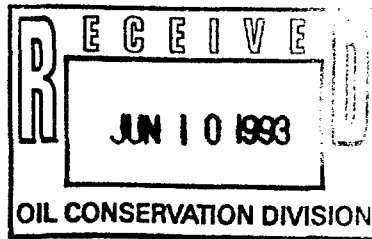


MERIDIAN OIL

June 8, 1993

Mr. William J. LeMay
Oil Conservation Division
State Land Office Building
310 Old Santa Fe Trail, Room 219
Santa Fe, NM 87501



Faxed June 8, 1993

RE: Application of Meridian Oil Inc. for Non-Standard Spacing Units,
Non-Standard Location and Downhole Commingling,
Rio Arriba County, New Mexico
San Juan 28-4 Unit #225 Well

Case 10754

Dear Mr. LeMay:

On behalf of Meridian Oil Inc., please find enclosed our Application for a non-standard spacing unit, a non-standard location, and downhole commingling as referenced above, which we request be set for hearing on the next available Examiner's docket now scheduled for July 1, 1993.

By copy of this letter and application, sent certified mail-return receipt requested, we are notifying all interested parties offsetting the subject well and its proposed spacing and proration unit of their right to appear at the hearing and participate in this case, including the right to present evidence either in support of or in opposition to the application and that failure to appear at the hearing may preclude them from any involvement in this case at a later date. Also, all parties entitled to notice are hereby informed that pursuant to Division requirements all parties appearing in this case are required to file a Pre-Hearing Statement with the Division no later than 4:00 p.m. on Friday, June 25, 1993.

Very truly yours,

A handwritten signature in cursive script that reads "Alan Alexander".

Alan Alexander
Senior Land Advisor

AA:ll

NM-2500

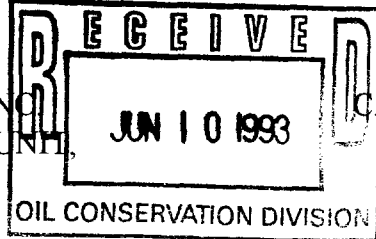
cc: with Enclosures
Tom Kellahin - Kellahin & Kellahin

By Certified Mail - Return Receipt
All Parties Listed on Exhibit C of Application

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:

APPLICATION OF MERIDIAN OIL INC.
FOR A NON-STANDARD SPACING UNIT,
NON-STANDARD LOCATION
AND DOWNHOLE COMMINGLING
RIO ARriba COUNTY, NEW MEXICO.



A P P L I C A T I O N

Comes now MERIDIAN OIL INC., ("Meridian") and applies to the New Mexico Oil Conservation Division for approval to downhole commingle Choza Mesa Pictured Cliffs Gas Pool and the Basin-Fruitland Coal Gas Pool production within the wellbore of its proposed San Juan 28-4 Unit #225 well to be drilled at a non-standard gas well location 695 feet FSL and 1375 feet FWL of Section 7, Township 28 North, Range 4 West, NMPM, Rio Arriba County, New Mexico. Said well is to be dedicated a non-standard 229.88-acre gas spacing unit for the Basin-Fruitland Coal Gas Pool being All of Section 7 and to a non-standard 114.60-acre gas spacing unit for the Choza Mesa Pictured Cliffs Gas Pool being Lots 3-5, SE/SW of said Section 7.

In support of its application, Meridian states:

(1) Meridian is the operator for the proposed San Juan 28-4 Unit #225 Well to be drilled at a non-standard gas well location 695 feet FSL and 1375 feet FWL of Section 7, Township 28 North, Range 4 West, NMPM, Rio Arriba County, New Mexico as shown on Exhibit "A" attached.

(2) The Well is to be drilled so that production from the Basin-Fruitland Coal Gas Pool and the Choza Mesa Pictured Cliffs Gas Pool can be downhole commingled in the wellbore.

