

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
Budget Bureau No. 1604-0135
Expires: March 31, 1993

SUNDRY 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

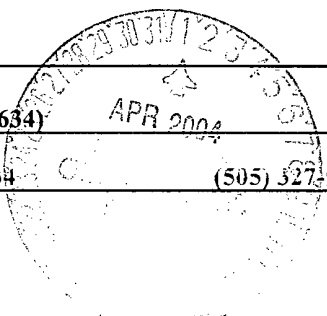
RECEIVED

MAR 16 AM 10:20

SUBMIT IN TRIPLICATE

070 Farmington, NM

1. Type of Well <input type="checkbox"/> Well <input checked="" type="checkbox"/> Well <input type="checkbox"/> Other	5. Lease Designation and Serial No. SF-078309
2. Name of Operator Merrion Oil & Gas Corporation (14634)	6. If Indian, Allottee or Tribe Name
3. Address and Telephone No. 610 Reilly Avenue, Farmington, NM 87401-2634 (505) 327-9801	7. If Unit or CA, Agreement Designation
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) 1850' fml & 790' fwl (sw nw) Section 28, T25N, R9W	8. Well Name and No. Federal 28 No. 2
	9. API Well No. 30-045-25420
	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	TYPE OF ACTION
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Abandonment
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Recompletion
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Plugging Back
	<input type="checkbox"/> Casing Repair
	<input type="checkbox"/> Altering Casing
	<input checked="" type="checkbox"/> Other <u>Add Perforations</u>
	<input type="checkbox"/> Change of Plans
	<input type="checkbox"/> New Construction
	<input type="checkbox"/> Non-Routine Fracturing
	<input type="checkbox"/> Water Shut-Off
	<input type="checkbox"/> Conversion to Injection
	<input type="checkbox"/> 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 ~~Cellar~~ ^{Dakota} 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-3247.

CONDITIONS OF APPROVAL
Adhere to previously issued stipulations.

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 Jim Lovato Title Petr. Eng Date 3/29/04

Conditions of approval, if any:

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.



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

Lori Wrotenberg
Director
Oil Conservation Division

ADMINISTRATIVE ORDER DHC-3247

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

Attention: Connie S. Dinning
Federal 28 Well No. 2
API No. 30-045-25420
Unit E, Section 28, 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.

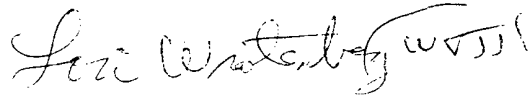
Undesignated White Wash-Mancos Dakota Oil Pool	Oil 94%	Gas 18%
Basin-Dakota Prorated Gas Pool	Oil 6%	Gas 82%

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



LORI WROTENBERY
Division Director

LW/wvjj

cc: Oil Conservation Division – Aztec
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
Federal 28 No. 2
Section 28, 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 28 No. 2 was drilled and completed in 1982 as a Dakota gas well. It has produced approximately 528,000 MCF. It currently produces about 45 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 28. Exhibit 2 is the C-102 plat for the White Wash Mancos-Gallup Pool with a 40 acre spacing unit in the SW/4 NW/4 of Section 28.

III. Allocation Methodology

Exhibit 3 shows the Dakota production from the Federal 28 No. 2 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 28 No. 2 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.

IV. 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.

V. 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.

VI. Well Ownership Notification

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

VII. 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. Dinning
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. Francis Drive, Hobbs, NM 88201

District II
1101 W. Grand Avenue, Artesia, NM 88210

District III
1600 Rio Bravo Road, Arce, NM 87410

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

State of New Mexico
Energy, Minerals and Natural Resources Department

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

Form C-197A
Revised June 10, 2003

APPLICATION TYPE
 Single Well
 Establish Pre-Approved Pools
EXISTING WELLBORE
 Yes No

APPLICATION FOR DOWNHOLE COMMINGLING

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

Federal 28 2 E. 28, 25N, 9W San Juan
Lease Well No. Unit Letter-Section-Township-Range County

OGRID No. 014634 Property Code 7786 API No. 30-045-25420 Lease Type: Federal State Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Whitewash Mancos/Gallup		Basin Dakota
Pool Code	64290		71599
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	5345' - 5880'		6375' - 6419'
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		1294
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 BPOD	Date: Rates:	Date: December 2003 Rates: 45 MCFD, 0.2 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 94% 18%	Oil Gas % %	Oil Gas 60% 0.2 BOPD

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 30-045-25420		² Pool Code 71599		³ Pool Name Basin Dakota	
⁴ Property Code 007786		⁵ Property Name Federal 28			⁶ Well Number 2
⁷ OGRID No. 014634		⁸ Operator Name Merrion Oil & Gas			⁹ Elevation 6673' 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
E	28	25N	9 W	SW NW	1850	North	790	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				
<table border="1"> <tr> <td>¹² Dedicated Acres 320</td> <td>¹³ Joint or Infill</td> <td>¹⁴ Consolidation Code</td> <td>¹⁵ Order No.</td> </tr> </table>										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

