

**EXHIBIT 1**

**KELLAHIN AND KELLAHIN**

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

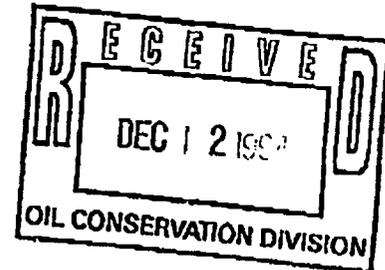
W. THOMAS KELLAHIN\*

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

JASON KELLAHIN (RETIRED 1991)

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December 12, 1994

HAND DELIVERED

Mr. Michael E. Stogner  
Chief Hearing Examiner  
Oil Conservation Division  
P. O. Box 6429  
Santa Fe, New Mexico 87504

Re: Jilison Federal SWD Well No. 1  
Unit F-Sec 8, T24N, R3W, NMPM  
Application of Meridian Oil Inc. for  
Designation of a Portion of the Entrada  
Formation as an "Exempted Aquifer"  
Rio Arriba County, New Mexico

Dear Mr. Stogner:

On behalf of Meridian Oil Inc., please find enclosed our referenced application which we request be set for hearing on the next available Examiner's docket now scheduled for January 5, 1995.

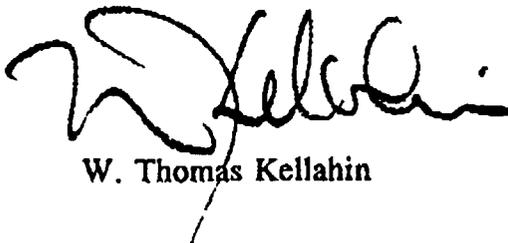
By copy of this letter and application, sent certified mail, we are notifying all interested parties of their right to appear at the hearing and participate in this case, including the right to present evidence either in support of or in opposition to the application and that failure to appear at the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

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Pursuant to the Division's Memorandum 2-90, all parties are hereby informed that if they appear in this case, then they are requested to file a Pre-Hearing Statement with the Division not later than 4:00 PM on Friday, December 30, 1994, with a copy delivered to the undersigned.

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

Very truly yours,



W. Thomas Kellahin

WTK/wtk  
Enclosure

cc: Meridian Oil Inc. and  
By Certified Mail - Return Receipt  
All Interested Parties

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### PROPOSED ADVERTISEMENT

Case \_\_\_\_\_: Application of Meridian Oil Inc. for designation of a portion of the Entrada Formation is an "Exempted Aquifer," Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks designation that the Entrada Formation underlying the SW/4SW/4 of Section 4, S/2 Section 5, SE/4SE/4 Section 6, Sections 7 and 8, W/2W/2 Section 9, N/2N/2 Section 17, and NE/4NE/4 Section 18, T24N, R3W, NMPM, as an "exempted aquifer" so that its Jillson Federal SWD Well No. 1, which has been previously approved by Division Order R-10168, as a salt water disposal well for produced water to be injected into the Entrada Formation from approximately 8,404 feet to 8659 feet can be so utilized. The said well is located approximately 6 miles west-northwest of Lindrith, New Mexico.

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

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

CASE:

APPLICATION OF MERIDIAN OIL INC. FOR  
DESIGNATION OF A PORTION OF THE ENTRADA  
FORMATION AS AN "EXEMPTED AQUIFER",  
RIO ARRIBA COUNTY, NEW MEXICO.

APPLICATION

Comes now MERIDIAN OIL INC., ("Meridian") by and through its attorneys, Kellahin and Kellahin, and applies to the New Mexico Oil Conservation Division for designation that the Entrada Formation underlying the SW/4SW/4 of Section 4, S/2 Section 5, SE/4SE/4 Section 6, Sections 7 and 8, W/2W/2 Section 9, N/2N/2 Section 17, and NE/4NE/4 Section 18, T24N, R3W, NMPM, as an "exempted aquifer" so that its Jillson Federal SWD Well No. 1, which has been previously approved by Division Order R-10168 as a salt water disposal well for produced water to be injected into the Entrada Formation from approximately 8,404 feet to 8659 feet, can be so utilized.

In support of its application, Meridian states:

(1) By Order R-10168 issued August 25, 1994, the Division authorized Meridian Oil Inc. ("Meridian") to drill its Jillson Federal "SWD" Well No 1 ("Jillson Well") at a location 2305 feet from the North line and 2415 feet from the West line (Unit F) of Section 8, Township 24 North, Range 3 West, NMPM, Rio Arriba County, New Mexico for the purpose of disposing of produced salt water into the Entrada formation through perforations from approximately 8441 feet to 8683 feet. See Locator Plat attached as Exhibit "A".

