

WELL API NO. 30-025-38933	✓
5. Indicate Type of Lease STATE X FEE	✓
6. State Oil & Gas Lease No.	
7. Lease Name or Unit Agreement Name Jalmat Field Yates Sand Unit	✓
8. Well Number 241	✓
9. OGRID Number 184860	✓
10. Pool name or Wildcat: Jalmat; Tansill-Yates-7 Rvrs	✓
11. Elevation (Show whether DR, RKB, RT, GR, etc.): 3599'GR	

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 X Gas Well Other ✓

2. Name of Operator
Melrose Operating Company ✓

3. Address of Operator
c/o Box 953 Midland, TX 79702

4. Well Location
Unit Letter M ; 720 feet from the South line and 345 feet from the West line
Section 2 Township 22S Range 35E NMPM Lea County

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

<p>NOTICE OF INTENTION TO:</p> <p>PERFORM REMEDIAL WORK <input type="checkbox"/> PLUG AND ABANDON <input type="checkbox"/></p> <p>TEMPORARILY ABANDON <input type="checkbox"/> CHANGE PLANS</p> <p>PULL OR ALTER CASING <input type="checkbox"/> MULTIPLE COMPLETION <input type="checkbox"/></p> <p>OTHER:</p>	<p>SUBSEQUENT REPORT OF:</p> <p>REMEDIAL WORK ALTERING CASING <input type="checkbox"/></p> <p>COMMENCE DRILLING OPNS X PLUG AND ABANDONMENT <input type="checkbox"/></p> <p>CASING TEST AND CEMENT JOB X</p> <p>OTHER:</p>
--	---

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 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

8-07-08: Spud well, drilling 12-1/4" hole.

8-08-08: Drilled to 435'; set 8-5/8", 24#, J55, STC, new casing @ 430'. Cemented w/375 sx Cl C + 2% CaCl. Circulated 0 sx to pit. WOC 12 + hrs. Pressure tested to 1000# for 30 minutes - held.

8-12-08: Reached total depth of 4171'. Ran 5-1/2", 15.5#, J55 casing to 4167'. Cemented w/450 sx lead, 50/50 poz, Cl C, 5% salt + .125#sxcf + 3#sxlcm-1, 11.8#/gal, yield 2.45. Tailed w/300 sx 50/50 poz, Cl C, 5% salt + 3#sxlcm-1 + 4/10 fl-25, 14.2#/gal, yield 1.3. Circulated 25 sx to pit - float held. WOC, 12+/hrs. Pressure tested to 1000# for 30 minutes - held. Rig release. Waiting on completion.

surface TOC ???

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

SIGNATURE Ann E. Ritchie TITLE Regulatory Agent DATE: 10-8-08

Type or print name Ann E. Ritchie E-mail address: ann.ritchie@wtor.net Telephone No. 432 684-6381

(This space for State use)

APPROVED BY [Signature] TITLE PETROLEUM ENGINEER DATE OCT 23 2008

Conditions of approval, if any: