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Suspense date: 8/11

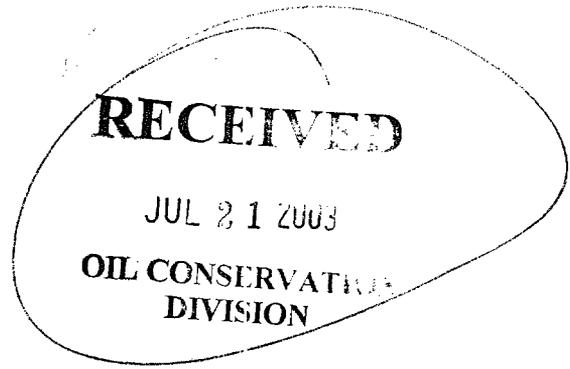
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NSL -

JMESO-320350903

MERRION

OIL & GAS



July 16, 2003

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

30-045-26999

**Re: Application for Administrative Approval
Downhole Commingling
Basin Dakota Pool and White Wash Gallup/Mancos Pool
Non-standard Location – White Wash Gallup/Mancos Pool
Federal 29-1E
Section 29, T25N, R9W
San Juan County, New Mexico**

Dear Mr. Jones:

Merrion Oil & Gas (Merrion) requests administrative approval for downhole commingling of the Basin Dakota and the White Wash Gallup/Mancos Pools in the subject wellbore. In addition, Merrion requests administrative approval for a non-standard location for the White Wash Mancos completion. The following information is provided in support of this application.

I. History and Justification

The Federal 29-1E was drilled and completed in 1988 as a Dakota gas well. It has produced approximately 197,000 MCF and is marginally economic at 10 MCFD. To extend the economic life of the well, Merrion proposes to complete the Gallup/Mancos interval and commingle it with the Dakota Formation.

II. Proposed Spacing Units

Exhibit 1 is the ownership plat showing the offset operators. Exhibit 2 shows the C-102 plat for the Basin Dakota Pool with a 320 acre spacing unit in the E/2 of Section 29. Exhibit 3 is the C-102 plat for the White Wash Gallup/Mancos Pool with a 40 acre spacing unit in the NW SE of Section 29.

III. Non-standard Location

The well is closer than 330 feet to the eastern boundary of the White wash 40 acre spacing unit. Therefore, we need approval for a non-standard location. The non-standard location is necessary to utilize the existing wellbore.

IV. Allocation Methodology

Exhibit 4 shows the Dakota production from the Federal 29-1E while Exhibit 5 shows the production history of the Rudman Federal 1, an offset Gallup/Mancos well. 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 Mancos and Dakota 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 1500 psig. Therefore, crossflow is not anticipated to be a problem.

VII. Well Ownership Notification

The ownership of the two zones is identical, so no notification is necessary.

VIII. Offset Operator Notification

Exhibit 1 is a plat showing all offset operators. Exhibit 6 is a list of all the offset operators who received a certified copy of this application.

IX. Summary

The current Dakota completion is marginally economic. Reserves for the Gallup zone are not sufficient to justify drilling a new well. 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, BLM-Farmington

**Application of Merrion Oil & Gas
Downhole Commingling
Federal 29-1E**

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

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107A
Revised June 10, 2003

District II
1301 W. Grand Avenue, Artesia, NM 88210

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

APPLICATION TYPE

District III
1000 Rio Brazos Road, Aztec, NM 87410

Single Well

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

Establish Pre-Approved Pools

EXISTING WELLBORE

Yes No

APPLICATION FOR DOWNHOLE COMMINGLING

MERRION OIL & GAS CORPORATION

Operator Address
FEDERAL 29 1E J 29 25N 09W SAN JUAN
Lease Well No. Unit Letter-Section-Township-Range County

OGRID No. 014634 Property Code 007787 API No. 30-045-26999 Lease Type: Federal X State Fee

Table with 4 columns: DATA ELEMENT, UPPER ZONE, INTERMEDIATE ZONE, LOWER ZONE. Rows include Pool Name, Pool Code, Top and Bottom of Pay Section, Method of Production, Bottomhole Pressure, Oil Gravity or Gas BTU, Producing, Shut-In or New Zone, Date and Oil/Gas/Water Rates of Last Production, and Fixed Allocation Percentage.

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones? Yes X 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 X No
Will commingling decrease the value of production? Yes No X
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 X 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.

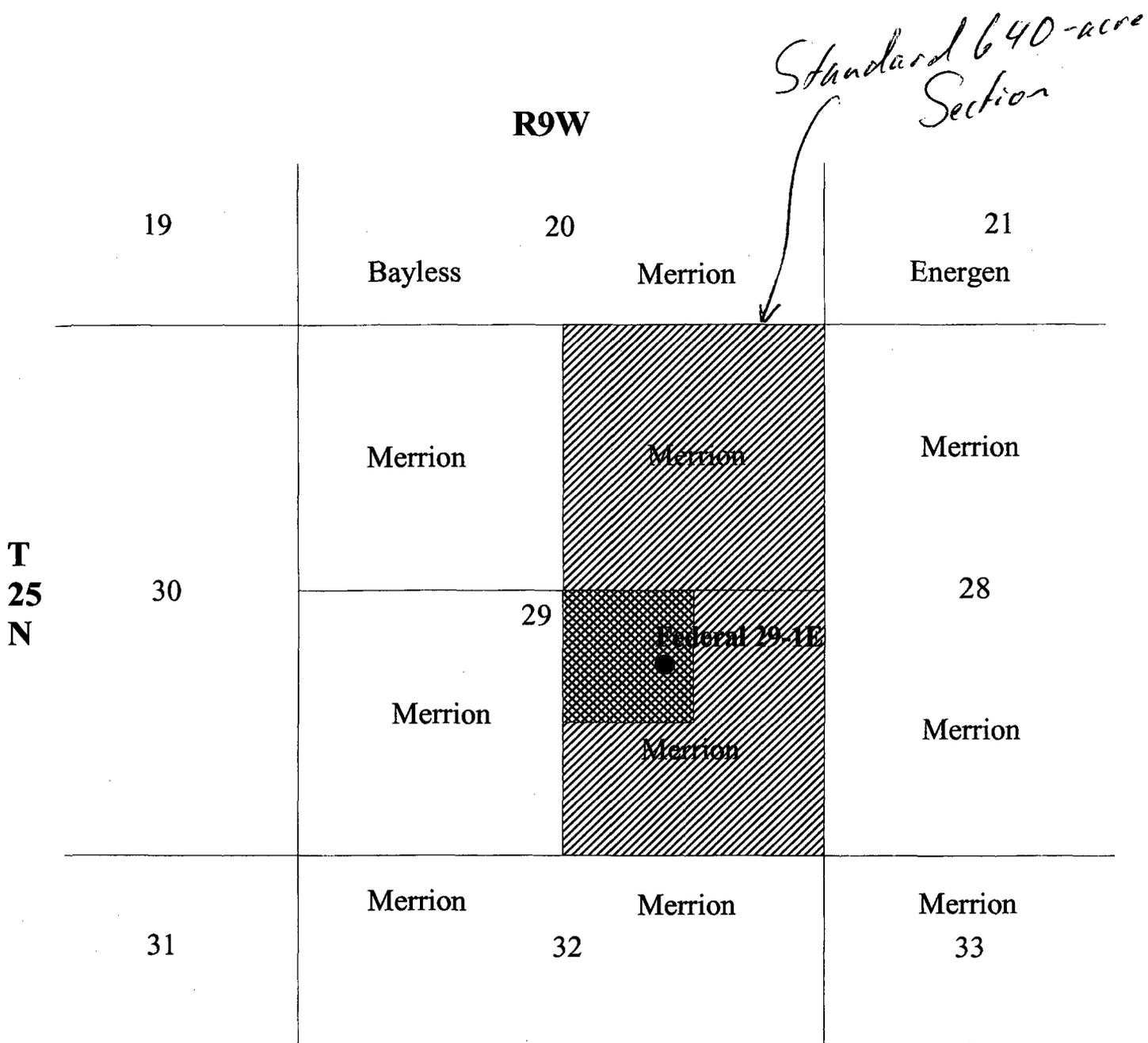
I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE [Signature] TITLE Petroleum Engineer DATE July 17, 2003

