

MERIDIAN OIL

September 16, 1994

New Mexico Oil Conservation Division
Attn: Mr. Bill LeMay
P.O. Box 2088
310 Old Santa Fe Trail
Santa Fe, New Mexico, 87501

RE: Jicarilla 89, 94 and 95 Leases

- Jicarilla 89 #6 Unit D, Section 13, T27N, R03W; PC add to existing MV well.
- Jicarilla 94 #3A Unit C, Section 22, T27N, R03W; PC add to existing MV well.
- Jicarilla 95 #2A Unit O, Section 25, T27N, R03W; MV/PC new drill.
- Jicarilla 95 #6A Unit J, Section 36, T27N, R03W; MV/PC new drill.

Rio Arriba County, New Mexico
Downhole Commingling Request

Dear Mr. LeMay:

Meridian Oil Inc. is applying for an administrative downhole commingling order for the referenced wells in the Gavilan Pictured Cliffs and the Blanco Mesaverde fields. The ownership of the zones to be commingled is common. All offset interest owners shown on the attached plats and the Bureau of Land Management will receive notice of this commingling application.

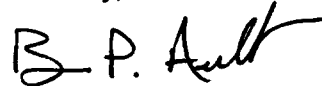
The Mesaverde and Pictured Cliffs wells in this area are marginal economic producers based on current rates of 10-90 MCFD for each zone. The projects are economic when commingled due to savings realized on surface facilities and tubulars. The only economical way to recover the Mesaverde and Pictured Cliffs reserves identified on the lease is to downhole commingle production from both zones in the wells proposed.

In the Pictured Cliffs pay adds to existing Mesaverde wells it is proposed to set a bridge plug above the Mesaverde formation, perforate and stimulate the Pictured Cliffs and test its production. The bridge plug will then be removed, and both zones produced through a single string of tubing. In the Mesaverde/Pictured Cliffs new drills, it is proposed to complete the Mesaverde formation and test its production, then set a bridge plug above the Mesaverde, perforate and stimulate the Pictured Cliffs, and test its production. The bridge plug will then be removed, and both zones produced through a single string of tubing. The reservoir characteristics of each of the subject zones are such that underground waste will not be caused by the proposed commingling. The fluids in the two reservoirs are compatible and no precipitates will be formed to cause damage to either reservoir (see attached fluid analyses and compatibility tests, completed for prior commingling on the Jicarilla 94 and 95 leases). The shut-in pressure for the Mesaverde and Pictured Cliffs are 550 and 490 psi, respectively.

The allocation of the commingled production will be calculated using flow tests from the Mesaverde and Pictured Cliffs during completion operations, and the surrounding production history from both producing intervals. Meridian will consult with the district supervisor of the Aztec NMOCD office for approval of the allocation.

Approval of this commingling application will allow for the prevention of wasted resources and the protection of correlative rights. The Mesaverde and Pictured Cliffs are commingled in nine other wells in this township as per NMOCD Order #'s R-5350 (01/17/77), R-6004 (05/02/79), DHC-924 and DHC-925 (09/27/93), DHC-984, 985, 986, 987, 988 (2/18/94). Two of these wells (DHC-924, 925) are completed, waiting on hook-up while seven (R-5350, -6004, DHC-984, 985, 986, 987, 988) are producing with no adverse affects from the commingling. Included with this letter are plats showing ownership of offsetting leases for both formations, copies of letters to offset operators and the Bureau of Land Management, and a detailed report of fluid compatibility.

