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W. THOMAS KELLAHIN*

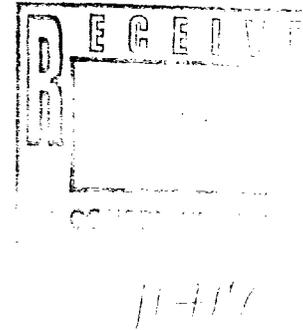
*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

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October 9, 1995

HAND DELIVERED



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

*Re: Aunt Lula 30 Well No. 1
Unit I of Section 30, T10S, R38E, NMPM
Application of Meridian Oil Inc. for
Compulsory Pooling, Lea County, New Mexico*

Dear Mr. LeMay:

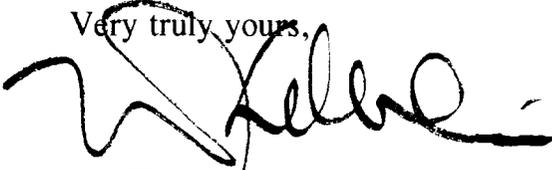
On behalf of Meridian Oil Inc., please find enclosed our application for compulsory pooling which we request be set for hearing on the Examiner's docket now scheduled for November 2, 1995. Also enclosed is our proposed notice of publication for this case.

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
October 9, 1995
Page 2.

It is our understanding that the November 2, 1995 Division Examiner hearing has been scheduled for the Roswell City Council Chambers on North Richardson in Roswell, New Mexico. Any potential party desiring to appear in this matter should call the Division at (505) 827-7132 to determine the time and place of this hearing.

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 27, 1995, with a copy delivered to the undersigned.

Very truly yours,

W. Thomas Kellahin

Enclosure

cc: Meridian Oil Inc.
Attn: Leslyn Swierc

cc: BY CERTIFIED MAIL-RETURN RECEIPT REQUESTED
to: parties listed in application

PROPOSED ADVERTISEMENT FOR NMOCD DOCKET

CASE 11417: Application of Meridian Oil Inc. for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Wolfcamp formation underlying the following described acreage within Section 30, T10S, R38E, NMPM, Lea County, New Mexico and in the following manner: the NE/4SE/4 to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre oil spacing within said vertical extent; and the SE/4 to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre gas spacing within said vertical extent. Said units are to be dedicated to its proposed Aunt Lula 30 Well No. 1 which is to be drilled at a standard well location in Unit I of said Section. Also to be considered will be the costs of participation in said well, including but not limited to the costs of drilling, completing said well and the allocation of those costs and income therefor as well as actual operating costs and charges for supervision, a charge for the risk involved in drilling and completing said well and the designation of applicant as the operator of the well.

Said well is located approximately 10 miles northeast of Gladiola, 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,
LEA COUNTY, NEW MEXICO.**

CASE NO. 11417

APPLICATION

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 from the surface to the base of the Wolfcamp formation underlying the following described acreage within Section 30, T10S, R38E, NMPM, Lea County, New Mexico and in the following manner: the NE/4SE/4 to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre oil spacing within said vertical extent; and the SE/4 to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre gas spacing within said vertical extent. Said units are to be dedicated to its proposed Aunt Lula 30 Well No. 1 which is to be drilled at a standard well location in Unit I of said Section. Also to be considered will be the costs of participation in said well, including but not limited to the costs of drilling, completing said well and the allocation of those costs and income therefor as well as actual operating costs and charges for supervision, a charge for the risk involved in drilling and completing said well and the designation of applicant as the operator of the well.

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

1. Meridian has a working interest ownership in the oil and gas minerals underlying the SE/4 of Section 30, T10S, R38E, NMPM, Lea County, New Mexico. See Exhibit "A" attached.

2. The subject well is to be drilled at a standard well location in the NE/4SE/4 of Section 30 to test any and all formations in the pooled interval from the surface to the base of the Wolfcamp formation with its primary objective being to test for Wolfcamp oil production and to be dedicated to the appropriate sized spacing unit for the appropriate pool consisting of the NE/4SE/4 or the SE/4 of said Section 30 as the case may be.

3. Meridian has proposed the subject well and its appropriate spacing unit to the unleased mineral owners and working interest owners in the spacing unit as identified on Exhibit "B" attached.

4. Despite its good faith efforts, Meridian has been unable to obtain a written voluntary agreement from the unleased mineral owners and working interest owners set forth on Exhibit "B" attached.

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 those parties set forth on Exhibit "B" attached.

7. Meridian requests that this matter be set for a hearing before the Division on the next available Examiner's docket now scheduled for November 2, 1995.

