



David L. Wacker
Division Manager
Production Department
Hobbs Division
North American Production

Conoco Inc.
726 East Michigan
P.O. Box 460
Hobbs, NM 88241
(505) 397-5800

November 15, 1988

New Mexico Oil Conservation Division
310 Old Santa Fe Trail
Santa Fe, New Mexico 87503

Attention William J. LeMay

Gentlemen:

Examiner Hearing November 22, 1988
Meridian Oil Inc. Compulsory Pooling
Cases No. 9535, 9536, 9538, 9540, 9541,
9542, 9545, 9546, and 9547

Conoco Inc. has been notified of the subject compulsory pooling cases for wells in which we have a working interest. Please enter Conoco Inc's. appearance in each of the cases numbered above.

Yours very truly,

A handwritten signature in cursive script that reads "David L. Wacker".

David L. Wacker
Division Manager

HAI/tm

cc:

Tom Kellahin

BEFORE THE
OIL CONSERVATION DIVISION
NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

RECEIVED
NOV 15 1968

IN THE MATTER OF THE APPLICATION OF
MERIDIAN OIL INC., FOR COMPULSORY POOLING,
SAN JUAN COUNTY, NEW MEXICO.

OIL CONSERVATION DIVISION

CASE NO. 9547

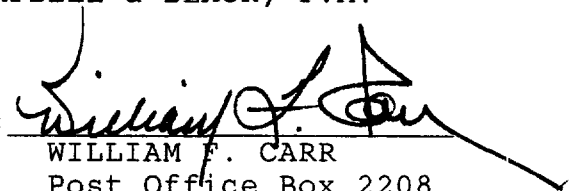
WITHDRAWAL OF COUNSEL

COMES NOW CAMPBELL & BLACK, P.A., and hereby withdraws as
counsel for Meridian Oil Inc., in the above-referenced case.

Respectfully submitted,

CAMPBELL & BLACK, P.A.

By:



WILLIAM F. CARR
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR
MERIDIAN OIL INC.

cc: W. Thomas Kellahin, Esq.

Tom Owen, Esq.
Meridian Oil Inc.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

January 5, 1989

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE NEW MEXICO 87501
(505) 827-8800

Mr. Thomas Kellahin
Kellahin, Kellahin & Aubrey
Attorneys at Law
Post Office Box 2265
Santa Fe, New Mexico

Re: CASE NO. 9547
ORDER NO. R-8825

Applicant:

Meridian Oil, Inc.

Dear Sir:

Enclosed herewith are two copies of the above-referenced
Division order recently entered in the subject case.

Sincerely,

Florene Davidson

FLORENE DAVIDSON
OC Staff Specialist

Copy of order also sent to:

Hobbs OCD _____ x
Artesia OCD _____ x
Aztec OCD _____ x

Other _____

MERIDIAN OIL

February 14, 1989

FEDERAL EXPRESS

TO THE WORKING INTEREST OWNERS
SHOWN ON THE ATTACHED SHEET

Re: Atlantic D Com #201
W/2 Section 36, T31N, R10W
San Juan County, New Mexico

M.S.


Gentlemen:

Enclosed please find a copy of New Mexico Oil Conservation Division Case No. 9547; Order No. R-8825 covering the compulsory pooling of the subject well. Meridian Oil Inc. has now received voluntary joinder from all working interest owners in the well. All parties have executed an Operating Agreement which will cover future operations on the well (signature pages to be furnished by separate cover letter). Copies of the executed Authorities for Expenditure are enclosed for your reference.

By copy of this letter and pursuant to the terms of the above mentioned Compulsory Pooling Order, Meridian is hereby notifying the New Mexico Oil Conservation Division of full voluntary joinder by the pooled working interest owners.

If you require further information, please advise.

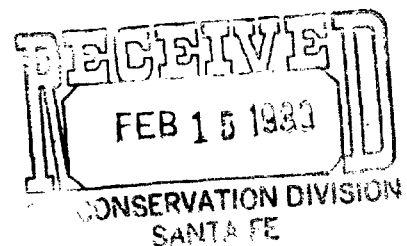
Yours very truly,



Robert J. Hopkins
Senior Landman

RJH:clh
Enclosures
NM-901
Doc. 196+

xc: New Mexico Oil Conservation Division
Attn: Mr. W. LeMay



WORKING INTEREST OWNERS OF THE ATLANTIC D COM 201

MERIDIAN OIL INC.

