

MERIDIAN OIL

CASE # 10555

NOVEMBER 5, 1992

LABORATORY EXAMINER CANTARACH
OIL CONSERVATION DIVISION
EXHIBIT NO. <u>1</u>
CASE NO. _____

NOTIFICATIONS

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

TELEPHONE (505) 982-4285

TELEFAX (505) 982-2047

JASON KELLAHIN (RETIRED 1991)

September 23, 1992

William J. LeMay
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87504


VIA FACSIMILE
(505) 827-5741

RE: NMOCD Case No. 10555
Application of Meridian Oil, Inc.
for the establishment of minimum
gas allowables for the Justis
Gas Pool, Lea County, New Mexico

Dear Mr. LeMay:

On behalf of Meridian Oil, Inc. we respectfully
request that the above-referenced case be continued to
the Hearing Examiner's docket now scheduled for
November 5, 1992.

Very truly yours,



W. Thomas Kellahin

WTK/jcl
xc: Tom Olle - Meridian Oil, Inc.

lrr923.014

RECEIVED
SEP 25 1992
RESERVOIR

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: 10555

APPLICATION OF MERIDIAN OIL INC.
TO ESTABLISH MINIMUM GAS ALLOWABLES
IN THE JUSTIS (GLORIETA) GAS POOL,
LEA COUNTY, NEW MEXICO.

FIRST AMENDED APPLICATION

COMES NOW MERIDIAN OIL INC, by and through its attorneys, Kellahin and Kellahin, and hereby amends its original application to terminate prorationing in the JUSTIS GAS POOL, Lea County, New Mexico and to substitute therefore a request to establish minimum natural gas allowables for the Justis Pool for a three year period of time equal to 600 MCF of gas per day for an acreage factor of 1.0 (non-standard proration unit) or 1,200 MCF of gas per day for an acreage factor of 2.0 (standard 320-acre gas proration unit), and in support thereof would show:

1. Applicant is an operator and working interest owner in the Justis Gas Pool, Lea County, New Mexico with approximately 50% of the 1991-1992 winter proration

period production (October, 1991 through March, 1992).

2. The Justis Gas Pool ("the Pool") was created by Division Order 850 issued January 1, 1950 with gas prorationing for this pool made effective January 1, 1954. See Orders R-375, R-375-A, R-586-A, R-586-C, R-586-C, R-586-E, R-586-F, R-967.

3. On October 3, 1957, the standard proration unit size was changed from 160 acres to 320 acres. See Order R-586-C.

4. The Pool, as of July 1, 1992, encompassed the following area:

Township 24 South, Range 37 East, NMPM

Section 26: SE/4
Section 35: E/2, E/2NW/4

Township 25 South, Range 37 East, NMPM

Section 1: SW/4
Section 2: E/2
Section 11: E/2
Section 12: W/2
Section 13: All
Section 14: E/2
Section 23: E/2
Section 24: All
Section 25: All
Section 26: NE/4
Section 36: N/2

5. The Pool is also subject to the provisions of Order R-8170, as amended, being the current General Rules and Regulations for the Prorated Gas Pools of New Mexico.

6. The Applicant has identified and located the current pool limits and all currently producing wells and spacing units on Exhibit A attached hereto.

7. Prorationing was originally instituted because the total delivery capacity of the wells in the Pool exceeded the market demand for gas produced from the Pool. See Finding (5) Order R-586.

8. Currently and for the remaining life of the Pool, the total deliverability of the wells in the Pool is not expected to exceed market demand for gas produced from the Pool.

9. The production limitations imposed by the prorated allowables has discouraged and will continue to discourage further developmental drilling, attempted workovers of existing wells, or the installation of compression equipment.

10. Establishment of a minimum allowable equal to 600 MCF of gas per day for an acreage factor of 1.0 (non-standard 160-acre gas proration unit) or 1,200 MCF of gas

per day for an acreage factor of 2.0 (standard 320-acre gas proration unit) for the Pool will not impair correlative rights.

11. Since the institution of prorationing in the Pool, there have been substantial changes in Pool production, development, gas purchasing and marketing practices, and other factors affecting the oil and gas industry which indicates that the production limitations imposed by the gas proration system have discouraged and will continue to discourage further developmental drilling and attempted workover of existing wells.

12. Applicant proposes that this minimum allowable for the Pool be effective November 1, 1992 for a period of three years, at which time the applicant and/or operators in the pool should be prepared to appear and present evidence and testimony relevant to the continuation of a minimum gas allowable for the pool.

13. Applicant has previously contacted all of the operators in the Pool concerning this matter and as of the date of this Application is not aware of any opposition to this Application.

14. Applicant requests that this matter be set for hearing on the Examiner's Docket now scheduled for October 15, 1992.

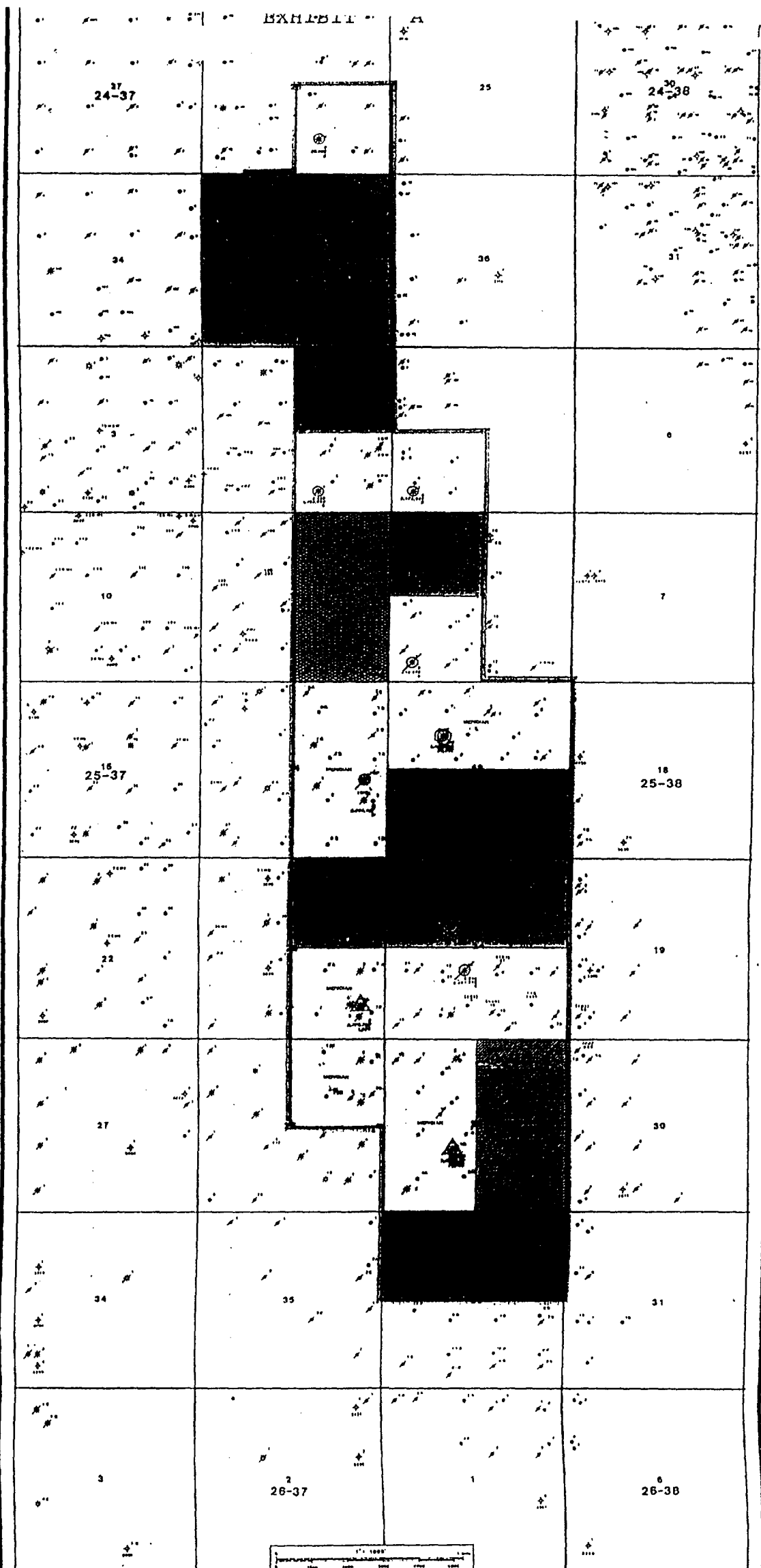
15. Pursuant to Division notice requirements, Applicant has sent a copy of this application, certified mail-return receipt to all operators of wells within the Pool and all operators of wells within one mile of the outer boundary of the Pool. The list of names and addresses of all those to whom notice has been sent are set forth on Exhibit B attached hereto.

WHEREFORE, Applicant requests that this application be set for hearing before the Division and after said hearing, the Division enter its order establishing a minimum allowable for the subject Pool, and for such other and further relief as may be proper based upon this application.

Respectfully Submitted,



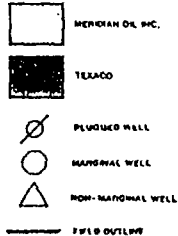
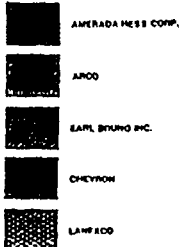
W. Thomas Kellahin
Kellahin and Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285
Attorneys for Applicant



GLORIETA TOTAL PRODUCTION TO 1/1/81
 100,848 BBLs OIL
 87,738,898 MCF GAS
 180,707 BBLs WTR

LITHOLOGY

The lithology is shown in a columnar chart to the right of the map. The lithology is shown in a columnar chart to the right of the map. The lithology is shown in a columnar chart to the right of the map.



1 MERIDIAN OIL					
JUSTIS FIELD					
LEA COUNTY, NEW MEXICO					
GLORIETA PRODUCTION					
SUMMARY TO 1/1/81					
SECTION	WELL	DATE	TYPE	STATUS	REMARKS
1	1	1/1/81	PLUGGED	WELL	
2	2	1/1/81	PLUGGED	WELL	
3	3	1/1/81	PLUGGED	WELL	
4	4	1/1/81	PLUGGED	WELL	
5	5	1/1/81	PLUGGED	WELL	
6	6	1/1/81	PLUGGED	WELL	
7	7	1/1/81	PLUGGED	WELL	
8	8	1/1/81	PLUGGED	WELL	
9	9	1/1/81	PLUGGED	WELL	
10	10	1/1/81	PLUGGED	WELL	
11	11	1/1/81	PLUGGED	WELL	
12	12	1/1/81	PLUGGED	WELL	
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15	15	1/1/81	PLUGGED	WELL	
16	16	1/1/81	PLUGGED	WELL	
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20	20	1/1/81	PLUGGED	WELL	
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23	23	1/1/81	PLUGGED	WELL	
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43	43	1/1/81	PLUGGED	WELL	
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47	47	1/1/81	PLUGGED	WELL	
48	48	1/1/81	PLUGGED	WELL	
49	49	1/1/81	PLUGGED	WELL	
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51	51	1/1/81	PLUGGED	WELL	
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95	95	1/1/81	PLUGGED	WELL	
96	96	1/1/81	PLUGGED	WELL	
97	97	1/1/81	PLUGGED	WELL	
98	98	1/1/81	PLUGGED	WELL	
99	99	1/1/81	PLUGGED	WELL	
100	100	1/1/81	PLUGGED	WELL	

DL-4154

EXHIBIT "B"

APPLICATION OF MERIDIAN OIL INC. TO ESTABLISH
MINIMUM GAS ALLOWABLES IN THE JUSTIS GAS POOL

Amerada Hess Corporation
Production Operations Department
P.O. Box 840
Seminole, TX 79360

Earl R. Bruno
P.O. Box 5456
Midland, TX 79702

ARCO Oil & Gas Corporation
Production Operations Department
600 N. Marienfeld Street
Midland, TX 79701

Lanexco Inc.
Production Operations Department
310 W. Wall Street
Midland, TX 79701

Texaco, Inc.
Production Operation Department
P.O. Box 3109
Midland, TX 79702-3109

Chevron U.S.A. Incorporated
Mr. D.T. Berlin
North District Manager
P.O. Box 1150
Midland, TX 79702

Sid Richardson Carbon & Gasoline Co.
First City Bank Tower
201 Main Street
Fort Worth, Texas 76102

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

JASON KELLAHIN (RETIRED 1991)

September 14, 1992

Mr. William J. LeMay
Oil Conservation Division
310 Old Santa Fe Trail, Room 219
Santa Fe, New Mexico 87501

HAND DELIVERED

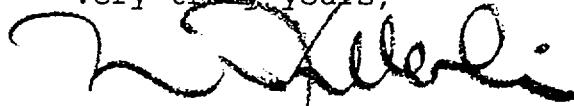
Re: NMOCD Case 10555
Application of Meridian Oil, Inc.
for termination of gas prorationing
in the Justis (Glorieta) Gas Pool,
Lea County, New Mexico

Dear Mr. LeMay:

On behalf of Meridian Oil, Inc., please find enclosed our First Amended Application which changes the the original application to request the establishment of minimum gas allowables for the Justis Gas Pool, rather than termination of prorationing.

We request that this case be re-advertised and continued to the October 15, 1992 Examiner's Docket. By sending a copy of the First Amended Application, certified mail, return receipt requested to all parties entitled to notice, we are informing them of their right to appear at the hearing, in support of or opposition to the application.

Very truly yours,



W. Thomas Kellahin

WTK/jcl/ltrt914.330

cc: Meridian Oil Inc.

By Certified Mail Return Receipt

To parties listed on Exhibit B 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:

CASE NO. 10555

APPLICATION OF MERIDIAN OIL INC.
FOR AMENDMENT OF DIVISION ORDER
NO. R-8170, AS AMENDED, TO
ESTABLISH A MINIMUM GAS ALLOWABLE
IN THE JUSTIS (GLORIETA) GAS POOL,
LEA COUNTY, NEW MEXICO

CERTIFICATE OF MAILING

AND

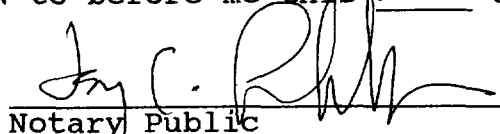
COMPLIANCE WITH ORDER R-8054

W. THOMAS KELLAHIN, attorney in fact and authorized representative of MERIDIAN OIL INC., states that the notice provisions of Division Rule 1207 (Order R-8054) have been complied with, that Applicant has caused to be conducted a good faith diligent effort to find the correct addresses of all interested parties entitled to receive notice, that on SEPTEMBER 14, 1992, I caused to be mailed by certified mail return-receipt requested notice of this hearing and a copy of the First Amended Application for the above referenced case along with the cover letter, at least twenty days prior to the hearing set for NOVEMBER 5, 1992, to the parties shown in the application as evidenced by the attached copies of return receipt cards, and that pursuant to Division Rule 1207, notice has been given at the correct addresses provided by such rule.



W. Thomas Kellahin

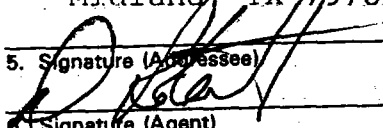
SUBSCRIBED AND SWORN to before me this ^{2ND} day of
NOVEMBER, 1992.


Notary Public

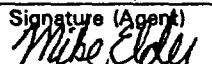
My Commission Expires:

10/7/95

JAY C LAUBSCHER

SENDER: <ul style="list-style-type: none"> • Complete items 1 and/or 2 for additional services. • Complete items 3, and 4a & b. • Print your name and address on the reverse of this form so that we can return this card to you. • Attach this form to the front of the mailpiece, or on the back if space does not permit. • Write "Return Receipt Requested" on the mailpiece below the article number. • The Return Receipt Fee will provide you the signature of the person delivered to and the date of delivery. 		I also wish to receive the following services (for an extra fee): 1. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.	
3. Article Addressed to: ARCO Oil & Gas Co. Production Operations 600 N. Marienfeld St. Midland, TX 79701		4a. Article Number P676 666 434	
		4b. Service Type <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise	
		7. Date of Delivery 9-16-92	
5. Signature (Addressee) 		8. Addressee's Address (Only if requested and fee is paid)	
6. Signature (Agent)			

PS Form 3811, November 1990 *U.S. GPO: 1991-287-066 **DOMESTIC RETURN RECEIPT**
 WTK - 9/14/92 1ST Amend Justice Pro

SENDER: <ul style="list-style-type: none"> • Complete items 1 and/or 2 for additional services. • Complete items 3, and 4a & b. • Print your name and address on the reverse of this form so that we can return this card to you. • Attach this form to the front of the mailpiece, or on the back if space does not permit. • Write "Return Receipt Requested" on the mailpiece below the article number. • The Return Receipt Fee will provide you the signature of the person delivered to and the date of delivery. 		I also wish to receive the following services (for an extra fee): 1. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.	
3. Article Addressed to: Amerada Hess Corp. Production Operations P.O. Box 840 Seminole, TX 79360		4a. Article Number P.676 666 431	
		4b. Service Type <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise	
		7. Date of Delivery 9-16-92	
5. Signature (Addressee)		8. Addressee's Address (Only if requested and fee is paid)	
6. Signature (Agent) 			

PS Form 3811, November 1990 *U.S. GPO: 1991-287-066 **DOMESTIC RETURN RECEIPT**
 WTK - Mend - 1ST Amend Justice

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt Fee will provide you the signature of the person delivered to and the date of delivery.

I also wish to receive the following services (for an extra fee):

1. ☐ Addressee's Address
2. ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Earl R. Bruno
P.O. Box 5456
Midland, TX 79702

4a. Article Number

P 676 666 436

4b. Service Type

- ☐ Registered ☐ Insured
☒ Certified ☐ COD
☐ Express Mail ☐ Return Receipt for Merchandise

7. Date of Delivery

9-17-92

5. Signature (Addressee)

8. Addressee's Address (Only if requested and fee is paid)

6. Signature (Agent)

PS Form 3811, November 1990 *U.S. GPO: 1991-287-066

DOMESTIC RETURN RECEIPT

WTK - Mend - 1st Amend Interio Pro.

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
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I also wish to receive the following services (for an extra fee):

1. ☐ Addressee's Address
2. ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Lanexco, Inc.
Production Operations
310 W. Wall St.
Midland, TX 79701

4a. Article Number

P 676 666 437

4b. Service Type

- ☐ Registered ☐ Insured
☒ Certified ☐ COD
☐ Express Mail ☐ Return Receipt for Merchandise

7. Date of Delivery

9-16

5. Signature (Addressee)

8. Addressee's Address (Only if requested and fee is paid)

6. Signature (Agent)

PS Form 3811, November 1990 *U.S. GPO: 1991-287-066

DOMESTIC RETURN RECEIPT

WTK - Jubilee Gas Pro. 1st Amend Mend

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
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I also wish to receive the following services (for an extra fee):

1. ☐ Addressee's Address
 2. ☐ Restricted Delivery
- Consult postmaster for fee.

3. Article Addressed to:

Texaco, Inc.
Production Operations
P.O. Box 3109
Midland, TX 79702-3109

4a. Article Number

P676 666 433

4b. Service Type

- ☐ Registered ☐ Insured
☒ Certified ☐ COD
☐ Express Mail ☐ Return Receipt for Merchandise

7. Date of Delivery

OCT 12 1992

5. Signature (Addressee)

8. Addressee's Address (Only if requested and fee is paid)

6. Signature (Agent)

PS Form 3811, November 1990 ☆ U.S. GPO: 1991-287-066

DOMESTIC RETURN RECEIPT

WTK - Merid - Intro 1ST Amend

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt Fee will provide you the signature of the person delivered to and the date of delivery.

I also wish to receive the following services (for an extra fee):

1. ☐ Addressee's Address
 2. ☐ Restricted Delivery
- Consult postmaster for fee.

