

District I 1625 N French Dr., Hobbs, NM 88240
District II 1301 W Grand Ave., Artesia, NM 88210
District III 1000 Rio Brazos Rd., Aztec, NM 87411
District IV 1220 S St. Francis Dr., Santa Fe, NM 87505

RECEIVED CONSERVATION DIVISION
FEB 24 2010
220 South St. Francis Dr. Santa Fe, NM 87505
HOBSUCD

WELL API NO. 30-025-37255
5. Indicate Type of Lease STATE [X] FEE []
6. State Oil & Gas Lease No. L-3393
7. Lease Name or Unit Agreement Name State of New Mexico 35
8. Well Number 3
9. OGRID Number 14591
10. Pool name or Wildcat Kennnitz;Atoka-Morrow, South Gas
11. Elevation (Show whether DR, RKB, RT, GR, etc.) GR 4037'

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.)
1. Type of Well: Oil Well [] Gas Well [X] Other []
2. Name of Operator Merit Energy Company
3. Address of Operator 13727 Noel Rd, Suite 500 Dallas, Texas 75240
4. Well Location Unit Letter I : 1500 feet from the S line and 660 feet from the E line
Section 35 Township 16S Range 34E NMPM County Lea
11. Elevation (Show whether DR, RKB, RT, GR, etc.) GR 4037'

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

NOTICE OF INTENTION TO:
PERFORM REMEDIAL WORK [] PLUG AND ABANDON []
TEMPORARILY ABANDON [] CHANGE PLANS []
PULL OR ALTER CASING [] MULTIPLE COMPL []
DOWNHOLE COMMINGLE []
OTHER: Temporarily isolate lower perms; Fracture Stimulate [X]
SUBSEQUENT REPORT OF:
REMEDIAL WORK [] ALTERING CASING []
COMMENCE DRILLING OPNS [] P AND A []
CASING/CEMENT JOB []
OTHER []

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.

MIRU. Set blanking plug in pkr nipple. Fill tbg. as needed & perform combo MIT to test csg. to 8500 psi. RIH. Bleed pressure as needed. Punch tbg. above plug. Swab tbg. as necessary to remove annular fluid. MIRU. ND wellhead. NU BOP's & test. Pull blanking plug out of pkr. RU tbg. tools. Kill well w/7% KCL & unseat pkr @ 12375'. POOH w/remaining 2-7/8" tbg. Run GR for 5-1/2" csg. to 12650'. POOH. RU Eline. Install lubricator. PU & run composite bridge plug for 5-1/2" csg. RIH & set bridge plug @ 12650'. Tie-in using CCL. POOH. MIRU Superior pumping & CO2 equip. Stake & tie-down all lines Pressure test equip. Hold safety meeting Pump 41000 gals 40# DZXL/70QCO2 energized fluid + 28000# 20/40 HS sand down tbg. Flush short of top perforation by 1 bbls. If screen out occurs: Flow well back immediately to evacuate csg. of proppant. When well dies, allow gel to break & run SL tag to determine fill height. Will more than likely need CTU cleanout to evacuate csg. of remaining sand. If all sand is placed: Record ISIP, 5-10-15 min falloff SI pressures & total load fluid to recover. Testers to flow well back to remove gel residue & load fluid. Make sure gel has broken. Once well has stopped flowing run SL drift/tag for PBTD. PU production pkr. on 2-7/8" production tbg. & test tbg. while RIH. Set production pkr @ +/- 12390'. ND BOP's. NU tree. Swab well as necessary to initiate flow & evaluate. Turn well to production. RDMO.

Spud Date: 07/01/2005

Rig Release Date: 08/07/2005

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

SIGNATURE Lynne Moon TITLE Regulatory Manager DATE 02/23/2010

Type or print name Lynne Moon E-mail address: lynne.moon@meritenergy.com PHONE: (972)628-1569

For State Use Only

APPROVED BY: [Signature] TITLE PETROLEUM ENGINEER DATE FEB 25 2010

Conditions of Approval (if any):