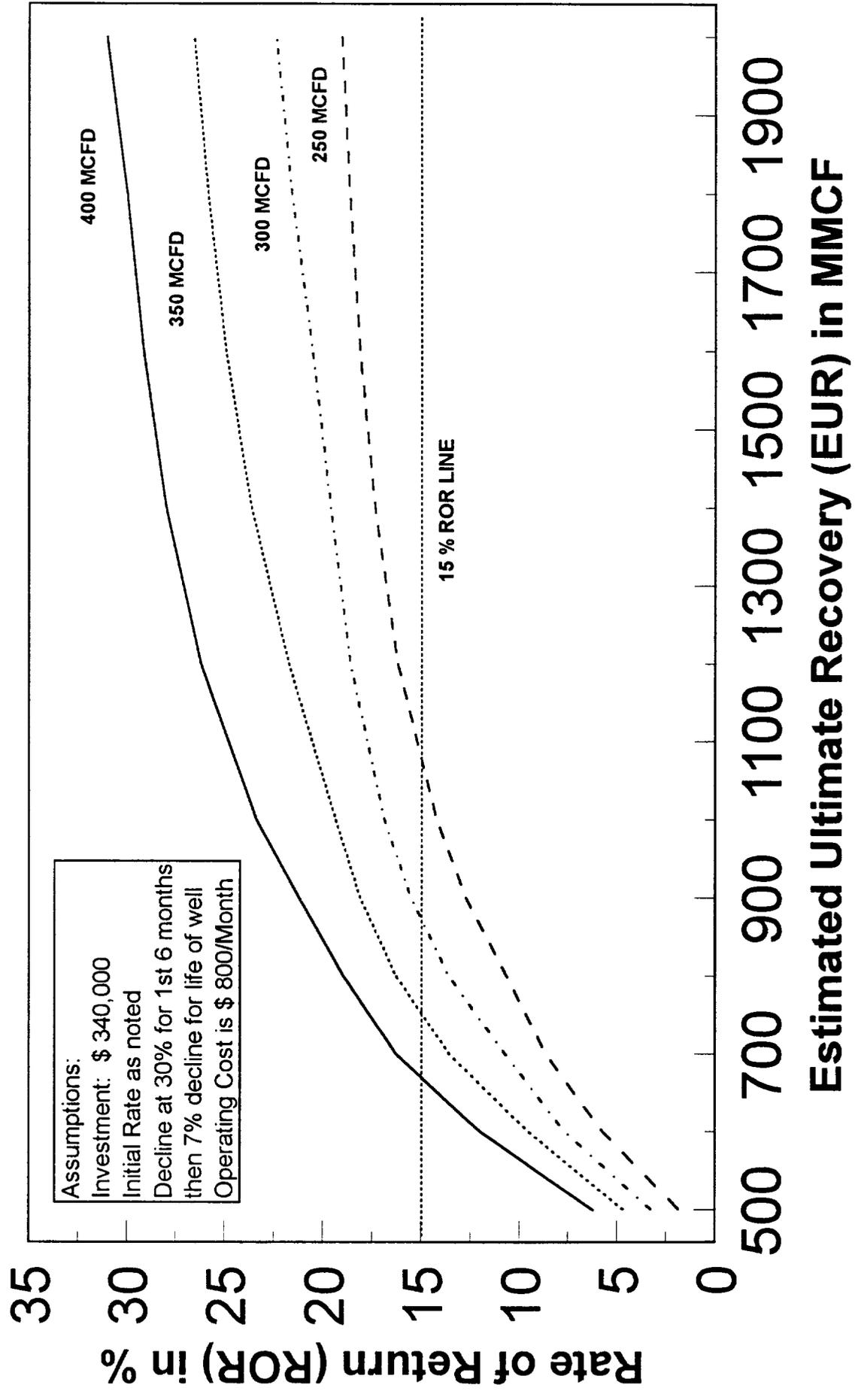
Assumptions:  
Investment: \$ 520,000  
Initial Rate of 400 MCFD  
Decline @ 30% in 6 months  
to a stabilized rate of 340 MCFD  
Declining at 7% until full reserves  
are recovered.  
Operational Cost: \$ 800/month

