

DATE 10/16/02	SUSPENSE 1/5/03	ENGINEER	LOGGED IN	TYPE DHC	APP NO. 229036406
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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]

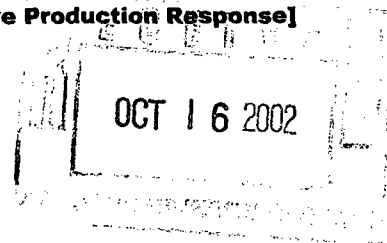
- [A] Location - Spacing Unit - Simultaneous Dedication
☐ NSL ☐ NSP ☐ SD

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.

Print or Type Name

Signature

Title

Date

e-mail Address

MERRION

OIL & GAS

October 14, 2002

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

**Re: Application for Administrative Approval
Downhole Commingling
Basin Fruitland Coal Pool and Aztec Pictured Cliffs Pool
Chucky #2 - API #30-045-30455
Section 23, T30N, R12W
San Juan County, New Mexico**

Dear Mr. Jones:

Merrion Oil & Gas Corp. (Merrion) 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 shows the C-102 plat for the Basin Fruitland Coal with a 320 acre spacing unit in the E/2 of Section 23. Exhibit 2 is the C-102 plat for the Aztec Pictured Cliffs Pool with a \pm 160 acre spacing unit in the SE/4 of Section 23.

II. Justification

The well was drilled in early 2002 and completed in the Pictured Cliffs (PC) formation. The PC production has stabilized at a relatively marginal rate of 100 MCFD and 40 BWPD. The economics of the well can be significantly enhanced by adding the Fruitland Coal and commingling the two zones.

III. Allocation Methodology

Exhibit 3 shows the PC production from the Juhan #1, an offset Pictured Cliffs well, while Exhibit 4 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

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 450 psig. Therefore, crossflow is not anticipated to be a problem.

VI. Well Ownership Notification

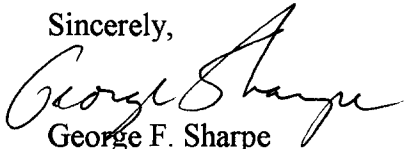
The spacing unit and ownership of the two zones are not the same. Exhibit 5 is a list of all working interest, override, and royalty interest owners in the well who received certified copies of this application.

VII. Summary

The current PC completion is marginally economic. Pending the approval by the NMOC of 160 acre Fruitland Coal infills, Merrion would like to use this wellbore for a coal completion. Besides minimizing surface impact, 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: Well Owners
Aztec OCD

PG:S/Inv/GFS/2002Corres/10-11-02Chucky2ComminglApp

**Application of Merrion Oil & Gas
Downhole Commingling
Chucky #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 return this waiver sheet to George Sharpe.

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
CHUCKY 2 I 23 30N 12W San Juan
Lease Well No. Unit Letter-Section-Township-Range County

OGRID No. 014634 Property Code 025177 API No. 30-045-30455 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)	1706'-1726'		1746'-1755'
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)	450 psi		450 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: Aug. 2002 Rates: 100 MCFD, 40 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? NA 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 October 14, 2002

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

1625 N. French Dr., Hobbs, NM 88240

District H

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

Form C-102

Revised August 15, 2000

OIL CONSERVATION DIVISION

2040 South Pacheco

Santa Fe, NM 87505

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-045-30455	² Pool Code 71629	³ Pool Name Basin Fruitland Coal
⁴ Property Code 025177	⁵ Property Name CHUCKY	⁶ Well Number 002
⁷ OGRID No. 014634	⁸ Operator Name MERRION OIL & GAS CORPORATION	⁹ Elevation 5516'

¹⁰ Surface Location

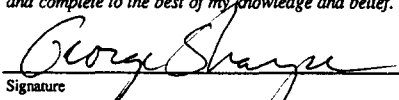
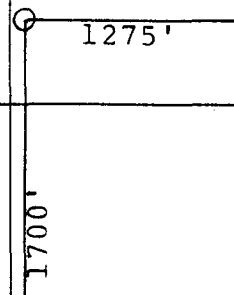
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
I	23	30N	12W	NESE	1700	South	1275	East	San Juan

