

Merrion Oil & Gas Corporation

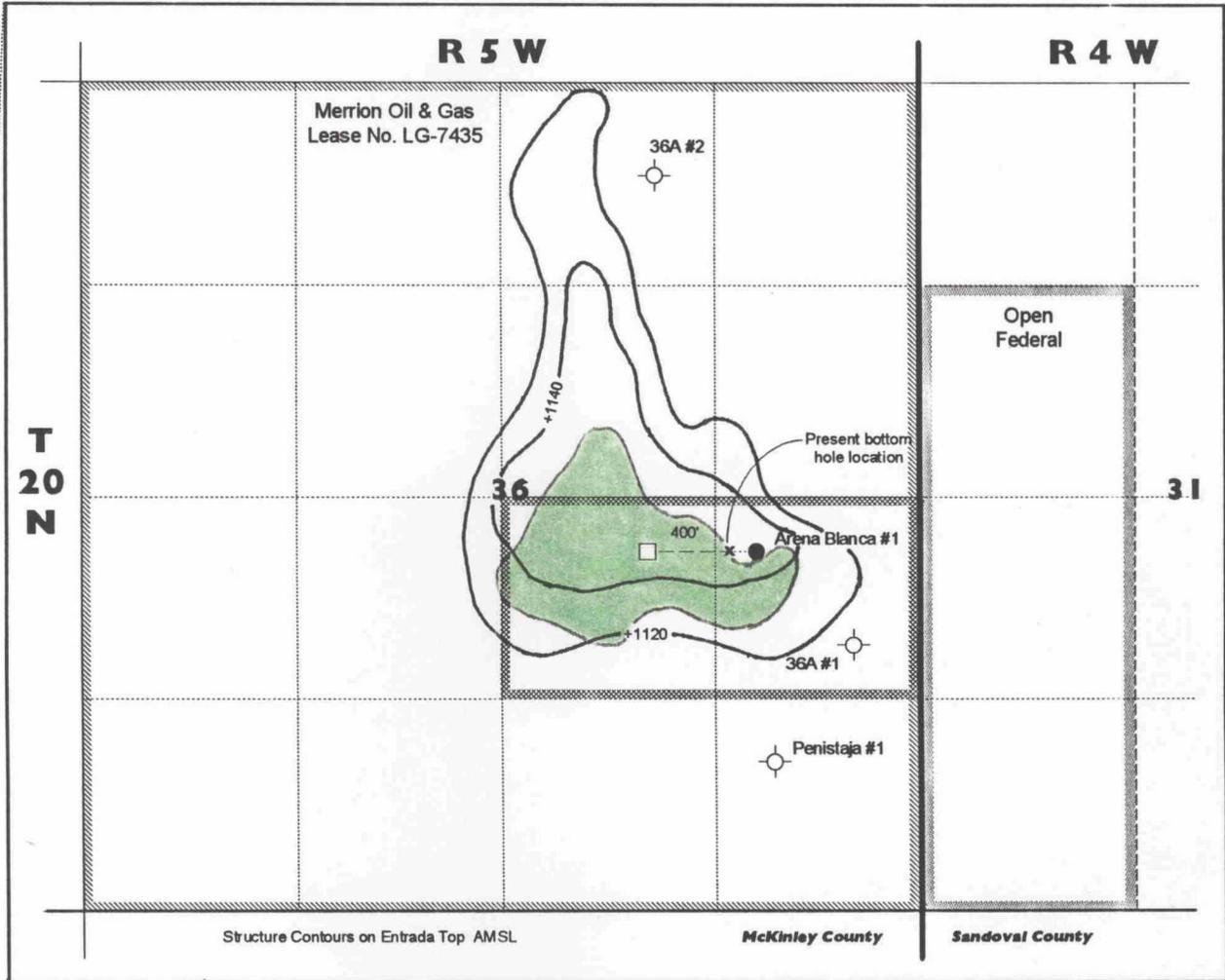
Arena Blanca Field

Lease Ownership Plat with Entrada Structure & Net Pay

Short Radius Horizontal Drilling Project

Arena Blanca No. 1
 2,360'fsl & 1,200'fel (ne se)
 1 Sec 36, T20N, R5W, NMPM
 McKinley County, New Mexico

*Standard
 640-acre Section*



- | | | | |
|---|--|---|--------------------------|
|  | - Proposed horizontal well path |  | - Open; Federal Land |
|  | - Bottomhole location; 2,354'fsl & 1,294'fel |  | - 80 acre proration unit |
|  | - LG-7435; Merrion Oil & Gas |  | - Oil Productive Area |



Fact 1: The Arena Blanca No. 1 horizontal will be drilled at a unorthodox bottomhole location that is moving away from non-Merrion acreage and toward the interior of Merrion's lease.

Conclusion: Correlative rights will be protected.

