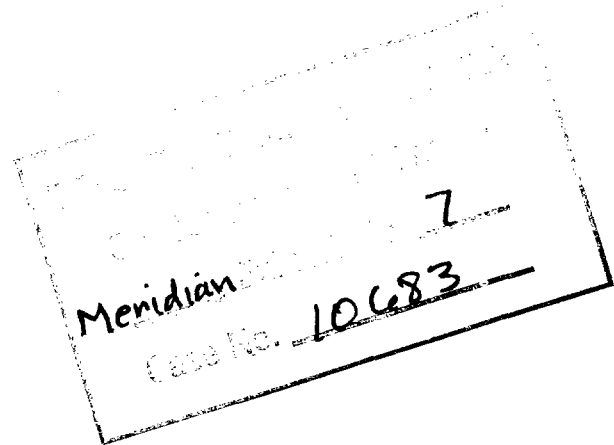


MERIDIAN OIL

January 18, 1993

Mr. Michael Stogner, Engineer
State of New Mexico
Energy, Mineral and Natural Resources Dept.
New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico



Re: 120 Acre Non-Standard Proration Unit
Gregory B #2
T26S, R37E
NE/4 NE/4 & S/2 NE/4 Section 15
Yates-Seven Rivers Gas Pool
Lea County, New Mexico

Dear Mr. Stogner:

Reference is made to your letter of December 10, 1992 addressed to Ms. Maria Perez of Meridian Oil's Regulatory Group concerning administrative application for a 120 acre non-standard gas spacing and proration unit for the proposed Gregory B #2. Please be advised that El Paso Production Company (Meridian Oil) owns 100% of the gas operating rights from the surface to 4000 feet beneath the surface. Mr. Hartman challenged Meridian's rights in his letter addressed to me dated January 7, 1993. This ownership is more completely set out in my letter addressed to Doyle Hartman, a copy of which is enclosed for your perusal. Mr. Hartman also stated that he would not be in agreement to farm-out his interest in the NW/4 NE/4 of Section 15 to Meridian, nor would he contribute his 40 acre tract to the drilling of the Gregory B #2 which would allow for a 160 acre proration unit if pooled with Meridian's 120 acres.

Therefore, Meridian Oil respectfully requests administrative approval of a non-standard gas proration unit encompassing 120 acres, being the NE/4 NE/4 & S/2 NE/4 Section 15, T26S, R37E, Lea County, New Mexico. Per letter of December 18, 1992, Patrick R. Worrell, Engineer for Doyle Hartman waived any objection to Meridian's application for a 120 acre non-standard gas proration unit.

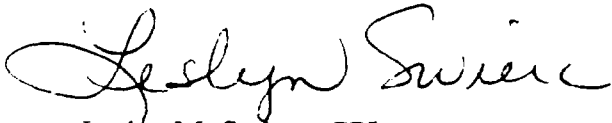
Letter to Mr. Michael Stogner

Page 2

If further information is needed, you may contact me directly at (915) 688-6928, or Mr. Tom O'Donnell, Reservoir Engineer at (915) 688-6829. Thank you for your assistance concerning this matter.

Very truly yours,

MERIDIAN OIL INC.

A handwritten signature in black ink, reading "Leslyn Swierc". The signature is fluid and cursive, with the first name "Leslyn" and last name "Swierc" clearly distinguishable.

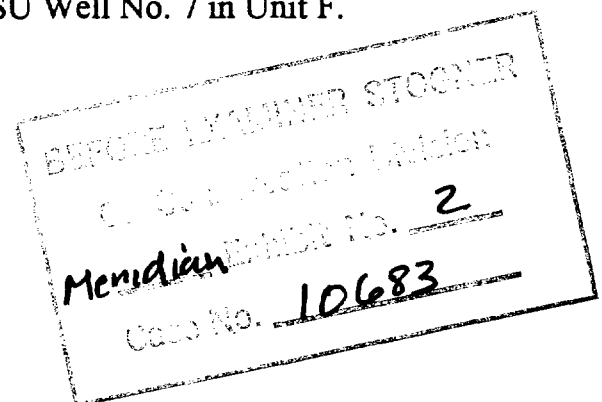
Leslyn M. Swierc, CPL
Petroleum Landman

LMS/lg

cc: Tom O'Donnell
Dennis Sledge

SURROUNDING PRORATION UNITS TO THE PROPOSED GREGORY B NO. 2

- The 40-acre non-standard gas spacing unit comprising the SW/4 SW/4 (Unit M) of Section 10, approved by Division Administrative Order NSP-1292, is dedicated to Meridian's Rhodes GSU Well No. 9 in Unit M;
- The standard 160-acre unit comprising the NW/4 of Section 10 is dedicated to Meridian's Rhodes GSU Well No. 16 in Unit E;
- The N/2 S/2 of Section 10, being a non-standard 160-acre unit approved by Division Administrative Orders NSP-1292 and NSP-1292-A has been developed by Meridian's Bates Well No. 1 (well P&A'd February, 1988) in Unit L and Hartman attempted to develop the same acreage with its C. T. Bates Well No. 2 (well was P&A'd in January, 1991 after encountering a severe water flow during drilling) also in Unit L;
- The standard 160-acre unit comprising the SW/4 of Section 15 is simultaneously dedicated to Meridian's Cagle "B" Well No. 1 in Unit L and Rhodes GSU Well No. 24 in Unit N (simultaneous dedication occurred prior to the Division's July 27, 1988 Memorandum);
- The standard 160-acre unit comprising the SE/4 of Section 15 is simultaneously dedicated (pre-1988 authorization) to Meridian's GSU Well Nos. 8 and 25 in Units J and O, respectively; and,
- The 120-acre non-standard gas spacing unit comprising the NW/4 NW/4 and S/2 NW/4 of Section 15, approved by Division administrative Order NSP-1292, is simultaneously dedicated (pre-1988 authorization) to Meridian's Gregory "B" Well No. 1 in Unit F and Rhodes GSU Well No. 7 in Unit F.



OFFSET OPERATORS

Doyle Hartman
Attn: Patrick Worrell
P. O. Box 10426
Midland, TX 79702

United Gas Search, Inc.
Attn: Rodney Ratheal
1550 Wynn Joyce
Garland, TX 75043

