

MERRION OIL & GAS CORPORATION

610 REILLY AVE. • P. O. Box 840

FARMINGTON, NEW MEXICO 87499

January 16, 1992

Mr. Mike Stogner
New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87503

RE: Request for Testing Approval
Escovada No. 1
SESW, Section 8, T21N, R8W
San Juan County, New Mexico
Snake Eyes Dakota "D" Pool



Dear Mr. Stogner:

We request your approval to sell gas from the subject well on a test basis prior to your approval for an unorthodox location (application attached). Our reasoning is as follows:

The Escovada #1 was drilled in December of 1991 as a wildcat well with an Entrada target. The Entrada did not contain commercial oil. However, the Dakota was drill stem tested at 3 MMCFD. Therefore, on December 8, 1991, we set casing through the Dakota section and moved the drilling rig off. We moved a completion rig on the well on 1-16-92, and expect to have it ready to produce by 1-24-92.

In the long term, we need to make significant expenditures for facilities and a 1.5 mile pipeline to get the gas to the Snake Eyes Dakota Field gas plant. However, the recent performance of our two Snake Eyes Dakota wells (Santa Fe 20-4 and Snake Eyes #2) which came on line in December cause us to worry about the economics of the Escovada #1. They are making a combined rate of 200 MCFD and 1500 BWPD, with very similar log characteristics (small gas zone sitting on large water zone) as the Escovada. Therefore, before making the large investment, we would like to test the Escovada #1 for an extended 90 day period to help convince ourselves that the reserves are present.

We have obtained an agreement with Gas Company of New Mexico to allow us to produce the well through the middle of April into their line without processing the gas through the gas plant. After that date, however, the volumes in their main line drop to the point that the

Mr. Mike Stogner
Page Two
January 16, 1992

Escovada gas will not be sufficiently diluted, and the unprocessed gas will begin to give them operational problems. Therefore, we have a very tight window in which to test the well and make a significant economic decision. We request that you allow us to start the test and sell the gas before the 20-30 day approval on the non-standard location application. Please note that besides one lease owned by Ronadero, Merrion owns all the surrounding acreage. Also note that the Escovada #1 is only 50' outside the standard "window", and it is away from the Ronadero lease.

We appreciate your consideration in this matter. In lieu of our heavy expenditures for little production in the two existing Snake Eyes wells, it is very important for us to know what we have before blindly spending more.

Sincerely,



George F. Sharpe
Petroleum Engineer

GFS/eg

CC: Steven Dunn
Well File
NMOCD-Aztec, NM

MERRION OIL & GAS CORPORATION

610 REILLY AVE. • P. O. BOX 840
FARMINGTON, NEW MEXICO 87499OIL CONSERVATION DIVISION
RECEIVED

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January 16, 1992

Mr. Mike Stogner
New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87503RE: Escovada No. 1
990' FSL & 1900' FWL
Section 8, T21N, R8W
San Juan County, New MexicoNSL-3091

Dear Mr. Stogner:

This is a request for administrative approval for a non-standard gas well location in the Snake Eyes Dakota "D" pool.

Merrion Oil & Gas plugged back and completed the Escovada No. 1 well from the Wildcat Entrada to the Snake Eyes Dakota "D" Pool. The current location of this well is 990' FSL & 1900' FWL, Section 8, T21N, R8W, San Juan County, New Mexico. This well is considered non-standard because it is closer than 790 feet from an external boundary of the spacing unit. To comply with the NMOCD rules, Merrion is submitting the following for your approval of this non-standard location:

1. C-102 plat showing location of the well;
2. Plat showing offset owners/operators;
3. Affidavit of notification of offset owners/operators;

A copy of this application is being submitted to all offset owners/operators by certified mail with a request that they furnish your Santa Fe office with a Waiver of Objection, and return one copy to this office.

