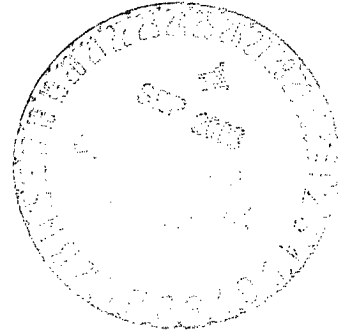


MERRION

OIL & GAS

September 24, 2003

Mr. Frank Chavez
NMOCD
1000 Rio Brazos Rd.
Aztec, NM 87410



Re: Allocation of Production
Downhole Commingling - Order DHC-3062
Basin Fruitland Coal Pool and WAW Fruitland / Pictured Cliffs Pool
Chaco Com 1 - API #30-045-22309
Section 18, T26N, R12W
San Juan County, New Mexico

Dear Mr. Chavez:

Pursuant to the subject order, production from the Fruitland Coal and Pictured Cliffs was commingled in the Chaco Com 1 beginning with July, 2003 production. As stated in the application, 100% of the gas and water from the well is being allocated to the Fruitland Coal.

Please call me at 505-327-9801 x114 with questions or if additional information is required.

Sincerely,

A handwritten signature in cursive script, reading "George Sharpe", is written over the typed name.

George F. Sharpe
Manager – Oil & Gas Investments
gsharp@merrion.bz