



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
HOBBS DISTRICT OFFICE

January 15, 1993

BRUCE KING
GOVERNOR

POST OFFICE BOX 1980
HOBBS, NEW MEXICO 88241-1980
(505) 393-6161

Mr. William J. LeMay, Director
Oil Conservation Division
P.O. Box 2088
Santa Fe, NM 87504-2088

RE: Meridian Oil Inc.
Hat Mesa State #1, Unit K, Sec. 32, T20S, R33E
Hat Mesa State #2, Unit N, Sec. 32, T20S, R33E

Dear Bill,

The two drilling permits referenced above were approved in the Potash Area without proper procedures being followed.

Both of these wells are being drilled. The casing programs conform to the rules in the potash area but approval from the potash company or State Land Office was not obtained before the permits were approved.

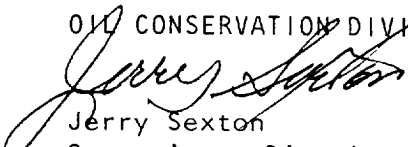
The wells are located in an area surrounded by producing wells or dry holes. So hopefully potash reserves have not been lost. This is not offered as an excuse but hopefully it does decrease the repercussions of such a mistake.

The area in question was not in the old R-111 area but has been added to the area as it now stands. Our map was vague through this section and therefore our mistake was made. The mapping has been redone in such a way to prevent this from happening in the future. The company forms, C-101 and C-102, did not show the wells as being in the potash area.

We are sending copy of this letter to Ernie Szabo with the State Land Office, Mississippi Chemical Company and Meridian Oil Inc. to advise them of what happened and to see if our action caused any problems.

Very truly yours,

OIL CONSERVATION DIVISION


Jerry Sexton
Supervisor, District I

JS/ed

Encl.

cc: Ernie Szabo, State Land Office, Box 1148, Santa Fe, NM 87504-1148
Mississippi Chemical Co.
Meridian Oil Inc.



