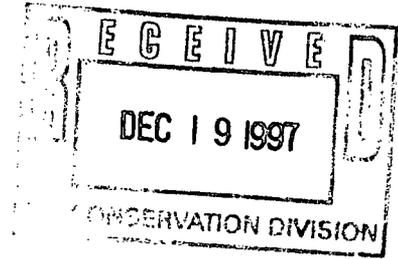


NSL 1/8/98

MERRION

OIL & GAS



December 17, 1997

Mr. William J. Lemay, Director
New Mexico Oil Conservation Division
2040 S. Pacheco
Santa Fe, New Mexico 87505

**Re: Application for Administrative Approval
Non-Standard Location
Hanson B-2
Basin Fruitland Coal Pool
W/2 Section 36, T27N, R13W
San Juan County, New Mexico**

Dear Mr. Lemay:

Merrion Oil & Gas Corporation plans to recomplete the subject well from the Gallup Formation into the Fruitland Coal Formation. The well's location of 1980' FSL and 1980' FWL is at a non-standard setback from the spacing unit boundary. Therefore, Merrion requests your approval of a non-standard location.

The justification for the request is based on the ability to recomplete the existing well instead of drilling a new well. The well is uneconomic in the Gallup Formation and, unless recompleted, needs to be plugged out. The proposed recompletion would put the wellbore to beneficial use and save significant money over drilling a new well.

Attached in support of this application are the following:

- 1.) C-102 Plat
- 2.) Location plat showing offset operators.
- 3.) List of offset operators that received a certified copy of this application.

Page Two
December 17, 1997

Please call me with any questions.

Sincerely,

A handwritten signature in cursive script that reads "George Sharpe".

George F. Sharpe
Manager - Oil & Gas Investments

xc: Frank Chavez - OCD, Aztec
BLM - Farmington

O:GSLemay6.doc

District I
 PO Box 1980, Hobbs, NM 88241-1980
 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

OIL CONSERVATION DIVISION
 2040 South Pacheco
 Santa Fe, NM 87505

Form C-102
 Revised October 18, 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 30-045-06138		2 Pool Code 71629		3 Pool Name Basin Fruitland Coal	
4 Property Code		5 Property Name HANSON B			6 Well Number 2
7 OGRID No. 014634		8 Operator Name MERRION OIL & GAS CORPORATION			9 Elevation

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
K	36	27N	13W	NESW	1980	south	1980	west	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

12 Dedicated Acres 320	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

16 	17 OPERATOR CERTIFICATION <i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</i> Signature Steven S. Dunn Printed Name Drlg & Prod Manager Title 12/04/97 Date
	18 SURVEYOR CERTIFICATION <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> Date of Survey Signature and Seal of Professional Surveyer: EXHIBIT I Certificate Number

