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JMESO-320350903

MERRION

OIL & GAS

RECEIVED

JUL 21 2003

OIL CONSERVATION
DIVISION

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

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

District III
1000 Rio Brazos Road, Aztec, NM 87410

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

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107A
Revised June 10, 2003

Oil Conservation Division
1220 South St. Francis Dr.
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

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 ☒ State ☐ Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	WHITE WASH GALLUP-MANCOS		BASIN DAKOTA
Pool Code			71599
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	5348'-5624'		6367'-92'; 6402'-06'
Method of Production (Flowing or Artificial Lift)	TO BE PUMPED		FLOWING
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)	1500 PSI		1500 PSI
Oil Gravity or Gas BTU (Degree API or Gas BTU)	1350		1300
Producing, Shut-In or New Zone	New		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: N/A	Date: Rates:	Date: May, 2003 Rates: 10 MCFD; 1 BWD
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 % <i>will be supplied after</i> % <i>Gallup Completion</i>	Oil Gas % %	Oil Gas % %

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones? Yes ☒ 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 ☒ 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.

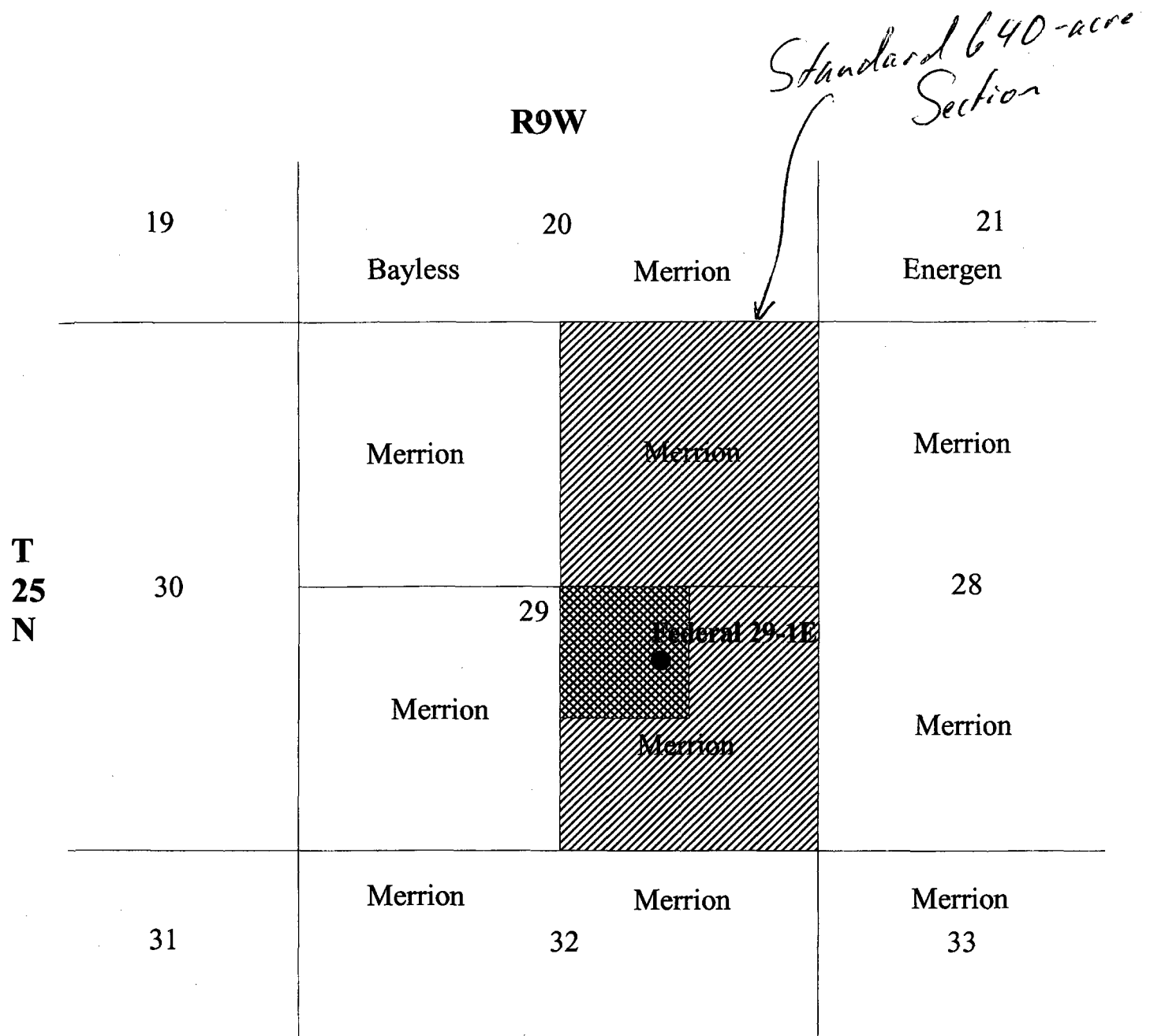
I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE George F. Sharpe 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

