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

JASON KELLAHIN (RETIRED 1991)

June 13, 1995

HAND DELIVERED

**RECEIVED**

JUN 13 1995

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

Oil Conservation Division

Re: San Juan 30-4 Unit Well No. 40, J-21-30N-4W  
Application of Meridian Oil Inc.  
for downhole commingling, a non-standard  
proration unit and an unorthodox well location,  
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 July 13, 1995.

Previously, on May 13, 1995, I submitted this application which was not docketed for hearing because the application includes a request for the approval of a 320-acre Pictured Cliffs gas Proration and Spacing Unit.

While both you and Mr. Catanach have advised me that the relief Meridian seeks cannot be granted, I would appreciate you docketing it for hearing and giving us an opportunity to present this matter at a hearing so we can obtain a formal order on the matter.

Oil Conservation Division  
June 13, 1995  
Page Two

Meridian has a dilemma--in May 27, 1953, when the New Mexico Oil Conservation Commission approved the San Juan 30-4 Unit Agreement it ratified a special provision that required 320-acre Pictured Cliffs gas spacing. [See Paragraph (11) of Agreement, copy enclosed]

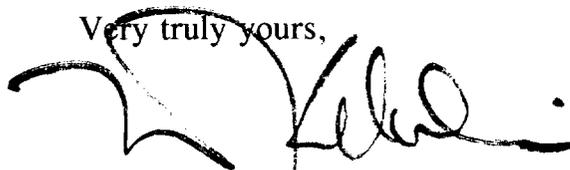
While unit agreements are no longer drafted in this manner, this one has a unique provision which appears to me to constitute a determination by the Oil Conservation Commission that requires the Pictured Cliffs within the unit area to be spaced on 320 acres rather than the typical 160-acres.

Meridian is still searching its records on this topic. But, for example, I have enclosed a copy of a C-102 which was approved by the Division on April 25, 1973 which declares 320-acre dedication but then shows a 160-acre outline on the plat.

Meridian Oil Inc believes it is obligated to use 320-acre gas spacing in the Pictured Cliffs formation instead of the standard 160-acre spacing established for the East Blanco-Pictured Cliffs Gas Pool. And if not, we would like an order declaring the appropriate spacing.

Accordingly, Meridian seeks approval of a non-standard 320-acre spacing and proration unit consisting of the E/2 of said Section 21 as set forth in the enclosed application.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over a large, stylized flourish that resembles a large 'W' or a similar symbol.

W. Thomas Kellahin

WTK/wtk  
Enclosure  
cc: Meridian Oil Inc.  
Attn: Alan Alexander