



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

August 28, 2007

Brian Wood agent for
Merrion Oil & Gas Corporation
610 Reilly Avenue
Farmington, NM 87401

RE: Hickman A Well No. 1E (API No 30-045-33936)

1070 feet from the South Line, 813 feet from the East line, Unit P
Section 10, Township 26 North, Range 12 West, NMPM, San Juan County
S/2 (320 Acres) Section 10 Gas Well Dedication
Gallegos-Gallup Associated Pool (26980)

Administrative Order NSL-5676

Dear Mr. Wood:

Reference is made to the following:

(a) your application (administrative application reference No. pTDS0722737281 for non-standard location [NSL]) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico, on behalf of Merrion Oil & Gas Corporation, OGRID 14634 ("Merrion"); and

(b) the Division's records pertinent to Merrion's request.

Merrion proposes to drill a vertical well for gas production from the Gallup formation within the Gallegos-Gallup Associated Pool (26980). Merrion proposes to drill this well at the above referenced non-standard well location to avoid the right-of-way for a power line. Merrion contends that a deviated well would be cost prohibitive. This proposed vertical well is unorthodox because it is to be located only 250 feet from the northern boundary of the quarter-quarter (Unit P) containing the well.

The proposed well is to be located within the S/2 spacing unit containing also the Hickman "A" Well No. 1R (located in Unit K) and would be the second gas well in this unit.

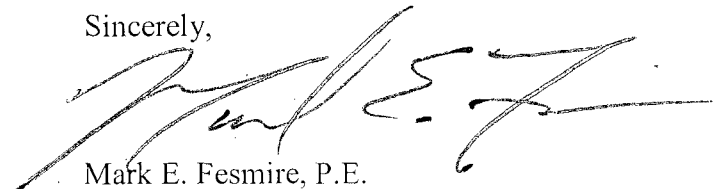
The Gallegos-Gallup Associated Pool is governed by Commission Order R-5353. This order established 80 acre oil or 320 acre gas spacing units and requires wells to be located no

closer than 330 feet from any quarter-quarter section and no closer than 790 from any quarter section boundary. Rule 2 of this Order allows the Division to grant topographic exceptions to the location rules after the applicant has provided notice.

Your application on behalf of Merrion has been duly filed and notice has been provided. In order to prevent waste and protect correlative rights, the above-described non-standard well location within the Gallegos-Gallup Associated Pool is hereby approved.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,



Mark E. Fesmire, P.E.
Director

MEF/wvj

cc: Oil Conservation Division – Aztec
Bureau of Land Management – Farmington