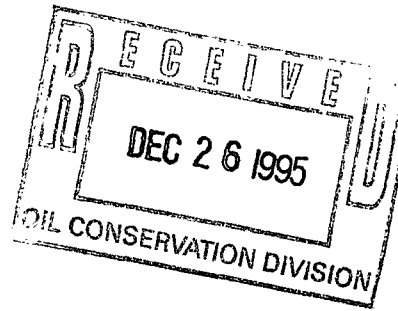


MERIDIAN OIL

NSL - Rhoad.

December 21, 1995



Mr. Michael Stogner
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

RE: Request for two (2) Non-Standard Locations
Rhodes 'B' Federal Well No. 4
2418' FSL & 553' FEL
Sec. 27, T26S, R37E

Rhodes 'B' Federal Well No. 7
330' FNL & 1470' FWL
Sec. 26, T26S, R37E

Lea County, New Mexico
Federal Lease No: LC 030174-B

Mr. Stogner:

Meridian Oil Inc. respectfully request approval for two non-standard locations on the proposed above referenced new drill locations. This is pursuant to the request by the District Office in Hobbs. These were intended to be standard locations, but upon the staking, it was discovered to have topographic problems due to powerlines, pipelines, etc.

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

District I
PO Box 1980, Hobbs, NM 88241-1980
District II
PO Drawer DD, Artesia, NM 88211-0719
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

Form C-102
Revised February 21, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number		2 Pool Code 83810		3 Pool Name Rhodes Gas Pool	
4 Property Code 17608		5 Property Name RHODES "B" FEDERAL			6 Well Number 7
7 OGRID No. 26485		8 Operator Name MERIDIAN OIL INC.			9 Elevation 2994

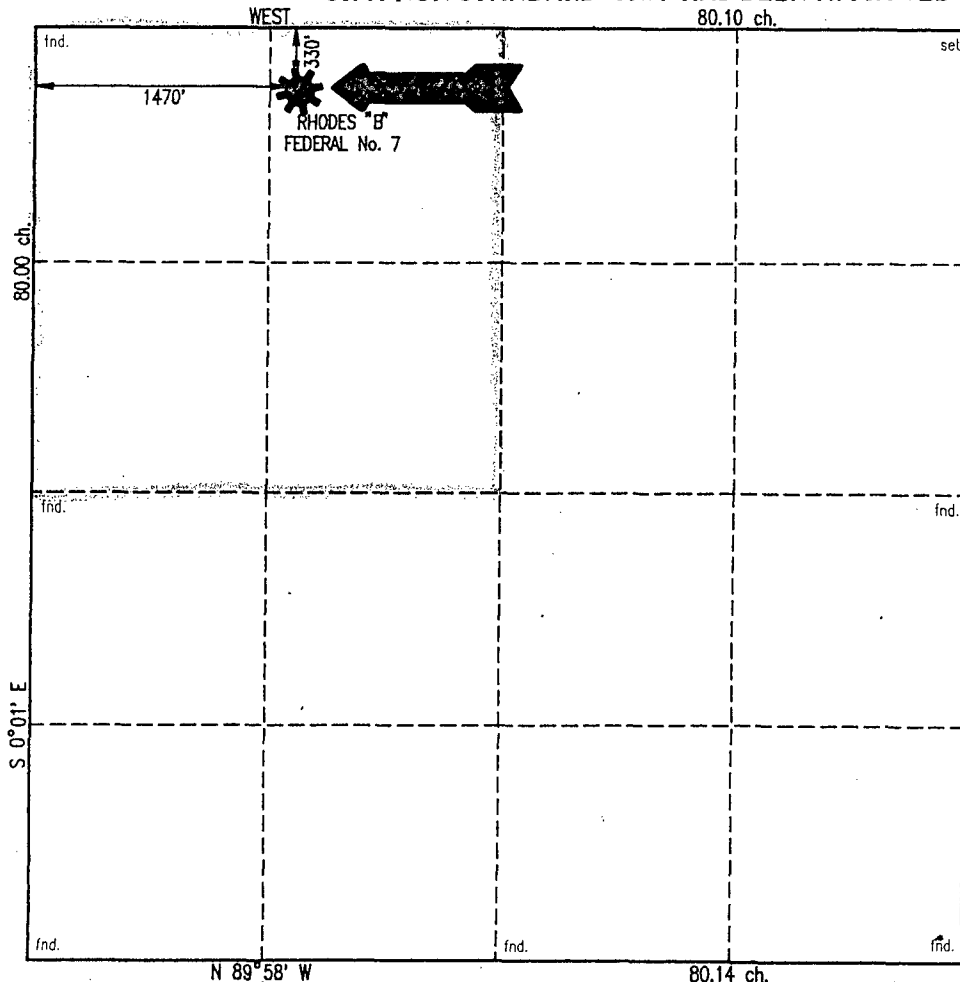
10 Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	26	26 S	37 E		330	NORTH	1470	WEST	LEA

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
12 Dedicated Acres 160		13 Joint or Infill		14 Consolidation Code		15 Order No.			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



17 OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief

Signature
Donna Williams
Printed Name
Regulatory Compliance
Title
10/23/95
Date

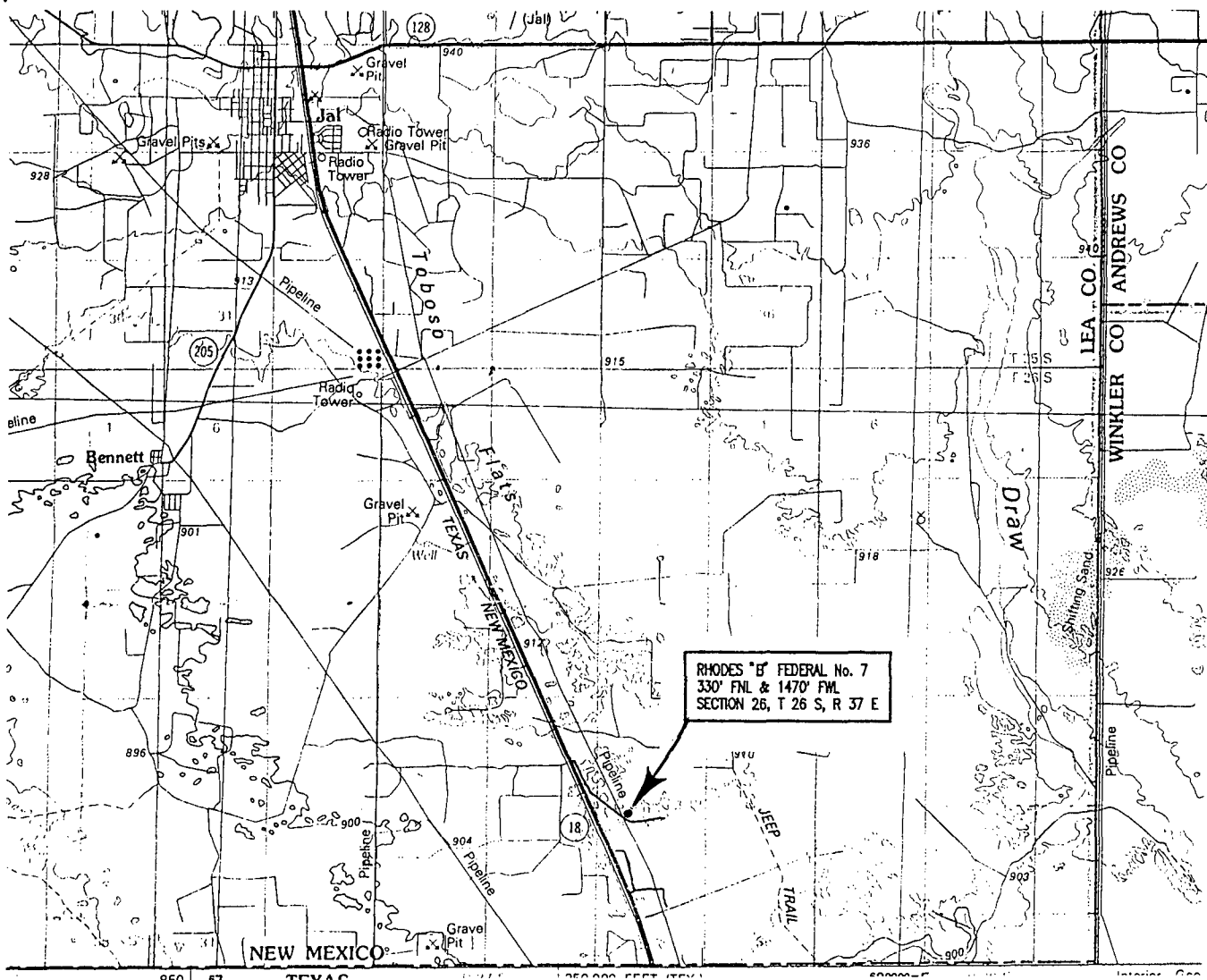
18 SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

OCTOBER 18, 1995
Date of Survey
Signature and Seal of Professional Surveyor

WILLIAM E. MAHNKE
Certificate Number 8466

NOTE - REVISED 10-19-95:
MOVED LOCATION



DIRECTIONS:

FROM THE INTERSECTION OF NEW MEXICO HIGHWAY 18 AND NEW MEXICO HIGHWAY 128 IN JAL, NEW MEXICO, GO SOUTH ON N.M. HWY 18 FOR 6.9 MILES, THEN TURN LEFT ON TO AN EXISTING LEASE ROAD AND GO 0.7 MILES TO LOCATION.

————— PAVED HIGHWAY
 - - - - - EXISTING LEASE ROAD

NOTE - REVISED 10-20-95:
 MOVED LOCATION

MERIDIAN OIL INC.
RHODES "B" FEDERAL No. 7

ROAD MAP AND DIRECTIONS

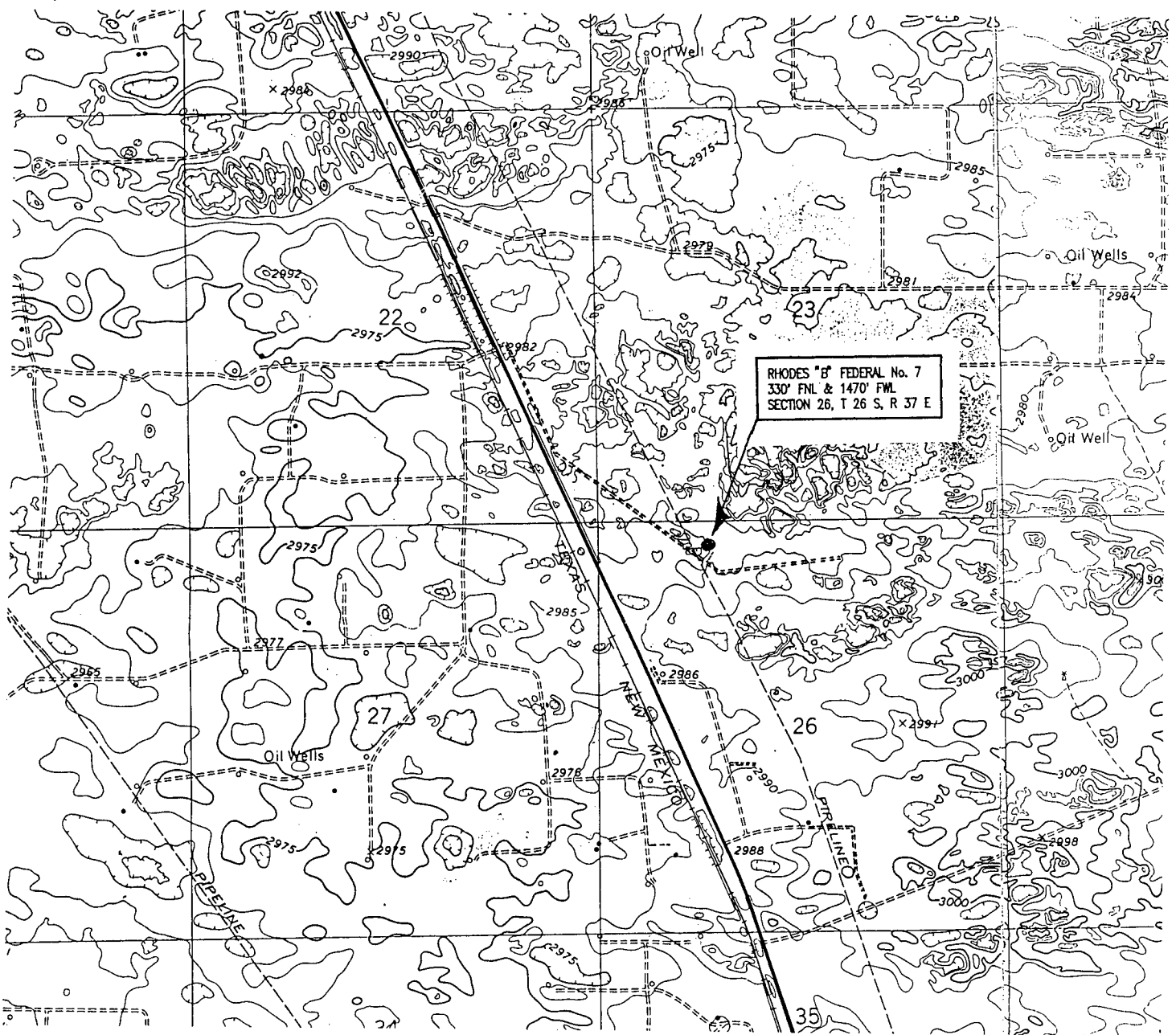
LEA COUNTY, NEW MEXICO

date: OCTOBER 15, 1995 scale:




Laughlin-Simmons of Texas

MIDLAND DISTRICT OFFICE
 (915) 699-1238
 In State TOLL FREE 1
 1-800-242-3028
 P.O. BOX 1757
 MIDLAND, TEXAS 79702



===== PAVED HIGHWAY
 ===== EXISTING LEASE ROAD

NOTE - REVISED 10-20-95:
 MOVED LOCATION

 **Laughlin-Simmons of Texas**

MIDLAND DISTRICT OFFICE
 (915) 699-1238
 In State TOLL FREE 1
 1-800-242-3028

P.O. BOX 1757
 MIDLAND, TEXAS 79702

MERIDIAN OIL INC.
RHODES *B* FEDERAL No. 7

PROPOSED ACCESS

LEA COUNTY, NEW MEXICO

date: OCTOBER 15, 1995 scale: 1"=2000'

New Mexico Oil Conservation Division

Please Deliver This Fax:

TO: Cindy Brooks

WITH: Doyle Hartman, Oil Operator

FROM: Michael E. Stogner

DATE: January 25, 1996

SUBJECT: Administrative application of Meridian Oil, Inc.
for an unorthodox location for its Rhodes "B"
Federal Well No. 7 to be drilled 330' FNL &
1470' FWL (Unit C) of Section 26, Township
26 South, Range 37 East, NMPM, Lea County,
New Mexico.

MESSAGE: Per our telephone conversation this morning, attached is a copy of
the subject application filed with the Division on December 26, 1995. Should you have
any questions please call me in Santa Fe at (505) 827-8185.

PAGES: Including Cover Sheet - 5

*If you should have any trouble receiving
this "Fax" Please call: 505-827-7133*

DOYLE HARTMAN

Oil Operator

3811 TURTLE CREEK BLVD., SUITE 730
DALLAS, TEXAS 75219

(214) 520-1800
(214) 520-0811 FAX

NEW MEXICO CONSERVATION DIVISION
RECEIVED

96 MAR 1 AM 8 52

February 27, 1996

New Mexico Oil Conservation Division
2040 South Pacheco
Santa Fe, NM 87505

Attn: Michael J. Stogner
Chief Hearing Officer

Re: Unorthodox Well Location
Meridian Oil Inc.

Rhodes "B" Federal No. 7
Lea County, New Mexico
Section 26, T-26-S, R-37-E, N.M.P.M.

Gentlemen:

Reference is made to Meridian's pending application to the NMOCD for approval of an unorthodox Rhodes Yates-Seven Rivers location for its recently drilled Rhodes "B" No. 7 well situated 330' FNL and 1470' FWL of Section 26, T-26-S, R-37-E, Lea County, New Mexico. As you are aware, a distance of 1470' FWL of Section 26 equates to an unorthodox distance of 150' FWL of the 40-acre tract consisting of the NE/4NW/4 Section 26, which 40-acre tract is now being dedicated by Meridian to its newly drilled Rhodes "B" No. 7 well as per the amended C-102 (copy enclosed) found today on file at the NMOCD's Hobbs office.

Although the NMOCD's Hobbs office also has on file a copy of Meridian's "APD" for the Rhodes "B" Federal No. 7 well (copy enclosed), which "APD" was approved for "...drilling only..." and specifically stated "...CANNOT produce until non-standard location is approved...", no final completion report or C-104 has yet been received by the NMOCD for the subject well. However, a drive today past the subject well has revealed that the well has already been turned into the gas sales line as an actively-producing Rhodes Yates-Seven Rivers interval well.

Michael J. Stogner
February 27, 1996
Page 2

Therefore, because of Texaco's long-time and continuous dedication, to its Rhodes Yates-Seven Rivers interval waterflood (oil) project, of the west-offset 40-acre tract consisting of the NW/4NW/4 Section 26, as adjacent and diagonal working interest owners affected by Meridian's encroachment further westward than Meridian would otherwise be allowed to move, this is Doyle Hartman's and James A. Davidson's third written objection to Meridian's proposed Rhodes "B" Federal No. 7 unorthodox location and our first notice that we also object to the well being actively produced into the gas sales line prior to an NMOCD hearing being held and an order being issued authorizing an unorthodox location for the Rhodes "B" Federal No. 7 well.

Very truly yours,

DOYLE HARTMAN, Oil Operator

A handwritten signature in black ink, appearing to read "Doyle Hartman", with a long horizontal line extending to the right.

