



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

May 13, 1999

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

Telefax No. (505) 326-5900

Administrative Order NSL-4281

Dear Mr. Sharpe:

Reference is made to your application dated April 18, 1999 for an off-pattern non-standard Basin-Fruitland coal gas well location for Merrion Oil & Gas Corporation's proposed U-Da Well Com. Well No. 1 to be drilled 1500 feet from the North line and 1445 feet from the West line (Unit F) of Section 2, Township 31 North, Range 8 West, NMPM, San Juan County, New Mexico. Lots 1 through 4 and the S/2 N/2 (N/2 equivalent) of Section 2 is to be dedicated to this well in order to form a standard 323.02-acre gas spacing and proration unit for the Basin-Fruitland Coal (Gas) Pool.

The application has been duly filed under the provisions of Rule 104.F of the Rules and Regulations of the New Mexico Oil Conservation Division ("Division") and Rule 8 of the "*Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool*," as promulgated by Division Order No. R-8768, as amended.

The geologic interpretation submitted with this application indicates that a well drilled into the Basin-Fruitland Coal (Gas) Pool at the proposed off-pattern non-standard coal gas well location will be at a more favorable geologic position within the gas productive coal seam interval than a well drilled at a location considered to be standard for this 323.02-acre N/2 equivalent dedication.

By the authority granted me under the provisions of these special pool rules and Division Rule 104.F (2), the above-described unorthodox coal gas well location is hereby approved.

Sincerely,



Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Aztec
U.S. Bureau of Land Management - Farmington