

DATE IN 3-7-05	SUSPENSE	ENGINEER STOGNER	LOGGED BY ASL	TYPE NSL
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

RECEIVED

PSEMO506647908

MAR 07 2005

ADMINISTRATIVE APPLICATION COVERSHEET

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS

Application Acronyms:

- [NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location]
 [DD-Directional Drilling] [SD-Simultaneous Dedication]
 [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
 [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
 [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
 [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
 [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Directional Drilling
☒ NSL ☐ NSP ☐ DD ☐ SD

Check One Only for [B] and [C]

- [B] Commingling - Storage - Measurement
☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or ☐ Does Not Apply

- [A] ☐ Working, Royalty or Overriding Royalty Interest Owners
 [B] ☐ Offset Operators, Leaseholders or Surface Owner
 [C] ☐ Application is One Which Requires Published Legal Notice
 [D] ☐ Notification and/or Concurrent Approval by BLM or SLO
 U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
 [E] ☒ For all of the above, Proof of Notification or Publication is Attached, and/or,
 [F] ☐ Waivers are Attached

[3] INFORMATION / DATA SUBMITTED IS COMPLETE - Statement of Understanding

I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common. I understand that any omission of data, information or notification is cause to have the application package returned with no action taken.

Note: Statement must be completed by an individual with supervisory capacity.

Tony Beilman
 Print or Type Name

Tony Beilman
 Signature

Engineer
 Title

3/3/05
 Date

**Melrose Operating Company
PO Box 953
Midland, TX 79702**

March 3, 2005

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 # 214
Section 14, T-22-S, R-35-E
100' FSL & 100' FEL
Jalmat Yates Unit
Lea County, New Mexico

Jalmat Field Yates Sand Unit # 215
Section 23, T-22-S, R-35-E
1320' FNL & 100' FEL
Jalmat Yates Unit
Lea County, New Mexico

Cone Jalmat Yates Unit # 216
Section 24, T-22-S, R-35-E
2540' FNL & 140' FWL
Cone Jalmat Yates Unit
Lea County, New Mexico

Dear Mr. Stogner,

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

Melrose has drilled several 5-spot infill wells in the Jalmat Yates Sand Unit. The average reserves for this infill drilling are 60 MBO & 35 MMCF per well. Recently three lease line wells were drilled with initial rates from 36 to 89 BOPD. These three wells were approved on August 18, 2004 by Administrative Order NSL 5098. Ultimate recovery on those three wells is estimated to be 175 MBO and 100 MMCF. The three proposed lease/unit line wells are estimated to add an additional 175 MBO and 100 MMCF in reserves that otherwise would not be recoverable.

Waterflooding was established by Division Order No. R-2243 issued in Case No. 2546 on May 28, 1962 in the Jalmat Field Yates Sand Unit and in the Cone Jalmat Yates pool by Division Order No. R-2495 issued in Case No. 2803 on June 11, 1963. The waterflooding commenced 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 and recent lease/unit line 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 increasing 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 on a fair and equitable basis.

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. Melrose respectfully requests that a non-standard location order be issued for these three lease/unit line wells to prevent waste and recover reserves that would not otherwise be produced.

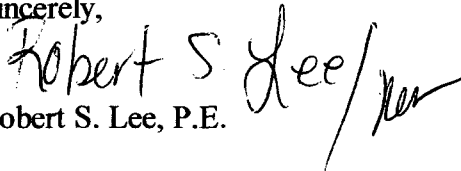
Please find attached a listing of the Override and Royalty interest owners of both the Cone and Jalmat Units. A copy of this justification and map has been sent to them. Melrose is the operator of both units therefore no offset operator notification is required.

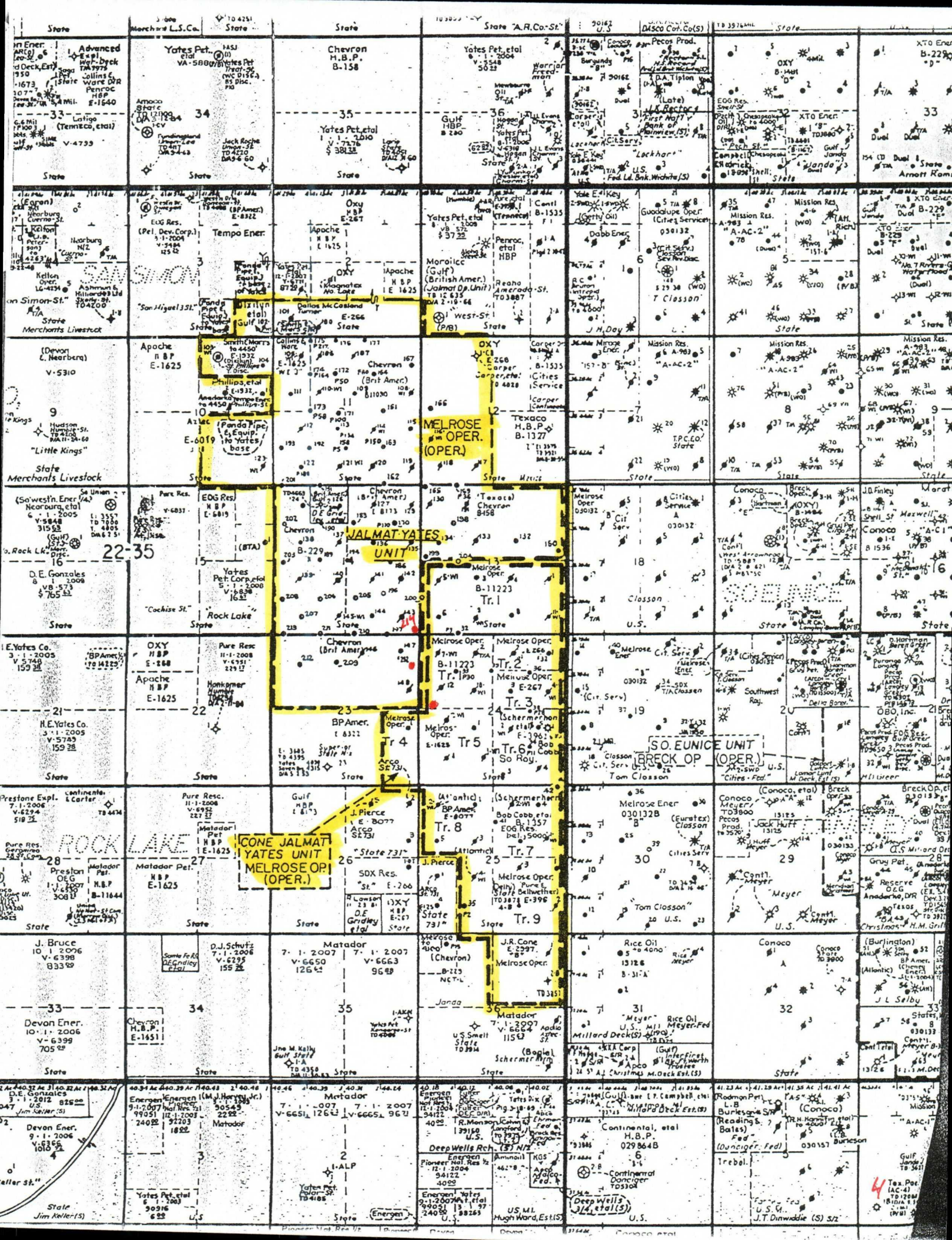
If you have any additional questions please contact Robert Lee @ (432) 682-1251.

Sincerely,

Robert S. Lee, P.E.

RSL/km

A handwritten signature in black ink that reads "Robert S. Lee" followed by a stylized flourish or initial.



State of New Mexico

DISTRICT I

1225 N. FRANKLIN ST., ALBUQUERQUE, NM 87102

Energy, Minerals and Natural Resources Department

DISTRICT II

1301 W. GRAND AVENUE, ALBUQUERQUE, NM 87102

OIL CONSERVATION DIVISION

1220 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

Form C-102

Revised: JUNE 10, 2000

Submit to Appropriate District Office

State Issues - 4 Copies

Fee Letter - 3 Copies

DISTRICT III

1000 Rio Grande Blvd., Alamosa, NM 87410

DISTRICT IV

1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code 33820	Pool Name Talmat; T-4-7 Rvvs
Property Code 25191	Property Name JYSU	Well Number 214
ORM No. 184860	Operator Name MELROSE OPERATING COMPANY	Elevation 3577'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	14	22-S	35-E		100	SOUTH	100	EAST	LEA

