



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop
Cabinet Secretary

September 17, 2003

Lori Wrotenberg
Director
Oil Conservation Division

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

Attention: **George Sharpe**

RE: *Administrative application for Merrion Oil & Gas Corporation's proposed Shank Com. Well No. 3 (API No. 30-045-31831) to be drilled within an existing 319.96-acre stand-up spacing unit in the Basin-Fruitland Coal (Gas) Pool (71629) comprising the W/2 equivalent of Section 2, Township 26 North, Range 13 West, NMPM, San Juan County, New Mexico, at an unorthodox infill coal gas well location 1975 feet from the South line and 2160 feet from the West line (Unit K) of Section 2 (administrative application reference No. pKRV0-325126694).*

Dear Mr. Sharp:

The Division is in receipt of an objection from Coleman Oil & Gas, Inc. to the subject application; see copy of letter dated September 11, 2003 attached.

This application will be set for hearing before a Division Hearing Examiner on the next available docket scheduled for October 23, 2003. I have prepared the following advertisement in this matter:

"Application of Merrion Oil & Gas Corporation for an unorthodox infill coal gas well location, San Juan County, New Mexico. Applicant seeks an exception to the well location requirements [Rule 7 (a) (1)] provided within the "Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool," as promulgated by Division Order No. R-8768, as amended, for a non-standard infill coal gas well location within an existing 319.96-acre standard stand-up gas spacing unit for the Basin-Fruitland Coal (Gas) Pool (71629) comprising Lots 3 and 4, the S/2 NW/4, and the SW/4 (W/2 equivalent) of Section 2, Township 26 North, Range 13 West, which is located approximately 15.5 miles south of Farmington, New Mexico. The applicant's proposed Shank Com. Well No.3(API No. 30-045-31831) is to be drilled 1975 feet from the South line and 2160 feet from the West line (Unit K) of Section 2. This unit is currently dedicated to Merrion Oil & Gas Corporation's Shank Com. Well No. 1 (API No. 30-045-29516), located at a location now considered to be standard but unorthodox at the time it was drilled in mid-1999 (approved by Division Administrative Order NSL-4166, dated November 19, 1998) 1840 feet from the North and West lines (Unit F) of Section 2".

Should you have any questions concerning this matter, please contact me in Santa Fe by phone at (505) 476-3465 or by e-mail at mstogner@state.nm.us.

Sincerely,

Michael E. Stogner
Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division - Aztec
New Mexico State Land Office - Santa Fe
Coleman Oil & Gas, Inc. (Attn: G. Chris Coleman) - Farmington



COLEMAN OIL & GAS, INC.

September 11, 2003
CERTIFIED MAIL

RECEIVED

SEP 15 2003

OIL CONSERVATION
DIVISION

Mr. David Catanach
New Mexico Conservation Commission
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: Merrion Oil & Gas
Request for Non-Standard Location
Shank Com #3 – API #30-045-31831
W/2 Section 2, T26N, R13W
San Juan County, New Mexico

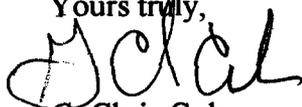
Dear Mr. Catanach:

Coleman Oil & Gas, Inc. is in receipt of a letter from Merrion Oil & Gas to you concerning the referenced request. Coleman would like to formally object to this request based on the following reasons:

1. Coleman is currently permitting a Fruitland Coal well at a legal location in the NWSE of Section 2. Merrion's proposed location would have two Fruitland wells producing within $\pm 1,100$ feet of each other.
2. Merrion has a legal location in the SWSW of Section 2. Coleman's experience has shown that Pictured Cliff and Fruitland wells can be completed successfully, even as twin locations.
3. The Shank #2 appears to be sub economic (60 MCFD and 80 BWPD). It could be recompleted as a Fruitland Coal well or possibly as a Pictured Cliffs-Fruitland commingled well.
4. Merrion's request is not based on topographic necessity, geological reasoning, or prudent logistical operations.

In conclusion, Coleman Oil & Gas, Inc. believes this non-standard location will create waste and infringe on our correlative rights in the E/2 of Section 2, T26N-R13W. We appreciate your attention to this matter and look forward to any questions or comments concerning this objection.

Yours truly,


G. Chris Coleman
Vice-President