Assumptions:  
Investment: \$ 520,000  
Initial Rate of 300 MCFD  
Decline @ 30% in 6 months  
to a stabilized rate of 250 MCFD  
Declining at 7% until full reserves  
are recovered.  
Operational Cost: \$ 800/month

# Klein / Vaughn New Drill Dual Completion

## Dakota Determination To Commingle

### Rate of Return vs EUR



## **Klein / Vaughn Lease Area Downhole Commingle Information**

Downhole Commingle of the Dakota, Gallup, and Mesaverde formations is the only prudent method to maximize recovery of reserves in the project area.

- 1) Ownership & Royalty is common in all three formations.
- 2) Produced fluids from these formations are compatible.
- 3) Bottom-hole pressures are within 50% of the highest pressure zone at a common datum.
- 4) Offset downhole commingle precedence has been set in this area.
- 5) A blanket area wide downhole commingle order will minimize regulatory requirements while protecting correlative rights and maximizing hydrocarbon recovery in the project area.

## Klein / Vaughn Lease Area Allocation of Production Examples

- Fixed Percentage Allocation Formula
- Minimum Six (6) Months of Mesaverde Production Data.
- Gallup Production Estimated from wireline log data and flow testing.
- Based upon Two (2) Criteria using reasonable Engineering accuracy.
  - Remaining Reserves of both Gas & Oil
  - Stabilized Production rates of both Gas & Oil each formation.

Vaughn # 12 was Temporarily Abandoned in the Dakota and recompleted in the Mesaverde in July 1993. Almost one full year of production data from the Mesaverde zone exists. This full year of flow data allows for a more accurate determination of the production allocation.

DK Remaining Reserves:	354 MMCF 13 %	2,000 Barrels Oil 10 %
MV Remaining Reserves:	$\frac{2,215 \text{ MMCF}}{2,569 \text{ MMCF}}$ 87 %	$\frac{17,000 \text{ Barrels Oil}}{19,000 \text{ Barrels Oil}}$ 90 %
DK Production Rate:	75 MCFD 12 %	0.25 BOPD 11 %
MV Production Rate:	$\frac{540 \text{ MCFD}}{615 \text{ MCFD}}$ 88 %	$\frac{2.00 \text{ BOPD}}{2.25 \text{ BOPD}}$ 89 %

Therefore the submitted allocation formula for the **Vaughn # 12** wellbore in the Mesaverde and Dakota would be submitted below, and should be accurate to reasonable Engineering standards.

	<u>Gas</u>	<u>Oil</u>
Dakota Allocation Percentage:	13 %	10 %
Mesaverde Allocation Percentage:	87 %	90 %

EXHIBIT 6

## Klein / Vaughn Lease Area Allocation of Production Examples

- Fixed Percentage Allocation Formula
- Minimum Six (6) Months of Mesaverde Production Data.
- Gallup Production Estimated from wireline log data and flow testing.
- Based upon Two (2) Criteria using reasonable Engineering accuracy.
  - Remaining Reserves of both Gas & Oil
  - Stabilized Production rates of both Gas & Oil each formation.

Vaughn # 30E was temporarily abandoned in the Dakota and recompleted in the Mesaverde in July 1993. Almost one full year of production data from the Mesaverde zone exists. This full year of flow data allows for a more accurate determination of the production allocation.

