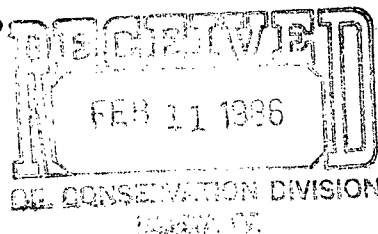


MERRION OIL & GAS CORPORATION

P. O. Box 840
FARMINGTON, NEW MEXICO 87499



January 28, 1986

State of New Mexico
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Downhole Commingling Application
McKenzie Federal Well No. 1

Gentlemen:

Merrion Oil and Gas Corporation requests administrative approval to downhole commingle the production from the Gallup and Chacra in the subject well. Ownership of both formations is common.

As per the NMOCD Rules and Regulations, enclosed is all the necessary information pertaining to Rule 303-C.

Thank you for your assistance in this matter and if further information is required, please advise.

Respectfully,

A handwritten signature in cursive script that reads "I. Greg Merrion".

I. Greg Merrion
Production Engineer

TGM/ljm

APPLICATION FOR DOWNHOLE COMMINGLING

- A. Operator: Merrion Oil and Gas Corporation
P. O. Box 840
Farmington, New Mexico 87499
- B. Lease: McKenzie Federal
Well No.: 1
Location: Unit Letter E, 2020' FNL & 970' FWL
Section 25, T25N, R6W
Rio Arriba County, New Mexico
Pools to be commingled: Otero Gallup - **6222**
Undesignated Chacra
- C. A plat showing the acreage dedicated to the well and the ownership of all offsetting leases is attached.
- D. The McKenzie Federal 1 is presently shut-in with a hole in the tubing. Remedial work will be performed at the time the well is recompleted. Since the well cannot be tested, the most recent GOR test (Form C-116) is attached.
- E. Attached is a decline curve showing the production history from the Gallup.
- F. The estimated bottomhole pressure for the Gallup in the subject well is 1200 psig. The Chacra bottomhole pressure will be submitted once the well has been completed in this zone.
- G. The Gallup produces 45 degree API oil and .735 specific gravity natural gas and no water. The Chacra is expected to produce only natural gas and therefore no incompatibility is anticipated.
- H. Commingling will not affect the value of the oil and gas.
- I. Once the Gallup is placed back on production, the following flow rates are expected:

	Initial Rate	Decline Rate
Oil	40 BOPM	2.1% / month
Gas	380 MCFPM	0.9% / month

This information is based on the attached decline curve. The allocation to the Chacra will be the total rate less the Gallup production.

- J. All offset operators and the Bureau of Land Management have been notified in writing of the proposed downhole commingling.