3. Article Addressed to:

Sid Richardson Carbon
& Gas Company
First City Bank Twr
201 Main Street
Fort Worth, TX 76102

4a. Article Number

P676 666 432

4b. Service Type

- ☐ Registered ☐ Insured
☒ Certified ☐ COD
☐ Express Mail ☐ Return Receipt for Merchandise

7. Date of Delivery

SEP 16 1992

5. Signature (Addressee)

8. Addressee's Address (Only if requested and fee is paid)

6. Signature (Agent)

PS Form 3811, November 1990 ☆ U.S. GPO: 1991-287-066

DOMESTIC RETURN RECEIPT

WTK - Merid - 1ST Amend Intro

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
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I also wish to receive the following services (for an extra fee):

1. ☐ Addressee's Address
 2. ☐ Restricted Delivery
- Consult postmaster for fee.

3. Article Addressed to:

D.T. Berlin
North District Mgr
Chevron USA Inc.
P.O. Box 1150
Midland, TX 79702

4a. Article Number

P676 666 435

4b. Service Type

- ☐ Registered ☐ Insured
☒ Certified ☐ COD
☐ Express Mail ☐ Return Receipt for Merchandise

7. Date of Delivery

SEP 16 1992

5. Signature (Addressee)

8. Addressee's Address (Only if requested and fee is paid)

6. Signature (Agent)

PS Form 3811, November 1990 ☆ U.S. GPO: 1991-287-066

DOMESTIC RETURN RECEIPT

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION COMMISSION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 10526
Order No. R-9734

GAS ALLOWABLES FOR THE PRORATED GAS
POOLS IN NEW MEXICO FOR OCTOBER, 1992
THROUGH MARCH, 1993.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9:00 a.m. on August 27, 1992, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 1st day of October, 1992, the Commission, a quorum being present and having considered the testimony, the exhibits received at said hearing, and being fully advised in the premises,

FINDS THAT:

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

(2) This hearing was called for the purpose of accepting nominations and other evidence and information to assist in determining October, 1992, through March, 1993 gas allowables for the prorated gas pools in New Mexico. Thirteen of the prorated gas pools are in Lea, Eddy and Chaves Counties in Southeast New Mexico, and the other four prorated gas pools are in San Juan, Rio Arriba and Sandoval Counties in Northwest New Mexico.

(3) Amendments to the Gas Proration Rules approved by Commission Order No. R-8170-H in December, 1990 provide for allowables to be established for 6-month allocation periods beginning in April and October of each year. The October, 1992 through March, 1993 allocation period will be the fourth under the amended rules.

(4) Average monthly allowables for October 92 - March 1993 for each pool should be based on monthly average individual pool sales for October 91 - March 92, with administrative adjustments where appropriate.

(5) Oil Conservation Division (OCD) personnel prepared Market Demand and Allowable Determination Schedules for the prorated gas pools in New Mexico. These schedules contained production information from the period October 1991 - March 1992, without adjustments. Producers, purchasers and transporters of gas were asked to review these preliminary allowables and to participate in the August 27, 1992 hearing by providing information which would assist in arriving at the final allowable assignments.

(6) The Director of the Office of Interstates Natural Gas Markets submitted a graph showing New Mexico's natural gas production for the years 1989, 1990, 1991 and 1992 through June. Production has been increasing each of these years but 1992 has shown an exceptionally large increase in production and is not reflecting the normal seasonal trend established in prior years.

(7) Meridian Oil Inc. presented exhibits and testimony showing an increase in market demand and production for the Basin-Dakota, Blanco Mesaverde and the South Blanco Pictured Cliffs pools. The following information was presented:

- (a) Production for the April through July period for 1992 compared to the same period for 1991 was up 41% for Basin-Dakota, up 17% for Blanco-Mesaverde and up 39% for South Blanco Pictured Cliffs.
- (b) Reasons for the increased production are: 1) increased pipeline capacity out of the San Juan Basin resulting in lower line pressures, and; 2) increases and firming of natural gas prices.

(8) Meridian requested the following adjustments for pools in Northwest New Mexico:

- (a) Basin Dakota-2,000,000 Mcf/mo.
- (b) Blanco Mesaverde-3,000,000 Mcf/mo.
- (c) South Blanco Pictured Cliffs-150,000 Mcf/mo.

(9) Amoco presented testimony that the increased pipeline capacity out of the San Juan Basin had resulted in production increases and that the increases would continue through the proration period October 1992 to March 1993.

(10) Amoco requested the following adjustments for pools in Northwest New Mexico:

- (a) Basin-Dakota-2,000,000 Mcf/mo.
- (b) Blanco-Mesaverde-3,000,000 Mcf/mo.
- (c) South-Blanco Pictured Cliffs-150,000 Mcf/mo.
- (d) Tapacito-Pictured Cliffs-100,000 Mcf/mo.

(11) Phillips Petroleum presented exhibits and testimony in support of higher allowables for the Basin-Dakota Pool showing that:

- (a) Volumes produced during the October 1991 through March 1992 period were low because of low natural gas prices and transportation constraints, and;
- (b) Higher gas prices and increased pipeline capacity will result in increased production during the October 1992 through March 1993 period.

(12) Phillips requested an adjustment of 1,805,273 Mcf/mo. for the Basin-Dakota pool.

(13) Allowables for the four prorated pools in the San Juan Basin should be increased above the production levels of October '91 through March '92. Increased pipeline capacity and higher natural gas prices will result in an increase in market demand for New Mexico produced gas and the ability of San Juan Basin producers to satisfy that demand.

(14) Meridian Oil Inc. presented testimony and exhibits requesting an increased allowable for the Justis-Glorieta Pool because:

- (a) There is a market for increased production from this field.
- (b) Additional gas will be recovered from the pool if allowables are increased sufficiently to economically justify infill drilling and other workovers.
- (c) The gas gathering system can handle additional volumes of gas without having adverse affects on any other wells within the pool.

- (d) All of the operators of wells in this pool were notified of Meridian's position and no one expressed any opposition.

(15) Allowables for the Justis-Glorieta Pool are too low and should be increased.

(16) Marathon Oil Company requested an F1 factor of 42,000 for the Blinebry Pool.

(17) The Blinebry Pool F1 factor for the Oct. '91 through April '92 allocation period was 38,125 for a pool allowable of 566,989 Mcf/mo. Average pool sales for the same period was only 454,535 Mcf/mo. indicating that the pool allowable was not produced. Additional allowable in excess of an F1 factor of 38,125 is not justified at this time.

(18) Chevron supported the Oil Conservation Division's preliminary F1 factor of 173,328 for the Indian-Basin Upper Penn Pool. Their justification was as follows:

- (a) This F1 factor is high enough to allow for workovers and other investments in the pool.
- (b) High capacity wells, if allowed to produce at too high a rate, could drain more than their fair share of gas from the pool.
- (c) MW Petroleum had addressed a letter to the Commission in favor of the 173,328 F1 factor. MW Petroleum operates four wells and has an interest in fourteen other wells in the pool.

(19) Marathon Oil Company requested an F1 factor of 197,600 for the Indian-Basin Upper Penn. Their request was based on the following:

- (a) An F1 factor of 197,600 would allow Marathon to benefit from successful workover operations on its wells performed during the past two years and additional work it plans for the upcoming year.
- (b) The higher F1 factor will allow Marathon to produce their wells at capacity and not be overproduced.
- (c) Marathon has a market for all the gas they can produce.

(20) Oryx requested an F1 factor of 197,600 for the Indian-Basin Upper Penn Pool. They supported this request with the following information:

- (a) Oryx has conducted a successful workover program on four of its wells. The requested increase in allowable is reasonable because operators have enhanced their wells' performance through capital expenditures and the requested allowable increase would justify additional workover expenditures in the future.
- (b) Oryx's wells could produce 851,200 Mcf/mo. for the Oct. '92 - March '93 allocation period.
- (c) Oryx has the market for the additional gas production.

(21) The Indian Basin-Upper Penn Pool was given an F1 factor of 184,875 for the Oct. '91 - March '92 allocation period and the pool was underproduced at the end of this period. Additional allowable would allow the higher capacity wells to drain more gas from marginal proration units, thus violating the correlative rights of marginal gas interest owners. The F1 factor for this field should remain at the recommended level of 178,372.

IT IS THEREFORE ORDERED THAT:

(1) Exhibit "A" attached to and incorporated herein is hereby adopted for the purpose of making allowable assignments for the prorated gas pools in Southeast New Mexico for the months Oct. '92 - March '93.

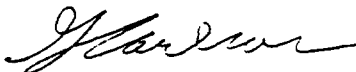
(2) Exhibit "B", attached to and incorporated herein is hereby adopted for the purpose of making allowable assignments for the prorated gas pools in Northwest New Mexico for the months Oct. '92 - March '93.

(3) The Oil Conservation Division is hereby directed to prepare proration schedules for the Oct. '92 - March '93 allocation period in accordance with this order and other Division Rules, Regulations and Orders. Copies of this order shall be included in each proration schedule.

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

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

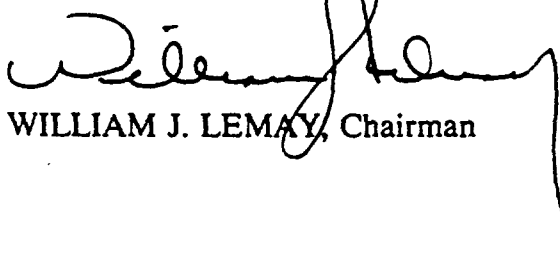
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



GARY CARLSON, Member



WILLIAM W. WEISS, Member



WILLIAM J. LEMAY, Chairman

S E A L

dr/

ENSP216T--ENSP216-01

EXHIBIT "A" COMMISSION ORDER NO. R--9734
MARKET DEMAND AND ALLOWABLE DETERMINATION SCHEDULE
PRORATED GAS POOLS - SOUTHEAST NEW MEXICO
FOR OCT92 THRU MAR93

	ATOKA PENN	BLINEBRY	BUFFALO VALLEY PENN	CARLSBAD MORROM	CATCLAW DRAM MORROM	EUMONT	INDIAN BASIN MORROM SO	INDIAN BASIN UPPER PENN	JALMAT	JUSTIS GL	TUBB
(1) AVERAGE MONTHLY POOL SALES OCT91-MAR92 ALL VOLUME ARE IN MCF.	100,603	454,535	276,371	230,677	355,760	2,596,563	81,249	3,027,791	1,143,588	55,754	252,532
(2) TOTAL NOMINATIONS AVG MONTH VOL.											
(3) ADJUSTMENTS.		36,681								81,000	
(4) MONTHLY POOL ALLOWABLE OCT92-MAR93 (LINE 1 + LINE 3.)	100,603	491,216	276,371	230,677	355,760	2,596,563	81,249	3,027,791	1,143,588	136,754	252,532
(5) MONTHLY MARGINAL POOL ALLOWABLE OCT91-MAR92	81,189	233,872	276,371	196,007	230,505	2,225,600	81,249	2,048,526	1,062,804	27,523	184,565
(6) MONTHLY NON-MARGINAL POOL ALLOWABLES OCT92-MAR93 LINE 4 - LINE 5	19,414	257,344		34,670	125,255	370,963		979,265	80,784	109,231	67,967
(7) NUMBER OF NON-MARGINAL ACREAGE FACTORS	1.00	6.75		1.00	1.00	15.00		5.49	3.25	6.00	7.00
(8) MONTHLY ACREAGE ALLOCATE FACTOR OCT92-MAR93 (LN 6 / LN 7)	19,414	30,125	*30,000	34,670	125,255	24,730	*36,000	178,372	24,856	18,205	9,710

F1 FACTORS FOR OTHER POOLS
BURTON FLAT STRAIN F1 = 10,000
MORRIS RCKEE ELLEN F1 = 25,000

*AS OF 3-31-92, THESE POOLS DO NOT HAVE ANY WELLS IN A NON-MARGINAL STATUS. THESE F1 FACTORS ARE ASSIGNED TO MONITOR THE WELLS IN THE POOLS.

ENGP216T--ENGP216-01

EXHIBIT "X" COMMISSION ORDER NO. R--9734
MARKET DEMAND AND ALLOWABLE DETERMINATION SCHEDULE
PRORATED GAS POOLS - NORTH EST NEW MEXICO
FOR OCT92 THRU MAR93

B

BASIN BLANCO BLANCO TAPACITO
DAKOTA MESA VERDE P.C. SOUTH

(1) AVERAGE MONTHLY 7,145,404 12,265,406 1,061,345 220,640
POOL SALES
OCT91-MAR92
ALL VOLUME ARE IN MCF.

(2) TOTAL
NOMINATIONS
AVG MONTH VOL.

(3) ADJUSTMENTS. 2,000,000 3,000,000 150,000 100,000

(4) MONTHLY POOL 9,145,404 15,265,406 1,211,345 320,640
ALLOWABLE
OCT92-MAR93
(LINE 1 + LINE 3.)

(5) MONTHLY MARGINAL 5,050,757 6,606,273 602,476 135,217
POOL ALLOWABLE
OCT91-MAR92

(6) MONTHLY 4,094,727 0,579,210 520,069 193,423
NON-MARGINAL
POOL ALLOWABLES
OCT92-MAR93
LINE 4 - LINE 5

(7) NUMBER OF 229.06 460.11 303.30 03.10
NON-MARGINAL
ACREAGE FACTORS

(8) NUMBER OF 119,193 209,803 14,340 5,710
NON-MARGINAL
ACREAGE TIMES
DELIVERABILITY
FACTORS

(9) MONTHLY ACREAGE 10,600 4,502 436 502
ALLOCATE FACTOR
OCT92-MAR93

(10) MONTHLY ACREAGE 13.74 22.20 27.66 25.41
TIMES
DELIVERABILITY
ALLOCATE FACTOR
OCT92-MAR93

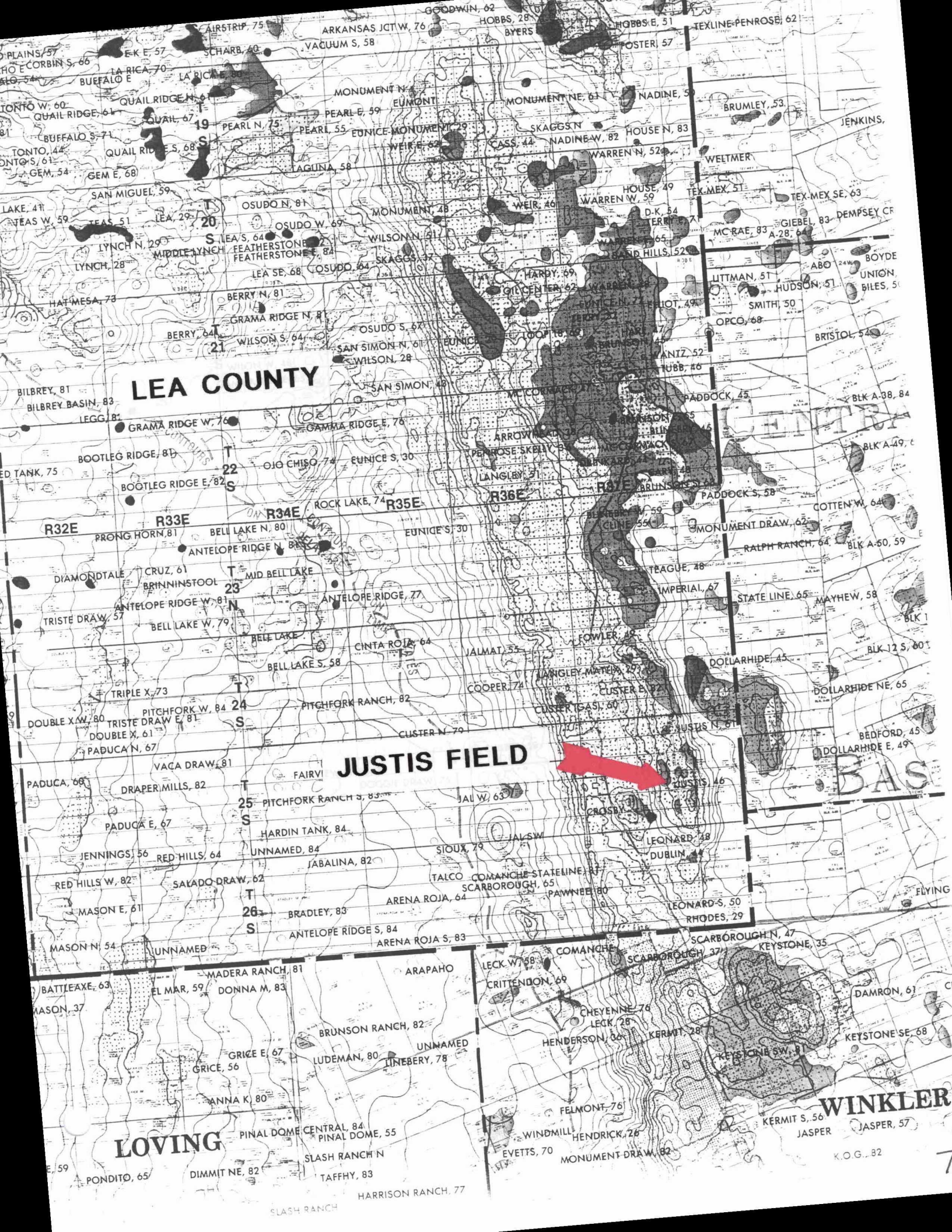


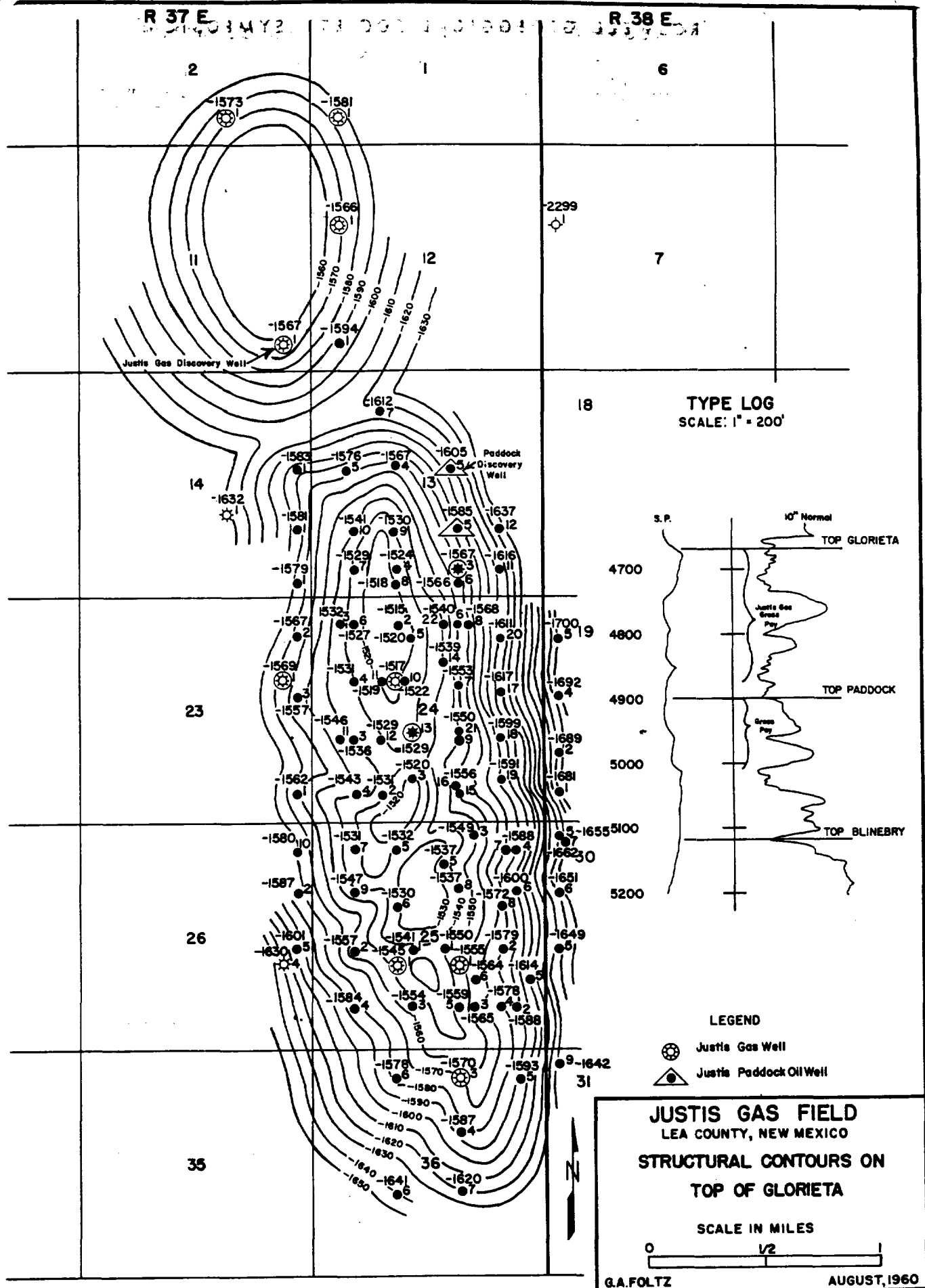
OVERVIEW

OL-4159 Y

JUSTIS GLORIETA FIELD GEOLOGY OVERVIEW

- THE JUSTIS GAS ZONE IS APPROXIMATELY 200 FEET THICK. IT LIES BENEATH THE SAN ANDRES DOLOMITE AND IS THE UPPER 200 FEET OF THE JUSTIS PADDOCK FIELD.
- THE GLORIETA MEMBER IS A DOLOMITE; CRYSTALLINE TO SUCROSIC, OCCASIONALLY OOLITIC, TAN TO BROWN, VERTICALLY FRACTURED, WITH VUGGY POROSITY.
- THIS GLORIETA PRODUCTION IS SITUATED ON A STRUCTURE ON THE WESTERN FLANK OF THE CENTRAL BASIN PLATFORM LOCATED 5 MILES EAST OF THE CITY OF JAL, NEW MEXICO.





