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August 5, 2010

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Ms. Florene Davidson
NMOCD
1220 S. St Francis Drive
Santa Fe, New Mexico 87505

CERTIFIED RETURN RECEIPT

Case 14541

RE: Application for Compulsory Pooling
Basin Fruitland Coal Pool – N/2 of Section 18 (Westland Park 1 & 2)
West Kutz Pictured Cliffs Pool – NW/4 of Section 18 (Westland Park 1)
T29N - R13W, San Juan County, New Mexico

Dear Ms Davidson:

Merrion Oil & Gas plans to drill the Westland Park #1 and #2 wells to develop the Fruitland Coal and the Pictured Cliffs formations in the N/2 of Section 18, T29N, R13W within the city limits of Farmington. We plan to complete and commingle the Pictured Cliffs and the Fruitland Coal formations in the Westland Park #1 as a vertical well. The Westland Park 2 will be drilled from the same surface location as a horizontal Fruitland Coal well.

Because we are in the city limits of Farmington, the ownership is complex, with dozens of different mineral and leasehold owners. Merrion anticipates that not all of the owners will choose to either lease or participate in the drilling of the wells. **Therefore, the purpose of this application is to compulsory pool the Basin Fruitland Coal Pool on the 250 acre tract in the N/2 of Section 18, and to compulsory pool the West Kutz Pictured Cliff Pool on the 90 ac tract in the NW/4 of Section 18 for the Westland Park 1 well.** We ask that these compulsory pooling requests be joined in the same hearing process. **We request that this matter be set for hearing on your September 16, 2010 docket.**

Please note that Order R-13000 already compulsory pooled the Basin Fruitland Coal Pool in the N/2 of the Section, and that order has been extended through September 30, 2010. However, the wells will not be drilled by that time, and since we are now planning to commingle the Fruitland Coal and Pictured Cliffs formations, we are resubmitting the Fruitland Coal concurrently with the Pictured Cliffs compulsory pooling applications.

Merrion requests that the compulsory pooling be subject to the following terms and conditions:

1. Merrion be named as operator.
2. Provisions be included for applicant and all working interest owners to participate in the costs of drilling, completing, equipping, and operating the wells.

3. In the event a mineral owner or working interest owner fails to elect to participate in the wells, then provisions be included to recoup out of production, the costs of drilling, completing, equipping, and operating the wells, including a risk factor penalty of 200%.
4. Provisions for overhead rates per month drilling and per month operating and a provision providing for a method of adjusting the overhead rates as provided by COPAS.
5. For such other and further relief as may be proper.

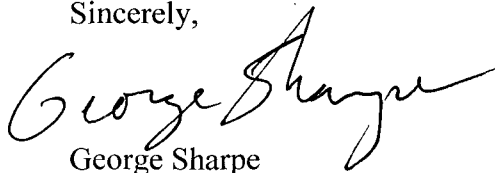
OTHER ASSOCIATED APPLICATIONS

Merrion is aware that it will need NMOCD approval on a number of other applications. We will need approval for Downhole Commingling (DHC), Non-Standard Locations (NSL), and because the NW/4 of Section 18 is a truncated quarter section of only 90 acres, Non-Standard Proration Units (NSP). Applications for DHC, NSL and NSP will be submitted for approval through the administrative process.

NOTIFICATION

Attached is a list of all uncommitted mineral owners and leasehold owners who received copies of this application through certified mail. Tommy Roberts, our attorney, will be preparing a prehearing statement and will represent Merrion Oil & Gas at the hearing. Please let me know if you have any questions or issues with our application.

Sincerely,



George Sharpe
Investment Manager
Merrion Oil & Gas
505-324-5314
gsharp@merrion.bz

