

MERRION

OIL & GAS

October 28, 1998

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

**Re: Revised Application of Merrion Oil & Gas
Non-Standard "Off Pattern" Location
Shank Com #1
Basin Fruitland Coal Pool
NW/4 Section 2, T26N, R13W
San Juan County, New Mexico**

RECEIVED
OCT 29 1998
OIL CON. DIV.
DIST. 2

Dear Mr. Stogner:

In an application dated September 17, 1998, Merrion Oil & Gas Corp. (Merrion) requested administrative approval for a non-standard location for the subject well. Although no objections were submitted by offset operators, in a letter dated October 21, 1998, you denied the application based on the recommendation of Ernie Busch of the Aztec OCD. Mr. Busch did not feel that our geologic arguments supported the fact that a well in the "off pattern" NW/4 would be significantly better than a standard location in the SW/4. After discussions with Mr. Busch and yourself, Merrion has decided to clarify our reasoning and re-apply for administrative approval for this NSL.

Merrion has an approved State APD to drill the Shank Com #1 in the NW/4 of Section 2, T26N, R13W. The well will be completed in the Basin Fruitland Coal on a W/2 320 acre spacing unit (see Exhibit 1 and 2). Although the well is at standard offsets from the spacing unit boundary, it is non-standard because of its "off pattern" location in the northwest quarter versus the southwest quarter of the section.

Merrion is proposing to drill the well on the northern part of the spacing unit for geologic reasons. Exhibit 3 is a log cross-section showing that the coal thickness increases to the north and east across the project area. The total coal thickness of approximately 26 feet in the SW/4 of Section 10 increases to 39 feet in the NW/4 of Section 2, T26N, R13W, where Merrion proposes to drill the well.

Ernie -
Michael said to go ahead and
submit this to him, but to
work through you to address
any concerns. Please give
me a call to discuss.
George

Page Two
October 28, 1998

Along with the increasing coal thickness, there is a dramatic improvement in coal quality to the northeast across the project area. Exhibit 4 shows that adjacent wells to the southwest of the Shank Com #1 spacing unit are uneconomic at gas rates of 0 to 42 MCFD. Wells to the northeast in the "sweet trend" as shown on Exhibit 4 are making up to 600 MCFD. This dramatic improvement in well performance indicates a substantial improvement in coal quality and cleating to the north and east.

Merrion strongly feels that a well in the SW/4 of Section 2 will be similar to the offsets too the southwest and will be uneconomic. It is only by drilling the well in the thicker, higher quality, more cleated coal in the NW/4 of the section that we can have an economically viable project. Therefore, we request that you reconsider and approve our application.

Exhibit 2 is a plat showing the offset operators in the area. Exhibit 5 is a list of operators who received certified copies of this application.

Please notify me at (505) 327-9801, ext. 114 if more information is required.

Sincerely,


George F. Sharpe
Manager – Oil & Gas Investments

Xc: Well File
Ernie Busch – Aztec OCD

Box 1780, Hobbs, NM 88241-1780
District II
PO Drawer DD, Artesia, NM 88211-0719
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

Form C-102
Revised February 21, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 APT Number 30-045-29516		2 Pool Code 71629		3 Pool Name Basin Fruitland Coal	
4 Property Code 22342		5 Property Name Shank Com			6 Well Number 1
7 OGRID No. 014634		8 Operator Name MERRION OIL & GAS			9 Elevation 6045'

10 Surface Location

UL or lot no. F	Section 2	Township 26 N	Range 13 W	Lot Ida SENW	Feet from the 1840	North/South line North	Feet from the 1840	East/West line West	County SanJuan
--------------------	--------------	------------------	---------------	-----------------	-----------------------	---------------------------	-----------------------	------------------------	-------------------

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
---------------	---------	----------	-------	---------	---------------	------------------	---------------	----------------	--------

12 Dedicated Acres 320 3/16 96	13 Joint or Infill	14 Consolidation Code	15 Order No. In progress
-----------------------------------	--------------------	-----------------------	-----------------------------

