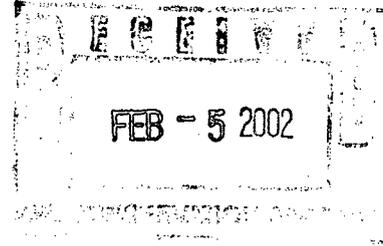


**MERRION**

OIL &amp; GAS

2985



January 28, 2002

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 Aztec Pictured Cliffs Pool**  
**Chucky #1**  
**Section 23, T30N, R12W**  
**San Juan County, New Mexico**

Dear Mr. Catanach:

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

I. Proposed Spacing Units

Exhibit 1 shows the C-102 plat for the Basin Fruitland Coal with a 320 acre spacing unit in the E/2 of Section 23. Exhibit 2 is the C-102 plat for the Aztec Pictured Cliffs Pool with a +160 acre spacing unit in the NE/4 of Section 23.

II. Justification

The well was drilled in early 2001 and completed in the Pictured Cliffs (PC) formation. The PC production has stabilized at a relatively marginal rate of 70 MCFD and 70 BWPD. The economics of the well can be significantly enhanced by adding the Fruitland Coal and commingling the two zones.

III. Allocation Methodology

Exhibit 3 shows the PC production from the Chucky #1 while Exhibit 4 shows the production history of the PC State Com 24, an offset coal well. The production characteristics of the two wells are very similar. 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 reservoir pressure of both zones is estimated to be 450 psig. Therefore, crossflow is not anticipated to be a problem.

VI. Well Ownership Notification

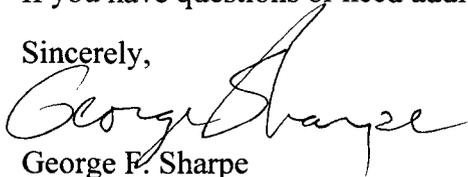
The spacing unit and ownership of the two zones is not the same. Exhibit 5 is a list of all working interest, override, and royalty interest owners in the well who received certified copies of this application.

VII. Summary

The current PC completion is marginally economic. Commingling the zones will maximize reserves and protect correlative rights. Therefore, we request your approval of this application.

If you have questions or need additional information, please call me at (505) 327-9801, ext. 114.

Sincerely,



George F. Sharpe  
Manager - Oil & Gas Investments

xc: Well Owners  
Aztec OCD

**Application of Merrion Oil & Gas  
Downhole Commingling  
Chucky #1**

Objections to this application must be sent to the NMOCD within 20 days of receipt of this application. If you do not object, please sign and return this waiver sheet to George Sharpe.

**WAIVER**

\_\_\_\_\_ hereby waives objection to this application.  
Company or Individual Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

District I  
1625 N. French Drive, Hobbs, NM 88240

District II  
811 South First Street, Artesia, NM 88210

District III  
1000 Rio Brazos Road, Aztec, NM 87410

District IV  
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-107A  
Revised May 15, 2000

**OIL CONSERVATION DIVISION**

2040 South Pacheco  
Santa Fe, New Mexico 87505

APPLICATION TYPE

Single Well  
 Establish Pre-Approved Pools  
EXISTING WELLBORE  
 Yes  No

**APPLICATION FOR DOWNHOLE COMMINGLING**

**MERRION OIL & GAS CORPORATION, 610 Reilly Avenue, Farmington, NM 87401-2634**

Operator **CHUCKY** Address **1 A 23 30N 12W San Juan**  
Lease Well No. Unit Letter-Section-Township-Range County

