

DISTRICT I

P.O. Box 1990, Hobbs, NM 88241-1990

DISTRICT II

811 South First St., Artesia, NM 88210-2838

DISTRICT III

1000 Rio Grande Rd., Aztec, NM 87410-1693

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

2040 S. Pacheco
Santa Fe, New Mexico 87505-6429

APPLICATION FOR DOWNHOLE COMMINGLING

Form C-107-A
New 3-12-96

APPROVAL PROCESS:

☒ Administrative ☐ Hearing

EXISTING WELLBORE

☒ YES ☐ NO

Operator Merrion Oil & Gas Corporation Address 610 Reilly Avenue, Farmington, NM 87401-2634

Lessee Canada Mesa Well No. 3E Unit Ltr. - Sec. - Twp. - Rge. D 14-24N-06W County Rio Arriba

OGRID NO. 014634 Property Code 007748 API NO. 30-039-23687 Spacing Unit Lease Types: (check 1 or more) Federal ☒ State ☐ (Landmark) Fee ☐

| The following facts are submitted in support of downhole commingling: | Upper Zone | Intermediate Zone | Lower Zone |
|--|---|-------------------|---|
| 1. Pool Name and Pool Code | Devils Fork Gallup (17610) | | Basin Dakota (71599) |
| 2. Top and Bottom of Pay Section (Perforations) | 5296'-6126' | | 6690'-6743' |
| 3. Type of production (Oil or Gas) | Oil | | Gas |
| 4. Method of Production (Flowing or Artificial Lift) | Flowing | | Flowing |
| 5. Bottomhole Pressure Oil Zones - Artificial Lift: Estimated Current Gas & Oil - Flowing: Measured Current All Gas Zones: Estimated Or Measured Original | a. (Current) 930 psig b. (Original) 1250 psig (ISDP) | | a. 1238 psig b. 2650 psig (ISDP) |
| 6. Oil Gravity ($^{\circ}$ API) or Gas BTU Content | 42 $^{\circ}$ API 1290 BTU | | 59 $^{\circ}$ API 1193 BTU |
| 7. Producing or Shut-in? | Producing | | Producing |
| Production Marginal? (yes or no) | Yes | | Yes |
| * If Shut-in, give 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: | Date: Rates: | Date: Rates: |
| * If Producing, give date and oil/gas/water rates of recent test (within 60 days) | Date: 9/97 Rates: 3.3 BOPD; 31 MCFD; 0 BWD | Date: Rates: | Date: 9/97 Rates: 0.9 BOPD; 119 MCFD; 0 BWD |
| 8. Fixed Percentage Allocation Formula - % for each zone | Oil: 79 % Gas: 21 % | Oil: % Gas: % | Oil: 21 % Gas: 79 % |

9. If allocation formula is based upon something other than current or past production, or is based upon some other method, submit attachments with supporting data and/or explaining method and providing rate projections or other required data.
10. Are all working, overriding, and royalty interests identical in all commingled zones? ☒ Yes ☐ No
If not, have all working, overriding, and royalty interests been notified by certified mail? ☒ Yes ☐ No
Have all offset operators been given written notice of the proposed downhole commingling? ☒ Yes ☐ No
11. Will cross-flow occur? ☐ Yes ☒ No If yes, are fluids compatible, will the formations not be damaged, will any cross-flowed production be recovered, and will the allocation formula be reliable. ☐ Yes ☐ No (If No, attach explanation)
12. Are all produced fluids from all commingled zones compatible with each other? ☒ Yes ☐ No
13. Will the value of production be decreased by commingling? ☐ Yes ☒ No (If Yes, attach explanation)
14. If this well is on, or communitized with, state or federal lands, either the Commissioner of Public Lands or the United States Bureau of Land Management has been notified in writing of this application. ☒ Yes ☐ No
15. NMOC Reference Cases for Rule 303(D) Exceptions: ORDER NO(S) R-10786
16. 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 all offset operators.
 - Notification list of working, overriding, and royalty interests for uncommon interest cases.
 - Any additional statements, data, or documents required to support commingling.

