

pKRYD 125331174

AMEND DHC#535 N/R

MERRION

OIL & GAS

OIL CONSERVATION DIV.

01 SEP -6 AM 11:31

August 31, 2001

Mr. David Catanach
New Mexico Oil Conservation Division
2040 S. Pacheco
Santa Fe, New Mexico 87505

**Re: Application for Administrative Approval
Downhole Commingling
Devils Fork Gallup, Devils Fork Mesaverde, Ballard Pictured Cliffs Pools
Edna 3R
Section 7, T24N, R6W
San Juan County, New Mexico**

Dear Mr. Catanach:

Merrion Oil & Gas requests administrative approval for downhole commingling of the Devils Fork Gallup, Devils Fork Mesaverde, and the Ballard Pictured Cliffs Pools in the subject wellbore. The following information is provided in support of this application:

I. Proposed Spacing Units

Exhibit 1 is the ownership plat showing the offset operators. Exhibit 2 shows the C-102 plat for the Devils Fork Gallup with a 160 acre spacing unit in the NW/4 of Section 7. Exhibit 3 shows the C-102 plat for the Devils Fork Mesaverde with a 40 acre spacing unit in the NW NW/4 of Section 7. Exhibit 4 shows the C-102 plat for the Ballard Pictured Cliffs with a 160 acre spacing unit in the NW/4 of Section 7.

II. Justification

The Edna 3R was completed in 1984 as a commingled Gallup – Mesaverde producer (DHC-535). It has declined in production to the point where it is only making 10 to 20 MCFD of gas. The Pictured Cliffs (PC) has never been completed on that particular 160 acre spacing unit. However, the PC is projected to be partially depleted by the surrounding producers, and would not have the reserves to justify drilling a new well. It is only by completing the interval in the existing wellbore and commingling all three zones that we can maximize the gas recovery from that lease.

III. Allocation Methodology

Exhibits 5 and 6 show the historic production from the Gallup and Mesaverde zones respectively, while Exhibit 7 shows the PC production from the offset Edna 2 well. Merrion proposes to obtain stabilized production tests on the Pictured Cliffs and use a fixed percentage to allocate future production between the three zones. If subsequent data indicates the need, additional testing may be done in the future to adjust the allocation percentages.

IV. Reservoir Fluid Compatibility

The waters of the PC, Mesaverde, and Gallup have been generally determined to be compatible across the Basin based on other similar applications to the OCD.

V. Crossflow Between Zones

The current reservoir pressures of the Gallup and Mesaverde are estimated to be 200 psi, which is the estimated pressure of the uphole PC zone. Therefore, crossflow is not anticipated to be a problem.

VI. Well Ownership Notification

The ownership of the three zones is identical.

VII. Offset Operator Notification

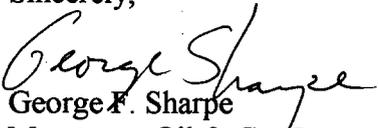
Exhibit 1 is a plat showing all offset operators. Exhibit 8 is a list of all the offset operators who received a certified copy of this application.

VIII. Summary

The PC lacks the reserves to economically justify a new well. Commingling the zones will maximize reserves and protect correlative rights. Therefore, we request your approval of this application.

Please call me at 505-327-9801 ext. 114 with questions or if additional information is required.

Sincerely,


George F. Sharpe
Manager – Oil & Gas Investments

Xc: Offset Operators
Aztec OCD

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

District II
811 South First Street, Artesia, NM 88210

District III
1000 Rio Brazos Road, Aztec, NM 87410

District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107A
Revised May 15, 2000

OIL CONSERVATION DIVISION

2040 South Pacheco
Santa Fe, New Mexico 87505

APPLICATION TYPE

Single Well

Establish Pre-Approved Pools

EXISTING WELLBORE

Yes No

APPLICATION FOR DOWNHOLE COMMINGLING

MERRION OIL & GAS CORPORATION, 610 Reilly Avenue, Farmington, NM 87401-2634

Operator	Address			
EDNA	3R	D	07 24N 06W	RIOARRIBA
Lease	Well No.	Unit Letter-Section-Township-Range		County

