MERIT ENERGY COMPANY

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January 25, 2001

Mr. David R. Catanach State of New Mexico Energy, Minerals & Natural Resources Dept. 1220 S. St. Francis Dr. Santa Fe, New Mexico 87504

Re: Application for Downhole Commingling Henry #2 Sec. 22-T22S-R27E Eddy Co., New Mexico

Dear Mr. Catanach,

Merit Energy Company is applying to downhole commingle the Strawn and Morrow reservoirs on the above referenced well. I have enclosed the following information for your review. If you have any questions, I can be reached at 972-383-6569.

- 1) Administrative Application Coversheet
- 2) Form C-107A
- 3) Form C-102
- 4) Decline Curves
- 5) Allocation Formula Worksheet
- 6) Wellbore Schematics

Sincerely,

MERIT ENERGY COMPANY

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Lynne Moon Regulatory Analyst