Bottom Hole Location If Different From Surface

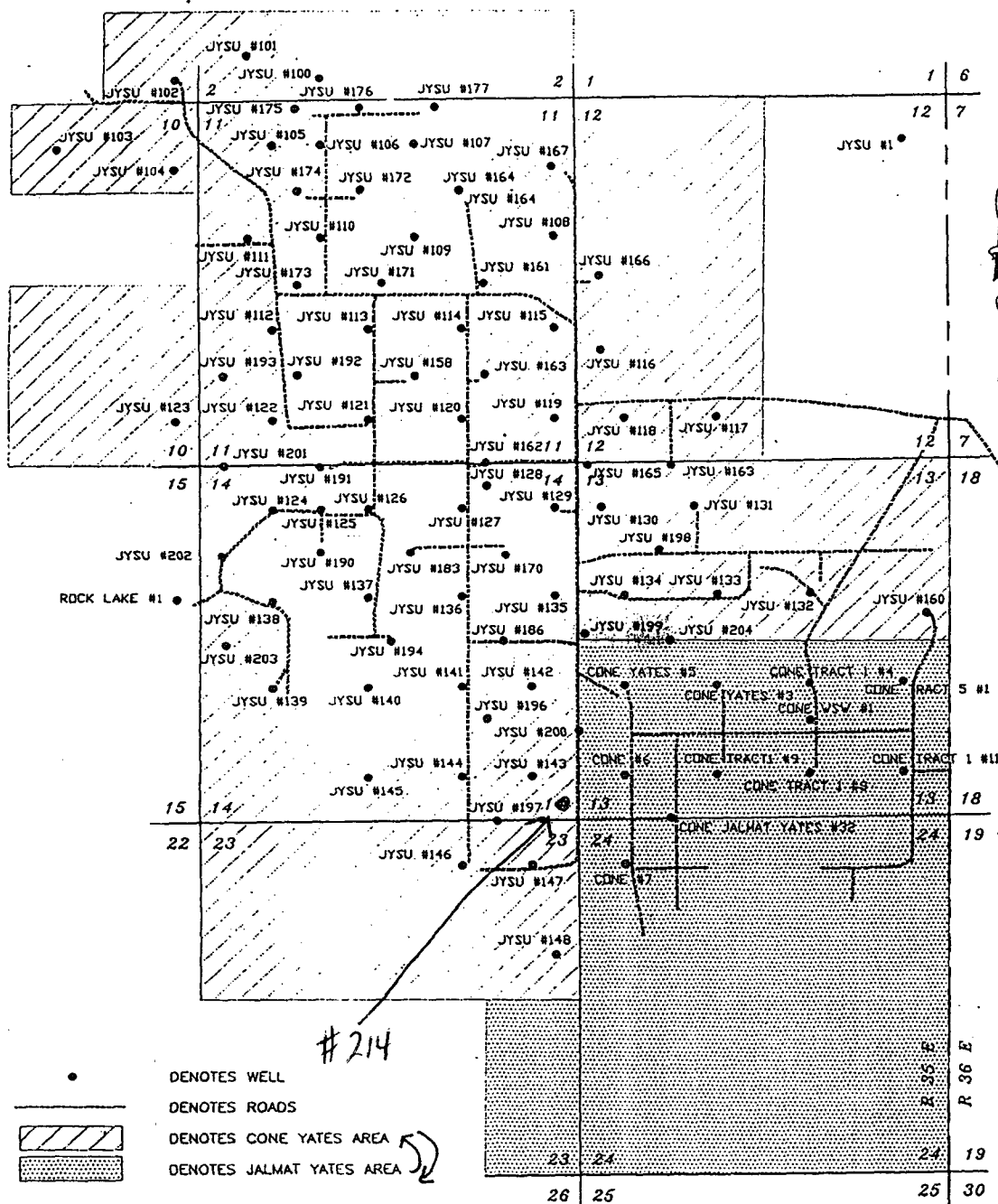
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

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 that the information contained herein is true and complete to the best of my knowledge and belief. Signature: <i>Kay Maddox</i> Printed Name: KAY MADDOX Title: Regulatory Agent Date: 3/1/05
SECTION 14 SECTION 23 SECTION 13 SECTION 24 GEODETIC COORDINATES NAD 27 NME Y=505110.8 N X=809840.7 E LAT.=32°22'04.81" N LONG.=103°19'46.71" W		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 Surveyed: JANUARY 28, 2005 Signature: <i>GARY R. ELLISON</i> Professional Seal: Registered Professional Surveyor: GARY R. ELLISON License No.: 213105 State: NEW MEXICO Commission No.: 02641-013205

SECTIONS 2, 3, 10, 11, 12, 13, 14, 15, 23 & 24,
TOWNSHIP 22 SOUTH, RANGE 35 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO



MELROSE OPERATING COMPANY

JALMAT YATES SAND
UNIT WELL # 214

Survey Date: 1/27/04 Sheet 1 of 1 Sheets

W.O. Number: 04.11.00097 Drawn By: LMP Rev: N/A

Date: 2/5/04 DISK: CD '04 04110097 Scale: 1"=2000'

JOHN WEST SURVEYING COMPANY

412 N. DAL PASO - HOBBS, NEW MEXICO - 505-393-3117

State of New Mexico

Energy, Minerals and Natural Resources Department

DISTRICT I

1808 N. FRANKLIN DR., ALBUQUERQUE, NM 87104

DISTRICT II

1201 E. GRAND AVENUE, ALBUQUERQUE, NM 87106

DISTRICT III

1000 Rio Arriba Rd., Santa Fe, NM 87505

DISTRICT IV

1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

OIL CONSERVATION DIVISION

1220 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

Form C-102

Revised JUNE 10, 2003

Submit to Appropriate District Office

State Lease - 4 Copies

Free Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code 33820	Pool Name Tajmat; T. 4-7 Rvrs
Property Code 25191	Property Name JYSU	Well Number 215
GRID No. 184860	Operator Name MELROSE OPERATING COMPANY	Elevation 3589'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	23	22-S	35-E		1320	NORTH	100	EAST	LEA

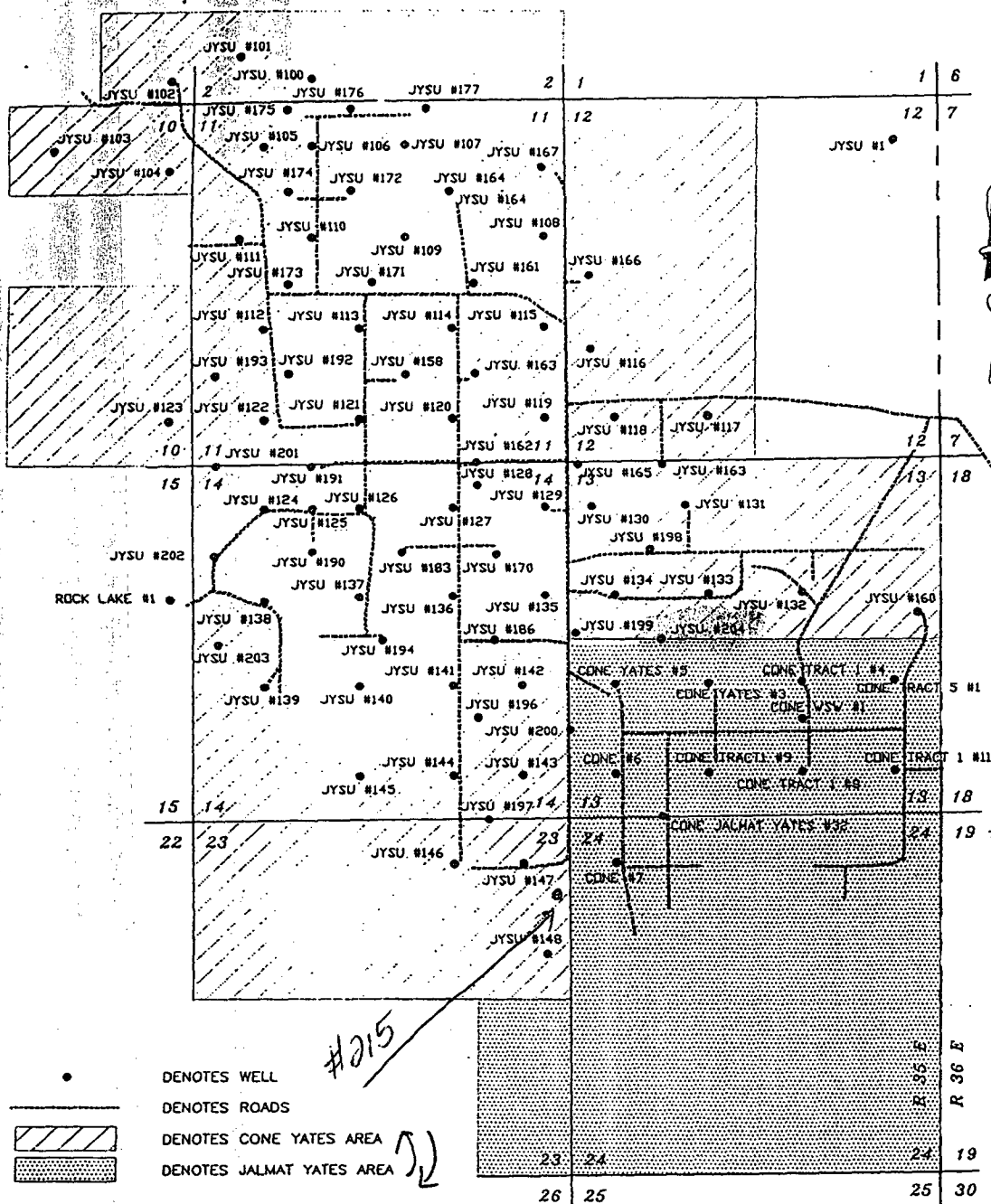
Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
40									
Dedicated Acres	Joint or Infill	Consolidation Code	Order No.						

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 true information contained herein is true and complete to the best of my knowledge and belief. <i>[Signature]</i> Signature KAY MADDIX Printed Name Regulatory Agent Title 3/1/05 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 28, 2005 Date Surveyed Signature & Seal of Professional Surveyor
GEODETIC COORDINATES NAD 27 NME Y=503691.1 N X=809854.2 E LAT.=32°22'50.76" N LONG.=103°19'46.70" W	

SECTIONS 2, 3, 10, 11, 12, 13, 14, 15, 23 & 24,
TOWNSHIP 22 SOUTH, RANGE 35 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO



2000 0 2000 4000 FEET
Scale: 1"=2000'

MELROSE OPERATING COMPANY

JALMAT YATES
SAND UNIT #215

Survey Date: 1/27/04 Sheet 1 of 1 Sheets

W.O. Number: 04.11.00097 Drawn By: LMP Rev: N/A

Date: 2/5/04 DISK: CD '04 04110097 Scale: 1"=2000'

JOHN WEST SURVEYING COMPANY

412 N. DAL PASO - HOBBS, NEW MEXICO - 505-393-3117

State of New Mexico

DISTRICT I

1026 N. LINCOLN DR., PORTER, NM 88440

~~Energy, Minerals and Natural Resources Department~~

Form C-102

Revised JUNE 10, 2003

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DISTRICT II

1201 W. GRAND AVENUE, ALBUQUERQUE, NEW MEXICO

OIL CONSERVATION DIVISION

1220 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

DISTRICT III

1000 Rio Grande Rd., Aztec, NM 87410

DISTRICT IV

1320 E. ST. FRANCIS DR., SANTA VE, NE1 87805

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number		Pool Code 33820	Pool Name Jalmat; T-4-7R
Property Code 25203	Property Name CONE JALMAT YATES UNIT		Well Number 216
OGUID No. 184860	Operator Name MELROSE OPERATING COMPANY		Elevation 3581'

Surface Location

UL or Int No.	Section	Township	Range	Int No	Feet from the	North/South line	Feet from the	East/West line	County
E	24	22-S	35-E		2540	NORTH	140	WEST	LEA

Bottom Hole Location If Different From Surface

UL or Int No.	Section	Township	Range	Lot No.	Feet from NW	North/South line	Feet from the	East/West line	County
Dedicated Acres 40	Joint or Infill	Consolidation Code		Order No.					

