

MERRION

OIL & GAS

January 8, 2001

Mr. Michael E. Stogner
New Mexico Oil Conservation Division
2040 S. Pacheco St.
Santa Fe, New Mexico 87505

**RE: Application of Merrion Oil & Gas
Non-Standard Location
Knight Com 1 (30-045-30429)
Fulcher Kutz Pictured Cliffs Pool
SW/4 Section 36, T30N, R13W
San Juan County, New Mexico**

Dear Mr. Stogner:

Merrion Oil & Gas Corp. (Merrion) requests administrative approval for a non-standard location for the subject well for topographic reasons.

Enclosed in support of this application are the following:

- Exhibit 1: C-102 Plat
- Exhibit 2: Topographic Map (1963)
- Exhibit 3: Landowners Development Plat
- Exhibit 4: Offset Operator Plat
- Exhibit 5: Address List of Offset Operators

The well will be completed as a well in the Fulcher Kutz Pictured Cliffs Pool. The well is non-standard because it is only 417 feet from the southern boundary of the spacing unit. The well is staked within the Farmington City limits in a residential area.

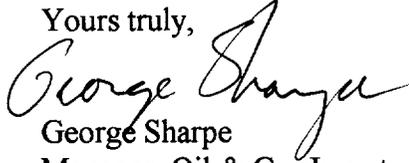
Finding an acceptable drilling location within the city limits is a near impossibility. Merrion has worked with the landowner to place the location so as to minimize the impact on his development plans. As Exhibit 3 shows, the well is in a neighborhood surrounded by future home sites. Moving the well to the north would encroach on home lots that are currently being developed. The developer actually altered his plans so as to put those lots on a culdesac instead of a through street, but moving the well north would negate that possibility as well.

The well is encroaching on the north half of Section 1, T29N, R13W to the south of the location. Exhibit 4 is a map showing the offset operators of those spacing units. Exhibit 5

is an address list of those operators. That offset operators received a certified copy of this application.

Please call me at 505-327-9801 ext 114 if additional information is needed.

Yours truly,

A handwritten signature in cursive script that reads "George Sharpe". The signature is written in black ink and is positioned to the right of the typed name.

George Sharpe
Manager, Oil & Gas Investments

cc Frank Chavez, NMOCD – Aztec
Well File

S:\invest\gfs\2001 corres\heights 1e nonstd app

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAN

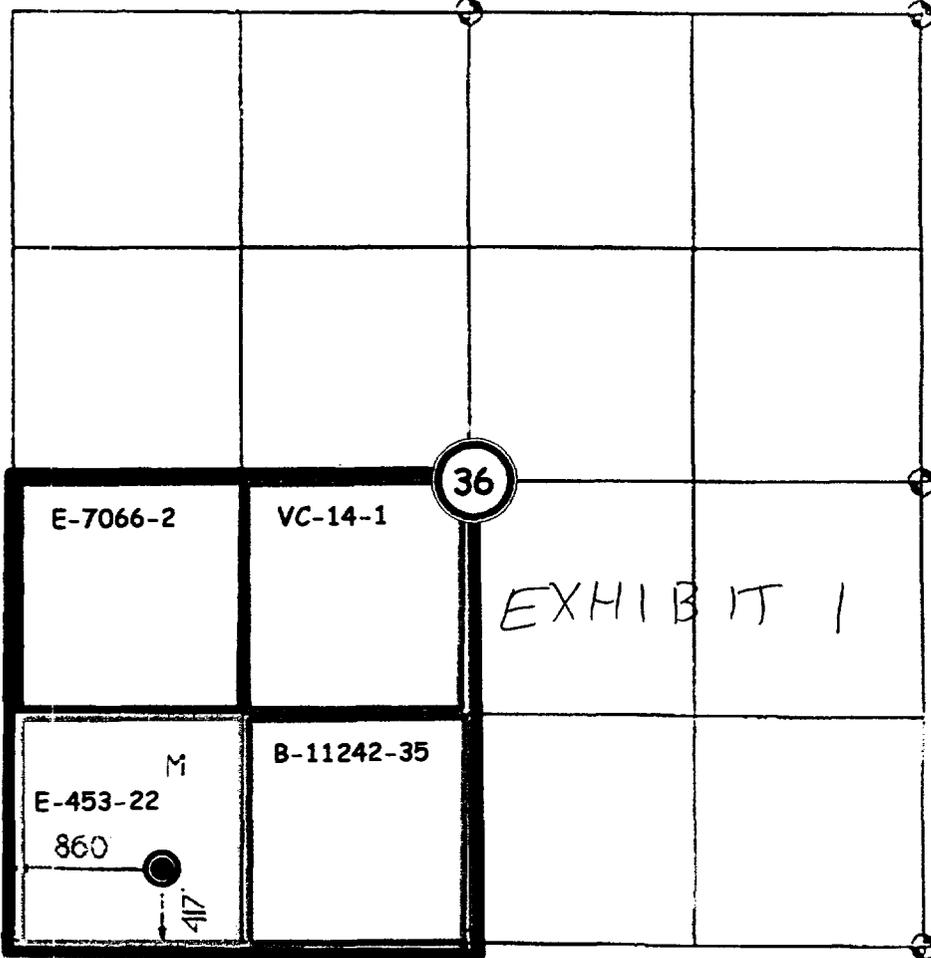
APA Number	Pool Code 77200	Pool Name Fulcher Kutz
Property Code	Property Name KNIGHT COM	Well Number 1
UGRD No. 014634	Operator Name MERRION OIL & GAS	Stratum 5545'

