



NEW MEXICO ENERGY, MINERALS  
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505  
(505) 827-7131

July 18, 1996

Hallwood Petroleum, Inc.  
c/o Kellahin & Kellahin  
P. O. Box 2265  
Santa Fe, New Mexico 87504-2265

Attention: W. Thomas Kellahin

RECEIVED  
JUL 19 1996

Telefax No. (505) 982-2047

OIL CONSERVATION DIV.

Head 27 #1  
H-27-32N-13W

RE: Case 11572: Application of Hallwood Petroleum, Inc. for an order pooling all mineral interests in the Basin-Fruitland Coal (Gas) Pool underlying the N/2 of Section 27, Township 32 North, Range 13 West, NMPM, San Juan County, New Mexico, thereby forming a standard 320-acre spacing and proration and proration unit for said pool. Said unit is to be dedicated to a well to be drilled and completed at a standard coal gas well location in the SE/4 NE/4 (Unit H) of said Section 27.

Dear Mr. Kellahin:

The Division received the attached application from Merrion Oil & Gas Corporation and has set this matter for hearing on the August 8, 1996 Examiner's Docket. Merrion's application also included a request for the continuance of Hallwood's Case No. 11572 to the August 8th hearing, before rendering a decision on this request a response from Hallwood is appropriate.

Hopefully a mutually acceptable solution can be reached by both parties in all issues related to these cases.

Sincerely,

Michael E. Stogner  
Chief Hearing Officer/Engineer

cc: OCD - Aztec  
George F. Sharpe - Merrion Oil & Gas Corporation, Farmington [Telefax No. (505) 326-5900]

JUL-16-96 16:11 FROM MERRION OIL

# MERRION

OIL & GAS

July 10, 1996

Mr. Michael Stogner  
New Mexico Oil Conservation Division  
2040 S. Pacheco  
Santa Fe, New Mexico 87505

Fax 505-827-8177


**Re: Mead 27-1 Compulsory Pooling Application**  
**Section 27, T32N, R13W**  
**San Juan County, New Mexico**

Dear Mr. Stogner:

Per our phone conversation, enclosed are two copies of our application for compulsory pooling of the subject well. This is a "parallel" application with one already made by Hallwood Petroleum which is on the July 25, 1996 docket. We hope that case will get continued so we might hear them both on August 8, 1996.

Please call with any questions.

Sincerely,



George F. Sharpe  
Manager - Oil & Gas Investments

xc: NMOCD - Aztec  
CW, TGM  
Tommy Roberts

Encl. 114

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION  
OF MERRION OIL & GAS CORPORATION  
FOR COMPULSORY POOLING,  
SAN JUAN COUNTY, NEW MEXICO

CASE NO. \_\_\_\_\_

APPLICATION

Comes now MERRION OIL & GAS CORPORATION, in accordance with Section 70-2-17(c) (1978) applies to the New Mexico Oil Conservation Division for an order pooling all mineral interests in the Basin Fruitland Coal Gas Pool underlying the N/2 of Section 27, T32N, R13W, NMPM, San Juan County, New Mexico, forming a standard 320-acres spacing and proration unit for any production from the Undesignated Basin Fruitland Coal Gas Pool. Said unit is to be dedicated to its Mead 27-1 Well to be drilled and completed at a standard well location in Unit H of said Section 27. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of Merrion Oil & Gas Corporation as the operator of the well and a charge for risk involved in said well.

WHEREFORE, Merrion, as applicant, requests that this application be consolidated with the application of Hallwood Petroleum Inc. dated July 2, 1996, covering said well, and be set for hearing on August 8, 1996, before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in the appropriate spacing unit for the drilling of the subject well at a standard well location upon terms and conditions which include:

1. Merrion Oil & Gas Corporation be named operator;
2. Provisions for applicant and all working interest owners to participate in the costs of drilling, completing, equipping and operating the well;
3. In the event a working interest owner fails to elect to participate, then provision be made to recover out of production, the costs of the drilling, completing, equipping and operating the well, including a risk factor penalty of 200%;
4. Provision 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;

NMOCD Application  
Merrion Oil & Gas Corporation  
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5. Provisions pooling any non-participating royalty interest owners; and
6. For such other and further relief as may be proper.

In accordance with the Division's notice requirements, a copy of this application has been sent by certified mail to the following working interest owners in the well:

EM Nominee Partnership Company  
4582 South Ulster Street Parkway, Suite 1700  
Denver, CO 80237

Hallwood Consolidated Partners, L.P.  
4582 South Ulster Street Parkway, Suite 1700  
Denver, CO 80237

Union Oil Company of California  
P.O. Box 4551  
Houston, TX 77210-4551

Yours truly,

MERRION OIL & GAS CORPORATION



George F. Sharpe  
Manager-Oil & Gas Investments

# MERRION

OIL & GAS

July 9, 1996

TO ALL INTERESTED PARTIES ENTITLED TO NOTICE  
OF HEARING OF THE FOLLOWING NEW MEXICO  
OIL CONSERVATION DIVISION CASE:

RE: Application of Merrion Oil & Gas Corporation  
for Compulsory Pooling  
San Juan County, New Mexico

Enclosed please find our application for a compulsory pooling for the Mead 27-1 Well which has been set for hearing on the New Mexico Oil Conservation Division Examiner's docket now scheduled for August 8, 1996. The hearing will be held at the Division hearing room located in Santa Fe, New Mexico.

As an interest owner who may be affected by the application, we are notifying you of your right to appear at the hearing and participate in this case, including the right to present evidence either in support of or in opposition to the application. Failure to appear at the hearing may preclude you from any involvement in this case at a later date.

Pursuant to the Division's Memorandum 2-90, you are further notified that if you desire to appear in this case, then you are requested to file a Pre-Hearing Statement with the Division no later than 4:00 PM on Friday, August 2, 1996, with a copy delivered to the undersigned.

Yours truly,

MERRION OIL & GAS CORPORATION



George F. Sharpe  
Manager-Oil & Gas Investments

cc: By certified mail-Return receipt requested to all parties listed in application.