TGM/ljm

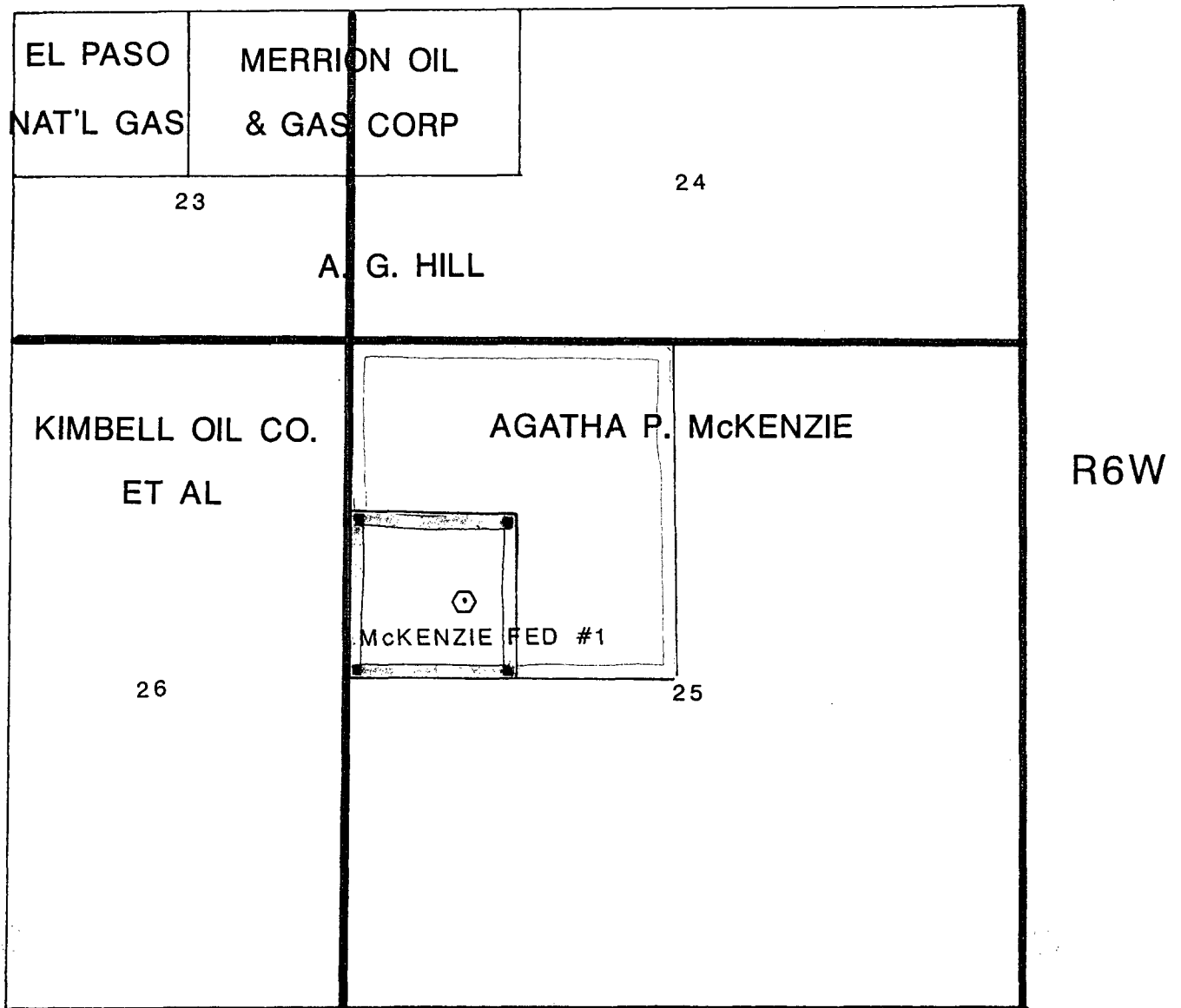
1/28/86

McKENZIE FED #1

DOWNHOLE COMMINGLING APPLICATION

LEASE OWNERSHIP PLAT

T25N



— OTERO GALLUP DEDICATED ACREAGE

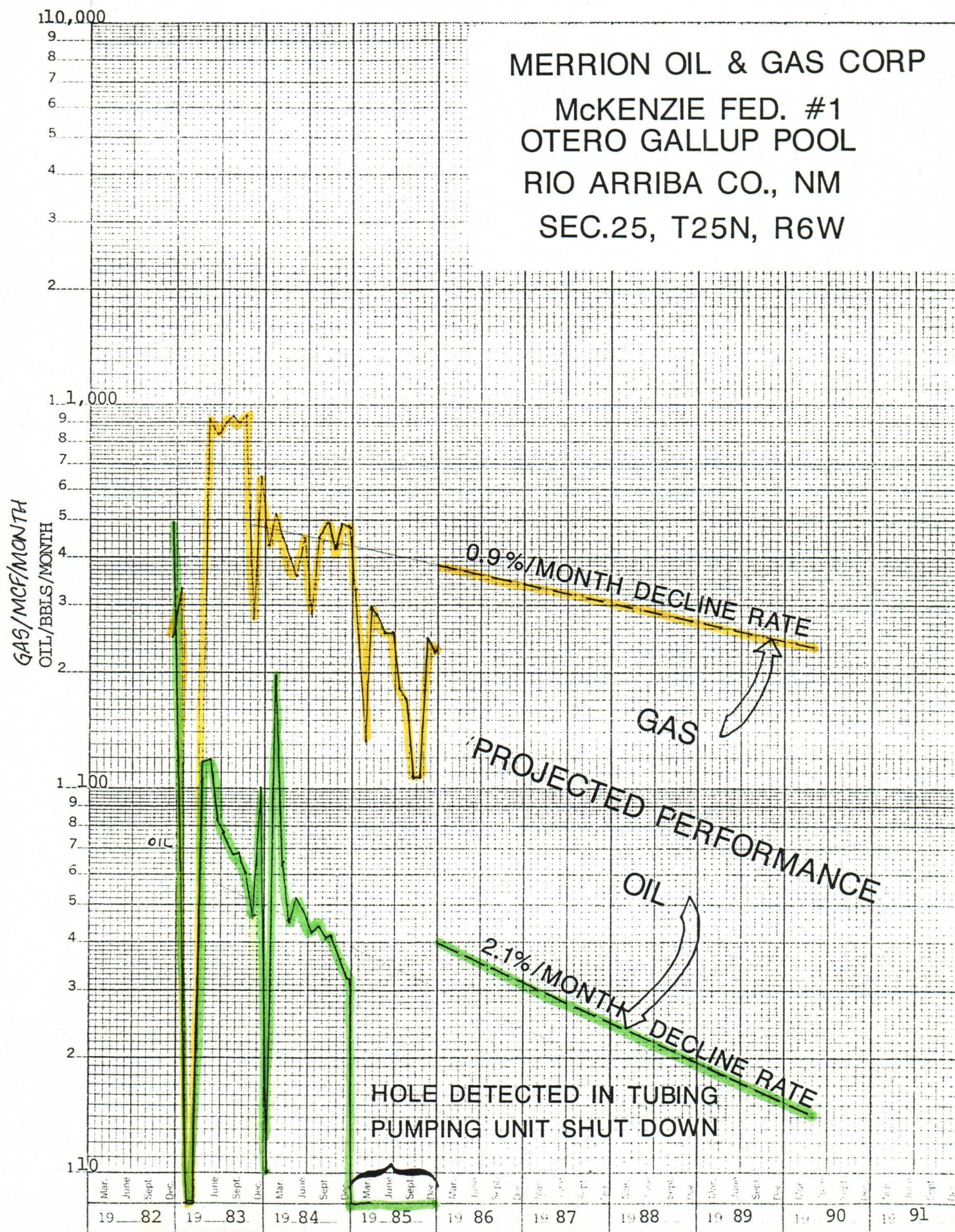
— UNDESIGNATED CHACRA DEDICATED ACREAGE

Cum

McKENZIE FED. #1
OTERO GALLUP POOL
RIO ARRIBA CO., NM
SEC.25, T25N, R6W

47 6840

20 YEARS BY MONTHS X 3 LOG CYCLES
KIEFFEL & ESSER CO. MADE IN U.S.A.



BOPV

NEW MEXICO OIL CONSERVATION COMMISSION
GAS-OIL RATIO TESTS

C-116
Revised 1-1-65

Operator		Pool		County										
Merrion Oil & Gas Corporation		Otero Gallup		Rio Arriba										
Address		TYPE OF TEST - (X)		Completion ☒ Scheduled ☐ Special ☐										
P. O. Box 1017, Farmington, New Mexico 87499														
LEASE NAME	WELL NO.	LOCATION			DATE OF TEST	CHOKE SIZE	TBG. PRESS.	DAILY ALLOW-ABLE	LENGTH OF TEST HOURS	PROD. DURING TEST			GAS - OIL RATIO CU.FT/BBL	
		U	S	T						R	WATER BBLs.	GRAV. OIL		OIL BBLs.
McKenzie Federal	I E	25	25N	6W	1/20/83	F 3/4	75		24	-0-	45	20	60	3000

No well will be assigned an allowable greater than the amount of oil produced on the official test.

