

Merrion Oil & Gas Corporation
Authority for Expenditure (AFE)
Drilling Well Cost Estimate

AFE No. **97005** AFE Type: **1**
 Accounting Well No.
 Location: **790' fsl & 790' fel (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: **Steven S. Dunn**

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	\$ 47,437	\$ 157,132	61.264980%	52.720330%	61.264980%	52.720330%
2) BURLINGTON RESOURCES	\$ 9,614	\$ 31,844	12.415800%	10.863820%	12.415800%	10.863820%
3) J. GREG MERRION REVOCABLE TRUST	\$ 8,325	\$ 20,951	8.168660%	7.029370%	8.168660%	7.029370%
4) ESTATE OF HAROLD FIELDS	\$ 4,345	\$ 14,394	5.612000%	5.612000%	5.612000%	5.612000%
5) MERRION PETROLEUM CORP.	\$ 3,183	\$ 10,478	4.084340%	3.514700%	4.084340%	3.514700%
6) T. GREG MERRION	\$ 1,028	\$ 3,405	1.327410%	1.142280%	1.327410%	1.142280%
7) MICHAEL MERRION	\$ 1,028	\$ 3,405	1.327410%	1.142280%	1.327410%	1.142280%
8) STEVEN DUNN	\$ 1,028	\$ 3,405	1.327410%	1.142280%	1.327410%	1.142280%
9) GEORGE SHARPE	\$ 1,028	\$ 3,405	1.327410%	1.142280%	1.327410%	1.142280%
10) MICHAEL BARNES	\$ 949	\$ 3,143	1.225280%	1.054400%	1.225280%	1.054400%
11) PAUL LONG	\$ 833	\$ 2,095	0.816870%	0.702940%	0.816870%	0.702940%
12) CRYSTAL WILLIAMS	\$ 833	\$ 2,095	0.816870%	0.702940%	0.816870%	0.702940%
13) EAON WAYMEN-PALMER	\$ 221	\$ 732	0.285560%	0.285560%	0.285560%	0.285560%
14) ROYALTIES & OVERRIDES				12.944820%		12.944820%
TOTAL	\$ 77,430	\$ 256,480	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	1,480 feet @ \$13.50 per foot...	\$ 20,000	\$ 20,000
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	\$ 5,000
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		\$ 2,000	\$ 2,000
213 Administrative & General Expense	12 days @ \$115 per day.....	\$ 1,380	\$ 1,380
Contingency	5%	\$ 3,400	\$ 3,500
Total Intangibles - Drilling		\$ 71,030	\$ 73,280

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
310 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		\$ 1,000	\$ 1,000
Contingency	2.0%	\$ 2,000	\$ 2,000
Total Intangibles - Completion		\$ 2,850	\$ 104,950
Total Intangibles - Drilling & Completion		\$ 73,880	\$ 178,230

Tangibles - Drilling & Completion (1640)		Dry Hole	Completed
805 Casing Surface	8-5/8" 24# 240 feet @ \$ 9.25 per foot	\$ 2,200	\$ 2,200
806 Production	5-1/2 15.5# 1,480 feet @ \$ 4.75 per foot	\$ 7,000	\$ 7,000
811 Tubing	2-7/8" 6.5# EUE J55 used 1,450 feet @ \$ 2.12 per foot	\$ 3,100	\$ 3,100
851 Flowline	3" Line Pipe 500 feet @ \$ 1.50 per foot	\$ 800	\$ 800
851 Gas Line	4" Line Pipe 6,600 feet @ \$ 2.25 per foot	\$ 14,900	\$ 14,900
851 Water Line	3" Line Pipe 5,300 feet @ \$ 1.50 per foot	\$ 8,000	\$ 8,000
827 Sucker Rods	3/4" SM Cpg, used 1,450 feet @ \$ 0.97 per foot	\$ 1,400	\$ 1,400
820 Wellhead equipment		\$ 850	\$ 3,500
815 Float equipment		\$ 500	\$ 2,500
830 Bottomhole Pump			\$ 1,350
836 Pumping Unit & Engine	114 API used w/ engine		\$ 15,000
840 Tank & Separator			\$ 15,000
860 Fittings, valves, fencing, concrete & miscellaneous			\$ 3,000
898 Miscellaneous			\$ 500
Total Tangibles		\$ 3,550	\$ 78,250
Total Estimated Cost		\$ 77,430	\$ 256,480

Approved: T. Greg Merrion
 Merrion Oil & Gas Corporation

Date: 3-5-97

Approved: _____
 Partner

Date: _____

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	\$ 4,858	\$ 25,807	8.188860%	7.029370%	8.188860%	7.029370%
4) ESTATE OF HAROLD FIELDS	\$ 3,199	\$ 17,592	5.612000%	5.612000%	5.612000%	5.612000%
5) MERRION PETROLEUM CORP.	\$ 2,325	\$ 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	\$ 698	\$ 3,841	1.225280%	1.054400%	1.225280%	1.054400%
11) PAUL LONG	\$ 468	\$ 2,561	0.816870%	0.702940%	0.816870%	0.702940%
12) CRYSTAL WILLIAMS	\$ 468	\$ 2,561	0.816870%	0.702940%	0.816870%	0.702940%
13) EASON 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	\$ 2,000
201 Drilling Rig Footage Cost		1,480 feet @ \$13.50 per foot...	\$ 20,000
202 Daywork		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
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
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		12 days @ \$115 per day....	\$ 1,380
Contingency - 5%	\$ 3,500		\$ 3,500
Total Intangibles - Drilling	\$ 73,280	\$ 17,000	\$ 90,280

Intangibles - Completion (1610)	Original AFE	Supplemental	Total
301 Completion Rig		8 days @ \$1,950 per day....	\$ 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		12 days @ \$350 per day....	\$ 4,200
309 Roustabouts... Hookup Equipment on Location		4 days @ \$900 per day....	\$ 3,600
309 Roustabouts... Install Gas & Water Lines		8 days @ \$900 per day....	\$ 7,200
309 Welder... Hookup Equipment on Location		2 days @ \$350 per day....	\$ 700
310 Welder... Install Gas & Water Lines		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)	\$ 3,000		\$ 3,000
311 Trucking	\$ 1,000		\$ 1,000
Contingency - 2.0%	\$ 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 8-5/8" 24#		240 feet @ \$ 9.25 per foot	\$ 2,200
806 Production 5-1/2" 15.5#		1,480 feet @ \$ 4.75 per foot	\$ 7,000
811 Tubing 2-7/8" 6.5# EUE J55 used		1,450 feet @ \$ 2.12 per foot	\$ 3,100
851 Flowline 3" Line Pipe		500 feet @ \$ 1.50 per foot	\$ 750
851 Gas Line 4" Line Pipe		6,600 feet @ \$ 2.25 per foot	\$ 14,900
851 Water Line 3" Line Pipe		5,300 feet @ \$ 1.50 per foot	\$ 8,000
827 Sucker Rods 3/4" SM Cplg, used		1,450 feet @ \$ 0.97 per foot	\$ 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 114 API used w/ 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: *T. Greg Merrion*
 Merrion Oil & Gas Corporation

Date: 4-23-97

Approved: _____
 Partner

Date: _____