MERRION OIL & GAS CORPORATION

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FARMINGTON, NEW MEXICO 87499

135 JJ + 26 HM 8 SO

June 24, 1994

Mr. William Lemay, Director New Mexico Oil Conservation Division P. O. Box 2088 Santa Fe, New Mexico 87503

Re: Application for Administrative Approval

Downhole Commingling

Basin Fruitland Coal and Navajo City Pictured Cliffs Pools

Lease: E-178-8

Blueberry Buckle #1

Section 32, Township 30 North, Range 7 West

Rio Arriba County, New Mexico

Dear Mr. Lemay:

Merrion requests administrative approval for downhole commingling of the Basin Fruitland Coal and Navajo City Pictured Cliffs Pools in the subject wellbore. The following information is provided in support of this application:

I. Background

An APD has been approved for the Blueberry Buckle #1 located 790' FNL and 790' FWL in Section 32, Township 30 North, Range 7 West. After going to hearing, this location was approved as a non-standard Basin Fruitland Coal location by the NMOCD (Order #R-10120). After further study of the logs from the State Pat #1 well (an offset Mesaverde well only 300' from this location), it appears this well has some minor potential in the Pictured Cliffs (PC) Formation. Because the PC zone does not have the reserves to justify a new wellbore or even the incremental cost to dual the existing wellbore, and because it would be mechanically difficult to produce the two zones up separate strings of tubing, we are applying for approval to commingle the zones in the wellbore.

II. Mechanical Justification

Completing this well as a dual Fruitland Coal/PC well would be mechanically difficult for three reasons. First, as can be seen on Exhibit #2, only seven feet separates the bottom coal from the top sand in the PC. A frac job in either of

these zones will possibly extend into the other zone. Therefore, these zones are likely to be commingled outside the wellbore regardless of how we produce the well (or wells) inside the wellbore. If this application is denied and a single coal well is drilled, this possibly will have an adverse impact on the PC owners.

Second, there is some possibility that we will have to pump water from the Fruitland Coal Formation. In a dual well, that will be difficult with the 5 1/2" casing program we have planned. It would require either larger casing, special tubing, or possibly a small sized pump that would limit production rates.

Third, the seven foot interval between the zones leaves very little room for a packer. In addition, it leaves virtually no rathole for the Fruitland Coal. It is likely that coal fines and/or frac sand produced from the Fruitland Coal will fill the hole, cover at least some of the perfs, and possibly stick the packer.

III. Economic Justification

Exhibit 2 shows the State Pat #1 Neutron-Density Log compared to the NE Blanco Unit #405 log. The State Pat #1 directly offsets the proposed Blueberry Buckle #1, while the NEBU 405, located in the SW/4 of Section 21, Township 30 North, Range 7 West, is the only PC well on production within three miles of the proposed well. The NEBU #405 is currently making around 500 MCFD after six or so months on line.

The NEBU #405 has 22' of Neutron-Density cross-over with an average porosity of 18%. The State Pat #1, on the other hand, has only 12' of Neutron-Density crossover with an average porosity of only 14%. We feel that the skinnier pay, the tighter rock, and the "rattyier" nature of the sand may make the PC unproductive in the Blueberry Buckle #1. However, we would hate not to at least try it in this well, as we feel there is a reasonable chance of the zone producing in the 100 MCFD range.

Using volumetrics and an assumed initial pressure of 1000 psi, PC reserves are expected to be \pm 349 MMCF (see Exhibit 4, part 1, for calculation parameters). Exhibit 3 displays the economics for that IP and those reserves assuming a.) the well is commingled, b.) the well is dualled, and c.) a new well is drilled. The results are summarized below.

Incremental Pictured Cliffs Economics

1 10

Cana	Incremental	Operating	non	77	Discounted
<u>Case</u>	<u>Investment</u>	<u>Cost</u>	<u>ROR</u>	<u>Payout</u>	<u>Profit</u>
Commingle	\$ 60,000	500	49%	1.8 yr	\$84,200
Dual	\$130,000	1000	8%	6.0 yr	(\$25,100)
Drill Separate Well	\$230,000	1000			(\$126,300)

The economics show that the incremental costs to dual the well (extra string of tubing, packer, separator, tanks, compressor, flowline, meter, etc.) or to drill a new well combined with the incremental costs of operating two well strings versus one will kill the project. Therefore, unless we can commingle the PC with the Fruitland in this well, it is unlikely we will ever produce the reserves out of the PC.

IV. Allocation Formula

Exhibit 4 describes a formula which has been previously approved by the NMOCD for allocating production between the PC and Fruitland where no prior production data existed (Order #R-9881). To summarize, the gas reserves are calculated volumetrically for the PC based on the actual reservoir pressure measured during completion. Based on the test rate during completion, a decline curve and production schedule is generated for the PC to recover the calculated reserves. The difference between the total production from the well and the calculated PC production is allocated to the Fruitland Coal. We feel this is a reasonable method to use for this well. Note that all condensate production will be allocated to the PC.

V. Reservoir Fluid Compatibility

Merrion has no PC or Fruitland Coal water analyses from this specific area. However, the close physical proximity of the PC and the Fruitland during their deposition and burial would indicate that their formation waters are very similar. That conclusion is supported by PC and Fruitland water analyses from nearby areas (see Exhibit 5), where the water compositions are practically identical. Therefore, we expect no problems from fluid incompatibility.

VI. Cross Flow Between Zones

No pressure data is readily available for these two zones in this area. However, due to limited production from these intervals to date, it is expected that both zones will essentially be at virgin reservoir pressure. Because of the close physical proximity of the PC to the Fruitland, we expect the pressures of the two zones to be essentially identical. (Note that we have checked with Meridian on their offset coal wells, and while they won't give us any hard data, they did say that this area is not overpressured in the coal.)

VII. <u>Lease Ownership</u>

Exhibit 1 shows the current ownership of the two leases involved in the commingling of the two zones. As it stands now, Merrion would own 75% of the coal (W/2, Sec. 32) and 50% of the PC (NW/4, Sec. 32), with Cinco General Partnership owning 25% and 50% respectively. We have come to an agreement with Cinco that if commingling is approved, we will equalize ownership in the two formations on a 70% Merrion, 30% Cinco basis. We have come to a similar agreement with the two overriding royalty owners (the Gerbers) who's interest is different in the two formations. Exhibit 6 summarizes the interests before and after equalization. Both Cinco and the Gerbers have been sent copies of this application and, if necessary, can be reached to confirm the nature of our agreements.

VIII. Offset Ownership Notification

Exhibit 1 is a plat showing the offset ownership. All offset owners have been sent a copy of this application. Exhibit 7 is an affidavit to that effect.