JUSTIS GLORIETA FIELD BRIEF HISTORY & STATUS

- JUSTIS POOL CREATED IN JANUARY, 1950
- PRORATED IN 1954
- LAST WELL DRILLED IN 1981
 - JUSTIC BC FED COM NO. 2 (25S-37E-11H)
- PRIOR WELL DRILLED IN 1972
- 21 COMPLETIONS IN THE JUSTIS GLORIETA FIELD
1 COMPLETION IN THE NORTH JUSTIS FIELD
- 12 ACTIVE WELLS
- STANDARD GPU IN THE JUSTIS GLORIETA POOL IS
320 ACRES WITH AN ACREAGE FACTOR OF 2

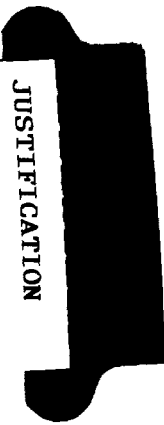
JUSTIS GLORIETA (GAS) POOL

OPERATOR WELL	LOCATION	STATUS	ACREAGE	CURRENT AVG MCF/D (APR - SEPT 1992)	JAN 92 O/U*
AMERADA HESS CORPORATION STATE NJ A COM #3	02A-25S-37E	INA	160	-	
ARCO OIL & GAS COMPANY EATON B 1 WN #1	12E-25S-37E	INA	160	-	
WIMBERY JH FED COM #1	23H-25S-37E	N	160	117.6	1,372
EARL R. BRUNO CARLSON A 25 #1	25J-25S-37E	M	320	181.9	
CHEVRON U.S.A. INC. ARNOTT RAMSAY NCT F #3	36B-25S-37E	M	320	30.3	
LEARCY MCBUFFINGTON #7	13M-25S-37E	M	320	111.4	
LEARCY MCBUFFINGTON #3	13O-25S-37E	INA	-	-	
CONOCO INC. STATE A 2 COM #1	02O-25S-37E	INA	-	-	
GETTY OIL COMPANY A B COATES C #13	24K-25S-37E	INA	-	-	
LANEXCO INC. JUSTIS BC FED. COM #2 JUSTIS BC FED. COM #3 P. U. SUMMARY	11H-25S-37E 11P-25S-37E	N	320	N/A	
MERIDIAN OIL INCORPORATED CARLSON FEDERAL #1	13F-25S-37E	M	320	27.7	
CARLSON A FEDERAL #1	23P-25S-37E	N	320	191.5	20,044
CARLSON B FEDERAL #1	25K-25S-37E	N	320	179.0	26,750
LANGLIE FEDERAL #1	14I-25S-37E	INA	320	-	
OXY U S A INC. HODGES B #1	01M-25S-37E	INA	-	-	
SUN TEXAS COMPANY S W EATON #1	12M-25S-37E	INA	-	-	
TEXACO INC. G. L. ERWIN B FEDERAL NCT 2 #2	35J-24S-37E	N	320	228.7	-5,892
C. C. FRISTOE B FEDERAL NCT 2 #8	35G-24S-37E	M	320	78.6	
C. C. FRISTOE B FEDERAL NCT 2 #13	26O-24S-37E	INA	-	-	
TEXACO PRODUCING INC. A. B. COATES C #1	24F-25S-37E	M	320	188.9	

***** POOL TOTALS *****

4,000 1,335.6 42,274

* OVER PRODUCTION IS NEGATIVE



JUSTIS GLORIETA HEARING

JUSTIFICATION FOR MINIMUM ALLOWABLE

1. Currently and for the remaining life of the Pool, the total deliverability of the wells in the Pool is not expected to exceed market demand for gas produced from the Pool. Prorating was originally instituted in 1954 because the capacity exceeded the demand.
2. Since the institution of prorating in the Pool, there have been substantial changes in Pool production, development, gas purchasing and marketing practices, and other factors affecting the oil and gas industry which make prorating of the Pool unnecessary.
3. Production limitations imposed by the prorated allowables has discouraged and will continue to discourage further developmental drilling, workovers, and compression projects.
4. Infill drilling alone is anticipated to add 14 BCFG of gas reserves which would otherwise not be recovered.
5. Increasing the prorated gas allowable will not impair correlative rights.
6. Meridian has contacted all seven operators in the pool concerning this matter and is not aware of any opposition to this Application.
7. The State of New Mexico approved Meridian's request for an adjustment of 81,000 MCFPM during Oct 92 - Mar 93 resulting in a monthly acreage allocation factor of 18,205 MCFPM.
8. The current prorated gas allowable for the overlying Jalmat Pool is 817 MCFPD/160 acres and is 1500' shallower.
9. Sid Richardson has advised Meridian that the proposed increase in Pool production will not adversely effect any well in the Pool.

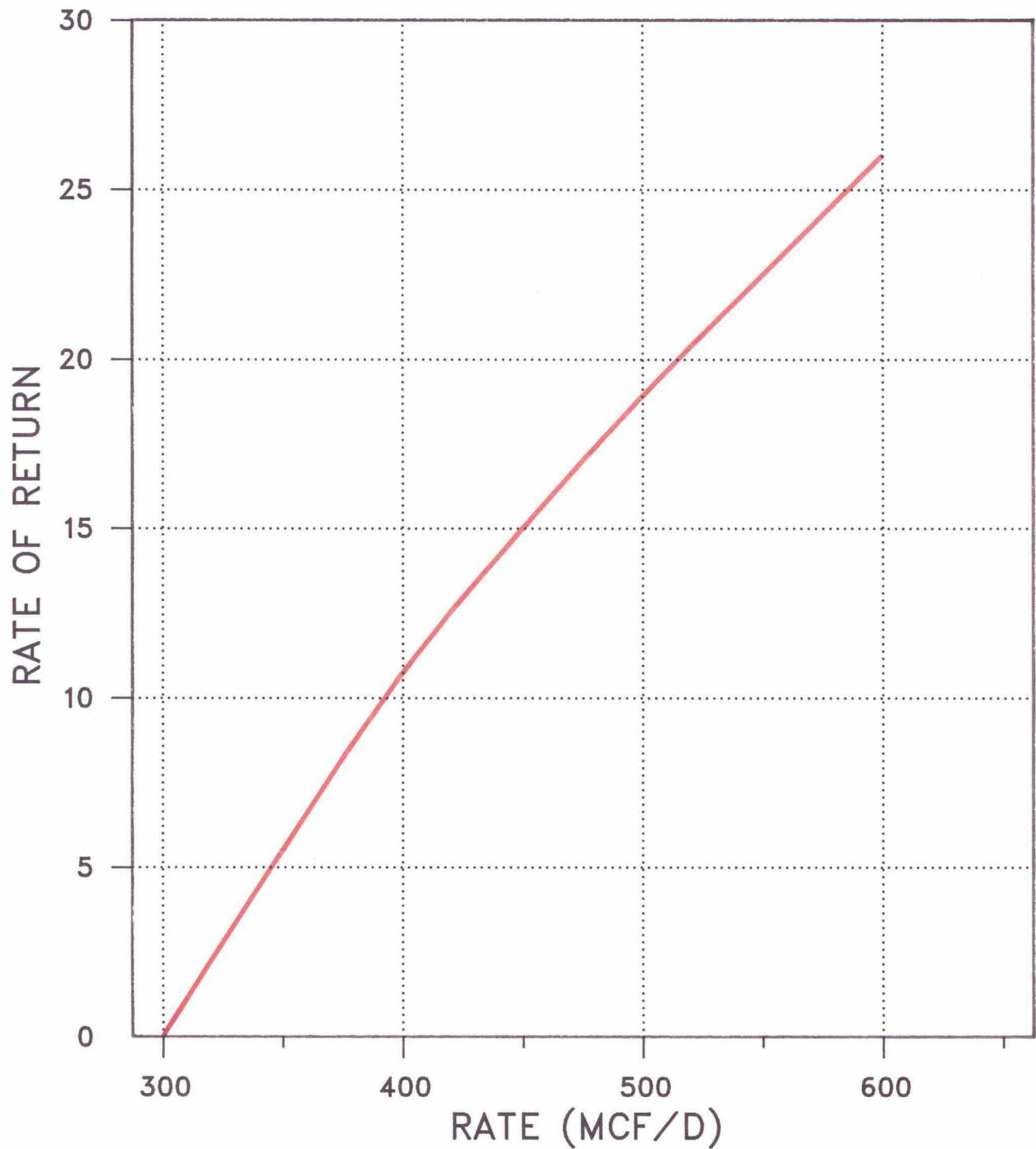
JUSTIS GLORIETA FIELD

NEW DRILL WELL

- WI = 100 %, NRI = 87.5 %
- ESTIMATED RESERVES OF 650 MMCFG
- COMPLETED COST = \$339,900
 - TANGIBLE = \$130,300
 - INTANGIBLE = \$209,600
- INITIAL GAS PRICE OF \$1.41/MMBTU BASED ON THE LAST 12 MONTH AVERAGE AND HELD CONSTANT
- OPERATING COST = \$1500/MONTH ESCALATED AT 5 %
- TAXES
 - SEVERANCE TAX = 7.09 % OF NET SALES
 - AD VALOREM TAX = 1.29 % OF NET SALES
 - FEDERAL = 34.0 %
 - STATE = 5.0 %
- TANGIBLES DEPRECIATED USING 7 YEAR ACRS
- CASE I (INITIAL RATE = 130 MCFPD)
 - ROR = 0 %
 - PAYOUT = N/A
- CASE V (INITIAL RATE = 600 MCFPD)
 - ROR = 26 %
 - PAYOUT = 3 YEARS

JUSTIS GLORIETA FIELD

ROR VS. INITIAL RATE



JUSTIS7.DRW

JUSTIS GLORIETA FIELD

HISTORICAL INFILL DRILL WELL RECOVERY

EXISTING WELLBORE

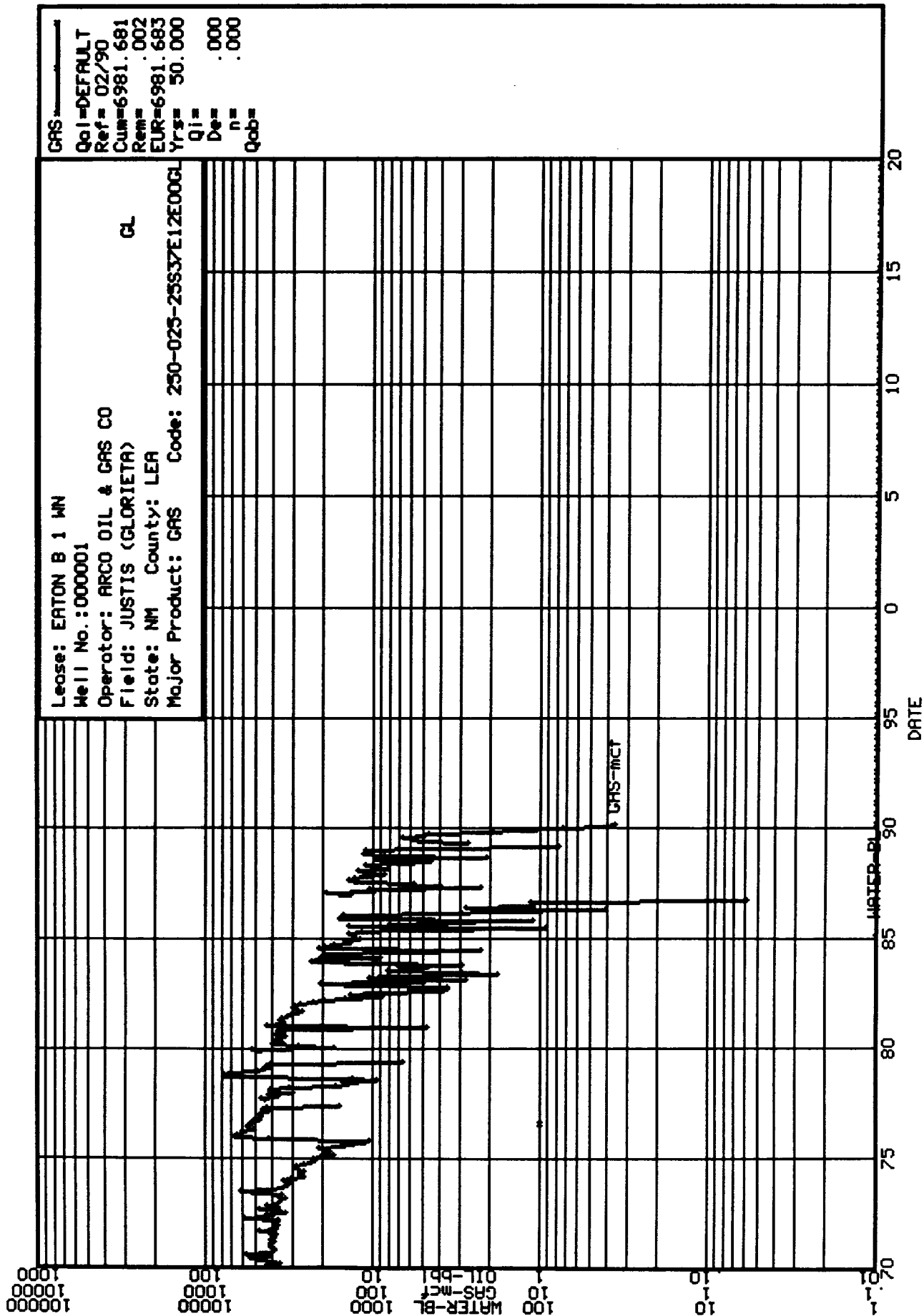
- EATON B 1 WN 1
 - LOCATED T25S-R37E, SECTION 12 (E)
 - CUMULATIVE PRODUCTION = 6.9 BCF
 - LAST PRODUCTION FEBRUARY, 1990

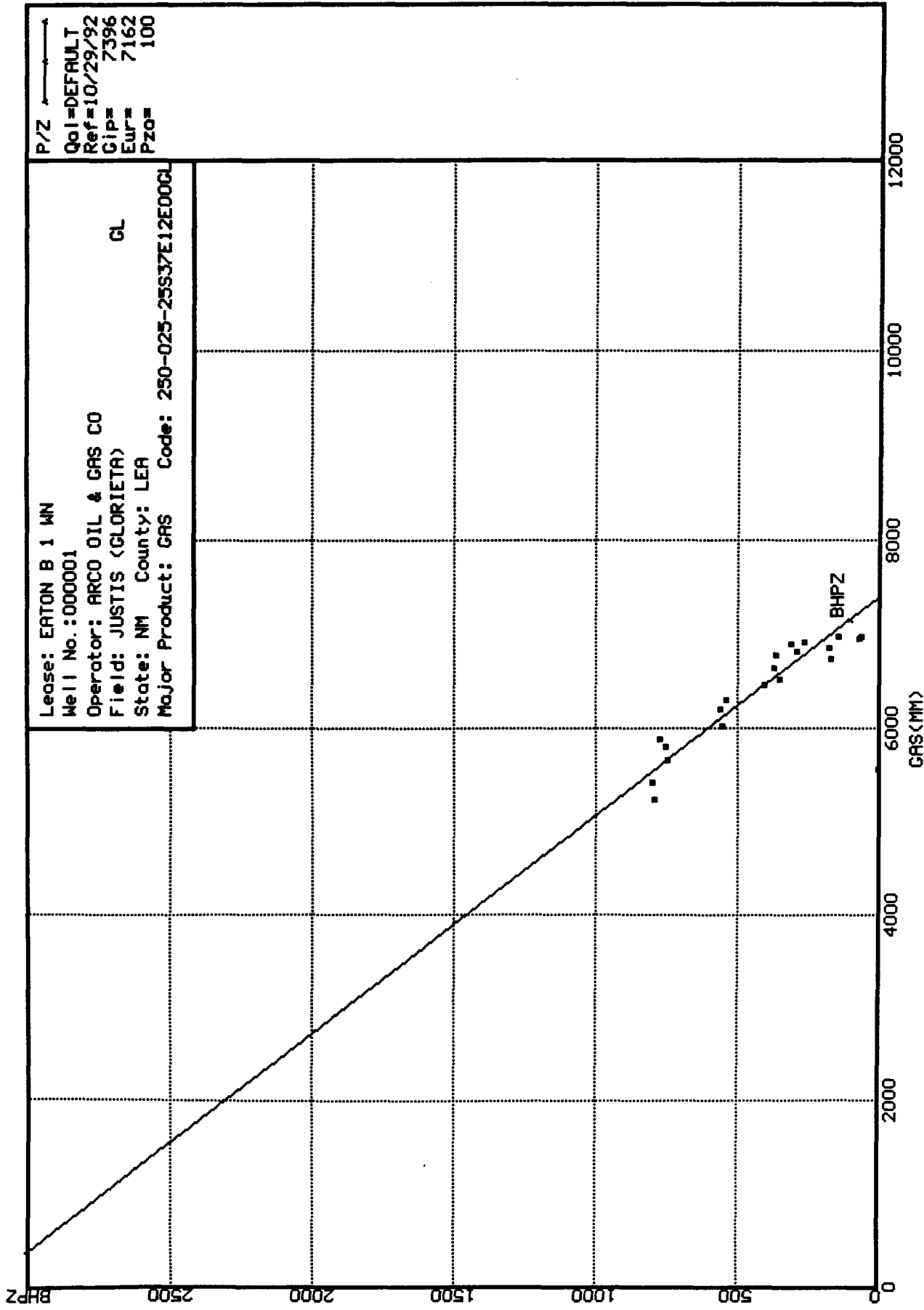
OFFSET WELL

- JUSTIS BC FED. COM NO. 2
 - LOCATED T25S-R37E, SECTION 11 (H)
 - CUMULATIVE PRODUCTION = 622 MMCF
 - ESTIMATED EUR = 1180 MMCF