Surface Location									
UL or Lot	Sec.	Twp.	Rge.	Lot Idn.	Feet from >	North/South	Feet from >	East/West	County
M	36	30 N.	13 W.	SW SW	417	SOUTH	860	WEST	SAN JUAN

Borehole Location if Different From Surface									
UL or Lot	Sec.	Twp.	Rge.	Lot Idn.	Feet from >	North/South	Feet from >	East/West	County

Dedication 160	Joint? Y	Consolidation C	Order No. Communitization in progress
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NO ALLOWABLE WELL ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



OPERATOR CERTIFICATION
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

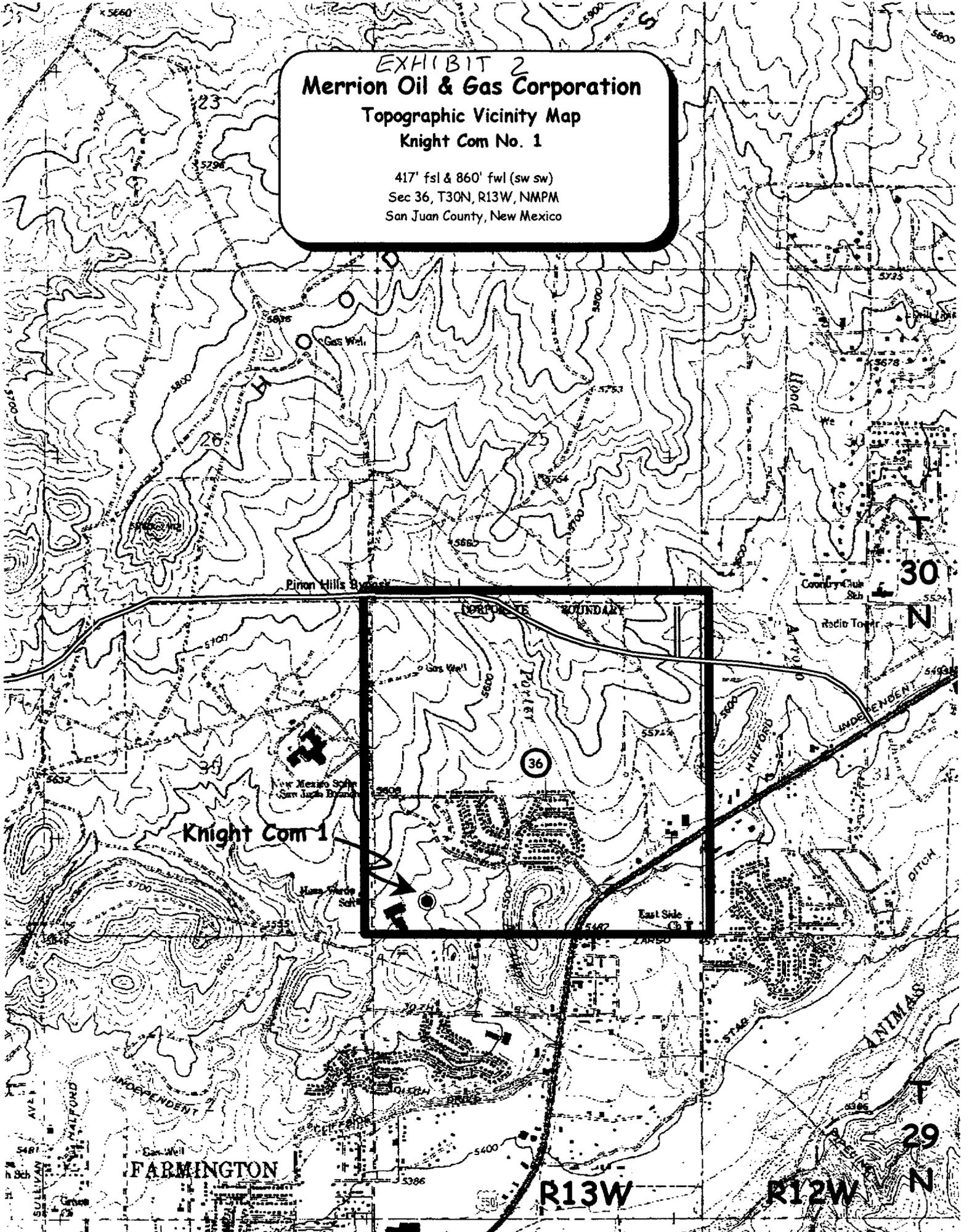
Signature: *Steven S. Dunn*
Printed Name: **Steven S. Dunn**
Title: **Drilling & Production Manager**
Date: **November 15, 2000**