EL PASO PRODUCTION CO.

MESA OPERATING LIMITED PARTNERSHIP

ATLANTIC RICHFIELD COMPANY

TOC ROCKY MOUNTAIN INC.
(AMOCO)

CONOCO, INC.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

January 5, 1989

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE NEW MEXICO 87501
(505) 827-5800

Mr. Thomas Kellahin
Kellahin, Kellahin & Aubrey
Attorneys at Law
Post Office Box 2265
Santa Fe, New Mexico

Re: CASE NO. 9547
ORDER NO. R-8825

Applicant:

Meridian Oil, Inc.

Dear Sir:

Enclosed herewith are two copies of the above-referenced
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Sincerely,

Florene Davidson

FLORENE DAVIDSON
OC Staff Specialist

Copy of order also sent to:

Hobbs OCD x
Artesia OCD x
Aztec OCD x

Other _____

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. 9547
ORDER NO. R-8825

APPLICATION OF MERIDIAN OIL, INC.
FOR COMPULSORY POOLING, SAN JUAN
COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on November 22, 1988, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 28th day of December, 1988, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) At the time of the hearing this case was consolidated with Case Nos. 9535, 9536, 9537, 9538, 9539, 9540, 9541, 9542, 9545 and 9546 for purposes of testimony.

(3) By Division Order No. R-8768, issued in Case No. 9420 and made effective November 1, 1988, the Basin-Fruitland Coal (Gas) Pool was created and special rules and regulations were promulgated including a provision for 320-acre spacing and proration units.

(4) The applicant, Meridian Oil, Inc., seeks an order pooling all mineral interests in the Basin-Fruitland Coal (Gas) Pool underlying the W/2 of Section 36, Township 31 North, Range 10 West, NMPM, San Juan County, New Mexico, forming a standard 320-acre gas spacing and proration unit for said pool, to be dedicated to its Atlantic "D" Com Well No. 201 to be drilled at a standard coal gas well location in the NW/4 SW/4 (Unit L) of said Section 36.

(5) There are interest owners in the proposed proration unit who have not agreed to pool their interests.

(6) In anticipation of 320-acre spacing in the Basin-Fruitland Coal (Gas) Pool the applicant proposed to said mineral interests the establishment of the subject unit prior to the issuance of said Order No. R-8768.

(7) On November 1, 1988, the applicant filed this application for hearing with the Oil Conservation Division.

(8) Although there appears to have been insufficient time (between the date 320-acre spacing was established and when the applicant proposed compulsory pooling) for all parties involved to reach a decision on voluntary agreement no interested party appeared and/or objected to this or any other issue in this matter.

(9) To avoid the drilling of unnecessary wells, to protect correlative rights, to prevent waste and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the coal gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(10) The applicant should be designated the operator of the subject well and unit.

(11) Any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(12) At the time of the hearing the applicant requested a 200 percent risk penalty be imposed on the cost of drilling said well.

(13) Based on the geological evidence presented at the hearing in this matter and on the record in said Case No. 9420 (of which administrative notice was taken at the hearing), the proposed 200 percent risk penalty is somewhat excessive and should therefore be reduced to 156 percent.

(14) Any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of reasonable well costs plus an additional 156 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(15) Any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(16) Following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(17) \$3500.00 per month while drilling and \$300.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(18) All proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(19) Upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before March 15, 1989, the order pooling said unit should become null and void and of no further effect whatsoever.

(20) Should all the parties to this force-pooling reach voluntary agreement subsequent to entry of this order, this order should thereafter be of no further effect.

Case No. 9547
Order No. R-8825
Page No. 4

(21) The operator of the well and unit should notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force-pooling provisions of this order.

