

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

Signature

*Philana Thompson*

Regulatory Compliance Specialist

Title

8-14-14  
Date

pthompson@merrion.bz  
e-mail Address

RECEIVED OGD  
JUL 15 PM 2:55  
W 24

- Chips NSALSA  
30-045-35582  
Pool  
- Basin Mancos  
97232

- NSL 715  
- m canyon oil and gas  
14634



August 14<sup>th</sup>, 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 CHIPSNSALSA #2H API 30-045-35582, 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 CHIPSNSALSA #2H, 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 1980' FNL and 200' FEL. The bottom hole location is located in UL E at 1980' FnL and 280' FWL.

Enclosed as Exhibit A is the approved C-102 for the CHIPSNSALSA #2H 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 14<sup>th</sup>, 2014

To affected parties

**Re: Application for Administrative Approval of a Unorthodox well location in the Basin Mancos Gas Pool (97232) for the CHIPSNSALSA #2H API 30-045-35582, 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](mailto:pthompson@merrion.bz)  
505-324-5336

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Philana Thompson", is written over a horizontal line.

Philana Thompson  
Merrion Oil & Gas, Controller

610 Reilly Avenue  
Farmington, NM 87401  
main 505.324.5300  
fax 505.324.5350

**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 88210  
Phone:(575) 748-1283 Fax:(575) 748-9720

**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) 476-3462

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

Form C-101  
August 1, 2011

Permit 188217

**OIL CONS. DIV DIST. 3**

**JUL 29 2014**

**APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE**

1. Operator Name and Address MERRION OIL & GAS CORP 610 Reilly Ave Farmington, NM 87401		2. OGRID Number 14634
4. Property Code 313509		3. API Number 30-045-35582
5. Property Name CHIPSNSALSA		6. Well No. 002H

**7. Surface Location**

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
H	36	24N	09W		1980	N	200	E	SAN JUAN

**8. Proposed Bottom Hole Location**

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
E	36	24N	09W	E	1980	N	280	W	San Juan

**9. Pool Information**

BASIN MANCOS	97232
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**Additional Well Information**

11. Work Type New Well	12. Well Type GAS	13. Cable/Rotary	14. Lease Type State	15. Ground Level Elevation 6839
16. Multiple N	17. Proposed Depth 5269	18. Formation Mancos Formation	19. Contractor	20. Spud Date 9/30/2014
Depth to Ground water 7500'		Distance from nearest fresh water well 71000'		Distance to nearest surface water 71000'

☒ We will be using a closed-loop system in lieu of lined pits

**21. Proposed Casing and Cement Program**

Type	Hole Size	Casing Size	Casing Weight/ft	Setting Depth	Sacks of Cement	Estimated TOC
Surf	12.25	9.625	36	500	195	0
Int1	8.75	7	23	5510	933	0
Prod	6.125	4.5	11.6	9862	340	5360

Hold C104

for Directional Survey  
and "As Drilled" plat

**Casing/Cement Program: Additional Comments**

HOLD C104 FOR NSL

**22. Proposed Blowout Prevention Program**

Type	Working Pressure	Test Pressure	Manufacturer
Double Ram	3000	3000	TBD
Hydril	3000	3000	TBD
Blind	3000	3000	TBD
Pipe	3000	3000	TBD

23. I hereby certify that the information given above is true and complete to the best of my knowledge and belief.  
I further certify I have complied with 19.15.14.9 (A) NMAC ☒ and/or 19.15.14.9 (B) NMAC ☒, if applicable.

Signature:

Printed Name:

Title:

Email Address:

Date:

*Philana Thompson*  
Philana Thompson  
Regulatory Specialist  
p.thompson@merrion.biz

Phone: 505 324 533

**OIL CONSERVATION DIVISION**

*Charles Lee* 8-7-2014

Approved By: SUPERVISOR DISTRICT #3

Title:

Approved Date: AUG 07 2014

Expiration: AUG 07 2016

Conditions of Approval Attached

AV

23

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

District II  
811 S. First Street, Artesia, NM 88210  
Phone: (575) 748-1283 Fax: (575) 748-9720

District III  
1000 Rio Brazos Road, Aztec, NM 87410  
Phone: (505) 334-6178 Fax: (505) 334-6170

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

State of New Mexico  
Energy, Minerals & Natural Resources Department

Form C-102  
Revised August 1, 2011

Submit one copy to  
Appropriate District Office

OIL CONSERVATION DIVISION

1220 South St. Francis Drive  
Santa Fe, NM 87505

OIL CONS. DIV DIST 3

JUL 29 2014

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-045-35582	*Pool Code 97232	*Pool Name BASIN MANCOS
*Property Code 313509	*Property Name CHIPSNSALSA	*Well Number 2H
*GRID No. 14634	*Operator Name MERRION OIL & GAS CORPORATION	*Elevation 6839'