Doyle Hartman

enclosures (2)

rcp
wpdocs\corresp.dh\rhodesb.fed

cc: William J. LeMay
New Mexico Oil Conservation Division
2040 South Pacheco
Santa Fe, NM 87505

Leslyn Swierc
Meridian Oil Company
3300 North "A" Street, Building Six
P.O. Box 51810
Midland, TX 79705-5406

Daniel S. Nutter
105 E. Alciante
Santa Fe, NM 87050

Michael J. Stogner
February 27, 1996
Page 3

J.E. Gallegos
Gallegos Law Firm
460 St. Michaels Drive, Building 300
Santa Fe, NM 87505

Michael J. Condon
Gallegos Law Firm
460 St. Michaels Drive, Building 300
Santa Fe, NM 87505

William F. Carr
Campbell, Carr & Berge, P.A.
P.O. Box 2208
Santa Fe, NM 87504-2208

James A. Davidson
P.O. Box 494
Midland, TX 79702

Don Mashburn
Steve Hartman
Cindy Brooks

(December 1990)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
N.M. OIL CONS. COMMISSION
P.O. BOX 1980
HOBBS, NEW MEXICO 88240

SUBMIT IN THIS DATE

(Other instructions on reverse side)

Form approved.
Budget Bureau No. 1004-0136
Expires: December 31, 1991

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK DRILL <input checked="" type="checkbox"/> DEEPEN <input type="checkbox"/>		3. LEASE DESIGNATION AND SERIAL NO. LC 030174-B	
b. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER <input type="checkbox"/> SINGLE ZONE <input type="checkbox"/> MULTIPLE ZONE <input type="checkbox"/>		6. IF INDIAN, ALGOTTEN OR TRIBE NAME	
2. NAME OF OPERATOR Meridian Oil Inc.		7. UNIT AGREEMENT NAME	
3. ADDRESS AND TELEPHONE NO. P.O. Box 51810 Midland, Texas 79710-1810 915-688-6943		8. FARM OR LEASE NAME WELL NO. Rhodes 'B' Federal # 7	
4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.) At surface 330' FNL & 1470' FWL At proposed prod. zone Unit C		9. AM WELL NO.	
14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE 6.8 miles south of Jal, New Mexico		10. FIELD AND POOL OR WILDCAT Rhodes Gas Pool 4-SR	
15. DISTANCE FROM PROPOSED LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any) 330'		11. REC. T. R. M., OR R.L. AND SURVEY OR AREA S26, T26S, R37E	
16. NO. OF ACRES IN LEASE		12. COUNTY OR PARISH Lea	
17. NO. OF ACRES ASSIGNED TO THIS WELL 160		13. STATE NM	
18. DISTANCE FROM PROPOSED LOCATION TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT. Unk.		20. ROTARY OR CABLE TOOLS Rotary	
19. PROPOSED DEPTH 3150'		21. APPROX. DATE WORK WILL START Upon Approval	
21. ELEVATIONS (Show whether DF, RT, GR, etc.) 2994'			

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
12 1/4"	8 5/8"	28#	550'	300 SXS CIRCULATE
7 7/8"	4 1/2"	11.6#	3150'	650 SXS (TIE BACK)

Not in Potash Area

Not in Prairie Chicken Area

Hydrogen Sulfide Plan is attached

Notice of Staking submitted on October 6, 1995

Contact Person: Donna Williams, 915-688-6943

Approval for drilling only -- CANNOT produce until Non-Standard Location is approved.

OPER. OGRID NO. 26485
PROPERTY NO. 17608
POOL CODE 52250
EFF. DATE 1/16/96
API NO. 30-025-33249

OCT 26 10 37 AM '95
RECEIVED
AREA MANAGER'S OFFICE

RECEIVED

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24. SIGNED [Signature] TITLE Regulatory Compliance DATE 10/23/95

(This space for Federal or State office use)

PERMIT NO. APPROVAL DATE APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

APPROVED BY /s/ Yolanda Vega TITLE ASSISTANT AREA MANAGER DATE NOV 30 1995

*See Instructions On Reverse Side

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

District I
PO Box 1280, Hobbs, NM 88241-1980
District II
PO Drawer DD, Artesia, NM 88211-0719
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised February 21, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 AM Number 30-025-33249		2 Pool Code 83810-52250		3 Pool Name Rhodes Gas Pool Y-SR	
4 Property Code 17608		5 Property Name RHODES "B" FEDERAL			6 Well Number 7
7 OGRID No. 26485		8 Operator Name MERIDIAN OIL INC.			9 Elevation 2994

10 Surface Location

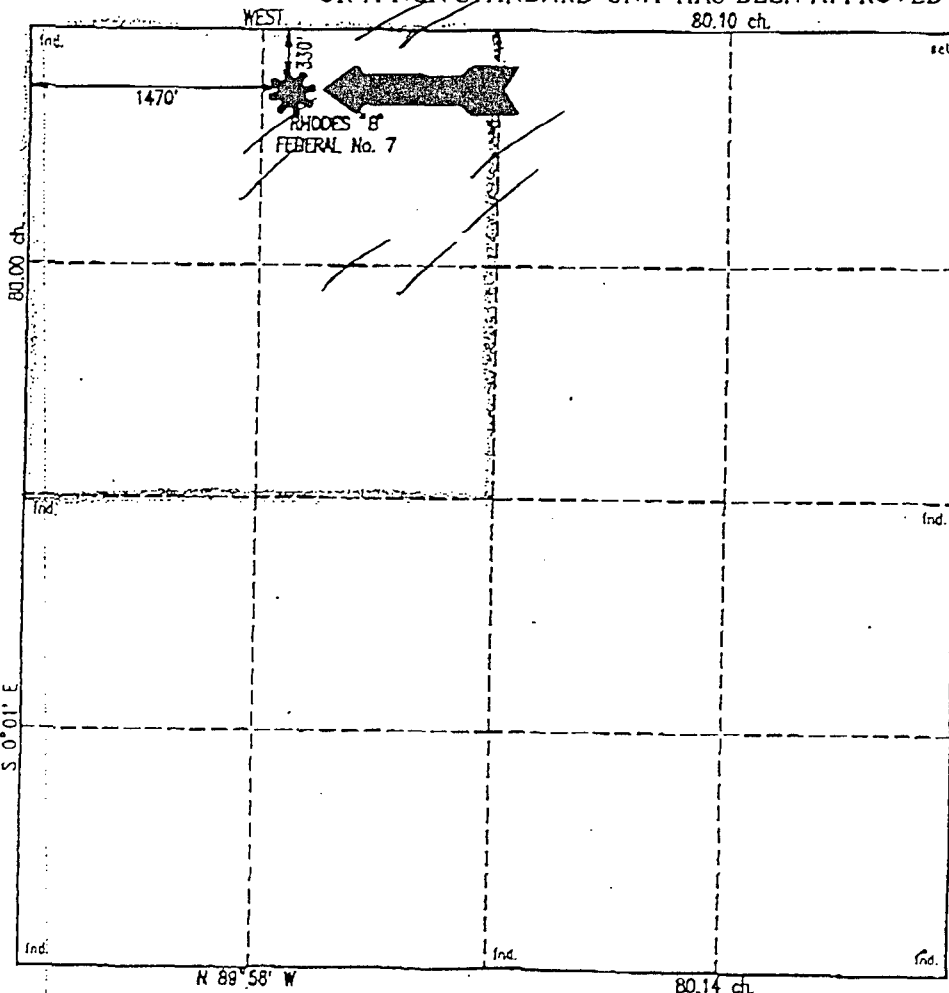
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	26	26 S	37 E		330	NORTH	1470	WEST	LEA

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

12 Dedicated Acres 160 1/4	13 Joint or Infill	14 Consolidation Code	15 Order No.
--------------------------------------	--------------------	-----------------------	--------------

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



17 OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature
Donna Williams
Printed Name
Regulatory Compliance
Title
10/23/95
Date

18 SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

OCTOBER 18, 1995
Date of Survey
Signature and Seal of
WILLIAM E. MAHANK
Certificate Number 25456

NOTE - REVISED 10-19-95:
MOVED LOCATION

DOYLE HARTMAN

Oil Operator

NEW MEXICO OIL CONSERVATION DIVISION
RECEIVED
FEB 28 1996 8 52

February 28, 1996

New Mexico Oil Conservation Division
2040 South Pacheco
Santa Fe, NM 87505

Attn: Michael J. Stogner
Chief Hearing Officer

Re: Unorthodox Location
Meridian Oil Inc.
Rhodes "B" Federal No. 7

Gentlemen:

By letters dated December 21, 1995, and January 29, 1996, Meridian made application to the NMOCD for an unorthodox well location for its Rhodes "B" Federal No. 7 well situated 330' FNL and 1470' FWL of Section 26, T-26-S, R-37-E, Lea County, New Mexico.

NMOCD Rule 104(F)(3) pertaining to unorthodox well locations states that ..."applications for administrative approval of unorthodox locations"... should be accompanied by a plat showing the subject spacing unit..." The original C-102 plat (copy enclosed), that was submitted by Meridian as part of its Rhodes "B" Federal No. 7 unorthodox location application, described the dedicated proration unit as being the 160-acre tract consisting of the NW/4 of Section 26, T-26-S, R-37-E. Meridian's "APD" and C-102 also classified the proposed new well as a "Rhodes Gas Pool" well.

As offset operators affected by Meridian's Rhodes "B" Federal No. 7 well, Doyle Hartman and James A. Davidson have received no amended notices from Meridian pertaining to Meridian's Rhodes "B" No. 7 unorthodox well location application. However, a review yesterday of the NMOCD's Hobb's well file for the Rhodes "B" Federal No. 7 well reveals that Meridian has apparently amended its "APD" and C-102 for the Rhodes "B" Federal No. 7 well, but, as required under Rule 104(F)(3), has failed to furnish Hartman and Davidson with a revised unorthodox location application that includes Meridian's amended acreage dedication.

As a consequence of Meridian's revised C-102, and based on Meridian's letter to the NMOCD of February 20, 1996, we are assuming that Meridian expects to operate its Rhodes "B" Federal No. 7 well as a "gas well in an oil pool" located on a 40-acre proration unit, which well classification

Michael J. Stogner
February 28, 1996
Page two

allows Meridian to produce from the same identical producing interval that corresponds to the Rhodes Yates-Seven Rivers Gas Pool, but under more liberal setback requirements (330' versus 660') and closer well spacing (40-acres compared to 160-acres).

Therefore, because of the inherent advantages already provided to a well classified as a "gas well in an oil pool", as affected offsetting parties owning interests under the proposed 160-acre Rhodes Gas Pool proration unit consisting of the SW/4 Section 23, T-26-S, R-37-E, this letter is notice that Doyle Hartman and James A. Davidson object to Meridian's unorthodox Rhodes "B" Federal No. 7 Rhodes Yates-Seven Rivers Oil Pool location consisting of 330' FNL and 1470' FWL of Section 26, T-26-S, R-37-E, which unorthodox location encroaches closer, than existing rules would otherwise allow, to Texaco's pending compulsory-pooling Rhodes Gas Pool location consisting of 660' FSL and 660' FWL of Section 23, T-26-S, R-37-E.

Finally, being that Meridian's "APD" for its Rhodes "B" No. 7 well was approved subject to the condition that it "...CANNOT produce until its non-standard [unorthodox] location is approved...", we respectfully request that Meridian be restricted from producing its Rhodes "B" No. 7 well until a hearing has been held before the NMOCD.

Very truly yours,

DOYLE HARTMAN, Oil Operator

A handwritten signature in black ink, appearing to read "Doyle Hartman", with a long horizontal line extending from the end of the signature.

Doyle Hartman

enclosure (1)

d:\letters\dh2281.doc

cc: William J. LeMay
New Mexico Oil Conservation Division
2040 South Pacheco
Santa Fe, NM 87505

Leslyn Swiërc
Meridian Oil Company
3300 North "A" Street, Building Six
P.O. Box 51810
Midland, TX 79705-5406

Daniel S. Nutter
105 E. Alciante
Santa Fe, NM 87050

J.E. Gallegos
Gallegos Law Firm
460 St. Michaels Drive, Building 300
Santa Fe, NM 87505

Michael J. Condon
Gallegos Law Firm
460 St. Michaels Drive, Building 300
Santa Fe, NM 87505

William F. Carr
Campbell, Carr & Berge, P.A.
P.O. Box 2208
Santa Fe, NM 87504-2208

James A. Davidson
P.O. Box 494
Midland, TX 79702

Don Mashburn
Steve Hartman
Cindy Brooks

(December 1990)

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
NM ON CONS. COMMISS. N
P.O. BOX 1980
HOBBS, NEW MEXICO 88240

Form approved.
Budget Bureau No. 1004-0136
Expires: December 31, 1991

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK
DRILL ☒ DEEPEN ☐

b. TYPE OF WELL
OIL WELL ☐ GAS WELL ☒ OTHER ☐

2. NAME OF OPERATOR
Meridian Oil Inc.

3. ADDRESS AND TELEPHONE NO.
P.O. Box 51810 Midland, Texas 79710-1810 915-688-6943

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)
At surface 330' FNL & 1470' FWL
At proposed prod. zone Unit C

5. LEASE DESIGNATION AND SERIAL NO.
LC 030174-8

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME, WELL NO.
Rhodes 'B' Federal # 7

9. AM WELL NO.

10. FIELD AND POOL OR WILDCAT
Rhodes Gas Pool 4-SR

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA
S26, T26S, R37E

12. COUNTY OR PARISH
Lea

13. STATE
NM

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE
6.8 miles south of Jal, New Mexico

15. DISTANCE FROM PROPOSED LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit lloc. if any.)
330'

16. NO. OF ACRES IN LEASE

17. NO. OF ACRES ASSIGNED TO THIS WELL
160

18. DISTANCE FROM PROPOSED LOCATION TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.
Unk.

19. PROPOSED DEPTH
3150'

20. ROTARY OR CABLE TOOLS
Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)
2994'

22. APPROX. DATE WORK WILL START
Upon Approval

PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
12 1/4"	8 5/8"	28#	550'	300 SXS CIRCULATE
7 7/8"	4 1/2"	11.6#	3150'	650 SXS (TIE BACK)

Not in Potash Area

Not in Prairie Chicken Area

Hydrogen Sulfide Plan is attached

Notice of Staking submitted on October 6, 1995

Contact Person: Donna Williams, 915-688-6943

Approval for drilling only -- CANNOT produce until Non-Standard Location is approved.

OPER. OGRID NO. 26485
PROPERTY NO. 17608
POOL CODE 52250
EFF. DATE 1/16/96
API NO. 30-025-33249

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout prevention program, if any.

SIGNATURE: [Signature] TITLE: Regulatory Compliance DATE: 10/23/95

(This space for Federal or State office use)

PERMIT NO. APPROVAL DATE APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

APPROVED BY: /s/ Yolanda Vega TITLE: ASSISTANT AREA MANAGER DATE: NOV 30 1995

*See Instructions On Reverse Side

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

RECEIVED

OCT 26 10 37 AM '95

District II
10 Drawer RD, Artesia, NM 88211-0719
District III
1000 Rio Brazos Rd., Artesia, NM 87410
District IV
10 Box 2088, Santa Fe, NM 87504-2088

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

Revised February 21, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number 30-025-33249		2 Pool Code 83810 52250		3 Pool Name Rhodes Gas Pool Y-SR	
4 Property Code 17608		5 Property Name RHODES "B" FEDERAL			6 Well Number 7
7 OGRID No. 26485		8 Operator Name MERIDIAN OIL INC.			9 Elevation 2994

10 Surface Location

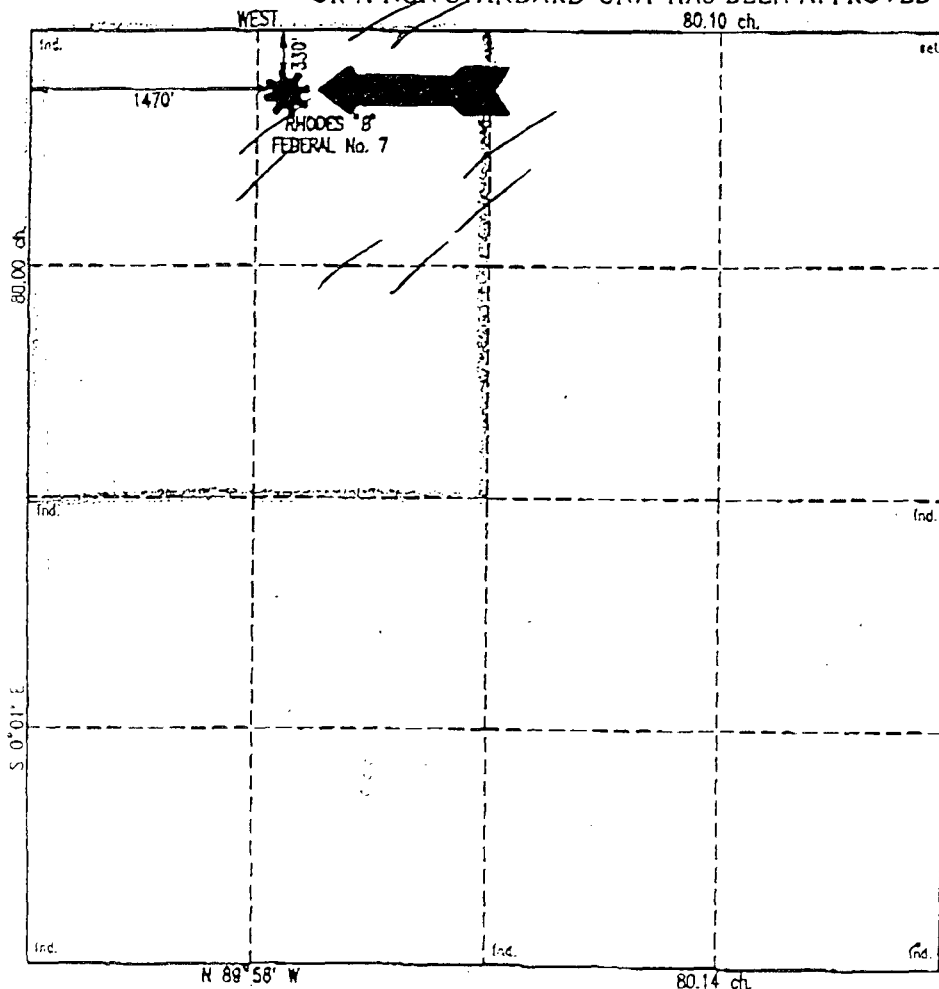
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	26	26 S	37 E		330	NORTH	1470	WEST	LEA

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

12 Dedicated Acres 160	13 Joint or Infill 140	14 Consolidation Code	15 Order No.
----------------------------------	----------------------------------	-----------------------	--------------

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



17 OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature	
Donna Williams	
Printed Name	
Regulatory Compliance	
Title	
10/23/95	
Date	

18 SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

OCTOBER 18, 1995	
Date of Survey	
Signature and Seal of WILLIAM E. MAHNKE	
WILLIAM E. MAHNKE	
Professional Land Surveyor	
Certificate Number 26466	

NOTE - REVISED 10-19-95:
MOVED LOCATION

*** ACTIVITY REPORT ***

TRANSMISSION OK

TX/RX NO.	8671
CONNECTION TEL	15058278177
CONNECTION ID	NMOCD
START TIME	02/28 17:51
USAGE TIME	07'39
PAGES	6
RESULT	OK

*** ACTIVITY REPORT ***

TRANSMISSION OK

TX/RX NO.	8667
CONNECTION TEL	15058278177
CONNECTION ID	NMOCD
START TIME	02/28 17:27
USAGE TIME	03'28
PAGES	3
RESULT	OK

*** ACTIVITY REPORT ***

TRANSMISSION OK

TX/RX NO.	8668
CONNECTION TEL	15058275741
CONNECTION ID	M.N.M. PRESS
START TIME	02/28 17:31
USAGE TIME	03'07
PAGES	3
RESULT	OK

DOYLE HARTMAN

Oil Operator

3811 TURTLE CREEK BLVD., SUITE 730
DALLAS, TEXAS 75219

(214) 520-1800
(214) 520-0811 FAX

February 27, 1996

New Mexico Oil Conservation Division
2040 South Pacheco
Santa Fe, NM 87505

Attn: Michael J. Stogner
Chief Hearing Officer

Re: Unorthodox Well Location
Meridian Oil Inc.

