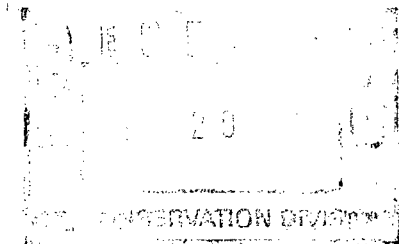


**MERRION**

OIL &amp; GAS

2894



February 15, 2001

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

**Re: Application for Administrative Approval  
Downhole Commingling  
Basin Fruitland Coal Pool and Aztec Pictured Cliffs Pool  
Katy Com #1  
Section 26, T30N, R12W  
San Juan County, New Mexico**

Dear Mr. Catanach:

Merrion Oil & Gas requests administrative approval for downhole commingling of the Basin Fruitland Coal and the Aztec Pictured Cliffs 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 offset operators. Exhibit 2 shows the C-102 plat for the Basin Fruitland Coal with a 320 acre spacing unit in the E/2 of Section 26. Exhibit 3 is the C-102 plat for the Aztec Pictured Cliffs Pool with a  $\pm 160$  acre spacing unit in the NE/4 of Section 26.

II. Justification

The well was drilled in the middle of last year and completed in the Pictured Cliffs (PC) formation. We have had problems keeping the well on due to sand flow back problems. We have recently gotten the wellbore stabilized and the well is currently making approximately 25 MCFD and 60 BWPD. The economics of the well can be significantly enhanced by adding the Fruitland Coal and commingling the two zones.

III. Allocation Methodology

Exhibit 4 shows the PC production from the Juhan #1, an offset Pictured Cliffs well while Exhibit 5 shows the production history of the PC State Com 24, an offset coal well. The

production characteristics of the two wells are very similar. Therefore, Merrion proposes to obtain stabilized production tests on each zone separately and use a fixed percentage to allocate future production between the two zones. If subsequent data indicates 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 PC and Fruitland have been generally determined to be compatible across the basin based on other similar applications to the OCD.

V. Cross Flow Between Zones

The reservoir pressure of both zones is estimated to be 550 psig. Therefore, 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. 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

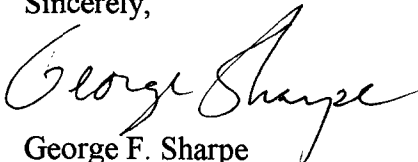
Exhibit 1 is a plat showing all offset operators. Exhibit 7 is a list of all the offset operators who received a certified copy of this application.

VIII. Summary

The current PC completion is marginally economic. Commingling the zones will maximize reserves and protect correlative rights. Therefore, we request your approval of this application.

If you have questions or need additional information, please call me at (505) 327-9801, ext 114.

Sincerely,



George F. Sharpe  
Manager - Oil & Gas Investments

xc: Offset Operators and Well Owners  
Aztec OCD, BLM-Farmington

**Application of Merrion Oil & Gas  
Downhole Commingling  
Katy Com 1**

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 fax this waiver sheet to George Sharpe at (505) 326-5900.

**WAIVER**

\_\_\_\_\_ hereby waives objection to this application.  
Company or Individual Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

District I  
1625 N. French Drive, Hobbs, NM 88240  
District II  
811 South First Street, Artesia, NM 88210  
District III  
1000 Rio Brazos Road, Aztec, NM 87410  
District IV  
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-107A  
Revised May 15, 2000

OIL CONSERVATION DIVISION

2040 South Pacheco  
Santa Fe, New Mexico 87505

APPLICATION TYPE

☒ Single Well  
☐ Establish Pre-Approved Pools  
EXISTING WELLBORE  
☒ Yes ☐ No

APPLICATION FOR DOWNHOLE COMMINGLING

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

Operator Address  
KATY COM 1 B 26 30N 12W San Juan  
Lease Well No. Unit Letter-Section-Township-Range County  
OGRID No. 014634 Property Code 25175 API No. 30-045-30084 Lease Type: ☐ Federal ☐ State ☒ Fee ☒

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Basin Fruitland Coal		Aztec Pictured Cliffs
Pool Code	71629		71280
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	1818'-1840'		1858'-1865'
Method of Production (Flowing or Artificial Lift)	Flowing		Flowing
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)	550 psi		550 psi
Oil Gravity or Gas BTU (Degree API or Gas BTU)	BTU 1000		BTU 1100
Producing, Shut-In or New Zone	Shut In - not completed yet		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.)	Date: Rates: N/A	Date: Rates:	Date: Jan, 2001 Rates: 25 MCFD, 60 BWPD
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil Gas Will be provided after Fruitland Coal % %	Oil Gas % %	Oil Gas is completed. %