IX. <u>Summary</u>

Unless commingling is approved, the PC reserves in the NW/4 of Section 32 will never be produced. Because ownership is (or will be) common, commingling the two zones will minimize costs and maximize reserves and value to all parties involved. Therefore, your prompt approval is requested.

lease call me with any questions or if additional information is required.
Sincerely, Share George F. Sharpe Manager - Oil & Gas Investments
c: Frank Chavez - NMOCD - Aztec Meridian Oil Inc. Cinco General Partnership Edward Gerber Trust - c/o Ken Dubroff, Cuddy & Feder Iris Gerber Damson - c/o Ken Dubroff, Cuddy & Feder
Waiver hereby waives objection to this application.
Company
Name: Date:

Exhibits

- 1 Ownership Plat
- 2 Offset Logs
- 3 Economics
- 4 Allocation Formula
- 5 PC and Fruitland Coal Water Analyses
- 6 Equalized Ownership Calculations
- 7 Affidavit of Notification
- 8 C-102 Plat Basin Fruitland Coal Pool
- 9 C-102 Plat Navajo City Pictured Cliffs Pool

M	MERRION OIL & GAS						
Of B	fset Ownership Plo lueberry Buckle #7 EXHIBIT 1	ot 1					
	Sec 32, 130N, R7W	6/24/94					
790' FNL & 790' FWL	Scale 1:24000.	GFS/SEO					

FRUITLAND COAL SPACING UNIT	29	
PICTURED CLIFFS SPACING UNIT	SAN JUAN 30 6 UNIT	SAN JUAN 30 6 UNIT
MERIDIAN	MERIDIAN OIL INC FREDCGAL MERIDIAN	MERIDIAN OIL INC FRIDCOAL MERIDIAN
SAN JUAN 30 6 UNIT ———————————————————————————————————	CINCO GENERAL ME	JUAN 30 6 UNIT 429 RIDIAN OIL INC FREDCOAL MERIDIAN 33 SAN JUAN 30 6 UNIT 424 MERIDIAN OIL INC FREDCOAL
29N MERIDIAN	MERIDIAN MERIDIAN OF FREDCOA	505 INC
6	5	7W 4

