

# M E R R I O N

OIL & GAS

December 30, 1996

Mr. Michael E. Stogner  
Mr. David R. Catnach  
Oil Conservation Division  
2040 S. Pacheco  
Santa Fe, New Mexico 87505

*Case 11685*  
*7/1/5*

Re: Prehearing Statement  
Application of Burlington Resources  
For a Downhole Commingling Reference Case  
For its Canyon Largo Unit  
Rio Arriba County, New Mexico

Gentlemen:

We received notice from Burlington that the subject case has been scheduled on the January 9th docket. This letter discusses Merrion Oil & Gas's interest in the case.

Philosophically, we support the downhole commingling of different producing horizons in the Canyon Largo Unit. Many of the formations are marginal, and commingling provides a method to economically recover reserves that would otherwise be left behind.

Our concern is on how production will be allocated between zones, and in particular, between the Gallup, Mesaverde, and Dakota. Because ownership in the horizons is often different, this becomes more than a casual exercise.

In their application, Burlington did not elaborate on their proposed allocation scheme. Therefore, we do not plan to present testimony (or even to be present) at the January 9th hearing. However, once we have the opportunity to review and evaluate their proposal, we may wish to appear and provide evidence either in support or opposition to their allocation scheme.

We hope that this letter is sufficient to allow us to make an appearance on this case at some point in the future. Please let me know if something more formal is needed.

Sincerely,

*George F. Sharpe*  
George F. Sharpe

Manager- Oil & Gas Investments

cc: Scott Daves- Burlington Resources  
Tom Kellahin- Kellahin & Kellahin  
Tommy Roberts

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