



**NEW MEXICO ENERGY, MINERALS  
& NATURAL RESOURCES DEPARTMENT**

**OIL CONSERVATION DIVISION**  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505  
(505) 827-7131

August 12, 1999

30-045-29973

**Merrion Oil & Gas Corporation**  
610 Reilly Avenue  
Farmington New Mexico 87401  
Attention: George F. Sharpe

Telefax No. (505) 326-5900

**RECEIVED**  
AUG 20 1999

**OIL CON. DIV.**  
DIST. 3

*Administrative Order NSL-4342*

Dear Mr. Sharpe:

Reference is made to your application dated July 21, 1999 for an off-pattern non-standard Basin-Fruitland coal gas well location for Merrion Oil & Gas Corporation's proposed Hi Roll Well No. 5 to be drilled 810 feet from the South line and 1355 feet from the East line (Unit O) of Section 35, Township 27 North, Range 13 West, NMPM, San Juan County, New Mexico. The E/2 of Section 35 is to be dedicated to this well in order to form a standard 320-acre stand-up gas spacing and proration unit for the Basin-Fruitland Coal (Gas) Pool.

By the authority granted me under the provisions of Rule 8 of the "*Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool*," as promulgated by Division Order No. R-8768, as amended, the above-described unorthodox coal gas well location is hereby approved.

Sincerely,

Lori Wrotenberg  
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Aztec /

X

# MERRION

OIL & GAS

*Aztec OCD*

July 21, 1999

Mr. Michael E. Stogner  
New Mexico Oil Conservation Division  
2040 S. Pacheco St.  
Santa Fe, New Mexico 87505

Re: **Application of Merrion Oil & Gas Corporation  
"Off-Pattern" Non-Standard Location  
Hi Roll 5  
Basin Fruitland Coal Pool  
SE/4 Section 35, T27N, R13W  
San Juan County, New Mexico**

RECEIVED  
JUL 23 1999  
OIL CON. DIV.  
DIST. 3

Dear Mr. Stogner:

Merrion Oil & Gas Corporation (Merrion) requests administrative approval for an off-pattern non-standard location for the subject well so that we may use what will be an existing wellbore. Merrion has applied to re-drill the Hi Roll 5 and complete the Pictured Cliffs (PC) formation. Rather than drill a separate Fruitland Coal well, we have submitted a separate application to commingle the PC and Fruitland Coal in this wellbore.

Exhibit 1 is the C-102 for the Basin Fruitland Coal showing the well to be at standard setbacks (810' FSL and 1355' FEL), but at a non-standard off-pattern location.

Exhibit 2 is a map showing the offset operators to the Hi Roll 5. Exhibit 3 is an address list of those same operators. All affected operators received certified copies of this application.

In summary, Merrion proposes to commingle the Fruitland Coal with the PC in a single wellbore. This is necessary to reduce costs and improve the economics of the project. However, to accomplish this, the Fruitland Coal will be completed in an off-pattern, non-standard location. Therefore, we request your approval of this application. If you have any questions, please call me at (505) 327-9801, ext. 114.

Sincerely,

  
George F. Sharpe  
Manager - Oil & Gas Investments

xc: Well File  
Frank Chavez - OCD-Aztec  
Offset Operators

District I  
 PO Box 1980, Hobbs, NM 88241-1980  
 District II  
 PO Drawer DD, Artesia, NM 88211-0719  
 District III  
 1000 Rio Brazos Rd., Aztec, NM 87410  
 District IV  
 PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico  
 Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION  
 PO Box 2088  
 Santa Fe, NM 87504-2088

Form C-102  
 Revised February 21, 1994  
 Instructions on back  
 Submit to Appropriate District Office  
 State Lease - 4 Copies  
 Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 APT Number		2 Pool Code 71629		3 Pool Name Basin Fruitland Coal	
4 Property Code		5 Property Name Hi Roll			6 Well Number 5
7 OGRID No. 014634		8 Operator Name MERRION OIL & GAS CORPORATION			9 Elevation 5990'

10 Surface Location

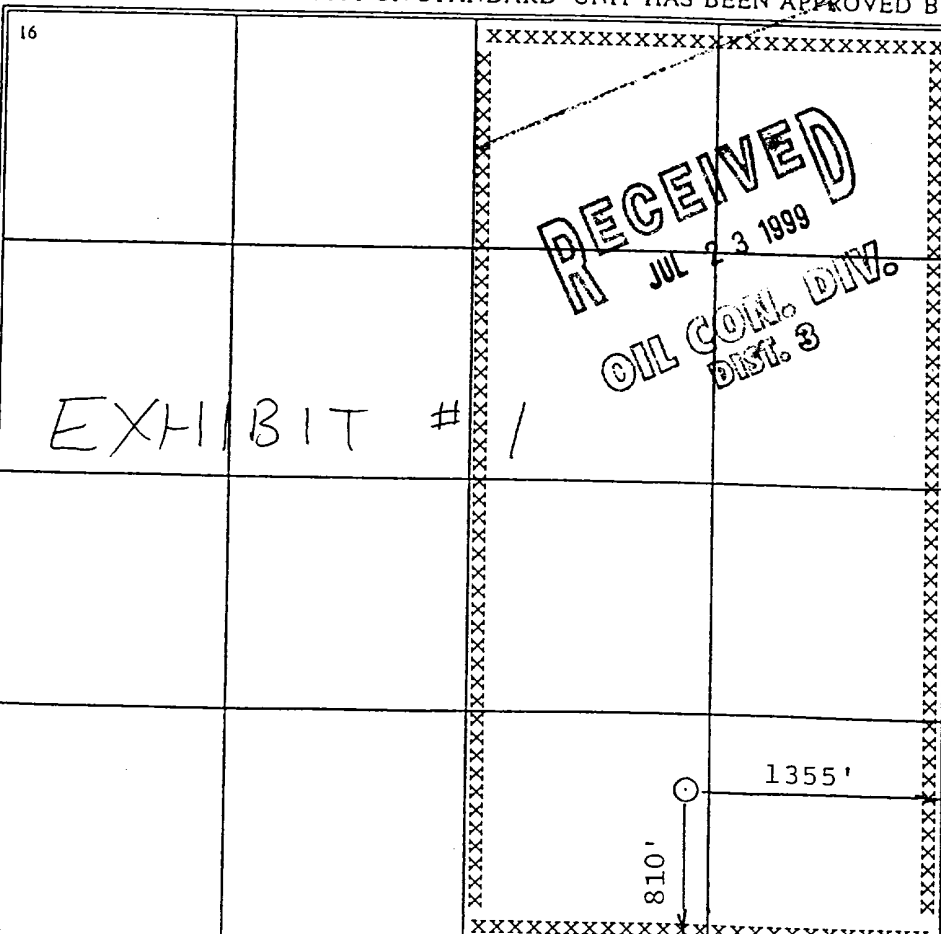
UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
0	35	27 N	13 W	SWSE	810	South	1355	East	San Juan