**EXHIBIT II
HANSON B-2
WELL LOCATION PLAT
OFFSET OPERATOR PLAT
T27N, R13W, San Juan County, NM**

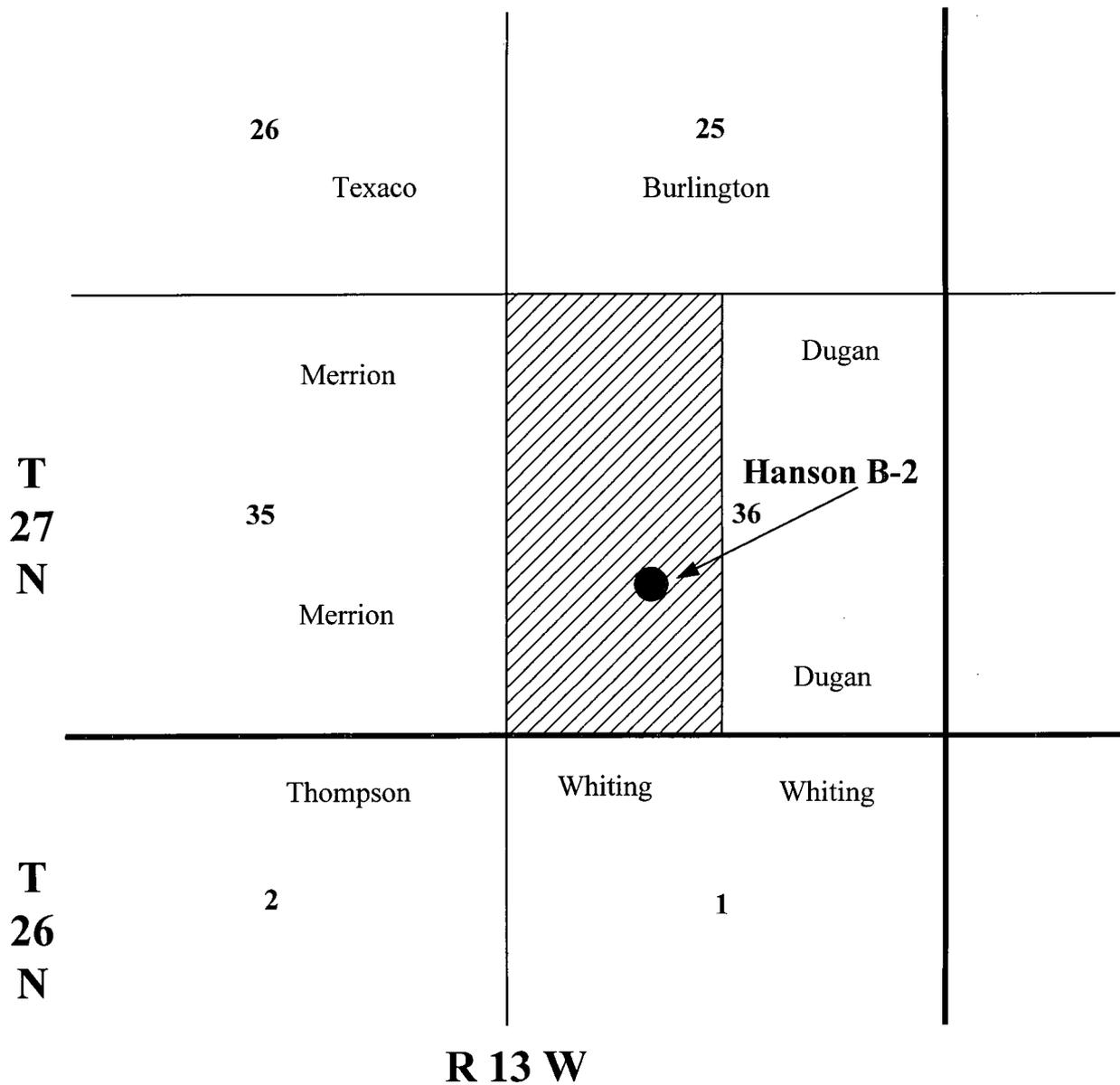


Exhibit III

Application of Merrion Oil & Gas Corp.
Non-standard Basin Fruitland Coal Location
Hanson B-2 Well
W/2 Section 36, T27N, R13W
San Juan County, New Mexico

The following offset operators received certified copies of this letter.

To: Offset Operators

Any objections to this application need to be made in writing to the NMOCD within 20 days from receipt of notice.

Dugan Production
P.O. Box 420
Farmington, NM 87499

Whiting Petroleum
1700 Broadway, Suite 2300
Denver, Colorado 80290

Burlington Resources
P.O. Box 4289
Farmington, NM 87499

Thompson Engineering
7415 E. Main
Farmington, NM 87402

Texaco Inc.
3300 N. Butler
Farmington, NM 87401

WAIVER

_____ hereby waives any objection to this application.

Company

Signature _____

Date _____

Please return to:

George F. Sharpe
Merrion Oil & Gas Corporation
610 Reilly Ave.
Farmington, NM 87401