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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¹³ Dedicated Acres 318.6	¹³ Joint or Infill Y	¹⁴ Consolidation Code U	¹⁵ Order No. UNITIZATION AGR. FILED IN COUNTY RECORDS
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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>16</div> <div>Exhibit 1</div>	<div>17</div> <div>OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.  Signature George Sharpe Printed Name Engineer Title October 14, 2002 Date</div>
	<div>18</div> <div>SURVEYOR CERTIFICATION 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.  Date of Survey Signature and Seal of Professional Surveyor: Certificate Number</div>

☐ AMENDED REPORT

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

'AM Number 30045-30455		' Pool Code 71280	' Pool Name AZTEC PICTURED CLIFFS	
' Property Code 25127	' Property Name CHUCKY		' Well Number NO. 2	
' OGRID No. 014634	' Operator Name MERRION OIL AND GAS		' Elevation 5516.0	

¹⁰ Surface Location

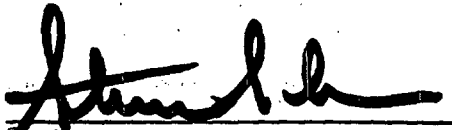
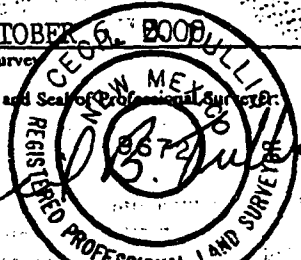
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
I	23	30	12W	NESE	1700	SOUTH	1275	EAST	SAN JUAN

" 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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" Dedicated Acres 160 SE	" Joint or Infill Y	" Consolidation Code C U	" Order No. UNITIZATION AGR. FILED IN COUNTY RECORDS
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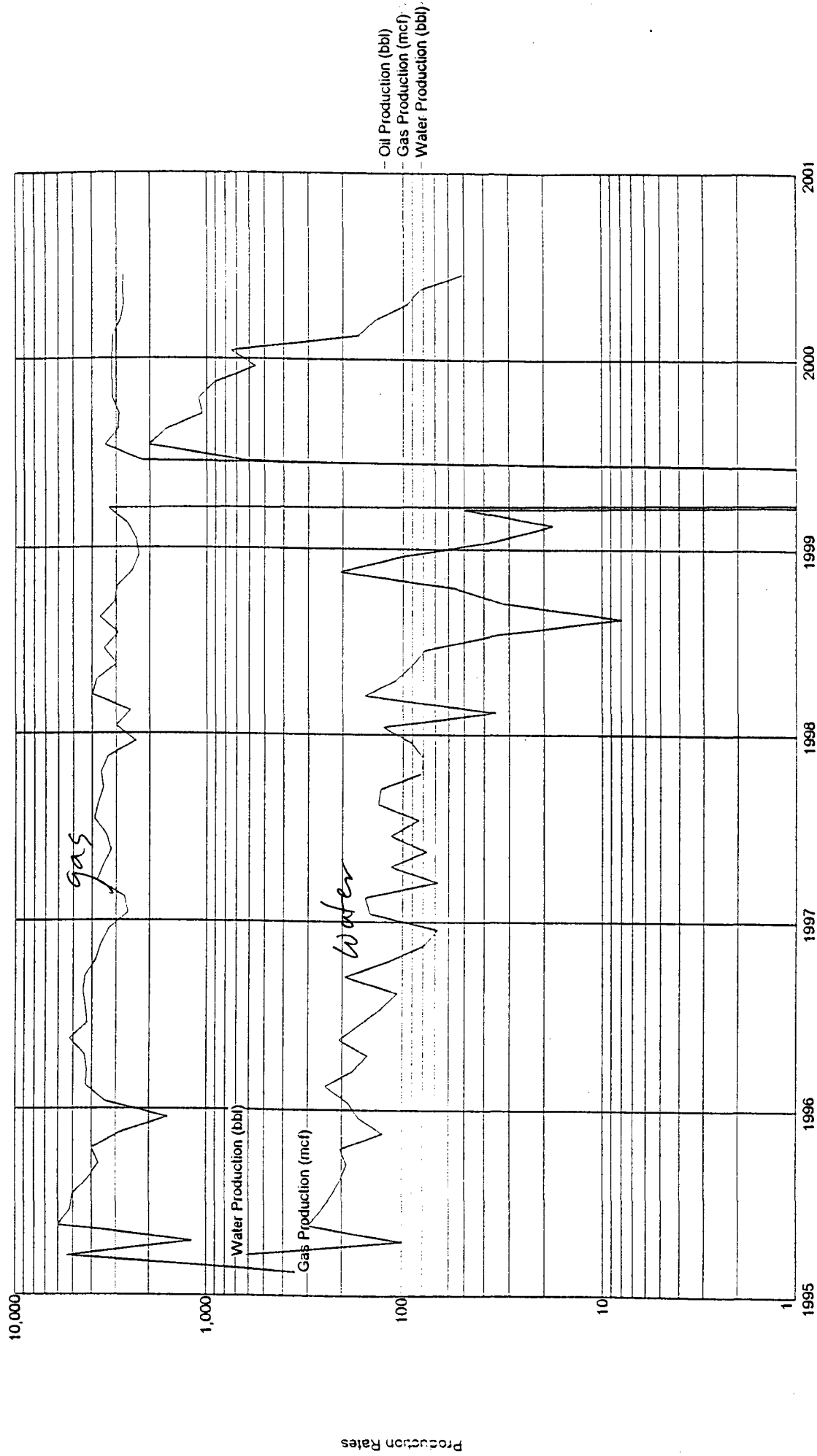
NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