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.

Sunday

Printed Name _____

Title

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 28, 2005

Date Surveyed

JR

**Signature & Seal of
Professional Surveyor**

GEODETIC COORDINATES
NAD 27 NME

Y=502474.2 N
X=810105.7 E

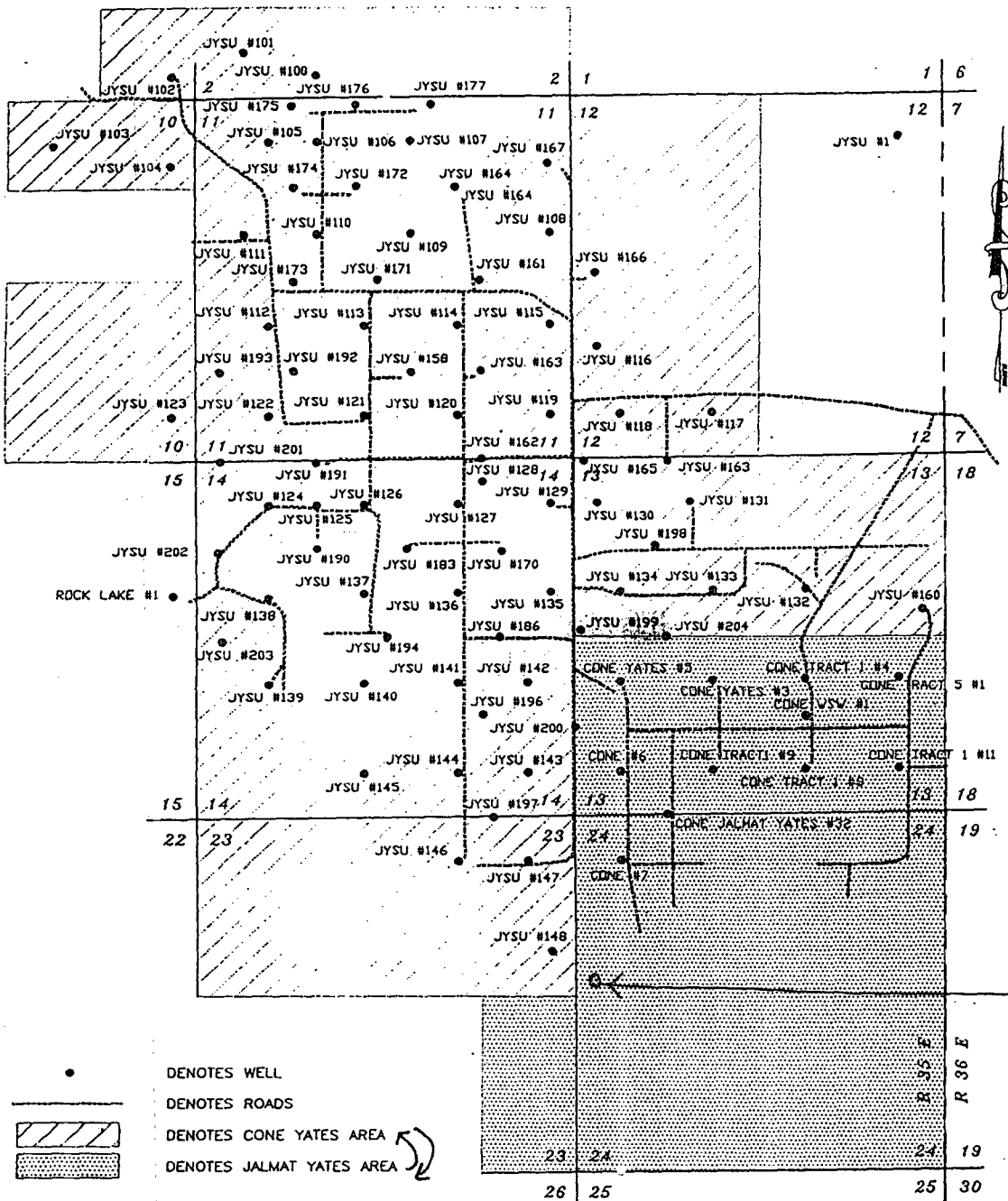
LAT. = 32° 22' 38.69" N
LONG. = 103° 19' 43.90" W

GARY G. EIDSON
2/3/05

051 8134
12641

REGISTERED

SECTIONS 2, 3, 10, 11, 12, 13, 14, 15, 23 & 24,
TOWNSHIP 22 SOUTH, RANGE 35 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO



MELROSE OPERATING COMPANY

ONE JALMAT

YATES UNIT WELL #216

Survey Date: 1/27/04 Sheet 1 of 1 Sheets

W.O. Number: 04.11.00097 Drawn By: LMP Rev: N/A

Date: 2/5/04 DISK: CD '04 04110097 Scale: 1"=2000'

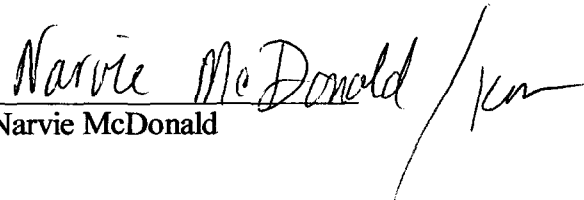
JOHN WEST SURVEYING COMPANY

412 N. DAL PASO - HOBBS, NEW MEXICO - 505-393-3117

#216

Melrose Operating
Non-Standard Location Application
Jalmat Field Yates Sand Unit Wells # 214 & # 215
Cone Jalmat Yates Unit Well # 216
T-22-S, R-35-E
Lea County, NM

Please see attached Exhibits A & B listing owners and addresses of all Override and Royalty Interest Owners. A copy of the non-standard location application has been sent to all listed parties on this the 3rd day of March 2005.


Narvie McDonald

DATE: Wed May 19, 2004
TIME: 13:17:29

HOLLY CORPORATION & SUBSIDIARIES
Division of Interest - Exhibit

REPORT: DC3
PAGE: 1 of 4

Lease: 00014505 Sub:
G/L Comp: 84 Divisor: 48 Name: JALMAT FIELD YATES SAND UNIT
Operator: 035173 Name: MELROSE OPERATING COMPANY Username: landi

Owner	Name	Division of Interest	Type	Tax ID #	Type ID
000001	COMMISSIONER OF PUBLIC LANDS P O BOX 1148 SANTA FE, NM 87504-1148	0.12031724	RI	856000565	E
000664	CONOCOPHILLIPS COMPANY P O BOX 7500 BARTLESVILLE, OK 74005	0.00197442	OR	730400345	E
000785	BLACK FAMILY PARTNERSHIP PO BOX 50820 MIDLAND, TX 79710-0820	0.01000000	OR	752506922	E
006740	WARREN F REYNOLDS 1825 N ROTO HOBBS, NM 88240	0.00009935	OR	017208303	S
006831	MELROSE ENERGY COMPANY ATTN MICHAEL CORJAY 5813 NW GRAND BLVD STE B OKLAHOMA CITY, OK 73118	0.77000000	WI	731246920	E
007475	PITCH ENERGY CORP PO BOX 304 ARTESIA, NM 88211-0304	0.00059611	OR	850381470	E
011460	PROVIDENCE OIL & GAS CORP P O BOX 701828 TULSA, OK 74170-1828	0.00022352	OR	731260843	E

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Melrose
Exhibit A

DATE: Wed May 19, 2004
TIME: 13:17:29

HOLLY CORPORATION & SUBSIDIARIES
Division of Interest - Exhibit

REPORT: DC3
PAGE: 2 of 4

Lease: 00014505 Sub: Name: JALMAT FIELD YATES SAND UNIT
G/L Comp: 84 Division: 48 Period: 04-2004 Username: randi
Operator: 035173 Name: MELROSE OPERATING COMPANY

Owner	Name	Division of Interest	Type	Tax ID #	Type ID
015208 DENNA MIZEL INDV & EXECUTRIX SAM MIZEL ESTATE P O BOX 52553 TULSA, OK 74152-0553		0.00022356	OR	444360761	S
015208 DENNA MIZEL INDV & EXECUTRIX SAM MIZEL ESTATE P O BOX 52553 TULSA, OK 74152-0553		0.00022355	OR	444360761	S
017878 KAY SHUMAN PO BOX 277 MERMENTAU, LA 70556-0277		0.00023806	OR	585223948	S
017879 PATRICK FRANCOEUR C/O LEA COUNTY COURTHOUSE P O BOX 4433 SEBRING, FL 33871-4433		0.00004968	OR	510345152	S
017880 SHARON CATHARINE FRITZ * 2898 E 51ST ST #6 TULSA, OK 74105-1781		0.00004968	OR	525984058	S
017881 W GILBERT BRYAN 3320 NORTH DAL PASO #5D HOBBS, NM 88240		0.00009935	OR	525807117	S
017883 MARRS & SMITH PARTNERSHIP PO BOX 863 KERMIT, TX 79745-0863		0.05404937	OR	752754761	E

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HOLLY CORPORATION & SUBSIDIARIES
Division of Interest - Exhibit

