



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
BETTY RIVERA
Cabinet Secretary

May 24, 2002

Lori Wrotenberg
Director
Oil Conservation Division

Merrion Oil & Gas Corporation
610 Reilly Avenue
Farmington, New Mexico 87401

Attention: George F. Sharpe

Re: *Administrative application for an exception to the well location provisions (Rule 7) of the "Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool," as promulgated by Division Order No. R-8768, as amended.*

Dear Mr. Sharpe:

This letter acknowledges the receipt of your administrative application dated May 14, 2002 seeking authorization to recomplete the existing Panther Well No. 2 (API No. 30-045-29574) by perforating the Fruitland coal interval at an unorthodox off-pattern Basin-Fruitland coal gas well location within a proposed standard 320-acre lay-down gas spacing unit comprising the S/2 of Section 25, Township 30 North, Range 13 West, NMPM, Basin-Fruitland Coal (Gas) Pool, San Juan County, New Mexico that is 832 feet from the South line and 1835 feet from the East line (Unit O) of Section 25. The Division received your application on May 16, 2002, and assigned it NMOCD reference No. pKRV0-213734804. Please refer to this number in future correspondence with the Division.

Having received several applications in the past to recomplete existing wells to the Basin-Fruitland Coal (Gas) Pool at unorthodox coal gas well locations which are off-pattern for coal gas development, it appears that additional information may be necessary to properly evaluate future filings in instances when there are at least two wells within the proposed coal spacing unit producing from the same formation in which the one to be recompleted is also off-pattern.

Within the proposed S/2 unit, Merrion Oil & Gas Corporation operates a Pictured Cliffs producing well within the SW/4 of Section 25, the Panther Well No. 1 (API No. 30-045-29573), located at a standard coal gas well location in Unit "M" of Section 25. Why was the No. 2 well chosen over this well? Also, how does this off-pattern recompletion effect coal gas development in the immediate area? Please submit any support production data, engineering evaluation, wellbore design, and related technical data to support your choice of wells for recompletion. Also submit a plat of the offsetting sections showing planned coal gas completions or currently producing wells and provide a discussion addressing the proposed off-pattern development.

Further, the rules governing this pool provide that "all operators or owners of undrilled tracts offsetting the proposed [unorthodox] shall be notified" (see **Rule 8** of the "Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool," as promulgated by Division Order No. R-8768, as amended).

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Since the submitted information is insufficient to review at this time, the application was ruled as incomplete on May 24, 2002. Please submit the above stated information by Friday, May 31, 2002.

The Division can not proceed with your application until the required information is submitted. Upon receipt, the Division will continue to process your application. The additional information can be faxed to (505) 476-3471, or mailed to the Division in Santa Fe. If the necessary information is not submitted, your application will be returned to you.

Should you have any questions concerning this matter, please contact me in Santa Fe at (505) 476-3465. Thank you. ,

Sincerely

A handwritten signature in black ink, appearing to read "Michael E. Stogner", with a long horizontal flourish extending to the right.

Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division – Aztec