16	26 35.96	589° 33' 49" E	26 35.96	17 OPERATOR CERTIFICATION
Exhibit 2	158.70 AC.	22' 24" W 26 28.79	158.60 AC.	<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>  <i>Printed Name</i> STEVEN S. DUNN <i>Title</i> DRUG & PROP. MANAGER <i>Date</i> 12-20-00</p>
	589 17' 04" E 26 16.15	1307.87	1307.87	
	157.09 AC.	1314.40	1275'	
26 24.04	26 24.04	1314.40	1297.77	18 SURVEYOR CERTIFICATION
<p>589° 20' 14" E</p> <p>25 95.94</p> <p>1297.77</p> <p>1297.77</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>OCTOBER 6, 2000 <i>Date of Survey</i></p> <p><i>Signature and Seal of Professional Surveyor:</i> </p> <p>CECIL B. STULLIS <i>Certificate Number</i> 9672</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 3

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 4

FC STATE COM - 24 BASIN

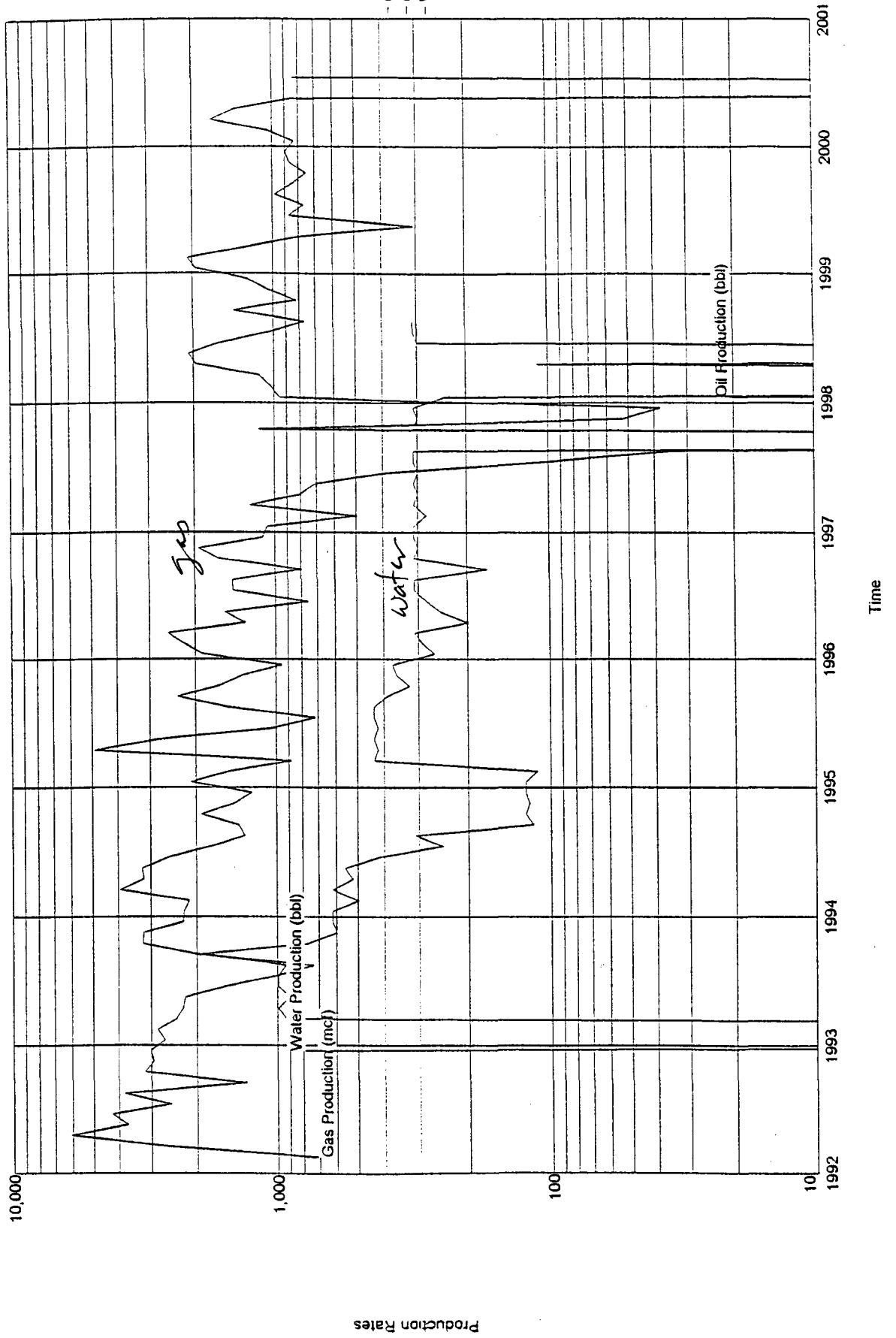


Exhibit "5"
Chucky 2 Commingling Application
Notification of Owners In Well

Working Interest Owners

Burlington Resources
P O Box 4289
Farmington, NM 87499

Royalty Interest Owners

Charlotte Alston
205 Wilder
Hooks, TX 75561-5052

Catherine Ann Avery
P.O. Box 391
Shell Rock, LA 50670-0391

Bow Petroleum Inc
Of Colorado
5911 South Middlefield Rd
Suite 100
Littleton, CO 80123

Ada Brown
P.O. Box 1378
Hallsville, TX 75650-1378

F R Dickens & E M Dickens
P O Box 223
Aztec, NM 87410

Antoniette Kaess Eidson
10412 Woodland Ne
Albuquerque, NM 87112-1675

Samuel Embree Family
Trust A Dtd 9-12-89
Jean Embree Trustee
1305 S. Meeker
West Covina, CA 91790-2526