OGRID No. 014634 Property Code 007824 API No. 30-039-23486 Lease Type: Federal State Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Ballard Pictured Cliffs	Devils Fork Mesaverde	Devils Fork Gallup
Pool Code	71439	17620	17610
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	2375' - 2395'	4644' - 4903'	5661' - 5887'
Method of Production (Flowing or Artificial Lift)	Not completed	Pumping	Pumping
Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone)	200 PSI	200 PSI	200 PSI
Oil Gravity or Gas BTU (Degree API or Gas BTU)	1150 BTU	1350 BTU	1350 BTU
Producing, Shut-In or New Zone	Shut In - not completed yet	Producing	Producing
Date and Oil/Gas/Water Rates of Last Production. (Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.)	Date: Rates: NA	Date: July, 2001 Rates: 5 MCFD	Date: July, 2001 Rates: 5 MCFD
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil Gas % %	Oil Gas % %	Oil Gas % %

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones?
If not, have all working, royalty and overriding royalty interest owners been notified by certified mail? Yes No
Yes No

Are all produced fluids from all commingled zones compatible with each other? Yes No

Will commingling decrease the value of production? Yes No

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 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:

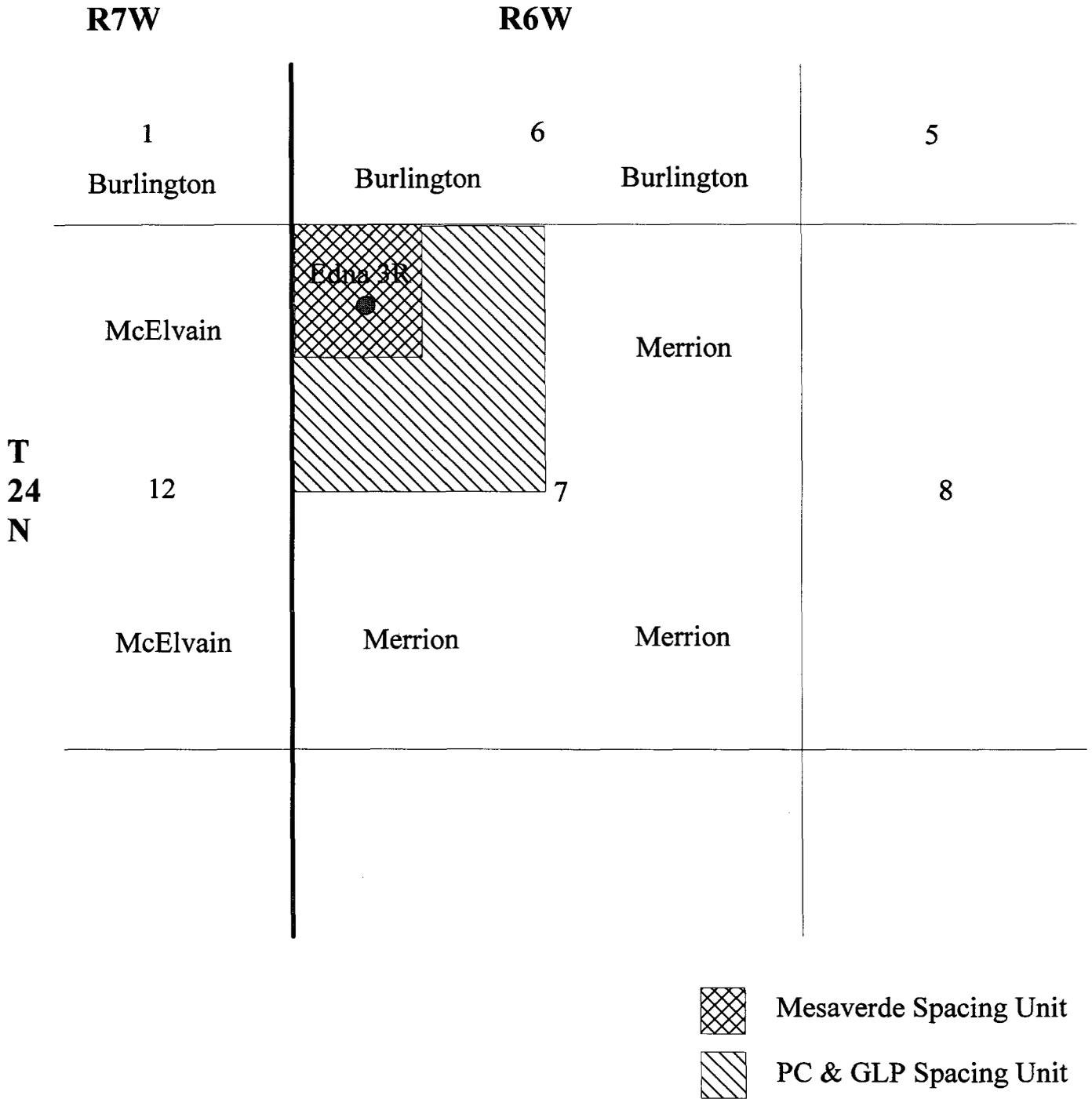
- List of other orders approving downhole commingling within the proposed Pre-Approved Pools
- List of all operators within the proposed Pre-Approved Pools
- Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application.
- Bottomhole pressure data.

