

**MERRION**

OIL &amp; GAS

June 4, 2001

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

**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 28-2E  
Section 28, T25N, R9W  
San Juan County, New Mexico**

Dear Mr. Catanach:

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 28-2E was drilled and completed in 1985 as a Dakota gas well. It has produced approximately 130,000 MCF and is marginally economic at less than 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 W/2 of Section 28. Exhibit 3 is the C-102 plat for the White Wash Gallup/Mancos Pool with a 40 acre spacing unit in the NW/4 SW/4 of Section 28.

**III. Non-standard Location**

The well is closer than 330 feet to the southern 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 28-2E while Exhibit 5 shows the production history of the Rudman Federal 1, an offset Gallup/Mancos well. Merriam 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

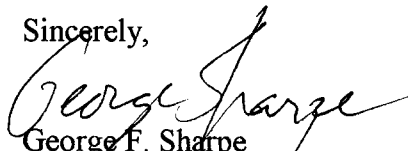
Exhibit 1 is a plat showing all offset operators. Exhibit 6 is a list of all the offset operators who received a certified copy of this application.

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 and Non-Standard Location  
Federal 28-2E**

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 fax this waiver sheet to George Sharpe at (505) 326-5900.

**WAIVER**

\_\_\_\_\_ hereby waives objection to this application.  
Company or Individual Name