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✓ (2) In accordance with Order R-10168, Meridian drilled its Jillson Well and completed it on the 3rd day of November, 1994, for injection into the Entrada formation. The actual perforated interval in the well is from 8404 feet to 8659 feet all of which is within the vertical limits of the Entrada formation.

(3) Prior to commencing disposal of produced salt water into the Entrada formation through the Jillson Well and to insure compliance with Division Rule 701-E(2), Meridian obtained a sample of the fluids in the Entrada formation and obtained an analysis which is attached as Exhibit "B".

(4) The Analysis shows that the water present in the Entrada formation underlying this location contains waters having total dissolved solids concentrations of 7,730 mg/l.

(5) Division Rule 701-E(2) requires:

"Disposal will not be permitted into zones containing waters having total dissolved solids concentrations of 10,000 mg/l or less except after notice and hearing, provided however, that the Division may establish "exempted aquifers" for such zones wherein such injection may be approved administratively.

(6) In accordance with the "Clean Water Act", the "Safe Drinking Water Act", and the "Resources Conservation and Recovery Act", the federal statutory/regulatory process (40 CFR 146.4) provides:

"Sec. 146.4 Criteria for exempted aquifers:

An aquifer or a portion thereof which meets the criteria for an "underground sources of drinking water" in Sec 146.3 may be determined under 40 CFR 144.8 to be an "exempted aquifer" if it meets the following criteria:

*Exempted Aquifer*

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- (a) It does not currently serve as a source of drinking water;  
and  
(b) It cannot now and will not in the future serve as a source  
of drinking water because:

(1) It is mineral, hydrocarbon or geothermal energy producing, or can be demonstrated by a permit applicant as part of a permit application for a Class II or III operation to contain minerals or hydrocarbons that considering their quantity and location are expected to be commercially producible;

(2) It is situated at a depth or location which makes recovery of water for drinking water purposes economically or technologically impractical;

(3) It is so contaminated that it would be economically or technologically impractical to render that water fit for human consumption; or

(4) It is located over a Class III well mining area subject to subsidence or catastrophic collapse; or

- (c) The total dissolved solids content of the ground water is more than 3,000 and less than 10,000 mg/l and it is not reasonably expected to supply a public water system.

(7) The Oil Conservation Division of New Mexico ("Division") has been authorized by the U. S. Environmental Protection Agency, pursuant to the Federal Safe Drinking Water Act, to protect underground sources of drinking water within the State of New Mexico through the implementation

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and oversight of the Underground Injection Control (UIC) program. See 42 USC 300h(d)2 and 300h-1(b)(1). Also, See 40 CFR 147.

(8) In accordance with both federal and state laws, rules and regulations, the Division is authorized to designate that portion of the Entrada formation underlying the SW/4SW/4 of Section 4, S/2 Section 5, SE/4SE/4 Section 6, Sections 7 and 8, W/2W/2 Section 9, N/2N/2 Section 17, and NE/4NE/4 Section 18, T24N, R3W, as an "exempted aquifer".

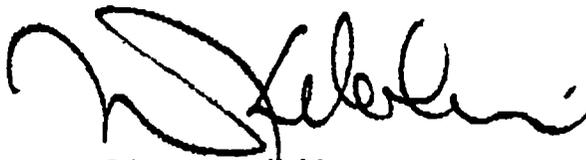
(9) Meridian seeks the designation of that portion of the Entrada formation underlying Section 8 as an "exempted aquifer" because it meets the exempted aquifer criteria described in 40 CFR 146.4(a),(b)(2),(b)(3),(c).

(10) Applicant requests that this matter be docketed for hearing on the Division's Examiner docket now scheduled for January 5, 1995.

(11) A copy of this application is being sent to all owners of production and all surface owners within 2 mile radius of the Jillson Well as shown on Exhibits "C" and "D".

WHEREFORE Applicant requests that this matter be set for hearing on January 5, 1995 before a duly appointed Examiner of the Oil Conservation Division and that after notice and hearing as required by law, the Division enter its order granting this application.