11 Bottom Hole Location If Different From Surface

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

12 Dedicated Acres	13 Joint or Infill	14 Consolidation Code	15 Order No.
--------------------	--------------------	-----------------------	--------------

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



RECEIVED  
 JUL 23 1999  
 OIL CON. DIV.  
 DIST. 3

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

Signature  
 Steven S. Dunn  
 Printed Name  
 Drlg & Prod Manager  
 Title  
 Date

18 SURVEYOR CERTIFICATION  
 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 of Survey  
 Signature and Seal of Professional Surveyor  
 REGISTERED LAND SURVEYOR  
 6844  
 Certificate Number

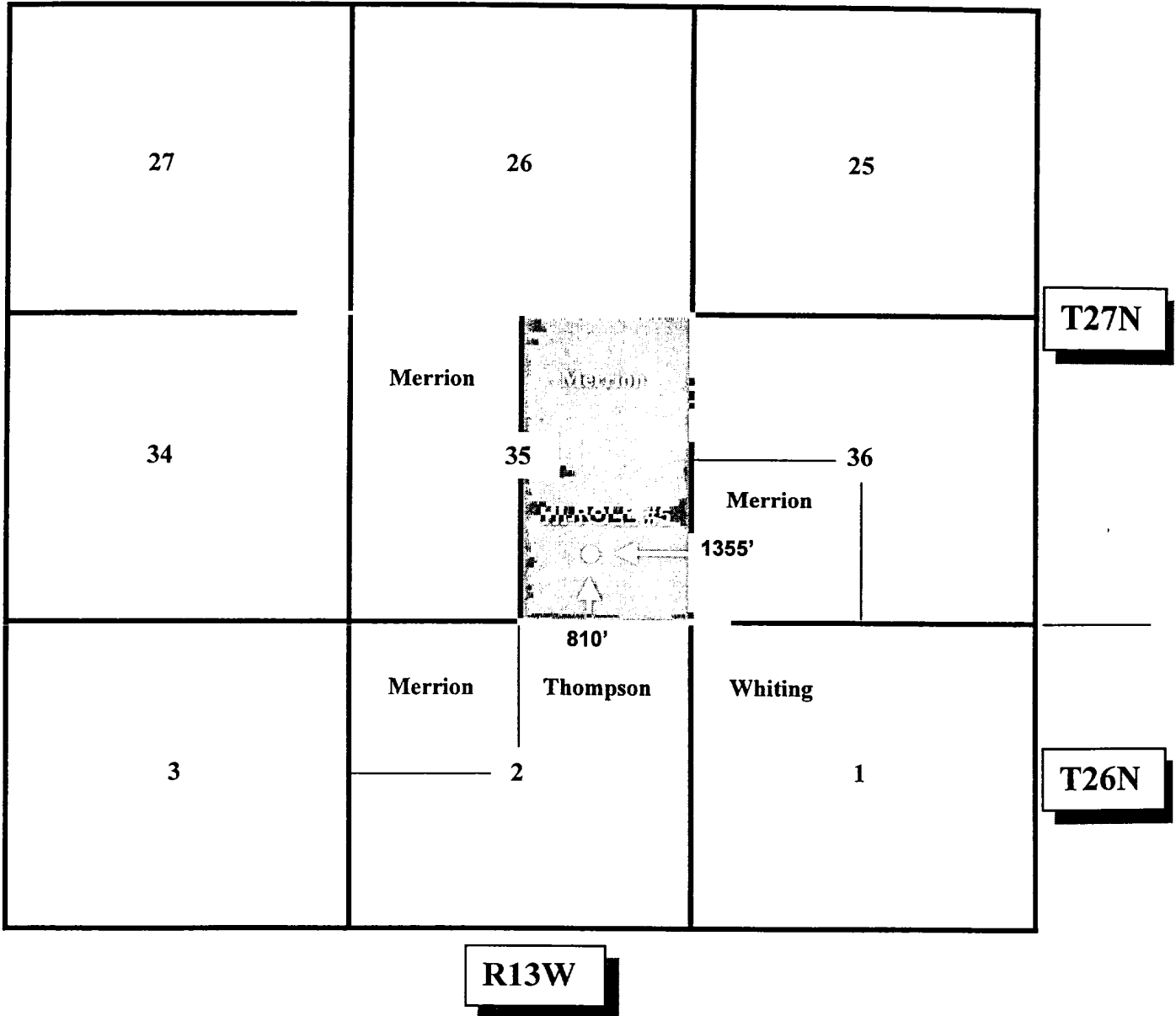
# Exhibit 2

Offset Operator Plat

HI-ROLL #5

T27N, R13W, Section 35

## Non-Standard Location Application



### **Exhibit 3**

Offset Operator Notification  
Hi Roll 5  
Non-Standard Location

To: Offset Operators

If you have questions, please call George Sharpe at (505) 327-9801, ext. 114. If you have any objections to this application, please notify the NMOCD in writing within 20 days of receipt of this application.

Mr. Paul Thompson  
Thompson Engineering  
7415 E. Main  
Farmington, New Mexico 87402

Mr. Richard Fromm  
Whiting Petroleum  
1700 Broadway, Suite 2300  
Denver, Colorado 80290

# MERRION

OIL & GAS

July 21, 1999

Mr. Michael Stogner / Mr. David Catanach  
New Mexico Oil Conservation Division  
2040 S. Pacheco  
Santa Fe, New Mexico 87505

**Re: Application for Administrative Approval  
Downhole Commingling  
Basin Fruitland Coal Pool and WAW Pictured Cliffs Pool  
Hi Roll 5  
Section 35, T27N, R13W  
San Juan County, New Mexico**

Dear Mr. Catanach:

Merrion Oil & Gas requests administrative approval for downhole commingling of the Basin Fruitland Coal and the WAW Pictured Cliffs Pools in the subject wellbore. The following information is provided in support of this application:

I. Proposed Spacing Units

Exhibit 1 is the ownership plat showing the offset operators. Exhibit 2 shows the C-102 plat for the Basin Fruitland Coal with a 320 acre spacing unit in the E/2 of Section 35. Exhibit 3 is the C-102 plat for the WAW Pictured Cliffs Pool with a ±160 acre spacing unit in the SE/4 of Section 35.

II. Justification

The Hi Roll 5 is a redrill of the Hi Roll 1R, which is a slim-hole completion with 2-7/8" casing. Because of the inefficient slim-hole completion, significant reserves will be left behind in this well. However, the reserves are not sufficient enough to justify drilling a well with the PC as the only target.

The Fruitland Coal is productive to the south of our well, but has not been "proved-up" north across our lease. Because of the risk associated with the step-out, we could not justify drilling a coal well by itself. Therefore, it is only by commingling the two zones that we can justify redrilling the well.

