

DATE IN 3.16.11	SUSPENSE	ENGINEER DKB	LOGGED IN 3.16.11	TYPE DHC	APP NO. 1107543286
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

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



Merit Energy
14591

STATE A A/C 2 # 24

ADMINISTRATIVE APPLICATION CHECKLIST 30-025-08833

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 _____

[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.

Lynne Moon
 Print or Type Name

Signature

Regulatory Manager
 Title

03/02/2011
 Date

lynne.moon@meritenergy.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. Suite 500 Dallas, Texas 75240
Operator Address
State A A/C 2 24 I-08-22S-36E Lea
Lease Well No. Unit Letter-Section-Township-Range County
OGRID No. 14591 Property Code 24671 API No. 30-025-08833 Lease Type: ☐ Federal ☒ State ☐ Fee

DATA ELEMENT	UPPER ZONE ✓	INTERMEDIATE ZONE	LOWER ZONE ✓
Pool Name	Jalmat Tansill Yates 7-Rivers		Eunice 7 Rivers Queen South
Pool Code	79240		24130
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	3160' - 3596'		3666' - 3841'
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: 03/01/2011 Rates: 45 MCFD; 3 BWPD	Date: Rates:	Date: Rates: 3 BOPD; 20 MCFD; 10 BWI
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 % 69 %	Oil Gas % %	Oil Gas 100 % 31 %

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.

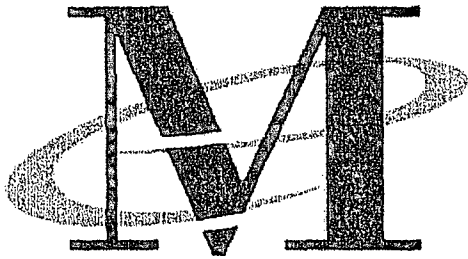
PRE-APPROVED POOLS

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 Lynne Moon TITLE Regulatory Manager DATE 03/04/2011
TYPE OR PRINT NAME Lynne Moon TELEPHONE NO. () (972)628-1569
E-MAIL ADDRESS lynne.moon@meritenergy.com



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

Date: March 22, 2011
To: New Mexico Oil Conservation Division
Attention: William V Jones P.E.
RE. Jalmat Field: 8 Commingling Applications
Lea County, New Mexico

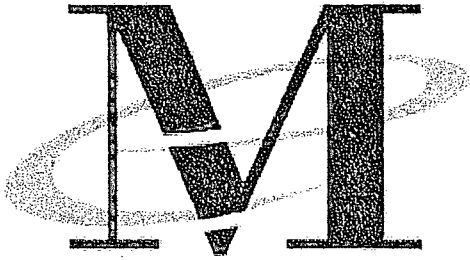
Merit Energy Company has requested approval to commingle the Queen formation (Langlie Mattix Pool) with the Tansill-Yates-Seven Rivers formation (Jalmat Pool).

Each of these wells that we are asking to commingle do 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: 972-628-1885



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

Date: March 22, 2011
To: New Mexico Oil Conservation Division
Attention: William V Jones P.E.
RE. **Jalmat Field: 8 Commingling Applications**
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 S 5-9 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 8 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 NMOCDD 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

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised August 15, 2000
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

DISTRICT III
1000 Rio Brazos Rd., Artec, NM 87410

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

EXHIBIT 20

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-08833	Pool Code 79240	Pool Name JALMAT:TANSILL-YATES-7RIVERS(GAS)
Property Code	Property Name STATE A A/C 2	Well Number 24
OGRID No. 194849	Operator Name PETROHAWK OPERATING COMPANY	Elevation 3596'

