

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APR 15 2009

FORM APPROVED
OMB No. 1004-0137
Expires: July 31, 2010

SUNDRY NOTICES AND REPORTS ON WELLS
Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE - Other instructions on page 2.

1. Type of Well

☐ Oil Well ☐ Gas Well ☒ Other

2. Name of Operator
Merit Energy Company

3a. Address
132727 Noel Rd. Suite 500
Dallas, Texas 75240

3b. Phone No. (include area code)
972-628-1569

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

1980' FNL & 1980' FEL, Unit G, Sec. 29-T16S-R27E

5. Lease Serial No.
NMNM045254

6. If Indian, Allottee or Tribe Name

7. If Unit of CA/Agreement, Name and/or No.
NMNM112751

8. Well Name and No.
Lotsa Luck 29 Federal Com 3

9. API Well No.
30-015-33742

10. Field and Pool or Exploratory Area
Undesignated (wildcat) San Andres

11. Country or Parish, State
Eddy County, New Mexico

12. CHECK THE APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT OR OTHER DATA

| TYPE OF SUBMISSION | TYPE OF ACTION | | | |
|--|---|--|--|---|
| <input checked="" type="checkbox"/> Notice of Intent | <input type="checkbox"/> Acidize | <input type="checkbox"/> Deepen | <input type="checkbox"/> Production (Start/Resume) | <input type="checkbox"/> Water Shut-Off |
| <input type="checkbox"/> Subsequent Report | <input type="checkbox"/> Alter Casing | <input type="checkbox"/> Fracture Treat | <input type="checkbox"/> Reclamation | <input type="checkbox"/> Well Integrity |
| <input type="checkbox"/> Final Abandonment Notice | <input type="checkbox"/> Casing Repair | <input type="checkbox"/> New Construction | <input type="checkbox"/> Recomplete | <input type="checkbox"/> Other |
| | <input type="checkbox"/> Change Plans | <input checked="" type="checkbox"/> Plug and Abandon | <input type="checkbox"/> Temporarily Abandon | |
| | <input type="checkbox"/> Convert to Injection | <input type="checkbox"/> Plug Back | <input type="checkbox"/> Water Disposal | |

13. Describe Proposed or Completed Operation: Clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomple horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recomple in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed and the operator has determined that the site is ready for final inspection.)

Notify BLM 24 hrs. before operations begin.
MIRU E-line Services
RIH w/5-1/2" CIBP & set @ 1900'
RIH w/dump bailer and dump 25' cnt. on top of CIBP
MIRU PU
RIH w/5-1/2" CIBP & set @ 1300'
Perforate @ 1250'; squeeze w/75 sxs.
WOC; tag cement plug
RIH w/5-1/2" CIBP & set @ 400'
Perforate @ 350'; squeeze w/75 sxs.
WOC; tag cement plug
RD E-line
Mix & pump surface plug
RDMO PU
Dig out & cut off wellhead; weld steel plate on csg., install dry hole marker.
Reclaim location

1. RIH Drill Out CIBP @ 2900'
2. Spot 170' plug @ 7303' (Top of Wolfcamp)
3. Spot 150' plug @ 4923' (Top of Abo)
4. Set CIBP + 35' cnt. @ 2637' (Yaso Perfs)
5. Set CIBP + 35' cnt @ 2000' (San Andres Perfs)
6. Spot 150' plug @ 1420' (shoe and Top of San Andres)
7. Spot 250' plug @ 250' - surf. WOC Tag
8. Cap off 5-1/2" annulus

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

14. I hereby certify that the foregoing is true and correct. Name (Printed/Typed)

Lynne Moon

Title Regulatory Manager

Signature

Lynne Moon

Date 03/20/2009

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

Title

Office

Conditions of approval, if any, are attached. Approval of this notice 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.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on page 2)