IT IS THEREFORE ORDERED THAT:

(1) All mineral interests, whatever they may be, are hereby pooled in the Basin-Fruitland Coal (Gas) Pool underlying the W/2 of Section 36, Township 31 North, Range 10 West, NMPM, San Juan County, New Mexico, forming a standard 320-acre gas spacing and proration unit for said pool, to be dedicated to its Atlantic "D" Com Well No. 201 to be drilled at a standard coal gas well location in the NW/4 SW/4 (Unit L) of said Section 36.

PROVIDED HOWEVER THAT, the operator of said unit shall commence the drilling of said well on or before the 15th day of March, 1989, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Basin-Fruitland Coal (Gas) Pool.

PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well on or before the 15th day of March, 1989, Ordering Paragraph No. (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER THAT, should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Ordering Paragraph No. (1) of this order should not be rescinded.

(2) Meridian Oil, Inc. is hereby designated the operator of the subject well and unit.

(3) After the effective date of this order and within 90 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(4) Within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

Case No. 9547
Order No. R-8825
Page No. 5

(5) The operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, if there is an objection to actual well costs within said 45 day period the Division will determine reasonable well costs after public notice and hearing.

(6) Within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) The operator is hereby authorized to withhold the following costs and charges from production:

(A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him; and

(B) As a charge for the risk involved in the drilling of the well, 156 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) The operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

Case No. 9547
Order No. R-8825
Page No. 6

(9) \$3500.00 per month while drilling and \$300.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) Any unleased mineral interest shall be considered a seven-eighths ($7/8$) working interest and a one-eighth ($1/8$) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(11) Any well costs or charges which are to be paid out of production shall be withheld only from the working interest's share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) All proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in San Juan County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(13) Should all the parties to this force-pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(14) The operator of the well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force-pooling provisions of this order.

(15) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Case No. 9547
Order No. R-8825
Page No. 7

DONE at Santa Fe, New Mexico, on the day and year
hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

S E A L

55b

MERIDIAN OIL INC.
Farmington Region
Post Office Box 4289
Farmington, New Mexico 87499
(505) 326-9700

AUTHORITY FOR EXPENDITURE

AFE No.: _____ Date: 04-07-88
 Lease/Well Name: Atlantic D Com #201 Lease No.: _____
 Field/Prospect: Undesignated Fruitland Region: Farmington
 Location: NW/SW Section 36, T31N, R10W County: San Juan State: NM
 AFE Type: 01 Development Original X Supplement Addendum API Well Type F
 Operator Meridian Oil Inc.
 Objective Formation: Fruitland Coal Authorized Total Depth (Feet) 3350
 Project Description: Drill and complete the Fruitland Coal Formation. Tie-in to handle produced gas and water.

Est. Start Date: 10-01-88 Prepared By: T.C. Joseph
 Est. Completion Date: 11-01-88

RECEIVED
MAY 24 1988

GROSS WELL COST DATA

	Drilling		Workover,	Construction	Total
	Dry Hole	Suspended	Completion	or Facility	
Days:		20		10	30
This AFE:		398,300		201,734	600,034
Prior AFE'S:					
Total Costs: \$		\$ 398,300	\$	\$ 201,734	\$ 600,034

JOINT INTEREST OPERATIONS

JOINT INTEREST OWNERS

Company	Working Interest		Net \$ Expenditures	
	Percent		Dry Hole \$	Completed \$
OTHERS	50.00000%			300,017
MERIDIAN OIL INC.	50.00000%			300,017
AFE TOTAL:	100.00000%		\$	\$ 600,034

MERIDIAN OIL APPROVAL

Recommended: _____ /Date: _____ Approved: Donald R. Reed Date: 4-11-88
 Title: Regional Operations Manager
 Recommended: Donald R. Reed /Date: 4/11/88 Approved: _____ /Date: _____
 Title: _____

PARTNER APPROVAL

Company Name: ARCO
 Authorized By: D. AB Reed Date: 2/13/89
 Title: Jr. Intr. Coord

(2)

MERIDIAN OIL INC.
 Farmington Region
 Post Office Box 4289
 Farmington, New Mexico 87499
 (505) 326-9700

AUTHORITY FOR EXPENDITURE

AFE No.: _____ Date: 04-07-88
 Lease/Well Name: Atlantic D Com #201 Lease No.: _____
 Field/Prospect: Undesignated Fruitland Region: Farmington
 Location: NW/SW Section 36, T31N, R10W County: San Juan State: N
 AFE Type: 01 Development Original Supplement Addendum API Well Type F
 Operator Meridian Oil Inc.
 Objective Formation: Fruitland Coal Authorized Total Depth (Feet) 3350
 Project Description: Drill and complete the Fruitland Coal Formation. Tie in to handle produced gas and water.

