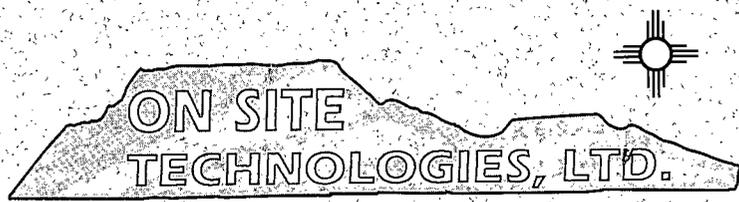
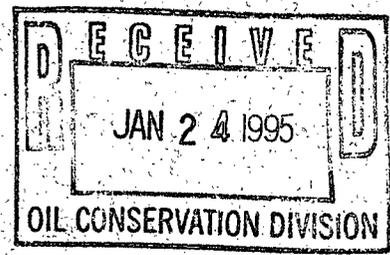


Rec 1-24-95



December 18, 1994

Mr. Mike Stogner
New Mexico Oil & Gas Conservation Division
P.O. Box 2088
Sante Fe, New Mexico 87504-2088



Re: Application for Unorthodox Location
Merit Energy Company
Jicarilla "D" #21
1090' FWL & 1220' FSL
Section 32, Township 26 North, Range 3 West
Rio Arriba County, New Mexico

Dear Sirs:

On behalf of Merit Energy Company, On Site Technologies, Ltd., hereby submits to you the application for approval of the Jicarilla "D" #21 well located 1090' FWL & 1220' FSL, Section 32, Township 26 North, Range 3 West, Blanco Mesa Verde pool, Rio Arriba County, New Mexico.

During a permitting procedure for the above-referenced, it was called to our attention by the Bureau of Land Management ("BLM") that the Jicarilla "D" #21 was in an unorthodox location and the NMOCD requires that administrative approval be given prior to the commencement of drilling operations.

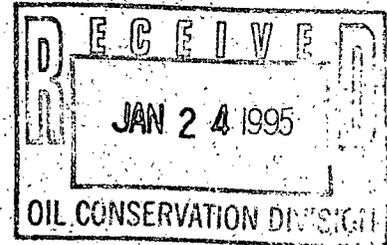
In reference to memorandum dated March 21, 1990, from William J. LeMay, Director, the following information is required for administrative approval for unorthodox locations:

- The proposed well location is located on BLM land on the Jicarilla Apache reservation. An onsite inspection has been conducted and a copy of the Notice of Staking and the Application for Permit to Drill are attached as Exhibit "A" and "B" respectively;
- A copy of the C-102 showing the well location is attached as Exhibit "C";
- A land plat is attached as Exhibit "D" indicating the offset operators and owners;
- A 7.5 minute quad topographic map is attached as Exhibit "E" showing the proposed well location, terrain features, the surface locations highlighted in green indicate that the surface conditions prevent the location of an orthodox location, and the orthodox drilling windows;

NSL-Merit

NSL-3347

Mr. Mike Stogner
NMOCD Sante Fe
December 18, 1994
Page 2



- The reasons for the application for the unorthodox location is due to topographical conditions and to prevent further surface disturbance per the request of the Jicarilla Apache Tribe. Due to the location of the well, the Tribe requested two surveys to be performed (named yellow and pink alternative) to get a realistic view of which layout would have minimal surface disturbance. The yellow one was chosen at the on site inspection. I have attached the additional survey that the Tribe requested. Exhibits "F" & "G";
- List of all offset operators, Exhibit "H";
- Attached are copies of the letters sent, via certified mail, to the offset operators informing them of the request for the approval of the unorthodox location. Copies of the signed waivers will be forwarded to your office upon their receipt.

Should you have questions or comments regarding the information attached hereto as Exhibits, please feel free to contact Mr. Bob Crabb at (505) 325-5667 at your earliest convenience.

On Site Technologies, Ltd., hereby certifies that the information is true and correct and that the offset operators have been notified of the current request.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Tora Baldwin".

Tora Baldwin
Agent for Merit Energy Co.

cc: Bureau of Land Management
Bureau of Indian Affairs - Dulce, NM
Ernie Busch - NMOCD Aztec, NM
Merit Energy - Mr. Terry Gottberg
Copy sent to all offset operators

NOS Format

NOTICE OF STAKING (Not to be used in place of Application for Permit to Drill Form 3160-3)		6. Lease Number 100	
1. Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other <input type="checkbox"/> (Specify)		7. If Indian, Allottee or Tribe Name Jicarilla	
2. Name of Operator Merit Energy		8. Unit Agreement Name	
3. Name of Specific Contact Person Robert Matejek / Joe Wilbanks		9. Farm or Lease Name Jicarilla D	
4. Address & Phone No. of Operator or Agent 3005 Northridge Drive, Suite F (505) 325-8786 Farmington, NM 87401		10. Well No. 21	
5. Surface Location of Well Attach: a) Sketch showing road entry onto pad, pad dimensions, and reserve pit. b) Topographical or other acceptable map showing location, access road, and lease boundaries.		11. Field or Wildcat Name Blanco MV	
		12. Sec., T., R., M., or Blk and Survey or Area See Attached	
15. Formation Objective(s) Mesa Verde	16. Estimated Well Depth 5500'	13. County, Parish or Borough Rio Arriba	14. State NM