STATE PAT #1 NW/4 SEC. 32, T30N, R7W

NE BLANCO UNIT #405 SW/4 SEC. 21, T30N, R7W

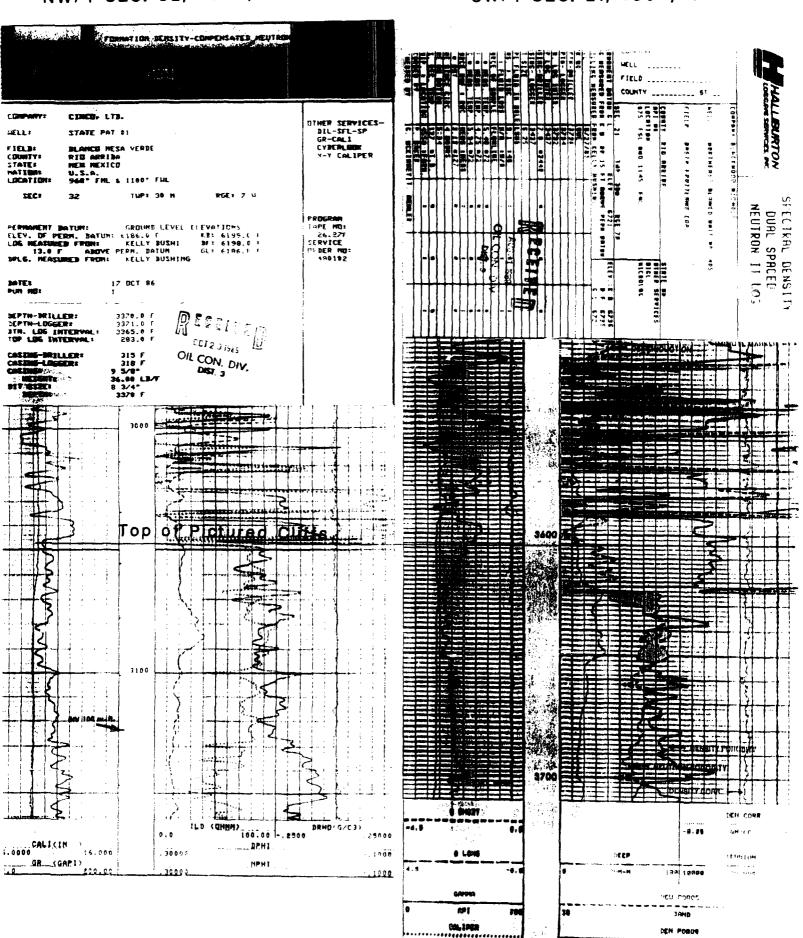


EXHIBIT 3

PICTURED CLIFFS ECONOMICS - COMMINGLE

		Economic	Data		Well Type ((Oil,Gas):	GAS	1	Sconomic In	dicators			
		Working I	nterest	100.00%				-	Payout =		Years		
		Net Reven		70.00%]	DcfROR =	48.7%			
		Production		9.10%					IROI =	4.01			
			Oil	8.28%				. .	EROI =	5.01			
		Operating		500					erest tate =	20%			
		Gas bru Va			btu/scf				vestment =	60.0	M 5		
		Prod Price		,	%/уг			•	sk Factor -			(e)	
		Op Cost E	scalator		per yr				Oil Price-	\$17.00		Present Wo	
		P&A cost			M\$			Average	Gas Price-	\$1.60	/mmbtu	% Disc	Value MS
		Constant P			(yes/no)								234.5
		Beg Oil Pr		17.00								6%	146.7
	•	Beg Gas Pr	nce	1.60	\$/mmbtu							8%	127.0
		Off Decides	the				Can Day					10%	110.4
		Oll Production 1-1-94 Re			stb		Gas Pro	Reserves	348907 r	ncf	1	12% 14%	96.3 84.2
		1-1-94 Re		0.00			[-1-94]		348907 I 100 t		ł	16%	73.7
		Qel	,	0.00			Qel	₹5		ncfd		18%	64.6
		Decline Fr	action	0.080				Fraction	0.0 83 Ţ			20%	5 5 .6
		Life	action	29.00			Life	Praction	19.00 V			35%	18.3
		DHO		27.00	7000		17110		12.00	VILD		50%	(1.3)
			Оп	PRODUCTI	mu			GAS	PRODUCTI	กหั		PRIC	
		Begin	End	Avg	Yearly	Cum	Begin	End	Ave	Yearly	Cum	Oil	Gas
		Qo	Q٥	Prod	Prod	Prod	Qg	Qg	Prod	Prod	Prod	Price	Price
	Year	bopd	bopd	bopd	etb	stb	mefd	metd	mefd	mcť	mcf	\$/BЫ	\$/mmbtu
	1/1/94												
1	1994												
			0.0	0.0	0	0	100	92	96	35,026	35,026	17.00	1.60
2	1995	0.0	0.0	0.0	0	0	92	85	88	32,236	67,263	17.00	1.60
3	1996	0.0 0.0	0.0 0.0	0.0 0.0	0	0 0	92 85	85 78	88 81	32,236 29,669	67,263 96,932	17.00 17.00	1.60 1.60
3 4	1996 19 97	0.0 0.0 0.0	0.0 0.0 0.0	0.0 0.0 0.0	0 0 0	0 0 0	92 85 78	85 78 72	88 81 75	32,236 29,669 27,306	67,263 96,932 124,238	17.00 17.00 17.00	1.60 1.60 1.60
3 4 5	1996 19 97 1998	0.0 0.0 0.0 0.0	0.0 0.0 0.0 0.0	0.0 0.0 0.0 0.0	0 0 0 0	0 0 0 0	92 85 78 72	85 78 72 66	88 81 75 69	32,236 29,669 27,306 25,131	67,263 96,932 124,238 149,368	17.00 17.00 17.00 17.00	1.60 1.60 1.60
3 4 5 6	1996 1997 1998 1999	0.0 0.0 0.0 0.0 0.0	0.0 0.0 0.0 0.0 0.0	0.0 0.0 0.0 0.0 0.0	0 0 0 0 0	0 0 0 0	92 85 78 72 66	85 78 72 66 61	88 81 75 69 63	32,236 29,669 27,306 25,131 23,129	67,263 96,932 124,238 149,368 172,498	17.00 17.00 17.00 17.00 17.00	1.60 1.60 1.60 1.60 1.60
3 4 5 6 7	1996 1997 1998 1999 2000	0.0 0.0 0.0 0.0 0.0 0.0	0.0 0.0 0.0 0.0 0.0 0.0	0.0 0.0 0.0 0.0 0.0 0.0	0 0 0 0 0	0 0 0 0 0	92 85 78 72 66 61	85 78 72 66 61 56	88 81 75 69 63 58	32,236 29,669 27,306 25,131 23,129 21,287	67,263 96,932 124,238 149,368 172,498 193,785	17.00 17.00 17.00 17.00 17.00 17.00	1.60 1.60 1.60 1.60 1.60 1.60
3 4 5 6	1996 1997 1998 1999 2000 2001	0.0 0.0 0.0 0.0 0.0 0.0 0.0	0.0 0.0 0.0 0.0 0.0 0.0 0.0	0.0 0.0 0.0 0.0 0.0 0.0 0.0	0 0 0 0 0 0	0 0 0 0 0 0	92 85 78 72 66 61 56	85 78 72 66 61 56	88 81 75 69 63 58 54	32,236 29,669 27,306 25,131 23,129 21,287 19,592	67,263 96,932 124,238 149,368 172,498 193,785 213,376	17.00 17.00 17.00 17.00 17.00 17.00 17.00	1.60 1.60 1.60 1.60 1.60 1.60
3 4 5 6 7 8 9	1996 1997 1998 1999 2000 2001 2002	0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0	0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0	0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0	0 0 0 0 0 0 0	0 0 0 0 0 0 0	92 85 78 72 66 61 56 51	85 78 72 66 61 56 51 47	88 81 75 69 63 58 54 49	32,236 29,669 27,306 25,131 23,129 21,287 19,592 18,031	67,263 96,932 124,238 149,368 172,498 193,785 213,376 231,407	17.00 17.00 17.00 17.00 17.00 17.00 17.00 17.00	1.60 1.60 1.60 1.60 1.60 1.60 1.60
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3 4 5 6 7 8 9	1996 1997 1998 1999 2000 2001 2002	0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0	0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0	0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0	0 0 0 0 0 0 0 0	0 0 0 0 0 0 0 0	92 85 78 72 66 61 56 51	85 78 72 66 61 56 51 47	88 81 75 69 63 58 54 49 45	32,236 29,669 27,306 25,131 23,129 21,287 19,592 18,031 16,595 15,273	67,263 96,932 124,238 149,368 172,498 193,785 213,376 231,407 248,002 263,276	17.00 17.00 17.00 17.00 17.00 17.00 17.00 17.00 17.00 17.00	1.60 1.60 1.60 1.60 1.60 1.60 1.60 1.60
3 4 5 6 7 8 9 10	1996 1997 1998 1999 2000 2001 2002 2003 2004	0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0	0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0	0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0	0 0 0 0 0 0 0 0	0 0 0 0 0 0 0 0 0	92 85 78 72 66 61 56 51 47	85 78 72 66 61 56 51 47 44	88 81 75 69 63 58 54 49	32,236 29,669 27,306 25,131 23,129 21,287 19,592 18,031 16,595 15,273 14,057	67,263 96,932 124,238 149,368 172,498 193,785 213,376 231,407 248,002 263,276 277,332	17.00 17.00 17.00 17.00 17.00 17.00 17.00 17.00 17.00 17.00	1.60 1.60 1.60 1.60 1.60 1.60 1.60 1.60
3 4 5 6 7 8 9 10 11 12 13	1996 1997 1998 1999 2000 2001 2002 2003 2004 2005	0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0	0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0	0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0	0 0 0 0 0 0 0 0 0	0 0 0 0 0 0 0 0 0	92 85 78 72 66 61 56 51 47 44 40 37	85 78 72 66 61 56 51 47 44 40 37	88 81 75 69 63 58 54 49 45 42 39	32,236 29,669 27,306 25,131 23,129 21,287 19,592 18,031 16,595 15,273 14,057 12,937	67,263 96,932 124,238 149,368 172,498 193,785 213,376 231,407 248,002 263,276 277,332 290,269	17.00 17.00 17.00 17.00 17.00 17.00 17.00 17.00 17.00 17.00 17.00	1.60 1.60 1.60 1.60 1.60 1.60 1.60 1.60
3 4 5 6 7 8 9 10 11	1996 1997 1998 1999 2000 2001 2002 2003 2004 2005	0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0	0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0	0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0	0 0 0 0 0 0 0 0 0	0 0 0 0 0 0 0 0 0	92 85 78 72 66 61 56 51 47 44 40	85 78 72 66 61 56 51 47 44 40 37 34	88 81 75 69 63 58 54 49 45 42 39	32,236 29,669 27,306 25,131 23,129 21,287 19,592 18,031 16,595 15,273 14,057	67,263 96,932 124,238 149,368 172,498 193,785 213,376 231,407 248,002 263,276 277,332 290,269 302,176	17.00 17.00 17.00 17.00 17.00 17.00 17.00 17.00 17.00 17.00	1.60 1.60 1.60 1.60 1.60 1.60 1.60 1.60
3 4 5 6 7 8 9 10 11 12 13	1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006	0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0	0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0	0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0	0 0 0 0 0 0 0 0 0 0	0 0 0 0 0 0 0 0 0 0	92 85 78 72 66 61 56 51 47 44 40 37	85 78 72 66 61 56 51 47 44 40 37	88 81 75 69 63 58 54 49 45 42 39 35	32,236 29,669 27,306 25,131 23,129 21,287 19,592 18,031 16,595 15,273 14,057 12,937 11,907	67,263 96,932 124,238 149,368 172,498 193,785 213,376 231,407 248,002 263,276 277,332 290,269 302,176 313,134	17.00 17.00 17.00 17.00 17.00 17.00 17.00 17.00 17.00 17.00 17.00	1.60 1.60 1.60 1.60 1.60 1.60 1.60 1.60
3 4 5 6 7 8 9 10 11 12 13 14 15 16	1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009	0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0	0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0	0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0	0 0 0 0 0 0 0 0 0 0	0 0 0 0 0 0 0 0 0 0 0	92 85 78 72 66 61 56 51 47 44 40 37 34	85 78 72 66 61 56 51 47 44 40 37 34 31 29	88 81 75 69 63 58 54 49 45 42 39 35 33	32,236 29,669 27,306 25,131 23,129 21,287 19,592 18,031 16,595 15,273 14,057 12,937 11,907 10,958	67,263 96,932 124,238 149,368 172,498 193,785 213,376 231,407 248,002 263,276 277,332 290,269 302,176	17.00 17.00 17.00 17.00 17.00 17.00 17.00 17.00 17.00 17.00 17.00 17.00	1.60 1.60 1.60 1.60 1.60 1.60 1.60 1.60
3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18	1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2010 2011	0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0	0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0	0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0	0 0 0 0 0 0 0 0 0 0 0	0 0 0 0 0 0 0 0 0 0 0 0	92 85 78 72 66 61 56 51 47 44 40 37 34 31 29	85 78 72 66 61 56 51 47 44 40 37 34 31 29 27	88 81 75 69 63 58 54 49 45 42 39 35 33 50 28	32,236 29,669 27,306 25,131 23,129 21,287 19,592 18,031 16,595 15,273 14,057 12,937 11,907 10,958 10,086	67,263 96,932 124,238 149,368 172,498 193,785 213,376 231,407 248,002 263,276 277,332 290,269 302,176 313,134 323,220	17.00 17.00 17.00 17.00 17.00 17.00 17.00 17.00 17.00 17.00 17.00 17.00 17.00	1.60 1.60 1.60 1.60 1.60 1.60 1.60 1.60
3 4 5 6 7 8 9 10 11 12 13 14 15 16	1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009	0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0	0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0	0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0	0 0 0 0 0 0 0 0 0 0 0	0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	92 85 78 72 66 61 56 51 47 44 40 37 34 31 29 27	85 78 72 66 61 56 51 47 44 40 37 34 31 29 27	88 81 75 69 63 58 54 49 45 42 39 35 33 50 28	32,236 29,669 27,306 25,131 23,129 21,287 19,592 18,031 16,595 15,273 14,057 12,937 11,907 10,958 10,086 9,282	67,263 96,932 124,238 149,368 172,498 193,785 213,376 231,407 248,002 263,276 277,332 290,269 302,176 313,134 323,220 332,502	17.00 17.00 17.00 17.00 17.00 17.00 17.00 17.00 17.00 17.00 17.00 17.00 17.00 17.00	1.60 1.60 1.60 1.60 1.60 1.60 1.60 1.60

