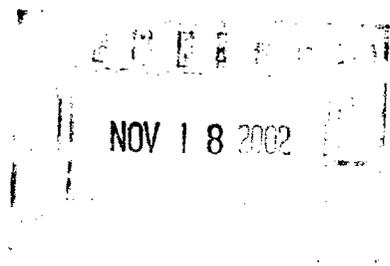


# MERRION

OIL & GAS

November 15, 2002

Mr. William Jones  
New Mexico Oil Conservation Division  
1220 S. St. Francis Dr.  
Santa Fe, New Mexico 87505



**Re: Application for Administrative Approval  
Non-Standard Location  
Basin Fruitland Coal Pool  
Serendipity #5 - API #30-045-30881  
Section 26, T26N, R13W  
San Juan County, New Mexico**

Dear Mr. Jones:

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 showing Merrion as offset operator
- Exhibit 2: NAPI field map
- Exhibit 3: Topographic Map

This well was initially APD'd and approved as a Pictured Cliffs well in the NW/4 of Section 26. Ultimately, it was felt that the PC was too risky a target, so we delayed drilling the well until the 160 ac Fruitland Coal downspacing was approved. With the NMOCD having approved coal 160's, we are now ready to drill the well as the infill to the Serendipity 3 in the W/2 of the section. However, because it is too close to the centerline of the section, we need the approval for a non-standard location.

As can be seen on the NAPI field map, a large field takes up almost the entire NW/4 of Section 26, pushing the well far into the SE of the NW. Because of a power line and very sandy soil conditions at other locations (see topo map), the staked location is the only feasible surface location in the SE of the NW.

This well encroaches on the E/2 of Section 26. Merrion is the owner and operator of the Serendipity 1 Fruitland Coal well in the east half. Therefore, no additional notification of offset operators is necessary.

If you have questions or need additional information, please call me at 505-327-9801 x114.