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

SIGNATURE George Sharpe TITLE Engineer DATE August 30, 2001

TYPE OR PRINT NAME George F. Sharpe TELEPHONE NO. (505) 327-9801 Ext. 114

EXHIBIT 1
EDNA 3R
Downhole Commingling Application



All distances must be from the outer boundaries of the Section.

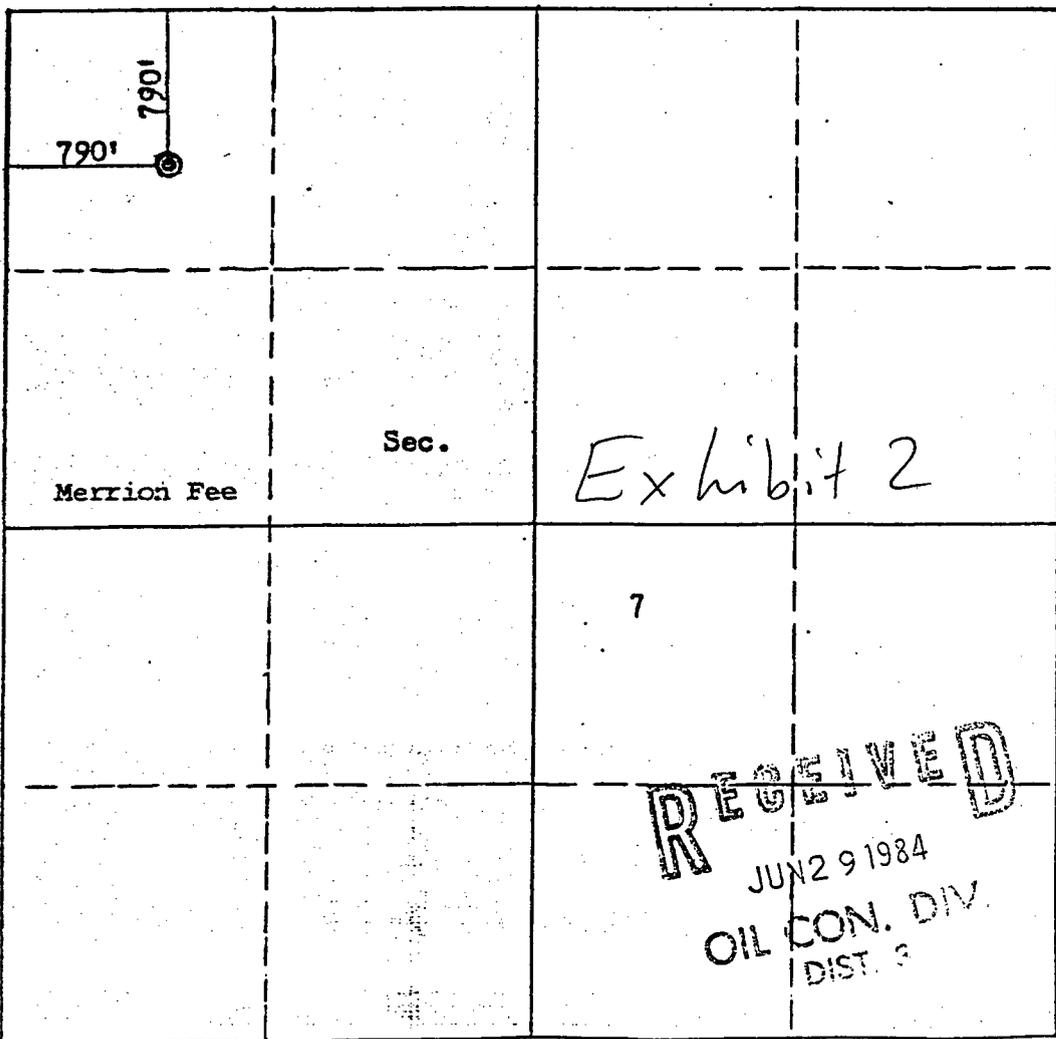
Operator MERRION OIL & GAS CORPORATION		Lease EDNA			Well No. 3-R
Unit Letter D	Section 7	Township 24N	Range 6W	County Rio Arriba	
Actual Footage Location of Wells 790 feet from the North line and 790 feet from the West line					
Ground Level Elev. 6802	Producing Formation Gallup		Pool Devils Fork Gallup		Dedicated Acreage 160 Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hachure 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.



