

DATE IN 8/15/2014	SUSPENSE	ENGINEER MAM	LOGGED IN 8/15/2014	TYPE NSL	APP NO. PMA 1422758674
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] **[NSP-Non-Standard Proration Unit]** **[SD-Simultaneous Dedication]**
[DHC-Downhole Commingling] **[CTB-Lease Commingling]** **[PLC-Pool/Lease Commingling]**
[PC-Pool Commingling] **[OLS - Off-Lease Storage]** **[OLM-Off-Lease Measurement]**
[WFX-Waterflood Expansion] **[PMX-Pressure Maintenance Expansion]**
[SWD-Salt Water Disposal] **[IPI-Injection Pressure Increase]**
[EOR-Qualified Enhanced Oil Recovery Certification] **[PPR-Positive Production Response]**

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Simultaneous Dedication
☒ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

- [D] Other: Specify _____

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or ☐ Does Not Apply

- [A] ☐ Working, Royalty or Overriding Royalty Interest Owners
 [B] ☒ Offset Operators, Leaseholders or Surface Owner
 [C] ☐ Application is One Which Requires Published Legal Notice
 [D] ☒ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
 [E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,
 [F] ☐ Waivers are Attached

[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Philana Thompson

Print or Type Name

Philana Thompson
Signature

Regulatory Compliance Specialist

Title

8-14/14
Date

pthompson@merrion.bz
e-mail Address



August 14th, 2014

Jami Bailey
New Mexico Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Re: Application for Administrative Approval of a Unorthodox well location in the Basin Mancos Gas Pool (97232) for the Chimichanga #3H API 30-045-35502, Section 36, T24N, R9W, San Juan County, NM.

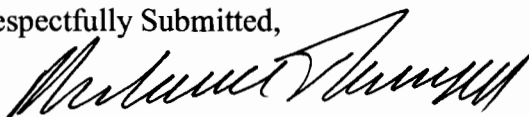
Dear Ms. Bailey:

Merrion Oil & Gas Corporation (OGRID 14634) is seeking administrative approval of an unorthodox well location for the Chimichanga #3H, a horizontal well with a surface location of the SENE, Section 36, T24N, R9W. This area is subject to the Special Rules and Regulations for the Basin Mancos Pool adopted by the Commission under R-12984, which requires 320 acre spacing and wells to be no closer than 660 feet to the outer boundary of the spacing unit. Two standup 320 acre spacing units in Section 36 will be combined to form a 640 acre project area for this proposed well. The penetration point of the proposed well will be in Unit H of section 36 at a location of 2000' FNL and 200' FEL. The bottom hole location is located in UL L at 1980' FSL and 280' FWL.

Enclosed as Exhibit A is the approved C-102 for the Chimichanga #3H horizontal well. It reflects that the W/2 and the E/2 of section 36 have been combined to form a 640 acre project area for this well, and that the completed interval encroaches toward the spacing units to the West of section 36, the W/2 remains at least 330 feet from the spacing unit boundary. Merrion Oil & Gas believes that this location is necessary to efficiently develop the Basin Mancos reserves underlying section 36. Rules 19.15.15.13 (B) and 19.15.4.12 (A)2 NMAC allow the director to grant an exception to the well location requirements so long as no affected party, as defined in the NMOCD division rules, object to the application.

Enclosed as Exhibit B is a land plat showing the leases and all working interest owners in the spacing units to the West and East of Section 36. It reflects that in the E/2 T24N, R9W S36 & W/2 T24N, R8W S31 interest is common. However in the W/2 of T24N, R9W, S36 & E/2 T24N It reflects that the ownership is not common between the adjoining spacing units and the spacing unit containing the proposed unorthodox location. A copy of this application with all attachments has been sent by certified mail to the working interest owners advising them that if they have an objection it must be filed in writing with the division within 20 days from the date the division receives this application. See Exhibit C.

