

DATE IN	SURFENSE	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



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
- [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.

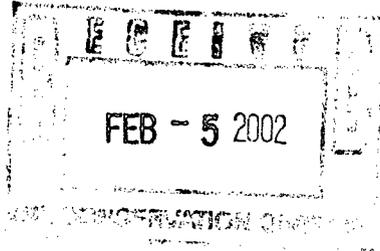
George Sharpe George Sharpe Investment Mgr 3-7-02
 Print or Type Name Signature Title Date

gsharpe@merrion@cyberport.com
 e-mail Address

MERRION

OIL & GAS

2986



January 28, 2002

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

Re: Application for Administrative Approval
Downhole Commingling
Flora Vista Fruitland Sand Extension and ^{Utah} Aztec Pictured Cliffs Pool
Osborn #1
Section 22, T30N, R12W
San Juan County, New Mexico

Fulcher Butz-

Utah

Dear Mr. Catanach:

Merrion Oil & Gas (Merrion) requests administrative approval for downhole commingling of the Flora Vista Fruitland Sand Extension and the Aztec Pictured Cliffs Pools in the subject wellbore. The following information is provided in support of this application.

I. Proposed Spacing Units

Exhibit 1 shows the C-102 plat for the Flora Vista Fruitland Sand with a 160 acre spacing unit in the SW/4 of Section 22. Exhibit 2 is the C-102 plat for the Aztec Pictured Cliffs Pool, also with a \pm 160 acre spacing unit in the SW/4 of Section 22.

II. Justification

The Osborn #1 was completed in the Fruitland Sand in 1994. It has always been a marginal producer and is currently around 12 MCFD. The economics of the well can be significantly enhanced by adding the Pictured Cliffs Formation and commingling the two zones.

III. Allocation Methodology

Exhibit 3 shows the production history from the Fruitland Sand, while Exhibit 4 shows the PC production from the Blancett #1, an offset Pictured Cliffs well. The production characteristics of the two zones are very similar. Therefore, 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.

IV. Reservoir Fluid Compatibility

Water analyses are not available for wells in the immediate area. However, the waters of the PC and Fruitland Sand have been generally determined to be compatible across the basin based on other similar applications to the OCD.

V. Cross Flow Between Zones

The reservoir pressure of both zones is estimated to be 200 psig. Therefore, crossflow is not anticipated to be a problem.

VI. Well Ownership

The spacing unit and ownership of the two zones are identical.

VII. Summary

The current Fruitland Sand completion is marginally economic. 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: 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 OSBORN Address M 22 30N 12W SAN JUAN
Lease Well No. 1 Unit Letter-Section-Township-Range County

OGRID No. 014634 Property Code 19143 API No. 30-045-09297 Lease Type: Federal State Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Aztec Pictured Cliffs		Flora Vista Fruitland Sand
Pool Code	71280 77208		76600
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	1642'-64'		1311'-30'
Method of Production (Flowing or Artificial Lift)	Flowing		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)	200 PSI		200 PSI
Oil Gravity or Gas BTU (Degree API or Gas BTU)	1100 BTU		1100 BTU
Producing, Shut-In or New Zone	Shut In - Not completed yet		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: Jan, 2002 Rates: 12 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 Will be provided after Pictured Cliffs is completed. % %	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 Sharpe TITLE Engineer DATE January 28, 2002

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

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 **OSBORN** Address **1 M 22 30N 12W SAN JUAN**
Lease Well No. Unit Letter-Section-Township-Range County
OGRID No. 014634 Property Code 19143 API No. 30-045-09297 Lease Type: Federal State Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Fulcher Kutz Pictured Cliffs	Basin Fruitland Coal	Flora Vista Fruitland Sand
Pool Code	77200	71629	76600
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	1642'-64'	1614'-34'	1311'-30'
Method of Production (Flowing or Artificial Lift)	Flowing	Flowing	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)	200 PSI	200 PSI	200 PSI
Oil Gravity or Gas BTU (Degree API or Gas BTU)	1100 BTU	1000 BTU	1100 BTU
Producing, Shut-In or New Zone	Shut In - Not completed yet	Shut In-Not completed yet	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: N/A	Date: Jan, 2002 Rates: 12 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 _____ <i>Will be provided upon 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: _____

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- 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 February 26, 2002
 TYPE OR PRINT NAME George F. Sharpe TELEPHONE NO. (505) 327-9801 Ext. 114

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

OIL CONSERVATION DIVISION

P.O. Box 2088
 Santa Fe, New Mexico 87504-2088

DISTRICT I
 P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
 P.O. Drawer DD, Artesia, NM 88210