OGRID No. 014634 Property Code 25177 API No. 30-045-30085 Lease Type:  Federal  State  Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Basin Fruitland Coal		Aztec Pictured Cliffs
Pool Code	71629		71280
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	1734'-1754'		1764'-1789'
Method of Production (Flowing or Artificial Lift)	Flowing		Flowing
Bottomhole Pressure <small>(Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone)</small>	450 psi		450 psi
Oil Gravity or Gas BTU <small>(Degree API or Gas BTU)</small>	BTU 1000		BTU 100
Producing, Shut-In or New Zone	Shut In - not completed yet		Producing
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: Oct., 2001 Rates: 70 MCFD, 70 BWPD
Fixed Allocation Percentage <small>(Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)</small>	Oil Gas <i>Will be provided after Fruitland Coal is</i>	Oil Gas <i>completed.</i>	Oil Gas <i>% %</i>

**ADDITIONAL DATA**

Are all working, royalty and overriding royalty interests identical in all commingled zones?  
If not, have all working, royalty and overriding royalty interest owners been notified by certified mail? Yes  No   
Yes  No

Are all produced fluids from all commingled zones compatible with each other? Yes  No

Will commingling decrease the value of production? Yes  No

If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application? *NA* Yes  No

NMOCD Reference Case No. applicable to this well: \_\_\_\_\_

**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 working, royalty and overriding royalty interests for uncommon interest cases.
- Any additional statements, data or documents required to support commingling.

**PRE-APPROVED POOLS**

If application is to establish Pre-Approved Pools, the following additional information will be required:

- List of other orders approving downhole commingling within the proposed Pre-Approved Pools
- List of all operators within the proposed Pre-Approved Pools
- Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application.
- Bottomhole pressure data.

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 January 29, 2002

TYPE OR PRINT NAME George F. Sharpe TELEPHONE NO. (505) 327-9801 Ext. 114

**District I**  
 1625 N. French Dr., Hobbs, NM 88240  
**District II**  
 811 South First, Artesia, NM 88210  
**District III**  
 1000 Rio Brazos Rd., Aztec, NM 87410  
**District IV**  
 2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico  
 Energy, Minerals & Natural Resources Department

Form C-102  
 Revised August 15, 2000

**OIL CONSERVATION DIVISION**  
 2040 South Pacheco  
 Santa Fe, NM 87505

Submit to Appropriate District Office  
 State Lease - 4 Copies  
 Fee Lease - 3 Copies

AMENDED REPORT

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

<sup>1</sup> API Number <b>30-045-30085</b>		<sup>2</sup> Pool Code <b>71629</b>	<sup>3</sup> Pool Name <b>Basin Fruitland Coal</b>
<sup>4</sup> Property Code <b>25177</b>	<sup>5</sup> Property Name <b>CHUCKY</b>		<sup>6</sup> Well Number <b>001</b>
<sup>7</sup> OGRID No. <b>014634</b>	<sup>8</sup> Operator Name <b>MERRION OIL &amp; GAS CORPORATION</b>		<sup>9</sup> Elevation <b>5510'</b>

<sup>10</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
<b>A</b>	<b>23</b>	<b>30N</b>	<b>12W</b>	<b>NENE</b>	<b>1065</b>	<b>North</b>	<b>1260</b>	<b>East</b>	<b>San Juan</b>

<sup>11</sup> 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

<sup>12</sup> Dedicated Acres	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> 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			<p><b><sup>17</sup> OPERATOR CERTIFICATION</b>          I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>George Sharpe</i>          Signature</p> <p><b>George Sharpe</b>          Printed Name</p> <p><b>Engineer</b>          Title</p> <p><b>January 29, 2002</b>          Date</p>
			<p><b><sup>18</sup> SURVEYOR CERTIFICATION</b>          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>Date of Survey</p> <p>Signature and Seal of Professional Surveyor:</p>
			<p>Certificate Number</p>

OIL CONSERVATION DIVISION  
2040 South Pacheco  
Santa Fe, NM 87505

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

APA Number <b>30-045-30085</b>	Pool Code <b>71280</b>	Pool Name <b>AZTEC PICTURED CLIFFS</b>
Property Code <b>25177</b>	Property Name <b>CHUCKY</b>	Well Number <b>1</b>
OGRD No. <b>014634</b>	Operator Name <b>MERRION OIL &amp; GAS</b>	Elevation <b>5510'</b>