RECOVERY

- $1180 \text{ MMCF} / 6900 \text{ MMCF} = 17 \%$





JUSTIS GLORIETA FIELD ANTICIPATED FUTURE INFILL RECOVERY

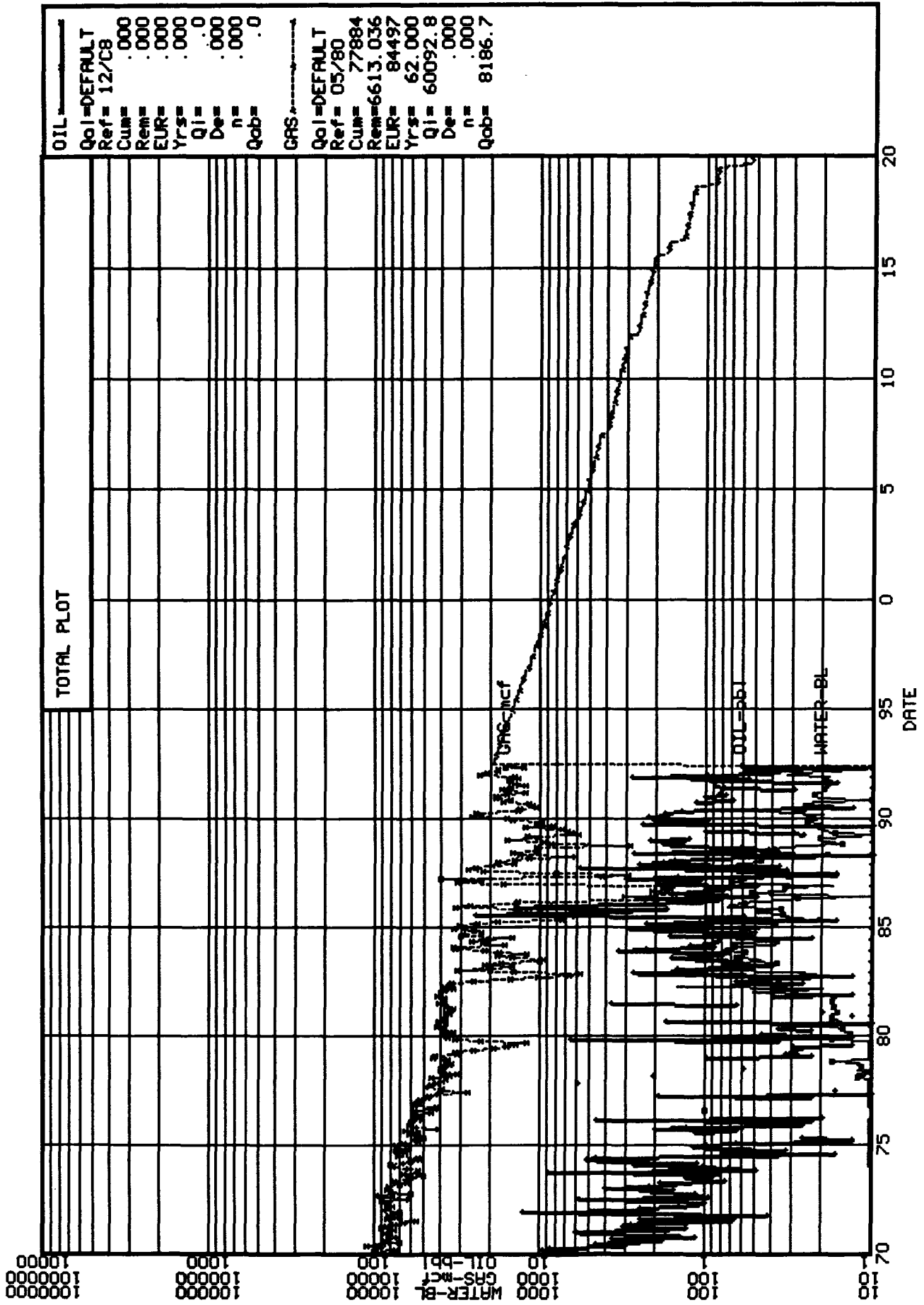
- 17 % RECOVERY OF OFFSET RESERVES
BASED ON HISTORICAL DATA
- AVERAGE EUR/WELL IN THE JUSTIS GLORIETA
POOL IS 3.8 BCF

- ANTICIPATED OFFSET RECOVERY:

$$(3.8 \text{ BCF}) (.17) = 650 \text{ MMCF}$$

- TOTAL ESTIMATED POOL EUR = 84.4 BCF
- ANTICIPATED ADDITIONAL RECOVERY DUE TO
INFILL DRILLING:

$$(84.4 \text{ BCF}) (.17) = 14.3 \text{ BCF}$$



Midland Region
P.O. Box 51810
Midland, Texas 79705
(915) 688-6800

Date: _____
AFE No: _____

MERIDIAN OIL INC.
AUTHORITY FOR EXPENDITURE

Lease/Well Name: Justis Glorieta Typical Lease No: _____
Field/Prospect: Justis Glorieta Region: MIDLAND
Location: _____ County: Lea State: New Mexico
AFE Type: Dev (01) Original X Supplement _____ Addendum _____
API Well Type: Dev (06) Operator Meridian Oil Inc.
Objective Formation: Glorieta Authorized Total Depth (Feet) 5,000'
Project Description: Drill and complete Justis Glorieta gas well

Est. Start Date: _____ Prepared By: Tom O'Donnell
Est. Completion Date: _____

GROSS WELL COST DATA

	DRILLING		Workover,	Construction	
	Dry Hole	Suspended	Completion	or Facility	Total
Days:	<u>7</u>	<u>7</u>	<u>6</u>	<u>2</u>	<u>15</u>
This AFE:	<u>141,000</u>	<u>193,400</u>	<u>96,500</u>	<u>50,000</u>	<u>339,900</u>
Prior AFE's:					
Total Costs:	<u>\$ 141,000</u>	<u>\$ 193,400</u>	<u>\$ 96,500</u>	<u>\$ 50,000</u>	<u>\$ 339,900</u>

JOINT INTEREST OWNERS

COMPANY	WORKING INTEREST PERCENT %	NET \$ EXPENDITURES	
		DRYHOLE \$	COMPLETED \$
<u>Meridian Oil Inc.</u>	<u>100.00000%</u>	<u>141,000</u>	<u>339,900</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
<u>MERIDIAN OIL INC.:</u>	_____	_____	_____
AFE TOTAL:	<u>100.00000%</u>	<u>\$ 141,000</u>	<u>\$ 339,900</u>

MERIDIAN OIL APPROVAL

Recommended: _____/Date: _____ Recommended: _____/Date: _____
Recommended: _____/Date: _____
Recommended: _____/Date: _____ Approved: _____/Date: _____
Title: Vice President of Regional Operations

Partner Approval

Company Name: _____
Authorized By: _____ Date: _____
Title: _____

MERIDIAN OIL INC.
DRILLING WELL COST ESTIMATE

LEASE/WELL:	Carlson #2	PREPARED BY:	B. S. Herring	DATE:
COUNTY/STATE:	Lea / New Mexico	APPROVED BY:	<i>JB</i>	DATE:
PROPOSED TOTAL DEPTH:	5,000	AFE TYPE:	06 - Development Drilling	
FOOTAGE TOTAL DEPTH:	5,000			

ACCT	AFE NOMENCLATURE	DRYHOLE COST	SUSPENDED COST
248-	INTANGIBLE DRILLING COSTS Total Days:	7	7
02	Environmental Studies.....		
03	Construction (location,roads,etc.).....	\$20,000	\$20,000
04	Surface restoration.....	\$1,500	\$1,500
05	Move in, move out.....		
06	Contractor Fees-Footage..... (\$14.00 /Foot).....	\$70,000	\$70,000
07	Contractor Fees-Daywork..... (\$4,200 /Day).....	\$4,200	\$4,200
08	Environmental fire and safety.....		
09	Drilling fluids.....	\$1,700	\$1,700
10	Gas and air drilling.....		
11	Drilling fluid handling equipment.....		
12	Speciality fluids and chemicals.....		
13	Engineering services-fluids and chemicals.....		
14	Salt/brine water.....	\$3,500	\$3,500
15	Salt water disposal.....		
16	Water.....	\$2,000	\$2,000
17	Bits, reamers and stabilizers.....		
18	Primary cement, services and accessories.....	\$4,500	\$18,000
19	Squeeze cement, services and accessories.....		
20	Mud logging/paleo.....	\$2,000	\$2,000
21	Wireline logging.....	\$10,000	\$10,000
22	Coring and analysis.....		
23	Fuel.....		
24	BOP's and wellhead rentals - surface.....		
25	Drill/work string rentals - subsurface.....		
26	Fishing tool rentals.....		
28	Other rentals.....	\$1,000	\$2,000
29	Transportation.....	\$1,000	\$3,000
30	Disposal services (offsite).....		
31	Drill stem tests.....		
32	Directional drilling.....		
33	Tubular inspection.....	\$200	\$1,200
34	Cased hole logs.....		
40	Casing crews and laydown services.....		
42	BOP testing.....		
43	Consultants.....		
45	Roustabout and contract labor.....	\$1,000	\$2,000
46	Miscellaneous.....		
72	Company supervision and overhead.....	\$8,000	\$8,000
	Contingency.....(3.0%).....	\$3,900	\$4,500
	TOTAL INTANGIBLE COST	\$134,500	\$153,600
TANGIBLE COST			
80	Casing		
	400 feet of.. 8.625 in \$12.50 /ft.....	\$5,000	\$5,000
	feet of.. in /ft.....		
	5,000 feet of.. 4.500 in \$6.25 /ft.....		\$31,300
82	Downhole equipment (packers,bridge plugs).....		
84	Downhole equipment accessories.....		
86	Wellhead equipment.....	\$1,500	\$3,500
87	Miscellaneous.....		
	TOTAL TANGIBLE COST	\$6,500	\$39,800
	TOTAL DRILLING COST ESTIMATE	\$141,000	\$193,400
		\$28.20 /Ft.	\$38.68 /Ft.

MERIDIAN OIL INC.
WELL COST ESTIMATE
COMPLETION

LEASE/WELL NAME: Typical Justis Glorieta PREPARED BY: K. L. Midkiff DATE: _____
LEASE/WELL TYPE: _____ APPROVED BY: _____ DATE: _____
AFE TYPE: _____ COST CENTER: _____

ACCOUNT NO. COMP	WORK	AFE NOMENCLATURE	BUDGET DAYS: 6
249	244	INTANGIBLE COSTS	
02	02	Environmental Studies and Legal Expenses.....	
		Location, Roads or Canals	
03	03	Construction and Maintenance.....	
04	04	Surface Restoration.....	
05	05	Move-in, Move-out.....	
06	06	Fees of Contractor-Footage(_____ \$/FT).....	
07	07	Fees of Contractor-Daywork and Completion Rig (1,500 \$/Day)	9,000
08	08	Environmental, Fire and Safety Equipment	
		Drilling Fluid Systems	
09	09	Liquids.....	
10	10	Gas and Air Drilling.....	
11	11	Processing and Maintenance.....	
12	12	Fluids and Chemicals - Specialty Fluids.....	
14	14	Salt/Brine Water.....	
15	15	Fluid Disposal - Onsite.....	
16	16	Fresh Water.....	1,000
17	17	Bits.....	
18	18	Primary Cementing.....	
19	19	Remedial Cementing.....	
20	20	Mud Logging.....	
21	21	Open Hole Logging.....	
22	22	Coring and Analysis.....	
23	23	Fuel/Electricity.....	
		Rentals	
24	24	BOP Rental/Testing (Surface).....	500
25	25	Drill/Work String Rentals (Subsurface).....	
26	26	Fishing Tool Rentals.....	
27	27	Tanks (Rentals).....	1,000
28	28	Other Rentals.....	
29	29	Transportation.....	2,000
30	30	Offsite Disposal Services.....	1,000
31	31	Drill Stem Tests.....	
32	32	Directional Services.....	
33	33	Tubular Inspection and Repair.....	
34	34	Cased Hole Services.....	6,000
36	36	Production Testing.....	1,000
37	37	Swabbing and Coiled Tubing.....	
38	38	Stimulation.....	2,000
39	39	Fracturing.....	25,000
40	40	Casing Crews and Laydown.....	
41	41	Gravel Pack/Sand Control.....	
		Outside Labor	
43	43	Consultants.....	
44	44	Engineering/Lab/Technical Contract Services.....	
45	45	Roustabout Labor.....	1,000
46	46	Miscellaneous.....	1,000
48	48	Communication Systems.....	
49	49	Packer Rental.....	1,500
50	50	Pumping Charges - Other.....	
65	65	Company Vehicles.....	
68	68	Direct Labor.....	
69	69	Benefits.....	
72	72	Company Supervision and Overhead.....	3,000
		Contingency (_____%).....	1,000
		TOTAL INTANGIBLES.....	56,000
		TANGIBLE COSTS	
80	80	Casing.....	
81	81	Tubing.....	18,000
		(4900 ft. 2 3/8 in. 3.70 \$/ft)	
		(_____ ft. _____ in. _____ \$/ft)	
		(_____ ft. _____ in. _____ \$/ft)	
		Downhole Equipment	
82	82	Packers, Screens and Bridge Plugs.....	
84	84	Casing/Liner Equipment.....	
85	85	Rods.....	6,000
86	86	Wellhead Equipment and Xmas Tree.....	1,500
		Gain/Loss Adjustment.....	
		TOTAL TANGIBLE.....	25,500
		TOTAL COMPLETION.....	81,500

MERIDIAN OIL INC.
WELL COST ESTIMATE
FACILITIES

LEASE/WELL NAME: CARLSON #2 PREPARED BY: B. L. ADAMS *BLL* DATE: 8/10/92
COUNTY/STATE: LEA / NEW MEXICO APPROVED BY: DATE:
PROPOSED TD: AFE TYPE: Capital
JOB SCOPE: Install tankage, heater treater, flowline, & electric service for new oil well.

ACCT	AFE NOMENCLATURE	ORIGINAL ESTIMATE	ACTUAL COSTS	TOTAL COST ESTIMATE
247	FACILITIES			
2	INSTALL LABOR	6,000		7,000
	DIRT WORK			
	PAINTING	1,000		
3	COMPANY VEHICLES			
8	LOCATION, ROADS, AND CANALS			
12	COMPANY SUPERVISION			
17	DAMAGES, PROPERTY LOSSES AND OTHER			
20	EQUIPMENT COATING AND INSULATION			
26	SEPARATORS – UNFIRED			
27	SEPARATORS – FIRED	12,000		12,000
28	GAS SWEETENING EQUIPMENT			
29	PUMPING UNIT			
31	PRIME MOVER			
32	OIL TANK 1 210 BBL @	4,000		9,000
	WTR TANK 1 – 210 BBL	4,000		
	TANK WALKWAY	1,000		
	PAINTING			
	COATING	2,000		2,000
33	METERING EQUIPMENT			
	LACT UNIT			
34	FLOW LINES	2,000		2,000
35	COMPRESSOR – COMPANY OWNED			
36	BUILDINGS			
39	MISC PVF	3,000		3,000
43	ENVIRONMENT AND SAFETY			
44	ENGINEERING/LAB/TECHNICAL CONTRACT SERVICE			
47	COMPRESSOR RENTAL			
48	EQUIPMENT RENTAL			
49	CATHODIC PROTECTION			
50	RIGHT OF WAY			
51	MINOR PIPELINES			
52	ARTIFICIAL LIFT EQUIPMENT			
53	SURFACE PUMPS	1,000		1,000
54	ELECTRICAL ACCESSORIES	10,000		10,000
55	MISCELLANEOUS – FACILITY EXPENSE			
73	FREIGHT/TRANSPORTATION	2,000		2,000
74	DEHYDRATION UNIT			
	TAX (___% OF TANGIBLE)	2,000		2,000
	CONTINGENCY (___%)			
	TOTAL FACILITIES COST ESTIMATE	50,000		50,000

CCS078M1 0931

CG51

PRICE TABLE DETAIL

16:40:42.2 08/05/92

FUNCTION: I

TABLE: MTPM

NAME: SIDRICH LP

MAINTAIN DETAIL AUTHORITY: G

PRICE PROVIDED: SPOT SALE PRICE - SID RICHARDSON LP

NGPA	EFFECTIVE DATE	PRICE	SOURCE OF PRICE	AUTH
S CAT VI S/L	FROM TO			
08 01 92	08 31 92	1.690000	POOL PRICE REPORT	
07 01 92	07 31 92	1.370000	POOL PRICE REPORT	CMW
06 01 92	06 30 92	1.430000	POOL PRICE REPORT	KKF
05 01 92	05 31 92	1.340000	POOL PRICE REPORT	KKF
04 01 92	04 30 92	1.260000	POOL PRICE REPORT	KKF
03 01 92	03 31 92	1.170000	POOL PRICE REPORT	KKF
02 01 92	02 29 92	1.080000	POOL PRICE REPORT	BR2
01 01 92	01 31 92	1.620000	POOL PRICE REPORT	KKF
12 01 91	12 31 91	1.790000	POOL PRICE REPORT	CMW

01=TBL HDR 03=AUTH USE 11=PREV SCR 12=MAIN MENU

20=PAGE FWD 21=REFRESH 22=PREV MENU 24=HELP

4B Aa B0--SESSION1 R 6 C 10 o-o13 16:51 8/05/92

CCS078M1 0931

CG51

PRICE TABLE DETAIL

16:40:52.4 08/05/92

FUNCTION: I

TABLE: MTPM

NAME: SIDRICH LP

MAINTAIN DETAIL AUTHORITY: G

PRICE PROVIDED: SPOT SALE PRICE - SID RICHARDSON LP

NGPA	EFFECTIVE DATE	PRICE	SOURCE OF PRICE	AUTH
S CAT VI S/L	FROM TO			
11 01 91	11 30 91	1.680000	POOL PRICE REPORT	KKF
10 01 91	10 31 91	1.650000	PRICING REPORT	CMW
09 01 91	09 30 91	1.340000	POOL PRICE REPORT	BR2
08 01 91	08 31 91	1.180000	POOL PRICE REPORT	KKF
07 01 91	07 31 91	1.030000	POOL PRICE REPORT	CMW
06 01 91	06 30 91	1.200000	POOL PRICE REPORT	CMW
05 01 91	05 31 91	1.240000	POOL PRICE REPORT	CMW
04 01 91	04 30 91	1.500000	POOL PRICE REPORT	CMW
03 01 91	03 31 91	1.390000	POOL PRICE REPORT	CMW

01=TBL HDR 03=AUTH USE 11=PREV SCR 12=MAIN MENU

19=PAGE BACK 20=PAGE FWD 21=REFRESH 22=PREV MENU 24=HELP

4B Aa B0--SESSION1 R 6 C 10 o-o13 16:51 8/05/92

Eumout / Jalmat
1.91 12 with avg
(Down 11.3% from
previous year)

1.59 version
12 with avg

CCS078M1 0931

CG51

PRICE TABLE DETAIL

16:42:40.0 08/05/92

FUNCTION: I

TABLE: MTPM

NAME: SIDRICH LP

MAINTAIN DETAIL AUTHORITY: G

PRICE PROVIDED: SPOT SALE PRICE - SID RICHARDSON LP

S	CAT	VI	S/L	NGPA	EFFECTIVE DATE	PRICE	SOURCE OF PRICE	AUTH
					FROM	TO		
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					01 01 91	01 31 91	1.880000	POOL PRICE REPORT CMW
					12 01 90	12 31 90	2.460000	POOL PRICE REPORT CMW
					11 01 90	11 30 90	2.420000	POOL PRICE REPORT CMW
					10 01 90	10 31 90	2.110000	POOL PRICE REPORT CMW
					09 01 90	09 30 90	1.700000	POOL PRICE REPORT CMW
					08 01 90	08 31 90	0.700000	POOL PRICE REPORT CMW
					07 01 90	07 31 90	0.710000	POOL PRICE REPORT CMW
					06 01 90	06 30 90	0.860000	POOL PRICE REPORT CMW

01=TBL HDR 03=AUTH USE 11=PREV SCR 12=MAIN MENU

19=PAGE BACK 20=PAGE FWD 21=REFRESH 22=PREV MENU 24=HELP

4B Aa BO--SESSION1 R 6 C 10 o-o13 16:53 8/05/92

MISCELLANEOUS

EFFECT OF INCREASED MINIMUM ALLOWABLE IN THE JALMAT (GAS) FIELD

- 1986
 - 7 WELLS COMPLETED
- 1987
 - 4 WELLS COMPLETED
- 1988
 - 4 WELLS COMPLETED
- 1989
 - ALLOWABLE SET AT 236 MCFPD
 - 22 WELLS COMPLETED
- 1990
 - ALLOWABLE SET AT 236 – 457 MCFPD
 - 57 WELLS COMPLETED
- 1991
 - ALLOWABLE SET AT 457 – 600 MCFPD
 - 22 WELLS COMPLETED

Justis Glorieta Hearing

Name: Michael S. Wilkinson

Employer: Meridian Oil Inc.

