

6/29/11	SUSPENSE	WJS	6/29/11	DHC	1178054058
DATE IN		ENGINEER	LOGGED IN	TYPE	APP NO

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
 [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
 [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
 [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
 [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
 [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Simultaneous Dedication
☐ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement
☒ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

[D] Other: Specify _____

RECEIVED OCD
2011 JUN 29 P 2:02

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply

- [A] ☒ Working, Royalty or Overriding Royalty Interest Owners
- [B] ☒ Offset Operators, Leaseholders or Surface Owner
- [C] ☒ Application is One Which Requires Published Legal Notice
- [D] ☒ Notification and/or Concurrent Approval by BLM or SLO
 U S Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] ☒ For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] ☒ Waivers are Attached

[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Matt Ogden
 Print or Type Name

Matt Ogden
 Signature

Regulatory Analyst
 Title

6/27/11
 Date

Matt.ogden@nmtenergy.com
 e-mail Address

District I
1625 N French Drive, 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 Department

Form C-107A
Revised June 10, 2003

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

APPLICATION TYPE
☒ Single Well
☒ Establish Pre-Approved Pools
EXISTING WELLBORE
☒ Yes ☐ No

APPLICATION FOR DOWNHOLE COMMINGLING

Merit Energy Company 13727 Noel Rd Ste 500 Dallas, TX 75240
Operator Address
State A A/C 1 45 H-04-22S-36E Lea
Lease Well No. Unit Letter-Section-Township-Range County
OGRID No. 14591 Property Code API No. 30-025-09259 Lease Type: ☐ Federal ☒ State ☐ Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Jalmat Tansil Yates 7-Rivers		Eunice 7 Rivers Queen
Pool Code	79240		24130
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	3173'-3278'		3637'-3750'
Method of Production (Flowing or Artificial Lift)	Artificial Lift		Artificial Lift
Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone)	NA		NA
Oil Gravity or Gas BTU (Degree API or Gas BTU)	BTU 1.3174		33.6 API/1.2088 BTU
Producing, Shut-In or New Zone	Producing		New Zone
Date and Oil/Gas/Water Rates of Last Production. (Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.)	Date: 06/25/2011 Rates: 0 BO; 15 MCF	Date: Rates:	Date: Rates: 5 BO; 15 MCF
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil Gas 0 % 50 %	Oil Gas % %	Oil Gas 100 % 50 %

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones? Yes ☒ No ☐
If not, have all working, royalty and overriding royalty interest owners been notified by certified mail? Yes ☐ No ☐
Are all produced fluids from all commingled zones compatible with each other? Yes ☒ No ☐
Will commingling decrease the value of production? Yes ☐ No ☒
If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application? Yes ☒ No ☐
NMOCD Reference Case No. applicable to this well: _____

Attachments:

- C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
- Production curve for each zone for at least one year. (If not available, attach explanation.)
- For zones with no production history, estimated production rates and supporting data.
- Data to support allocation method or formula.
- Notification list of working, royalty and overriding royalty interests for uncommon interest cases.
- Any additional statements, data or documents required to support commingling.

PRE-APPROVED POOLS

If application is to establish Pre-Approved Pools, the following additional information will be required:

- List of other orders approving downhole commingling within the proposed Pre-Approved Pools
- List of all operators within the proposed Pre-Approved Pools
- Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application.
- Bottomhole pressure data.

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

SIGNATURE Matt Ogden TITLE Regulatory Analyst DATE 06/27/2011

TYPE OR PRINT NAME Matt Ogden TELEPHONE NO. () (972)628-1603

E-MAIL ADDRESS matt.ogden@meritenergy.com

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 July 16, 2010
Submit one copy to appropriate
District Office
☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-025-09259		² Pool Code 24130		³ Pool Name Eunice 7 Rivers Queen South	
⁴ Property Code State A A/C 1		⁵ Property Name			⁶ Well Number 45
⁷ OGRID No. 14591		⁸ Operator Name Merit Energy Company			⁹ Elevation

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
H	04	22S	36E		1980	North	660	East	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.