Surface Location									
UL or Lat	Sec.	Top.	Rge.	Lot Id.	Feet from >	North/South	Feet from >	East/West	County
A	23	30 N.	12 W.	NE NE	1065	NORTH	1260	EAST	SAN JUAN

Bottom Hole Location if Different From Surface									
UL or Lat	Sec.	Top.	Rge.	Lot Id.	Feet from >	North/South	Feet from >	East/West	County

Dedication	Joint ?	Consolidation	Order No.
------------	---------	---------------	-----------

NO ALLOWABLE WELL ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED  
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



EXHIBIT 2

**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 **STEVEN S. DUNN**

Title **DRUG & PROD MGR**

Date **7-26-00**

**SURVEYOR CERTIFICATION**  
I hereby certify that the well location 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 of Survey **RE 24 JULY 2000**

Signature and Seal of Professional Surveyor

*Steven S. Dunn*

**Exhibit "5"**  
**Chucky 1 Commingling Application**  
**Notification of Owners In Well**

**Working Interest Owners**

Burlington Resources  
P O Box 4289  
Farmington, NM 87499

**Royalty Interest Owners**

Robert Alston  
205 Wilder  
Hooks, TX 75561-5052

Catherine Ann Avery  
P.O. Box 391  
Shell Rock, LA 50670-0391

Bow Petroleum Inc  
Of Colorado  
5911 South Middlefield Rd  
Suite 100  
Littleton, CO 80123

Ada Brown  
P.O. Box 1378  
Hallsville, TX 75650-1378

W G Brown  
Address Unknown

Edward C Cordell  
Bad Address  
P O Box 3743  
Farmington, NM 87499

F R Dickens & E M Dickens  
P O Box 223  
Aztec, NM 87410

Antoniette Kaess Eidson  
10412 Woodland Ne  
Albuquerque, NM 87112-1675

Samuel Embree Family  
Trust A Dtd 9-12-89  
Jean Embree Trustee  
1305 S. Meeker  
West Covina, CA 91790-2526

Lois Fay Evers  
C/O Alfred E Evers Jr  
330 6th St #114  
Redlands, CA 92374-3337

Charles R. Finch  
2502 N 72nd PI  
Scottsdale, AZ 85257-2105

Arlisle L Finch  
705 W. Spring St.  
Kingman, AZ 86413-9585

Owen R Finch  
3105 Clacks Canyon Rd  
Kingman, AZ 86413-9585

Arthur L Finch Jr  
2119 Florence Ave  
Kingman, AZ 86401-4824

Union Pacific Railroad Compan  
P O Box 209711  
Houston, TX 77216-9711

Vera D. Franks  
600 W. Frontier  
Payson, AZ 85541-4705

Mary Susan Van Dee Garwin

Melba Lee Stephens Gibbs  
3661 Stewart Mtn Rd  
Golden Valley, AZ 86413

Nancy Hartman  
1002 Tramway Ln NE  
Albuquerque, NM 87122-1317

Peggy Hill Allison  
9427 Sw 53rd Ave  
Portland, OR 97219

Terry G & Veronica E Hood  
P O Box 826  
Aztec, NM 87410

Eloise Cooper Howard  
1580 Okray Ave  
Plover, WI 54467

Sue Howard  
5817 CI Box  
Coweta, OK 74429-1534

Beverly Newman Dreyfous  
P.O. Box 1007  
Kenwood, CA 95452

Joe G Jaquez &  
Gregorita G Jaquez  
Trustees Under Trust  
Agreement Dtd 3-21-85  
338 Road 3000  
Aztec, NM 87410

Gary Jerman And  
Susan Jerman As Jt  
4194 South Valentia St  
Denver, CO 80237

Patria Kaess  
1804 Kentucky Ne  
Albuquerque, NM 87110-6938

Walter H. Kaess  
2921 Iroquios  
Mt Vernon, WA 98273-3626

Sarah Lilie  
Rt 1 Box 1602  
Columbus, TX 78934-9750

Marguerite A Mccrea Rev. Trust  
Marguerite A Mccrea, Trustee  
4201 Cathedral Ave, Nw  
Apt 906E  
Washington, DC 20016-4957