Sincerely,

A handwritten signature in black ink, appearing to read "B. P. Ault". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Brian P. Ault
Production Engineer

BPA/rjp

Attachments

xc: Frank T. Chavez - NMOCD/Aztec

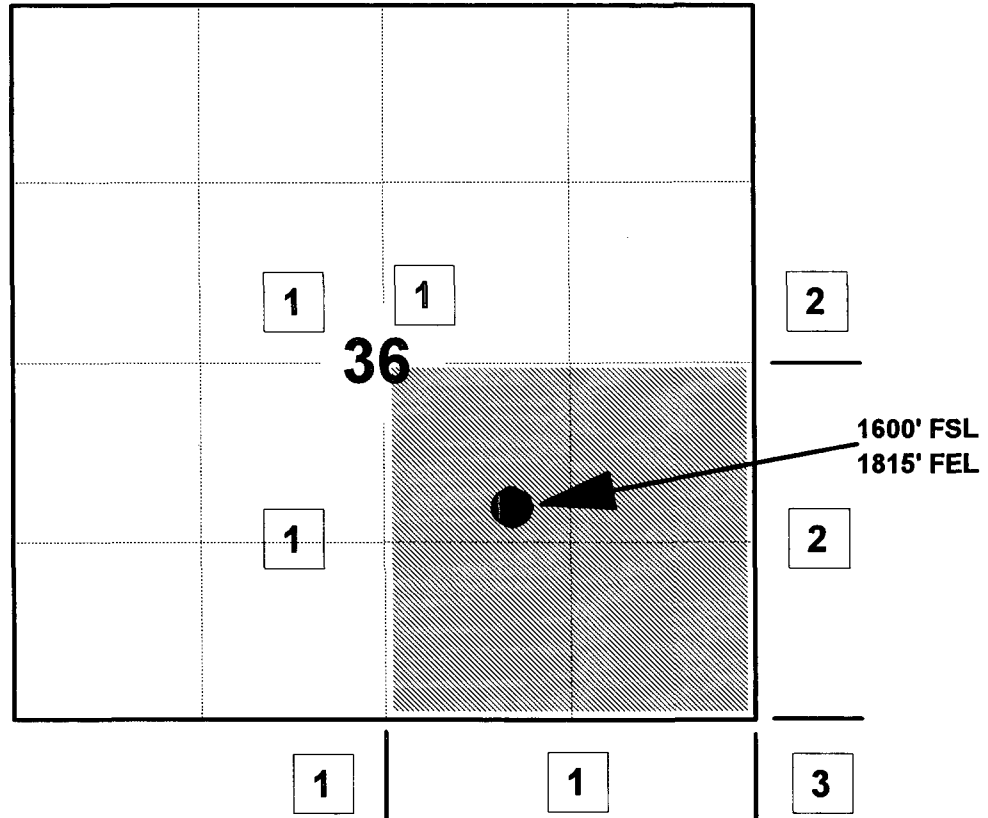
MERIDIAN OIL INC

JICARILLA 95 #6A

OFFSET OPERATOR \ OWNER PLAT

Pictured Cliffs / Mesaverde Formation Commingle

Township 27 North, Range 3 West



1) Meridian Oil Inc

2) Jicarilla Apache Tribe

PO Box 167, Dulce, NM 87528

3) Nassau Resources

650 South Cherry, Suite 1225, Denver, CO 80222

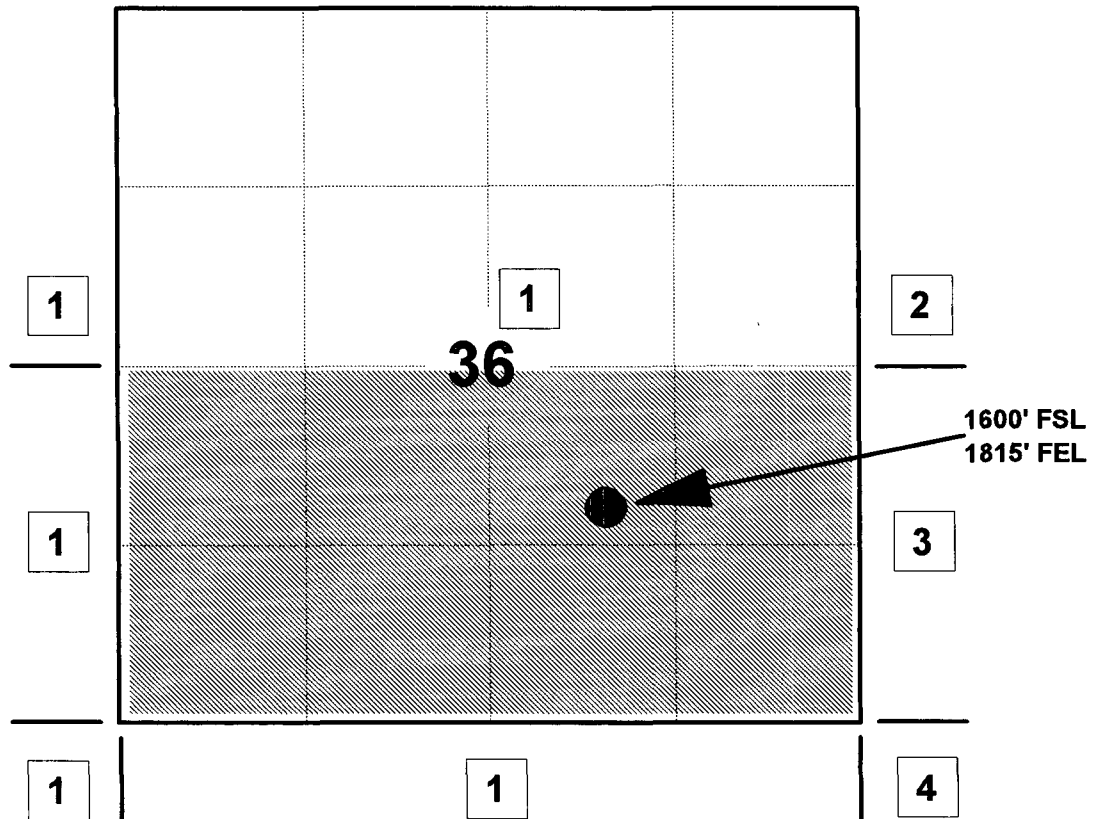
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OFFSET OPERATOR \ OWNER PLAT

Pictured Cliffs / Mesaverde Formation Commingle

Township 27 North, Range 3 West



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2) Jicarilla Apache Tribe

PO Box 167, Dulce, NM 87528

3) Jicarilla Apache Tribe &

Jicarilla Energy Company, Attn: Thurman Velarde, PO Box 507, Dulce, NM 87528

4) William A. Gallaway 3005 Northridge Dr., Ste 1, Farmington, NM 87401 &

Nassau Resources 650 South Cherry, Suite 1225, Denver, CO 80222

MERIDIAN OIL

September 16, 1994

Bureau of Land Management
Robert Kent
435 Montano NE
Albuquerque, NM 87107

RE: Jicarilla 89, 94 and 95 Leases

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Rio Arriba County, New Mexico
Downhole Commingling Request

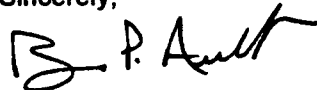
Gentlemen:

Meridian Oil, Inc. is in the process of applying for a downhole commingling order for the referenced wells in Rio Arriba County, New Mexico, in the Gavilan Pictured Cliffs and the Blanco Mesaverde fields.

The purpose of this letter is to notify you of such action. If you have no objections to the proposed commingling order, we would appreciate your signing this letter and returning it to this office.

Your prompt attention to this matter would be appreciated.

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Brian P. Ault
Production Engineering

BPA/rjp

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September 16, 1994

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P.O. Box 167
Dulce, NM 87528

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The above downhole commingling request is hereby approved:

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MERIDIAN OIL

September 16, 1994

Williams Production Company
P.O. Box 58900
Salt Lake City, UT 84158-0900

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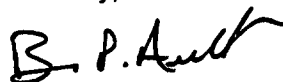
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Nassau Resources
650 South Cherry, Suite 1225
Denver, CO 80222

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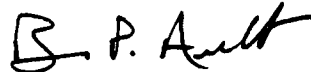
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En Re Corp.
4940 Broadway, Suite 200
San Antonio, TX 78209

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P.O. Box 507
Dulce, NM 87528

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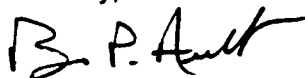
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3005 Northridge Drive, Suite 1
Farmington, NM 87401

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