<div style="position: relative; height: 400px;"> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black; border-style: dashed;"></div> <div style="position: absolute; top: 50%; left: 50%; transform: translate(-50%, -50%);"> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black; border-style: dashed;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black; border-style: dashed;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black; border-style: dashed;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black; border-style: dashed;"></div> </div> </div>	<p>¹⁷ OPERATOR CERTIFICATION</p> <p>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.</p> <div style="display: flex; justify-content: space-between;"> <div> <p><i>[Signature]</i></p> <p>Signature</p> <p>Matt Ogden</p> <p>Printed Name</p> <p>matt.ogden@meritenergy.com</p> <p>E-mail Address</p> </div> <div> <p>06/27/2011</p> <p>Date</p> </div> </div>	
	<p>¹⁸ 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 of Survey</p> <p>Signature and Seal of Professional Surveyor:</p>	
	<p>Certificate Number</p>	

Submit to Appropriate
District Office
State Lease - 4 copies
Federal Lease - 3 copies

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised 1-1-89

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

DISTRICT I
O. Box 1980, Hobbs, NM 88240

DISTRICT II
O. Drawer DD, Artesia, NM 88210

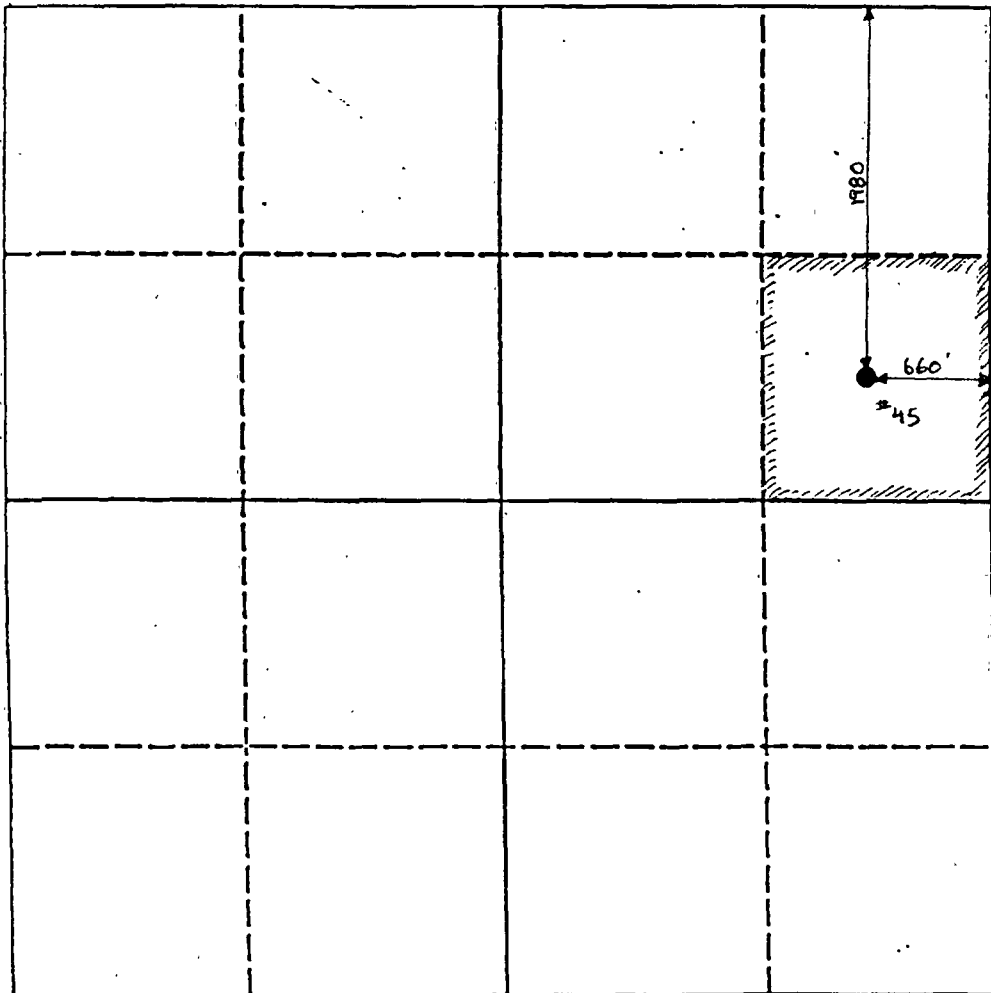
DISTRICT III
XXO Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