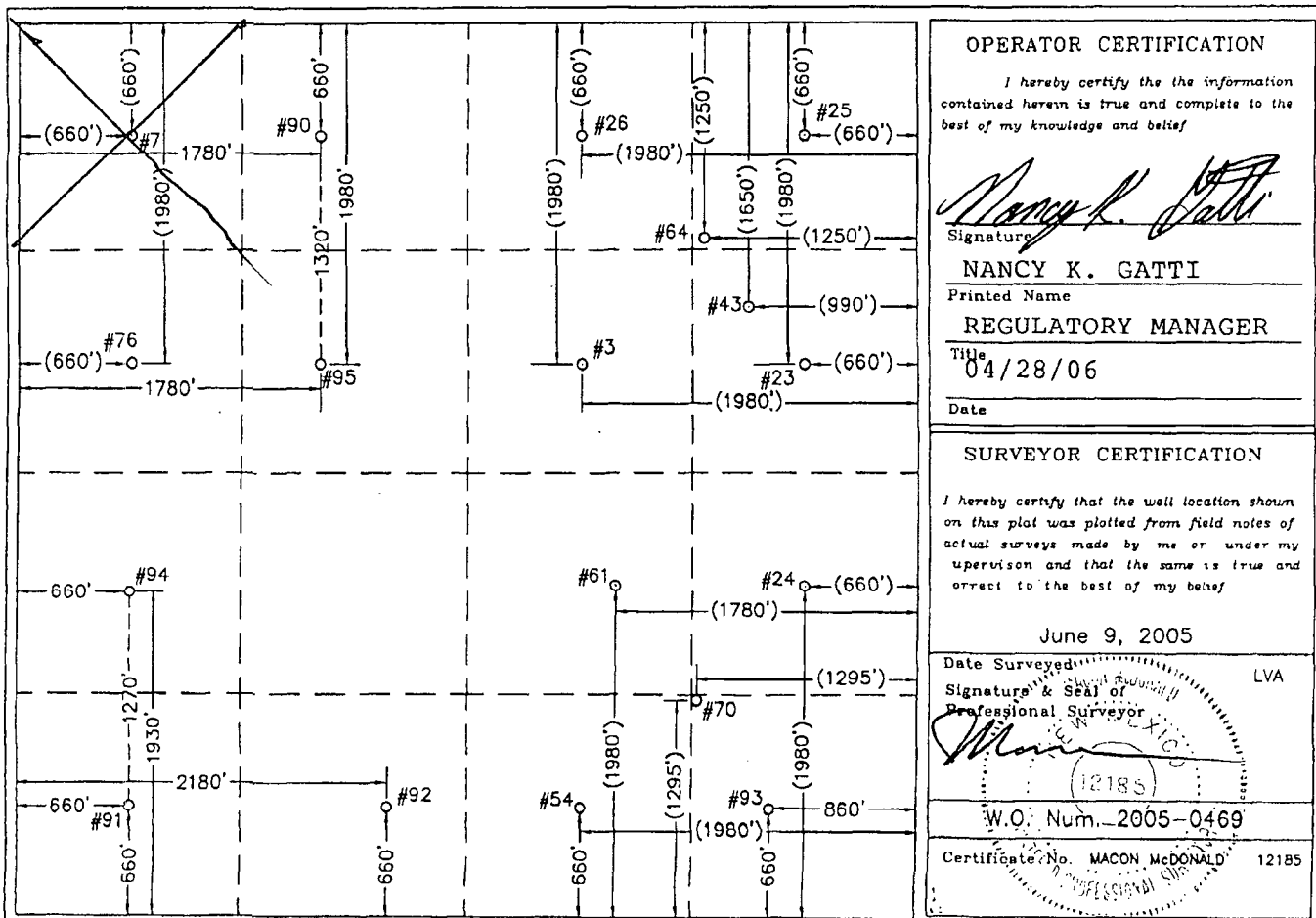
Surface Location

UL or lot No. I	Section 8	Township 22 S	Range 36 E	Lot Idn	Feet from the 1980	North/South line SOUTH	Feet from the 660	East/West line EAST	County LEA
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Bottom Hole Location If Different From Surface

UL or lot No. SAME	Section	Township	Range	Lot Idn	Feet from the 1980	North/South line	Feet from the	East/West line	County
Dedicated Acres 600	Joint or Infill INFILL	Consolidation Code	Order No. SD-06-13						

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



WELL LOCATIONS SHOWN HEREON WITH DIMENSIONS IN PARENTHESIS WERE PROVIDED BY MISSION RESOURCES CORPORATION AND ARE NOT FIELD SURVEYED.

District I
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1301 W. Grand Avenue, Artesia, NM 88210
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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 30-025-08833		² Pool Code 24130		³ Pool Name Eunice 7 Rivers Queen South	
⁴ Property Code 24671		⁵ Property Name State A A/C 2			⁶ Well Number 24
⁷ OGRID No. 14591		⁸ Operator Name Merit Energy Company			⁹ Elevation 3596'

¹⁰ Surface Location

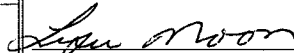
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
I	08	22S	36E		1980	South	660	East	Lea

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	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.

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					<p>¹⁷ OPERATOR CERTIFICATION</p> <p><i>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.</i></p> <p> 03/04/2011 Signature Date</p> <p>Lynne Moon Printed Name</p> <p>lynne.moon@meritenergy.com E-mail Address</p>
					<p>¹⁸ SURVEYOR CERTIFICATION</p> <p><i>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.</i></p> <p>Date of Survey</p> <p>Signature and Seal of Professional Surveyor:</p> <p>Certificate Number</p>

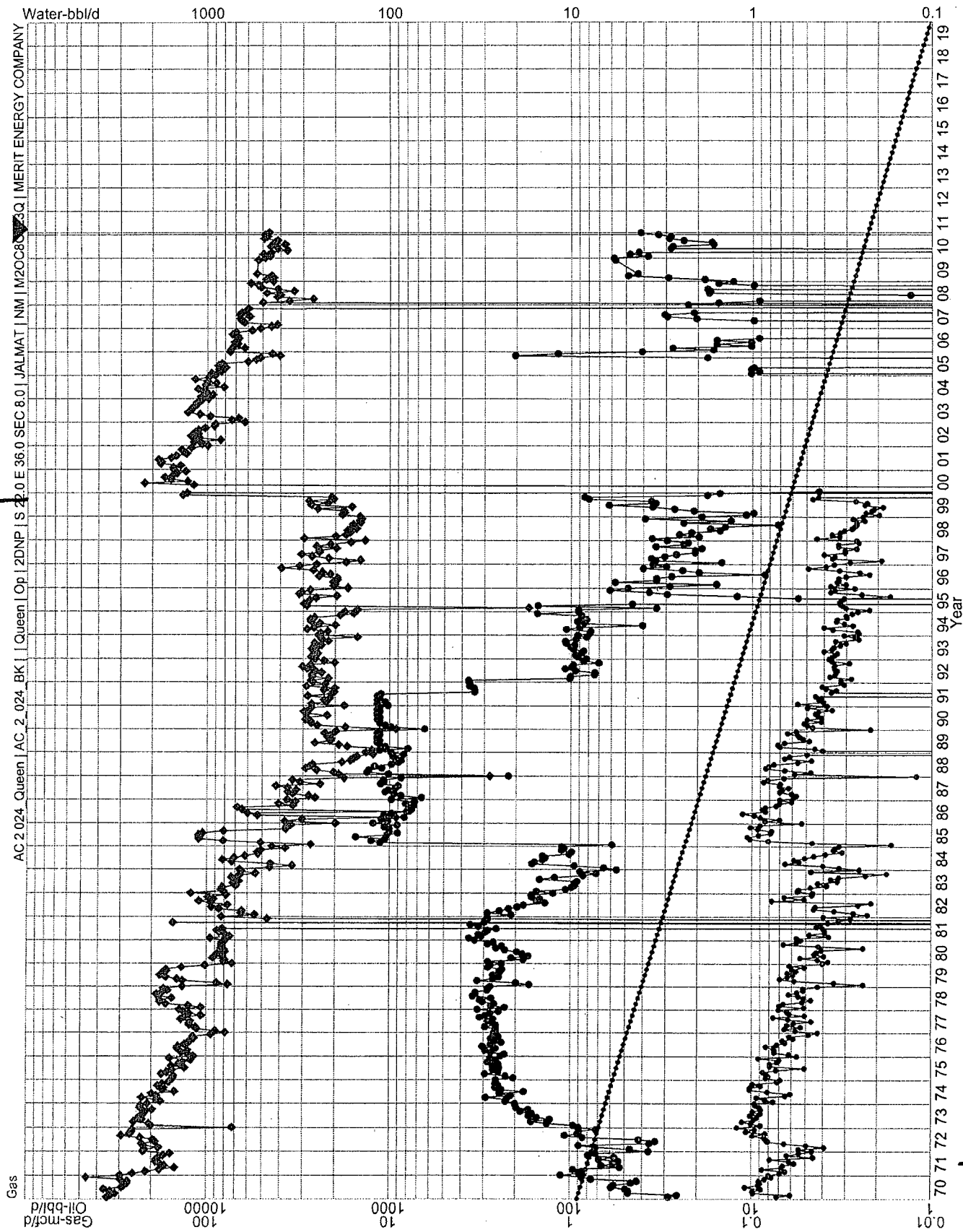
660'
#24
1980'

