

DATE <u>5/16/02</u>	SUSPENSE <u>NA</u>	ENGINEER <u>WJ</u>	LOGGED IN <u>KV</u>	TYPE <u>DHC</u>	APP NO. <u>PKRV 0213734646</u>
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
 [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
 [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
 [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
 [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
 [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Simultaneous Dedication
☐ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement
☒ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

[D] Other: Specify _____

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply

[A] ☐ Working, Royalty or Overriding Royalty Interest Owners

[B] ☒ Offset Operators, Leaseholders or Surface Owner

[C] ☐ Application is One Which Requires Published Legal Notice

[D] ☐ Notification and/or Concurrent Approval by BLM or SLO
 U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office

[E] ☒ For all of the above, Proof of Notification or Publication is Attached, and/or,

[F] ☐ Waivers are Attached

[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is accurate and complete to the best of my knowledge. I also understand that no action will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

George Sharpe
 Print or Type Name

George Sharpe
 Signature

Investment Mgr. 5-14-02
 Title Date

gsharpe_merrion@cyberport.com
 e-mail Address

Merrion Oil & Gas

MERRION

OIL & GAS

May 14, 2002

Mr. David Catanach
New Mexico Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, New Mexico 87505-4000

**Re: Application for Administrative Approval
 Downhole Commingling & Non-standard Off-Pattern Coal Location
 Basin Fruitland Coal Pool and Fulcher Kutz Pictured Cliffs Pool
 Panther #2
 Section 25, T30N, R13W
 San Juan County, New Mexico**

Dear Mr. Catanach:

Merrion Oil & Gas (Merrion) is proposing to add the Fruitland Coal in this existing Pictured Cliffs well. In that regard, Merrion requests administrative approval for a non-standard off-pattern coal well and for downhole commingling of the Basin Fruitland Coal and the Fulcher Kutz Pictured Cliffs 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 Basin Fruitland Coal with a 320 acre spacing unit in the S/2 of Section 25. Exhibit 2 is the C-102 plat for the Fulcher Kutz Pictured Cliffs Pool with a ±160 acre spacing unit in the SE/4 of Section 25.

II. Non-Standard Location Justification

The well is at standard setbacks but is an off-pattern location in the SE/4 of the section. Merrion requests approval for this location to allow us to recomplete the coal in an existing wellbore as opposed to drilling a new well in the SW/4 of the section.

III. Commingling Justification

The well was drilled in late 1998 and completed in the Pictured Cliffs (PC) formation. The PC production is currently at 250 MCFD and declining quickly. The economics of the well can be significantly enhanced by adding the Fruitland Coal and commingling the two zones.

IV. Allocation Methodology

Exhibit 3 shows the PC production from the Panther #2 while Exhibit 4 shows the production history of the Federal A-3E, 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.

V. 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.

VI. Cross Flow Between Zones

The reservoir pressure of both zones is estimated to be 300 psig. Therefore, crossflow is not anticipated to be a problem.

VII. Well Ownership

The ownership in the two zones is identical.

VIII. Offset Operator Notification

Exhibit 5 is a plat showing the offset operators and Exhibit 6 is a list of all offset operators who received certified copies of this application.

Summary

Completing the Fruitland Coal in the existing well will prevent waste. In addition, 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
Aztec OCD
Farmington BLM

**Application of Merrion Oil & Gas
Downhole Commingling & Non-Standard Location
Panther #2**

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 FOR DOWNHOLE COMMINGLING

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

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

Operator Address
PANTHER 2 O 25 30N 13W San Juan
Lease Well No. Unit Letter-Section-Township-Range County
OGRID No. 014634 Property Code 23182 API No. 30-045-29574 Lease Type: ☒ Federal ☐ State ☐ Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Basin Fruitland Coal		Fulcher Kutz Pictured Cliffs
Pool Code	71629		77200
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	1684'-1705'		1720'-1736'
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)	300 psi		300 psi
Oil Gravity or Gas BTU (Degree API or Gas BTU)	BTU 1000		BTU 1000
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: April, 2001 Rates: 250 MCFD, 30 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 is completed.	Oil Gas % %	Oil Gas % %