Responsibilities: Midland Region Supply Coordinator - Job responsibilities include the contracting for the gathering, transportation, processing, and sale for approximately 148 MMcf/d of company owned production located in our Midland region which includes the Justis Glorieta Field. I have been employed by Meridian for five (5) years.

1.) Demand Exceeds Current Supply

• Gas Daily Article dated 8/6/92, Fundamental Changes In Gas Industry references a study made by Arthur Anderson and Company with Cambridge Energy Research Associates stating "Demand growth has been the most important factor in tightening the market balance, as consumption rose nearly 20% over the past 5 years, according to the study. Supply on the other hand, declined last year when the top 40 reserve holders replaced only 72% of production."

• Gas Daily Article dated 8/20/92 1992 Demand Nears Record; 1993 to Follow Suit. " By all accounts, this is going to be a near-record year for gas demand, reaching over 20 trillion cf - a level not seen since 1979." "But next year, residential demand is expected to rise 8.2% and industrials demand will rise by more than 4%, according to EIA."

• As further evidence of the tightening of supply, is the unseasonable and rapid increase of mainline index prices in the Permian Basin as well as other supply areas. For the comparable periods of May, June, July and August of 1990, 1991 and 1992 the prices have continued to rise. The table below shows the average of the three Permian Basin Index's in \$/MMbtu.

	<u>1990</u>	<u>1991</u>	<u>1992</u>
May	1.403	1.333	1.437
June	1.433	1.240	1.547
July	1.420	1.040	1.440
August	1.397	1.203	1.857

2.) Location Of Gas Supply

• Gas supply source is strategically located to service markets on the Gulf Coast, East Coast, and West Coast through various transportation arrangements on numerous pipelines and interconnects.

Before the
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 10526 Exhibit No. 10
Submitted By: MERIDIAN OIL - NM
Hearing Date: 8/27/92

3.) Available Plant Capacity

- Sid Richardson's Jal Plant

Sid Richardson is actively pursuing new and retaining old gas supply.

Jal Plant design capacity is 140,000 MCF/D but is only processing 105,000 MCF/D for a plant 75% plant utilization.

Jal Plant is currently being upgraded by adding a Cryogenic facility for greater product recovery efficiencies.

- Texaco Eunice Plant

Texaco is actively pursuing new gas supplies in this area.

Texaco has recently extend its system to this area laying 18 miles of 10" & 20" mainline trunk. They have also installed 2 new compressor stations to handle this and other gas in this area.

Eunice Plant design is 140,000 MCF/D but is only processing 100,000 MCF/D for a plant utilization of 71%.

4.) Natural Gas Liquids

- Currently there is an exceptionally strong market for NGL's, with chemical plant demands overloading the NGL pipeline transportation system and keeping the price high for this time of year.

- Seminole Pipeline/Mapco has constructed a new liquids pipeline from the Hobbs area to Mount Belview, Texas to be completed in January 1993, that adds an additional 150,000 barrels/d capacity which will alleviate any future capacity constraints.

5) Sales Agreements

- Meridian Oil has in place gathering, processing, and marketing arrangements for our current and additional supplies of gas if the allowable is increased for this field.

- See attached letter from Sid Richardson Carbon and Gasoline Company, stating the available capacity and desire to purchase additional volumes.

I, Michael S. Wilkinson certify that the information as stated is true and correct to the best of my knowledge and belief.



Michael S. Wilkinson

Meridian Oil Inc.

Regional Supply Coordinator

SID RICHARDSON CARBON & GASOLINE CO.
FIRST CITY BANK TOWER
201 MAIN STREET
FORT WORTH, TEXAS 76102
817/390-8600

July 27, 1992

File: 1-Wi-063-92
LC-004

Mr. Mike Wilkinson
MERIDIAN OIL, INC.
Post Office Box 4239
Houston, Texas 77210

Re: Justis Glorieta Field
Lea County, New Mexico

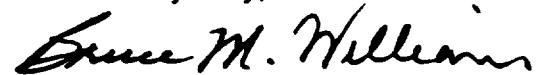
Dear Mike:

At your request, I have reviewed the attached list of leases and/or wells in the referenced producing field. I have determined that all of this production is currently under gas purchase agreements with Richardson, except for the two Texaco operated leases (Fristoe and Erwin).

Furthermore, Richardson would have the capacity and would be willing to purchase any additional production from these leases should more be available.

If I can be of further assistance, please call.

Yours very truly,



Bruce M. Williams
Manager, Gas Contracts

BMW/klr
Attachments

Before the
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 10526 Exhibit No. 11
Submitted By: MERIDIAN OIL - NM
Hearing Date: 8/27/92

SID RICHARDSON CARBON & GASOLINE CO.

WEST TEXAS AREA OFFICE

5030 E. UNIVERSITY
SUITE C-104
ODESSA, TEXAS 79762
TELEPHONE: (915) 367-2867
FAX: (915) 367-2862

July 20, 1992

Meridian Oil Company
3300 N. A Street, Bldg. 6
Midland, Texas 79705

Attn: Mr. Kevin Midkiff

Re: Justis Glorieta Pool Wells
Lea County, New Mexico

Gentlemen:

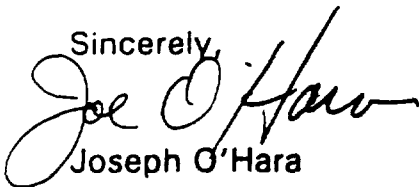
As per our recent conversation concerning the potential increase in volume of certain wells in the Justis Glorieta field, please be advised that I can find no reason the projected increase would adversely affect any other well on Sid Richardson's gathering system.

The below listed wells enter Richardson's gathering system through different laterals and the infusion of the projected 1.05 mmcf/d should have no effect on any other well in said system.

<u>Well Name</u>	<u>Current (mcf/d)</u>	<u>Projected(mcf/d)</u>
Meridian Oil, Carlson A#1	250	650
Meridian Oil, Carlson B#1	250	800
Texaco Prod. A.B.Coates C	250	350

If I can be of further assistance concerning this matter, please do not hesitate to call.

Sincerely,



Joseph O'Hara
Gas Supply Representative

Before the
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 19526 Exhibit No. 12
Submitted By: MERIDIAN OIL - NM
Hearing Date: 8/27/92

WAIVER

Maria L. Perez
Meridian Oil Inc.
P. O. Box 51810
Midland, TX 79710

Ms Perez:

Earl R. Bruno has no objection to your amended proposal to increase the F1 factor for the Justis Glorieta Field in Lea County, New Mexico to 18,000 MCF/month. We understand that if approved, this will take effect during the October 1992 through March 1993 proration period. Furthermore, we recommend to the New Mexico OCD that this proposed F1 factor increase be approved. We understand that this waiver will be included as an exhibit during the OCD proration hearing.

Sincerely,

NAME: Earl R. BRUNO
TITLE: Denny Bruno - President
NOTARY SIGNATURE: _____
DATE: 8/20/92

PERMIAN RESOURCES
P.O. DRAWER 590 MIDLAND, TEXAS 79702

WAIVER

**Maria L. Perez
Meridian Oil Inc.
P. O. Box 51810
Midland, TX 79710**

Ms Perez:

Lanexco Inc. has no objection to your amended proposal to increase the F1 factor for the Justis Glorieta Field in Lea County, New Mexico to 18,000 MCF/month. We understand that if approved, this will take effect during the October 1992 through March 1993 proration period. Furthermore, we recommend to the New Mexico OCD that this proposed F1 factor increase be approved. We understand that this waiver will be included as an exhibit during the OCD proration hearing.

Sincerely,

NAME: *Tommy Phipps* **TOMMY PHIPPS**

TITLE: *President*

NOTARY SIGNATURE: *Amy Hale*

DATE: 08/17/92

**LANEXCO INC.
P. O. Box 2730
Midland, Texas 79702**

STATE OF TEXAS

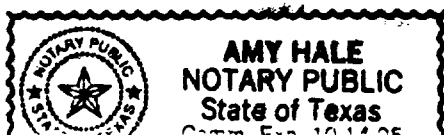
COUNTY OF MIDLAND

This instrument was acknowledged before me on this 17th day of August, 1992, by Tommy Phipps, President on behalf of Lanexco, Inc., a Texas corporation.

Amy Hale
Notary Public for the State of Texas

My Commission Expires:
10-14-95

Amy Hale
Name typed or printed



WAIVER

**Maria L. Perez
Meridian Oil Inc.
P. O. Box 51810
Midland, TX 79710**

Ms Perez:

Arco Oil & Gas Corp. has no objection to your amended proposal to increase the F1 factor for the Justis Glorieta Field in Lea County, New Mexico to 18,000 MCF/month. We understand that if approved, this will take effect during the October 1992 through March 1993 proration period. Furthermore, we recommend to the New Mexico OCD that this proposed F1 factor increase be approved. We understand that this waiver will be included as an exhibit during the OCD proration hearing.

Sincerely,

NAME: Richard S. Prentice

TITLE: Sen. C/A. Engr.

NOTARY SIGNATURE: _____

DATE: 8-14-92

**R. S. Prentice (#25)
ARCO Oil and Gas Company** ♦
Post Office Box 1610
Midland, Texas 79702

WAIVER

**Maria L. Perez
Meridian Oil Inc.
P. O. Box 51810
Midland, TX 79710**

Ms Perez:

Texaco Incorporated has no objection to your amended proposal to increase the F1 factor for the Justis Glorieta Field in Lea County, New Mexico to 18,000 MCF/month. We understand that if approved, this will take effect during the October 1992 through March 1993 proration period. Furthermore, we recommend to the New Mexico OCD that this proposed F1 factor increase be approved. We understand that this waiver will be included as an exhibit during the OCD proration hearing.

Sincerely,

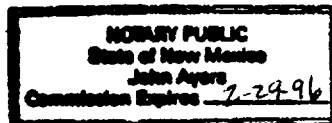


NAME: TERRY FRAZIER

TITLE: AREA MANAGER

NOTARY SIGNATURE: John Ayers

DATE: 8/17/92



Texaco Exploration and Production
P.O. Box 730
Hobbs, NM 88241-0730

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece next to the article number.

I also wish to receive the following services (for an extra fee):

1. ☐ Addressee's Address
2. ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

AMERADA HESS CORPORATION
ATTN. DENNISE WANN
P.O. BOX "D"
MONUMENT, NM 88265

4a. Article Number

P 989 355 706

4b. Service Type

- ☐ Registered ☐ Insured
☒ Certified ☐ COD
☐ Express Mail ☐ Return Receipt for Merchandise

7. Date of Delivery

8-14-92

5. Signature (Addressee)

Cindy Robertson

6. Signature (Agent)

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, October 1990

★U.S. GPO: 1990-273-881

DOMESTIC RETURN RECEIPT

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece next to the article number.

I also wish to receive the following services (for an extra fee):

1. ☐ Addressee's Address
2. ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

CHEVRON USA, INCORPORATED
MR. D.T. BERLIN
NORTH DISTRICT MANAGER
P.O. BOX 1150
MIDLAND TX 79702

4a. Article Number

P 989 355 708

4b. Service Type

- ☐ Registered ☐ Insured
☐ Certified ☐ COD
☐ Express Mail ☐ Return Receipt for Merchandise

7. Date of Delivery

8-14-92

5. Signature (Addressee)

6. Signature (Agent)

J. R. Riggs

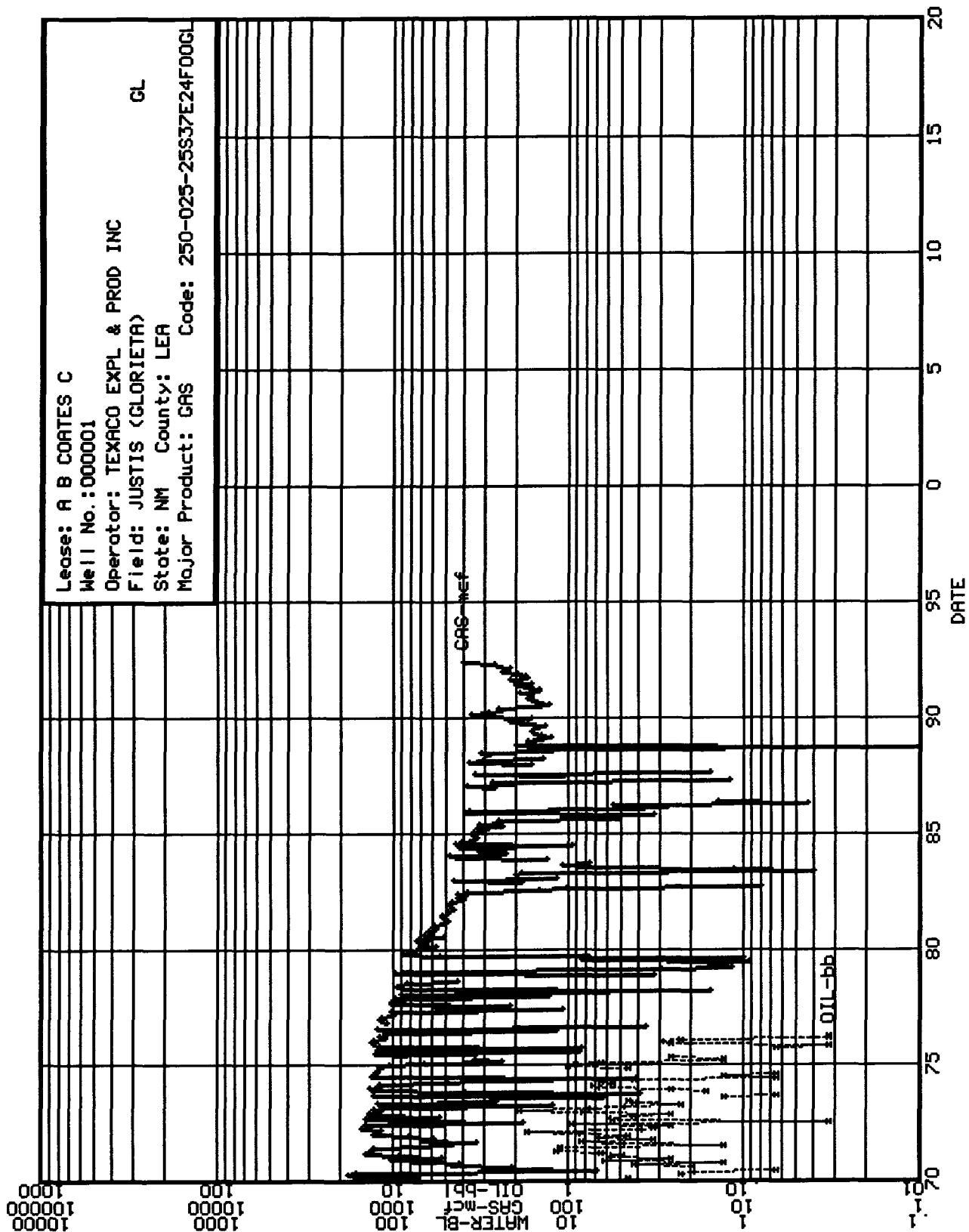
8. Addressee's Address (Only if requested and fee is paid)