\_\_\_\_\_  
Signature

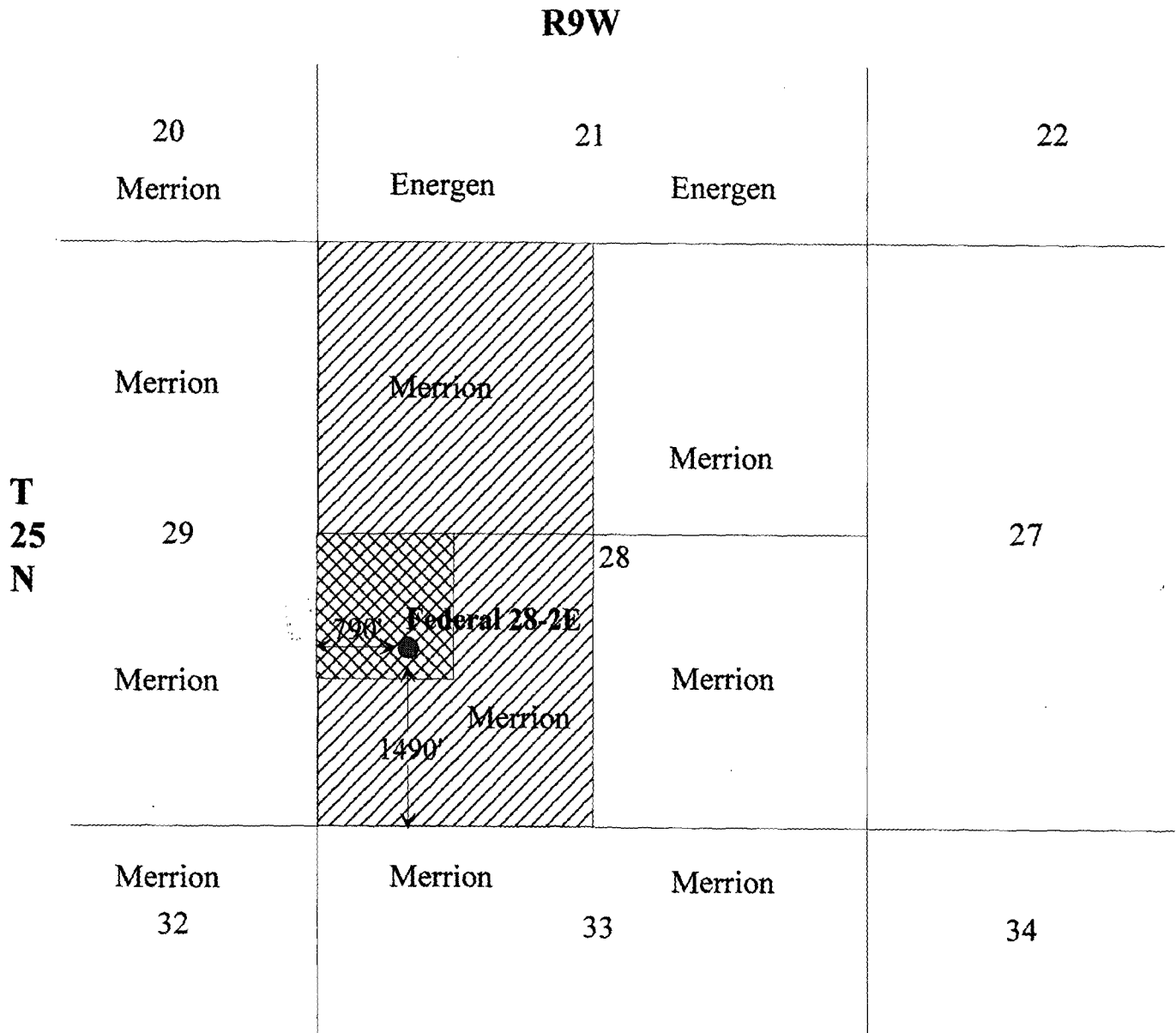
\_\_\_\_\_  
Date

**Exhibit "6"**

Federal 28-2E Commingling Application  
Non-Standard Location Application  
Notification of Offset Operators



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

**EXHIBIT 1**  
**FEDERAL 28-2E**  
**Downhole Commingling Application**



*Bisti Lower Calfs -*

**LEGEND**

-  Mancos Spacing Unit
-  Dakota Spacing Unit

J. BRANNON		FED 28		Well No. 2-E	
Letter L	Section 28	Township 25 NORTH	Range 9 WEST	County SAN JUAN	
Well Location of Well					
1490 feet from the SOUTH line and		790 feet from the WEST line			
Well Level Elev. - 6712	Producing Formation Dakota		Pool Basin Dakota	Dedicated Acreage: 320	

(As per U)

Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.