Operator Hal J. Rasmussen Operating, Inc.			Lease State A A/C 1		Well No. 45
Section Letter H	Section 4	Township 23 S	Range 36 E	County Lea	NMPM
Actual Footage Location of Well: 1490 feet from the NORTH line and 660 feet from the EAST line					
Ground level Elev. 467	Producing Formation TANSHILL-YATES-7R		Pool Jalmat-TNSL-YTS-7R		Dedicated Acreage: 40 Acres

- Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc?
☐ Yes ☐ No If answer is "yes" type of consolidation _____
If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary). _____
No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.



OPERATOR CERTIFICATION

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

Signature

Printed Name

Jay D. Cherski

Position

Agent

Company

Hal J. Rasmussen Operating, Inc.

Date

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 knowledge and belief.

Date Surveyed

Signature & Seal of
Professional Surveyor

Certificate No.

0 330 660 990 1320 1650 1980 2310 2640 2000 1500 1000 500 0



Merit Energy Company
13727 Noel Road, Suite 500
Dallas, TX 75240

Date: June 27, 2011
To: New Mexico Oil Conservation Division
Attention: William V Jones P.E.
RE. Jalmat Field: 1 Commingling Application
Lea County, New Mexico

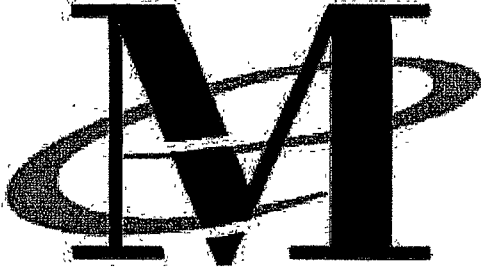
Merit Energy Company has requested approval to commingle the Queen formation (Langlie Mattix Pool) with the Tansill-Yates-Seven Rivers formation (Jalmat Pool).

Commingling the Jalmat Pool with the Langlie Mattix Pool in H 4 T22S R36E in Lea County is in the interest of both royalty owners and the conservation. Commingling will extend the life of each well and optimize recovery from Both Pools. The 12 well's commercial value will be extended 30 years based on estimated reserves from the Queen formation, and will ultimately allow uncommercial Jalmat Pool reserves to be recovered via production from the Queen. The Queen Completions are uneconomic if it is required by the NMOCD to seal off the Jalmat Pool from the Langlie Mattix Pool. Operationally, fluid samples will be collected before and after commingling. Scale inhibitors will be continuously pumped during operations. The fluid level will be maintained below the Jalmat pool both to optimize production and reduce any scaling tendencies.

Please let me know if you have any questions

Sincerely,

Brett Keener
Operations Engineer
brett.keener@meritenergy.com
Phone: 972-628-1592
Fax: 972-682-1892



Merit Energy Company
13727 Noel Road, Suite 500
Dallas, TX 75240

Date: June 27, 2011
To: New Mexico Oil Conservation Division
Attention: William V Jones P.E.
RE. **Jalmat Field: AAC-1 #45 -Queen Commingling**
Lea County, New Mexico

Merit Energy Company has requested approval to commingle the Yates formation (Jalmat Pool) with the Queen formation (Langlie-Mattix) .

This well that we are asking to commingle does have "identically owned" (working/royalty/orri) interest from the surface to the base of the queen formation.

Please let me know if you have any questions

Sincerely,

Matt Van Eaton
Associate Landman
matt.vaneaton@meritenergy.com
Phone: 972-628-1557
Fax: 972-682-1857

