

RECEIVED
(September 2001)**OCD-HOBBS**UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTFORM APPROVED
OMB No 1004-0135
Expires January 31, 2004

MAR 10 2008

SUNDRY NOTICES AND REPORTS ON WELLS

HOBBS 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 reverse side.**1 Type of Well
☒ Oil Well ☐ Gas Well ☐ Other2 Name of Operator **Merit Energy Company**3a Address
13727 Noel Rd. Ste. 500, Dallas, TX 752403b Phone No (include area code)
972-628-1467

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

T-19-S, R-34-E

Sec 20

660 FSL 660 FEL

5 Lease Serial No

NMNM0141013

6 If Indian, Allottee or Tribe Name

7 If Unit or CA/Agreement, Name and/or No

8 Well Name and No.

Phyllis Fed 01

9 API Well No.

30-025-31091

10 Field and Pool, or Exploratory Area

Quail Ridge (Prenrose)

Pearl Queen

11 County or Parish, State

Lea, NM

12. CHECK 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 checked="" 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 checked="" 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 checked="" type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input type="checkbox"/> Other
	<input type="checkbox"/> Change Plans	<input 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 recomplete 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 shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Please see attached pages for procedure.

When work complete, submit subsequent report and well completion.

APPROVED FOR 3 MONTH PERIOD
ENDING 6/4/08SEE ATTACHED FOR
CONDITIONS OF APPROVAL

Lesser Prairie Chicken

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

Kristin Hodge

Title Regulatory Analyst

Signature

Date

02/15/2008

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

OC DISTRICT SUPERVISOR/GENERAL MANAGER

Title

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.

Office

APPROVED

MAR 10 2008

MAR 5 2008

WESLEY W. INGRAM
PETROLEUM ENGINEER

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 or to any matter within its jurisdiction.

(Instructions on page 2)

Date: January 12, 2008
Well: Phyllis Federal #1
API: 30-025-31091
Field: Quail Ridge (Penrose)
Location: 660'FSL & 660'FEL, SEC 20-T19S-R34E
Lea, NM
Formation: Penrose
Elevation: GL = 3,712'
KB = 3,726'
PBSD = 7,340'
TD = 10,870'
Engineer: Justin Findley

Subject: Add Queen Pay

CURRENT WELLBORE:

Tubing: 2-7/8" 6.5# N-80 EUE 8rd 0'-10,132'
Casing: 5-1/2" 17# J-55 LT&C 0 - 5086' cemented w/550 sx. TOC @ 4420' // 8-5/8" 32 & 24# ST&C 0 - 4380' // 13-3/8" 54.5 & 48# ST&C 0-512'
Cmt plug top: 7340'
TAC: 4702'
SN: 4802'
Perforations: Current gross interval (4,798' - 4,808')
See well-bore schematic for details.

Procedure

1. MIRU pulling unit, POOH w/rods and pump. NU BOP with 2-7/8" pipe rams on top.
2. Tag PBSD and strap out.
3. RIH w/ bit and scraper to +/- 4850' (Penrose perms) and strap back out.
4. MIRU wireline unit. RIH with 4.35" OD gauge ring and junk basket to PBSD (7,340') and POOH. RIH w/CCL and log 4300' to 5000' and correlate with **Black Warrior Wireline Gamma Ray/CCL/Cement Bond Log dated 6/07/1991.**
5. TIH w/3.125" slick gun (38.87" penetration, 0.40" entry hole, 120 degree phasing) and perforate the following zones at the specified shot density:

2 SPF 4500' - 4531'
2 SPF 4535' - 4541'
2 SPF 4546' - 4549'

(49' Gross, 40' Net, 86 shots)

6. POOH, record any fluid level change and guns for misfires. RDMO wireline unit.
7. Pick up 5-1/2" RBP and 5-1/2" treating packer on 2-7/8" tubing, TIH while hydro-testing. Set RBP at 4,675' w/ a sack of sand on top and set packer at 4,425' (75' above top perf). Load and pressure test annulus to 500 psig. Pick up swabbing tools, swab for entry and monitor fluid levels while swabbing back. RD swabbing tools.
8. MIRU acid company and rig up. Pressure test and hold 500# on annulus with pump truck. Pressure test lines to 3000 psig with maximum treating pressure established 2,500 psig.
9. Establish injection rate and pressure into perforated interval from 4,500' to 4,549' with 4% KCl water followed by 3,200 gallons 15% HCL w/clay stabilizer and 130 ball sealers.

15% HCL	3200 gal
I-18 Corrosion Inhibitor	4 gal
CS 35, Clay Stabilizer	12 gal
NE 16	8 gal
FE 24	16 gal
Ball Sealers	130

10. RDMO treating company. Pick up swabbing tools and monitor fluid levels while swabbing back all load water. RD swabbing tools.
11. Release RBP and packer and POOH with same.
12. Return well to production.