(3) All of Section 7 is to be dedicated to any production from the Basin Fruitland Coal Gas Pool. It consists of Lots 1 through 5, SE/4 SW/4 and S/2 SE/4 of Section 7 and contains 229.88 acres, more or less. See Exhibit "A" attached. Meridian proposes to follow the "Mesaverde solution" for acreage dedicated to a non-standard Mesaverde Unit for the San Juan 28-4 Unit #21 Well and apply this solution to the Basin Fruitland Coal formation.

(4) Lots 3, 4, 5, SE/4 SW/4 of Section 7, containing 114.60 acres, is to be dedicated to any production from the Choza Mesa Pictured Cliffs Gas Pool. See Exhibit "A" attached.

(5) The ownership is common between these two spacing units.

(6) In accordance with Division Rule 303-C-1.(b), the Applicant states and will demonstrate at hearing:

a. That drilling the San Juan 28-4 Unit #225 Well initially for downhole commingling in the wellbore is necessary because it is not otherwise economic to attempt to drill and complete a separate well for Fruitland coal gas production nor is it economic to attempt to dually complete those formations in the proposed well.

b. That there will be no crossflow between the two zones commingled.

c. That the ownership in each of the two spacing units is common between the two pools and no impairment of correlative rights will occur.

d. It is expected that the bottom hole pressure of the lower pressure zone is not less than 50 percent of the bottom hole pressure of the higher pressure zone adjusted to a common datum.

e. That the value of the commingled production will not be less than the sum of the values of the individual production.

(7) The Fruitland Coal formation in this area of the basin should be marginally productive.

(8) Due to the nature of the Basin-Fruitland Coal Gas production, straight allocation of gas volumes from both zones is not appropriate. Meridian therefore seeks the adoption of a monthly allocation formula, to be presented at the hearing in this matter.

(9) While the downhole commingling is subject to administrative approval, the non-standard spacing unit and non-standard location for both the Choza Mesa Pictured Cliffs Gas Pool and the Basin-Fruitland Coal Pool requires a hearing. Therefore, Applicant requests that these matters be docketed for hearing on the Division's Examiner docket now scheduled for July 1, 1993.

(10) In accordance with Division Rule 1207.A(6) a copy of this application has been sent to all offsetting operators as set forth on Exhibit "C".