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones? Yes ☐ 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 ☒ No ☐

Will commingling decrease the value of production? Yes ☐ No ☒  
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 ☒ 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

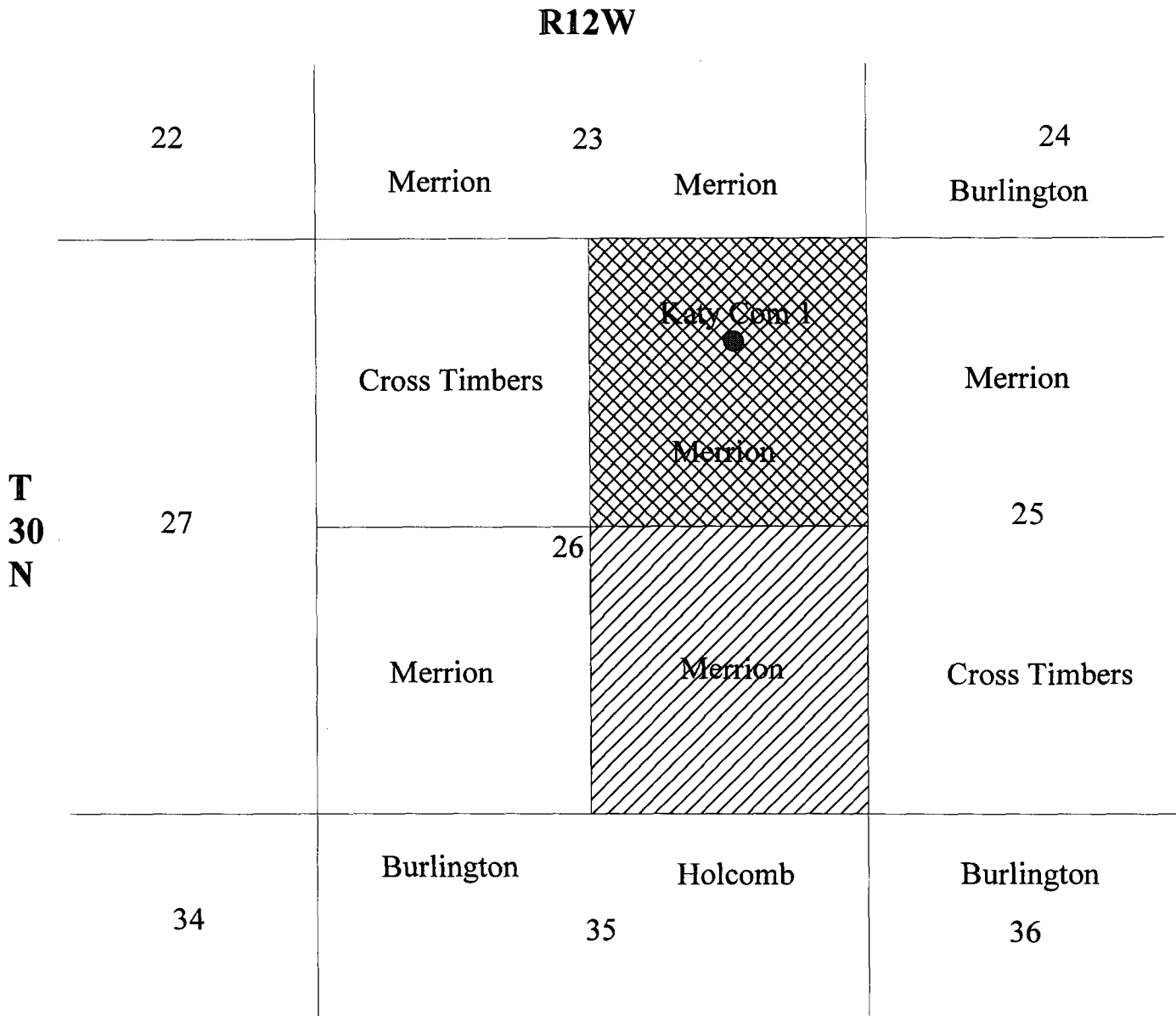
If application is to establish Pre-Approved Pools, the following additional information will be required:

- 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.

