

# MERIDIAN OIL

January 27, 1993

Doyle Hartman  
P.O. Box 10426  
Midland, TX 79702

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

Texaco Exploration & Producing Inc.  
P.O. Box 46555  
Denver, CO 80201-6555

**RE: Seymour #7A Well  
Mesaverde Formation  
425' FSL, 790' FEL  
Section 23-31N-9W  
San Juan Co., New Mexico**

Gentlemen:

Meridian Oil Inc. proposes that the referenced Mesaverde well be drilled as an infill well to the Seymour #7 well. The Seymour #7 well is operated under an Operating Agreement dated April 10, 1953 which does not contain any subsequent well provisions. In this regard we have enclosed a new Joint Operating Agreement (JOA) in which we propose to include the operations of the proposed well in addition to the Seymour #7 well. Also enclosed for your consideration is our Authority for Expenditure (AFE) in the amount of \$569,600. I have also enclosed a 9 section land plat showing the proposed well location. This property is already communitized under agreement #CA 14-08-001-917 dated March 30, 1953.

If you agree with our proposal, please execute the JOA and return two executed signature pages with acknowledgements, as well as an executed AFE and a copy of this letter to the attention of the undersigned. Please don't hesitate to call if you have any questions.

Very truly,



Alan Alexander  
Senior Land Advisor

AA:kaw

NM-9435

**The undersigned agrees to participate in the drilling of the Seymour #7A well and pay our proportionate share of actual well costs this \_\_\_\_\_ day of \_\_\_\_\_, 1993.**

**BY:** \_\_\_\_\_

**TITLE:** \_\_\_\_\_

**COMPANY:** \_\_\_\_\_

**MERIDIAN OIL INC.**  
 Farmington Region  
 Post Office Box 4289  
 Farmington, New Mexico 87499  
 (505) 328-9700

AUTHORITY FOR EXPENDITURE

AFE No: \_\_\_\_\_ Date: 11/11/92  
 Lease/Well Name: Seymour #7A DP No.: \_\_\_\_\_  
 Field Prospect: Blanco Mesaverde Region: Farmington  
 Location: SE/4 Sec. 23, T31N, R09W County: San Juan State: New Mexico  
 AFE Type: Drill (01) Original X Supplement Addendum API Well Type  
 Operator: Meridian Oil Inc.  
 Objective Formation: Blanco/MV Authorized Total Depth(Feet): 5900'  
 Project Description: Drill, complete, and equip a Mesaverde infill well.

Estimated Start Date: 1st Qtr 1993 Prepared By: J. D. Falconi  
 Estimated Completion Date: 1st Qtr 1993

GROSS WELL COST DATA

	<u>Drilling</u>		<u>Workover/</u>	<u>Construction/</u>	<u>Total</u>
	<u>Dry Hole</u>	<u>Suspended</u>	<u>Completion</u>	<u>Facility</u>	
Days:		10	6	4	20
This AFE:		\$225,100	\$207,700	\$136,800	\$569,600
Prior AFE's:					
<b>Total Costs:</b>	<b>\$</b>	<b>\$225,100</b>	<b>\$207,700</b>	<b>\$136,800</b>	<b>\$569,600</b>

JOINT INTEREST OWNERS

<u>Company:</u>	<u>Working Interest</u> <u>Percent</u>	<u>Dry Hole \$</u>	<u>Completed \$</u>
<u>MERIDIAN OIL INC:</u>	37.500000%		\$213,600
<u>Others:</u>	62.500000%		\$356,000
<u>AFE TOTAL:</u>	100.000000%	<b>\$</b>	<b>\$569,600</b>

MERIDIAN OIL APPROVAL

Recommended: [Signature] Date: 11/18/92 Recommended: [Signature] Date: 11/25/92  
 Recommended: [Signature] Date: 11/19/92 Approved: [Signature] Date: 11/30/92  
 Title: VP Regional Operations

PARTNER APPROVAL

Company Name: \_\_\_\_\_  
 Authorized By: \_\_\_\_\_ Date: \_\_\_\_\_  
 Title: \_\_\_\_\_

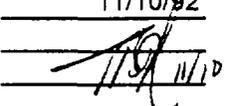
MERIDIAN OIL - DRILLING WELL COST ESTIMATE

Well Name: Seymour #7A By: E. R. Bauer 10/28/92  
 Location: SE/4-23-31-09 Approved By: ERB J.A.H  
 Cty, State: San Juan County, NM AFE Type: 01 Development  
 Field: Blanco Mesaverde Proposed TD: 5900 '  
 Formation: Mesaverde Inter. TD: 3550 '  
 Total Days: 10

ACCT	AFE NOMENCLATURE	SUSPENDED
248	INTANGIBLE DRILLING COST	
-02	Environmental Studies-----	1,500
-03	Location and Roads Construction-----	15,000
-05	Move In, Move Out-----	0
-06	Contractor Fees - Footage-- 5900 ft@ \$ 10.50	62,000
-07	Contractor Fees - Daywork-- 2 days@ \$ 4200	8,400
-09	Drilling Fluids-----	
-10	Gas and Air Drilling-----	7,400
-16	Water-----	
-17	Bits-----	
-18	Primary Cementing--- 2 stage cement----- * Standard Cementing Program	20,000
-20	Mud Logging-----	
-21	Wireline Logging---- Int.TD-TD: DIL/LDT/TEMP----- *surface-Int TD: CNL/GR	15,000
-22	Coring and Analysis-----	0
-24	BOP and Wellhead Rentals-----	
-25	Drill and Workstring Rentals-----	
-28	Other Rentals-----	2,000
-29	Trucking and Transportation-----	2,500
-33	Tubular Inspection-----	6,800
-37	Swabbing and Coiled Tubing-----	0
-43	Consultants-----	0
-45	Roustabout and Contract Labor-----	1,000
-46	Miscellaneous-----	2,000
-72	Company Supervision and Overhead-----	7,500
	TOTAL INTANGIBLE DRILLING COST	151,100
-80	Casing (COPAS Price)	65,200
	200 ft 9 5/8" - 36.0# HC80 LTC \$22.85 /ft	
	3550 ft 7" - 20.0# K55 LTC @ \$12.34 /ft	
	2500 ft 4 1/2"-10.5# K55 STC \$6.72 /ft	
-84	Casing/Liner Equipment-----	4,300
-86	Wellhead Equipment -----	4,500
	TOTAL TANGIBLE DRILLING COST	74,000
	TOTAL DRILLING COST ESTIMATE	225,100

**Meridian Oil, Inc.**  
**Completion/Workover Cost Estimate**

Well Name: Seymour #7A  
 Location: SE/4 Section 23, 31N-9W  
 Well Type: Mesaverde Infill  
 AFE Type: Development Drilling - 01

Prepared By: JBK  
 Date: 11/10/92  
 Approved By:   
 Date: 11/10/92

**Intangible Costs**

Account Number	Description	Estimated Days: 6	Estimated Cost
03	Construction and Maintenance		3,000
04	Surface Restoration		2,000
05	Move-in, Move-out		7,500
07	Daywork and Completion Rig (\$4,100/day)		24,600
	<b>Drilling Fluid Systems</b>		
09	Liquids		
10	Gas and Air Drilling		6,600
11	Processing and Maintenance Equipment		
12	Fluids and Chemicals / Special		
16	Fresh Water	7200 bbls @ about \$1.80/bbl	13,000
17	Bits (bits, scraper)		1,000
18	Primary Cement		
19	Remedial Cement		
21	Open Hole Logging Services		
23	Fuel/Electricity		500
24	BOP Rental/Testing Surface		
25	Drill/Workstring Rentals-Subsurface		500
27	Tank Rentals and Transportation	12 x400 bbl tanks	7,200
28	Other Rental		2,500
29	Transportation		1,000
30	Disposal Service (Offsite)		
33	Tubular Inspection		
34	Cased Hole Services (Logs/Perforating)		10,000
36	Production Testing		
37	Swabbing and/or Coiled Tubing	0 days at \$750/day	0
38	Stimulation		7,500
39	Fracturing		75,000
40	Casing Crews and Laydown		
43	Consultants (\$750/day)		4,500
45	Contract Labor		
49	Packer Rental (2 RBP's)		1,800
72	Company Supervision and Overhead		
	Contingency (5%)		8,400
<b>Total Intangibles</b>			<b>176,600</b>

**Tangible Costs**

80	Casing		
81	Tubing and Tiebacks (2-3/8" 4.7# J-55 EUE)	5600 ft @ \$4.25/ft	23,800
82	Packers, Bridge Plugs and Screens		
84	Casing/Liner Equipment		
85	Tubing Equipment		800
86	Wellhead - Equipment and Tree		6,500

**Total Tangibles** **31,100**

**Total Completion Cost** **207,700**

**Meridian Oil, Inc.**  
**Facilities Cost Estimate**

Name: Seymour #7A  
 Loc.: SE/4 Section 23, 31N-9W  
 Type: Mesaverde Infill  
 AFE: Development Drilling - 01

Preparer: Jay Knaebel  
 Date: 11/10/92  
 Approved: \_\_\_\_\_  
 Date: \_\_\_\_\_

Tangible Facility Costs

<u>Acct #</u>	<u></u>	<u>Est.</u> <u>Cost</u>	<u>Act.</u> <u>Cost</u>
2	Contract Labor	12,000	
8	Location, Roads and Canals		
27	Separators Fired	13,000	
28	Gas Sweetening Equipment		
29	Pumping Unit	25,000	
31	Prime Mover	12,000	
32	Tanks and Pits (fiberglass pits and 2x300 bbl tanks)	9,000	
33	Metering Equipment and Telemetry	7,500	
34	Flow lines	3,000	
36	Buildings		
39	Piping Valves and Fittings	6,000	
44	Eng/Lab/Tech Services		
47	Compressor Rental		
48	Equipment Rental		
49	Cathodic Protection	7,000	
50	Right of Way, Survey, Archy	1,000	
51	Minor Pipelines	6,000	
53	Surface Pumps		
54	Electrical Accessories and Utility Hookup		
55	Misc. Facility Expense	1,000	
57	Pulling Unit Costs	1,800	
73	Freight/Transportation	2,000	
81	Tubing		
82	Rods (7/8" rods) 5600 feet	5,400	
83	Downhole Pumps	2,500	
85	Other Subsurface Artificial Lift Equipment	1,000	
86	Artificial Lift Wellhead Equipment	2,000	
96	Dehydration Unit	13,000	
	Contingency Cost (5%)	6,600	

Total Facilities \$136,800





orig: UNI - 4475  
Lynnman #7A  
cc: AA



March 19, 1993

NM-744529, NM-750381 (TPI)  
SAN JUAN COUNTY, NEW MEXICO  
E/2-SECTION 23-31N-9W  
**OPERATING AGREEMENT - SEYMOUR #7A**

Meridian Oil Inc.  
P.O. Box 4289  
Farmington, New Mexico 87499-4289

Attention: Mr. Alan Alexander ✓

Gentlemen:

Upon review of Meridian's proposed Operating Agreement for the captioned well, Texaco respectfully requests the following revisions to said agreement:

- (1) Article III.D. - Do not delete lines 37-39
- (2) Article VI.A. - Insert depth of proposed well
- (3) Exhibit "A" - Include oil and gas leases subject to O/A
- (4) COPAS-Article III.1.iii. - "shall" be covered by overhead rates should be inserted instead of "shall not"
- (5) Exhibit "D", Page 3 - Delete paragraph regarding the furnishing of Certificates of Insurance
- (6) Exhibit "E" - Meridian's form is being reviewed (requested changes may follow)

Thank you for your consideration of the above revisions. Should you have any questions regarding same, please advise.

Yours very truly,

**TEXACO EXPLORATION AND PRODUCTION INC.**

*Chuck Snure*

Chuck Snure  
West Region Landman

CAS:bw



OFFICIAL SPONSOR  
OF THE 1992  
U.S. OLYMPIC TEAM

MERIDIAN OIL

April 12, 1993

Doyle Hartman  
P.O. Box 10426  
Midland, TX 79702

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

Texaco Exploration & Producing Inc.  
P.O. Box 46555  
Denver, CO 80201-6555

**RE: Seymour #7A Well  
Mesaverde Formation  
425' FSL, 790' FEL  
Section 23-T31N-R9W  
San Juan County, New Mexico**

Gentlemen:

Under cover dated January 27, 1993, Meridian Oil Inc. forwarded for your execution a Letter Agreement, Joint Operating Agreement (JOA), and an Authority for Expenditure (AFE) covering the captioned well. As of this date, according to our records, Meridian has not received (except for Texaco's partial comments on the JOA) the executed Letter Agreement, two signature pages to the JOA, and AFE. If you agree with our proposal, please execute and return same as soon as possible.

If you have any questions in this regard or need any additional information, please contact the undersigned.

Very truly yours,



Alan Alexander  
Senior Land Advisor

AA:ll  
ID:aaapr/3  
NM-9435

MERIDIAN OIL

September 2, 1993

Texaco Inc.  
Attn: Chuck Snure  
P.O. Box 2100  
Denver, CO 80201-2100

Williams Production Company  
Attn: Mr. Vern Hansen  
P.O. Box 58900  
Salt Lake City, UT 84158-0900

RE: Seymour #7A Well  
Mesaverde Formation  
425'FSL, 790' FEL  
Section 23-T31N-R9W  
San Juan County, New Mexico

Gentlemen:

Under cover dated April 12, 1993, Meridian Oil Inc. forwarded for your execution a Letter Agreement, Joint Operating Agreement (JOA), and an Authority for Expenditure (AFE) on the captioned well. As of this date, according to our records, Meridian has not received your approval or executed documents. If you agree with our proposal, please execute same and return as soon as possible.

If you have any questions in this regard, please contact the undersigned.

Very truly yours,



Alan Alexander  
Senior Land Advisor

AA:ll  
NM-9435

**MERIDIAN OIL**

September 2, 1993

**FEDERAL EXPRESS**

Mr. Allen Smith  
3811 Turtle Creek Blvd.  
Suite 730  
Dallas, TX 75219

RE: Seymour #7A Well  
Mesaverde Formation  
425'FSL, 790' FEL  
Section 23-T31N-R9W  
San Juan County, New Mexico

Dear Mr. Smith:

Under cover dated April 12, 1993, Meridian Oil Inc. forwarded a Letter Agreement, Joint Operating Agreement (JOA), and an Authority for Expenditure (AFE) on the captioned well to Doyle Hartman in Midland. As of this date, according to our records, Meridian has not received your approval or executed documents. Carolyn Sebastian of Mr. Hartman's office has requested that Meridian forward same for your handling. If you agree with our proposal, please execute and return a Letter Agreement, two signature pages to the JOA and an AFE.

If you have any questions in this regard, please contact the undersigned at (505) 326-9757.

Very truly yours,



Alan Alexander  
Senior Land Advisor

AA:ll  
Enclosure  
NM-9435



R. H. Koerner  
Division Manager

Oil Exploration & Production  
Meridian Oil Inc.

Aug: UM - 2435  
Seymour #7A

cc: Atty

SEP 1993

4245  
4450

September 30, 1993



Meridian Oil Inc.  
Attn: Mr. Alan Alexander ✓  
P. O. Box 4289  
Farmington, NM 87499-4289

Re: Seymour #7A  
Proposed Mesaverde Completion  
San Juan County, NM

Dear Mr. Alexander:

The subject well does not meet Texaco's minimum economics.

If you have any questions, please do not hesitate to contact us.

Very truly yours,

R. H. Koerner

By: *S. R. Meck*  
S. R. Meck  
Account Manager  
(303) 793-4468

SRM:msk

cc: C. A. Snure - Denver

Certified, Return Receipt Requested

October 31, 1995

Four Star Oil & Gas Company  
Attn: Mr. Chuck Snure  
P.O. Box 46555  
Denver, CO 80201

Williams Production Company  
Attn: Mr. Vern Hansen  
One Williams Center  
P.O. Box 3102  
Tulsa, OK 74101

Mr. Doyle Hartman  
P. O. Box 10426  
Midland, TX 79702

**RE: SEYMOUR #7A WELL  
(MESAVERDE NEW DRILL)  
SE/4 SE/4 SECTION 23, T31N, R9W  
SAN JUAN COUNTY, NEW MEXICO**

Gentlemen:

By letter dated January 27, 1993, a proposal for a Mesaverde new drill was sent to you. To date, according to our records, Williams Production Company is the only owner that has approved the drilling of said well. This well has not yet been drilled and we would like to proceed with the drilling of this well in late December, 1995 or the first quarter of 1996.

Enclosed for your execution is an updated Joint Operating Agreement (JOA) and Authority for Expenditure (AFE) for the captioned well. The JOA will supersede the previous JOA that was forwarded to you for your approval and execution with the January 27, 1993, letter. Meridian, again, respectfully requests that Four Star Oil & Gas Company and Doyle Hartman elect to either participate or go non-consent (per Article XV.C of the JOA) in the well. We are asking that Williams re-execute the JOA in as much as a significant delay has occurred in the drilling of this well. If we do not receive an election to participate or non-consent, we will begin force pooling proceedings in December, 1995.

*Filed April 11/95*

Also enclosed, for your information and files, is a nine-section land plat. If the JOA and AFE meets with your approval, please return one (1) copy of this letter, AFE and signature page of JOA to me as soon as possible.

If you have any questions in this regard, please don't hesitate to call the undersigned at (505) 326-9757.

Very truly yours,



Alan Alexander  
Senior Land Advisor

AA/cj  
xc: NM-9435  
Tom Kellahin

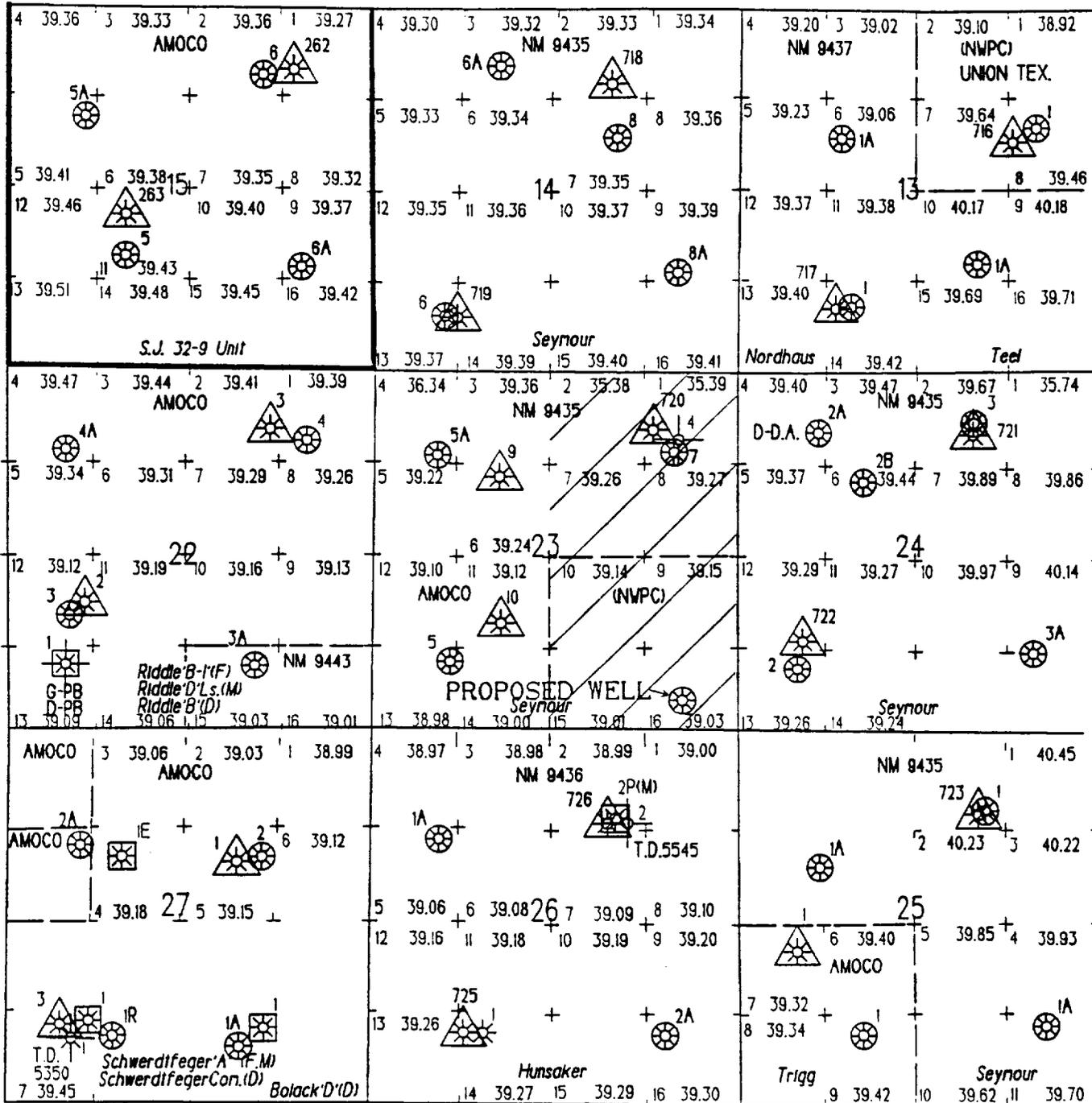
The undersigned hereby approves this \_\_\_\_\_ day of \_\_\_\_\_ 1995,  
the drilling of the Seymour #7A well.

NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_

COMPANY: \_\_\_\_\_

# SEYMOUR # 7A WELL 425' FSL, 790' FEL SECTION 23-31N-9W



PICTURED CLIFFS WELL   
 MESAVERDE WELL   
 FRUITLAND COAL WELL   
 DAKOTA WELL   
 PROPOSED SPACING

**MERIDIAN OIL INC.**  
 Farmington Region  
 Post Office Box 4289  
 Farmington, New Mexico, 87499  
 (505) 326-9700

**AUTHORITY FOR EXPENDITURE**

AFE No.: \_\_\_\_\_ Property Number: 071252300 Date: 8/18/95  
 Lease/Well Name: Seymour 7A DP Number: 25791A  
 Field Prospect: Blanco Mesaverde Operator: Meridian Oil Inc. Region: Farmington  
 Location: Unit P, SE/4, SE/4, 23-031N-009W County: San Juan State: NM  
 AFE Type: Type 01-Cap. New Drill Original: X Supplement:     Addendum:     API Well Type:      
 Objective Formation: Mesaverde Authorized Total Depth (Feet):      
 Project Description: Mesaverde New Drill

Estimated Start Date: 1st Qtr 1996

Prepared By: N. Keeler

Estimated Completion Date: 1st Qtr 1996

**GROSS WELL DATA**

	Drilling		Workover/ Completion	Construction Facility	Total
	Dry Hole	Suspended			
Days:		9	7	0	16
This AFE:		\$214,819	\$247,034	\$63,000	\$524,853
Prior AFE's:					\$0
<b>TOTAL COSTS:</b>	<b>\$0</b>	<b>\$214,819</b>	<b>\$247,034</b>	<b>\$0</b>	<b>\$524,853</b>

**JOINT INTEREST OWNERS**

Company:	Working Interest Percent	Dry Hole \$	Completed \$
Meridian Oil Inc.	37.50%	0	\$196,820
Trust:	0.00%	0	\$0
Others:	62.50%	0	\$328,033
<b>AFE TOTAL:</b>	<b>100.00%</b>	<b>\$0</b>	<b>\$524,853</b>

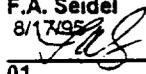
**MERIDIAN OIL INC. APPROVAL**

Approved: *[Signature]* Date: 8/18/95 Title: Production Engineer  
 Approved: *[Signature]* Date: 8/21/95 Title: Geologist  
 Approved: *[Signature]* Date: 8/28/95 Title: Reservoir Engineer  
 Approved: *[Signature]* Date: 8/28/95 Title: Land

**PARTNER APPROVAL**

Company Name: \_\_\_\_\_ Date: \_\_\_\_\_  
 Authorized By: \_\_\_\_\_ Title: \_\_\_\_\_

**MERIDIAN OIL - DRILLING WELL COST ESTIMATE**

Well Name:	Seymour #7A	Prepared By:	F.A. Seidel
Location:	23-31N-9W	Date:	8/17/95
Cty. State:	San Juan, NM	Approved By:	
Field:	Blanco MV	AFE Type:	01
Formation:	MV	Total Days:	9
Proposed TD:	5630	Inter. TD:	3228
Comments:	Area Team: 4/5	Est Cst/Ft	\$38.16

