

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



BRUCE KING
GOVERNOR

January 28, 1992



POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

Merrion Oil & Gas Corporation
P.O. Box 840
Farmington, New Mexico 87499

Attention: George Sharp

Administrative Order NSL-3091

Dear Mr. Sharp:

Reference is made to your application dated January 16, 1992 for a non-standard Dakota gas well location for your existing Escovada Well No. 1 which was drilled in November - December, 1991 to test the Entrada formation for oil at a standard oil well location 990 feet from the South line and 1900 feet from the West line (Unit N) of Section 8, Township 21 North, Range 8 West, NMPM, San Juan County, New Mexico.

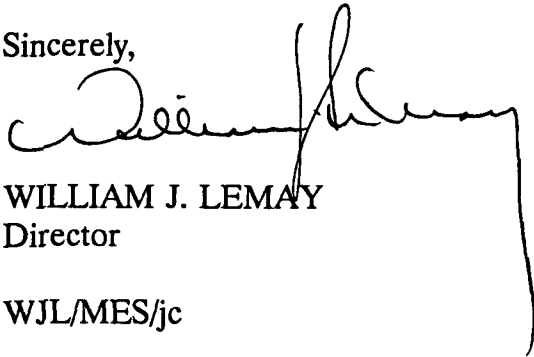
To date it is our understanding that the Entrada zone has tested dry at a depth of approximately 5500 feet and Merrion now wishes to plug back and test the Dakota formation for gas at a depth of approximately 4600 feet. The Dakota interval in said Section 8 is within the Basin-Dakota Pool and is therefore subject to the Special Rules governing said pool as promulgated by Division Order No. R-8170, as amended. However, it is anticipated that any Dakota production would be attributable to the Snake Eyes Dakota "D" Pool which is governed by special rules and regulations as promulgated by Division Order R-4343, as amended, which allows for 160-acre spacing. It is further recognized that regardless of what pool the Dakota production from this well may be placed in, the location is unorthodox for both Snake Eyes Dakota "D" Pool and Basin Dakota Pool.

By authority granted me under the provisions of Rule 4 of the Special Rules and Regulations for the Snake Eyes Dakota "D" Pool, as promulgated by Division Order No. R-4343, as amended or Rule 2(c) of the Special Rules and Regulations for the Basin Dakota Pool, as promulgated by Division Order No. R-8170, as amended, the above-described unorthodox location for the Dakota interval is hereby approved.

Merrion Oil & Gas Corporation
Administrative Order NSL-3091
January 27, 1992

Further, once Dakota production is established in the subject well, the operator must take appropriate action to place said well in the appropriate Pool and shall see to it that all applicable rules are followed for that pool.

Sincerely,

A handwritten signature in black ink, appearing to read 'William J. Lemay', with a long vertical line extending downwards from the end of the signature.

WILLIAM J. LEMAY
Director

WJL/MES/jc

cc: Oil Conservation Division - Aztec
U.S. BLM - Farmington