



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Merrion Oil & Gas Corporation

610 Reilly Avenue

Farmington, New Mexico 87401-2634

Attention: Connie S. Dinning
Production Engineer

January 23, 2004

Lori Wrotenbery

Director

Oil Conservation Division

Telefax No. (505) 326-5900

Administrative Order NSL-4550-A

Dear Ms. Dinning:

Reference is made to the following: (i) your application dated December 15, 2003 that was submitted to the New Mexico Oil Conservation Division ("Division") on December 23, 2003 (*administrative application reference No. pMESO-400635287*); and (ii) the Division's records in Santa Fe and Aztec, including the file on Division Administrative Order NSL-4550: all concerning Merrion Oil & Gas Corporation's ("MOG") request for a non-standard Basin-Fruitland coal gas well location for its existing Blackshawl Com. Well No. 1 (API No. **30-045-30420**) located 493 feet from the North line and 743 feet from the East line (Unit A) of Section 36, Township 30 North, Range 13 West, NMPM, San Juan County, New Mexico. The E/2 of Section 36 is to be dedicated to this well in order to form a standard 320-acre stand-up gas spacing unit for the Basin-Fruitland Coal (Gas) Pool (**71629**).

By Division Administrative Order NSL-4550, dated February 8, 2001 MOG received authorization to drill to and complete the above-described well in the Fulcher Kutz-Pictured Cliffs Pool (**77200**) at an unorthodox gas well location within a standard 160-acre spacing unit comprising the NE/4 of Section 36.

It is our understanding that MOG now indents to perforate the Blackshawl Com. Well No. 1 up-hole into the Fruitland coal gas interval in an attempt to establish gas production and recomplete the well such that production from both the Fruitland coal gas and Pictured Cliffs intervals zones will be downhole commingled. However, pursuant to Rule 7(a)(1) of the "*Special Rules and Regulations for the Basin-Fruitland Coal (Gas) Pool*," as promulgated by Division Order No. R-8768, as amended, the location of this well is also considered to be unorthodox for the proposed 320-acre coal gas unit.

By the authority granted me under the provisions of Rule 7 (b) of these special pool rules, the above-described unorthodox coal gas well location for the Blackshawl Com. Well No. 1 is hereby approved.

Further, all provisions of Division Order NSL-4550 shall remain in full force and affect until further notice.

Sincerely,

Lori Wrotenbery
Director

LW/mes

cc: New Mexico Oil Conservation Division - Aztec
New Mexico State Land Office - Santa Fe
File: Division Administrative Order NSL-4550