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 April 14, 2002
TYPE OR PRINT NAME George F. Sharpe TELEPHONE NO. (505) 327-9801 Ext. 114

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 30-045-29574	² Pool Code 71629	³ Pool Name Basin Fruitland Coal
⁴ Property Code 23182	⁵ Property Name PANTHER	⁶ Well Number 002
⁷ OGRID No. 014634	⁸ Operator Name MERRION OIL & GAS CORPORATION	⁹ Elevation 5681'

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
O	25	30N	13W	SWSE	832	South	1835	East	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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¹² Dedicated Acres 320	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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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				<div data-bbox="1071 959 1531 1000" data-label="Section-Header"><h3>17 OPERATOR CERTIFICATION</h3></div> <div data-bbox="1071 1000 1531 1068" data-label="Text"><p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p></div> <div data-bbox="1071 1068 1531 1166" data-label="Text"><p><u>George Sharpe</u> Signature</p></div> <div data-bbox="1071 1166 1531 1225" data-label="Text"><p><u>George Sharpe</u> Printed Name</p></div> <div data-bbox="1071 1225 1531 1325" data-label="Text"><p><u>Engineer</u> Title</p></div> <div data-bbox="1071 1325 1531 1423" data-label="Text"><p><u>May 14, 2002</u> Date</p></div>
				<div data-bbox="1071 1442 1531 1491" data-label="Section-Header"><h3>18 SURVEYOR CERTIFICATION</h3></div> <div data-bbox="1071 1491 1531 1659" data-label="Text"><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></div> <div data-bbox="1071 1659 1531 1719" data-label="Text"><p>Date of Survey</p></div> <div data-bbox="1071 1719 1531 1779" data-label="Text"><p>Signature and Seal of Professional Surveyor:</p></div> <div data-bbox="1071 1779 1531 1917" data-label="Text"><p>Certificate Number</p></div>

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-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 API Number		2 Pool Code		3 Pool Name Fulcher Kutz Pictured Cliffs	
4 Property Code		5 Property Name Panther			6 Well Number #2
7 OGRID No. 014634		8 Operator Name MERRION OIL & GAS			9 Elevation 5681'

