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August 5, 2010

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Ms. Florene Davidson
NMOCD
1220 S. St Francis Drive
Santa Fe, New Mexico 87505

CERTIFIED RETURN RECEIPT

Case 14541

**RE: Application for Compulsory Pooling
Basin Fruitland Coal Pool – N/2 of Section 18 (Westland Park 1 & 2)
West Kutz Pictured Cliffs Pool – NW/4 of Section 18 (Westland Park 1)
T29N - R13W, San Juan County, New Mexico**

Dear Ms Davidson:

Merrion Oil & Gas plans to drill the Westland Park #1 and #2 wells to develop the Fruitland Coal and the Pictured Cliffs formations in the N/2 of Section 18, T29N, R13W within the city limits of Farmington. We plan to complete and commingle the Pictured Cliffs and the Fruitland Coal formations in the Westland Park #1 as a vertical well. The Westland Park 2 will be drilled from the same surface location as a horizontal Fruitland Coal well.

Because we are in the city limits of Farmington, the ownership is complex, with dozens of different mineral and leasehold owners. Merrion anticipates that not all of the owners will choose to either lease or participate in the drilling of the wells. **Therefore, the purpose of this application is to compulsory pool the Basin Fruitland Coal Pool on the 250 acre tract in the N/2 of Section 18, and to compulsory pool the West Kutz Pictured Cliff Pool on the 90 ac tract in the NW/4 of Section 18 for the Westland Park 1 well.** We ask that these compulsory pooling requests be joined in the same hearing process. **We request that this matter be set for hearing on your September 16, 2010 docket.**

Please note that Order R-13000 already compulsory pooled the Basin Fruitland Coal Pool in the N/2 of the Section, and that order has been extended through September 30, 2010. However, the wells will not be drilled by that time, and since we are now planning to commingle the Fruitland Coal and Pictured Cliffs formations, we are resubmitting the Fruitland Coal concurrently with the Pictured Cliffs compulsory pooling applications.

Merrion requests that the compulsory pooling be subject to the following terms and conditions:

1. Merrion be named as operator.
2. Provisions be included for applicant and all working interest owners to participate in the costs of drilling, completing, equipping, and operating the wells.

3. In the event a mineral owner or working interest owner fails to elect to participate in the wells, then provisions be included to recoup out of production, the costs of drilling, completing, equipping, and operating the wells, including a risk factor penalty of 200%.
4. Provisions for overhead rates per month drilling and per month operating and a provision providing for a method of adjusting the overhead rates as provided by COPAS.
5. For such other and further relief as may be proper.

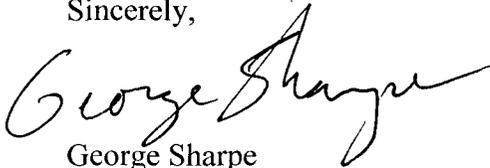
OTHER ASSOCIATED APPLICATIONS

Merrion is aware that it will need NMOCD approval on a number of other applications. We will need approval for Downhole Commingling (DHC), Non-Standard Locations (NSL), and because the NW/4 of Section 18 is a truncated quarter section of only 90 acres, Non-Standard Proration Units (NSP). Applications for DHC, NSL and NSP will be submitted for approval through the administrative process.

NOTIFICATION

Attached is a list of all uncommitted mineral owners and leasehold owners who received copies of this application through certified mail. Tommy Roberts, our attorney, will be preparing a prehearing statement and will represent Merrion Oil & Gas at the hearing. Please let me know if you have any questions or issues with our application.

Sincerely,



George Sharpe
Investment Manager
Merrion Oil & Gas
505-324-5314
gsharp@merrion.bz