DK Remaining Reserves:	750 MMCF 30 %	3,000 Barrels Oil 20 %
MV Remaining Reserves:	1,689 MMCF 70 %	12,000 Barrels Oil 80 %
	<u>2,439 MMCF</u>	<u>15,000 Barrels Oil</u>
DK Production Rate:	170 MCFD 26 %	1.00 BOPD 22 %
MV Production Rate:	<u>460 MCFD</u> 74 %	<u>3.50 BOPD</u> 78 %
	630 MCFD	4.50 BOPD

Therefore the submitted allocation formula for the Vaughn # 30E wellbore in the Mesaverde and Dakota would be submitted below, and should be accurate to reasonable Engineering standards.

	<u>Gas</u>	<u>Oil</u>
Dakota Allocation Percentage:	30 %	20 %
Mesaverde Allocation Percentage:	70 %	80 %

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. 11038

Application of Meridian Oil, Inc. for  
Downhole Commingling, Klein/Vaughn  
Area, Rio Arriba, New Mexico.

CERTIFICATE OF MAILING  
AND  
COMPLIANCE WITH ORDER R-8054

W. THOMAS KELLAHIN, attorney in fact and authorized representative of Meridian Oil, Inc., states that the notice provisions of Division Rule 1207 (Order R-8054) have been complied with, that Applicant has caused to be conducted a good faith diligent effort to find the correct addresses of all interested parties entitled to receive notice, that on the 28th and 29th day of June 1994, I caused to be sent, by certified mail return receipt requested, notice of this hearing and a copy of the application for the referenced case along with the cover letter, at least twenty days prior to the hearing set for August 18th, 1994, to the parties shown in the application as evidenced by the attached copies of receipt cards, and that pursuant to Division Rule 1207, notice has been given at the correct addresses provided by such rule.

\_\_\_\_\_  
W. Thomas Kellahin

SUBSCRIBED AND SWORN to before me on this 17th day of August 1994.

  
Notary Public

My Commission Expires: June 15th, 1998

EXHIBIT 7

P 321 036 791



### Receipt for Certified Mail

No Insurance Coverage Provided  
Do not use for International Mail

CAULKINS OIL CO.  
2100 COLORADO BANK BUILDING  
DENVER, CO 80202

Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$

PS Form 3800, June 1991

Postmark or Date  
**MERID/DAKOTA**  
06/28,29/94

Thank you for using Return Receipt Service.

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- Addressee's Address
- Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:  
*CAULKINS OIL CO.  
1600 BRADLEY AVE #2100  
DENVER, CO 80202*

4a. Article Number  
*P321036791*

4b. Service Type

<input type="checkbox"/> Registered	<input type="checkbox"/> Insured
<input checked="" type="checkbox"/> Certified	<input type="checkbox"/> COD
<input type="checkbox"/> Express Mail	<input type="checkbox"/> Return Receipt for Merchandise

7. Date of Delivery  
*7-12-94*

5. Signature (Addressee)

6. Signature (Agent)  
*[Signature]*

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991 U.S. GPO: 1993-352-714 **DOMESTIC RETURN RECEIPT**

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- Addressee's Address
- Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:  
**AMOCO PRODUCTION CO.  
PO BOX 800  
DENVER, CO 80201**

4a. Article Number  
*321 036 797*

4b. Service Type

<input checked="" type="checkbox"/> Registered	<input type="checkbox"/> Insured
<input type="checkbox"/> Certified	<input checked="" type="checkbox"/> COD
<input type="checkbox"/> Express Mail	<input checked="" type="checkbox"/> Return Receipt for Merchandise

7. Date of Delivery  
*[Signature]*

5. Signature (Addressee)

6. Signature (Agent)  
*[Signature]*

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991 U.S. GPO: 1993-352-714 **DOMESTIC RETURN RECEIPT**

Thank you for using Return Receipt Service.