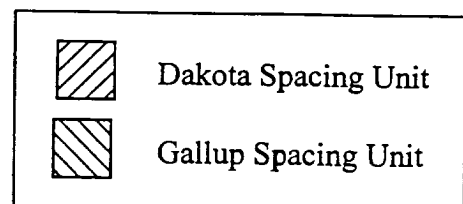
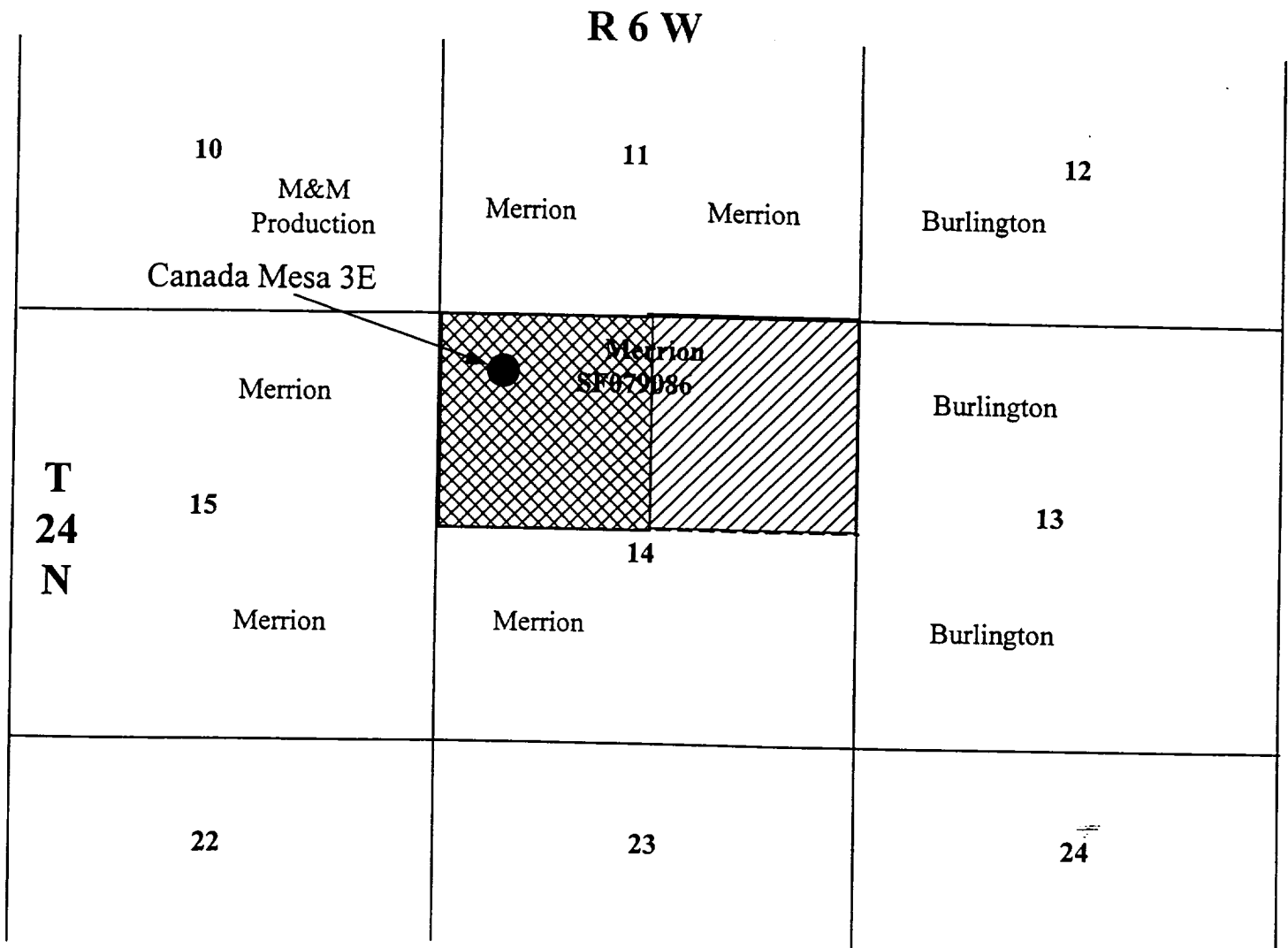
I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE George Sharpe TITLE Pet. Engineer DATE 11/6/97

