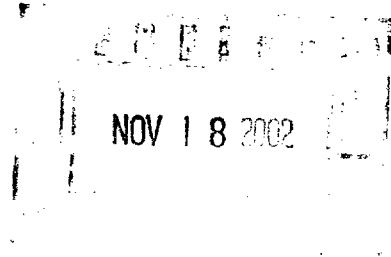


MERRION

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 - Atec

District I
1625 N. French Dr., Hobbs, NM 88240
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

Form C-102
Revised August 15, 2000

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-045-30881		² Pool Code 71629		³ Pool Name BASIN FRUITLAND COAL	
⁴ Property Code 007841		⁵ Property Name SERENDIPITY			⁶ Well Number 005
⁷ OGRID No. 014634		⁸ Operator Name MERRION OIL & GAS CORPORATION			⁹ Elevation 6150' GR

¹⁰ Surface Location

UL or lot no. F	Section 26	Township 26N	Range 13W	Lot Idn SEnw	Feet from the 1710	North/South line North	Feet from the 2370	East/West line West	County San Juan
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¹¹ Bottom Hole Location If Different From Surface

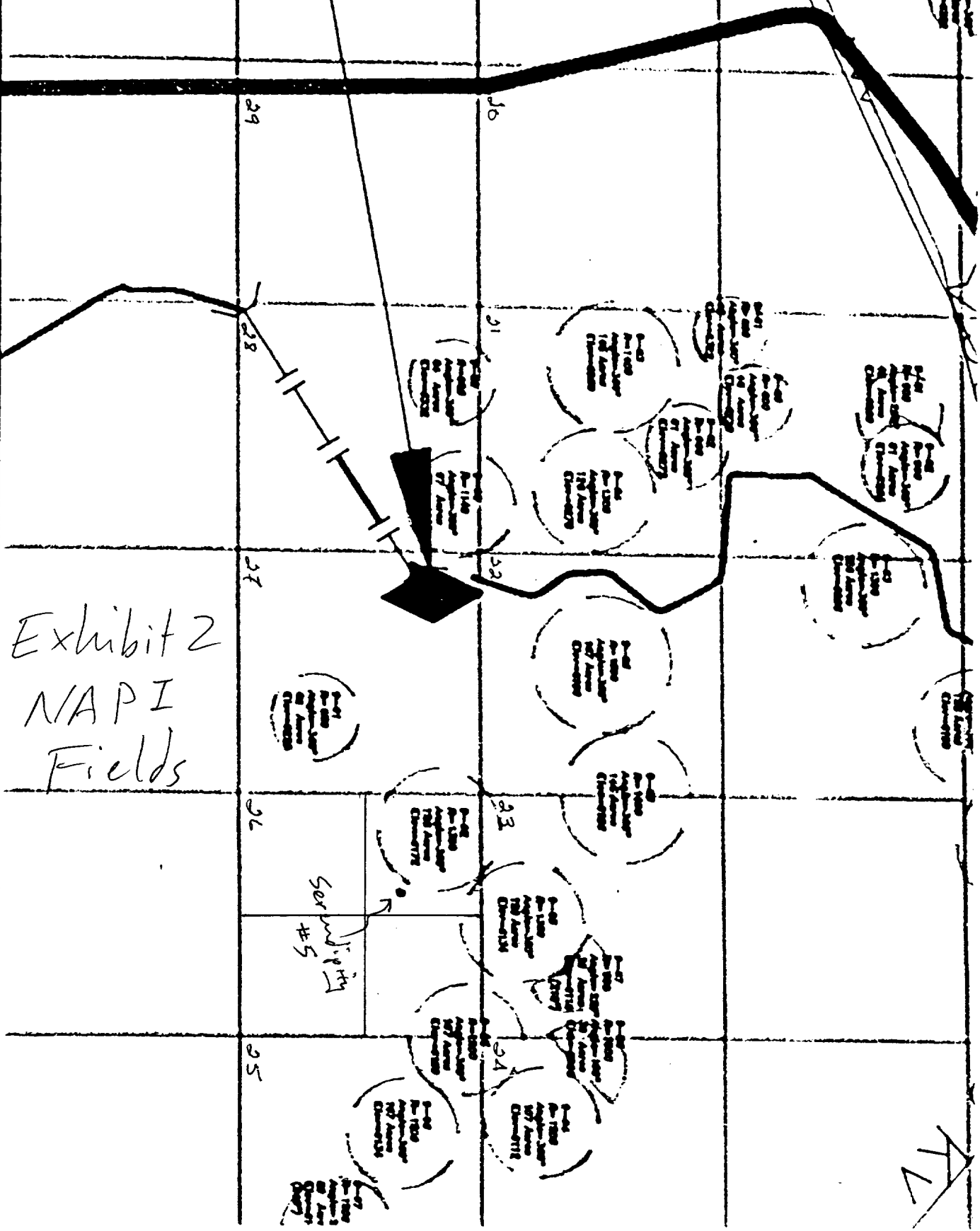
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
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¹² Dedicated Acres 320	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