III. Allocation Methodology

Exhibit 4 shows the PC production from the current Hi Roll 1R well while Exhibit 5 shows the production history of an offset coal well. The coal gas rate in the offset stabilized quickly and declined exponentially, similar to the PC. Therefore, 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 indicates 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 PC and Fruitland have been generally determined to be compatible across the basin based on other similar applications to the OCD.

V. Cross Flow Between Zones

The current reservoir pressure of the PC is estimated to be 120 psi, while the Fruitland Coal is at 200 psi. With a flowing line pressure of less than 50 psi, crossflow is not anticipated to be a problem.

VI. Well Ownership Notification

The spacing unit and ownership of the two zones is identical.

VII. Offset Operator Notification

Exhibit 1 is a plat showing all offset operators. Exhibit 6 is a list of all the offset operators who received a certified copy of this application.

VIII. Summary

Both the PC and the Fruitland Coal lack the reserves to economically justify a new well on their own. Commingling the zones will maximize reserves and protect correlative rights. Therefore, we request your approval of this application.

Page Three  
July 21, 1999

Please call me with questions or if additional information is required.

Sincerely,

A handwritten signature in black ink that reads "George Sharpe". The signature is written in a cursive style with a large, prominent initial "G".

George F. Sharpe  
Manager – Oil & Gas Investments

Xc: Offset Operators  
Aztec OCD, BLM – Farmington



DISTRICT I

P.O. Box 1880, Hobbs, NM 88241-1880

DISTRICT II

811 South First St., Artesia, NM 88210-2835

DISTRICT III

1000 No Brator Rd., Aztec, NM 87410-1893

State of New Mexico  
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

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

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

APPROVAL PROCESS:

Administrative  Hearing

EXISTING WELLBORE

YES  NO

APPLICATION FOR DOWNHOLE COMMINGLING

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

Lease Well No. Hi Roll 5 Unit Ltr. - Sec. - Twp - Rge 0 35-27N-13W County San Juan

OGRID NO. 014634 Property Code \_\_\_\_\_ API NO. \_\_\_\_\_ Spacing Unit Lease Types: (check 1 or more) Federal  State \_\_\_\_\_ (and/or) Fee \_\_\_\_\_

The following facts are submitted in support of downhole commingling:	Upper Zone	Intermediate Zone	Lower Zone
1. Pool Name and Pool Code	Basin Fruitland Coal		WAW Fruitland Sand Pictured Cliffs
2. Top and Bottom of Pay Section (Perforations)	1170'-1190'		1200'-1220'
3. Type of production (Oil or Gas)	Gas		Gas
4. Method of Production (Flowing or Artificial Lift)	Flow		Flow
5. Bottomhole Pressure Oil Zones - Artificial Lift: Gas & Oil - Flowing: Estimated Current All Gas Zones: Estimated Or Measured Original	a. (Current) 200 psi	a.	a. 120 psi
	b. (Original) 200 psi	b.	b. 200 psi
6. Oil Gravity (°API) or Gas BTU Content	BTU 1000		BTU 1100
7. Producing or Shut-In?	SI - Not completed yet		SI - Not completed yet
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  * If Producing, give date and oil/gas/water rates of recent test (within 60 days)	Date: NA Rates:	Date: Rates:	Date: NA Rates:
	Date: Rates: NA	Date: Rates:	Date: Rates: NA
8. Fixed Percentage Allocation Formula - % for each zone	Oil: Will be provided after well is drilled Gas: %	Oil: Will be provided after well is drilled Gas: %	Oil: Will be provided after well is drilled Gas: %

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. NMOCD Reference Cases for Rule 303(D) Exceptions: ORDER NO(S) \_\_\_\_\_
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 Engineer DATE 7-21-99  
TYPE OR PRINT NAME George F. Sharpe TELEPHONE NO. ( 505 ) 327-9801

