Distribution: O+4 (BLM) 1-Accounting; 1-Crystal; 1-File UNITED STATES Form 3160-5 FORM APPROVED (June 1990) DEPARTMENT OF THE INTERIOR Budget Buréau No. 1004-0135 I:UREAU OF LAND MANAGEMENT Expires: March 31, 1993 Lease Designation and Serial No. SUNDRY NOTICES AND REPORTS ON WELL BEC 17 SF-081028-A Do not use this form or proposals to drill or to deepen or reentry to a different reservoir. If Indian, Allottee or Tribe Name Use "APPLICATION FOR PERMIT -- " for such proposals: If Unit or CA, Agreement Designation SUBMIT IN TRIPLICATE Type of Well Oil Gas X Well Well Well Name and No. Name of Operator Serendipity No. 3 (7841) Merrion Oil & Gas Corporation (14634)API Well No. Address and Telephone No. 30-045-29686 610 Reilly Avenue, Farmington, NM 87401-2634 (505) 327-9801 10. Field and Pool, or Exploratory Area Location of Well (Footage, Sec., T, R., M., or Survey Description) Basin Fruitland (71629) 1500' fsl & 900' fwl (nw sw) 11. County or Parish, State Section 26, T26N, F.13W, NMPM San Juan County, New Mexico 12. CHECK APPROPRIATE BOX (s) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA TYPE OF SUBMISSION TYPE OF ACTION Notice of Int at Abandonment Change of Plans Recompletion New Construction Subsequent I eport Plugging Back Non-Routine Fracturing Casing Repair Water Shut-Off Final Abandanment Notice Altering Casing Conversion to Injection Perfs, Fracd & Tbg Rpts Other Dispose Water (Note: Report results of multiple completion on Completion or Recompletion Report and Log form.) Describe Proposed or completed C perations (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 measured and true vertical depths for all markers and zones pertinent to this work.)* Spot 400 bbl frac t ink and Dowell Sand Chief. Fill tank with city water and 2% KCl. Heat water to 90°. Install stinger frac valves 12/9/98 (10,000#). Checked TD with slickline on 12/7: 1343'. RU Blue Jet and ran GR-CCL from 1343' to surface. Perforated coal at 1232'-1252' with 3-1/8" casing gun, 3 SPF, EHD 0.35" - total of 60 holes. RD Blue Jet and shut well in. Well ready to frac. RU Dowell. Press are test pumps and lines. Start down hole with water only. Formation broke at 1100# after pumping 3 bbls. 12/10/98 Switch over and pump 500 gals of 15% HCl. Start on pad but unable to pump cross-link. Shut down and repair check valve and remix cross-link. Haul in 80 additional bbls of 2% KCl. Fraced well with 60,420# of 20/40 Arizona sand in 20# cross-linked gel and 70 Q foam. P imped 3000 gal 70 Q foam pad. Pumped sand in 1,2,3 & 4 ppg (BH conc.) stages. AIR 25 BPM, ATP 1437#, MTP 1570#. Job completed at 1501 hrs 12/10/98. ISIP 1085#, 5 mins. 993#, 10 mins. 951#, 14 mins. 948#. Total fluid pumped 235 bbls. Total ni rogen pumped 382,371 scf. RD Dowell. Opened well thru 1/4" choke at 1615 hrs 12/10/98 and let flow back overnight. *** CONTINUED OTHER SIDE *** I hereby certify Title Drlg & Prod Manager teven S. Dunn (This space for Federal or State of ice use) (Approved By Title Conditions of approval, if any:

Found well flowing back foam and light sand. MOL & RU JC Well Service 12/11/98. Open well thru 2" and let well blow down. MD frac valve and RU BOP. PU and tally 2-3/8" the and TIH. Tag up on fill/sand at 1333'. PBTD @ 1343', perfer: 1232'-1252', 81' of rat hole. TOH. TIH with tail joint, perforated sub, seating nipple and 38 joints of 2-3/8", EUE, yellow band tubing. Land tubing at 1265' KB. ND BOP and NU WH. Shut in well and SD for weekend

RIH with 2" x 1-1/4" x 8' RHAC pump, 48 each plain rods (used), 1 each 6' pony and 1 each 4' pony sub. PU and install polish rod and stuffing box. Seat and space out pump. Load tubing and start pumping unit. Check pump action – OK. Shut well in.

17/14/98