

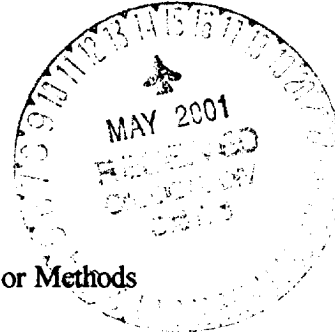
United States Department of the Interior

BUREAU OF LAND MANAGEMENT

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

IN REPLY REFER TO:
NMNM-98140 et al.
3162.7 (07100)

George Sharpe
Merrion Oil & Gas Corp.
610 Rielly Ave.
Farmington, NM. 87401



May 9, 2001

RE: Acceptance of Commingling, Allocation Factors or Methods

Dear Mr Sharpe:

We have received your Applications for Downhole Commingling along with some allocation factors for the wells listed below. We hereby accept your method of allocation and allocation factors listed below. The effective date is the date that downhole commingling actually occurs.

Well Name Lease number	Location	API#	Allocation	Allocation	Allocation
Fifield Com #1E NM-98140	E sec 5 T29, R11W	30045-29517	Dakota 19.5% gas, 100% oil, 100% water	Chacra 8.3% gas 0% oil, 0% water	PC 72.2% gas 0% oil, 0% water
Katy Com #1 Fee	B sec 26 T30N, R12W	30045-30084	Pictured Cliffs to be submitted	Fruitland Coal to be submitted	

If you have any questions, please contact Joe Hewitt at (505) 599-6365 or email joe_hewitt@blm.gov.

Sincerely,

Joe Hewitt
Geologist, Petroleum Management Team

cc: NMOCD, Santa Fe, NM
NMOCD, Aztec, NM