Est. Start Date: 10-01-88 Prepared By: T.C. Joseph
 Est. Completion Date: 11-01-88

GROSS WELL COST DATA

	Drilling	Workover,	Construction	Total
	Dry Hole	Suspended	Completion or Facility	
Days:	_____	20	10	30
This AFE:	_____	398,300	201,734	600,034
Prior AFE'S:	_____	_____	_____	_____
Total Costs: \$	\$ _____	\$ 398,300	\$ 201,734	\$ 600,034

JOINT INTEREST OWNERS

Company	Working Interest	Net \$ Expenditures	
	Percent	Dry Hole \$	Completed \$
OTHERS	50.00000%	_____	300,017
MERIDIAN OIL INC.	50.00000%	_____	300,017
AFE TOTAL:	100.00000%	\$ _____	\$ 600,034

MERIDIAN OIL APPROVAL

Recommended: _____ /Date: _____ Approved: Donald R. Reed /Date: 4-11-88
 Title: Regional Operations Manager
 Recommended: Donald C. Wilson /Date: 4/11/88 Approved: _____ /Date: _____
 Title: _____

PARTNER APPROVAL

Company Name: MESA OPERATING LIMITED PARTNERSHIP
 Authorized By: Richard W. Petrie Date: _____
 Title: Richard W. Petrie, Manager - Land

330

MERIDIAN OIL INC.
 Farmington Region
 Post Office Box 4289
 Farmington, New Mexico 87499
 (505) 326-9700

AUTHORITY FOR EXPENDITURE

AFE No.: _____ Date: 04-07-88
 Lease/Well Name: Atlantic D Com #201 Lease No.: _____
 Field/Prospect: Undesignated Fruitland Region: Farmington
 Location: NW/SW Section 36, T31N, R10W County: San Juan State: NM
 AFE Type: 01 Development Original Supplement Addendum API Well Type F
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 Objective Formation: Fruitland Coal Authorized Total Depth (Feet) 3350
 Project Description: Drill and complete the Fruitland Coal Formation. Tie-
in to handle produced gas and water.

Est. Start Date: 10-01-88 Prepared By: T.C. Joseph
 Est. Completion Date: 11-01-88

GROSS WELL COST DATA

	Drilling		Workover,	Construction	Total
	Dry Hole	Suspended	Completion	or Facility	
Days: _____	_____	20	_____	10	30
This AFE: _____	398,300	_____	_____	201,734	600,034
Prior AFE'S: _____	_____	_____	_____	_____	_____
Total Costs: \$ _____	\$ 398,300	_____	_____	\$ 201,734	\$ 600,034

JOINT INTEREST OWNERS

Company	Working Interest Percent	Net \$ Expenditures	
		Dry Hole \$	Completed \$
_____	_____	_____	_____
_____	_____	_____	_____
OTHERS	50.00000%	_____	300,017
MERIDIAN OIL INC.	50.00000%	_____	300,017
AFE TOTAL:	100.00000%	\$ _____	\$ 600,034

MERIDIAN OIL APPROVAL

Recommended: _____ /Date: _____ Approved: Donald R. Reed /Date: 4-11-88
 Title: Regional Operations Manager
 Recommended: Donald R. Reed /Date: 4/11/88 Approved: _____ /Date: _____
 Title: _____

PARTNER APPROVAL

Company Name: TENNECO Oil Co.
 Authorized By: [Signature] Date: 6/7/88
 Title: _____

MERIDIAN OIL INC.
 Farmington Region
 Post Office Box 4289
 Farmington, New Mexico 87499
 (505) 326-9700

AUTHORITY FOR EXPENDITURE

AFE No.: _____ Date: 8-4-88
 Lease/Well Name: Atlantic D Com #201 Lease No.: _____
 Field/Prospect: Undesignated Fruitland Region: Farmington
 Location: NW/4 SW/4 Sec. 36, T31N, R10W County: San Juan State: NM
 AFE Type: 01 Development Original X Supplement Addendum API Well Type F
 Operator Meridian Oil Inc.
 Objective Formation: Fruitland Coal Authorized Total Depth (Feet) 3350
 Project Description: Drill and complete the proposed well in the objective formation. Tie-in to handle produced gas and water.