Respectfully Submitted,


Philana Thompson
Merrion Oil & Gas, Controller

610 Reilly Avenue
Farmington, NM 87401
main 505.324.5300
fax 505.324.5350



August 14th, 2014

To affected parties

Re: Application for Administrative Approval of a Unorthodox well location in the Basin Mancos Gas Pool (97232) for the Chimichanga #3H API 30-045-35502, Section 36, T24N, R9W, San Juan County, NM.

To whom it may concern:

Enclosed is a copy of the above referenced application which was filed with the New Mexico Oil Conservation Division. Any objection to this application must be filed in writing within twenty (20) days from the date above with the applicant and the New Mexico Oil Conservation Division, 1220 South St. Francis Drive, Santa Fe, NM 87505. If no objection is received within the twenty (20) day period, this application may be approved administratively by the Division.

If you have any questions or concerns about this application, please contact me at:

Philana Thompson
Merrion Oil & Gas Corporation
610 Reilly Ave
Farmington, NM 87401
pthompson@merrion.bz
505-324-5336

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Philana Thompson", is written over the printed name.

Philana Thompson
Merrion Oil & Gas, Controller

610 Reilly Avenue
Farmington, NM 87401
main 505.324.5300
fax 505.324.5350

Submit 1 Copy To Appropriate District Office
District I - (575) 393-6161
1625 N. French Dr., Hobbs, NM 88240
District II - (575) 748-1283
811 S. First St., Artesia, NM 88210
District III - (505) 334-6178
1000 Rio Brazos Rd., Aztec, NM 87410
District IV - (505) 476-3460
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources

Form C-103
Revised July 18, 2013

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

WELL API NO.
30-045-35502

5. Indicate Type of Lease
STATE ☒ FEE ☐

6. State Oil & Gas Lease No.

7. Lease Name or Unit Agreement Name

CHIMICHANGA

8. Well Number
#3H

9. OGRID Number
14634

10. Pool name or Wildcat
BASIN MANCOS

Hold C104
for Directional Survey
and "As Drilled" plat

SUNDRY NOTICES AND REPORTS ON WELLS
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

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

2. Name of Operator
MERRION OIL & GAS CORPORATION

3. Address of Operator
610 REILLY AVE FARMINGTON, NM 87401

4. Well Location

Unit Letter L : 1980 feet from the SOUTH line and 251 feet from the WEST line
Section 36 Township 24N Range 9W NMPM County SAN JUAN

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
6839'

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐
TEMPORARILY ABANDON ☐ CHANGE PLANS ☒
PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐
DOWNHOLE COMMINGLE ☐
CLOSED-LOOP SYSTEM ☐
OTHER: ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☐ P AND A ☐
CASING/CEMENT JOB ☐
OTHER: ☐

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 19.15.7.14 NMAC. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Merrion Oil & Gas proposed to change the surface and bottom hole location of the above mentioned well as follows:

New Well Location:

SL - H-36-T24N-R9W 2000' FNL & 200' FEL 36.27257, -107.73280

BH- L-36-T24N-R9W 1980' FSL & 280' FWL 36.26885, -107.74907

See attached revised C102, APD, operations plan & drilling plan

Hold C104
for Directional Survey
and "As Drilled" plat

Spud Date:

Rig Release Date:

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

SIGNATURE Philana Thompson TITLE Regulatory Compliance Spec DATE 7/28/14

Type or print name Philana Thompson E-mail address: pthompson@merrion.bz PHONE: 505-486-1171

For State Use Only

APPROVED BY: Charles P. Perry TITLE SUPERVISOR DISTRICT # 3 DATE AUG 06 2014
Conditions of Approval (if any):

District IV
1220 S. St. Francis Drive, Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

