

NCL

2/21/97

MERRION

OIL & GAS



February 24, 1997

Mr. William J. LeMay, Director
New Mexico Oil Conservation Division
2040 South Pacheco
Santa Fe, NM 87505

11766

3 north of La Plata

**Re: Application of Merrion Oil & Gas
Non-Standard Location
Compulsory Pooling
Havasu #1
Basin Fruitland Coal Pool
S/2 Section 22, T32N, R13W
San Juan County, New Mexico**

Dear Mr. LeMay:

Merrion Oil & Gas Corporation plans to drill the Havasu #1 at a location of 790' FSL, 790' FEL, Section 22, T 32N, R 13W, San Juan County, New Mexico. In that regard we request approval for the following:

1.) Non-Standard Location

While the well is at standard footages from the proration unit boundary, it is located in the SE/4 instead of the standard SW/4 outlined in the Basin Fruitland Coal Pool Rules. Merrion desires to drill in the SE/4 for both topographic and geologic reasons. If drilled in the SW/4, the well would have to be either in the river plain or on the west side of the La Plata River. This would put the well closer to homes that are near the river and/or would require a river crossing with our gas pipeline.

Geologically, the Fruitland Coal outcrop cuts across the NW/4 of the section. A well in the SE/4 is expected to top the main coal at a depth of 1332' versus a depth of around 600' in the SW/4. Because the reservoir pressure at the deeper location will be double that at the shallower location, the well is expected to have far greater productivity and ultimate reserves. Therefore, Merrion requests approval to drill the well at non-standard location in the SE/4 of the section.

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2). Compulsory Pooling

The spacing unit is made up of a number of fee and one federal lease. Because of difficulty locating and/or negotiating with a few mineral owners, Merrion has been unable to obtain leases on all the acreage in the spacing unit. Therefore, Merrion requests your approval for compulsory pooling of these interests for the drilling of this well based upon terms and conditions which include:

- a.) Merrion Oil & Gas Corp. be named operator;
- b.) Provisions for applicant and all working interest owners to participate in the costs of drilling, completing, equipping, and operating the well;
- c.) In the event a mineral owner or working interest owner fails to elect to participate, then provision be made to recoup out of production, the costs of the drilling, completing, equipping, and operating the well, including a risk factor penalty of 156%;
- d.) Provisions for overhead rates per month drilling and per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS; and
- e.) For such other and further relief as may be proper.

Attached in support of this application are the following:

- 1.) Well location plat showing spacing unit and offset operators.
- 2.) Lease plat showing lease ownership within the spacing unit.
- 3.) Affidavit that all offset operators and unleased mineral owners have received copies of this application.

Please let me know if additional information is needed. Please schedule this matter for hearing for Thursday, April 10, 1997.