Est. Start Date: 4th Qtr Prepared By: D. T. Boone
 Est. Completion Date: 01-01-89

	GROSS WELL COST DATA				Total
	Drilling		Workover, Completion	Construction or Facility	
	Dry Hole	Suspended			
Days:	_____	11	_____	18	29
This AFE:	_____	253,900	_____	202,734	456,634
Prior AFE'S:	_____	_____	_____	_____	_____
Total Costs:	\$ _____	\$ 253,900	\$ _____	\$ 202,734	\$ 456,634

Company	JOINT INTEREST OWNERS		
	Working Interest Percent	Net \$ Expenditures	
	_____	Dry Hole \$	Completed \$
_____	_____	_____	_____
_____	_____	_____	_____
OTHER	50.00000%	_____	228,317
MERIDIAN OIL INC.	50.00000%	_____	228,317
AFE TOTAL:	100.00000%	\$ _____	\$ 456,634

PARTNER APPROVAL

Company Name: CONOCO INC.
 Authorized By: David T. Walker Date: 12/20/88
 Title: Division Manager



STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

March 10, 1989

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

Mr. W. Thomas Kellahin
Kellahin, Kellahin & Aubrey
Attorneys at Law
Post Office Box 2265
Santa Fe, New Mexico 87504-2265

Dear Mr. Kellahin:

Based upon your letter of March 7, 1989, and in accordance with the provisions of Division Order No. R-8825, Meridian Oil Inc. is hereby granted an extension of time in which to begin the well on the unit pooled by said order until April 15, 1989.

Sincerely,

A handwritten signature in cursive script, appearing to read "William J. Lemay".

WILLIAM J. LEMAY
Director

WJL/fd

cc: ✓ Case 9547
Frank Chavez

KELLAHIN, KELLAHIN AND AUBREY

Attorneys at Law

El Patio - 117 North Guadalupe

Post Office Box 2265

Santa Fe, New Mexico 87504-2265

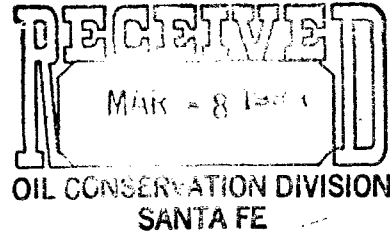
Telephone 982-4285

Area Code 505

W. Thomas Kellahin
Karen Aubrey

Jason Kellahin
Of Counsel

March 7, 1989



Mr. William J. LeMay
Oil Conservation Division
P.O. Box 2068
Santa Fe, New Mexico 87501

HAND DELIVERED

Re: Request of Meridian Oil Inc.
for an Extension of the
Drilling Date of its
Atlantic D. Com 201 Well
Pursuant to Division
Order R-8825

Dear Mr. LeMay:

Our firm represents Meridian Oil Inc. and assisted them in obtaining Division Compulsory Pooling Order R-8825 which was entered effective on December 28, 1988. (Copy enclosed.)

Provision 19 of that order requires Meridian Oil Inc. to commence the well on or before March 15, 1989.

As a result of weather delays and rig scheduling problems, Meridian requests a 30-day extension of the commencement date of the order until April 15, 1989.

I have enclosed a copy of the plat showing the area in question. Please call me if you have any questions.