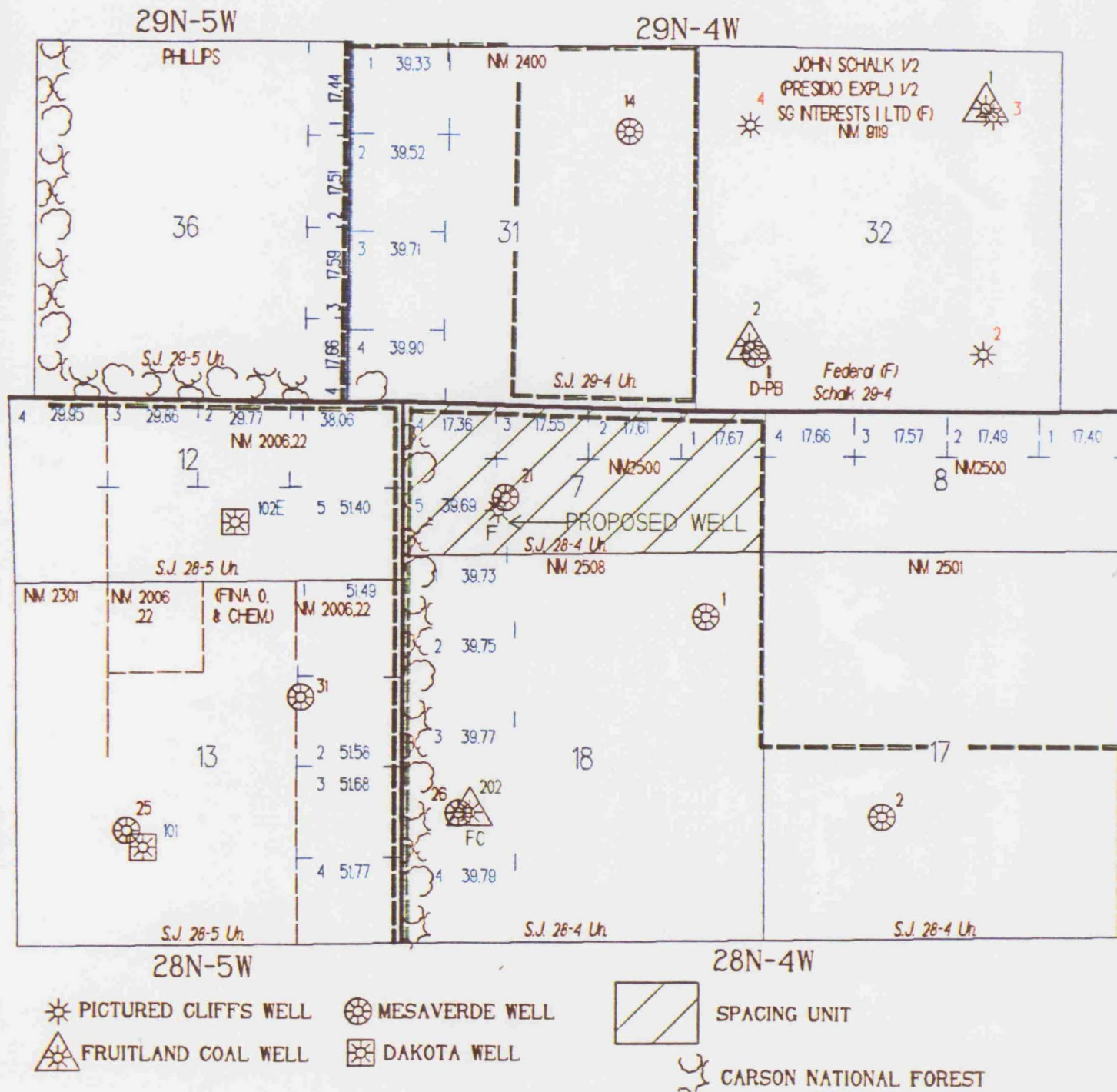
WHEREFORE Applicant requests that this matter be set for hearing on July 1, 1993, before a duly appointed Examiner of the Oil Conservation Division and that after notice and hearing as required by law, the Division enter its order granting this application.

Respectfully submitted,

A handwritten signature in cursive script that reads "Alan Alexander".

Alan Alexander
Senior Land Advisor
MERIDIAN OIL INC.
P. O. Box 4289
Farmington, NM 87499-4289
(505) 326-9757

SAN JUAN 28-4 UNIT # 225 WELL
695'FSL, 1375'FWL
SECTION 7-28N-4W



MERIDIAN OIL INC.

EXHIBIT "B"