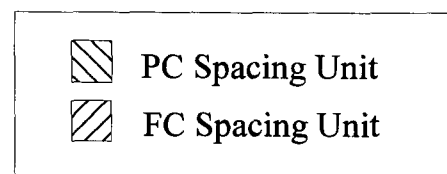
I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE George Sharpe TITLE Engineer DATE February 15, 2001  
TYPE OR PRINT NAME George F. Sharpe TELEPHONE NO. (505) 327-9801 Ext. 114

**EXHIBIT 1**  
**KATY COM 1**  
**Downhole Commingling Application**



**LEGEND**



**2040 South Pacheco, Santa Fe, NM 87505**

<p>16</p>	<p>890'</p> <p>1625'</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>George Sharpe</i></p> <p>Signature</p>
<p>Exhibit 2</p>		<p><b>George Sharpe</b></p> <p>Printed Name</p> <p><b>Engineer</b></p> <p>Title</p> <p><b>February 15, 2001</b></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>Certificate Number</p>

☐ AMENDED REPORT

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

## WELL LOCATION AND ACREAGE DEDICATION PLAT

' API Number 30-045-30084	' Pool Code 71280	' Pool Name Aztec Pictured Cliffs
' Property Code 25175	' Property Name Katy	' Well Number 1
' OGRID No. 014634	' Operator Name MERRION OIL & GAS	' Elevation 5640'

<sup>10</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
B	26	30 N	12 W	NWNE	890	North	1625	East	San Juan

## 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
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12 Dedicated Acres	13 Joint or Infill	14 Consolidation Code	15 Order No.
160			

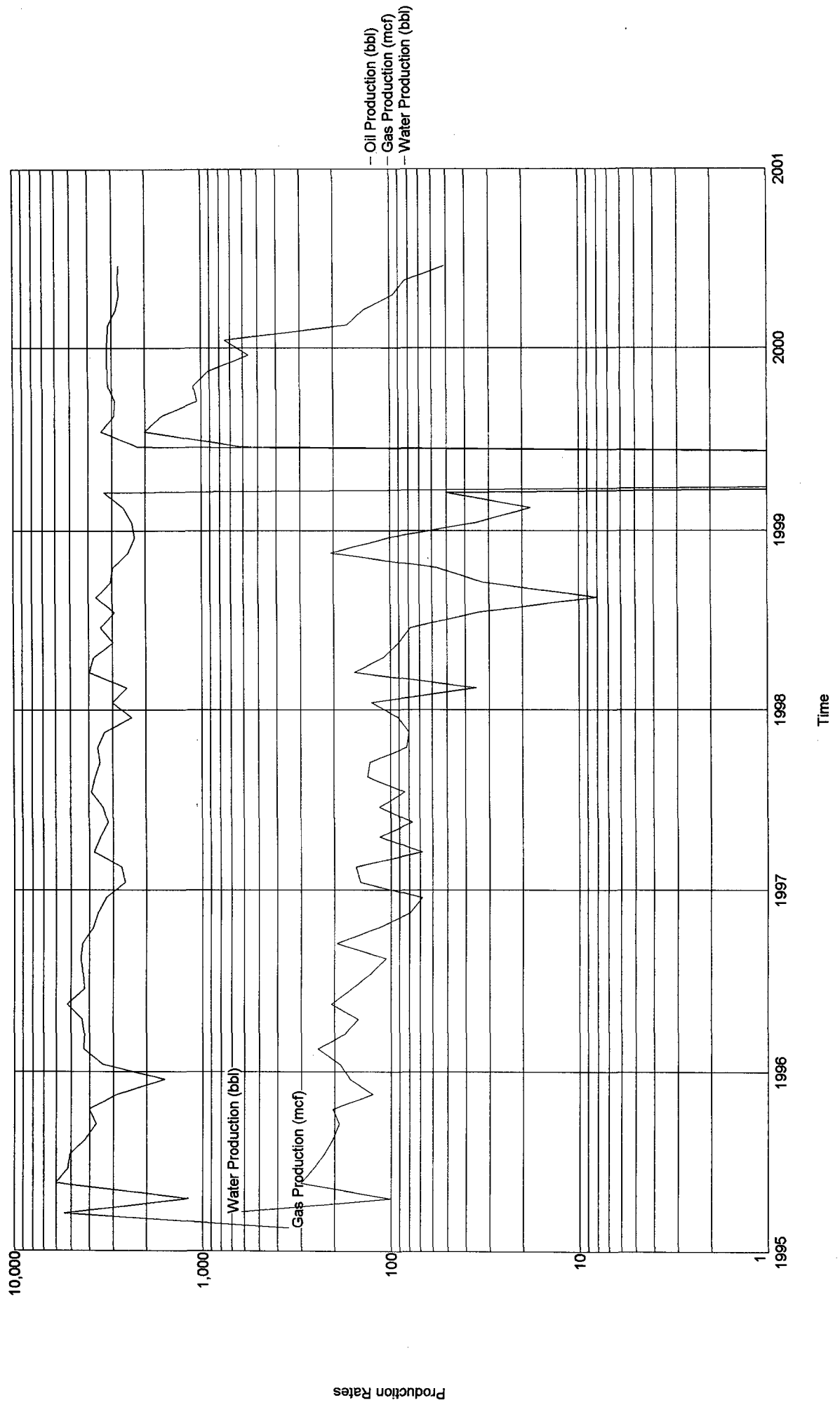
NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED  
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p>16</p>		<p>890'</p> <p>1625'</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>Signature Connie S. Dinning</p>
<p>Exhibit 3</p>			<p>Printed Name Contract Engineer</p> <p>Title December 10, 1999</p> <p>Date</p>
		<p>RECEIVED</p> <p>DEC 5 1999</p> <p>OIL CON. DIV.</p> <p>DWTS</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 <i>[Signature]</i></p> <p>Seal of Professional Surveyor 6844</p> <p>Certificate Number</p>