cc Aztec NMOCD
Tommy Roberts

| N½ Section 18, T29N, R13W San Juan County NM | | | | | | |
|---|----------------------------|------------------|--------------|------------|-----------------|-----------------|
| Mineral Interests | Address | City | State | Zip | Acres | % of Qtr |
| NW1/4 - | | | | | | |
| Merrion Oil & Gas Leased | | | | | 41.0252 | 45.51% |
| XTO Energy Leased | 810 Houston Street | Fort Worth | TX | 76102 | 38.7500 | 42.98% |
| Humberto Frias | 2904 La Puente St | Farmington | NM | 87401 | 0.2248 | 0.14% |
| Tres Tse Rocks LLC | P O Box 3015 | Durango | CO | 81302 | 10.1500 | 11.26% |
| Total Uncommitted Mineral Owners | | | | | 10.3748 | 11.51% |
| Grand Total NW/4 | | | | | 90.1500 | 1.00 |
| NE1/4 - | | | | | | |
| Merrion Oil & Gas Leased | | | | | 48.0786 | 30.05% |
| Synergy Leased | P O Box 5513 | Farmington | NM | 87499 | 9.3400 | 5.84% |
| XTO Leased | 810 Houston Street | Fort Worth | TX | 76102 | 45.8069 | 28.63% |
| Christine Maestas | 2802 La Salle St | Farmington | NM | 87401 | 0.2596 | 0.16% |
| T K Webster | PO Box 5981 | Farmington | NM | 87401 | 0.2410 | 0.15% |
| Scott & Tammi Stimson | 2714 La Salle St | Farmington | NM | 87401 | 0.2410 | 0.15% |
| Richard Lanzl | 2712 La Salle St | Farmington | NM | 87401 | 0.2410 | 0.15% |
| Alfredo & Reyna Martinez | 2710 La Salle St | Farmington | NM | 87401 | 0.2410 | 0.15% |
| Katherine La Rue | 2708 La Salle St | Farmington | NM | 87401 | 0.2410 | 0.15% |
| Steve & Wendy Gardenhire | 2704 La Salle St | Farmington | NM | 87401 | 0.3227 | 0.20% |
| William Woodall Jr | 2703 La Salle St | Farmington | NM | 87401 | 0.3316 | 0.21% |
| Jones Hewey | 2705 La Salle St | Farmington | NM | 87401 | 0.3934 | 0.25% |
| Achille Vitali | 2708 La Puente St | Farmington | NM | 87401 | 0.2514 | 0.16% |
| Pauline Potter | 306 La Belle Ave | Farmington | NM | 87401 | 0.2244 | 0.14% |
| Carroll Schnabel | 308 La Belle Ave | Farmington | NM | 87401 | 0.2834 | 0.18% |
| Richard Ramos | 2712 La Puente St | Farmington | NM | 87401 | 0.2466 | 0.15% |
| Anthony Espinosa | 2802 La Puente St | Farmington | NM | 87401 | 0.3923 | 0.25% |
| Wesley Lattin | 301 La Belle Ave | Farmington | NM | 87401 | 0.2466 | 0.15% |
| BAC Home Loans | 400 Countrywide Way SV 35 | Simi Valley | CA | 93068 | 0.2400 | 0.15% |
| Gary Cichee | 302 La Crosse Ave | Farmington | NM | 87401 | 0.2354 | 0.15% |
| Peter Klug | 3507 E Campo Bello Dr | Phoenix | AZ | 85032 | 0.2244 | 0.14% |
| Joseph Garcia | 308 La Crosse Ave | Farmington | NM | 87401 | 0.2479 | 0.15% |
| Mathew Zersen | 309 La Belle Ave | Farmington | NM | 87401 | 0.2227 | 0.14% |
| Peter Kakos | 307 La Belle Ave | Farmington | NM | 87401 | 0.2112 | 0.13% |
| Jonathon & Ivy Durfee | 305 La Belle Ave | Farmington | NM | 87401 | 0.2112 | 0.13% |
| John Haxton | 303 La Belle Ave | Farmington | NM | 87401 | 0.2152 | 0.13% |
| Anthony Marinaro | 306 La Cuesta Ave | Farmington | NM | 87401 | 0.1980 | 0.12% |
| Carol Cooper | 308 La Cuesta Ave | Farmington | NM | 87401 | 0.1980 | 0.12% |
| Nazario & Lucinda Salazar | 310 La Cuesta Ave | Farmington | NM | 87401 | 0.1980 | 0.12% |
| Jon Jacobson | 2900 La Puente St | Farmington | NM | 87401 | 0.2467 | 0.15% |
| Carl Mitchell | 309 La Crosse Ave | Farmington | NM | 87401 | 0.2252 | 0.14% |
| Charles Sherman | 307 La Crosse Ave | Farmington | NM | 87401 | 0.2244 | 0.14% |
| Michael C & Janilee Bitsue | 303 La Crosse Ave | Farmington | NM | 87401 | 0.2244 | 0.14% |
| Thomas Strange | 301 La Crosse Ave | Farmington | NM | 87401 | 0.2578 | 0.16% |
| Navajo Shopping Center | P O Box 77 | Gamercio | NM | 87317 | 5.4800 | 3.43% |
| Thirtway Marketing Corp | 501 Airport Dr. Suite 105 | Farmington | NM | 87401 | 10.5600 | 6.60% |
| T C & Sharon Shaffer | 2401 Ridgeview Dr | Farmington | NM | 87401 | 0.7800 | 0.49% |
| Lercy Riley | 2403 Riverside | Farmington | NM | 87401 | 3.0000 | 1.88% |
| BS Enterprises | 101 E. Main St | Farmington | NM | 87401 | 1.5400 | 0.96% |
| Norman & Martha Faver Rev Trust | 1028 West Main St | Farmington | NM | 87401 | 13.0570 | 8.16% |
| NM Department of Transportation | 1120 Cerrillos Road | Santa Fe | NM | 87504 | 5.5600 | 3.48% |
| Isaac Sing-Cheam Lim | 1432 Oak Vista Way | Pleasanton | CA | 94566 | 0.6100 | 0.38% |
| Lechuga Transporation | 2501 W Main | Farmington | NM | 87401 | 0.2900 | 0.18% |
| Bonnie Frazer | 1923 Glade Rd | Farmington | NM | 87401 | 0.9600 | 0.60% |
| Mary Mae Goodding Trust | 2311 W. Apache | Farmington | NM | 87401 | 4.1600 | 2.60% |
| DBL Systems 7 LLC | 3801 W Clarendon | Phoenix | AZ | 85019 | 1.4700 | 0.92% |
| Northern Properties I LLC Attn Wendy's | 1515 N. Academy Blvd, #400 | Colorado Springs | CO | 80909 | 0.8200 | 0.51% |
| Ruby Leclair | 303 La Cuesta | Farmington | NM | 87401 | 0.4100 | 0.26% |
| David Crow | 301 La Cuesta | Farmington | NM | 87401 | 0.3400 | 0.21% |
| Total Uncommitted Mineral Owners | | | | | 56.7745 | 35.48% |
| Total NE/4 | | | | | 160.0000 | 100.00% |
| TOTAL N/2 SUMMATION | | | | | | |
| Merrion Oil & Gas Leased | | | | | 89.1038 | 35.62% |
| XTO Leased | | | | | 84.5569 | 33.80% |
| Synergy Leased | | | | | 9.3400 | 3.73% |
| Total Uncommitted Mineral Owners | | | | | 67.1493 | 26.84% |
| | | | | | 250.1500 | 100.00% |