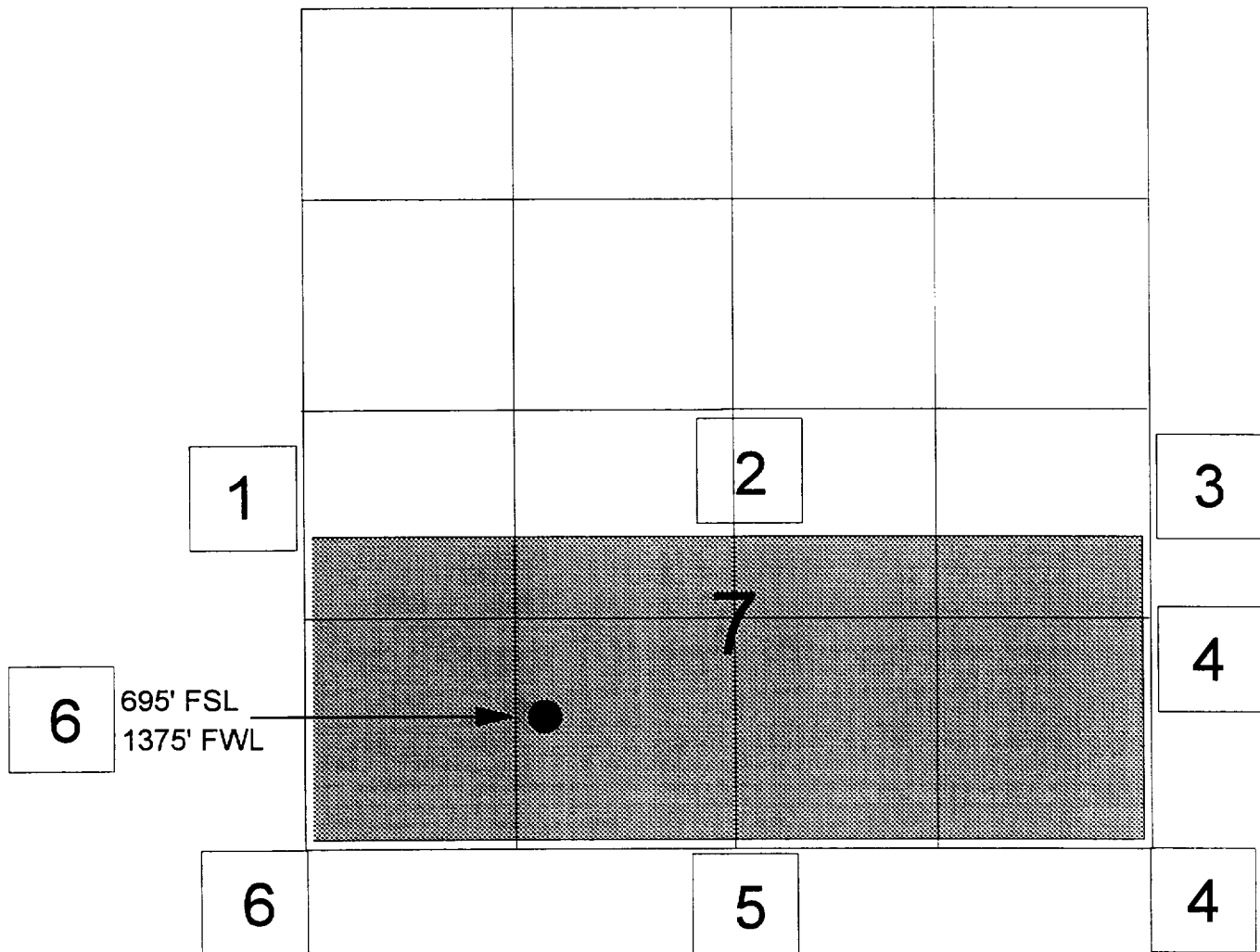
OFFSET OPERATOR/OWNER PLAT

Pictured Cliffs-Fruitland Commingle

San Juan 28-4 Unit #225

SE SW Section 7, T28N, R4W

Rio Arriba County, New Mexico



1) Phillips Petroleum, Operator, San Juan 29-5 Unit, 5525 Hwy. 64 NBU 3004, Farmington, New Mexico 87401-(PC & FR)

2) Meridian Oil Inc., Operator, San Juan 29-4 Unit, 3535 East 30th St., P.O. Box 4289, Farmington, New Mexico 87499-4289-(PC & FR)

3) Richmond Petroleum, 2651 N. Harwood, Suite 500, Dallas, Texas 75201-1505- (FR Only)

4) Meridian Oil Inc., Operator, 3535 East 30th St., P.O. Box 4289, Farmington, New Mexico 87499-4289-(FR Only)

5) Meridian Oil Inc., Operator, San Juan 28-4 Unit, 3535 East 30th St., P.O. Box 4289, Farmington, New Mexico 87499-4289-(PC & FR)

6) Meridian Oil Inc., Operator, San Juan 28-5 Unit, 3535 East 30th St., P.O. Box 4289, Farmington, New Mexico 87499-4289-(PC & FR)