CERTIFICATION

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

Steve S. Dunn
Name
Steve S. Dunn
Position
Operations Manager
Company
Merrion Oil & Gas Corporation
Date
6/27/84

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 knowledge and belief.

Date Surveyed
June 21, 1984
Registered Professional Engineer and Land Surveyor
Fred E. Kerr Jr.
Fred E. Kerr Jr.
Certificate No. 2142

Scale: 1"=1000'

All distances must be from the outer boundaries of the Section.

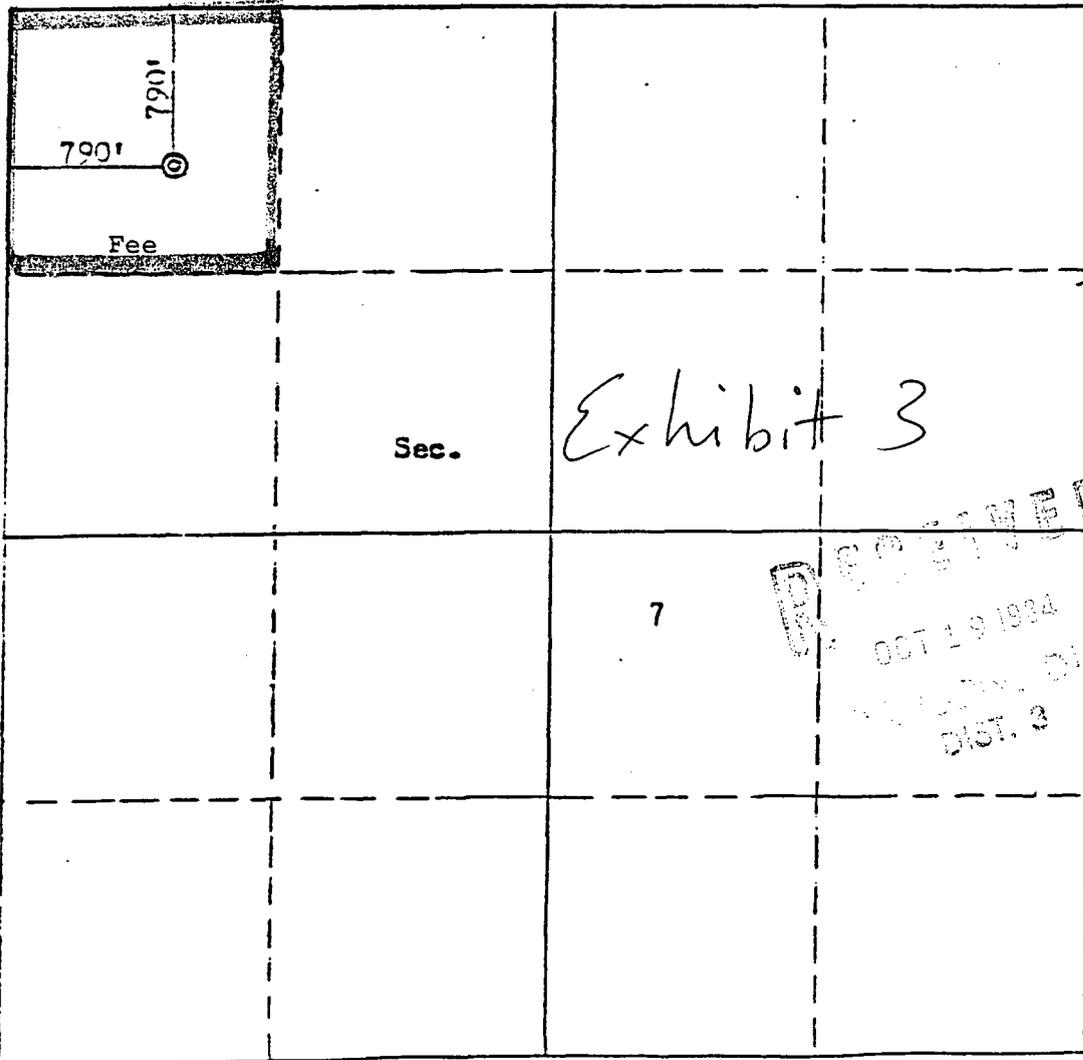
Operator MERRION OIL & GAS CORPORATION			Lease EDNA		Well No. 3-R
Unit Letter D	Section 7	Township 24N	Range 6W	County Rio Arriba	
Actual Footage Location of Well: 790 feet from the North line and 790 feet from the West line					
Ground Level Elev. 6302	Producing Formation Mesaverde		Pool Devils Fork Mesaverde Ext.		Dedicated Acreage 4039.55 Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hachure 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.