FORM	TOP																																		
			AAC-1 #45 CURRENT WELLBORE DIAGRAM MISSION RESOURCES																																
			SU-T-R 4H-23S-36E API #: 30-025-09259 POOL: JALMAT; TAN-YATES-7 RVRS (OIL) CO, ST: LEA, NEW MEXICO LAND TYPE: STATE STATUS: ACTIVE ACREAGE 40.12 LATEST RIG WORKOVER: DIAGRAM REVISED: 5/11/2004 BY ERG																																
		9 5/8" @ 325' w/300 sx Cmt Csg leak 443-537' Ran 4 1/2" csg, circ cmt to surface Csg leak 469-500' Sqz w/200 sx on 1/75	<div style="border: 1px solid black; padding: 2px;"> LOG ELEVATION: 3,477' KB GROUND ELEVATION: 3,467' </div>																																
			<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="width: 15%;">CASING</th> <th style="width: 15%;">LINER</th> <th style="width: 15%;">TUBING</th> </tr> </thead> <tbody> <tr> <td>Hole</td> <td>12 1/2"</td> <td>8 3/4"</td> <td></td> </tr> <tr> <td>Pipe</td> <td>9 5/8"</td> <td>7"</td> <td>4 1/2"</td> </tr> <tr> <td>Weight</td> <td>32#</td> <td>20#</td> <td>9.5-10.5#</td> </tr> <tr> <td>Grade</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Thread</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Depth</td> <td>325'</td> <td>3,799'</td> <td>3,609'</td> </tr> <tr> <td>Mud wt</td> <td></td> <td></td> <td></td> </tr> </tbody> </table>		CASING	LINER	TUBING	Hole	12 1/2"	8 3/4"		Pipe	9 5/8"	7"	4 1/2"	Weight	32#	20#	9.5-10.5#	Grade				Thread				Depth	325'	3,799'	3,609'	Mud wt			
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			<div style="border: 1px solid black; padding: 2px;"> TAN-YATES-7 RVRS ZONE HISTORY 1/75 Perf 3637-67'. Isolate csg leak 469-500'. Braden Head sqz w/200 sx. Set RBP @ 3,690'. Acidize 3637-67' w/1500 gal 15% Frac 3637-67' w/20,000 gal gel & 30,000# sand. Pull RBP & POP 12/89 Set CIBP @ 3,610'. Perf 3173-3278'. Isolate csg leak 443-537'. POP 1/90 Ran 4 1/2" csg to isolate bad csg. Circ cmt to surf. Reperf 3173-3278'. Acidize 3173-3278' w/1500 gal 15% Frac 3173-3278' w/49,224 gal gel & 100,000# sand. IPF 4 BOPD, 128 MCF & 6 BWPD POP 1/91 Acidize w/500 gal 15% </div>																																
			<div style="border: 1px solid black; padding: 2px;"> OPPORTUNITY Queen Larger frac in Yates </div>																																
			<div style="border: 1px solid black; padding: 2px;"> LANGLIE MATTIX (LWR 7RVRS-QUEEN) HISTORY 1/59 Spud. 2/59 Initial Completion Perforated 3706-22' & 3740-50'. (L 7 Rvrs) SOT w/25,000 gal oil & 40,000# sand. IPF 148 BOPD, 8 BWPD 12/67 Acidize w/250 gal. </div>																																
		7" TOC @ 2,315' by Temp surv.																																	
		SELECT PERFS: 3173-3278' on 12/89 Reperf 3173-3278' on 1/90 3,173, 80, 88, 3,208, 14, 21, 30, 44, 50, 54, 75, 78'																																	
		4 1/2" @ 3,609' w/400 sx cmt, circ to surf. CIBP @ 3,610' on 12/89 Perf 3637-67' (24 holes) on 1/75 3,637, 38, 40, 41, 43, 55, 57, 59, 60, 62, 63, 67' Perf 3706-22, 3740-50' on 2/59 Individual perfs unknown 7" @ 3,799' w/250 sx Cmt																																	
TANSILL	3,028' (file pick)																																		
YATES	3,172'																																		
7 RVRS	3,366'																																		
QUEEN	3,780'																																		
		TD 3,800'																																	