1025 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

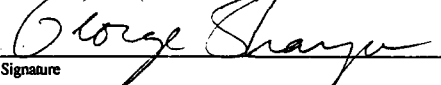
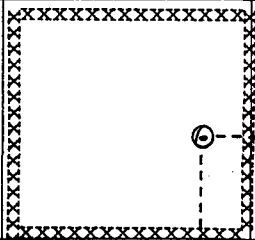
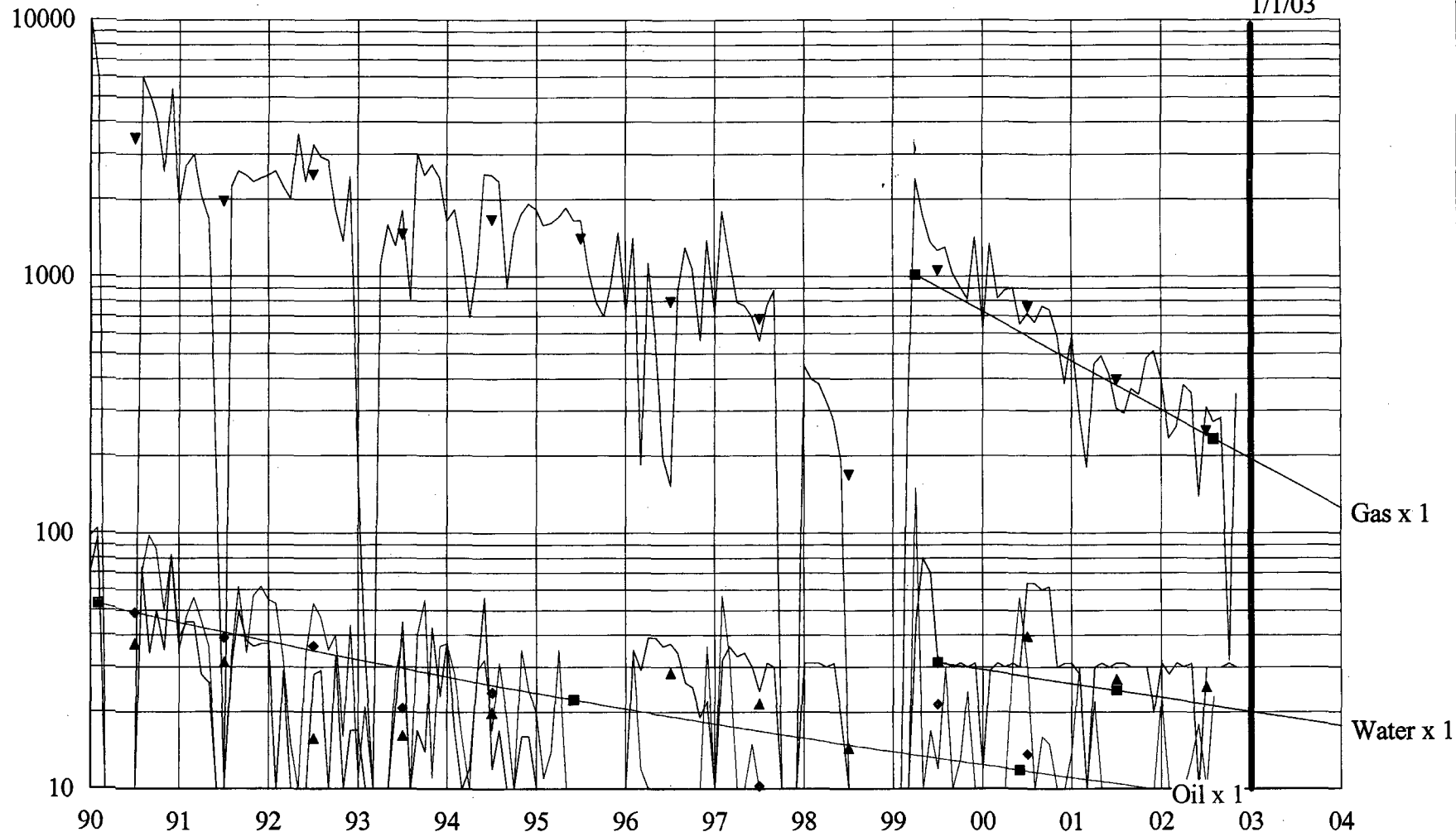
<div data-bbox="54 934 84 953">16</div>		<div data-bbox="1057 934 1080 953">17</div> <div data-bbox="1087 934 1518 968">OPERATOR CERTIFICATION</div> <div data-bbox="1057 974 1518 1037"><i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</i></div> <div data-bbox="1057 1037 1518 1129"><div data-bbox="1065 1041 1509 1125"></div><div data-bbox="1057 1100 1125 1121">Signature</div></div> <div data-bbox="1057 1144 1224 1165">GEORGE F. SHARPE</div> <div data-bbox="1057 1169 1156 1188">Printed Name</div> <div data-bbox="1057 1209 1253 1228">PETROLEUM ENGINEER</div> <div data-bbox="1057 1247 1230 1268">Title and E-mail Address</div> <div data-bbox="1057 1287 1171 1306">JULY 17, 2003</div> <div data-bbox="1057 1327 1095 1346">Date</div>
<div data-bbox="122 1320 619 1409">EXHIBIT 3</div>	<div data-bbox="545 1419 801 1659"></div>	<div data-bbox="1057 1413 1080 1434">18</div> <div data-bbox="1072 1419 1518 1453">SURVEYOR CERTIFICATION</div> <div data-bbox="1057 1457 1533 1596"><i>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.</i></div>
		<div data-bbox="1057 1648 1171 1669">Date of Survey</div> <div data-bbox="1057 1684 1381 1703">Signature and Seal of Professional Surveyor:</div> <div data-bbox="1057 1854 1186 1875">Certificate Number</div>