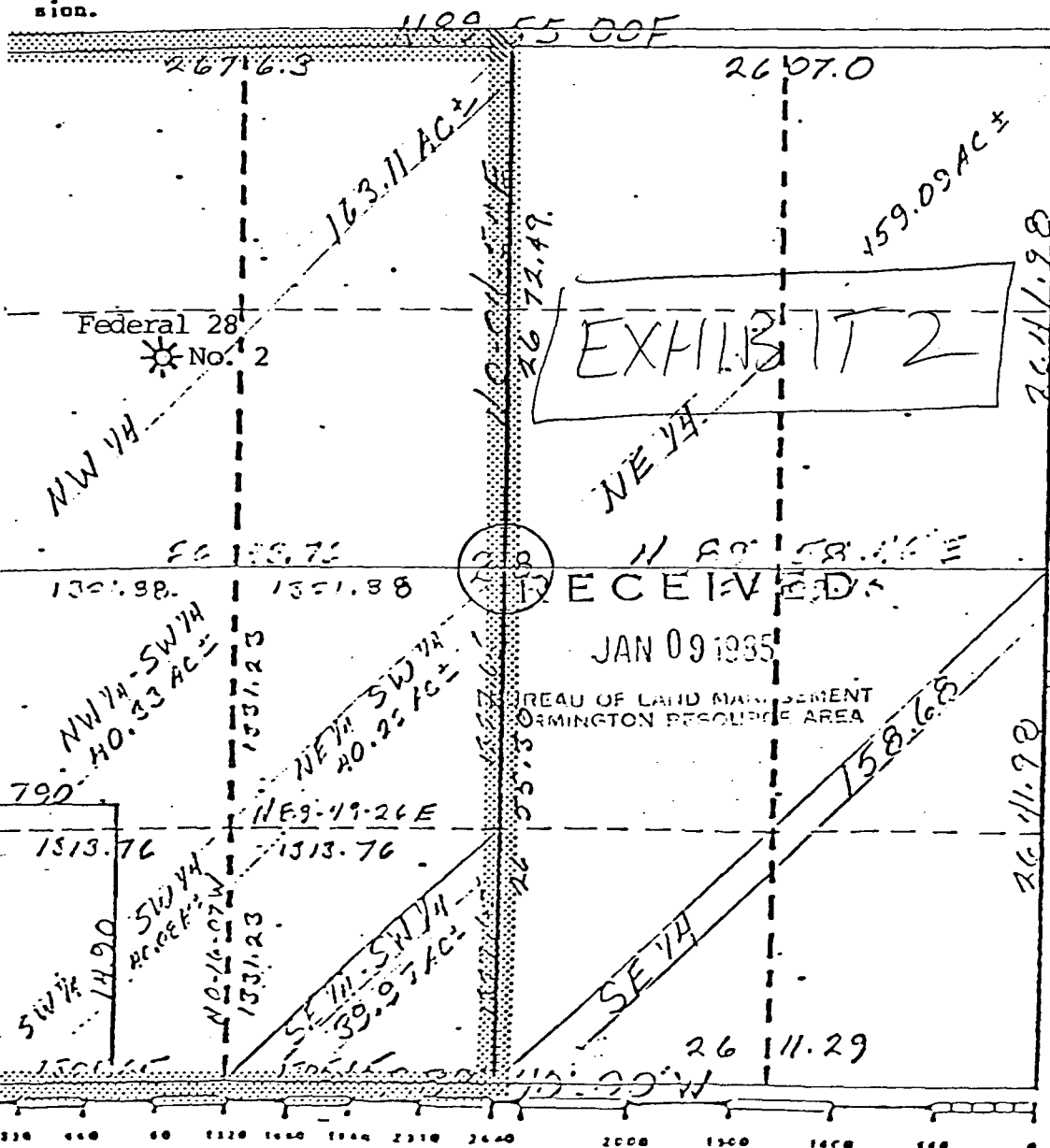
If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to work interest and royalty).

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.

FOR: M. J. BRANNON

ORIGINAL SIGNED BY

Name EWELL N. WALSH

Ewell N. Walsh, P.E.

Position

President

Company

Walsh Engr. & Prod. Corp.

Date

1/8/85

I hereby certify that the well location shown on this plat is correct from the original survey made by me under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed

JANUARY 5, 1985

Registered Professional Engineer and/or Land Surveyor

George R. Tompkins

Certificate No.