Very Truly Yours

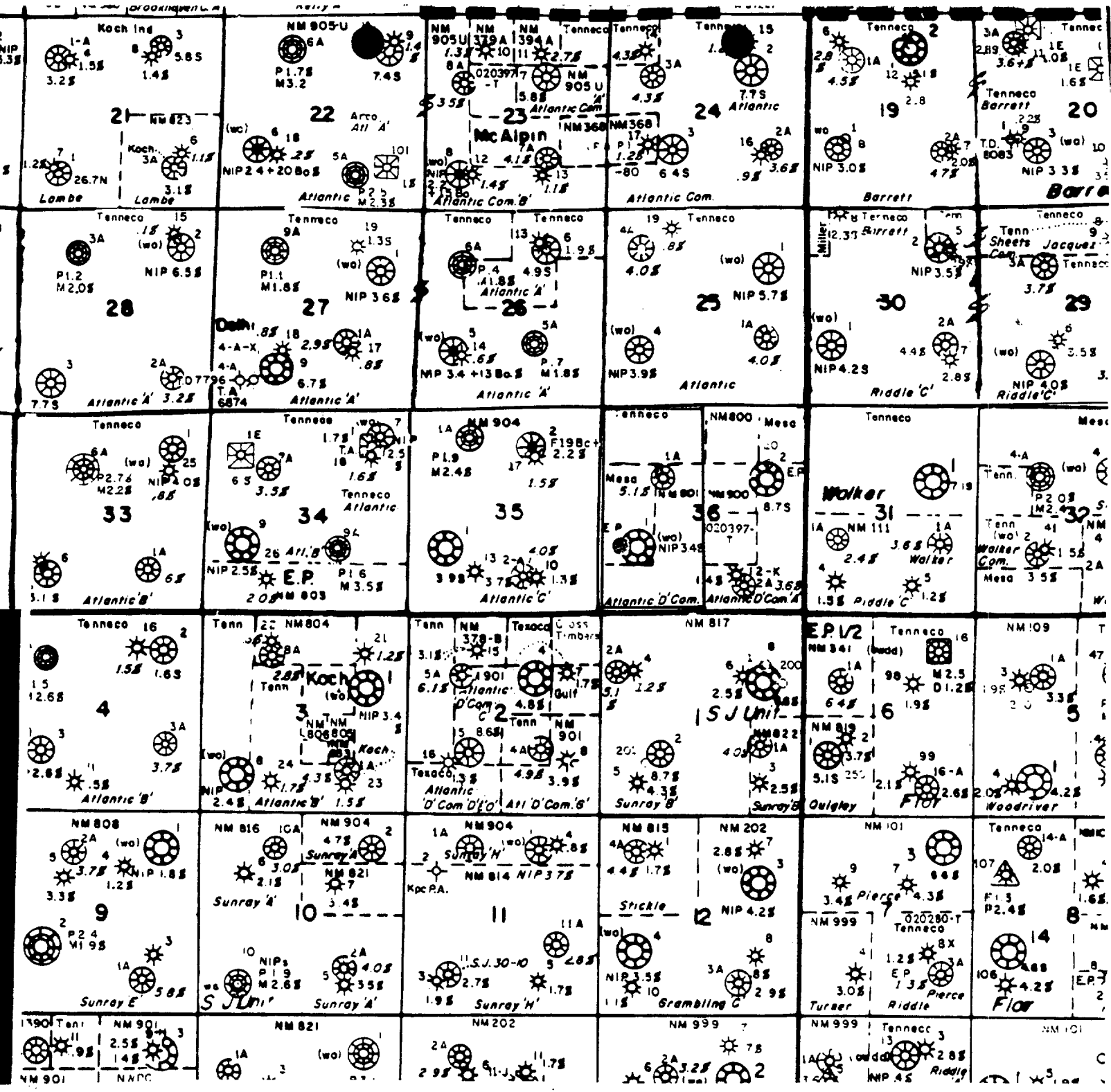
A handwritten signature in dark ink, appearing to read "W. Thomas Kellahin".

W. Thomas Kellahin

WTK/rs
Encl.
cc: Alan Alexander

Conoco, Inc.
P.O. Box 460
Hobbs, New Mexico 88240

Amoco Production Company
P.O. Box 800
Denver, Colorado 80201
Attn: Mr. Michael E. Cuba



LEGEND

- proration unit
- Atlantic D Com #201

MERIDIAN OIL

Atlantic D Com #201 Well
 W/2 Section 36, T-31-N, R-10-W
 San Juan County, New Mexico



LANDMAN: Robert J. Hopkins

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. 9547
ORDER NO. R-8825

APPLICATION OF MERIDIAN OIL, INC.
FOR COMPULSORY POOLING, SAN JUAN
COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on November 22, 1988, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 28th day of December, 1988, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) At the time of the hearing this case was consolidated with Case Nos. 9535, 9536, 9537, 9538, 9539, 9540, 9541, 9542, 9545 and 9546 for purposes of testimony.