Rhodes "B" Federal No. 7
Lea County, New Mexico
Section 26, T-26-S, R-37-E, N.M.P.M.

Gentlemen:

Reference is made to Meridian's pending application to the NMOCD for approval of an unorthodox Rhodes Yates-Seven Rivers location for its recently drilled Rhodes "B" No. 7 well situated 330' FNL and 1470' FWL of Section 26, T-26-S, R-37-E, Lea County, New Mexico. As you are aware, a distance of 1470' FWL of Section 26 equates to an unorthodox distance of 150' FWL of the 40-acre tract consisting of the NE/4NW/4 Section 26, which 40-acre tract is now being dedicated by Meridian to its newly drilled Rhodes "B" No. 7 well as per the amended C-102 (copy enclosed) found today on file at the NMOCD's Hobbs office.

Although the NMOCD's Hobbs office also has on file a copy of Meridian's "APD" for the Rhodes "B" Federal No. 7 well (copy enclosed), which "APD" was approved for "...drilling only..." and specifically stated "...CANNOT produce until non-standard location is approved...", no final completion report or C-104 has yet been received by the NMOCD for the subject well. However, a drive today past the subject well has revealed that the well has already been turned into the gas sales line as an actively-producing Rhodes Yates-Seven Rivers interval well.

Michael J. Stogner
February 27, 1996
Page 2

Therefore, because of Texaco's long-time and continuous dedication, to its Rhodes Yates-Seven Rivers interval waterflood (oil) project, of the west-offset 40-acre tract consisting of the NW/4NW/4 Section 26, as adjacent and diagonal working interest owners affected by Meridian's encroachment further westward than Meridian would otherwise be allowed to move, this is Doyle Hartman's and James A. Davidson's third written objection to Meridian's proposed Rhodes "B" Federal No. 7 unorthodox location and our first notice that we also object to the well being actively produced into the gas sales line prior to an NMOCD hearing being held and an order being issued authorizing an unorthodox location for the Rhodes "B" Federal No. 7 well.

Very truly yours,

DOYLE HARTMAN, Oil Operator

A handwritten signature in black ink, appearing to read "Doyle Hartman", with a long horizontal line extending to the right.

Doyle Hartman

enclosures (2)

rcp
wpdocs\corresp.dh\rhodesb.fed

cc: William J. LeMay
New Mexico Oil Conservation Division
2040 South Pacheco
Santa Fe, NM 87505

Leslyn Swierc
Meridian Oil Company
3300 North "A" Street, Building Six
P.O. Box 51810
Midland, TX 79705-5406

Daniel S. Nutter
105 E. Alciante
Santa Fe, NM 87050

Michael J. Stogner
February 27, 1996
Page 3

J.E. Gallegos
Gallegos Law Firm
460 St. Michaels Drive, Building 300
Santa Fe, NM 87505

Michael J. Condon
Gallegos Law Firm
460 St. Michaels Drive, Building 300
Santa Fe, NM 87505

William F. Carr
Campbell, Carr & Berge, P.A.
P.O. Box 2208
Santa Fe, NM 87504-2208

James A. Davidson
P.O. Box 494
Midland, TX 79702

Don Mashburn
Steve Hartman
Cindy Brooks

(December 1990)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
N.M. OIL CONS. COMMISSION
P.O. BOX 1980
HOBBS, NEW MEXICO 88240

SUBMIT IN TYPE

(Other Instructions on reverse side)

Form approved
Budget Bureau No. 1004-2136
Expires: December 31, 1991

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK

DRILL ☒

DEEPEN ☐

b. TYPE OF WELL

OIL WELL ☐

GAS WELL ☒

OTHER

SINGLE ZONE ☐

MULTIPLE ZONE ☐

2. NAME OF OPERATOR

Meridian Oil Inc.

3. ADDRESS AND TELEPHONE NO.

P.O. Box 51810 Midland, Texas 79710-1810

915-688-6943

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)
At surface

330' FNL & 1470' FWL

At proposed prod. zone

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*

6.8 miles south of Jal, New Mexico

16. DISTANCE FROM PROPOSED*

LOCATION TO NEAREST

PROPERTY OR LEASE LINE, FT.

(Also to nearest drlg. unit line, if any)

330'

18. DISTANCE FROM PROPOSED LOCATION*
TO NEAREST WELL, DRILLING, COMPLETED,
OR APPLIED FOR, ON THIS LEASE, FT.

Unk.

16. NO. OF ACRES IN LEASE

18. PROPOSED DEPTH

3150'

17. NO. OF ACRES ASSIGNED
TO THIS WELL

160

20. ROTARY OR CABLE TOOLS

Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)

2994'

22. APPROX. DATE WORK WILL START*
Upon Approval

PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
12 1/4"	8 5/8"	28#	550'	300 SXS CIRCULATE
7 7/8"	4 1/2"	11.6#	3150'	650 SXS (TIE BACK)

Not in Potash Area

Not in Prairie Chicken Area

Hydrogen Sulfide Plan is attached

Notice of Staking submitted on October 6, 1995

Contact Person: Donna Williams, 915-688-6943

Approval for drilling only -- CANNOT produce
until Non-Standard Location is approved.

OPER. OGRID NO. 26485

PROPERTY NO. 17608

POOL CODE 52250

EFF. DATE 1/16/96

API NO. 30-025-33249

ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or open directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout prevention program, if any.

SIGNED

TITLE

Regulatory Compliance

DATE

10/23/95

(This space for Federal or State office use)

PERMIT NO.

APPROVAL DATE

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to production under the lease.
CONDITIONS OF APPROVAL, IF ANY:

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

APPROVED BY

/s/ Yolanda Vega

TITLE

ASSISTANT AREA MANAGER

DATE

NOV 30 1995

*See Instructions On Reverse Side

18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within the jurisdiction of such department or agency.

RECEIVED

OCT 26 10 37 AM '95

District II

100 Drawer DD, Artesia, NM 88211-0719

District III

1000 Rio Brazos Rd., Aztec, NM 87410

District IV

100 Box 2088, Santa Fe, NM 87504-2088

OIL CONSERVATION DIVISION

PO Box 2088
Santa Fe, NM 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1. API Number 30-025-33249		2. Pool Code 83810-52250		3. Pool Name Rhodes Gas Pool Y-SR	
4. Property Code 17608		5. Property Name RHODES 'B' FEDERAL			6. Well Number 7
7. OGRID No. 26485		8. Operator Name MERIDIAN OIL INC.			9. Elevation 2994

10 Surface Location

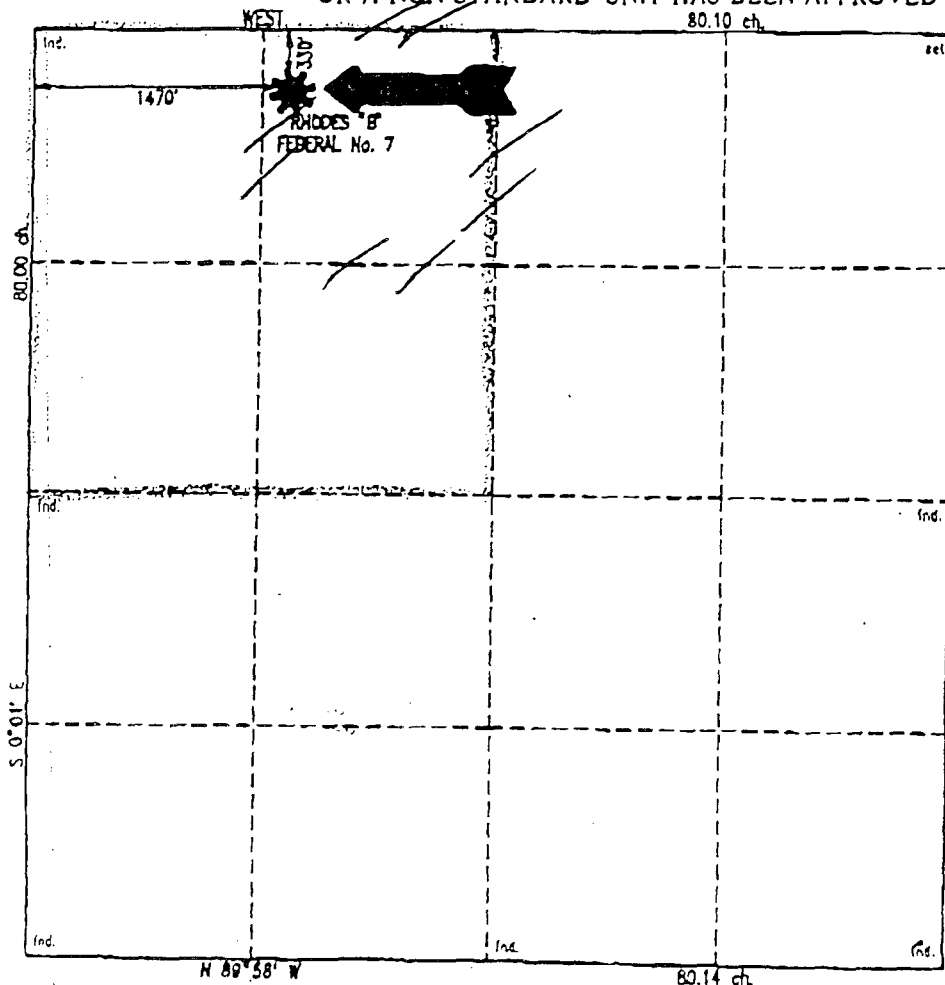
UL or Int no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	26	26 S	37 E		330	NORTH	1470	WEST	LEA

11 Bottom Hole Location If Different From Surface

UL or Int no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

12. Dedicated Acre 160 140	13. Joint or Infill	14. Consolidation Code	15. Order No.
--------------------------------------	---------------------	------------------------	---------------

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



17 OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

[Signature]
Signature
Donna Williams
Printed Name
Regulatory Compliance
Title
10/23/95
Date

18 SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

OCTOBER 18, 1995
Date of Survey
[Signature]
Signature and Seal of **WILLIAM E. MAHNKE**
NEW MEXICO
28456
Professional Land Surveyor
Certificate Number **28456**

NOTE - REVISED 10-19-95:
MOVED LOCATION



USE THIS AIRBILL FOR SHIPMENTS WITHIN THE CONTINENTAL U.S.A., ALASKA AND HAWAII.
USE THE INTERNATIONAL AIR WAYBILL FOR SHIPMENTS TO PUERTO RICO AND ALL NON U.S. LOCATIONS.
QUESTIONS? CALL 800-238-5355 TOLL FREE.

AIRBILL
PACKAGE
TRACKING NUMBER

4958171271

4958171271

SENDER'S FEDERAL EXPRESS ACCOUNT NUMBER

1607-2065-6

SENDER'S COPY

From (Your Name) Please Print

DOYLE HARTMAN

DOYLE HARTMAN OIL OPERATOR

Street Address

3211 TURTLE CREEK BLVD STE 730

City
DALLAS

State
TX

ZIP Required
75215

To (Recipient's Name) Please Print

MICHAEL J. STOGNER

NEW MEXICO OIL CONSERVATION DIVISION

Exact Street Address (We Cannot Deliver to P.O. Boxes or P.O. Zip Codes.)

2040 SOUTH PACHECO

City
SANTA FE

State
NM

ZIP Required
87505

Recipient's Phone Number (Very Important)

(305) 827-7131

Department/Floor No.

YOUR INTERNAL BILLING REFERENCE INFORMATION (optional) (First 24 characters will appear on invoice.)

IF HOLD AT FEDEX LOCATION, Print FEDEX Address Here

PAYMENT 1 Bill Sender 2 Bill Recipient's FedEx Acct. No. 3 Bill 3rd Party FedEx Acct. No. 4 Bill Credit Card

5 Cash 6 Check

Act. Credit Card No.

Exp. Date

SERVICES (Check only one box)

Priority Overnight (Delivery by next business morning)

11 OTHER PACKAGING 51 OTHER PACKAGING 56 FEDEX LETTER*

12 FEDEX PAK* 52 FEDEX PAK* 53 FEDEX BOX

14 FEDEX TUBE 54 FEDEX TUBE

Standard Overnight (Delivery by next business morning)

16 FEDEX LETTER* 56 FEDEX LETTER*

12 FEDEX PAK* 52 FEDEX PAK* 53 FEDEX BOX

14 FEDEX TUBE 54 FEDEX TUBE

2nd Day Air (Delivery by second business day)

30 ECONOMY* 46 GOVT 47 GOVT

41 PACKAGE

70 OVERNIGHT** 80 TWO-DAY FREIGHT**

Freight Service (For freight over 150 lbs)

Freight Service (For freight over 150 lbs)

Freight Service (For freight over 150 lbs)

Freight Service (For freight over 150 lbs)

Freight Service (For freight over 150 lbs)

Freight Service (For freight over 150 lbs)

Freight Service (For freight over 150 lbs)

Freight Service (For freight over 150 lbs)

Freight Service (For freight over 150 lbs)

Freight Service (For freight over 150 lbs)

DELIVERY AND SPECIAL HANDLING (Check services required)

1 Weekday Service (Fill in Section H)

2 DELIVER WEEKDAY

31 HOLD AT FEDEX LOCATION SATURDAY (Fill in Section H)

3 DELIVER SATURDAY (Extra charge to all locations)

9 SATURDAY PICK-UP (Extra charge)

Special Handling

4 DANGEROUS GOODS (Extra charge)

6 DRY ICE (Extra charge)

Dangerous Goods Shipper's Declaration not required

12 HOLIDAY DELIVERY (if offered) (Extra charge)

YOUR DECLARED VALUE (See sign)

WEIGHT In Pounds Only

PACKAGES

Total

Total

Total

Total

Total

Total

Total

Total

Total

Total

Total

Total

Total

Total

Total

Total

Total

Total

Total

Total

SERVICE CONDITIONS, DECLARED VALUE AND LIMIT OF LIABILITY

Use of this airbill constitutes your agreement to the service conditions and limitations of liability. See U.S. Government Service Guide for details.

We will not be responsible for any claim in excess of \$100 per package, whether the result of loss, damage, delay, non-delivery, misdelivery, or misinformation, unless you declare a higher value, pay an additional charge, and document your actual loss for a timely claim. Limitations found in the current Federal Express Service Guide apply. Your right to recover from Federal Express for any loss, including value of packages, is limited to the actual value of the packages at the time of loss. Federal Express is not liable for any incidental, consequential, or special damages, whether direct or indirect, arising from the use of our services. The maximum declared value for FedEx Letter and FedEx Pak packages is \$500.

In the event of untimely delivery, Federal Express will at your request and with some limitations refund all transportation charges paid. See Service Guide for further information.

Sender authorizes Federal Express to deliver this shipment without obtaining a signature and shall indemnify and hold harmless Federal Express from any claims resulting therefrom.

Release Signature:

REVISION DATE 4/94
DATE 11/11/94
FORMAT #160

160

160

160

160

160

160

160

160

DOYLE HARTMAN

Oil Operator

February 26, 1996

Mr. William J. LeMay
New Mexico Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

Re: Unorthodox Location
Meridian Oil Inc.
Rhodes "B" Federal No. 7

Gentlemen,

Reference is made to Meridian's letter to the NMOCD of February 20, 1996 (received by us February 26, 1996), concerning Meridian's administrative application for approval of an unorthodox gas well location for its Rhodes "B" Federal No. 7 well consisting of 330' FNL and 1470' FWL of Section 26, T-26-S, R-37-E. Upon first reading Meridian's letter and observing Meridian's rationale, I first thought that we had returned to the days of King John, the Sheriff of Nottingham, and King John's private hunting preserve (Sherwood Forest).

In its letter to you of February 20, 1996, Meridian stated that because of prior agreements between Texaco and Meridian,

"... the 330' location to the offset lease is a legal location. . ."

Unless we have missed something very important, we believe that Meridian's claim that its requested Rhodes "B" Rhodes gas well location consisting of 330' FNL and 1470' FWL of Section 26, T-26-S, R-37-E is a "legal location" is a clear contradiction to its application to the NMOCD for an unorthodox gas well location. Meridian is obviously making an application for an unorthodox gas well location because a 160-acre gas well location situated 330' from a section line is not an orthodox location.

Doyle Hartman and James A. Davidson have considerable concern about Meridian's failure to give prior notice of its requested 160-acre unorthodox gas well location for its Rhodes "B" No. 7; especially considering that Texaco has simultaneously filed a force pooling application against Hartman and Davidson to drill a Rhodes gas well at a location consisting of 660' FSL and 660' FWL of Section 23, which location is only a short diagonal distance from Meridian's unorthodox gas well location consisting of 330' FNL and 1470' FWL of Section 26, T-26-S, R-37-E. Since it is the goal of an operator to maximize the recovery of underlying oil and gas reserves, we obviously are opposed to Meridian's unorthodox Rhodes "B" No. 7 gas well location relative to Texaco's proposed Rhodes "23" Federal Com. No. 1 location consisting of 660' FSL and 660' FWL of Section 23. In addition, in light of Texaco's desire to drill its proposed well at a Rhodes gas location consisting of 660' FSL and 660' FWL of Section 23, and based upon Meridian's February 20, 1996 letter, we believe that Texaco had a duty to take necessary prior precautions to assure that Meridian did not attempt to drill a gas well that conflicted with a location for which Texaco had pending plans to bring a compulsory pooling action against Hartman and Davidson.

