

MERIDIAN OIL

October 20, 1992

Attached Working Interest Owners

RE: Atlantic Com "A" #7 (DP# 48993A)
Atlantic Com "A" #7A (DP# 48994A)
Atlantic Com "A" #7R (DP# 6724A)
E/2 Section 23, T31N-R10W
San Juan County, New Mexico

Ladies & Gentlemen:

Recently many questions and concerns have arisen concerning the status, ownership and operatorship of the three (3) captioned wells. Much of the confusion centers on the proposed recompletion of the Atlantic Com "A" #7, by Mr. G. T. McAlpin under cover dated September 3, 1992, and the drilling of the Atlantic Com "A" #7R, by Meridian in May 1991. In an effort to clarify the situation, I will briefly review the status, working interest ownership, and governing agreements of each of the three wells.

ATLANTIC COM "A" #7
SW/4 NE/4 (E/2) SEC. 23, T31N-R10W
MOI DP# 48993A

Spud:	April 18, 1954
Completed:	September 5, 1954
Current Status:	Producing Mesaverde Well See Attached 1992, Production Data Well Proposed for Recompletion by Mr. McAlpin
W.I. Ownership:	El Paso Production Company 62.500000% Meridian Oil Production Inc. 0.264891% Marcia Berger 0.268358% WWR Enterprises Inc. 0.268357% Total Minatome Corporation 4.557633% Cyrene F. Mapel 0.794317% Roger B. Nielsen 0.536715% Carolyn Nielsen Sedberry 0.536715% Edith R. Briggs Rev. Trust 0.268446% Herbert R. Briggs 0.134223% William C. Briggs 0.134045% Cronican F.A. & H.B. Trust 0.300624% Cyrene L. Inman 0.264713%

000418

Working Interest Owners

October 20, 1992

Page 2.

ATLANTIC COM "A" #7 CONTINUED:

W.I. Ownership:	C. Fred Luthy, Jr.	0.264713%
	G. T. McAlpin	6.250000%
	Lora B. McAlpin	6.250000%
	T. G. Cornish	0.016275%
	Amoco Production Company	9.765625%
	Lowell White Family Trust	0.024414%
	Walter A. Steele	0.024414%
	G.W. Hannett Estate	0.020344%
	Patricia Hueter	0.004070%
	Mary Emily Voller	0.004070%
	A.T. Hannett, III	0.004070%
	Conoco Inc.	6.250000%
	Paul H. Umbach Estate	<u>0.292968%</u>
		100.000000%

Governing Agreements:

- Originally drilled and operated under Farmout dated November 27, 1951, by and between Brookhaven Oil Company and San Juan Production Company (now El Paso Production Company). Numerous amendments GLA-46.
- 87.50% W.I. subject to JOA dated November 1, 1976, by and between El Paso Natural Gas Company and G.T. McAlpin, et ux.
- 12.50% W.I. still subject to GLA-46.

ATLANTIC COM "A" #7A

NW/4 SE/4 (E/2) SEC. 23, T31N-R10W

MOI DP# 48994A

Spud:	December 6, 1976	
Completed:	January 1, 1977	
Current Status:	Producing Mesaverde Well	
	See Attached 1992 Production Data	
W.I. Ownership:	El Paso Production Company	62.500000%
	Meridian Oil Production Inc.	0.264891%
	Marcia Berger	0.268358%
	WWR Enterprises Inc.	0.268357%
	Total Minatome Corporation	4.557633%
	Cyrene F. Mapel	0.794317%
	Roger B. Nielsen	0.536715%

000418

Working Interest Owners

October 20, 1992

Page 3.

ATLANTIC COM "A" #7A CONTINUED:

W.I. Ownership:	Carolyn Nielsen Sedberry	0.536715%
	Edith R. Briggs Rev. Trust	0.268446%
	Herbert R. Briggs	0.134223%
	William C. Briggs	0.134045%
	Cronican F.A. & H.B. Trust	0.300624%
	Cyrene L. Inman	0.264713%
	C. Fred Luthy, Jr.	0.264713%
	G. T. McAlpin	6.250000%
	Lora B. McAlpin	6.250000%
	T. G. Cornish	0.016275%
	Amoco Production Company	9.765625%
	Lowell White Family Trust	0.024414%
	Walter A. Steele	0.024414%
	G.W. Hannett Estate	0.020344%
	Patricia Hueter	0.004070%
	Mary Emily Voller	0.004070%
	A.T. Hannett, III	0.004070%
	Conoco Inc.	6.250000%
	Paul H. Umbach Estate	<u>0.292968%</u>
		100.000000%

Governing Agreements:

- Well drilled in November 1976, under Joint Operating Agreement dated November 1, 1976, which was prepared for the drilling of the infill well and subsequent operations, not originally contemplated under GLA-46, Farmout and Operating Agreement dated November 27, 1951.
- 87.50% W.I. subject to this JOA.
- 12.50% W.I. still subject to GLA-46.