REPORT: DC3
PAGE: 3 of 4

Lease: 00014505 Sub: Name: JALMAT FIELD YATES SAND UNIT
G/L Comp: 84 Division: 48 Period: 04-2004 Username: randi
Operator: 035173 Name: MELROSE OPERATING COMPANY

Owner	Name	Division of Interest	Type	Tax ID #	Type ID
017884	MERCHANT LIVESTOCK PO BOX 1166 CARLSBAD, NM 88220-1166	0.00631394	RI	850081965	E
017885	TROY LEE BOSSEMAN 317 SMOKYHILL AVE OAKLEY, KS 67748-1839	0.00152578	RI	509780861	S
017886	DONALD JOHN BOSSEMAN 710 WINK AVE OAKLEY, KS 67748-1352	0.00152578	RI	585669172	S
019288	MARY JANE HUMPHREY 530 BRYARCLIFF DR GARLAND, TX 75043-5602	0.00029806	OR	161201336	S
019300	MARILYN SMITH PO BOX 481 KERMIT, TX 79745	0.02014453	OR	466909666	S
019612	JOHN POOL PO BOX 5441 MIDLAND, TX 79704-5441	0.00022352	OR	459062717	S
021065	MAYHILL OIL CORPORATION PO BOX 5334 MIDLAND, TX 79704-5334	0.00333333	OR	752397319	E

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Lease: 00014505 Sub: Name: JALMAT FIELD YATES SAND UNIT
 G/L Comp: 84 Division: 48 Period: 04-2004 Username: randi
 Operator: 035173 Name: MELROSE OPERATING COMPANY

Owner	Name	Division of	Interest	Type	Tax ID #	Type ID
021110	TAY-MOR ENTERPRISES INC	0.00333333	OR	752419960	E	
	PO BOX 4723					
	MIDLAND, TX 79707-4723					

026251	DEBRA J HAMILTON	0.00333334	OR	452969866	S
	PO BOX 51988				
	MIDLAND, TX 79710				

029027	BOLING ENTERPRISES LTD	0.00028614	OR	850451806	E
	ROBERT MICHAEL BOLING MANAGER				
	PO BOX 2563				
	ROSWELL, NM 88202				

030795	KATHERINE A JOHNSON-BARGER	0.00059611	OR	585384540	S
	866 EMERALD HILLS CIR				
	FAIRFIELD, CA 94533-9706				

038666	RANDEL MARITAL TRUST	0.00059611	OR	756587704	E
	U/W/O RALPH M RANDEL				
	CLIFFORD M RANDEL TRUSTEE				
	P O BOX 821011				
	NORTH RICHLAND HILLS, TX 76182-1011				

052697	ML BOLING DEVELOPMENT LLC	0.00028614	OR	550830390	E
	P O BOX 1514				
	ROSWELL, NM 88202				

Interest Total: 1.00000000

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DATE: Wed May 19, 2004
TIME: 13:17:41

HOLLY CORPORATION & SUBSIDIARIES
Division of Interest - Exhibit

REPORT: DC3
PAGE: 1 of 7

Lease: 00014506 Sub: 48
G/L Comp: 84 Division: 48
Operator: 035173 Name: MELROSE OPERATING COMPANY
Period: 04/01/2004 - 03/31/2005
Name: CONE TALMNT YATES POOL
Username: randi

Owner	Name	Division Of	Type	Tax ID #	Type ID
000001	COMMISSIONER OF PUBLIC LANDS	Interest	RI	856000565	E

P O BOX 1148
SANTA FE, NM 87504-1148

000785	BLACK FAMILY PARTNERSHIP	0.01000000	OR	752506922	E
PO BOX 50820					
MIDLAND, TX 79710-0820					

004279	JAMES E HALL	0.0068928	OR	525629562	S
PO BOX 10666					
MIDLAND, TX 79702-7666					

004280	CHARLES L HALL	0.0068928	OR	451622734	S
PO BOX 10666					
MIDLAND, TX 79702-7666					

006740	WARREN F REYNOLDS	0.00020495	OR	017208303	S
1825 N ROJO					
HOBBS, NM 88240					

006831	MELROSE ENERGY COMPANY	0.77000000	WI	731246920	E
ATTN MICHAEL CORJAY					
5813 NW GRAND BLVD STE B					
OKLAHOMA CITY, OK 73118					

007274	MARK P GODSEY REVOCABLE TR	0.00000865	OR	509481548	S
U/T/A 12/22/94					
7928 S HUDSON PLACE					
TULSA, OK 74136					

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Melrose
Exhibit B

Lease: 00014506 Sub: Name: CONE JALMAT YATES POOL
 G/L Comp: 84 Division: 48 Period: 04-2004 Username: randi
 Operator: 035173 Name: MELROSE OPERATING COMPANY

Owner	Name	Division Of	Type	Tax ID #	Type ID
007475	PITCH ENERGY CORP PO BOX 304 ARTESIA, NM 88211-0304	0.00569434	OR	850381470	E
007585	KATHRYN RAE BRANDENBURG 4243 TERRACE ST OAKLAND, CA 94611-5127	0.00051696	OR	585488186	S
011460	PROVIDENCE OIL & GAS CORP P O BOX 701828 TULSA, OK 74170-1828	0.00023057	OR	731260843	E
014624	PORTSON OIL CO AGENT & NC P O BOX 99084 FORT WORTH, TX 76199	0.01979653	NP	752129916	E
015208	DENNA MIZEL INDV & EXECUTRIX SAM MIZEL ESTATE P O BOX 52553 TULSA, OK 74152-0553	0.00046114	OR	444360761	S
015208	DENNA MIZEL INDV & EXECUTRIX SAM MIZEL ESTATE P O BOX 52553 TULSA, OK 74152-0553	0.00046113	OR	444360761	S
017845	LILLIE M YATES ESTATE S P YATES, FRANK YATES, J, AND B W HARPER CO PERS REPS PO BOX 840 ARTESIA, NM 88211-0840	0.00223240	OR	856103685	E

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DATE: Wed May 19, 2004
TIME: 13:17:41

HOLLY CORPORATION & SUBSIDIARIES
Division of Interest - Exhibit

REPORT: DC3
PAGE: 3 of 7

Lease: 00014506 Sub: Name: CONE JALMAT YATES POOL
G/L Comp: 84 Division: 48 Period: 04-2004 Username: randi
Operator: 035173 Name: MELROSE OPERATING COMPANY

Owner	Name	Division Of	Type	Tax ID #	Type ID
017878	KAY SHUMAN PO BOX 277 MERMENTAU, LA 70556-0277	0.00061485	OR	585223948	S
017879	PATRICK FRANCOEUR C/O IEA COUNTY COURTHOUSE P O BOX 4433 SEBRING, FL 33871-4433	0.00010248	OR	510345152	S
017880	SHARON CATHARINE FRITZ * 2898 E 51ST ST #6 TULSA, OK 74105-1781	0.00010248	OR	525984058	S
017881	W GILBERT BRYAN 3320 NORTH DAL PASO #5D HOBBS, NM 88240	0.00020495	OR	525807117	S
017883	MARRS & SMITH PARTNERSHIP PO BOX 863 KERMIT, TX 79745-0863	0.01162495	OR	752754761	E
017887	RICHARD A HALL TRUST #4422 FROST NATL BK TRUSTEE PO DRAWER 1600 SAN ANTONIO, TX 78296-1600	0.00068928	OR	746302147	E
017888	ABELL HANGAR FOUNDATION PO BOX 430 MIDLAND, TX 79702-0430	0.00086160	OR	756020781	E

"THIS INFORMATION IS FURNISHED AS A COURTESY.
NAVALO REFINING COMPANY ASSUMES NO LIABILITY
FOR ACCURACY OR CORRECTNESS OF THE INFORMATION
HEREIN SET OUT."

DATE: Wed May 19, 2004
TIME: 13:17:41

HOLLY CORPORATION & SUBSIDIARIES
Division of Interest - Exhibit

REPORT: DC3
PAGE: 4 of 7

Lease: 00014506 Sub: Name: CONE JALMAT YATES POOL
G/L Comp: 84 Division: 48 Period: 04-2004 Username: randi
Operator: 035173 Name: MELROSE OPERATING COMPANY

Owner	Name	Division Of Interest	Type	Tax ID #	Type ID
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017889	DANIEL L VEIRS DBA VEIRS PRODUCTION COMPANY 1209 W CUTHBERT AVE MIDLAND, TX 79701-4121	0.00180765	OR	344406804	S
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017893	LOUISE COEN ESTATE* 2720 PITTSBURG HOUSTON, TX 77005-3948	0.00027212	OR	225108939	S
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017894	VIRGINIA ANN COOGAN PO BOX 1785 FAYETTEVILLE, AR 72702-1785	0.00108848	OR	459688078	S
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017896	LOUIS A MAZZA 5029 COUNTY RD 476A FREEPORT, TX 77541	0.00054424	OR	088099940	S
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017897	CHARLES D MEHR 3616 FAR WEST BLVD STATION 101-114 AUSTIN, TX 78731-3042	0.00054424	OR	454183092	S
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017898	SA-SAN F A PUTNAM PO BOX 14811 READING, PA 19612-4811	0.00027212	OR	465405234	S
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017899	ST JOHN THE DIVINE EPISCOPAL CHURCH MEMORIAL ENDOWMENT FUND 2450 RIVER OAKS BLVD HOUSTON, TX 77019-5898	0.00054424	OR	760272028	E
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DATE: Wed May 19, 2004
TIME: 13:17:41

HOLLY CORPORATION & SUBSIDIARIES
Division of Interest - Exhibit

REPORT: DC3
PAGE: 5 of 7

Lease: 00014506 Sub: Name: CONE JALMAT YATES POOL
G/L Comp: 84 Division: 48 Period: 04-2004 Username: randi
Operator: 035173 Name: MELROSE OPERATING COMPANY

Owner	Name	Division Of	Interest	Type	Tax ID #	Type ID
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017900	J HIRAM MOORE		0.00255771	OR	460160248	S
	P O BOX 910833					
	DALLAS, TX 75391-0833					