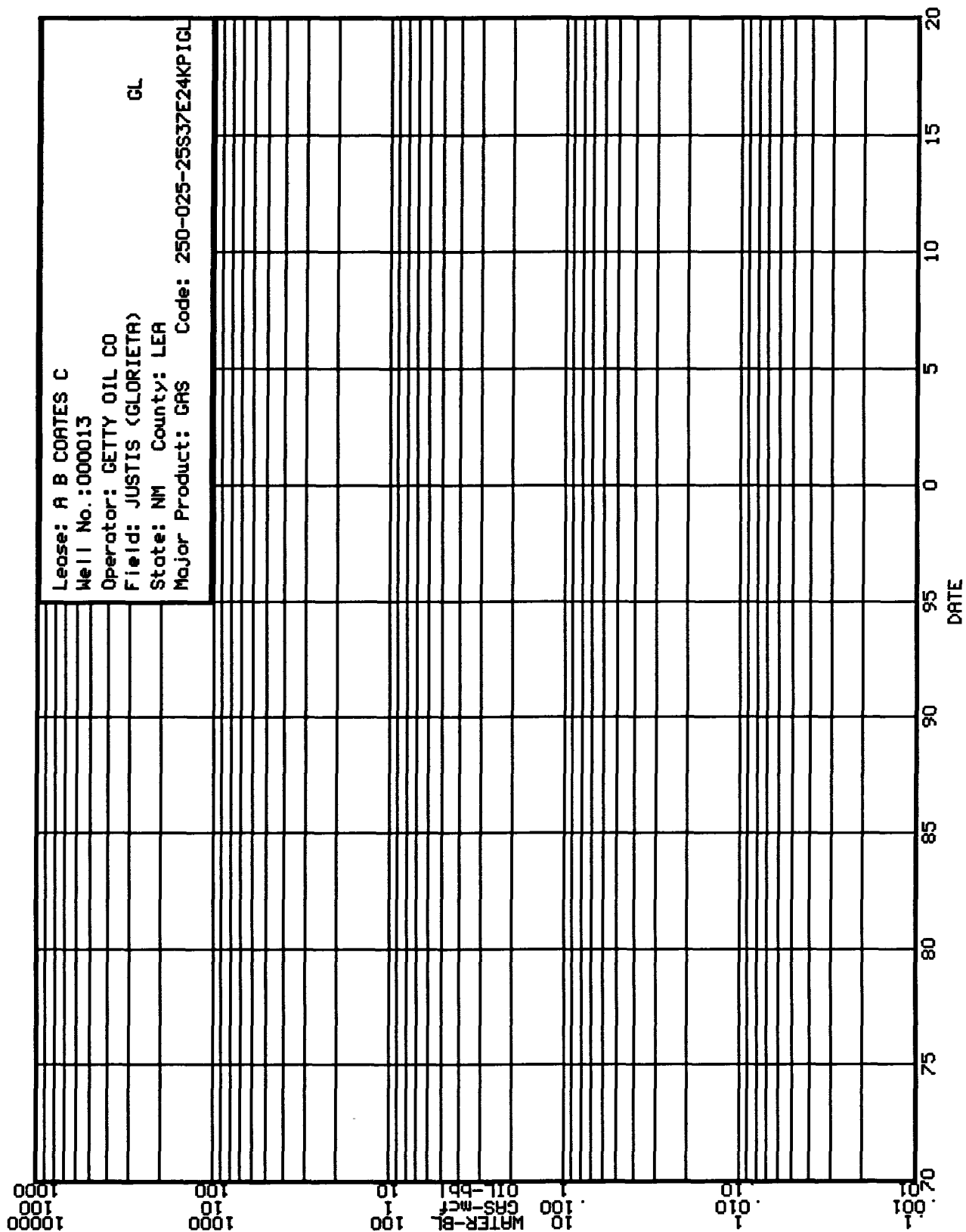
PS Form 3811, October 1990

★U.S. GPO: 1990-273-881

DOMESTIC RETURN RECEIPT

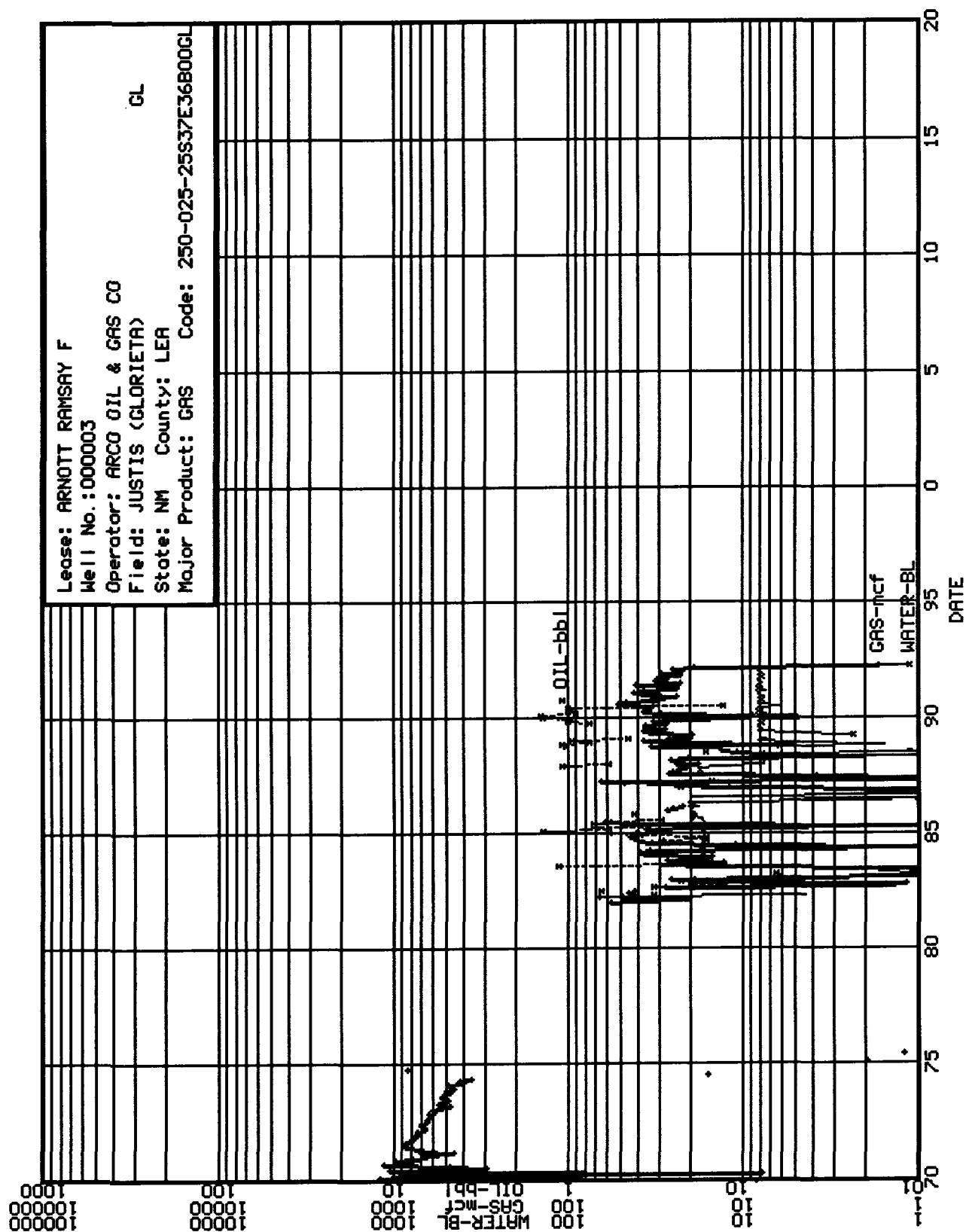
PRODUCTION PLOTS

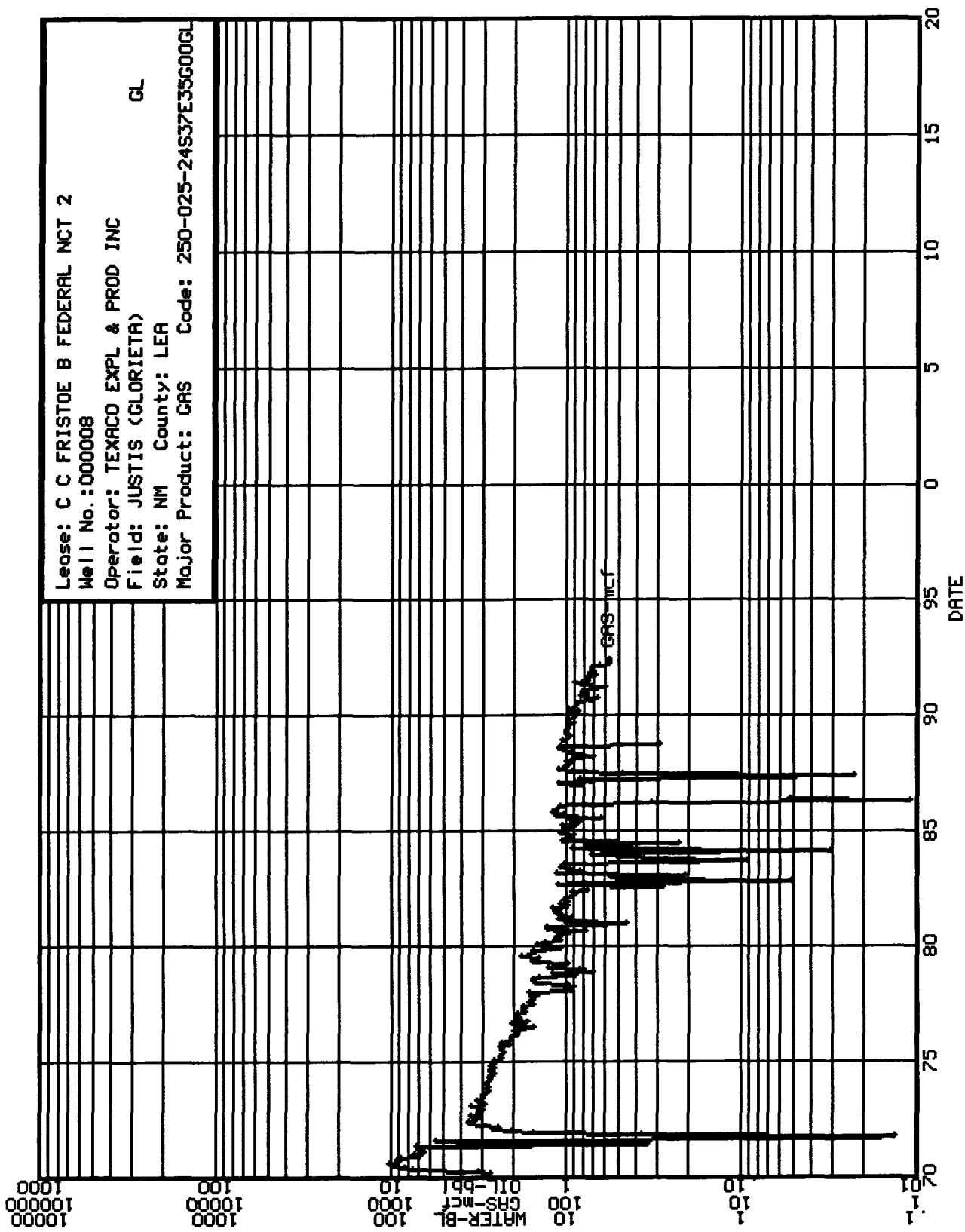


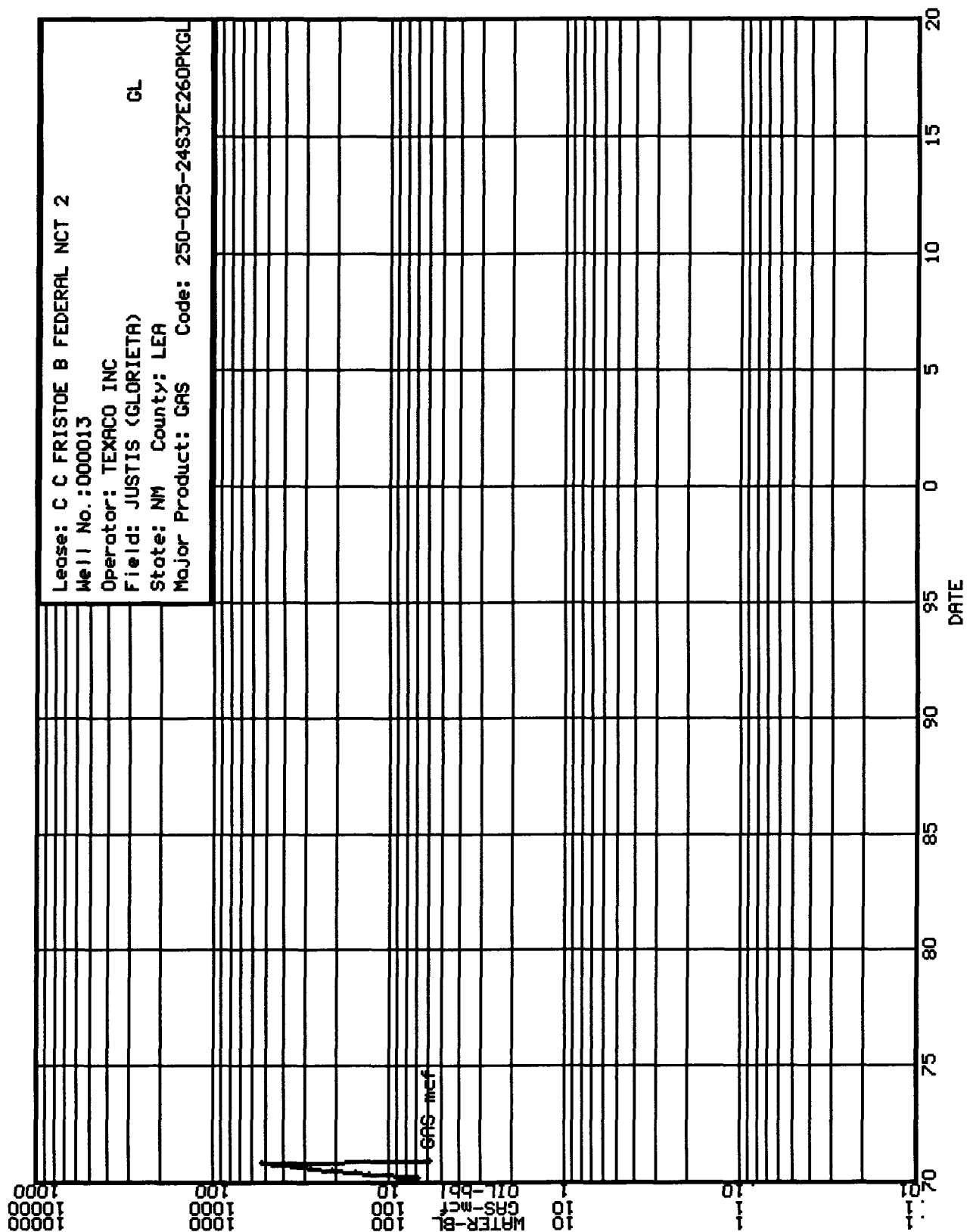


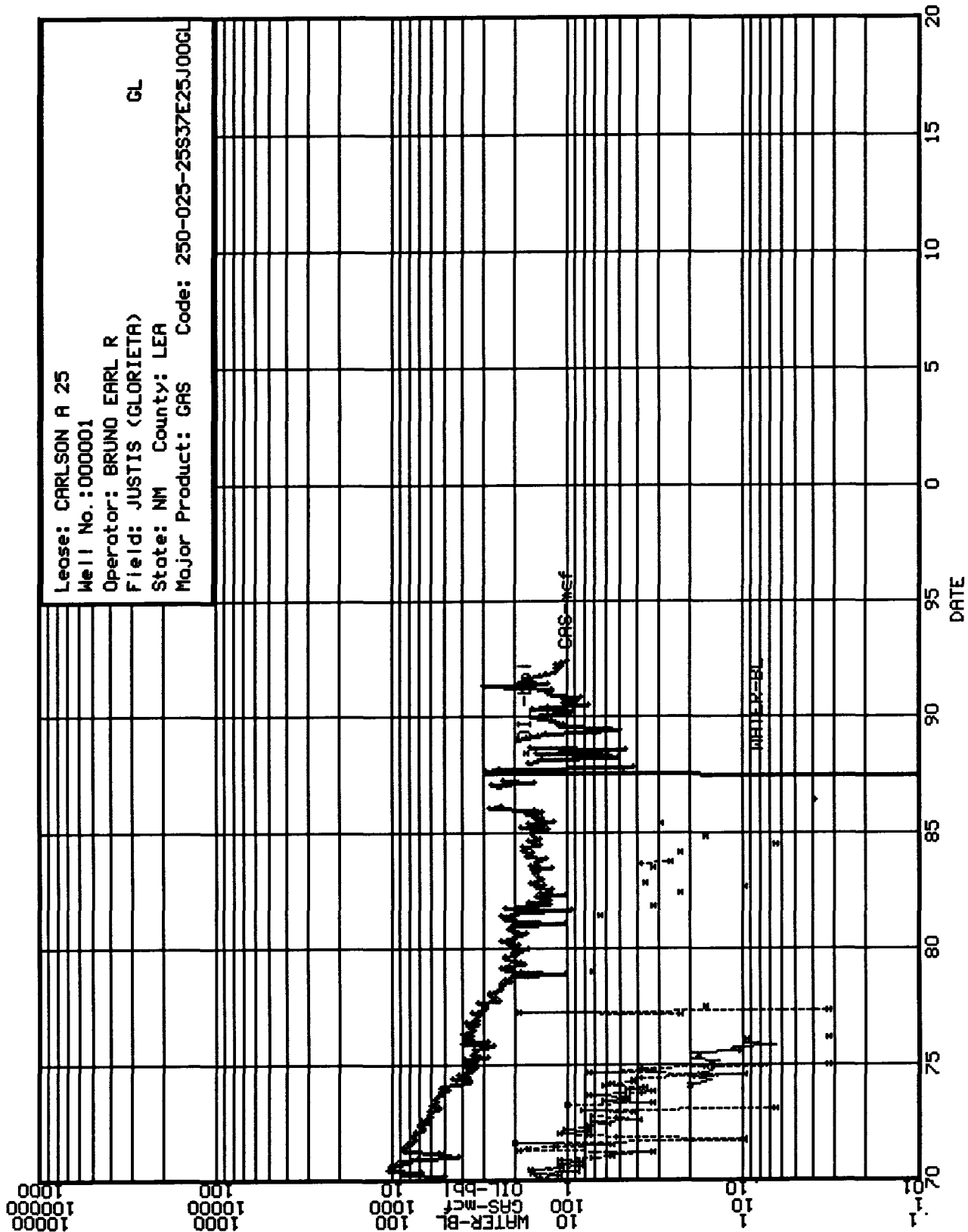
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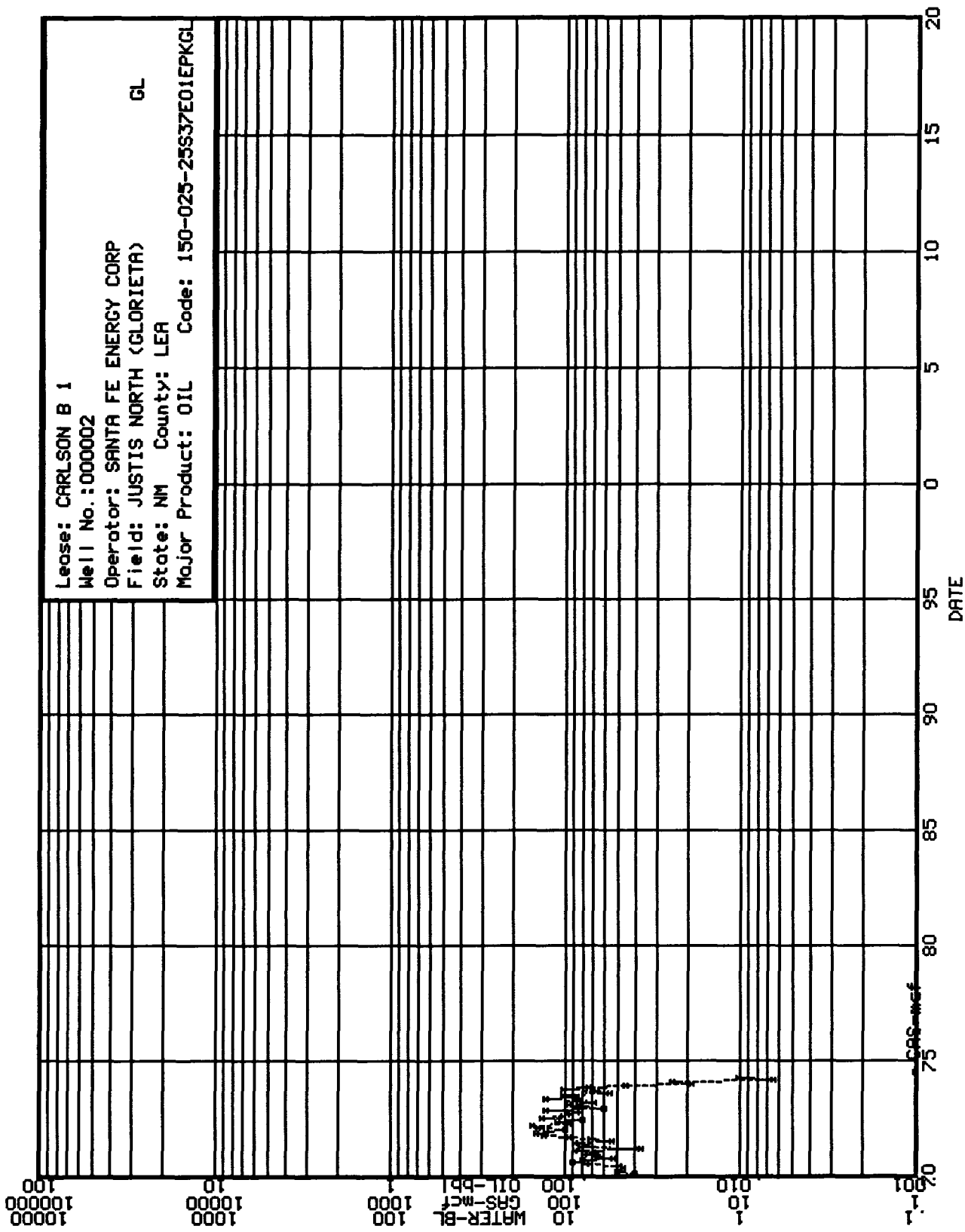
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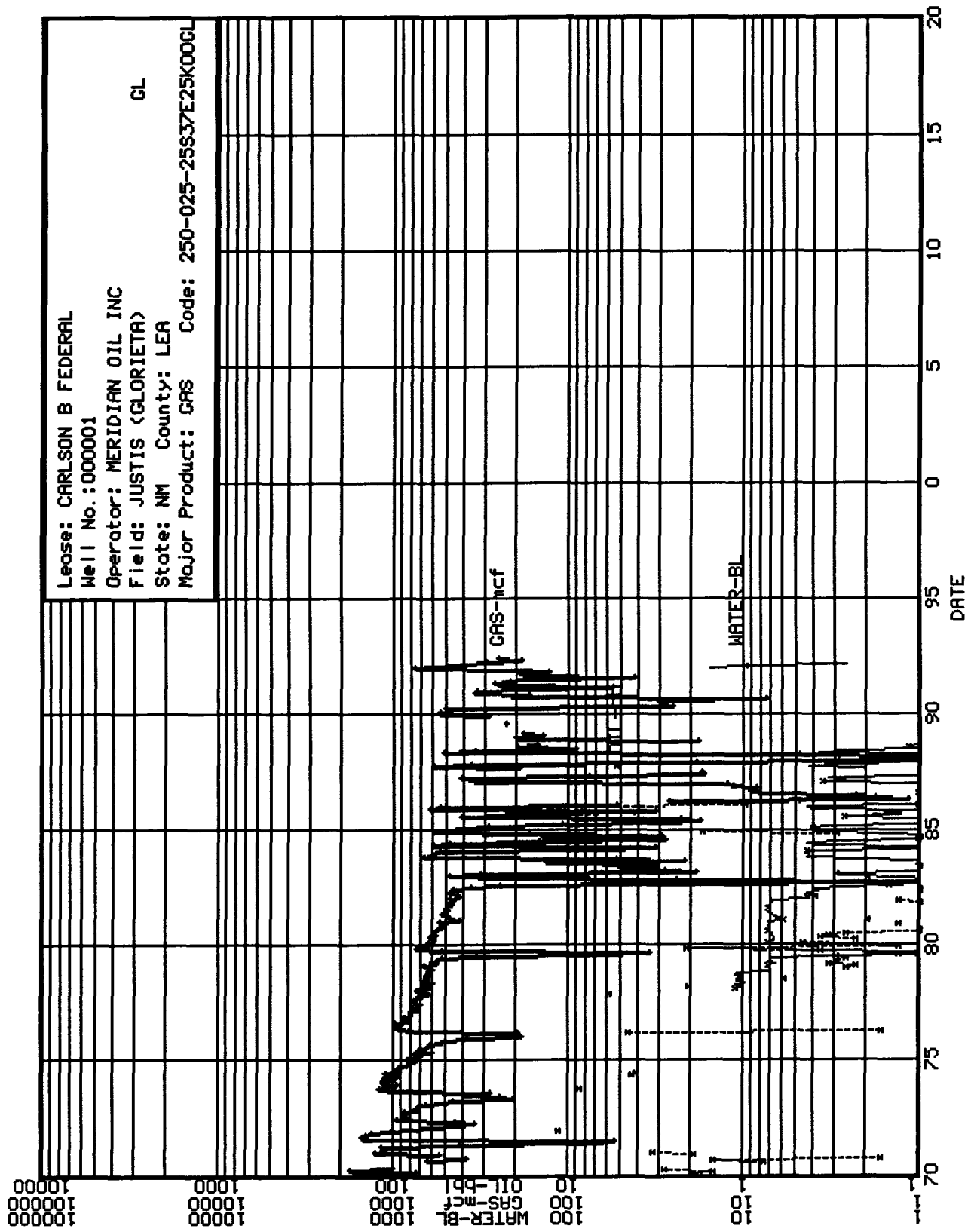