10 Surface Location

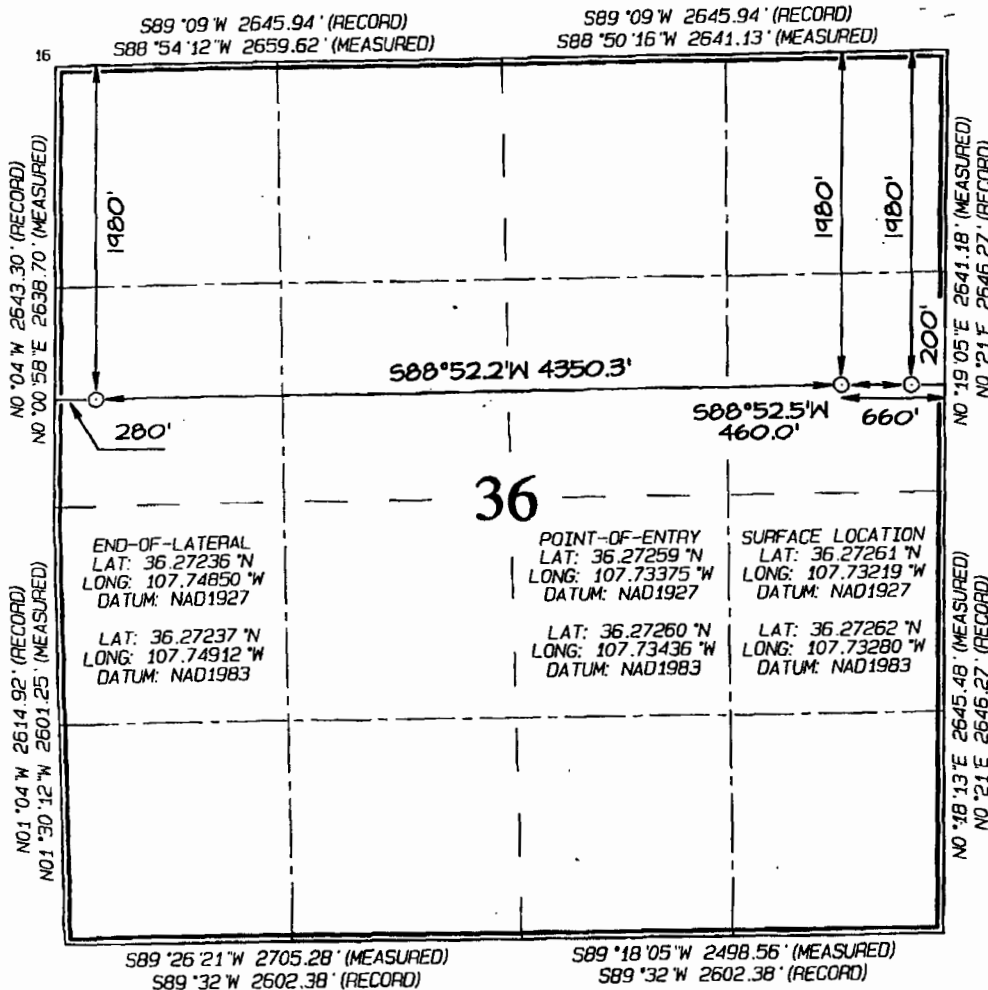
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	36	24N	9W		1980	NORTH	200	EAST	SAN JUAN

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
E	36	24N	9W		1980	NORTH	280	WEST	SAN JUAN

*Dedicated Acres 640.0 Acres Entire Section 36	*Joint or Infill	*Consolidation Code	*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



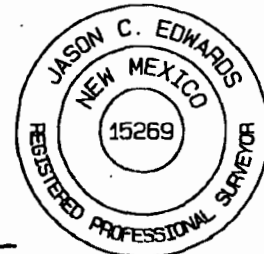
17 OPERATOR CERTIFICATION  
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom-hole location or has a right 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.

Signature: *Philana Thompson* Date: 5-30-14  
Printed Name: Philana Thompson  
E-mail Address: pthompson@merrion-bz

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 belief.

Date Revised: MAY 22, 2014  
Date of Survey: MARCH 3, 2014

Signature and Seal of Professional Surveyor



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 88210  
Phone:(575) 748-1283 Fax:(575) 748-9720

**District III**

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**District IV**

1220 S. St Francis Dr., Santa Fe, NM 87505  
Phone:(505) 476-3470 Fax:(505) 476-3462

**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 188217

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

1. API Number <b>3004535582</b>	2. Pool Code <b>97232</b>	3. Pool Name <b>BASIN MANCOS</b>
4. Property Code <b>313569</b>	5. Property Name <b>CHIPSNSALSA</b>	6. Well No. <b>002H</b>
7. OGRID No. <b>14634</b>	8. Operator Name <b>MERRION OIL &amp; GAS CORP</b>	9. Elevation <b>6839</b>