DRLG-248		INTANGIBLE DRILLING COST				COST
02	Location/Roads - Pre-Construction.....					\$1,500
03	Location/Roads - Construction & Maintenance.....					\$14,000
04	Location/Roads - Surface & Restoration.....					\$0
05	Move in/Move out.....					\$0
06	Contractor Fees - Footage.....	5630	ft @	\$ 12	per ft.	\$67,560
07	Contractor Fees - Daywork.....	2	days @	\$ 5200	per day	\$10,400
08	Fire & Safety Equip.....					\$0
09	Drilling Fluid Systems - Liquids.....					\$0
10	Gas & Air Drilling.....	9	days @	\$ 1550	avg per day	\$13,950
11	Drilling Fluid Systems - Processing Equip.....					\$0
12	Speciality Fluids & Chemicals.....					\$0
14	Salt/Brine Water.....					\$0
15	Onsite Fluid Disposal Services.....					\$0
16	Fresh Water.....					\$2,500
17	Bits.....					\$0
18	Primary Cementing.....					\$17,500
19	Remedial Cementing.....					\$0
20	Mud Logging.....					\$3,500
21	Wireline Logging - Open Hole.....				2 Logging Runs at Inter and TD	\$16,500
22	Coring & Analysis.....					\$0
23	Fuel/Electricity.....					\$1,600
24	BOP & Wellhead Rentals (Surface).....					\$0
25	Drill/Work String Rentals.....					\$0
26	Fishing Tool Rentals.....					\$0
27	Tank Rentals.....					\$0
28	Other Rentals.....					\$1,000
29	Transportation.....					\$2,500
30	Offsite Disposal Services.....					\$0
31	Drill Stem Tests.....					\$0
32	Directional Services.....					\$0
33	Tubular Inspection & Repair.....					\$1,500
34	Cased Hole Services.....					\$0
36	Production Testing.....					\$0
37	Swabbing, Coiled Tubing, & Snubbing.....					\$0
38	Stimulation.....					\$0
39	Fracturing.....					\$0
40	Casing Crews & Laydown.....					\$0
41	Gravel Pack/Sand Control.....					\$0
43	Consultants.....					\$3,600
44	Engineering/Lab/Technical Contract Services.....					\$0
45	Roustabout Labor.....					\$1,000
46	Miscellaneous.....					\$0
48	Communication Systems.....					\$0
49	Packer Rental.....					\$0
50	Pumping Charges - Other.....					\$0
62	Environmental Compliance (Assessment).....					\$500
63	Environmental Compliance (Remediation).....					\$0
72	Company Supervision & Overhead.....					\$3,600
	<b>TOTAL INTANGIBLE DRILLING COST</b>					<b>\$162,710</b>
	<b>TANGIBLE DRILLING COST</b>					
80	Casing (COPAS Price)					
	250 FT	9 5/8 "	36.0 #	K55	\$ 15.68 /ft	\$3,920
	3228 FT	7 "	20 #	K55	\$ 9.01 /ft	\$29,084
	2552 FT	4 1/2 "	10.5 #	K55	\$ 4.90 /ft	\$12,505
	FT	"	#		\$ /ft	\$0
81	Tubing (COPAS Price)					
	FT	"	#		\$ /ft	\$0
	FT	"	#		\$ /ft	\$0
	FT	"	#		\$ /ft	\$0
82	Packers, Screens, & Bridge Plugs.....					\$0
84	Casing/Liner Equipment.....					\$3,600
85	Tubing Equipment.....					\$0
86	Wellhead Equip & Xmas Tree.....					\$3,000
	<b>TOTAL TANGIBLE DRILLING COST</b>					<b>\$62,109</b>
	<b>TOTAL DRILLING COST ESTIMATE</b>					<b>\$214,819</b>

Meridian Oil Inc.  
Completion Estimate

Well Name: Seymour #7A  
Location: SE/4 Section 23, T31N-R9W  
AFE Type: Development Drilling / 01  
Formation: Mesaverde

Prepared By: TJM  
Date: 8/11/95  
Approved By: MEH  
Date: 8/11/95

Intangible Costs

Account Number	Description	Estimated Days: 7		Total Estimated Cost
		Mesaverde Cost		
249				0
02	Location, Roads or Canals			0
03	Construction and Maintenance	1,650		1,650
04	Surface Restoration	1,500		1,500
05	Move-in, Move-out	8,000		8,000
06	Fees of Contractor - Footage			0
07	Fees of Contractor - Daywork	29,400		29,400
08	Fire and Safety Equip.			0
09	Drilling Fluid System - Liquids			0
10	Gas and Air Drilling	10,750		10,750
11	Processing and Maintenance Equipment			0
12	Specialty Fluids and Chemicals	5,500		5,500
14	Salt/Brine Water			0
15	Onsite Disposal Svc.			0
16	Fresh Water	8,800		8,800
17	Brts	1,200		1,200
18	Primary Cement & Svc's			0
19	Remedial Cementing			0
20	Mud Logging			0
21	Wireline Logging-Open Hole			0
22	Coring and Analysis			0
23	Fuel/Electricity	2,520		2,520
24	BOP & Wellhead Rentals(Surface)			0
25	Drill Work String Rentals (Surface)	500		500
26	Fishing Tool Rentals			0
27	Tank Rentals	3,150		3,150
28	Other Rental	2,000		2,000
29	Transportation	500		500
30	Offsite Disposal Service			0
31	Drill Stem Tests			0
32	Directional Svc.			0
33	Tubular Inspection			0
34	Cased Hole Services	8,000		8,000
36	Production Testing			0
37	Swabbing & Coiled Tubing			0
38	Stimulation	2,000		2,000
39	Fracturing	115,000		115,000
40	Casing Crews and Laydown			0
41	Gravel Pack/Sand Control			0
42	BOP Testing			0
43	Consultants	3,150		3,150
44	Technical Contract Svc.			0
45	Roustabout Labor	250		250
46	Miscellaneous			0
48	Communication Systems			0
49	Packer Rental	5,000		5,000
50	Pumping Charges			0
60	Oper. Owned Equip/Facilities			0
62	Env. Compliance-Assessment			0
63	Env. Compliance (Remediation)			0
65	Company Vehicles			0
68	Direct Labor			0
69	Benefits			0
70	Payroll Taxes and Insurance			0
72	Overhead (Contingency 5%)	11,764		11,764
74	Employee Expense			0
79	Employee Meals			0
	<b>Total Intangibles</b>	<b>220,634</b>	<b>0</b>	<b>220,634</b>
	<b>Tangible Costs</b>			
80	Casing			0
81	Tubing and Tiebacks	18,600		18,600
82	Packers and Bridge Plugs			0
84	Casing/Liner Equipment			0
85	Tubing Equipment	1,100		1,100
86	Wellhead Equipment & Tree	6,700		6,700
	<b>Total Tangibles</b>	<b>26,400</b>	<b>0</b>	<b>26,400</b>
	<b>Total Completion Cost</b>	<b>247,034</b>	<b>0</b>	<b>247,034</b>