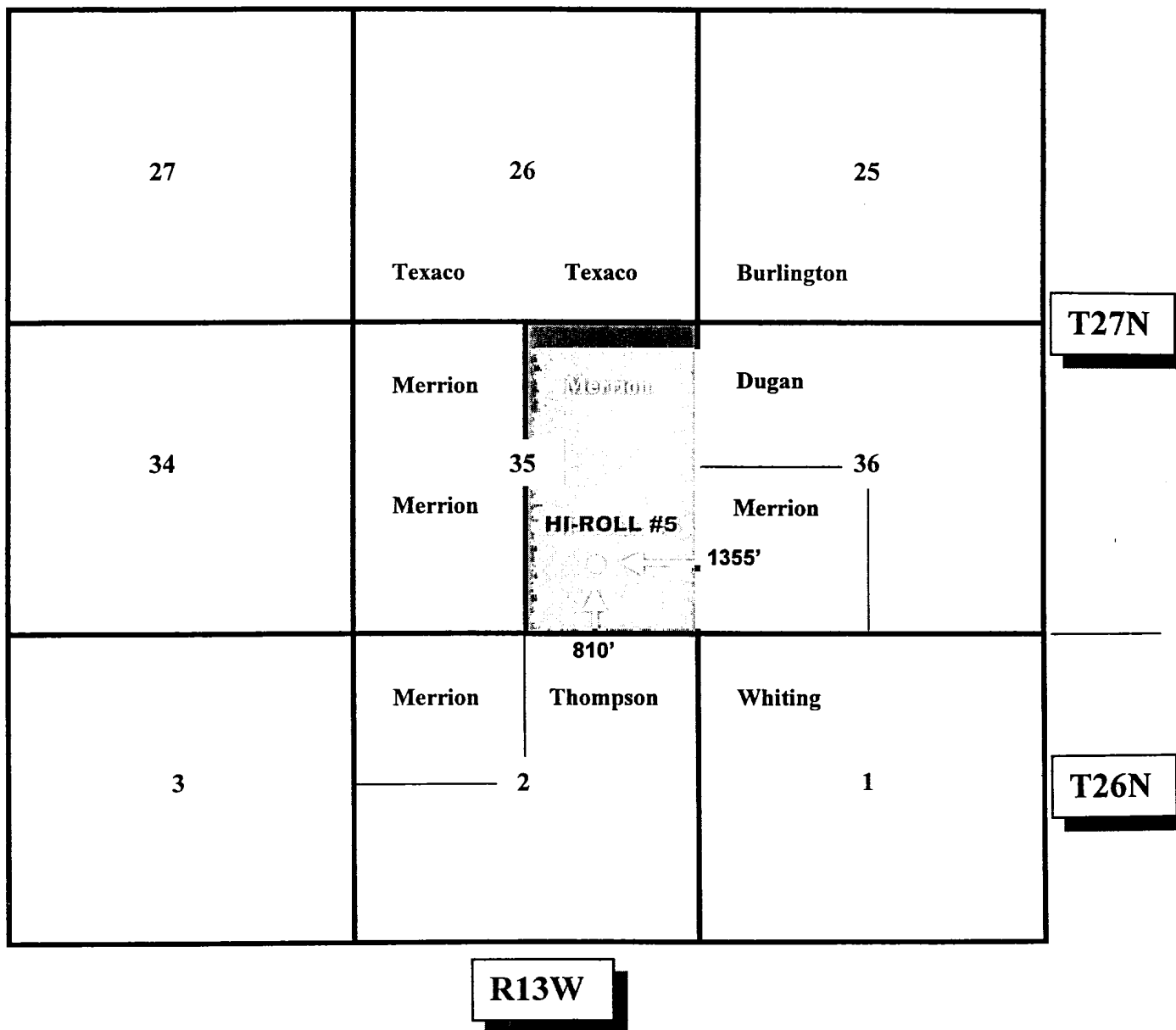
# Exhibit 1

Offset Operator Plat

HI-ROLL #5

T27N, R13W, Section 35

Application to Commingle Producing Formations





District I  
 PO Box 1980, Hobbs, NM 88241-1980  
 District II  
 PO Drawer DD, Artesia, NM 88211-0719  
 District III  
 1000 Rio Brazos Rd., Aztec, NM 87410  
 District IV  
 PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico  
 Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION  
 PO Box 2088  
 Santa Fe, NM 87504-2088

Form C-102  
 Revised February 21, 1994  
 Instructions on back  
 Submit to Appropriate District Office  
 State Lease - 4 Copies  
 Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number		2 Pool Code 87190		3 Pool Name WAW Fruitland Sand Pictured Cliffs	
4 Property Code		5 Property Name Hi Roll			6 Well Number 5
7 OGRID No. 014634		8 Operator Name MERRION OIL & GAS CORPORATION			9 Elevation 5990'

10 Surface Location

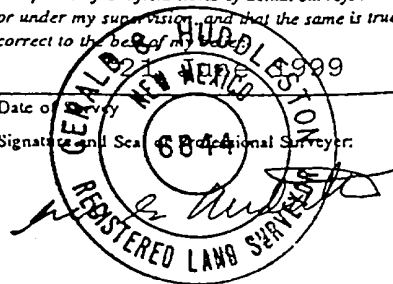
UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
0	35	27 N	13 W	SWSE	810	South	1355	East	San Juan

11 Bottom Hole Location If Different From Surface

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

12 Dedicated Acres	13 Joint or Infill	14 Consolidation Code	15 Order No.
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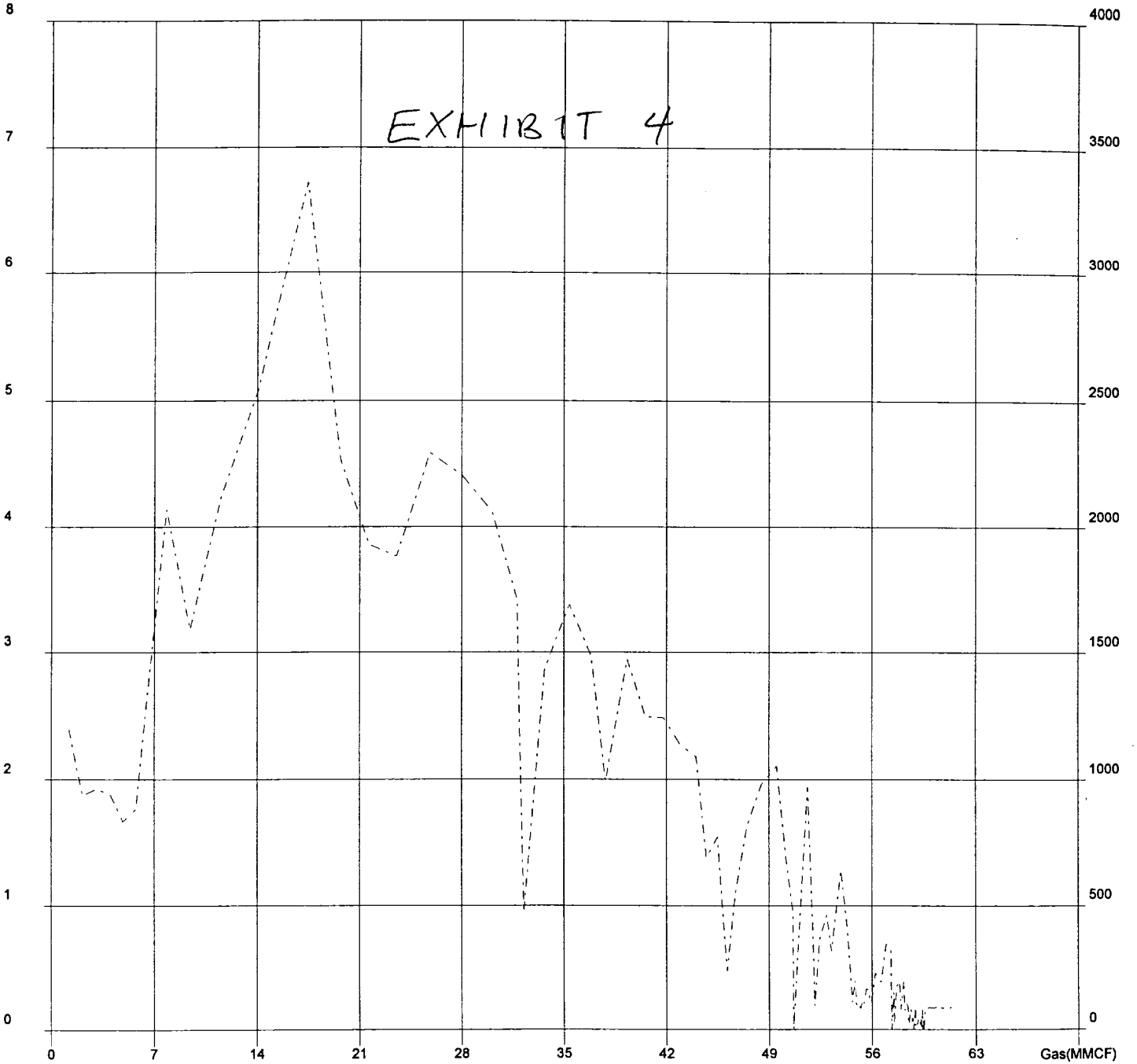
<p>16</p> <p style="font-size: 2em; font-family: cursive;">Exhibit 3</p>	<p>17 OPERATOR CERTIFICATION</p> <p><i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</i></p> <p>Signature Steven S. Dunn</p> <p>Printed Name Drlg &amp; Prod Manager</p> <p>Title</p> <p>Date</p>
	<p>18 SURVEYOR CERTIFICATION</p> <p><i>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</i></p> <p>Date of Survey</p> <p>Signature and Seal of Professional Surveyor</p> <p style="text-align: center;">  </p> <p style="text-align: center;">6844</p> <p>Certificate Number</p>
	<p>810'</p> <p>1355'</p>

# Dwights

Lease: HIGH ROLL (1R)