17. Additional Information (as appropriate: must include surface owner's name, address, and telephone number)

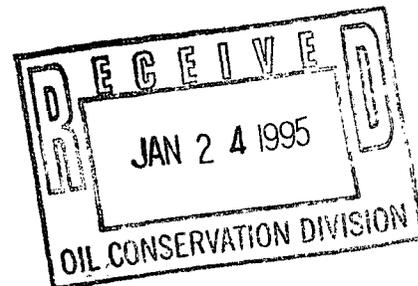
S/B 6500'

18. Signed Joe A. Wilbanks Title Engineer Date 18 May 94
JAW

Note: Upon receipt of this Notice, the Bureau of Land Management (BLM) will schedule the date of the onsite predrill inspection and notify you accordingly. The location must be staked and access road must be flagged prior to the onsite.

Operators must consider the following prior to the onsite:

- a) H₂S Potential
- b) Cultural Resources (Archeology)
- c) Federal Right of Way or Special Use Permit



UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK
 DRILL DEEPEN

b. TYPE OF WELL
 OIL WELL GAS WELL OTHER SINGLE ZONE MULTIPLE ZONE

2. NAME OF OPERATOR
 Merit Energy 12221 Merit Drive, Ste 1500, Dallas, Tx

3. ADDRESS AND TELEPHONE NO.
 Agent: P.O. Box 2606
 On Site Technologies, Ltd Farmington, NM 325-5667

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)*
 At surface 1090' FWL & 1220' FSL
 At proposed prod. zone
 SAME

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*
 Approx 20 miles from Lindrith NM

10. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any) 1090'

18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT. 150'

21. ELEVATIONS (Show whether DF, RT, GR, etc.) 7317' GL

5. LEASE DESIGNATION AND SERIAL NO.
 Jic. Cont. 100

6. IF INDIAN, ALLOTTEE OR TRIBE NAME
 Jicarilla Apache

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME, WELL NO.
 Jicarilla D-21

9. API WELL NO.

10. FIELD AND POOL, OR WILDCAT
 Blanco Mesa Verde

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA
 Sec. 32, T26N, R3W

12. COUNTY OR PARISH
 Rio Arriba

13. STATE
 NM

16. NO. OF ACRES IN LEASE
 2525

17. NO. OF ACRES ASSIGNED TO THIS WELL
 160

19. PROPOSED DEPTH
 6500'

20. ROTARY OR CABLE TOOLS
 ROTARY

22. APPROX. DATE WORK WILL START*
 September 5, 1994

PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE, SIZE OF CASINO	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
12 1/4	J55 8 5/8	24#	300'	300 sx Class B
7 7/8	J55 4 1/2	11.8 /10.5# per phone call w/ Tora Baldwin 3:00 pm 12/1/94 JTB	6500'	Lead 300sx 50/50 Poz mix Tail 120sx Class B Second Stage: Lead 450sx Class B 50/50 Pozmix; Tail 50sx Class B

PLEASE SEE ATTACHED DRILLING PROGRAM

See Attached
Conditions of Approval

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24. SIGNED Tora Baldwin AGENT FOR TITLE MERIT ENERGY DATE 07-28-94

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
 CONDITIONS OF APPROVAL, IF ANY:

APPROVED BY Hector A. Villalobos TITLE Area Manager RPPRA DATE 12/5/94

*See Instructions On Reverse Side OPERATOR

District I
 PO Box 1980, Hobbs, NM 88241-1980
 District II
 PO Drawer DD, Artesia, NM 88211-0719
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
 Energy, Minerals & Natural Resources Department

Form C-1C
 Revised February 21, 1990
 Instructions on back
 Submit to Appropriate District Office
 State Lease - 4 Copies
 Fee Lease - 3 Copies

OIL CONSERVATION DIVISION
 PO Box 2088
 Santa Fe, NM 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number		Pool Code		Pool Name	
Property Code		Property Name JICARILLA			Well Number D - 21
GRID No.		Operator Name MERIT ENERGY COMPANY			Elevation 7317'

¹⁰ Surface Location

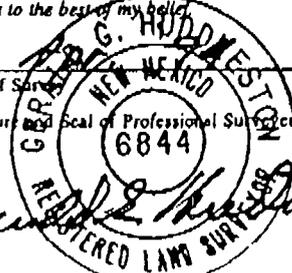
UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
	32	26N	3W		1220	SOUTH	1090	WEST	RIO ARRIB