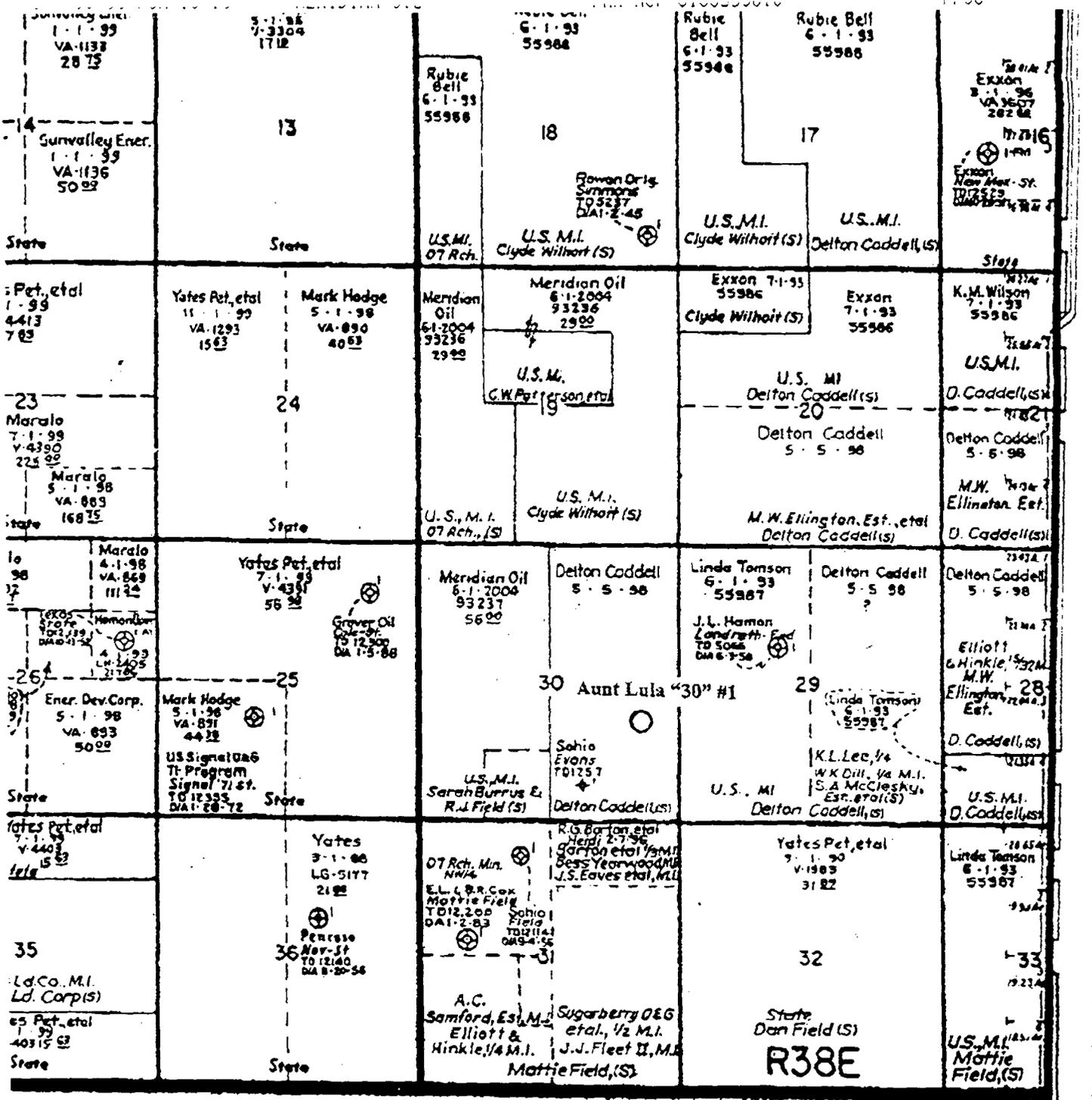
WHEREFORE, Meridian, as applicant, requests that this application be set for hearing on November 2, 1995 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in this spacing unit for the drilling, completion and operations of the subject well at a standard 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 production by reimbursing the applicant for the costs of drilling completing, 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 costs of drilling, completing, equipping and operating the well, including a risk factor penalty of 200%;
- (4) Provision for overhead rates of \$5,000 per month drilling and \$500 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



Land Plat of the Proposed Aunt Lula "30" #1, located 1980' FSL & 660' FEL Section 30, T10S, R38E, Lea County, New Mexico

T10S - R38E sections 29 & 30



EXHIBIT "B"

Nations Geophysical, Inc.
1031 Andrews Highway, Suite 207
Midland, Texas 79701
Attn: Brian Lucas

William B. Osborn, Jr.
individually and as Trustee
of the William B. Osborn, Jr. Trust
P. O. Box 8C
San Antonio, Texas 78217

Betty Osborn Biedenhorn Estate and
Betty Osborn Biedenhorn Trust
c/o Osborn Heirs Co.
P. O. Box 17968
San Antonio, Texas 78286

Charlotte Osborn Barrett Trust
Marcus Thurman Barrett, III, individually
William Osborn Barrett, individually
c/o Barrett Brothers Oil & Gas
P. O. Box 171190
San Antonio, Texas 78217

Alice J. Dickey
7608 B Shadow Mountain
Paradise Valley, Arizona 85253

John J. Fleet
c/o Fleet Family Mineral Properties
4332 Livingston Avenue
Dallas, Texas 75205

Sugarberry Oil & Gas Corp. and
Global Natural Resources Corp of Nevada
2911 Turtle Creek Blvd. Suite 1080
Dallas, Texas 75219