P 321 036 797



### Receipt for Certified Mail

No Insurance Coverage Provided  
Do not use for International Mail

AMOCO PRODUCTION CO.  
PO BOX 800  
DENVER, CO 80201

Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$

PS Form 3800, June 1991

Postmark or Date  
**MERID/DAKOTA**  
06/28,29/94

P 321 036 796



Receipt for Certified Mail

No Insurance Coverage Provided

CENTRAL RESOURCES INC.
1776 LINCOLN ST. STE 1010
DENVER, CO 80203

Table with 2 columns: Fee/Postage and Amount (\$). Rows include Postage, Certified Fee, Special Delivery Fee, Restricted Delivery Fee, Return Receipt Showing to Whom & Date Delivered, Return Receipt Showing to Whom, Date, and Addressee's Address, TOTAL Postage & Fees.

Postmark or Date

MERID/DAKOTA
06/28.29/94

PS Form 3800, June 1991

Domestic Return Receipt form for Central Resources Inc. Includes fields for sender, article number (321 036 796), service type (Registered, Insured, COD, Return Receipt for Merchandise), and date of delivery.

Thank you for using Return Receipt Service.

PS Form 3811, December 1991 U.S. GPO: 1993-352-714 DOMESTIC RETURN RECEIPT

P 321 036 795



Receipt for Certified Mail

No Insurance Coverage Provided
Do not use for International Mail

MERRION OIL AND GAS CORP.
PO BOX 840
FARMINGTON, NM 87499

Table with 2 columns: Fee/Postage and Amount (\$). Rows include Postage, Certified Fee, Special Delivery Fee, Restricted Delivery Fee, Return Receipt Showing to Whom & Date Delivered, Return Receipt Showing to Whom, Date, and Addressee's Address, TOTAL Postage & Fees.

Postmark or Date

MERID/DAKOTA
06/28,29/94

PS Form 3800, June 1991

Domestic Return Receipt form for Merrion Oil and Gas Corp. Includes fields for sender, article number (321 036 795), service type (Registered, Insured, COD, Return Receipt for Merchandise), and date of delivery. Includes a circular postmark from Farmington, NM.

Thank you for using Return Receipt Service.

PS Form 3811, December 1991 U.S. GPO: 1993-352-714 DOMESTIC RETURN RECEIPT

P 321 036 794



Receipt for Certified Mail

No Insurance Coverage Provided  
Do not use for International Mail

THE WISER OIL CO.  
8115 PRESTON ROAD, STE. 400  
DALLAS, TX 75225

Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$

Postmark or Date

MERID/DAKOTA  
06/28,29/94

PS Form 3800, June 1991

Thank you for using Return Receipt Service.

**SENDER:**  
 • Complete items 1 and/or 2 for additional services.  
 • Complete items 3 and 4a & b.  
 • Print your name on this form so that we can return this card to you or on the back if space does not permit.  
 • Attach this form to the mailpiece below the article number.  
 • Write "Return Receipt Requested" on the mailpiece below the article number.  
 • The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):  
 1.  Addressee's Address  
 2.  Restricted Delivery  
 Consult postmaster for fee.

3. Article Addressed to:  
 MERID/DAKOTA  
 06/28,29/94  
 THE WISER OIL CO.  
 8115 PRESTON ROAD, STE. 400  
 DALLAS, TX 75225

4a. Article Number  
 321 036 794

4b. Service Type  
 Registered  Insured  
 Certified  COD  
 Express Mail  Return Receipt for Merchandise

7. Date of Delivery  
 JUL 01 1994

5. Signature (Addressee)  
*[Signature]*

6. Signature (Agent)  
*[Signature]*

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991 U.S. GPO: 1993-352-714 DOMESTIC RETURN RECEIPT

P 321 036 793



Receipt for Certified Mail

No Insurance Coverage Provided  
Do not use for International Mail

AG HILL  
5000 THANKSGIVING TOWER  
DALLAS, TX 75201

Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$

Postmark or Date

MERID/DAKOTA  
06/28,29/94

PS Form 3800, June 1991

Thank you for using Return Receipt Service.