							NBT CAS	HELOW			
	ſ	INVE	THE NEW	ENTREMENT.	Annual	Annual				Discom	nted
		Gross	Net		Revenue	Revenue	Annual	Cum	20%	Annual	Cum
	1	Invest	Invest	Operating	Oil	Gas	Profit	Profit	Discount	Profit	Profit
	Year	M3	M3	MS	M3	M3	M3	M3	Factor	M3	M3
	1/1/94	60.0	60.0				(60.0)	(60.0)	1.00	(60.0)	(60.0)
1	1994		****	6.0	0.0	41.0	35.0	(25.0)	0.83	29.2	(30.8)
2	1995			6.0	0.0	37.7	31.7	6.8	0.69	22.0	(8.8)
3	1996			6.0	0.0	34.7	28.7	35.5	0.58	16.6	7.8
4	1997			6.0	0.0	32.0	26.0	61.5	0.48	12.5	20.4
5	1998			6.0	0.0	29.4	23.4	34.9	0.40	9.4	29.8
б	1999			6.0	0.0	27.1	21.1	106.0	0.33	7.1	36.8
7	2000			6.0	0.0	24.9	18.9	124.9	0.28	5.3	42.1
8	2001			6.0	0.0	22.9	16.9	141.8	0.23	3.9	46.1
9 ,	2002			6.0	0.0	21.1	15.1	156.9	0.19	2.9	49.0
10	2003			6.0	0.0	19.4	13.4	170.4	0.16	2.2	51.2
11	2004			6.0	0.0	17.9	11.9	182.2	0.13	1.6	52.8
12	2005			6.0	0.0	16.5	10.5	192.7	0.11	1.2	53.9
13	2006			б.0	0.0	15.1	9.1	201.8	0.09	0.9	54.8
14	2007			6.0	0.0	13.9	7.9	209.8	0.08	0.6	55.4
15	2008			6.0	0.0	12.8	6.8	216.6	0.06	0.4	55.9
16	2009			6.0	0.0	11.8	5.8	222.4	0.05	0.3	56.2
17	2010			6.0	0.0	10.9	4.9	227.3	0.05	0.2	56.4
	-									0.2	56.5
										0.1	56.6
										0.1	56.7
18 19 20	2011 2012 2013			6.0 6.0 6.0	0.0 0.0 0.0	10.0 9.2 8.5	4.0 3.2 2.5	231.3 234.5 237.0	0.04 0.03 0.03	0.	.1