¹¹ Bottom Hole Location If Different From Surface

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

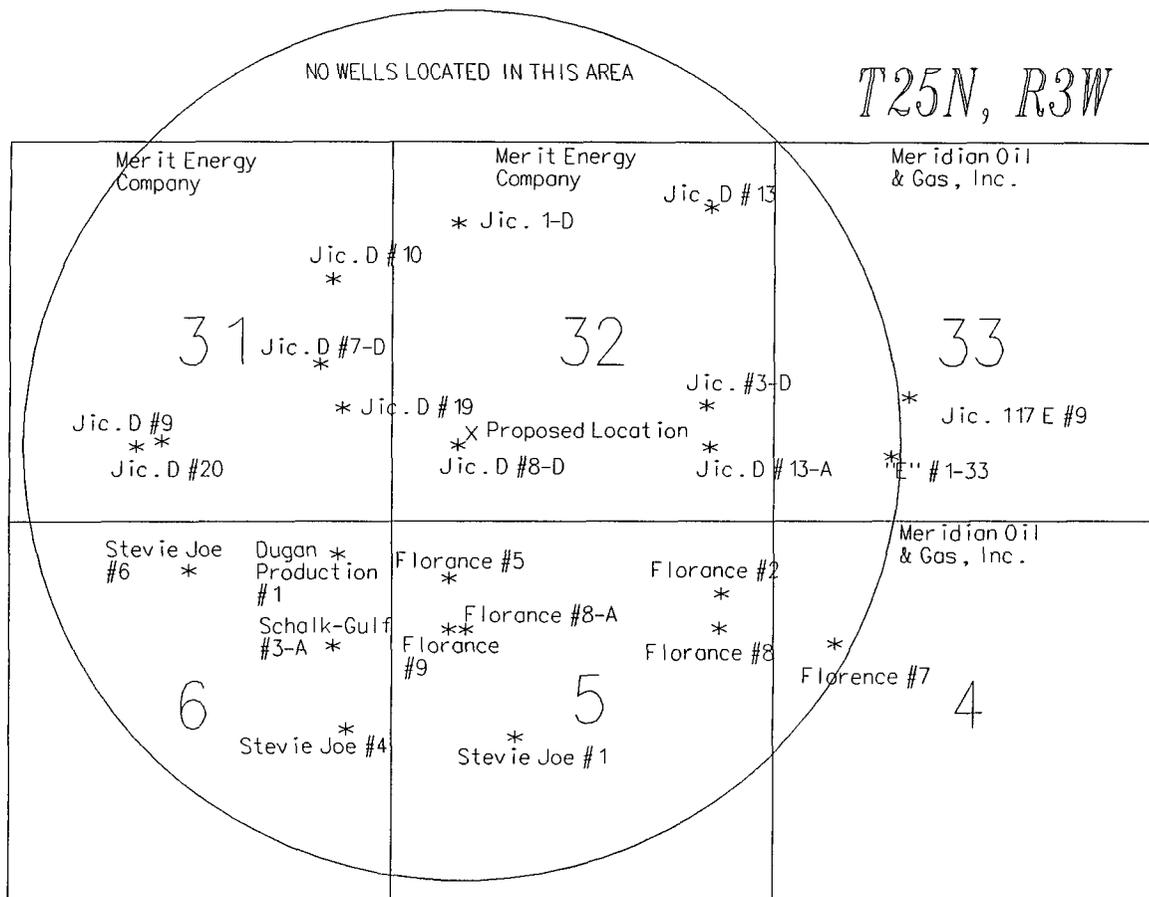
¹² Dedicated Acres	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
-------------------------------	-------------------------------	----------------------------------	-------------------------

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

16 1090' yellow 1220'				¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief	
				Signature	
				Printed Name	
				Title	
			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		

OFFSET WELL LOCATION PLAT

T25N, R3W



WELL OWNERSHIP INFORMATION

T25N, R3W

SECTIONS 31 & 32
Merit Energy Company

SECTIONS 33 & 4
Meridian Oil & Gas, Inc.

SECTION 5
Dugan Production
- Stevie Joe #1

Meridian Oil
- Florance #2
- Florance #5
- Florance #8-A
- Florance #8
- Florance #9

