

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

5. Lease Serial No.
SF-78944-A

6. If Indian, Allottee or Tribe Name

7. If Unit or C/A Agreement, Name and/or No.

8. Well Name and No.
Nelson A No. 2

9. API Well No.
30-045-32215

10. Field and Pool, or Exploratory Area
Gallegos Gallup/Basin Dakota

11. County or Parish, State
San Juan

SUBMIT IN TRIPLICATE – Other Instructions on reverse side.

1. Type of Well

☐ Oil Well ☒ Gas Well ☐ Other

2. Name of Operator

Merrion Oil & Gas Corporation

3a. Address

610 Reilly Avenue, Farmington, NM 87401

3b. Phone No. (include area code)

505.324.5300

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

1525' fml & 930' fwl

Sec 9, T26N, R12W

12. CHECK APPROPRIATE BOX(ES) 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"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Report	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug & Abandon	<input type="checkbox"/> Temporarily Abandon	Downhole Commingle
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleate horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleation in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Merrion Oil and Gas proposes to downhole commingle production from the Gallegos Gallup and the Basin Dakota formations in the subject wellbore as per the attached general procedure. The well has not yet been drilled, so the the exact completion details are not available at the present time. A state downhole commingling application is attached.



14. I hereby certify that the foregoing is true and correct
Name (Printed/Typed)

Connie S. Dinning

Title Production Engineer

Signature

Date June 30, 2005

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

Title

Petr. Eng

Date

7/19/05

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office

Title 18 USC Section 1001 and Title 43 USC Section 1212, make 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 statements or representations as to any matter within its jurisdiction.

NMOC

MERRION OIL & GAS CORPORATION

COMPLETION PROCEDURE

June 30, 2005

Well:	Nelson A2	Field:	Gallegos Gallup/B Dakota
Location:	1525' fnl & 930' fwl (sw nw) Sec 9, T26N, R12W, NMPM San Juan County, New Mexico	Elevation:	5998' RKB 5985' GL
By:	Connie Dinning	Lease:	SF-078944-A
		AFE No.:	20514

Procedure: (Note: This procedure will be adjusted on site based upon actual conditions)

Prior to move-in

1. Clean up location, install tubing head.

Drill out

1. Move in, rig up pulling unit with reverse equipment.
2. Set rental water storage/ test tank.
3. PU & tally casing scraper, 6 1/4" bit, 2 3/4" tubing in hole.
4. RIH, clean out to liner top @ 3950' KB. Drill out cement if necessary.
5. Continue clean out to float collar @ ±6070' w/ 3 7/8" bit.
6. RU acid truck. Load hole, pressure test casing to 4000 psig for 15 minutes
7. Roll hole w/ 5 bbl gel plug and clean 2% KCl water.
8. Spot 100 gal 15% Hcl acid w/ inhibitor, iron sequestering agent and de-emulsifying surfactant from over Dakota. Pull up hole and swab fluid level to liner top at 3950'.

Perf & Frac Dakota

1. RU wireline. Run GR-Correlation log from PBTD @ 6070' to top of Gallup @ 4800' or minimum run depth, whichever is greater.
2. Perforate Dakota w/ .34" holes, total 20 shots, per Compensated Neutron Log as follows:

5800' – 5900' ? spf 20 holes **Example, to be determined**

3. MIRU stimulation company. RIH w/ RCP on 2 3/8" tubing. Set RCP @ ±5700'. Break down and ball off w/ 500 gal 15% HCl w/ inhibitor, iron sequestering agent and de-emulsifying surfactant and 30 ball sealers.
4. Run WL junk basket to recover ball sealers.
5. Unload hole w/ N₂ in preparation for frac.
6. Frac the Dakota w/ 70Q N₂ foam w/ low residue 20# crosslink gelled fluid and 20/40 Ottawa sand as per frac schedule.
7. RD frac company, open well to flowback tank. Flow back overnight.

Put on to Production:

1. RIH w/ 2 3/8" tubing and CO w/ hydrostatic bailer if necessary. Run 2 3/8" production tubing w/ SN on bottom to ~5950'KB.
2. ND BOPs. NUWH.
3. Flow test well 48 hrs. to establish Dakota production for commingling allocation.

