

BEFORE THE OIL & GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

IN THE MATTER OF THE APPLICATION OF)	
MERRION OIL & GAS CORPORATION FOR AN)	
ORDER ALLOWING AN OPTIONAL THIRD)	
AND FOURTH WELL IN AN ESTABLISHED)	CAUSE NO. 112
DRILLING AND SPACING UNIT COVERING)	
THE FRUITLAND COAL SEAM FORMATION,)	Docket No. _____
IGNACIO-BLANCO FIELD, LA PLATA)	
COUNTY, COLORADO)	

APPLICATION

Merrion Oil & Gas Corporation (referred to herein as “Applicant”), by and through its undersigned attorneys, hereby makes application to the Oil and Gas Conservation Commission of the State of Colorado, for an order to permit an optional third and fourth well in an established drilling and spacing unit for the Fruitland Coal Seam formation. In support thereof, the Applicant states and alleges as follows:

1. That the Applicant is the owner of leasehold interests in La Plata County, Colorado, located within the area requested for spacing.

2. That the Applicant is requesting that two (2) optional wells be permitted in the existing drilling and spacing unit of 320 acres for the Fruitland Coal Seam formation covering the lands in La Plata County, Colorado, as described on Exhibit A attached hereto and incorporated by reference.

3. That insofar as this Application concerns lands within the jurisdiction of the Southern Ute Indian Tribe, it is submitted to this Commission in accordance with the terms of the Memorandum of Understanding dated August 22, 1991 between the Bureau of Land Management (“BLM”) and this Commission and separate Memorandum of Understanding dated August 22, 1991 between the Bureau of Indian Affairs, the BLM and the Southern Ute Indian Tribe.

4. In support of the requested order, Applicant asserts that two wells will not efficiently and economically drain the 320-acre drilling and spacing unit contained in Exhibit A, and that additional wells are necessary to prevent waste, protect correlative rights and to recover gas and associated hydrocarbons from the Fruitland coal formation all in accordance with the Colorado statutes, the rules and regulations of this Commission and, with respect to Tribal lands, applicable rules and regulations of the BLM.

5. On June 15, 1988, the Commission issued Order No. 112-60 which established 320-acre drilling and spacing units for production of gas from the Fruitland Coal Seam formations. Said units shall remain as previously established. Moreover, on May 15, 2000 the Commission issued Order No. 112-157 which permitted a second Fruitland Coal Seam Formation well in each 320-acre drilling and spacing unit with such additional wells being located no closer than 990 feet to any outer boundary of the unit, nor closer than 130 feet to any interior quarter section line. Applicant proposes that an optional third and fourth well in the 320-acre unit be drilled, completed or recompleted in the operator's discretion no closer than 660 feet to any outer boundary of the unit with no setback required to any interior quarter section line.

6. That Applicant proposes that the surface location of each of the optional wells shall be located on a common or expanded pad with the existing well such that a total of two Fruitland coal well pads shall be authorized in the drilling and spacing unit.

7. That the Director may after notice and hearing approve exceptions to permitted well locations due to topography or surface hazards or the recompletion of wells previously drilled at permitted locations, provided that appropriate notice of such exception location is afforded to offset owners as required by Commission rules.

8. Applicant further states that the requested additional wells can be developed in a manner consistent with protection of public health, safety and welfare. To this end, while not required by the Commission's Rules, Applicant shall propose to incorporate a portion of a proposed Memorandum of Understanding with La Plata County into the Commission's Order as a Health, Safety and Welfare Plan ("HS&W Plan") which shall apply to operations on lands not within the jurisdiction of the Southern Ute Indian Tribe. The Applicant requests a finding by the Commission that the HS&W Plan adequately addresses concerns related to the environment and public health, safety and welfare not otherwise addressed by Commission Rule on such non-tribal lands. Moreover, Applicant will commit to the Southern Ute Indian Tribe that new compressor installations shall use the best available emission control technology and shall also provide a plan to the Tribe to evaluate the modification of older compression installation emission technology in the Application area over the next five (5) years.

9. Exhibit B attached hereto and made part hereof is the list of the names of "Owners" required to be notified in accord with Commission Rule 508(a), including within the areas covered by this Application. To the best of Applicant's knowledge and belief, Exhibit B contains the names of all such owners.

WHEREFORE, Applicant respectfully requests that this matter be set for hearing, that notice thereof be given as required by law and that upon such hearing this Commission enter its order:

A. Establishing that up to four (4) Fruitland Coal wells may be completed in the 320-acre drilling and spacing unit for gas and associated hydrocarbons from the Fruitland Coal Seam formation underlying the lands set forth on Exhibit A with the third and fourth wells being optional wells in the discretion of the operator located as provided in paragraph 5 and 6 subject to the Director approving exceptions for the permitted well locations as provided in paragraph 7 above.

B. That Applicant's HS&W Plan shall be incorporated as part of the Commission Order concerning non-tribal operations on lands outside of the jurisdiction of the Southern Ute Indian Tribe.

C. For such other findings and orders as the Commission may deem proper or advisable in the premises.

DATED this ____ day of December, 2006.

Respectfully submitted,

MERRION OIL & GAS CORPORATION

By: _____
Michael J. Wozniak
BEATTY & WOZNIAK, P.C.
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Denver, Colorado 80202
(303) 407-4499

Applicant's Address:

610 Reilly Avenue
Farmington, NM 87401

VERIFICATION

STATE OF NEW MEXICO)
) ss.
COUNTY OF SAN JUAN)

George Sharpe, of lawful age, being first duly sworn upon oath, deposes and says that he is the Manager, Oil & Gas Investments for Merrion Oil & Gas Corporation and that he has read the foregoing Application and that the matters therein contained are true to the best of my knowledge, information and belief.

George Sharpe
Manager, Oil & Gas Investments

Subscribed and sworn to before this ____ day of December, 2006.

Witness my hand and official seal.
My commission expires:

Notary Public

EXHIBIT A

Legal Description
80-acre Infill Application Area

Township 33 North, Range 7 West
Section 23: N/2

EXHIBIT B

Interested Parties

Red Willow Production Co.
P.O. Box 369
Ignacio, CO 81137-0369

Southern Ute Indian Tribe
Attn: Ed Trahan
P.O. Box 369
Ignacio, CO 81137-0369

SG Interests Ltd.
909 Fannin, Suite 2600
Houston, TX 77010

BP America Production Co.
380 Airport Road
Durango, CO 81303

Samson Resources
370 17th St., Suite 3000
Denver, CO 80202

Robert L. Bayless, Producer LLC
621 17th St., Suite 2300
Denver, CO 80293

Brett Sherman
La Plata County
1060 East 2nd Avenue
Durango, CO 81301