

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
Budget Bureau No. 1004-0135
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

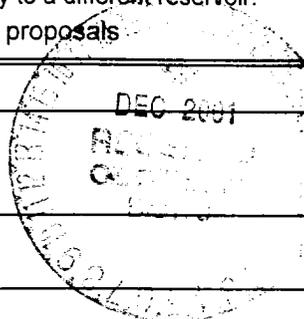
SUBMIT IN TRIPLICATE

1. Type of Well
 Oil Well Gas Well Other

2. Name of Operator
Merrion Oil & Gas Corporation (14634)

3. Address and Telephone No.
610 Reilly Avenue, Farmington, NM 87401-2634 (505) 327-9801

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
**910' fsl & 860' fel (se se)
Section 20, T25N, R6W**



5. Lease Designation and Serial No.
SF-078882
6. If Indian, Allottee or Tribe Name
7. If Unit or CA, Agreement Designation
8. Well Name and No.
Canyon Largo Unit 356
9. API Well No.
30-039-23863
10. Field and Pool, or Exploratory Area
Devils Fork Gallup
11. County or Parish, State
**Rio Arriba 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>Continue TA Status</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 Operation: (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 measure 1 and true vertical depths for all markers and zones pertinent to this work.)*

Merrion Oil and Gas proposes to continue the Temporary Abandonment status of this well. This well is in an area that will be beneficial for use in the planned waterflood project for the Canyon Largo Unit. The letter from George Sharpe, dated August 23, 2000, summarizing the waterflood plan is attached.

THIS APPROVAL EXPIRES JAN 01 2003

Must be in compliance with Rule 201B before 3-15-2002

14. I hereby certify that the foregoing is true and correct
Signed Connie S. Dinning Title Production Engineer Date 12/13/01

(This space for Federal or State office use)
Approved By _____ Title _____ Date 12/17/01
Conditions of approval, if any: _____

MERRION

OIL & GAS

August 23, 2000

Mr. Richard Dembowski
Bureau of Land Management
1235 La Plata Highway
Farmington, NM 87401

RE: ~~T & A Well Status~~
~~CLU 119, 126, 315, 356~~
~~Rio Arriba County, New Mexico~~

Dear Mr. Dembowski:

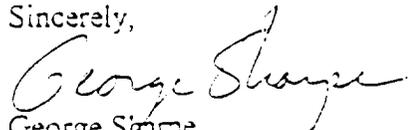
In followup to your letter dated July 12, 2000 and our subsequent meeting on August 23, 2000, this letter discusses Merrion's plans for using the subject (and other) wells in the Canyon Largo Unit Gallup PA for a waterflood. Specifically, Merrion requests that the subject wells (and other wells in the future, if necessary) be allowed to remain temporarily abandoned (or shut in if that is the case) for the near future. The following arguments are presented to support our request.

1. Enclosed is a report of a reservoir simulation study performed to evaluate the potential for a waterflood in the Canyon Largo Unit Gallup Formation. The report indicates that a waterflood is technically feasible, but economically marginal at the \$18 oil price assumed in the economics. While oil prices are currently well above \$18/bbl, the futures strip shows prices returning to near that level within two years. Merrion must have confidence that prices will be sustained above \$25/bbl before we would implement a waterflood pilot.
2. The waterflood will be extremely capital intensive and will require the use of all existing wellbores combined with additional infill drilling. Even at higher prices, we may not be able to justify the waterflood if we don't have the existing wellbores to use.
3. Again, the waterflood will require infilling the field on 80 acre or perhaps 40 acre spacing. Because of the current Resource Management Plan review (RMP), we couldn't do the waterflood right now anyway, even if we wanted to.
4. If the existing wells are allowed to be left in place, that would leave their surface locations available if needed during the RMP review period to be used to drill to other formations.
5. While Merrion is not ready to implement a waterflood now, or even in the next two years, we think the time will come in the next ten years to install that flood. That, however, may never happen if we are forced to plug out the existing wells. Therefore, the long-term interests of the mineral owners (which is mostly Federal in the Unit) are best served by not forcing Merrion to abandon these locations.

Below is a list of wells in the Canyon Largo Unit Gallup P.A that ultimately may be used in the waterflood. We request that, should any of these existing producing wells require it, they be given similar consideration as the four subject wells.

Please call me with any questions at 505-325-9801 ext. 114. Thank you for your consideration.

Sincerely,



George Sharpe
Manager, Oil & Gas Investments

File:invest\grs\2000correspondence\clu ta letter

POTENTIAL WELLS FOR GALLUP WATERFLOOD
CANYON LARGO UNIT

CLU #s 89, 128, 119, 126, 130R, 131R, 300, 301, 302, 303, 304, 305, 306, 307, 308, 310, 311, 313, 314, 315, 316, 317, 319, 321, 324, 326, 327, 328, 331, 332, 333, 335, 337, 338, 339, 340, 341, 342, 343, 344, 345, 356, 357, 358, 359, 393.