CERTIFICATION

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

Steve S. Dunn
Name
Steve S. Dunn
Position
Operations Manager
Company
Merrion Oil & Gas Corporation
Date
10/18/84

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 knowledge and belief.

Date Surveyed
June 21, 1984
Registered Professional Engineer and Land Surveyor
Fred E. Kort Jr.
Fred E. Kort Jr.

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

District II
811 South First, Artesia, NM 88210

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

District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised August 15, 2000

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-039-23486	² Pool Code 71439	³ Pool Name BALLARD PICTURED CLIFFS (GAS)
⁴ Property Code 007824	⁵ Property Name EDNA	
⁷ OGRID No. 014634	⁸ Operator Name MERRION OIL & GAS CORPORATION	⁶ Well Number 3R
		⁹ Elevation 6802'

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	07	24N	06W	NWNW	790	North	790	West	Rio Arriba

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 160	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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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

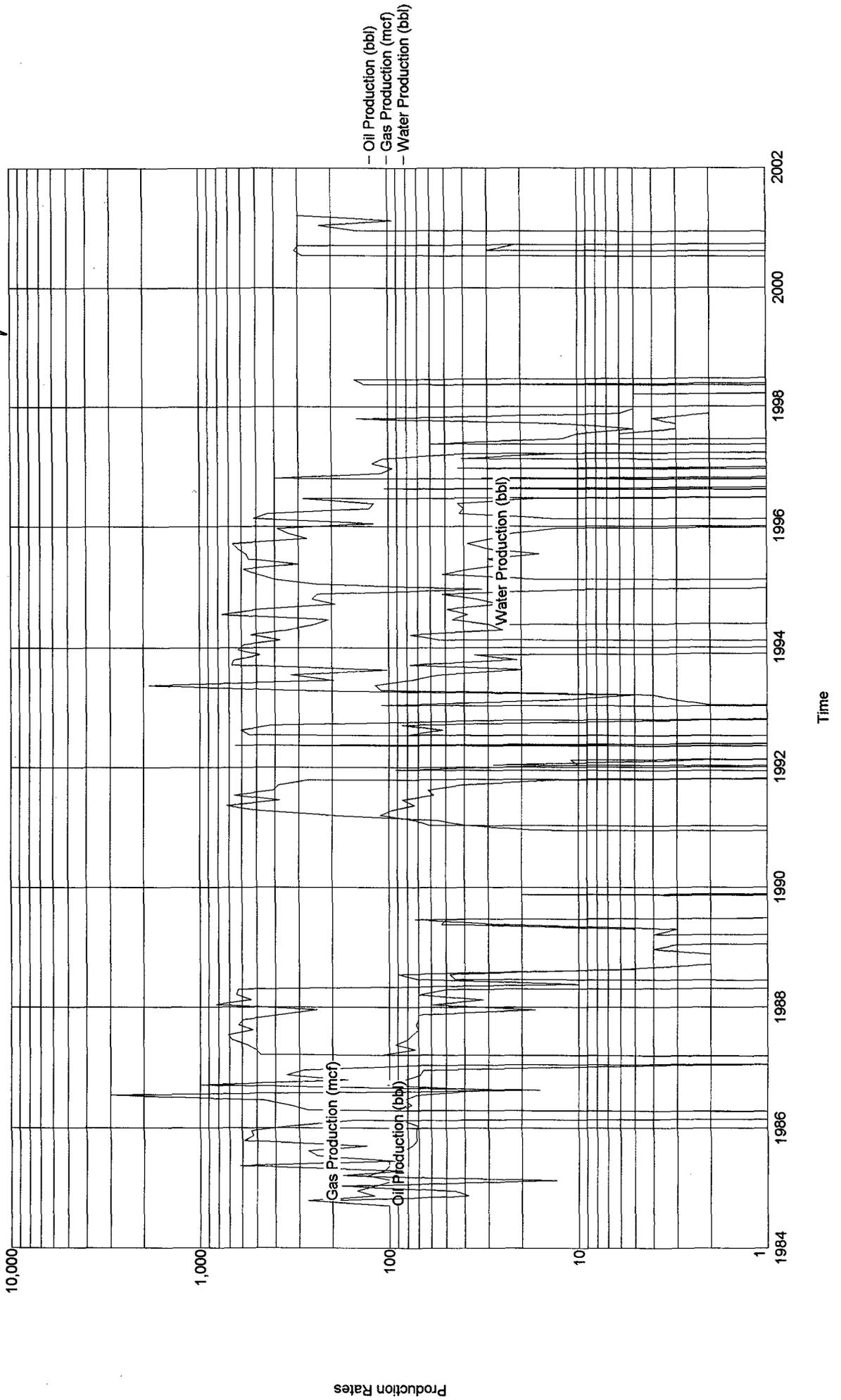
¹⁶	Sec. <i>Exhibit 4</i>	¹⁷ OPERATOR CERTIFICATION <i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</i> Signature George Sharpe Printed Name Engineer Title August 31, 2001 Date

