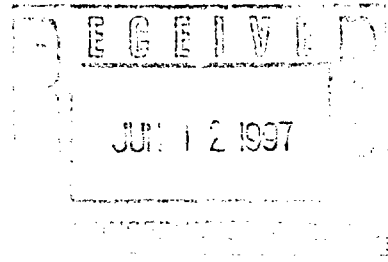


# MERRION

OIL & GAS

*Case 11767*



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

A handwritten signature in cursive script that reads "Crystal Williams".

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' fal & 790' fal (see 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:	Original Owner Share of costs		Share To Casing Point		Share After Casing Point	
	Supplemental	Total	WI	NRI	WI	NRI
1) MERRION OIL & GAS CORPORATION	\$ 34,921	\$ 192,083	61.264980%	\$2,720310%	61.264980%	\$2,720330%
2) BURLINGTON RESOURCES	\$ 7,077	\$ 38,921	12.415800%	10.863810%	12.415800%	10.863820%
3) J. GREG MERRION REVOCABLE TRUST	\$ 4,854	\$ 25,907	8.168660%	7.029310%	8.168660%	7.029370%
4) ESTATE OF HAROLD FIELDS	\$ 3,199	\$ 17,592	5.612000%	5.612000%	5.612000%	5.612000%
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	\$ 698	\$ 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%
<b>TOTAL</b>	<b>\$ 57,000</b>	<b>\$ 313,480</b>	<b>100.000000%</b>	<b>100.000000%</b>	<b>100.000000%</b>	<b>100.000000%</b>

Intangibles - Drilling (1805)	Original AFE	Supplemental	Total
230 ROW Acquisition & Surface Damages	\$ 18,000	\$ 17,000	\$ 35,000
220 Survey, Archeology, Permitting	\$ 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 Long String	\$ 5,000		\$ 5,000
206 Open Hole Surveys	\$ 2,000		\$ 2,000
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	\$ 3,500		\$ 3,500
<b>Total Intangibles - Drilling</b>	<b>\$ 73,280</b>	<b>\$ 17,000</b>	<b>\$ 90,280</b>

Intangibles - Completion (1810)	Original AFE	Supplemental	Total
301 Completion Rig	\$ 15,600		\$ 15,600
303 Fracturing & Logging	\$ 2,500		\$ 2,500
304 Stimulation	\$ 60,000		\$ 60,000
306 Location Cleanup	\$ 1,250		\$ 1,250
308 Company Supervision	\$ 4,200		\$ 4,200
308 Roustabouts... Hookup Equipment on Location	\$ 3,600		\$ 3,600
309 Roustabouts... Install Gas & Water Lines	\$ 7,200		\$ 7,200
309 Welder... Hookup Equipment on Location	\$ 700		\$ 700
310 Welder... Install Gas & Water Lines	\$ 1,400		\$ 1,400
310 Bore Under haul road	\$ 40,000		\$ 40,000
310 Bit & Scraper	\$ 1,000		\$ 1,000
310 Tool, Toy & 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
<b>Total Intangibles - Completion</b>	<b>\$ 104,950</b>	<b>\$ 40,000</b>	<b>\$ 144,950</b>
<b>Total Intangibles - Drilling &amp; Completion</b>	<b>\$ 178,230</b>	<b>\$ 57,000</b>	<b>\$ 235,230</b>

Tangibles - Drilling & Completion (1840)	Original AFE	Supplemental	Total
805 Casing Surface 8-5/8" 24#	\$ 2,200		\$ 2,200
806 Production 5-1/2" 15.6#	\$ 7,000		\$ 7,000
811 Tubing 2-7/8" 6.5# EUE J55 used	\$ 3,100		\$ 3,100
851 Flowline 4" Line Pipe	\$ 2,800		\$ 2,800
851 Gas Line 4" Line Pipe	\$ 14,900		\$ 14,900
851 Water Line 4" Line Pipe	\$ 8,000		\$ 8,000
827 Sucker Rods 3/4" SM Cplg, used	\$ 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 114 API used w/ engine	\$ 15,000		\$ 15,000
840 Tank & Separator	\$ 15,000		\$ 15,000
850 Fittings, valves, fencing, concrete & miscellaneous	\$ 3,000		\$ 3,000
896 Miscellaneous	\$ 1,600		\$ 1,600
<b>Total Tangibles</b>	<b>\$ 78,250</b>	<b>\$ -</b>	<b>\$ 78,250</b>