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

16 ④ 39.95 ⑬ 40.01 ⑭ 40.07 ⑮ 40.13 1840' 1840' RECEIVED JAN 2 1998 OIL CON. DIV. DIST. 3 RECEIVED OCT 29 1998 OIL CON. DIV. DIST. 3 EXHIBIT 1		17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief Signature Steven S. Dunn Printed Name Drlg & Prod Manager Title 1/26/98 Date	
		18 SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief Date of Survey Signature 6844 REGISTERED LAND SURVEYOR 6844 Certificate Number	

EXHIBIT 2
SHANK COM #1
Non-Standard Location
Offset Operator Plat

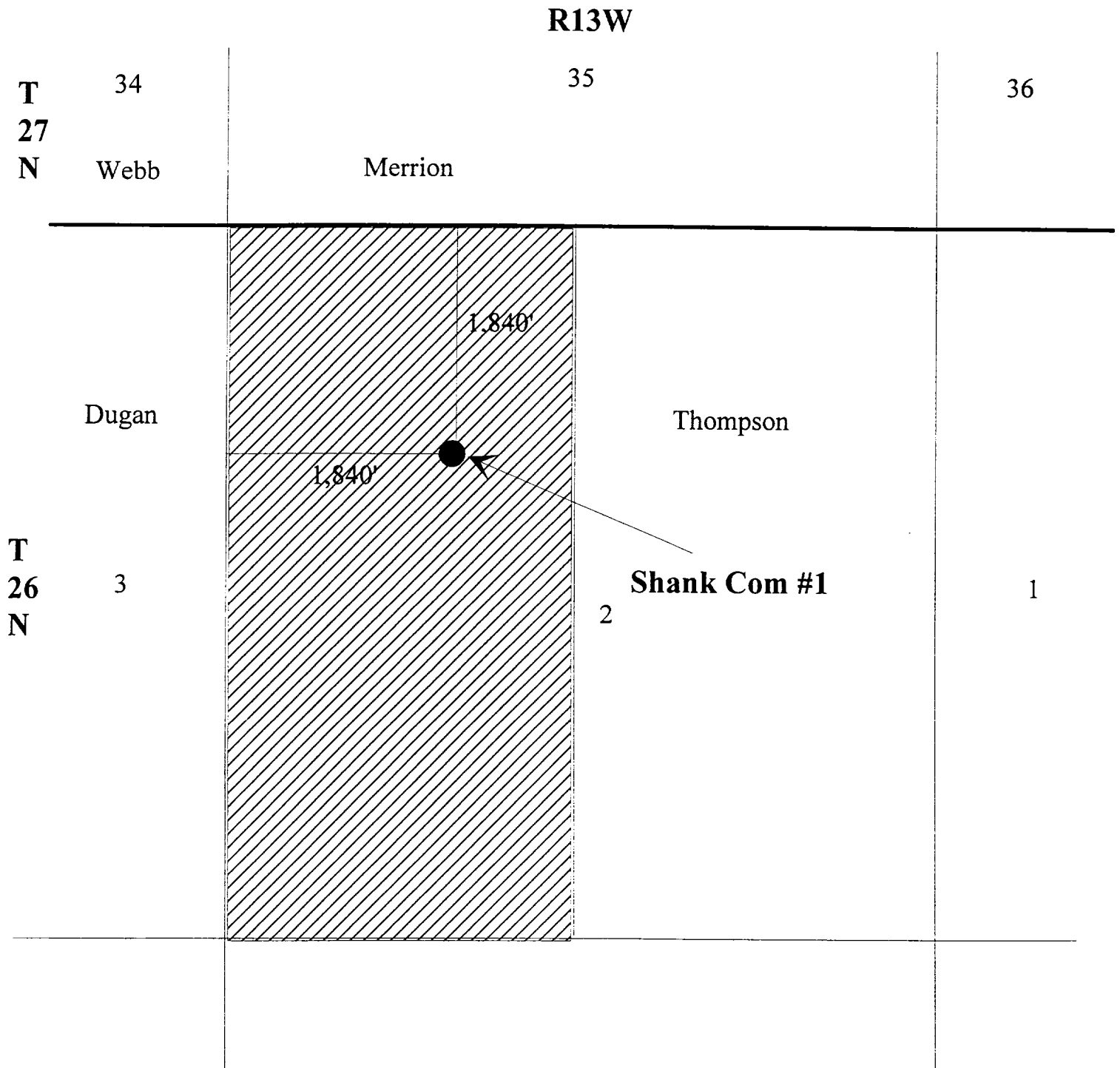


EXHIBIT 3

Density Log Cross Section

Shank Com Location

SW
Gallegos Fed 26-B-10 #2
Density Log
10N1 - 26N - 13W

Bartlesville #1
Density Log
2C - 26N - 13W

NE

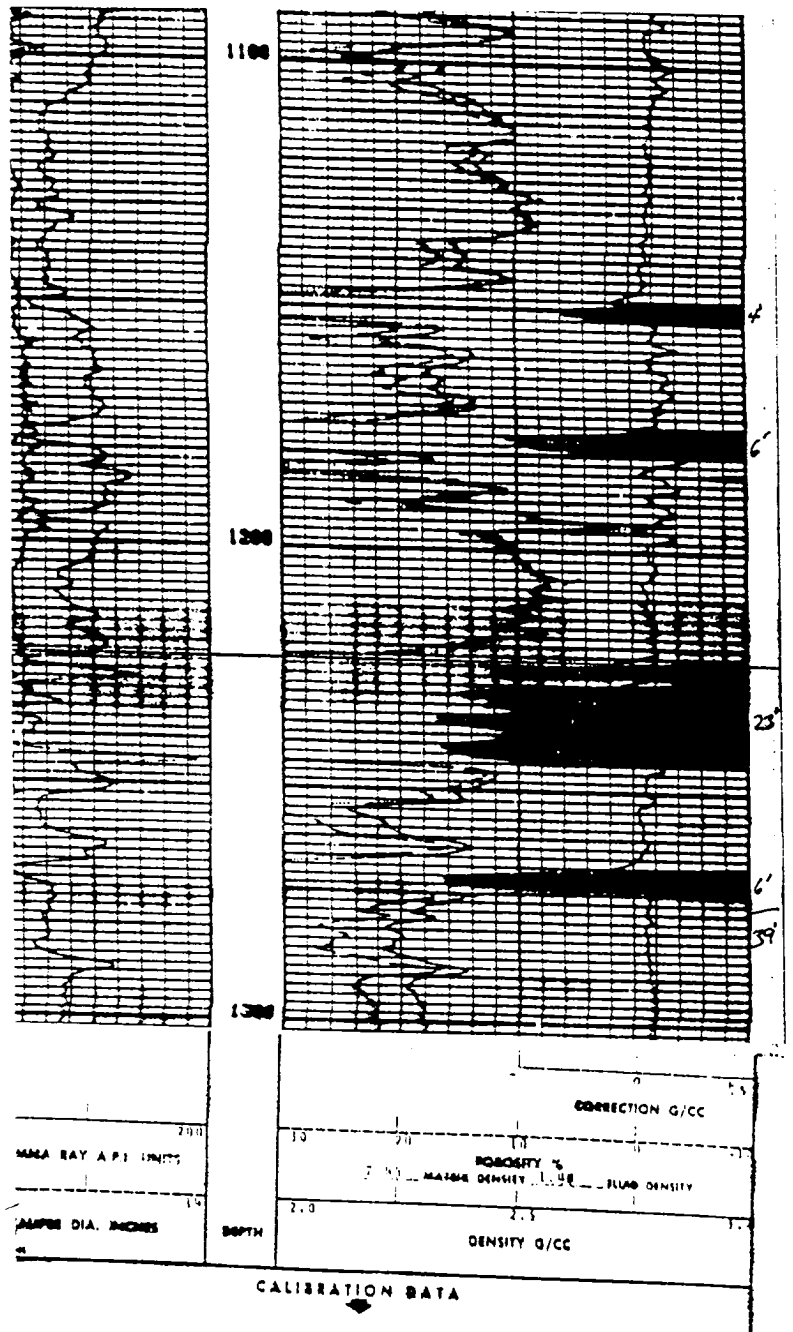
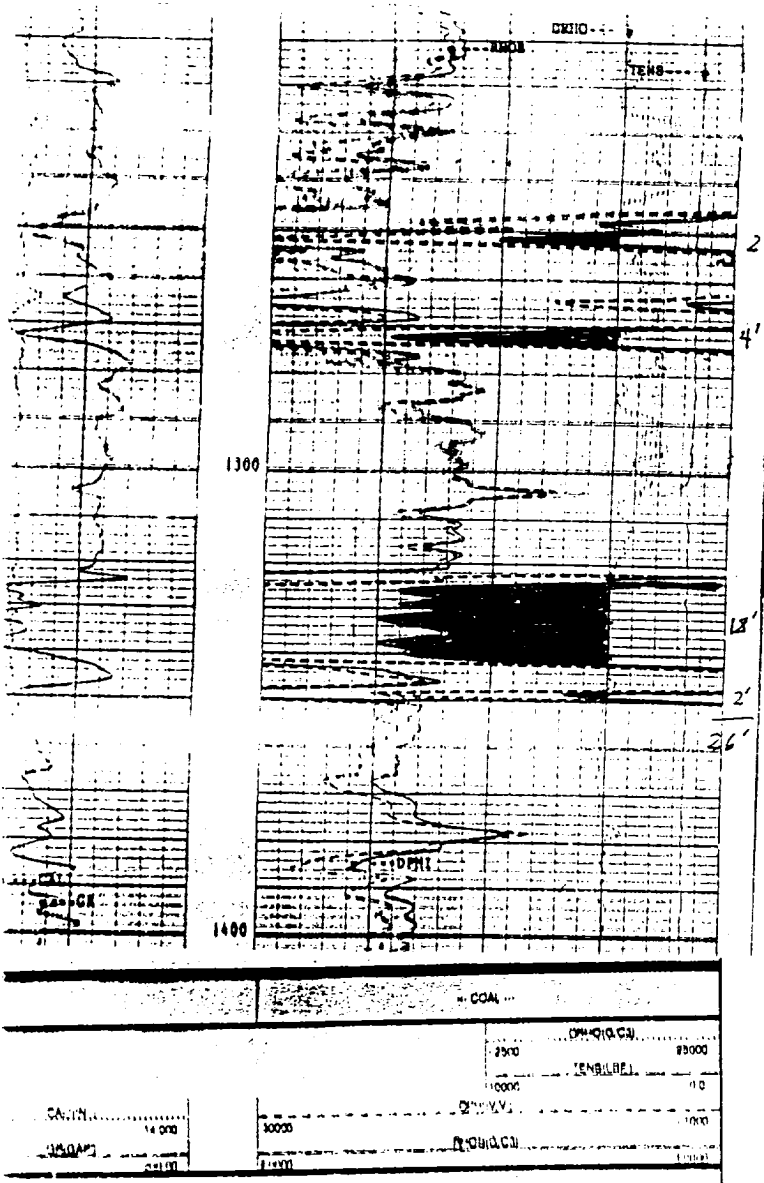