Lease Name: EDNA
County, State: RIO ARBA, NM
Operator: MERRION OIL & GAS CORPORATION
Field: DEVILS FORK
Reservoir: GALLUP
Location: 7 24N 6W SE NW NW

Exhibit 5

Gallup

EDNA - 3R DEVILS FORK 7 24N 6W SE NW NW

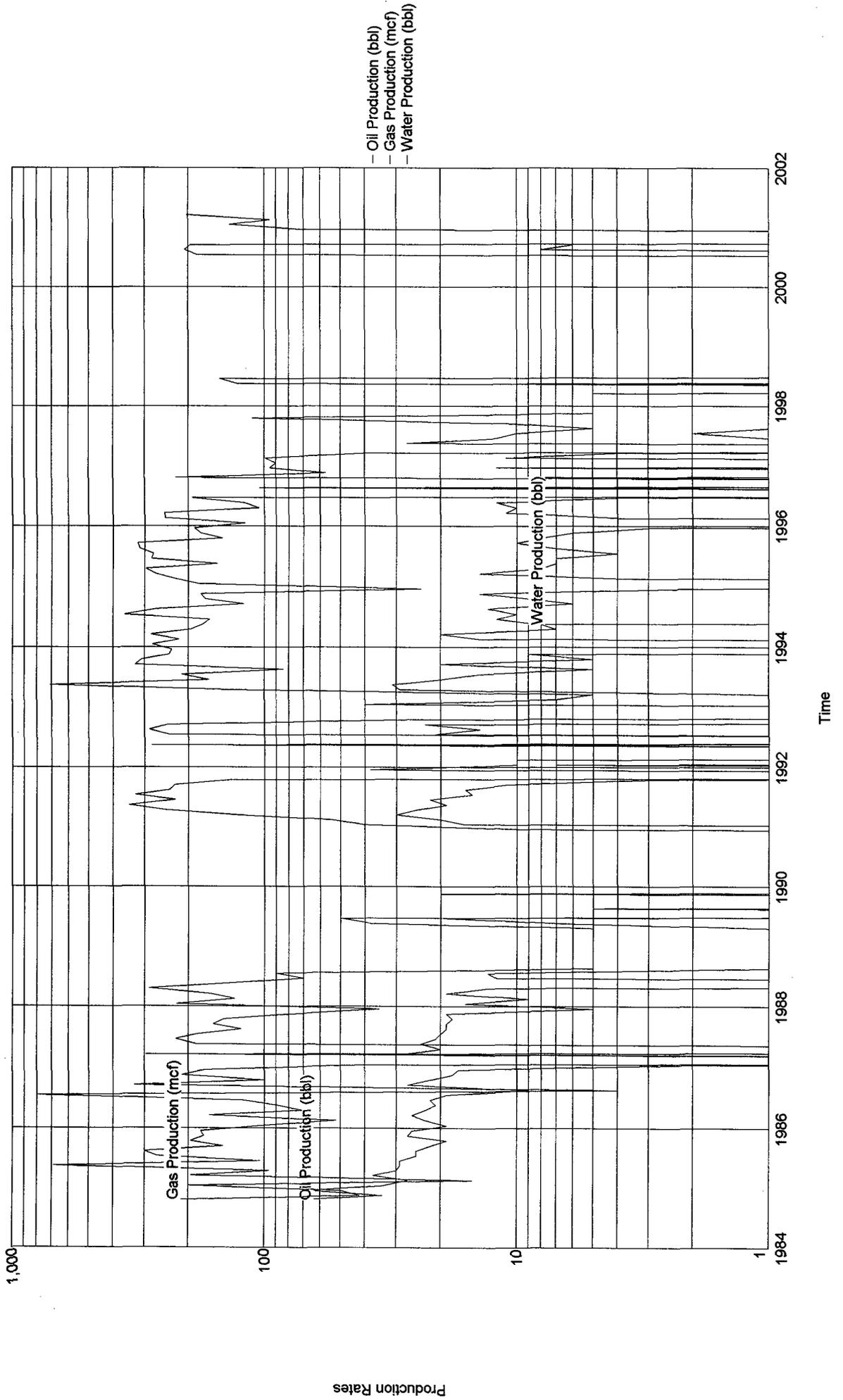


Lease Name: EDNA
County, State: RIO ARBA, NM
Operator: MERRION OIL & GAS CORPORATION
Field: DEVILS FORK
Reservoir: MESAVERDE
Location: 7 24N 6W SE NW NW

Exhibit 6

EDNA - 3R DEVILS FORK 7 24N 6W SE NW NW

Mesaverde



Lease Name: EDNA
County, State: RIO ARBA, NM
Operator: MERRION OIL & GAS CORPORATION
Field: BALLARD
Reservoir: PICTURED CLIFFS
Location: 7 24N 6W NE SW SE