Gay Mackey  
Rte 4 Box 840  
Colgate, OK 74538

Susan L Pierce Nelson  
4901 Crestwood Drive  
Farmington, NM 87402-4863

Hazel B Peppin, Life Tenant  
Diana L Peppin Remainderman  
3652 South 2210 East  
Salt Lake City, UT 84109-4315

Mildred E. Petersen  
10550 Borwick  
Bellflower, CA 90706-6810

John B Pierce  
325 S 400 W #57  
Mt Pleasant, UT 84647

Dwight R Ray  
& Margie Ray Trustees  
Under Tr Agrmt Dtd 2-6-91  
P.O. Box 1330  
Aztec, NM 87410-1330

Lance Reemtsma  
2601 Grant St  
Berkeley, CA 94703

Dirk Reemtsma  
Citizens Bank, Agent  
Po Box 4140  
Farmington, NM 87499

Kathryn M. Rowe  
9234 Pebble Creek Dr.  
Tampa, FL 33647-2420

Susan A Saffran  
9424 Sw 53rd  
Portland, OR 97219-5044

D Wayne Sandel Estate  
Address Unknown

Charles E. Scott  
P.O. Box 15  
Big Lake, TX 76932-0015

Eustace Scott Jr

Earl P Scott  
5370 N. Holsome Rd  
Las Cruces, NM 88001

Julia M Scott  
5370 N Holsome Rd Trail  
Las Cruces, NM 88001

Lester C Scott  
RT 2 Box 122m  
Deming, NM 88030

Lester C & Evelyn Scott  
Rt 2 Box 122m  
Deming, NM 88030

Raymond Scott Estate

Eugene Simmons  
C/O Leonna Martin  
682 Stonehurst Dr  
Altadena, CA 91001

Vernie Snider  
1323 W 11th St  
Odessa, TX 79763-3402

Jeanine Springer  
P.O. Box 20826  
Albuquerque, NM 87154-0826

Sarah Beatrice Stephens

Beulah B Thurston  
#12 Rd 2720  
Aztec, NM 87410

Allen D. Walker  
210 E Ninth St, #15  
Coralville, IA 52241-2233

Ira Woody  
P.O. Box 2354  
Bandera, TX 78003-2354  
4901 Crestwood Drive  
Farmington, NM 87402-4863

**Overriding Interest Owners**

Burlington Resources  
P O Box 4289  
Farmington, NM 87499

Cynthia Calvin  
747 Newport Street  
Denver, CO 80220

Edward M. Calvin  
2380 Forest Street  
Denver, CO 80207

Weldon C, Ila Mae &  
John W. Julander  
Trustees Uta Of W C Julander  
P O Box 2773  
Littleton, CO 80161-2773