**Meridian Oil Inc.  
Facilities Estimate**

Well Name: SEYMOUR 7A  
 Location: SW/4, SEC. 23, R31N. T09W  
 AFE Type: NEW DRILL  
 Formation: MESA VERDE

Prepared By: G. L. OSBORNE *9/20*  
 Date: 8/15/95  
 Approved By: \_\_\_\_\_  
 Date: \_\_\_\_\_

**Tangible Costs**

Account Number	Estimated Days:	Facilities		Total Estimated Cost
		Cost	Cost	
247				
02	Labor-Contract, Roustabout, Consultants		8,000	8,000
03	Company Vehicles			0
08	Location, Roads & Canals			0
12	Overhead			0
17	Damages, Property Losses			0
20	Equip. Coating and Insulation			0
26	SWD Filtering			0
27	Separators		18,000	18,000
	Evaporator			0
29	Pumping Units			0
31	Prime Mover			0
32	Tanks		8,500	8,500
33	Metering Equipment			0
34	Flow Line			0
36	Building			0
39	Flowlines, Piping, Valves & Fittings		7,500	7,500
43	Safety			0
44	Technical Contract Svc.			0
47	Rental Compressors & Maintenance			0
48	Rental Equipment			0
49	Cathodic Protection		12,000	12,000
50	Right Of Way			0
51	Minor Pipelines			0
53	Surface Pumps (chemical)			0
54	Electrical Accessories			0
55	Miscellaneous-Facility Expense		1,000	1,000
57	Pulling Unit Costs			0
60	Oper. Owned Equip/Facilities			0
62	Env. Compliance-Assessment			0
63	Env. Compliance (Remediation)			0
68	Direct Labor			0
69	Benefits			0
70	Payroll Taxes and Insurance			0
72	Overhead (Contingency 5%)		3,000	3,000
81	Tubing			0
82	Rods			0
83	Downhole Pumps			0
84	Alternative Artificial Lift Equip.			0
86	Convent Artificial Lift Wellhead Equip.		5,000	5,000
88	Communication Systems			0
95	Employee Meals			0
96	Gas Dehydrator			0
<b>Total Facility Cost</b>		<b>0</b>	<b>63,000</b>	<b>63,000</b>



Texaco Exploration  
and Production Inc  
Denver Division

P.O. Box 2100  
Denver CO 80201  
4601 DTC Boulevard  
Denver CO 80237

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

November 21, 1995

Meridian Oil, Inc.  
P.O. Box 4289  
Farmington, New Mexico 87499-4289

Attention: Mr. Alan Alexander

NM744529, NM750381  
E/2-Section 23-31N-9W  
San Juan County, New Mexico  
Proposed Seymour #7A Well

Dear Alan,

Four Star Oil and Gas Company is in receipt of Meridian's application for compulsory pooling dated November 8, 1995 (received November 13, 1995) covering the captioned well. Additionally, Four Star Oil and Gas Company is in receipt of Meridian's proposal dated October 31, 1995 (received November 6, 1995) for the drilling of said well.

As you are aware, Meridian originally proposed this well on January 27, 1993. Texaco responded on March 19, 1993 with requested changes to the proposed Operating Agreement as presented by Meridian. Meridian, following up with their letter of April 12, 1993, asked for a response from all parties and only mentioned the fact that Texaco had requested changes to the Operating Agreement. The requested changes to the Operating Agreement were never addressed. Once again, on September 2, 1993, Meridian requested a response from all parties. Texaco responded on September 30, 1993 indicating that at that time, this well did not meet Texaco's economic requirements. Please note that our files do not indicate Meridian attempted to discuss a farmout, trade or sale pursuant to Texaco's decision not to participate in the drilling of said well.

Four Star Oil and Gas Company (successor in interest to Texaco) has recently received Meridian's "new" proposal dated October 31, 1995. Once again, it should be noted that none of the changes to the Operating Agreement originally requested by Texaco in 1993 have been addressed.

