

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

RECEIVED

Form C-101
May 27, 2004

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

MAY 13 2008

Submit to appropriate District Office
AMENDED REPORT

HOBBS OCD

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

| | | | |
|--------------------------------------------------------------------------------------------------|--|-----------------------------------|--|
| ¹ Operator Name and Address: Melrose Operating Co., c/o Box 953, Midland, TX 79702 | | ² OGRID Number: 184860 | |
| ³ Property Code: 25191 | | ⁴ API Number: 38927 | |
| ⁵ Property Name: Jalmat Field Yates Sand Unit | | ⁶ Well No.: 234 | |
| ⁹ Proposed Pool 1: Jalmat, Tansill-Yates-7 Rvrs | | ¹⁰ Proposed Pool 2: | |

7 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 | 2 | 22-S | 35-E | | 688 | South | 1060 | East | Lea |

8 Proposed 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 |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| | | | | | | | | | |

Additional Well Information

| | | | | |
|----------------------------------------------------------------------|-------------------------------------|--------------------------------------------------------------------------------------------------|--------------------------------------|---------------------------------------------|
| ¹¹ Work Type Code: N | ¹² Well Type Code: O | ¹³ Cable/Rotary: R | ¹⁴ Lease Type Code: State | ¹⁵ Ground Level Elevation: 3579' |
| ¹⁶ Multiple: No | ¹⁷ Proposed Depth: 4200' | ¹⁸ Formation: Yates | ¹⁹ Contractor: TBA | ²⁰ Spud Date: 5-20-08 |
| Depth to Groundwater: 120' | | Distance from nearest fresh water well: approx none | | Distance from nearest surface water: none |
| Pit: Liner: Synthetic: X 12_mils thick Clay <input type="checkbox"/> | | Pit Volume: 3000_bbls | | Drilling Method: |
| Closed-Loop System <input type="checkbox"/> | | Fresh Water X Brine X Diesel/Oil-based <input type="checkbox"/> Gas/Air <input type="checkbox"/> | | |

21 Proposed Casing and Cement Program

| Hole Size | Casing Size | Casing weight/foot | Setting Depth | Sacks of Cement | Estimated TOC |
|-----------|-------------|--------------------|---------------|-----------------|---------------|
| 12 1/4" | 8 5/8" | 24# | 350' | 375 sx | Surface |
| 7 7/8" | 5 1/2" | 15 5# | 4200' | 925 sx | Surface |
| | | | | | |
| | | | | | |

²² Describe the proposed program. If this application is to DEEPEN or PLUG BACK, give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

Propose to drill 12 1/4" hole to 350', set 8 5/8" casing @ 350', cementing with 375 sx Cl C, slurry wt of 14.8 ppg, yield of 1.34 cf/sx, type Cl C with 2% CaCl2.
Drill 7 7/8" hole to 4200', run open hole logs, set production casing string to approximately 4200', cementing with lead slurry of 600 sx, 50:50 poz Cl C w/10% bentonite + Sodium Chloride + 0.2% FL, slurry weight - 11.80 ppg, yield - 2.45 cf/sx; tail w/ 325 sx, 50:50 poz Cl C + 10% bentonite + Sodium Chloride + 0.2% FL, slurry weight - 14.2 ppg, yield - 1.3 cf/sx.
Will perforate, stimulate & test well.
We do not anticipate encountering any H2S intervals during the drilling of this well, based on wells drilled offsetting this location and producing wells in the unit.

²³ I hereby certify that the information given above is true and complete to the best of my knowledge and belief. I further certify that the drilling pit will be constructed according to NMOCD guidelines X, a general permit , or an (attached) alternative OCD-approved plan .