☒ Well File

☒ OCD File

Current

QUEEN

now
15 gas 0 bopd
YATES - 7 RVS

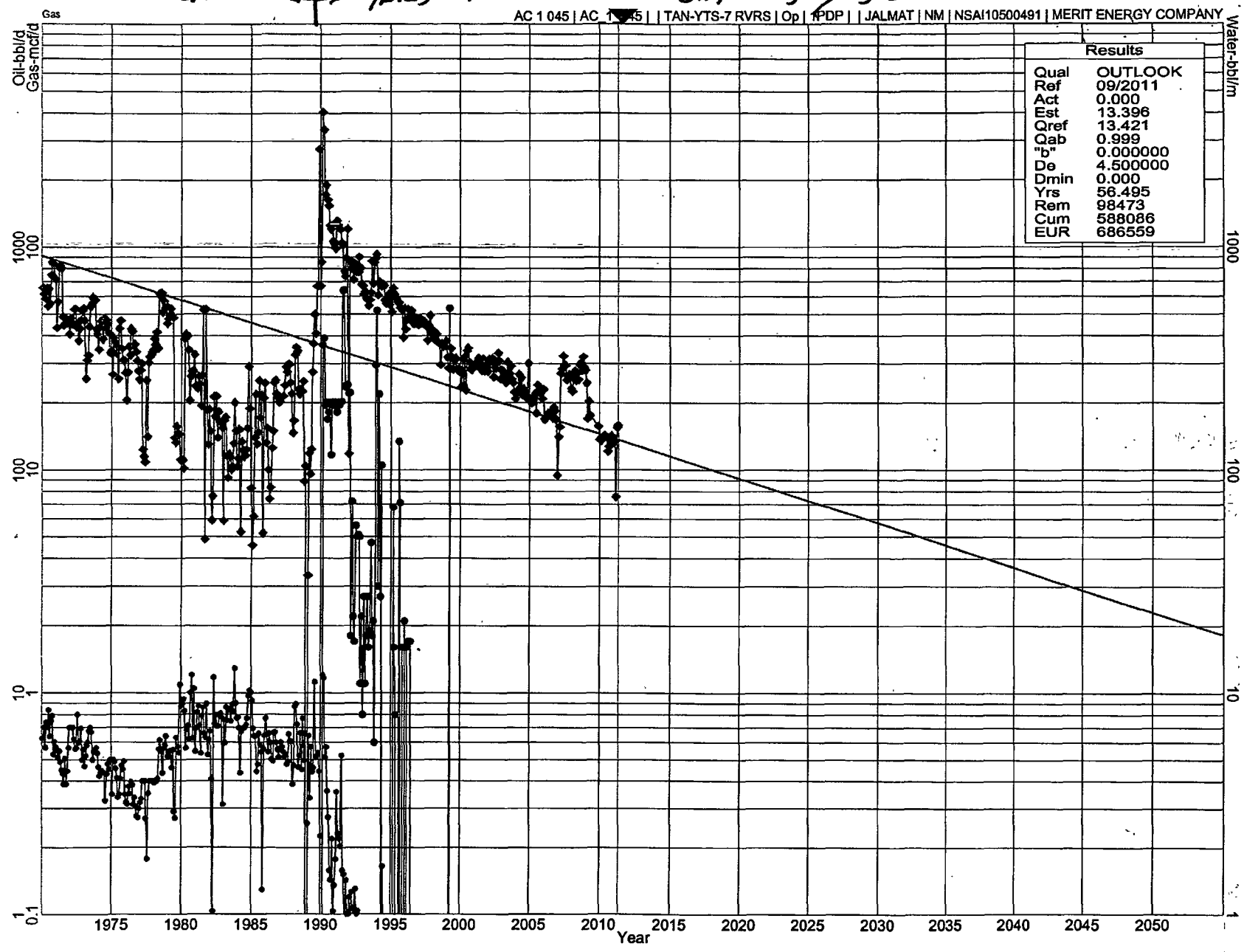
Augmentation

OIL 100% QUEEN
GAS 50/50

Post

5 bopd / 30 mcf/d

AC 1045 | AC 1045 | TAN-YTS-7 RVS | Op | PDP | JALMAT | NM | NSAI10500491 | MERIT ENERGY COMPANY



Results	
Qual	OUTLOOK
Ref	09/2011
Act	0.000
Est	13.396
Qref	13.421
Qab	0.999
"b"	0.000000
De	4.500000
Dmin	0.000
Yrs	56.495
Rem	98473
Cum	588086
EUR	686559