Although Four Star Oil and Gas Company appreciates the fact that Meridian wishes to drill this well in a timely manner, you should be aware that Four Star Oil and Gas Company is currently evaluating this new proposal and that Four Star Oil and Gas Company intends to respond in a timely manner. However, the fact that Meridian has chosen to initiate compulsory pooling

Meridian Oil, Inc.  
November 21, 1995  
Page Two

proceedings immediately after sending out their new proposal without attempting to contact all parties (except for the proposal dated October 31, 1995), only works to undermine the cooperation needed for all parties involved. In fact, it appears that pursuant to that certain Operating Agreement dated April 10, 1953 governing all operations on this property (E/2 of Section 23-31N-9W, San Juan County, New Mexico as to the Mesaverde formation), Meridian is precluded from force pooling any party subject to said agreement. Unless amended, modified or terminated by the mutual consent of all parties and as long as the Communitization Agreement covering this property remains in force and effect, the 1953 Operating Agreement shall continue to govern all operations on this property.

Four Star Oil and Gas Company does not recognize Meridian's application for compulsory pooling as being valid. Please feel free to furnish Four Star Oil and Gas Company with documentation in support of your position should you not be in agreement with the aforementioned facts.

Yours very truly,



Chuck Snure  
Rocky Mountain Business Unit

CAS:bw

cc: William J. LeMay, Director  
Oil Conservation Division  
2040 S. Pacheco  
Santa Fe, New Mexico 87505

W. Thomas Kellahin  
Kellahin and Kellahin  
P.O. Box 2265  
Santa Fe, New Mexico 87504-2265

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

Doyle Hartman  
3811 Turtle Creek Blvd., Suite 730  
Dallas, Texas 75219

December 1, 1995

Four Star Oil & Gas Company  
Attn: Chuck Snure  
P. O. Box 46555  
Denver, CO 80201

**RE: Seymour #7A Well  
SE SE Sec. 23, T31N, R9W  
San Juan County, New Mexico**

Dear Chuck:

In your letter dated November 21, 1995, you addressed two main issues concerning the drilling of the referenced well. The first issue relates to our original proposal to drill the Seymour #7A well under a new joint operating agreement submitted to the working interest owners under cover letter dated January 27, 1993. As you were aware, Meridian was at that time considering your suggested changes to the Operating Agreement. In your letter dated March 19, 1993, which suggested certain changes (numbered 1 thru 6), you also indicated you were considering other changes (refer to item number 6) and you would advise Meridian as to same at a later date. Since both Meridian and Williams Production Company had executed the agreement with no changes and Mr. Hartman would not respond in any fashion, we were waiting on both Texaco and Hartman before responding to any changes. In your letter dated September 30, 1995, you informed Meridian that our project did not meet Texaco's economic guidelines and I assumed that meant Texaco did not wish to join in the drilling of this infill well. Since Texaco was not going to join in this well (i.e. not execute the JOA) the requested changes by Texaco became moot.

The second point raised in your letter concerned the April 10, 1953, joint operating agreement. This agreement covered the drilling and operation of the Seymour #7 well. Meridian supports Four Star's position that the 1953 agreement originally did cover all operations for a single well on the dedicated spacing unit. This fact changed on November 14, 1974 (refer to NMOCD Order R-1670-T) when the State of New Mexico changed the spacing rules for the Blanco Mesaverde Pool by allowing the drilling of infill wells. Since the spacing unit is no longer solely dedicated to the Seymour #7 well and the 1953 agreement never contemplated nor allows the drilling of an infill well, a new agreement is necessary. Meridian proposed to amend this agreement by offering a new joint operating agreement. You will notice that the joint operating agreement forwarded under cover letter dated October 31, 1995, does allow for an owner to non-consent the initial well (Seymour #7A) and if Four Star would like to non-consent or join in this well under the agreement, we would once again be willing to consider changes to the proposed agreement. Meridian would in fact encourage Four Star's execution (joinder or non-consent) of the agreement since that is preferable to an election under a force pooling order. Although not our normal procedure, if Four Star is interested in selling or farming out its interest we would consider such a proposal.

*Four Star Oil & Gas Co.*  
*Attn: Chuck Snure*  
*Dec. 1, 1995*  
*Page 2*

If you have any further questions concerning the drilling of this well, please don't hesitate to contact the undersigned at (505) 326-9760.

Very truly yours,



~~XXXXXXXXXX~~

Senior Land Advisor

AA/cj  
NM-9435

xc: Tom Kellahin

PROD-0-014-96

JANUARY 11, 1996

Meridian Oil Inc.  
ATTN: Alan Alexander  
P.O. Box 4289  
Farmington, NM 87499-4289

Re: Seymour #7A Well  
SE/4SE/4 Sec. 23, T31N, R9W  
San Juan County, New Mexico

Dear Mr. Alexander,

To Follow up our telephone conversation, Williams Production Company agrees with Meridian that the April 10, 1953 operating agreement for the Seymour #7 well does not cover subsequent drilling operations and a new Joint Operating Agreement is needed for the drilling of the Seymour #7A well. Williams Also agrees that if all Working Interest Owners will not execute a new Joint Operating Agreement for the drilling of the Seymour #7A well then Meridian should force pool the non-joining parties.

Sincerely,



Vern Hansen  
Senior Landman

cc: Darrell Gillen

file: Seymour #7A