

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

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

| | | |
|--|--|-------------------------------|
| 1. Operator Name and Address MELROSE OPERATING COMPANY 5813 NW GRAND BLVD STE B OKLAHOMA CITY, OK 73118 | | 2. OGRID Number 184860 |
| | | 3. API Number 30-025-37688 |
| 4. Property Code 25191 | 5. Property Name JALMAT FIELD YATES SAND UNIT | 6. Well No. 159 |

7. Surface Location

| | | | | | | | | | |
|----------|---------|----------|-------|---------|-----------|----------|-----------|----------|--------|
| UL - Lot | Section | Township | Range | Lot Idn | Feet From | N/S Line | Feet From | E/W Line | County |
| F | 13 | 22S | 35E | F | 2026 | N | 1860 | W | LEA |

8. Pool Information

| | |
|-------------------------------|-------|
| JALMAT;TAN-YATES-7 RVRs (OIL) | 33820 |
|-------------------------------|-------|

Additional Well Information

| | | | | |
|---|----------------------------|--|-------------------------|---|
| 9. Work Type New Well | 10. Well Type OIL | 11. Cable/Rotary | 12. Lease Type State | 13. Ground Level Elevation 3588 |
| 14. Multiple N | 15. Proposed Depth 4200 | 16. Formation Seven Rivers | 17. Contractor | 18. Spud Date 2/15/2006 |
| Depth to Ground water 250 | | Distance from nearest fresh water well > 1000 | | Distance to nearest surface water > 1000 |
| Pit: Liner: Synthetic <input checked="" type="checkbox"/> 12 _____ mils thick Clay <input type="checkbox"/> Pit Volume: 4800 _____ bbls Drilling Method: Closed Loop System <input type="checkbox"/> Fresh Water <input checked="" type="checkbox"/> Brine <input type="checkbox"/> Diesel/Oil-based <input type="checkbox"/> Gas/Air <input type="checkbox"/> | | | | |

19. Proposed Casing and Cement Program

| | | | | | | |
|------|-----------|-------------|------------------|---------------|-----------------|---------------|
| Type | Hole Size | Casing Type | Casing Weight/ft | Setting Depth | Sacks of Cement | Estimated TOC |
| Surf | 12.25 | 8.625 | 24 | 350 | 250 | 0 |
| Prod | 7.875 | 5.5 | 15.5 | 4200 | 1200 | 0 |

Casing/Cement Program: Additional Comments

| |
|--|
| |
|--|

Proposed Blowout Prevention Program

| | | | |
|-----------|------------------|---------------|--------------|
| Type | Working Pressure | Test Pressure | Manufacturer |
| DoubleRam | 3000 | 3000 | Weatherford |

