



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Betty Rivera

Cabinet Secretary

Lori Wrotenbery

Director

Oil Conservation Division

ADMINISTRATIVE ORDER DHC-2986-A

Merrion Oil & Gas Corporation
610 Reilly Avenue
Farmington, New Mexico 87401-2634

Attention: Mr. George F. Sharpe

Osborn No. 1

API No. 30-045-09297

*Unit M, Section 22, Township 30 North, Range 12 West, NMPM,
San Juan County, New Mexico*

Flora Vista-Fruitland Sand (Gas - 76600),

Undesignated Fulcher Kutz-Pictured Cliffs (Gas - 77200), and

Basin Fruitland Coal (Gas - 71629) Pools

Dear Mr. Sharpe:

Reference is made to your recent application for an amendment to administrative order DHC-2986 adding the Basin Fruitland Coal to the DHC along with the Flora Vista Fruitland Sand and the Undesignated Fulcher Kutz Pictured Cliffs.

It appearing that the subject well qualifies for approval for such exception pursuant to the provisions of Rule 303.C., and that reservoir damage or waste will not result from such downhole commingling, and correlative rights will not be violated thereby, you are hereby authorized to commingle the production as described above and any Division Order which authorized the dual completion and required separation of the zones is hereby placed in abeyance.

The maximum amount of gas which may be produced daily from the well shall be determined by Division Rules and Regulations or by the gas allowable for each respective prorated pool as printed in the Division's San Juan Basin Gas Proration Schedule.

The applicant shall consult with the supervisor of the Aztec District Office of the Division upon completion and testing of the well in order to determine a fixed allocation of production from each of the commingled zones. Upon approval by the Division's Aztec District Office, the applicant shall submit the allocation formula to the Santa Fe Office of the Division.

REMARKS: The operator shall notify the Aztec District Office of the Division upon

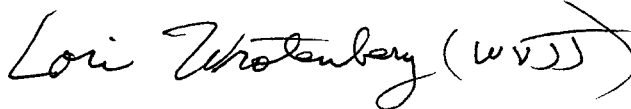
Administrative Order DHC-2986-A
Merrion Oil & Gas Corporation
March 6, 2002
Page 2

implementation of commingling operations.

Pursuant to Rule 303.C.(2), the commingling authority granted herein may be rescinded by the Division Director if conservation is not being best served by such commingling.

Approved at Santa Fe, New Mexico on this 6th day of March, 2002.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



LORI WROTENBERY
Director

S E A L

LW/WVJ

cc: Oil Conservation Division - Aztec