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NATURAL RESOURCES-OIL AND GAS LAW

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September 19, 1994

HAND DELIVERED

Mr. Michael E. Stogner
Chief Hearing Examiner
Oil Conservation Division
310 Old Santa Fe Trail, Room 219
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Zachry Well No. 50
N/2 & SW/4NW/4 Section 35, T29N, R10W, NMPM
Application of Meridian Oil Inc. for
Compulsory Pooling, San Juan County, New Mexico

Dear Mr. Stogner:

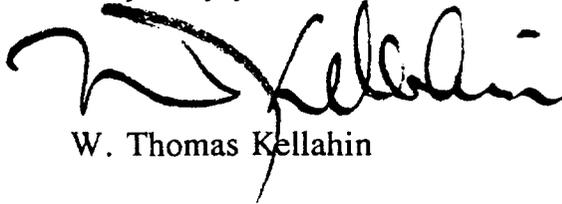
On behalf of Meridian Oil Inc., please find enclosed our application for compulsory pooling which we request be set for hearing on the Examiner's docket now scheduled for October 13, 1994. Also enclosed is our proposed notice of publication for this case.

By copy of this letter, including the application, to all affected parties, we are notifying them by certified mail-return receipt requested, that they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examine witnesses either in support of or in opposition to the application.

Oil Conservation Division
September 19, 1994
Page 2.

Pursuant to the Division's Memorandum 2-90, all interested parties are hereby informed that if they appear in the case, then they are requested to file a Pre-Hearing Statement with the Division not later than 4:00 pm on Friday, October 7, 1994, with a copy delivered to the undersigned.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written in a cursive style. The signature is positioned above the printed name 'W. Thomas Kellahin'.

W. Thomas Kellahin

Enclosure

cc: Meridian Oil Inc.

BY CERTIFIED MAIL-RETURN RECEIPT REQUESTED

to: Amoco Petroleum Company

PROPOSED ADVERTISEMENT FOR NMOCD DOCKET

CASE____: Application of Meridian Oil Inc. for compulsory pooling, San Juan County, New Mexico. Applicant seeks an order pooling all mineral interests in the Gallup formation underlying the SW/4NW/4 and all mineral interests in the Mesaverde formation underlying the N/2 of Section 35, T29N, R10W, NMPM, San Juan County, New Mexico, forming a standard 40-acre and 320-acre spacing and proration units, respectively. Said units are to be dedicated to Meridian Oil Inc.'s Zachry Well No. 50 which is an existing oil well currently producing from the Gallup Pool at a location 1846 feet FNL and 621 feet FWL (Unit E) of said Section 30. Also to be considered will be the costs of participation in said well, including but not limited to the value of the existing wellbore, the costs of recompletion, and the allocation of those costs and income therefor as well as actual operating costs and charges for supervision, and the designation of applicant as the operator of the well. Said units are located approximately 7-1/2 miles east-southeast of Bloomfield, New Mexico.

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

IN THE MATTER OF THE APPLICATION
OF MERIDIAN OIL INC.
FOR COMPULSORY POOLING,
SAN JUAN COUNTY, NEW MEXICO.

CASE NO. _____

A P P L I C A T I O N

Comes now MERIDIAN OIL INC., by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17(c) (1978) applies to the New Mexico Oil Conservation Division for an order pooling all mineral interests in the Gallup formation underlying the SW/4NW/4 and all mineral interests in the Mesaverde formation underlying the N/2 of Section 35, T29N, R10W, NMPM, San Juan County, New Mexico, forming a standard 40-acre and 320-acre spacing and proration units, respectively. Said units are to be dedicated to Meridian Oil Inc.'s Zachry Well No. 50 which is an existing well currently producing from the Gallup Oil Pool at a location 1846 feet FNL and 621 feet FWL (Unit E) of said Section 30. Also to be considered will be the costs of participation in said well, including but not limited to the value of the existing wellbore, the costs of recompletion and the allocation of those costs and income therefor as well as actual operating costs and charges for supervision, and the designation of applicant as the operator of the well.

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

1. Meridian has an 100 % working interest in the SW/4NW/4 and a 87.5 % working interest underlying the N/2 of Section 325, T29N, R10W, NMPM, San Juan County, New Mexico.

2. Meridian's Zachry Well No. 50 was drilled and completed at a standard oil well location 1846 feet FNL and 621 feet FWL (Unit E) of said Section 35 and is currently dedicated to a 40-acre oil spacing and proration unit consisting of the SW/4NW/4 of said Section for production from the Gallup Oil Pool. See Exhibit A.

3. Meridian has proposed to Amoco Production Company that this well be recompleted as a "dual completion" with the addition of potential production from the Mesaverde formation with any Mesaverde production dedicated to a 320-acre gas spacing and proration unit consisting of the N/2 of Section 35.

4. Despite its good faith efforts, Meridian has been unable to obtain a written voluntary agreement from Amoco Production Company.

5. Pursuant to Section 70-2-17(c) NMSA (1978) and in order to obtain its just and equitable share of past and future production from the subject well and this spacing unit, Meridian needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.

6. In accordance with the Division's notice requirements, a copy of this application has been sent to:

Amoco Production Company
P. O. Box 800
Denver, Colorado, 80201
Attn: Mr. Bill Hawkins

7. Meridian requests that this matter be set for a hearing before the Division on the next available Examiner's docket now scheduled for October 13, 1994.