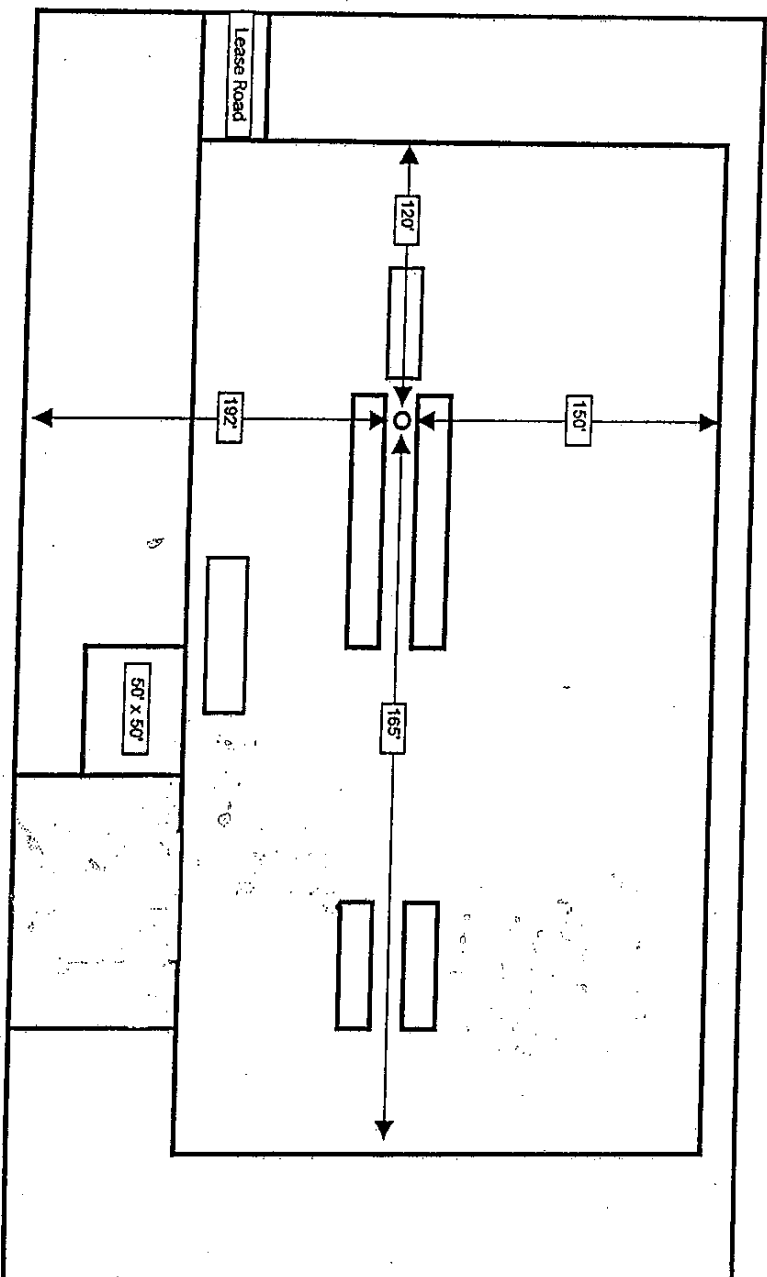
| | | |
|---|---------------------------------|---------------------------|
| I hereby certify that the information given above is true and complete to the best of my knowledge and belief. I further certify that the drilling pit will be constructed according to NMOCD guidelines <input checked="" type="checkbox"/> a general permit <input type="checkbox"/> , or an (attached) alternative OCD-approved plan <input type="checkbox"/> . Printed Name: Electronically filed by Michael Corjay Title: Manager Email Address: Mjcokc@cs.com Date: 2/6/2006 | OIL CONSERVATION DIVISION | |
| | Approved By: Chris Williams | |
| | Title: District Supervisor | |
| | Approved Date: 2/7/2006 | Expiration Date: 2/7/2007 |
| | Conditions of Approval Attached | |

*Standard Pit
Drilling Rig layout*
Pad Schematic

*Melrose Operating Company
Talmat Field Sandhates Unit*

Lea County, New Mexico

(Not to Scale)



DISTRICT I

1025 N. FRENCH DR., HOBBBS, NM 88240

State of New Mexico

Energy, Minerals and Natural Resources Department

Form C-102

Revised JUNE 10, 2003

DISTRICT II

1301 W. GRAND AVENUE, ARTESIA, NM 86210

OIL CONSERVATION DIVISION

1220 SOUTH ST. FRANCIS DR.

Santa Fe, New Mexico 87505

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

DISTRICT III

1000 Rio Brazos 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 <i>30-025-</i> | | Pool Code <i>33820</i> | Pool Name <i>Jalmat (T-Y-7 Rvrs.)</i> |
| Property Code | Property Name <i>JALMAT Yates Field Sand Unit</i> | | Well Number <i>159</i> |
| OCRID No. | Operator Name MELROSE OPERATING COMPANY | | Elevation <i>3588'</i> |

Surface Location

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|-----------|-------------|-------------|---------|---------------|------------------|---------------|----------------|------------|
| <i>F</i> | <i>13</i> | <i>22-S</i> | <i>35-E</i> | | <i>2026</i> | <i>NORTH</i> | <i>1860</i> | <i>WEST</i> | <i>LEA</i> |

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 <i>40 *</i> | Joint or Infill | Consolidation Code | Order No. <i>* Waterflood Unit</i> | | | | | | |

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

| | |
|--|---|
| <p>GEODETIC COORDINATES NAD 27 NME Y=508293.3 N X=811770.5 E LAT.=32°23'36.12" N LONG.=103°19'23.85" W</p> | OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. Signature Ann E. Ritchie Printed Name Regulatory Agent Title 2-2-06 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 20, 2006 Date Surveyed LA Signature & Seal of Professional Surveyor 06.11.0153 Certificate No. GARY EIDSON 12041 |
| | |
| | |

Permit Conditions of Approval

Operator: MELROSE OPERATING COMPANY , 184860

Well: JALMAT FIELD YATES SAND UNIT #159

API: 30-025-37688

| OCD Reviewer | Condition |
|-----------------|---|
| DMULL | Pit construction and closure must satisfy all requirements of your approved plan, O.C.D. Rule 19.15.2.50, and the Pit and Below-Grade Tank Guidelines |