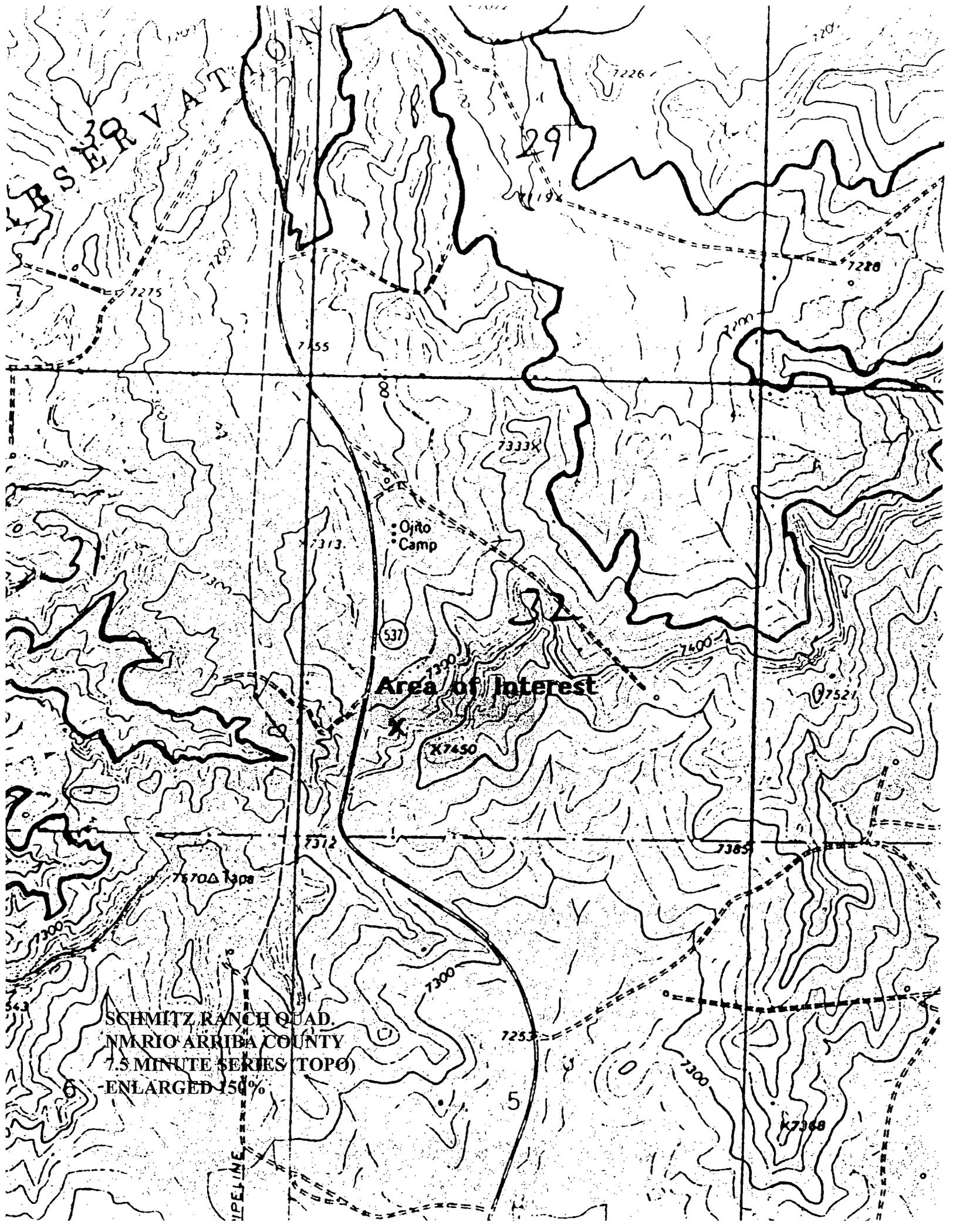
SECTION 6
Minel, Inc.
- Stevie Joe #4
John E. Schalk
- Schalk-Gulf #3A
Dugan Production
- Stevie Joe #6
- #1

MERIT ENERGY COMPANY JICARILLA D-21 SEC 32, T26N, R3W, NMPM RIO ARRIBA CO., NM	<h3 style="margin: 0;">EXHIBIT "C"</h3>	
PROJECT: UNORTHADOX LOCATION	DRWN: DECEMBER 18, 1994	
PROJECT NO: 1-1015	DRWN BY: T. BALDWIN	
SHEET: 1	FILE: JICD-21.CAD	REVISED:



ON SITE TECHNOLOGIES, LTD.