Sincerely,



George F. Sharpe
Manager - Oil & Gas Investments

xc: Frank Chavez - OCD, Aztec
Well File

EXHIBIT 1

HAVASU #1 WELL LOCATION PLAT OFFSET OPERATOR PLAT T32N, R13W, San Juan County, NM

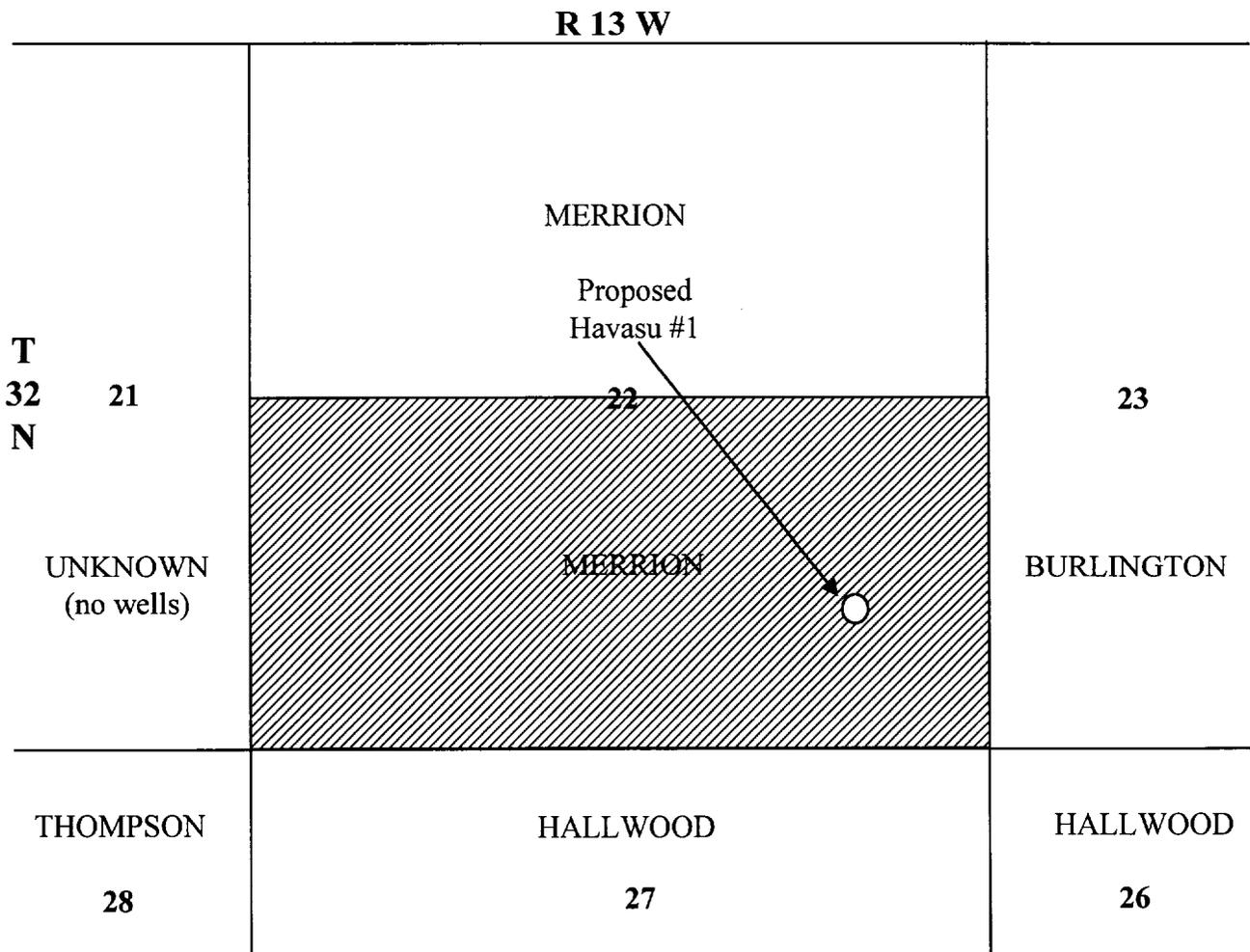
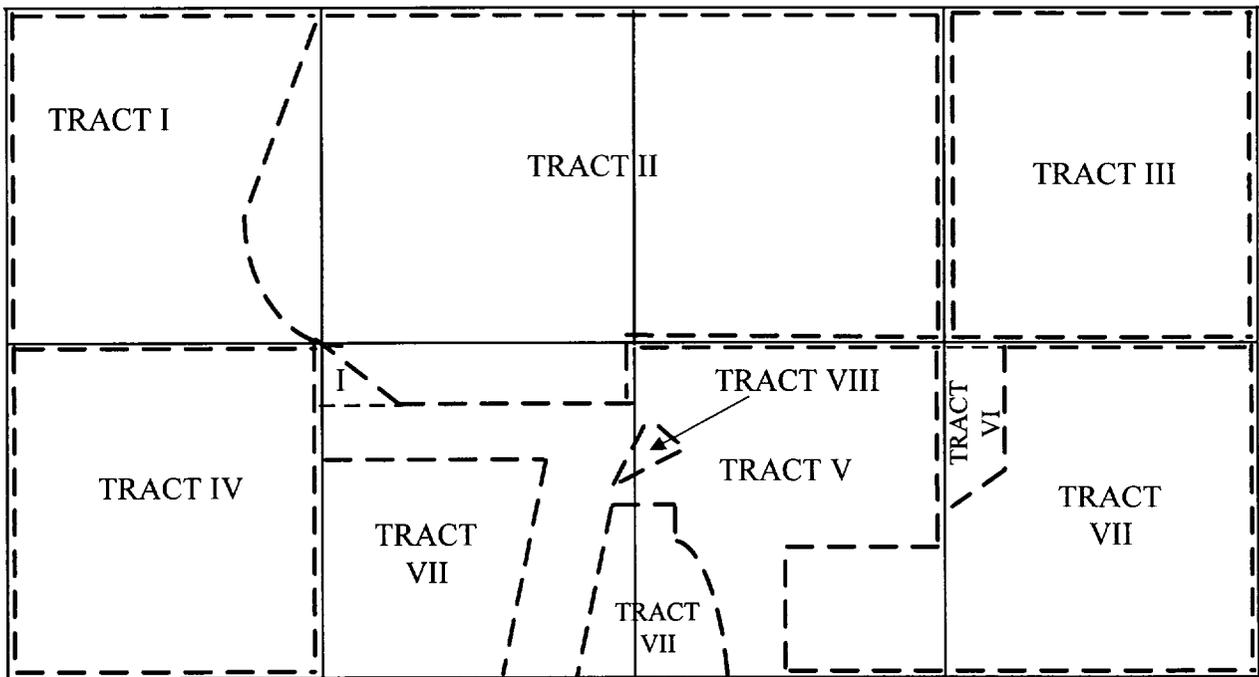