1220 South St. Francis Drive
Santa Fe, NM 87505

Submit one copy to
Appropriate District Office

OILCONS DIV DIST. CO. T

JUL 29 2014

JASON C. EDWARDS
Certificate Number 15269

District I

1625 N. French Dr., Hobbs, NM 88240
Phone:(575) 393-6161 Fax:(575) 393-0720

District II

811 S. First St., Artesia, NM 86210
Phone:(575) 748-1283 Fax:(575) 748-8720

District III

1000 Rio Brazos Rd., Aztec, NM 87410
Phone:(505) 334-6178 Fax:(505) 334-6170

District IV

1220 S. St Francis Dr., Santa Fe, NM 87505
Phone:(505) 476-3470 Fax:(505) 476-3482

State of New Mexico
Energy, Minerals and Natural
Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

Form C-102
August 1, 2011

Permit 178075

WELL LOCATION AND ACREAGE DEDICATION PLAT

1. API Number 30-045-35502	2. Pool Code 97232	3. Pool Name BASIN MANCOS
4. Property Code	5. Property Name Chimichanga	6. Well No. 003H
7. OGRID No. 14634	8. Operator Name MERRION OIL & GAS CORP	9. Elevation 6839

10. Surface Location

UL - Lot H	Section 36	Township 24N	Range 09W	Lot Idn	Feet From 2000	N/S Line N	Feet From 200	E/W Line E	County SAN JUAN
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11. Bottom Hole Location if Different From Surface

UL - Lot L	Section 36	Township 24N	Range 09W	Lot Idn	Feet From 1980	N/S Line S	Feet From 280	E/W Line W	County SAN JUAN
12. Dedicated Acres 640.00	13. Joint or Infill	14. Consolidation Code N/A	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


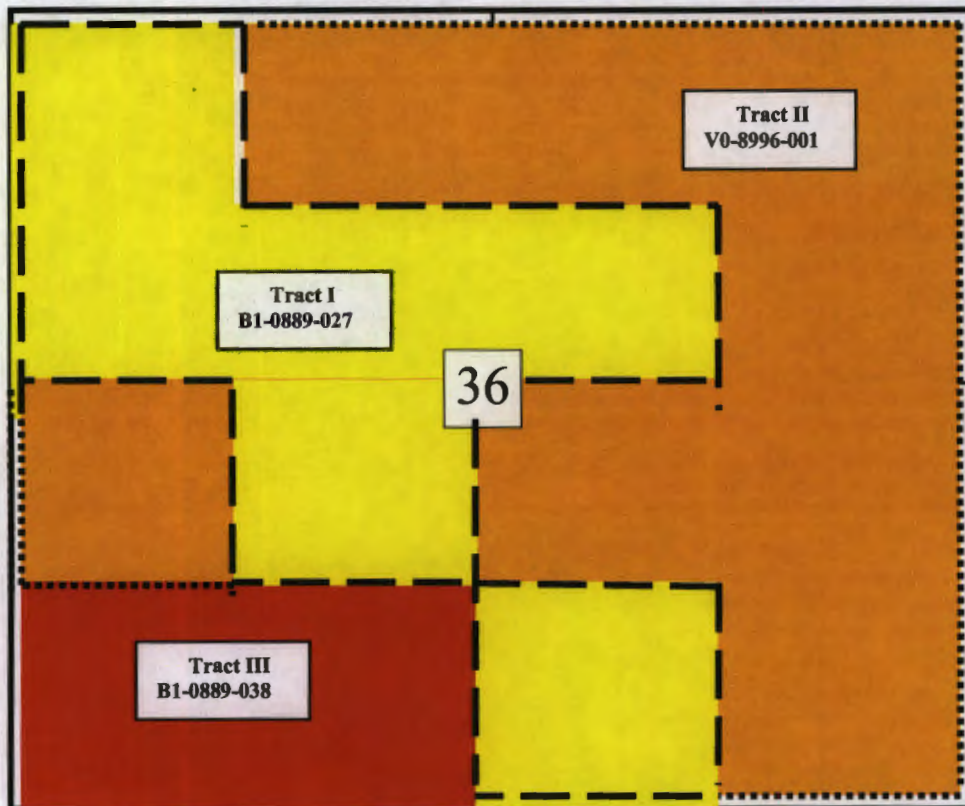
	<p style="text-align: center;">OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location(s) or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p>E-Signed By: <i>Michael Thompson</i> Title: <i>Regulatory Specialist</i> Date: <i>7-29-14</i></p>
	<p style="text-align: center;">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>Surveyed By: Jason C Edwards Date of Survey: 6/19/2014 Certificate Number: 15269</p>