During gas-oil ratio test, each well shall be produced at a rate not exceeding the top unit allowable for the pool in which well is located by more than 25 percent. Operator is encouraged to take advantage of this 25 percent tolerance in order that well can be assigned increased allowables when authorized by the Commission.

Gas volumes must be reported in MCF measured at a pressure base of 15.025 psia and a temperature of 60° F. Specific gravity base will be 0.60.

Report casing pressure in lieu of tubing pressure for any well producing through casing.

Mail original and one copy of this report to the district office of the New Mexico Oil Conservation Commission in accordance with Rule 30) and appropriate pool rules.

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



(Signature)

Steve S. Dunn, Operations Manager

(Title)

1/21/83

SENDER: Complete items 1, 2, 3 and 4.

Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for service(s) requested.

1. ☒ Show to whom, date and address of delivery.
 2. ☐ Restricted Delivery. McKenzie Fed. 1

3. Article Addressed to:
 Amerada Hess Corporation
 1625 Broadway, Suite 2200
 Denver, Colorado 80202

4. Type of Service: Article Number
☐ Registered ☐ Insured
☒ Certified ☐ COD P 064 536 389
☐ Express Mail

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Addressee

X

6. Signature - Agent

X

7. Date of Delivery

2/4/86

8. Addressee's Address (ONLY if requested and fee paid)

DOMESTIC RETURN RECEIPT

SENDER: Complete items 1, 2, 3 and 4.

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1. ☒ Show to whom, date and address of delivery.
 2. ☐ Restricted Delivery. McKenzie Fed. 1

3. Article Addressed to:
 Kimbell Oil Company, Inc.
 8000 Texas American Bank Bldg.
 Fort Worth, Texas 76102

4. Type of Service: Article Number
☐ Registered ☐ Insured
☒ Certified ☐ COD P 064 536 390
☐ Express Mail

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Addressee

X

6. Signature - Agent

X

7. Date of Delivery

03 FEB 1986

8. Addressee's Address (ONLY if requested and fee paid)

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- ☒ Show to whom, date and address of delivery.
☐ Restricted Delivery. McKenzie Fed. 1

Article Addressed to:
 L. G. Hill Oil Producer
 8000 Thanksgiving Tower
 Dallas, Texas 75201

Type of Service: Article Number
☐ Registered ☐ Insured
☐ Certified ☐ COD P064 536 388
☐ Express Mail

Always obtain signature of addressee or agent and DATE DELIVERED.

Signature - Addressee

Signature - Agent

Date of Delivery

FEB 3 1986

Addressee's Address (ONLY if requested and fee paid)



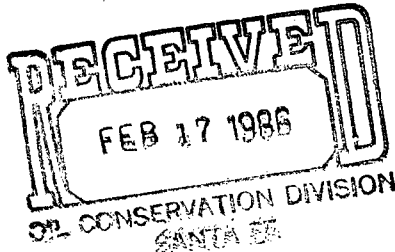
STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
AZTEC DISTRICT OFFICE

1000 RIO BRAZOS ROAD
AZTEC, NEW MEXICO 87410
(505) 334-6178

OIL CONSERVATION DIVISION
BOX 2088
SANTA FE, NEW MEXICO 87501

DATE Feb. 12, 1986

RE: Proposed MC _____
Proposed DHC ☒ _____
Proposed NSL _____
Proposed SWD _____
Proposed WFX _____
Proposed PMX _____



Gentlemen:

I have examined the application dated Feb. 11, 1986

for the Merrim Oil & Gas Corp. McKenzie Field #1 E-25-25N-6W
Operator Lease and Well No. Unit, S-T-R

and my recommendations are as follows:

Approve. Offset Choke pressures are within limits.

Yours truly,

[Signature]