

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTFORM APPROVED
Budget Bureau No. 1004-0135
Expires: March 31, 1993

SUDDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.
Use "APPLICATION FOR PERMIT--" for such proposals

SUBMIT IN TRIPLICATE

1. Type of Well

☐ Well ☒ Well ☐ Other

2. Name of Operator

Merrion Oil & Gas Corporation (14634)

3. Address and Telephone No.

610 Reilly Avenue, Farmington, NM 87401-2634

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

1490' ~~FWL~~ & 790' FWL (nw sw)
Section 29, T25N, R9W

5. Lease Designation and Serial No.

SF-078309

6. If Indian, Allottee or Tribe Name

7. If Unit or CA, Agreement Designation

8. Well Name and No.

Federal 29 No. 2E

9. API Well No.

30-045-26205 26SSD

10. Field and Pool, or Exploratory Area

White Wash Mancos/Dakota

11. County or Parish, State

San Juan County,
New Mexico

12. CHECK APPROPRIATE BOX (s) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION

☒ Notice of Intent☐ Subsequent Report☐ Final Abandonment Notice

TYPE OF ACTION

☐ Abandonment☐ Recompletion☐ Plugging Back☐ Casing Repair☐ Altering Casing☒ Other Add Perforations☐ Change of Plans☐ New Construction☐ Non-Routine Fracturing☐ Water Shut-Off☐ Conversion to Injection☐ Dispose Water(Note: Report results of multiple completion on
Completion or Recompletion Report and Log form.)

13. Describe Proposed or completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

Merrion Oil & Gas proposes to complete the White Wash Mancos-Gallup Pool in the subject well as detailed in the attached procedure. Production will be commingled downhole with the Basin Dakota Pool as per approved NMOCD order DHC-3245. The non-standard location is also approved by NMOCD order NSL-5009.

14. I hereby certify that the foregoing is true and correct

Signed

Connie S. Dinning

Title

Production Engineer

Date

3/16/2004

(This space for Federal or State office use)

Approved By

Conditions of approval, if any:

Title

Pet. Eng

Date

3/29/04

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statement or representations as to any matter within its jurisdiction.

NMOCD



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop
Cabinet Secretary

Lori Wrotenbery

Director

Oil Conservation Division

ADMINISTRATIVE ORDER DHC-3245

Merrion Oil & Gas
610 Reilly Avenue
Farmington, New Mexico 87401

Attention: Connie S. Dinning

Federal 29 Well No. 2E

API No. 30-045-26550

Unit K, Section 29, Township 25 North, Range 9 West, NMPM,

San Juan County, New Mexico

*Undesignated White Wash-Mancos Dakota (Oil 64290) and
Basin-Dakota (Prorated Gas 71599) Pools*

Dear Ms. Dinning:

Reference is made to your recent application for an exception to Rule 303.A. of the Division Rules and Regulations to permit the above-described well to commingle production from the subject pools in the well bore.

It appearing that the subject well qualifies for approval for such exception pursuant to the provisions of Rule 303.C., and that reservoir damage or waste will not result from such downhole commingling, and correlative rights will not be violated thereby, you are hereby authorized to commingle the production as described above and any Division Order which authorized the dual completion and required separation of the zones is hereby placed in abeyance.

The maximum daily gas and oil produced from each pool in this well shall be determined using Division Rules and Regulations.

Assignment of allowable to the well and allocation of production from the well shall be on the following basis unless changed by permission of the Aztec district office of the Division and copied to this office.

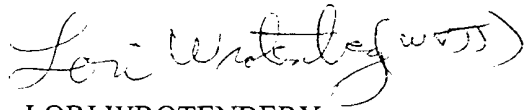
Undesignated White Wash-Mancos Dakota Oil Pool	Oil 100%	Gas 29%
Basin-Dakota Prorated Gas Pool	Oil 0%	Gas 71%

REMARKS: The operator shall notify the Aztec District Office of the Division upon implementation of commingling operations.

Pursuant to Rule 303.C.(2), the commingling authority granted herein may be rescinded by the Division Director if conservation is not being best served by such commingling.

Approved at Santa Fe, New Mexico on this 29th day of February 2004.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in cursive script, reading "Lori Wrotenbery", with a stylized flourish at the end.

