



STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

September 14, 1987

Merrion Oil and Gas Corporation
P.O. Box 1017
Farmington, NM 87499

Attention: Steve S. Dunn

RE: OLM-7
Megabyte Com Well No. 1
Section 30, Township 26 North
Range 2 West, Rio Arriba County,
New Mexico.

Dear Mr. Dunn:

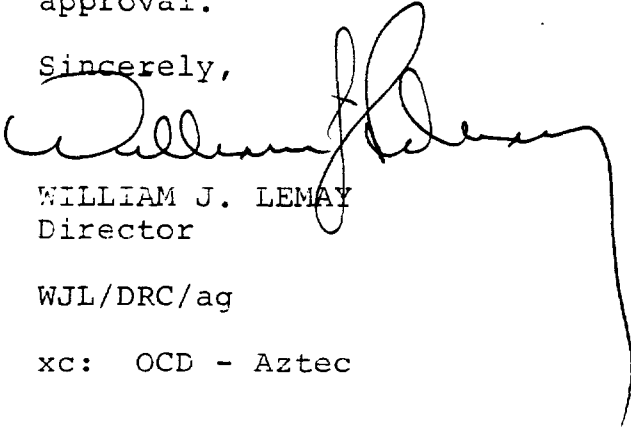
Reference is made to your letter dated August 19, 1987, whereby you requested that the casinghead gas produced from the above-referenced well be metered off lease at a point located in the SW/4 NW/4 of Section 29, Township 26 North, Range 2 West.

Inasmuch as this is the only well producing through this line and double measurement would constitute economic waste, you are hereby authorized to meter the gas production from the above-referenced well at the point described above but subject to the following conditions:

1. All flow lines shall be maintained in a safe and adequate condition and any leaks or failures must be reported to the Division.
2. All separation and liquids storage facilities shall be located on the originating lease.
3. The meters shall be read and maintained by the gas purchaser.
4. Federal and State approval is required where applicable.

In addition, all production, storage, transportation, sales and other operations shall comply with Division Rules and Regulations. The gas transporter shall be notified of this approval.

Sincerely,

A handwritten signature in black ink, appearing to read 'William J. Lemay', with a long, sweeping horizontal line extending to the right.

WILLIAM J. LEMAY
Director

WJL/DRC/ag

xc: OCD - Aztec