APPROVED

APR 7 2009

Date

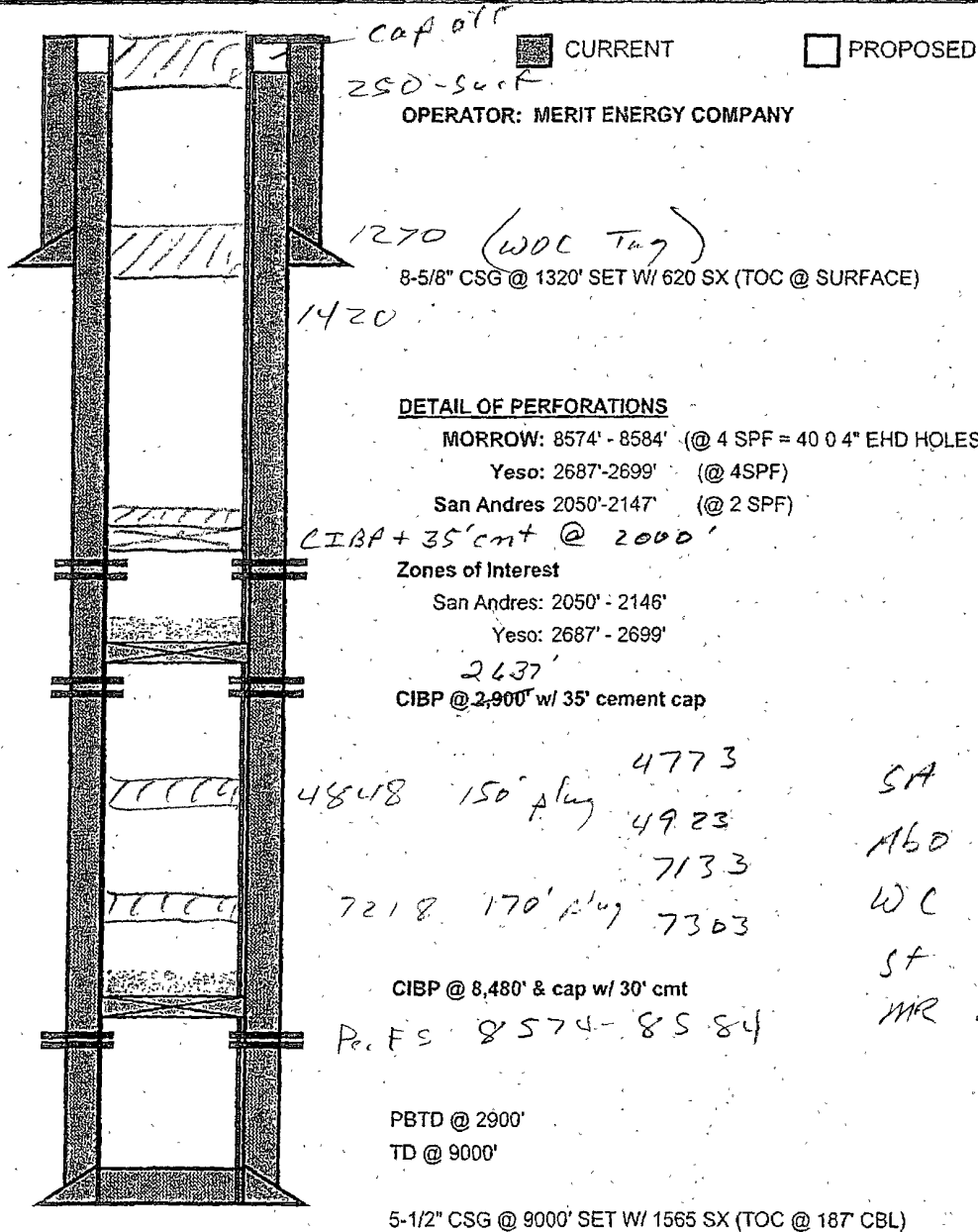
JAMES A. AMOS
SUPERVISOR-EPS

60/9/14

MERIT ENERGY COMPANY WELLBORE SCHEMATIC

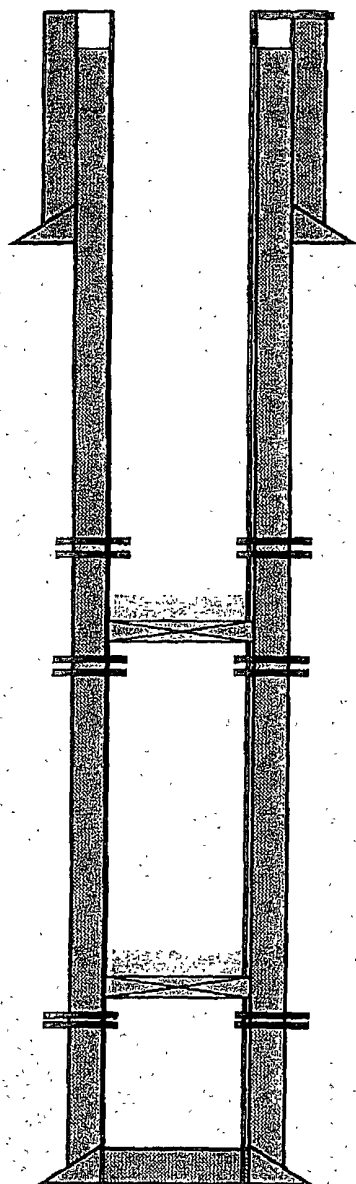
| | | | |
|---|------------------------|---------------------|---------------------|
| WELL NAME: LOTSA LUCK 29 FED COM # 3 | | FIELD: Crow Flats | |
| LOCATION: 1980' FNL & 1980' FEL, Sec. 29, T16S-R27E | | COUNTY: Eddy | STATE: NM |
| ELEVATION: GL = 3486', KB = 3505.5' | | SPUD DATE: 01/23/05 | COMP DATE: 02/25/05 |
| API#: 30-015-33742 | PREPARED BY: A. Nguyen | | DATE: 3/19/2009 |

| | DEPTH | SIZE | WEIGHT | GRADE | THREAD | HOLE SIZE |
|---------|------------------------|--------|--------|-------|--------|-----------|
| CASING: | 0' - 1320' | 8-5/8" | 32# | J-55 | LT&C | 12-1/4" |
| CASING: | 0' - 9000' <i>8796</i> | 5-1/2" | 17# | P-110 | LT&C | 7-7/8" |
| TUBING: | | | | | | |



MERIT ENERGY COMPANY WELLBORE SCHEMATIC

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CURRENT



PROPOSED

OPERATOR: MERIT ENERGY COMPANY