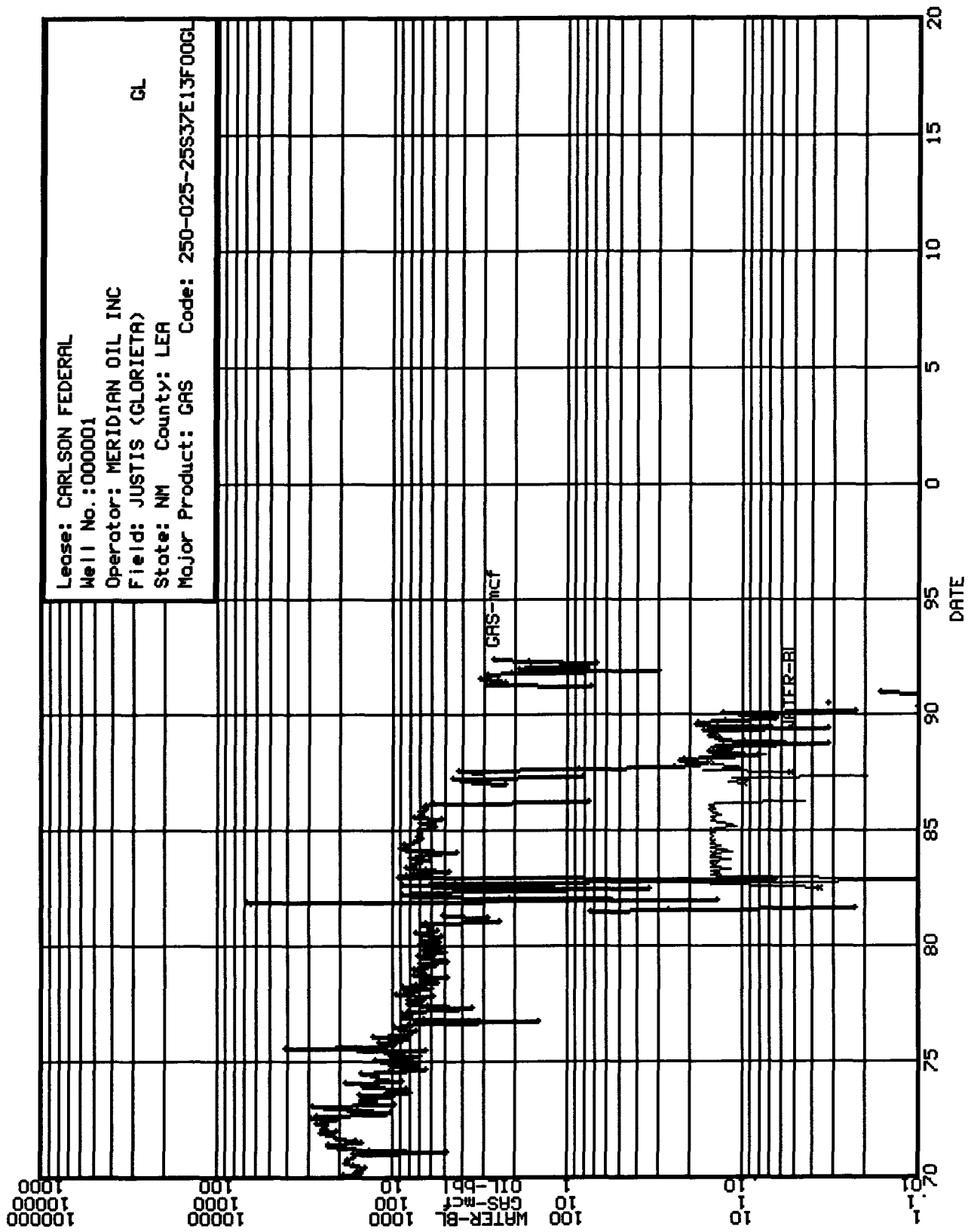


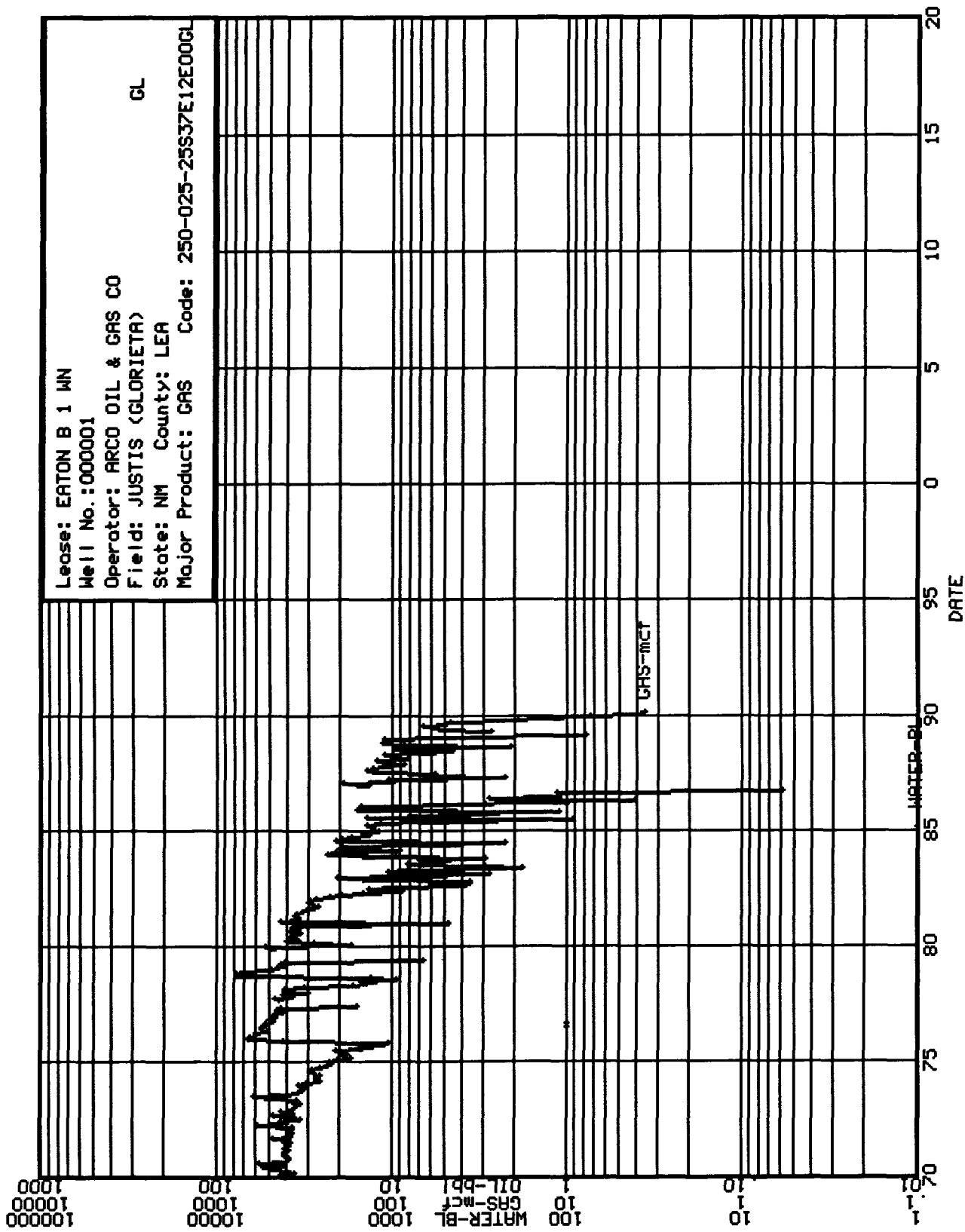


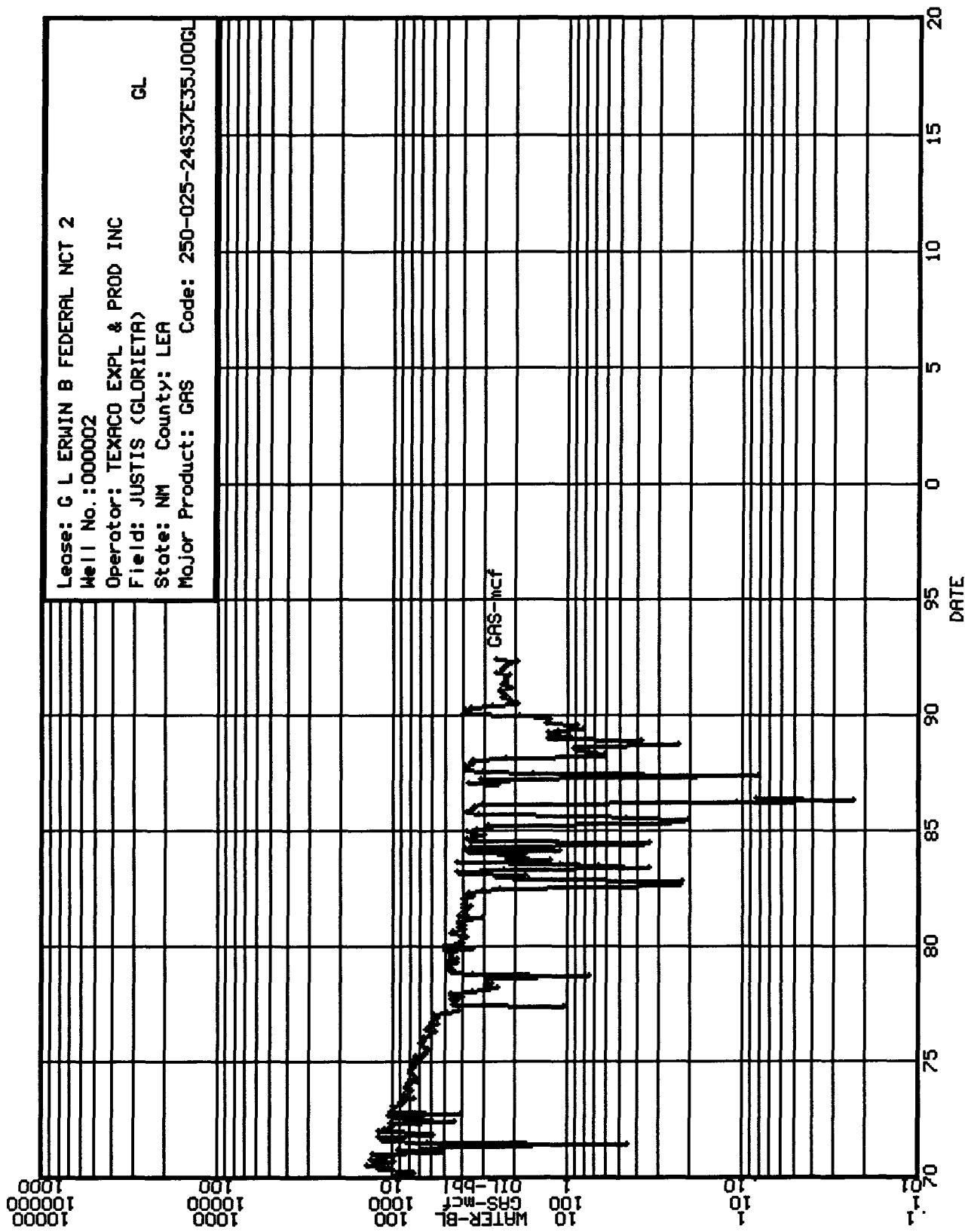
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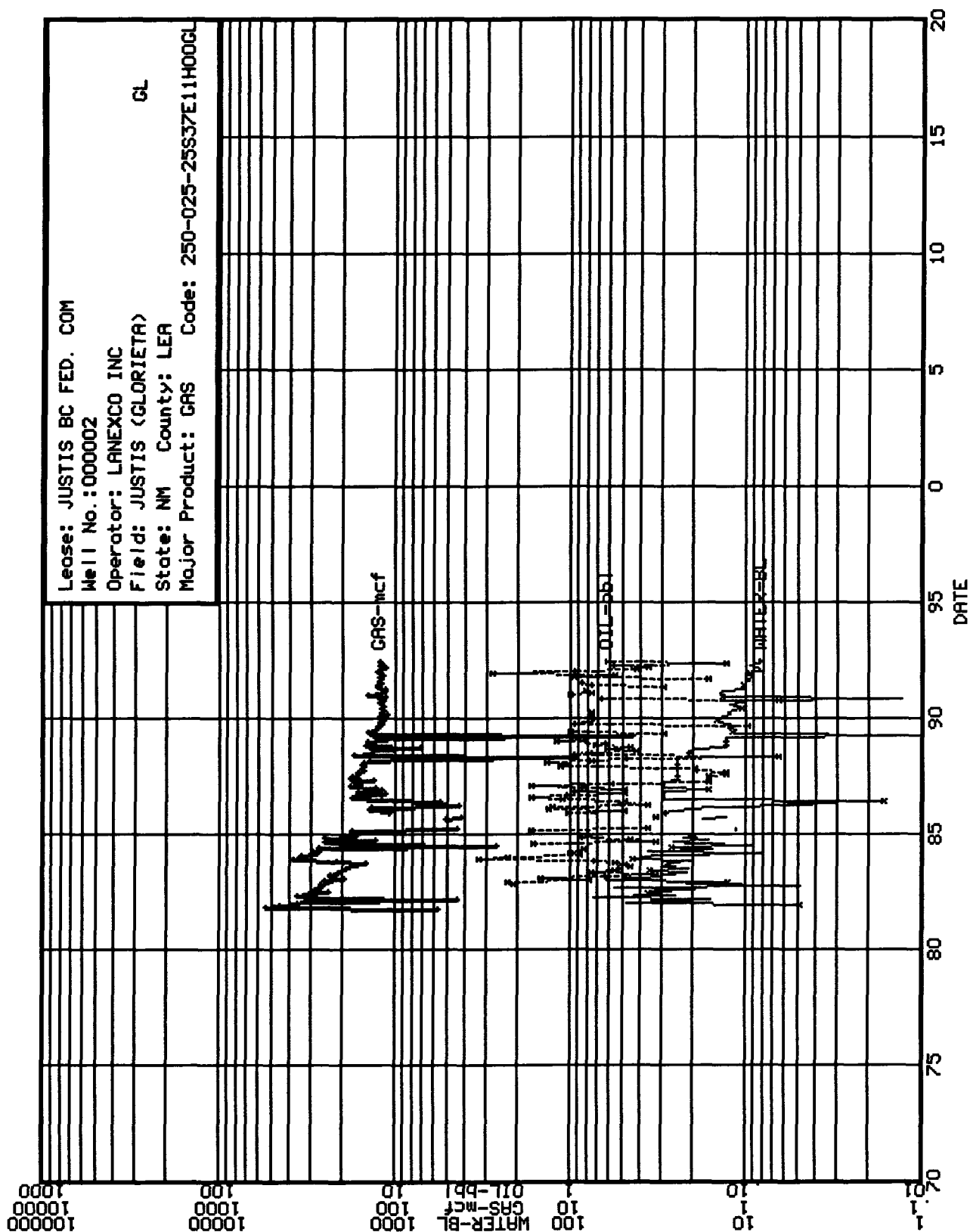


