



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

September 26, 2000

Lori Wrotenbery
Director
Oil Conservation Division

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

Telefax No. (505) 326-5900

Administrative Order NSL-961-A

Dear Mr. Sharpe:

Reference is made to the following: (i) your application dated September 19, 2000; and (ii) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe: all concerning Merrion Oil & Gas Corporation's ("Merrion") request for a replacement Fruitland Sand/Pictured Cliffs gas well to be drilled at an unorthodox location within a standard 160-acre gas spacing and proration unit comprising the SW/4 of Section 35, Township 27 North, Range 13 West, NMPM, WAW Fruitland Sand-Pictured Cliffs Pool, San Juan County, New Mexico.

Initial development of WAW Fruitland Sand-Pictured Cliffs Pool gas production within the subject 160-acre gas spacing and proration unit commenced in 1978 when J. Gregory Merrion and Robert L. Bayless drilled the Hi Roll Well No. 2 (API No. 30-045-23033) at an unorthodox gas well location (approved by Division Administrative Order NSL-961 dated June 19, 1978) 2000 feet from the South line and 1850 feet from the West line (Unit K) of Section 35.

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 the Hi Roll Well No. 2 is currently shut-in and that Merrion intends to plug and abandon the well.

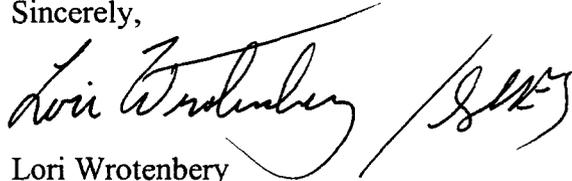
By the authority granted me under the provisions of Division Rule 104.F (2), the following described well to be drilled as a replacement Fruitland Sand/Pictured Cliffs gas well on this 160-acre gas spacing and proration unit at an unorthodox location is hereby approved:

Hi Roll Well No. 2-R
2000' FSL & 1835' FWL (Unit K).

Administrative Order NSL-961-A
Merrion Oil & Gas Corporation
September 26, 2000
Page 2

Further, Division Administrative Order NSL-961 shall be placed in abeyance until further notice.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lori Wrotenbery". To the right of the signature is a handwritten mark that looks like "SLL" or "SLLM".

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Aztec
U. S. Bureau of Land Management - Farmington
File: NSL-961