



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION
AZTEC DISTRICT OFFICE

BRUCE KING
GOVERNOR

LARRY KEHOE
SECRETARY

1000 RIO BRAZOS ROAD
AZTEC, NEW MEXICO 87410
(505) 334-6178

July 26, 1982

Mr. J. Gregory Merrion
Merrion Oil and Gas Corporation
Post Office Box 1017
Farmington NM 87401

Re: Gas allocation for Warito #1, B-7-25N-8W

Dear Greg,

The recommended allocation of gas for the referenced well is approved as indicated below:

Dakota	76% of all gas
Other zones	24% of all gas

Should subsequent well tests or mechanical work on the well change the nature of the production we will review the record and amend the allocation as necessary.

If you have any questions please call this office.

Yours truly,

A handwritten signature in cursive script, appearing to read "Frank T. Chavez".

Frank T. Chavez
District Supervisor

FTC:gc

MERRION OIL & GAS CORPORATION

P. O. BOX 1017
FARMINGTON, NEW MEXICO 87401

PH. 505-325-5093



July 19, 1982

New Mexico Oil Conservation Division
Attention: Mr. Frank Chavez, District Supervisor
1000 Rio Brazos Road
Aztec, New Mexico 87410

Re: Request for Allocation Formula for
Dakota Gas from Warito No. 1,
Dufers Point Field

Gentlemen:

The Merrion Oil & Gas Corporation Warito No. 1 well, located 790' fnl and 1810' fel, Section 7, T25N, R8W, San Juan County, New Mexico, has been completed as a Dufers Point Gallup-Dakota well.

The well is located in an area approved by the NMOCD and FERC for tight gas pricing for the Dakota formation.

Therefore, although Dufers Point Field rules allow commingling of Gallup Greenhorn and Dakota it is necessary to arrive at an allocation formula for gas in order to properly settle for gas produced.

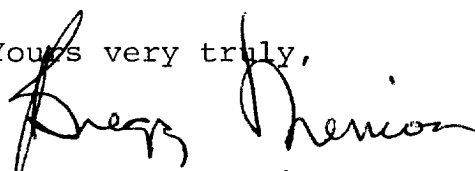
On June 9, 1982, with bridge plug at 6,330' and packer at 6,260', the Dakota portion of this well was swabbed in and flow tested for eight hours. At the end of the eight hour period the well had stabilized at 20 BOPD and 175 MCF/day of gas.

On July 14, 1982, the well was potentialized with all zones open to production (Gallup, Greenhorn and Dakota). The well flowed 98 BOPD, 5 BWPD, and 231 MCF/day.

Based upon the above data, we request that the NMOCD approve an allocation formula as follows:

Dakota - 76%
Other Dufers Point - 24%

Yours very truly,


J. Gregory Merrion
President

JGM/rs