P.O. BOX 2606, FARMINGTON, NM 87499
(505) 325-5667



RESERVATION

29

Area of Interest

Ojito
Camp

537

7450

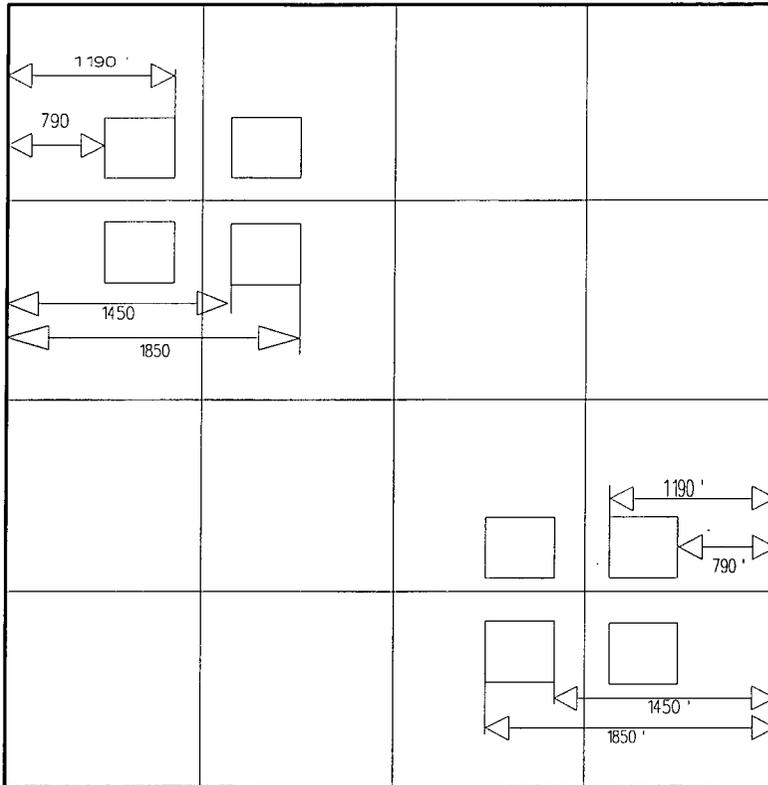
SCHMITZ RANCH QUAD.
NM RIO ARRIBA COUNTY
7.5 MINUTE SERIES (TOPO)
ENLARGED 150%

PIPELINE

5

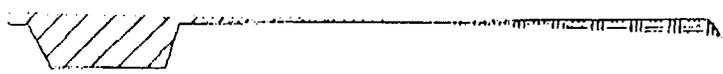
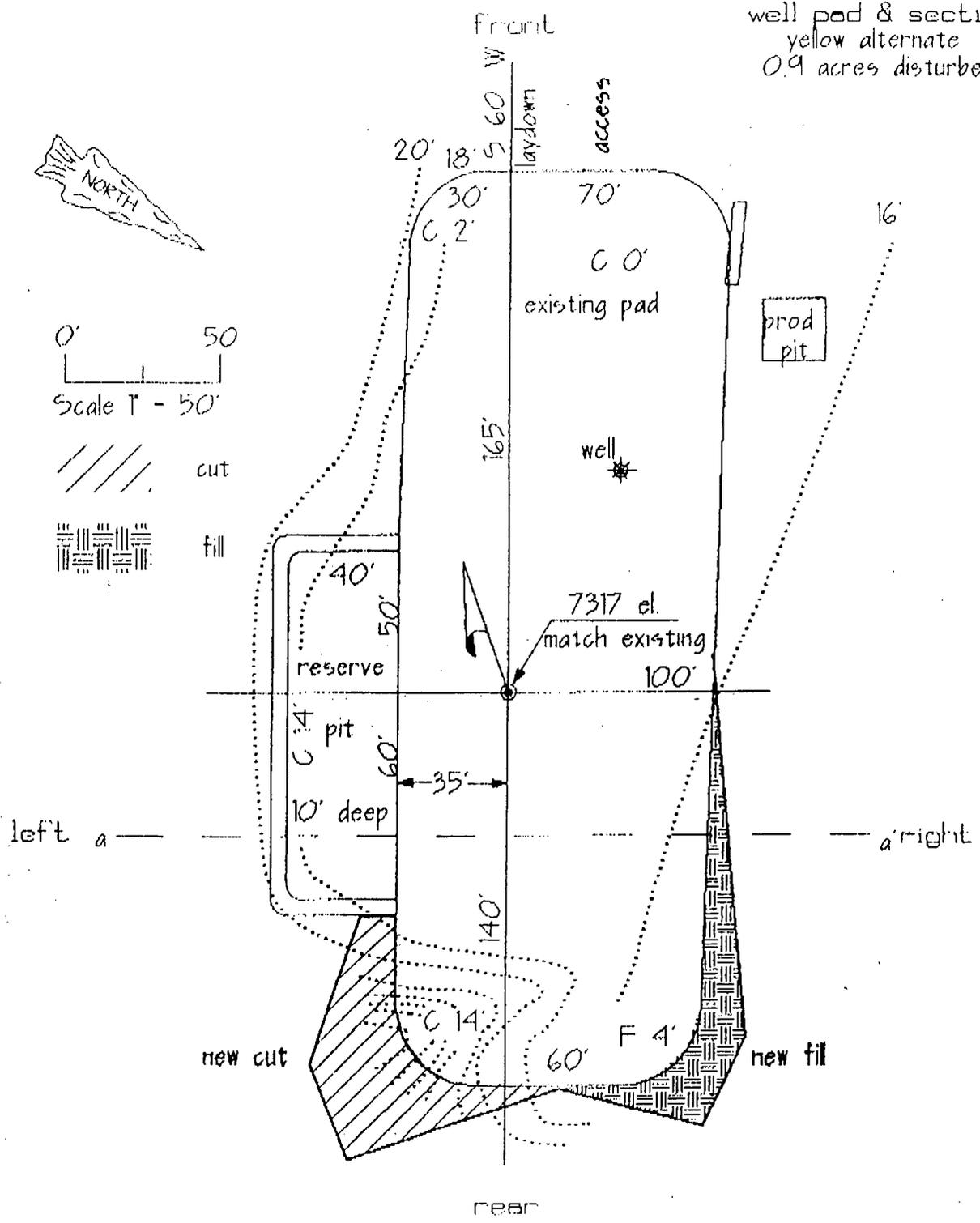
7368

DRILLING WINDOW FOR THE BLANCO MESAVERDE POOL



Jicarill D - 21

well pad & section
yellow alternate
0.9 acres disturbed



Cross section

District I
 PO Box 1980, Hobbs, NM 88241-1980
 District II
 PO Drawer DD, Artesia, NM 88211-0719
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
 Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
 PO Box 2088
 Santa Fe, NM 87504-2088

Form C
 Revised February 21, 1988
 Instructions on back
 Submit to Appropriate District Office
 State Lease - 4 Copies
 Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number		Pool Code		Pool Name	
Property Code	Property Name			Well Number	
	JICARILLA "D"			21	
OGRID No.	Operator Name			Elevation	
	MERIT ENERGY COMPANY			7317'	