07/09/99

Retrieval Code: 251,045,27N13W35OM1FP



WHSIP

0

County: SAN JUAN

F.P. Date: 12/79

Gas (mcf/mo) -----

Field: WAW (FRUITLAND PICTURED CLIFFS) F

Oil Cum: 0 bbl

Reservoir: FRUITLAND PICTURED C

Gas Cum: 61.36 mmcf

Operator: MERRION OIL & GAS CORP

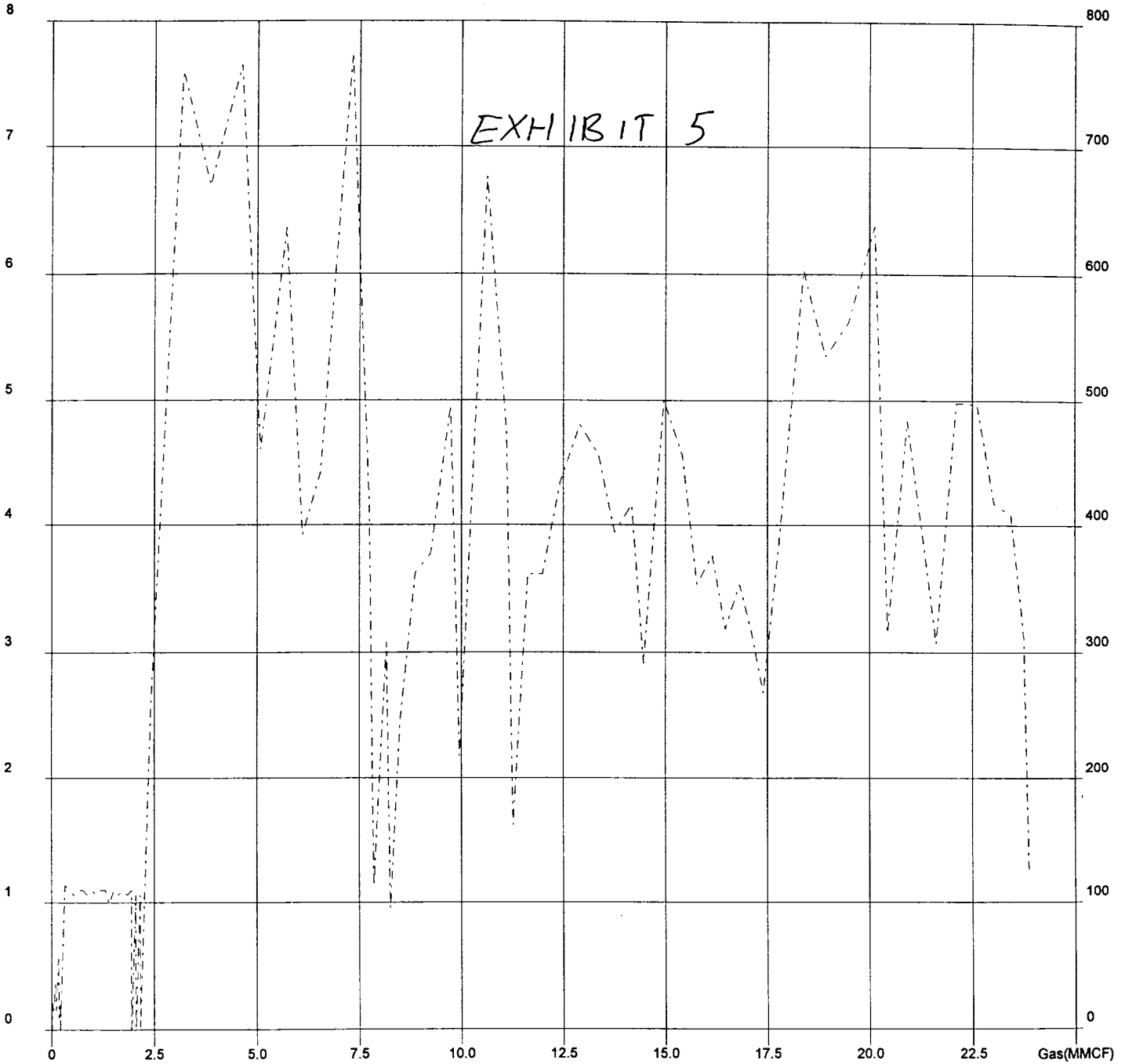
Location: 35O 27N 13W

# Dwights

Lease: HICKMAN (7R)

07/09/99

Retrieval Code: 251,045,26N12W03A00FT



WHSIP

0

County: SAN JUAN

F.P. Date: 12/90

Gas (mcf/mo) -----

Field: BASIN (FRUITLAND COAL) FT

Oil Cum: 0 bbl

Reservoir: FRUITLAND COAL

Gas Cum: 23.87 mmcf

Operator: EDWARDS J K ASSOC INC

Location: 3A 26N 12W

## EXHIBIT 6

Offset Operator Notification  
Hi Roll 5  
Commingling Application

To: Offset Operators

If you have questions, please call George Sharpe at (505) 327-9801, ext. 114. If you have any objections to this application, please notify the NMOCD in writing within 20 days of receipt of this application.

Mr. Paul Thompson  
Thompson Engineering  
7415 E. Main  
Farmington, New Mexico 87402

Mr. Richard Fromm  
Whiting Petroleum  
1700 Broadway, Suite 2300  
Denver, Colorado 80290

Mr. Tom Dugan  
Dugan Production Corp.  
P.O. Box 420  
Farmington, NM 87499-0420

Mr. Dean Price  
Burlington Resources  
P.O. Box 4289  
Farmington, NM 87499

Texaco Production Inc.  
3300 N. Butler Ave.  
Farmington, NM 87401

# MERRION

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OIL & GAS

July 21, 1999

Mr. David Catanach  
New Mexico Oil Conservation Division  
2040 S. Pacheco  
Santa Fe, New Mexico 87505

**Re: Application for Administrative Approval  
Downhole Commingling  
Basin Fruitland Coal Pool and WAW Pictured Cliffs Pool  
Hi Roll 2R  
Section 35, T27N, R13W  
San Juan County, New Mexico**

Dear Mr. Catanach:

Merrion Oil & Gas requests administrative approval for downhole commingling of the Basin Fruitland Coal and the WAW Pictured Cliffs Pools in the subject wellbore. The following information is provided in support of this application:

I. Proposed Spacing Units

Exhibit 1 is the ownership plat showing the offset operators. Exhibit 2 shows the C-102 plat for the Basin Fruitland Coal with a 320 acre spacing unit in the W/2 of Section 35. Exhibit 3 is the C-102 plat for the WAW Pictured Cliffs Pool with a  $\pm 160$  acre spacing unit in the SW/4 of Section 35.

II. Justification

The Hi Roll 2R is a redrill of the Hi Roll 2, which is a slim-hole completion with 2-7/8" casing. Because of the inefficient slim-hole completion, significant reserves will be left behind in this well. However, the reserves are not sufficient enough to justify drilling a well with the PC as the only target.

