

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
ARTESIA DISTRICT OFFICE

GARY E. JOHNSON
GOVERNOR

JENNIFER SALISBURY
CABINET SECRETARY

August 18, 1997

Merit Energy Co.
12222 Merit Dr, Ste 1500
Dallas TX 75251

Re: Properly Abandoned Wells, Merit Energy, Burton Flat #1, 2 & 3
in Sec 1-T21-R27E, Eddy County, New Mexico

Dear Sirs

The state of New Mexico is in the process at this time of reviewing leases and determining the number of abandoned wells.

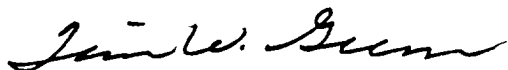
Rule 201 A. states the operator of any well drilled for oil, gas or injection, for seismic, core or other exploration, or for a service well, whether cased or uncased, shall be responsible for the plugging thereof.

Rule 201 B. states a well shall be either properly plugged and abandoned or temporarily abandoned in accordance with these rules with 90 days after (1) a 60 day period following suspension of drilling. (2) a determination that the well is no longer usable for beneficial purposes. (3) a period of 1 year in which a well has been continuously inactive.

House Bill 65 has been passed by the legislature and provides some tax incentives for wells put back in production. However, if there are no plans to put these wells back in service then they need to be either plugged or properly temporarily abandoned.

Our records show no production reported on the above mentioned wells for 1994, 1995, 1996 and 1997. Please forward to the NMOCDD office in Artesia by July 15, 1997 a plan to bring the wells into compliance with rule 201.

Yours Truly



Tim W. Gum
District II Supervisor