Printed name: Ann E. Ritchie *Ann E. Ritchie*
Title: Regulatory Agent
E-mail Address: ann.ritchie@wtor.net
Date: 5-6-08 Phone: 432 684-6381/214-762-0830

| | |
|----------------------------------------------------------|------------------|
| OIL CONSERVATION DIVISION | |
| Approved by: <i>Chris Williams</i> | |
| Title: OC DISTRICT SUPERVISOR/GENERAL MANAGER | |
| Approval Date: MAY 21 2008 | Expiration Date: |
| Conditions of Approval Attached <input type="checkbox"/> | |

Permit Expires 2 Years From Approval Date Unless Drilling Underway

State of New Mexico

Energy, Minerals and Natural Resources Department

DISTRICT I
1090 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

OIL CONSERVATION DIVISION
1220 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

Form C-102
Revised October 12, 2005
Submit to Appropriate District Office
State LEase - 4 Copies
Fee LEase - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

AMENDED REPORT

| | | |
|------------------------------|-----------------------------------------------|----------------------------------|
| API Number 30-025 - 38927 | Pool Code 33820 | Pool Name Jalmat (T-Y-7 Rvrs) |
| Property Code 25191 | Property Name JALMAT FIELD YATES SAND UNIT | Well Number 234 |
| OGRID No. 184860 | Operator Name MELROSE OPERATING COMPANY | Elevation 3579' |

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 | 2 | 22-S | 35-E | | 688 | SOUTH | 1060 | EAST | LEA |

Bottom Hole Location If Different From Surface

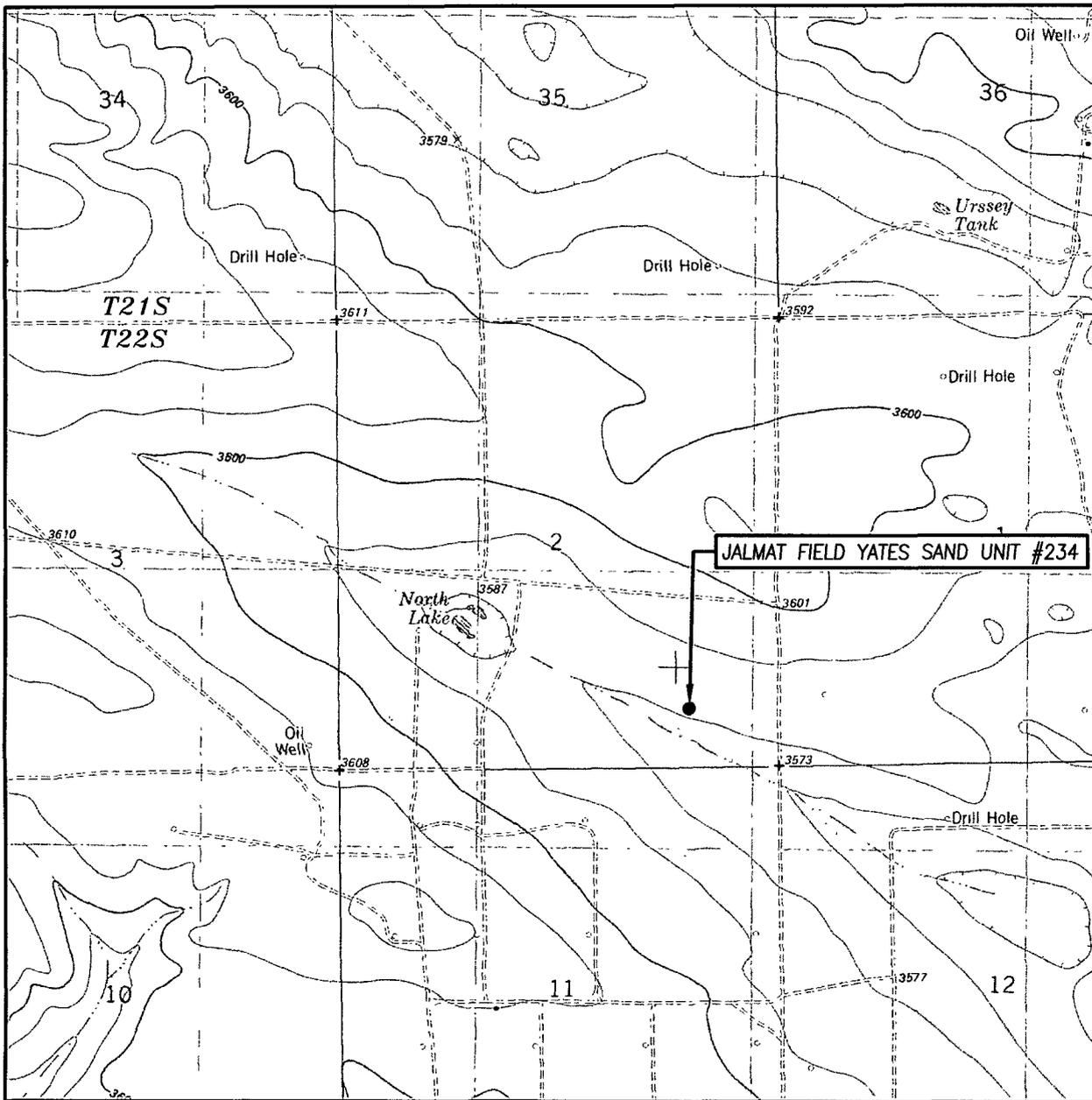
| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| | | | | | | | | | |

