MERIT ENERGY COMPANY

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February, 29 2008

Oil Conservation Division
1625 N French Dr.
Hobbs, NM 88240
Approval of well work

Donna:

I would like to thank you for all your help with the Phyllis Federal # 1, API # 30-025-31091. After going over all the paper work sever times the engineer and I found a mistake that we made on our part. The procedure form that we sent in has our current perfs at 3,005'-3,926' these are incorrect. The correct perfs that we are currently producing are 4,798'-4,808'. I have also sent a current wellbore and two copies of the corrected procedure. The BLM has been made aware of the situation as well. Again, thank you for all your help.

If you have any questions or need additional information I can be reached at 972-628-1467 or email Kristin.hodge@meritenergy.com.

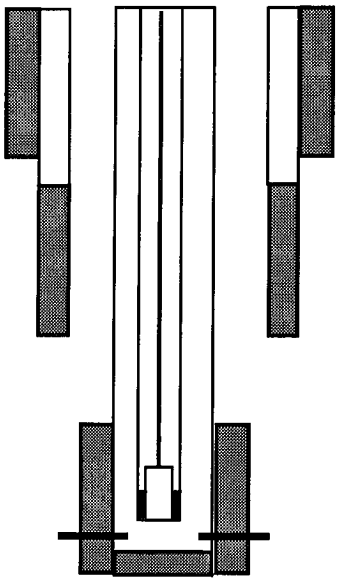
Very Truly Yours,
MERIT ENERGY COMPANY

Kristin Hodge
Regulatory Analyst

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

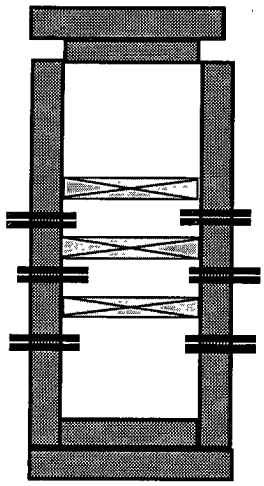
13-3/8" CSG, CMT'D W/900 SXS. CEMENT TO SURFACE

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'

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'
PBTD = 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 PBTD and strap out.
3. RIH w/ bit and scraper to +/- 4850' (Penrose perfs) and strap back out.
4. MIRU wireline unit. RIH with 4.35" OD gauge ring and junk basket to PBTD (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