LORI WROTENBERY
Division Director

LW/wvjj

cc: Oil Conservation Division – Aztec
Bureau of Land Management – Farmington



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

March 5, 2004

Lori Wrotenbery

Director

Oil Conservation Division

Merrion Oil & Gas Corporation
610 Reilly Avenue
Farmington, New Mexico 87401

Telefax No. (505) 326-5900

Attention: Connie S. Dinning

Administrative Order NSL-5009

Dear Ms. Dinning:

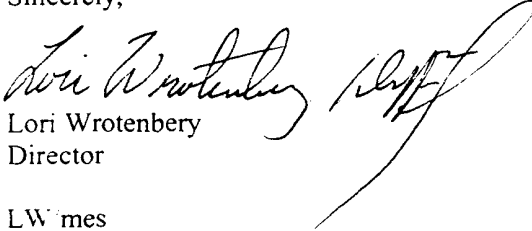
Reference is made to: (i) your application submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on February 14, 2004 (*administrative application reference No. pLR0-404826975*); and (ii) the Division's records in Aztec and Santa Fe: all concerning Merrion Oil & Gas Corporation's ("Merrion") request for a non-standard Gallup/Mancos oil well location for the existing Federal "29" Well No. 2-E (*API No. 30-045-26550*), which was drilled by BHP Petroleum (Americas) Inc. of Casper, Wyoming as the Brannon Federal Well No. 2-E in 1986 to a total depth of 6,606 feet and completed in the Basin-Dakota Pool at a standard infill gas well location 1820 feet from the South line and 1490 feet from the West line (Unit K) of Section 29, Township 25 North, Range 9 West, NMPM, San Juan County, New Mexico.

This application has been duly filed under the provisions of Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999.

It is our understanding that Merrion now intends to perforate the Gallup/Mancos interval in the Federal "29" Well No. 2-E in an attempt to establish oil production and recomplete the well such that production from both intervals will be downhole commingled. The NE/4 SW/4 (Unit K) of Section 29 is to be dedicated to this well in order to form a standard 40-acre oil spacing and proration unit for this oil production. The location of this well however is considered to be unorthodox pursuant Division Rule 104.B (1), as revised.

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox Gallup/Mancos oil well location for Merrion's Federal "29" Well No. 2-E is hereby approved.

Sincerely,


Lori Wrotenbery
Director

LW:mes

cc: New Mexico Oil Conservation Division - Aztec
U. S. Bureau of Land Management - Farmington

MERRION

OIL & GAS

February 5, 2003

Mr. William Jones
New Mexico Oil Conservation Division
1220 S. St. Francis Dr.
Santa Fe, NM 87505

RE: Application for Administrative Approval
Downhole Commingling
Basin Dakota and White Wash Mancos-Gallup Pools
Non-standard Location – White Wash Mancos-Gallup Pool
Federal 29 No. 2E
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 Mancos-Gallup Pools in the subject wellbore. The following information is provided in support of this application.

I. History and Justification

The Federal 29 No. 2E was drilled and completed in 1986 as a Dakota gas well. It has produced approximately 438,000 MCF. It currently produces about 25 MCFD. To extend the life of the well, Merrion proposes to complete the Mancos-Gallup interval and commingle it with the Dakota formation.

II. Proposed Spacing Units

Exhibit 1 is the C-102 plat for the Basin Dakota Pool with a 320 acre spacing unit in the west half of Section 29. Exhibit 2 is the C-102 plat for the White Wash Mancos-Gallup Pool with a 40 acre spacing unit in the NE/4 SW/4 of Section 29. Exhibit 5 is the ownership plat showing the offset operators.

III. Non-standard Location

The well is closer than 330 feet to the west boundary of the White Wash 40 acre spacing unit. Therefore, we need approval for a non-standard location. The non-standard location is needed to utilize the existing wellbore. Merrion is the offset

operator of all the 40 acre spacing units surrounding the subject location, so no outsider operator notification is necessary.

IV. Allocation Methodology

Exhibit 3 shows the Dakota production from the Federal 29 No. 2E while Exhibit 4 shows the production history of the Federal 28 No. 2E, an offset commingled White Wash Mancos-Gallup and Basin Dakota well (the upper zone was added in May 2003). The commingled production from the Federal 29 No. 2E should be similar to the offset well's production. The information on the C-107A application form is based on production from the Federal 28 No. 2E.

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 indicate 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 NMOCD.

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

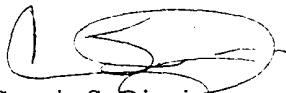
The ownership of the two zones is identical, so no notification is necessary.

VIII. Summary

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. 126.