10 Surface Location

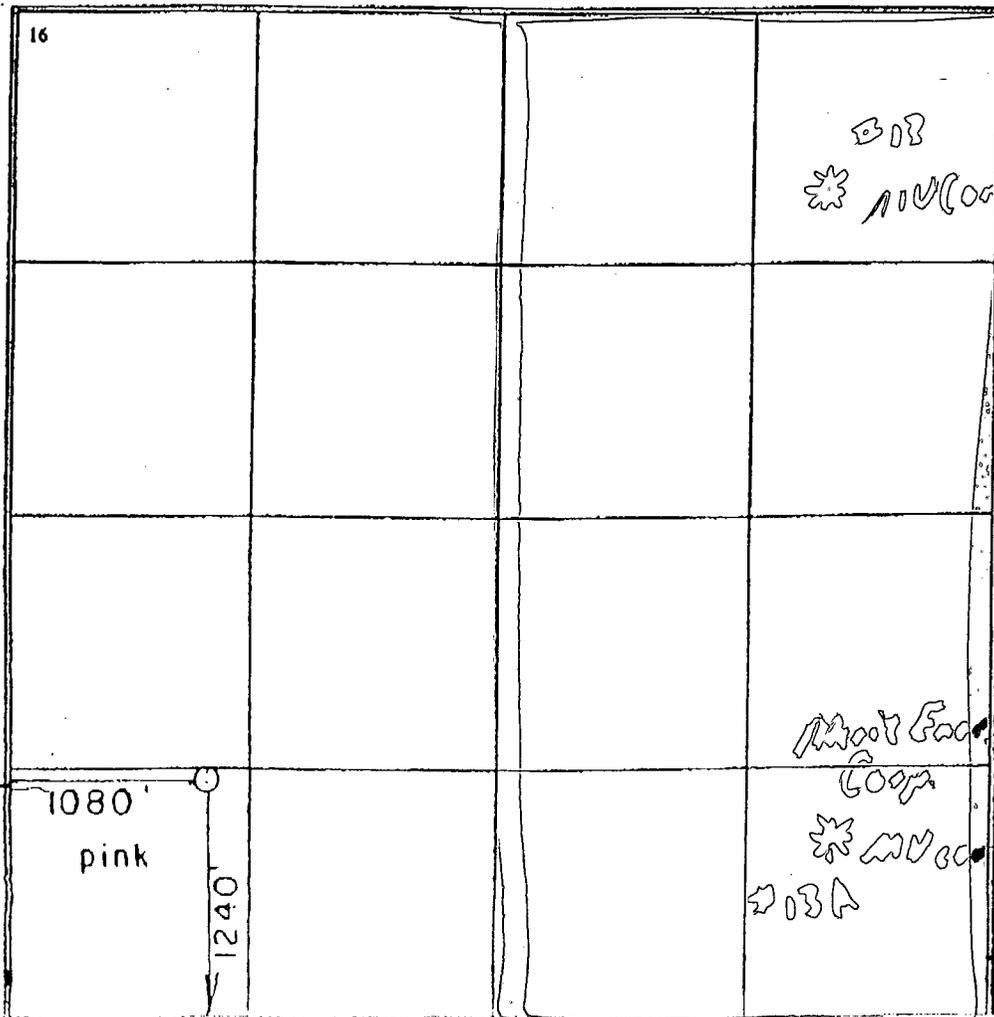
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
	32	26N	3W		1240	SOUTH	1080	WEST	RIO ARRAPIO

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

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



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

Signature _____
 Printed Name _____
 Title _____
 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 _____
 Seal of Professional Surveyor
 6844
 G. S. HUDGINS
 REGISTERED LAND SURVEYOR

Certificate Number _____



OFFSET OPERATORS

**MERIDIAN OIL & GAS, INC.
MR. VAN GOEBEL
P.O. BOX 4289
FARMINGTON, NEW MEXICO 87499**

**DUGAN PRODUCTION
MR. SHERMAN DUGAN
709 EAST MURRAY DRIVE
FARMINGTON, NEW MEXICO 87401**

**MINEL, INC.
457-C WASHINGTON, SE
ALBUQUERQUE, NEW MEXICO 87408**

**MR. JOHN E. SCHALK
P.O. BOX 25825
ALBUQUERQUE, NEW MEXICO 87125**



December 19, 1994

MERIDIAN OIL & GAS, INC.
Mr. Van Goebel
P.O. Box 4289
Farmington, New Mexico 87499

*Re: Merit Energy Company
Jicarilla "D" #21
1090' FWL & 1220' FSL
Sec. 32, T26N., R3W
Rio Arriba County, NM*

Dear Mr. Goebel:

On behalf of Merit Energy Company, On Site Technologies, Ltd., is applying for administrative approval for an unorthodox location at the above-mentioned site. I have attached a copy of the letter to the NMOCD, the land plat and the topo map for your information.

If you as an offset operator have no objections to the proposed location, please sign the waiver at the bottom of this page and return one copy of the signed document to the NMOCD in Sante Fe and the original to On Site Technologies, Ltd. For your convenience, I have enclosed self-addressed stamped envelopes.