WHEREFORE, Meridian, as applicant, requests that this application be set for hearing on October 13, 1994 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in this spacing unit for the drilling of the subject well at a standard gas well location upon terms and conditions which include:

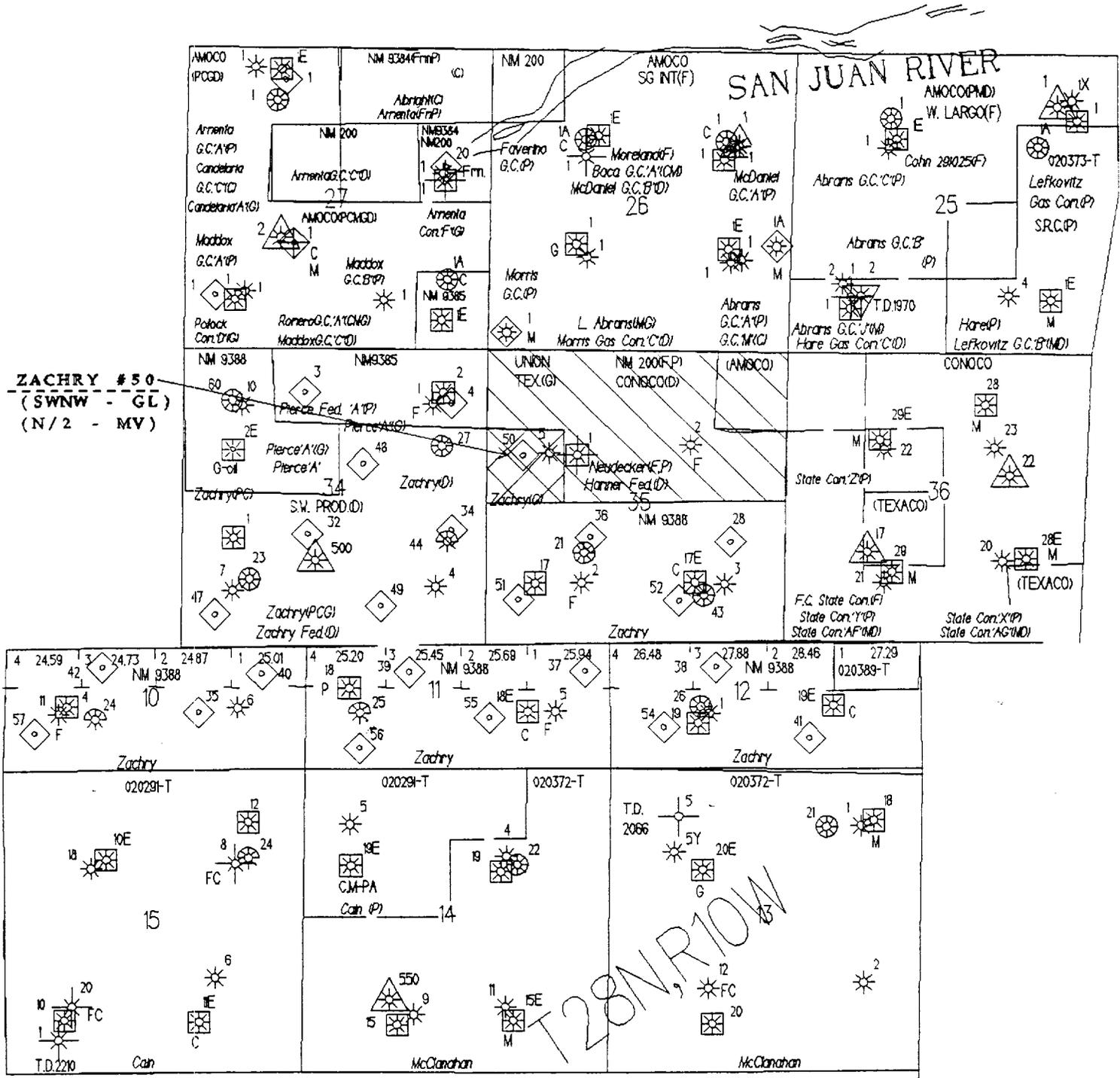
- (1) Meridian Oil Inc. be named operator;
- (2) provisions for each working interest owner to participate in any Gallup production by reimbursing the applicant for the value of the existing wellbore and the costs of recompleting, equipping and operating said well;
- (3) In the event a working interest owner fails to elect to participate, then provisions be made to recover out of production, reimbursement to the applicant for the value of the existing wellbore and for the costs of recompleting, equipping and operating the well, including a risk factor penalty of 200%;
- (4) Provision for overhead rates of \$4,000 per month drilling and \$433 per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS; and
- (5) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:



W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87501
(505) 982-4285

ZACHRY #50 WELL UNIT E, SECTION 35, T29N, R10W SAN JUAN CO., NEW MEXICO



ZACHRY #50
(SWNW - GL)
(N/2 - MV)

- | | | | | | |
|--|----------------------|--|----------------|--|-------------------------|
| | FRUITLAND SAND WELL | | MESAVERDE WELL | | SPACING UNIT GALLOP |
| | FRUITLAND COAL WELL | | DAKOTA WELL | | SPACING UNIT MESA VERDE |
| | PICTURED CLIFFS WELL | | GALLUP WELL | | |