Sincerely,



Connie S. Dimming
Production Engineer

Cc: Steve Hayden, Aztec NMOCD
BLM, Farmington Field Office

File: s/operate/workovers/huerfano area/Federal 20-1E Commingle Just.doc

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

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

District III
1000 Rio Grande Road, Artesia, 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

Operator Merrion Oil & Gas Address 610 Reilly Ave. Farmington, NM 87401

Lease Federal 29 Well No. 2E Unit Letter-Section-Township-Range K, 29, 25N, 9W County San Juan



OGRID No. 014634 Property Code 7787 API No. 30-045-26550 Lease Type: ☒ Federal ☐ State ☐ Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Whitewash Mancos/ Gallop <i>Dakota</i>		Basin Dakota
Pool Code	64290		71599
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	5330' - 5919'		6405' - 6443'
Method of Production (Flowing or Artificial Lift)	Artificial Lift		Artificial Lift
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)	Not Required		Not Required
Oil Gravity or Gas BTU (Degree API or Gas BTU)	42		1303
Producing, Shut-In or New Zone	New Zone		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.)	Supporting Data from Fed 28-2E Date: December 2003 Rates: 10 MCFD, 3 BOPD	Date: Rates:	Date: December 2003 Rates: 25 MCFD, 0 BOPD
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 100% 29%	Oil Gas % %	Oil Gas 0% 71%

