Form 3160-5
(April 2004)

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.

05 JUL 5 PM 12 50
070 FARMINGTON NM
RECEIVED

SUBMIT IN TRIPLICATE – Other instructions on reverse side.

5. Lease Serial No.
SF-78899

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

1. Type of Well
☐ Oil Well ☒ Gas Well ☐ Other

8. Well Name and No.
Blackrock D No. 1R

2. Name of Operator
Merrion Oil & Gas Corporation

9. API Well No.
30-045-32217

3a. Address
610 Reilly Avenue, Farmington, NM 87401

3b. Phone No. *(include area code)*
505.324.5300

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

4b. Location of Well *(Footage, Sec. T., R., M., or Survey Description)*
880' fnl & 1235' fwl
Sec 20, T26N, R12W

11. County or Parish, State
San Juan

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

TYPE OF SUBMISSION	TYPE OF ACTION			
☒ Notice of Intent	☐ Acidize	☐ Deepen	☐ Production (Start/Resume)	☐ Water Shut-Off
☐ Subsequent Report	☐ Alter Casing	☐ Fracture Treat	☐ Reclamation	☐ Well Integrity
☐ Final Abandonment Report	☐ Casing Repair	☐ New Construction	☐ Recomplete	☒ Other Downhole Commingle
	☐ Change Plans	☐ Plug & Abandon	☐ Temporarily Abandon	
	☐ Convert to Injection	☐ Plug Back	☐ 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 recomplete 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 recompletion 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.

JUL 2005
OIL CONS. DIV.
DIST. 3

CONDITIONS OF APPROVAL
Adhere to previously issued stipulations.

DHC 3501

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 Pet. Eng — Date 7/15/05

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.

NMOCD

District I
1625 N. French Drive, Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, 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

APPLICATION FOR DOWNHOLE COMMINGLING

Form C-107A
Revised June 10, 2003

APPLICATION TYPE
_X_ Single Well
____Establish Pre-Approved Pools
EXISTING WELLBORE
_X_ Yes ____No

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

Blackrock D — Lease
1R — Well No.
D,20, T26N, R11W — Unit Letter-Section-Township-Range
San Juan — County

OGRID No. 014634 Property Code _____ API No. 30-045-32217 Lease Type: _X_ Federal ____ State ____ Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Gallegos Gallup		Basin Dakota
Pool Code	26980		71599
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	4910' - 5200'		5850' – 5990'
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)	±40		±1250
Producing, Shut-In or New Zone	New Zone		New Zone
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 Blackrock C1 Date: February 2004 Rates: 333 MCFD, 8 BOPD (gas rate is after subtracting 60 MCFD Dakota production)	Date: Rates:	Supporting data from Blackrock C1: 27 MCFD, 0 BOPD, 4/03 & Blackrock D1, 27 MCFD, 0 BOPD 11/01 Date: Projected Initial Rate Rates: 60 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 100 % Gas 85%	Oil % Gas %	Oil 0 % Gas 15%

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones? Yes__X__ 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__X__ No_____

Will commingling decrease the value of production? Yes_____ No__X__

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__X__ 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 _____ TITLE Production Engineer DATE June 30, 2005

TYPE OR PRINT NAME Connie S. Dinning TELEPHONE NO. (505) 324-5326

E-MAIL ADDRESS cdinning@merrion.bz

MERRION OIL & GAS CORPORATION

COMPLETION PROCEDURE (TO BE FINALIZED AFTER DRILLING)

June 30, 2005

Well:	**Blackrock D1R**	**Field:**	Gallegos Gallup/B Dakota
Location:	835' fnl & 1235' fwl (nw nw) Sec 20, T26N, R11W, NMPM San Juan County, New Mexico	**Elevation:** **Lease:**	6171' RKB 6158' GL SF-078899
By:	Connie Dinning	**AFE No.:**	20515

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 ¼" bit, 2 ⅜" tubing in hole.
4. RIH, clean out to liner top @ 4000' KB. Drill out cement if necessary.
5. Continue clean out to float collar @ ±6060' w/ 3 ⅞" 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 5850' KB to ~ 5990' KB. Pull up hole and swab fluid level to liner top at 4000'.

Perf & Frac Dakota

1. RU wireline. Run GR-Correlation log from PBTD @ 6060' to top of Gallup @ 4910' or minimum run depth, whichever is greater.
2. Perforate Dakota w/ .34" holes, total 20 shots, per Compensated Neutron Log as follows:

5850' – 5990'	? spf	20 holes	**To be determined**

3. MIRU stimulation company. RIH w/ RCP on 2 ⅜" tubing. Set RCP @ ±5800'. 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/ N_2 in preparation for frac.
6. Frac the Dakota w/ 70Q N_2 foam w/ low residue 20# crosslink gelled fluid and 100,000# 20/40 Ottowa sand at 30 BPM as per frac schedule.
7. RD frac company, open well to flowback tank. Flow back overnight.

Put on to Production:

1. RIH w/ 2 ⅜" tubing and CO w/ hydrostatic bailer if necessary. Run 2 ⅜" production tubing w/ SN on bottom to ~6150'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 ⅜" tbg.
2. RIH w/ RCP and RBP on 2 ⅜" tubing, set RBP @ ±5800' and RCP @ ± 5850'. 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 ±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 @ ±4850'.
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. TOH w/ RCP.
9. Run WL junk basket to recover ball sealers.
10. Frac the Gallup w/ 70Q N_2 foam w/ low residue 20# crosslink gelled fluid and 20/40 Brady sand as per frac schedule.
11. RD frac company, open well to flowback tank. Flow back overnight

Put on to Production:

1. RIH w/ 2 ⅜" tubing and CO to RBP @ 6000'.
2. RIH w/ retrieving head and latch onto RBP. TOH, LD RBP.
3. Run 2 ⅜" production tubing w/ SN, PS and MA to ±6000' KB. Check for fill, and CO to PBTD @ 6060'.
4. RIH w/ 1 ¼" insert pump and rods
5. RDMOL. Put well on to production and report daily.