EXHIBIT "B"

Covering All of Section 36, Township 24N, Range 09W
San Juan County, New Mexico

PLAT OF COMMUNITIZED AREA



Operator of the Communitized Area: **Merrion Oil & Gas Corporation**

Description of Leases Committed

Tract I

Lessor:	State of New Mexico, acting by and through its Commissioner of Public Lands	
Lessee of Record:	Koch Exploration & Merrion Oil & Gas Corporation	
Lease Serial No.	B1-0889-00027	
Date of Lease:	12/22/1943	
Description of Lands Committed:	<u>Township 24N, Range 6W, NMPM</u> Section 36: SW $\frac{1}{4}$ NE $\frac{1}{4}$, W $\frac{1}{2}$ NW $\frac{1}{4}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$, NE $\frac{1}{4}$ SW $\frac{1}{4}$, SW $\frac{1}{4}$ SE $\frac{1}{4}$	
No. of Acres:	240 Acres	
Name and Percent Working	Koch Exploration Company	75.000%
Interest Owner	Merrion Oil & Gas	<u>25.000%</u>
Total Working Interest		100.0000%

Tract II

Lessor:	State of New Mexico, acting by and through its Commissioner of Public Lands	
Lessee of Record:	Dugan Production Corporation	
Lease Serial No.	V0-8996-00002	
Date of Lease:	7/1/2011	
Description of Lands Committed:	<u>Township 24N, Range 9W, NMPM</u> Section 36: N $\frac{1}{2}$ NE $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$, NE $\frac{1}{4}$ NW $\frac{1}{4}$, NW $\frac{1}{4}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$ NE $\frac{1}{4}$	
No. of Acres:	320 Acres	
Name and Percent Working	Dugan Production Corp	%
Interest Owner	EnCana Oil & Gas (USA) Inc	%
Total Working Interest		100.0000%

