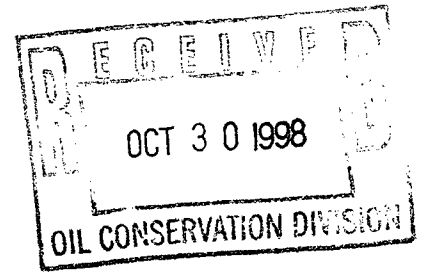


MERRION

OIL & GAS



October 22, 1998

✓ Ms. Lori Wrotenbery
New Mexico Oil Conservation Division
2040 S. Pacheco
Santa Fe, New Mexico 87505

Re: **Order DHC-2079**
Allocation Formula
Fifield Com 1E Commingling

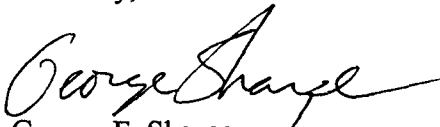
Dear Ms. Wrotenbery:

Pursuant to the subject order, Merrion Oil & Gas has completed the subject well and is commingling the Otero Chacra Formation with the Basin Dakota Formation. Based on production tests of the zones, Merrion proposes to use the following allocation formula:

	<u>Basin Dakota</u>		<u>Otero Chacra</u>	
	<u>Test Rate</u>	<u>% of Total</u>	<u>Test Rate</u>	<u>% of Total</u>
Oil	1.0 BOPD	100%	0	0
Water	3.5 BWPD	100%	0	0
Gas	294 MCFD	70.0%	126 MCFD	30.0%

We will propose adjustments to these allocations if further testing indicates that to be necessary.

Sincerely,


George F. Sharpe
Manager - Oil & Gas Investments

xc: Aztec OCD

**UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT**

SUBMIT IN DUPLICATE*

(See other instructions on reverse side)

FORM APPROVED
OMB NO. 1004-0137
Expires: February 23, 1995

5. LEASE DESIGNATION AND SERIAL NO.

NM98140

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME, WELL NO.

FiField Com No. 1E (22343)

9. APIWELL NO.

30-045-29517

10. FIELD AND POOL, OR WILDCAT

Otero Chacra (82329)

11. SEC. T. R. M., OR BLOCK AND SURVEY OR AREA

Section 5, T29N, R11W

12. COUNTY OR PARISH
San Juan

13. STATE
New Mexico

14. PERMIT NO. DATE ISSUED

WELL COMPLETION OR RECOMPLETION REPORT AND LOG *

1a. TYPE OF WELL: OIL WELL GAS WELL DRY Other _____

b. TYPE OF COMPLETION:
NEW WELL WORK OVER DRILL-IN PLUG BACK DIFF. GENVR. Other _____

2. NAME OF OPERATOR
Merrion Oil & Gas Corporation

3. ADDRESS AND TELEPHONE NO.
610 Reilly Ave., Farmington, NM 87401-2634 (505) 327-9801

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements)*
At surface 1562' fnl & 886' fwl (sw nw)

At top prod. interval reported below

At total depth

13. DATE SPUDDED 8-13-98	16. DATE T.D. REACHED 8-22-98	17. DATE COMPL. (Ready to prod.) 10-13-98	18. ELEVATIONS (DF, RKB, RT, GR, ETC.)* 5849' GR	19. ELEV. CASINGHEAD --
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20. TOTAL DEPTH, MD & TVD 6805'	21. PLUG BACK T.D., MD & TVD 6750'	22. IF MULTIPLE COMPL. HOW MANY*	23. INTERVALS DRILLED BY →	ROTARY TOOLS 0-TD	CABLE TOOLS --
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24. PRODUCING INTERVAL(S), OF THIS COMPLETION—TOP, BOTTOM, NAME (MD AND TVD)*
3516', 3490', 60', 3362', 88', 70', 11', 3189', 65', 64', 63', 49', 3092', 75', 61', 49', 18', 11', 2990', 08', 04', 2870', 14', 2800', 2789', 69', 49', 33', 2686', 60', 08', 2590', 72' (33 holes)
Otero Chacra:

25. WAS DIRECTIONAL SURVEY MADE
No

26. TYPE ELECTRIC AND OTHER LOGS RUN
IES Induction, Comp. Neutron-Density, CMR, GR & CBL

27. WAS WELL COBED
NO

29. CASING RECORD (Report all strings set in well)

CASING SIZE/GRADE	WEIGHT, LB./FT.	DEPTH SET (MD)	HOLE SIZE	TOP OF CEMENT, CEMENTING RECORD	AMOUNT PULLED
8-5/8"	24#, J55	267' KB	12-1/4"	200 sxs	
5-1/2"	15.5#	6807' KB	7-7/8"	211 sxs (1st Stge); 657 sxs (2nd Stage); 473 sxs (3rd Stge).	

29. LINER RECORD					30. TUBING RECORD		
SIZE	TOP (MD)	BOTTOM (MD)	SACKS CEMENT*	SCREEN (MD)	SIZE	DEPTH SET (MD)	PACKER SET (MD)
--	--	--	--	--	2-3/8"	6685'	--

31. PERFORATION RECORD (Interval, size and number)
3516', 3490', 60', 3362', 88', 70', 11', 3189', 65', 64', 63', 49', 3092', 75', 61', 49', 18', 11', 2990', 08', 04', 2870', 14', 2800', 2789', 69', 49', 33', 2686', 60', 08', 2590', 72'. (33 holes)

32. ACID, SHOT, FRACTURE, CEMENT SQUEEZE, ETC.	
DEPTH INTERVAL (MD)	AMOUNT AND KIND OF MATERIAL USED
3516'-2572'	Fraced Lewis w/153,520# 20/40 AZ sd utilizing a 70 Q N ₂ foam, Viking I-20 X-link gel system with 2% KCl water.

33. PRODUCTION

DATE FIRST PRODUCTION 10-8-98	PRODUCTION METHOD (Flowing, gas lift, pumping—size and type of pump) Flowing	WELL STATUS (Producing or shut-in) Waiting Tie-In					
DATE OF TEST 10-8-98	HOURS TESTED 8	CHOKE SIZE 1.25	PROD'N FOR TEST PERIOD →	OIL—BBL. 0	GAS—MCF. 42	WATER—BBL. 0	GAS-OIL RATIO --
FLOW. TUBING PRESS. 30 psi	CASING PRESSURE 110 psi	CALCULATED 24-HOUR RATE →	OIL—BBL. 0	GAS—MCF. 126	WATER—BBL. 0	OIL GRAVITY-API (CORR.) --	

34. DISPOSITION OF GAS (Sold, used for fuel, vented, etc.)
Vented

TEST WITNESSED BY
Terry Roach

35. LIST OF ATTACHMENTS

36. I hereby certify that the foregoing and attached information is complete and correct as determined from all available records

SIGNED Steven S. Dunn TITLE Drlg & Prod Manager DATE 10/27/98

*(See Instructions and Spaces for Additional Data on Reverse Side)

**UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT**

SUBMIT IN DUPLICATE*

(See other instructions on reverse side)

FORM APPROVED
OMB NO. 1004-0137
Expires: February 28, 1995

5. LEASE DESIGNATION AND SERIAL NO.

NM98140

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME, WELL NO.

FiField Com No. 1E (22343)

9. APIWELL NO.

30-045-29517

10. FIELD AND POOL, OR WILDCAT

Basin Dakota (71599)

11. SEC. T. R. M., OR BLOCK AND SURVEY OR AREA

Section 5, T29N, R11W

12. COUNTY OR PARISH

San Juan

13. STATE

New Mexico

WELL COMPLETION OR RECOMPLETION REPORT AND LOG *

1a. TYPE OF WELL: OIL WELL GAS WELL DRY Other _____

1b. TYPE OF COMPLETION:

NEW WELL WORK OVER DEEP-EN PLUG BACK DIFF. SERV. Other _____

2. NAME OF OPERATOR

Merrion Oil & Gas Corporation

3. ADDRESS AND TELEPHONE NO.

610 Reilly Ave., Farmington, NM 87401-2634 (505) 327-9801

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements)*

At surface 1562' fnl & 886' fwl (sw nw)