cc Aztec NMOCD
Tommy Roberts

N½ Section 18, T29N, R13W San Juan County NM						
Mineral Interests	Address	City	State	Zip	Acres	% of Qtr
NW1/4 -						
Merrion Oil & Gas Leased					41.0252	45.51%
XTO Energy Leased	810 Houston Street	Fort Worth	TX	76102	38.7500	42.98%
Humberto Frias	2904 La Puente St	Farmington	NM	87401	0.2248	0.14%
Tres Tse Rocks LLC	P O Box 3015	Durango	CO	81302	10.1500	11.26%
Total Uncommitted Mineral Owners					10.3748	11.51%
Grand Total NW/4					90.1500	1.00
NE1/4 -						
Merrion Oil & Gas Leased					48.0786	30.05%
Synergy Leased	P O Box 5513	Farmington	NM	87499	9.3400	5.84%
XTO Leased	810 Houston Street	Fort Worth	TX	76102	45.8069	28.63%
Christine Maestas	2802 La Salle St	Farmington	NM	87401	0.2596	0.16%
T K Webster	PO Box 5981	Farmington	NM	87401	0.2410	0.15%
Scott & Tammi Stimson	2714 La Salle St	Farmington	NM	87401	0.2410	0.15%
Richard Lanzi	2712 La Salle St	Farmington	NM	87401	0.2410	0.15%
Alfredo & Reyna Martinez	2710 La Salle St	Farmington	NM	87401	0.2410	0.15%
Katherine La Rue	2708 La Salle St	Farmington	NM	87401	0.2410	0.15%
Steve & Wendy Gardenhire	2704 La Salle St	Farmington	NM	87401	0.3227	0.20%
William Woodall Jr	2703 La Salle St	Farmington	NM	87401	0.3316	0.21%
Jones Hewey	2705 La Salle St	Farmington	NM	87401	0.3934	0.25%
Achille Vitali	2708 La Puente St	Farmington	NM	87401	0.2514	0.16%
Pauline Potter	306 La Belle Ave	Farmington	NM	87401	0.2244	0.14%
Carroll Schnabel	308 La Belle Ave	Farmington	NM	87401	0.2834	0.18%
Richard Ramos	2712 La Puente St	Farmington	NM	87401	0.2466	0.15%
Anthony Espinosa	2802 La Puente St	Farmington	NM	87401	0.3923	0.25%
Wesley Lattin	301 La Belle Ave	Farmington	NM	87401	0.2466	0.15%
BAC Home Loans	400 Countrywide Way SV 35	Simi Valley	CA	93068	0.2400	0.15%
Gary Clichee	302 La Crosse Ave	Farmington	NM	87401	0.2354	0.15%
Peter Klug	3507 E Campo Bello Dr	Phoenix	AZ	85032	0.2244	0.14%
Joseph Garcia	308 La Crosse Ave	Farmington	NM	87401	0.2479	0.15%
Mathew Zersen	309 La Belle Ave	Farmington	NM	87401	0.2227	0.14%
Peter Kakos	307 La Belle Ave	Farmington	NM	87401	0.2112	0.13%
Jonathon & Ivy Durfee	305 La Belle Ave	Farmington	NM	87401	0.2112	0.13%
John Haxton	303 La Belle Ave	Farmington	NM	87401	0.2152	0.13%
Anthony Marinaro	306 La Cuesta Ave	Farmington	NM	87401	0.1980	0.12%
Carol Cooper	308 La Cuesta Ave	Farmington	NM	87401	0.1980	0.12%
Nazario & Lucinda Salazar	310 La Cuesta Ave	Farmington	NM	87401	0.1980	0.12%
Jon Jacobson	2900 La Puente St	Farmington	NM	87401	0.2467	0.15%
Carl Mitchell	309 La Crosse Ave	Farmington	NM	87401	0.2252	0.14%
Charles Sherman	307 La Crosse Ave	Farmington	NM	87401	0.2244	0.14%
Michael C & Janilee Bitsue	303 La Crosse Ave	Farmington	NM	87401	0.2244	0.14%
Thomas Strange	301 La Crosse Ave	Farmington	NM	87401	0.2578	0.16%
Navajo Shopping Center	P O Box 77	Gamero	NM	87317	5.4800	3.43%
Thirftway Marketing Corp	501 Airport Dr. Suite 105	Farmington	NM	87401	10.5600	6.60%
T C & Sharon Shaffer	2401 Ridgeview Dr	Farmington	NM	87401	0.7800	0.49%
Lercy Riley	2403 Riverside	Farmington	NM	87401	3.0000	1.88%
BS Enterprises	101 E. Main St	Farmington	NM	87401	1.5400	0.96%
Norman & Martha Faver Rev Trust	1028 West Main St	Farmington	NM	87401	13.0570	8.16%
NM Department of Transportation	1120 Cerrillos Road	Santa Fe	NM	87504	5.5600	3.48%
Isaac Sing-Cheam Lim	1432 Oak Vista Way	Pleasanton	CA	94566	0.6100	0.38%
Lechuga Transporation	2501 W Main	Farmington	NM	87401	0.2900	0.18%
Bonnie Frazer	1923 Glade Rd	Farmington	NM	87401	0.9600	0.60%
Mary Mae Goodding Trust	2311 W. Apache	Farmington	NM	87401	4.1600	2.60%
DBL Systems 7 LLC	3801 W Clarendon	Phoenix	AZ	85019	1.4700	0.92%
Northern Properties I LLC Attn Wendy's	1515 N. Academy Blvd, #400	Colorado Springs	CO	80909	0.8200	0.51%
Ruby Leclair	303 La Cuesta	Farmington	NM	87401	0.4100	0.26%
David Crow	301 La Cuesta	Farmington	NM	87401	0.3400	0.21%
Total Uncommitted Mineral Owners					56.7745	35.48%
Total NE/4					160.0000	100.00%
TOTAL N/2 SUMMATION						
Merrion Oil & Gas Leased					89.1038	35.62%
XTO Leased					84.5569	33.80%
Synergy Leased					9.3400	3.73%
Total Uncommitted Mineral Owners					67.1493	26.84%
					250.1500	100.00%