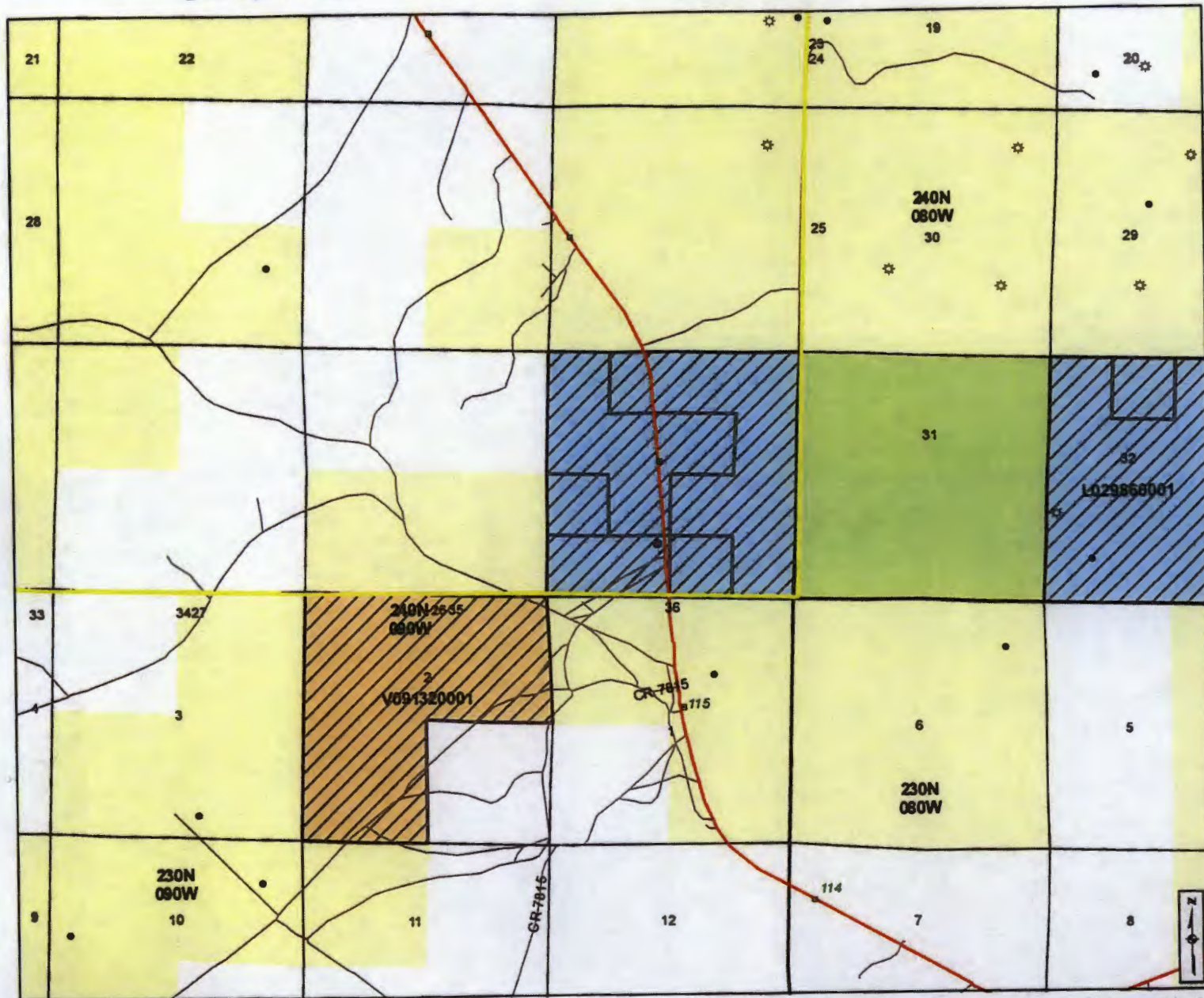
Tract III

Lessor:	State of New Mexico, acting by and through its Commissioner of Public Lands	
Lessee of Record:	Koch Exploration Company	
Lease Serial No.	B1-0889-0038	
Date of Lease:	12/22/1943	
Description of Lands Committed:	<u>Township 24N, Range 9W, NMPM</u> Section 36: S½SW¼	
No. of Acres:	80 Acres	
Name and Percent Working Interest Owner	Koch Exploration Co	<u>100.00%</u>
Total Working Interest		100.0000%

Recapitulation

<u>Tract No.</u>	<u>No. of Acres Committed</u>	<u>Percentage of Interest In Communitized Area</u>
I	240.00	37.5%
II	320.00	50.0%
III	80.00	12.5%
	640.00	100.00%

Exhibit B



Cartographic Features

- County Boundaries
- County Seats
- City, Town or Village
- SLO District Offices
- SLO District Boundary
- Hwy Mileposts
- Interstate
- NM Hwy
- US Hwy
- Local Road
- Continental Divide

Federal Minerals Ownership

- All Minerals
- Coal Only
- Oil and Gas Only
- Oil, Gas and Coal Only
- Other Minerals

State Trust Lands

- Surface Estate
- Subsurface Estate
- Surface and Subsurface Estate

State Leases

- Oil and Gas Leases
- Agricultural Leases
- Commercial Leases
- Minerals Leases
- Not Available for Oil and Gas Leasing
- Oil and Gas Leasing Influenced by Restriction