Respectfully submitted



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



THE WESTERN COMPANY OF NORTH AMERICA

API WATER ANALYSIS

Company: MERIDIAN  
 Field:  
 Well: JILLISON SWD #1  
 Depth:  
 Formation:  
 State:  
 County:

W.C.N.A. Sample No.: S402894  
 Legal Description:  
 Lease or Unit:  
 Water.B/D:  
 Sampling Point:  
 Sampled By:  
 Date Sampled: 11/03/94  
 Type of Water(Produced,Supply, ect.): PROD. @5:24PM

PROPERTIES

pH: 7.19  
 Specific Gravity: 1.010  
 Resistivity (ohm-meter): 1.70  
 Temperature: 74F

Iron, Fe(total): 10  
 Sulfide as H2S: 0  
 Total Hardness:  
 (see below)

D I S S O L V E D SOLIDS

CATIONS mg/l me/l  
 Sodium, Na: 2323 : 101  
 Calcium, Ca: 120 : 6  
 Magnesium, Mg: 49 : 4  
 Barium, Ba: N/A : N/A  
 Potassium, K: :

Sample(ml): 1.0 ml of EDTA: .3  
 Sample(ml): 1.0 ml of EDTA: .2

ANIONS mg/l me/l  
 Chloride, Cl: 1773 : 50  
 Sulfate, SO4: 1025 : 21  
 Carbonate, CO3: :  
 Bicarbonate, HCO3: 2440 : 40

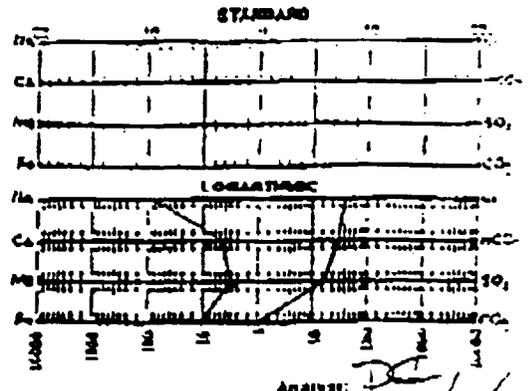
Sample(ml): 1.0 ml of AgNO3: .1  
 Sample(ml): 1.0 ml of H2SO4:  
 Sample(ml): 2.0 ml of H2SO4: .8

Total Dissolved Solids (calculated): 7730  
 Total Hardness: 500

Sample(ml): 1.0 ml of EDTA: .5

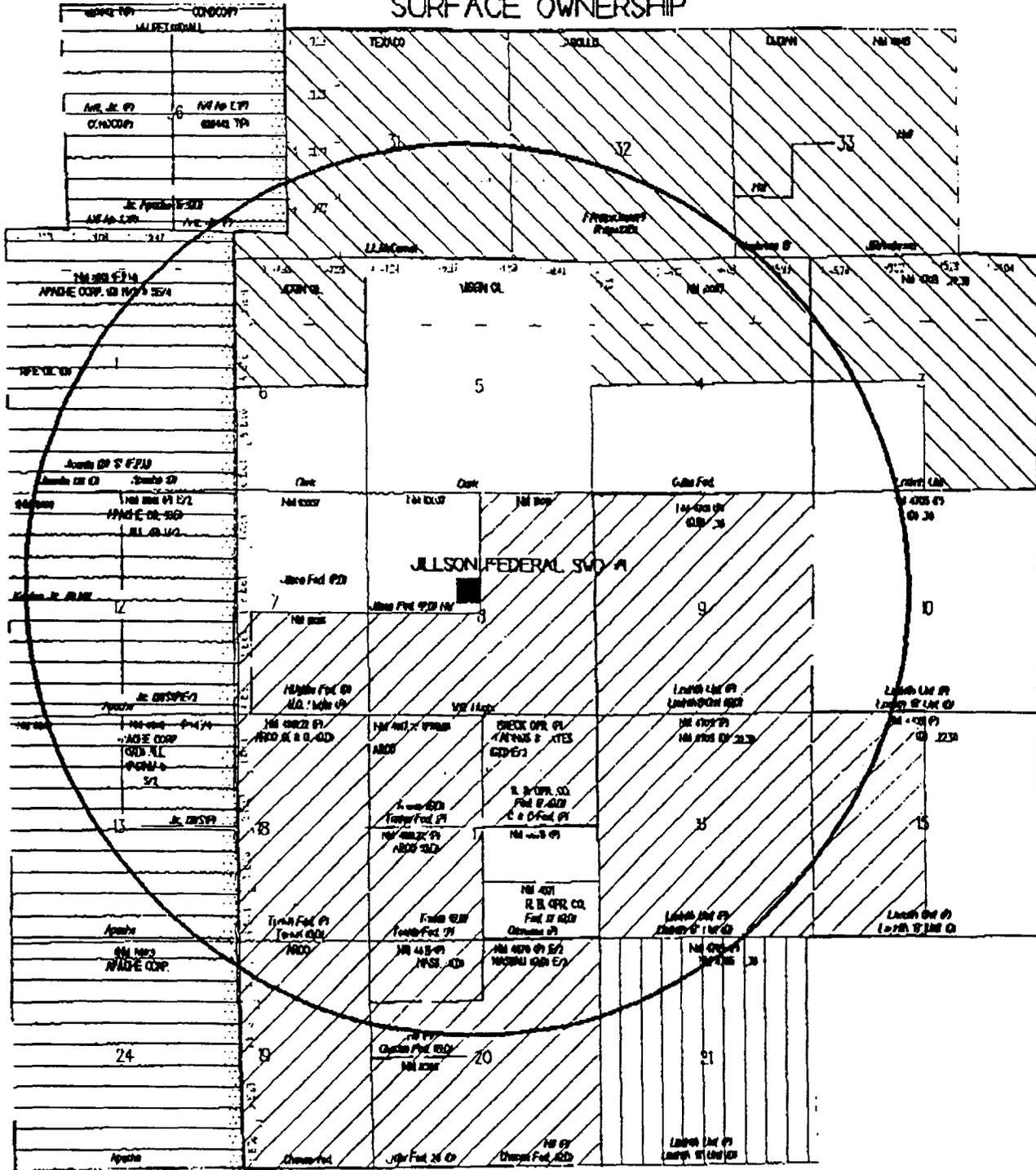
REMARKS AND RECOMMENDATIONS:

