



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Farmington District Office
1235 La Plata Highway, Suite A
Farmington, New Mexico 87401

March 1, 1999

IN REPLY REFER TO:

Serendipity CDP File
3162.7-3 (07100)

Ms. Connie Dinning
Merrion Oil and Gas
610 Reilly Avenue
Farmington, NM 87401-2634

Dear Ms. Dinning:

Merrion submitted an application for off-lease measurement and surface commingling of gas production from the following wells:

Well Name	QTR/QTR	Location	Lease Number	CA Number	Formation
No. 1 Serendipity	NwSe	Sec. 26, T.26N., R.13W	NMNM-33031	NMNM-91285	Fruitland Coal
No. 3 Serendipity	NwSw	Sec. 26, T.26N., R.13W.	NMSF-081028A		Fruitland Coal

Your application proposes to use one allocation meter at the No. 3 Serendipity and allocate the difference to the No. 1 Serendipity. Since you propose to use only one allocation meter, we are concerned that the system may not provide proper allocation. However, because of the high water production rates for the 2 wells listed above, we concur that they are marginal and will benefit from lower gathering system operating costs.

Because the Serendipity CDP will promote additional production from marginal gas wells, your application for the Serendipity CDP is approved, effective February 1, 1999, for one year, ending March 1, 2000. At that time, Merrion must submit evidence that using only one allocation meter has allowed proper allocation and promoted operation of marginal gas wells. In addition, this approval for off-lease measurement and surface commingling is subject to the following conditions of approval: A) You are required to test the gas system integrity and submit the results for our files, and B) You are required to comply with the applicable provisions of Onshore Orders No. 3, 4 and 5.

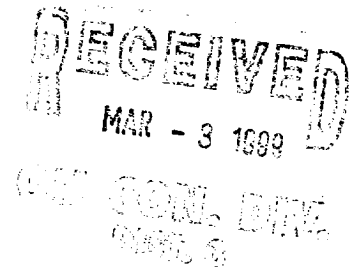
In addition, as part of your CDP application, you requested a meter calibration variance. Your request to include this variance as part of the CDP approval is denied. You may submit a separate application for a variance, by well, via sundry notice.

If you have any questions, please call Duane Spencer at (505) 599-6350.

Sincerely,

Duane W. Spencer
Team Lead, Petroleum Management

cc:
NMOCD, Aztec, NM



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