Contacts

Operations Manager:	David Hertel	(806) 229-6300 - Office
Foreman:	Dwain Wall	(505) 677-2327 - Office
Region Manager:	Cruz Abila	(972) 628-1552 - Office
Ops. Engineer:	Justin Findley	(972) 628-1493 / (214) 577-9784

District I

1625 N. French Dr., Hobbs, NM 88240

District II

1301 W. Grand Avenue, Artesia, NM 88210

District III

1000 Rio Brazos Rd., Aztec, NM 87410

District IV

1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico

Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION

1220 South St. Francis Dr.

Santa Fe, NM 87505

Form C-102

Revised October 12, 2005

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-025-31091	² Pool Code 49780	³ Pool Name Quail Ridge (Prenrose) Pearl Queen
⁴ Property Code 003487 30381	⁵ Property Name Phyllis Federal	⁶ Well Number 1
⁷ OGRID No. 14591	⁸ Operator Name Merit Energy Company	⁹ Elevation 3,712'

¹⁰ Surface Location

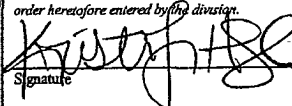
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	20	19S	34E		660'	S	660'	E	Lea

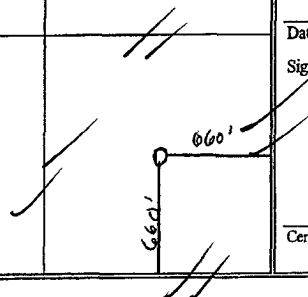
¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

¹² Dedicated Acres 40	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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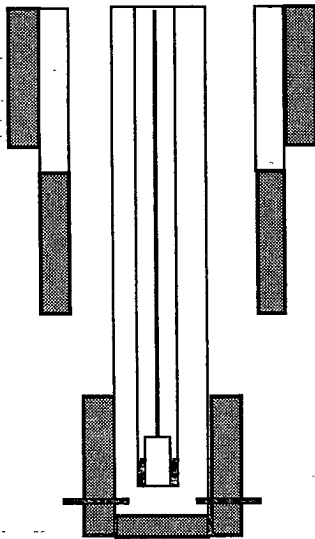
No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

16					¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.  Signature _____ Date 2/22/08 Kristin Hodge Printed Name
					¹⁸ SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. Date of Survey _____ Signature and Seal of Professional Surveyor: _____ Certificate Number _____



MERIT ENERGY COMPANY WELLBORE SCHEMATIC

WELL NAME Phyllis Federal #1			FIELD QUAIL RIDGE (Penrose)			
LOCATION Section 20, T19S, R34E			COUNTY LEA			STATE NM
ELEVATION GL = 3712' - KB = 3726'			SPUD DATE: 1/14/91		COMP DATE: 3/15/91	
API# 30-025-31091		PREPARED BY: Justin E Findley			DATE 2/12/2008	
	DEPTH	SIZE	WEIGHT	GRADE	THREAD	HOLE SIZE
CASING	0 - 512'	13-3/8"	54 5 & 48		ST&C	17-1/2"
CASING	0 - 4380'	8-5/8"	32 & 24		ST&C	11
CASING	0 - 5086'	5 1/2"	17	N-80	LT&C	7 7/8
TUBING	0 - 10,132'	2-7/8"	6 5	N-80	8rd	



☒ CURRENT ☐ PROPOSED

OPERATOR: MERIT ENERGY COMPANY

Casing tested f/surface to 4694' to 500 psig on 6/10/91

13-3/8" CSG, CMT'D W/900 SXS. CEMENT TO SURFACE

Tubing Detail:

146 jts 2-7/8", J-55, 8rd, tubing
Baker TAC @ 4702
3 jts 2-7/8", J-55, 8rd, tbg
SN @ 4802'

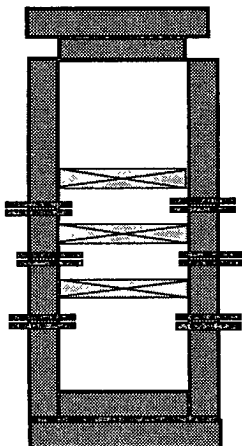
Rod Detail:

54 - 1 2" FG Rods
89 - 7/8" Steel Rods
19 - 1-5/8" K Bars
2-7/8" Steel Pony Rods
1 - 26k Shear Tool
2-1/2" x 1-1/4" RHBC Pmp

8-5/8" CASING, CMT'D W/1400 SXS. CMT TO SURFACE

Penrose Perfs: 4798 - 4808 (1 spf)

5-1/2" Csg @ 5086" Cmt'd w/200 sxs "C". TOC @ 4420' f/CBL



50 sx Cmt plug top @ 7340'

5-1/2" Csg Cut @ 7400'

~~CIBP @ 9430' and capped w/35 cement~~

Bone Springs Perfs: 9517,19,22,28,32,36,41 & 49' (1spf).

Mis-set CIBP knocked to 9800'.

~~CIBP @ 10100' and capped w/12 cement~~

Bone Springs perfs: 10168 - 180'

Cement Retainer @ 10195'. PBTD @ 10190'

Squeeze perfs: 10205' - 206' Squeeze w/76 sxs "H".

PBTD @ 10778'

5-1/2" Csg, Cemented w/550 sxs Original TOC @ 7500' f/temp svy.

TD @ 10870'

Lesser Prairie-Chicken Stipulations

Timing Limitation Stipulation / Condition of Approval for lesser prairie-chicken:

Oil and gas activities including 3-D geophysical exploration, and drilling will not be allowed in lesser prairie-chicken habitat during the period from March 15 through June 15 annually. During that period, other activities that produce noise or involve human activity, such as the maintenance of oil and gas facilities, pipeline, road, power line, and well pad construction, will be allowed except **between 3:00 am and 9:00 am**. The 3:00 am to 9:00 am restriction will not apply to normal, around-the-clock operations, such as venting, flaring, or pumping, which do not require a human presence during this period.

Additionally, no new drilling will be allowed within up to 200 meters of leks known at the time of permitting. Normal vehicle use on existing roads will not be restricted. Exhaust noise from pump jack engines must be muffled or otherwise controlled so as not to exceed 75 db measured at 30 feet from the source of the noise.