8-5/8" CSG @ 1320' SET W/ 620 SX (TOC @ SURFACE)

DETAIL OF PERFORATIONS

MORROW: 8574' - 8584' (@ 4 SPF = 40 0.4" EHD HOLES)

Yeso: 2687'-2699' (@ 4SPF)

San Andres 2050'-2147' (@ 2 SPF)

Zones of Interest

San Andres: 2050' - 2146'

Yeso: 2687' - 2699'

CIBP @ 2,900' w/ 35' cement cap

CIBP @ 8,480' & cap w/ 30' cmt

PBTD @ 2900'

TD @ 9000'

5-1/2" CSG @ 9000' SET W/ 1565 SX (TOC @ 187' CBL)

P&A PROCEDURE

- 1) Notify BLM 24 hours before P&A operation proceeds
- 2) MIRU E- line services
- 3) RIH w/ 5 1/2" CIBP
- 4) Set CIBP @ 1,900'
- 5) RIH w/ dump bailer and dump 25' cement on CIBP
- 6) MI RU PU
- 7) RIH w/ 5 1/2" CIBP
- 8) Set CIBP @ 1,300'
- 9) Perforate @ 1250', squeeze w/ 75 sacks cement
- 10) WOC, tag cement plug
- 11) RIH w/ 5 1/2" CIBP
- 12) Set CIBP @ 400'
- 13) Perforate @ 350', squeeze w/ 75 sacks cement
- 14) WOC, tag cement plug
- 15) RD MO E-line
- 16) Mix and pump surface plug
- 17) RD MO PU
- 18) Dig out & cut off wellhead, weld steel plate on casing, install dry hole marker
- 19) Reclaim location