017901	MARY M PEARSON		0.00027212	OR	494148682	S
	8638 S 74TH E AVE					
	TULSA, OK 74133-6615					

019288	MARY JANE HUMPHREY		0.00061485	OR	161201336	S
	530 BRIARCLIFF DR					
	GARLAND, TX 75043-5602					

019612	JOHN POOL		0.00046113	OR	459062717	S
	PO BOX 5441					
	MIDLAND, TX 79704-5441					

021043	WADI PETROLEUM INC		0.00022192	OR	760096964	E
	14405 WALTERS RD STE 400					
	HOUSTON, TX 77014					

021065	MAYHILL OIL CORPORATION		0.00333333	OR	752397319	E
	PO BOX 5334					
	MIDLAND, TX 79704-5334					

021110	TAY-MOR ENTERPRISES INC		0.00333333	OR	752419960	E
	PO BOX 4723					
	MIDLAND, TX 79707-4723					

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DATE: Wed May 19, 2004
TIME: 13:17:41

HOLLY CORPORATION & SUBSIDIARIES
Division of Interest - Exhibit

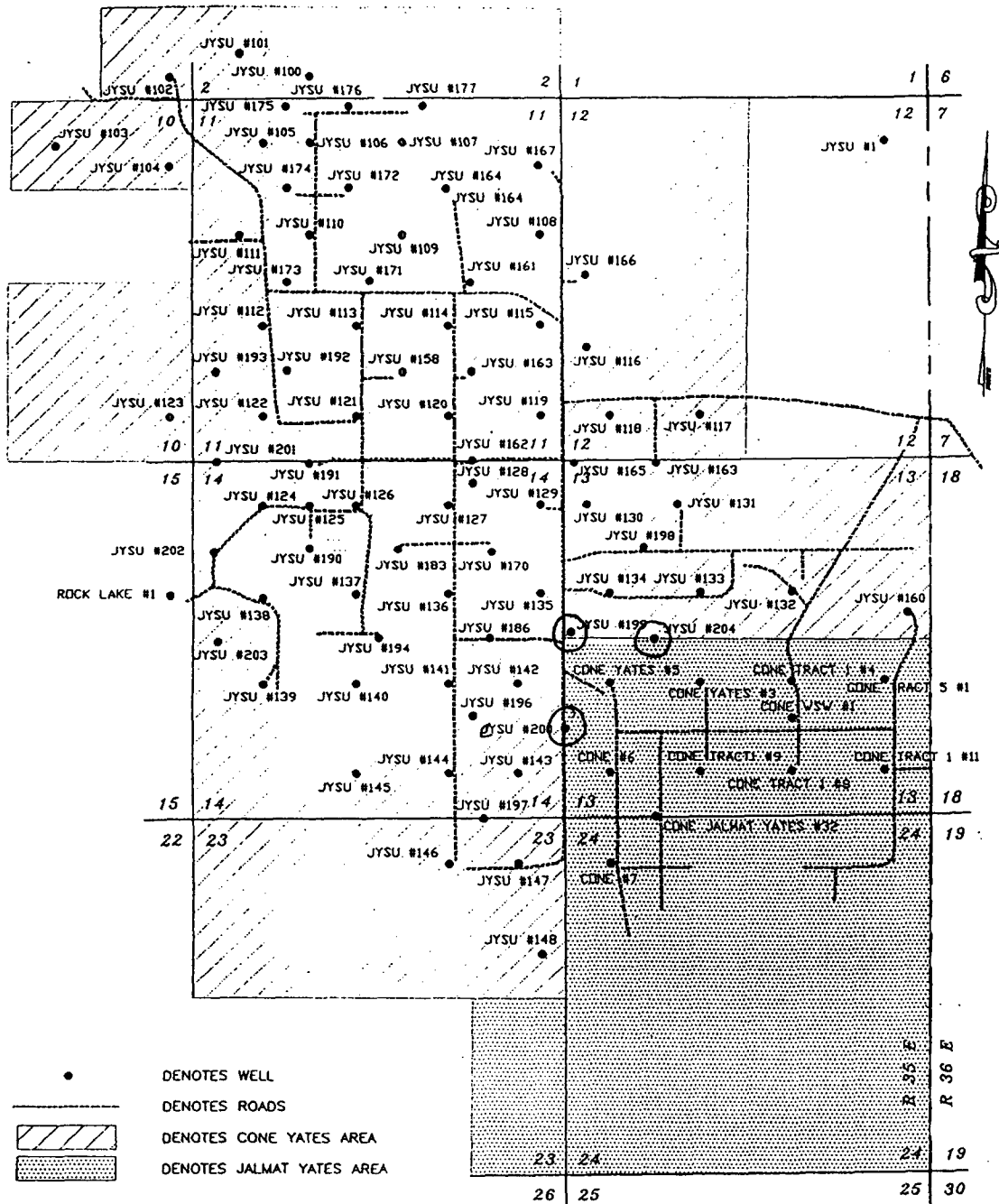
REPORT: DC3
PAGE: 6 of 7

Lease: 00014506 Sub: Name: CONE JALMAT YATES POOL
G/L Comp: 84 Division: 48 Period: 04-2004 Username: randi
Operator: 035173 Name: MELROSE OPERATING COMPANY

Owner	Name	Division Of	Type	Tax ID #	Type ID
026251	DEBRA J HAMILTON PO BOX 51988 MIDLAND, TX 79710	0.00333334	OR	452969866	S
026262	MAYO MARRS PO BOX 613 KERNIT, TX 79745-0613	0.01162494	OR	453244889	S
026300	SHARRO OIL LTD CO P O BOX 840 ARTESIA, NM 88211-0840	0.00223230	OR	850427080	E
029027	BOLING ENTERPRISES LTD ROBERT MICHAEL BOLING MANAGER PO BOX 2563 ROSWELL, NM 88202	0.00059025	OR	850451806	E
030795	KATHERINE A JOHNSON-BARGER 866 EMERALD HILLS CIR FAIRFIELD, CA 94533-9706	0.00122970	OR	585384540	S
034402	JAMES HARVEY & NANCY B YATES REV TRUST DATED 5/22/97 906 S ST FRANCIS DRIVE SUITE C SANTA FE, NM 87505	0.00446465	OR	525625270	S
034403	COLLEEN MICHELLE YATES * P O BOX 514 DENMARK WEST AUSTRALIA.	0.00148821	OR	563238263	S

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HEREIN SET OUT."

SECTIONS 2, 3, 10, 11, 12, 13, 14, 15, 23 & 24,
TOWNSHIP 22 SOUTH, RANGE 35 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO



2000 0 2000 4000 FEET
 Scale: 1"=2000'

MELROSE OPERATING COMPANY

NSL APPLICATION

FOR MELROSE NEW DRILLS
 JALMAT #204, 199 CONE #200

Survey Date: 1/27/04	Sheet 1 of 1 Sheets
W.O. Number: 04.11.00097	Drawn By: LMP Rev: N/A
Date: 2/5/04	DISK: CD '04 04110097 Scale: 1"=2000'

JOHN WEST SURVEYING COMPANY

412 N. DAL PASO - HOBBS, NEW MEXICO - 505-393-3117

Lease: 00014506 Sub: Name: CONE JALMAT YATES POOL
 G/L Comp: 84 Division: 48 Period: 04-2004 Username: randi
 Operator: 035173 Name: MELROSE OPERATING COMPANY

Owner	Name	Division Of	Type	Tax ID #	Type ID
034404	KELLY SAMANTHA LONGLEY REV TRUST KELLY LONGLEY & LUCIEN J LONGLEY TRUSTEE C/O MEYER'S & CO ATTN: RETA JONES 500 MARQUETTE NW SUITE 400 ALBUQUERQUE, NM 87102	0.00148822	OR	563239597	S
034405	SHANNAN LYNN UNSER PO BOX 1427 CORRALES, NM 87048-1427	0.00148822	OR	563236954	S
034677	CAL FARLEY BOYS RANCH P O BOX 1890 AMARILLO, TX 79174-0001	0.00054424	OR	750808768	E
038666	RANDEL MARITAL TRUST U/W/O RALPH M RANDEL CLIFFORD M RANDEL TRUSTEE P O BOX 821011 NORTH RICHLAND HILLS, TX 76182-1011	0.00122968	OR	756587704	E
049427	MAPOC-NET AN OKLAHOMA GENERAL PARTNERSHIP C/O MINERAL ACQUISITION PARTNERS INC 100 PARK AVENUE STE 1008 OKLAHOMA CITY, OK 73102	0.00364270	OR	752889370	E
052697	MT BOLING DEVELOPMENT LLC P O BOX 1514 ROSWELL, NM 88202	0.00059025	OR	550830390	E

Interest Total: 1.00000000

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 FOR ACCURACY OR CORRECTNESS OF THE INFORMATION
 HEREIN SET OUT."

Melrose Operating
Non-Standard Location Application
Jalmat Field Yates Sand Unit Wells # 214 & # 215
Cone Jalmat Yates Unit Well # 216
T-22-S, R-35-E
Lea County, NM

Please see attached Exhibits A & B listing owners and addresses of all Override and Royalty Interest Owners. A copy of the non-standard location application has been sent to all listed parties on this the 3rd day of March 2005.

Narvie McDonald / *pen*
Narvie McDonald

Melrose Operating Company
PO Box 953
Midland, TX 79702

March 3, 2005

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 # 214
Section 14, T-22-S, R-35-E
100' FSL & 100' FEL
Jalmat Yates Unit
Lea County, New Mexico

Jalmat Field Yates Sand Unit # 215
Section 23, T-22-S, R-35-E
1320' FNL & 100' FEL
Jalmat Yates Unit
Lea County, New Mexico

Cone Jalmat Yates Unit # 216
Section 24, T-22-S, R-35-E
2540' FNL & 140' FWL
Cone Jalmat Yates Unit
Lea County, New Mexico

Dear Mr. Stogner,

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

Melrose has drilled several 5-spot infill wells in the Jalmat Yates Sand Unit. The average reserves for this infill drilling are 60 MBO & 35 MMCF per well. Recently three lease line wells were drilled with initial rates from 36 to 89 BOPD. These three wells were approved on August 18, 2004 by Administrative Order NSL 5098. Ultimate recovery on those three wells is estimated to be 175 MBO and 100 MMCF. The three proposed lease/unit line wells are estimated to add an additional 175 MBO and 100 MMCF in reserves that otherwise would not be recoverable.