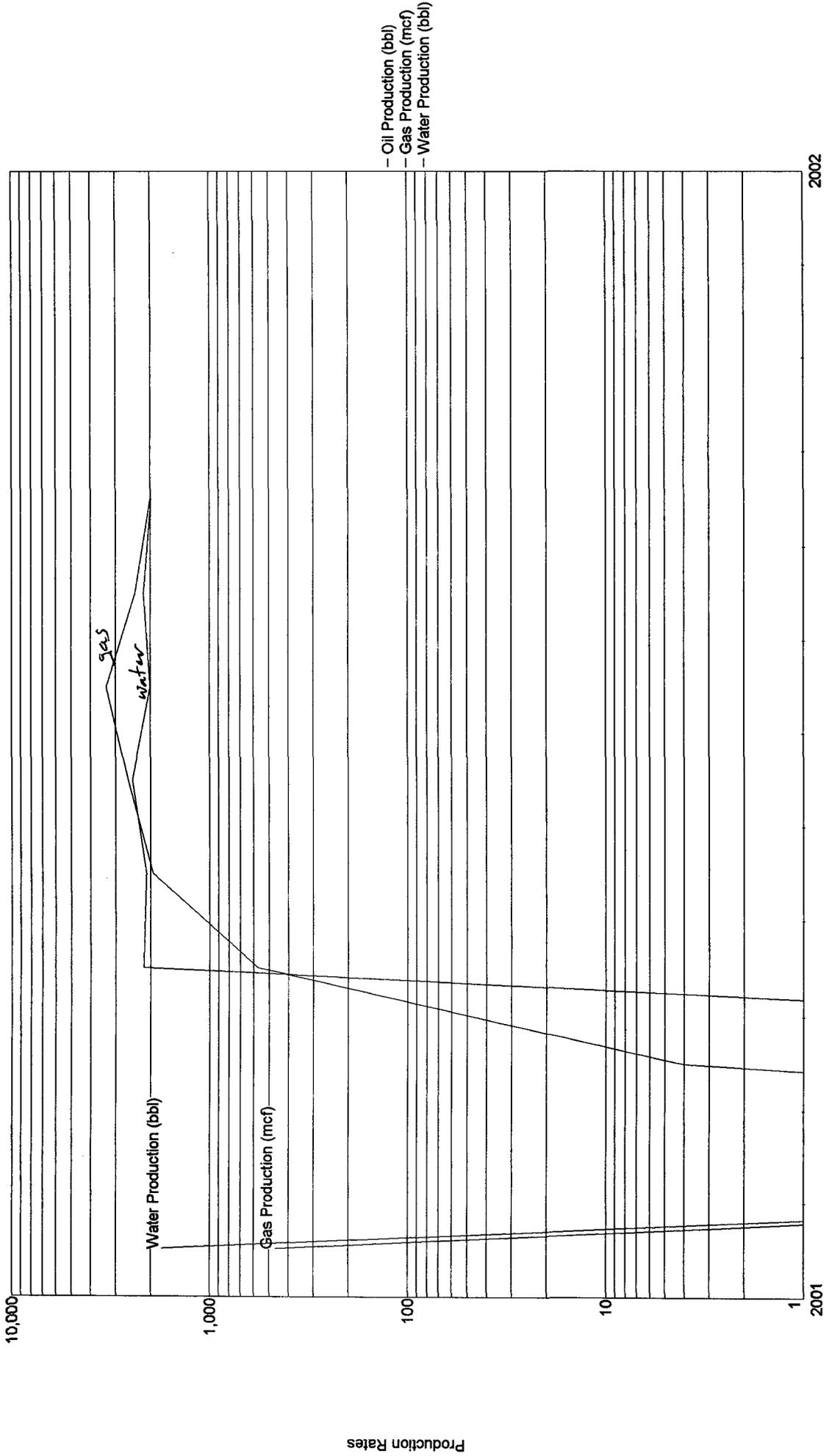
Pure Resources (Rev)  
Po Box 910552  
Dallas, TX 75391-0552

XTO Energy Inc  
135 S. Lasalle St.  
Dept. 4849  
Chicago, IL 60674-4849

Lease Name: CHUCKY  
 County, State: SAN JUAN, NM  
 Operator: MERRION OIL & GAS CORPORATION  
 Field: AZTEC  
 Reservoir: PICTURED CLIFFS  
 Location: 3 30N 12W SW NE NE