February 1996

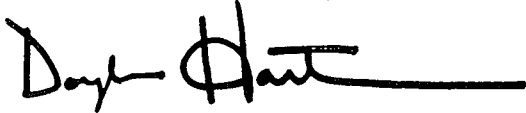
Page 2

Moreover, under NMOCD rule 104 (F)(3), Meridian had an obligation, when contemplating an unorthodox gas well location for its Rhodes "B" No. 7, to give notice of its application to owners of diagonal and adjacent Rhodes gas spacing units and acreage. One of the two adjacent 160-acre Rhodes gas pool tracts to Meridian's Rhodes "B" No. 7 well is the SW/4 Section 23, and Doyle Hartman and James A. Davidson are two of the owners of record of the adjoining 160-acre tract consisting of the SW/4 Section 23. Because we were provided no prior notice of Meridian's proposed unorthodox Rhodes gas location, coupled with the fact that Texaco has simultaneously filed an application to compulsory pool Hartman and Davidson corresponding to a location situated only a short diagonal distance from Meridian's unorthodox Rhodes gas well location consisting of 330' FNL and 1470' FWL of Section 27, T-26-S, R-37-E, we cannot at this time agree to Meridian's requested unorthodox Rhodes gas well location. In addition, since the matter of Meridian's Rhodes "B" No. 7 is highly interrelated to Texaco's and Hartman's pending applications corresponding to Rhodes gas pool development in the SW/4 Section 23, we respectfully request that all three cases be jointly consolidated.

Finally, if Meridian's letter of February 20, 1996 is implying that the Rhodes "B" No. 7 well may be completed as an oil well, any gas-oil-ratio derived from the well, that is significantly in excess of 1000-to-1, will represent a substantial quantity of gas being produced from free gas zones, which zones Texaco is proposing to compulsory pool as to its proposed Rhodes "23" Federal Com. No. 1 Rhodes gas well. Therefore, under such circumstances, Meridian's Rhodes "B" No. 7 location, which is situated in Section 26 just 330' FNL of Section 26, most certainly would have a negative impact upon a Rhodes gas well to be drilled 660' north of the south line of the Section 23.

Very truly yours,

DOYLE HARTMAN, Oil Operator



Doyle Hartman

DH/cb

Enclosures

cc: Mr. Michael J. Stogner
Chief Hearing Officer
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

Mr. Daniel S. Nutter
105 E. Alciante
Santa Fe, New Mexico 87505

Gallegos Law Firm
460 St. Michaels Drive
Bldg. 300
Santa Fe, New Mexico 87505
Attn: J.E. Gallegos
Michael J. Condon

Mr. James A. Davidson
P.O. Box 494
Midland, Texas 79702

Leslyn Swierc, CPL
Meridian Oil Inc.
P.O. Box 15810
Midland, Texas 79710

William F. Carr
Campbell, Carr & Berge, P.A.
P.O. Box 2208
Santa Fe, New Mexico 87504-2208

District I
10 Box 1980, Hobbs, NM 88241-1980
District II
10 Drawer DD, Artesia, NM 88211-0719
District III
1000 Rio Brazos Blvd., Aztec, NM 87410
District IV
10 Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

Form C-102

Revised February 21, 1994

Instructions on back

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1. All Number		2. Pool Code 83810		3. Pool Name Rhodes Gas Pool	
4. Property Code 17608		5. Property Name RHODES 'B' FEDERAL			6. Well Number 7
7. OGRID No. 26485		8. Operator Name MERIDIAN OIL INC.			9. Elevation 2994

10. Surface Location

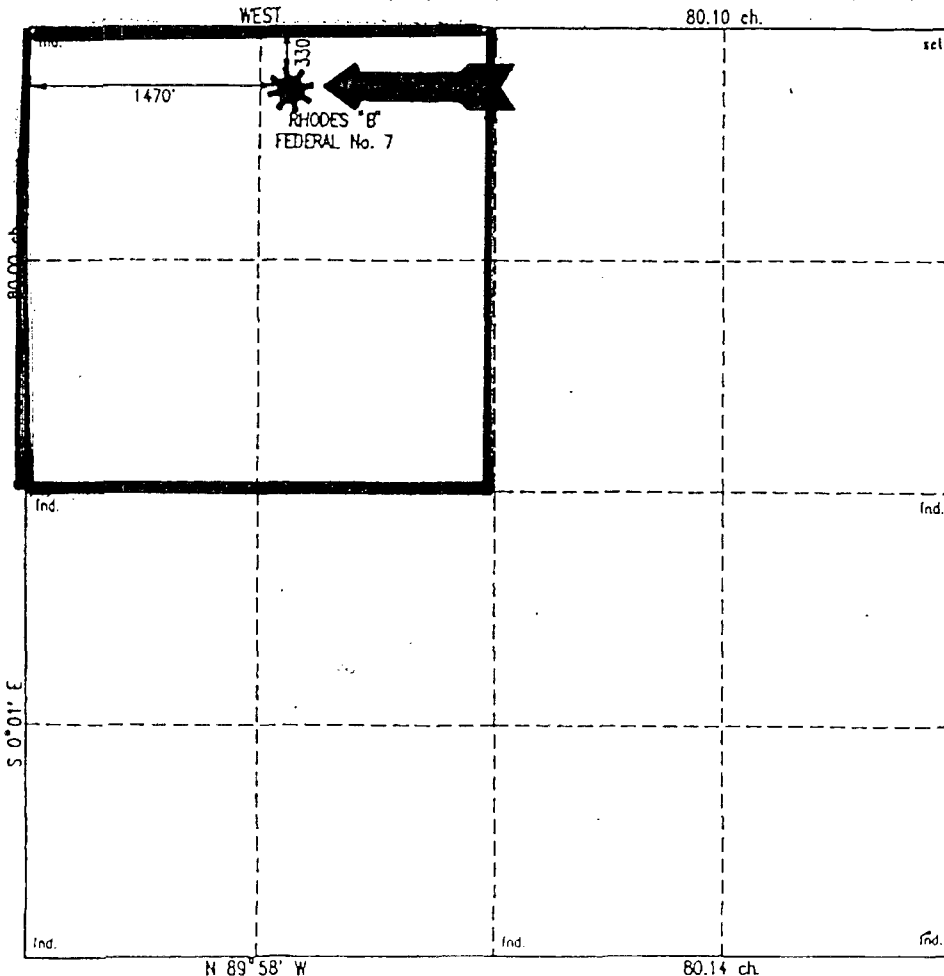
UL or lot no. C	Section 26	Township 26 S	Range 37 E	Lot Idn	Feet from the 330	North/South line NORTH	Feet from the 1470	East/West line WEST	County LEA
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11. Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
---------------	---------	----------	-------	---------	---------------	------------------	---------------	----------------	--------

12. Dedicated Acres 160	13. Joint or Infill	14. Consolidation Code	15. Order No.
----------------------------	---------------------	------------------------	---------------

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



17. OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief

Donna Williams
Signature

Donna Williams
Printed Name
Regulatory Compliance
Title

10/23/95
Date

18. SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

OCTOBER 18, 1995

Date of Survey
Signature and Seal of Professional Surveyor

William E. Mahnke
Signature
WILLIAM E. MAHNKE
NEW MEXICO
10466
Certificate Number 8466 PROFESSIONAL SURVEYOR

NOTE - REVISED 10-19-95:
MOVED LOCATION

MERIDIAN OIL

February 20, 1996

Mr. William J. LeMay, Director
New Mexico Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: Administrative Applications of Meridian Oil Inc for Administrative Approval of an Unorthodox Well Locations for its Rhodes B Federal Well No. 4 and No. 7
Lea County, New Mexico

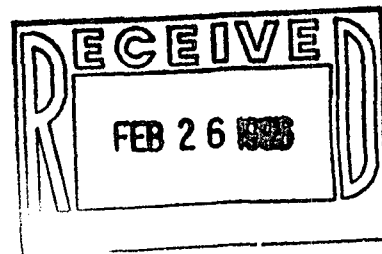
Dear Mr. LeMay:

On December 21, 1995, Meridian Oil Inc. ("Meridian") filed an administrative application with the NMOCD requesting approval of the two referenced wells. Although Texaco Exploration & Production Inc. ("Texaco") is an offset interest owner, no notification is required because, by prior agreements, Texaco has consented to the "unorthodox locations" of these wells and has waived its right to object.

Despite Texaco's agreement to the contrary, by letter dated February 2, 1996, William F. Carr, attorney for Texaco, submitted an objection to the location of the referenced wells and requested these cases be docketed for hearing. Meridian hereby responds to the objections raised by Texaco by offering the following information:

The Rhodes B Federal Wells No. 4 and No. 7 (the "Wells") are gas wells drilled within the boundaries of both the Rhodes Unit and the Rhodes Oil Pool. The Rhodes Unit Agreement dated January 1, 1944 (the "Agreement") was entered into and accepted by The Texas Company, now "Texaco", Columbian Carbon Company, now "Oxy", Amerada Petroleum Corporation, now "Amerada" and El Paso Natural Gas Company, now "Meridian" (all hereinafter collectively referred to as the "Parties").

The Agreement specifically states that "it is the purpose of the Parties to conserve the natural resources, prevent avoidable waste, and obtain the other benefits obtainable through development and operation of said unit area...under and pursuant to the provisions of sections 17, 27 and 32 of the Act of Congress...entitled 'An act to promote the mining of coal, phosphate, oil, oil shale, gas and sodium on the public domain,' 41 Stat. 443, 448, 450 as amended..." "All oil, gas, natural gasoline, and associated fluid hydrocarbons in lands subject to [the Agreement] in any and all sands or horizons are unitized...and are hereinafter called 'unitized substances.'" (See Attachment A for outline of unit area.)



The Agreement further states that "It is the intent...of [the Parties] that the unitized substances shall be subject to development and operation in separate groups..."

"Group 1. Gas (including casinghead gas) in any and all sands at or above a depth of 4,000 feet..."

"Group 2. Oil in any and all sands at or above a depth of 4,000 feet..."

"Group 3. All unitized substances below a depth of 4,000 feet..."

No operator was appointed for Group 2 and Group 3 substances. The Agreement states that "conditions for the development and operation of unitized substances in Group 2 and/or Group 3 shall...be deemed to be the terms and conditions of the leases, contracts and other agreements...except insofar as said leases, contracts or other agreements may require adjustment or modification to conform with the herein provided terms and conditions."

El Paso Natural Gas Company (Meridian) was designated as operator for Group 1 substances. The Group 1 operator was granted the "exclusive right, privilege and duty of exercising any and all rights of the Parties...which are necessary or convenient for prospecting for, producing, storing and disposing of Group 1 unitized substances..." "The Group 1 unit operator is authorized to shut-in or produce the unitized substances in Group 1...according to a plan of development and/or operations which shall be submitted by said Unit Operator for approval by the Oil and Gas Supervisor within 30 days after approval of this agreement..."

Attached to and made a part of the Rhodes Unit Agreement is a "Side Agreement" dated March 13, 1944, but effective January 1, 1944 between the Parties. The Side Agreement granted to El Paso Natural Gas Company "the exclusive right to drill for and produce gas to a depth of 4,000 feet...[in] all the leases described in Exhibit 'A.'" (See Attachment B for an outline of the leases described in Exhibit 'A' of the Side Agreement.) The Side Agreement states further that "Either party (The Texas Company, Columbian Carbon Company & Amerada Petroleum Corporation - collectively called "Seller" and El Paso Natural Gas Company - "Buyer") shall have the right to drill a well on any **forty (40) acre tract**...on said lands (provided however Buyer [El Paso] may not drill to a depth in excess of 4,000 feet) but, except upon demand of the Oil and Gas Supervisor, neither party shall have the right to drill a well for the purpose of producing from the presently-known producing horizons above 4,000 feet...on any **forty (40) acre tract**...on which there is an existing oil or gas well which is producing from a horizon above 4,000 feet..."

Both the Rhodes Unit Agreement and the Side Agreement were approved by Oscar L. Chapman, Assistant Secretary of the Interior on June 29, 1944. In Mr. Chapman's approval, it is certified "that each and every lease heretofore or hereafter issued for lands of the United States and made subject as to all or any part of the leased lands to said agreement...shall be modified as to the drilling, producing, and royalty provisions of such lease to conform with said agreement..." (See Attachment C for a copy of the Assistant Secretary's approval.)

Texaco has recognized and accepted the "existing well on a forty acre tract" rule by requesting waivers from Meridian in 1992 and again in 1993 which allowed Texaco to drill 7 oil wells within forty acre tracts on which a Meridian gas well currently existed. Texaco reciprocated by granting waivers to Meridian in September 1995 which allowed Meridian to drill its Rhodes B Federal No.1 & 2 gas wells within forty acre tracts on which Texaco's oil wells currently existed. (See Attachments D for copies of waivers from both Texaco and Meridian.)

To carry this concept a step further, in 1982 the Rhodes Oil Pool and Rhodes Gas Pool were delineated by the New Mexico Oil Conservation Division. (See Attachment E for the acreage included in the Rhodes Oil Pool and Rhodes Gas Pool and the Order approving same.) Rule 104.C allows the drilling of oil wells within the Rhodes Oil Pool on forty (40) contiguous surface acres with spacing of 330' from the governmental quarter-quarter section or lot and 330' from the offset lease and/or nearest drilling well capable of producing from the same pool. Texaco, by agreement (the Rhodes Unit Agreement and the Side Agreement), has consented that gas wells in either pool will be drilled using forty (40) acre oil well locations. In addition, this gas and oil well spacing program, including how gas wells and oil wells are defined for these Rhodes pools, has been authorized by the Department of the Interior and approved by the NMOCD. Meridian has complied with the spacing program of *each* pool, irrespective of whether the well was drilled in the Oil Pool or Gas Pool. (i.e. - The Rhodes A Federal No. 2 is located in the Rhodes Gas Pool and is subject to the spacing rules of the Rhodes *Gas* Pool. The Rhodes B Federal No. 1 is located in the Rhodes Oil Pool and is subject to the spacing rules of the Rhodes *Oil* Pool)

The Rhodes B Federal No. 4 is located 553' FEL & 2418' FSL Section 27, T-26-S, R-37-E, Lea County, New Mexico (within the oil pool). The location from the East line (offset lease) is more than 330' and the location to the quarter-quarter line is 220'. This quarter-quarter encroachment is on Meridian's own gas rights which are covered under the Rhodes Unit Agreement and the Side Agreement described above.

The Rhodes B Federal No. 7 is located 330' FNL & 1470' FEL Section 26, T-26-S, R-37-E, Lea County, New Mexico (within the oil pool). The location from the North line (offset lease) is 330' and the location to the quarter-quarter line is 150', which is, again, encroaching on Meridian's own gas rights covered under the Rhodes Unit Agreement and the Side Agreement.

Texaco was aware of the above locations at the time the Wells were staked and permitted. Further, Texaco personnel assisted Meridian personnel in the staking of the Wells by identifying Texaco pipelines and facilities, and in moving the Well locations so as not to interfere with Texaco's operations.

Meridian's notification to Texaco concerning the Rhodes B Federal No. 4 and No. 7 was done out of courtesy and not necessity, as per the Rhodes Unit Agreement. (A copy of the Rhodes Unit Agreement and the Side Agreement are enclosed as Attachment F & G, respectively, for your perusal.) As previously stated, Meridian was granted the right by the Parties with the approval of the Secretary of the Interior to develop the **gas on forty (40) acre tracts** using oil well spacing within the unit area (refer to Attachment A). This development program has been an ongoing project for a number of years, and further, the gas wells drilled in the Rhodes Oil Pool have been consistent with that program. (See permits for the Rhodes B Federal No. 4 and No. 7 as Attachment H.) Precedent has set the development of gas wells in the oil pool due to the distinct separation of the respective gas and oil zones.

Mr. William LeMay
February 20, 1996
Page 4

Regarding the concerns addressed by Doyle Hartman in his letter of January 24, 1996, Mr. Hartman questioned the location of the Rhodes B Fed. #7 at its 330' FNL location. As stated above, in accordance with the Rhodes Unit Agreement and the Side Agreement, the 330' location to the offset lease is a legal location. Consequently, Meridian is not encroaching on Mr. Harman's "Dublin" lease.

Meridian respectfully requests the objections raised by Texaco and Doyle Hartman be denied and that Meridian's administrative applications for non-standard locations regarding the Wells be approved.

Very Truly Yours,

MERIDIAN OIL INC.



Leslyn M. Swierc, CPL
Senior Landman

LMS/cs
Enclosures

cc: Mr. W. Thomas Kellahin
Santa Fe, New Mexico
Mr. William F. Carr
Santa Fe, New Mexico
Doyle Hartman
Dallas, Texas

Don Davis
Chris Settle
Albert Billman
Mike Metcalf
Donna Williams

CAMPBELL, CARR & BERGE, P.A.
LAWYERS

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE

MICHAEL H. FELDEWERT
TANNIS L. FOX
TANYA M. TRUJILLO
PAUL R. OWEN

JACK M. CAMPBELL
OF COUNSEL

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-8043

February 2, 1996

HAND DELIVERED

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: Application of Meridian Oil Inc. for Unorthodox Well Locations
Lea County, New Mexico

Dear Mr. LeMay:

By letter dated January 29, 1996, Meridian Oil Inc. notified Texaco Exploration and Production Inc. of its application to the Oil Conservation Division for unorthodox well locations for each of the following wells:

Rhodes B Federal Well No. 4
2418' FSL & 553' FEL
Section 27, Township 26 South, Range 37 East
Lea County, New Mexico

Rhodes B Federal Well No. 7
330' FNL & 1470' FWL
Section 26, Township 26 South, Range 37 East
Lea County, New Mexico

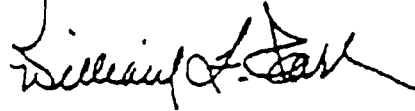
William J. LeMay, Director

February 2, 1996

Page 2

Texaco Exploration and Production Inc., offset operator to each of these unorthodox well locations, hereby objects to each location and requests that each location be set for hearing before a Division Examiner on March 21, 1996.

Very truly yours,



William F. Carr

Attorney for

Texaco Exploration and Production Inc.

WFC/kc

cc: Ronald W. Lanning
Michael J. Condon, Esq.
W. Thomas Kellahin, Esq.