¹⁶ XXXXXXXXXXXXXXXXXXXXXXXX 				¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. Signature George Sharpe Printed Name Engineer Title November 15, 2002 Date ¹⁸ SURVEYOR CERTIFICATION 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. Date of Survey Signature and Seal of Professional Surveyor: Certificate Number	
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BOUNDARY



MERRION OIL & GAS
CORPORATION

Topographic Locator Map

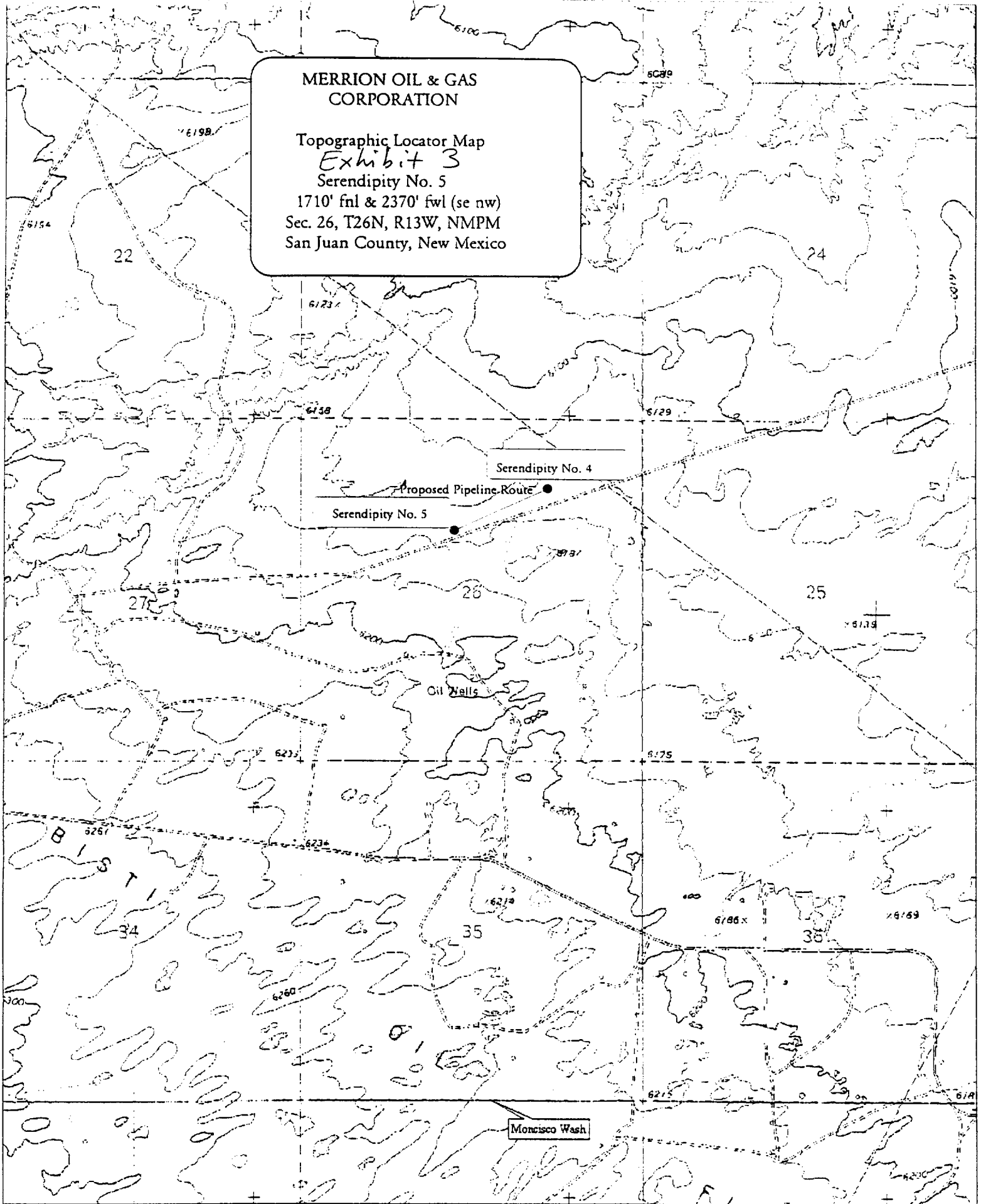
Exhibit 3

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:

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,

A handwritten signature in dark ink, appearing to read "David Catanach".

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
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Sincerely,


George Sharpe
Manager, Oil & Gas Investments