Fact 2: Given success, drilling a horizontal well will cost effectively increase the oil recovery from a marginal field that would otherwise not justify the drilling of an additional vertical well.

Conclusion: Waste will be prevented.

Merrion Oil & Gas Corporation Wellbore Schematic

Arena Blanca No. 1

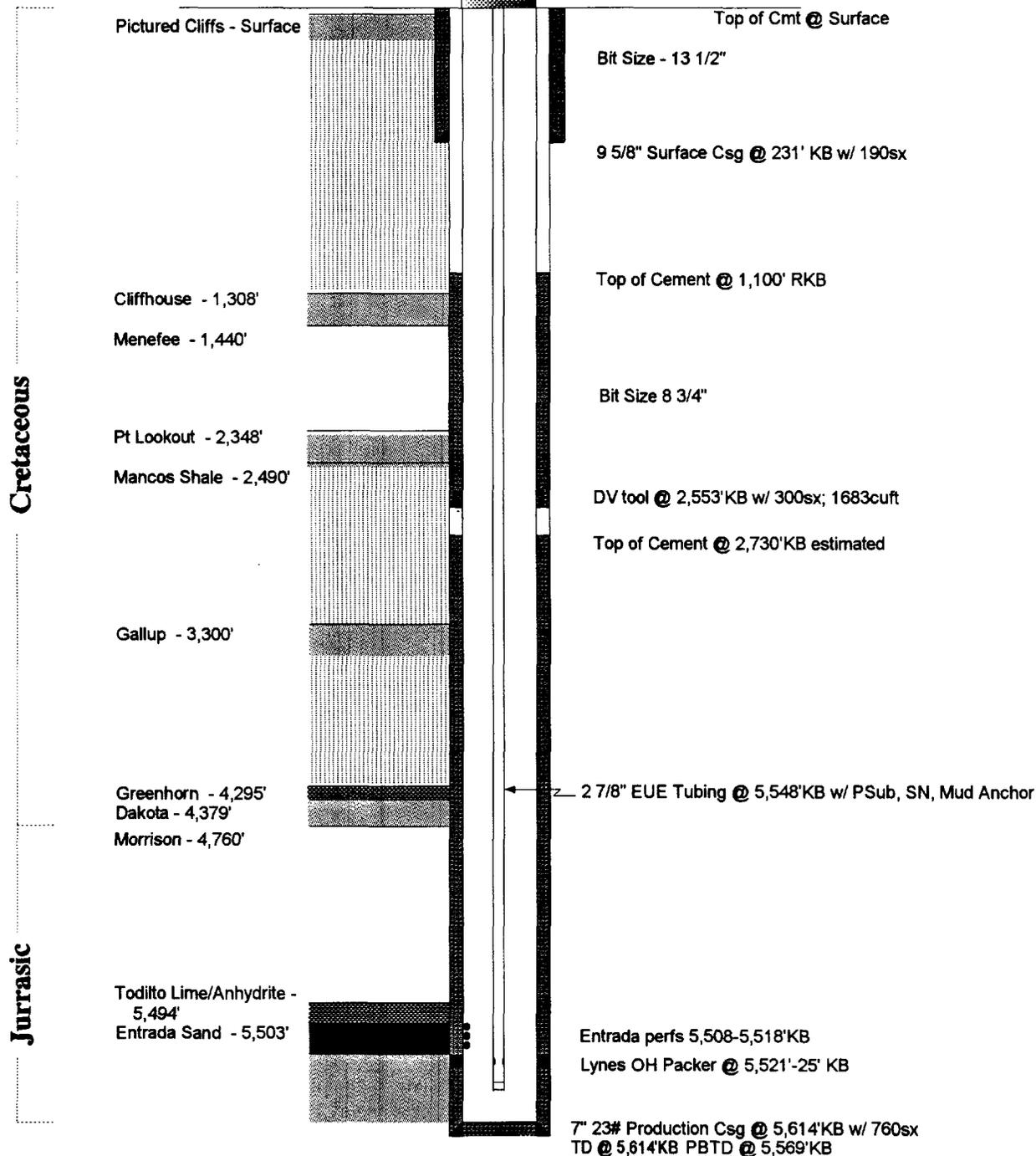
Present Wellbore Configuration

11/16/93

Location: 2360' fsl & 1200' fel (ne se)
Sec 36, T20N, R5W
McKinley Co, New Mexico

