

in
7/28/04

DAC-3321

8/6/04

PWJ 0421961597

MERRION

OIL & GAS

July 26, 2004

Mr. William Jones
New Mexico Oil Conservation Division
1220 S. St. Francis Dr.
Santa Fe, NM 87505

**RE: Application for Administrative Approval
Downhole Commingling
WC 30N 13W 25; Fruitland Sand, Basin Fruitland, Fulcher Kutz PC
Panther No. 1
Section 25, T30N R13W
San Juan County, New Mexico**

Dear Mr. Jones:

Merrion Oil & Gas (Merrion) requests administrative approval for downhole commingling of the Wildcat Fruitland Sand and the Pre approved Basin Fruitland/Fulcher Kutz Pictured Cliffs in the subject wellbore. The following information is provided in support of this application.

I. History and Justification

The Panther No. 1 was drilled and completed in 1998 as a Pictured Cliffs gas well. It produced approximately 1,500,000 MCF through September 2003. The rate at that point was between 400 and 450 MCFD. In October 2003, the Fruitland Coal was added. Commingled production peaked in May 2004 at about 690 MCFD. The well is currently producing about 575 MCFD from the commingled intervals. The Fruitland Sand formation looks interesting on the open hole logs, and we propose to add perforations in that zone and to commingle it with the existing production.

II. Proposed Spacing Units

Exhibit 1 is the C-102 plat for the Wildcat Fruitland Sand with a 160 acre spacing unit in the southwest quarter of Section 25. Exhibit 2 is the C-102 plat for the Basin Fruitland Pool with a 320 acre spacing unit in the south half of Section 25, Exhibit 3 is the C-102 plat for the Fulcher Kutz Pictured Cliffs with a 160 acre spacing unit in the southwest quarter of Section 25.

III. Allocation Methodology

Exhibit 4 shows the production from the Panther No. 1 before and after the Fruitland Coal pay add. Pictured Cliffs production before the pay add and commingled production after the

pay add provided the basis for the original allocation. That percentage was used to estimate the current allocation after some months of declining production.

There is no clear basis for estimating the Fruitland Sand production. It is not producing in offset wells in the area. We are estimating 100 MCFD for purposes of this application, but we will not have good data until the zone is completed and tested.

Merrion proposes to obtain stabilized production tests on the Fruitland Sand and use a fixed percentage to allocate future production between this zone and the two established zones. If subsequent data indicate the need, additional testing may be done in the future to adjust the allocation percentages.

IV. Reservoir Fluid Compatibility

Water analyses are not available for wells in the immediate area. However, the waters of the Fruitland Sand, Fruitland Coal and the Pictured Cliffs have been generally determined to be compatible across the basin based on other similar applications to the NMOCD.

V. Cross Flow Between Zones

The reservoir pressure of all three zones is estimated to be between 400 and 450 psi. Therefore, crossflow is not anticipated to be a problem.

VI. Well Ownership Notification

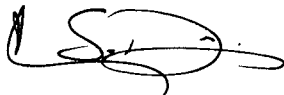
The ownership of the three zones is identical, so no notification is necessary.

VII. Summary

The well production is satisfactory under current conditions, but we believe there are additional reserves behind pipe in the Fruitland Sand. The Fruitland Sand would not justify drilling a new wellbore, however commingling with the other zones will allow recovery of these additional reserves. Therefore, we request your approval of this application.

If you have questions or need additional information, please call me at (505)324-5326.

Sincerely,



Connie S. Dinning
Production Engineer

Cc: Steve Hayden, Aztec NMOCD
BLM, Farmington Field Office

File: s/operate/workovers/Farmington Area/Panther 1 Commingle Just.doc

District I
1625 N. French Drive, Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107A
Revised June 10, 2003

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

APPLICATION TYPE
Single Well
Establish Pre-Approved Pools
EXISTING WELLBORE
Yes No

APPLICATION FOR DOWNHOLE COMMINGLING

Merrion Oil & Gas 610 Reilly Ave, Farmington, NM 87401

Operator Address
SF-078213 Panther 1 M-25-30N-13W San Juan

Lease Well No. Unit Letter-Section-Township-Range County

OGRID No. 014634 Property Code 23182 API No. 30-045-29573 Lease Type: X Federal State Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Wildcat Fruitland Sand	Basin Fruitland Pre Approved w/ PC R-11363	Fulcher Kutz Pictured Cliffs Pre Approved w/ Fruitland R-11363
Pool Code	NA	71629	77200
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	1440' - 1512'	1636' - 1659'	1670' - 1690'
Method of Production (Flowing or Artificial Lift)	Artificial Lift	Artificial Lift	Artificial Lift
Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone)	393 psi	431 psi	439 psi
Oil Gravity or Gas BTU (Degree API or Gas BTU)	1000 BTU	1000 BTU	1000 BTU
Producing, Shut-In or New Zone	New Zone	Producing	Producing
Date and Oil/Gas/Water Rates of Last Production. (Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.)	Not yet completed Date: Rates:	Date: 5/17/04 Rates: 250 mcf/d	Date: 9/16/03 Rates: 440
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil 0 Gas 100 mcf/d % 15%	Oil 0 Gas 208 mcf/d % 31%	Oil 0 Gas 367 mcf/d % 54%

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones? Yes X No
If not, have all working, royalty and overriding royalty interest owners been notified by certified mail? Yes No

Are all produced fluids from all commingled zones compatible with each other? Yes X No

Will commingling decrease the value of production? Yes No X

If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application? Yes X No

NMOCD Reference Case No. applicable to this well:

Attachments:

- C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
- Production curve for each zone for at least one year. (If not available, attach explanation.)
- For zones with no production history, estimated production rates and supporting data.
- Data to support allocation method or formula.
- Notification list of working, royalty and overriding royalty interests for uncommon interest cases.
- Any additional statements, data or documents required to support commingling.

