

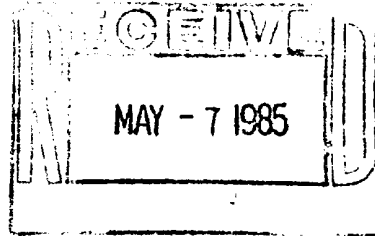


United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Caller Service 4104
Farmington, New Mexico 87499

IN REPLY REFER TO:
NMA-0063
3162.7-3 (016)



MAY 06 1985

CERTIFIED--RETURN RECEIPT REQUESTED

Merrion Oil and Gas Corporation
P. O. Box 1017
Farmington, NM 87499

Gentlemen:

We have investigated the venting of casinghead gas from the No. 1 Box Canyon Com, NMA-0063, and have ascertained that from May 17, 1984 to August 27, 1984, inclusive, 5566 MCF of casinghead gas was avoidably vented without written approval or authorization from the Area Manager or the NMOCD, as required by the provisions of NTL-4A.

Our investigation has also ascertained that the volumes of gas vented as reported on the Monthly Report of Operations, March thru June, 1984, are false, and that this data was submitted with willful knowledge in violation of 43 CFR 3163.4-1.

Compensation due the United States for gas avoidably lost or vented without prior authorization will be computed on the basis of the full value of the gas so vented. Any person who knowingly or willfully submits false, inaccurate or misleading reports shall be liable for a civil penalty of up to \$25,000 per violation for each day such violation continues, not to exceed a maximum of 20 days.

If you have evidence or information which shows this investigation is in error, you are allowed 7 days from receipt of this notice to present such evidence or information to this office before action is initiated on the above violations.

Sincerely yours,

Area Manager

9-361

MERRION OIL & GAS CORPORATION

P. O. Box 1017
FARMINGTON NEW MEXICO 87499

May 10, 1985

Bureau of Land Management
Caller Service 4104
Farmington, New Mexico 87499

CERTIFIED MAIL

Attention: Mr. Mat Millenbach

Re: NMA 0063
Box Canyon Com No. 1
SW/SW Sec. 15, T25N, R6W
Rio Arriba Co., New Mexico

Gentlemen:

In response to your letter of May 6, 1985 concerning the above referenced well, Merrion Oil and Gas Corporation submits the following information for your consideration. Specifically, the three areas to be addressed which will explain more fully the understandable but erroneous results of your investigation are the confusion over jurisdiction between the BLM and NMOCD, the process our company followed to gain proper approval to vent gas, and finally why incorrect volumes for vented gas were reported early in the life of the well.

JURISDICTION OF BLM VS NMOCD

Historically, any well located on private or state leases has been under the jurisdiction of the NMOCD. Merrion Oil and Gas Corporation believed this to be the case when we sought permission from the NMOCD to drill, complete and produce the Box Canyon No. 1 well. When we learned last fall that a surface inspection was being conducted by the BLM at this well we requested clarification as to which agency, the BLM or NMOCD, has responsibility for operations on this lease. At that time there were differing opinions among the BLM Staff and the decision was deferred. Until this letter we had heard nothing further on the subject.

Our point is this - if we were supposed to be working thru the BLM in our operations on this lease we were totally unaware of that requirement and in no way did we intentionally bypass any procedures you require.

APPROVAL TO VENT GAS

The State of New Mexico requires that no gas shall be vented after 60 days following the completion of the well except by approval through application to the NMOCD. The date of first production for this well was March 17, 1984. On March 19, 1984 we submitted an application for permission to vent gas (copy enclosed) based upon our initial production test. On August 23, 1984 the BLM notified our company we were venting gas without proper approval. We submitted an application (copy enclosed) based on instructions from your office and assumed the problem was taken care of correctly. As an added step we checked with the State and found our original application had been lost, so we refiled with the State on August 24, 1984 (copy enclosed).

At this point we were unaware there was any further problems and therefore did not request the NMOCD to retroactively approve our application. As a result, nine months later the BLM has concluded we intentionally sought to vent gas without prior approval. We submit this conclusion is completely erroneous.

REPORTED GAS VOLUMES VENTED

It is our obligation as Operators on Federal, State, and private leases to report production monthly from our wells to the appropriate regulatory agency. As part of this obligation we are required to estimate and report volumes of gas vented. The method we were using at the Box Canyon No. 1 to figure and report gas volumes was incorrect during the time period in question and was subsequently modified in August of 1984.

Based on test data submitted to the State, we are issued an oil proration schedule (copies enclosed) which tells us how many barrels of oil we are allowed to produce. Since the NMOCDD adjusts the allowable to account for venting, we were using this allowable as a means for our pumper to know when to produce the well. That is, when the oil allowable had been produced this told the pumper he could vent no more gas and thus would shut the well in.