PICTURED CLIFFS ECONOMICS - DUAL

		Wannamia.	Dete		Well Type	(Oil Goe)	ा द	ASI		Economic I	ndleators			
		Economic Working It		100,00%	ALCII I À DE	(OT'ORR). <u> C</u>	nus		Payout =		Years	•	
		Net Reveni		70.00%						DcfROR =	7.9%			
		Production		9.10%						IROI =	0.44	\$/\$		
			Oil	8.28%						EROI 🛥	1.44			
		Operating (Cost	1,000	s/mo				In	terest rate =	20%	•		
		Gas btu Va			btu/scf					nvestment =	130.0	M\$		
		Prod Price	Escalator	•	%/уг				Project R	lisk Factor -				
		Op Cost Es	scalator	1	per yr					ge Oil Price-	\$17.00	/bbl	Present Wo	
		P&A cost]	M\$				Average	e Gas Price-	\$1.60	/mmbtu	% Disc	Value M\$
		Constant P	rices:		(yes/no)									50.5
		Beg Oil Pri	ice	17.00									6%	9.7
		Beg Gas Pr	rice	1.60	\$/mmbtu								8%	(0.7)
													10%	(9.8)
	1	Oll Produc							duction			7	12%	(17.9)
		1-1-94 Re			stb				Reserves	348907			14%	(25.1)
		1-1-94 Qo)		bopd			1-94	Qg		mcfd		16%	(31.5)
		Qel Desline En		0.00			Qe		Constinu		mcfd		18%	(37.3)
		Decline Fr	action	0.080					Fraction		per yr	İ	20%	(42.4)
		Life		29.00	Aesna .		Li	le		19.00	years		35%	(68.8)
		Company of the Party of the Par		A CONTRACT	????!888888 8	888888888	98 BB	1000000	988888882*F*F	grangera syr-	araa aaaaaaa	1867 P.	50% PRIG	(83.2)
		Doois	End	Avg	Yearly	Cum	B	gin	End	PRODUCT	Yearly	Cum	Oil	e Gas
,	i	Begin Qo	Qo	Prod	Prod	Prod	- 11	∫ 8 .≘πι	Qg.	Avg Prod	Prod	Prod	Price	Price
	Year	bopd	bopd	bopd	stb	stb		ecfd	mcfd	mcfd	mcf	mcf	\$/Bbl	\$/mmbtu
L													<u>u v</u>	
1 32	1/1/94	:												
1	1994	0.0	0.0	0.0	0	ï	0	100	92	96	35,026	35,026	17.00	1.60
2	1995	0.0	0.0	0.0	0	(0	92	85	88	32,236	67,263	17.00	1.60
3	1996	0.0	0,0	0.0	0	1	0	85	<i>7</i> 8	81	29,669	96,932	17.00	1.60
4	1997		0.0	0.0	0		0	78	72	75	27.306		17.00	1.60
5	1998		0.0	0.0	0		0	72	66	69	25,131		17.00	1.60
6	1999		0.0	0.0	0		0	66	61	63	23,129	•	17.00	1.60
7	2000		0.0	0.0	0		0	61	56	58	21,287		17.00	1.60
8	2001	0.0	0.0	0.0	0		0	56	51	54	19,592	•	17.00	1.60
9	2002		0.0	0.0	0		0	51	47	49	18,031		17.00	1.60
10	2003		0.0	0.0	0		0	47	44	45	16,595		17.00	1.60
11 12	2004 2005	0.0 0.0	0.0 0.0	0.0 0.0	0		0 0	44	40	42	15,273		17.00	1.60
13	2005 2006		0.0	0.0	0		0	40	37	39	14,057	,	17.00	1.60
			= -		_		-	37	34	35	12,937		17.00	1.60
14 15	2007 2008		0.0 0.0	0.0 0.0	0		0	34	31	33	11,907		17.00	1.60
16	2009		0.0	0.0	0		0 0	31 29	29 27	30	10,958		17.00	1.60
17	2010		0.0	0.0	0		0	27	24	28	10,086		17.00	1.60
18	2011	0.0	0.0	0.0	0		0	24	22	25 23	9,282 8,543		17.00 17.00	1.60
19	2012		0.0	0.0	0		0	22	21					1.60
20	2012		0.0	0.0	0		0	21	19	22 20	7,862 7.236		17.00 17.00	1.60
	2012	0.0	0.0	0.0	v		•	41	19	20	المدر	330,144	17.00	1.60

E

	_						NET CA	SH FLOW			
		INVE	STMENT	EXCHANGE	Annual	Annual				Discou	nted
		Gross	Net		Revenue	Revenue	Annual	Cum	20%	Annual	Cum
		Invest	Invest	Operating	Oil	Gas	Profit	Profit	Discount	Profit	Profit
	Year	M3	M3	M3	M3	M3	M3	M\$	Factor	M3	M3
	1/1/94	130.0	130.0	,			(130.0)	(130.0)	1.00	(130.0)	(130.0)
1	1994	•		12.0	0.0	41.0	29.0	(101.0)	0.83	24.2	(105.8)
2	1995			12.0	0.0	37.7	25.7	(75.2)	0.69	17.9	(87.9)
3	1996			12.0	0.0	34.7	22. 7	(52.5)	0.58	13.2	(74.8)
4	1997			12.0	0.0	32.0	20.0	(32.5)	0.48	9.6	(65.2)
5	1998			12.0	0.0	29.4	17.4	(15.1)	0.40	7.0	(58.2)
б	1999			12.0	0.0	27.1	15.1		0.33	5.1	(53.1)
7	2000			12.0	0.0	24.9	12.9	12.9	0.28	3.6	(49.5)
8	2001			12.0	0.0	22.9	10.9	23.8	0.23	2.5	(47.0)
.9.	2002	•		12.0	0.0	21.1	9.1	32.9	0.19	1.8	(45.2)
10	2003			12.0	0.0	19.4	7.4	40.4	0.16	1.2	(44.0)
11	2004			12.0	0.0	17.9	5.9	46.2	0.13	0.8	(43.2)
12	2005			12.0	0.0	16.5	4.5	50.7	0.11	0.5	(42.7)
13	2006			12.0	0.0	15.1	3.1	53.8	0.09	0.3	(42.4)
14	2007			12.0	0.0	13.9	1.9	55.8	0.08	0.2	(42.3)
15	2008	e.		12.0	0.0	12.8	0.8	56.6	0.06	0.1	(42.2)
16	2009	2. ,	•	12.0	0.0	11.8	(0.2)	56.4	0.05		(42.2)
17	2010			12.0	0.0	10.9	(1.1)	55.3	0.05	(0.1)	(42.3)
18	2011			12.0	0.0	10.0	(2.0)	53.3	0.04	(0.1)	(42.3)
19	2012			12.0	0.0	9.2	(2.8)	50.5	0.03	(0.1)	(42.4)
20	2013			12.0	0.0	8.5	(3.5)	47.0	0.03	(0.1)	(42.5)