At top prod. interval reported below

At total depth

14. PERMIT NO.

DATE ISSUED

15. DATE SPUDDED

8-13-98

16. DATE T.D. REACHED

8-22-98

17. DATE COMPL. (Ready to prod.)

10-13-98

18. ELEVATIONS (OF. RKB. RT. GE. ETC.)*

5849' GR

19. ELEV. CASINGHEAD

--

20. TOTAL DEPTH, MD & TVD

6805'

21. PLUG, BACK T.D., MD & TVD

6750'

22. IF MULTIPLE COMPL. HOW MANY*

→

23. INTERVALS DRILLED BY

0-TD

ROTARY TOOLS

--

CABLE TOOLS

--

24. PRODUCING INTERVAL(S), OF THIS COMPLETION—TOP, BOTTOM, NAME (MD AND TVD)*

6669', 71', 73', 75', 6497', 98', 99', 6558', 61', 67', 71', 76', 80', 84', 88', 95', 6610', 34', 50' (18 holes - 2 SPF - Basin Dakota)

25. WAS DIRECTIONAL SURVEY MADE

No

26. TYPE ELECTRIC AND OTHER LOGS RUN

IES Induction, Comp. Neutron-Density, CMR, GR & CBL

27. WAS WELL CORED

NO

28. CASING RECORD (Report all strings set in well)

CASING SIZE/GRADE	WEIGHT, LB./FT.	DEPTH SET (MD)	HOLE SIZE	TOP OF CEMENT, CEMENTING RECORD	AMOUNT PULLED
8-5/8"	24#, J55	267' KB	12-1/4"	200 sxs	
5-1/2"	15.5#	6807' KB	7-7/8"	211 sxs (1st Stge); 657 sxs (2nd Stage); 473 sxs (3rd Stge).	

29. LINER RECORD

SIZE	TOP (MD)	BOTTOM (MD)	SACKS CEMENT*	SCREEN (MD)
--	--	--	--	--

30. TUBING RECORD

SIZE	DEPTH SET (MD)	PACKER SET (MD)
2-3/8"	6685'	--

31. PERFORATION RECORD (Interval, size and number)

6669', 71', 73', 75', 6497', 98', 99', 6558', 61', 67', 71', 76', 80', 84', 88', 95', 6610', 34', 50'. (18 holes - 2 SPF)

32. ACID, SHOT, FRACTURE, CEMENT SQUEEZE, ETC.

DEPTH INTERVAL (MD)	AMOUNT AND KIND OF MATERIAL USED
6669'-6650'	Fract with 60 Q foam, 153,010# 20/40 Ottawa sand.

33. PRODUCTION

DATE FIRST PRODUCTION	PRODUCTION METHOD (Flowing, gas lift, pumping—size and type of pump)	WELL STATUS (Producing or shut-in)					
9-15-98	Flowing	Waiting Tie-In					
DATE OF TEST	HOURS TESTED	CHOKE SIZE	PROD'N. FOR TEST PERIOD	OIL—BBL.	GAS—MCF.	WATER—BBL.	GAS-OIL RATIO
9-15-98	8	1.25	→	0.33	98	1.2	300,000
FLOW. TUBING PRESS.	CASING PRESSURE	CALCULATED 24-HOUR RATE	OIL—BBL.	GAS—MCF.	WATER—BBL.	OIL GRAVITY-API (CORR.)	
58 psi	275 psi	→	1.0	294	3.5	--	

34. DISPOSITION OF GAS (Bold, used for fuel, vented, etc.)

Vented

TEST WITNESSED BY

Terry Roach

35. LIST OF ATTACHMENTS

36. I hereby certify that the foregoing and attached information is complete and correct as determined from all available records

SIGNED


Steven S. Dunn

TITLE Drlg & Prod Manager

DATE 10/28/98

*(See Instructions and Spaces for Additional Data on Reverse Side)