



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

July 13, 2001

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

Telefax No. (505) 326-5900

Administrative Order NSL-4607

Dear Mr. Sharpe:

Reference is made to the following: (i) your original application dated June 4, 2001; (ii) the records of the New Mexico Oil Conservation Division in Santa Fe and Aztec ("Division"); and (iii) the supplemental information that you provided the Division on July 10, 2001: all concerning Merrion Oil & Gas Corporation's ("Merrion") request for a non-standard Gallup oil well location for the existing Federal "28" Well No. 2-E (API No. 30-045-26205), which was drilled in 1985 by M. J. Brannon and completed in the Basin-Dakota Pool at a standard infill gas well location 1490 feet from the South line and 790 feet from the West line (Unit L) of Section 28, Township 25 North, Range 9 West, NMPM, San Juan County, New Mexico.

It is our understanding that Merrion now intends to perforate the Gallup interval in the Federal "28" Well No. 2-E in an attempt to establish oil production from the Undesignated Bisti-Lower Gallup Oil Pool and recomplete the well such that production from both intervals will be commingled downhole.

Pursuant to Rule 3 of the "*Special Rules and Regulations for the Bisti-Lower Gallup Oil Pool*", as promulgated by Division Order No. R-1069-B, as amended, the location of this well is considered to be unorthodox. Further, the W/2 SW/4 of Section 28 is to be dedicated to this well in order to form a standard 80-acre stand-up oil spacing and proration unit for the Bisti-Lower Gallup Oil Pool.

The subject application has been duly filed under the provisions of: (i) 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; and (ii) Rule 4 of the special Bisti-Lower Gallup Oil Pool rules.

By the authority granted me under the provision of the special pool rules governing the Bisti-Lower Gallup Oil and Division Rule 104.F (2), the above-described unorthodox Gallup oil 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