Sincerely,

George F. Sharpe
Petroleum Engineer

GFS/eg

CC: ✓ Ronadero Company-Casper, Wyoming
George SharpeNMOCD-Aztec, NM
Well FileWAIVERRONADERO COMPANY, INC., hereby waives objection to Merrion Oil & Gas Corporation's application for a non-standard location for their Escovada No. 1 well as proposed above.By: Rohit W. Managan PresidentDate: 1-23-92

MERRION OIL & GAS CORPORATION

610 REILLY AVE. • P. O. Box 840
 FARMINGTON, NEW MEXICO 87499

January 16, 1992

Mr. Mike Stogner
 New Mexico Oil Conservation Division
 P. O. Box 2088
 Santa Fe, New Mexico 87503

RE: Escovada No. 1
 990' FSL & 1900' FWL
 Section 8, T21N, R8W
 San Juan County, New Mexico



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Sincerely,

George F. Sharpe
 Petroleum Engineer

GFS/eg

CC: Ronadero Company-Casper, Wyoming
 George Sharpe

NMOCD-Aztec, NM
 Well File

WAIVER

RONADERO COMPANY, INC., hereby waives objection to Merrion Oil & Gas Corporation's application for a non-standard location for their Escovada No. 1 well as proposed above.

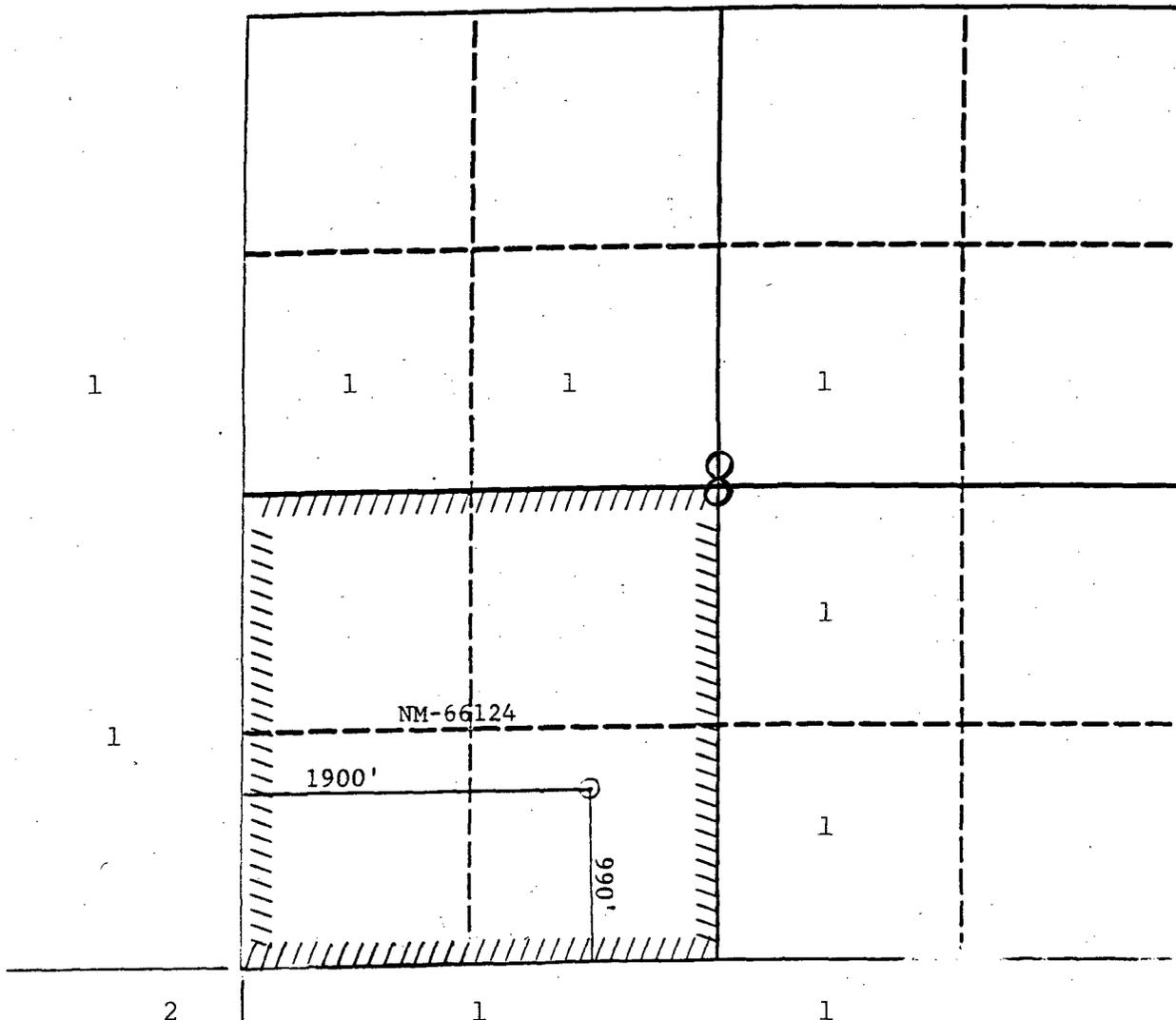
By: _____

Date: _____

MERRION OIL & GAS CORPORATION

ESCOVADA No. 1
990' FSL & 1900' FWL
Section 8, T21N, R8W
