



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



BRUCE KING
GOVERNOR

ANITA LOCKWOOD
CABINET SECRETARY

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

February 19, 1993

Merit Energy Company
12221 Merit Drive
Suite 500
Dallas, Texas 75251

RE: CASE NO. 10662
ORDER NO. R-9849

Dear Sir:

Enclosed herewith are two copies of the each of the above-referenced Division order recently entered in the subject case.

Sincerely,

Sally E. Leichtle
Sally E. Leichtle
Administrative Secretary

cc: BLM - Roswell

MERIT ENERGY COMPANY

12221 Merit Drive, Suite 500
Dallas, Texas 75251
(214) 701-8377
(214) 960-1252 Fax

10662

February 1, 1993

Mr. Mike Stogner
Oil Conservation Commission
310 Old Santa Fe Trail
Santa Fe, NM 87501

Re: Merit Energy Company's Unorthodox Location
Dana Federal #7

Dear Mr. Stogner:

Attached please find a Waiver of Protest letter executed by Gragg Land & Cattle Company with regards to the above captioned Unorthodox Location. If you have any questions or require any addition information in this matter, please let me know.

Sincerely,



Sheryl J. Carruth
Regulatory Manager

SJC:s

Attachment

MERIT ENERGY COMPANY

12221 Merit Drive, Suite 500
Dallas, Texas 75251
(214) 701-8377
(214) 960-1252 Fax

January 28, 1993

Gragg Land & Cattle Company
P. O. Box 678
Palestine, Texas 75802

Attention: Billy Gragg

Re: Application for Approval of Unorthodox Location for
the Merit Energy Company Dana Federal #7 - New
Mexico Oil Conservation Commission Rule 104F (Case
No. 10662)

Dear Mr. Gragg:

As I discussed with you on the telephone the other day, we have had to file an Application for Approval of Unorthodox Location for our Dana Federal #7 well. Because you own a working interest in the offsetting SU Federal #1, the NMOCC has requested that we obtain a waiver of protest from you. If you have no objections to this waiver, I would appreciate your executing this letter in the space provided below and returning an originally executed copy to me.

Yours very truly,



Mike Markes
District Manager

We hereby waive any objection or protest to the granting of the above referenced unorthodox location.

GRAGG LAND & CATTLE CO.

By: Billy Gragg
Its: Manager

RECEIVED JAN 29 1993

MERIT ENERGY COMPANY

12221 Merit Drive, Suite 500
Dallas, Texas 75251
(214) 701-8377
(214) 960-1252 Fax

OIL CONSERVATION DIVISION

1993 JAN 24 AM 4 17

January 22, 1993

Mr. Mike Stogner
Oil Conservation Commission
310 Old Santa Fe Trail
Santa Fe, NM 87501

*M.S. Case No.
10662*

Re: Merit Energy Company's Unorthodox Location
Dana Federal #7

Dear Mr. Stogner:

As per your telephone conversation with Jean Ann Dobbs of our office, enclosed please find a copy of the AFE package that was sent on the above captioned well to Gragg Land and Cattle Company. The AFE was sent Certified Mail Return Receipt Requested and a copy of the return card has been enclosed.

Per the operating agreement, Mr. Gragg informed Mike Markes, the District Engineer, that he wished to go nonconsent in the drilling of this well. As a result, Mr. Gragg does not have a working interest until it reaches payout which occurs at 300%.

If you have any further questions or need additional information, please let me know.

Sincerely,



Sheryl J. Carruth
Regulatory Manager

SJC:s

Enclosures

MERIT ENERGY COMPANY

12221 Merit Drive, Suite 500
Dallas, Texas 75251
(214) 701-8377
(214) 960-1252 Fax

September 18, 1992

Working Interest Owners
Dana Federal Com Lease
Chaves County, New Mexico

Re: Dana Federal Com #6 & #7

Gentlemen:

Merit Energy Company requests your approval of the attached AFE's in the gross amount of \$199,300 each to drill and complete the captioned wells. A map showing the proposed locations is attached for your convenience.

With the recent upturn in natural gas prices, we believe now is the time to develop these undeveloped reserves. Drilling permits have been submitted to the BLM and are pending approval. If you wish to join in this drilling program, please sign and return one copy of the AFE's to my attention within 30 days.

You should be aware that pursuant to that certain letter agreement dated December 29, 1980, between McClellan Oil Corporation and you, if you elect not to participate or fail to respond to this letter within 30 days from receipt, you will forfeit your interest in all undeveloped acreage held by the Dana leases.

