MERIDIAN OIL

June 3, 1986

New Mexico Oil Conservation Division
P.O. Box 1980
Hobbs, New Mexico 88240

Attention: Mr. Jerry Sexton

Re: Temporary Downhole Commingling
30-Day Test
Aztec "22" Federal #1
South Corbin (Bone Spring/
Wolfcamp) Fields
Lea County, New Mexico
Location: 1980' FN&WL, Sec. 22
T-18-S, R-33-E

Gentlemen:

Meridian Oil Inc. (formerly Southland Royalty Company), respectfully requests approval to downhole commingle the Bone Spring and Wolfcamp zones in the subject well for a temporary test period of 30 days. This request will help prevent possible waste and was discussed with Mr. Jerry Sexton on June 2, 1986, by Mr. John Stark of our Midland office.

In review, the subject well was drilled as a step-out development well to 13,610' during June 1985 to test the Morrow. After completing the Morrow at 13,242-517' and Atoka at 12,734-48' both zones were abandoned due to noncommercial rates. The Strawn zone at 12,400-10' was then completed during November 1985 for a flowing initial potential of 62 BO + 0 BW + 80 MCF per day. This zone had produced 5,334 BO and was flowing 46 BO + 0 BW + 100 MCF per day when it was temporarily abandoned with a cast iron bridge plug, so that the Bone Spring and Wolfcamp zones could be tested. Southland Royalty Company undertook this testing of uphole potential since additional development drilling could not be justified solely on the Strawn zone. The data obtained was required in order to properly evaluate expiring farmout acreage.

The recompletion and testing of 4 intervals, 2 each in the Wolfcamp and Bone Spring zones, was begun on January 16, 1986, and completed on February 17, 1986. The test results of these intervals are attached. The Wolfcamp perforations 10,745-11,332' were then temporarily abandoned with a cast iron bridge plug, so to produce only the Bone Spring. Pumping equipment was installed and the Bone Spring initial potentialed for 26 BO + 9 BW + 10 MCF per day on April 21, 1986. This zone is currently pumped every other day at 8 BO + 4 BW per day. The current well status is shown on the attached schematic.

A more complete evaluation of the Wolfcamp, without jeopardizing the reserves in the Bone Springs, is desired. This goal could be obtained by temporarily downhole commingling and pumping these two zones. The Wolfcamp could be tested separately by pumping under a packer. However, this artificial lift method has very poor efficiency which could cause an erroneously low evaluation and possible abandonment of the Wolfcamp. Therefore, approval of the subject request will prevent possible wasted while evaluating development potential. If there are any questions, please call Mr. John Stark.

Very respectfully yours,

M Huckton for

S. W. Nance
Regional Production Engineer

JRS/ba
0453B:060386

Detail Tests of Recompleted Zones:

1) Lower Wolfcamp (Perf @ 11,072-332'):
   Swab 7 BO + 67 BLW/10 hrs with FFL @ 10,500'.
   Swab 8 BO + 8 BW/4 hrs with FFL @ 9,500'
   Acidized. Swab 115 BLW/8 hrs with FFL @ 5,400'
   Swab 9 BO + 47 BLW/10 hrs with FFL @ 10,400'
   Swab 30 BO + Tr Wtr/8 hrs with FFL @ 10,500'
   Swab and Flow 25 BO + Tr Wtr/25 hrs with FFL @ 10,500'.

2) Upper Wolfcamp (Perf @ 10,745-82'):
   Swab 2 BO + 70 BLW/5 hrs with FFL @ 10,300'.
   Acidized. Swab 2 BO + 71 BLW/5 1/2 hrs with FFL @ 10,500'
   Swab 5 BO + 5 BW/3 hrs with FFL @ 9,200'.

3) Lower Bone Spring (Perf @ 10,024-216'):
   Swab 28 BO + 73 BLW/6 hrs with FFL @ 3,400'.
   Flow 20 BO + 0 BW/4 hrs. Died.
   Swab 30 BO + 0 BW/4 1/2 hrs with FFL @ 9,000'.
   Flow 26 BO/12 hrs.
   Acidized.
   Swab Tr Oil + 98 BLW/7 hrs with FFL @ 4,200'.
   Swab 5 BO + 20 BLW/6 hrs with FFL @ 6,000'.
   Swab 23 BO + 73 BLW/9 1/2 hrs with FFL @ 5,900'.
   Swab 40 BO + 31 BLW/7 1/2 hrs with FFL @ 6,000'.

4) Upper Bone Spring (Perf @ 8,927-42'):
   Swab Tr Oil + 50 BLW/4 hrs.
   Acidized.
   Swab Tr Oil + 80 BLW with FFL @ 6,000'.
   Flow 4 BO + 2 BLW/40 min. Died.
   Swab 13 BO + 4 BW//6 hrs with FFL @ 8,500'.
   Flow 7 BO + 0 BW/41 hrs.

Note: Both Upper and Lower Bone Spring intervals are now being pumped.