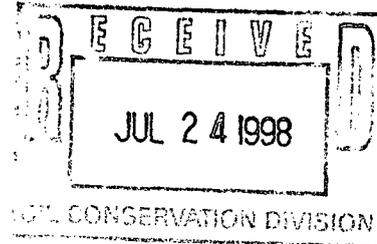


MERRION

OIL & GAS

2019

July 20, 1998



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

**Re: Application for Administrative Approval
Downhole Commingling
Basin Dakota Pool and Crouch Mesa Mesaverde Pool
Fifield Com 1E
Section 5, T29N, R11W
San Juan County, New Mexico**

Dear Mr. Catanach:

Merrion Oil & Gas requests administrative approval for downhole commingling of the Basin Dakota and the Crouch Mesa Mesaverde Pools in the subject wellbore. The following information is provided in support of this application:

I. Proposed Spacing Units

Exhibit 1 is the ownership plat showing the leases involved and showing the offset operators. Exhibit 2 shows the C-102 plat for the Basin Dakota with a 294 acre spacing unit in the N/2 of Section 5. Exhibit 3 is the C-102 plat for the Crouch Mesa Mesaverde Pool with a \pm 148 acre spacing unit in the NW/4 of Section 5.

II. Justification

Both the Mesaverde zone and the Dakota zone are depleted to between 660 and 800 psi in the offset wells (see Exhibits 4 and 5). Because the remaining recoverable reserves from each zone is expected to be marginal, the only way a well can be economically justified is to commingle the two zones.

III. Allocation Methodology

Because both zones exhibit similar exponential decline characteristics (see Exhibit 4), initial flow tests will be used to proportionally split flow between the two zones. If future changes in the condensate API gravity or gas BTU content indicate a substantive change in the mix of production from the two zones, the allocation formula will be adjusted based on additional testing.

IV. Reservoir Fluid Compatibility

Water analyses are not available for wells in the immediate area. However, the waters of the Mesaverde and Dakota have been generally determined to be compatible across the basin based on other similar applications to the OCD.

V. Cross Flow Between Zones

The current reservoir pressure of the Dakota is at \pm 820 psi while the Mesaverde is at \pm 660 psi. With a flowing line pressure at around 250 psi, crossflow is not anticipated to be a problem.

VI. Well Ownership Notification

The spacing unit and ownership of the two zones is not the same (see Exhibit 1). Exhibit 6 is a list of all working interest, override, and royalty interest owners in the well who received certified copies of this application.

VII. Offset Operator Notification

Exhibit 1 is a plat showing all offset operators. Exhibit 7 is a list of all the offset operators who received a certified copy of this application.

VIII. Summary

Neither zone has the reserves to economically justify a well. Commingling the zones will maximize reserves and protect correlative rights. Therefore, we request your approval of this application.

Please call me with questions or if additional information is required.

Sincerely,


George F. Sharpe
Manager - Oil & Gas Investments

xc: Offset Operators and Well Owners

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July 20, 1998

Objections to this application must be sent to the NMOCD within 20 days of receipt of this application. If you do not object, please sign and return this waiver sheet to George Sharpe.

WAIVER

_____ hereby waives objection to this application.
Company or Individual Name

Signature

Date

DISTRICT I
P.O. Box 1980, Hobbs, NM 88241-1980

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107-A
New 3-12-96

DISTRICT II
811 South First St., Artesia, NM 88210-2835

OIL CONSERVATION DIVISION

2040 S. Pacheco
Santa Fe, New Mexico 87505-6429

APPROVAL PROCESS:
 Administrative Hearing

DISTRICT III
1000 Rio Brazos Rd, Aztec, NM 87410-1693

APPLICATION FOR DOWNHOLE COMMINGLING

EXISTING WELLBORE
 YES NO

MERRION OIL & GAS CORPORATION 610 Reilly Avenue, Farmington, NM 87401-2634

Operator: FiField Com Well No: 1E Address: E-05-29N-11W County: San Juan

Lease: Well No. Unit Ltr. - Sec - Twp - Rge Spacing Unit Lease Types: (check 1 or more)

GRID NO. 014634 Property Code 22343 API NO. 30-045-29517 Federal State (and/or) Fee

Table with 4 columns: The following facts are submitted in support of downhole commingling, Upper Zone, Intermediate Zone, Lower Zone. Rows include Pool Name and Pool Code, Top and Bottom of Pay Section, Type of production, Method of Production, Bottomhole Pressure, Oil Gravity, Producing or Shut-in?, Production Marginal?, and Fixed Percentage Allocation.

- 9. If allocation formula is based upon something other than current or past production...
10. Are all working, overriding, and royalty interests identical in all commingled zones?
11. Will cross-flow occur?
12. Are all produced fluids from all commingled zones compatible with each other?
13. Will the value of production be decreased by commingling?
14. If this well is on, or communitized with, state or federal lands...
15. NMOCD Reference Cases for Rule 303(D) Exceptions:
16. ATTACHMENTS:

I hereby certify that the information above is true and complete to the best of my knowledge and belief.
SIGNATURE: George F. Sharpe TITLE: Engineer DATE: 7/20/98
TYPE OR PRINT NAME: George F. Sharpe TELEPHONE NO. (505) 327-9801