

MERRION

OIL & GAS

11766

JUN 12 1997

June 10, 1997

New Mexico Oil Conservation Division
2040 S. Pacheco
Santa Fe, NM 87505

Mr. Eason Wayment-Palmer
P.O. Box 324
La Plata, NM 87418

11766 11767

RE: Compulsory Pooling Order R-10799 & R-10807
Havasu No. 1 and Powell No. 1
Sec. 22, T32N, R13W, NMPM
San Juan County, New Mexico

Gentlemen:

In accordance with the above Orders, we enclosed a copy of the AFE-Drilling Well Cost Estimates for the Havasu No. 1 and Powell No.1 for your review.

If you have any questions, please feel free to contact me at 327-9801, ext. 102.

Yours truly,

MERRION OIL & GAS CORPORATION



Crystal Williams
Landman

Enclosures

pc: NMOCD-Frank Chavez
1000 Rio Brazos Rd.
Aztec, NM 87410

George Sharpe

Merrion Oil & Gas Corporation
SUPPLEMENTAL AFE #1
Drilling Well Cost Estimate

AFE No. **97005** AFE Type: **1**
 Accounting Well No.
 Location: **790 fsl & 790 fsl (se se)**
 Sec 22, T32N, R13W
 County: **San Juan** State: **NM**

Lease: **HAVASU**
 Project: **Drill Fruitland Coal Well**
 Lease No: **Communitized**
 Spacing: **320 Acres**
 Unit:

Well No: **1**
 Field: **Basin Fruitland**
 TD: **1,480 ft**
 Operator: **Merrion Oil & Gas**
 By: **SSD/GFS**

THE COST ESTIMATE BELOW IS A PLANNING ESTIMATE ONLY. PARTNER'S SHARE OF PROJECT COST WILL EXTEND TO ACTUAL COSTS INCURRED

| Division of Interest: | Owner Share of | | To Casing Point | | After Casing Point | |
|------------------------------------|------------------|-------------------|--------------------|--------------------|--------------------|--------------------|
| | Supplemental | Total | WI | NRI | WI | NRI |
| 1) MERRION OIL & GAS CORPORATION | \$ 34,921 | \$ 192,053 | 61.264980% | 52.720330% | 61.264980% | 52.720330% |
| 2) BURLINGTON RESOURCES | \$ 7,077 | \$ 38,921 | 12.415800% | 10.863820% | 12.415800% | 10.863820% |
| 3) J. GREG MERRION REVOCABLE TRUST | \$ 4,856 | \$ 25,607 | 8.168660% | 7.029370% | 8.168660% | 7.029370% |
| 4) ESTATE OF HAROLD FIELDS | \$ 3,199 | \$ 17,592 | 5.612000% | 5.812000% | 5.612000% | 5.812000% |
| 5) MERRION PETROLEUM CORP. | \$ 2,328 | \$ 12,804 | 4.084340% | 3.514700% | 4.084340% | 3.514700% |
| 6) T. GREG MERRION | \$ 757 | \$ 4,161 | 1.327410% | 1.142280% | 1.327410% | 1.142280% |
| 7) MICHAEL MERRION | \$ 757 | \$ 4,161 | 1.327410% | 1.142280% | 1.327410% | 1.142280% |
| 8) STEVEN DUNN | \$ 757 | \$ 4,161 | 1.327410% | 1.142280% | 1.327410% | 1.142280% |
| 9) GEORGE SHARPE | \$ 757 | \$ 4,161 | 1.327410% | 1.142280% | 1.327410% | 1.142280% |
| 10) MICHAEL BARNES | \$ 898 | \$ 3,841 | 1.225280% | 1.054400% | 1.225280% | 1.054400% |
| 11) PAUL LONG | \$ 466 | \$ 2,561 | 0.816870% | 0.702940% | 0.816870% | 0.702940% |
| 12) CRYSTAL WILLIAMS | \$ 466 | \$ 2,561 | 0.816870% | 0.702940% | 0.816870% | 0.702940% |
| 13) EAON WAYMEN-PALMER | \$ 163 | \$ 895 | 0.285560% | 0.285560% | 0.285560% | 0.285560% |
| 14) ROYALTIES & OVERRIDES | | | | 12.944820% | | 12.944820% |
| TOTAL | \$ 57,000 | \$ 313,480 | 100.000000% | 100.000000% | 100.000000% | 100.000000% |

