

June 23, 2004

Oil Conservation Division
1220 S. St. Francis Dr.
Santa Fe, NM 87505

Att: Non-Standard Locations

RE: Melrose Operating Company, Cone Jalmat Yates, well #204
Sec 13, T22S, R35E, Lea County, New Mexico

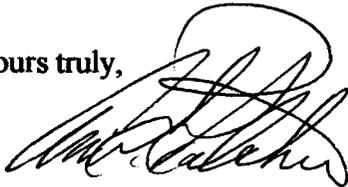
Ladies/Gentlemen:

Please see attached the C-101 and "amended "C-102" for the above referenced well. Melrose Operating Co. submitted the data for permitting of the non-standard location for this well and mistakenly listed the unit name as the Jalmat Field Sand Yates Unit. This well is actually located 15' within the Cone Jalmat Yates Unit.

This application was previously submitted to the Oil Conservation Division office in February 2004, at that time Donna Mull instructed us that this well appeared to be a Cone well instead of a Jalmat unit well. The program for drilling was temporarily on hold and we did not submit the corrected report at that time.

I am sorry for this mistake. Please let me know if you need any further documentation to support the request for the non-standard permits for these waterflood development wells filed on by Melrose Operating Company. Thank you.

Yours truly,



Ann E. Ritchie, Regulatory Agent
Melrose Operating Company
c/o P.O. Box 953
Midland, TX 79702
432 684-6381
432 682-1458-fax
ann.ritchie@wtor.net

District OCD

RECEIVED

JUN 28 2004

Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Melrose Operating Company
PO Box 953
Midland, TX 79702

June 19, 2004

New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87504

Attn: Michael Stogner

Re: Request for NSL Order for the following wells:

Jalmat Field Yates Sand Unit # 199
Section 13, T-22-S, R-35-E
2546' FNL & 94' FWL
Jalmat Yates Unit
Lea County, New Mexico

Jalmat Field Yates Sand Unit #204
Section 13, T-22-S, R-35-E
2625' FSL & 1310' FWL
Jalmat Yates Unit
Lea County, New Mexico

Cone Field Yates Sand Unit # 200
Section 13, T-22-S, R-35-E
1310' FSL & 10' FWL
Cone Yates Unit
Lea County, New Mexico

Dear Mr. Stogner,

Melrose Operating proposes drilling three lease line wells between the Jalmat Yates Unit and the Cone Jalmat Unit, Lea County, NM; both of these units are operated by Melrose Operating Company.

Melrose has drilled 12 5-spot infill wells in the Jalmat Yates Sand Unit. The prior operator had drilled several wells within the Cone Jalmat Yates Unit. The average reserves for this infill drilling are 59 MBO & 35 MMCF per well. These three lease line wells are therefore expected to recover 177 MBO and 105 MMCF in reserves that otherwise would not be recoverable.

Waterflooding commenced in these units in the mid 1960s on forty-acre well Spacing with a 5-spot pattern. Due to various reservoir rock and fluid properties, poor horizontal sweep efficiency can leave areas between the producing and injecting wells with banked up, unswept, unrecoverable oil. This is physically demonstrated by the positive results of the new 20-acre infill wells.

Melrose has a long-range plan to drill these units on 20 acre spacing and collapse the injection pattern to a 5 spot. They have discussed future plans for these units with the

Hobbs OCD office and provided them with a plan of reactivation. Melrose has already commenced spending money towards the goal of reactivating these waterfloods.

Melrose owns 100% of the working interest in each Unit. The production would be monitored for the lease line wells and the revenue would be allocated equally between the two waterflood units.

Based on the success of recent infill wells in the area, it appears there are oil & gas reserves that will not be drained without tighter well spacing. It is therefore recommended that these lease line wells be approved to prevent waste and recover reserves that would not otherwise be recovered.

- Please find attached a listing of the Override and Royalty interest owners of both the Cone and Jalmat Units. A copy of this justification and map has been sent to them. Melrose is the operator of both units therefore no offset operator notification is required.

Melrose Operating respectfully requests that a Non-Standard Location Order be granted to all three wells listed. If you have any additional questions regarding this application please contact Tony Beilman at (214) 762-0830.

Sincerely,



Anthony J. Beilman
Petroleum Engineer
PO Box 953
Midland, TX 79702
Melrose Operating Company

District I
1625 N. Fritch Dr., Hobbs, N.M. 88240
District II
1301 W. Grand Ave., Artesia, N.M. 88210
District III
1000 Rio Brazos Rd., Aztec, N.M. 87410
District IV
1220 S. St. Francis Dr., Santa Fe, N.M. 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
1220 S. St. Francis Dr.
Santa Fe, NM 87505

Form C-101
Revised February 10, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 6 Copies
Fee lease - 5 Copies

AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE - ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

¹ Operator Name and Address Melrose Operating Co. c/o P.O. Box 953 Midland, TX 79702		² OGRID Number 184860
		³ API Number 30-0 15
⁴ Property Code 25203	⁵ Property Name Cone Jalmat Yates Pool Unit	⁶ Well No. 204

7 Surface Location

UL or Lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	13	22S	35E		2625	South	1310	West	Lea

8. Proposed 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
9. Proposed Pool 1 Jalmat; T-Y-7R					10. Proposed Pool 2				

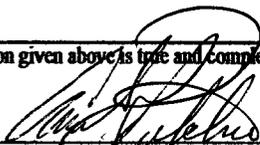
11. Work Type Code N	12. Well Type Code O	13. Cable/Rotary R	14. Lease Type Code S	15. Ground Level Elevation 3576'
16. Multiple no	17. Proposed Depth 4200'	18. Formation Yates	19. Contractor United Drlg.	20. Spud Date 8-1-04

21. Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
12 1/4"	8 5/8"	24#	350'	250 sx	surface
7 7/8"	5 1/2"	15.5#	4200'	1200 sx	surface

22. Describe the proposed program. If this is to DEEPEN or PLUG BACK give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

Propose to drill 12 1/4" hole to 350', set 8 5/8" casing, cement to surface. RU BOPs. Drill 7 7/8" hole to 4200', set 5 1/2" casing, cement to surface, RD BOPs & drilling rig. Perforate Yates formation & frac. Place well on test.

