



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop
Cabinet Secretary

March 5, 2004

Lori Wrotenbery

Director

Oil Conservation Division

Merrion Oil & Gas Corporation
610 Reilly Avenue
Farmington, New Mexico 87401

Telefax No. (505) 326-5900

Attention: Connie S. Dinning

Administrative Order NSL-5009

Dear Ms. Dinning:

Reference is made to: (i) your application submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on February 14, 2004 (*administrative application reference No. pLR0-404826975*); and (ii) the Division's records in Aztec and Santa Fe: all concerning Merrion Oil & Gas Corporation's ("Merrion") request for a non-standard Gallup/Mancos oil well location for the existing Federal "29" Well No. 2-E (API No. 30-045-26550), which was drilled by BHP Petroleum (Americas) Inc. of Casper, Wyoming as the Brannon Federal Well No. 2-E in 1986 to a total depth of 6,606 feet and completed in the Basin-Dakota Pool at a standard infill gas well location 1820 feet from the South line and 1490 feet from the West line (Unit K) of Section 29, Township 25 North, Range 9 West, NMPM, San Juan County, New Mexico.

This application has been duly filed under the provisions of Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999.

It is our understanding that Merrion now intends to perforate the Gallup/Mancos interval in the Federal "29" Well No. 2-E in an attempt to establish oil production and recompleate the well such that production from both intervals will be downhole commingled. The NE/4 SW/4 (Unit K) of Section 29 is to be dedicated to this well in order to form a standard 40-acre oil spacing and proration unit for this oil production. The location of this well however is considered to be unorthodox pursuant Division Rule 104.B (1), as revised.

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox Gallup/Mancos oil well location for Merrion's Federal "29" Well No. 2-E is hereby approved.

Sincerely,

Lori Wrotenbery
Director

LW/mes

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