ATLANTIC COM "A" #7R

NE/4 NE/4 (E/2) SEC. 23, T31N-R10W

MOI DP# 6724A

Spud:	May 24, 1991
Completed:	July 13, 1991
Current Status:	Producing Mesaverde Well
	1st Production August 1992, See Attached.

000426

Working Interest Owners

October 20, 1992

Page 4.

ATLANTIC COM "A" #7R CONTINUED:

W.I. Ownership:

	<u>Current</u> <u>(Paid Well Cost)</u>	<u>*APO1</u>	<u>**APO2</u>
El Paso Production Company	87.186282%	74.735010%	62.500000%
Meridian Oil Production Inc.	0.264890%	0.264890%	0.264891%
Marcia Berger	-0-	0.268358%	0.268358%
WWR Enterprises Inc.	-0-	0.268357%	0.268357%
Total Minatome Corporation	-0-	4.557633%	4.557633%
Cyrene F. Mapel	-0-	0.794317%	0.794317%
Roger B. Nielsen	-0-	0.536715%	0.536715%
Carolyn Nielsen Sedberry	-0-	0.536715%	0.536715%
Edith R. Briggs Rev. Trust	-0-	0.268446%	0.268446%
Herbert R. Briggs	-0-	0.134223%	0.134223%
William C. Briggs	-0-	0.134045%	0.134045%
Cronican F.A. & H.B. Trust	-0-	0.300624%	0.300624%
Cyrene L. Inman	-0-	0.264713%	0.264713%
C. Fred Luthy, Jr.	-0-	0.264713%	0.264713%
G. T. McAlpin	-0-	-0-	6.250000%
Lora B. McAlpin	6.250000%	6.250000%	6.250000%
T. G. Cornish	-0-	0.016275%	0.016275%
Amoco Production Company	-0-	3.515625%	9.765625%
Lowell White Family Trust	0.024414%	0.024414%	0.024414%
Walter A. Steele	0.024414%	0.024414%	0.024414%
G.W. Hannett Estate	-0-	0.020344%	0.020344%
Patricia Hueter	-0-	0.004070%	0.004070%
Mary Emily Voller	-0-	0.004070%	0.004070%
A.T. Hannett, III	-0-	0.004070%	0.004070%
Conoco Inc.	6.250000%	6.250000%	6.250000%
Paul H. Umbach Estate	-0-	0.292968%	0.292968%
	100.000000%	100.000000%	100.000000%

* APO1 is well cost pay out under GLA-46. El Paso Production Company recoups maximum \$45,000.00 from 50% of revenue stream of Non-Consent interest. 12.451272% W.I. carried by El Paso Production Company.

** APO2 is Non-Consent penalty under November 1, 1976, Joint Operating Agreement.

100%/200%/200% 12.23501% W.I. carried by El Paso Production Company.

000421

Working Interest Owners
October 20, 1992
Page 5.

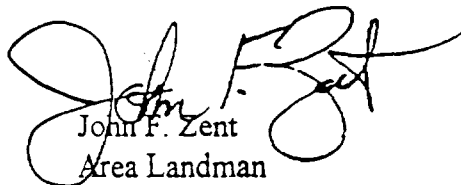
ATLANTIC COM "A" #7R CONTINUED:

Governing Agreements:

- Meridian originally proposed the well in February 1990, to all Working Interest Owners, and offered all parties (even GLA-46) the opportunity to participate in drilling and completion.
- 87.50% W.I. subject to this JOA dated November 1, 1976.
- 12.50% W.I. subject to GLA-46.
- The well was deferred by Meridian in 1990, and repropoed to all parties in May 1991, at which time we recommended that all parties enter a Modern Form JOA providing for a 100/300/300 non-consent penalty. This proposal was not agreeable to the Working Interest Owners, so Meridian proceeded to drill the well under the two governing agreements and carried a total 24.681282% non-consent. Meridian did not offer a proportionate share of the non-consent interest to all participating parties because of the onerous nature of GLA-46, and the cumbersome accounting involved.

Currently, all three Mesaverde wells in the E/2 Section 23, T31N-R10W are producing in paying quantities and sharing the single proration unit allowable. Meridian opposes the rework of the Atlantic Com "A" #7, proposed by Mr. McAlpin because it is not to the benefit of the majority of the working interest ownership due to allowable constraints. If any party has any questions in this regard, please contact the undersigned at (505) 326-9758.

Very truly yours,


John F. Zent
Area Landman

JFZ:ll
ID:jfzoct/49
Well File (NM-905U)
GLA-46

cc: W.I. Owners
Tommy Roberts
Frank Ramirez
Ben May
T. Nusz

000422