If you have any questions, please give me a call at (214) 701-8377.

Sincerely,



Michael D. Markes
District Manager

DRILLING LOCATIONS TO BE STAKED

These wells are located in Chaves Co., NM. They will be completed in the Pecos Slope Abo, South Field.

1. Dana Federal #6 2310' FWL & 1650' FNL Sec. 3 T9S R25E
2. Dana Federal #7 660' FNL & 2310' FEL Sec. 9 T9S R25E
3. Jill Federal #2 2310' FNL & 2310' FEL Sec. 24 T9S R25E
4. Jill Federal #3 660' FSL & 2310' FEL Sec. 24 T9S R25E
5. M M Federal #11 660' FWL & 2310' FSL Sec. 30 T9S R26E
6. M M Federal #12 660' FNL & 660' FWL Sec. 31 T9S R26E
7. Penjack Federal #9 2310' FNL & 2310' FEL Sec. 6 T10S R26E
8. Penjack Federal #10 2310' FNL & 2310' FEL Sec. 7 T10S R26E

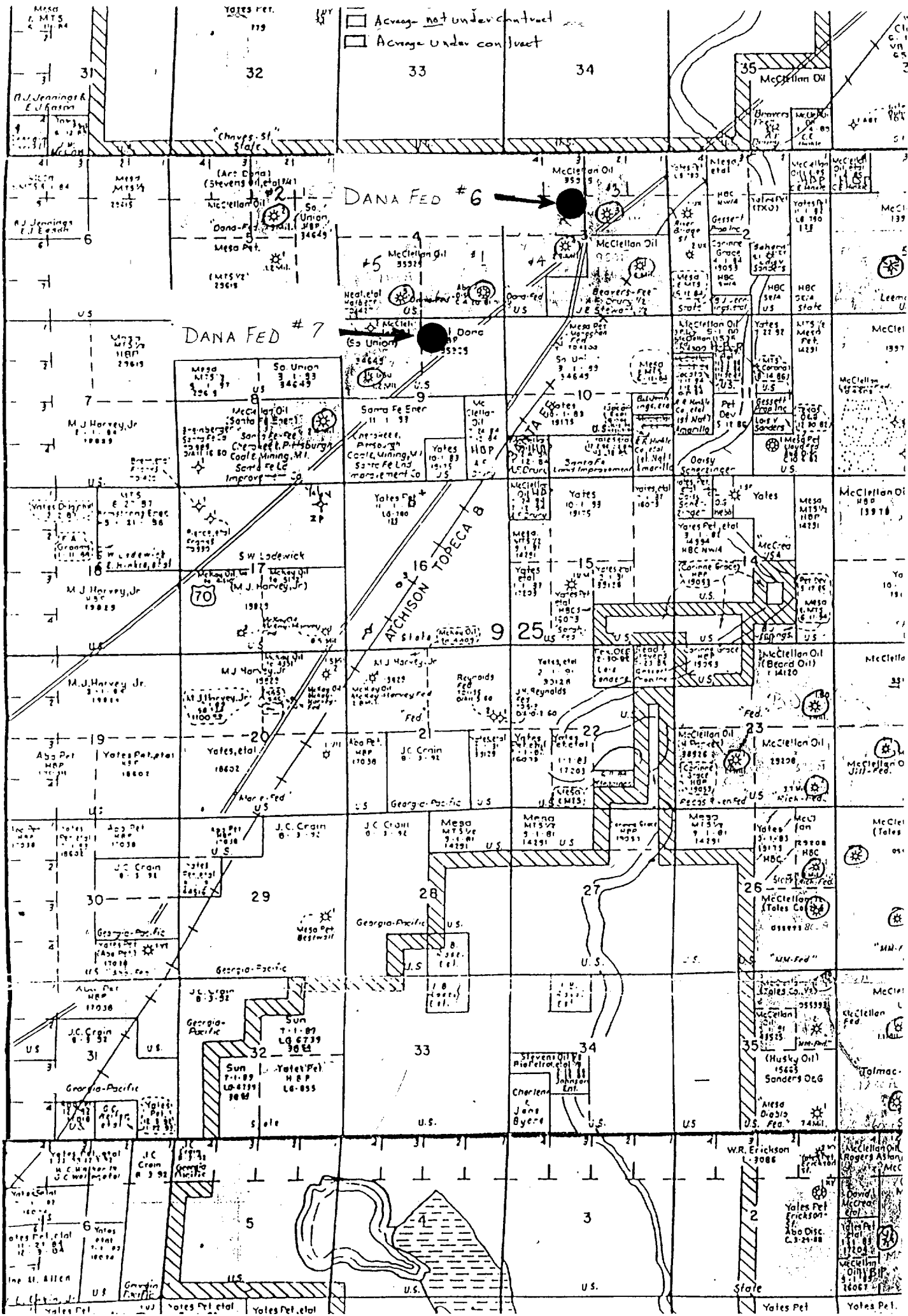
Our company contact in Roswell, NM is Mark Hamilton. He can be reached at (505) 622-9062 or by Mobile at (505) 625-6135 or (505) 625-6137.

