

DOYLE HARTMAN

Oil Operator

500 N. MAIN

P.O. BOX 10426

MIDLAND, TEXAS 79702

(915) 684-4011

OIL CONSERVATION DIVISION  
RECEIVED

'91 SEP 10 AM 8 38

September 5, 1991

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Mr. William J. Lemay  
State of New Mexico  
Energy and Minerals Department  
Oil Conservation Department  
P.O. Box 2088  
Santa Fe, New Mexico 87504-2088

Re: Meridian Oil, Inc.  
Application for Unorthodox  
Location.  
C. W. Sheppard No. 8  
1100' FNL & 1980' FNL  
Section 5, T-26-S, R-37-E  
Lea County, New Mexico

Gentlemen:

Reference is made to the enclosed notification from Meridian Oil, Inc., dated August 19, 1991 and received by Hartman August 20, 1991, regarding their application for an unorthodox location for the above referenced well in the Rhodes (Y-7R) Pool. Their C. W. Shepard Lease located in Section 5, T-26-S, R-37-E, lies directly south of our Arnott Ramsay "NCT-B" lease in section 32, T-25-S, R-37-E which produces from the Jalmat (Y-7R) Pool.

As you are aware, the gas produced from our Arnott Ramsay No.'s 7, 10 and 13 wells in the Jalmat (Y-7r) Pool is prorated, whereas any gas that would be produced from Meridian's proposed C.W. Shepard No. 8 well in the Rhodes (Y-7r) Pool would not be subject to prorationing. Although both the Jalmat and Rhodes gas pools producing intervals consist of the same Yates and Seven Rivers zones, there is potentially a huge disparity in the annual volumes of gas that can be produced from the Meridian Sheppard lease and the Hartman Arnott Ramsay NCT-B lease.

We agree that Meridian has a right to develop and profit from the leasehold interests they own, however, we are concerned about our right to produce our equitable share of oil and gas from the Yates and Seven Rivers common source of supply. Therefore, any approval by Hartman of Meridian's C. W. Shepard No. 8 application must be predicated upon our Arnott Ramsay lease being afforded the same opportunity to produce as Meridian's offsetting C. W. Sheppard lease. Due to the fact that both leases produce from this same

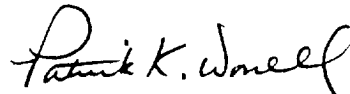
Energy and Minerals Department  
Page 2

Yates-Seven River common source of supply, we respectfully request that both the Hartman Arnott Ramsay NCT-B lease and the Meridian C. W. Sheppard lease be subjected to the same degree of prorating, either under the rules of the Jalmat Pool or under the rules of the Rhodes Pool.

Thank you for your consideration in this matter, and if you need anything further, please let me know.

Very truly yours,

DOYLE HARTMAN



Patrick K. Worrell  
Engineer

PKW/aw  
enclosures

cc: Ms. Maria L. Perez  
Meridian Oil, Inc.  
P.O. Box 51810  
Midland, Tx 79710-1810

Buddy Davidson  
P. O. Box 494  
Midland, Tx 79702

Gallegos Law Firm  
141 East Palace Ave  
Santa Fe, New Mexico 87501  
Attn: Gene Gallegos

Daniel S. Nutter  
105 E. Alicante  
Santa Fe, New Mexico 87501