PICTURED CLIFFS ECONOMICS - NEW WELL

•	Economic . Working Is					GA8			dicators			
	MOTPING II	nterest	100.00%		, .		•	Payout =		Years		
	Net Reveni	ie Interest	70.00%					DcfROR =	#NUM!			
	Production	Tax- G	9.10%					IROI =	(0.18)			
		Oil	8.28%					EROI =	0.82			
	Operating (1,000	\$/mo				terest rate =	20%			
	Gas bu Va		1150	btu/scf				vestment =	230.0	M3		
	Prod Price	Escalator		%∕уг			-					
	Op Cost Ea	scalator		per yr								
	P&A cost		15	M\$			Average	Gas Price-	\$1.60	/mmbtu	% Disc	Value M\$
	Constant P	rices:	NO	(yes/no)								(64.5)
	_										11	(95.2)
	Beg Gas Pr	rice	1.60	\$/mmbtu							III	(104.1)
	•										4	(112.3)
										7	18	(119.7)
										1		(126.3)
į	_	l		- 1			Ų\$			1	1	(132.4)
		i					Emation			•	H .	(137.9)
		HCHOIL					riaction			İ	11	(142.9)
į	Lile					гие		19.00	уеатв	J		(168.8) (183.3)
I	88/00/00/00/00/00	SEE SEE SEE 25 7 7 7 8 1			000000000000000000000000000000000000000		88888888778787	THE CONTRACTOR):::::::::::::::::::::::::::::::::::::	18 0 0 0 10 0 0 0 0 0 0 0 0 0 0 0 0 0 0		
	Begin				Cnm	Begin				Cum		Gas
į				•					-		п	Price
Year	bopd	bopd		stb	stb	mcfd		mcfd	mcf		11	\$/mmbtu
1/1/94												
												1.60
												1.60
										-		1.60
				-								1.60
												1.60
				_					•			1.60
					-				•	•		1.60
					-							1.60
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												1.60
2008	0.0									•		1.60
2009	0.0	0.0	0.0	Ö	_					•		1.60
2010	0.0	0.0			-							1.60
2011	0.0	0.0	0.0	0	-							1.60
2012	0.0	0.0	0.0	0	•					•		1.60
2013	0.0	0.0	0.0	ő	0		19	20	7.236			1.60
	Year 1/1/94 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012	Prod Price Op Cost Es P&A cost Constant P Beg Oil Pri Beg Gas Pr Off Product 1-1-94 Res 1-1-94 Qo Qel Decline Fri Life Regin Qo bopd 1/1/94 1994 0.0 1995 0.0 1996 0.0 1997 0.0 1998 0.0 1998 0.0 2000 0.0 2001 0.0 2002 0.0 2003 0.0 2004 0.0 2005 0.0 2006 0.0 2007 0.0 2008 0.0 2009 0.0 2010 0.0 2011 0.0 2011 0.0 2012	Prod Price Escalator Op Cost Escalator P&A cost Constant Prices: Beg Oil Price Beg Gas Price Oil Production 1-1-94 Reserves 1-1-94 Qo Qel Decline Fraction Life Regin End Qo Qo bopd bopd 1/1/94 1994 0.0 0.0 1995 0.0 0.0 1996 0.0 0.0 1997 0.0 0.0 1998 0.0 0.0 1998 0.0 0.0 1999 0.0 0.0 2000 0.0 0.0 2001 0.0 0.0 2002 0.0 0.0 2003 0.0 0.0 2004 0.0 0.0 2005 0.0 0.0 2006 0.0 0.0 2007 0.0 0.0 2008 0.0 0.0 2009 0.0 0.0 2011 0.0 0.0 2011 0.0 0.0 2011 0.0 0.0 2011 0.0 0.0 2011 0.0 0.0 2011 0.0 0.0 2011 0.0 0.0 2011 0.0 0.0 2011 0.0 0.0 2011 0.0 0.0 2011 0.0 0.0 2011 0.0 0.0 2011 0.0 0.0 2012 0.0 0.0	Prod Price Escalator Op Cost Escalator P&A cost 15 Constant Prices: NO Beg Oil Price 17.00 Beg Gas Price 1.60 Ott Production	Prod Price Escalator Op Cost Escalator P&A cost 15 M\$ Constant Prices: NO (yes/no) Beg Oil Price Beg Gas Price 17.00 \$/bbl Beg Gas Price 1-94 Qo Qel Decline Fraction Life Qo Qo Prod Prod Dopd Decline Fraction Prod Qel Qo Qo Prod Prod Dopd Dopd Dopd Dopd Dopd Dopd Dopd Do	Prod Price Escalator Op Cost Escalator P&A cost 15 M\$ Constant Prices: NO (yes/no) Beg Oil Price 17.00 3/bbl Beg Gas Price 16.60 \$/mmbtu Oil Production 1-1-94 Reserves 1-1-94 Qo Qel Qel 0.00 bopd Decline Fraction Life 29.00 years	Prod Price Escalator	Prod Price Escalator	Prod Price Escalator	Prod Price Escalator	Prod Price Escalator	Prod Price Escalator

							NET CAS	HILOW			
	Ī	INVE	STARLYT.		Annual	Annual				Discom	nted
		Gross	Net		Revenue	Revenue	Annual	Cum	20%	Annual	Cum
		Invest	Invest	Operating	Oil	Ges	Profit	Profit	Discount	Profit	Profit
	Year	М3	M3	M\$	M3	M\$	M3	M.S	Factor	M3	M3
	1/1/94	230.0	230.0				(230.0)	(230.0)	1.00	(230.0)	(230.0)
1	1994			12.0	0.0	41.0	29.0	(201.0)	0.83	24.2	(205.8)
2	1995			12.0	0.0	37.7	25.7	(175.2)	0.69	17.9	(187.9)
3	1996			12.0	0.0	34.7	22.7	(152.5)	0.58	13.2	(174.8)
4	1997			12.0	0.0	32.0	20.0	(132.5)	0.48	9.6	(165.2)
5	1998			12.0	0.0	29.4	17.4	(115.1)	0.40	7.0	(158.2)
б	1999			12.0	0.0	27.1	15.1	(100.0)	0.33	5.1	(153.1)
7	2000			12.0	0.0	24.9	12.9	(87.1)	0.28	3.6	(149.5)
8	2001			12.0	0.0	22.9	10.9	(76.2)	0.23	2.5	(147.0)
9	2002			12.0	0.0	21.1	9.1	(67.1)	0.19	1.8	(145.2)
10	2003			12.0	0.0	19.4	7.4	(59.6)	0.16	1.2	(144.0)
11	2004			12.0	0.0	17.9	5.9	(53.8)	0.13	8.0	(143.2)
12	2005			12.0	0.0	16.5	4.5	(49.3)	0.11	0.5	(142.7)
13	2006			12.0	0.0	15.1	3.1	(46.2)	0.09	0.3	(142.4)
14	2007			12.0	0.0	13.9	1.9	(44.2)	0.08	0.2	(142.3)
15	2008			12.0	0.0	12.8	0.8	(43.4)	0.06	0.1	(142.2)
16	2009			12.0			(0.2)	(43.6)	0.05		(142.2)
17	2010	¥.,		12.0	0.0	10.9	(1.1)	(44.7)		(0.1)	(142.3)
18	2011		•	12.0	0.0	10.0	(2.0)	(46.7)	0.04	(0.1)	(142.3)
3 19	2012	15	15.0	12.0	0.0	9.2	(17.8)	(64.5)	0.03	(0.6)	(142.9)
20	2013	1.0	15.0	12.0	0.0	8.5	(3.5)	(68.0)	0.03	(0.1)	(143.0)
20				2=.0	0.0	5.5	(0.0)	(40.0)	3102	(0.2)	(5.0)

BLBKLHRGXLS

EXHIBIT 4

BLUEBERRY BUCKLE #1 MONTHLY GAS PRODUCTION ALLOCATION FORMULA

GENERAL METHODOLOGY

- 1. CALCULATE PICTURED CLIFFS (PC) RESERVES FROM VOLUMETRICS.
- 2. CALCULATE PC INITIAL MONTHLY PRODUCTION PRODUCTION RATE BASED ON INITIAL FLOW TEST.
- 3. BASED ON OPERATING COSTS OF \$500/MO, CALCULATE PC ABANDONMENT RATE.
- 4. KNOWING INITIAL RATE, FINAL RATE, AND RESERVES, CALCULATE PC DECLINE RATE.
- 5. CAN NOW GENERATE PC PRODUCTION SCHEDULE FROM NOW TILL ABANDONMENT.
- CALCULATE FRUITLAND COAL PRODUCTION RATE FOR EACH MONTH BY SUBTRACTING PC RATE FROM TOTAL RATE.