MERIDIAN OIL

January 29, 1996

Doyle Hartman Oil Operators
500 N. Main
Midland, Texas 79701

RE: Request for a Non- Standard Location
Rhodes B Federal Well No. 7
330' FNL & 1470' FWL
Sec. 26, T26S, R37E
Lea County, New Mexico

Ladies & Gentlemen:

In reviewing my requests, I realized that I failed to notify your company as an offset operator. Please find attached a copy of the request that was filed with the Oil Conservation Division in Santa Fe, New Mexico. I apologize for the oversight in this matter. 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

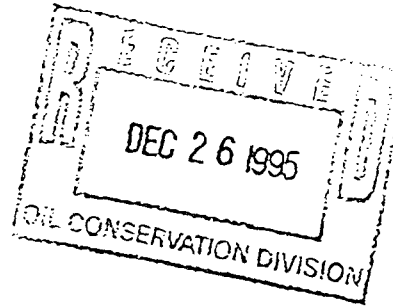
RECEIVED
OIL CONSERVATION DIVISION
SANTA FE, N.M.

JAN 31 1996

cc: Rh. J. Vee
land

MERIDIAN OIL

December 21, 1995



Mr. Michael Stogner
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

RE: Request for two (2) Non-Standard Locations
Rhodes 'B' Federal Well No. 4
2418' FSL & 553' FEL
Sec. 27, T26S, R37E

Rhodes 'B' Federal Well No. 7
330' FNL & 1470' FWL
Sec. 26, T26S, R37E

Lea County, New Mexico
Federal Lease No: LC 030174-B

Mr. Stogner:

Meridian Oil Inc. respectfully request approval for two non-standard locations on the proposed above referenced new drill locations. This is pursuant to the request by the District Office in Hobbs. These were intended to be standard locations, but upon the staking, it was discovered to have topographic problems due to powerlines, pipelines, etc.

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

District I
PO Box 1980, Hobbs, NM 88241-1980
District II
PO Drawer DD, Artesia, NM 88211-0719
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102

Revised February 21, 1994

Instructions on back

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number		2 Pool Code 83810		3 Pool Name Rhodes Gas Pool	
4 Property Code 17608		5 Property Name RHODES "B" FEDERAL			6 Well Number 7
7 OGRID No. 26485		8 Operator Name MERIDIAN OIL INC.			9 Elevation 2994

10 Surface Location

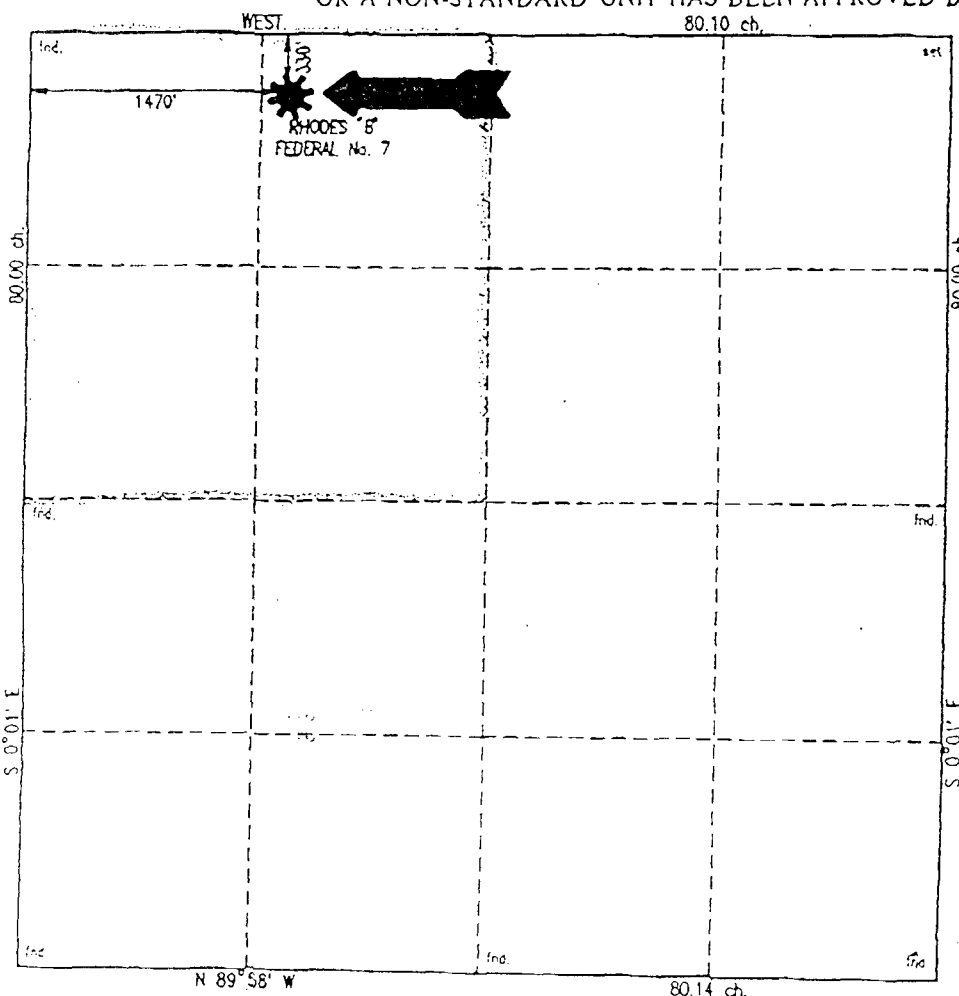
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	26	26 S	37 E		330	NORTH	1470	WEST	LEA

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

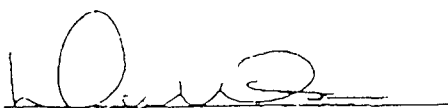
12 Dedicated Acres	13 Joint or Infill	14 Consolidation Code	15 Order No.
160			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



17 OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief


Signature

Donna Williams
Printed Name
Regulatory Compliance
Title

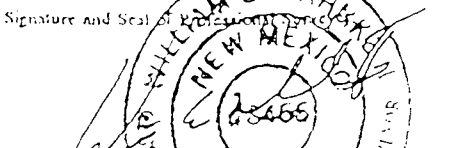
10/23/95
Date

18 SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

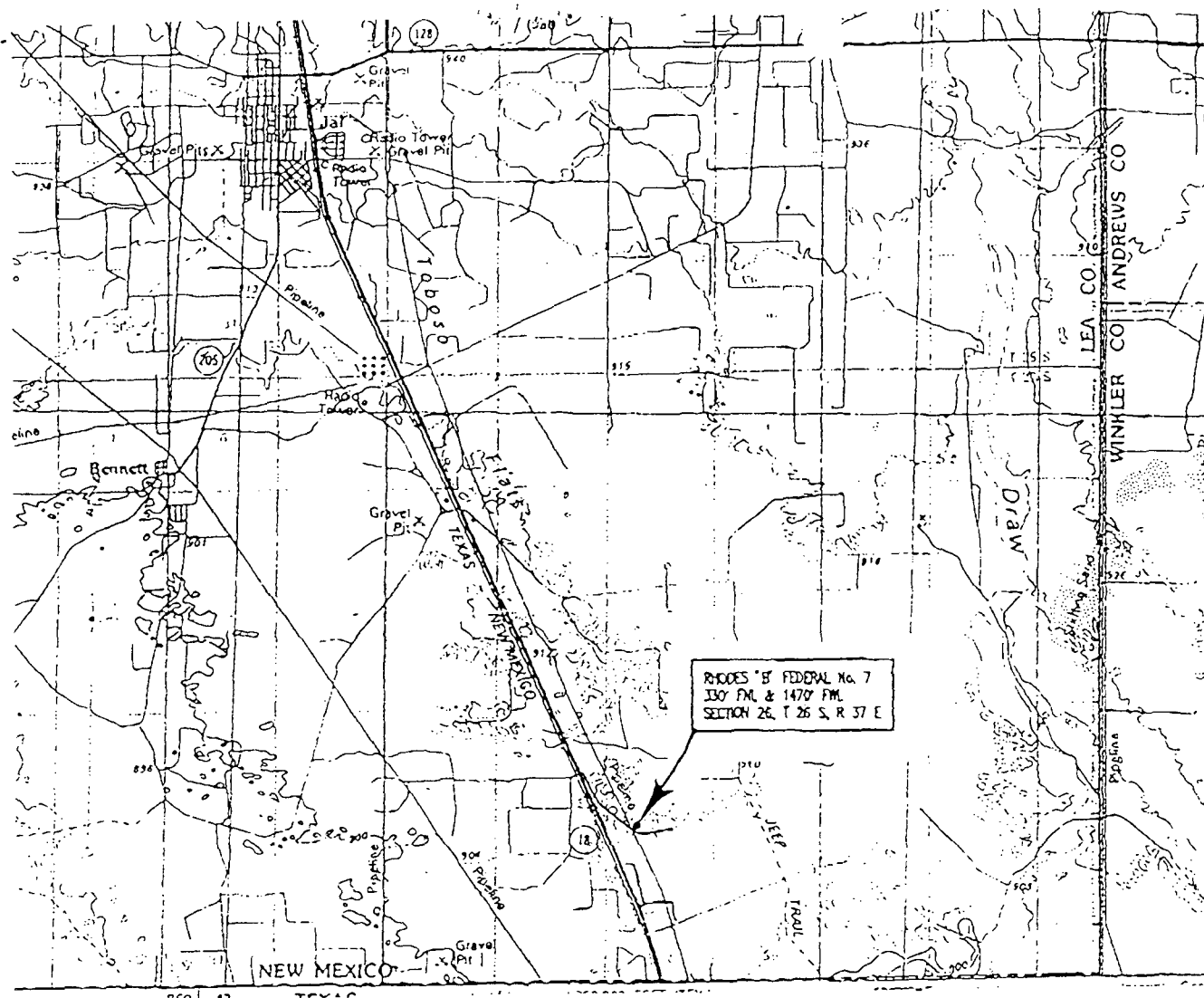
OCTOBER 18, 1995

Date of Survey


Signature and Seal of Surveyor

WILLIAM E. MAHNKE
Certificate Number 2468

NOTE - REVISED 10-19-95:
MOVED LOCATION



DIRECTIONS:

FROM THE INTERSECTION OF NEW MEXICO HIGHWAY 18 AND NEW MEXICO HIGHWAY 128 IN JAL. NEW MEXICO, GO SOUTH ON N.M. HWY 18 FOR 6.9 MILES, THEN TURN LEFT ON TO AN EXISTING LEASE ROAD AND GO 0.7 MILES TO LOCATION.

————— PAVED HIGHWAY
 - - - - - EXISTING LEASE ROAD

NOTE - REVISED 10-20-95:
 MOVED LOCATION



Laughlin-Simmons of Texas

MIDLAND DISTRICT OFFICE
 (915) 699-1238
 In State TOLL FREE :
 1-800-242-3028

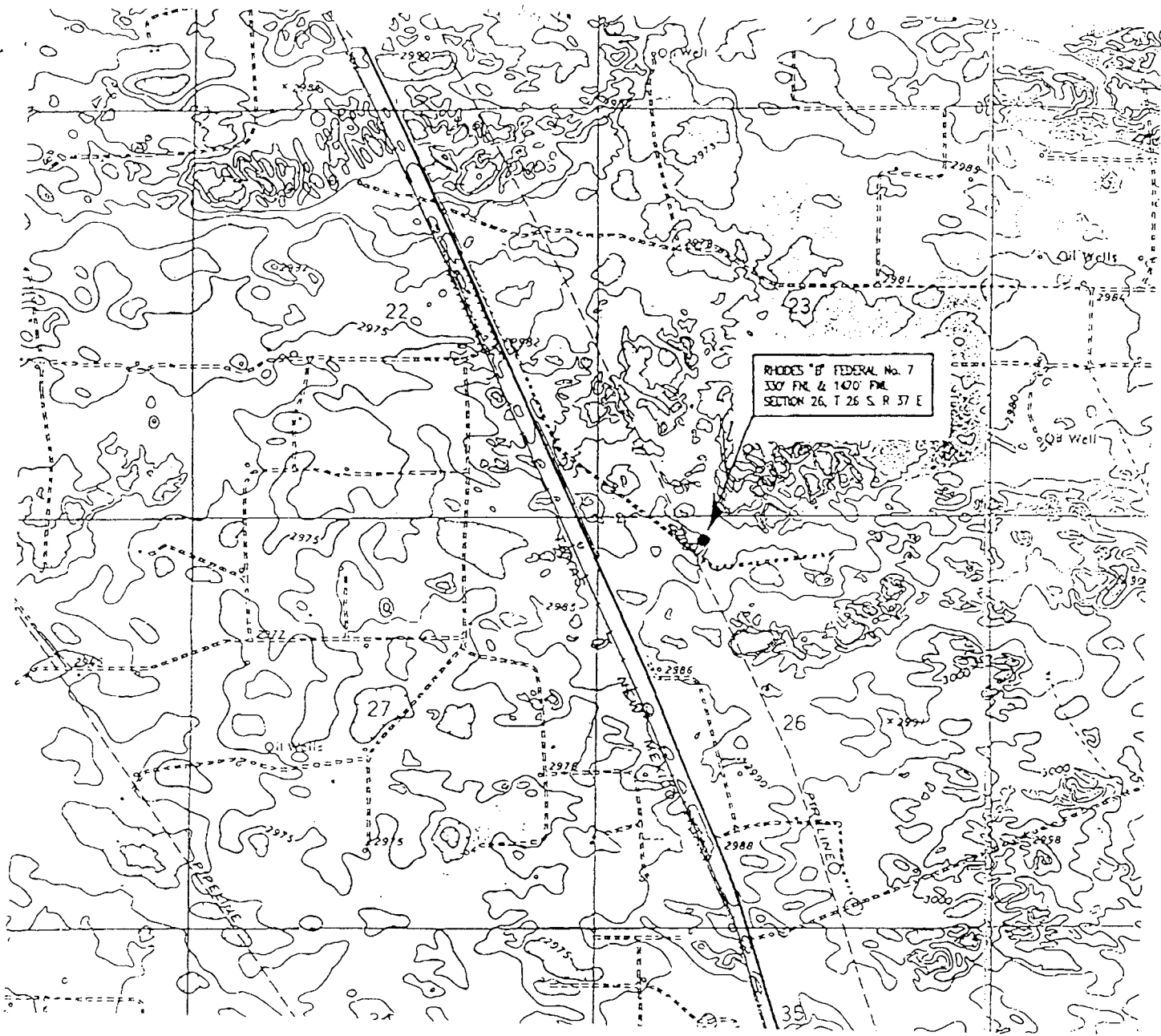
P.O. BOX 1757
 MIDLAND, TEXAS 79702

MERIDIAN OIL INC.
 RHODES "B" FEDERAL No. 7

ROAD MAP AND DIRECTIONS

-LEA COUNTY, NEW MEXICO

date: OCTOBER 15, 1995 scale:



===== PAVED HIGHWAY
 ===== EXISTING LEASE ROAD

NOTE - REVISED 10-20-85:
 MOVED LOCATION



Laughlin-Simmons of Texas

MIDLAND DISTRICT OFFICE
 (915) 699-1238
 In State TOLL FREE :
 1-800-242-3028

P.O. BOX 1757
 MIDLAND, TEXAS 79702

MERIDIAN OIL INC.
 RHODES "B" FEDERAL No. 7

PROPOSED ACCESS

LEA COUNTY, NEW MEXICO

date: OCTOBER 15, 1995 scale: 1"=2000'

JAMES A. DAVIDSON
Oil & Gas Properties
P. O. BOX 494
MIDLAND, TEXAS 79702

(915) 682-6482 - OFFICE
694-5472 - RESIDENCE

January 25, 1996

Meridian Oil Inc.
Building Six
3300 North "A"
Midland, TX 79705

Attention: Mr. Don Davis
Regional Landman

RE: Meridian-Rhodes "B" #7
Unit C-Sec.26, 26-S, 37-E,
Lea County, NM

Gentlemen:

It is my understanding that Meridian is completing its above noted well at an unorthodox location offsetting the Hartman-"Dublin" lease consisting of E/2 SW/4 Section 23, 26-S, 37-E. I am one of the owners of the Dublin lease and I was not notified of the application to drill. I have checked and even Doyle Hartman who is the operator of the Dublin lease was not given notice that this well was to be drilled.

This is your notice that I have not been contacted at all as an offset leasehold owner.

Very truly yours,

James A. Davidson

JAD:ler

cc: ✓ Mr. Jerry Sexton - N.M.O.C.D.-Box 1980-Hobbs, NM 88241-1980
Mr. Doyle Hartman-Dallas

cc: Land

DOYLE HARTMAN

Oil Operator

3811 TURTLE CREEK BLVD., SUITE 730

DALLAS, TEXAS 75219

(214) 520-1800

(214) 520-0811 FAX

January 24, 1996

William J. LeMay, Director
Energy and Minerals Department
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

CERTIFIED MAIL-RETURN RECEIPT REQUESTED

Re: Unorthodox Well Location
Meridian-Texaco
Rhodes "B" Federal No. 7
330' FNL & 1470' FWL
Section 26, T-26-S, R-37-E
Lea County, New Mexico

Gentlemen:

Reference is made to the enclosed notice of force pooling that was received by us January 22, 1996, from Texaco Exploration Production, Inc. regarding our 80-acre Dublin lease consisting the E/2 SW/4 Section 26, T-26-S, R-37-E, Lea County, New Mexico.

Yesterday, in reviewing recent drilling activity in the vicinity of our 80-acre Dublin lease, to our astonishment, we learned that Meridian has just finished drilling, at an unorthodox well location consisting of 330' FNL and 1470' FWL of Section 26, T-26-S, R-37-E, Lea County, New Mexico, a new Rhodes Yates well on Texaco's Rhodes "B" Federal lease situated immediately south of our 80-acre Dublin lease.

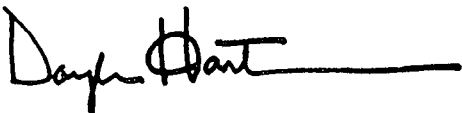
As to Meridian's newly drilled well situated 330' south of our 80-acre Dublin lease, we have two points of concern:

1. Notwithstanding the fact that the new offsetting Meridian-Texaco well has been drilled at an unorthodox well location consisting of 330' FNL and 1470' FWL of Section 26, as a direct offsetting operator, we have received no notice of a Meridian-Texaco application being submitted to the NMOCD seeking approval for an unorthodox well location consisting of 330' FNL and 1470' FWL of Section 26, and was totally unaware until yesterday that a new offsetting well has been drilled or was being planned.
2. Since the 1920's, Texaco has been the operator of the Rhodes "B" Federal Rhodes Pool lease consisting in part of Sections 26 and 27, T-26-S, R-37-E. It is an established NMOCD regulation that there can only be one officially recognized operator of a lease. Therefore, in the absence of any additional information, we are somewhat puzzled as to how Meridian can drill and operate new Rhodes Yates-Seven Rivers wells such as the Rhodes "B" Federal No. 1 well (B-27-26-37) on the same Rhodes Yates-Seven Rivers lease being operated by Texaco.