Sincerely,

  
George Sharpe  
Manager, Oil & Gas Investments

S/invest/gfs/2002 corres/11-15-02 Serendipity 5 NSL

cc - NIMOOD - Aetec



# BOUNDARY

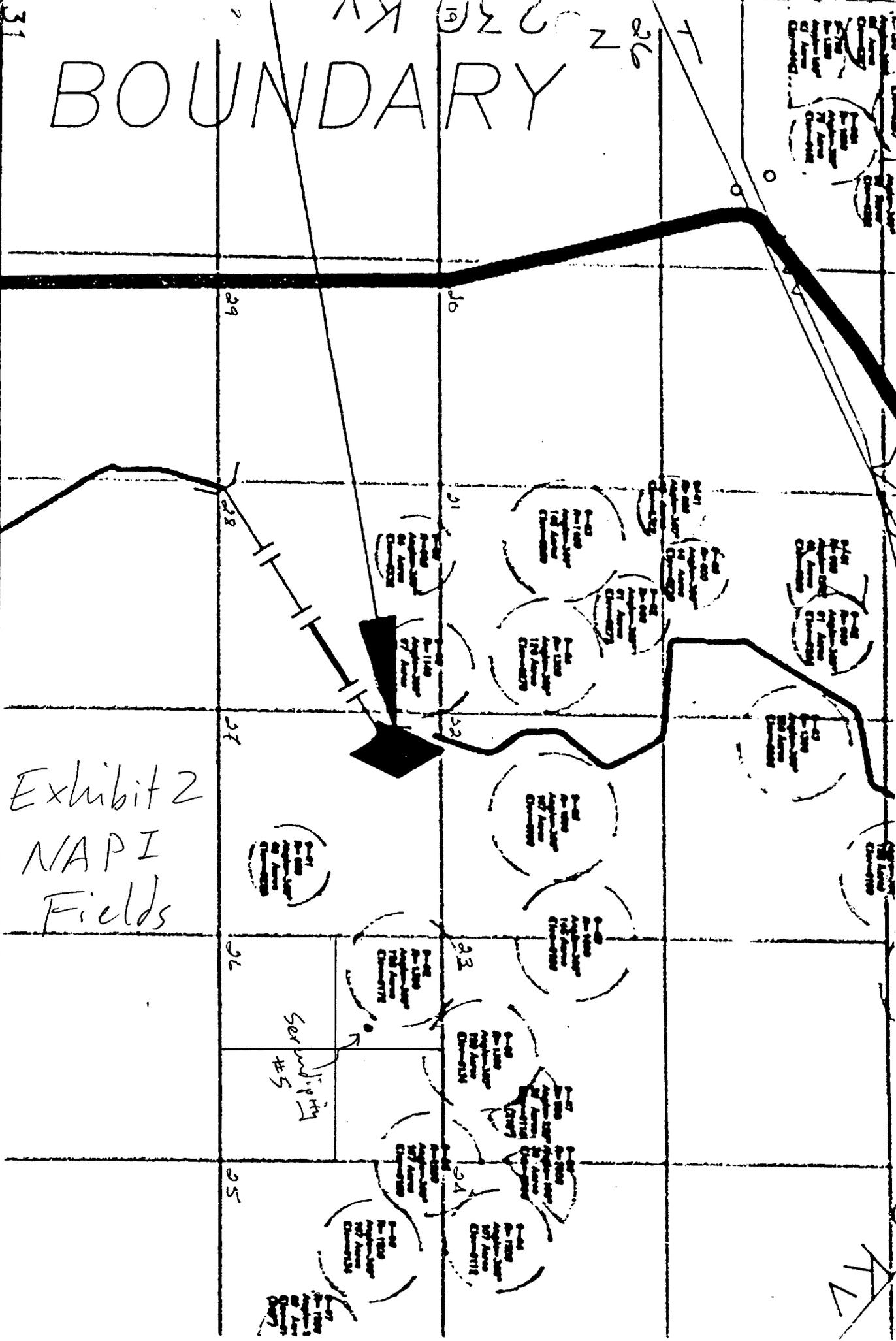


Exhibit 2  
NAPI  
Fields

See Utility  
#5

1-1-20

TV

MERRION OIL & GAS  
CORPORATION

Topographic Locator Map

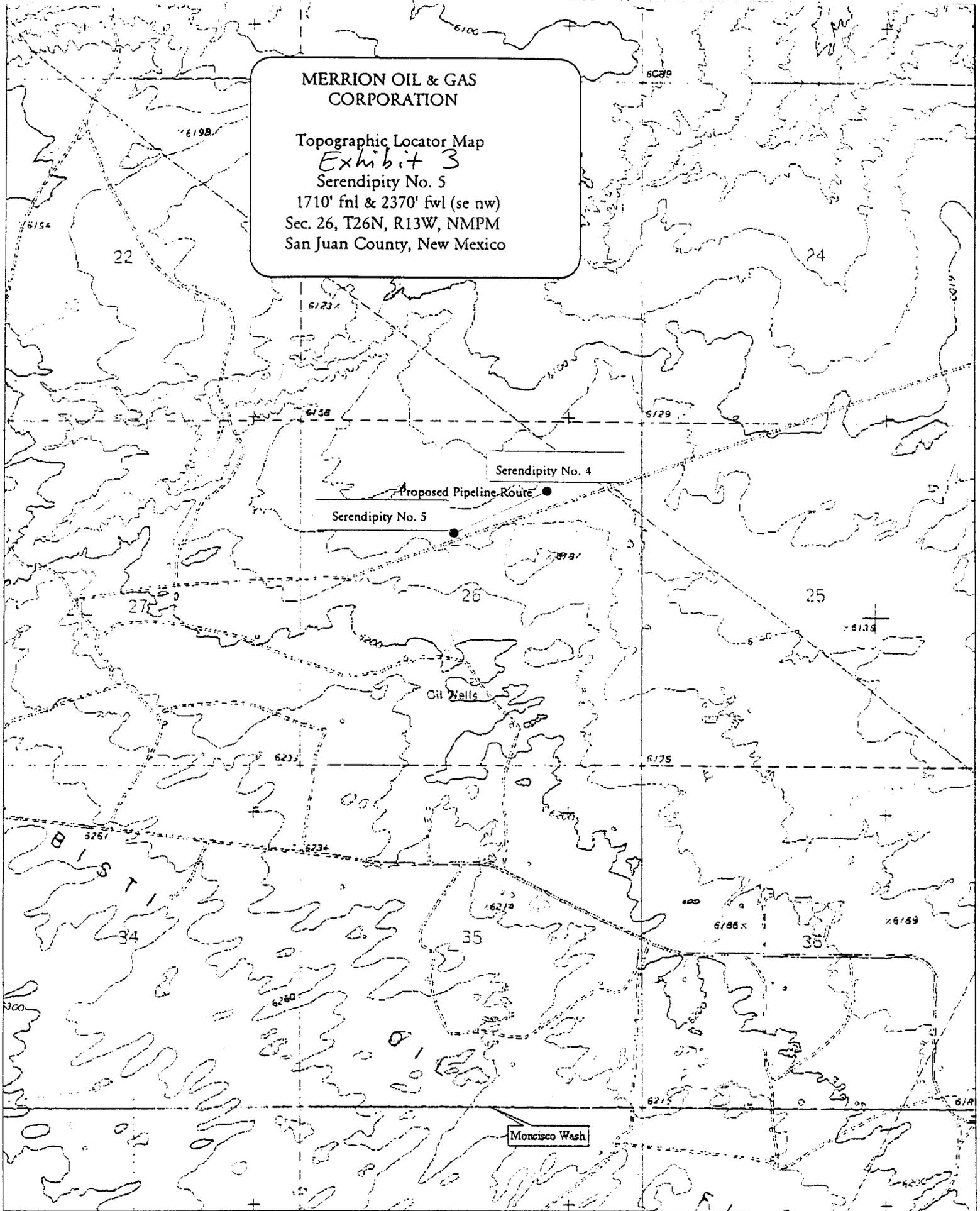
*Exhibit 3*

Serendipity No. 5

1710' fnl & 2370' fwl (se nw)

Sec. 26, T26N, R13W, NMPM

San Juan County, New Mexico



# MERRION

OIL & GAS

## FAX TRANSMITTAL

Date: 12-9-02

4821

The following 2 (including cover) pages are for:

Name: Mr. David Catanach

Company: New Mexico Oil Conservation Div.

Fax Number: \_\_\_\_\_

From: George Sharpe

Special Instructions/Comments:

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If you did not receive all of your pages or if any pages are illegible, please call (505) 327-9801 as soon as possible.

MERRION OIL & GAS CORPORATION  
Fax Number: (505) 326-5900



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON  
Governor  
BETTY RIVERA  
Cabinet Secretary

December 9, 2002

Lori Wrotenbery  
Director  
Oil Conservation Division

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

Attention: Mr. George Sharpe (Faxed 12/9/02)

Re: NSL Request  
Serendipity No. 5  
Unit F, Section 26, T-26 North, R-13 West, NMPM,  
San Juan County, New Mexico

Dear Mr. Sharpe:

I am currently reviewing your application for an unorthodox well location in the Basin-Fruitland Coal Gas Pool for the above-described well. In order to process your application, additional information will be necessary. Please provide me the following data so that I may proceed to process your application. If I do not receive this data by December 18, 2002, current Division policy dictates that the application will be returned to you unprocessed.

- 1) On what type of lease is the proposed well located (i.e. Federal, state, fee)?
- 2) What type of lease is the affected offset acreage (E/2 of Section 26)?
- 3) Is the working interest ownership between the W/2 and E/2 of Section 26 exactly the same? If not, Rule 1207.A.(2) requires that notification be provided to these interest owners.