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

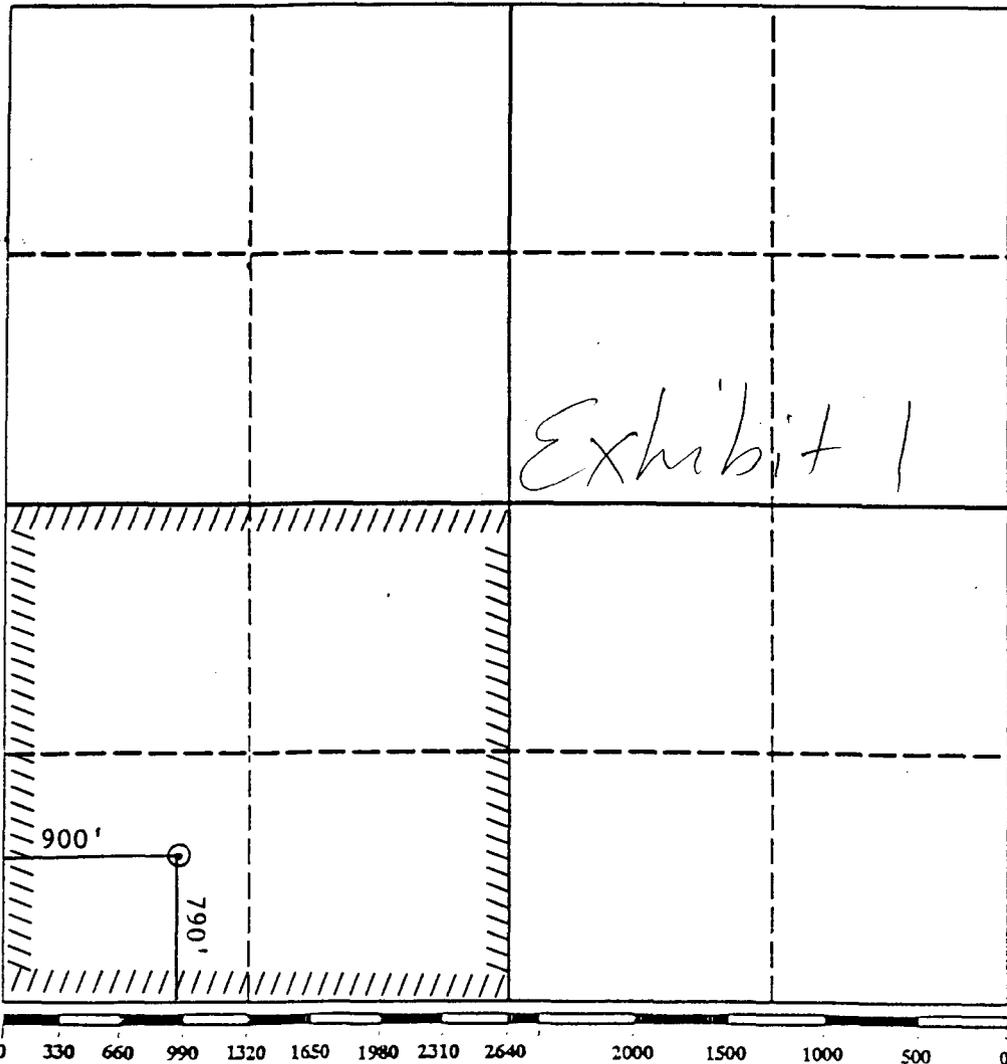
Operator MERRION OIL & GAS CORPORATION			Lease Osborn		Well No. 1
Unit Letter M	Section 22	Township 30N	Range 12W	County San Juan NMPM	
Actual Footage Location of Well: 790 feet from the South line and 900 feet from the West line					
Ground level Elev. 5491' GR	Producing Formation Fruitland Sand Ext.		Pool Flora Vista	Dedicated Acreage: 160 Acres	

- 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 working interest and royalty).
- If more than one lease of different ownership is dedicated to the well, have the interest 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 interest, has been approved by the Division.



OPERATOR CERTIFICATION

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

Signature: *Esther J. Greyeyes*

Printed Name: Esther J. Greyeyes

Position: Oper Tech

Company: Merrion Oil & Gas Corp.