BUREAU OF LAND MANAGEMENT
Carlsbad Field Office
620 East Greene Street
Carlsbad, New Mexico 88220
575-234-5972

Permanent Abandonment of Federal Wells
Conditions of Approval

Failure to comply with the following Conditions of Approval may result in a Notice of Incidents of Noncompliance (INC) in accordance with 43 CFR 3163.1.

1. Plugging operations shall commence within ninety (90) days from the approval date of this Notice of Intent to Abandon.

If you are unable to plug the well by the 90th day provide this office, prior to the 90th day, with the reason for not meeting the deadline and a date when we can expect the well to be plugged. Failure to do so will result in enforcement action.

2. **Notification:** Contact the appropriate BLM office at least 24 hours prior to the commencing of any plugging operations. For wells in Chaves and Roosevelt County, call 575-627-0272; Eddy County, call 575-361-2822; Lea County, call 575-393-3612.

3. **Blowout Preventers:** A blowout preventer (BOP), as appropriate, shall be installed prior to commencing any plugging operation. The minimum BOP requirement is a 2M system for a well not deeper than 9,090 feet; a 3M system for a well not deeper than 13,636 feet; and a 5M system for a well not deeper than 22,727 feet.

4. **Mud Requirement:** Mud shall be placed between all plugs. Minimum consistency of plugging mud shall be obtained by mixing at the rate of 25 sacks (50 pounds each) of gel per 100 barrels of water. Minimum nine (9) pounds per gallon.

5. **Cement Requirement:** Sufficient cement shall be used to bring any required plug to the specified depth and length. Any given cement volumes on the proposed plugging procedure are merely estimates and are not final. Unless specific approval is received, no plug except the surface plug shall be less than 25 sacks of cement. In lieu of a cement plug in a cased hole, a bridge plug set within 50 feet to 100 feet above the perforations shall be capped with 25 sacks of cement. If a bailer is used to cap this plug, 35 feet of cement shall be sufficient.

Unless otherwise specified in the approved procedure, the cement plug shall consist of either Neat Class "C", for up to 7,500 feet of depth or Neat Class "H", for deeper than 7,500 feet plugs.

6. **Dry Hole Marker:** All casing shall be cut-off at the base of the cellar or 3 feet below final restored ground level (whichever is deeper). The well bore shall then be capped with a 4-inch pipe, 10-feet in length, 4 feet above ground and embedded in cement. The following information shall be permanently inscribed on the dry hole marker: well name and number, name of the operator, lease serial number, surveyed location (quarter-quarter section, section, township and range or other authorized survey designation acceptable to the authorized officer such as metes and bounds).

7. **Subsequent Plugging Reporting:** Within 30 days after plugging work is completed, file one original and five copies of the Subsequent Report of Abandonment, Form 3160-5 to BLM. The report should give in detail the manner in which the plugging work was carried out, the extent (by depths) of cement plugs placed, and the size and location (by depths) of casing left in the well. **Show date well was plugged.**

8. **Trash:** All trash, junk and other waste material shall be contained in trash cages or bins to prevent scattering and will be removed and deposited in an approved sanitary landfill. Burial on site is not permitted.

Following the submission and approval of the Subsequent Report of Abandonment, surface restoration conditions of approval will be developed and furnished to you.