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

EXHIBIT 1
CANADA MESA #3E LEASE PLAT
OFFSET OWNERSHIP PLAT

T24N, R6W
Rio Arriba County, NM



NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102
Supersedes C-128
Effective 1-1-65

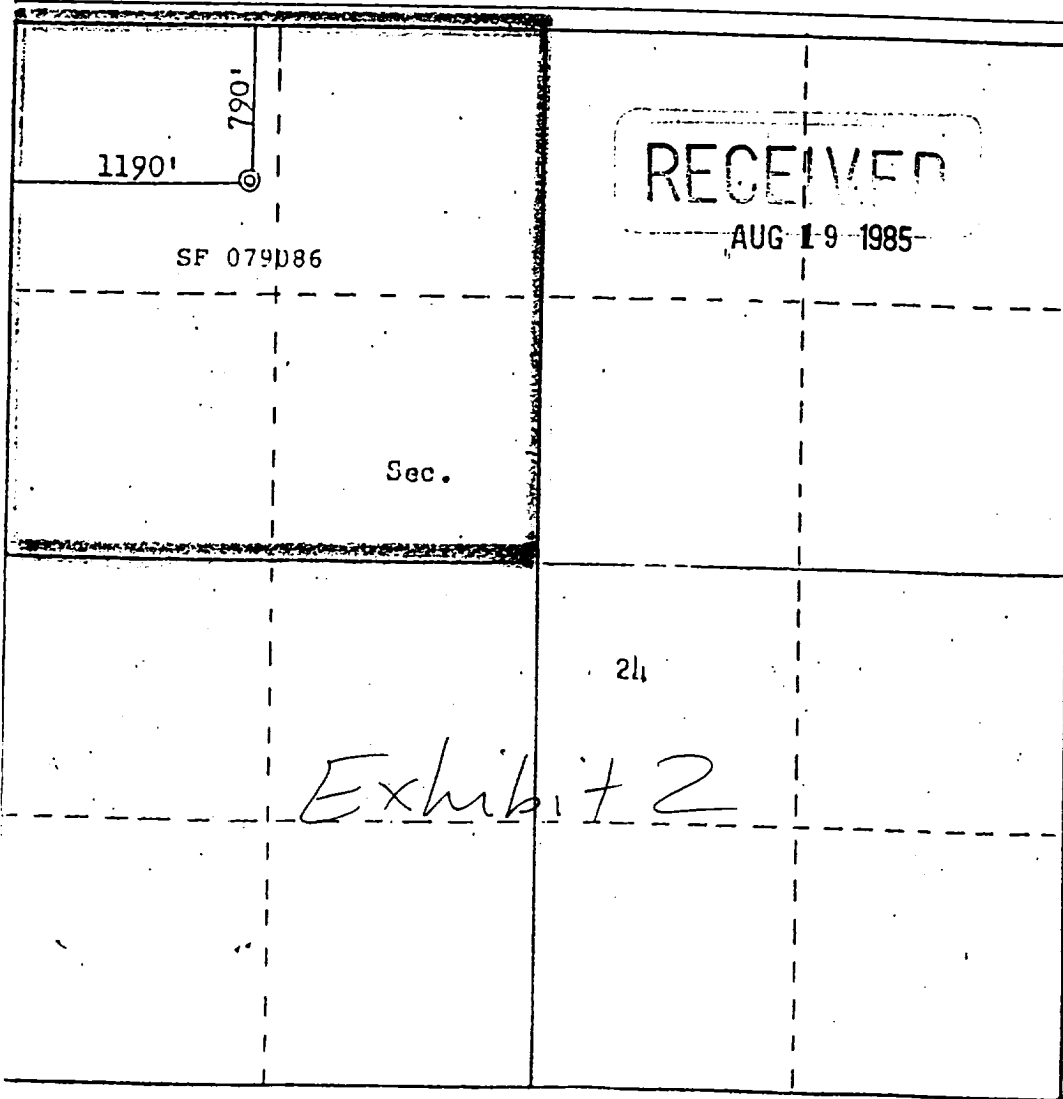
All distances must be from the outer boundaries of the Section.

