



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

BETTY RIVERA

Cabinet Secretary

Lori Wrotenbery

Director

Oil Conservation Division

June 24, 2002

Merrion Oil & Gas Corporation

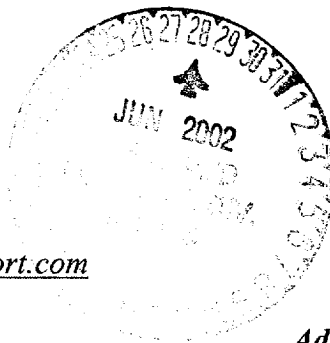
610 Reilly Avenue

Farmington, New Mexico 87401

Attention: George F. Sharpe

gsharp-merrion@cyberport.com

Telefax No. (505) 326-5900



Administrative Order NSL-4753

Dear Mr. Sharpe:

Reference is made to the following: (i) your preliminary application submitted to the New Mexico Oil Conservation Division ("Division") on May 16, 2002 (*application reference No. pKRV0-213734804*); (ii) the Division's initial response by letter from Mr. Michael E. Stogner, Hearing Officer/Engineer with the Division in Santa Fe, requesting additional information; (iii) your reply to Mr. Stogner by telefax on Wednesday, May 29, 2002; (iv) Mr. Stogner's second letter of May 29, 2002 seeking additional information necessary to complete this application; (v) your reply by telefax on June 4, 2002 which served to complete this application but also made it necessary to reassign a new suspense date of June 24, 2002; and (vi) the records of the Division in Aztec and Santa Fe: all concerning Merrion Oil & Gas Corporation's ("Merrion") request for an off-pattern non-standard Basin-Fruitland coal gas well location for the existing Panther Well No. 2 (API No. 30-045-29574), located 832 feet from the South line and 1835 feet from the East line (Unit O) of Section 25, Township 30 North, Range 13 West, NMPM, Basin-Fruitland Coal (Gas) Pool (71629), San Juan County, New Mexico.

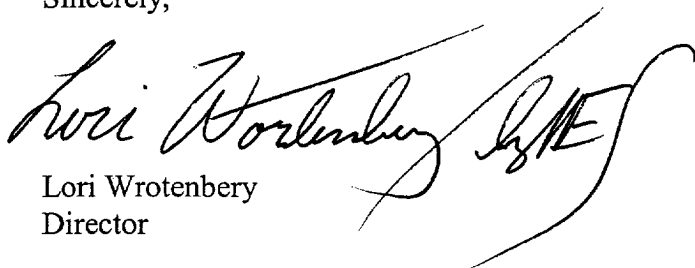
The S/2 of Section 25 is to be dedicated to this well in order to form a standard 320-acre lay-down gas spacing and proration unit for the Basin-Fruitland Coal (Gas) Pool.

According to the Division's well records, the Panther Well No. 2 was drilled to a total depth of 1,841 feet in the 1998 and completed in the Fulcher Kutz-Pictured Cliffs Pool at a standard gas well location within a standard 160-acre gas spacing and proration unit comprising the SE/4 of Section 25 [see Division Rule 104.C (3)]. It is our understanding that Merrion now intends to perforate the Basin-Fruitland coal gas interval and recomplete the well such that production from both intervals will be commingled downhole upon issuance of this order. Pursuant to 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, the location of this well is considered to be off-pattern and non-standard for the proposed lay-down 320-acre unit.

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By the authority granted me under the provisions of 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, the above-described unorthodox coal gas well location is hereby approved.

Sincerely,

A handwritten signature in black ink, appearing to read "Lori Wrotenbery", followed by a large, stylized flourish or initial "LW".

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Aztec
U. S. Bureau of Land Management - Farmington