WATER PATTERNS-mml



JILLSON FEDERAL SWD #1  
Section 8, T24N, R3W  
Rio Arriba County, New Mexico

SURFACE OWNERSHIP



- Donald Candelaria, 517 E. Zia Aztec, NM 87410
- Paul Candelaria, 3603 N. Buena Vista, Farmington, NM 87401
- Ray Leeson, PO Box 8, Lindrith, NM 87028
- John Shipley, General Delivery, Lindrith, NM 87028
- Jicarita Apache Tribe, PO Box 167, Duice, NM 87528
- Bureau of Land Management, 435 Montana NE, Albuquerque, NM 87107

EXHIBIT "C"

**JILLSON FEDERAL SWD #1  
OFFSET OPERATORS**

**Township 25 North, Range 3 West**

- Section 31: Texaco, Inc., PO Box 2100, Denver, CO 80201
- Section 32: Joseph B. Gould, 430 S. 3rd St., Las Vegas, NV 89101
- Section 33: Dugan Production Corp., PO Box 420, Farmington, NM 87499

**Township 25 North, Range 4 West**

- Section 36: Meridian Oil Inc., MW Petroleum Corporation  
One United Bank Center, 1700 Lincoln Center, Suite 4900, Denver, CO 80203 &  
Conoco, Inc., 10 Desta Dr., Suite 100W, Midland, TX 79705

**Township 24 North, Range 3 West**

- Section 3: Meridian Oil Inc. &  
Mobil Producing Texas and New Mexico, P.O. Box 633, Midland, TX 79702
- Section 4: Meridian Oil Inc.
- Section 5: Carolyn Clark Wiggan Oil Properties, PO Box 420, Farmington, NM 87499
- Section 6: Carolyn Clark Wiggan Oil Properties
- Section 7: Meridian Oil Inc.
- Section 8: Meridian Oil Inc.
- Section 9: Meridian Oil Inc. & Mobil Producing Texas and New Mexico
- Section 10: Meridian Oil Inc. & Mobil Producing Texas and New Mexico
- Section 15: Meridian Oil Inc. & Mobil Producing Texas and New Mexico
- Section 16: Meridian Oil Inc. & Mobil Producing Texas and New Mexico
- Section 17: Meridian Oil Inc.,  
Bannon Energy, Inc., 3934 F.M., 1960 West, Suite 240, Houston, TX 77068 &  
RB Operating Company, 2412 N > Grandview, Suite 201, Odessa, TX 79761
- Section 18: Meridian Oil Inc. &  
Bannon Energy, Inc.
- Section 19: Meridian Oil Inc.
- Section 20: Meridian Oil Inc. & Conoco, Inc.
- Section 21: Meridian Oil Inc. & Mobil Producing Texas and New Mexico

**Township 24 North, Range 4 West**

**Section 1: Meridian Oil Inc. &  
Apache Corporation, 1700 Lincoln Center St., Ste 4900, Denver, CO 80203-4549**

**Section 12: Meridian Oil Inc. & Apache Corporation**

**Section 13: Meridian Oil Inc. & Apache Corporation**

**Section 24: Meridian Oil Inc. & Apache Corporation**