Thanks,

Merit Energy Company



Sheryl J. Carruth
Regulatory Manager



MERIT ENERGY COMPANY

AFE NO:	384	012.1083	TYPE CODE:	CAPITAL	DETAIL:
WELL	DANA #6		EXPLORATORY	DEVELOPMENT	X
PROSPECT			BUDGETED DEPTH	4600'	
FIELD	PECOS SLOPE ABO		WELL TYPE: OIL	GAS	X
FORMATION	ABO		COMPLETION: SINGLE	X	DUAL OTHER
LOCATION	SEE ATTACHED LIST		COUNTY/STATE	CHAVES CO., NEW MEXICO	

CODE	INTANGIBLE	DRY HOLE	COMPLETION	TOTAL
0.10	DRILL SITE TITLE OPINION			0
0.11	SURVEY, PERMIT, SITE COST, CLEANUP	10,000		10,000
0.12	SURFACE DAMAGES, RIGHT OF WAY	3,500		3,500
0.20	RIG MOVE IN AND MOVE OUT			0
0.21	DRILLING-DAYWORK \$125 x 16 HRS.			0
0.22	DRILLING-FOOTAGE \$6.50 x 2550			0
0.23	DRILLING-TURNKEY	95,500		95,500
0.24	DRILLING OPERATIONS, DIRECTIONAL DRILLING, SURVEYS, RENTALS			0
0.25	COMPLETION RIG \$1300/DAY x 7 DAYS		9,100	9,100
0.26	COMPLETION OPERATIONS		3,000	3,000
0.27	FISHING TOOLS AND SERVICES			0
0.28	FUEL			0
0.29	DRILLING FLUIDS, SOLIDS CONTROL, WATER DISPOSAL			0
0.30	COMPLETION FLUIDS, FILTERING, WATER DISPOSAL		1,500	1,500
0.31	PRIMARY CEMENTING, FLOAT EQUIPMENT, CENTRALIZERS		5,000	5,000
0.32	SQUEEZE CEMENTING			0
0.38	SAND CONTROL			0
0.40	TRANSPORTATION-TRUCKING AND HAULING	1,000		1,000
0.48	FORMATION EVALUATION-COMPLETION WELL TESTING			0
0.49	FORMATION EVALUATION-CORING, DST			0
0.50	FORMATION EVALUATION-LOGGING, MUDLOG	3,000		3,000
0.51	INSPECTION-TUBULAR			0
0.52	INSPECTION-DRILL PIPE, DRILL COLLARS, OTHER EQUIP.			0
0.55	SLICKLINE UNIT			0
0.56	SWABBING UNIT			0
0.57	COIL TUBING, SNUBBING UNIT			0
0.60	STIMULATION-FRAC		25,000	25,000
0.61	STIMULATION-ACID		3,000	3,000
0.62	PERFORATING/CBL-GR		2,000	2,000
0.70	COMPLETION OVERHEAD			0
0.71	DRILLING OVERHEAD	1,000	500	1,500
0.72	ONSITE SUPERVISION AND RELATED EXPENSES	2,500	1,500	4,000
0.80	INSURANCE-WELL CONTROL			0
0.83	INSURANCE-OTHER			0
0.84	BONDS COUNTY ROADS			0
0.85	PLUG & ABANDON COSTS			0
0.86	CONTINGENCY/MISCELLANEOUS 5%	5,800	2,500	8,300
	TOTAL INTANGIBLES	\$122,300	\$53,100	\$175,400

