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Santa Fe, New Mexico 87504-2265

RECEIVED

September 20, 1988

SEP 20 1988

Mr. William J. LeMay  
Oil Conservation Division  
P.O. Box 2088  
Santa Fe, NM 87504

HAND DELIVERED

OIL CONSERVATION DIVISION

Re: Application of Meridian Oil Inc.  
for a Horizontal Drain Hole  
Pilot Project, Sunray H-201 well  
San Juan, New Mexico

Case 9499

Dear Mr. LeMay:

On behalf of Meridian Oil Inc. we would appreciate you having the enclosed application set for hearing on the next available Examiner's docket now scheduled for October 12, 1988.

We suggest the following for an advertisement for the docket and newspaper:

Application of Meridian Oil Inc. for a Horizontal Directional Drilling, Unorthodox location, San Juan County, New Mexico. Applicant in the above styled cause seeks authority to initiate a horizontal directional drilling pilot project in the SW/4 of Section 11, T30N, R10W, NMPM San Juan County, New Mexico forming a standard 160 acre gas spacing and proration unit in the Fruitland formation, by commencing its Sunray H-201 well at an unorthodox surface location 270 feet FWL and 660 feet FSL of said section 11, drilling to a true vertical depth of 3265 feet then plugging back to 2725 feet and commencing a medium radius curve of 650 feet in a northeasterly direction to an angle of approximately 90 degrees to a depth to encounter the top of the Fruitland Coal Seam at about 2,785 feet at which point the wellbore will be drilled horizontally an approximate lateral distance of 1328 feet within said formation. The terminus of the bottom hole location will be unorthodox 790 feet from the north line and 790 feet from the east line of said Section 11.

Said location is approximately 10 miles southeast of Aztec, New Mexico.

KELLAHIN, KELLAHIN and AUBREY

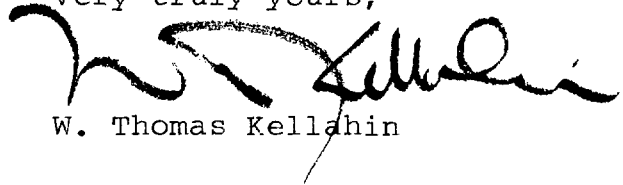
Mr. William J. LeMay

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By copy of this letter to all parties shown on Exhibit A to the application, we are forwarding a copy of the application and notifying them by certified mail return-receipt 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. Those parties are directed to contact the Division or the applicant's attorney to determine what additional rights they may have.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', is written over the typed name. The signature is stylized with a large, sweeping initial 'W'.

W. Thomas Kellahin

WTK/dm

Encl.

cc: Mr. John Caldwell  
Meridian Oil Inc.  
3535 East 30th Street  
Farmington, NM 87499-4289

STATE OF NEW MEXICO  
DEPARTMENT OF ENERGY AND MINERALS  
OIL CONSERVATION DIVISION

RECEIVED  
SEP 2 1999  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE  
APPLICATION OF MERIDIAN OIL INC.  
FOR A HORIZONTAL DIRECTIONAL  
DRILLING PILOT PROJECT AND  
UNORTHODOX BOTTOM HOLE LOCATION,  
SAN JUAN COUNTY, NEW MEXICO

CASE NO.: 9499

A P P L I C A T I O N

Comes now MERIDIAN OIL INC., by and through its attorneys, Kellahin, Kellahin & Aubrey, and applies to the New Mexico Oil Conservation Division to initiate a horizontal directional drilling pilot project in the SW/4 of Section 11, T30N, R10W, NMPM San Juan County, New Mexico forming a standard 160 acre gas spacing and proration unit in the Fruitland formation, by commencing its Sunray H-201 Well at an unorthodox surface location 270 feet FWL and 660 feet FSL of said Section 11 and drilling to a true vertical depth of 3265 feet then plugging back to 2725 feet commencing a 650 foot medium radius curve in a northeasterly direction to an angle of approximately 90 degrees to a depth to encounter the top of the Fruitland Coal Seam at about 3208 feet at which point the wellbore will be drilled horizontally an approximate lateral distance of 1328 feet within said formation. The terminus of the bottom hole location will be 790 feet from the east line and 790 feet from the north line of said Section 11. Said location is approximately 10 miles

south of Aztec, New Mexico. In support thereof applicant would show:

1. Applicant proposes to drill its Sunray H-201 well at a surface location 270 feet FWL and 660 feet FSL of Section 11, T30N, R10W, NMPM, to a total depth of 3265 feet.

2. Applicant proposes to plugback the well to approximately 2725 feet and there commence a medium radius curve of 650 feet and directionally drill horizontally in a northeasterly direction not more than a maximum of 1328 feet.

3. The spacing unit for the Sunray unit well is the SW/4 of said Section 11.

4. Applicant is the operator of the Unit of which the SW/4 of Section 11 is part.

5. The applicant is the working interest owner and operator of all 160 acre units surrounding the subject 160 acre unit. Because there is a difference in royalty and overriding royalty owners between the offset spacing units and the subject spacing unit, notification of this application is being sent to all those royalty and overriding royalty owners shown on Exhibit A, attached hereto.

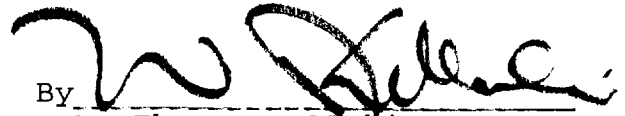
6. The proposed horizontal section of the wellbore will be located in the Fruitland limestone formation.

7. Applicant seeks approval of this application in order to determine if this type of application in order to determine if this type of wellbore and completion in the Fruitland formation will result in the recovery of substantially greater amounts of hydrocarbons from the Fruitland

than would normally be recovered by a conventional well completion thereby improving ultimate recovery and preventing waste.

WHEREFORE, after notice and hearing, the applicant requests that this application be granted.

Respectfully Submitted:

By   
W. Thomas Kellahin  
Kellahin, Kellahin & Aubrey  
P.O. Box 2265  
Santa Fe, NM 87504