Exhibit 7

EDNA - 2 BALLARD 7 24N 6W NE SW SE PC

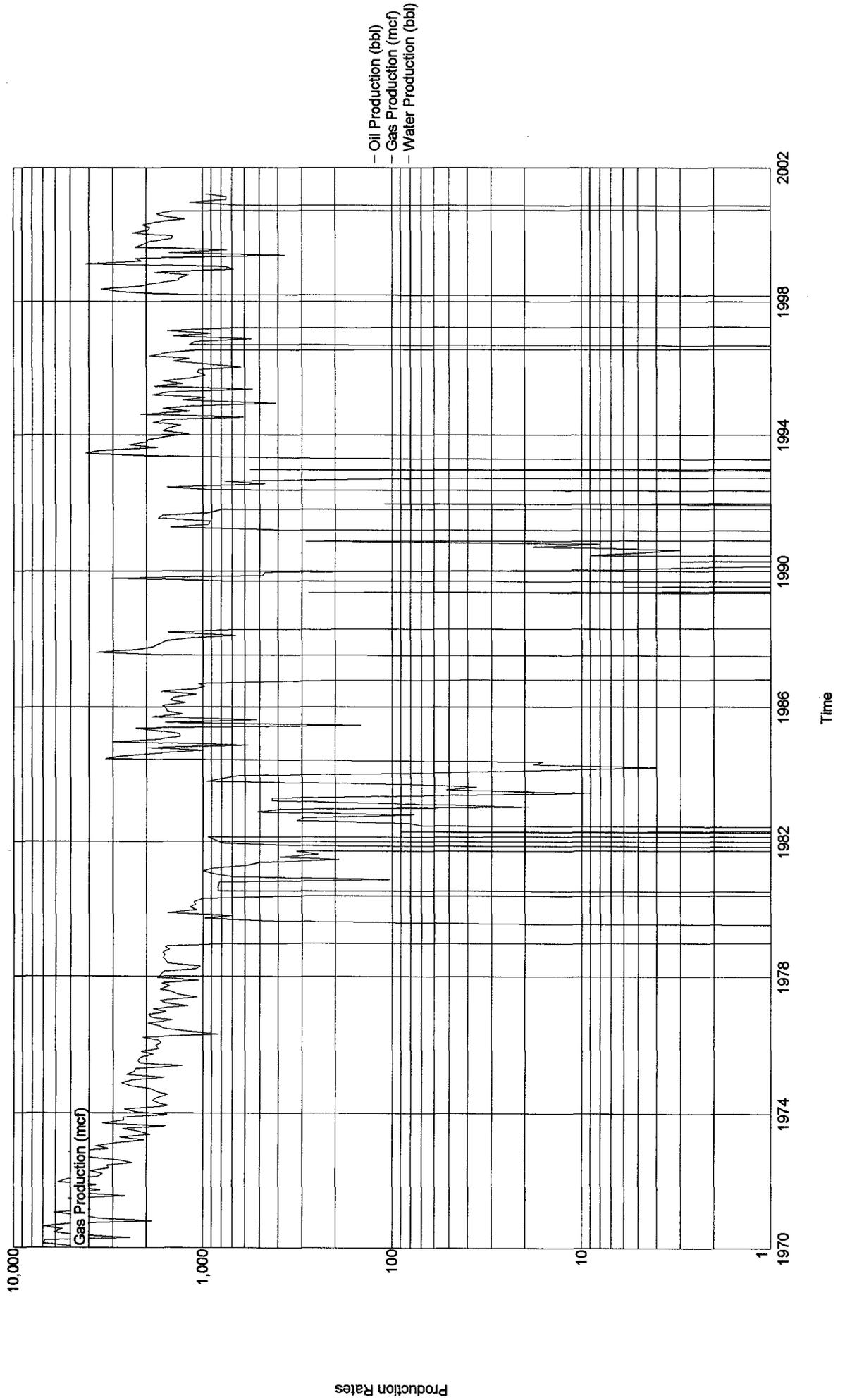


EXHIBIT 8

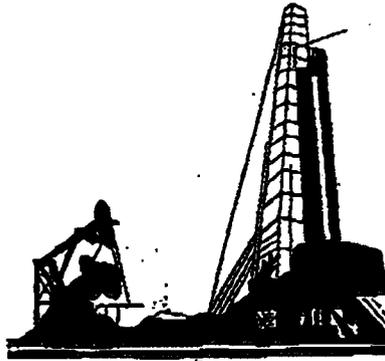
Offset Operator Notification
Edna 3R
Commingling Application

To: Offset Operators

If you have questions, please call George Sharpe at (505) 327-9801, ext. 114. If you have any objections to this application, please notify the NMOCD in writing within 20 days of receipt of this application.

Mr. James Strickler
Burlington Resources
PO Box 4289
Farmington, NM 87401

Mr. Larry Van Ryan
McElvain Oil & Gas
1050 17th St., Suite 1800
Denver, CO 80265



TRANSMITTAL COVER SHEET

OIL CONSERVATION DIVISION
1220 S. ST. FRANCIS DRIVE
SANTA FE, NM 87505
(505) 476-3440
(505) 476-3462 (Fax)

PLEASE DELIVER THIS FAX:

From ~~TO:~~ George Sharp
To ~~FROM:~~ Richard
~~DATE:~~ 9/20/01
~~PAGES:~~ 2
~~SUBJECT:~~ checklist
Attached is checklist for Edna 3R.
Thanks! George

IF YOU HAVE TROUBLE RECEIVING THIS FAX, PLEASE CALL THE OFFICE NUMBER ABOVE.

DATE IN	PURPOSE	ENGINEER	LOGGED IN	TYPE	APP NO.
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

1220 South St. Francis Drive, Santa Fe, NM 87505



*Edna 3R
Commingling*

ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] **TYPE OF APPLICATION - Check Those Which Apply for [A]**

- [A] Location - Spacing Unit - Simultaneous Dedication
 NSL NSP SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR

[D] Other: Specify _____

[2] **NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply**

- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] Offset Operators, Leaseholders or Surface Owner
identical
- [C] Application is One Which Requires Published Legal Notice
- [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] Waivers are Attached

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is accurate and complete to the best of my knowledge. I also understand that no action will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

George Sharpe
 Print or Type Name

George Sharpe
 Signature

Investment Mgr.
 Title

9-18-01
 Date

merrionland@cyberport.com
 e-mail Address