EXHIBIT 2

HAVASU #1 LEASE OWNERSHIP PLAT S/2 Sec. 22, T32N, R13W San Juan County, NM



<u>Tract</u>	<u>Acres</u>	<u>Ownership</u>
I	34.6493	100% Merrion
II	90.4009	80% Merrion, 20% Fields
III	40	100% Burlington
IV	39.95	100% Merrion
V	40.27	100% Merrion
VI	3.68	100% Merrion
VII	72.30	100% Merrion
VIII	.92	100% E. Waymen-Palmer
Total	322.1702	81.68664% Merrion, 12.4158% Burlington, 5.612% Fields, .28556% Palmer

Exhibit #3

AFFIDAVIT OF NOTIFICATION

The following individuals and companies were sent certified copies of the application for a Non-standard Location and Compulsory Pooling of the Havasu #1 well in the Basin Fruitland Coal Pool.

- 1.) Burlington Resources
P.O. Box 4289
Farmington, NM 87499
- 2.) Hallwood Petroleum
Attn: Ms. Connie Heath
4582 S. Ulster Street Parkway, Suite 1700
Denver, CO 80237
- 3.) Thompson Engineering
7415 E. Main
Farmington, NM 87402
- 4.) Harold Fields Estate
7020 S. 12th Street, Apt. 2901
Tacoma, WA 78465-1739
- 5.) Eeon and Gretchen Waymen-Palmer
P.O. Box 324
La Plata, NM 87418

George F. Sharpe
 George F. Sharpe
 MERRION OIL & GAS CORPORATION

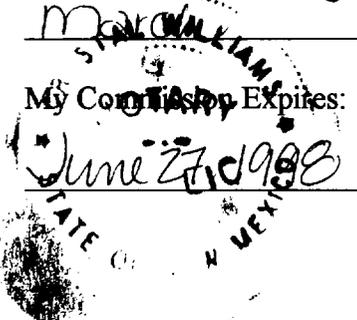
3-6-97
 Date

ACKNOWLEDGEMENT

STATE OF NEW MEXICO)
) ss.
 COUNTY OF SAN JUAN)

The above foregoing instrument was acknowledged before me this 6th day of March, 1997.

My Commission Expires:



Gayle Williams
 Notary Public