**SENDER:**  
 • Complete items 1 and/or 2 for additional services.  
 • Complete items 3 and 4a & b.  
 • Print your name on this form so that we can return this card to you or on the back if space does not permit.  
 • Attach this form to the mailpiece below the article number.  
 • Write "Return Receipt Requested" on the mailpiece below the article number.  
 • The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):  
 1.  Addressee's Address  
 2.  Restricted Delivery  
 Consult postmaster for fee.

3. Article Addressed to:  
 MERID/DAKOTA  
 06/28,29/94  
 AG HILL  
 5000 THANKSGIVING TOWER  
 DALLAS, TX 75201

4a. Article Number  
 321 036 793

4b. Service Type  
 Registered  Insured  
 Certified  COD  
 Express Mail  Return Receipt for Merchandise

7. Date of Delivery  
 JUL 05 1994

5. Signature (Addressee)  
*[Signature]*

6. Signature (Agent)  
*[Signature]*

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991 U.S. GPO: 1993-352-714 DOMESTIC RETURN RECEIPT

P 321 036 792



Receipt for Certified Mail

No Insurance Coverage Provided

VASTAR RESOURCES, INC.
15375 MEMORIAL DRIVE
HOUSTON, TEXAS 77079

Table with 2 columns: Fee Type, Amount. Rows include Postage, Certified Fee, Special Delivery Fee, Restricted Delivery Fee, Return Receipt Showing to Whom & Date Delivered, Return Receipt Showing to Whom, Date, and Addressee's Address, TOTAL Postage & Fees.

PS Form 3800, June 1991

MERID/DAKOTA
06/28.29/94

Thank you for using Return Receipt Service.

SENDER:

- Complete items 1 and/or 2 for additional services.
Print your name and address on this form so that we can return this card to you, or on the back if space does not permit.
Attach this form to the mailpiece below the article number.
The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- 1. Addressee's Address
2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:
VASTAR RESOURCES, INC.
15375 MEMORIAL DRIVE
HOUSTON, TEXAS 77079

4a. Article Number: 321 036 792
4b. Service Type: Registered (checked), Insured, Certified, COD, Express Mail, Return Receipt for Merchandise (checked)
7. Date of Delivery: JUL 01 1994

5. Signature (Addressee)
6. Signature (Agent)

8. Addressee's Address (Only if requested and fee is paid)

P 321 036 790



Receipt for Certified Mail

No Insurance Coverage Provided

TEXACO EXPLORATION & PRODUCTION INC.
PO BOX 2100
DENVER, CO 80237

Table with 2 columns: Fee Type, Amount. Rows include Postage, Certified Fee, Special Delivery Fee, Restricted Delivery Fee, Return Receipt Showing to Whom & Date Delivered, Return Receipt Showing to Whom, Date, and Addressee's Address, TOTAL Postage & Fees.

PS Form 3800, June 1991

MERID/DAKOTA
06/28,29/94

Thank you for using Return Receipt Service.

SENDER:

- Complete items 1 and/or 2 for additional services.
Complete items 3, and 4a & b.
Print your name and address on this form so that we can return this card to you, or on the back if space does not permit.
Attach this form to the mailpiece below the article number.
The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- 1. Addressee's Address
2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:
TEXACO EXPLORATION & PRODUCTION INC.
PO BOX 2100
DENVER, CO 80237

4a. Article Number: 321 036 790
4b. Service Type: Registered (checked), Insured, Certified, COD, Express Mail, Return Receipt for Merchandise (checked)
7. Date of Delivery: 7-1-94

5. Signature (Addressee)
6. Signature (Agent)

8. Addressee's Address (Only if requested and fee is paid)

Is your RETURN ADDRESS completed on the reverse side?

P 321 036 789



Receipt for Certified Mail

No Insurance Coverage Provided

THE BEAMON GROUP
PATTIE BEAMON LUNDELL
1616 S. VOSS #870
HOUSTON, TX 77057

Table with 2 columns: Description (Postage, Certified Fee, Special Delivery Fee, Restricted Delivery Fee, Return Receipt Showing to Whom & Date Delivered, Return Receipt Showing to Whom, Date, and Addressee's Address, TOTAL Postage & Fees) and Amount (\$)

PS Form 3800, June 1 1991

MERID/DAKOTA
06/28,29/94

Thank you for using Return Receipt Service.