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

E-MAIL ADDRESS

**EXHIBIT 1
FEDERAL 29-1E
Downhole Commingling Application**



LEGEND

	Mancos Spacing Unit
	Dakota Spacing Unit

M. J. BRANNON			FEDERAL 29		Well No. 1-E
Letter J	Section 29	Township 25N	Range 9W	County San Juan	
1850 feet from the South			line and 1555 feet from the East		
Ground Level Elev. 6711	Producing Formation Dakota	Pool Basin Dakota		Dedicated Acres 320	

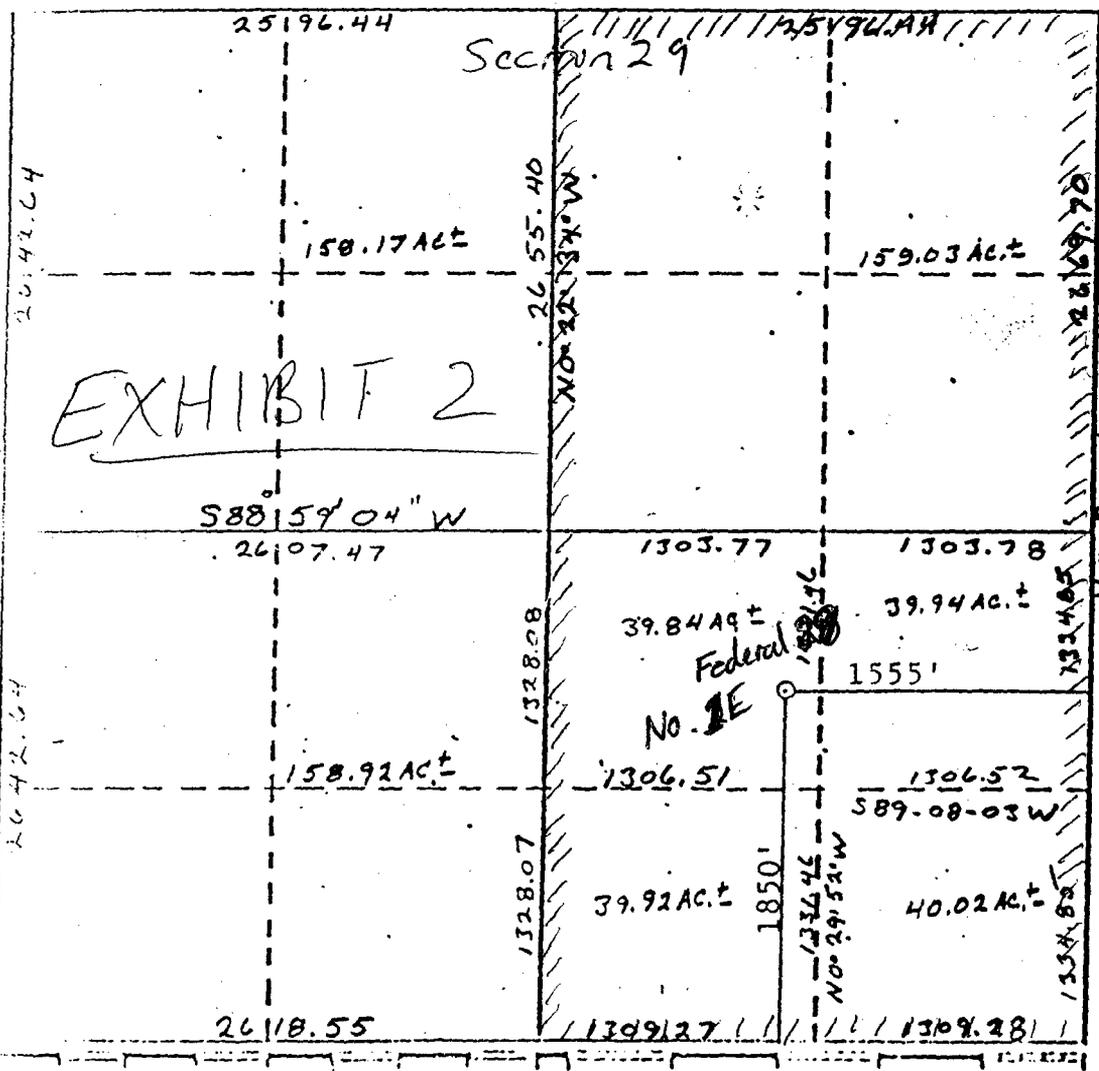
1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

