

MERRION

OIL & GAS

MAY 10 1999

May 6, 1999

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

**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**

5-10-99
To be
set for
hearing.
ms.

12190

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 three other working interest owners. Merrion has been able to locate all the working interest owners, but two of the owners have failed to respond to efforts to buy their interest or to get them to commit to participate in the well. 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.

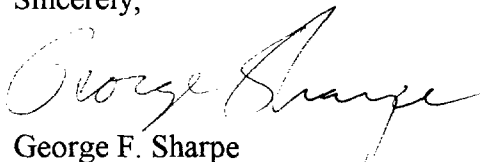
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Attached in support of this application are the following:

- 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, June 10, 1999.

Sincerely,

A handwritten signature in cursive script, appearing to read "George Sharpe".

George F. Sharpe
Manager - Oil & Gas Investments

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

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 received certified copies of this application.

Virginia Scarbrough
P.O. Box 466
Altus, OK 73522

JoAnne Callan
1028 Santa Florencia
Solano Beach, CA 92075

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 June 10, 1999.

Waiver

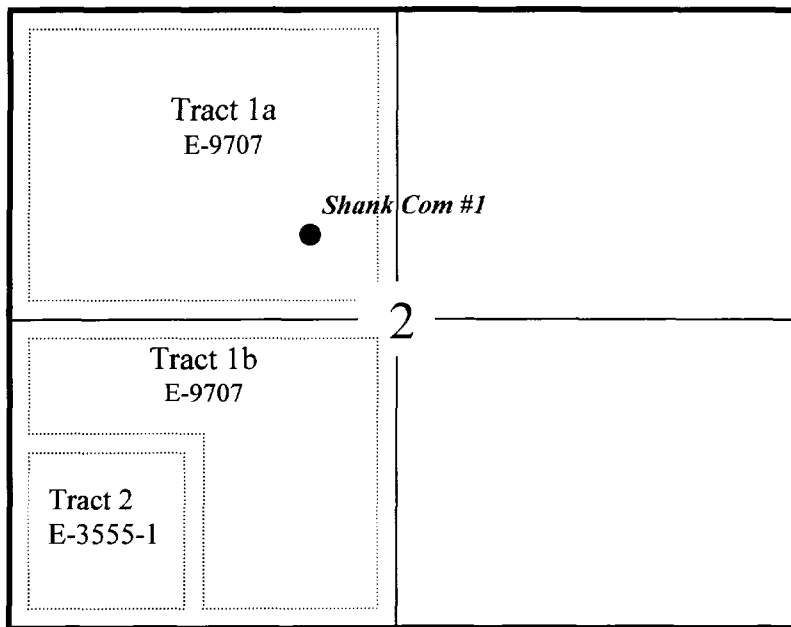
_____ hereby waives any objection to this application.
Company

Signature _____ Date _____

Please return to:

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

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. Barringer – 25% L.T. Barringer – 25% Virginia Scarbrough – 25% Joanna Callan – 25%
TOTAL	319.96	100.00	

<u>Well Ownership:</u>	Merrion Oil & Gas	62.50%
	Merrion Revocable Trust	12.50%
	Robert L. Bayless	12.50%
	J. Barringer	3.125%
	LT. Barringer	3.125%
	Virginia Scarbrough	3.125%
	Joanna Callan	3.125%
		100.00%