

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Form C-144
March 12, 2004

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

For drilling and production facilities, submit to appropriate NMOCD District Office.
For downstream facilities, submit to Santa Fe office

Pit or Below-Grade Tank Registration or Closure

Is pit or below-grade tank covered by a "general plan"? Yes No

Type of action: Registration of a pit or below-grade tank Closure of a pit or below-grade tank

Operator: Merit Energy Telephone: 677-2327 e-mail address: _____
Address: PO Box 300 Whiteface TX 79379
Facility or well name: West B 15 API #: 30-015-05124 U/L or Qtr/Qtr: 5 Sec: 10 T: 17S R 3E
County: Edm Latitude _____ Longitude _____ NAD: 1927 1983 Surface Owner Federal State Private Indian

<p>Pit Type: Drilling <input type="checkbox"/> Production <input type="checkbox"/> Disposal <input type="checkbox"/> Workover <input checked="" type="checkbox"/> Emergency <input type="checkbox"/> Lined <input checked="" type="checkbox"/> Unlined <input type="checkbox"/> Liner type: Synthetic <input checked="" type="checkbox"/> Thickness <u>12</u> mil Clay <input type="checkbox"/> Volume <u>100</u> bbl</p>	<p>Below-grade tank Volume: _____ bbl Type of fluid: _____ Construction material: _____ Double-walled, with leak detection? Yes <input type="checkbox"/> If not, explain why not. _____</p>	<p>RECEIVED MAY 08 2004 OBB-ARTESIA</p>
<p>Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.)</p>	<p>Less than 50 feet (20 points) 50 feet or more, but less than 100 feet (10 points) <u>100 feet or more</u> (0 points) ✓</p>	
<p>Wellhead protection area: (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.)</p>	<p>Yes (20 points) <u>No</u> (0 points) ✓</p>	
<p>Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)</p>	<p>Less than 200 feet (20 points) 200 feet or more, but less than 1000 feet (10 points) <u>1000 feet or more</u> (0 points) ✓</p>	
<p>Ranking Score (Total Points)</p>		<p><u>0</u></p>

If this is a pit closure: (1) attach a diagram of the facility showing the pit's relationship to other equipment and tanks. (2) Indicate disposal location: onsite offsite If offsite, name of facility _____. (3) Attach a general description of remedial action taken including remediation start date and end date. (4) Groundwater encountered: No Yes If yes, show depth below ground surface _____ ft. and attach sample results. (5) Attach soil sample results and a diagram of sample locations and excavations.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that the above-described pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines , a general permit , or an (attached) alternative OCD-approved plan .

Date: 4-30-04
Printed Name/Title: Brandon Kipler, pump Signature: [Signature]

Your certification and NMOCD approval of this application/closure does not relieve the operator of liability should the contents of the pit or tank contaminate ground water or otherwise endanger public health or the environment. Nor does it relieve the operator of its responsibility for compliance with any other federal, state, or local laws and/or regulations.

Approved: MAY 10 2004 Signature: [Signature]
Date: _____ Printed Name/Title: _____ Signature: _____

Please see attached stipulations and/or requirements:

[Handwritten mark]



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor

Joanna Prukop
Cabinet Secretary
Acting Director
Oil Conservation Division

12 May 2004

Merit Energy
13727 Noel Ste. 500
Dallas, Texas 75240

RE:

Approval of pit permit - West "B" # 15 API# 30-015-051224

The Oil Conservation Division of Artesia is in receipt of your application to construct a pit for the purpose of drilling. The request is hereby accepted and approved with the following provisions:

1. Construction and closing of pit(s) must meet the criteria of Rule 19.15.2.50 and the Pit Guidelines.
2. The pit is not located in any watercourse, lakebed, sinkhole, playa lake, or wetland.
3. Notice is to be given to the OCD prior to construction of the pit(s).
4. Immediately upon cessation of use the freestanding fluid will be removed and disposed of in an OCD approved facility.
5. Pit encapsulations must meet all specific criteria including, but not limited to:
 - A. Site evaluation
 - B. Liner thickness and type must meet requirements as per guidelines.
 - C. Amount of and type of cover
 - D. Drill cuttings will be sampled as per guidelines. Notify OCD 48 hours prior to any sampling event
 - E. In the event that the integrity of the pit lining is breached in a manner such that soil contamination would result, the contents of the pit will have to be disposed of in an approved OCD facility.
6. The pit will not be used for any additional storage of fluids.
7. The Division may attach additional conditions to any permit upon a finding that such conditions are necessary to prevent the contamination of fresh water, or to protect public health or the environment. (19.15.2.50.C.3.G.1.)
8. Re-seeding mixture will must be approved or authorized by surface owner.
9. Please note that your selection of liner thickness requires you to haul the pit liner and it's contents to an approved disposal site.

If I can be of any further assistance, please feel free to call (505) 748-1283 ext. 109.

Sincerely,


Van Barton