San Juan County, New Mexico

APPLICATION FOR NON-STANDARD PRORATION UNIT



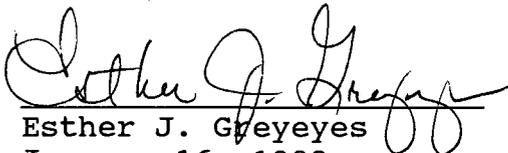
- 1) Merrion Oil & Gas Corp., Box 840, Farmington, NM 87499
- 2) Ronadero Company, Inc., Box 2520, Casper, Wyoming 82602

ESCOVADA NO. 1
990' FSL & 1900' FWL
Section 8, T21N, R8W
San Juan County, New Mexico

I hereby certify that the following offset owners/operators have been notified by certified mail of our application for administrative approval for a non-standard gas well location.

Ronadero Company, Inc.
P. O. Box 2520
Casper, Wyoming 82602

San Juan County }
 }
State of San Juan }



Esther J. Greyeyes
January 16, 1992

My Commission Expires: August 7, 1994



Submit to Appropriate District Office
 State Lease - 4 copies
 Fee Lease - 3 copies

State of New Mexico
 Energy, Minerals and Natural Resources Department

Form C-102
 Revised 1-1-89

OIL CONSERVATION DIVISION
 P.O. Box 2088
 Santa Fe, New Mexico 87504-2088

DISTRICT I
 P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
 P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
 1000 Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT
 All Distances must be from the outer boundaries of the section

