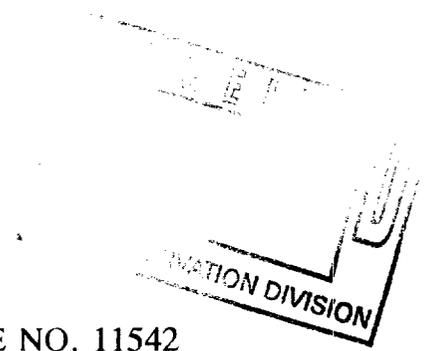


**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 11542



APPLICATION OF MERIDIAN OIL INC.
FOR COMPULSORY POOLING AND AN
UNORTHODOX GAS WELL LOCATION,
SAN JUAN COUNTY, NEW MEXICO

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by MERIDIAN OIL INC as required by the Oil Conservation Division.

APPEARANCE OF PARTIES

APPLICANT

Meridian Oil Inc.
PO Box 4289
Farmington, NM 87499
Attn: Alan Alexander
(505) 326 9757

ATTORNEY

W. Thomas Kellahin
KELLAHIN AND KELLAHIN
P.O. Box 2265
Santa Fe, NM 87504
(505) 982-4285

OPPONENT

Doyle & Margaret Hartman
P. O. Box 10426
Midland, Texas 79702
(915) 684-4011

ATTORNEY

Michael J. Condon
460 St. Michael's Drive, Bldg300
Santa Fe, New Mexico 87505
(505) 983-668

STATEMENT OF CASE

APPLICANT

Meridian Oil Inc. seeks to drill an "infill" Blanco-Mesaverde gas well at an unorthodox well location 1615 feet FSL and 2200 feet FEL of Section 23, T31N, R9W, NMPM, San Juan County, New Mexico, to test the Mesaverde formation for production.

Meridian Oil Inc. is a working interest owner in the E/2 of the referenced location and has proposed a voluntary formation of a spacing unit consisting of the E/2 of said Section 23 to be dedicate to its proposed Seymour Well No. 7A to be drilled at the above mentioned location. The unorthodox gas well location is necessary because of topographical reasons.

In 1953, Southern Union Gas Company drilled the original Mesaverde Well on this spacing unit under an Operating Agreement which was consistent with NMOCD rules then in existence and provided for the drilling of the Seymour No. 7 well as the only well in the spacing unit.

In 1974, the NMOCD changed the well density pattern for the Blanco Mesaverde Gas Pool and authorized infill drilling of a second well in an existing 320-acre spacing and proration unit.

Commencing in 1993, Meridian started efforts to get the working interest owners in the spacing unit to reach an agreement for the drilling of the infill well.

Hartman, with a 12.5% working interest, is opposed to the drilling of the infill well and contends that the Division does not have authority to authorize the drilling of the infill well because of the single well density pattern agreed upon by the original parties in 1953.

Meridian contends that Hartman's refusal to enter into a voluntary agreement for the drilling of the infill well justifies compulsory pooling of his interest and that the NMOCD has the authority to issue a compulsory pooling order for an infill well in this case thereby modifying the original parties' 1953 plan of development so that this spacing unit now can be developed in conformity with the current well spacing program for this pool as authorized by Commission Order R-1670-T.

PROPOSED EVIDENCE

APPLICANT

| WITNESSES | EST. TIME | EXHIBITS: |
|---------------------------------------|-----------|--------------|
| Alan Alexander (Landman) | 20 min. | 8 - 10 total |
| Steve Thibodeaux (Geologist) | 20 min. | est. 4 |
| Todd Mushovic (Petroleum Engineer) | 20 min. | est. 4 |

PROCEDURAL MATTERS

None pending.

KELLAHIN AND KELLAHIN

By: W. Thomas Kellahin
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