Date: July 27, 1993

SURVEYOR CERTIFICATION

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: _____

Signature & Seal of Professional Surveyor: _____

Certificate No.: _____

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

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised August 15, 2000

District II
811 South First, Artesia, NM 88210

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

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

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

District IV
2040 South Pacheco, Santa Fe, NM 87505

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-045-09297		² Pool Code 71629		³ Pool Name BASIN FRUITLAND COAL	
⁴ Property Code 19143		⁵ Property Name OSBORN			⁶ Well Number 001
⁷ OGRID No. 014634		⁸ Operator Name MERRION OIL & GAS CORPORATION			⁹ Elevation 5491' GR

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
M	22	30N	12W	SWSW	790	South	900	West	San Juan

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 320	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

	<p style="font-size: 2em; font-family: cursive;">Exhibit 3</p>		<p>¹⁷ OPERATOR CERTIFICATION</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 style="text-align: center;"><i>George Sharpe</i></p> <p>Signature</p> <p>George Sharpe</p> <p>Printed Name</p> <p>Engineer</p> <p>Title</p> <p>February 26, 2002</p> <p>Date</p>
			<p>¹⁸ SURVEYOR CERTIFICATION</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>

Exhibit 4

Lease Name: OSBORN
County, State: SAN JUAN, NM
Operator: MERRION OIL & GAS CORPORATION
Field: FLORA VISTA
Reservoir: FRUITLAND
Location: 22 30N 12W NE SW SW