CODE	TANGIBLES	DRY HOLE	COMPLETION	TOTAL
0.10	CONDUCTOR " @ FT.			0
0.11	SURFACE 900'			0
0.12	INTERMEDIATE " @ FT.			0
0.13	LINER " @ FT.			0
0.14	PRODUCTION 4600" @ 3FT.		13,800	13,800
0.15	PRODUCTION LINER " @ TO FT. (INCL. HANGER)			0
0.16	TUBING 4500" @ 1.80 FT.		8,100	8,100
0.17	SUCKER RODS			0
0.18	BOTTOM HOLE PUMP			0
0.19	PACKERS AND SUBSURFACE EQUIPMENT			0
0.20	WELLHEAD ASSEMBLY		2,000	2,000
0.21	INTERMEDIATE HEADS			0
0.22	X-MAS TREES AND CONNECTIONS			0
	TOTAL TANGIBLES	\$0	\$23,900	\$23,900
	TOTAL INTANGIBLES AND TANGIBLES	\$122,300	\$77,000	\$199,300

MERIT APPROVAL BY: <u><i>[Signature]</i></u> TITLE: <u>VICE PRESIDENT PRODUCTION</u> DATE: <u>9-18-92</u>	WORKING INTEREST APPROVAL: BY: _____ TITLE: _____ DATE: _____
--	--

RETURN AFE TO ATTENTION OF: M.D. MARKES

NOTE: THIS IS A FORMAL PROPOSAL UNDER ARTICLE (_____) OF THE OPERATING AGREEMENT.
 THIS AFE IS AN ESTIMATE OF COSTS ONLY. APPROVAL OF SAME IS A COMMITMENT TO PAY YOUR PROPORTIONATE SHARE OF THE ACTUAL COSTS IN DRILLING TO THE OBJECTIVE DEPTH SPECIFIED OR COMPLETE WORK HEREIN.

MERIT ENERGY COMPANY

AFE NO:	385 012.1084	TYPE CODE:	CAPITAL	DETAIL:
WELL	DANA #7	EXPLORATORY		DEVELOPMENT X
PROSPECT		BUDGETED DEPTH	4600'	
FIELD	PECOS SLOPE ABO	WELL TYPE: OIL		GAS X
FORMATION	ABO	COMPLETION: SINGLE	X	DUAL OTHER
LOCATION	SEE ATTACHED LIST	COUNTY/STATE	CHAVES CO., NEW MEXICO	

CODE	INTANGIBLE	DRY HOLE	COMPLETION	TOTAL
0.10	DRILL SITE TITLE OPINION			0
0.11	SURVEY, PERMIT, SITE COST, CLEANUP	10,000		10,000
0.12	SURFACE DAMAGES, RIGHT OF WAY	3,500		3,500
0.20	RIG MOVE IN AND MOVE OUT			0
0.21	DRILLING-DAYWORK \$125 x 16 HRS.			0
0.22	DRILLING-FOOTAGE \$6.50 x 2550			0
0.23	DRILLING-TURNKEY	95,500		95,500
0.24	DRILLING OPERATIONS, DIRECTIONAL DRILLING, SURVEYS, RENTALS			0
0.25	COMPLETION RIG \$1300/DAY x 7 DAYS		9,100	9,100
0.26	COMPLETION OPERATIONS		3,000	3,000
0.27	FISHING TOOLS AND SERVICES			0
0.28	FUEL			0
0.29	DRILLING FLUIDS, SOLIDS CONTROL, WATER DISPOSAL			0
0.30	COMPLETION FLUIDS, FILTERING, WATER DISPOSAL		1,500	1,500
0.31	PRIMARY CEMENTING, FLOAT EQUIPMENT, CENTRALIZERS		5,000	5,000
0.32	SQUEEZE CEMENTING			0
0.38	SAND CONTROL			0
0.40	TRANSPORTATION-TRUCKING AND HAULING	1,000		1,000
0.48	FORMATION EVALUATION-COMPLETION WELL TESTING			0
0.49	FORMATION EVALUATION-CORING, DST			0
0.50	FORMATION EVALUATION-LOGGING, MUDLOG	3,000		3,000
0.51	INSPECTION-TUBULAR			0
0.52	INSPECTION-DRILL PIPE, DRILL COLLARS, OTHER EQUIP.			0
0.55	SLICKLINE UNIT			0
0.56	SWABBING UNIT			0
0.57	COIL TUBING, SNUBBING UNIT			0
0.60	STIMULATION-FRAC		25,000	25,000
0.61	STIMULATION-ACID		3,000	3,000
0.62	PERFORATING/CBL-GR		2,000	2,000
0.70	COMPLETION OVERHEAD			0
0.71	DRILLING OVERHEAD	1,000	500	1,500
0.72	ONSITE SUPERVISION AND RELATED EXPENSES	2,500	1,500	4,000
0.80	INSURANCE-WELL CONTROL			0
0.83	INSURANCE-OTHER			0
0.84	BONDS COUNTY ROADS			0
0.85	PLUG & ABANDON COSTS			0
0.86	CONTINGENCY/MISCELLANEOUS 5%	5,800	2,500	8,300
	TOTAL INTANGIBLES	\$122,300	\$53,100	\$175,400