23. I hereby certify that the information given above is true and complete to the best of my knowledge and belief. Signature: 	OIL CONSERVATION DIVISION	
Printed Name: Ann E. Ritchie	Approved by:	
Title: Regulatory Agent	Title:	
Date: 6-23-04	Approval Date:	Expiration Date:
Phone: 432 684-6381	Conditions of Approval: Attached: <input type="checkbox"/>	

State of New Mexico

Energy, Minerals and Natural Resources Department

Form C-102

Revised February 10, 1994

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

Sobba, NM 88241-1980

DISTRICT II

Drawer DD, Artesia, NM 88211-0719

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

DISTRICT III

600 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV

P.O. BOX 2088, SANTA FE, N.M. 87504-2088

WELL LOCATION AND ACREAGE DEDICATION PLAT

6-23-04
[Signature]
 AMENDED REPORT

API Number 30-025-	Pool Code 33820	Pool Name Jalmat; T-Y-7R
Property Code 25203	Property Name CONE JALMAT YATES	Well Number 204
OGRID No. 184860	Operator Name MELROSE OPERATING COMPANY	Elevation 3576'

Surface Location

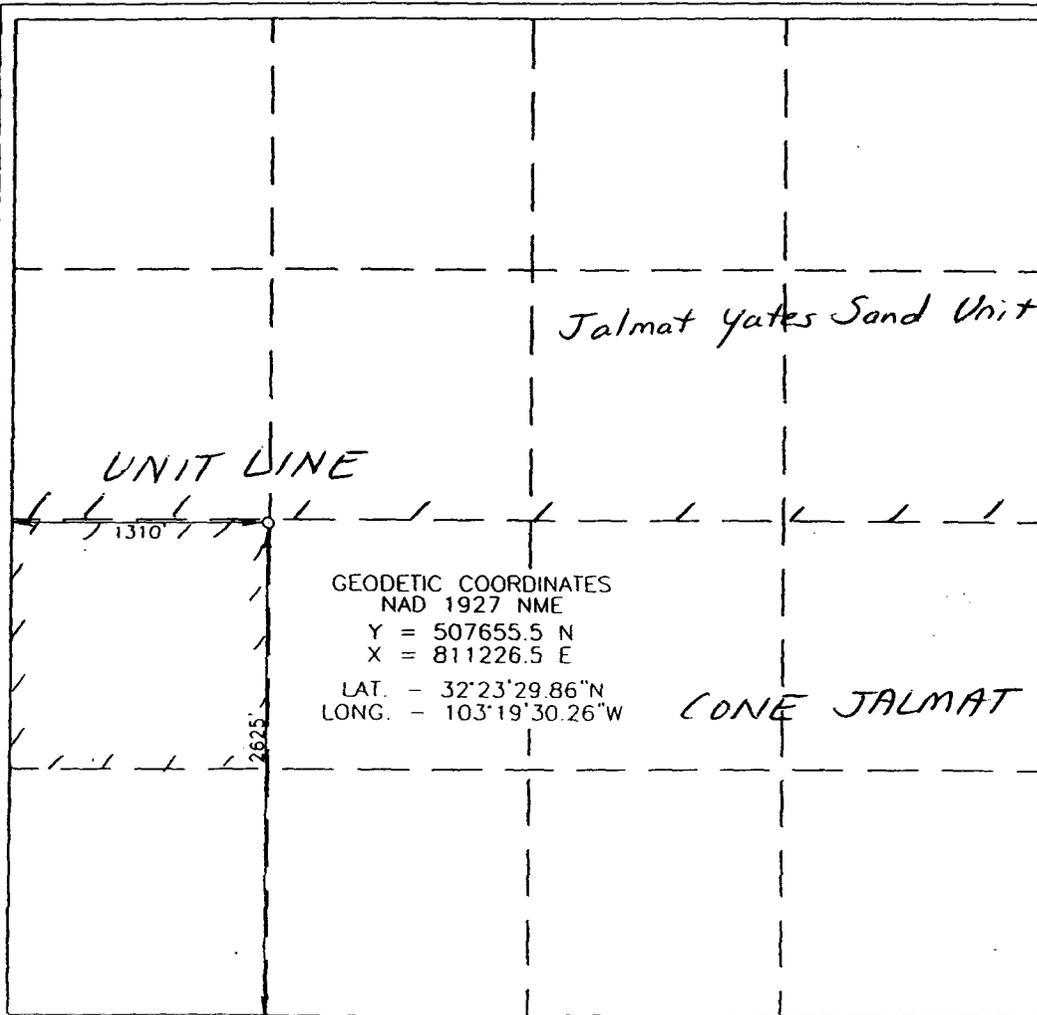
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	13	22-S	35-E		2625	SOUTH	1310	WEST	LEA

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

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
40			

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



OPERATOR CERTIFICATION

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

[Signature]
 Signature
 Ann E. Ritchie
 Printed Name
 Regulatory Agent
 Title
 2-9-04
 Date

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.

JANUARY 29, 2004

Date Surveyed
 Signature & Seal of Professional Surveyor
[Signature]
 04.11.0096
 Certificate No. GARY EIDSON 12641