PS Form 3811, December 1991 U.S. GPO: 1993-352-714 DOMESTIC RETURN RECEIPT. Includes fields for SENDER, Article Addressed to, Article Number (321 036 789), Service Type (Registered, Insured, Certified, COD, Express Mail, Return Receipt for Merchandise), Date of Delivery, and Addressee's Address.

P 321 036 787



Receipt for Certified Mail

No Insurance Coverage Provided

ARCO OIL AND GAS
PO BOX 1610
MIDLAND, TEXAS 79702

Table with 2 columns: Description (Postage, Certified Fee, Special Delivery Fee, Restricted Delivery Fee, Return Receipt Showing to Whom & Date Delivered, Return Receipt Showing to Whom, Date, and Addressee's Address, TOTAL Postage & Fees) and Amount (\$)

PS Form 3800, June 1 1991

MERID/DAKOTA
06/28,29/94

Thank you for using Return Receipt Service.

PS Form 3811, December 1991 U.S. GPO: 1993-352-714 DOMESTIC RETURN RECEIPT. Includes fields for SENDER, Article Addressed to, Article Number (321 036 787), Service Type (Registered, Insured, Certified, COD, Express Mail, Return Receipt for Merchandise), Date of Delivery (JUL - 1 1994), and Addressee's Address.

P 321 036 788



Receipt for Certified Mail

No Insurance Coverage Provided  
Do not use for International Mail

CONOCO INC.  
10 DESTA DRIVE, STE 100W  
MIDLAND, TEXAS 79705  
ATTN: JERRY HOOVER

Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$

PS Form 3800, June 1991

Thank you for using Return Receipt Service.

MERID/DAKOTA  
06/28,29/94

Is your RETURN ADDRESS completed on the reverse side?

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your return this card form so that we can return this card to you on the back if space does.
- Attach this card to the back of the article.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

1.  Addressee's Address

2.  Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:  
CONOCO INC.  
10 DESTA DRIVE, STE. 100W  
MIDLAND TX. 79705  
ATTN: JERRY HOOVER

4a. Article Number  
321 036 788

4b. Service Type  
 Registered  Insured  
 Certified  COD  
 Express Mail  Return Receipt for Merchandise

7. Date of Delivery  
JUL - 5 1994

5. Signature (Addressee)

6. Signature (Agent)  
*Jerry Hoover*

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991 U.S. GPO: 1993-352-714 DOMESTIC RETURN RECEIPT

P 321 036 785



Receipt for Certified Mail

No Insurance Coverage Provided  
Do not use for International Mail

RANDALL T. JOHNSON,  
TRUSTEE  
Sheryl A. Lundell, Revocable Trust  
430 MEADOW RIDGE DRIVE  
KERRVILLE, TX 78028-3825

Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$

PS Form 3800, June 1991

Thank you for using Return Receipt Service.

MERID/DAKOTA  
06/28,29/94

Is your RETURN ADDRESS completed on the reverse side?

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your return this card form so that we can return this card to you on the back if space does.
- Attach this card to the back of the article.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

1.  Addressee's Address

2.  Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:  
RANDALL T. JOHNSON,  
TRUSTEE  
Sheryl A. Lundell, Revocable Trust  
430 MEADOW RIDGE DRIVE  
KERRVILLE, TX 78028-3825

4a. Article Number  
321 036 785

4b. Service Type  
 Registered  Insured  
 Certified  COD  
 Express Mail  Return Receipt for Merchandise

7. Date of Delivery  
7/5/94

5. Signature (Addressee)  
*Randall T. Johnson*

6. Signature (Agent)

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991 U.S. GPO: 1993-352-714 DOMESTIC RETURN RECEIPT