CONFIDENTIAL

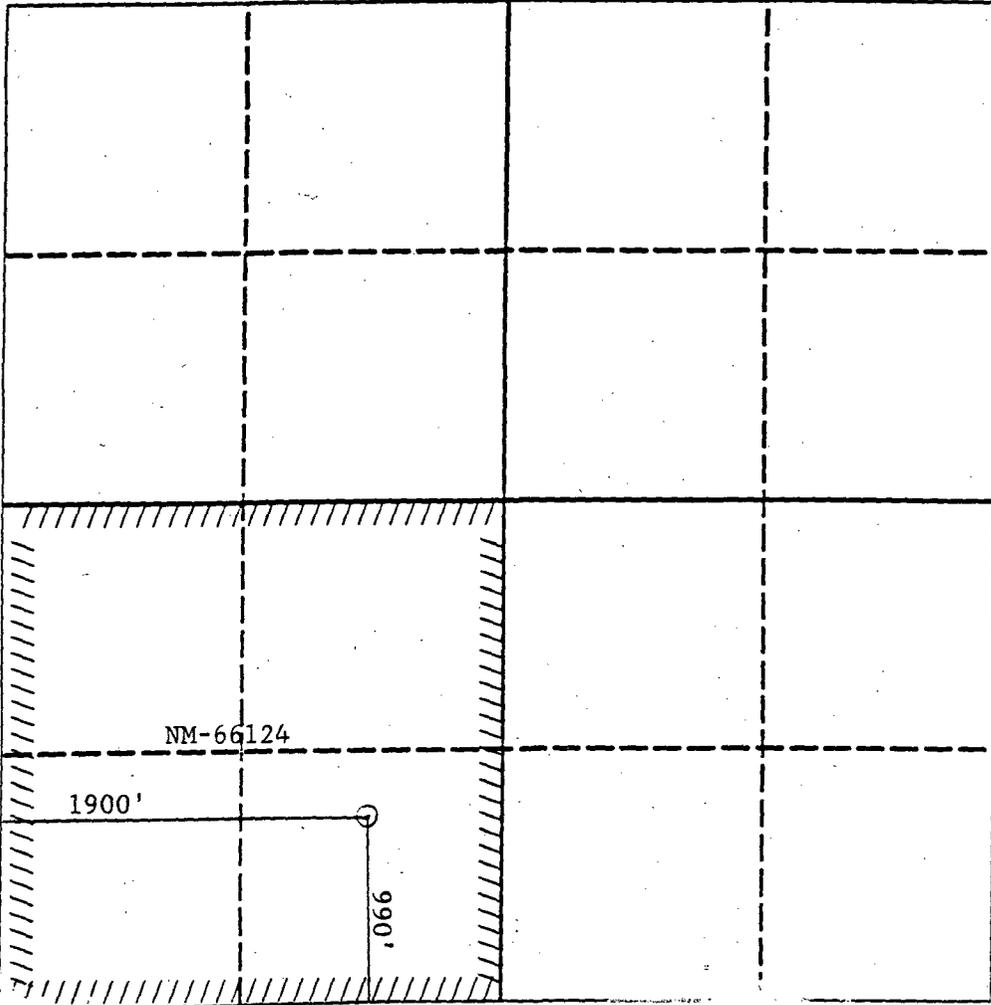
Operator MERRION OIL & GAS CORPORATION			Lease ESCOVADA		Well No. 1
Unit Letter N	Section 8	Township 21N	Range 8W	County NMPM San Juan	
Actual Footage Location of Well: 990 feet from the South line and 1900 feet from the West line					
Ground level Elev. 6602'	Producing Formation Dakota		Pool Snake Eyes Dakota "D"	Dedicated Acreage: 160 Acres	

- Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.?

Yes No If answer is "yes" type of consolidation _____

If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.)

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.



OPERATOR CERTIFICATION
 I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature: *George F. Sharpe*

Printed Name: George F. Sharpe

Position: Petroleum Engineer

Company: Merrion Oil & Gas Corp.

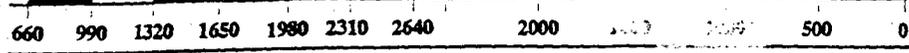
Date: 1/10/92

SURVEYOR CERTIFICATION
 I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed: _____

Signature & Seal of Professional Surveyor: _____

Certificate No. _____



P 337 986 546

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL
(See Reverse)

Sent to Ronadero Company, Inc.	
Street and No. P. O. Box 2520	
P.O., State and ZIP Code Casper, Wyoming 82602	
Postage \$.52	
Certified Fee \$ 1.00	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	
Return Receipt showing to whom, Date, and Address of Delivery \$ 1.00	
TOTAL Postage and Fees \$ 2.52	
Postmark or Date 1/16/92	
Escovada 1 (NSL)	

* U.S.G.P.O. 1989-234-555

PS Form 3800, June 1985

Fold at line over top of envelope to the right of the return address

CERTIFIED

P 337 986 546

MAIL

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece next to the article number.

I also wish to receive the following services (for an extra fee):

- 1. Addressee's Address
 - 2. Restricted Delivery
- Consult postmaster for fee.

3. Article Addressed to:

**Ronadero Company
P. O. Box 2520
Casper, Wyoming 82602**

5. Signature (Addressee)

6. Signature (Agent)

4a. Article Number
P 337 986 546

4b. Service Type

Registered Insured

Certified COD

Express Mail Return Receipt for Merchandise

7. Date of Delivery

8. Addressee's Address (Only if requested and fee is paid)

Thank you for using Return Receipt Service

PS Form 3811, October 1990

U.S. GPO: 1990-273-881

DOMESTIC RETURN RECEIPT