CODE	TANGIBLES	DRY HOLE	COMPLETION	TOTAL
0.10	CONDUCTOR " @ FT.			0
0.11	SURFACE 900'			0
0.12	INTERMEDIATE " @ FT.			0
0.13	LINER " @ FT.			0
0.14	PRODUCTION 4600" @ 3FT.		13,800	13,800
0.15	PRODUCTION LINER " @ TO FT. (INCL. HANGER)			0
0.16	TUBING 4500" @ 1.80 FT.		8,100	8,100
0.17	SUCKER RODS			0
0.18	BOTTOM HOLE PUMP			0
0.19	PACKERS AND SUBSURFACE EQUIPMENT			0
0.20	WELLHEAD ASSEMBLY		2,000	2,000
0.21	INTERMEDIATE HEADS			0
0.22	X-MAS TREES AND CONNECTIONS			0
	TOTAL TANGIBLES	\$0	\$23,900	\$23,900
	TOTAL INTANGIBLES AND TANGIBLES	\$122,300	\$77,000	\$199,300

MERIT APPROVAL: BY: <u><i>Arnold E. Ene</i></u> TITLE: VICE PRESIDENT PRODUCTION DATE: 9-18-92 RETURN AFE TO ATTENTION OF: M.D. MARKES	WORKING INTEREST APPROVAL: BY: _____ TITLE: _____ DATE: _____
--	--

NOTE: THIS IS A FORMAL PROPOSAL UNDER ARTICLE () OF THE OPERATING AGREEMENT.
 THIS AFE IS AN ESTIMATE OF COSTS ONLY. APPROVAL OF SAME IS A COMMITMENT TO PAY YOUR PROPORTIONATE SHARE OF THE ACTUAL COSTS IN DRILLING TO THE OBJECTIVE DEPTH SPECIFIED OR COMPLETE WORK HEREIN.

Dana #6 + 7

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece next to the article number.

I also wish to receive the following services (for an extra fee):

- 1. Addressee's Address
- 2. Restricted Delivery Consult postmaster for fee.

3. Article Addressed to:

Gragg Land + Cattle Co.
Box 678
Palestine, TX 75802

4a. Article Number

P 771 543 451

4b. Service Type

- Registered
- Certified
- Insured
- COD
- Return Receipt for Merchandise

7. Date of Delivery



5. Signature (Addressee)

6. Signature (Agent)

[Handwritten Signature]

PS Form 3811, October 1990

*U.S. GPO: 1990-273-981

DOMESTIC RETURN RECEIPT

MERIT ENERGY COMPANY

OIL CONSERVATION DIVISION

12221 Merit Drive, Suite 500
Dallas, Texas 75251
(214) 701-8377
(214) 960-1252 Fax

'93 JAN 13 AM 8 47

January 13, 1993

Mr. Mike Stogner
Oil Conservation Division
P. O. Box 2088
Santa Fe, NM 87504-2088

Case 10662

Re: Division of Interest
Sec. 9, T9S, R25E, NW 1/2 and NE 1/2

Dear Mike:

As per your request in our telephone conversation dated January 12, 1993, enclosed please find a Division of Interest for the above captioned locations. If you have any questions or require additional information, do not hesitate to call me.