| Dedicated Acres | Joint or Infill | Consolidation Code | Order No. |
|-----------------|-----------------|--------------------|-----------------|
| 40 | | | Waterflood Unit |

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

| | | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|--------------------|
| LOT 4 41.29 AC. | LOT 3 41.15 AC. | LOT 2 41.01 AC. | LOT 1 40.87 AC. |
| GEODETIC COORDINATES NAD 27 NME. SURFACE LOCATION Y=516245.2 N X=808748.5 E LAT.=32.415299° N LONG.=103.332839° W | | | |
| | | | |
| <p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information 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 mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>Ann E. Ritchie</i> 5-6-08 Signature Date Ann E. Ritchie Printed Name</p> | | | |
| <p>SURVEYOR CERTIFICATION</p> <p>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.</p> <p>Date Surveyed: APR 15 2008 Signature & Seal of Professional Surveyor: <i>Ronald J. Eidson</i> Professional Surveyor No. 3239</p> <p>Certificate No. GARY G. EIDSON 12641 RONALD J. EIDSON 3239</p> | | | |

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

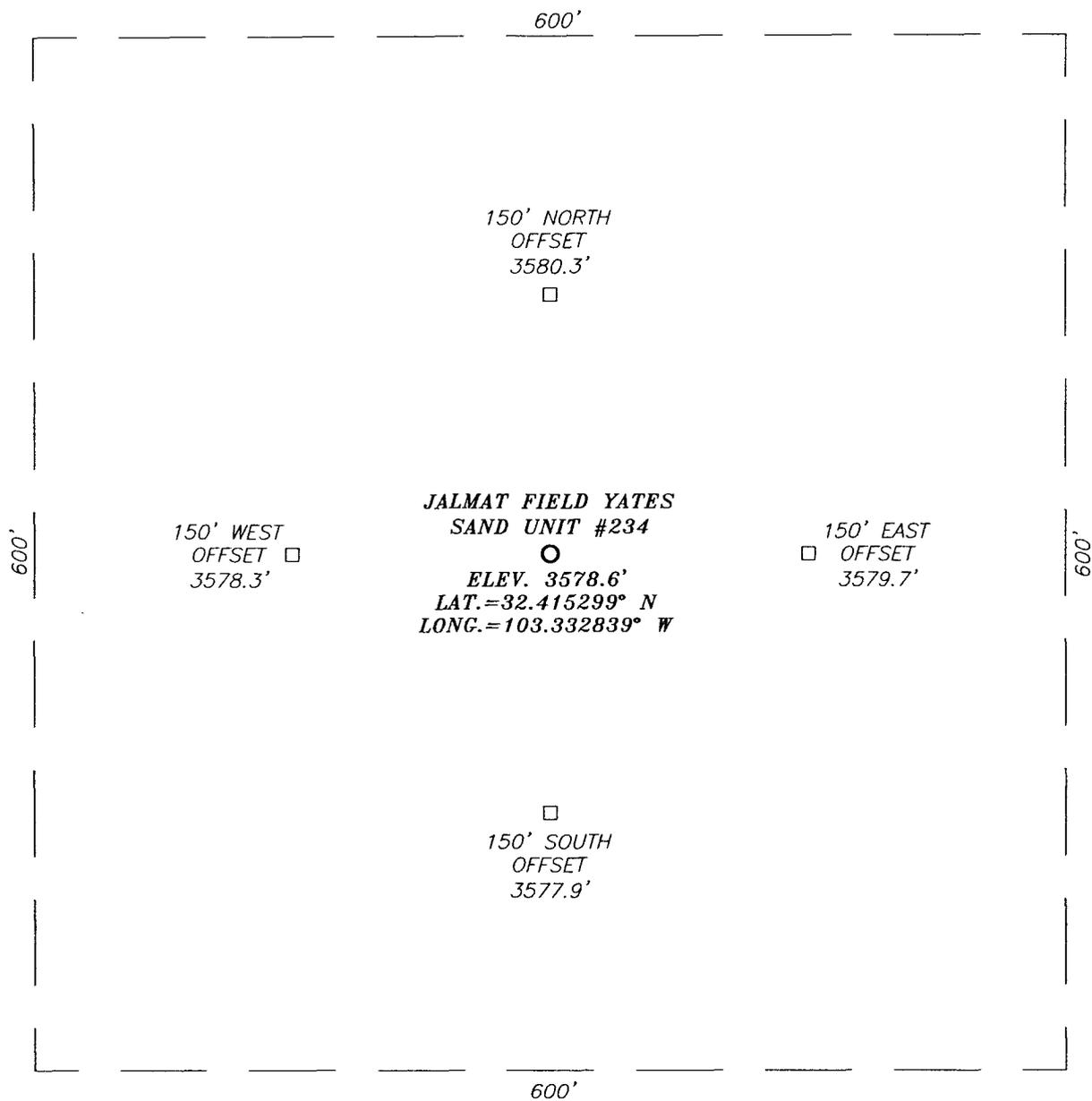
CONTOUR INTERVAL: 10'
OIL CENTER, NM

SEC. 2 TWP. 22-S RGE. 35-E
 SURVEY _____ N.M.P.M. _____
 COUNTY LEA STATE NEW MEXICO
 DESCRIPTION 688' FSL & 1060' FEL
 ELEVATION 3579'
 OPERATOR MELROSE OPERATING COMPANY
 LEASE JALMAT FIELD YATES SAND UNIT
 U.S.G.S. TOPOGRAPHIC MAP
 OIL CENTER, NM



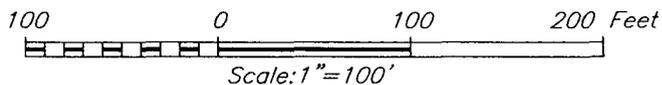
PROVIDING SURVEYING SERVICES
SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS, N.M. 88240
(505) 393-3117

SECTION 2, TOWNSHIP 22 SOUTH, RANGE 35 EAST, N.M.P.M.,
 LEA COUNTY, NEW MEXICO



DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF COUNTY ROAD #E21 (DELAWARE BASIN ROAD) AND COUNTY ROAD #E21 (WEAVER ROAD), GO WEST ON DELAWARE BASIN ROAD APPROX. 1.0 MILE. TURN RIGHT ON CALICHE ROAD AND GO NORTHWEST APPROX. 1.2 MILES. TURN RIGHT AND GO NORTH APPROX. 0.2 MILES. BEND LEFT AND GO WEST APPROX. 0.7 MILES. TURN RIGHT AND GO NORTH APPROX. 0.5 MILES. TURN RIGHT AND GO EAST APPROX. 0.25 MILES. THIS LOCATION IS NORTHEAST APPROX. 1320 FEET.



