



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson

Governor

Jim Noel

Cabinet Secretary

Karen W. Garcia

Deputy Cabinet Secretary

Mark Fesmire

Division Director

Oil Conservation Division



September 13, 2010

Merrion Oil & Gas Corporation
Attn: Philana Thompson
610 Reilly Ave.
Farmington, NM 87401

Administrative Order NSL-6257
Administrative Order NSP-1944

Re: Westland Park Well No. 1
API No. 30-045-34749
1269 feet FNL & 1183 feet FWL
Unit C, Section 18-29N-13W
San Juan County, New Mexico

Dear Ms. Thompson:

Reference is made to the following:

(a) your non-standard location (NSL) application (**administrative application reference No. pTGW10-22834529**) and your non-standard proration unit (NSP) application (**administrative application reference No. pTGW10-22834782**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on August 13 and August 16, 2010, respectively, and

(b) the Division's records pertinent to these requests.

Merrion Oil & Gas Corporation [OGRID 14634] (Merrion) has requested to drill the above-referenced well to the Basin Fruitland Coal Gas Pool and the West Kuntz Pictured Cliffs Gas Pool, at an unorthodox gas well location described above in the caption of this letter. In addition, Merrion has requested approval of non-standard gas spacing units in both pools.

Lots 1 through 4 and the E/2 W/2 (W/2 equivalent) of Section 18 will be dedicated to this well in order to form a non-standard 180-acre, more or less, gas spacing unit in the Basin-Fruitland Coal Gas Pool (71629). Spacing in this pool is governed by the Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool, as amended by Order No. R-8768-F, effective July 17, 2003, which provide

Oil Conservation Division

1220 South St. Francis Drive • Santa Fe, New Mexico 87505

Phone (505) 476-3440 • Fax (505) 476-3462 • www.emnrd.state.nm.us/OCD



generally for 320-acre units with wells to be located at least 660 feet from any unit boundary. Additionally, Lots 1 and 2 and the E/2 NW/4 (NW/4 equivalent) of Section 18 will be dedicated to this well in order to form a non-standard 90-acre, more or less, gas spacing unit in the West Kuntz-Pictured Cliffs Gas Pool (79680). Spacing in the West Kuntz Pictured Cliffs Pool is governed by Rule 15.10.C, which provides for 160-acre units with wells to be located at least 660 feet from the unit outer boundary.

The proposed location is unorthodox in both pools because it is less than 660 feet from the eastern unit boundary.

The proposed non-standard units are necessitated by irregularities in the official surveys. No part of the half-section is excluded from the proposed Basin Fruitland Coal unit, and no part of the quarter-section is excluded from the proposed West Kuntz Pictured Cliffs unit.

Your applications have been duly filed under the provisions of Division Rules 15.13, 15.11.B(3) and 4.12.A(2).

It is our understanding that you are seeking this location in order to conform to applicable City of Farmington siting requirements.

It is also understood that, pursuant to the Division's directive as applied to these applications, you have given due notice to all operators or owners who are "affected persons," as defined in Rule 4.12.A(2), in all adjoining spacing units surrounding the proposed non-standard spacing units.

Pursuant to the authority conferred by Division Rule 15.13.B, the above-described unorthodox location is hereby approved. Pursuant to the authority conferred by Division Rule 15.11.B(2), the following non-standard gas spacing units are hereby approved:

Basin Fruitland Coal Gas Pool – W/2 equivalent of Section 18-29N-13W (180 acres, more or less)

West Kuntz Picture Cliffs Gas Pool – NW/4 equivalent of Section 18-29N-13W (90 acres, more or less)

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 5.9.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,



Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Aztec