| Intangibles - Drilling (1605) | Original AFE | Supplemental | Total |
|--|------------------|-------------------------------|------------------|
| 230 ROW Acquisition & Surface Damages | \$ 18,000 | \$ 17,000 | \$ 35,000 |
| 220 Survey, Archaeology, Permitting | \$ 2,000 | | \$ 2,000 |
| 201 Drilling Rig Footage Cost | | 1,480 feet @ \$13.50 per foot | \$ 20,000 |
| 202 Daywork | \$ 3,800 | 1 days @ \$3,800 per day | \$ 3,800 |
| 203 Location Construction, Anchors, Pit Liner, Fence | \$ 3,500 | | \$ 3,500 |
| 204 Cement & Cementing - Surface Casing | \$ 2,800 | | \$ 2,800 |
| 204 Cement & Cementing - Long String | \$ 5,000 | | \$ 5,000 |
| 208 Open Hole Surveys | \$ 4,000 | | \$ 4,000 |
| 207 Legal Fees & Hearing | \$ 3,500 | | \$ 3,500 |
| 208 Drilling Supervision | \$ 1,050 | 3 days @ \$350 per day | \$ 1,050 |
| 210 Miscellaneous | \$ 1,500 | | \$ 1,500 |
| 211 Trucking | \$ 1,000 | | \$ 1,000 |
| 212 Drilling Water | \$ 250 | | \$ 250 |
| 212 Drilling mud | \$ 2,000 | | \$ 2,000 |
| 213 Administrative & General Expense | \$ 1,380 | 12 days @ \$115 per day | \$ 1,380 |
| Contingency | \$ 3,500 | | \$ 3,500 |
| Total Intangibles - Drilling | \$ 73,280 | \$ 17,000 | \$ 90,280 |

| Intangibles - Completion (1610) | Original AFE | Supplemental | Total |
|--|-------------------|-------------------------|-------------------|
| 301 Completion Rig | \$ 15,600 | | \$ 15,600 |
| 303 Perforating & Logging | \$ 2,500 | | \$ 2,500 |
| 304 Stimulation | \$ 60,000 | | \$ 60,000 |
| 306 Location Cleanup | \$ 1,250 | | \$ 1,250 |
| 308 Company Supervision | \$ 4,200 | 12 days @ \$350 per day | \$ 4,200 |
| 309 Roustabouts... Hookup Equipment on Location | \$ 3,600 | 4 days @ \$900 per day | \$ 3,600 |
| 309 Roustabouts... Install Gas & Water Lines | \$ 7,200 | 8 days @ \$900 per day | \$ 7,200 |
| 309 Welder... Hookup Equipment on Location | \$ 700 | 2 days @ \$350 per day | \$ 700 |
| 310 Welder... Install Gas & Water Lines | \$ 1,400 | 4 days @ \$350 per day | \$ 1,400 |
| 310 Bore under haul road | \$ 40,000 | | \$ 40,000 |
| 310 Bit & Scraper | \$ 1,000 | | \$ 1,000 |
| 310 Tool, log & equipment Rental | \$ 1,000 | | \$ 1,000 |
| 310 Tank & Miscellaneous rentals | \$ 500 | | \$ 500 |
| 311 Water (includes trucking) | \$ 1,000 | | \$ 1,000 |
| 311 Trucking | \$ 1,000 | | \$ 1,000 |
| Contingency | \$ 2,000 | | \$ 2,000 |
| Total Intangibles - Completion | \$ 104,950 | \$ 40,000 | \$ 144,950 |
| Total Intangibles - Drilling & Completion | \$ 178,230 | \$ 57,000 | \$ 235,230 |

| Tangibles - Drilling & Completion (1640) | Original AFE | Supplemental | Total |
|---|------------------|--------------|------------------|
| 805 Casing Surface | \$ 2,200 | | \$ 2,200 |
| 806 Production | \$ 7,000 | | \$ 7,000 |
| 811 Tubing | \$ 3,100 | | \$ 3,100 |
| 851 Flowline | \$ 800 | | \$ 800 |
| 851 Gas Line | \$ 14,900 | | \$ 14,900 |
| 851 Water Line | \$ 8,000 | | \$ 8,000 |
| 827 Sucker Rods | \$ 1,400 | | \$ 1,400 |
| 820 Wellhead equipment | \$ 3,500 | | \$ 3,500 |
| 815 Float equipment | \$ 2,500 | | \$ 2,500 |
| 830 Bottomhole Pump | \$ 1,350 | | \$ 1,350 |
| 836 Pumping Unit & Engine | \$ 15,000 | | \$ 15,000 |
| 840 Tank & Separator | \$ 15,000 | | \$ 15,000 |
| 860 Fittings, valves, fencing, concrete & miscellaneous | \$ 3,000 | | \$ 3,000 |
| 896 Miscellaneous | \$ 1,600 | | \$ 1,600 |
| Total Tangibles | \$ 78,250 | \$ - | \$ 78,250 |