EXHIBIT 4

FRUITLAND COAL PRODUCTION

MCFD
Cum MCF

Bubble on Rate

Shank

Thompson
350 MCFD

Sheet

26N

26N 13W

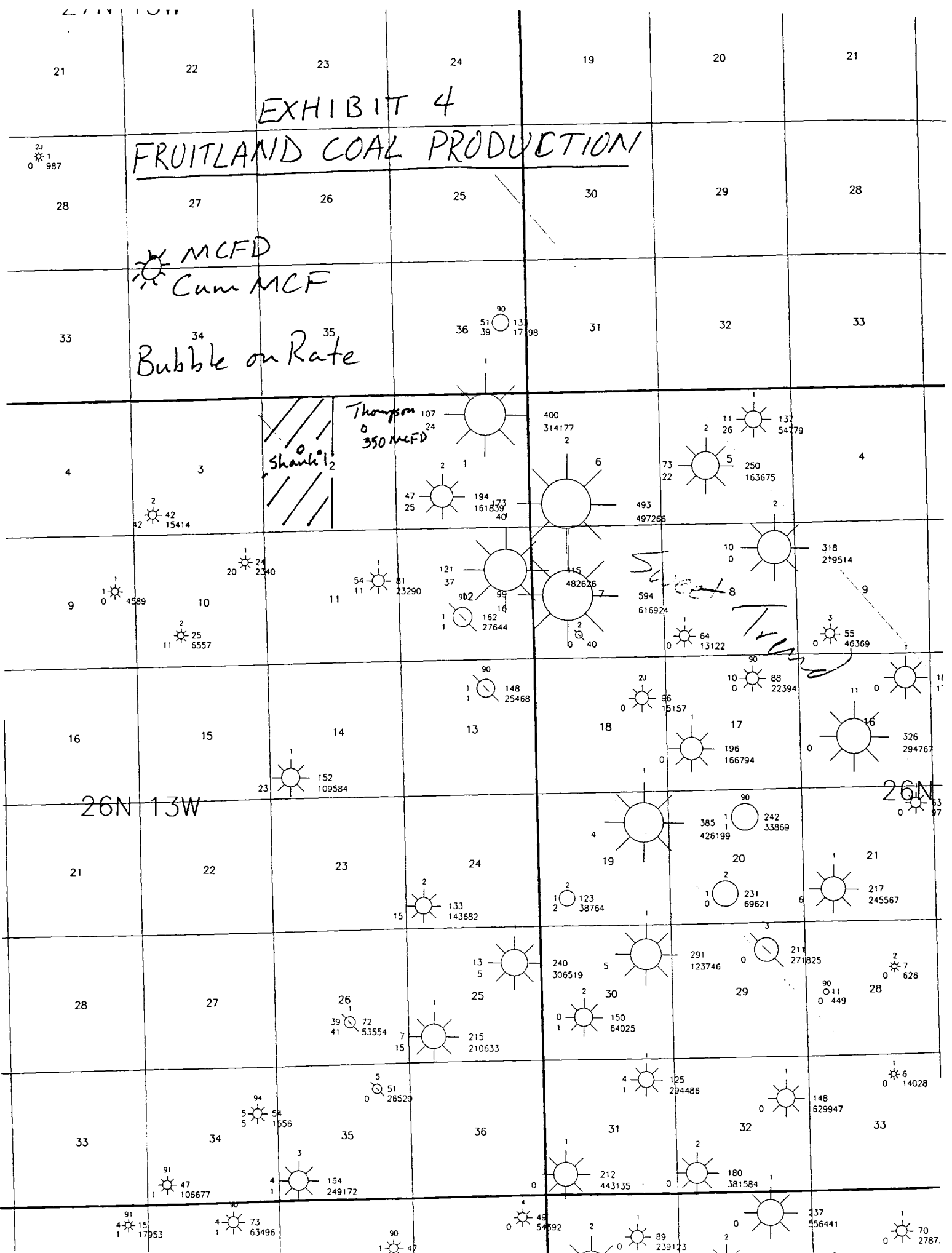


Exhibit 5

Offset Operator Notification
Shank Com #1
Non-Standard Location

To: Offset Operators

If you have questions, please call George Sharpe at 327-9801. If you have any objections to this application, please notify the NMOCD in writing within 20 days of receipt of this application.

Mr. Paul Thompson
Thompson Engineering
7415 E. Main
Farmington, New Mexico 87402

Mr. John Alexander
Dugan Production
P.O. Box 420
Farmington, New Mexico 87499

Mr. Max Webb
2705 ½ E. Main
Farmington, New Mexico 87402