10 Surface Location

UL or lot no. 0	Section 25	Township 30 N	Range 13 W	Lot Idn SWSE	Feet from the 832	North/South line South	Feet from the 1835	East/West line East	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
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12 Dedicated Acres 160	13 Joint or Infill	14 Consolidation Code	15 Order No.
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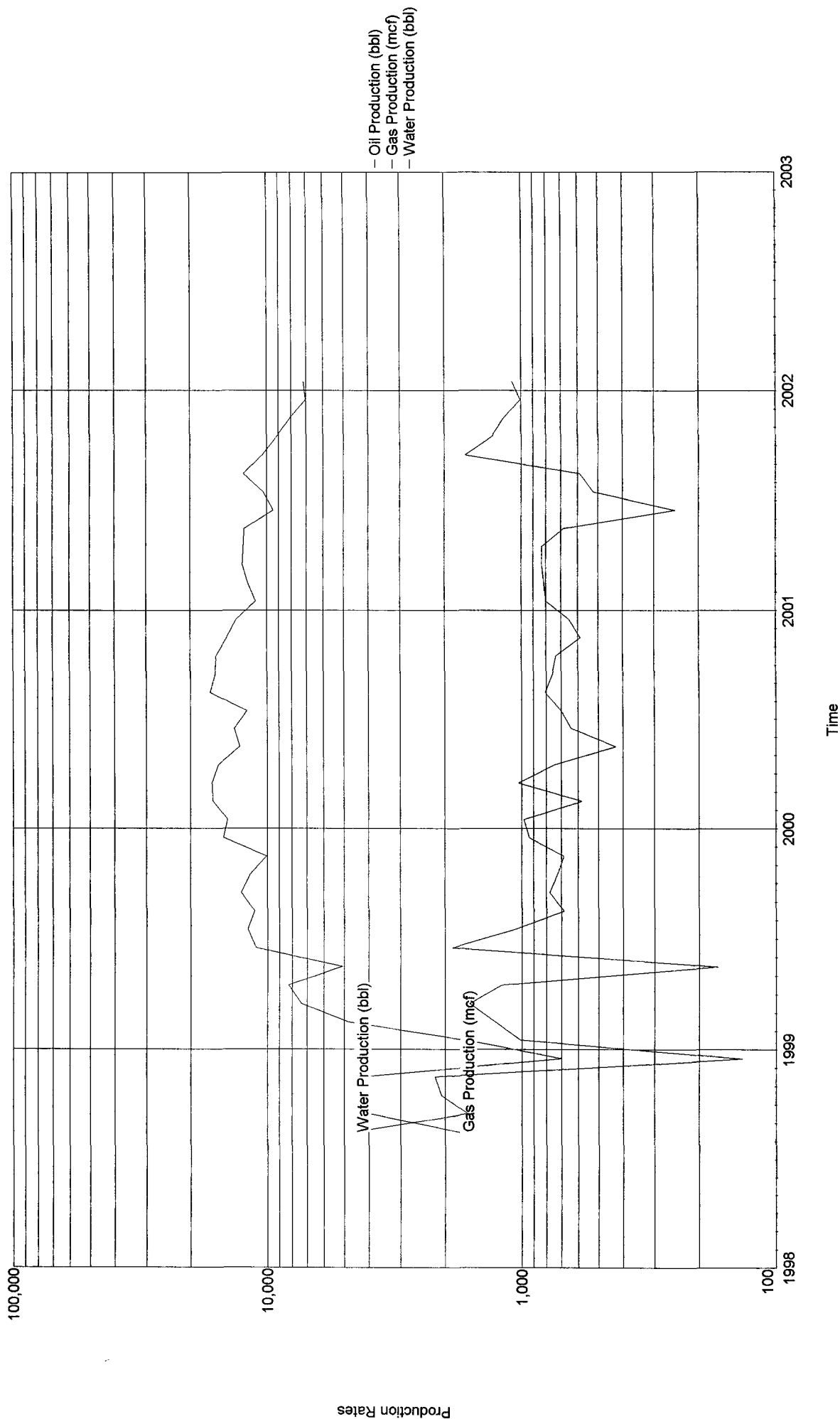
NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<div data-bbox="100 987 1079 1959"> <div data-bbox="100 987 354 1229">16</div> <div data-bbox="354 987 1079 1229">Exhibit 2</div> <div data-bbox="100 1229 354 1472"></div> <div data-bbox="354 1229 1079 1472"></div> <div data-bbox="100 1472 354 1715"></div> <div data-bbox="354 1472 1079 1715"></div> <div data-bbox="100 1715 354 1959"></div> <div data-bbox="354 1715 1079 1959"> </div> </div>	<div data-bbox="1079 987 1567 1472"> <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>Steven S. Dunn</i></p> <p>Signature</p> <p>Steven S. Dunn</p> <p>Printed Name</p> <p>Drlg & Prod Manager</p> <p>Title</p> <p>12/23/97</p> <p>Date</p> </div>	
	<div data-bbox="1079 1472 1567 1959"> <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>12/23/97</p> <p>Date of Survey</p> <p><i>Robert G. Hubbard</i></p> <p>Signature and Seal of Professional Surveyor</p> <p>6844</p> <p>Certificate Number</p> </div>	

Lease Name: PANTHER
County, State: SAN JUAN, NM
Operator: MERRION OIL & GAS CORPORATION
Field: FULCHER KUTZ
Reservoir: PICTURED CLIFFS
Location: 25 30N 13W NE SW SE

Exhibit 3

PANTHER - 2 FULCHER KUTZ 25 30N 13W NE SW SE



Lease Name: FEDERAL A
County, State: SAN JUAN, NM
Operator: UNIVERSAL RESOURCES CORPORATION
Field: BASIN
Reservoir: FRUITLAND COAL
Location: 26 30N 13W NW SE SE

