



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
BETTY RIVERA
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

December 10, 2002

Merrion Oil & Gas Corporation
610 Reilly Avenue
Farmington, New Mexico 87401

Attention: Mr. George Sharpe

Administrative Order No. NSL-4821

Dear Mr. Sharpe:

Reference is made to your application for an unorthodox coal gas well location for your proposed Serendipity Well No. 5 to be drilled 1710 feet from the North line and 2370 feet from the West line (Unit F) of Section 26, Township 26 North, Range 13 West, NMPM, Basin-Fruitland Coal Gas Pool, San Juan County, New Mexico. This application (*Application No. pKRV0-232350819*) was received by the Division on November 18, 2002.

It is our understanding that Merrion Oil & Gas Corporation proposes to drill the Serendipity Well No. 5 as an infill coal gas well within an existing 320-acre gas spacing and proration unit comprising the W/2 of Section 26. This unit is currently dedicated to the existing Serendipity Well No. 3 (API No. 30-045-29686) located 1500 feet from the South line and 900 feet from the West line (Unit L). The proposed Serendipity Well No. 5 is unorthodox with respect to the distance from the eastern boundary of the proposed spacing unit.

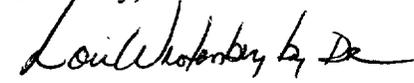
It is further our understanding that an exception to the well location requirements for the Basin-Fruitland Coal Gas Pool, as established by Division Order No. R-8768, as amended, is necessary due to topographic considerations within the NW/4 of Section 26.

This application has been duly filed under the provisions of Division Rule 104.(F), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999.

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By the authority granted me under the provisions of Division Rule 104.F(2), as revised, the above-described unorthodox coal gas well location is hereby approved.

Sincerely,



Lori Wrotenbery
Division Director

Xc: OCD-Aztec
 Bureau of Land Management-Farmington