If you have any questions regarding the application or the information thereon, please feel free to contact Mr. Bob Crabb at your earliest convenience.

Thank you for your assistance in this matter.

Very truly yours,

Tora Baldwin
Agent for Merit Energy

enclosures
cc: Attached to application

WAIVER

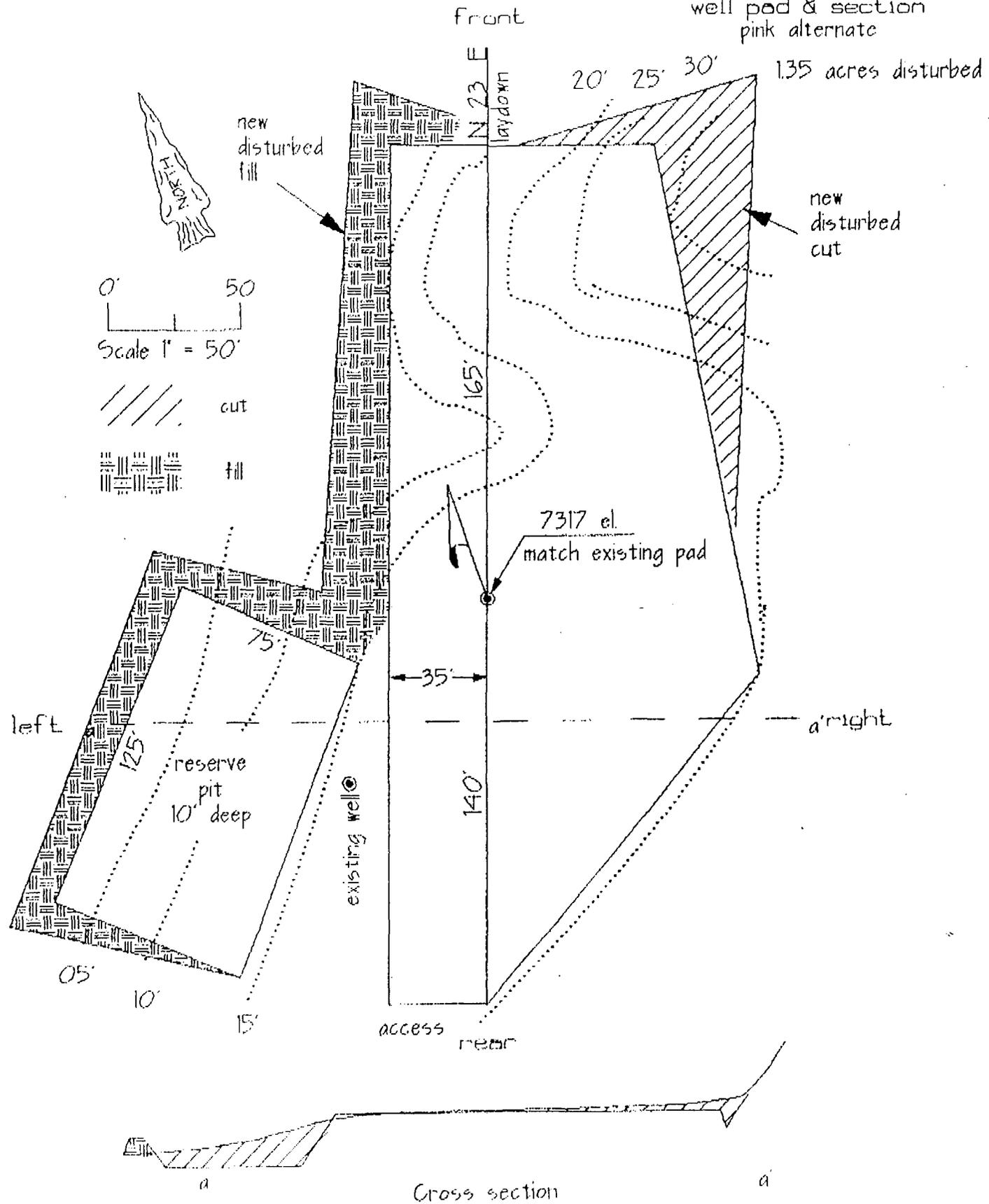
MERIDIAN OIL & GAS, INC., HEREBY WAIVES ANY OBJECTION TO MERIT ENERGY'S PROPOSAL TO DRILL AT A LOCATION DECLARED TO BE AT AN UNORTHODOX LOCATION.

NAME: _____

TITLE: _____

DATE: _____

Jicarilla D - 21
well pad & section
pink alternate



Cross section



December 19, 1994

Dugan Production
Mr. Sherman Dugan
709 Easet Murray Drive
Farmington, New Mexico 87401

**Re: Merit Energy Company
Jicarilla "D" #21
1090' FWL & 1220' FSL
Sec. 32, T26N., R3W
Rio Arriba County, NM**

Dear Mr. Dugan:

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Tora Baldwin
Agent for Merit Energy

enclosures
cc: Attached to application

WAIVER

DUGAN PRODUCTION, HEREBY WAIVES ANY OBJECTION TO MERIT ENERGY'S PROPOSAL TO DRILL AT A LOCATION DECLARED TO BE AT AN UNORTHODOX LOCATION.