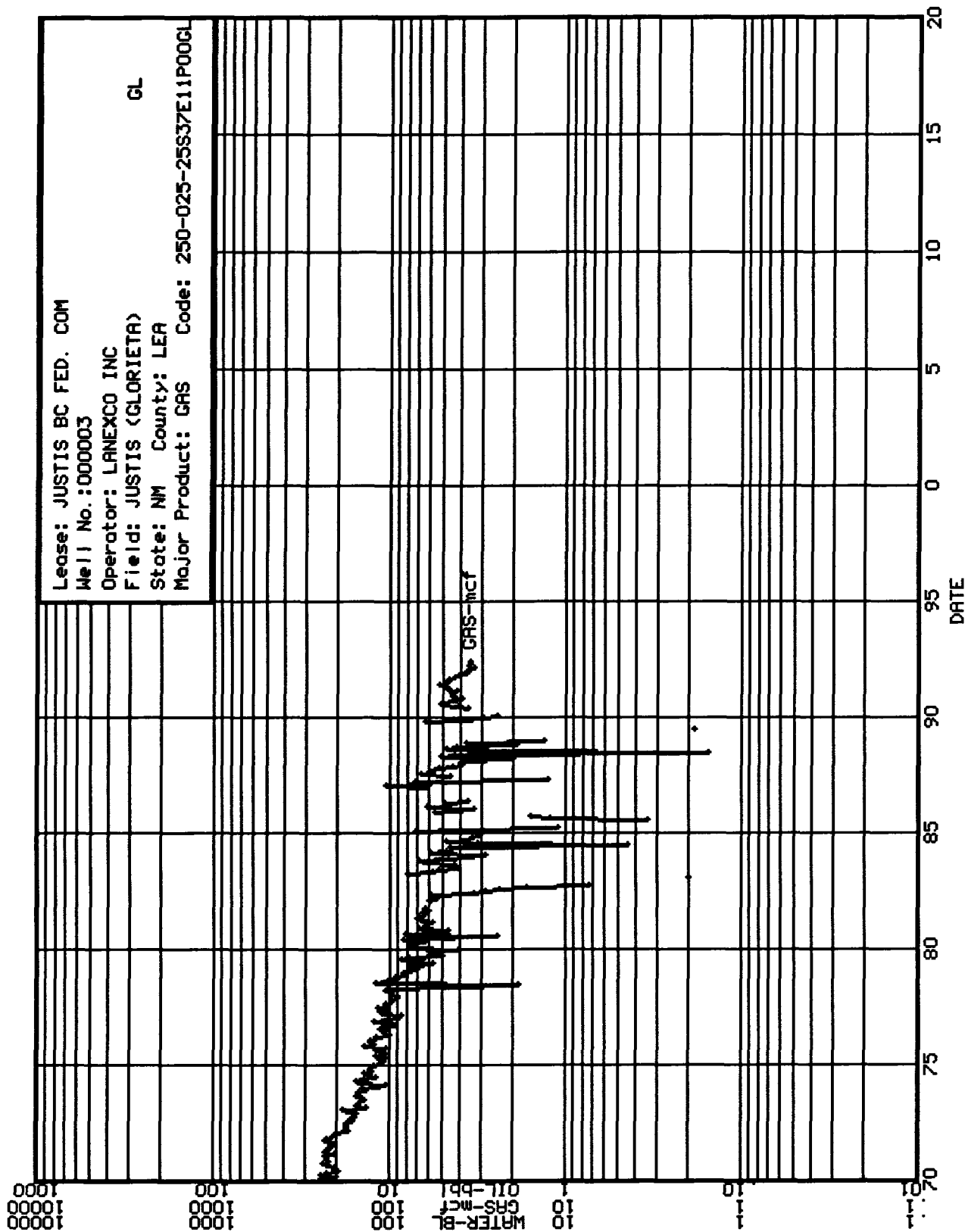


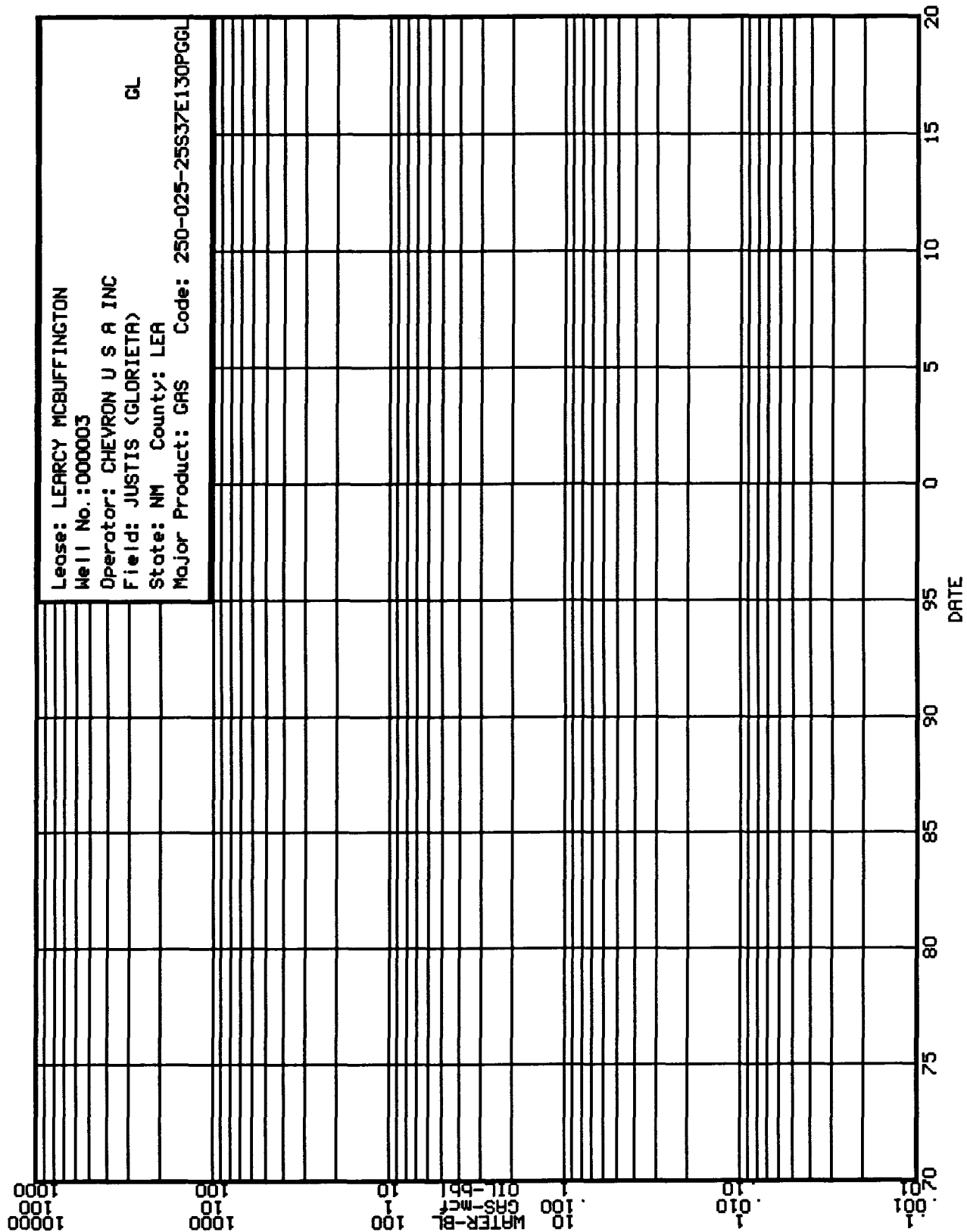


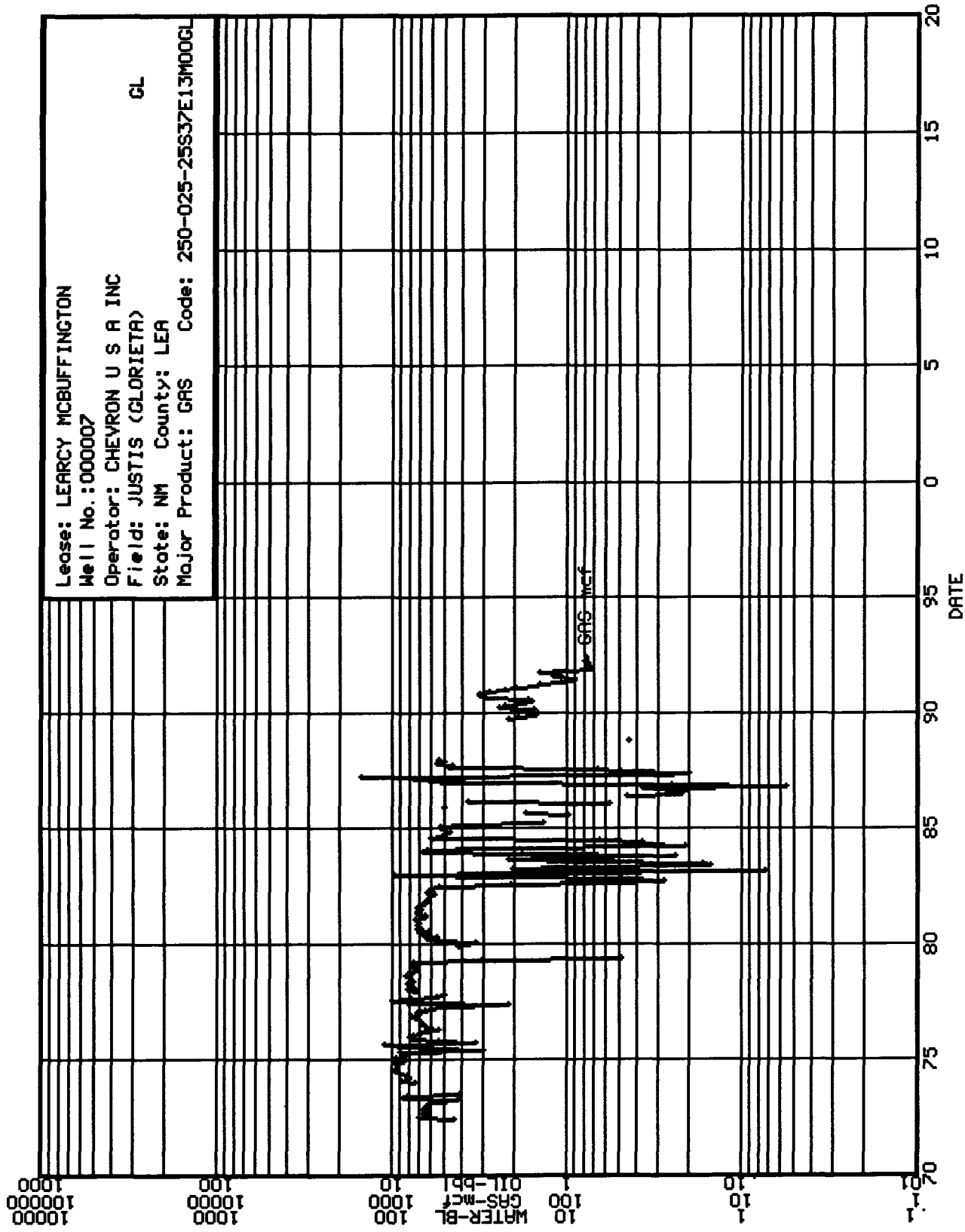
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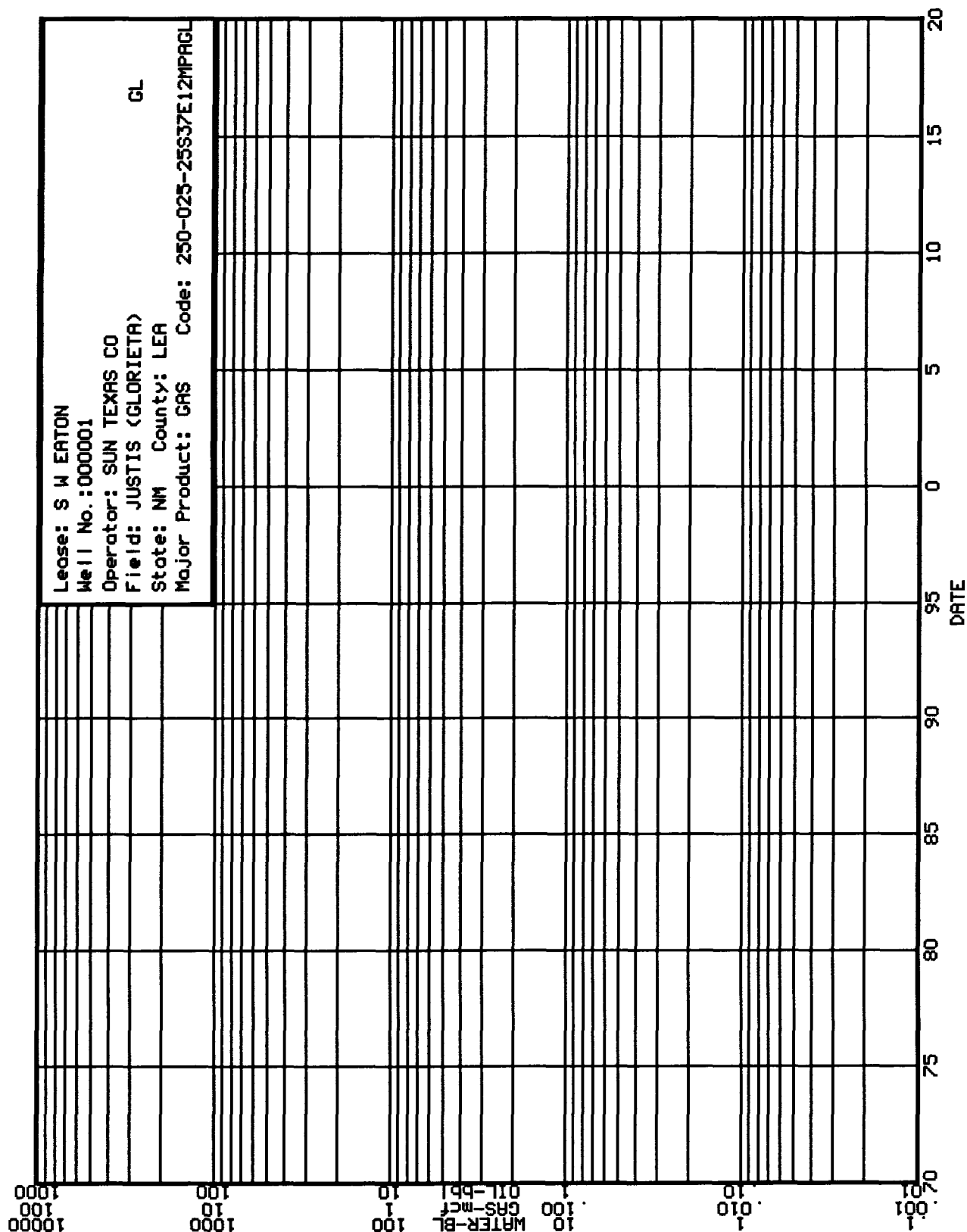
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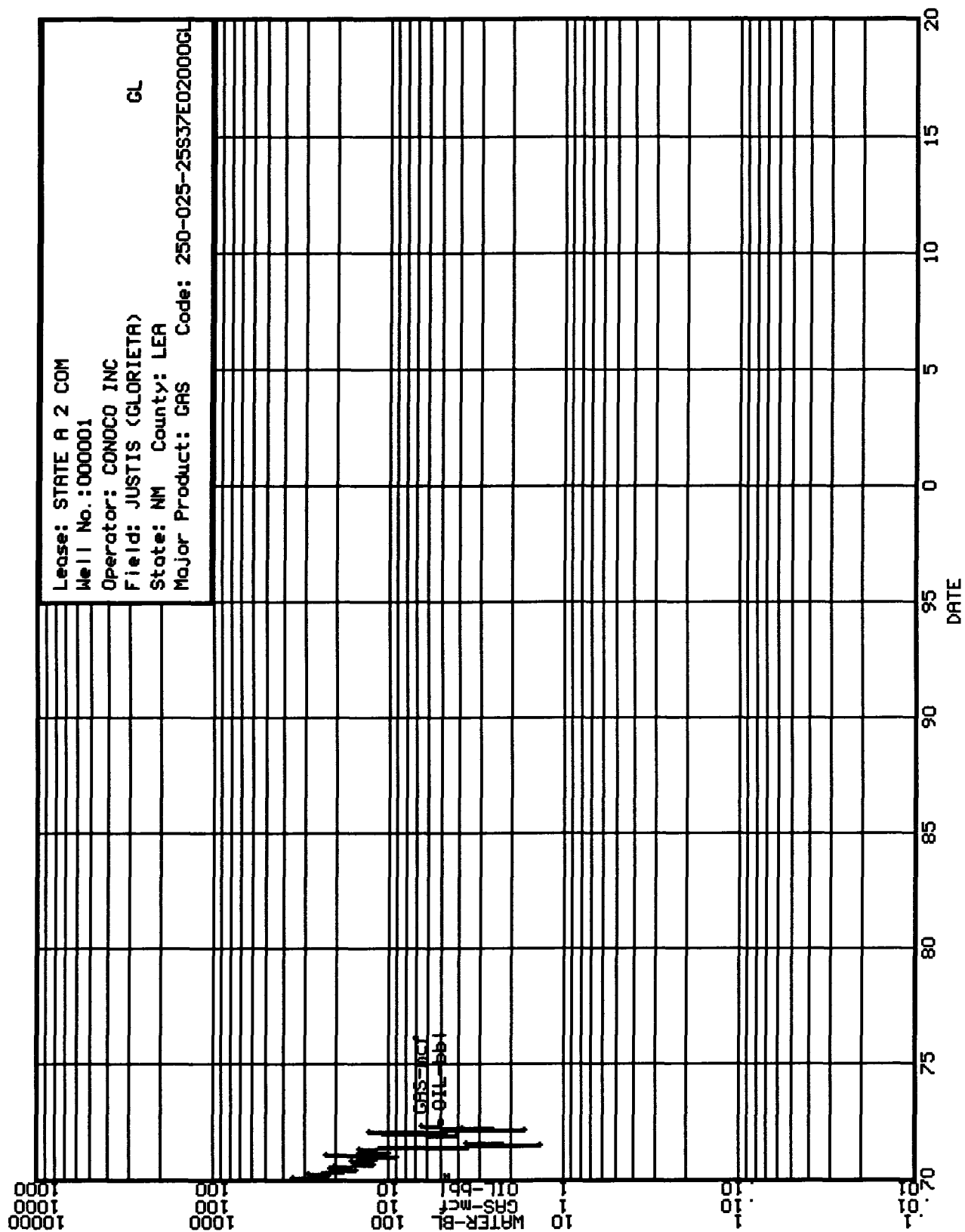


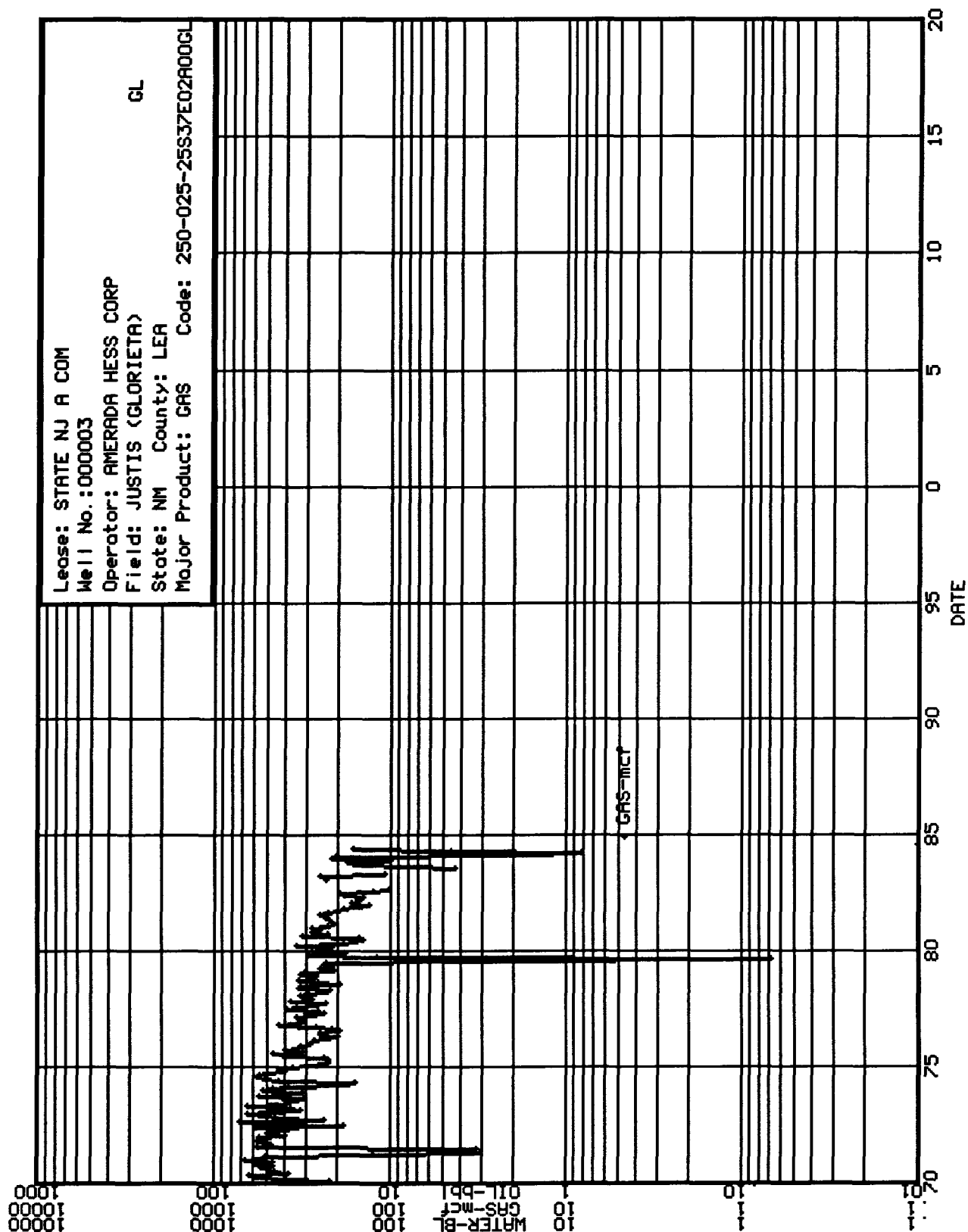












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