PRE-APPROVED POOLS

If application is to establish Pre-Approved Pools, the following additional information will be required:

- List of other orders approving downhole commingling within the proposed Pre-Approved Pools
- List of all operators within the proposed Pre-Approved Pools
- Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application.
- Bottomhole pressure data.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE TITLE Production Engineer DATE 7/26/04

TYPE OR PRINT NAME Connie Dinning TELEPHONE NO. (505) 324-5326

E-MAIL ADDRESS cdinning@merrion.bz

District I
1625 N. French Dr., Hobbs, NM 88240

District II
1301 W. Grand Avenue, Artesia, NM 88210

District III
1000 Rio Brazos Rd., Aztec, NM 87410

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised June 10, 2003
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-045-29573	² Pool Code	³ Pool Name WC 30N 13W 25; Fruitland Sand
⁴ Property Code	⁵ Property Name Panther	⁶ Well Number 1
⁷ OGRID No. 14634	⁸ Operator Name Merrion Oil & Gas	⁹ Elevation 5660' GL

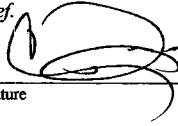
¹⁰ Surface Location

UL or lot no. M	Section 25	Township 30N	Range 13W	Lot Idn sw sw	Feet from the 990'	North/South line South	Feet from the 1255'	East/West line West	County San Juan
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¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
¹² Dedicated Acres 160	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.						

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				¹⁷ OPERATOR CERTIFICATION <i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</i>  Signature Connie Dinning Printed Name Production Engineer, cdinning@merrion.bz Title and E-mail Address 7/26/04 Date
	SF-078213			¹⁸ SURVEYOR CERTIFICATION <i>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.</i> Date of Survey Signature and Seal of Professional Surveyor: Certificate Number
1255' fwl				
	990' fsl			

District I

1625 N. French Dr., Hobbs, NM 88240

District II

811 South First, Artesia, NM 88210

District III

1000 Rio Brazos Rd., Aztec, NM 87410

District IV

2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Form C-102
Revised August 15, 2000

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-045-29573	² Pool Code 71629	³ Pool Name Basin Fruitland Coal
⁴ Property Code 23182	⁵ Property Name Panther	⁶ Well Number 1
⁷ OGRID No. 014634	⁸ Operator Name Merrion Oil & Gas	⁹ Elevation 5660' GR

¹⁰ Surface Location

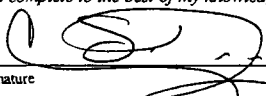
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	25	30N	13 W	SWSW	990	South	1255	West	San Juan

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
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¹¹ Dedicated Acres 320	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p>16</p>				<p>17 OPERATOR CERTIFICATION</p> <p><i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</i></p> <p></p> <p>Signature</p> <p>Connie S. Dinning</p> <p>Printed Name</p> <p>Production Engineer</p> <p>Title</p> <p>July 22, 2003</p> <p>Date</p>
<p>1255' FWL</p> <p>990' FSL</p>	<p>Lease No. SF-078213</p>			<p>18 SURVEYOR CERTIFICATION</p> <p><i>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.</i></p> <p>Date of Survey</p> <p>Signature and Seal of Professional Surveyor:</p>
				<p>Certificate Number</p>

District I
PO Box 1980, Hobbs, NM 88241-1980
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-10
Revised February 21, 1997
Instructions on back
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Fee Lease - 3 Copies

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☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number		2 Pool Code 7968077200		3 Pool Name Fulcher West Kutz Pictured Cliffs Ext.		
4 Property Code		5 Property Name Panther			6 Well Number #1	
7 OGRID No. 014634		8 Operator Name MERRION OIL & GAS			9 Elevation 5660'	

10 Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	25	30 N	13 W	SWSW	990	South	1255	West	San Juan

11 Bottom Hole Location If Different From Surface

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

12 Dedicated Acres 160	13 Joint or Infill	14 Consolidation Code	15 Order No.
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OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p>16</p>	<p>17 OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</p> <p><i>Signature</i></p> <p>Steven S. Dunn</p> <p>Printed Name</p> <p>Drlg & Prod Manager</p> <p>Title</p> <p>December 23, 1997</p> <p>Date</p>	
	<p>18 SURVEYOR CERTIFICATION</p> <p>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.</p> <p>Date of Survey</p> <p>Signature and Seal of Professional Surveyor:</p> <p><i>Signature</i></p> <p>6844</p> <p>CERTIFICATE NUMBER</p>	

Panther No. 1 Production