In light of the foregoing, and in accordance with NMOCD regulations, we respectfully request that Meridian-Texaco's new offsetting Rhodes "B" Federal No. 7 well not be granted final authorization to produce until a proper application for an unorthodox location has been filed by Meridian-Texaco and has been approved by the NMOCD, which application also requires that proper notice be given to all offsetting and potentially affected operators.

Very truly yours,

DOYLE HARTMAN



Doyle Hartman

DH/jb

cc: Mr. Jerry Sexton, Supervisor
New Mexico Oil Conservation Division
PO Box 1980
Hobbs, New Mexico 88240-1980

Mr. Michael Condon
3650 St. Michaels Drive
Building 400
Santa Fe, New Mexico 87505

Mr. Ronald W. Lanning-Landman
Texaco Exploration Production Inc.
500 N. Loraine
Midland, Texas 79701

Mr. Don Mashburn
500 North Main
Midland, Texas 79702

J. E. Gallegos Law Firm
3650 St. Michaels Drive
Building 400
Santa Fe, New Mexico 87505

Mr. James A. Davidson
P.O. Box 494
Midland, Texas 79702

Leslyn M Swierc, CPL
Meridian Oil, Inc.
3300 N. A Street, Bldg. 6
Midland, Texas 79705

Mr. Steve Hartman
500 North Main
Midland, Texas 79702

Doyle Hartman

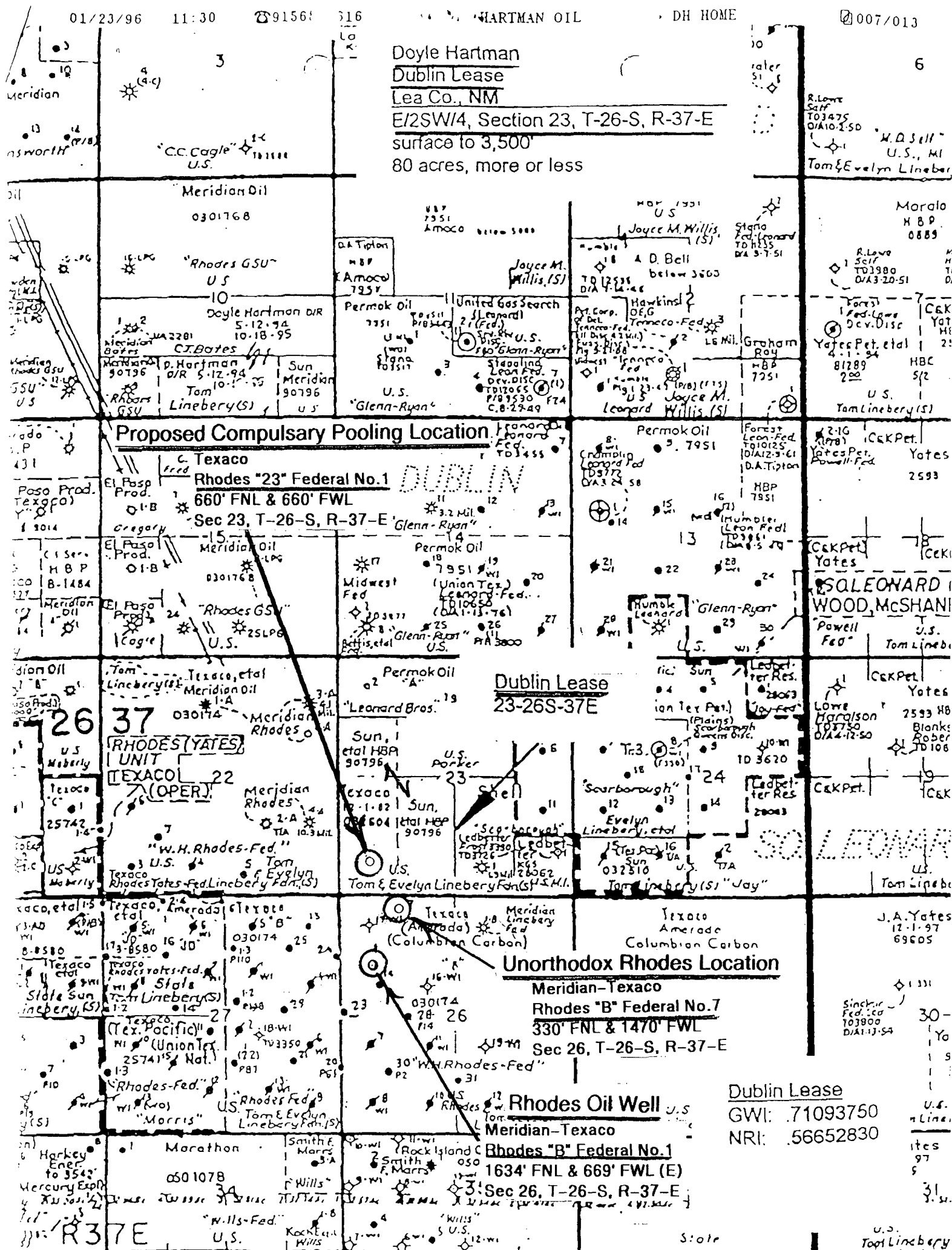
Dublin Lease

Lea Co., NM

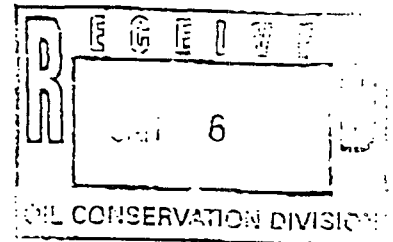
E/2SW/4, Section 23, T-26-S, R-37-E

surface to 3,500'

80 acres, more or less



BEFORE THE
OIL CONSERVATION DIVISION



NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

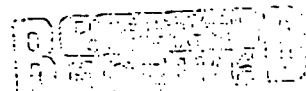
IN THE MATTER OF THE APPLICATION
OF TEXACO EXPLORATION AND
PRODUCTION INC. FOR
COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.

CASE NO. _____

APPLICATION

TEXACO EXPLORATION AND PRODUCTION INC. ("TEXACO"), by its undersigned attorneys, hereby makes application pursuant to the provisions of N.M.Stat. Ann. § 70-2-17, (1978), for an order pooling all mineral interests in the SW/4 of Section 23, for formations developed on 160-acre spacing, in the W/2 SW/4 of Section 23, for all formations developed on 80-acre spacing and in the SW/4 SW/4 of Section 23 for all formations developed on 40-acre spacing in Township 26 South, Range 37 East, N.M.P.M., Lea County, New Mexico, and in support thereof states:

1. Texaco is a working interest owner in the SW/4 of Section 23 and Applicant has the right to drill thereon.
2. Texaco proposes to dedicate each of these spacing or proration units to its Rhodes "23" Fed. Com No. 1 Well which is located at an orthodox location at a point 660 feet from the South line and 660 feet from the West line. Applicant proposes to drill this well and test any and all formations from the surface to the base of the Yates formation,



JAN 22 1996

Yates-Seven Rivers Gas Pool.

3. Applicant has sought and been unable to obtain either voluntary agreement for pooling or farmout from certain interest owners in the SW/4 of said Section 23.


4. Said pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

5. In order to permit the Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and Applicant should be designated the operator of the wells to be drilled thereon.

WHEREFORE, Texaco Exploration and Production Inc., requests that this application be set for hearing before a duly appointed Examiner of the Oil Conservation Division on February 22, 1996, and after notice and hearing as required by law, the Division enter its order pooling the lands, including provisions for Applicant to recover its costs of drilling, equipping and completing the well, its costs of supervision while drilling and after completion, including overhead charges, and imposing a risk factor for the risk assumed by the Applicant in drilling, completing and equipping the well.

Respectfully submitted,

CAMPBELL, CARR & BERGE, P.A.

By: 
WILLIAM F. CARR

Post Office Box 2208

Santa Fe, New Mexico 87504

Telephone: (505) 988-4421

ATTORNEYS FOR TEXACO EXPLORATION
AND PRODUCTION INC.

OIL REPORTS

January 17, 1996

LOCATION AND RE-ENTRIES CONT'D:

Lea County

Sec 36 T22S R32E 15 mi NW Ochoa
STRATA PROD. CO. Shell State #3
1980/N & 2310/W Red Tank
Rot 9000 Bone Spring
API #30-025-33246

Lea County

Sec 27 T26S R37E 6 mi SE Jal
MERIDIAN OIL INC Rhodes B Federal #4
2418/S & 553/E Rhodes
Rot 3150 Yates Seven Rivers
API #30-025-33248

Sec 26 T26S R37E 6 mi SE Jal
MERIDIAN OIL INC Rhodes B Federal #7
330/N & 1470/W Rhodes
Rot 3150 Yates Seven Rivers
API #30-025-33249

REMEDIAL WORK NOTICES:

Sec 2 T18S R34E Unit C Vacuum TEXACO EXPL & PROD INC, New Mexico "Z" State TN Com
#1: To Recomplete API #30-025-29988
Sec 2 T20S R37E Unit P Monument CONOCO INC State A-2A #5: To Recomplete
API #30-025-30004
Sec 8 T20S R37E Unit L Eumont ARCO PERMIAN Berta J Barber #16: To Plugback
API #30-025-06029

CO# Meridian Oil, Inc.
WELL Rhodes "B" Federal No. 1
FIELD Rhodes
LOCATION 1634' FNL & 1699' FNL (E)
Section 26, T-26-S, R-37-E
COUNTY Lea
STATE New Mexico
ELEVATIONS: KB _____
DF _____
GL 2793

COMPLETION RECORD

SPUD DATE 10-3-95 COMP. DATE 10-26-95
TO 3132' PBTD 3090'
CASING RECORD 8 5/8" @ 555' w/ 430 SKS. CTS.
4 1/2" @ 3132' w/ 625 SKS. CTS.

PERFORATING RECORD 2986 - 3048

STIMULATION A/2250
SF/22,000 + 90,000

IP F = 95 BOPD + 540 MCFPD
GOR 5.68 GR _____
TP 430 CP 560
CHOKE 18" TUBING 2 3/8" @ 2970'
REMARKS _____

Log: NA 1-16-96

E - 26 - 26S - 37E

(3) All Counties except Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba and Sandoval.

- (a) Any wildcat well which is projected as an oil well in any county other than Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba, and Sandoval Counties shall be located on a tract consisting of approximately 40 surface contiguous acres substantially in the form of a square which is a legal subdivision of the U.S. Public Land Surveys, or on a governmental quarter-quarter section or lot and shall be located not closer than 330 feet to any boundary of such tract.
- (b) Any wildcat well which is projected as a gas well to a formation and in an area which, in the opinion of the Division representative approving the application to drill, may reasonably be presumed to be productive of gas rather than oil shall be located on a drilling tract consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section, being a legal subdivision of the U.S. Public Land Surveys, and shall be located not closer than 660 feet to any outer boundary of such tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary.

C. ACREAGE AND WELL LOCATION REQUIREMENTS FOR DEVELOPMENT WELLS

(1) Oil Wells, All Counties.

- (a) Unless otherwise provided in special pool rules, each development well for a defined oil pool shall be located on a tract consisting of approximately 40 surface contiguous acres substantially in the form of a square which is a legal subdivision of the U.S. Public Land Surveys, or on a governmental quarter-quarter section or lot, and shall be located not closer than 330 feet to any boundary of such tract nor closer than 330 feet to the nearest well drilling to or capable of producing from the same pool, provided however, only tracts committed to active secondary recovery projects shall be permitted more than four wells.

(2) Lea, Chaves, Eddy and Roosevelt Counties.

- (a) Gas Wells. Unless otherwise provided in special pool rules, each development well for a defined gas pool in a formation younger than the Wolfcamp formation, or in the Wolfcamp formation which was created and defined by the Division prior to November 1, 1975, or in a Pennsylvanian age or older formation which was created and defined by the Division prior to June 1, 1964, shall be located on a designated drilling tract consisting of 160 surface contiguous acres, more or less, substantially in the form of a square which is a quarter section being a legal subdivision of the U.S. Public Land Surveys, and shall be located not closer than 660 feet to any outer boundary of such tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary nor closer than 1320 feet to the nearest well drilling to or capable of producing from the same pool.
- (b) Unless otherwise provided in the special pool rules, each development well for a defined gas pool in the Wolfcamp formation which was created and defined by the Division after November 1, 1975, or of Pennsylvanian age or older which was created and defined by the Division after June 1, 1964, shall be located on a designated drilling tract consisting of 320 surface contiguous acres, more or less, comprising any two contiguous quarter sections of a single

4958171201

1 1687-2069-4 From (Your Name) Please Print Doyle Hartman COMPANY DOYLE HARTMAN OIL OPERATOR Street Address 3111 TURTLE CREEK BLVD STE 730 City DALLAS State TX ZIP Required 75219		Date 2-24-96 To (Recipient's Name) Please Print J. E. Gallegos Company J. E. Gallegos Law Firm Exact Street Address (With Apt. No., Box or P.O. No.) 3650 Michaels Drive, Bldg 400 City Santa Fe, New Mexico State NM ZIP Required 87505	
YOUR INTERNAL BILLING REFERENCE INFORMATION (optional) (First 24 characters will appear on invoice.)			
3 PAYMENT <input checked="" type="checkbox"/> Bill Sender <input type="checkbox"/> Bill Recipient's FedEx Acct. No. <input type="checkbox"/> Bill 3rd Party FedEx Acct. No. <input type="checkbox"/> Bill Credit Card <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Check Acct./Credit Card No. Exp. Date		City State ZIP Required	
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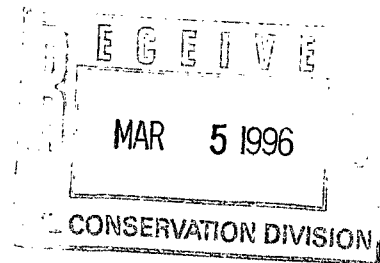
DOYLE HARTMAN

Oil Operator

VIA FEDERAL EXPRESS

March 4, 1996

Mr. Alan Alexander
Senior Land Advisor
Meridian Oil, Inc.
3535 East 30th Street
Farmington, NM 87402



Re: Meridian Oil, Inc.
Compulsory Pooling Application
Seymour "Com" No. 7A
E/2 Sec. 23, T-31-N, R-9-W
Blanco Mesa Verde Pool
(320 acres)

Gentlemen:

Reference is made to Meridian's application to the NMOCD for the drilling of its proposed Seymour "Com" No. 7A Blanco Mesa Verde infill gas well and to its application to the NMOCD to compulsory pool all interest owners under the already communitized E/2 Section 23, T-31-N, R-9-W, San Juan County, New Mexico. Reference is also made to my letter to Meridian of January 30, 1996 and to your reply to us dated February 20, 1996 (received February 28, 1996), both regarding Meridian's proposed Seymour "Com" No. 7A infill well and compulsory pooling application.

We again acknowledge Meridian's right, if it so insists, to immediately proceed with the drilling of its proposed Seymour "Com" No. 7A infill well, but because such immediate drilling constitutes "waste", as defined in the New Mexico Oil and Gas Act, due to the current soft demand (relative to available supply) for San Juan Basis gas, we must emphasize that any new drilling, as to the already communitized 320-acre tract, be performed under the valid and currently existing terms and provisions of that certain March 30, 1953 Communitization Agreement and April 10, 1953 Operating Agreement, as well as in accordance with the spirit of applicable past orders and precedent of the NMOCD.

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As previously documented, the E/2 Section 23, T-31-N, R-9-W was initially communitized almost 43 years ago, as to all minerals in the Blanco Mesa Verde interval, by that certain Communitization Agreement dated March 30, 1953, the terms of which were approved on July 16, 1953, by Arthur A. Baker, Acting Director of the United States Geological Survey, acting on behalf of the United States of America as a royalty owner under the two separate 160-acre tracts (NE/4 Section 23 and SE/4 Section 23) making up the subject 320-acre unit. On April 10, 1953, a companion operating agreement was also entered into between the parties so as to "... provide for the economical [unwasteful] and joint operation of said unit..." The "term" of the companion operating agreement was for "... as long as the communitization agreement herein above described shall remain in force and effect..." No subsequently approved termination agreement has been entered into between the separate interest owners under the E/2 Section 23, T-31-N, R-9-W, and the subject Communitization Agreement (BLM Contract No. NM-73195) continues to be recognized by the BLM as an active communitization agreement.

One very important and thoughtful provision of the March 30, 1953 Communitization Agreement reads as follows:

"...The communitized area shall be developed and operated as an entirety with the understanding and agreement between the parties hereto that all communitized substances produced therefrom shall be allocated among the leaseholds comprising said area in the proportion that the acreage interest of each leasehold bears to the entire acreage interest committed to this agreement (emphasis added)..."

The Communitization Agreement further guarantees:

..."There shall be no obligation on the lessees to offset any dry gas well or wells completed in the same formation as covered by this agreement on separate component tracts into which the communitized area is now or may hereafter be divided (emphasis added)..."

In recognition of the foregoing, at this time, due to soft San Juan Basin gas prices, Meridian's proposed infill well and corresponding compulsory pooling application represent a direct violation of the original promise made to the Seymour "Com" working interest owners that the communitized tract would be developed and operated as an entirety in an economical (unwasteful) manner, and that there shall be no "mandatory" requirement placed on the lessees (working interest owners) to drill more than one Blanco Mesa Verde well on the subject 320-acre proration unit, unless unanimously approved by all working interest owners.

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In addition to the foregoing, both the Seymour Communitization Agreement and companion Operating Agreement also provide that the communitization and operating agreements ... "shall be subject to all valid and applicable State and Federal laws, rules, regulations and orders, and the operations conducted hereunder shall be performed in accordance with said laws, rules, regulations and orders..." Although the NMOCD's blanket Blanco Mesa Verde infill order (R-1670-T) does permit the drilling of an "optional" or second Mesa Verde gas well on an existing 320-acre proration unit, the blanket order does not require the drilling of a second well, but only allows for the drilling of an "optional" well at the discretion of the unit working interest owners, in accordance with previously agreed-to provisions of applicable communitization and operating agreements. In Order R-1670-T, the NMOCD clearly recognized that there existed numerous long standing Blanco Mesa Verde contractual relationships and found "...that to change the unit size now in said pool would disturb the equities under many of the existing proration units (emphasis added)..."