| | | | | | |
|---|--------------------------------------|------------------------|-----------------------------------|-----------------------------|--|
| Operator MERRION OIL & GAS CORPORATION | | | Lease CANADA MESA | | Well No. 3E |
| Unit Letter D | Section 14 | Township 24N | Range 6W | County Rio Arriba | |
| Actual Footage Location of Well: 790 feet from the North line and 1190 feet from the West line | | | | | |
| Ground Level Elev. 6666 | Producing Formation Gallup | | Pool Devils Fork Gallup | | Dedicated Acreage: 160 Acres |

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests 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 interests, has been approved by the Commission.



CERTIFICATION

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

Steve S. Dunn
Steve S. Dunn

Position

Operations Manager

Company

Merrion Oil & Gas Corporation

Date

4/2/85

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

March 28, 1985

Registered Professional Engineer and Land Surveyor

Fred B. Kert Jr.
Fred B. Kert Jr.

Certificate No. 4222

Scale: 1"=1000'

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102
Supersedes C-128
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All distances must be from the outer boundaries of the Section.

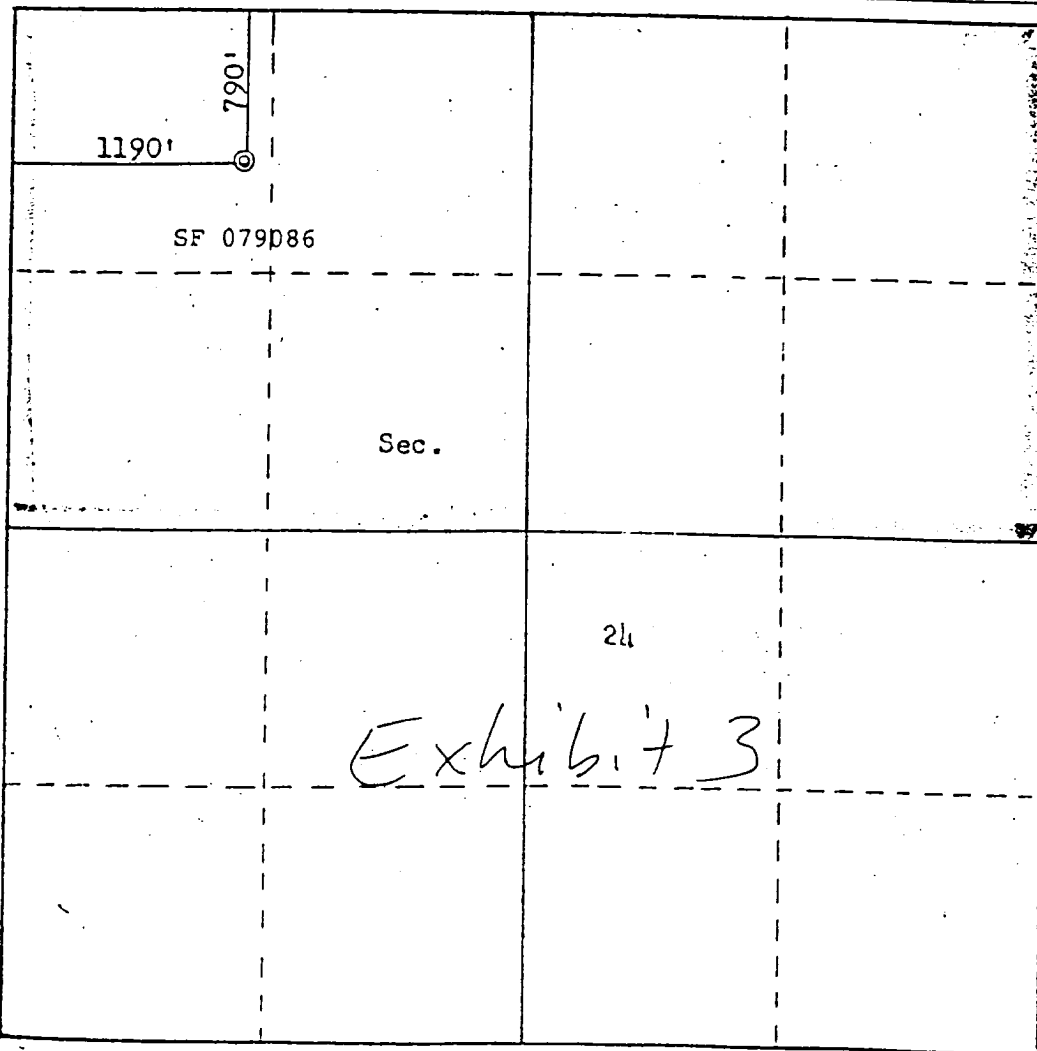
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|---|----------------------------|--------------|-------------------|------------------------------|-------------|
| MERRION OIL & GAS CORPORATION | | | Lease CANADA MESA | | Well No. 3E |
| Init Letter D | Section 14 | Township 24N | Range 6W | County Rio Arriba | |
| Actual Footage Location of Well: 790 feet from the North line and 1190 feet from the West line | | | | | |
| Ground Level Elev: 6666 | Producing Formation Dakota | | Pool Basin Dakota | Dedicated Acreage: 320 Acres | |

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests 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 interests, has been approved by the Commission.



Scale: 1"=1000'

