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Santa Fé, New Mexico 87504-2265

August 9, 1988

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Mr. William J. LeMay
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504

OIL CONSERVATION DIVISION

"Hand Delivered"

Re: Chico Canyon Federal #2 Well
Application of Meridian Oil Inc
For Compulsory Pooling
Rio Arriba County New Mexico.

Case 9476

Dear Mr. LeMay:

Please find enclosed our application on behalf of Meridian Oil Company for a compulsory pooling order. We request that this application be set on the examiner's docket now scheduled for August 31, 1988.

We suggest the following for an advertisement for the newspaper and for the docket:

Application of Meridian Oil Inc for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to either the base of the Mancos formation or to a depth of approximately 7544 feet, whichever is deeper, underlying all of Section 3 T26N,R2W,Rio Arriba County, New Mexico, forming a 636.80-acre, more or less, standard oil spacing and proration unit for any and all formations and/or pools developed on 640-acre spacing, (Gavilan Mancos Oil Pool) to be dedicated to a well to be drilled at a standard well location in the SW/4NW/4. Said unit is located 14 miles North of Lindrith New Mexico.

By copy of this letter to all parties to be pooled, we are notifying them by certified mail-return receipt, that they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examine witnesses either in support of or in opposition to the application. Those parties are

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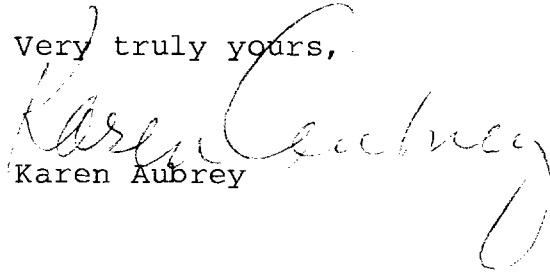
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directed to contact the Division or the applicant's attorney to determine what additional rights they may have. In addition, they are advised that the entry of a compulsory pooling order will affect their rights to share in the production from the subject well.

Very truly yours,


Karen Aubrey

WTK:pm
Enc.

cc: Mr. John Caldwell
Meridian Oil Inc
8340 Meadow Road
Farmington, NM 87401

"Certified Return-Receipt Requested"
All Parties listed in Application

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY AND MINERALS
OIL CONSERVATION DIVISION

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OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION
OF MERIDIAN OIL INC
COMPULSORY POOLING
RIO ARriba COUNTY, NEW MEXICO.

CASE: 9476

A P P L I C A T I O N

COMES NOW, MERIDIAN OIL INC, by and through its attorneys, Kellahin, Kellahin & Aubrey and in accordance with Section 7-2-17(c) NMSA (1978) applies to the New Mexico Oil Conservation Division for an order pooling all mineral interests underlying the following described acreage in Section 3, T26S, R2W, Rio Arriba County, New Mexico, in the following described manner:

All of section 3 to form a 636.80 acre, more or less, oil spacing and proration unit for any and all formations and/or pools within said vertical limits developed on 640-acre oil well spacing. (Gavilan Mancos oil pool)

The above described unit is to be dedicated to its Chico Canyon Federal #2 Well to be drilled to a depth of approximately 7544 feet at standard well location in SW/4NW/4 of said Section 3.

1. Applicant has a 21.41249% working interest ownership in Section 3.

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2. Applicant desires to drill a well at a standard location in the SW/4NW/4 of the Section 3.

3. Applicant, has sought a voluntary agreement with all those parties shown on Exhibit "A" for the formation of appropriate spacing & proration units for the drilling of the subject well but has been unable to obtain a voluntary agreement.

4. Pursuant to the Division notice requirements, applicant has notified all those parties shown on Exhibit "A" of this application for compulsory pooling and the applicant's request for a hearing before the Division to be set on August 31, 1988.

5. In order to obtain its just and equitable share of the potential production underlying the above tract, applicant needs an order pooling the mineral interests involved in order to protect applicant's correlative rights and prevent waste.

WHEREFORE, applicant prays that this application be set for hearing before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described herein. Applicant further prays that it be named operator of the well, and that the order make provisions for applicant to recover out of production its

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costs of drilling, completing and equipping the ^{subject} well, costs of operation, including costs of supervision, and a risk factor in the amount of 200% for the drilling and completing of the well, for such other and further relief as may be proper.

Respectfully submitted,

By Karen Aubrey

Karen Aubrey
Kellahin, Kellahin & Aubrey
P. O. Box 2265
Santa Fe, New Mexico 87504

(505) 982-4285

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Exhibit A

OIL CONSERVATION DIVISION

Name	Interest in Section 3
Amoco Production Company	N/2: 12.441897%
Attn. Mr. Mike Cuba	S/2: 50.251256% (Bear
P.O. Box 800	Canyon Unit)
Denver, Colorado 80201	
Hixon Development Company	N/2: 11.239636%
Attn. Mr. Al. Kuchera	
Box 2810	
Farmington, NM 87401	
Dugan Production Corp.	N/2: 7.493090%
P.O. Box 5820	
Farmington, NM 87401	