Yes No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.

S88° 40' W



CERTIFICATION

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

Ned Dollar

Name	Ned Dollar
Position	Agent
Company	Dollar Services
Date	7-5-88

I hereby certify that the well location shown on this plat was plotted from the original survey made by me under the provisions of the laws of New Mexico and that the same is correct to the best of my knowledge and belief.



Date Surveyed	June 28, 1988
Registered Professional Engineer in Land Surveying	

Cecil B. Tullis

9672

S89° 17' W

District I
1625 N. French Dr., Hobbs, NM 88240

District II
1301 W. Grand Avenue, Artesia, NM 88210

District III
1000 Rio Brazos Rd., Aztec, NM 87410

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised June 10, 2003
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-045-26999		² Pool Code	³ Pool Name WHITE WASH GALLUP-MANCOS
⁴ Property Code	⁵ Property Name FEDERAL 29		⁶ Well Number 1E
⁷ OGRID No. 014634	⁸ Operator Name MERRION OIL & GAS CORPORATION		⁹ Elevation 6724' KB

¹⁰ Surface Location

UL or lot no. J	Section 29	Township 25N	Range 09W	Lot Idn NWSE	Feet from the 1850	North/South line SOUTH	Feet from the 1555'	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
¹² Dedicated Acres 40	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.						