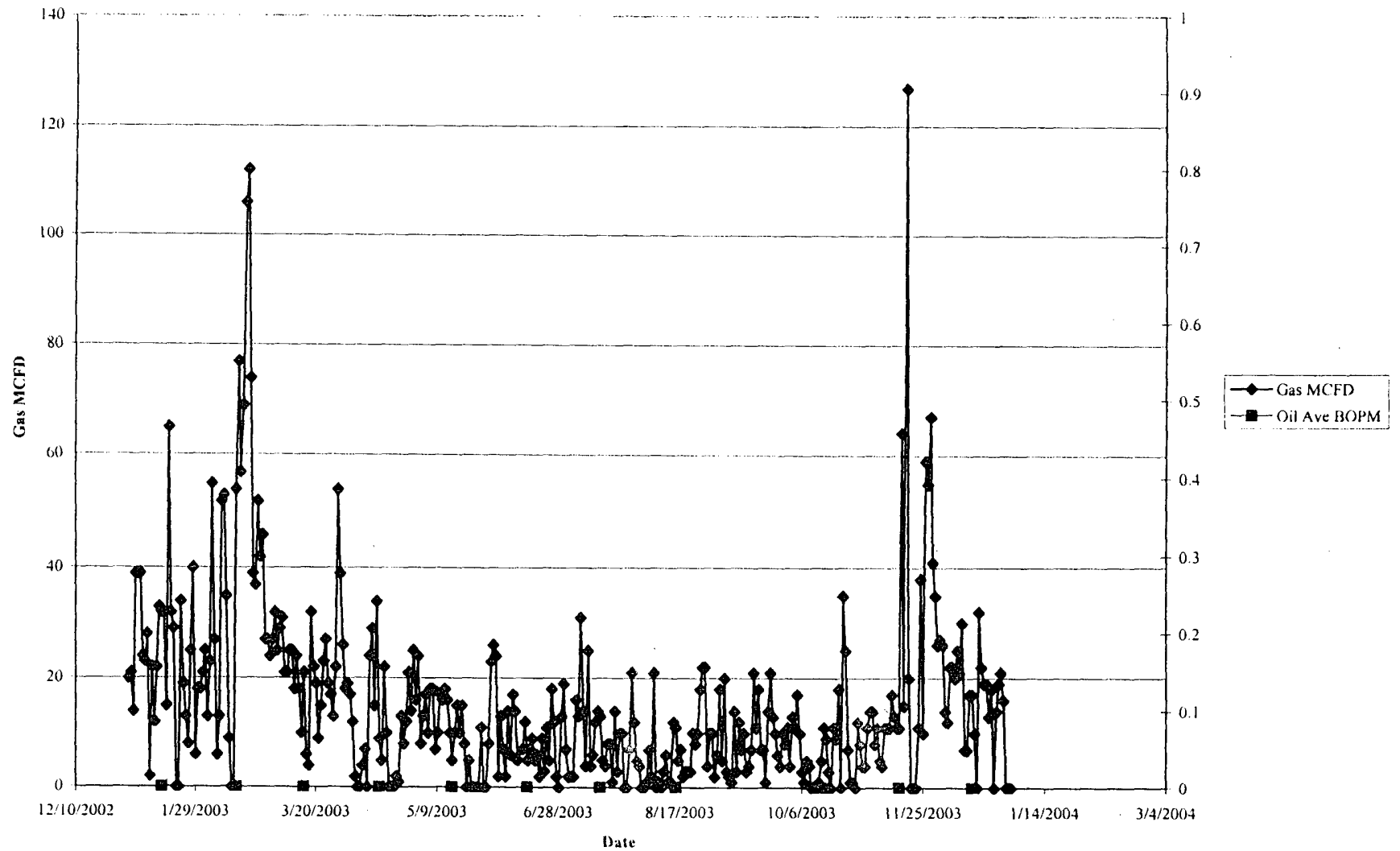
ADDITIONAL DATA

District IV
2040 South Pacheco, Santa Fe, NM 87505

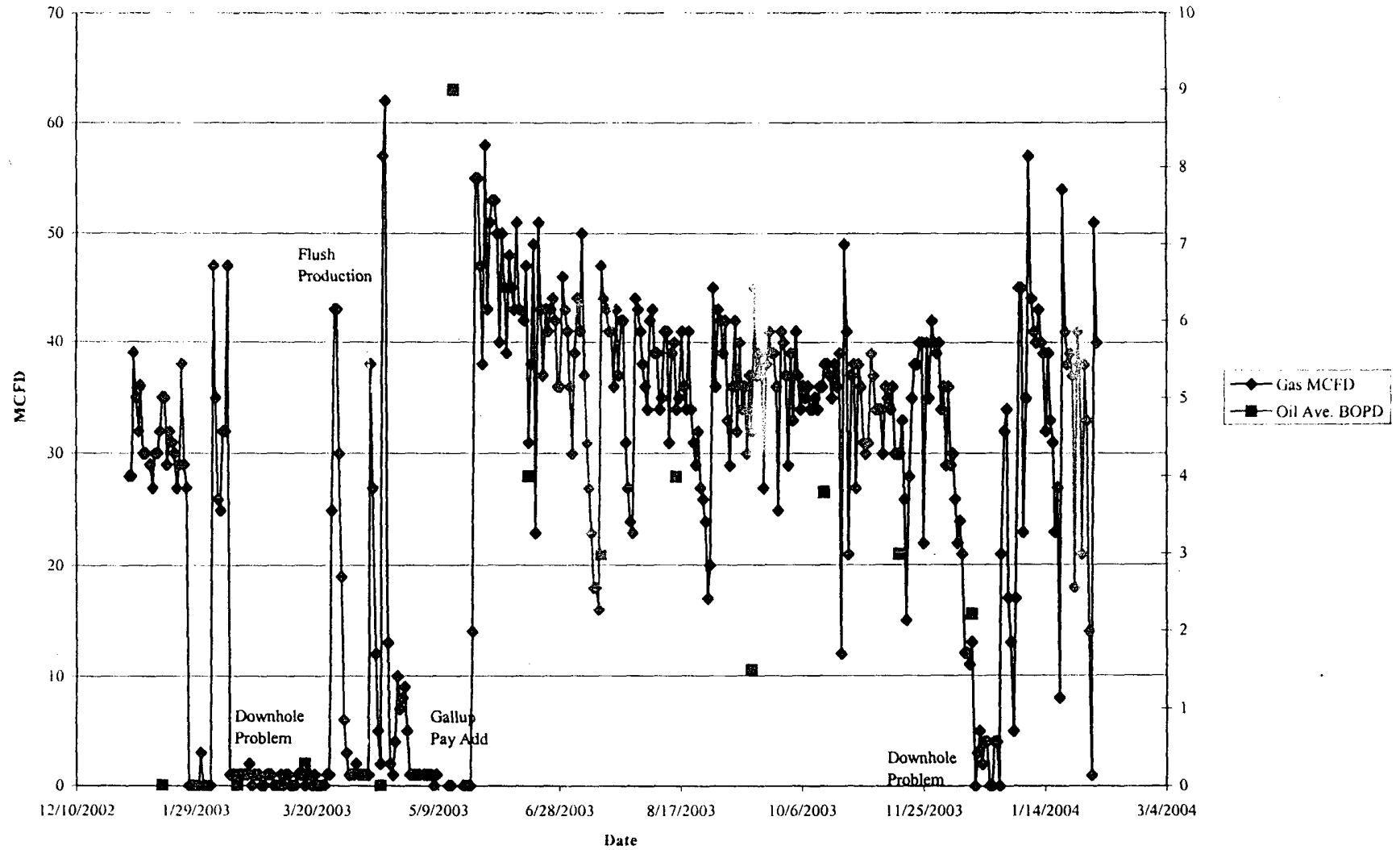
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