The production clerk responsible for figuring the gas volume vented was taking the days produced reported by the pumper and multiplying by 30 MCF/Day - the venting allowable - to arrive at the volume vented. This method was incorrect and was changed as soon as we discovered the error to a procedure of using the test gas-oil ratio and multiplying times the number of barrels produced.

Additionally, we no longer use the oil proration schedule allowable as a basis for controlling gas venting since it is subject to revisions and time lags in issuance. We now use the gas venting allowable and the submitted test gas-oil ratio to figure the volume of oil to be produced for the month.

In conclusion at no time was there any attempt to intentionally falsify reports. On the other hand we did use an incorrect method to calculate gas volumes to be reported. This method was changed months ago when we discovered the problem.

SUMMARY

Morrion Oil and Gas Corporation has followed a policy of preventing the unnecessary venting of natural gas as evidenced by the many wells we have completed and shut-in waiting for gas tie-ins. However, on occasion a well must be produced prior to tie-in to evaluate offsetting drilling obligations with deadlines or to prove deliverability for negotiating a gas contract. In these situations we have attempted to meet all requirements placed on us by regulatory agencies. In the case of the Box Canyon No. 1 we produced the well according to approved oil proration schedules and at no time were we overproduced according to those schedules.

Sincerely,

MERRION OIL & GAS CORPORATION

A handwritten signature in dark ink, appearing to read "Steve S. Dunn", is written over a horizontal line.

Steve S. Dunn, Operations Manager

SSD/am

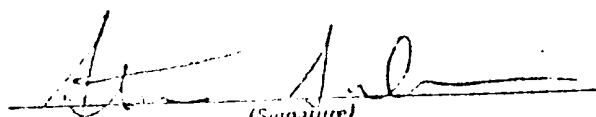
Enc.

APPLICATION FOR EXCEPTION TO NO-FLARE RULE 306

NFO Permit No. _____
(Commission Use Only)

- A. Applicant, Merrion Oil & Gas Corporation,
whose address is P. O. Box 1017, Farmington, New Mexico 87499,
hereby requests an exception to Rule 306 for 365 days or until
2/15/85, 19 , for the following described tank battery (or LACT):
Name of Lease Box Canyon Com Name of Pool Devils Fork Gallup
Location of Battery: Unit Letter M Section 15 Township 25N Range 6W
Number of wells producing into battery One
- B. Based upon oil production of 10 barrels per day, the estimated (*) volume
of gas to be flared is 116 MCF; Value \$348.00 per day.
- C. Name and location of the nearest gas gathering facility:
El Paso Natural Gas Co., SE/4 Sec. 15, T25N, R6W
- D. Distance 3500 Estimated cost of connection \$92,000.00
- E. This exception is requested for the following reasons:
To evaluate well for further drilling in the area.

- F. I hereby certify that the rules and regulations of the Oil
Conservation Commission have been complied with and
that the information given above is true and complete to
the best of my knowledge and belief.


(Signature)
Steve A. Dunn, Operations Manager
(Title)
3/19/84
(Date)

Approved Until _____

New Mexico Oil Conservation Commission
By _____
Title _____
Date _____

MERRION OIL & GAS CORPORATION
APPLICATION FOR PERMISSION TO VENT
CASINGHEAD GAS

1. LEASE: Box Canyon Com
1200' FSL and 720' FWL
Sec. 15, T25N, R6W
Rio Arriba Co., New Mexico
2. ESTIMATED PRODUCTION: 116 MCF/Day
3. VALUE GAS VENTED: \$348.00/Day
4. LOCATION NEAREST GAS CONNECTION: SE/4, Sec. 15, T25N, R6W, El Paso Natural Gas
5. REASON FOR APPLICATION: To evaluate well for further drilling in the
area.

I hereby certify that the rules and regulations of the Minerals Management Service have been complied with and that the information given above is true and complete to the best of my knowledge and belief.

Steve S. Dunn
Signature
Steve S. Dunn, Operations Manager
Title
8/23/84
Date

Approved until _____
MINERALS MANAGEMENT SERVICE
By: _____
Title: _____
Date: _____

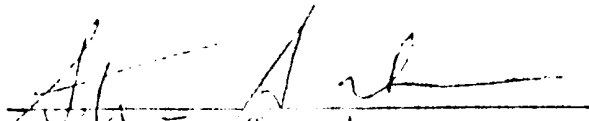
APPLICATION FOR EXCEPTION TO NO-FLARE RULE 306

NFO Permit No. 3 554
(Commission Use Only)