NAME: _____

TITLE: _____

DATE: _____



December 19, 1994

MINEL, INC.
457-C Washington, SE
Albuquerque, New Mexico 87408

**Re: Merit Energy Company
Jicarilla "D" #21
1090' FWL & 1220' FSL
Sec. 32, T26N., R3W
Rio Arriba County, NM**

Gentlemen:

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Agent for Merit Energy

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NAME: _____

TITLE: _____

DATE: _____



December 19, 1994

Mr. John E. Schalk
P.O. Box 25825
Albuquerque, New Mexico 87125

*Re: Merit Energy Company
Jicarilla "D" #21
1090' FWL & 1220' FSL
Sec. 32, T26N., R3W
Rio Arriba County, NM*

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Very truly yours,

Tora Baldwin
Agent for Merit Energy

enclosures
cc: Attached to application

WAIVER

JOHN E. SCHALK, HEREBY WAIVES ANY OBJECTION TO MERIT ENERGY'S PROPOSAL TO DRILL AT A LOCATION DECLARED TO BE AT AN UNORTHODOX LOCATION.

NAME: _____

TITLE: _____

DATE: _____

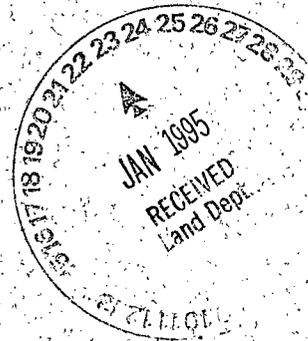


OIL CONSERVATION DIVISION
RECEIVED

'95 JAN 27 AM 8 52

December 19, 1994

MERIDIAN OIL & GAS, INC.
Mr. Van Goebel
P.O. Box 4289
Farmington, New Mexico 87499



Re: *Merit Energy Company*
Jicarilla "D" #21
1090' FWL & 1220' FSL
Sec. 32, T26N., R3W
Rio Arriba County, NM

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Tora Baldwin
Agent for Merit Energy

enclosures
cc: Attached to application

WAIVER

MERIDIAN OIL & GAS, INC., HEREBY WAIVES ANY OBJECTION TO MERIT ENERGY'S PROPOSAL TO DRILL AT A LOCATION DECLARED TO BE AT AN UNORTHODOX LOCATION.

NAME: *Van L. Goebel*

TITLE: *Senior Landman*

DATE: *Jan 23, 1995*

Mike Stogner

From: Ernie Busch
To: Mike Stogner
Subject: ON SITE TECH IND (NSL)
Date: Thu, Feb 2, 1995 10:45AM
Priority: High

MERIT ENERGY COMPANY
JICARILLA "D" #21
1090' FWL; 1220' FSL
M-32-26N-03W
RECOMMEND: APPROVAL



OIL CONSERVATION DIVISION
RECEIVED

95 FEB 6 AM 8 52

December 19, 1994

Dugan Production
Mr. Sherman Dugan
709 Easet Murray Drive
Farmington, New Mexico 87401

Re: Merit Energy Company
Jicarilla "D" #21
1090' FWL & 1220' FSL
Sec. 32, T26N., R3W
Rio Arriba County, NM

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Thank you for your assistance in this matter.

Very truly yours,

Tora Baldwin
Agent for Merit Energy

enclosures
cc: Attached to application

WAIVER

DUGAN PRODUCTION, HEREBY WAIVES ANY OBJECTION TO MERIT ENERGY'S PROPOSAL TO DRILL AT A LOCATION DECLARED TO BE AT AN UNORTHODOX LOCATION.

NAME: Thomas A. Dugan
Thomas A. Dugan
President

TITLE: _____
DATE: January 24, 1995



ON SITE TECHNOLOGIES, LTD.

UN DIVISION

'95 FEB 8 AM 8:52

January 27, 1995

MINEL, INC.
309 Washington, SE
Albuquerque, NM 87108-3724

RE: Merit Energy Company
Jicarilla "D" #21
1090" FWL & 1220 FSL
Sec. 32, T26N, R3W
Rio Arriba County, NM

Mr. Jack Cayias:

On behalf of Merit Energy Company, On Site Technologies, Ltd., is applying for administrative approval for an unorthodox location at the above-mentioned site. I have attached a copy of the letter to the NMOCD, the land plat and the topo map for your information.

If you as an offset operator have no objections to the proposed location, please sign the waiver at the bottom of this page and return one copy of the signed document to the NMOCD in Santa Fe and the original to On Site Technologies, Ltd. For your convenience, I have enclosed self-addressed stamped envelopes.

Thank you for your assistance in this matter.

Yours truly,

Robert L. Crabb
Agent for Merit Energy

WAIVER

MINEL, INC., HEREBY WAIVES ANY OBJECTION TO MERIT ENERGY'S PROPOSAL TO DRILL AT A LOCATION DECLARED TO BE AT AN UNORTHODOX LOCATION.

NAME: Jack Cayias
TITLE: 1220 FSL
DATE: 2/1/95