Perf & Frac Gallup:

1. MIRU pulling unit. TOH w/ 2 3/8" tbg.
2. RIH w/ RCP and RBP on 2 3/8" tubing, set RBP @ ±5750' and RCP @ ± 5700'. Dump 5' sand on top of RBP.

3. Load hole w/ 2% KCl and pressure test to 4000 psi. Release RCP, pull up and swab fluid level down to $\pm 3200'$.
4. TOH w/ tbg and RCP.
5. Perforate Gallup w/ .34" holes, 1 spf, total 26 shots, per Compensated Neutron Log as follows:

5103', 5107', 5120', 5125', 5133', 5161', 5214' **Example, to be determined**

6. THI w/ RCP on tbg and set @ $\pm 4750'$.
7. MIRU stimulation company. Break down and ball off w/ 500 gal 15% HCl w/ inhibitor, iron sequestering agent and de-emulsifying surfactant and ball sealers.
8. Run WL junk basket to recover ball sealers.
9. Frac the Gallup w/ 70Q N₂ foam w/ low residue 20# crosslink gelled fluid and 20/40 Brady sand as per frac schedule.
10. RD frac company, open well to flowback tank. Flow back overnight

Put on to Production:

1. RIH w/ 2 $\frac{3}{8}$ " tubing and CO to RBP @ 5750'.
2. RIH w/ retrieving head and latch onto RBP. TOH, LD RBP.
3. Run 2 $\frac{3}{8}$ " production tubing w/ SN, PS and MA to $\pm 5950'$ KB. Check for fill, and CO to PBTD @ 6070'.
4. RIH w/ 1 $\frac{1}{4}$ " insert pump and rods.
5. RDMOL. Put well on to production and report daily.



CERTIFIED MAIL 7003 0500 0003 9295 2704

June 30, 2005

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

**RE: Application for Administrative Approval
Downhole Commingling
Gallegos Gallup & Basin Dakota Pools
Nelson A No. 2
Section 9, T26N, R12W
San Juan County, New Mexico**

Dear Mr. Jones:

Merrion Oil & Gas (Merrion) requests administrative approval for downhole commingling of the Gallegos Gallup and the Basin Dakota in the subject wellbore. The following information is provided in support of this application.

I. History and Justification

The Nelson A No. 2 APD was approved May 18, 2005. It is an infill well to the Nelson A No. 1 that was plugged back to the Fruitland Coal in March 2005. We had planned to add the Gallup in that wellbore, but we had problems with a casing repair and abandoned the wellbore.

II. Proposed Spacing Units

Exhibit 1 is the C-102 plat for the Gallegos Gallup Pool with a 320 acre spacing unit in the north half of Section 9. Exhibit 2 is the C-102 plat for the Basin Dakota Pool with a 320 acre spacing unit in the north half of Section 9 as well. The Gallegos Gallup is an associated pool and will be considered a gas well with 320 acre spacing until it is tested and the GOR is determined.

III. Allocation Methodology

Exhibit 3 is the decline curve for the Nelson A1. The early data is the Gallup production prior to plugging back to the Fruitland Coal. There is no nearby Dakota production. We are in a bit of an exploratory mode for the Dakota in this area. Merrion has Dakota production to the east of this well. We would estimate that this well may be similar to the Blackrock C No. 1 and the Blackrock D No. 1 wells, and it may produce 60 MCFD from the Dakota. At this point we would estimate that the Dakota will initially produce about 60 MCFD with little or no oil, and the Gallup will produce about 300 MCFD and 2 BOPD assuming some depletion in the Gallup.

Merrion proposes to obtain stabilized production tests on each zone separately and use a fixed percentage to allocate future production to each 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 Gallegos Gallup and the Basin 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 the Dakota is anticipated to be about 1700 psi. The Gallup pressure should be somewhat lower at about 1500 psi. Crossflow should not be a problem with this small pressure differential. If crossflow should occur during a shut in period, the Dakota gas would not harm the Gallup formation, and would quickly be recovered upon returning the well to production.

VI. Well Ownership Notification

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

VII. Summary

Projected reserves for either of the zones would be marginal in the economic justification of the project. 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 505.324.5326.

Sincerely,



Connie S. Dinning
Production Engineer

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