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Carlsbad Field Office
620 E. Greene St.
Carlsbad, New Mexico 88220-6292
www.blm.gov/nm



In Reply Refer To 1310

Reclamation (Interim/Final) Procedures

Interim and Final Reclamation: The objective of reclamation in the short term is to provide site stability and basic resource productivity. The final goal of reclamation is to restore the character of the land and water to its pre-disturbance condition. Basically return the restore the native soils, contour the location to blend with the surrounding landscape, prepare a good seedbed and seed.

To achieve these objectives, remove any and all contaminants, scrap/trash, equipment, pipelines and powerlines, strip and remove caliche, contour, provide erosion control as needed, rip and seed as specified in the original APD COA. This will apply to pads and roads. Barricade access road at the starting point. If reserve pit has not reclaimed due to salts or other contaminants, submit a plan for approval, as to how propose to provide adequate restoration of the pit area. The Application for Permit to Drill or Reenter (APD, Form 3160-3), Surface Use Plan of Operations must include adequate measures for stabilization and reclamation of disturbed lands. Oil and gas operators must plan for reclamation, both interim and final, up front in the APD process as per Onshore Oil and Gas Order No. 1.

1. For wells and/or access roads not having an approved plan, or an inadequate plan for surface reclamation (either interim or final reclamation), the operator must submit a proposal describing the procedures for reclamation. For interim reclamation, the appropriate time for submittal would be when filing the Well Completion or Recompletion Report and Log (Form 3160-4). For final reclamation, the appropriate time for submittal would be when filing the Notice of Intent, or the Subsequent Report of Abandonment, Sundry Notices and Reports on Wells (Form 3160-5). Interim reclamation is to be completed within 6 months of well completion, and final reclamation is to be completed within 6 months of well abandonment.
2. The operator must file a Subsequent Report Plug and Abandonment (Form 3160-5) following the plugging of a well.
3. Previous instruction had you waiting for a BLM specialist to inspect the location and provide you with reclamation requirements. If you have an approved Surface Use Plan of Operation and/or an approved Sundry Notice, you are free to proceed with reclamation. If you have issues or concerns, contact a BLM specialist to assist you. It would be in your interest to have a BLM specialist look at the location and access road prior to the removal of reclamation equipment to ensure that it meets BLM objectives. Upon conclusion submit a Form 3160-5, Subsequent Report of Reclamation. This will prompt a specialist to inspect the location to verify work was completed as per approved plans.
4. The approved Subsequent Report of Reclamation will be your notice that the native soils, contour and seedbed have been reestablished. If the BLM objectives have not been met the operator will be notified and corrective actions may be required.
5. It is the responsibility of the operator to monitor these locations and/or access roads until such time as the operator feels that the BLM objective has been met. If after two growing seasons the location and/or access road is not showing the potential for successful revegetation, additional actions may be needed. When you feel the BLM objectives have been met, submit a Final Abandonment Notice (FAN), Form 3160-5, stating that all reclamation requirements have been achieved and the location and/or access road is ready for a final abandonment inspection.

6. At this time the BLM specialist will inspect the location and/or access road. If the native soils and contour have been restored, and the revegetation is successful, the FAN will be approved, releasing the operator of any further liability of the location and/or access road.

If there are any questions, please feel free to contact any of the following specialists:

Jim Amos
Supervisory Environmental Protection Specialist
575-234-5909, 575-361-2648 (Cell)

Cody Layton
Natural Resource Specialist
575-234-5959

Terry Gregston
Environmental Protection Specialist
575-234-5958

Trishia Bad Bear
Natural Resource Specialist
575-393-3612

Bobby Ballard
Environmental Protection Specialist
575-234-2230

Todd Suter
Surface Protection Specialist
575-234-5987

Randy Rust
Environmental Protection Specialist
575-234-5943

Doug Hoag
Civil Engineering Technician
575-234-5979

Linda Denniston
Environmental Protection Specialist
575-234-5974

Jennifer Van Curen
Environmental Protection Specialist
575-234-5905

Justin Frye
Environmental Protection Specialist
575-234-5922