Susan L Pierce Nelson
4901 Crestwood Drive
Farmington, NM 87402-4863

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

Lois Fay Evers
C/O Alfred E Evers Jr
330 6th St #114
Redlands, CA 92374-3337

Charles R. Finch
2502 N 72nd Pl
Scottsdale, AZ 85257-2105

Arlisle L Finch
705 W. Spring St.
Kingman, AZ 86413-9585

Owen R Finch
3105 Clacks Canyon Rd
Kingman, AZ 86413-9585

Arthur L Finch Jr
2119 Florence Ave
Kingman, AZ 86401-4824

Union Pacific Railroad Co
P O Box 209711
Houston, TX 77216-9711

Vera D. Franks
600 W. Frontier
Payson, AZ 85541-4705

Melba Lee Stephens Gibbs
3661 Stewart Mtn Rd
Golden Valley, AZ 86413

Nancy Hartman
1002 Tramway Ln NE
Albuquerque, NM 87122-1317

Peggy Hill Allison
9427 SW 53rd Ave
Portland, OR 97219

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

Earl P Scott
5370 N. Holsome Rd
Las Cruces, NM 88001

Eloise Cooper Howard
1580 Okray Ave
Plover, WI 54467

Sue Howard
5817 CI Box
Coweta, OK 74429-1534

Beverly Newman Dreyfous
P.O. Box 1007
Kenwood, CA 95452

Joe G Jaquez &
Gregorita G Jaquez
Trustees Under Trust
Agreement Dtd 3-21-85
338 Road 3000
Aztec, NM 87410

Gary Jerman And
Susan Jerman As Jt
4194 South Valentia St
Denver, CO 80237

Patria Kaess
1804 Kentucky NE
Albuquerque, NM 87110-6938

Walter H. Kaess
2921 Iroquios
Mt Vernon, WA 98273-3626

Sarah Lillie
Rt 1 Box 1602
Columbus, TX 78934-9750

Marguerite A Mccrea Rev. Trust
Marguerite A Mccrea, Trustee
4201 Cathedral Ave, Nw
Apt 906E
Washington, DC 20016-4957

Gay Mackey
Rte 4 Box 840
Colgate, OK 74538

Mildred E. Petersen
10550 Borwick
Bellflower, CA 90706-6810

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

Dwight R Ray
& Margie Ray Trustees
Under Tr Agrmt Dtd 2-6-91
P.O. Box 1330
Aztec, NM 87410-1330

Lance Reemtsma
2601 Grant St
Berkeley, CA 94703

Dirk Reemtsma
556 Crestwood
Oceanside, CA 92054

Kathryn M. Rowe
9234 Pebble Creek Dr.
Tampa, FL 33647-2420

Susan A Saffran
9424 Sw 53rd
Portland, OR 97219-5044

Charles E. Scott
P.O. Box 15
Big Lake, TX 76932-0015

Julia M Scott
5370 N Holsome Rd Trail
Las Cruces, NM 88001

Lester C Scott
RT 2 Box 122m
Deming, NM 88030

Lester C & Evelyn Scott
Rt 2 Box 122m
Deming, NM 88030

Eugene Simmons
C/O Leonna Martin
682 Stonehurst Dr
Altadena, CA 91001

Vernie Snider
1323 W 11th St
Odessa, TX 79763-3402

Jeanine Springer
P.O. Box 20826
Albuquerque, NM 87154-0826

Beulah B Thurston
#12 Rd 2720
Aztec, NM 87410

Allen D. Walker
210 E Ninth St, #15
Coralville, IA 52241-2233

Ira Woody
P.O. Box 2354
Bandera, TX 78003-2354

Overriding Interest Owners

Burlington Resources
P O Box 4289
Farmington, NM 87499

Cynthia Calvin
747 Newport Street
Denver, CO 80220

Edward M. Calvin
2380 Forest Street
Denver, CO 80207

Weldon C, Ila Mae &
John W. Julander
Trustees Uta Of W C Julander
P O Box 2773
Littleton, CO 80161-2773

Pure Resources (Rev)
Po Box 910552
Dallas, TX 75391-0552

XTO Energy Inc
135 S. Lasalle St.
Dept. 4849
Chicago, IL 60674-4849