Likewise, Meridian's application to compulsory pool the already communitized 320-acre Seymour "Com" proration unit would disturb long established equities as to the E/2 Section 23, T-31-N, R-9-W and, in addition, would also be contrary to other applicable NMOCD rulings. In one case that is directly on point (Case 8606/Order R-8013 (copy enclosed)), to which case and order Meridian has subsequently become subject, Doyle Hartman (at a time of strong \$3.00/MCF wellhead gas pricing) made application to the NMOCD for the compulsory pooling of the working interest owners under the NW/4 Section 8, T-24-S, R-37-E, Lea County, New Mexico, which application was made for the purpose of drilling the badly needed E.E. Jack No. 5 infill Jalmat gas well. In Order R-8013, the NMOCD found:

12) Because of a lack of evidence to the contrary, it appears that the "Agreements" are current binding operating agreements for the subject proration unit, having provisions governing those issues to be addressed in compulsory pooling cases obviating the need for a such a hearing in this case.

(13) The compulsory pooling portion of this application should be denied.

(14) The simultaneous dedication portion of this application should be approved, provided the proposed new well is drilled under the provisions of the Agreements."

As successor in interest to Doyle Hartman, Meridian has continued to operate the E.E. Jack No. 5 infill well subject to the provisions of R-8013 and, as a result, should be familiar with the established NMOCD policy that compulsory pooling applications shall be denied in those cases "...where there are current binding operating [communitization] agreements for the subject

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proration unit, having provisions governing those issues to be addressed in compulsory pooling cases..." As a result, and in light of the documented current over supply of San Juan Basin gas, Meridian's Seymour compulsory pooling application must be interpreted as a knowing and further attempt to circumvent the provisions of the Seymour communitization and operating agreements since Meridian's Seymour application is clearly contrary to policy previously established by the NMOCD in Order R-8013 and subsequently accepted by and acquiesced to by Meridian.

However, notwithstanding the foregoing, but in an attempt to reach a prompt and amicable resolution of this matter, we again ask that Meridian furnish sufficient economic justification to show why Meridian must promptly proceed with the immediate drilling of its proposed Seymour 7A Mesa Verde infill well, especially when there is no offset drainage problem, but there does exist a soft market for San Juan Basin gas and corresponding unfavorable San Juan net-back wellhead gas pricing, as documented by the enclosed "Albuquerque Journal" article. Therefore, we request that Meridian furnish adequate documentation that economically justifies the immediate drilling of the proposed Seymour No. 7A well, as compared to waiting until a more favorable date when market demand for San Juan gas has improved and San Juan Basin net-back gas pricing has increased thereby justifying the substantial investment required to drill a new infill well.

Furthermore, because the 320-acre Seymour "Com" proration unit does possess future development potential and recognizing that market demand for San Juan gas will undoubtedly increase and pricing will improve, we do not desire to sell or farmout our interest at this time. However, we are willing to seriously entertain a fair exchange of our Seymour interest for an acceptable Meridian interest in Lea County, and if Meridian wishes to pursue such a resolution, please promptly let us know.

In the absence of Meridian's consideration of the foregoing sincere suggestions (postpone drilling until netback prices improve or agree to an exchange of property), we again state our objection to Meridian's attempt to confiscate our Seymour interest by attempting to circumvent the explicit terms of the binding Seymour Communitization Agreement and Operating Agreement and urge that Meridian only proceed with the drilling of its proposed Seymour "Com" No. 7A infill well under the provisions of the Seymour communitization and operating agreements, which course of action also corresponds to NMOCD precedent set forth in NMOCD Order R-8013.

Sincerely,

DOYLE HARTMAN, Oil Operator

A handwritten signature in black ink, appearing to read "Doyle Hartman", with a long horizontal flourish extending to the right.

Doyle Hartman

Enclosures (4)

d:\letters\dh341.doc

Mr. Alan Alexander
March 4, 1996
Page five

cc: Michael Stogner
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Mr. Alan Alexander
March 4, 1996
Page six

Daniel S. Nutter
105 E. Alciante
Santa Fe, NM 87501

Governor Gary Johnson

Representative Jerry Sandel

Pipeline bill moving through Legislature

By DAVID STAAKS
Assistant Business Editor

SANTA FE — A bill settling the stage for a new pipeline to carry natural gas from northwest New Mexico to the East and Midwest appears to be moving quickly through the Legislature.

A new pipeline would open San Juan Basin gas supplies to Eastern markets for the first time, said the measure's sponsor, Rep. Jerry Sandel, D-Farmington.

That would benefit the basin's natural gas producers and processors, because Eastern prices are more than twice as high as those in California, where most New Mexico gas is now sold.

San Juan producers would love to send their gas to the East, but "we don't have a pipeline to get us there," said Sandel.

The bill would spend \$250,000 in taxpayer money to determine the costs and benefits of financing, building

and operating a pipeline. With the bill's current language, it's possible state funds could eventually be spent on the pipeline, itself, although the bill provides funds only for a study.

That doesn't bother Sandel. Selling natural gas at higher prices is in state government's financial interest, not just the natural gas industry's, he said.

"For every 10-cent increase in the price of natural gas, we get \$11 million in the general fund and \$4 million in the severance tax fund," he said.

"If we can figure out a way to increase the price of natural gas in New Mexico, it's a pretty good revenue source."

Last week, San Juan Basin gas was selling for \$1.40 a thousand cubic feet, while Louisiana gas was selling for \$3.50, Sandel said.

The reason: Canada. Pipelines from Alberta that send gas to California have glutted that state with

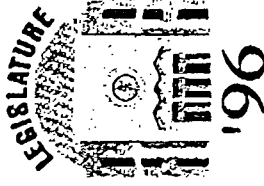
transmission capacity. No pipelines now exist to send Alberta gas east.

The state's big pipeline companies, Transwestern Pipeline and El Paso Natural Gas, have upgraded their equipment in recent years to pipe gas in two directions, not just one. However, that capacity provides only a fraction of the eastern movement the state needs, Sandel said.

Republican Gov. Gary Johnson signaled his support for the bill at a recent meeting with business leaders in Santa Fe.

"Apparently this is something that is warranted," Johnson said.

The bill has won overwhelming support from two House committees, including the House Taxation and Revenue Committee, which Sandel leads as chairman. He expects easy sailing in the full House and the Senate.



REP. SANDEL

Federal Abstract Company

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March 4, 1996

Doyle Hartman
500 North Main
Midland, Texas 79702
Attn: Carolyn Sabastian

Dear Carolyn:

We have examined Case Files NMSF 078505 and NMNM 03601 in the United States Department of Interior, Bureau of Land Management in Santa Fe, New Mexico and they reflect that Communitization Agreement No. 1408001917 (number changed to NMNM 73195) covering the E $\frac{1}{2}$ Section 23, T. 31 N. - R. 9 W., NMPM is still in force and effect.

We have also been advised by the Farmington District Office that this Communitization Agreement is still in force.

If we can be of further help please do not hesitate to call.

Very truly yours,

FEDERAL ABSTRACT COMPANY


Daniel E. Gonzales, President

DEG/mmg

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 5264
Order No. R-1670-T

APPLICATION OF EL PASO NATURAL GAS
COMPANY FOR THE AMENDMENT OF ORDER
NO. R-1670, BLANCO MESAVERDE POOL,
SAN JUAN AND RIO ARRIBA COUNTIES,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on August 13 and August 14, 1974, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 14th day of November, 1974, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That the Blanco Mesaverde Pool, located in San Juan and Rio Arriba Counties, New Mexico, was created by Commission Order No. 799, dated February 25, 1949.
- (3) That the Blanco Mesaverde Pool is governed by special rules and regulations, promulgated by the Commission in Order No. R-1670, as amended, which provide for 320-acre proration units and well locations in the NE/4 and SW/4 of each governmental section, and for the assignment of allowable to each proration unit in the pool based on the amount of acreage in the unit and the deliverability of the unit well.

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Case No. 5264

Order No. R-1670-T

(4) That the applicant, El Paso Natural Gas Company, seeks an order amending said Order No. R-1670 to permit the optional drilling of an additional well on each 320-acre proration unit in the Blanco Mesaverde Pool; to determine the deliverability of each proration unit upon which an additional well is drilled by adding the deliverabilities of the two wells; to permit the production of the allowable assigned to a proration unit containing two wells from both wells in any proportion; to consider both wells on a proration unit as one well for purposes of balancing underproduction or overproduction; to report the production of each well on the unit as well as the total unit production; and to compare the unit production against the unit allowable for determining whether a unit should be classified marginal or non-marginal.

(5) That the Blanco Mesaverde Pool has been developed for approximately 20 years on 320-acre proration units.

(6) That to change the unit size now in said pool would disturb the equities under many of the existing proration units.

(7) That the proration unit size in the Blanco Mesaverde Pool should continue to be 320 acres.

(8) That Section 65-3-10, New Mexico Statutes Annotated, 1953 Compilation, empowers the Commission to prevent waste of hydrocarbons and to protect the correlative rights of the owners of each interest in said hydrocarbons.

(9) That Section 65-3-5, New Mexico Statutes Annotated, 1953 Compilation, confers jurisdiction on the Commission over all matters relating to the conversion of oil and gas.

(10) That "waste" is defined by Section 65-3-3, New Mexico Statutes Annotated, 1953 Compilation.

(11) That the evidence reveals that the Blanco Mesaverde Pool is not a homogeneous, uniform reservoir.

(12) That the producing formation of the Blanco Mesaverde Pool is comprised of various overlapping, interconnecting, and lenticular sands of relatively low permeability, many of which are not being efficiently drained by existing wells in the pool but which could be more efficiently and economically drained and developed by the drilling of additional wells pursuant to the rule changes proposed by the applicant.

(13) That infill drilling will substantially increase recoverable reserves from the Blanco Mesaverde Pool.

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Case No. 5264

Order No. R-1670-T

(14) That infill drilling will result in greater ultimate recovery of the reserves under the various proration units in the pool.

(15) That infill drilling in the Blanco Mesaverde Pool will result in more efficient use of reservoir energy and will tend to ensure greater ultimate recovery of gas from the pool, thereby preventing waste.

(16) That if infill drilling is implemented in the Blanco Mesaverde Pool, each operator will be afforded the opportunity to produce, without waste, his just and equitable share of the gas from the Pool, and his correlative rights, as defined by Section 65-3-29, New Mexico Statutes Annotated, 1953 Compilation, therefore, will not be impaired.

(17) That both wells on a proration unit should be produced so long as it is economically feasible to do so.

(18) That the application should be approved.

IT IS THEREFORE ORDERED:

(1) That the Special Rules for the Blanco Mesaverde Pool in San Juan and Rio Arriba Counties, New Mexico, as promulgated by Order No. R-1670, as amended, are hereby amended to permit the optional drilling of a second well on each proration unit; to provide that the deliverability of a proration unit containing two wells shall be the sum of the deliverabilities of each of the wells; to provide that the unit allowable may be produced from both of the wells in any proportion; to consider both wells on the proration unit as one well for purposes of balancing underproduction or overproduction; to provide for the reporting of production from each well individually and to require the reporting of total production from the unit; and to compare the unit production against the unit allowable in determining whether a unit should be classified marginal or non-marginal.

(2) That Rule 2 of the Special Rules for the Blanco Mesaverde Pool, as promulgated by Order No. R-1670, as amended, is hereby amended to read in its entirety as follows:

"RULE 2 (A). The initial well drilled on a proration unit shall be located 990 feet from the outer boundary of either the Northeast or Southwest quarter of the section, subject to a variation of 200 feet for topographic conditions. Further tolerance shall be allowed by the Commission only in cases of extremely rough terrain where compliance would necessarily increase drilling costs.

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Case No. 5264

Order No. R-1670-T

"RULE 2 (B). The second well drilled on a proration unit shall be located in the quarter section of the unit not containing a well, and shall be located with respect to the unit boundaries as described in Rule 2 (A) above.

"The plats (Form C-102) accompanying the Application for Permit to Drill (OCC Form C-101 or Federal Form 9-331-C) for the second well on a proration unit shall have outlined thereon the boundaries of the unit and shall show the location of the first well on the unit as well as the proposed new well.

"RULE 2 (C). In the event a second well is drilled on any proration unit, both wells shall be produced for so long as it is economically feasible to do so."

(3) That the Special Rules for the Blanco Mesaverde Pool as promulgated by Order No. R-1670, as amended, are hereby amended by the addition of the following Special Rule 9:

RULE 9 (A). The product obtained by multiplying each proration unit's acreage factor by the calculated deliverability (expressed as MCF per day) for the well(s) on the unit shall be known as the AD Factor for the unit. The acreage factor shall be determined to the second decimal place by dividing the acreage within the proration unit by 320, subject to the acreage tolerances provided in Rule 5 (A). The AD Factor shall be computed to the nearest whole number.

RULE 9 (B). The monthly allowable to be assigned to each marginal proration unit shall be equal to its latest available monthly production.

RULE 9 (C). The pool allowable remaining each month after deducting the total allowable assigned to marginal proration units shall be allocated among the non-marginal units entitled to an allowable in the following manner:

1. Seventy-five percent (75%) of the pool allowable remaining to be allocated to non-marginal units shall be allocated among such units in the proportion that each unit's "AD Factor" bears to the total "AD Factor" for all non-marginal units in the pool.

Case No. 5264

Order No. R-1670-T

2. Twenty-five percent (25%) of the pool allowable remaining to be allocated to non-marginal units shall be allocated among such units in the proportion that each unit's acreage factor bears to the total acreage factor for all non-marginal units in the pool.

RULE 9 (D). The current deliverability tests, taken in accordance with the "Gas Well Testing Procedures-San Juan Basin, New Mexico," shall be used in calculating allowables for the proration units in the pool for the 12-month period beginning April 1 of the following year.

RULE 9 (E). When calculating the allowable for a proration unit containing two wells, in accordance with Rule 9 of these rules, the deliverability of both wells shall be added in calculating the AD Factor and the unit allowable may be produced from both wells.

(4) That said Special Rules for the Blanco Mesaverde Pool are hereby amended by the addition of the following Special Rule 10 (C):

RULE 10 (C). The calculated deliverability at the "deliverability pressure" shall be determined in accordance with the provisions of the current "Gas Well Testing Rules and Procedures - San Juan Basin, New Mexico."

No well shall be eligible for reclassification to "Exempt Marginal" status unless it is located on a marginal proration unit.

(5) That said Special Rules for the Blanco Mesaverde Pool are hereby amended by the addition of the following Special Rule 12:

RULE 12. The full production of gas from each well, including drilling gas, shall be charged against the proration unit's allowable regardless of the disposition of the gas; provided, however, that gas used in maintaining the producing ability of the well shall not be charged against the allowable.

(6) That said Special Rules for the Blanco Mesaverde Pool are hereby amended by the addition of the following Special Rule 14:

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Case No. 5264

Order No. R-1670-T

RULE 14 (A). Underproduction: Any non-marginal proration unit which has an underproduced status as of the end of a gas proration period shall be allowed to carry such underproduction forward into the next gas proration period and may produce such underproduction in addition to the allowable assigned during such succeeding period. Any allowable carried forward into a gas proration period and remaining unproduced at the end of such gas proration period shall be cancelled.

RULE 14 (B). Production during any one month of a gas proration period in excess of the allowable assigned to a proration unit for such month shall be applied against the underproduction carried into such period in determining the amount of allowable, if any, to be cancelled.

(7) That said Special Rules for the Blanco Mesaverde Pool are hereby amended by the addition of the following Special Rule 15:

RULE 15 (A). Overproduction: Any proration unit which has an overproduced status as of the end of a gas proration period shall carry such overproduction forward into the next gas proration period. Said overproduction shall be made up during the succeeding gas proration period. Any unit which has not made up the overproduction carried into a gas proration period by the end of said period shall not be produced until such overproduction is made up.

RULE 15 (B). If, during any month, it is discovered that a proration unit is overproduced in an amount exceeding six times its average monthly allowable for the preceding twelve months (or, in the case of a newly connected well, six times its average monthly allowable for the months available), it shall not be produced that month nor each succeeding month until it is overproduced in an amount six times or less its average monthly allowable, as determined hereinabove.

RULE 15 (C). Allowable assigned to a proration unit during any one month of a gas proration period in excess of the production for the same month shall be applied against the overproduction chargeable to such unit in determining the amount of overproduction which must be made up pursuant to the provisions of Rules 15 (A) or 15 (B) above.

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Case No. 5264

Order No. R-1670-T

RULE 15 (D). The Secretary-Director of the Commission shall have authority to permit a well which is subject to shut-in, pursuant to Rules 15 (A) or 15 (B) above, to produce up to 500 MCF of gas per month upon proper showing to the Secretary-Director that complete shut-in would cause undue hardship, provided however, such permission shall be rescinded for any well produced in excess of the monthly rate authorized by the Secretary-Director.

RULE 15 (E). The Commission may allow overproduction to be made up at a lesser rate than permitted under Rules 15 (A), 15 (B), or 15 (D) above upon a showing at public hearing that the same is necessary to avoid material damage to the well.

RULE 15 (F). Any allowable accruing to a proration unit at the end of a gas proration period due to the cancellation of underage in the pool and the redistribution thereof shall be applied against the unit's overproduction.

RULE 15 (G). The Secretary-Director of the Commission shall have authority to grant a pool-wide moratorium of up to three months on the shutting in of gas wells in a pool during periods of high-demand emergency upon proper showing that such emergency exists, and that a significant number of the wells in the pool are subject to shut-in pursuant to the provisions of Rules 15 (A) or 15 (B) above. No moratorium beyond the aforementioned three months shall be granted except after notice and hearing.

(8) That said Special Rules for the Blanco Mesaverde Pool are hereby amended by the addition of the following Section E:

E. CLASSIFICATION OF UNITS

RULE 16 (A). The proration period (as defined in Rule 13) shall be divided into four classification periods of three months each, commencing on April 1, July 1, October 1, and January 1. After the production data is available for the last month of each classification period, any unit which had an underproduced status at the beginning of the proration period shall be classified marginal if its highest single month's production during the classification period is less than its average

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Case No. 5264

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monthly allowable during said classification period; provided however, that the operator of any unit so classified, or other interested party, shall have 15 days after receipt of notification of marginal classification in which to submit satisfactory evidence to the Commission that the unit is not of marginal character and should not be so classified.

RULE 16 (B). The Secretary-Director may reclassify a marginal or non-marginal proration unit at any time the unit's production data, deliverability data, or other evidence as to the unit's producing ability justifies such reclassification.

RULE 17. A proration unit which is classified as marginal shall not be permitted to accumulate underproduction, and any underproduction accrued to the unit prior to its classification as marginal shall be cancelled.