**Total Estimated Cost**

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

Approved: *T. Greg 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  
Accounting Well No.  
Location: 1850' Int & 790' Int (see ne)  
Sec 22, T32N, R13W  
County: San Juan State: NM

Lease: POWELL  
Project: Drill Fruitland Coal Well  
Lease No: Communized  
Spacing: 320 Acres  
Unit:

Well No: 1  
Field: Basin Fruitland  
TD: 720 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		Percentage To Casing Point		Percentage After Casing Point	
	Dry Hole	Completed	WI	NRI	WI	NRI
1) MERRION OIL & GAS CORPORATION	\$ 36,289	\$ 128,541	55.420290%	48.858010%	55.420290%	48.858010%
2) BURLINGTON RESOURCES	\$ 16,370	\$ 57,083	25.000000%	21.875000%	25.000000%	21.875000%
3) J. GREG MERRION REVOCABLE TRUST	\$ 4,839	\$ 16,872	7.389380%	6.247730%	7.389380%	6.247730%
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%	0.937180%	1.108400%	0.937180%
10) ESTATE OF HAROLD FIELDS	\$ 724	\$ 2,528	1.106250%	1.106250%	1.106250%	1.106250%
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%
<b>TOTAL</b>	<b>\$ 65,480</b>	<b>\$ 228,330</b>	<b>100.000000%</b>	<b>100.000000%</b>	<b>100.000000%</b>	<b>100.000000%</b>

Intangibles - Drilling (1605)		Dry Hole	Completed
230 ROW Acquisition & Surface Damages		\$ 18,000	\$ 18,000
220 Survey, Archeology, Permitting		\$ 2,000	\$ 2,000
201 Drilling Rig Footage Cost	720 feet @ \$13.50 per foot	\$ 9,700	\$ 9,700
202 Daywork	3 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	6%	\$ 2,800	\$ 2,900
<b>Total Intangibles - Drilling</b>		<b>\$ 59,380</b>	<b>\$ 60,630</b>

Intangibles - Completion (1610)		Dry Hole	Completed
301 Completion Rig	8 days @ \$1,950 per day	\$ 15,600	\$ 15,600
303 Parkering & 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		\$ 1,000	\$ 1,000
Contingency	2.0%	\$ 2,000	\$ 2,000
<b>Total Intangibles - Completion</b>		<b>\$ 2,850</b>	<b>\$ 104,950</b>
<b>Total Intangibles - Drilling &amp; Completion</b>		<b>\$ 62,230</b>	<b>\$ 165,580</b>

Tangibles - Drilling & Completion (1640)		Dry Hole	Completed
805 Casing Surface	8-5/8" 24# 200 feet @ \$ 9.25 per foot	\$ 1,900	\$ 1,900
805 Production	5-1/2" 35.5# 720 feet @ \$ 4.75 per foot	\$ 3,400	\$ 3,400
811 Tubing	2-7/8" 8.5# 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
836 Pumping Unit & Engine	114 API used w/ engine		\$ 15,000
840 Tank & Separator			\$ 15,000
860 Fittings, valves, fencing, concrete & miscellaneous			\$ 3,000
866 Miscellaneous			\$ 500
<b>Total Tangibles</b>		<b>\$ 3,250</b>	<b>\$ 62,750</b>

**Total Estimated Cost**

**\$ 65,480 \$ 228,330**

Approved: T. Greg Merrion Date: 3-5-97  
Merrion Oil & Gas Corporation  
Approved: \_\_\_\_\_ Date: \_\_\_\_\_  
Partner