The Fruitland Coal is productive to the south of our well, but has not been "proved-up" north across our lease. Because of the risk associated with the step-out, we could not justify drilling a coal well by itself. Therefore, it is only by commingling the two zones that we can justify redrilling the well.



III. Allocation Methodology

Exhibit 4 shows the PC production from the current Hi Roll 2 well while Exhibit 5 shows the production history of an offset coal well. The coal gas rate in the offset stabilized quickly and declined exponentially, similar to the PC. Therefore, 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 indicates 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 PC and Fruitland have been generally determined to be compatible across the basin based on other similar applications to the OCD.

V. Cross Flow Between Zones

The current reservoir pressure of the PC is estimated to be 110 psi, while the Fruitland Coal is at 200 psi. With a flowing line pressure of less than 50 psi, crossflow is not anticipated to be a problem.

VI. Well Ownership Notification

The spacing unit and ownership of the two zones is identical.

VII. Offset Operator Notification

Exhibit 1 is a plat showing all offset operators. Exhibit 6 is a list of all the offset operators who received a certified copy of this application.

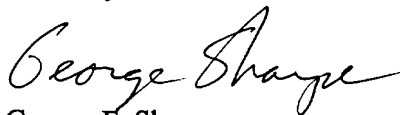
VIII. Summary

Both the PC and the Fruitland Coal lack the reserves to economically justify a new well on their own. Commingling the zones will maximize reserves and protect correlative rights. Therefore, we request your approval of this application.

Page Three  
July 21, 1999

Please call me with questions or if additional information is required.

Sincerely,

A handwritten signature in black ink that reads "George Sharpe". The signature is written in a cursive style with a large, sweeping initial "G".

George F. Sharpe  
Manager – Oil & Gas Investments

Xc: Offset Operators  
Aztec OCD, BLM – Farmington

**DISTRICT I**

P.O. Box 1980, Hobbs, NM 88241-1980

**DISTRICT II**

811 South First St., Artesia, NM 88210-2835

**DISTRICT III**

1000 Rio Grande Rd., Aztec, NM 87410-1893

State of New Mexico  
Energy, Minerals and Natural Resources Department

**OIL CONSERVATION DIVISION**

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

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

APPROVAL PROCESS:

Administrative  Hearing

EXISTING WELLBORE

YES  NO

**APPLICATION FOR DOWNHOLE COMMINGLING**

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

Lease: Hi Roll Well No. 2R Unit Ltr. - Sec. - Twp. - Rge. K-35-27N-13W County San Juan

Spacing Unit Lease Types: (check 1 or more)  
OGRID NO. 014634 Property Code \_\_\_\_\_ API NO. \_\_\_\_\_ Federal  State \_\_\_\_\_ (land/ri) Fee \_\_\_\_\_

The following facts are submitted in support of downhole commingling:	Upper Zone	Intermediate Zone	Lower Zone
1. Pool Name and Pool Code	Basin Fruitland Coal		WAW Fruitland Sand Pictured Cliffs
2. Top and Bottom of Pay Section (Perforations)	1170'-1190'		1200'-1220'
3. Type of production (Oil or Gas)	Gas		Gas
4. Method of Production (Flowing or Artificial Lift)	Flow		Flow
5. Bottomhole Pressure Oil Zones - Artificial Lift: Gas & Oil - Flowing: Estimated Current All Gas Zones: Estimated Or Measured Original	a. (Current) 200 psi b. (Original) 200 psi	a.  b.	a. 110 psi b. 200 psi
6. Oil Gravity (°API) or Gas BTU Content	BTU 1000		BTU 1100
7. Producing or Shut-In?	Shut-In Not completed yet		Shut-In Not completed yet
Production Marginal? (yes or no)	Yes		Yes
* If Shut-In, give date and oil/gas/water rates of last production <small>Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data</small>	Date: _____ Rates: N/A	Date: _____ Rates: _____	Date: N/A Rates: _____
* If Producing, give date and oil/gas/water rates of recent test (within 60 days)	Date: _____ Rates: N/A	Date: _____ Rates: _____	Date: _____ Rates: N/A
8. Fixed Percentage Allocation Formula - % for each zone	Will be provided after well is drilled. Oil: _____ % Gas: _____ %	Will be provided after well is drilled. Oil: _____ % Gas: _____ %	Oil: _____ % Gas: _____ %

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. NMOCD Reference Cases for Rule 303(D) Exceptions: ORDER NO(S). \_\_\_\_\_
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 \_\_\_\_\_ TITLE Engineer DATE 7-21-99

