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November 3, 1995

HAND-DELIVERED

Michael E. Stogner
Hearing Examiner
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco
Santa Fe, New Mexico 87505

RECEIVED

NOV 2 1995

Oil Conservation Division

Re: Oil Conservation Division Case No. 11417;
Application of Meridian Oil Inc. for Compulsory Pooling, Lea County, New
Mexico

Dear Mr. Stogner:

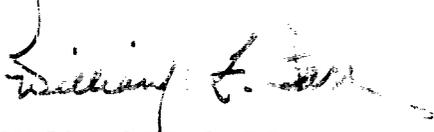
At the close of the November 2, 1995 hearing in the above-referenced case, W. B. Osborn, Jr., Alice J. Dickey, John J. Fleet, II and Nations Geophysical Inc. requested that the overhead and administrative rates imposed on the well which is the subject of this case be limited to the Ernst & Young figures for wells drilled to this depth (9,900 feet) in West Texas and Eastern New Mexico.

At your request, I'm enclosing a copy of the 1994 Ernst & Young Survey and the page applicable to wells in this area. As you will note, for a 9,900 foot test, the median overhead rates are \$4,000 per month while drilling and \$400 per month while producing. We recommend that these figures be incorporated into the pooling Order in this case and that the appropriate escalator be applied to this base figure.

Michael E. Stogner
Hearing Examiner
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
November 3, 1995
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If you have further questions concerning this matter, please advise.

Very truly yours,

A handwritten signature in black ink, appearing to read "William F. Carr", with a long horizontal flourish extending to the right.

WILLIAM F. CARR

WFC:mlh

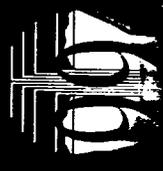
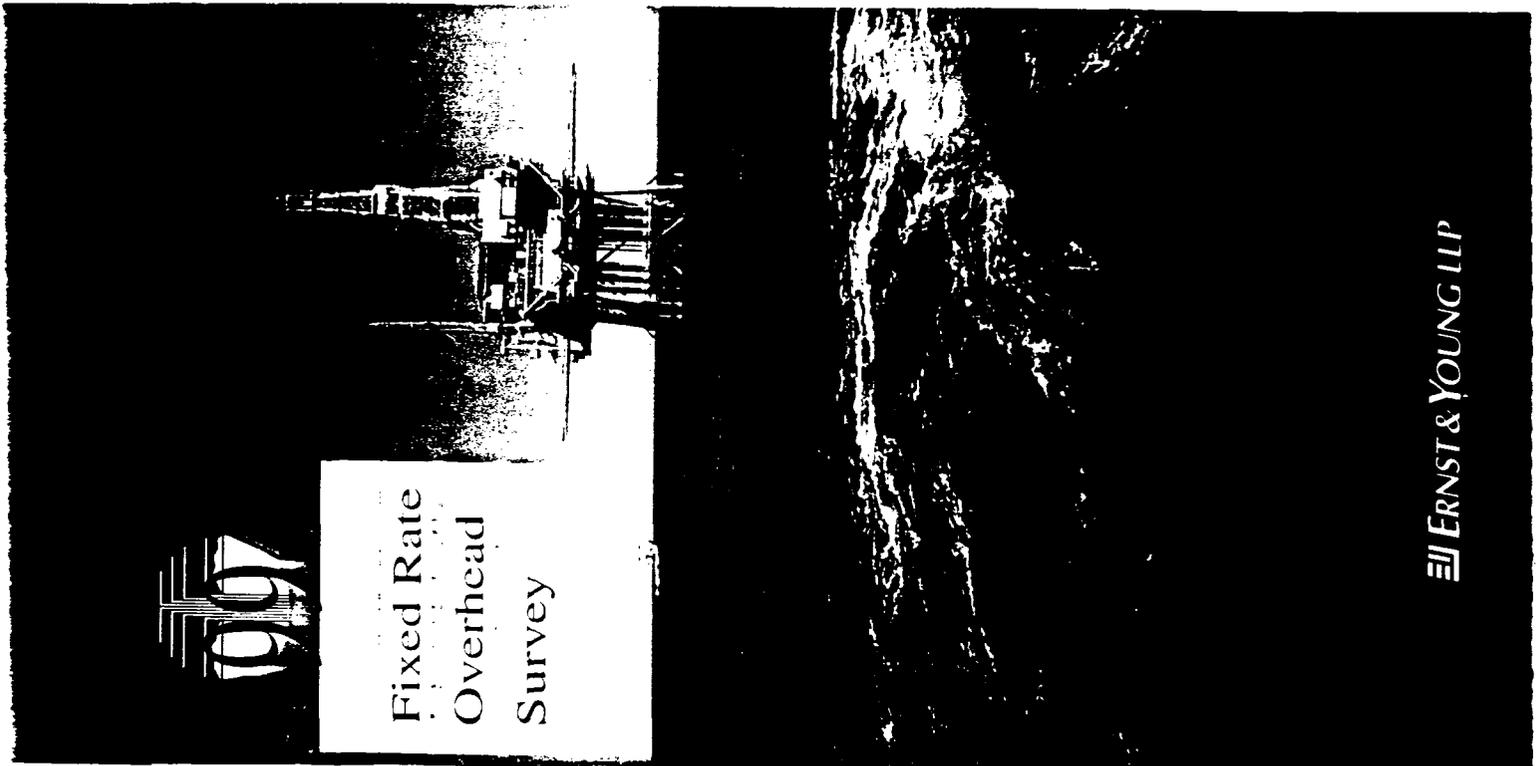
Enc.

cc: W. Thomas Kellahin, Esq. (w/enclosure)
Rex Bourland (w/enclosure)
Brian Lucas (w/enclosure)

West Texas and Eastern New Mexico



Responses		Depth in Feet	Monthly Drilling Well Rates				Monthly Producing Well Rates			
1994	1993		1994		1993		1994		1993	
			Mean	Median	Mean	Median	Mean	Median	Mean	Median
88	141	0 - 5,000	\$3,145	\$3,000	\$3,093	\$3,000	\$327	\$300	\$323	\$300
67	114	5,001 - 10,000	3,135	3,000	4,136	4,000	318	300	450	425
20	42	10,001 - 15,000	3,297	4,750	5,146	5,000	474	499	502	500
4	5	15,001 - 20,000	6,000	6,000	5,590	5,000	454	377	538	450
2	1	20,000 +	8,500	8,500	4,500	4,500	675	675	400	400
5	8	No Depth Limit	5,317	5,900	4,018	4,000	550	632	476	476



Fixed Rate
Overhead
Survey

ERNST & YOUNG LLP