**10. Surface Location**

UL - Lot <b>H</b>	Section <b>36</b>	Township <b>24N</b>	Range <b>09W</b>	Lot Idn	Feet From <b>1980</b>	N/S Line <b>N</b>	Feet From <b>200</b>	E/W Line <b>E</b>	County <b>SAN JUAN</b>
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**11. Bottom Hole Location if Different From Surface**

UL - Lot <b>E</b>	Section <b>36</b>	Township <b>24N</b>	Range <b>09W</b>	Lot Idn	Feet From <b>1980</b>	N/S Line <b>N</b>	Feet From <b>280</b>	E/W Line <b>W</b>	County <b>SAN JUAN</b>
12. Dedicated Acres <b>640.00</b>		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**

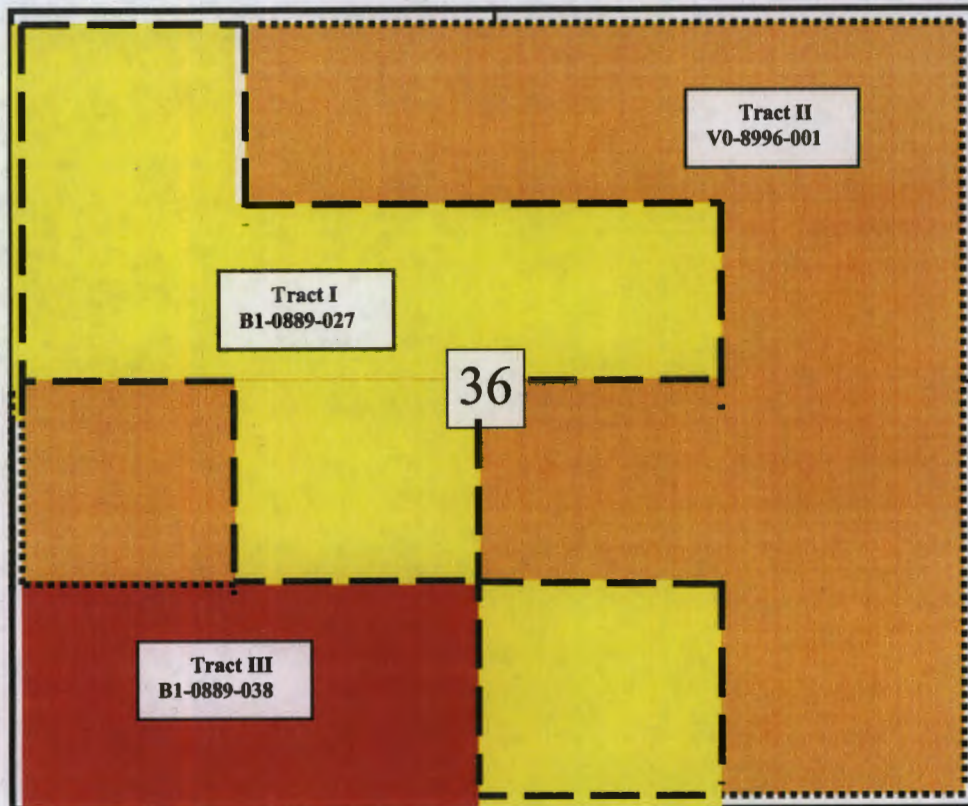
	<p align="center"><b>OPERATOR CERTIFICATION</b></p> <p><i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottomhole 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.</i></p> <p>E-Signed By: <i>Melinda Thompson</i> Title: <i>Regulatory specialist</i> Date: <i>7-28-14</i></p>
	<p align="center"><b>SURVEYOR CERTIFICATION</b></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>Surveyed By: <b>Jason C Edwards</b> Date of Survey: <b>5/22/2014</b> Certificate Number: <b>15269</b></p>

*Exhibit A*



**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%

[illegible]

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

Land Office Geographic Information Center  
logis@do.state.nm.us




### Cartographic Features

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







### 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

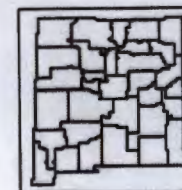
-  Oil and Gas Leases
-  Agricultural Leases
-  Commercial Leases
-  Minerals Leases
-  Not Available for Oil and Gas Leasing
-  Oil and Gas Leasing Influenced by Restriction

### 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

### NMOCD Oil and Gas Wells

- ☼ CO<sub>2</sub>
- Injection
- Oil
- ◆ Water
- ☼ Gas
- Miscellaneous
- △ Salt Water Disposal
- ◇ DA or PA



[www.nmstatelands.org](http://www.nmstatelands.org)

## **Exhibit C : Notification List**

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

Koch Exploration Company LLC  
950 17<sup>th</sup> Street, Suite 1900  
Denver, CO 80202

Encana Oil & Gas (USA) Inc.  
370 17<sup>th</sup> 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

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**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: Chemicanga #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](mailto: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](mailto:pthompson@merrion.bz)]  
**Sent:** Friday, August 22, 2014 11:25 AM  
**To:** McMillan, Michael, EMNRD  
**Subject:** Re: Chemicanga #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](mailto: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.