1. CALCULATE PC RESERVES FROM VOLUMETRICS

Gp = [7758 * O * h * A * (1 - Sw) / Bg] * Rf * BTU Factor

where:

Gp = Ultimate PC gas reserves in MMBTU.

7758 = Bbls/ac-ft conversion.

O = porosity = 14%

h = Net pay = 12 Feet

A = Drainage area = 160 ac.

Sw = water saturation = 50%.

Bg = gas formation volume factor (RVB/Mcf) = 5.04 * z * T / P.

z = gas deviation factor at reservoir conditions = 0.90.

T = Reservoir temperature = 100 F = 560 R.

P = reservoir pressure as measured during initial completion of PC.

Rf = gas recovery factor = 85%

BTU Factor = MMBTU/MCF from initial PC gas analysis.

THEREFORE:

Gp = [7758 * .14 * 12 * 160 * (1-.5) / {5.04 * .90 * 560 / P}] * .85 * BTU Factor

Gp (mmbtu) = 349 (mct/psia) * P (psia) * BTU Factor (mmbtu/mct)

2. CALCULATE PC INITIAL MONTHLY PRODUCTION RATE

Qpc(1) = Qt(1)*{Qpc(test) / [Qpc(test) + Qfc(test)]}

and

Qpci(decline) = Qpc(1) * 30.4 / Days Prod(1)

where

Qpc(1) = first month PC production in mmbtu/mo.

Qt(1) = first month total production in mmbtu/mo.

Qpc(test) = final PC flow test in mmbtu/day.

BLBKLHRGXLS

Qfc(test) = final Fruitland Coal flow test in mmbtu/day.

Days Prod(1) = number of days the well was on in the first month.

Qpci(decline) = initial monthly production rate to be used in forcasting future PC production .

Units are in MMBTU/MO.

3. CALCULATE PC ABANDONMENT RATE

Qpca = Op:Cost/{Price:*NRI*(1-Tax)}

where

Qpca = PC abandonment rate in mmbtu/mo.

Op Cost = monthly operating expense = \$500/mo.

Price = wellhead gas price = \$1.65/mmbtu.

NRI = average net revenue interest = 80%.

Tax = state & local severance and advalorem taxes = 9%.

THEREFORE

 $Qpca = 500 / \{1.65 * .80 * (1-.09)\}$

Qpca = 416 mmbtu/mo

4. CALCULATE PC DECLINE RATE

D = {Opci(decline) - Opca} / Gp

where

D = nominal decline rate (fraction/mo)

Opci(decline) = initial monthly production rate in mmbtu/mo as calculated in Step 2.

Qpca = PC abandonment rate in mmbtu/mo = 396 mmbtu/mo.

Gp = Ultimate PC gas reserves in MMBTU as calculated in step 1.

5. CALCULATE PC PRODUCTION IN FUTURE MONTH "X"

 $Qpc(x) = Qpci(decline) *exp {-D *t(x)}$

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where

Qpc(x) = PC production in mmbtu for month "x".

Qpci(decline) = initial monthly production rate in mmbtu/mo as calculated in Step 2.

D = nominal decline rate (fraction/mo) as calculated in Step 4.

t(x) = number of months from initial production to month "x".

6. CALCULATE FRUITLAND COAL RATE IN FUTURE MONTH "X"

Qfc(x) = Qt(x) - Qpc(x)

where

Qfc(x) = Fruitland Coal production in mmbtu in month "x".

Qt(x) = total well production in mmbtu in month "x".

Qpc(x) = PC production in mmbtu for month "x" as calculated in Step 5.

. ALYSIS NO. 51-34-91

API FORM 45-1

FIELD	RECE	IPT NO.
-------	------	---------

API WATER ANALYSIS REPORT FORM

Merrion Merrion	011 + 695	Sample No.	Date Sampled
Field	Legal Description Sec. 9 726N	County or F 1, 12N Son Ju	Parisin State
Lease or Unit	Weil 50500 #3 D	Formation (1)	Water. B/D
Type of Water (Produced,	Supply, etc.) Sampling Point		Sampled By

DISSOLVED SOLIDS

Cations	mg/l	me/l
Sodium, Na (cala)	<u> </u>	101.14
Calcium. Ca	60	3.00
Magnesium, Mg	<u>aa</u>	1.80
Barium, Ba		
Potassium, K	34	.87

Total Dissoived Solids (calc.) 6407

Suifide as Has nog

RIVARES & RECOMMENDATIONS:

OTHER PROPERTIES

ъÆ	_7.8!
Specific Gravity, 60/60 F. Resistivity (ohm-meters) 74 F.	1.00
Resistivity (ohm-meters) 74 F.	
Total hardness	340

WATER PATTERNS - me/l

			STANDARD		
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ANALYST: Log

THE WESTERN COMPANY OF NORTH AMERICA, FARMINGTON. NO (505) 327-6222

'PI FORM 45-1

API WATER ANALYSIS REPORT FORM

Company Merrison Oil	a Han	Sample No.	Date Sampled
Field	NW/NW 5.357	27NR13W Lane	1 41 1
Lease or Unit NM 33049	Well # 4	Pepth Formation Victorial	Water, B/D
Type of Water (Produced, S	upply, etc.) Sampling Poin	sat	J. M Crilate
DISSOLVED SOLIDS	•	OTHER PROPERT	TIES
CATIONS Sodium, Na (calc.) Calcium, Ca Magnesium, Mg Barium, Ba Potassium, K 2076 47. 16 16 17	90.60 1.17 .66	pH Specific Gravity, 60, Resistivity (ohm-m Total Hardness	eters) 59 F. 1:61
		WATER	PATTERNS - megl
Chloride, Cl Sulfate, SO ₄ Carbenate, CO ₃ Ricarbenate, HCO ₄ Vulroxide, Oll O	89.4 52 0 3.21	6	STANDARD O O O O O O O O O O O O O O O O O O O
Total Dissolved Solids (calc.) (meas.) Iron, Fe (total) Fe 73 Fe 770 Sulfide, as H ₂ S Non phase			MINITERING THE PROPERTY OF THE
REMARKS & RECOMMENDATIONS:			

Analysi . Dehart

BBKEQUALXLS

EXHIBIT 6 INTEREST EQUALIZATION

1. PICTURED CLIFFS OWNERSHIP

A. NW/4 SEC 32, LEASE # E-178-8

	BEFORE EG	UALIZATION	AFTER EQUALIZATION		
	WI	NRI	WI	NRI	
MERRION OIL & GAS CORP	0.50000	0.35000	0.70000	0.48880	
CINCO GENERAL PARTNERSHIP	0.50000	0.42383	0.30000	0.25430	
EDWARD GERBER TRUST		0. 03691		0. 05228	
IRIS GERBER DAMSON		0.03691		0. 05228	
SIDNEY LAUB		0.02734		0.02734	
STATE OF NEW MEXICO (RLTY)		0.12500		0.12500	
	1 00000	1 00000	1 00000	1 00000	