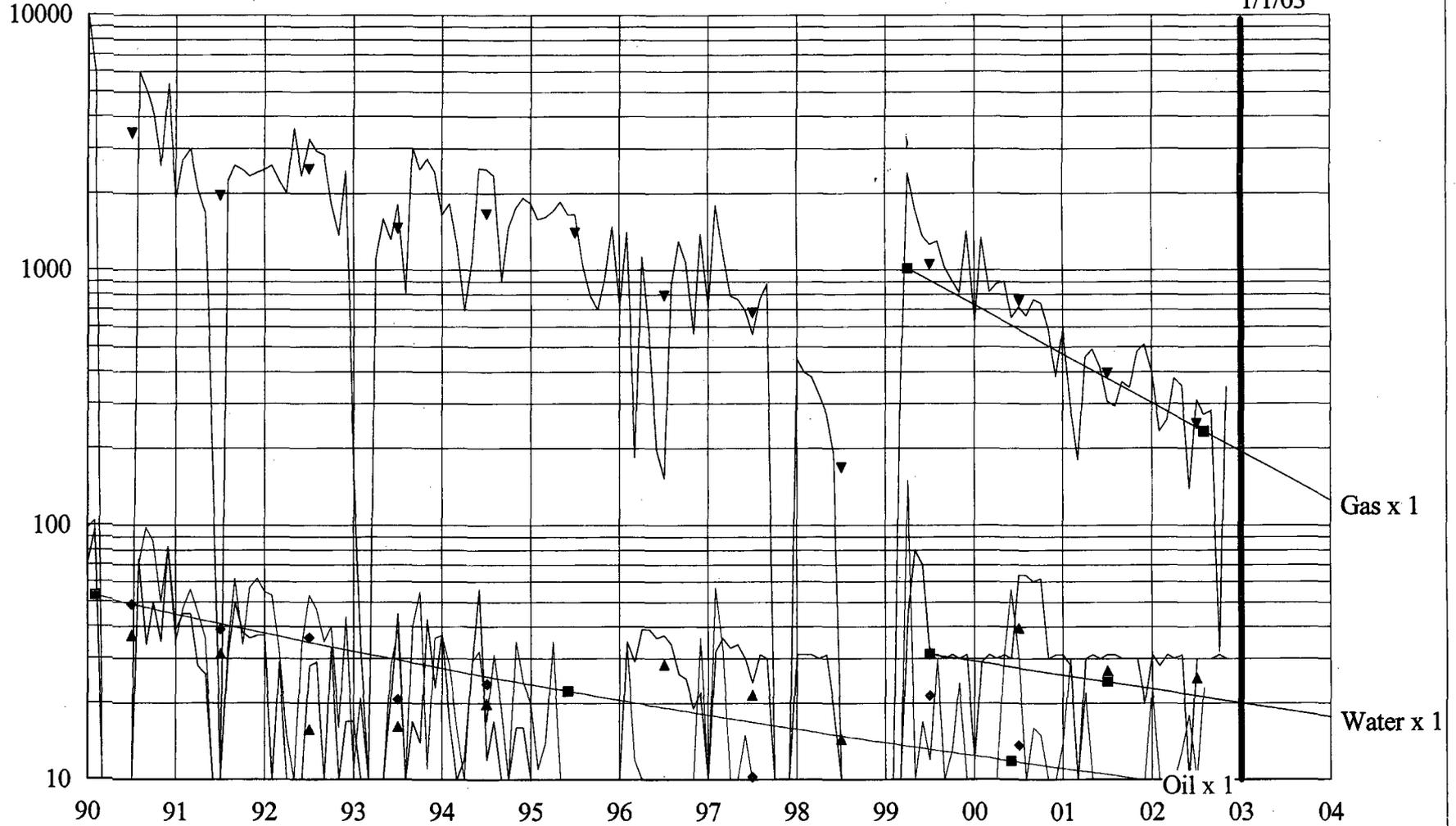
NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

EXHIBIT 3				¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. <i>George Sharpe</i> Signature GEORGE F. SHARPE Printed Name PETROLEUM ENGINEER Title and E-mail Address JULY 17, 2003 Date
				¹⁸ 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

EXHIBIT 1

Federal 29-1E (1E - 100%), Basin DK

Effective Date
1/1/03



25104525N09W29J00DK
Federal 29-1E (1E - 100%)
Unknown Operator
Basin DK
OLD, NM

[34526999]
Basin DK
29J 25N 9W

Cumulative:
Remaining:
Ultimate:

Oil (bbl)
2,983
0
2,983

Gas (mcf)
197,877
0
197,877

Water (bbl)
3,689
0
3,689

Exhibit 5

Lease Name: RUDMAN FEDERAL
County, State: SAN JUAN, Unknown
Operator: NESSCO INCORPORATED
Field: MULTIPLE
Reservoir: MULTIPLE
Location:

RUDMAN FEDERAL - MULTIPLE

Sec 27 - 25N - 9W

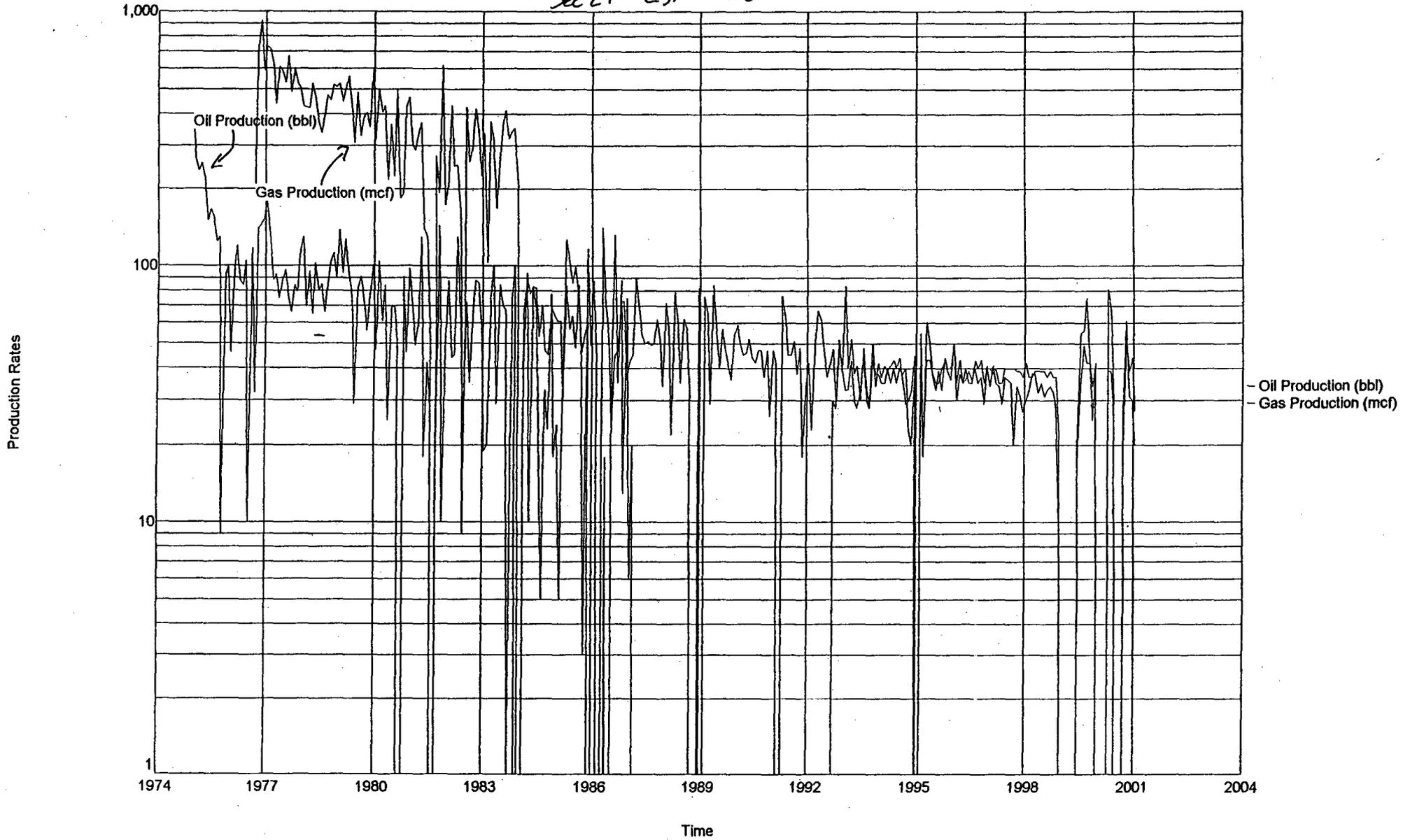


Exhibit "6"

**Federal 29-1E Commingling Application
Non-Standard Location Application
Notification of Offset Operators**

Energen Resources
Attn: Rich Corcoran
2198 Bloomfield Highway
Farmington, NM 87401

RL Bayless Producer, LLC
Attn: Kevin McCord
P.O. Box 168
Farmington, NM 87499-0168