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: **10 NOVEMBER 2000**

Signature: *[Signature]*
Professional Seal: **6844**
REGISTERED LAND SURVEYOR

EXHIBIT 2
Merrion Oil & Gas Corporation
Topographic Vicinity Map
Knight Com No. 1

417' fsl & 860' fwl (sw sw)
Sec 36, T30N, R13W, NMPM
San Juan County, New Mexico



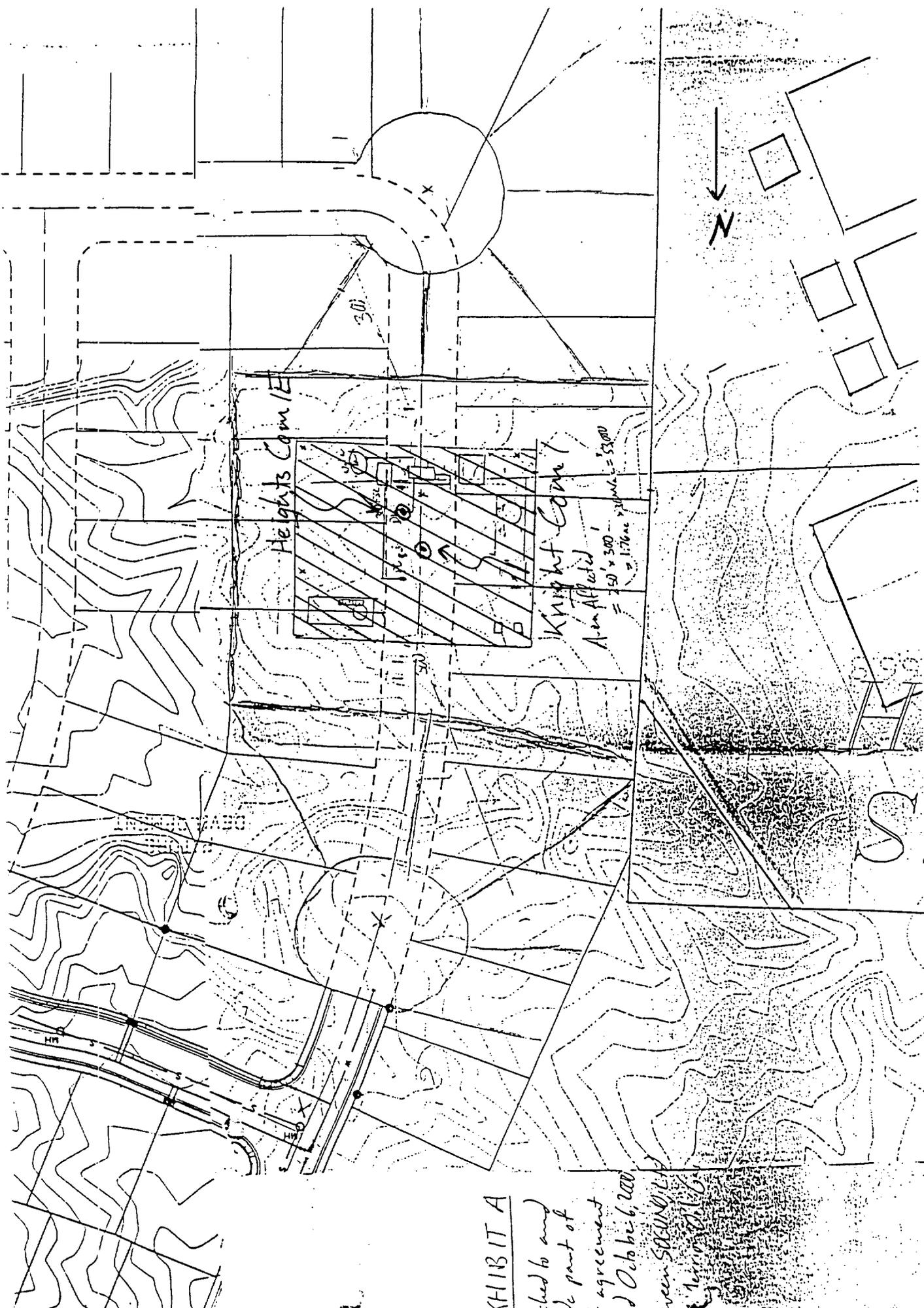


EXHIBIT 3 - Developers Plat

EXHIBIT A
 checked and
 is part of
 an agreement
 dated October 6, 2000

between SPANCO, LLC
 and the City of
 [unclear]