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

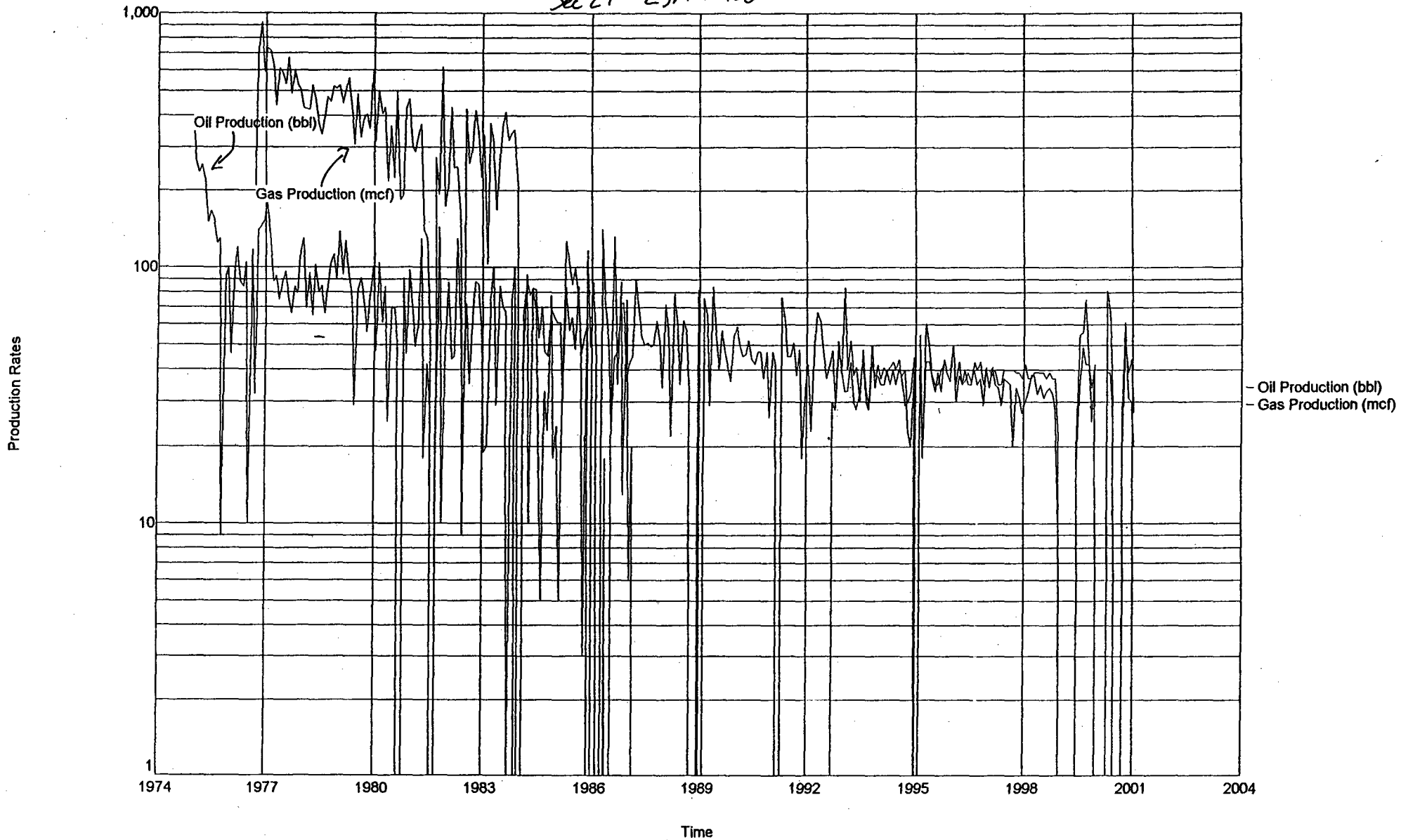


Exhibit "6"

**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