Waterflooding was established by Division Order No. R-2243 issued in Case No. 2546 on May 28, 1962 in the Jalmat Field Yates Sand Unit and in the Cone Jalmat Yates pool by Division Order No. R-2495 issued in Case No. 2803 on June 11, 1963. The waterflooding commenced 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 and recent lease/unit line 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 increasing 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 on a fair and equitable basis.

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. Melrose respectfully requests that a non-standard location order be issued for these three lease/unit line wells to prevent waste and recover reserves that would not otherwise be produced.

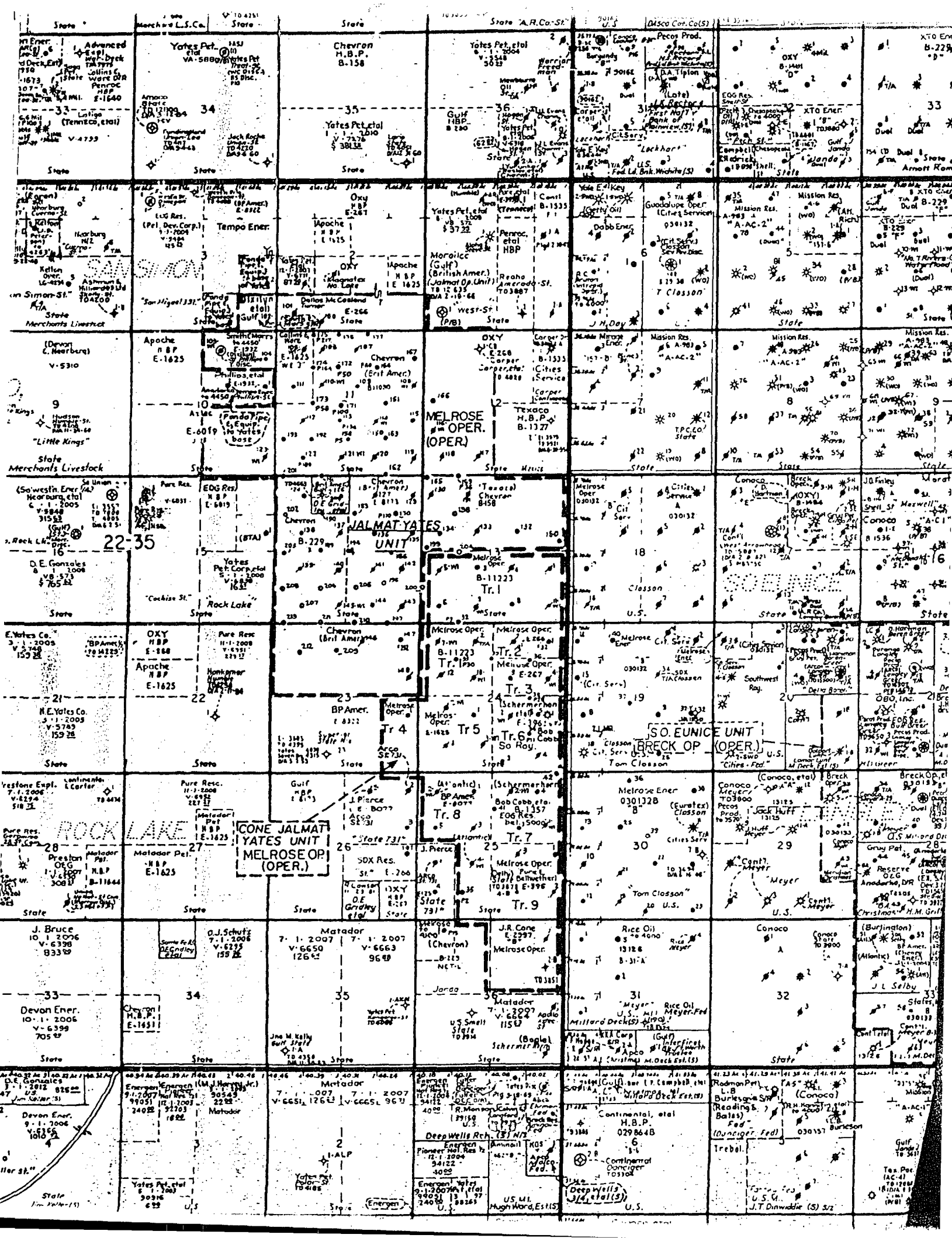
Please find attached a listing of the Override and Royalty interest owners of both the Cone and Jalmat Units. A copy of this justification and map has been sent to them. Melrose is the operator of both units therefore no offset operator notification is required.

If you have any additional questions please contact Robert Lee @ (432) 682-1251.

Sincerely,

Robert S. Lee, P.E.

RSL/km



State of New Mexico

Energy, Minerals and Natural Resources Department

DISTRICT I

1000 N. FRANCHIS DR., ALBUQUERQUE, NM 87102

DISTRICT II

1901 W. GRAND AVENUE, ALBUQUERQUE, NM 87102

DISTRICT III

1000 N. GRAND AVENUE, ALBUQUERQUE, NM 87102

DISTRICT IV

1901 W. GRAND AVENUE, ALBUQUERQUE, NM 87102

OIL CONSERVATION DIVISION
1220 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

Form C-102

Revised JUNE 10, 2000

Submit to Appropriate District Office

State Letter - 4 Copies

Fee Letter - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code 33820	Pool Name Talmat; T-4-7 Rvrs
Property Code 25191	Property Name JYSU	Well Number 214
ORD No. 184860	Operator Name MELROSE OPERATING COMPANY	Elevation 3577'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	14	22-S	35-E		100	SOUTH	100	EAST	LEA

Bottom Hole Location if Different From Surface

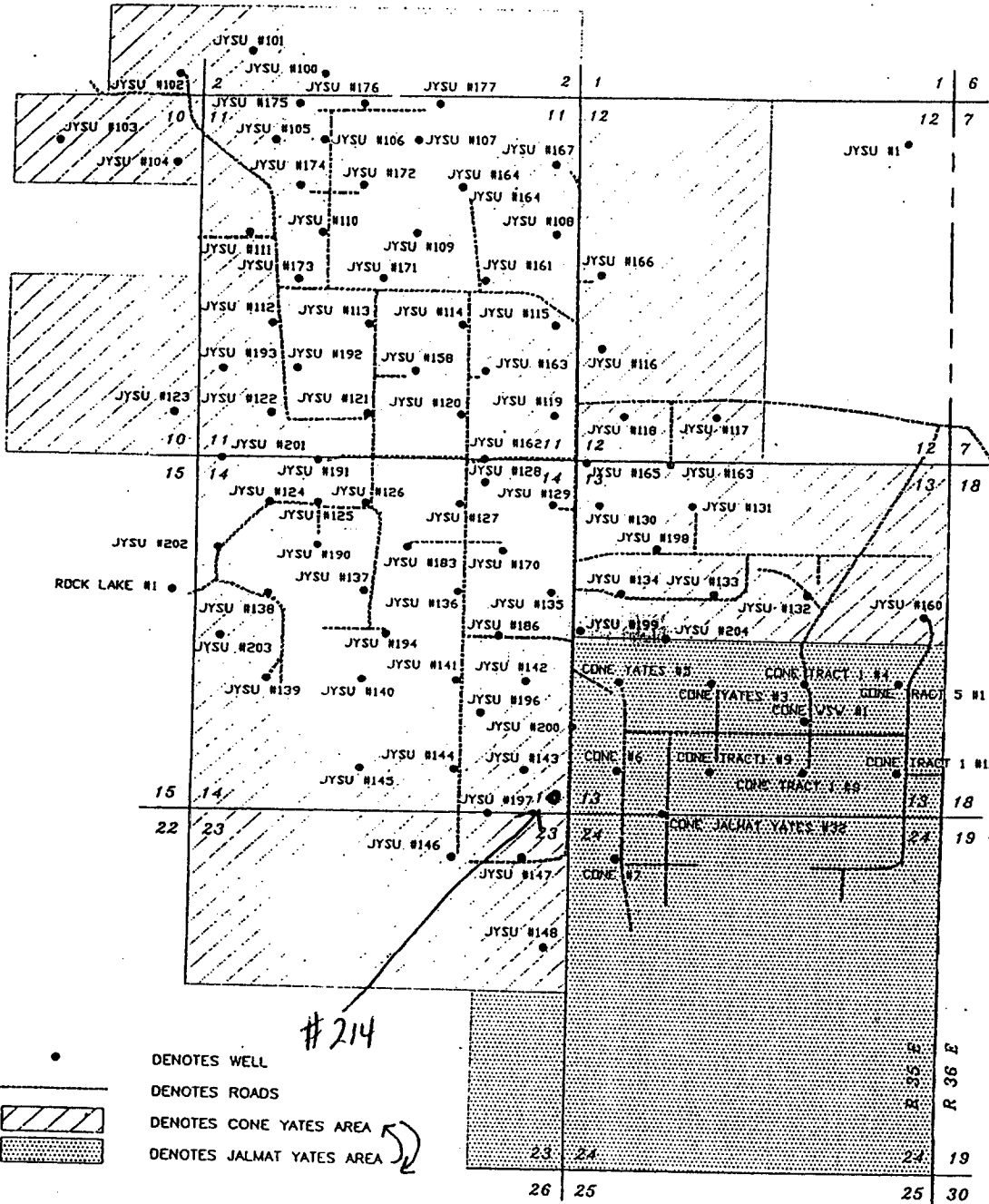
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres 40	Joint or Intill	Consolidation Code	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

		OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. Signature: <i>Kay Maddox</i> Printed Name: KAY Maddox Title: Regulatory Agent Date: 3/1/05
SECTION 14 SECTION 23 SECTION 13 SECTION 24		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 28, 2005 Date Surveyed: _____ Signature: _____ Professional Seal:
GEODETIC COORDINATES NAD 27 NME Y=505110.8 N X=809840.7 E LAT.=32°22'04.81" N LONG.=103°19'46.71" W		12041

SECTIONS 2, 3, 10, 11, 12, 13, 14, 15, 23 & 24,
TOWNSHIP 22 SOUTH, RANGE 35 EAST, N.M.P.M.,
LEA COUNTY,
NEW MEXICO



MELROSE OPERATING COMPANY

JALMAT YATES SAND
UNIT WELL # 214

Survey Date: 1/27/04	Sheet 1 of 1 Sheets
W.O. Number: 04.11.00097	Drawn By: LMP
Date: 2/5/04	Rev: N/A
DISK: CD '04 04110097	Scale: 1"=2000'

JOHN WEST SURVEYING COMPANY

412 N. DAL PASO - HOBBS, NEW MEXICO - 505-393-3117

State of New Mexico

Energy, Minerals and Natural Resources Department

DISTRICT I

1800 N. PUEBLO BL., ALBUQUERQUE, NM 87106

DISTRICT II

1201 E. GRAND AVENUE, ALBUQUERQUE, NM 87106

DISTRICT III

1000 Rio Grande Rd., Alamo, NM 87110

DISTRICT IV

1800 E. ST. FRANCIS DR., SANTA FE, NM 87505

OIL CONSERVATION DIVISION
1220 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

Form C-102

Revised JUNE 10, 2003

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Income - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code 33820	Pool Name Talmat; T. 4-7 Rvrs
Property Code 25191	Property Name JYSU	Well Number 215
Record No. 184860	Operator Name MELROSE OPERATING COMPANY	Elevation 3589'

Surface location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	23	22-S	35-E		1320	NORTH	100	EAST	LEA

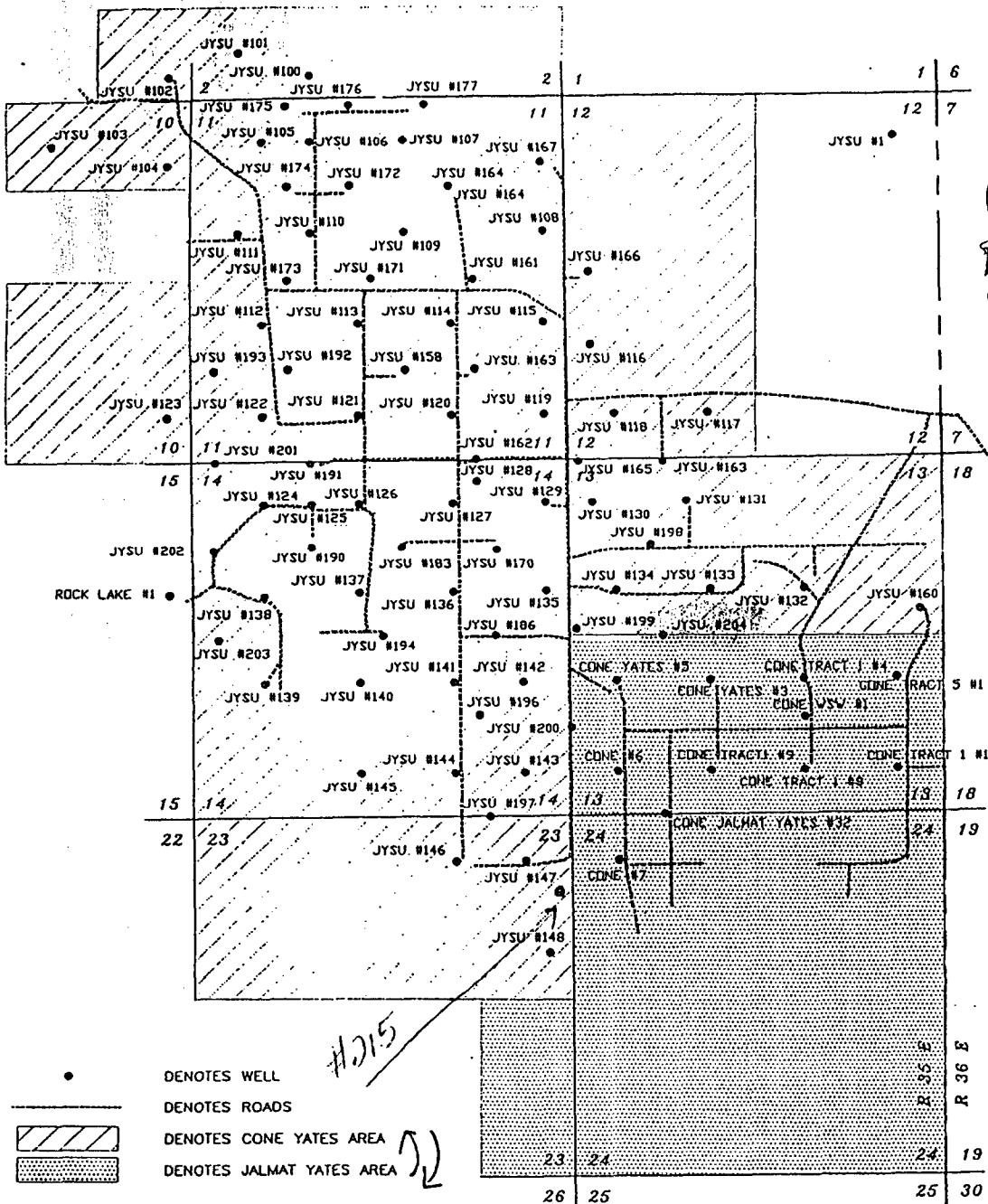
Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres 40	Joint or Inter	Consolidation Code	Order No.						

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 information contained herein to be true and complete to the best of my knowledge and belief. Signature: <i>KAY MADDUX</i> Printed Name: KAY MADDUX Title: Regulatory Agent Date: 3/1/05
	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 28, 2005 Date Surveyed: JR Signature & Seal of Professional Surveyor: <i>GARY G. EIDSON</i> Registered Professional Surveyor No. 92041
GEODETIC COORDINATES NAD 27 NME Y=503691.1 N X=809854.2 E LAT.=32°22'50.76" N LONG.=103°19'46.70" W	

SECTIONS 2, 3, 10, 11, 12, 13, 14, 15, 23 & 24,
TOWNSHIP 22 SOUTH, RANGE 35 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO



MELROSE OPERATING COMPANY

JALMAT YATES
SAND UNIT #215

Survey Date: 1/27/04	Sheet 1 of 1 Sheets
W.O. Number: 04.11.00097	Drawn By: LMP
Date: 2/5/04	DISK: CD '04 04110097
	Rev: N/A
	Scale: 1"=2000'

JOHN WEST SURVEYING COMPANY

412 N. DAL PASO - HOBBS, NEW MEXICO - 505-393-3117

State of New Mexico

DISTRICT I

1026 N. FRANCH 02, BOSTON, NM 88240

Energy, Minerals and Natural Resources Department

Form C-102

DISTRICT II

1301 W. GRAND AVENUE, ALBUQUERQUE, NM 80610

OIL CONSERVATION DIVISION

1220 SOUTH ST. FRANCIS DR.

Santa Fe, New Mexico 87505

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Fee License - 3 Copies

DISTRICT III

1000 Rio Grande Rd., Aztec, NM 87410

DISTRICT IV

1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code 33820	Pool Name Jalmat; T-4-7R
Property Code 25203	Property Name CONE JALMAT YATES UNIT	Well Number 216
OGRI# No. 184860	Operator Name MELROSE OPERATING COMPANY	Elevation 3581'

Surface Location

UL or Int. No.	Section	Township	Range	Int. No.	Feet from the	North/South Line	Feet from the	East/West Line	County
E	24	22-S	35-E		2540	NORTH	140	WEST	LEA

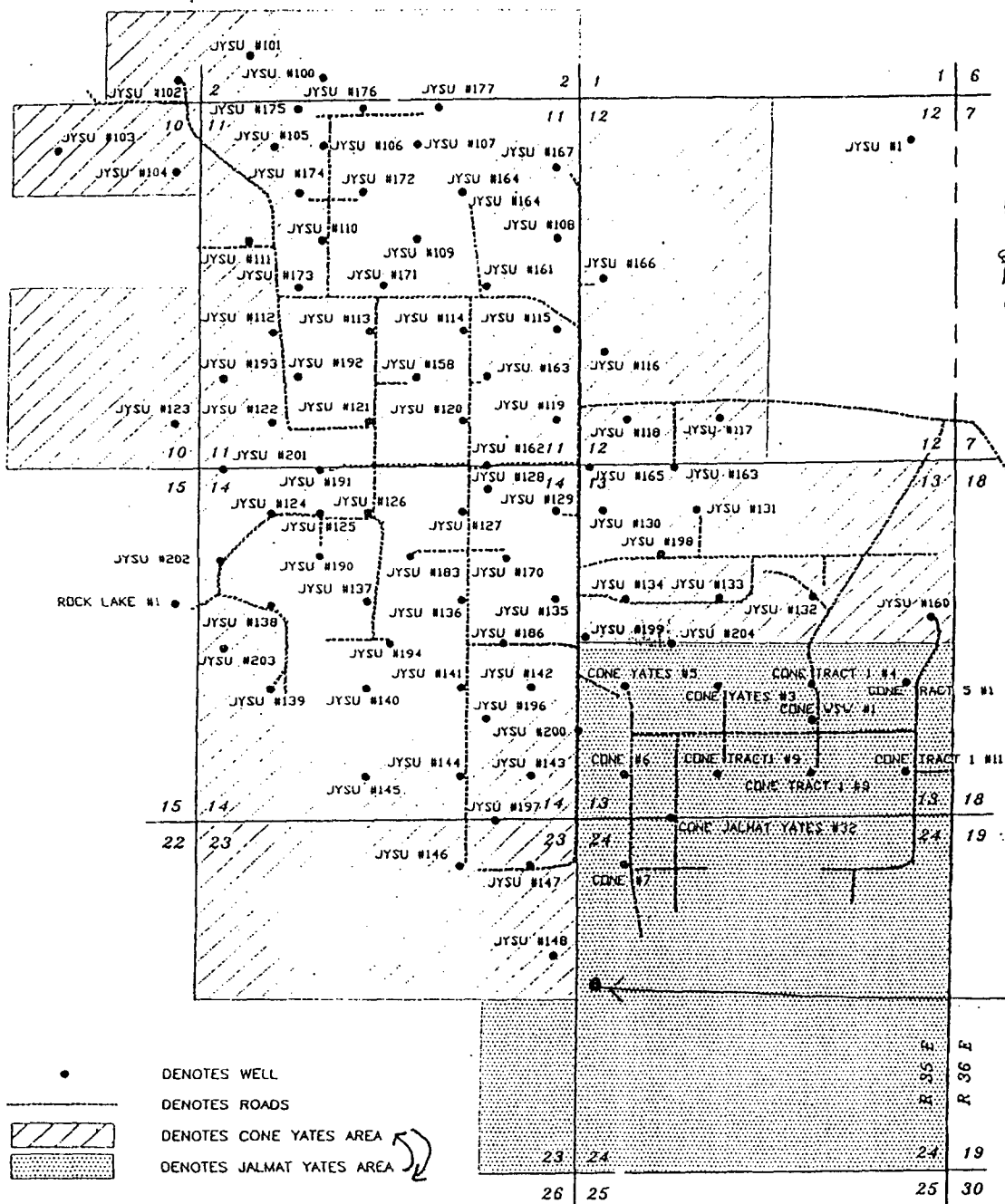
Bottom Hole Location If Different From Surface

