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March 25, 1996

Mr. David Catanach
Oil Conservation Division
2040 S. Pacheco Street
Santa Fe, New Mexico 87504

RE: Application For Surface Commingling, Off Lease Storage and Measurement of Hydrocarbons
Diamond '34' Federal Lease (NM 62225)
Diamondtail '34' Federal Lease (NM 94616)
Sec. 34, T23S, R32E
Lea County, New Mexico

Mr. Catanach:

Meridian Oil Inc. respectfully requests approval for surface commingling, off-lease storage, and measurement of hydrocarbon production from the Diamond '34' Federal Lease (NM 62225) and the Diamondtail '34' Federal Lease (NM 94616), Sec. 34, T23S, R32E, Lea County, New Mexico.

DIAMOND '34' FEDERAL LEASE (NM 62225)

Diamond '34' Federal # 2	34	23S	32E	Delaware	NM62225	Prod.
Diamond '34' Federal # 3 (Pro)	34	23S	32E	Delaware	NM 62225	Proposed

We are requesting approval on a lease basis to cover any future drilling activity.

DIAMONDTAIL '34' FEDERAL LEASE (NM 94616)

Diamondtail '34' Federal # 1	34	23S	32E	Delaware	NM 94616	Prod.
Diamondtail '34' Federal # 2	34	23S	32E	Delaware	NM 94616	Prod.
Diamondtail '34' Federal # 3	34	23S	32E	Delaware	NM 94616	Prod.
Diamondtail '34' Federal # 4	Dry Hole					

PRODUCTION FROM BOTH LEASES

<u>Well Number</u>	<u>BOPD</u>	<u>MCFPD</u>	<u>WATER</u>	<u>FORMATION</u>
Diamond '34' Federal # 2	45	32	0	Delaware
Diamond '34' Federal # 3 (Pro)	50	50	10	Delaware **

** This is an estimate of the expected rates based on reservoir study.

Diamondtail '34' Federal # 1	210	142	41	Delaware
Diamondtail '34' Federal # 2	253	275	174	Delaware
Diamondtail '34' Federal # 3	79	90	120	Delaware
Diamondtail '34' Federal # 4	Dry Hole			

The production from the Diamond '34' Federal lease is metered prior to being commingled into the Diamondtail '34' Federal battery which is located 1980' FSL & 2310' FEL, Sec. 34, T23S, R32E, Lea County, New Mexico. Sales is made via a truck lact unit prior to EOTT purchasing the oil. The casinghead gas is metered (test sales) prior to being purchased at the sales meter.

Meridian is 100% working interest owner for all the wells in the Diamondtail '34' Federal Lease. Meridian has 75% interest in the Diamond '34' Federal Lease. However, our partners do concur with the commingling process and their interests are protected via the measuring methods.

The proposed commingling of production is in the interest of conservation and will not result in reduced royalty or improper measurement of production. The proposed commingling is necessary to continue operations for the above referenced federal leases.

The Bureau of Land Management was notified by certified mail on March 26, 1996. See attached copy of application.

Should you have any questions, or need additional information, please do not hesitate to contact me at 915-688-6943.

Sincerely,



Donna J. Williams
Regulatory Compliance