

CINCO GENERAL PARTNERSHIP  
Oil & Gas Exploration and Production  
P. O. Box 451  
Albuquerque, New Mexico 87103-0451

OIL CONSERVATION DIVISION  
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July 8, 1994

Mr. William Lemay  
Director  
New Mexico Oil Conservation Division  
P O Box 2088  
Santa Fe NM 87503

Re: Merrion Oil & Gas Corporation  
Application for Administrative Approval of Downhole Commingling  
Basin Fruitland Coal and Navajo City Pictured Cliffs Pools  
Lease E-178-8, Blueberry Buckle #1 Well  
Section 32, Township 30 North, Range 7 West  
Rio Arriba County, New Mexico

Dear Mr. Lemay:

Cinco General Partnership supports Merrion Oil & Gas Corporation's application for downhole commingling in the Blueberry Buckle #1 of the Basin Fruitland Coal and the Navajo City Pictured Cliffs Pools.

Cinco has determined that it would be uneconomic to drill a separate Pictured Cliffs well. Based on this economic evaluation, we have negotiated an agreement with Merrion to equalize ownership in the two formations on a 70% Merrion and 30% Cinco basis. This equalization will allow both parties to minimize costs and maximize reserves.

In summary, unless commingling is approved the Pictured Cliffs reserves in the NW/4 of Section 32 cannot be economically produced. We have reached an agreement with Merrion to prudently develop both the Fruitland Coal and Pictured Cliffs reserves subject to your prompt approval of the above referenced commingling application.

Very truly yours,



Frank D. Gorham III  
Managing Partner

FDGIII/ch

c: George Sharpe  
Merrion Oil & Gas Corporation

Kenneth Dubroff  
Gerber Interest