16 1850' 790' Federal 28 No. 2 SF-078309	<p>¹⁷ OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p></p> <p>Signature</p> <p>Connie S. Dinning Printed Name</p> <p>Production Engineer Title</p> <p>February 4, 2004 Date</p>			
	<p>¹⁸ SURVEYOR CERTIFICATION</p> <p>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.</p>			
	<p>Date of Survey</p> <p>Signature and Seal of Professional Surveyor:</p>			
	<p>Certificate Number</p>			

District I
1625 N. French Dr., Hobbs, NM 88240
District II
811 South First, Artesia, NM 88210
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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 30-045-25420	² Pool Code 64290	³ Pool Name White Wash Mancos Gallup <i>Onkoda</i>
⁴ Property Code 007786	⁵ Property Name Federal 28	⁶ Well Number 2
⁷ OGRID No. 014634	⁸ Operator Name Merrion Oil & Gas	⁹ Elevation 6673' GR

¹⁰ Surface Location

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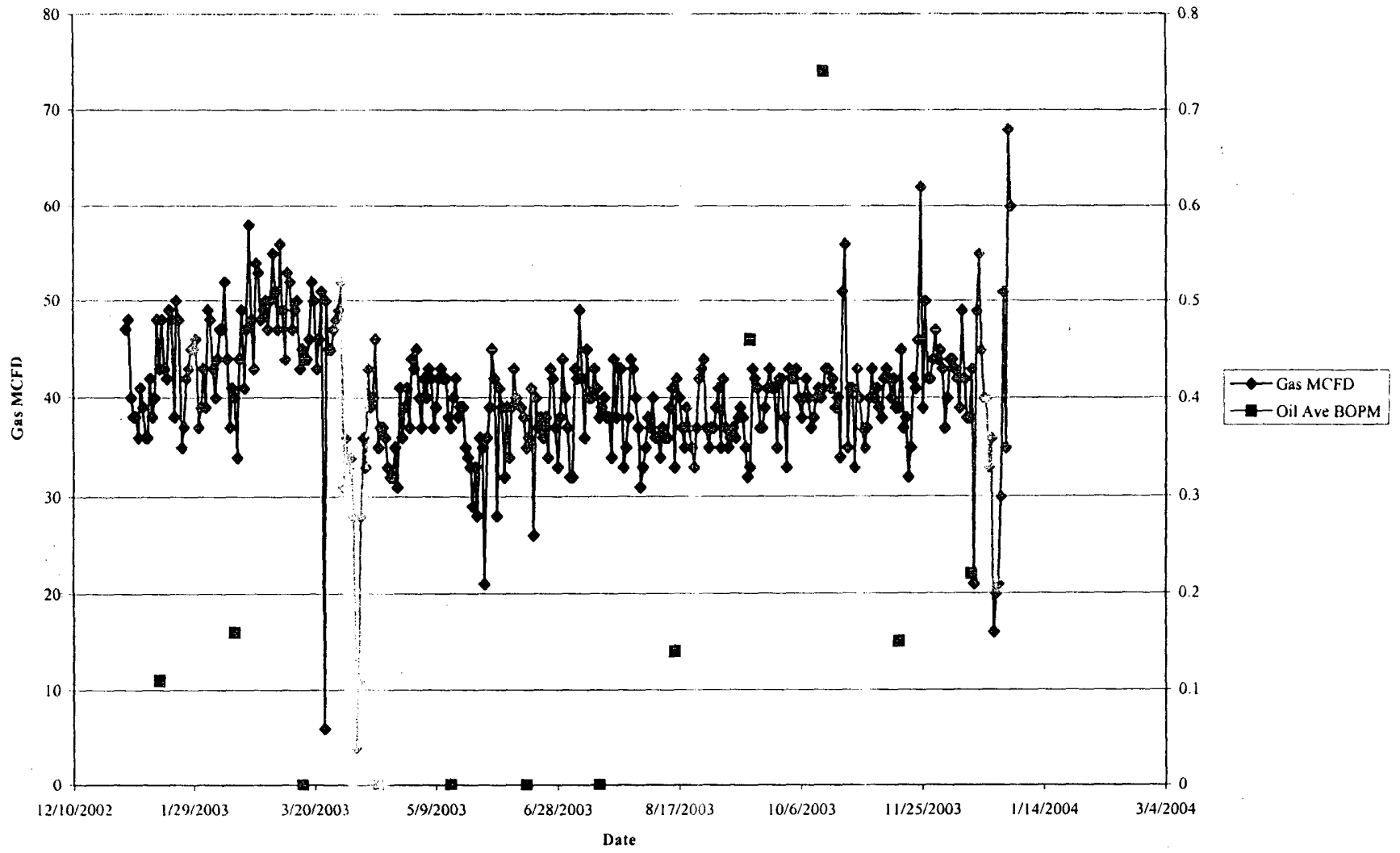
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

¹² Dedicated Acres 40	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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Federal 28 No. 2 Production



Federal 28 No. 2E Production