Lease Name: JUHAN  
County, State: SAN JUAN, NM  
Operator: BAYLESS ROBERT L PRODUCER LLC  
Field: FULCHER KUTZ  
Reservoir: PICTURED CLIFFS  
Location: 29 30N 12W NE SW NE

EXHIBIT 4

JUHAN - 1 FULCHER KUTZ 29 30N 12W NE SW NE

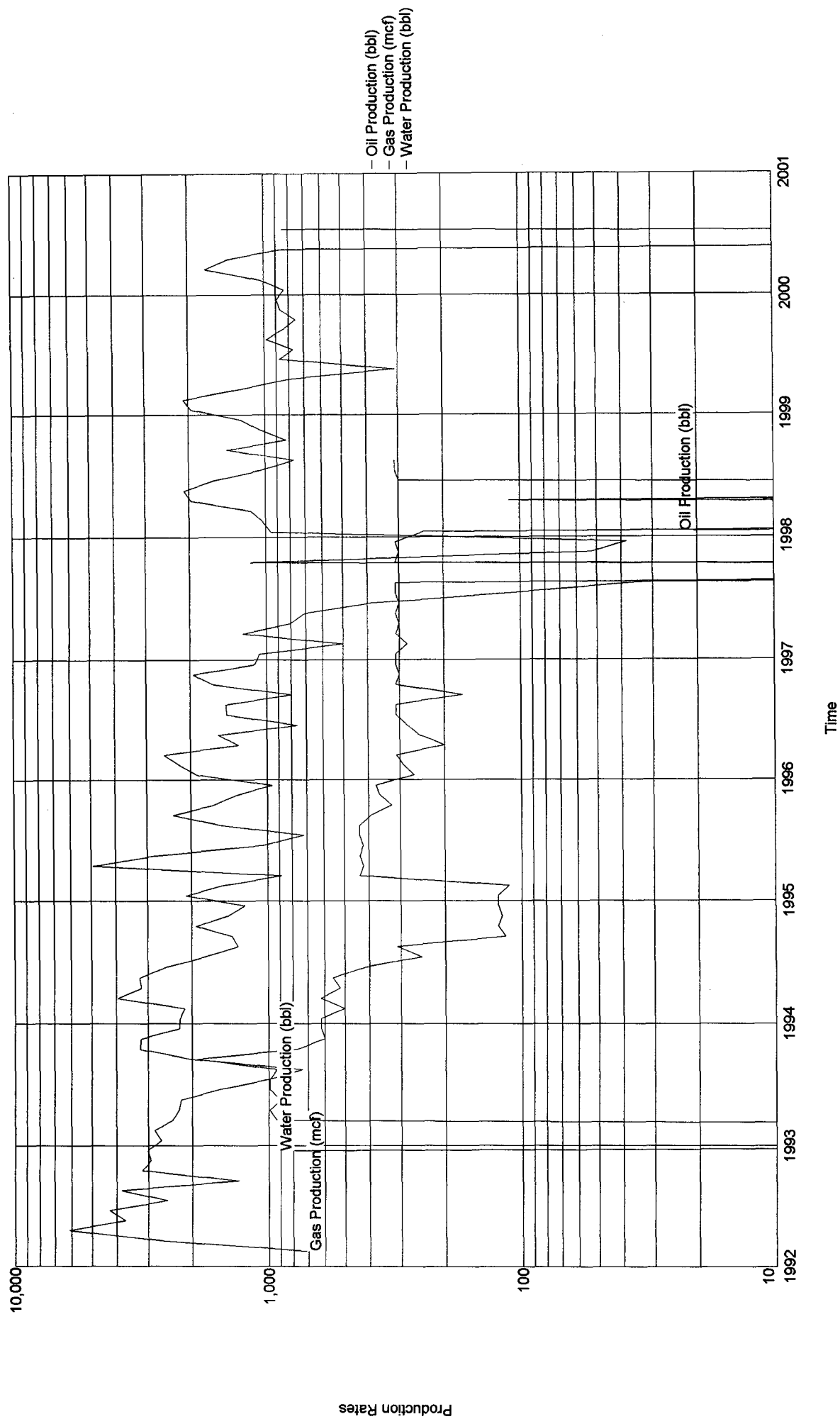




Lease Name: FC STATE COM  
County, State: SAN JUAN, NM  
Operator: CONOCO INCORPORATED  
Field: BASIN  
Reservoir: FRUITLAND COAL  
Location: 36 30N 12W NE SW SW

EXHIBIT 5

## FC STATE COM - 24 BASIN



**Exhibit "6"**  
**Katy Com 1 Commingling Application**  
**Notification of Owners in Well**

**Working Interest Owners**

Burlington Resources  
P. O. Box 4289  
Farmington, NM 87499

Robert L Bayless, Producer LLC  
P. O. Box 168  
Farmington, NM 87499

George G. Vaught, JR  
P.O. Box 13557  
Denver, CO 80201

**Royalty Interest Owners**

Minerals Management Service  
Department of the Interior  
P. O. Box 5640  
Denver, CO 80217

Susan L. Pierce Nelson  
4901 Crestwood Drive  
Farmington, NM 87402

John B Pierce  
325 S 400 W #57  
Mt. Pleasant, UT 84647

Lance Reemtsma  
2601 Grant St.  
Berkeley, CA 94703

Dirk Reemtsma  
Citizens Bank, Agent  
P O Box 4140  
Farmington, NM 87499

Estate of G.T. McAlpin  
Angela McAlpin, Ind. Executrix  
P O Box 49  
Cuero, TX 77954

Terry G & Veronica E Hood  
P O Box 826  
Aztec, NM 87410

FR Dickens & EM Dickens  
P O Box 223  
Aztec, NM 87410

Hazel B Peppin  
Or Diana L Peppin  
3652 South 2210 East  
Salt Lake City, UT 84109-4315

Edward C Cordell  
P O Box 3743  
Farmington, NM 87499