<p>16</p>				<p>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></p> <p></p> <p>Signature</p>
				<p>Connie S. Dinning Printed Name</p> <p>Production Engineer Title</p> <p>February 5, 2004 Date</p>
<p>1490'</p>	<p>Federal 29 No. 2E SF-078309</p> <p></p> <p>1820'</p>			<p>18 SURVEYOR CERTIFICATION <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>

Federal 29 No. 2E

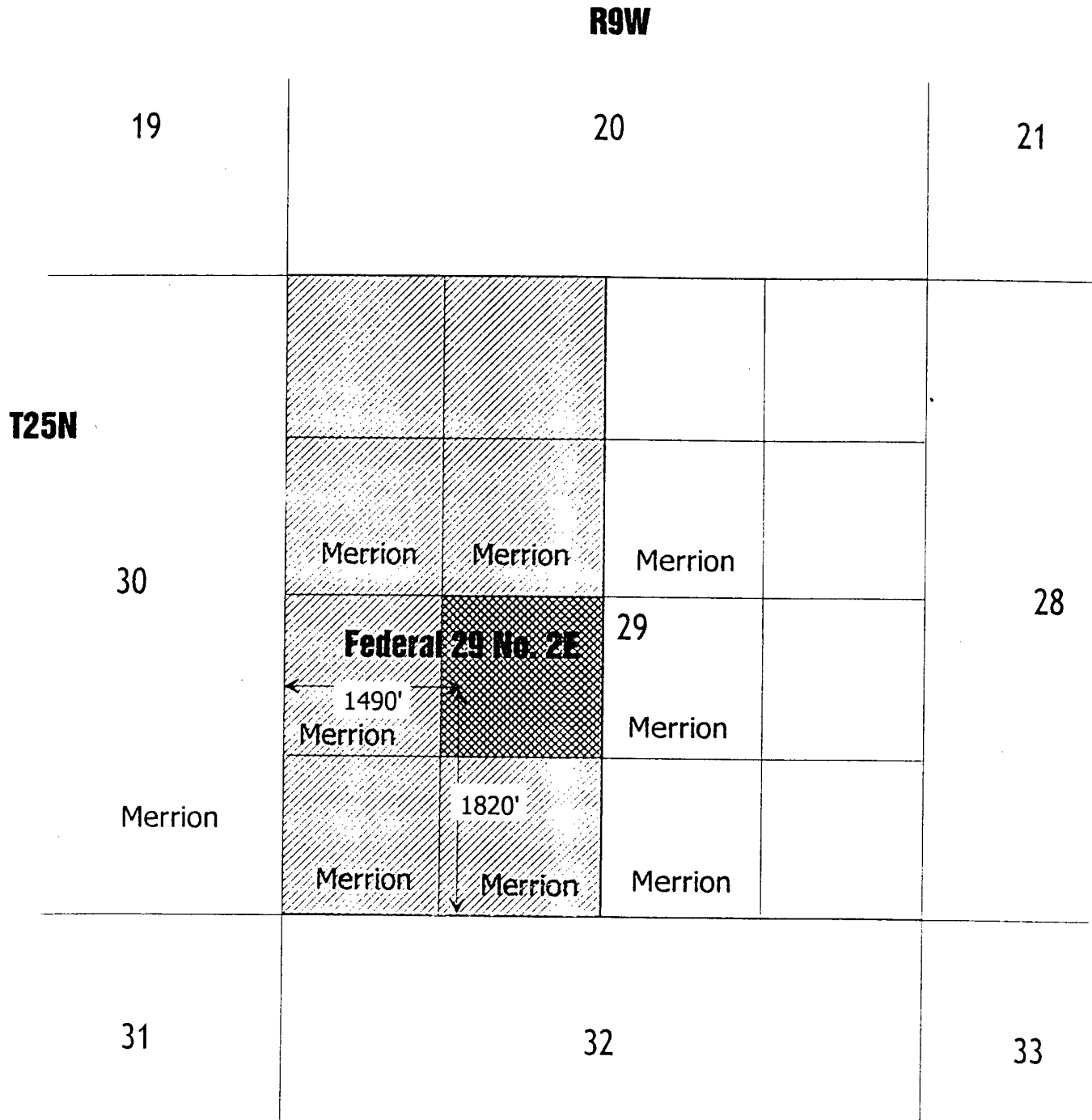


Federal 28 No. 2E Production





Federal 29 No. 2E

Non-standard Location Application



LEGEND

	Dakota Spacing Unit
	Mancos Spacing Unit