RULE 18. If, at the end of a proration period, a marginal proration unit has produced more than the total allowable for the period, assigned to a non-marginal unit of like deliverability and acreage, the marginal unit shall be reclassified non-marginal and its allowable and net status adjusted accordingly. (If the unit has been classified as marginal for one proration period only, or a portion of one proration period only, any underproduction cancelled as the result of such classification shall be reinstated upon reclassification back to non-marginal status. All uncompensated-for overproduction accruing to the unit while marginal shall be chargeable upon reclassification to non-marginal.)

RULE 19. A proration unit containing a well which has been reworked or recompleted shall be classified non-marginal as of the date of reconnection of the well to a pipeline until such time as production data, deliverability data, or other evidence as to the unit's producing ability indicates that the unit should be classified marginal.

RULE 20. All proration units not classified marginal shall be classified non-marginal.

(9) That said Special Rules for the Blanco Mesaverde Pool are hereby amended by the addition of the following Special Rule 21 (A):

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Order No. R-1670-T

RULE 21 (A). The monthly gas production from each well shall be metered separately and the gas production therefrom shall be reported to the Commission on Form C-115 in accordance with Rule 1115 of the Commission's Rules and Regulations, so as to reach the Commission on or before the 24th day of the month next succeeding the month in which the gas reported was produced. The operator shall show on such report what disposition has been made of the gas produced. The sum of the production from both wells on the proration unit shall also be reported for multiple-well units.

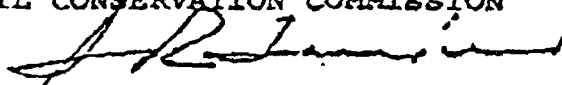
(10) That said Special Rules for the Blanco Mesaverde Pool are hereby amended by the addition of the following Special Rule 23:

RULE 23. Failure to comply with the provisions of this order or the rules contained herein shall result in the cancellation of allowable assigned to the affected proration unit. No further allowable shall be assigned to the affected unit until all rules and regulations are complied with. The Secretary-Director shall notify the operator of the unit and the purchaser, in writing, of the date of allowable cancellation and the reason therefor.

(11) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

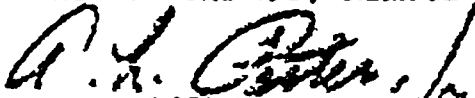
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



I. R. TRUJILLO, Chairman

ALEX J. ARMIJO, Member



A. L. PORTER, Jr., Member & Secretary

S E A L

dr/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 8606
Order No. R-8013

APPLICATION OF DOYLE HARTMAN FOR
SIMULTANEOUS DEDICATION AND
COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8 a.m. on July 2, 1985, at Santa Fe, New Mexico, before Examiner Gilbert P. Quintana.

NOW, on this 20th day of August, 1985, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

- (1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) The applicant, Doyle Hartman, seeks an order pooling all mineral interests from the surface to the base of the Jalmat Gas Pool underlying the NW/4 of Section 8, Township 24 South, Range 37 East, NMPM, Lea County, New Mexico, forming a previously approved 160-acre non-standard spacing and proration unit in the Jalmat Gas Pool.
- (3) The applicant proposes to simultaneously dedicate said gas proration unit to his existing E. E. Jack Well No. 1 located 1980 feet from the North line and 660 feet from the West line (Unit E) of said Section 8 and his proposed E. E. Jack Well No. 5 to be drilled at a standard location within said unit.
- (4) Marilyn A. Tarlton, interest owner in the subject proration unit and trustee of the surviving trustor's trust of the Lortscher Family Trust, dated November 26, 1980, has not agreed to the drilling of said E. E. Jack Well No. 5.

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(5) Evidence was presented showing that an operating agreement entitled, "Operating Agreement", dated January 16, 1951, covering the subject unit area, was entered into by and between Howard Hogan, operator, and Charles T. Scott, Harold S. Russell, Herbert J. Schmitz, and F. D. Lortscher, non-operators.

(6) Said operating agreement was modified December 15, 1954, by an agreement entitled, "Modification of Operating Agreement" and was entered into by and between R. Olsen, operator, and the same non-operators in Finding No. (5) above.

(7) The applicant, Doyle Hartman, controls 66.667 percent of the subject proration unit, including the titles of Howard Hogan, R. Olsen, Herbert J. Schmitz, and Charles T. Scott, Jr.

(8) Marilyn A. Tarlton controls the title of F. D. Lortscher, which is 20 percent of the subject proration unit.

(9) Ms. Tarlton contends that the applicant, other interest owners, and herself are governed by the operating agreements in Findings Nos. (5) and (6) above, hereafter referred to as the "Agreements."

(10) The "Agreements" have provisions for the drilling of additional wells on the subject proration unit, including provisions for non-consent drilling risk penalties, drilling supervision charges, and production supervision charges.

(11) The applicant failed to provide evidence to refute that the "Agreements" are not binding and do not govern the operation of the subject proration unit.

(12) Because of a lack of evidence to the contrary, it appears that the "Agreements" are current binding operating agreements for the subject proration unit, having provisions governing those issues to be addressed in compulsory pooling cases obviating the need for such a hearing in this case.

(13) The compulsory pooling portion of this application should be denied.

(14) The simultaneous dedication portion of this application should be approved, provided the proposed new well is drilled under the provisions of the "Agreements."

IT IS THEREFORE ORDERED THAT:

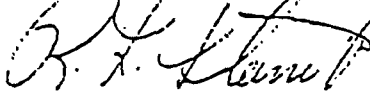
(1) The portion of the application of Doyle Hartman seeking an order pooling all mineral interests from the surface to the base of the Jalmat Gas Pool underlying the NW/4 of Section 8, Township 24 South, Range 37 East, NMPPM, Lea County, New Mexico, is hereby denied.

(2) The previously approved 160-acre non-standard gas proration unit, comprising the NW/4 of said Section 8, shall be simultaneously dedicated to the proposed E. E. Jack Well No. 5 and the applicant's E. E. Jack Well No. 1 located in Unit E of said Section 8 provided the E. E. Jack Well No. 5 is drilled under the terms of the "Agreements."

(3) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



R. L. STAMETS
Director

S E A L

fd/

4958171890

SENDER'S FEDERAL EXPRESS ACCOUNT NUMBER 1607-2065-4		Date 3-4-96		SENDER'S COPY	
From (Your Name) Please Print Doyle Hartman		Your Phone Number (Very Important) (214) 920-1800		To (Recipient's Name) Please Print William J. LeMay	
Company DOYLE HARTMAN OIL OPERATOR		Department/Floor No.		Company Oil Conservation Division Energy & Minerals Dept.	
Street Address 3811 TURTLE CREEK BLVD STE 730		Exact Street Address (We Cannot Deliver to P.O. Boxes or P.O. Zip Codes.) W 2040 South Pacheco			
City DALLAS		State TX		City Santa Fe, New Mexico	
ZIP Required 75219		State NM		ZIP Required 87505	
YOUR INTERNAL BILLING REFERENCE INFORMATION (optional) (First 24 characters will appear on invoice.)					
PAYMENT <input checked="" type="checkbox"/> Bill Sender <input type="checkbox"/> Bill Recipient's FedEx Acct. No. <input type="checkbox"/> Bill 3rd Party FedEx Acct. No. <input type="checkbox"/> Bill Credit Card				IF HOLD AT FEDEX LOCATION, Print FEDEX Address Here	
5 <input type="checkbox"/> Cash/Check <input type="checkbox"/> Acct/Credit Card No. Exp. Date				City State ZIP Required	
4 SERVICES (Check only one box)		5 DELIVERY AND SPECIAL HANDLING (Check services required)		6 PACKAGES WEIGHT In Pounds Only YOUR DECLARED VALUE (See right)	
Priority Overnight (Delivery by next business morning) 11 <input type="checkbox"/> OTHER PACKAGING 16 <input checked="" type="checkbox"/> FEDEX LETTER 12 <input checked="" type="checkbox"/> FEDEX PAK 13 <input checked="" type="checkbox"/> FEDEX BOX 14 <input type="checkbox"/> FEDEX TUBE Economy Two-Day (Delivery by second business day) 30 <input type="checkbox"/> ECONOMY Government Overnight (Restricted for authorized users only) 46 <input type="checkbox"/> GOVT LETTER 41 <input type="checkbox"/> GOVT PACKAGE Freight Service (for packages over 150 lbs.) 70 <input type="checkbox"/> OVERNIGHT FREIGHT 80 <input type="checkbox"/> TWO-DAY FREIGHT		Weekday Service 1 <input type="checkbox"/> HOLD AT FEDEX LOCATION WEEKDAY (Fill in Section H) 2 <input type="checkbox"/> DELIVER WEEKDAY Saturday Service 31 <input type="checkbox"/> HOLD AT FEDEX LOCATION SATURDAY (Fill in Section H) 3 <input type="checkbox"/> DELIVER SATURDAY (Extra charge) (Not available to all locations) 9 <input type="checkbox"/> SATURDAY PICK-UP (Extra charge) Special Handling 4 <input type="checkbox"/> DANGEROUS GOODS (Extra charge) 6 <input type="checkbox"/> DRY ICE (Dangerous Goods Shipper's Declaration not required) 12 <input type="checkbox"/> HOLIDAY DELIVERY (If offered) (Extra charge)		DIM SHIPMENT (Chargeable Weight) L x W x H Received At 1 <input type="checkbox"/> Regular Stop 3 <input type="checkbox"/> Drop Box 2 <input type="checkbox"/> On-Call Stop 5 <input type="checkbox"/> Station	
SERVICE CONDITIONS, DECLARED VALUE AND LIMIT OF LIABILITY Use of this airbill constitutes your agreement to the service conditions in our current Service Guide, available upon request. See back of sender's copy of this airbill for information. Service conditions may vary for Government Overnight Service. See U.S. Government Service Guide for details. We will not be responsible for any claim in excess of \$100 per package, whether the result of loss, damage, delay, non-delivery, misdelivery, or misinformation; unless you declare a higher value, pay an additional charge, and document your actual loss for a timely claim. Limitations found in the current Federal Express Service Guide apply. Your right to recover from Federal Express for any loss, including intrinsic value of the package, loss of sales, income interest, profit, attorney's fees, costs, and other forms of damage, whether direct, incidental, consequential, or special is limited to the greater of \$100 or the declared value specified to the left. Recovery cannot exceed actual documented loss. The maximum Declared Value for FedEx Letter and FedEx Pak packages is \$500. In the event of untimely delivery, Federal Express will at your request and with some limitations refund all transportation charges paid. See Service Guide for further information. Sender authorizes Federal Express to deliver this shipment without obtaining a delivery signature and shall indemnify and hold harmless Federal Express from any claims resulting therefrom.				Federal Express Usr Base Charges Declared Value Charge Other 1 Other 2 Total Charges REVISION DATE 4/94 PART #145412 WCSL C FORMAT #160 160 © 1993-94 FEDEX PRINTED IN U.S.A.	

4958171901

SENDER'S FEDERAL EXPRESS ACCOUNT NUMBER 1607-2065-4		Date 3-4-96		SENDER'S COPY	
From (Your Name) Please Print Doyle Hartman		Your Phone Number (Very Important) (214) 920-1800		To (Recipient's Name) Please Print Mr. Alan Alexander	
Company DOYLE HARTMAN OIL OPERATOR		Department/Floor No.		Company Meridian Oil Inc.	
Street Address 3811 TURTLE CREEK BLVD STE 730		Exact Street Address (We Cannot Deliver to P.O. Boxes or P.O. Zip Codes.) 3535 East 30th Street			
City DALLAS		State TX		City Farmington, New Mexico	
ZIP Required 75219		State NM		ZIP Required 87402	
YOUR INTERNAL BILLING REFERENCE INFORMATION (optional) (First 24 characters will appear on invoice.)					
PAYMENT <input checked="" type="checkbox"/> Bill Sender <input type="checkbox"/> Bill Recipient's FedEx Acct. No. <input type="checkbox"/> Bill 3rd Party FedEx Acct. No. <input type="checkbox"/> Bill Credit Card				IF HOLD AT FEDEX LOCATION, Print FEDEX Address Here	
5 <input type="checkbox"/> Cash/Check <input type="checkbox"/> Acct/Credit Card No. Exp. Date				City State ZIP Required	
4 SERVICES (Check only one box)		5 DELIVERY AND SPECIAL HANDLING (Check services required)		6 PACKAGES WEIGHT In Pounds Only YOUR DECLARED VALUE (See right)	
Priority Overnight (Delivery by next business morning) 11 <input type="checkbox"/> OTHER PACKAGING 16 <input checked="" type="checkbox"/> FEDEX LETTER 12 <input checked="" type="checkbox"/> FEDEX PAK 13 <input checked="" type="checkbox"/> FEDEX BOX 14 <input type="checkbox"/> FEDEX TUBE Economy Two-Day (Delivery by second business day) 30 <input type="checkbox"/> ECONOMY Government Overnight (Restricted for authorized users only) 46 <input type="checkbox"/> GOVT LETTER 41 <input type="checkbox"/> GOVT PACKAGE Freight Service (for packages over 150 lbs.) 70 <input type="checkbox"/> OVERNIGHT FREIGHT 80 <input type="checkbox"/> TWO-DAY FREIGHT		Weekday Service 1 <input type="checkbox"/> HOLD AT FEDEX LOCATION WEEKDAY (Fill in Section H) 2 <input type="checkbox"/> DELIVER WEEKDAY Saturday Service 31 <input type="checkbox"/> HOLD AT FEDEX LOCATION SATURDAY (Fill in Section H) 3 <input type="checkbox"/> DELIVER SATURDAY (Extra charge) (Not available to all locations) 9 <input type="checkbox"/> SATURDAY PICK-UP (Extra charge) Special Handling 4 <input type="checkbox"/> DANGEROUS GOODS (Extra charge) 6 <input type="checkbox"/> DRY ICE (Dangerous Goods Shipper's Declaration not required) 12 <input type="checkbox"/> HOLIDAY DELIVERY (If offered) (Extra charge)		DIM SHIPMENT (Chargeable Weight) L x W x H Received At 1 <input type="checkbox"/> Regular Stop 3 <input type="checkbox"/> Drop Box 2 <input type="checkbox"/> On-Call Stop 5 <input type="checkbox"/> Station	
SERVICE CONDITIONS, DECLARED VALUE AND LIMIT OF LIABILITY Use of this airbill constitutes your agreement to the service conditions in our current Service Guide, available upon request. See back of sender's copy of this airbill for information. Service conditions may vary for Government Overnight Service. See U.S. Government Service Guide for details. We will not be responsible for any claim in excess of \$100 per package, whether the result of loss, damage, delay, non-delivery, misdelivery, or misinformation; unless you declare a higher value, pay an additional charge, and document your actual loss for a timely claim. Limitations found in the current Federal Express Service Guide apply. Your right to recover from Federal Express for any loss, including intrinsic value of the package, loss of sales, income interest, profit, attorney's fees, costs, and other forms of damage, whether direct, incidental, consequential, or special is limited to the greater of \$100 or the declared value specified to the left. Recovery cannot exceed actual documented loss. The maximum Declared Value for FedEx Letter and FedEx Pak packages is \$500. In the event of untimely delivery, Federal Express will at your request and with some limitations refund all transportation charges paid. See Service Guide for further information. Sender authorizes Federal Express to deliver this shipment without obtaining a delivery signature and shall indemnify and hold harmless Federal Express from any claims resulting therefrom.				Federal Express Usr Base Charges Declared Value Charge Other 1 Other 2 Total Charges REVISION DATE 4/94 PART #145412 WCSL C FORMAT #160 160 © 1993-94 FEDEX PRINTED IN U.S.A.	

GALLEGOS LAW FIRM

A Professional Corporation

460 St. Michael's Drive
Building 300
Santa Fe, New Mexico 87505
Telephone No. 505-983-6686
Telefax No. 505-986-1367
Telefax No. 505-986-0741

11475-11476

MICHAEL J. CONDON

February 27, 1996

HAND-DELIVERED

William J. LeMay, Director
New Mexico Oil Conservation Division
2040 South Pacheco Street
Santa Fe, NM 87505

Re: Administrative Application of Meridian Oil Inc. for Administrative Approval of
an Unorthodox Well Locations for its Rhodes B Federal Well No. 4 and No. 7
Lea County, New Mexico

Dear Mr. LeMay:

This office represents Doyle and Margaret Hartman, d/b/a Doyle Hartman, Oil Operator and James A. Davidson. Mr. Hartman has previously written you objecting to Meridian's improper and proposed Administrative Application for an unorthodox Rhodes gas well location by his letter dated January 24, 1996. Mr. Hartman has written a subsequent letter dated February 26, 1996, confirming the objection and responding to Meridian's letter of February 20, 1996. Texaco, by letters dated February 2 and 26, 1996, has already notified the OCD of its objection to Meridian's proposed application.

As the correspondence already demonstrates, the matters raised by Meridian's Application and the objection of Hartman and Texaco are sufficiently complex as to require that the OCD set this matter for hearing rather than consider the application administratively. At present, based upon documentation Meridian has provided, it is unclear whether the Rhodes B Federal No. 7 is an oil well or a gas well. If Meridian has a gas well, the location for the well is clearly unorthodox and effects Hartman's and Texaco's acreage and development in Section 23, T-26-S, R-37-E. If the well is an oil well, additional concerns are raised. In any event, the same zone at issue in Meridian's application is already dedicated to the Rhodes "B" Federal No. 1 oil well. We join in Texaco's objection to Meridian's attempt to circumvent OCD rules and regulations based on any private agreement, especially where Texaco, the other party to the agreement, disputes Meridian's characterization.

The OCD presently has before it applications from both Texaco and Hartman seeking force pooling as to the SW/4 of Section 23, T-26-S, R-37-E, Lea County, New

William J. LeMay
February 27, 1996
Page 2

Mexico, Cases Nos. 11475 and 11476. Meridian's proposed Rhodes B Federal No. 7 well is located in Section 26 just 330' south of the north line. The location of this well will necessarily affect development in Section 23.

Please be advised that Hartman and Davidson oppose consideration of Meridian's Application administratively or without hearing. Please accept this letter as a request that Meridian's Administrative Application be set for hearing and consolidated with Cases No. 11475 and 11476, which are currently set for hearing on March 21, 1996. I would also appreciate it if you would provide this office with copies of any and all correspondence regarding the Meridian Application.

If you need any additional information, please feel free to contact me.

Very truly yours,

GALLEGOS LAW FIRM, P.C.

By 
MICHAEL J. CONDON

MJC:sa

cc: Doyle Hartman
Carolyn Sebastian
William F. Carr (via telecopy)
Tom Kellahin (via telecopy)
Leslyn M. Swierc
James A. Davidson
ioc: J.E. Gallegos