Act 2 # 24

QUEEN

3 BOPD 20 MCFD 10 BOPD

YATES / 7 RIVERS
45 MCFD 30 WPD 0 BOPD



Allocation OIL 100% QUEEN

GAS 31% QUEEN 69% 7 RIVERS / Yates

Wellbore Diagram

Lease & Well No. **State A A/C 2 # 24**
Field Name **Jalmat**
Location **1980' FSL 660' FEL; Unit I, Sec. 08, T22S, R36E**

Status **Active**
County & State **Lea County, NM**
API No. _____
Pool Name **Jalmat: Tansill Yates Seven Rivers**

Well Information

Spud: **1943** Ground Elevation: _____ D.F. Elevation: **3,584'**
Completed: _____ KB Elevation: _____ Total Depth: _____

Pipe Data

Surface						
Hole size	Depth	Size (OD)	Weight	Grade	Sx. Cmt	Comments
	418 ft	10"				
Production						
Hole size	Depth	Size (OD)	Weight	Grade	Sx. Cmt	Comments
	3727 ft	7"	24.0#			

Downhole Tubulars (Top to Btm):	
113 jts 2 3/8", SN, MJ	
1 1/4" PR, ponys, 8-7/8", 132-3/4", 2" x 1 1/2" x 12' RWTC	

Well History

- 1/7/1943** Acidize Open Hole w/5000 gals
1/8/1965 Run 4 1/2" Liner from 3612' - 3886'; Cmmt w/50 sks/ Perforate: 3666,86,3700,18,38,50,60,76,89,3802,14,32,41 1spf
Acidize and Frac w/35000 gals lease oil, 35,000# sand 27 bpm // IP: 65 BO, 553 MCFD, 5 BW
1/25/1985 RIH w/ 3-7/8" bit clean out to 3801' / RIH w/ 3 15/16" cutrite shoe; mill from 3801 to 3841' / CO fill to 3863 ft
Perf 3758-90, 3800-04, 3810-50 // Acidize perfs 3612-3850 w/4000 gals 15% NEFE + 81 BS
2/20/1985 8 BOPD 143 BWPD 34 MCFD; F/L @ 3658'
12/31/1997 Pump 800 gals 15% HCL dwn annulus
10/26/1999 Set RBP @ 3610' / Perf 7 Rivers: 3507, 09, 12, 14, 21, 28, 30, 32, 34, 56, 58, 60, 62, 64, 69,85,87,89,92,96 w/2spf
Acidize and Frac; IP: 172 MCFD
2/21/2001 TIH and Retrieve RBP / Set CIBP @ 3610 / Set 7" RBP @ 3450
Perf Yates: 3160, 64, 77, 82, 3202, 07, 12, 32, 36, 63, 70, 78, 84, 3301, 14, 25, 31, 42, 87 w/1 spf
Frac Yates CO2 / Circ out fill with Air foam unit / Retrieve RBP / Install prod string
IP: 3 BO 213 MCFD 3 BW
3/28/2008 Replace split tbg

Procedures

Collect Oil & Wtr Samples Submit to X-Chem / MIRU W/O Rig. RU H2S Equipment - Pre-job sfty mtg / Disc Pwr supply Lock/out Tag/out ND HH; RU Rod Equipment; Unseat Pump and TOH with Rods / ND WH, NU BOPs and Test / Rack Back Tubing
NU 6 1/8" Varel Bit, 6 DCs, Tally Tbg in Hole, Tag CIBP or Fill / RU Air Foam Unit w/Mist Pump / Spot 500 bbl frac tank and fill w/2% KCL
RU Flowlines from each csg port to gas buster tank Eliminate excessive bends or 90's - sand will cut out valves and flowlines
Circ well w/Air & Mist Pump to 3610' / Tag Cmmt / DO CIBP / Collect samples (sand, paraffin, scale) CK returns for O&G Kill tbg w/2% KCL
Tag Top of Liner @ 3612' / TOH - Rack back tubing / LD DCs and Bit / RIH open ended to 3886' / CO Fill; Cir well with Air for minimum 2 hrs
Rack back tubing / NU BP, MJ, Perf Sub; Seat Nipple, and RIH w/ TBG w/TAC to 3615 ft
Land Tbg @ 3615' / ND BOPs NU Tubing Head / RU Rod Equipment
PU 12' GA, 40 Ring PA Plunger Pump, On/Off Tool, RIH w/rods, f
Clean Location; RDMO W/O Rig
Production will be commingled and allocated based on subtraction method
Yates / 7 Rivers: Avg Production: 45 MCFD, 3 BWPD
Queen Projected Production: 3 BOPD, 20 MCFD, 10 BWPD