OSBORN - 1 FLORA VISTA 22 30N 12W NE SW SW

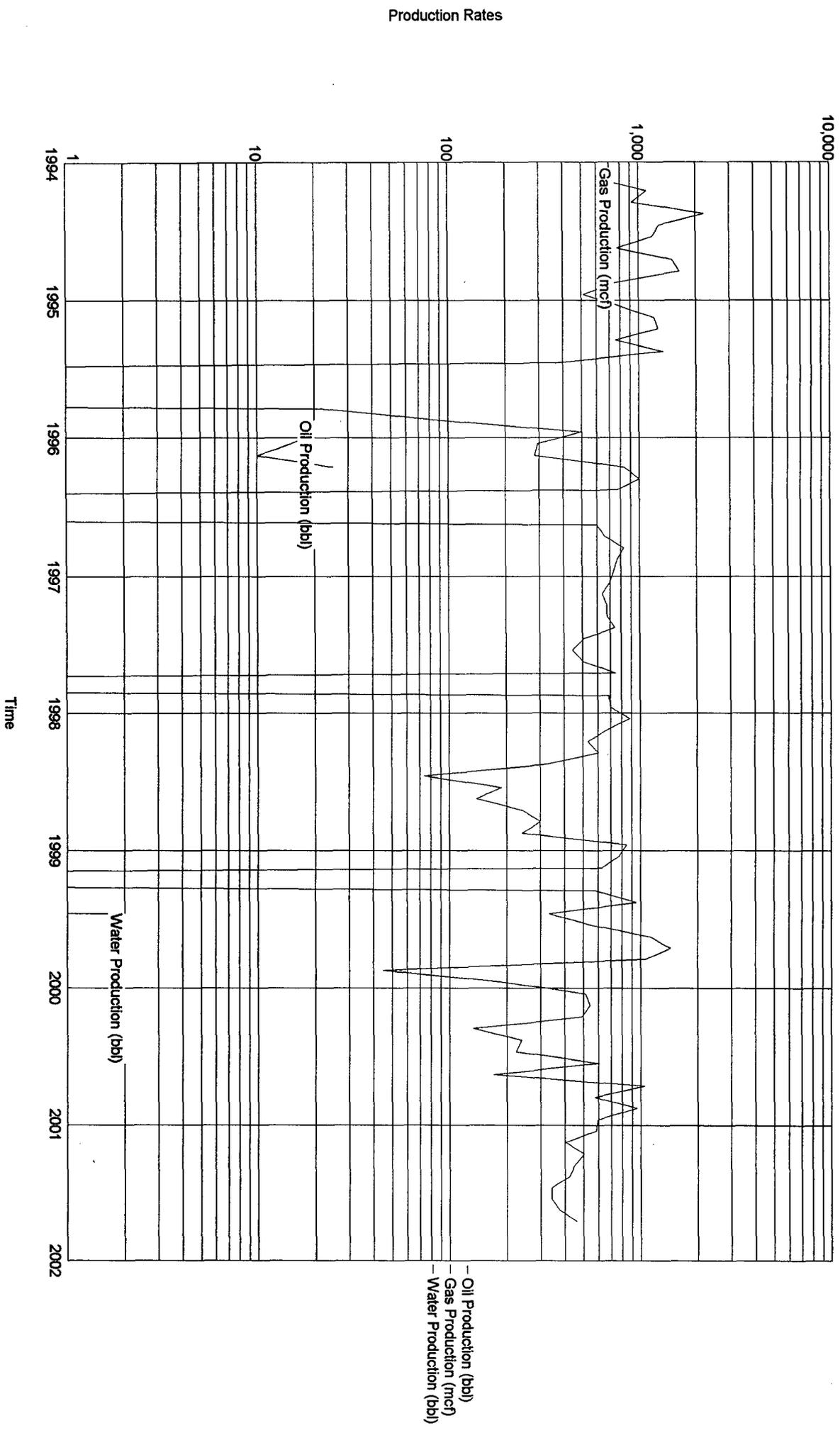
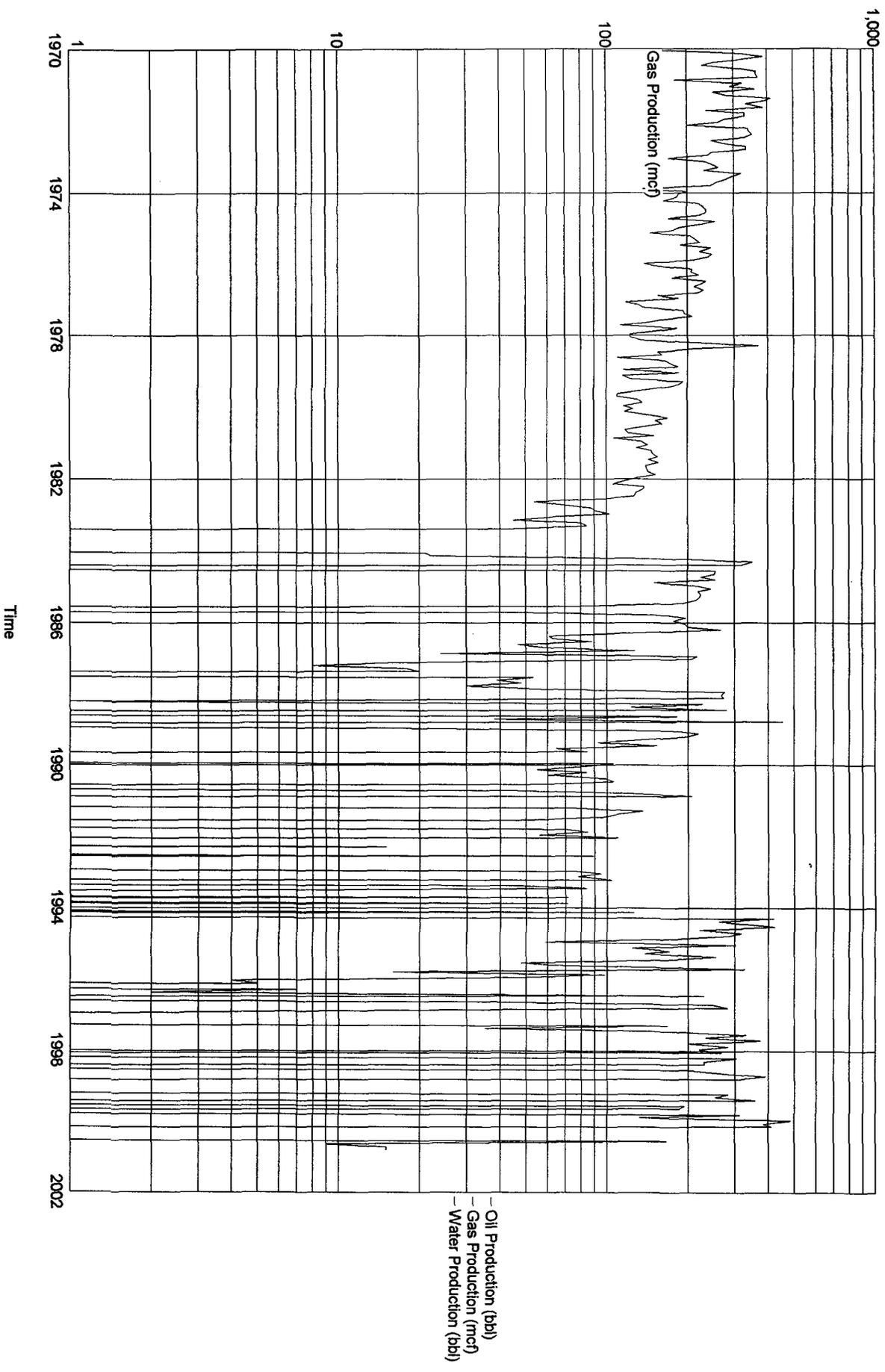


Exhibit 5

Lease Name: BLANCETT
County, State: SAN JUAN, NM
Operator: MARALEX RESOURCES INCORPORATED
Field: AZTEC
Reservoir: PICTURED CLIFFS
Location: 24 30N 12W SW NE

BLANCETT - 1 AZTEC 24 30N 12W SW NE



Production Rates

Exhibit 6

Lease Name: FC STATE COM
County, State: SAN JUAN, NM
Operator: CONOCO INCORPORATED
Field: BASIN
Reservoir: FRUITLAND COAL
Location: 36 30N 12W NE SW SW

FC STATE COM - 24 BASIN 36 30N 12W NE SW SW

Production Rates