Elevation: 6634' GL
6647' KB

By: Steve Dunn



Arena Blanca No. 1 Horizontal ... Directional Plan

West

East

5000

5100

5200

5300

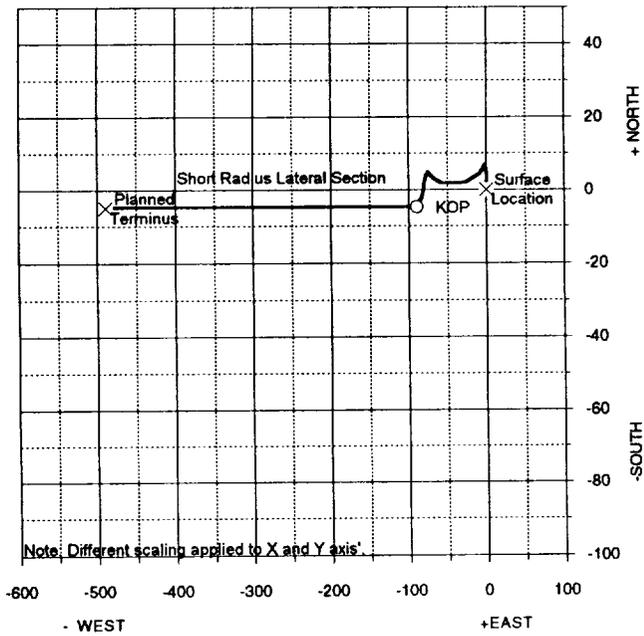
5400

5500

5600

5700

Plan View



True Vertical Depth

Kick-Off Point @ 5,471'

Target Top @ 5,512'

Old Vertical Wellbore

NMOCD Examiner Hearing
November 18, 1993
Application of Merrion Oil & Gas
Case #10865
Exhibit No. 3

600

500

400

300

200

100

0

Vertical Section

Note: All in feet

MERRION

OIL & GAS

CERTIFIED--RETURN RECEIPT REQUESTED

Proof of Notification

NMOCD Examiner Hearing
November 18, 1993
Application of Merrion Oil & Gas
Case #10865
Exhibit No. 4

October 28, 1993

Mr. Mike Pool, District Manager
Bureau of Land Management
1235 La Plata Highway
Farmington, New Mexico 87401

**RE: APPROVAL FOR A SHORT-RADIUS HORIZONTAL DRILLING PROJECT
ARENA BLANCA No. 1**

Dear Mr. Pool:

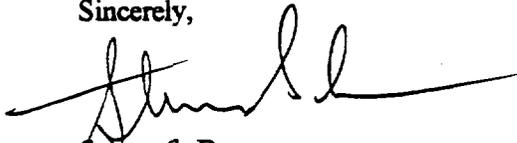
Merrion Oil & Gas Corporation hereby provides notice of our pending application before the New Mexico Oil Conservation Division wherein we are applying for authority to initiate a short-radius horizontal directional drilling pilot project in the Arena Blanca Entrada Pool in the N/2 SE/4 of Section 36, T20N, R5W, NMPM, McKinley County, New Mexico. A non-standard 80 acre oil proration unit will be dedicated to the well.

We propose to utilize the Arena Blanca No. 1 Entrada well located 2360' fsl and 1200' fel of Section 36, and will plug back from the existing Entrada interval, kick off from vertical, build angle to approximately 90 degrees with a short-radius curve and continue to drill approximately 400 feet of horizontal drain hole in a westerly direction. Our target area will limit the horizontal displacement of the well's producing interval within 100 feet to the outer boundary of the 80 acre proration unit.

We have further requested that this application be placed on the Division's November 18, 1993 Hearing Docket.

This notice is provided so that you may, if you so desire, appear and give testimony relevant to this case.

Sincerely,



Steven S. Dunn
Operations Manager

Enclosures

xc: Mr. Frank Chavez, NMOCD, Aztec, NM 87410
Mr. Tommy Roberts, PO Box 129, Farmington, NM 87499



P 883 188 086

Receipt for Certified Mail

No Insurance Coverage Provided
Do not use for International Mail
(See Reverse)

Sent to Mr. Mike Pool	
Street and No. 1235 La Plata Highway	
P.O., State and ZIP Code Farmington, NM 87401	
Postage	\$ 29
Certified Fee	1.00
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, and Addressee's Address	1.00
TOTAL Postage & Fees	\$ 2.29
Postmark or Date 10/28/93	
Area Blanca #1 Hor	

IS YOUR RETURN ADDRESS COMPLETED ON THE REVERSE SIDE?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

3. Article Addressed to:
Mr. Mike Pool, District Manager
Bureau of Land Management
1235 La Plata Highway
Farmington, NM 87401

4a. Article Number: P 883 188 086

4b. Service Type:
 Registered
 Certified
 Express Mail
 Insured
 COD
 Return Receipt for Merchandise

5. Signature (Addressee):
[Signature]

6. Signature (Agency):
[Signature]

7. Date of Delivery: 10/29/93

8. Addressee's Address (Only if requested and fee is paid):

Thank you for using Return Receipt Service.

PS Form 3811, December 1991 *U.S. GPO: 1993-362-714

DOMESTIC RETURN RECEIPT