7259

**District IV**  
**2040 South Pacheco, Santa Fe, NM 87505**

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

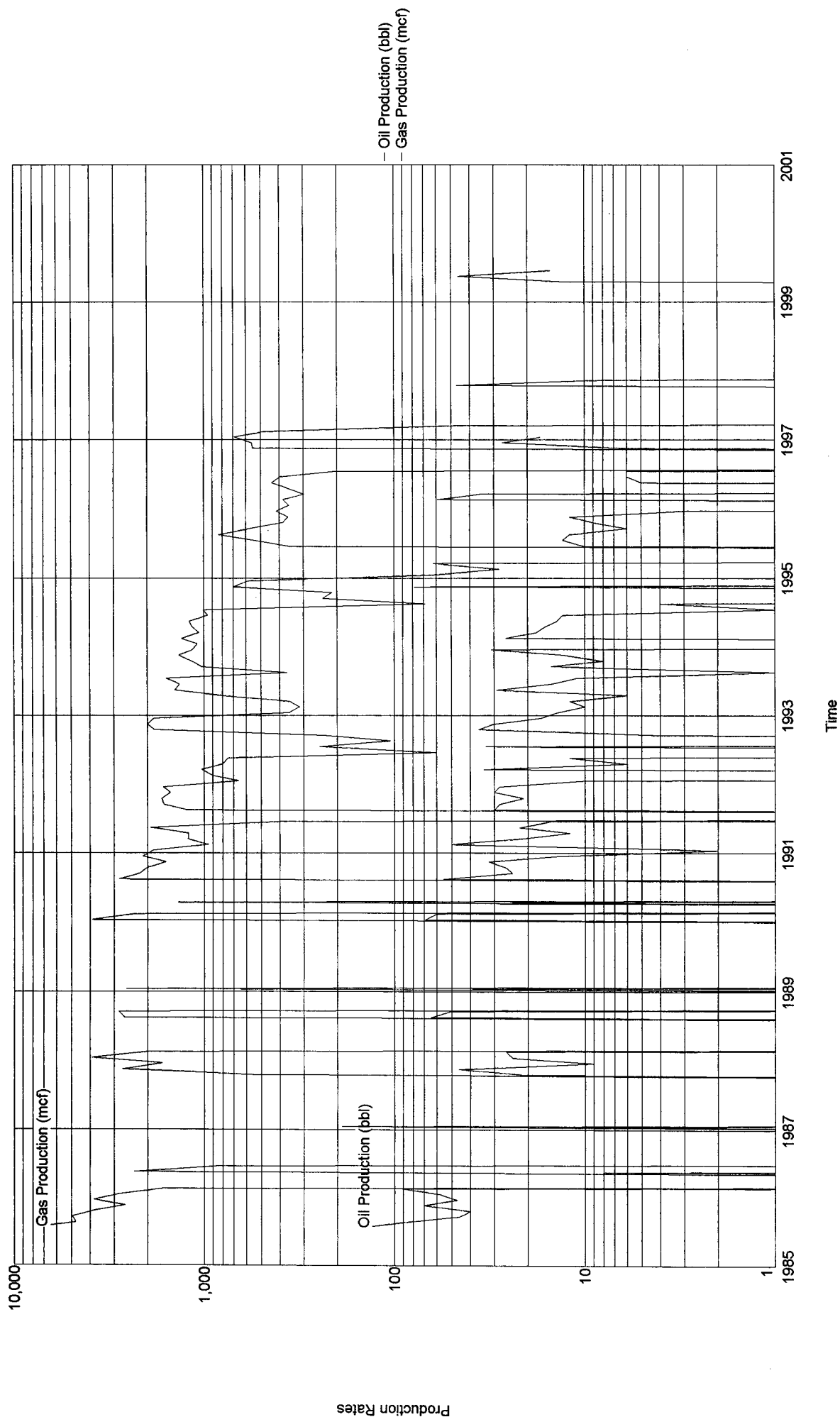
16				<p>17 <b>OPERATOR CERTIFICATION</b></p> <p><i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</i></p> <p><u>George Sharpe</u></p> <p>Signature</p> <p><b>George Sharpe</b></p> <p>Printed Name</p> <p><b>Engineer</b></p> <p>Title</p> <p><b>June 4, 2001</b></p> <p>Date</p>
		<p><u>Exhibit 3</u></p>		
<p>-790' •</p> <p>1490'</p>				<p>18 <b>SURVEYOR CERTIFICATION</b></p> <p><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></p> <p>Date of Survey</p> <p>Signature and Seal of Professional Surveyor:</p> <p>Certificate Number</p>



Lease Name: FEDERAL 28  
County, State: SAN JUAN, NM  
Operator: MERRION OIL & GAS CORPORATION  
Field: BASIN  
Reservoir: DAKOTA  
Location: 28 25N 9W SE NW SW

Exhibit 4

# FEDERAL 28 - 2E BASIN 28 25N 9W SE NW SW



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

Exhibit 5

# RUDMAN FEDERAL - MULTIPLE

Sec 27 - 25N - 9W

