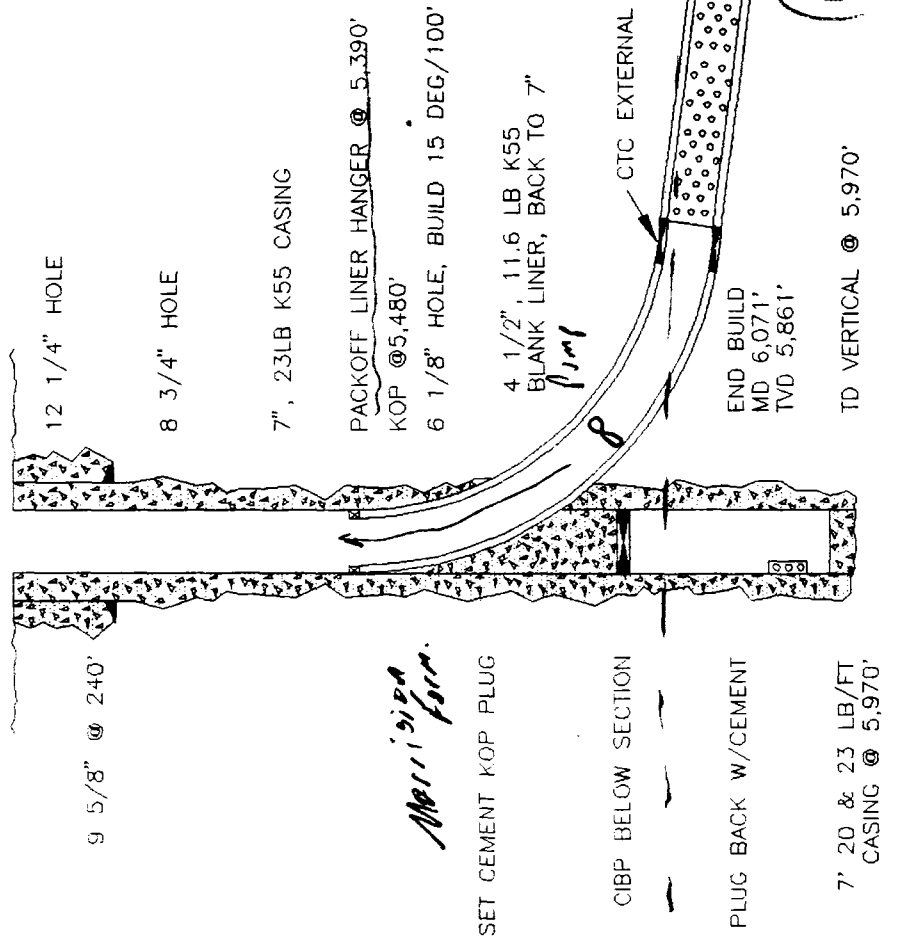


- OPTION #2
- 1) DRILL VERTICAL THRU ENTRADA TO CONFIRM GEOLOGY
 - 2) SET 7" @ TD COMPLETE ENTRADA, TEST
 - 3) MILL SECTION, DRILL HORIZONTAL WELL

LOCATION 750' FNL & 2450' FEL
SEC 28, T20N, R5W
MC KINLEY COUNTY, N.M.

ELEVATIONS: KB 6,779,
GL 6,767



MERRION OIL & GAS CORP.
610 REILLY AVE., FARMINGTON, NEW MEXICO
(505) 327-9801

FEDERAL 28 NO. 1
HORIZONTAL WELL
PRELIMINARY WELLBORE SCHEMATIC

ENGINEERING: STEVE DUNN
DRAFTING: M.E.G.
DATE: 1/15/91
SCALE: EXAGGERATED

EXHIBIT NO. 3
CASE 10196
NMOC D HEARING
FEB. 7, 1991

Talillo line
Entrada
4 1/2", 11.6, K-55 PREPERFORATED LINER