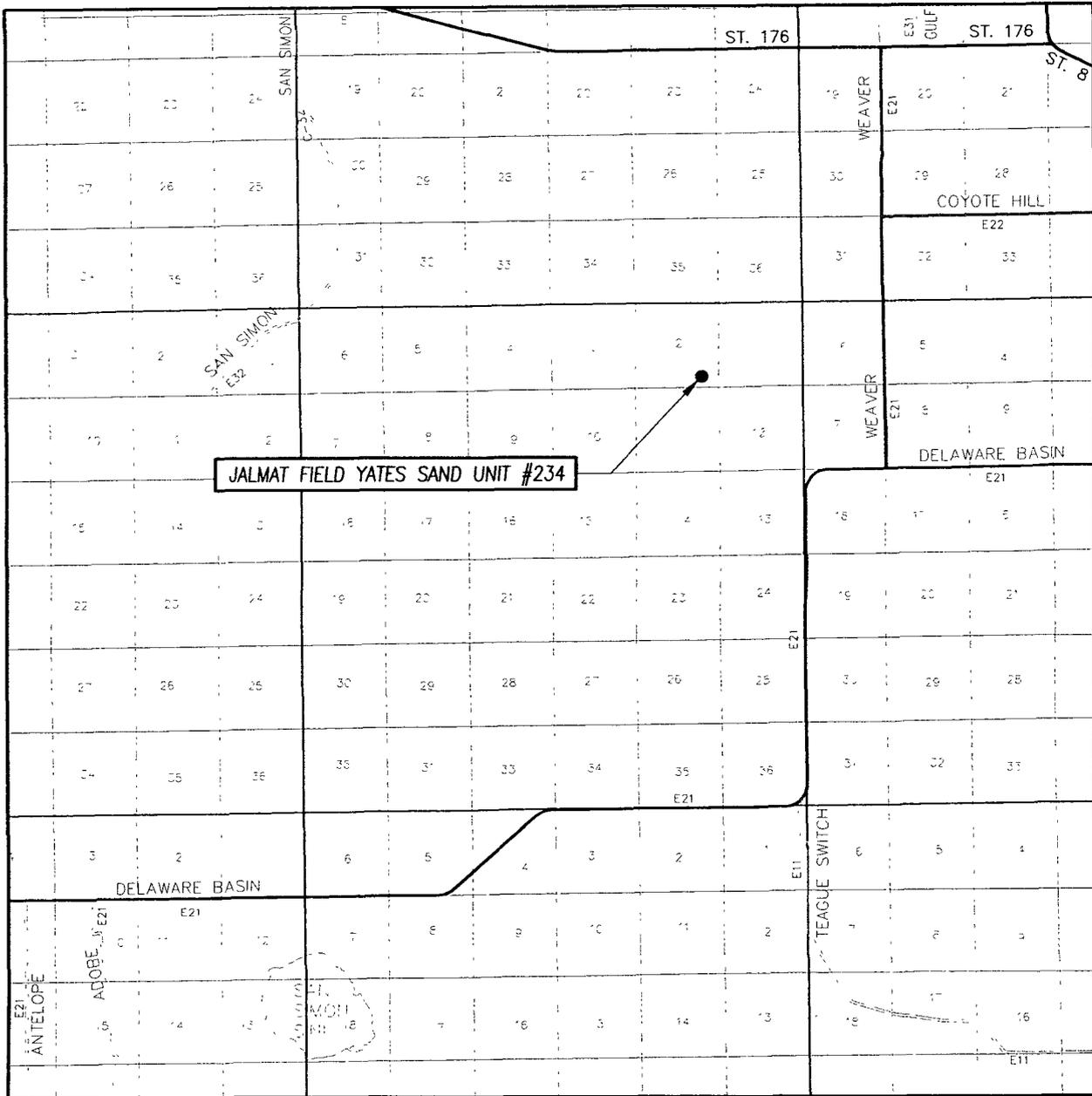
MELROSE OPERATING COMPANY

JALMAT FIELD YATES SAND UNIT #234 WELL
 LOCATED 688 FEET FROM THE SOUTH LINE
 AND 1060 FEET FROM THE EAST LINE OF SECTION 2,
 TOWNSHIP 22 SOUTH, RANGE 35 EAST, N.M.P.M.,
 LEA COUNTY, NEW MEXICO.

PROVIDING SURVEYING SERVICES
 SINCE 1946
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| | |
|-------------------------|-------------------------|
| Survey Date: 4/15/08 | Sheet 1 of 1 Sheets |
| W.O. Number: 08.11.0550 | Dr By: DSS Rev 1:N/A |
| Date: 4/23/08 | 08110550 Scale: 1"=100' |

VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 2 TWP. 22-S RGE. 35-E
 SURVEY _____ N.M.P.M.
 COUNTY LEA STATE NEW MEXICO
 DESCRIPTION 688' FSL & 1060' FEL
 ELEVATION 3579'
 OPERATOR MELROSE OPERATING COMPANY
 LEASE JALMAT FIELD YATES SAND UNIT



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