



STATE OF NEW MEXICO

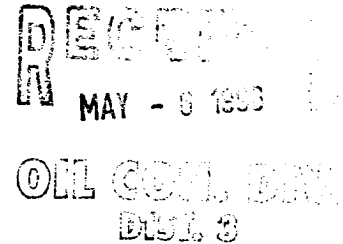
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

2040 S. PACHECO
SANTA FE, NEW MEXICO 87505
(505) 827-7131

May 2, 1996

Merrion Oil & Gas Corporation
P. O. Box 840
Farmington, New Mexico 87499
Attention: George Sharpe



*Administrative Order DD-110(H)
High Angle/Horizontal
Supplement Order No. 1*

Dear Mr. Sharpe:

Reference is made to your application dated March 8, 1996 for authorization to drill three additional horizontal drainholes within the Papers Wash Entrada (Unit) High Angle/Horizontal Drilling Project Area, approved by Division Administrative Order DD-110(H), dated August 18, 1995 and corrected on August 24, 1995, which comprises the W/2 of Section 15 and the SE/4 NE/4 and NE/4 SE/4 of Section 16, both in Township 19 North, Range 5 West, NMPM, designated and Undesignated Papers Wash-Entrada Oil Pool, McKinley County, New Mexico.

The Division Director Finds That:

- (1) The application by Merrion Oil & Gas Corporation ("Merrion") has been duly filed under the provisions of:
- (a) Rule 111.D and E of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division"), revised by Division Order No. R-10388, issued by the Oil Conservation Commission in Case 11,274 on June 13, 1995; and,
 - (b) all applicable provisions of said Division Administrative Order DD-110(H), as corrected.
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- (2) Both the PWU Well No. 3, formerly the Navajo Allotted "15" Well No. 3 (API No. 30-031-20502), located at a standard oil well location 2310 feet from the South line and 2000 feet from the West line (Unit K) of said Section 15 and the Papers Wash Unit Well No. 4, formerly the Navajo Allotted "15" Well No. 4 (API No.

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PWU #4

30-031-20503), located at a standard oil well location 2310 feet from the South line and 990 feet from the West line (Unit L) of said Section 15 were originally drilled and completed within the Papers Wash-Entrada Oil Pool in 1977.

- (3) The applicant/operator proposes to recompleate the PWU Well No. 4 by drilling one or possibly two horizontal drainholes to the south;
- (4) From the PWU Well No. 3 the applicant/operator is proposing to kick-off in a southwesterly direction with one horizontal drainhole;
- (5) All drainholes will be drilled with a +350 foot radius arc and extend a distance of 800 to 1,000 feet within the oil bearing Entrada sand;
- (6) Any horizontal drainhole herein approved by this order will be governed by the provisions set forth in said Order DD-110(H), as corrected; and,
- (7) It appears the applicant has satisfied all of the appropriate requirements prescribed in said Rule 111.D and E, the subject application should be approved and the well should be governed by the provisions contained within this order and all other applicable provisions of Division General Rule 111.

IT IS THEREFORE ORDERED THAT:

(1) Merrion Oil and Gas Corporation ("Merrion") is hereby authorized to recompleate its existing PWU Well No. 3, formerly the Navajo Allotted "15" Well No. 3 (**API No. 30-031-20502**), located at a standard oil well location 2310 feet from the South line and 2000 feet from the West line (Unit K) of Section 15, Township 19 North, Range 5 West, NMPM, McKinley County, New Mexico, by plugging-back, milling a window in the existing production casing, kick-off from the vertical in a southwesterly direction with a +350 foot radius arc, build to an angle of approximately 90 degrees so as to encounter the upper portion of the oil bearing Entrada sand and continue drilling horizontally a distance of 800 to 1,000 feet.

(2) Merrion is further authorized to recompleate its existing PWU Well No. 4, formerly the Navajo Allotted "15" Well No. 4 (**API No. 30-031-20503**), located at a standard oil well location 2310 feet from the South line and 990 feet from the West line (Unit L) of said Section 15 with one or possibly two horizontal drainholes drilled to the south in the same manner as described-above.

- (3) All above-described horizontal drainholes shall be subject to all provisions of

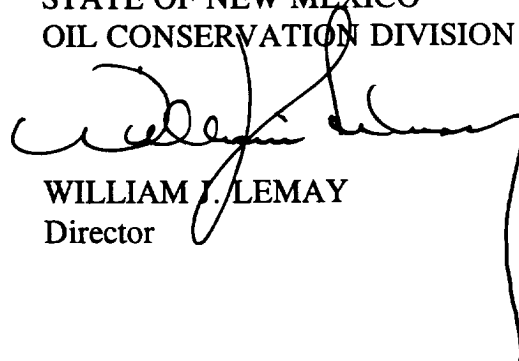
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Division Administrative Order DD-110(H), dated August 18, 1995 and corrected on August 24, 1995.

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

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

cc: Oil Conservation Division - Aztec ✓
U. S. Bureau of Land Management - Farmington