

EXHIBIT 7

MERRION

OIL & GAS

NMOCD Examiner Hearing
April 16, 1998
Docket No. 10-98
Case No. 11962
Exhibit #7

March 13, 1998

To: Unleased Mineral Interest Owners

Re: **Farmington C Com #1 Pictured Cliffs Recompletion**
SW/4 Section 15, T29N, R13W
San Juan County, New Mexico

You have been identified as owning oil and gas minerals in a small tract of land in the SW/4 of Section 15, T29N, R13W located within the City of Farmington. Merrion Oil & Gas Corp. (Merrion) desires to pool all the interests in the SW/4 of Section 15 and recomplate the Farmington C Com #1 (an existing marginal Dakota well) into the Pictured Cliffs Formation. Your lease makes up a small portion of the 160 acre proration unit. Because you own oil and gas minerals, you have rights to a small interest in the recompletion. This letter outlines your options in regard to the proposed recompletion and how your interest can be handled.

- 1.) You could sell your mineral interest to Merrion (we have made a previous offer to that effect via Johnston Land Co.).
- 2.) You could lease your minerals to Merrion (we have previously submitted a lease form to that effect via Johnston Land Co.).
- 3.) You could join us in the drilling of the well. To that end, enclosed are:
 - a.) An AFE (Authority For Expenditure) showing your ownership in the well and your estimated share of the drilling costs;
 - b.) An Operating Agreement outlining the terms and conditions under which Merrion proposes to drill and operate the well;
- 4.) Merrion could "force pool" your interests in the well as to the Pictured Cliffs Formation. Merrion would temporarily "own" your working interest in the well until we recovered our costs plus a penalty, upon which time your working interest in the well would revert to you. Enclosed in that regard is an Application Merrion sent to the State of New Mexico requesting a force pooling hearing.

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Note that your minerals were force pooled back in 1963 when the original Dakota well was drilled. It has never paid out, so your working interest never reverted to you. Because we are completing a new formation, you have a new chance to sell, lease, participate, or be force pooled.

If you wish to lease or sell, please call me at (505) 327-9801, ext. 102. If you wish to join us in drilling the well, please sign and return the AFE and the Operating Agreement signature sheet. If you fail to choose one of the other options, then you will be force pooled by default.

We apologize for the barrage of paperwork, but due to the large number of small mineral owners, we are trying to expedite the process. I would be pleased to answer any questions you may have about the well or about any of the choices presented to you.

Thank you for your consideration and prompt attention to this matter.

Sincerely,

A handwritten signature in cursive script, appearing to read "Crystal Williams".

Crystal Williams
Landman