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(4) The applicant, Meridian Oil, Inc., seeks an order pooling all mineral interests in the Basin-Fruitland Coal (Gas) Pool underlying the W/2 of Section 36, Township 31 North, Range 10 West, NMPM, San Juan County, New Mexico, forming a standard 320-acre gas spacing and proration unit for said pool, to be dedicated to its Atlantic "D" Com Well No. 201 to be drilled at a standard coal gas well location in the NW/4 SW/4 (Unit L) of said Section 36.

(5) There are interest owners in the proposed proration unit who have not agreed to pool their interests.

(6) In anticipation of 320-acre spacing in the Basin-Fruitland Coal (Gas) Pool the applicant proposed to said mineral interests the establishment of the subject unit prior to the issuance of said Order No. R-8768.

(7) On November 1, 1988, the applicant filed this application for hearing with the Oil Conservation Division.

(8) Although there appears to have been insufficient time (between the date 320-acre spacing was established and when the applicant proposed compulsory pooling) for all parties involved to reach a decision on voluntary agreement no interested party appeared and/or objected to this or any other issue in this matter.

(9) To avoid the drilling of unnecessary wells, to protect correlative rights, to prevent waste and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the coal gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(10) The applicant should be designated the operator of the subject well and unit.

(11) Any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(12) At the time of the hearing the applicant requested a 200 percent risk penalty be imposed on the cost of drilling said well.

(13) Based on the geological evidence presented at the hearing in this matter and on the record in said Case No. 9420 (of which administrative notice was taken at the hearing), the proposed 200 percent risk penalty is somewhat excessive and should therefore be reduced to 156 percent.

(14) Any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of reasonable well costs plus an additional 156 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(15) Any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(16) Following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(17) \$3500.00 per month while drilling and \$300.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(18) All proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(19) Upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before March 15, 1989, the order pooling said unit should become null and void and of no further effect whatsoever.

(20) Should all the parties to this force-pooling reach voluntary agreement subsequent to entry of this order, this order should thereafter be of no further effect.

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(21) The operator of the well and unit should notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force-pooling provisions of this order.

IT IS THEREFORE ORDERED THAT:

(1) All mineral interests, whatever they may be, are hereby pooled in the Basin-Fruitland Coal (Gas) Pool underlying the W/2 of Section 36, Township 31 North, Range 10 West, NMPM, San Juan County, New Mexico, forming a standard 320-acre gas spacing and proration unit for said pool, to be dedicated to its Atlantic "D" Com Well No. 201 to be drilled at a standard coal gas well location in the NW/4 SW/4 (Unit L) of said Section 36.

PROVIDED HOWEVER THAT, the operator of said unit shall commence the drilling of said well on or before the 15th day of March, 1989, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Basin-Fruitland Coal (Gas) Pool.

PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well on or before the 15th day of March, 1989, Ordering Paragraph No. (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER THAT, should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Ordering Paragraph No. (1) of this order should not be rescinded.

(2) Meridian Oil, Inc. is hereby designated the operator of the subject well and unit.

(3) After the effective date of this order and within 90 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(4) Within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

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(5) The operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, if there is an objection to actual well costs within said 45 day period the Division will determine reasonable well costs after public notice and hearing.

(6) Within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) The operator is hereby authorized to withhold the following costs and charges from production:

(A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him; and

(B) As a charge for the risk involved in the drilling of the well, 156 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) The operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

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(9) \$3500.00 per month while drilling and \$300.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(11) Any well costs or charges which are to be paid out of production shall be withheld only from the working interest's share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) All proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in San Juan County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(13) Should all the parties to this force-pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(14) The operator of the well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force-pooling provisions of this order.

(15) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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DONE at Santa Fe, New Mexico, on the day and year
hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

S E A L