UL or Int. No.	Section	Township	Range	Int. No.	Feet from the	North/South Line	Feet from the	East/West Line	County
Dedicated Acres 40	Joint or Infill	Consolidation Code	Order No.						

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 information contained herein is true and complete to the best of my knowledge and belief. Signature: <u>KAY MADDEN</u> Printed Name: <u>KAY MADDEN</u> Title: <u>Reg. Agent</u> Date: <u>3/1/05</u>	
	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 Surveyed: <u>JANUARY 28, 2005</u> Signature & Seal of Professional Surveyor: <u>GARY G. EIDSON</u> Registered Professional Surveyor No. <u>12841</u>	
	GEODETIC COORDINATES NAD 27 NME Y=502474.2 N X=810105.7 E LAT.=32°22'38.69" N LONG.=103°19'43.90" W	12841
	12841	12841

SECTIONS 2, 3, 10, 11, 12, 13, 14, 15, 23 & 24,
TOWNSHIP 22 SOUTH, RANGE 35 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO



#216



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

August 18, 2004

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Melrose Operating Company
Attention: **Anthony J. Beilman**
P. O. Box 953
Midland, Texas 79702

Administrative Order NSL-5098

Dear Mr. Beilman:

Reference is made to the following: (i) your initial application (*administrative application reference No. pSEM0-417534968*) submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe on June 22, 2004; (ii) Ms. Ann E. Ritchie's amendment to your application filed with the Division on June 28, 2004; (iii) Ms. Ritchie's e-mail to Mr. David Catanach, Engineer with the Division in Santa Fe, on Monday, August 16, 2004 checking on the status of this application; and (iv) the Division's records: all concerning Melrose Operating Company's (Melrose') request to drill the following three described wells at unorthodox oil well locations along the "lease-line" that separates Melrose's Jalmat Field-Yates Sand Unit and Cone Jalmat Yates Pool Unit Waterflood Projects within the Jalmat Gas Pool (33820) in Section 13, Township 22 South, Range 35 East, NMPM, Lea County, New Mexico:

- (a) Jalmat Field Yates Sand Unit (property code No. 25191) Well No. 199
2546 feet from the North line and 94 feet from the West line (Unit E);
- (b) Cone Jalmat Yates Pool Unit (property code No. 25203) Well No. 200
1310 feet from the South line and 10 feet from the West line (Unit M); and
- (c) Cone Jalmat Yates Pool Unit (property code No. 25203) Well No. 204
2625 feet from the South line and 1310 feet from the West line (Unit L).

The Division Director Finds That:

(1) Melrose is the operator of the Jalmat Field-Yates Sand Unit Area Waterflood Project, established by Division Order No. R-2243, issued in Case No. 2546 on May 28, 1962. This secondary recovery project and corresponding Jalmat Field-Yates Sand Unit Area (see Division Order No. R-2545, issued in Case No. 2545 on May 3, 1962) comprise the following described 2,680.00 acres, more or less, in Lea County, New Mexico:

TOWNSHIP 22 SOUTH, RANGE 35 EAST, NMPM

Section 2:	S/2 S/2
Section 3:	SE/4 SE/4
Section 10:	N/2 NE/4 and SE/4
Section 11:	All
Section 12:	W/2
Section 13:	N/2
Section 14:	All
Section 23:	N/2.

(2) Melrose is also the operator of the Cone Jalmat Yates Pool Unit Waterflood Project, established by Division Order No. R-2495, issued in Case No. 2803 on June 11, 1963. This secondary recovery project and corresponding Cone Jalmat Yates Pool Unit Area (see Division Order No. R-2494, issued in Case No. 2802 on June 11, 1963) comprises the following described 1,760.00 acres, more or less, in Lea County, New Mexico:

TOWNSHIP 22 SOUTH, RANGE 35 EAST, NMPM

Section 13:	N/2
Section 23:	E/2 SE/4
Section 24:	All
Section 25:	N/2, E/2 SW/4, and SE/4
Section 36:	NE/4.

(3) Oil wells within the Jalmat Gas Pool within both waterflood projects are subject to but not necessarily limited to Rules 2 (B), 3 (A) (1), and 3 (B) of the "*Special Pool Rules for the Jalmat Gas Pool*," as promulgated by Division Order No. R-8170-P, issued in Case No. 12563 on December 14, 2001, the statewide rules and regulations for oil wells, as promulgated by Division Rules 104.B (1) and 104.F (1), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case 12119 on August 12, 1999, which provides for 40-acre oil spacing and proration units and requires that wells be located no closer than the required minimum distance to the outer boundary of the lease or unitized area (pressure maintenance/waterflood project area), in this case 330 feet, nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

(4) These three proposed wells should benefit both secondary recovery projects by allowing for the completion of an efficient and effective production/injection pattern within this portion of the pool along this common boundary line.

(5) It is the Division's understanding that Melrose as operator will split the proceeds from Jalmat oil production from these three wells between the two waterflood units on a fair and equitable basis.

(6) Pursuant to Division Rule 1207.A (2) (a), revised by Division Order No. R-11205, issued by the New Mexico Oil Conservation Commission in Case No. 12177 on June 17, 1999, Melrose, as operator and owner of 100 percent of the working interest in both projects, provided notice to all of the non-cost bearing interest owners in both projects.

(7) This application has been duly filed under the provisions of: (i) Division Rule 104.F, as revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999; and (ii) the applicable rules governing the Jalmat Gas pool.

(8) Approval of this application is in the best interest of conservation, will serve to prevent waste, protects correlative rights, exhibits sound engineering practices, and should allow for the recovery of additional reserves that might not otherwise be produced.

It Is Therefore Ordered That:

(1) By the authority granted me under the provisions of Division Rule 104.F (2), as revised, and Rules 4 (A) and (D) of the "*Special Pool Rules for the Jalmat Gas Pool*," as promulgated by Division Order No. R-8170-P, issued in Case No. 12563 on December 14, 2001, Melrose Operating Company, as operator of the above-described: (i) Jalmat Field-Yates Sand Unit Area Waterflood Project; and (ii) Cone Jalmat Yates Pool Unit Waterflood Project, is hereby authorized to drill the following three wells at unorthodox oil well locations within the Jalmat Gas Pool (33820) in Section 13, Township 22 South, Range 35 East, NMPM, Lea County, New Mexico:

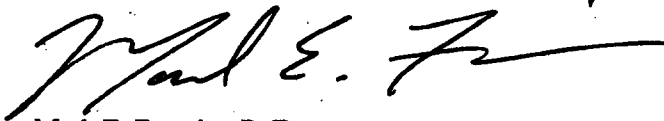
- (a) Jalmat Field Yates Sand Unit (property code No. 25191) Well No. 199
2546 feet from the North line and 94 feet from the West line (Unit E);
- (b) Cone Jalmat Yates Pool Unit (property code No. 25203) Well No. 200
1310 feet from the South line and 10 feet from the West line (Unit M); and
- (c) Cone Jalmat Yates Pool Unit (property code No. 25203) Well No. 204
2625 feet from the South line and 1310 feet from the West line (Unit L).

(2) These three wells shall be governed by all applicable provisions of Division Rules 702 through 706 and the applicable rules and procedures governing the: (i) Jalmat Gas Pool; (ii) Jalmat Field-Yates Sand Unit Area Waterflood Project, established by Division Order No. R-2243, issued in Case No. 2546 on May 28, 1962; and (iii) Cone Jalmat Yates Pool Unit Waterflood Project, established by Division Order No. R-2495, issued in Case No. 2803 on June 11, 1963.

(3) The distribution of proceeds from Jalmat oil production from these three wells shall be allocated between the two above-described waterflood units on a fair and equitable basis.

(4) Jurisdiction of this matter shall be further retained for the entry of any such subsequent orders, as the Division may deem necessary.

Sincerely,



Mark E. Fesmire, P. E.
Director

MEF/mes

cc: New Mexico Oil Conservation Division - Hobbs
New Mexico State Land Office - Santa Fe
Ms. Ann E. Ritchie, Regulatory Agent - Melrose Operating Company, Midland (ann.Ritchie@wtor.net)