Exhibit 4

FEDERAL A - 3E BASIN 26 30N 13W NW SE SE

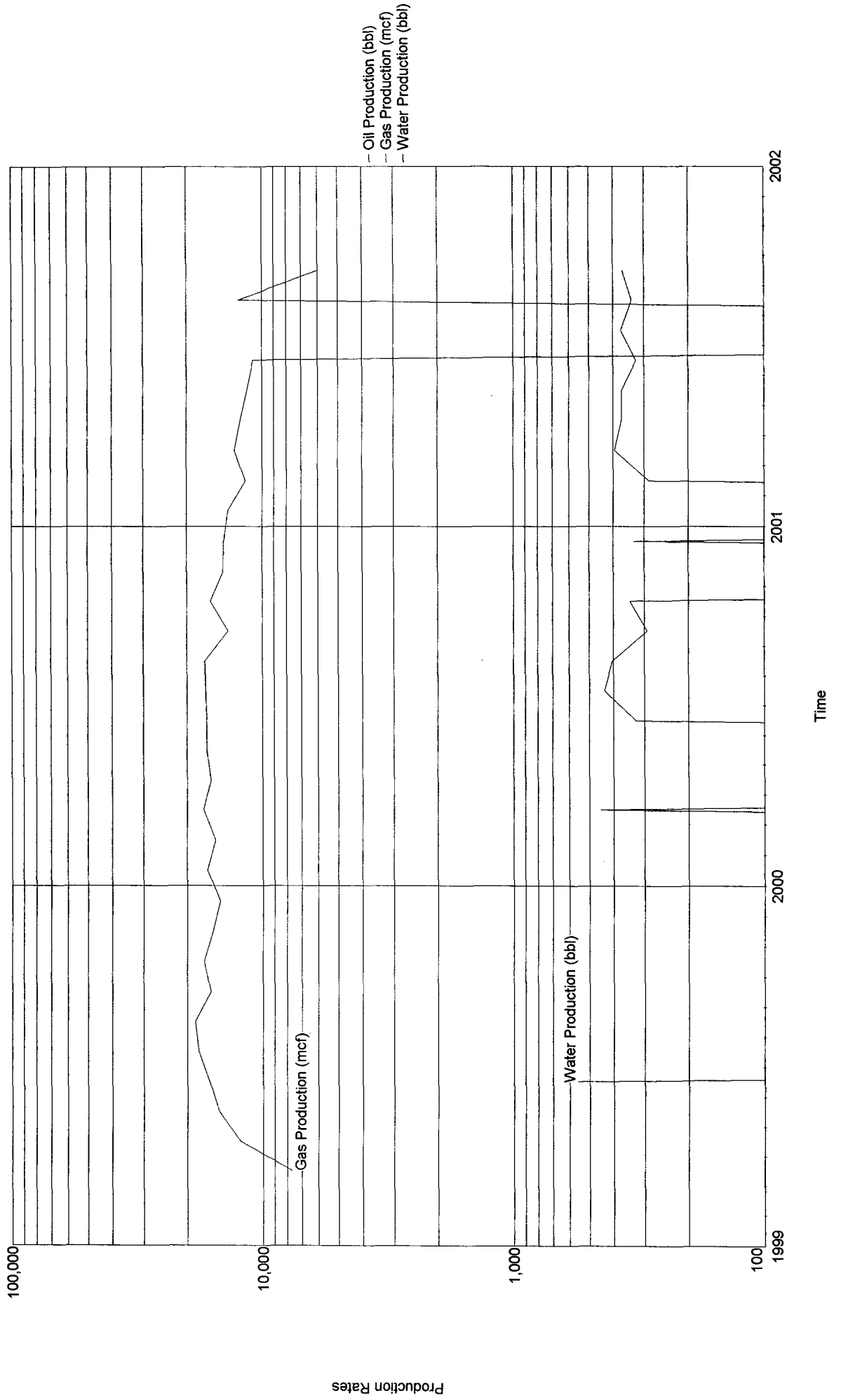


EXHIBIT 5
Offset Operator Plat
Panther 2 Non-standard Location Application

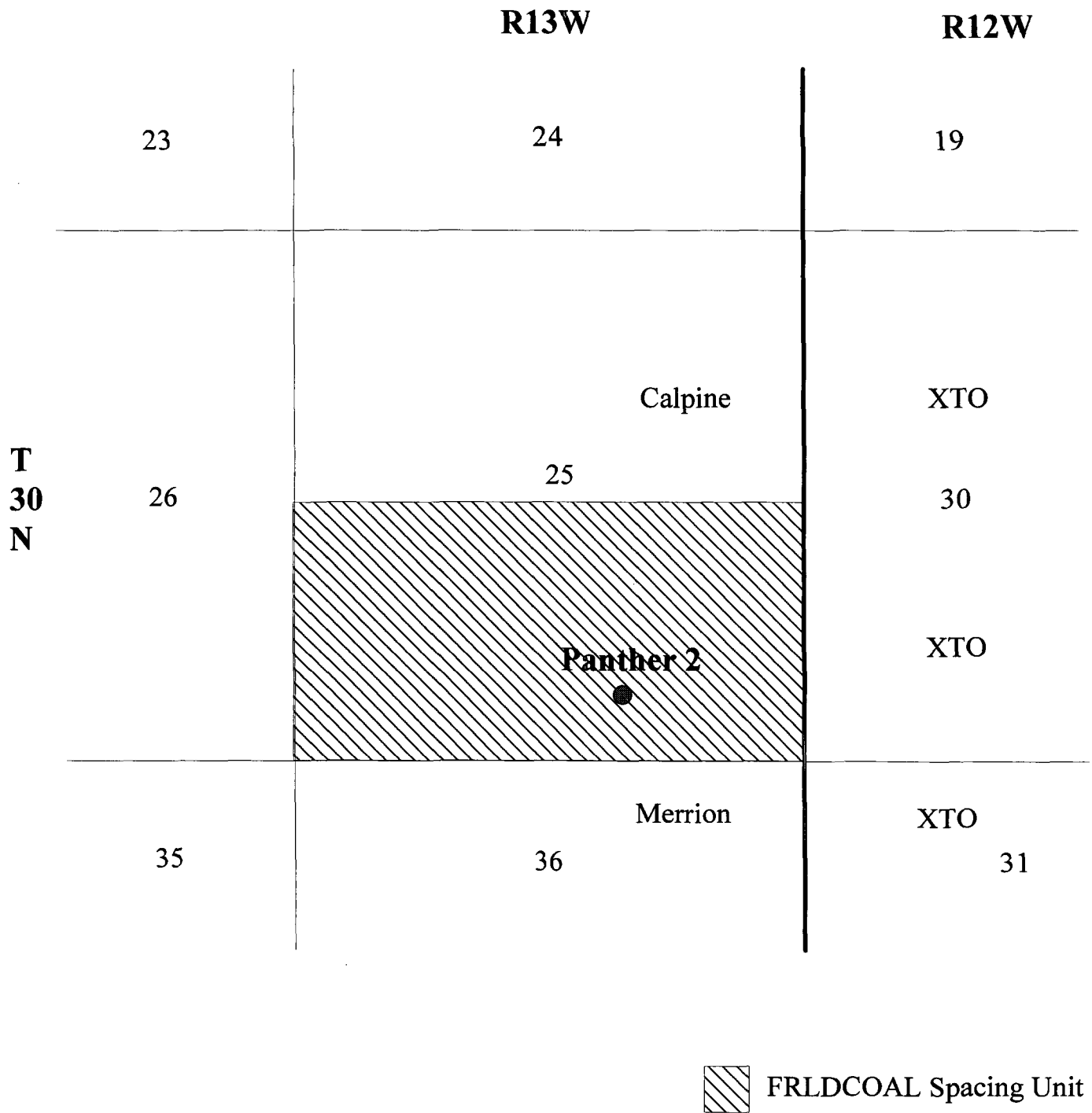


Exhibit 6

List of Offset Operators
Panther #2 Non-Standard Location Application

XTO Energy
Attn: Mr. Gary Markestad
2700 Farmington Ave., Bldg. K, Suite 1
Farmington, New Mexico 87401

Calpine Natural Gas
Attn: Mr. Jerry Sullivan
1200 17th Street, Suite 770
Denver, Colorado 80202