- 4) What is the location of the Serendipity No. 3?

Thanks for your cooperation and assistance in this matter.

Regards,

David Catanach  
Engineer

Xc: OCD-Aztec

# MERRION

OIL & GAS

December 9, 2002

Mr. David Catanach  
New Mexico Oil Conservation Division  
1220 S. St. Francis Dr.  
Santa Fe, New Mexico 87505

Fax: 505-476-3462

**Re: Supplemental Information  
Non-Standard Location  
Basin Fruitland Coal Pool  
Serendipity #5 - API #30-045-30881  
Unit F Section 26, T26N, R13W  
San Juan County, New Mexico**

Dear Mr. Catanach:

In response to your 12-9-02 letter requesting additional information on the subject application, I submit the following:

1. The Serendipity #5 is being drilled on a Federal lease in the W/2 of the section.
2. The E/2 of the section is also Federal minerals. Therefore, the royalty interest ownership in the E/2 and W/2 is identical.
3. The same working interest owners are in both the E/2 and the W/2 of the section.
4. The Serendipity #3 is located 1500' FSL and 900' FWL in the W/2 of the section.

If you have questions or need additional information, please call me at 505-327-9801 x114.

Sincerely,



George Sharpe  
Manager, Oil & Gas Investments

# MERRION

OIL & GAS

DEC 16 2002

December 9, 2002

Mr. David Catanach  
New Mexico Oil Conservation Division  
1220 S. St. Francis Dr.  
Santa Fe, New Mexico 87505

Fax: 505-476-3462

**Re: Supplemental Information  
Non-Standard Location  
Basin Fruitland Coal Pool  
Serendipity #5 - API #30-045-30881  
Unit F Section 26, T26N, R13W  
San Juan County, New Mexico**

Dear Mr. Catanach:

In response to your 12-9-02 letter requesting additional information on the subject application, I submit the following:

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2. The E/2 of the section is also Federal minerals. Therefore, the royalty interest ownership in the E/2 and W/2 is identical.
3. The same working interest owners are in both the E/2 and the W/2 of the section.
4. The Serendipity #3 is located 1500' FSL and 900' FWL in the W/2 of the section.

If you have questions or need additional information, please call me at 505-327-9801 x114.

Sincerely,

  
George Sharpe  
Manager, Oil & Gas Investments