

MERRION

OIL & GAS

June 28, 1999

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

**Re: Application of Merrion Oil & Gas Corporation
Compulsory Pooling
U-Da-Well Com #1
Basin Fruitland Coal Pool
N/2 Section 2, T31N, R8W
San Juan County, New Mexico**

Dear Mr. Stogner:

Merrion Oil & Gas plans to drill the U-Da-Well Com #1 in the N/2 of Section 2, T31N, R8W, San Juan County, New Mexico.

The spacing unit is made up of three leases with two other working interest owners. Merrion has been able to locate all the working interest owners, but one of the owners has failed to respond to efforts to buy their interest or to get them to commit to participate in the well. Therefore, Merrion requests your approval for compulsory pooling of their interest for the drilling of this well based upon terms and conditions which include:

- a.) Merrion Oil & Gas Corporation be named operator;
- b.) Provisions for applicant and all working interest owners to participate in the costs of drilling, completing, equipping, and operating the well;
- c.) In the event a working interest owner fails to elect to participate, then provisions will be made to recoup out of production, the costs of drilling, completing equipping, and operating the well, including a risk factor penalty of 156%;
- d.) Provisions for overhead rates per month drilling and per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS; and
- e.) For such other and further relief as may be proper.

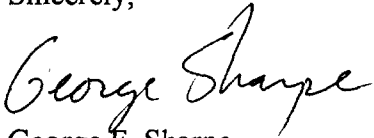
Page Two
June 28, 1999

Attached in support of this application are the following:

- 1.) Lease plat showing lease ownership within the spacing unit.
- 2.) A list showing the uncommitted working interest owner who has been sent a certified copy of this application.

Please let me know if additional information is needed. Please schedule this matter for hearing on Thursday, July 22, 1999.

Sincerely,



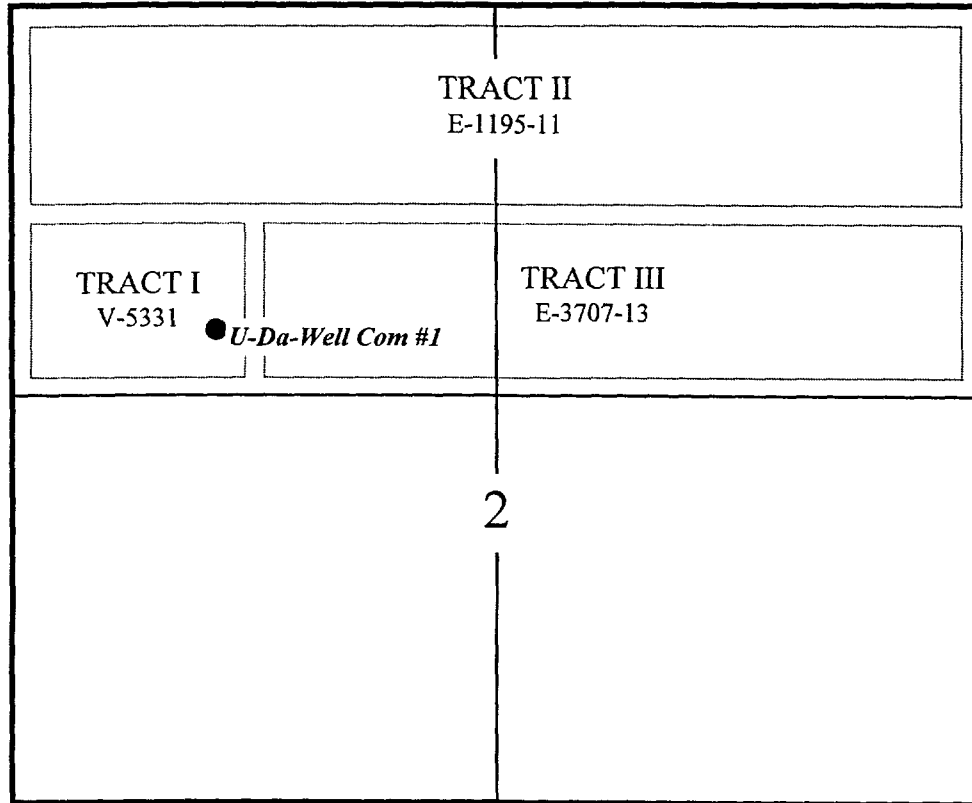
George F. Sharpe
Manager - Oil & Gas Investments

xc: Tommy Roberts
Frank Chavez - OCD-Aztec
Well File

EXHIBIT 1
U-Da-Well Com #1

Lease Ownership Plat

N/2 of Section 2, Township 31 North, Range 8 West, NMPM
San Juan County, New Mexico



Lease Ownership:

<u>Tract</u>	<u>Acres</u>	<u>%</u>	<u>Ownership</u>	
I	40.00	12.38	Merrion Oil & Gas Corp.	100.00%
II	163.04	50.47	Amoco Production Co.	85.00%
			Burlington Resources O&G	15.00%
III	120.00	37.15	Merrion Oil & Gas Corp.	100.00%

Well Ownership:

Merrion Oil & Gas Corp.	49.52%
Amoco Production	42.90%
Burlington Resources O&G	7.58%
	<u>100.00%</u>

Exhibit 2

Application of Merrion Oil & Gas Corporation
Compulsory Pooling
U-Da-Well Com #1 - Basin Fruitland Coal Pool
N/2 Section 2, T31N, R8W
San Juan County, New Mexico

The following uncommitted working interest owner received certified copies of this application.

Amoco Production Corp.
Attn: Max Eddington
Room 2.510 WL1
501 W. Lake Park Blvd.
Houston, TX 77079

To: Uncommitted Working Interest Owners

Any objections to this application or requests for appearances need to be made in writing to the NMOCD within 20 days from receipt of notice. We have requested that this matter be set for hearing July 22, 1999.

Waiver

_____ hereby waives any objection to this application.
Company

Signature _____ Date _____

Please return to:

George F. Sharpe
Merrion Oil & Gas Corporation
610 Reilly Avenue
Farmington, New Mexico 87401