II. FRUITLAND COAL OWNERSHIP

A. NW/4 SEC 32, LEASE # E-178-8 (50%)

	BEFORE EC	UALIZATION	AFTER EQUALIZATION		
	WI	NRI	WI	NRI	
MERRION OIL & GAS CORP	0.50000	0.35000	0.40000	0.23450	
CINCO GENERAL PARTNERSHIP	9.50000	0.42383	0.60000	0.50859	
EDWARD GERBER TRUST		0.03691		0.05228	
IRIS GERBER DAMSON		0.03691		0.05228	
SIDNEY LAUB		0.02734		0.02734	
STATE OF NEW MEXICO (RLTY)		0.12500		0.12500	
	1.00000	1.00000	1.00000	1.00000	

B. SW/4 SEC 32, LEASE # E-178-9 (50%)

	BEFORE EC	UALIZATION	AFTER EQ	JALIZATION
	WI	NRI	WI	NRI
MERRION OIL & GAS CORP	1.00000	0.70000	1.00000	0.74310
CINCO GENERAL PARTNERSHIP	0.00000	0.00000	0.00000	0.00000
EDWARD GERBER TRUST		0.07383		0.05228
IRIS GERBER DAMSON		0.07383		0.05228
SIDNEY LAUB		0.02734		0.02734
STATE OF NEW MEXICO (RLTY)		0.12500		0.12500
	1.00000	1.00000	1.00000	1.00000

C. NET FRUITLAND OWNERSHIP

	BEFORE EG	QUALIZATION	AFTER EQ	UALIZATION
	WI	NRI	WI	NRI
MERRION OIL & GAS CORP	0.75000	0.52500	0.70000	0.48880
CINCO GENERAL PARTNERSHIP	0.25000	0.21191	0.30000	0.25430
EDWARD GERBER TRUST		0.05537		0.05228
IRIS GERBER DAMSON		0.05537		0.05228
SIDNEY LAUB		0.02734		0.02734
STATE OF NEW MEXICO (RLTY)		0.12500		0.12500
	1.00000	1.00000	1.00000	1.00000

Exhibit 7

Affidavit of Notification

The following companies were sent certified copies of the application for downhole commingling of the Basin Fruitland Coal and the Navajo City Pictured Cliffs Pools in the Blueberry Buckle #1.

- 1.) Meridian Oil Inc.
 P. O. Box 4289
 Farmington, New Mexico 87499
- 2.) Cinco General Partnership
 P. O. Box 451
 Albuquerque, New Mexico 87103
- 3.) Edward Gerber Trust and Iris Gerber Damson c/o Mr. Kenneth Dubroff Cuddy & Feder 90 Maple Ave.
 White Plains, New York 10601

Signed	Date
George F. Sharpe	
	ACKNOWLEDGEMENT
STATE OF NEW MEXICO)
COUNTY OF SAN JUAN	ss)
0 0	ument was acknowledged before me this of 1994, by George F. Sharpe.
My commission expires:	
	Notary Public

Box 1980, Hobbs, NM 88248-1980 District II PO Drawer DD, Artesia, NM 88211-9719 District III 1000 Rio Brazos Rd., Axtes, NM 87410

PO Box 2068, Santa Fe, NM 87504-2068

API Number

District IV

State of New Mexico Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION PO Box 2088 Santa Fe, NM 87504-2088 **EXHIBIT 8**

Form C-102 Revised February 21, 1994

Instructions on back

Submit to Appropriate District Office

State Lease - 4 Copies
Fee Lease - 3 Copies

AMENDED REPORT

WEL	L LOCATION AND	ACREAGE	DEDICATION	PLAT
	² Pool Code		' Poc	A Name

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PO Drawer DD, Artesia, NM 88211-9719 District III

State of New Mexico

OIL CONSERVATION DIVISION PO Box 2088 Santa Fe. NM 87504-2088

EXHIBIT 9

ERED LAND

Certificate Number

Form C-102 Revised February 21, 1994

Instructions on back

Submit to Appropriate District Office State Lease - 4 Copies

1000 Rio Brazos Rd., Aziec, NM 87410 Fee Lease - 3 Copies District IV PO Box 2088, Santa Fe, NM 87504-2088 AMENDED REPORT WELL LOCATION AND ACREAGE DEDICATION PLAT API Number 1 Pool Code W'(Navajo City Pictured Cliffs 96177 30-039-25415 Property Name Property Code · Well Number BLUEBERRY BUCKLE 15047 Operator Name 'OGRID No. Elevation MERRION OIL & GAS CORPORATION 014634 6208' 10 Surface Location North/South line UL or lot no. Section Township Range Lot Ida Feet from the Feet from the East West line County 30N 790 NORTH 790 32 7W West RIO ARRIBA D 11 Bottom Hole Location If Different From Surface Lot Ida Foot from the North/South line Feet from the UL or jot no. Section Township Range Fast West tine County 12 Dedicated Acres 13 Joint or Infill 14 Consolidation Code 15 Order No. 160 NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION 17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is 790 true and complete to the best of my knowledge and belief ₹90**,** E-178-8 Steven S. Dunn Printed Name Operations Manager 18SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was ploued from field notes of actual surveys made by me or under my supervision, and that the same is true and OIL COM. DIV

VII. Lease Ownership

Exhibit 1 shows the current ownership of the two leases involved in the commingling of the two zones. As it stands now, Merrion would own 75% of the coal (W/2, Sec. 32) and 50% of the PC (NW/4, Sec. 32), with Cinco General Partnership owning 25% and 50% respectively. We have come to an agreement with Cinco that if commingling is approved, we will equalize ownership in the two formations on a 70% Merrion, 30% Cinco basis. We have come to a similar agreement with the two overriding royalty owners (the Gerbers) who's interest is different in the two formations. Exhibit 6 summarizes the interests before and after equalization. Both Cinco and the Gerbers have been sent copies of this application and, if necessary, can be reached to confirm the nature of our agreements.

VIII. Offset Ownership Notification

Exhibit 1 is a plat showing the offset ownership. All offset owners have been sent a copy of this application. Exhibit 7 is an affidavit to that effect.

IX. Summary

Sincerely,

George F. Sharpe

Unless commingling is approved, the PC reserves in the NW/4 of Section 32 will never be produced. Because ownership is (or will be) common, commingling the two zones will minimize costs and maximize reserves and value to all parties involved. Therefore, your prompt approval is requested.

Please call me with any questions or if additional information is required.

Ma:	nager - Oil & Gas Investments
xc:	Frank Chavez - NMOCD - Aztec
	Meridian Oil Inc.
	Cinco General Partnership
	Edward Gerber Trust - c/o Ken Dubroff, Cuddy & Feder
	Iris Gerber Damson - c/o Ken Dubroff, Cuddy & Feder
- 1/	i Waiwan
11.	i Mairiam

Name: KIEMARY DUBNOFF Date: 6/34/91