



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



BRUCE KING
GOVERNOR

July 16, 1992

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

ANITA LOCKWOOD
CABINET SECRETARY

Meridian Oil, Inc.
P.O. Box 4289
Farmington, New Mexico 87499-4289

Attention: Peggy Bradfield

Administrative Order NSL-3131

Dear Ms. Bradfield:

Reference is made to your application dated June 23, 1992 for a non-standard Basin-Fruitland coal gas well location for your existing Hanks Well No. 23 which was drilled in 1969 and completed in the Fulcher Kutz Pictured Cliffs Pool at a standard gas well location 800 feet from the North line and 1120 feet from the West line (Unit D) of Section 7, Township 27 North, Range 9 West, NMPM, San Juan County, New Mexico.

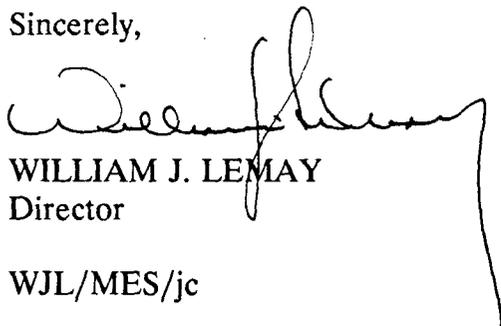
It is my understanding that the Pictured Cliffs zone is to be downhole commingled with the Basin Fruitland Coal Gas Pool, and pursuant to the Special Rules and Regulations for the Basin Fruitland Coal Gas Pool, as promulgated by Division Order No. R-8768, as amended, said location is considered to be unorthodox.

By the authority granted me under the provisions of Rule 8 of said Order No. R-8768, as amended, the above-described unorthodox coal gas well location is hereby approved. Further, Lots 1 and 2, NE/4 and E/2 NW/4 (N/2 equivalent) of said Section 7 shall be dedicated to said well forming a standard 321.88-acre gas spacing and proration unit for said coal gas pool.

Meridian Oil, Inc.
Administrative Order NSL-3131
July 16, 1992
Page 2

Also, Meridian Oil, Inc. shall comply with all other provisions of said Order No. R-8768, as amended, pertaining to the downhole commingling of coal gas production with gas produced from the Pictured Cliffs interval.

Sincerely,



WILLIAM J. LEMAY
Director

WJL/MES/jc

cc: Oil Conservation Division - Aztec
U.S. BLM - Farmington
David R. Catanach - Santa Fe