**EXHIBIT 4
OFFSET OPERATOR PLAT
KNIGHT COM #1
NON-STANDARD LOCATION APPLICATION**

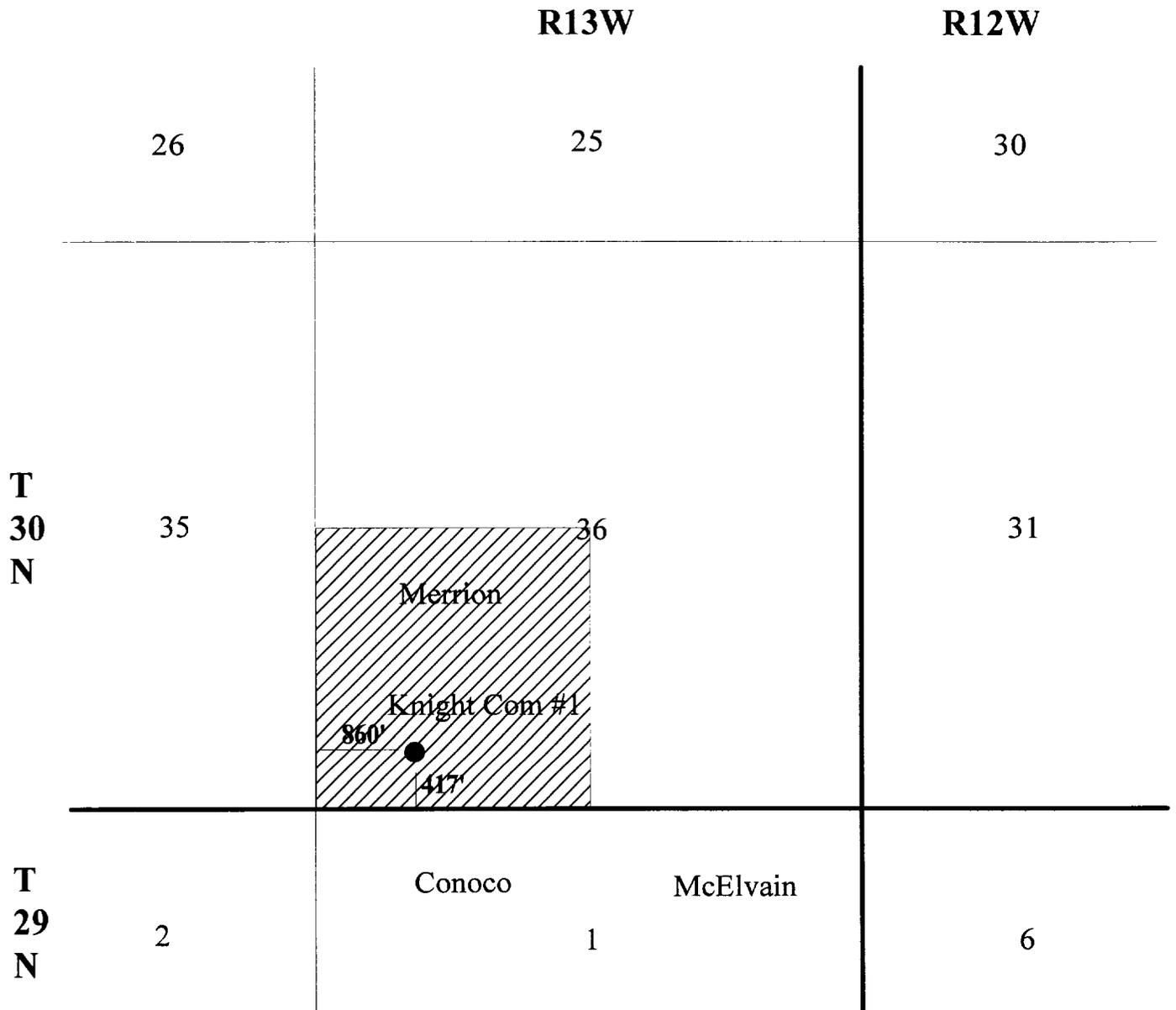


EXHIBIT 5

**Offset Operator Notification
Knight Com 1
Non-Standard Location Application**

To: Offset Operator

If you have questions, please call George Sharpe at 505-327-9801 ext. 114. If you have any objections to this application, please notify the NMOCD in writing within 20 days of receipt of this application.

Mr. Bill Hudson
Conoco Inc.
3315 Bloomfield Hwy.
Farmington, NM 87401

Mr. George B Broome
McElvain Oil & Gas Properties Inc.
PO Box 2148
Santa Fe, NM 87504

WAIVER OF OBJECTION

_____ does not object to the proposed non-standard location.

Company Name

Signature: _____ Date: _____

If you have no objections, please sign and return this page to George Sharpe at Merrion Oil & Gas, 610 Reilly Ave., Farmington, NM 87401. Thanks.

From: Stogner, Michael
Sent: Wednesday, February 07, 2001 2:25 PM
To: Hayden, Steven; Perrin, Charlie
Subject: FW: 2 Merrion NSL requests

While ya'll are reviewing the two Merrion wells below, I should soon be getting down to two other Merrion applications that are in the same section: (1) Knight Com. #1 and (2) Blackshawl Com. #1, both PC wells. Your thoughts on those. Thanks.

From: Stogner, Michael
Sent: Wednesday, February 07, 2001 1:47 PM
To: Hayden, Steven; Perrin, Charlie; Valdes, Kathy
Subject: 2 Merrion NSL requests

Attached are two draft NSL orders for Merrion's Heights Well No. 1-E and Pinon Hills Com. Well No. 1-E, both in Sec. 36-T30N-R13W, Basin-Dakota Pool. Within the applications, both dated Jan. 8th, Merrion shows copies were provided Aztec. Since I haven't seen anything from Aztec can I assume both are OK to release? If there are problems call me ASAP and I'll stop them. Thanks.

