

MERRION

OIL & GAS

September 20, 2000

DHC-2847

Mr. David Catanach
New Mexico Oil Conservation Division
2040 S. Pacheco St.
Santa Fe, New Mexico 87505

**Re: Application for Administrative Approval
Downhole Commingling
Antelope Ridge Morrow and Antelope Ridge Atoka Pools
State 23 Com #1
Section 23, T23S, R34E
Lea County, New Mexico**

Dear Mr. Catanach:

Merrion Oil & Gas requests administrative approval for downhole commingling of the Antelope Ridge Morrow and Atoka Pools in the subject wellbore. The following information is provided in support of this application.

I. Proposed Spacing Units

Exhibit 1 shows the C-102 plat for the Antelope Ridge Morrow Pool with a 320 acre spacing unit in the S/2 of Section 23. Exhibit 2 is the C-102 plat for the Antelope Ridge Atoka Pool with a 320 acre spacing unit also in the S/2 of Section 23.

II. Justification

This well was originally completed as a dual producer in the Atoka and Morrow zones. Because of low productivity in the Morrow, a plug was set in its tubing string and, for many years, just the Atoka was produced. In 1994, the Atoka production rate had dropped off to less than 100 MCFD, so the operator at the time (Hunt) decided to fracture stimulate and produce the Morrow by itself. The Morrow zone has now also declined to less than 100 MCFD.

Merrion plans to stimulate and restore production in the Atoka. After testing the Atoka, we plan to commingle that zone with the Morrow. By combining the intervals, we will be able to install piston lift to help keep fluid off both formations. The combined gas rate will also extend the economic life of the well, increasing the ultimate recovery from both zones.