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

Steve S. Dunn

Position
Operations Manager

Company
Merrion Oil & Gas Corporation

Date
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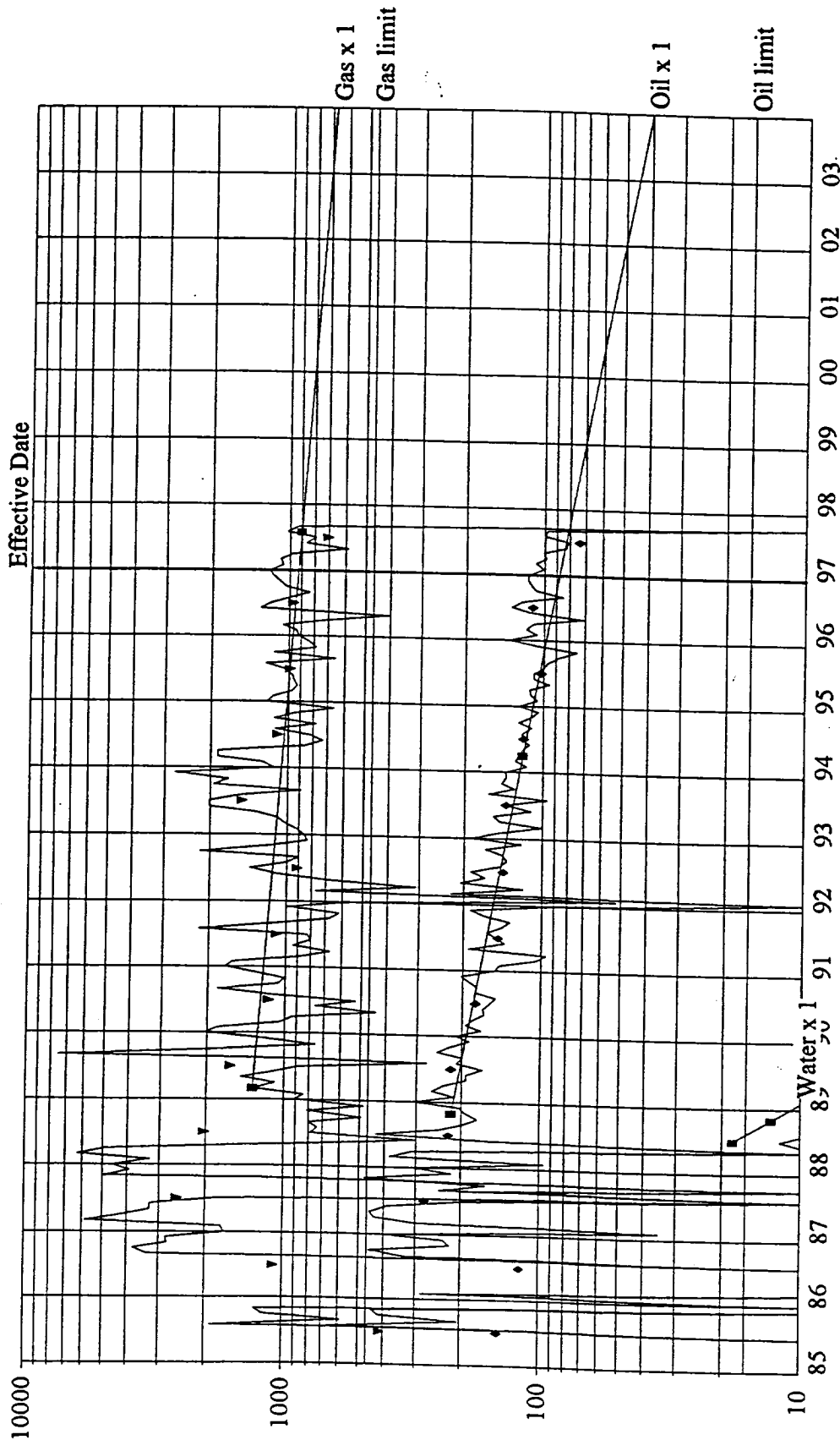
Fred E. Kerr Jr.

Certificate No. 3950

PRODUCTION GRAPH

12:32:40 a - 11/5/97

Canada Mesa 3E GLP (00003E - 100%), Dev Fk GLP



Canada Mesa 3E GLP (00003E - 100%)

Dev Fk GLP

FH

Rio Arriba, NM

[3003923687]

14D 24N 6W

Cumulative:
Remaining:
Ultimate:

Oil (bbl)

24,038

7,637

31,675

Gas (mcf)

193,602

121,043

314,645

Water (bbl)

