

MERRION OIL & GAS CORPORATION

610 REILLY AVE. • P. O. Box 840
FARMINGTON, NEW MEXICO 87499

January 16, 1992

Mr. Mike Stogner
New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87503

RE: Request for Testing Approval
Escovada No. 1
SESW, Section 8, T21N, R8W
San Juan County, New Mexico
Snake Eyes Dakota "D" Pool

RECEIVED
JAN 17 1992
OIL CON. DIV.
DIST. 3

Dear Mr. Stogner:

We request your approval to sell gas from the subject well on a test basis prior to your approval for an unorthodox location (application attached). Our reasoning is as follows:

The Escovada #1 was drilled in December of 1991 as a wildcat well with an Entrada target. The Entrada did not contain commercial oil. However, the Dakota was drill stem tested at 3 MMCFD. Therefore, on December 8, 1991, we set casing through the Dakota section and moved the drilling rig off. We moved a completion rig on the well on 1-16-92, and expect to have it ready to produce by 1-24-92.

In the long term, we need to make significant expenditures for facilities and a 1.5 mile pipeline to get the gas to the Snake Eyes Dakota Field gas plant. However, the recent performance of our two Snake Eyes Dakota wells (Santa Fe 20-4 and Snake Eyes #2) which came on line in December cause us to worry about the economics of the Escovada #1. They are making a combined rate of 200 MCFD and 1500 BWPD, with very similar log characteristics (small gas zone sitting on large water zone) as the Escovada. Therefore, before making the large investment, we would like to test the Escovada #1 for an extended 90 day period to help convince ourselves that the reserves are present.

We have obtained an agreement with Gas Company of New Mexico to allow us to produce the well through the middle of April into their line without processing the gas through the gas plant. After that date, however, the volumes in their main line drop to the point that the

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Escovada gas will not be sufficiently diluted, and the unprocessed gas will begin to give them operational problems. Therefore, we have a very tight window in which to test the well and make a significant economic decision. We request that you allow us to start the test and sell the gas before the 20-30 day approval on the non-standard location application. Please note that besides one lease owned by Ronadero, Merrion owns all the surrounding acreage. Also note that the Escovada #1 is only 50' outside the standard "window", and it is away from the Ronadero lease.

We appreciate your consideration in this matter. In lieu of our heavy expenditures for little production in the two existing Snake Eyes wells, it is very important for us to know what we have before blindly spending more.

Sincerely,



George F. Sharpe
Petroleum Engineer

GFS/eg

CC: Steven Dunn
Well File
✓ NMOCD-Aztec, NM