

MERRION

Oil & Gas

December 3, 1997

Mr. Ernie Busch
NMOCD
1000 Rio Brazos
Aztec, NM 87410

RE: Havasu #1, Unit Letter P, and Powell #1, Unit Letter H, Sec. 22, T32N, R13W, San Juan County, New Mexico

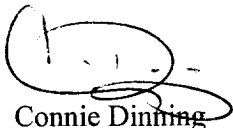
Dear Mr. Busch

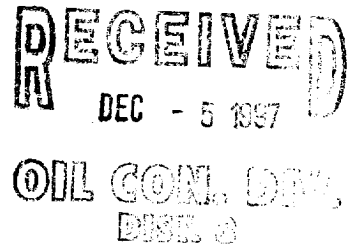
Merrion Oil & Gas requests your approval to provide produced Fruitland coal water from the subject wells to BHP LaPlata Mine for dust abatement on their haul road. The water is fresh (produced water and nearby domestic water analyses are attached) and poses no hazard to the environment.

BHP owns the surface land at the Havasu location as a buffer zone between their operations and nearby neighbors. The Powell is within the mine permit area. These lands are part of a large parcel of land on which the LaPlata Mine operates. BHP has a need for water to control dust on their haul road. Currently they are using Fruitland coal water from their mining pits and large volumes of water from the San Juan River. We propose to transport our produced water to the mine for their beneficial use. We have received verbal approval from the NMOCD to complete a previously abandoned wellbore for water disposal. However it would be more environmentally sound to put this water to beneficial use and conserve San Juan River water that BHP currently uses for dust abatement.

If you need further information, please call me at 327-9801, ext. 126. Please indicate your approval by signing and returning this correspondence.

Sincerely


Connie Dinning
Contract Engineer



Approved: _____
Date: Jan 1998