12

0

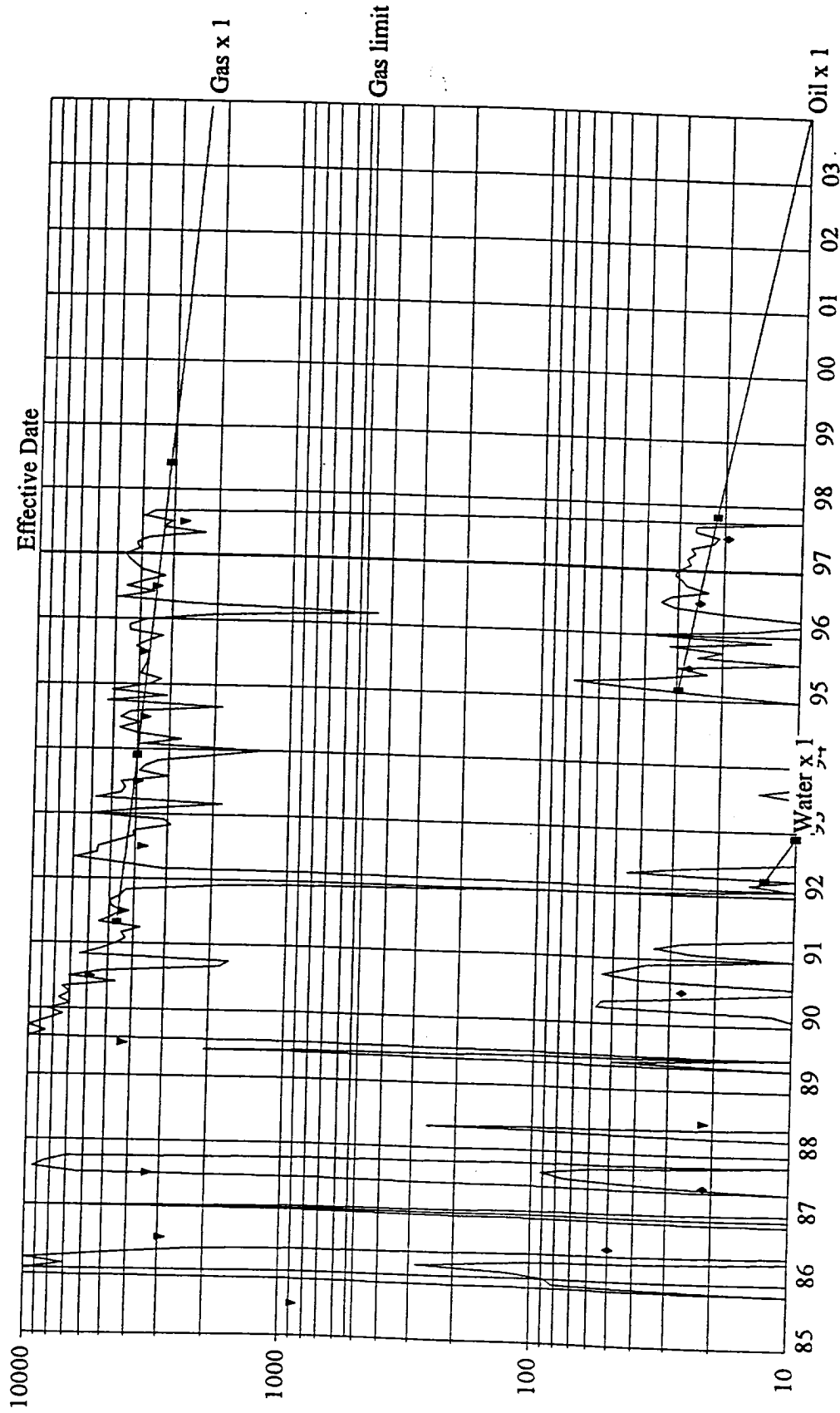
12

Exhibit 4

PRODUCTION GRAPH

12:30:31 a - 11/5/97

Canada Mesa 3E DK (00003E - 100%), Basin DK



Canada Mesa 3E DK (00003E - 100%)

Basin DK

FH

Rio Arriba, NM

[3003923687]

14D 24N 6W

Cumulative:
Remaining:
Ultimate:

Oil (bbl)
2,413
2,322
4,735

Gas (mcf)
516,193
719,303
1,235,496

Water (bbl)
30
53
83

Exhibit 5

Exhibit 6
Notification of Offset Operators

The following operators received copies of this application via certified mail:

Burlington Resources
P.O. Box 4289
Farmington, New Mexico 87499

M & M Production & Operation Inc.
P.O. Box 175
Counselor, New Mexico 87018