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

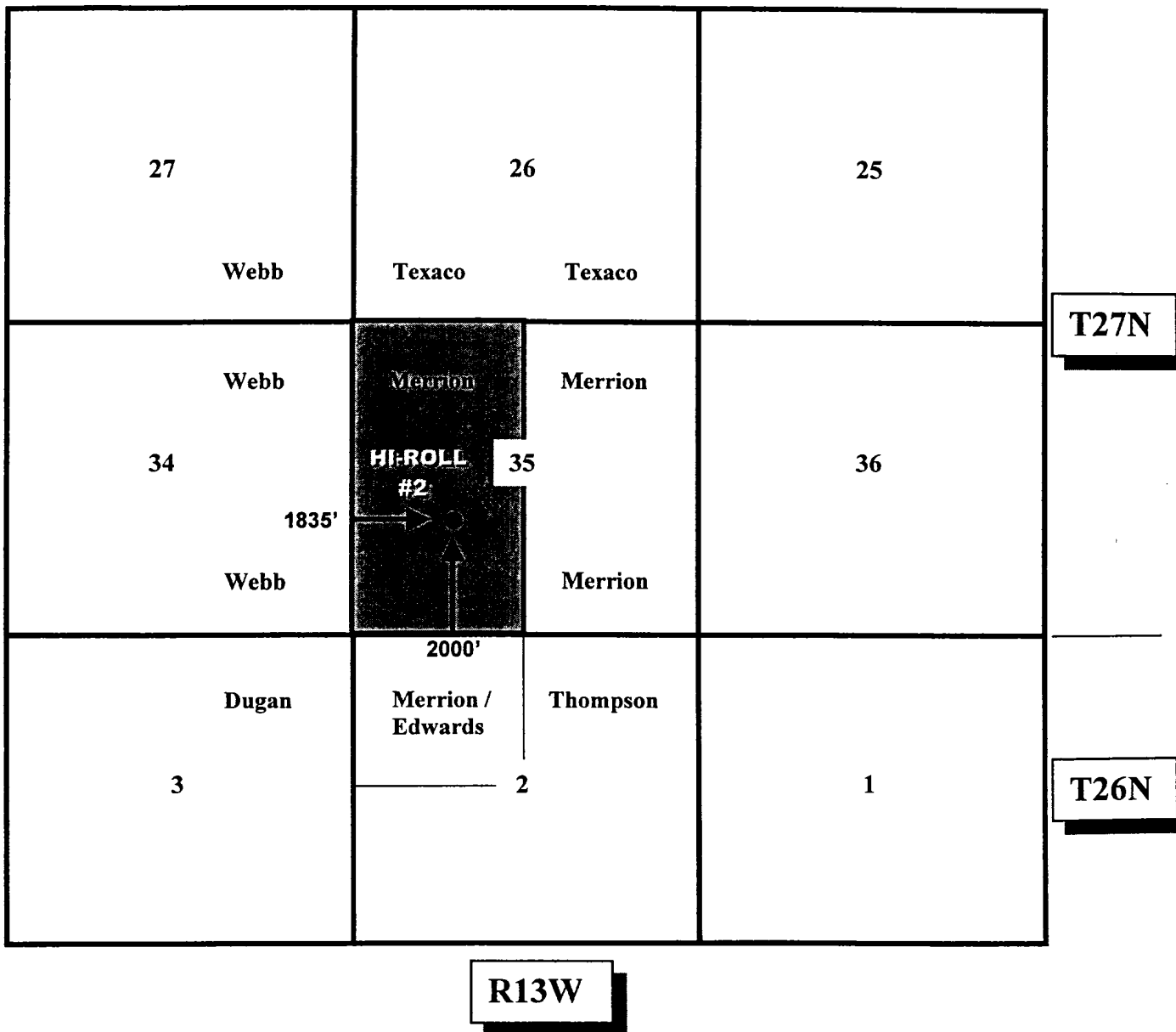
# Exhibit 1

## Offset Operator Plat

### HI-ROLL #2

T27N, R13W, Section 35

## Application to Commingle Producing Formations



District I  
 PO Box 1980, Hobbs, NM 88241-4980  
 District II  
 PO Drawer DD, Artesia, NM 88211-0719  
 District III  
 1000 Rio Brazos Rd., Aztec, NM 87410  
 District IV  
 PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico  
 Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION  
 PO Box 2088  
 Santa Fe, NM 87504-2088

Form C-102  
 Revised February 21, 1994  
 Instructions on back  
 Submit to Appropriate District Office  
 State Lease - 4 Copies  
 Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 APT Number		2 Pool Code 71629		3 Pool Name Basin Fruitland Coal	
4 Property Code		5 Property Name Hi Roll			6 Well Number 2 R
7 OGRID No. 014634		8 Operator Name MERRION OIL & GAS CORPORATION			9 Elevation 6031'

10 Surface Location

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
K	35	27 N	13 W	NESW	2000	South	1835	West	San Juan

11 Bottom Hole Location If Different From Surface

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

12 Dedicated Acres	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

	<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>Signature _____          George F. Sharpe          Printed Name _____          Engineer          Title _____          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>21 Jan 14 1999          Date of Survey _____          Signature and Seal of Professional Surveyor _____</p> <p><b>GERALD S. HUBBARD</b>          REGISTERED LAND SURVEYOR          6844</p> <p>Certificate Number _____</p>

District I  
 PO Box 1980, Hobbs, NM 88241-4980  
 District II  
 PO Drawer DD, Artesia, NM 88211-0719  
 District III  
 1000 Rio Brazos Rd., Aztec, NM 87410  
 District IV  
 PO Box 2088, Santa Fe, NM 87504-2088

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AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number		2 Pool Code 87190		3 Pool Name WAW Fruitland Sand Pictured Cliffs	
4 Property Code		5 Property Name Hi Roll			6 Well Number 2 R
7 OGRID No. 014634		8 Operator Name MERRION OIL & GAS CORPORATION			9 Elevation 6031'

10 Surface Location

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
K	35	27 N	13 W	NESW	2000	South	1835	West	San Juan

11 Bottom Hole Location If Different From Surface

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

12 Dedicated Acres	13 Joint or Infill	14 Consolidation Code	15 Order No.

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

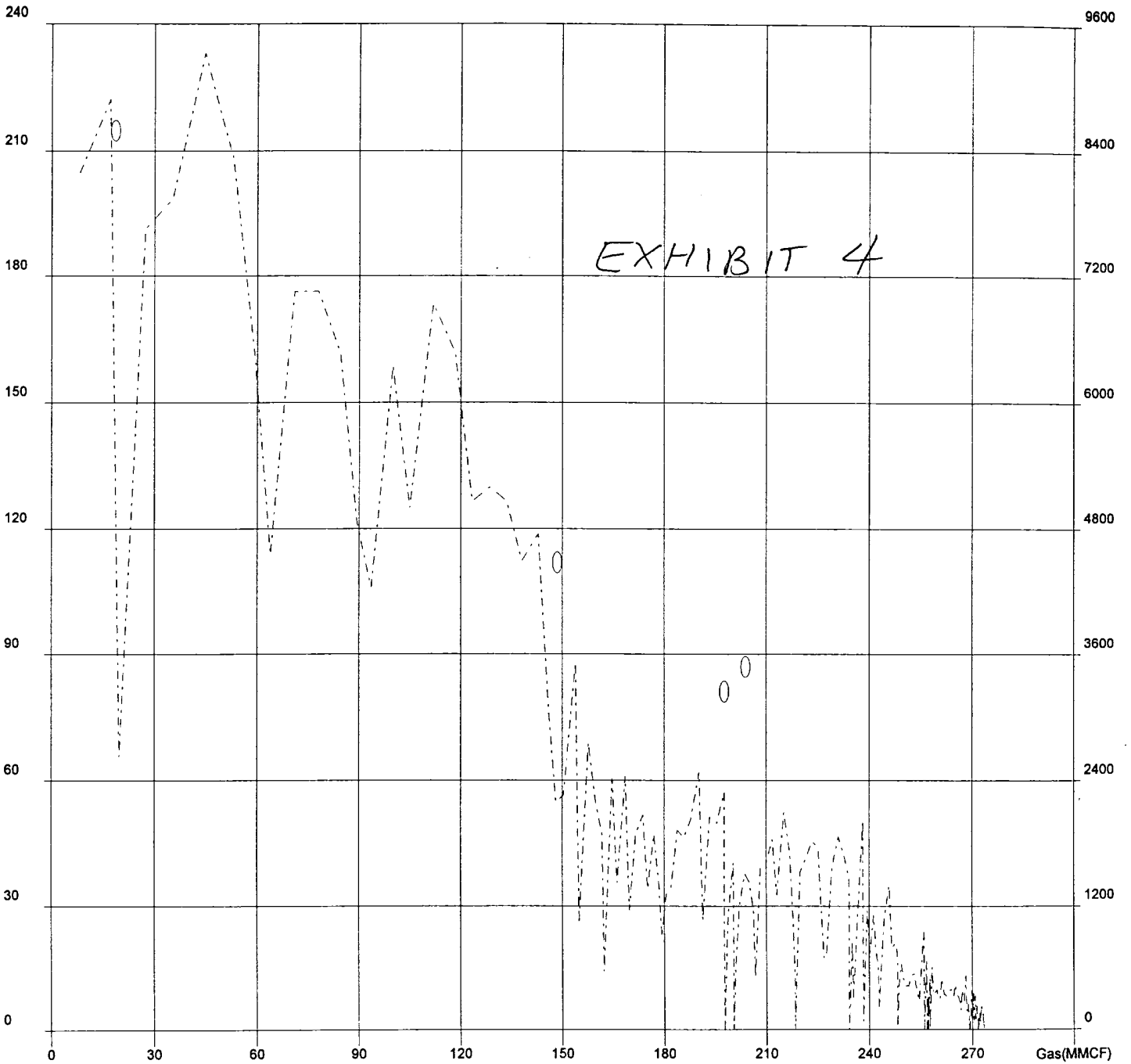
16	EXHIBIT 3				<p>17 OPERATOR CERTIFICATION</p> <p><i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</i></p> <hr/> <p>Signature George F. Sharpe</p> <hr/> <p>Printed Name Engineer</p> <hr/> <p>Title</p> <hr/> <p>Date</p>