- A. Applicant, Merrion Oil & Gas Corporation,
whose address is P. O. Box 1017, Farmington, New Mexico 87499,
hereby requests an exception to Rule 306 for 365 days or until
8/24/85, 19 , for the following described tank battery (or LACT):
Name of Lease Box Canyon Com Name of Pool Devils Fork Gallup
Location of Battery: Unit Letter M Section 15 Township 25N Range 6W
Number of wells producing into battery One
- B. Based upon oil production of 10 barrels per day, the estimated (*) volume
of gas to be flared is 116 MCF; Value 348.00 per day.
- C. Name and location of the nearest gas gathering facility:
El Paso Natural Gas Co., SE/4 Sec. 15, T25N, R6W
- D. Distance 3500 Estimated cost of connection \$92,000.00
- E. This exception is requested for the following reasons:

To evaluate well for further drilling in the area

- F. I hereby certify that the rules and regulations of the Oil
Conservation Commission have been complied with and
that the information given above is true and complete to
the best of my knowledge and belief.


(Signature)
Steve S. Dunn, Operations Manager
(Title)
8/24/84
(Date)

RECEIVED
AUG 28 1984
OIL CON. DIV.
DIST. 3

Approved Until 11-28-84
not to exceed 30 MCF per day

New Mexico Oil Conservation Commission
By Steve S. Dunn
Title SUPERVISOR DISTRICT # 3
Date AUG 28 1984

*Gas-Oil ratio test may be required to verify estimated gas volume.

OIL CONSERVATION DIVISION

AZTEC

DISTRICT OFFICE

Jan. thru April, 1984
NO. 3085/N

SUPPLEMENT TO THE OIL PRORATION SCHEDULE

DATE April 18, 1984

PURPOSE AUTHORIZATION OF ALLOWABLE FOR A NEW WELL (N-S)

Effective March 17, 1984, an allowable of 2 BOPD is hereby assigned to the Merrion Oil & Gas Corp., Box Canyon Com #1, M-15-25N-6W, Devils Fork Gallup Pool, Rio Arriba County.

Total monthly allowables are assigned as indicated below:

March **30 bbls

April **60 bbls

Allowable has been adjusted to restrict vented gas to 30 MCFD or less

C-116 Due April 26, 1984

C-129 Due May 16, 1984

Type Land P

Prod. Mode F

IP 10 BOPD

160 Acres

Top Perf. 5883

Oil Trans. PER

OIL CONSERVATION DIVISION

Alice Lando
For DISTRICT SUPERVISOR

OIL CONSERVATION DIVISION

AZTEC

DISTRICT OFFICE

Jan. thru April, 1984

NO. 3134/A

SUPPLEMENT TO THE OIL PRORATION SCHEDULE

DATE April 18, 1984

PURPOSE ALLOWABLE REVISION

Effective March 17, 1984, the allowable of the Merrion Oil & Gas Corp., Box Canyon Com #1, M-15-25N-6W, Devils Fork Gallup Pool, Rio Arriba County, is hereby increased from 2 BOPD to 10 BOPD.

Total monthly allowables are assigned as indicated below:

March **150 bbls

April **300 bbls

Corrects Supplement #3085/N

Oil Trans. PER

Gas Trans. EPG

OIL CONSERVATION DIVISION

Alice Lamm
For DISTRICT SUPERVISOR

APR 23 1984

OIL CONSERVATION DIVISION

AZTEC

DISTRICT OFFICE

May thru August, 1984
NO. 3015/R

SUPPLEMENT TO THE OIL PRORATION SCHEDULE

DATE May 9, 1984

PURPOSE ALLOWABLE REVISION

Effective May 1, 1984, the allowable of the Merrion Oil & Gas Corporation, Box Canyon Com #1, M-15-25N-6W, Devils Fork Gallup Associated Pool, Rio Arriba County, is hereby increased from 2 BOPD to 6 BOPD.

Total monthly allowables are assigned as indicated below:

| | |
|--------|------------|
| May | **186 bbls |
| June | **180 bbls |
| July | **186 bbls |
| August | **186 bbls |

C-116 Received April 19, 1984

Oil Trans. PER

Gas Trans. EPG

OIL CONSERVATION DIVISION

Alice Lowe
For
DISTRICT SUPERVISOR

MAY 11 1984

Box Canyon Com #1
FOR THE 1954 FRODOG YEAR

| | NMOC D ALLOWABLE OIL-BBL | VOLUME PRODUCED OIL-BBL |
|-----------|--------------------------------|-------------------------------|
| MARCH | 150 | 100 |
| APRIL | 300 | 102 |
| MAY | 186 | 182 |
| JUNE | 180 | 153 |
| JULY | 186 | 156 |
| AUGUST | 186 | 127 |
| SEPTEMBER | 180 | 84 |
| OCTOBER | 186 | 23 |
| NOVEMBER | 180 | 23 |
| DECEMBER | 186 | 20 |