Sincerely,



Sheryl J. Carruth
Regulatory Manager

SJC:s

Enclosure

MERIT ENERGY COMPANY
Division of Interest - Statement of Lease Ownership

Well: Dana Federal #7 Location: Sec. 9, T9S, R25E; NW 1/4 NE 1/4

Before Payout:

NAME	TYPE	PERCENT
Mineral Management Service	RI	12.5
X Y Limited	WI	7.394366
Merit Energy Partners LP	WI	20.827465
Merit Energy Partners II	WI	48.063380
Merit Energy Partners III	WI	11.214789
Art & Zelda Dana	OR	0.0

After Payout:

Minerals Management Service	RI	12.5
X Y Limited	WI	6.338028
Merit Energy Partners LP	WI	17.852113
Merit Energy Partners II	WI	41.197138
Merit Energy Partners III	WI	9.612676
Art & Zelda Dana	OR	12.5

MERIT ENERGY COMPANY
 DIVISION OF INTEREST - STATEMENT OF LEASE OWNERSHIP

PAGE 1

PROPERTY NAME S U FEDERAL #1 DIV ORDER # 1445
 OPERATOR MERIT ENERGY COMPANY PRODUCT GAS
 COUNTY CHAVES EFF DATE 11/01/91
 STATE NEW MEXICO PROPERTY NO 012.1066

Location: Sec 9 T9S R25E; SW 14 NW 14

=====

MERIT ENERGY COMPANY ASSUMES NO RESPONSIBILITY FOR ACCURACY OR CORRECTNESS OF
 THE INFORMATION HEREIN SET

=====

OWNER NUMBER	OWNER NAME AND ADDRESS	TAXPAYER ID	TYPE INTEREST	DECIMAL INTEREST	PAY CODE	SIGNATURE LINE
2	MERIT ENERGY PARTNERS, L.P. 12221 MERIT DRIVE SUITE 500 DALLAS, TEXAS 75251	75-2280492	OR	0.01950000	A	_____
3	MERIT ENERGY PARTNERS II, L.P. 12221 MERIT DRIVE SUITE 500 DALLAS, TEXAS 75251	75-2301136	OR	0.04500000	A	_____
5	MERIT ENERGY PARTNERS III, LP 12221 MERIT DRIVE SUITE 500 DALLAS, TEXAS 75251	75-2339519	OR	0.01050000	A	_____
2443	SOUTHERN UNION EXPLORATION CO P O BOX 97927 DALLAS, TEXAS 75397	75-1734018	OR	0.00000000	M	_____
TOTAL FOR TYPE INTEREST "OR"				0.07500000		
99999	DELETED INTEREST		RI	0.00000000	X	_____
2425	MINERALS MANAGMENT SERVICES ROYALTY MANAGEMENT PROGRAM BLDG 85, DENVER FEDERAL CENTER ROOM A-212 REVENUE DOC. PROC DENVER, COLORADO 80225-0001	84-0848646	RI	0.12500000	A	_____
TOTAL FOR TYPE INTEREST "RI"				0.12500000		

MERIT ENERGY COMPANY
 DIVISION OF INTEREST - STATEMENT OF LEASE OWNERSHIP

PAGE 2

PROPERTY NAME S U FEDERAL #1 DIV ORDER # 1445
 OPERATOR MERIT ENERGY COMPANY PRODUCT GAS
 COUNTY CHAVES EFF DATE 11/01/91
 STATE NEW MEXICO PROPERTY NO 012.1066

=====

MERIT ENERGY COMPANY ASSUMES NO RESPONSIBILITY FOR ACCURACY OR CORRECTNESS OF
 THE INFORMATION HEREIN SET

=====

OWNER NUMBER	OWNER NAME AND ADDRESS	TAXPAYER ID	TYPE INTEREST	DECIMAL INTEREST	PAY CODE	SIGNATURE LINE
2553	BILLY H GRAGG AND JACQUELYN L GRAGG P O BOX 678 PALESTINE, TEXAS 75801	463-44-2626	WI	0.00000000	M	_____
8545	GRAGG LAND & CATTLE COMPANY BOX 678 PALESTINE, TEXAS 75802	75-2400745	WI	0.47000000	M	_____
2424	O L GRAGG P.O. BOX 678 PALESTINE, TEXAS 75801	456-01-5274	WI	0.00000000	M	_____
2	MERIT ENERGY PARTNERS, L.P. 12221 MERIT DRIVE SUITE 500 DALLAS, TEXAS 75251	75-2280492	WI	0.08580000	A	_____
3	MERIT ENERGY PARTNERS II, L.P. 12221 MERIT DRIVE SUITE 500 DALLAS, TEXAS 75251	75-2301136	WI	0.19800000	A	_____
5	MERIT ENERGY PARTNERS III, LP 12221 MERIT DRIVE SUITE 500 DALLAS, TEXAS 75251	75-2339519	WI	0.04620000	A	_____
TOTAL FOR TYPE INTEREST "WI"				0.80000000		