<<File: DKNFL038.doc>><<File: DKNFL037.doc>>

CMD :
OG5SECT

ONGARD
INQUIRE LAND BY SECTION

02/08/01 07:48:41
OGOMES -TPOC
PAGE NO: 1

Sec : 36 Twp : 30N Rng : 13W Section Type : NORMAL

D 40.00 CS E03149 0012 MERRION OIL & GAS C 12/10/59 A A	C 40.00 CS E07066 0003 MERRION OIL & GAS C 04/10/63	B 40.00 CS E07066 0003 MERRION OIL & GAS C 04/10/63	A 40.00 CS E03149 0012 MERRION OIL & GAS C 12/10/59 A A
E 40.00 CS OG2004 0001 CROSS TIMBERS OIL C 02/18/68	F 40.00 CS VC0014 0002 CROSS TIMBERS OIL C 08/01/99	G 40.00 CS E03149 0012 MERRION OIL & GAS C 12/10/59	H 40.00 CS OG2004 0001 CROSS TIMBERS OII C 02/18/68

PF01 HELP PF02 PF03 EXIT PF04 GoTo PF05 PF06
PF07 BKWD PF08 FWD PF09 PRINT PF10 SDIV PF11 PF12

CMD :
OG5SECT

ONGARD
INQUIRE LAND BY SECTION

02/08/01 07:48:47
OGOMES -TPOC
PAGE NO: 2

Sec : 36 Twp : 30N Rng : 13W Section Type : NORMAL

L 40.00 CS E07066 0003 MERRION OIL & GAS C 04/10/63	K 40.00 CS VC0014 0002 CROSS TIMBERS OIL C 08/01/99	J 40.00 CS E07066 0003 MERRION OIL & GAS C 04/10/63	I 40.00 CS B10735 0052 ENRON OIL & GAS C C 10/20/53 A A
M 40.00 CS E00453 0022 DUGAN PRODUCTION C 07/16/55 A A	N 40.00 CS B11242 0050 CROSS TIMBERS OIL C 05/26/54	O 40.00 CS B10735 0038 EVKO DEVELOPMENT C 10/20/53	P 40.00 CS E03149 0012 MERRION OIL & GAS C 12/10/59

PF01 HELP PF02 PF03 EXIT PF04 GoTo PF05 PF06
PF07 BKWD PF08 FWD PF09 PRINT PF10 SDIV PF11 PF12

CMD : ONGARD 02/08/01 07:49:15
OG6C101 C101-APPLICATION FOR PERMIT TO DRILL OGOMES -TPOC

OGRID Idn : 14634 API Well No: 30 45 30429 APD Status(A/C/P): A
Opr Name, Addr: MERRION OIL & GAS CORP Aprvl/Cncl Date : 11-17-2000
610 REILLY AVE
FARMINGTON,NM 87401-2634

Prop Idn: 26929 KNIGHT COM Well No: 1

	U/L	Sec	Township	Range	Lot Idn	North/South	East/West
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Surface Locn : M	36		30N	13W		FTG 417 F S	FTG 860 F W
OCD U/L : M			API County :	45			

Work typ(N/E/D/P/A) : N Well typ(O/G/M/I/S/W/C): G Cable/Rotary (C/R) : F
Lease typ(F/S/P/N/J/U/I): S Ground Level Elevation : 5545

State Lease No: Multiple Comp (S/M/C) : S
Prpsd Depth : 1700 Prpsd Frmtn : FULCHER KUTZ PC

E0009: Enter data to modify record

PF01 HELP	PF02	PF03 EXIT	PF04 GoTo	PF05	PF06 CONFIRM
PF07	PF08	PF09 PRINT	PF10 C102	PF11 HISTORY	PF12

From: Stogner, Michael
Sent: Wednesday, February 07, 2001 3:43 PM
To: Hayden, Steven
Subject: RE: 2 Merrion NSL requests

I show to have only four. Thanks. Consider the Heights Com #1-E and Pinon Hills #1-E processed and approved. The other two (Knight Com. #1 and Blackshawl Com. #1) I'll try to get out this week. Thanks again Steve.

From: Hayden, Steven
Sent: Wednesday, February 07, 2001 2:56 PM
To: Stogner, Michael
Subject: RE: 2 Merrion NSL requests

There were a total of five wells that Merrion has applied to drill within the city limits of Farmington that are all constrained by the location of things like schools. The city has OKed four of them so far. As long as they can get the city's approval, I would not object to non-standard locations. They appear to have done things right on this. I talked to the city engineer about this a couple of weeks ago and he is satisfied.

Steve

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