Margarete Lockley  
C/O Barbara Modzelewskil  
3113 Dryer St.  
Las Cruces, NM 88011

Duff-Leach Family Trust  
J. Dianne Duff Leach, Trustee  
P.O. Box 30396  
Albuquerque, NM 87190

T E Duff Trust, Ted E Duff Trustee  
P.O. Box 398  
Ruidoso, NM 88345

J. M. Dennis Trust  
Don C. Dennis, Trustee  
P O Box 1738  
Lubbock, TX 79408

Estate of Kay Dennis  
Don C. Dennis, Independent Executor  
P O Box 1738  
Lubbock, TX 79408

**Overriding Interest Owners**

Cross Timbers Oil CO.  
P.O. Box 840287  
Dallas, TX 75284-0287

Weldon C, Ila Mae & Jonn W. Julander  
Trustees UTA Of W C Julander Dtd 10/27/93  
P O Box 2773  
Littleton, CO 80161-2773

Burlington Resources  
P. O. Box 4289  
Farmington, NM 87499

Union Oil Company  
Revenue Accounting  
P.O. Box 841055  
Dallas, TX 75284-1055

Cynthia Calvin  
747 Newport Street  
Denver, CO 80220

Edward M. Calvin  
2380 Forest Street  
Denver, CO 80207

Ben R. Howard  
11490 Audelia Rd.  
APT 215  
Dallas, TX 75243

Sabine Royalty Trust Lockbox  
Nationsbank Of Texas  
(As Successor), Escrow Agent  
Department #0887  
Dallas, TX 75284-0887

**Exhibit "7"**

**Katy Com 1 Commingling Application  
Notification of Offset Operators**

Burlington Resources  
Mr. James Strickler  
P.O. Box 4289  
Farmington, NM 87499

Holcomb Oil & Gas  
Mr. Jeff Holcomb  
3001 Northridge Drive  
Farmington, NM 87401

Cross Timbers  
Mr. Edwin Ryan  
810 Houston St., Suite 2000  
Fort Worth, TX 76102

Manana Gas, Inc.  
Mr. Ed Hartman  
2520 Tramway Terrace Ct. NE  
Albuquerque, NM 87122