# Dwights

Lease: HIGH ROLL (2)

07/09/99

Retrieval Code: 251,045,27N13W35K00FP



WHSIP

0

County: SAN JUAN

F.P. Date: 07/78

Gas (mcf/mo) -----

Field: WAW (FRUITLAND PICTURED CLIFFS) F

Oil Cum: 0 bbl

Reservoir: FRUITLAND PICTURED C

Gas Cum: 273.4 mmcf

Operator: MERRION OIL & GAS CORP

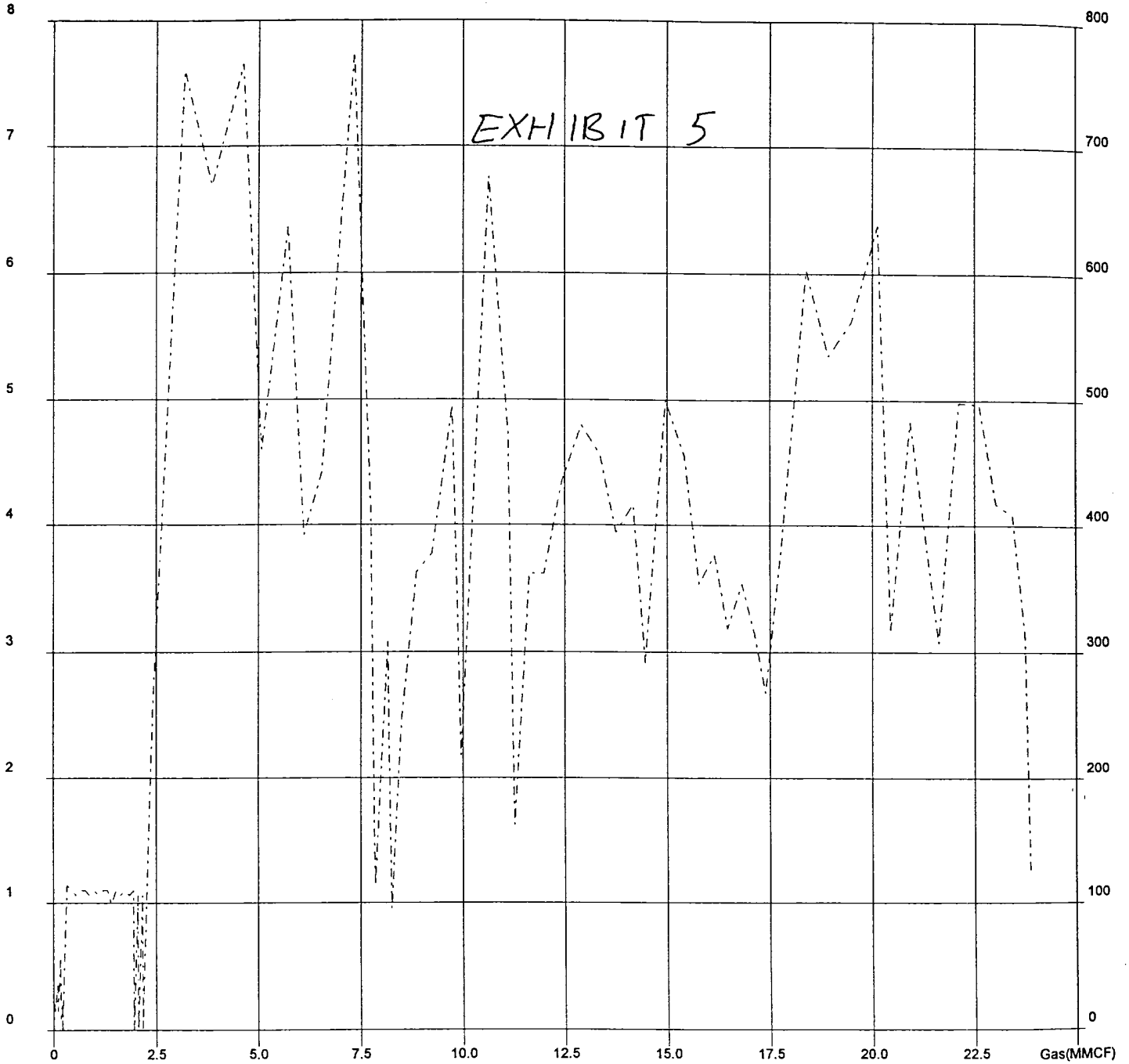
Location: 35K 27N 13W

# Dwights

Lease: HICKMAN (7R)

07/09/99

Retrieval Code: 251,045,26N12W03A00FT



WHSIP

0

County: SAN JUAN

F.P. Date: 12/90

Gas (mcf/mo) -----

Field: BASIN (FRUITLAND COAL) FT

Oil Cum: 0 bbl

Reservoir: FRUITLAND COAL

Gas Cum: 23.87 mmcf

Operator: EDWARDS J K ASSOC INC

Location: 3A 26N 12W



## EXHIBIT 6

Offset Operator Notification  
Hi Roll 2R  
Commingling Application

To: Offset Operators

If you have questions, please call George Sharpe at (505) 327-9801, ext. 114. If you have any objections to this application, please notify the NMOCD in writing within 20 days of receipt of this application.

Mr. Paul Thompson  
Thompson Engineering  
7415 E. Main  
Farmington, New Mexico 87402

Mr. Richard Fromm  
Whiting Petroleum  
1700 Broadway, Suite 2300  
Denver, Colorado 80290

Mr. Tom Dugan  
Dugan Production Corp.  
P.O. Box 420  
Farmington, NM 87499-0420

Mr. Max Webb  
2705 ½ E. Main St.  
Farmington, NM 87402

Mr. Kieth Edwards  
Edwards Energy Corp.  
1401 17<sup>th</sup> St., Suite 1400  
Denver CO 80202

Texaco Production Inc.  
3300 N. Butler Ave.  
Farmington, NM 87401