Oil and Gas Related Features

- Oil and Gas Unit Boundary
- Participating Areas in Units
- Geologic Regions
- Volcanic Vents
- NMOC Order R-111-P
- Potash Enclave Outline

NMOC Oil and Gas Wells

- CO₂
- Injection
- Oil
- Water
- Gas
- Miscellaneous
- Salt Water Disposal
- DA or PA

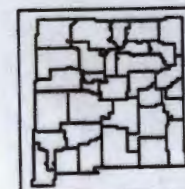
New Mexico State Land Office Oil, Gas and Minerals

0 0.125 0.25 0.5 0.75 1 Miles
Universal Transverse Mercator Projection, Zone 13
1983 North American Datum

The New Mexico State Land Office assumes no responsibility or liability for, or in connection with, the accuracy, reliability or use of the information provided here, in State Land Office data layers or any other data layer.

Land Office Geographic Information Center
logic@sls.state.nm.us

Created On: 2/20/2014 8:58:31 AM



www.nmstatelands.org

Exhibit C : Notification List

New Mexico State Land Office
PO Box 1148
Santa Fe, NM 87504

Koch Exploration Company LLC
950 17th Street, Suite 1900
Denver, CO 80202

Encana Oil & Gas (USA) Inc.
370 17th Street, Suite 1700
Denver, CO 80202

Dugan Production Corporation
709 E Murray Dr
Farmington, NM 87401

New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

McMillan, Michael, EMNRD

From: Philana Thompson <pthompson@merrion.bz>
Sent: Friday, August 22, 2014 12:24 PM
To: McMillan, Michael, EMNRD
Cc: Ryan Davis; Ryan Merrion
Subject: Re: Chimicanga #3H API 30-045-35502 and ChipandSalsa#2H API 30-045-35582 NSL administrative applications

Michael,

Due to cluster spacing with in each stage, and to allow for reasonable margin of error, for both wells the perms will be as follows:

380' FWL & 710' FEL

On Fri, Aug 22, 2014 at 11:31 AM, McMillan, Michael, EMNRD <Michael.McMillan@state.nm.us> wrote:

These are the footage calls from the end and beginning of the perforated interval?

Thank You

Michael McMillan

From: Philana Thompson [mailto:pthompson@merrion.bz]
Sent: Friday, August 22, 2014 11:25 AM
To: McMillan, Michael, EMNRD
Subject: Re: Chimicanga #3H API 30-045-35502 and ChipandSalsa#2H API 30-045-35582 NSL administrative applications

for both locations it will be 330' FWL and 660 FEL

On Fri, Aug 22, 2014 at 10:47 AM, Philana Thompson <pthompson@merrion.bz> wrote:

Here is the perforations:

Chipsnsalsa- Top 5617' Bot 9812'

Chimichanga- Top 5807' Bot 9957'

please let me know if you require any further information.

McMillan, Michael, EMNRD

From: Philana Thompson <pthompson@merrion.bz>
Sent: Friday, August 22, 2014 2:38 PM
To: McMillan, Michael, EMNRD
Cc: Ryan Davis
Subject: Re: Chimichanga 3H

that was in regards to the bhl in east end, we changed the bhl to the west end which is why we filed a new nsl

Philana Thompson
Merrion Oil & Gas
Sent from my iPhone

On Aug 22, 2014, at 2:33 PM, "McMillan, Michael, EMNRD" <Michael.McMillan@state.nm.us> wrote:

Ms. Thompson:
Encana had protested the Chimichanga 3H location on Friday March 14, 2014, has the issue been resolved?

Thank You

Michael A. McMillan

Engineering and Geological Services Bureau, Oil Conservation Division
1220 South St. Francis Dr., Santa Fe NM 87505
O: 505.476.3448 F. 505.476.3462