EXHIBIT 3

CHUCKY - 1 AZTEC 3 30N 12W SW NE NE

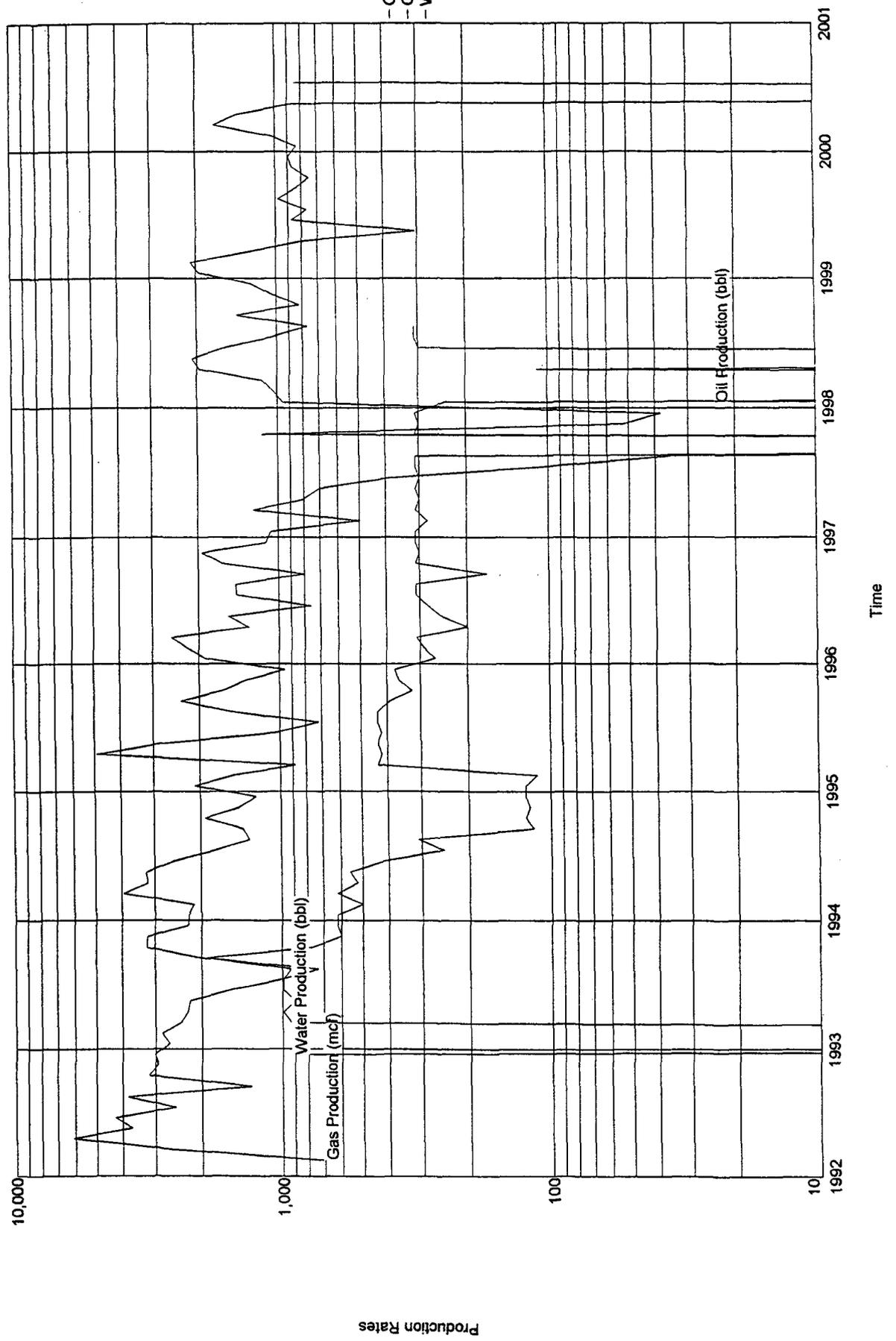


Time

Lease Name: FC STATE COM  
County, State: SAN JUAN, NM  
Operator: CONOCO INCORPORATED  
Field: BASIN  
Reservoir: FRUITLAND COAL  
Location: 36 30N 12W NE SW SW

EXHIBIT 4

### FC STATE COM - 24 BASIN



- Oil Production (bbl)  
- Gas Production (mcf)  
- Water Production (bbl)

Production Rates

Time