

District I - (575) 393-6161
1625 N. French Dr., Hobbs, NM 88240
District II - (575) 748-1283
811 S. First St., Artesia, NM 88210
District III - (505) 334-6178
1000 Rio Brazos Rd., Aztec, NM 87440
District IV - (505) 476-3460
1220 S. St. Francis Dr., Santa Fe, NM 87505

HOBBS OCD
APR 01 2013

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

WELL API NO. 30-025-32907
5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No.
7. Lease Name or Unit Agreement Name State of New Mexico 35
8. Well Number 1
9. OGRID Number 14591
10. Pool name or Wildcat Kemnitz; Atoka Morrow, South (Gas)

<p>SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)</p>	
1. Type of Well: Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/>	
2. Name of Operator Merit Energy Company	
3. Address of Operator 13727 Noel Road, Ste. 500 Dallas, TX 75240	
4. Well Location Unit Letter G : 1980 feet from the N line and 1980 feet from the E line Section 35 Township 16S Range 34E NMPM County Lea	
11. Elevation (Show whether DR, RKB, RT, GR, etc.)	

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

<p>NOTICE OF INTENTION TO:</p> <p>PERFORM REMEDIAL WORK <input checked="" type="checkbox"/> PLUG AND ABANDON <input type="checkbox"/> TEMPORARILY ABANDON <input checked="" type="checkbox"/> CHANGE PLANS <input type="checkbox"/> PULL OR ALTER CASING <input type="checkbox"/> MULTIPLE COMPL <input type="checkbox"/> DOWNHOLE COMMINGLE <input type="checkbox"/></p> <p>OTHER: <u>CSG Repair & MIT for TA</u> <input type="checkbox"/></p>	<p>SUBSEQUENT REPORT OF:</p> <p>REMEDIAL WORK <input type="checkbox"/> ALTERING CASING <input type="checkbox"/> COMMENCE DRILLING OPNS. <input type="checkbox"/> P AND A <input type="checkbox"/> CASING/CEMENT JOB <input type="checkbox"/></p> <p>OTHER: <input type="checkbox"/></p>
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13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 19.15.7.14 NMAC. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Merit Energy Company proposes to locate and squeeze holes in casing discovered during failed MIT conducted while trying to obtain TA status. Once holes in casing are plugged off a new MIT will be run to prove mechanical integrity and TA status is requested.

Condition of Approval : Notify OCD Hobbs
office 24 hours prior to running MIT Test & Chart

Spud Date:

Rig Release Date:

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE [Signature] TITLE Regulatory Analyst DATE 03/28/2013

Type or print name Matt Ogden E-mail address: matt.ogden@meritenergy.com PHONE: (972)628-1603

For State Use Only

APPROVED BY [Signature] TITLE Dist. mgr DATE 4-2-2013

Conditions of Approval (if any):

APR 03 2013

Wellbore Diagram

Lease & Well No. **State of New Mexico #35-1**
Field Name **South Kemnitz Atoka-Morrow Field**
Location **1980' FNL & 1980' FEL, Sec. 35, T16S, R34E**

Status **Active**
County & State **Lea County, NM**
API No. **30-025-32907**
Working Interest **52.50%**

Well Information

Spud: **4/05/95** Ground Elevation: **4,052'** D.F. Elevation:
Completed: **7/01/95** KB Elevation: **4,070'** Total Depth: **12,750'**

Pipe Data

Surface						
Hole size	Depth	Size (OD)	Weight	Grade	Sx. Cmt	Comments
17-1/2"	404'	13-3/8"	48#	H-40	455 sx	TOC @ surf
Intermediate						
Hole size	Depth	Size (OD)	Weight	Grade	Sx. Cmt	Comments
12-1/4"	4,703'	9-5/8"	40#	J-55	1,590 sx	TOC @ surf, 26 jts N-80, 80 jts J-55
Production						
Hole size	Depth	Size (OD)	Weight	Grade	Sx. Cmt	Comments
8-3/4"	12,750'	5-1/2"	17#	S-95, N-80	295 sx	TOC @ 11,227' CBL

Downhole Tubulars (Top to Bttm):

As of 7/5/2009. 1 jt 2-7/8" N80 tbg., 1 {10', 4'} sub, 361 jts of 2-7/8" N80 tbg, on/off tool, 5-1/2" x 2-7/8" x 2.313 profile
5-1/2" AS-1X packer @ 11,983'

Well History

7/1/1995 Perforate Atoka Morrow 12,454'-12,466' (6spf, 60 deg). Frac with 2770 gals CO2 Alcofoam w/ 7400 lbs 20/40 prop. Averages: 14.43 BPM, 8600#. Max: 14.7 BPM, 9064#. IP after frac = 2191 MCF

5/1/2006 Install plunger lift equipment (tbg stop @ 12,311'). Tight spot noticed @ 11,559'.

6/8/2009 Fished plunger @ 12,311'. Tagged @ 12,484' (222' of fill)

6/10/2009 Install casing patch from 12,440'-471' (Isolate existing perfs). Perforate Morrow "A" from 12,578'-586' (60 deg. 48 holes)

6/16/2009 Set up for frac but pkr failed and fluid hit Morrow formation.

6/18/2009 Spearhead 1200 gal 15% HCl, frac with 3000 gals CO2 foam, 39,135# 20/40 Bauxite. Avg: 7.1 BPM, 8040#. Max: 8912#. ISIP = 8865#. -- 8mins = 8062# -- 40 mins = 2700#

6/24/2009 Set CBP @ 12,375', perf Atoka 12,080'-092' (6 SPF, 60 deg., 72 holes)

6/26/2009 Spearhead 1200 gal 7.5% HCl, frac w/ 3000 gals CO2 foam (30#), 56,060# 20/40 Bauxite. Avg: 9.45 BPM, 8824#. Max: 9005#. ISIP = 9005#. - 1 hr. = 2650#

7/16/2009 Drill out CBP on 7/14. Pull csg patch. Elements from casing patch left @ 12,430' (length of fish???)

7/25/2012 FL @ 4700'. Swabbed to 12,034' -- recovered 50 bbls water (1.5-2 bbls per hour)

7/26/2012 FL @ 8300'. Swabbed to SN. Recovered 32 bbls water. Opened well to line - no gas sales next day.

7/27/2012 FL @ 9200'. Swabbed to SN. Recovered 52 bbls water. (~2 bbls/hour fluid entry)

10/10/2012 Discovered pinhole leak in 5.5" casing between 5466'-5500'.

10/12/2012 Set CIBP @ 11,990' and dropped 4 sx cement on top. Did not pass casing integrity test for TA status. Shut well in until plan of action for well is decided.

NOTE: ** Morrow is water sensitive formation. Foreman - pls consult w/Operations Manager prior to pumping any fluid downhole **

7/17/2009
Last drilled down to 12,465'
May be a sealing element left
there from bottom of casing patch
from when they tried to pull it.

