

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

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. 11584

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;