Total Estimated Cost

\$ 256,480 \$ 57,000 \$ 313,480

Approved: *Pigorez Merrion*
 Merrion Oil & Gas Corporation

Date: *4-23-97*

Approved: _____
 Partner

Date: _____

Merrion Oil & Gas Corporation

Authority for Expenditure (AFE)

Drilling Well Cost Estimate

AFE No. **97006** AFE Type: **1**

Lease: **POWELL**

Well No: **1**

Accounting Well No.
Location: **1850' nrl & 780' fel (se ne)**
 Sec 22, T32N, R13W

Project: **Drill Fruitland Coal Well**
Lease No: **Communitized**
Spacing: **320 Acres**

Field: **Basin Fruitland**
TD: **720 ft**
Operator: **Merrion Oil & Gas**
By: **Steven S. Dunn**

County: **San Juan** State: **NM**
Unit: _____

THE COST ESTIMATE BELOW IS A PLANNING ESTIMATE ONLY. PARTNER'S SHARE OF PROJECT COST WILL EXTEND TO ACTUAL COSTS INCURRED

| Division of Interest: | Owner Share of | | To Casing Point | | After Casing Point | |
|------------------------------------|------------------|-------------------|--------------------|--------------------|--------------------|--------------------|
| | Dry Hole | Completed | WI | NRI | WI | NRI |
| 1) MERRION OIL & GAS CORPORATION | \$ 38,289 | \$ 128,541 | 55.420290% | 48.858010% | 55.420290% | 48.858010% |
| 2) BURLINGTON RESOURCES | \$ 18,370 | \$ 57,083 | 25.000000% | 21.875000% | 25.000000% | 21.875000% |
| 3) J. GREG MERRION REVOCABLE TRUST | \$ 4,839 | \$ 16,872 | 7.389380% | 8.247730% | 7.389380% | 8.247730% |
| 4) MERRION PETROLEUM CORP. | \$ 2,419 | \$ 8,436 | 3.694680% | 3.123870% | 3.694680% | 3.123870% |
| 5) T. GREG MERRION | \$ 788 | \$ 2,742 | 1.200780% | 1.015270% | 1.200780% | 1.015270% |
| 6) MICHAEL MERRION | \$ 788 | \$ 2,742 | 1.200780% | 1.015270% | 1.200780% | 1.015270% |
| 7) STEVEN DUNN | \$ 788 | \$ 2,742 | 1.200780% | 1.015270% | 1.200780% | 1.015270% |
| 8) GEORGE SHARPE | \$ 788 | \$ 2,742 | 1.200780% | 1.015270% | 1.200780% | 1.015270% |
| 9) MICHAEL BARNES | \$ 728 | \$ 2,531 | 1.108400% | 0.937160% | 1.108400% | 0.937160% |
| 10) ESTATE OF HAROLD FIELDS | \$ 724 | \$ 2,528 | 1.108250% | 1.108250% | 1.108250% | 1.108250% |
| 11) PAUL LONG | \$ 484 | \$ 1,687 | 0.738940% | 0.824780% | 0.738940% | 0.824780% |
| 12) CRYSTAL WILLIAMS | \$ 484 | \$ 1,687 | 0.738940% | 0.824780% | 0.738940% | 0.824780% |
| 13) ROYALTIES & OVERRIDES | | | | 14.541340% | | 14.541340% |
| TOTAL | \$ 65,480 | \$ 228,330 | 100.000000% | 100.000000% | 100.000000% | 100.000000% |

| Intangibles - Drilling (1605) | | Dry Hole | Completed |
|--|--------------------------------|------------------|------------------|
| 230 ROW Acquisition & Surface Damages | | \$ 18,000 | \$ 18,000 |
| 220 Survey, Archaeology, Permitting | | \$ 2,000 | \$ 2,000 |
| 201 Drilling Rig Footage Cost | 720 feet @ \$13.50 per foot... | \$ 9,700 | \$ 9,700 |
| 202 Daywork | 1 days @ \$3,800 per day... | \$ 3,800 | \$ 3,800 |
| 203 Location Construction, Anchors, Pit Liner, Fence | | \$ 3,500 | \$ 3,500 |
| 204 Cement & Cementing Surface Casing | | \$ 2,800 | \$ 2,800 |
| 204 Long String | | \$ 3,500 | \$ 4,000 |
| 206 Open Hole Surveys | | \$ 4,000 | \$ 4,000 |
| 207 Legal Fees & Hearing | | \$ 3,500 | \$ 3,500 |
| 208 Drilling Supervision | 3 days @ \$350 per day... | \$ 1,050 | \$ 1,050 |
| 210 Miscellaneous | | \$ 1,500 | \$ 1,500 |
| 211 Trucking | | \$ 350 | \$ 1,000 |
| 212 Drilling Water | | \$ 250 | \$ 250 |
| 212 Drilling mud | | \$ 1,250 | \$ 1,250 |
| 213 Administrative & General Expense | 12 days @ \$115 per day.... | \$ 1,380 | \$ 1,380 |
| Contingency | 5% | \$ 2,800 | \$ 2,900 |
| Total Intangibles - Drilling | | \$ 59,380 | \$ 60,630 |

| Intangibles - Completion (1610) | | Dry Hole | Completed |
|--|------------------------------|------------------|-------------------|
| 301 Completion Rig | 8 days @ \$1,950 per day.... | \$ 15,600 | \$ 15,600 |
| 303 Perforating & Logging | | \$ 2,500 | \$ 2,500 |
| 304 Stimulation | | \$ 60,000 | \$ 60,000 |
| 306 Location Cleanup | | \$ 2,500 | \$ 1,250 |
| 308 Company Supervision | 12 days @ \$350 per day.... | \$ 350 | \$ 4,200 |
| 309 Roustabouts... Hookup Equipment on Location | 4 days @ \$900 per day.... | \$ 3,600 | \$ 3,600 |
| 309 Roustabouts... Install Gas & Water Lines | 8 days @ \$900 per day.... | \$ 7,200 | \$ 7,200 |
| 309 Welder... Hookup Equipment on Location | 2 days @ \$350 per day.... | \$ 700 | \$ 700 |
| 309 Welder... Install Gas & Water Lines | 4 days @ \$350 per day.... | \$ 1,400 | \$ 1,400 |
| 310 Bit & Scraper | | \$ 1,000 | \$ 1,000 |
| 310 Tool, tbg & equipment Rental | | \$ 1,000 | \$ 1,000 |
| 310 Tank & Miscellaneous rentals | | \$ 500 | \$ 500 |
| 311 Water (includes trucking) | | \$ 3,000 | \$ 3,000 |
| 311 Trucking | | \$ 2,800 | \$ 2,900 |
| Contingency | 2.0% | \$ 2,000 | \$ 2,000 |
| Total Intangibles - Completion | | \$ 2,850 | \$ 104,950 |
| Total Intangibles - Drilling & Completion | | \$ 62,230 | \$ 165,580 |

| Tangibles - Drilling & Completion (1640) | | Dry Hole | Completed |
|---|--|-----------------|------------------|
| 805 Casing Surface | 8-5/8" 24# 200 feet @ \$ 9.25 per foot | \$ 1,900 | \$ 1,900 |
| 808 Production | 5-1/2 15.5# 720 feet @ \$ 4.75 per foot | \$ 3,400 | \$ 3,400 |
| 811 Tubing | 2-7/8" 6.5# EUE J55 used 700 feet @ \$ 2.12 per foot | \$ 1,500 | \$ 1,500 |
| 851 Flowline | 3" Line Pipe 500 feet @ \$ 1.50 per foot | \$ 800 | \$ 800 |
| 851 Gas Line | 3" Line Pipe 4,500 feet @ \$ 1.50 per foot | \$ 6,800 | \$ 6,800 |
| 851 Water Line | 3" Line Pipe 4,500 feet @ \$ 1.50 per foot | \$ 6,800 | \$ 6,800 |
| 827 Sucker Rods | 3/4" SM Cplg, used 700 feet @ \$ 0.97 per foot | \$ 700 | \$ 700 |
| 820 Wellhead equipment | | \$ 850 | \$ 3,500 |
| 815 Float equipment | | \$ 500 | \$ 2,500 |
| 830 Bottomhole Pump | | | \$ 1,350 |
| 838 Pumping Unit & Engine | 114 API used w/ engine | | \$ 15,000 |
| 840 Tank & Separator | | | \$ 15,000 |
| 860 Fittings, valves, fencing, concrete & miscellaneous | | | \$ 3,000 |
| 896 Miscellaneous | | | \$ 500 |
| Total Tangibles | | \$ 3,250 | \$ 62,750 |

Total Estimated Cost \$ 65,480 \$ 228,330

Approved: T. Greg Merrion
Merrion Oil & Gas Corporation

Date: 3-5-97

Approved: _____
Partner

Date: _____