

El Paso
Exploration Company

P. O. BOX 4289
FARMINGTON, NEW MEXICO 87499-4289
PHONE 505-325-2841

June 28, 1985

New Mexico Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87501

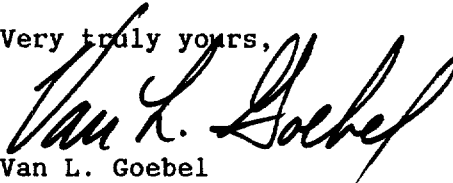
Re: Application for Subsurface Injection
Canyon Largo Unit #125
SW/4 Section 9, T-24-N, R-6-W
Rio Arriba County, New Mexico

Gentlemen:

We have been advised by Merrion Oil & Gas Corporation of their intent to convert the referenced well to a water disposal well within the Canyon Largo Unit.

El Paso Natural Gas Company, as Unit Operator of the Canyon Largo Unit, requests that the application filed by Merrion Oil & Gas Corporation not be approved at this time. In that this well is located on unit lands, there are certain procedures under the Unit Agreement that must first be worked out before El Paso can give it's approval for this project.

Very truly yours,



Van L. Goebel
Landman

VLG:gm
NM-6203
cc: Merrion Oil & Gas Corporation
Mr. J. Gregory Merrion

Document 0146L

MERIDIAN OIL

September 10, 1985

New Mexico Oil Conservation Division
Attention: Mr. David Catanach
Post Office Box 2088
Santa Fe, New Mexico 87501

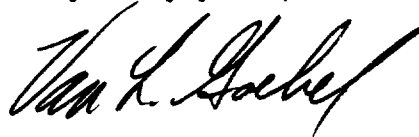
Re: Merrion Oil & Gas Corporation
Application for Subsurface Injection
Canyon Largo Unit Disposal Well #1
SW/4 Section 9, T24N, R6W
Rio Arriba County, New Mexico

Gentlemen:

In our letter dated June 28, 1985 Meridian Oil, as agent for El Paso Natural Gas Company, as Unit Operator of the Canyon Largo Unit, disapproved the referenced application for a Subsurface Injection Well.

Please be advised that Meridian Oil as agent for El Paso Natural Gas Company, this date, now approves Merrion Oil & Gas Corporation's application for Subsurface Injection. El Paso Natural Gas Company has designated Merrion Oil & Gas Corporation as Agent to drill and operate the referenced water disposal well in the Canyon Largo Unit. Enclosed for your information is a copy of the Designation of Agent Agreement under which Merrion Oil & Gas Corporation will operate this disposal well.

Very truly yours,



Van L. Goebel
Landman

VLG:gm
enclosure
NM-6203
cc: Merrion Oil & Gas Corporation
Mr. J. Gregory Merrion
Document 0146L

DESIGNATION OF AGENT

Canyon Largo Unit Disposal Well #1

This indenture dated as of the 5th of September 1985, by and between EL PASO NATURAL GAS COMPANY, a Delaware corporation, whose address is Post Office Box 4289, Farmington, New Mexico, 87499-4289, and MERRION OIL & GAS CORPORATION, whose address is Post Office Box 1017, Farmington, New Mexico 87499.

W I T N E S S E T H:

WHEREAS, under the provisions of the Act of February 25, 1920, 41 Stat. 437, 30 U.S.C., Secs. 181 et seq., as amended by the Act of August 8, 1946, 60 Stat. 950, the Secretary of the Interior on the 18th day of September, 1953, approved a Unit Agreement for the Canyon Largo Unit area and the Commissioner of Public Lands of the State of New Mexico on June 3, 1953, consented to and approved said Unit Agreement by authority of Chapter 88 of the Laws of the State of New Mexico, 1943, approved April 14, 1943, and the State of New Mexico Oil Conservation Commission on June 2, 1953, approved said Unit Agreement by authority of Act of the Legislature (Chapter 72, Laws 1935), wherein The Superior Oil Company was designated as Unit Operator; and

WHEREAS, The Superior Oil Company has resigned as such Operator and, in accordance with the terms of the Canyon Largo Unit Agreement, El Paso Natural Gas Company was appointed and has accepted and assumed the duties of the successor Unit operator, and

WHEREAS, El Paso Natural Gas Company now desires to appoint Merrion Oil & Gas Corporation as Agent, to perform certain duties under the Canyon Largo Unit and whereas Merrion Oil & Gas Corporation desires to accept and assume the duties of Agent, as set forth below:

NOW THEREFORE, it is mutually agreed as follows:

1. El Paso Natural Gas Company, as Unit Operator under the Canyon Largo Unit Agreement, hereby designates Merrion Oil & Gas Corporation as Agent to drill, complete, operate and/or plug and abandon a water disposal well, the injection zone being the Cliffhouse, Mesaverde formation in the following described portion of the Unit area:

Township 24 North, Range 6 West, N.M.P.M.

Section 9: SW/4
Containing 160.00 acres, more or less

2. Merrion Oil & Gas Corporation hereby covenants and agrees to comply or secure compliances with all obligations of the Unit Agreement with respect to the above described portion of the Unit area and to file all applications required or necessitated by the terms of such Agreement. Also it is understood that Merrion Oil & Gas Corporation will procure all necessary permits and approvals from the State of New Mexico Oil Conservation Division or any other governmental agencies requiring such approval and to comply with all rules and regulations.
3. It is specifically understood that this Designation of Agent does not relieve El Paso Natural Gas Company of its responsibilities as Unit Operator of the Canyon Largo Unit.
4. It is specifically understood that the Water Disposal Well shall solely be used for disposal of produced water from unit wells.
5. It is further understood and agreed that El Paso Natural Gas Company, as Unit Operator of the Canyon Largo Unit area, may, at its option, take over operations of the water disposal well and revoke this Designation of Agent by giving written notice of such revocation to Merrion Oil & Gas Corporation and the Supervisor, Oil and Gas Operations, the United States Geological Survey. Upon receipt of written notice, Merrion Oil & Gas Corporation agrees to turn operations over to El Paso Natural Gas Company, as Unit Operator.

IN WITNESS WHEREOF, this instrument is executed by the parties hereto as of the date hereinabove set forth.

EL PASO NATURAL GAS COMPANY

By James R. Permenter
James R. Permenter
Attorney-in-Fact *JS*

ATTEST:

MERRION OIL & GAS CORPORATION

By _____
President

STATE OF TEXAS)
) ss.
COUNTY OF EL PASO)

The foregoing instrument was acknowledged before me this 5th day of September, 1985, by James R. Permenter, Attorney-in-Fact for EL PASO NATURAL GAS COMPANY, a Delaware Corporation, on behalf of said corporation.

Evangelina Quintana
Notary Public

My Commission Expires:

My commission expires

STATE OF NEW MEXICO)
) ss.
COUNTY OF SAN JUAN)

The foregoing instrument was acknowledged before me this _____ day of _____, 1985, by _____, President of MERRION OIL & GAS CORPORATION, on behalf of said corporation.

Notary Public

My Commission Expires:
