

MERRION

OIL & GAS

November 12, 1998

Mr. Michael E. Stogner
New Mexico Oil Conservation Division
2040 S. Pacheco St.
Santa Fe, New Mexico 87505

#12097

**Re: Application of Merrion Oil & Gas Corporation
Compulsory Pooling
Shank Com #1
Basin Fruitland Coal Pool
W/2 Section 2, T26N, R13W
San Juan County, New Mexico**

Dear Mr. Stogner:

Merrion Oil & Gas plans to drill the Shank Com #1 in the W/2 of Section 2, T26N, R13W, San Juan County, New Mexico.

The spacing unit is made up of two leases with two other working interest owners. Merrion has been unable to locate the other two working interest owners. Therefore, Merrion requests your approval for compulsory pooling of these interests for the drilling of this well based upon terms and conditions which include:

- a.) Merrion Oil & Gas Corporation be named operator;
- b.) Provisions for applicant and all working interest owners to participate in the costs of drilling, completing, equipping, and operating the well;
- c.) In the event a working interest owner fails to elect to participate, then provisions will be made to recoup out of production, the costs of drilling, completing equipping, and operating the well, including a risk factor penalty of 156%;
- d.) Provisions 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; and
- e.) For such other and further relief as may be proper.

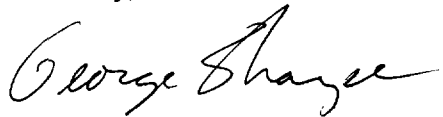
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Attached in support of this application are the following:

- 1.) Lease plat showing lease ownership within the spacing unit.
- 2.) A list showing the uncommitted working interest owner who have been sent certified copies of this application.

Please let me know if additional information is needed. Please schedule this matter for hearing on Thursday, January 7, 1999.

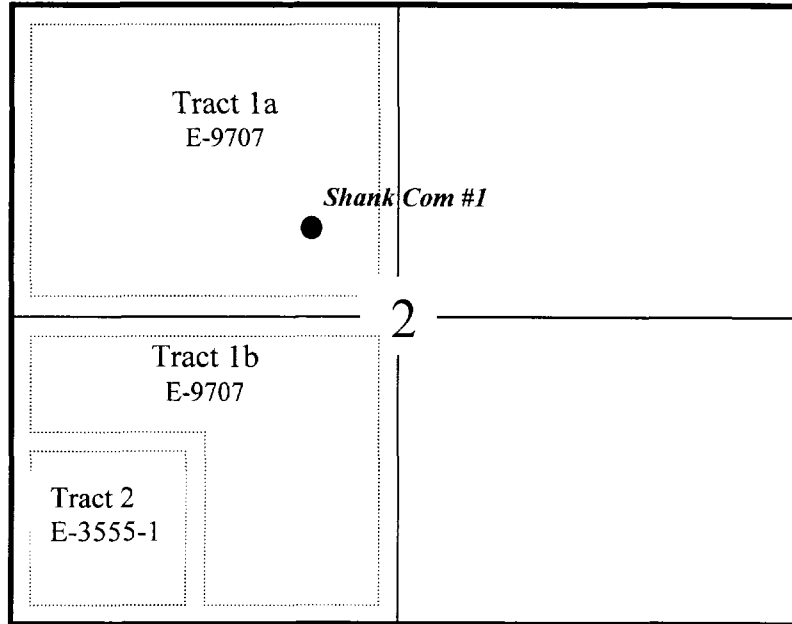
Sincerely,

A handwritten signature in cursive script, reading "George Sharpe".

George F. Sharpe
Manager - Oil & Gas Investments

xc: Tommy Roberts
Frank Chavez - OCD-Aztec
Well File

EXHIBIT 1
SHANK COM #1
Lease Ownership Plat
W/2 Section 2, T26N, R13W
San Juan County, New Mexico



LEASE OWNERSHIP

Tract	Acres	%	Ownership
1a	159.96	50.00	Merrion Oil & Gas – 50% Merrion Rev. Trust – 25% Robert L. Bayless – 25%
1b	120.00	37.50	Merrion Oil & Gas – 100%
2	40.00	12.50	J.E. Atkins – 50% L.T. Barringer – 50%
TOTAL	319.96	100.00	

WELL OWNERSHIP

Merrion Oil & Gas	62.50%
Merrion Revocable Trust	12.50%
Robert L. Bayless	12.50%
J.E. Atkins	6.25%
L.T. Barringer	6.25%

Exhibit 2

Application of Merrion Oil & Gas Corporation
Compulsory Pooling
Shank Com #1 – Basin Fruitland Coal Pool
W/2 Section 2, T26N, R13W
San Juan County, New Mexico

The following uncommitted working interest owners were sent certified copies of this application.

J.E. Atkins
1914 Poplar Avenue, Suite 517
Memphis, TN 38101

L.T. Barringer
1054 Lunwood Blvd.
Nashville, TN 37215

To: Uncommitted Working Interest Owners

Any objections to this application or requests for appearances need to be made in writing to the NMOCD within 20 days from receipt of notice. We have requested that this matter be set for hearing January 7, 1999.

Waiver

_____ hereby waives any objection to this application.
Company

Signature _____ Date _____

Please return to:

George F. Sharpe
Merrion Oil & Gas Corporation
610 Reilly Avenue
Farmington, New Mexico 87401



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

November 19, 1998

Merrion Oil & Gas Corporation
610 Reilly Avenue
Farmington, New Mexico 87401
Attention: George F. Sharpe

Telefax No. (505) 326-5900

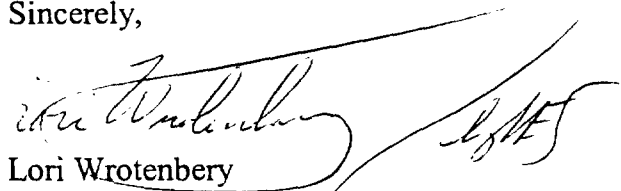
Administrative Order NSL-4166

Dear Mr. Sharpe:

Reference is made to your application dated October 28, 1998 for an off-pattern non-standard Basin-Fruitland coal gas well location for your proposed Shank Corn. Well No. 1 (API No. 30-045-29516) to be drilled 1840 feet from the North and West lines (Unit F) of Section 2, Township 26 North, Range 13 West, NMPM, Basin Fruitland Coal (Gas) Pool, San Juan County, New Mexico. Lots 3 and 4, the S/2 NW/4, and the SW/4 of Section 2 is to be dedicated to this well in order to form a standard 319.96-acre gas spacing and proration unit for the Basin Fruitland Coal (Gas) Pool.

By the authority granted me under the provisions of Rule 8 of the "*Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool*," as promulgated by Division Order No. R-8768, as amended, the above-described unorthodox coal gas well location is hereby approved.

Sincerely,


Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Aztec
New Mexico State Land Office - Santa Fe